

NAB Online Retail Sales Index March 2024



NAB Group Economics

Key Points

- **On a month-on-month, seasonally adjusted basis, growth slowed considerably but remained positive in March (0.3%),** following a slightly revised February (1.1%, was 1.0%).
- **Growth accelerated slightly in year-on-year terms (15.1% y/y),** partly boosted by base effects of key categories.
- **Mixed results by category this month with growth for fashion, games and toys, and department stores largely offset by the drop in homewares and appliance sales, which partially reversed February gains.** The broad based strong growth for department stores observed over the past couple of months has moderated, with a drop in NSW and some smaller sales states. Conversely, NSW went against the broader trend, along with TAS, recording growth for the largest sales category, homewares and appliances. Department stores continue to lead year-on-year growth. For more detail, see charts 3, 5, 7 & 8 and table 3 below.
- **Mixed results also for state growth this month, with the two largest sales states, NSW and VIC, along with TAS, offsetting a contraction in the other states, particularly QLD and SA.** While the two largest states recorded differing results for the two largest categories, they both recorded growth for third largest sales category, grocery and liquor, albeit not quite enough to lift the national. See charts 4, 6, 9-14, and table 3 for more detail.
- **Particularly strong growth for regional NSW this month, which boosted the national result.** In year-on-year terms, while metro still leads, the trend suggests it is slowing, while regional online sales growth is improving. See Charts 15 and 16 for more detail.
- **Domestic retailers recorded slowing growth, but remained positive in the month.** International retailers recorded a consecutive monthly contraction, albeit slightly better than the month prior. In year-on-year terms, the gap between domestic and international widened with domestic again outpacing international. Per previous notes, some context is required here re base effects. See charts 13 and 14, and table 4 for category growth and share.
- **NAB estimates that in the 12 months to March, Australians spent \$56.5 billion on online retail,** a level that is around 13.3% of the total retail trade estimate (February 2024, Series 8501, Australian Bureau of Statistics), with growth continuing (6.7%), and accelerating since the latter part of 2023.

Year-on-year growth (% s.a.)			
	Jan-24	Feb-24	Mar-24
NAB Online Index	15.4	14.8	15.1
ABS Retail Trade	1.2	1.6	-

Month-on-month growth (% s.a.)			
	Jan-24	Feb-24	Mar-24
NAB Online Index	3.5	1.1	0.3
ABS Retail Trade	1.1	0.3	-

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

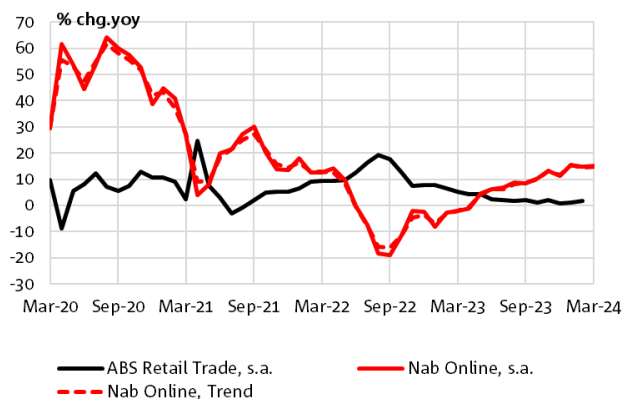
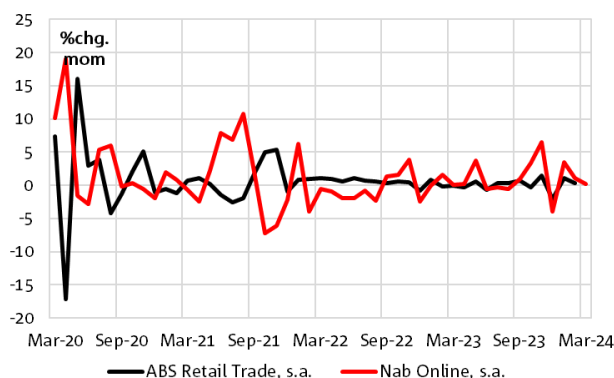


Chart 2: NAB Online retail trade data (mom, s.a.)



Comments from NAB Chief Economist Alan Oster

In month on month, seasonally adjusted terms, online retail sales growth slowed to almost flat in March. This is perhaps not unexpected, as our broader retail measure indicates a contraction in retail sales for the month. In growth terms, online is performing better, particularly for some categories like department stores. This category contracted heavily in our broader retail measure, but continued to grow online, albeit slowing. With pressure on the consumer over the near term, it is likely that the moderation in online spend will continue.

