WESTPAC CARD TRACKER 12 DECEMBER 2022.





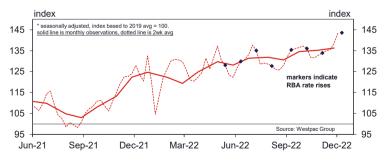
Card activity confirms solid start to sales season



- The Westpac Card Tracker Index lifted strongly over the two weeks to Dec 3, jumping 10pts to 146.8. Some of this is almost certainly a transitory lift associated with Black Friday and 'Cyberweek' sales. While the Index is adjusted for regular seasonal variations the limited history means its not yet possible to do this with complete precision for week-to-week reads. The extent of any underlying strengthening will depend on how much the index retraces over the rest of Dec. That said, the profile is tracking closely in line with previous Nov-Dec sales periods meaning the question is whether momentum may be lifting over and above regular seasonal variations rather than whether its dropping off.
- The bottom line is that the card data shows solid sales through Black Friday and 'Cyber-week', suggesting rate hikes have yet to really bite hard on consumer demand.

- The category breakdown, which is not seasonally adjusted, shows very big gains for discretionary goods, led by small-ticket consumer durables, i.e. clothing, department store items, electrical appliances, sports and toys. Discretionary services and essential goods recorded slight lifts while essential services dipped slightly. All states recorded solid rises in total card activity.
- Looking more closely at 'discretionary goods' spend, the Black Friday and 'Cyber-week' sales period has been a solid one, our estimates suggesting total system-wide card activity in these segments topped \$14bn over the two weeks, up 2.9% on last year and cementing late Nov/early Dec as the peak period for retail. That said, the solid out-turn may also be a sign that Australian consumers are bargain-hunting more actively this year. If so, that could also see significantly weaker activity in coming weeks.

1. Westpac Card Tracker Index*



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

"... solid sales through Black Friday and 'Cyber-week', suggesting rate hikes have yet to really bite ..."

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.

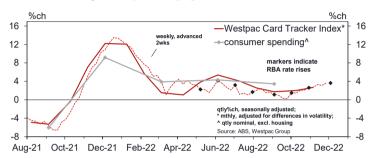
This report is produced by Westpac Economics. **Matthew Hassan**, Senior Economist Email: economics@westpac.com.au This issue was finalised on 12 December 2022.

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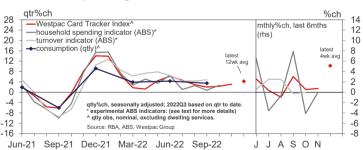
Reopening largely over but momentum continues



2. Card activity and spending: growth momentum



3. Consumer spending: selected indicators



- The card tracker signal on growth momentum has extended on the steady lift seen since early Oct. Chart 2 shows the quarterly growth signal from the Westpac Card Tracker Index has risen from about 2% in Oct to 4.2% for the latest week. Note that this compares the latest 12wks on the previous 12wks and is less susceptible to the residual seasonal shifts that may be affecting the headline measure over the last two weeks.
- The Q3 national accounts showed nominal spend up 3.4%, a slowdown on the 4.3% gain in Q2 but better than the card tracker and most other indicators had suggested. Reopening drivers were evident, particularly in travel and hospitality, but now look to have largely run their course. Incomes held up better than expected thanks to a strong rise in wages and a milder than expected drag from rising interest payments (see here for more).

qtly%ch	Q1	Q2	Q3	latest^
Westpac Card Tracker*	1.7	6.2	2.0	4.2
Other indicators (nomina	ıl)			
Household spending*	2.7	6.5	0.8	2.7
Turnover*	6.3	6.5	4.8	n.a
Consumer spending (qtly	/) #			
Nominal	4.4	4.3	3.4	n.a
Real	2.7	2.6	1.3	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 Westbac). Turnover based on BAS returns for consumer-sector

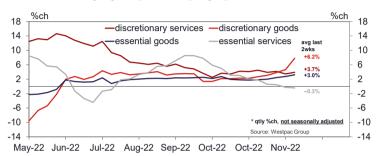
businesses: #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

Discretionary goods lift, state dispersion narrows



4. Card activity by major category: growth momentum



5. Card activity by state: growth momentum



- As noted, the latest rise in activity has been driven by discretionary goods, a 35% surge over the last 2wks lifting the quarterly growth rate to well over 6% (in non-seasonally adjusted terms). Growth has been particularly strong for sub-categories targeted during Black Friday/'Cyber-week' sales, including clothing, department stores, electrical, sports equipment and toys. Quarterly momentum is steadier across other categories, tracking in the 3-4% range for discretionary services and essential goods, and stalling flat for essential services.
- While the lift has been broad-based by state, quarterly growth in card activity continues to run slower in NSW and SA (both 3.7%) and slightly faster in Qld (+4.5%) and WA (+4.8%); Vic tracking in line with the Aus avg (+4.2%).

