



# NAB Online Retail Sales Index

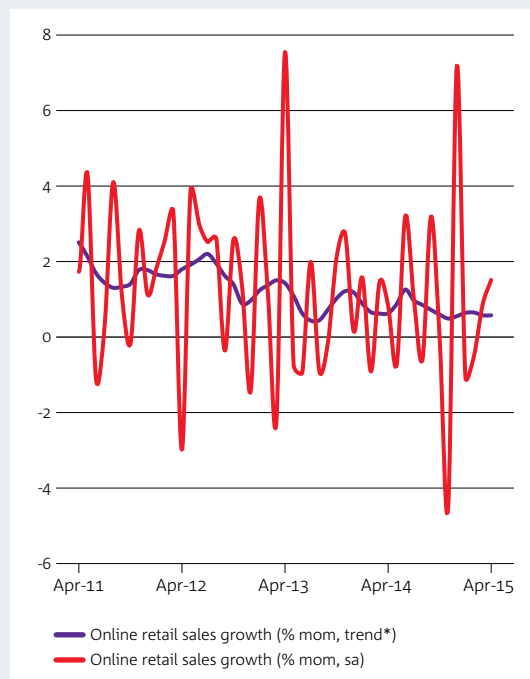
## In-depth report – April 2015

**Table 1. Key retail statistics**

	YOY growth (% nsa)				MOM growth (%)		
	Feb 15	Mar 15	Apr 15		Feb 15	Mar 15	Apr 15
NAB online retail	8.9	8.2	9.6	NAB online (sa)	-0.5	0.8	1.5
ABS traditional retail	4.3	5.3	N/A	NAB online (Trend*)	0.6	0.6	0.6

\*Data is seasonally adjusted (sa) where specified, with a leap year adjustment made for February 2012. Trend data is generated using the Henderson 13 term moving averages where specified. Non-seasonally adjusted (nsa) online sales data is produced by Quantum. Traditional retail sales data is sourced from the Australian Bureau of Statistics (ABS) and excludes cafés, restaurants and takeaway food.

**Chart 1: Growth in online retail (% mom)**



Note: sa: seasonally adjusted. Trend – Henderson 13 term with asymmetric endpoints.

■ Australia’s online retail spending increased to \$16.9 billion for the year to April 2015, or by 9.6% annually. It now represents around 7.0% of traditional retail spending, excluding cafe’s, restaurants and takeaway food.

Comparable year growth in traditional bricks & mortar retail (up 5.3% in March) was still outpaced by the improvement in online retail (8.2%). That said, recent online growth has been more subdued than the 20-30% year-on-year growth rates recorded in earlier years. In April the seasonally adjusted month-on-month change was 1.5%. At 0.6%, the trend estimate for online retail sales is unchanged relative to March and February.

Domestic retailers controlled 75.5% of total online spending as of April 2015, relatively unchanged on the previous 3 months. Growth in both international and domestic online retail sales accelerated in April, though domestic online continues to outpace international in year-on-year terms.

A note on revisions: to ensure our data is easily benchmarked, in this quarterly update we’ve moved to publishing the seasonally adjusted month-on-month change exclusive of a three-month moving average. We have now incorporated the Henderson 13 term trend to replace the three-month moving average, quoted in the report as trend. This makes the numbers more directly comparable to other publicly available series such as traditional retail sales seasonally adjusted and trend series. There are likely to be future improvements to participant classification that may result in further revisions.

I hope you enjoy our latest insights into this rapidly evolving sector.

**Alan Oster, Group Chief Economist, NAB**

■ The NAB Online Retail Sales Index (NORSI) provides an incredibly valuable snapshot of what’s happening in the digital channel across key consumer sectors. Consequently, it provides powerful insight into consumer buying behaviour. What we’re seeing this quarter is a mixed bag. Growth rose significantly in electronic games & toys, although this segment accounts for a small share of overall online spend.

