

WESTPAC CARD TRACKER

25 NOVEMBER 2022.

WESTPAC INSTITUTIONAL BANK

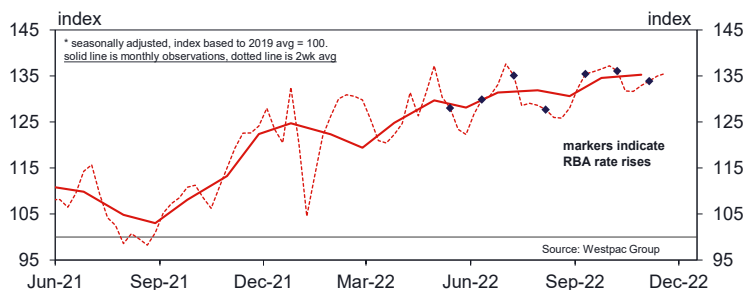


Card activity firms again leading into sales high season



- The **Westpac Card Tracker Index** continued to firm over the two weeks to Nov 19, rising 1.2pts to 136.8. The Index remains at a high level, implying that consumer-related card activity is nearly 37% above pre-pandemic levels in 2019. However, the underlying detail continues to show a flattening profile that is consistent with slower growth in nominal spending and a likely stalling in real, inflation-adjusted terms.
- The detail shows a firming in discretionary categories over the last two weeks. Of note, retail spending has begun to pick-up ahead of Black Friday and Cyber-week sales over the next fortnight. A flattening in hospitality spending has also been offset by a lift in card spending on professional services. Essentials categories, particularly goods, are acting as a drag on overall spending momentum, albeit with the segment still showing positive gains.
- The state detail shows the lift over the last two weeks has been broadly based. The dispersion in card activity growth across states has narrowed slightly. Spending momentum is still a touch softer in NSW and Vic but quarterly growth is running in a relatively tight 1.2ppt range across all states. The narrowing may reflect both a continued ‘catch-up’ from last year’s delta disruptions and possibly some lift associated with a return to strong migration inflows.
- The upcoming Black Friday and Cyber-week sales period is shaping as a big ‘litmus test’ for the Australian consumer. Activity has held up relatively well to date despite intensifying cost of living and rate rise pressures. The next few weeks will give a pointer to how well this is carrying into the sales ‘high season’ that runs from now through to Christmas.

1. Westpac Card Tracker Index*



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

“... Black Friday and Cyber-week sales ... shaping as a big ‘litmus test’ for the Australian consumer.”

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.

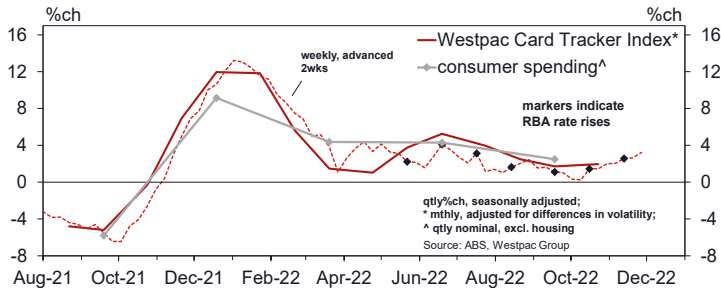
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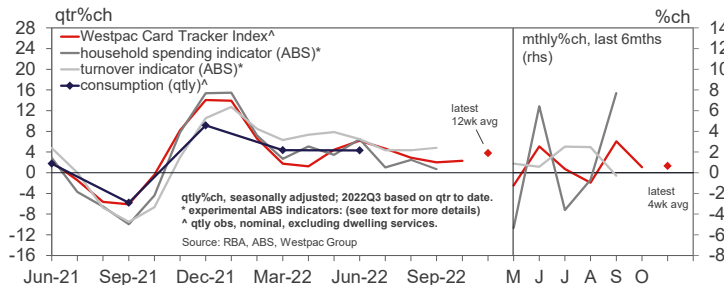
Momentum lifts in first half of Q4



2. Card activity and spending: growth momentum



3. Consumer spending: selected indicators



- The card tracker signal on growth momentum has shown a steady lift since early Oct, albeit within the range of what have been more subdued readings since about July. Chart 2 shows the quarterly growth signal from the **Westpac Card Tracker Index** has lifted from about 2% in Oct to around 3.8% for the latest week (comparing the 12wks on the previous 12wks).
- Official ABS estimates for total consumer spending will be released on Dec 7. Available nominal measures show mixed results with most pointing to a reasonable gain but at a slower pace than in Q2. Available 'partials' have retail volumes up just 0.2%qtr, but auto fuel sales volumes up 1.4%qtr and vehicle sales up 10%qtr. Q3 is also expected to show another big rise in outbound tourism flows – an aspect of spending generally not captured by card activity or tax based measures.

qtly%ch	Q1	Q2	Q3	latest*
Westpac Card Tracker*	1.7	6.2	2.0	3.8
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.

