KPMG

Retail Health Index December 2025

KPMG Australia

Contents

Executive summary	03
Retail Health Index	05
Spending indicators	06
Cost indicators	10
Performance indicators	13
E-commerce indicators	16
Technical appendix	17
Key contacts	18

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Executive summary

Welcome to the latest edition of KPMG Australia's Retail Health Index© (RHI). The RHI provides data-driven insights on the current and future health of Australia's retail sector from the perspective of businesses operating in the sector.

Retail conditions have shown slight improvement heading into spring, with the KPMG Retail Health Index recording its first non-negative reading in nearly four years. While the index is only fractionally above zero, it signals a break away from an extended period of below-trend retail activity.

Globally, international economic activity has proven more resilient than expected despite the uncertainty surrounding US trade policy. Encouragingly, the previously gloomy trade outlook appears to be improving following the first meeting between US President Trump and Chinese President Xi in six years.

Domestically, softer cost-of-living pressures have allowed real wages to catch up, providing households with the much-needed strength to support retail conditions. Additionally, the three interest rate cuts in 2025 have played an important role in re-stimulating consumer confidence and demand for discretionary goods.

Looking ahead, we expect the recovery to continue through the December quarter and beyond, with the RHI trending upwards, particularly as the peak sales season approaches.

Key economic takeaways

- Consumer confidence, as measured by the Westpac–Melbourne Institute, has entered the favourable zone for the first time in nearly four years, supported by accommodative interest rate conditions and a catch-up in real wages.
- Household spending volumes in the September quarter 2025 rose 2.7% compared to the September 2024 quarter, which is the strongest annual growth since the March 2024 quarter.
- While the final demand PPI rose 3.5% over the year, supply chain pressures are easing toward long-run averages, indicating slower pass-through to retail prices. Retail wage growth moderated to 2.8% year-on-year, the lowest since September 2022, providing some relief to the sector's tightening profit margins.
- Retail insolvencies fell from 240 to 212 in the September quarter. As a share of total industry insolvencies, retail accounted for 6%, unchanged from the previous quarter, supporting our view of stabilising domestic conditions.
- Profitability remains under pressure, with pre-tax profits in the sector in the June quarter 2025 declining 3.6% from the prior quarter. This reduced retail's share of total industry profits to 4.4%, down from 4.7%. However, this is lagged data and we expect improvement ahead as cost pressures ease and household spending remains resilient.
- Online sales remain robust, driven by value-conscious consumers, major promotions, and expanding product availability, supporting a broader structural shift in retail consumption.

What's the outlook for the Golden Quarter?

- In retail, the Golden Quarter is shorthand for the final quarter of the year, when many businesses make a disproportionate share of annual revenue and profit.
- As we enter this period, months of planning will come to fruition for those with strategic clarity and operational effectiveness. Early indicators point to stronger trading conditions, with consumers willing to spend to deliver a record Black Friday, though they remain selective and well-informed. AI-driven tools are influencing purchasing decisions for many for the first time, with agentic commerce introducing new dynamics, opportunity but also uncertainty as to how this may drive consumer behaviour.
- KPMG UK's 2025 Q3 consumer report reported marketplace spending up 13%, with strongest demand across health and beauty and media subscriptions and electronics/technology, with similar trends in Australia. This bodes well for the top retailers identified in KPMG's 2025 Customer Experience Excellence report, with 5 of the top 10 being specialists in health and beauty.

Deals perspective

- In M&A, the market shows a clear divide: premium, category-defining assets attract strong bids and valuations, while mid-tier assets face muted interest and execution risk. This reflects a defensive stance, with deals focused on generating cash, streamlining portfolios, and refocusing on core operations. At the same time, buyers are pursuing opportunities to capture emerging trends, refresh portfolios, and enter new categories.
- Despite improved conditions, vulnerabilities persist with active turnaround strategies being pursued to cut costs, realign brands and focus on cash. Across the spectrum, retail profitability is under pressure from heavy discounting and rising wage and rent costs, which continue to outpace sales growth.

Wishing our consumer and retail clients a prosperous Golden Quarter

We look forward to reporting back in the New Year with market-leading insights from the National Retail Federation 'Big Show' event in New York in January. Wishing all our retail and consumer clients a prosperous Black Friday and holiday season trading period.

Toni Jones
Partner – National Industry Leader, Corporate Brands
KPMG Australia

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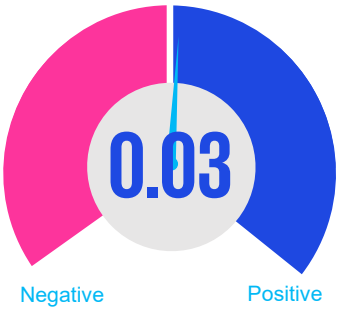
Retail performance dashboard



KPMG Retail Health Index ▲

KPMG Retail Health Index Component Contribution

Producer Price Index ▼	Wage Price Index ▲	Consumer Sentiment ▲	Spending Volume ▲
-0.61	-0.36	1.12	-0.31

Spending indicators

$224b ▲
Quarterly household spending volumes
+0.2% q/q ▼

4.4% ▲ Consumer sentiment *(q/q)*

6.4% ▲ Household Saving Ratio

+0.7% ▼ Retail Turnover *(q/q)*

27.5m ▲
Population
+0.5% q/q ▲

Cost indicators

+1.0% ▲
Producer Price Index *(q/q)*

+0.8% ▼
Wage Price Index *(q/q)*

0.654 ▲
Foreign Exchange (AUD/USD)

1.3% ▲
CPI index (Inflation *q/q*)

Global Supply Chain Pressure Index

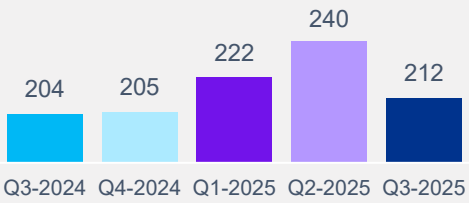
Performance indicators

1.32m ▼
Australians work in retail

28,700 ▲
Retail Trade Job Vacancies

8.1m ▲
Online shoppers

Insolvencies



Note: All figures are as of the September quarter 2025, except for Population data (March quarter 2025). The arrow indicates whether the inidcators have increased (up arrow) or decreased (down arrow) compared to the previous quarter.

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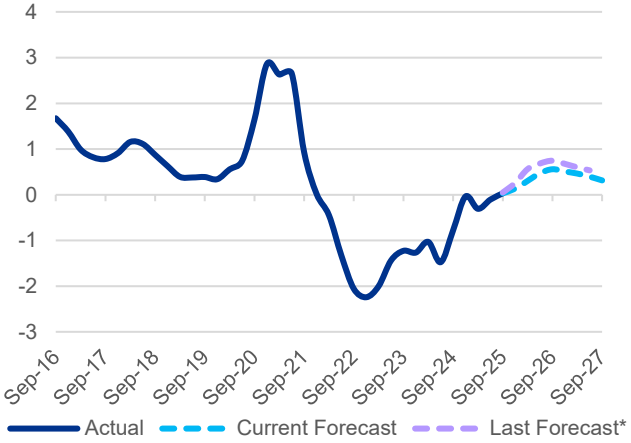
Retail Health Index

KPMG's Retail Health Index© (RHI) indicates that retail conditions have returned to normal, with the index recording its first non-negative reading for the first time in four years.

FIGURE 1

Retail Health Index, Actual and Forecast



Note: *Our last forecast used retail volumes. Due to the cessation of the ABS Retail Trade publication, our current forecast replaces retail volumes data with household spending volumes. See the Technical Appendix for more details.

