

Better times ahead for retailers?

- **Businesses are unlikely to get too far ahead of themselves, but the latest Commonwealth Bank Business Sales Indicator (BSI) provides some encouraging news. The BSI – a key measure of economy-wide spending – fell just 0.1 per cent in trend terms in August – the best result in four months.**
- **There was even more positive news in the seasonally adjusted estimate of the BSI – up 0.6 per cent in August and the strongest gain in six months.**
- **Across sectors, the BSI was mixed with seven of the 20 industry sectors contracting in trend terms. Weakness remains concentrated in the Automobiles & Vehicles sector together with Contracted Services. However spending growth remains solid in the Amusement & Entertainment sector. Western Australia had the weakest sales result across states and territories in August with Northern Territory the strongest.**
- **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 August 2011

- There may be brighter times ahead for Australian businesses. The latest Commonwealth Bank Business Sales Indicator (BSI) fell by just 0.1 per cent in trend terms in August, the best result in four months and following declines of 0.3 per cent in July and 0.5 per cent in June.
- In seasonally adjusted terms the BSI actually posted a rise of 0.6 per cent in August, the first positive reading since June and the strongest increase in spending in six months. The BSI has had a reasonable track record in following movements in the Australian Bureau of Statistics retail trade series over the past year.
- 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.
- Encouragingly, there has been a narrowing in the number of industry sectors recording weaker sales in recent months. In August only seven of the 20 sectors fell in trend terms, down from eight in July and nine in June.
- The weakest of the sectors was Contracted Services (includes building trades such as electricians as well as veterinary services), down 0.8 per cent in August, and the biggest fall in 18 months. Next weakest was Automobiles & Vehicles (down 0.7 per cent), affected by the restricted inflow of Japanese cars and parts following the earthquake and tsunami earlier in the year. The good news is that the trend fall in sales in August was actually the smallest recorded in the past five month. Sales at both Government Services and Retail Stores were down 0.3 per cent in trend terms in August
- In contrast, strength was maintained in Amusement & Entertainment (includes motion picture theatres, bowling alleys, golf courses and video stores), up 0.8 per cent in trend terms in August, followed by Business Services (up 0.7 per cent), Repair Services (up 0.6 per cent) and Transportation (up 0.4 per cent).

Figure 1: BSI Monthly Trend

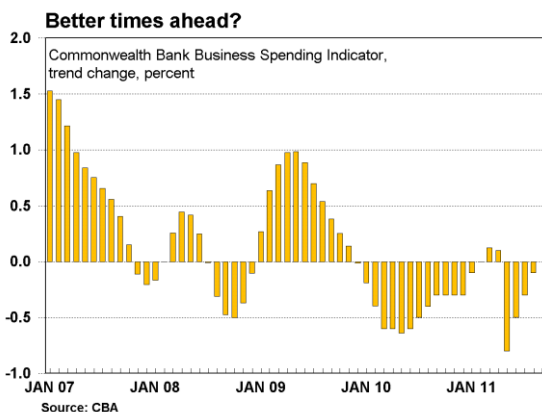
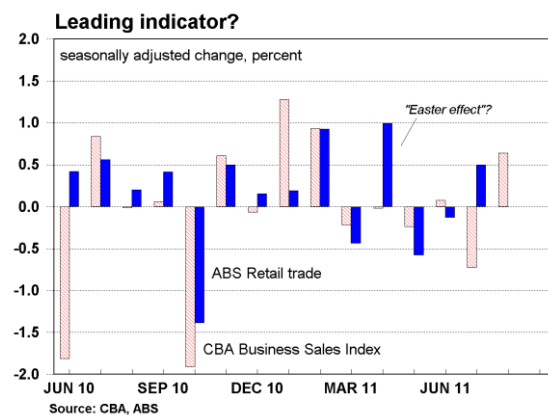


Figure 2: BSI & ABS retail trade



- In annual terms, just five of the 20 industry sectors contracted in August, a similar result to July, but down from six sectors in June. The weakest sector was Automobile & Vehicles (down by 5.7 per cent on a year earlier), followed by Miscellaneous Stores (down 2.7 per cent) and Automobile/Vehicle Rentals (down 1.8 per cent)
- At the other end of the scale, spending was strongest at Amusement & Entertainment (up 17.0 per cent), followed by Contracted Services (up 10.4 per cent) and Professional Services & Membership Organisations, (up by 7.6 per cent).
- Three of the states and territories recorded weaker sales in trend terms in August, down from five in July and six in June. The weakest result was in Western Australia (down 0.5 per cent) followed by South Australia (down 0.4 per cent) and Queensland (down 0.1 per cent). Of the other states and territories, strongest was Northern Territory (up 0.9 per cent) followed by Tasmania (up 0.2 per cent) and Victoria (both up 0.1 per cent). Sales were flat in both the ACT and NSW in August.
- The ACT had shown consistent growth over the past 10 months before flattening in August. Spending growth has trended higher in the Northern Territory in the past six months. In contrast, sales in both Queensland and South Australia have consistently contracted over the past 20 months.
- In annual terms, only the ACT is recording growth (up 5.2 per cent) with Tasmania and Victoria next best (both down 1.9 per cent).

Figure 3: South Australia, trend spending (%)

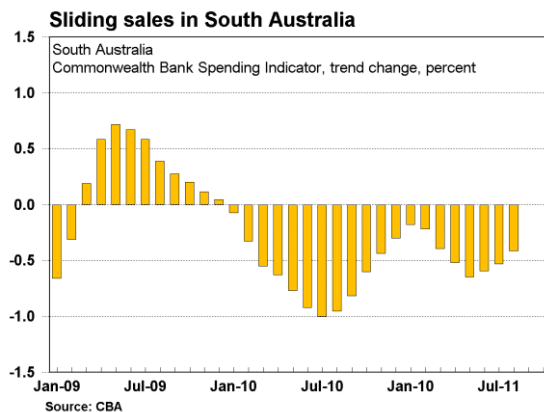
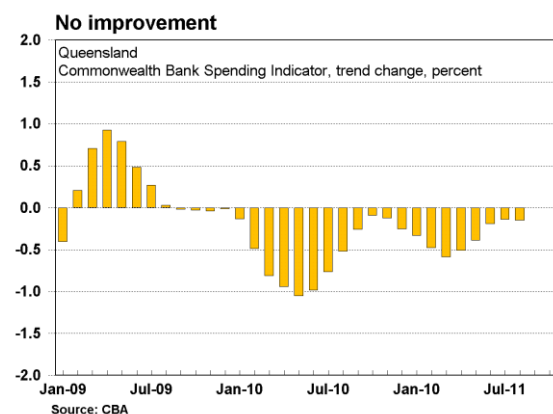


Figure 4: Queensland, trend spending (%)



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.

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

Table 1: Merchant Types

DISCLOSURE AND DISCLAIMER APPENDIX

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