more give, less take

NAB Online Retail Sales Index

Monthly update – November 2014

Embargoed until: 11.30am Monday 22nd December 2014

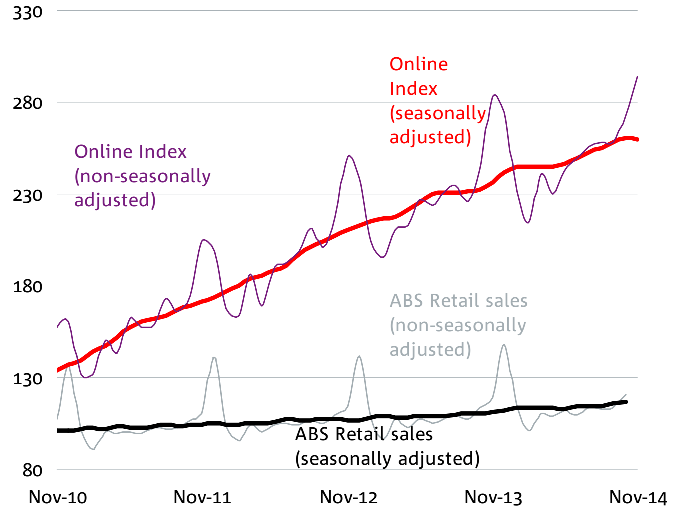
National Australia Bank

Online sales growth slows markedly in November with most categories following suit

- Online retail experienced a considerable slowdown in November, with sales contracting (-0.2%) compared to October, and sales now only 3.9% higher compared to a year ago. This is the slowest growth rate (either monthly or annual) in the series history. The slower growth has followed a recent growth surge, with year on year growth from June to October averaging over 11%.
- ABS data showed growth at comparable traditional retailers in October to be 0.7% higher than September, and 6.1% higher than a year ago.
- While October traditional retail was outpaced by growth in online sales for that month, a similar result cannot be assumed for November, and we await the release of that data from the ABS in January for comparison.
- In dollar terms, we estimate Australians spent $16.3 billion on online retail in the 12 months to November 2014. This level is equivalent to 6.8% of spending at traditional bricks & mortar retailers as measured by the ABS (excluding cafés, restaurants and takeaway food, to create a like-for-like comparison) in the 12 months to October 2014.
- Despite the general slowdown, at category level in year on year terms, Electronic Games and Toys (39.4%) maintained its recent momentum, although this segment accounts for about 3% of spend. Other key growth areas included Media (8.7%), Groceries and Liquor (7.4%), Fashion (6.2%), and Department and Variety stores (4%). One of the largest spend segments, Homewares and Appliances, contracted (-3.1%), along with a continuation of weakness in both Personal and Recreational goods (-0.3%), and Daily Deals again contracted (-17.5%). Given these results, we have included special deep dive this month for categories in November on page 2.

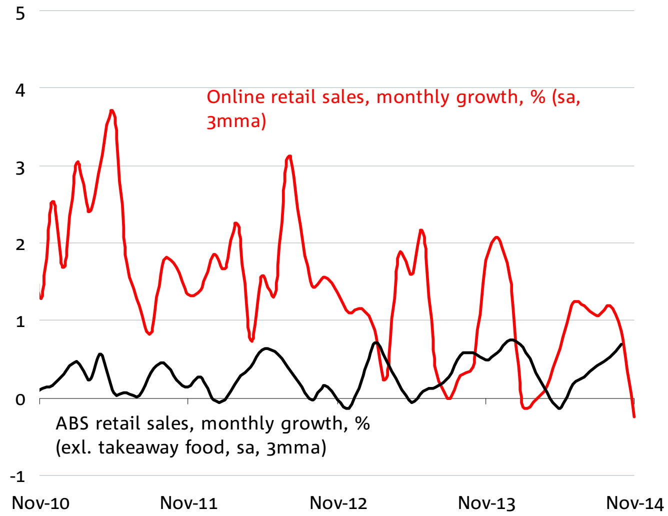
The online index flatlines in November

Index - Online Retail vs. ABS Retail Sales (Jan 2010 =100)



Growth contracts in November

Growth in Online Retail vs. ABS Retail Sales (%, mom)



Monthly online retail statistics

	Year-on-year growth (% nsa)			Month-on-month growth (%, sa, 3MMA)		
	Sep-14	Oct-14	Nov-14	Sep-14	Oct-14	Nov-14
Online index	14.4	12.1	3.9	1.2	0.9	-0.2
ABS Retail sales	5.8	6.1	N/A	0.5	0.7	N/A

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Data is seasonally adjusted (sa) where specified, with a leap year adjustment made for February 2012. Data is smoothed by 3 month moving averages where specified. Non-seasonally adjusted (nsa) online sales data is produced by Quantium. Traditional retail sales data is sourced from the Australian Bureau of Statistics (ABS). The series contained in the category information for this special monthly deep-dive may be subject to revision when the next full quarterly data series is completed.

