

WESTPAC CARD TRACKER

11 MAY 2023.

WESTPAC INSTITUTIONAL BANK

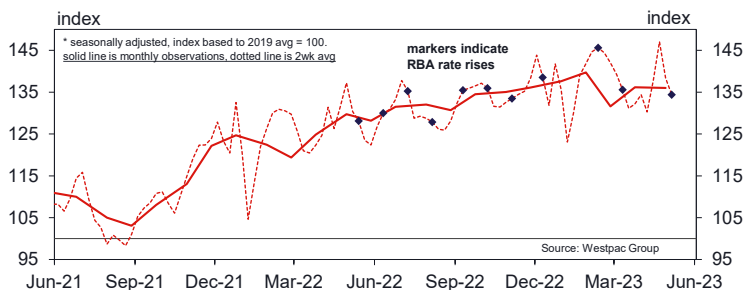


Card activity points to contracting consumer spend



- The **Westpac Card Tracker Index** continues to point to a significant weakening in consumer demand. The Index declined 7.9pts over the two weeks to May 6, unwinding a brief holiday-related bounce in the third week of April. Looking through recent Easter and ANZAC Day related volatility, the Index is basically unchanged since the start of April, holding in the 133-136 range.
- The flat monthly result has taken quarterly growth momentum further into negative territory, the 3mth change dropping to -0.9% in April, the weakest read since the 'delta' lock-down in 2021. Note that this measure is adjusted to remove regular monthly seasonal variations. It is also based on the dollar value of card activity so includes the effect of rising prices. With the CPI rising 1.4%qtr rise in the March quarter, the tracker results imply activity is seeing an even sharper contraction in real, inflation-adjusted terms.
- The weakening signal comes as a variety of other measures are also starting to show a material slowdown in spending. Official ABS figures show retail sales volumes contracted 0.6% in the March quarter, a second successive decline, with official card-based measures of household spending and tax-based measures of turnover also pointing to weakness in nominal spending, albeit to varying degrees in Q1 and with differences in timing. How this shows through in the official spending figures for the March quarter will be revealed when the Q1 national accounts estimates are released on June 7. Risks appear firmly to the downside.
- The more granular detail shows stalling across all major segments of retail and outright weakness in non-retail activity. Discretionary goods activity is particularly weak, particularly for housing-related and other durables. Growth is notably weaker in NSW and Vic.

1. Westpac Card Tracker Index



“... a significant weakening in consumer demand.”

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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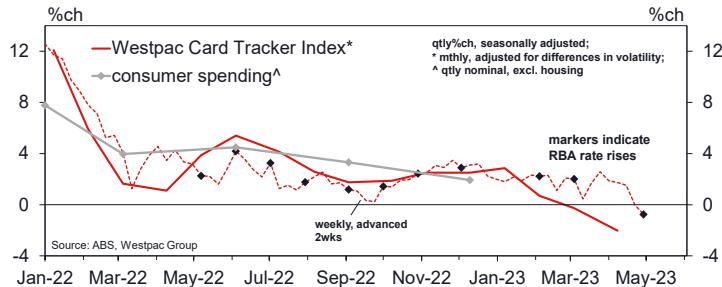
This issue was finalised on 11 May 2023.

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Mixed indicators but risks tilting to the downside

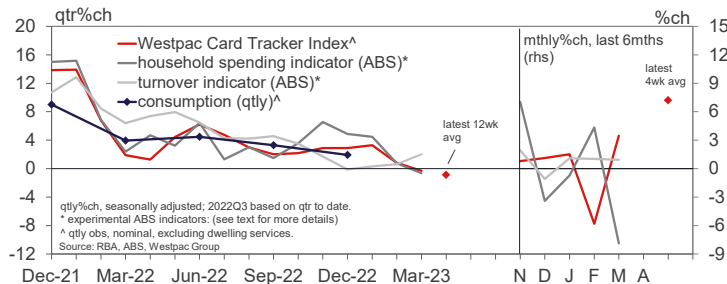


2. Card activity and spending: growth momentum



- Chart 2 shows the **Westpac Card Tracker's** quarterly growth pace alongside nominal spending growth from the national accounts. Card activity declined 0.3%qtr in Q1 in seasonally adjusted terms - a sharp slowdown on the 2.9%qtr gain in Q4. Momentum slowed further through April, tracking a 0.9%qtr decline on a rolling 3mth basis.
- The ABS household spending indicator, which draws on system-wide card data, also showed a sharp fall in the March month, taking quarterly growth to -0.7%qtr. The ABS business turnover indicator, which is based on monthly tax statements, was firmer, consumer sector response showing a 2% lift in Q1 but coming off flat Q4. As always, caution needs to be applied in interpreting all of these indicators as a guide to spending. That said risks to Q1 appear to be clearly tilting to the downside.

