

WESTPAC CARD TRACKER

3 FEBRUARY 2023.

WESTPAC INSTITUTIONAL BANK

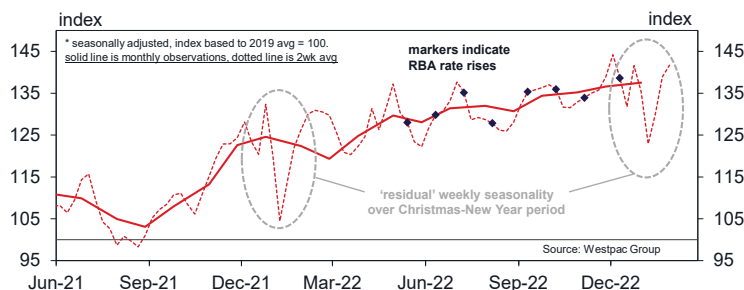


Card activity: retail slows, non retail surges



- The **Westpac Card Tracker Index** has resurfaced from its post-Christmas lull, rallying 17.4pts since the first week of Jan to finish the month at 142.5 – a solid read near the peaks seen late last year. Recall that the measure excludes month to month seasonal shifts but still sees some residual week-to-week seasonal moves around the Christmas-New Year period. These account for the bulk of index fall into year-end and the rebound since. However, month-to-month comparisons suggest broader underlying momentum is still holding at a solid pace.
- That said, the detail shows some very clear divergences across segments. Most notably, retail segments have seen a significant slowing with what look to be outright declines through Dec-Jan but non-retail segments have seen a significant surge that has offset the weakness at the aggregate level.
- This goes a long way towards explaining some of the mixed messages come from some data sources, a sharp Dec fall in the official retail sales survey in particular. It also suggests that the wider spending measures in the quarterly national accounts should hold up a lot better than retail-focussed ‘partials’.
- The more granular detail shows the retail slowdown through Dec-Jan has been concentrated in basic food and non-food categories. Conversely, much of the surge in non-retail activity looks to be tourism-related with notable lifts in the ‘international’ and ‘travel-related’ shares of transactions. Australians look to have been playing ‘catch-up’ on the holidays missed over the last three years. More generally, the card data highlights a gap in the ‘high frequency’ data that tends to focus on retail segments with little or no coverage of non retail spend.

1. Westpac Card Tracker Index*



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

“... broader underlying momentum ... still holding at a solid pace.”

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.

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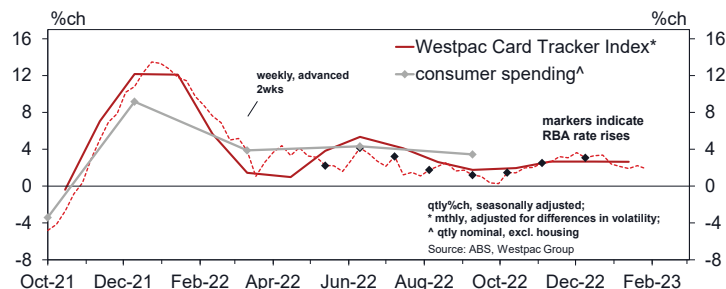
This issue was finalised on 3 February 2023.

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Mild slowing in spending momentum after 'bumpy' Q4

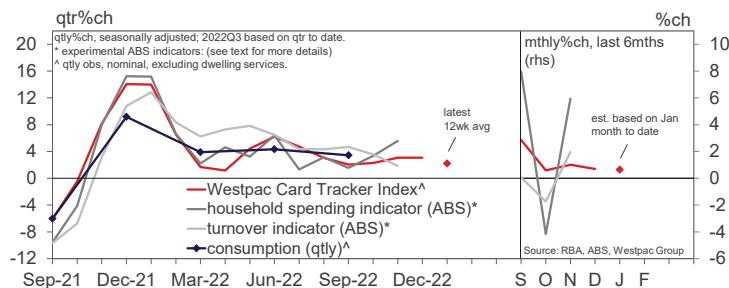


2. Card activity and spending: growth momentum



- In terms of the quarterly growth signal, the Jan month has seen a mild slowing. Chart 2 shows that for the Jan month as a whole – which is less affected by seasonal vagaries – the **Westpac Card Tracker's** quarterly growth pace was just above 2½%. While the latest weekly results are a little softer than that, sub-2%, these should be treated with care given the 'residual' seasonality in this measure. Nominal consumer spending rose 3.4% in Q3, outperforming the 1-1½% guidance from the tracker.
- The ABS business turnover indicator, based on tax data, showed a 2% rebound in Nov, bouncing back from a 1.7% decline in Oct, the 3mth pace slowing to 1.8%qtr. The monthly ABS household spending indicator showed a stronger Nov rebound of around 6% from a 4% fall in Oct, the 3mth pace much firmer at 5.6%qtr.

