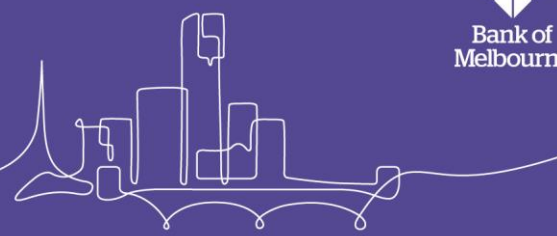




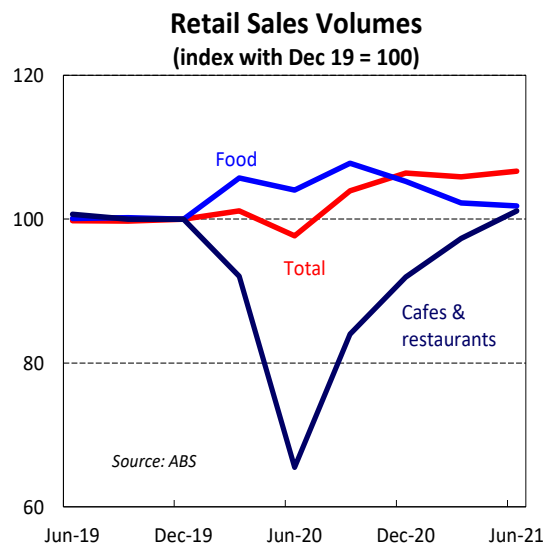
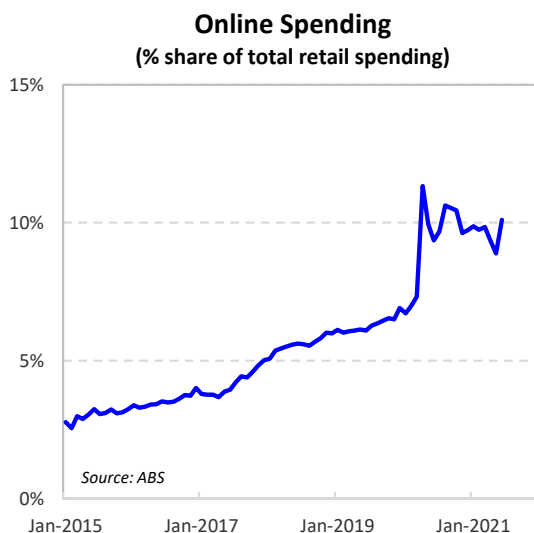
Wednesday, 4 August 2021



Retail Sales

Déjà Vu as Lockdowns Impact Sales

- Retail sales fell by 1.8% in June, in line with the preliminary estimate and consensus expectations. This followed lockdowns in Victoria and New South Wales for part of the month and shorter lockdowns across other parts of Australia, including Queensland, Western Australia and the Northern Territory.
- Food retailing rose by a solid 1.5% in June after two months of good gains. All other major categories of retailing fell in June. Ex food, retailing would have dropped a sharper 4.1% in June.
- Online spending spiked 11.6% in June, which is the biggest jump since April 2020 and follows large falls in April and May. As a share of all retailing, online spending has returned to the double digits – at 10.1% in June. Online spending is likely to remain strong in the coming months given the lockdowns across New South Wales and other states over July and August.
- In volume terms, retail spending grew by 0.8% in the June quarter, more than fully recovering the fall in the March quarter. This is positive for consumption and subsequently, GDP growth in Q2. However, some categories which are more impacted by COVID-19-related restrictions aren't captured in retail sales, including recreational services and travel-related spending.
- In year-on-year terms, retail sales volumes grew by 9.2% - the fastest pace in over 17 years. But volumes were depressed last year in the June quarter, boosting the annual pace for this quarter.
- In volume terms, cafes, restaurants and takeaway food services is now above its pre-pandemic level for the first time since the pandemic began. As this sector has recovered, food retail volumes have reduced, as people transition back to eating out more often and less at home. This is likely to reverse somewhat over the next few months due to lockdowns.



Retail Sales - Value

Retail sales fell by 1.8% in June, in line with the preliminary estimate and consensus expectations.