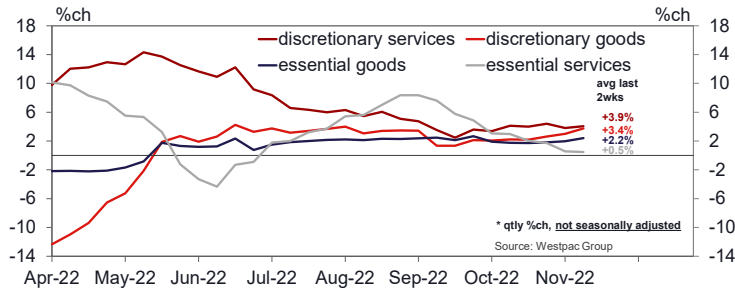
* ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs..

Sources: ABS, Westpac Group

Discretionary goods lift, state dispersion narrows

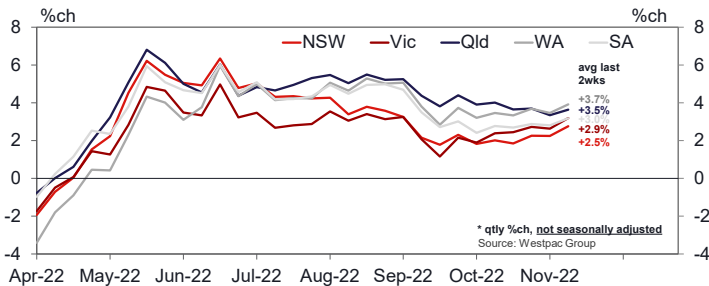


4. Card activity by major category: growth momentum



- By category, the recent firming in the quarterly growth pace is more apparent in discretionary goods – ‘other durables’ in particular. Growth in card activity in discretionary services is still tracking a solid pace, a slowing in hospitality offset by a lift in ‘other discretionary services’. Meanwhile, momentum in essentials goods has continued to soften despite a price-driven lift in fuel spend following the end of temporary excise tax cuts.
- Card activity growth continues to run slower in NSW (2.5%qtr) and Vic (2.9%qtr) compared to WA (+3.7%qtr); Qld (+3.5%qtr) but the gap is narrowing. Note that the state measures are according to the account holder location rather than the merchant.

5. Card activity by state: growth momentum



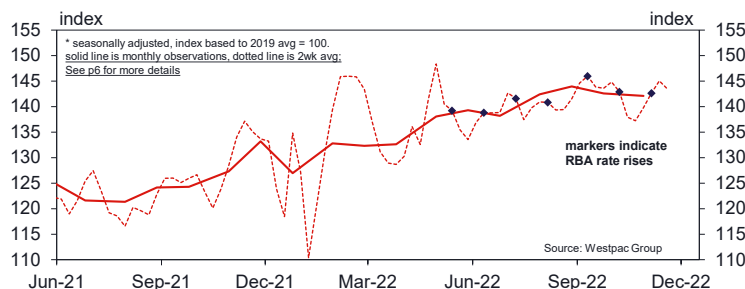
	Sep	Oct	Nov^	19/11
Westpac Card Tracker*	134.6	135.3	133.7	136.8
By category (not seasonally adjusted)				
- discretionary	134.5	141.1	137.5	141.3
- essential	127.4	134.1	132.8	137.0
By state (not seasonally adjusted)				
- NSW	128.9	134.8	133.0	136.6
- Vic	132.7	138.9	136.1	140.8
- Qld	139.7	146.5	144.9	148.5
- WA	133.5	142.9	140.2	146.4
- SA	136.6	145.2	141.2	144.4

