

Spending lifts as election blues chased away

- Last month we questioned whether a slowdown in economy-wide spending was merely a pause for breath. Based on this month's data, the answer appears to be yes.
- In trend terms the Commonwealth Bank Business Sales Indicator (BSI) rose by 0.4 per cent in October a similar result to September. The pace of spending had previously slowed from March to August.
- The more volatile seasonally adjusted estimate of spending rose by 4.1 per cent in October after easing by 1.4 per cent in September. Spending has moved in a zig-zag pattern over the past four months. Annual growth lifted from 5.6 per cent to 10.7 per cent in October.
- The seasonally adjusted and trend estimates of the BSI results are derived via the SEASABS statistical program from the Australian Bureau of Statistics.
- At a sectoral level, 15 of the 19 industry sectors expanded in trend terms in October, a similar result to September and up from 14 sectors in August. And six of the eight states and territories recorded firmer sales in trend terms in October, with one state recording a flat result and the other reporting weaker sales.
- 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 October 2013

- Economy-wide spending lifted for the 14th straight month in October according to the latest Commonwealth Bank Business Sales Indicator (BSI). Previous data had indicated a slowdown in spending, but this has been arrested with a sharp lift in seasonally adjusted sales in October boosting the trend growth pace. In trend terms, spending rose by 0.4 per cent in October. Previously the monthly trend pace had slowed from 1.2 per cent in March to 0.3 per cent growth in August. Annual trend growth now stands at 8.5 per cent – the fastest pace in almost six years.
- The seasonally-adjusted measure of sales rose by 4.1 per cent in October after falling by 1.4 per cent in September. The annual growth rate lifted from 5.6 per cent to 10.7 per cent.
- 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. The seasonally adjusted and trend BSI results are derived from the same SEASABS statistical software. This allows analysis of the broader underlying trends that may be hidden in the raw data.
- Across sectors, 15 of the 19 industry sectors expanded in trend terms in October. Amongst the strongest sectors in October were Automobiles & Vehicle Sales (up 1.5 per cent), Amusement & Entertainment and Transportation (both up 1.3 per cent).
- Spending fell most at Mail Order/Telephone Order Providers (down 1.8 per cent) followed by Automobile & Vehicle Rentals (down 0.4 per cent) and Utilities and Retail Stores (both down by 0.3 per cent).

Figure 1: BSI Monthly Trend %

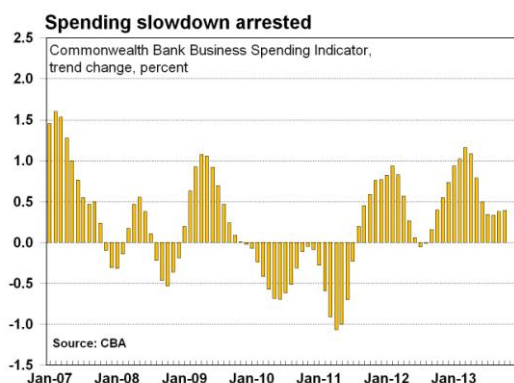
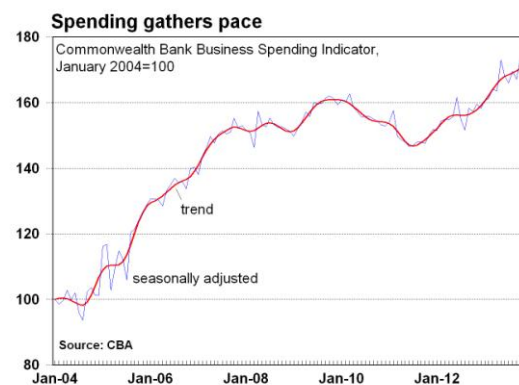


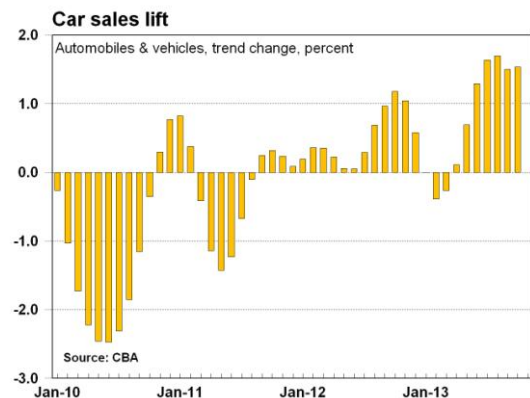
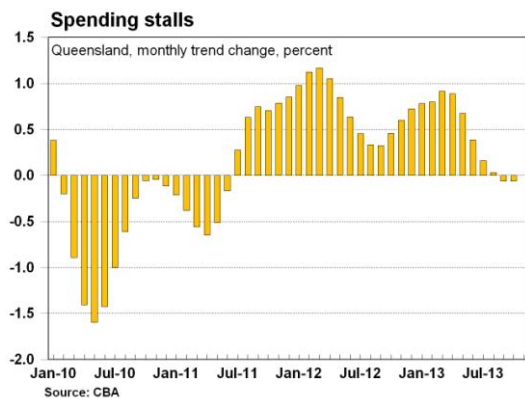
Figure 2: BSI: Seasonally adjusted & trend



- In annual terms in October, only three of the 19 industry sectors contracted: Mail Order/Telephone Order Providers, Business Services and Automobile & Vehicle Rentals. In September, similarly only three of the sectors posted weaker sales than a year ago.
- At the other end of the scale, sectors with strongest annual growth in October included Wholesale Distributors & Manufacturers, Service Providers, Government Services and Amusement & Entertainment.
- Sales were firmer across the country with six of the states and territories recording stronger sales in trend terms in October. Spending fell 0.1 per cent in Queensland and was flat in NSW. But leading the gains was South Australia (up 3.6 per cent), followed by Northern Territory (up 1.2 per cent) Victoria (up 0.8 per cent), Western Australia (up by 0.6 per cent), Tasmania (up 0.5 per cent) and ACT (up 0.2 per cent).
- The trend BSI has now risen for 28 months in the Northern Territory, for 27 straight months in South Australia, for 19 straight months in Tasmania and for 16 straight months in Victoria.
- In annual terms, no state or territory had sales below a year ago with South Australia, ACT, NSW and Tasmania leading the way from the Northern Territory, Victoria, Queensland and Western Australia.

Figure 3: Queensland, monthly trend spending (%)

Figure 4: Automobiles & vehicles, 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 19 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 Stores |
| 2. Amusement & Entertainment | 12. Personal Service Providers |
| 3. Automobile/Vehicle Rentals | 13. Professional Services & Membership Organisations |
| 4. Automobiles & Vehicles | 14. Repair Services |
| 5. Business Services | 15. Retail Stores |
| 6. Clothing Stores | 16. Service Providers |
| 7. Contracted Services | 17. Transportation |
| 8. Government Services | 18. Utilities |
| 9. Hotels & Motels | 19. Wholesale Distributors & Manufacturers |
| 10. Mail Order/Telephone Order Providers | |

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