

# **WESTPAC CARD TRACKER**

**27 OCTOBER 2023.**

**WESTPAC INSTITUTIONAL BANK**

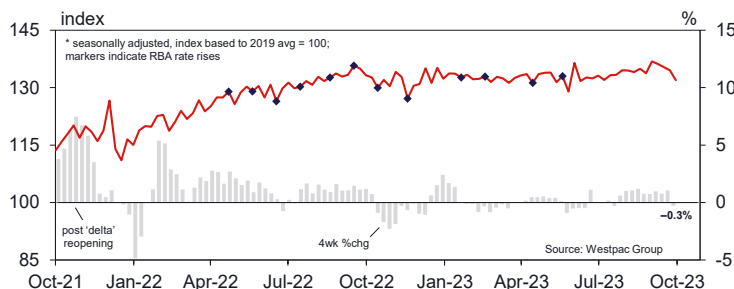


# Card activity a touch softer ahead of sales high season



- The **Westpac Card Tracker Index\*** has softened over the last four weeks, declining 5pts to 134.6 with a notable dip in the latest week. The Index is still 3pts above its mid-June low but could move below this quickly if the latest weekly dip continues. For now, quarterly momentum remains consistent with nominal spending growth in the 1.1–1.6%qtr range, but it may shift lower in coming weeks.
- As always, we need to be very careful when interpreting weekly shifts given residual noise and the difficulty of adjusting for seasonality. Some of the recent variation relates to swings in fuel prices (an 11% surge between July and late Sep unwinding in Oct). Temporary hospitality spend associated with the FIFA Women's World Cup will also be dropping out of the picture. However, there is enough softness elsewhere to warrant close monitoring.
- On a quarterly basis, the broad category breakdown shows gains centre on essential goods (a sharp rise in fuel offsetting slight declines in other components), with steady gains in discretionary services, flat activity for essential services and a stabilisation in discretionary goods. The high frequency reads suggest the latter has swung back to declines in the latest month. State performances continue to vary significantly, card activity rising strongly in NSW; tracking steady gains in SA and Qld but dipping in WA and declining at a faster pace in Vic.
- Overall, the card data points to some transitory boosts dropping out of the picture with hints of an underlying softening. With an RBA rate rise now likely in early Nov (see [here](#)), the lead-in to the retail high season is starting to look a little shaky.

## 1. Westpac Card Tracker Index\*



\* revised measure – see p9 or more details on changes to the Index.

*“... transitory boosts dropping out of the picture with hints of an underlying softening ...”*

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 p9 for a detailed explanation.

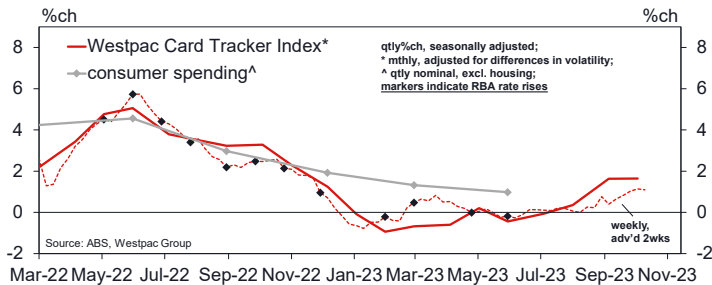
This report is produced by Westpac Economics.  
**Matthew Hassan**, Senior Economist  
Email: [economics@westpac.com.au](mailto:economics@westpac.com.au)  
This issue was finalised on 27 October 2023.

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# Momentum: quarterly improvement but a monthly dip

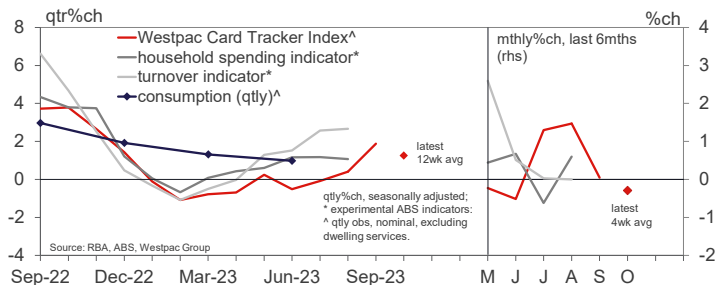


## 2. Card activity and spending: growth momentum



- 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 June-July, the growth pulse from the weekly reads has lifted into the 1-1.25% range but with the monthly profile date tracking closer to a 1.5-1.75% pace. Note that the monthly estimates adjust for the timing of weeks (which often straddle month-ends) and use a monthly seasonal adjustment rather than weekly.
- The improvement is corroborated by other indicators produced by the ABS. Chart 3 shows quarterly spending momentum has lifted in both the ABS household spending indicator and the tax-based turnover indicator (both have data to Aug). That said, the chart also highlights the sharply slowdown coming from the monthly and weekly Westpac card data in Sep-Oct.

