

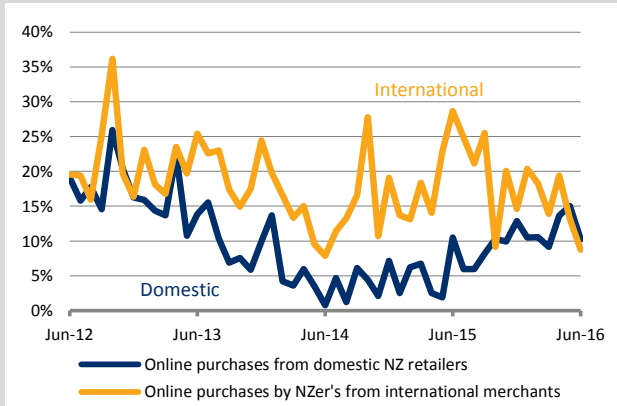
1 August 2016

- Online retail sales at **local sites** in June turned in double digit growth again - up 10% on June last year. This is slightly stronger than the 7% growth in sales at physical stores^{*}, which also had a solid month.
 - Food, Computers, Hardware and Department stores were strong performers (annual growth >20%).
 - Online clothing purchases from local retailers were up 14% on June last year.
- Growth in online purchases by Kiwi's from **offshore sites** remains strong (up 9% on June last year), but the growth rate has been softening in recent months. After a slow start to the month, spending picked up in the second half of June. Purchases from the UK were particularly strong following the 'Brexit' result, and we explore this overleaf.
 - Increased spending at Computer and Clothing stores was responsible for around two-thirds of the increase in spending at offshore sites since June last year.
 - Entertainment Media and Pharmacy/Cosmetic stores also had a strong month.
- **Total** online sales were up 10% on last June.

^{*}Based on Statistics NZ figures for electronic card transactions for core retail excluding hospitality

Growth in NZ online sales by retailer location

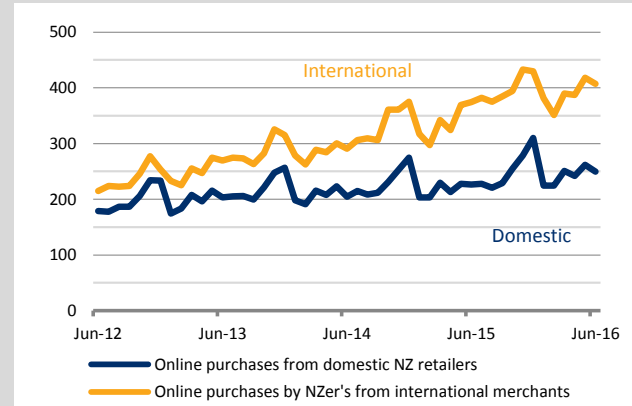
Monthly spending compared to the same month in prior year



Source: BNZ and Marketview.

Index of NZ Online Retail Sales, by retailer location

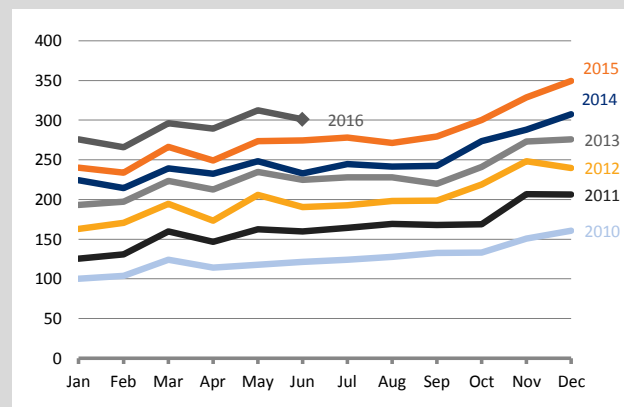
January 2010 = 100



Source: BNZ and Marketview

Index of Total NZ Online Retail Sales

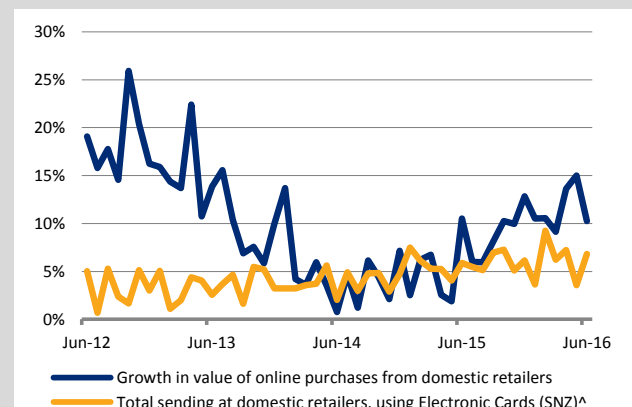
January 2010 = 100



Source: BNZ and Marketview

NZ Domestic Online vs SNZ Electronic Card Transactions[^]

