

#### Slowing growth in online retail sales – again

##### Annual growth rate currently running at 5%

- Total online spending in June 2014 was up 5% on June last year.
- Categories showing strong growth compared to June last year include “Other specialised food”, “Furniture”, “Computers and computer peripherals”, “Housewares” and “Footwear”. Sales in the specialist “Daily sales” sector continue to decline (down around 20% on June last year).

##### Online purchases at domestic merchants 2.4% higher than June 2013

- Spending at domestic online sites is up by 2.4% on the online spending in June last year. In comparison, the value of Electronic Card Transactions reported by Statistics New Zealand for June is up 2.0% on June last year, for retail industries broadly comparable with those used in our online index<sup>1</sup>.
- The large decline in the specialist “Daily Sales” sector is a significant driver of the overall slowdown in growth at domestic sites. Excluding this sector, purchases at domestic retailers were up approx. 6% on June last year.

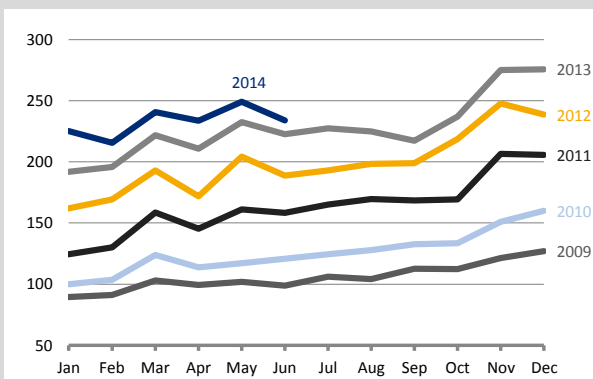
##### Online purchases at offshore merchants 9% higher than June 2013

- Online spending by New Zealanders at offshore retailers has grown solidly in June, but the rate of growth has again eased off slightly.
- The causes of the slowdown in growth may include high-level factors, such as the online shopping trend slowly maturing, and “profiling effects” (as the level of spending increases, an extra dollar of spending represents a smaller percentage of the total than it used to). However, in the case of international purchases by Kiwis, the exchange rate is also a key influence on reported spending figures. We take a deeper look at this in this month’s “focus topic” section.

<sup>1</sup>Using Statistics NZ data for June 2014 for the value of electronic card transactions (ECT) for “core retail” industries excluding hospitality. These transactions mostly relate to physical stores, but do include an element of domestic online spending. The series is a reasonable comparator with our index of domestic online spending in many respects, but isn’t a perfect match.

Online Index

January 2010 = 100

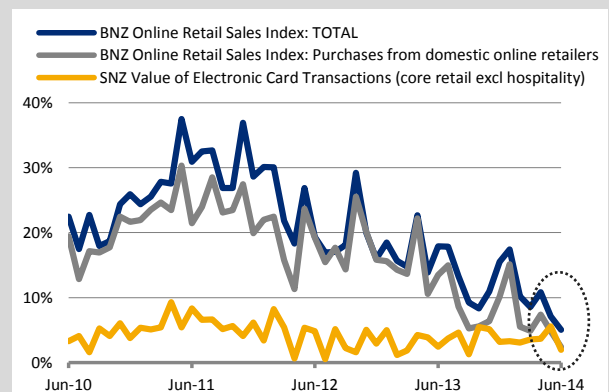


Source: BNZ, Marketview

Growth comparison:

#### Online Retail vs Retail electronic card transactions

Monthly spending compared to same month in prior year



Source: Online sales are from BNZ, Marketview; ECT data used in the calculations are from Statistics NZ.

The table below shows growth rates on a monthly and 3-monthly basis (comparing to the same period in prior year). Again, monthly growth rates can be volatile, so it’s best not to read too much into a single month’s result.

Growth Rates	Total Online Index			Domestic Online Purchases			International Online Purchases		
	Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14	Apr-14	May-14	Jun-14
Month ended >>>									
Monthly spending vs same month prior year	11%	7%	5%	7%	5%	2%	16%	11%	9%
3-monthly average vs same period prior year	10%	9%	8%	6%	6%	5%	16%	14%	12%

\*Data notes: Online sales data is produced by Marketview. Traditional retail sales data is from Statistics New Zealand quarterly releases. For both data sets, the figures we use correspond to Statistics New Zealand’s ANZSIC Division G (Retail Trade) excluding fuel, motor vehicles and parts, and marine. The annual value of official retail sales in the categories we monitor is approximately \$44 billion.

Categories included in the BNZ Online Retail Index are: supermarket and grocery stores; specialised food and liquor; furniture, floor coverings, houseware and textile goods; electrical and electronic goods; hardware, building and garden supplies; recreational goods; clothing, footwear and personal accessories; department stores; pharmaceutical and other store-based retailing; non-store retailing; and retail commission-based buying and/or selling.

**Focus Topic: Exchange rate effects masking underlying strength in purchases from overseas**

**Introduction**

The US, UK and Australia together account for over 60% of retail spending by Kiwis at offshore sites. (Please refer the report we released in December 2013 for additional details).

