The Retail Report 2026

ARC surveys a sector under strain
Inside the ARC's view of retail's next chapter: pressure, pragmatism and possibility
Page 10

Australians on the hunt for bargains this year
Consumers are still spending, but with sharper expectations and deliberate choices
Page 18

Spotlight on Australia Post's retail network
Perspectives from a retail powerhouse and the engine of Australia's logistics network
Page 20

Wildcards: Live Shopping, Agentic AI, Marketplaces
These disruptors are reshaping retail, rewriting competition, discovery and expectations
Page 28

Peak Season, Peak Stakes

Deloitte.

The cover image was created using Generative AI

Contents

4 →
Retail 2026: What leaders need to know

6 →
Executive summary

8 →
About the survey

10 →
SPOTLIGHT
Industry perspective
From Chris Rodwell, ARC

11 →
Key findings

20 →
SPOTLIGHT
The network powering Australia's eCommerce
From Josh Bannister, Australia Post

26 →
SPOTLIGHT
Bringing the human connection back to peak season
From Louise Heath

28 →
Retail trends

40 →
The next 12 months

44 →
SPOTLIGHT
Market insights
From Andy Crossley

46 →
About our team

47 →
Appendix

RETAIL 2026: WHAT LEADERS NEED TO KNOW

The essential insights shaping peak season 2026

1 Quality and value are the new differentiators

Read more

#1 Product quality is the number one purchase driver

77% of Australians are changing shopping behaviour due to cost-of-living pressures

34% plan to spend less this holiday season

32% plan to switch to cheaper options

70% will pay full price for the exact product they want

Key takeaway: Consumers are not just choosing the cheapest option.

2 The peak season is shifting

Read more

27th Nov Black Friday is expected to be retailers' largest promotional event

$ Christmas remains the most profitable period

52% Retailers expect 52% of holiday revenue to come from Click Frenzy, Black Friday and Cyber Monday

45% Consumers expect 45% of spending to occur in early December

Key takeaway: Peak season is expanding over a larger period underpinned by key events.

3 Marketplaces are reshaping expectations

Read more

#1 Competitive prices are the main reason consumers consider marketplaces

#2 Wide product selection is the second biggest drawcard

48% of consumers often or always consider offshore marketplaces

79% of retailers are concerned about competition from marketplaces

Key takeaway: Consumers increasingly expect transparent pricing, wide choice and convenience.

4 AI is moving from hype to execution

Read more

AI More than half of consumers are willing to use AI across activities such as research, comparison, negotiating and purchasing

49% of retailers expect AI to help manage inventory and replenishment decisions

45% expect AI to optimise pricing and promotions

63% of consumers are willing to use AI to manage their account details

Key takeaway: Retailers see immediate AI value in operations, while consumers embrace AI-assisted shopping.

5 Growth remains, confidence softens

Read more

$ Cost pressures and competition remain key risks for retailers

75% of retailers expect holiday growth

52% Only 52% expect consumer confidence to improve over the next 12 months

27% of consumers feel optimistic about their financial position

Key takeaway: Retailers expect growth, but confidence has moderated and conditions remain challenging.

EXECUTIVE SUMMARY

Welcome to the 15th edition of our annual Retail Report

Inflation has roared back into the picture, household budgets remain stretched, and retailers continue to face rising uncertainty as they enter the peak season. Yet 2026 isn't a story of consumers closing their wallets. Australians still intend to spend, just more deliberately, with sharper expectations around value and an increasing willingness to draw on savings to fund holiday purchases.

Most retailers (75%) still expect sales growth this season, but optimism has eased from last year's record high of 83%. Expectations have narrowed into lower growth bands, confidence in maintaining or growing margin has softened, and only 52% expect consumer confidence to improve over the next 12 months, down sharply from 74%. Retailers are right to be concerned: costs, competition, retail crime and changing consumer behaviour are all pressing harder.

But the consumer data suggests the market is more resilient than the mood implies. Consumers have grown accustomed to inflation feeding through to the checkout, with 35% expecting higher prices this year. One in four (26%) still expect to buy a greater volume of goods and services, through smart shopping and savvy product selection. Younger Australians and blue-collar workers remain among the highest spenders, with 55% and 40% planning to spend more respectively. But with continued weakness in consumer confidence and nascent housing market weakness, the season will be a balance between generosity and careful spending.

Younger Australians and blue-collar workers remain among the highest spenders.

Value takes centre stage

The cost of living continues to loom large, with high prices and household pressure the biggest barrier to purchases for 37% of consumers. Responding to the pressure, 32% plan to switch to cheaper options and 11% expect to delay purchases. This pressure isn't evenly distributed, and as often occurs with challenging economic conditions, lower-income households are hit the hardest.

Shoppers still want to celebrate, give and indulge, but they need to see value in every purchase. Value, however, does not simply mean cheap. While 42% say they would switch brands or retailers for a better price, product quality is their most important motivator – ahead of value for money, customer experience and brand trust – and seven in ten shoppers say they will still pay full price to get the exact product they want. Shoppers are deal-seekers, not down-traders. They are looking for the right product, available at the right time, at a price that feels competitive and fair.

The peak season is shifting

Retailers expect Click Frenzy, Black Friday and Cyber Monday to deliver around half of holiday revenue, with Black Friday alone the largest event. Yet for the first time in years, consumers are pacing themselves differently, with many expecting to spend the bulk of their budget in early December, closer to Christmas.

The critical challenge is matching promotional periods with customer demand. If retailers promote too heavily too early, they risk giving away margin before shoppers are ready to spend; wait too long and they may be left with too much stock at Christmas. The winners will be those that can respond to demand signals with discipline, rather than simply ramping up promotions in November.

Unifying experience across channels

Physical retail remains the core of the shopping experience, with 61% of consumers rating stores as their top channel. But the modern consumer doesn't think about channels; they think about convenience, availability, speed, trust and experience. Retailers must make every touchpoint work together, whether the customer browses online, collects in store, compares prices on a marketplace or returns to a trusted brand ecosystem.

Marketplaces reset the value benchmark

Like it or not, offshore marketplaces, mostly based in China, are now mainstream. Nearly half of all consumers often or always consider these platforms, drawn by competitive prices, wide choice, easy discovery and the convenience of anytime anywhere access. Retailers are feeling the pressure, with 79% concerned about competition from marketplaces. Competing on price alone will be difficult, particularly against offshore models. Local retailers need to focus on value beyond discounting by leaning into product quality, trusted service, loyalty, fulfilment and customer experience.

Local retailers need to focus on value beyond discounting.

AI is promising, but execution is everything

Artificial intelligence may be retail's brightest bauble, but the revolution so far is more practical than dramatic. Retailers believe consumers are already using AI to research products, compare prices, identify discounts and receive recommendations. However, the greatest value in the shorter term may be found inside the business, with retailers expecting agentic AI to improve inventory and replenishment, pricing optimisation, personalised promotions and marketing automation. The barriers they face are less about the technology itself and more about privacy, regulation, skills, data quality and return on investment. AI won't transform retail overnight, but it will increasingly shape the thousands of small decisions that determine customer experience and profitability.

Over the longer term, the more disruptive shift may be the rise of the Agentic Customer. Consumers are using Large Language Models (LLMs) today, and we expect this to usher in adoption of AI agents, and over half of consumers surveyed would be willing to use AI agents to research, compare, negotiate and transact on their behalf. That points to a future where shoppers delegate more of the purchase journey to tools that can scan the market instantly, switch when value changes and reward retailers with trusted data, transparent pricing, reliable availability and frictionless fulfilment. For retailers, the challenge is not simply adopting AI internally, but becoming visible, trusted and ready for an agent-led customer journey.

Pressure rises inside the store

Retail crime and shrinkage are adding another layer of complexity. Retailers face increased costs from theft, fraud, organised crime and threatening behaviour, with 37% reporting sustained or increased shrinkage. Many are investing in safety training, surveillance, store protocols and partnerships with law enforcement. As commercial pressures rise, collaboration between industry, policymakers and enforcement agencies will be essential to protect workers, customers and margins.

So, what does success look like this holiday season? Retailers shouldn't mistake caution for retreat. Consumers are still spending, but they are more selective, informed and willing to switch when the offer falls short. The winners will be those that read the consumer correctly, protect margins with discipline, make value visible, and deliver the right product through the right experience. It may be a frosty forecast, but strong retailers have always found ways to thrive in any economy.

About the survey

This survey was commissioned by Deloitte and conducted online throughout June 2026. The retail component of the survey polled 150 retail executives across a range of categories to create a cross-section of the market. The consumer component polled 1,000 Australian consumers across a range of age, socioeconomic and geographical demographics.

Australia is dynamic, diverse and multicultural, and so are its shoppers. To help retailers get the most out of our consumer survey, we categorised respondents by the way they shop and what's most important to them.

Retail strategies aren't one-size-fits-all. By understanding these personas, businesses can better interpret the results and tailor strategies to their customers.

The four consumer personas

40%

Transactional shoppers

These consumers are on a mission to shop around and hunt for deals. While they may appreciate a good shopping experience, getting the best price is their top priority.

26%

Convenience shoppers

These are busy shoppers who click and collect, self-checkout and duck in and out. They want the right product, right now, and don't mind paying a bit more to avoid a fuss.

21%

Loyal shoppers

These consumers will go out of their way to shop at stores that offer loyalty programs, trustworthy brands and reliable experiences. They operate firmly within a brand ecosystem and want to be rewarded for doing so.

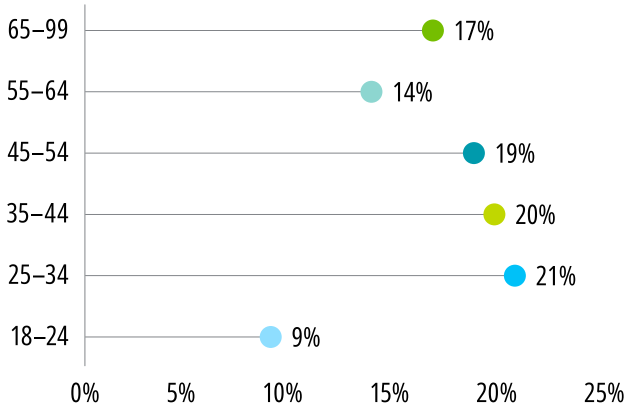
13%

Experiential shoppers

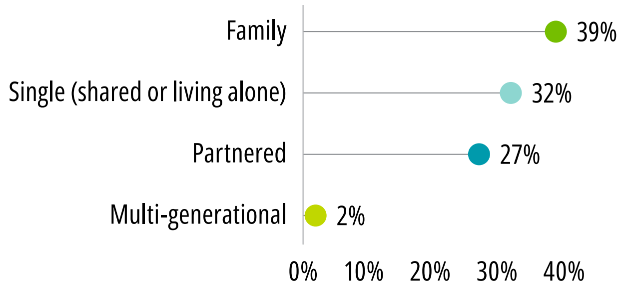
These shoppers are looking for an experience: they want service and personal connection, to be greeted on the way in and to chat with retailers about what they are looking for.

Consumer

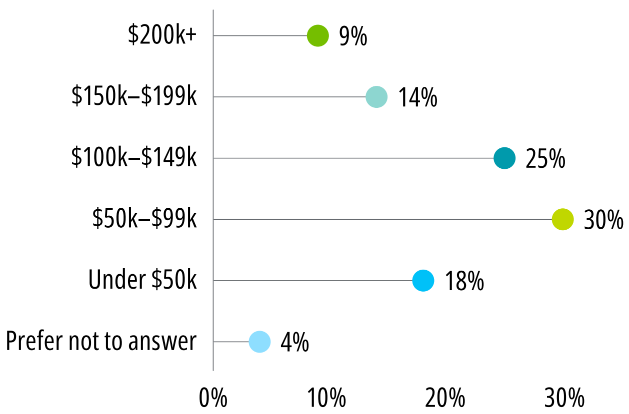
Percentage of respondents by age range



What living situation best describes your household?

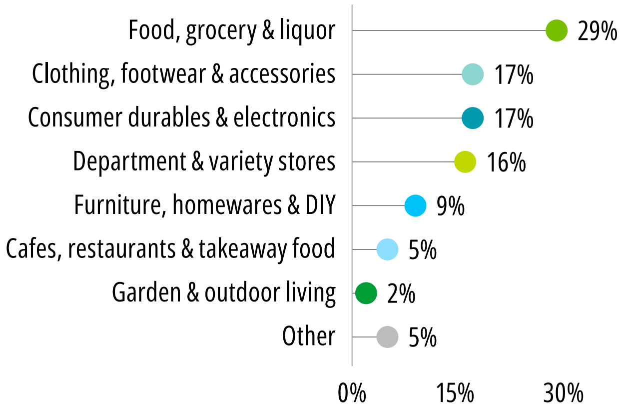


What is your annual household income before taxes?

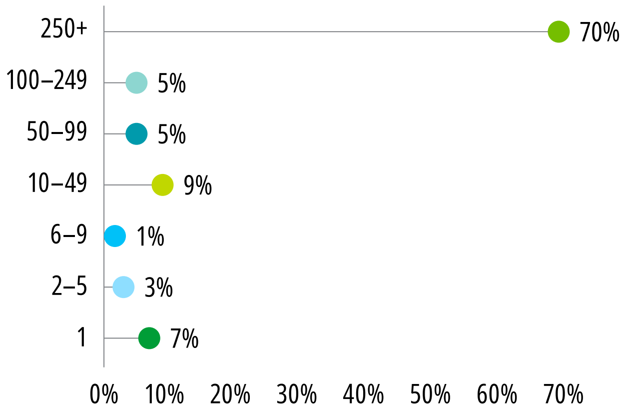


Retailer

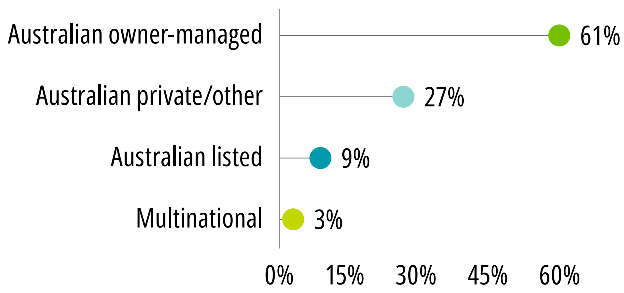
What is your business sector?



Number of employees per organisation



What is your oganisation’s ownership structure?



SPOTLIGHT

Industry perspective

From **Chris Rodwell**,
CEO of the Australian Retail Council.

> The world of retail is changing at pace. Australian retailers are once again navigating major global forces largely beyond their control – geopolitical instability, disruption to international trade, rapid technological change and a rising domestic cost burden.

Events in the Middle East and disruption around the Strait of Hormuz have again exposed the vulnerability of global supply chains and Australia's reliance on imported fuel. Volatility in oil prices quickly flows through freight, energy and sourcing costs, creating another layer of uncertainty for businesses already operating on tight margins.

AI is also rapidly finding its way into retail. The opportunity is significant, but this is still a maturing space, and retailers are working through where the technology can deliver the greatest practical value. Our May survey found more than half of retailers consider AI a critical or important strategic priority, yet around half still have no dedicated AI investment or are making only limited experimental investments. The strongest demand is for practical retail use cases, while productivity and better business decision-making are emerging as key opportunities.

Competition is also changing rapidly. Ultra-cheap offshore digital platforms continue to take a growing share of Australian spending, while not always being held to the same standards and obligations expected of local retailers. This is adding another layer of pressure for Australian businesses already navigating significant disruption.

Against that backdrop, Australian retail continues to hum along. Consumers are still spending at or near long-term rates, but the headline numbers disguise considerable pressure underneath.

Households remain highly value-conscious, carefully managing discretionary spending as everyday cost-of-living pressures continue to stretch budgets. We are seeing promotional periods extend as retailers work harder and discount for longer to win increasingly deliberate consumers. At the same time, wages, energy, insurance, freight and compliance costs continue to rise. Increases in turnover does not necessarily mean higher profitability.

For many businesses, particularly small retailers, those pressures are becoming acute. Latest provisional ASIC figures show 1,006 retail companies entered external administration, or had a controller appointed in 2025-26, up 15.5 per cent in a year and 215 per cent since 2021-22.

