



NAB ONLINE RETAIL SALES INDEX AUGUST 2020

NAB Group Economics

- The NAB Online Retail Sales Index continued to grow in August (4.2%), albeit slower than July, on a month-on-month, seasonally adjusted basis. Victoria again contributed heavily to the headline this month.
- In year-on-year terms, the growth in the NAB Online Retail Sales Index (+60.6% y/y) slowed a little from the record set in July.
- Results by category were mixed in month-on-month growth terms. Growth was led by larger sales categories, department stores, personal and recreational goods, and smaller sales category, games and toys. Second largest category, grocery and liquor, has now recorded continuous growth for the past 14 months, while largest sales category, homewares and appliances was flat in the month. The result for this category was saved from contraction by a strong growth in Victoria, and to a lesser extent, NT. At the other end of the scale, media contracted, and is by far the slowest in year-on-year terms. For more detail, see Charts 3, 5, 7 & 8 and table 3 below.
- In month-on-month terms, Victoria again led growth, with the result well above the other states. NSW, SA and ACT also recorded growth, albeit far more moderate. Of the larger sales states, Queensland and WA recorded a contraction. NT, and Tas. also contracted in the month, with the latter recording four consecutive months of contraction. In year-on-year terms, all states recorded double digit growth, with Vic. leading overall, now more than double what it was in the same month 2019. See charts 4,6,9-14, and table 3 for more detail.
- Sales in metro areas recorded growth, albeit slowing, in August, while regional areas contracted slightly. Both metro and regional Victorian areas recorded particularly strong growth. In all areas, regional growth was slower or the contraction worse than metro areas, with Tasmania and WA regional particularly weak. In year-on-year terms, metro Victoria recorded the highest growth, over double what online sales were for the same month 2019. See Charts 15 and 16 for more detail.
- Monthly growth was recorded for both domestic and international merchants, with international online retailers outpacing domestic. The international result was driven by strong results in the homewares and appliances, and media categories. See charts 13 and 14, and table 4 for category growth and share.
- We estimate that in the 12 months to August, Australians spent \$39.2 billion on online retail, a level that is around 11.5% of the total retail trade estimate (Preliminary August 2020, Series 8501, Australian Bureau of Statistics), and about 33.6% higher than the 12 months to August 2019.
- See comments from NAB's Chief Economist, Alan Oster, on page 2.

Year-on-year growth (% s.a.)			
	Jun-20	Jul-20	Aug-20
NAB Online Index	52.6	63.8	60.6
ABS Traditional Retail	8.5	12.0	6.9*p

Month-on-month growth (% s.a.)			
	Jun-20	Jul-20	Aug-20
NAB Online Index	0.6	6.6	4.2
ABS Traditional Retail	2.7	3.2	-4.2*p

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

*p – Preliminary release from the ABS. These data are incorporated into charts 1&2 as preliminary figures.

Chart 1: Online retail sales and ABS retail sales

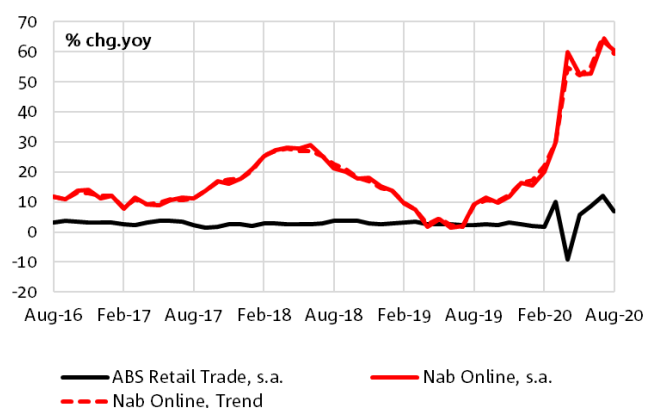
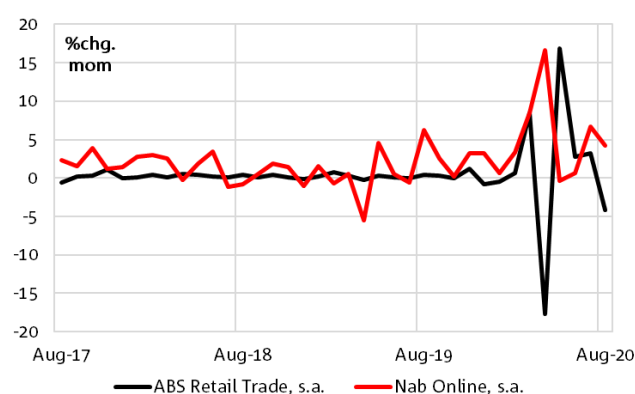


