



NAB ONLINE RETAIL SALES INDEX

MONTHLY REPORT - OCTOBER 2016

ONLINE SALES SLOW IN OCTOBER 2016

- ★ The NAB Online Retail Sales Index increased 0.5% (mom, s.a.) in October, much slower than the previous month(1.4%,mom, s.a.). Year on year growth also slowed from 14.6% to 13.5%. The revised trend estimate for online retail sales continues to slow, currently at 0.5%, down from 0.7% last month.
- ★ ABS data on traditional retailers showed month on month seasonally adjusted was grew 0.6% in September, with year on year growth of 4.2%.
- ★ We estimate that Australian consumers have spent around \$21.08 billion over the last 12 months to October 2016. This is equivalent to 7.0% of spending at traditional bricks & mortar retailers as measured by the ABS in the 12 months to September 2016.
- ★ The October headline result was due to slowing in some larger spend share categories including Homeware and Appliances (14.4% yoy Oct vs 18.6% yoy Sep), Media (24.1% yoy vs 28.3% yoy), and Groceries and Liquor (4.4% yoy vs 5.4% yoy). Fashion was the exception in the larger share sectors in that it strengthened (13.5% yoy vs 10.6% yoy).
- ★ With the exception of Personal and Recreational Goods (18.9% vs 12.2%) and Food Catering (35.9% yoy vs 42.8% yoy), growth accelerated in most smaller spend share categories including Games and Toys (11.6% yoy vs -2.8% yoy), Department and Variety Stores (4.0% yoy vs 2.1% yoy), and Daily Deals (2.4% yoy vs -11.1% yoy).
- ★ SME sales represents just over a third of all online sales. SME sales slightly outpaced broader sales in October, with seasonally adjusted monthly growth estimated at 0.6%. Year on year growth for SMEs (20.7%) was considerably stronger than Corporates (13.5%).

| Year-on-year growth (% nsa) | | | |
|-----------------------------|--------|--------|--------|
| | Aug-16 | Sep-16 | Oct-16 |
| Online index | 13.0 | 14.6 | 13.5 |
| SME Index | 21.0 | 19.0 | 20.7 |
| ABS Retail | 3.0 | 4.2 | N/A |

| Month-on-month growth (%) | | | |
|---------------------------|--------|--------|--------|
| | Aug-16 | Sep-16 | Oct-16 |
| Online (s.a.) | 0.9 | 1.4 | 0.5 |
| SME (s.a)* | 6.6 | -0.2 | 0.6 |
| Online Trend* | 0.8 | 0.7 | 0.5 |

*Data is seasonally adjusted (s.a.) where specified, with a leap year adjustment made for February 2012 and 2016. Trend data is generated using the Henderson 13 term moving averages where specified. Caution should be used with SME seasonal adjustment at it is based on a shorter period than the corporate index. Non-seasonally adjusted (nsa) online sales data is produced by Quantium. Traditional retail sales data is sourced from the Australian Bureau of Statistics (ABS).

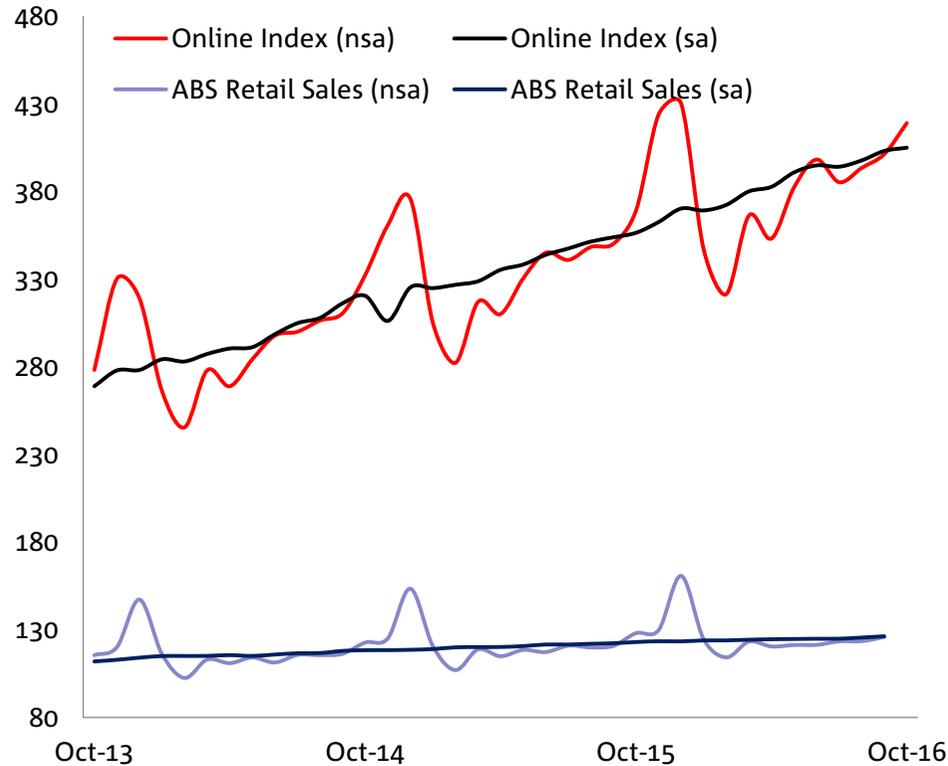
ONLINE RETAIL STATISTICS

The kick up in 'original' sales in October largely reflected seasonal factors.