Yet retail has always been an industry defined by its capacity to adapt. From digital commerce to changing consumer expectations and now AI, retailers have repeatedly transformed the way they operate.

There are significant challenges ahead, but there is also enormous opportunity. Australian retail remains innovative, competitive and deeply connected to the communities it serves. With the right conditions for investment, productivity, and growth, we remain optimistic about what comes next.

Key findings

SALES AND SPENDING

Trimming more than the tree?

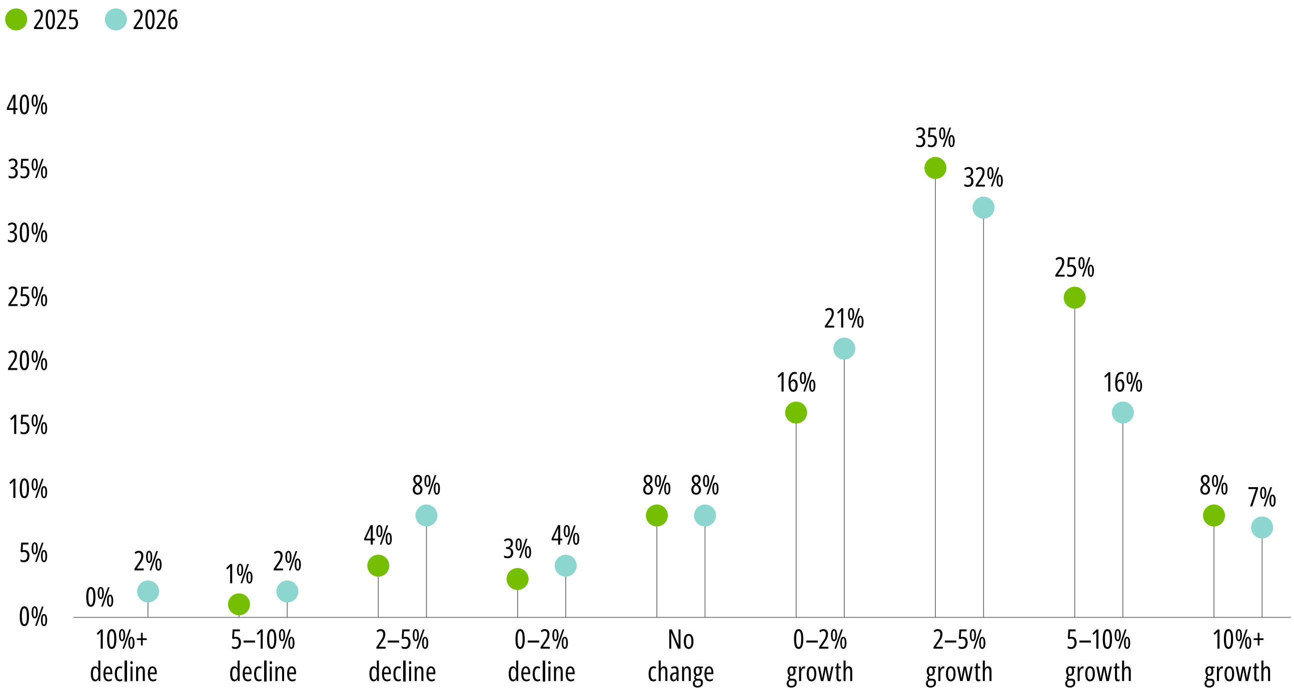
After last year's sharp rebound, 2026 marks a subtle but telling turn that retailer optimism has eased back from its highs. The more revealing story sits beneath the headline numbers, in the widening gap between how cautious retailers have become and how consumers are actually behaving.

Most retailers (75%) still expect sales growth this season, marginally off the record peak of 83% in 2025 after climbing from 51% in 2024. What's more revealing is their expected level of growth: the share expecting robust 5–10% growth has shrunk by around a third (from 25% to 16%), while those bracing for an outright decline have nearly doubled (from 8% to 15%). Confidence remains positive, but growth expectations have shifted into lower growth bands.

Larger retailers are the most confident, with 81% of businesses with more than 250 employees expecting growth compared to around two in three smaller retailers.

On the consumer side, most of the increased spending intention (35%) is likely from an acceptance of higher prices and inflation rather than a confident consumer.

Retailer survey: Do you expect holiday sales to exceed the previous holiday trading period?



Spending intent now peaks in the middle of the income distribution. Almost one in two households (46%) earning $100,000–$150,000 plan to spend more, while households earning under $50,000 remain the most constrained, with 32% saying they'll spend less compared to 23% overall.

In terms of shopping styles, experiential shoppers (46%) remain the most determined to spend more, although less exuberantly than last year (59%). The bigger shift is among loyal shoppers who have loosened the purse strings with 37% planning to spend more this season, up from 22%, and only 63% are looking to control or reduce spend, down from 78% in 2025. The gulf between the most and least confident shopper types has collapsed, and optimism has spread from the enthusiasts to the loyalists.

Geographically, confidence is highest in Western Australia (41%) and New South Wales (38%), with Tasmanians once again the most downbeat.

In a modest reversal of last year's picture, more consumers now expect to buy a greater volume of goods and services (26%) than before (23%) and 24% plan to buy a smaller volume, down from 35% in 2025. Inflation remains a key cost of living concern, but consumers are still willing to make purchases. The greatest unknown for retailers and consumers is how far their dollar will be able to stretch with prices rising and cost of living rises continuing to dent real wages.

Inflation's grip on Australian retail

Inflation is back in the picture, and value is again front of mind. After hoping easing inflation would rebuild confidence, retailers now face a more cautious reality: Australians are still spending, but scrutinising every dollar. This shift is reshaping competition as online marketplaces gain ground and retailers recalibrate their strategies around competitive pricing, stronger value and clearer customer propositions.

There is a consumer reset going on, where high prices and cost of living looms large in spending decisions but over a third of shoppers still expecting to spend more. With real wages declining to 2011 levels, it's likely that the accumulated damage of high inflation and low productivity growth over the past decade will result in a prolonged decline in disposable income.

There is a consumer reset going on, where high prices and cost of living looms large in spending decisions but over a third of shoppers still expecting to spend more.

Consumer survey: How do you expect cost-of-living pressures will affect your holiday spending?

77%
Australians changing shopping behaviour

34% Spending less overall

32% Switching to cheaper options

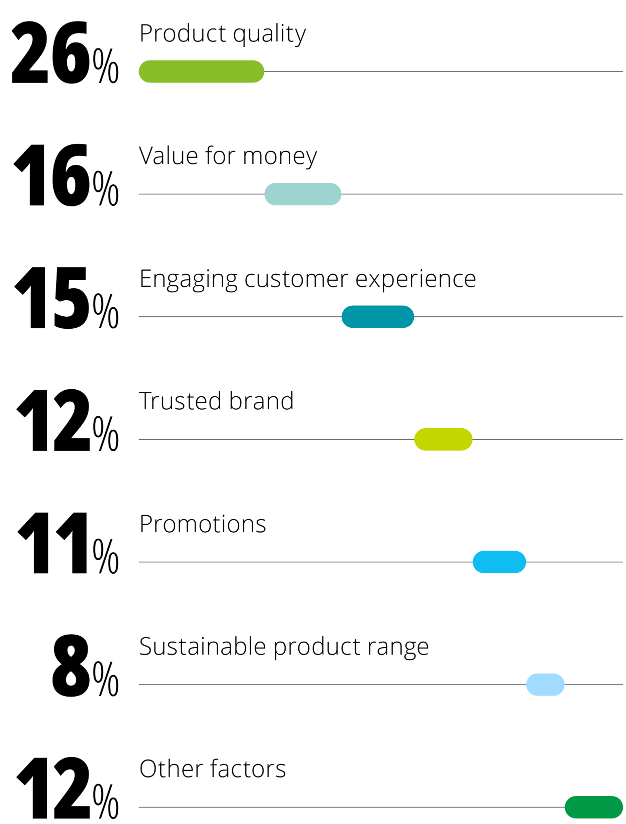
11% Delaying purchases

This economic reality has fundamentally altered purchasing drivers. Consumers are responding to the squeeze on household finances with a clear toolkit of value-seeking behaviours. When asked how they are responding to cost-of-living pressures, nearly a third of shoppers (32%) say they will switch to cheaper options, and 11% are holding out for a bargain before they spend. Others are becoming more promotion-driven, with 65% citing a lower price as the primary driver of switching behaviour, 36% attracted by better promotions, and 13% deterred from purchasing by a lack of discounts and deals. This creates a delicate balancing act for retailers, particularly as 63% have increased prices over the past year while consumers remain highly price sensitive.

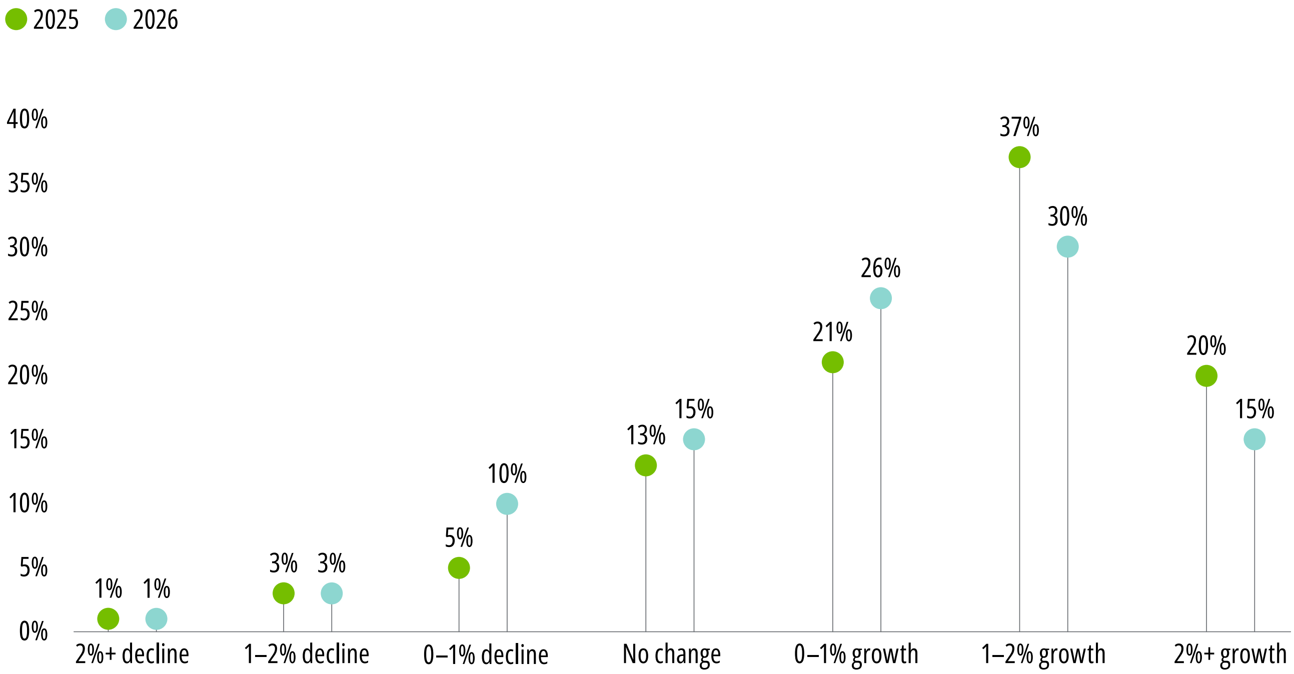
Yet price alone is not enough. Product quality remains the single most important factor in the final buying decision for 26% of consumers, followed by value for money at 16%, engaging customer experience at 15%, and buying from a trusted brand at 12%. Poor customer experience also ranks as the second-largest barrier to purchase at 22%, second only to cost-of-living pressures. The result is a consumer who wants it all: competitive pricing and promotions without sacrificing quality, trust or experience. For retailers, this creates a clear risk that shoppers keep their wallets closed until the last possible moment, waiting for an offer that feels genuinely worth the spend. This dynamic is also driving the rise of online marketplaces, which combine competitive pricing, broad assortment and convenience into a compelling value proposition.

Consumer survey: What wins the checkout?

Top factors influencing purchase decisions this holiday season



Retailer survey: Overall, do you expect margins for the current holiday period to exceed the last holiday period?



For retailers, margin expectations have moderated in step with sales: 71% anticipate margin growth (down from 78%), with 56% expecting up to 2% and 15% expecting more. Smaller operators are around two and a half times more likely to be budgeting for flat margins.

The clearest signal, though, is the growing distance between retailer caution and consumer behaviour. Retailers have turned notably bearish on their customers, with just 52% expecting consumer confidence to improve over the year ahead, down from 74% and the first decline after three straight years of gains.

While consumer responses do reflect a fall in confidence (27% optimistic, down from 32%), they are still planning to buy more, not less. Retailers are bracing for a pullback their customers aren't yet signalling; for now, spending is holding up in spite of sentiment, not because of it. Reading the consumer correctly, and executing with discipline, will be what distinguishes the winners this season.

Consumer survey: How confident are you in your financial position over the next 12 months?

27%

I'm feeling optimistic about my financial position and believe it will get better in the next 12 months.

50%

I'm feeling neutral about my financial position and believe it will remain the same in the next 12 months.

23%

I'm feeling pessimistic about my financial position and believe it will get worse in the next 12 months.

SALES AND SPENDING

The busiest season, the biggest test

Retail's peak season has settled into its new home on the calendar. For the second year running, retailers expect the November trio of Click Frenzy, Black Friday and Cyber Monday to deliver around half (52%) of holiday revenue, with Black Friday alone (23%) the single biggest event. However, consumers are pacing themselves differently, with nearly a third (32%) expecting to spend the bulk of their budget in early December, ahead of Christmas and Boxing Day and outside of key events like Click Frenzy (1%), Cyber Monday (2%) and Black Friday (13%). The rush retailers are planning for, and the rush shoppers expect, aren't quite lining up.

This gap could make or break profitability, because while sales events may bring the crowds, they don't deliver the margin. Some 86% of retailers rate the Christmas period profitable or very profitable, against 81% for Boxing Day, 76% for Black Friday and just 59% for Cyber Monday. As retailers lean ever harder into discount-led November events, the risk is trading volume for margin, with the least profitable weeks of the peak season cannibalising the most profitable.

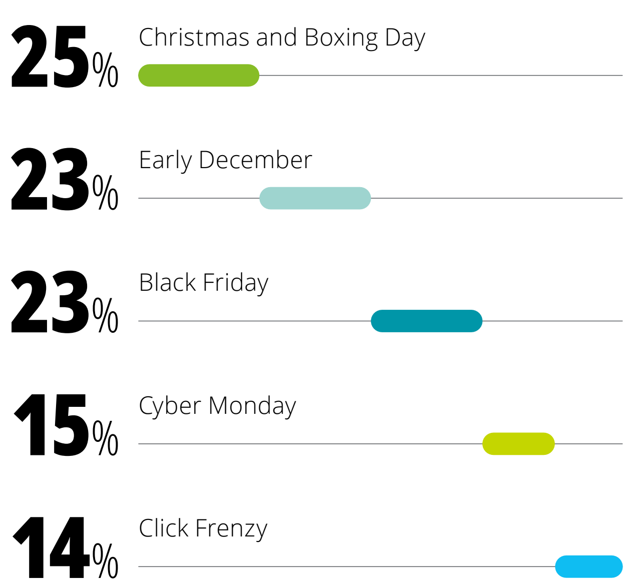
Looking at channels, the modern retail environment has made an online presence both easier to establish and more important than ever. Only 2% of retailers report no online sales, down from 5% last year and 17% in 2024. Consumers expect a seamless digital experience, and it shows in the way they plan to spend. More than half (60%) expect to do at least 20% of their shopping online, with millennials (74%) and high earners (80%) leading the pack. Yet, as always, the store remains the beating heart of the experience, with 61% of shoppers rating physical retail their top channel.