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

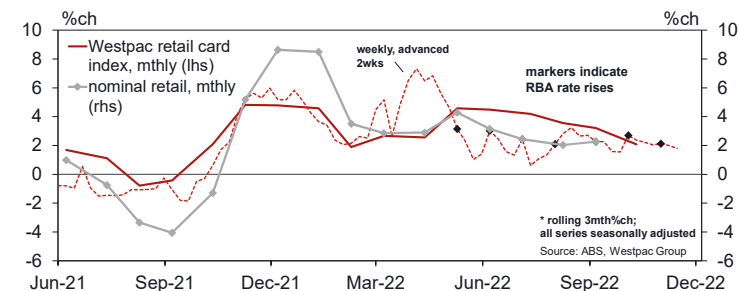
Retail categories continue to look softer



6. Card activity: retail



7. Retail card transactions vs ABS retail sales



- Retail categories as a whole still look to be tracking more of a moderation, without much of a lift in growth momentum over the last moth. After a rally to 144.9 on Nov 5, our retail card index has pulled back to 141.8, broadly in line with the Oct read. The pace of quarterly growth has moved slightly below 2%qtr in nominal terms, with a subdued 0.5% preliminary read for the Nov month. In contrast, our non-retail index has lifed strongly to be well above Oct levels.
- The ABS is due to release preliminary Oct retail sales estimates on Nov 28. Rising prices eroded purchasing power in Q3 with the Sep update showing tentative signs that interest rate rises were also starting to impact. We expect more of this to show through in Oct with a 0.2% gain implying a small outright dip in underlying volumes.

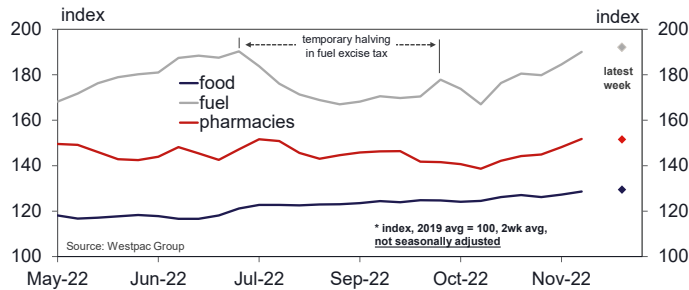
	Sep	Oct	Nov [^]	19/11
By retail/non retail				
Retail card index*	142.6	142.1	141.9	141.8
– qtly%ch	3.2	2.1	0.5	1.8
– qtly, ann%ch	16.0	14.1	10.9	11.4
Non-retail card index	125.7	127.7	124.6	131.5
ABS retail sales				
– %ch	0.6	0.2f	n.a.	n.a.
– ann%ch	17.9	13.0	n.a.	n.a.
– qtly%ch	2.3	2.0	n.a.	n.a.
– qtly ann%ch	17.9	16.6	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; [^]month to date. Sources: ABS, Westpac Group

