



# NAB ONLINE RETAIL SALES INDEX MARCH 2021

NAB Group Economics

- Growth contracted for the NAB Online Retail Sales Index in March (-0.5%), following on from a revised contraction in February (-0.1%, previously +0.1%), on a month-on-month, seasonally adjusted basis.
- In year-on-year terms, the growth in the NAB Online Retail Sales Index slowed (26.6% y/y). The base effects from the high sales growth period of 2020 are beginning to affect the year-on-year comparisons. Thus, we expect the moderating influence that this has had on growth rates to continue.
- Mixed results again this month, with sales growth in five categories offset by larger falls in other key categories. Strong growth again recorded for department stores, fashion, and takeaway food. Grocery and liquor, and media, returned to growth after last months contraction. These were offset by a large fall in personal and recreational goods, and the largest sales category, homewares and appliances. For more detail, see Charts 3, 5, 7 & 8 and table 3 below.
- In month-on-month terms, the two states that led growth in February, WA and Vic, led the contraction in March. NSW and ACT continued on from February’s contraction, albeit more mild in March. Strongest growth in the month was recorded in smaller sales state, TAS, supported by department stores, fashion, and against the national trend, homewares and appliances. Relatively more moderate growth was recorded in QLD and SA. See charts 4,6,9-14, and table 3 for more detail.
- After two months of stronger relative growth, the monthly contraction in online sales was slightly higher in Regional areas. The headline contraction for WA was more pronounced in regional areas, while for Vic, metro areas fared worse. In QLD, metro area growth was almost double that of regional areas, while TAS was relatively even. In year-on-year terms, metro VIC continues to outpace all other metro areas, but the gap has narrowed, and for March, TAS regional recorded the highest growth for this metric. See Charts 15 and 16 for more detail.
- Sales growth was again recorded for international merchants in month-on-month terms, with domestic online retailers continuing on from last months contraction. Sales growth for domestic merchants was slower in all categories, except department stores, and media. See charts 13 and 14, and table 4 for category growth and share.
- We estimate that in the 12 months to March, Australians spent \$47.3 billion on online retail, a level that is around 13.3% of the total retail trade estimate (Preliminary March 2021, Series 8501, Australian Bureau of Statistics), and about 46.7% higher than the 12 months to March 2020.
- See comments from NAB’s Chief Economist, Alan Oster, on page 2.

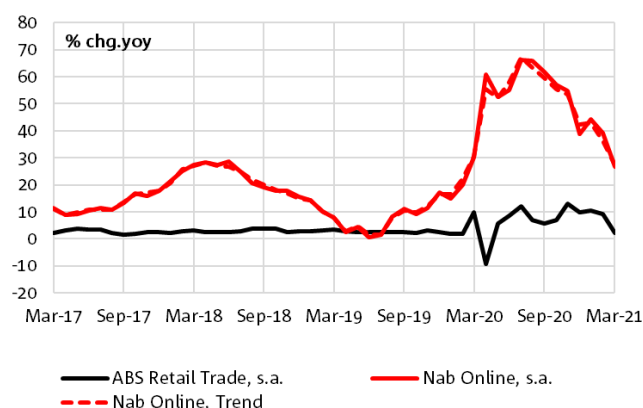
	Year-on-year growth (% s.a.)		
	Jan-21	Feb-21	Mar-21
NAB Online Index	44.3	39.1	26.6
ABS Traditional Retail	10.6	9.1	2.3*p

	Month-on-month growth (% s.a.)		
	Jan-20	Feb-21	Mar-21
NAB Online Index	3.5	-0.1	-0.5
ABS Traditional Retail	0.3	-0.8	1.4*p