Source: KPMG's calculation

Between the June and September quarters of 2025, the KPMG Retail Health Index rose by 0.14 index points, from -0.13 to 0.03. This shift signals a clear break away from subdued retail conditions, as values above zero indicate stronger-than-normal conditions, while values below zero reflect weaker-than-normal conditions.

Our latest forecasts indicate that retail conditions will remain normal over the upcoming quarters. Importantly, the overall trend is up, with the medium-term outlook expected to be healthier than we have seen in recent years; though still below pre-pandemic levels.

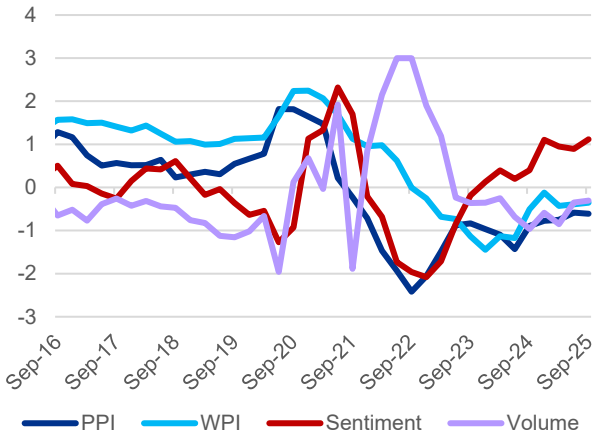
At the individual component level, all four elements improved over the quarter. However, only consumer sentiment has stayed firmly in positive territory; while material and labour costs, as well as spending volumes remain subdued.

Consumer sentiment strengthened significantly, with the Westpac–Melbourne Institute index rising above its first neutral benchmark of 100 since early 2022, highlighting households' growing confidence following the three interest rate cuts in 2025. Spending activity responded accordingly, with household spending volumes rising for the fifth consecutive quarter. This marked the strongest annual growth since the March 2024 quarter and directly contributed to the improvement in overall retail health.

Cost pressures, while still elevated, are now increasing at more manageable levels thanks to supply chain normalisation. Wage growth in the retail sector is also easing, allowing businesses to enjoy healthier profit margins.

FIGURE 2

KPMG RHI by Component Factors



Source: KPMG's calculation

Consumer sentiment was the primary driver of this quarter's improvement in the RHI and supported in part by easing wage growth and continued gains in household spending volumes.

- **Producer Price Index (PPI):** The PPI remains stable at around -0.6, reflecting stabilisation in price growth at approximately 60% above its historical average. Unlike previous quarters, the PPI made no significant contribution to the RHI improvement this time.
- **Wage Price Index (WPI):** Wage growth moderated to 36% above its historical average, down from 39% last quarter. This contributed 0.02 index points to the RHI improvement this quarter.
- **Consumer Sentiment:** Consumer sentiment momentum accelerated sharply, increasing from 0.89 in June to 1.12 in September, indicating that confidence was growing at a pace 112% above its long-term trend, up from 89% previously. Strengthening sentiment momentum was the main driver of RHI improvement this quarter, adding 0.13 points to the index.
- **Household Spending Volume:** Spending volumes improved slightly, from -0.35 in June to -0.31 in September, contributing 0.01 index points to the RHI recovery.

Together, these developments underscore an improving trajectory in retail conditions; suggesting that the momentum is likely to continue in the coming quarters.

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Spending indicators

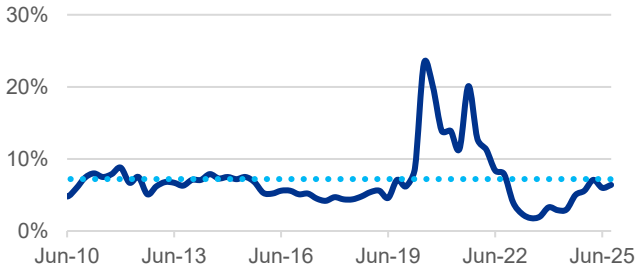
Household spending has recorded its fifth consecutive quarterly growth and the strongest annual growth since the March quarter of 2024, bolstered by improving consumer confidence.

Household spending

Australia's household saving ratio increased slightly from 6.2% in the June quarter to 6.4% in the September quarter. This was driven by a 1.7% increase in gross disposable income, which more than offset the 1.4% increase in nominal household spending. The saving ratio is now fluctuating around its long-term average, suggesting households have largely normalised their saving behaviour following the pandemic.

FIGURE 3

Household Savings Ratio, Australia (%)



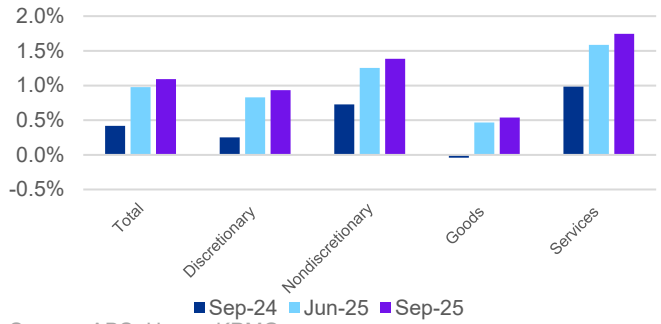
Source: ABS, Haver, KPMG

Household spending is 5.1% higher compared to the same time last year, recording the highest annual growth since November 2023. This year, steady increase in consumption growth aligns with feedback from retail liaison contacts, who have noted a modest improvement in underlying retail demand.

On a quarterly basis, household spending increased by 1.1% in the September quarter 2025, up from the 1.0% growth in the June quarter and the 0.4% rise in the September quarter 2024. Quarterly growth accelerated across all categories: discretionary spending grew 0.9% (up from 0.8% in June quarter), non-discretionary spending increased 1.4% (up from 1.3%), and spending on goods and services rose 0.54% and 1.7% respectively (up from 0.47% and 1.6%).

FIGURE 4

Household Spending by Special Aggregates, Quarterly Change (%)



Source: ABS, Haver, KPMG

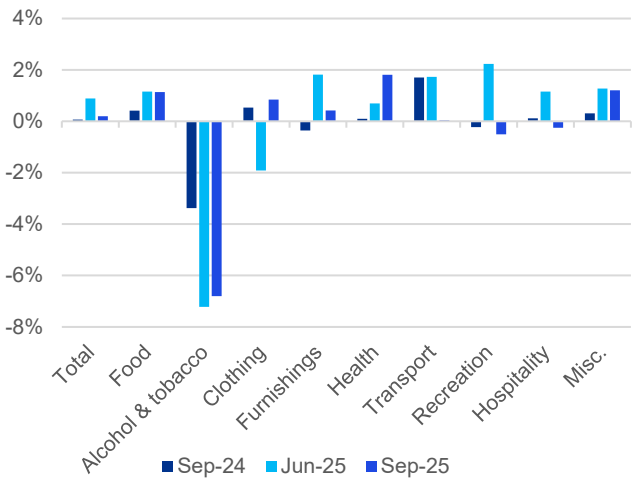
In volume terms, household spending volumes rose 0.2% for September quarter, marking the fifth consecutive quarter of growth but was significantly lower than the growth rate last quarter (0.9%). In annual term, household spending volumes increased by 2.7%, the strongest annual growth since the March quarter 2024.

Six out of nine spending categories recorded quarterly growth in volumes this quarter, led by Health (+1.8%), Miscellaneous Goods and Services (+1.2%), and Food (+1.1%). Meanwhile, declines occurred in Alcoholic Beverages and Tobacco (-6.8%), Recreation and Culture (-0.5%), and Hotels, Cafes, and Restaurants (-0.3%).