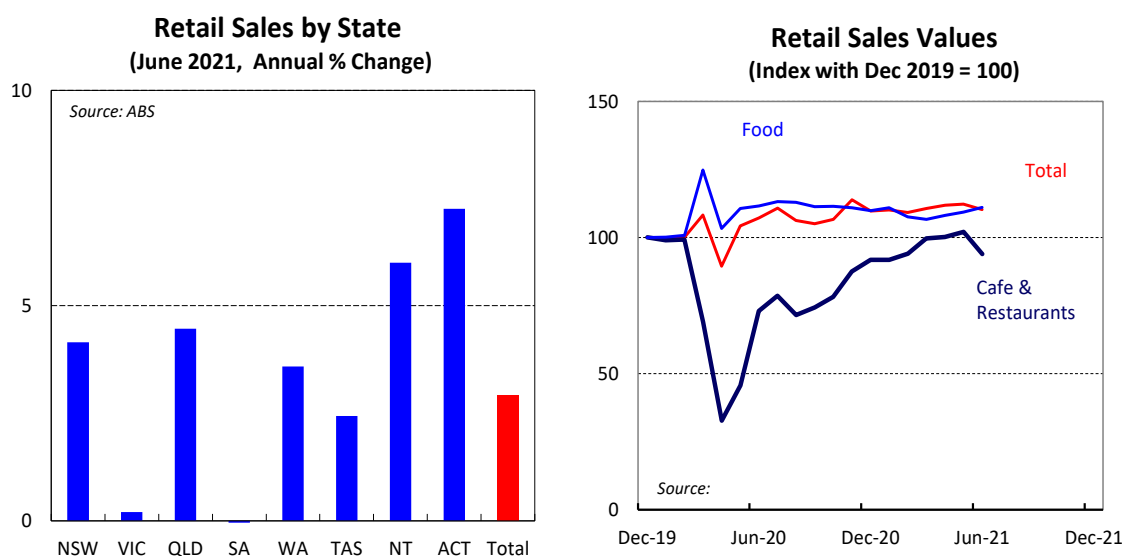
A trend that was prevalent during the national lockdown and the height of the pandemic last year was an uplift in food retailing, including for supermarket, grocery and liquor sales. June featured lockdowns in Victoria and New South Wales for part of the month and concerns about the possible spread of the Delta virus from Sydney to other parts of Australia in late June. Other states and territories also saw short interruptions to trade due to restrictions, including Queensland, Western Australia and the Northern Territory. In response, food retailing rose by a solid 1.5% in June after two months of good gains.

Excluding food, retailing would have dropped a sharper 4.1% in the month. In year-on-year terms, retailing grew 2.9%, down from an annual pace of 7.7% in May. Annual growth is below the long-run average of 4.1% but is likely to continue to be volatile over coming months as sales a year ago were affected by the pandemic.

All other major categories of retailing fell in June. The biggest falls in June occurred in the discretionary areas of spending – clothing, footwear and personal accessories plunged 9.5%, department store sales fell 7.0% and cafes, restaurants & takeaway services dropped 6.0%. The latter category had undergone a strong recovery over February to May, but this recovery has been interrupted by the June lockdowns in the country's more populous states. This category will also be impacted over the next few months by the current New South Wales lockdown and other lockdowns across Australia.

The other categories were household goods, which fell 1.3% in June, and other retailing, which declined 1.6%. Other retailing includes specialist stores like bookstores, sporting goods stores and gardening retailers.

In last year's national lockdown, Australians spent large on the 'caring' economy, the 'homebody' economy and household goods; these categories included bikes and laptops. But the spending last year means there is less demand for these goods during the lockdowns in New South Wales and Victoria in June (and since June). The spending last year represents a type of "pull forward" effect.



Another feature that was prevalent at the height of the lockdown and pandemic last year, and has returned with a force in June, was online spending. Online spending spiked 11.6% in June, which is the biggest jump since April 2020 and follows large falls in April and May of 4.1% and 4.5%,

respectively. As a share of all retailing, online spending has returned to the double digits – at 10.1% in June. Online spending is likely to remain strong in the coming months given the lockdowns across New South Wales and other states over July and August.

The biggest falls across the states and territories happened in Victoria and New South Wales. Retailing fell 4.0% and 2.0%, respectively, in these states. Moreover, these monthly declines were the biggest in six months in these states.

Queensland, Tasmania and the Northern Territory also recorded declines in June of 0.9%, 1.6% and 1.8%, respectively.

Growth in retail sales in the month was recorded in the ACT (+1.3%), South Australia (+0.6%) and Western Australia (+0.1%).

The annual rates of retailing in the states and territories continued to record growth, however, only Queensland, Northern Territory and the ACT have annual rates of growth above their long-run averages.

Retail Sales - Volume

Retail spending in volume terms more than fully recovered from the fall in the March quarter and increased by 0.8% in the June quarter 2021. This was slightly higher than our expectation of 0.7% and in line with consensus expectations.

