

WESTPAC CARD TRACKER

15 MARCH 2023.

WESTPAC INSTITUTIONAL BANK

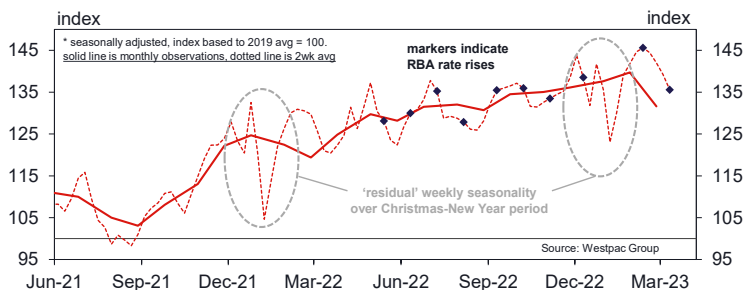


Card activity still pointing to slowing momentum



- The **Westpac Card Tracker Index** continued to pull back over the over the first two weeks of March, falling 7.4pts from 138.3 to 131.0. Aside from the post-Christmas lull, early March marks the weakest fortnightly average read since mid-October. The latest update continues to suggest there has been a further slowing in nominal spending growth although the extent to which weakness in February is carrying into March is a little less clear.
- The detail shows annual growth in service segments now significantly outstripping growth in goods segments. For discretionary services, post-COVID reopening dynamics are still skewing annual comparisons. For essential services, inflation may be a bigger factor. Annual growth in discretionary goods categories is essentially flat on a year ago, suggesting we are seeing declines in inflation-adjusted terms.
- By state, the big eastern states of NSW and Vic are continuing to lag with annual growth in card activity in the 5-7%y range, compared to double-digit annual growth rates in Qld and WA. Annual growth in per capita terms looks to be running behind inflation in NSW and Vic, implying slight declines in the underlying volume of spend in per capita terms.
- The next fortnight will give us a more complete view of card activity for Q1 as a whole. So far the card data is pointing to a further slowing in nominal spending momentum in the quarter although the exact extent of the slowdown is still unclear. The out-turn for real spending also depends on how much prices rise by over the quarter. At this stage we expect real spending growth to come in at just 0.3%qtr in Q1, repeating the soft result in Q4. We should have a better fix on the number by early April.

1. Westpac Card Tracker Index



“... latest update continues to suggest there has been a further slowing in nominal spending growth.”

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.

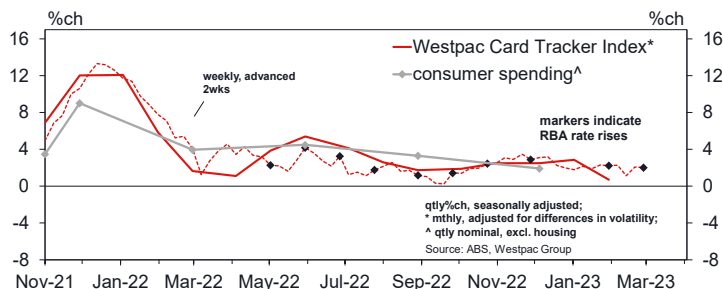
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This issue was finalised on 15 March 2023.

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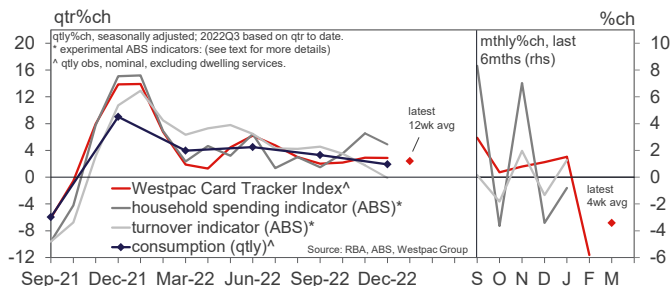
February soft, latest weekly signals more ambiguous



2. Card activity and spending: growth momentum



3. Consumer spending: selected indicators



- Chart 2 shows the **Westpac Card Tracker's** quarterly growth pace alongside nominal spending growth from the quarterly national accounts. The February month showed a clear weakening into the 0-½%qtr range. The picture from the first few weeks in March is a little more ambiguous, the rolling 12wk growth rate still holding around 2%. That said, this spans the volatile Christmas-New Year period and may be less reliable as a guide.
- Official estimates showed a 1.9%qtr gain in nominal spend in Q4 with a weak gain of just 0.3%qtr in real, inflation-adjusted terms (see [here](#) for more). Card data for the quarter to date suggest nominal spending growth will be softer in Q1 although the precise point estimate still depends on the wash-up in coming weeks. Other monthly indicators from the ABS also show some softening in momentum through Dec-Jan (see Chart 3).

qtrly%ch	Q3	Q4	Q1	latest
Westpac Card Tracker*	2.0	2.9	n.a.	2.3
Other indicators (nominal)				
Household spending*	1.5	4.9	n.a.	4.5
Turnover*	4.5	-0.1	n.a.	0.3
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.