The negative sales outcome for tobacco is primarily influenced by the growing dominance of illegal sales channels. The sharp decline in tobacco sales continues a long-running trend driven largely by the surge in black market activity. With tobacco excise tripling over the past decade, many smokers have turned to illicit channels for cheaper alternatives, causing legal sales to collapse. In fact, the Australian Bureau of Statistics (ABS) recently acknowledged that official figures underestimate actual consumption because they exclude illicit products such as unlicensed cigarettes and vapes. The ABS now plans to develop methods to capture this hidden trade, which is projected to account for 80% of the tobacco market next year.

FIGURE 5

Household Spending Volumes by Category, Quarterly Change (%, sa)



Source: ABS, Haver, KPMG

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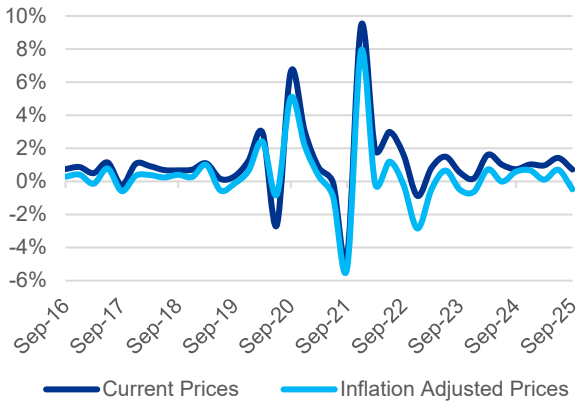
Retail sales

In current prices, retail turnover based on bank transactions rose by 0.7% this quarter, slowing down compared to the 1.4% gains recorded in the June quarter, when mid-year sales boosted spending. Nevertheless, retail turnover this year grows at a moderately stronger rate compared to last year, supported by the three interest rate cuts.

Adjusted for inflation, retail turnover based on bank transactions for the September quarter fell by 0.5%, down from the 0.7% increase in the June quarter. The monthly trend reveals that the decrease in inflation adjusted retail turnover during the September quarter was mainly driven by monthly declines in July and August.

FIGURE 6

Retail Turnover (based on bank transactions), Current Prices and Inflation Adjusted Prices, Quarterly Change (%)

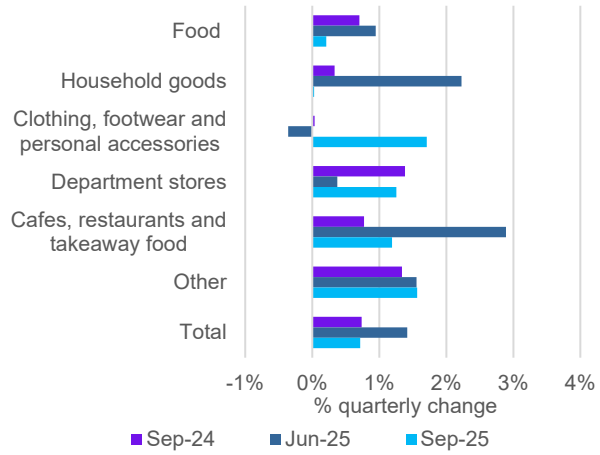


Source: ABS, Haver, KPMG

Looking at retail turnover by sector (based on bank transactions), the strongest quarterly increases were observed in Clothing, footwear, and personal accessories (+1.7%), followed by Other retailing (+1.6%).

FIGURE 7

Inflation Adjusted Sales by Category, Quarterly Change (%)



Source: ABS, Haver, KPMG

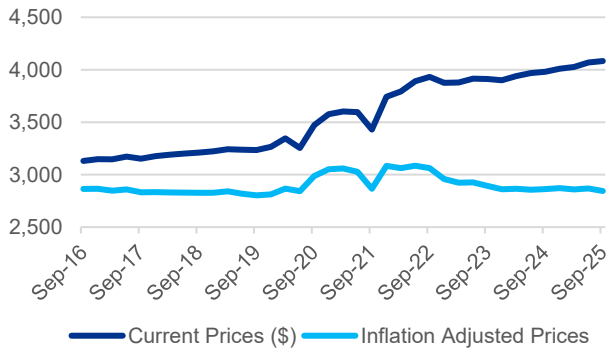
Department stores improved their performance the most this quarter, with turnover rising by 1.3% in the September quarter, up from 0.4% last quarter. Cafes, restaurants, and takeaway food saw growth pullback from 2.9% in the June quarter to only a 1.2% increase in the September quarter, and household goods showed flat growth.

On another positive note, there were no negative contributors among any categories this quarter.

As the population grows, retail turnover per capita is still expected to rise, but at a more moderate rate. After rising by 1.0% in the last quarter, September quarter retail turnover per capita is forecast to grow by 0.3% in seasonally adjusted terms, the same pace as in September last year.

FIGURE 8

Retail Turnover Per Capita (based on bank transactions), Current Prices and Inflation Adjusted Prices ($)



Source: ABS, Haver, KPMG's calculation

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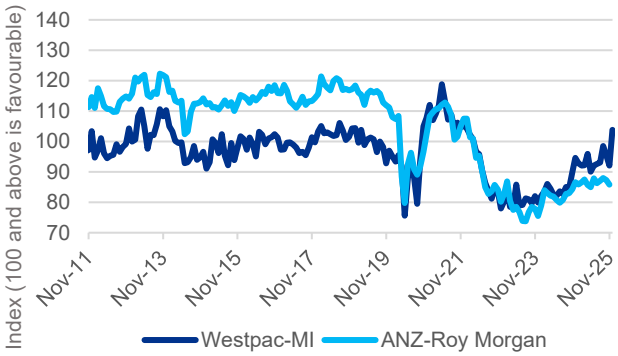
Consumer sentiment

Consumer sentiment has shown a notable improvement in the September quarter, with both the Westpac–Melbourne Institute and ANZ–Roy Morgan registering moderate quarterly gains. This aligns with our earlier expectation that the prolonged period of consumer pessimism may finally be coming to an end.

The latest November reading of the Westpac–Melbourne Institute Consumer Sentiment Index shows sentiment increasing to its first above-100 threshold since early 2022, with a reading above 100 indicating overall optimism. The index increased by 12.8% in November, climbing to 103.8 from 92.1 in October. It signifies a notable shift away from the extended period of consumer pessimism driven by the cost-of-living pressures and high interest rates.

FIGURE 9

Consumer Sentiment Index

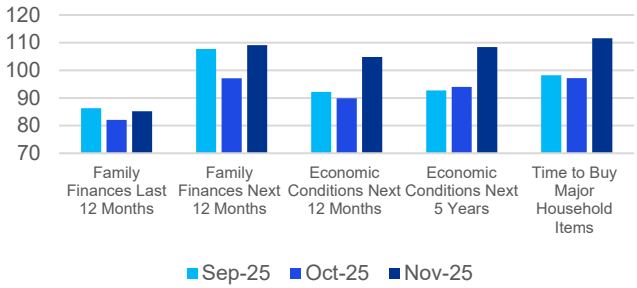


Source: Westpac, Melbourne Institute, ANZ, Roy Morgan

The significant improvement in November sentiment is primarily driven by greater confidence in the economic outlook. The 'Economic Outlook: Next 12 Months' and 'Economic Outlook: Next 5 Years' subindexes saw sharp monthly increases of 16.6% and 15.3%, respectively, with both now comfortably exceeding long-term averages.

