

WESTPAC CARD TRACKER

22 JUNE 2023.

WESTPAC INSTITUTIONAL BANK

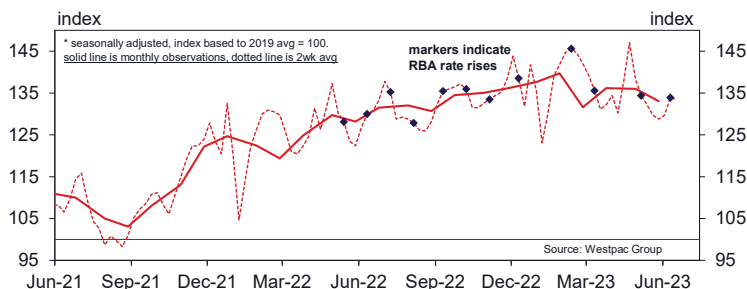


Card activity continues to weaken



- The **Westpac Card Tracker Index** softened slightly over the first half of June, declining 0.9pts to 132.5. The underlying weakening trend evident since the start of the year remains firmly in place, with the quarterly growth profile continuing to highlight the risk of an outright contraction spending in Q2 following the slight gain in Q1.
- The weakening continues to be relatively broad-based but more pronounced for discretionary categories and for goods. Annual growth is firmly negative for discretionary goods, declining at a particularly rapid 8%yr pace for housing-related items. Annual growth has also dipped into negative for essential goods, although this partly reflects last year's spike in fuel prices. While annual growth remains positive for discretionary services, this has seen the most significant slowing since April. Essential services – which includes utilities, education and health – has been steadier.
- By state, annual growth in card activity has dipped into outright negative in NSW and is now slightly negative in per capita terms in Vic. SA is recording a similar growth pace to Vic but firmer in per capita terms. Qld is now showing clearer signs of a slowdown although annual growth remains in the 3-4%yr range. WA is the only major state where growth in card activity remains firmly above 5%yr.
- In this report we take a closer look at activity by transaction size. This approach looks to hold some promise in teasing out underlying trends in consumer behaviour. Whereas the 'low' value transactions that drive most of the shifts in card spend look to be regular spending on 'basics', 'medium' and especially 'high' value transactions are 'big ticket' discretionary items that look to be a more cyclical component of overall activity. We will be exploring this aspect of card activity in more detail in coming reports.

1. Westpac Card Tracker Index



“... weakening trend evident since the start of the year remains firmly in place.”

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 p11 for a full explanation.

This report is produced by Westpac Economics.

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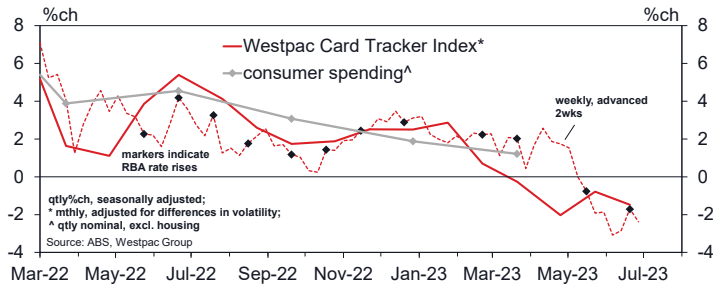
This issue was finalised on 23 June 2023.

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Card spend tracking towards significant fall for Q2

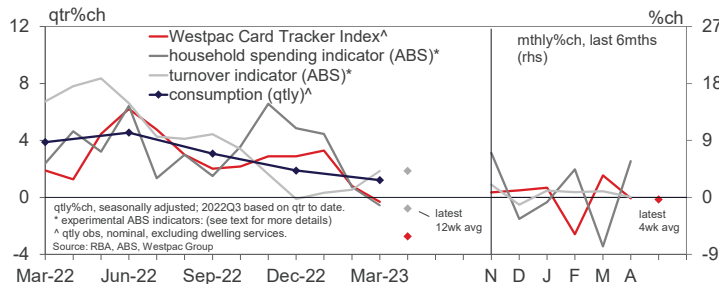


2. Card activity and spending: growth momentum



- 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. As at mid-June, the tracker is heading for a significantly larger 1.7% decline for Q2 as a whole.
- Chart 3 shows card activity alongside two additional monthly indicators from the ABS – one that is a similar card-based measure of household spending, and one based on monthly tax statements of consumer-related businesses. Both of these are now available for April and mostly confirm the picture coming from our measure. May updates should provide more confirmation but are not due to be released until July 10-11.

