



Friday, 3 July 2020

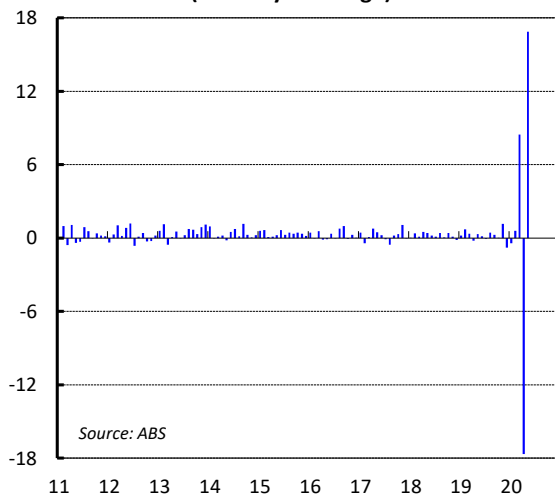


Retail Sales

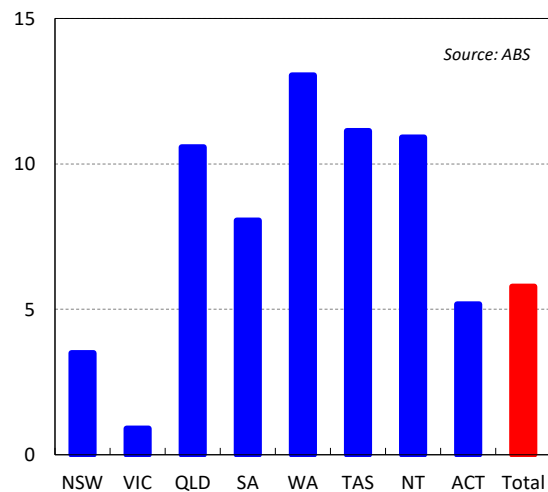
Shoppers Go to Their Happy Place

- The remarkable period in retailing continued in May, as pent-up demand spurred shoppers to stores in earnest following the relaxation of some movement restrictions.
- Retail turnover rose 16.9% in May, a new record increase following a record decline of 17.7% in April. On an annual basis, the level of turnover was a respectable 5.8% higher in May, bouncing back from a 9.2% fall in April.
- All sub-sectors of retailing enjoyed a boost in May. The biggest increase was in sales of clothing, footwear & accessories, which rose by an eye watering 129.2% over the month. But turnover in the sector remained lower by 19.4% on an annual basis.
- Household-goods retailing has been the dark horse of the COVID-19 pandemic. Turnover rose by 16.6% in May, as consumers continued their lockdown-inspired habits of home improvement.
- Eating at home remained popular as well, with food & beverage sales up 7.2% over the month in May and 12.9% higher over the year. However, the easing of restrictions did result in some celebratory meals out. Cafes, restaurants & catering services saw a 38.8% increase in turnover during the month.
- Once the dust settles from the large swings of recent months, we expect the annual rate of growth in retail turnover to turn lower. The stockpiling episode in March will dampen the requirement for some households to purchase essentials while depressed incomes and heightened uncertainty will weigh on discretionary spending.

Nominal Retail Sales (monthly % change)



Retail Sales by State (May 2020, annual % change)



The wild ride in retailing continued in May, as shoppers returned to stores in earnest following the relaxation of some movement restrictions. Retail turnover rose 16.9% in May, a new record increase following a record decline of 17.7% in April and a previous record high of 8.5% in March. On an annual basis, the level of turnover was a respectable 5.8% higher in May, bouncing back from a 9.2% fall in April.

A huge increase in turnover was widely expected; it was clear from anecdotal evidence early in May that Australia's relative success in containing COVID-19 and a sense of relief from "lockdown fatigue" had encouraged shoppers to descend on malls around the country in droves once restrictions were lifted. Preliminary data for May released by the Australian Bureau of Statistics (ABS) released last week also provided a reliable indication of the impending increase, showing a 16.3% lift.

All sub-sectors of retailing enjoyed a boost in May, albeit from extremely low levels. Items that were hardest hit by containment measures saw the largest monthly increases. These categories tended to include goods that are traditionally tested or consumed in store, and those often found in malls and shopping centres.

Belying the previously unthinkable monthly increases in many sectors, the level of turnover compared with a year ago was more mixed. Stockpiling behaviour in March has left annual turnover much higher in some areas, while others are experiencing much lower activity. Anecdotal evidence from some retailers suggests that this volatility is present even within segments. Some stores are finding it difficult to gauge demand and manage their inventory on a week-to-week basis amid ever-changing conditions during the pandemic.