## 3. Consumer spending: selected indicators



qtrly%ch	Q1	Q2	Q3	latest
<b>Westpac Card Tracker*</b>	<b>-0.8</b>	<b>-0.5</b>	<b>1.9</b>	<b>1.3</b>
<b>Other indicators (nominal)</b>				
Household spending*	0.1	1.2	n.a.	1.2
Turnover*	-0.5	1.5	n.a.	1.5
<b>Consumer spending (qtrly)#</b>				
Nominal	1.3	1.0	n.a.	n.a.
Real	0.2	0.0	n.a.	n.a.

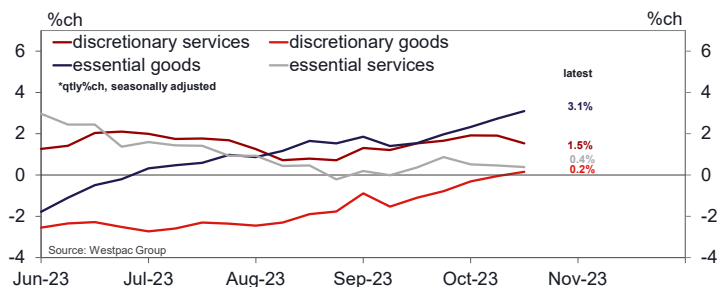
All series are seasonally adjusted, latest is latest weekly obs (12wks %ch on previous 12wks) or latest monthly obs (3mths %ch on previous 3mths). See p9 for more details.  
 \* ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover based on BAS returns for consumer-sector businesses; #Consumer spending excludes housing costs.

Sources: ABS, Westpac Group

# Broad improvement by category but diverging state trends

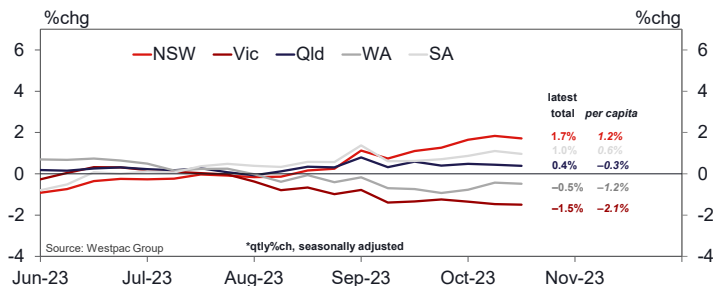


## 4. Card activity by major category



- The category breakdown shows quarterly growth momentum is coming from a lift in essential goods, continued gains in discretionary services and a stabilisation in discretionary goods.
- Transitory factors are clearly at play. All of the quarterly gain for essential goods is coming from rising fuel spend (the category is down 0.2% ex fuel). Also, some of the recent gains in discretionary services will relate to the FIFA Women's World Cup and other one-off events. The charts on p6 give a more detailed breakdown on a monthly basis, and point to unwinds in both of these categories coming through in Oct. However, they also point to softer activity in segments that would have been unaffected by these factors.

## 5. Card activity by state



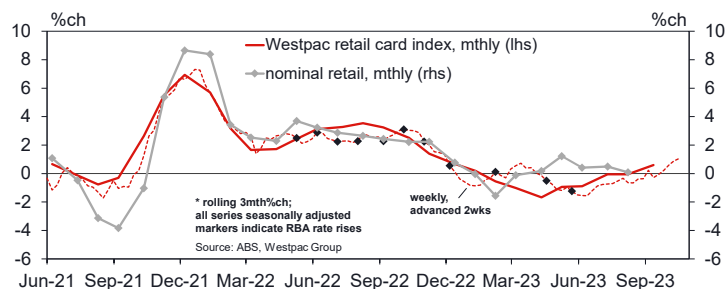
	Aug	Sep	Oct*	21/10
<b>Westpac Card Tracker</b>	<b>137.6</b>	<b>137.7</b>	<b>136.4</b>	<b>134.6</b>
<b>By category</b>				
– discretionary	138.3	137.3	135.1	132.5
– essential	133.6	134.8	135.5	135.7
<b>By state</b>				
– NSW	131.1	131.2	130.2	124.9
– Vic	137.4	137.6	135.1	130.2
– Qld	146.4	145.8	144.8	141.5
– WA	142.9	143.1	145.0	139.1
– SA	142.6	143.3	143.7	137.6

