

# **WESTPAC CARD TRACKER**

**29 JULY 2022.**

**WESTPAC INSTITUTIONAL BANK**

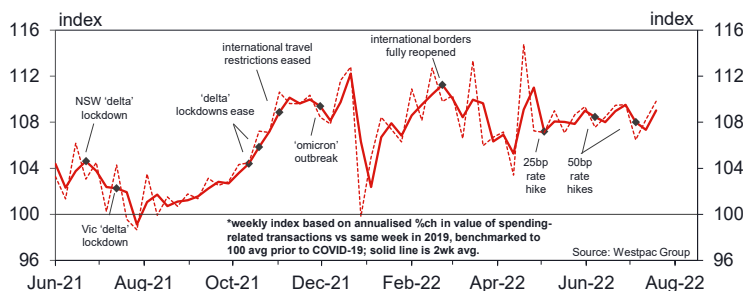


# Card activity lifts again



- The **Westpac Card Tracker Index** has recovered over the last two weeks, rising 3.4pts to 109.8, the highest weekly read since April. The index level means annual growth in card activity is running at a robust pace, nearly 10pts above its pre-COVID rate (see p7 for more details on how the index is constructed). The gain reverses what looked to be partly a rate-rise-related softening in the first half of July. As such it suggests any impact has been only marginal and fleeting.
- All major categories recorded a lift, 'discretionary goods' outperforming. The detail suggests this is more to do with rising prices than volumes (our headline measures are based on transaction values). All states recorded lifts as well, NSW outperforming slightly suggesting there was a weather-related drag in the mix earlier in the month.
- The more granular detail breakdown shows broad gains for durables and vehicle-related activity – again suggesting price effects are at work – with a firming in healthcare spend as well (possibly related to the renewed lift in COVID cases). Hospitality and travel has shown some cooling, having been running at a strong pace early in the month. That likely reflects the end of the school holidays but may also be a sign that 'catch-up' discretionary service spending may be starting to run its course.
- The Q2 CPI released on July 27 allows for an updated review of the performance of average transaction values as a price indicator. The wash-up shows mixed results. While there does look to be some information value in these indicators they should continue to be treated as 'experimental' and used with caution as an inflation guide.

## 1. Westpac Card Tracker Index



*“... suggests any [rate-rise-related softening] has been only marginal and fleeting.”*

The **Westpac Card Tracker** presents indicators based on the millions of credit and debit card transactions processed by Westpac every day. The measures are an extremely timely guide to shifts in spending and a critical gauge of the COVID-19 shock. See p7 for a full explanation.

This report is produced by Westpac Economics

**Matthew Hassan**, Senior Economist

Internet: [www.westpac.com.au](http://www.westpac.com.au)

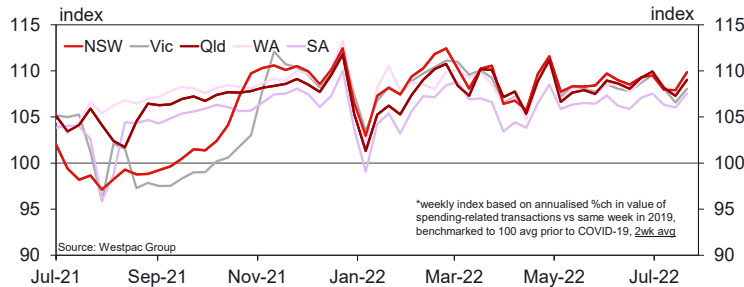
Email: [economics@westpac.com.au](mailto:economics@westpac.com.au)

This issue was finalised on 29 July 2022.

# A broad-based lift, but some of the gain due to prices

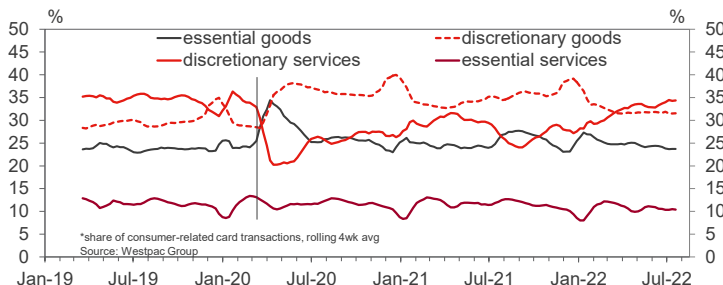


## 2. Card activity by state



- As noted, all major categories and states recorded a lift over the last two weeks. Discretionary categories posted a slightly bigger 3.8pt gain and continue to see stronger gains with an index read of 111 overall. Notably, despite a continued rotation towards 'discretionary services' in recent weeks, 'discretionary goods' spend remains strong, recording an index read of 113.3. Prices likely account for a significant portion of this with the recently released Q2 CPI showing the prices of many major durable items rising at over 10%/yr.
- By state, conditions were a touch firmer in NSW (110.4) and Qld (110.1) with SA (107.8) and Vic (109.3) slightly cooler. For Vic this follows a sustained period in which it was level-pegging with the other major states.

