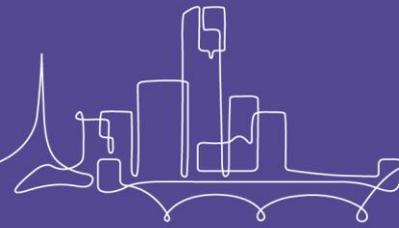




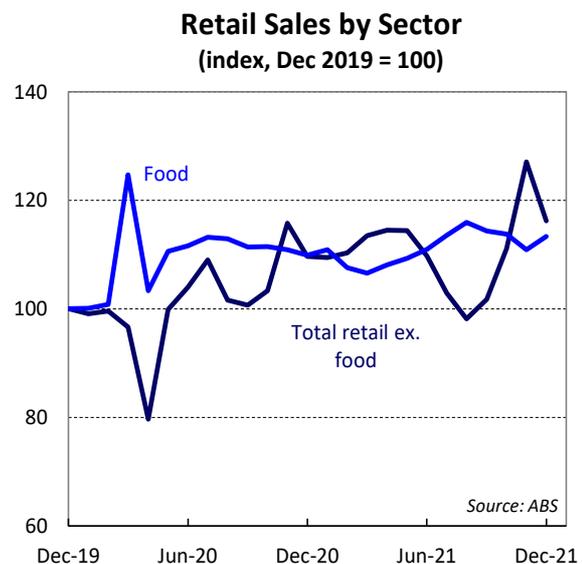
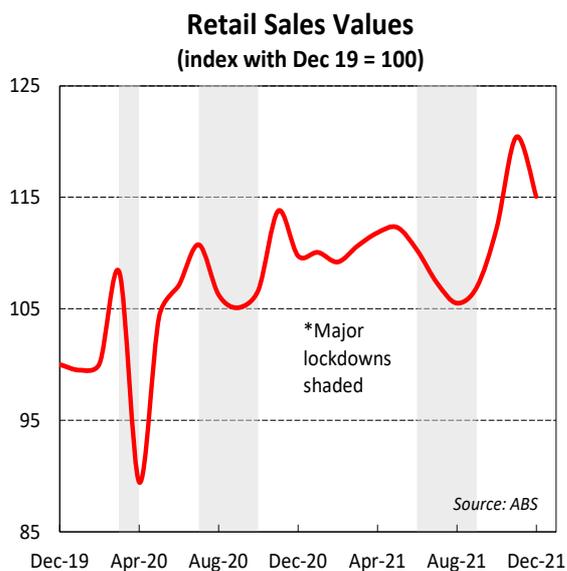
Tuesday, 1 February 2022



## Retail Sales

### Pullback After Black Friday Surge

- Retail sales dropped 4.4% in December after a 7.3% jump in November alongside 'Black Friday' sales. This was the largest monthly drop since April 2020. However, spending remains elevated, with monthly turnover at its second highest level on record.
- The fall follows three consecutive monthly increases over September to November as spending bounced back following the Delta lockdowns.
- The decrease also partly reflects surging COVID-19 cases, although this will be more clearly captured in January when cases peaked. A 'shadow lockdown' emerged as people were forced to isolate due to being infected with the virus or being a close contact. This also contributed to increased caution among consumers.
- Victoria led the declines, down 8.4%. This follows a 20.0% surge in November. NSW recorded the second largest fall of 4.2%. This comes after three months of strong growth following the Delta lockdowns. All other states and territories, except the NT, recorded falls in the month.
- Spending fell across all categories, except food retailing (+2.2%). Department stores (-21.3%), clothing, footwear and personal accessories (-17.3%), and household goods (-9.2%) experienced large falls in the month.
- Uncertainty remains and spending is likely to fall further in the near-term. However, the future is looking positive. Strong household balance sheets, low interest rates, a strong labour market, and pent-up demand should underpin robust growth in retail spending over 2022.



Retail sales dropped 4.4% in December after a 7.3% jump in November alongside 'Black Friday' sales. This was the largest monthly drop since April 2020 and was the third largest monthly fall on record. The fall follows three consecutive monthly increases over September to November.

While spending dropped in December, it came off a record high in November. Nominal sales were at their second highest level on record and remained more than 15% above pre-pandemic levels (as of December 2019).

The decrease in December reflected an unwinding of strength in November. Some consumers brought forward their Christmas shopping to take advantage of 'Black Friday' and 'Cyber Monday' sales and avoid potential product availability issues closer to Christmas. This is consistent with a broad trend over many years, where some shopping that previously occurred in December has been brought forward into November to take advantage of sales.

Considering November and December together, retail sales increased by 7.5% from the previous two-month period of September and October. The strength in retail sales prior to the drop in December reflected the unleashing of pent-up demand following the end of Delta-related lockdowns across the largest states.

Surging COVID-19 infections in the later part of December also had an impact. A 'shadow lockdown' emerged as people were forced to isolate due to being infected with the virus or being a close contact. This also contributed to increased caution among consumers, as individuals adjusted their behaviour to reduce the chance of catching the virus. However, this effect is likely to come through more strongly in the January data as case numbers peaked during that month.

### **By states and territories**

Victoria led the declines in December, down 8.4%. This followed a 20.0% surge in November, which was the state's second highest monthly increase on record. Despite the fall in December, sales were 13.0% above pre-pandemic levels and 4.5% above pre-Delta levels (as of May 2021).

