

WESTPAC CARD TRACKER

6 MARCH 2023.

WESTPAC INSTITUTIONAL BANK

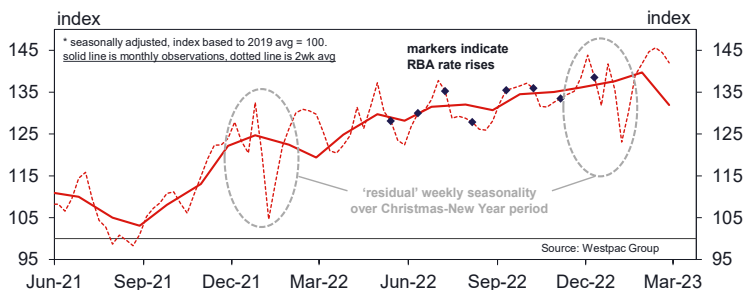


Card activity showing a clearer weakening



- The **Westpac Card Tracker Index** posted a notable pull-back over the second half of February, falling 4.8pts over the last two weeks, from 145.7 to 138.3. While this still leaves the index at a relatively high level, the growth pulse appears to be slowing significantly with quarterly momentum in nominal spending now getting close to stalling.
- Stalled nominal spending implies outright declines in real, inflation-adjusted terms. With the recently released Q4 national accounts showing a weaker-than-expected finish for real consumer spending in 2022 and more constrained picture of household finances, the latest card updates suggest there has been a further deterioration in momentum in early 2023. That said, technical differences may see some of the resilience in card activity in Q4 support official spend measures in Q1, particularly around services.
- The detail suggests a slowing in services and non food retail spending is more than offsetting a lift in food retail and hospitality. The slowing is more pronounced for discretionary categories although separating seasonal shifts from trends, and price-driven from volume-driven shifts remains difficult. Interestingly, the state breakdown shows weaker activity in NSW, Vic and Qld despite what looks to have been a more material lift in migration-driven population growth in NSW and Vic over the course of 2022.
- While still tentative, the softer tone starting to come out of the card data suggests the anaemic growth in real spending seen late last year may be shifting to outright weakness in early 2023. If so, the March updates on card activity could prove decisive for wider economic prospects this year.

1. Westpac Card Tracker Index*



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

“... quarterly momentum in nominal spending now getting close to stalling.”

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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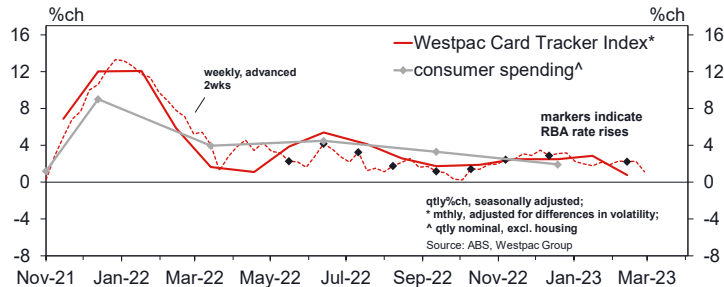
This issue was finalised on 6 March 2023.

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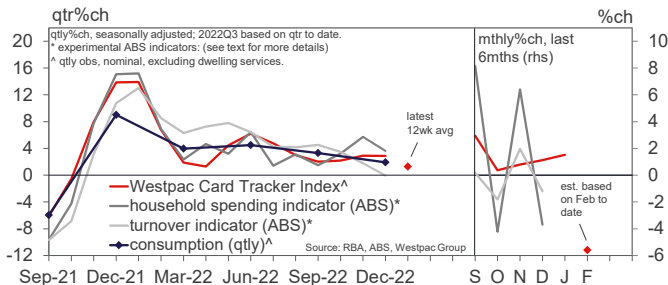
Card activity points to stalling momentum in spending



2. Card activity and spending: growth momentum



3. Consumer spending: selected indicators



- The second half of Feb has seen a notable shift in momentum. Chart 2 shows the **Westpac Card Tracker's** quarterly growth pace has slowed from the 2-2½% range seen through most of Aug-Jan to a 0-½% pace in Feb. While the shift is still tentative – it could yet prove to be ‘noise’ – we have been looking for signs of a more material slowing for some time now. Note that the measure reflects nominal consumer spending, including prices, and could be due to a mix of slower real spend and slower price inflation.
- Official estimates of consumer spending came in well under expectations, rising just 0.3%qtr in real terms but with a 1.9%qtr rise in nominal spending more in line with the card tracker signal. Some of the gap may be a timing issue, noting that spending came in above card tracker estimates in Q3. See [here](#) for more.

qtrly%ch	Q3	Q4	Q1	latest
Westpac Card Tracker*	2.0	2.9	n.a.	1.3
Other indicators (nominal)				
Household spending*	1.5	3.6	n.a.	n.a.
Turnover*	4.5	-0.1	n.a.	n.a.
Consumer spending (qtrly)#				
Nominal	3.3	1.9	n.a.	n.a.
Real	1.1	0.3	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.