3. Consumer spending: selected indicators



qtlly%ch	Q3	Q4	Q1	latest
Westpac Card Tracker*	2.0	2.9	-0.3	-0.9
Other indicators (nominal)				
Household spending*	1.5	4.9	-0.7	n.a.
Turnover*	4.5	-0.1	2.0	n.a.
Consumer spending (qtlly)#				
Nominal	3.3	1.9	n.a.	n.a.
Real	1.1	0.3	n.a.	n.a.

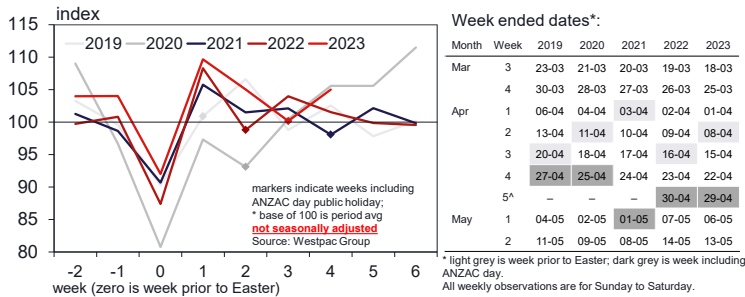
All series are seasonally adjusted, latest is latest weekly obs (12wks %ch on previous 12wks) or latest monthly obs (3mths %ch on previous 3mths). See p10 for more details.
 * ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover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

Sources: ABS, Westpac Group

Holiday period noise dropping out of the picture

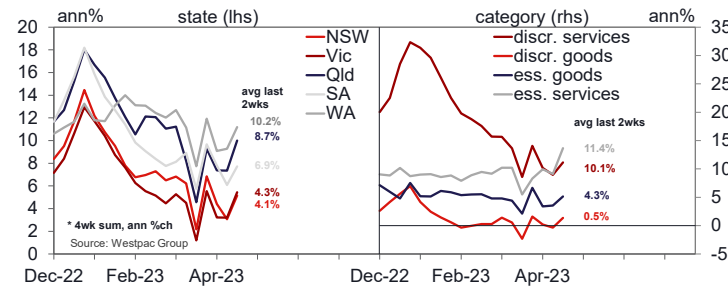


4. Card activity: Easter volatility



- As noted previously, the Easter and ANZAC day holiday period is a significant complicating factor for weekly measures of card activity, particularly given shifts in timing year to year, which also impacts annual growth rates (as shown in Chart 5). Chart 4 shows the wash-up this year, week zero marking the lead-in to Easter and markers showing the week of the ANZAC Day public holiday. Looking through the volatility, the underlying trend this year looks about flat.
- By state, growth remains notably weaker in NSW and Vic, with SA posting a material slowing in recent months. By category, discretionary services spend has cooled materially, essential services now the strongest growing component.

5. Card activity by state and major category



	Feb	Mar	Apr	6/5
Westpac Card Tracker*	131.6	136.2	136.0	135.6
By category (not seasonally adjusted)				
- discretionary	120.5	135.0	129.1	134.3
- essential	125.5	136.7	126.8	133.7
By state (not seasonally adjusted)				
- NSW	118.1	131.1	124.3	130.8
- Vic	122.1	134.9	127.9	133.6
- Qld	129.6	144.3	138.0	141.4
- WA	128.1	143.4	135.3	141.9
- SA	128.9	142.5	134.7	141.6

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

Broad-based stalling across retail segments

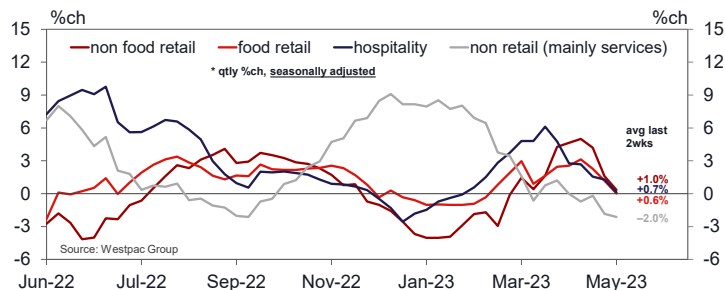


6. Card activity: retail



- After a weak performance around the turn of the year, retail segments saw some improvement in activity through March and early April. This now looks to be fading again. Our retail card index has fallen back from the low 150s in mid-April to the low 140s over the last fortnight. While some of this reflects unwinding holiday boosts, the underlying trend still looks to be soft with quarterly growth momentum in the 0-1% range.
- The detail shows a broad-based slowing, food, hospitality and non-food retail spend all seeing quarterly growth stalling. Non-retail card activity has also weakened further, contracting at around a 2%qtr basis over the last three months. Official ABS data confirmed the stalling in retail sales in Q1 with volumes contracting 0.6%qtr (see [here](#) for more).

