



NAB CASHLESS RETAIL SALES INDEX JANUARY 2022

NAB Group Economics

HIGHLIGHTS

- Our data mapping points to a subdued start to 2022 for Australia’s retail sector. We see the official ABS measure gaining 0.3% on a month-on-month basis, having fallen 4.4% in December.
- Late 2021 saw a post-lockdown rebound followed by weakness in December as the Omicron wave began to take hold. Our weekly tracking data showed tough conditions in early January but more recent high frequency data show conditions improving.
- There is considerable performance variation between retail industries. Hospitality saw a substantial downturn in January (we see the ABS measure off more than 5%), while other sectors (except food) improved on the month prior. With omicron cases now declining across much of the country, it is possible that hospitality will see an uptick, however this depends on consumer sentiment amid ongoing covid transmission.

COMMENTS FROM NAB GROUP CHIEF ECONOMIST ALAN OSTER

Consumers started 2022 in an understated fashion, following some big swings in late 2021. However, the challenges for retail remain generally less severe than some reports suggested in early January.

The NAB Monthly Business Survey for January, released yesterday, recorded a big hit for retail business conditions. That said, overall business confidence returned to positive levels (+3, from -12 in December). Confidence tends to lead conditions, suggesting that business conditions could improve in February. Whether this flows through to retail – and particularly hospitality – remains to be seen.

Labour availability continues to be a challenge for many retail businesses, although anecdotally this seems to have eased somewhat, reflecting lower omicron case numbers in the second half of January. Inflationary pressures continue to seep into the survey, with purchase costs up 3.4% at a quarterly rate in January, with retail prices up 1.3% on the same basis. We will continue to closely monitor retail price trends through 2022.

Year-on-year growth (% s.a.)			
	Nov-21	Dec-21	Jan-22
NAB Cashless Index*	10.1	9.3	8.2
ABS Retail Trade	5.8	4.8	--
NAB ABS Retail Trade forecast	2.4	1.9	2.2

Month-on-month growth (% s.a.)			
	Nov-21	Dec-21	Jan-22
NAB Cashless Index*	2.8	-1.6	0.8
ABS retail Trade	7.3	-4.4	--
NAB ABS Retail Trade forecast	3.9	-4.0	0.3

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

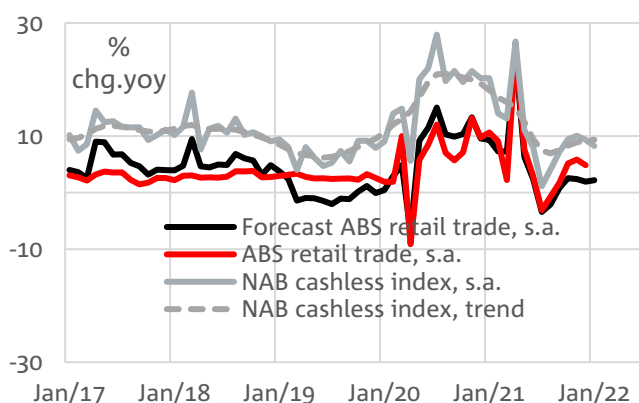
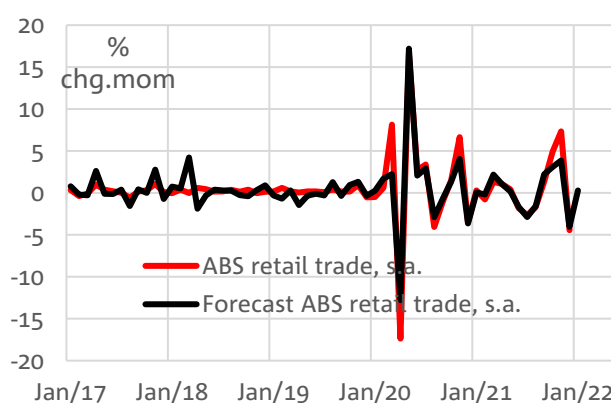


