

WESTPAC CARD TRACKER

13 JANUARY 2023.

WESTPAC INSTITUTIONAL BANK

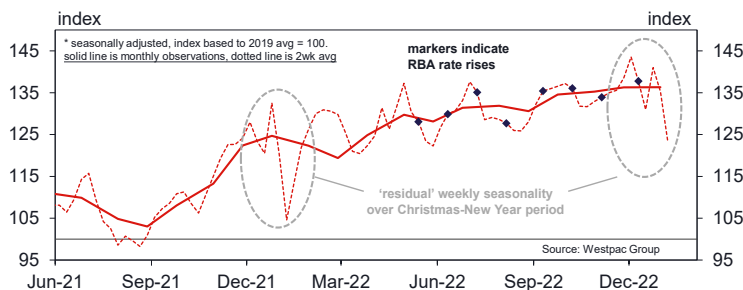


Card activity shows strong Christmas results



- The **Westpac Card Tracker Index** lifted strongly in the lead-in to Christmas, falling back sharply over the last week of Dec and first week of Jan but with a drop that looks to be largely in line with that seen in previous years.
- Note that while our measure excludes month to month seasonal shifts it is not yet possible to precisely adjust for week to week seasonal variations, especially the very sharp weekly swings seen around the Christmas-New Year period. This 'residual' seasonality means weekly readings should be treated with greater caution around this time of year. That said, the picture from monthly and quarterly reads, and from comparing the latest 'high season' with previous years all suggests underlying momentum has remained solid with through Dec and into early Jan with variations in activity largely in line with previous Christmas-New Year periods.
- The wash-up from the Christmas period shows strong results for the major sales periods. Card activity in non-food discretionary goods showed peak Christmas spend up 15-20% on last year while peak hospitality spend was up 11%. Other categories have been more subdued with a flat result for 'basic food' and seasonal weakness affecting health and education. Travel spend also saw a bit of a lull, although this tends to be paid for in advance of trips, the high share of international transactions suggesting many Australians headed abroad over the holiday period.
- The bottom line though is that despite sharply higher interest rates and very weak sentiment, consumers have still be spending strongly through the Christmas-New Year period with underlying momentum showing only a very mild impact from these wider pressures to date.

1. Westpac Card Tracker Index*



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

“... peak Christmas spend up 15-20% on last year ... hospitality up 11%.”

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.

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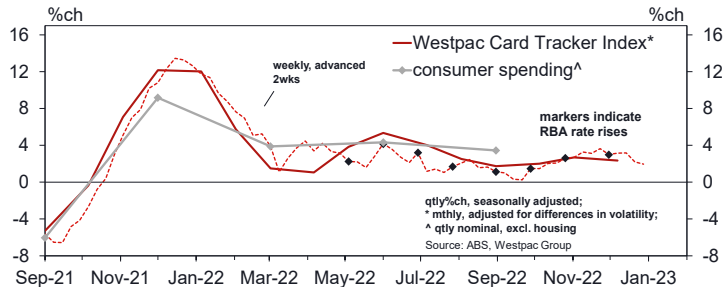
This issue was finalised on 13 January 2023.

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Underlying momentum still looks robust



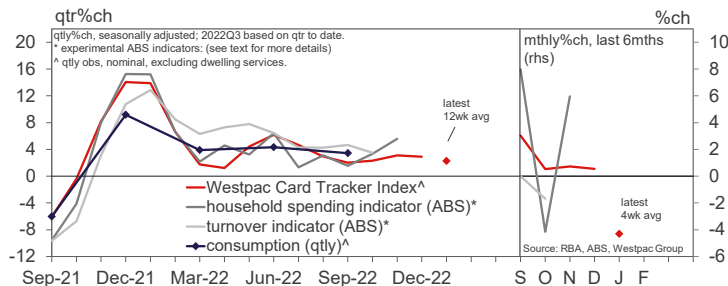
2. Card activity and spending: growth momentum



– In terms of the quarterly growth signal, recent variations have largely cancelled out. Chart 2 shows the **Westpac Card Tracker Index** is tracking a slightly softer quarterly growth pace in the 2½-3% range in recent months, albeit with the slowdown within the range of ‘noise’ for this signal rather than a decisive shift. Nominal consumer spending rose 3.4% in Q3, outperforming the 1-1½% guidance from the tracker.

