

WESTPAC CARD TRACKER

14 APRIL 2023.

WESTPAC INSTITUTIONAL BANK

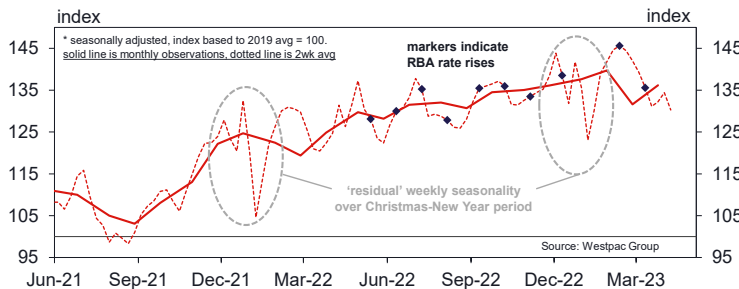


Card activity: subdued start to Easter



- The **Westpac Card Tracker Index** softened over the first two weeks of April, subdued underlying momentum compounded by disruptions from Easter public holidays. The Index dropped to 124.9 in the holiday-affected week ending April 8, the two-week average down 1.9pts vs late March.
- Card activity typically shows a significant drop in the short week prior to Easter with an average fall of -10% (excluding the COVID-impacted read in 2020). As noted previously, our headline index is adjusted to remove regular monthly seasonal shifts but does not exclude large weekly seasonal moves. Easter-related shifts are particularly problematic due to shifts in timing and its proximity to school and ANZAC Day holidays. That said, the 11.5% drop-off in 2023 in non-seasonally adjusted terms looks to be a fairly standard decline overlaid with some slight additional softness.
- Easter-related shifts are particularly problematic for interpreting the state and major category detail as the later timing of the holiday in 2022 means annual growth rates are skewed lower in the latest week and will be skewed higher in the week to come. Again, there are tentative signs of an underlying softening but we will need to see the post-Easter rebound before this can be confirmed and quantified.
- While the pulse heading into Q2 is a little unclear, the evidence of a weak Q1 for the consumer is continuing to build. Card tracker figures for the quarter as a whole and a range of official indicators to Feb - including retail sales - now suggest spending stalled in nominal terms, a result that would imply a contraction in real terms. March ABS updates on retail sales, other spending indicators and inflation, due in coming weeks, could be decisive.

1. Westpac Card Tracker Index



“... subdued underlying momentum compounded by disruptions from Easter public holidays.”

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.

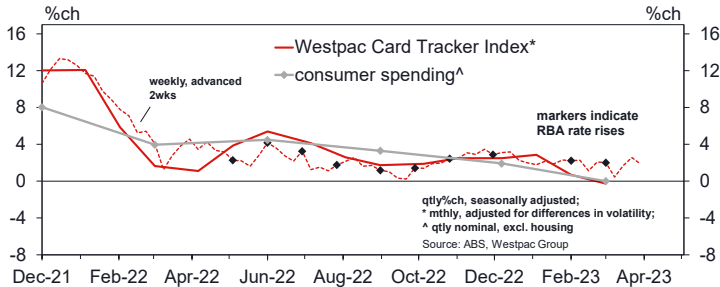
This report is produced by Westpac Economics.
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This issue was finalised on 14 April 2023.

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More evidence of a weak Q1 for consumers