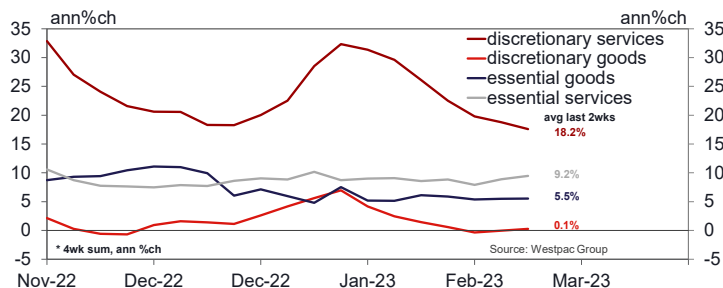
* ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

Services spend up 15%yr; goods up 2.5%yr

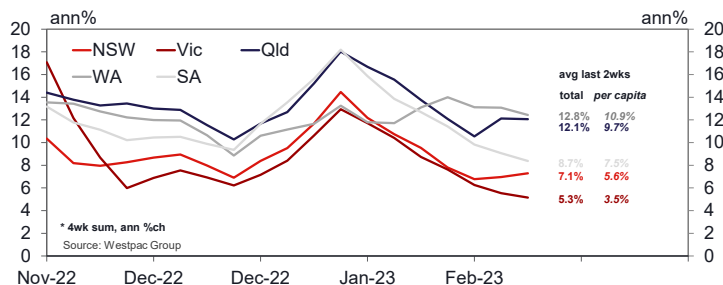


4. Card activity by major category



- Seasonally adjusted estimates are not available by category or by state, making analysis of weekly moves trickier. Annual growth rates get around these issues and are becoming less impacted by COVID disruptions. Charts 4 and 5 show annual growth in card activity by major category and state. Growth is much stronger for discretionary services, which is still cycling base effects from post-COVID border reopening, and for essential services (total services up 15.6%yr), while spending on discretionary goods is flat (total goods up 2.5%yr).
- By state, annual growth is markedly weaker in Vic and NSW, and stronger in Qld and WA. Indeed, per capita growth in Vic and NSW looks to already be running well behind inflation.

5. Card activity by state



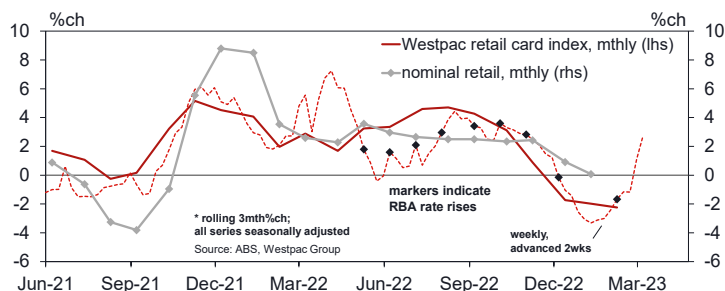
	Dec	Jan	Feb	11/3
Westpac Card Tracker*	137.6	139.7	131.6	131.0
By category (not seasonally adjusted)				
- discretionary	154.3	134.4	120.5	129.3
- essential	139.8	128.4	125.5	134.3
By state (not seasonally adjusted)				
- NSW	146.3	128.6	118.1	126.7
- Vic	151.3	131.7	122.1	130.7
- Qld	158.8	140.8	129.6	139.3
- WA	155.0	138.0	128.1	136.1
- SA	158.2	138.7	128.9	138.9

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.
Sources: ABS, Westpac Group