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	1.6	n.a.	5.6
Turnover*	6.4	4.7	n.a.	1.8
Consumer spending (qtlly)#				
Nominal	4.3	3.4	n.a.	n.a.
Real	2.5	1.3	n.a.	n.a.

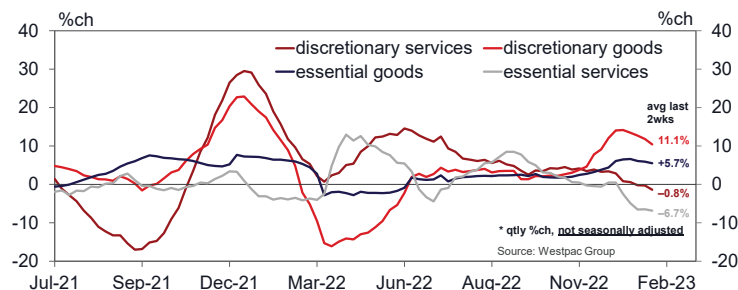
All series are seasonally adjusted, latest is latest weekly obs (12wks %ch on previous 12wks) or latest monthly obs (3mths %ch on previous 3mths). See p10 for more details.
 * ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

Eastern states underperforming

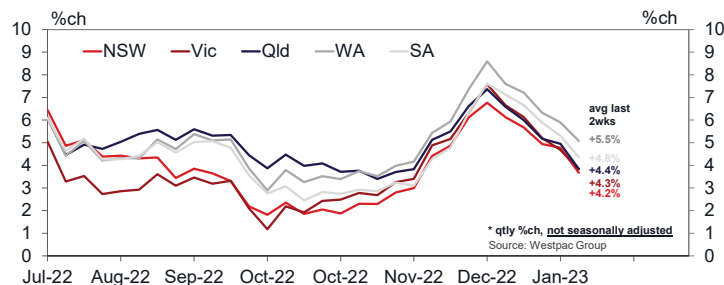


4. Card activity by major category



- Seasonally adjusted estimates are not available by category making analysis trickier. Card activity in the 'discretionary goods' segment is cycling lower, broadly in line with the seasonal profile seen last year. 'Essential goods' has maintained steady growth at a robust pace, some of which likely reflects strong price inflation. Service sectors are seeing a contraction, likely to be partly seasonal.
- State measures are also not available on a seasonally adjusted basis but can still be reasonably compared against each other (assuming seasonality is broadly the same for each state). Card activity looks to be tracking a slower pace in the eastern states, trailing growth in WA by around 1ppts on a quarterly basis.

5. Card activity by state



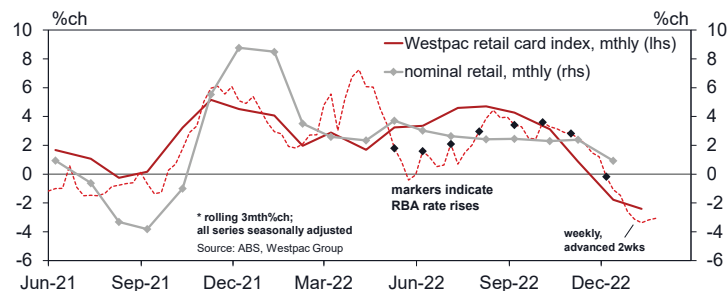
	Nov	Dec	Jan^	28/1
Westpac Card Tracker*	136.6	137.5	138.4	141.1
By category (not seasonally adjusted)				
- discretionary	143.4	154.3	134.3	129.6
- essential	134.4	139.8	127.3	128.4
By state (not seasonally adjusted)				
- NSW	137.7	146.3	128.2	125.4
- Vic	141.1	151.3	131.3	129.0
- Qld	149.6	158.8	140.3	137.3
- WA	144.7	155.0	137.3	134.3
- SA	146.7	158.2	138.1	133.9

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; ^based on month to date. Sources: ABS, Westpac Group