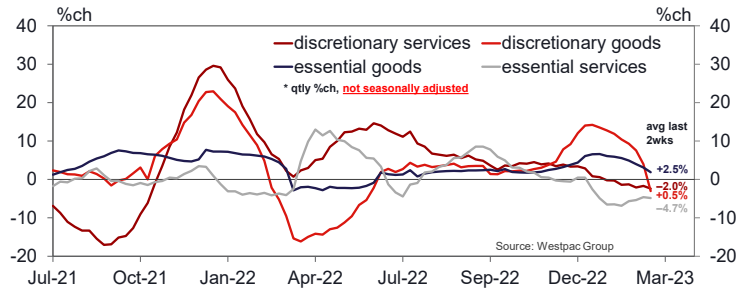
* ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

Discretionary spend continues to wind back

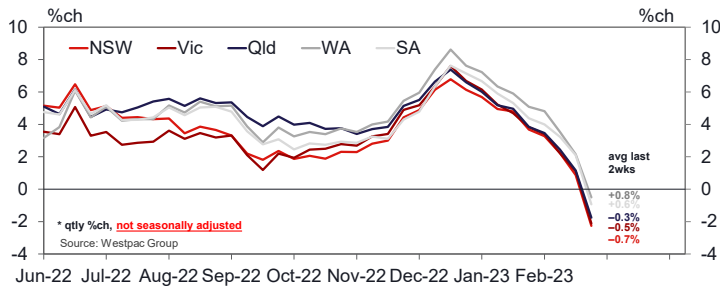


4. Card activity by major category



- 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' that looks to be mostly seasonal. However, the slowing in 'essential goods' and 'discretionary services' segments may be a bit more than just the usual seasonal unwind.
- State measures show a broad-based slowing – again mostly reflecting seasonality – but with a slightly weaker performance in NSW, Vic and Qld. This is despite what appears to be a more material lift in migration-led population growth in NSW and Vic – in the order of 1.5-2ppts between 2021 and 2022. This implies much weaker growth in per capita spend in the major states.

5. Card activity by state



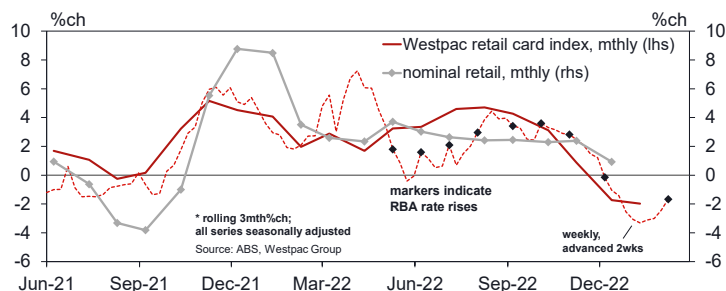
	Dec	Jan	Feb	25/2
Westpac Card Tracker*	137.6	139.7	131.9	138.3
By category (not seasonally adjusted)				
- discretionary	154.3	134.4	119.7	128.0
- essential	139.8	128.4	125.4	135.5
By state (not seasonally adjusted)				
- NSW	146.3	128.6	117.6	126.2
- Vic	151.3	131.7	121.5	129.9
- Qld	158.8	140.8	129.0	138.4
- WA	155.0	138.0	127.2	137.6
- SA	158.2	138.7	128.3	138.8

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 mostly weak, services spending cooling fast

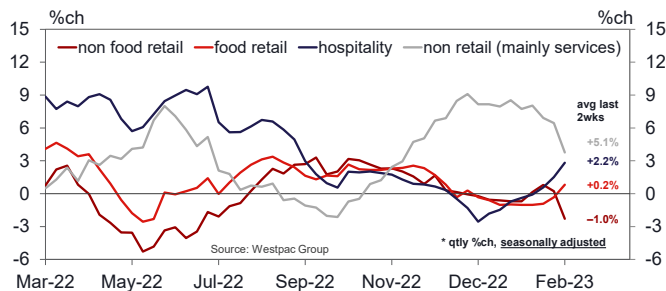


6. Card activity: retail



- Our retail card index weakened sharply over Dec-Jan and remained soft through Feb, albeit with some easing in the pace of contraction.
- Official estimates showed a 1.9% rebound in nominal retail sales in Jan but coming off a 4% decline in Dec and with the 3mth pace of gains still slowing to just 1%qtr (see [here](#) for more).
- Chart 7 shows seasonally adjusted retail estimates for basic food, hospitality and non-food retail. The slight improvement since early is concentrated in hospitality and food retail with a notable pull-back in non-food retail segments. Also of note is the significant slowdown in non-retail spending, which was coming from off a strong finish to 2022.