The competitive threat has broadened from a name to an ecosystem. Global marketplaces remain the most cited source of rising competition (61%), but retailers now see pressure on every flank, from social

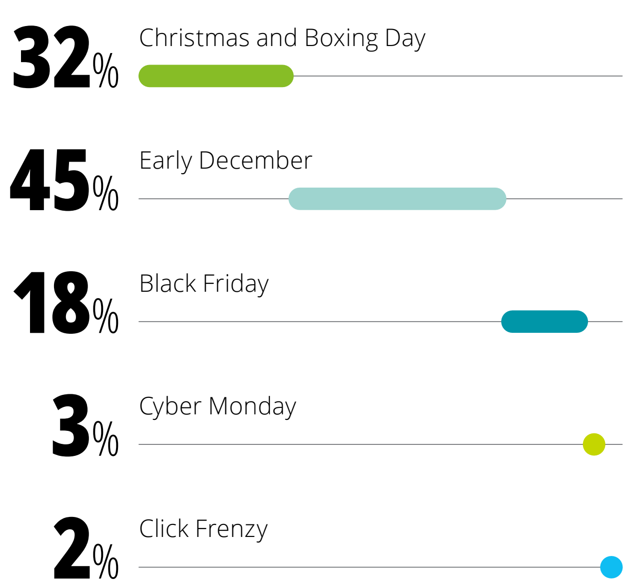
52% Retailers expect 52% revenue during promotional events

23% Consumers expect only 23% of spend during promotional events

Retailer survey: What percentage of your total holiday sales do you expect to derive over the following periods?



Consumer survey: What percentage of your total holiday spending do you expect to spend over the following periods?



commerce platforms like TikTok and Instagram (48%) to direct-to-consumer brands (45%) and domestic and discount retailers (both around 40%). For consumers, the marketplaces are already routine, with nearly half (48%) often or always considering offshore marketplaces, drawn by price (31%) and range (21%), and only about one in four actively avoiding them. These marketplaces, mostly based out of or supplied by Chinese manufacturers, have muscled in to the Australian market with rock-bottom prices, gamified shopping experiences and local distribution options that reduce wait times.

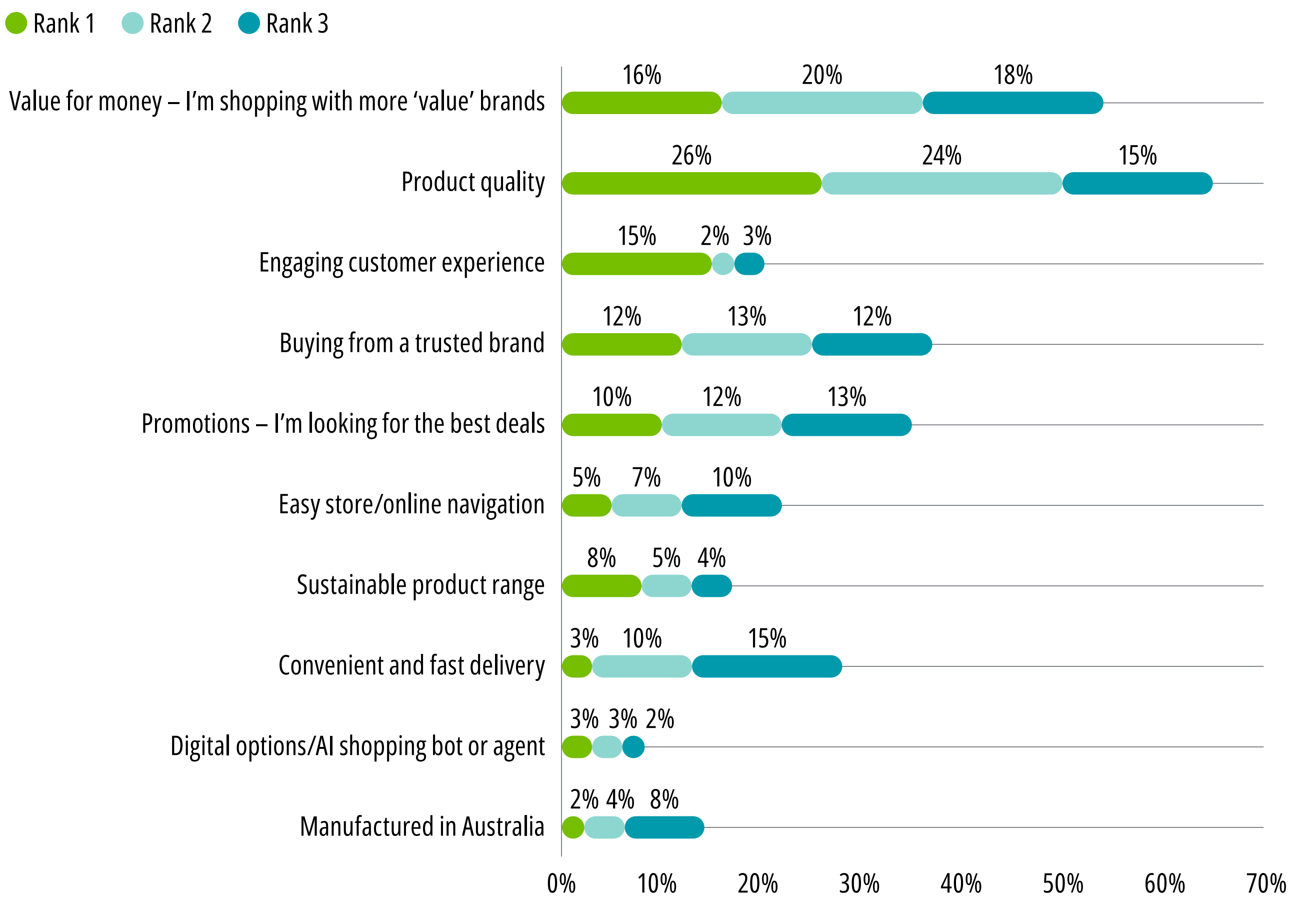
Product quality remains the highest-ranked purchase driver, with 26% nominating it as their primary decision factor, ahead of value for money (16%) and customer experience (15%).

Price remains a strong influence on consumer behaviour, with more than two in five consumers (42%) saying they would switch brands or retailers for a better price, up from 34% and rising to 58% among experiential shoppers. Retailers have pivoted accordingly, with pricing (25%) drawing almost level with customer experience (27%) as the top focus to lift sales, a striking shift from last year when experience (42%) stood out alone.

But while lower prices are the single biggest trigger to switch brands (65%), it's far from the whole story. Faster delivery (38%), better promotions (36%), a better experience and greater brand trust (both around 30%) would each move a meaningful share of shoppers.

This is a subtle mismatch. Consumers are signalling that they will buy the right product if available and fairly priced, not necessarily the cheapest one. The retailers who win this season may be those who compete on availability, service and value together, rather than on discount depth alone.

Consumer survey: What is most important to you in making your buying decision these holidays?



Respondent's choice of 'value for money' as their top priority, by household income:

20% Less than $50,000

50% $50,000–$149,999

18% $150,000–$199,999

12% $200,000 or more

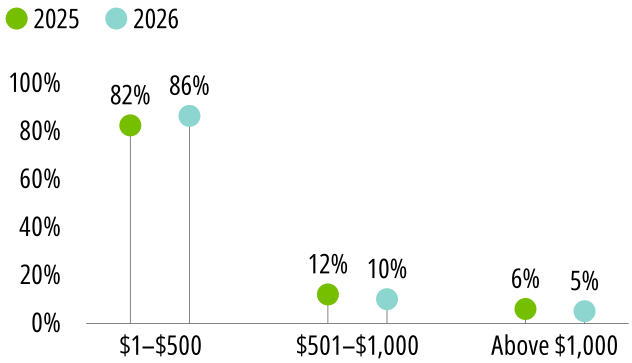
SALES AND SPENDING

Baskets built, not blown

Overall holiday spending is set to rise, but this is a season of careful generosity. Consumers are willing to open their wallets but are doing so with intent, spending for the right reasons and on the right things rather than loosening up across the board.

This spending continues to tilt towards experiences. Consumers plan to lift what they spend on entertainment, travel and socialising, extending a multi-year shift from *things* towards *moments*. While gift budgets are holding flat or slightly trimmed, and non-gift spending is edging up, gifts still command the largest share of holiday budgets, with clothing and food the categories most likely to be bought as presents.

Consumer survey: How much do you expect to spend on gifts these Holidays?



While gift budgets are holding flat or slightly trimmed, and non-gift spending is edging up, gifts still command the largest share of holiday budgets.

Loyalty, meanwhile, is broad but shallow. Almost three quarters of consumers say loyalty programs factor into where they shop, but only 15% treat them as the deciding factor, and with 42% willing to switch for a better price, loyalty is a tiebreaker rather than a moat. Points and currency alone won't hold a shopper who has found a better deal elsewhere. This reinforces the need for layered incentives that go beyond simple rewards and into meaningful promotions, convenience, exclusive products and genuine experiences – the reasons beyond price for a customer to stay.

Retailers, for their part, are playing a slightly different game to the one their customers are signalling. Almost two thirds of retailers (63%) have raised prices this year, and when they discount, they are just as likely to be chasing new customers (42%) than rewarding existing ones (39%). Their confidence that shoppers will pay full price has softened slightly, slipping from 63% to 59%, even as consumers themselves seem more willing to pay full price (7 in 10). The slight disconnect points to an opportunity, because consumers are more willing to pay for the right product than many retailers assume, and the businesses that recognise it may find they are leaving less on the table than they fear.

Consumer survey:

How likely are you to switch brands or retailers for a better price during the holiday period?

5% Very unlikely – I'm highly loyal and rarely switch brands

9% Unlikely – It would take a significant deal to sway me

44% Neutral – I might consider it, but it depends on the offer

31% Likely – A good deal could persuade me to try a different brand

11% Very likely – I'm actively looking for deals, regardless of brand

Retailer survey: What drives investment in price and promotion during the holiday period?

42% Acquiring long-term customers

39% Retaining existing customers

19% Meeting marketing expectations

SPOTLIGHT

The network powering Australia's eCommerce

From **Josh Bannister**, EGM, Retail, Brand & Marketing at Australia Post, with responsibility for the Post Office Network, Supply Chain, Retail Products, Brand and Marketing.

As online shopping continues to reshape retail, Australia Post sits at the centre of the ecosystem that connects consumers, businesses big and small, and communities – all underpinned by Australia's most extensive out-of-home delivery network.

A nation shopping online like never before

Australians spent a record $82.6 billion online in 2025 – up 14% year-on-year, which is now around a quarter of all retail spending. A record 9.8 million households shopped online, equivalent to 82% of all homes, with 41% shopping at least fortnightly – 117,000 more than the year before. Behind that growth sits the largest retail and delivery network in the country: more than 4,000 post offices and an extended workforce of over 64,000 team members.

$82.6b spent online in 2025
*+14% YoY**

24% of total retail spend was online
*+1.6 points YoY**

*CommBank iQ, 2025

Scale that peaks at Christmas

Nowhere is that scale clearer than during November and December – known simply as 'Peak' at Australia Post. During Peak 2025, the beginning of which is marked by Black Friday, we delivered almost 111 million parcels, up 7.6% year-on-year, including a busiest day of more than 3.3 million parcels on Monday 8 December, and sustained volumes above two million deliveries on 36 separate days. At the height of Peak, the network was moving 3,075 parcels every minute – around one million additional parcels each week compared with the year before. Across the first half of the year, that added up to 283 million parcels delivered, up 5.1%.

The biggest peak ever

110m+ parcels delivered*
Up 7.6% YoY

+**6.3**% YoY growth in online purchases over cyber weekend#

7.9m households shopped online
+4.3% YoY

3,075 parcels delivered every minute**

*Across Australia, Nov-Dec 2025. #28 Nov to 1 Dec 2025. **Calculation based on Australia Post deliveries during the period 1 November – 31 December 2025 over 12-hour days, excluding Sundays and public holidays.

The engine behind Australian small business

But this is as much a small-business story as a logistics one. Australia Post is the engine behind hundreds of thousands of local businesses, from healthcare to fashion, helping them compete and grow on the national and global stage. That commitment is being brought to life every day in local post offices across Australia, including select post offices that are 'Side Hustle Capitals of Australia' – helping businesses start, sell and scale in huge numbers.

Reaching every corner of the country

The eCommerce boom is not confined to the cities. In 2025, capital-city households spent $61.9 billion online, but it was outer-regional and remote areas that recorded the fastest growth – up 14.4% year-on-year – across almost one million households. From bustling metro hubs to fast-growing regional centres, Australia Post's network reaches into nearly every community – making it possible for a business in a regional town to reach customers across the country, and for consumers everywhere to shop, send and receive with confidence.

Meeting customers where they want to be

Australia Post is also meeting changing customer expectations for how parcels are received – making it easy and convenient to collect on their terms. Around 60% of Post Office transactions are now parcel-related, and out-of-home options are among the fastest-growing parts of the parcels business. Customers can now choose from more than 5,000 out-of-home collection points nationwide, including over 4,000 Post Offices and more than 1,500 Parcel Lockers – free-to-use, available 24/7 and secure. Demand is surging: Parcel Locker usage rose 20% over the past year, with more than two million Australians now registered.

Consumers tell us why: seven in 10 want a range of delivery options at checkout, 43% prefer lockers because they're safer and more secure, and 32% would switch retailers to access them.

Returns and recommerce: the next frontier

Returns are a growing part of that story, with Australians increasingly relying on the post office network to send items back easily. At the same time, recommerce is reshaping how Australians buy and sell, and Australia Post is at the centre of it – including as the exclusive delivery partner for Vinted's Australian launch. These partnerships are bringing significant new volume through the network, connecting more sellers and buyers with the convenience of local post offices and lockers.

A human story at its heart

Importantly, this is also a human story. Take Mekė Baby, the Melbourne brand founded by Elysia Krstevski. In the early days, Elysia would load her car each morning before work and drop parcels at her local post office, where a team member, Susan of Moreland Post Office, watched the business grow parcel by parcel and backed her from the start. As Mekė Baby scaled, that support continued at the Keilor Post Office, where licensee Raj became one of the brand's biggest champions.

"As a scaling eCommerce brand, logistics can make or break the customer experience," Elysia says. "It's the small things – stopping the wrong order from going out, organising multiple pickups in a day, or having someone just a quick phone call away when something goes wrong – that have had the biggest impact. I genuinely credit that human support as a key factor in how we've been able to scale with confidence."

And behind every parcel there is a team member, licensee partner and delivery network working together to serve customers and communities – bringing to life what customer obsession means in practice, and how local post offices support consumers and small businesses throughout the year.

Powering what's next

As eCommerce continues to accelerate, Australia Post's role is clear: to keep pace with how Australians live, shop and connect, while continuing to serve every community. Whether it's a first online sale or an established brand scaling nationally, Australia Post's network remains the trusted infrastructure powering Australia's eCommerce economy – today, and for the next 200 years.

THE COST OF LIVING CRISIS

Wallets under pressure, choices under control

After signs of easing in 2025, many expected cost of living pressures to subside. Instead, rising inflation and higher interest rates have pushed them back to the forefront for consumers and retailers alike.

Around one in three consumers (37%) say high prices and cost of living pressures would be their biggest barrier to spending; in response, 34% expect to spend less, 32% plan to switch to cheaper options and 11% expect to delay purchases.

