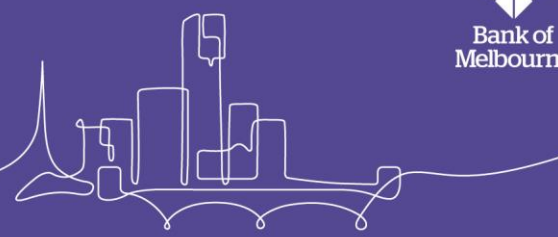




Monday, 5 July 2021

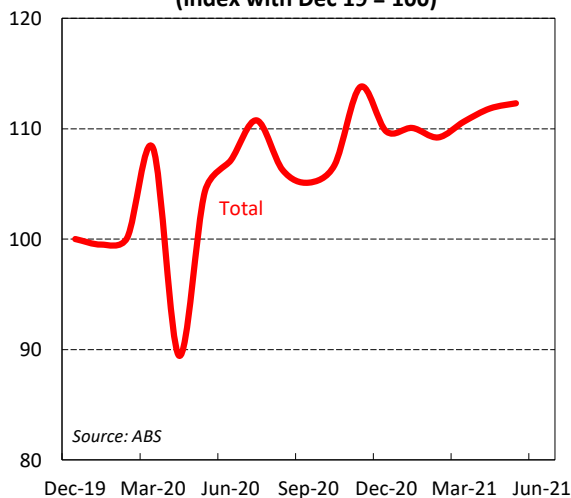


Retail Sales

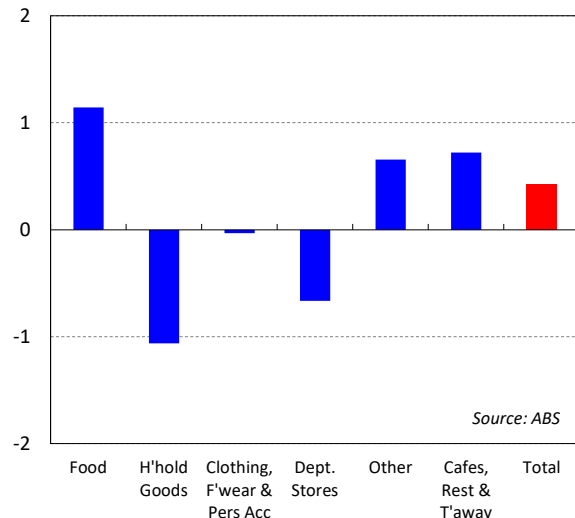
Spending Up Ahead of Lockdown Hit

- Australians continued to open their wallets in May 2021 with retail sales increasing by 0.4%, to be 7.7% higher than May 2020.
- A decline in spending in Victoria, alongside the lockdown from late May, was more than offset by gains in other states, with strong rebounds in Queensland and Western Australia off the back of mini-lockdowns in April.
- By sector, spending on food (up 1.1%) drove the increase, particularly in Victoria, as shoppers stocked up on essentials before the lockdown. Excluding food, retail sales were down 0.1%.
- The transition from goods to services spending continued, with cafés, restaurants and takeaway food services up 0.7% while spending on household goods (-1.1%) and in department stores (-0.7%) fell and spending on new clothes, footwear and other personal items was flat.
- Relative to December 2019, spending is up across all states and territories, with Western Australia leading the way with 16.3% growth and Victoria recording the weakest growth at 8.1%.
- While the outlook for consumer spending remains strong, the lockdown in Victoria over late May and early June and more recent lockdowns in New South Wales, Queensland, Western Australia and the Northern Territory will drag on spending in June and July.
- A key factor will be whether lockdowns are able to be contained or whether they are extended beyond current timeframes. Extended lockdowns will have greater impacts on consumer and business confidence and retail spending.

Retail Sales Values
(index with Dec 19 = 100)



Nominal Retail Sales by Sector
(May 2021, monthly % change)



Australians continued to open their wallets in May 2021 with retail sales increasing by 0.4%, to be 7.7% higher than May 2020. This follows the preliminary estimate of a 0.1% increase in May.

A decline in spending in Victoria, alongside the lockdown from late May, was more than offset by gains in other states, with strong rebounds in Queensland and Western Australia off the back of mini-lockdowns in April.

By sector, spending on food drove the increase, with a 1.1% increase in food retailing, particularly in Victoria, which saw a 5.0% rise in spending in supermarkets and grocery stores, as shoppers stocked up on essential food and other goods as lockdowns were announced.

Excluding spending on food, retail sales were down 0.1%.

During the pandemic, shopping patterns changed and Australians significantly increased their spending on goods, particularly household goods and electronics as people adapted to working from home and upgraded their entertainment equipment, while decreasing their spending on services as lockdowns forced people to spend more time in their homes.

