EMBARGOED UNTIL 11:30AM AEDT, Friday 25th February 2022

NAB ONLINE RETAIL SALES INDEX JANUARY 2022

NAB Group Economics

- **Growth for the NAB Online Retail Sales Index rebounded in January (7.2%), following on from a contraction in December (revised -3.7%, was -4.5%), on a month-on-month, seasonally adjusted basis.**
- **In year-on-year terms, the NAB Online Retail Sales Index continued to grow, and accelerated in January (20.0% y/y).**
- **All categories recorded growth in month-on-month terms in January.** Growth in sales was led by department stores, at a rate double the overall index, rebounding after a significant drop in December. Large sales category, homewares and appliances, also rebounded, although at a rate slower than the overall. Games and toys, takeaway food, and fashion grew above the overall rate, while grocery and liquor was just below. In year-on-year terms, department stores, takeaway food, and grocery and liquor lead. For more detail, see Charts 3, 5, 7 & 8 and table 3 below.
- **All states recorded growth in month-on-month terms in January, with ACT and TAS recording double digit growth.** For the large sales states, growth was slightly above the index for QLD and VIC, while NSW was slightly below. See charts 4, 6, 9-14, and table 3 for more detail.
- **Growth was about the same for metro and regional areas in the month. This was particularly the case for NSW.** While VIC and SA recorded sales growth higher for regional areas, QLD, WA and TAS recorded stronger metro growth. In year-on-year terms, growth in metro areas was generally stronger relative to regional, except in SA, where metro was slower. See Charts 15 and 16 for more detail.
- **Sales growth was recorded for both domestic and international merchants this month,** with domestic retailers recording growth stronger than the overall index, and faring better in most categories, except media, homewares and appliances (albeit close to even), and takeaway food. See charts 13 and 14, and table 4 for category growth and share.
- **NAB estimates that in the 12 months to January, Australians spent $54.23 billion on online retail,** a level that is around 14.7% of the total retail trade estimate (December 2021, Series 8501, Australian Bureau of Statistics), and about 19.6% higher than the 12 months to January 2021.
- See comments from NAB's Chief Economist, Alan Oster, on page 2.

Year-on-year growth (% s.a.)	Nov-21	Dec-21	Jan-22
NAB Online Index	15.1	14.2	20.0
ABS Traditional Retail	5.8	4.8	-

Month-on-month growth (% s.a.)	Nov-21	Dec-21	Jan-22
NAB Online Index	-1.1	-3.7	7.2
ABS Traditional Retail	7.3	-4.4	-

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

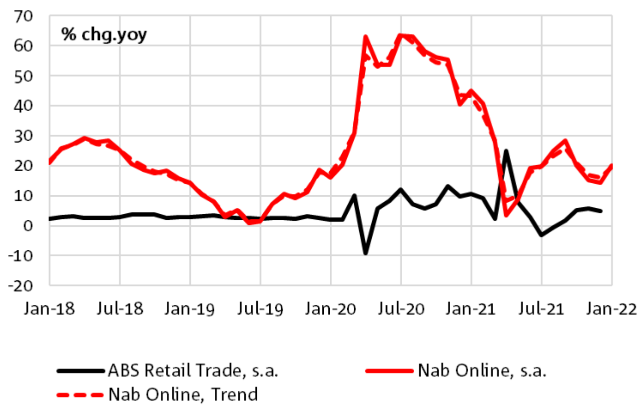
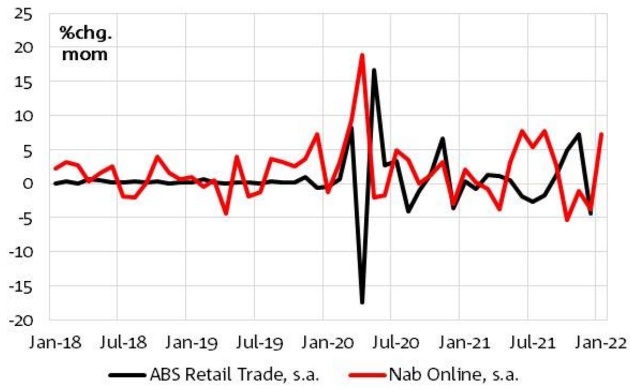


Chart 2: NAB Online retail trade data (mom, s.a.)



NAB Chief Economist, Alan Oster commented:

In month-on-month terms, our NAB Online Retail Sales Index returned to growth in January, and the contraction observed in November and December has been revised up. January is typically a more subdued month for online retail, but this year, with the spike in Omicron cases, more people chose the click option. The jump in January also altered the seasonal estimates for surrounding months, with November and December now revised upwards.

