

Spending slows to a crawl

- Economy-wide spending has slowed to a crawl, growing at the slowest pace in 10 months according to new data. In trend terms the Commonwealth Bank Business Sales Indicator (BSI), lifted by just 0.2 per cent in July, the slowest pace since September 2012.
- The more volatile seasonally adjusted estimate of spending fell by 2.0 per cent in July after falling by 2.1 per cent in June and expanding by 5.4 per cent gain in May. Annual growth remains firm however at 6.9 per cent, up from 4.4 per cent in June.
- 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, six of the 19 industry sectors contracted in trend terms in July, up from five in June and up from four sectors in May. But only of the eight states and territories recorded weaker sales in trend terms in July – a similar result to the May and June results.
- 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 July 2013

- The good news is that economy-wide spending expanded for the 11th straight month in July according to the latest Commonwealth Bank Business Sales Indicator (BSI). But the bad news is that the pace of growth was the weakest in 10 months.
- The BSI grew by 0.2 per cent in trend terms in July, the weakest growth since September 2012 and down from 0.6 per cent growth in June, 0.8 per cent in May and growth rates of 1.0-1.1 per cent recorded from January to April. But based on the solid monthly growth rates earlier in 2013, annual growth lifted from 7.5 per cent to a fresh 5½ year high of 7.9 per cent in July.
- The seasonally-adjusted measure of sales fell by 2.0 per cent in July after dropping by 2.1 per cent in June and expanding by 5.4 per cent lift in May. However annual growth in spending lifted from 4.2 per cent to 6.9 per cent, up from the 5.9 per cent average pace 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. 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, six of the 19 industry sectors fell in trend terms in July. Spending fell most in Utilities, down by 1.6 per cent, followed by Business Services (down 1.4 per cent), Transportation & Automobile & Vehicle Rentals (both down 0.4 per cent); Repair Services and Hotels & Motels (both down by 0.2 per cent). Amongst the strongest sectors in July were Amusement & Entertainment (up 6.0 per cent) and Mail Order/Telephone Order Providers (up by 2.5 per cent).

Figure 1: BSI Monthly Trend

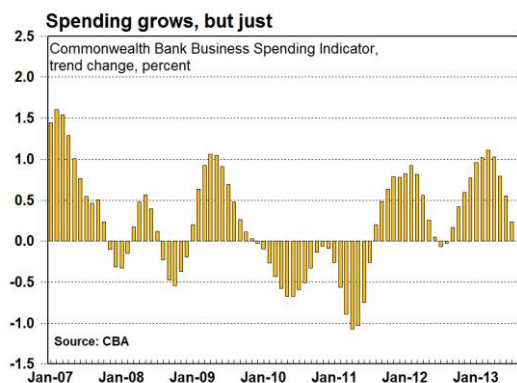
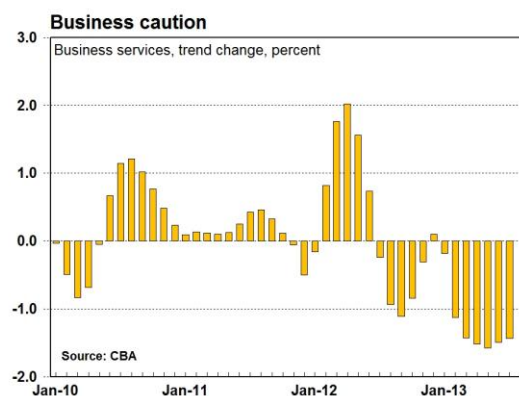


Figure 2: Business Services, monthly trend growth, per cent



- In annual terms in July, only four of the 19 industry sectors contracted, a similar result to June and down from five sectors in May. Spending in Business Services fell for the fifth straight month, down 11.3 per cent and the biggest fall in almost six years. Other sectors recording weaker sales than a year earlier include Mail Order/Telephone Order Providers, Hotels & Motels and Service and Automobile & Vehicle Rentals.
- At the other end of the scale, sectors with strongest annual growth include Wholesale Distributors & Manufacturers, Government Services and Amusement & Entertainment.
- Only one of the states and territories recorded weaker sales in trend terms in July: Western Australia. Sales in Western Australia have softened markedly in recent months and data now spending contracted 0.6 per cent in trend terms in July after declines of 0.4 per cent in June and 0.1 per cent in May. Sales rose most in ACT (up 1.0 per cent), followed by Tasmania (up 0.6 per cent), Queensland (up 0.5 per cent), NSW (up 0.3 per cent). Trend sales in Victoria and Northern Territory both rose by less than 0.1 per cent.
- The trend BSI has now risen for 26 months in the Northern Territory, for 25 straight months in both Queensland and South Australia, for 22 straight months in ACT and for 16 straight months in Tasmania.
- In annual terms, no state or territory had sales below a year ago. Strongest growth was posted in ACT (up 15.0 per cent), followed by South Australia (up 11.4 per cent), NSW (up 9.5 per cent), and Tasmania (up 8.5 per cent).

Figure 3: ACT, monthly trend spending (%)

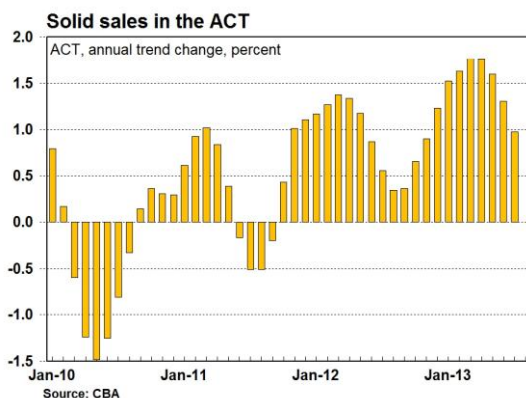
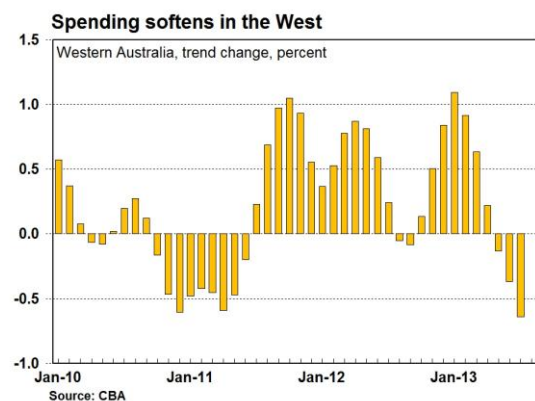


Figure 4: Western Australia, monthly trend spending (%)



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 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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