7. Card activity: broad groups



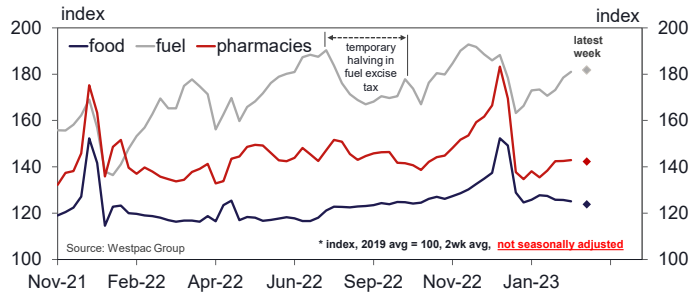
	Dec	Jan	Feb	25/2
By retail/non retail				
Retail card index*	136.0	145.2	139.4	145.8
– qtrly %ch	-1.7	-2.0	-2.1	-1.2
– qtrly, ann %ch	8.9	7.5	6.8	6.5
Non-retail card index	139.4	133.6	123.5	130.5
ABS retail sales				
– %ch	-4.0	1.9	n.a.	n.a.
– ann %ch	7.4	7.5	n.a.	n.a.
– qtrly %ch	0.9	0.1	n.a.	n.a.
– qtrly ann %ch	9.3	7.5	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. Sources: ABS, Westpac Group

