



NAB CASHLESS RETAIL SALES INDEX MARCH 2022

NAB Group Economics

HIGHLIGHTS

- Our data mapping points to slower growth in March, following a strong February. We see the official ABS measure gaining 0.2% on a month-on-month basis in March, having gained 1.8% in February.
- March data has been subdued following February’s spending spree that emerged in the wake of the omicron peak. February saw very strong results for hospitality as Australians returned to pubs, restaurants and bars, but March has seen this pared back somewhat. However, our weekly tracking data remains reasonably encouraging, although retail and hospitality have been a little weaker of late.
- March saw a record petrol price spike as well as broader concerns around inflation and forthcoming interest rate rises. While petrol has now retreated from its earlier highs, we see the RBA hiking rates as soon as June. This may affect consumer sentiment, particularly for discretionary goods.

COMMENTS FROM NAB GROUP CHIEF ECONOMIST ALAN OSTER

March has seen smoother retail prospects when compared to the very choppy conditions across January and February, with our forecast pointing to moderate growth in the month. Overall, retail businesses continue to perform well, although the rapid growth of the last two years is unlikely to be repeated.

There have been heightened concerns around inflation recently, particularly for petrol and food. While petrol is easing somewhat following the 22c excise cut announced in the budget, broader inflationary risks remain. We now see the RBA lifting off mid-year as a result.

That said, the NAB Monthly Business Survey reported very strong business conditions in March, with the retail sector leading the gains to record a massive 23 point gain in conditions. Much has been made of inflationary risks and this month we provided more detail on business costs. Overall, business cost and price growth measures reached record levels in the survey. Retail recorded the lowest labour cost growth of any industry (up 1.7% at a quarterly rate, compared to 2.1% overall) but slightly higher purchase cost growth than business overall (3.5% and 3.4% respectively). Retail price growth stood at 2.3% at a quarterly rate, compared to 1.7% for all businesses.

	Year-on-year growth (% s.a.)		
	Jan-22	Feb-22	Mar-22
NAB Cashless Index*	9.4	12.9	11.4
ABS Retail Trade	6.3	9.1	--
NAB ABS Retail Trade forecast	3.4	4.9	2.7

	Month-on-month growth (% s.a.)		
	Jan-22	Feb-22	Mar-22
NAB Cashless Index*	1.4	2.0	0.0
ABS retail Trade	1.6	1.8	--
NAB ABS Retail Trade forecast	0.9	1.1	0.2

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

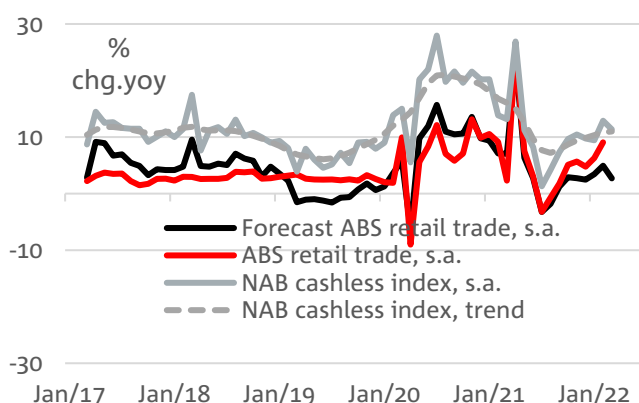
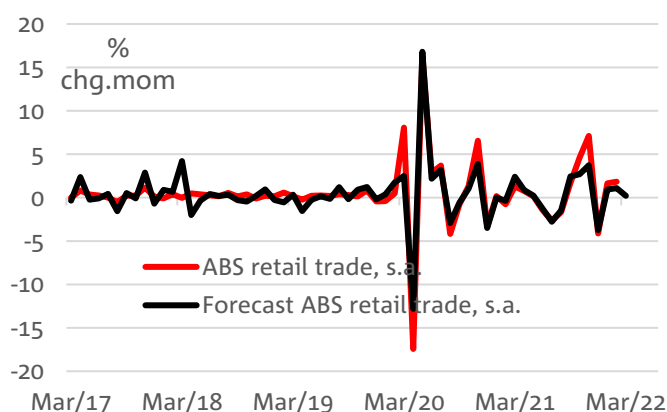