3. Consumer spending: selected indicators



qtly%ch	Q4	Q1	Q2	latest
Westpac Card Tracker*	2.9	-0.3	-1.7	-2.7
Other indicators (nominal)				
Household spending*	4.9	-0.6	n.a.	-0.8
Turnover*	-0.1	2.0	n.a.	1.9
Consumer spending (qtly)#				
Nominal	1.9	1.2	n.a.	n.a.
Real	0.2	0.2	n.a.	n.a.

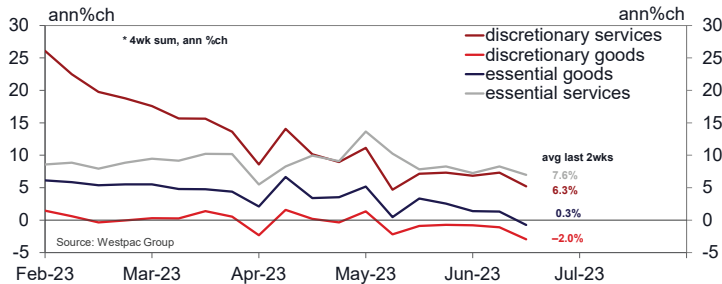
All series are seasonally adjusted, latest is latest weekly obs (12wks %ch on previous 12wks) or latest monthly obs (3mths %ch on previous 3mths). See p11 for more details.
 * ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

Annual declines for goods, and for NSW

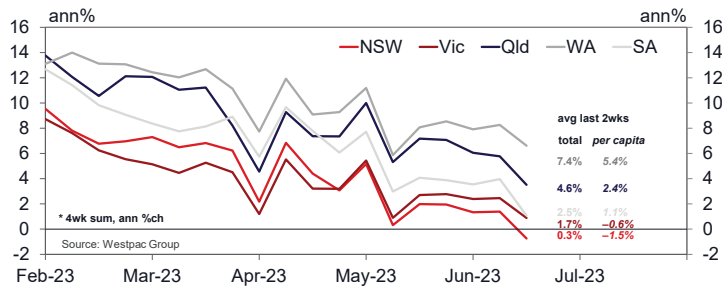


4. Card activity by State



- As noted, the major category breakdown shows weaker conditions for discretionary goods and essential goods, but a more pronounced growth slowdown for discretionary services. Essential services spend has been relatively steady. Base effects should be kept in mind for some categories, with some still cycling the effect of last year's petrol price spikes and external border reopening.
- The state detail continues to show much weaker conditions in NSW and Vic (both now recording annual declines in per capita terms), and in SA. Growth is also starting to show a more material slowing in Qld, which had been holding up better in previous months. WA is now the only major state that has not seen a meaningful slowdown in annual growth terms.

5. Card activity by major category



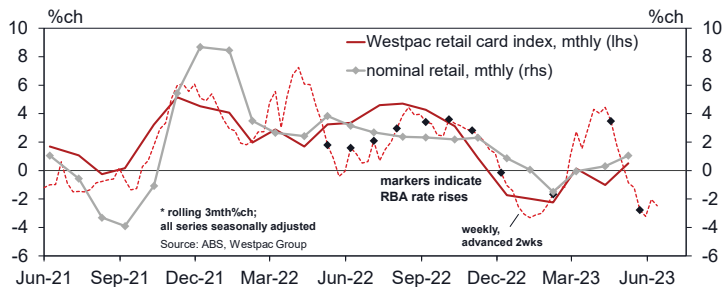
	Apr	May	Jun	17/6
Westpac Card Tracker*	136.0	133.1	131.5	131.7
By category (not seasonally adjusted)				
– discretionary	129.1	134.2	128.2	128.5
– essential	126.8	133.8	124.1	120.4
By state (not seasonally adjusted)				
– NSW	124.3	130.2	122.0	119.4
– Vic	127.9	134.1	127.9	127.9
– Qld	138.0	142.8	136.8	137.1
– WA	135.3	141.6	134.5	137.2
– SA	134.7	140.7	130.1	124.9

All indexes based on the value of spending-related transactions, 2019 avg=100, see p11 for more details incl. classifications. * Headline index is seasonally adjusted, all other indexes are unadjusted.
Sources: ABS, Westpac Group

