

Spending posts first gain in nine months

- A key gauge of economy-wide spending posted its strongest result in nine months in August. The Commonwealth Bank Business Sales Indicator rose by 0.1 per cent in the month, the first positive reading since November last year.
- The Commonwealth Bank Business Sales Indicator is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities.
- Despite the modest lift in the latest month, the Commonwealth Bank Business Sales Indicator remains sharply lower than a year ago in trend terms. The Commonwealth Bank Business Sales Indicator fell by 2.7 per cent over the past year, the biggest annual decline since data was first collected six years ago.
- The Commonwealth Bank Business Sales Indicator 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 August 2010

- The Commonwealth Bank Business Sales Indicator rose by 0.1 per cent in trend terms in August, the first gain in nine months as depicted in Figure 1 below. While the recent improvement has been encouraging, trend monthly growth still has some way to go reach the long-term average of 0.5 per cent.
- Over the past year the Commonwealth Bank Business Sales Indicator fell by 2.7 per cent in trend terms, the weakest result in the six-year history of the spending gauge. Figure 2 shows the trend pace of growth has consistently slowed over the past eight months, under-performing the Australian Bureau of Statistics narrower retail trade series. Given that the Commonwealth Bank Business Sales Indicator 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 Commonwealth Bank Business Sales Indicator 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 6.7 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 five of the 20 industries in August; an improvement on July when six sectors went backwards. The strongest sector was Utilities (up 1.4 per cent) and Professional Services and Membership Organisations (up 1.0 per cent). Spending growth at Hotels and Motels, Transportation and Personal Service Providers also posted encouraging growth in August.
- The weakest sectors in August in trend terms were Retail Stores (down 1.7 per cent), followed by Mail Order and Telephone Order Providers (down 1.6 per cent), and Automobiles and Vehicles (down 1.0 per cent). Government Services are another sector to record weak growth over the past five months together with Miscellaneous Stores.

Figure 1: BSI Monthly Trend
Recovery in progress

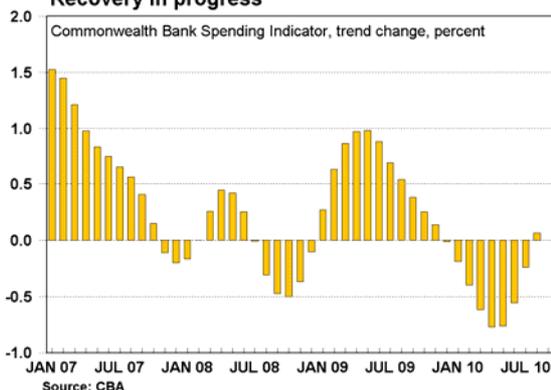
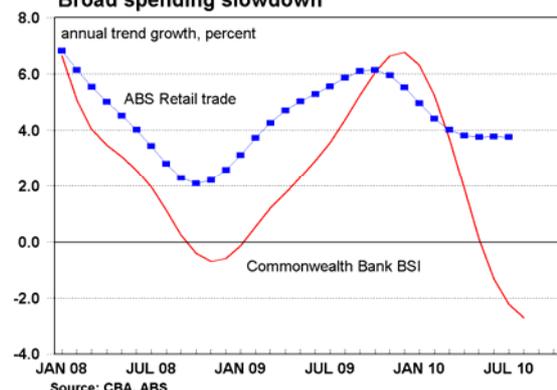
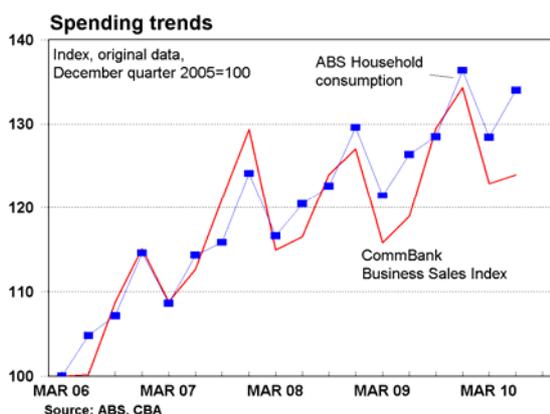


Figure 2: BSI Annual Trend (%)
Broad spending slowdown



- In annual terms, amongst the sectors with the strongest gains in August were Service Providers (up 22.9 per cent), Utilities (up 7.4 per cent), Personal Service Providers (up 7.0 per cent) and Transportation (up 6.5 per cent). At the other end of the scale spending at Mail Order and Telephone Order Providers was down 12.7 per cent on a year earlier followed by Automobile and Vehicles (down by 9.5 per cent) and Retail Stores (down 8.2 per cent).
- Only two of the eight states and territories recorded negative monthly trend growth in August. Leading the way was Victoria (down 0.2 per cent), followed by ACT (down 0.1 per cent). Spending was flat in South Australia. Spending rose 0.5 per cent in Northern Territory followed by Western Australia and NSW (up 0.5 per cent), Queensland (up 0.3 per cent), and Tasmania (up 0.2 per cent).
- In annual terms, spending growth was strongest in the Northern Territory (up 2.3 per cent) and ACT (up 1.6 per cent). At the other end of the scale, the spending gauge was weakest in Queensland (down 4.3 per cent), Tasmania and NSW (down 3.7 per cent) and South Australia (down 2.8 per cent).

Figure 3: BSI & ABS Household consumption (%)



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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