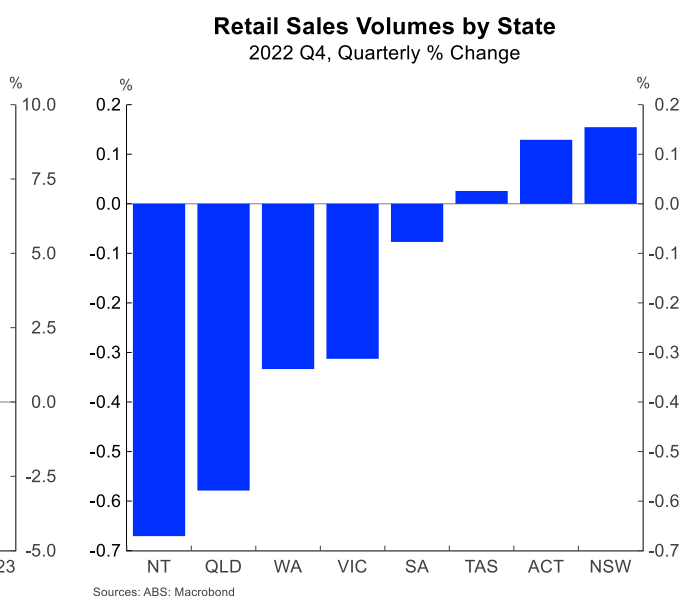
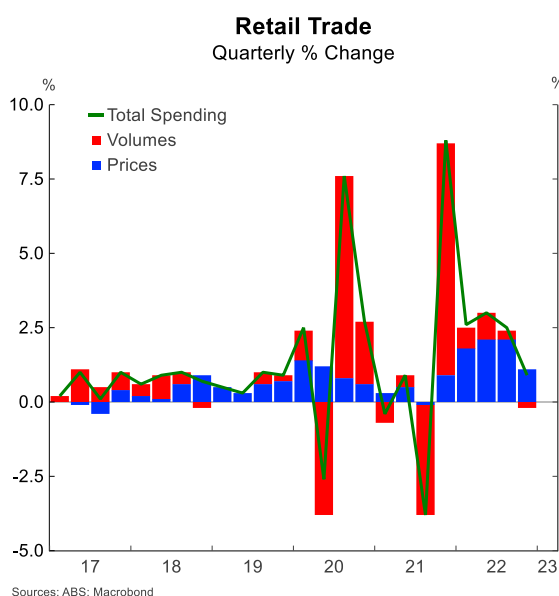


Retail Sales Volumes Spending Turns as Rate Hikes Start to Hit

- The value of retail spending rose 0.9% in the December quarter, the weakest quarterly outcome in over a year. However, the picture sours more when we strip out the impact of higher prices. Retailing volumes (which adjust for prices), declined 0.2% in the December quarter.
- Excluding periods impacted by lockdowns, this was the first quarterly decline in retail spending volumes since the December quarter 2018. The result is a sign that the post-lockdown surge in household spending has run its course as the Reserve Bank's (RBA) rate hikes take effect and the rising cost-of-living bites.
- Volumes were lower in all categories of retail spending apart from food (+2.1%) and hospitality (+0.2%). Department stores (-2.9%), clothing & footwear (-2.3%) and household goods (-2.0%) were among the weakest performers in the quarter.
- The price of retail items rose 1.1% in the December quarter, the softest rise in 12-months. This is a positive sign for the RBA. However, it is no cause for celebration. Price pressures remain elevated and November discounting had a part to play.
- While retail spending appears to have turned a corner, partial indicators suggest that services demand is still running hot, especially for travel services. This will likely support household consumption as goods spending tails off. Despite this, we expect a material fall in consumption over the course of 2023 as tailwinds ease and budgets are stretched.



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