



NAB ONLINE RETAIL SALES INDEX SEPTEMBER 2021

NAB Group Economics

- Growth slowed for the NAB Online Retail Sales Index in September (3.3%), following an upwardly revised August (9.7%, previously 8.8%), on a month-on-month, seasonally adjusted basis.
- In year-on-year terms, the growth in the NAB Online Retail Sales Index accelerated in September (31.3% y/y). Year-on-year growth had begun to moderate earlier in the year, given the base effects from high growth for the same period 2020, but has accelerated with rolling lockdowns.
- Growth was recorded in month-on-month terms for all categories, except grocery and liquor. Fashion led growth in September, while department stores, which had accelerated rapidly in August, slowed in September. Large sales category, homewares and appliances also recorded strong growth above the overall index, along with takeaway food, games and toys, and personal and recreational goods. Despite the monthly contraction, in year-on-year terms, grocery and liquor was third fastest, behind department stores and takeaway food. For more detail, see Charts 3, 5, 7 & 8 and table 3 below.
- Mixed results in month-on-month terms by state, with rapid growth in the eastern lockdown states offsetting a contraction in QLD and NT. All other states recorded mild growth. Growth was again led by ACT (23.2% mom, s.a.), followed by large sales states VIC and NSW. This month's category lead, fashion, is being driven by the lockdown states, with rapid growth offsetting mild contraction in other states. For VIC and NSW, this was the fastest category, although for ACT, it was homewares and appliances. See charts 4, 6, 9-14, and table 3 for more detail.
- Monthly growth in online sales was again higher in metro areas relative to regional. The results were generally consistent with the headline, except in NSW and TAS, where more rapid growth was recorded for regional areas relative to metro. In year-on-year terms, however, NSW growth in metro areas is still about one and a half times that of regional. See Charts 15 and 16 for more detail.
- Sales growth was recorded for both domestic and international merchants this month. Sales growth for international merchants was particularly fast in fashion, which represents a considerable share of international merchant sales. See charts 13 and 14, and table 4 for category growth and share.
- NAB estimates that in the 12 months to September, Australians spent \$52.04 billion on online retail, a level that is around 14.3% of the total retail trade estimate (August 2021, Series 8501, Australian Bureau of Statistics), and about 28.3% higher than the 12 months to September 2020.
- See comments from NAB's Chief Economist, Alan Oster, on page 2.

	Year-on-year growth (% s.a.)		
	Jul-21	Aug-21	Sep-21
NAB Online Index	22.1	27.3	31.3
ABS Traditional Retail	-3.1	-0.7	-

	Month-on-month growth (% s.a.)		
	Jul-21	Aug-21	Sep-21
NAB Online Index	6.6	9.7	3.3
ABS Traditional Retail	-2.7	-1.7	-

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

Chart 1: Online retail sales and ABS retail sales

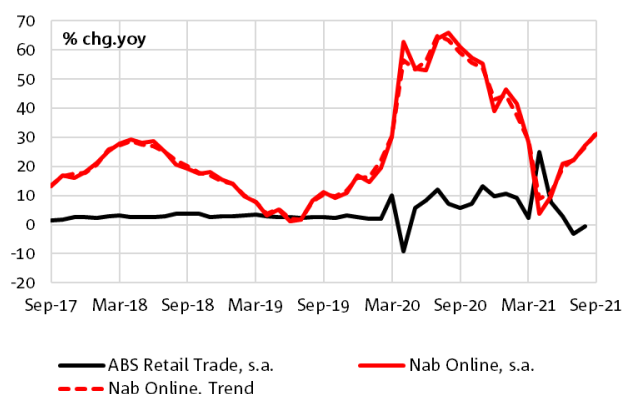
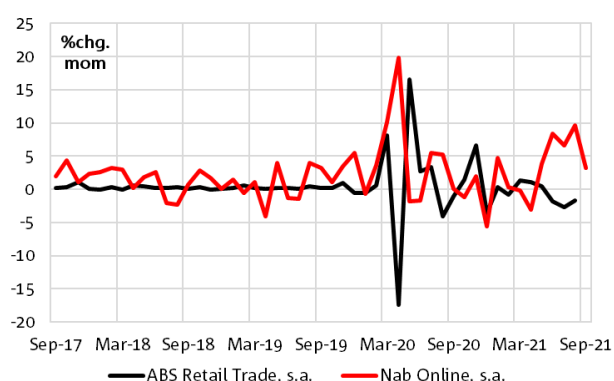


Chart 2: NAB Online retail trade data (mom, s.a.)