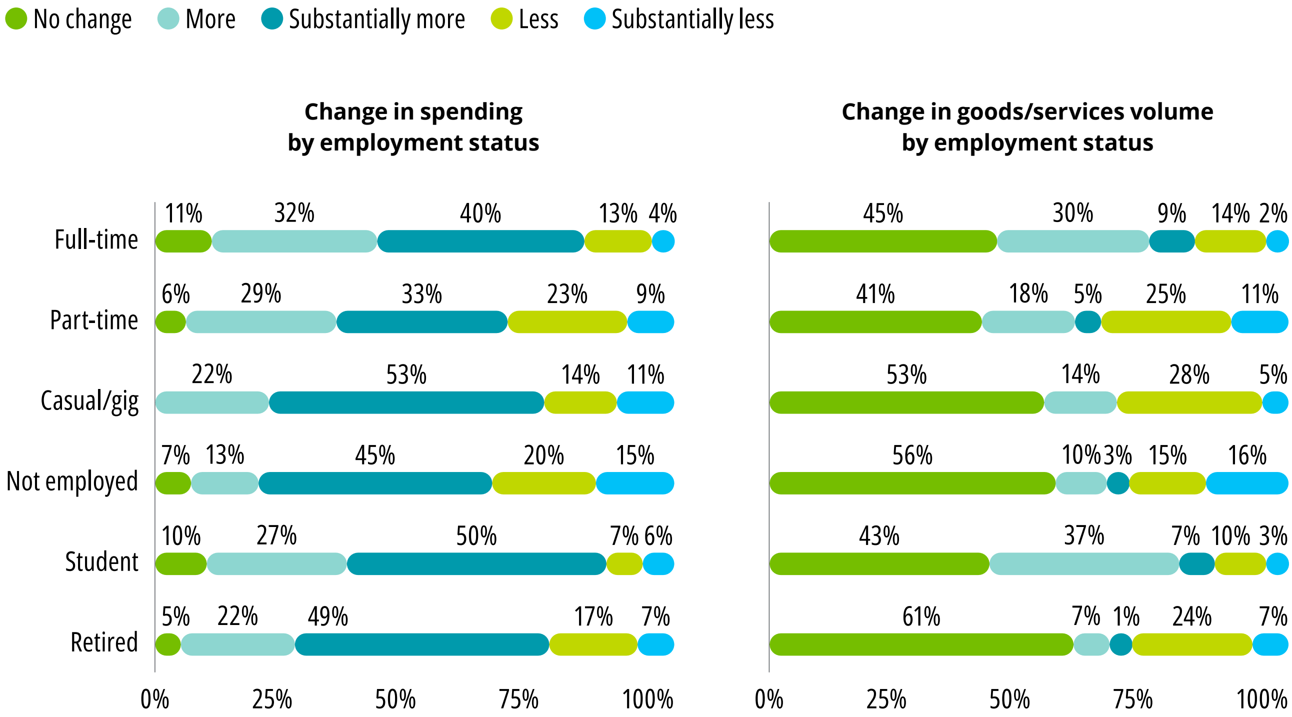
Even so, consumers are not retreating altogether. While 42% expect their holiday spending to remain unchanged from last year, 26% expect to spend more and 8% expect to spend substantially more. The pattern is similar when it comes to volumes, with 49% expecting to buy the same amount of goods and services, while 21% expect to buy more and 6% expect to buy substantially more. Yet a closer look across employment groups reveals varying degrees of confidence and caution.

The mood remains restrained, with 29% cutting back on themselves while still indulging friends and family, 23% planning a stay-home Christmas to save money, and the share of "savvy shoppers" – consumers who say they will still spend, but will be looking for the best deals and discounts – has risen from 20% to 25%. Meanwhile, just 14% say they feel confident in their finances and are looking forward to spending big this holiday season, down from 15% in 2025. Together, the results reinforce the notion of a more deliberate and value-conscious consumer.

Just 14% say they feel confident in their finances and are looking forward to spending big this holiday season.

Importantly, financial pressure isn't felt evenly across the country. Just 15% of higher-income earners on $200,000+ expect to spend less this year, compared to 32% of lower-income earners on under $50,000. Lower-income consumers are also more likely to save by staying at home this Christmas, as planned by 34% of those earning under $50k versus 11% for those earning $200,000+. A similar pattern emerges across age groups: 62% of baby boomers expect to buy the same amount of goods and services, compared with 37% of 18–24-year-olds.

Consumer survey: Employment status – Spending and goods/services expectations



Consumer survey: How do you expect cost-of-living pressures will affect your holiday spending?

34% Spending less overall

32% Switching to cheaper options

24% No impact

10% Delaying purchases

Consumer survey: Which of the following statements do you most agree with in respect to the upcoming holiday season?

29% Cutting back on self but indulging friends & family

25% Savvy shopper looking for deals & discounts

23% Stay-home Christmas to save money

14% Confident in finances and spending big

9% Splurging on little luxuries

THE COST OF LIVING CRISIS

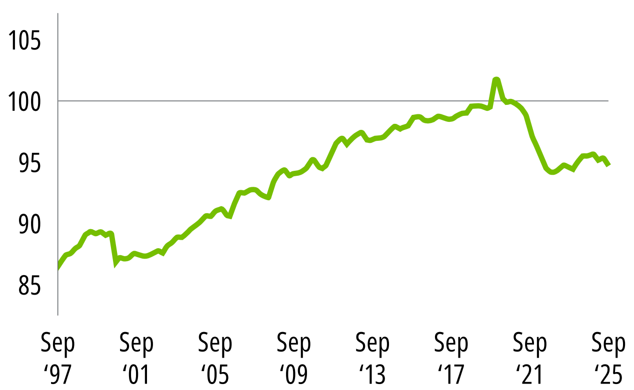
The generational divide and youth spending paradox

> For many Australians, the traditional markers of a successful life are being reassessed.

Inflation of 4% continues to outpace wage growth of approximately 3%, leaving households under sustained financial pressure. The cost of living is reshaping major life decisions, including marriage, having children and buying a home, with 26% of consumers delaying these milestones and a further 12% putting them on hold indefinitely.

Young Australians are entering adulthood at a time when living standards have endured their weakest period in decades. According to the Organisation for Economic Co-operation and Development's (OECD) annual employment outlook, Australian real wages have fallen by more than 5% since 2021, while inflation has continued to erode household purchasing power. At the same time, per Deloitte Access Economics, gross domestic product (GDP) is tracking towards one of the weakest periods of per capita income growth in modern Australian history, highlighting the broader deterioration in living standards experienced across the economy.

Real wage index (March 2021 = 100)



Source: ABS data, Deloitte Access Economics

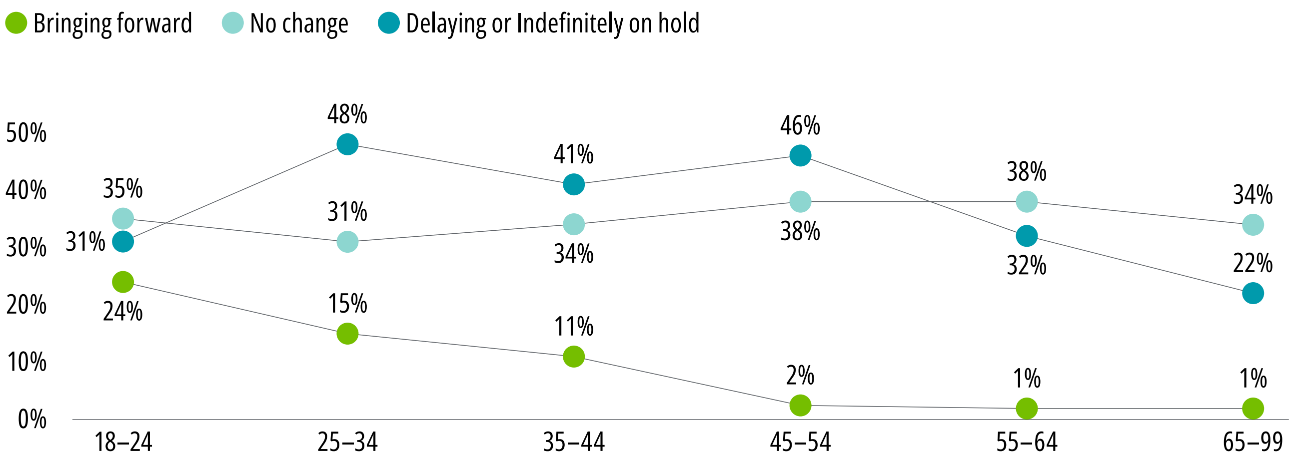
Further, unlike many older Australians, younger consumers have not had decades to benefit from property appreciation, accumulated savings or asset growth. Without those financial cushions, rising living costs are felt more immediately and intensely.

These economic headwinds continue to reduce discretionary spending and reshape broader life choices. But after several years of economic strain, more young Australians are choosing to move forward despite uncertainty rather than wait for the perfect moment. Among 18 to 24 year olds, 31% have delayed or put major milestones on hold because of financial pressure, down from 58% in 2025. By comparison, 7.9% of consumers overall have accelerated major decisions this year, broadly in line with 7.5% in 2025, pointing to a broader pattern of adaptation as households adjust to prolonged economic pressure.

Despite this long-term uncertainty, young Australians still have a strong appetite for immediate spending during the holiday season. Among 18–24-year-olds, 55% expect to spend more or substantially more than last year, even though 22% say high prices and cost-of-living pressures would most prevent them from purchasing this season, compared with the national average of 37%. This suggests that, while younger consumers remain exposed to cost-of-living pressure, their expectations for holiday spending remain relatively strong.

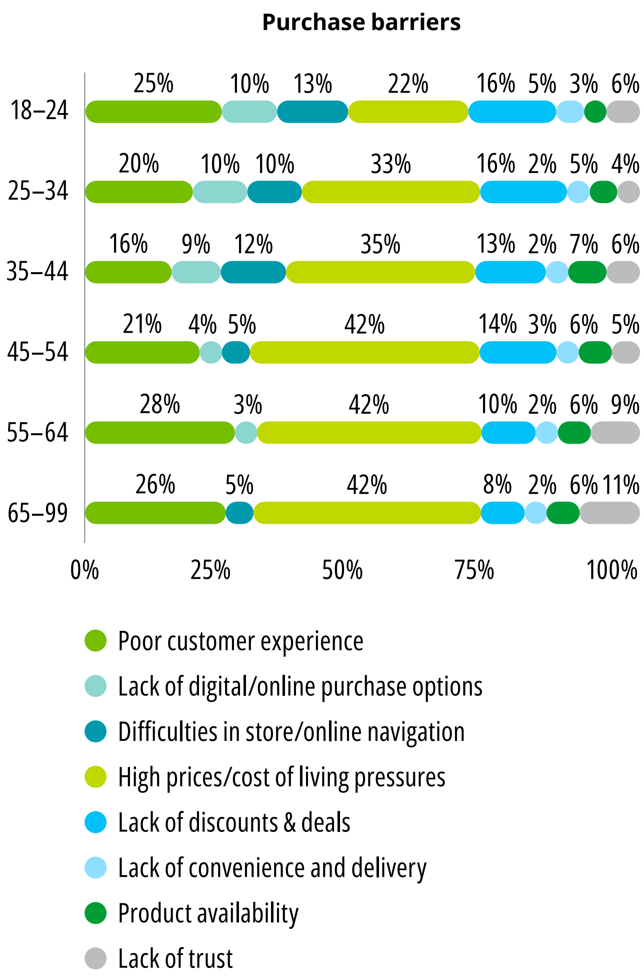
This should not be read as recklessness. It reflects a pragmatic recalibration of aspiration in the face of a widening generational wealth divide. Younger Australians are navigating higher housing costs, weaker real wage growth and fewer traditional wealth-building pathways than older cohorts, but they aren't willing to put their lives entirely on hold. Instead, many are choosing to spend selectively on experiences, statement purchases and moments of enjoyment that feel attainable now. For brands, the implication is clear: younger consumers may be financially constrained, but they are still highly responsive to offers that feel meaningful, distinctive and worth the money.

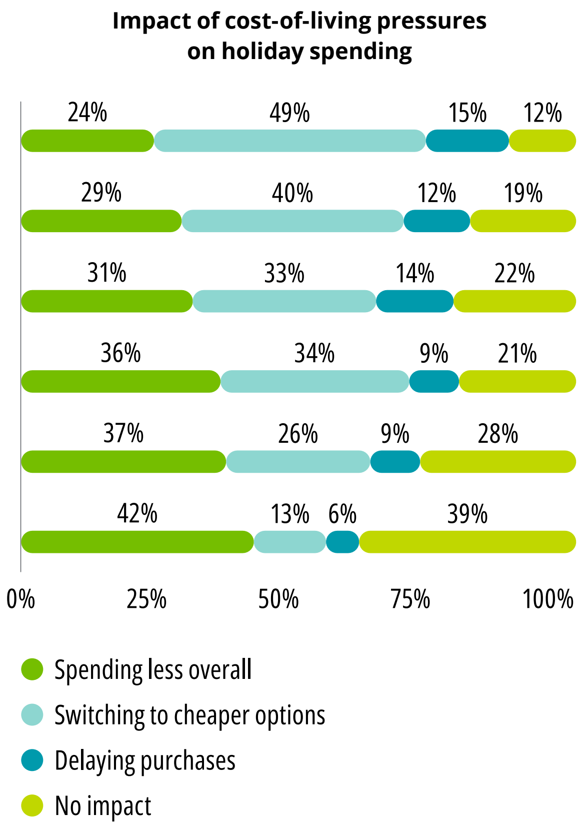
Consumer survey: How much are the cost-of-living pressures impacting major life decisions like marriage, children, buying a house etc?



Excludes "not considered relevant" responses

Consumer survey: Purchase barriers and cost-of-living responses by age





SPOTLIGHT

Bringing the human connection back to peak season: why live shopping is Australia's next retail opportunity

From **Louise Heath**, Partner and Consumer Products & Retail Sector Lead.

Peak season has become a race for retailers to capture attention in an increasingly crowded digital marketplace. While eCommerce has delivered unprecedented convenience, it has also removed one of retail's greatest competitive advantages: human connection. Live shopping is changing that.

Live shopping combines livestream video, social media and eCommerce, allowing consumers to watch product demonstrations, ask questions in real time and purchase instantly. It bridges the gap between physical and digital retail by recreating the human expertise, authenticity and interaction traditionally associated with shopping in-store.

Live shopping is distinctly human

At its core, live shopping is not about technology, it is about people. Consumers connect with engaging hosts who can entertain, offer advice and respond authentically in the moment. Unlike static product pages or polished advertising, live shopping is conversational, unscripted and transparent. This human element builds trust in a way that traditional eCommerce struggles to achieve. The result is a shopping experience that feels personal rather than transactional.

Conversations drive conversions

For consumers, live shopping delivers a richer online shopping experience by combining entertainment, education and convenience. It increases confidence in purchasing decisions through authentic conversations and real-time interaction, helping shoppers better understand product features, sizing, functionality and suitability before buying.

For retailers, the commercial benefits are equally compelling. Live shopping consistently delivers significantly higher engagement and conversion rates up to 10 times higher than conventional eCommerce. Beyond immediate sales, live shopping strengthens customer relationships. Every livestream creates opportunities to educate consumers, launch products, collect real-time feedback and build brand affinity in ways that static websites cannot.

Live shopping is already reshaping retail across global markets

China is the world's most mature live commerce market, where livestream shopping has evolved from an emerging channel into a mainstream retail experience. Valued at an estimated US$62.8 billion in 2025, China accounts for more than one-third of the global live commerce market, demonstrating the scale that can be achieved when livestream shopping becomes embedded in consumer behaviour.

By contrast, the United States is an emerging market experiencing strong growth in live commerce. Fuelled by offshore marketplaces, live commerce is rapidly gaining traction as consumers increasingly embrace creator-led shopping experiences. As adoption accelerates, the US is providing a blueprint for how Western markets can successfully integrate live shopping into the retail ecosystem.

Singles' Day on 11 November is a powerful demonstration of live shopping's potential. Originally established in China as a celebration for single people, Singles' Day has evolved into the world's largest online shopping event. Today, it is defined by marathon livestreams where brands, creators and influencers showcase products, answer questions live and drive millions of purchases through exclusive offers. The event has fundamentally changed how consumers discover and buy products, proving that entertainment and commerce can work together at extraordinary scale.

The foundations for live shopping are already in place in Australia

Australian consumers are among the world's most digitally connected, with online shopping now firmly embedded in everyday purchasing behaviour. Australia Post's *eCommerce Industry Report 2025* found that 9.8 million households shopped online, spending $82.6 billion (up 14% year on year). In addition social media has become one of the primary channels for product discovery and brand engagement, with 78% of the population using social media and the average Australian spending 5 hours and 20 minutes on social media per week. Consumers are increasingly comfortable researching, discovering and purchasing products through digital platforms, making Australia a highly attractive market for live commerce.

> Consumers are increasingly comfortable researching, discovering and purchasing products through digital platforms.