Retail sales contract through Dec-Jan

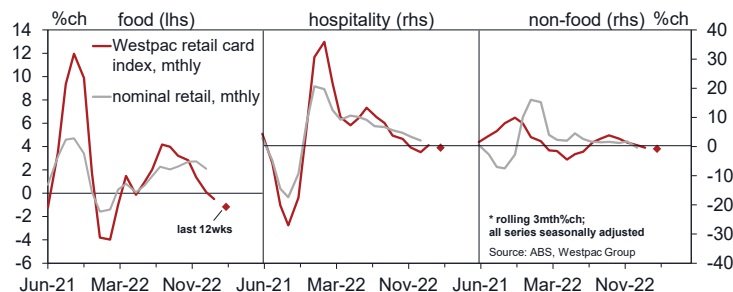


6. Card activity: retail



- As noted, our retail card index has seen a significant weakening since late Nov, in stark contrast to the continued momentum seen across our wider measure. 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. While that means it is a 'rougher' proxy than our headline measure, the sharp 3.9% fall in official retail sales in Dec seems to validate the signal (see [here](#) for more on the Dec retail result).
- We can apply this approach to the retail segments of the card data at a more granular level. Chart 7 shows proxies for basic food, hospitality and non-food retail. These suggest the weakening through Dec-Jan has centred on basic food and non-food retail.

7. Card activity: food and non-food



	Nov	Dec	Jan^	28/1
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By retail/non retail

Retail card index*	142.4	135.8	143.6	153.4
- qtlly%ch	0.9	-1.8	-2.4	-3.1
- qtlly, ann%ch	11.2	8.9	7.0	7.5
Non-retail card index	130.1	139.4	132.7	127.8

ABS retail sales

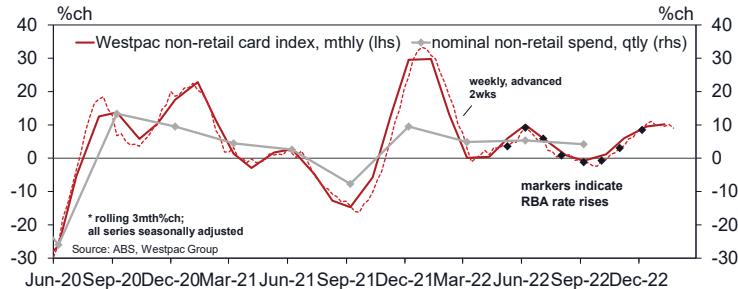
- %ch	1.7	-3.9	n.a.	n.a.
- ann%ch	7.7	7.5	n.a.	n.a.
- qtlly%ch	2.4	0.9	n.a.	n.a.
- qtlly ann%ch	12.6	9.3	n.a.	n.a.

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; ^based on month to date. Sources: ABS, Westpac Group

Service sector strength



8. Card activity: non-retail



9. Card activity: international and travel-related

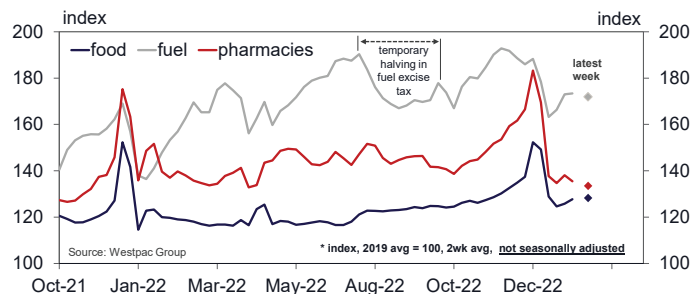


- Our card measures again look to be ‘earning their keep’ in early 2023. During COVID, they were critical as a timely gauge of the very large and somewhat variable shifts that were occurring during lock-downs and re-openings. Right now, their value looks to be more around the light they are shedding on an area of spend that has very few high frequency indicators: services spend.
- Indicator-wise, the monthly data-flow tends to be dominated by retail segments with official retail sales estimates available monthly on a reasonably timely basis. This has usually worked as a reasonable guide to the wider spending measures released with the quarterly national accounts. Currently that does not appear to be the case.
- Perhaps surprisingly, the official retail survey accounts for just a third of total consumer spending and excludes many segments that might ordinarily be thought of as ‘retail’. They do not cover: pubs and bars, hotels and accommodation, motor vehicles, fuel, the bulk of market services including recreational services like cinemas, theme park, telecommunications, and travel and other services including health and education.
- Official measures of ‘non-retail’ spending are only available quarterly. However, the card tracker data offers some guidance. Chart 8 shows a clear surge in non-retail from last Sep with quarterly growth running at around 10% through year-end. Much of this looks to be holiday and travel-related. Chart 9 shows the share of transactions that were ‘international’ and the share that were directly ‘travel-related’ (i.e. airfares and travel agents) both surged strongly to around pre-COVID levels for the first time since the onset of the pandemic.

