

Overview

Retail sales rose a seasonally adjusted 0.6% in May, somewhat more than the 0.3% expected by the market consensus.

The annual rate of growth in retail sales picked up to 1.7% from 1.2% in April.

Trend retail trade, which looks through the short-term volatility, was unchanged in May, while the annual trend growth rate picked up 0.1ppts to 1.5%.

Industry Groups

According to the ABS, the faster growth in retail sales was driven by consumers taking advantage of early end-of-financial year sales, which boosted demand for household goods (+1.1%) as well as clothing, footwear and personal accessories (+1.4%).

Despite the increased promotional activity, retail trade turnover in department stores fell by 0.9% in May. There was also a slight 0.1% decline in cafes, restaurants and takeaway food services.

Food retailing rose by 0.7% in May, with liquor shops seeing a 6.1% gain after a large 7.4% drop in April.

The bargain hunting in May appeared to be limited to in-store trading, with seasonally adjusted online sales seeing a 2.4% decline in the month but a 6.3% increase YoY.

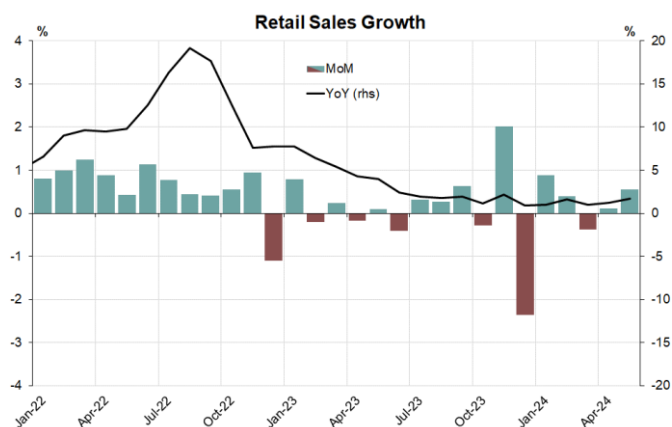
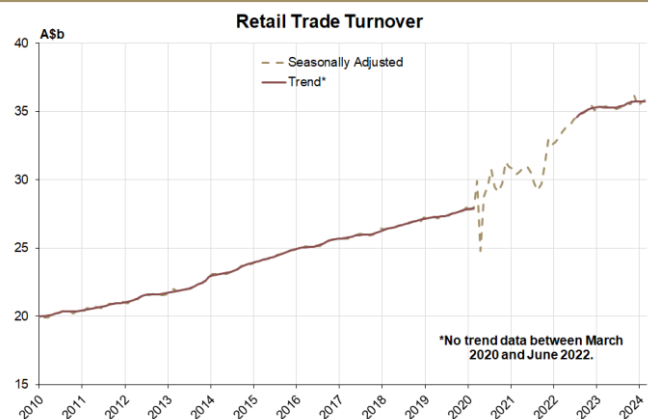
Seasonally Adjusted, %	MoM	YoY
Food	0.7	3.1
Household Goods	1.1	0.1
Clothing, Footwear and Personal Accessories	1.6	-0.2
Cafes, Restaurants and Takeaway Food	-0.1	0.9
Department Stores	-0.9	-1.7
Other Retailing	0.2	3.0
Total	0.6	1.7

States

Retail sales were mixed across states, with slight (-0.1%) declines in New South Wales and South Australia, and gains elsewhere.

Western Australia saw the strongest gains of all the states in May, both in monthly and annual terms (1.3% MoM and 3.5% YoY). According to the ABS, this was partly supported by the reopening of Trans-Australian railway and Eyre Highway freight routes.

Seasonally Adjusted, %	MoM	YoY
Western Australia	1.3	3.5
New South Wales	-0.1	0.4
Victoria	1.2	1.7
Queensland	0.5	2.6
South Australia	-0.1	1.3
Tasmania	0.7	4.4



Comment

The May retail trade report can be seen in two ways.

From a glass half empty perspective, shared by the ABS, Aussie retail businesses appeared to rely on discounting and sales events, as consumers – faced with the double whammy of high interest rates and still-high inflation – continue to shop for bargains. A similar phenomenon was observed in November, when Black Friday and Cyber Monday sales saw retail trade spike by 2.0%.

From the glass half full perspective, however, consumers appear to have enough spending capacity and are confident enough to maintain demand for discretionary goods. This is consistent with the recent upward revisions to consumer spending, as well as the ongoing robust labour conditions, solid wage growth, impending 'Stage 3' tax cuts and various cost-of-living measures being rolled out by the Commonwealth and State Governments.

Before its meeting in August, the RBA will receive the quarterly retail trade figures, which will be adjusted for inflation, and will be an important piece of information in addition to the Q2 CPI report and June labour force survey. At the time of writing, a 25bps hike continues to be around ¼ priced in for the August meeting.

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