Between June 2013 and June 2014 the NZ exchange rate appreciated 9.0% against the US dollar, 9.8% against the Australian dollar and has been flat relative to the UK pound.

The movement relative to the US dollar is particularly significant:

- The United States accounts for approximately 30% of retail spending by Kiwis at offshore sites.
- Online purchases by Kiwis from other countries are sometimes priced in US dollars.

When the NZ dollar appreciates against another currency, it will mean less NZ dollars are required to purchase items priced in the other currency, all else being equal. So, when looking at trends in online shopping by Kiwis at overseas sites, it is possible that exchange rate movements can mask or accentuate the underlying trends in the **volume** of goods being purchased.

**Value of spending vs Volume of transactions**

The bottom two charts compare the trend in *number* of online retail transactions with the trend in the *value* (in NZ dollars) of online retail spending. Both series refer to shopping by Kiwis at offshore websites. Entertainment media transactions have been excluded, because the very high number of low-value transactions could distort the analysis.

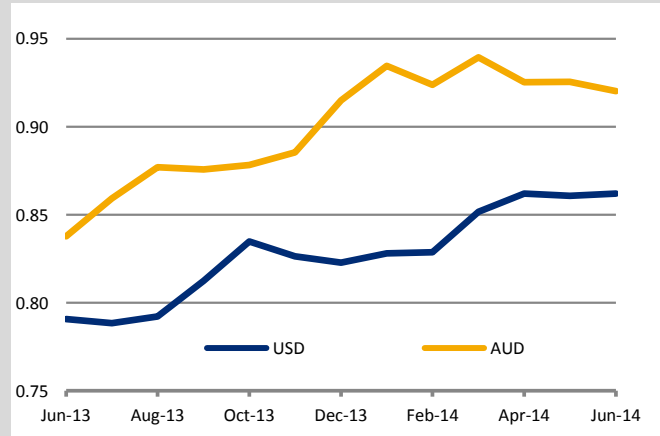
**The growth in transaction volumes has clearly outpaced the growth in spending, particularly over the past year.**

The charts support the idea that growth in online shopping from international sites is still very strong, with volumes up by more than 20% compared to a year ago.

Please note that this is only a partial analysis, because there are other significant factors that can have an influence, such as changes in the mix of spending. However, additional analysis we have done also points to strong underlying growth in international volumes.

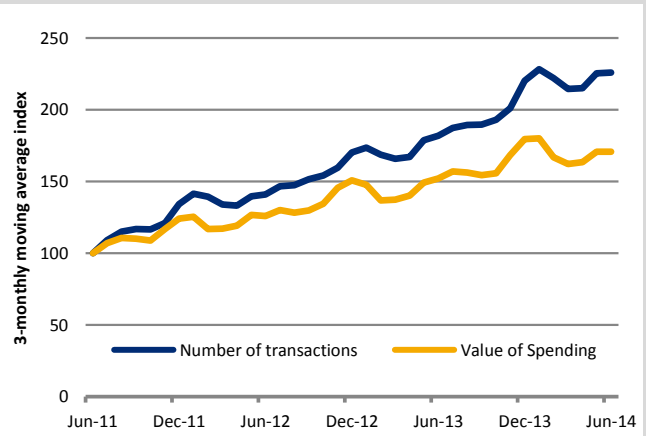
**NZ Dollar Exchange Rates**

Monthly NZ exchange rate versus US and Australia



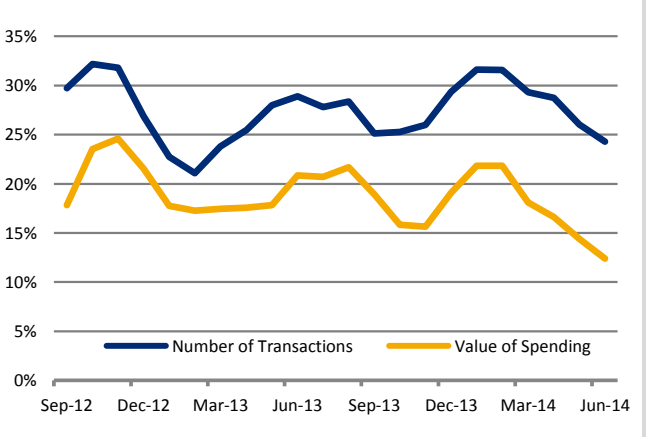
\* Date Source: Reserve Bank of New Zealand website.

**International Online: Number of Transactions vs Spending\***  
Index Levels, June 2011 = 100



\* Series exclude entertainment media. Data source is BNZ, Marketview.

**International Online: Number of Transactions vs Spending\***  
Growth Rates: 3 monthly average versus same period a year earlier



\* Series exclude entertainment media. Data source is BNZ, Marketview

**Reports can be downloaded here:**[www.bnz.co.nz/onlineretailindex](http://www.bnz.co.nz/onlineretailindex)[www.marketview.co.nz/our-reports/](http://www.marketview.co.nz/our-reports/)**For more information, contact:****Gary Baker**

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