

**Deloitte.**



# Retail Forecasts

## We're half way there

September 2025

**Deloitte**  
**Access Economics**

*Retail Forecasts is produced quarterly and provides analysis of current retail spending and the economic drivers that influence this. It includes ten year forecasts of retail sales by major category and of key economic drivers.*



# Executive summary

## We're halfway there

*Retailers are finally seeing some more substantial economic tailwinds, but the long-awaited retail recovery is still taking its time. While conditions have improved - moderating inflation, real wage growth and lower interest rates – the last few years have seen an erosion in purchasing power that consumers are yet to fully claw back. This was reflected in the June quarter, with growth driven by population increases and a clear split between food and non-food retail. Non-food retailers are enjoying decent gains, but food retailers are still struggling as shoppers hunt for value and avoid pricier options. Most signs are pointing in the right direction, and we're on our way to a stronger retail environment, with more to do. As Bon Jovi put it— “we're halfway there.”*

While there are still challenges and no one is declaring victory, **the economic environment for retailers is currently looking the best it has in years.** Consumer confidence is up, interest rates are falling and real wages are growing.

Consumer confidence ticked up to its highest level in three-and-a-half-years, according to the Westpac-MI Consumer Sentiment Tracker. Sentiment in August was up to 98.5 (with 100 being a neutral outlook), meaning Australians are more or less neutral about the economy.

Helping to support this increase in confidence, the RBA decreased the cash rate for the third time this year, down to 3.6%. With this cut monetary policy is inching closer to 'neutral' territory but is not quite there yet. That in itself is also good news – more rate cuts to come.

Consumers are also benefiting from lower and stabilising price growth, with consumer prices only growing 2.1% over the year to June quarter 2025.

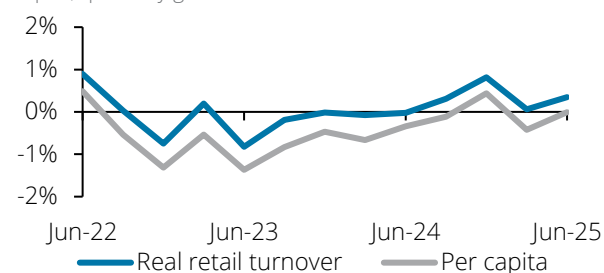
**The good news, however, does not erase the legacy of recent challenges.** Real wages remain 5.9% below their peak, consumer prices in June 2025 are 23.8% above their level five years earlier, and many Australians will have experienced these stats in their diminished purchasing power.

The extended cost-of-living crisis has created a hangover in more cautious consumer behaviour. So, the

retail recovery has been a modest one so far – real growth in retail spending is up 1.5% on this time last year. That's the best result for nearly 3 years, but real sales are still only just keeping pace with population growth.

Indeed, the June quarter itself proved to be slightly underwhelming for Australian retailers. Real turnover only grew 0.3% over the quarter, almost entirely driven by population growth.

Chart 1: Real total retail turnover and real retail turnover per capita, quarterly growth



Source: ABS Retail Trade.

Unsurprisingly, **retailers' confidence has taken a hit over the past few years.** According to NAB's Monthly Business Survey, business confidence and conditions have lagged the economy average for the past few years, with retail and wholesale trade the most pessimistic sectors.

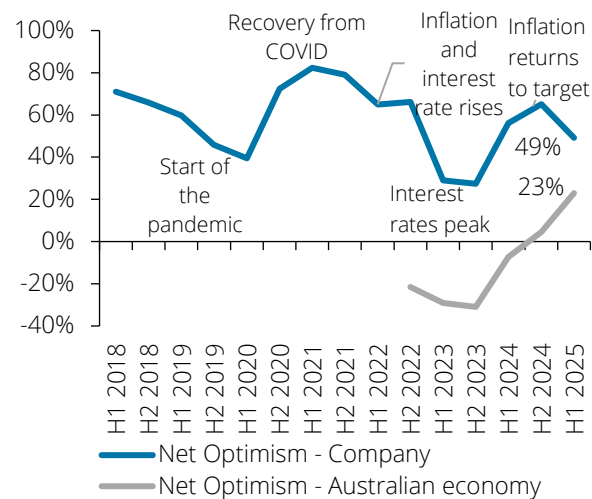
In some good news, the retail sector has seen momentum shift. In recent months both business confidence and conditions have increased in net terms, now sitting at +1 and -9 index points, respectively.

