

Spending recovery gathers pace

- Latest data indicates that Australian consumers are becoming more confident and lifting spending. According to the Commonwealth Bank Business Sales Indicator (BSI), spending rose by 0.8 per cent in trend terms in January, the fifth straight gain in sales and the strongest increase in 10 months.
- The more volatile seasonally adjusted estimate of spending continued the zig-zag run that has extended over the past six months, lifting by 1.9 per cent in January after a 1.3 per cent fall in December. Annual growth stands at 6.4 per cent.
- 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, only three of the 20 industry sectors contracted in trend terms in January, down from six sectors in December. And none of the eight states and territories recorded weaker sales in trend terms in January, a similar result to December.
- 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 January 2013

- Aussie consumers and businesses have begun 2013 more confidently with economy-wide spending posting solid growth. According to the latest Commonwealth Bank Business Sales Indicator (BSI) spending grew by 0.8 per cent in trend terms in January, the fifth consecutive monthly increase in spending and the strongest increase in 10 months.
- The trend series is currently more instructive given volatility in the seasonally adjusted series. We noted last month that economy-wide spending was lifting, but this was being masked by volatility in the seasonally-adjusted series. And this volatility did continue in January with spending lifting by 1.9 per cent in seasonally-adjusted terms in January after a 1.3 per cent decline in December. The lift in spending in January coincided with post-Christmas sales, suggesting that consumers are more inclined to spend when goods or services are discounted.
- 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, only three of the industry sectors fell trend terms in January, down from six sectors in December and eight sectors in November. The strongest monthly trend increase in sales occurred in Service providers (largely financial firms) (up 3.7 per cent), followed by Transportation (up 2.0 per cent), Government Services (up 1.2 per cent) and Airlines (nfp).
- Amongst the weakest sectors in January were Mail Orders & Telephone Order Providers (down 1.6 per cent), Professional Services & Membership Organisations (down 0.4 per cent) Hotels & Motels (down 0.1 per cent).

Figure 1: BSI Monthly Trend

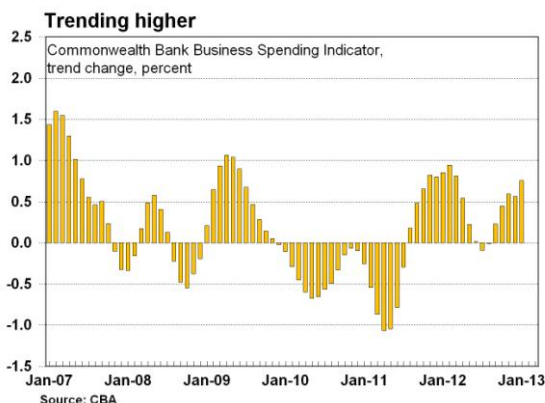
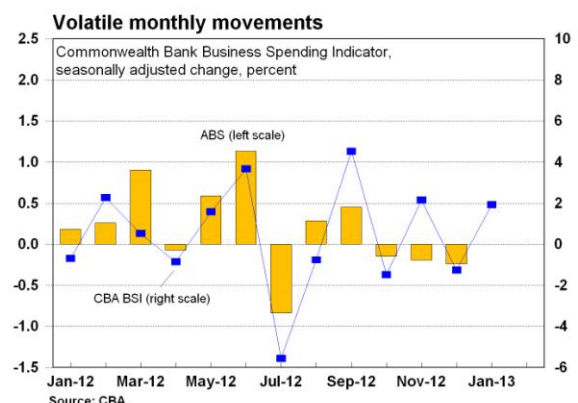


Figure 2: BSI Monthly seasonally adjusted versus Australian Bureau of Statistics retail trade



- In annual terms, just four of the 20 industry sectors contracted in January, a similar result to both November and December. Spending fell in Airlines (nfp), Mail Orders & Telephone Order Providers (down 5.7 per cent), Hotels & Motels (down 2.5 per cent) and Automobile/Vehicle Rentals (down 0.6 per cent).
- At the other end of the scale, spending was notably higher at Amusement & Entertainment (nfp) together with Wholesale Distributors and Manufacturers (up by 17.3 per cent), Retail Stores (up 7.5 per cent), Transportation (up by 7.1 per cent) and Automobiles & Vehicles (up 6.4 per cent).
- None of the states and territories recorded weaker sales in trend terms in January. Sales rose most in the ACT (up 1.7 per cent), followed by Western Australia (up 0.9 per cent), NSW, Tasmania and Victoria (each up 0.8 per cent), Queensland (up 0.4 per cent), Northern Territory (up 0.3 per cent) and South Australia (up 0.2 per cent).
- The trend BSI has now risen for 20 straight months in Northern Territory, for 19 straight months in Queensland, for 18 months in South Australia, for 16 straight months in ACT and for nine straight months in Tasmania.
- In annual terms, no state or territory had sales below a year ago. Strongest growth was posted in ACT (up 12.1 per cent), followed by South Australia (up 10.0 per cent), followed by Queensland (up 7.7 per cent), Tasmania (up 6.1 per cent) and Western Australia (up 5.7 per cent).

Figure 3: South Australia, monthly trend spending (%)

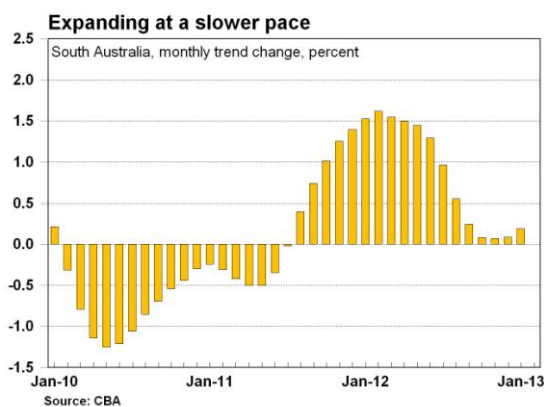
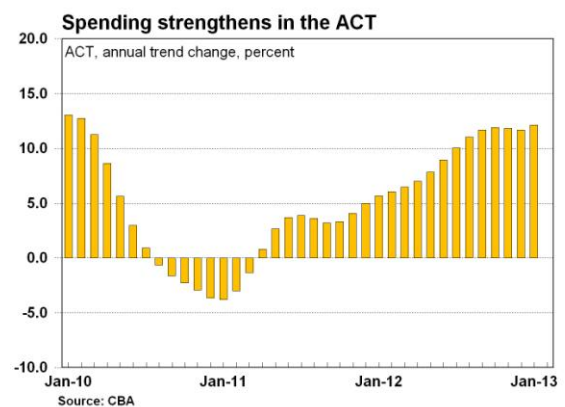


Figure 4: ACT, annual trend spending (%)



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 20 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
2. Amusement and Entertainment	12. Miscellaneous Stores
3. Automobile/Vehicle Rentals	13. Personal Service Providers
4. Automobiles and Vehicles	14. Professional Services and Membership Organisations
5. Business Services	15. Repair Services
6. Clothing Stores	16. Retail Stores
7. Contracted Services	17. Service Providers
8. Government Services	18. Transportation
9. Hotels and Motels	19. Utilities
10. Mail Order/Telephone Order Providers	20. Wholesale Distributors and Manufacturers

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

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