

Spending recovery becomes broad-based

- Economy-wide spending has continued to expand at a solid pace according to new data. In trend terms the Commonwealth Bank Business Sales Indicator (BSI), lifted by 1.0 per cent in June after 1.1 per cent growth in May and 1.2 per cent gains over both March and April.
- The more volatile seasonally adjusted estimate of spending fell by 2.1 per cent in June after a solid 5.4 per cent gain in May. And annual growth eased from 10.6 per cent to 4.4 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, just two of the 19 industry sectors contracted in trend terms in June, down from three sectors in May and down from four sectors in April. And none of the eight states and territories recorded weaker sales in trend terms in June – a situation that has now prevailed for nine months.
- 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 June 2013

- The recovery in economy-wide spending continued in June according to the latest Commonwealth Bank Business Sales Indicator (BSI). And the good news is that the recovery has broadened to encompass more sectors.
- The BSI grew by 1.0 per cent in trend terms in June, the 10th constructive monthly increase in spending and the fifth straight month that growth has exceeded 1 per cent. Annual growth lifted from 7.6 per cent to a 5½ year high of 8.7 per cent.
- The seasonally-adjusted measure of sales fell by 2.1 per cent in June after a 5.4 per cent lift in May – continuing the zig-zag movement in the series over the past year. Annual growth in spending now stands at 4.4 per cent in seasonally adjusted terms, down from the 5.8 per cent average pace over the past year.
- 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, just two of the 19 industry sectors fell in trend terms in June: spending in Business Services fell by 1.3 per cent and Transportation fell by 0.4 per cent. Amongst the strongest sectors in June were Amusement & Entertainment (up 4.0 per cent), Retail Stores (up 1.6 per cent), with Service Providers and Miscellaneous Stores both up 1.3 per cent.
- Encouragingly sales in Automobiles & Vehicles turned positive in June after four months of declines. And sales in Mail Order/Telephone Order Providers rose for the second month after 10 months of declines.

Figure 1: BSI Monthly Trend

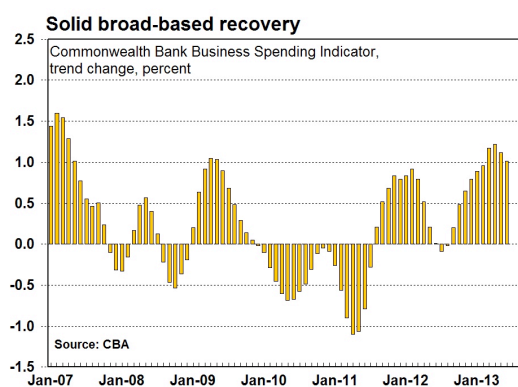
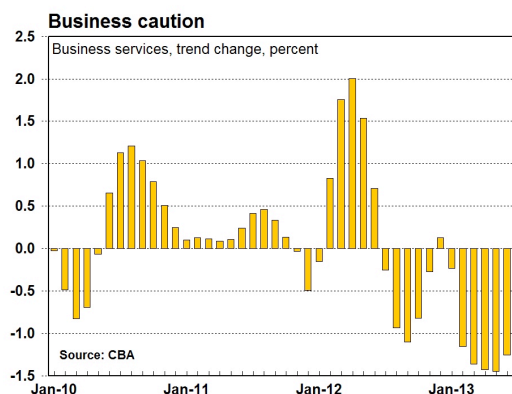


Figure 2: Business Services, monthly trend growth, per cent



- In annual terms in June, six of the 19 industry sectors contracted in June, a similar result to May but up from five sectors in April. Spending in Business Services fell for the fourth straight month, down 9.7 per cent and the biggest fall in almost six years. Other sectors recording weaker sales than a year earlier include Mail Order/Telephone Order Providers, Contracted Services, Hotels & Motels and Service and Service Providers.
- At the other end of the scale, sectors with strongest annual growth include Wholesale Distributors & Manufacturers, Retail Stores, Government Services and Amusement & Entertainment.
- None of the states and territories recorded weaker sales in trend terms in June. Sales rose most in ACT (up 1.8 per cent), followed by NSW (up 1.5 per cent), South Australia (up 1.1 per cent), Queensland and Western Australia (both up 0.6 per cent), Victoria (up 0.5 per cent), Tasmania (up 0.4 per cent) and Northern Territory (up 0.2 per cent).
- The trend BSI has now risen for 25 months in the Northern Territory, for 24 straight months in both Queensland and South Australia, for 21 straight months in ACT and for 15 straight months in Tasmania.
- In annual terms, no state or territory had sales below a year ago. Strongest growth was posted in ACT (up 16.4 per cent), followed by South Australia (up 12.7 per cent), NSW (up 10.3 per cent), and Tasmania (up 7.9 per cent).

Figure 3: Tasmania, annual trend spending (%)

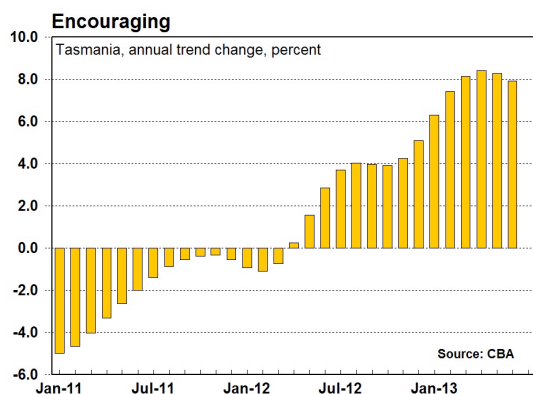
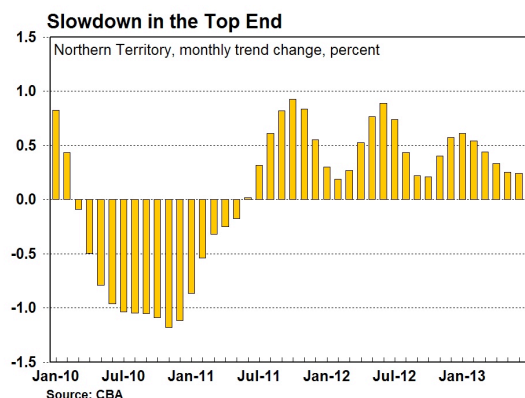


Figure 4: Northern Territory, monthly trend spending (%)



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 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