Chart 1

INDEX - ONLINE RETAIL VS. ABS RETAIL SALES

(Jan 2010 = 100)

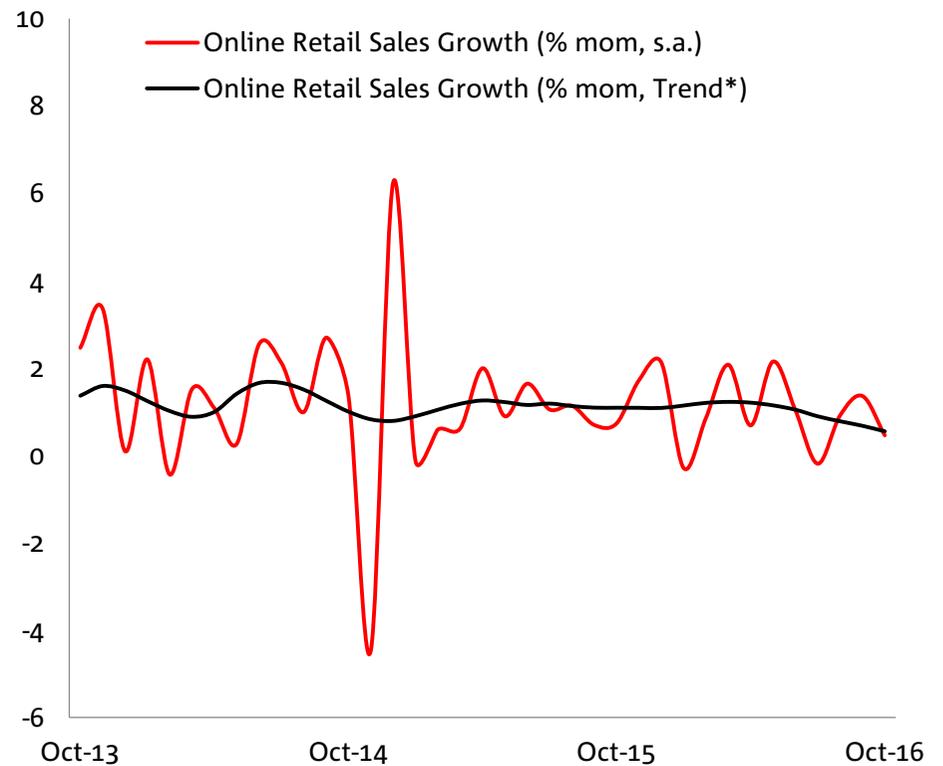


Fundamentally the trend slowing in online retail growth continued in October

Chart 2

GROWTH IN ONLINE RETAIL

(% mom)



* Data is seasonally adjusted (s.a.) where specified, with a leap year adjustment made for February 2012 and 2016. Trend data is generated using the Henderson 13 term moving averages where specified. Caution should be used with SME seasonal adjustment as it is based on a shorter period than the corporate index. Non-seasonally adjusted (nsa) online sales data is produced by Quantum. Traditional retail sales data is sourced from the Australian Bureau of Statistics (ABS).

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. Seasonal adjustment of the SME series is based on a shorter time period, and should be used with caution.

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 smooths 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 12 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.

TO DISCUSS THIS REPORT IN MORE DETAIL PLEASE SPEAK WITH YOUR NAB RELATIONSHIP MANAGER

Visit nab.com.au/onlineretailsales or contact:

ALAN OSTER

Group Chief Economist
Group Economics
National Australia Bank
+61 (0) 3 8634 2927
alan.oster@nab.com.au

RICHARD COATH

General Manager,
Consumer, Health, Agri & TMI
Global Institutional Banking
National Australia Bank
+61 (0) 3 8641 2918
richard.coath@nab.com.au

WADE TUBMAN

Group Executive
Quantium
+61 (0) 2 9292 6400
wade.tubman@quantium.com.au

ABOUT QUANTIUM

Quantium is Australia's leading data analytics and marketing strategy firm. Quantium has worked with NAB for more than six years, assessing de-identified transaction data to derive insights, trends and shopping habits of different customer groups. The resulting analysis forms Market Blueprint and is used by NAB and other businesses to drive innovation and business performance through customer, distribution and marketing strategies. www.quantium.com.au

IMPORTANT NOTICE

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances. NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please [click here](#) to view our disclaimer and terms of use.