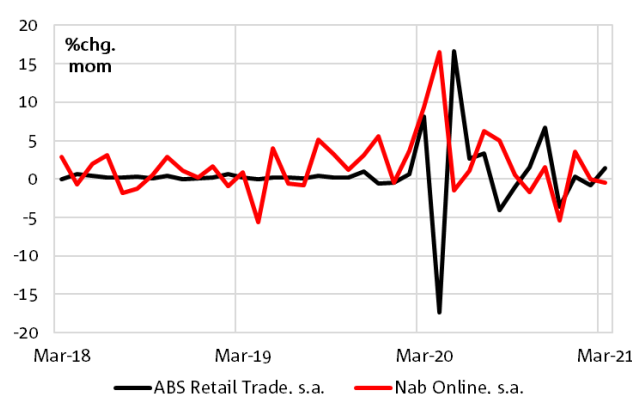
Sources: NAB, Australian Bureau of Statistics (ABS). \*Data seasonally adjusted (s.a.) using TRAMO/SEATS (incl. trading-day & Easter adjustment.)

\*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:**

In month-on-month terms, our NAB Online Retail Sales Index contracted in March, after a revised slight contraction in February. When comparing this March to 2020, i.e. in year-on-year terms, growth, while still double digit, is now moderating. Part of this slowdown in year-on-year growth is as a result of the base effects of the initial online spike of March 2020. At that time, online growth accelerated to +30.3%(y/y) and would go higher still by April, as travel and trade restrictions impacted in-store retailing. An element of perspective is advised when interpreting the year-on-year results over the next few months.

The contraction in sales this month was driven by a drop in homewares and appliances in most states, along with games and toys, and an even larger drop in personal and recreational goods. All states recorded growth in department stores, with other categories mixed by state. In the sales period post the circuit breaker lockdown for example, VIC and WA grocery and liquor contracted, but grew strongly for other states, especially QLD and SA. The moderating growth in year-on-year terms is no more pronounced than in Victoria, which is now more in line with growth in other large states. Albeit still above the national average, at 31.3% it is some way from the 119.5% growth of August 2020.

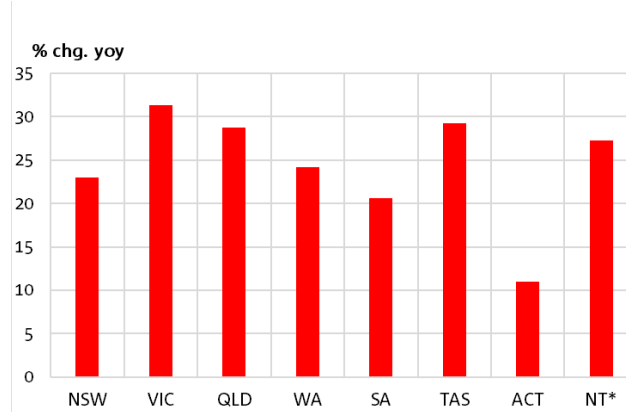
At the geographic level, in year-on-year terms, growth for metro and regional areas has somewhat converged, and while Vic still leads metro, the percentage point difference is not as great as it has been.

In month-on-month growth terms, it appears that much of the slowdown has affected domestic retailers more than international, with the latter continuing to grow. Categories like homewares and appliances, that are predominantly domestic, contracted in the past month along with the broader index, while fashion, with a larger international presence, recorded a strong contribution to growth from international retailers. After last months strong growth, international game and toy retailers contracted more than domestic, contributing heavily to the headline result for that category. Over the past year, growth has been driven overwhelmingly by domestic online retailers, but this appears to be slowing.

