

Thursday, 19 November 2020

## 2020 Christmas retail sales set to grow 2.8% to \$54.3 billion

Roy Morgan's annual Christmas retail sales forecasts conducted in conjunction with the Australian Retailers Association (ARA) indicate Australians will spend over \$54.3 billion across retail stores during the Christmas trading period.

Forecast retail spending this Christmas of over \$54.3 billion is an increase of 2.8% from the \$52.9 billion of retail expenditure during the 2019 Christmas trading period and is a better than expected forecast than many would have thought possible during the year as Australia dealt with the unprecedented pandemic.

Because of the huge impact on spending patterns caused by COVID-19, and the associated lockdowns around Australia, spending across the six categories measured has diverged significantly during 2020.

The clearest example to highlight is the plunge in spending on Hospitality businesses as forced lockdowns closed restaurants, hotels, pubs and cafes for extended periods and the concomitant surge in spending on Food bought at supermarkets and other fresh food retailers that remained open.

The impact of COVID-19 measures on Hospitality businesses continues with social distancing measures in place and restrictions on the number of customers allowed in many States.

Unsurprisingly, the largest percentage increasing in spending is predicted for the Food category with pre-Christmas spending forecast to grow by a large 10% from a year ago to over \$23.8 billion. Due to the impact of COVID-19 and the continuing restrictions, Hospitality spending is forecast to be 18.7% down on a year ago at just under \$6.1 billion.

Analysing the two categories of Food & Hospitality together shows a combined growth rate of 2.6% from a year ago to total spending of over \$29.9 billion – in line with overall retail growth predictions.

Growth in Household goods is expected to grow strongly on a year ago to be up by 9.6% to over \$9.7 billion but spending on Clothing, Footwear and Accessories is set to be down 12.2% to \$3.7 billion.

Department stores are set to experience a slight decline on a year ago, down by 2%, to overall spending of almost \$3 billion. The category combining 'Other retailing' which includes online retailing is predicted to experience significant growth of 6.6% on a year ago to spending of over \$8 billion.

### Predicted Retail Spending Growth by Category (2019 cf. 2020)

Category	2019 Pre-Xmas sales (\$m)	2020 Pre-Xmas sales forecast (\$m)	Forecast growth
Food	21,656	23,823	10.0%
Household Goods	8,886	9,742	9.6%
Clothing, Footwear and Accessories	4,226	3,712	-12.2%
Department Stores	3,048	2,987	-2.0%
Other Retailing	7,550	8,045	6.6%
Hospitality	7,489	6,092	-18.7%
<b>National</b>	<b>52,856</b>	<b>54,341</b>	<b>2.8%</b>

**Source:** Australian Retailers Association/ Roy Morgan. These forecasts are for the seasonally adjusted spending during the pre-Christmas period of November 12 – December 24, 2020.

## Retail sales forecast to grow strongly in Queensland and Western Australia

Analysis of Roy Morgan's pre-Christmas retail forecasts by State and Territory shows strong growth is expected in Queensland, Western Australia, South Australia and Tasmania although there are predicted to be declines in the two States most impacted by COVID-19, Victoria and New South Wales.

Christmas retail spending in Queensland is forecast to grow by 9.3% to almost \$11.8 billion while spending in Western Australia is predicted to increase 14.2% to nearly \$6.4 billion. Spending is forecast to grow strongly in South Australia by 11.8% to over \$3.8 billion and up by 10.5% to \$1.2 billion in Tasmania while there are also increases predicted for both the ACT and NT.

On the surface these figures appear exceptionally high, however an analysis of the real retail spending figures release by the ABS so far this year shows retail spending in these States been well over 10% higher than a year ago for many months.

There are several reasons for these large increases in spending which starts with the massive Government stimulus injected into the economy during 2020 valued at well over \$100 billion including on JobKeeper wage subsidies, a doubled JobSeeker payment and allowing Australians in financial distress to withdraw up to \$10,000 from their superannuation in two tranches during the year – for a total of up to \$20,000.

