

WESTPAC CARD TRACKER

7 JULY 2023.

WESTPAC INSTITUTIONAL BANK

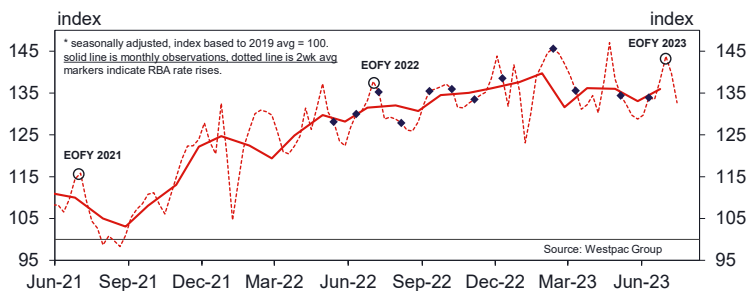


Card activity sinks back as EOFY burst unwinds



- The **Westpac Card Tracker Index** fell sharply over the first two weeks of July, a 14.1pt fall retracing all end of financial year (EOFY) sales rally seen in the second half of June. At 129, the Index is back near recent lows with the quarterly growth rate continuing to show a contraction.
- The category detail shows weakness continues to centre on goods. Most major categories have seen a slight improvement in annual growth terms over the last two weeks. In the case of 'discretionary services' some of this looks to be 'mini-flurry' of activity associated with Taylor Swift ticket sales. Essential services spend – covering the likes of utilities, health and education – remains the consistent out-performer although price rather than volume rises are likely to be a big factor here.
- The state breakdown shows a slight improvement in annual growth terms for most states but with activity still notably weaker in NSW and Vic.
- In this report we again take a closer look at activity by transaction size, this time focussing on the electrical appliances category. The category shows a notable skew towards medium and high value transactions that will be capturing many 'big ticket' discretionary spending decisions. After posting strong growth through 2021 and the first half of 2022, these segments have seen a significant weakening since the RBA interest rate tightening cycle began, quarterly seasonally adjusted card activity having declined just over 9% between the first quarter of 2022 and the latest quarter to June 2023.

1. Westpac Card Tracker Index



“... quarterly growth rate continuing to show a contraction.”

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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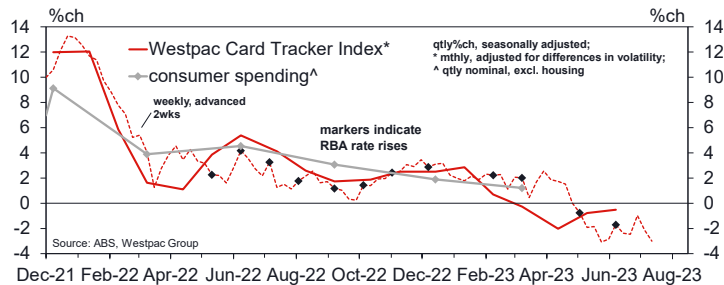
This issue was finalised on 21 July 2023.

If you would like more insights into your sector or your own business from this and other Westpac data please visit [Westpac DataX](https://www.westpac.com.au/datax) or contact datax@westpac.com.au.

Consumers continue to rein in card activity

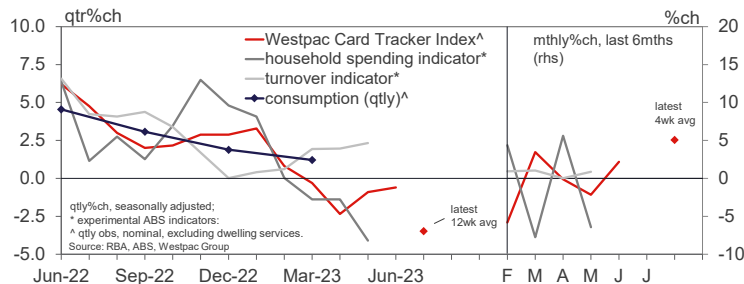


2. Card activity and spending: growth momentum



- Chart 2 shows the **Westpac Card Tracker's** quarterly growth pace alongside nominal spending growth from the national accounts. As noted previously, the tracker showed a 0.6%qtr decline for Q2 in seasonally adjusted terms. That compares to a 0.3%qtr decline in Q1 and a 2.9%qtr gain in Q4. Notably, the weekly profile showed a weak finish to Q2 that has carried into early Q3 with a quarterly pulse more in the -2-3%qtr range. While the weekly index bounces around a fair bit, the implication is that a sustained improvement will be required for the Q3 result just to hold in line with the weak Q2.
- May updates to other monthly indicators produced by the ABS have been mixed – its household spending indicator decidedly weak but the tax-based turnover indicator holding up a lot better. June month updates are due to be released on Aug 8 and 9 respectively.

