



NAB CASHLESS RETAIL SALES INDEX APRIL 2018

NAB Group Economics

- The NAB Cashless Retail Sales Index was weaker in April, down 0.6% on a month on month basis in March. This is the weakest result since December 2017 and arguably more concerning given December was affected by a strong November print. Generally most sectors were weak in April, with only cafes, restaurants and takeaway and department stores recording a month on month gain. Food recorded the weakest result, followed by clothing and footwear. **Our data mapping yields a forecast of -0.2% m/m for the official ABS measure of retail sales in April.** Our March estimate was revised up from 0.2% to 0.4% (compared to the flat ABS print).
- The data remains more encouraging on a year on year basis, with the NAB Cashless Retail Sales Index up 9.3% in April, although this was distorted by special factors (iPhone X and Black Friday) in late 2017.
- Year on year growth was positive for all six NAB Cashless Retail Index major industry groupings, although the growth rate slowed across all but one. Spending at cafes, restaurants & takeaways remains the fastest growing category (15.6% y/y). Other retailing was the next strongest at 10.5% y/y, with household goods also strong at 9.7% y/y. Food sales growth stood at 6.2% - the worst result for the category since October. Department stores grew 4.0% y/y while clothing & footwear sales growth continues to lag; only managing 3.9% y/y growth in April. For more detail see Charts 3, 7 & 8.
- Looking across Australia, year on year growth remains positive, but was slower in every state. New South Wales posted the strongest result (up 9.8% y/y s.a.), closely followed by Victoria and the Australian Capital Territory (9.7%). South Australia was up 8.6% and Western Australia 8.4%. Queensland has now been overtaken by Western Australia and recorded the weakest growth of 6.7% in April.
- The NAB Cashless Retail Index is broader than the NAB Online Retail Index and measures all cashless retail spending by consumers using debit and credit cards (both in person and online), BPAY and Paypal. The index is derived from personal transaction data from NAB platforms (around 2 million transactions per day) and offers a 2-3 week lead on ABS retail trade data. Likely reflecting the increasing popularity of online and contactless payments, the NAB Cashless Retail Index has continued to outpace the ABS measure of retail sales (11.9% y/y versus 3.1% y/y in March).
- See comments from NAB's Chief Economist, Alan Oster, on page 2.

	Year-on-year growth (%)		
	Feb-18	Mar-18	Apr-18
NAB Cashless Index	10.5	11.9	9.3
ABS Retail Trade (s.a.)	3.0	3.1	--
NAB ABS Retail Trade forecast	4.4	4.8	3.7

	Month-on-month growth (%)		
	Feb-18	Mar-18	Apr-18
Cashless Index (s.a.)	1.5	1.8	-0.6
ABS retail Trade (s.a.)	0.6	0.0	--
NAB ABS Retail Trade forecast	0.8	0.4	-0.2

Sources: NAB, Australian Bureau of Statistics (ABS). *Data seasonally adjusted (s.a.) using TRAMO/SEATS with a trading day and Easter adjustment.

Chart 1: Cashless and total retail sales

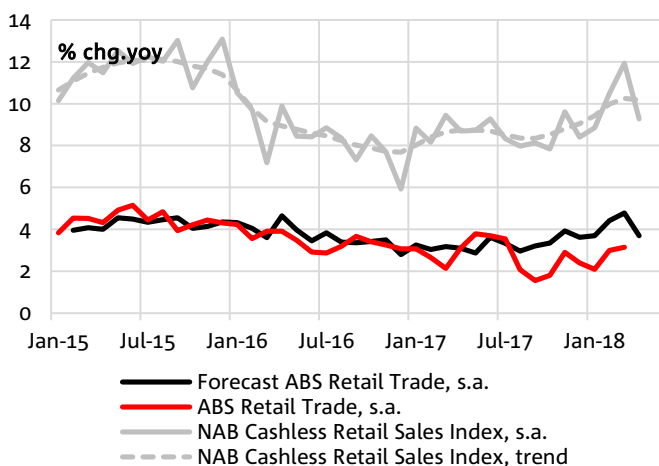
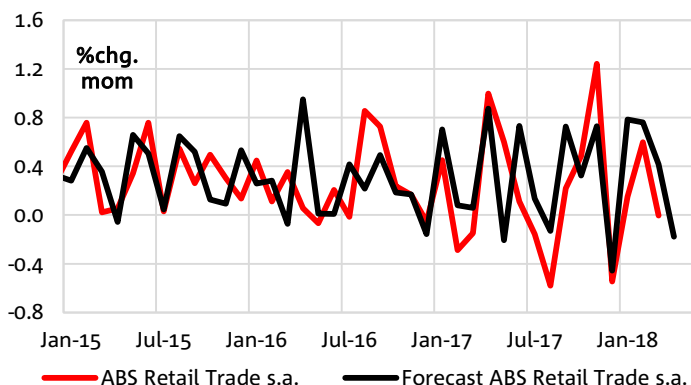


Chart 2: ABS and forecast ABS retail trade data, s.a.