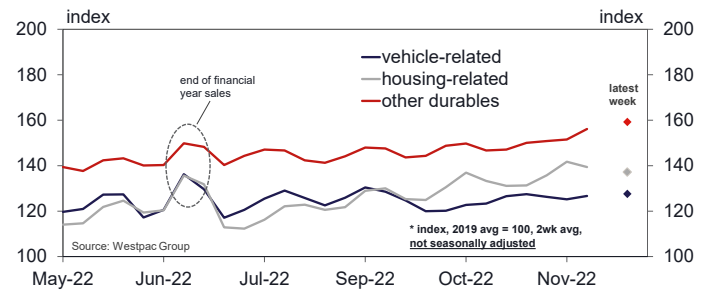
Detailed charts



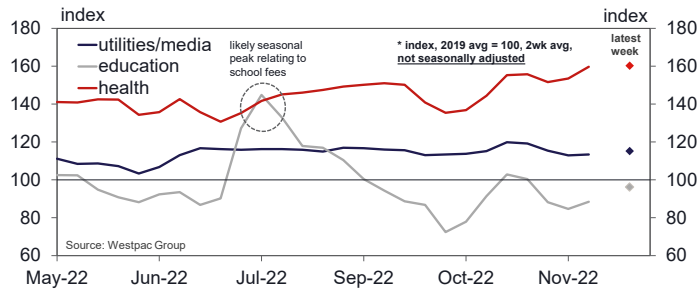
8. Card activity: essential goods



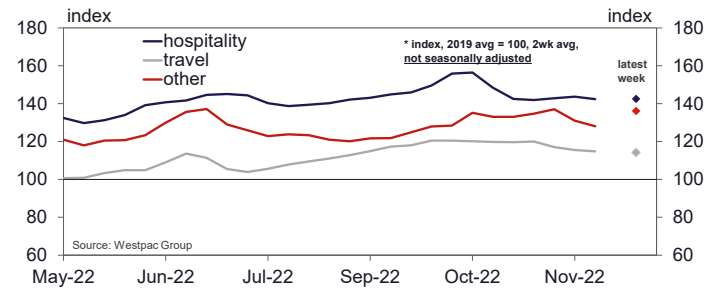
9. Card activity: discretionary goods



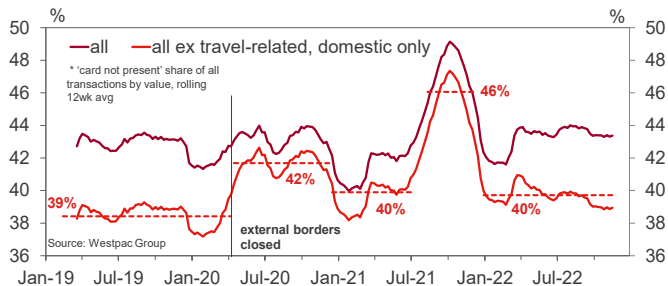
10. Card activity: essential services



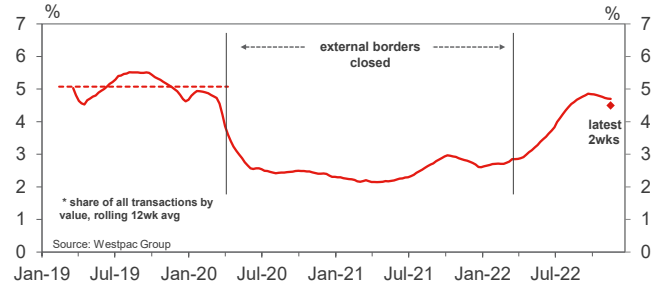
11. Card activity: discretionary services



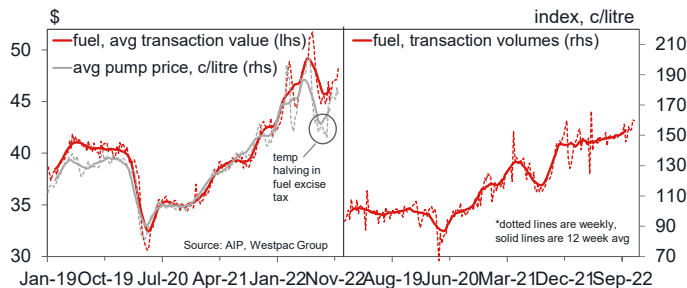
12. Card transactions: online share



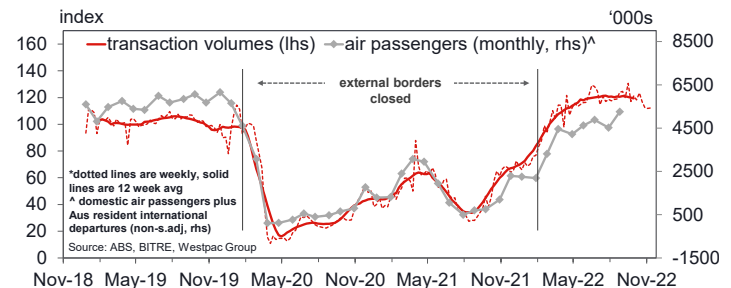
13. Card transactions: international share



