

Best sales result in almost two years

- **Good news for retailers with the latest Commonwealth Bank Business Sales Indicator (BSI) recording the strongest growth in almost two years. The BSI – a key measure of economy-wide spending – rose just by just over 0.2 per cent in trend terms in September – the strongest increase in 23 months.**
- **The seasonally adjusted measure of the BSI also posted the third increase in sales in four months, lifting 0.2 per cent in September after a 0.6 per cent increase in August.**
- **There was further encouragement at a sectoral level with just four of the 20 industry sectors contracting in trend terms in September while sales were broadly unchanged in two sectors. Strongest gains were recorded by Wholesale Distributors & Manufacturers, Business Services and Repair Services. Five of the eight states recorded higher sales in trend terms, led by Northern Territory.**
- **The Commonwealth BSI is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities. The BSI covers spending broadly across the economy rather than just retail sales, including spending on automobiles, personal services and airlines.**

Business Sales Indicator September 2011

- Last month we noted that brighter times may lie ahead for Australian businesses. Well the optimism was vindicated in the latest Commonwealth Bank Business Sales Indicator. The BSI rose by just over 0.2 per cent in trend terms in September, the strongest gain since October 2009 (23 months). To two decimal points, the BSI grew by 0.23 per cent in September after a 0.16 per cent rise in August and 0.11 per cent decline in July.
- In seasonally adjusted terms the BSI followed up the 0.6 per cent rise in August with a 0.2 per cent increase in September. It was the third lift in sales in the past four months. The BSI has had a reasonable track record in following movements in the Australian Bureau of Statistics retail trade series over the past year.
- The Commonwealth BSI is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities. And in line with the practice of the Bureau of Statistics with its retail trade data, seasonally adjusted and trend estimates of the BSI are obtained by applying statistical software. This allows analysis of the broader underlying trends that may be hidden in the raw data.
- Encouragingly, the number of sectors reporting weaker sales eased from six in August to four in September. In both months an additional two sectors reported sales that were largely flat.
- The strongest of the sectors was Wholesale Distributors & Manufacturers (up 0.9 per cent), followed by Business Services and Repair Services (both up 0.8 per cent in trend terms) and Transportation (up 0.7 per cent).
- Automobile & Vehicles returned to growth in September (up 0.4 per cent). It was the strongest increase in sales for the sector in eight months, finally shrugging off the effects of the Japanese tsunami which disrupted sales from March to July.
- The weakest sector in September was Utilities (down 0.4 per cent), followed by Mail Order/Telephone Order Providers and Clothing Stores (both down 0.2 per cent) and Automobile/Vehicle Rentals (down 0.1 per cent).

Figure 1: BSI Monthly Trend

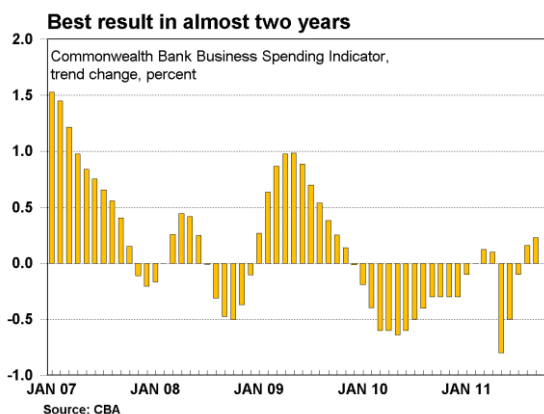
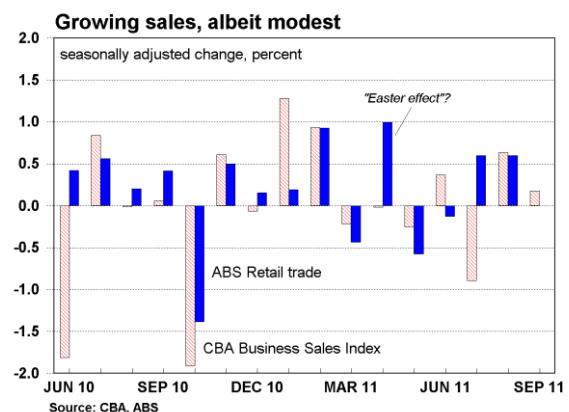