Homewares continued to recover from the January slump, and there was strong growth in media. Daily deals, grocery & liquor, and personal & recreational goods all contracted in the month, but daily deals is the only segment to contract in year-on-year terms.

As to who’s doing the spending, at almost a quarter of all online spending, the 35-44s are the largest spend group, but spending by the 25-34s grew fastest in April. The growth in online shopping by older Australians has been encouraging, although this has slowed in recent months, and was the slowest in April.

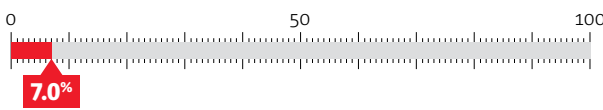
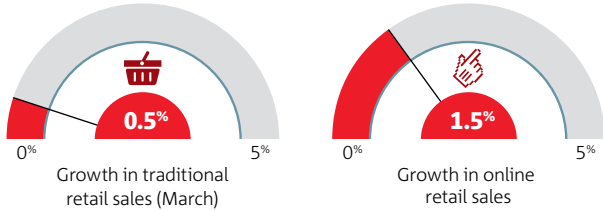
It’s important to stay in touch with spending data – so make sure NORSI is always on your radar.

**Peter King, Head of Consumer sectors Australia**

## At a glance

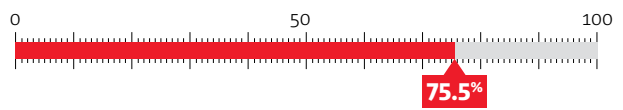
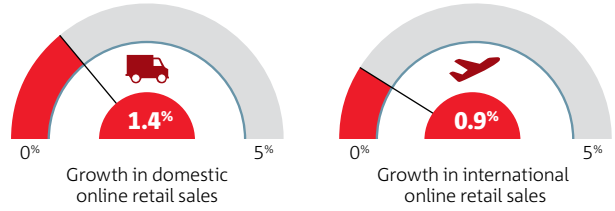
### Traditional vs online

(sa, April mom)



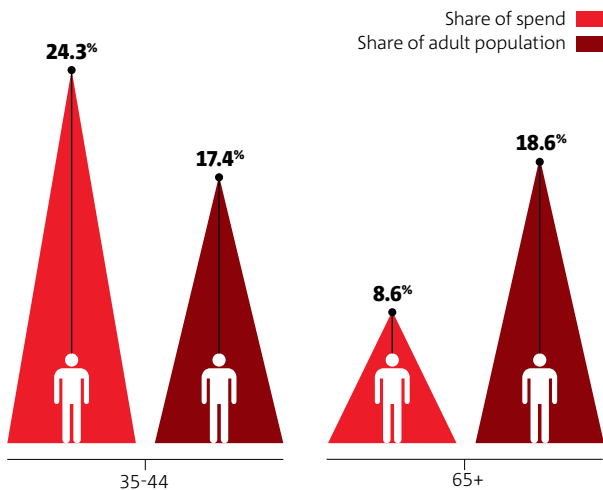
### Domestic vs international

(sa, April mom)



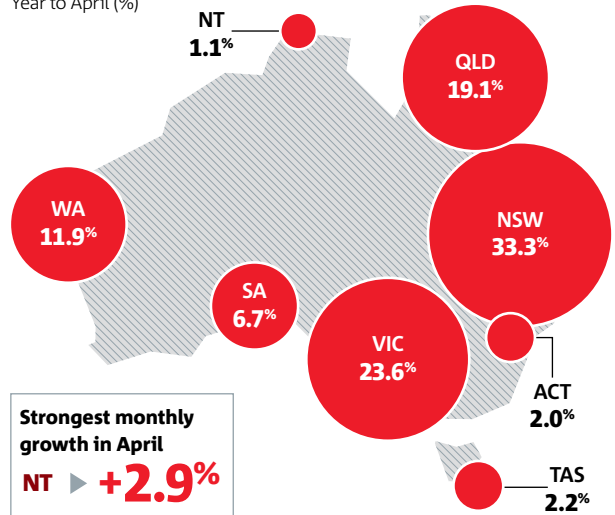
### Share of spending vs share of population between age groups 35-44 and 65+