It would appear a preference to avoid close contact and in-store restrictions emerged over this period, with people continuing to restrict in-person social contact, despite a general easing of regulated restrictions in most states. There are also other constraints that may have helped online retailers in recent months. With consumers facing uncertainty about instore supply of goods, the ability to check and confirm orders online may have also factored into current online activity.

For the category that led growth in the month, department stores, the result was consistent across regions, except NT and SA, where it ranked second behind games and toys, and homewares and appliances respectively. In January, there was also strong growth in food related spending, relative to a year prior, with both grocery and liquor, and takeaway food growing strongly. This supports the above notion, that consumers were increasingly opting for reduced direct social contact during the Omicron wave, even for categories considered staples. Our broader consumer monitor, which includes in-store and at-venue purchase, suggests that spending in hospitality had begun to recover over the past couple of weeks. If this continues, we may see a tempering of these rapid growth rates, as the Omicron induced boost to online sales ease.

This month in the heat map section, we take a look at Fashion, and the change in growth compared to the pre-pandemic period.

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

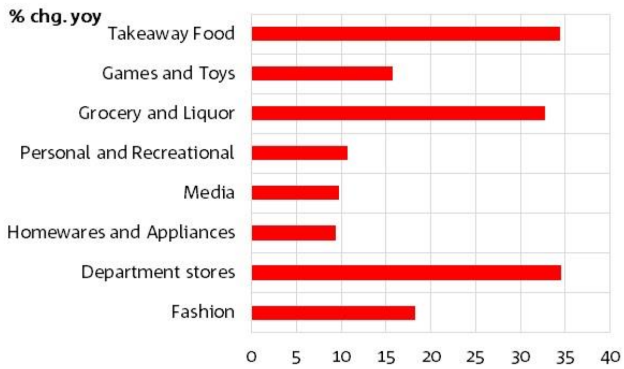


Chart 4: Online retail sales by state, yoy s.a.

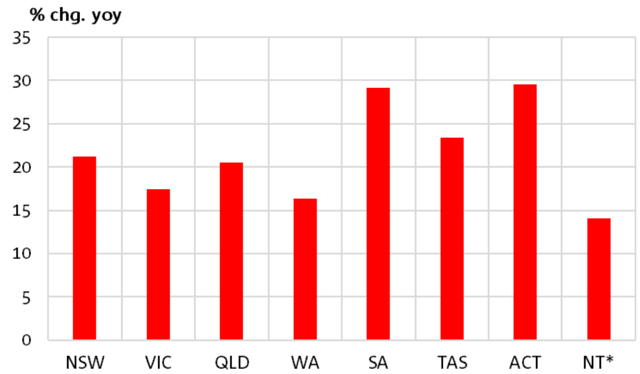


Chart 5: Online retail sales by industry, mom s.a.

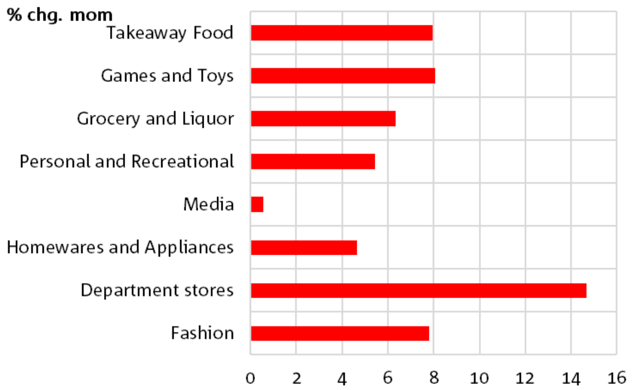
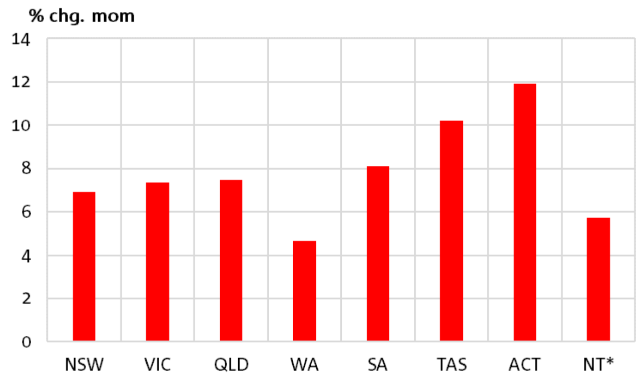
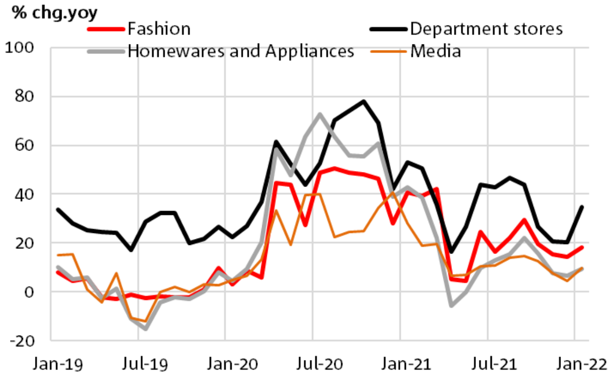


