



NAB ONLINE RETAIL SALES INDEX JUNE 2021

NAB Group Economics

- Growth accelerated for the NAB Online Retail Sales Index in June (7.6%), following an upwardly revised May (3.3%, previously 2.7%), on a month-on-month, seasonally adjusted basis.
- In year-on-year terms, the growth in the NAB Online Retail Sales Index accelerated back to double digits in June (18.1% y/y). Year-on-year growth had previously begun to moderate, given the base effects from high growth for the same period 2020.
- Growth was recorded in month-on-month terms for all categories, except Takeaway food, which contracted again. The largest sales category, homewares and appliances, which had returned to growth in May, accelerated further in June with growth above the broader index. Even faster growth in the month was recorded by department stores, which now also leads in year-on-year terms. For more detail, see Charts 3, 5, 7 & 8 and table 3 below.
- In month-on-month terms, online sales growth accelerated in all states and territories, except NT, in June. Growth was led by VIC and ACT. VIC ranked 1st this month for homewares and appliances, fashion, media, and personal goods, and was 2nd or 3rd in others. Double digit growth was recorded for grocery and liquor in NSW, which led by category in the month. While a moderate contraction was recorded for takeaway food in June, this result was weighted towards NSW and QLD, with growth recorded in other areas, particularly ACT, VIC, and SA. See charts 4, 6, 9-14, and table 3 for more detail.
- Monthly growth in online sales was higher in metro areas, driven by the big three sales states - VIC, NSW, and QLD. For both NSW and VIC, growth in metro areas was nearly one and a half times that of regional areas in June, and in year-on-year terms, nearly double. TAS was the only state in June where growth was faster in regional areas in year-on-year terms. See Charts 15 and 16 for more detail.
- Sales growth was recorded for both domestic and international merchants this month, albeit with the former much stronger. Sales growth for international merchants was slower than domestic in all categories, except games and toys, and takeaway food. See charts 13 and 14, and table 4 for category growth and share.
- NAB estimates that in the 12 months to June, Australians spent \$48.6 billion on online retail, a level that is around 13.3% of the total retail trade estimate (Preliminary June 2021, Series 8501, Australian Bureau of Statistics), and about 34.9% higher than the 12 months to June 2020.
- See comments from NAB's Chief Economist, Alan Oster, on page 2.

Year-on-year growth (% s.a.)			
	Apr-21	May-21	Jun-21
NAB Online Index	2.4	8.1	18.1
ABS Traditional Retail	25.0	7.7	2.9*p

Month-on-month growth (% s.a.)			
	Apr-21	May-21	Jun-21
NAB Online Index	-3.4	3.3	7.6
ABS Traditional Retail	1.1	0.4	-1.8*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

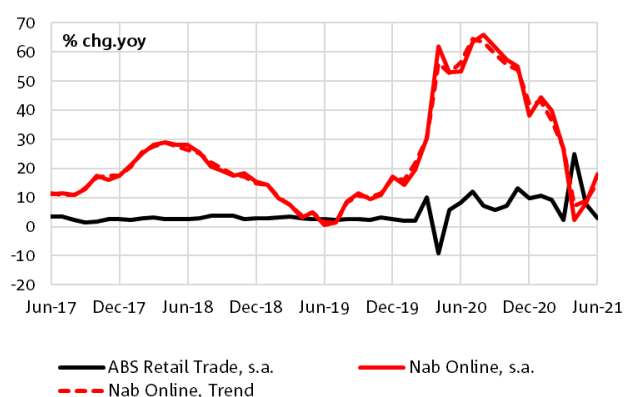
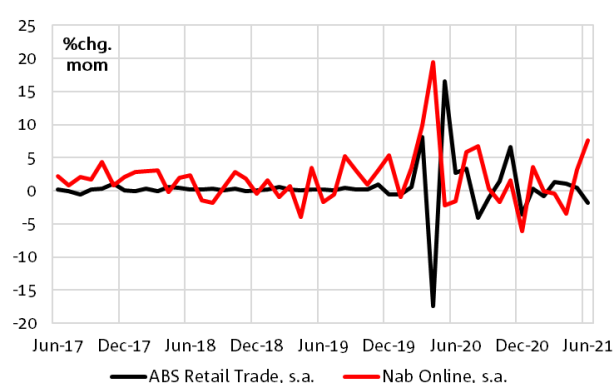


Chart 2: NAB Online retail trade data (mom, s.a.)



