

Commonwealth Bank Business Sales Indicator

19 February 2010

- The Commonwealth Bank Business Sales Indicator is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities.
- The Business Sales Indicator rose by 0.1 per cent in trend terms in January, broadly equal to the December 2009 result, which was the weakest growth rate in 14 months. Measured to two decimal places the trend growth pace actually lifted slightly from 0.11 per cent to 0.14 per cent. That modest uplift was the first improvement since July 2009.
- Compared with a year ago, the Business Sales Indicator is up 5.4 per cent, slightly weaker than the 5.7 per cent annual growth pace in December and the 21-month high of 5.8 per cent set in November.
- The seasonally adjusted results from the Business Sales Indicator point to a flat result for the Australian Bureau of Statistics (ABS) retail trade series in January 2010. The Business Sales Indicator has closely tracked the ABS retail trade series since August 2009.

Business Sales Indicator January 2010

- The Business Sales Indicator rose by 0.1 per cent in trend terms in January, a similar result to December. However when measured by two decimal places, trend growth lifted modestly from 0.11 per cent to 0.14 per cent. That modest uplift in the growth pace was the first improvement recorded since July 2009.
- While the Business Sales Indicator has consistently expanded in trend terms for 14 months, the actual pace of growth has eased since mid 2009. Figure 1 shows, in both June and July 2009, monthly trend growth was close to 0.7 per cent, but this has tailed off to around 0.1 per cent in December 2009 and January 2010.
- Currently the Business Sales Indicator stands 5.4 per cent higher than a year ago. Figure 2 shows, Annual growth hit 21-month highs in November 2009 at 5.8 per cent before easing over the past two months. The current annual growth pace is slightly below the long-run growth pace recorded for the Australian Bureau of Statistics (ABS) retail trade series.
- In seasonally adjusted terms, Figure 3 shows the Business Sales Indicator was largely unchanged in January 2010 after falling by 0.4 per cent in December. The Business Sales Indicator has closely tracked the ABS retail trade series since August 2009. The ABS reported a 0.7 per cent fall in retail trade for December.
- In trend terms, the value of spending transactions fell in six of the 20 industries in January; an improvement from December where spending in eight of the industry groups fell. The weakest sector was Mail Order and Telephone Order Providers (down 1.1 per cent) followed by Government Services and Retail Stores (both down 1.0 per cent).
- But the sectors that have been consistently weak in recent times have been Business Services and Government Services with sales in both sectors easing in trend terms for the past nine months.
- The strongest industry sectors in January were Repair Services (up 1.1 per cent in trend terms) and both Professional Services and Service Providers (both up 1.0 per cent in trend terms). Transportation was next strongest, up 0.7 per cent in trend terms.

Figure 1: BSI Monthly Trend

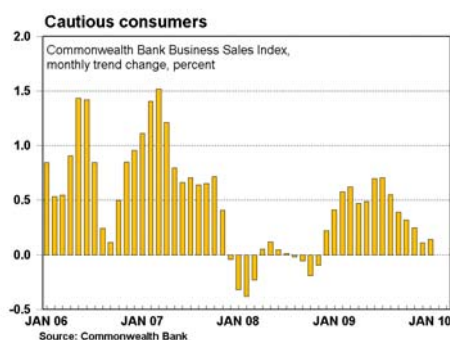
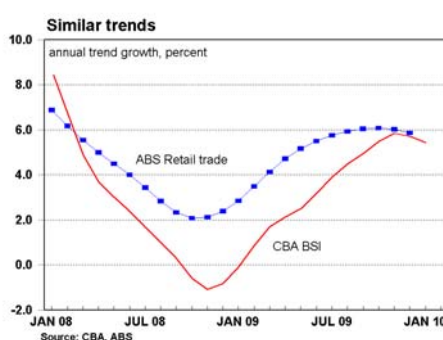
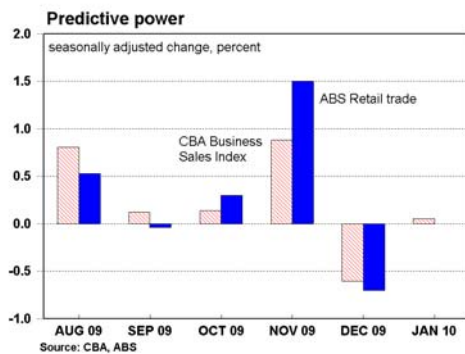


Figure 2: BSI Annual Trend (%)



- In annual terms, growth is strongest in Amusement and Entertainment (up 12.3 per cent in trend terms). At the other end of the scale spending at Mail Order and Telephone Order Providers is down 3.5 per cent on a year earlier.
- Apart from Victoria, all states and territories recorded positive monthly trend growth in January. Spending eased almost 0.1 per cent in Victoria. Fastest sales growth occurred in Northern Territory (up 0.6 per cent in trend terms) followed by NSW and Queensland (both up 0.4 per cent).
- In annual terms, spending growth is strongest in the ACT (up 11.5 per cent in trend terms), followed by Northern Territory (up 7.8 per cent). At the other end of the scale, the spending gauge was weakest in Western Australia (up 1.0 per cent) and Victoria (up 2.5 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. Refer to Figure 3 for a comparison of the Business Sales Indicator and the ABS Household consumption.
- 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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