By category

Chart 2a. Annual growth of spending, by category (%)

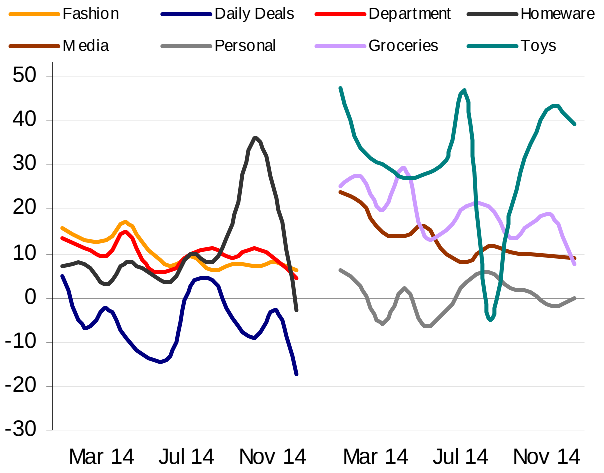
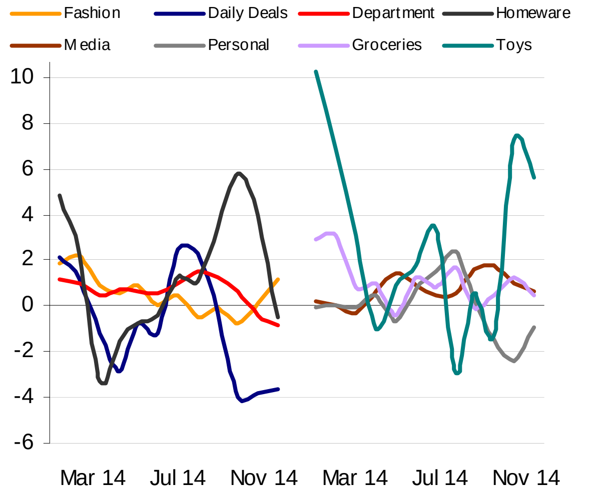


Chart 2b. Monthly growth of spending, by category (%)



Electronic games and toys have been expanding rapidly, albeit off a small base. Sales from Daily deals have collapsed.

At 39.4%, electronic games and toys had the fastest annual online sales growth in November and 5.6% higher than the previous month. It is worth noting that this category is considerably more volatile, attributed to effects such as the timing of electronic game release, and represents a relatively small share of online retail sales. At 8.7% the second highest annual growth rate is now in the Media category, although monthly growth was 0.6%.

Though up for the year (4.4%), Department and Variety stores, contracted slightly in the month (-0.8%). The other large contributor to annual growth, Grocery and Liquor stores, grew by 0.5% this month, and is up 7.4% for the year. Although this category represents over 15% of spend, it represented about one quarter of all growth contribution in the past year.

After strong growth in October, in year on year terms, Homewares and appliances (-3.1%) joined the categories of personal and recreational goods (-0.3%), and daily deals (-17.5%) where a decline in the sales is evident.

Online sales growth and share of spending by category

%	Monthly growth - October	Monthly growth - November	Annual growth - October	Annual growth - November	Share of total spending	Contribution to annual total spending growth
Fashion	0.1	1.1	8.2	6.2	11	10
Daily Deals	-3.8	-3.6	-2.8	-17.5	3	-2
Department	-0.4	-0.8	8.5	4.4	34	30
Homeware	4.0	-0.5	22.7	-3.1	17	15
Media	1.0	0.6	9.4	8.7	12	15
Personal	-2.4	-0.9	-2.0	-0.3	5	0
Groceries	1.2	0.5	18.4	7.4	15	25
Toys	7.3	5.6	43.1	39.4	3	6
Total	**0.9**	**-0.2**	**12.1**	**3.9**	**100**	**100**

Note:
Daily deal sites release for sale a single product or range of products each day.
Media comprises movies, books and music.

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