

# Spending up: but on services, not retailing

- Spending lifted in October with broad-based gains recorded across industries and states and territories. But service sectors were the main winners in the month with retailers continuing to find conditions tough.
- The Commonwealth Bank Business Sales Indicator (BSI), a measure of economy-wide spending, rose by 0.6 per cent in trend terms in October after a 0.5 per cent increase in September.
- Spending growth was the strongest in five months and above the long-term trend pace of 0.4 per cent.
- The annual trend growth in sales eased from 7.5 per cent in September to 7.3 per cent in October.
- The more volatile seasonally adjusted measure of the BSI rose for the third straight month in October, lifting by 0.2 per cent after a 0.1 per cent gain in September and 0.8 per cent increase in August.
- At a sectoral level, 16 of the 19 industry sectors rose in trend terms in October, down from 17 industries in September. And sales rose in all eight states and territories 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 October 2017

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – rose by 0.6 per cent in trend terms in October, up from 0.5 per cent growth in September.
- But while a number of service sectors posted healthy sales growth, retail and clothing stores (combined) recorded a 0.1 per cent fall in spending – the first fall in eight months.
- Annual trend growth of the BSI eased from 7.5 per cent in September to 7.3 per cent growth in October.
- The more volatile seasonally adjusted measure of the BSI rose by 0.3 per cent in October – the third straight increase in monthly sales.
- 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 October. The biggest lift in sales occurred at Amusement & Entertainment (up 1.8 per cent), followed by Government Services (up 1.7 per cent), Automobiles & Vehicles and Utilities (both up 1.3 per cent) and Hotels & Motels (up 0.9 per cent).
- On the other side of the equation, sales fell in Mail Order/Telephone Order Providers (down 0.6 per cent), Clothing Stores (down 0.2 per cent) and Retail Stores (down 0.1 per cent).

Figure 1: Australian sales, trend index

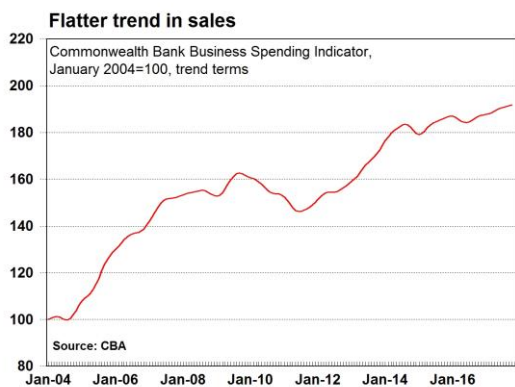
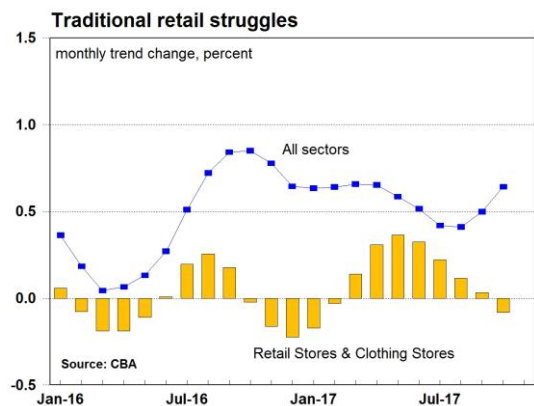


Figure 2: BSI & retailing, monthly trend, %



- The lift in spending by Government Services may reflect the strength in infrastructure building (especially transport) across the country.
- In annual terms in October, only one of the 19 industry sectors contracted: Mail Order/Telephone Order Providers (down 2.8 per cent).
- At the other end of the scale, sectors with strongest annual growth in October included: Service Providers (up 18.4 per cent) followed by Amusement & Entertainment (up 16.7 per cent) and Airlines (up 16.3 per cent).
- Across all states and territories in October sales were stronger. Strongest growth occurred in NSW, Queensland and the Northern Territory (all up by 0.7 per cent) followed by South Australia and Victoria (both up 0.6 per cent), Western Australia (up 0.5 per cent), ACT (up 0.4 per cent) and Tasmania (up 0.2 per cent).
- In annual terms all states and territories had sales above a year ago. Strongest growth was Northern Territory (up 10.8 per cent); Victoria (up 9.5 per cent); Queensland (up 9.4 per cent); ACT (up 8.6 per cent), South Australia (up 8.2 per cent), Western Australia (up 6.6 per cent), Tasmania (up 5.9 per cent); and NSW (up 5.7 per cent).

Figure 3: Government Services, monthly trend (%)

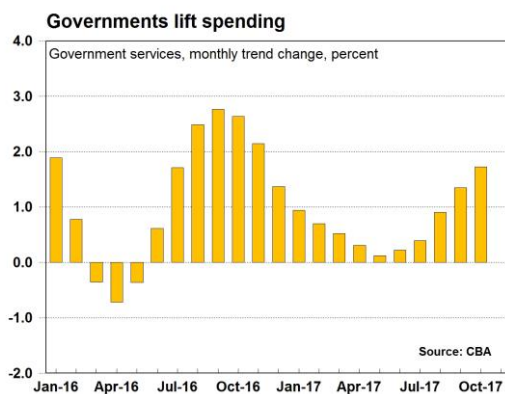
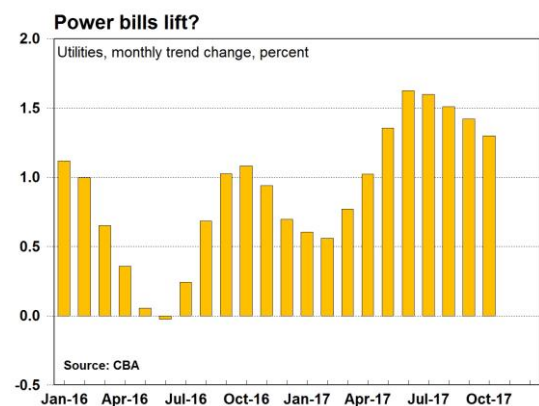


Figure 4: Utilities, monthly trend (%)



## 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 |  |

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