

Economy-wide spending stagnates

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – fell slightly in May, driven by weaker spending across Government and Business sectors and the large Retail Store segment.
- The Business Sales Indicator fell by 0.1 per cent in May after a similar decline in April and a flat result in March. Sales had previously grown between March 2015 and February 2016.
- Annual growth slowed from 4.9 per cent to 4.1 per cent. The more volatile seasonally adjusted BSI fell by 1.6 per cent in May after rising by 1.9 per cent in April.
- At a sectoral level, 14 of the 19 industry sectors expanded in trend terms in May, a similar result to April. And sales rose in five of the eight states and territories in May.
- 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 May 2016

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – fell by 0.1 per cent in May after a similar decline in April and broadly flat result in March.
- Analysis had been complicated in recent months. There was an extra day in February (leap year) and Easter occurred earlier this year. Easter Sunday occurred on March 27 – the earliest occurrence in eight years.
- But it has been clear that economy-wide spending growth had slowed. And that was confirmed with the latest data. Before March, spending had grown for 15 straight months.
- The annual growth of spending eased from 4.9 per cent to 4.1 per cent in May. The annual growth rate had held at above-normal levels of between 7.0-7.6 per cent between April and November 2015.
- The seasonally-adjusted measure of sales fell by 1.6 per cent in May after a 1.9 per cent gain in April and 0.8 per cent fall in March.
- 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, only five of the 19 industry sectors fell in trend terms in May: Automobiles & Vehicles; Business Services; Amusement & Entertainment; Retail Stores and Government Services. Spending by government Services fell by 1.5 per cent, the biggest fall in over a year.

Figure 1: Australian sales, trend month

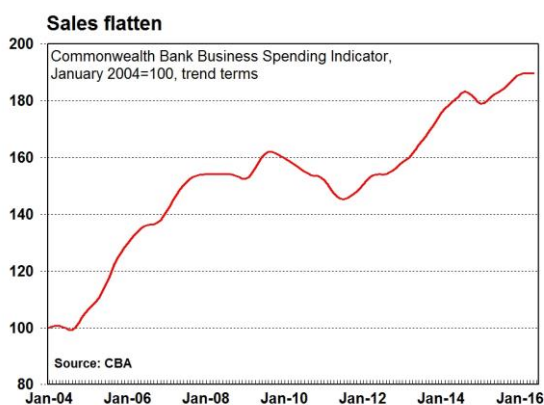
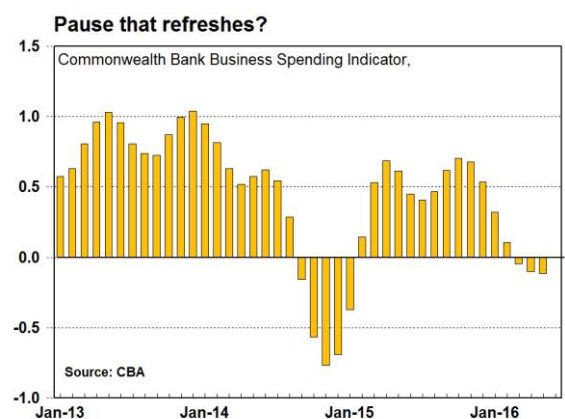


Figure 2: Australian sales, monthly trend %



- One of the strongest gains occurred in Personal Service Providers (includes Dry Cleaners, Hairdressing, Photographic Studios) with spending up 0.6 per cent in trend terms in May, the 45th monthly gain. Spending at Repair Services also rose by 0.6 per cent – the 27th straight monthly gain.
- In annual terms in May, six of the 19 industry sectors contracted including: Retail Stores, Airlines, Automobiles & Vehicles and Business Services.
- At the other end of the scale, sectors with strongest annual growth in May included: Hotels & Motels (up 14.6 per cent); Miscellaneous Stores (up 10.2 per cent); and Government Services (up 9.0 per cent).
- Across states and territories in May sales fell just in Northern Territory (down by 0.8 per cent), Victoria (down by 0.6 per cent) and NSW (down by 0.2 per cent). Of the other states and territories, strongest was South Australia (up 0.5 per cent) followed ACT (up 0.3 per cent), Western Australia and Queensland (both up by 0.2 per cent) and Tasmania (up 0.1 per cent).
- In annual terms only Victoria had sales below a year ago (down 2.5 per cent). Strongest growth was in Tasmania (up 10.1 per cent), from ACT (up 8.5 per cent), NSW (up 7.2 per cent), Western Australia (up 6.0 per cent), South Australia (up 5.7 per cent), Northern Territory (up 4.7 per cent) and Queensland (up 4.6 per cent).

Figure 3: Personal Service Providers, monthly trend (%)

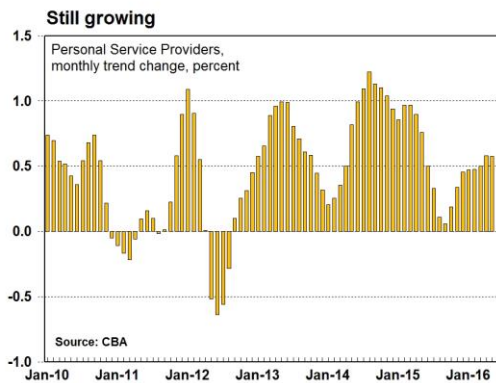
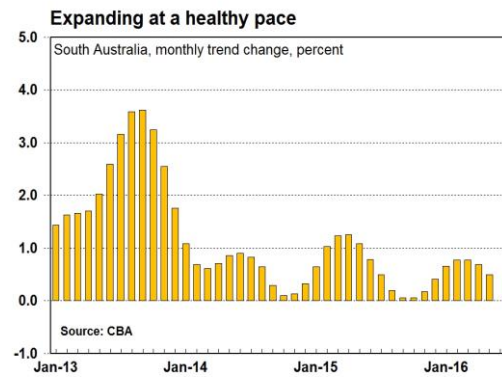


Figure 4: South Australia, monthly trend (%)



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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