

# **WESTPAC CARD TRACKER**

**7 JULY 2023.**

**WESTPAC INSTITUTIONAL BANK**

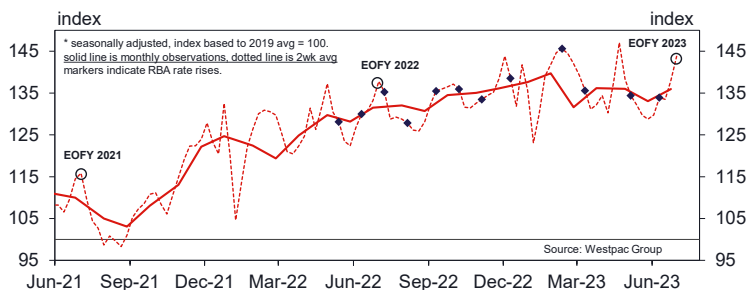


# Card activity remains weak despite EOFY boost



- The **Westpac Card Tracker Index** lifted over the last two weeks of June, rising 11.4pts to 143. Much of the gain looks to be due to the end of financial year (EOFY) which sees a significant sales push as retailers look to clear inventory and target buyers with scope to claim tax advantages from expenses made before the new tax year. Allowing for regular seasonality, the underlying quarterly growth momentum is still weak, holding firmly in negative territory.
- EOFY is not the biggest event but has a discernible impact on sales, especially in the hardware, vehicle-related and professional services categories. This year's sales have seen a lift week to week but look to be down a touch on a year ago – 'non-food' discretionary card activity 1.2% lower than in EOFY 2022. Also of note: this is the first 'sales event' to record an annual decline since the COVID-affected sales in 2021.
- Consistent with this theme, the rally over the last two weeks in centred on discretionary goods, led by major durables sub-categories. Again though, this is in the context of a weak underlying trend, activity in this major category still down 1-2%yr. Annual growth in discretionary services has continued to slow, remains stalled around zero for essential goods but is holding firm around 8%yr for essential services (reflecting price increases in many cases). Activity by state continues to show weaker conditions in NSW and Vic, where per capita card activity is declining.
- In this report we again take a closer look at activity by transaction size, focussing on the vehicle-related category. The breakdown shows a more varied spread than in other categories, with medium and high value transactions likely capturing specific areas of expenditure, namely parts, repairs, and car purchases.

## 1. Westpac Card Tracker Index



*“... quarterly growth momentum ... holding firmly in negative territory.”*

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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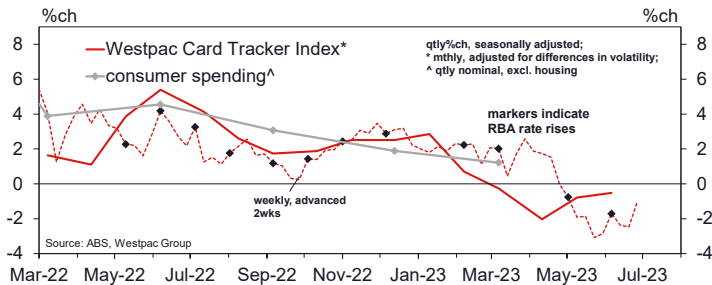
This issue was finalised on 7 July 2023.

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# Growth momentum remains firmly negative

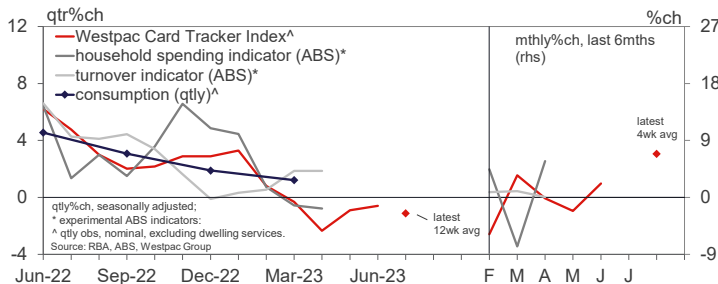


## 2. Card activity and spending: growth momentum



- Chart 2 shows the **Westpac Card Tracker's** quarterly growth pace alongside nominal spending growth from the national accounts. The full wash-up to June shows card activity down 0.6%qtr in seasonally adjusted terms. That compares to a 0.3%qtr decline in Q1 and a 2.9%qtr gain in Q4. The material slowing since the start of the year looks to be carried through to mid-year, deepening a touch. The last few weekly reads have shown a slight improvement but with momentum still firmly in negative territory.
- The weakness should be corroborated by other data sources in coming weeks. Chart 3 shows our card activity measure alongside two monthly indicators from the ABS that also offer timely reads – a similar card-based measure of spending, and one based on monthly tax statements of consumer-related businesses. May updates are on July 10 and July 11 respectively.