NAB Chief Economist, Alan Oster commented:

In month-on-month terms, our NAB Online Retail Sales Index accelerated in June, following the May rebound. Growth also accelerated when comparing this June to 2020, i.e. in year-on-year terms. This indicates considerable strength in the index, given that the base of June 2020, had already grown 53% on June 2019. Year-on-year growth had been trending lower earlier in the year, but has picked up recently, and in June, there was a strong contribution from key online sectors to the headline result.

Growth in monthly sales in June was driven by VIC, which has grown strongly over the past two months after contracting in April. Given the patterns observed over the past year, it is likely that this result has been strongly influenced by the lockdown period. Having said that, online sales growth accelerated in states and territories with and without lockdown in the month. ACT for example, without lockdown, was second fastest in the month, so it is likely that part of this growth is related to other drivers, like sales events. As noted last month, growth for takeaway food seems to contract in the early part of a lockdown, and then recovers. This pattern has again held true for the states that entered some form of lockdown in the month, albeit with limited timeseries, it is more an observation than statistically robust relationship. In year-on-year terms, larger sales categories like personal and recreational goods, and homewares and appliances, returned to growth, and department stores outpaced takeaway food. In June, department stores growth was faster than the same period 2020, a time when a previous VIC lockdown was beginning, with rapid online sales.

In month-on-month terms, growth accelerated for both metro and regional areas, with growth faster for the former. This was driven by metro VIC, NSW, and QLD. In year-on-year terms, metro growth is stronger across most states except TAS, where online sales from regional areas was slightly faster.

In month-on-month growth terms, domestic merchants recorded strong growth across most categories but particularly in homewares and appliances, department stores and grocery and liquor. Games and toys, and takeaway food were the only key categories where international recorded growth above domestic in month on month terms. In year on year terms, the key international category of games and toys was faster for domestic retailers

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

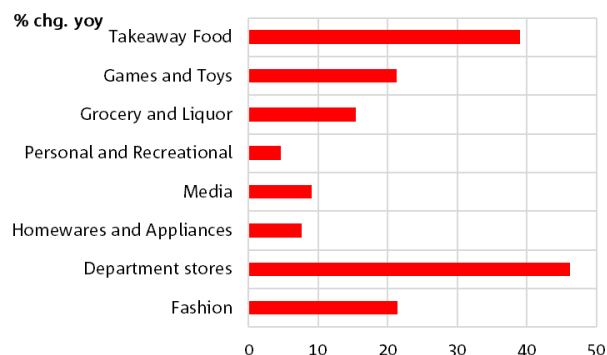


Chart 4: Online retail sales by state, yoy s.a.

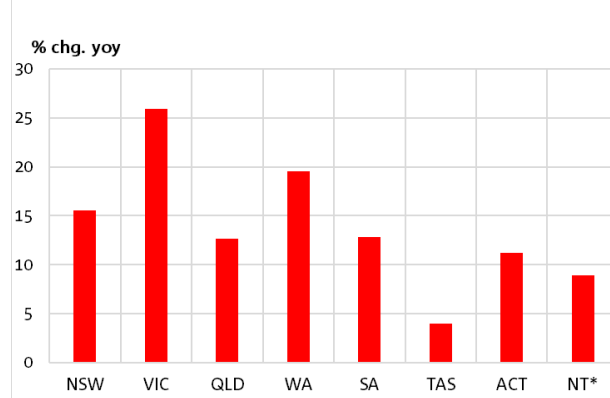
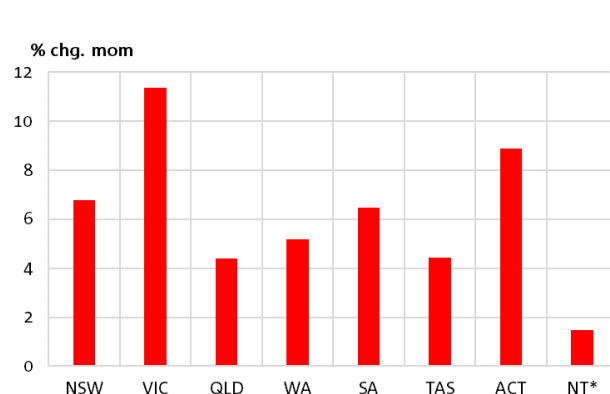


Chart 5: Online retail sales by industry, mom s.a.