– The monthly ABS household spending indicator showed a strong rebound in Nov, we estimate consistent with a 6% rebound in seasonally adjusted terms from a 4% fall in Oct. The Nov ABS business turnover indicator update – due on Jan 20 – looks likely to show a strong gain as well given the gains in card-based measures, retail sales (see p5) and motor vehicle sales. Interest rate rises still do not look to be biting hard on consumer spending.

3. Consumer spending: selected indicators



qtlly%ch	Q2	Q3	Q4	latest
Westpac Card Tracker*	6.2	2.0	2.9	2.3
Other indicators (nominal)				
Household spending*	6.4	1.5	n.a.	5.6
Turnover*	6.4	4.6	n.a.	3.5
Consumer spending (qtlly)#				
Nominal	4.3	3.4	n.a.	n.a.
Real	2.5	1.3	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.

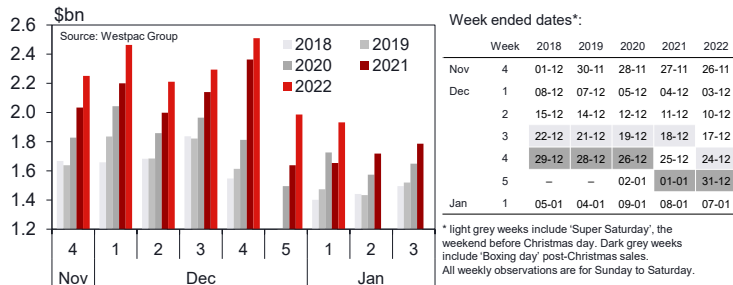
* ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

Christmas spend up 15-20% on 2021

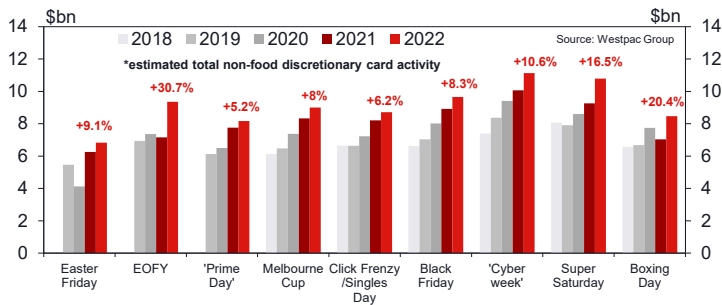


4. Card activity: Christmas-New year periods



- Not surprisingly, the category detail shows recent volatility has centred on 'non food discretionary spend' - i.e. Christmas shopping. In non seasonally adjusted terms, this surged 22% during the 'Black Friday'/'Cyber-week' sales, dropped 12% over the following two weeks, surged again by another 16% through to 'Super Saturday' (the weekend before Christmas) before dropping 25% through New Year and into the first week of Jan.
- Comparing to previous years can be tricky given shifting timing of weeks (see Chart 4), especially given Christmas landed on a Saturday in 2021. However, both 'Super Saturday' and Boxing Day sales look to have been strong, up 15-20% on last year, exceeding the annual gains seen for 'Black Friday' and 'Cyber-week' (Chart 5).