NAB Chief Economist, Alan Oster commented:

The NAB Cashless Retail Sales Index for April recorded a negative month on month result (-0.6%) for the first time this year and our mapping of the “official” ABS measure points to a fall of 0.2% m/m. This is the first drop since December 2017, which followed a very strong November. More concerningly the April result comes after a flat ABS read in March.

While the monthly data are volatile, our latest Monthly Business Survey also showed retail business conditions turning negative in April for the first time this year, further suggesting that the retail sector is losing momentum again.

Four out of six sectors fell on a month on month basis, with only cafes, restaurants and takeaway and department stores recording growth. Annual growth remained positive, although the rate of growth slowed across the board. Overall, the NAB Cashless Retail Sales Index was up 9.3% y/y in April.

Across Australia, New South Wales retains top spot on an annual basis, followed by Victoria and the Australian Capital Territory. Western Australia was the only state to enjoy a higher growth rate in April and has overtaken Queensland, which is now the slowest-growing state.

NAB’s index is derived from personal transaction data from NAB platforms (around 2 million transactions per day) and includes all cashless retail spending by consumers using debit and credit cards (both in person and online), BPAY and Paypal. NAB’s Cashless Retail Index is reasonably assumed to be representative of aggregate non-cash retail sales in Australia given its large sample size. The average growth rate for NAB’s index is stronger than the official ABS measure of retail trade given that it does not capture cash transactions, which is why we use our mapping equations to forecast the official ABS measure of retail trade. RBA research suggests 18% of the value of retail trade occurred via cash in 2016. Over time, the growth rates of the two series are likely to come together.

Chart 3: Cashless retail sales by industry, s.a.



Chart 4: Cashless retail sales by state, s.a.

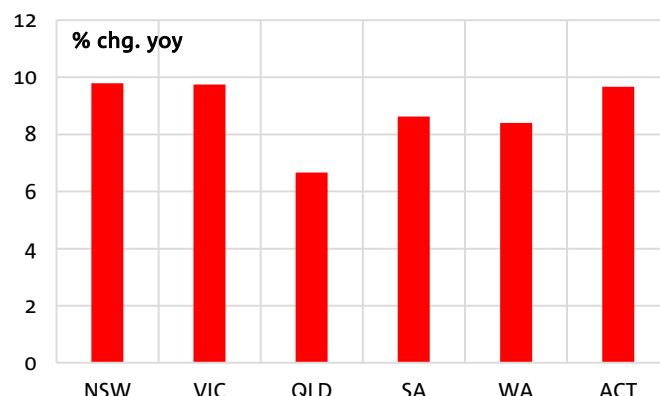


Chart 5: Cashless retail sales by sub-industry, s.a.

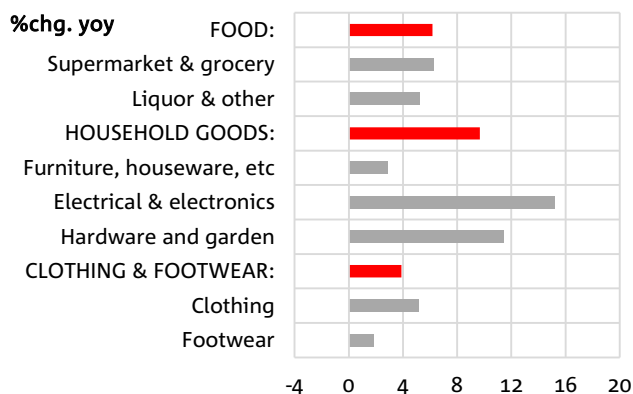


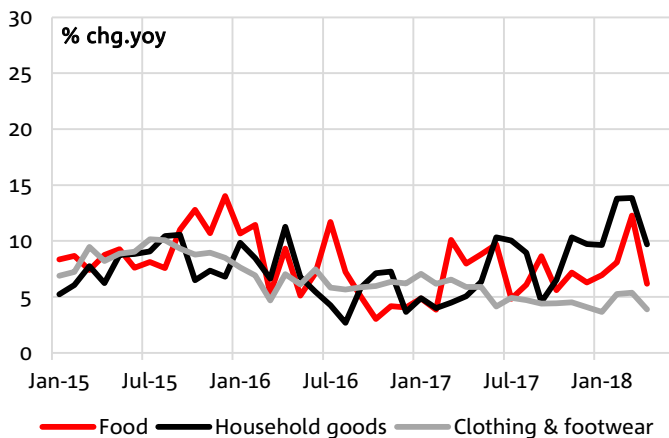
Chart 6: Cashless retail sales by sub-industry, s.a.