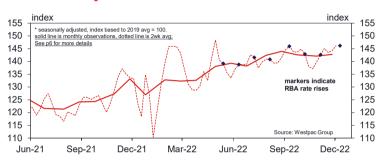
	Sep	Oct	Nov	3/12	
Westpac Card Tracker*	134.6	135.3	136.3	146.8	
By category (not seasor	nally adjuste	d)			
- discretionary	134.5	141.1	143.4	167.7	
- essential	127.4	134.1	134.4	141.2	
By state (not seasonally	adjusted)				
- NSW	128.9	134.8	137.7	156.6	
- Vic	132.7	138.9	141.1	162.0	
- Qld	139.7	146.5	149.6	168.3	
- WA	133.5	142.9	144.7	161.7	
- SA	136.6	145.2	146.7	169.0	

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

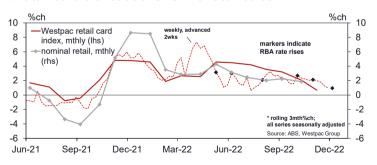
Retail categories still looking softer



6. Card activity: retail



7. Retail card transactions vs ABS retail sales



- Our retail card index continues to be more subdued. It lifted 3.8pts to 145.6 over the 2wks to Dec 3, a solid gain but less ebullient than the 10pt surge in the headline Index. Some of this may be due to a more accurate seasonal adjustment our retail index uses seasonal factors from the monthly ABS survey rather than the RBA's system-wide card measures. Recall also that basic food makes up around 40% of retail.
- Official ABS retail estimates showed a 0.2% dip in sales in Oct (see here for more). Taken at face value, that would imply a substantial fall in volumes in the 0.5-1%mth range. However, the price side of the picture is unclear. The ABS's monthly CPI indicator showed notable softness in some retail prices in Oct, especially food (see here for more). As such, volumes may be flat rather than down.

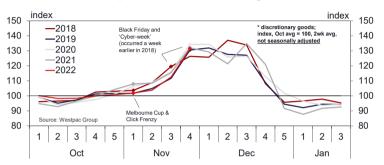
	Sep	Oct	Nov	3/12
By retail/non retail				
Retail card index*	142.6	142.1	142.8	145.6
- qtly%ch	3.2	2.1	0.7	1.0
- qtly, ann%ch	16.0	14.1	11.1	10.4
Non-retail card index	125.7	127.7	129.1	148.4
ABS retail sales				
- %ch	0.6	-0.2	n.a.	n.a.
- ann%ch	17.9	12.5	n.a.	n.a.
- qtly%ch	2.3	1.9	n.a.	n.a.
- qtly ann%ch	17.9	16.5	n.a.	n.a.

All indexes based on the value of spending-related transactions, 2019 avg=100, see p10 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

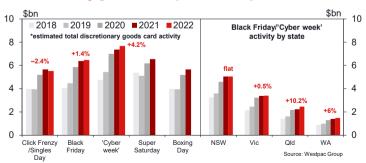
Black Friday & 'Cyber-week' card activity tops \$14bn



8. Christmas sales periods: 2022 vs history



9. Discretionary goods: sales periods compared

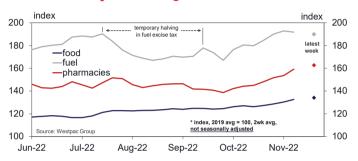


- The pre-Christmas rush is well and truly underway with the Black Friday and 'Cyber-week' sales in late Nov/early Dec marking the beginning of a ramp up in activity that carries through to Boxing Day. For many retailers, sales through this period can be 40-50% higher than usual, with the margins earned often being the difference between a bumper and an ordinary year.
- These large seasonal variations mean we need to be extra careful when reading card tracker updates. As noted when we introduced our new index back in mid-Oct (see here) we rely on monthly benchmarks to generate weekly seasonally adjusted readings - an approach that filters reasonably well but is imperfect when there are sharp or shifting weekly seasonal changes in play. Indeed, there does still look to be some 'residual' seasonality in the weekly estimates leading into the Christmas period.
- A useful 'sense check' here is to compare non seasonally adjusted activity across different years. Chart 2 shows how 'discretionary goods' activity is tracking compared to the last four years, with key sales weeks marked. The 26.6% lift over the last two weeks is dramatic but looks to be broadly in line with previous years: 2021 +21.7%; 2020 23.1%; 2019 24.5%; and 2018, when the lead-in was a little more spread out, 21.9%.
- On a combined basis, sales over Black Friday and 'Cyberweek' are up 2.9% vs 2021 with total system-wide card activity estimated at just over \$14bn. The 'card not present' share show 43% of that was spent online down a touch on the 45% last year. The state split also suggests NSW and Vic have seen more muted gains vs 2021 although that may be partly due to a post-delta catch up in spending that was underway this time last year.