NAB Chief Economist, Alan Oster commented:

In month-on-month terms, our NAB Online Retail Sales Index continued to grow in September, albeit slowing. Growth accelerated when comparing this September to the same month 2020, i.e. in year-on-year terms. The index continues to exhibit considerable strength, given that the base of September 2020 had already grown over 61% on September 2019.

Growth in monthly sales in September was highest for ACT. Contribution to headline growth was driven by two of the three key sales states, VIC, and NSW. In year-on-year terms, while all states were positive, ACT (90.7%) and NSW (68.7%) are driving the strong growth rate, with all other states growing under 20% year-on-year.

As lockdowns eased in September for QLD, growth in month-on-month terms contracted for all categories, except takeaway food, in that state. Indeed, the category results were quite mixed by state this month. While generally the highest growth by category continues for the lockdown states, cases of high growth were recorded for categories like homewares and appliances in the non-lockdown state of WA. Monthly sales growth for grocery and liquor continued in ACT and VIC, despite a contraction in all other states. Fashion recorded the fastest growth this month, and was fourth fastest over the year, with particularly strong growth in year-on-year terms for the category in locked down NSW and ACT. See this month’s heatmap for more detail.

Metro VIC led growth in the month, while regional NSW was second fastest. In QLD, the contraction was considerably worse for metro areas, which aligns with previous post-lockdown experiences. Having said that, in year-on-year terms, metro QLD is still up 15.5%. For most states, year-on-year growth was highest for metro areas, although for TAS, and to a lesser extent, VIC, regional growth outpaced metro.

In month-on-month growth terms, with domestic retailers slowing, international tended to outpace in most categories. This was particularly the case for key international sales share categories, fashion, and games and toys. However, in year-on-year terms, these key international categories still grew faster for domestic retailers.

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

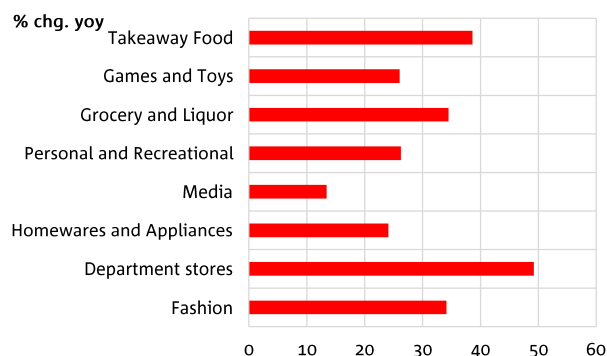


Chart 4: Online retail sales by state, yoy s.a.

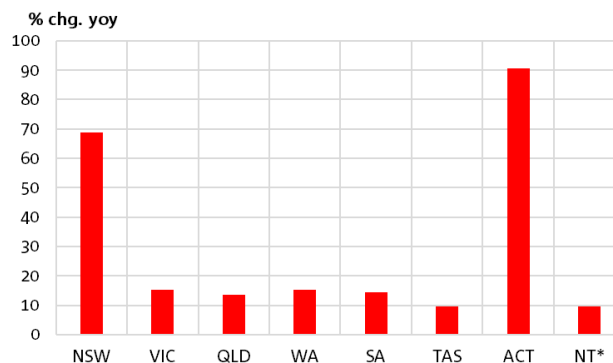
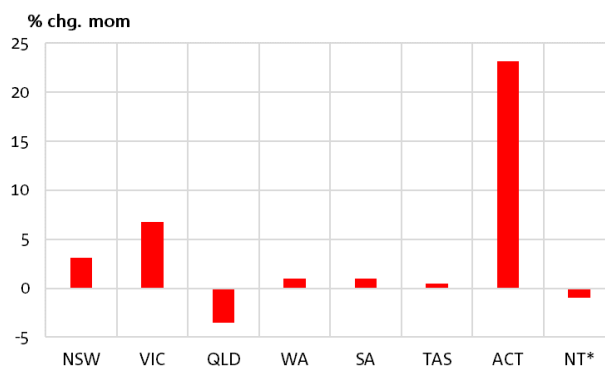


