

# Tough trading times

- There was a further easing in economy-wide spending in August after temporary stimulus boosted spending in May and June. After sliding 5.4 per cent in seasonally adjusted terms in July, the Commonwealth Bank Business Sales Indicator (BSI) fell a further 0.4 per cent in August. The BSI had lifted 3.3 per cent in June and 1.7 per cent in May.
- The less volatile trend estimate of spending also has slipped into negative territory, down by 0.4 per cent in August – the biggest fall in 14 months.
- The seasonally adjusted and trend estimates of the BSI results are derived via the SEASABS statistical program from the Australian Bureau of Statistics.
- At a sectoral level, 10 of the 20 industry sectors contracted in trend terms in August, up from seven sectors in both June and July. And three of the eight states and territories recorded weaker sales in trend terms in August, up from two in July.
- The Commonwealth 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 August 2012

- The case for further monetary stimulus has been advanced after a disappointing survey of economy-wide spending. The latest Commonwealth Bank Business Sales Indicator (BSI) shows that spending fell by 0.4 per cent in seasonally adjusted terms in August after sliding 5.4 per cent in July. Spending had previously lifted by 3.3 per cent in June and 1.7 per cent in May.
- However spending is still up 3.5 per cent on a year ago, although well down on the 10.1 per cent increase in the year to June.
- The less volatile trend measure of economy-wide spending fell by 0.4 per cent in August, the third straight decline following downward revisions to results for June and July. It was the biggest trend monthly decline for the BSI since June 2011.
- The Commonwealth BSI is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities. And in line with the practice of the Bureau of Statistics with its retail trade data, seasonally adjusted and trend estimates of the BSI are obtained by applying statistical software. The seasonally adjusted and trend BSI results are derived from the same SEASABS statistical software. This allows analysis of the broader underlying trends that may be hidden in the raw data.
- Across sectors, 10 of the industry sectors fell in August, up from seven sectors in July. The strongest monthly trend increase in sales occurred in Mail Order & Telephone Order Providers (up 1.3 per cent), Wholesale Distributors and Manufacturers (up by 1.1 per cent) and Clothing Stores (up 0.8 per cent).
- Amongst the weakest sectors in August were Government Services (down 1.7 per cent), Transportation and Automobile & Vehicles (both down 1.4 per cent), and Airlines (nfp).

Figure 1: BSI Monthly Trend

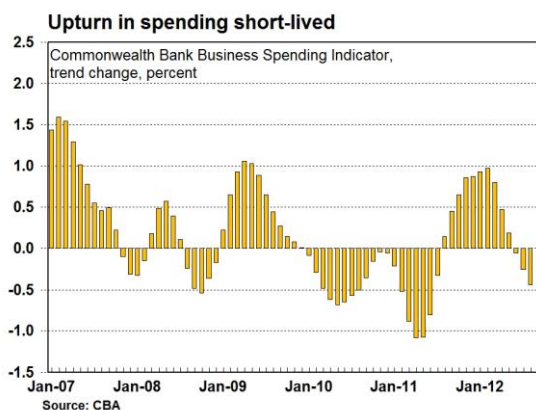
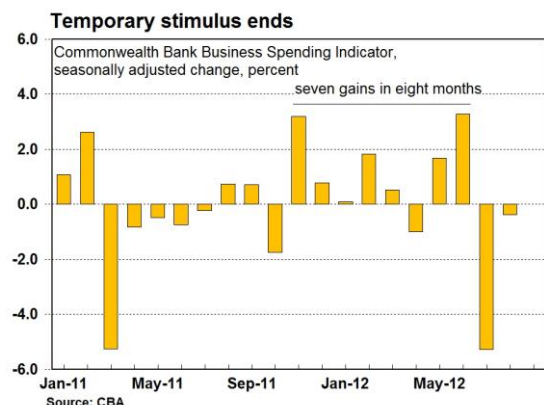


