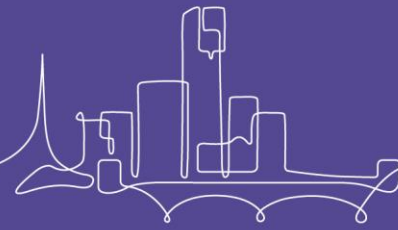


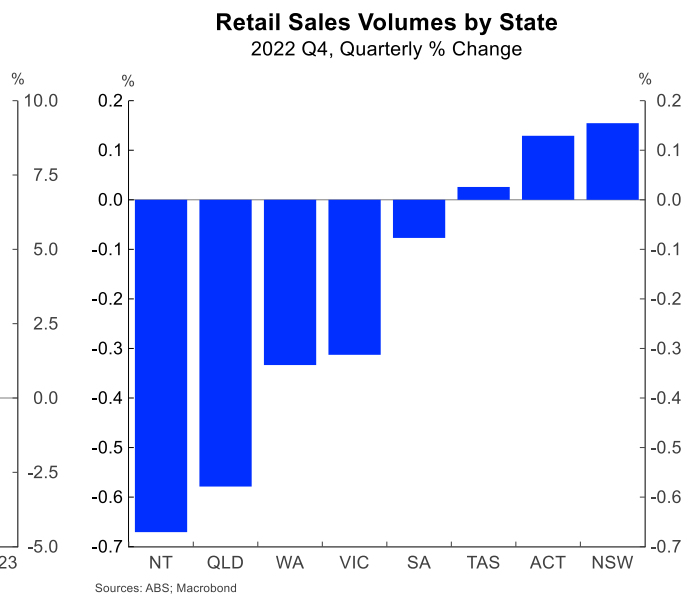
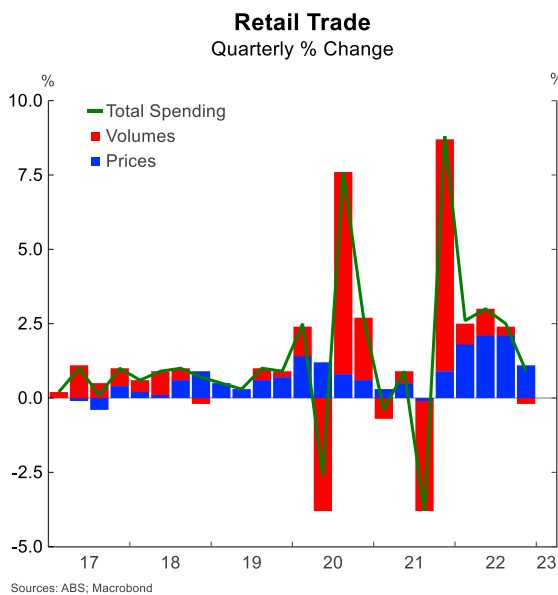


Monday, 6 February 2023



Retail Sales Volumes Spending Turns as Rate Hikes Start to Hit

- The value of retail spending rose 0.9% in the December quarter, the weakest quarterly outcome in over a year. However, the picture sours more when we strip out the impact of higher prices. Retailing volumes (which adjust for prices), declined 0.2% in the December quarter.
- Excluding periods impacted by lockdowns, this was the first quarterly decline in retail spending volumes since the December quarter 2018. The result is a sign that the post-lockdown surge in household spending has run its course as the Reserve Bank’s (RBA) rate hikes take effect and the rising cost-of-living bites.
- Volumes were lower in all categories of retail spending apart from food (+2.1%) and hospitality (+0.2%). Department stores (-2.9%), clothing & footwear (-2.3%) and household goods (-2.0%) were among the weakest performers in the quarter.
- The price of retail items rose 1.1% in the December quarter, the softest rise in 12-months. This is a positive sign for the RBA. However, it is no cause for celebration. Price pressures remain elevated and November discounting had a part to play.
- While retail spending appears to have turned a corner, partial indicators suggest that services demand is still running hot, especially for travel services. This will likely support household consumption as goods spending tails off. Despite this, we expect a material fall in consumption over the course of 2023 as tailwinds ease and budgets are stretched.



Contact Listing

Chief Economist

Besa Deda
dedab@bankofmelbourne.com.au
+61 404 844 817

Senior Economist

Jarek Kowcza
jarek.kowcza@bankofmelbourne.com.au
+61 481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@bankofmelbourne.com.au
+61 468 573 786

Economist

Jameson Coombs
jameson.coombs@bankofmelbourne.com.au
+61 401 102 789

The Detail

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 Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne 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 Bank of Melbourne products and details are available. Bank of Melbourne 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. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne - 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.