



NAB CASHLESS RETAIL SALES INDEX NOVEMBER 2018

NAB Group Economics

- The NAB Cashless Retail Sales Index rose 0.6% in November on a month-on-month basis, repeating its 0.6% (revised) increase in October. All six major categories grew in the month; although the rate of growth for cafes, restaurants and takeaways was significantly lower compared to October.
- Our data mapping suggests that the official ABS measure of retail sales will grow at 0.4% month-on-month in November, up slightly from the 0.3% ABS print in October. While this is superficially a slight improvement, November saw widespread sales for Black Friday and Cyber Monday. Because these events are relatively new to Australia, it is unlikely that they have been fully captured by the seasonal adjustment methodology. This means, in underlying terms, retail sales in November were surprisingly weak. Also, if some Christmas spending was brought forward by these sales, a potentially weak result may also be on the cards for December.
- The NAB Cashless Retail Sales Index was up 9.1% year-on-year in November. Year-on-year growth is positive for all six NAB Cashless Retail Index major industry groupings. Cafes, restaurants & takeaways remains the fastest growing category (although moderating somewhat to 13.9% y/y), followed by department stores (10.3%), food (9.8%), clothing and footwear (6.5%), household goods (5.6%), and finally other retailing (2.5%). This is the weakest result for other retail since the beginning of the series in 2015. For more detail see Charts 3, 7 & 8.
- 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 (10.1% y/y versus 3.3% y/y in October).
- See comments from NAB’s Chief Economist, Alan Oster, on page 2.

	Year-on-year growth (% s.a.)		
	Sep-18	Oct-18	Nov-18
NAB Cashless Index*	10.0	10.1	9.1
ABS Retail Trade	3.6	3.6	--
NAB ABS Retail Trade forecast	3.6	3.3	2.8

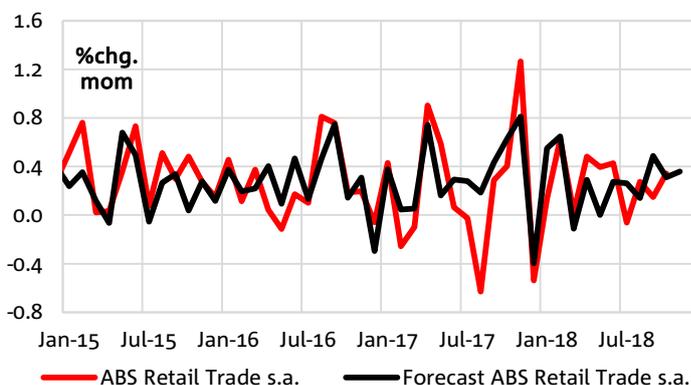
	Month-on-month growth (% s.a.)		
	Sep-18	Oct-18	Nov-18
NAB Cashless Index*	0.2	0.6	0.6
ABS retail Trade	0.1	0.3	--
NAB ABS Retail Trade forecast	0.5	0.3	0.4

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 recorded 0.6% month-on-month growth in November. Our mapping of the “official” ABS measure points to a print of 0.4% for November, gaining slightly on October’s 0.3%.

While this is a superficially positive headline result, November saw extensive promotion of Black Friday and Cyber Monday sales – relatively new events for Australia. These events are unlikely to be fully captured by the current seasonal adjustment patterns just yet, which means the underlying result is likely somewhat weaker. Furthermore, these events have probably brought forward some Christmas spending, which points to a downside risk for December retail sales.

The **NAB Monthly Business Survey** presents a generally sombre picture for retail. The retail sector recorded the weakest trend business conditions for any sector in November. Moreover, retail is currently the only industry to record deteriorating conditions (-4 index points). That said, retail prices increased somewhat for the month.

