



NAB ONLINE RETAIL SALES INDEX

JULY 2023

- On a month-on-month, seasonally adjusted basis, growth contracted in July (-0.2%), following on from a revised, significantly milder June contraction (-0.4%).
- In year-on-year terms, growth accelerated in July (6.3% y/y), but this is compared to a period of contraction the year prior, so some caution should be applied given base effects.
- Mixed results by category in July, with rapid acceleration for department stores, a strong contraction for homewares and appliances, and more moderate results for all other categories. Over the past couple of months there has been some noticeable weakness in grocery and liquor, personal and recreational goods, and clothing. In year-on-year terms, this has had impact particularly on grocery and liquor. For more detail, see charts 3, 5, 7 & 8 and table 3 below.
- Similarly, results were also mixed by state this month. The two largest sales states, VIC and NSW, contracted this month, along with SA and NT, albeit the latter two recorded growth in June counter to the overall. By contrast, the other large sales states, QLD, and WA recorded strong growth. In year-on-year terms, there is clear base effects contributing to the rebound for NSW and VIC, while the result for WA looks to be based on stronger activity over the past three months. See charts 4, 6, 9-14, and table 3 for more detail.
- Metro areas generally fared better in the month, with regional areas contracting. In year-on-year terms, regional areas were also outpaced this month by metro areas. See Charts 15 and 16 for more detail.
- Domestic retailers recorded a contraction in the month, while international retailers recorded growth. In year-on-year terms, growth for international has outpaced domestic. See charts 13 and 14, and table 4 for category growth and share.
- NAB estimates that in the 12 months to July, Australians spent \$53.67 billion on online retail, a level that is around 12.7% of the total retail trade estimate (June 2023, Series 8501, Australian Bureau of Statistics), and a contraction (-4.1%) relative to the 12 months to July 2022.
- See comments from NAB's Chief Economist, Alan Oster, on page 2.

Year-on-year growth (% s.a.)			
	May-23	Jun-23	Jul-23
NAB Online Index	4.8	5.3	6.3
ABS Retail Trade	4.1	2.3	-

Month-on-month growth (% s.a.)			
	May-23	Jun-23	Jul-23
NAB Online Index	3.7	-0.4	-0.2
ABS Retail Trade	0.8	-0.8	-

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

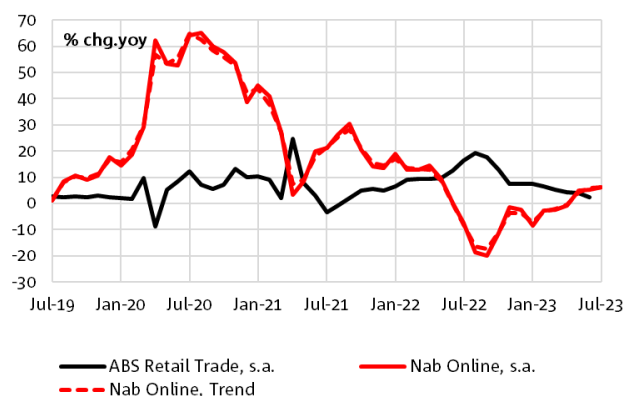
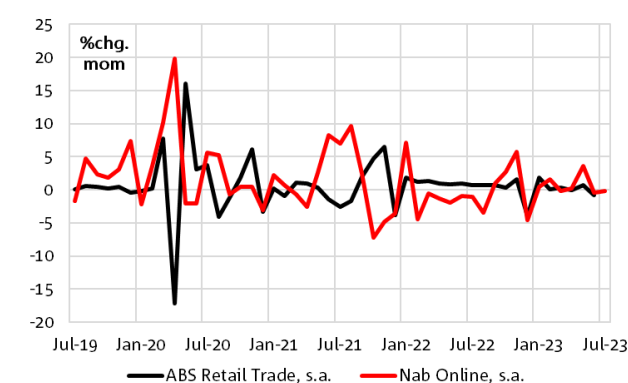


Chart 2: NAB Online retail trade data (mom, s.a.)



