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Retail Forecasts

All I want for Christmas is good inflation data

November 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

All I want for Christmas is good inflation data

Recent economic data has provided an early, and in the eyes of many, unwanted Christmas surprise. An inflation spike in the September quarter was a double blow for households – purchasing power has declined and hopes of another rate cut anytime soon were dashed. Indeed, it's left many putting 'good inflation data' at the top of their Christmas list. Adding to consumer woes, the labour market has hit a flat patch, which may see job security become a concern for households. This is expected to see more muted end of year spending than what had been anticipated a few months ago. However, keep in mind that households' capacity to spend has still increased through the year. This is expected to see real consumer spending growth rise from 1.0% in 2024-25 to 2.1% in 2025-26.

The past three months have been a bit of a roller-coaster for Australian consumers and retailers alike. Just a few months ago the latest economic data showed inflation within the RBA's target band, a solid labour market, and financial markets had priced in at least one interest rate cut before the end of the year.

Cut to the latest data releases – annual headline inflation jumped back up to 3.2%, the labour market is weaker and financial markets have delayed the expectation of a rate cut to the middle of next year.

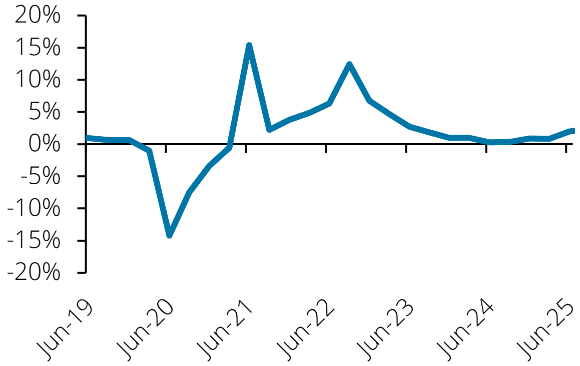
Reflecting these developments, both the Westpac-MI and the ANZ-Roy Morgan surveys have shown that most households feel as though they are financially worse off than this time last year.

The good news is that households' capacity to spend has actually been improving over the year. Mortgage holders have enjoyed three rate cuts this year. While not all of this has flowed through to spending, it has increased the balances of offset accounts (+13.7% over the year to June) which enables consumers to spend more if they choose to do so.

Additionally, households have benefited from real wage growth of 1.0% in 2024-25 - the strongest real wage growth since 2011-12 (outside of the pandemic).

The part of this income lift that has flowed through to spending has resulted in real consumer spending growing by 2.0% over the 12 months to June 2025, which is now a healthy rate of growth.

Chart 1: Real consumer spending, year-to change



Source: ABS National Accounts.

The resilience of household budgets means that despite the more dour economic news from the past few months, households remain in a relatively healthy position to spend if they want to. The key factor which will drive consumers to spend, or not, is the perception of value - consumers want to feel like they are getting bang for their buck.

This will be particularly important for spending in discretionary categories, such as Clothing and footwear and Furnishings. Growth in real discretionary spending has lagged behind non-discretionary in recent years, being crowded out by faster price growth for non-discretionary categories. This has seen the non-discretionary share of overall consumer spending increase by 1.1 percentage points over the three years to June 2025.

While it's easier to delay discretionary purchases, sometimes the delay has a time limit, particularly when underlying capacity to spend is improving. As a result, a stronger lift in spending on discretionary categories may be just around the corner.

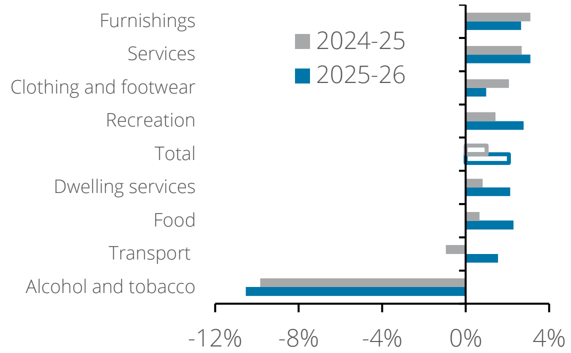
The December quarter tends to be the strongest time of year for discretionary spending as people splash the cash on gifts and experiences. **For many consumers, the Christmas season will be the time to catch up on their delayed discretionary spending.**

While this would be a welcome end to the year for retailers, **competition is expected to be strong in the sector – within and between Department stores and large online retailers, and Apparel and Home goods retailers.**

Consumers will be on the lookout for value and will be willing to spend if they believe they are getting a good deal. [Deloitte's Retail Holiday Report]() highlights that 34% of shoppers are likely to switch brands for a better deal, rising to 42% for those under 35. Retailers need to ensure that they are providing a compelling value proposition in what will be a crowded market in the run up to Christmas.

The December quarter is expected to see a modest uptick in growth for total consumer spending (+0.4% over the quarter). Consumers will still need to find their footing slightly in the run up to the new year and will not be spending as freely as some would hope.

Chart 2: Real consumer spending by category, year-on-year growth



Source: ABS National Accounts, Deloitte Access Economics.

Over the course of the year, real consumer spending is expected to grow by 2.1% over the 2025-26 financial year, a significant improvement on the 1.0% seen over the 2024-25 financial year.

Spending over 2025-26 is expected to be driven by Services (+3.1%) and Recreation (+2.8%) as consumers continue to place a high value on experiences.

