WESTPAC CARD TRACKER

14 NOVEMBER 2022.

WESTPAC INSTITUTIONAL BANK

Momentum still slowing despite Melbourne Cup lift

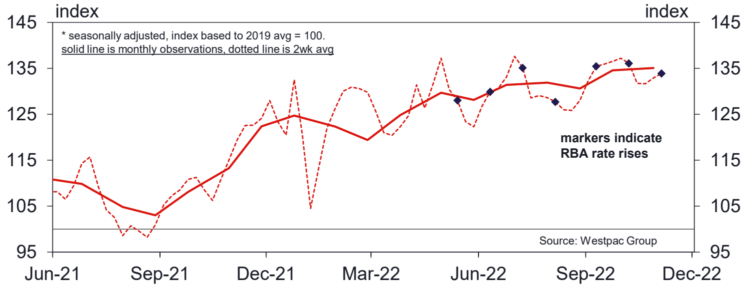
– The **Westpac Card Tracker Index** lifted slightly over the two weeks to Nov 5, rising 2pts to 135.6. While the index remains at a high level, implying consumer-related card activity is nearly 36% above pre-COVID levels in 2019, it continues to show a flattening profile consistent with slowing growth in nominal spend and a likely stalling in real, inflation-adjusted terms.

– The detail shows a lift in discretionary categories over the last two weeks partially offset by a decline in essential services. However, some of this is almost certainly due to seasonal influences, particularly the Melbourne Cup held on Nov 1. Note that whereas our headline index is seasonally adjusted, it is not yet possible to adjust the more granular detail for these regular fluctuations. All major eastern states recorded gains over the two weeks, WA recording a slight dip.

– A closer look at 'cup week' points to a strong result for hospitality-related card activity, up nearly 25% on last year, but relatively flat results for gambling and other discretionary categories. Travel was up strongly on 2021 and 18% above 2019 levels but its unclear how much of this is 'cup-related'.

– We now have a range of indicator measures available for Q3. Point estimates vary: retail volumes and card-based measures on the softer side for the quarter but tax-system based measures pointing to something stronger, and both vehicle sales and outbound international travel recording strong gains. On balance we remain comfortable with our call of a 1.3%qtr gain in the national accounts measure of real consumer spending, due to be released on Dec 7. While there are many moving parts, the 'price-volume' split remains a key uncertainty.

1. Westpac Card Tracker Index*



* revised measure - see p9 for more details on recent changes to the Index.

"[The index] continues to show ... slowing growth in nominal spend and a likely stalling in real, inflation-adjusted terms."

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 p9 for a full explanation.

This report is produced by Westpac Economics.
Matthew Hassan, Senior Economist
Email: economics@westpac.com.au
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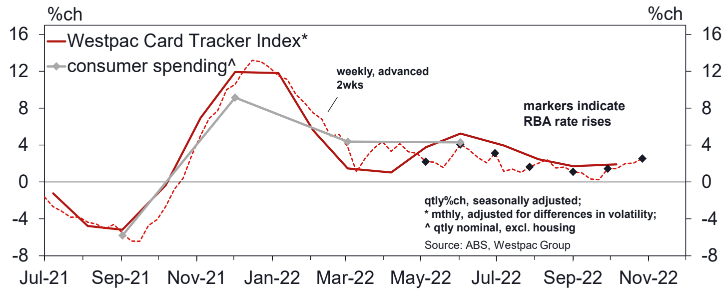
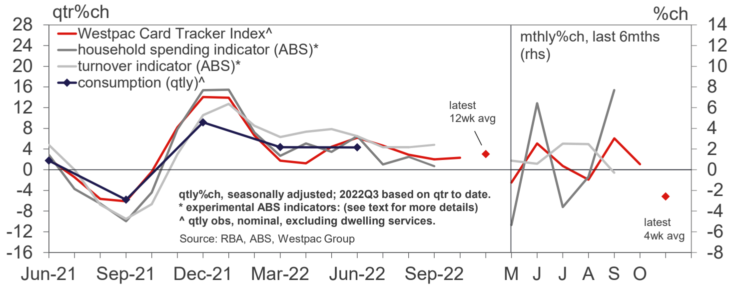
All Q3 spending indicators pointing to a slowdown

2. Card activity and spending: growth momentum



3. Consumer spending: selected indicators



- The lift in card activity over the last two weeks has shored up the signal on growth momentum, albeit still in the context of a moderation. Chart 2 shows the quarterly growth signal from the **Westpac Card Tracker Index** is still broadly in line with a 1.5%qtr pace, latest results a touch firmer but within the range of variations.
- The ABS has now released Sep updates for its household spending and business turnover measures. The former showed a relatively strong month but in the context of a marked slowdown, with just a 0.7%qtr gain in seasonally adjusted terms (Westpac estimate). Turnover also slowed but held at a considerably stronger 4.8%qtr gain for Q3 as a whole. Note that turnover will capture cash spending as well as cards but will exclude any spending by Austrailian residents abroad, which is included in the national accounts measure.

