

Consumer caution continues

21 June 2010

- A gauge of economy-wide spending remained weak in May. The Commonwealth Bank Business Sales Indicator was broadly unchanged in May, a similar result to April and equalling the weakest outcome in around 18 months.
- The Commonwealth Bank 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 3.4 per cent in May – the slowest growth pace in 11 months.
- In seasonally adjusted terms the Business Sales Indicator rose by just 0.1 per cent in May. Both the Business Sales Indicator and Australian Bureau of Statistics retail trade series have shown negligible growth in spending over the past three months. Another soft retail trade outcome looks likely in May.

Business Sales Indicator May 2010

- The Business Sales Indicator was unchanged in trend terms in May after a similar flat result in April. But despite the stagnant outcome, spending still hasn't fallen over the past 18 months.
- Over the past year the Business Sales Indicator has lifted by 3.4 per cent in trend terms, the slowest growth in 11 months as shown in Fig. 1. The trend pace of growth has consistently slowed over the past six months and the weaker growth pace shows few signs of being arrested any time soon.
- Looking back over the past 18 months, from November 2008 the Business Sales Indicator strengthened in trend terms as consumers and businesses responded to government stimulus and lower interest rates. As shown in Fig. 2 below, 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. While the growth rate improved to 0.3 per cent in February, the improvement proved to be fleeting.
- The seasonally adjusted estimates for the Business Sales Indicator have closely matched those of the Australian Bureau of Statistics retail trade series in the past three months as shown in Fig. 3. Both the Business Sales Indicator and retail trade estimates recorded growth of just 0.2 per cent over the three months to April. And based on the latest Business Sales Indicator results, the official estimates of retail spending likely remained soft in May.
- In trend terms, the value of spending transactions fell in seven of the 20 industries in May; up from April when six of the industry groups declined. The strongest sector was Repair Services (up 1.8 per cent) followed by Service Providers (both up 1.0 per cent) and Amusement and Entertainment (up 0.7 per cent). And each of these sectors has been consistently strong over the past year.
- The weakest sectors in May in trend terms were Automobiles and Vehicles (down 2.3 per cent), Mail Order and Telephone Order Providers (down 0.8 per cent) and Miscellaneous Services (down 0.8 per cent). The weakness in spending at Automobiles and Vehicles has gathered pace over 2010 while Government Services has also been consistently weak over the past five months.

Figure 1: BSI Monthly Trend

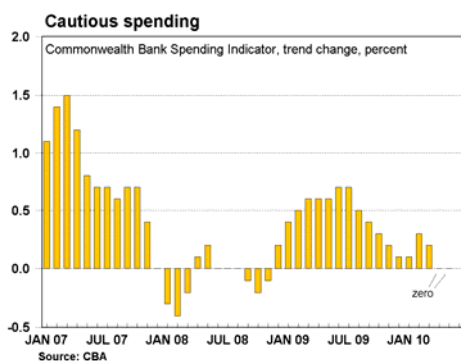
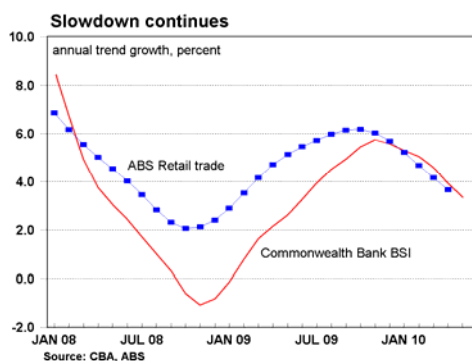


Figure 2: BSI Annual Trend (%)



- In annual terms, amongst the sectors with the strongest gains in May were Service Providers (up 25.3 per cent), Amusement and Entertainment (up 10.0 per cent) and Personal Service Providers (up 9.4 per cent). At the other end of the scale spending at Mail Order and Telephone Order Providers was down 6.4 per cent on a year earlier.
- Five of the eight states and territories recorded positive monthly trend growth in May. Leading the way was Northern Territory (up 0.4 per cent), followed by ACT (up 0.3 per cent), NSW and Western Australia (both up 0.2 per cent) and Queensland (up 0.1 per cent). In contrast South Australia recorded a fall of 1.0 per cent while spending fell 0.2 per cent in Tasmania and fell 0.1 per cent in Victoria.
- In annual terms, spending growth was strongest in the ACT (up 8.8 per cent in trend terms), followed by Northern Territory (up 8.3 per cent). At the other end of the scale, the spending gauge was weakest in South Australia (flat growth) followed by Tasmania (up 0.4 per cent), Victoria (up 1.2 per cent), Queensland (up 1.6 per cent), Western Australia (3.1 per cent) and NSW (up 4.7 per cent).

Figure 3: BSI & ABS Seasonally Adjusted results (%)



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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