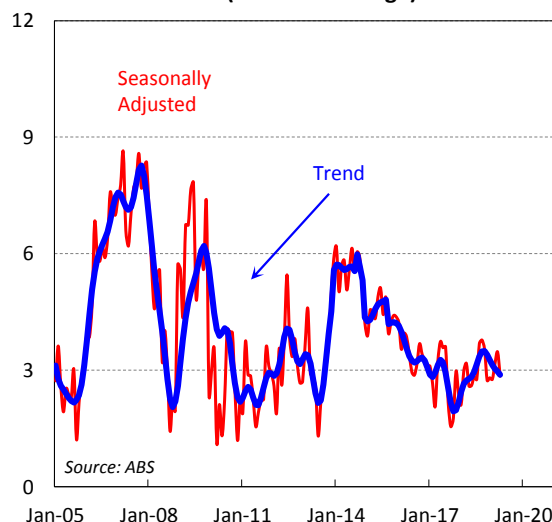


## Retail Sales

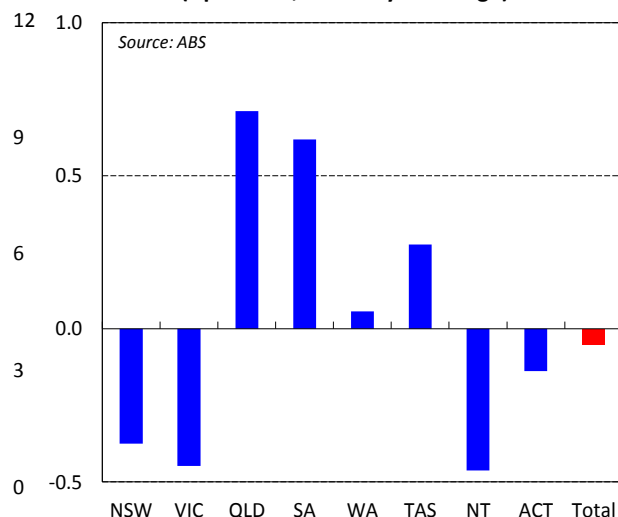
### Gloomier Consumers in NSW and Victoria

- Retail spending remained in the doldrums in April. An impending election, high household debt, weak growth in incomes and the downturn in the housing market dulled the appetites of consumers to spend.
- Retailing slid 0.1% in April, which is the second fall in five months. The annual growth rate of retailing also slowed dramatically, from 3.5% in March to 2.8% in April.
- Consumers in New South Wales and Victoria were especially glum. Retailing fell by 0.4% in NSW and in Victoria in April. Excluding these States, retailing lifted 0.4% in the month, highlighting the close linkages between house prices and retail spending.
- Discretionary spending categories contracted in April, also underscoring the caution evident among consumers. The exception was department-store sales; however, the gain of 1.8% in April followed a drop of 1.5% in the previous month.
- The weakness in retailing is reflected in high and rising vacancy rates in neighbourhood centres, shopping centres and on the high street. Incentives are also high to attract tenants. The growing trend to online spending is hurting traditional bricks-and-mortar retailing. However, online retailing was not immune from the weakness in April, falling by 2.1% in the month.
- Consumer spending is likely to remain under pressure from the combination of weak wages growth and high levels of household debt. Ongoing firm jobs growth and rate cuts from the RBA (as soon as today) should provide some support. Some promising signs on house prices in Sydney and Melbourne that suggest a bottom might be near might also help prop up retailing.

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



**Retail Sales by State**  
(April 2019, Monthly % Change)



Retail spending remained in the doldrums in April. An impending election, high household debt, weak growth in incomes and the downturn in the housing dulled the appetites of consumers to spend. The timing of the public holidays – Easter and Anzac Day – would have not helped April's result.

Consumers in New South Wales and Victoria were especially glum. Consumers in these States have the biggest mortgages and are facing the biggest falls in housing prices outside of the mining States of WA and NT.

Retailing slid 0.1% in April, which is the second fall in five months. The annual growth rate of retailing also slowed dramatically, from 3.5% in March to 2.8% in April, below the long-run average.

Retailing fell by 0.4% in NSW and in Victoria. In NSW, retail sales fell 0.3% in the two months to April, the weakest result since October 2018. Excluding retailing in NSW and Victoria, retail trade rose 0.4% in April, highlighting the close linkages with dwelling prices and consumer spending.

The ACT and NT also recorded falls in retailing, of 0.1% and 0.5%, respectively.