14. Card transactions: petrol vs pump prices



15. Card transactions: travel vs passenger flights



Westpac card indicators*



	2020		2021		2022					week ending:					
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Sep	Oct	Nov^	29/10	5/11	12/11	19/11
Westpac Card Tracker Index	102.0	107.9	109.8	112.1	105.3	120.1	122.2	129.7	134.6	135.3	133.7	132.2	135.6	134.3	136.8
qtlly%ch	12.5	5.8	1.8	2.1	-6.1	14.1	1.7	6.2	2.0	2.3	2.5	2.4	3.0	3.1	3.8
qtlly, ann%ch	2.6	7.8	8.9	23.7	3.3	11.3	11.2	15.7	25.7	23.5	17.4	23.5	21.9	20.4	19.1
By category (not seasonally adjusted)															
- discretionary	98.4	113.6	103.5	108.9	100.2	127.3	115.1	127.6	134.5	141.1	137.5	137.6	140.7	136.6	141.3
- essential	110.0	112.1	108.5	109.3	116.4	123.6	121.1	123.9	127.4	134.1	132.8	132.4	132.0	134.1	137.0
services	84.7	92.1	95.2	98.7	86.2	103.8	106.5	120.1	128.2	134.9	128.4	130.3	133.0	126.3	131.9
- discretionary services	77.0	88.4	90.9	95.7	78.2	101.7	104.4	122.1	131.5	137.5	130.0	131.8	136.7	127.2	133.1
- essential services	107.7	103.0	108.3	107.7	109.9	110.2	113.1	114.1	118.2	127.4	123.3	125.7	122.0	123.6	128.4
goods	117.8	131.1	113.8	117.8	122.9	145.0	126.4	131.6	135.2	141.8	142.2	140.4	141.5	143.8	146.5
- discretionary goods	123.1	142.7	118.0	124.0	125.7	157.0	127.5	133.9	137.9	145.3	146.0	144.2	145.2	147.4	150.8
- essential goods	111.1	116.5	108.6	110.1	119.5	130.1	124.9	128.6	131.8	137.4	137.4	135.6	136.8	139.3	141.2
retail^	120.2	118.9	121.7	123.8	123.3	129.1	132.6	138.5	142.6	142.1	141.9	140.4	144.9	145.2	141.8
qtlly%ch	10.7	-1.1	2.4	1.7	-0.4	4.8	2.7	4.5	3.2	2.1	0.5	2.0	2.1	2.0	1.8
qtlly, ann%ch	17.6	19.6	15.4	14.0	2.6	8.7	8.9	11.9	16.0	14.1	10.9	14.1	13.0	12.1	11.4

By state (not seasonally adjusted)

- NSW	103.6	112.6	103.2	108.4	98.9	124.8	114.7	124.6	128.9	134.8	133.0	131.4	135.2	132.8	136.6
- Vic	92.0	111.8	105.8	108.1	103.1	127.1	119.4	127.9	132.7	138.9	136.1	136.6	136.6	136.3	140.8
- Qld	110.9	119.3	109.6	113.8	117.8	131.7	120.8	131.6	139.7	146.5	144.9	143.8	147.9	144.7	148.5
- WA	109.3	116.2	107.3	111.3	117.7	129.4	119.5	127.1	133.5	142.9	140.2	140.0	139.3	140.0	146.4
- SA	111.9	119.0	110.8	114.2	117.3	132.0	121.0	131.0	136.6	145.2	141.2	143.8	143.1	142.2	144.4

All indexes based on the value of spending-related transactions, 2019 avg=100. See p9 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; ^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.

