

WESTPAC CARD TRACKER

26 AUGUST 2022.

WESTPAC INSTITUTIONAL BANK

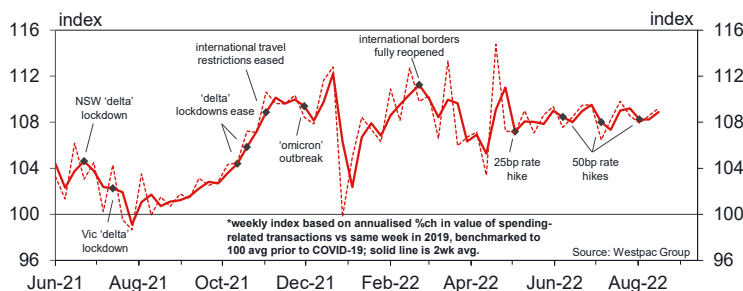


Card activity momentum still unperturbed by rate hikes



- The **Westpac Card Tracker Index** lifted slightly over the two weeks to Aug 20, rising 1.3pts to 109.2. The index continues to hold up well despite recent rises in official interest rates and slumping consumer sentiment, the latest read implying annual growth in card activity is tracking at a robust pace, over 9ppts above its pre-COVID rate (see p7 for more details on how the index is constructed).
- The state and major category detail showed fairly minor differences. 'Discretionary' categories showed a slightly bigger lift over the two weeks, led by 'discretionary goods', some of which is likely due to price rises rather than volume gains. 'Essentials' categories lagged slightly, 'essential goods' the main underperformer, the detail again suggesting moderating fuel and food price inflation have been drivers.
- Across the states, Qld has seen a slightly bigger lift, reversing a slightly more pronounced softening over the previous two weeks, with fairly uniform moves across other states. The more granular detail shows hospitality spend firming and travel still running well above pre-COVID levels in all jurisdictions but mostly minor variations otherwise. Notably, the pull-back in fuel spend due to lower prices looks to have largely stabilised.
- The card data continues to be most remarkable for what it is not showing: a material slowing in the wake of the RBA's rapid interest rate rises since May. We now 15 weeks of card data since the first 25bp hike on May 3. The average index read has been 108.5, down only very slightly on the 108.7 average over the 15 weeks prior to the move. Policy moves are hitting sentiment hard but so far look to have little or no impact on actual spending.

1. Westpac Card Tracker Index



“The index continues to hold up well despite recent rises in official interest rates and slumping consumer sentiment...”

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 p6 for a full explanation.

This report is produced by Westpac Economics

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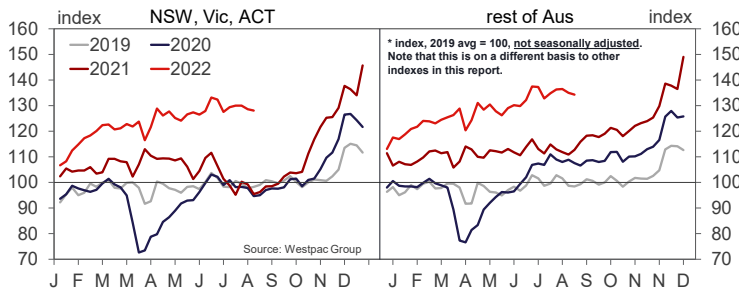
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Discretionary, goods, Qld and NSW outperform

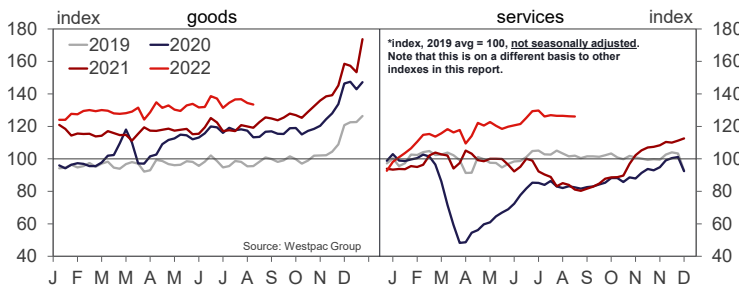


2. Card activity, state groups



- As noted, the state and category detail has shown fairly minor variations over the last two weeks, all posting slight gains. In level terms, discretionary spend continues to track ahead of essentials, goods outperforming services slightly, and Qld and NSW a touch firmer than other states.
- Charts 2 and 3 show card activity in level terms for each calendar year – indexed to the average spend in 2019 (a slightly different approach than our standard indexes). Card spend is running well ahead of previous years in NSW, Vic and ACT with the outperformance nationally evident across both goods and services. Note that these charts are not adjusted for seasonal variations but comparing against the same period in previous years still gives a sense of how card activity is tracking.

3. Card activity, goods vs services



	Jun	Jul	Aug [^]	20/8
Westpac Card Tracker	108.7	108.5	108.6	109.2
By category*				
– discretionary	110.5	110.1	110.5	111.1
– essential	105.6	106.0	105.3	105.9
By state				
– NSW	109.1	109.0	109.1	109.8
– Vic	108.4	108.1	108.2	108.5
– Qld	108.9	108.5	108.7	109.9
– WA	108.8	108.6	108.2	109.0
– SA	106.6	106.9	106.6	107.0

All indexes are based on value of spending-related transactions vs same week in 2019, benchmarked to 100 avg prior to COVID-19, see p6 for more details.

