

Lacklustre spending across the economy

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – was broadly unchanged in April after a revised 0.1 per cent gain in March.
- Annual trend growth in sales slowed from 5.9 per cent to a 4-month low of 5.8 per cent in April.
- The more volatile seasonally adjusted BSI fell by 0.6 per cent in April after rising by 1.2 per cent in March. Annual growth stands at 4.8 per cent.
- At a sectoral level, 14 of the 19 industry sectors were flat or higher in trend terms in April, up from 12 sectors in March. And sales rose in seven of the eight states and territories in April.
- 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 April 2017

- Economy-wide spending was lacklustre in April. The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – was flat in April in trend terms after a revised 0.1 per cent rise in March.
- Spending growth has averaged 0.5 per cent a month over the past year.
- As we noted last month, the timing of Easter and school holidays may have affected spending levels and a clearer picture of economy-wide spending should emerge over the next couple of months. Importantly prior results have been revised and now show a closer relationship with the Australian Bureau of Statistics retail trade data. Over the past couple of months spending growth has slowed, potentially due to uncertainty of the Federal Budget. The softer spending data is in accordance with the consumer confidence - which has flattened in the last few months.
- Annual trend sales growth eased from 5.9 per cent to a 4-month low of 5.8 per cent in April.
- The more volatile seasonally-adjusted BSI fell by 0.6 per cent in April after rising by 1.2 per cent in March. Annual growth stands at 4.8 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 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, 12 of the 19 industry sectors rose in trend terms in April. The biggest drop in sales occurred at Government Services (down 1.8 per cent) and Business Services (down 0.6 per cent).

Figure 1: Australian sales, trend index

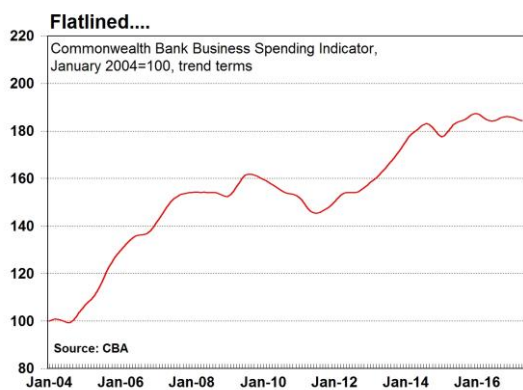
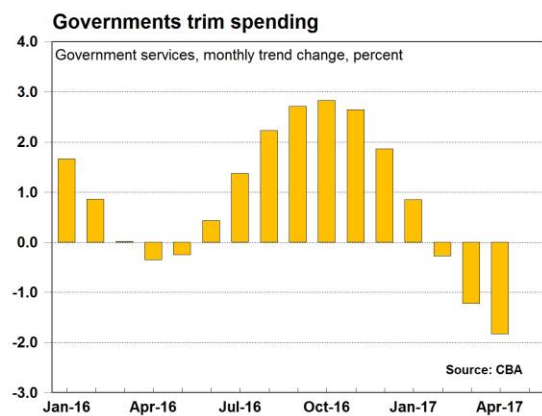


Figure 2: Government sales, trend monthly %



- On the other side of the equation, the strongest gains in sales occurred in Amusement & Entertainment (up 2.0 per cent) from Miscellaneous Stores (up 0.9 per cent).
- Other notable trend increases in sales occurred in Hotels & Motels (up 0.8 per cent) and Service Providers (up 0.6 per cent).
- In annual terms in April, only two of the 19 industry sectors contracted: Mail Order/Telephone Order Providers, and Transportation.
- At the other end of the scale, sectors with strongest annual growth in April included: Hotels & Motels (up 15.3 per cent), Service Providers (up 14.4 per cent) and Automobiles & Vehicles (up 13.8 per cent).
- Across states and territories in April, sales were stronger in all seven of the states and territories. Strongest were Northern Territory (up 0.9 per cent), Tasmania (up 0.7 per cent), Western Australia (up 0.5 per cent), Victoria (up 0.4 per cent), South Australia (up 0.3 per cent), Queensland (up 0.1 per cent), and ACT (up 0.1 per cent). NSW fell by 0.3 per cent.
- Spending has consistently increased in Western Australia for 71 months, for 69 months in South Australia and for 63 months in Tasmania.
- In annual terms all states and territories had sales above a year ago. Strongest growth was Tasmania (up 8.1 per cent), from Western Australia and the ACT (both up 7.9 per cent), South Australia (up 7.8 per cent), Queensland (up 6.5 per cent), Northern Territory (up 5.0 per cent), NSW (up 4.3 per cent), and Victoria (up 4.2 per cent).

Figure 3: Tasmania, monthly trend (%)

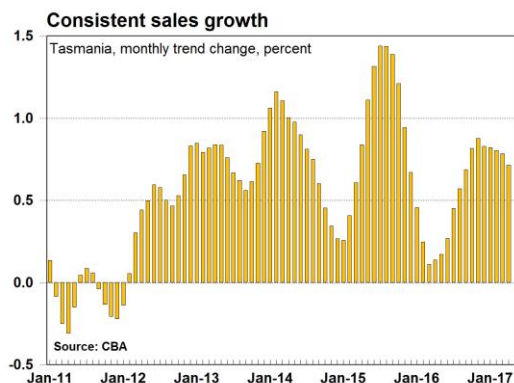
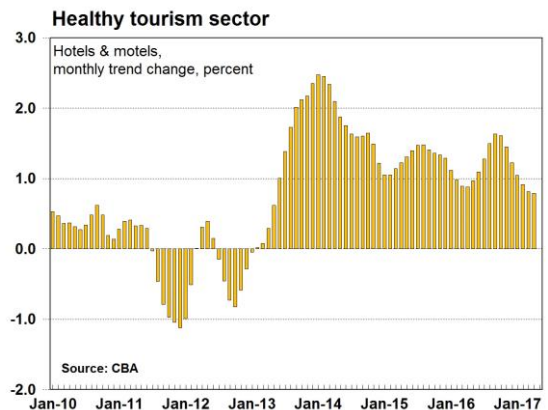


Figure 4: Hotels & Motels, month trend (%)



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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