

## Aussies are spending, but cautiously

### Economic trends & issues

- The Australian Bureau of Statistics (ABS) yesterday released retail spending data for the December quarter. CommSec obtained detailed spending data from the ABS in nominal and real (inflation-adjusted) terms. The data provides insights on how spending has been changing across the economy.
- Spending rose by just 0.1 per cent in real terms in the December quarter. But spending slowed over the last six months of 2018 in response to higher prices for imported goods. Retail prices rose by 1.4 per cent in the year to December, the fastest rate in almost two years.
- In 2018 as a whole, Aussies spent just almost \$321 billion on retail goods and activities like food and clothing and spending at cafes and restaurants. The volume of goods lifted 2.2 per cent in 2018 as a whole with prices up 0.7 per cent. Population growth in 2018 was around 1.5 per cent.
- In terms of actual goods bought (volume), Aussies bought more electrical goods; clothing; food from specialised outlets like butchers and bakers; and cosmetics. Fewer newspapers & books were purchased as well as sporting goods, toys & games and take-away food.
- The average Aussie spent, on average, just over \$245 a week on retail goods in 2018, up just \$3.31 a week over the year. Over the same period the average wage is estimated to have lifted around \$30 a week.

#### RETAIL SPENDING IN 2018

	<i>Average weekly spend per person</i>	<i>% change spending</i>	<i>% change volumes</i>	<i>% change prices</i>
<b>FOOD RETAILING</b>	\$99.81	3.8	1.4	2.4
Supermarkets And Grocery Stores	\$83.44	3.7	1.1	2.6
Liquor Retailing	\$9.28	3.3	0.9	2.5
Butchers, fruit, bread, fish shops	\$7.08	5.0	3.7	1.3
<b>HOUSEHOLD GOOD RETAILING</b>	\$42.10	1.7	3.9	-2.1
Furniture, Floorcovering And Textile Goods Retailing	\$11.23	0.8	1.9	-1.1
Electrical, Electronic & Gas Goods Retailing	\$16.10	1.1	6.6	-5.5
Hardware, Building & Garden Supplies Retailing	\$14.77	3.1	2.4	0.8
<b>CLOTHING, FOOTWEAR AND PERSONAL APPAREL RETAILING</b>	\$19.14	3.5	5.4	-1.9
Clothing Retailing	\$12.92	4.3	7.0	-2.7
Footwear & Other Personal Accessory Retailing	\$6.23	1.8	2.4	-0.6
<b>DEPARTMENT STORES</b>	\$14.28	0.3	3.1	-2.8
<b>OTHER RETAILING</b>	\$35.05	3.1	1.7	1.4
Newspapers And Books	\$2.23	-7.6	-10.1	2.5
Sporting goods, toys, video games	\$3.97	-1.8	-0.5	-1.3
Pharmaceutical Cosmetic And Toiletry Retailing	\$13.63	3.4	3.1	0.3
Other Retailing ( Flowers, antiques etc)	\$15.21	6.0	3.2	2.8
<b>CAFES, RESTAURANTS &amp; TAKEAWAY FOOD SERVICES</b>	\$34.80	2.9	0.9	2.0
Cafes And Restaurants	\$20.52	3.4	1.7	1.8
Takeaway Food Services	\$14.28	2.2	-0.2	2.4
<b>TOTAL (INDUSTRY)</b>	<b>\$245.18</b>	<b>3.0</b>	<b>2.2</b>	<b>0.7</b>

Source: ABS (unpublished), CommSec

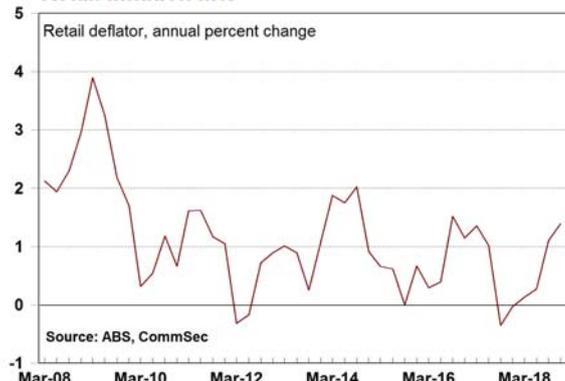
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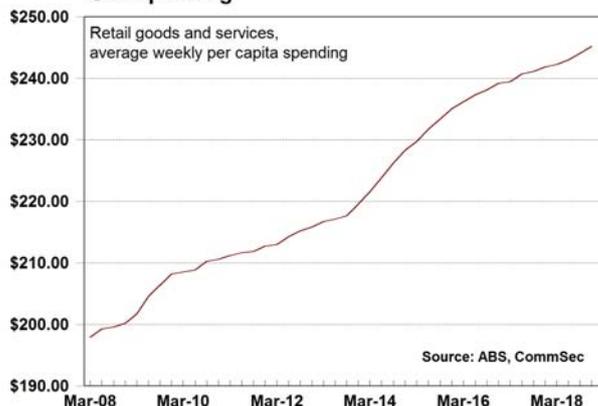
### What does it all mean?