April (annual)



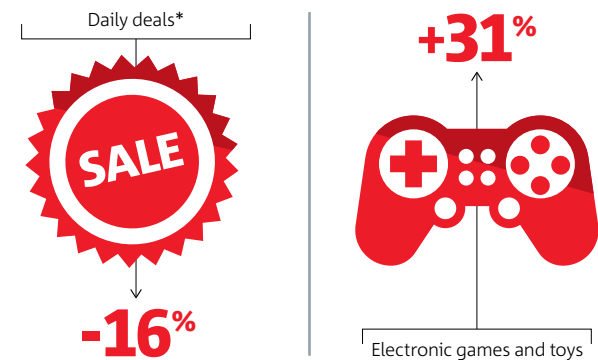
### Share of spending by state

Year to April (%)



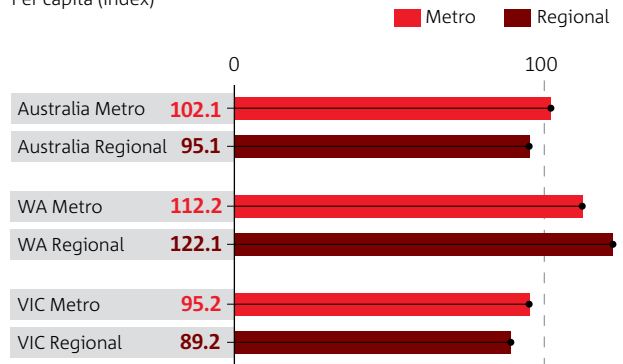
### Growth trends for sectors are highly divergent

April (yoy)



### Metro and regional spending has notable differences

Per capita (Index)



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At +1.5%, online retail sales accelerated in April from +0.8% in March. At 0.6%, the trend estimate for online retail sales has flatlined for the past three months (Chart 1).

Comparable figures from the ABS show traditional retail sales (ex. cafe's and restaurants) in March at 0.5% was weaker than online for that month.

In the 12 months to April, Australians spent an estimated \$16.9 billion on online retail – a level that is equivalent to around 7.0% of the traditional bricks & mortar retail sector (which totalled \$243.4 billion in the year to March 2015 according to the ABS).

When referring to change in year-on-year terms, at 9.6% in April, online retail sales are certainly faster than last April (7.6%), but much slower than when the index was established. In April 2011, for example, year-on-year growth was around 36%. This change is highlighted by the Henderson 13 term trend line (Chart 1), which shows growth in online has been on a broadly slowing trajectory.

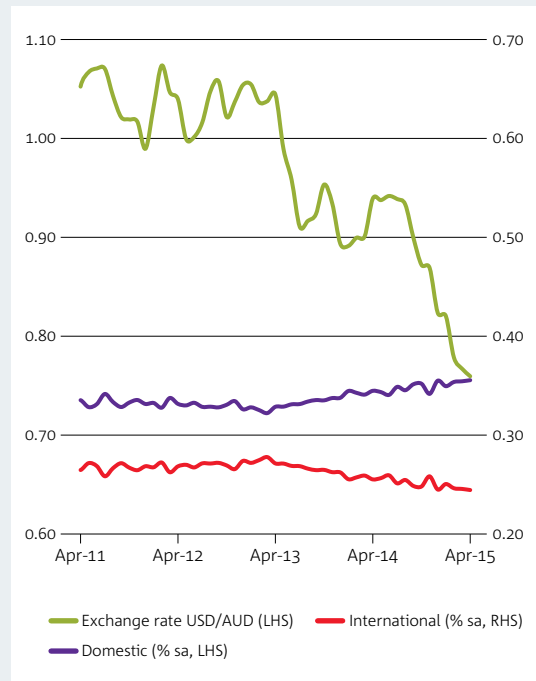
**Domestic and international both stronger in the month. The share of domestic spending steady at 75.5% in April.**

For domestic online retailers, growth accelerated in April, at 1.4%, compared to 1.1% in March. The result was similar for international sales which also accelerated from 0.6% in March to 0.9% in April.