## 3. Consumer spending: selected indicators



qtlly%ch	Q4	Q1	Q2	latest
<b>Westpac Card Tracker*</b>	<b>2.9</b>	<b>-0.3</b>	<b>-0.6</b>	<b>-1.1</b>
<b>Other indicators (nominal)</b>				
Household spending*	4.9	-0.6	n.a.	-0.8
Turnover*	-0.1	1.9	n.a.	1.9
<b>Consumer spending (qtlly)#</b>				
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.

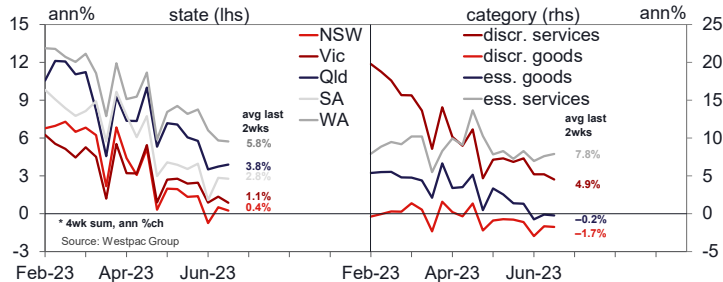
\* ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

# EOFY activity down slightly on 2022

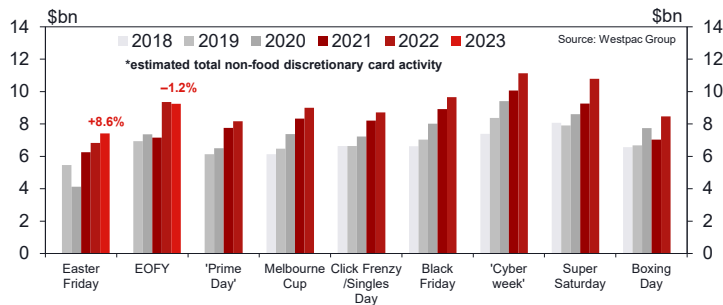


## 4. Card activity by state, major category



- Growth in card activity held steady over the last 2wks for most states, a modest lift in SA the main exception.
- As noted, activity was clearly influenced by the End of Financial Year (EOFY). While its not the biggest or highest profile sales event, EOFY is still significant. In 2022, the final week of June was the fourth biggest week of the year for non-food discretionary card activity, beaten only by Black Friday, 'cyber-week' and the 'Super Saturday' sales just prior to Christmas. The detail shows EOFY can be particularly lucrative for hardware, vehicle-related, and professional services, the latter likely also capturing advice and services relating to the preparation of tax returns. This year's results look to be down a touch on 2022 – 'non-food' discretionary card activity -1.2%yr.

## 5. Card activity: major sales periods compared



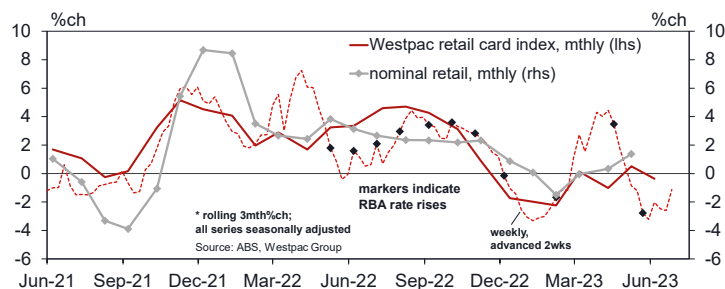
	Apr	May	Jun	1/7
<b>Westpac Card Tracker*</b>	<b>136.0</b>	<b>133.1</b>	<b>136.0</b>	<b>143.0</b>
<b>By category (not seasonally adjusted)</b>				
– discretionary	129.1	134.2	133.3	144.1
– essential	126.8	133.8	126.9	128.9
<b>By state (not seasonally adjusted)</b>				
– NSW	124.3	130.2	126.7	133.0
– Vic	127.9	134.1	131.4	139.2
– Qld	138.0	142.8	140.8	150.3
– WA	135.3	141.6	138.0	147.0
– SA	134.7	140.7	137.0	146.2