In addition to all the extra stimulus being provided to the economy the restrictions on interstate and international travel have forced Australians to spend their money at home and certain categories of retail have been big beneficiaries so far this year.

However, despite these stimulus boosts the situation in the smaller States hasn't been replicated in Australia's two largest States which are more exposed to international trends – and this includes dealing with far more significant outbreaks of COVID-19 than elsewhere in the country.

Both Sydney and Melbourne attract larger numbers of international tourists and also rely heavily on foreign students, and both had ongoing community transmission throughout the year whereas other States have been largely on top of COVID-19 since April and May. Because of these different conditions Christmas spending in New South Wales is forecast to come in 0.7% lower than a year ago at \$16.5 billion while a steeper decline of 3.3% to just under \$13.4 billion is predicted for Victoria.

**See below for further detail on the movements in ABS Retail Sales data during 2020.**

### Predicted Retail Spending Growth by State & Territory (2019 cf. 2020)

State/Territory	2019 Pre-Xmas sales (\$m)	2020 Pre-Xmas sales forecast (\$m)	Forecast growth
New South Wales	16,662	16,540	-0.7%
Victoria	13,832	13,376	-3.3%
Queensland	10,767	11,773	9.3%
Western Australia	5,590	6,383	14.2%
South Australia	3,417	3,822	11.8%
Tasmania	1,098	1,213	10.5%
Australian Capital Territory	990	1,116	12.7%
Northern Territory	500	550	10.0%
<b>National</b>	<b>52,856</b>	<b>54,341</b>	<b>2.8%</b>

**Source:** Australian Retailers Association/ Roy Morgan. These forecasts are for the seasonally adjusted spending during the pre-Christmas period of November 12 – December 24, 2020.

#### **Michele Levine, Chief Executive Officer, Roy Morgan, says:**

*"When Australia locked down in March to deal with the rapidly spreading COVID-19 many expected 2020 would be a disastrous year for retailers. However, unprecedented Government action to stimulate the economy has supported many retailers throughout a tough year which is expected to see continued retail growth into year-end with Christmas spending forecast to grow 2.8% on a year ago to over \$54.3 billion.*

*“The banning of international travel has forced Australians to spend their JobKeeper, expanded JobSeeker, superannuation withdrawals of up to \$20,000 closer to home and retail sales have boomed in States such as Queensland and WA which have successfully dealt with COVID-19 although conditions have been tougher in the larger States of NSW and Victoria.*

*“Of course, in a year of surprises, there is a larger degree of uncertainty than normal when making forecasts about spending patterns for the weeks and months ahead. Just this week we see a renewed outbreak of COVID-19 in SA which has already caused WA Premier Mark McGowan to re-impose a mandatory two-week quarantine on all visitors from Adelaide only 1 day after relaxing the entry conditions after more than six months.*

*“These uncertainties mean there is a chance any forecast could be made to ‘look stupid’ if prevailing conditions change significantly and borders which are in the process of re-opening are forced to slam shut again over the next few days or weeks.”*

## **About Roy Morgan**

Roy Morgan is Australia’s largest independent Australian research company, with offices in each state, as well as in the U.S. and U.K. A full-service research organisation, Roy Morgan has over 75 years’ experience collecting objective, independent information on consumers.

## **Roy Morgan Enquiries**

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**ARA CEO Paul Zahra said the predictions for Christmas trading reflected the significant changes in spending patterns seen due to COVID-19 and were underpinned by the government stimulus response as well as recent responses to border controls and state restrictions:**

*“Retail sales growth of 2.8% year-on-year would be an incredible achievement given the barriers that retailers have bravely faced throughout 2020 - though there continue to be clear winners and losers within the retail categories,”* he said.

