

WESTPAC CARD TRACKER

14 OCTOBER 2022.

WESTPAC INSTITUTIONAL BANK

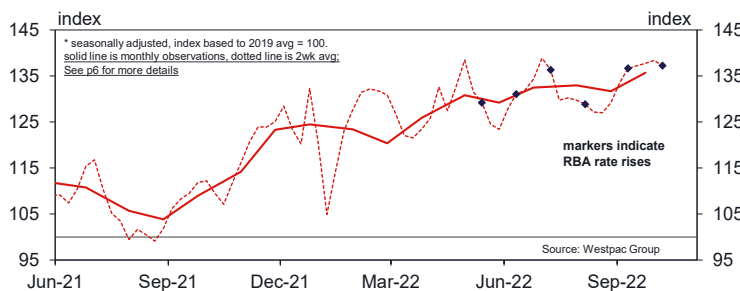


Card activity showing a gentle slowdown



- The **Westpac Card Tracker Index** lifted through September and early October but continues to show signs of a gentle slowdown in underlying growth momentum. Note that we have made significant changes to the index that should make it easier to identify near term shifts in momentum and to compare with official spending measures (see p6 and p10 for more details).
- Our revised Index dipped slightly posted a solid rise through the September month, dipping back only slightly to an index read of 133.8 over the week to Oct 8, nearly 34% above the average recorded in 2019 (the base for the new index).
- Despite this, the growth pulse still looks to be cresting, with the quarterly pace consistent with nominal spending growth moderating into the 1.-1.5%qtr range in Q3 with tentative signs of a further moderation to a sub-1% pace in Q4.
- The state detail shows the lift in September centred on Victoria with card activity a touch softer in NSW and holding flat in other states. Discretionary services continues to post strong, broad-based gains while spending on essential services has softened.
- Note that while our redesigned headline index now includes a seasonal adjustment that makes ‘intra-year’ comparisons easier, the the state and category data is still on an unadjusted basis and should be treated with extra caution – some of the softening in essential services for example looks to be due to large seasonal variations relating to the timing of school fee payments.
- Overall, the picture from the card data is broadly consistent with Westpac’s view of a slower but still relatively solid Q3 result for total spending followed by a much weaker Q4. That said, the data suggest spending is slowing rather falling away sharply.

1. Westpac Card Tracker Index*



* revised measure - see p6 for more details on changes to the Index.

“... quarterly pace consistent with nominal spending growth moderating into the 1-1.5%qtr range in Q3.”

The **Westpac Card Tracker** presents indicators based on the millions of credit and debit card transactions processed by Westpac every day. The measures are a timely guide to shifts in spending. See p10 for a full explanation.

This report is produced by Westpac Economics.

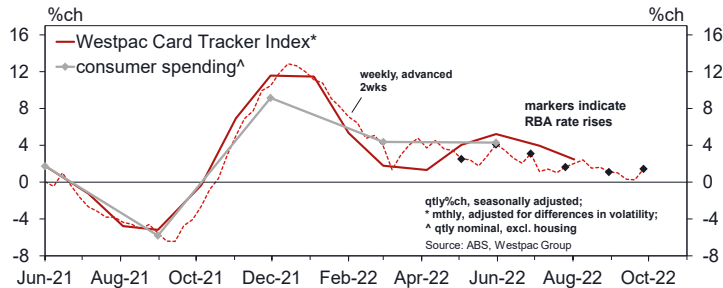
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Cooling evident across a range of timely indicators