For Australian retailers, live shopping should no longer be viewed as an emerging experiment, it should be considered a strategic capability for the future of commerce. With peak season approaching, retailers have an opportunity to differentiate themselves in a market increasingly dominated by promotions and discounting. Rather than competing solely on price, live shopping enables retailers to create memorable, interactive experiences that educate consumers, showcase products and build trust while driving stronger commercial outcomes.

Retailers that invest in live shopping now, will be well positioned to create more engaging customer relationships, stronger commercial outcomes and a meaningful competitive advantage as the next era of retail unfolds.

Retail trends

Six trends shaping Australian retail

1 Marketplaces reset what value means

Read more

Offshore marketplaces have trained shoppers to expect low prices, endless range and instant comparison. Price alone is a race few can win, especially when competing against offshore marketplaces.

48% of shoppers always/often consider an offshore marketplace

2 Tackling retail crime

Read more

Retail crime is outpacing traditional prevention measures. Rising shrinkage, escalating violence and a backlash related to surveillance and privacy are creating a more complex risk landscape.

37% of retailers reported sustained or increased shrinkage over the 12 month period

3 Consumers signal an AI driven future

Read more

Shoppers are adopting AI more gradually than expected, and they continue to rely on familiar behaviours while experimenting with emerging tools.

AI More than half of surveyed retailers believe customers are already using AI on the path to purchase

4 Retailers invest behind the scenes

Read more

Although most public conversation on AI focuses on customer facing experiences – most retailers currently think AI will create the most value in back and middle office decisions.

49% of retailers expect agentic AI to help manage inventory and replenishment decisions

5 Trust remains key for both consumers and retailers

Read more

Although 58% of retailers believed customers would trust an AI agent to shop and transact on their behalf, only 29% of consumers said they would.

<1% Almost one in three retailers have invested <1% of revenue in AI, with more than half limiting investment to 1–2% of revenue

6 The rise of the Agentic Customer

Read more

Consumers currently mostly use AI across find, research and compare products and services. Areas with significant potential willingness (but low current use) were: personalised recommendations, discounts, negotiations and price matching.

35% Willingness to use AI was lowest for high-trust activities, including managing account or contact details (35%) and completing or automating purchases (36%)

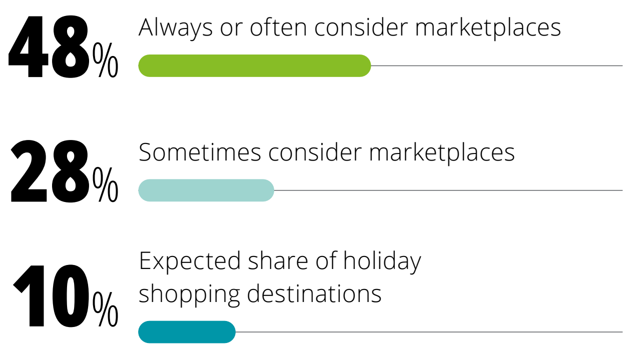
Marketplaces reset what value means

Marketplaces are winning attention because they have changed the rules of value. Price, range and convenience are now visible in seconds, and every product is judged against a wider, faster and more transparent set of alternatives. Offshore marketplaces have added more choice for Australian consumers, but more importantly, they are training consumers to expect instant comparison, endless assortment and transparent pricing as the baseline retail experience.

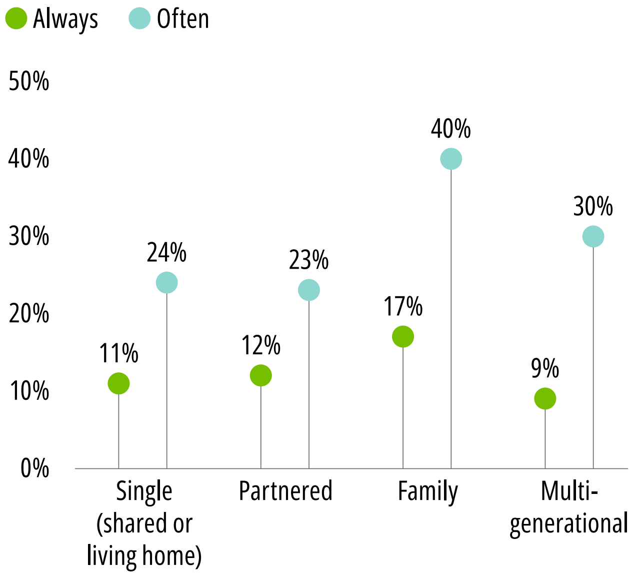
The evidence is clear. Nearly half of all consumers (48%) say they often or always consider these platforms when shopping online, and a further 28% consider them sometimes. Price is the strongest draw, with competitive prices cited by 31% of consumers, followed by wide product selection at 21%, easy search and discovery at 13%, and fast delivery at 9%. In line with that, 10% of consumers say they expect to shop through online offshore marketplaces over the holiday period.

Roy Morgan reports that together, offshore marketplaces generated nearly $12 billion in sales in 2025, up 20% on the year before. Jarden expects that this figure will rise to $18 billion this year.

How often shoppers consider online marketplaces

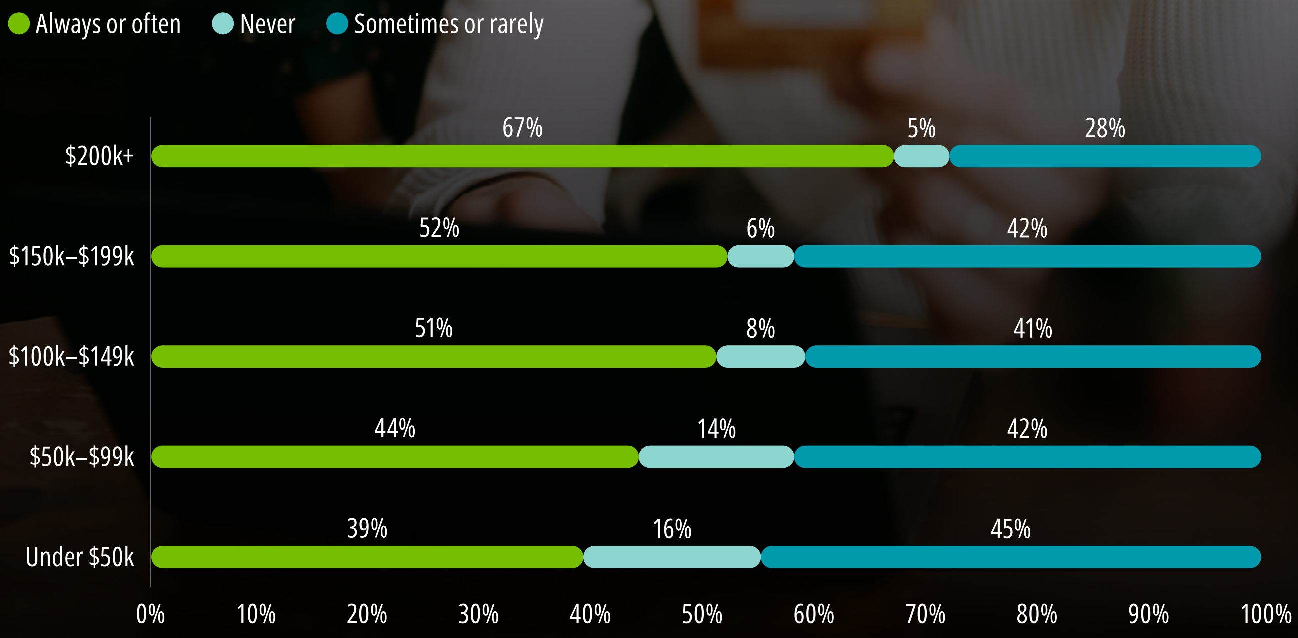


Families prefer the convenience of online shopping



Consumer survey: When shopping for products online, how often do you seriously consider offshore marketplaces as one of your options?

By household income



Consumer survey: Which of the following best describes your primary reason for considering or avoiding offshore marketplaces when shopping online?

For retailers, this is no longer a peripheral threat. Marketplaces are moving from competitive outliers to the centre of consumer consideration, shaping expectations at scale and raising the pressure on every local offer. Unsurprisingly, 79% of retailers say they are either somewhat or very concerned about the competition posed by offshore marketplaces.

This is where the opportunity lies for Australian retailers. Price alone is a race few can win, especially when competing against offshore marketplaces. But shoppers are becoming more value-conscious, not necessarily less willing to spend. Retailers that can make the premium feel justified through quality, trust and experience will be best placed to defend their share against marketplaces.

Promotions still matter, particularly when nearly two thirds of consumers say lower prices would make them switch, but discounting must be targeted and disciplined rather than reactive. Marketplaces should also be treated as a signal, not just a threat: they have normalised price transparency, deep range and easy discovery, and local retailers need to decide where to match, partner or differentiate. The strongest defence will come from a proposition marketplaces cannot easily copy: the right product, trusted quality, reliable service and a customer experience worth choosing.

Price alone is a race few can win, especially when competing against offshore marketplaces.

Tackling retail crime

Crime is becoming an increasing challenge for Australian retailers, with the Australian Retail Council estimating in 2025 that it costs the sector more than $9 billion annually as organised crime and targeted scams add pressure to businesses' cost base. In this year's survey, 37% of retailers reported sustained or increased shrinkage over the 12 month period, and many consistently highlighted its impact on profitability.

Rising shrinkage, escalating violence and shifting community attitudes are creating a more complex risk landscape for retailers.

The changing attitudes of some consumers is another concern. A 2025 report by the Australian Consumer & Retail Studies found that more than half of consumers aged 18–34 considered certain forms of theft to be justifiable to some extent, in stark contrast to respondents aged 55 and over.

Retailers in the food and grocery categories expressed the highest level of concern around aggressive and violent customer behaviour. In response, many businesses are continuing to implement conflict resolution or safety training, increase physical surveillance, introducing and stricter store protocols.

While technology is also playing a role, just 37% of retailers are adopting AI or smart theft measures, down from 46% in 2025. Against a backdrop of media and consumer backlash against such measures, it's vital retailers engage with these groups when making decisions relating to privacy and surveillance.

Still, retailers can't tackle crime alone. While under a third of respondents continue to adopt tailored store layouts, physical security and other deterrents, 36% say they are partnering with local law enforcement or retail crime networks to combat crime (up from 23% in 2025).

States and territories acknowledge the increasing rate of retail crime. In Victoria, a targeted police operation launched in 2025 increased patrols at designated shopping centres, with the initiative extended through 2026 after reportedly reducing retail theft stock loss by 73% and violent incidents by 50%.

New South Wales implemented a coordinated response that combines enhanced police powers with stronger collaboration between government, industry and worker representatives. Since October 2025, more than 525 individuals have been charged and over $230,000 of stolen goods recovered, highlighting the growing focus on enforcement and worker safety across the retail sector.

Retail crime is outpacing traditional prevention measures. Rising shrinkage, escalating violence and shifting community attitudes are creating a more complex risk landscape for retailers. While businesses continue to invest in frontline safety, surveillance, store protocols and technology, the response cannot sit with retailers alone. Stronger partnerships between industry, law enforcement and policymakers will be critical to protecting workers, customers and margins.

Consumers signal an AI-driven future

AI may be the brightest bauble on retail's Christmas tree this year, but the revolution won't happen overnight. Retailers have spent the past two years debating what AI might do next, and more than half of those surveyed believe customers are already using it for the path to purchase: identifying discounts, negotiating prices and getting personalised recommendations.

Major supermarkets are trialling facial recognition technology but not without considerable public apprehension.

But the consumer survey reveals a clear gap between retailer expectations and reality. Shoppers are adopting AI more gradually than expected, and they continue to rely on familiar behaviours while experimenting with emerging tools. The future potential of AI in retail is widely recognised, but we're yet to see widespread behavioural change.

For retailers, this represents both an opportunity and a warning. The opportunity for revenue growth lies in building trusted experiences and capabilities that will shape how consumers engage with AI throughout the buying journey. But customer behaviour may change much faster than expected once trusted and effective tools become available. Ultimately, retailers that fail to invest in supporting infrastructure will lag behind.

Retailer survey: How do you expect agentic AI to assist your organisation?

49%	Managing inventory and replenishment decisions
45%	Optimising pricing and promotions in real time
41%	Proactively recommending or purchasing products for customers
41%	Automating marketing campaigns and customer journeys
34%	Supporting internal decision-making (forecasting, planning)

Retailers invest behind the scenes

Although much of the public conversation around AI focuses on customer facing experiences, retailers currently think agentic AI will create the most value in inventory optimisation, replenishment, pricing decisions and marketing automation – ahead of many customer facing applications.

Rather than signalling a lack of interest in the customer experience, they recognise that success begins with strong operational foundations. Retailers make thousands of data-intensive decisions every day, many of which can be optimised with AI. As a result, many organisations are investing in the architecture behind the customer experience before scaling the experience itself.

This approach is logical in the short term. However, the risk is that retailers view front office and back office AI as competing priorities rather than complementary investments. The retailers that ultimately succeed will be those that connect operational intelligence with customer-facing experiences, creating an integrated agentic ecosystem that serves both the business and the consumer.

Trust remains key for both consumers and retailers

Despite broad openness to AI-powered shopping experiences, only 29% of consumers trust an AI agent to search, compare, negotiate, switch and transact on their behalf. Retailers appear considerably more optimistic, with 58% believing customers would trust an AI agent to perform these activities.

A similar trust gap exists within organisations. While retailers recognise AI's potential, the technology itself is rarely the primary concern. Many are apprehensive about privacy and regulatory compliance, return on investment, internal capability gaps and data quality challenges.

Investment reflects this caution: the Australian Bureau of Statistics reported retail trade as having one of the lowest adoption rates of AI at 9% in 2025, placing them in the bottom third of all industries. Our survey tells a similar story. Almost one in three retailers have invested less than 1% of revenue in AI, or nothing at all, while more than half limit investment to 1–2% of revenue. Many organisations therefore find themselves caught between recognising AI's transformative potential and having the confidence to invest at a truly transformational scale.

Retailer survey: What are the biggest barriers to adopting AI in your business?

Retailers are facing a portfolio of barriers rather than a single dominant challenge

48%

Privacy or regulatory concerns
Worries about data privacy, security, compliance and evolving regulations.

46%

Unclear return on investment
Difficulty quantifying benefits or proving business value.

45%

Lack of internal skills
Not enough in-house expertise or capability to build, deploy and manage AI.

41%

Data quality/ availability
Poor, incomplete or siloed data that limits AI effectiveness.

35%

Cost of implementation
High upfront or ongoing costs of AI solutions and infrastructure.

The rise of the Agentic Customer

Against this backdrop, it's reasonable to ask what all the fuss around Agentic Customers is about.

