

NAB Online Retail Sales Index Monthly update – December 2012

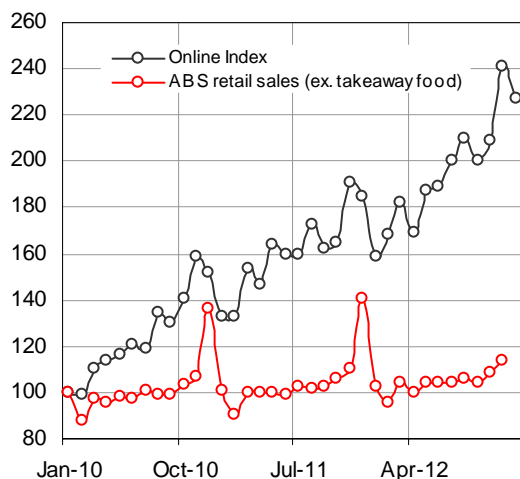
Online Retail Sales Index dipped in December (from Nov peak) – a seasonal trend around Christmas. Sales up 23% yoy, but slowing implying a ‘weaker online’ December

- In 2012, Australia’s online retail spending was \$12.8 billion. This level is around 5.8% of the size of Australia’s traditional bricks & mortar retail sector (excluding cafés, restaurants and takeaway food for a like-to-like comparison) for the twelve months to November 2012.
- The NAB Online Retail Sales Index pulled back a little in December – down to 227 points (compared with 241 points previously). This was a seasonal move, with November being the peak month for online retail sales, which allows time for goods to be delivered ahead of Christmas.
- The growth rate for online sales eased in December, with the index increasing by +23% year-on-year. This rate of growth is reasonably robust when compared with the past year, but is below the strong growth rates of October and November 2012 (at +26% and +27% respectively). To the extent that seasonal patterns are unchanged, this implies relatively weaker growth in online December spending this year vis-à-vis 2011.
- The rate of growth for online sales continues to outperform the traditional bricks and mortar sector. In November, traditional sales increased by +3.3% year-on-year (on a non-seasonally adjusted basis). Taking into account seasonal factors, growth rates for the bricks & mortar sector were lower, at just +2.5%.
- This month, we’ve included a special deep dive into Australia’s online shopping habits in December. There is a stark difference between the share of spending (in dollar terms) and the number of transactions – with a large volume of transactions on comparatively low value items in Sector 3 (Recreation, Toys, Games & Hobbies, Music, Movies, Books).

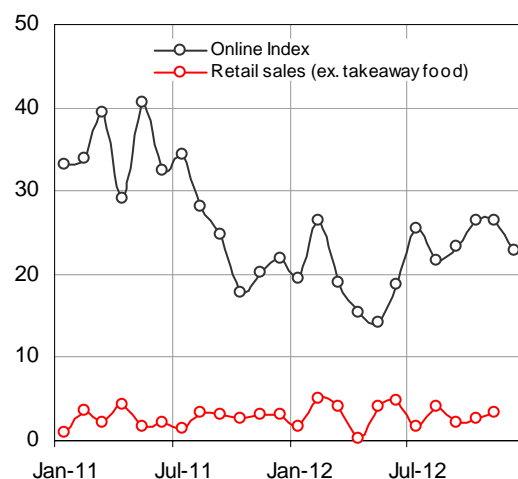
Sales peak in November, ahead of Christmas gift giving

Sales increased by 23% yoy in December – marginally down from recent months

Online sales vs. Retail sales (nsa, monthly)



Growth in Online sales vs. Retail sales (% yoy)



Monthly online retail statistics

	Oct-12	Points Nov-12	Dec-12	Oct-12	yoy growth (%) Nov-12	Dec-12
Online index	208.7	241.0	227.0	26.4	26.5	22.8

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All data is non-seasonally adjusted (nsa). Online sales data is produced by Quantum. Traditional retail sales data is sourced from the Australian Bureau of Statistics (ABS).

