

Commonwealth Bank Business Sales Indicator

19 March 2010

- **The Commonwealth Bank Business Sales Indicator (BSI) is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities.**
- **The Business Sales Indicator rose by 0.1 per cent in trend terms in February, the first improvement in the monthly growth rate in seven months. The Business Sales Indicator was largely unchanged in December 2009 and January 2010 after growing over the previous 12 months.**
- **Compared with a year ago, the Business Sales Indicator is up by 4.4 per cent, the weakest growth rate in six months.**
- **The seasonally adjusted results from the Business Sales Indicator point to a modest rise in the Australian Bureau of Statistics (ABS) retail trade series for February 2010. The Business Sales Indicator has tracked the ABS retail trade series reasonably closely since August 2009.**

Business Sales Indicator February 2010

- The Business Sales Indicator rose by 0.1 per cent in trend terms in February, after flat results in both December 2009 and January 2010. (Actually, measured to two decimal points, the BSI was down 0.01 per cent in December and down 0.04 per cent in January). While only a modest lift in the growth pace, it was the first improvement monitored since July 2009.
- Prior to December last year the Business Sales Indicator had consistently expanded in trend terms for 12 months, as Figure 1 shows, reaching a peak monthly growth pace of 0.7 per cent in both June and July 2009. Over the past three years the monthly trend growth pace has averaged 0.4 per cent so recent results have been decidedly soft.
- Over the past year the Business Sales Indicator has lifted by 4.4 per cent in trend terms as shown in Figure 2, below the average growth pace of 5.6 per cent. Annual growth hit 24-month highs in November 2009 at 5.7 per cent before easing over the past three months.
- In seasonally adjusted terms, Figure 3 shows the Business Sales Indicator rose by 0.1 per cent in February after lifting by 0.2 per cent in January 2010. The Business Sales Indicator has tracked the Australian Bureau of Statistics retail trade series reasonably closely since August 2009. The ABS reported a 1.2 per cent rise in retail trade for January but results for the December/January period are notoriously volatile due to seasonal influences.
- In trend terms, the value of spending transactions rose in 11 of the 20 industries in February; an improvement from January where spending rose in eight of the industry groups. The strongest sector was Service Providers (up 1.8 per cent) followed by Personal Service Providers (up 1.3 per cent) and Repair Services (up 1.0 per cent). These sectors have been consistently firm over the past year together with Transportation.
- The weakest sectors in February in trend terms were Mail Order/Telephone Order Providers (down 3.4 per cent) followed by Government Services (down 0.4 per cent) and Automobiles and Vehicles (down 0.4 per cent).
- Notably Business Services had been consistently weak over the second half of 2009 but the sector recorded positive trend growth of 0.1 per cent in both January and February 2010. The Government Services sector has been consistently weak over the past year.

Figure 1: BSI Monthly Trend

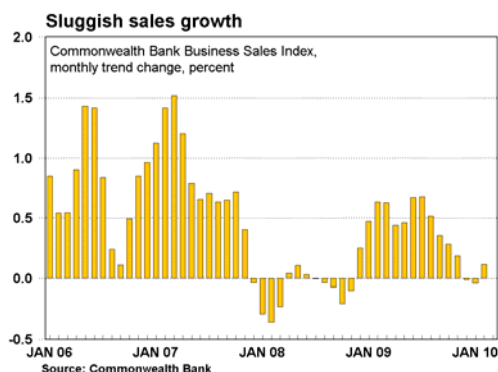
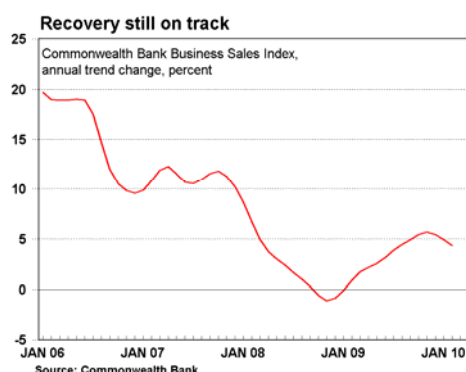
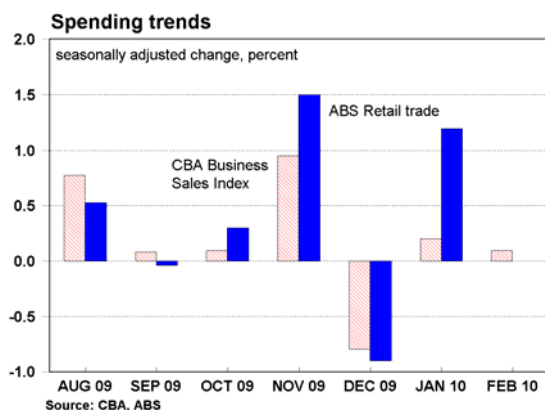


Figure 2: BSI Annual Trend (%)



- In annual terms, amongst the sectors with the strongest gains are Personal Service Providers (up 12.9 per cent in trend terms) and Amusement and Entertainment (up 11.5 per cent in trend terms). At the other end of the scale spending at Mail Order and Telephone Order Providers is down 10.5 per cent on a year earlier.
- Apart from Victoria, all states and territories recorded positive monthly trend growth in February. Spending eased by 0.2 per cent in Victoria – the fourth consecutive decline. In contrast growth in Western Australia lifted by 0.7 per cent in February with ACT and Queensland both recording gains of 0.5 per cent.
- In annual terms, spending growth is strongest in the ACT (up 10.8 per cent in trend terms), followed by NSW (up 7.1 per cent). At the other end of the scale, the spending gauge was weakest in Victoria (up 1.1 per cent) and Western Australia (up 2.6 per cent).

Figure 3: BSI Seasonally Adjusted (%)



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 which 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

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