



Retail Forecasts
Divergence

August 2020

Retail Forecasts is produced quarterly and provides analysis of current retail spending and important changes to the economic drivers that influences this. It includes ten-year forecasts of retail sales by major category and of key economic drivers. The supplementary Detailed Consumer Spending data provides ten-year forecasts of detailed Household Final Consumption Expenditure categories and detailed Retail Sales categories

EMBARGO 10 SEPTEMBER 2020

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Executive summary

Executive summary

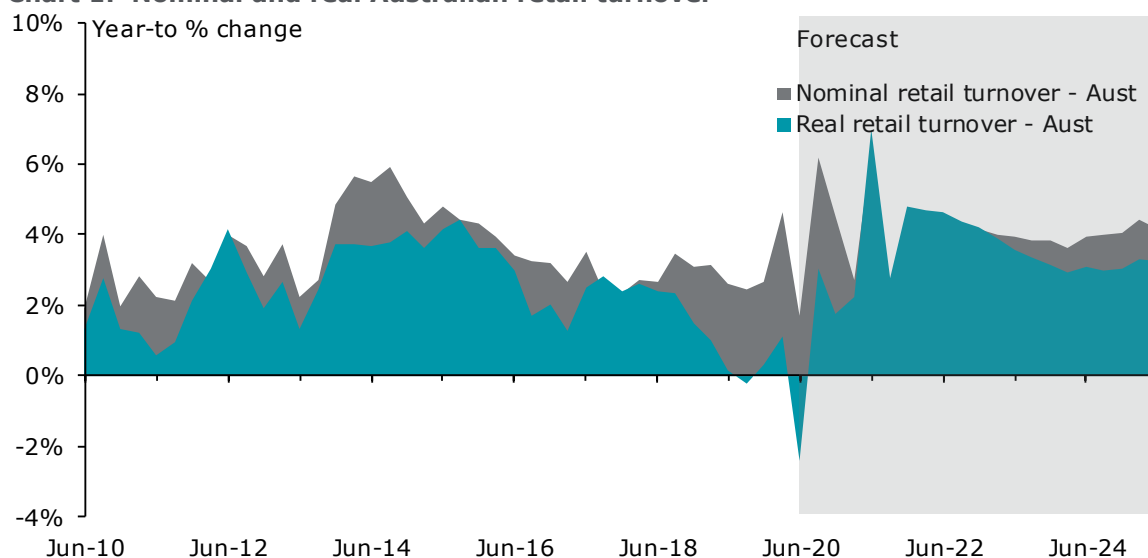
Australian retailers have seen enormous divergence in sales growth performance so far in 2020. Volatility in sales performance is being seen over time, with strong recovery growth over recent months following wild swings in trading from March to May. There is an enormous gulf in retail performance by sector, with supermarket, liquor stores, hardware and households goods continuing to be heavily favoured, while cafes and restaurants and apparel are either not available or shunned. Finally, there is now also a wide gulf in retail performance by jurisdiction with the recent outbreak in Victoria sending its recovery off the rails.

National retail turnover outlook

The volatility in retail spending means that even quarterly sales numbers can mask significant changes which occurred during the quarter. The June quarter's weak retail print hides the complexity of COVID-19 impacts. Retail sales slumped in the June quarter as COVID-19 restrictions limited shopping opportunities. But most of the pain was felt in April when restrictions were in place across the country, with spending picking up through May and June as restrictions eased, fiscal stimulus was rolled out, and confidence improved. This resulted in June monthly sales sitting 7.4% above pre-COVID levels from December 2019.

The positive momentum looks set to have continued through the September quarter, further bolstered by a raft of fiscal stimulus measures. This includes the second tranche \$750 economic support payment, ongoing JobKeeper and JobSeeker payments, tax returns and a second opportunity for early superannuation access. The tapering of fiscal stimulus measures through the December quarter and into 2021 is likely to act as a handbrake on spending. However, rather than a cliff, retailers may face a steady moderation in spending as the reality of lost jobs and income starts to bite.

Chart 1: Nominal and real Australian retail turnover

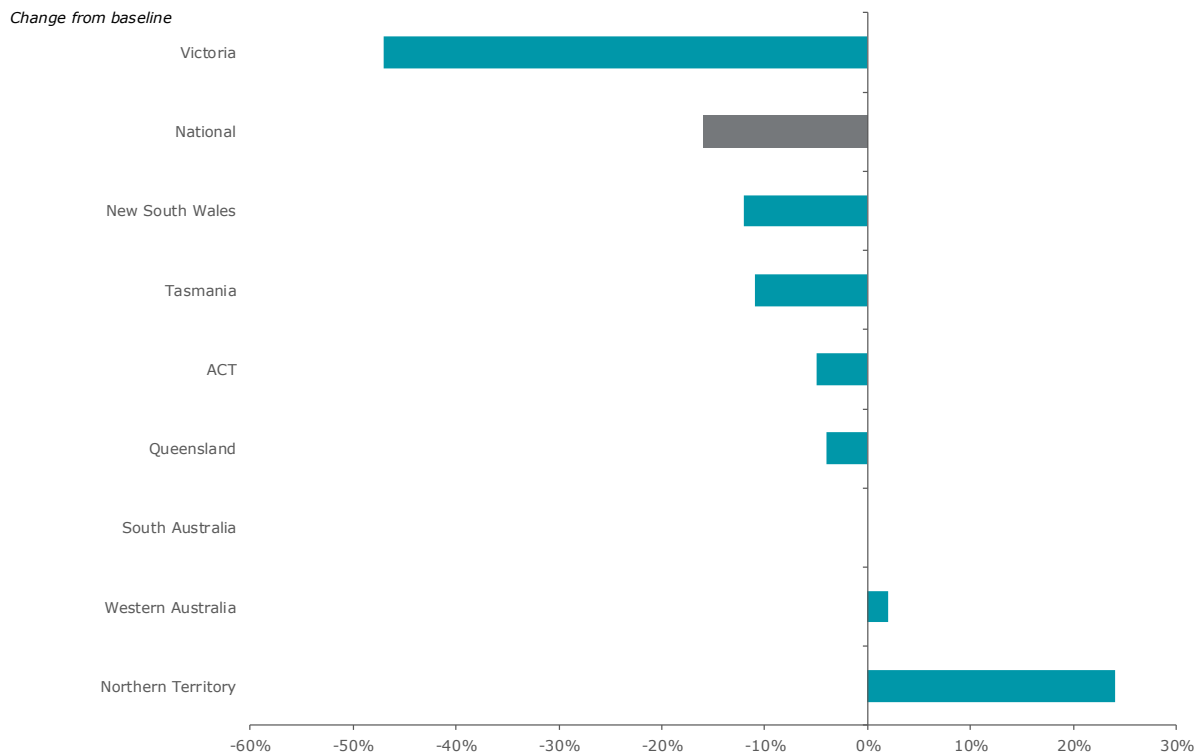


Source: ABS Cat 8501.0, Deloitte Access Economics

While some retailers have struggled through the COVID-19 crisis, others have flourished. Restrictions have kept many people at home, and this has spurred a spending spree for related retail goods. In particular, household goods spending in June surged ahead of December's pre-COVID spending levels, driven by over 30% gains across liquor retailing, recreational goods retailing, and hardware, building and garden supplies retailing. Meanwhile, restrictions pummeled spending at cafes, restaurants and catering services which was down over 50% in June compared to December pre-COVID levels.

The recent Victorian outbreak has thrown a spanner in the works for retail’s revival. Tighter restrictions under stage 4 lockdown has sent confidence and spending plummeting in the state through late July and August. This is at odds with the continued consumer confidence seen in other states where COVID-19 outbreaks have been contained, such as Queensland and Western Australia. And while restrictions haven’t been increased in New South Wales, the close proximity to Victoria both physically and economically has hit confidence and muted the recovery in spending. The divergence across states is clearly shown through Google mobility data, with foot traffic in Victorian retail and recreation down nearly 50% compared to baseline levels, much larger than the national average decline of 16%.

Chart 2: Retail and recreation mobility compared to baseline, August 2020



Source: Google, Deloitte Access Economics

Key changes since last issue

Preliminary data for the September quarter suggest that the rebound in spending is likely to be stronger than had been anticipated three months ago. Momentum from the end of the June quarter has continued into July, and real time data indicates suggest that aside from Victoria, the rest of the county experienced a solid August for retail spending as well. In these projections, retail sales are expected to surge 5.4% in real terms over the quarter, before a reality check hits with sales then expected to decline by 0.8% in December.