FIGURE 10

Westpac–Melbourne Institute Consumer Sentiment by Component



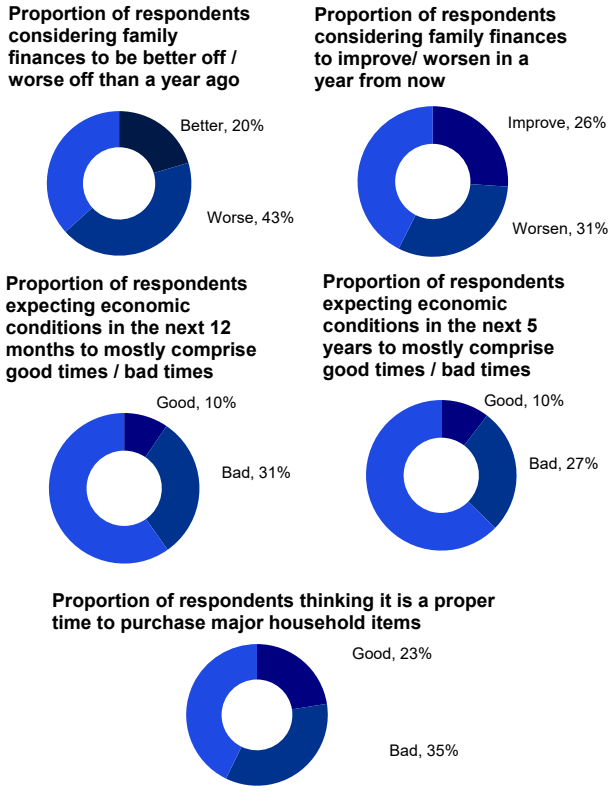
Source: Westpac, Melbourne Institute

This positive shift likely stems from several factors. Domestically, there are clearer indications of a strengthening recovery, particularly in consumer demand and the housing market. Additionally, external uncertainties have abated, including a de-escalation in US–China trade tensions.

In contrast to the Westpac–Melbourne Institute index which moved into positive territory, the ANZ–Roy Morgan Consumer Confidence Index remains well below the favourable threshold. Weekly data shows that respondents reacted to renewed inflation concerns and the Reserve Bank of Australia's decision to hold the cash rate in November, with confidence slipping slightly. The index fell by 1 point to 83.5 immediately after the meeting on 11 November, although the four-week moving average edged up by 0.1 points to 84.5.

FIGURE 11

ANZ–Roy Morgan Survey of Consumer Confidence, October 2025



Source: ANZ, Roy Morgan

While overall confidence remains neutral at best given mixed indicators, with Westpac's index signalling a return to favourable territory while ANZ's measure still well below its positive threshold, the outlook is more encouraging. We expect consumer sentiment to maintain its current momentum and continue trending upward, providing essential support for retail activity in the months ahead. The current strong employment conditions, with a still very low unemployment rate, will boost household confidence to spend.

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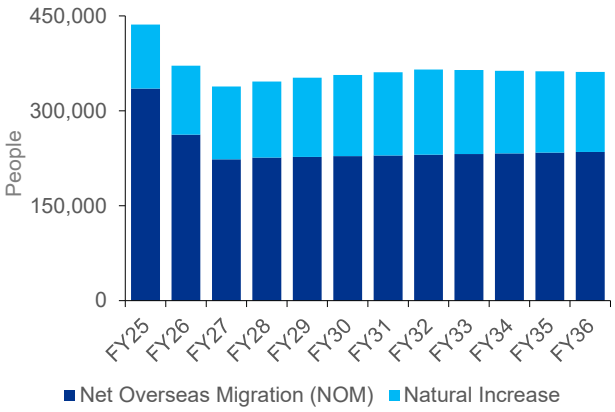
Population and global visitors

Australia's population expanded by 423,400 people or 1.6% over the 12 months to 31 March 2025, largely driven by Net Overseas Migration (NOM), which contributed 75% of the total increase. According to the Budget 2025–26, NOM is forecasted to decline by approximately 15–20% in FY26 and FY27, before stabilising at a more consistent annual growth rate of 0.5% starting in FY28. This decline is projected to reduce the annual population growth rate to 1.3% in FY26 and to 1.2% from FY27 onward.

FIGURE 12

Net Overseas Migration Targets by Year, Budget 2025-26



Source: Commonwealth Treasury

Tourism visitation and spending also play a vital role in driving the performance of Australia's retail markets. According to Colliers, Australia is experiencing a strong tourism recovery with tourist visitation expected to surpass December 2019 levels by 2027.

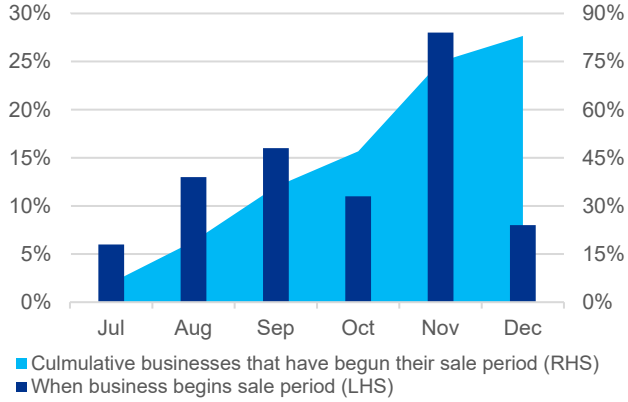
Meanwhile, the ongoing trade war volatility in the United States has been a key global economic factor in 2025. While it poses challenges for the US economy, it is anticipated to create opportunities for other destinations, particularly Australia. The decline in international tourism to the US is expected to divert approximately $14 billion in untapped tourism spending to other markets, including Australia, positioning the country to benefit from increased interest from global visitors.[1]

Peak season sales

Peak season sales have become a norm for most businesses, with many starting preparations earlier. By the September quarter, 36% of businesses had already begun their sales period.

FIGURE 13

When businesses plan to start their peak season sales



Source: AusPost, KPMG

According to the Australian Retailers Association (ARA) in partnership with Roy Morgan, approximately 6 million Australians are expected to participate in Black Friday sales, with 3.5 million women and 2.5 million men being anticipated to shop.

1. Tourism Research Australia, International Trade Administration, World Travel & Tourism Council, Colliers. Based on market expectations for a percentage decline in US international tourism and the total spending by those visitors, an average per capita spending figure was calculated.

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Cost indicators

Retail cost pressures are continuing to stabilise, with final demand moderating, wage momentum easing, and little evidence of supply chain disruptions.

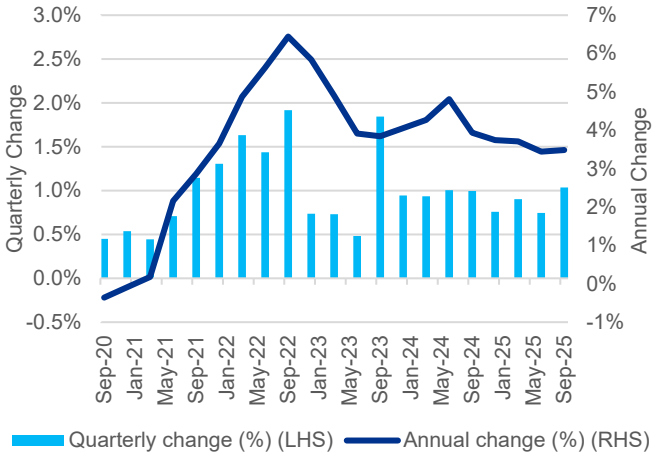
Producer Price Index

Over the year, Australia's final demand PPI rose 3.5%, remaining broadly stable around the mid-3% range since the start of the year. Over the quarter, producer prices increased 1.0%, up from 0.7% in the prior quarter.

Quarterly price gains were broad based, with no significant declines offsetting the increases. The rise was primarily driven by growth across Services industries and the Construction industry. In particular, indexation adjustments effective from the start of the financial year and annual wage increases were key factors influencing higher services prices.

