



# NAB CASHLESS RETAIL SALES INDEX NOVEMBER 2019

*NAB Group Economics*

## HIGHLIGHTS

- Our data mapping suggests that the ABS retail trade measure will rise 0.6% m/m in November. The ABS printed a flat (0.0%) result in October, clearly below our forecast of 0.4% (revised to 0.3%).
- There are two key factors at play that should support a higher headline ABS print in November: retail prices and the expanded Black Friday sales. The **NAB Monthly Business Survey** has picked up signs of higher retail prices in the last two months, which would likely flow through to ABS nominal retail sales data.
- Perhaps more importantly, the much-expanded Black Friday sales may not be fully incorporated into the ABS's seasonal adjustment process, likely boosting the headline seasonally adjusted figure. To the extent that some Black Friday shopping represents Christmas shopping brought forward, this could put downward pressure on the ABS December print. It is also possible that Black Friday pulled some spending that would traditionally occur earlier in November. Much of the growth in November came from clothing and footwear, household goods, and department stores – a trend consistent with our hypothesis that the Black Friday sales had an outsized impact on the results.
- For more information on the impact of Black Friday, see our special in-focus section on page 3.

## COMMENTS FROM NAB GROUP CHIEF ECONOMIST ALAN OSTER

*Our forecast points to a solid ABS retail headline figure for November – the strongest result since February this year if it transpires. However, there are reasons to doubt this represents a return to strength for the sector. Our Monthly Business Survey has been picking up higher retail prices recently which appear to be an attempt to recapture margin in the face of higher input costs. The much-expanded Black Friday –Cyber Monday retail sales are important because they are a reasonably new, and increasingly important, phenomenon, which means that the ABS's seasonal adjustment processes may not fully capture them. If this at least partly represents Christmas spending being brought forward, December may have some downside risk.*

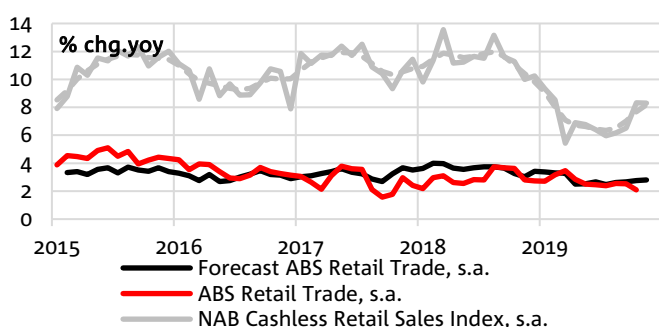
*Ultimately, it remains our view that retail sector fundamentals will continue to underperform. Higher unemployment, sluggish wage growth and elevated debt will keep the brakes on spending growth, interest cuts notwithstanding. Ultimately, more stimulus is needed to fundamentally change this equation.*

Year-on-year growth (% s.a.)			
	Sep-19	Oct-19	Nov-19
NAB Cashless Index*	6.5	8.3	8.3
ABS Retail Trade	2.5	2.1	--
NAB ABS Retail Trade forecast	2.7	2.7	2.8

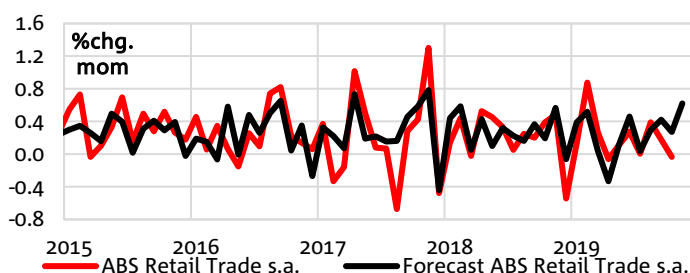
Month-on-month growth (% s.a.)			
	Sep-19	Oct-19	Nov-19
NAB Cashless Index*	0.3	1.6	0.6
ABS retail Trade	0.2	0.0	--
NAB ABS Retail Trade forecast	0.4	0.3	0.6