3. Consumer spending: selected indicators



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

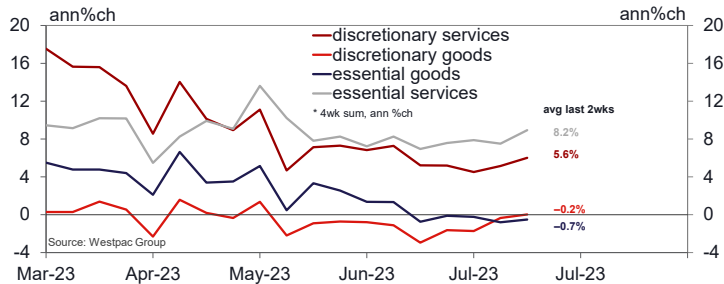
* ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

Goods spend continues to soften

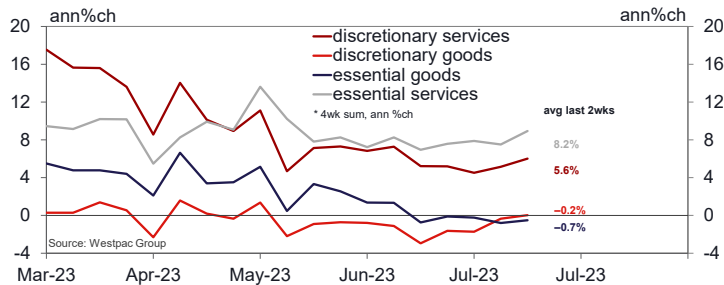


4. Card activity by major category



- The major category breakdown shows weakness continues to centre on goods, albeit with most categories showing some slight improvement in annual growth terms. We take a deeper dive into the ‘electrical appliances’ sub-category – a bellwether discretionary goods segment – on p6. Part of the latest lift in the discretionary services category looks to be a ‘mini-flurry’ of activity associated with Taylor Swift ticket sales (see p9). Essential services spend remains the consistent out-performer although price rather than volume rises are likely a big factor here.
- The state detail shows a slight improvement in annual growth terms for most states, albeit with NSW coming from a weaker starting point and Vic an exception.

5. Card activity by state



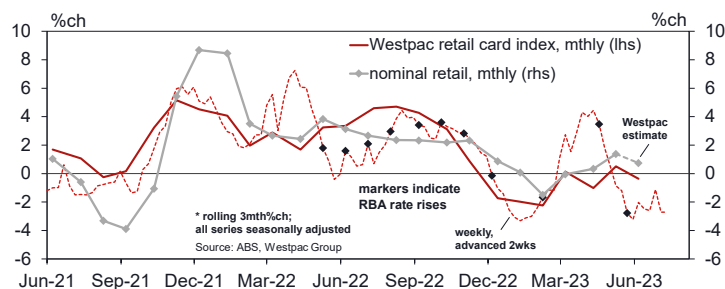
	May	Jun	Jul [*]	15/7
Westpac Card Tracker*	133.1	136.0	135.9	129.0
By category (not seasonally adjusted)				
– discretionary	134.2	133.3	139.7	132.3
– essential	133.8	126.9	130.8	128.7
By state (not seasonally adjusted)				
– NSW	130.2	126.7	131.4	126.0
– Vic	134.1	131.4	136.3	130.6
– Qld	142.8	140.8	147.2	141.3
– WA	141.6	138.0	144.4	138.6
– SA	140.7	137.0	143.7	138.5

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; ^{*}month to date.
Sources: ABS, Westpac Group