By category and state this month, results were quite mixed. Fashion, and games and toys recorded growth for most states. Fashion, a key sales category for international retailers, was a rare bright spot for that segment in the month, outpacing domestic for the category. Domestic retailers more broadly have outpaced international in nine of the past twelve months. Also worth noting over the past few months, is the resurgence in the strong contribution to online sales growth by the large sales states, NSW and VIC, as WA and QLD have begun to moderate.

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



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

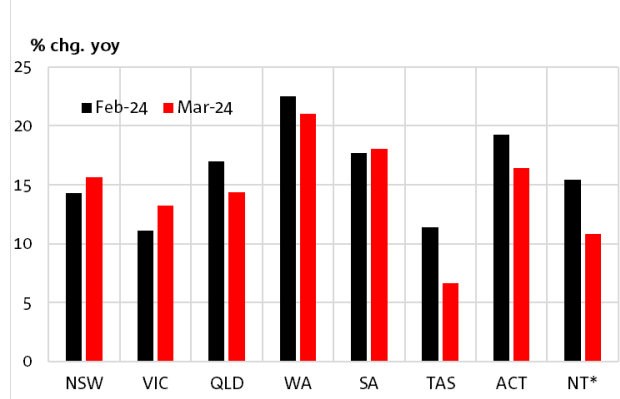


Chart 5: Online retail sales by category, mom s.a.

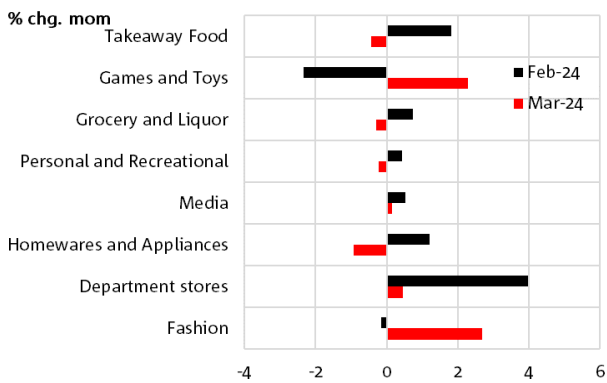
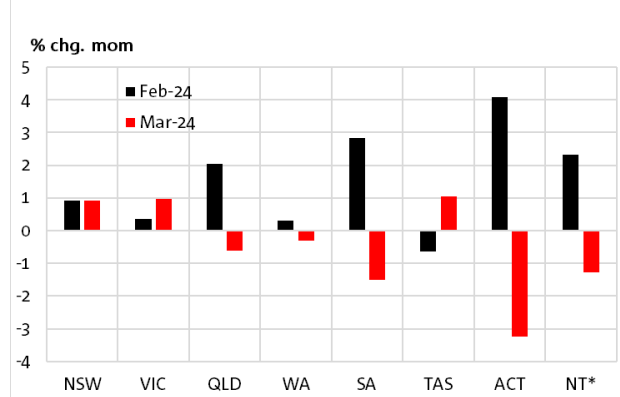
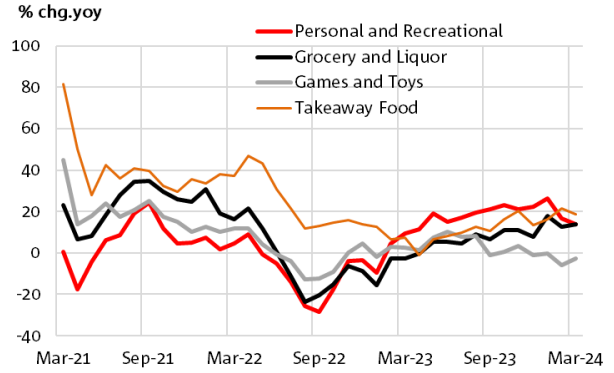
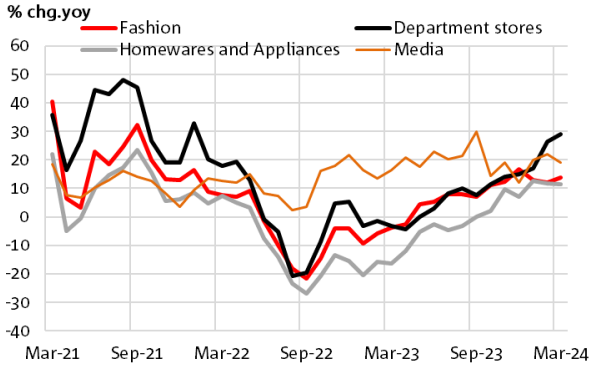


Chart 6: Online retail sales by state, mom s.a.