Economic
headlines

Economic headlines

Macroeconomic environment

The global economy continues to be plagued by uncertainty, driven by high case numbers and a reactionary and inconsistent response to virus spread. Indeed, no country's short term economic future is more uncertain than the United States, where future stimulus remains unclear and unemployment remains very high despite strong manufacturing and service PMI data. There are also uncertainties in China where government stimulus appears to be driving a V-shaped recovery, but consumer spending is weak and Yangtze River flooding is disrupting production.

Australia's isn't impervious to such uncertainty; the speed at which the economy recovers will continue to depend on each state's ability to contain virus outbreaks, and the level of restrictions imposed to get to that goal. **Nationwide lockdowns caused Australia to suffer its first recession in almost thirty years in the first half of the year**, with GDP contracting 0.3% and 7.0% in the March and June quarters, driven in large part by a 12.1% decline in household consumption. Victoria's second lockdown, as well as border bans and continued restrictions in other states, will likely drive a third quarter of economic contraction in September.

The **economic trajectories of each state and territory are also increasingly divergent**, dependent on each region's ability to contain COVID-19 case numbers and maintain strict border controls. States with fewer cases, like Western Australia, have loosened restrictions faster, enabling businesses to reopen and customers to return to stores. Conversely, stage four restrictions in Victoria could cost the state's economy up to \$7 billion and see 400,000 jobs affected.

Nevertheless, economic activity throughout the whole of Australia has been, and will continue to be, hampered by weakened growth in New South Wales and Victoria. Recent data from the Roy Morgan Business Confidence Index shows Australian business confidence slumped 11% in July amid Victoria's second lockdown and clusters of cases in New South Wales. Business confidence had previously recovered 24% between April and June.

Deloitte's latest [CFO Sentiment](#) survey shows that Australia's Chief Financial Officers are under no illusions about the challenging business environment they face. Optimism is down, uncertainty is high, and revenues are under enormous pressure. Yet, **despite the clear challenges, more than half of CFOs also remain optimistic about the future of their companies**, and only 20% are pessimistic. Along with short-term solutions to cope in the current environment, many CFOs are seeing the long-term opportunities that exist in their current actions.

In the meantime, border restrictions, which have been crucial in allowing states to loosen restrictions, are simultaneously adding to tough operating conditions for businesses through supply chain disruptions and reduced travel. Uncertainty about the virus, the economy, future demand and government support measures are also limiting capital expenditure, which fell 5.9% to a five year low in the June quarter. [In July, Deloitte estimated](#) that up to 240,000 businesses were at high risk of failure. JobKeeper has since been extended, but the reality is that many businesses will struggle to survive as cash reserves are depleted in the coming months.

So far, **consumer facing sectors have generally been the worst hit, but other sectors may soon join the firing line**. Data from the ABS Business Impacts Survey shows that businesses in accommodation and food services, transport, postal and warehousing, and arts and recreation services expect to face the most difficulty in meeting financial commitments in the coming months. At the same time, it's likely that sectors such as construction, which have been protected by pre-COVID pipelines of work, will endure pain due to weak investment and JobKeeper, rent relief and other support measures tapering off.

Australia's medium-term economic outlook is therefore contingent on confidence, spending and investment rebounding, which will primarily depend upon case numbers continuing to subside in Victoria and clusters being successfully suppressed elsewhere. While the country's recovery will also

be supported by record low interest rates, which are unlikely to rise for some time, monetary policy has reached an effective lower bound, meaning that a continuation of significant levels of fiscal stimulus will likely be needed to support the Australian economy into a recovery phase.

Similarly, inflation is expected to remain low alongside increased unemployment and stagnant wage growth, although supply chain issues could drive prices higher in particular markets. Deflation in the June quarter is unlikely to persist as it was driven predominantly by temporary support measures like free childcare, and low oil prices which have since rebounded.

Household buying power

Australia's recession has smashed household buying power across the country with no state or sector escaping widespread job losses and pay cuts. Despite many parts of the country beginning to recover, household buying power may not have bottomed out, with fiscal stimulus and other support measures soon to taper off.

The biggest driver of household buying power is undoubtedly employment, and **Australia is suffering an employment crisis**. Between February and May, employment plunged with 850,000 fewer persons employed. Moreover, these statistics understate the magnitude of the COVID-19 fueled recession for they exclude those that would be unemployed without the assistance of JobKeeper. A decline in monthly hours worked and Australia's participation rate paint an even gloomier picture.

Employment improved as Australia emerged from lockdown, but Australia's labour market outlook remains dismal. Between May and July, employment rose by 340,000, while total hours worked climbed 5.1%, but this trend is unlikely to last. Weakness in investment dependent industries and a reduction in business support measures in the coming months will lead to further job cuts, with unemployment not expected to peak until the end of the year. Victoria's job market is particularly dire, having already observed a 7.2% increase in unemployment benefit recipients since the end of June as a result of the state's stage four lockdown.

Significant stimulus measures offset a dismal labour market, with disposable income increasing 2.2% in the June quarter. Households are benefitting from early access to superannuation, tax returns, the \$550 a fortnight COVID-19 supplement and flat-structured JobKeeper payment, throughout the June and September quarters. However, post September, the myriad of support measures will taper off and mortgage deferrals and other outstanding debts will have to be paid. While the Government's extension of JobKeeper until March 2021 may have transformed a fiscal stimulus cliff into a gentler hill, household buying power will inevitably fall, in turn slowing the recovery speed of Australia's economy.

At the same time, household buying power will be constrained by reduced household wealth. Property market prices are expected to fall with housing supply having increased since lockdown restrictions lifted in most states, but demand remaining subdued and likely to stay low as household income withers. Instead, Australians are investing in property in other ways as they spend more time at home, with household retail booming during the COVID-19 pandemic. Furthermore, household wealth has declined due to poor financial market conditions, with the ASX200 down 9% (to August 31) since the beginning of 2020.

In addition to the effects of reduced income and wealth, **households are spending less as their confidence in the economy diminishes**. The Westpac Consumer Sentiment Index fell 15% between June and August, after bouncing back from an April low in June, indicating that the whole of Australia watched on nervously as Victoria struggled with a second outbreak.

Australia's apprehension, alongside increased disposable income and reduced spending opportunities in lockdown, has led to an **extraordinary increase in household savings**. After rising from 3.6% to 6.0% in the March quarter, the household savings ratio skyrocketed to 19.8% in June. The impact of fiscal stimulus was mammoth, for without it, the ABS estimates the household savings ratio would have fallen to 4.6%. In the coming months, Deloitte predicts that anxious consumers will continue

to save, although some households may be forced to withdraw savings as support tapers off and more jobs are lost.

In future years, household spending is likely to suffer from lower than expected population growth as fewer households means less household spending. Historically, more than two thirds of Australia's population growth has come from a steady flow of overseas migrants but international border closures have shut out students, skilled visa holders, and other crucial spenders. With border restrictions set to remain in place until at least 2021, Deloitte predicts that net overseas migration will fall 76% in 2020-21 following a 32% fall in 2019-20, relative to a net intake of 232,135 migrants in 2018-19. Birth rates are also predicted to be lower as a result of financial and health concerns.

Retail headlines

Retail spending plunged in the June quarter, down 3.4% over the quarter following March's 0.7% gain. After a stock up in March, the implementation of restrictions across the country limited people's ability to spend over April. There was an improvement over May and June as restrictions eased and confidence picked up with **June nominal sales up 7.4% compared to December's pre-COVID levels.**

A change in household activities resulted in **changes to spending behavior over the June quarter.** Consumers are spending more time at home, and that is supporting household good sales, with a 14.6% increase in spending over the quarter. Supermarket spending, while falling from its stockpiling heights, also remained strong posting a 1.7% increase compared to the previous year. Meanwhile, cafes, restaurants and takeaway are struggling falling 29.1% over the quarter. While restrictions are being eased, there remains limitations on attendance which will ultimately keep total spend under pressure.

Retailers have fared better than other parts of household consumption. Retail's 3.4% decline looks relatively small compared to the 12.1% slump in household consumption over the June quarter. This reflects a shift in consumer behavior away from services towards retail goods, in part driven by restrictions and exacerbated by shifting preferences. Transport, accommodation, catering, and recreational services were the worst performing segments of consumer spending, down over 50% in the quarter. Meanwhile, the best performing sectors were in the retail sector, with household goods retailing leading the charge.

Retail spending has started the September quarter on better footing as easing of restrictions and fiscal stimulus support spending. Monthly sales rose 3.3% in July, with spending 12.2% higher compared to July 2019. Household goods remain a standout but clothing and café spending also posed steady gains. Tax returns, ongoing JobKeeper and JobSeeker payments, and a second bite at early access to superannuation are keeping household budget flush with cash and this is likely to support a massive 5.4% jump in sales over the quarter (though in part, much of that quarterly growth is achieved because of the deep hole in spending which was seen in April).