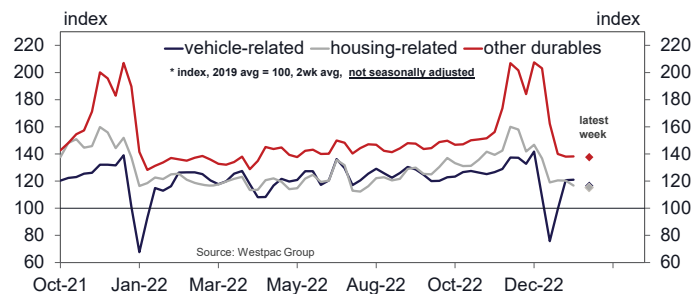
Detailed charts



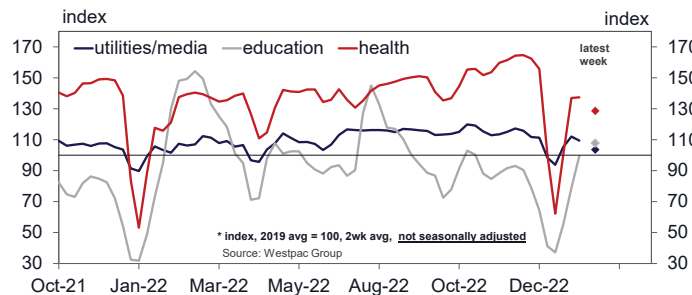
10. Card activity: essential goods



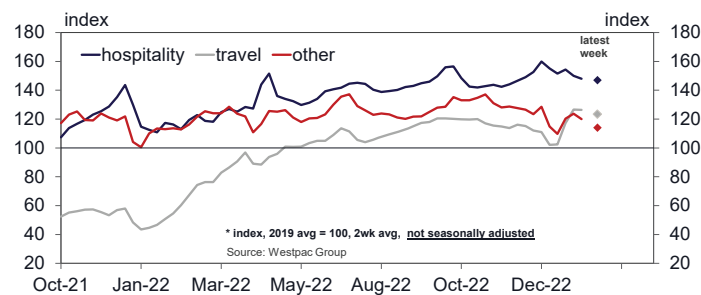
11. Card activity: discretionary goods



12. Card activity: essential services



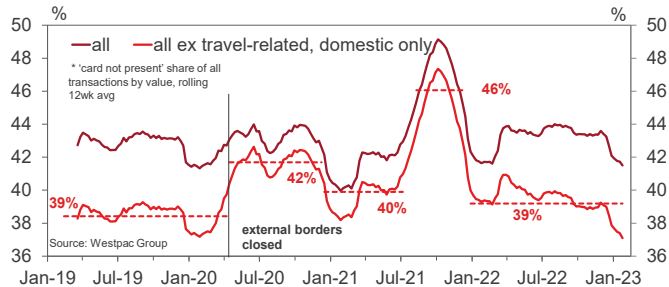
13. Card activity: discretionary services



