

Consumers start spending again

- In line with anecdotal evidence, consumer spending strengthened in February. The Commonwealth Bank Business Sales Indicator (BSI) rose by 0.5 per cent in trend terms in February, ahead of a slightly smaller gain in January and the strongest result in 18 months. Of further encouragement only two of the 20 industry sectors recorded weaker sales in February, down from three sectors in January and four sectors in December.
- In seasonally adjusted terms the BSI rose by 0.4 per cent in February – the third gain in four months.
- 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. The BSI had consistently underperformed against the Australian Bureau of Statistics retail trade series over the past year but the period of under-performance appears to have come to an end.

Business Sales Indicator January 2011

- The Commonwealth Bank Business Sales Indicator (BSI) rose by 0.5 per cent in trend terms in February after a gain of just under 0.5 per cent January. The BSI is now recording the strongest monthly growth in 18 months.
- The trend estimates are constantly revised with the addition of new data. And it is clear that the tentative signs of improvement in spending identified in recent months are now being translated into firmer readings for the trend series. Previously, spending was shown to have declined by 0.2 per cent in trend terms in January, but the revised figures are now showing growth of almost 0.5 per cent.
- 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. This allows analysis of the broader underlying trends that may be hidden in the raw data.
- In seasonally adjusted terms the BSI rose by 0.4 per cent in February after an upwardly revised increase of 2.4 per cent in January.
- In recent months, a key source of encouragement had been the fact that the majority of industry sectors were recording spending growth in trend terms. There was similar encouragement in the February data with only two of the 20 sectors reporting weaker spending in trend terms, down from three in January and four sectors in December. And the biggest industry category – retail stores – rose by 0.9 per cent in February, the sixth straight gain.
- Across the industry groups, the only sectors to record weaker spending in trend terms were Automobiles & Vehicles (includes services stations as well as car and boat dealers, tyre and auto parts stores) with sales down 0.1 per cent, and Mail order & telephone order providers (down 0.9 per cent).
- The strongest lift in spending in trend terms was by Repair services (up 2.2 per cent) followed by Amusement & entertainment (includes motion picture theatres, bowling alleys, golf courses and video stores), up 1.6 per cent. Encouragingly, the Business services sector has recorded consistent growth for the past 13 months.

Figure 1: BSI Monthly Trend

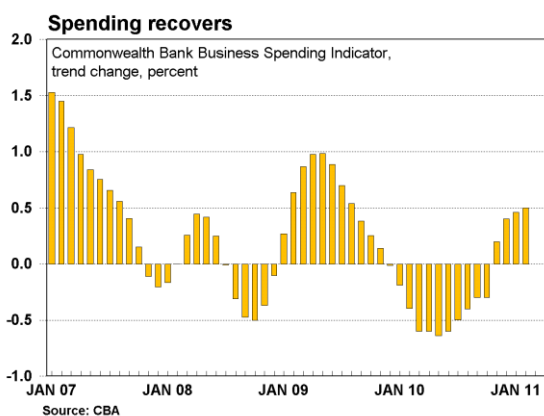
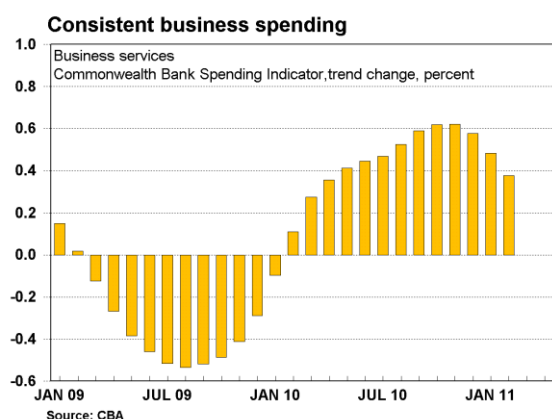


Figure 2: Business services, trend spending



- In annual terms, just five of the 20 industry sectors contracted in February, down from seven sectors in January. The weakest sector was Mail Order and Telephone Order Providers (down 15.7 per cent on a year earlier), followed by Automobile & vehicles (down by 10.6 per cent) and Miscellaneous stores (down 8.1 per cent).
- At the other end of the scale, spending at Contracted services (includes building trades such as electricians as well as veterinary services) was strongest, up 9.3 per cent, followed by Professional services & membership organisations, up by 8.6 per cent.
- None of the states and territories recorded weaker sales in trend terms in February. The weakest result was in Queensland (flat) while Victoria was strongest with a 0.7 per cent rise. Of the other states and territories, next strongest were South Australia and Tasmania (both up 0.6 per cent), followed by ACT and NSW (both up 0.4 per cent), Western Australia (up 0.2 per cent) and Northern Territory (up 0.1 per cent)
- In annual terms, the only state/territory to record growth in December was NSW (up 2.5 per cent). At the other end of the scale, the spending gauge was weakest in South Australia (down 7.2 per cent), Northern Territory (down 7.1 per cent) and Queensland (down 7.0 per cent).

Figure 3: Victoria, trend spending (%)

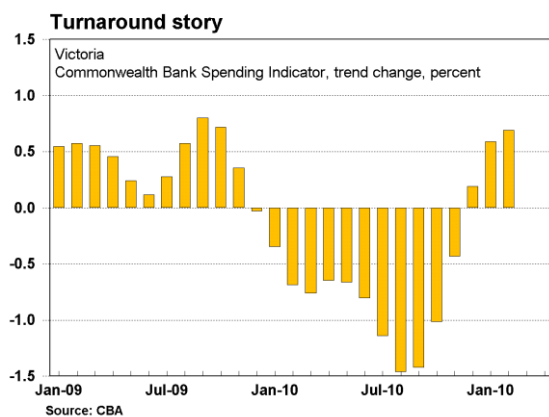
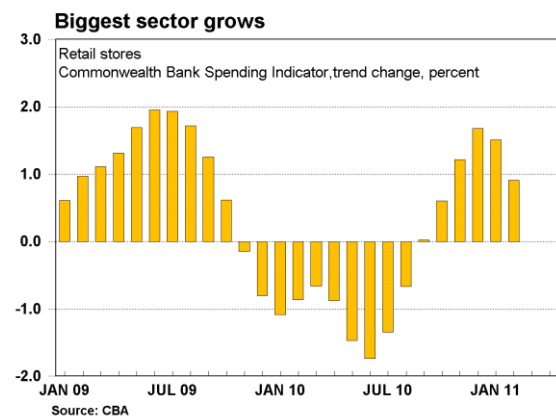


Figure 4: Retail stores, trend spending (%)



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

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| 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 |

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