Chart 5: Online retail sales by industry, mom s.a.

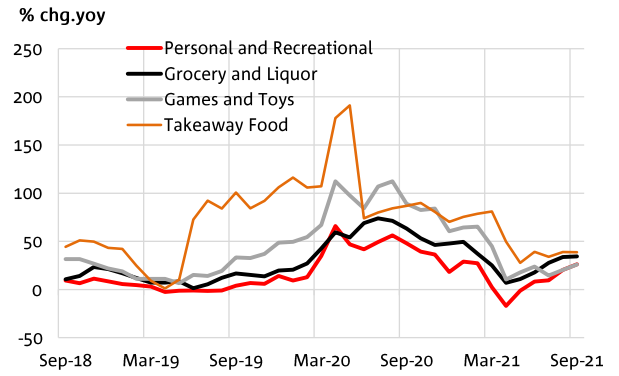
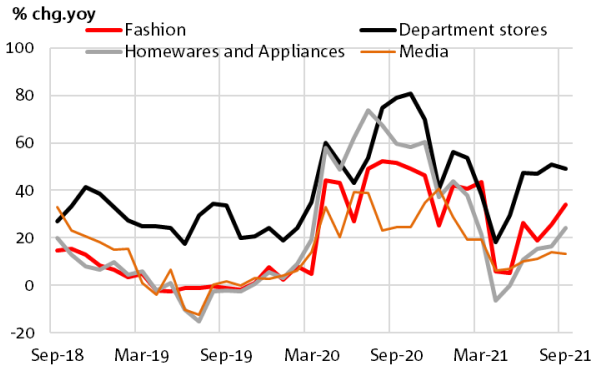


Chart 6: Online retail sales by state, mom s.a.

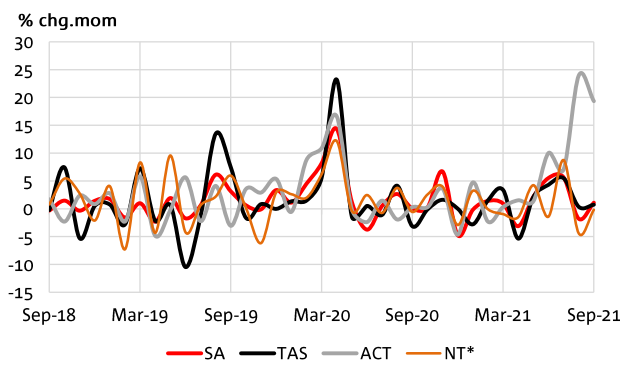
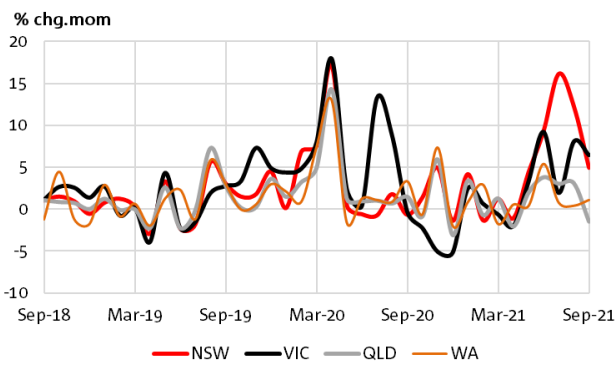


* Note that the series representing Northern Territory is highly variable and should be used with caution.

