

## Spending slowdown

- Growth in economy-wide spending slowed in May, growing at the weakest trend pace for over a year. The Commonwealth Bank Business Sales Indicator (BSI), a measure of economy-wide spending, rose by 0.3 per cent in trend terms in May. The BSI had grown at a 0.8-0.9 per cent trend pace from November 2017 to March 2018, before growth slowed to 0.6 per cent in April and 0.3 per cent in May.
- The annual trend growth in sales held at 7.7 per cent – the fastest growth for 3½ years and above the decade-average pace of 3.3 per cent.
- The more volatile seasonally adjusted measure of the BSI rose by 0.4 per cent in May after lifting 0.8 per cent in April. Annual growth slowed from 9.2 per cent to 6.8 per cent.
- At a sectoral level, 15 of the 19 industry sectors rose in trend terms in May, down from 17 sectors in April. 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 May 2018

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – lifted by 0.3 per cent in trend terms in May, the slowest growth in 13 months (slowest since April 2017).
- The growth pace started lifting in September 2017 and over the period from November 2017 to March 2018 consistently grew between 0.8-0.9 per cent a month. The BSI rose by 0.6 per cent in April before lifting 0.3 per cent in May.
- Annual trend growth of the BSI was steady at 7.7 per cent.
- The more volatile seasonally adjusted measure of the BSI rose by 0.4 per cent in May after lifting 0.8 per cent in April.
- 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, 15 of the 19 industry sectors rose in trend terms in May. Sales were down at Transportation and Amusement & Entertainment (both down 0.5 per cent), followed by Retail Stores (down by 0.3 per cent) and Government Services (down by 0.2 per cent).
- The biggest lift in sales occurred at Mail Order/Telephone Order Providers (up 1.7 per cent) from Automobiles & Vehicles (up 1.1 per cent) from Service Providers (up 0.9 per cent).

Figure 1: Australian sales, trend index

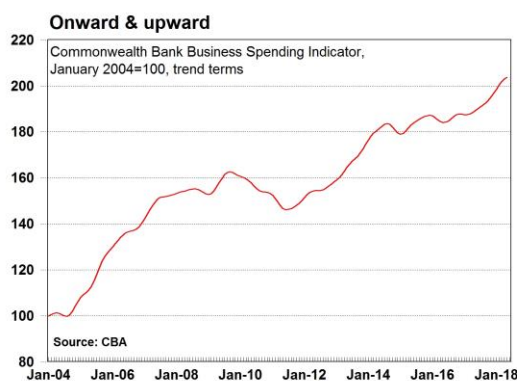
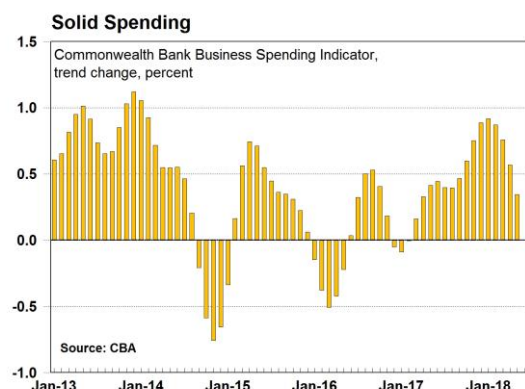


Figure 2: Australia, monthly trend %



- Meanwhile spending at Hotels & Motels continued to increase, up by 0.7 per cent in May. Spending has now risen between 0.7-0.9 per cent a month for the past year. Spending on these tourist accommodation establishments hasn't fallen for the past five years, highlighting the strength of domestic and international travel.
- In annual terms in May, all but one of the 19 industry sectors recorded gains. Spending fell by 0.7 per cent over the past year in the Contracted Services sector.
- At the other end of the scale, sectors with strongest annual growth in May included Retail Stores (up 13.6 per cent) from Automobiles & Vehicles (up 12.0 per cent); Airlines (up 11.3 per cent) and Utilities (up 10.3 per cent).
- Across all states and territories in May, sales were stronger except NSW (down 0.1 per cent). Strongest growth occurred in Queensland (up 0.9 per cent); Tasmania and South Australia (both up 0.7 per cent); ACT (up 0.6 per cent); Western Australia (up 0.5 per cent) Northern Territory (up 0.4 per cent); and Victoria (up 0.2 per cent).
- In annual terms all states and territories had sales above a year ago. Strongest growth was in Queensland (up 11.2 per cent); Western Australia (up 9.4 per cent); South Australia (up 8.7 per cent); Tasmania (up 7.9 per cent); Northern Territory (up 7.4 per cent); the ACT (both up 6.9 per cent); Victoria (up 6.5 per cent); NSW (up 5.7 per cent).

Figure 3: Automobiles &amp; Services, monthly trend (%)

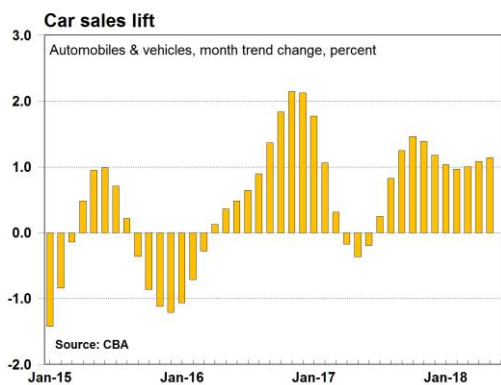
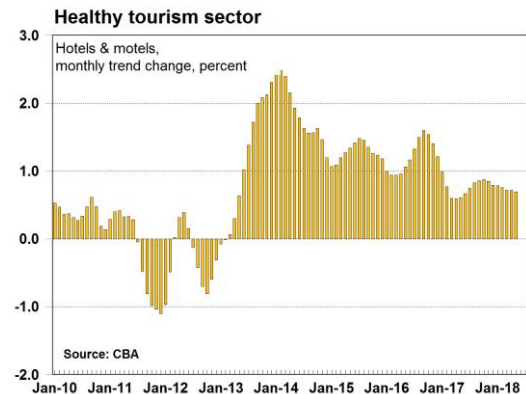


Figure 4: Hotels &amp; Motels, monthly trend (%)



## 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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