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



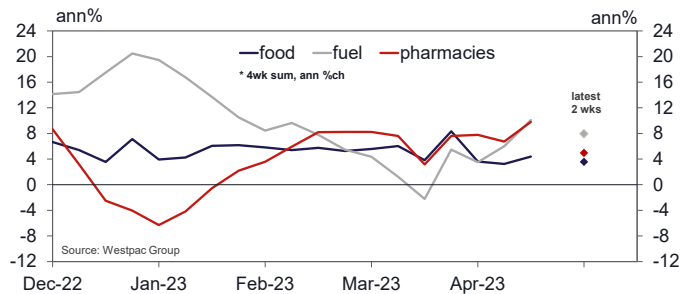
	Feb	Mar	Apr	6/5
By retail/non retail				
Retail card index*	138.6	139.5	141.2	140.5
– qtrly %ch	-2.2	0.1	-1.0	0.5
– qtrly, ann %ch	6.6	6.0	4.6	4.4
Non-retail card index	123.8	132.5	130.2	130.6
ABS retail sales				
– %ch	0.2	0.4	n.a.	n.a.
– ann %ch	6.4	5.4	n.a.	n.a.
– qtrly %ch	-1.5	0.0	n.a.	n.a.
– qtrly ann %ch	7.1	6.4	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

