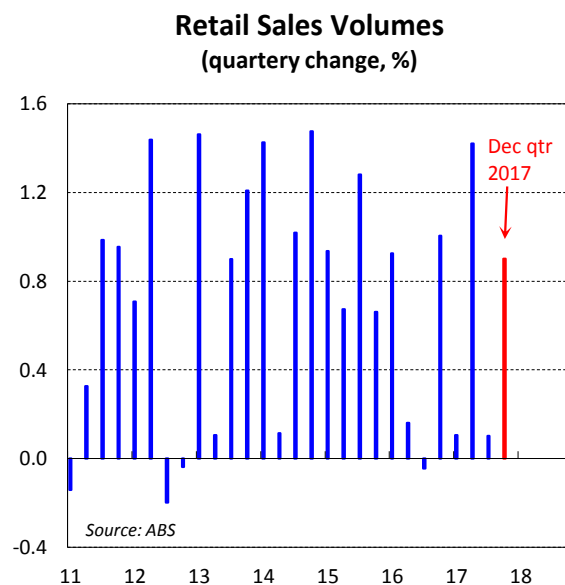
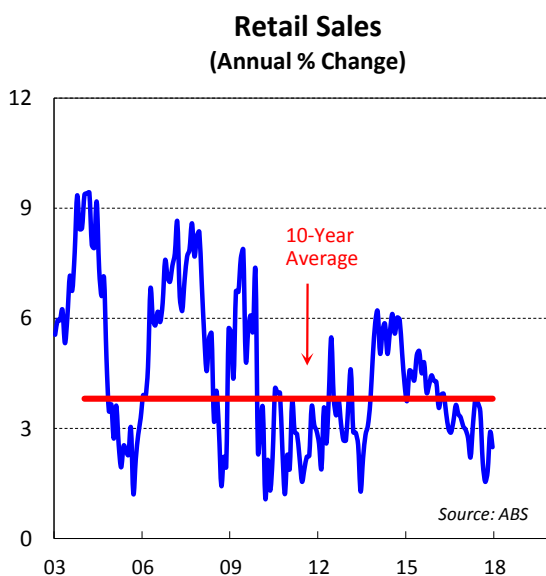


## Retail Sales Spending Hangover?

- Retail sales values fell 0.5% in December, partially retracing the 1.3% surge in sales in November. Some pullback in December was anticipated given there were some one-off factors boosting sales in November.
- The annual rate of growth in retail values eased to 2.5% in December from 2.9% in November, which is consistent with the constraints of slow wages growth and high household debt levels. This rate of growth is well below the long-run average of 3.8%.
- On an annual basis, Victoria (4.5%) and South Australia (4.3%) continue to be the only States with growth above their long-run averages. Retailing in NSW (2.7%), Tasmania (2.0%), the ACT (1.3%) and Queensland (1.0%) grew modestly. Meanwhile, weakness is continuing in Western Australia (-0.5%) and the Northern Territory (-1.7%).
- After adjusting for the impact of prices, retailing rose 0.9% in the December quarter, a much improved outcome after just 0.1% growth in the September quarter. We estimate that household consumption will provide a moderate contribution to growth in the December quarter, and stronger than the meagre 0.1 contribution to growth in the previous quarter.
- Overall, retailing continues to tell a story of consumer spending growing at a moderate pace. Spending is still being constrained by slow wages growth and high household debt levels, although the improvement in the labour market is an important positive factor.



## Retail Values

Retail sales fell 0.5% in December, partially retracing the 1.3% surge in sales in November. Some pullback in December was anticipated given there were some one-off factors boosting sales in November.

The annual rate of growth eased to 2.5% in December from 2.9% in November, which is consistent with the constraints of slow wages growth and high household debt levels. This rate of growth is well below the long-run average of 3.8%.

