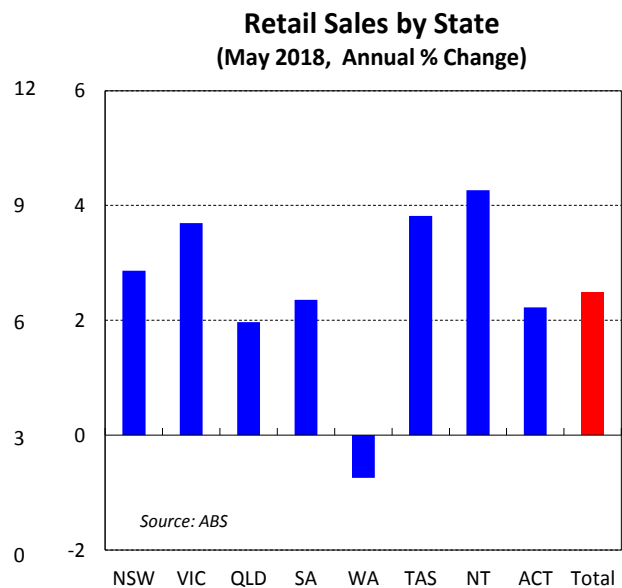
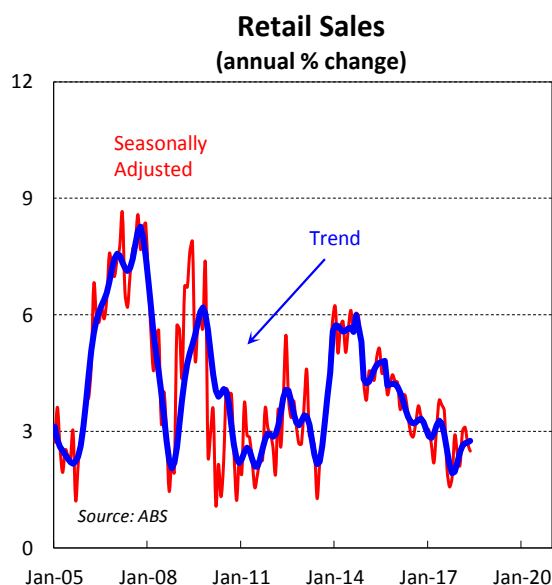


Retail Sales

Retail Lift A Flash in the Pan?

- Retail spending was stronger than expected in May, rising by 0.4%. This followed an upwardly revised increase of 0.5% in April (previously reported as a 0.4% increase).
- Department stores, which have struggled in recent years, posted the strongest sales of all sectors in May. In May, the weather became cooler after months of abnormally warm weather, potentially driving sales of winter goods.
- Mid-year sales at department stores began in late May. The degree to which price discounting drove the lift in retail sales in May will be revealed in next month's retail sales release, which includes the quarterly retail sales volumes.
- Retail sales rose in all the major States and territories in May, with the exception of Western Australia where sales fell 0.5% in the month. In annual terms, the Northern Territory had the strongest growth (4.3%), followed by Tasmania (3.8%), Victoria (3.7%), NSW (2.9%), South Australia (2.4%), the ACT (2.2%) and Queensland (2.0%). Retail sales fell in Western Australia (-0.7%) in the year to May.
- The outlook for retail sales remains subdued given slow wage growth, high levels of household debt and the slowdown in housing. Solid jobs growth over the past year, however, is expected to support retailing.



Retail

Retail spending was stronger than expected in May, rising by 0.4%. This followed an upwardly revised increase of 0.5% in April (previously reported as a 0.4% increase).

On an annual basis, retail sales growth slowed to 2.5% in May, from 2.7% in April. It is further below the long-run average of 3.7%.

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

By Sector

By sector, department stores, which have struggled in recent years, posted the strongest sales in May, rising 3.9%. Cooler weather in May potentially drove sales of winter goods higher. Further, as mid-year sales at department stores began in late May, price discounting may have played a significant role in the lift in retail sales. Among other categories there were strong gains in clothing footwear & personal accessories (2.2%) and smaller gains in food (0.3%) and household goods (0.1%). 'Other' sales slipped 0.1% and sales at cafes, restaurants & takeaway slumped 1.0% in May, following a 1.3% increase in April.

Food retailing remained strongest on an annual basis (3.7%). This was followed by growth in clothing, footwear & personal accessories (3.2%), department stores (2.1%), 'other' sales (1.6%), cafes, restaurants & takeaway food services (1.4%) and household goods (1.1%).

By States and Territories

Retail sales rose in all the major States and territories in May, with the exception of Western Australia where sales fell 0.5%. Retail sales growth in May was led by Tasmania (1.5%), followed by South Australia (1.1%), NSW (0.5%), Queensland (0.4%), the Northern Territory (0.4%) and Victoria (0.2%). Retail sales were unchanged in the ACT in May.

In annual terms, the Northern Territory had the strongest growth (4.3%), followed by Tasmania (3.8%), Victoria (3.7%), NSW (2.9%), South Australia (2.4%), the ACT (2.2%) and Queensland (2.0%). Retail sales fell in Western Australia (-0.7%) in the year to May.

Outlook

Retail spending looked stronger in May, with a larger than expected increase and a positive revision to April's data. The detail in the report indicated that department store and clothing, footwear & personal accessory sales were key drivers of the upswing retail sales in the month. In May, the weather became cooler after months of abnormally warm weather, potentially driving sales of winter goods. Further, mid-year sales at the department stores began in late May and price discounting may have played a significant role in the lift in retail sales. The extent of price discounting will be revealed in next month's retail sales release, which includes the quarterly retail sales volumes.

Despite a pick-up over the last two months, the outlook for retail sales remains subdued given slow wage growth, high levels of household debt and the slowdown in housing. Solid jobs growth over the past year, however, is expected to support retailing.

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The Detail

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