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



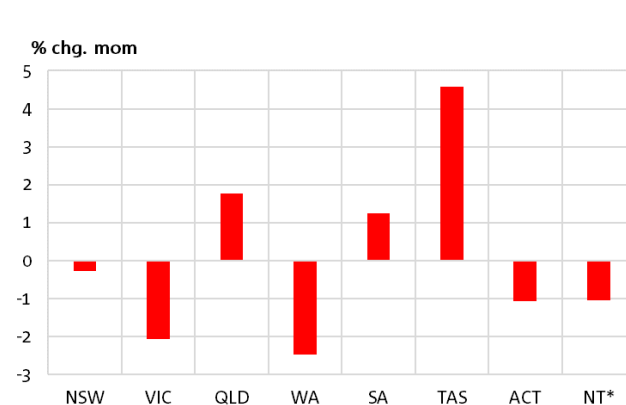
**Chart 4: Online retail sales by state, yoy s.a.**



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

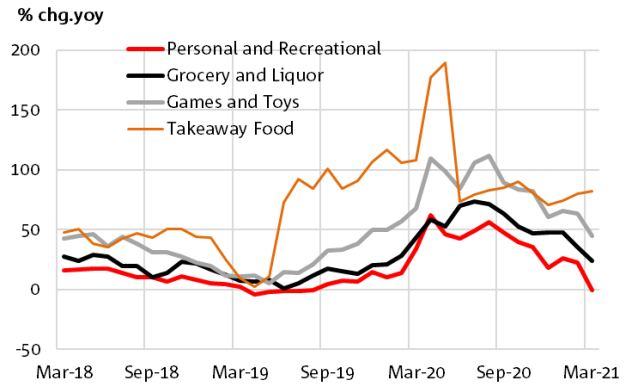
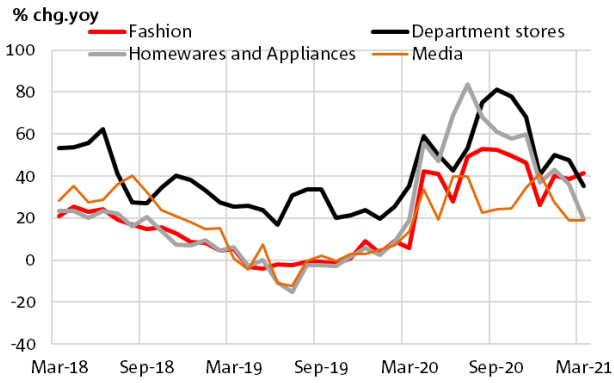


**Chart 6: Online retail sales by state, mom s.a.**

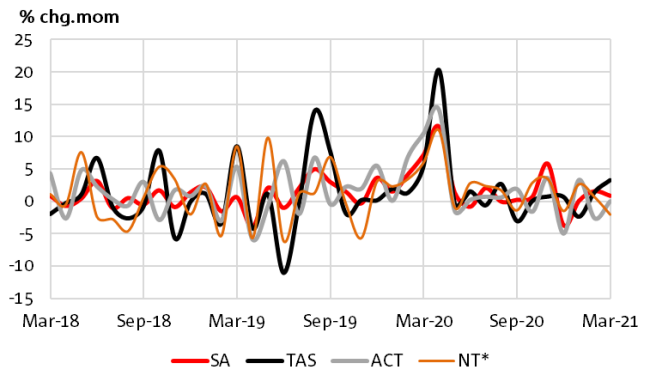
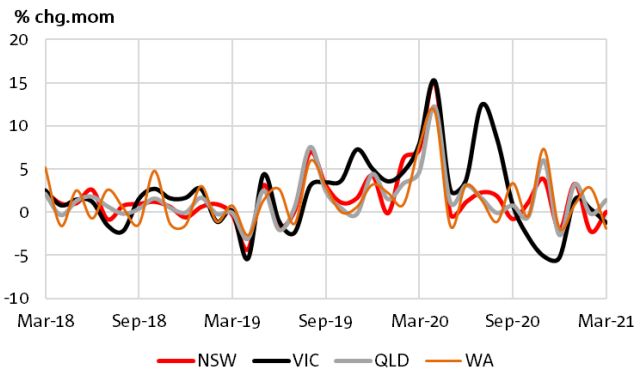


\* Note that the series representing Northern Territory is highly variable and should be used with caution.

