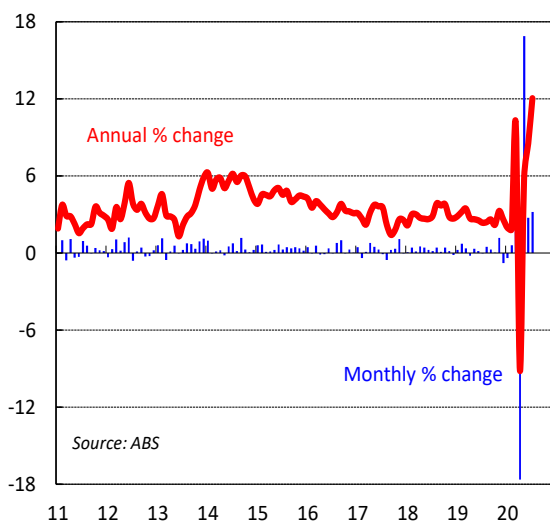


Friday, 4 September 2020

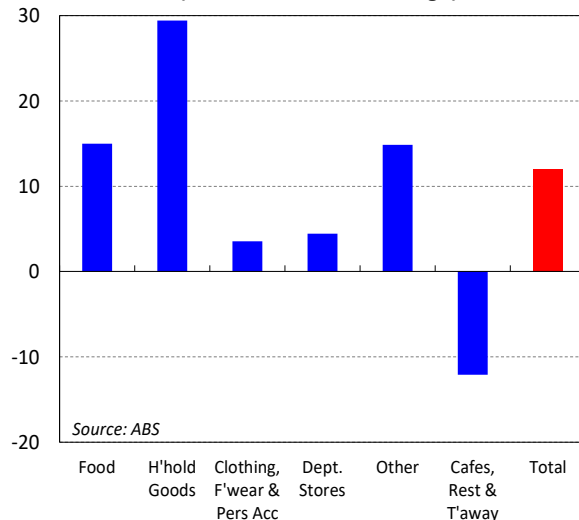
Retail Sales Spending Picks Up

- Retail spending rose for a third consecutive month following the crash in sales during April. In June, retail sales rose 3.3% to be up 12.0% over the year. To keep today's numbers in perspective, we need to remember that monthly national retail sales figures rarely exceeded 1.0%, prior to the pandemic.
- There were, once again, significant gains in those sectors hardest hit by lockdown measures. Sales of clothing, footwear & personal accessories rose a further a 7.1% in July following a 20.5% surge in June.
- All States and territories saw retailing gain further in July, with the exception of Victoria (contracting 2.1%). Elsewhere, NSW saw an 5.9% lift in retail spending. Sales were up 5.8% in the ACT, 5.0% in Queensland, 4.2% in Tasmania, 3.8% in Western Australia, 3.1% in the Northern Territory and 2.9% in South Australia.
- While today's retail sales numbers are strong, overall household consumption is likely to remain weak, as today's data do not include a range of other services including travel. Normality will only resume in the longer term as restrictions are lifted and health solution are found. Looking ahead we need to be mindful of trends in employment and consumer sentiment, which will likely continue to weigh on consumer spending. In the meantime, these and other statistics will be buffeted by COVID-19 issues.

Nominal Retail Sales



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



Retail spending rose for a third consecutive month following the crash in sales during April. In June retail sales rose 3.2% to be up 12.0% over the year. To keep today's numbers in perspective, we

need to remember that monthly national retail sales figures rarely exceeded 1.0%, prior to the pandemic. It would be an understatement to say that today's retail sales figures were highly influenced by COVID-19 issues.

The annual growth figure of 12.0% also highlights the impact of COVID-19. These continue reflect the impact of these highly unusual times. It goes without saying that a rise of 12% over the year in retail spending is much preferred to the -9.2% seen in April.

There were, once again, significant gains in those sectors hardest hit by lockdown measures. Sales of clothing, footwear & personal accessories rose a further a 7.1% in July following a 20.5% surge in June. Over the year to July, sales in this sector were up a modest 3.5%. This sector has seen extraordinary volatility in recent months due to the COVID-19 restrictions.

Cafes, restaurants & takeaway food services also saw some recovery as restrictions on movement and gatherings were eased. Spending in this sector rose 4.9% in the month but over the year, spending is down 12.1%. The sector is coming out of the gloom of its April trading period, but it has a long way to go for a full recovery. Apart from the domestic restrictions, closure of our international borders is hurting the sector.

Sales of food rose 1.2% in July. Again, it is a sector that has seen volatility in the months since March. We may no longer be hoarding but we do appear to be restocking our pantries. Sales of food are up 15.0% on a year earlier. This itself is an outstanding number and likely reflect increased food preparation in the home.

Other areas of spending continued to grow as consumers emerged from or adjusted to the various restrictions. Household goods rose 4.0% in July to be up 29.4% in the year to July. Department store sales were also up 4.0% in July and up 4.4% over the year.

Again, it needs to be reiterated, retail sales figures have become relatively volatile. Monthly numbers such as these are highly unusual. The strong gain is good news in regards to a recovery in some areas of household spending. However, it is likely that spending is being diverted from other household services, such as overseas holidays, to retail goods.

All States and territories saw retailing gain further in July, with the exception of Victoria (contracting 2.1%). Retailing in Victoria turned down following a promising 4.1% lift in June. July saw pockets of lockdown in Victoria, a closure of its border with NSW and increased concerns over the spread of COVID-19. These have clearly impacted up retail activity.

Elsewhere, NSW saw an 5.9% lift in retail spending. Sales were up 5.8% in the ACT, 5.0% in Queensland, 4.2% in Tasmania, 3.8% in Western Australia, 3.1% in the Northern Territory and 2.9% in South Australia.

Outlook

While today's retail sales numbers are strong, overall household consumption is likely to remain weak, as today's data do not include a range of other services including travel. Normality will only resume in the longer term as restrictions are lifted and health solution are found. Looking ahead we need to be mindful of trends in employment and consumer sentiment. In the meantime, these and other statistics will be buffeted by COVID-19 issues.

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