Looking forward, **some parts of retail are expected to take longer than others to recover.** Supermarkets, specialty food and liquor, household goods, and other retailing have already exceeded December's pre-COVID spending levels. However, it is expected to take longer for department stores (September 2021), catered food (September 2024), and apparel (December 2024).

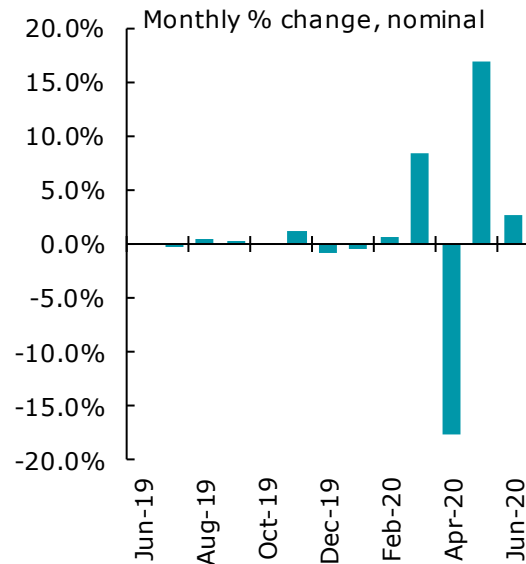
Not all states are on the same footing, with Victoria's second lockdown sending the state into another spending slump. Already indicators of spending are flashing red for the state, with preliminary July figures indicating this was the only region to experience a decline in spending over the month. There is some promising news with new infection rates slowly coming down, but the damage to confidence and jobs will limit spending through 2020.

Relatively strong price growth has done little to deter spending in high performing categories. For the second quarter in a row, retail prices have outstripped headline inflation. Retail prices were up 1.2% over the June quarter compared to a 1.9% decline in the CPI, which was driven by free childcare and lower oil prices. Meanwhile in the retail space, food and household goods prices grew

1.7% over the quarter. This is likely due in part to supply chain disruptions, but also reflects strong demand in these sectors with volumes little deterred by the higher prices.

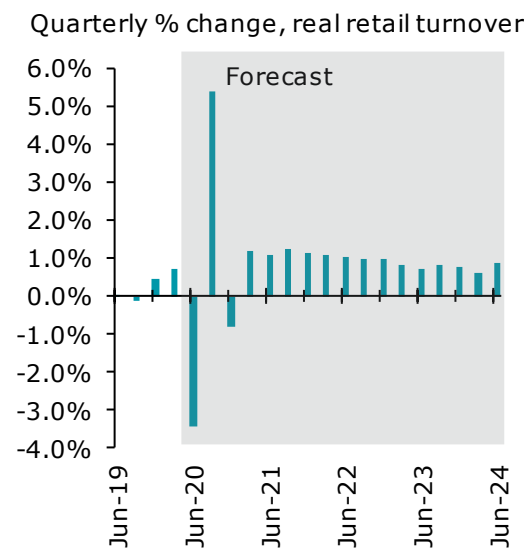
Restrictions have accelerated the trend to online. **Online spending has increased its market share over the past few months**, as customers look for safe and convenient ways to access goods. Our special feature explores how this has shifted the retail landscape, with COVID a significant accelerator for online retail sales. Indeed, the COVID period has seen online gain nearly four years' worth of market share in a space of a few months compared to its previous growth trajectory.

Chart 3: Retail monthly turnover growth (nominal)



Source: ABS Cat 8501.0

Chart 4: Retail quarterly turnover growth (real)



Source: ABS Cat 8501.0, Deloitte Access Economics

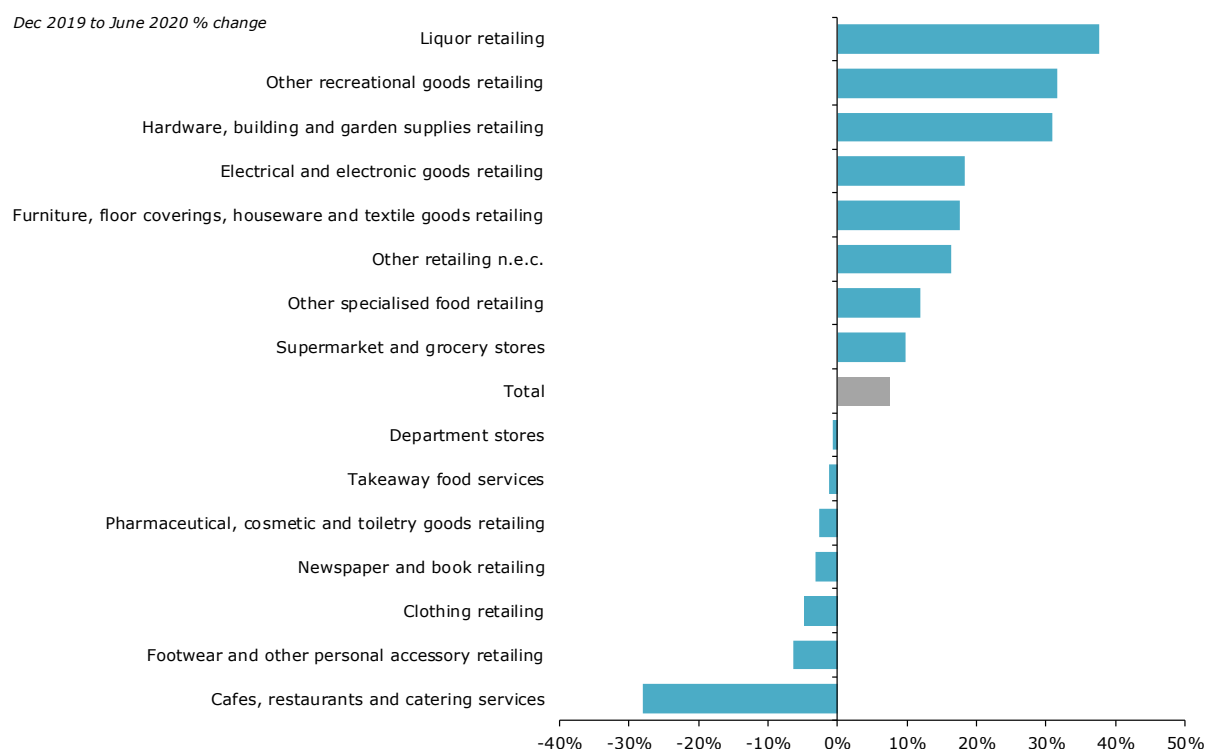


Retail category forecasts

Retail category forecasts

The impacts across categories has not been uniform, which is testament to the varying level of disruptions that the restrictions and economic conditions have had across the industry. Growth in household goods turnover has been strong as many people have focused on home offices and home entertainment, and hardware for home improvements. Easing restrictions on social distancing have provided some reprieve for cafes and restaurants, but these businesses remain well below their historical averages. Moving forward, retailers will be heavily reliant on the ability of states to continue to ease restrictions. The reduction in government income assistance through the final months of 2020 and into 2021 will provide some additional headwinds into their recovery, especially in more discretionary sectors.

Chart 5: Change in nominal Australian retail spending compared to pre-COVID levels



Source: ABS Cat 8501.0, Deloitte Access Economics

Just as the impact to date of COVID-19 and associated restrictions is varied categories, so too is the rate of recovery. Already many categories are at or above pre-COVID levels of spend, but some are likely to experience a prolonged period of weakness. The period that December 2019's pre-COVID levels of spend are expected to be reached by:

- June 2020 - Supermarkets, specialty food, household goods, and other retailing
- September 2021 - Department store sales
- September 2024 - Catered food sales
- December 2024 - Apparel sales

Chart 6: Food and non-food



Source: ABS Cat 8501.0, Deloitte Access Economics

Chart 7: Food categories



Source: ABS Cat 8501.0, Deloitte Access Economics

Supermarket retailing

Supermarket retailing fell by 3.7% over the June quarter, which was a sharp turnaround from the strong growth of 6.4% in the March quarter. Through the quarter there has been a shift in consumer behavior, as continued restrictions forced people to spend a greater deal of their time at home and, as a result, prepare a greater proportion of their meals at home. The ABS household impacts survey found that nationally 27% people worked from home, while another 11% stopped working all together in May. As people began to deplete their newly acquired stockpiles through April, supermarket turnover would again begin to rise, with total supermarket turnover growing 5.1% and 1.6% in May and June respectively.

With many accumulating stockpiles of non-perishable goods, such as pasta, flour, hand sanitiser and toilet paper in the March Frenzy, the demand for these goods fell drastically in the early part of the June quarter. With this, perishable goods proved to be less impacted in the post panic buying stage, with growth falling by 15% in April, rising by 7% May and falling by 4% in June, in comparison to growth rates of -24%, 4% and -4% for non-perishable goods across the same periods.

