

# NAB Online Retail Sales Index December 2023



## NAB Group Economics

### Key Points

- **On a month-on-month, seasonally adjusted basis, growth contracted in December (-3.9%),** following a considerably strong November (6.5%).
- **In year-on-year terms, while growth slowed in December (11.4% y/y),** it remained positive, albeit this metric is a comparison to a period where growth was still contracting.
- **Broad-based contraction in December by category, after rapid growth in November.** The contraction in growth was led by the largest sales category, homewares and appliances, along with games and toys, and department stores. Worth noting that these same categories led growth in November. In year-on-year terms, personal and recreational goods continue to lead. For more detail, see charts 3, 5, 7 & 8 and table 3 below.
- **A contraction in growth for all states this month, with the smaller states generally fairing worse.** NSW and VIC, which recorded considerable growth in November, contracted by a smaller rate relative to the smaller sales states. Some of the smaller states had also recorded smaller gains in November. See charts 4, 6, 9-14, and table 3 for more detail.
- **While a larger contraction was observed for metro areas this month, in November their growth far exceeded regional.** In year-on-year terms, metro areas continue to lead regional, although the gap between the two is still relatively small compared to the years immediately prior. See Charts 15 and 16 for more detail.
- **Both domestic and international retailers** recorded a contraction in the month, with the former performing worse. However, to keep this in context, domestic retailers outpaced international by some margin in November. In year-on-year terms, growth for domestic has outpaced international since November. See charts 13 and 14, and table 4 for category growth and share.
- **NAB estimates that in the 12 months to December, Australians spent \$55.11 billion on online retail,** a level that is around 13.0% of the total retail trade estimate (November 2023, Series 8501, Australian Bureau of Statistics), and a continuation of moderate growth (2.8%) relative to the 12 months to December 2022.

Year-on-year growth (% s.a.)			
	Oct-23	Nov-23	Dec-23
NAB Online Index	10.2	13.1	11.4
ABS Retail Trade	1.2	2.2	-

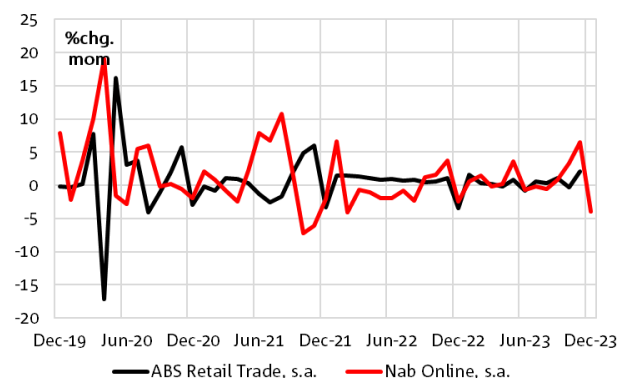
Month-on-month growth (% s.a.)			
	Oct-23	Nov-23	Dec-23
NAB Online Index	3.4	6.5	-3.9
ABS Retail Trade	-0.4	2.0	-

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.)



## Comments from NAB Chief Economist Alan Oster

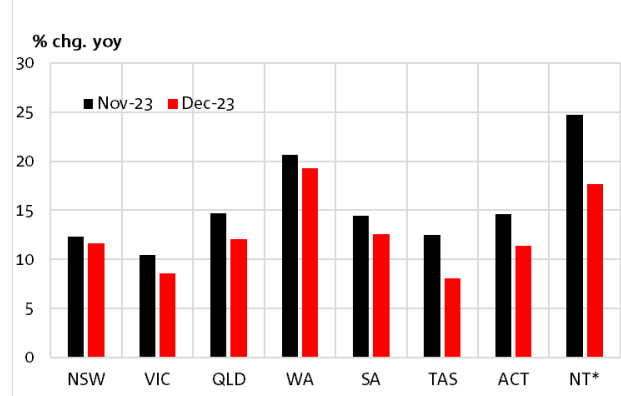
While we observed a contraction in online sales growth in December, for context, this followed considerably strong October and November results. When these results are aggregated for the December quarter, this has translated into high single digit growth when compared to the September quarter, and low double-digit growth when compared to December quarter 2022. This growth has also revived the 12-months-to metric, albeit at a more moderate pace relative to what we observed during lockdowns. Part of this, as we have alluded to in past reports, reflects base effects of the comparison period. Between mid-2022 and the first quarter of 2023, online sales slowed as people returned to physical stores. It is worth noting that even during that period, the online share of total retail did not fall substantially. Given the broader trend slowing in total retail, it is likely that, should online continue to grow even at a moderate pace, its share of this measure will continue to gradually increase.