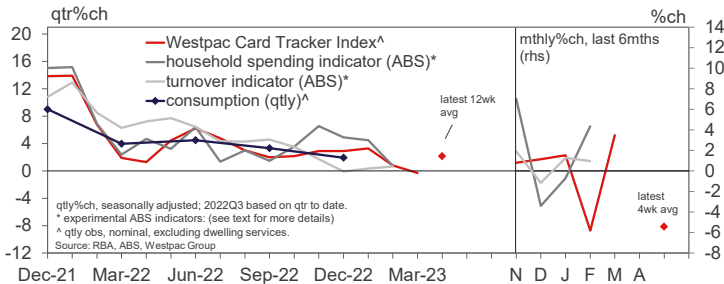


2. Card activity and spending: growth momentum



- Chart 2 shows the **Westpac Card Tracker's** quarterly growth pace alongside nominal spending growth from the quarterly national accounts. Consumer-related card activity declined 0.3%qtr in Q1 (in seasonally adjusted terms) – a sharp slowdown on the 2.9%qtr gain in Q4.
- More official data is also starting to show signs of weakness with both the ABS household spending indicator and consumer-sector results from the ABS business turnover indicator pointing to subdued gains in 0.6-0.7%qtr range over the 3mths to Feb, comparable to the 0.8%qtr gain in retail sales. While there can be divergences between all of these indicators and the spending measures in the national accounts, the readings clearly point to a material slowdown in spending growth in Q1, potentially a contraction in real, inflation-adjusted terms.

3. Consumer spending: selected indicators



qly%ch	Q3	Q4	Q1	latest
Westpac Card Tracker*	2.0	2.9	-0.3	2.2
Other indicators (nominal)				
Household spending*	1.5	4.9	n.a.	0.7
Turnover*	4.5	-0.1	n.a.	0.6
Consumer spending (qly)#				
Nominal	3.3	1.9	n.a.	n.a.
Real	1.1	0.3	n.a.	n.a.

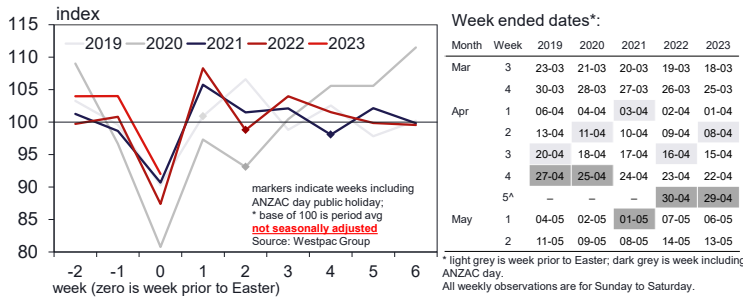
All series are seasonally adjusted, latest is latest weekly obs (12wks %ch on previous 12wks) or latest monthly obs (3mths %ch on previous 3mths). See p10 for more details.
 * ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover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

Sources: ABS, Westpac Group

Easter disruptions make April updates trickier to read

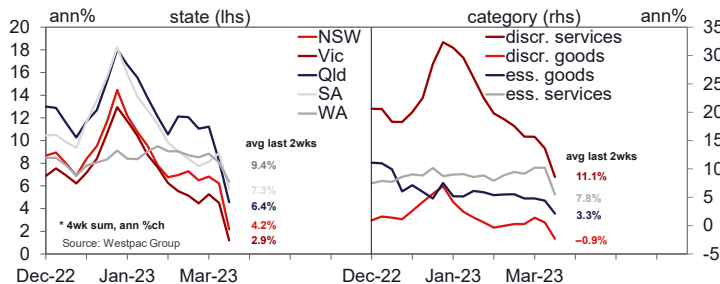


4. Card activity: Easter volatility



- The Easter holiday period is a significant complicating factor interpreting card activity in Apr. While the seasonal shifts are not as profound as the Christmas-New Year period, they are more complex due to shifts in timing year to year, and a particular issue for weekly measures. The proximity to school holidays and the ANZAC day holiday add another wrinkle to some years.
- The table left shows how the timing has landed over the last 5yrs. Most notably, Easter came a week later in 2022 so the through-the-year growth rates (as shown in Chart 5) will appear overly weak for the week ended Apr 8 and overly strong for the week ended Apr 15. As such, we need to wait for the post-Easter rebound to get a better sense of how underlying trends are evolving.

