

Spending advances, but modestly

20 May 2010

- The “new conservatism” continues with Australian businesses and consumers lifting spending only modestly in the latest month. The Commonwealth Bank Business Sales Indicator rose by 0.2 per cent in trend terms in April following growth of 0.3 per cent in the two previous months.
- The Business Sales Indicator is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities.
- Annual trend growth of the Business Sales Indicator slowed to 4.6 per cent in April – the slowest growth pace in eight months.
- The seasonally adjusted Australian Bureau of Statistics (ABS) retail trade series has been volatile over the past five months, moving in a zig-zag fashion. The Business Sales Indicator has been similarly volatile suggesting that consumer spending patterns are changing. Trend estimates smooth out this volatility and are the best estimates to follow in the current environment.

Business Sales Indicator April 2010

- As shown in Figure 1, the Commonwealth Bank Business Sales Indicator rose by 0.2 per cent in trend terms in April after lifting 0.3 per cent in both February and March. While spending remains modest, growth has nevertheless been positive for the past 17 months.
- Over the past year the Business Sales Indicator has lifted by 4.6 per cent in trend terms, the slowest growth in eight months. In fact the trend pace of growth has consistently slowed over the past five months. Refer Figure 2.
- In late 2008/early 2009 the Business Sales Indicator strengthened in trend terms as consumers and businesses responded to government stimulus and lower interest rates. The monthly growth pace hit peak levels of 0.7 per cent in both June and July 2009. But as stimulus efforts waned and interest rates started to rise, spending growth softened in the second half of 2009, with the month trend growth pace of the Business Sales Indicator weakening to 0.1 per cent in December. Trend growth has held between 0.1-0.3 per cent over the past seven months.
- The seasonally adjusted estimates for both the Business Sales Indicator and the Australian Bureau of Statistics retail trade series have proved volatile over the past five months, moving in a zig-zag fashion as depicted in Figure 3. The volatility is interesting, suggesting a change in spending patterns. The Business Sales Indicator fell by 1.0 per cent in seasonally adjusted terms in April.

Figure 1: BSI Monthly Trend

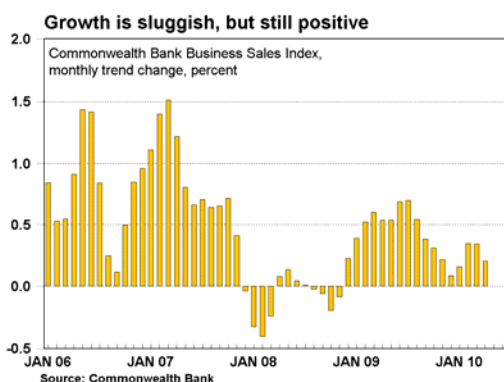
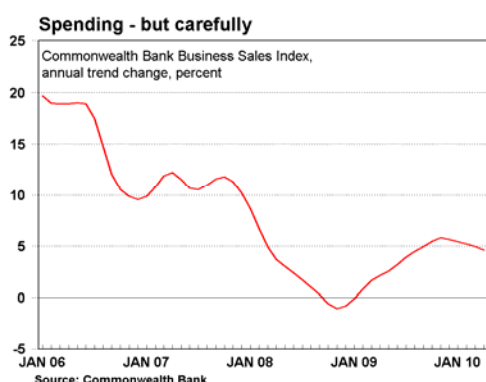


Figure 2: BSI Annual Trend (%)

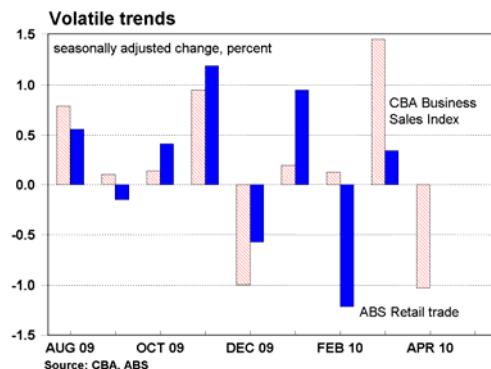


- In trend terms, the value of spending transactions fell in eight of the 20 industries in April; up from March when five of the industry groups declined. The strongest sector was Mail Order and Telephone Order Providers (up 1.1 per cent), followed by Amusement and Entertainment (up 0.8 per cent) and Repair Services and Service Providers (both up 0.7 per cent). The latter two sectors have been consistently strong over the past year.

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- The weakest sectors in April in trend terms were Automobiles and Vehicles (down 3.1 per cent), Clothing Stores (down 0.6 per cent) and Government Services (down 0.4 per cent). Both Clothing Stores and Government Services have been consistently weak in recent months together with Miscellaneous Stores.
- In annual terms, amongst the sectors with the strongest gains were Service Providers (up 24.6 per cent), Transportation (up 11.8 per cent) and Personal Service Providers (up 11.3 per cent). At the other end of the scale spending at Mail Order and Telephone Order Providers was down 6.7 per cent on a year earlier.
- Five of the eight states and territories recorded positive monthly trend growth in April. Leading the way was Northern Territory (up 0.8 per cent), followed by ACT and South Australia (both up 0.2 per cent). In contrast Tasmania recorded a fall of 0.1 per cent while spending was flat in Queensland and Victoria. Spending in NSW rose 0.3 per cent while in Western Australia it lifted 0.5 per cent in the latest month.
- In annual terms, spending growth is strongest in the Northern Territory (up 11.9 per cent in trend terms), followed by ACT (up 10.6 per cent). At the other end of the scale, the spending gauge was weakest in Tasmania and Queensland (both up 1.6 per cent) followed by Victoria (up 3.1 per cent), Western Australia (4.1 per cent), South Australia (up 5.9 per cent) and NSW (up 6.1 per cent).

Figure 3: BSI Seasonally Adjusted (%)



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 which 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.

Table 1: Merchant Types

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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 |

DISCLOSURE AND DISCLAIMER APPENDIX

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