*“As Australians carry the ‘stay, play and work at home’ theme into the rest of the year, it’s no surprise to see a strong performance predicted in the Food and Household Goods categories. Hospitality remains inhibited by capacity constraints and discretionary spend is likely to remain lower across the Clothing, Footwear, and Accessories and Department Store categories.*

*“We anticipate some variation between the states and territories, and it’s been a year of up and downs, so these predictions carry a bit more uncertainty than last year - but also a lot more potential upside if we work together to create a healthy, safe summer,”* Mr Zahra added.

## **About the Australian Retailers Association**

Founded in 1903, the Australian Retailers Association (ARA) is Australia’s largest retail association, representing a \$340 billion sector employing more than 1.2 million people. As Australia’s premier retail body, the ARA works to ensure retail success by informing, protecting, educating, advocating and saving money for its 7,500 independent and national retail members throughout Australia.

To learn more visit [www.retail.org.au](http://www.retail.org.au) or call 1300 368 041.

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**ABS Retail Sales data in 2020 has been heavily impacted by the COVID-19 pandemic as Australians panic bought goods in March and then dealt with the restrictions and lockdowns put in place during subsequent months**

ABS Retail Sales surged in March as ‘panic buying’ struck Australia with the retail sales in the month surging 8.5% on a seasonally adjusted basis to \$30.1 billion.

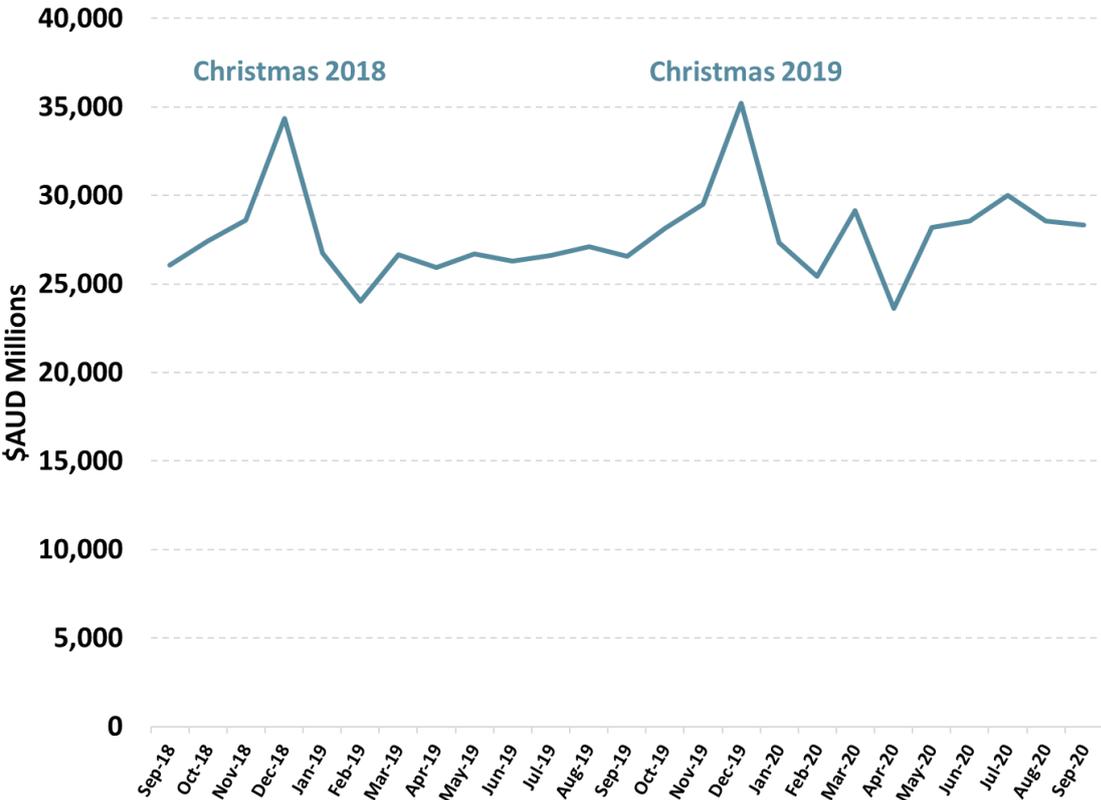
After the announcement of an Australia-wide lockdown in late March ABS Retail Sales then plunged in the following month, down by a record monthly decline of 17.7% to only \$24.8 billion on a seasonally adjusted basis, as shops were forced to closed across much of the country.