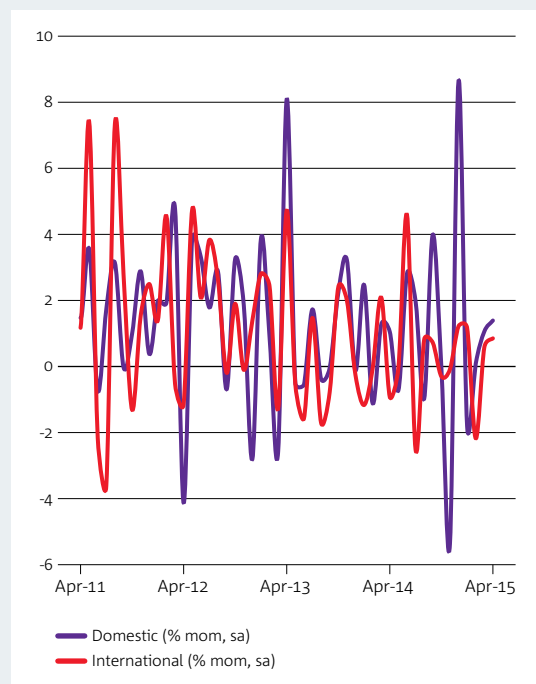
Looking at the respective year-on-year growth rates, domestic online sales continue to outpace international sales at 11.2% vs 5% respectively.

As shown in Chart 2, the increase in share of domestic online retailing has coincided with a depreciation of the Australian dollar. When the Australian dollar depreciates (making overseas goods relatively expensive), the share of international spending tends to fall accordingly. This may also be attributed to on-costs such as postage whose cost rises in AUD terms for international retailers, whereas the domestic retailer value may be unchanged, as postage is already in AUD.

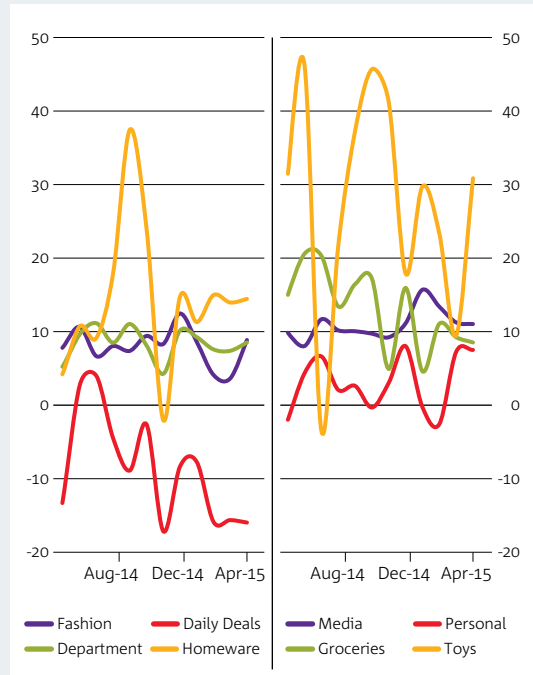
**Chart 2: Share of international and domestic online sales vs USD/AUD exchange rate**