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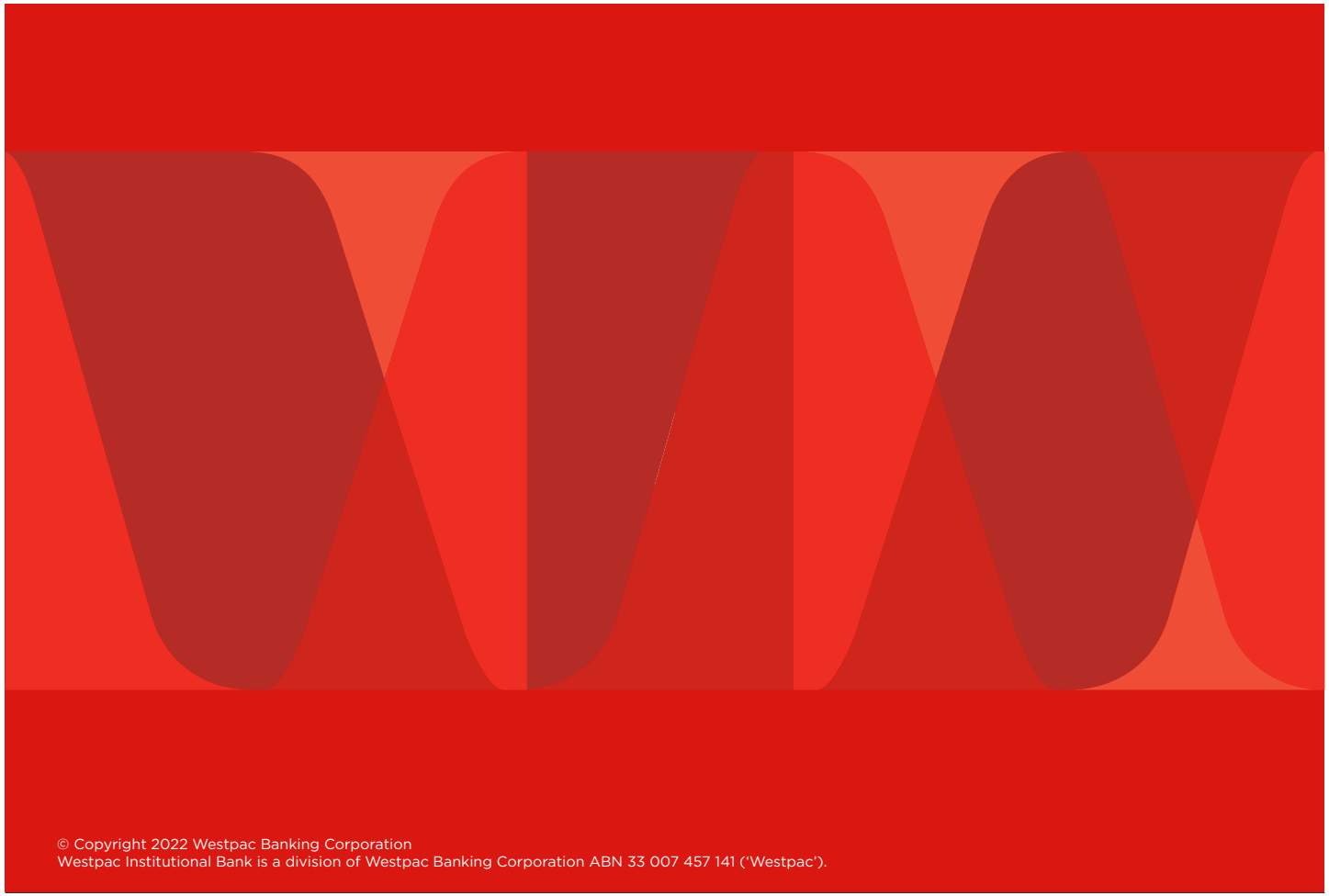
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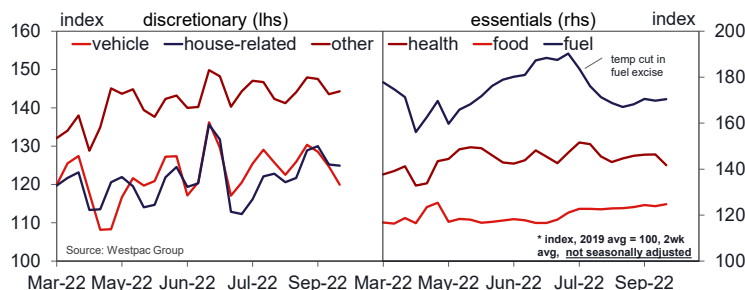
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Detail highlights lower fuel price, seasonal school fees



16. Card transactions: goods

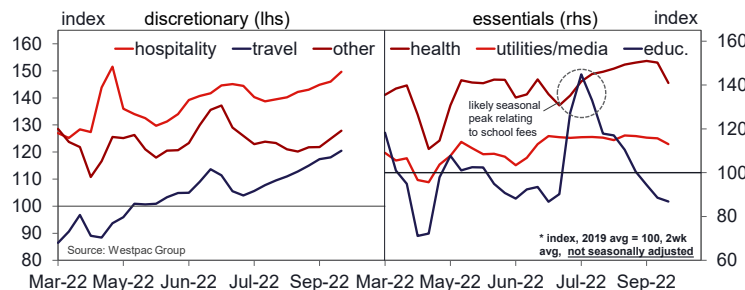


- State-wise, the last 3wks has seen a slight softening in a gain in Vic (+1.5%) NSW (–0.3%) and steady reads elsewhere. Note that state and category measures include regular seasonal variations. The detail suggests this has contributed to recent softness in some areas.

The latestxxx.

- Goods.
- Services.

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

Sources: ABS, Westpac Group