- Aussies are still spending, but differently and cautiously. In the past, December was the big spending month. But Aussies – just like their US cousins – are now embracing online sales events held in November. As a result some of the usual Christmas has been brought forward to November.
- Retail trade rose by 0.5 per cent in November and fell by 0.4 per cent in December. In trend terms annual growth stands at 3.2 per cent, just above average growth rate over the past three years.
- With spending patterns changing, it pays to stand back and look at the big picture. Over 2018 as a whole, Aussies bought 2.2 per cent more goods (higher volumes) and spent 3 per cent more on those goods, the difference being higher prices.
- There are a number of ways to look at spending – on a per capita (per person), in real (price-adjusted) terms and the actual dollars outlaid (reflects goods bought and prices paid).
- Courtesy of lower prices we are buying more electrical goods but they are taking up less of our weekly spending. Similar situation with clothes. But the data indicates that clothes took up more of our spending budgets because we bought more items at the cheaper prices. Items like newspapers, sporting goods and department store items also took up a smaller share of the average Aussie’s spending in 2018 compared with a year ago.
- With population up 1.5 per cent and prices up 0.7 per cent, it is clear that Aussie shoppers, on average, bought more retail goods. In fact, each Aussie spent \$3.31 more per week on retail items.
- With the average weekly wage estimated to have lifted \$30 a week, it is clear that Aussies are utilising their funds in different ways. When the final figures on broader household spending are released in early March, they will likely show that more is being spent on services. Aussies also continue to buy goods overseas, either online or on overseas trips. And some of the weekly wage is devoted to saving and loan repayments.

Retail inflation lifts



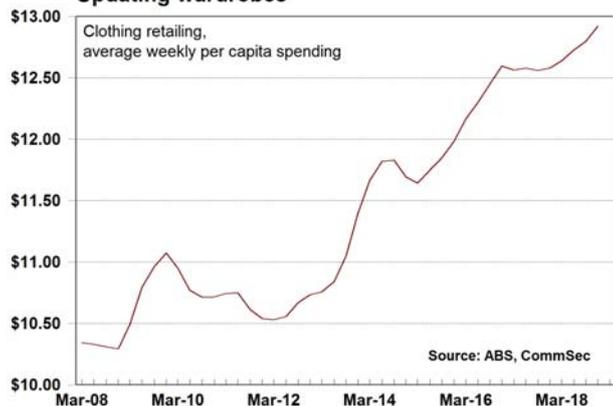
Still spending



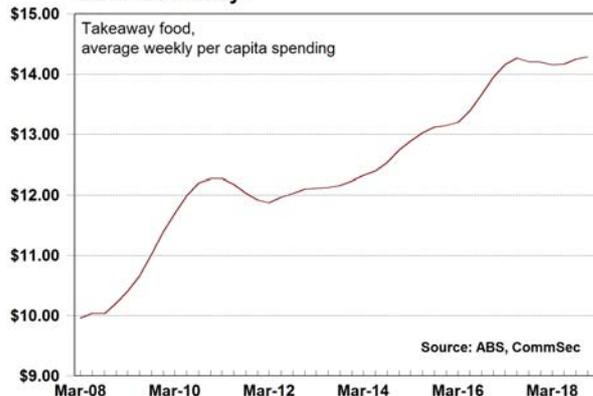
### What are the implications for investors?

- Retail spending accounts for just 31 per cent of total household spending. So while spending rose just 0.1 per cent in the December quarter, it is possible that more dollars were spent on other goods and services in the quarter. Certainly the job market remains strong and wages are lifting modestly. The December national accounts, including broader household consumption data, will be released on March 6.
- Over 2018 though it is clear that Aussie consumers continued to spend, albeit cautiously, especially given that

Updating wardrobes



Value for money?



some imported goods were more expensive due to the lower Aussie dollar. The Aussie dollar began the year at US80 cents and ended the year around US70-71 cents, pushing up the cost of imported goods.

- In this increasingly more globalised environment, it is clear that Aussie retailers need to stand out with an offering that meets needs or provides a better experience than other goods and services – domestic or foreign.
- While it may have been possible a few years ago to extrapolate the experience and results of one retailer across the broader retail sector, that is no longer the case. Recent guidance from retailers highlights this, with messages varying markedly across businesses.
- Latest data indicates that consumer confidence is above longer-term averages. The job market is strong – especially in the two most populous states. That means increased job security as well as more people finding work. Petrol prices have come down from highs, proving less of a constraint on spending. Interest rates remain low and stable. And while in some regions home prices are easing, affecting perceived wealth, in contrast share prices are rising, adding to household wealth.
- While there are a number of positive macro drivers for consumer spending, at a sector or industry level, conditions are likely to prove more fragmented. Retailers must continue to research, invest and innovate to be successful in the current environment.

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