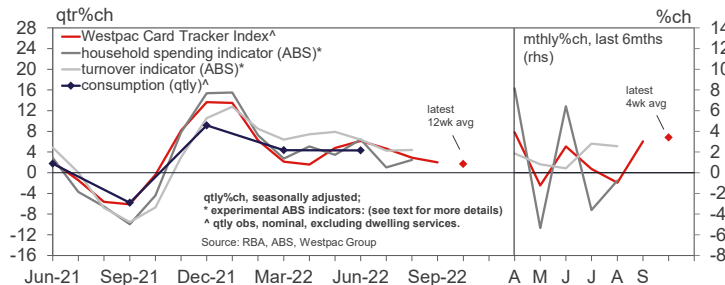


2. Card activity and spending: growth momentum



- As noted, our redesigned index measure allows for easier analysis of weekly, monthly and quarterly changes. Chart 2 shows how quarterly growth rates – adjusted for differences in volatility – align with official estimates of consumer spending (all measures in nominal terms). The series have a clear correlation with latest Index reads pointing to a moderation in spending growth momentum since the RBA tightening cycle began in May, albeit a relatively mild one given the forceful rate moves.
- Chart 3 compares the Westpac Card Tracker Index with two other timely ‘experimental’ measures now being produced by the ABS – a household spending indicator, based on all major bank transactions; and a turnover indicator based on BAS statements (both with data up to Aug). All are showing some moderation in Q3.

3. Consumer spending: selected indicators



qtrly%ch	Q1	Q2	Q3	latest*
Westpac Card Tracker*	2.1	6.2	2.0	1.7
Other indicators (nominal)				
Household spending*	2.7	6.4	n.a.	2.5
Turnover*	6.4	6.4	n.a.	4.4
Consumer spending (qtrly)#				
Nominal	4.4	4.3	n.a.	n.a.
Real	2.7	2.6	n.a.	n.a.

All series are seasonally adjusted, latest is latest weekly obs (12wks %ch on previous 12wks) or latest monthly obs (3mths %ch on previous 3mths). See p10 for more details.

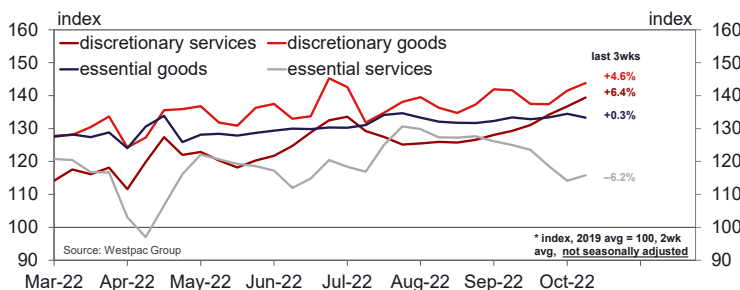
* ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses. #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

Softening centred on essentials, across most states

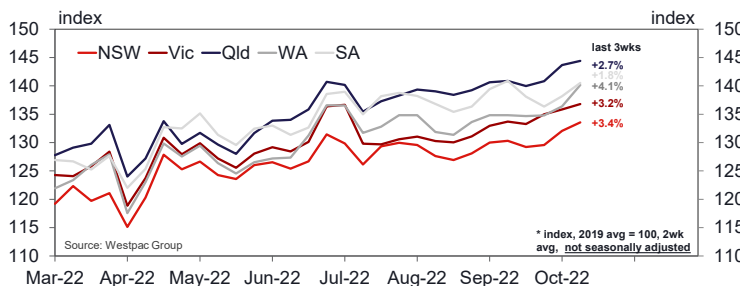


4. Card activity by major category



- By category, slowing is more apparent in spending on essentials, particularly essential services, although some of this appears to be due to seasonal fluctuations in education payments. Note that it is not yet possible to calculate seasonally adjusted measures at the category level. Some of the gains being seen in discretionary activity likely reflect higher prices.
- All states continue to post gains, albeit with a marginal slowing in growth evident across the eastern states, WA instead posting a notable lift over the last three weeks.
- Card activity is still running at materially higher levels in Qld, WA and SA, compared to a more subdued profile in NSW and Vic.

