

Election jitters flatten spending

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – was little-changed in July but was more mixed across industries.
- The Business Sales Indicator was flat in trend terms for the fifth straight month. Over 2015, economy wide spending lifted by an average of 0.5 per cent a month in trend terms, compared with just 0.1 per cent over the first seven months of 2016.
- Annual growth slowed from 3.9 per cent to 3.5 per cent. The more volatile seasonally adjusted BSI has moved in a zig-zag fashion over the past eight months and fell by 0.9 per cent in July after rising by 1.7 per cent in June.
- At a sectoral level, 10 of the 19 industry sectors expanded in trend terms in July, a similar result to June. And sales rose in seven of the eight states and territories in July.
- The Commonwealth Bank 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 July 2016

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – was broadly flat for a fifth straight month in July. The overall result was dragged down by weakness in Business Services and Government Spending and may have been influenced by election uncertainty.
- Before the election period, consumers and businesses may have been reluctant to spend ahead of the UK vote on European Union membership.
- Over 2015, economy wide spending lifted by an average of 0.5 per cent in trend terms, compared with just 0.1 per cent over the first seven months of 2016.
- The annual growth of spending eased from 3.9 per cent to 3.5 per cent in July – the weakest annual growth for over four years (since March 2012). The annual growth rate had held at above-normal levels of between 7.0-7.6 per cent between April and November 2015 before slowing markedly over 2016.
- The seasonally-adjusted measure of sales fell by 0.9 per cent in July after rising by 1.7 per cent in June and falling by 1.6 per cent in May. Annual growth stands at 3 per cent.
- The Commonwealth Bank 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 permit analysis of the broader underlying trends that may be hidden in the raw data.
- Across sectors, 10 of the 19 industry sectors rose in trend terms in July. But in five of the 19 sectors, spending rose or fell by 0.1 per cent or less. Spending by Government Services fell by 1.7 per cent. And spending by Business Services fell by 1.0 per cent – the biggest fall in 17 months.

Figure 1: Australian sales, trend month

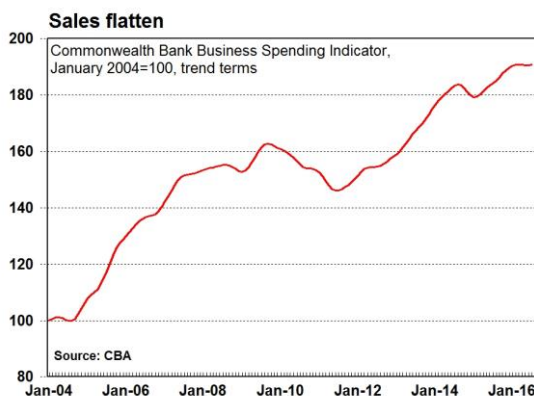
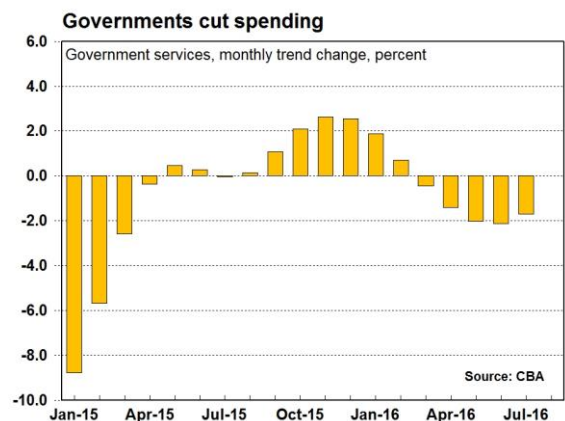


Figure 2: Government services, monthly trend %



- One of the strongest gains occurred in Clothing Stores with spending up 1.1 per cent in trend terms in July after gains of 1.5 per cent in June and 1.6 per cent in May. Spending at Mail Order/Telephone Order Providers rose by 1.1 per cent with Miscellaneous Stores up 1.0 per cent.
- In annual terms in July, only four of the 19 industry sectors contracted including Amusement & Entertainment and Automobiles & Vehicles.
- At the other end of the scale, sectors with strongest annual growth in July included: Hotels & Motels (up 14.3 per cent); Mail Order/Telephone Order Providers; and Miscellaneous Stores (up 10.8 per cent).
- Across states and territories in July sales fell just in NSW (down 0.3 per cent) – the third month of declines. Of the other states and territories, strongest was Northern Territory (up 0.6 per cent), followed by South Australia (up 0.4 per cent) ACT and Victoria (both up 0.3 per cent). Western Australia and Tasmania (both up 0.2 per cent). Sales were broadly flat in Queensland.
- In annual terms only Victoria had sales below a year ago (down 1.0 per cent). Strongest growth was in ACT (up 8.7 per cent), from Tasmania (up 7.5 per cent), Northern Territory (up 6.9 per cent), South Australia (up 5.8 per cent), NSW (up 5.4 per cent), Western Australia (up 5.3 per cent), and Queensland (up 3.2 per cent).

Figure 3: Clothing stores, monthly trend (%)

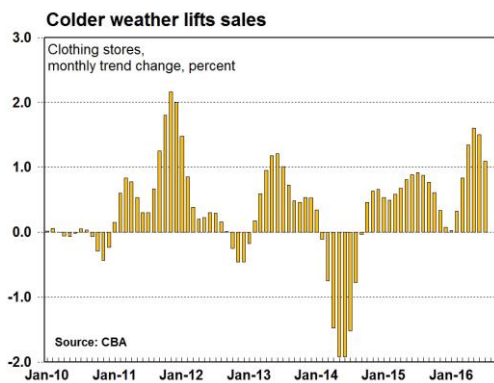
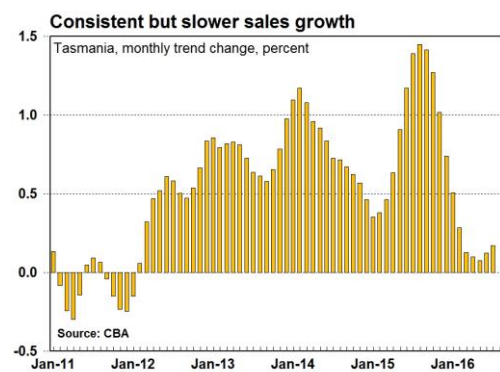


Figure 4: Tasmania, monthly trend (%)



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 | |

DISCLOSURE AND DISCLAIMER APPENDIX

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