



NAB CASHLESS RETAIL SALES INDEX JULY 2018

NAB Group Economics

- The NAB Cashless Retail Sales Index gained 0.9% in July on a month-on-month basis, following a gain of 0.5% in June. Four of the six major categories saw an improvement (food, household goods, other retailing and cafes, restaurants and takeaway) while clothing and footwear saw lower (but still positive) growth and department stores turned negative.
- Our data mapping suggests that the official ABS measure of retail sales will rise only very slightly in July – up 0.1% on a month-on-month basis. The ABS printed 0.4% in June, in line with our forecast last month (although our June figure has since been revised slightly lower).
- The NAB Cashless Retail Sales Index was up a somewhat more encouraging 10.3% year-on-year in July, although this is potentially distorted by special factors from late-2017, including the new to Australia *Black Friday* sales.
- Year-on-year growth is still positive for all six NAB Cashless Retail Index major industry groupings. Cafes, restaurants & takeaways remains the fastest growing category (16.1% y/y), strengthening after slightly weaker results in May and June. Food was the next strongest category at 11.2% y/y (also strengthening), followed by clothing and footwear (8.7%), other retailing (7.8%), department stores (7.2%) and household goods (6.8%). For more detail see Charts 3, 7 & 8.
- The convergence in retail spending patterns across Australia, which has been present for some months, continued in July. The ACT remains the strongest performer in the monthly data, but NSW, Vic, Qld, SA and WA all grew within a 0.2pp range in July on a monthly basis. This gap was 0.6pp as recently as February 2018.
- 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 (10.2% y/y versus 2.9% y/y in June).
- See comments from NAB’s Chief Economist, Alan Oster, on page 2.

	Year-on-year growth (% s.a.)		
	May-18	Jun-18	Jul-18
NAB Cashless Index*	10.5	10.2	10.3
ABS Retail Trade	2.5	2.9	--
NAB ABS Retail Trade forecast	4.2	4.0	3.7

	Month-on-month growth (% s.a.)		
	May-18	Jun-18	Jul-18
NAB Cashless Index*	0.8	0.5	0.9
ABS retail Trade	0.4	0.4	--
NAB ABS Retail Trade forecast	0.0	0.3	0.1

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

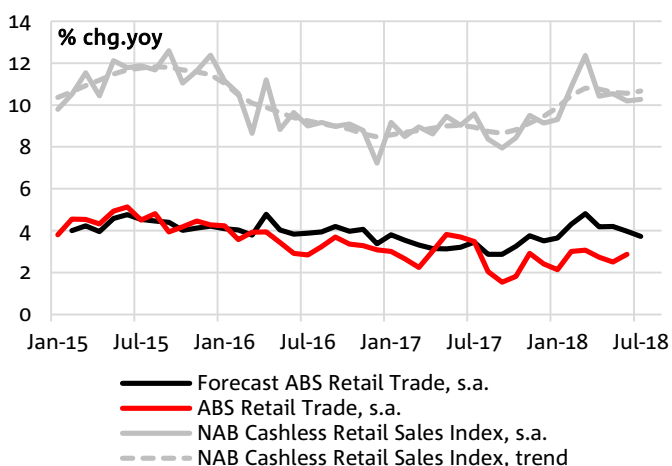
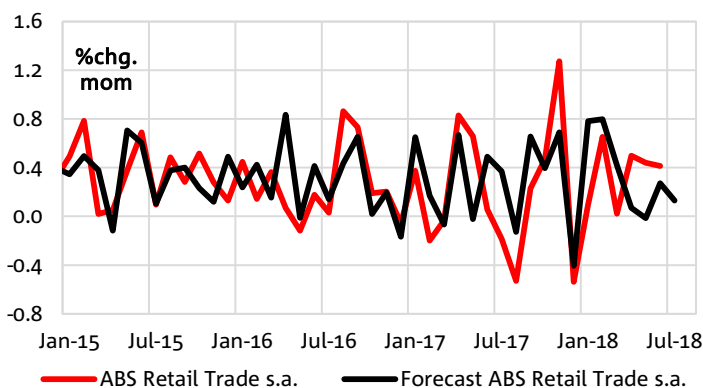


Chart 2: ABS and forecast ABS retail trade data, s.a.