The roller-coaster continued in May as the economy began re-opening with retail sales surging 16.9% month-on-month to \$29.0 billion for the month of May.

There was more modest growth in both June and July but as Victoria entered a ‘Stage 4 lockdown’ in August ABS Retail Sales slumped by 4% for the month to \$29.5 billion.

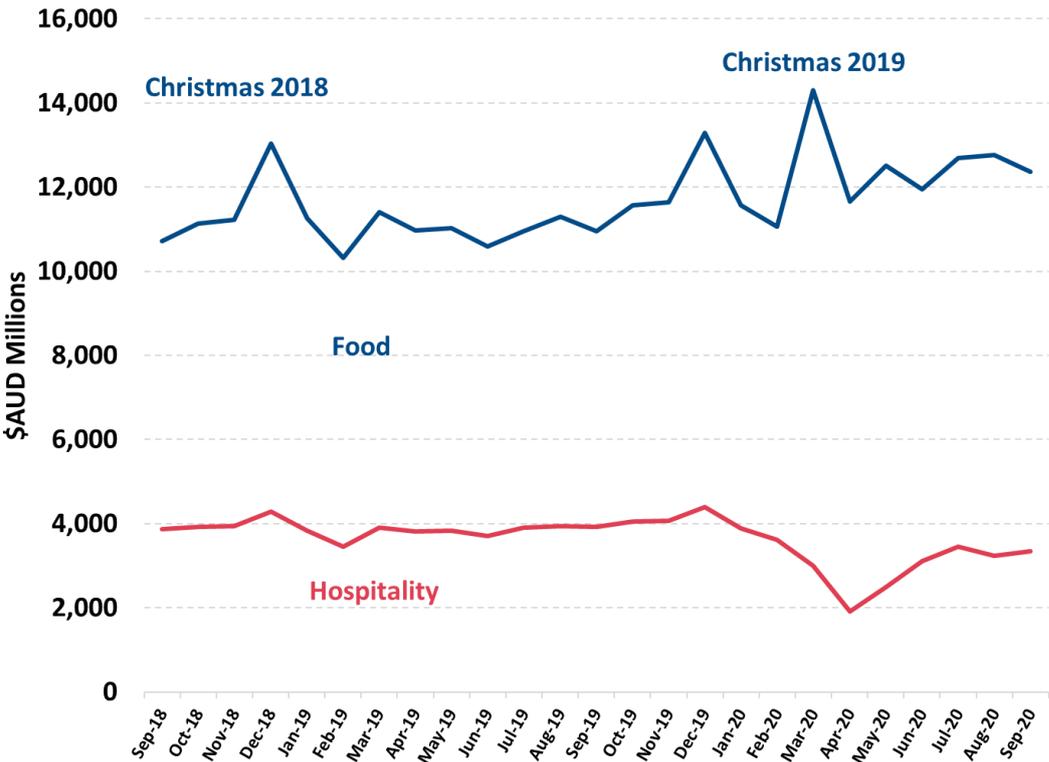
These trends have been played out to varying degrees across both the States and in the different retail categories throughout 2020 and they show a market heavily distorted by the impact of COVID-19 and the associated lockdowns.