The current environment remains tricky for retailers, with improving economic conditions not necessarily converting to increased sales, or not necessarily to increased profits when sales do rise. **However, net positive confidence points to a more optimistic view of future conditions.**

Similar sentiment is reflected in Deloitte's latest [CFO Sentiment report](#). Net optimism in respondents' own business prospects fell to 49% in the first half of 2025, down 16 percentage points from six months prior.

However, confidence in the economic outlook continues to rise. The share of CFOs feeling optimistic about the economy has nearly doubled in the past six months, driving net optimism in the economy to 23% – its highest level since H2 2022.

Chart 2: Net business confidence over time

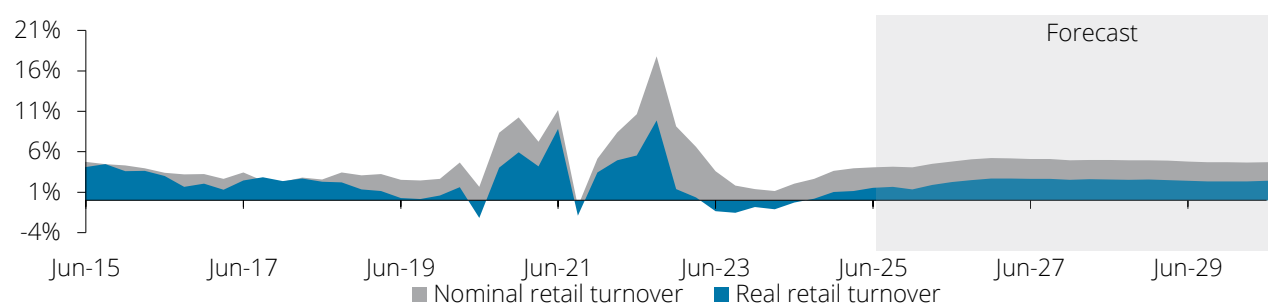


Source: Deloitte CFO Sentiment Survey

**A more supportive retail environment is anticipated post a catch-up period,** where more consistent real wage growth results in households feeling better off.

There will however be variance in the recovery. Continuing a longer-term trend, **the June quarter highlighted the retail sector's two paced growth.**

Chart 3: Annual change in national real and nominal retail turnover



Source: Deloitte Access Economics, ABS Retail Trade.

**Non-food sales** volumes grew by 0.8% over the quarter, taking annual growth to 3.5%. On the other hand, **food sales** volumes declined by 0.2%, with annual growth limping along at -0.1%.

Put more starkly, the non-food sector has seen year-on-year sales volumes increase for five consecutive quarters. In comparison, annual food sales volumes have contracted for seven consecutive quarters.

Unfortunately for grocers at the moment, many people are sticking to a more frugal approach to shopping. Through the cost-of-living crisis households had to adapt and find cheaper meals and ingredients. For many, there's little reason to go back.

Food retailers have not been helped by the relatively high price growth in the sector in recent years, especially compared with their non-food counterparts. Food prices increased by 14.2% over the three years to June 2025, with non-food prices only growing 5.6% over the same period.

Stronger sales growth in non-food categories is expected to remain in the short term. Non-food sales volumes are expected to grow by 2.3% over the 12 months to December of this year, while food is only expected to grow by 0.6%.

Food sales volumes are expected to improve towards longer term trends of annual growth in the 2-3% range from 2026. Further recovery in the sector will take time, but on the back of expected economic tailwinds over the next year don't worry "we'll make it I swear".

Overall, retail sales are expected to pick up over the second half of this year as consumers feel better off and end of year sales support elevated spending. Real retail spending is expected to grow by 1.3% over the 12 months to December 2025, and 2.7% over the following 12 months.