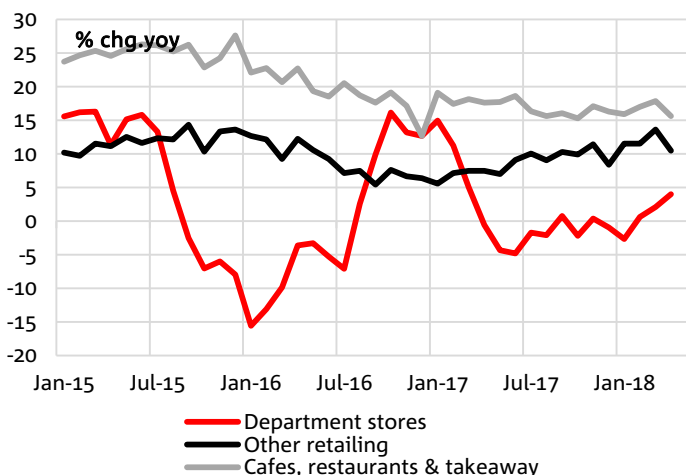
Charts 7 & 8: Cashless sales by industry, seasonally adjusted

Yearly growth in cashless retail remains positive across each of the six industries, although monthly growth was negative in all but two (cafes, restaurants & takeaway and department stores). On an annual basis, growth is highest in cafes, restaurants & takeaway and lowest in clothing and footwear. Growth in all categories except department stores slowed in April.

Cashless and total retail sales by industry, s.a.

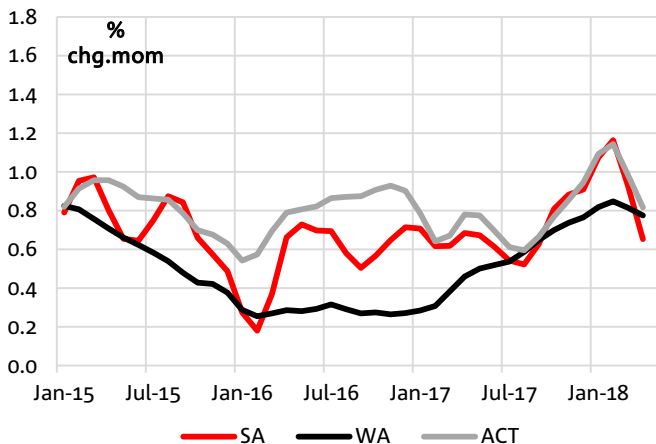
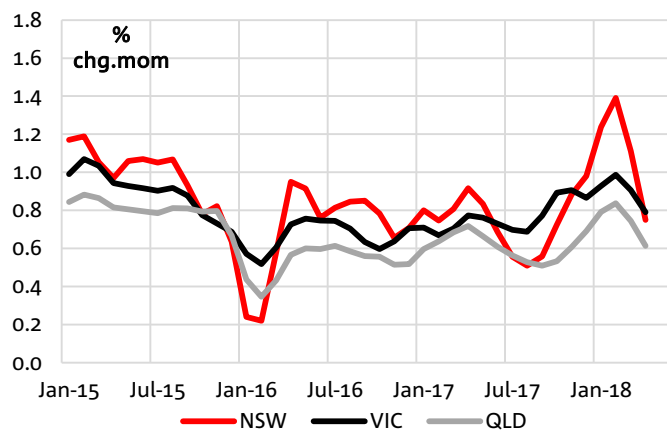


Cashless and total retail sales by industry, s.a.



Charts 9 & 10: Cashless sales by state, trend

Annual cashless sales remain solid across much of Australia, although monthly trend growth is clearly weakening. In April, all states recorded lower growth rates, with February looking like the recent peak. On an annual basis, Queensland is now the slowest-growing state.