For some time, we have forecast only modest growth for household consumption. We believe a confluence of headwinds will continue to weigh on consumer spending over the next two years. Ongoing weak wage growth has weighed on household income growth for some time. While it appears to date that households have maintained spending by reducing their rate of saving, this cannot continue indefinitely. High debt levels and slower growth in household wealth are also likely to weigh on sentiment. Therefore we think the outlook for the retail sector is likely to remain relatively weak. For more information on our economic outlook, see **The Forward View: Australia**.

State level data has been something of a surprise this month. Victoria recorded the second strongest year on year growth in October, but the second weakest in November. While the data can be somewhat volatile, we will keep a close eye on further developments at a state level.

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.

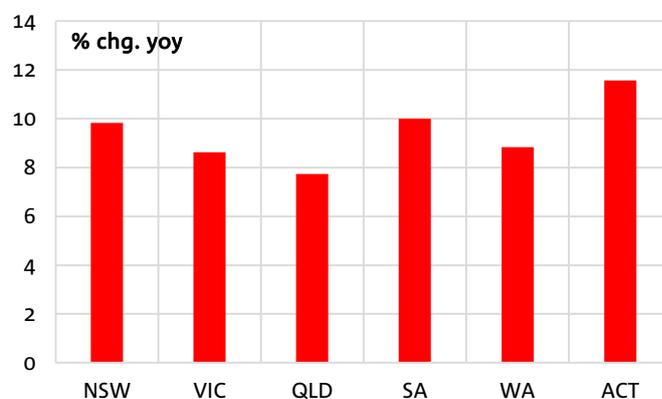


Chart 5: Cashless retail sales by sub-industry, s.a.

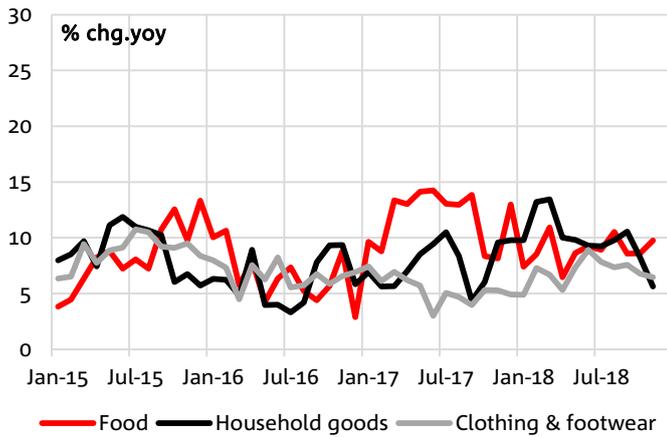


Chart 6: Cashless retail sales by sub-industry, s.a.