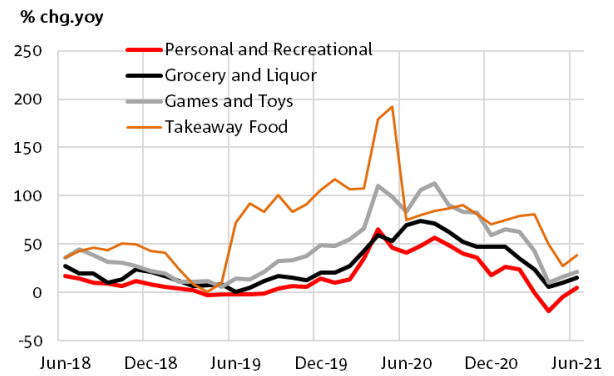
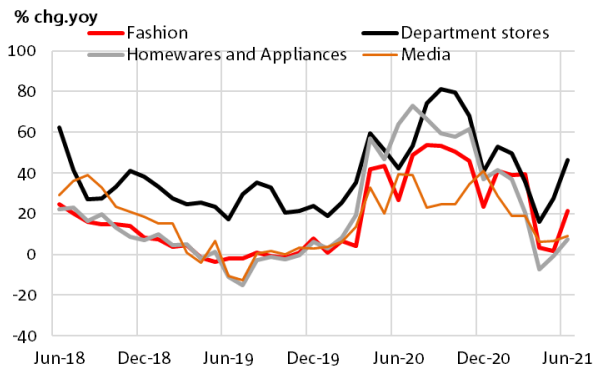


Chart 6: Online retail sales by state, mom s.a.

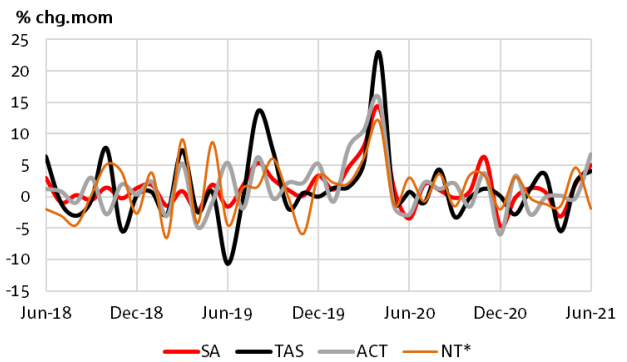
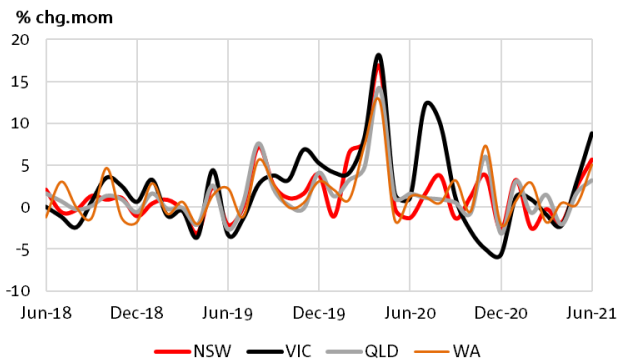


* Note that the series representing Northern Territory is highly variable and should be used with caution.

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

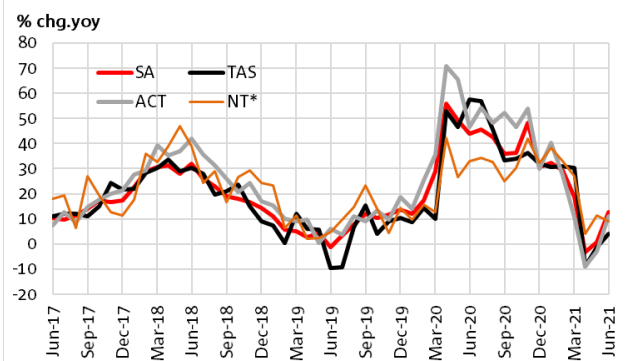
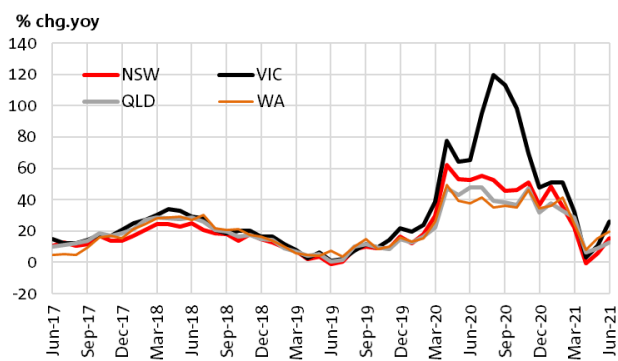