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APPENDIX: METHODOLOGY AND COMPARISON WITH ABS RETAIL TRADE

The NAB Cashless Retail Sales Index is derived from NAB transactions data that have been assigned from particular merchant codes to retail industries by state. NAB electronic transactions data are based on an average 2 million transactions per day. The data are collected in real time at event record level, which allows significant flexibility to segment the data by time, location and merchant type. Transactions data may include EFTPOS, Credit Card, BPAY, Bank Transfers, Direct Debits and Paypal services where available, and include transactions with Australian and international merchants. Spending includes both online and offline transactions. The data excludes cash withdrawals made during a purchase and purchases made offline in an overseas location.

The data only capture electronic retail transactions (and not those through cash payments), hence it is subject to the changing nature and take-up rate of electronic payment methods relative to cash. Any growth in the overall transaction value may be attributable to either an increased preference towards card-based payments by consumers (such as near-field payment “PayWave”), or a higher level of spending across the economy by consumers, i.e. a pick-up in nominal sales. However, it is currently not possible to differentiate between these effects. Customer spending is based on where the customer lives, which may or may not be where the actual spending activity occurs. Customers without an Australian residential address are excluded.

These estimates are aggregated into national industries by applying to them the state shares of each industry from the ABS retail trade publication. State estimates are aggregated by applying the industry shares of each state from the same source. These adjustments are intended to correct for differences between the incidence of NAB transactions across industries and states when compared with the official ABS data.

The industry and state data have been seasonally adjusted using Tramo-SEATS with a trading day and Easter adjustment. Given the relatively short time frame for the data, this seasonal adjustment process should be regarded as provisional: estimates are likely to change as a longer run of data becomes available, and can be revised from month-to-month given the concurrent process. The trends have been extracted from the same process.

Our aim is to have a data series that is as reflective as possible of retail spend. As such each month we will revise previous data to take into account changes in payment processing such as chargebacks and delayed payments. Given these attributes, typically, larger revisions occur to the most recent months, and diminish as the data ages.

