

Friday, 2 October 2020



Retail Sales

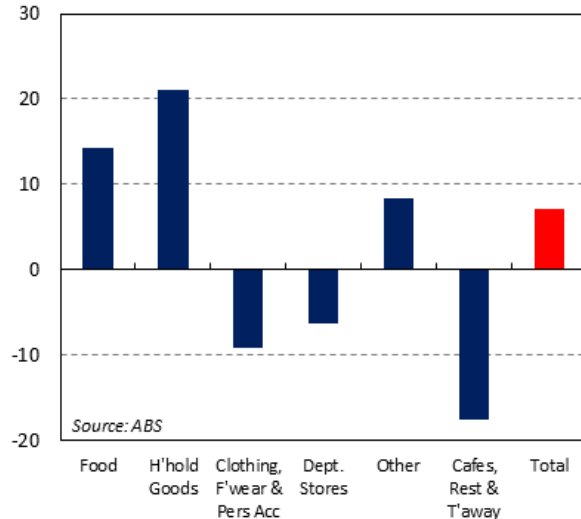
Retail Therapy Goes Digital

- Online retail spending on non-food items has risen almost 80% over the past year. At last, we're letting our fingers do the talking.
- Retail spending, in total, fell 4.0% in August to be up 7.1% over August 2019. This comes after three months of solid growth.
- All the major sectors of retailing took a backward step in August, but each followed a solid rise in July. Spending on clothing, footwear and personal accessories was down 10.5% while department store sales were down 8.9%.
- The impact of the COVID-19 lockdowns on retail spending in Victoria is most dramatically seen in the annual rates of growth. Retail sales in Victoria were down 10.3% in the year to August. This compares with 17.9% growth in Western Australia and 17.8% growth in Tasmania.
- While today's retail sales numbers were soft, growth over the year has been solid. It seems unlikely that this solid annual pace can be maintained as much of it appears to be spending that has been brought forward.
- The outlook for retail spending will depend upon the strength of the labour market, income levels and the capacity of businesses to trade. As restrictions are eased and mobility lifts, we expect to see retail spending gradually lift but with month to month figures remaining volatile.

Online Spending on Non-Food Items
(annual % change)



Nominal Retail Sales by Sector
(August 2020, annual % change)



Retail spending on non-food items has risen almost 80% over the past year. At last, we're letting our fingers do the talking.

Retail spending, in total, fell 4.0% in August to be up 7.1% over August 2019. This comes after three months of solid growth.

The annual growth rate of 7.1% is itself unusual, given that prior to the pandemic being declared, annual growth in retail spending had not exceeded 4% since January 2016. With food sales up 14.3% over the year and spending in cafes, restaurants & takeaway food services down 17.5%, it's not difficult to determine where the 'Covid-kilos' are being accumulated and which sector is doing it tough.

The ABS experimental series covering online sales, shows growth in online food sales up 86.2% on a year earlier. In the month of August, online food sales rose 6.8% while non-food online purchases were up 7.0%. It goes almost without saying that the pattern of retail spending by sector and by method is being heavily influenced by COVID-19-related factors such as working from home, lockdowns, and social distancing.

All the major sectors of retailing took a backward step in August, but each followed a solid rise in July. Spending on clothing, footwear and personal accessories was down 10.5% while department store sales were down 8.9%. Results for the other sectors were cafes restaurants & takeaway services (-6.6%), household goods (-6.0%) and food (-0.2%). These are volatile times for retailers.

On an annual basis, the household goods sector has been the strongest with sales rising 21.0%. This was followed by food at 14.3%. On the other side of the ledger, spending in cafes, restaurants & takeaway food services was down 17.5% over the year, clothing, footwear & accessories down 9.2% and department stores 6.2% lower.

All states saw a downturn in retail spending in August, but both of our territories saw gains. Unsurprisingly Victoria (-12.6%), in the face of its lockdowns, saw the weakest retail sales. It was followed by NSW (-2.0%) and Queensland (-1.1%). South Australian retail spending fell 0.9% in August while it was down 0.4% in Western Australia and 0.2% in Tasmania. In the Northern Territory sales rose 2.0%, while in the ACT they rose 0.7%.

The impact of the COVID-19 lockdowns on retail spending in Victoria is most dramatically seen in the annual rates of growth. Retail sales in Victoria were down 10.3% in the year to August. This compares with 17.9% growth in Western Australia and 17.8% growth in Tasmania. The ACT reported 15.1% growth, Queensland 14.7%, South Australia 12.1%, the Northern Territory 11.1%, and NSW 10.7%.

Outlook

While today's retail sales numbers were soft, growth over the year has been solid. It seems unlikely that this solid annual pace can be maintained as much of it appears to be spending that has been brought forward. The outlook for retail spending will depend upon the strength of the labour market, income levels and the capacity of businesses to trade. As restrictions are eased and mobility lifts, we expect to see retail spending gradually lift but with month to month figures remaining volatile.

Hans Kunnen, Senior Economist
Ph: 02-8254-1316

Contact Listing

Chief Economist

Besa Deda

dedab@bankofmelbourne.com.au

(02) 8254 3251

Senior Economist

Hans Kunnen

hans.kunnen@bankofmelbourne.com.au

(02) 8254 1316

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.