

WESTPAC CARD TRACKER

17 FEBRUARY 2023.

WESTPAC INSTITUTIONAL BANK

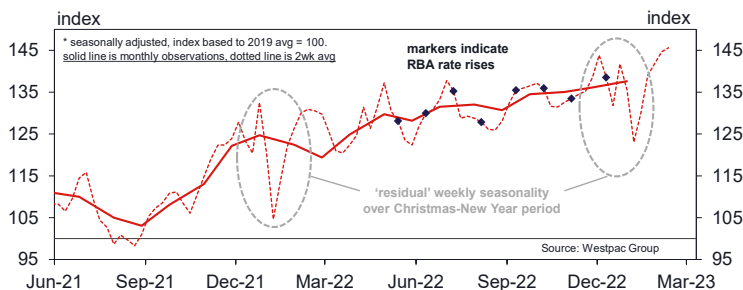


Card activity shows more tentative signs of softening



- The **Westpac Card Tracker Index** has continued to nudge higher in February, rising 2pts to 143.1 from 141.2 at the end of January. The index now looks to be largely clear of the residual seasonality relating to the big swings in activity over the Christmas-New Year period. The latest update suggests nominal spending growth continues to hold in the 2-2½%qtr range although transaction volumes tentatively suggest growth in real, inflation-adjusted terms may be seeing a more pronounced slowing.
- Note that, as discussed in the past, while transaction volumes and average transaction values are notionally similar to spending in real terms and average prices, our analysis suggests the links are imperfect and can vary significantly across different segments. The Q4 national accounts, due to be released on March 1, will provide a definitive estimate of total spend and the price-volume wash-up.
- The card tracker detail continues to show ‘non-retail’ segments driving recent gains in spending, albeit with a slight moderation in February. Retail as a whole has remained soft but with weakness concentrated in basic food and a slight lift in hospitality and non-food retail activity. By state, non-seasonally adjusted measures continue to show a slowing across the board with quarterly growth in the big three eastern states – NSW, Vic and Qld – underperforming SA and WA by 1-1.5ppts.
- Another notable aspect in the more granular transaction detail is the share of ‘online’ sales. Across all domestic non-travel transactions, this has fallen back to pre-COVID levels. However, patterns vary by segment with the share holding at higher levels for some retail segments including basic food (+1.4ppts), hospitality (4ppts) and clothing and department stores (+9ppts).

1. Westpac Card Tracker Index*



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

“... nominal spending growth continues to hold ... [but] volumes tentatively suggest growth in real terms may be slowing.”

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.

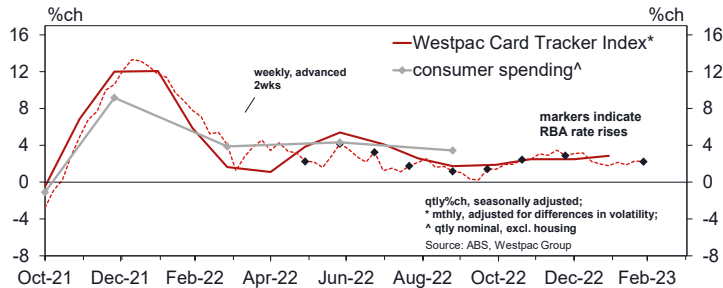
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Transaction values still rising but volumes stalling

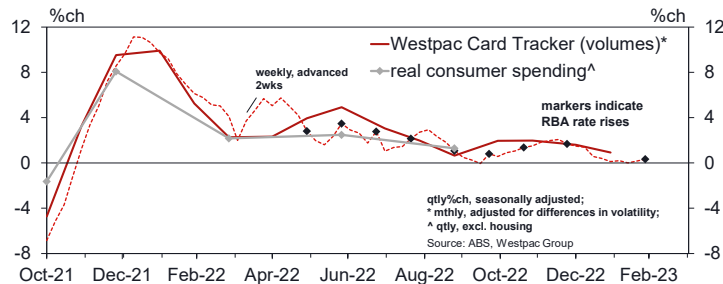


2. Card activity and spending: growth momentum



- In terms of the quarterly growth signal for nominal spending (i.e. including price changes), the first half of Feb has seen little change. Chart 2 shows that the slightly softer pace in late Jan has continued with the **Westpac Card Tracker's** quarterly growth pace in the 2-2½% range. Nominal consumer spending rose 3.4% in Q3, outperforming the 1-1½% guidance from the tracker.
- Chart 3 shows a variation of the headline measure based on the number rather than the value of transactions alongside spending in real terms (i.e. excluding price changes). All other aspects of the measure are the same. The measure is showing a more pronounced slowing to close to stalling speed as at mid February. While this measure had a more mixed performance during COVID (due to sharp changes in shopping behaviour), it may be giving a cleaner signal now.

