

Hopes for a lift in Aussie spending

- A measure of economy-wide spending posted solid growth in seasonally adjusted terms in May, raising hopes that rate cuts may lift activity in the retail sector. The Commonwealth Bank Business Sales Indicator (BSI) rose by 1.9 per cent in seasonally adjusted terms in May, more than reversing a 1.3 per cent fall in April.
- But while the seasonally adjusted estimate lifted sharply in May, this has yet to flow through to trend estimates. In trend terms the BSI rose by 0.3 per cent in May – the slowest growth in nine months.
- The seasonally adjusted and trend estimates of the BSI results are derived via the SEASABS statistical program from the Australian Bureau of Statistics.
- At a sectoral level, five of the 20 industry sectors contracted in trend terms in May, up from four in both March and April. And two of the eight states and territories recorded weaker sales in trend terms in May, a similar result to both March and April.
- 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.

Business Sales Indicator May 2012

- According to the latest Commonwealth Bank Business Sales Indicator (BSI), economy-wide spending lifted by 1.9 per cent in seasonally adjusted terms in May after contracting by 1.3 per cent in April. It was the third increase in sales in the past four months. Spending is now up 5.9 per cent on a year ago – the biggest annual gain in over two years (since January 2010).
- However the solid lift in the seasonally adjusted series hasn't yet boosted the slower-responding trend series. As the name implies, trend estimates are designed to remove the "noise" in the more volatile seasonally adjusted series and show broader underlying trends.
- The BSI rose by 0.3 per cent in trend terms in May. While this is the 10th consecutive increase in the trend series, it is the slowest growth rate recorded since September 2011.
- 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. 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, five of the industry sectors fell in May, up from four in both March and April. The strongest monthly trend increase in sales occurred in the Wholesale Distributors & Manufacturers sector (up 2.7 per cent), followed by Amusement & Entertainment sector (up 1.8 per cent), Mail Order & Telephone Order Providers (up 1.5 per cent), Contracted Services (up 1.1 per cent,) and Service Providers (up by 1.0 per cent).
- Amongst the weakest sectors in May was Clothing stores, down by 0.7 per cent, with both Automobile & Vehicle Rentals and Professional Services & Membership Organisations down by 0.2 per cent.

Figure 1: BSI Monthly Trend

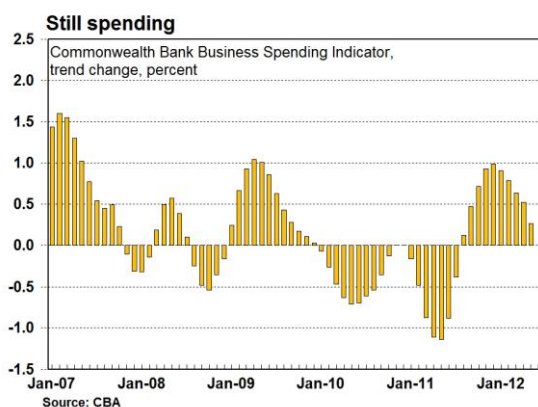
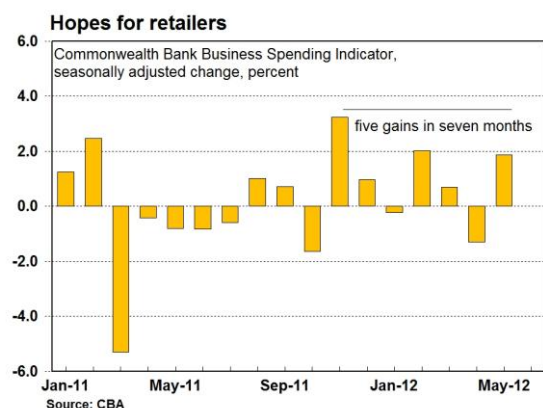


Figure 2: BSI Monthly Seasonally adjusted



- In annual terms, four of the 20 industry sectors contracted in May, a similar result to both March and April. The weakest sector was Hotels & Motels (down 6.7 per cent) followed Automobiles and Vehicle Rentals (down 0.6 per cent).
- At the other end of the scale, spending was strongest at Amusement & Entertainment (up 21.2 per cent), followed by Mail Order/Telephone Order Providers (up 16.7 per cent), Retail stores (up 12.2 per cent), Contracted Services (up 8.2 per cent), Clothing Stores (up 7.5 per cent) and Transportation (up 7.0 per cent).
- Two of the states and territories recorded weaker sales in trend terms in May. Sales in Tasmania fell by 0.4 per cent while sales fell 0.1 per cent in the Northern Territory. The strongest result was in South Australia (up 0.9 per cent) followed by Queensland (up 0.7 per cent), ACT (0.5 per cent), NSW (up 0.3 per cent), Western Australia (up 0.2 per cent) and Victoria (up 0.1 per cent),
- The trend BSI has now risen for 11 straight months in Queensland and for 10 straight months in South Australia, NSW, Western Australia and Victoria. After eight straight months of gains, sales in the Northern Territory have fallen for the past three months.
- In annual terms, no state or territory had sales below a year ago. Strongest growth was posted in South Australia (up 11.8 per cent), followed by Queensland (up 9.1 per cent) and Western Australia (up 6.9 per cent). After 22 months of declines, sales in NSW have now risen in annual terms for the past two months.

Figure 3: NSW, monthly trend spending (%)

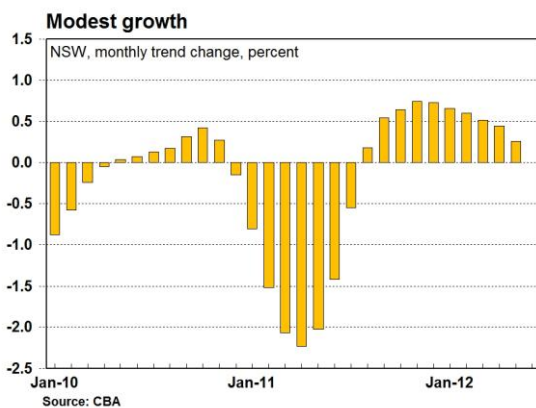
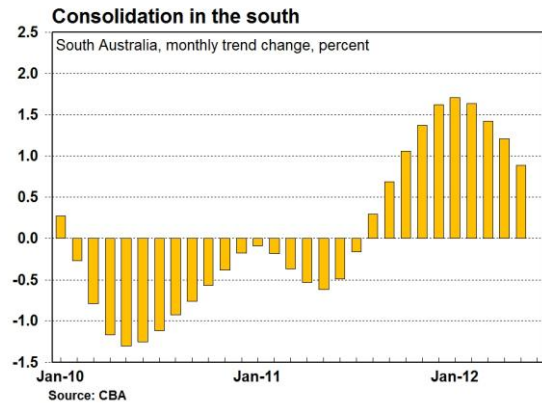


Figure 4: South Australia, monthly trend spending (%)



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

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