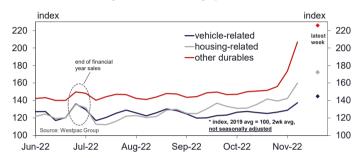
Detailed charts



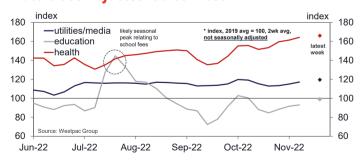
10. Card activity: essential goods



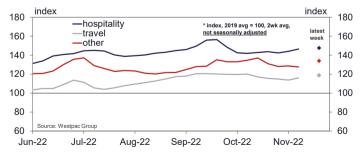
11. Card activity: discretionary goods



12. Card activity: essential services



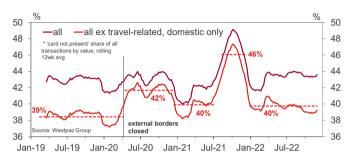
13. Card activity: discretionary services



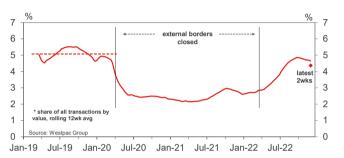
Detailed charts



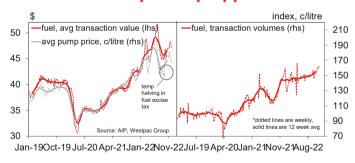
14. Card transactions: online share



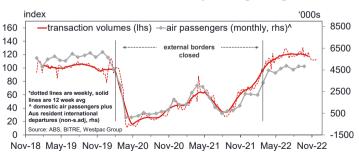
15. Card transactions: international share



16. Card transactions: petrol vs pump pricess



17. Card transactions: travel vs passenger flights



Westpac card indicators*



	2020		2021				2022					.wo als a	n alin au		
	2020											week e			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Sep	Oct	Nov	12/11	19/11	26/11	3/12
Westpac Card Tracker Index	102.0	107.9	109.8	112.1	105.3	120.1	122.2	129.7	134.6	135.3	136.3	134.3	136.8	140.3	146.8
qtly%ch	12.5	5.8	1.8	2.1	-6.1	14.1	1.7	6.2	2.0	2.3	3.1	3.1	3.8	3.6	4.2
qtly, ann%ch	2.6	7.8	8.9	23.7	3.3	11.3	11.2	15.7	25.7	23.5	18.2	20.4	19.1	18.0	16.7
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	143.4	136.6	141.3	148.9	167.7
- essential	110.0	112.1	108.5	109.3	116.4	123.6	121.1	123.9	127.4	134.1	134.4	134.1	137.0	137.9	141.2
services	84.7	92.1	95.2	98.7	86.2	103.8	106.5	120.1	128.2	134.9	128.5	126.3	131.9	128.1	134.7
- discretionary services	77.0	88.4	90.9	95.7	78.2	101.7	104.4	122.1	131.5	137.5	129.7	127.2	133.1	128.3	135.3
- essential services	107.7	103.0	108.3	107.7	109.9	110.2	113.1	114.1	118.2	127.4	125.0	123.6	128.4	127.4	133.0
goods	117.8	131.1	113.8	117.8	122.9	145.0	126.4	131.6	135.2	141.8	150.2	143.8	146.5	159.5	178.4
- discretionary goods	123.1	142.7	118.0	124.0	125.7	157.0	127.5	133.9	137.9	145.3	159.1	147.4	150.8	172.7	205.0
- essential goods	111.1	116.5	108.6	110.1	119.5	130.1	124.9	128.6	131.8	137.4	139.0	139.3	141.2	143.0	145.2
retail^	120.2	118.9	121.7	123.8	123.3	129.1	132.6	138.5	142.6	142.1	142.8	145.2	141.8	146.8	145.6
qtly%ch	10.7	-1.1	2.4	1.7	-0.4	4.8	2.7	4.5	3.2	2.1	0.7	2.0	1.8	1.2	1.0
qtly, ann%ch	17.6	19.6	15.4	14.0	2.6	8.7	8.9	11.9	16.0	14.1	11.1	12.1	11.4	11.0	10.4
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	137.7	132.8	136.6	143.0	156.6
- Vic	92.0	111.8	105.8	108.1	103.1	127.1	119.4	127.9	132.7	138.9	141.1	136.3	140.8	146.1	162.0
- Qld	110.9	119.3	109.6	113.8	117.8	131.7	120.8	131.6	139.7	146.5	149.6	144.7	148.5	155.1	168.3
- WA	109.3	116.2	107.3	111.3	117.7	129.4	119.5	127.1	133.5	142.9	144.7	140.0	146.4	150.8	161.7
- SA	111.9	119.0	110.8	114.2	117.3	132.0	121.0	131.0	136.6	145.2	146.7	142.2	144.4	152.5	169.0

All indexes based on the value of spending-related transactions, 2019 avg=100. See p10 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 <u>ABS retail survey</u>.

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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