NAB Chief Economist, Alan Oster commented:

For both the online and overall retail series, we observed upward revisions to June data, albeit still contracting. This contraction continued for the July monthly result. With the exception of the May sales spike, the June and July results tend to support the observation over the past six months of a moderation in spend behaviour and that this is likely to continue in the near term. Having said that, recent entrants into the series may alter this trajectory. Whether this adds new spend or simply changes the existing composition remains to be seen.

In July, online sales for department stores grew rapidly in month-on-month terms. This is in stark contrast to our broader retail series which recorded a contraction for the same category. A look at the granular data suggests that the average spend for this category per transaction actually declined in July, yet the volume of purchases made increased. This might indicate either trading down in purchases, or price discounting by existing or new entrant merchants.

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



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

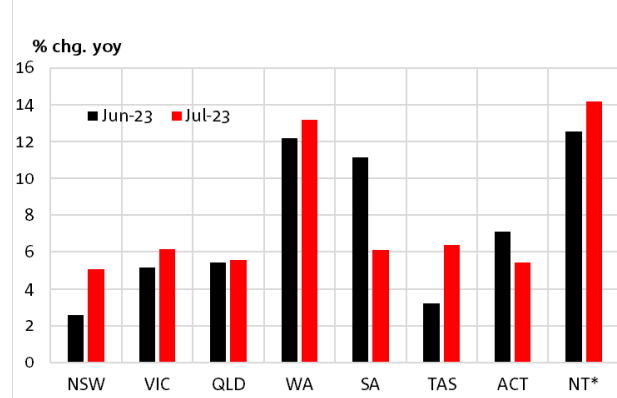
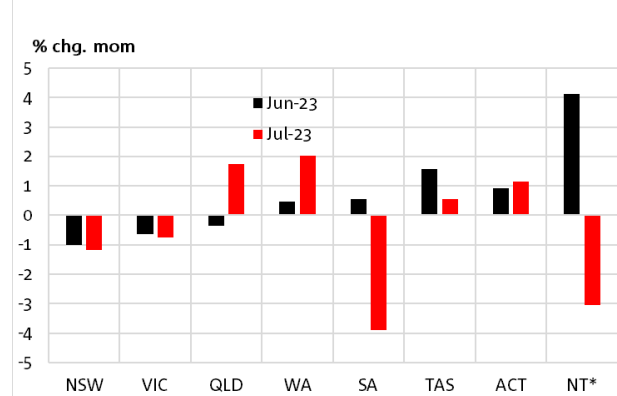


Chart 5: Online retail sales by category, mom s.a.

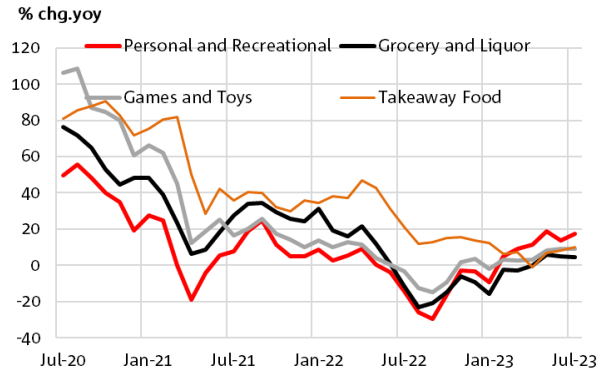
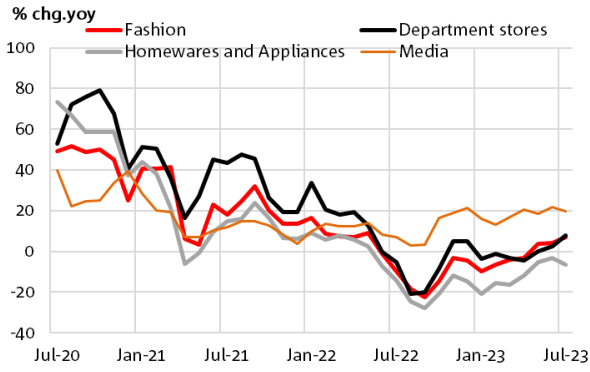


Chart 6: Online retail sales by state, mom s.a.

