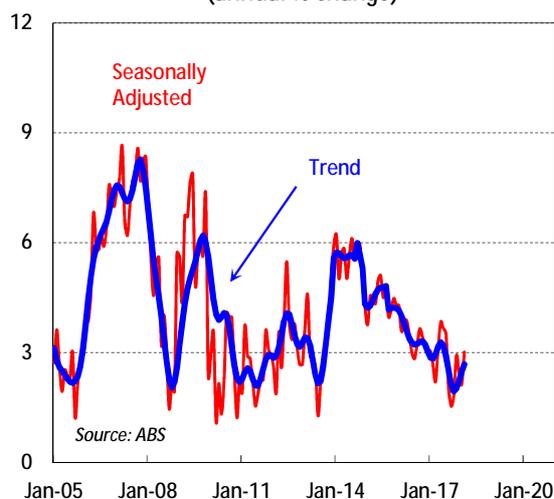


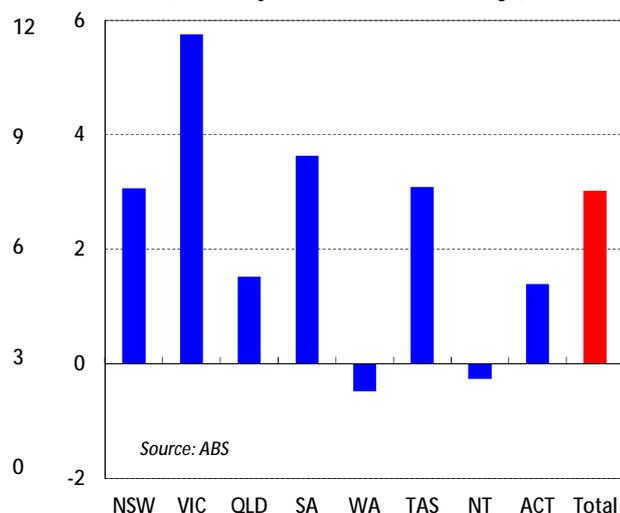
Retail Sales Retail Therapy Comeback?

- Retail sales were stronger in February, lifting by 0.6%, the strongest monthly growth in three months. The larger increase in retail sales in February is an encouraging sign. However, it is too early to call it the beginning of a firmer trend, given weakness in the previous two months.
- The strongest sectors in February were department store sales (1.5%) and clothing, footwear & personal accessories (1.1%) and household goods retailing (1.1%). These sectors have been especially weak in recent months.
- Retail sales growth was led by NSW and Victoria, with an increase of 1.1% in both States. Growth was also robust in the Northern Territory (1.1%) and South Australia (0.7%).
- Retailing growth is expected to remain modest in the months ahead, with soft wages growth and high levels of household debt negative for spending. The softening in house prices is also likely to dampen retailing. Retailer margins are expected to remain under pressure, a trend exacerbated by the recent arrival of Amazon.
- Despite the negatives for retailers, strong employment growth over the past year has provided some support for consumer spending.

Nominal Retail Sales
(annual % change)



Nominal Retail Sales by State
(February 2018, Annual % Change)



Retail Values

Retail sales were stronger in February, lifting by 0.6%, the strongest monthly growth in three months. Annual retail sales growth increased to 3.0% in February, from 2.1% in January. This was the strongest annual growth since July 2017, however it remains below 10-year average annual growth of 3.7%.

Over the past year, slow wage growth and high levels of household debt led to sluggish growth in retail sales. Strong employment growth, however, has provided support for consumer spending. The larger increase in retail sales in February is an encouraging sign, although it is too early to call it the beginning of a firmer trend.

- By Sector

Retailers have responded to softer consumer demand by discounting. The arrival of Amazon late last year would have further stepped up competition and squeezed margins.

The strongest sectors in February were department store sales (1.5%) and clothing, footwear & personal accessories (1.1%) and household goods retailing (1.1%). This is a divergence from the recent trend, which has seen weakness in these sectors and strength in sales at cafes, restaurants & takeaway food services and sales of food (at supermarkets and grocery stores).

For the year to February, sales were strongest in clothing, footwear and personal accessories (4.9%), followed by cafes, restaurants & takeaway food services (3.5%).

Other retailing (which includes recreational goods, chemists and gardening) rose by 3.4% over the year to February and household good retailing (3.2%) was also solid. Food retailing was up 2.7% over the year to February and retailing growth was weakest at department stores (0.5%).

- By States and Territories

Retail sales growth was led by the largest States, NSW and Victoria, with an increase of 1.1% in both States. Growth was also robust in the Northern Territory (1.1%) and South Australia (0.7%). Retailing growth was slower in the ACT (0.5%) and Tasmania (0.3%). In February, retailing contracted in Queensland (-0.3%) and Western Australia (-0.6%).

In annual terms, Victoria continued to be the fastest growing State for retailing (5.8%), followed by South Australia (3.6%), NSW (3.1%) and Tasmania (3.1%). Annual growth was more subdued in Queensland (1.5%) and the ACT (1.4%) and remained in decline in the Northern Territory (-0.3%) and Western Australia (-0.5%).

Outlook

Retail spending growth was stronger in February, although it's too early to call this the beginning of a firmer trend, following weakness in the previous two months. Retailing growth is likely to remain modest in the months ahead, with soft wages growth and high levels of household debt negative for spending. The softening in house prices is also likely to dampen retailing. Retailer margins are expected to remain under pressure, a trend exacerbated by the recent arrival of Amazon.

Despite these negatives for the sector, strong employment growth over the past year is expected to provide underlying support for retail spending.

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The Detail

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