

Improved conditions for retailers

- There appears light in the tunnel for retailers. A key measure of economy-wide spending is now edging slightly higher after contracting for most of the past year. The Commonwealth Bank Business Sales Indicator (BSI) was broadly flat in trend terms in May (actually up 0.02 per cent). Revised figures now indicate that the BSI has been flat to slightly higher from February after contracting for 14 consecutive months.
- Only four of the 20 industry sectors contracted in trend terms in May – a similar result to April – but amongst those was the large Retail stores category that accounts for 28 per cent of the index.
- 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 May 2011

- The Commonwealth Bank Business Sales Indicator (BSI) was broadly unchanged in trend terms in May (actually up 0.02 per cent). As we noted last month, results for March and April are traditionally harder to analyse given changes in timing of Easter from year to year, affecting the seasonally adjusted and trend results that are produced by statistical programs. So the receipt of the May results enables greater clarity on recent sales trends.
- The trend results now show that February-April 2011 was a period of flat, to slightly firmer economy-wide spending rather than slight declines in spending. The results are encouraging given that the BSI fell in trend terms in each month of 2010.
- 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.
- The majority of industry sectors are still recording spending growth in trend terms. Only four of the 20 sectors reported weaker spending in trend terms in May, a similar result to both March and April.
- Amongst the sectors to record weaker growth was the largest sector – Retail stores – down by 0.3 per cent and Automobiles & Vehicles (includes services stations as well as car and boat dealers, tyre and auto parts stores) with sales down 1.0 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 1.4 per cent, followed by both Contracted Services (includes building trades such as electricians as well as veterinary services) and Utilities (both up 0.9 per cent) and Repair Services and Personal Service Providers (both up 0.5 per cent).

Figure 1: BSI Monthly Trend

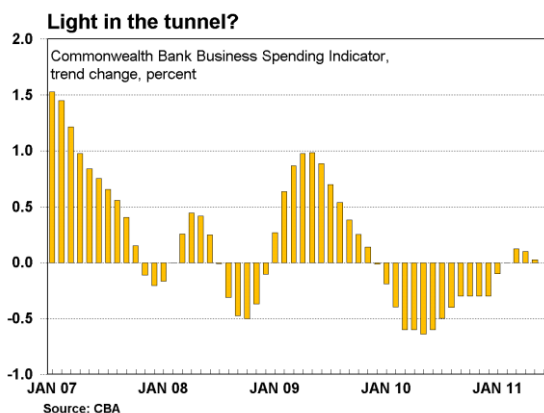
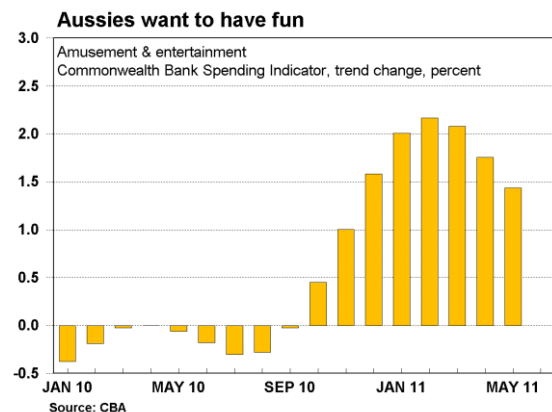


Figure 2: Amusement & entertainment



- In annual terms, five of the 20 industry sectors contracted in May, up from four sectors in April. The weakest sector was Mail Order and Telephone Order Providers (down 6.9 per cent on a year earlier), followed by Automobile & Vehicles (down by 6.3 per cent) and Miscellaneous Stores (down 4.5 per cent).
- At the other end of the scale, spending at Contracted Services was strongest, (up 14.1 per cent), followed by Amusement & Entertainment (up 12.3 per cent) and Professional Services & Membership Organisations, (up by 8.2 per cent).
- Six of the states and territories recorded weaker sales in trend terms in May, up from five in April. The weakest result was in NSW (down 1.9 per cent), followed by South Australia (down 1.2 per cent), Northern Territory (down 0.6 per cent), Victoria (down 0.4 per cent) and Western Australia and Queensland (both down 0.3 per cent). Of the other states and territories, strongest was ACT (up 0.8 per cent), followed by Tasmania (up 0.1 per cent).
- The ACT has shown consistent growth over the past eight months. In contrast, sales in South Australia have consistently softened over the period with the rate of decline accelerating over the past three months.
- In annual terms, only the ACT is recording growth (up 2.3 per cent), with Western Australia and Tasmania next best (both down 2.4 per cent).

Figure 3: ACT, trend spending (%)

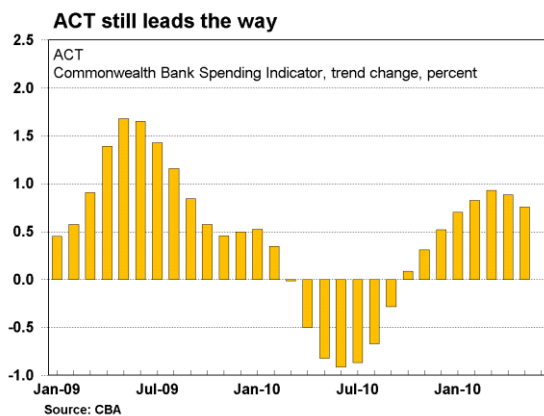
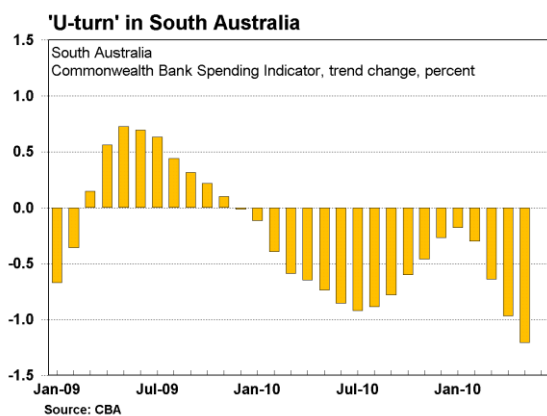


Figure 4: South Australia, trend spending (%)



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

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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 |

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