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

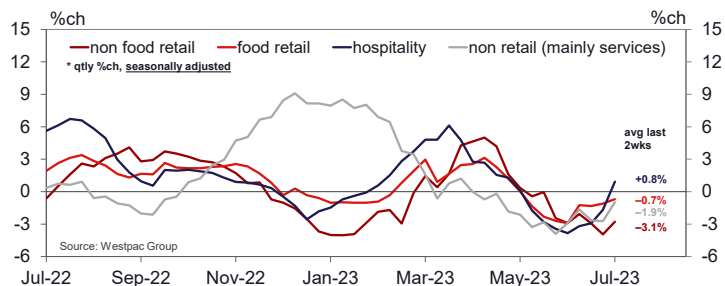
# Retail improves slightly, led by hospitality



## 6. Card activity: retail



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



- Our retail card index also posed a strong lift over the last two weeks of June, rising 11.6pts to just over 146, the highest level since late Feb.
- The detail shows the latest improvement has been led by hospitality, where momentum has moved back into slight positive territory in quarterly seasonally adjusted terms. Food retail has also improved a touch but is still moving lower on a quarterly basis. Interestingly, non food retail continues to decline apace despite the EOFY boost to durables spend.
- Official ABS data showed a better than expected 0.7% mth gain in retail sales for May, led by 'small-ticket' discretionary categories. Notably, online sales posted a strong 4.3% mth decline with in-store sales up just 0.2% mth (see [here](#) for more).

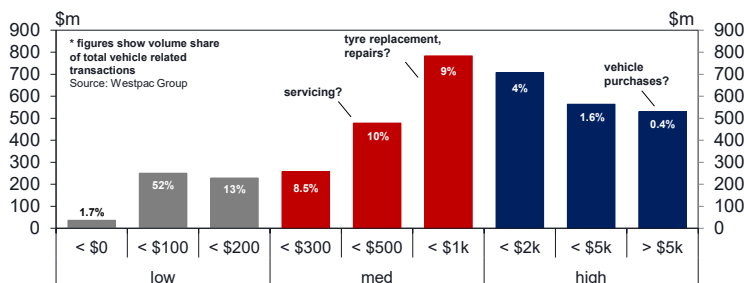
	Apr	May	Jun	1/7
<b>By retail/non retail</b>				
Retail card index*	141.2	141.3	139.3	146.2
- qtrly %ch	-1.0	0.5	-0.4	-1.1
- qtrly, ann %ch	4.6	3.8	2.2	2.7
Non-retail card index	130.2	123.9	132.3	140.0
<b>ABS retail sales</b>				
- %ch	0.0	0.7	n.a.	n.a.
- ann %ch	4.3	4.2	n.a.	n.a.
- qtrly %ch	0.3	1.4	n.a.	n.a.
- qtrly ann %ch	5.3	4.6	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

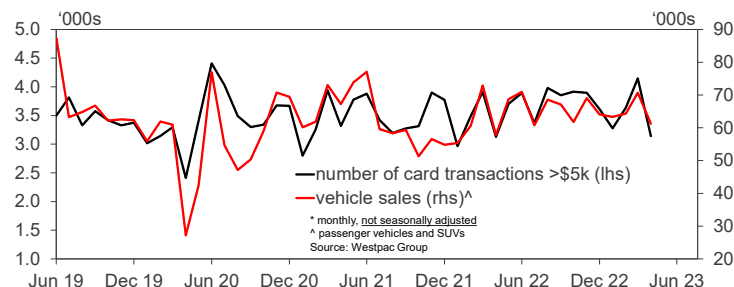
# Detail shows varied drivers of vehicle-related spend



## 8. Card activity, vehicle-related by transaction size



## 9. Number of vehicle-related card transactions vs vehicle sales



– Our last report delved into the more granular card data looking at variations in activity across different transaction size ranges (see [here](#)). Here we explore the data further, looking more specifically at vehicle-related activity.