**ABS Monthly Retail Sales (\$AUD Millions)**



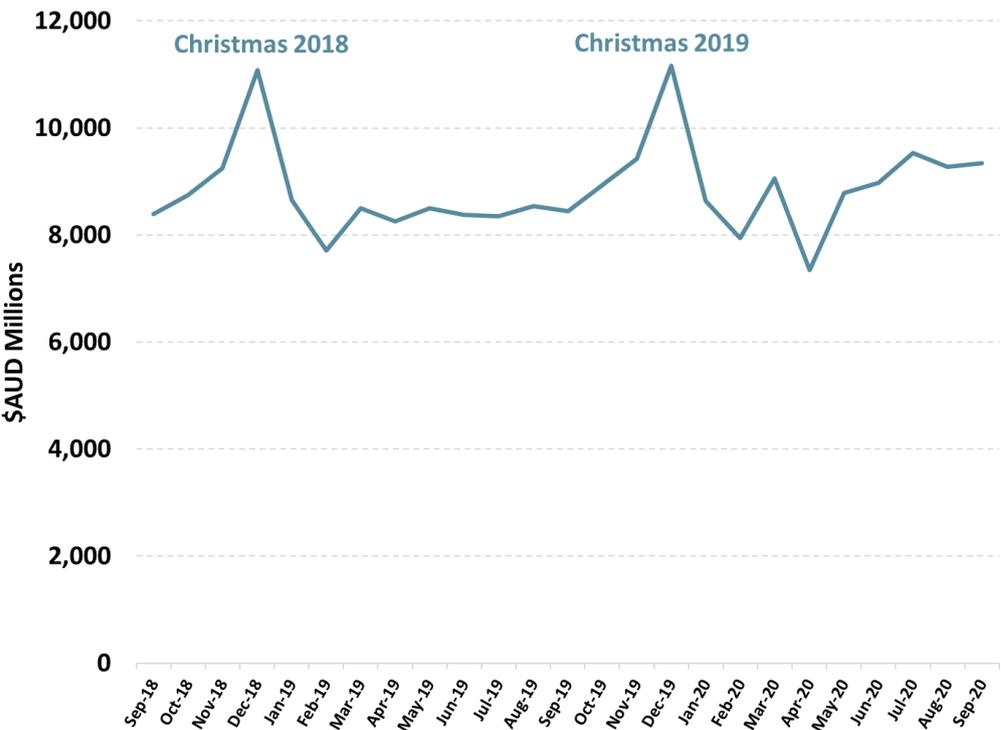
Source: ABS Retail Sales Data: September 2018 – September 2020. [www.abs.gov.au](http://www.abs.gov.au).

**ABS Monthly Retail Sales - Food vs. Hospitality (\$AUD Millions)**



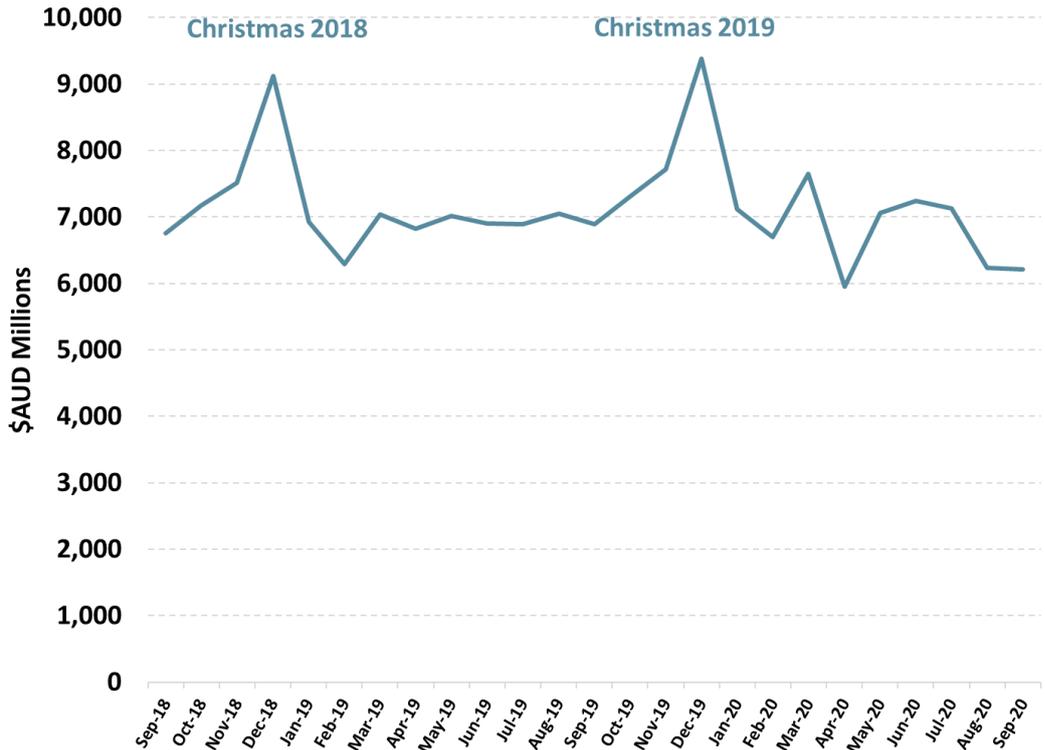
Source: ABS Retail Sales Data: September 2018 – September 2020. [www.abs.gov.au](http://www.abs.gov.au).