Monthly spending compared to same month in prior year



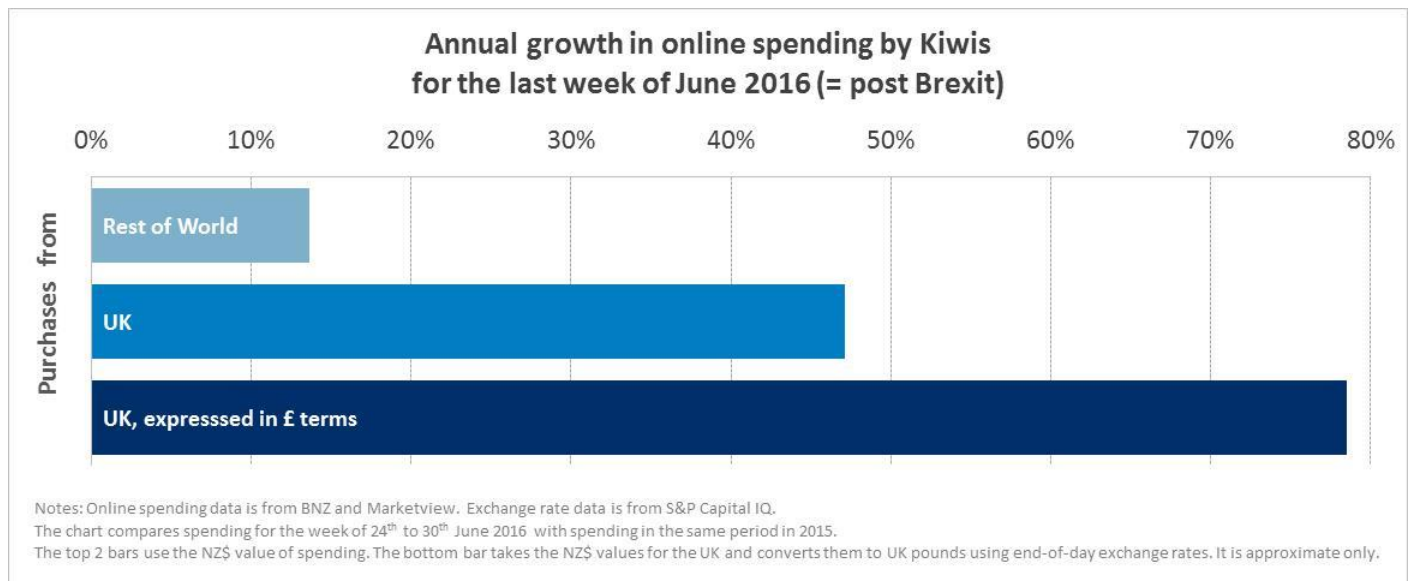
[^]"SNZ" refers to official figures released by Statistics New Zealand. The SNZ ECT data used in our calculations is for core retail excluding hospitality. Online data is from BNZ & Marketview.

| Growth Rates | Total Online Index | | | Domestic Online Purchases | | | International Online Purchases | | |
|---|--------------------|--------|--------|---------------------------|--------|--------|--------------------------------|--------|--------|
| | Apr-16 | May-16 | Jun-16 | Apr-16 | May-16 | Jun-16 | Apr-16 | May-16 | Jun-16 |
| Month ended >>> | | | | | | | | | |
| Monthly spending vs Same month prior year | 16% | 14% | 10% | 14% | 15% | 10% | 19% | 13% | 9% |
| 3-monthly average vs Same period prior year | 14% | 14% | 13% | 11% | 13% | 13% | 17% | 15% | 14% |

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.

The 'Brexit' effect...



- Online spending by Kiwis at UK sites surged in the week immediately following the 'Brexit' referendum held on 23 June (UK time). It was up 47% compared to the same week a year earlier.
- If we look at Kiwi's online spending in terms of UK pounds rather than NZ dollars, spending at UK sites in the last week of June was up 78% - a considerable increase on the same week last year.
- Higher spending was widespread across retail categories. Key categories which saw particularly large rises were:
 - Clothing
 - Cosmetics and pharmacy
 - Computers and accessories
 - Sport and camping equipment
 - Department and variety stores
- Movements in the exchange rate were clearly a key factor.
 - Just prior to the 'Brexit' vote the exchange rate was 0.49 UK pounds per New Zealand dollar. The NZ dollar was 12% stronger against the pound compared to where it was 12 months earlier.
 - The pound weakened immediately on the 'Brexit' results. The exchange rate ended June at 0.54 UK pounds per New Zealand dollar, which meant the NZ dollar was 24% stronger against the pound than it was at the end of June last year.
 - On the one hand, the stronger Kiwi dollar lowers the spending level in NZ\$ terms, because the same goods now cost less NZ\$. But on the other hand the lower NZ\$ prices can drive Kiwi's to purchase higher quantities of goods, which pushes up the spending level. Clearly this second effect has dominated.
- To check that the late-June spending surge was a UK phenomenon we also looked at Kiwis' online purchases from the rest of the world. In the last week in June this was up 14% on the same period in 2015 (in NZ\$ terms), which is well shy of the 47% increase experienced at UK sites.

It will be interesting to see the extent to which the upsurge in UK purchases persists. In this respect, **Marketview will be releasing a report in coming weeks which will look at the trend over July.**

Reports can be downloaded here:

www.bnz.co.nz/onlineretailindex and www.marketview.co.nz/our-reports/

For technical notes, please refer to one of our earlier “Quarterly update” reports.

For details on how our measure compares with other studies of online sales in New Zealand please refer to the “Quarterly update” report released in February 2014 and the report on May 2014 online sales released on 2 July 2014.

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