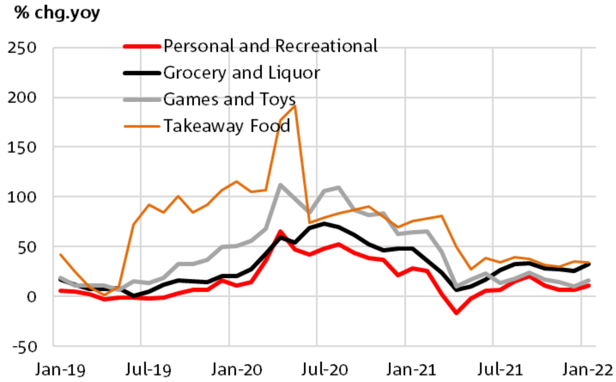
Chart 6: Online retail sales by state, mom s.a.



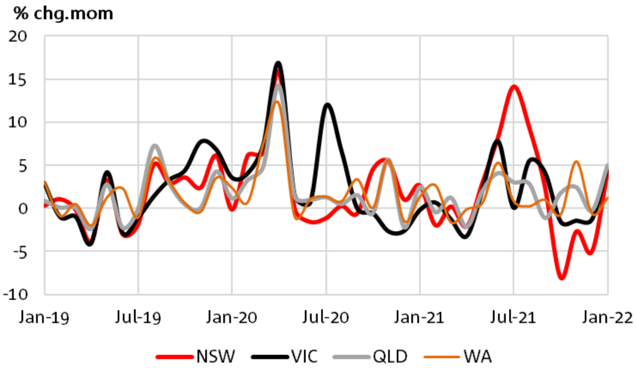
* Note that the series representing Northern Territory is highly variable and should be used with caution.

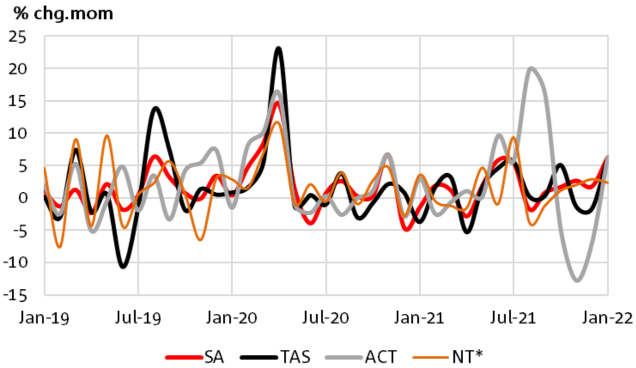
Charts 7 & 8: Online sales by category, seasonally adjusted





Charts 9 & 10: Online sales by state, trend





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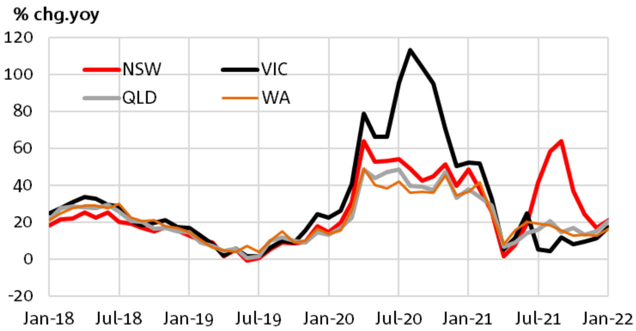
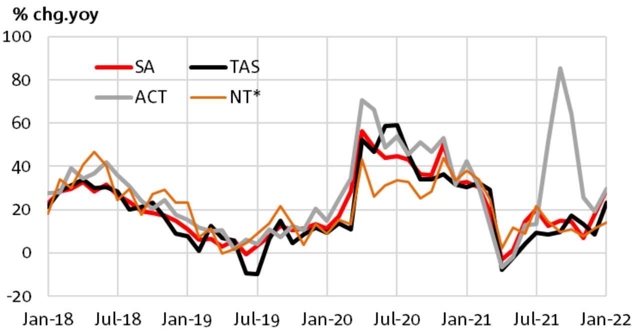
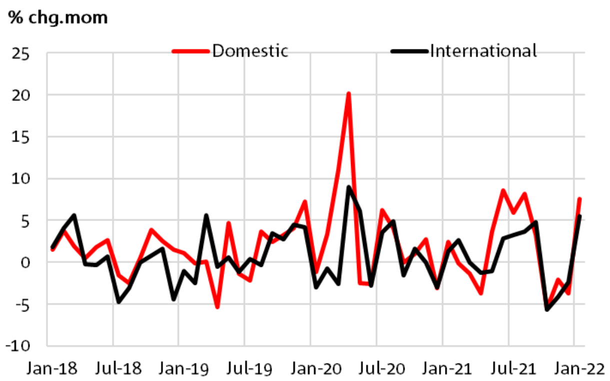
Charts 11 & 12: Online sales by state, yoy, s.a.