5. Card activity by state and major category



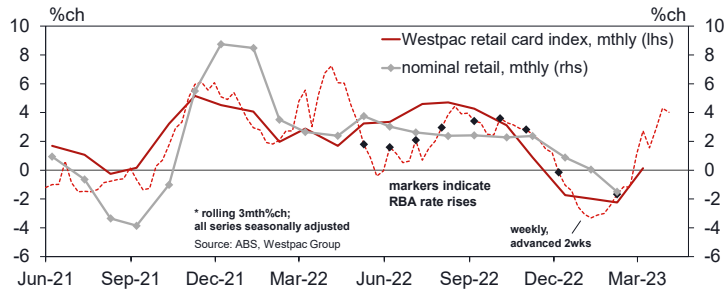
	Jan	Feb	Mar	8/4
Westpac Card Tracker*	139.7	131.6	136.2	124.9
By category (not seasonally adjusted)				
- discretionary	134.4	120.5	135.0	116.6
- essential	128.4	125.5	136.7	119.4
By state (not seasonally adjusted)				
- NSW	128.6	118.1	131.1	113.6
- Vic	131.7	122.1	134.9	116.5
- Qld	140.8	129.6	144.3	127.5
- WA	138.0	128.1	143.4	123.8
- SA	138.7	128.9	142.5	125.1

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 perks up a bit after sizeable Q1 decline

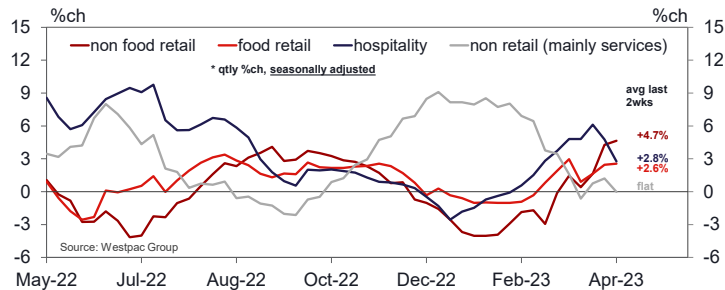


6. Card activity: retail



- Interestingly, despite the wider soft tone to card activity, retail segments have seen some improvement through March and early Apr. Our retail card index has softened a touch over the last 2wks, declining 1.3pts on a 2wk avg basis. However, this is in the context of Easter disruptions and follows a clear stabilisation in March.
- The detail shows the hospitality-led lift in March is now fading but being largely offset by a pick-up in non food retail. Non-retail card activity remains much flatter.
- Official ABS figures showed a subdued 0.2% gain in retail sales in Feb (see [here](#) for more). A similar gain for March would see nominal sales down 0.1%qtr for Q1 as a whole, implying a sizeable fall in real inflation-adjusted terms, potentially in the 0.75-1%qtr range.

7. Card activity: broad retail and non-retail groups



	Jan	Feb	Mar	8/4
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By retail/non retail

Retail card index*	145.2	138.6	139.5	129.1
- qtrly%ch	-2.0	-2.2	0.1	4.0
- qtrly, ann%ch	7.5	6.6	6.0	4.5
Non-retail card index	133.6	123.8	132.5	120.7

ABS retail sales

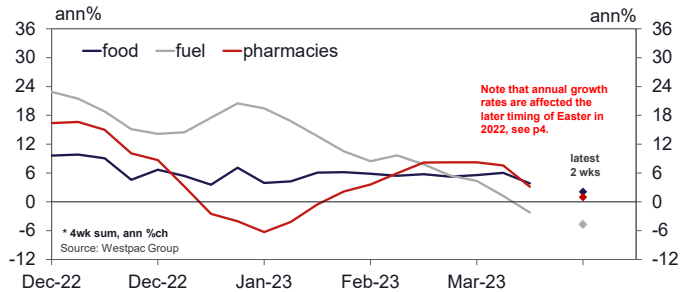
- %ch	1.8	0.2	n.a.	n.a.
- ann%ch	7.5	6.4	n.a.	n.a.
- qtrly%ch	0.0	-1.5	n.a.	n.a.
- qtrly ann%ch	7.5	7.1	n.a.	n.a.