### - By Sector

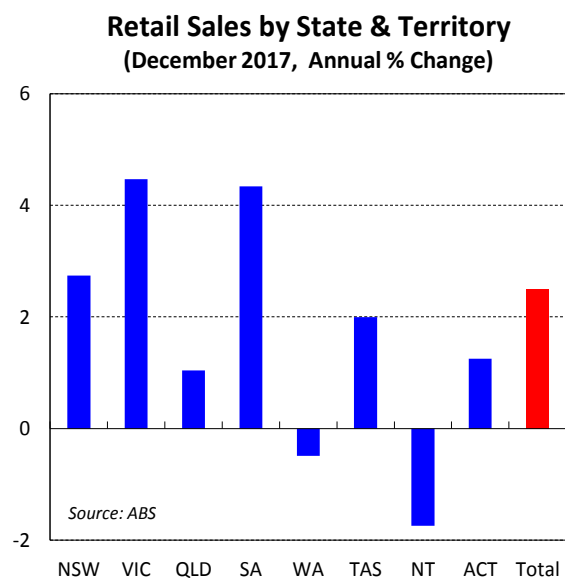
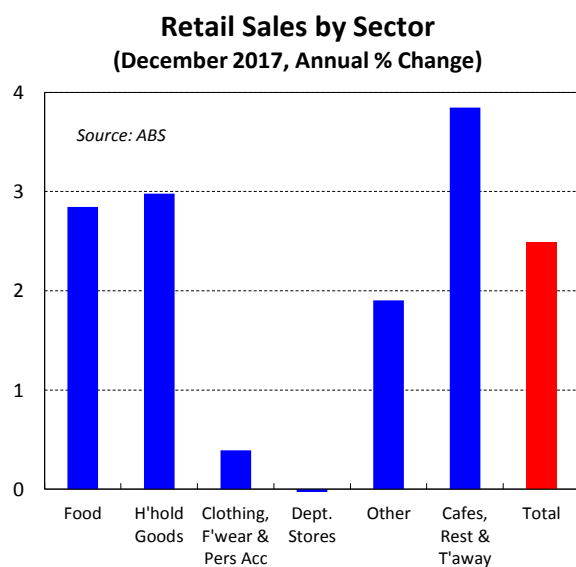
There was a retracement in most categories of spending. In particular, retailing in household goods declined 2.6% in December after the sale of iPhone x boosted sales by 4.7% in November.

Clothing, footwear and personal accessories and other retailing were down 0.1% and 1.8% in December, respectively, following the increase in Black Friday sales promotions in November.

Among other categories, there were also declines in department store sales (-0.6%) and cafes, restaurants & takeaway (-0.1%).

Food retailing (0.7%) was the only category to lift in December.

On an annual basis, cafes, restaurants & takeaway retailing continued to be the strongest of all categories, rising 3.8%. Food retailing was also among one of the stronger categories (2.8%) – we all need to eat! Household good retailing (3.0%) and other retailing (1.9%) had moderate growth. The annual pace of clothing, footwear & personal accessories retailing was a soft 0.4%, while department store sales (-0.3%) contracted in the year to December.



### - By States and Territories

Retailing growth eased in all States and territories in December from November. Sales retraced in NSW (-0.4%), Victoria (-0.8%), South Australia (0.3%), Western Australia (-0.8%), Tasmania (-1.6%), the Northern Territory (-0.7%) and the ACT (-1.5%). In Queensland, sales were flat in the month.

On an annual basis, Victoria (4.5%) and South Australia (4.3%) continue to be the only States with

growth above their long-run averages. Retailing in NSW (2.7%), Tasmania (2.0%), the ACT (1.3%) and Queensland (1.0%) grew modestly. Meanwhile, weakness is continuing in Western Australia (-0.5%) and the Northern Territory (-1.7%) as the downturn in mining investment in earlier years impacts on retail spending.

### **Retail Volumes**

After adjusting for the impact of prices, retailing rose 0.9% in the December quarter, a much improved outcome after rising just 0.1% in the September quarter. We estimate that household consumption will provide a moderate contribution to growth in the December quarter, and stronger than the meagre 0.1 contribution to growth in the previous quarter.

### **Outlook**

Some pullback in spending was likely in December given the one-off factors boosting sales in November. More encouragingly, retailing volumes improved over the December quarter after an incredibly weak September quarter.

Overall, retailing continues to tell a story of consumer spending growing a moderate pace. Spending is still being constrained by slow wage growth and high household debt levels, although the improvement in the labour market is an important positive factor.

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