

Positive signs for retailers

- The Commonwealth Bank Business Sales Indicator (BSI) eased yet again in trend terms in January, but it certainly wasn't all bad news. In fact only a small minority of business sectors are now posting weaker sales. In January only three of the 20 industry sectors recording weaker sales in the month, down from four sectors in December and nine sectors in November.
- In seasonally adjusted terms the BSI rose for the second straight month, lifting 0.5 per cent.
- 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. The BSI has consistently underperformed against the Australian Bureau of Statistics retail trade series over the past year.

Business Sales Indicator January 2011

- The Commonwealth Bank Business Sales Indicator (BSI) fell by 0.2 per cent in trend terms in January after similar declines in November and December. This was the 13th straight monthly decline for the trend measure of economy-wide spending. At face value that suggests continued tough times for retailers, but further examination reveals a more promising picture.
- 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.
- Ordinarily the trend measure is preferred for data analysis for the simple reason that it is less volatile and can show the broader trends. But trend estimates are less suitable in highlighting turning points in the data compared with seasonally adjusted estimates. And certainly there are grounds for optimism in the seasonally adjusted figures.
- In January the BSI rose by 0.5 per cent in seasonally adjusted terms after a similar gain in December. There have only been three positive readings in the past 11 months so the recent gains are encouraging for retailers.
- Another source of encouragement is the fact that the majority of industry sectors recorded spending growth in trend terms. In trend terms, the value of spending transactions fell in only three of the 20 industries in January, down from eight sectors in November.
- The biggest industry category – Retail stores – recorded the largest gain across sectors. The 1.3 per cent increase in trend sales in January was the fourth straight gain and biggest increase in 17 months. Next strongest was Contracted services (up 1.2 per cent) followed by Repair services and Service providers (both up 1.1 per cent).
- The Contracted services category includes a range of building trades like electrical services, carpenters and landscape services. Service providers include financial and insurance services.
- The Amusement & entertainment sector recorded growth of 0.5 per cent in January, the best reading in 15 months. The sector includes motion picture theatres, bowling alleys, golf courses and video stores.

Figure 1: BSI Monthly Trend

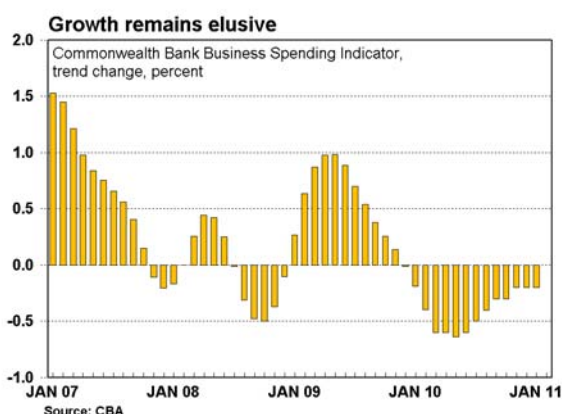
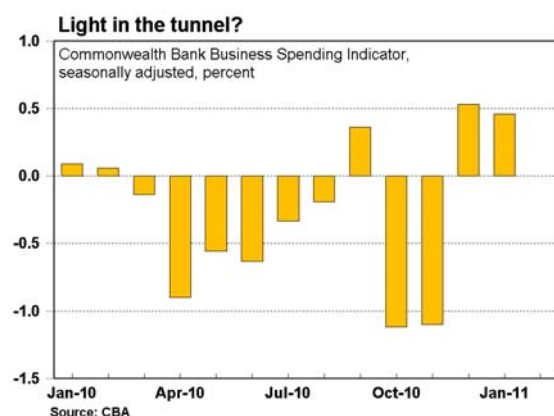


Figure 2: BSI Monthly, Seasonally Adjusted



- Other sectors to record encouraging gains were Automobile/vehicle rentals (up 0.5 per cent – the best gain in 19 months), Clothing stores (up 0.2 per cent – the best gain in 20 months) and Mail order/telephone order providers (up 0.6 per cent – best gain in 25 months).
- The weakest sectors in January in trend terms were Miscellaneous stores (down 1.2 per cent), Hotels and motels (down 0.4 per cent) Government services (down 0.1 per cent).
- In annual terms, eight of the 20 industry sectors contracted in January. The weakest sectors were Automobile & vehicles and Mail Order and Telephone Order Providers (both down 12.5 per cent) followed by Miscellaneous stores (down 11.9 per cent) and Retail stores (down 3.3 per cent).
- At the other end of the scale, Professional services & membership organisations recorded annual trend growth of 7.7 per cent followed by Contracted services (up 6.2 per cent) and Personal service providers (up 5.3 per cent). Personal service providers include laundries, hairdressers, shoe repair and tax agents.
- Only two of the eight states and territories recorded lower trend sales in January, down from four states in December. Sales were down by 0.1 per cent in both Queensland and Victoria. There was no noticeable impact of either the floods or Cyclone Yasi in the BSI state results. Spending rose most in NSW (up 0.6 per cent), followed by Tasmania (up 0.5 per cent) and Western Australia (up 0.3 per cent)
- In annual terms, the only two states/territories to record growth in January was NSW (up 1.1 per cent) followed by Western Australia (up 0.9 per cent). At the other end of the scale, the spending gauge was weakest in Victoria (down 9.1 per cent) followed by South Australia (down 8.6 per cent) and Queensland (down 5.9 per cent).

Figure 3: NSW, trend spending (%)

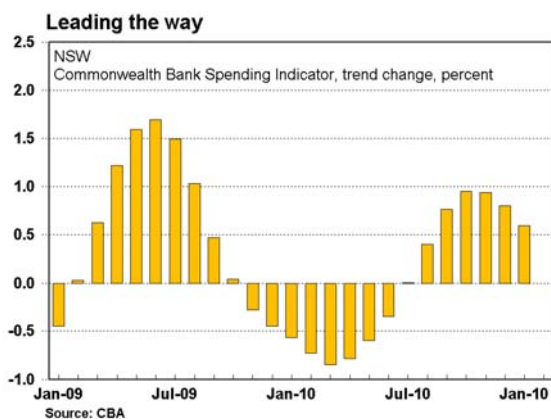
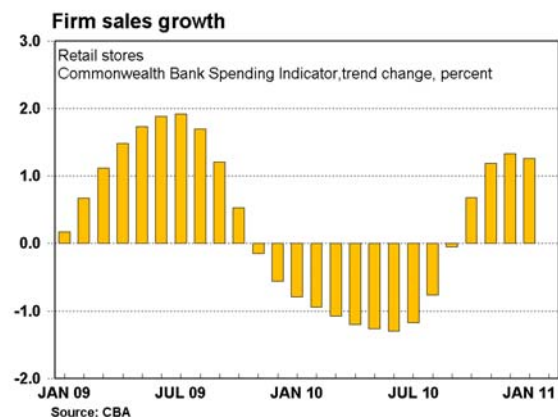


Figure 4: Retail stores, trend spending (%)



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.

Table 1: Merchant Types

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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