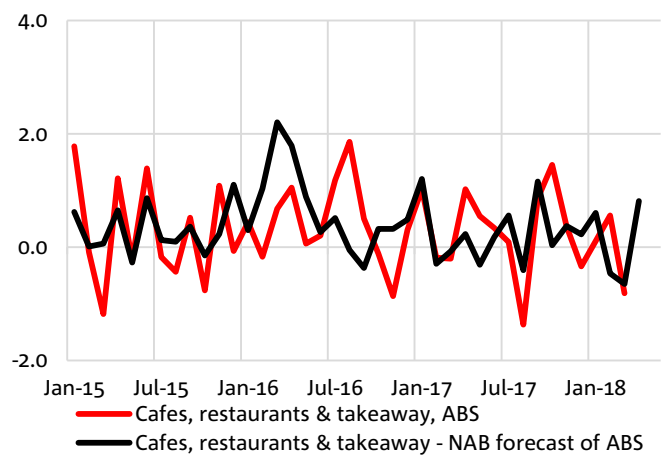
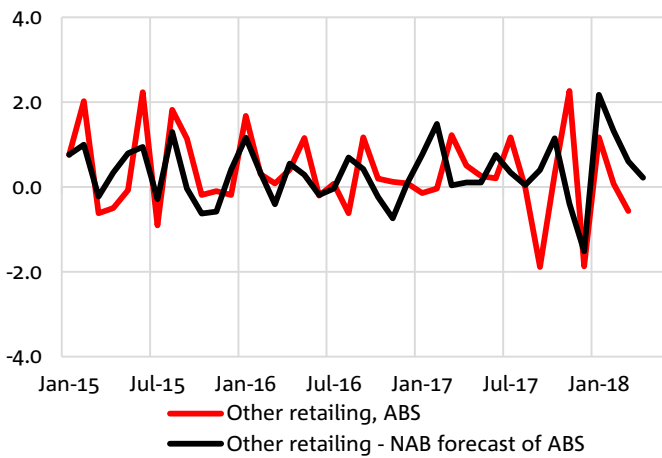
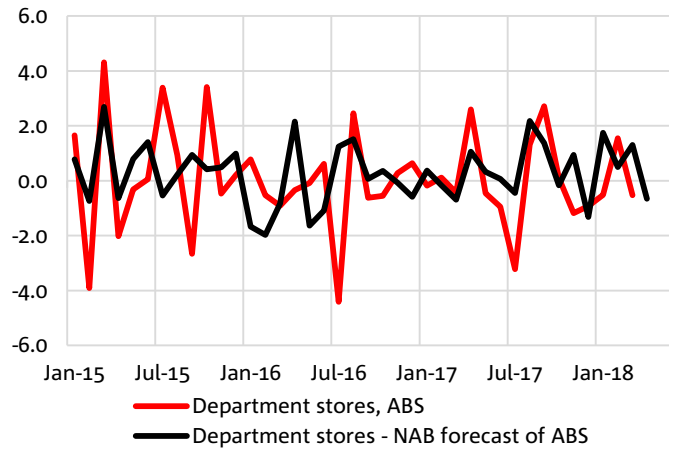
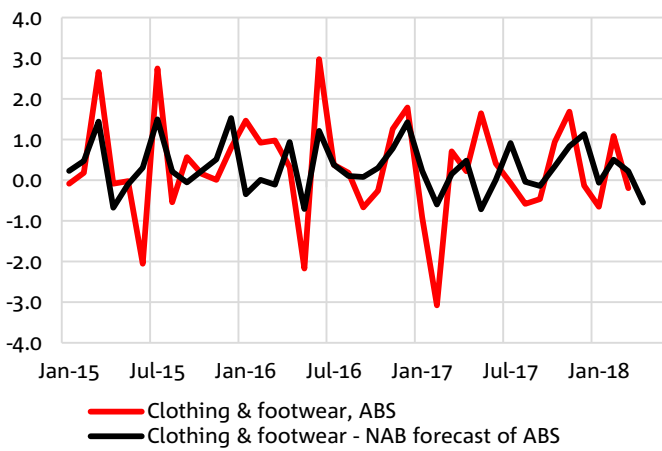
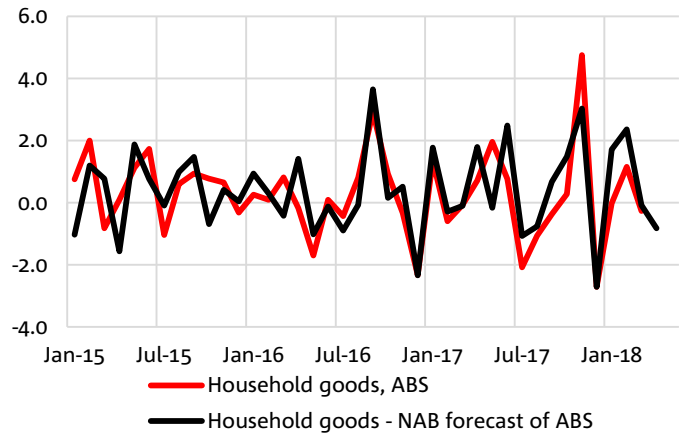
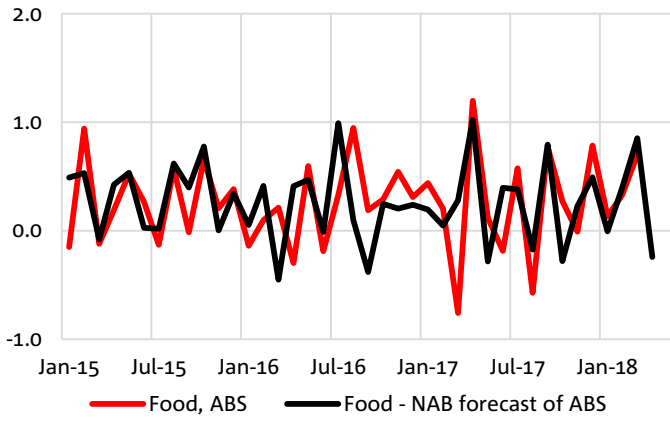
After appropriate weighting and seasonal adjustment, the components of NAB’s cashless retail index (food, household goods, clothing & footwear, department stores, other retailing and cafes, restaurants & takeaway) can generate predictions of the corresponding ABS retail trade series. Aggregating these provides a forecast of total ABS retail trade.

The charts in the appendix show the relationship between the ABS total and NAB Cashless retail sales measures mapped to the ABS using monthly seasonally adjusted data, for the main retail industry groups. The sources of difference between the two series are:

- The inclusion of cash transactions in the ABS measure and changes in their share of total transactions. This share may begin to stabilise as the penetration of contactless payment systems reaches a limit reflecting minimum spend requirements for cashless transactions and because of the existence of a proportion of merchants who deal only in cash.
- The NAB data include a larger share of online transactions (7%) than the ABS (3%).
- Changes in NAB’s market share of cashless transactions.
- Differences between the seasonality in the ABS and NAB series.

Therefore, the forecasts from the use of the NAB Cashless Retail Index should be used with caution.

Comparisons between mapped NAB series and ABS data by retail industry group, s.a. % change m/m



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