Chart 2: NAB Online retail trade data (mom, s.a.)



NAB Chief Economist, Alan Oster commented:

Our NAB Online Retail Sales Index continued to grow in August, again supported by the exceptionally strong monthly growth in Victoria. This data incorporates a full month of stage 4 restrictions in metropolitan Melbourne. Below, in the heatmap section, we take a look at the change in the department store category for Victoria, which was a key driver of growth in that state this month.

Department stores led growth in the month, with exceptionally high growth in Victoria and strong growth in ACT, SA and NSW. Grocery and liquor has now recorded 14 months of continuous growth, although the state results for this category are far more mixed. Vic, NSW and SA contributed to growth in the third fastest category, personal and recreational goods, with all other states contracting. Growth for the largest sales category, homewares and appliances, was flat in the month, with only Vic and NT recording growth. At the other end of the scale, media contracted in all states and territories in the month. In year-on-year terms, however, this category is currently the 4th fastest and has contributed strongly to the headline.

The three most populous states represent just over 80% of all online sales, slightly above their share of the population. Of these three states, Victoria recorded the strongest growth in the month, well above growth in the other states. The lock-down is clearly impacting the result as businesses adapt, with contactless pickup and discounted or free delivery. In year-on-year terms, online sales in Victoria are more than double what they were in the same month 2019. This is well beyond any Christmas period trading that we have observed for Vic online retail in both growth and absolute dollar terms. The state also led growth in each category, except media, and takeaway food in the month.

Despite slowing, metro areas continued to grow, while regional areas contracted in the month. The regional result was saved from further weakness by Victoria, with all other key regional areas contracting in the month. In year-on-year terms, Victoria leads in both metro and regional sales growth, with metro (+126%) more than double what it was in August 2019, and regional also up strongly (+73.8%). Although NSW recorded growth in the month, this was all due to Metro areas, with regional areas contracting.

In terms of merchant location, sales for domestic merchants slowed from strong growth in the month prior, while sales growth for international continued to rebound from the contraction in June. In year-on-year terms, domestic merchants have significantly outpaced international.

Chart 3: Online retail sales by industry, yoy s.a.

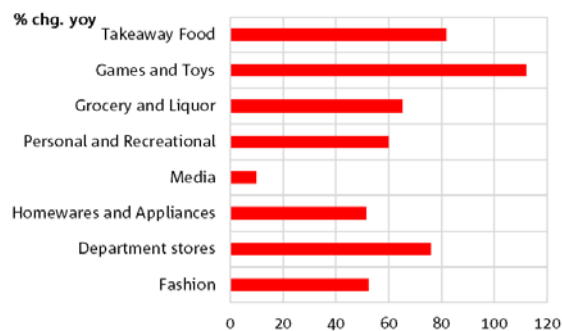


Chart 4: Online retail sales by state, yoy s.a.

