

Stimulus injection boosts spending

- A measure of economy-wide spending posted solid growth in seasonally adjusted terms in June, as rate cuts and the Federal Government household assistance package support activity in the retail sector. The Commonwealth Bank Business Sales Indicator (BSI) rose by 2.5 per cent in seasonally adjusted terms in June, after rising by an upwardly revised 2.1 per cent in May.
- The sharp lift in the seasonally adjusted estimates, is starting to filter through to trend estimates. In trend terms the BSI rose by a healthy 0.7 per cent in June after a 0.8 per cent rise in May. In annual trend terms the BSI is up 8 per cent on a year ago – the fastest pace of growth in 4½ years.
- 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, just two of the 20 industry sectors contracted in trend terms in June, following a similar result in May. And all states and territories recorded stronger sales in trend terms in June, a similar result to both March and April.
- 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 June 2012

- It seems that the stimulus boost from rate cuts and Federal Government handouts have provided a sizeable boost to economy wide-activity. The improvement in household budgets has enticed consumers to spend a little more freely and businesses across an array of sector have reaped the benefits.
- According to the latest Commonwealth Bank Business Sales Indicator (BSI), economy-wide spending lifted by 2.5 per cent in seasonally adjusted terms in June after rising by 2.1 per cent in May. It was the sixth increase in sales in the past eight months. In seasonally adjusted terms spending is now up 10.1 per cent on a year ago – the biggest annual gain in 4½ years (since January 2008).
- Encouragingly the solid lift in the seasonally adjusted spending is translating through to the slower-responding trend series. As the name implies, trend estimates are designed to remove the “noise” in the more volatile seasonally adjusted series and show broader underlying trends. The BSI rose by a solid 0.7 per cent in trend terms in June with the annual rate up 8 per cent on a year ago – the fastest growth pace in 4½ years.
- 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, just two of the industry sectors fell in June, in line with both March and April. The strongest monthly trend increase in sales occurred in the Service Providers sector (up 8.1 per cent), followed by Business Services (up 3.1 per cent), Wholesale Distributors & Manufacturers sector (up 2.9 per cent), Mail Order & Telephone Order Providers (up 2.8 per cent), and Contracted Services (up 1.1 per cent).
- Amongst the weakest sectors in June were the aviation and transportation sectors.

Figure 1: BSI Monthly Trend

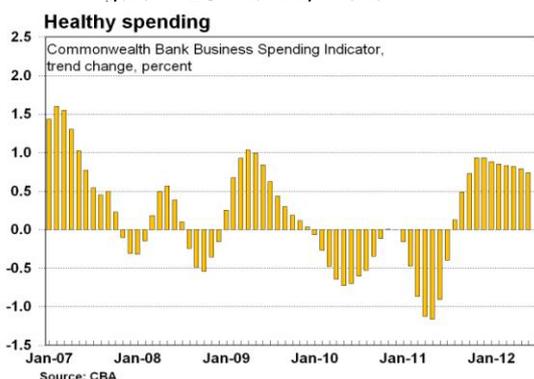
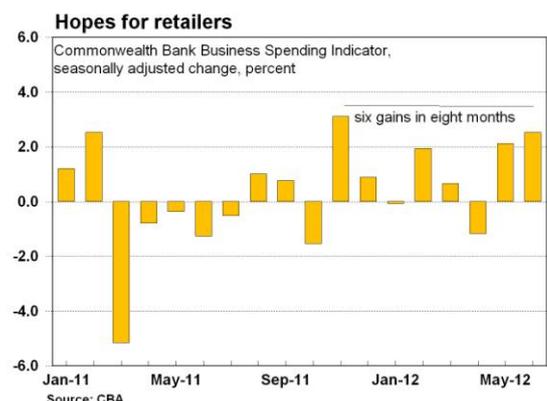


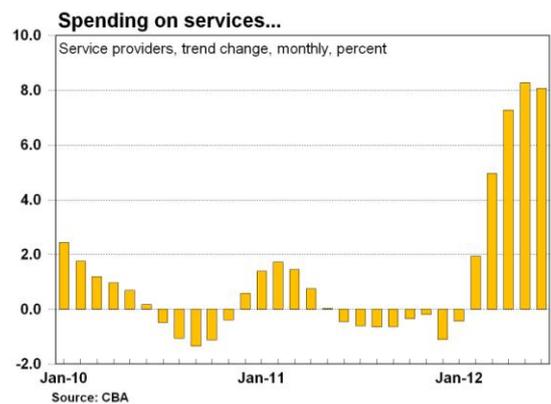
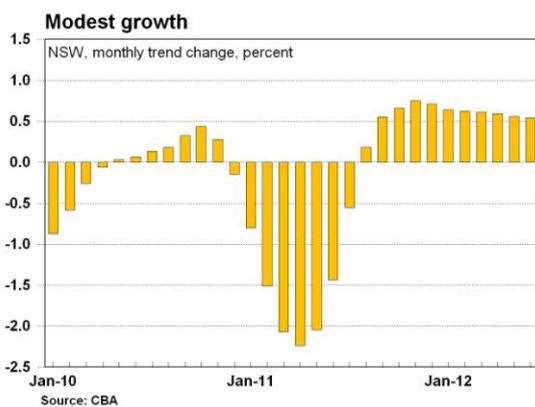
Figure 2: BSI Monthly Seasonally adjusted



- In annual terms, two of the 20 industry sectors contracted in June, a similar result to May. The weakest sector was Hotels & Motels (down 4.9 per cent).
- At the other end of the scale, spending was strongest at Service Providers (up 29.1 per cent) followed by Wholesale Distributors & Manufacturers (up 27.4 per cent), Mail Order/Telephone Order Providers (up 21.6 per cent), Amusement & Entertainment (up 18.2 per cent), Retail stores (up 16.0 per cent) and Clothing Stores (up 11 per cent).
- None of the states and territories recorded weaker sales in trend terms in June. The strongest result was in the ACT (up 2.1 per cent), followed by South Australia and Western Australia (both up 1.2 per cent), Queensland (up 0.9 per cent), Northern Territory (up 0.7 per cent), Victoria (up 0.6 per cent), NSW (up 0.5 per cent), and Tasmania (up 0.1 per cent).
- The trend BSI has now risen for 12 straight months in Queensland and for 11 straight months in South Australia, NSW, Western Australia and Victoria.
- In annual terms, no state or territory had sales below a year ago. Strongest growth was posted in South Australia (up 14.7 per cent), followed by the ACT (up 12.5 per cent), Queensland (up 11.4 per cent) and Western Australia (up 11.3 per cent). After 22 months of declines, sales in NSW have now risen in annual terms for the past three months.

Figure 3: NSW, monthly trend spending (%)

Figure 4: Service Providers, 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

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