

Spending still sluggish across the country

- A recovery in spending across the Australian economy remains elusive according to a key gauge. The Commonwealth Bank Business Sales Indicator (BSI) was unchanged in October after weakening for 10 straight months. The September survey had suggested that spending was turning higher, but unfortunately for retailers there was no validation in the latest results.
- The Commonwealth BSI is obtained by tracking the value of credit and debit card transactions processed through Commonwealth Bank merchant facilities.
- The Commonwealth Bank BSI remains well down on a year ago. The Commonwealth Bank BSI fell by 3.9 per cent in trend terms over the past year, the biggest annual decline since data was first collected six years ago.
- The BSI covers spending broadly across the economy rather than just at the retail level, and it has consistently under-performed against the Australian Bureau of Statistics retail trade series over the past year.

Business Sales Indicator October 2010

- The Commonwealth Bank Business Sales Indicator (BSI) was unchanged in trend terms in October. At face value this appears encouraging, given that the BSI had previously fallen for ten straight months. However the September survey had suggested that spending had started to grow again. Unfortunately the latest trend estimates have revised away the previous strength, and are now suggesting a flattening of spending across the economy.
- 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 to the raw data. The adjusted figures reveal the broader underlying trends that may be hidden in the raw data.
- Unfortunately the encouraging signs that were apparent in the September BSI weren't validated in the latest estimates for October.
- The BSI is still well down on a year ago. The BSI has contracted by 3.9 per cent in trend terms over the past year, the weakest result in the six-year history of the spending gauge. The BSI has under-performed against the Australian Bureau of Statistics narrower retail trade series, especially over the past six months. Given that the BSI is far broader in coverage than ABS retail trade, incorporating business and government spending, the results highlight the weakness of spending across the economy.
- In trend terms, the value of spending transactions fell in only five of the 20 industries in October; an improvement on September when six sectors went backwards. The strongest sector was Business services (up 1.1 per cent), followed by Contracted services and Personal service providers (both up 1.0 per cent).
- The weakest sector by a fair margin in September in trend terms was Mail order & telephone order providers (down 2.0 per cent) while Miscellaneous stores was down by 0.8 per cent. And while Automobiles & vehicles recorded no change in spending in October, spending had fallen for the previous nine months.

Figure 1: BSI Monthly Trend

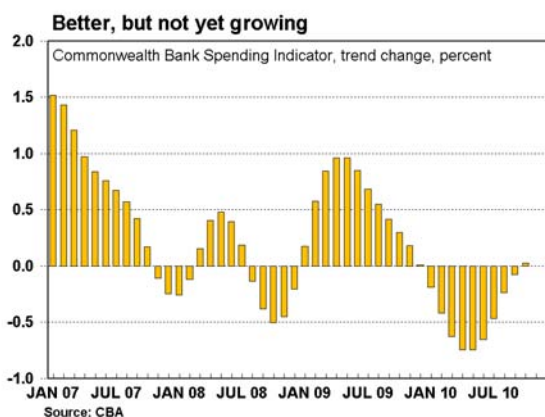
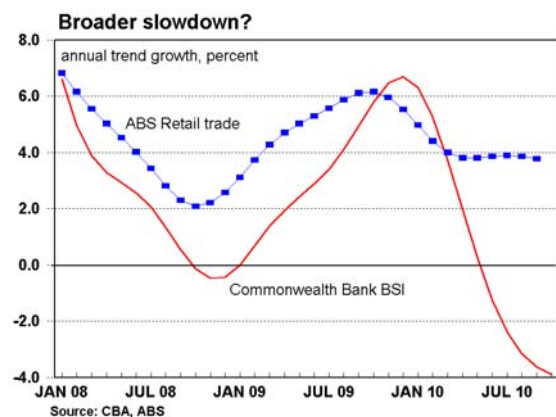


Figure 2: BSI Annual Trend (%)



- In annual terms, 11 of the 20 sectors reported growth in October. Leading the way was Personal service providers (up 8.1 per cent) followed by Utilities (up 6.5 per cent), and Hotels and motels (up 4.6 per cent). At the other end of the scale, spending at Mail Order and Telephone Order Providers was down 18.1 per cent on a year earlier followed by Automobile & vehicles (down by 14.5 per cent) and Miscellaneous stores (down 12.2 per cent).
- Only three of the eight states and territories recorded negative monthly trend growth in October: Queensland (down 1.0 per cent), Victoria (down 0.9 per cent), and South Australia (down 0.8 per cent). Spending rose most in Northern Territory (up 1.1 per cent), followed by Western Australia and Tasmania (both up 0.5 per cent), NSW (up 0.4 per cent) and ACT (up 0.1 per cent).
- In annual terms, spending growth was strongest in Northern Territory (up 3.8 per cent) and Western Australia (up 1.4 per cent). At the other end of the scale, the spending gauge was weakest in Victoria (down 7.7 per cent) followed by Queensland (down 6.7 per cent), South Australia (down 5.9 per cent), Tasmania (down 3.8 per cent), NSW (down 3.6 per cent) and ACT (down 0.9 per cent).

Figure 3: NSW, trend spending (%)

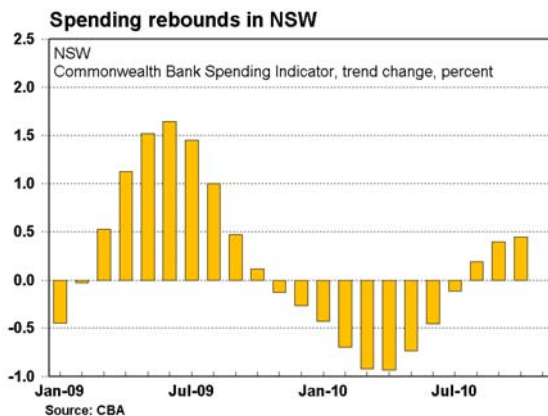
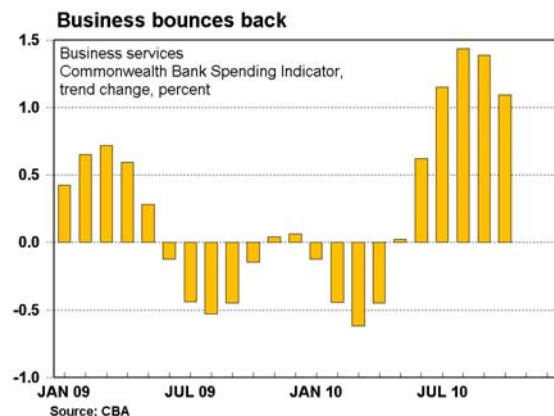


Figure 4: Business services, trend spending (%)



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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