FIGURE 14

Producer Price Indices, Final Demand, Quarterly and Annual Percentage Change (%)



Source: ABS, Haver, KPMG

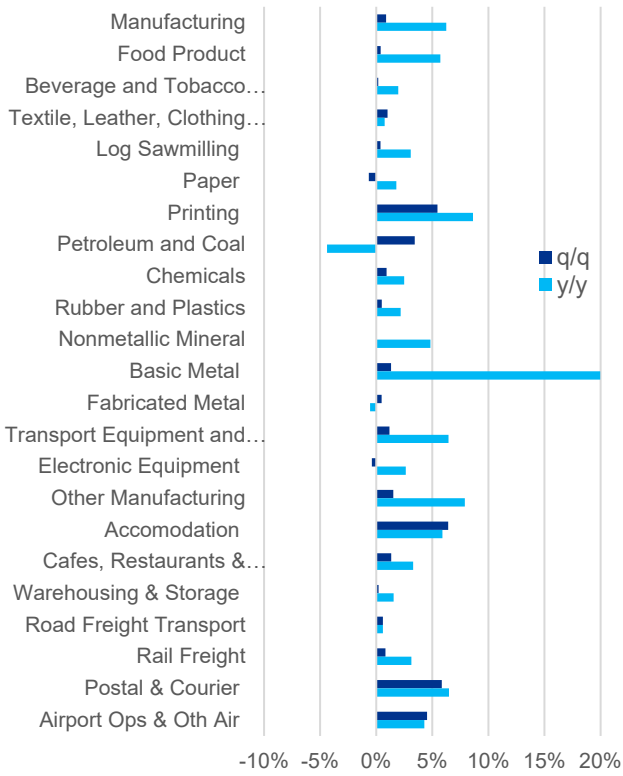
For manufacturers, input costs to manufacturing rose by 0.7% over the September quarter, to be up 7.9% through the year. In details, on an annual basis, imported material prices increased by 4.9% in the September quarter, while domestic material costs continue to accelerate, rising by 9.0%.

For the logistics sector, output prices for Postal and Courier Pick-up and Delivery Services rose 5.9% over the September quarter, and 6.5% annually, driven by price increases for letters and parcels. Warehousing and storage services increased 0.2% over the quarter and 1.6% over the year. Road transport costs rose both 0.6% over the quarter and over the year. Meanwhile, rail freight rose 0.8% this quarter and up 3.1% over the year.

Accommodation and food services recorded solid quarterly increases, reflecting both seasonal demand and cost-driven factors. Accommodation services rose sharply by 6.4%, supported by major sporting events and heightened seasonal demand during school holidays in New South Wales and Queensland. Cafes, restaurants, and takeaway food services increased by 1.3%, largely due to continued input cost pressures. Over the past year, accommodation services are up 5.9%, while food-related services rose 3.3%, indicating persistent upward price pressure across hospitality sectors.

FIGURE 15

Producer Price Index, Output Price Growth by Selected Industry Sectors, September Quarter 2025



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Wages

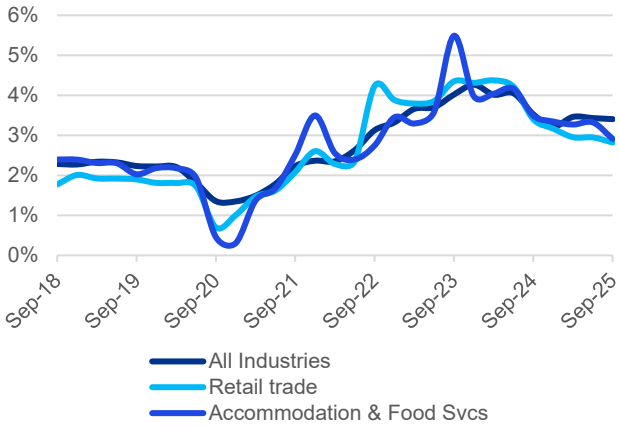
Wages increased by 0.8% in the September quarter and by 3.4% year-on-year, aligning with market expectations. Public sector wages continue to outpace private sector wages for the third consecutive quarter, rising 3.8% annually, largely driven by state government adjustments. In contrast, private sector wage growth eased to 3.2% year-on-year, with fewer jobs seeing increases and the average hourly rise slowing to 3.6%.

Wage pressures in retail-related sectors have eased considerably. The Retail Trade sector experienced a 2.8% annual wage growth in the September quarter, marking the lowest year-on-year increase since the September quarter of 2022. Similarly, the Accommodation & Food Services sector experienced a decline in wage growth, falling from 3.3% across the three previous quarters to 2.9% in September.

Together, the Retail Trade and Accommodation & Food Services sectors contributed only 0.2 percentage points to aggregate wage growth.

FIGURE 16

Wage Price Index by Selected Industry, Annual Change (%)



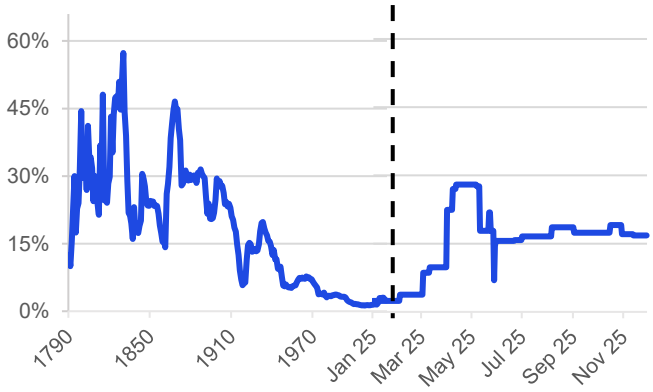
Source: ABS, Haver, KPMG

Global trade developments

Since our last report, trade agreements with several Asian countries have helped reduce the average US effective tariff rate to 16.8% by 17 November, falling from 28% following the 'Liberation Day' tariff announcements.

FIGURE 17

US Average Effective Tariff Rate (as a percentage of goods imports)



Source: BEA, The Budget Lab, KPMG

Region	Apr 2025	Aug 2025	Nov 2025
European Union	20%	15%	15%
United Kingdom	10%	10%	10%
Canada	10%	35%	35%
Mexico	10%	25%	25%
Brazil	10%	50%	50%
Australia	10%	10%	10%
China	34%	30%	20%
Japan	24%	15%	15%
Indonesia	32%	19%	19%
Malaysia	24%	19%	19%
New Zealand	10%	15%	15%
Philippines	17%	19%	19%
Singapore	10%	10%	10%
South Korea	25%	15%	15%
Taiwan	32%	20%	20%
Thailand	36%	19%	19%
Vietnam	46%	20%	20%

Source: KPMG

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Supply chains

Uncertainty regarding the final configuration of tariffs for manufacturers and logistics providers remains, especially as their legality is expected to be reviewed by the US Supreme Court. Moreover, in terms of maritime shipping, despite a ceasefire between the US and the Houthi rebels in Yemen, some shipping companies are avoiding the Suez Canal and the Red Sea to take longer routes. Meanwhile, recent tensions between Israel and Iran nearly led to the closure of the Strait of Hormuz. As a result, the World Bank's Global Supply Chain Stress Index (GSCSI) remain elevated, though easing from a peak of 2.0 million TEUs in January to 1.7 million.

FIGURE 18

Global Supply Chain Stress Index (GSCSI, million TEUs)

Note: This indicator, which monitors delays at ports and in shipping cargoes using million twenty-foot equivalent units (TEUs), a standard measure of container capacity and port traffic

Source: World Bank, KPMG

While trade policy uncertainty has caused some disruptions to trade and logistics patterns, global supply chains have shown resilience and adjusted effectively through the year so far, mostly due to the front-loading of trade, manufacturing activity and inventory management ahead of the new tariffs introduction. The Global Supply Chain Pressure Index (GSCPI), which integrates transportation costs and manufacturing indicators to assess global supply chain conditions, continues to be close to its long-run average.