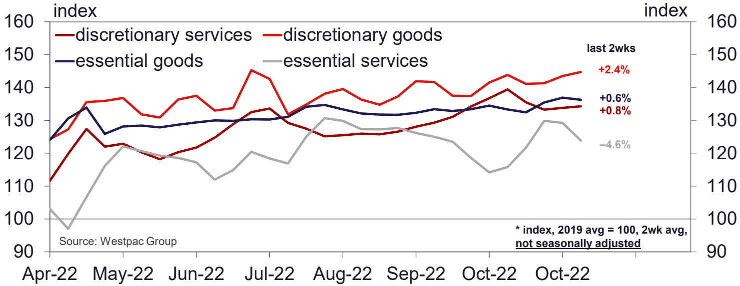
qtly%ch	Q1	Q2	Q3	latest^
Westpac Card Tracker*	**1.7**	**6.2**	**2.0**	**3.0**
Other indicators (nominal)				
Household spending*	2.7	6.5	0.7	n.a.
Turnover*	6.3	6.5	4.8	n.a.
Consumer spending (qtly)#				
Nominal	4.4	4.3	n.a.	n.a.
Real	2.7	2.6	n.a.	n.a.

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 p9 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..

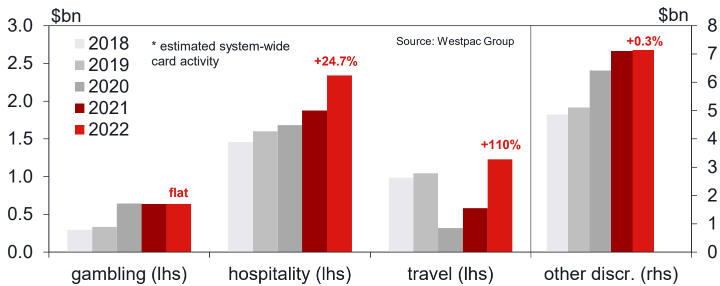
Sources: ABS, Westpac Group

Discretionary spend firms but a mixed ‘Cup-week’

4. Card activity by major category



5. Melbourne Cup weeks: card activity, selected categories



– By category, recent firming has centred on discretionary segments, housing-related and ‘other discretionary services’ recording solid gains and ‘other durables’ and hospitality firming a touch. Travel-related transactions softened a touch but this may be a seasonal effect.

– Looking at card activity more specifically for the week ended Nov 5, when Melbourne Cup festivities were in full swing, the wash-up shows a strong result for hospitality, up nearly 25% on last year’s Cup-week, but flat results for gambling (unchanged on last year), and other discretionary spend (+0.3%yr).

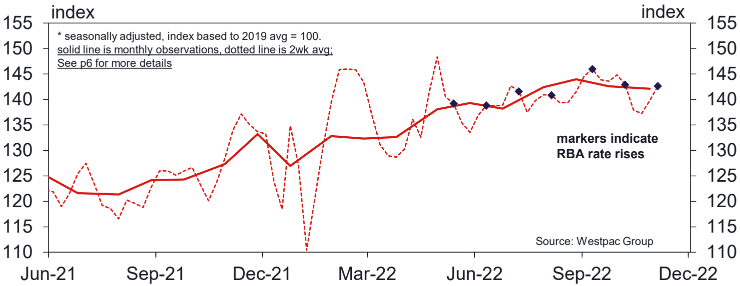
– A string of major sales campaigns in coming weeks will be an important test of consumer demand.

	Aug	Sep	Oct	5/11
Westpac Card Tracker*	**130.6**	**134.6**	**135.3**	**135.6**
By category (not seasonally adjusted)				
- discretionary	134.3	134.5	141.1	140.7
- essential	133.0	127.4	134.1	132.0
By state (not seasonally adjusted)				
- NSW	130.8	128.9	134.8	135.2
- Vic	133.7	132.7	138.9	136.6
- Qld	142.1	139.7	146.5	147.9
- WA	135.6	133.5	142.9	139.3
- SA	139.9	136.6	145.2	143.1