5. Card activity by state



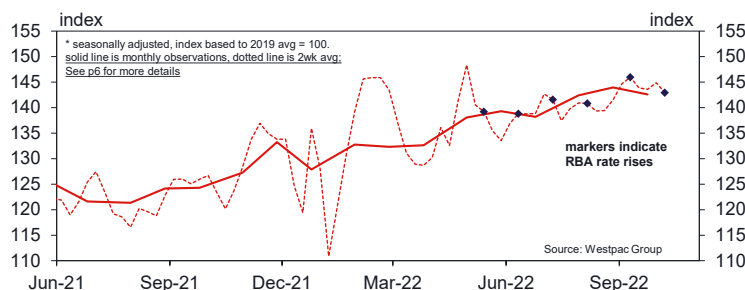
	Jul	Aug	Sep	8/10
Westpac Card Tracker*	131.9	130.6	134.6	133.8
By category (not seasonally adjusted)				
- discretionary	134.3	134.3	134.5	141.2
- essential	132.3	133.0	127.4	127.0
By state (not seasonally adjusted)				
- NSW	131.1	130.8	128.9	132.2
- Vic	133.5	133.7	132.7	137.5
- Qld	140.1	142.1	139.7	142.5
- WA	136.3	135.6	133.5	141.8
- SA	140.0	139.9	136.6	140.5

All indexes based on the value of spending-related transactions, 2019 avg=100, see p10 for more details incl. classifications. * Headline index is seasonally adjusted, all other indexes are unadjusted.
Sources: ABS, Westpac Group

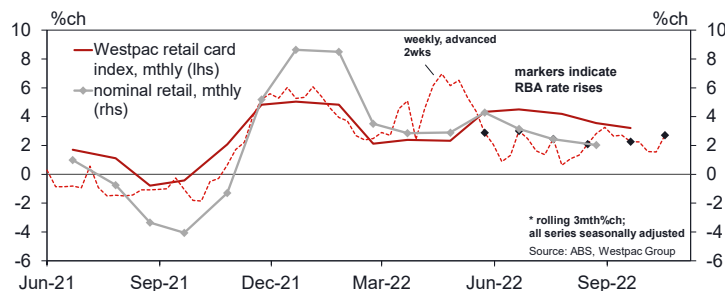
Clearer slowdown evident for retail categories



6. Card activity: retail



7. Retail card transactions vs ABS retail sales



- Retail categories are seeing a clearer ‘cresting’ in activity, albeit with what still looks to be a fairly mild slowing. Our retail card index peaked in Aug, softening in Sep and early Oct. On a rolling quarterly basis, growth has slowed from 4.2%qtr in Jul to 2.7%qtr as at Oct 8 (i.e. the latest 12wks compared to the previous 12wks). At 140.6, the index is still at a very high level relative to 2019.
- Official ABS retail sales estimates showed a 0.6%mtg gain in Aug, following on from the surprisingly strong 1.3% gain in Jul. Separate ABS data on monthly turnover (based on BAS returns) is more mixed, retailers reporting a choppy few months, a 7.4% jump in Jun followed by a 1.3% decline in Jul and a 0.4% dip in Aug. All up, the data highlights some of the difficulties involved in pinpointing monthly moves.

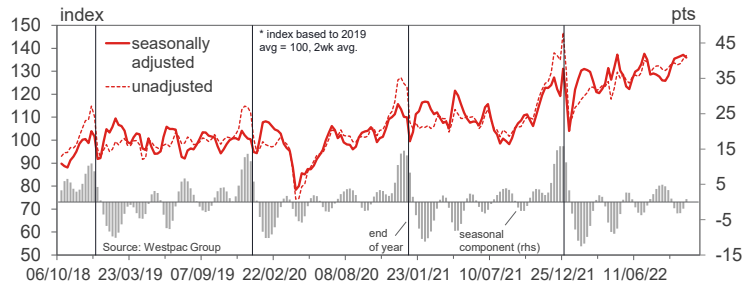
	Jul	Aug	Sep	8/10
By retail/non retail				
Retail card index*	142.4	144.0	142.6	140.6
– qtly%ch	4.2	3.6	3.2	2.7
– qtly, ann%ch	14.1	15.7	16.0	16.3
Non-retail card index	120.2	115.8	125.7	126.5
ABS retail sales^				
– %ch	1.3	0.6	n.a.	n.a.
– ann%ch	16.5	19.2	n.a.	n.a.
– qtly%ch	2.4	2.0	n.a.	n.a.
– qtly ann%ch	12.9	15.9	n.a.	n.a.