Charts 9 & 10: Online sales by state, trend



*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

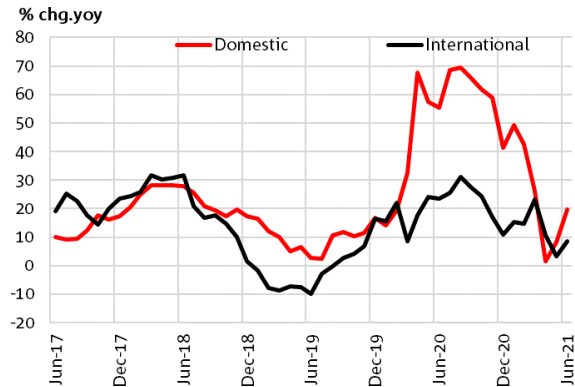
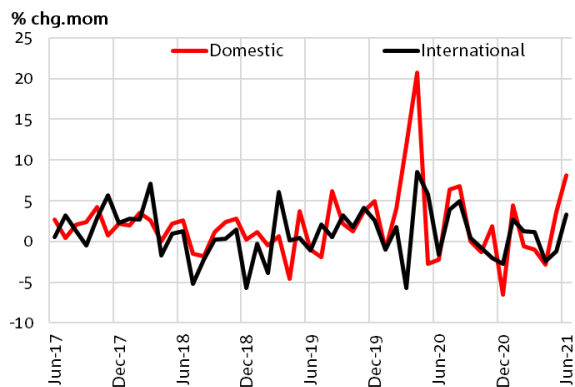


Table 3: Online sales by category and state

% (mom,s.a.)	Fashion	Dep't stores	Home & appliances	Media	Personal and Rec.	Grocery and Liquor	Games and Toys	T'away Food	Total
ACT	8.7	10.6	8.3	3.1	10.2	8.2	15.0	4.2	8.9
NSW	6.8	8.8	6.9	1.2	7.7	13.5	0.5	-2.9	6.8
NT	6.1	18.0	-12.7	5.9	7.0	-0.5	-2.8	-14.2	1.5
QLD	5.3	10.7	4.5	2.1	2.3	6.0	-2.0	-3.4	4.4
SA	4.2	11.2	8.8	5.4	5.3	6.4	1.1	1.2	6.5
TAS	3.3	4.5	8.4	0.8	1.7	1.8	7.4	0.3	4.4
VIC	14.6	17.1	15.4	6.0	10.6	7.9	4.6	2.4	11.4
WA	3.1	8.2	13.9	2.0	-3.9	4.8	1.7	-0.1	5.2
Total	8.7	12.0	9.7	3.3	6.3	8.7	1.8	-0.4	7.6

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	9.5	3.3	21.1	15.7	83.0	17.0	11.0
Department stores	14.0	4.0	48.5	36.6	90.9	9.1	15.7
Homewares and appliances	10.1	4.4	8.9	3.8	96.1	3.9	24.1
Media	2.8	1.2	7.9	22.6	90.7	9.3	6.6
Personal and Recreational	7.3	1.3	6.1	-4.6	88.6	11.4	12.5
Grocery and Liquor	10.1	5.5	15.9	18.0	96.9	3.1	15.2
Games and Toys	-0.3	2.4	26.7	-6.5	80.6	19.4	9.0
Takeaway Food	0.5	5.7	37.8	62.0	99.4	0.6	5.9
All categories	8.2	3.3	19.7	8.6	91.5	8.5	100

METROPOLITAN AND REGIONAL SPEND

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

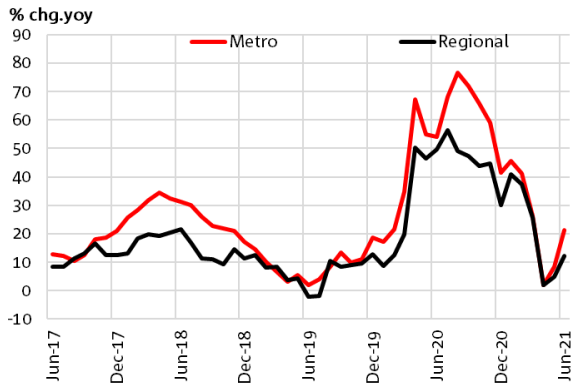
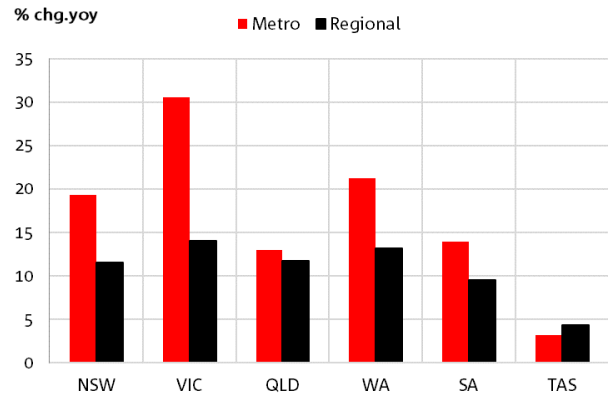