Figure 2: BSI & ABS retail trade



- In annual terms, just five of the 20 industry sectors contracted in September, a similar result to both July and August. The weakest sector was Automobile & Vehicles (down by 2.9 per cent on a year earlier), followed by both Miscellaneous and Automobile/Vehicle Rentals (both down 2.4 per cent)
- At the other end of the scale, spending was strongest at Amusement & Entertainment (up 14.8 per cent), followed by Contracted Services (up 10.2 per cent) and Professional Services & Membership Organisations, (up by 7.7 per cent).
- Three of the states and territories recorded weaker sales in trend terms in September, down from four states in August. The weakest result was in Western Australia (down 0.6 per cent) followed by ACT (down 0.4 per cent), and South Australia (down 0.2 per cent). Sales in Queensland were largely flat. Of the other states and territories, strongest was Northern Territory (up 1.0 per cent) followed by Tasmania (up 0.5 per cent), NSW (up 0.3 per cent) and Victoria (up 0.2 per cent).
- The ACT had shown consistent growth over the eight months to May before flattening in June and then falling from July to September. The 0.3 per cent lift in NSW sales in September was the strongest reading in 10 months. And Tasmania recorded its strongest sales result in 29 months.
- In annual terms, only the ACT is recording growth (up 3.2 per cent) with Victoria next best (down 0.5 per cent) and Tasmania (down 0.5 per cent).

Figure 3: NSW, trend spending (%)

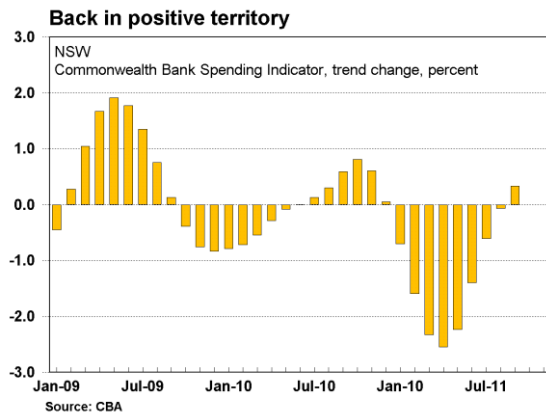
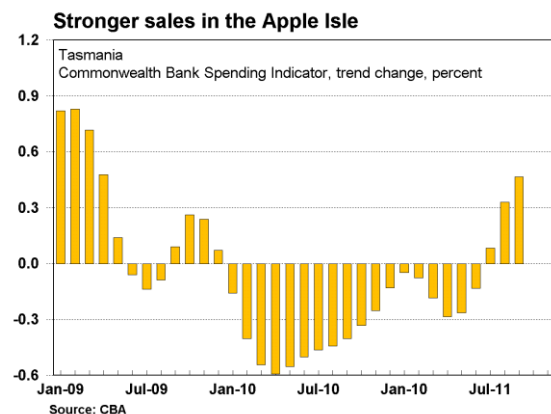


Figure 4: Tasmania, trend spending (%)



About the Commonwealth Bank Business Sales Indicator

- The Commonwealth Bank Business Sales Indicator is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities throughout Australia.
- The Business Sales Indicator is compiled monthly and covers 20 industry sectors and all Australian states and territories.
- Credit and debit card transactions can be volatile on a month-to-month basis, affected by seasonal and irregular factors. To better gauge the direction and changes of spending across the economy, the Business Sales Indicator is tracked in trend terms.
- The monthly Business Sales Indicator has been devised to provide a more timely assessment of spending trends in the economy. The main monthly indicator of spending in the economy is the Australian Bureau of Statistics' (ABS) Retail Trade release. However these statistics cover just spending at retail establishments, and exclude spending at a raft of other businesses.
- The Business Sales Indicator includes transactions made at traditional retail establishments such as supermarkets, clothing stores and cafes & restaurants and as such is more comparable to the ABS Household Final Consumption Expenditure released on a quarterly basis. The Business Sales Indicator also covers businesses such as airlines, car dealers and utilities such as water and electricity companies as well as motels, business, professional and government services and wholesalers.

- The Business Sales Indicator includes industry sectors based on the International Merchant Category Code (MCC) categories. MCC is a four-digit number assigned to a business when the business first starts accepting cards as a form of payment. Refer to Table 1 for the MCC listing.

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| 1. Airlines | 11. Miscellaneous |
| 2. Amusement and Entertainment | 12. Miscellaneous Stores |
| 3. Automobile/Vehicle Rentals | 13. Personal Service Providers |
| 4. Automobiles and Vehicles | 14. Professional Services and Membership Organisations |
| 5. Business Services | 15. Repair Services |
| 6. Clothing Stores | 16. Retail Stores |
| 7. Contracted Services | 17. Service Providers |
| 8. Government Services | 18. Transportation |
| 9. Hotels and Motels | 19. Utilities |
| 10. Mail Order/Telephone Order Providers | 20. Wholesale Distributors and Manufacturers |

Table 1: Merchant Types

DISCLOSURE AND DISCLAIMER APPENDIX

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