

Spending gains momentum before Christmas

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – lifted by 0.4 per cent in trend terms in October, matching the gain in September. It was the biggest back-to-back increase in spending in nine months.
- Spending growth slowed from December 2015, culminating in flat sales over March and April 2016. But sales have consistently strengthened in the period since.
- Annual trend growth in sales slowed from 3.9 per cent to 3.7 per cent in October.
- The more volatile seasonally adjusted BSI fell by 0.6 per cent in October after lifting by 0.4 per cent in September and lifting by 0.9 per cent in August.
- At a sectoral level, 13 of the 19 industry sectors expanded in trend terms in October, down from 14 sectors in August and September. And sales rose in seven of the eight states and territories in October.
- 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 2016

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – rose by 0.4 per cent in October after a similar gain in September. Spending growth had slowed earlier in the year ahead of the UK vote on European Union membership ('Brexit') and the Australian Federal Election. But spending is now expanding slightly faster than the average monthly rate over the decade.
- Over the first six months of 2016, economy-wide spending grew on average by 0.2 per cent a month in trend terms; down from 0.5 per cent average monthly gains over 2015. But over the past four months spending has grown on average by 0.4 per cent a month.
- Annual trend growth in sales slowed from 3.9 per cent to 3.7 per cent in October.
- The seasonally-adjusted measure of spending fell by 0.6 per cent in October after lifting by 0.4 per cent in September and lifting by 0.9 per cent in August.
- 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, 13 of the 19 industry sectors rose in trend terms in October. And in nine of the 19 sectors, spending rose or fell by 0.3 per cent or less.

Figure 1: Australian sales, trend month

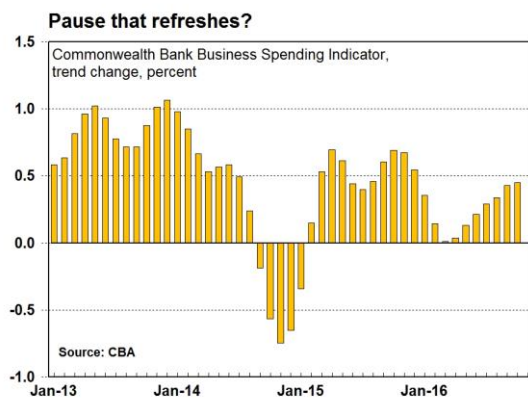
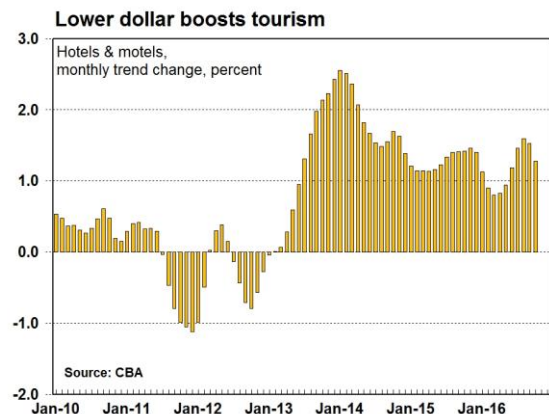


Figure 2: Hotels & Motels, monthly trend %



- One of the strongest gains occurred in Government Services with spending up 2.9 per cent in trend terms in October after lifting by 2.6 per cent in September – the strongest back-to-back gains in almost three years. Spending at Amusement & Entertainment was also strong – up 2.5 per cent in October after a 2.7 per cent gain in September.
- Spending fell most at transportation, down 1.2 per cent in October and the sixth straight decline. Business services fell 0.4 per cent in October, the fifth straight decline.
- In annual terms in October, only four of the 19 industry sectors contracted: Retail Stores, Transportation, Business Services, and Automobiles & Vehicles.
- At the other end of the scale, sectors with strongest annual growth in October included: Hotels & Motels (up 15.5 per cent), Wholesale Distributors & Manufacturers (up 12.2 per cent) and Mail Order/Telephone Order Providers (up 11.4 per cent) and
- Across states and territories in October sales fell just in Tasmania (down 0.1 per cent). Of the other states and territories, strongest were NSW (up 0.8 per cent) followed by the ACT and Western Australia (both up 0.6 per cent), Queensland (up 0.4 per cent), South Australia (up 0.3 per cent), Northern Territory (up 0.2 per cent) and Victoria (up by less than 0.1 per cent).
- In annual terms all states and territories has sales above a year ago. Strongest growth was in South Australia (up 7.0 per cent), from Western Australia (up 6.0 per cent), ACT (up 5.8 per cent), NSW (up 5.5 per cent), Queensland (up 4.6 per cent), Tasmania (up 3.8 per cent) and Northern Territory (up 3.2 per cent). Spending in Victoria was down by 1.6 per cent on a year ago.

Figure 3: Government, monthly trend (%)

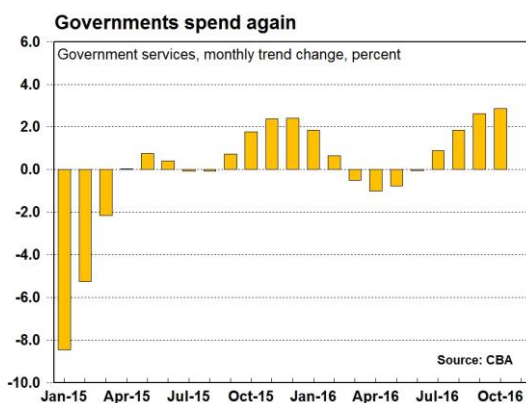
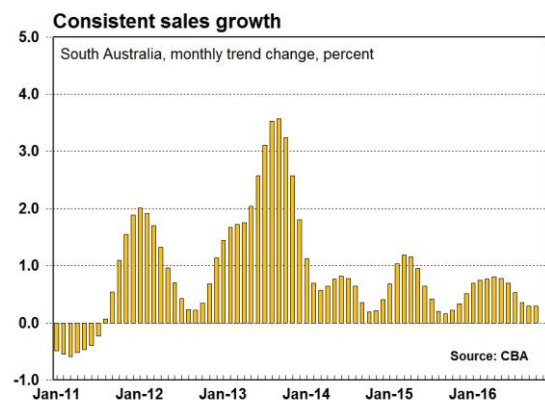


Figure 4: South Australia, month trend (%)



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 | |

DISCLOSURE AND DISCLAIMER APPENDIX

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