

Weakest spending since GFC

12 July 2010

- A gauge of economy-wide spending contracted in trend terms for the fourth straight month in June. The Commonwealth Bank Business Sales Indicator (BSI) fell by 0.3 per cent in trend terms in June after a similar decline in May. The results are the weakest since the global financial crisis in early 2008.
- The Commonwealth BSI is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities.
- Annual trend growth of the Commonwealth Bank BSI also slowed to 0.7 per cent in June – the slowest growth pace in 17 months.
- In seasonally adjusted terms the Commonwealth Bank BSI fell by 2.0 per cent in June after rising 0.7 per cent in May. Although the BSI covers spending broadly across the economy rather than just retail sales, it has tracked the Australian Bureau of Statistics retail trade series over the past year.

Business Sales Indicator June 2010

- The Commonwealth Bank Business Sales Indicator (BSI) fell by 0.3 per cent in trend terms in June after a similar decline in May. The results over the last four months are the worst since early 2008 when the global financial crisis was at its height.
- Over the past year the BSI has risen just 0.7 per cent in trend terms, the slowest growth in 17 months. The trend pace of growth has consistently slowed over the past seven months, exactly tracking the slowdown in the Australian Bureau of Statistics retail trade series.
- Looking back over the 20 months from November 2008, the BSI initially strengthened in trend terms as consumers and businesses responded to government stimulus and lower interest rates. The monthly growth pace hit peak levels of 0.6 per cent in May and June 2009. But as stimulus efforts waned and interest rates started to rise, spending growth softened in the second half of 2009. The BSI has contracted over the past four months with the rate of decline getting steadily worse.
- The seasonally adjusted estimates for the BSI have broadly matched those of the Australian Bureau of Statistics retail trade series since October last year. Still it is important to point out that the BSI is far broader in coverage than ABS retail trade, incorporating business and government spending.
- In trend terms, the value of spending transactions fell in nine of the 20 industries in June; an improvement from May when 14 of the industry groups declined. The strongest sector was Service Providers (up 0.8 per cent) and Amusement & entertainment (up 0.6 per cent). Spending at Amusement & entertainment outlets has consistently lifted over the past five months in line with anecdotal evidence that consumers remain conservative and are embracing 'little luxuries'.
- The weakest sectors in June in trend terms were Mail order & telephone order providers (down 2.8 per cent), Automobiles & vehicles (down 2.6 per cent) and Retail stores (down 1.7 per cent). The weakness in Retail stores has prevailed over 2010 while Miscellaneous stores has been another area to record weaker spending since the start of the year.

Figure 1: BSI Monthly Trend

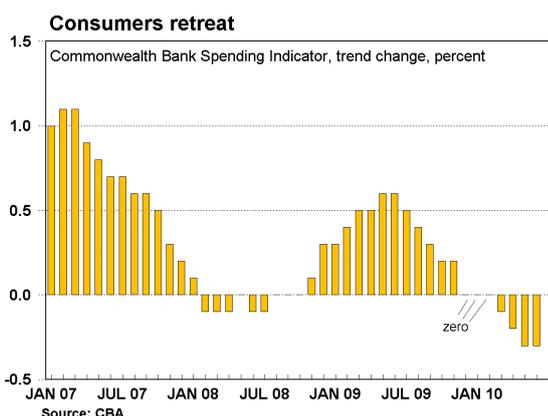
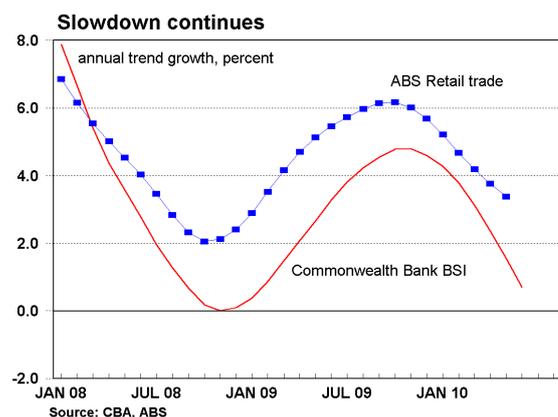
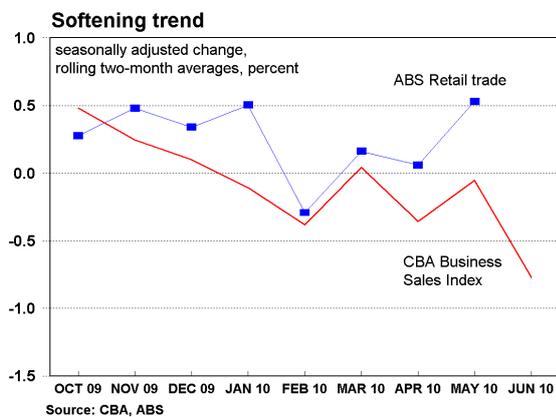


Figure 2: BSI Annual Trend (%)



- In annual terms, amongst the sectors with the strongest gains in June were Service providers (up 24.4 per cent), Amusement & entertainment (up 8.4 per cent) and Personal Service Providers (up 7.6 per cent). At the other end of the scale spending at Mail Order and Telephone Order Providers was down 11.2 per cent on a year earlier with both Miscellaneous stores and Automobile & vehicles down by 5.8 per cent.
- Five of the eight states and territories recorded negative monthly trend growth in June. Leading the way was Tasmania (down 0.9 per cent), followed by Queensland & NSW (both down 0.2 per cent), South Australia and Victoria (down 0.1 per cent). Spending was flat in the ACT and spending was up 0.2 per cent in Northern Territory and up 0.4 per cent in Western Australia.
- In annual terms, spending growth was strongest in the Northern Territory (up 5.3 per cent) and ACT (up 4.8 per cent). At the other end of the scale, the spending gauge was weakest in Tasmania (down 3.0 per cent), Queensland (down 0.9 per cent) and Victoria (down 0.6 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 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	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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