Retail seeing slippage but hospitality holding the line

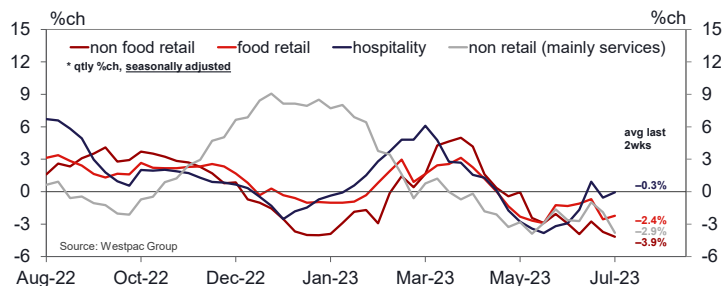


6. Card activity: retail



- Our retail card index shows a similar picture to our headline index, the June month coming in soft and weekly readings pointing to downside risks near term. The index retraced 9pts to 137.2 over the first half of July, some of which is an unwind of End of Financial Year sales.
- The detail continues to show broad-based weakness, hospitality the only exception and even here activity is just holding the line rather than rising. Interestingly, the online vs in-store breakdown of card transactions suggests consumers are moving back towards physical options for many ‘traditional’ retail segments (see p9).
- Preliminary ABS retail sales figures for the June month are due out on June 28. We expect these to show a decline after May’s surprising 0.7% mth gain. The full wash-up including Q2 volume estimates will be released on Aug 3.

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



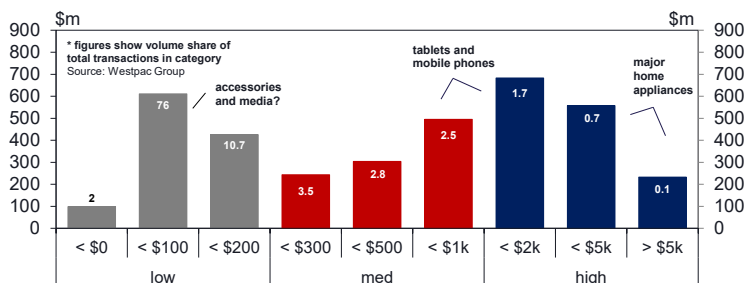
	May	Jun	Jul [^]	15/7
By retail/non retail				
Retail card index*	141.3	139.3	142.3	137.2
– qtly %ch	0.5	-0.4	0.8	-2.7
– qtly, ann %ch	3.8	2.2	0.9	1.4
Non-retail card index	123.9	132.3	128.8	120.2
ABS retail sales				
– %ch	0.7	-0.2	n.a.	n.a.
– ann %ch	4.2	3.3	n.a.	n.a.
– qtly %ch	1.4	0.7	n.a.	n.a.
– qtly ann %ch	4.6	3.9	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; [^]avg month to date. Sources: ABS, Westpac Group

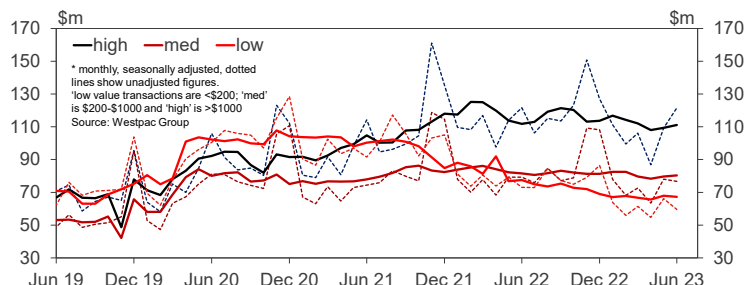
Electrical appliances highlight rate rise effects