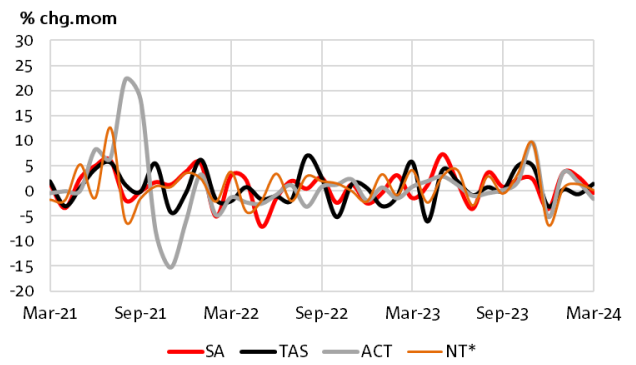
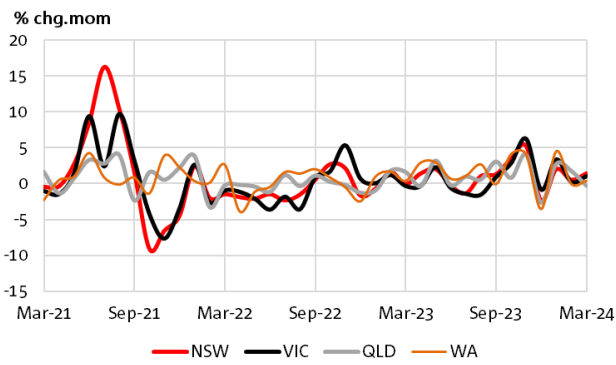


* Note that the series representing Northern Territory is highly variable and should be used with caution.

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

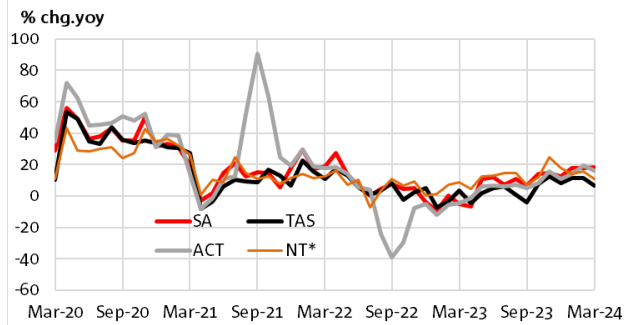
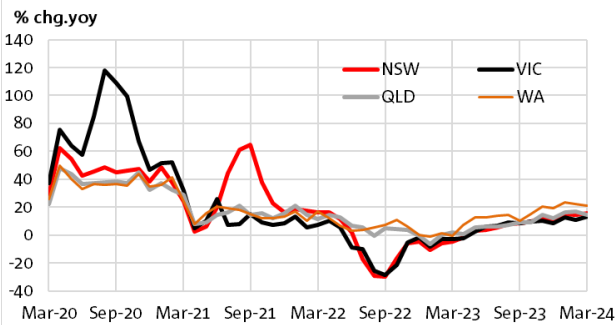


Charts 9 & 10: Online sales by state, trend

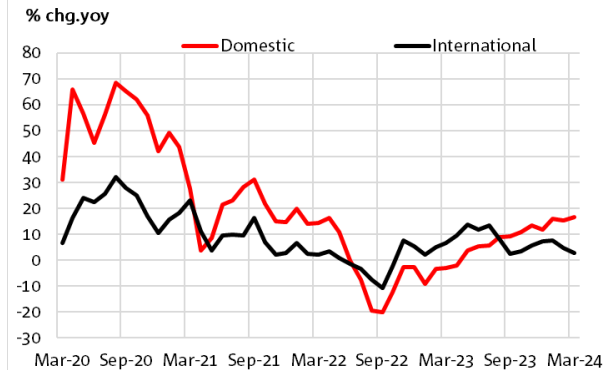
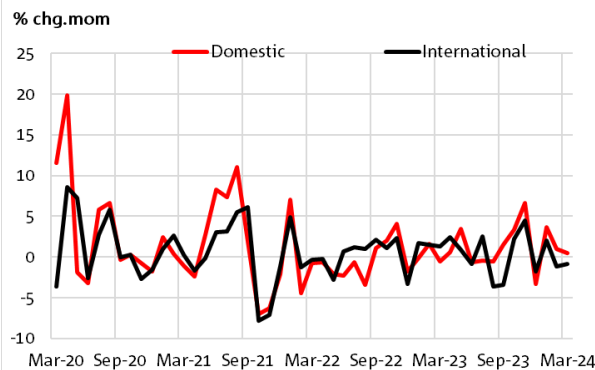