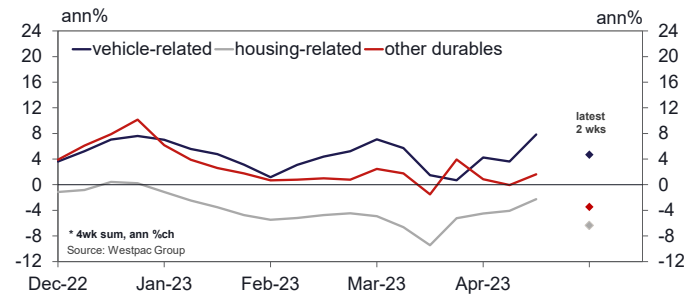
Detailed charts



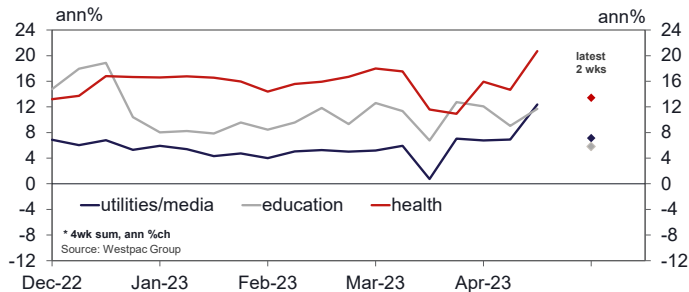
8. Card activity: essential goods



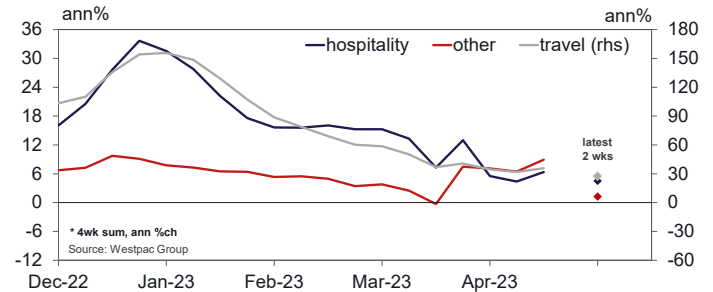
9. Card activity: discretionary goods



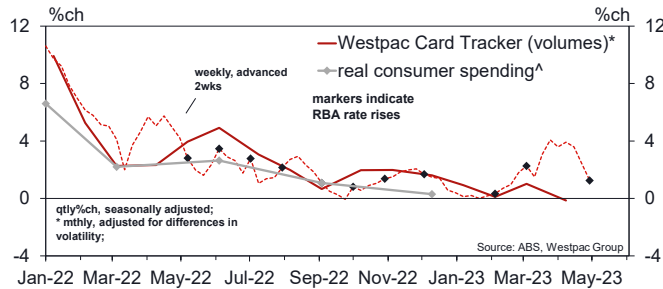
10. Card activity: essential services



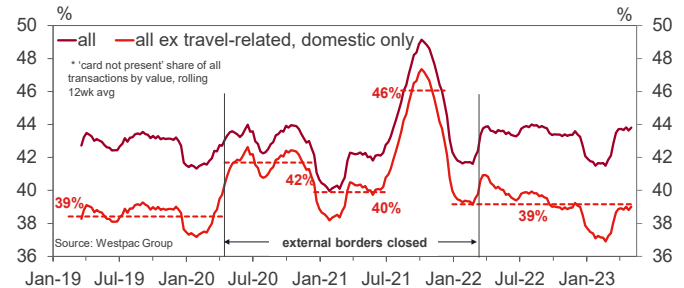
11. Card activity: discretionary services



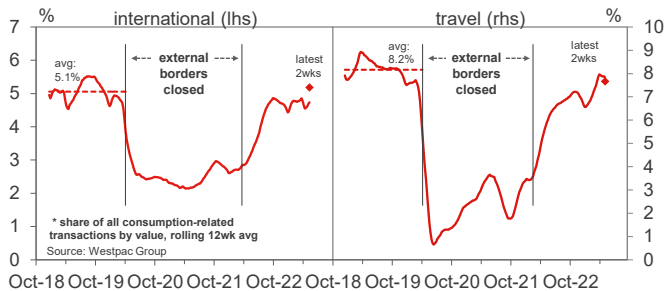
12. Card activity and spending: growth momentum, vols



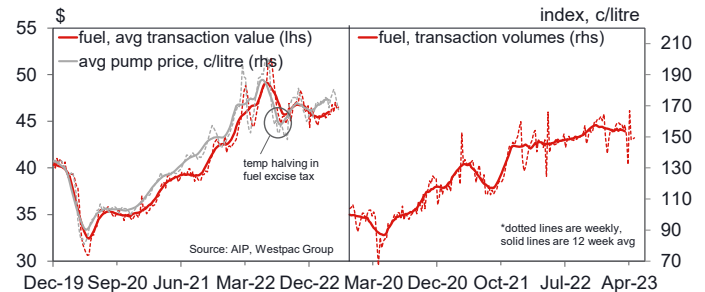
13. Card transactions: international share



14. Card transactions: international and travel share



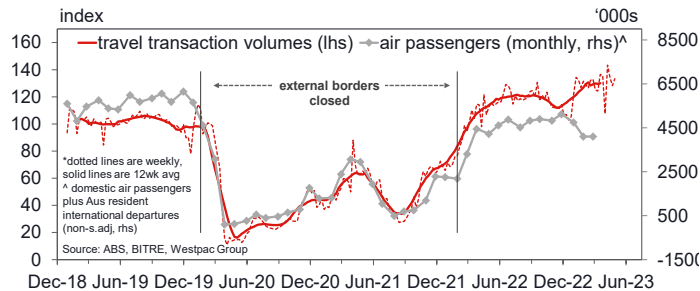
15. Card transactions: petrol vs pump prices



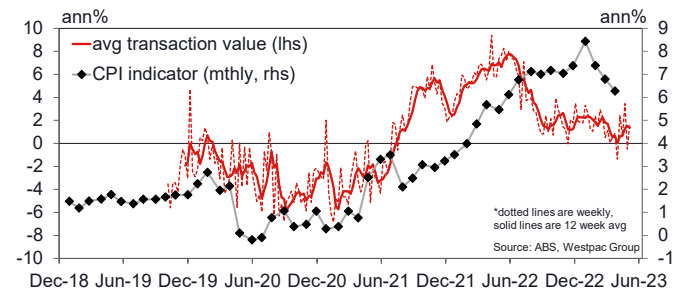
Detailed charts



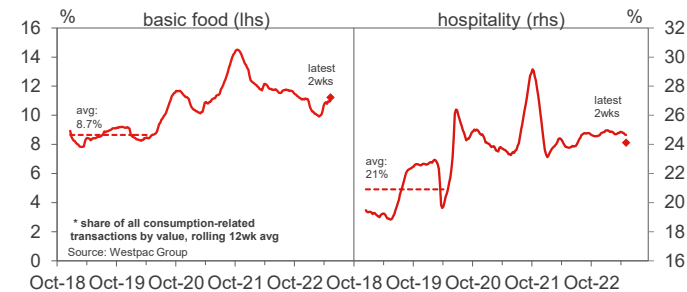
16. Card transactions: travel vs passenger flights



