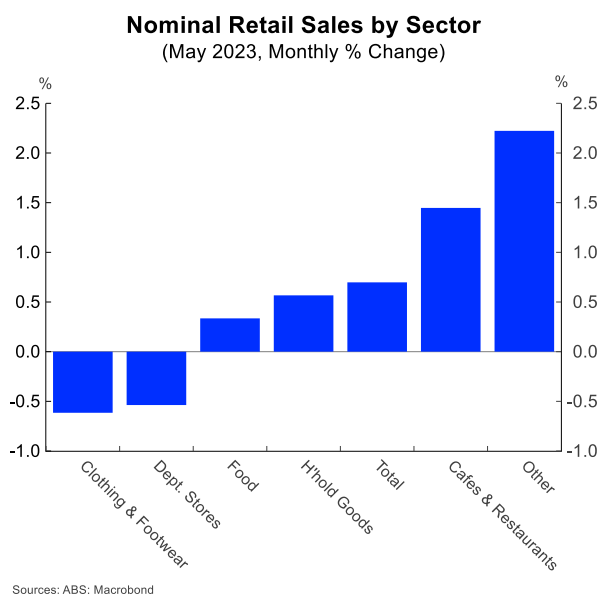
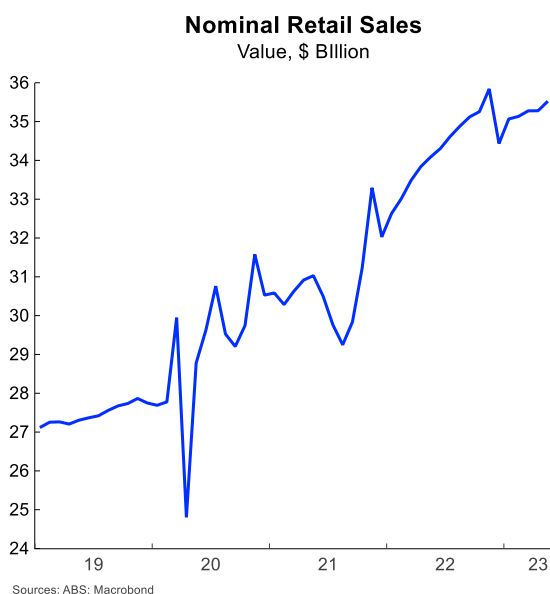


Retail Sales

Households Splurge on Discounts

- Retail spending rose 0.7% in May, rebounding from a flat reading in April. This was the strongest monthly print since January 2023 and takes the level of spending just 0.9% shy of the record high from October last year.
- Households took advantage of greater than usual discounting activity in May as end of financial year sales were brought forward. The jump in spending activity is therefore likely to be more of a 'one-off' response to discounting rather than a sustained increase in trend spending.
- But ultimately, households still had the cash to burn, and this will likely grab the attention of the Reserve Bank (RBA). It's the level of nominal spending that matters for inflation and we are yet to see the pull-back that we might expect given the pressures on some household budgets.
- Record population growth has propped up retail spending. But even when adjusting for growth in the working age population, spending per capita gained 0.5% in May, to be up 1.5% over the year. Households might like it, but they are still coughing up to pay the higher prices.
- Spending on cafes, restaurants and on takeaway continued to outperform (1.4%) and after a blip in April, spending in the category jumped to a fresh record high. Spending on other retailing (2.2%) was the strongest category - supported by spending at online-only retailers, florists, and pharmaceutical and cosmetics retailers.
- The outlook for retail spending remains soft. As the impact of the RBA's tightening cycle continues to transmit through the economy spending will continue to slow. However, today's result suggests that there could still be some resilience in the consumer.



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