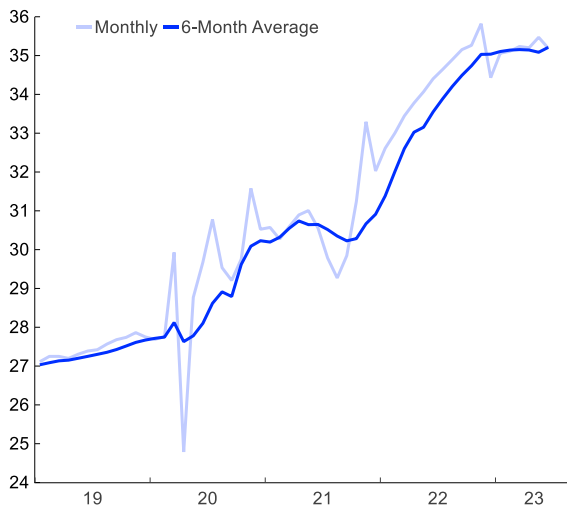


Retail Sales

Sales Drop As Households Tighten Belts

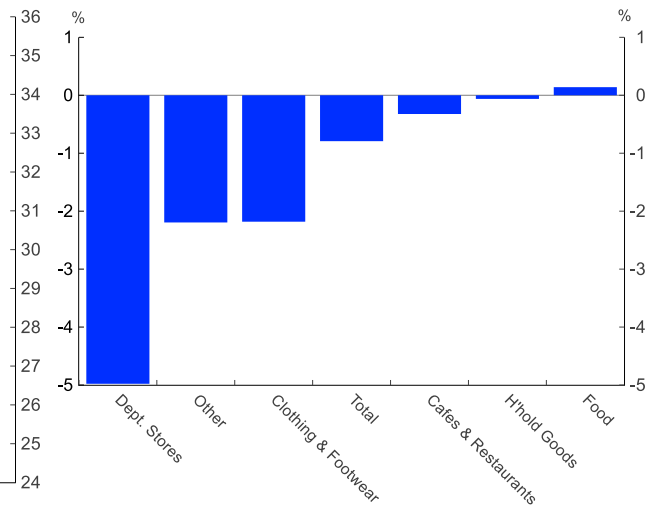
- Retail spending dropped 0.8% in June, unwinding a 0.8% gain in May – led by declines in discretionary spending. This reflects a continued slowdown as elevated cost-of-living pressures and interest rates bite, in addition to unwinding of a base effect from stronger sales in May.
- Some pullback in June was expected after sales activity was brought forward into May following earlier than usual end-of-financial-year sales. Looking through some of this volatility, average spending over the two-month period was 0.4% higher than April.
- An underlying slowing is evident. On a rolling six-month basis, spending has been little changed since November 2022. Over the three months to June, spending rose 0.4%. Importantly, this doesn't account for continued price increases or strong population growth. As a result, real retail spending likely contracted materially in the quarter.
- On a per capita basis, spending declined 1.0% in June and 0.3% over the quarter. These numbers would be weaker after accounting for price increases. Real per capita consumption contracted over the December and March quarters. The retail spending data, which accounts for around a third of household consumption, suggests this likely extended to the June quarter.
- Department stores (-5.0%), other retailing (-2.2%), and clothing & footwear (-2.2%) recorded the largest falls, as all sectors, except food, declined. Spending at cafes & restaurants appears to be pulling back, as it slipped in June to be 0.3% below May's record high.
- Retail spending is expected to continue to be under pressure going forward, reflecting the lagged effect of monetary policy, stretched household budgets, and slowing economic growth.

Nominal Retail Sales
Value, \$ Billion



Sources: ABS, Macrobond

Nominal Retail Sales by Sector
(June 2023, Monthly % Change)



Sources: ABS, Macrobond

Contact Listing

Chief Economist

Besa Deda
dedab@stgeorge.com.au
(02) 8254 3251

Senior Economist

Jarek Kowcza
jarek.kowcza@stgeorge.com.au
0481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@stgeorge.com.au
0468 571 786

Economist

Jameson Coombs
jameson.coombs@stgeorge.com.au
0401 102 789

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