

Box B

Online Spending by Households

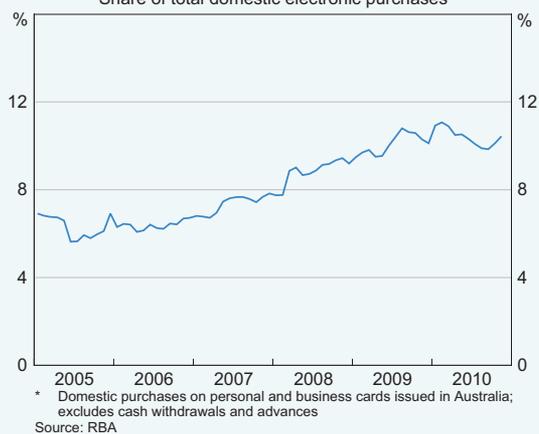
The ongoing growth in online shopping has led to an increased focus on the size and growth of the online market in Australia. There are, however, no official data on the total value of online purchases, although a range of industry estimates suggest that these purchases are equivalent to around 3 per cent of household consumption.^{1,2} Industry reports and the Bank's liaison also suggest that online purchases have grown strongly over recent years.

One source of information on the size and growth of the online market is the data collected by the Reserve Bank in carrying out its responsibility for monitoring developments in Australia's payments system. On a monthly basis, the Bank collects data from financial institutions on the value of spending on debit and credit cards, with the data split into spending on these cards at domestic merchants and overseas merchants. For spending at domestic merchants, the data are further split into spending that is undertaken online (i.e. where the payment card is not physically present) and traditional spending where the payment card is present or details are provided over the phone or by mail.³

While there are some structural breaks in the data due to changes in reporting over time, the data on domestic spending show rapid growth in online

purchases over recent years. Since 2005, the value of online spending on debit and credit cards has grown at an average annual rate of more than 15 per cent, although over the past year there has been little change in this type of spending. In contrast, traditional card spending has increased at a slower average rate of around 9 per cent since 2005. It is important to note that despite the stronger growth in online spending, online payments account for only around 10 per cent of total domestic payments on credit and debit cards (Graph B1).

Graph B1
Domestic Internet Purchases*
Share of total domestic electronic purchases



The data on payments made on Australian cards at overseas merchants include payments made when Australians travel overseas, as well as payments made by Australians for online purchases from overseas merchants.⁴ In total, the value of international electronic purchases has grown at an

1 See Access Economics, 'Household E-Commerce Activity and Trends in Australia', November 2010, for more details of these industry estimates.

2 The ABS Survey of Retail Trade includes most internet purchases from local online retailers, although it does not distinguish these purchases from spending at bricks-and-mortar retailers. Internet purchases from overseas are not included in ABS retail trade data, and only internet sales valued at more than \$1 000 are included in ABS imports and consumption data in the national accounts.

3 These data are provided by financial institutions that process transactions for merchants.

4 These data are provided by financial institutions that issue cards to cardholders.

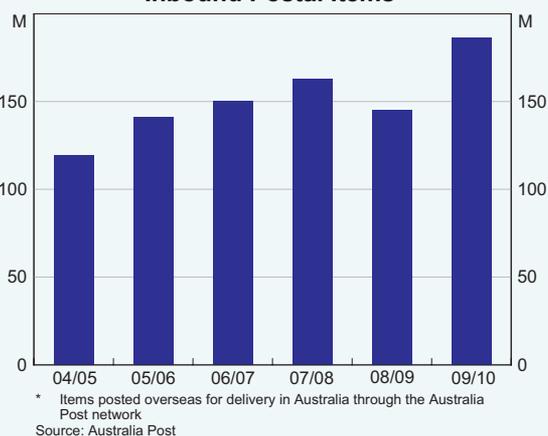
average rate of 15½ per cent since 2005, which is faster than the growth in electronic domestic purchases of 10 per cent (Graph B2).

It is likely that much of this growth in international purchases reflects the significant increase in the number of Australians travelling overseas. In 2010, Australians made around 6¼ million trips overseas, excluding business-related trips. This has increased by 55 per cent since 2005, with this growth in travel leading to increased spending overseas. In addition, the appreciation of the exchange rate has made foreign goods and services cheaper. While this has reduced the value of a given quantity of foreign goods and services in Australian dollar terms, it is also likely to have led households to increase the quantity of purchases abroad. Although it is not possible to specifically identify online offshore purchases, the data suggest that the share of this type of purchase in total spending remains relatively low. In aggregate, total spending at foreign merchants – including spending by Australians travelling abroad – is less than 4 per cent of total payments.

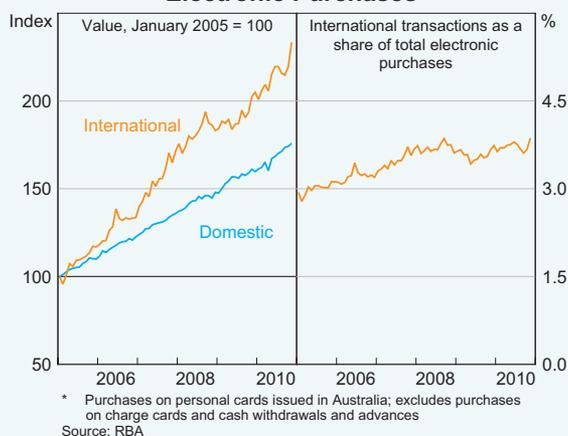
Another source of information that points to growth in online purchases from overseas is the number of inbound postal items delivered through the

Australia Post network. Since 2005, the total number of items delivered has increased at an average annual rate of around 10 per cent, in contrast to an average annual decline of 1 per cent in the total number of domestic and outbound postage flows (Graph B3). There has also been a steady increase over a number of years in the number of Google searches for 'Amazon' and 'eBay US', with the number of such searches increasing significantly in the second half of 2010 as the Australian dollar appreciated against the US dollar (Graph B4).

Graph B3
Inbound Postal Items*



Graph B2
Electronic Purchases*



Graph B4
Google Searches for International Websites*
January 2007 = 100

