

On-going weakness in spending

- There are still few positive signs for retailers according to a key measure of economy-wide spending. The Commonwealth Bank Business Sales Indicator (BSI) fell by 0.3 per cent in trend terms in July after posting a downwardly revised fall of 0.5 per cent in June.
- The weakness in consumer spending is gradually being reflected across more sectors. In May only five of the 20 industry sectors contracted in trend terms, but this widened to eight in June and remained at this level in July. Weakness remains concentrated in the Automobiles & Vehicles sector where sales have been affected by production disruptions resulting from the Japanese tsunami. However spending growth remains solid in the Amusement & Entertainment sector.
- 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 July 2011

- There are few positive results to emerge from the latest Commonwealth Bank Business Sales Indicator (BSI). In trend terms the BSI fell by 0.3 per cent in July after easing by 0.5 per cent in June (originally reported as down 0.3 per cent). While the BSI had lifted modestly in March and April, the improvement couldn't be maintained.
- In seasonally adjusted terms the BSI fell by 0.8 per cent in July (excluding autos -0.6 per cent) after a 0.5 per cent fall in June (excluding autos -0.2 per cent). The BSI has closely tracked movements in the Australian Bureau of Statistics retail trade series over the past year. The ABS has previously reported that retail trade (which excludes automobile sales) fell by 0.1 per cent in June.
- 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 previous months the good news had been that the weakness in spending was narrowly, rather than broadly based. But the picture has changed over recent months. In May only five of the 20 sectors fell in trend terms. But in both June and July the number of declining sectors stood at eight.
- The weakest of the sectors continues to be Automobiles & Vehicles (down 2.2 per cent), although the result remains affected by the restricted inflow of Japanese cars and parts following the earthquake and tsunami earlier in the year. Next weakest was "Miscellaneous Stores" (down 1.2 per cent) and Mail order/Telephone Order Providers (down 0.8 per cent).
- In contrast, strength was maintained in Amusement & Entertainment (includes motion picture theatres, bowling alleys, golf courses and video stores), up 1.9 per cent in trend terms in July, followed by Wholesale Distributors & Manufacturers (up 1.2 per cent) and Transportation (up 0.7 per cent).

Figure 1: BSI Monthly Trend

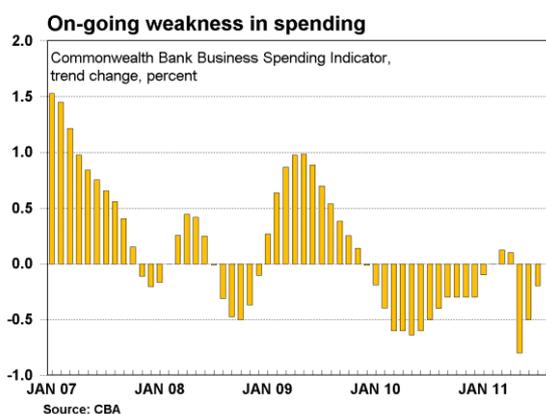


Figure 2: BSI & ABS retail trade



- In annual terms, seven of the 20 industry sectors contracted in July, a similar result to both May and June. The weakest sector was Automobile & Vehicles (down by 8.9 per cent on a year earlier), followed by Miscellaneous Stores (down 6.6 per cent) and Automobile/Vehicle Rentals (down 2.1 per cent)
- At the other end of the scale, spending was strongest at Amusement & Entertainment (up 18.7 per cent), followed by Contracted Services (includes building trades such as electricians as well as veterinary services) (up 13.4 per cent) and Government Services, (up by 5.0 per cent).
- Five of the states and territories recorded weaker sales in trend terms in July, down from six in June. The weakest result was in NSW (down 1.2 per cent), followed by Queensland and South Australia (down 0.9 per cent), Western Australia (down 0.3 per cent) and Tasmania (down 0.2 per cent). Of the other states and territories, strongest was ACT (up 0.2 per cent) followed by Northern Territory and Victoria (both up 0.1 per cent).
- The ACT has shown consistent growth over the past 10 months. Spending growth has also remained positive in the Northern Territory in the past three months. In contrast, sales in Queensland have consistently softened over the past 23 months with spending down over the past 19 months in South Australia.
- In annual terms, only the ACT is recording growth (up 4.9 per cent) with Tasmania and Western Australia next best (both down 2.9 per cent).

Figure 3: ACT, trend spending (%)

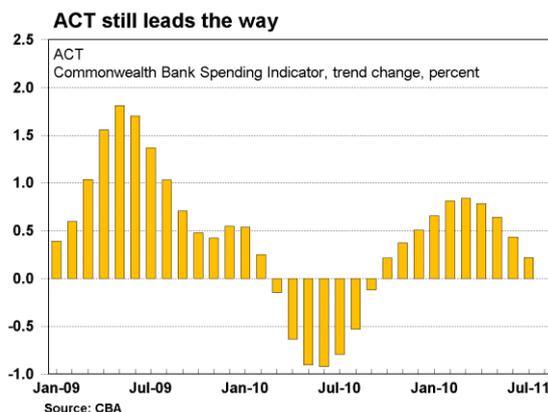
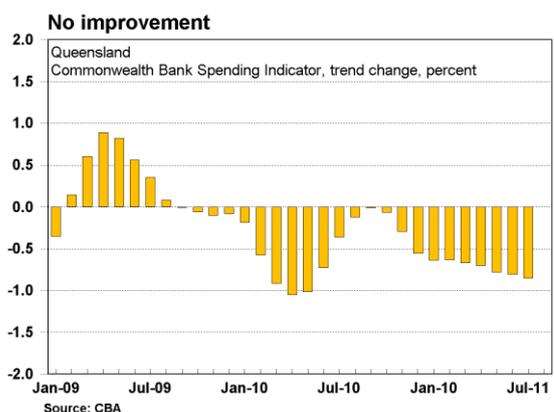


Figure 4: Queensland, trend spending (%)



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

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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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