NAB Chief Economist, Alan Oster commented:

The NAB Cashless Retail Sales Index strengthened in July, gaining 0.9% month-on-month following a rise of 0.5% in June. However, our mapping of the “official” ABS measure points to considerably weaker monthly growth of 0.1%. Our forecasts for the ABS measure tended to be stronger than the ABS prints in Q1, but were weaker in April and May, and very close in June.

While the monthly data are volatile; we continue to observe weakness in the retail sector in other data, such as the NAB Monthly Business Survey. The retail sector once again saw the weakest business conditions in the July Monthly Business Survey, although retail inflation picked up in July after a flat June.

Ultimately, while wage growth remains low, consumers will be fairly reluctant to spend. That said, our forecasts point to a pick-up in wage growth, in line with our expectation of moderately lower unemployment.

NAB Cashless Retail Sales Index month-on-month results were improved across four of the six sectors. Only one sector (department stores) saw negative growth in July. Over the year, growth remains positive across all six sectors. Overall, the NAB Cashless Retail Sales Index was up 10.3% y/y in July.

Cashless retail sales growth continues to converge across Australia. The ACT is the fastest growing jurisdiction on a monthly basis and is equal first with New South Wales on a year ended basis. Queensland remains the weakest performer on both a monthly and year ended basis.

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.

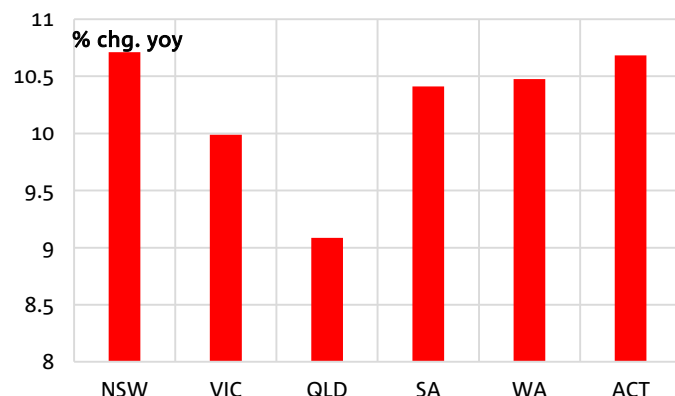


Chart 5: Cashless retail sales by sub-industry, s.a.

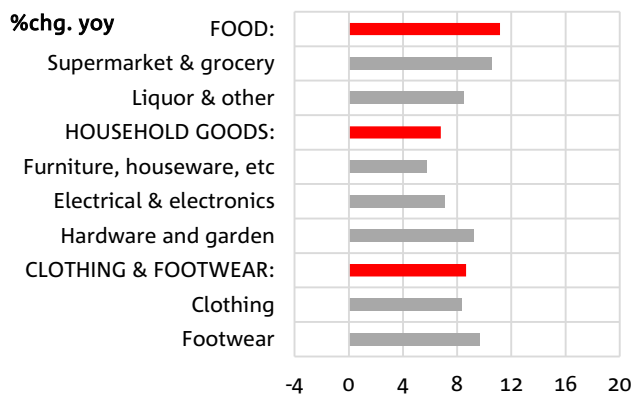
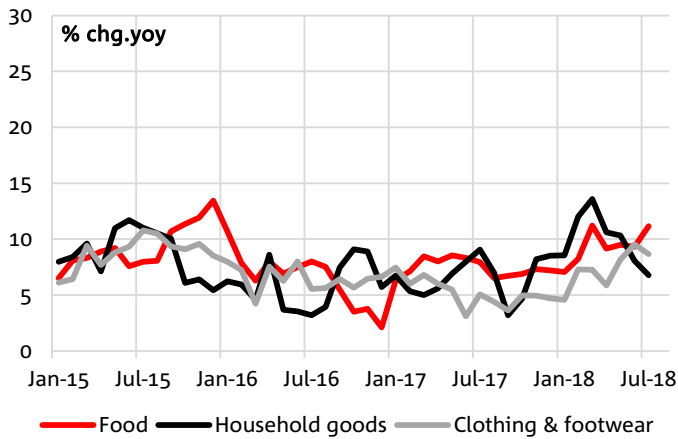


Chart 6: Cashless retail sales by sub-industry, s.a.