Although regulating somewhat through April and May from the March high, total supermarket turnover, as well as each of the sub-categories, remained elevated in May when compared to the same point as last year. Annually, perishable goods were 14.5% above May 2019 levels, while non-perishable goods rose 11.8% and all other products rose by 2.5% from the same period. Again, this is testament to the continued restrictions that have remained in place. Interestingly, the single biggest year on year change in retail turnover was not for products such as canned soups, noodles, pasta, grains, fresh meat, or fruit and vegetables but was in fact for cheese, recording over a 25% increase from May 2019 to 2020. Whether this is a result of needing something to pair all the alcohol sales with, an exorbitant increase in the number of cheese toasties for lunch, or people just stress eating cheese, that's a lot of extra cheese!

Looking forward, we expect supermarket sales to rebound in the September quarter, growing by 4.2% over the quarter. This is driven in part by the renewing of restrictions on dining out around the country, the lockdowns that have been in place in Victoria for much of the quarter and a fall in dining out as many have been able to satiate the pent up demand from the initial round of lockdowns. Beyond the September quarter we expect that supermarket turnover will moderate and return to historical growth rates from December onwards. On the back of strong growth in the March and September quarters we are expecting that supermarket will record annual growth of 5.1% through 2020.

Specialty food and liquor retail

The June quarter proved to be another period of strong growth for alcohol turnover. Over the quarter turnover grew by 18.8% (following 10% growth in the March quarter). The same cannot be said for specialty food, as the category witnessed a moderation over the quarter, growing by just under 1%. The growth over the quarter in both categories was driven by strong growth in the month of May. With no indication of things returning to their pre COVID-19 norm any time soon – liquor retailing once again surged in May, recording a 26% increase over the month, which was over three times the growth rate for total food retailing (7%). This is again a reflection of the continued restrictions on the hospitality sector, forcing more people to drink at home.

Growth in the month of June was some-what more stable than what had been seen in May for both specialty food and liquor. In June, specialty food rose by 0.6%, while alcohol sales fell by 3.6%. The stable growth in specialty food through the June quarter (excluding the fall in April) is likely driven by the fact that people did not have the ability to eat out as much as they previously did, having more time on their hands, or just spending more time at home and are opting to cook meals with higher quality, specialty produce.

Following two consecutive quarters of strong growth in specialty food retail, growth is expected to moderate. In the September quarter the category is expected to fall 5.3%. The fall in growth is attributed to the easing of many restrictions relative to what was in place through the earlier months of the June quarter. With easing restrictions on dining out, people are expected to substitute higher quality, home cooked meals for restaurant dining and at home alcohol consumption for drinking at restaurants and other licensed establishments. Although likely falling in the September quarter, the fall may not be enough to return the specialty food and liquor retailing to its historical levels, as year to growth is expected to exceed 9% for 2020.

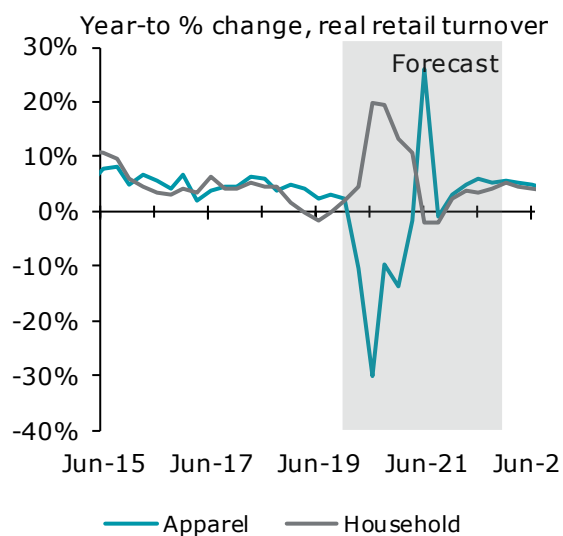
Catered food

Things have only gone from bad to worse for cafes, restaurants and takeaway services since the beginning of the COVID-19 pandemic. The decline of 8.4% in the March quarter was followed by another fall of 29.1% in the June quarter, which was the largest fall of any sector across the quarter. The poor quarterly growth of the sector was driven by the rapid decline in the month of April, with the category experiencing a decline of 35.4%. However, with easing restrictions, the category witnessed a strong recovery in May and June, recording growth rates of 30% and 28% respectively. Although there has been some recovery, the category remains far below its historical figures, with catered food falling by 17% from June 2019 to June 2020.

Restrictions continue to plague the sector, with 98% of operating businesses (within the accommodation and food services industry) in the ABS's business impacts of COVID-19 survey reporting that they were still operating under modified conditions in June. Although there have been restrictions on dine in services throughout the quarter, the same cannot be said for take-away services. In April, when restrictions were at their peak for dine in services, the fall in cafes, restaurants and catering services was almost three times that of takeaway services, where the two subcategories fell by 53% and 17% respectively. Following the gradual easing of these restrictions through June and July and the reduction in the spread of the virus, many flocked to cafes and restaurants. This bolstered turnover from its April low, with the subcategory recording growth rates of 25% in May and a further 59% in June. The increased demand for dine in services did not impede on the recovery of takeaway services, with 25% growth in the month of May and a further 6% increase in June.

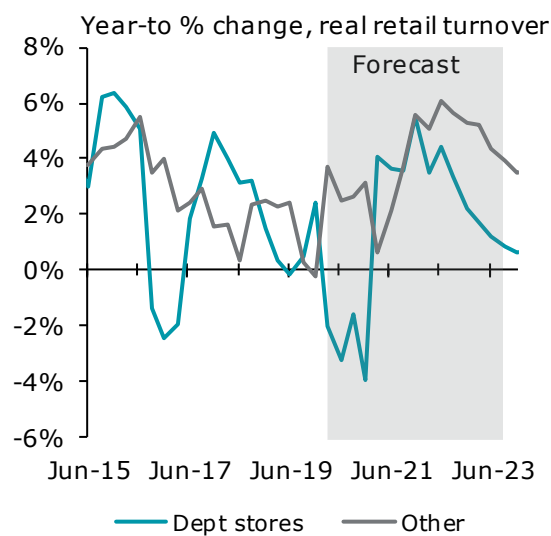
The strong growth seen in May and June is expected to continue into the September quarter. As the category is coming off relatively low levels in the June quarter, we expect that catered food will grow by 24.9% over the September quarter. However, the recovery in catered food will be hindered by the renewing of restrictions in Victoria, as many cafes and restaurants have once again been forced to operate under take-away only conditions as well as the imposition of restrictions of movement within the state. Even with this strong growth in the September quarter, catered foods are expected to record a year to fall of 20% over 2020, which is the largest year to fall of any of the categories.

Chart 8: Apparel and household goods



Source: ABS Cat 8501.0, Deloitte Access Economics

Chart 9: Department and other retailing



Source: ABS Cat 8501.0, Deloitte Access Economics

Department stores and discount department stores

On the back of plummeting consumer confidence, department stores saw a rocky start to the June quarter. Strong growth in May fueled the recovery of the category, as the category finished at almost the same place it started. Overall, department stores grew by 0.1% for the June quarter. However, this stability in the quarterly growth rate masks the volatility witnessed within the category over the June quarter.

May saw a strong rebound in department store turnover as turnover grew by over 44%. The sudden rebound in department store turnover can be attributed, in part, to the recovery in consumer confidence that occurred through the month. With the curve flattening, the government announcing a raft of policy responses to the crisis and restrictions slowly easing, consumer confidence was on the up. The Roy Morgan consumer confidence index began to rebound from its March low of 65 to a value of 98 by the end of May. This surge more than quashed the declines witnessed in March and April as levels soared well above (by almost 12%) those from February of this year. With consumer confidence plateauing, these now found highs would not be sustained. Through June, growth fell by 12%, resulting in department store turnover returning to levels much closer (1.5% below) to that of February this year.

Moving forward, department stores face an uphill battle. With restrictions on international travel remaining in place for some time, department stores will not have access to high-spending international tourists. As a result, turnover will be heavily reliant on domestic demand. The true extent of the border closures on international tourism have now become apparent. Short-term overseas arrivals fell from 663,340 arrivals in June 2019 to 5,400 in June 2020, which is a decrease of over 99%. Additionally, the increased use of online services will hinder the recovery of department stores in the September quarter with leakage to other categories. With these factors in mind, we still expect department stores to grow by 1.6% through the September quarter. As a result of the falls through March and April, the rapid recovery that occurred in May and the continued recovery from June through September, we expect that department stores will finish the September quarter down 1.7% from the same period last year.