Chart 2: ABS and forecast ABS retail trade data, s.a

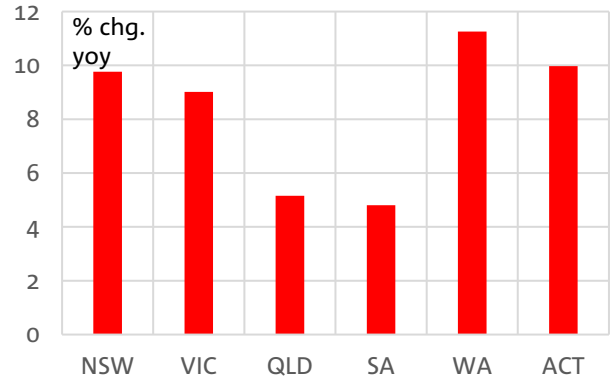


DETAILED CHARTS

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



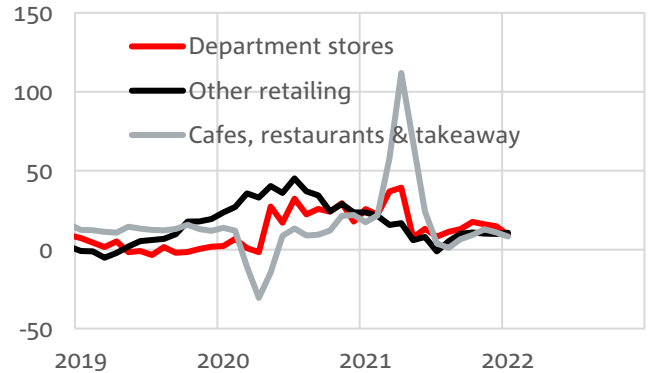
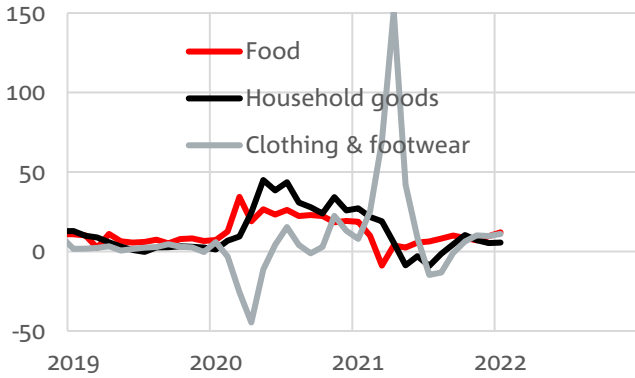
Chart 4: Cashless retail sales by state, s.a.



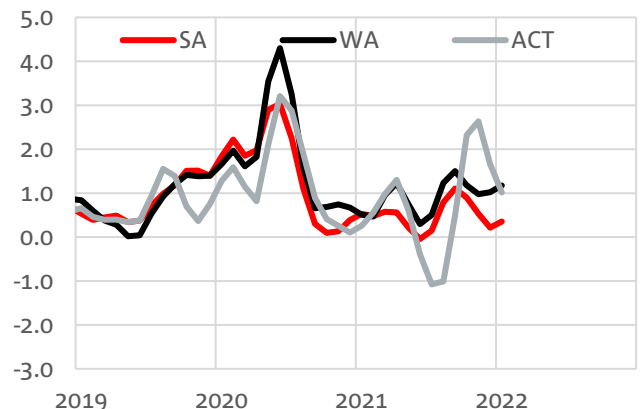
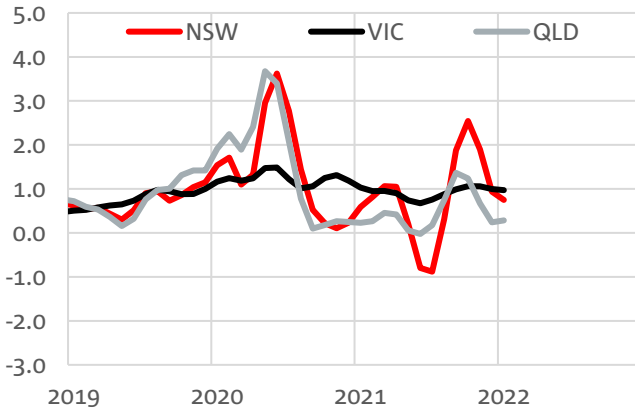
Charts 5&6: Cashless retail sales by sub-industry, s.a.



Charts 7&8: Cashless sales by industry, s.a % chg. yoy



Charts 9&10: Cashless sales by state, trend



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, hastened this year by the decline in the use of cash.

AUTHORS

Alan Oster, Group Chief Economist, +61 414 444 652, Alan.Oster@nab.com.au

Phin Ziebell Senior Economist, +61 475 940 662

Brien McDonald, Senior Economist, brien.mcdonald@nab.com.au

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.