– Chart 8 shows the distribution of vehicle-related card activity across different transaction bands, broadly classed into 'low' (<\$200), 'medium' (\$200-\$1000) and 'high' (>\$1000). As with activity more generally, 'low' value transactions dominate volumes, transactions under \$100 accounting for just over half of all activity in the category. However, the total value of transactions are dominated by higher value activity. Medium-value transactions in the \$500-\$1000 bucket have the highest share, with just under half of all transactions by value in the over \$1000 range.

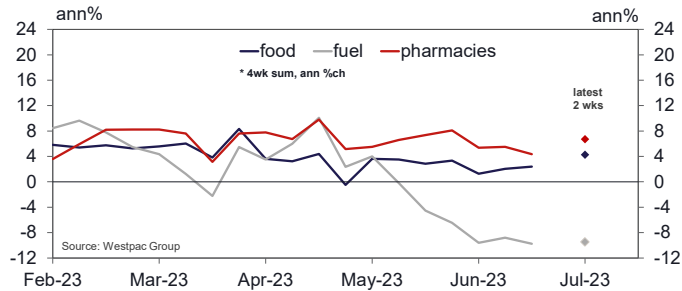
– We strongly suspect these buckets capture particular types of spend. The \$500-\$1000 range for example coincides with the rough cost of a full set of new car tyres and may cover many other parts and minor repairs. The \$300-500 range may have more to do with payments for vehicle servicing and smaller parts (e.g. single tyres).

– At least some of the 'high' category also looks to be car purchases. Chart 9 shows the number of card transaction at the very top end of the range (>\$5000k) alongside monthly vehicle sales as reported by the FCAI. The correlation is clear (technically, the correlation coefficient is 0.55). It also highlights the value of insights from this approach – these transactions account for just a sliver (0.4%) of all vehicle-related transactions but potentially provide an early warning signal for a highly cyclical bellwether of discretionary spending.

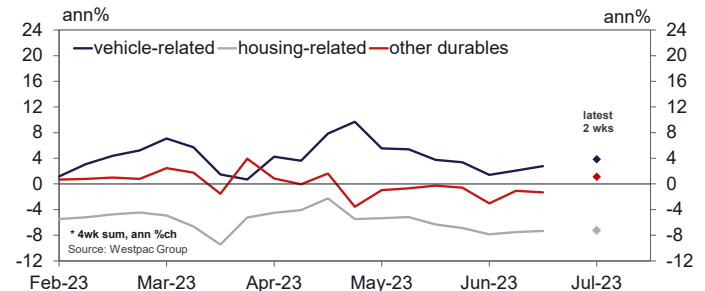
# Detailed charts



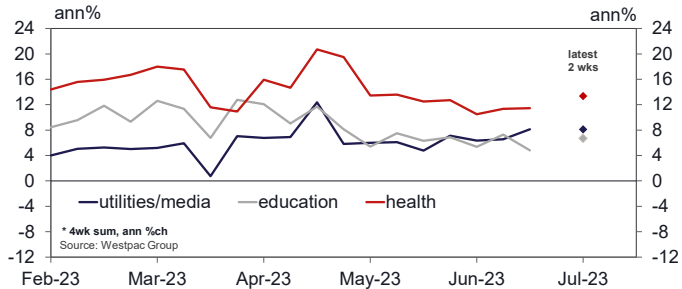
## 10. Card activity: essential goods



## 11. Card activity: discretionary goods



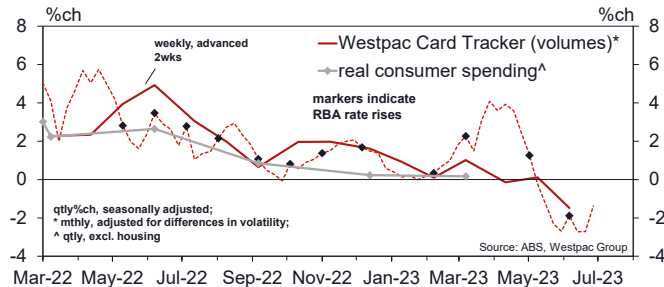
## 12. Card activity: essential services