Apparel

Clothing, footwear and personal accessory sales contracted by the second largest amount in the June quarter. Turnover fell by a whopping 22% across the quarter. This fall was driven by a drastic reduction that took place in April, as turnover fell by 54%. Similar to the results seen for department stores, as confidence began to rise through May, so too did turnover. In fact, clothing, footwear and personal accessory sales recorded the largest growth of any category across the month of May (or

any month throughout the June quarter) with growth in excess of 125%. This was followed by another period of strong growth in June, as turnover grew by 20.5% over the month.

In looking at the subcategories of apparel, clothing retailing proved to be the greatest contributor to both the large decline in April, and the rapid recovery that occurred in May and June. Clothing turnover fell by 56% in April, which was followed by gains of 148.5% in May and 23.6% in June. Comparatively, footwear and other personal retailing only witnessed a fall of 49% in April, and gains of 98.4% and 14.3% in May and June respectively.

The strong growth that occurred in the latter months of the June quarter is expected to continue into the September quarter. As a result of this strong growth – coupled with the fact that the category is coming of its lowest quarterly turnover since 2011 – we expect that apparel turnover will increase by 29.7% over the September quarter, which is the largest increase of any of the categories. However, this will not be enough to return apparel retailing to its historical values, with year to change expected to be -15.9% through 2020.

Household goods

Household goods saw the largest increase of any of the categories across the June quarter, recording a rise of 14.6%. This increase over the quarter was driven by a strong performance in May, as household goods turnover grew by 16.6% through the month. One of the underpinning aspects of the growth in the household goods turnover was the lack of restrictions in place on the category. In fact, many of the restrictions played to the advantage of the category, with many rushing to set up home offices to accommodate working from home, buying appliances to aid in the additional cooking that was to take place, purchasing furniture and purchasing hardware and building supplies to undertake home improvements with the additional time at home that many found themselves with. Additionally, there were few restrictions on the operations of these businesses, with many able to remain open throughout– although with some restrictions on store capacity.

Within the subcategories, hardware, building and garden supplies retailing grew by the largest amount (22.8%) over the quarter, which was then followed by electrical and electronic goods retailing (14.5%) and furniture, floor coverings, houseware and textile goods retailing (10.4%). Although furniture, floor coverings, houseware and textile goods retailing grew by the smallest amount through the June quarter, it experienced the single largest monthly increase within the June quarter. This occurred in the month of May, where furniture, floor coverings, houseware and textile goods retailing grew by 34.4%, which was more than double the growth rate of electrical and electronic goods retailing (16.2%) and more than four times that of hardware, building and garden supplies retailing (8%).

With another round of stimulus payments delivered in the September quarter, it is expected that household goods turnover will remain relatively stable through the quarter. Overall, we are expecting turnover to grow by an additional 0.7% through the quarter. Following two quarters of strong growth for household goods, it is expected that the year to growth in September is 19.5%, which is the largest of any of the categories. However, once the stimulus measures begin to subside through the December quarter and into 2021, and households have met all their home office and renovation needs, household goods turnover may begin to fall, with the risk that it will continue to do so into the first quarter of 2021.

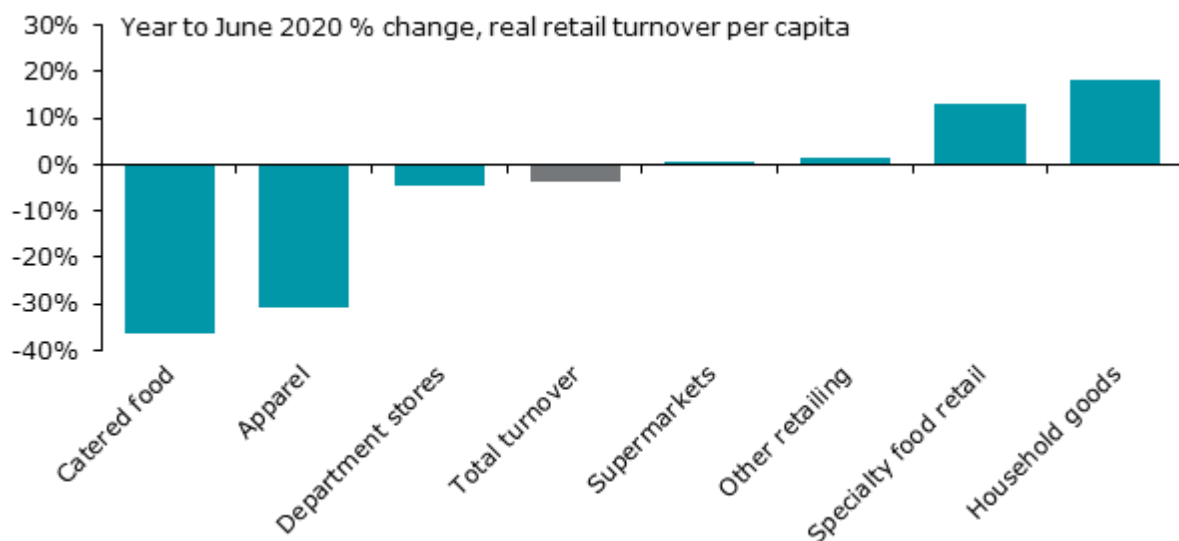
Other retailing

Other retailing witnessed a period of moderation following the March stockpiling frenzy, with the category recording a fall of 0.7% over the June quarter. Following a return to February levels in April, other retailing grew by 9.4% over the month of May, which was followed by another rise in turnover of 0.3% in June. Unlike the March frenzy, these periods of growth were not fueled by stocking up on toiletry and pharmaceutical goods. Instead coming from a rise in turnover of other recreational goods and newspaper and books. Through the month of May, the two subcategories recorded a growth of 29% and 16% respectively. The strong growth in these two subcategories was likely a factor of many coming to the realisation that the restrictions on social gatherings were here to stay, so they began to search for ways to fill in the additional time they were spending at home.

Toiletry and pharmaceutical goods posted a somewhat rocky June quarter. Over the quarter, turnover fell by 12.7%. This was driven by the fall that occurred post stock up frenzy in April. This fall in April was followed by a rise in turnover of 10% in May, and a further fall of 1.3% in June.

Following the slight contraction that took place in the June quarter, we expect that other retailing will return to growth rates much more akin what has been seen historically. As a result, we are expecting other retailing to grow by 0.8% over the September quarter. This is driven by a return to normality in turnover within toiletry and pharmaceutical goods as many have now depleted the stockpiles they acquired through March and April. Following the strong growth in the March, the relative stability that occurred in the June and the expected stability in September, we are expected the year to growth of 2.6% to September 2019.

Chart 10: Real retail turnover per capita, by category



Source: ABS Cat 8501.0, Deloitte Access Economics



Special feature:
COVID-19 sending
shoppers online

Special feature: COVID-19 sending shoppers online

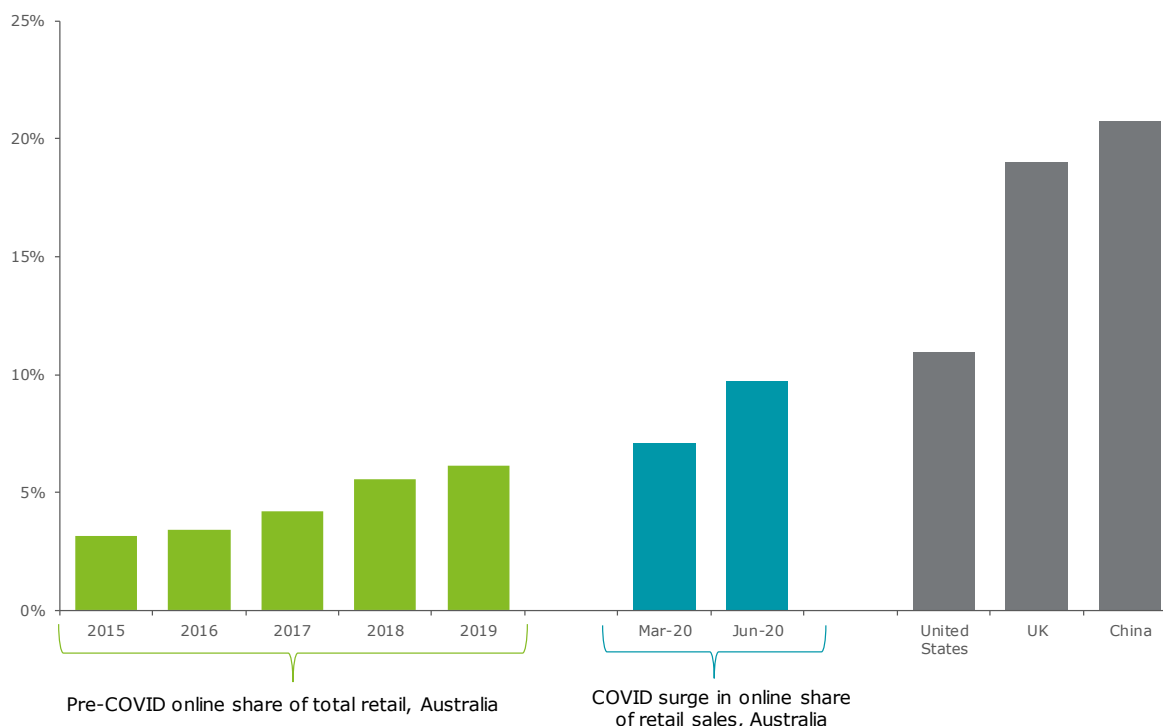
The shift to online spending has been underway for some time, but COVID-19 has accelerated this growth with online's share of total sales gaining nearly four years' worth of market share in a space of a few months. While not all of this will stick, it is clear that online spending has been supercharged and retailers are embracing this expanded channel.