5. Sales periods: 2022 vs history



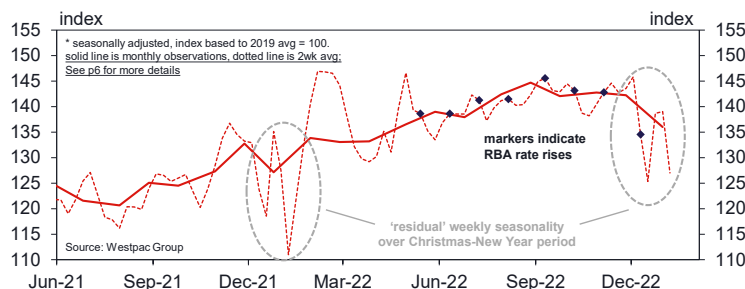
	Oct	Nov	Dec	7/1
Westpac Card Tracker*	135.3	136.3	137.0	123.2
By category (not seasonally adjusted)				
- discretionary	141.1	143.4	154.3	130.9
- essential	134.1	134.4	139.8	114.8
By state (not seasonally adjusted)				
- NSW	134.8	137.7	146.3	121.8
- Vic	138.9	141.1	151.3	125.4
- Qld	146.5	149.6	158.8	132.4
- WA	142.9	144.7	155.0	131.6
- SA	145.2	146.7	158.2	133.8

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. Sources: ABS, Westpac Group

Softer finish for retail

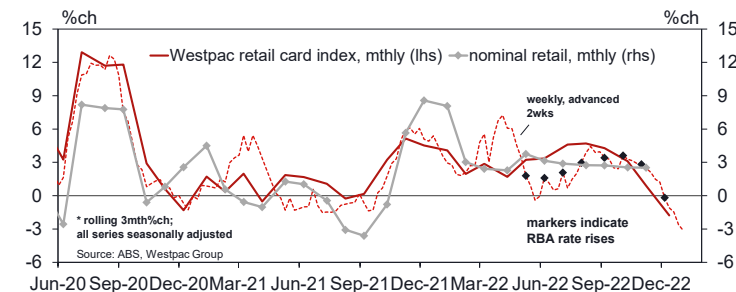


6. Card activity: retail



- Our retail card index has also been buffeted by big seasonal swings in recent weeks but is showing a more pronounced slowing in underlying momentum than wider spending. Our composite is based on the categories that are in-scope for the official ABS retail survey with seasonal factors from the survey used to generate weekly seasonally adjusted measures. As such, this is a somewhat rougher measure than the headline tracker index. Basic food also has a high weighting for retail.
- While we are wary of seasonal issues, which may be exaggerating the slowdown, the weakness is notable given the strength of official estimates for retail sales. The ABS figures for Nov showed a strong 1.4% rise and major upward revisions that have altered the whole tone, with a much milder slowing since mid-2022 (see [here](#)).

7. Retail card transactions vs ABS retail sales



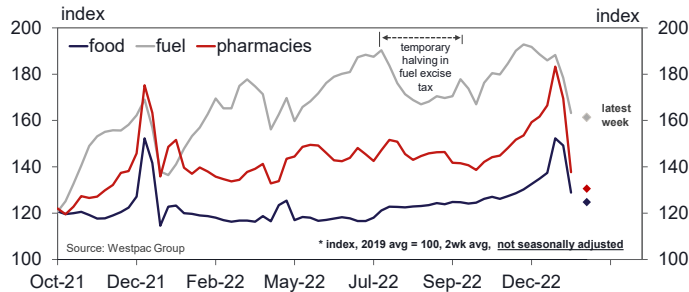
	Oct	Nov	Dec	7/1
By retail/non retail				
Retail card index*	142.8	142.2	136.0	126.1
– qtly%ch	2.4	0.5	-1.9	-2.9
– qtly, ann%ch	14.0	11.0	8.7	7.9
Non-retail card index	126.9	129.6	138.1	124.4
ABS retail sales				
– %ch	0.4	1.4	n.a.	n.a.
– ann%ch	13.0	7.7	n.a.	n.a.
– qtly%ch	2.5	2.5	n.a.	n.a.
– qtly ann%ch	16.6	12.6	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. Sources: ABS, Westpac Group