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

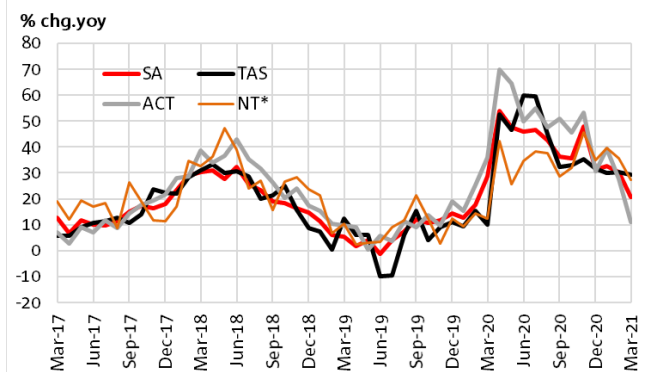
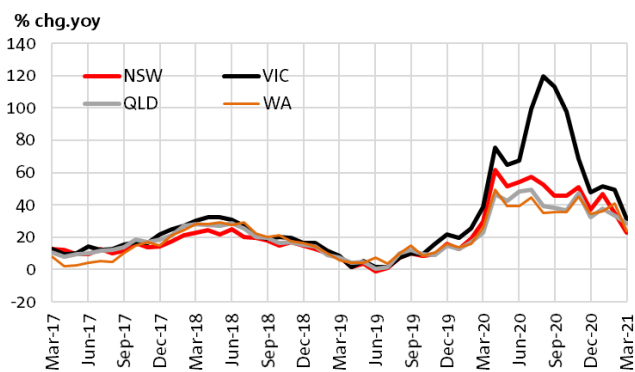


Charts 9 & 10: Online sales by state, trend



\*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

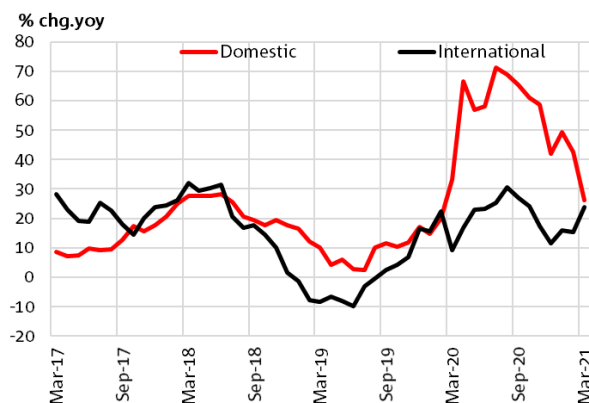
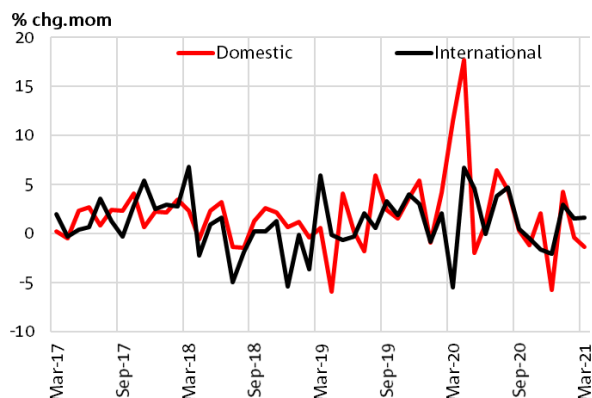