FIGURE 19

Global Supply Chain Pressure Index (GSCPI)

Note: Pressure Index > 0 indicates supply chain strain

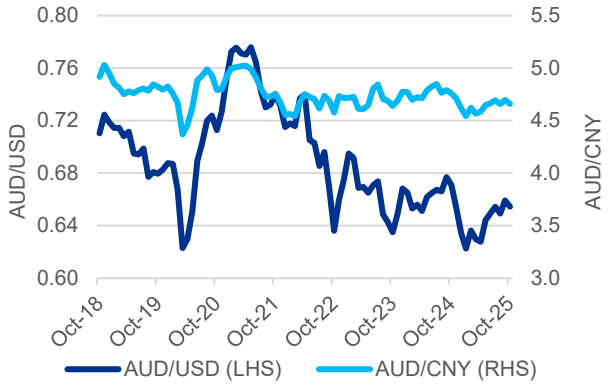
Source: Federal Reserve Bank of New York, Liberty Street Economics, KPMG

Foreign exchange

Despite trade tensions and trade policy uncertainty, the Australian dollar gained 6% against the US dollar from the January low to a peak of USD 0.669 in September - reflecting market confidence in the Australia economy and supporting lower import costs. During the same period, a 1.8% trade-weighted appreciation was recorded, driven by rising short-term interest rate differentials between Australia and other advanced economies.

FIGURE 20

Exchange Rate, AUD vs USD vs CNY



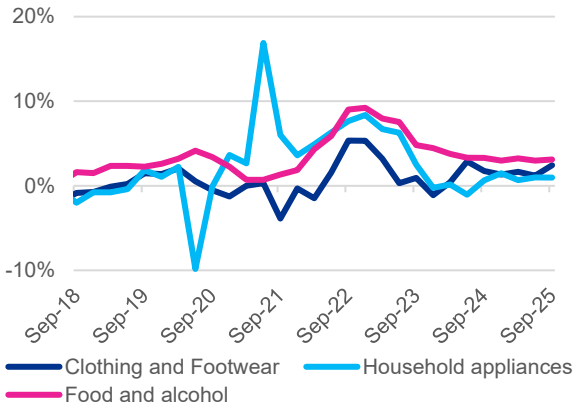
Source: RBA, Haver, KPMG

The Reserve Bank of Australia noted that the earlier appreciation of the Australian dollar against the US dollar has had limited impact on retail goods inflation, as firms have not widely passed through lower import costs to consumers. Liaison feedback also indicates that global trade tensions have not materially influenced retail pricing strategies, suggesting domestic factors remain the primary drivers of retail price movements.

Retail-related inflation remains below the broader inflation rate of 3.2%, with retail goods prices rising just 2.2% in the September quarter. Within consumer durables, clothing and footwear increased 2.4% annually, household appliances rose 1.0%, while food and alcohol recorded a 3.1% annual increase.

FIGURE 21

Retail Goods in Consumer Price Index (CPI), Annual Change (%)



Source: ABS, Haver, KPMG

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Performance indicators

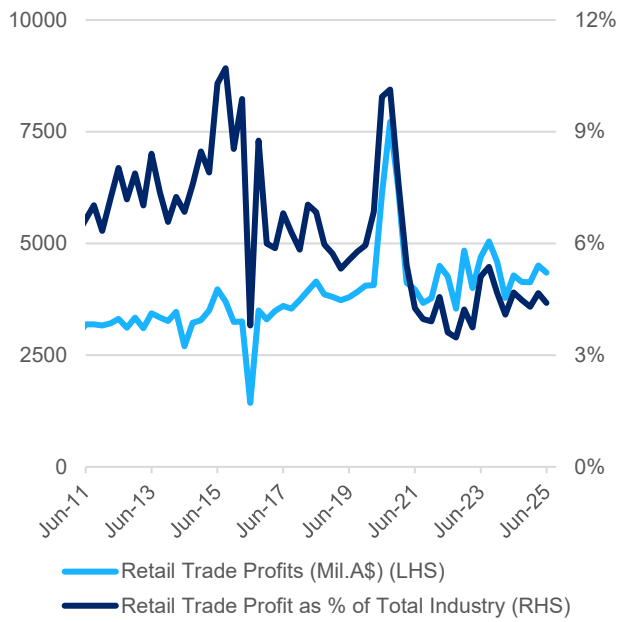
Structural recovery in the retail sector is underway, reflected in stabilising insolvencies, rising capital growth, although profitability pressures persist.

Profitability

The retail sector's contribution to total profitability fell slightly in the June quarter, accounting for 4.4% of total profits across all industries in the June quarter 2025. This marks a slight decline from 4.7% in the previous quarter, driven by a 3.6% drop in pre-tax profit this quarter, from $4,500 million in the March quarter to $4,350 million in the June quarter.

FIGURE 22

Retail Sector Profit before Income Tax



Source: ABS, Haver, KPMG

Insolvency

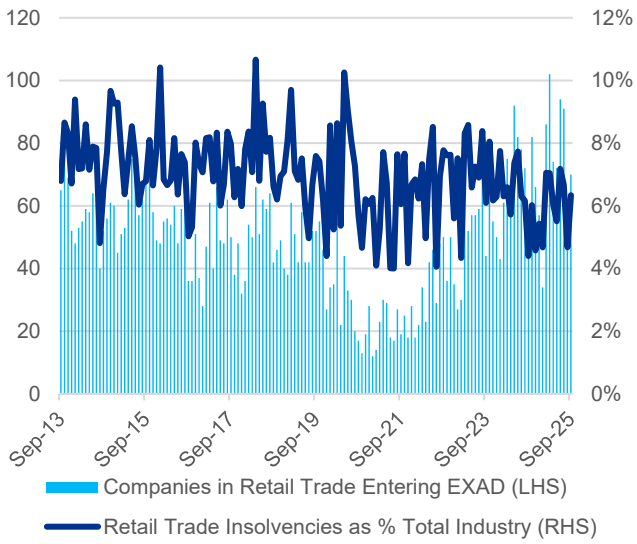
In the first nine months of 2025, the Australian retail sector recorded 674 insolvencies, making it the fifth most affected industry after construction, accommodation and food services, professional services, and other business services.

During the September quarter, 212 retail businesses entered External Administration and Controller Appointments (EXAD), down from a record 240 in the previous quarter but higher than the 204 reported in the same period last year. As a share, retail insolvencies accounted for 6% of total industry insolvencies for the quarter, unchanged from the previous quarter.

This highlights the ongoing challenges faced by retail businesses, particularly in the mid-market apparel segment, which continues to experience significant financial strain. For instance, General Pants has been forced to close over one store per month due to pressures such as high rent costs, intense competition, declining consumer demand, and legal disputes with suppliers.[2] Similarly, the iconic Australian retailer KMD Brands, owner of Rip Curl and Kathmandu, announced plans to close 14 stores after reporting a $105 million loss, marking its worst performance in more than a decade.[3]

FIGURE 23

Number of Companies Entering External Administration & Controller (Monthly)



Source: ABS, Haver, KPMG

2. J Yun, 'Normal practice': General Pants shuts stores as it battles high rents, wind-up orders, Sydney Morning Herald, 2 October 2025
3. C Tchetchenian, Iconic Australian retailer to close stores nationwide after parent company suffers massive loss, Sky News, 24 September 2025

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Employment

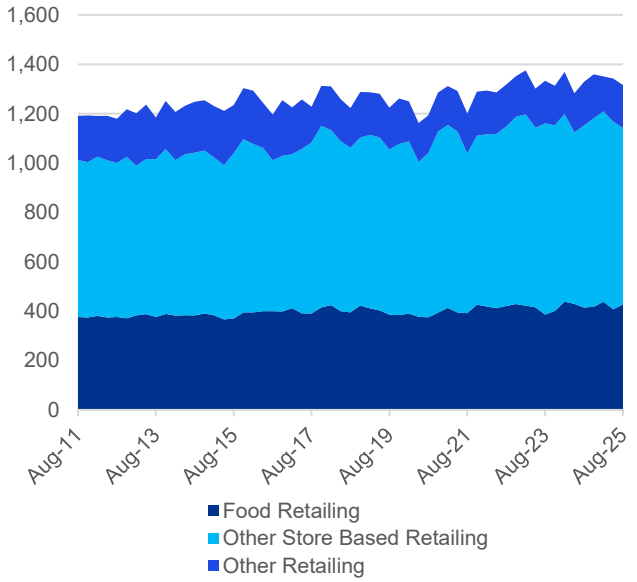
Total employment in the retail sector dropped to 1.32 million in the August quarter of 2025, marking its lowest level since early 2024.