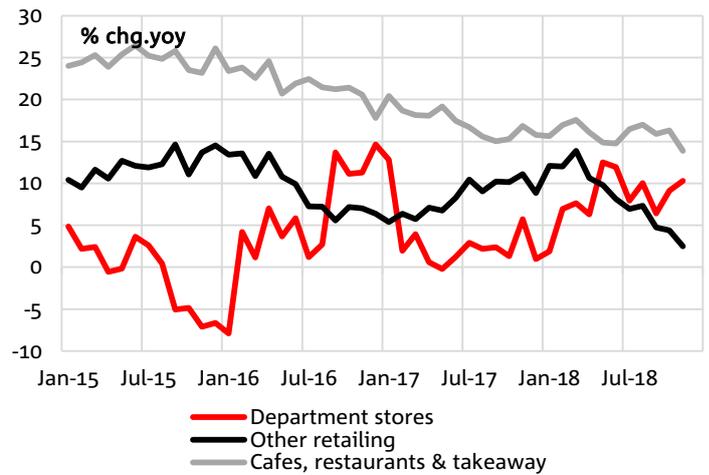


Charts 7 & 8: Cashless sales by industry, seasonally adjusted

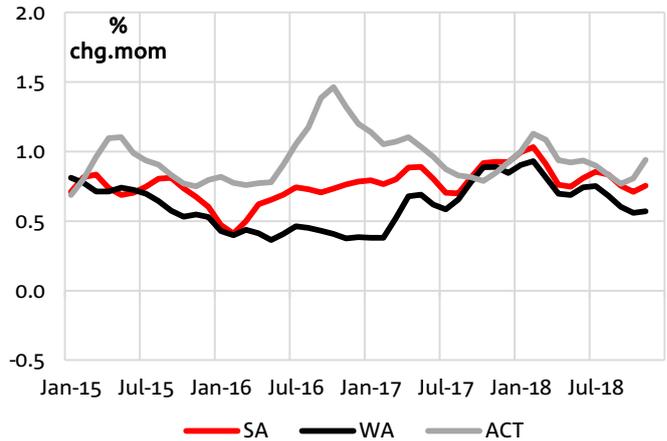
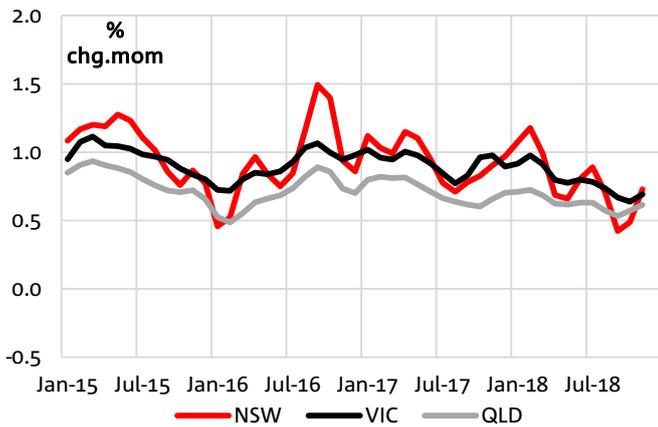
Cashless and total retail sales by industry, s.a.



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



Charts 9 & 10: Cashless sales by state, trend



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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.