Official retail figures to confirm weakening

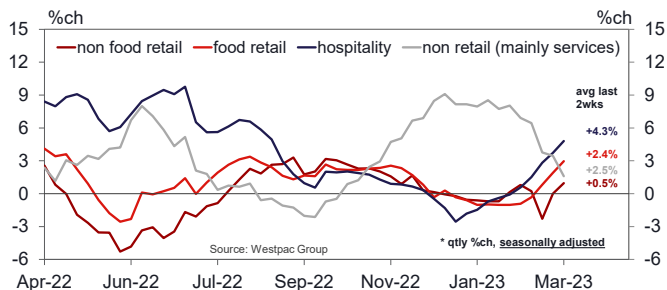


6. Card activity: retail



- Our retail card index has softened over the first 2wks of March, declining 9pts to 136.9. That said, the quarterly growth pulse has lifted with the 12wk rolling avg growth rate ticking back up over 2%. As with the headline index, much of this looks to be due to comparison periods cycling the volatile Christmas-New Year weeks and hence the signal should be treated with caution.
- Official retail estimates for February are due March 28. Our card data suggests sales were down in the month. That said, the official figures have been very choppy through Dec-Jan with a big 4% fall in December. This makes pinpointing monthly moves difficult – even a flat February would leave sales down 1.6% on a 3mth basis.
- Non-retail activity has slowed sharply since February.

7. Card activity: broad groups



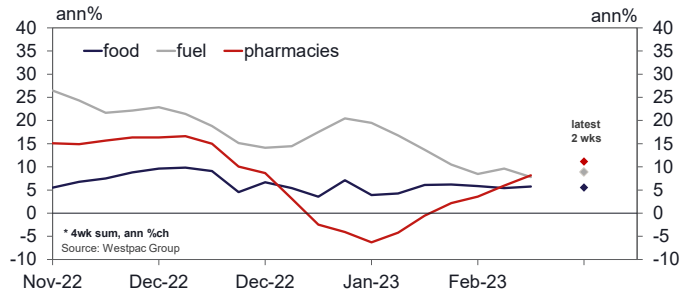
	Dec	Jan	Feb	11/3
By retail/non retail				
Retail card index*	136.0	145.2	138.6	136.9
– qly%ch	-1.7	-2.0	-2.2	2.7
– qly, ann%ch	8.9	7.5	6.6	6.6
Non-retail card index	139.4	133.6	123.8	124.9
ABS retail sales				
– %ch	-4.0	1.9	n.a.	n.a.
– ann%ch	7.4	7.5	n.a.	n.a.
– qly%ch	0.9	0.1	n.a.	n.a.
– qly ann%ch	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