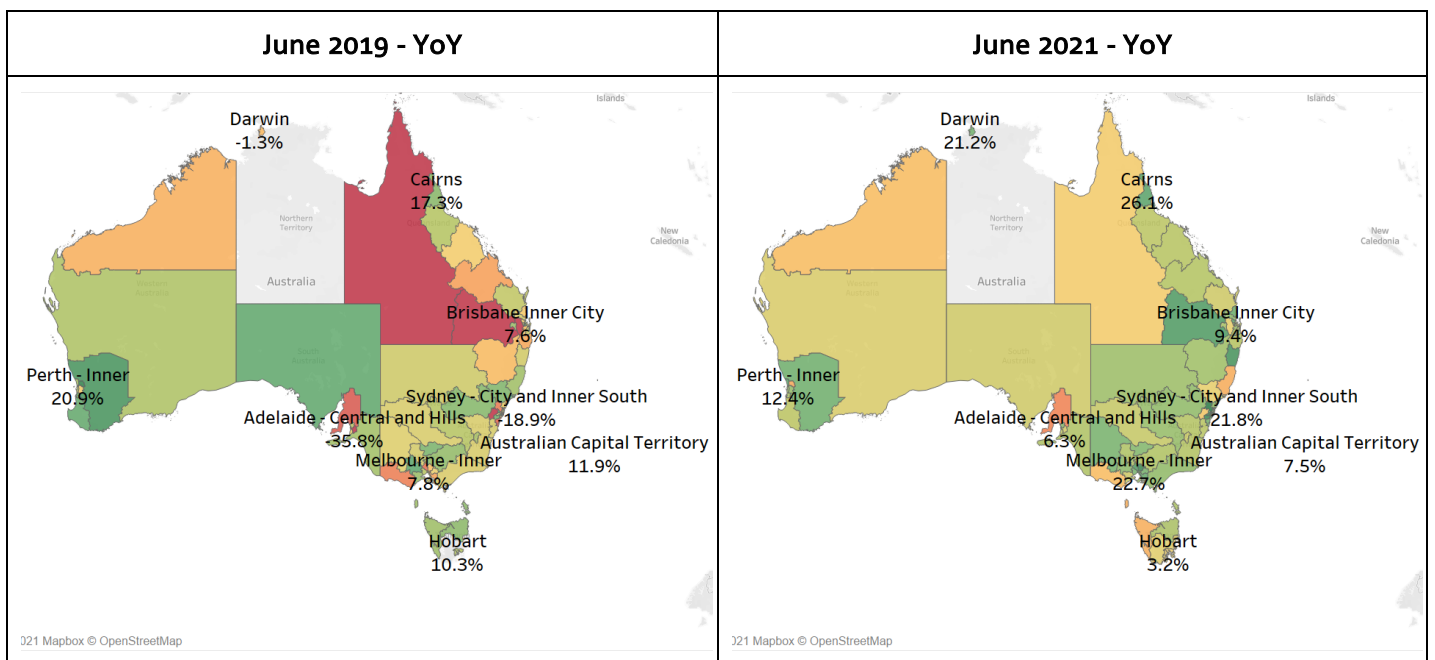
Chart 16: Online retail sales growth by state region, yoy s.a.



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 stores category is concentrated in industries such as supermarkets, grocery, liquor, fresh meat, fish, poultry, nut, and confectionary stores. The growth comparison here is June 2019 relative to the year prior, and June 2021 relative to June 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 June 2019, growth for the overall index (+0.6% yoy) was relatively weak, with grocery and liquor stores (+0.8% yoy) slightly faster, but still relatively subdued. The maps show that growth for this category in 2019 was mixed across the country, with some areas like Perth growing strongly, while others like Sydney or Adelaide contracting. In 2021, growth has broadly accelerated, with many statistical areas recording above 10% growth.



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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