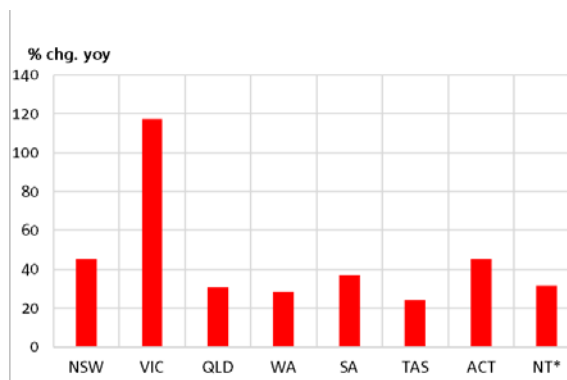
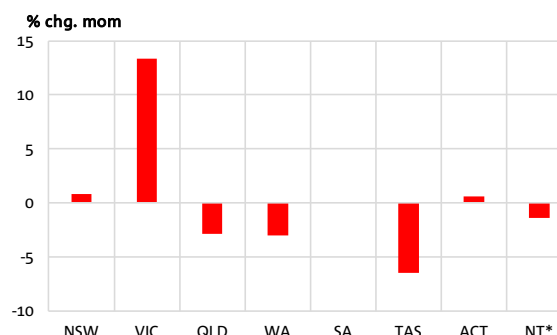


Chart 5: Online retail sales by industry, mom s.a.

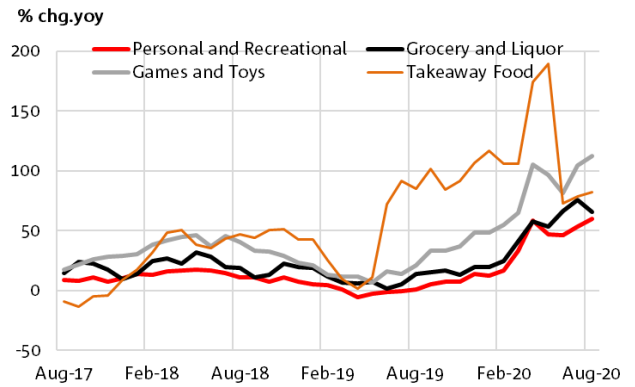
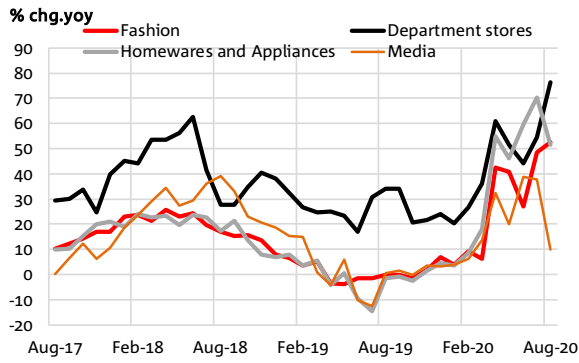


Chart 6: Online retail sales by state, mom s.a.

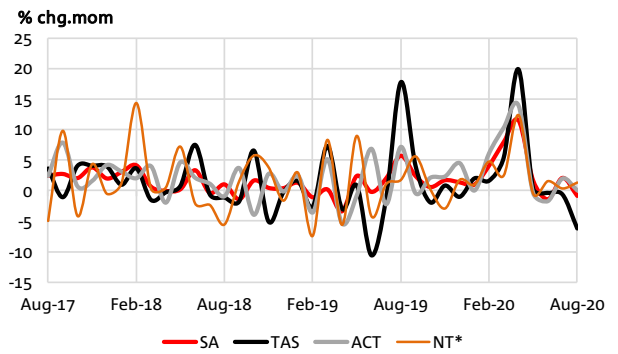
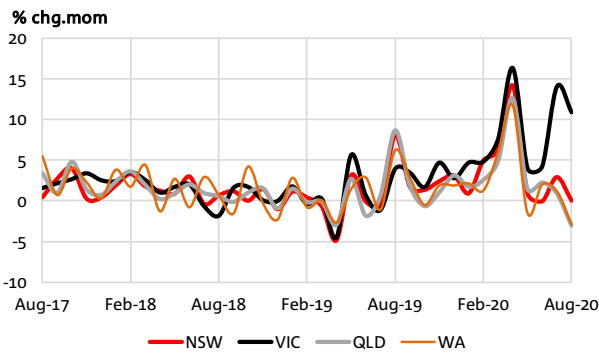


* Note that the series representing Northern Territory is highly variable and should be used with caution.