We note that there is broad commentary about the effect of sales events and shifting seasonal patterns for retail sales. For the history of this time series, our data has highlighted the importance of November in annual online retail sales. In the first couple of years of the series, this emphasis was only marginally more than December. As consumers adapted to a combination of factors, like delivery schedules and sales events, the importance of November in the online calendar has grown to a point where the dollars spent in this month are about 1.25 times the December spend, and 1.5 times the sales of the average month for the rest of the year. As online retail sales gradually increase its share of total retail sales, it is likely that this change to seasonal patterns will become more apparent in the broader series.

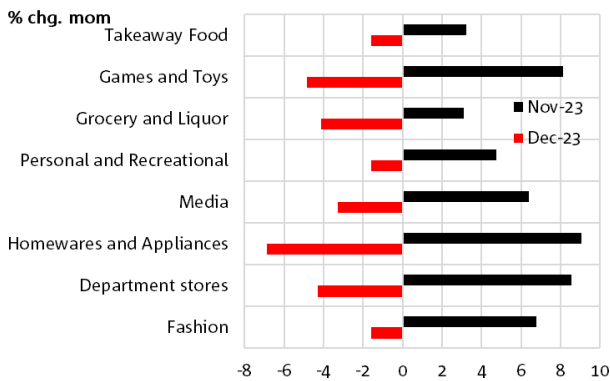
**Chart 3: Online retail sales by category, yoy s.a.**



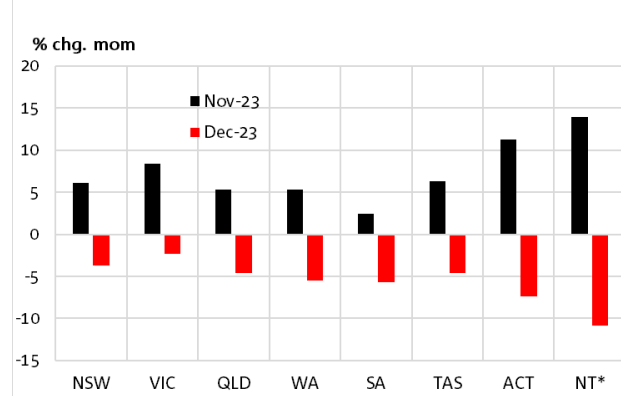
**Chart 4: Online retail sales by state, yoy s.a.**



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

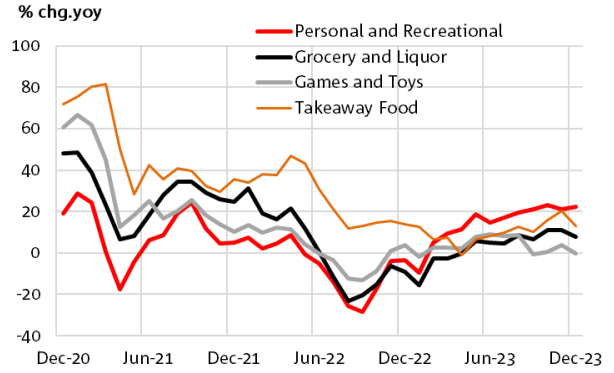
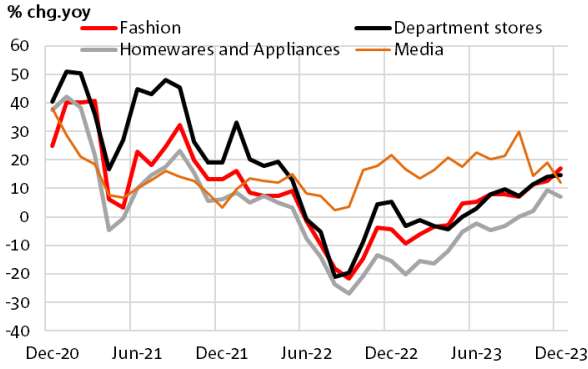