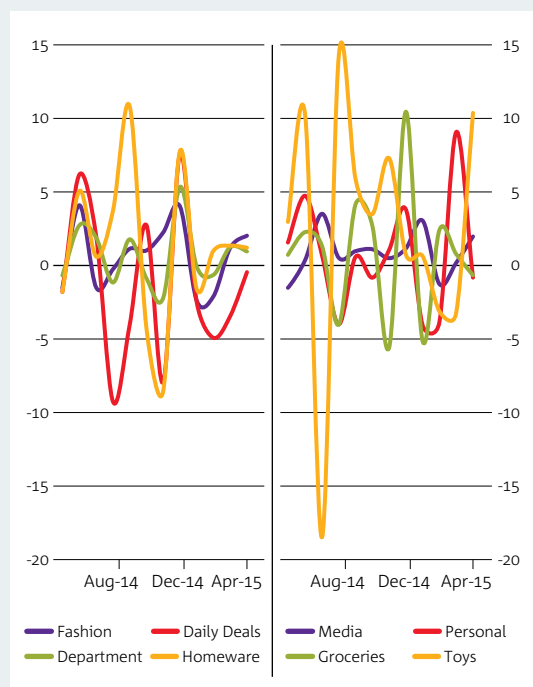
**Chart 3: Growth of online sales, by retail location (monthly, %)**



**Chart 4a: Annual growth of spending by category (%)**



**Chart 4b: Monthly growth of spending, by category (% monthly sa)**



However, the most recent monthly growth (Chart 3) implies that there are more factors affecting sales. International sales have continued to grow despite the lower exchange rate. Anecdotal evidence suggests that some international retailers are wearing part or all of the on-costs.

**Department & variety stores continue to have the largest online market share. Electronic games and toys have been expanding rapidly, albeit off a small base. Sales from daily deals have virtually collapsed.**

At 31% (yoy), electronic games and toys had the fastest annual online sales growth in April and 10.4% higher than the previous month. It is worth noting that this category is considerably more volatile, attributed to effects such as the timing of electronic game release, and that this segment is still a relatively small share of spend. Homewares and housewares continued to recover from the January slump with the second highest growth in year-on-year (14.5%) and 4th highest in month-on-month (1.2%) terms. Other key growth categories in the month included media, fashion and department stores. Daily deals (-0.5%), grocery and liquor (-0.7%) and personal and recreational goods (-0.8%) all contracted in the month.

In year-on-year terms, only daily deals (-16.0%) sold less than the prior year.

Sectors punching above their weight include toys, with only 2.7% of spend but contributing 6.5% to spending growth, along with the homewares and grocery sectors. At the other end of the spectrum are personal and recreational goods and daily deals whose contribution has either been marginal or has detracted from growth.

*“The increasing presence of the online marketplace from Asia and the focus by local department stores on their online channels are contributing to the growth of the category”*

Tony Davis, Quantum

**Table 2: Online sales growth and share of annual total spending by category**

%	Monthly growth - March	Monthly growth - April	Annual growth - March	Annual growth - April	Share of total spending	Contribution to annual total spending growth
Fashion	1.2	2.0	3.7	8.9	11.4	9.6
Daily deals	-3.4	-0.5	-15.6	-16.0	2.7	-2.9
Department	1.2	0.9	7.5	8.6	33.2	28.8
Homeware	1.3	1.2	14.1	14.5	16.8	22.7
Media	0.2	2.0	11.3	11.1	12.4	13.8
Personal	9.1	-0.8	7.3	7.6	5.5	1.8
Groceries	0.8	-0.7	9.3	8.6	15.3	19.6
Toys	-3.2	10.4	9.5	31	2.7	6.5
<b>Total</b>	<b>0.8</b>	<b>1.5</b>	<b>8.2</b>	<b>9.6</b>	<b>100</b>	<b>100</b>

Note: Daily deal sites release for sale a single product or range of products each day. Media comprises movies, books and music.