Chart 2: ABS and forecast ABS retail trade data, s.a

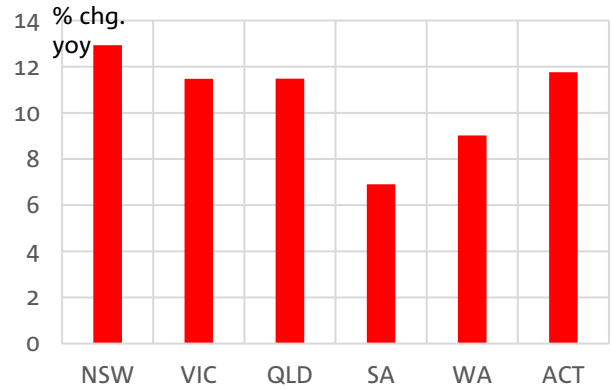


DETAILED CHARTS

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



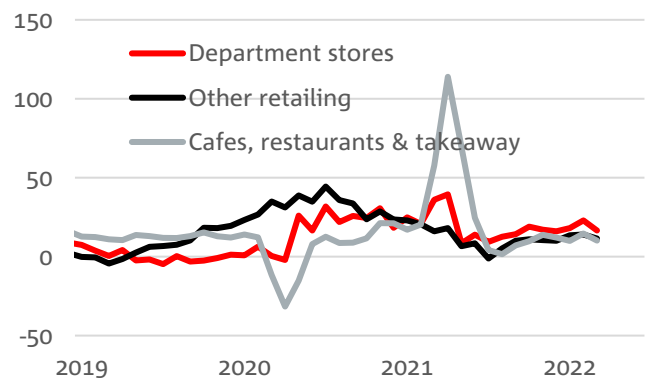
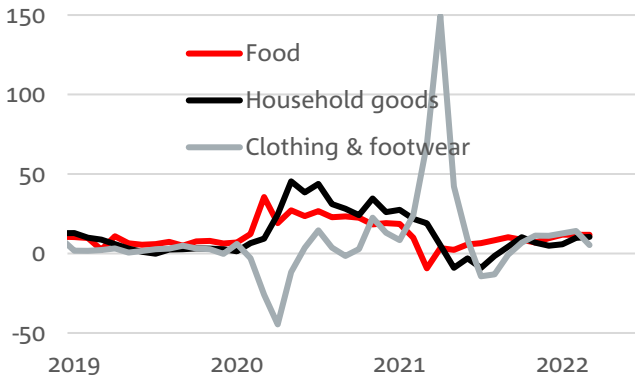
Chart 4: Cashless retail sales by state, s.a.



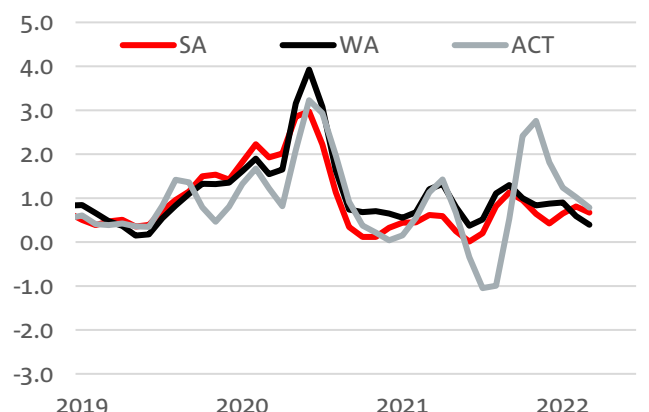
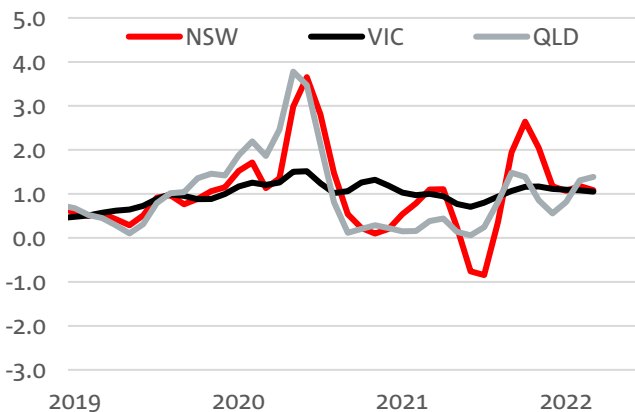
Charts 5&6: Cashless retail sales by sub-industry, s.a.



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.