Additionally, Food spending is expected to continue its recovery. While real spending growth over 2024-25 was only 0.7%, quarterly data indicates the sector has reached a turning point. As a result, real food spending growth is expected to rise to 2.3% over 2025-26.

Household spending can be viewed through two lenses – *what* is being purchased (measured by product – such as expenditure on food) and *where* this spending occurs (measured by industry – such as turnover for supermarkets). The mapping from *what* to *where* is often a many-to-many relationship. That is, retailers often trade in several different expenditure categories.

For example, the ABS estimates that of every $100 spent in supermarkets (which form part of Food retailing), between $70-$80 is spent on food, with the remainder spent on cosmetics (included under Services), pet food (included under Recreation and culture) and Alcoholic beverages and tobacco.

This publication now includes forecasts for both *what* (see the *Consumer trends* chapter) and *where* (see the *Retail trends* chapter) consumers spend.

Chart 3: Real retail turnover by category, year-on-year growth

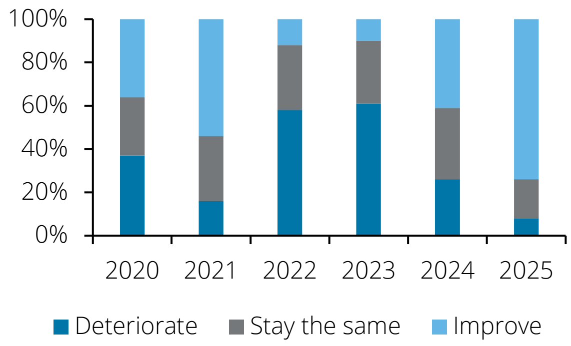
Source: ABS Monthly Household Spending Indicator, Deloitte Access Economics.

For retailers, the 'winners' for 2025-26 are expected to be those trading in more discretionary goods. Growth over the financial year is expected to be led by Other retailing (+4.2%), Department stores and large online retailers (+2.8%) and Household goods retailers (+2.8%).

Part of this reflects the strong spending expected at these retailers over the festive season. Notably, all three of these retail segments benefit from the online frenzy occurring around Black Friday sales – with Household goods expected to strongly benefit from Cyber Monday.

The importance of Black Friday sales has been increasing over the past decade, especially in terms of online spending. The [CPM-Retail Safari Christmas Shopping Intentions Survey]() highlighted that physical store-only shopping has declined from 43% in 2016 to just 6% in 2025, with 89% of consumers shopping online and in-store and 6% shopping only online. With increasing popularity, it's likely even Santa does some of his shopping online.

Chart 4: Compared to today, what is your expectation of consumer confidence in the next 12 months?

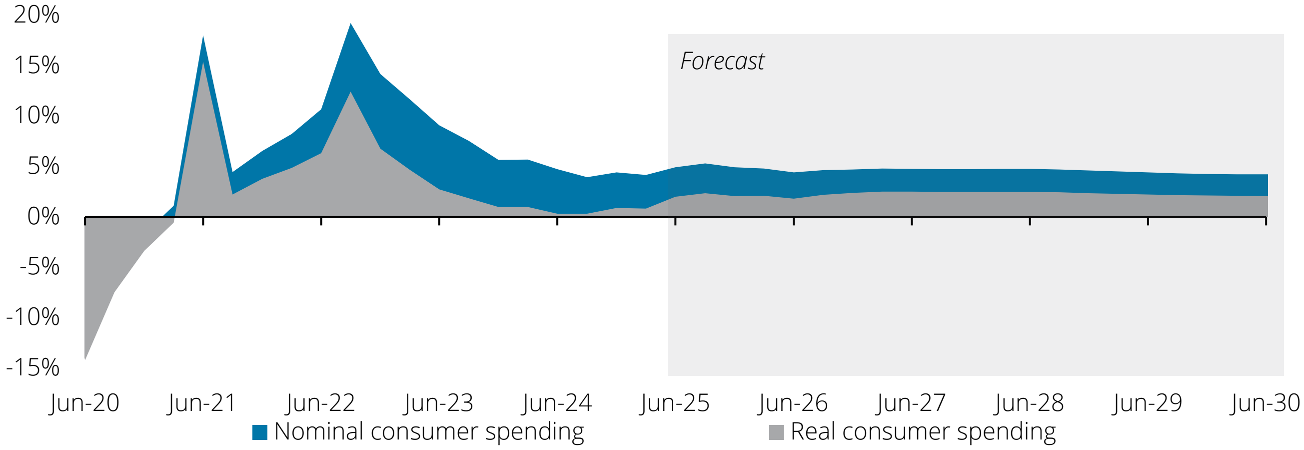


Source: Deloitte Retail Holiday Report.
Note: This survey was conducted throughout June and July 2025.

End of year spending may kick-start a stronger finish to the 2025-26 financial year. According to Deloitte's Holiday Retail Survey, retailers are approaching 2026 with more confidence and clearer expectations. **Around three in four retailers (74%) expect consumer confidence to improve over the next 12 months**, up from 41% in 2024 and 10% in 2023. Just 8% expect it to deteriorate, a sharp drop from 26% last year.

Looking ahead, improving economic conditions should help to buoy consumer sentiment and allow for greater retail spending into 2026.

Chart 5: Real and nominal consumer spending, year-to change



Source: Deloitte Access Economics, ABS National Accounts.

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.

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