



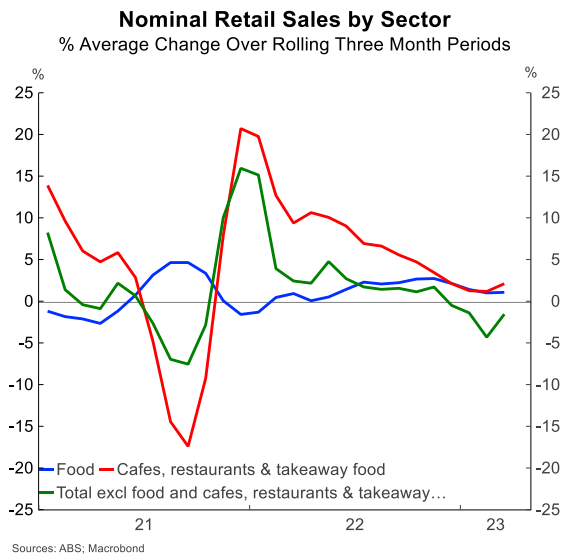
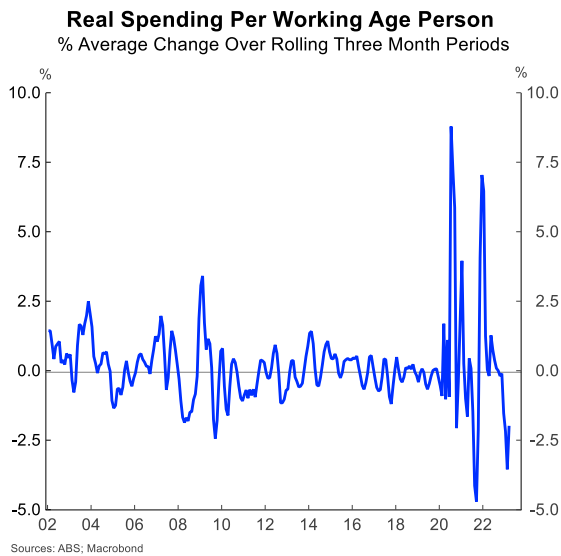
Wednesday, 3 May 2023



Retail Sales

Population and Prices Masks Pointed Slowdown

- Retail trade increased by 0.4% over the month of March. Only two categories recorded an increase over the month – food and cafes & takeaway food services, both directly related to the population surge. Retail turnover also increased across all states.
- A growing population will continue to support higher consumption, especially spending on food and essentials. Overseas migrants are also likely to dine out and undertake tourist activities, supporting spending on cafes, restaurants & takeaway.
- Outside of this, consumers have pulled back on discretionary items – over the past three months, retail trade excluding food and cafes, restaurants & takeaway has fallen by a massive 1.6% - the sharpest drop since March 2018, outside of COVID.
- Over the March quarter, spending growth was flat, clearly pointing to a slowdown in spending. At the same time, consumer prices increased by 1.3% over the quarter. This suggests that after adjusting for inflation, retail trade could have declined by more than 1% in volume terms (which is what matters for the economy). Retail trade accounts for around 20% of aggregate demand.
- The picture softens further when adjusting for population. Spending per working-age person declined by 0.6% over the March quarter – outside of COVID, this fall is in line with the fall observed during the GFC. Adjusting for population and consumer prices suggests that real spending per capita fell by around 2% - this is sizeable and raises concerns about the slowdown.
- The underlying weakness in household spending evident in the December quarter National Accounts has continued into 2023, as cost-of-living pressures weigh on household income.



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