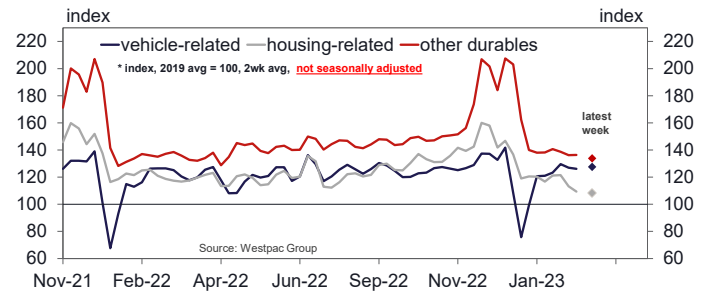
Detailed charts



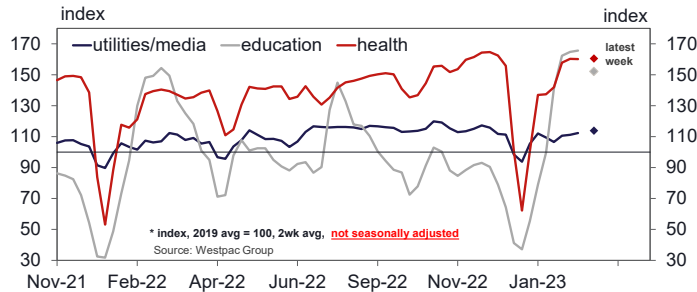
8. Card activity: essential goods



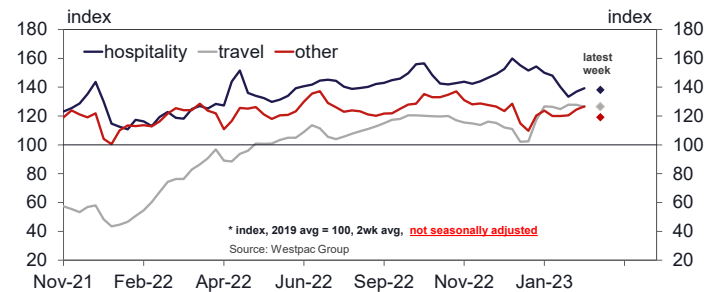
9. Card activity: discretionary goods



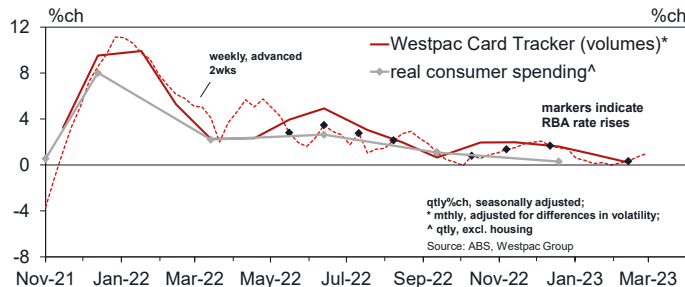
10. Card activity: essential services



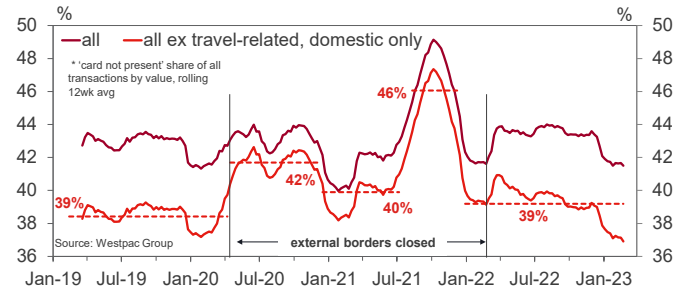
11. Card activity: discretionary services



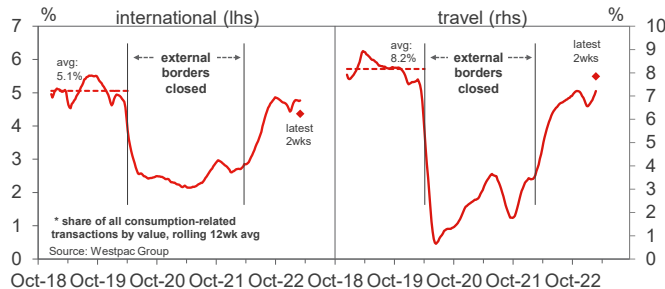
12. Card activity and spending: growth momentum, vols



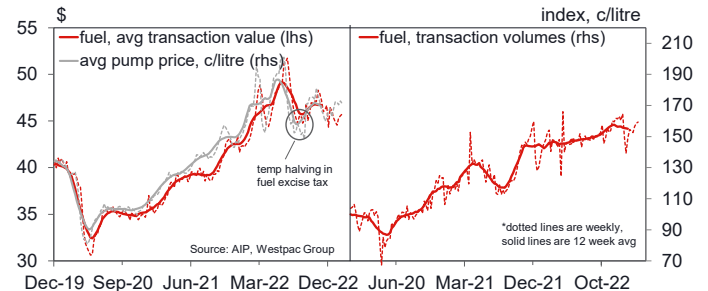
13. Card transactions: international share



14. Card transactions: online and international share



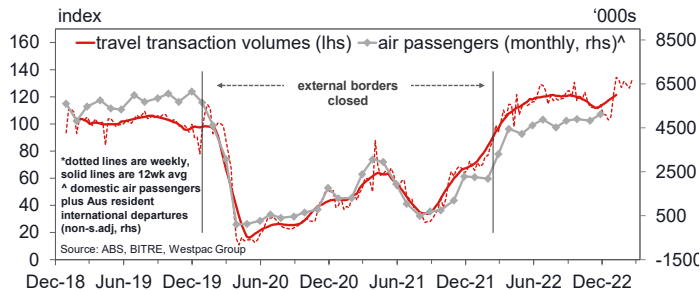
15. Card transactions: petrol vs pump prices



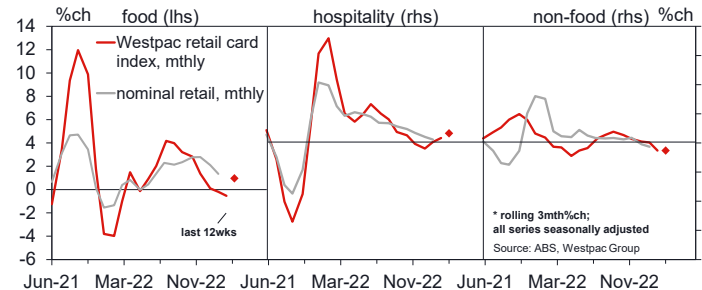
Detailed charts



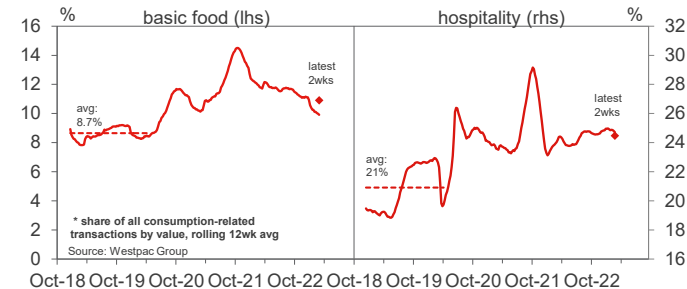
16. Card transactions: travel vs passenger flights