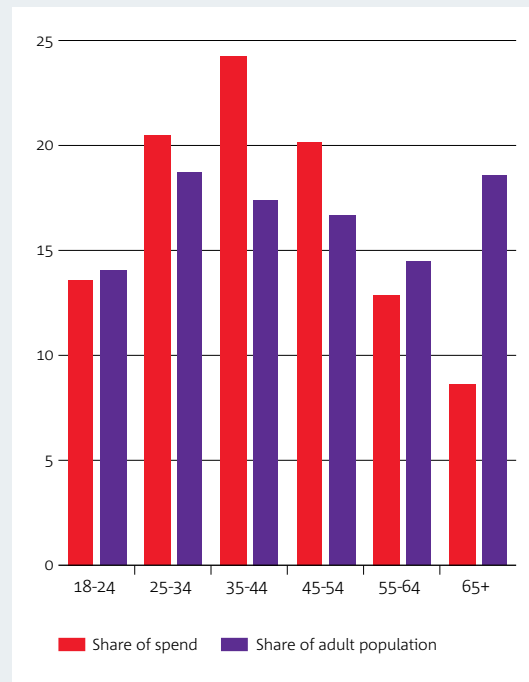
**Table 3: Share of spending by category, by age**

%	Fashion	Daily deals	Department & variety stores	Homewares & appliances	Media	Personal & recreational goods	Groceries & liquor	Electronic games & toys
18-24	16.8	2.6	33.9	14.0	15.6	4.6	4.2	8.4
25-34	12.8	3.5	33.8	15.3	13.1	5.8	12.8	2.8
35-44	10.3	3.0	32.6	16.3	12.5	5.8	17.4	1.9
45-54	10.3	2.5	34.6	18.5	11.4	5.7	15.2	1.9
55-64	9.4	2.2	33.6	19.4	10.9	5.4	18.2	1.0
65+	7.8	1.3	28.3	18.9	9.9	4.9	28.2	0.7
<b>All ages</b>	<b>11.4</b>	<b>2.7</b>	<b>33.2</b>	<b>16.8</b>	<b>12.4</b>	<b>5.5</b>	<b>15.3</b>	<b>2.7</b>

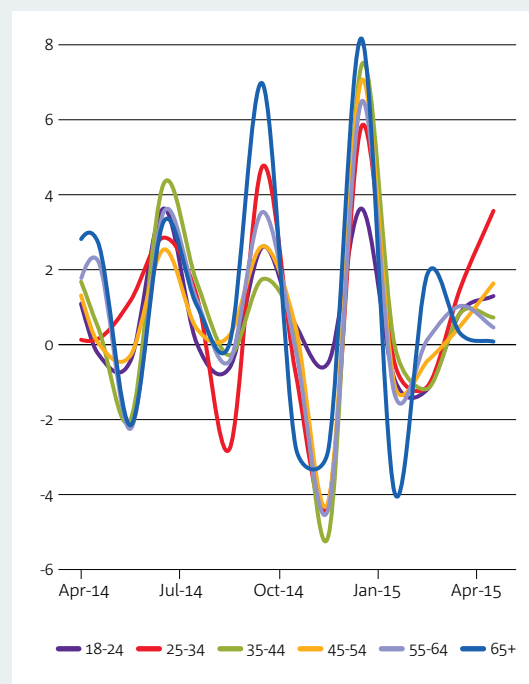
Department and variety stores continue to dominate the online retail sector, having 33.2% of total online spending. The second largest category, homeware and appliances, had a 16.8% share of spend, followed by groceries and liquor (15.3%), media (12.4%), fashion (11.4%), personal and recreational goods (5.5%), electronic games and toys (2.7%), and daily deals (2.7%) (Table 2).

Spending patterns vary across age groups. While all age groups spent most at Department and Variety Stores, significant differences were apparent by age across other categories. The younger age groups favoured online fashion shopping, electronic games and toys, and media, while Australians aged 65 and above spent a large proportion of their online dollar (28.2%) purchasing groceries and liquor (Table 3).