NSW recorded the second largest fall of 4.2% in the month. This comes after three months of strong growth following the Delta lockdowns. Similar to Victoria, sales across NSW remained 13.9% above pre-pandemic levels, but have pulled back to be just above (0.5%) pre-Delta levels.

All other states and territories, except the NT (+3.7%), recorded falls in the month. SA (-4.1%), WA (-3.5%), Tasmania (-3.5%), and the ACT (-3.1%) all recorded falls of more than 3%. Some of these states had previously been largely insulated from high COVID-19 case numbers. However, infections increased leading into Christmas as border closures were lifted across some states. Queensland was the least affected (-0.7%) despite opening its borders in the lead up to Christmas and experiencing higher case numbers.

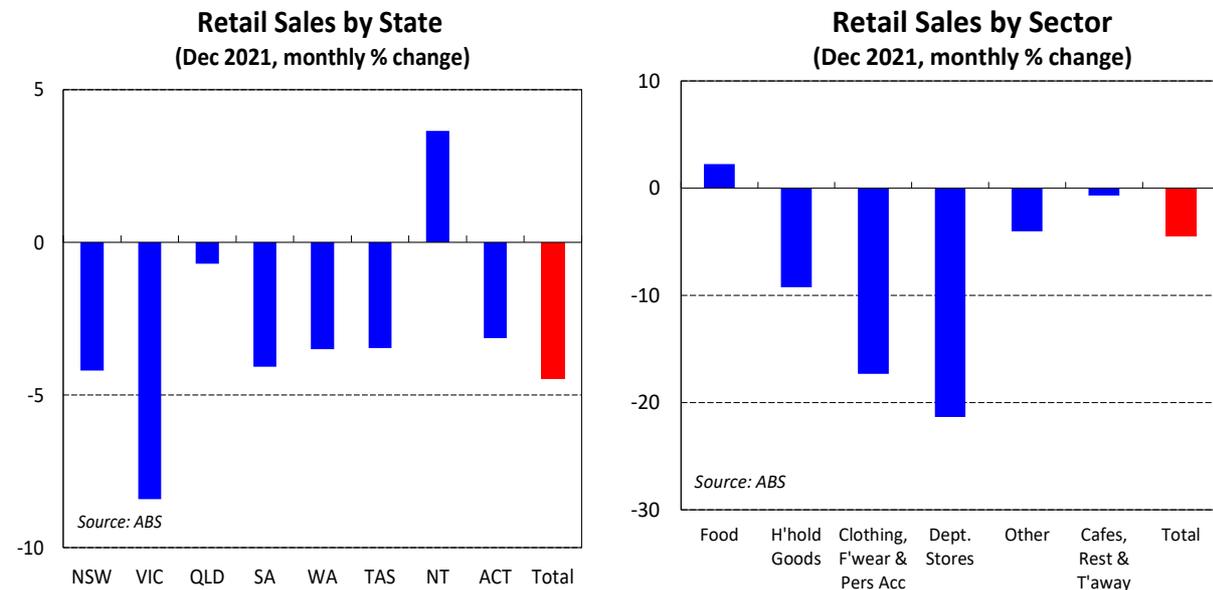
Despite the falls in December, nominal sales remain more than 10% above pre-pandemic levels and above or around pre-Delta levels across all states and territories.

### **By category**

Spending at department stores fell by 21.3% over the month, the second largest fall on record. The plunge follows a rebound over October and November, where sales jumped 22.4% and 26.0%, respectively. The fall in December reduced sales to below pre-pandemic levels. Department stores were the only category where sales fell below pre-pandemic levels in December.

Clothing, footwear and personal accessories (-17.3%) and household goods (-9.2%) also experienced large falls in the month. Other retailing was down 4.0% and cafes, restaurants and takeaway food services fell 0.7%.

Food retailing rose 2.2% in the month, as households increased the time they spent at home and reduced spending on services outside of the home. This pattern of increasing food spending while decreasing spending on other categories is consistent with what has been observed during previous episodes of lockdowns and disruptions to trade.



## Outlook

Rising COVID-19 infections have introduced considerable short-term uncertainty to the economic outlook. Staff availability has been affected, as many businesses are forced to manage high rates of absenteeism. Added to this, supply-chain disruptions increased towards the end of 2021 and beginning of 2022, largely due to these staffing impacts.

Retail sales will likely continue to be negatively impacted in January 2022, as these factors were fully captured over the month.

However, looking beyond the near-term uncertainty, things are looking positive. Case numbers are falling following a peak in January and are expected to continue to trend lower. A highly vaccinated population and the rollout of boosters is helping to reduce the health impact of the spike in case numbers.

On the economic side, households have built up strong balance sheets following significant government support and limited spending opportunities. Interest rates remain low, the labour market is strong, and pent-up demand was being unleashed prior to the recent spike in case numbers. These factors should underpin robust growth in retail spending over 2022.

**Jarek Kowcza, Senior Economist**  
Ph: 0481 476 436

## Contact Listing

### Chief Economist

Besa Deda  
dedab@bankofmelbourne.com.au  
(02) 8254 3251

### Economist

Matthew Bunny  
matthew.bunny@bankofmelbourne.com.au  
(02) 8254 0023

### Senior Economist

Jarek Kowcza  
jarek.kowcza@bankofmelbourne.com.au  
0481 476 436

### Associate Economist

Jameson Coombs  
jameson.coombs@bankofmelbourne.com.au  
0401 102 789

### The Detail

The information contained in this report (“the Information”) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

---

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac’s subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.

---