All indexes based on the value of spending-related transactions, 2019 avg=100, see p10 for more details incl. classifications. Retail card index seasonally adjusted using ABS series. All other indexes are not seasonally unadjusted. Sources: ABS, Westpac Group

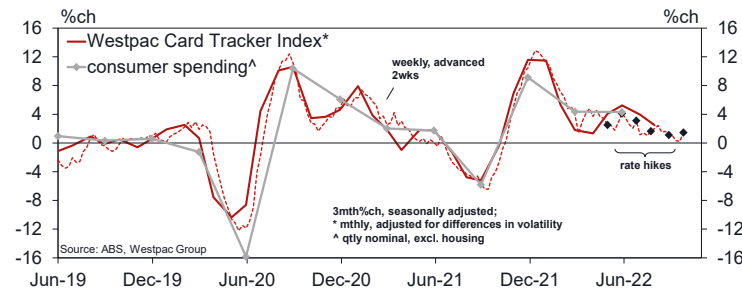
The new Westpac Card Tracker Index



8. Card activity: actual vs seasonally adjusted



9. Westpac Card Tracker index vs spending: full history

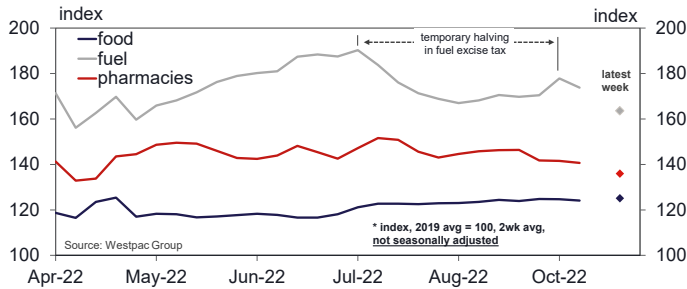


- This edition of the **Westpac Card Tracker** includes an overhaul of the index measure that should make it easier to interpret and, in particular, easier to compare readings on a weekly, monthly and quarterly basis.
- Our previous index measure was designed to allow basic comparisons by looking at annualised growth vs the same period in 2019, benchmarking to avg growth seen in the period prior to COVID disruptions. The annual basis meant we could avoid problems with potentially misleading signals due to seasonal fluctuations (e.g. around Christmas). The short history meant it was not possible to use standard techniques to seasonally adjust for these regular variations. However, the drawback in the design was that index reads would become more and more stable and less reflective of shifts in current activity as we moved further away from the base year. Three years on, it is time to change.
- The new **Westpac Card Tracker Index** uses a novel approach to generate seasonally adjusted estimates that can be more readily compared across different periods. Specifically, we take monthly seasonal factors from the RBA's system-wide credit and debit card data (which is very similar to the Westpac data) and use a method that generates smoothed weekly adjustment factors that are consistent with the monthly profile. These are then used to seasonally adjust the weekly Westpac data. Chart 9 shows the resulting series and its seasonal component. Note that is still an approximation. Care should still be taken, particularly when interpreting index reads around periods of high or shifting seasonality (e.g. Easter). Nevertheless the changes mark a major improvement that should make the index much easier to interpret.