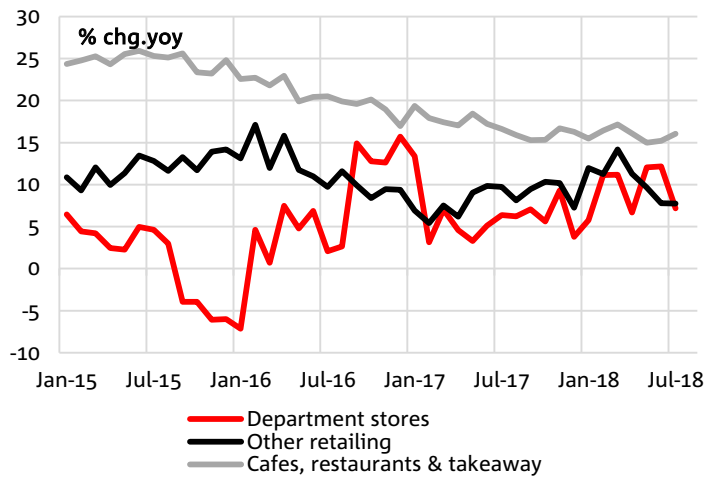


Charts 7 & 8: Cashless sales by industry, seasonally adjusted

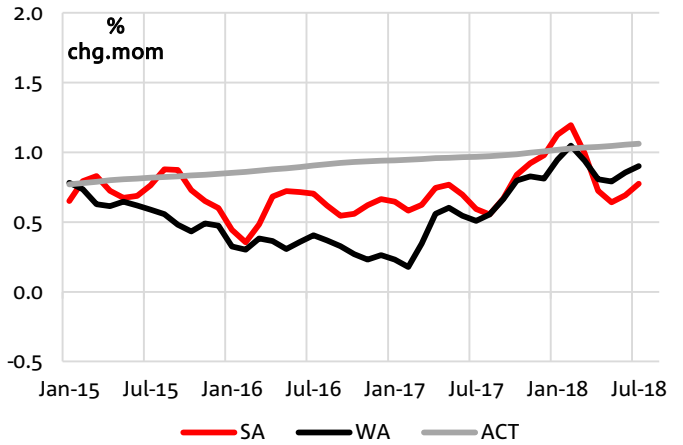
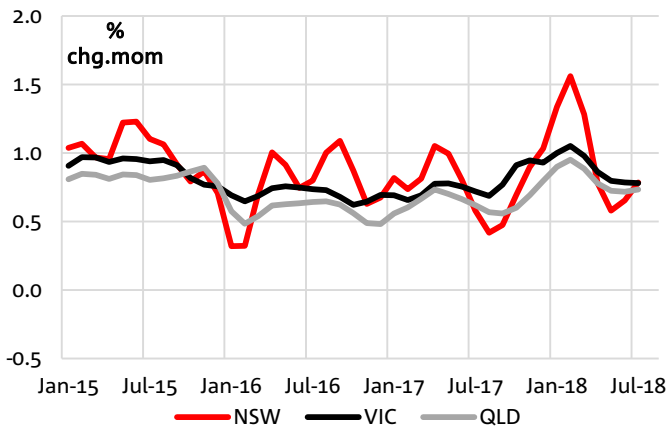
Cashless and total retail sales by industry, s.a.



