

Modest growth for majority of retailers

- The Commonwealth Bank Business Sales Indicator (BSI) was unchanged in trend terms in December after previously falling for twelve straight months. But the weakness remains narrowly based with only five of the 20 industry sectors recording weaker sales in the month.
- 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 December 2010

- The Commonwealth Bank Business Sales Indicator (BSI) was broadly unchanged in trend terms in December, the best reading for over a year. The BSI had previously fallen on a trend basis since December 2009. While growth in economy-wide spending remains elusive, the good news is that the majority of industry sectors are still expanding rather than contracting.
- The unchanged reading for the BSI compares with a trend decline of 0.2 per cent in November and 0.3 per cent fall in October. The trend measure of the BSI has been improving (recording smaller monthly declines) over the past five months.
- 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.
- A key 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 five of the 20 industries in December, down from eight sectors in November. And the biggest industry category – retail stores – rose by 0.5 per cent in December, the fourth straight gain.
- Across the industry sectors, the strongest gain was recorded by Automobiles & Vehicles (includes services stations as well as car and boat dealers, tyre and auto parts stores) with sales up 0.9 per cent. Mail order & telephone order providers also recorded a 0.9 per cent rise, followed by Professional services and membership organizations (up 0.7 per cent) and Repair services (up 0.6 per cent).
- Encouragingly, the Amusement & entertainment sector recorded growth of 0.5 per cent in December, the best reading in 14 months. The sector includes motion picture theatres, bowling alleys, golf courses and video stores. Both Business services and Government services have also recorded consistent growth for the past six months.
- The weakest sectors in December in trend terms were Automobile & vehicle rentals (down 1.2 per cent) and Miscellaneous stores (down 0.8 per cent). Hotels and motels fell by just 0.1 per cent in December but the growth rate has consistently weakened over the past six months.

Figure 1: BSI Monthly Trend

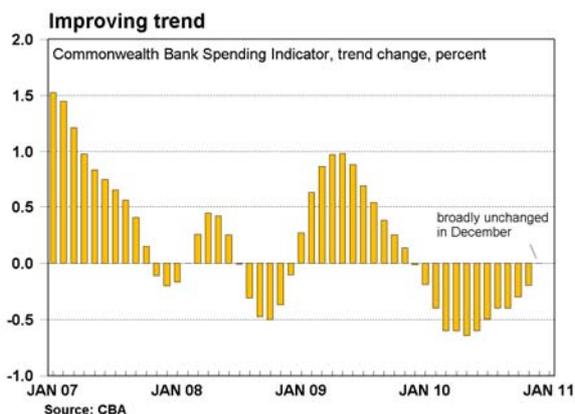
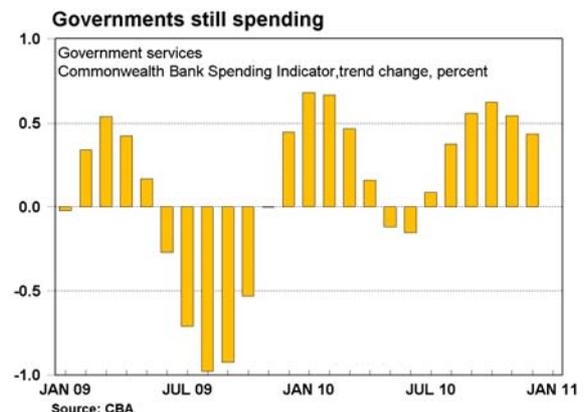


Figure 2: Government services, trend spending



- In annual terms, eight of the 20 industry sectors contracted in December. The weakest sector was Automobile & vehicles (down by 13.2 per cent on a year earlier) followed by Mail Order and Telephone Order Providers (down 12.7 per cent) and Miscellaneous stores (down 11.5 per cent).
- At the other end of the scale, spending at Personal service providers was up 6.9 per cent on a year ago. Personal service providers include laundries, hairdressers, shoe repair and tax agents. Next strongest was Government services, up 4.4 per cent, and Professional services & membership organisations, up 4.3 per cent.
- Only two of the eight states and territories recorded monthly trend growth in December: NSW (up 0.6 per cent), followed by Western Australia (up 0.4 per cent). The job market has strengthened in recent months in NSW, serving to boost business sales. Spending was largely flat in the ACT and Tasmania. Spending fell most in Northern Territory and Victoria (both down 0.8 per cent), followed by South Australia (down 0.4 per cent) and Queensland (down 0.1 per cent)
- In annual terms, the only state/territory to record growth in December was Western Australia (up 1.6 per cent). At the other end of the scale, the spending gauge was weakest in Victoria (down 10.6 per cent) followed by South Australia (down 8.8 per cent) and Northern Territory (down 7.1 per cent).

Figure 3: NSW, trend spending (%)

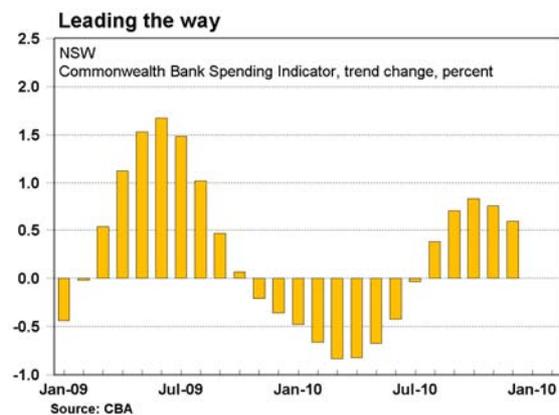
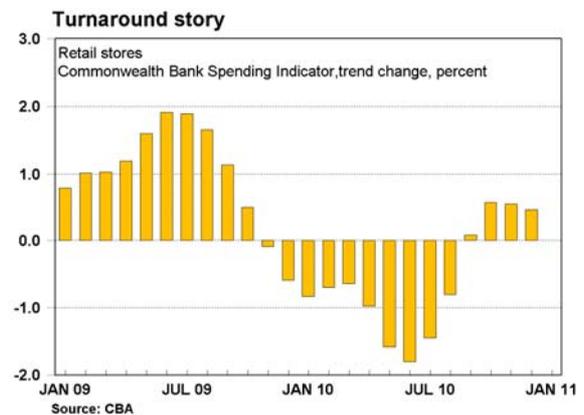


Figure 4: Retail stores, trend spending (%)



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

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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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