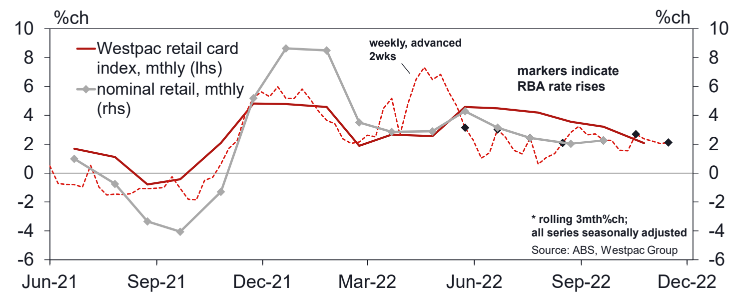
All indexes based on the value of spending-related transactions, 2019 avg=100, see p9 for more details incl. classifications. * Headlne index is seasonally adjusted, all other indexes are unadjusted. Sources: ABS, Westpac Group

Prices hit retail but Q3 strong for some non-retail areas

6. Card activity: retail



7. Retail card transactions vs ABS retail sales



– Retail categories have also seen card activity rally over the last two weeks, our retail card index lifting back to 144.9, near its peaks in Aug. despite this, the pace of growth has still slowed, holding around a 2%qtr nominal pace in recent weeks.

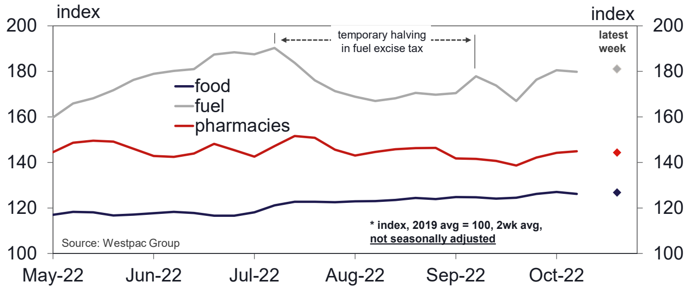
– As noted previously, official ABS retail sales figures confirm the Q3 slowdown in growth, nominal sales up 2.3%qtr and real sales volumes up just 0.2%qtr (see here for more). The mix suggests price rises were the main dampener with rate rises only just starting to bite. Other Q3 'partials' have been more mixed, vehicle sales up strongly, by about 10%qtr in seasonally adjusted terms, and outbound international travel up strongly on a continued lift from border reopening but fuel sales down a touch, price effects again apparent.

	Aug	Sep	Oct	5/11
By retail/non retail				
Retail card index*	144.0	142.6	142.1	144.9
- qtly%ch	3.6	3.2	2.1	2.1
- qtly, ann%ch	15.7	16.0	14.1	13.0
Non-retail card index	115.8	125.7	127.7	125.5
ABS retail sales				
- %ch	0.6	0.6	n.a.	n.a.
- ann%ch	19.2	17.9	n.a.	n.a.
- qtly%ch	2.0	2.3	n.a.	n.a.
- qtly ann%ch	15.9	17.9	n.a.	n.a.

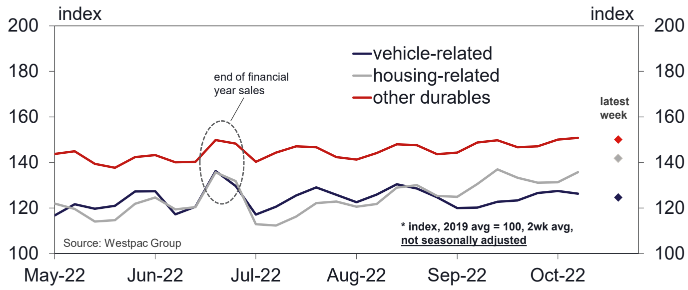
All indexes based on the value of spending-related transactions, 2019 avg=100, see p9 for more details. Retail card index seasonally adjusted using ABS series. All other Indexes are not seasonally unadjusted. Sources: ABS, Westpac Group