# Appendix

## Our publications

### Budget Monitor

*Budget Monitor* is a key source of independent private sector projections of Federal budget trends in Australia. Budgets are analysed and projections made, including detailed estimates of future spending and revenue levels. *Budget Monitor* is prepared twice a year, prior to the Mid-Year Review and to the Federal Budget itself.

### Business Outlook

*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.

### Employment Forecasts

*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

*Investment Monitor* is a quarterly publication that provides detailed data on major business and government investment projects in Australia. Project investment is a key source of future economic growth. It lists individual Australian construction and investment projects with a gross fixed capital expenditure of \$20 million or more. Projects are listed by State, sector and

status of each project. Suppliers will appreciate the project updates, while economists benefit from one of the most comprehensive breakdown of investment prospects available in Australia.

### Retail Forecasts

*Retail Forecasts* is a quarterly publication that provides an analysis of current retail sales and consumer spending, and the important economic drivers that influence them. It includes ten-year forecasts of retail sales by major category and of key economic drivers.

### Tourism and Hotel Market Outlook

*Tourism and Hotel Market Outlook* is an annual publication that provides insight into the issues facing the Australian tourism and hotel sectors, including in-depth analysis of recent trends and their underlying drivers across the domestic and international tourism markets. The *Tourism and Hotel Market Outlook* publication includes analysis of ten of the country's major hotel markets (including all capital cities) and forecasts growth in supply, occupancy, room rate and revenue per available room (RevPAR) across the ten major Australian tourism markets.

For any publication or subscription queries please contact us via phone, email or visit us online:

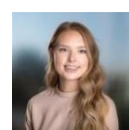
**+61 3 9667 5070**

[daesubscriptions@deloitte.com.au](mailto:daesubscriptions@deloitte.com.au)



#### **David Rumbens**

Partner, Deloitte Access Economics  
[drumbens@deloitte.com.au](mailto:drumbens@deloitte.com.au)  
**+61 434 671 039**



#### **Shannon Cutter**

Deloitte Access Economics  
[scutter@deloitte.com.au](mailto:scutter@deloitte.com.au)



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/au/about](http://www.deloitte.com/au/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

The entity named herein is a legally separate and independent entity. In providing this document, the author only acts in the named capacity and does not act in any other capacity. Nothing in this document, nor any related attachments or communications or services, have any capacity to bind any other entity under the 'Deloitte' network of member firms (including those operating in Australia).

#### About Deloitte

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's approximately 300,000 professionals are committed to becoming the standard of excellence.

#### About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 9,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit our web site at [www.deloitte.com.au](http://www.deloitte.com.au).

Member of Deloitte Touche Tohmatsu Limited  
© 2025 Deloitte Touche Tohmatsu

#### Disclaimer

Deloitte Access Economics provides assessments of current macro conditions in Australia and internationally, forecasts for the Australian economy and analysis of current policies, and the longer term economic planning framework. We undertake client work in specialised fields such as taxation, superannuation, tourism, communications, transport, energy, macroeconomic policy, immigration, health, education, econometric modelling and the policy environment for specific industries. This includes the finance sector, particularly superannuation, banking and insurance.

While every effort has been made to ensure the accuracy of this document, the uncertain nature of economic data, forecasting and analysis means that Deloitte Access Economics is unable to make any warranties in relation to the information contained herein. Deloitte Access Economics, its employees and agents disclaim liability for any loss or damage, which may arise as a consequence of any person relying on the information contained in this document. We remind clients that *Employment Forecasts'* easy-to-read style often simplifies and adds emphasis to make its point.

The views in this publication are those of the authors and do not represent the view of Deloitte Touche Tohmatsu or any of its affiliates (Deloitte). You should not rely on the information in this publication.

This publication is provided as general information only and does not consider your specific objectives, situation or needs. You should not rely on the information in this publication or disclose it or refer to it in any document. We accept no duty of care or liability to you or anyone else regarding this publication and we are not responsible to you or anyone else for any loss suffered in connection with the use of this publication or any of its content.