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

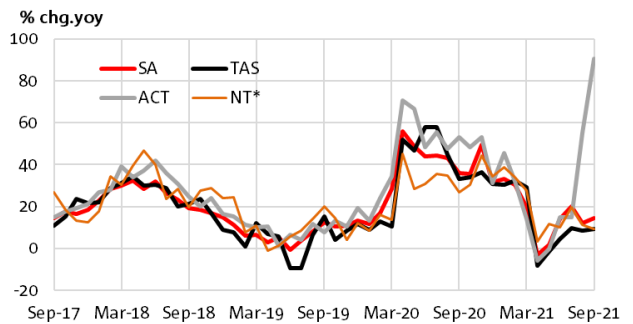
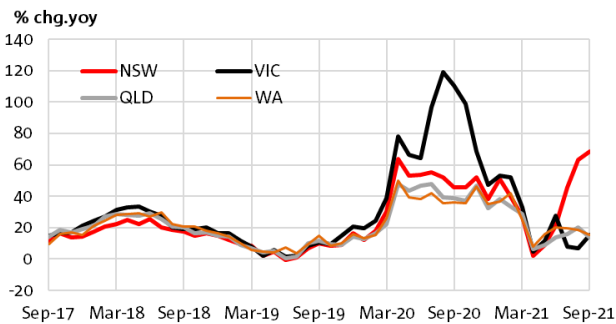


Charts 9 & 10: Online sales by state, trend



*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

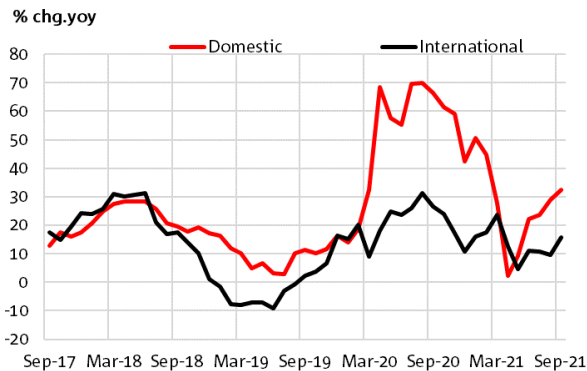
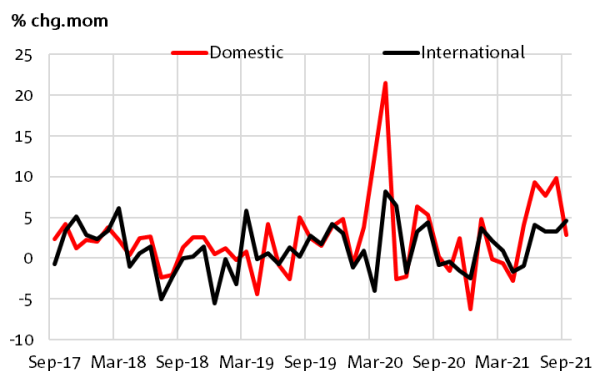


Table 3: Online sales by category and state

% (mom,s.a.)	Fashion	Dep't stores	Home & appliances	Media	Personal and Rec.	Grocery and Liquor	Games and Toys	T'away Food	Total
ACT	21.8	24.6	29.1	10.7	26.4	16.2	19.1	27.1	23.2
NSW	9.1	2.1	6.1	0.8	2.5	-4.1	4.4	6.8	3.1
NT	-3.2	-6.7	-4.2	6.8	3.5	-3.5	6.2	5.3	-1.0
QLD	-3.0	-8.2	-4.1	-1.1	-0.8	-5.0	-0.8	5.6	-3.5
SA	-0.4	0.2	-0.3	-1.8	4.9	-2.2	6.7	7.2	1.0
TAS	-1.3	1.4	-0.0	8.3	-0.8	-2.7	1.2	6.9	0.4
VIC	8.7	6.6	6.7	4.4	7.6	7.5	5.5	4.8	6.8
WA	-2.5	1.9	5.0	-1.5	0.1	-2.0	3.5	0.0	1.0
Total	6.1	2.1	4.5	1.6	4.1	-0.5	4.2	5.9	3.3