Online spending has soared

COVID-19 has accelerated Australia's shift to online spending. Between February 2020 and April 2020, the share of online spending nearly doubled from 6.6% to 11.1%, a gain in market share that had taken over four years to achieve previously. With many consumers unable to access retail stores due to restrictions and lockdown measures, shoppers turned to online shop fronts.

Despite the surge, Australia remains behind many other countries when it comes to our use of online shopping platforms. Prior to COVID-19, over 10% of US sales and around 20% of UK and Chinese sales were made online. Even with the steady growth in online sales experienced over the past few years, Australia remained well behind these jurisdictions.

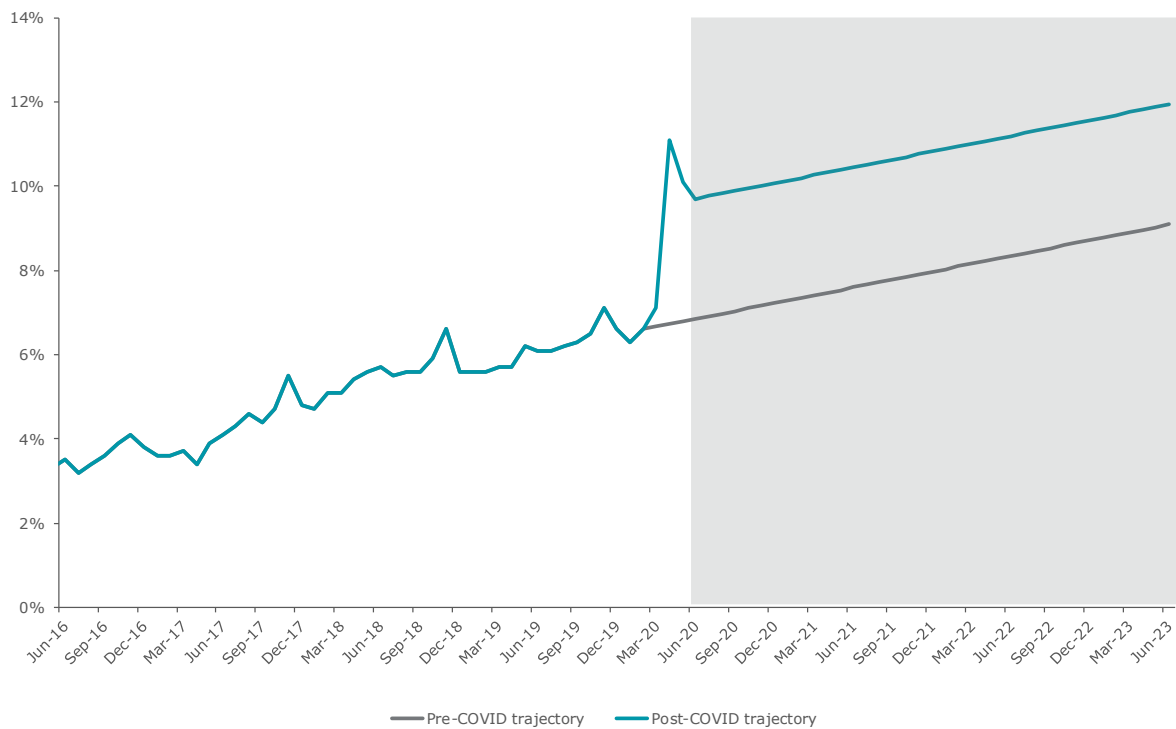
Chart 11: Online share of retail sales, %



Source: various statistical agencies

Some of online's market share gain has been lost as restrictions loosen and consumers head back to the shops, but it is very likely that some will stick and put Australian online spending well ahead of where it would otherwise have been. If the rise in online spending were to continue the trend experienced over the past four years from June's 9.7% share, it could reach around 12% of retail sales by the end of 2023, compared to the pre-COVID trajectory of around 9%.

Chart 12: Growth trajectory for online share of retail sales



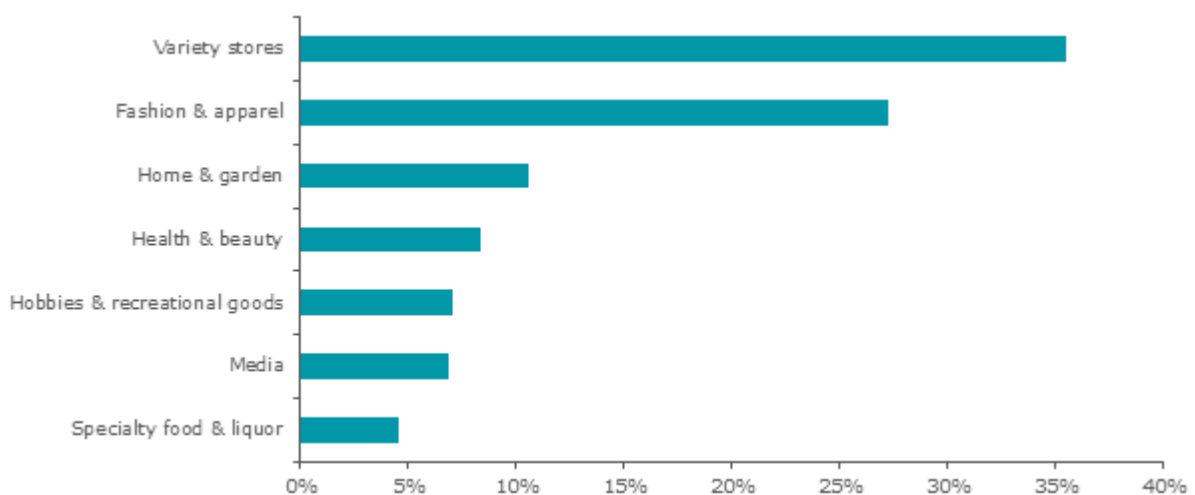
Source: ABS, Deloitte Access Economics

Not all categories are made the same

The types of purchases occurring online are also changing during COVID-19. Acceptance of online channels for different types of goods combined with new offerings from stores has shifted the online retail landscape.

During 2019, variety stores and fashion retailers accounted for the lion’s share of online spending, at 35.5% and 27.2% respectively. Meanwhile, specialty food and liquor came in at the other end of the spectrum at just 4.5%.¹

Chart 13: Share of online purchases by category, 2019



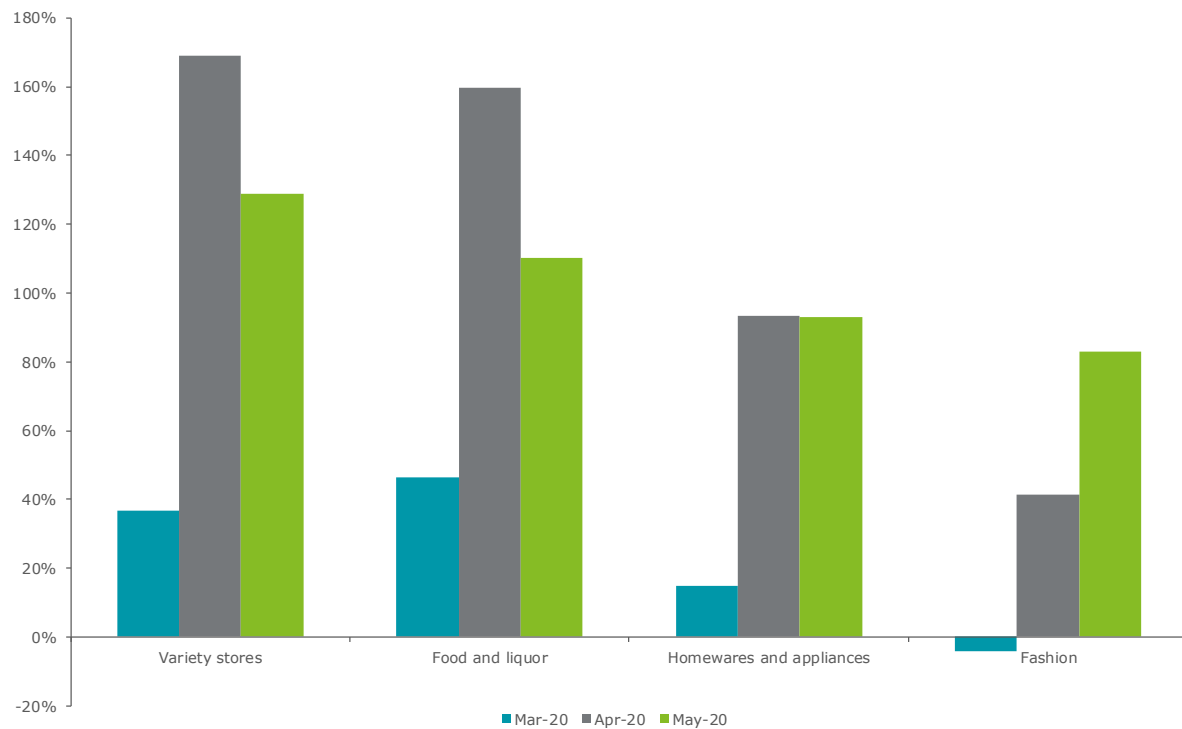
Source: Australia Post, Deloitte Access Economics