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



Charts 9 & 10: Cashless sales by state, trend



AUTHORS

Alan Oster, Group Chief Economist, +61 414 444 652, Alan.Oster@nab.com.au

Phin Ziebell Senior Economist, +61 475 940 662

Brien McDonald, Senior Economist, brien.mcdonald@nab.com.au

Rob Brooker, Manager – Economic Modelling

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.

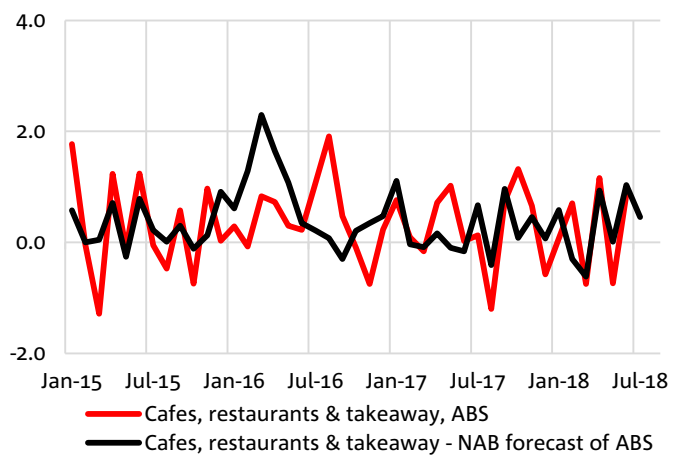
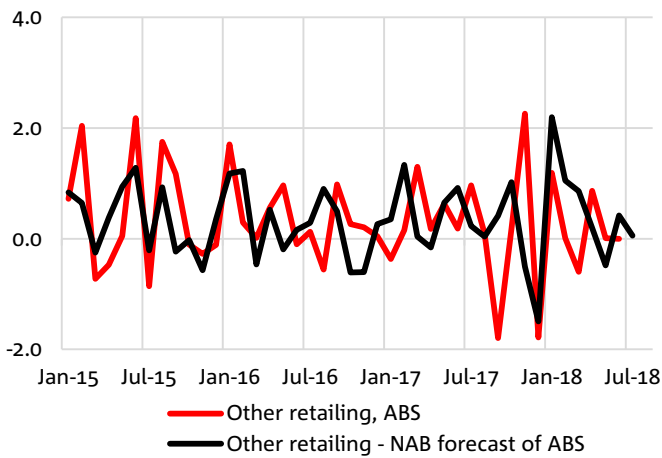
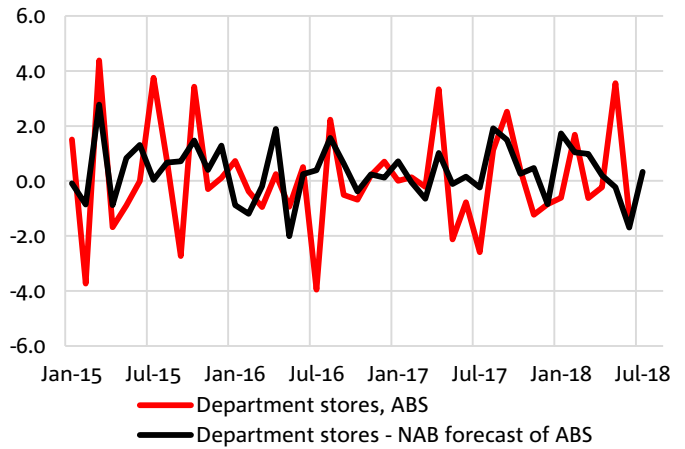
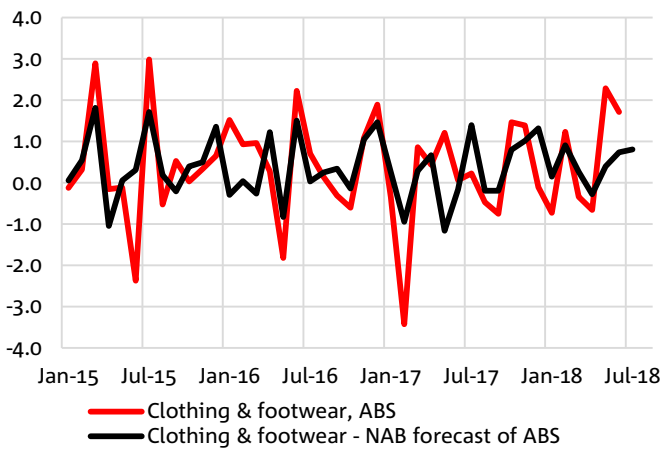
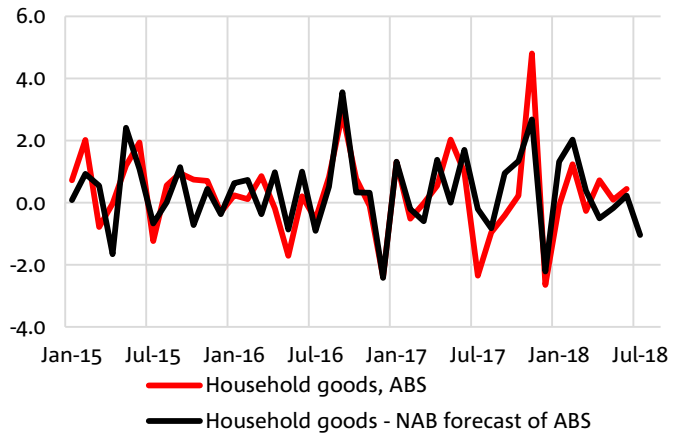
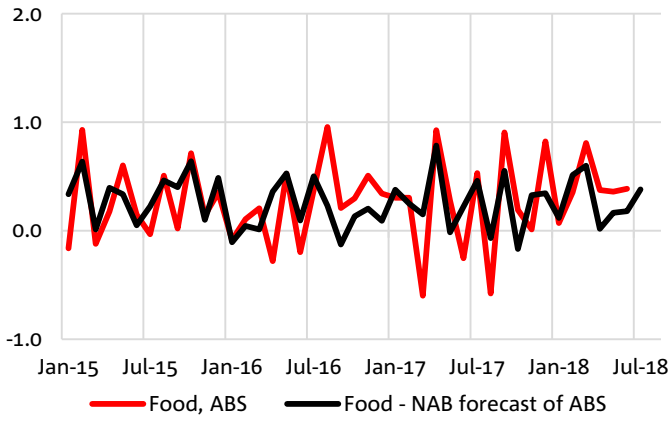
After appropriate weighting and seasonal adjustment, the components of NAB’s cashless retail index (food, household goods, clothing & footwear, department stores, other retailing and cafes, restaurants & takeaway) can generate predictions of the corresponding ABS retail trade series. Aggregating these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



Group Economics

Alan Oster
Group Chief Economist
+(61 3) 8634 2927

Jacqui Brand
Personal Assistant
+(61 3) 8634 2181

Australian Economics and Commodities

Tony Kelly
Senior Economist
+(61 3) 9208 5049

Gareth Spence
Senior Economist
+(61 0) 436 606 175

Phin Ziebell
Senior Economist
+(61 0) 475 940 662

Rob Brooker
Manager – Economic
Modelling

Behavioural & Industry Economics

Dean Pearson
Head of Behavioural & Industry
Economics
+(61 3) 8634 2331

Robert De lure
Senior Economist – Behavioural &
Industry Economics
+(61 3) 8634 4611

Brien McDonald
Senior Economist – Behavioural &
Industry Economics
+(61 3) 8634 3837

Steven Wu
Economist – Behavioural &
Industry Economics
+(61 3) 9208 2929

International Economics

Gerard Burg
Senior Economist – Asia
+(61 3) 8634 2788

John Sharma
Economist
+(61 3) 8634 4514

Global Markets Research

Peter Jolly
Global Head of Research
+(61 2) 9237 1406

Ivan Colhoun
Chief Economist, Markets
+(61 2) 9237 1836

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.