



NAB ONLINE RETAIL SALES INDEX

MONTHLY REPORT – AUGUST 2018

ONLINE SALES GROWTH SLOWER OVER THE MONTH AND YEAR

- ★ NAB Online Retail Sales Index (NORSI) in August (+0.7% mom s.a.) slowed relative to July (1.1%). 12 months to growth also slowed in August, with sales up 16.3% compared to July (18.3%). Trend online retail sales also slowed.
- ★ ABS data on traditional retailers showed month on month seasonally adjusted sales were flat (0.0%) in July, substantially outpaced by NORSI in that month.
- ★ Our revised estimate puts Australian online spend at around \$27.8 billion over the 12 months to August 2018. This is equivalent to 8.8% of spending at traditional bricks & mortar retailers, as measured by the ABS in the 12 months to July 2018.
- ★ Generally moderate slowing for six of nine categories in August, with only three categories accelerating in 12-months to growth terms. Fastest 12-months-to growth was recorded by games and toys stores, whose sales accelerated (44.8% August vs 36.9% 12 months to July) along with second fastest grocery and liquor (22% vs 20.5%) and food catering (12.1% vs 7.6%). Media was third fastest in 12 months to terms, albeit slowing (18.5 vs 19.7), and the smallest spend share, daily deals, was fourth (15.5%). The largest sales category, homewares and appliances also slowed (14% vs 17%), along with fashion (13.7% vs 18.7%), department stores (10.8 vs 18.1%) and personal and recreational (9.4% vs 15.5%).
- ★ SME merchants represent over 36% of all online sales. Seasonally adjusted SME sales slowed more rapidly in August (0.2%, mom s.a.), relative to large online retailers.

| | 12 months to (% nsa) | | |
|--------------|----------------------|---------|-----------|
| | June-18 | July-18 | August-18 |
| Online index | 17.5 | 18.3 | 16.3 |
| SME Index | 21.1 | 23.3 | 19.9 |
| ABS Retail | 2.6 | 2.6 | N/A |

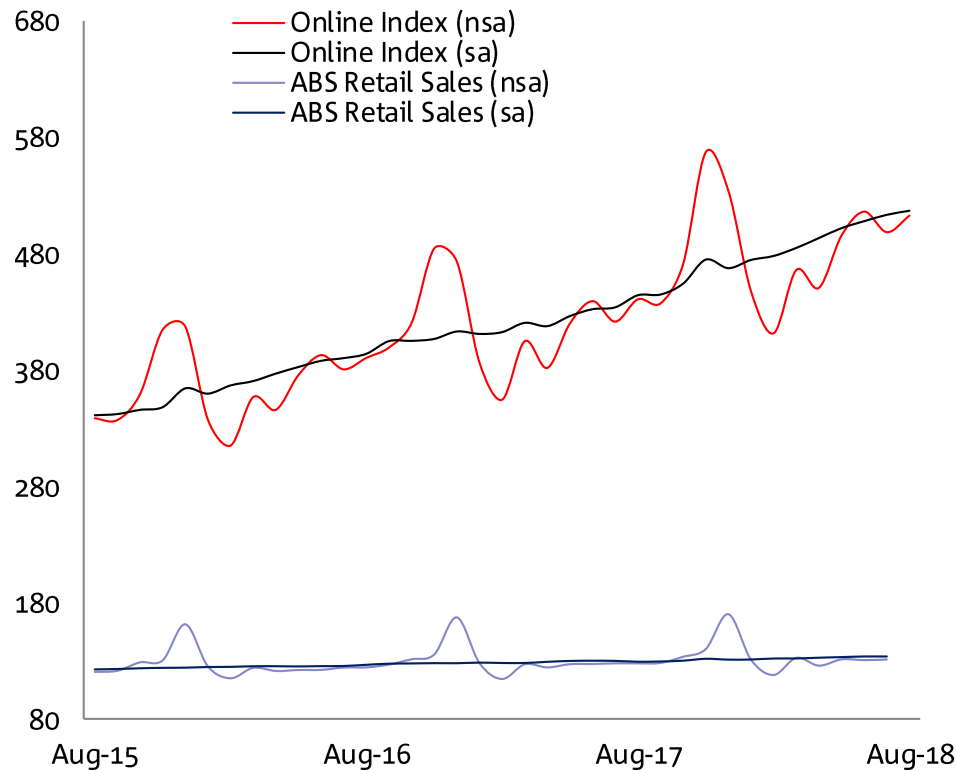
| | Month-on-month growth (%) | | |
|---------------|---------------------------|---------|-----------|
| | June-18 | July-18 | August-18 |
| Online (s.a.) | 1.2 | 1.1 | 0.7 |
| SME (s.a)* | 0.3 | 2.3 | 0.2 |
| Online Trend* | 1.3 | 1.1 | 0.9 |

*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).