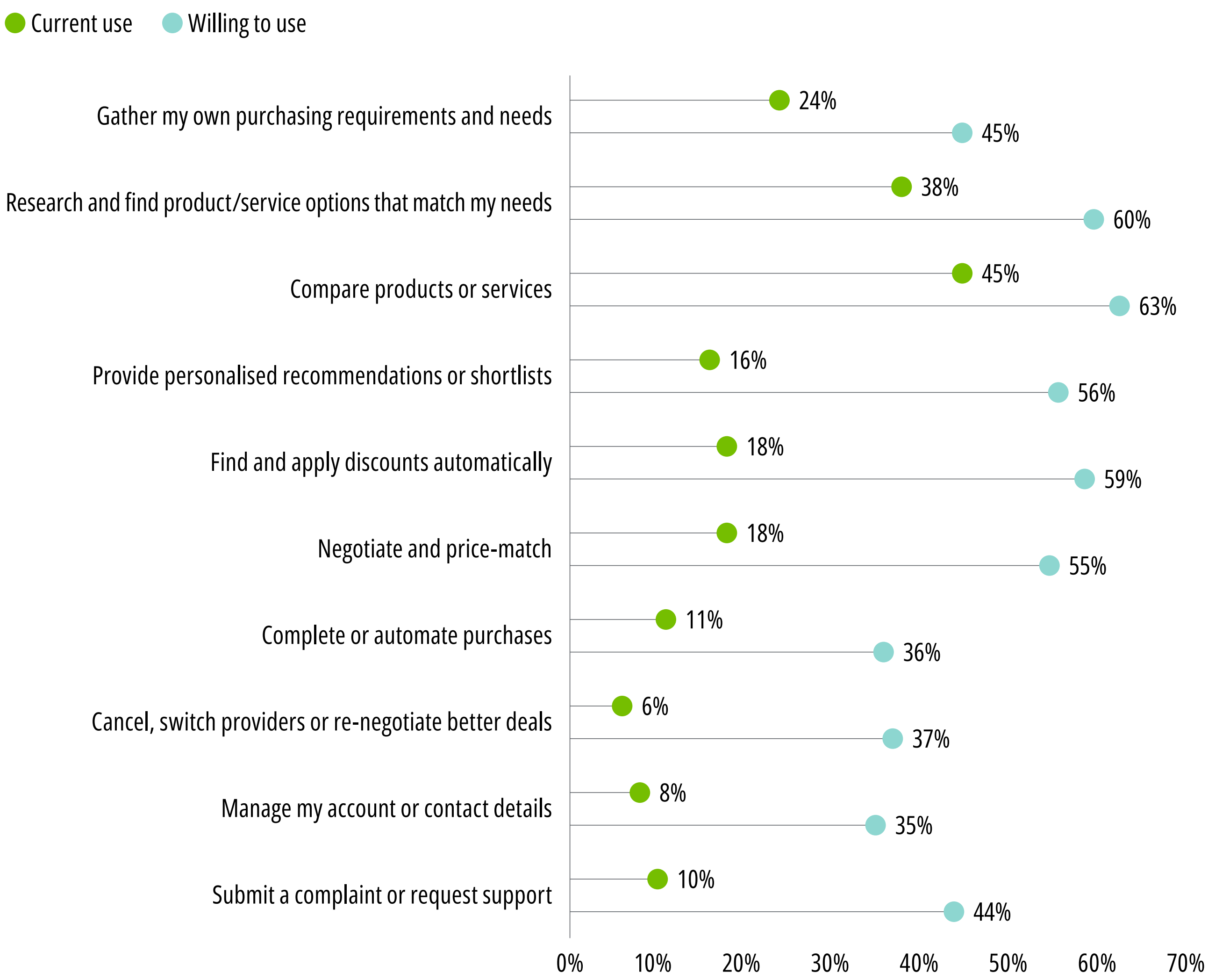
Before going further, it's useful to define what an Agentic Customer actually is. Deloitte Digital describes them as AI agents that act on behalf of human consumers, operating semi-autonomously to perform functions such as:

- Comparing offerings across the full market
- Churning continuously if value changes
- Negotiating and re-bundling on the customer's terms
- Escalating issues instantly (and they don't lose interest)
- Aggregating demand to increase buying power

The emergence of the Agentic Customer has the potential to fundamentally reshape how consumers discover, evaluate and purchase products.

Consumer survey: AI usage on shopping activities

Consumers are willing to use AI across the customer journey, with peak willingness at comparing products or services



While just under 20% of consumers have used AI to provide recommendations, negotiate and complete a transaction, more than half are willing to do so. The data shows a clear opportunity for retailers and tech platforms to utilise AI agents to help customers find the right product at the right price. But the flipside is also true: retailers who don't configure their websites, apps, systems and platforms to work with AI agents will miss out on this part of the market.

Retailers need to start getting ready for the Agentic Customer, adapting their existing propositions, experiences, channels, pricing and value capture to win, serve and retain a customer that might not be human.

Amazon's Alexa for Shopping (formerly Rufus) offers an early glimpse into this future. Using data from customer purchases and inputs to build a profile of a customer and their needs, the agent then takes instructions to automate search, comparison and contextual recommendations.

The company also launched Buy for Me, a tool that searches and compares products within Amazon's store, its marketplace and external sites. The AI agent can compare and purchase from participating brands based on the consumer's instructions, giving them more choice and a trusted and seamless transaction, while also expanding the vendor's reach.

By combining customer context, product discovery, comparison and purchasing into a single experience, AI agents can reduce transactional burden for consumers while expanding reach for participating brands.

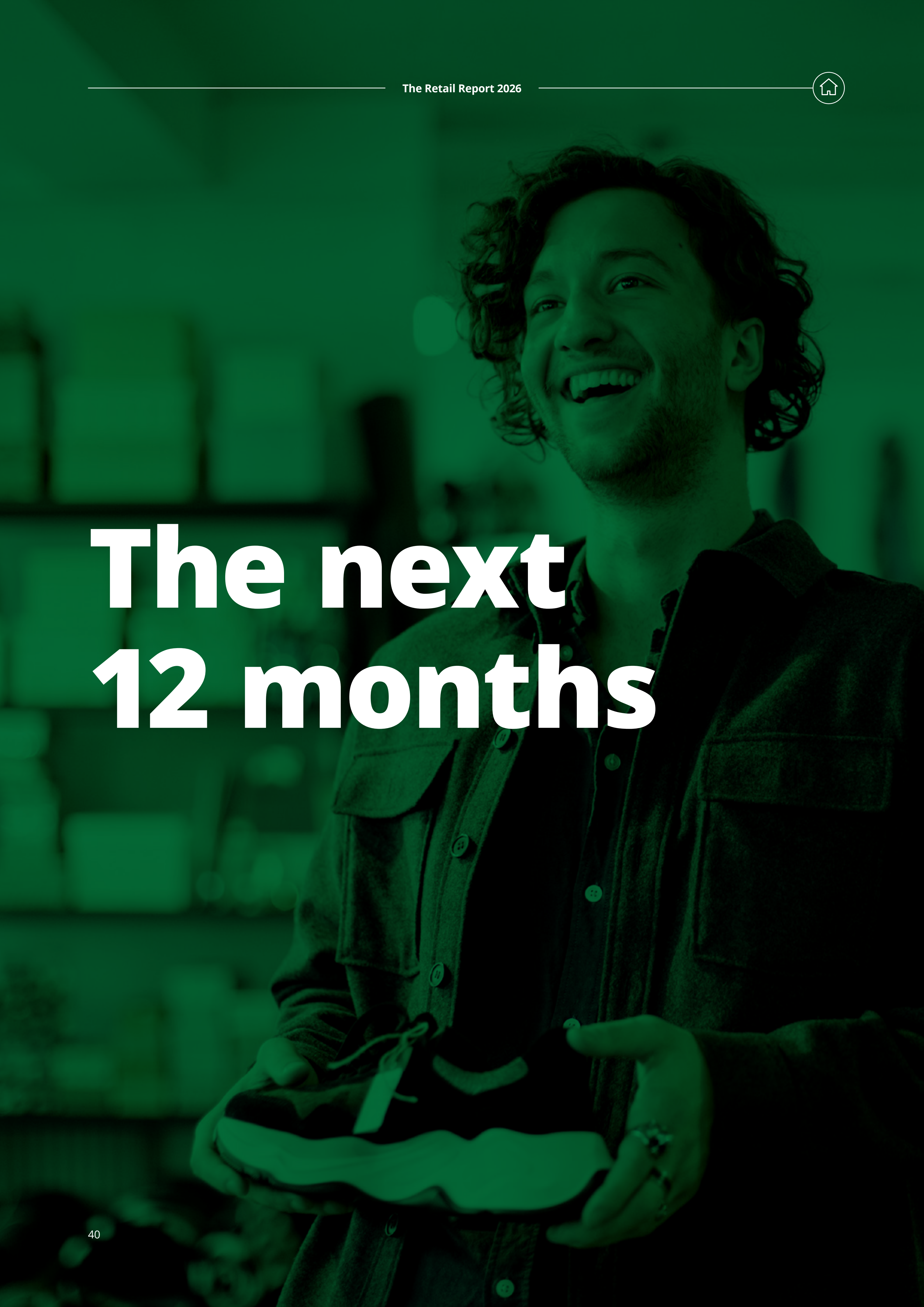
As these capabilities mature, retail competition is likely to become increasingly transparent and commoditised. When AI agents can instantly compare the entire market, traditional advantages built on customer search efforts or brand visibility become less powerful. Products, prices, service levels and customer outcomes become easier to compare and harder to differentiate.

In this environment, the greatest risk may be too slowly adopting AI internally and failing to prepare for a world where agents become the primary interface between consumers and brands.

Bringing it all together

Harnessing the AI opportunity is not simply back office versus front office equation. It is the connection between the two. Retailers are right to focus first on the operational foundations of AI including inventory, replenishment, pricing, promotions and forecasting because these are the decisions that determine whether a customer promise can be delivered. But the longer-term prize is customer-facing: retailers and technology platforms that can connect agentic AI to trusted product data, availability, pricing, fulfilment and service will be best placed to win the Agentic Customer race.

Retailers that build trusted, connected and agent-ready experiences will be positioned to participate in this new ecosystem and those that fail to optimise their websites, marketplaces, product data and customer experiences risk becoming invisible to the next generation of shoppers.



The next 12 months

A frosty forecast

Retailers are entering the 2026 holiday season with some trepidation, with lowered expectations for sales and a decline in consumer sentiment. On almost every front, apprehension reigns supreme.

All things considered, in the current environment, we would expect most retailers to anticipate sales growth over the next 12 months purely through inflationary increases. However, just 77% of retailers expect growth (down from record high of 83%), 12% expect no change (up from 9%) and 13% expect a decline (up from 9%).

Sentiment has dipped, erasing the gains from last year, with exhaustion from ever-changing macroeconomic challenges set to turn the heat up on businesses. Retailers will need to navigate a path through tension on multiple fronts, staying competitive in spite of rising costs and disruption in the market.

Cost and margin pressures remain a major concern, cited by 26% of retailers as their greatest risk (up from 24%), suggesting entrenched inflationary impacts.

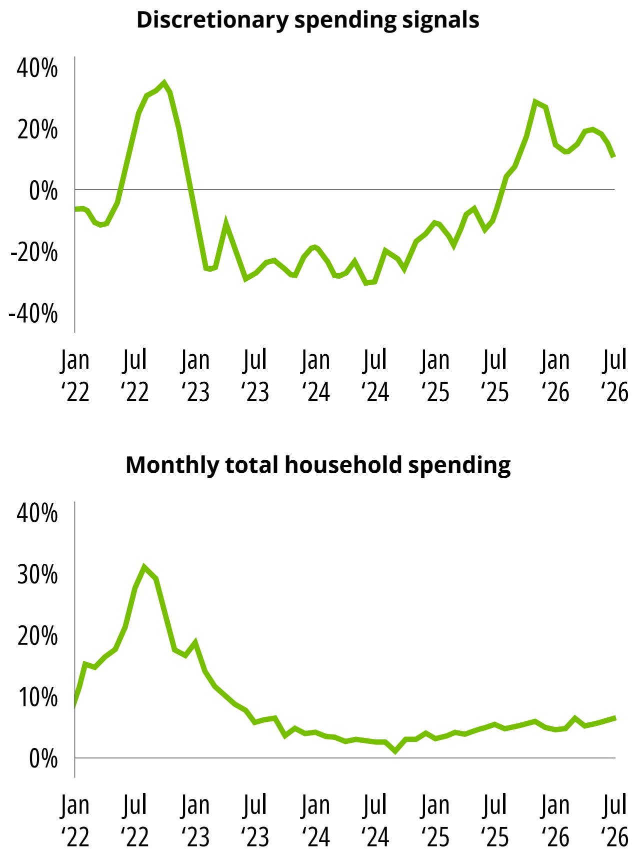
Competition is still a source of apprehension, with 28% of retailers citing this as a top risk (down from 35%), alongside macroeconomic factors (17%, down from 21%) and structural changes in the market (12%, down from 15%). Agentic commerce and changing consumer expectations are new sources of uncertainty at 6% each, reinforcing the need for businesses to evolve with their customers and sharpen their value propositions.

Retailer survey: Which do you consider to be the greatest risk to your business?

28%	Existing competitors
26%	Cost and margin pressures
17%	Macroeconomic factors, such as inflation and interest rates
12%	Structural changes in the market
6%	Agentic commerce
6%	Changing consumer expectations
4%	Environment and social
1%	Regulatory environment

Since our survey, with housing weakness, consumers are getting more worried and spending indicators are turning increasingly negative.

Discretionary spending signals and monthly total household spending



Source: ABS data, Deloitte Consumer Signals

Consumer sentiment remains dour

Nearly half of consumers remain neutral about their financial outlook over the next 12 months (49% across 2025 and 2026), suggesting the caution from previous years has held fast, with less optimism observed (27%, down from 32%) and more pessimism at play (23%, up from 20%).

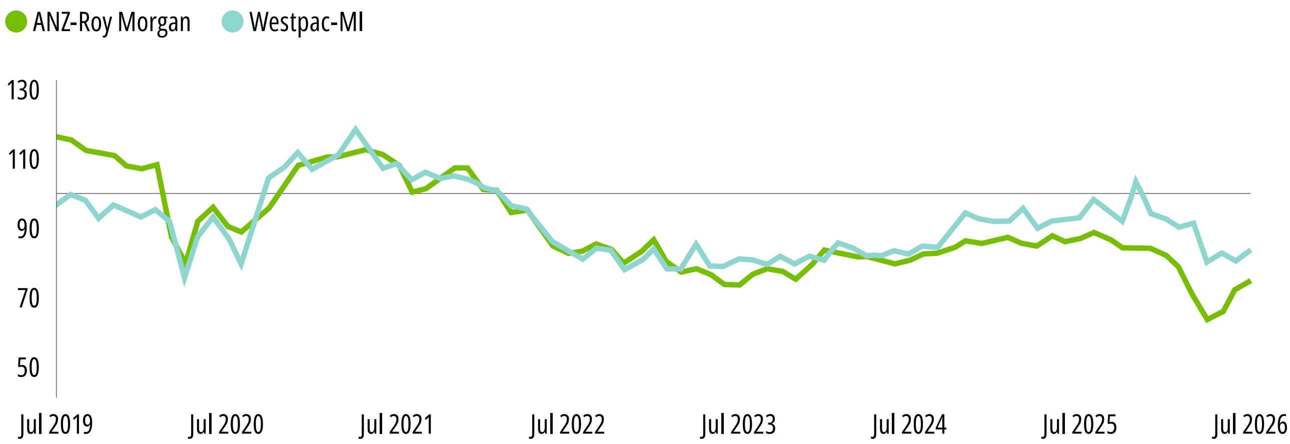
Spending intent mirrors the wariness observed in sentiment, with 42% of consumers expecting no change to their spending patterns (down from 44%). While a similar percentage of consumers plan to spend more than last year (26%, up from 24%), only 8% expect to spend substantially more (down from 9%) and 24% expect to spend less overall.

Following a similar trend to sales forecasts, retailers are approaching 2026 warily. Only half (52%) expect consumer confidence to improve over the next 12 months and nearly one in five (19%) expect further deterioration in consumer confidence, which is double last year's survey.

The holiday season is shaping up to be a hunt for bargains, with much of the festive shine dulled by ongoing cost-of-living pressure and a growing sense that living standards and disposable incomes may worsen before they improve.

