

## Spending decelerates further in June

- The Commonwealth Bank Business Sales Indicator (BSI), a measure of economy-wide spending, rose by 0.2 per cent in trend terms in June. The BSI had grown at an average 0.8 per cent trend pace from November 2017 to March 2018, before growth slowed to 0.5 per cent in April, 0.3 per cent in May and 0.2 per cent in June.
- The annual trend growth in sales fell to 7.4 per cent in June, down from 3½-year highs of 7.7 per cent in May. Still, growth remains well above the decade-average pace of 3.3 per cent.
- The more volatile seasonally adjusted measure of the BSI also rose by 0.2 per cent in June after lifting 0.4 per cent in May. Annual growth slowed from 6.8 per cent to 6.3 per cent.
- At a sectoral level, 16 of the 19 industry sectors rose in trend terms in June, up from 15 sectors in May. And sales rose in all of the 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 June 2018

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – lifted by 0.2 per cent in trend terms in June, the slowest growth in 15 months (slowest since March 2017).
- The growth pace started lifting in September 2017 and over the period from November 2017 to March 2018 consistently grew between 0.7-0.9 per cent a month. The BSI rose by 0.5 per cent in April, before lifting by 0.3 per cent in May and increasing by 0.2 per cent in June.
- Annual trend growth of the BSI fell from 7.7 per cent in May to 7.4 per cent in June.
- The more volatile seasonally adjusted measure of the BSI also rose by 0.2 per cent in June after lifting 0.4 per cent in May.
- 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 June. Sales were down in Government Services and Retail Stores (both down 1.0 per cent), followed by Transportation (down 0.5 per cent).
- The biggest lift in sales occurred at Mail Order/Telephone Order Providers (up 3.2 per cent) from Automobiles & Vehicles (up 1.0 per cent).

Figure 1: Australian sales, trend index

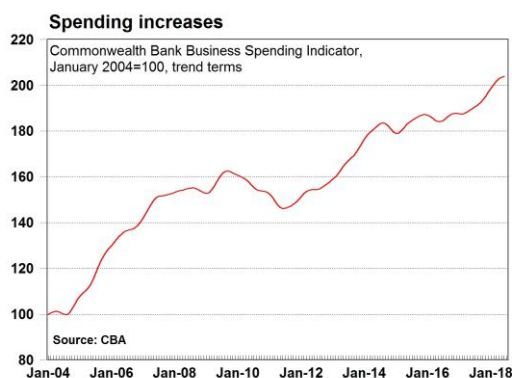
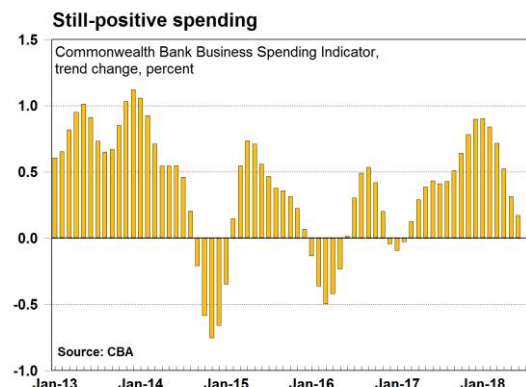


Figure 2: Australia, monthly trend %



- Meanwhile spending at Clothing Stores has consolidated since the beginning of the year. Spending rose by 0.7 per cent for a second consecutive month in June. Consumer purchases of apparel, garments and footwear was benign over the Christmas and New Year trading period, but has now risen for five successive months.
- In annual terms in June, all but one of the 19 industry sectors recorded gains. Spending fell by 0.9 per cent over the past year in the Contracted Services sector.
- At the other end of the scale, sectors with strongest annual growth in June included Mail Order/Telephone Order Providers (up 15.6 per cent) from Automobiles & Vehicles (up 13.1 per cent); Retail Stores (up 10.9 per cent); and Hotels & Motels (up 10.2 per cent).
- Across all states and territories in June, sales were stronger except NSW (down 0.4 per cent). The strongest growth occurred in Northern Territory, South Australia and Tasmania (all up 0.6 per cent); ACT and Western Australia (both up 0.5 per cent); and Queensland and Victoria (both up 0.4 per cent).
- In annual terms all states and territories had sales above a year ago. The strongest growth was in Queensland (up 9.9 per cent); Western Australia (up 9.5 per cent); South Australia (up 8.4 per cent); Tasmania (up 8.1 per cent); Victoria (up 7.7 per cent); Northern Territory (up 7.3 per cent); the ACT (up 6.6 per cent); and NSW (up 4.9 per cent).

Figure 3: Clothing Stores, monthly trend (%)

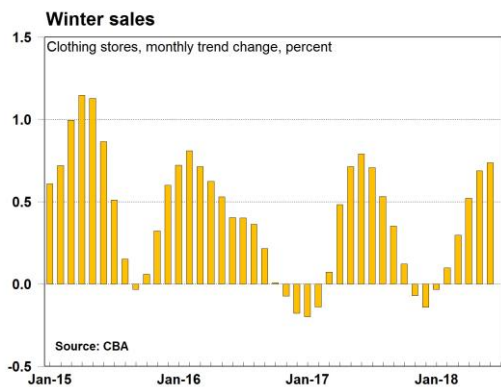
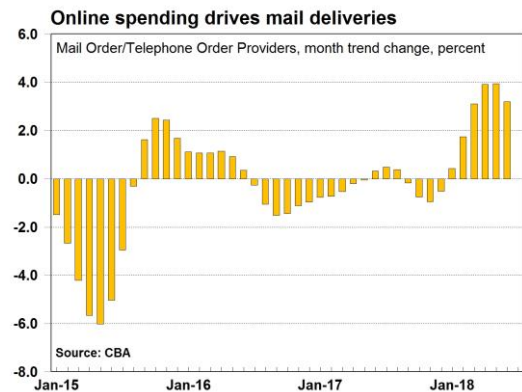


Figure 4: Mail Order/Telephone Order Providers, monthly trend (%)



## 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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