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Adobe Reports Drop in Sales in the U.K. Following Brexit

Adobe Collaborates with U.K.'s Office for National Statistics (ONS); Online Pricing Data for August Shows Continued Deflation in the U.K. and U.S.

London, UK – September 23, 2016 – Adobe (Nasdaq: ADBE) today announced the release of its monthly Digital Price Index (DPI) for August. For the first time, Adobe released online sales and pricing data for TVs, computers and groceries in the U.K. Prices across categories declined and online sales for durable goods like computers and TVs dropped sharply year over year (YoY). While demand in both categories was up in May and June YoY - 33.0 and 28.0 percent respectively - growth in July slowed to 16.0 percent and turned negative in August with a 10.0 percent YoY decrease in sales likely due to Brexit and other factors driving uncertainty in Europe. Demand in the U.S. in the same categories saw strong growth in July and August with 33.7 and 30.2 percent respectively.

As they did in the U.S., prices in the U.K. continued to decline. The DPI shows 13.4 and 2.7 percent deflation YoY for computers and groceries respectively while TVs saw minor deflation at 0.5 percent YoY. Additionally, London flights and hotel prices increased slightly and showed signs of stabilisation, but remained much lower than last year. Following two months of consecutive deflation after the Brexit referendum, London airfares rose 3.1 percent month-over-month (MoM) and are down by 1.0 percent YoY. Hotel prices in London declined a nominal 0.8 percent MoM, but are down 16.0 percent YoY.

DPI data across specific product categories indicates connected economies where prices rise and fall. TVs, computers and other durable goods saw a 60.0 percent correlation between prices in the U.K. and U.S. Non-durable goods like groceries, which rely much less on imports, saw less correlation (20.0 percent) between both countries. Adobe is collaborating with the ONS as part of its effort to develop a global methodology for the DPI.

Adobe leverages machine learning in Adobe Marketing Cloud to surface economic insights from billions of data points. By tracking seven dollars and fifty cents out of every ten dollars spent online with the top 500 U.S. retailers* and over six dollars out of every ten dollars spent online with the top 100 European retailers,** the DPI is able to analyse billions of digital transactions. Adobe is the first company to conduct a digital-centric analysis based on real-time access to price-paid data and actual quantities sold. Unlike other models, Adobe Digital Insights leverages the Fisher Ideal Price method, which uses actual quantities purchased to measure inflation and is recognised by leading economists as the gold standard for the calculation of inflation. To produce the August DPI, Adobe analysed 15 billion U.S. website visits, 3 billion U.K. website visits and online transactions for over 2.4 million different products.

"There has been little good, micro-level data on the real economy in the U.K. to help us understand the impact of the Brexit vote," said Austan Goolsbee, professor of economics, The University of Chicago's Booth School of Business and former chairman of the Council of Economic Advisers for President Obama. "The Adobe DPI data suggest that prices for groceries and electronics did not change significantly. It will be important to keep monitoring the data in the months ahead."

"New data sources such as those being used by Adobe provide innovative ways to understand our increasingly digital economy in real time," said Jonathan Athow, Deputy National Statistician, U.K. Office for National Statistics. "Many of these opportunities will be realised by bringing together independent, official statisticians and others in the U.K. and across the world who are using these new data sources and techniques."

"We may be seeing early signs of hesitancy in spending on durable goods in the U.K., whereas spending remains stable for essential goods like groceries," said Mickey Mericle, vice president, Marketing and Customer Insights at Adobe. "It will take time to fully grasp Brexit's effect on the economy and as we expand the U.K. data we're incorporating in the DPI, we expect to uncover more trends. We are also excited to start working with government agencies like the ONS to further refine the methodology and surface more insights."

U.S. Inflation Data

For electronics, nonprescription drugs, electronics, flights and hotels, the U.S. saw continued deflation MoM. Appliances and furniture saw seasonal increases MoM - 1.8 percent and 0.2 percent respectively. This inflation is likely due to increased demand for back-to-school and upcoming Labor Day sales. Grocery prices remained stable after five months of consecutive decline while toys saw price inflation. Pokémon merchandise saw 4.4 percent inflation MoM, after falling 2.9 percent in July. Demand for Pokémon items increased percent YoY since the launch of Pokémon Go (July 6 through August 31).

Latest U.S. findings include:

- **Groceries:** The DPI reports that prices were stagnant MoM for groceries after five months of deflation, with a 0.9 percent decrease YoY. In July, the DPI saw prices drop 0.8 percent YoY, while the CPI reported a 1.6 percent deflation during the same time period. DPI data covers 20 to 30 percent of online grocery transactions for approximately 195,000 products, and is heavily comprised of groceries purchased online picked up in-store.
- **Toys:** In August, prices for toys rose 0.3 percent. The DPI showed U.S. prices dropped 6.0 percent YoY in July, whereas the CPI reported 9.3 percent deflation. Data contains transactions for approximately 249,000 products, including toys, games and playground equipment.
- **Nonprescription Drugs:** Prices for nonprescription drugs decreased 0.8 percent MoM. While the CPI reported prices dropped 1.6 percent YoY in July, the DPI saw inflation of 0.1 percent during the same time period. DPI findings are based on transactions of 16,000 products.
- **Electronics:** In August, prices for electronics continued to decrease. The DPI reported 0.5 percent deflation MoM and 11.0 percent deflation YoY. The CPI, which does not break out electronics overall, reported that prices fell 7.7 percent for computers and 20.0 percent YoY for TVs in July. For that same time period, the DPI saw 12.8 percent deflation for computers. TV prices dropped 20.2 percent. Data is based on online transactions of one million electronic products.
- **Flights:** Domestic airfares decreased 3.4 percent MoM and 6.2 percent YoY. Internationally, prices dropped significantly between July and August at 4.3 percent. Additionally, the DPI shows a 1.2 percent inflation YoY. Data is based on approximately 370,000 flight routes.
- **Hotels:** Domestic hotel prices saw 2.1 percent deflation MoM. While the CPI reported no change in prices YoY in July, the DPI saw a 2.2 percent increase during the same time period. Internationally, hotels decreased 2.8 percent YoY. Data is based on approximately 250,000 hotel properties and includes associated fees.

The Adobe Digital Economy Project August report can be found [here](#).

About Adobe

Adobe is changing the world through digital experiences. For more information, visit www.adobe.com.

*Source: [Internet Retailer's 2015 Top 500 eGuide](#)

**Source: [Internet Retailer's 2016 Europe 500](#)

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