**Chart 6: Online retail sales by state, mom s.a.**

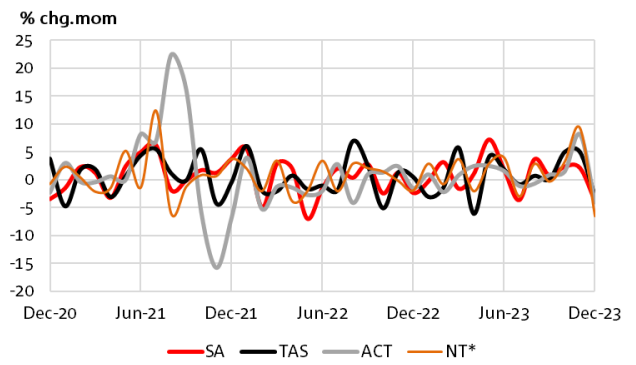
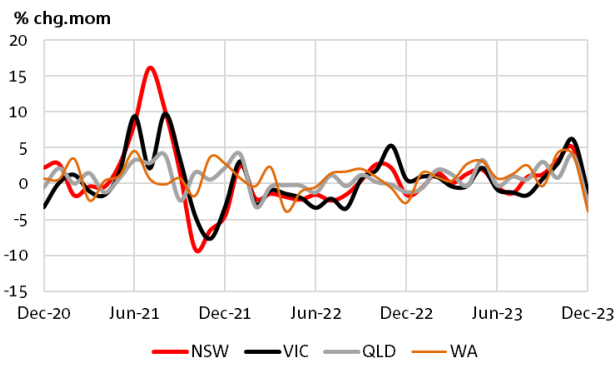


\* Note that the series representing Northern Territory is highly variable and should be used with caution.

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

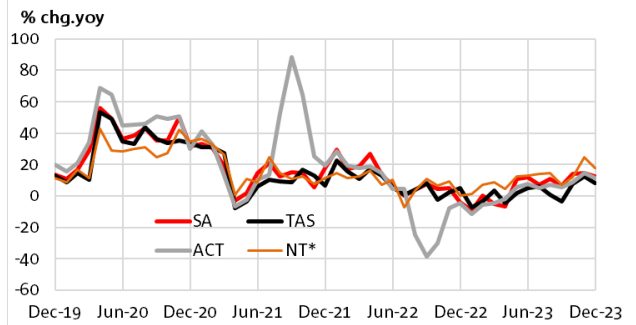
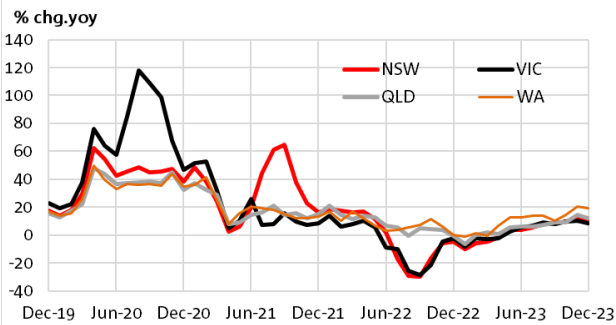


**Charts 9 & 10: Online sales by state, trend**

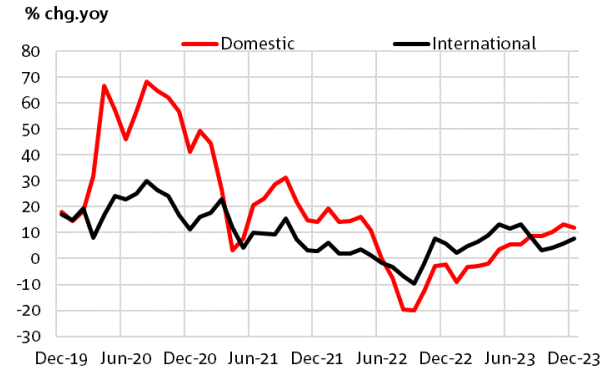
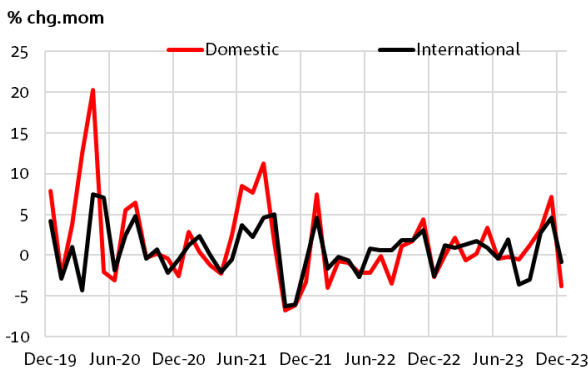