**ABS Monthly Retail Sales - NSW (\$AUD Millions)**



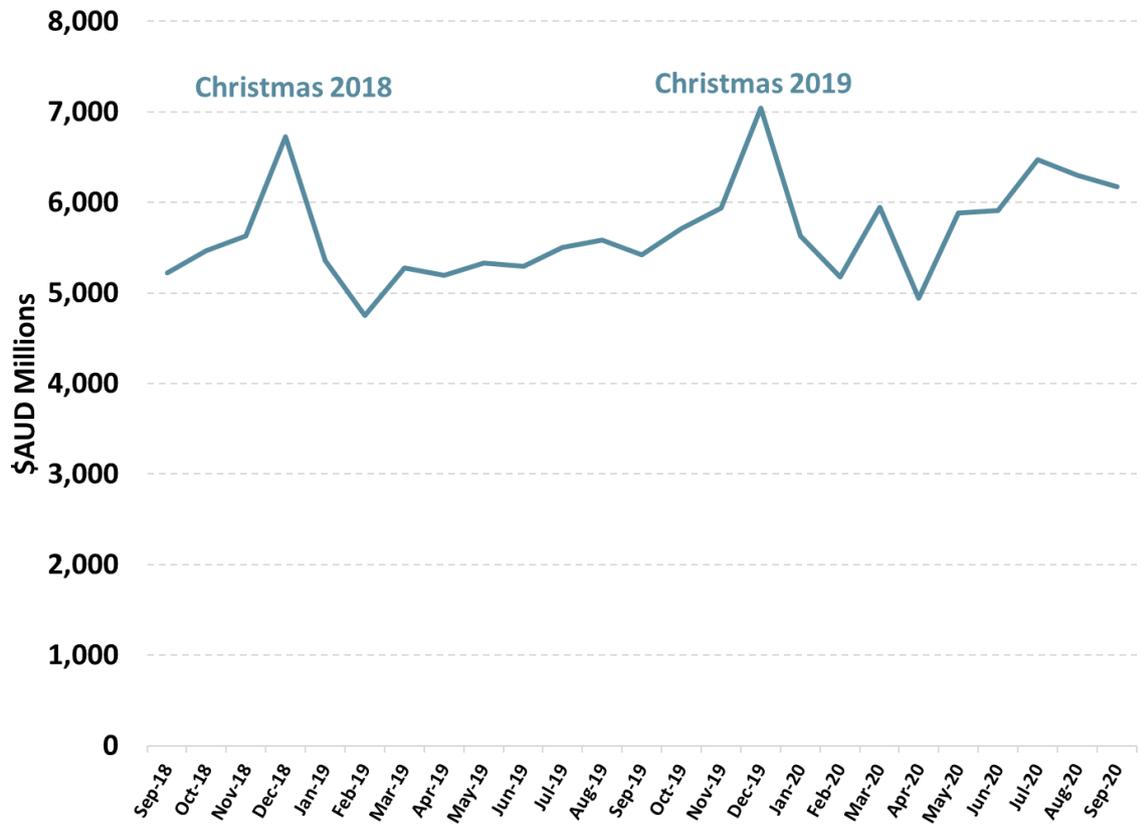
Source: ABS Retail Sales Data: September 2018 – September 2020. [www.abs.gov.au](http://www.abs.gov.au).