During the initial stages of COVID-19 restrictions in late March, demand for essential items such as groceries and hand sanitiser supported strong growth in specialty food and liquor and well as health

¹ Australia Post, *Inside Australian Online Shopping*, 2020 eCommerce report

and beauty products. This eased into April and instead it was home office and household goods demand which supported strong growth across variety stores and home and garden retailers.²

Chart 14: Parcel and express packages by industry, volume growth year-on-year,



Source: Australia Post, Deloitte Access Economics

There are still difficulties with the online experience

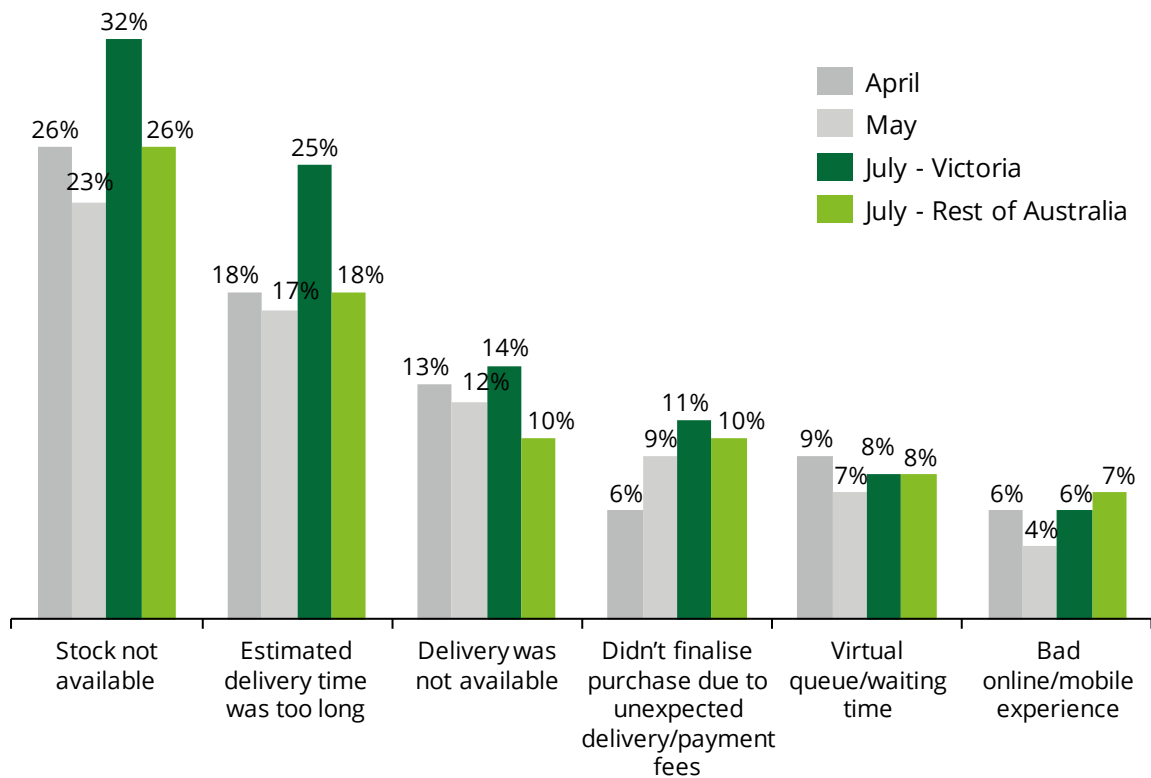
Deloitte’s COVID-19 Australian retail survey has been conducted over the last five months, capturing changing shopper behavior and expectations. This nationally representative survey provides key insights into the online experience for consumers in the post-pandemic recovery, highlighting the issues that matter most to consumers right now.

Omnichannel offerings are gaining importance for consumers, who are expecting more from retailers across both bricks and mortar and online channels. Currently pure-play online retailing makes up only 3.4% of total spending compared to nearly double that for omnichannel retail at 6.3% of total spending. While pure-play online retailing strengthened early in the COVID-19 crisis, this has fallen off quickly, with the bulk of the increase in total online sales coming through omnichannel retailers. Despite the continuing reliance on shopping in physical stores, particularly for perishable and non-perishable groceries, the percentage of people shopping about half online and half in stores grew across every category in the last month. With the presence of online, click-and-collect and delivery options gaining importance, omnichannel retailers should invest in future-proofing their digital experience.

Consumers continue to face obstacles when shopping online. Around two in every three online shoppers cited some sort of difficulty in the online experience in July. Delivery times and stock availability were cited by consumers as the most common difficulty they faced when shopping online in July. These issues eased in May as retailers managed supply chain difficulties, but have more recently increased again, especially for Victorian shoppers under tighter restrictions. Most importantly, they remain the most common concern amongst consumers.

² Deloitte, *Economic assessment of Australia Post activities through COVID-19, 2020*

Chart 15: Difficulties cited while online shopping



Source: Deloitte consumer survey

We might have a new normal in shopping habits. Once in ten consumers don't think that they will ever go back to the way that they used to shop again. The first wave of the survey data showed that 50% of respondents expected their buying habits would be back to normal within three months – or by roughly the point in time we are at today. Having reached that milestone, though, consumers have had to re-evaluate. More than half now think it will be at least four months before their buying habits normalise. In terms of life in general, it's a long road ahead, with 82% expecting lift to take longer than four months to return to normal.