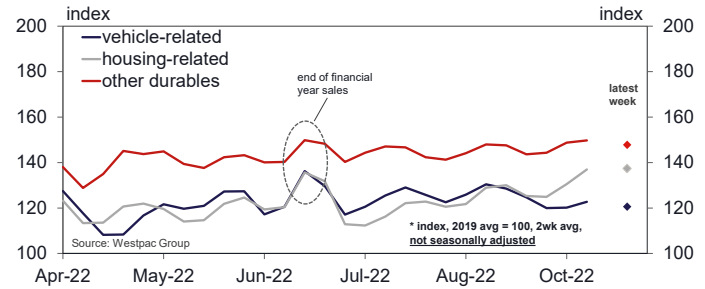
Detailed charts



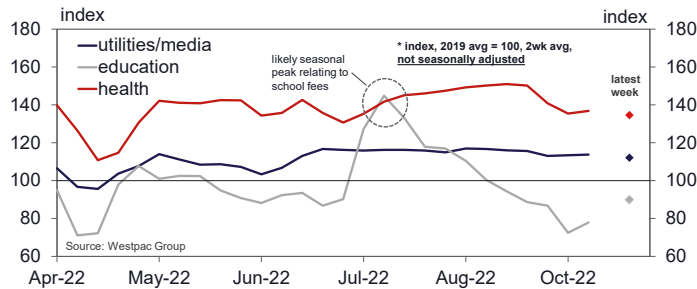
10. Card activity: essential goods



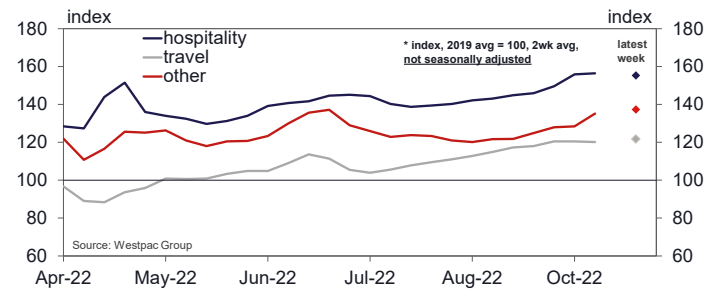
11. Card activity: discretionary goods



12. Card activity: essential services



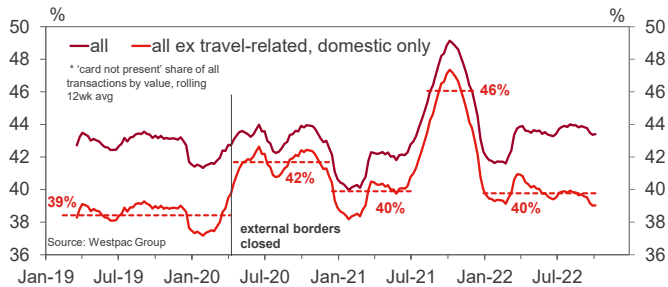
13. Card activity: discretionary services



