

WESTPAC CARD TRACKER

4 SEPTEMBER 2023.

WESTPAC INSTITUTIONAL BANK

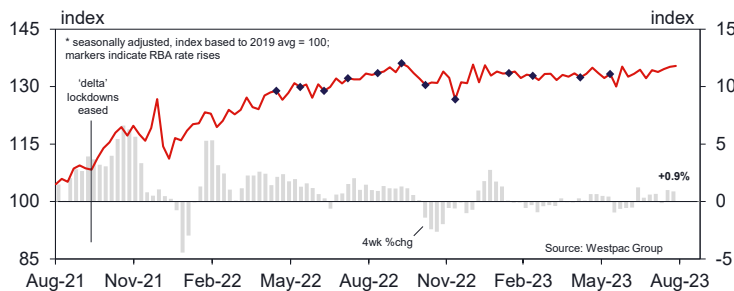


Matilda's and higher fuel prices drive firmer card activity



- The **Westpac Card Tracker Index*** firmed over the second half of August, rising 0.8pts to 135.4. Note that we have made significant changes to the index with a new seasonal adjustment process that has greatly improved the stability of weekly measures making it easier to detect underlying shifts in spending momentum (see p6 for more details).
- The revised series shows activity has lifted a little through Jul-Aug, after a very weak first half of 2023. However, quarterly momentum is still weak, consistent with nominal spending growth of 0.5%qtr. Also, as positive as the pick-up is, some of it is clearly price-related, a surge in fuel spending in particular, and some looks to be temporary, with a broader lift in discretionary services likely to be at least partly related to the FIFA Women's World Cup.
- Conditions have become more varied by state, with recent improvements centred on NSW and Qld, activity notably weaker in Vic. Compared to June, NSW and SA have seen the biggest lifts while Vic has deteriorated and momentum has slowed in WA. The more granular detail shows travel-related activity is a big point of difference between 'strong' and 'weak' states.
- The new suite of weekly and monthly seasonally adjusted indexes promises to cut through much of the 'noise' that has made the card tracker data difficult to interpret in the past. Not only is the headline series demonstrably more smooth and stable, but the availability of high frequency seasonally adjusted estimates by category and state will also shed more light on what may be driving a particular weekly or monthly shift.

1. Westpac Card Tracker Index*



* revised measure - see p6 or more details on changes to the Index.

“... as positive as the pick-up is, some of it is clearly price-related ... and looks to be temporary ...”

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 detailed explanation.

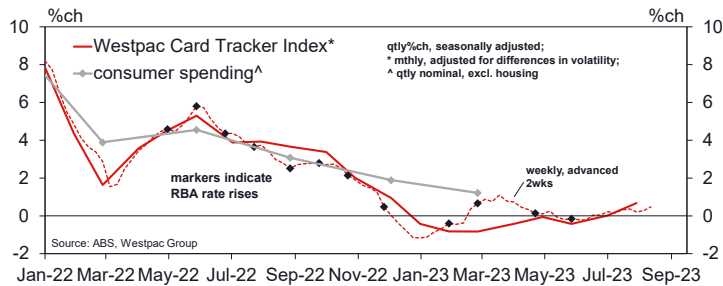
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This issue was finalised on 4 September 2023.

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Spending looking a little firmer in Q3