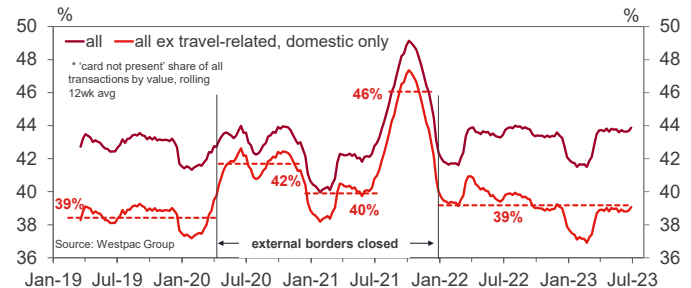
## 13. Card activity: discretionary services



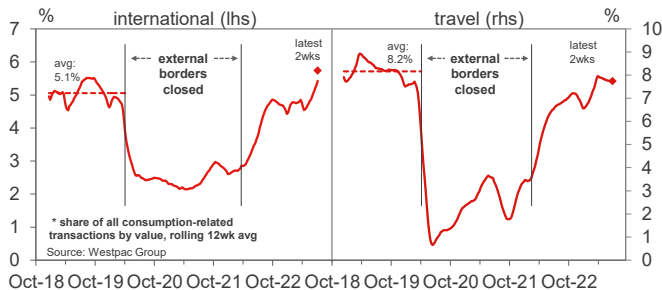
## 14. Card activity and spending: growth momentum, vols



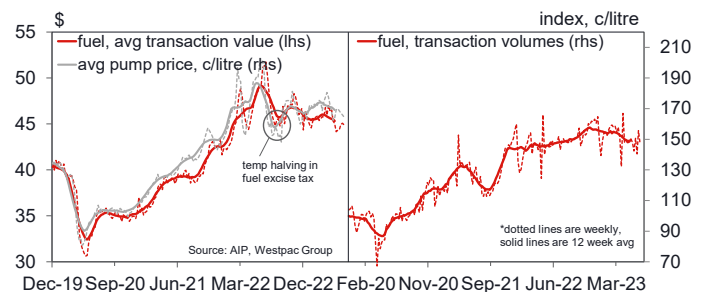
## 15. Card transactions: international share



## 16. Card transactions: international and travel share



## 17. Card transactions: petrol vs pump prices

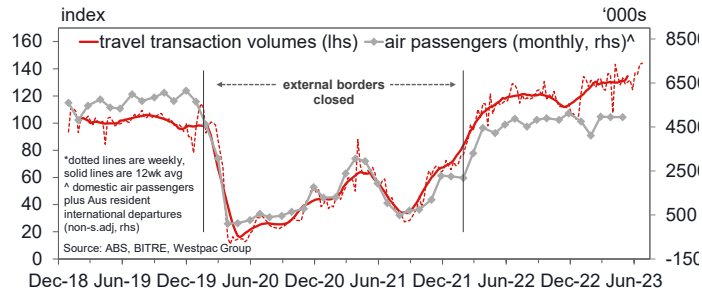




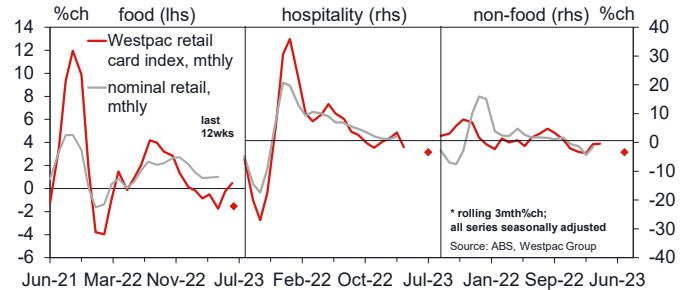
# Detailed charts



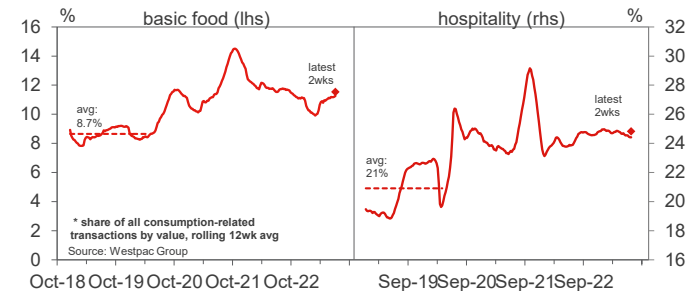
## 18. Card transactions: travel vs passenger flights