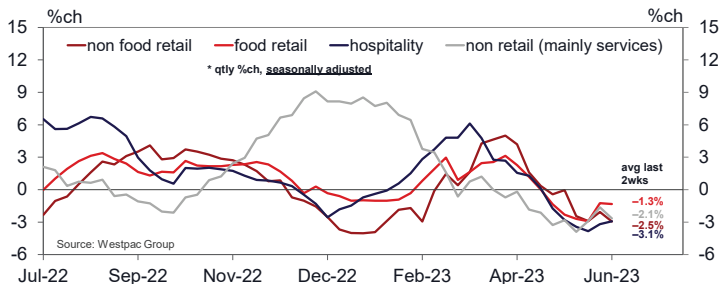
Retail sales contracting across the board



6. Card activity: retail



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



- Retail segments continue to show broad based weakness. Our retail card index fell a further 3.7pts over the two weeks to June 17 to 134.6. Outside of the seasonal lulls in Easter and around Christmas, this is the weakest read since May last year. This is an ominous sign, particularly given that there is likely to be a significant inflation pulse still running through retail prices (transactions measured in dollar value terms will capture price effects as well as volume shifts).
- The detail shows food retail, hospitality, non retail and non food retail all posting falls, retail segments all in the 2-3% range in quarterly seasonally adjusted terms.
- Preliminary ABS estimate for May retail sales are due out on June 29 and expected to show a small decline in the month, with risks clearly to the downside.

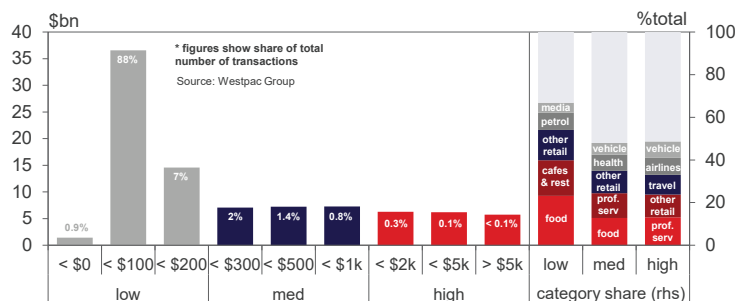
	Apr	May	Jun [^]	17/6
By retail/non retail				
Retail card index*	141.2	141.3	135.3	134.6
– qly %ch	-1.0	0.5	-1.3	-2.5
– qly, ann %ch	4.6	3.8	1.3	2.1
Non-retail card index	130.2	123.9	127.2	128.8
ABS retail sales				
– %ch	0.0	-0.2	n.a.	n.a.
– ann %ch	4.2	3.2	n.a.	n.a.
– qly %ch	0.3	1.0	n.a.	n.a.
– qly ann %ch	5.3	0.0	n.a.	n.a.

All indexes based on the value of spending-related transactions, 2019 avg=100, see p11 for more details. Retail card index seasonally adjusted using ABS series. All other indexes are not seasonally unadjusted. Sources: ABS, Westpac Group

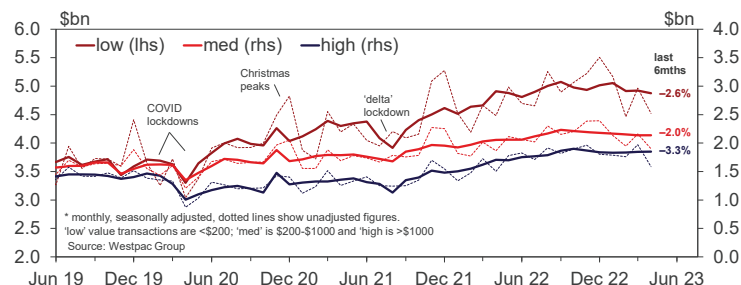
Detail by transaction size offers additional insights



