

# Optimism on spending proves to be a mirage

- The recent optimism about consumer spending has turned out to be a mirage. The Commonwealth Bank Business Sales Indicator (BSI) a key measure of economy-wide spending fell by 0.3 per cent in trend terms in June after posting modest gains earlier in the year.
- If there is any encouragement, it is that the weakness in spending is narrowly based. Only four of the 20 industry sectors contracted in trend terms in June a similar result to May. Weakness remains concentrated in the large Retail Stores category (28 per cent of the index) as well as the Automobiles & Vehicles sector where sales have been affected by production disruptions resulting from the Japanese tsunami.
- 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 June 2011**

- The latest Commonwealth Bank Business Sales Indicator (BSI) shows a sharp reversal of the fortunes of the retail sector over the past two months. The BSI had improved from July 2010, culminating in monthly trend growth rates of 0.1 per cent over March and April. But the BSI fell by 0.4 per cent in trend terms in May (originally reported as "unchanged") and the BSI fell another 0.3 per cent in June.
- In seasonally adjusted terms the BSI fell by 0.5 per cent in June after a similar fall in May. The BSI has closely tracked movements in the Australian Bureau of Statistics retail trade series over the past year. The ABS had earlier reported that retail trade fell by 0.6 per cent in May.
- 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.
- The good news is that the weakness in spending is narrowly, rather than broadly based. The Retail Stores category remains weak together with Automobiles & Vehicles, although the latter is affected by the restricted inflow of Japanese cars and parts following the earthquake and tsunami earlier in the year.
- Altogether only four of the 20 sectors reported weaker spending in trend terms in June, a similar result to both April and May. In trend terms, spending at retail stores fell by 0.9 per cent in June with Automobiles & Vehicles down 2.0 per cent. Elsewhere, spending at "Miscellaneous Stores" fell 0.6 per cent in June with Automobile/Vehicle Rentals down 0.4 per cent.
- The strongest lift in spending in trend terms was by Amusement & Entertainment (includes motion picture theatres, bowling alleys, golf courses and video stores), up 1.3 per cent, followed by Clothing stores (up 1.1 per cent), Contracted Services (includes building trades such as electricians as well as veterinary services) (up 0.7 per cent) followed by the Transportation, Hotels & Motels and Personal Service Providers sectors (all up 0.5 per cent).



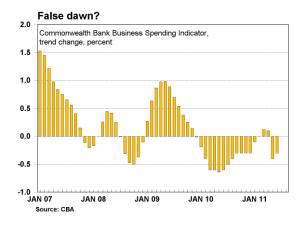
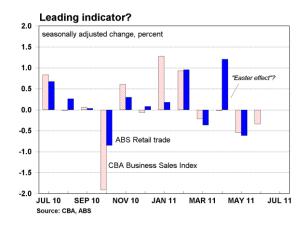


Figure 2: BSI & ABS retail trade





- In annual terms, five of the 20 industry sectors contracted in June, a similar result to May. The weakest sector
  was Automobile & Vehicles (down by 7.8 per cent on a year earlier), followed by Miscellaneous Stores (down5.5
  per cent) and Mail Order and Telephone Order Providers (down 6.9 per cent)
- At the other end of the scale, spending at Contracted Services was strongest, (up 14.5 per cent), followed by Amusement & Entertainment (up 14.2 per cent) and Professional Services & Membership Organisations, (up by 8.3 per cent).
- Four of the states and territories recorded weaker sales in trend terms in June, down from six in May. The
  weakest result was in NSW (down 1.5 per cent), followed by South Australia (down 0.9 per cent), Queensland
  (down 0.9 per cent) and, Victoria (down 0.3 per cent). Of the other states and territories, strongest was ACT (up
  1.3 per cent) followed by Western Australia and Northern Territory (both up 0.1 per cent). Spending in Tasmania
  was largely unchanged in trend terms in June.
- The ACT has shown consistent growth over the past nine months. In contrast, sales in South Australia have consistently softened over the past 18 months while spending growth in both Northern Territory and Western Australia has improved over the past five months.
- In annual terms, only the ACT is recording growth (up 6.8 per cent) with Tasmania next best (down 1.7 per cent) and Western Australia (down 1.8 per cent).

Figure 3: ACT, trend spending (%)

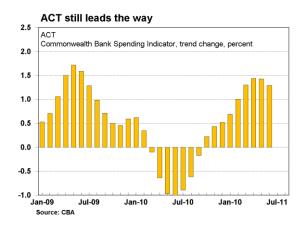
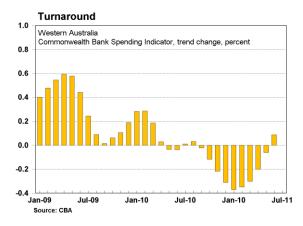


Figure 4: Western Australia, trend spending (%)



## **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
- 2. Amusement and Entertainment
- 3. Automobile/Vehicle Rentals
- 4. Automobiles and Vehicles
- 5. Business Services
- 6. Clothing Stores
- 7. Contracted Services
- 8. Government Services
- 9. Hotels and Motels
- 10. Mail Order/Telephone Order Providers
- 11. Miscellaneous
- 12. Miscellaneous Stores
- 13. Personal Service Providers
- 14. Professional Services and Membership Organisations
- 15. Repair Services
- 16. Retail Stores
- 17. Service Providers
- 18. Transportation
- 19. Utilities
- 20. Wholesale Distributors and Manufacturers

### **Table 1: Merchant Types**

#### DISCLOSURE AND DISCLAIMER APPENDIX

Craig James – Chief Economist, CommSec (Author) (02) 9118 1806 (work), 0419 695 082 (mobile) | craig.james@cba.com.au

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