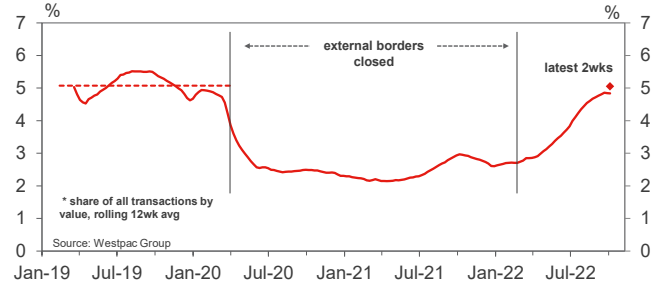
Detailed charts



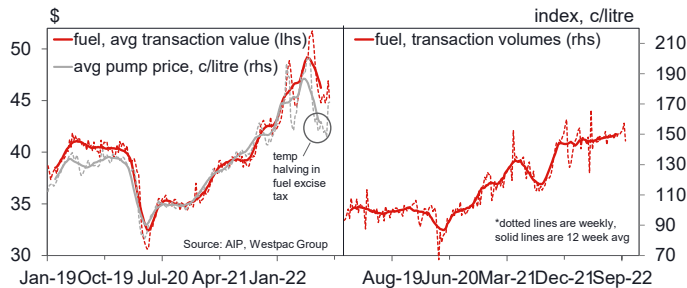
14. Card transactions: online share



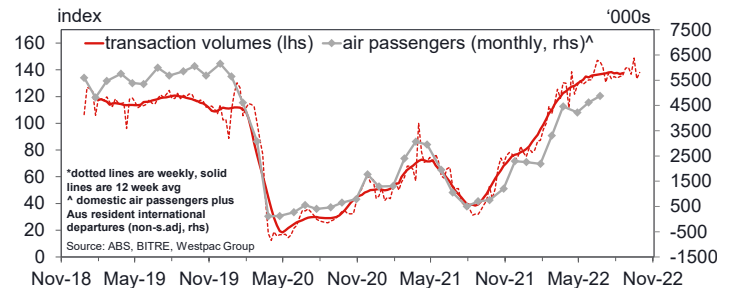
15. Card transactions: international share



16. Card transactions: petrol vs pump pricess



17. Card transactions: travel vs passenger flights



Westpac card indicators*



	2020		2021		2022				week ending:						
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Jul	Aug	Sep	17/9	24/9	1/10	8/10
Westpac Card Tracker Index	102.0	107.6	109.8	112.1	105.3	119.7	122.2	129.7	131.9	130.7	134.4	137.0	136.0	138.3	133.8
qtly%ch	12.5	5.5	2.1	2.0	-6.1	13.7	2.1	6.1	4.7	3.0	2.0	1.2	0.4	0.3	1.7
qtly, ann%ch	2.5	7.3	8.9	23.7	3.3	11.3	11.2	15.7	20.2	24.0	25.7	25.8	26.1	25.8	26.4
By category (not seasonally adjusted)															
- discretionary	98.4	113.6	103.5	108.9	100.2	127.3	115.1	127.6	134.3	134.3	134.5	135.2	136.2	141.7	141.2
- essential	110.0	112.1	108.5	109.3	116.4	123.6	121.1	123.9	132.3	133.0	127.4	129.6	127.5	128.2	127.0
services	84.7	92.1	95.2	98.7	86.2	103.8	106.5	120.1	129.2	129.3	128.2	131.1	129.4	132.7	134.2
- discretionary services	77.0	88.4	90.9	95.7	78.2	101.7	104.4	122.1	130.2	129.1	131.5	133.5	134.9	138.6	140.2
- essential services	107.7	103.0	108.3	107.7	109.9	110.2	113.1	114.1	126.3	129.9	118.2	124.1	113.1	115.2	116.4
goods	117.8	131.1	113.8	117.8	122.9	145.0	126.4	131.6	137.3	137.8	135.2	134.9	136.3	140.5	137.8
- discretionary goods	123.1	142.7	118.0	124.0	125.7	157.0	127.5	133.9	138.9	140.4	137.9	137.1	137.7	145.3	142.4
- essential goods	111.1	116.5	108.6	110.1	119.5	130.1	124.9	128.6	135.3	134.6	131.8	132.3	134.5	134.5	132.1
retail^	120.2	119.2	121.7	123.8	123.3	129.5	132.6	138.5	142.4	144.0	142.6	142.7	144.4	145.3	140.6
qtly%ch	10.7	-0.9	2.1	1.7	-0.4	5.0	2.4	4.5	4.2	3.6	3.2	2.3	1.6	1.5	2.7
qtly, ann%ch	17.6	19.9	15.4	14.0	2.6	8.7	8.9	11.9	14.1	15.7	16.0	16.1	16.2	16.1	16.3

By state (not seasonally adjusted)

- NSW	103.6	112.6	103.2	108.4	98.9	124.8	114.7	124.6	131.1	130.8	128.9	129.9	129.2	134.9	132.2
- Vic	92.0	111.8	105.8	108.1	103.1	127.1	119.4	127.9	133.5	133.7	132.7	134.3	135.6	136.0	137.5
- Qld	110.9	119.3	109.6	113.8	117.8	131.7	120.8	131.6	140.1	142.1	139.7	140.6	141.0	146.4	142.5
- WA	109.3	116.2	107.3	111.3	117.7	129.4	119.5	127.1	136.3	135.6	133.5	135.3	134.2	138.5	141.8
- SA	111.9	119.0	110.8	114.2	117.3	132.0	121.0	131.0	140.0	139.9	136.6	137.0	135.8	140.6	140.5

All indexes based on the value of spending-related transactions, 2019 avg=100. See p10 for more details. Headline and retail indexes are seasonally adjusted. All other indexes are not seasonally adjusted.