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

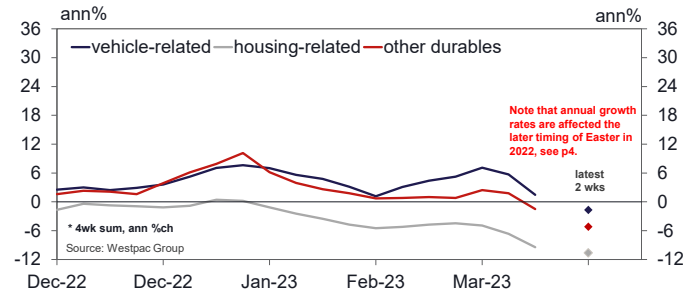
Detailed charts



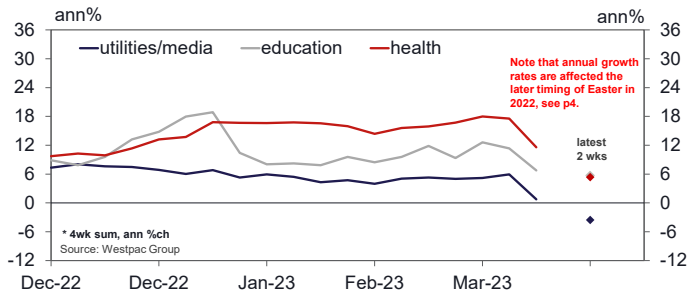
8. Card activity: essential goods



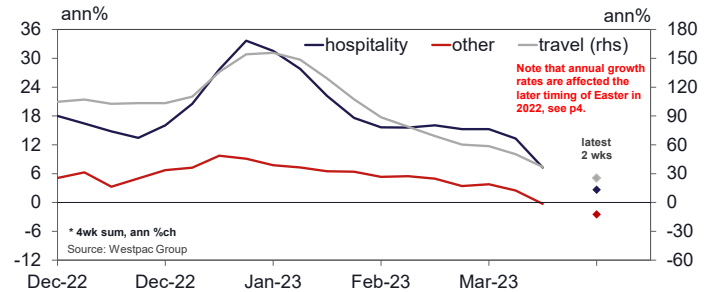
9. Card activity: discretionary goods



10. Card activity: essential services



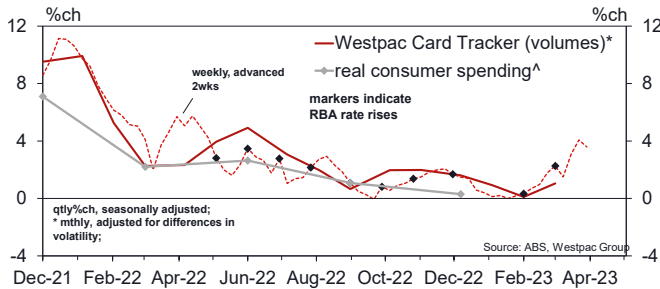
11. Card activity: discretionary services



