

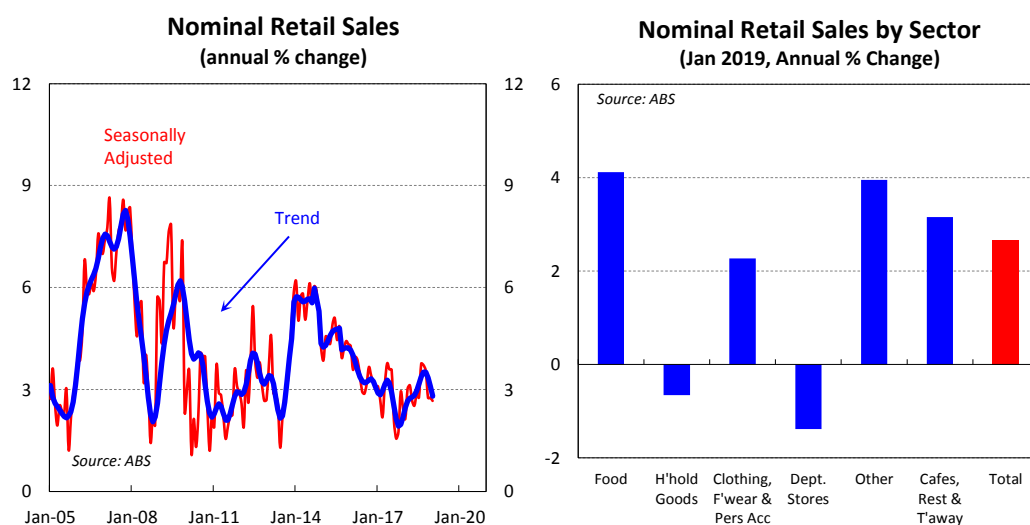
Thursday, 7 March 2019



Retail Sales

An Unconvincing Rebound

- Retail sales eked out a gain in January, rising 0.1%. This was above our expectation for a 0.1% decline, but below the consensus forecast for a 0.3% increase. It was an unconvincing rebound following a 0.4% decline in December.
- The annual pace of growth in retail sales eased to 2.7% in January, down from 2.8% in December. This is well below the long-term average of 3.7% annual growth, indicating that retailing is subdued.
- Across the States and territories the results were mixed. Retail sales rose in January in NSW (0.7%), followed by Tasmania (0.4%) and Victoria and South Australia (each at 0.1%). Retail sales fell in Western Australia (-0.3%), Queensland (-0.5%), the ACT (-0.4%) and the Northern Territory (-1.2%).
- In terms of sectors, the strongest increase for January was in sales of 'other' goods (0.7%), followed by food (0.3%), cafes, restaurants & takeaway good services (0.3%). Declines were led by department stores (-2.1%), followed by clothing, footwear & personal accessories (-0.3%). Sales of household goods were unchanged in January.
- Coming on the back of a decline in retail sales in December, today's data indicates growth in retailing remains modest. It confirms our expectation the Reserve Bank will cut official interest rates later this year.



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This is well below the long-term average of 3.7% annual growth, indicating that retailing is subdued. 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 strongest increase for January was in sales of 'other' goods (0.7%), followed by food (0.3%), cafes, restaurants & takeaway good services (0.3%). Declines were led by department stores (-2.1%), followed by clothing, footwear & personal accessories (-0.3%). Sales of household goods were unchanged in January.

On an annual basis, food sales were strongest (4.1%), followed by sales of 'other' goods (3.9%), café, restaurants & takeaway good services (3.2%) and clothing, footwear & personal accessories (2.3%). Household goods sales fell 0.7% in the year to January, the largest monthly decline since October 2017. The annual pace of department store sales turned negative in January, falling 1.4%.

By States and Territories

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The annual pace of retail sales was strongest in Tasmania (4.7%), followed by Victoria (4.2%), the ACT (3.8%), NSW (2.7%), Queensland (2.1%), South Australia (1.5%) and Western Australia (0.6%). The annual decline in retail sales in the Northern Territory deepened in January, falling to -2.7%.

Outlook

The wealth effect from the deepening downturn in housing combined with weak wages growth and high levels of household debt is hurting the consumer. Job gains remain solid, as does population growth, giving some support to the outlook for retailing. Coming on the back of a decline in retail sales in December, today's data indicates growth in retailing remains modest. It confirms our expectation the Reserve Bank will cut official interest rates later this year.

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