Charts 7 & 8: Online sales by category, seasonally adjusted

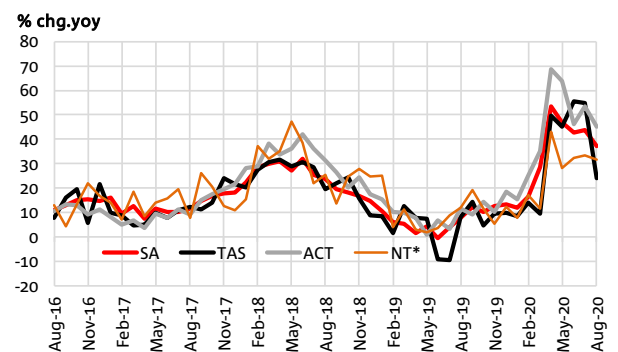
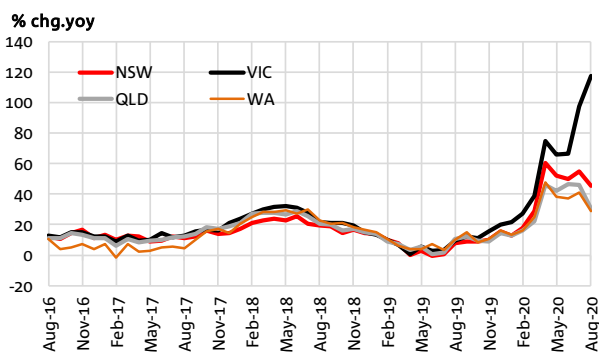


Charts 9 & 10: Online sales by state, trend



*Note that the series representing Northern Territory is highly variable and should be used with caution.

Charts 11 & 12: Online sales by state, yoy, s.a.



Charts 13 & 14: Online sales by merchant location

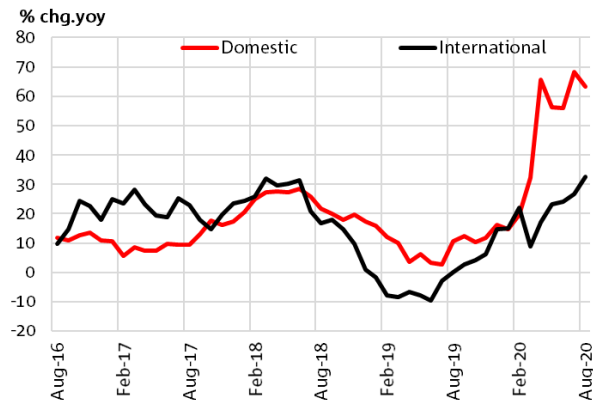
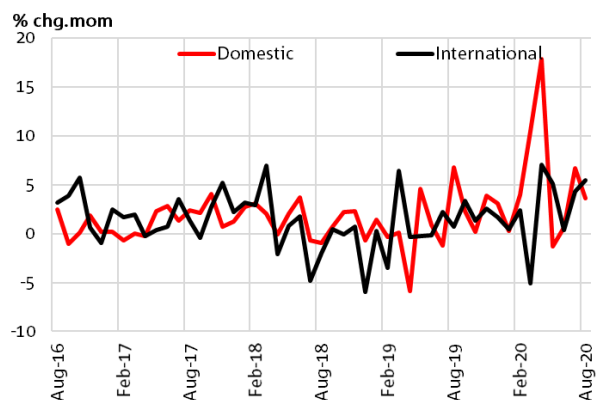