* composite based on transactions in retail categories, seasonally adjusted using ABS series.

Sources: ABS, Westpac Group

* revised measures - see p6 for more details on changes to the Index.

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 metrics used in this report are indexes of spending-related card activity where the base of 100 is average activity in 2019. As an example, if transaction flows are 5% above their average level in 2019, the index read for the period is 105. If flows in a subsequent period are 8% above the average level in 2019, the index read for this period is 108. Growth between the two periods can be calculated simply as the change between the two index reads, i.e. 2.9%.

For our headline measure, activity is adjusted for regular seasonality using historical card data from the RBA. All other indexes are based on non-seasonally adjusted data and should be treated with additional caution. We will seek to produce seasonally adjusted versions of these indexes as more data becomes available.

Note that previous versions of this report used an alternative index measure that was 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 in 2020. See the 'About the Westpac card data indicators' sections from these reports for more detail.

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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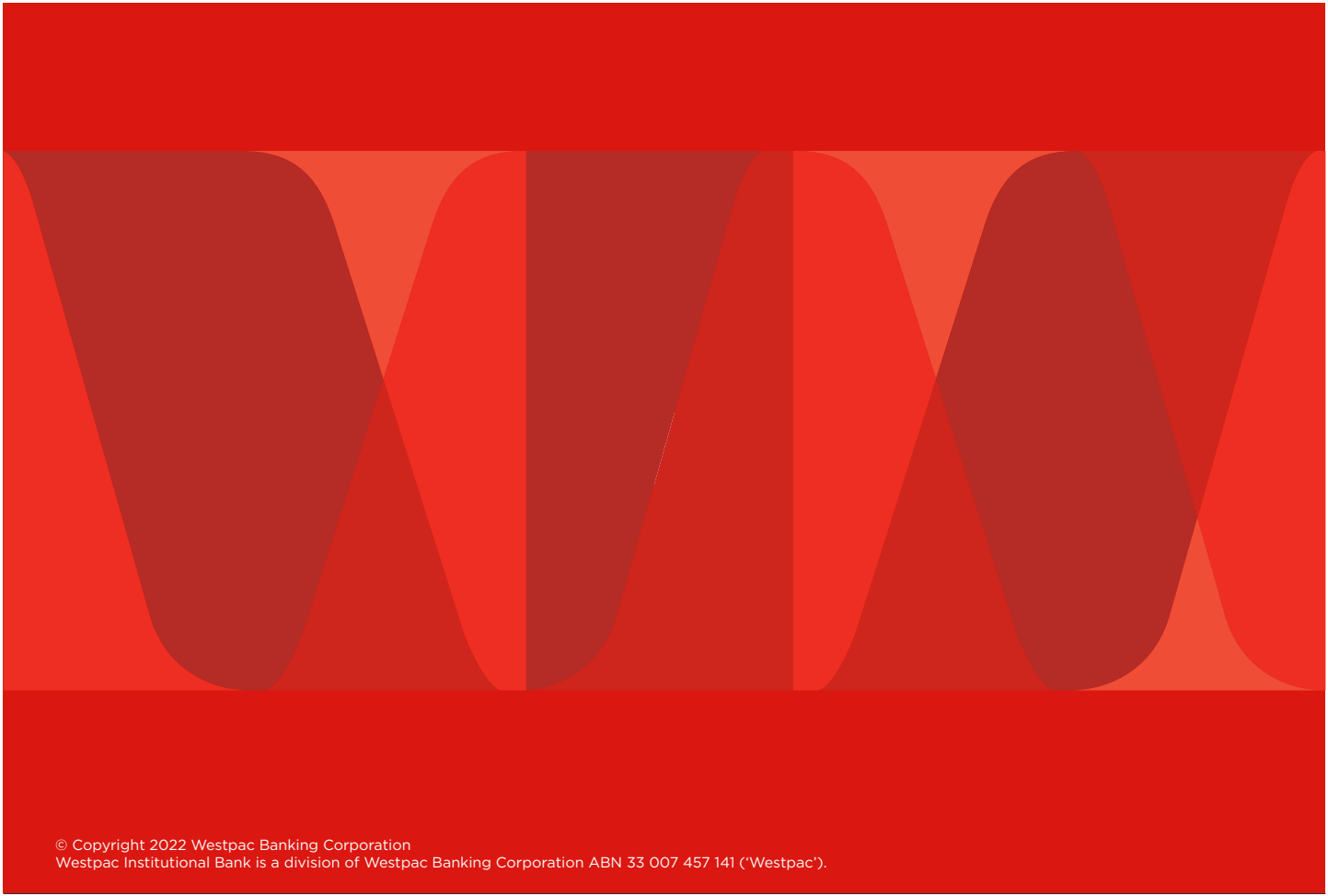
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- i. Chinese Wall/Cell arrangements;
- ii. physical separation of various Business/Support Units;
- iii. Strict and well defined wall/cell crossing procedures;
- iv. a "need to know" policy;
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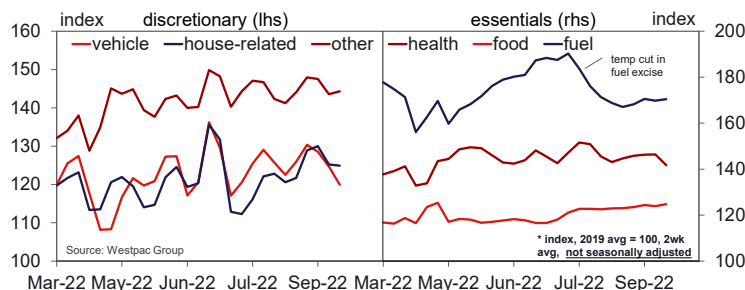
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Detail highlights lower fuel price, seasonal school fees



