

WESTPAC CARD TRACKER

12 AUGUST 2022.

WESTPAC INSTITUTIONAL BANK

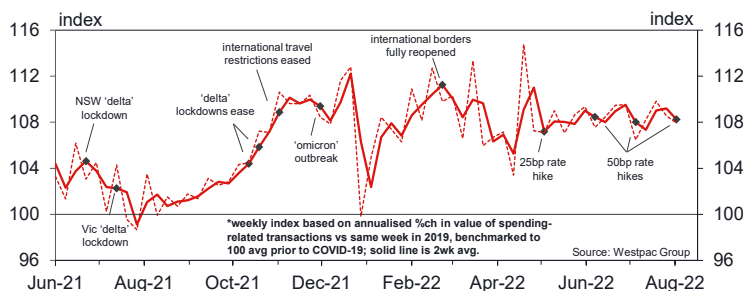


Card activity softens but continues to hold up well



- The **Westpac Card Tracker Index** moderated slightly over the two weeks to Aug 6, falling 1.9pts to 107.9. Despite this, the index remains at relatively elevated levels, implying annual growth in card activity is continuing to track a robust pace, nearly 8ppts above its pre-COVID rate (see p7 for more details on how the index is constructed). The data suggests consumer spending is still sustaining gains despite the surge in inflation, sharp rise in official interest rates and slump in consumer confidence.
- Across major categories, the biggest slowing has been in 'essential services', with education recording a particularly sharp pull-back. The detail also shows a notable easing in fuel spend which looks to be mostly due to the sharp fall in petrol prices since mid-July. Discretionary services spend has softened a touch but continues to run at a robust pace overall.
- Across the states, the moderation has been slightly more pronounced in Qld, where the education pull-back was notably sharper. The more granular detail also shows hospitality spend running notably stronger in Vic. Fuel spend has retraced across all states, again a sign that the decline in fuel prices is the common driver. Alternative measures also show month-to-month growth moderating rather than suffering a heavy shock.
- In this report we revisit the mobility measures that were of such great help during the COVID disruptions of 2020-21. Needless to say, 2022 is looking much more settled. That said, flows have still only recovered to the high-water marks seen in 2021 rather than made a full return to pre-COVID levels. And in the case of 'transit' locations, mobility measures remain 30% lower, suggesting a very strong reluctance to return to the daily inner-city commute.

1. Westpac Card Tracker Index



“... consumer spending is still sustaining gains ...”

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

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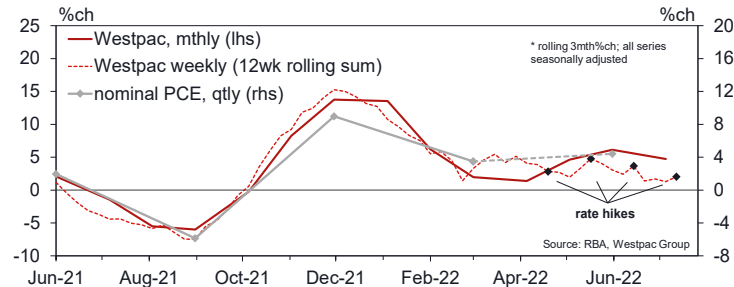
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Gentle moderation rather than deep rate rise shock

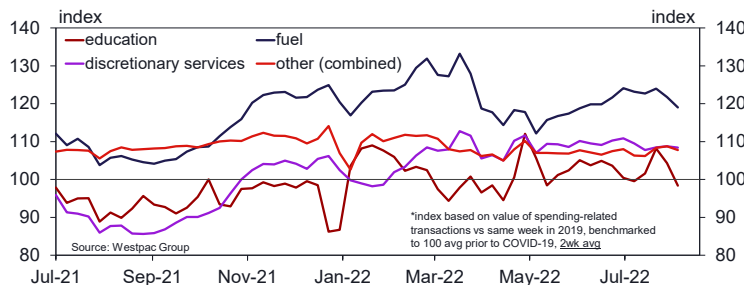


2. Card activity vs total spending



- The design of our headline index – based on annualised growth vs 2019 – makes it difficult to infer week-to-week or month-to-month growth, especially as we get further from the base period. As noted previously, Westpac has developed a weekly seasonally adjusted series that we are monitoring closely (e.g. see p5 [here](#)). Chart 2 shows how this has been tracking and arguably gives a better sense of how momentum has shifted in recent months.
- Measured on a rolling 3mth pace, quarterly growth in card activity has slowed, but only slightly, from around a 2.8%qtr pace in mid-May to a 2%qtr pace in early Aug. While this is broadly consistent with moderating spending growth heading into Q3 it is a far cry from the sort of weakening that would be coming through if spending was in the midst of a deep shock.