As restrictions have continued to be relaxed over the past few months, this trend has been reversing, with spending in cafés, restaurants and takeaway food services returning to pre-pandemic levels in April 2021. This continued in May with spending in cafés, restaurants and takeaway food services increasing by 0.7% while spending on household goods and in department stores decreased by 1.1% and 0.7%, respectively. Spending on new clothes, footwear and other personal items was flat.

Over time, this trend is expected to continue as shopping patterns normalise across the country. However, spending patterns have been disrupted again by recent lockdowns in Victoria, New South Wales, Queensland, Western Australia and the Northern Territory.

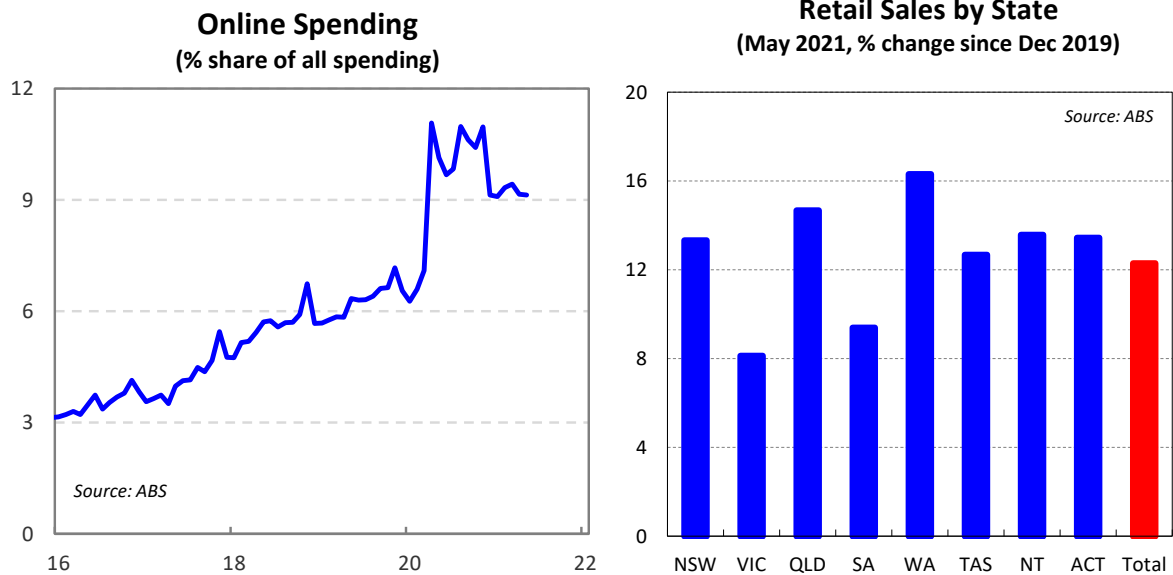
Online spending as a share of total spending also continued to decline over the month, after increasing significantly during the initial stages of the outbreak. The share of online sales fell 0.1 percentage points to 9.1% of total spending. However, this remains well above the pre-pandemic share around 6%. Changes to consumer preferences and business practices will mean that the share of online spending is likely to remain at much higher levels in the future than prior to the pandemic.

States and Territories

Spending in Victoria declined by 0.9% in May, falling in four of the six categories as it was impacted by lockdowns which impacted the end of May and beginning of June. Spending increased on food and other retailing as people stocked up on essentials. On the other hand, Queensland and Western Australia saw large increases in May of 1.6% and 1.3%, respectively, reflecting pent-up demand as shoppers returned to the stores following restriction-affected sales in April.

Spending across the other states was mixed, with Tasmania, the ACT and New South Wales up, while the Northern Territory and South Australia were down.

Relative to December 2019, spending is up across all states and territories, with Western Australia leading the way with 16.3% growth and Victoria recording the weakest growth at 8.1%.



Outlook

The outlook for consumer spending remains strong, supported by ongoing improvements in the labour market, low interest rates, further growth in dwelling prices and the vaccine rollout.

However, the lockdown in Victoria over late May and early June and more recent lockdowns in New South Wales, Queensland, Western Australia and the Northern Territory will drag on spending in June and July.

As in previous episodes, the lockdowns will disproportionately impact businesses in services sectors like hospitality and tourism. This will be a challenging period for some businesses. Notably, spending at cafés and restaurants had only recently returned to pre-pandemic levels and now will be hit again by another round of lockdowns.

A key factor will be whether lockdowns are extended beyond their current timeframes. Extended lockdowns will have greater impacts on consumer and business confidence and retail spending.

While JobKeeper is no longer available to support affected businesses and their staff, various other state and federal government support programs and the large buffer of savings that households built up during the pandemic will provide support to those directly and indirectly impacted.

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The Detail

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