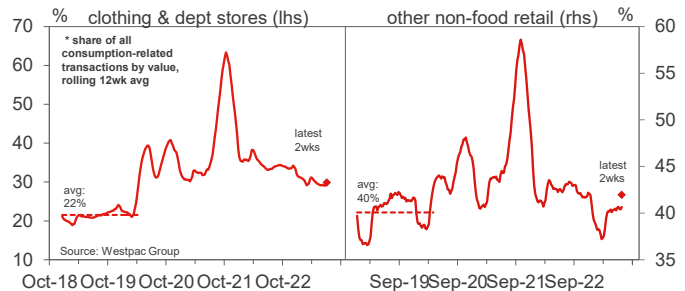
## 19. Card transactions: food, hospitality, non-food retail



## 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^	10/6	17/6	24/6	1/7	
Westpac Card Tracker Index	112.2	105.4	120.0	122.2	129.8	132.4	136.2	135.8	136.0	133.1	136.0	135.3	131.7	144.6	143.0	
qtly%ch	2.1	-6.1	13.9	1.9	6.2	2.0	2.9	-0.3	-2.3	-0.9	-0.6	-2.0	-2.7	-2.8	-1.1	
qtly, ann%ch	23.7	3.3	11.3	11.2	15.7	25.7	13.6	11.1	8.0	5.9	4.0	4.8	3.9	4.1	4.8	
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	133.3	130.5	128.5	140.1	144.1	
- essential	109.3	116.4	123.6	121.1	123.9	130.9	136.1	130.2	126.8	133.8	126.9	130.6	120.4	135.5	128.9	
services	98.7	86.2	103.8	106.5	120.1	128.9	130.1	129.0	126.5	133.2	130.8	129.3	127.7	138.4	137.2	
- discretionary services	95.7	78.2	101.7	104.4	122.1	130.3	133.1	130.1	130.1	133.0	132.7	129.5	132.7	139.2	139.8	
- essential services	107.7	109.9	110.2	113.1	114.1	124.8	121.3	125.7	115.6	134.0	125.1	128.7	113.1	135.8	129.6	
goods	117.8	122.9	145.0	126.4	131.6	136.8	153.4	130.9	129.8	134.7	131.2	131.6	123.9	138.5	139.9	
- discretionary goods	124.0	125.7	157.0	127.5	133.9	139.1	161.4	129.7	127.9	135.6	134.0	131.7	123.7	141.0	148.9	
- essential goods	110.1	119.5	130.1	124.9	128.6	133.9	143.3	132.4	132.2	133.7	127.8	131.5	124.0	135.3	128.5	
retail^	123.5	123.7	129.3	133.1	137.5	143.4	140.9	141.1	141.2	141.3	139.3	139.3	134.6	146.7	146.2	
qtly%ch	1.7	0.2	4.5	2.9	3.3	4.3	-1.7	0.1	-1.0	0.5	-0.4	-2.0	-2.5	-2.6	-1.1	
qtly, ann%ch	14.4	2.7	8.6	9.5	11.3	15.9	8.9	6.0	4.6	3.8	2.2	3.0	2.1	2.3	2.7	
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	126.7	126.5	119.4	136.2	133.0	
- Vic	108.1	103.1	127.1	119.4	127.9	133.3	143.8	129.6	127.9	134.1	131.4	130.9	127.9	137.0	139.2	
- Qld	113.8	117.8	131.7	120.8	131.6	140.7	151.6	138.2	138.0	142.8	140.8	140.4	137.1	146.4	150.3	
- WA	111.3	117.7	129.4	119.5	127.1	135.1	147.6	136.5	135.3	141.6	138.0	135.8	137.2	142.6	147.0	
- SA	114.2	117.3	132.0	121.0	131.0	138.8	150.0	136.7	134.7	140.7	137.0	136.4	124.9	149.6	146.2	

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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