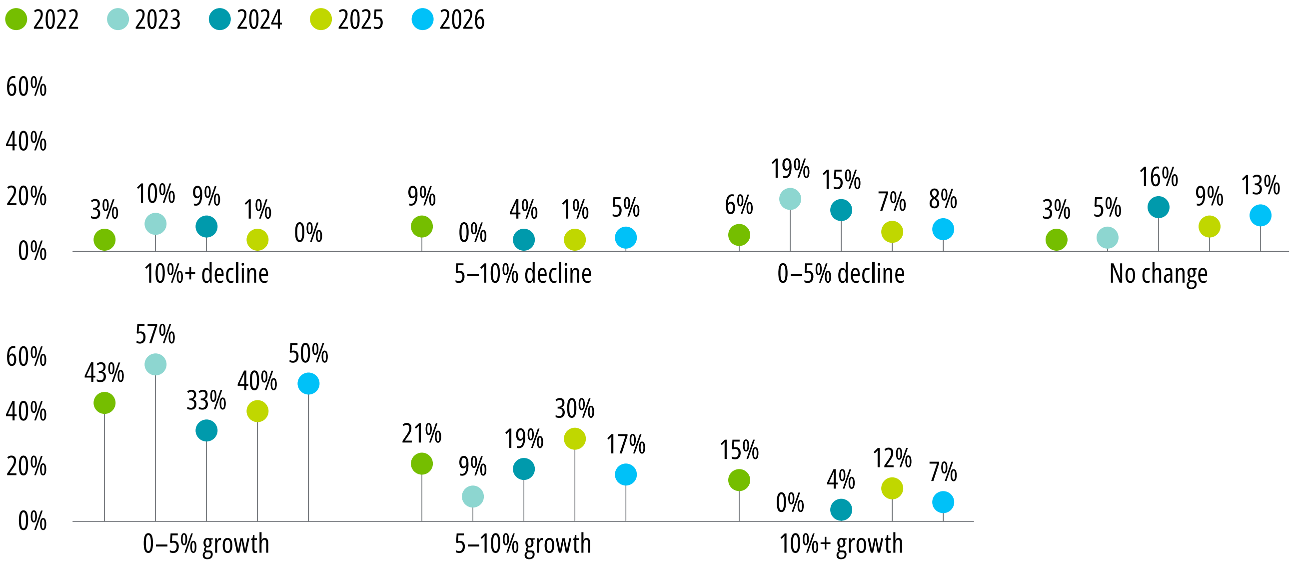
No relief is expected from consumers, who expect to trade down and prioritise value as household budgets stay under strain. The retailers prepared to invest now in price, proposition and customer loyalty will be better placed to reap the rewards when confidence eventually returns. Some tough times may lie ahead, but strong retailers have always found ways to thrive in any economy.

Consumer sentiment indexes (100 = neutral)

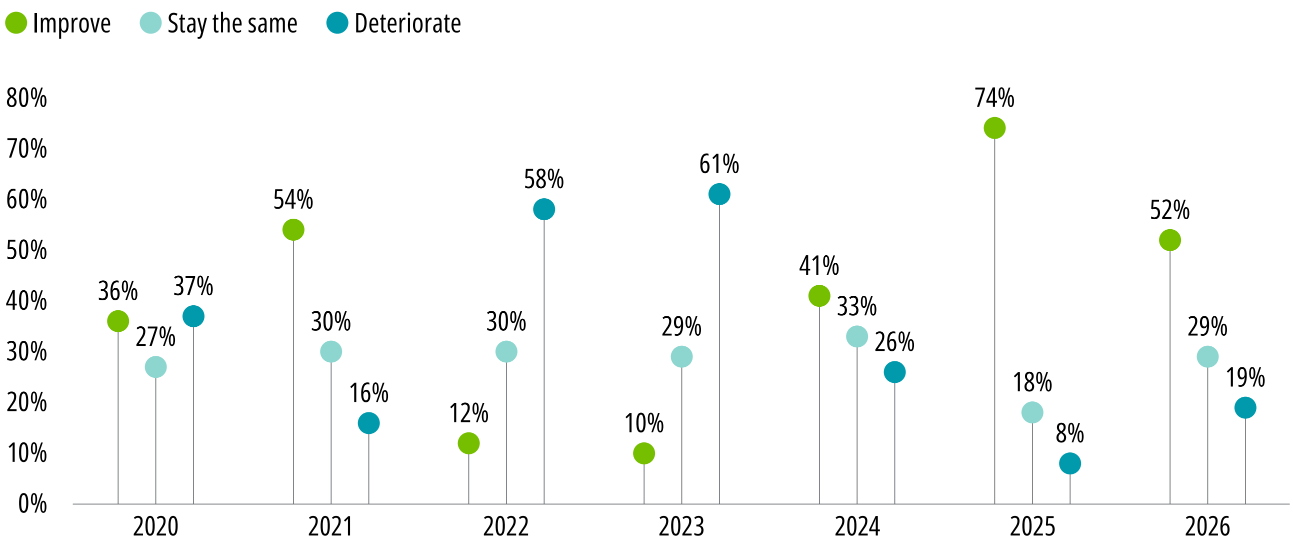


Source: ANZ-Roy Morgan Australian Consumer Confidence Index, Westpac-MI Consumer Sentiment Bulletin

Retailer survey: What do you expect to be the overall sales growth in your business in the next 12 months?



Retailer survey: Compared to today, what is your expectation of consumer confidence in the next 12 months?



Consumer survey: Confidence in financial position over the next 12 months

27% National average

50% Northern Territory

38% Australian Capital Territory

36% New South Wales

31% Western Australia

30% Tasmania

29% Queensland

25% Victoria

24% South Australia

SPOTLIGHT

Market insights

From **Andy Crossley**, Associate Director at Deloitte Access Economics.

The frost bites

As planning for the festive season begins, Australian retailers will be feeling a chill in the air as the weakening economic environment threatens to cool sales growth this holiday season.

Persistent inflation, higher interest rates and global uncertainty have combined to dent household and business confidence. While consumers are still spending, they are doing so more deliberately. At the same time, retailers are being forced to manage rising costs and tighter margins.

Global gloom adds to domestic headwinds

The weak economic outlook reflects pressures from both domestic and international sources.

Domestically, years of underinvestment have left the supply side of the economy struggling to keep pace with demand. The result is an economy that is prone to inflation even at low rates of growth. This was already pushing the Reserve Bank of Australia (RBA) towards raising interest rates at the start of the year to temper domestic demand.

Internationally, the conflict in the Middle East has added fuel to the fire, with renewed pressure on global energy markets and supply chains amplifying the inflationary pressures in the economy.

The result is a retail sector caught in a pincer movement of rising costs and waning demand. The Middle East conflict is pushing up the retail cost base as the prices of key inputs increase. At the same time, the rising cost of living is once again squeezing consumers. Consumer sentiment is deeply pessimistic, tempering the outlook for household spending.

All these trends are coming through in the findings of this year's Retail Report. Consumers are feeling less confident, costs and margin pressures are the top concern for businesses, and fewer retailers are expecting to see sales growth this holiday season.

A cool outlook

Unfortunately for retailers the economic cold snap looks set to linger. In its most recent forecasts, the RBA indicated that it expects underlying inflation to remain above its target of 2-3% until mid-2027.

The implication for households is stark. Once again, the cost of living is outpacing growth in wages, with real wage growth not expected to return until 2027. In turn, growth in household disposable income is expected to slow to a crawl, with many households likely to be forced to reduce, or even dip into their savings.

These factors mean that Deloitte Access Economics forecasts household consumption growth of just 1.3% in 2026-27, down from 2.3% in 2025–26. When stripping out population growth, per capita consumption is forecast to be flat.

Despite the slowdown, spending is still expected to grow faster than during the cost-of-living crisis of 2022–24. This reflects the resilience and flexibility of Australian consumers, who have become adept at managing their budgets effectively in recent years.

Certain households are also likely to be more resilient to the spending slowdown. This includes older Australians, who typically have higher disposable incomes and are more likely to benefit from higher interest rates than younger cohorts, as well as homeowners who are less exposed to rising mortgage and rental costs.

Delivering value sustainably

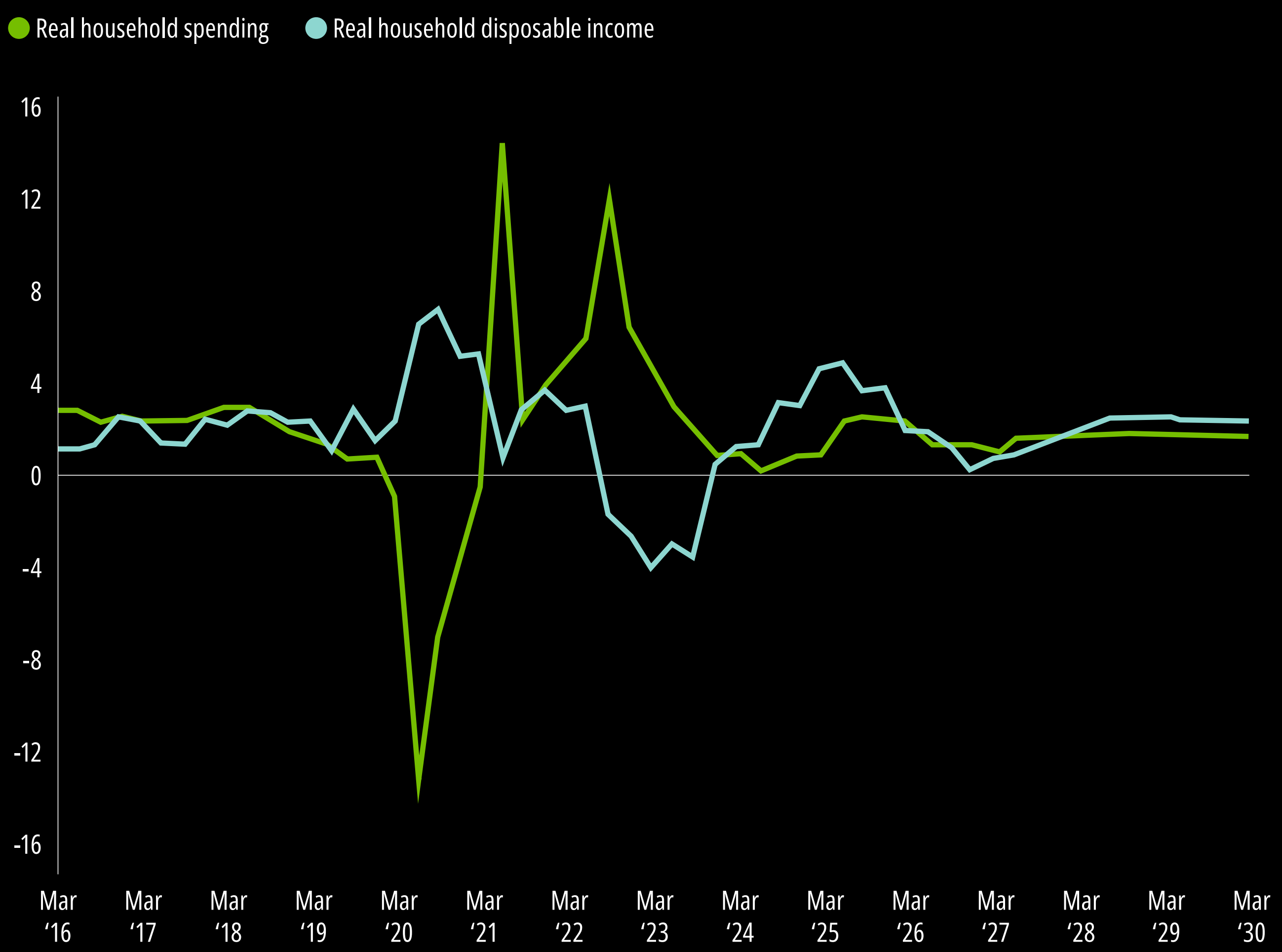
As a result of these trends, the value conscious consumer is once again defining the retail landscape. NAB's latest Consumer Sentiment Survey highlights that 57% of consumers changed a service provider in the year to March 2026 in response to rising prices, with supermarkets the most frequently switched category.

Still, this report shows that being value conscious is not the same as being cheap. Product quality still ranks first in what matters most in consumer purchasing decisions, and shoppers remain willing to spend when they see a good deal.

In this context, retailers need to provide a competitive offering – particularly in discretionary categories where consumers have greater flexibility and choice.

Recent data shows how discounting can be used by retailers to support sales volumes in the short term. Data from the Australian Bureau of Statistics shows that clothing and footwear spending rose by 2.7% in May following a 2.2% contraction in April. This uptick in sales was driven by discounting across mid-season clearance, stocktake and early end-of-financial year sales events. But with cost pressures likely to persist, providing sustainable value will depend on disciplined margin management, efficient operations and clear customer propositions. Retailers that can offer the right product, at the right price, with quality and convenience intact, will be best placed to defend margins, entice shoppers and gain market share.

Annual change in real household spending and disposable income



Source: ABS National Accounts; Deloitte Access Economics

About our team

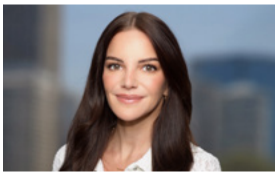
Deloitte's retail specialists work with global retailers, wholesalers and distributors across every segment of their industry. We help them meet their biggest challenges, from supply chain, customer loyalty and franchising trends to changes in consumer taste.

Operationally, we can help you better manage your supply chain, improve processes and implement new technology – delivering practical solutions that rapidly build your efficiency and productivity.

Whether it's unearthing new solutions, improving what's already there or delivering on what matters to you most – we exist to help you find new growth. So, if you're looking to grow revenues, improve your retail operating margins and increase the agility of your business, then please reach out. It's the blending of our analytical, business and technical acumen with creativity that enables us to deliver better outcomes for our clients and their customers.

If you would like further information about any of the topics in this report, or our advisory capability in the retail industry, please contact us.