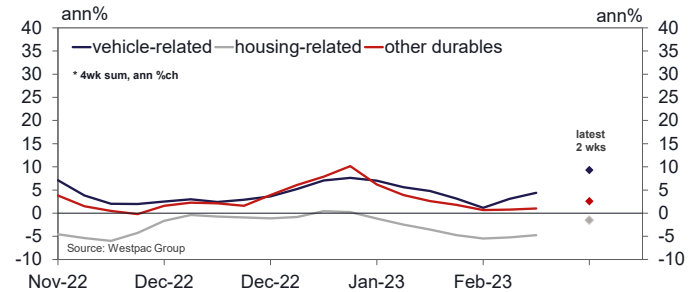
Detailed charts



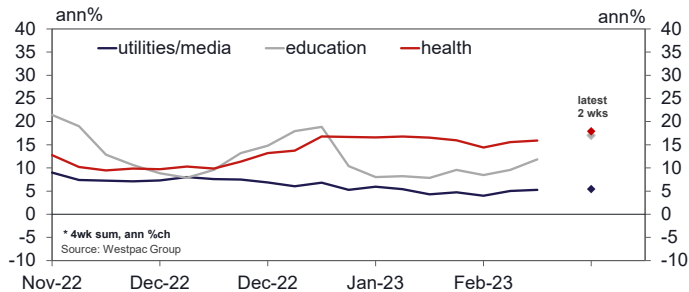
8. Card activity: essential goods



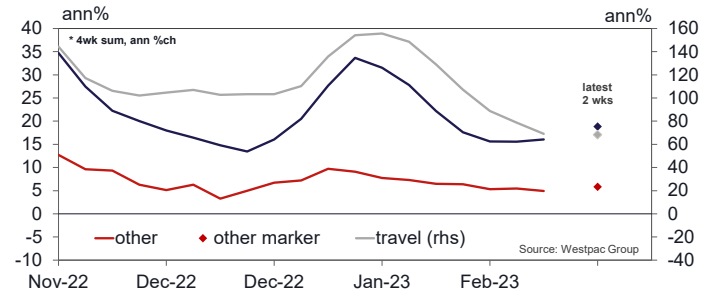
9. Card activity: discretionary goods



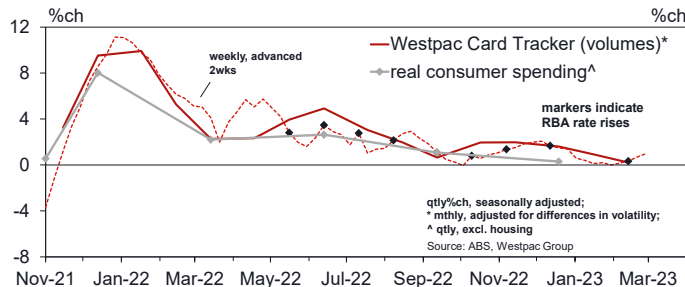
10. Card activity: essential services



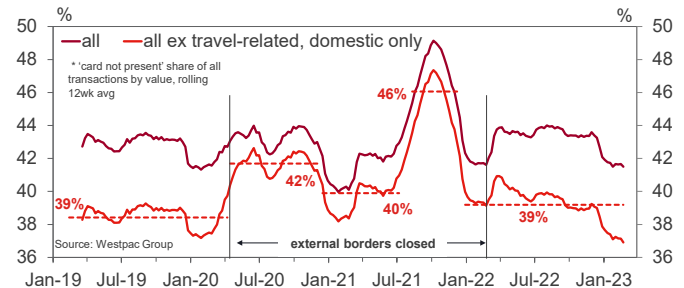
11. Card activity: discretionary services



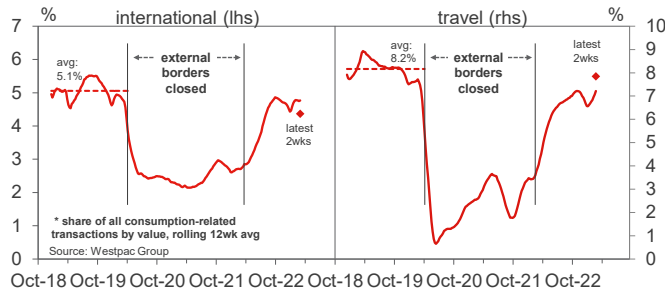
12. Card activity and spending: growth momentum, vols



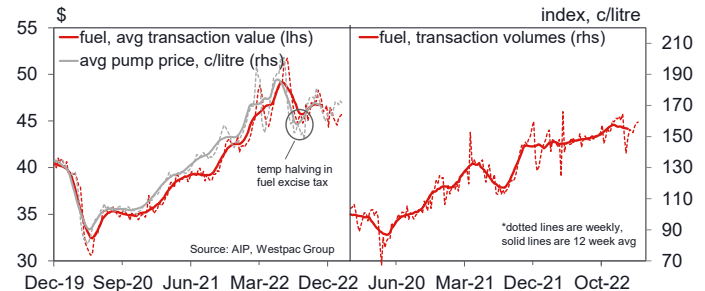
13. Card transactions: international share



14. Card transactions: online and international share



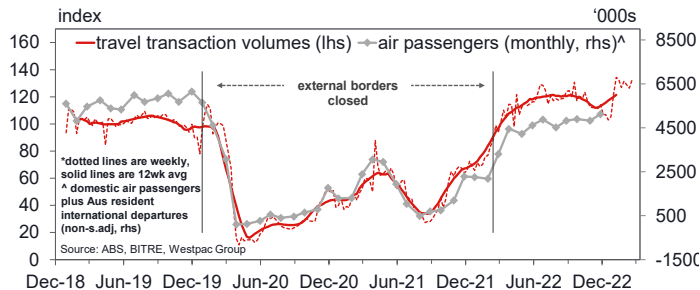
15. Card transactions: petrol vs pump prices



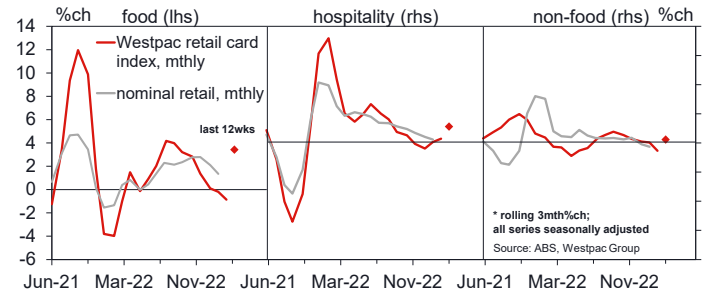
Detailed charts



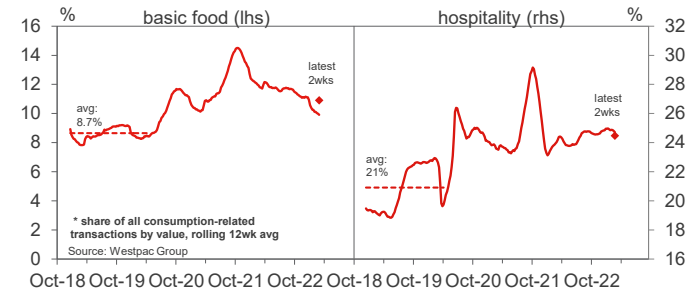
16. Card transactions: travel vs passenger flights



