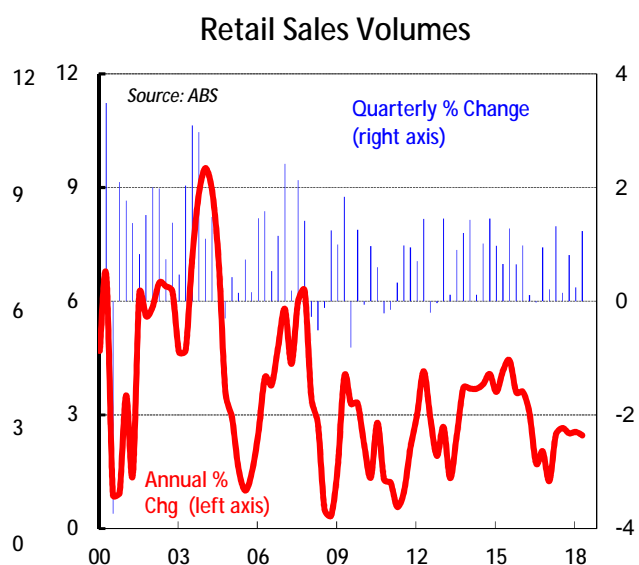
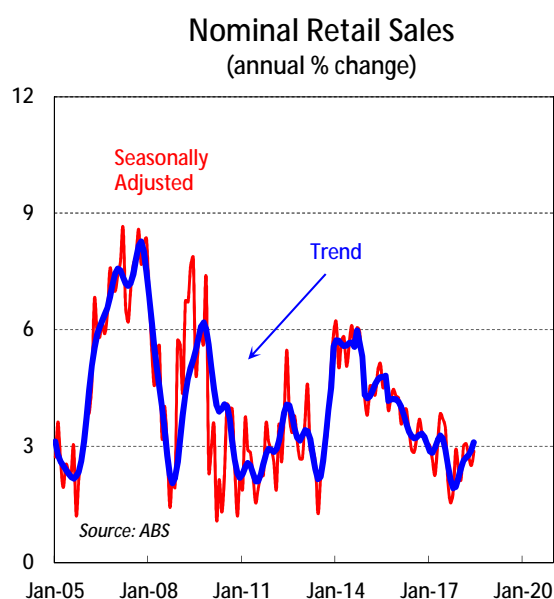


Retail Sales

Retail Sales Volumes Bounce on Discounting

- Retail spending in nominal terms rose by 0.4% again in June. The annual growth rate in retailing lifted from 2.5% in May to 2.9% in June, which is the fastest rate in three months.
- The annual pace of retail sales in nominal terms remains well below the long-run average of 3.7%, indicating consumers are still reluctant to come fully out of their shells to spend.
- The category that recorded the strongest growth in the value of retailing in June was clothing, footwear & personal accessories. This category rose by 1.7% in June and by 5.3% in the year to June.
- Retail sales volumes surprised on the strong side. Retailing in volume terms rose by 1.2% in the June quarter, against consensus expectations for a rise of 0.8%. It is the biggest quarterly percentage rise in one year. But the annual rate of growth stayed steady at 2.5%.
- The lift in retail sales volumes was helped by retailers discounting. The retail-trade deflator fell by 0.1% in Q2 and was up only 0.2% on a year ago.
- The consumer is likely to remain constrained in the months ahead by high household debt and subdued wages growth. The moderation in dwelling prices might also likely to make consumers think twice about their budgets and discretionary spending. On the flip side, firm jobs gains and ongoing growth in the population are providing some support to retailing.



Retail Sales - Value

Retail spending rose by 0.4% again in June. The annual growth rate in retailing lifted from 2.5% in May to 2.9% in June, which is the fastest rate in three months. Despite the improvement, the annual pace remains well below the long-run average of 3.7%, indicating consumers are still reluctant to come fully out of their shells to spend.

Trend data helps smooth out the month-to-month volatility. It shows retailing rose by 0.3% in June and by 3.1% in the year to June; this annual pace in trend terms is the fastest since June 2017.

Solid employment growth is a supportive factor for retailing, although slow wage growth, high household debt burdens and ongoing softness in dwelling prices suggest the upside is limited.

By Sector

Four of the six sectors recorded growth in June. The sector that recorded the strongest growth was clothing, footwear & personal accessories. It rose by 1.7% in June and by 5.3% in the year to June. The lift was driven by a 3.2% gain in clothing, which is the fastest monthly pace in over 3 years (since March 2015). Cooler weather in June likely helped lift clothing retailing.

Increases in the month were also registered with cafes, restaurants & takeaway services (0.9%), food (0.4%) and household goods (0.4%).

Other retailing was flat in June and department-store sales sunk 1.2% in June, after a solid showing in May.

By States and Territories

Retail sales rose in most States and territories in June. Retailing grew 0.4% in NSW, 1.1% in VIC, 0.2% in WA, 0.9% in Tasmania and 1.2% in ACT. Retailing was flat in SA and fell in QLD and NT, by 0.3% and 0.4%, respectively.

Annual growth was fastest in Victoria at 5.8% in June, the strongest pace since December 2015.

Retail Sales - Volumes

Retail sales volumes surprised on the strong side. They rose by 1.2% in the June quarter, against consensus expectations for a rise of 0.8%. It is the biggest quarterly percentage rise in one year.

The annual rate of growth for retail sales volumes remained steady at 2.5%.

Most categories were strong in the quarter, especially department store sales (+2.2%) and clothing, footwear & personal accessories (+2.0%).

The lift in retail sales volumes was helped by discounting by retailers. The retail trade deflator fell by 0.1% in Q2. Over the year the retail-trade deflator rose just 0.2%.

Outlook

The consumer is likely to remain constrained in the months ahead by high household debt and subdued wages growth. The moderation in dwelling prices might also likely to make consumers think twice about their budgets and discretionary spending. However, firm jobs gains and ongoing growth in the population are providing some support to retailing.

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The Detail

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