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**

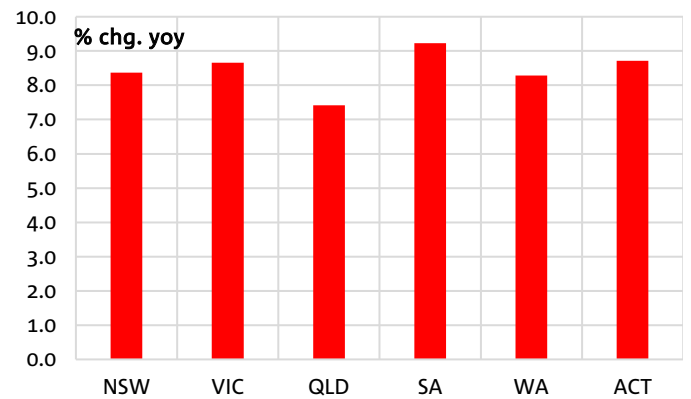


## DETAILED CHARTS

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



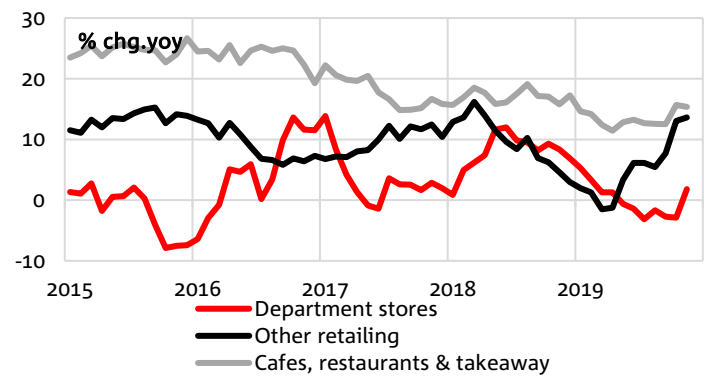
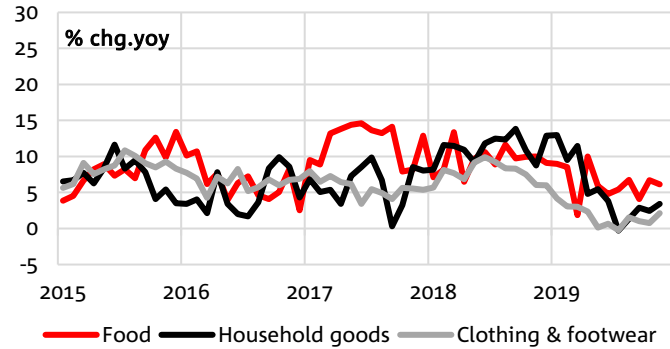
**Chart 4: Cashless retail sales by state, s.a.**



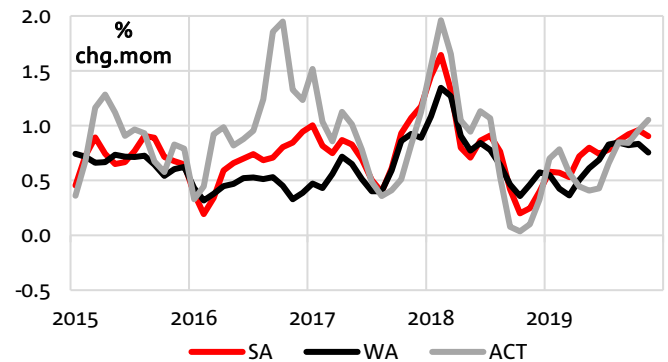
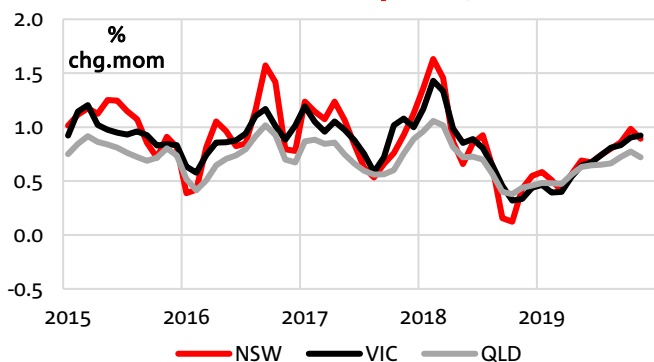
**Charts 5&6: Cashless retail sales by sub-industry, s.a.**