3. Card activity and spending: growth momentum, volumes



qtlly%ch	Q2	Q3	Q4	latest
Westpac Card Tracker*	6.2	2.0	2.9	2.6
Other indicators (nominal)				
Household spending*	6.4	1.5	3.6	n.a.
Turnover*	6.4	4.7	-0.1	n.a.
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 p10 for more details.

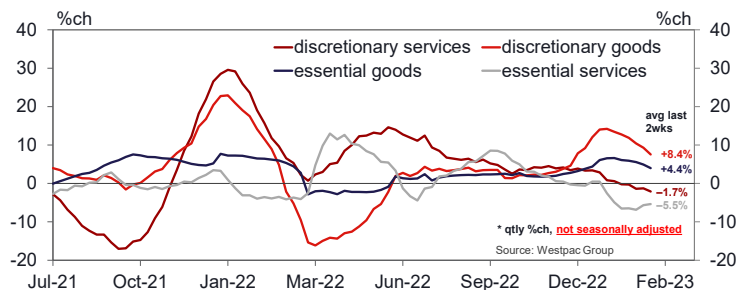
* ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

Post Christmas cooling continues

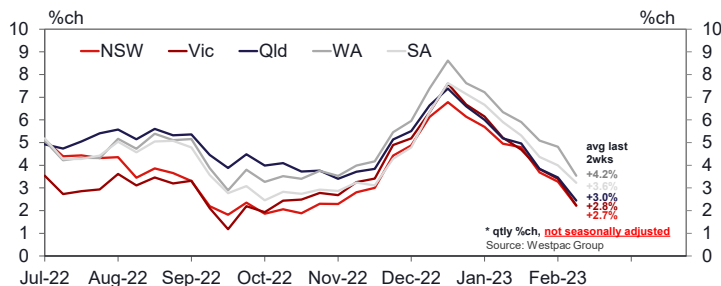


4. Card activity by major category



- As noted previously, seasonally adjusted estimates are not available by category or state, making analysis trickier. Bearing this in mind, the category split shows a continued moderation 'discretionary goods' (likely to be mostly seasonal) and a slight slowing in 'essential goods' (some of which may be price-related given the easing in food price inflation since late last year). 'Essential services' continues to contract but again may be mostly seasonal. However, the softening 'discretionary services' may be a bit more than just the usual seasonal unwind.
- State measures show a broadbased-slowing – again mostly reflecting seasonality – but with a slightly bigger deceleration in WA in recent weeks. The big eastern states continue to underperform.

5. Card activity by state



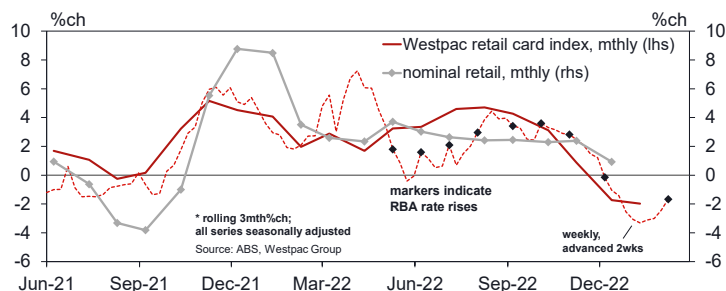
	Nov	Dec	Jan	11/2
Westpac Card Tracker*	136.1	137.6	139.7	143.1
By category (not seasonally adjusted)				
– discretionary	143.4	154.3	134.4	127.3
– essential	134.4	139.8	128.4	135.2
By state (not seasonally adjusted)				
– NSW	137.7	146.3	128.6	126.4
– Vic	141.1	151.3	131.7	129.3
– Qld	149.6	158.8	140.8	138.3
– WA	144.7	155.0	138.0	135.0
– SA	146.7	158.2	138.7	137.6