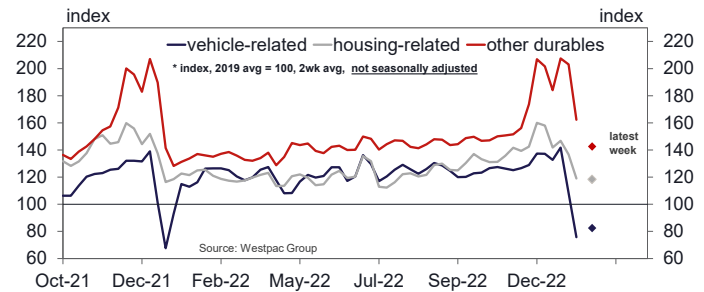
Detailed charts



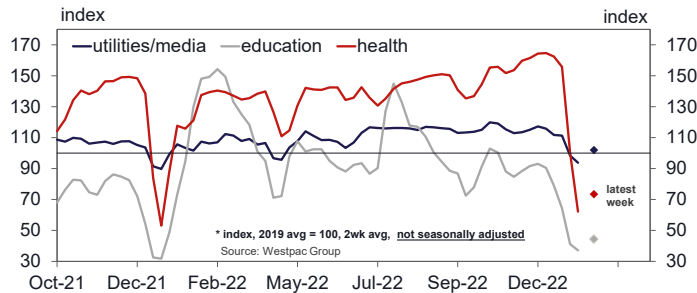
8. Card activity: essential goods



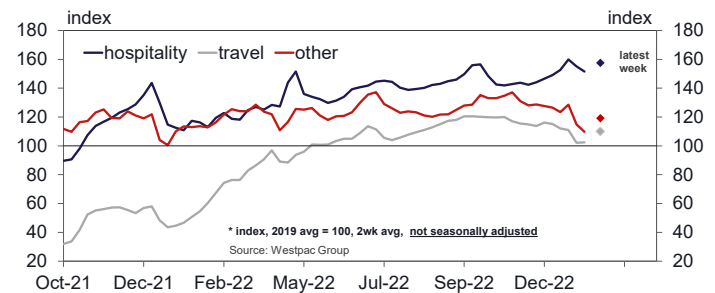
9. Card activity: discretionary goods



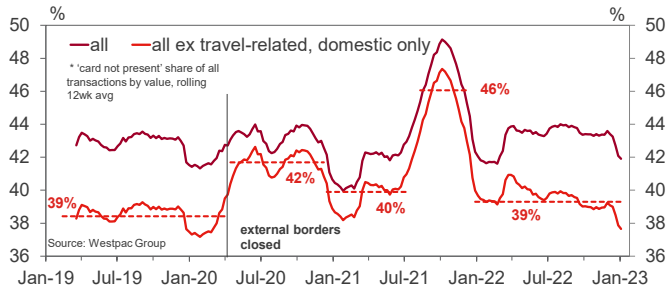
10. Card activity: essential services



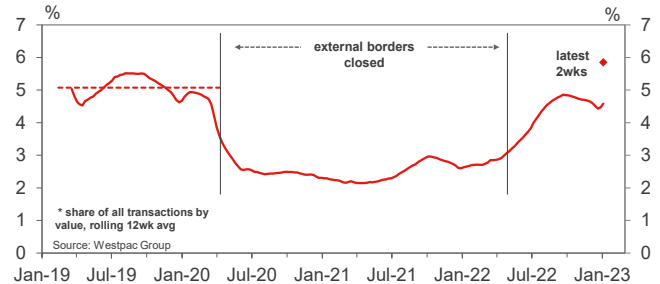
11. Card activity: discretionary services



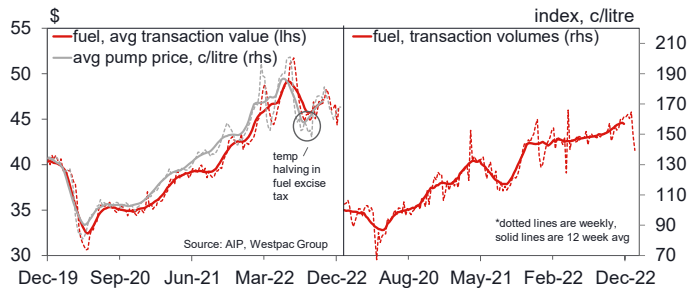
12. Card transactions: online share



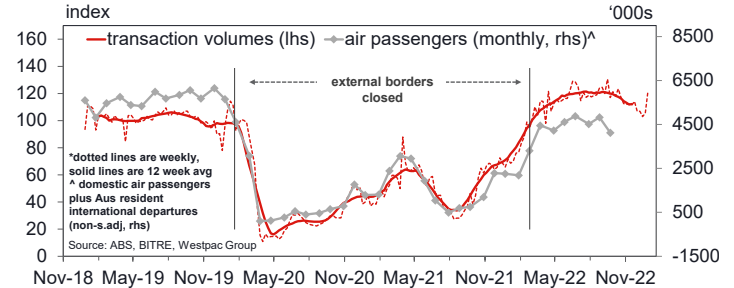
13. Card transactions: international share



