

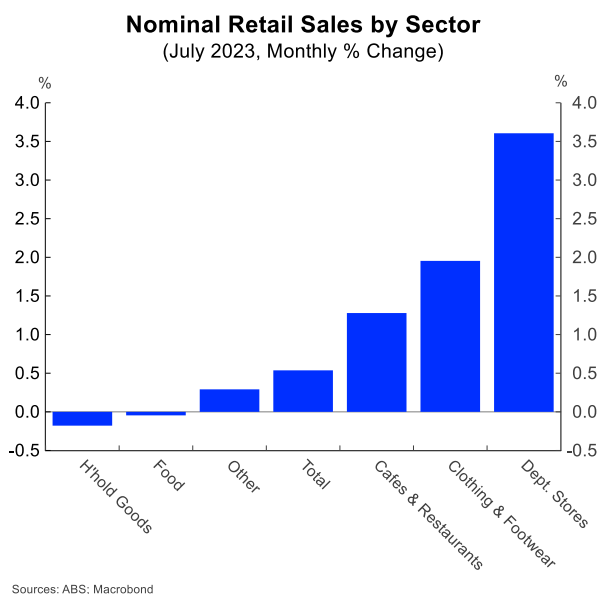
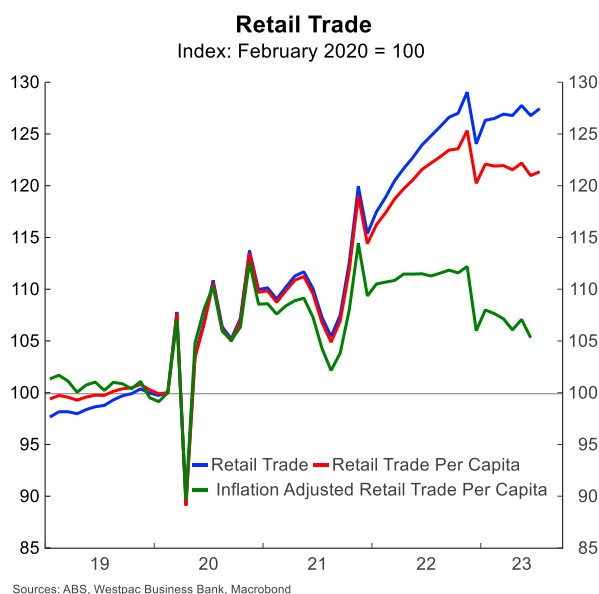
Monday, 28 August 2023



## Retail Sales

### Bounce Masks Underlying Weakness

- Retail spending increased by 0.5% in July, partly reversing the fall of 0.8% recorded in June. The increase was supported by some temporary factors, such as the 2023 FIFA Women's World Cup and school holidays. The Fair Work Commission's 2023-24 award and minimum wage increase, which took effect from 1 July, may have also supported spending.
- Spending on most non-food categories increased, partly reversing the sharp falls recorded in June - Department stores (+3.6%) recorded the largest rise, followed by clothing & footwear (+2.0%), and other retailing (+0.3%). Spending at cafes & restaurants (+1.3%) also increased.
- Despite the monthly increase, underlying growth in retail trade remains weak. Retail spending has gone sideways since November 2022, despite the record increase in the size of the working age population and the elevated inflation.
- Compared to pre-pandemic levels, growth in retail trade has largely been driven by population and inflation. Inflation adjusted spending per capita has increased by an annual average pace of around 1.5 per cent over the past three and a half years, below the pre-pandemic annual average of around 1.9 per cent. More recently, inflation adjusted spending per capita has fallen by around 5.0 per cent over the past year.
- This shows the initial reopening impulse has largely faded and households are pulling back on spending. Today's result, coupled with the run of recent data such as the softer than expected labour force outcome, is consistent with the Reserve Bank remaining on an extended pause.



Pat Bustamante, Senior Economist

## Contact Listing

**Chief Economist**

Besa Deda  
dedab@stgeorge.com.au  
(02) 8254 3251

**Senior Economist**

Jarek Kowcza  
jarek.kowcza@stgeorge.com.au  
0481 476 436

**Senior Economist**

Pat Bustamante  
pat.bustamante@stgeorge.com.au  
0468 571 786

**Economist**

Jameson Coombs  
jameson.coombs@stgeorge.com.au  
0401 102 789

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