

WESTPAC CARD TRACKER

10 NOVEMBER 2023.

WESTPAC INSTITUTIONAL BANK

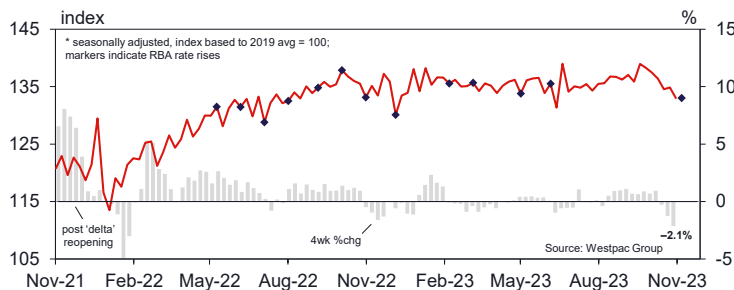


Card activity warning of a loss of momentum



- The **Westpac Card Tracker Index*** has shown a further softening over the last two weeks, moving 1.5pts lower to 133. The Index has fallen by 6pts from its mid-September peak but is still slightly above its mid-June low. Momentum-wise, there continues to be a tension between the quarterly pace, which is still showing a firming since mid-year, and higher frequency reads, which are warning of an abrupt slowing over the last month. If the latter sustains, the quarterly growth pace will slow sharply in coming weeks.
- The category detail shows the improvement in quarterly momentum has been led by essential goods where higher fuel prices have been a factor, and a stabilisation in discretionary goods spend. The more recent weakening has centred on discretionary services spend and is more pronounced in NSW and Vic.
- A range of official measures have now confirmed the Q3 improvement in spending momentum with the ABS retail survey, ABS household spending indicator and the consumer components of the ABS monthly business turnover indicator all showing a lift in nominal activity. The Q3 national accounts, due to be released on Dec 6 will provide a comprehensive estimate for total consumer spending. We expect it to show a 0.5%qtr gain in real, inflation-adjusted terms and a 1.8%qtr gain in nominal terms.
- However, the card data suggests the consumer narrative is shifting quickly from this improved Q3 performance. The shift bears close monitoring given the RBA's latest rate hike, the series of high-profile sales events scheduled in coming weeks and the broader lead-in to the Christmas high season for retailers.

1. Westpac Card Tracker Index*



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

“... the card data suggests the consumer narrative is shifting quickly from this improved Q3 performance.”

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.

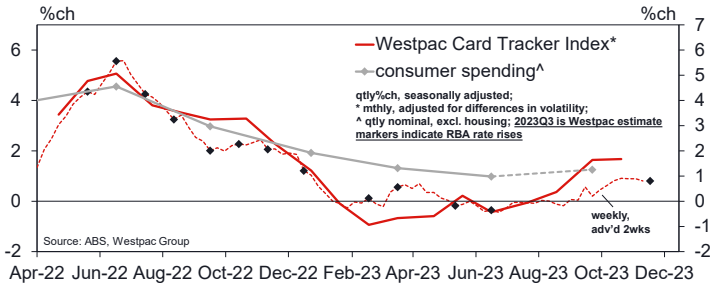
This report is produced by Westpac Economics.
Matthew Hassan, Senior Economist
Email: economics@westpac.com.au
This issue was finalised on 10 November 2023.

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A reasonable Q3 but weaker signs in Oct-Nov

