



Media Release

For release: Embargoed until 10.00am 6 May 2014

Business sales growth slows in Q1, despite a reasonable start to 2014

Growth in sales of Australian businesses slowed to 3.5% y/y in March quarter 2014 from 4.8% y/y in December quarter 2013. Sales were boosted at the end of 2013 by a strong Christmas period, while the later timing of Easter (in April this year versus March in 2013) also weighed on Q1 sales growth.

Business Sales Trends – Highlights

- Business sales growth was 3.5% y/y in Q1 2014, down from 4.8% y/y in Q4 2013.
- Retail-related sales (3.0% y/y) accounted for all of the slowing, with growth in food sales slowing sharply. The strong Christmas period and later timing of Easter this year is likely to have weighed on Q1 food sales growth.
- Excluding food and eating out sales, business sales growth slowed only modestly in Q1.
- Retail sales growth remained very strong at around 10% y/y in the Northern Territory. It slowed in all other states but NSW still recorded solid growth of 4.5% y/y.
- WA and Queensland experienced the weakest sales growth, except for the ACT which essentially recorded no growth.
- Non-retail business sales growth was unchanged at 4% y/y in Q1. Construction services sales led the way, rising 11.5% y/y.

Commenting on the release of the latest quarterly 'ANZ Business Sales Trends' report, ANZ General Manager Corporate and Commercial Banking, Victoria and Tasmania, Michael Rose said: "The first quarter figures reveal a reasonable start to 2014, however the key to ongoing business growth in the economy will be to build confidence, particularly through the upcoming federal budget.

"Some pockets of the economy are taking a 'wait and see' approach and this could lead to confidence weakening further and risks to consumer spending. Small business is the sector most reactive to market conditions, but as the life blood of the Australian economy, it will be important to ensure we increase our support for entrepreneurship and innovation in Australian business.

"Specifically looking at this quarter's numbers, the softer sales growth was led by the mixed business conditions in the mining states of Western Australia and Queensland. As the resources investment boom continues to unwind, we're expecting the non-mining states and sectors to pick up the slack.

"There are some positive signs starting to emerge, however, with customers in some retail sectors such as household goods and hardware, and some non-retail sectors like construction services, performing better.

"Looking ahead we're hoping to see improvements in the small business sector which has good growth prospects, as they capitalise on the lower Aussie dollar and interest rates. Conditions have been tougher in the corporate end but they should also benefit with positive signs in M&A activity, particularly in NSW which continues its stronger growth streak," Mr Rose said.

Commenting on the data, ANZ Head of Australian Economics, Corporate and Commercial, Justin Fabo said: "Business sales growth slowed in seven of the fourteen categories in

Q1. But the slowing in overall sales growth appears exaggerated by a couple of factors, particularly the later timing of Easter this year.

"This was particularly noticeable in sharply weaker growth in food sales which account for one-fifth of total business sales. In addition, sales at food retailers were boosted by the introduction of the 12.5% tobacco excise on 1 December 2013. Sales growth at cafes & restaurants also slowed noticeably in the first quarter this year.

"Excluding food and eating out, business sales growth slowed only modestly. Food sales growth in Q2 is expected to be boosted by the 'Easter effect'.

"The report shows positive signs for Australia's largest economy, New South Wales. Retail sales growth in NSW was the fastest across the country, apart from the exceptional result posted by Northern Territory retailers which has been boosted by robust resources activity. Our view is that NSW is beginning to outperform both compared with other states and also relative to its own performance over the past decade or so. The sharp pick-up in housing activity and prices remains an important supporting factor.

"Encouragingly, non-retail sales growth remained steady in Q1 despite the later timing of Easter weighing on the large *transport, accommodation & recreation* category (12% of total business sales); this sector's sales growth should improve in Q2. Consistent with healthy housing market activity, *construction services* sales growth remained strong across most states and territories.

"Looking ahead, a risk to businesses recording further solid sales growth is that confidence remains somewhat fragile. Consumer confidence has moderated over the past six months from an elevated level to now be below its long-run average. According to ANZ and Roy Morgan, consumer confidence has fallen sharply over the past two weeks amid adverse news flow surrounding potential tax increases and spending cuts in the upcoming Federal Budget on 13 May," Mr Fabo said.

For further economic comment contact: For media queries contact:

Justin Fabo
Head of Australian Economics, Corporate
& Commercial
Tel: 02 8037 0070
Email: Justin.Fabo@anz.com

Emily Kinnear
Media Relations Manager
Tel: 03 8654 3540
Email: emily.kinnear@anz.com

About ANZ Business Sales Trends

ANZ's quarterly Business Sales Trends provides Australian businesses with an up-to-date view on trading conditions for retail, hospitality, services and trade. It has been developed to provide insights for businesses to enable them to better manage and plan their business success. Business Sales Trends is based on transaction data from more than 30 million transactions on EFTPOS merchant terminals every week and ANZ credit cards.