18. Card transactions: goods

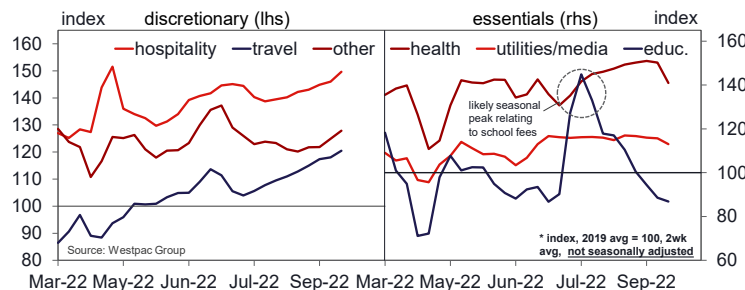


- State-wise, the last 3wks has seen a slight softening in a gain in Vic (+1.5%) NSW (–0.3%) and steady reads elsewhere. Note that state and category measures include regular seasonal variations. The detail suggests this has contributed to recent softness in some areas.

The latestxxx.

- Goods.
- Services.

19. Card transactions: services



	Jul	Aug	Sep	1/10
Selected goods sub-categories (not seasonally adjusted)				
– food	122.5	125.3	122.6	123.1
– fuel	189.3	172.5	170.8	184.0
– housing-related	119.4	126.2	126.5	136.5
Selected services sub-categories (not seasonally adjusted)				
– hospitality	145.4	143.7	147.8	157.7
– travel	108.4	114.2	117.5	118.4
– education	118.9	115.0	82.6	65.8

All indexes based on the value of spending-related transactions, 2019 avg=100, see p10 for more details incl. classifications. Indexes are no seasonally unadjusted.

Sources: ABS, Westpac Group