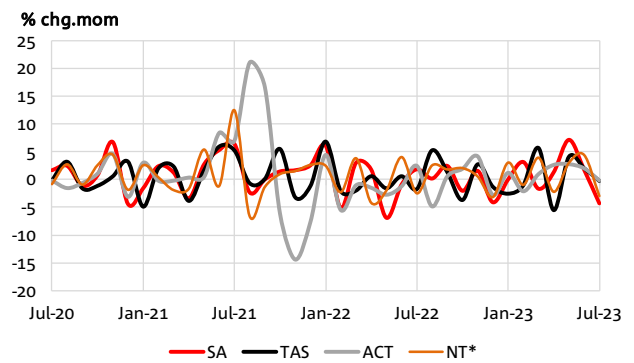
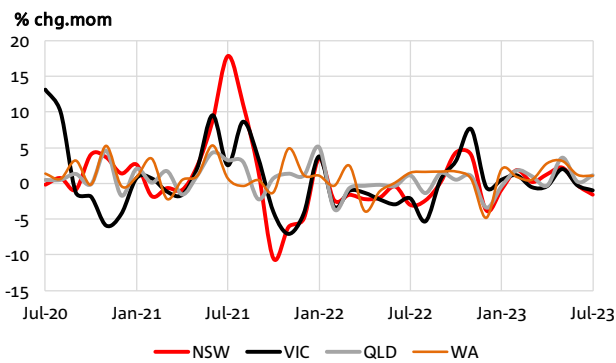


* Note that the series representing Northern Territory is highly variable and should be used with caution.

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

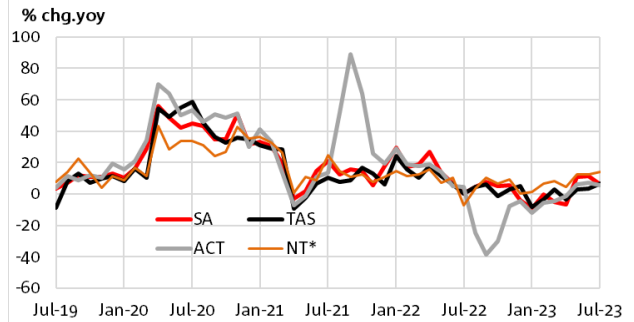
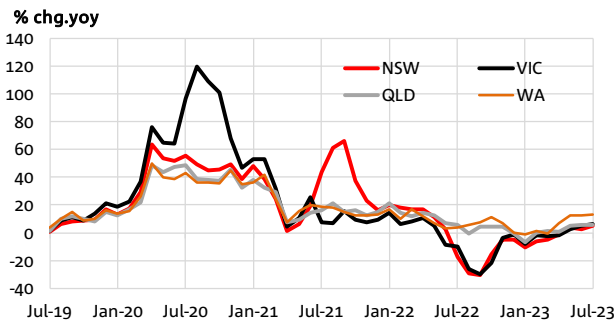


Charts 9 & 10: Online sales by state, trend



*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

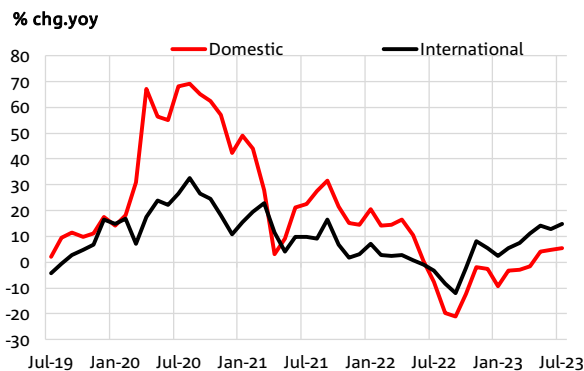
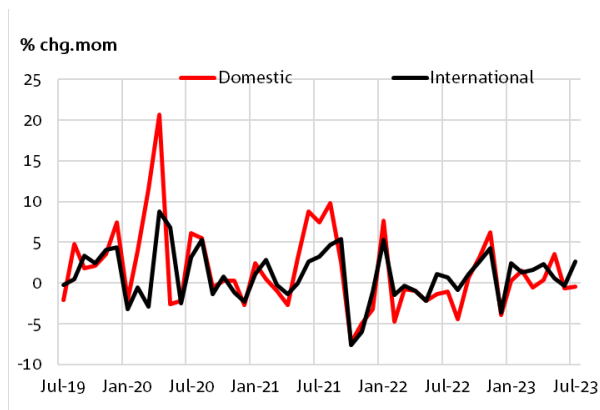