**Charts 7&8: Cashless sales by industry, s.a**



**Charts 9&10: Cashless sales by state, trend**



## IN FOCUS: THE IMPACT OF BLACK FRIDAY SALES

Given the relatively subdued pace of retail sales growth there has been increased focus on sales day events. The sales event known as Black-Friday has drawn interest given high profile promotions around the event. For our analysis we have looked at the sales event day and compared it to the same sales event in previous years. While we don't attempt to identify each participating merchant, we look at changes in spending at the category level. The categories we did not include in this analysis were takeaway food, grocery and liquor, and motor vehicle retailing.

We note for this sales event that merchants continued sales across the weekend and some started sales early (and can even cross into December). However, in this report we only look at the sales recorded on the Friday. We then also look at their significance relative to the whole of November.

From a shaky start earlier in the decade, this sales event day event appears to be growing. Chart 11 below shows sales on Black Friday for selected categories - those most likely covered by the Black Friday event (online and instore) - increased about 45% on the corresponding sales event day in 2018.

Chart 12 shows that by category, compared to the event same day 2018, by far the largest growth was recorded for sales in games and toys (75% growth). However, while the spend share for this category has grown from 2013, in our data, it still represents only about 8% of sales on the day. The share of spend on Black Friday for this category has nearly doubled since 2013, with the sales share of personal and other goods and fashion also growing. The key category drivers of the overall growth figure were personal and other goods and household goods.

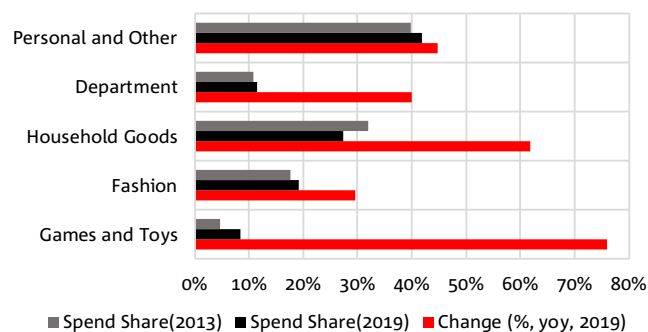
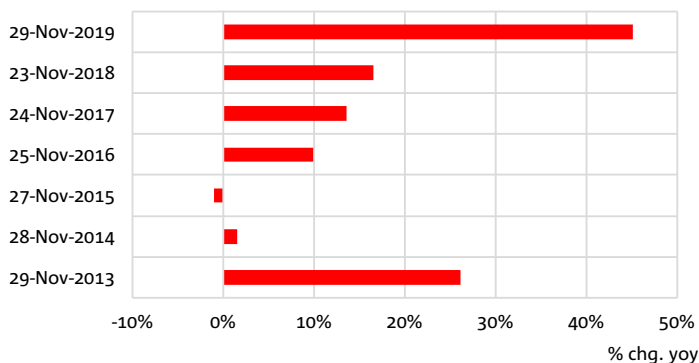
It is likely that these sales events are shifting the period when sales occur without adding to total sales. Our data suggests that Black Friday was just over 6% of total November sales. In 2012, this figure was just under 4%. It is also worth comparing the number of days in the month where sales are above the daily average in the month. November typically has between 14 and 18 days where the sales on a given day exceeded average daily sales in the month. In 2019, there were only 10 days where the sales on those days exceeded the daily average for the month.

An alternative is to compare sales against the average for that weekday (e.g. compare each Monday's sales in the month against the average of Monday sales in that month). On this like with like basis, in November 2019, there were 12 days which were above the average. Of these 12 days, 7 were at the end of the month. This would tend to indicate that there has been a shift in spending patterns within the month.

All these factors are contributing to changing patterns of spending within months and across months. This is problematic for the seasonal adjustment process, contributing to swings in the monthly retail sales data.