Retail sales represents around a third of household consumption. This result is positive for consumption and subsequently, GDP growth in the June quarter. However, some consumption categories which are more impacted by COVID-19-related restrictions aren't captured in retail sales, including recreational services and travel-related spending.

In annual terms, the volume of retail sales grew by 9.2% over the year to June. This was the highest annual growth rate in over 17 years and the second highest in the history of the series (dating back to 1983). However, this was impacted by COVID-19-related disruptions a year ago, which depressed last year's numbers.

Shopping trends continued to slowly return to normal as sectors most impacted during the pandemic continued to recover. Cafes, restaurants and takeaway food services was the strongest performer, growing by 3.9% in the quarter. This now takes the sector to be above its pre-pandemic level (of December 2019), in volume terms, for the first time since the pandemic began. As this sector has recovered, food retailing volumes have reduced, as people transition back to eating out more often and less at home.

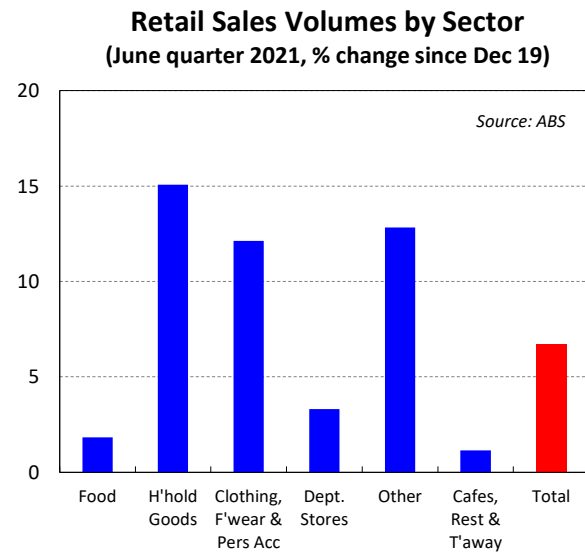
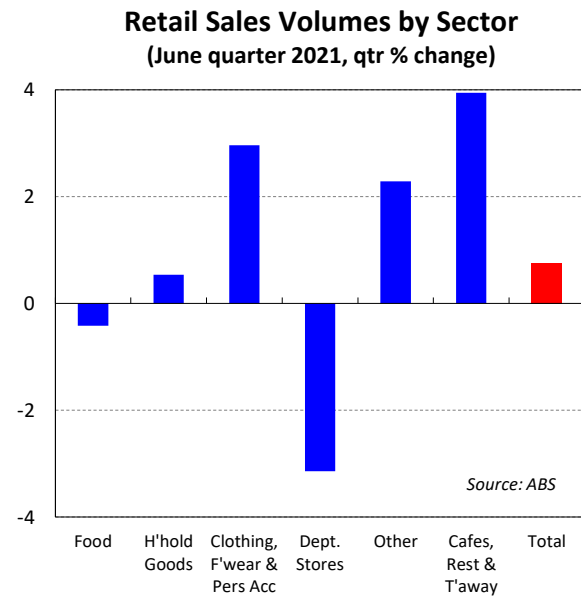
Clothing, footwear and personal accessories grew by 3.0% in the quarter, followed by other retailing, up 2.3%.

Department stores were most impacted by the various lockdowns across the quarter and fell by 3.1%. Food also fell by 0.4%, despite being supported by the pre-lockdown stocking up behaviour we have come to see once lockdowns are announced.

All sectors are now above their pre-pandemic levels. Household goods retailing is 15.1% higher, followed by other retailing (12.8% higher) and clothing, footwear and personal accessory retailing (12.1% higher).

It was a mixed picture across the states and territories over the quarter. New South Wales led the rises in the quarter, up 1.7%, followed by Tasmania (1.3%) and Western Australia (0.8%). The Northern Territory had the weakest result, down 3.0%, followed by South Australia, down 0.3%. Victoria, which was impacted by lockdowns over late May to early June, was also weak but

managed to eke out growth of 0.1%.



Outlook

Low unemployment, low interest rates and an elevated level of household savings should underpin a brighter outlook for consumer spending. The uplift in housing should also continue to spill over into strong demand for home-related retailing, including browngoods, greengoods and whitegoods.

However, the lockdown in New South Wales since late June and snap lockdowns in other states have dented consumer sentiment and clouded the near-term outlook. Spending is likely to be disrupted over the next few months until the momentum in the economy reasserts itself when New South Wales exits the lockdown. Certain sectors will be prone to disruption more than others.

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