## 3. Card activity: share by major category



	May	Jun	Jul <sup>*</sup>	23/7
<b>Westpac Card Tracker</b>	<b>108.0</b>	<b>108.7</b>	<b>108.5</b>	<b>109.8</b>
<b>By category*</b>				
- discretionary	110.0	110.5	109.9	111.0
- essential	104.5	105.6	106.2	107.9
<b>By state</b>				
- NSW	108.4	109.1	108.9	110.4
- Vic	108.0	108.4	108.1	109.3
- Qld	107.6	108.9	108.6	110.1
- WA	107.7	108.8	108.6	109.8
- SA	106.4	106.6	106.9	107.8

All indexes are based on value of spending-related transactions vs same week in 2019, benchmarked to 100 avg prior to COVID-19, see p7 for more details.

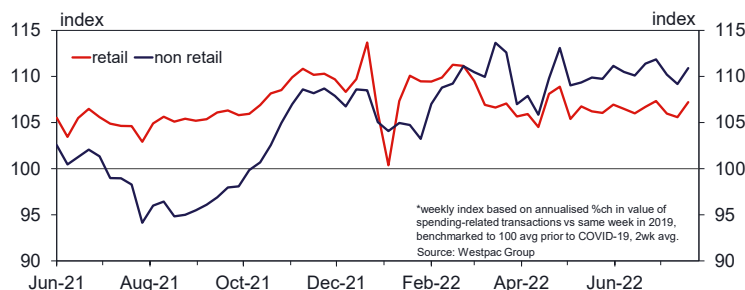
\*see p7 for 'discretionary' and 'essentials' classification details; <sup>\*</sup> avg month to date.

Sources: ABS, Westpac Group

# Retail sales likely to be down slightly for July

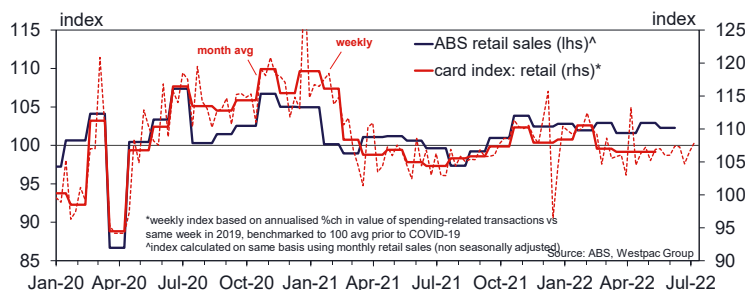


## 4. Card transactions: retail vs non retail



- Our retail card index also recovered, rising 3.2pts in the latest week to 107.9, a touch softer than the headline index. Our non-retail card index posted a similarly sized 3.4pt gain but continues to run at a stronger level around 111.8.
- ABS figures showed a softer than expected 0.2% gain in retail sales in June with May's 0.9% gain revised down to 0.7%. The moderating pace of gains suggest retail sales is cresting, albeit at a high level up 12%yr. Q2 volume estimates, due Aug 3, look set to show a 1.2%qtr gain (see [here](#) for more).
- Card activity for the month to date suggests the July retail figures, due Aug 29, will show a slight decline for the month.

## 5. Card transactions: retail vs ABS retail sales



	May	Jun	Jul <sup>^</sup>	23/7
<b>By retail/non retail</b>				
Retail card index	106.4	106.6	106.6	107.9
- vs baseline	6.4	6.6	6.6	7.9
- pts change	-0.1	0.2	0.0	n.a.
Non-retail card index	109.5	111.0	110.6	111.8
<b>ABS retail sales<sup>*</sup></b>				
- %ch	0.7	0.2	-0.4	n.a.
- ann %ch	10.2	12.0	14.6	n.a.

All indexes are based on value of spending-related transactions vs same week in 2019, benchmarked to 100 avg prior to COVID-19, see p7 for more details.

