

1 October 2013

## Australian retail sales: doldrums continue

### Aug retail sales: +0.4% mth, 2.3% yr

- The August retail sales report was very much in line with expectations. Total sales rose 0.4% mth, a smidge above the 0.3% forecast by both ourselves and consensus.
- The month was the best gain for retail sales since February, with annual growth lifting to 2.3%. Nonetheless, the broad picture is still of stagnant sales consistent with consumer restraint. Despite the latest monthly gain, trend sales growth continued to slow in August and is now dead flat.
- The detail was also as expected. Department store sales dropped an outsized 7.9% in July that looked to us like a seasonality issue relating to the timing of sales. That was confirmed by a big bounce in August with sales in the segment up 6.4%. Note that the August gain is only a partial rebound though with Department stores clearly still struggling (sales down 1.6% yr).
- Elsewhere, household goods retail sales were notably stronger in July, up 1.8% but also reversed in August, down 0.6% mth. The segment does look to be staging a recovery with annual sales growth lifting from -0.3% in March to +2.7% yr in August. 'Electrical and electronic goods retailing' is driving the pickup assisted by steady gains in 'hardware, building and garden supplies'. Sales continued to decline for 'furniture, floor coverings and houseware' retail. That may turn around though as the housing recovery gains traction.
- Food retail was up 0.1%, clothing up 0.3% and cafes & restaurants up 0.4%. 'Other retail' which covers a range of small ticket discretionary items, was down 0.2% mth. Combined, non-food retail sales are up just 0.7% yr vs a 3.7% yr gain for food (broadly defined to cover both basic food and cafes & restaurants). One of the more striking aspects of the detailed sub-group sales data is the collapse in sales for newspaper & book retailers, down 15% yr and nearly double that since its 2010 peak.
- By state, sales were up solidly in NSW (+0.4%) after a poor run; up 0.6% in Vic, 0.2% in Qld and 0.7% in WA. SA bucked the trend with a -0.2% dip but coming off a 1.6% rise in July. Annual growth rates range from 1.7% yr in Vic to 2.1% yr in NSW and WA (weak given the 3.4% growth in that state's population) and 3.6% yr in Qld. Despite this monthly trend growth in sales in insipid across all major states.
- Note that the RBA cut interest rates by 25bps in August, giving a significant lift to consumer sentiment. The retail report suggests at best a muted immediate flow through to spending. That said, we should see more of a gain in September given the lags between interest rate changes and actual changes in mortgage repayments and given a further solid gain in sentiment in the month.

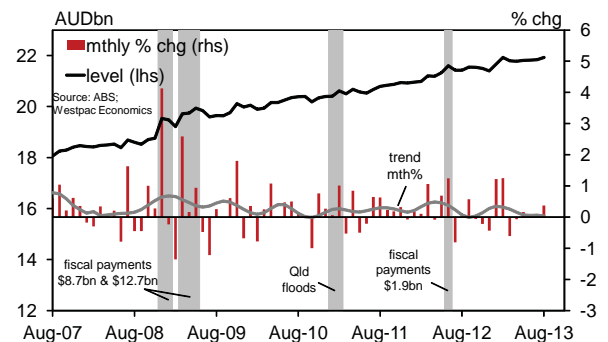
Matthew Hassan Senior Economist, ph (61-2) 8254 2100

#### Retail sales – August

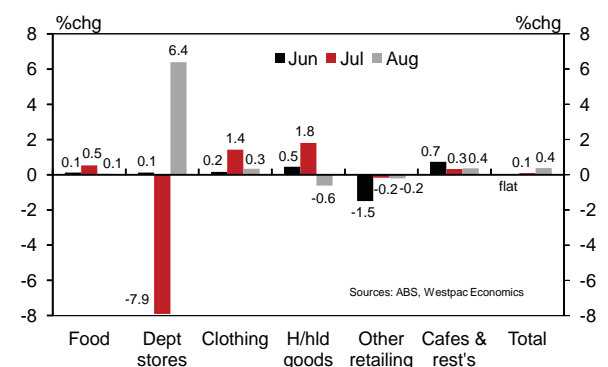
	Level AUDbn	% chg mth		% chg yr	
	Aug-13	Jul-13	Aug-13	Jul-13	Aug-13
sa	21.92	0.1	0.4	2.0	2.3
trend	21.86	0.1	0.0	1.8	1.7

