

Spending still expanding at a firm pace

- Economy-wide spending consolidated in July after powering at an above-“normal” pace just after the Federal Budget. According to the Commonwealth Bank Business Sales Indicator (BSI), spending expanded by 0.6 per cent in July after posting growth rates of between 0.7-0.9 per cent per month from March to June.
- But while monthly spending growth eased, annual growth remained firm, with sales up 7.7 per cent in July on a year earlier – well above the decade-average trend pace of 5.3 per cent.
- The more volatile seasonally adjusted estimate of spending rose by 1.2 per cent in July, the fastest growth in four months. Annual growth eased from 7.8 per cent to 7.4 per cent.
- At a sectoral level, just three of the 19 industry sectors contracted in trend terms in July, similar to the results from April to June. And all but one states and territories recorded stronger trend sales in July.
- The seasonally adjusted and trend estimates of the BSI results are derived via the SEASABS statistical program from the Australian Bureau of Statistics.
- 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 July 2015

- The Commonwealth Bank Business Sales Indicator (BSI), a measure of economy-wide spending, continued to grow at a firm pace in July. The BSI lifted by 0.6 per cent in July, the slowest growth in five months but still above “normal”. Spending was up by 7.7 per cent over the year.
- The seasonally-adjusted measure of sales rose by 1.2 per cent in July, the fastest rate in four months. Sales were up by 7.4 per cent on a year ago, well above the decade average pace of 5.3 per cent.
- The Commonwealth Bank 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.
- It is still clear that small businesses are embracing Government stimulus measures. Spending at Business Services (includes spending on industrial equipment, office furniture and computers) grew by 0.8 per cent in July after solid growth of 1.4 per cent in both April and May and 1.1 per cent growth in June.
- Only three sectors recorded weaker sales in July: Airlines, Mail Order/Telephone Order Providers and Professional Services & Membership Organisations. Strongest growth was recorded by Clothing Stores (up 1.8 per cent) and Automobiles & Vehicles (up 1.5 per cent).

Figure 1: Australian sales, annual trend %

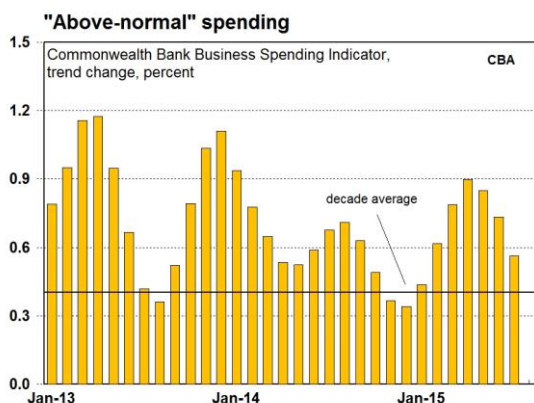
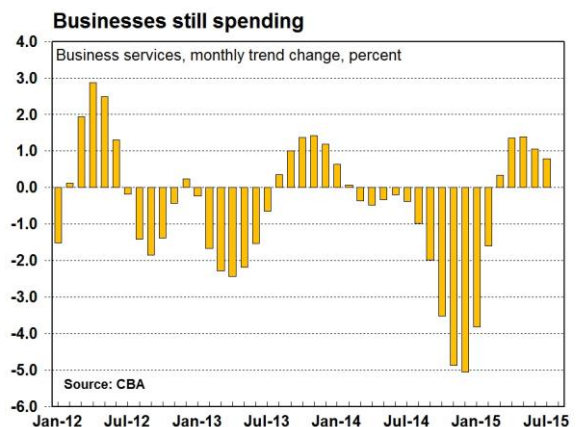


Figure 2: Business services, monthly trend %



- Over the past four months, spending growth at Clothing Stores was the fastest in over six years. And growth of spending at both Business Services and Automobiles & Vehicles outlets in recent months has been the best in around 18 months. Sales at the large Retail Stores sector grew by 0.5 per cent in July after rising 0.6-0.7 per cent per month in the previous ten months.
- In annual terms in July, seven of the 19 industry sectors contracted including: Utilities, Mail Order/Telephone Order Providers, Automobile and Vehicle Sales, Business Services and Airlines.
- At the other end of the scale, sectors with strongest annual growth in July included: Hotels & Motels; Miscellaneous Stores; Personal Service Providers; Amusement & Entertainment; and Wholesale Distributors & Manufacturers.
- Sales rose in all states and territories in July except Northern Territory, down by just under 0.1 per cent. Sales rose most in ACT (up 1.0 per cent) from Queensland, South Australia and Tasmania (all up 0.7 per cent), Western Australia (up 0.6 per cent), NSW (up 0.4 per cent) and Victoria (up 0.3 per cent).
- In annual terms, only the NSW and Northern Territory had sales below a year ago in July (down 5.5 per cent and 6.4 per cent respectively) At the other end of the scale, growth was strongest in the ACT (up 16.0 per cent) from South Australia and Western Australia (both up 8.1 per cent), Queensland (up 7.7 per cent), Tasmania (up 7.4 per cent) and Victoria (up 1.5 per cent).

Figure 3: Automobiles & Vehicles, monthly trend (%)

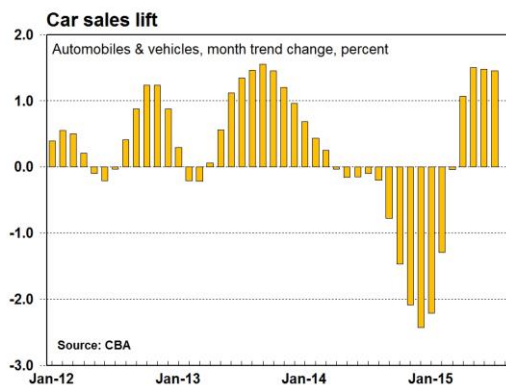
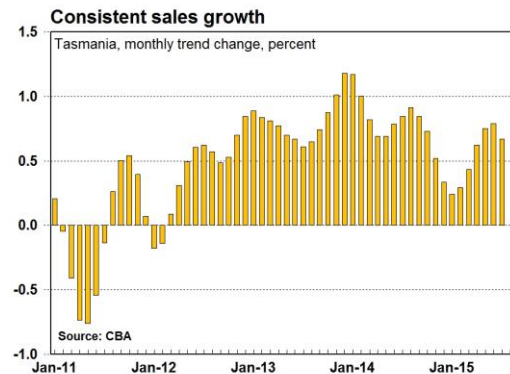


Figure 4: Tasmania, monthly trend (%)



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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