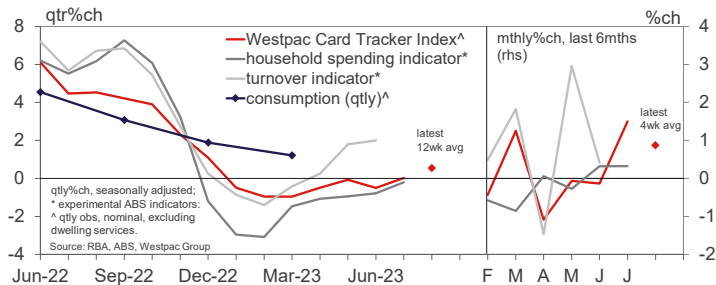


2. Card activity and spending: growth momentum



- Chart 2 shows the **Westpac Card Tracker's** quarterly growth pace alongside nominal spending growth from the national accounts. After dipping into slight negative through Jun-Jul, the growth pulse has moved back into slight positive in Aug, the latest reading at 0.5%qtr.
- Note that there is now sufficient history to seasonally adjust the monthly card tracker reads, and to also apply seasonal adjustments to other monthly indicators produced by the ABS (the household spending indicator and the tax-based turnover indicator). Chart 3 shows this has improved the consistency across measures, all three now showing significant slowdowns through Q4 and Q1 and a stabilisation at weak levels in Q2 (albeit with turnover much firmer). ABS indicators for July and consumer spending estimates for Q2 will all be updated over the coming week.

3. Consumer spending: selected indicators



qtrly%ch	Q4	Q1	Q2	latest
Westpac Card Tracker*	1.1	-1.0	-0.5	0.5
Other indicators (nominal)				
Household spending*	-0.2	-1.1	-1.6	-0.2
Turnover*	0.3	-0.4	2.0	n.a.
Consumer spending (qtlly)#				
Nominal	1.9	1.2	n.a.	n.a.
Real	0.2	0.2	n.a.	n.a.

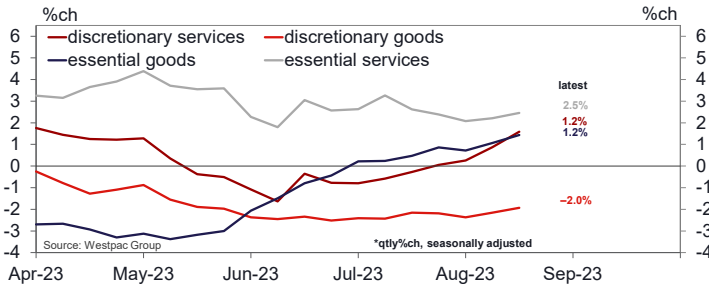
All series are seasonally adjusted, latest is latest weekly obs (12wks %ch on previous 12wks) or latest monthly obs (3mths %ch on previous 3mths). See p10 for more details.
 * ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover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

Sources: ABS, Westpac Group

NSW and Qld on the up but activity down sharply in Vic

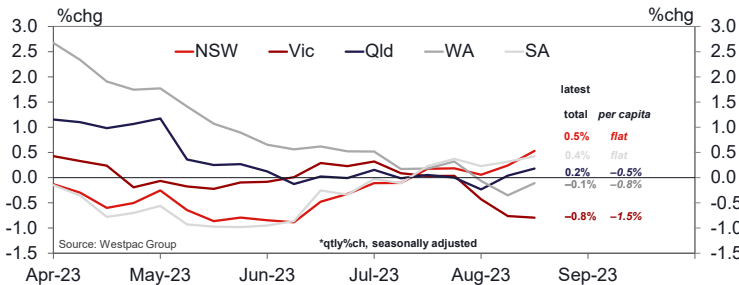


4. Card activity by major category



- At the major category level, the improvement since Jun has been led by a sustained lift in essential goods and a more moderate firming in discretionary services. The detail shows a particularly big lift in fuel spend (up over 10%qtr) that looks to be all price-led, average pump prices up 15% over the last two months to just under \$1.90/litre in late Aug. The lift in discretionary services has been broad-based across travel, 'other services' and hospitality. Some of this will be a temporary boost associate with the FIFA Women's World Cup.
- By state, the latest gains have been led by NSW (latest week running at +0.5%qtr) and Qld (+0.2%qtr), with SA also sustaining solid momentum (+0.4%qtr). Activity is flat in WA and has weakened notably in Vic (-0.8%qtr).