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

Retail still looking weak

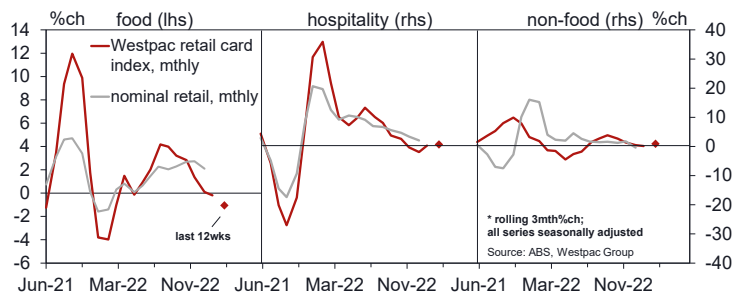


6. Card activity: retail



- As noted previously, our retail card index saw a significant weakening in Dec-Jan over and above the usual seasonal fluctuations. The first half of Feb has seen continued softness but with the pace of contraction slowing somewhat. Official estimates showed a sharp 3.9% decline in nominal retail sales in Dec (see [here](#) for more).
- Digging into the detail a little, Chart 7 shows seasonally adjusted retail estimates for basic food, hospitality and non-food retail. The slight improvement in early Feb looks to be concentrated in hospitality and non-food, albeit with the gain to still fairly subdued levels. Indeed, given the likelihood that prices in this segment have continued to rise in early 2023, the latest reads suggest underlying volumes are declining.

7. Card activity: food and non-food



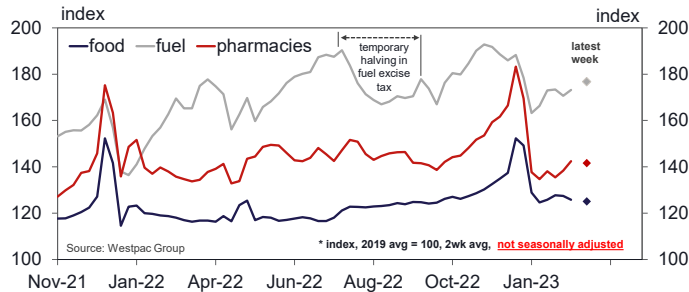
	Nov	Dec	Jan	11/2
By retail/non retail				
Retail card index*	142.4	136.0	145.2	151.8
- qtly%ch	0.9	-1.7	-2.0	-1.7
- qtly, ann%ch	11.2	8.9	7.5	7.4
Non-retail card index	129.1	139.4	133.6	134.0
ABS retail sales				
- %ch	1.7	-3.9	n.a.	n.a.
- ann%ch	7.7	7.5	n.a.	n.a.
- qtly%ch	2.4	0.9	n.a.	n.a.
- qtly ann%ch	12.6	9.3	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. Sources: ABS, Westpac Group