Special deep dive: December online shopping habits

Spending in December differed somewhat from the typical trends observed across the year. Spending in Sectors 1 (Auctions, Department Stores & Fashion) and 4 (Food & Beverages) was below the trend for the year to October 2012 (our most recently released data), although Sector 1 continued to account for the bulk of sales (at 44%). In contrast, spending in Sectors 2 (Household goods & Electronics) and 3 (Toys & Media) was slightly above the trend level.

Share of spending by category (%)

Sector	1	2	3	4
Dec 2012	44	22	22	12
Year to Oct 2012	48	19	21	13

There is a considerable distinction between the share of spending by category (in dollar terms) and the number of transactions – as illustrated on the first chart. Sector 3 accounted for around 22% of total spending, but almost 69% of all transactions.

As a result, the average value of transactions in Sector 3 is particularly low (\$13). This likely reflects purchases of low cost items within this category – such as eBooks, music and mobile applications.

In contrast, the average values in Sectors 2 and 4 are considerably larger (\$181 and \$125 respectively) – with a greater number of big ticket items in the former.

Interestingly, the average transaction size for all online purchases declined in December 2012 – down to \$41 (from \$43 previously) – indicative of a low inflation environment (although we caution that changes to composition of sales and shipping costs could influence this outcome).

In the twelve months to October 2012, domestic sales accounted for around 73% of total online sales. We are able to split the spending by category into domestic and international sales – with sales in Sector 2 having a greater propensity to be domestic (82% in December 2012) and sales in Sector 3 a lower propensity (58%).

An interesting observation in daily data was a significant increase in transactions on Christmas Day in Sector 3 (Recreation, Toys, Games & Hobbies, Music, Movies, Books) – otherwise (unsurprisingly) the weakest day in the month. It appears that these purchases were primarily eBooks and digital music downloads – having been loaded onto devices given as Christmas gifts.

There was also an interesting upturn after Christmas – with the traditional post-Christmas sales spreading online in a more significant fashion in 2012, due in part to increased advertising last year.

Share of spending & transactions by category in Dec 2012 (%)



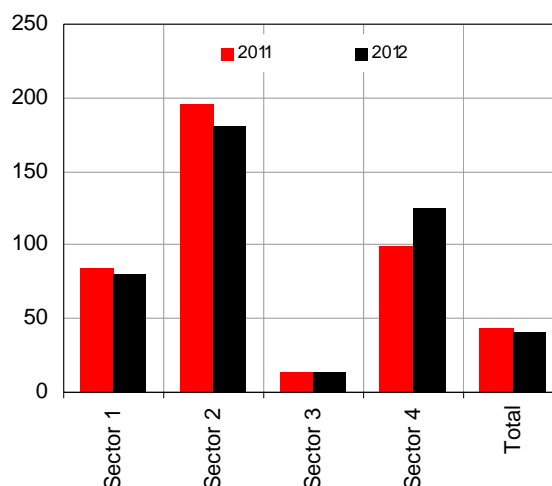
Sector 1. Online Auctions, Department Stores, Fashion, Cosmetics, Variety Stores

Sector 2. Home, Furniture, Appliances, Electronics

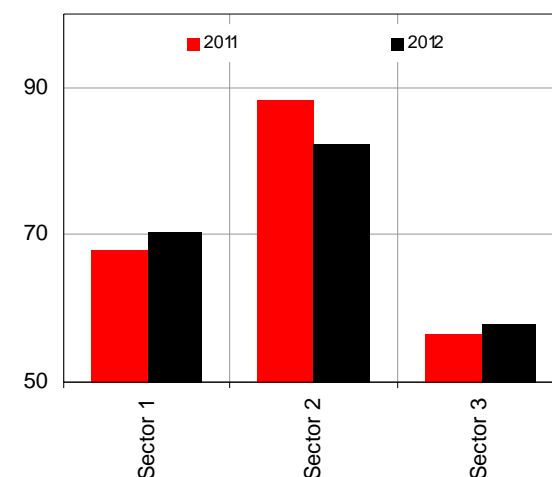
Sector 3. Recreation, Toys, Games & Hobbies, Music, Movies, Books

Sector 4. Groceries, Liquor & Specialised Food

Average transaction size by category (\$)



Domestic share of sales by category (%)



* Sector 4 excluded due to the limited volume of international sales and transactions

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