Queensland floods distort sales results

- **The Commonwealth Bank Business Sales Indicator (BSI) eased by 0.1 per cent in trend terms in March, following similar readings in January and February. However the Queensland floods may be distorting analysis. In seasonally adjusted terms the Queensland business sales index slumped by 5.5 per cent in March after lifting by 3.6 per cent in February.**
- **The trend BSI for February has been revised to show a 0.1 per cent decline rather than 0.5 per cent gain.**
- **Despite the modest decline in overall trend spending, only five of the 20 industry sectors recorded weaker sales in March, a similar result to February.**
- **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 March 2011

- The Commonwealth Bank Business Sales Indicator (BSI) fell by 0.1 per cent in trend terms in March after similar falls in January and February. While sales are still easing, the small declines in the past three months are actually the strongest readings recorded since December 2009.
- The trend estimates are constantly revised with the addition of new data. Unfortunately the strength that was initially recorded for February has been revised away. Previously, spending was shown to have risen by 0.5 per cent in trend terms in February, but the revised figures are now showing a decline of 0.1 per cent.
- 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.
- In seasonally adjusted terms the BSI fell by 2.7 per cent in March after four months of gains including a 2.1 per cent increase in February.
- While aggregate spending is still easing modestly, the majority of industry sectors are still recording spending growth in trend terms. Only five of the 20 sectors reported weaker spending in trend terms in March, a similar result to February and down from six sectors in January. Disappointingly the biggest industry category – retail stores – fell by 0.8 per cent in March, the third straight decline.
- Apart from retail stores, the only other sectors to record weaker spending in trend terms were Automobiles & Vehicle rentals (down 0.5 per cent), Automobiles & Vehicle sales (includes services stations as well as car and boat dealers, tyre and auto parts stores) with sales down 0.2 per cent, Government services (down 0.3 per cent) and Miscellaneous stores (down 0.9 per cent).
- The strongest lift in spending in trend terms was by Amusement & entertainment (includes motion picture theatres, bowling alleys, golf courses and video stores), up 1.9 per cent, followed by Repair services and Contracted services (both up 1.1 per cent). Encouragingly, the Business services sector has recorded consistent growth for the past 14 months.
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Figure 1: BSI Monthly Trend

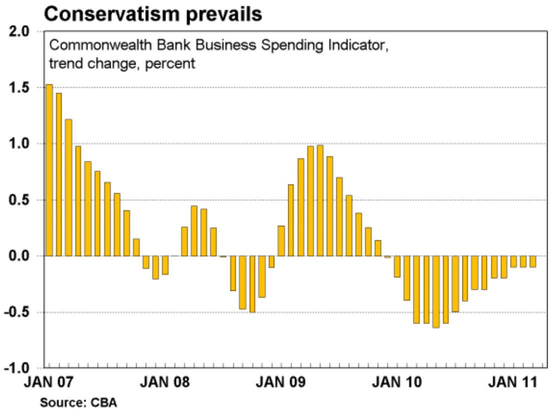
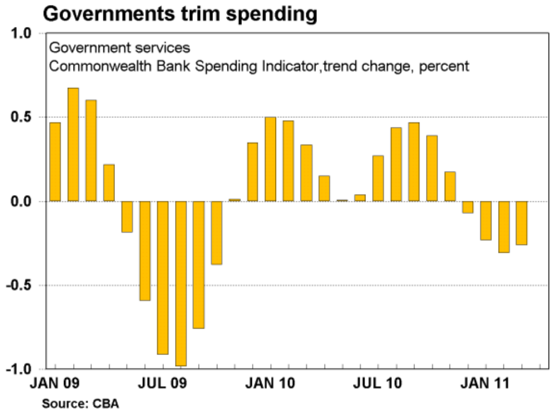


Figure 2: Government services, trend spending



- In annual terms, seven of the 20 industry sectors contracted in March, up from six sectors in February. The weakest sector was Automobile & vehicles (down by 11.2 per cent), followed by Mail Order and Telephone Order Providers (down 10.8 per cent on a year earlier), and Miscellaneous stores (down 9.5 per cent).
- At the other end of the scale, spending at Contracted services (includes building trades such as electricians as well as veterinary services) was strongest, up 11.1 per cent, followed by Professional services & membership organisations, up by 8.6 per cent, and Amusement & entertainment (up 8.9 per cent).
- Three of the states and territories recorded weaker sales in trend terms in March. The weakest result was in Queensland (down 1.3 per cent) with NSW down 0.9 per cent and Western Australia down 0.1 per cent. Of the other states and territories, strongest was South Australia (up 0.8 per cent), followed by Tasmania and Northern Territory (both up 0.6 per cent), followed by ACT (up 0.5 per cent) and Victoria (up 0.4 per cent).
- The downturn in Queensland sales may be attributed to the floods. In seasonally adjusted terms the Queensland business sales index fell by 5.5 per cent in March after lifting by 3.6 per cent in February.
- In annual terms, the only state/territory to record growth in March was NSW (up 1.5 per cent). At the other end of the scale, the spending gauge was weakest in Queensland (down 9.0 per cent), followed by Northern Territory (down 6.2 per cent) and Victoria (down 5.7 per cent).

Figure 3: South Australia, trend spending (%)

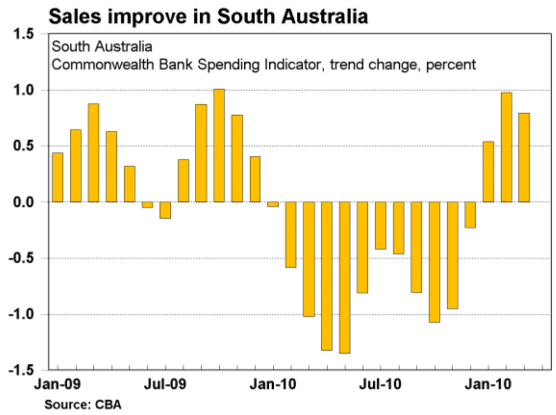
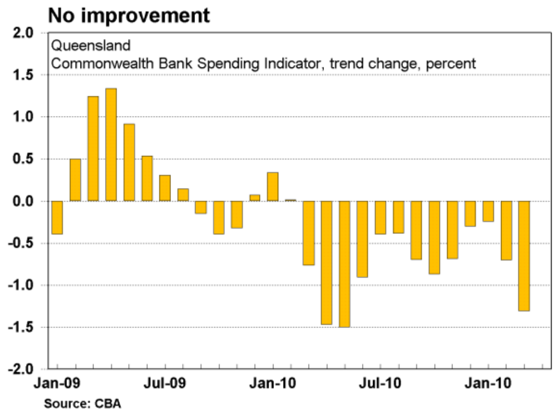


Figure 4: Queensland, trend spending (%)



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

DISCLOSURE AND DISCLAIMER APPENDIX

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