Authors



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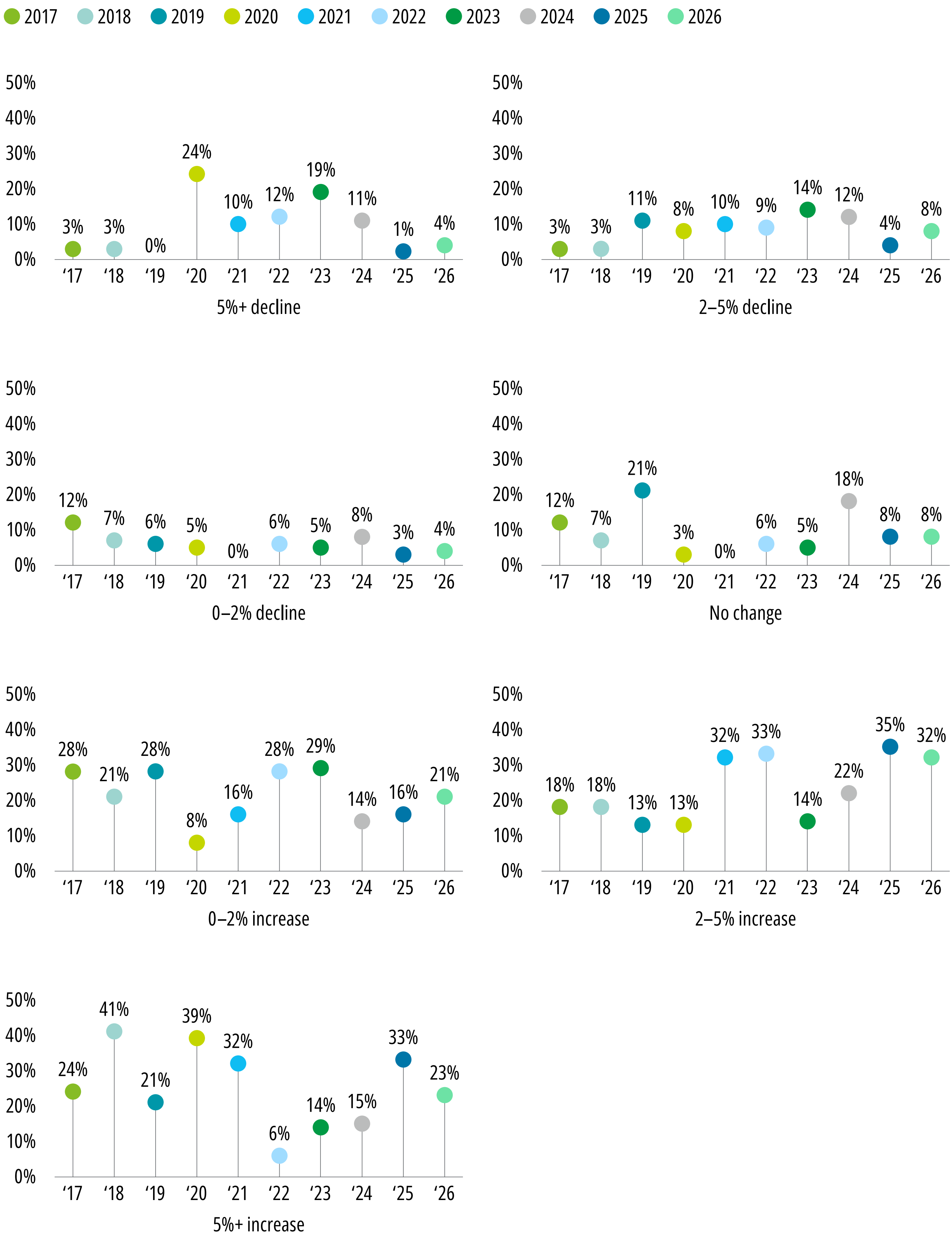
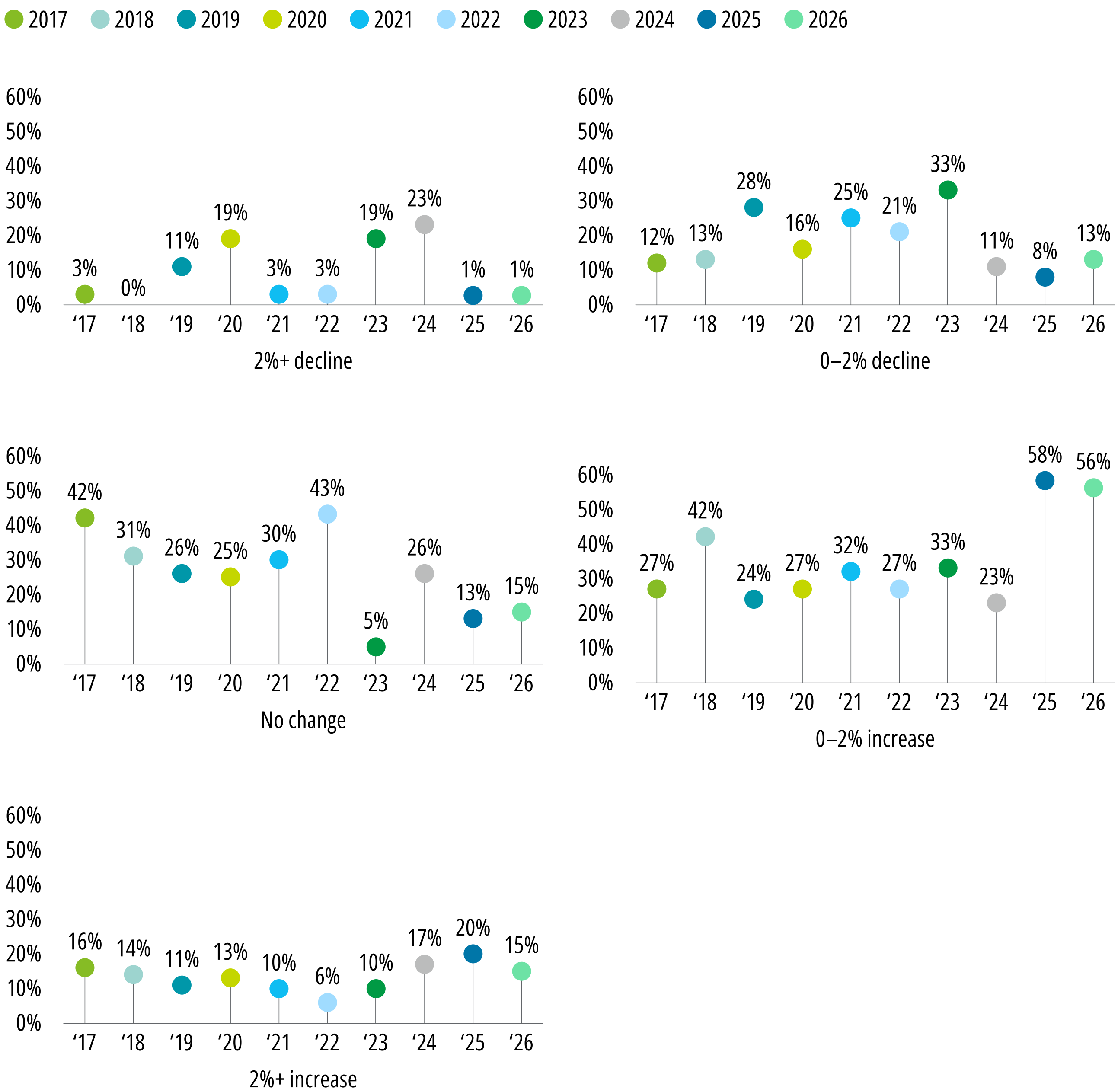
Appendix

Retailer survey: Overall, do you expect sales for the current holiday period to exceed the last holiday period (on a same-store basis where applicable)?

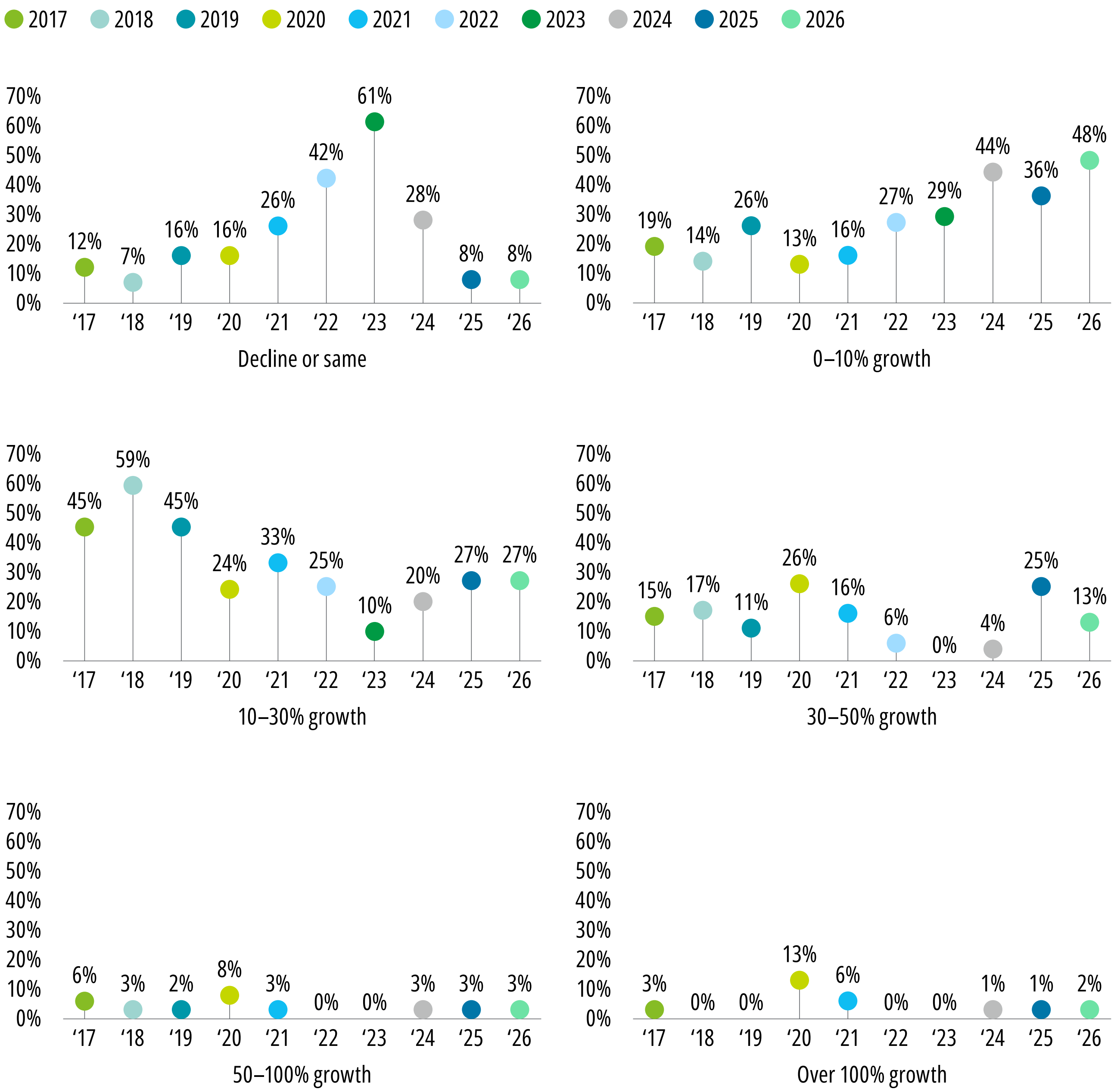


Retailer survey: Overall, do you expect margins for the current holiday period to exceed the last holiday period (on a same-store basis where applicable)?

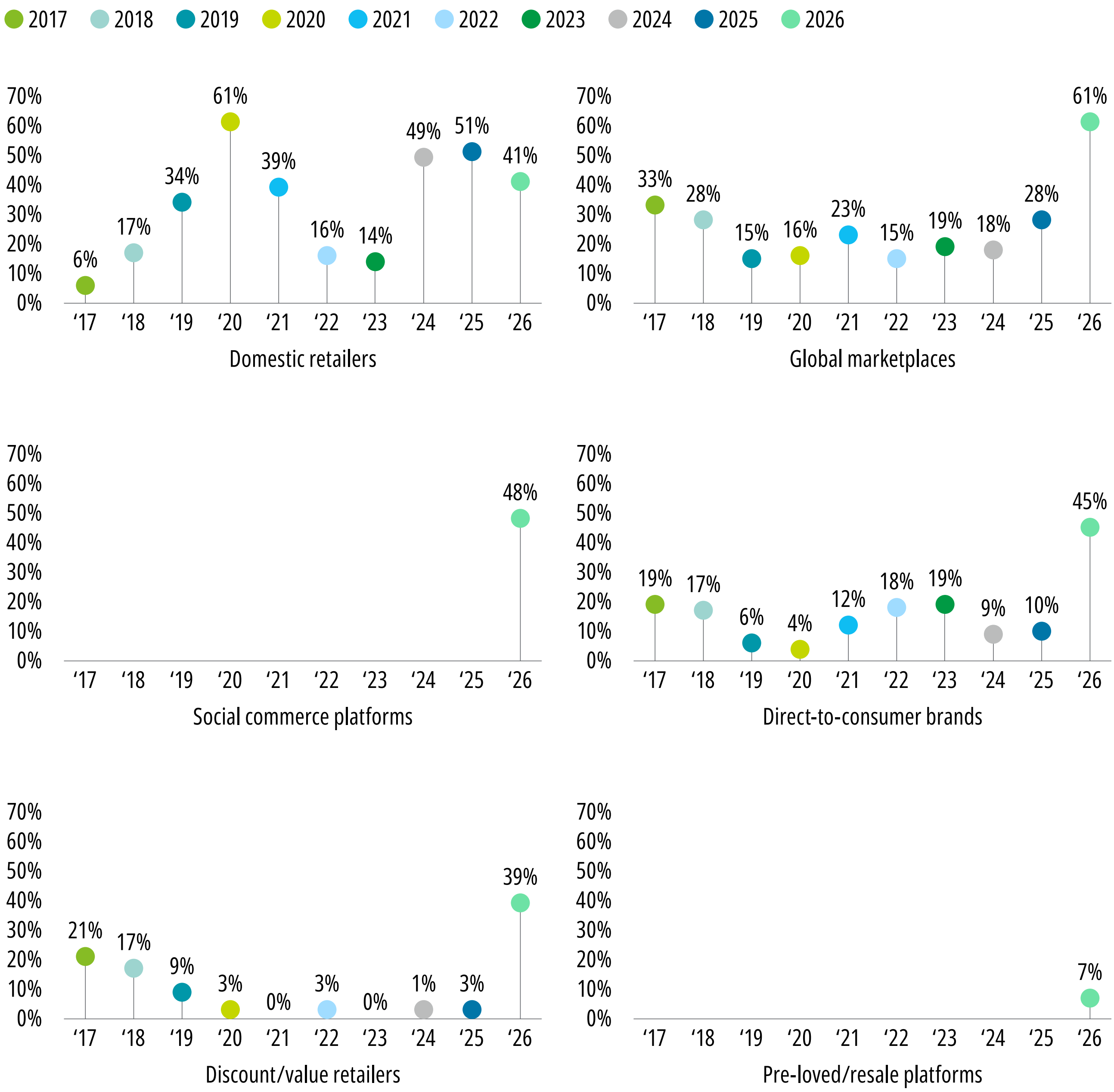


Retailer survey: What percentage, if any, do you expect your online sales to be over the holiday period?

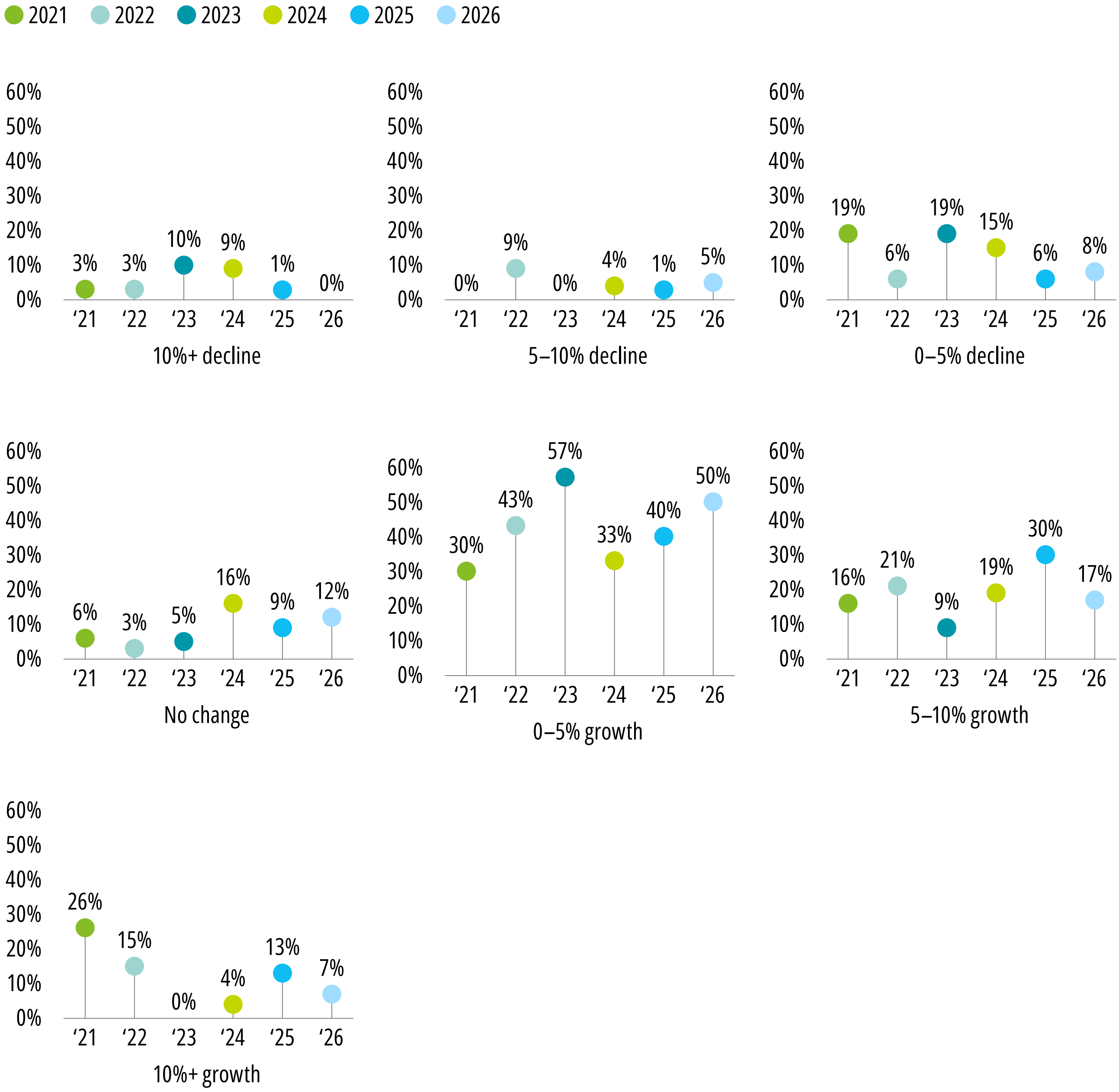
Retailer survey: By what percentage do you expect online sales for the current holiday period to exceed the last holiday period?



Retailer survey: From which source do you expect to see the most increased competition in the next 12 months?



Retailer survey: What do you expect to be the overall sales growth in your business in the next 12 months?



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