



Economics | August 24, 2021

## Shares of e-commerce retailers lift amid lockdowns

### Consumer confidence; CBA card spending data

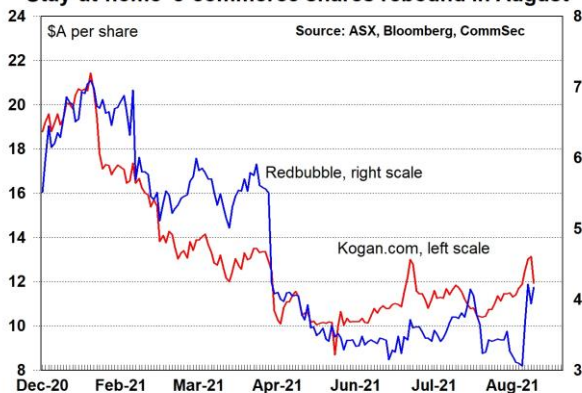
- **What happened?** The weekly ANZ-Roy Morgan consumer confidence rating rose by 0.5 per cent to 101.6 (long-run average since 1990 is 112.5). Sentiment remains marginally above the neutral level of 100. Confidence increased most in "Covid-free" states Western Australia (+11.4 per cent) and South Australia (+8.0 per cent), but sentiment fell in Victoria (-2.9 per cent) and NSW (-1.9 per cent) as lockdowns were extended in the past week.
- **Other data:** Commonwealth Bank (CBA) Group economists reported that national household credit and debit card spending for the week ended August 20, 2021 "is tracking 8 per cent higher than the corresponding week in 2019, up from the 4 per cent pace the previous week."
- **Implications:** Data from Bloomberg shows that of the 80 or so companies that have reported full-year earnings results, around 65 per cent have met or exceeded analysts' estimates, which is 3 percentage points higher than the corresponding period last year. That said, company guidance for financial year 2022 has been mostly neutral or negative owing to virus uncertainty. Shares of e-commerce retailers Kogan.com (+14.9 per cent) and Redbubble (+28.7 per cent), have both jumped so far in August as online consumer demand surges in lockdowns.

*The consumer confidence and CBA household spending and credit card data have implications for retailers, and other consumer-focussed businesses.*

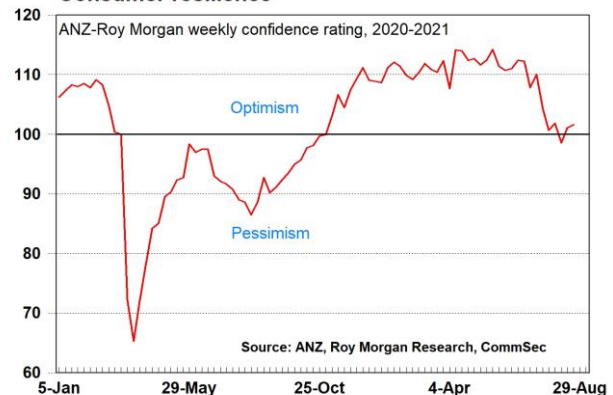
### What does it mean?

- Consumer confidence, as measured by ANZ and Roy Morgan, edged higher by 0.5 per cent last week, remaining marginally above the 100 neutral line that separates the optimists from the pessimists. Of course, consumers living in the relatively "Covid-free" states of Western Australia (+11.4 per cent) and South Australia (+8.0 per cent) are the most chipper at the moment with sentiment lifting last week. Confidence in Brisbane rose by 1.7 per cent as restrictions eased following the suppression of the virus.
- That said, the re-imposition of lockdowns in regional Victoria dampened spirits in Victoria (-2.9 per cent) in the past

