

Consumers open their wallets again

- There is light at the end of the tunnel for Australian retailers. While a key gauge of economy-wide spending fell again in the latest month, weakness is concentrated in a small number of industry sectors. The Commonwealth Bank Business Sales Indicator (BSI) fell for the 12th straight month in November, easing by 0.1 per cent in trend terms. However only six of the 20 industry sectors recorded weaker sales.
- In fact, if utilities are excluded, the BSI actually lifted by 0.7 per cent in trend terms in November – the best reading for 15 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 has consistently underperformed against the Australian Bureau of Statistics retail trade series over the past year.

Business Sales Indicator November 2010

- The Commonwealth Bank Business Sales Indicator (BSI) fell for the 12th straight month in trend terms in November. At face value this results suggests that weakness is becoming entrenched, but there are good grounds for optimism.
- While down again in November, the size of the declines has consistently narrowed over the past six months. And encouragingly the 0.1 per cent fall in the BSI was the smallest decline recorded in 2010. Spending had fallen by 0.3 per cent in September and 0.2 per cent in October.
- 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.
- Another source of encouragement in the latest data is the fact that the majority of industry sectors recorded spending growth in trend terms. In trend terms, the value of spending transactions fell in only six of the 20 industries in November. In fact if utilities are excluded (there have been large hikes in utility charges this year) the BSI grew by 0.7 per cent – the strongest reading in 15 months, following gains of 0.5 per cent in October and 0.2 per cent in September.
- Across the industry sectors, Miscellaneous stores (up 1.1 per cent), recorded the strongest monthly gain followed by Professional services and membership organizations (up 1.0 per cent) and both Amusement & entertainment and Retail stores (both up by 0.9 per cent). It was the strongest growth rate for Retail stores in 14 months. In addition, a raft of other sectors are showing improving growth trends. In fact the 0.4 per cent trend growth at clothing stores was the best reading in 19 months.
- The weakest sectors in November in trend terms were Mail order & telephone order providers and Wholesale Distributors & manufacturers (both down 0.3 per cent) while Hotels and motels slipped by 0.2 per cent. While six sectors contracted in the latest month, the size of the declines in all cases was very modest.

Figure 1: BSI Monthly Trend

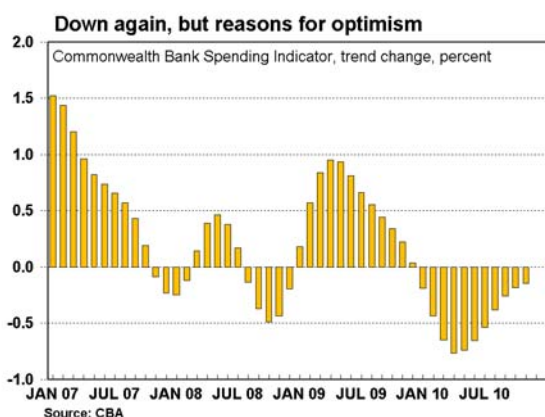
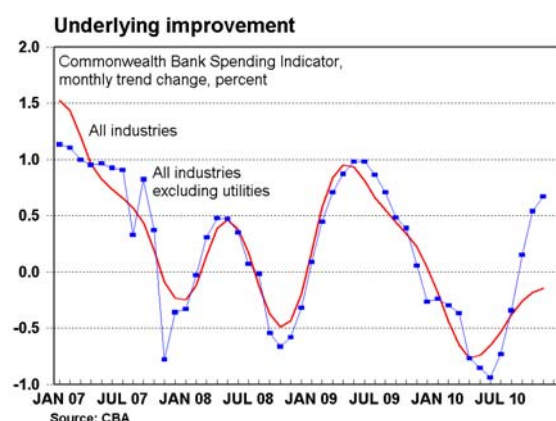


Figure 2: BSI excluding Utilities



- In annual terms, eight of the 20 industry sectors contracted in November. The weakest sector was Mail Order and Telephone Order Providers (down 18.3 per cent on a year earlier) followed by Automobile & vehicles (down by 14.3 per cent) and Retail stores (down 7.3 per cent).
- At the other end of the scale, spending at Personal service providers was up 8.2 per cent on a year ago with Transportation up 5.6 per cent and Service providers up 5.1 per cent. Personal service providers include laundries, hairdressers, shoe repair and tax agents.
- Only three of the eight states and territories recorded negative monthly trend growth in November: Queensland (down 0.6 per cent), followed by South Australia (down 0.5 per cent) and Victoria (down 0.3 per cent). Spending rose most in Northern Territory (up 1.1 per cent), followed by NSW (up 0.6 per cent), Western Australia (up 0.4 per cent), Tasmania (up 0.3 per cent) and ACT (up 0.2 per cent)
- In annual terms, the only state/territory to record growth in November was Western Australia (up 1.7 per cent). At the other end of the scale, the spending gauge was weakest in Victoria (down 7.2 per cent) followed by South Australia (down 7.2 per cent) and Northern Territory (down 6.9 per cent).

Figure 3: NSW, trend spending (%)

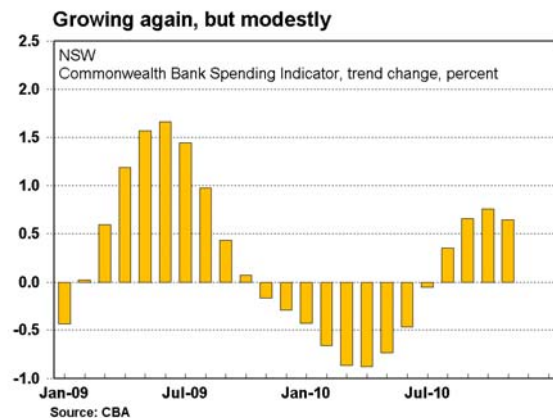
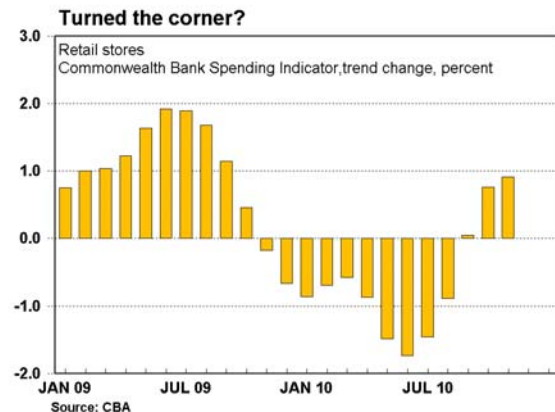


Figure 4: Retail stores, trend spending (%)



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

- | | |
|--|--|
| 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**Craig James – Chief Economist, CommSec (Author)****(02) 9312 0265 (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