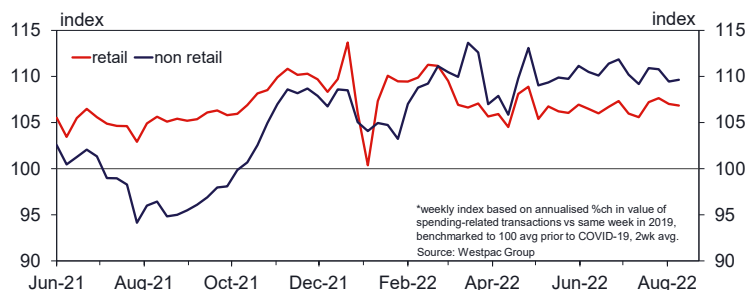
*see p6 for 'discretionary' and 'essentials' classification details; [^]avg month to date.

Sources: ABS, Westpac Group

Retail still looking lacklustre

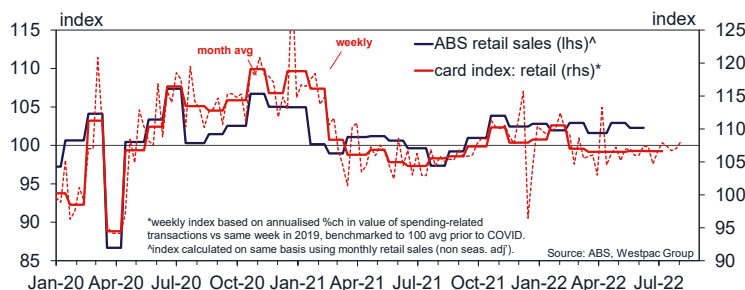


4. Card transactions: retail vs non retail



- Our retail card index has lifted slightly by 1.4pts over the last 2wks. at 108the index continues to trail non-retail segments and the headline index measure.
- Preliminary ABS estimates for retail sales in July are due on Aug 29. These are expected to show another soft update with a slight 0.1% dip coming off a subdued 0.2% gain in June. With retail prices posting strong gains through Q2, this likely represents a decline in underlying retail volumes.
- That said, annual growth in retail sales is still set to be very strong in July, likely just a touch under 15%yr, as the base for comparisons will be capturing the 'delta' lockdowns being rolled out in NSW, Vic and the ACT this time last year. Card data to date suggests a slight firming in sales in the Aug month.

5. Card transactions: retail vs ABS retail sales



	Jun	Jul	Aug [^]	20/8
By retail/non retail				
Retail card index	106.6	106.8	107.3	108.0
- vs baseline	6.6	6.8	7.3	8.0
- pts change	0.2	0.2	0.5	n.a.
Non-retail card index	111.0	110.4	109.9	110.4
ABS retail sales*				
- %ch	0.2	-0.1	n.a.	n.a.
- ann %ch	12.0	14.9	n.a.	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 p6 for more details.

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

Sources: ABS, Westpac Group

Westpac card indicators



	2020			2021				week ending:							
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	May	Jun	Jul	Aug^	30/7	6/8	13/8	20/8
Westpac Card Tracker Index	90.4	101.0	107.3	107.0	104.9	101.3	106.5	108.0	108.7	108.5	108.6	108.6	107.9	108.6	109.2
vs baseline	-9.6	1.0	7.3	7.0	4.9	1.3	6.5	8.0	8.7	8.5	8.6	8.6	7.9	8.6	9.2
ppt change	-9.6	1.0	6.2	-0.2	-2.1	-3.6	5.2	0.1	0.8	-0.2	0.0	-1.3	-0.6	0.6	0.6
By category															
services															
- discretionary	59.2	75.6	89.6	95.3	100.1	87.4	98.2	109.0	109.9	108.9	109.2	108.4	108.4	109.8	109.3
- essential	87.8	101.4	107.6	102.6	104.1	100.8	102.9	103.8	104.9	104.8	104.1	103.2	103.4	103.4	105.4
- total	66.4	82.3	93.9	97.2	101.1	91.2	99.5	107.6	108.6	107.8	107.8	107.0	107.1	108.1	108.3
goods															
- discretionary	114.6	125.2	125.9	124.2	112.7	112.5	115.7	110.9	111.1	111.4	112.0	113.0	110.8	111.9	113.3
- essential	105.0	106.9	105.8	104.0	101.7	105.1	105.6	104.8	105.9	106.5	105.9	106.0	105.9	105.6	106.2
- total	110.2	116.8	117.0	114.7	107.7	109.1	111.2	108.2	108.7	109.2	109.2	109.8	108.6	109.0	110.0
retail*	104.8	114.2	116.3	114.4	106.0	105.3	108.7	106.4	106.6	106.8	107.3	107.4	106.7	107.0	108.0
ppt change	4.8	14.2	2.1	-1.9	-8.4	-0.7	3.4	-0.1	0.2	0.2	0.5	-0.5	-0.7	0.4	1.0
By state															
- NSW	97.7	104.2	107.9	107.0	103.0	101.8	108.8	108.4	109.1	109.0	109.1	109.2	108.5	109.1	109.8
- Vic	93.2	88.9	109.9	105.4	102.3	99.8	109.0	108.0	108.4	108.1	108.2	108.3	107.6	108.4	108.5
- Qld	101.2	107.3	109.8	107.7	105.6	106.1	107.2	107.6	108.9	108.5	108.7	108.1	107.7	108.4	109.9
- WA	99.8	107.6	109.5	105.7	105.8	107.6	108.7	107.7	108.8	108.6	108.2	108.4	107.6	108.1	109.0
- SA	101.0	107.3	107.9	105.5	103.0	105.2	105.7	106.4	106.6	106.9	106.6	106.7	106.2	106.5	107.0
- rest of Aus	94.4	99.2	105.3	104.2	103.8	101.3	107.9	108.7	109.2	109.3	109.5	109.1	109.1	109.8	109.7

All indexes are based on value of spending-related transactions vs same week in 2019, benchmarked to 100 avg prior to COVID-19, see p6 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.

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