5. Card activity by state



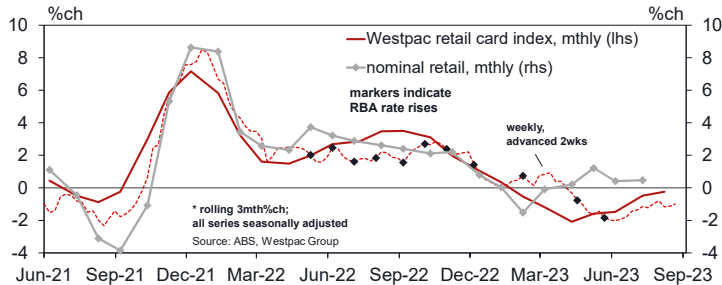
	Jun	Jul	Aug [^]	26/8
Westpac Card Tracker	133.9	135.9	137.2	135.4
By category				
- discretionary	135.3	138.4	138.4	133.4
- essential	131.8	131.7	133.2	133.5
By state				
- NSW	129.0	129.6	130.5	130.0
- Vic	136.3	134.9	137.9	134.4
- Qld	144.4	146.1	146.3	142.9
- WA	140.9	141.7	142.3	140.7
- SA	140.0	141.5	141.2	138.4

All indexes based on the value of spending-related transactions, seasonally adjusted, 2019 avg=100, see p10 for more details incl. classifications; [^] based on month to date. Sources: ABS, Westpac Group

Non-food retailers still struggling

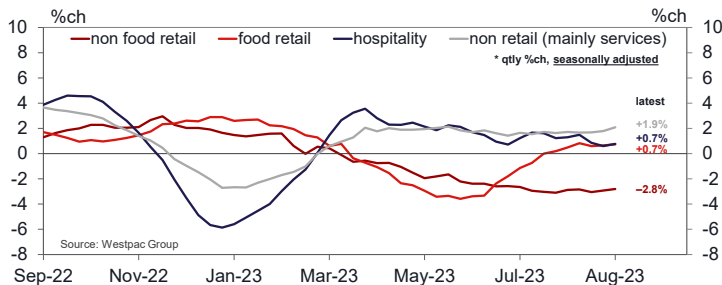


6. Card activity: retail



- Retail components of card activity have shown a more muted improvement and are still recording declines on a quarterly basis, the latest weekly pace running at -1%qtr.
- Weakness is now firmly centred on non-food retail segments, card activity across this sub-group continuing to decline at well over 2%qtr. The more granular data shows larger declines for sports & toys, department stores, electrical and hardware. Other broad retail groups are now posting modest gains, both basic food retail and hospitality tracking higher at around 0.7%qtr.
- Latest official retail figures have been somewhat firmer, sales rising 0.5% in Jul, lifting the quarterly pace slightly to 0.5%qtr. See [here](#) for more.

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



	Jun	Jul	Aug [^]	26/8
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By retail/non retail

Retail card index	139.7	139.8	140.0	136.3
- qtly%ch	-1.5	-0.5	-0.2	-1.0
- qtly, ann%ch	1.8	0.8	-0.4	-0.1
Non-retail card index	127.5	131.6	134.2	135.4

ABS retail sales

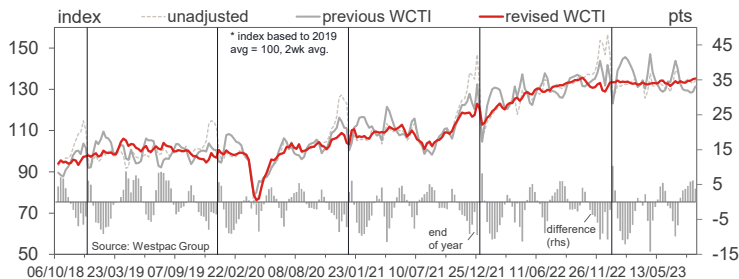
- %ch	-0.8	0.5	n.a.	n.a.
- ann%ch	2.3	2.1	n.a.	n.a.
- qtly%ch	0.4	0.5	n.a.	n.a.
- qtly ann%ch	3.5	2.8	n.a.	n.a.

