

Biggest lift in business spending in three years

- Economy-wide spending grew at a solid pace in May. The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – rose by 0.8 per cent in trend terms in May after similar gains in March and April. And annual growth remained well above the long-term trend – up by 7.5 per cent in the year to May – the fastest pace in five months and above the decade-average trend of 5.3 per cent.
- The more volatile seasonally adjusted estimate of spending rose for the third straight month, up by 1.0 per cent in May – and capping the strongest three-month gain in two years. Annual growth remained solid at 8.4 per cent, the best growth since November last year.
- At a sectoral level, just two of the 19 industry sectors contracted in trend terms in May. Spending by Business Services rose by 1.9 per cent in May, the biggest spending increase in three years.
- 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 May 2015

- The Commonwealth Bank Business Sales Indicator (BSI), a measure of economy-wide spending, grew at a solid pace of 0.8 per cent in May after similar gains in March and April – the strongest three-month gains in 15 months. It is notable that spending by Business Services rose by 1.9 per cent in trend terms in May – the biggest monthly lift in three years – and a move which may reflect stimulus measures contained in the May federal budget.
- In annual terms, the BSI grew by 7.5 per cent in May, up from 7.2 per cent annual growth in the year to April. Annual growth is the strongest in five months and above the decade-average pace of 5.3 per cent.
- The seasonally-adjusted measure of sales rose from the third straight month, up 1.0 per cent in May. It was the strongest three-month gain in two years. Annual growth stood at a six-month high of 8.4 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.
- Across sectors, spending fell in just two of the 19 industry sectors in trend terms in May: Airlines (down 0.3 per cent); and Mail Order/Telephone Order Providers (down by 4.5 per cent).
- Among the strongest sectors in May were Government services (up 3.1 per cent); Amusement & Entertainment (up 2.8 per cent); Business Services (up by 1.9 per cent); and Miscellaneous Stores (up 1.5 per cent).

Figure 1: Australian sales, trend & seasonally adjusted

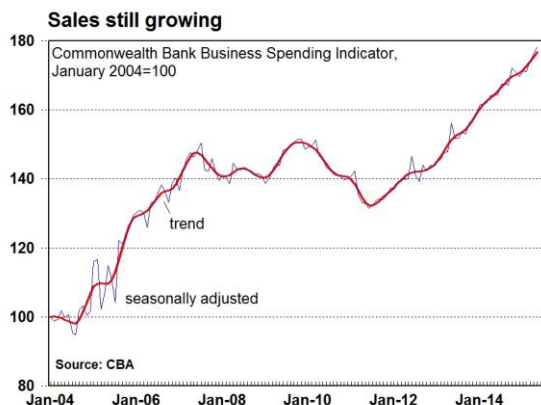
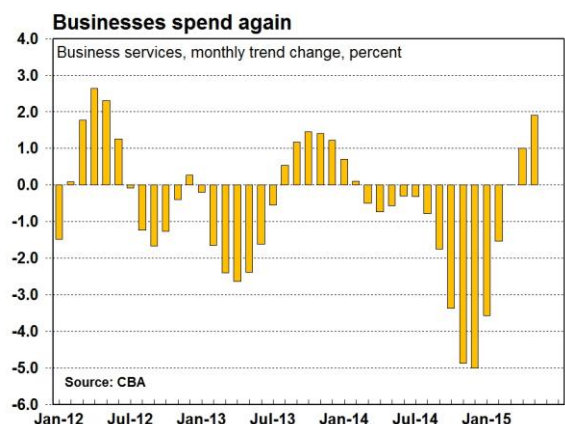


Figure 2: Business services, monthly trend %



- The large Retail Stores sector grew by 0.6 per cent in May – the fifth straight month of equivalent gains.
- In annual terms in May, five of the 19 industry sectors contracted including: Utilities, Mail Order/Telephone Order Providers, Automobile and Vehicle Sales, Business Services, Automobile/Vehicle Rentals.
- At the other end of the scale, sectors with strongest annual growth in May included: Hotels & Motels; Miscellaneous Stores; Service Providers; Amusement & Entertainment; and Wholesale Distributors & Manufacturers.
- Sales rose in all states and territories in May. Sales rose most in South Australia (up 1.3 per cent) from the ACT (up by 1.1 per cent), Victoria (up 1.0 per cent), Western Australia, NSW and Queensland (all up 0.9 per cent), and Tasmania (up 0.3 per cent) and Northern Territory (up by less than 0.1 per cent).
- The trend BSI has risen for 47 straight months in Queensland, for 39 straight months in Tasmania, and for 12 months in ACT and Western Australia.
- In annual terms, only the NSW and Northern Territory had sales below a year ago in May (down 6.1 per cent and 6.0 per cent respectively) At the other end of the scale, growth was strongest in ACT (up 15.7 per cent), South Australia (up 8.1 per cent), Western Australia and Queensland (both up 6.2 per cent), Tasmania (up 6.7 per cent) and Victoria (up 1.9 per cent).

Figure 3: Australia, annual trend (%)

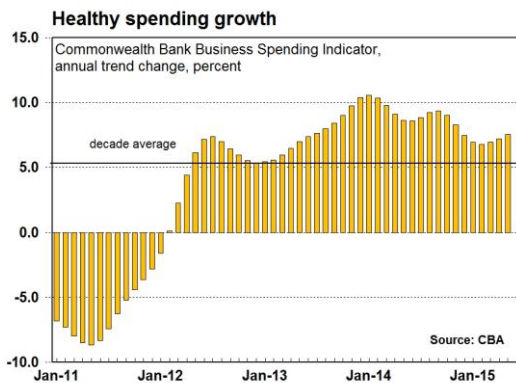
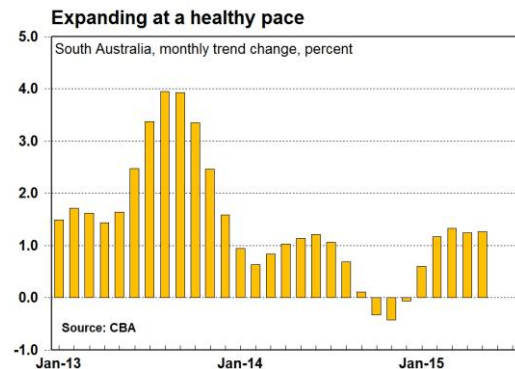


Figure 4: South Australia, monthly trend (%)



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

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	

DISCLOSURE AND DISCLAIMER APPENDIX

Craig James – Chief Economist, CommSec (Author)

(02) 9118 1806 (work), 0419 695 082 (mobile) | 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