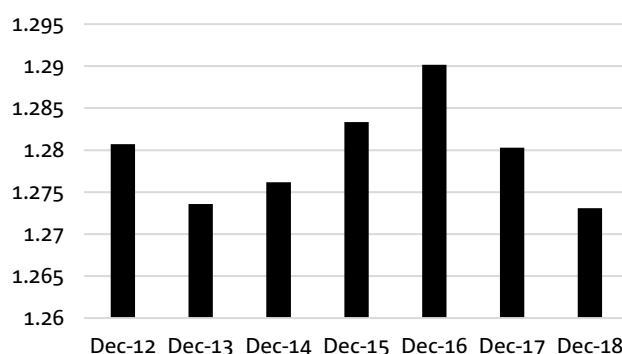
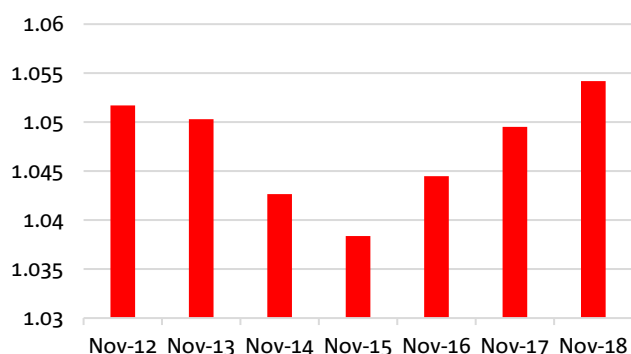
**Chart 11: Sales growth – total of selected categories**

**Chart 12: Black Friday sales by category**



**Chart 13: ABS November Seasonal Factor**

**Chart 14: ABS December Seasonal Factor**



## ABOUT THE INDEX

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.

RBA research suggests 18% of the value of retail trade occurred via cash in 2016. We use mapping equations to forecast the official ABS measure of retail trade. Over time, the growth rates of the two series are likely to come together.

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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.

