

Solid economy-wide spending

- According to the Commonwealth Bank Business Sales Indicator (BSI), economy-wide spending posted solid growth in trend terms in October.
- The overall BSI rose by 0.6 per cent in trend terms in October, matching gains in the preceding three months. Annual growth remained solid at 7.5 per cent – the sixth straight month where annual growth has held between 7.4-7.5 per cent. Annual growth remains well above the decade-average trend of 5.1 per cent.
- The more volatile seasonally adjusted estimate of spending rose by 0.5 per cent in October after posting a 3.3 per cent gain in September. Annual growth slowed from 9.0 per cent to 7.4 per cent.
- At a sectoral level, just six of the 19 industry sectors contracted in trend terms in October, matching similar results for August and September. And all states and territories recorded positive trend sales growth 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.
- 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 October 2015

- The Commonwealth Bank Business Sales Indicator (BSI), a measure of economy-wide spending, recorded solid sales growth in October. The BSI lifted by 0.6 per cent in October, matching gains from July-September but down from the 0.7-0.8 per cent gains recorded from March to June 2015. Annual growth of spending remains steady at 7.5 per cent, well above the decade-average of 5.1 per cent.
- The seasonally-adjusted measure of sales posted growth of 0.5 per cent in October after a solid 3.3 per cent gain in September. But annual growth eased from an 11-month high of 9.0 per cent to 7.4 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 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, just six of the 19 industry sectors fell in trend terms in October: Airlines, Amusement & Entertainment, Automobiles & Vehicles, Government Services, Personal Service Providers and Utilities.
- Of the sectors recording gains, notable was Miscellaneous Stores and Mail Order/Telephone Order Providers (both up 1.1 per cent) Transportation & Hotels/Motels (both up 1.0 per cent).
- The large Retail Stores sector grew by 0.8 per cent in October and has grown by between 0.8-0.9 per cent per month over the past five months.

Figure 1: Australian sales, monthly %

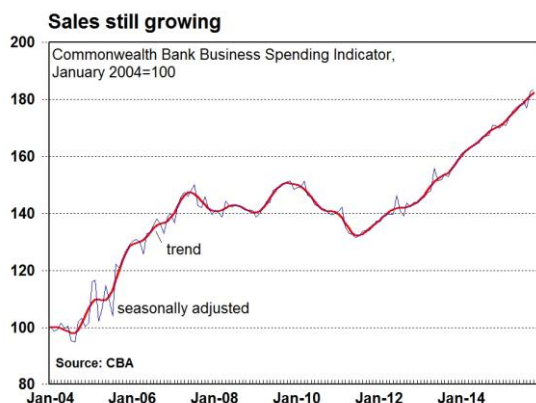
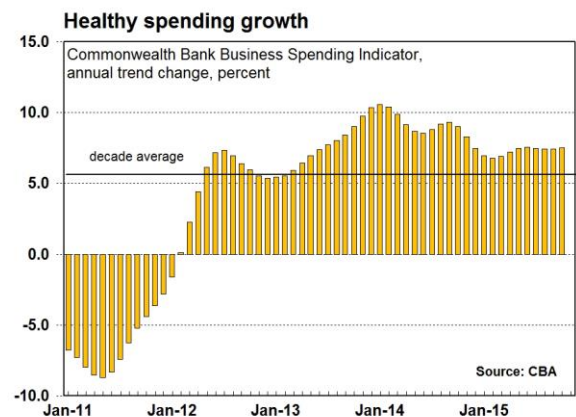


Figure 2: Australian sales, annual trend %



- The Business Services sector also grew by 0.3 per cent in October after a 0.6 per cent gain in September. Sales at Business Services outlets have now grown for the past eight months in trend terms.
- In annual terms in October, six of the 19 industry sectors contracted including: Mail Order/Telephone Order Providers, Automobile and Vehicle Sales and Business Services.
- At the other end of the scale, sectors with strongest annual growth in October included: Hotels & Motels; Miscellaneous Stores; Amusement & Entertainment, Transportation and Wholesale Distributors & Manufacturers.
- Sales rose in all of the states and territories in October: Tasmania (up 1.3 per cent), Western Australia (up 0.6 per cent), NSW (up 0.5 per cent), South Australia, Victoria and the ACT (all up 0.3 per cent), Queensland (up by 0.2 per cent) and Northern Territory (up less than 0.1 per cent)
- In annual terms, two states and territories had sales below a year ago in October: Northern Territory (down 6.9 per cent) and NSW (down 1.2 per cent. At the other end of the scale, growth was strongest in Tasmania (up 10.9 per cent) from South Australia (up 9.2 per cent), Western Australia (up 8.6 per cent), the ACT (up 8.3 per cent), and Queensland (up 6.0 per cent) and Victoria (up 0.5 per cent).

Figure 3: Amusement & Entertainment, monthly trend (%)

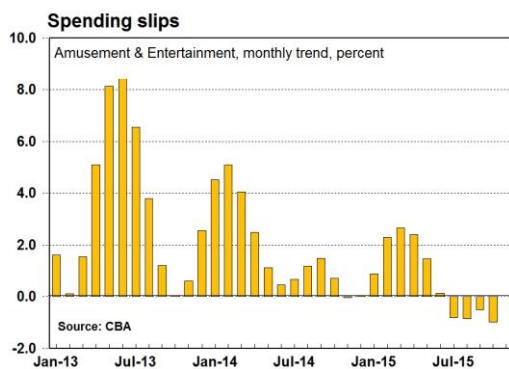
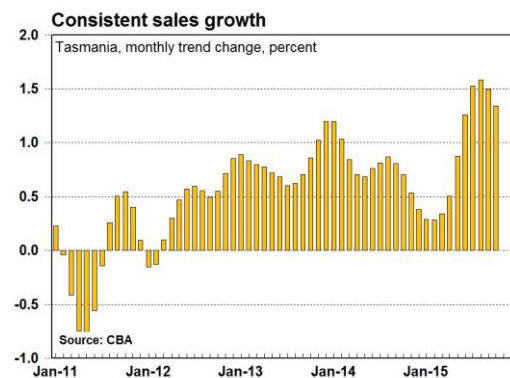


Figure 4: Tasmania, monthly trend (%)



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

- | | |
|--|--|
| 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**Craig James – Chief Economist, CommSec (Author)****(02) 9118 1806 (work), 0419 695 082 (mobile) | craig.james@cba.com.au**

Produced by Commonwealth Research based on information available at the time of publishing. We believe that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made as at the time of its compilation, but no warranty is made as to accuracy, reliability or completeness. To the extent permitted by law, neither Commonwealth Bank of Australia ABN 48 123 123 124 nor any of its subsidiaries accept liability to any person for loss or damage arising from the use of this report. The report has been prepared for information purposes only.

The report has been prepared for information purposes only without taking account of the objectives, financial situation or needs of any particular individual. For this reason, any individual should, before acting on the information in this report, consider the appropriateness of the information, having regard to the individual's objectives, financial situation and needs and, if necessary, seek appropriate professional advice.

All material presented in this report, unless specifically indicated otherwise, is under copyright to the Commonwealth Bank of Australia Group. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior written permission of the appropriate entity within the Commonwealth Bank of Australia Group.