8. Card activity, electrical appliances by transaction size



9. Card activity, electrical appliances: medium and high value

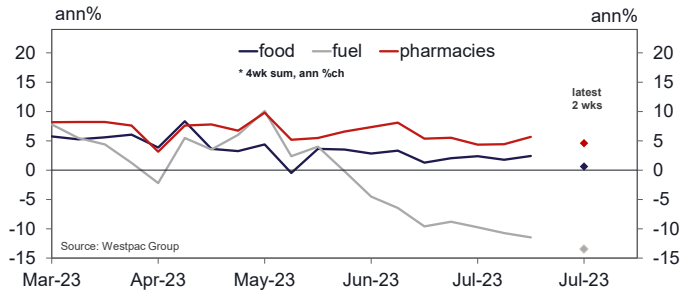


- This report continues our recent theme of exploring the more granular card data breakdowns by transaction size ranges (see [here](#) and [here](#)). Our focus this time is on the 'electrical appliances' category, often a 'bellwether' for shifts in discretionary spending.
- Chart 8 shows the distribution of electrical appliance card activity across different transaction bands, broadly classed into 'low' (<\$200), 'medium' (\$200-\$1000) and 'high' (>\$1000). Transactions in the 'low' category look to cover many smaller items, including accessories and some software services such as media streaming and in-app purchases (the segment accounts for over three quarters of all transactions by number).
- The largest categories by total transaction value were <\$100 and the \$1-2k range but with significant activity in the \$0.5-1k and \$2-5k ranges. The former likely picks up purchases of tablets and mobile phones while the latter is more likely capturing purchases of major household appliances.
- Chart 9 shows how card activity has evolved across the broad transaction size categories. 'Low' value transactions surged during COVID but have been on a steady and significant decline since the start of 2021. In contrast, the 'medium' and 'high' value categories - which we are more interested in from the perspective of discretionary spend - continued to see strong gains through 2021 and early 2022 but have weakened materially since the RBA tightening cycle began. On a combined basis, activity in these segments has declined by just over 9% between Q1 2022 and Q2 2023 with the pace of decline showing no signs of letting up.

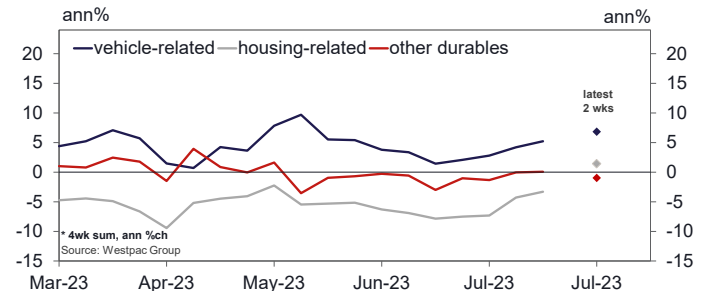
Detailed charts



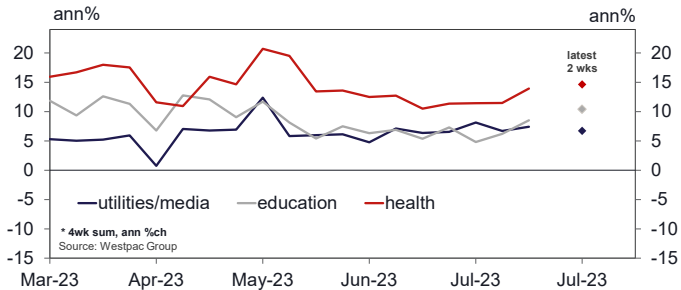
10. Card activity: essential goods



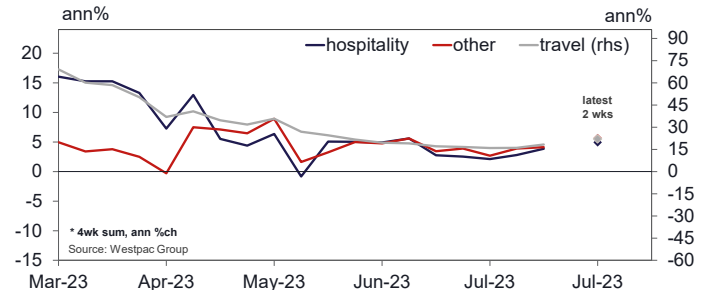
11. Card activity: discretionary goods



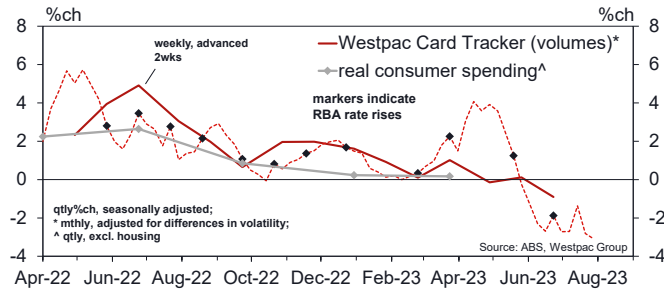
12. Card activity: essential services



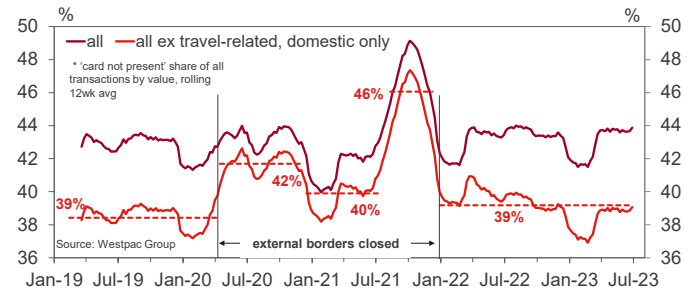
13. Card activity: discretionary services