8. Card activity by transaction value



9. Card activity: low, medium and high value transactions

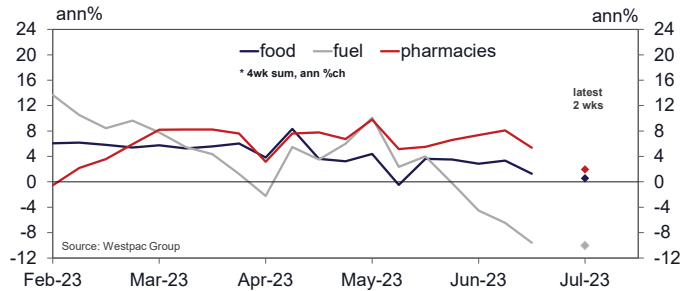


- One aspect of the card data that looks offer additional insights is activity across different transaction size bands. Card activity comes in many different shapes and sizes and in many cases these look to pick up very different aspects of consumer behaviour. Chart 8 gives a top-line summary, showing total activity across different transaction size bands, with figures also showing the share of the number of transactions. The dominant category is the '\$0-100' band, which accounts for 88% of all card transactions but only 39% of the total value of activity.
- We classify transactions into three broad ranges: 'low' (<\$200), 'medium' (\$200-\$1000) and 'high' (\$1000+). In April 2023, low value transactions totalled \$4.5bn while medium and high value transactions totalled \$1.9bn and \$1.6bn respectively. The category detail shows 'low' value transactions are dominated by regular spending on basic food, eating out, petrol, small retail purchases and utilities/media. Basic food is also the largest category for 'medium' transactions, likely representing households' bigger supermarket shops. 'Big ticket' discretionary items are more prominent amongst the 'high' value transactions, including travel and vehicle purchases.
- Chart 9 shows the monthly value of activity across the three value ranges, the dotted lines showing actual spend and solid lines showing seasonally adjusted estimates. Seasonal swings are clear, as are the impacts of COVID lock-downs. The most recent slowdown in activity has been slightly more pronounced for high value transactions, another sign that consumers are reining in discretionary spend. There look to be more useful insights from the more granular detail that we will be exploring in coming reports.

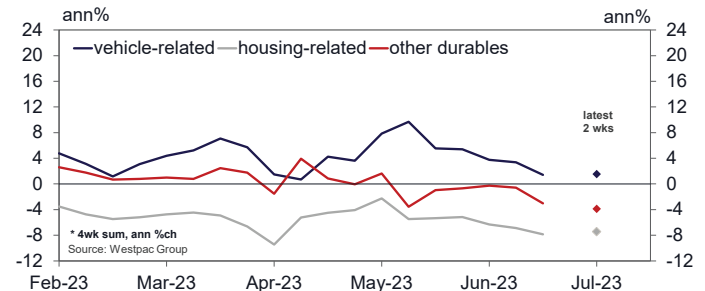
Detailed charts



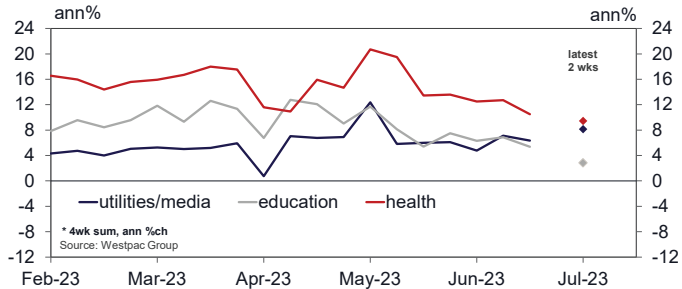
10. Card activity: essential goods



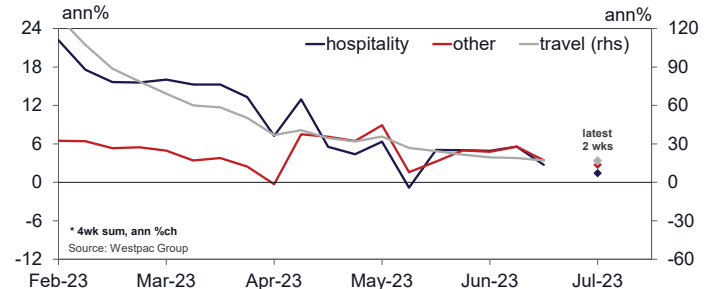
11. Card activity: discretionary goods



12. Card activity: essential services



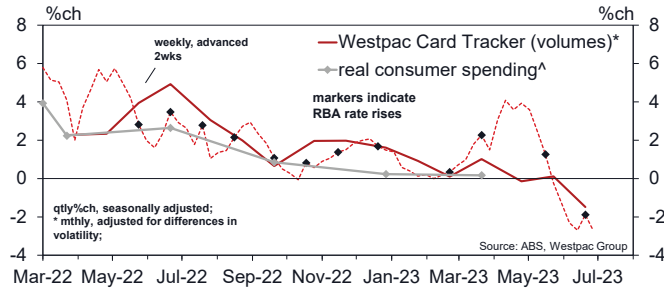
13. Card activity: discretionary services