Table 3: Online sales by category and state

% (mom,s.a.)	Fashion	Dep't stores	Home & appliances	Media	Personal and Rec.	Grocery and Liquor	Games and Toys	T'away Food	Total
ACT	-7.8	11.7	-0.1	-8.0	-3.7	4.1	2.5	1.0	0.6
NSW	0.8	8.7	-4.4	-6.6	2.2	-1.5	8.7	3.1	0.8
NT	4.9	-0.3	7.0	-1.8	-14.6	-15.1	3.8	22.0	-1.4
QLD	0.4	5.3	-10.3	-12.1	-0.9	-3.9	4.9	0.1	-2.9
SA	2.3	10.4	-3.4	-11.6	1.2	-0.9	2.7	-7.0	0.1
TAS	10.1	3.1	-25.7	-11.4	-3.0	4.6	-4.5	-3.7	-6.5
VIC	10.6	22.7	13.1	-3.2	13.6	14.2	14.8	7.8	13.4
WA	-2.3	5.4	-12.2	-11.4	-2.4	-0.5	6.0	1.1	-3.0
Total	4.3	13.0	-0.1	-7.4	5.2	3.5	9.3	3.7	4.2

Table 4: Online sales by category and merchant location- Domestic, International (Int'l)

%	Monthly growth – Domestic	Monthly growth – Int'l.	Annual growth – Domestic	Annual growth – Int'l.	Domestic Share of Category Spend	Int'l Share of Category Spend	Overall Category Spend Share
Fashion	5.7	5.2	64.0	23.5	81.4	18.6	11.2
Department stores	14.0	9.5	86.0	24.8	90.0	10.0	14.5
Homewares and appliances	0.8	8.5	53.0	43.6	95.7	4.3	24.6
Media	-10.2	7.8	9.1	8.6	90.7	9.3	7.0
Personal and Recreational	6.2	5.1	67.9	27.0	88.4	11.6	14.3
Grocery and Liquor	3.9	2.2	69.6	-3.9	96.3	3.7	15.2
Games and Toys	9.3	8.2	118.9	91.8	75.3	24.7	8.3
Takeaway Food	4.4	13.1	86.3	-34.6	98.9	1.1	4.9
All categories	3.6	5.4	63.4	32.5	90.4	9.6	100

METROPOLITAN AND REGIONAL SPEND

Chart 15: Online retail sales growth by region, mom s.a.

