

Commonwealth Bank Business Sales Indicator

30 November 2009

- **The Commonwealth Bank Business Sales Indicator is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities.**
- **The Commonwealth Bank handles around 30 per cent of all Australian merchant credit and debit transactions so the new Business Sales Indicator will provide a reliable and timely reading of spending trends in the economy.**
- **The Business Sales Indicator rose by 0.3 per cent in trend terms in October, the third consecutive month of slower growth. Still, compared with a year ago, the Business Sales Indicator is up 5.1 per cent – the fastest growth in 20 months.**

Business Sales Indicator October 2009

- The Business Sales Indicator rose by 0.3 per cent in trend terms in October after rising a bit over 0.3 per cent in September. The monthly growth pace has continued to slow in trend terms after hitting a 21-month high of 0.7 per cent in July.
- As illustrated in Figure 1, the Commonwealth Bank’s gauge of economy-wide spending has recorded positive trend growth over the past 11 months, but growth rates are far slower than 2006 and 2007.
- The Business Sales Indicator picked up sharply in December 2008 in response to the Federal Government’s first stimulus package, refer Figure 2 below. Previously, the spending gauge had been weak over 2008, falling from January to March 2008, flat-lining through to September and then easing slightly again in October and November.
- Over 2009 the growth pace of the Business Sales Indicator consistently strengthened through to July, before since softening.
- Currently the Business Sales Indicator stands 5.1 per cent higher than a year ago, the fastest annual growth in 20 months.
- In trend terms, the value of spending transactions fell in five of the 20 industries in October. The weakest sector was Automobiles and Vehicles (down 1.4 per cent), followed by Utilities (down 0.9 per cent) and Hotels and Motels (down 0.6 per cent). Sales in the Automobiles and Vehicles sector have now eased in trend terms in both September and October after rising over the previous three months.
- But the sector where transaction growth has been consistently weak over the past three months has been Business Services (down 0.2 per cent in October).
- The strongest industry sectors in October were Personal Service Providers (up 1.4 per cent) followed by Amusement and Entertainment (up 1.3 per cent in trend terms).
- Across states and territories in October, fastest sales growth occurred in Victoria (up 0.7 per cent) followed by Western Australia, Tasmania and NSW (all up 0.5 per cent in trend terms). At the other end of the scale, the spending gauge was Queensland (down 0.1 per cent).

Figure 1: BSI - Annual trend (%)

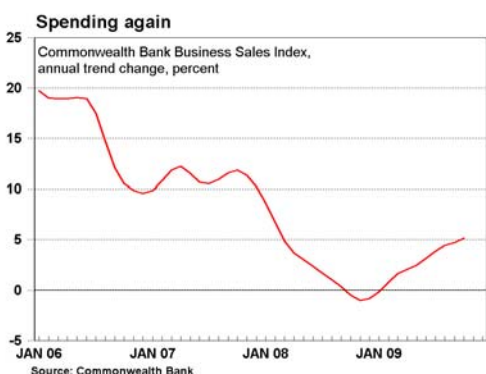
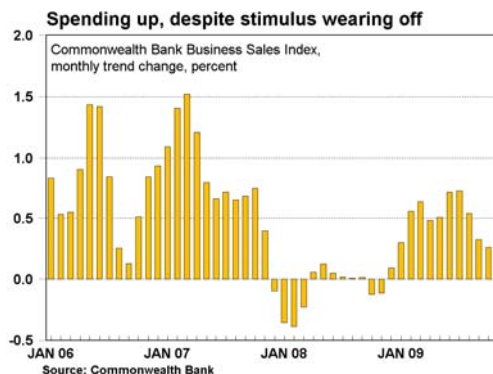


Figure 2: BSI Monthly Trend



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 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 which 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. Refer to Figure 3 for a comparison of the Business Sales Indicator and the ABS Household consumption.
- 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 by Mastercard or Visa when the business first starts accepting one of these cards as a form of payment. Refer to Table 1 for the MCC listing.

Figure 3: CommBank BSI vs. ABS Household consumption

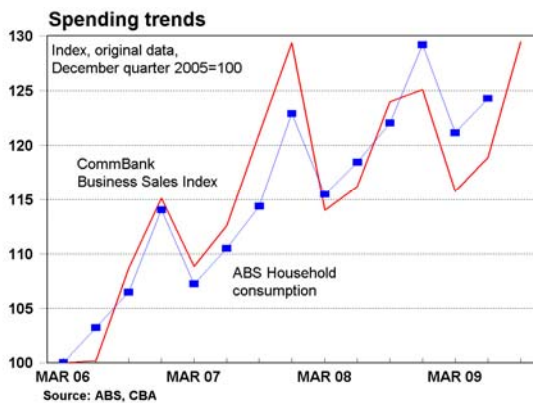


Table 1: Merchant Types

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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 |

DISCLOSURE AND DISCLAIMER APPENDIX

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