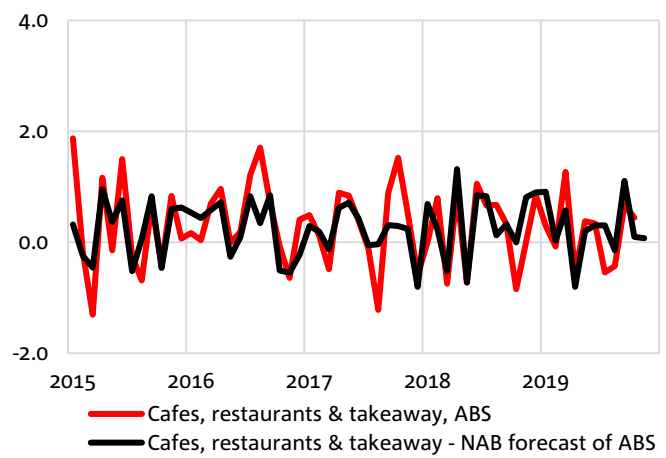
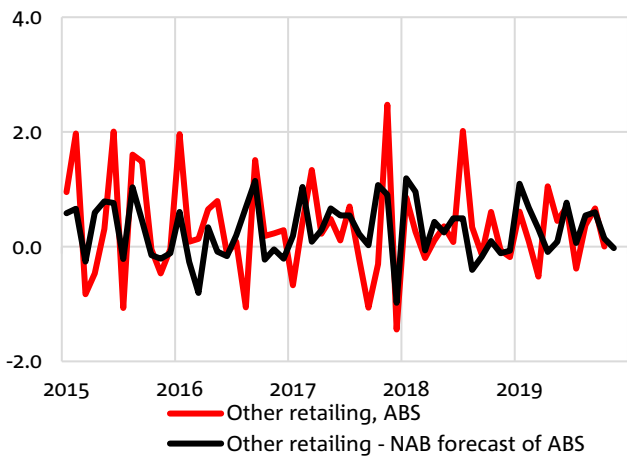
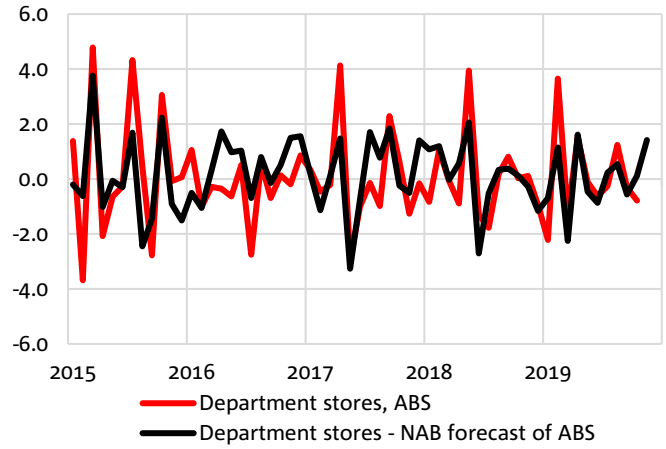
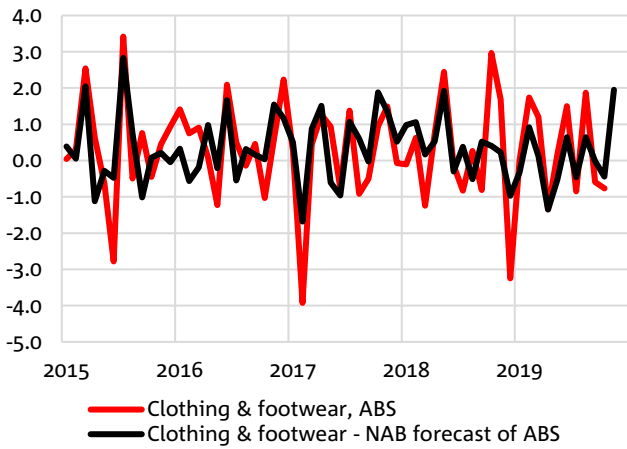
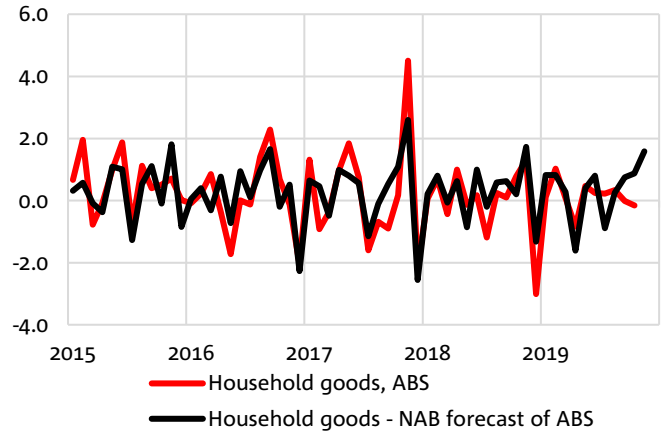
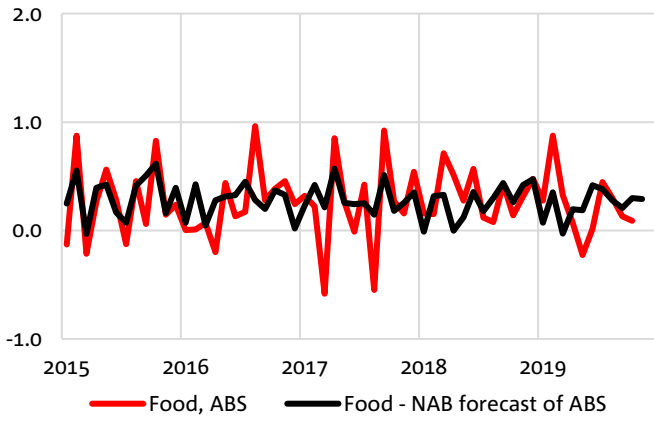
After appropriate weighting and seasonal adjustment, the components of NAB’s cashless retail index (food, household goods, clothing & footwear, department stores, other retailing and cafes, restaurants & takeaway) can generate predictions of the corresponding ABS retail trade series. Aggregating these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