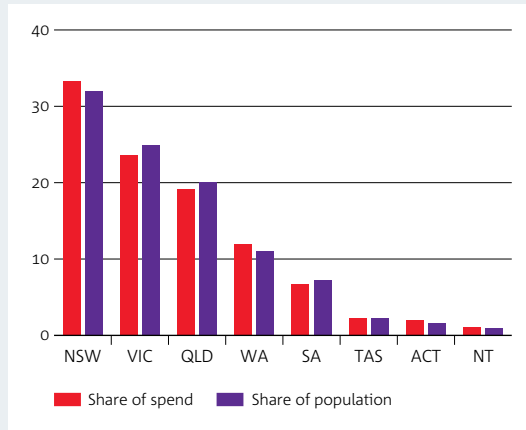
**Chart 5: Share of spending by age group (% annual)**



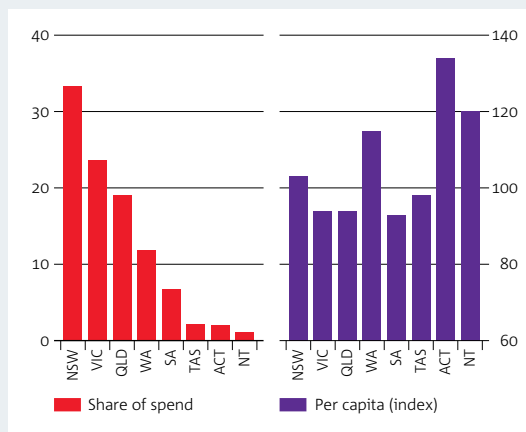
**Chart 6: Growth of spending by age group (% monthly sa)**



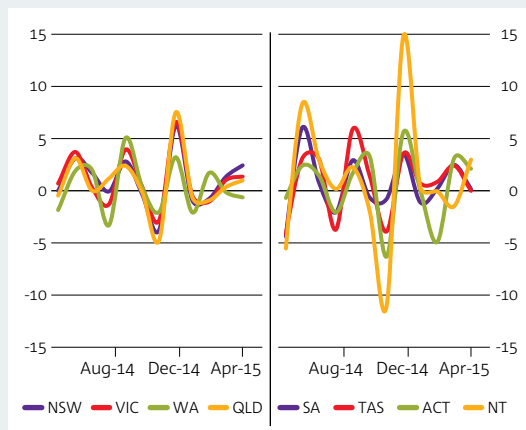
**Chart 7: Share of spending by state**  
(%, annual)



**Chart 8: Share of spending and per capita spending, by state** (% annual)



**Chart 9: Growth of spending, by state**  
(%, monthly sa)



**Online spending remains dominated by those aged between 35 and 44.**

Although those aged 35-44 make up approximately 17.4% of the adult population, their share of online spend is the highest at 24.3%. In contrast, those aged 65 and over have a disproportionately lower share of spend (8.6%) relative to their share of population (18.6%)

There were mixed results in April, with monthly growth accelerating for those aged 18-24 (1.3%), 25-34 (3.6%) and 45-54 (1.6%). Those aged 35-44 (0.7%), 55-64 (0.5%) and over 65s (0.1%) slowed from the previous month. Though representing the lowest for share of spend, the over 65s have had the second highest year-on-year growth.

**Residents of the bigger states of NSW, VIC and QLD spend more online but ACT residents have the highest per capita spending, followed by NT, WA and NSW.**

Around 76% of total online spending in the past year was made by residents from the three largest states (NSW, VIC and QLD), whose combined population accounts for 77% of the Australian total. However, on a per capita basis, residents in ACT, NT, WA and NSW spent more than the national average. In the ACT, where only 1.6% of Australians live, 2.0% of total online purchases in dollar value terms were made. Similarly, in WA, 11% of Australians made 11.9% of total online purchases.

On the other hand, those in TAS, QLD, VIC and SA were spending less than the national average. Victoria is home to 24.9% of the Australian population yet represents only 23.6% of total online spending (Chart 7 and 8).

*“While online media has seen a stabilisation in growth, the increased availability of online streaming options is expected to have a dramatic impact in the coming months”*

Tony Davis, Quantum

**Growth in online spending diverged in April. Online sales grew fastest in NT, with the eastern states stronger while SA slowed, TAS was flat, and WA continued to contract.**

At 2.9% NT recorded the strongest monthly growth in April. However, the NT is typically the most volatile of all the states and territories. The eastern states led growth with NSW (2.4%), ACT (2.1%), VIC (1.3%) and QLD (1%). SA slowed to (0.1%), while TAS recorded no growth and WA contracted (-0.7%).

