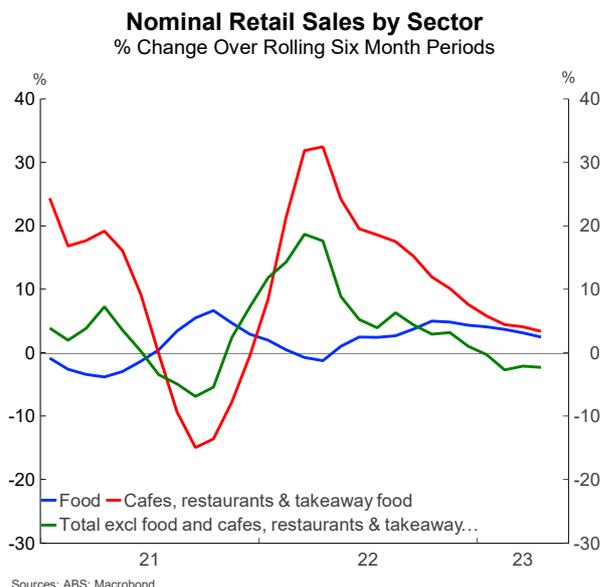
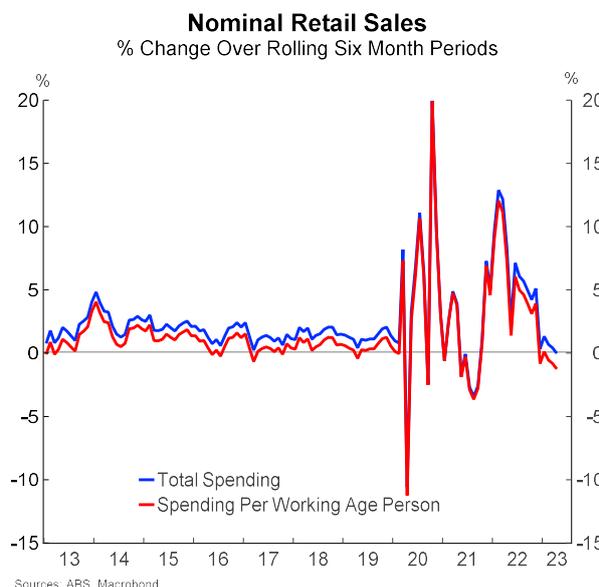


## Retail Sales

### The Fall In Per Capita Spending Accelerates

- Retail trade was flat over the month of April. Only two categories recorded increases - clothing, footwear & personal accessories and department stores. These categories were boosted by spending on winter clothing in response to cooler than average weather.
- April's outcome confirms that the slowdown in spending extended beyond the March quarter. On a per capita basis, retail spending has fallen by 1.3% over the past six months - the sharpest fall since early 2008 outside of COVID. Spending has dropped back to the level recorded in July. That is, consumers are spending the same as they did in the middle of last year. Given elevated inflation, this means that consumers are buying less items than they did last year.
- Even when including the huge surge in migration, total spending has not grown over the past six months – it's back at its October level. In an environment of elevated inflation, the volume of spending is going backwards.
- Households are clearly adjusting to the fall in real wages, higher interest rates and accelerating rents. We have seen a stark pull back on spending on discretionary goods. Over the past six months, retail trade excluding food and cafes, restaurants & takeaway has fallen by 2.3%.
- Notwithstanding the growing population, spending on food (-0.1%) and cafes, restaurants & takeaway (-0.2%) fell for the first time since February 2022 and December 2023, respectively.
- Today's release will be an important part of the Reserve Bank's deliberations. Spending leads the economic cycle, with labour market conditions and inflation following. The clear signal from today is that retail spending is stalling. We expect this to continue as cash rate hikes to date are fully transmitted to households.



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