

# Spending recovery consolidates

- The recovery in economy-wide spending continued into December. The Commonwealth Bank Business Sales Indicator (BSI) rose by 0.2 per cent in trend terms in December after rising by 0.3 per cent in November and 0.2 per cent in October.
- And while there was disappointment in the November retail trade result from the Bureau of Statistics, the BSI suggests that spending picked up in December. In seasonally adjusted terms, the BSI lifted by 0.5 per cent in December after a scant 0.1 per cent rise in November and 0.2 per cent growth in October.
- At a sectoral level, just four of the 20 industry sectors contracted in trend terms in December, a similar result to November and down from five sectors in October. All of the eight states recorded higher sales in trend terms in December.
- The Commonwealth Bank 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 December 2011

- According to the latest Commonwealth Bank Business Sales Indicator (BSI), economy-wide spending continued to grow modestly in December. The BSI rose by 0.2 per cent in trend terms in December, after a 0.3 per cent rise in November. Sales have now expanded for five consecutive months – the best run of gains since late 2009.
- In seasonally adjusted terms, the BSI rose by 0.5 per cent in December after a downwardly revised 0.1 per cent increase in November (originally reported as a sales increase of 0.6 per cent). The BSI has had a reasonable record in tracking the direction of movements in the Australian Bureau of Statistics retail trade series over the past year. So while there had been disappointment about the flat result for retail trade in November, the BSI points to a firmer result over the Christmas period.
- The Commonwealth Bank 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.
- Across sectors, only four of the industry sectors fell in December, a similar result to November and down from five sectors in October. One other sector – Automobile/Vehicle rentals was broadly flat in December.
- Mail Order/Telephone Order Providers recorded the strongest gain in December (up 3.3 per cent) followed by Clothing stores (up 1.7 per cent) and Amusement & Entertainment and Retail Stores (both up by 1.3 per cent).
- The weakest sector in December was Miscellaneous Stores (down 2.8 per cent) followed by Hotels & Motels (down 0.9 per cent), Business Services (down 0.3 per cent) and Utilities (down 0.1 per cent).
- While spending by Business Services has softened over the past three months, spending by Government Services has lifted over the same period. Personal Service Providers and Professional Services & Membership Organisations have also recorded improved spending growth over the past five months.

Figure 1: BSI Monthly Trend

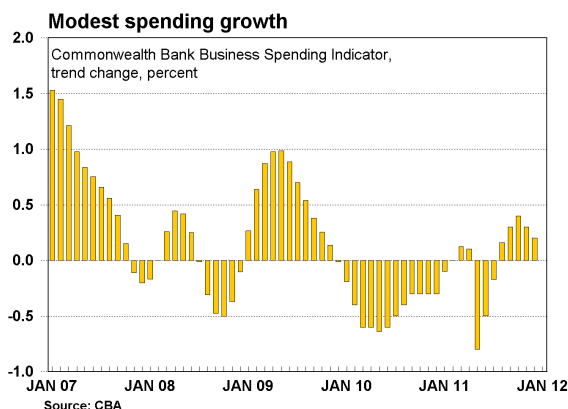
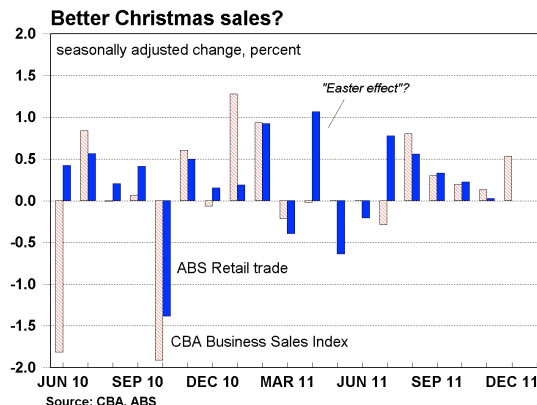


Figure 2: BSI & ABS retail trade



- In annual terms, six of the 20 industry sectors contracted in December, a similar result to November. The weakest sector was Retail stores (down by 9.3 per cent on a year earlier), followed by Miscellaneous Stores (down 8.2 per cent) Automobiles and Vehicles (down 2.6 per cent) and Hotels & Motels (down 2.0 per cent).
- At the other end of the scale, spending was strongest at Mail Order/Telephone Order Providers (up 19.4 per cent), followed by Amusement & Entertainment (up 18.3 per cent), Clothing Stores (up 10.8 per cent) and Contracted Services (up 6.1 per cent).
- For the third straight month, none of the states and territories recorded weaker sales in trend terms in December. The strongest result was in the ACT (up 0.7 per cent) followed by Northern Territory and Western Australia (both up 0.6 per cent) followed by Tasmania (up 0.4 per cent), Victoria and South Australia (both up 0.3 per cent), NSW (up 0.2 per cent) and Queensland (up 0.1 per cent).
- The trend BSI for Northern Territory has now risen for 10 straight months. Queensland and South Australia have recorded stronger trend spending growth for six straight months.
- In annual terms, strongest growth was in the Northern Territory (up 3.7 per cent), followed by ACT (up 3.5 per cent), and Western Australia (up 2.5 per cent).

Figure 3: Queensland, annual trend spending (%)

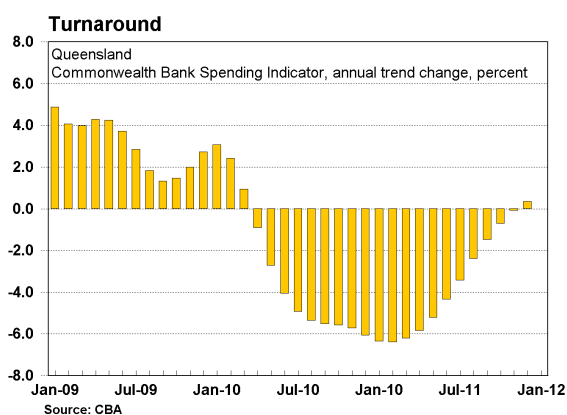
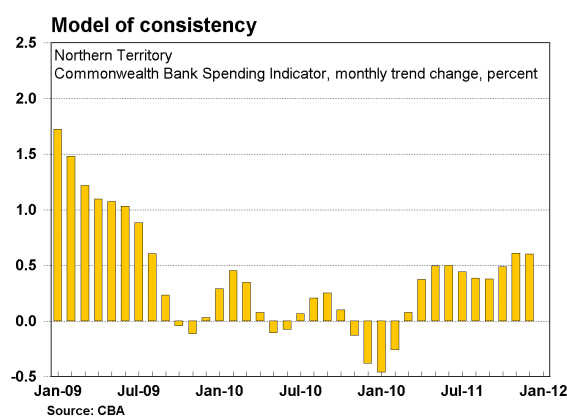


Figure 4: Northern Territory, monthly trend spending (%)



## 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**

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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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