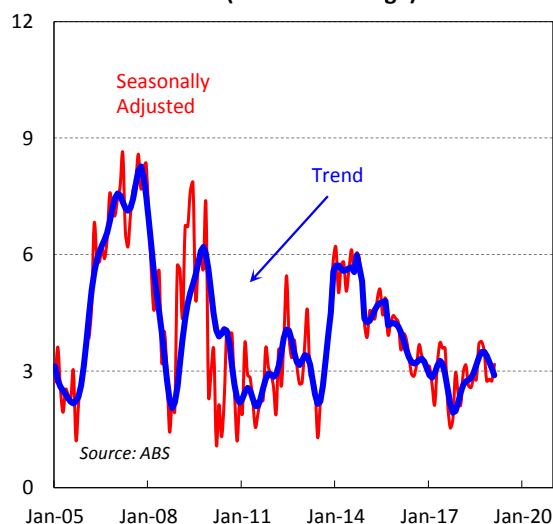


## Retail Sales

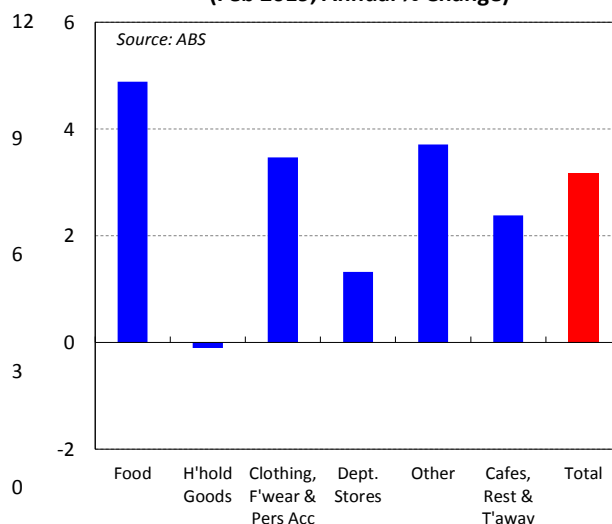
### Surprise, Surprise!

- 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.

**Nominal Retail Sales**  
(annual % change)



**Nominal Retail Sales by Sector**  
(Feb 2019, Annual % Change)



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.

**Jo Horton, Senior Economist**  
Ph: 02-8253-6696

## Contact Listing

**Chief Economist**

Besa Deda  
[dedab@stgeorge.com.au](mailto:dedab@stgeorge.com.au)  
(02) 8254 3251

**Senior Economist**

Josephine Horton  
[hortonj@stgeorge.com.au](mailto:hortonj@stgeorge.com.au)  
(02) 8253 6696

**Senior Economist**

Janu Chan  
[chanj@stgeorge.com.au](mailto:chanj@stgeorge.com.au)  
(02) 8253 0898

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom St.George has a contract to supply Information, the supply of the Information is made under that contract and St.George's agreed terms of supply apply. St.George does not represent or guarantee that the Information is accurate or free from errors or omissions and St.George disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to St.George products and details are available. St.George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. St.George owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St.George.

---

Any unauthorised use or dissemination is prohibited. Neither St.George Bank - A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.

---