Table 3: Online sales by category and state

% (mom,s.a.)	Fashion	Dep't stores	Home & appliances	Media	Personal and Rec.	Grocery and Liquor	Games and Toys	T'away Food	Total
ACT	-4.2	0.3	1.2	1.2	-8.0	0.1	2.5	-4.4	-1.1
NSW	3.5	3.3	-2.7	-1.0	-6.3	2.8	-2.3	1.2	-0.3
NT	-10.8	6.4	-5.3	16.4	3.3	-2.1	-5.9	-12.0	-1.1
QLD	2.9	5.9	-1.3	1.5	-1.1	4.6	-0.7	5.9	1.8
SA	0.7	8.0	-0.5	-2.5	-5.7	5.5	-0.8	5.5	1.2
TAS	10.5	14.7	8.7	-3.2	-3.8	0.8	-5.3	-1.2	4.6
VIC	1.0	3.2	-4.2	2.8	-8.9	-3.8	-3.0	1.1	-2.1
WA	-3.3	2.7	-4.5	-0.6	-6.1	-1.2	-4.1	-1.6	-2.5
<b>Total</b>	<b>1.7</b>	<b>4.1</b>	<b>-2.7</b>	<b>0.8</b>	<b>-5.9</b>	<b>0.8</b>	<b>-2.2</b>	<b>1.7</b>	<b>-0.5</b>

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	-0.5	5.6	36.9	55.1	83.3	16.7	11.0
Department stores	5.8	0.2	36.6	30.2	90.9	9.1	15.0
Homewares and appliances	-3.4	2.7	19.7	21.7	96.1	3.9	24.8
Media	0.7	4.6	18.2	25.0	91.0	9.0	6.6
Personal and Recreational	-6.8	0.2	-2.6	21.2	88.8	11.2	13.0
Grocery and Liquor	-1.4	-3.9	23.3	-6.4	96.9	3.1	15.1
Games and Toys	-1.0	-4.6	60.3	4.7	79.4	20.6	9.0
Takeaway Food	-0.6	18.1	82.7	0.1	99.5	0.5	5.5
<b>All categories</b>	<b>-0.8</b>	<b>0.1</b>	<b>26.8</b>	<b>23.8</b>	<b>91.4</b>	<b>8.6</b>	<b>100</b>