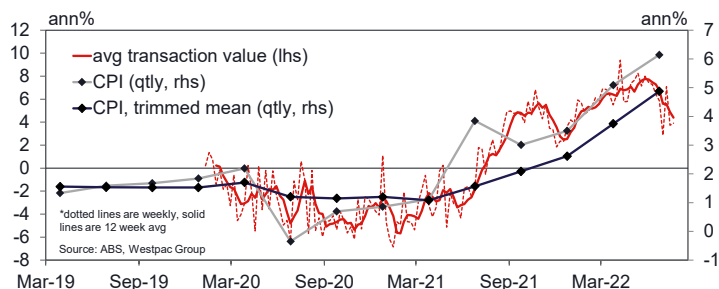
<sup>a</sup>seasonally adjusted, March 2022 figures are Westpac estimates; <sup>^</sup>avg month to date.

Sources: ABS, Westpac Group

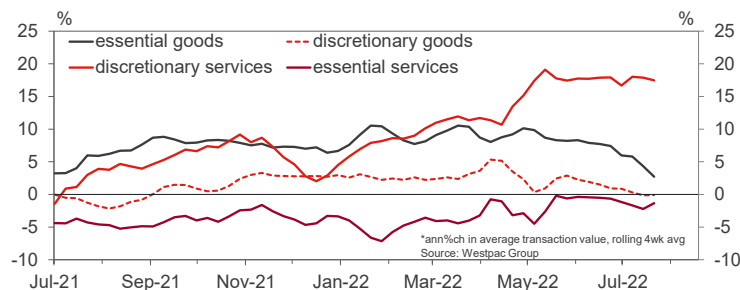
# Q2 CPI suggests avg transaction values a mixed guide



## 4. Average transaction values vs CPI inflation



## 5. Average transaction values: major categories



- Previous reports have explored whether average transaction values (ATVs) provide information on shifts in inflation. Our preliminary findings showed some tentative links but suggested we need to be extremely careful when interpreting this data. The release of June quarter CPI figures allows for another comparison and again suggests we should exercise a high degree of caution.
- Chart 6 shows annual growth in ATVs alongside annual CPI inflation, both headline and core, updated for the June quarter result. As noted, the available history showed a broad pattern of weakness in 2020-21 followed by strength in 2022 in the ATVs that was consistent with variations in CPI inflation.
- The Q2 wash-up show a more mixed performance. Annual growth in both the headline and 'trimmed mean' CPI measures lifted 1.1pts. Annual growth in ATVs posted a more muted 0.3ppt lift through the period, with a notable slowing towards the end of June that has carried into early July.
- At a more granular level, fuel and vehicle-related ATVs continue to align reasonably well with corresponding detailed CPI measures but other areas, most notably 'furniture and furnishings' performed poorly. Average measures are likely to be poor proxies for price growth in segments that have sub-segments that have big variations in average transaction value, particularly when there are large swings in the composition of spending.
- At a higher level, broad category breakdown is showing particularly strong price growth for 'discretionary services' and moderating momentum for 'discretionary goods', again somewhat at odds with CPI developments.