Source: ABS

#### Monthly retail sales

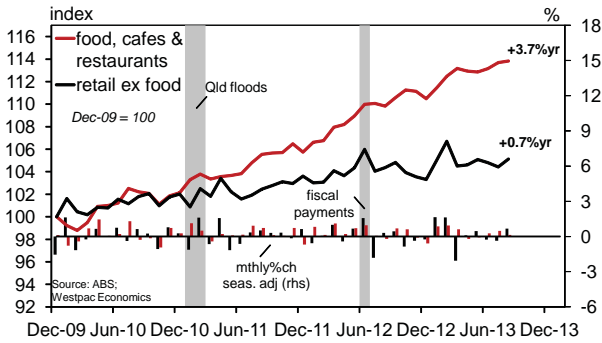


#### Monthly retail sales by store type

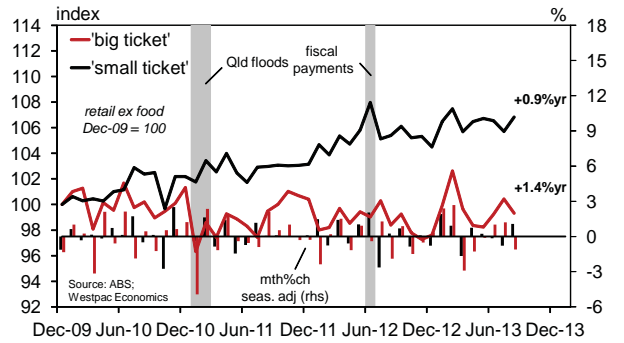




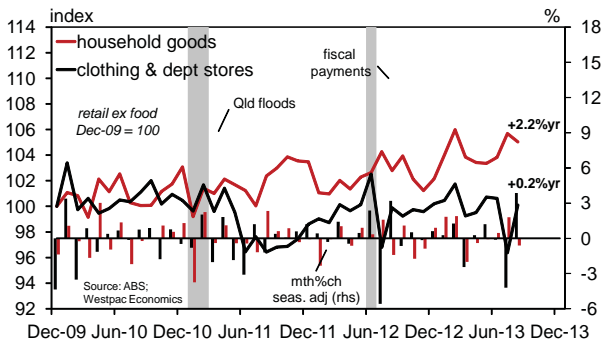
**Monthly retail sales: food vs non-food**



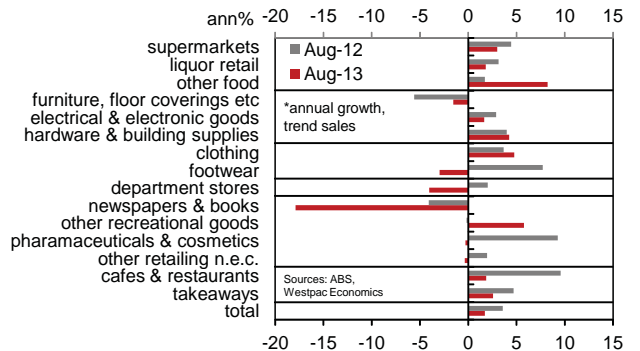
**Discretionary retail: 'big ticket' vs 'small ticket'**



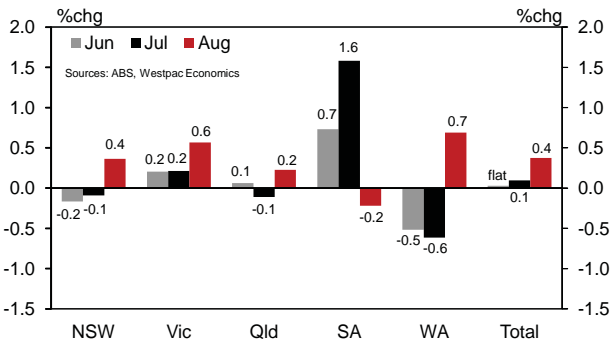
**Monthly retail: h/hold goods vs clothing & dept stores**



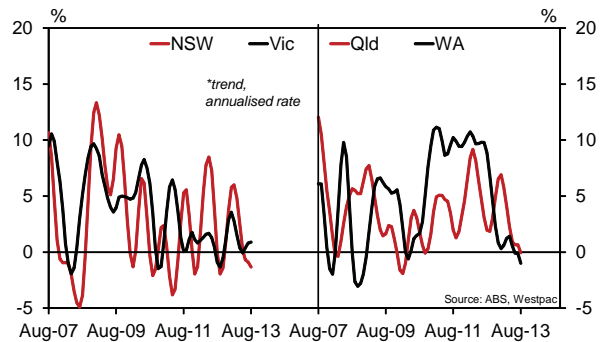
**Retail sales by detailed store type**



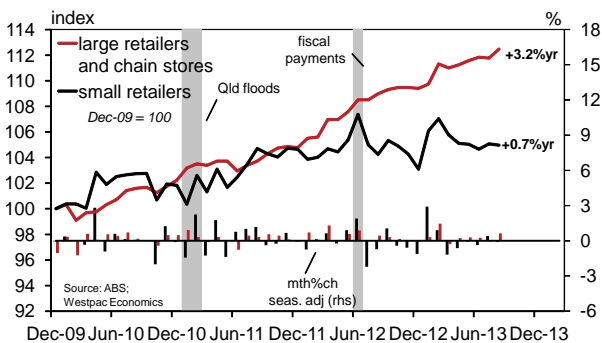
**Monthly retail sales by state**



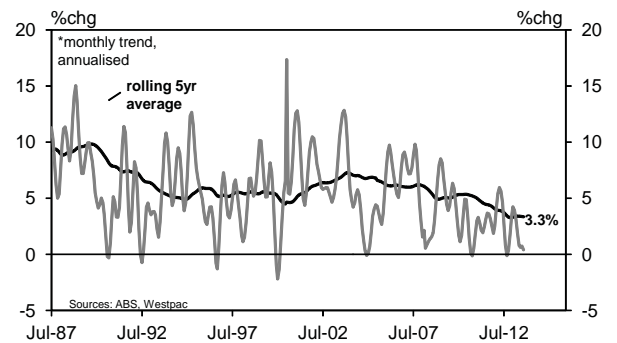
**Monthly retail sales by state**



**Monthly retail sales: small vs large**



**Monthly retail sales: trend, long history**



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