Figure 2: BSI Monthly seasonally adjusted



- In annual terms, four of the 20 industry sectors contracted in August, up from three sectors in July. Amongst the sectors recording declines were Airlines and Hotels & Motels.
- At the other end of the scale, spending was strongest at Wholesale Distributors and Manufacturers (up by 26.1 per cent), Mail Order & Telephone Order Providers (up 21.8 per cent), Service Providers (up by 17.5 per cent).
- Three of the states and territories recorded weaker sales in trend terms in August. Sales in NSW fell by 1.0 per cent while sales fell 0.4 per cent in Victoria and fell by 0.1 per cent in Western Australia. The strongest results were in Northern Territory (up 0.9 per cent), South Australia and Tasmania (both up 0.7 per cent) followed by Queensland and the ACT (both up 0.1 per cent).
- The trend BSI has now risen for 15 straight months in Northern Territory, for 14 straight months in Queensland, for 13 straight months in South Australia and 11 straight months in the ACT.
- In annual terms, no state or territory had sales below a year ago. Strongest growth was posted in South Australia (up 16.0 per cent), followed by ACT (up 11.3 per cent), Queensland (up 10.1 per cent), Northern Territory (up 8.4 per cent) and Western Australia (up 7.8 per cent).

Figure 3: South Australia, monthly trend spending (%)

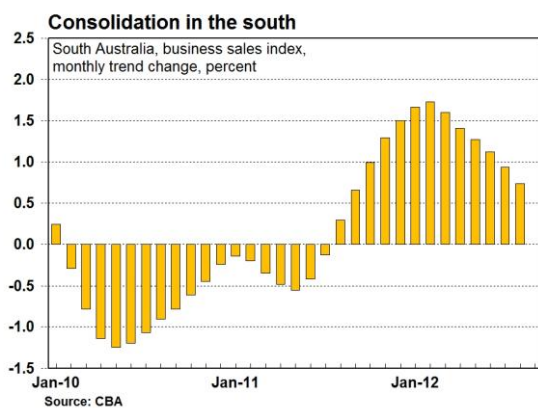
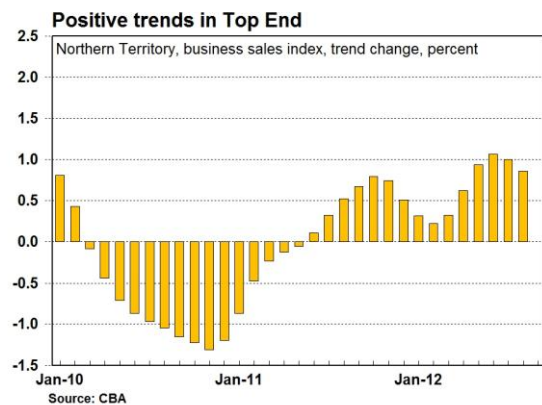


Figure 4: northern Territory, monthly trend spending (%)



## 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

**DISCLOSURE AND DISCLAIMER APPENDIX****Craig James – Chief Economist, CommSec (Author)****(02) 9118 1806 (work), 0419 695 082 (mobile) | [craig.james@cba.com.au](mailto:craig.james@cba.com.au)**

Produced by Commonwealth Research based on information available at the time of publishing. We believe that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made as at the time of its compilation, but no warranty is made as to accuracy, reliability or completeness. To the extent permitted by law, neither Commonwealth Bank of Australia ABN 48 123 123 124 nor any of its subsidiaries accept liability to any person for loss or damage arising from the use of this report. The report has been prepared for information purposes only.

The report has been prepared for information purposes only without taking account of the objectives, financial situation or needs of any particular individual. For this reason, any individual should, before acting on the information in this report, consider the appropriateness of the information, having regard to the individual's objectives, financial situation and needs and, if necessary, seek appropriate professional advice.

All material presented in this report, unless specifically indicated otherwise, is under copyright to the Commonwealth Bank of Australia Group. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior written permission of the appropriate entity within the Commonwealth Bank of Australia Group