All indexes based on the value of spending-related transactions, seasonally adjusted. 2019 avg=100, see p10 for more details; [^] based on month to date. Sources: ABS, Westpac Group

Westpac Card Tracker Index 2.0



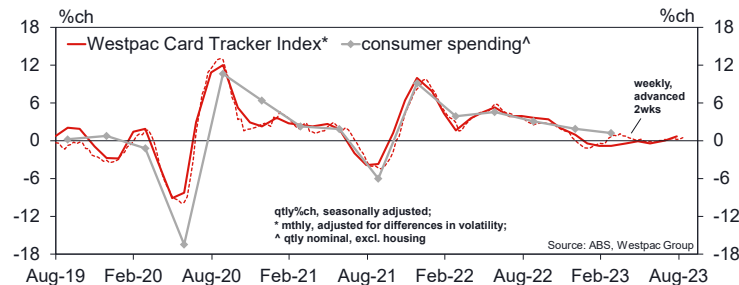
8. Westpac Card Tracker: revised vs previous



- This edition of the **Westpac Card Tracker** includes an overhaul of the index measure that should make it much easier to interpret and to assess weekly shifts in activity. The overhaul reflects two key developments: 1) a move to a more comprehensive seasonal adjustment for weekly data (based on a tool developed by the US BLS for adjusting weekly initial jobless claims); and 2) the availability of sufficient historical data to run monthly seasonal adjustments.

- Chart 8 shows how the revised weekly series compares to the previous measure (which applied an adjustment that removed regular monthly seasonal variations but was not a 'true' weekly seasonal adjustment). The reduction in noise is impressive. Our testing also shows the new approach is stable with the incorporation of new information typically only resulting in very small revisions. The main drawback is that outliers and the profile of 'Easter effects' must be identified prior to adjustment, and are treated as 'fixed'. This looks to be a minor issue although there may be instances in which a suspected outlier makes observations difficult to interpret.

9. Card activity: full history

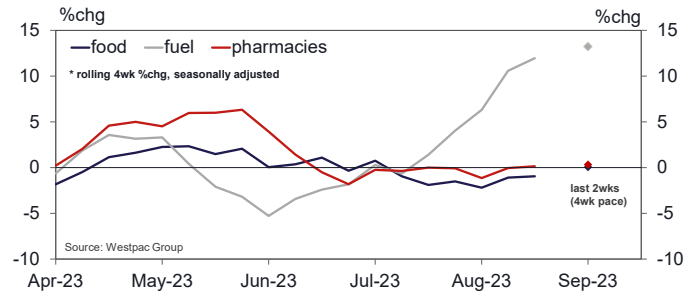


- A big plus with the new seasonal adjustment tools is that they can be readily applied to the full suite of segment and state-level data. As such, all series in this report will now be presented on a seasonally adjusted basis unless otherwise specified. Going forward, we will continue to evolve the way the data is explored and presented. Note that one by-product of these improvements is a more 'settled' series that will tend to show slower, more incremental shifts over time. The trade-off of course is that while the series may be 'duller' they should be a much more reliable guide to underlying shifts in momentum.

