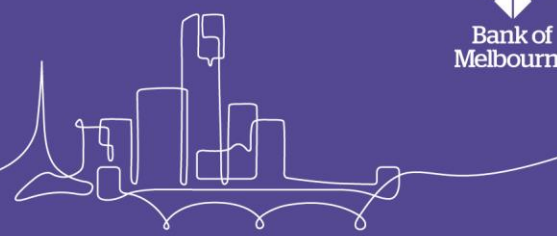




Tuesday, 28 September 2021

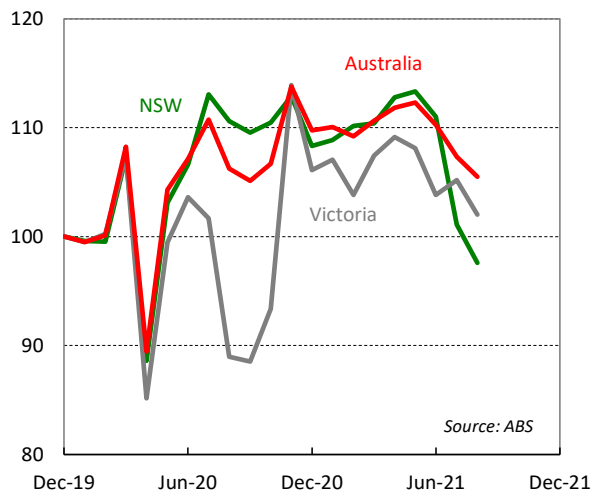


Retail Sales

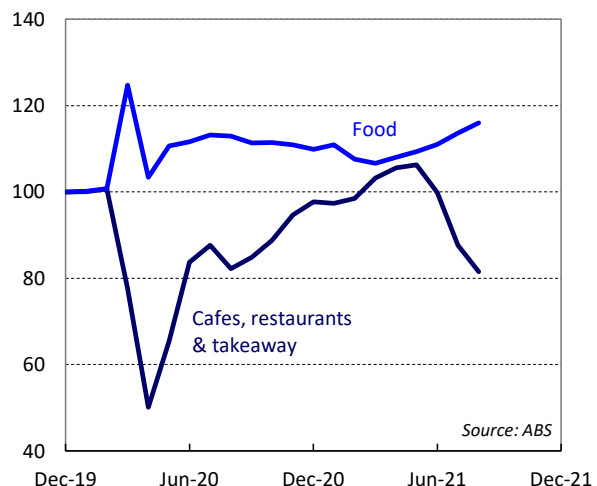
Lockdowns Drive Two-Speed Economy

- Retail spending took another hit in August as lockdowns continued to bite. Sales fell 1.7% in the month to be 0.7% lower over the year to August. This marks the third consecutive fall in spending, with sales down 6.0% since May.
- There is clear evidence of a two-speed economy differentiated by which regions are in lockdown. Retail spending is now around or below its pre-pandemic level in NSW, Victoria and the ACT while in the rest of the country, spending remains over 10% higher.
- Spending fell another 3.5% in NSW in August, hitting its lowest level since April 2020. Retail sales in Victoria declined 3.0% after the state plunged back into lockdown. Spending fell 19.9% in the ACT – its largest decline on record – after the territory was also hit with restrictions.
- Spending fell in August in Queensland (-0.9%), Tasmania (-1.1%) and the Northern Territory (-0.6%). Meanwhile, sales rose in SA (6.6%) following a reopening boost and in WA (2.8%).
- By category, spending patterns have largely been consistent with previous lockdowns. Clothing, footwear and personal accessories and Department stores both saw a second consecutive month of double-digit falls. Food spending (i.e. grocery stores) rose in the month, while there was another drop in spending on Cafes, restaurants and takeaway.
- Restrictions are likely to continue to weigh on spending in the coming months. But beyond the near-term uncertainty, consumer spending looks set for solid growth. Ongoing fiscal and monetary support, the build up of large household saving buffers and higher household wealth following massive dwelling price growth will all bolster spending as lockdowns lift.

Retail Sales by Region
(index, Dec 2019 = 100)



Retail Sales by Sector
(index, Dec 2019 = 100)



Retail spending took another hit in August as lockdowns continued to bite. Sales fell 1.7% in the month to be 0.7% lower over the year to August. This marks the third consecutive fall in spending, with sales down 6.0% since May.

The Delta lockdown continued in NSW while Victoria plunged back into an extended lockdown in the beginning of the month following a brief reopening in late July. The ACT, Queensland and the NT were also in lockdown for part of the month.