Charts 13 & 14: Online sales by merchant location



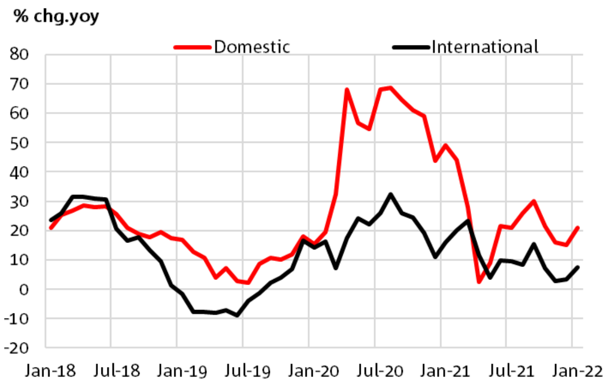


Table 3: Online sales by category and state

% (mom,s.a.)	Fashion	Dep't stores	Home & appliances	Media	Personal and Rec.	Grocery and Liquor	Games and Toys	T'away Food	Total
ACT	13.1	20.8	9.5	9.7	12.5	12.4	6.1	7.1	**11.9**
NSW	7.2	13.4	5.9	4.8	4.1	3.8	5.6	12.1	**6.9**
NT	-1.9	12.8	-9.0	9.2	12.8	3.1	19.1	8.3	**5.7**
QLD	7.3	16.7	4.5	3.9	4.5	6.3	9.3	5.2	**7.5**
SA	2.2	10.1	13.4	1.2	7.9	8.8	7.9	2.2	**8.1**
TAS	15.2	18.6	2.4	1.1	13.3	15.0	15.8	-5.6	**10.2**
VIC	10.1	13.8	3.8	-3.6	5.1	8.5	9.7	8.7	**7.3**
WA	3.1	18.8	-2.8	-7.0	9.9	4.3	7.3	0.3	**4.7**
Total	**7.8**	**14.7**	**4.6**	**0.6**	**5.5**	**6.3**	**8.1**	**8.0**	**7.2**

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	9.0	6.3	18.7	14.9	83.7	16.3	11.0
Department stores	15.8	7.3	36.7	17.0	91.4	8.6	16.6
Homewares and appliances	4.8	5.0	9.2	2.8	96.4	3.6	23.3
Media	-1.8	10.4	10.9	-1.9	90.7	9.3	6.2
Personal and Recreational	6.0	3.7	13.4	-4.8	89.4	10.6	12.0
Grocery and Liquor	6.8	1.0	31.0	32.7	96.9	3.1	15.9
Games and Toys	8.0	4.3	19.3	-0.2	82.9	17.1	8.9
Takeaway Food	9.7	11.9	35.2	104.4	99.4	0.6	6.2
All categories	**7.6**	**5.5**	**20.9**	**7.6**	**92.1**	**7.9**	**100**