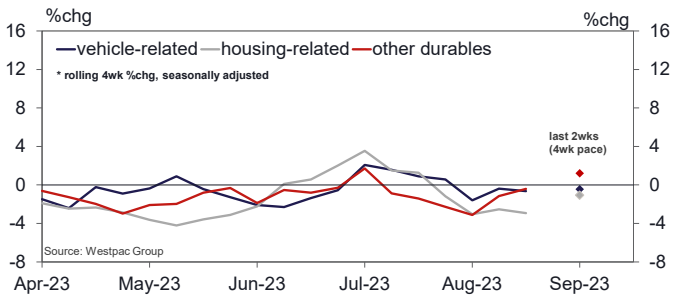
Detailed charts



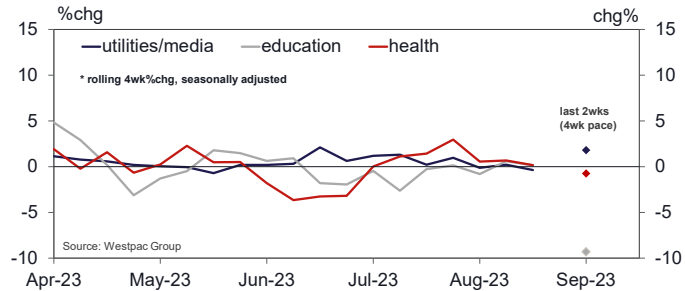
10. Card activity: essential goods



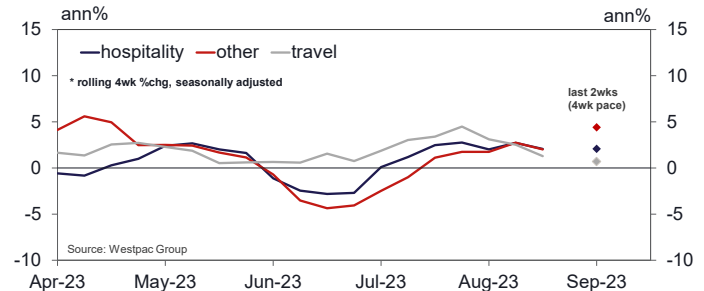
11. Card activity: discretionary goods



12. Card activity: essential services



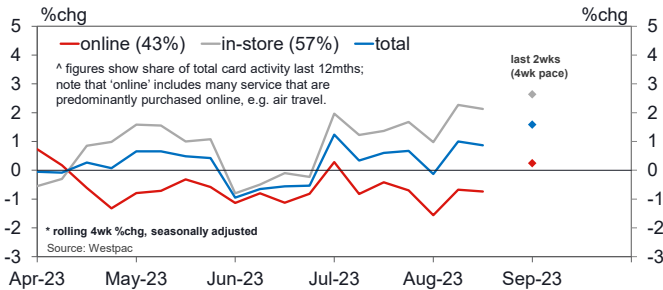
13. Card activity: discretionary services



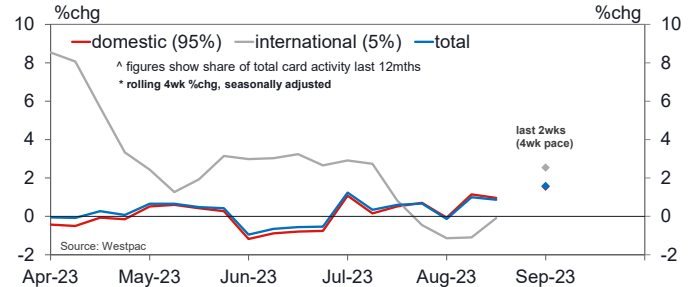
Detailed charts



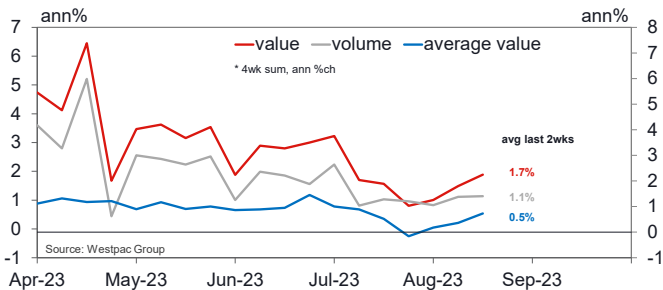
14. Card activity: online vs in-store



15. Card activity: domestic vs international



16. Card activity: value vs volume



17. Card activity: heat-map

week ended 26/8	level*					change, last 2wks vs prev 2wks				
	NSW	Vic	Qld	WA	SA	NSW	Vic	Qld	WA	SA
other durables	93	95	98	101	97	-0.1	0.2	0.5	-0.1	0.6
fuel	118	116	113	108	117	9.3	6.4	7.9	6.4	3.2
vehicle related	102	103	94	95	88	2.7	-0.9	-2.7	-8.6	-8.1
healthcare	113	108	111	108	112	2.1	0.4	-2.6	-1.3	1.2
utilities & media	106	107	106	99	113	0.2	0.4	-1.9	0.7	3.5
food	97	98	104	107	103	-0.8	-0.1	1.3	1.6	1.0
other discr. services	106	114	115	103	103	0.6	3.3	1.5	1.5	1.0
education	101	104	110	108	98	-4.5	-3.7	-8.2	6.4	-10.8
hospitality	114	118	107	111	102	2.6	2.5	2.4	0.2	-2.4
travel	167	140	137	135	123	9.6	-1.4	-0.1	-0.7	-9.9