**Metropolitan residents bought over 71% of online purchases in the past year and also spent more on average in most states. However, regional growth continued to outpace metro in April.**

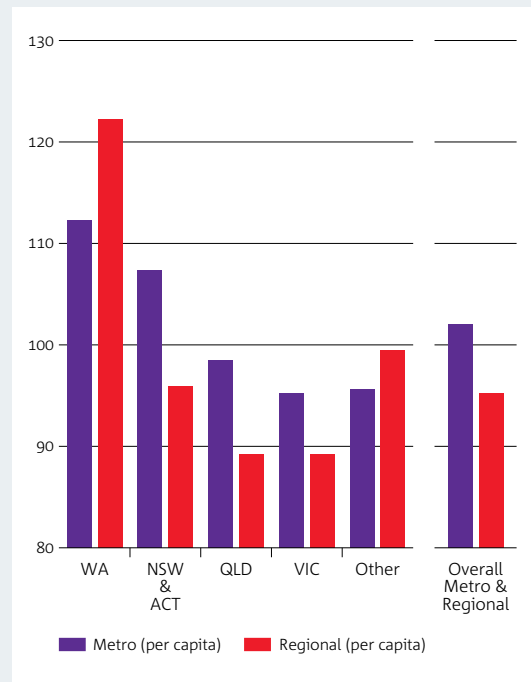
Metropolitan residents spent on average around 7.0% more than those residing in regional Australia. However, those living in regional WA spent 22.1% more than the average Australian, along with WA metropolitan residents at 12.1% more. Regional VIC and regional QLD residents were the lowest at close to 11% below the national average.

Following on from March, in April regional growth (1.8%) outpaced metro (1.2%) areas in month-on-month terms. In year-on-year terms, the two segments have experienced similar growth paths, though metro regions (9.9%) have outpaced regional areas (8.9%). ■

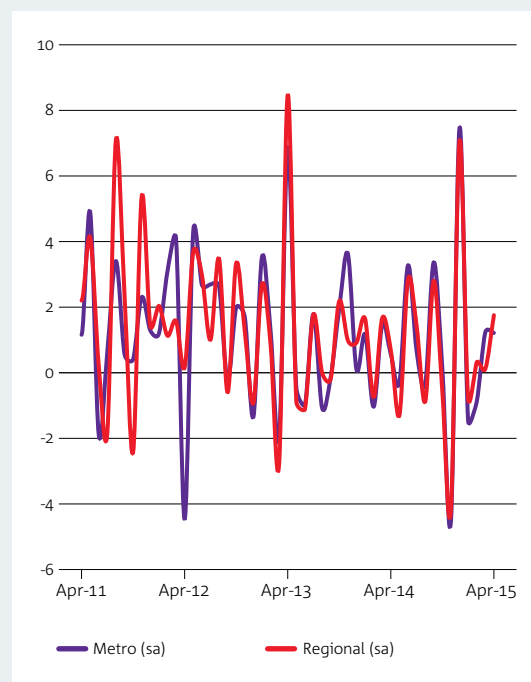
**Change in series quotation published**

In this quarterly update we have moved to publishing the seasonally adjusted month-on-month change exclusive of a three-month moving average. We have now incorporated the Henderson 13 term trend to replace the three-month moving average. This makes the numbers more directly comparable to other publicly available series such as traditional retail sales seasonally adjusted and trend series.

**Chart 10: Per capita spending index by state**  
(Australia = 100)



**Chart 11: Growth of spending by region**  
(%, monthly)





To discuss this report in more detail please speak with your NAB Relationship Manager, visit [nab.com.au/onlineretailsales](http://nab.com.au/onlineretailsales) or contact:

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#### About Quantum

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