ONLINE RETAIL STATISTICS

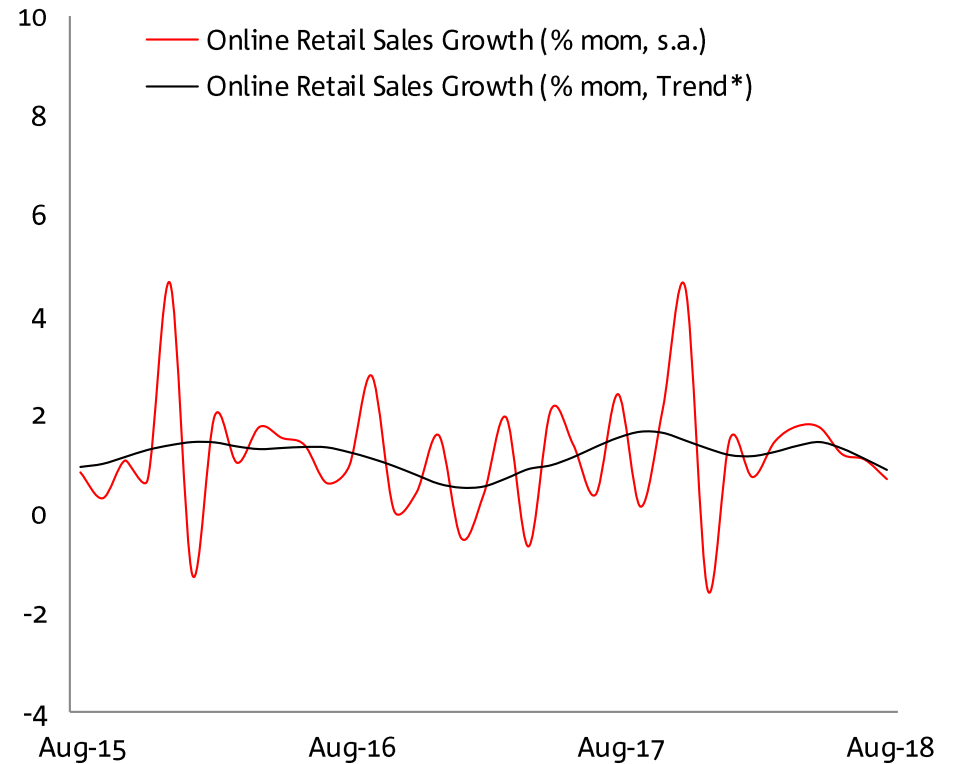
August 'original' monthly sales was in-line with the regular seasonal pattern.

Chart 1
INDEX - ONLINE RETAIL VS. ABS RETAIL SALES
 (Jan 2010 = 100)



Trend online retail growth is still above the lows of the early 2017, but is turning down.

Chart 2
GROWTH IN ONLINE RETAIL
 (% mom)



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NOTES

Size Estimate revision:

This month we have identified and incorporated additional brands into the online index history that were previously excluded. The additional brands have added over half a billion to our annual estimated of online spend.

12 Month to: Change on the corresponding period last year. For this report it is the monthly value this year relative to the monthly value the previous year. This was previously quoted as Year on Year (yoy).

Month on Month (MoM): Change on the previous month. For this report it is the monthly value this month relative to the monthly value the previous month.

Revision to Trend Series:

We publish the seasonally adjusted month on month change. We incorporate a Henderson 13 term trend as the trend value. 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.

Effect of buy now, pay later payment facilitators:

With the advent of buy now pay later payment facilitators, payments made for the final good purchased are facilitated by a third party. These transactions mask the ability to identify final merchant categories. Fashion and Personal & Recreational goods are the categories most affected by the emergence of these payment facilitators. As such, it is likely that sales at these categories are being understated in recent index estimates.

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