*Indexes based to 2022 avg=100 (all other indexes in this report are based to 2019 avg=100)

Source: Westpac Group

Westpac card indicators*



	2021		2022				2023				week ending:				
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Jun	Jul	Aug [^]	5/8	12/8	19/8	26/8
Westpac Card Tracker Index	107.1	119.4	121.7	129.1	134.5	136.0	134.7	134.0	133.9	135.9	137.2	133.8	134.6	135.2	135.4
qtly%ch	-4.3	11.5	1.9	6.1	4.2	1.1	-1.0	-0.5	-0.5	0.0	0.8	0.4	0.2	0.3	0.5
qtly, ann%ch	3.2	12.1	11.0	15.4	25.6	13.9	10.7	3.8	3.8	2.9	2.1	2.7	2.3	2.2	2.2
By category															
- discretionary	102.5	117.2	119.8	130.8	136.8	135.9	134.8	135.4	135.3	138.4	138.4	132.4	132.7	133.8	133.5
- essential	114.8	119.6	123.4	127.1	129.4	132.1	132.5	132.4	131.8	131.7	133.2	130.8	132.0	132.5	132.5
services	86.4	101.2	106.8	122.2	129.2	127.4	129.3	132.3	132.6	137.6	137.9	132.4	132.6	133.8	133.4
- discretionary services	79.9	97.6	104.9	123.9	132.1	129.0	130.6	133.7	134.1	139.5	140.4	133.4	133.5	135.1	135.0
- essential services	105.1	113.0	112.7	116.5	120.2	123.9	125.4	127.3	127.6	130.8	130.3	129.2	129.9	129.5	128.3
goods	125.6	131.4	133.5	136.3	139.5	139.9	137.9	136.7	136.3	135.6	136.4	131.4	132.2	132.9	132.9
- discretionary goods	129.4	137.5	136.8	140.2	143.3	141.4	139.1	138.6	138.5	137.9	137.5	131.3	131.7	132.1	131.7
- essential goods	119.5	123.5	128.4	131.7	133.9	136.8	135.8	134.4	133.7	131.6	134.2	131.6	132.9	133.9	134.5
retail*	122.6	131.4	133.5	137.1	141.9	143.4	141.7	139.6	139.7	139.8	140.0	135.5	136.2	136.6	136.3
qtly%ch	-0.2	7.2	1.6	2.7	3.5	1.1	-1.2	-1.5	-1.5	-0.5	-0.2	-0.8	-1.2	-1.1	-1.0
qtly, ann%ch	2.5	9.0	9.1	11.6	15.7	9.1	6.1	1.8	1.8	0.8	-0.4	0.8	0.3	0.0	-0.1
By state															
- NSW	98.9	117.3	119.7	127.2	130.3	131.9	131.1	129.6	129.0	129.6	130.5	127.8	129.0	129.4	130.0
- Vic	104.7	119.5	122.4	130.5	136.2	135.0	132.7	134.7	136.3	134.9	137.9	134.2	133.9	134.2	134.4
- Qld	116.9	123.1	127.1	135.7	139.9	143.2	144.3	144.7	144.4	146.1	146.3	143.0	143.5	144.3	142.9
- WA	116.8	122.5	125.2	130.1	134.3	140.8	142.2	141.3	140.9	141.7	142.3	141.1	140.5	142.5	140.7
- SA	116.0	125.1	125.9	134.3	137.6	143.0	141.8	140.7	140.0	141.5	141.2	137.5	139.4	139.5	138.4

All indexes based on the value of spending-related transactions, seasonally adjusted by Westpac, 2019 avg=100. See p10 for more details.
*composite based on transactions in retail categories; [^]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%.

All measures are adjusted for regular seasonality. Weekly estimates are generated using the US Bureau of Labor's MoveReg weekly seasonal adjustment program. Note that in some cases, high levels of volatility during the COVID period mean it is not possible to produce seasonally adjusted estimates for some historical periods.

Also, note that previous versions of this report used different approaches to seasonal adjustment and measurement more generally. This means Index reads will not be comparable. See the 'About the Westpac card data indicators' sections from earlier reports to view 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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