**ABS Monthly Retail Sales - Victoria (\$AUD Millions)**



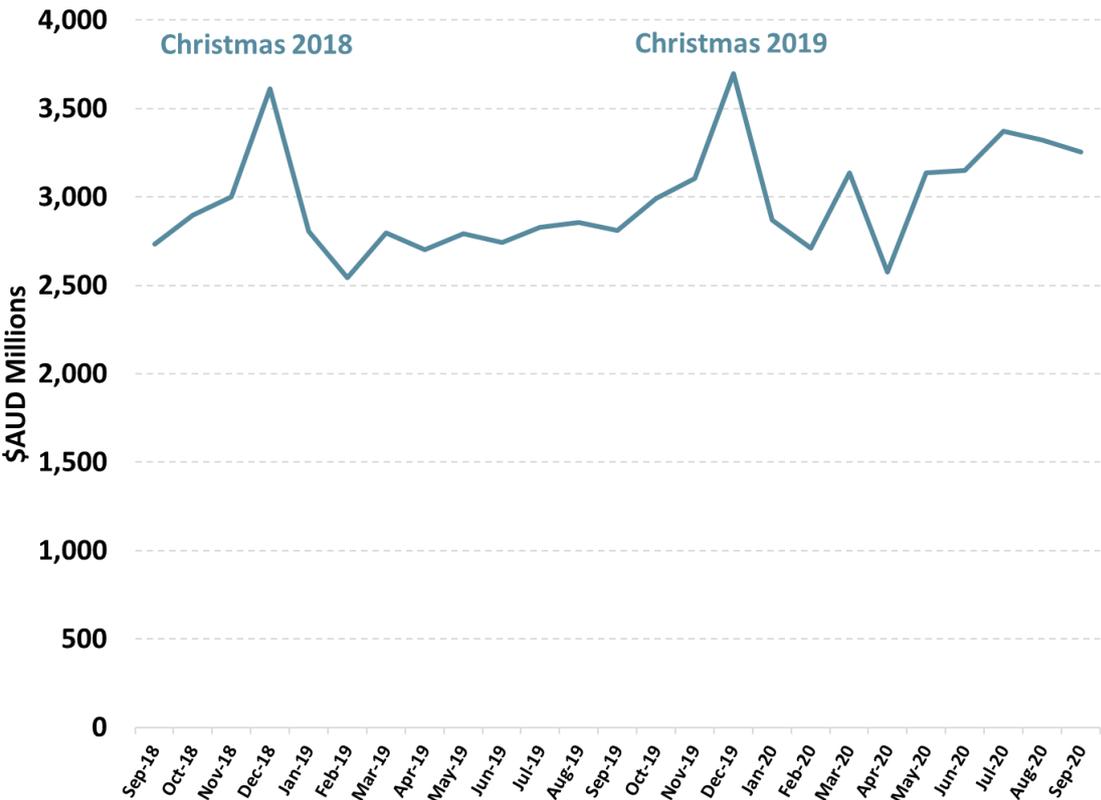
Source: ABS Retail Sales Data: September 2018 – September 2020. [www.abs.gov.au](http://www.abs.gov.au)

**ABS Monthly Retail Sales - Queensland (\$AUD Millions)**



Source: ABS Retail Sales Data: September 2018 – September 2020. [www.abs.gov.au](http://www.abs.gov.au)

**ABS Monthly Retail Sales - Western Australia (\$AUD Millions)**



Source: ABS Retail Sales Data: September 2018 – September 2020. [www.abs.gov.au](http://www.abs.gov.au).