'Stay-at-home' e-commerce shares rebound in August



Consumer resilience



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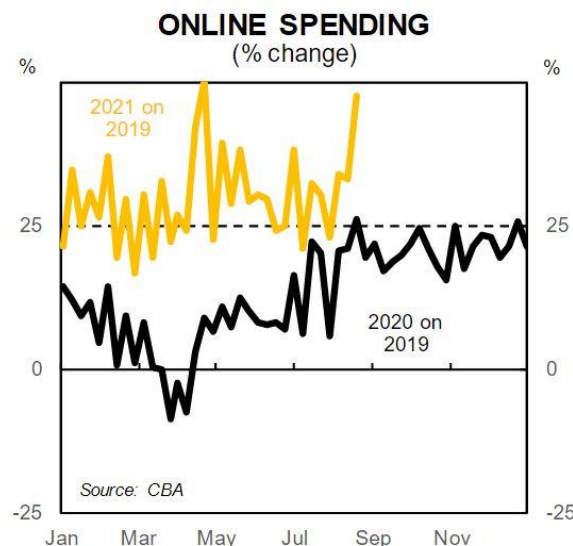
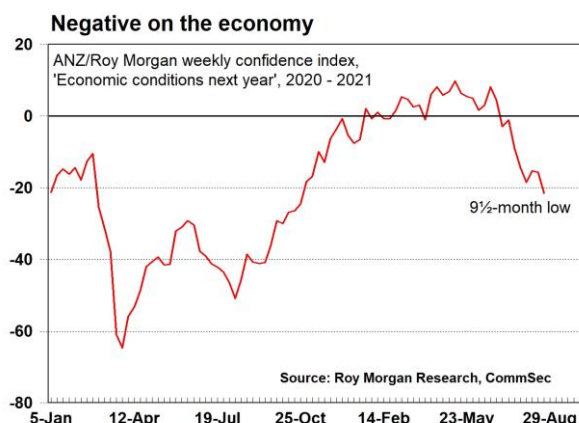
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week. And record new Covid-19 cases in Sydney alongside the spread of the Delta variant to the regions weighed on confidence in NSW (-1.9 per cent). Encouragingly, consumers remained resilient in the face of lockdown adversity with ANZ economists reporting that, “sentiment in these two states remains well above the lows of last year.”

- Certainly, Latitude Financial CEO Ahmed Fahour is confident that Sydneysiders will “revenge spend” in the lead up to Christmas on expectations that the NSW economy will at least partially re-open as immunisation rates hit the required government threshold by year-end amid pent-up demand.
- Consumers are acutely aware that the near-term outlook for the economy – especially in NSW and Victoria – is weak amid rising unemployment and idled business activity. In fact, according to the ANZ-Roy Morgan survey, consumer views on ‘current economic conditions’ plunged 6.9 per cent last week to -21.5 points – the lowest level in 9½ months.
- CBA Group economists reported that customer card spending was 4 percentage points higher over the week to August 20, 2021 when compared to the previous week, supported by a rebound in Queensland spending as lockdowns ended. Spending mostly fell elsewhere, but remains elevated in “Covid-free” states Tasmania and Western Australia.
- Online spending remains robust with savvy investors piling-back into companies that are considered to be beneficiaries of the ‘stay-at-home’ trade. In fact, shares of e-commerce retailers’ Kogan.com (+14.9 per cent) and Redbubble (+28.7 per cent) have both soared so far in August as online marketplace demand – especially from Sydney and Melbourne consumers - surges as lockdowns are extended in both NSW and Victoria due to Delta virus outbreaks.
- Kogan.com released its earnings results this morning and reported that July gross sales were 5.1 per cent higher when compared to sales in July 2020 and in the first 18 days of August sales have surged 24.5 per cent when compared to July 2021. Shares in Kogan have fallen 10 per cent today after lifting earlier in the month.
- Retailers have mostly released strong earnings results for financial year 2021 during the reporting season so far. In the past week jeweller Michael Hill announced at 15-fold increase in full-year profits. Redbubble reported record earnings after it generated more than \$100 million in artist revenue for the year. Kogan.com said gross sales jumped 52.7 per cent with its active customer base 46.9 million higher when compared to last year. And street fashion and skateboard apparel company Globe International said its net profit increased fourfold to \$33 million for the year ended June 30.