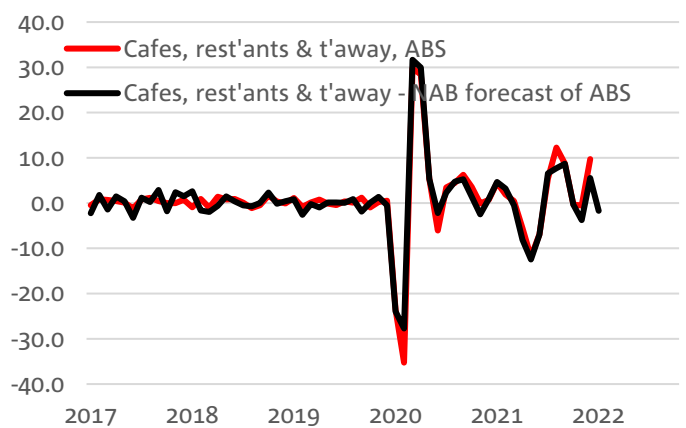
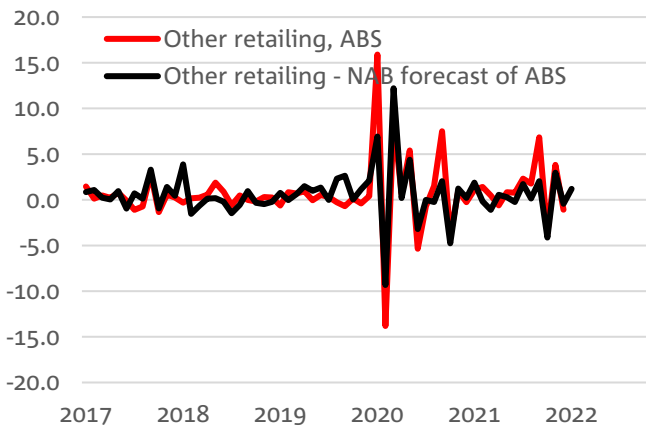
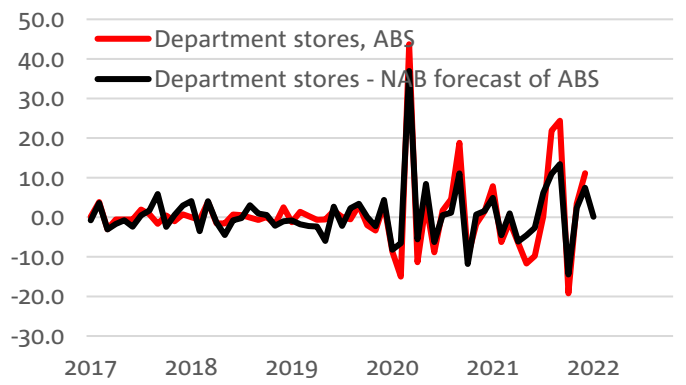
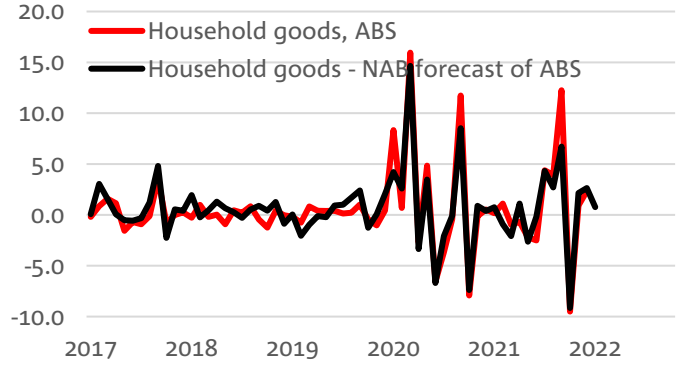
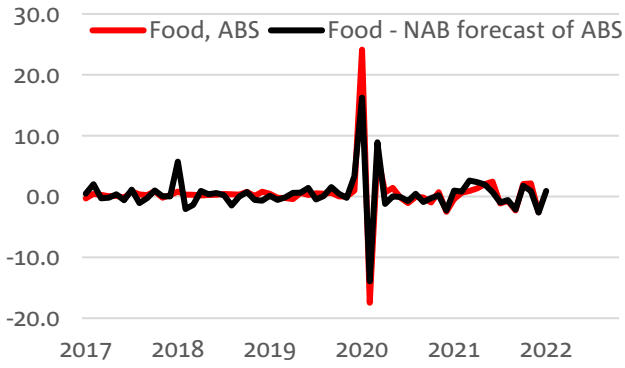
After appropriate weighting and seasonal adjustment, the components of NAB’s cashless retail index (food, household goods, clothing & footwear, department stores, other retailing and cafes, restaurants & takeaway) can generate predictions of the corresponding ABS retail trade series. Aggregating these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

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