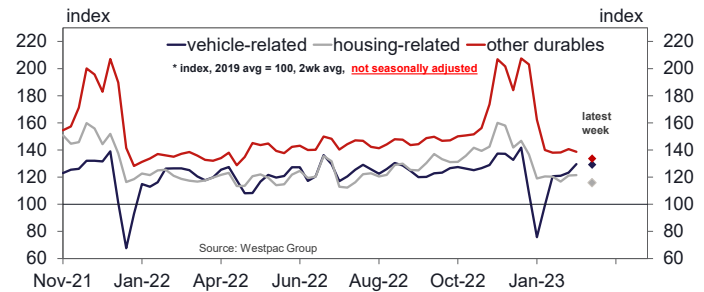
Detailed charts



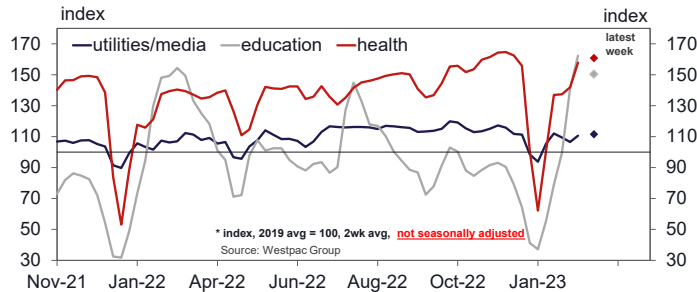
8. Card activity: essential goods



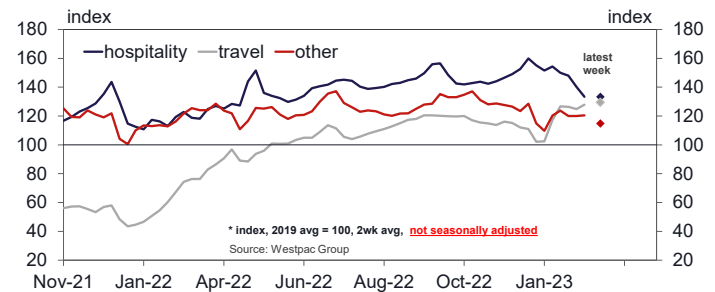
9. Card activity: discretionary goods



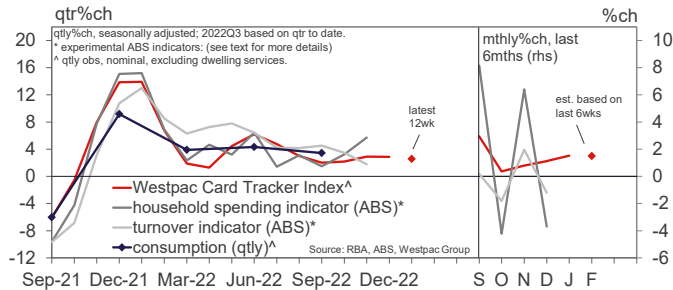
10. Card activity: essential services



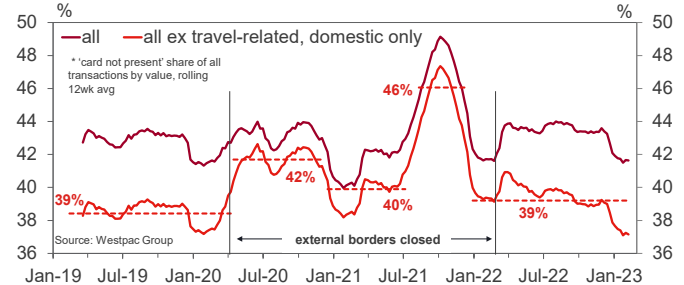
11. Card activity: discretionary services



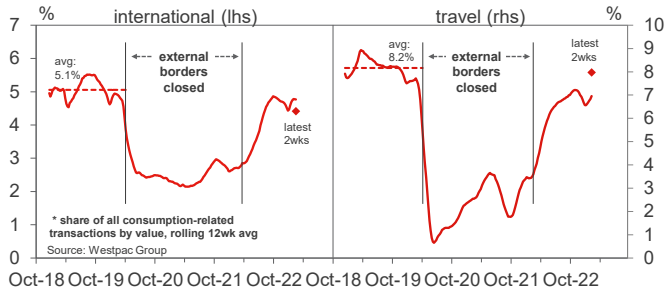
12. Consumer spending: selected indicators



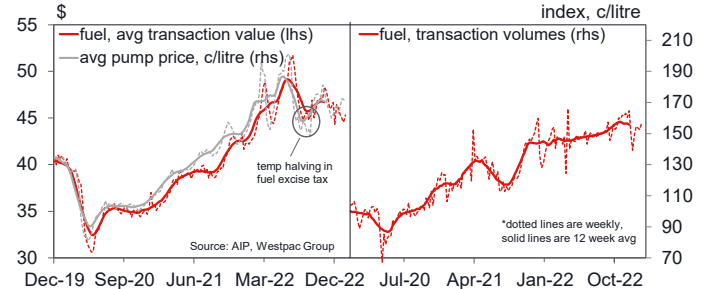
13. Card transactions: international share



14. Card transactions: online and international share



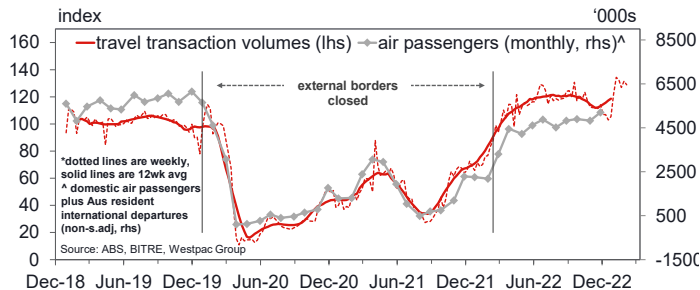
15. Card transactions: petrol vs pump prices



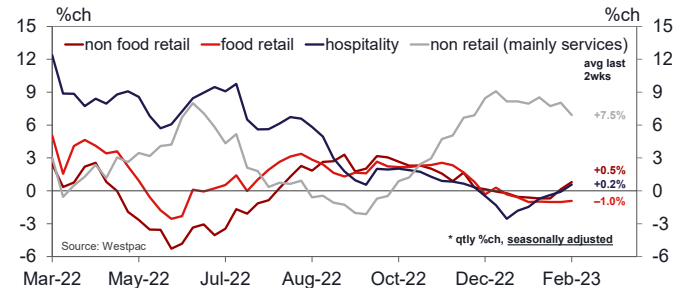
Detailed charts



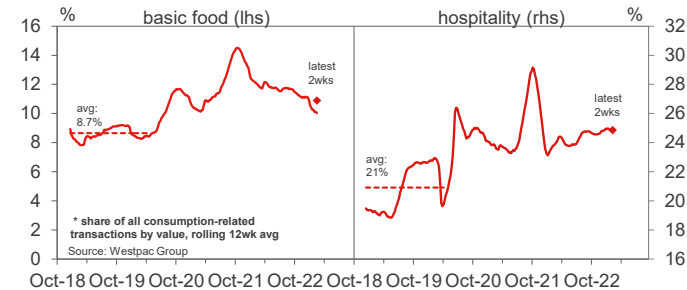
16. Card transactions: travel vs passenger flights