ANZ Sales Trends uses data from credit, debit and Eftpos transactions processed through ANZ merchant systems to provide insights into trading conditions for businesses. The figures do not include cash transactions and therefore do not represent total sales for businesses. The survey contains data from businesses that have been accepting card payments during the 24 months directly preceding the current month (that is, businesses that have been in business and accepting payments for at least 24 months). Therefore each month, the survey uses data from a slightly different cohort of businesses, as different businesses drop in and out of the 24 month timeframe.

Some changes in transactions that pass through ANZ systems can be attributed to factors such as changes in the acceptance and use of credit and debit card transactions, and changes in ANZ's market share.

The data builds upon the Small Business Sales Report previously released monthly by ANZ for Small Business only.

Business owners can see how they compare with ANZ Business Insights

Businesses that accept card payments and industry specialists can access this information at a local level by signing up to ANZ Business Insights which is free for ANZ business customers.

ANZ Business Insights gives customers access to reports on sales patterns, turnover and customer insights. To find out more about ANZ Business Insights customers should speak to a local small business specialist by calling 1800 801 485 or visit www.anzbusinessinsights.com

ANZ Business Sales Trends

Aggregate business sales growth

y/y%	Q2 '13	Q3 '13	Q4 '13	Q1 '14
<u>By industry group:</u>				
Retail	3.9	3.3	5.4	3.0
<i>Food & eating out</i>	4.6	4.1	6.8	2.8
<i>Other retail</i>	3.4	2.6	4.4	3.1
Non-retail	3.9	5.9	4.0	4.0
<u>By location:</u>				
Metro	4.1	4.4	4.4	3.5
Regional & rural	3.2	4.7	6.0	3.3
<u>By size:</u>				
Big	3.7	4.6	4.8	3.4
Small	5.0	4.0	4.7	3.7
Total sales	3.9	4.5	4.8	3.5
<i>Total excl. food & eating out</i>	3.7	4.6	4.2	3.7

Source: Aggregated ANZ cards and merchant transaction data. Note: Not adjusted for inflation, seasonality or market share. Retail includes food, household goods & hardware, clothing, cafes & restaurants and other retailing.

Business sales growth by sector

y/y%	Q2 '13	Q3 '13	Q4 '13	Q1 '14
<u>Retail related:</u>				
Household goods & hardware	5.7	4.2	3.9	4.7
Clothing & Footwear	2.5	1.9	5.7	4.3
Food	3.9	3.8	6.7	2.5
Cafes & restaurants	9.2	6.3	7.2	4.9
Other	1.9	1.6	4.2	1.4
Total retail	3.9	3.3	5.4	3.0
<u>Non-retail related:</u>				
Motor vehicle & fuel	-0.3	6.4	5.1	5.4
Professional services	-4.0	10.0	8.0	11.5
Personal services	8.3	6.5	6.6	4.4
Transport, accommodation & recreation	9.2	2.4	0.1	-3.0
Other services	6.3	4.3	4.4	0.2
Education & childcare	8.0	10.6	6.7	8.4
Health services	5.5	4.0	2.0	2.3
Construction services	6.5	10.1	9.1	11.5
Utilities & telecommunications	12.9	5.4	2.3	4.6
Total non-retail	3.9	5.9	4.0	4.0
Total sales	3.9	4.5	4.8	3.5
<i>Total excl. food & eating out</i>	3.7	4.6	4.2	3.7

Source: Aggregated ANZ cards and merchant transaction data. Note: Not adjusted for inflation, seasonality or market share.

Business sales growth by state

y/y%	Q2 '13	Q3 '13	Q4 '13	Q1 '14
New South Wales	3.9	3.1	4.0	3.1
Victoria	2.6	6.0	4.4	3.7
Queensland	4.6	4.9	4.7	2.6
Western Australia	3.4	1.4	5.2	2.4
South Australia	5.3	6.8	7.7	6.9
Tasmania	4.5	6.5	6.0	5.5
ACT	1.4	2.2	3.1	0.2
Northern Territory	19.0	18.3	20.0	14.4
Australia	3.9	4.5	4.8	3.5

Retail sales growth by state

y/y%	Q2 '13	Q3 '13	Q4 '13	Q1 '14
New South Wales	4.0	3.4	6.6	4.5
Victoria	3.8	3.7	4.7	3.8
Queensland	4.1	3.0	4.3	0.8
Western Australia	4.7	2.6	4.7	0.5
South Australia	3.1	3.3	6.2	3.6
Tasmania	1.9	3.5	4.0	2.7
ACT	1.0	0.5	3.3	-0.2
Northern Territory	5.6	6.7	9.9	10.1
Australia	3.9	3.3	5.4	3.0