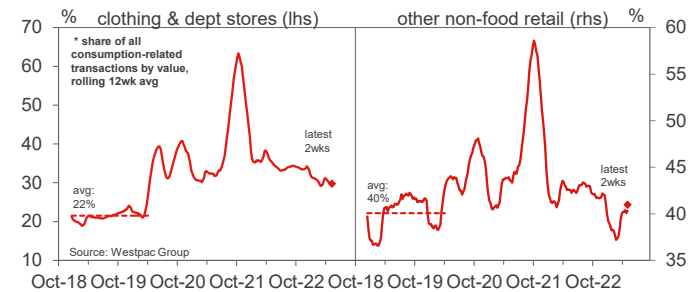
17. Card activity: avg transaction value vs inflation



18. Card transactions: online share, food retail



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



Westpac card indicators*



	2021			2022			2023			week ending:					
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Feb	Mar	Apr	15/4	22/4	29/4	6/5
Westpac Card Tracker Index	112.2	105.4	120.0	122.2	129.8	132.4	136.2	135.8	131.6	136.2	136.0	150.7	143.5	133.2	135.6
qtly%ch	2.1	-6.1	13.9	1.9	6.2	2.0	2.9	-0.3	0.8	-0.3	-2.3	2.0	1.8	0.0	-0.9
qtly, ann%ch	23.7	3.3	11.3	11.2	15.7	25.7	13.6	11.1	11.6	11.1	8.0	9.8	8.6	7.9	7.2
By category (not seasonally adjusted)															
- discretionary	108.9	100.2	127.3	115.1	127.6	134.4	146.3	130.0	120.5	135.0	129.1	142.0	135.6	128.7	134.3
- essential	109.3	116.4	123.6	121.1	123.9	130.9	136.1	130.2	125.5	136.7	126.8	135.8	130.9	126.7	133.7
services	98.7	86.2	103.8	106.5	120.1	128.9	130.1	129.0	121.9	136.6	126.5	137.5	134.5	126.1	134.5
- discretionary services	95.7	78.2	101.7	104.4	122.1	130.3	133.1	130.1	119.8	136.4	130.1	146.5	136.6	129.2	133.5
- essential services	107.7	109.9	110.2	113.1	114.1	124.8	121.3	125.7	128.3	137.3	115.6	110.9	128.2	116.9	137.4
goods	117.8	122.9	145.0	126.4	131.6	136.8	153.4	130.9	122.6	134.7	129.8	141.8	133.5	129.5	133.8
- discretionary goods	124.0	125.7	157.0	127.5	133.9	139.1	161.4	129.7	121.3	133.4	127.9	136.8	134.4	128.0	135.3
- essential goods	110.1	119.5	130.1	124.9	128.6	133.9	143.3	132.4	124.2	136.4	132.2	147.9	132.3	131.4	131.9
retail^	123.5	123.7	129.3	133.1	137.5	143.4	140.9	141.1	138.6	139.5	141.2	157.6	145.2	142.1	140.5
qtly%ch	1.7	0.2	4.5	2.9	3.3	4.3	-1.7	0.1	-2.2	0.1	-1.0	4.4	3.5	1.8	0.5
qtly, ann%ch	14.4	2.7	8.6	9.5	11.3	15.9	8.9	6.0	6.6	6.0	4.6	6.0	5.0	4.7	4.4
By state (not seasonally adjusted)															
- NSW	108.4	98.9	124.8	114.7	124.6	130.2	139.6	125.9	118.1	131.1	124.3	136.0	129.5	124.1	130.8
- Vic	108.1	103.1	127.1	119.4	127.9	133.3	143.8	129.6	122.1	134.9	127.9	139.5	134.4	127.4	133.6
- Qld	113.8	117.8	131.7	120.8	131.6	140.7	151.6	138.2	129.6	144.3	138.0	150.5	144.5	136.7	141.4
- WA	111.3	117.7	129.4	119.5	127.1	135.1	147.6	136.5	128.1	143.4	135.3	148.5	140.8	134.6	141.9
- SA	114.2	117.3	132.0	121.0	131.0	138.8	150.0	136.7	128.9	142.5	134.7	144.1	141.5	134.5	141.6

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.

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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