3. Card activity: selected categories



	May	Jun	Jul	6/8
Westpac Card Tracker	108.0	108.7	108.5	107.9
By category*				
– discretionary	110.0	110.5	110.1	109.5
– essential	104.5	105.6	106.0	105.0
By state				
– NSW	108.4	109.1	109.0	108.5
– Vic	108.0	108.4	108.1	107.6
– Qld	107.6	108.9	108.5	107.7
– WA	107.7	108.8	108.6	107.6
– SA	106.4	106.6	106.9	106.2

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.

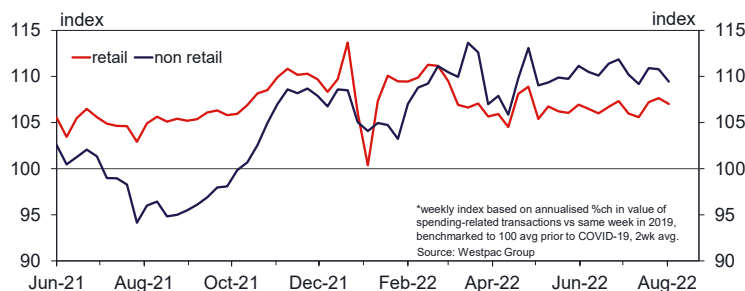
*see p7 for 'discretionary' and 'essentials' classification details.

Sources: ABS, Westpac Group

'Partials' pointing to robust Q2 spending gain

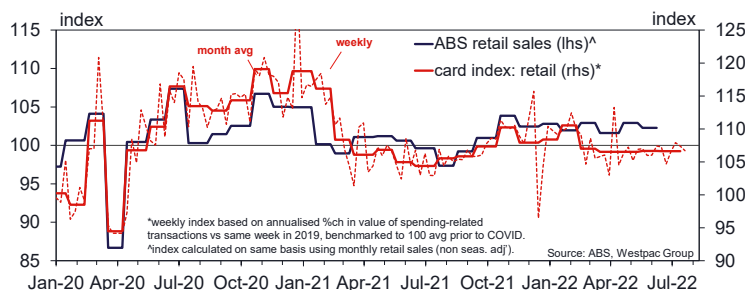


4. Card transactions: retail vs non retail



- Our retail card index has softened over the last 2wks, declining 1.2pts to 106.7 over the first week of Aug, in line with the average read seen since March.
- Our non-retail card index posted a larger 2.6pt pull back but continues to run ahead, the index read of 109.2 still significantly above the retail index.
- ABS figures showed a slightly better than expected 1.4%qtr gain for real retail sales in Q2 (see [here](#) for more). Other available 'partials' have been weaker, but main due to segment specific issues – new vehicle sales down 4.2%qtr due to supply disruptions, and fuel sales volumes to May tracking a 0.9%qtr decline due to the impact of high prices. With another strong reopening-driven rise in services spend, the total spend estimates for Q2, due Sep 7, still look likely to show a robust 2.6%qtr gain.

5. Card transactions: retail vs ABS retail sales



	May	Jun	Jul	6/8
By retail/non retail				
Retail card index	106.4	106.6	106.8	106.7
- vs baseline	6.4	6.6	6.8	6.7
- pts change	-0.1	0.2	0.2	n.a.
Non-retail card index	109.5	111.0	110.4	109.2
ABS retail sales*				
- %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.

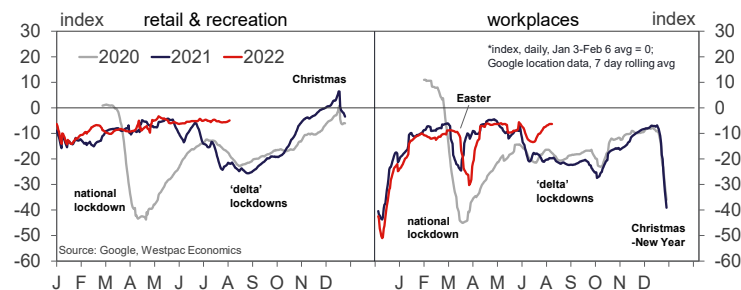
*seasonally adjusted, March 2022 figures are Westpac estimates; *avg month to date.

Sources: ABS, Westpac Group

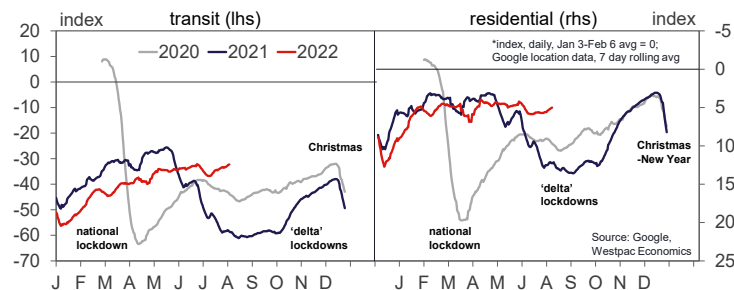
Mobility measures: death of the inner city commute?