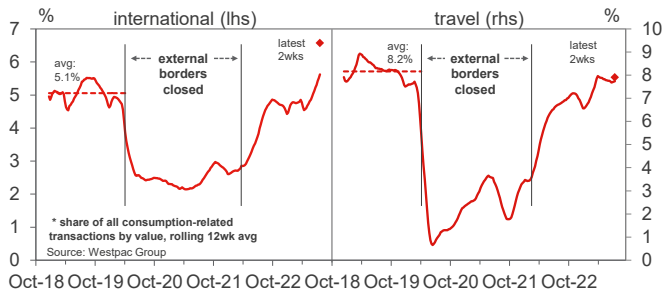
14. Card activity and spending: growth momentum, vols



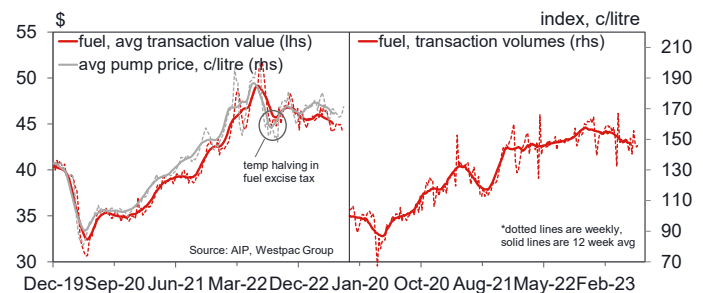
15. Card transactions: international share



16. Card transactions: international and travel share



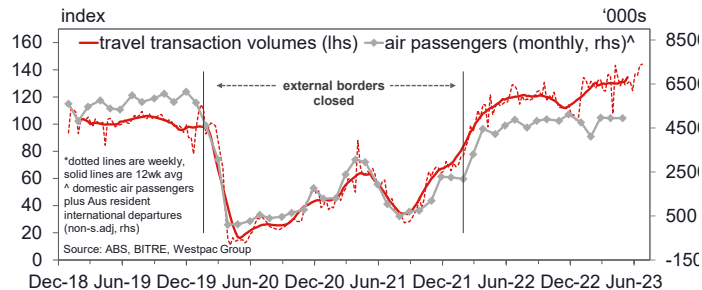
17. Card transactions: petrol vs pump prices



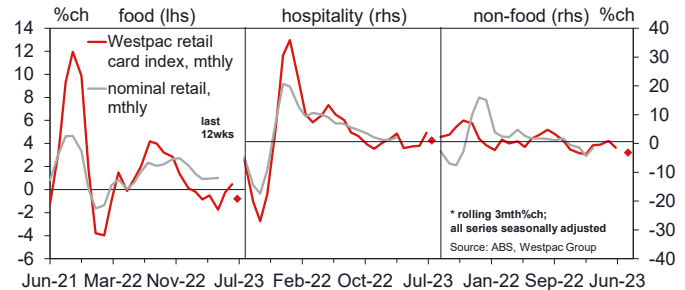
Detailed charts



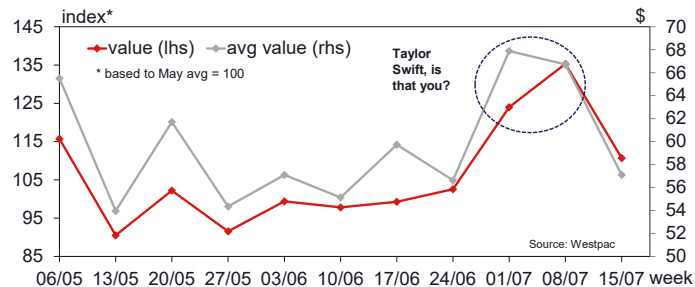
18. Card transactions: travel vs passenger flights



