

Firm spending growth in March Commonwealth Bank Business Sales Index

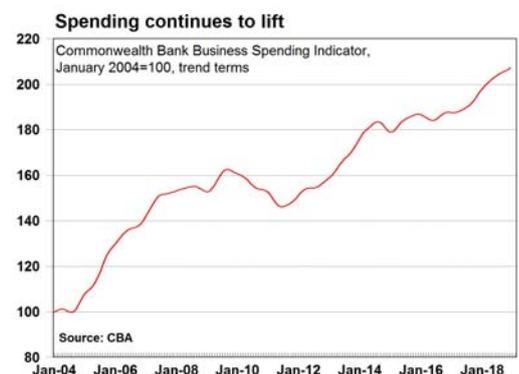
- The pace of economy-wide spending is continuing to lift according to the Commonwealth Bank Business Sales Indicator (BSI). The BSI, a measure of economy-wide spending, rose by 0.7 per cent in March after a similar lift in February. Spending growth remains above the 0.4 per cent long-term average monthly growth pace.
- The annual trend sales growth rose from 5.4 per cent to 5.6 per cent in March, just above the 5.5 per cent long-term average growth pace.
- The more volatile seasonally-adjusted measure of the BSI rose by 0.7 per cent in March, the ninth gain in 11 months.
- At a sectoral level, 12 of 19 industry sectors rose in trend terms in March, with four sectors broadly flat. In February, 13 of the 19 sectors posted gains in sales.
- Spending rose across all states and territories in March except Northern Territory.
- 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?

- Spending continues to lift at a faster pace than the long-term average. Travel-related spending remains healthy. The Aussie dollar certainly softened over 2018 and into 2019, encouraging local travel. Lower petrol prices and domestic airfares have also supported the Hotels & Motels and Transportation sectors. The strength in domestic travel remains a positive driver for tourist regions.
- Business and government sectors continue to restrain spending while consumers are cutting back on big-ticket purchases like cars.

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 March after a similar rise in February. The February and March growth rates were the strongest recorded in the past 14 months.
- Over the period from October 2017 to January 2018 the BSI consistently recorded monthly gains of between 0.7-0.9 per cent a month. Growth in sales trended down over 2018, reaching 0.3 per cent a month from September-November 2018. Monthly growth rates have lifted from December. The current monthly growth pace of 0.7 per cent is above the long-term average pace of 0.4 per cent.
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- 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, 12 of the 19 industry sectors rose in trend terms in March. Amongst the biggest gains in sales were recorded by Amusement & Entertainment and Transportation (both up 1.6 per cent); and Hotels & Motels up 1.2 per cent.
- Sales fell most in Business Services (down by 0.9 per cent); and Government Services (down by 0.3 per cent).
- Sales at Clothing Stores; Contracted Services; Repair Services; and Wholesale Distributors & Manufacturers were all broadly flat in March.
- Of note, Airlines have now shown consistent monthly sales growth for just over three years.
- In annual terms in March, all but six of the 19 industry sectors recorded gains. Spending fell by 4.8 per cent over the past year in Government Services with Automobile/Vehicle Rentals down 2.6 per cent; Wholesale Distributors & Manufacturers (down 1.5 per cent); and Clothing down 1.2 per cent.
- At the other end of the scale, sectors with strongest annual growth in March included Retail Stores, Transportation, Airlines and Hotels & Motels.
- Sales were stronger across all states and territories in March except Northern Territory (down 0.4 per cent). The strongest growth occurred in Western Australia (up 0.9 per cent) followed by Victoria and Queensland (both up 0.8 per cent); NSW and Tasmania (both up 0.6 per cent); South Australia (up 0.5 per cent); and ACT (up 0.4 per cent).
- In annual terms all states and territories had sales above a year ago except Northern Territory (down 4.6 per cent). The strongest growth was in Western Australia (up 8.7 per cent) from Tasmania (up 6.4 per cent). Slowest growth was in South Australia (up 3.3 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. But it 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?

- As long as jobs are created and job security remains strong then Aussie consumers will spend. And the extra dollars should flow through to business and support business-to-business spending as well as employment. The job market is crucial to the outlook for interest rates.
- CommSec continues to expect stable interest rate settings for the foreseeable future.

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