

Finally, some positive signs for retailers

- Spending across the economy is showing signs of healing according to a key gauge. The Commonwealth Bank Business Sales Indicator (BSI) rose by 0.2 per cent in trend terms in September – the second consecutive gain. Spending had previously fallen for eight straight months.
- The Commonwealth BSI is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities.
- While the Commonwealth Bank BSI has risen for the past two months, the gauge is still well down on a year ago. The Commonwealth Bank BSI fell by 3.0 per cent in trend terms over the past year, the biggest annual decline since data was first collected six years ago.
- The BSI covers spending broadly across the economy rather than just retail sales, and it has consistently under-performed against the Australian Bureau of Statistics retail trade series over the past year.

Business Sales Indicator September 2010

- The Commonwealth Bank Business Sales Indicator (BSI) rose by 0.2 per cent in trend terms in September after a 0.1 per cent lift in August. It is the first back-to-back gains in trend spending for almost a year – since November 2009. But the trend growth pace is still below the longer-term average pace of 0.5 per cent.
- Despite the improvement over the past two months, the BSI is still well down on a year ago. The BSI has contracted by 3.0 per cent in trend terms over the past year, the weakest result in the six-year history of the spending gauge. However given the pickup in monthly spending growth it is likely that the annual trend has bottomed. The BSI has under-performed against the Australian Bureau of Statistics narrower retail trade series, especially in the past six months. Given that the BSI is far broader in coverage than ABS retail trade, incorporating business and government spending, the results highlight the weakness of spending across the economy.
- Before the improvement in August, the BSI had fallen in trend terms since December 2009. That period of weakness matched the period from October 2008 to January 2009 when the global financial crisis was at its height. To counteract the weakness at that time the government and Reserve Bank responded by respectively providing hand-outs to households and cutting interest rates. And the measures had the desired effect. From March to June 2009, monthly trend growth rates consistently held between 0.8-1.0 per cent. And annual growth rates also improved, peaking at 6.5 per cent in December 2009. In contrast the recent modest recovery in spending reflects more fundamental factors such as stronger balance sheets and a firmer job market.
- In trend terms, the value of spending transactions fell in only four of the 20 industries in September; an improvement on August when five sectors went backwards. The strongest sector was Business services (up 1.5 per cent), Hotels and motels (up 1.2 per cent) and both Amusement & entertainment and Personal service providers (both up 1.0 per cent).
- The weakest sector by a fair margin in September in trend terms was Mail order & telephone order providers (down 2.8 per cent) while Retail stores was down by 0.7 per cent. And despite the Automobiles & vehicles sector recording a 0.2 per cent decline in spending in September, it was actually the smallest decline in nine months.

Figure 1: BSI Monthly Trend

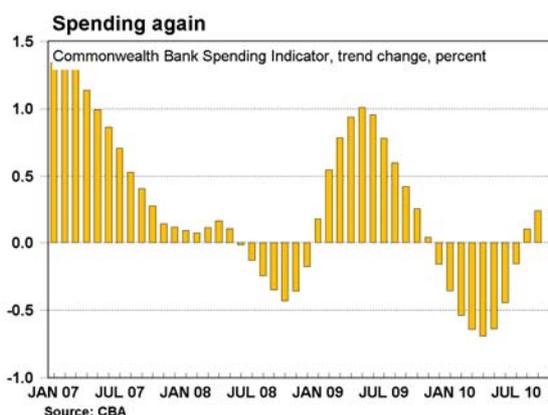
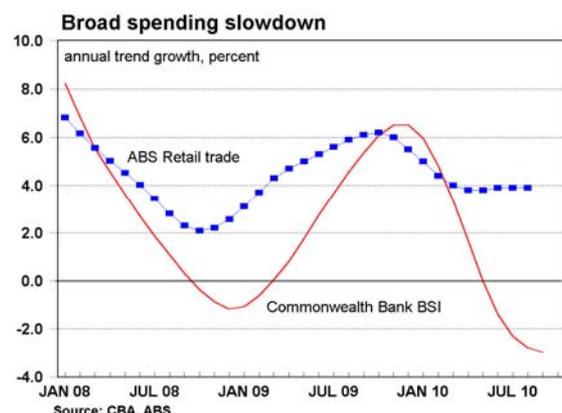


Figure 2: BSI Annual Trend (%)



- In annual terms, amongst the sectors with the strongest gains in September were Service providers (up 21.2 per cent), Utilities (up 7.9 per cent), Personal Service Providers (up 7.8 per cent) and Transportation (up 6.0 per cent). At the other end of the scale, spending at Mail Order and Telephone Order Providers was down 18.5 per cent on a year earlier followed by Automobile & vehicles (down by 12.2 per cent) and Retail stores (down 9.6 per cent).
- Only two of the eight states and territories recorded negative monthly trend growth in September: Victoria (down 0.4 per cent), followed by ACT (down 0.2 per cent). Spending rose most in NSW (up 0.9 per cent) followed by Western Australia (up 0.8 per cent), Northern Territory & Queensland (both up 0.5 per cent), Tasmania (up 0.4 per cent) and South Australia (up 0.3 per cent)
- In annual terms, spending growth was strongest in Western Australia (up 2.8 per cent) and the Northern Territory (up 2.2 per cent). At the other end of the scale, the spending gauge was weakest in Victoria (down 4.4 per cent) followed by Queensland (down 4.1 per cent), Tasmania (down 3.7 per cent), South Australia (down 3.0 per cent), NSW (down 2.8 per cent) and ACT (down 0.6 per cent).

Figure 3: Western Australia, trend spending (%)

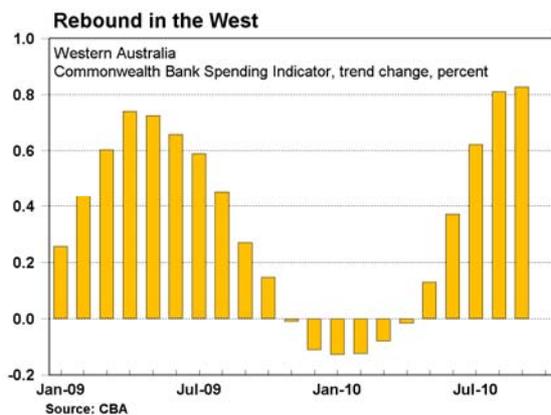
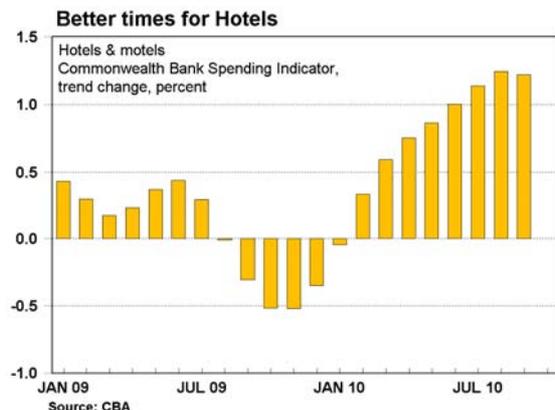


Figure 4: Hotels & motels, trend spending (%)



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

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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 |

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