**What do you need to know?**

Consumer sentiment – Week ended August 22

- The weekly ANZ-Roy Morgan consumer confidence rating rose by 0.5 per cent to 101.6 (long-run average since 1990 is 112.5). Three out of five major sub-components rose last week.

### ANZ-Roy Morgan Australian Weekly Consumer Confidence index

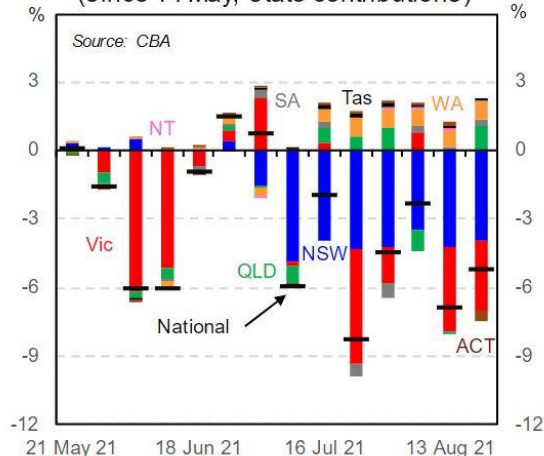
	As at August 22	Previous week
Estimate of family finances compared with a year ago	2.8	-3.9
Estimate of family finances over the next year	21.5	21.9
Economic conditions over the next 12 months	-21.5	-15.7
Economic conditions over the next 5 years	3.2	2.9
Good time to buy a major household item?	2.0	0.4
<b>Consumer confidence rating</b>	<b>101.6</b>	<b>101.1</b>
<b>Four week moving average</b>	<b>100.8</b>	<b>100.6</b>
<b>Inflation expectations</b>	<b>4.4</b>	<b>4.5</b>

Source: CommSec, Roy Morgan, ANZ

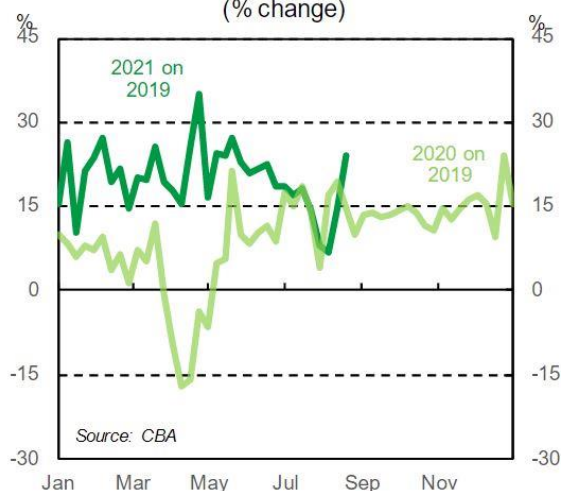
### CBA weekly household card spending – Week ended August 20

- CBA Group economists reported: *“There was a slight uptick in the pace of spending growth for the week ending 20 August, according to CBA’s high-frequency card spending data. National spending is tracking 8 per cent higher than the corresponding week in 2019, up from the 4 per cent pace the previous week. But that remains significantly down from the 20 per cent pace in May prior to the Victoria lockdown. 53 per cent of Australians were under lockdown in the week, up by more than 1 percentage point from the previous week.”*

### CUMULATIVE CHANGE IN SPENDING (since 14 May, state contributions)



### QLD SPENDING (% change)



Ryan Felsman, Senior Economist

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### What is the importance of the economic data?

- The ANZ/Roy Morgan weekly survey of consumer confidence closely tracks the monthly Westpac/Melbourne Institute consumer sentiment index but the former measure is a timelier assessment of consumer attitudes and is now closely tracked by the Reserve Bank.
- CBA provides weekly readings on credit and debit card transactions to provide timely information on consumer spending.