Detailed charts

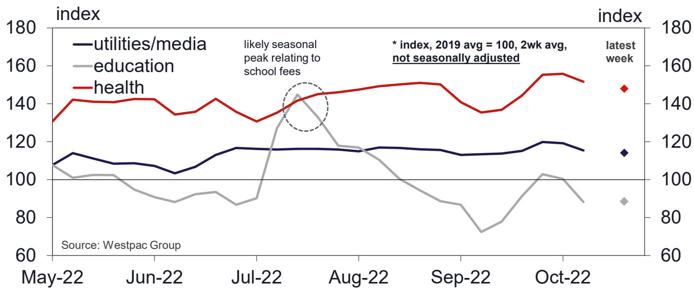
8. Card activity: essential goods



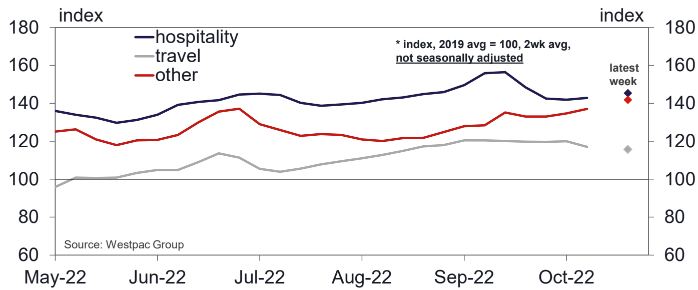
9. Card activity: discretionary goods



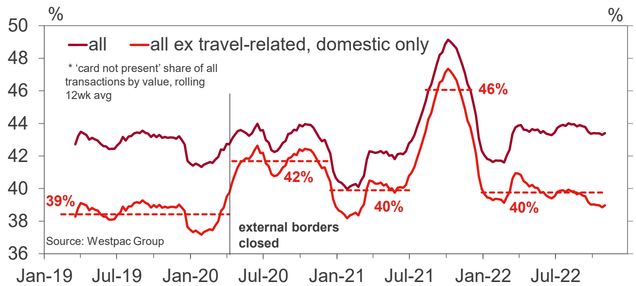
10. Card activity: essential services



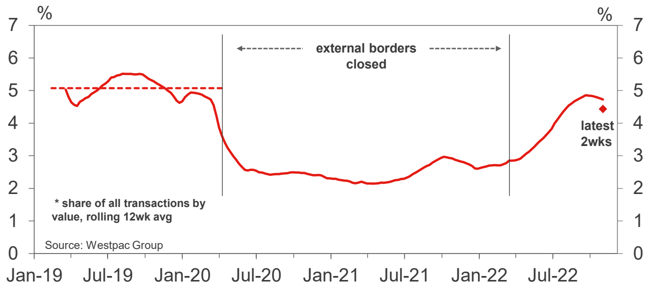
11. Card activity: discretionary services



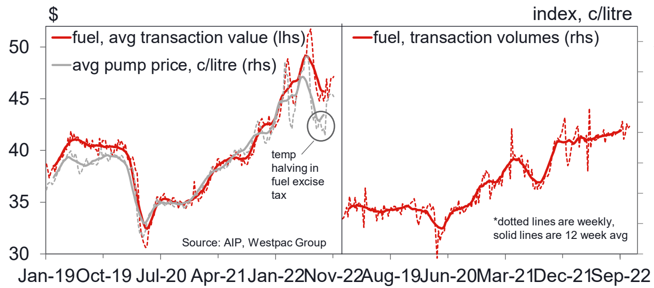
12. Card transactions: online share



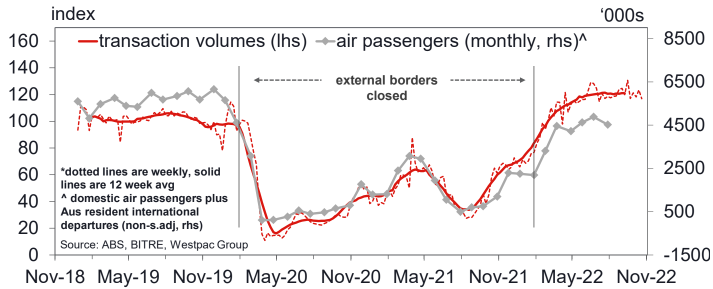
13. Card transactions: international share