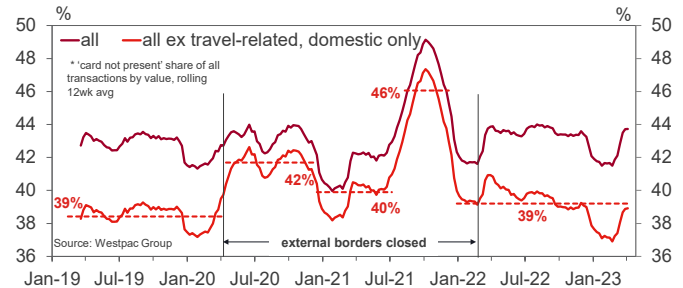
Detailed charts



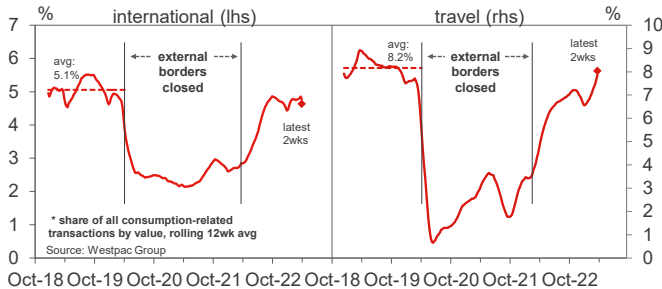
12. Card activity and spending: growth momentum, vols



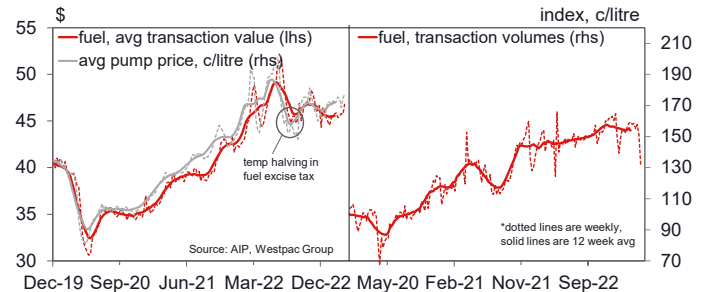
13. Card transactions: international share



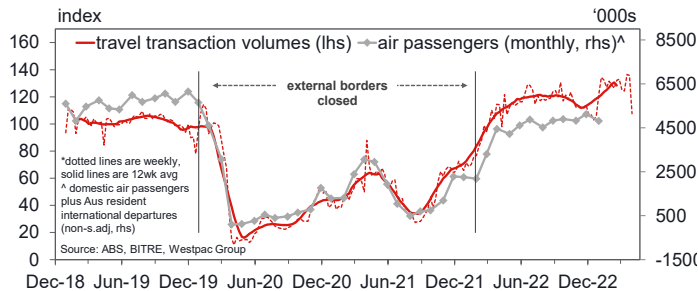
14. Card transactions: international and travel share



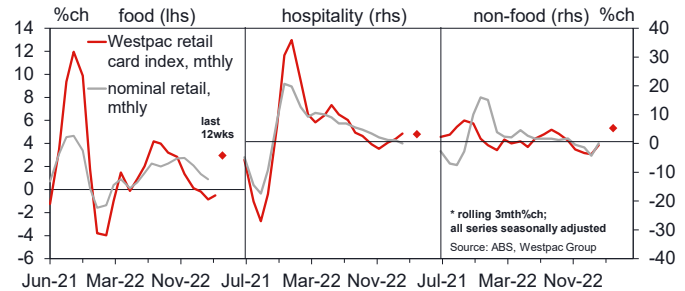
15. Card transactions: petrol vs pump prices



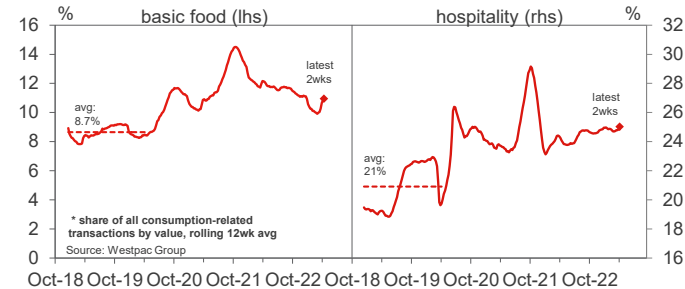
16. Card transactions: travel vs passenger flights