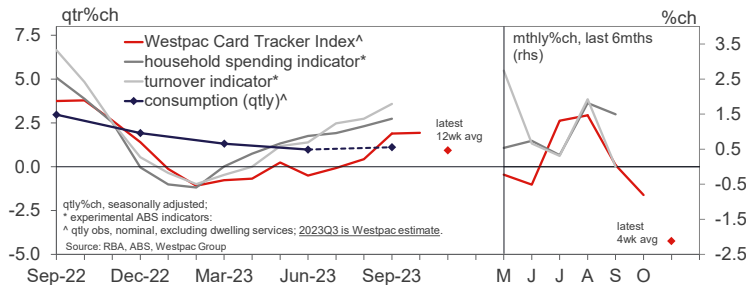


2. Card activity and spending: growth momentum



- 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 lifted through August–September and has been holding at a firm level since (in the 1–1.25% range for weekly reads but closer to a 1.5–1.75% pace according to monthly estimates, which adjust for the timing of weeks and use a monthly seasonal adjustment rather than weekly).
- Other timely ABS indicators confirm the quarterly improvement. Both the ABS household spending indicator and the tax-based turnover indicator now have data to Sep and have seen a clear lift. However, as noted and shown in the right panel of Chart 3, the signal coming from higher frequency reads from our card tracker has shown a sharp weakening since Oct.

3. Consumer spending: selected indicators



qtlly%ch	Q1	Q2	Q3	latest
Westpac Card Tracker*	-0.8	-0.5	1.9	0.9
Other indicators (nominal)				
Household spending*	0.0	1.8	2.7	n.a.
Turnover*	-0.5	1.4	3.6	n.a.
Consumer spending (qtlly)#				
Nominal	1.3	1.0	n.a.	n.a.
Real	0.2	0.0	n.a.	n.a.

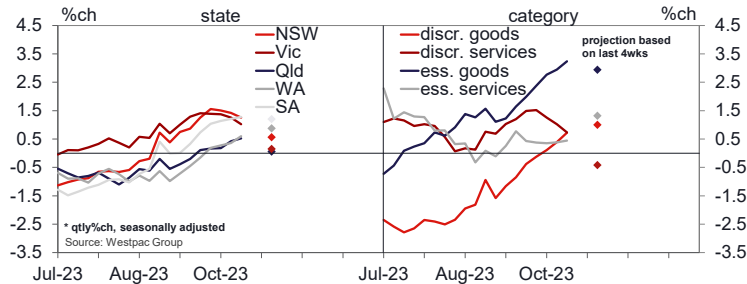
All series are seasonally adjusted, latest is latest weekly obs (12wks %ch on previous 12wks) or latest monthly obs (3mths %ch on previous 3mths). See p9 for more details.
 * ABS experimental measures. Household spending indicator based on bank transaction data (seasonally adjusted by Westpac). Turnover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

Sources: ABS, Westpac Group

Chill running through discretionary services spend

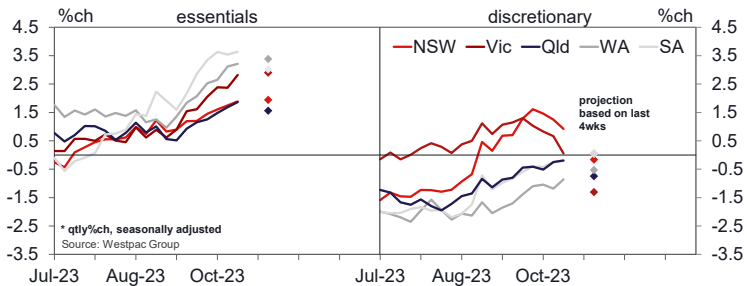


4. Card activity by state, major category



- The category breakdown shows the improvement in quarterly growth momentum continues to be led by rising spend on essential goods (largely a temporary pulse relating to higher fuel prices) and a swing in discretionary goods spend from sustained declines to a modest rise. The slowdown apparent in higher frequency measures centres on discretionary services spend.
- Note that our headline state estimates have been revised with weekly seasonal adjustment now run at a major category level and aggregated. Previous estimates had overstated weakness in Vic. The picture now shows quarterly growth outperforming slightly for NSW, SA and Vic. The higher frequency slowdown has centred on NSW and Vic, and is more pronounced for discretionary spend.