Forecast tables

Forecast tables

Table 1: Retail sales forecasts by category: volume, price and value

% change	History		Forecasts					5 yr avg to 19-20	5 yr avg to 24-25
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		
Volumes									
<i>Food retailing</i>									
Supermarket retail	0.7%	1.3%	5.9%	4.8%	3.8%	3.4%	3.1%	1.2%	4.2%
Specialty food and liquor retail	-1.2%	3.3%	3.9%	-1.1%	2.2%	1.8%	2.3%	1.3%	1.8%
Catered food	1.4%	-11.0%	-6.7%	9.4%	3.7%	3.2%	3.7%	-0.7%	2.7%
Total food	0.6%	-1.7%	2.7%	5.0%	3.6%	3.2%	3.1%	0.7%	3.5%
<i>Non-food retailing</i>									
Dep't stores and discount dep't stores	1.2%	-0.6%	0.5%	4.3%	2.1%	0.8%	1.1%	1.9%	1.7%
Apparel	3.8%	-8.9%	-1.9%	3.2%	5.2%	3.1%	2.5%	2.1%	2.4%
Households goods	1.0%	6.5%	9.9%	1.8%	4.4%	3.4%	3.3%	4.4%	4.6%
Other retailing	2.4%	1.6%	2.1%	5.1%	5.1%	3.7%	3.9%	2.7%	4.0%
Total non-food	2.0%	1.3%	4.4%	3.3%	4.5%	3.1%	3.1%	3.1%	3.7%
Total turnover	1.2%	-0.3%	3.5%	4.2%	4.0%	3.1%	3.1%	1.8%	3.6%
Prices									
<i>Food retailing</i>									
Supermarket retail	3.7%	5.3%	2.8%	0.1%	0.8%	1.5%	1.9%	2.8%	1.4%
Specialty food and liquor retail	3.7%	5.3%	2.8%	0.1%	0.8%	1.5%	1.9%	2.8%	1.4%
Catered food	1.9%	2.2%	1.4%	0.6%	1.1%	1.2%	1.1%	1.9%	1.1%
Total food	3.2%	4.7%	2.6%	0.1%	0.8%	1.4%	1.7%	2.6%	1.3%
<i>Non-food retailing</i>									
Dep't stores and discount dep't stores	-0.9%	0.2%	-0.8%	-1.2%	-0.3%	0.1%	0.2%	-1.4%	-0.4%
Apparel	-0.2%	1.6%	6.7%	0.1%	0.6%	0.7%	0.5%	-0.4%	1.7%
Households goods	-0.5%	0.4%	-1.6%	-1.9%	-1.5%	-0.8%	0.0%	-0.9%	-1.2%
Other retailing	1.5%	3.2%	-0.6%	-2.2%	-1.5%	-0.4%	-0.1%	1.4%	-1.0%
Total non-food	0.2%	1.5%	0.0%	-1.6%	-1.0%	-0.3%	0.1%	-0.2%	-0.6%
Total turnover	1.8%	3.2%	1.4%	-0.6%	0.0%	0.6%	1.0%	1.3%	0.5%
Values									
<i>Food retailing</i>									
Supermarket retail	4.4%	6.7%	8.9%	4.9%	4.6%	4.9%	5.0%	4.0%	5.6%
Specialty food and liquor retail	2.4%	8.9%	6.6%	-1.0%	2.9%	3.3%	4.2%	4.2%	3.2%
Catered food	3.3%	-9.1%	-5.2%	10.0%	4.9%	4.5%	4.8%	1.1%	3.8%
Total food	3.9%	2.9%	5.4%	5.2%	4.4%	4.6%	4.9%	3.3%	4.9%
<i>Non-food retailing</i>									
Dep't stores and discount dep't stores	0.3%	-0.4%	-0.3%	3.0%	1.8%	0.9%	1.3%	0.4%	1.3%
Apparel	3.6%	-7.5%	4.7%	3.3%	5.9%	3.8%	3.0%	1.6%	4.1%
Households goods	0.5%	6.9%	8.1%	-0.2%	2.9%	2.5%	3.4%	3.5%	3.3%
Other retailing	4.0%	4.9%	1.5%	2.8%	3.5%	3.2%	3.8%	4.1%	3.0%
Total non-food	2.1%	2.8%	4.4%	1.7%	3.5%	2.8%	3.2%	2.9%	3.1%
Total turnover	3.1%	2.9%	4.9%	3.6%	4.0%	3.8%	4.2%	3.1%	4.1%
Category definitions in terms of ANZSIC classes									
<p>Supermarket retail: Includes supermarket and grocery stores (4110) and non-petrol sales (convenience stores) of selected Fuel retailing (4000).</p> <p>Specialty food and liquor retail: Includes liquor retailing (4123), fresh meat, fish and poultry retailing (4121), fruit & vegetable retailing (4122) and other specialised food retailing (4129).</p> <p>Catered food: Includes cafes and restaurants (4511), takeaway food services (4512) and catering services (4513).</p> <p>Department stores and discount department stores: Includes department stores (4260).</p> <p>Apparel: Includes clothing retailing (4251), footwear retailing (4252), watch and jewellery retailing (4253) and other personal accessory retailing</p> <p>Household goods retailing: Includes furniture retailing (4211), floor coverings retailing (4212), houseware retailing (4213), manchester and other textile goods retailing (4214), electrical, electronic and gas appliance retailing (4221), computer and computer peripheral retailing (4222), other electrical and electronic goods retailing (4229), hardware and building supplies retailing (4231) and garden supplies retailing (4232).</p> <p>Other retailing: Includes newspaper and book retailing (4244), other recreational goods retailing :Sport and camping equipment retailing (4241), entertainment media retailing (4242), toy and game retailing (4243), pharmaceutical, cosmetic and toiletry goods retailing (4271), stationery goods retailing (4272), antique and used goods retailing (4273), flower retailing (4274), other-store based retailing n.e.c (4279), non-store retailing (4310) and retail commission-based buying and/or selling (4320).</p>									

Table 2: Retail turnover growth, by State

Real % change	History		Forecasts					5 yr avg to 19-20	5 yr avg to 24-25
	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25		
Australia	1.2%	-0.3%	3.5%	4.2%	4.0%	3.1%	3.1%	1.8%	3.6%
NSW	0.5%	0.5%	-2.0%	3.0%	3.7%	3.8%	3.0%	1.6%	2.3%
VIC	3.0%	3.0%	-1.1%	-3.8%	8.5%	5.9%	4.6%	2.7%	2.8%
QLD	2.0%	2.0%	2.6%	9.1%	2.2%	3.0%	2.3%	1.8%	3.8%
SA	0.3%	0.3%	-0.8%	7.9%	1.8%	2.4%	1.8%	1.9%	2.6%
WA	-1.3%	-1.3%	1.1%	7.2%	3.4%	3.6%	2.8%	0.2%	3.6%
TAS	1.7%	1.7%	2.0%	6.9%	0.7%	2.4%	1.1%	2.9%	2.7%
NT	-3.3%	-3.3%	0.0%	9.2%	1.1%	3.2%	2.6%	-0.5%	3.2%
ACT	1.6%	1.6%	0.7%	6.5%	0.8%	3.6%	2.9%	2.7%	2.9%

Detailed consumer spending data for more than 30 categories of consumer expenditure is also available for purchase, as an add-on to Retail Forecasts. The data is provided in terms of volumes, values and prices, and reported nationally and for each State/Territory, with ten years of forecasts.

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Our retail forecasting
and analysis
capabilities

Our retail forecasting and analysis capabilities

Retail forecasts and analysis are a key focus of our macroeconomics practice

Deloitte Access Economics specialises in research of the movements of key drivers in the Australian economy. By combining this wealth of knowledge with research on consumer behaviour and the retail market, we can analyse current retail supply and demand characteristics, forecast future movements and make informed recommendations for retail development, investment and strategy. At Deloitte Access Economics, we draw on our highly reputable research into key drivers of retail demand to provide insights to clients. These drivers include the following:

- **Consumer behaviour:** Consumers' changing preferences and needs
- **Consumer sentiment:** How consumers react to economic changes
- **Household income and debt:** Current and future insights on disposable income
- **Population and socio-demographics:** How the population is likely to change over time
- **Technological influences:** The effect of technology and the internet on retail
- **Macroeconomic influences:** How the economy at the state, national and world level affects the retail market.



Our core capabilities

We can forecast retail turnover

- Retail turnover forecasting, at national, state or regional level if required, based on ABS, Household Final Consumption Expenditure and tailored retail categories

We can analyse a specific product or place

- Regional economic profiling and forecasting, with a focus on the retail sector
- Consumer product pricing, competition and performance analysis
- Shopping centres and retail precinct competition and performance analysis
- Economic impact analysis for major retail developments or decisions

We can contextualise retail trends using our economic knowledge

- Commentary on retail performance, growth and trends within an economic context
- Consumer behaviour and consumption habits analysis
- Digital influence analysis of retail and consumer products
- Retail trends analysis and forecasts, in terms of both supply and demand trends

Drawing on the above, we can help with forward planning

- Network planning for retailers and centre owners
- Strategic planning for retail sector decision-makers
- Scenario planning for retail sector decision-makers

Our project experience

Deloitte Access Economics has delivered a range of insights for the retail sector, including:

- Economic contribution work for a number of major retail stakeholders
- Competition policy analysis for major retailers
- Price and productivity analysis at a category level for major retailers
- Analysis of Australian online retailing for major stakeholders in the retail sector
- Mobile Nation: opportunities and strategies for retail for Australian Mobile Telecommunications Association
- Monthly economic briefs for a major retailer (ongoing work over several years)
- Monthly retail trade briefs for a major retail stakeholder (ongoing work over several years)
- Commentary on key drivers of retail sector performance, delivered to a number of clients as reports and/or presentations
- Economic outlook commentary, as it relates to the retail sector.

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Retailers' Christmas Survey 2019
Finding the recipe for Christmas success

Our team

Deloitte Access Economics has a team with strong experience in forecasting and retail market analysis for diverse client groups.



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Our publications

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Business Outlook is a quarterly publication aimed at those who require depth of detail about the business environment, analysing prospects across 22 industries and each of the Australian States and Territories. It provides facts, figures and forecasts on Australian and world growth prospects, interest rates and exchange rates, wages and prices, exports and imports, jobs and unemployment, taxes and public sector spending. These forecasts strengthen and enhance your strategic planning capacity.

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Employment Forecasts is released quarterly and provides forecasts and commentary for each industry, plus white collar, blue collar and office demand index (where the latter draws on the 'office intensity' of each industry). There are three levels of data available: state, city and CBD. *Employment Forecasts* is particularly useful in the analysis of property market demand.

Investment Monitor

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