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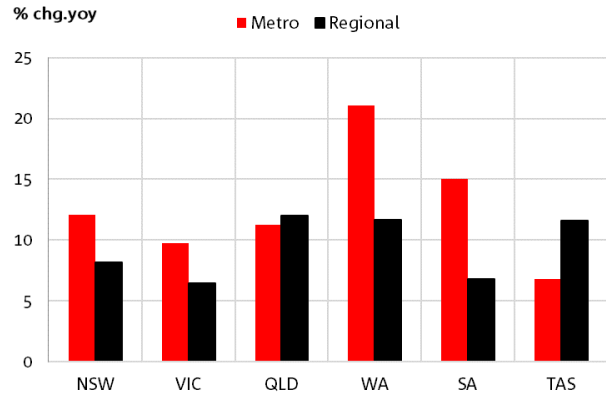
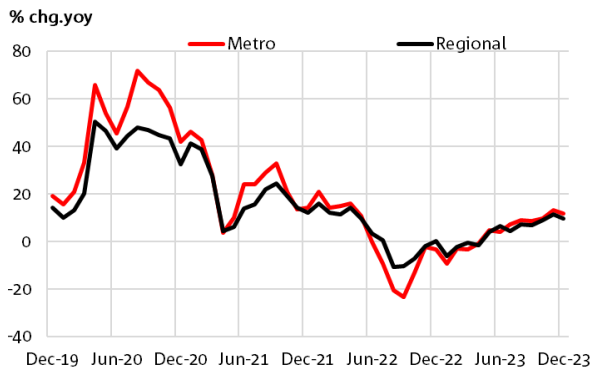
**Charts 11 & 12: Online sales by state, yoy, s.a.**



**Charts 13 & 14: Online sales by merchant location, mom and yoy**



**Charts 15 & 16: Online retail sales growth by region and state, yoy s.a.**



**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	-3.1	-13.6	-14.5	-2.6	-6.0	-0.2	-11.2	2.7	-7.4
NSW	-1.7	-2.5	-6.0	-6.1	-1.1	-6.1	-3.7	-0.1	-3.7
NT	-0.1	-9.9	-25.6	-7.2	-16.7	2.1	-20.2	8.9	-10.9
QLD	-4.4	-8.1	-6.9	-2.2	-1.4	-3.7	-3.0	-2.7	-4.6
SA	-1.7	-5.0	-12.3	0.5	-6.9	-4.4	-4.3	-2.8	-5.7
TAS	-2.4	-4.2	-0.9	-0.3	-5.8	-7.1	-13.5	-7.1	-4.6
VIC	-0.1	-1.4	-4.1	-2.5	-0.7	-2.3	-5.4	-2.5	-2.3
WA	0.5	-7.6	-13.3	-1.1	-1.0	-4.2	-7.6	-1.1	-5.5
<b>Total</b>	<b>-1.6</b>	<b>-4.3</b>	<b>-6.9</b>	<b>-3.3</b>	<b>-1.6</b>	<b>-4.1</b>	<b>-4.8</b>	<b>-1.6</b>	<b>-3.9</b>

**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	0.4	-2.0	18.6	7.4	83.4	16.6	10.7
Department stores	-4.4	-5.4	17.3	-11.1	92.2	7.8	17.0
Homewares and appliances	-5.3	-0.0	6.4	21.5	95.5	4.5	19.5
Media	-2.9	-4.0	12.7	6.8	92.5	7.5	8.0
Personal and Recreational	-2.1	-1.4	23.0	10.4	89.3	10.7	12.3
Grocery and Liquor	-3.8	-2.0	7.8	2.6	96.5	3.5	15.4
Games and Toys	-4.2	0.3	-5.1	16.1	80.5	19.5	8.9
Takeaway Food	-2.2	5.1	12.8	20.6	98.4	1.6	8.2
<b>All categories</b>	<b>-3.8</b>	<b>-0.8</b>	<b>12.0</b>	<b>7.8</b>	<b>91.7</b>	<b>8.3</b>	<b>100</b>

## About this report

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).

## 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) 422 081 046

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

### 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

### International Economics

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

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

## Global Markets Research

Skye Masters  
Head of Markets Strategy  
Markets, Corporate &  
Institutional Banking  
+(61 2) 9295 1196

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