METROPOLITAN AND REGIONAL SPEND

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

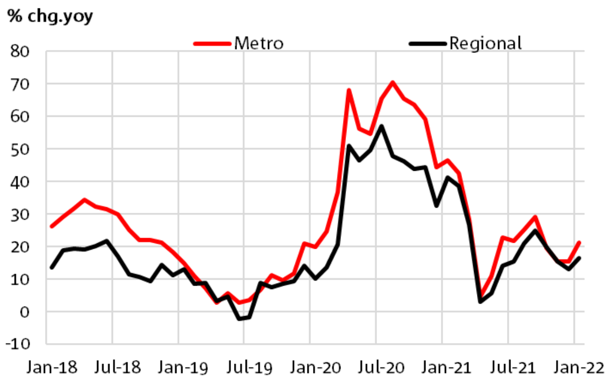
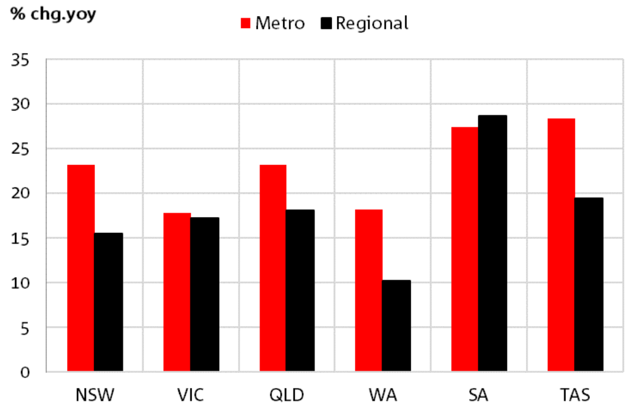


Chart 16: Online retail sales growth by state region, yoy s.a.

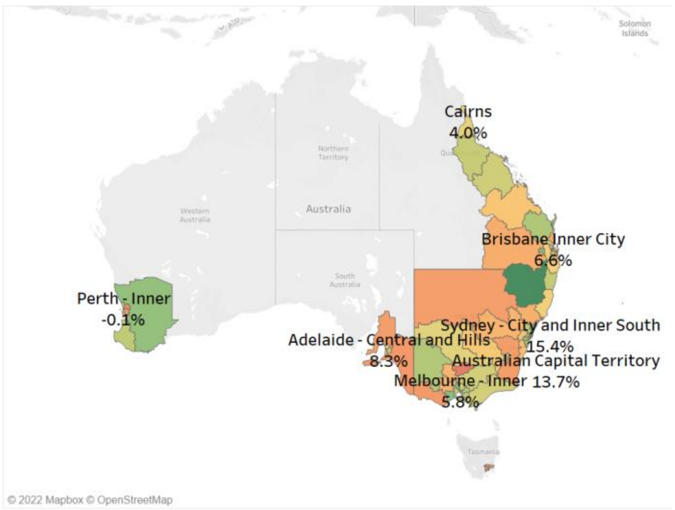


A HEATMAP VIEW OF SPEND GROWTH – FASHION AND ACCESSORIES - YEAR ON YEAR, BY STATISTICAL AREA (SA4)

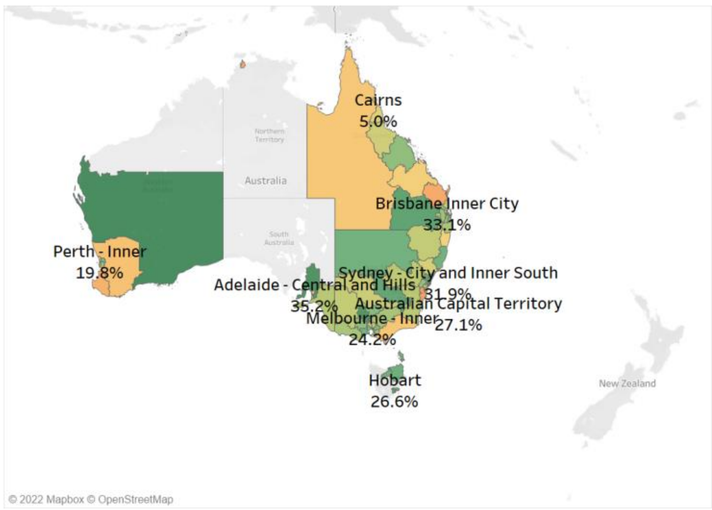
This month we look at the change in online spend for the fashion and accessories category, by ABS statistical area (SA4). The growth comparison here is January 2019 relative to the year prior, and January 2022 relative to January 2021 (i.e. year-on-year comparisons).

In January 2019, growth for the overall online index (+14.4% yoy) was beginning to moderate, after significant growth over prior years as the market began to mature. The growth rate for fashion (7.9% yoy) was some way below the overall. The current rate of growth for fashion (18.2%) is much closer to the overall (20.0%). As can be seen in the map below, in 2019, the rate of growth in many SA4s was lower than that of the total fashion category, particularly in regional areas. In 2022, it is noticeable that there are many more SA4s that meet the volume criteria to display growth rates, and that growth rates in areas outside the major centres are considerably strong.

Fashion and accessories – January 2019 - YoY



Fashion and accessories – January 2022 - 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).

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