

Australia: August retail sales still very strong

Following the 1.3%MoM gain in July, the faster-than-expected 0.6%MoM August increase in retail sales throws doubt on the conjecture that the Reserve Bank of Australia (RBA) can begin to ease back on the pace of rate increases at forthcoming meetings



Australian retail sales

Source: Shutterstock

0.6%

August retail sales

MoM%

Better than expected

Household sector shrugging off rate hikes

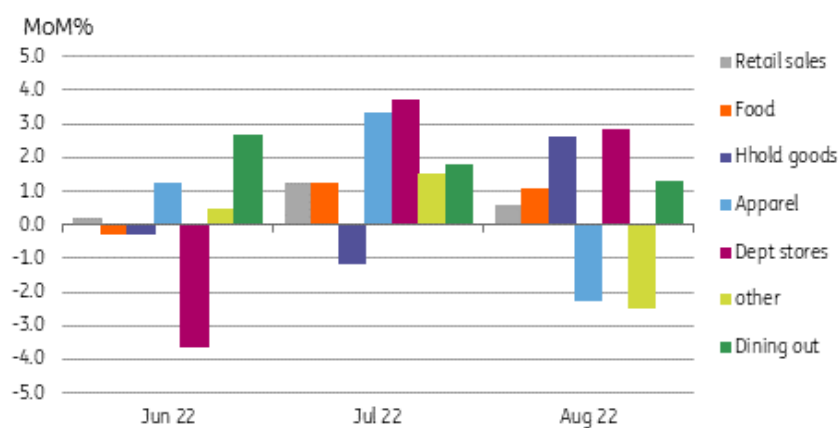
If the Reserve Bank of Australia's rate tightening is slowing the economy, it isn't really evident in the latest retail sales figures for August. The headline sales number registered growth of 0.6%MoM. This was admittedly down from the super-strong 1.3% gain in July. But following such a strong

July figure, more statistical pull-back might have been expected if the underlying pace of sales were indeed slowing. Instead, the 3-month annualized rate of retail sales growth is still running at more than 8%, which even allowing for re-opening effects (these should be largely if not wholly through the pipeline by now) looks inconsistent with an economy that only needs modest rate hikes from here on.

That prospect of a slowdown in the pace of tightening has been fostered by some official RBA comments, though it is looking increasingly at odds with the very hawkish US Fed rhetoric, the slide in the AUD, and now, the run of domestic data.

Retail sales by type (MoM%)

Still running strong



Source: CEIC, ING

Australian retail sales August 22

What's driving sales?

Indeed, even the components of the latest sales numbers don't suggest much slowdown, with sales at department stores leading the way, followed by household goods and dining out. Clothing and the miscellaneous "other" section were the only weak spots. This breakdown in no sense suggests "belt-tightening".

2Y Australian government bond yields rose on the news, but this didn't provide much help for the AUD, as the US White House appeared to rule out a plaza-style currency agreement providing further fuel for the USD against the AUD and other G-10 currencies.

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