All indexes based on the value of spending-related transactions, seasonally adjusted, 2019 avg=100, see p9 for more details incl. classifications; \* based on month to date.  
Sources: ABS, Westpac Group

# Retail looking a little better

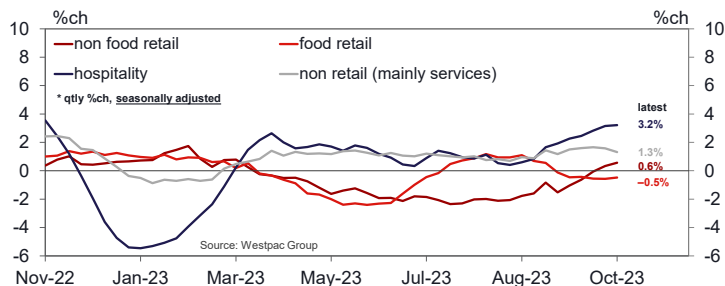


## 6. Card activity: retail



- Retail components of card activity have been slower to improve but are now showing slightly positive growth momentum on a quarterly basis.
- The detail shows hospitality leading the way with non-food retail swinging to positive growth for the first time since March, gains being slightly offset by small declines in basic food retail. As with the other card data, the detail and monthly updates warn that some of the positive quarterly momentum is likely transitory.
- Official retail figures for September will be released on Oct 30, shortly after we go to press. The card data suggests sales posted a decent gain of around 0.7%. The final Sep retail report on Nov 3 will include estimates of real retail sales for Q3. Even with a Sep gain, this is likely to be flat at best.

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



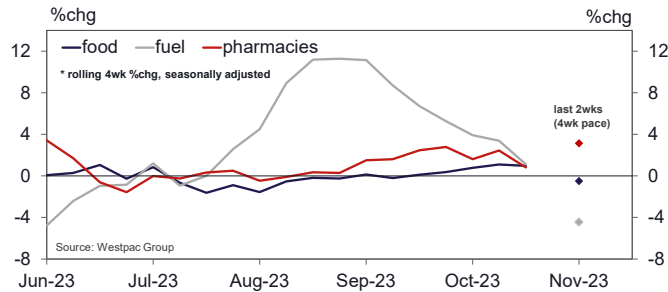
	Aug	Sep	Oct*	21/10
<b>By retail/non retail</b>				
Retail card index	140.8	141.9	141.2	139.9
– qtly%ch	0.0	0.6	0.6	0.0
– qtly, ann%ch	-0.2	-0.6	-0.9	-0.9
Non-retail card index	134.1	133.0	131.1	136.1
<b>ABS retail sales</b>				
– %ch	0.2	n.a.	n.a.	n.a.
– ann%ch	1.5	n.a.	n.a.	n.a.
– qtly%ch	0.1	n.a.	n.a.	n.a.
– qtly ann%ch	2.0	n.a.	n.a.	n.a.

All indexes based on the value of spending-related transactions, seasonally adjusted. 2019 avg=100, see p9 for more details; \* based on month to date. Sources: ABS, Westpac Group