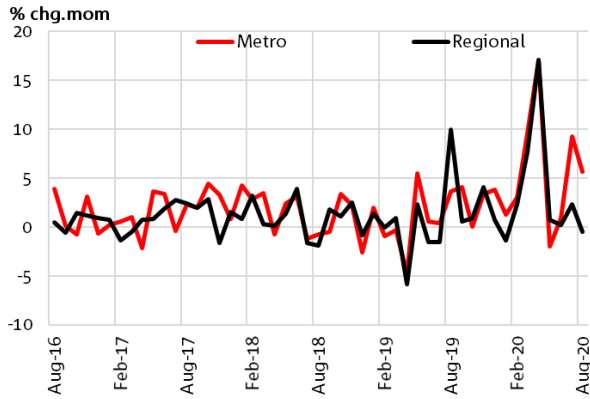
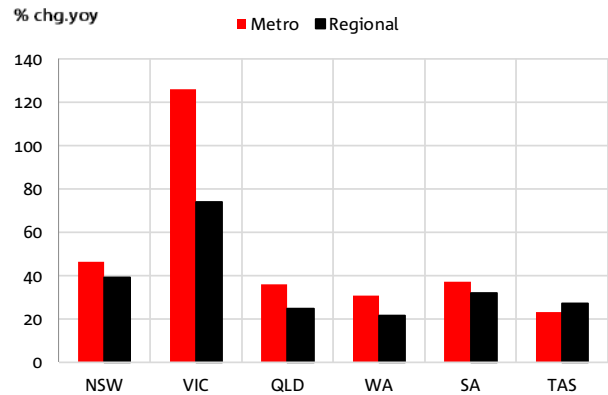
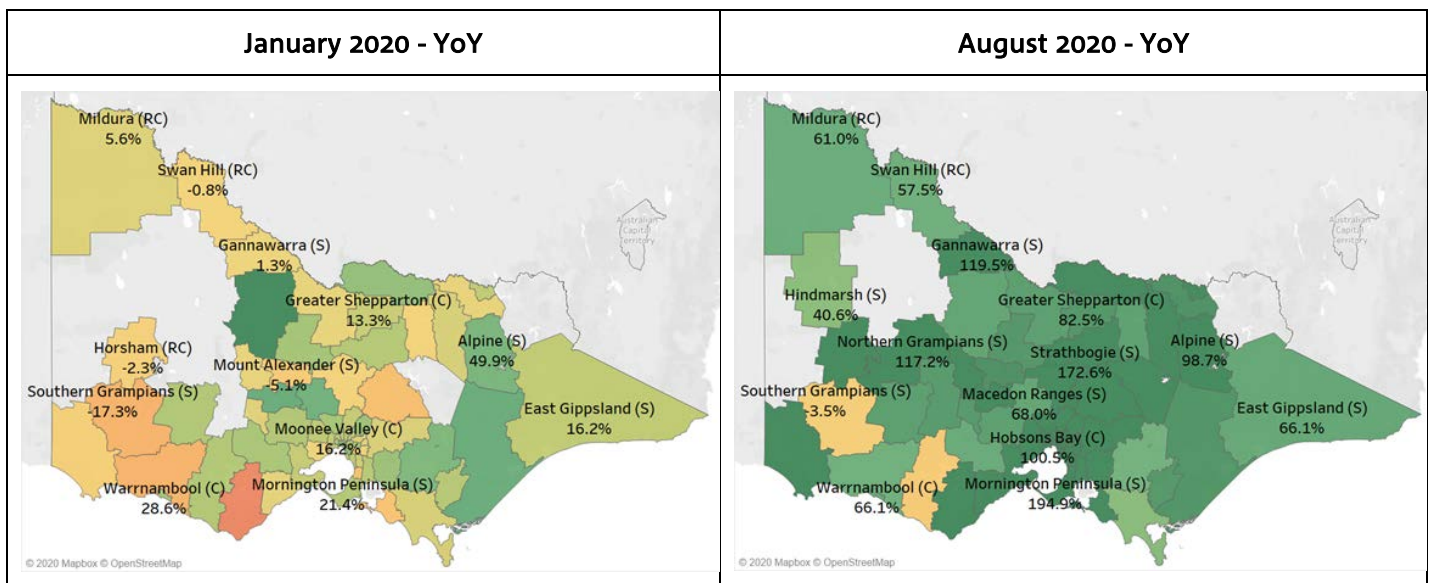


Chart 16: Online retail sales growth by state region, yoy s.a.



A HEATMAP VIEW OF SPEND GROWTH – YEAR ON YEAR – DEPARTMENT STORES – VICTORIA – BY LOCAL GOVERNMENT AREA

This month we look at the change in Department store online spend by Victorian LGA, comparing the period where the first recorded case of COVID-19 arrived in Australia, to the current month. Growth is generally broad-based, with some areas whose online sales growth was contracting in January, now strongly positive and outpacing surrounding areas. There are some areas that didn't appear in January due to low volume cut off, like Mansfield, whose online sales for this category have more than doubled. For the state, 45 of 74 LGAs shown in August recorded online department store sales double that of August 2019. In August, there were no LGAs in the Melbourne Metro area where sales for this category were not double what they were in the same month 2019. While not shown on the map, the average transaction size for Victorians has also increased. In January, each transaction averaged out to about \$60, about the same for metro and regional areas. In August this was \$67, and even higher in metro areas at \$69.



APPENDIX: METHODOLOGY

The NAB Online Retail Sales Index is now sourced in-house and is produced by Group Economics. We have made some significant changes to the NAB online series. Importantly, we have merged SME and Corporate Online into a single index, and provide more detail by region and industry on a monthly basis.

It is derived from NAB transactions data that have been assigned from particular merchant codes to retail industries by state. To keep the series reasonably consistent with past series, we have left these category descriptions broadly unchanged, albeit we now include new entrants to the Australian market. Against that, we have however removed the standalone previously reported category of 'Daily Deals', as this category was considerably volatile and caused statistical issues with indirect seasonal adjustment.