5. Card activity: essentials, discretionary by state



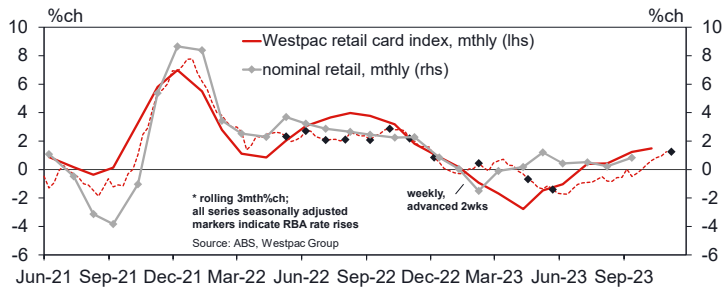
	Aug	Sep	Oct	4/11
Westpac Card Tracker	137.6	137.7	136.6	133.0
By category				
- discretionary	138.3	137.3	135.1	131.4
- essential	133.7	134.9	135.7	135.5
By state				
- NSW	131.1	131.2	130.2	126.6
- Vic	137.4	137.6	135.3	130.7
- Qld	146.5	145.9	145.4	142.0
- WA	142.9	143.1	145.0	142.2
- SA	142.6	143.3	143.9	141.7

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

Retail looking a little better placed

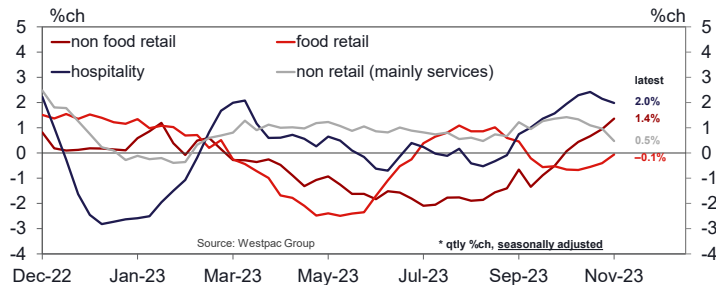


6. Card activity: retail



- Retail components of card activity are looking in better shape than activity overall, quarterly growth momentum continuing to hold in the 1-1.5%yr range. That reflects the lower exposure to the recent weakening in discretionary services sub-categories and a higher exposure to non-food retail segments that have swung from a sustained period of contraction to a decent recovery.
- Official retail figures for September showed a solid 0.9% rise in the month, lifting nominal growth to 0.8%qtr (see [here](#) for more). For the quarter as a whole, real retail sales (adjusted for inflation) recorded a slight 0.2%qtr gain, the first positive in a year but still amounting to a decline in per capita terms (see [here](#) for more details).

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



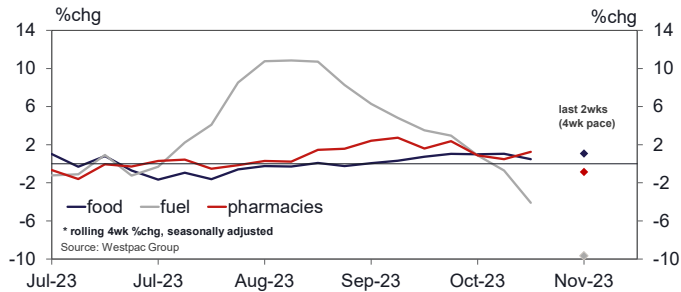
	Aug	Sep	Oct	4/11
By retail/non retail				
Retail card index	141.2	142.7	142.7	139.9
- qly%ch	0.4	1.2	1.5	1.2
- qly, ann%ch	-0.2	-0.6	-0.8	-0.7
Non-retail card index	133.7	132.2	129.8	125.9
ABS retail sales				
- %ch	0.3	0.9	n.a.	n.a.
- ann%ch	1.6	2.0	n.a.	n.a.
- qly%ch	0.2	0.8	n.a.	n.a.
- qly ann%ch	2.0	1.9	n.a.	n.a.

