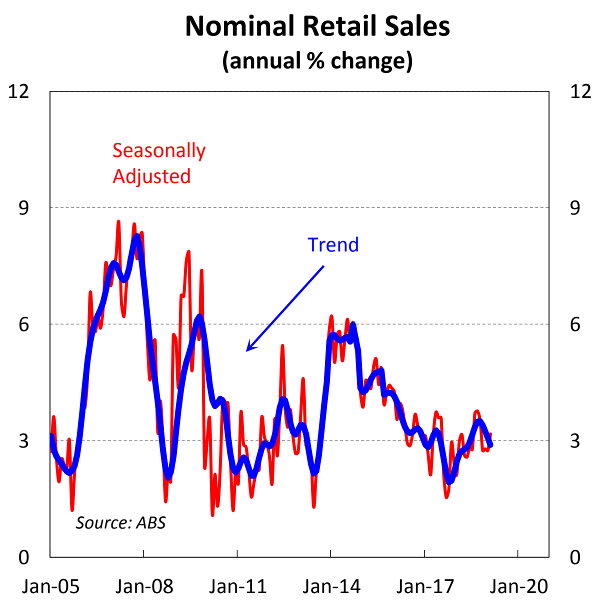
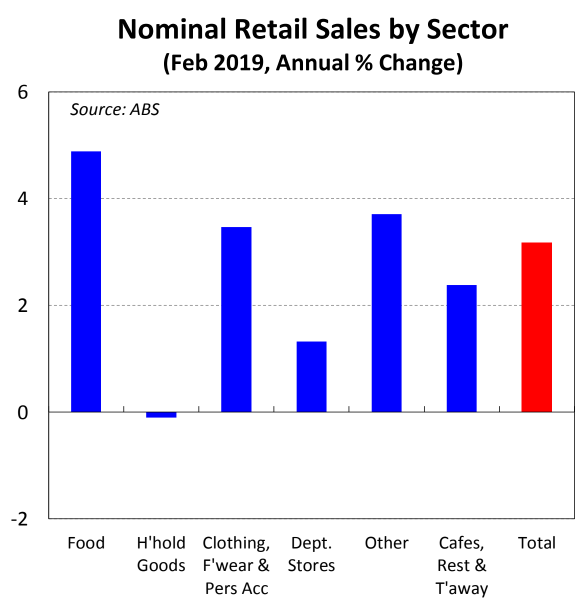
Wednesday, 3 April 2019

Retail Sales

Surprise, Surprise!

- **Retail sales were much stronger than expected rising by 0.8% in February. It was the largest monthly increase since November 2017.**
- **The annual pace of growth in retail sales rose to 3.2% in February, up from 2.7% in January. Despite the increase in February, annual retail sales growth remains below the long-term average of 3.7% annual growth.**
- **In terms of sectors, the recovery was broad-based, with no sector recording a decline in sales in February. The strongest increase over February was in department store sales, with an increase of 3.5%, following two consecutive months of declines.**
- **Gains in retail sales in February were broad-based across the mainland States and territories. In Tasmania retail sales fell 0.7% in February. The strongest increase in retail sales was in the ACT (1.7%), followed by Queensland (1.4%) and the Northern Territory (1.3%).**
- **As a trend, the pace of retail sales growth remains soft. The strength in retail sales in February, however, removes some of the risk that arose at the turn of the year that the pace of growth may have been deteriorating more sharply.**
- **Consumers are likely to remain under pressure from the deepening downturn in housing, weak wages growth and high levels of household debt. We expect the Reserve Bank to cut official interest rates this year, in August and November.**





Retail sales were much stronger than expected rising by 0.8% in February. It was the largest monthly increase since November 2017.

The annual pace of growth in retail sales rose to 3.2% in February, up from 2.7% in January. Despite the increase in February, annual retail sales growth remains below the long-term average of 3.7% annual growth. Weak wages growth, high levels of household debt and the slowdown in the housing market are weighing on consumer spending.

By Sector

In terms of **sectors**, the recovery was broad-based, with no sector recording a decline in sales in February. The strongest increase for February was in department store sales, with an increase of 3.5%, following a decline of 2.2% in January and a fall of 1.2% in December. Sales were also strong for clothing, footwear and personal accessories (1.6%), followed by household goods (1.1%) and food (0.8%). Sales of 'other' goods and services, including newspaper & book retailing, sport & camping equipment retailing, toy retailing and pharmaceutical retailing, took a breather and were unchanged for the month. Sales at cafes, restaurants & takeaway food services were also unchanged in February.

On an annual basis, the strongest category was food retailing (4.9%), followed by 'other' retailing (3.7%), clothing, footwear & personal accessories (3.5%), cafes, restaurants & takeaway food services (2.4%) and department store sales (1.3%). Over the year to February, household goods retailing declined slightly (-0.1%).

By States and Territories

Gains in retail sales in February were broad-based across the mainland States and territories. In Tasmania retail sales fell 0.7% in February. The strongest increase in retail sales was in the ACT (1.7%), followed by Queensland (1.4%) and the Northern Territory (1.3%). Retail sales in these three regions had underperformed other regions in December and January. Retail sales gained in Victoria (0.8%), South Australia (0.7%) and NSW and Western Australia (both rising 0.6%).

The annual pace of retail sales was strongest in the ACT (5.4%), followed by Victoria (4.2%), Queensland (4.1%), Tasmania (2.9%), NSW (2.4%), Western Australia (2.0%) and South Australia (1.9%). In the year to February, retail sales fell in the Northern Territory (-2.1%).

Outlook

As a trend, the pace of retail sales growth remains soft. The strength in retail sales in February, however, removes some of the risk that arose at the turn of the year that the pace of growth may have been deteriorating more sharply. Consumers are likely to remain under pressure from the deepening downturn in housing, weak wages growth and high levels of household debt. We expect the Reserve Bank to cut official interest rates this year, in August and November.

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