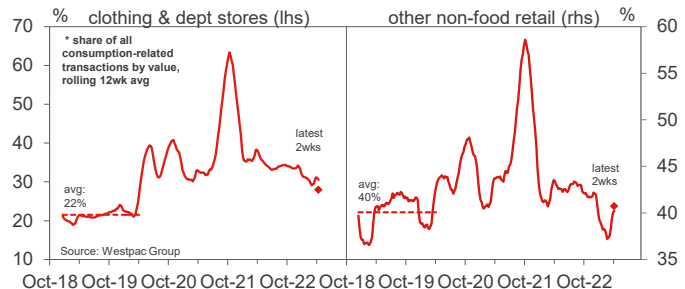
17. Card activity: retail segments and non retail



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	Jan	Feb	Mar	18/3	25/3	1/4	8/4	
Westpac Card Tracker Index	109.9	112.2	105.4	120.0	122.2	129.8	132.4	136.2	139.7	131.6	136.2	131.2	133.2	135.6	124.9	
qtly%ch	1.9	2.1	-6.1	13.9	1.9	6.2	2.0	2.9	3.3	0.8	-0.3	0.5	2.0	3.0	2.2	
qtly, ann%ch	8.9	23.7	3.3	11.3	11.2	15.7	25.7	13.6	12.0	11.6	11.1	12.0	11.2	10.5	8.6	
By category (not seasonally adjusted)																
- discretionary	103.5	108.9	100.2	127.3	115.1	127.6	134.4	146.3	134.4	120.5	135.0	131.7	132.4	133.4	116.6	
- essential	108.5	109.3	116.4	123.6	121.1	123.9	130.9	136.1	128.4	125.5	136.7	133.2	134.3	132.4	119.4	
services	95.2	98.7	86.2	103.8	106.5	120.1	128.9	130.1	128.6	121.9	136.6	134.8	134.1	132.5	113.2	
- discretionary services	90.9	95.7	78.2	101.7	104.4	122.1	130.3	133.1	134.3	119.8	136.4	135.3	134.3	133.4	115.1	
- essential services	108.3	107.7	109.9	110.2	113.1	114.1	124.8	121.3	111.5	128.3	137.3	133.4	133.5	129.7	107.5	
goods	113.8	117.8	122.9	145.0	126.4	131.6	136.8	153.4	135.4	122.6	134.7	130.0	132.1	133.6	121.4	
- discretionary goods	118.0	124.0	125.7	157.0	127.5	133.9	139.1	161.4	134.5	121.3	133.4	127.6	130.1	133.4	118.4	
- essential goods	108.6	110.1	119.5	130.1	124.9	128.6	133.9	143.3	136.5	124.2	136.4	133.0	134.6	133.7	125.2	
retail^	121.5	123.5	123.7	129.3	133.1	137.5	143.4	140.9	145.2	138.6	139.5	134.3	135.2	137.7	129.1	
qtly%ch	2.0	1.7	0.2	4.5	2.9	3.3	4.3	-1.7	-2.0	-2.2	0.1	1.5	2.9	4.3	4.0	
qtly, ann%ch	16.1	14.4	2.7	8.6	9.5	11.3	15.9	8.9	7.5	6.6	6.0	6.8	5.9	5.6	4.5	
By state (not seasonally adjusted)																
- NSW	103.2	108.4	98.9	124.8	114.7	124.6	130.2	139.6	128.6	118.1	131.1	128.3	128.9	128.2	113.6	
- Vic	105.8	108.1	103.1	127.1	119.4	127.9	133.3	143.8	131.7	122.1	134.9	130.9	132.0	132.6	116.5	
- Qld	109.6	113.8	117.8	131.7	120.8	131.6	140.7	151.6	140.8	129.6	144.3	140.6	141.7	142.3	127.5	
- WA	107.3	111.3	117.7	129.4	119.5	127.1	135.1	147.6	138.0	128.1	143.4	141.6	140.6	141.4	123.8	
- SA	110.8	114.2	117.3	132.0	121.0	131.0	138.8	150.0	138.7	128.9	142.5	136.8	139.6	140.9	125.1	

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.

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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- 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;
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