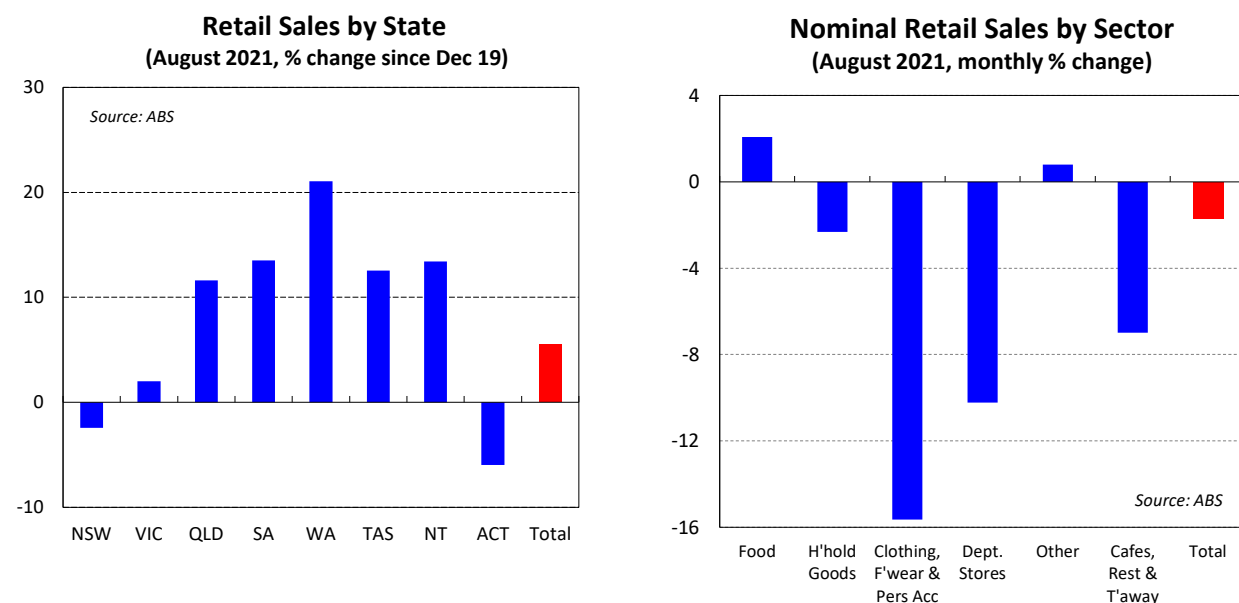
Spending fell another 3.5% in NSW in August and is now down 13.9% since May. Retail spending in NSW was at its lowest level since April 2020 and below its pre-pandemic level as at December 2019.

Retail sales in Victoria declined 3.0% after the state reintroduced restrictions shortly after emerging from another lockdown. There was a dramatic fall in spending in the ACT, down 19.9% in the month – its largest decline on record – after the territory was also hit with restrictions.

Spending also fell in Queensland (-0.9%), Tasmania (-1.1%) and the NT (-0.6%).

Meanwhile, sales jumped in SA (6.6%) on a reopening boost following the state's circuit breaker lockdown in July. Retailers in WA also saw gains, with spending up 2.8% in the month. Recall WA had a brief lockdown over late June and early July.

There is clear evidence of a two-speed economy differentiated by which regions are in lockdown. Retail spending is now around or below its pre-pandemic level in NSW, Victoria and the ACT. In the rest of the country, spending remains over 10% higher than the same benchmark. WA is the strongest performer, with spending over 20% higher than the pre-COVID level.



By category, spending patterns have largely been consistent with previous lockdowns.

Clothing, footwear and personal accessories (-15.7%) and Department stores (-10.2%) both saw a second consecutive month of double-digit falls.

Food spending (i.e. grocery stores) rose 2.1% in the month, with people forced to eat at home and stock up on essential goods. Meanwhile, the hospitality industry took another hit, with a 7.0% decline in spending on Cafes, restaurants and takeaway food services.

Spending on Household goods declined 2.3% in August. This sector benefited from a substitution away from services and towards goods during lockdowns in 2020 as mobility was restricted. While sales are down from the peaks in 2020, they are still over 12% higher than their pre-pandemic

level. Other goods increased 0.8% in the month, supported by additional online sales.

Outlook

The slated end of lockdown in NSW next month will provide welcome relief to some sectors which have suffered through lockdowns, notably hospitality. Consumer confidence has held up well relative to previous lockdowns, which will help support spending as restrictions ease.

Experience has demonstrated spending bounces back quickly once restrictions ease.

But restrictions are still likely to weigh on spending in the coming months. Trailing restrictions will remain in place for some time. Additionally, while NSW and the ACT lead the pack, other states and territories still have some way to go before reaching the 70% threshold for easing restrictions. The Victorian roadmap suggests the state will hit 70% in late October.

Plus, this time around, we will likely be reopening with high case numbers, which could mean consumers are more cautious about getting back out to shops and restaurants than in the past.

Beyond the near-term uncertainty, consumer spending looks set for solid growth. Ongoing fiscal and monetary support, the build up of large household saving buffers, and higher household wealth following massive dwelling price growth will all bolster spending as restrictions eventually ease.

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The Detail

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