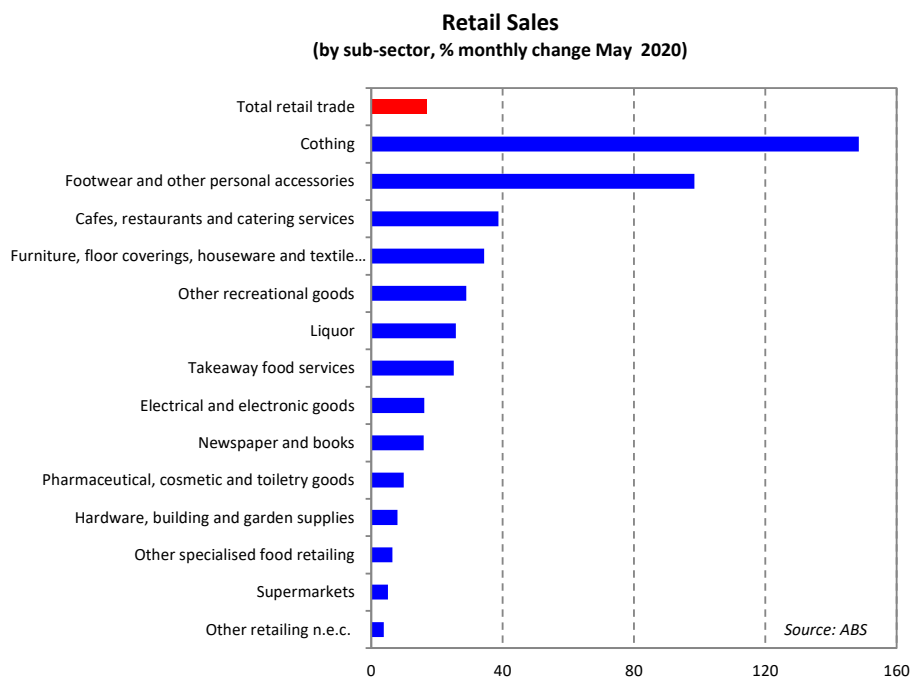
Of the 15 sub-sectors, 10 recorded annual growth in turnover in May and five recorded a decline.

Sales of clothing, footwear & accessories rose by an eye-watering 129.2% over the month, with the sub-sector of clothing alone up 148.5%. On an annual basis, retailers across this sector continued to do it tough, with the level of sales down 19.4% on an annual basis in May. Turnover at department stores bounced back 44.4% and were 12.6% higher than a year ago.

Household-goods retailing has been the dark horse of the COVID-19 pandemic. The sector was resilient in April, recording a mild 0.1% decline while overall retail turnover was decimated with a 17.7% fall. It rose by 16.6% in May as consumers continued their lockdown-inspired habits of buying hardware, building & garden supplies (8.0%). There was also a large increase in the furniture, floor coverings & textiles segment (34.4%) and electrical goods retailing (16.2%). Household goods turnover was 28.8% higher on an annual basis in May.

Households also appeared to continue to prefer eating at home, with food & beverage sales up 7.2% over the month in May and 12.9% higher over the year. Within this category, liquor sales rose even higher, up 25.8% during the month and are now the best performing sub-sector on an annual basis, with turnover 45.4% higher over the year. However, the easing of restrictions did result in at least some celebratory meals out. Cafes, restaurants & catering services saw a 38.8% increase in turnover during the month. Takeaway food services rose 25.1% over the month, leaving the combined cafes, restaurants & takeaway food services sector up 30.3% during the month but still lower by 34.8% compared with a year ago.

"Other" retailing, which includes goods such as newspapers and books, recreational goods and pharmaceutical products, along with items not elsewhere classified, rose 9.4% in May following a 14.4% fall in April. Sales in this category lifted 9.9% over the year.



All States and territories recorded a bumper month in May. The biggest monthly increase was in Western Australia, where sales surged 19.7% followed by Tasmania (17.3%) and Victoria (17.2%). The rise in infections in Victoria and the reimposition of restrictions in some areas threatens to suppress turnover in Victoria in the coming months. Queensland (16.6%), New South Wales (16.5%) and South Australia (16.1%) also saw a robust improvement in turnover during the month. Growth in the territories was not as high, turnover rose 12.2% in the ACT while turnover in the Northern Territory rose by “only” 8.1%.

Annual growth was also strongest in Western Australia, at 13.0%, contrasting with meagre growth of 0.9% in Victoria and a 3.5% increase in New South Wales. Tasmania’s annual growth was the second highest, at 11.1%, followed by the Northern Territory (10.9%), Queensland (10.6%) and South Australia (8.0%). The ACT recorded annual growth of 5.2% in May.

Supplementary analysis provided by the ABS confirmed the rapid uptake of online shopping during COVID-19. In its experimental series, the ABS said that the portion of turnover transacted online rose to a record 11.1% in April compared with 7.1% in March (the data is not seasonally adjusted). The increase was led by non-food sales. Seasonally adjusted food sales rose 11% in April compared with a 36% increase in non-food sales. At this stage online data is experimental and caution should be taken when interpreting the results.

Outlook

It has been a truly remarkable period for retailing. In March, a near 20-year record high was broken, but that record only lasted two months before it was broken again by almost double. In between there was a record fall. The net result has been that goods retailing remained above its pre-crisis level in May. Once the dust settles, we expect the annual rate of growth in retail turnover to turn lower due to higher unemployment, weaker household incomes and uncertainty about the outlook. The stockpiling episode in March will dampen the requirement for some households to purchase essentials while depressed incomes and heightened uncertainty will weigh on discretionary spending.

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