

Spending data validates rates decision

- The Reserve Bank has received some validation for its decision not to cut rates with economy-wide spending growing again in January. The Commonwealth Bank Business Sales Indicator (BSI) rose by 0.6 per cent in trend terms in December after gains of 0.7 per cent in each month from October to December.
- During the month we changed the method we use to derive seasonally adjusted and trend estimates of the BSI results to the SEASABS program from the Australian Bureau of Statistics. While there has been slight changes to previous results for the BSI, the broad trends over time have not changed.
- At a sectoral level, just four of the 20 industry sectors contracted in trend terms in January, a similar result to December and down from five sectors in November. For the fourth straight month all of the eight states and territories recorded higher sales in trend terms in January.
- 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 January 2012

- According to the latest Commonwealth Bank Business Sales Indicator (BSI), economy-wide spending continued to recover in January. The BSI rose by 0.6 per cent in trend terms in January after consecutive gains of 0.7 per cent over the October-December period. Sales have now expanded for six consecutive months after falling for seven straight months from January to July 2011.
- In seasonally adjusted terms the BSI fell by 0.6 per cent in January after rising by 0.9 per cent in December. The BSI has broadly tracked the monthly movements of the Bureau of Statistics retail trade over time but the BSI has tended to produce firmer readings in recent months. The results accord with Reserve Bank views that activity in the services sector has generally proved stronger than physical goods sales.
- 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.
- Across sectors, only four of the industry sectors fell in January, a similar result to December and down from five sectors in November. One other sector – Automobile/Vehicle rentals was again broadly flat in January.
- The weakest sector in January was Hotels & Motels (down 1.3 per cent) followed by Service Providers (down 0.7 per cent), Utilities (down 0.3 per cent), and Business Services (down 0.2 per cent). While spending in the Utilities sector fell for the seventh straight month, the rate of decline has narrowed since November.
- Strongest spending growth in January was recorded by Clothing Stores (up 2.3 per cent), followed by Mail Order & Telephone Order Providers (up 2.0 per cent) and Retail Stores (up 1.5 per cent). Notably spending in the Government Services sector (up 0.9 per cent) has strengthened with growth the highest in nine months.

Figure 1: BSI Monthly Trend

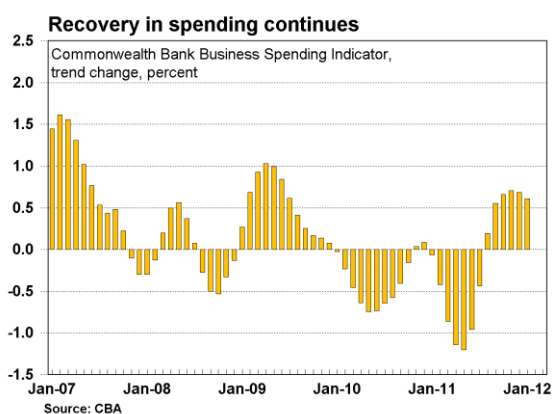
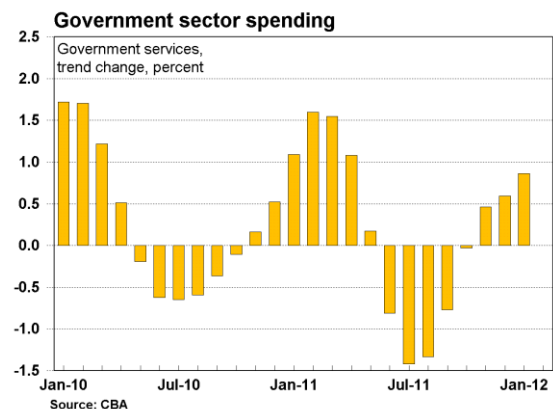


Figure 2: Government Services



- In annual terms, seven of the 20 industry sectors contracted in January, a similar result to both November and December. The weakest sector was Retail stores (down by 8.2 per cent on a year earlier), followed by Hotels & Motels (down 4.1 per cent), Automobiles and Vehicles (down 3.7 per cent) and Miscellaneous Stores (down 1.5 per cent).
- At the other end of the scale, spending was strongest at Mail Order/Telephone Order Providers (up 22.4 per cent), followed by Amusement & Entertainment (up 20.0 per cent), Clothing Stores (up 13.8 per cent) and Contracted Services (up 1.1 per cent).
- For the fourth straight month, none of the states and territories recorded weaker sales in trend terms in January. The strongest result was in the ACT (up 1.6 per cent) followed by South Australia (up 1.0 per cent), Western Australia (up 0.9 per cent), Northern Territory (up 0.8 per cent), Tasmania (up 0.7 per cent), Queensland (up 0.6 per cent), Victoria (up 0.5 per cent), and NSW (up 0.3 per cent).
- The trend BSI for Northern Territory has now risen for seven straight months but the growth pace has eased over the past two months. All other states and territories have recorded stronger trend spending growth for six straight months except ACT (up for four months).
- In annual terms, strongest growth was in the ACT (up 4.8 per cent), followed by Northern Territory (up 3.6 per cent). In contrast, spending in NSW was 6.8 per cent lower than a year ago in trend terms.

Figure 3: South Australia, monthly trend spending (%)

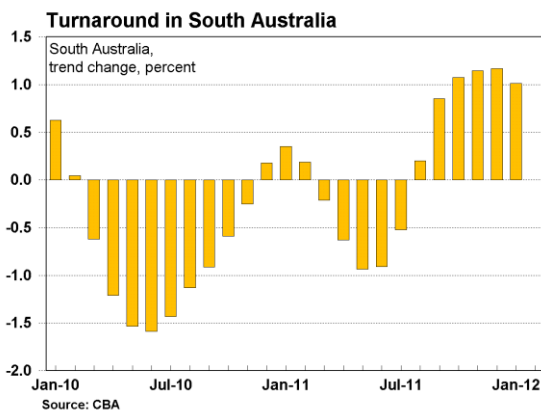
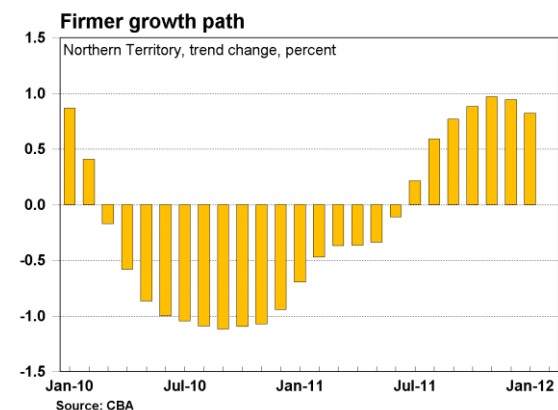


Figure 4: Northern Territory, monthly trend spending (%)



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

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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