

Strongest lift in spending in six years

- Economy-wide spending has posted its strongest three-month period of growth in six years. According to the Commonwealth Bank Business Sales Indicator (BSI), spending rose by 1.0 per cent in May after a 1.2 per cent increase in April and 1.1 per cent gain in March. It was the biggest three-month lift in spending since the March-May period of 2007.
- The seasonally adjusted estimate of spending rose by 5.2 per cent in May, the strongest gain in over five years (since April 2008). The lift in the BSI in May follows a 0.1 per cent fall in April and a 1.3 per cent gain in March. Annual growth now stands at 10.3 per cent, up from 5.9 per cent in April and equalling the growth rate recorded in June 2012.
- 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, seven of the 20 industry sectors contracted in trend terms in May, up from five sectors in both March and April. But none of the eight states and territories recorded weaker sales in trend terms in May – a situation that has now prevailed for eight 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 May 2013

- Economy-wide spending is now recording firm growth, in marked contrast to the weakness exhibited from May to September last year. According to the latest Commonwealth Bank Business Sales Indicator (BSI), economy-wide spending grew by 1.0 per cent in trend terms in May, the ninth constructive monthly increase in spending. Over that past three months sales have lifted on average by 1.1 per cent a month – the strongest growth in six years.
- The seasonally-adjusted measure of sales leapt by 5.2 per cent in May – the strongest increase in five years. The BSI had previously eased by 0.1 per cent in April after lifting by 1.3 per cent in March. Annual growth in spending now stands at 10.3 per cent in seasonally adjusted terms, up from 5.9 per cent in April.
- 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, seven of the industry sectors fell in trend terms in May but declines were fairly modest. Amongst the weakest sectors in May were Mail Orders & Telephone Order Providers (down 1.6 per cent) with Automobiles & Vehicles, Business Services and Hotels & Motels all losing 0.6-0.7 per cent.
- In contrast the large Retail Stores sector (31.5 per cent of the BSI) rose by 2.3 per cent in May with both Utilities and Wholesale Distributors & Manufactures up 1.4 per cent.

Figure 1: BSI Monthly Trend

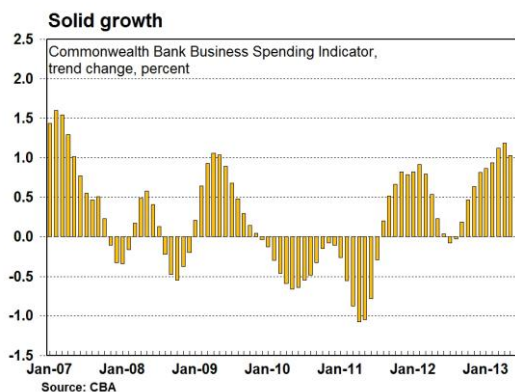
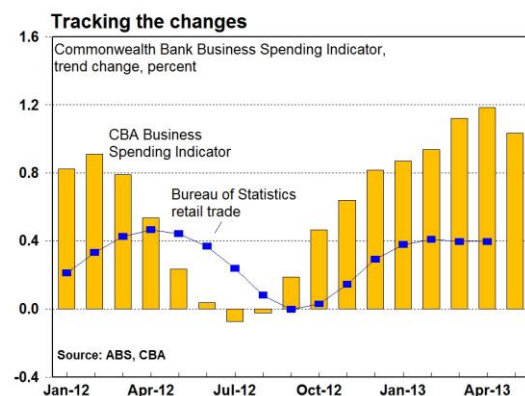


Figure 2: BSI Monthly trend versus Australian Bureau of Statistics trend retail trade



- In annual terms in May, the BSI was up 7.4 per cent on a year ago – the best growth since December 2007. Six of the 20 industry sectors contracted in May, up from five sectors in April and four sectors in March. Spending in Business Services fell for the third straight month, down 6.2 per cent and the biggest fall in around 5½ years. And sales at Mail Orders & Telephone Order Providers fell at a 28.1 per cent annual pace in May after rising at an annual rate of around 20 per cent between March-June 2012.
- Strongest growth was recorded by the large Retail Stores sector, up 12.9 per cent on a year ago, while the Wholesale Distributors & Manufactures sector was up 11.0 per cent, followed by Utilities, up 9.2 per cent, Government services, up 8.6 per cent.
- None of the states and territories recorded weaker sales in trend terms in May. Sales rose most in NSW (up 1.9 per cent), followed by the ACT (up 1.5 per cent), South Australia (up 1.0 per cent), Queensland (up 0.6 per cent), Western Australia (up 0.3 per cent), Northern Territory and Victoria (up 0.2 per cent) and Tasmania (flat).
- The trend BSI has now risen for two years in the Northern Territory, for 23 straight months in both Queensland and South Australia, for 20 straight months in ACT and for 14 straight months in Tasmania.
- In annual terms, no state or territory had sales below a year ago. Strongest growth was posted in ACT (up 13.3 per cent), followed by South Australia (up 12.2 per cent), NSW (up 8.8 per cent), and Queensland (up 7.5 per cent).

Figure 3: ACT, monthly trend spending (%)

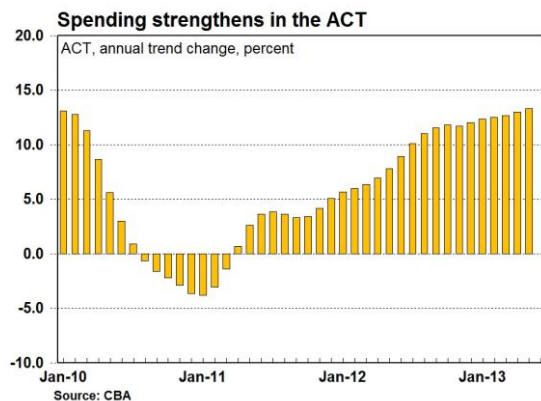
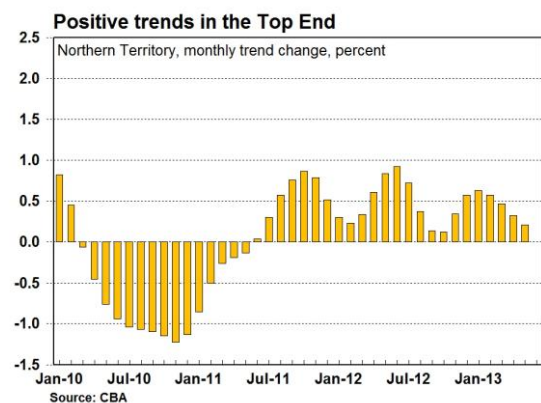


Figure 4: Northern Territory, monthly trend spending (%)



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 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**

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