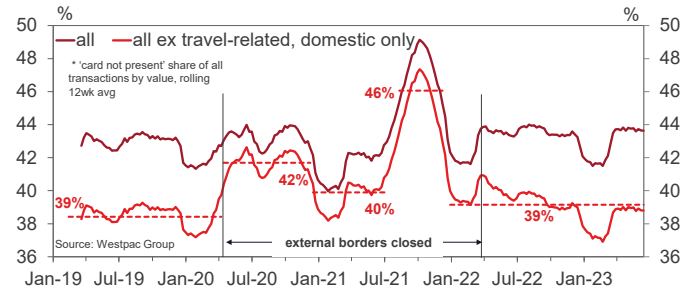
Detailed charts



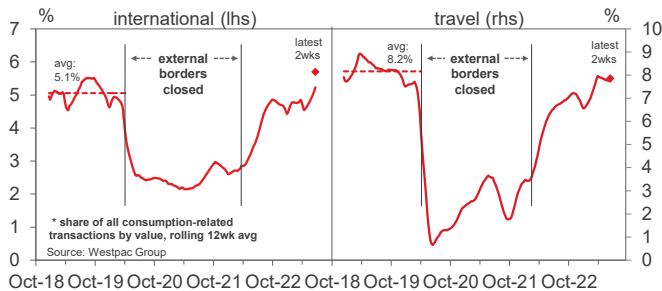
14. Card activity and spending: growth momentum, vols



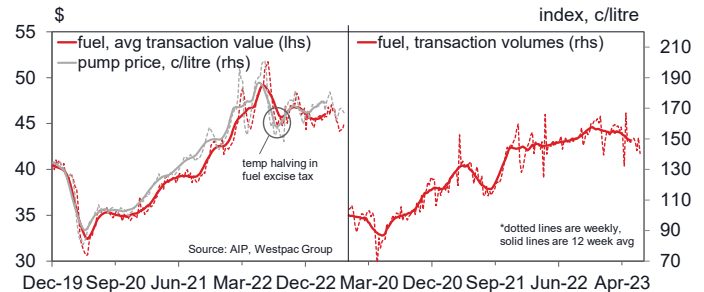
15. Card transactions: international share



16. Card transactions: international and travel share



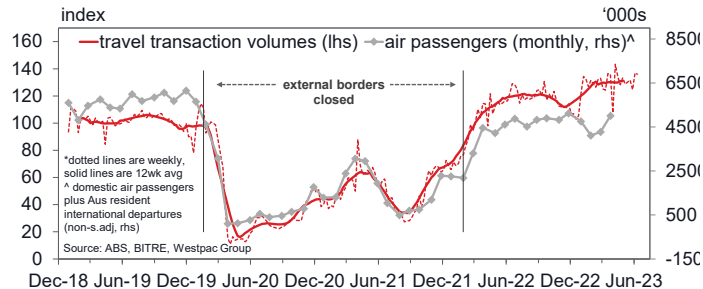
17. Card transactions: petrol vs pump prices



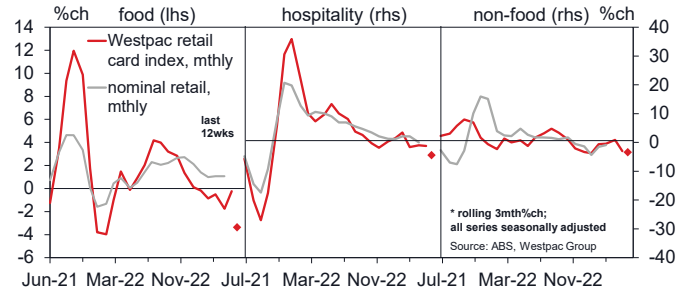
Detailed charts



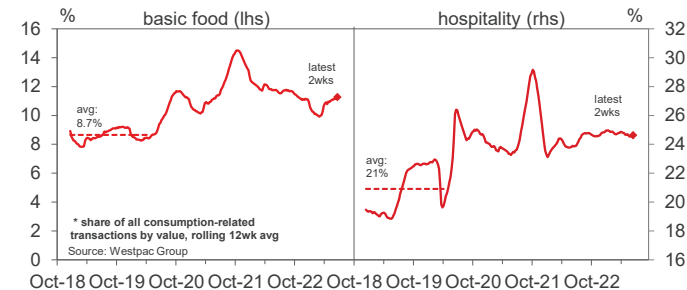
18. Card transactions: travel vs passenger flights