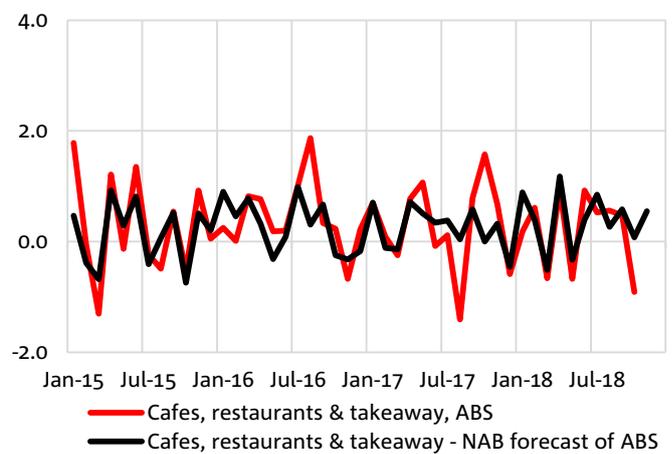
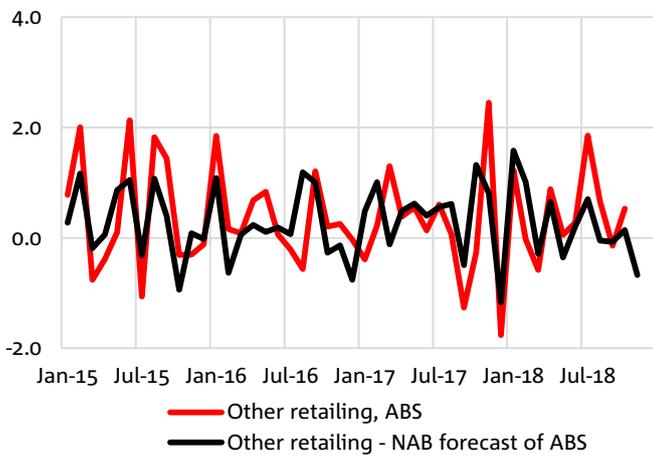
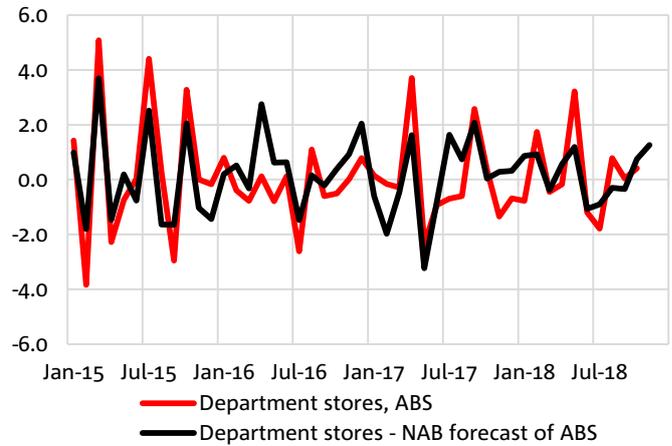
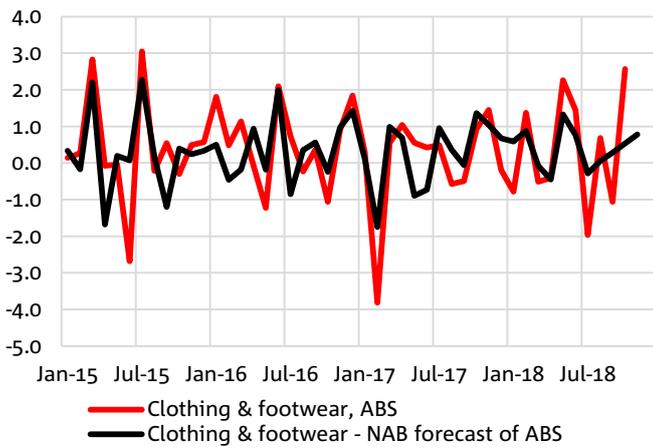
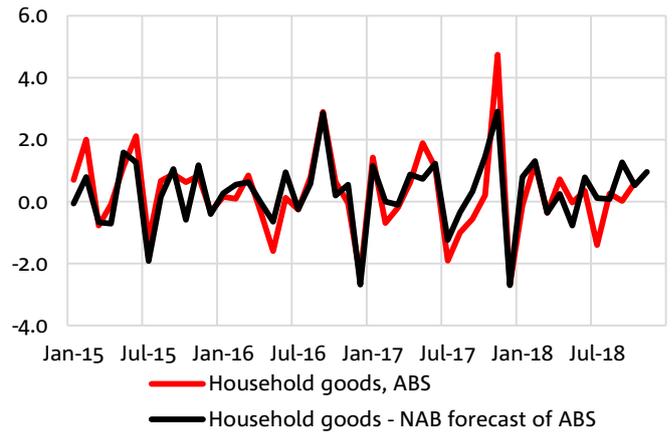
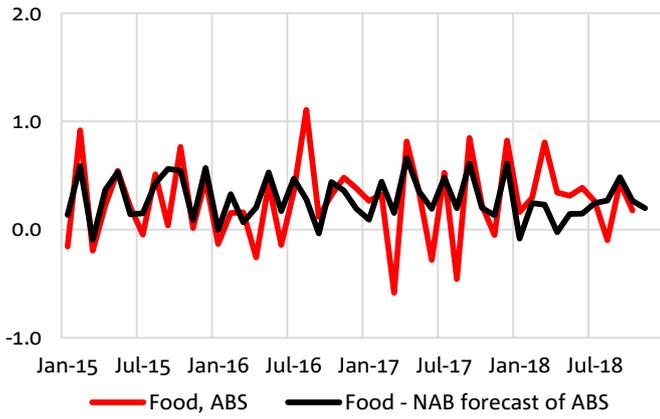
After appropriate weighting and seasonal adjustment, the components of NAB’s cashless retail index (food, household goods, clothing & footwear, department stores, other retailing and cafes, restaurants & takeaway) can generate predictions of the corresponding ABS retail trade series. Aggregating these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