# Westpac card indicators



	2020			2021				week ending:							
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Apr	May	Jun	Jul*	2/7	9/7	16/7	23/7
<b>Westpac Card Tracker Index</b>	<b>90.4</b>	<b>101.0</b>	<b>107.3</b>	<b>107.0</b>	<b>104.9</b>	<b>101.3</b>	<b>106.5</b>	<b>107.9</b>	<b>108.0</b>	<b>108.7</b>	<b>108.5</b>	<b>109.5</b>	<b>106.5</b>	<b>108.2</b>	<b>109.8</b>
vs baseline	-9.6	1.0	7.3	7.0	4.9	1.3	6.5	7.9	8.0	8.7	8.5	9.5	6.5	8.2	9.8
ppt change	-9.6	1.0	6.2	-0.2	-2.1	-3.6	5.2	-1.2	0.1	0.8	-0.2	0.1	-3.1	1.7	1.6
<b>By category</b>															
services															
- discretionary	59.2	75.6	89.6	95.3	100.1	87.4	98.2	107.9	109.0	109.9	109.0	111.3	107.7	107.8	109.0
- essential	87.8	101.4	107.6	102.6	104.1	100.8	102.9	104.3	103.8	104.9	105.2	103.8	103.8	105.1	108.0
- total	66.4	82.3	93.9	97.2	101.1	91.2	99.5	106.9	107.6	108.6	108.0	109.4	106.7	107.1	108.8
goods															
- discretionary	114.6	125.2	125.9	124.2	112.7	112.5	115.7	111.7	110.9	111.1	111.0	112.6	106.6	111.7	113.3
- essential	105.0	106.9	105.8	104.0	101.7	105.1	105.6	104.7	104.8	105.9	106.6	106.3	105.9	106.5	107.9
- total	110.2	116.8	117.0	114.7	107.7	109.1	111.2	108.5	108.2	108.7	109.0	109.8	106.2	109.3	110.8
retail*	104.8	114.2	116.3	114.4	106.0	105.3	108.7	106.5	106.4	106.6	106.6	107.3	104.7	106.5	107.9
ppt change	4.8	14.2	2.1	-1.9	-8.4	-0.7	3.4	-0.5	-0.1	0.2	0.0	-0.1	-2.6	1.8	1.4
<b>By state</b>															
- NSW	97.7	104.2	107.9	107.0	103.0	101.8	108.8	108.2	108.4	109.1	108.9	109.4	106.5	109.3	110.4
- Vic	93.2	88.9	109.9	105.4	102.3	99.8	109.0	107.9	108.0	108.4	108.1	109.9	106.3	106.9	109.3
- Qld	101.2	107.3	109.8	107.7	105.6	106.1	107.2	108.1	107.6	108.9	108.6	109.7	106.7	107.9	110.1
- WA	99.8	107.6	109.5	105.7	105.8	107.6	108.7	107.7	107.7	108.8	108.6	109.6	107.2	107.8	109.8
- SA	101.0	107.3	107.9	105.5	103.0	105.2	105.7	105.6	106.4	106.6	106.9	107.8	104.8	107.3	107.8
- rest of Aus	94.4	99.2	105.3	104.2	103.8	101.3	107.9	108.0	108.7	109.2	109.3	109.8	107.4	109.3	110.7

All indexes are based on value of spending-related transactions vs same week in 2019, benchmarked to 100 avg prior to COVID-19, see p7 for more details. Figures are period averages.

\*composite based on transactions in retail categories; ^avg month to date.

Source: Westpac Group

# About the Westpac card data indicators



The indicators presented in this report are based on the millions of credit and debit card transactions processed by Westpac every day. Transactions covering over ten million merchants are classified into over 700 categories. These are in turn grouped into higher level aggregates that provide a timely guide to wider economic trends.

The main focus of these indicators is consumer spending. Where possible, we have sought to exclude 'non spending' transactions such as: money transfers; tax payments; loan repayments; charitable donations; and superannuation contributions.

It should also be noted that these indicators will also be affected by shifts between card and non card transactions. This may be a significant factor during the COVID-19 pandemic – health concerns about the use of physical cash are likely seeing higher use of cards, particularly where contact-less transactions are available. Transaction flows also include reversals/refunds which have been a significant phenomenon in areas such as travel.

All transaction data is compiled at a highly aggregated level so that individual customer or merchant data is never revealed.

## Index construction

The key metric used in this report are indexes based on spending compared to the same period in 2019, relative to the baseline eleven week period immediately prior to the introduction of social restrictions. This approach avoids problems with seasonal spending patterns and normalises for pre-existing trends in growth. Note that an additional adjustment is made to allow for the timing of Easter.

As an example, if transaction flows prior to COVID-19 were up 5% on the same period last year and transactions in the observation week are 5% below the same week last year, the index read would be 90, i.e.  $100 \times (0.95/1.05)$ . In words: annual growth in the total value of transactions is running 10ppts below its pre-COVID-19 pace.

As a guide to the significance of variations in aggregate index

measures, if we apply the same technique to the last ten years of monthly retail sales we get index readings ranging from 97.5 to 102.9. Hence the readings outside this range observed in recent months are indicative of extreme variations.

## Classifications

Note that the measures and classifications used for card data and this report do not align completely with those used in official ABS statistics on retail sales and consumer spending. There are a range of differences including around both coverage and classification. As such, the card data should be treated as broadly indicative.

The transaction data is grouped into 29 categories that are then combined into four main as follows:

**Discretionary goods:** durable goods, clothing and vehicle-related.

**Discretionary services:** recreation, gambling, professional services, hotels, restaurants and cafes, airlines, car rental, travel agencies and transport.

**Essential goods:** food, fuel and pharmacies.

**Essential services:** utilities, education and healthcare.

The report also uses two additional classifications:

**Retail/non retail:** based on the extent to which categories cover sales that are in scope for the [ABS retail survey](#).

