

Snap | 26 November 2021

AUSTRALIA

Australian retail sales surge on re-opening

As Australia's re-opening after lockdowns proceeded in October, retail spending surged higher, making up for ground lost in previous months. This won't last, but it will provide some boost to 4Q GDP, and help to reverse what looks like it will be a sharp drop in 3Q GDP released next week



4.9

MoM%

October retail sales

Higher than expected

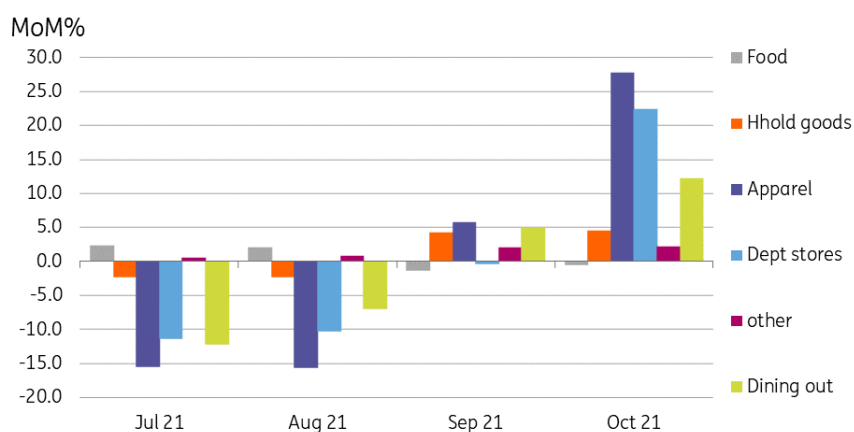
Sales surge

The end of lockdowns across Australia has resulted in a big surge of pent-up demand for goods and services in October. Total retail sales grew 4.9% MoM, rising from the modest 1.3% gain in September and undoing some of the damage to sales of the previous months under

lockdown.

Sales of footwear and clothing saw the biggest gains, with a month-on-month increase of nearly 28%. There were also strong gains in sales at cafes and restaurants, as people took advantage of the novelty of dining out. Understandably, this ate into the share of spending on food, which dropped slightly from the previous month. Department store sales also did well, rising more than 22%MoM - a case of a little post-lockdown retail therapy...

Retail sales MoM%



Source: CEIC, ING

This won't last

It already looks as if the October sales surge has reversed most of the losses of the previous months during lockdowns, and so we don't expect this sort of retail strength in the monthly figures to persist. But while it does, it should provide a boost to GDP figures in the fourth quarter. 3Q21 GDP is released next week. The consensus expectation for the third quarter is for a 2.6%QoQ decline. 4Q21 GDP will most likely post an outsize gain when it is finally published. But the magnitude of these alternate negative and then positive swings means that making sensible predictions is all but impossible. Nor is it possible to read too much into the data even once it is released. Consequently, markets will probably pay little attention to GDP and other volatile figures. Instead, they will wait for clues as to the post-re-opening trend - they may have to wait for quite a while.

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