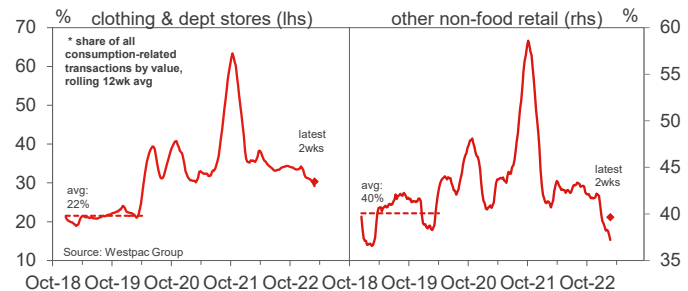
17. Card activity: retail segments and non retail



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	Dec	Jan	Feb^	4/2	11/2	18/2	25/2
Westpac Card Tracker Index	109.9	112.2	105.4	120.0	122.2	129.8	132.4	136.2	137.6	139.7	131.9	148.1	143.1	145.7	138.3
qtlly%ch	1.9	2.1	-6.1	13.9	1.9	6.2	2.0	2.9	2.9	3.3	0.9	2.7	2.6	2.6	1.3
qtlly, ann%ch	8.9	23.7	3.3	11.3	11.2	15.7	25.7	13.6	13.6	12.0	11.7	12.1	12.1	11.9	11.6
By category (not seasonally adjusted)															
- discretionary	103.5	108.9	100.2	127.3	115.1	127.6	134.4	146.3	154.3	134.4	119.7	133.3	127.3	133.0	128.0
- essential	108.5	109.3	116.4	123.6	121.1	123.9	130.9	136.1	139.8	128.4	125.4	135.7	135.2	137.9	135.5
services	95.2	98.7	86.2	103.8	106.5	120.1	128.9	130.1	127.0	128.6	121.1	131.1	128.2	136.1	130.5
- discretionary services	90.9	95.7	78.2	101.7	104.4	122.1	130.3	133.1	132.2	134.3	118.9	128.8	125.4	134.4	128.1
- essential services	108.3	107.7	109.9	110.2	113.1	114.1	124.8	121.3	111.5	111.5	127.5	137.8	136.5	141.1	137.7
goods	113.8	117.8	122.9	145.0	126.4	131.6	136.8	153.4	168.2	135.4	122.2	136.8	131.8	133.5	130.8
- discretionary goods	118.0	124.0	125.7	157.0	127.5	133.9	139.1	161.4	179.9	134.5	120.6	138.5	129.5	131.3	127.9
- essential goods	108.6	110.1	119.5	130.1	124.9	128.6	133.9	143.3	153.6	136.5	124.3	134.8	134.6	136.4	134.5
retail^	121.5	123.5	123.7	129.3	133.1	137.5	143.4	140.9	136.0	145.2	139.4	157.4	151.8	153.5	145.8
qtlly%ch	2.0	1.7	0.2	4.5	2.9	3.3	4.3	-1.7	-1.7	-2.0	-2.1	-2.4	-1.7	-1.1	-1.2
qtlly, ann%ch	16.1	14.4	2.7	8.6	9.5	11.3	15.9	8.9	8.9	7.5	6.8	7.5	7.4	6.9	6.5
By state (not seasonally adjusted)															
- NSW	103.2	108.4	98.9	124.8	114.7	124.6	130.2	139.6	146.3	128.6	117.6	130.0	126.4	129.4	126.2
- Vic	105.8	108.1	103.1	127.1	119.4	127.9	133.3	143.8	151.3	131.7	121.5	133.3	129.3	136.1	129.9
- Qld	109.6	113.8	117.8	131.7	120.8	131.6	140.7	151.6	158.8	140.8	129.0	142.3	138.3	142.6	138.4
- WA	107.3	111.3	117.7	129.4	119.5	127.1	135.1	147.6	155.0	138.0	127.2	141.9	135.0	139.9	137.6
- SA	110.8	114.2	117.3	132.0	121.0	131.0	138.8	150.0	158.2	138.7	128.3	141.1	137.6	140.7	138.8

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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