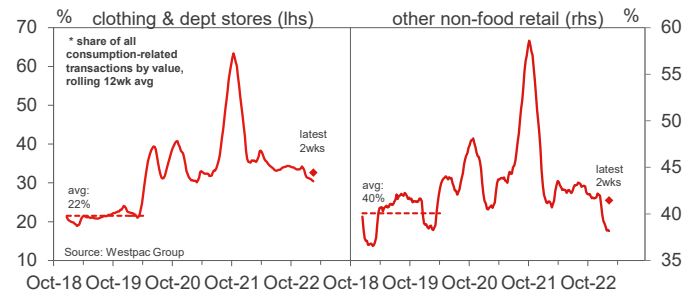
17. Card transactions: retail segments and non retail



18. Card transactions: online share, food retail



19. Card transactions: online share, non-food retail



Westpac card indicators*



	2021				2022						2023		week ending:			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Nov	Dec	Jan^		21/1	28/1	4/2	11/2
Westpac Card Tracker Index	109.9	112.2	105.4	120.0	122.2	129.8	132.4	136.2	136.1	137.6	139.7		142.4	141.2	148.1	143.1
qtly%ch	1.9	2.1	-6.1	13.9	1.9	6.2	2.0	2.9	2.9	2.9	3.3		2.5	2.2	2.7	2.6
qtly, ann%ch	8.9	23.7	3.3	11.3	11.2	15.7	25.7	13.6	18.2	13.6	12.0		11.9	12.0	12.1	12.1
By category (not seasonally adjusted)																
- discretionary	103.5	108.9	100.2	127.3	115.1	127.6	134.4	146.3	143.4	154.3	134.4		134.2	129.6	133.3	127.3
- essential	108.5	109.3	116.4	123.6	121.1	123.9	130.9	136.1	134.4	139.8	128.4		131.3	128.4	135.7	135.2
services	95.2	98.7	86.2	103.8	106.5	120.1	128.9	130.1	128.5	127.0	128.6		132.1	124.9	131.1	128.2
- discretionary services	90.9	95.7	78.2	101.7	104.4	122.1	130.3	133.1	129.7	132.2	134.3		135.3	128.7	128.8	125.4
- essential services	108.3	107.7	109.9	110.2	113.1	114.1	124.8	121.3	125.0	111.5	111.5		122.4	113.5	137.8	136.5
goods	113.8	117.8	122.9	145.0	126.4	131.6	136.8	153.4	150.2	168.2	135.4		134.1	132.8	136.8	131.8
- discretionary goods	118.0	124.0	125.7	157.0	127.5	133.9	139.1	161.4	159.1	179.9	134.5		133.0	130.5	138.5	129.5
- essential goods	108.6	110.1	119.5	130.1	124.9	128.6	133.9	143.3	139.0	153.6	136.5		135.6	135.7	134.8	134.6
retail^	121.5	123.5	123.7	129.3	133.1	137.5	143.4	140.9	142.4	136.0	145.2		146.2	153.3	157.4	151.8
qtly%ch	2.0	1.7	0.2	4.5	2.9	3.3	4.3	-1.7	0.9	-1.7	-2.0		-3.1	-3.0	-2.4	-1.7
qtly, ann%ch	16.1	14.4	2.7	8.6	9.5	11.3	15.9	8.9	11.2	8.9	7.5		7.6	7.6	7.5	7.4

By state (not seasonally adjusted)

- NSW	103.2	108.4	98.9	124.8	114.7	124.6	130.2	139.6	137.7	146.3	128.6		130.2	125.4	130.0	126.4
- Vic	105.8	108.1	103.1	127.1	119.4	127.9	133.3	143.8	141.1	151.3	131.7		131.8	129.0	133.3	129.3
- Qld	109.6	113.8	117.8	131.7	120.8	131.6	140.7	151.6	149.6	158.8	140.8		142.5	137.3	142.3	138.3
- WA	107.3	111.3	117.7	129.4	119.5	127.1	135.1	147.6	144.7	155.0	138.0		137.8	134.3	141.9	135.0
- SA	110.8	114.2	117.3	132.0	121.0	131.0	138.8	150.0	146.7	158.2	138.7		137.3	133.9	141.1	137.6

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; based on figures for 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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- 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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