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



20. Card transactions: recreation



21. Card transactions: online share by category

% online rising/steady	Q2	ann chg	% online falling	Q2	ann chg
auto rental	67.0	+9.7	department stores	40.1	-6.5
hotels	49.5	+9.0	clothing stores	27.8	-3.8
misc. retail	50.2	+3.9	electrical appliances	52.9	-3.0
utilities & media	97.4	+0.4	sports & toy stores	29.0	-2.4
air travel	99.6	+0.1	hardware stores	39.8	-2.3
pharmacies	9.0	+0.1	vehicle-related	21.9	-2.4
gambling	99.8	flat	healthcare	22.6	-1.7
travel agents	89.7	-0.2	education-related	90.3	-0.9
prof. services	96.8	-0.2	transport	70.5	-0.7
fuel	1.9	-0.2	recreation	68.5	-0.6
restaurants & cafes	18.7	-0.4	basic food	11.0	-0.4

* Share of domestic card transactions only.

Source: Westpac Group

Westpac card indicators*



	2021			2022			2023			week ending:					
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	May	Jun	Jul*	24/6	1/7	8/7	15/7
Westpac Card Tracker Index	112.2	105.4	120.0	122.2	129.8	132.4	136.2	135.8	133.1	136.0	135.9	144.6	143.0	136.4	129.0
qtly%ch	2.1	-6.1	13.9	1.9	6.2	2.0	2.9	-0.3	-0.9	-0.6	0.3	-2.8	-1.1	-2.5	-3.5
qtly, ann%ch	23.7	3.3	11.3	11.2	15.7	25.7	13.6	11.1	5.9	4.0	3.4	4.1	4.8	3.2	3.3
By category (not seasonally adjusted)															
- discretionary	108.9	100.2	127.3	115.1	127.6	134.4	146.3	130.0	134.2	133.3	139.7	140.1	144.1	140.8	132.3
- essential	109.3	116.4	123.6	121.1	123.9	130.9	136.1	130.2	133.8	126.9	130.8	135.5	128.9	127.9	128.7
services	98.7	86.2	103.8	106.5	120.1	128.9	130.1	129.0	133.2	130.8	140.2	138.4	137.2	140.3	134.8
- discretionary services	95.7	78.2	101.7	104.4	122.1	130.3	133.1	130.1	133.0	132.7	143.0	139.2	139.8	144.4	136.4
- essential services	107.7	109.9	110.2	113.1	114.1	124.8	121.3	125.7	134.0	125.1	131.8	135.8	129.6	128.4	129.8
goods	117.8	122.9	145.0	126.4	131.6	136.8	153.4	130.9	134.7	131.2	133.4	138.5	139.9	132.7	127.8
- discretionary goods	124.0	125.7	157.0	127.5	133.9	139.1	161.4	129.7	135.6	134.0	135.8	141.0	148.9	136.8	127.6
- essential goods	110.1	119.5	130.1	124.9	128.6	133.9	143.3	132.4	133.7	127.8	130.4	135.3	128.5	127.7	128.2
retail^	123.5	123.7	129.3	133.1	137.5	143.4	140.9	141.1	141.3	139.3	142.3	146.7	146.2	141.2	137.2
qtly%ch	1.7	0.2	4.5	2.9	3.3	4.3	-1.7	0.1	0.5	-0.4	0.8	-2.6	-1.1	-2.7	-2.7
qtly, ann%ch	14.4	2.7	8.6	9.5	11.3	15.9	8.9	6.0	3.8	2.2	0.9	2.3	2.7	1.0	1.4
By state (not seasonally adjusted)															
- NSW	108.4	98.9	124.8	114.7	124.6	130.2	139.6	125.9	130.2	126.7	131.4	136.2	133.0	131.4	126.0
- Vic	108.1	103.1	127.1	119.4	127.9	133.3	143.8	129.6	134.1	131.4	136.3	137.0	139.2	136.3	130.6
- Qld	113.8	117.8	131.7	120.8	131.6	140.7	151.6	138.2	142.8	140.8	147.2	146.4	150.3	146.9	141.3
- WA	111.3	117.7	129.4	119.5	127.1	135.1	147.6	136.5	141.6	138.0	144.4	142.6	147.0	144.1	138.6
- SA	114.2	117.3	132.0	121.0	131.0	138.8	150.0	136.7	140.7	137.0	143.7	149.6	146.2	142.8	138.5

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; * July is based on 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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