

Spending growth accelerates

21 April 2010

- Australian businesses and consumers are starting to spend more freely again. The Commonwealth Bank Business Sales Indicator rose by 0.7 per cent in trend terms in March – the strongest growth in eight 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 now stands at a two-year high of 6.0 per cent – above the longer-term average growth pace of 5.2 per cent.
- The seasonally adjusted results from the Business Sales Indicator point to a solid rise in the Australian Bureau of Statistics (ABS) retail trade series for March 2010. The Business Sales Indicator has tracked the ABS retail trade series reasonably closely since August 2009.

Business Sales Indicator March 2010

- The Commonwealth Bank Business Sales Indicator posted a solid 0.7 per cent increase in trend terms in March – the strongest growth in eight months as shown in Figure 1. It was the third straight improvement in the monthly trend growth pace.
- Figure 2 shows, over the past year the Business Sales Indicator has lifted by 6.0 per cent in trend terms, above the long-term average growth pace of 5.2 per cent and the fastest rate in just over two years (February 2008).
- 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 monthly trend growth pace of the Business Sales Indicator weakening to 0.2 per cent in December.
- In seasonally adjusted terms, Figure 3 shows, the Business Sales Indicator rose by 1.8 per cent in March, pointing to a solid lift in the Australian Bureau of Statistics retail trade series. Since August 2009 the Business Sales Indicator has tracked the ABS retail trade series reasonably closely. However the retail trade series has proved volatile in the past two months and the early timing of Easter could induce more volatility into the results.
- In trend terms, the value of spending transactions rose in all of the 20 industries in March; an improvement from February where spending rose in 19 of the industry groups. The strongest sector was Personal Service Providers (up 2.2 per cent), followed by Government Services (up 1.7 per cent) and Professional Services (up 1.5 per cent). Spending on Government Services has only recently picked up after weakness in late 2009.
- The weakest sectors in March in trend terms were Hotels and Motels and Miscellaneous Stores (both flat).
- Spending at Hotels and Motels has been consistently weak over the past year together with Utilities and Miscellaneous stores.

Figure 1: BSI Monthly Trend

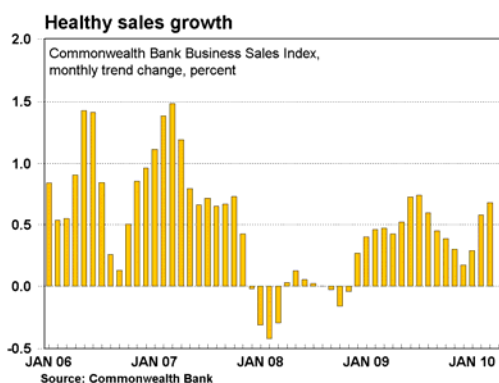
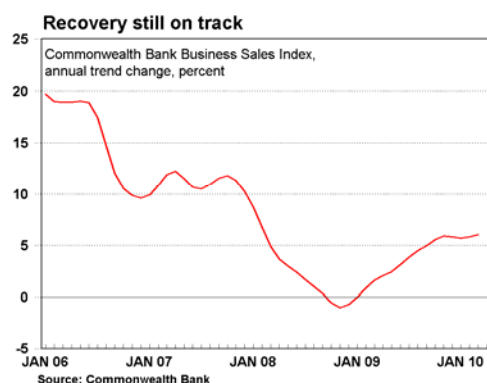
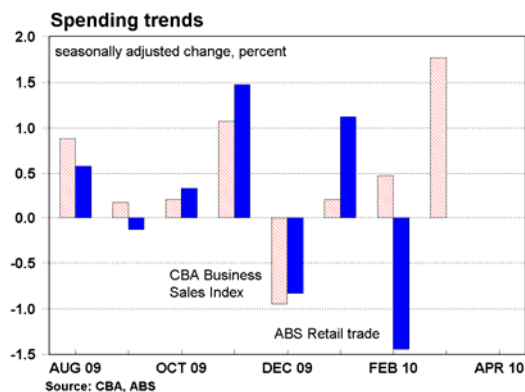


Figure 2: BSI Annual Trend (%)



- In annual terms, amongst the sectors with the strongest gains were Personal Service Providers (up 15.3 per cent in trend terms) and Amusement and Entertainment (up 12.1 per cent). At the other end of the scale spending at Mail Order and Telephone Order Providers was down 5.5 per cent on a year earlier.
- All states and territories recorded positive monthly trend growth in March. Leading the way was ACT (up 1.2 per cent), followed by Western Australia (up 1.1 per cent) and Northern Territory (up 1.0 per cent). In contrast NSW and Tasmania recorded more modest gains of 0.6 per cent.
- In annual terms, spending growth is strongest in the Northern Territory (up 13.4 per cent in trend terms), followed by ACT (up 13.4 per cent). At the other end of the scale, the spending gauge was weakest in Tasmania (up 4.7 per cent) followed by both Victoria and Western Australia (up 4.7 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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