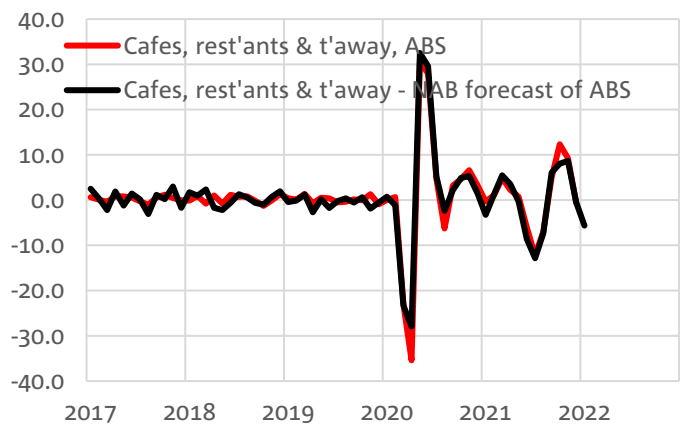
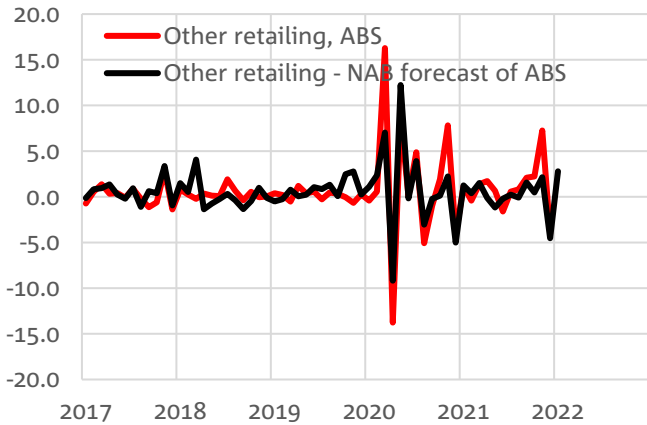
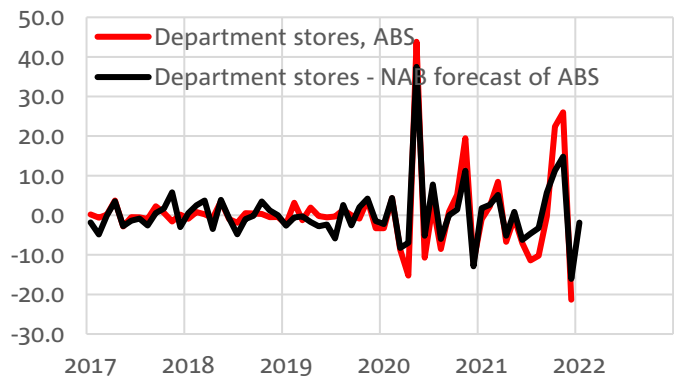
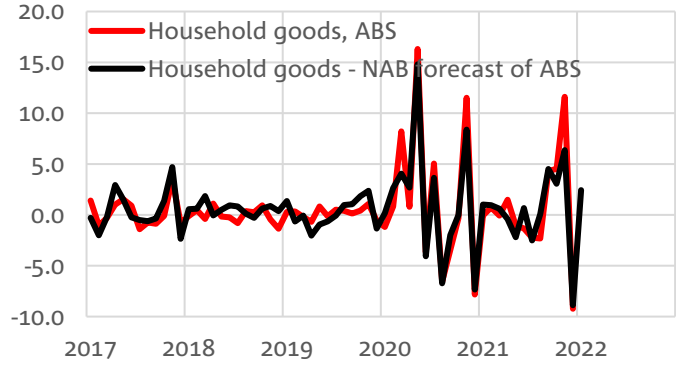
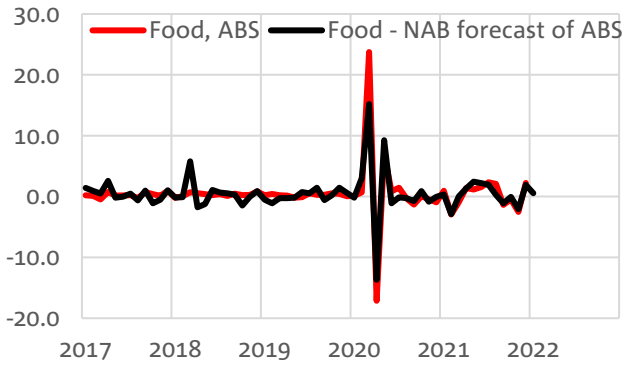
After appropriate weighting and seasonal adjustment, the components of NAB’s cashless retail index (food, household goods, clothing & footwear, department stores, other retailing and cafes, restaurants & takeaway) can generate predictions of the corresponding ABS retail trade series. Aggregating these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



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

Brody Viney
Senior Economist
+(61 0) 452 673 400

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

Behavioural & Industry Economics

Robert De lure
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.