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

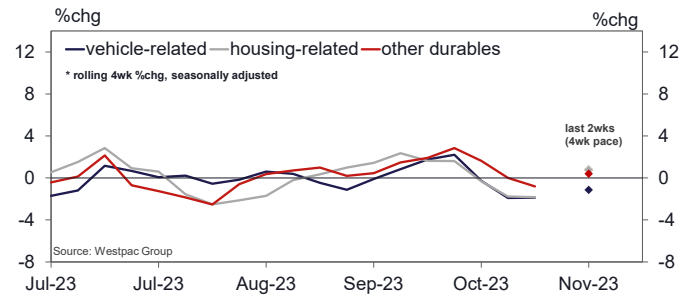
Detailed charts



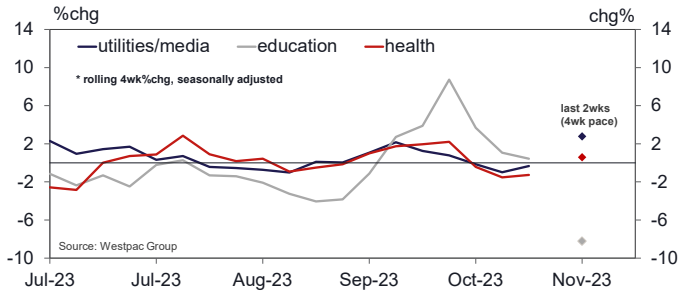
8. Card activity: essential goods



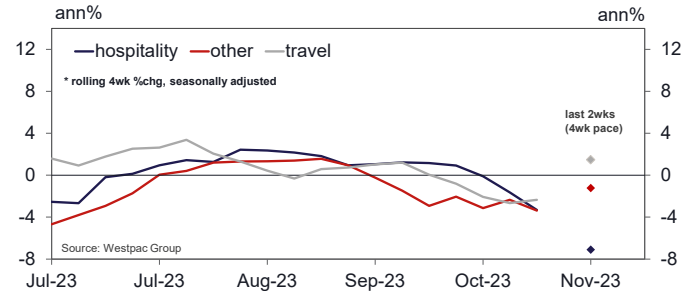
9. Card activity: discretionary goods



10. Card activity: essential services



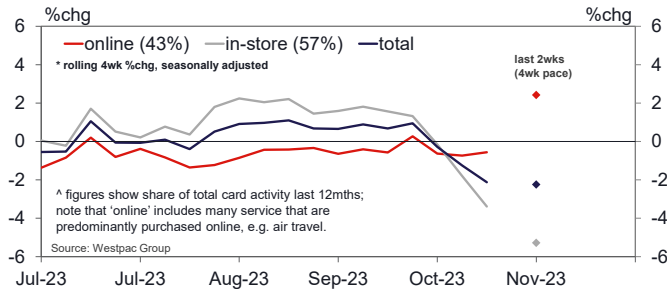
11. Card activity: discretionary services



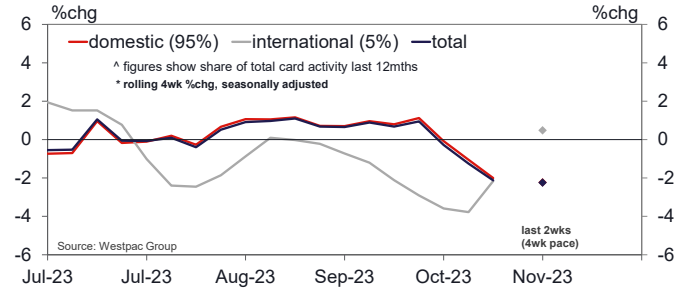
Detailed charts



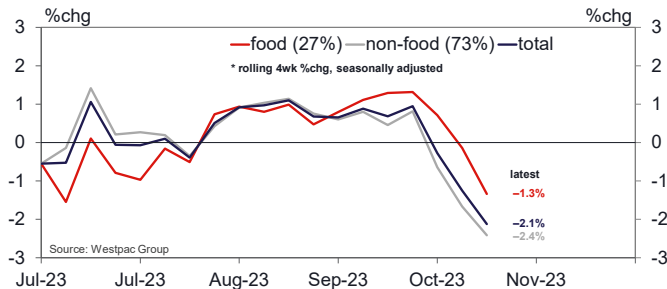
12. Card activity: online vs in-store



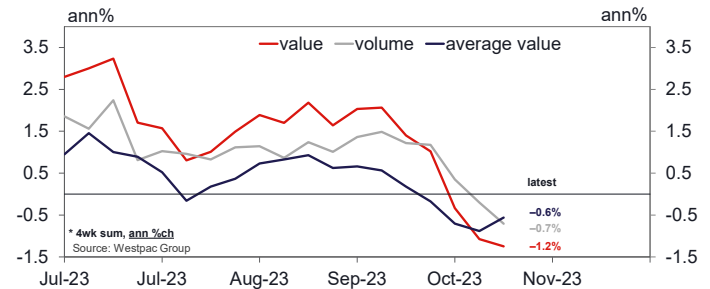
13. Card activity: domestic vs international