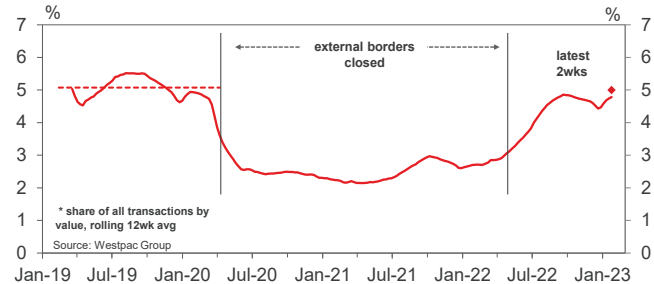
Detailed charts



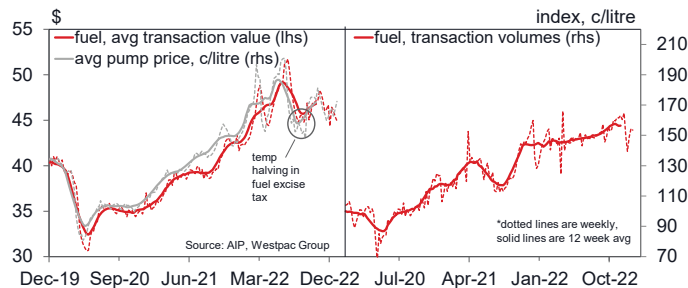
14. Card transactions: online share



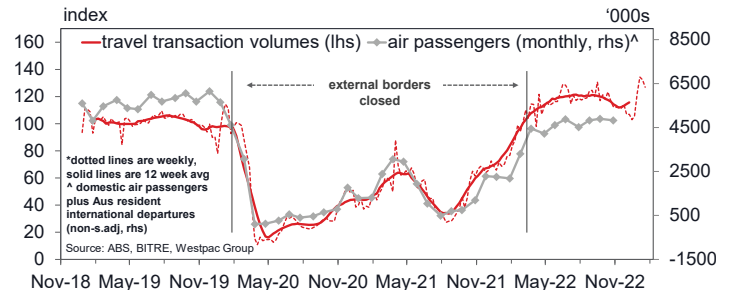
15. Card transactions: international share



16. Card transactions: petrol vs pump prices



17. Card transactions: travel vs passenger flights



Westpac card indicators*



	2021				2022						2023	week ending:			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Nov	Dec	Jan^	7/1	14/1	21/1	28/1
Westpac Card Tracker Index	109.8	112.1	105.3	120.1	122.2	129.7	132.4	136.2	136.6	136.9	139.8	125.1	137.1	144.1	142.5
qtlly%ch	1.7	2.1	-6.1	14.1	1.7	6.2	2.0	2.9	3.1	2.9	3.2	2.4	2.2	2.7	2.3
qtlly, ann%ch	8.8	23.7	3.3	11.3	11.2	15.7	25.7	13.4	18.2	13.4	11.8	12.0	11.9	12.0	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	134.3	130.9	132.4	134.2	129.6
- essential	108.5	109.3	116.4	123.6	121.1	123.9	130.9	136.1	134.4	139.8	127.3	114.8	124.9	131.3	128.4
services	95.2	98.7	86.2	103.8	106.5	120.1	128.9	130.1	128.5	127.0	128.0	118.7	126.8	132.1	124.9
- discretionary services	90.9	95.7	78.2	101.7	104.4	122.1	130.3	133.1	129.7	132.2	134.6	131.3	133.0	135.3	128.7
- essential services	108.3	107.7	109.9	110.2	113.1	114.1	124.8	121.3	125.0	111.5	108.4	81.2	108.2	122.4	113.5
goods	113.8	117.8	122.9	145.0	126.4	131.6	136.8	153.4	150.2	168.2	135.0	130.7	132.3	134.1	132.8
- discretionary goods	118.0	124.0	125.7	157.0	127.5	133.9	139.1	161.4	159.1	179.9	133.8	130.3	131.7	133.0	130.5
- essential goods	108.6	110.1	119.5	130.1	124.9	128.6	133.9	143.3	139.0	153.6	136.4	131.1	133.1	135.6	135.7
retail^	121.5	123.5	123.7	129.3	133.1	137.5	143.4	140.8	142.4	135.8	143.6	126.1	137.8	146.2	153.4
qtlly%ch	2.0	1.7	0.2	4.5	2.9	3.3	4.3	-1.8	0.9	-1.8	-2.4	-3.1	-3.4	-3.2	-3.1
qtlly, ann%ch	16.2	14.4	2.5	8.6	9.5	11.3	15.9	8.9	11.2	8.9	7.0	8.0	7.7	7.6	7.5
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	128.2	121.8	125.8	130.2	125.4
- Vic	105.8	108.1	103.1	127.1	119.4	127.9	133.3	143.8	141.1	151.3	131.3	125.4	129.2	131.8	129.0
- Qld	109.6	113.8	117.8	131.7	120.8	131.6	140.7	151.6	149.6	158.8	140.3	132.4	138.7	142.5	137.3
- WA	107.3	111.3	117.7	129.4	119.5	127.1	135.1	147.6	144.7	155.0	137.3	131.6	135.3	137.8	134.3
- SA	110.8	114.2	117.3	132.0	121.0	131.0	138.8	150.0	146.7	158.2	138.1	133.8	137.4	137.3	133.9

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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