Queensland was the stand-out State in the month. Retailing grew 0.7% in April in the Sunshine State and annual growth lifted to 6.0%, as population growth and economic activity continues to gain traction. Other States that recorded growth in April were South Australia (+0.6%), Tasmania (+0.3%) and Western Australia (+0.1%).

Discretionary spending categories fell in the month, also underscoring the caution evident among consumers against a backdrop of headwinds. The exception was department-store sales, however, the gain of 1.8% in April, followed a drop of 1.5% in the previous month, and the annual growth rate in this segment remains subdued at 2.7%.

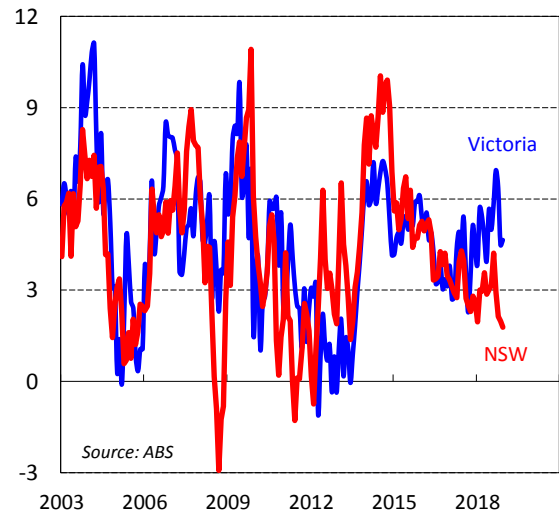
Clothing, footwear & personal accessories posted the biggest monthly decline in April of 1.2%.

Household goods retailing followed with the next biggest fall in the month, as a softening in housing sales weighed on this sector.

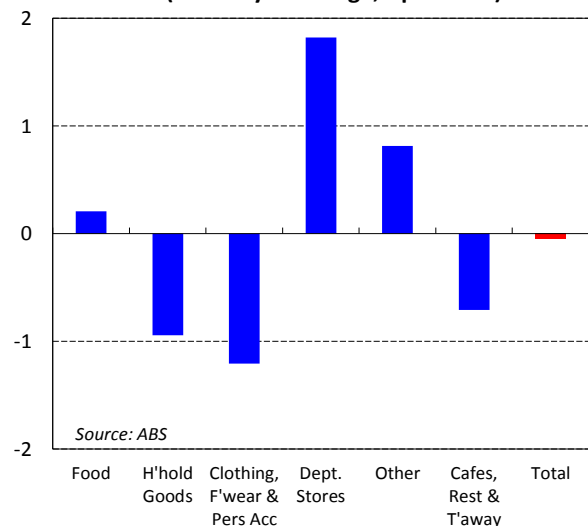
Cafes, restaurants & takeaway food services also declined in the month, recording a drop of 0.7%, which is the second fall in three months. The Australian love affair with sipping coffee has stalled, after recording very strong growth up until around the middle of 2017. Part of the stalling might also reflect a saturation of new cafes and restaurants, as more food venues opened in response to strong demand previously in this segment.

The biggest gain in the month in retailing was registered with 'other retailing', which includes shops specialising in goods such as books, sporting gear, gardening tools and health products (chemists). Pharmaceutical, cosmetic and toiletry goods retailing in this segment were especially

**Value of Retail Sales**  
(annual % Change)



**Retail Sales by Sector**  
(Monthly % Change, April 2019)



firm in April with growth of 5.1%. The ageing population and the focus on health are factors supporting this segment.

The weakness in retailing is reflected in high and rising vacancy rates in neighbourhood centres, shopping centres and on the high street. Incentives are also high to attract retailing tenants. The growth towards online spending and the trend to experience-based retailing are hurting traditional bricks-and-mortar retailers. However, online retailing was not immune from the weakness in April, falling by 2.1% in the month. Nonetheless, online spending remains firm on a year ago at 11.0% growth.

### **Outlook**

Consumer spending is likely to remain under pressure from the combo of weak wages growth and high levels of household debt. Ongoing firm jobs growth and rate cuts from the RBA (as soon as today) should provide some support. Some promising signs on house prices in Sydney and Melbourne that suggest a bottom might be near might also help prop up retailing.

**Besa Deda**  
**Chief Economist**  
Ph: 02-8254-3251

## Contact Listing

**Chief Economist**

Besa Deda

[dedab@stgeorge.com.au](mailto:dedab@stgeorge.com.au)

(02) 8254 3251

**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.

---