The NAB Online Retail Sales Index measures all Online Retail spending by consumers using various electronic payment methods such as credit cards, BPAY, and PayPal. We have made adjustments for where merchants appear to be wholesaling goods as opposed for final household consumption, and also incorporate new standards involving purchases using stored customer details. The index is derived from personal transaction data from NAB platforms and is scaled up to be representative of the economy by using scalars including ABS Estimated Resident Population, and RBA payments data.

NAB electronic transactions data for the compilation of this series is collected in real time at event record level, which allows significant flexibility to segment the data by age, time, location and merchant type. In future months, we plan to expand the data provided from the series as we bed-in acceptable seasonal adjustment factors for the new series. Transactions included in these data may incorporate purchases by Card, BPAY, Bank Transfers, Direct Debits and PayPal services where available, and include transactions with Australian and international merchants. Spending represented here includes transactions we have identified as online. NAB's estimate of the online retail market is larger than that of the official ABS measure of Online retail trade as it covers businesses that may not be within the remit of the ABS business register, such as overseas online retailers.

In the previously published series, we were using online retail sales by merchants with turnover greater than \$2.5m ('Corporate') as a proxy for online sales growth of the whole online market. This was due to the shorter time series of the previous market estimate and associated seasonal adjustment issues. With the new extract, we now have sufficient time series, and the growth rates represented are for the total market – i.e. Corporate and SME combined in a single series.

The data captures electronic retail online transactions and is therefore subject to the changing nature and take-up rate of electronic payment methods. Hence, change in growth in the overall transaction value may be attributable to either an increased preference towards a payment type by consumers (such as buy now pay later schemes), or a change in the level of spending across the economy by consumers, i.e. a pick-up in nominal online sales. We continue to work to isolate 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 developed from transaction micro level data are then aggregated to higher level categories based on transaction attributes. The data is made representative of national sales activity by applying both demographic attributes to customer location using the most recent ABS Estimated Resident Population, and comparing NAB transaction data to RBA payments system data. Changes in these data is reflected in the NORSI market size estimate timeseries.

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. Note that the NORSI series prior to December 2018 was using Census Bureau Seasonal adjustment, and a Henderson 13 was applied for trend.

Our aim is to have a data series that is as reflective as possible of online 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, but the latter effect cannot be excluded.

Our data differs to that of the ABS series as the NAB series covers a broader spectrum of online retailers – overseas merchants selling to Australian residents for example, and categories that substitute for previously retail purchased goods. Categories such as music and book retailing, and electronic games form part of the current online estimate. These are now substitutes for what may have been purchased in-store, but are now provided by online media streaming companies. While these may not fit the strict retail trade definition, our data reveals that they are increasingly being used by customers who previously purchased media in-store. We incorporate these companies into our estimate of online retail sales.

As part of the continual improvement of the series, this month we have revised our total market estimates. We have identified and removed potential wholesale trade transactions made on personal accounts. We have also identified more transactions that are made using a ‘stored credentials’ technique of online purchases. This technique is increasing in popularity as consumers opt for convenience especially with purchases made using mobile apps. Finally, in March 2018 the RBA made changes to its Payments System Data which we use as an input into our estimate of online total market size. These revisions are retrofitted to the series history.

We have also added a comparison based on metropolitan and regional areas. The definition of these geographical areas is based on the ABS geographical concordance tables, specifically the Greater Capital City Statistical Areas (GCCSAs).

Group Economics

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

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

John Sharma
Economist
+(61 3) 8634 4514

Jacqui Brand
Executive Assistant
+(61 3) 8634 2181

Australian Economics and Commodities

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

Phin Ziebell
Economist – Australia
+(61 0) 475 940 662

Behavioural & Industry Economics

Robert De Iure
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

Tony Kelly
Senior Economist
+(61 3) 9208 5049

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

Global Markets Research

Ivan Colhoun
Global Head of Research
+(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.