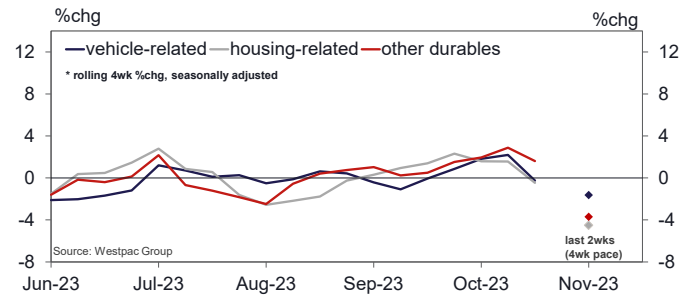
# Detailed charts



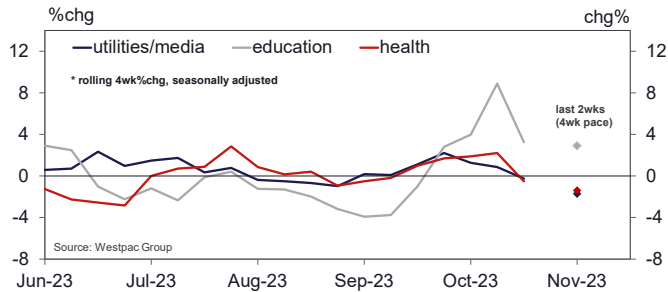
## 8. Card activity: essential goods



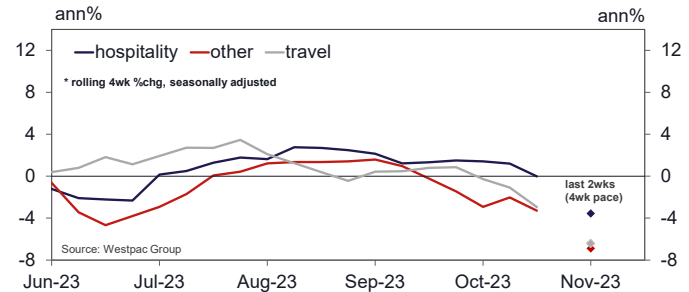
## 9. Card activity: discretionary goods



## 10. Card activity: essential services



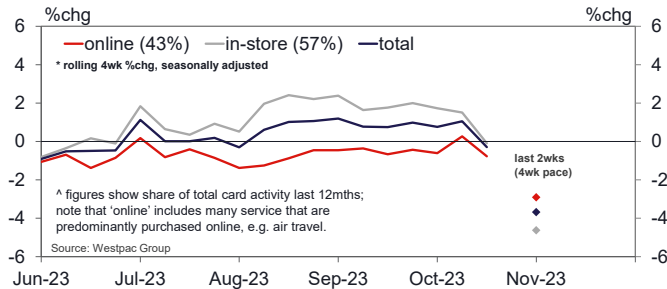
## 11. Card activity: discretionary services



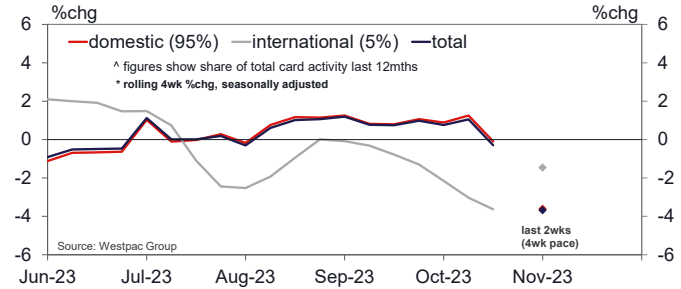
# Detailed charts



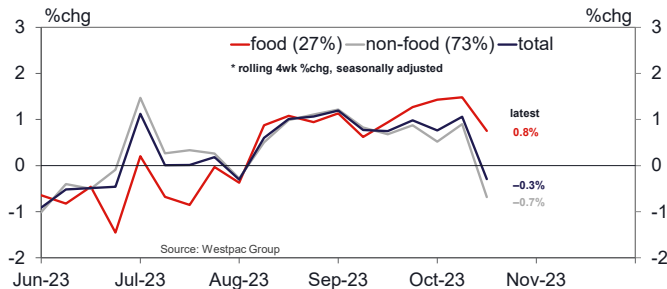
## 12. Card activity: online vs in-store



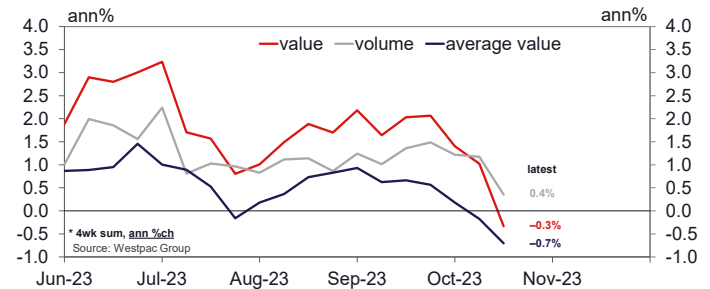
## 13. Card activity: domestic vs international



