

'Above-normal' spending growth in December

- Economy-wide spending grew slightly above the decade-average pace in December. The Commonwealth Bank Business Sales Indicator (BSI), a measure of economy-wide spending, rose by 0.4 per cent in trend terms in December, just above the 0.3 per cent decade-average pace.
- The annual trend growth in sales eased from 6.4 per cent to 6.1 per cent but this is still above the decade-average pace of 4.1 per cent.
- The more volatile seasonally adjusted measure of the BSI fell for the first time in five months in December, easing by 0.4 per cent after gains totalling 2.4 per cent in the previous four months.
- At a sectoral level, 16 of the 19 industry sectors rose in trend terms in December, a similar result to November. And sales rose in all states and territories except NSW in the month.
- The Commonwealth Bank 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 December 2017

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – rose by 0.4 per cent in trend terms in December after similar increases in both October and November.
- But as previously highlighted, sales at combined retail and clothing stores remain soft, down by 0.4 per cent in trend terms in December – the weakest result in 6½ years.
- Annual trend growth of the BSI eased from 6.4 per cent to 6.1 per cent in December.
- The more volatile seasonally-adjusted measure of the BSI fell by 0.4 per cent in December after rising by 0.9 per cent in November. Growth in spending has averaged 0.4 per cent a month over the past year.
- The Commonwealth Bank BSI is obtained by tracking the value of credit and debit card transactions processed through the Commonwealth Bank merchant facilities. And in line with the practice of the Bureau of Statistics with retail trade data, seasonally adjusted and trend estimates of the BSI are obtained by applying statistical software. The seasonally adjusted and trend BSI results permit analysis of the broader underlying trends that may be hidden in the raw data.
- Across sectors, 16 of the 19 industry sectors rose in trend terms in December. The biggest lift in sales occurred at Automobiles & Vehicles (up 1.7 per cent) from Transportation (up 1.4 per cent), Amusement & Entertainment (up 1.2 per cent) and Business Services (up 1.1 per cent).
- On the other side of the equation, sales fell in Mail Order/Telephone Order Providers (down 2.5 per cent), Retail Stores (down 0.5 per cent) and Airlines (down 0.1 per cent).

Figure 1: Australian sales, trend index

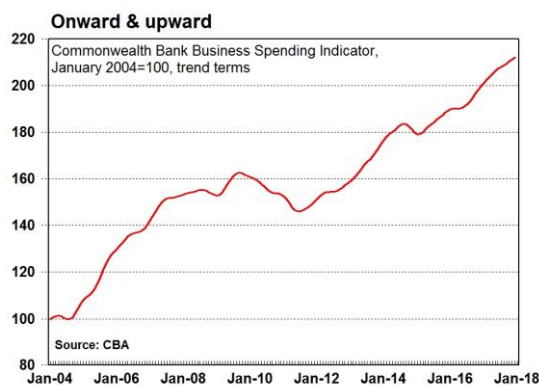
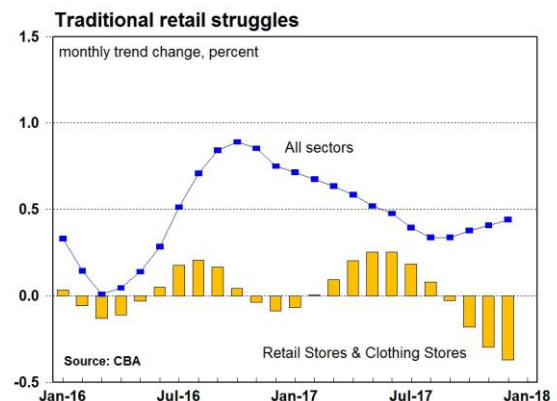


Figure 2: BSI & retailing, monthly trend, %



- The lift in spending by Business Services equalled the spending gain in November and was the strongest increase in a year, reflecting positive survey results on the sector.
- In annual terms in December all but two of the 19 industry sectors recorded gains. Spending fell most at Mail Order/Telephone Order Providers (down 5.5 per cent) followed by Retail Stores (down 0.4 per cent).
- At the other end of the scale, sectors with strongest annual growth in December included Amusement & Entertainment (up 15.0 per cent), Utilities (up 13.6 per cent) and Airlines (up 12.7 per cent).
- Across all states and territories in December, sales were stronger except NSW (down 0.3 per cent). Strongest growth occurred in Northern Territory (up by 1.5 per cent) followed by South Australia, Queensland and Tasmania (all up 1.0 per cent); Victoria and Western Australia (both up 0.9 per cent) and ACT (up 0.7 per cent).
- In annual terms all states and territories had sales above a year ago. Strongest growth was Northern Territory (up 14.8 per cent) from Queensland (up 10.3 per cent); South Australia (up 9.5 per cent), Tasmania (up 8.1 per cent); Western Australia (up 7.8 per cent); Victoria (up 7.5 per cent); ACT (up 7.4 per cent); and NSW (up 2.2 per cent).

Figure 3: Business Services, monthly trend (%)

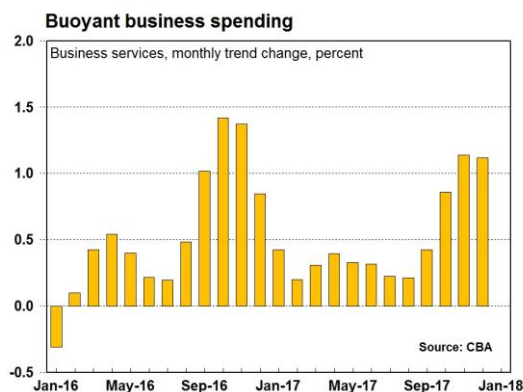
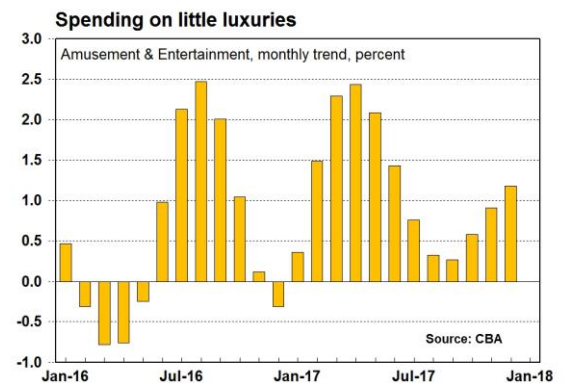


Figure 4: Amusement & Entertainment, monthly trend (%)



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 19 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 Stores |
| 2. Amusement & Entertainment | 12. Personal Service Providers |
| 3. Automobile/Vehicle Rentals | 13. Professional Services & Membership Organisations |
| 4. Automobiles & Vehicles | 14. Repair Services |
| 5. Business Services | 15. Retail Stores |
| 6. Clothing Stores | 16. Service Providers |
| 7. Contracted Services | 17. Transportation |
| 8. Government Services | 18. Utilities |
| 9. Hotels & Motels | 19. Wholesale Distributors & Manufacturers |
| 10. Mail Order/Telephone Order Providers | |

DISCLOSURE AND DISCLAIMER APPENDIX

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