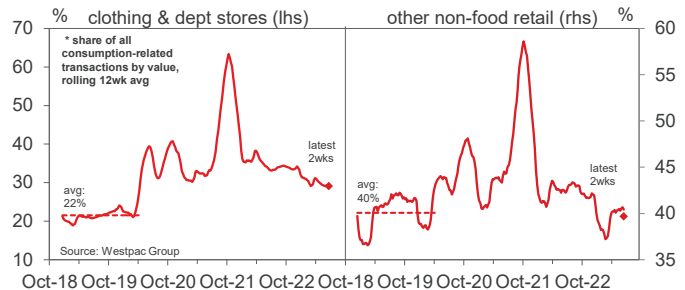
19. Card transactions: food, hospitality, non-food retail



20. Card transactions: online share, food retail



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



Westpac card indicators*



	2021			2022			2023			week ending:						
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Apr	May	Jun^	27/5	3/6	10/6	17/6	
Westpac Card Tracker Index	112.2	105.4	120.0	122.2	129.8	132.4	136.2	135.8	136.0	133.1	131.5	126.9	132.5	135.3	131.7	
qtly%ch	2.1	-6.1	13.9	1.9	6.2	2.0	2.9	-0.3	-2.3	-0.9	-1.7	-3.6	-3.3	-2.0	-2.7	
qtly, ann%ch	23.7	3.3	11.3	11.2	15.7	25.7	13.6	11.1	8.0	5.9	2.8	5.7	4.9	4.8	3.9	
By category (not seasonally adjusted)																
- discretionary	108.9	100.2	127.3	115.1	127.6	134.4	146.3	130.0	129.1	134.2	128.2	128.3	132.5	130.5	128.5	
- essential	109.3	116.4	123.6	121.1	123.9	130.9	136.1	130.2	126.8	133.8	124.1	130.0	127.1	130.6	120.4	
services	98.7	86.2	103.8	106.5	120.1	128.9	130.1	129.0	126.5	133.2	126.9	128.0	129.2	129.3	127.7	
- discretionary services	95.7	78.2	101.7	104.4	122.1	130.3	133.1	130.1	130.1	133.0	129.0	127.5	129.8	129.5	132.7	
- essential services	107.7	109.9	110.2	113.1	114.1	124.8	121.3	125.7	115.6	134.0	120.5	129.3	127.2	128.7	113.1	
goods	117.8	122.9	145.0	126.4	131.6	136.8	153.4	130.9	129.8	134.7	126.7	129.8	131.8	131.6	123.9	
- discretionary goods	124.0	125.7	157.0	127.5	133.9	139.1	161.4	129.7	127.9	135.6	127.3	129.2	135.6	131.7	123.7	
- essential goods	110.1	119.5	130.1	124.9	128.6	133.9	143.3	132.4	132.2	133.7	125.8	130.4	127.0	131.5	124.0	
retail^	123.5	123.7	129.3	133.1	137.5	143.4	140.9	141.1	141.2	141.3	135.3	135.9	138.3	139.3	134.6	
qtly%ch	1.7	0.2	4.5	2.9	3.3	4.3	-1.7	0.1	-1.0	0.5	-1.3	-2.8	-3.2	-2.0	-2.5	
qtly, ann%ch	14.4	2.7	8.6	9.5	11.3	15.9	8.9	6.0	4.6	3.8	1.3	3.9	3.2	3.0	2.1	
By state (not seasonally adjusted)																
- NSW	108.4	98.9	124.8	114.7	124.6	130.2	139.6	125.9	124.3	130.2	122.0	125.3	127.3	126.5	119.4	
- Vic	108.1	103.1	127.1	119.4	127.9	133.3	143.8	129.6	127.9	134.1	127.9	128.6	130.8	130.9	127.9	
- Qld	113.8	117.8	131.7	120.8	131.6	140.7	151.6	138.2	138.0	142.8	136.8	136.7	138.8	140.4	137.1	
- WA	111.3	117.7	129.4	119.5	127.1	135.1	147.6	136.5	135.3	141.6	134.5	137.5	135.8	135.8	137.2	
- SA	114.2	117.3	132.0	121.0	131.0	138.8	150.0	136.7	134.7	140.7	130.1	135.1	137.7	136.4	124.9	

All indexes based on the value of spending-related transactions, 2019 avg=100. See p11 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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