**COVID group:** based on a classification Westpac developed to assess the impact of the Coronavirus (see [here](#) for more). 'Most exposed' is travel, tourism, hospitality and recreational services; 'big ticket' is vehicles and major household items; 'stock-piling' is food, pharmaceuticals and healthcare; 'residual' is all other categories combined.

# Westpac Economics directory



## **Sydney**

Level 2, 275 Kent Street  
Sydney NSW 2000  
Telephone (61-2) 8254 8720  
Facsimile (61-2) 8254 6907

## **Bill Evans**

Chief Economist  
Global Head of Economics & Research

## **Andrew Hanlan**

Senior Economist

## **Matthew Hassan**

Senior Economist

## **Justin Smirk**

Senior Economist

## **Elliot Clarke**

Senior Economist

## **Ryan Wells**

Economist

## **Auckland**

Takutai on the Square  
Level 8, 16 Takutai Square  
Auckland, New Zealand  
Telephone (64-9) 336 5671  
Facsimile (64-9) 336 5672

## **Michael Gordon**

Acting Chief Economist, New Zealand

## **Satish Ranchhod**

Senior Economist

## **Paul Clark**

Industry Economist

## **Nathan Penny**

Senior Agri Economist

## **Gregorius Steven**

Economist

## **London**

Camomile Court,  
23 Camomile St,  
London EC3A 7LL  
United Kingdom

## **Singapore**

12 Marina View  
#27-00, Asia Square Tower 2  
Singapore, 018961

## **New York**

39<sup>th</sup> Floor  
575 Fifth Avenue  
New York, 10017 USA

Publication enquiries, Westpac Economics, Telephone (61-2) 8254 8720, [economics@westpac.com.au](mailto:economics@westpac.com.au)



# DISCLAIMER



© Copyright 2022 Westpac Banking Corporation

## Things you should know.

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ('Westpac').

## Disclaimer

Westpac Banking Corporation and its related bodies corporate (Westpac) takes reasonable steps to ensure that its proprietary data used is accurate and any opinions, conclusions or recommendations are reasonably held or made as at the time of compilation of this report. As the statistics take into account only the Westpac's data, no representation or warranty is made as to the completeness of the data and it may not reflect all trends in the market. All customer data used, or represented, in this report is de-identified and aggregated before analysis and is used, and disclosed, in accordance with the Westpac's Privacy Policy.

This material contains general commentary only and is not intended to constitute or be relied upon as personal financial advice. To the extent that this material contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs, and because of this, you should, before acting on it, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs, and, the disclosure documents (including any product disclosure statement) of any financial product you may consider. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This material may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract. Past performance is not a reliable indicator of future performance. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

## Country disclosures

**Australia:** Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a client of Westpac.

**For XYLO Foreign Exchange clients:** This information is provided to you solely for your own use and is not to be distributed to any third parties. XYLO Foreign Exchange is a division of Westpac Banking Corporation ABN 33 007 457 141 and Australian credit licence 233714. Information is current as at date shown on the publication. This information has been prepared without taking account of your objectives, financial situation or needs. Because of this you should, before acting on this information, consider its appropriateness, having regard to your objectives, financial situation or needs. XYLO Foreign Exchange's combined Financial Services Guide and Product Disclosure Statement can be obtained by calling XYLO Foreign Exchange on 1300 995 639, or by emailing [customer-care@XYLO.com.au](mailto:customer-care@XYLO.com.au).

**New Zealand:** In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address [www.westpac.co.nz](http://www.westpac.co.nz). For further information please refer to the Product Disclosure Statement (available from your Relationship Manager) for any product for which a Product Disclosure Statement is required, or applicable customer agreement. Download the Westpac NZ QFE Group Financial Advisers Act 2008 Disclosure Statement at [www.westpac.co.nz](http://www.westpac.co.nz).



**China, Hong Kong, Singapore and India:** This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients in Singapore of this material should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking license and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

**UK:** The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. BR00106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the Prudential Regulation Authority. Westpac is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”) or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this communication or any of its contents. The investments to which this communication relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this communication or any of its contents. In the same way, the information contained in this communication is intended for “eligible counterparties” and “professional clients” as defined by the rules of the Financial Conduct Authority and is not intended for “retail clients”. With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

#### **Investment Recommendations Disclosure**

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.



Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation. Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution. Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

- i. Chinese Wall/Cell arrangements;
- ii. physical separation of various Business/Support Units;
- iii. Strict and well defined wall/cell crossing procedures;
- iv. a "need to know" policy;
- v. documented and well defined procedures for dealing with conflicts of interest;
- vi. reasonable steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

**U.S.:** Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC ('WCM'), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

