



NAB Online Retail Sales Index

Monthly update – October 2015

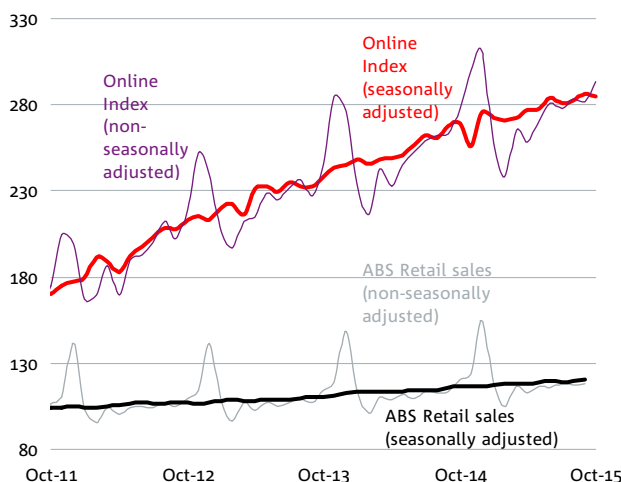
Embargoed until: 11.30am Tuesday 1st December 2015

Online sales fell 0.6 per cent in October 2015

- At -0.6% the latest seasonally adjusted NAB online retail sales index shows sales contracted in October, a deterioration on the revised 1.4% recorded in September. At 0.2%, the trend estimate for online retail sales was lower than the previous two months (0.4%), suggesting that looking through the month to month volatility, sales are still growing but at a much slower rate than in past periods. We estimate that online sales are now 5.7% higher compared to a year ago.
- ABS data showed growth of comparable traditional retailers (ex. cafes and restaurants) in September to be 0.3% (mom, s.a.) higher than August, and 4.1% higher than a year ago.
- In dollar terms, we estimate Australians spent \$17.9 billion on online retail in the 12 months to October 2015. This level is equivalent to 7.2% of spending at traditional bricks & mortar retailers as measured by the ABS (excluding cafes, restaurants and takeaway food, to create a like-for-like comparison) in the 12 months to August 2015.
- By category, there were mixed results in October. In year on year terms, though slowing, growth was highest for electronic games and toys (+32.4% yoy from 37.5% yoy in September). This category still represents a relatively small share of spend at around 2.9%, and is the most volatile category series given sales associated with the timing of electronic game releases. Sales growth in the next fastest category, Media, accelerated (21.2%, yoy, from 17% yoy in September), along with Fashion (10.6% yoy vs 8.8% September), and Grocery and Liquor (5.9% vs 4% September). While the growth rate for Personal and Recreational (9% yoy) was unchanged, Department and Variety was more subdued (1.7% yoy). Both Homewares and Appliances (-2%) and Daily Deals (-16.1% contracted in October).

The online index slows in October

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



Seasonally adjusted growth lower in October, trend continues to slow

Growth in Online Retail (% mom)



Online retail statistics

	Year-on-year growth (% nsa)		
	Aug-15	Sep-15	Oct-15
Online index	7.8	7.2	5.8
ABS Retail	4.1	4.1	N/A

	Month-on-month growth (%)		
	Aug-15	Sep-15	Oct-15
Online (s.a.)	0.6	1.4	-0.6
Online Trend*	0.4	0.4	0.2

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*Data is seasonally adjusted (s.a.) where specified, with a leap year adjustment made for February 2012. Trend data is generated using the Henderson 13 term moving averages where specified. Non-seasonally adjusted (nsa) online sales data is produced by Quantum. Traditional retail sales data is sourced from the Australian Bureau of Statistics (ABS) and excludes cafes, restaurants and takeaway food.

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Notes:

Revision to Trend Series:

We have moved to publishing the seasonally adjusted month on month change exclusive of a three month moving average. We have now incorporated the Henderson 13 term trend to replace the three month moving average. This makes the numbers more directly comparable to other publicly available series such as traditional retail sales seasonally adjusted and trend series.

The seasonal adjustment technique is used as a way of identifying changes beyond the repeated calendar events (such as Christmas trading, or the subsequent slowdown in January). These seasonal and trend patterns are re-estimated each time the series is analysed, i.e. monthly.

The Henderson 13 term trend estimate applied to the series is used as a way to understand what is happening to the series through time. This smoothes the results by avoiding over emphasis of a single month's result on a series which may be subject to 'noise' or high volatility. The trend we have applied to the series is a symmetrically weighted trend technique, with the exception of the final six months where a different set of weights are applied as per the Henderson technique. For this reason, revisions in the trend series typically affect the most recent months as more recent 'new' data changes their position in the time series.

Impact of online media streaming companies:

Several high profile subscription media services have entered the Australian market in the past 6 months. Given that these services provide a substitute to purchasing physical content (e.g. CD/DVD sales) we have added these to the Media category in the index.

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