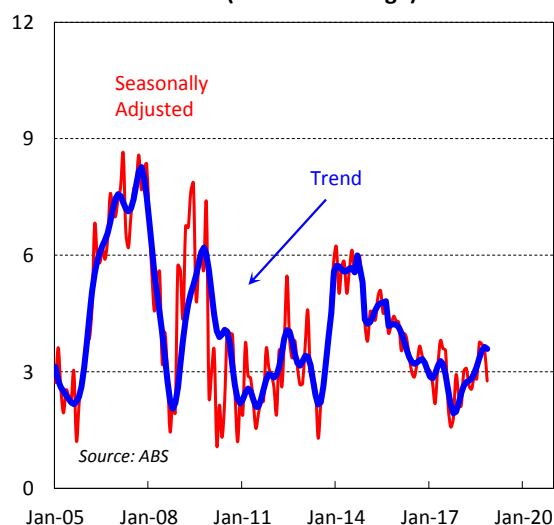


Retail Sales

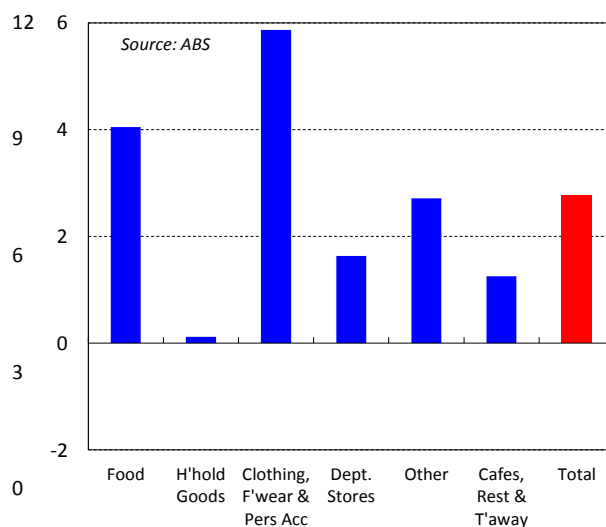
Who Doesn't Love a Sale?

- Retail sales grew 0.4% in November, the strongest monthly increase in five months.
- The growing popularity of Black Friday and Cyber Monday sales in November were a likely factor in boosting sales in the month, as indicated by a strong increase in online retailing.
- Given the one-off impact of internet sales activity over November, there is a risk that we could see renewed weakness in the December data. Moreover, the overall trend in sales remains weak. On an annual basis, sales were up just 2.8% in the year, well below the long-run average of 3.7%.
- In November, growth was strongest in clothing, footwear & personal accessories and household goods, sectors which are closely aligned with online spending.
- Across States, NSW and ACT drove the increase in November. The bounce in NSW retailing followed two consecutive months of decline.
- A moderate pace of consumer spending is expected to continue. Strong job gains and ongoing population growth will be supportive. However, the weak pace of income growth, the risk of a negative wealth impact from falling house prices and high household debt levels suggests there are ongoing downside risks for consumer spending.

Nominal Retail Sales
(annual % change)



Retail Sales by Sector
(Nov 2018, Annual % Change)



Retail sales grew 0.4% in November, the strongest monthly increase in five months.

The growing popularity of Black Friday and Cyber Monday sales in November were a likely factor in boosting sales in the month, as indicated by a strong increase in online retailing (6.6% in November in original terms).

With today's result and growth of 0.3% in October, household spending is shaping up to be firmer in the December quarter after a particularly weak September quarter.

Nonetheless, given the one-off impact of internet sales activity over November, there is a risk that we could see renewed weakness in the December data. Moreover, the overall trend in sales remains weak. On an annual basis, sales were up just 2.8% in the year, well below the long-run average of 3.7%.

By Sector

In November, growth was strongest in clothing, footwear & personal accessories (1.5%) and household goods (1.2%), sectors which are closely aligned with online spending. More modest increases were in department store retailing (0.4%) and food retailing (0.2%), while cafes, restaurants & takeaway services and other retailing declined (both down 0.1%).

On an annual basis, the strongest growth was in clothing, footwear & personal accessories (5.9%), followed by food (4.0%). Other retailing (2.7%), department stores (1.6%), cafes, restaurants & takeaway food services (1.3%) grew moderately, while household good retailing was up just 0.1%.

By State

Across States, NSW (0.8%) and ACT (1.6%) drove the increase in November, followed by Western Australia (0.6%). The bounce in NSW followed two consecutive months of decline over September and October. There were softer gains in Queensland (0.4%) and Victoria (0.1%). Sales were flat in South Australia, and were down in the Northern Territory (-0.9%) and Tasmania (-0.2%).

On an annual basis, retailing in the ACT (5.5%), Victoria (4.6%), Queensland (3.7%) and Tasmania (3.0%) are growing at above their long-run averages. Annual growth in NSW (1.9%) has slowed significantly in recent months after a recent peak of 4.2% in August. The annual pace was subdued in South Australia (0.9%) and Western Australia (0.3%), and was in decline in the Northern Territory (-1.8%)

Outlook

The improvement in retail sales in recent months is encouraging and suggests a firming in household spending over December quarter after a very weak September quarter. Nonetheless, there is a risk of weakness in December reflecting a pull-forward impact of online sales in November.

A moderate pace of consumer spending is expected to continue. Strong job gains and ongoing population growth will be supportive of spending. However, the weak pace of income growth, the risk of a negative wealth impact from falling house prices and high household debt levels suggests there are ongoing downside risks for consumer spending.

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The Detail

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