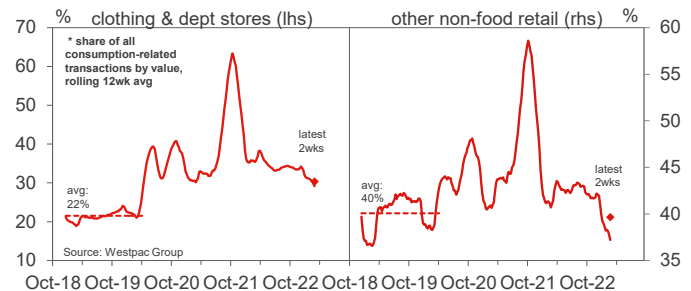
17. Card activity: retail segments and non retail



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	18/2	25/2	4/3	11/3
Westpac Card Tracker Index	109.9	112.2	105.4	120.0	122.2	129.8	132.4	136.2	137.6	139.7	131.6	145.7	138.3	140.1	131.0
qtly%ch	1.9	2.1	-6.1	13.9	1.9	6.2	2.0	2.9	2.9	3.3	0.8	2.6	1.3	2.4	2.3
qtly, ann%ch	8.9	23.7	3.3	11.3	11.2	15.7	25.7	13.6	13.6	12.0	11.6	11.9	11.6	11.6	12.0
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	120.5	133.0	128.0	138.1	129.3
- essential	108.5	109.3	116.4	123.6	121.1	123.9	130.9	136.1	139.8	128.4	125.5	137.9	135.5	137.7	134.3
services	95.2	98.7	86.2	103.8	106.5	120.1	128.9	130.1	127.0	128.6	121.9	136.1	130.5	140.2	131.0
- discretionary services	90.9	95.7	78.2	101.7	104.4	122.1	130.3	133.1	132.2	134.3	119.8	134.4	128.1	138.0	129.9
- essential services	108.3	107.7	109.9	110.2	113.1	114.1	124.8	121.3	111.5	111.5	128.3	141.1	137.7	146.7	134.2
goods	113.8	117.8	122.9	145.0	126.4	131.6	136.8	153.4	168.2	135.4	122.6	133.5	130.8	136.1	131.1
- discretionary goods	118.0	124.0	125.7	157.0	127.5	133.9	139.1	161.4	179.9	134.5	121.3	131.3	127.9	138.3	128.6
- essential goods	108.6	110.1	119.5	130.1	124.9	128.6	133.9	143.3	153.6	136.5	124.2	136.4	134.5	133.3	134.3
retail^	121.5	123.5	123.7	129.3	133.1	137.5	143.4	140.9	136.0	145.2	138.6	153.5	145.8	143.3	136.9
qtly%ch	2.0	1.7	0.2	4.5	2.9	3.3	4.3	-1.7	-1.7	-2.0	-2.2	-1.1	-1.2	1.1	2.7
qtly, ann%ch	16.1	14.4	2.7	8.6	9.5	11.3	15.9	8.9	8.9	7.5	6.6	6.9	6.5	6.4	6.6
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	118.1	129.4	126.2	132.4	126.7
- Vic	105.8	108.1	103.1	127.1	119.4	127.9	133.3	143.8	151.3	131.7	122.1	136.1	129.9	138.1	130.7
- Qld	109.6	113.8	117.8	131.7	120.8	131.6	140.7	151.6	158.8	140.8	129.6	142.6	138.4	146.3	139.3
- WA	107.3	111.3	117.7	129.4	119.5	127.1	135.1	147.6	155.0	138.0	128.1	139.9	137.6	146.9	136.1
- SA	110.8	114.2	117.3	132.0	121.0	131.0	138.8	150.0	158.2	138.7	128.9	140.7	138.8	146.2	138.9

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

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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- i. Chinese Wall/Cell arrangements;
- ii. physical separation of various Business/Support Units;
- iii. Strict and well defined wall/cell crossing procedures;
- iv. a "need to know" policy;
- v. documented and well defined procedures for dealing with conflicts of interest;
- vi. reasonable steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

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