

Solid run of spending growth continues

Commonwealth Bank Business Sales Index

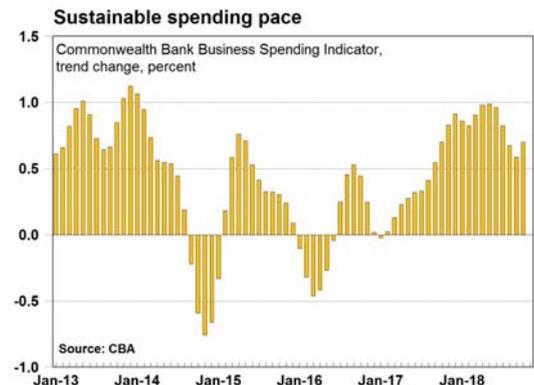
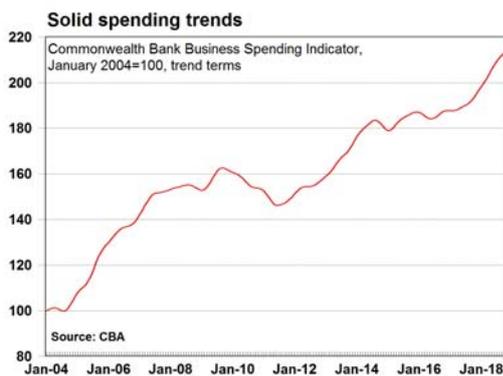
- The Commonwealth Bank Business Sales Indicator (BSI), a measure of economy-wide spending, rose by 0.7 per cent in trend terms in October – the 20th month of sales growth. Spending is tracking above the 0.4 per cent average long-term monthly pace of sales growth.
- The annual trend growth in sales eased from 10.5 per cent to 10.4 per cent in October although it remains above the long-term average pace of 5.6 per cent.
- The more volatile seasonally adjusted measure of the BSI rose by 1.8 per cent in October – the ninth gain in ten months.
- At a sectoral level, 15 of 19 industry sectors rose in trend terms in October, a result matching the September performance. And sales rose in seven of the states and territories in the month.
- 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.

What does it all mean?

- Consumers, businesses and governments continue to spend. The strength of the broader economy, especially the job market, is supporting spending as is benign inflation.

What does the data show?

- The Commonwealth Bank Business Sales Indicator (BSI) – a measure of economy-wide spending – rose by 0.7 per cent in trend terms in October after a 0.6 per cent increase in September. Economy-wide sales have now lifted for 20 consecutive months.
- The growth pace started lifting in March 2017 and over the period from November 2017 to July 2018 the BSI consistently recorded monthly gains of between 0.9-1.3 per cent a month. Growth in sales has held between 0.6-



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0.7 per cent a month for the past three months, still above the long-term average pace of 0.4 per cent.

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- The more volatile seasonally adjusted measure of the BSI rose by 1.8 per cent in October – the ninth gain in the past ten months.
- The Commonwealth Bank BSI is obtained by tracking the value of credit and debit card transactions processed through the Commonwealth Bank merchant facilities. And in line with the practice of the Bureau of Statistics with 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, 15 of the 19 industry sectors rose in trend terms in October. The biggest lift in sales occurred for Amusement & Entertainment (up 1.7 per cent) followed by Retail Stores (up 1.5 per cent) and Government Services (up 1.4 per cent). Sales fell in Automobiles & Vehicles and Mail Order/Telephone Order Providers (both down 0.5 per cent) and Clothing Stores and Miscellaneous Stores (both down 0.2 per cent).
- The 0.5 per cent fall in sales at Automobiles & Vehicles was the biggest drop in 17 months.
- Encouragingly, the 0.5 per cent lift in Business Services sales was biggest increase for twelve months. And the 0.6 per cent lift in sales at Hotels & Motels extends the period of consecutive monthly growth to more than 5½ years.
- In annual terms in October, all but one of the 19 industry sectors recorded gains. Spending fell by 2.8 per cent over the past year in the Clothing sector.
- At the other end of the scale, sectors with strongest annual growth in October included Retail Stores (up 18.2 per cent), Amusement & Entertainment (up 13.0 per cent) and Airlines (up 12.6 per cent).
- Sales were stronger across all states and territories in October except Northern Territory (down 1.0 per cent). The strongest growth occurred in Queensland (up 0.9 per cent) from NSW and Victoria (both up 0.7 per cent); the ACT (up 0.6 per cent); and South Australia, Western Australia and Tasmania (all up 0.4 per cent).
- In annual terms all states and territories except Northern Territory (down 1.1 per cent) had sales above a year ago. The strongest growth was Queensland (up 14.3 per cent) from Victoria (up 12.2 per cent); Western Australia (up 10.7 per cent); South Australia (up 9.2 per cent); ACT (up 8.9 per cent); NSW (up 7.8 per cent); and Tasmania (up 6.8 per cent).

What is the importance of the report?

- The **Commonwealth Bank releases its Business Sales Index (BSI)** around the 20th each month. The data provides a broader perspective of consumer spending. The BSI 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.

What are the implications for interest rates and investors?

- Retailers would be encouraged by recent spending trends in the lead-up to Christmas.
- CommSec continues to expect stable interest rate settings until late 2019.

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