4. Australia mobility: retail, workplaces



5. Australia mobility: transit, residential



- Mobility measures were a regular feature in our 2020 and 2021 reports, offering a timely gauge of lockdown impacts and a useful sense-check on what the card transaction data. With much less dramatic virus policy disruptions in 2022 these measures are of less importance. However, they still offer some interesting perspectives on some of the longer-lasting changes the pandemic has seen.
- Charts 4 and 5 show Google measures of mobility based on the location data of mobile phone users accessing Google services. The figures cover all of Australia and are indexed relative to the five weeks prior to the outbreak of the pandemic in 2020. Charts show how mobility across retail, workplaces, transit and residential locations evolved in 2020, 2021 and 2022.
- Needless to say the current year has been much more stable. That said, mobility across all areas remains well down on pre-COVID levels. Retail mobility has been very steady and is the closest to pre-pandemic levels, albeit still 5% below pre-COVID par. Its a similar story for workplaces although here the picture looks to be a little more complicated due to the timing of school and public holidays, the ebb and flow of virus waves possibly also affecting attendance due to sick leave and shifts in work from home arrangements. Both retail and workplace flows are around the levels seen over 2021 H1.
- Transit flows show the weakest return to 'normal', still tracking 30pts below par over H1 2021. This almost certainly relates to the larger mobility declines still being seen in CBD areas which are seeing wider mobility reads 30-35pts below par. As at mid-2022, the days of the inner city commute look unlikely return.

Westpac card indicators



	2020			2021				week ending:							
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Apr	May	Jun	Jul	16/7	23/7	30/7	6/8
Westpac Card Tracker Index	90.4	101.0	107.3	107.0	104.9	101.3	106.5	107.9	108.0	108.7	108.5	108.2	109.8	108.6	107.9
vs baseline	-9.6	1.0	7.3	7.0	4.9	1.3	6.5	7.9	8.0	8.7	8.5	8.2	9.8	8.6	7.9
ppt change	-9.6	1.0	6.2	-0.2	-2.1	-3.6	5.2	-1.2	0.1	0.8	-0.2	1.7	1.6	-1.3	-0.6
By category															
services															
- discretionary	59.2	75.6	89.6	95.3	100.1	87.4	98.2	107.9	109.0	109.9	108.9	107.8	109.0	108.4	108.4
- essential	87.8	101.4	107.6	102.6	104.1	100.8	102.9	104.3	103.8	104.9	104.8	105.1	108.0	103.2	103.4
- total	66.4	82.3	93.9	97.2	101.1	91.2	99.5	106.9	107.6	108.6	107.8	107.1	108.8	107.0	107.1
goods															
- discretionary	114.6	125.2	125.9	124.2	112.7	112.5	115.7	111.7	110.9	111.1	111.4	111.7	113.3	113.0	110.8
- essential	105.0	106.9	105.8	104.0	101.7	105.1	105.6	104.7	104.8	105.9	106.5	106.5	107.9	106.0	105.9
- total	110.2	116.8	117.0	114.7	107.7	109.1	111.2	108.5	108.2	108.7	109.2	109.3	110.8	109.8	108.6
retail*	104.8	114.2	116.3	114.4	106.0	105.3	108.7	106.5	106.4	106.6	106.8	106.5	107.9	107.4	106.7
ppt change	4.8	14.2	2.1	-1.9	-8.4	-0.7	3.4	-0.5	-0.1	0.2	0.2	1.8	1.4	-0.5	-0.7
By state															
- NSW	97.7	104.2	107.9	107.0	103.0	101.8	108.8	108.2	108.4	109.1	109.0	109.3	110.4	109.2	108.5
- Vic	93.2	88.9	109.9	105.4	102.3	99.8	109.0	107.9	108.0	108.4	108.1	106.9	109.3	108.3	107.6
- Qld	101.2	107.3	109.8	107.7	105.6	106.1	107.2	108.1	107.6	108.9	108.5	107.9	110.1	108.1	107.7
- WA	99.8	107.6	109.5	105.7	105.8	107.6	108.7	107.7	107.7	108.8	108.6	107.8	109.8	108.4	107.6
- SA	101.0	107.3	107.9	105.5	103.0	105.2	105.7	105.6	106.4	106.6	106.9	107.3	107.8	106.7	106.2
- 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	109.3	110.7	109.1	109.1

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.

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.

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