Table 3: Online sales by category and state

% (mom,s.a.)	Fashion	Dep't stores	Home & appliances	Media	Personal and Rec.	Grocery and Liquor	Games and Toys	T'away Food	Total
ACT	1.7	12.5	-7.7	-3.3	1.8	1.4	2.2	2.3	1.1
NSW	-1.5	4.8	-3.1	-0.1	-3.6	-5.1	0.1	1.0	-1.2
NT	0.6	3.2	-15.8	3.5	-0.1	0.3	-9.6	-4.2	-3.0
QLD	3.8	7.6	-2.4	1.2	0.7	1.3	1.2	2.0	1.8
SA	-1.9	5.0	-17.2	-0.5	0.5	-1.2	-3.2	-3.6	-3.9
TAS	2.3	3.8	-9.8	4.3	5.7	6.5	1.0	-2.6	0.6
VIC	-1.9	4.2	-3.0	-1.1	-1.2	-2.1	-0.0	-1.8	-0.8
WA	2.5	9.8	-5.2	0.4	1.7	1.4	4.6	4.2	2.0
Total	-0.2	5.8	-4.2	-0.1	-0.9	-1.7	0.5	0.3	-0.2

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	-1.9	4.4	7.7	0.4	82.6	17.4	10.6
Department stores	5.8	9.0	4.5	50.8	91.3	8.7	16.9
Homewares and appliances	-4.2	-0.6	-7.4	3.3	95.6	4.4	20.0
Media	0.6	-5.9	21.3	3.9	92.4	7.6	7.8
Personal and Recreational	-0.3	-3.3	19.4	10.5	88.9	11.1	11.8
Grocery and Liquor	-2.0	1.6	3.6	5.5	96.4	3.6	15.5
Games and Toys	-0.8	3.6	7.4	16.8	81.5	18.5	9.2
Takeaway Food	1.1	8.4	9.5	71.5	98.4	1.6	8.1
All categories	-0.4	2.6	5.4	14.8	91.5	8.5	100

METROPOLITAN AND REGIONAL SPEND

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

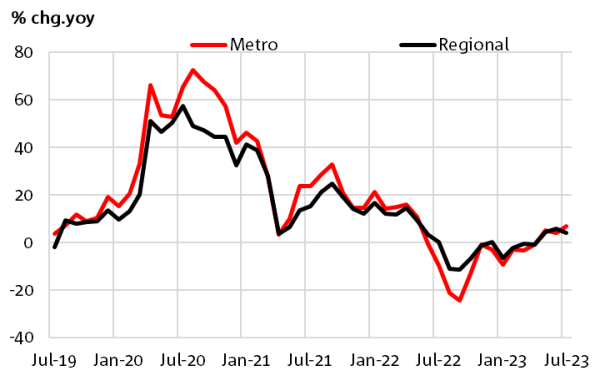
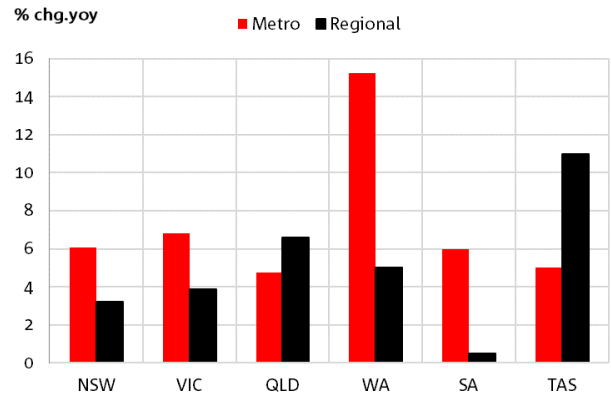


Chart 16: Online retail sales growth by state region, yoy s.a.



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 are 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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