14. Card transactions: petrol vs pump pricess



15. Card transactions: travel vs passenger flights



Westpac card indicators*

	2020		2021				2022					week ending:			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Aug	Sep	Oct	15/10	22/10	29/10	5/11
Westpac Card Tracker Index	**102.0**	**107.9**	**109.8**	**112.1**	**105.3**	**120.1**	**122.2**	**129.7**	**130.6**	**134.6**	**135.3**	**129.7**	**133.6**	**132.2**	**135.6**
qtly%ch	12.5	5.8	1.8	2.1	-6.1	14.1	1.7	6.2	2.9	2.0	2.3	1.7	2.3	2.4	3.0
qtly, ann%ch	2.6	7.8	8.9	23.7	3.3	11.3	11.2	15.7	24.0	25.7	23.5	25.5	24.4	23.5	21.9
By category (not seasonally adjusted)															
– discretionary	98.4	113.6	103.5	108.9	100.2	127.3	115.1	127.6	134.3	134.5	141.1	135.0	139.0	137.6	140.7
– essential	110.0	112.1	108.5	109.3	116.4	123.6	121.1	123.9	133.0	127.4	134.1	130.8	136.4	132.4	132.0
services	84.7	92.1	95.2	98.7	86.2	103.8	106.5	120.1	129.3	128.2	134.9	129.8	135.0	130.3	133.0
– discretionary services	77.0	88.4	90.9	95.7	78.2	101.7	104.4	122.1	129.1	131.5	137.5	130.8	135.7	131.8	136.7
– essential services	107.7	103.0	108.3	107.7	109.9	110.2	113.1	114.1	129.9	118.2	127.4	126.9	132.8	125.7	122.0
goods	117.8	131.1	113.8	117.8	122.9	145.0	126.4	131.6	137.8	135.2	141.8	136.7	140.7	140.4	141.5
– discretionary goods	123.1	142.7	118.0	124.0	125.7	157.0	127.5	133.9	140.4	137.9	145.3	139.9	142.7	144.2	145.2
– essential goods	111.1	116.5	108.6	110.1	119.5	130.1	124.9	128.6	134.6	131.8	137.4	132.7	138.2	135.6	136.8
retail^	120.2	118.9	121.7	123.8	123.3	129.1	132.6	138.5	144.0	142.6	142.1	135.3	139.2	140.4	144.9
qtly%ch	10.7	-1.1	2.4	1.7	-0.4	4.8	2.7	4.5	3.6	3.2	2.1	2.4	2.2	2.0	2.1
qtly, ann%ch	17.6	19.6	15.4	14.0	2.6	8.7	8.9	11.9	15.7	16.0	14.1	15.6	14.7	14.1	13.0
By state (not seasonally adjusted)															
– NSW	103.6	112.6	103.2	108.4	98.9	124.8	114.7	124.6	130.8	128.9	134.8	130.2	134.1	131.4	135.2
– Vic	92.0	111.8	105.8	108.1	103.1	127.1	119.4	127.9	133.7	132.7	138.9	133.0	138.0	136.6	136.6
– Qld	110.9	119.3	109.6	113.8	117.8	131.7	120.8	131.6	142.1	139.7	146.5	141.2	146.0	143.8	147.9
– WA	109.3	116.2	107.3	111.3	117.7	129.4	119.5	127.1	135.6	133.5	142.9	136.6	143.3	140.0	139.3
– SA	111.9	119.0	110.8	114.2	117.3	132.0	121.0	131.0	139.9	136.6	145.2	141.4	144.5	143.8	143.1

All indexes based on the value of spending-related transactions, 2019 avg=100. See p9 for more details. Headlne 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; ^ month to date. Sources: ABS, Westpac Group

*** revised measures - see p9 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.

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
39th Floor
575 Fifth Avenue
New York, 10017 USA

Publication enquiries, Westpac Economics, Telephone (61–2) 8254 8720, economics@westpac.com.au

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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.

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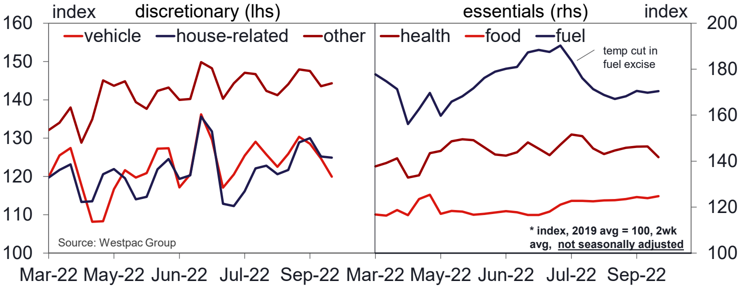
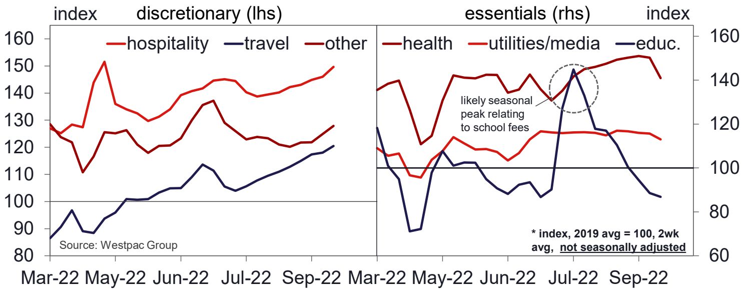
Detail highlights lower fuel price, seasonal school fees

16. Card transactions: goods



17. Card transactions: services



– 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.

	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 p9 for more details incl. classifications. Indexes are no seasonally unadjusted.

Sources: ABS, Westpac Group