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	2.4	6.8	33.8	20.7	83.6	16.4	11.0
Department stores	2.0	1.9	50.7	25.4	91.2	8.8	16.4
Homewares and appliances	4.8	7.3	24.2	5.8	96.3	3.7	23.7
Media	2.1	6.1	12.1	31.9	90.3	9.7	6.3
Personal and Recreational	4.3	5.7	27.6	11.0	89.1	10.9	12.4
Grocery and Liquor	1.4	3.0	34.5	50.0	96.9	3.1	15.4
Games and Toys	3.5	8.4	31.4	1.7	81.9	18.1	8.9
Takeaway Food	6.1	3.4	39.4	52.6	99.4	0.6	5.9
All categories	2.9	4.6	32.5	15.7	91.8	8.2	100

METROPOLITAN AND REGIONAL SPEND

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

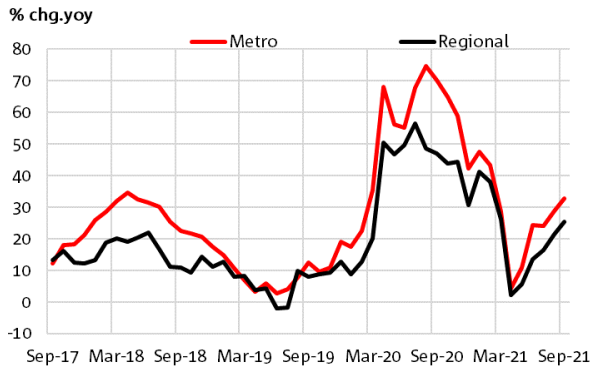
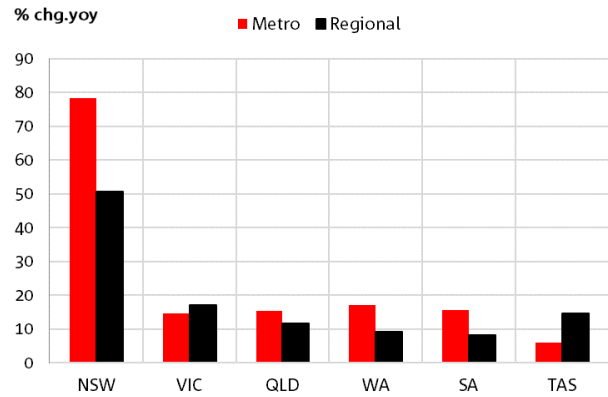