14. Card transactions: petrol vs pump pricess



15. Card transactions: travel vs passenger flights



Westpac card indicators*



	2020	2021	2022				week ending:								
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Oct	Nov	Dec^	17/12	24/12	31/12	7/1
Westpac Card Tracker Index	107.9	109.8	112.1	105.3	120.1	122.2	129.7	132.3	135.3	136.3	137.0	133.2	148.8	121.7	125.2
qtlly%ch	5.8	1.8	2.1	-6.1	14.1	1.7	6.2	2.0	2.3	3.1	2.9	3.6	3.7	2.6	2.3
qtlly, ann%ch	7.8	8.9	23.7	3.3	11.3	11.2	15.7	25.7	23.5	18.2	13.4	14.4	12.9	12.4	12.0
By category (not seasonally adjusted)															
- discretionary	113.6	103.5	108.9	100.2	127.3	115.1	127.6	134.4	141.1	143.4	154.3	152.5	166.8	134.2	130.9
- essential	112.1	108.5	109.3	116.4	123.6	121.1	123.9	130.9	134.1	134.4	139.8	140.6	153.1	114.2	114.8
services	92.1	95.2	98.7	86.2	103.8	106.5	120.1	128.9	134.9	128.5	127.0	131.5	132.0	102.5	118.7
- discretionary services	88.4	90.9	95.7	78.2	101.7	104.4	122.1	130.3	137.5	129.7	132.2	134.1	137.7	115.8	131.3
- essential services	103.0	108.3	107.7	109.9	110.2	113.1	114.1	124.8	127.4	125.0	111.5	123.6	114.9	62.9	81.2
goods	131.1	113.8	117.8	122.9	145.0	126.4	131.6	136.8	141.8	150.2	168.2	162.7	187.6	148.1	130.7
- discretionary goods	142.7	118.0	124.0	125.7	157.0	127.5	133.9	139.1	145.3	159.1	179.9	173.6	200.4	155.4	130.3
- essential goods	116.5	108.6	110.1	119.5	130.1	124.9	128.6	133.9	137.4	139.0	153.6	148.9	171.7	139.1	131.1
retail^	118.8	121.8	123.8	123.4	129.1	133.4	137.8	143.1	142.8	142.2	136.0	127.1	150.2	127.9	126.1
qtlly%ch	-1.4	2.5	1.6	-0.3	4.6	3.3	3.3	3.8	2.4	0.5	-1.9	-1.4	-1.6	-2.5	-2.9
qtlly, ann%ch	19.6	16.3	14.5	2.4	8.6	9.5	11.3	15.9	14.0	11.0	8.7	9.3	8.1	8.1	7.9
By state (not seasonally adjusted)															
- NSW	112.6	103.2	108.4	98.9	124.8	114.7	124.6	130.2	134.8	137.7	146.3	145.0	158.0	125.1	121.8
- Vic	111.8	105.8	108.1	103.1	127.1	119.4	127.9	133.3	138.9	141.1	151.3	149.8	164.3	130.5	125.4
- Qld	119.3	109.6	113.8	117.8	131.7	120.8	131.6	140.7	146.5	149.6	158.8	158.2	172.8	134.6	132.4
- WA	116.2	107.3	111.3	117.7	129.4	119.5	127.1	135.1	142.9	144.7	155.0	153.5	168.3	134.8	131.6
- SA	119.0	110.8	114.2	117.3	132.0	121.0	131.0	138.8	145.2	146.7	158.2	156.7	172.2	135.9	133.8

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.

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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