

Retail recovery takes shape

- There is good news for retailers with a key measure of economy-wide spending posting the best growth in 25 months. The Commonwealth Bank Business Sales Indicator (BSI) rose by 0.4 per cent in trend terms in October after a 0.3 per cent rise in September and 0.2 per cent lift in August.
- But the tentative nature of the recovery in spending was highlighted with the seasonally adjusted measure of the BSI easing by 0.1 per cent in October. The seasonally adjusted BSI had lifted 0.2 per cent in September and risen by 0.8 per cent in August.
- Encouragingly just five of the 20 industry sectors contracted in trend terms in October, down from seven sectors in both August and September. Seven of the eight states recorded higher sales in trend terms, led by Tasmania.
- 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 October 2011

- The latest Commonwealth Bank Business Sales Indicator (BSI) provides further encouragement for Australian business. The BSI rose by 0.4 per cent in trend terms in October, the strongest gain since September 2009 (25 months). The BSI had lifted by 0.3 per cent in September and risen by 0.2 per cent in August after a 0.2 per cent decline in July.
- In seasonally adjusted terms the BSI fell for the first time in three months, easing by 0.1 per cent in October after a 0.2 per cent increase in September and 0.8 per cent gain in August. The BSI has had a reasonable track record in following movements in the Australian Bureau of Statistics retail trade series over the past year.
- The Commonwealth Bank 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.
- Encouragingly, the number of sectors reporting weaker sales eased from seven in both August and September to five in October. Another two sectors recorded flat growth in October.
- Service providers (includes security brokers, insurance sales agents, foreign currency providers) recorded the strongest gain (up 0.7 per cent), followed by Wholesale Distributors & Manufacturers, Transportation and Clothing Stores (all up 0.6 per cent) and Repair Services, Personal Service Providers and Automobiles & Vehicles (all up by 0.5 per cent).
- Personal Service Providers (includes hairdressers, shoe repair shops and dry cleaners) returned to growth in September and the 0.5 per cent growth in October was the strongest increase in sales for the sector in 12 months.
- The weakest sector in October was Miscellaneous stores (down 2.1 per cent), followed by Utilities (down 0.3 per cent) and Mail Order/Telephone Order Providers (down 0.2 per cent).

Figure 1: BSI Monthly Trend

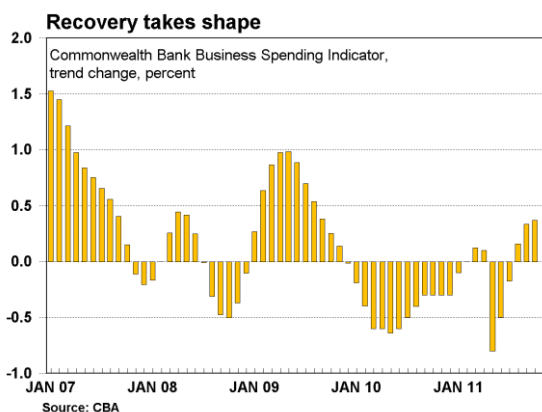
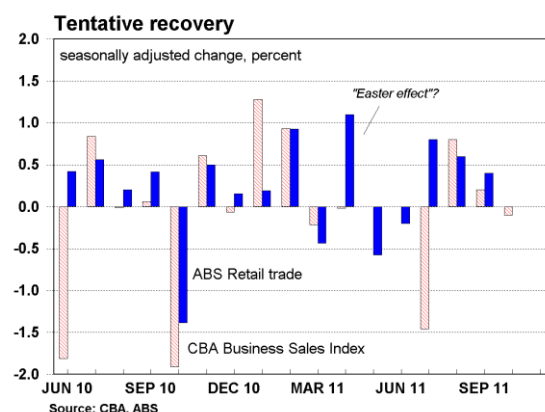


Figure 2: BSI & ABS retail trade



- In annual terms, just five of the 20 industry sectors contracted in October, down from six sectors in September. The weakest sector was Miscellaneous Stores (down by 6.9 per cent on a year earlier), followed by both Automobiles and Vehicles and Automobile/Vehicle Rentals (both down 1.8 per cent).
- At the other end of the scale, spending was strongest at Amusement & Entertainment (up 16.1 per cent), followed by Repair Services (up 6.9 per cent) and Contracted Services (up 6.7 per cent).
- Just one of the states and territories recorded weaker sales in trend terms in October, a similar result to both August and September. Spending in the ACT fell by 0.2 per cent in October, the fourth straight decline and following declines of 0.4 per cent in both August and September.
- The strongest result was in Tasmania (up 0.8 per cent) followed by NSW (up 0.7 per cent), Northern Territory (up 0.6 per cent), Western Australia (up 0.3 per cent), Queensland and South Australia (both up 0.2 per cent) and Victoria (up 0.1 per cent).
- The trend BSI for Tasmania lifted by 0.8 per cent in both September and October and these represent the best results in 32 months. The jobless rate in Tasmania stands at 5.0 per cent, second best of state economies.
- In annual terms, strongest growth was in the Northern Territory (up 5.4 per cent), followed by ACT (up 2.8 per cent), Tasmania (up 1.0 per cent) and Victoria (up 0.3 per cent).

Figure 3: ACT, trend spending (%)

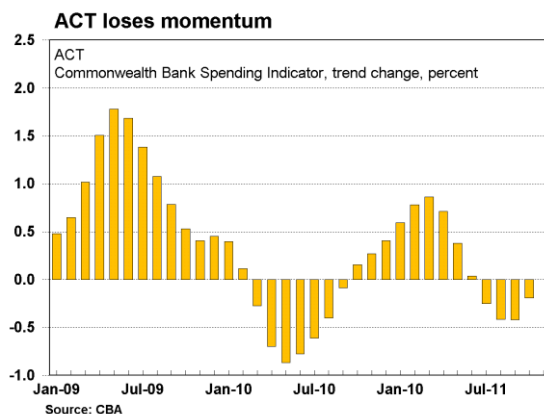
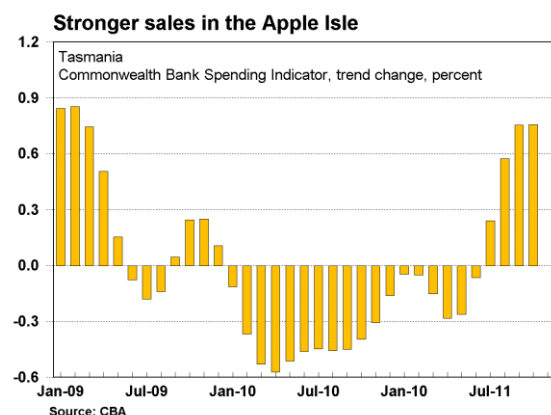


Figure 4: Tasmania, trend spending (%)



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 |

DISCLOSURE AND DISCLAIMER APPENDIX**Craig James – Chief Economist, CommSec (Author)****(02) 9118 1806 (work), 0419 695 082 (mobile) | craig.james@cba.com.au**

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