## 14. Card activity: food vs non-food



## 15. Card activity: value vs volume (ann%ch)



# Westpac card indicators\*



	2021	2022			2023			week ending:							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Aug	Sep	Oct^	30/9	7/10	14/10	21/10
<b>Westpac Card Tracker Index</b>	<b>119.3</b>	<b>122.3</b>	<b>129.4</b>	<b>134.3</b>	<b>136.2</b>	<b>135.1</b>	<b>134.4</b>	<b>137.0</b>	<b>137.6</b>	<b>137.7</b>	<b>136.4</b>	<b>138.9</b>	<b>138.0</b>	<b>137.2</b>	<b>134.6</b>
qtlly%ch	11.5	2.5	5.8	3.7	1.4	-0.8	-0.5	1.9	0.4	1.9	1.9	1.0	1.2	1.3	1.3
qtlly, ann%ch	11.4	11.6	15.4	25.5	14.2	10.5	3.9	2.0	2.2	2.0	1.0	1.8	1.6	1.4	1.2
<b>By category</b>															
- discretionary	117.6	120.8	130.8	136.0	136.6	135.5	135.4	137.6	138.3	137.3	135.1	137.2	136.5	134.8	132.5
- essential	119.5	123.3	127.2	129.5	131.9	132.4	132.6	133.5	133.6	134.8	135.5	136.7	137.9	137.4	135.7
services	101.8	107.3	121.3	128.6	128.5	129.8	131.1	136.2	137.0	135.2	132.2	133.4	133.6	132.2	128.9
- discretionary services	98.5	105.5	122.8	131.1	130.5	131.4	132.2	137.9	139.1	136.9	133.2	134.3	134.5	132.4	129.0
- essential services	113.0	112.6	116.4	120.4	123.7	125.4	127.3	130.4	129.8	130.5	130.1	130.5	130.6	131.4	128.6
goods	131.4	133.6	136.7	139.3	139.6	138.1	137.2	137.2	136.9	138.7	137.7	140.3	140.0	138.9	137.9
- discretionary goods	137.6	136.9	140.3	142.9	141.6	139.4	138.8	138.2	138.0	138.8	136.8	140.8	138.9	137.8	136.8
- essential goods	123.5	128.2	132.1	133.9	136.5	135.6	134.9	134.9	135.3	137.6	138.3	139.8	141.4	140.3	139.2
retail*	131.2	133.4	137.5	142.0	142.9	141.5	140.2	141.1	140.8	141.9	141.2	144.4	143.5	142.5	141.3
qtlly%ch	6.9	1.7	3.1	3.2	0.7	-1.0	-0.9	0.6	0.0	0.6	0.6	0.2	0.6	0.9	1.0
qtlly, ann%ch	8.8	9.1	11.8	15.7	9.0	6.1	2.0	-0.6	-0.2	-0.6	-0.9	-1.0	-1.0	-0.9	-0.9
<b>By state</b>															
- NSW	117.5	119.6	127.2	130.3	132.0	131.0	129.8	130.6	131.1	131.2	130.2	130.7	131.2	129.2	124.9
- Vic	119.9	122.1	130.6	135.9	135.4	132.6	134.7	136.4	137.4	137.6	135.1	133.0	129.0	130.1	130.2
- Qld	123.4	127.2	135.5	139.6	143.6	144.5	144.4	146.0	146.4	145.8	144.8	143.2	143.3	142.4	141.5
- WA	122.7	125.1	129.9	134.7	140.7	141.9	141.3	142.8	142.9	143.1	145.0	141.9	142.0	142.0	139.1
- SA	124.9	126.5	134.5	138.0	142.8	142.1	141.0	142.7	142.6	143.3	143.7	140.5	140.8	140.3	137.6

All indexes based on the value of spending-related transactions, seasonally adjusted by Westpac, 2019 avg=100. See p9 for more details.

\*composite based on transactions in retail categories; ^based on month to date; small revisions to previous estimates are due to seasonal adjustment changes and rounding effects.

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.

# Westpac Economics directory



## **Sydney**

Level 2, 275 Kent Street  
Sydney NSW 2000  
Telephone (61-2) 8254 8720  
Facsimile (61-2) 8254 6907

## **Bill Evans**

Chief Economist  
Global Head of Economics & Research

## **Andrew Hanlan**

Senior Economist

## **Matthew Hassan**

Senior Economist

## **Justin Smirk**

Senior Economist

## **Elliot Clarke**

Senior Economist

## **Ryan Wells**

Economist

## **Auckland**

Takutai on the Square  
Level 8, 16 Takutai Square  
Auckland, New Zealand  
Telephone (64-9) 336 5671  
Facsimile (64-9) 336 5672

## **Michael Gordon**

Acting Chief Economist, New Zealand

## **Satish Ranchhod**

Senior Economist

## **Paul Clark**

Industry Economist

## **Nathan Penny**

Senior Agri Economist

## **London**

Camomile Court,  
23 Camomile St,  
London EC3A 7LL  
United Kingdom

## **Singapore**

12 Marina View  
#27-00, Asia Square Tower 2  
Singapore, 018961

## **New York**

39<sup>th</sup> Floor  
575 Fifth Avenue  
New York, 10017 USA

Publication enquiries, Westpac Economics, [economics@westpac.com.au](mailto:economics@westpac.com.au)

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