Employment trends across retail subsectors nevertheless show mixed results. Food retailing experienced a strong rebound, with an addition of 19,900 jobs in the August quarter after significant losses in the previous quarter. However, this positive development was outweighed by a sharp decline of 44,700 jobs in other store-based retailing and a moderate decrease of 2,000 jobs in other retail categories. This uneven performance led to a substantial net decline in overall retail employment for the quarter.

The sector shed 27,000 jobs in the August quarter, considerably higher than the 8,500 job losses reported in both the February and May quarters.

FIGURE 24

Retail Sector Employment, Australia (Employed person, '000)



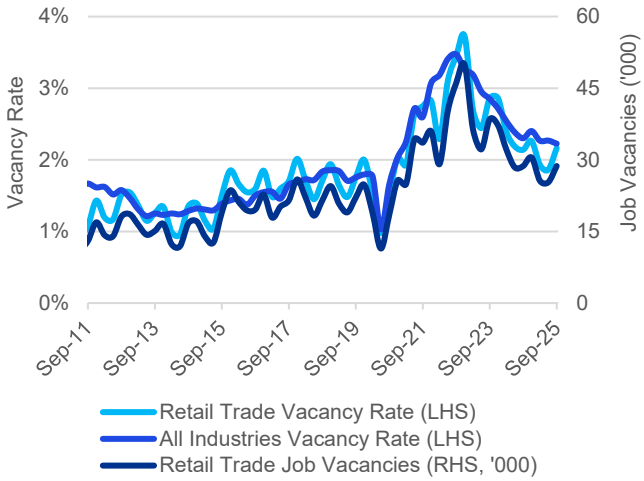
Source: ABS, Haver, KPMG

Job vacancy levels have remained above pre-pandemic levels, reflecting sustained demand for workers in the post-pandemic landscape. However, the sector's vacancy rate has been consistently lower than the all-industry average for seven consecutive quarters, indicating that retail employers face relatively fewer hiring difficulties compared to the broader economy.

After a cumulative decline of 5,200 retail job vacancies in the first half of 2025, the September quarter saw a partial recovery, with 3,400 new vacancies created. As a result, the job vacancy rate rose to 2.16%, up from a five-year low of 1.86% in the previous quarter.

FIGURE 25

Job Vacancies, Australia



Source: ABS, Haver, KPMG

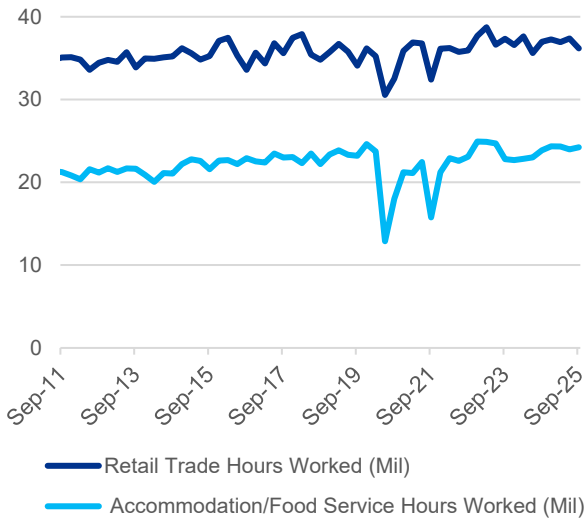
The recovery of traditional part-time industries, such as Retail and Accommodation & Food Services, has created more opportunities for individuals seeking part-time work. This includes younger workers and working holidaymakers.

However, the changes in work hours remain uneven across these two sectors. In the retail sector, hours worked declined by 3.2%, reducing total hours worked from 37.4 million hours in the June quarter to 36.2 million hours in the September quarter. On the other side, the Accommodation & Food Services sector broke a three-quarter downward trend, with hours worked rising by 1% over the same period.

This disparity underscores the varied recovery pace across industries reliant on part-time and casual employment.

FIGURE 26

Hours Worked, Australia



Source: ABS, Haver, KPMG

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Retail real assets

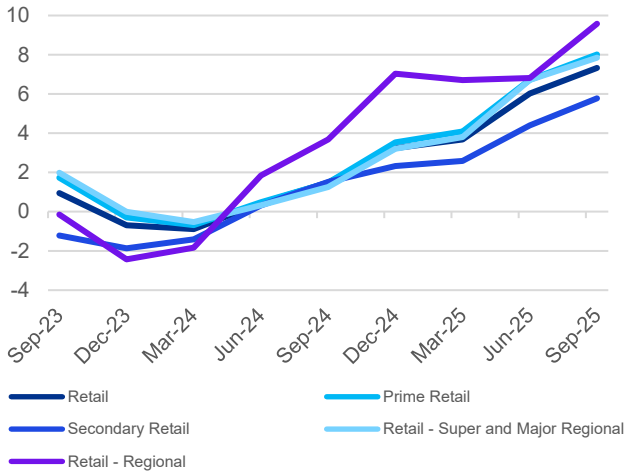
Investment performance has improved in recent quarters. Total returns for the retail sector as a whole were at 7.3% in the September quarter 2025, marking the sixth consecutive quarter of positive returns after the sector experienced negative returns in late 2023 and early 2024.

Income returns increased by 100 basis points to 5.9% in the September quarter 2025 compared to early this year. The improvement in income returns was supported by the strong fundamentals of retail property such as strong population growth and the resilient labour market. Limited supply for retail property has also played a key role in supporting the recent performance.

Capital growth also resumes its important role to the extraordinary investment performance. Capital growth has been positive for two consecutive quarters, currently at 1.4% and marking a significant improvement from the same time last year, where capital growth was at -4.0%. Capital growth varies across subsectors. Strong capital growth was seen in prime, secondary retail, super and major regional; in contrast, capital values remains relatively subdued for regional retail.

