

Commonwealth Bank Business Sales Indicator

18 December 2009

- The Commonwealth Bank Business Sales Indicator is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities.
- The Business Sales Indicator rose by 0.6 per cent in trend terms in November up from 0.5 per cent in October. Since bottoming in September the Business Sales Indicator has now risen for two consecutive months. Compared with a year ago, the Business Sales Indicator is up 6.8 per cent – the fastest growth in 22 months.

Business Sales Indicator November 2009

- The Business Sales Indicator rose by 0.6 per cent in trend terms in November after rising by 0.5 per cent in October.
- The pace of sales now looks to be accelerating again, after slowing from July through to September.
- As illustrated in Figure 1, the Commonwealth Bank's gauge of economy-wide spending has recorded positive monthly trend growth over the past year, but the pace of growth is far slower than 2006 and 2007.
- The Business Sales Indicator picked up sharply in December 2008 in response to the Federal Government's first stimulus package as per Figure 2 below. Previously, the spending gauge had been weak over 2008, falling from January to March 2008, flat-lining through to September and then easing slightly again in October and November.
- Over 2009 the growth pace of the Business Sales Indicator consistently strengthened through to July before softening. The pace of growth has since strengthened for the last two months.
- Currently the Business Sales Indicator stands 6.8 per cent higher than a year ago, the fastest annual growth in 22 months.
- In trend terms, the value of spending transactions fell in just three of the 20 industries in November. The weakest sector was Business Services (down 0.7 per cent), followed by Hotels and Motels (down 0.3 per cent) and Repair Services (down 0.1 per cent). Sales in the Business Services sector have now fallen in trend terms for seven consecutive months, while Hotels and Motels have eased for four straight months.
- The strongest industry sectors in November were Automobile and Vehicles (up 3.4 per cent in trend terms) followed by Retail Stores (up 1.3 per cent in trend terms). In annual terms sectors which recorded strong growth include; Retail Stores (up 15.3 per cent), Personal Service Providers (up 13.1 per cent), and Government Services (up 5.9 per cent).
- The main sector where transaction growth has been consistently weak has been Business Services, down 3.4 per cent on a year ago.
- Across states and territories in November, fastest sales growth occurred in Tasmania (up 1.2 per cent in trend terms), followed by South Australia (up 0.9 per cent), NSW (up 0.8 per cent), Victoria (up 0.4 per cent), and Queensland (up 0.3 per cent). At the other end of the scale, the spending gauge was weakest in Western Australia (down 0.5 per cent).

Figure 1: BSI - Annual trend (%)

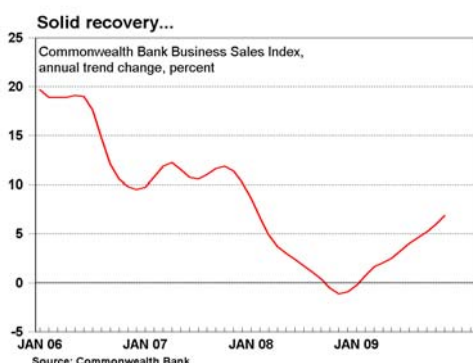
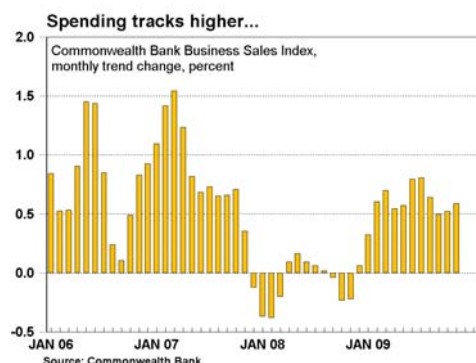


Figure 2: BSI Monthly Trend



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 which 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. Refer to Figure 3 for a comparison of the Business Sales Indicator and the ABS Household consumption.
- 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.

Figure 3: CommBank BSI vs. ABS Household consumption

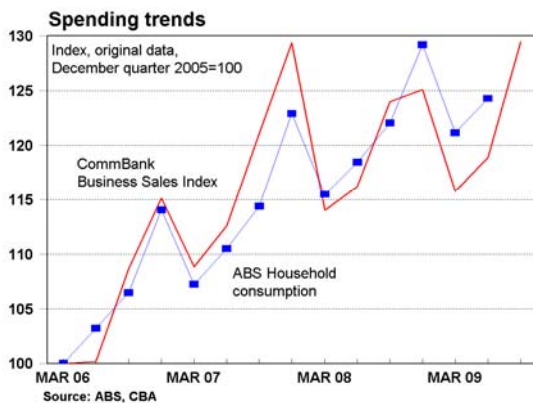


Table 1: Merchant Types

- | | |
|--|--|
| 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 |

DISCLOSURE AND DISCLAIMER APPENDIX

Craig James – Chief Economist, CommSec (Author)

(02) 9312 0265 (work), 0419 695 082 (mobile) | craig.james@cba.com.au

Produced by Commonwealth Research based on information available at the time of publishing. We believe that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made as at the time of its compilation, but no warranty is made as to accuracy, reliability or completeness. To the extent permitted by law, neither Commonwealth Bank of Australia ABN 48 123 123 124 nor any of its subsidiaries accept liability to any person for loss or damage arising from the use of this report. The report has been prepared for information purposes only.

The report has been prepared for information purposes only without taking account of the objectives, financial situation or needs of any particular individual. For this reason, any individual should, before acting on the information in this report, consider the appropriateness of the information, having regard to the individual's objectives, financial situation and needs and, if necessary, seek appropriate professional advice.

All material presented in this report, unless specifically indicated otherwise, is under copyright to the Commonwealth Bank of Australia Group. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior written permission of the appropriate entity within the Commonwealth Bank of Australia Group