## METROPOLITAN AND REGIONAL SPEND

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

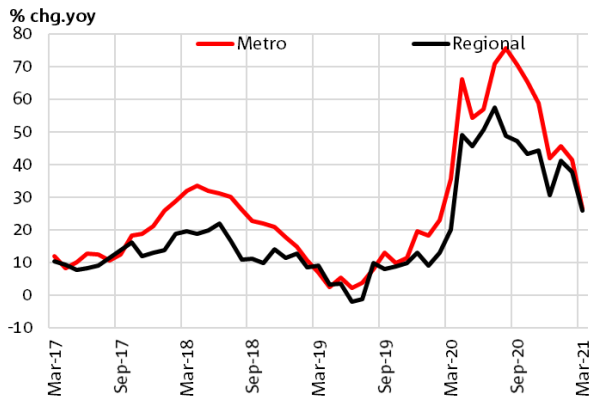
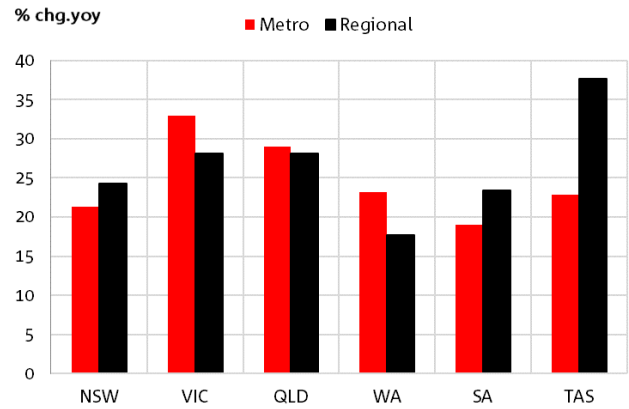
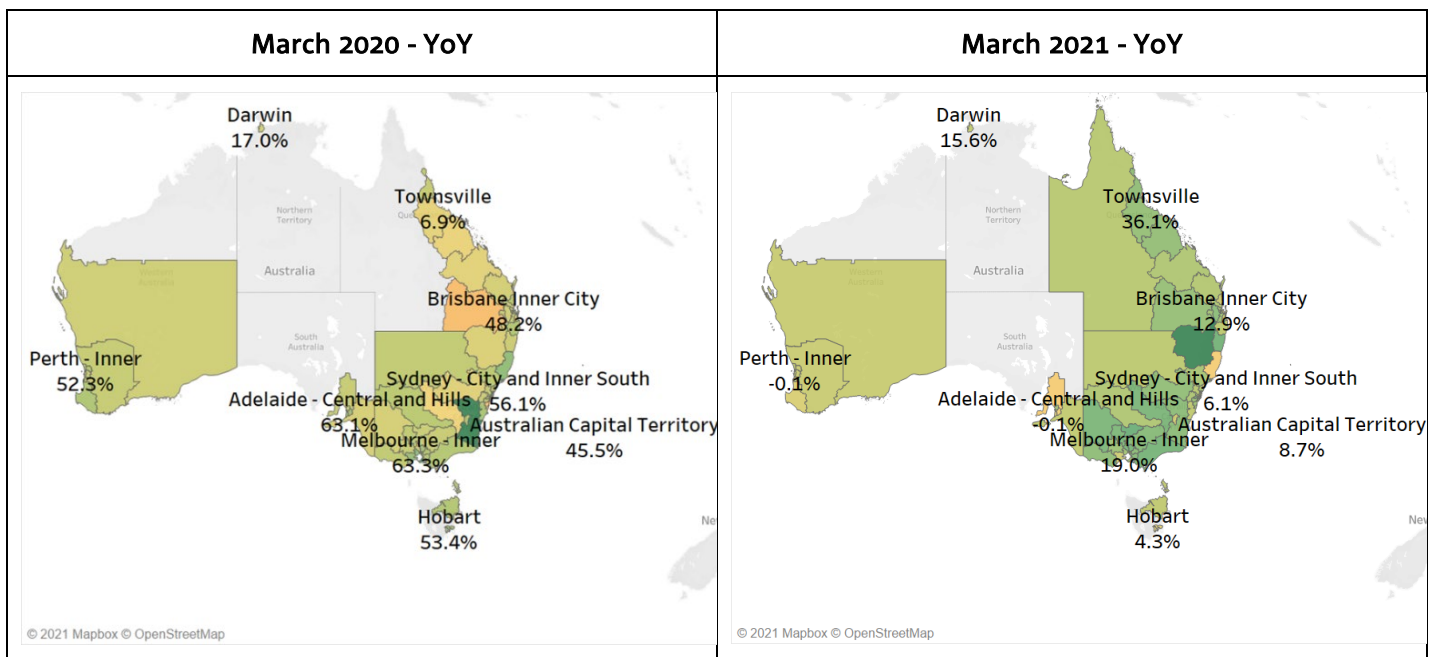


Chart 16: Online retail sales growth by state region, yoy s.a.



## A HEATMAP VIEW OF SPEND GROWTH – GROCERY AND LIQUOR – YEAR ON YEAR – BY STATISTICAL AREA (SA4)

This month we look at the change in online spend for grocery and liquor, by ABS statistical area (SA4). The grocery and liquor category includes sectors like supermarkets, fruit and vegetable grocers, delicatessens, bakeries, butchers, fish and poultry retailers, raw meal ingredients companies that are not considered takeaway food, and beverage and liquor retailing. The growth comparison here is March 2020 relative to the year prior, and March 2021 relative to February 2020 (i.e. year-on-year comparisons). The larger statistical areas, beyond local government areas, help provide a sub-national view of activity, whilst remaining relatively legible. In March 2020, growth for the index (+30.3% yoy) continued to accelerate, with grocery and liquor (44.3%) contributing heavily to the headline result. In month-on-month terms (i.e. March 2020 vs February 2020), the category was in the midst of 14 months of continuous monthly growth. The maps show that growth for this category in 2020 was particularly high in inner city metro areas. In 2021, however, it looks like growth is being driven by regional Victoria, NSW and QLD, and, for capital city areas, Melbourne.



## 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.

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).

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