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Charts 11 & 12: Online sales by state, yoy, s.a.



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.

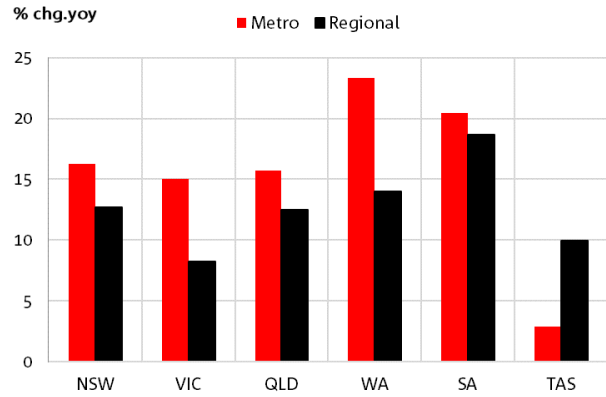
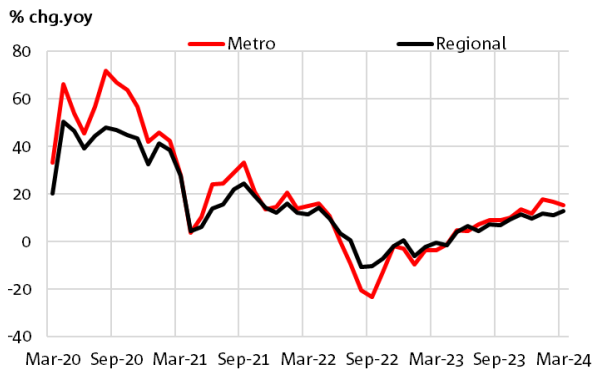


Table 3: Online sales by category and state

% (mom,s.a.)	Fashion	Dep't stores	Home & appliances	Media	Personal and Rec.	Grocery and Liquor	Games and Toys	T'away Food	Total
ACT	3.8	-5.1	-10.9	4.0	-0.8	-4.2	4.0	-5.0	-3.2
NSW	1.1	-0.6	1.3	0.2	0.4	1.6	3.9	0.4	0.9
NT	-3.8	-3.7	-1.7	3.2	-2.8	-0.0	4.3	-1.5	-1.3
QLD	4.2	1.2	-0.6	-1.0	-0.8	-3.1	-2.0	-2.9	-0.6
SA	2.0	-4.5	-3.1	2.6	0.7	-3.4	4.3	-4.7	-1.5
TAS	5.9	5.1	1.9	2.0	-5.5	-0.6	1.2	-3.0	1.0
VIC	2.7	2.1	-2.3	-0.1	0.3	1.6	2.3	2.8	1.0
WA	5.1	0.2	-1.8	1.0	-2.1	-2.2	7.1	-5.6	-0.3
Total	2.7	0.4	-0.9	0.1	-0.2	-0.3	2.3	-0.4	0.3

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	3.9	5.0	18.6	1.6	84.0	16.0	10.6
Department stores	0.4	-0.3	29.8	4.5	92.7	7.3	17.4
Homewares and appliances	0.1	-1.4	13.2	2.5	95.5	4.5	19.3
Media	0.7	-2.7	21.1	3.0	92.6	7.4	8.1
Personal and Recreational	0.3	-4.6	16.1	-8.3	89.7	10.3	12.4
Grocery and Liquor	0.7	0.5	14.1	4.2	96.6	3.4	15.4
Games and Toys	3.2	-2.9	-4.8	10.9	79.7	20.3	8.5
Takeaway Food	-1.9	-4.5	19.3	3.0	98.4	1.6	8.3
All categories	0.5	-0.8	16.6	2.7	91.9	8.1	100

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).

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