FIGURE 27

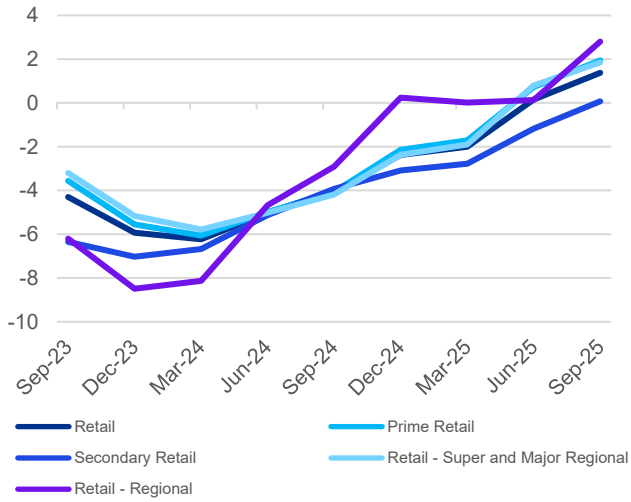
Total Returns Across Retail Property Subsectors (%)



Source: KPMG, MSCI/PCA

FIGURE 28

Capital Growth Across Retail Property Subsectors (%)



Source: KPMG, MSCI/PCA

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E-commerce indicators

Online retail sales

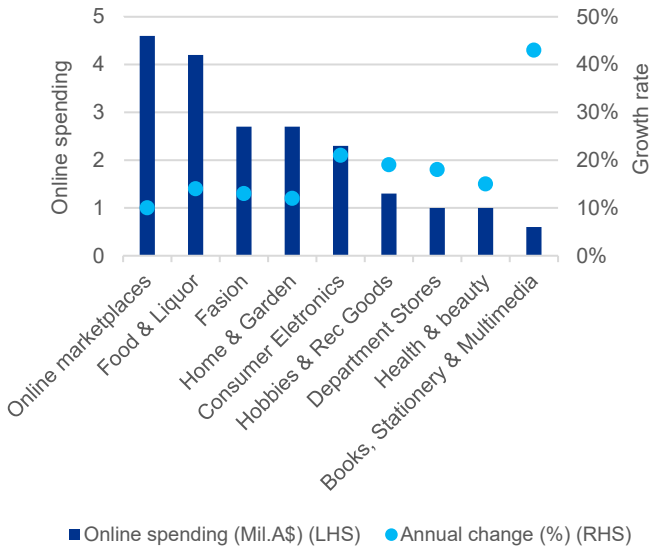
The ongoing shift in consumer behaviour continues to transform the retail sector. According to the Australia Post eCommerce September quarter 2025 report, online spending remains strong into the new financial year, driven by value-conscious shopping and major sales events. A record 8.1 million households shopped online during the quarter, marking an increase of 2.7% from the previous year.

The CommBank iQ September 2025 report reveals that online spend in each month of the September quarter experienced solid year-on-year growth, with July showing the highest increase at 16%, largely supported by events like 'Amazon Prime Day'. With average monthly online spending at $6.9 billion, the total online spending for the quarter reached $20.7 billion. This represents an increase of 6.2% from the previous quarter and 15% year-on-year. This growth was driven by higher purchase frequency, as average basket sizes remained consistent.

By category, online marketplaces continued to dominate, adding $4.6 billion in spending (up 10% annually), followed by food and liquor with $4.2 billion, achieving 14% annual growth. Books, stationery, and multimedia; consumer electronics; along with hobbies and recreational products experienced the highest growth among online categories (up 43%, 21%, and 19%, respectively), reflecting growing demand for at-home entertainment and lifestyle goods.

FIGURE 29

Online Spend by Category, September Quarter 2025



Note: Online marketplaces refer to e-commerce platforms such as eBay, Kogan and My Deal that brings buyers and sellers together in one place, offering a wide range of products from multiple sellers.

Source: AusPost, KPMG

Outlook

According to the IBISWorld Online Shopping in Australia 2025 report, online retailers will continue to face intense competition from various external businesses, including department stores, traditional physical retailers, and international e-commerce platforms like Shein and Temu, all striving to capture a greater share of the online market. Faster broadband, 5G rollout, improved transaction security, and increased internet connectivity will enable online retailers to reach a broader audience as more Australians gain frequent online access, driving online market growth.

The selection of products available for online purchase will continue to grow in 2026, driven by strong consumer demand and the emergence of new e-commerce platforms competing with physical stores.

FIGURE 30

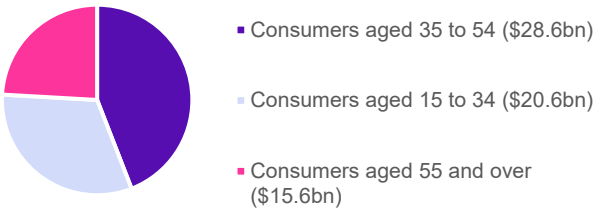
Industry revenue in 2026 broken down by key product and service line

Source: IBISWorld, KPMG

Factors such as digital literacy, convenience, pricing, confidence in online transactions, past shopping experiences, and security concerns all influence consumer spending online. Age groups with higher exposure to online activities for both work and leisure are the most inclined to engage in online shopping.

FIGURE 31

Industry revenue in 2026 broken down by key markets



Source: IBISWorld, KPMG

IBISWorld highlighted that demand for convenience, competitive pricing, and pay-later services will drive online sales, with online shopping revenue projected to grow at a Compound Annual Growth Rate (CAGR) of 5.9% between 2026 and 2031.

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Technical appendix

The KPMG Retail Health Index (RHI) provides an assessment of the health of the Australian retail sector based on households and producers' data available at a quarterly frequency. It represents the common component of series covering consumer behaviour and retailers' production.

A leading framework for the construction of an economic index from multiple time series is the so-called factor model. The factor model suggests the existence of a small number of unobserved series, called factors, which drive the co-movements of the observed economic time series. Leading applications of the framework includes the New York's FED Weekly Economic Activity Index.

In our application, we assume that there is a single factor, RHI_t, that drives co-movements of the retail variables, X_t

$$X_t = \Lambda RHI_t + \epsilon_t,$$

where Λ captures the factor loadings and ϵ_t refers to the idiosyncratic dynamics.

And the common method for estimating the unobserved factors is by principal components. In other words, principal component analysis is a dimensionality reduction method that is often used to reduce the dimensionality of large datasets, by transforming a large set of variables into a smaller one that still contains most of the information in the large set of variables. That is, principal components are constructed components from linear combinations of variables which best explain the variance in the data.

In our previous reports, the Retail Health Index (RHI) was calculated as the first principal component of four quarterly variables: Retail Volume, the Producer Price Index (PPI), the Retail Sector Wage Price Index (WPI), and the Westpac–Melbourne Institute's Consumer Sentiment Index. Since Retail Volume has been discontinued by the ABS, we have replaced the retail volume data with quarterly Household Spending Volumes. This new indicator provides broader coverage of household consumption categories compared to Retail Trade and aligns more closely with Household Final Consumption Expenditure in the National Accounts from the Australian Bureau of Statistics (ABS).

Since Household Spending Volumes only starts in September 2014, we interpolate historical values using the growth rate of Retail Volumes, as analysis shows a high degree of correlation between the two indicators during the period in which both are available.

The data is then transformed into year-on-year growth terms. All transformed series are standardised to have a mean of zero and a standard deviation of one. Additionally, the growth rates of wages and prices are reversed for interpretative purposes, indicating that higher wages and costs suggest weaker performance in the retail sector.

Table T.1 below shows the respective weights of each variable on the RHI with Retail Volumes versus Household Spending Volumes, and the total variance explained by the RHI.

Table T.1 – RHI Weights

Variables	Weights		
	Retail volumes	Household spending volumes *(Full-sample)*	Household spending volumes *(Pre-pandemic)*
Producer Price Index	0.64	0.66	0.65
Wage Price Index	0.48	0.53	0.44
Consumer Sentiment	0.54	0.52	0.58
Volume*	0.24	-0.12	0.22
Total Variance Explained	0.48	0.47	0.51

Source: KPMG

When constructing the RHI with Household Spending Volumes, we apply weights derived from the pre-pandemic sample. This approach is necessary because Household Spending Volumes exhibited significant volatility during the pandemic, which led to unintuitive contributions when using weights estimated from the full sample. By using pre-pandemic weights, the contribution of Household Spending Volumes is more consistent with the pattern observed when Retail Volumes are used in the construction of the RHI.

Chart T.1 shows the estimated RHI with Household Spending Volumes versus Retail Volumes and shows that both exhibit similar pattern.

Chart T.1 – RHI with Retail Volumes vs Household Spending Volumes

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