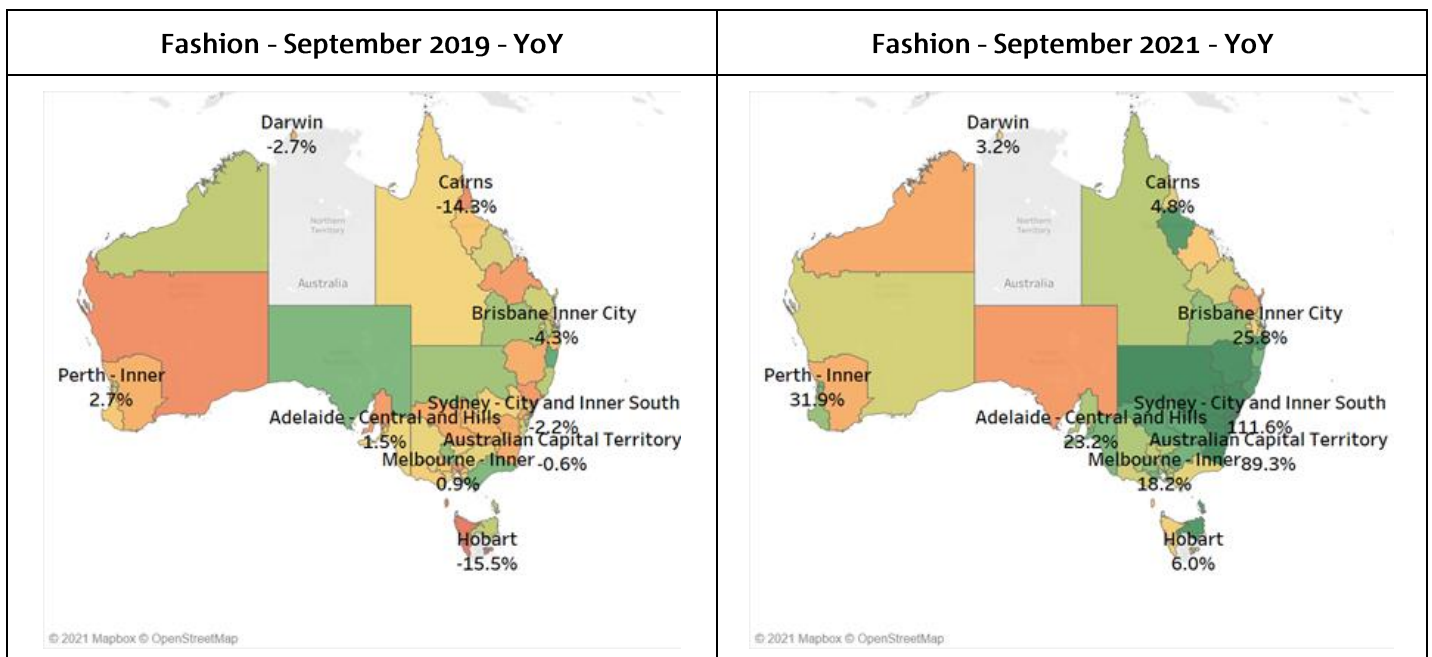
Chart 16: Online retail sales growth by state region, yoy s.a.



A HEATMAP VIEW OF SPEND GROWTH – FASHION AND ACCESSORIES - YEAR ON YEAR, BY STATISTICAL AREA (SA4)

This month we look at the change in online spend for personal and recreational goods, by ABS statistical area (SA4). The growth comparison here is September 2019 relative to the year prior, and September 2021 relative to September 2020 (i.e. year-on-year comparisons).

In September 2019, prior to the pandemic, growth for the overall online index (+11.1% yoy) was relatively moderate compared to the current rate (31.3%). For online fashion and accessories retailing, year-on-year growth had contracted (-1.0%). As can be seen in the left map below, this was broadly distributed across states, with some metro areas fairing far worse than some regional areas. Growth in metro areas like Perth, Adelaide and Melbourne, and regional areas like Coffs Harbour and the mid north coast, Darling downs, Bendigo, and Gippsland, helped dampen the contraction for the category. In 2021, from the right map below, all capitals recorded growth, with ACT and NSW outpacing all other areas, in-line with the headline state growth. By SA4, the strongest growth for the category was in Sydney’s east and north, at about 126% yoy.



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).

Group Economics

Alan Oster
Group Chief Economist
+(61 0) 414 444 652

Jacqui Brand
Executive Assistant
+(61 0) 477 716 540

Dean Pearson
Head of Behavioural &
Industry Economics
+(61 0) 457 517 342

Australian Economics and Commodities

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

Phin Ziebell
Senior Economist
+(61 0) 475 940 662

Behavioural & Industry Economics

Robert De Iure
Senior Economist –
Behavioural & Industry
Economics
+(61 0) 477 723 769

Brien McDonald
Senior Economist –
Behavioural & Industry
Economics
+(61 0) 455 052 520

Steven Wu
Senior Economist –
Behavioural & Industry
Economics
+(61 0) 472 808 952

International Economics

Tony Kelly
Senior Economist
+(61 0) 477 746 237

Gerard Burg
Senior Economist –
International
+(61 0) 477 723 768

Global Markets Research

Ivan Colhoun
Global Head of Research
+(61 2) 9293 7168

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.