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	14/10	21/10	28/10	4/11
Westpac Card Tracker Index	119.3	122.3	129.5	134.3	136.2	135.1	134.4	137.0	137.6	137.7	136.6	136.4	134.6	134.9	133.0
qtly%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	1.0	1.0	0.9
qtly, ann%ch	11.4	11.6	15.4	25.5	14.2	10.5	3.9	2.0	2.2	2.0	1.1	1.4	1.2	1.0	0.9
By category															
- discretionary	117.6	120.8	130.8	136.0	136.6	135.5	135.4	137.6	138.3	137.3	135.1	133.9	132.4	133.0	131.4
- essential	119.6	123.2	127.2	129.7	131.9	132.3	132.5	133.6	133.7	134.9	135.7	136.5	135.7	135.2	135.5
services	101.6	107.1	121.3	129.0	128.3	129.6	131.1	136.6	137.4	135.7	28.0	131.0	128.9	129.4	127.7
- discretionary services	98.5	105.6	122.8	131.0	130.6	131.5	132.2	137.7	138.9	136.7	132.1	131.0	128.9	129.8	126.3
- essential services	112.9	112.6	116.4	120.5	123.7	125.4	127.3	130.4	129.8	130.6	24.5	130.8	129.1	128.0	132.1
goods	131.4	133.6	136.7	139.3	139.5	138.1	137.3	137.2	137.1	138.6	138.5	138.3	137.8	137.8	137.5
- discretionary goods	137.6	136.7	140.2	143.1	141.6	139.2	138.8	138.5	138.2	139.2	138.3	137.5	136.9	137.0	137.8
- essential goods	123.4	128.2	132.1	134.0	136.5	135.5	134.9	135.0	135.6	137.6	138.5	139.2	138.9	138.7	137.2
retail*	131.6	133.1	137.1	142.3	143.6	141.1	139.7	141.4	141.2	142.7	142.7	141.8	141.2	141.1	139.9
qtly%ch	7.0	1.1	3.1	3.8	0.9	-1.7	-1.0	1.2	0.4	1.2	1.5	0.6	0.8	1.0	1.2
qtly, ann%ch	8.7	9.3	11.6	15.7	9.1	6.1	1.9	-0.6	-0.2	-0.6	-0.8	-0.9	-0.9	-0.9	-0.7
By state															
- NSW	117.5	119.6	127.2	130.3	132.0	131.0	129.8	130.7	131.1	131.2	130.2	131.6	127.4	128.0	126.6
- Vic	119.8	122.1	130.6	136.0	135.4	132.6	134.7	136.4	137.4	137.6	135.3	134.5	134.4	133.2	130.7
- Qld	123.4	127.2	135.6	139.7	143.5	144.5	144.4	146.1	146.5	145.9	145.4	144.6	142.5	144.1	142.0
- WA	122.7	125.1	129.9	134.7	140.7	141.9	141.3	142.8	142.9	143.1	145.0	142.6	140.4	142.3	142.2
- SA	124.9	126.4	134.5	138.1	142.8	142.1	141.0	142.7	142.6	143.3	143.9	143.9	140.8	140.3	141.7

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

Luci Ellis

Chief Economist
Westpac Group

Matthew Hassan

Senior Economist

Andrew Hanlan

Senior Economist

Justin Smirk

Senior Economist

Elliot Clarke

Senior Economist

Ryan Wells

Economist

Illiana Jain

Economist

Auckland

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

Kelly Eckhold

Chief Economist, New Zealand

Darren Gibbs

Senior Economist

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

39th Floor
575 Fifth Avenue
New York, 10017 USA

Publication enquiries, Westpac Economics, economics@westpac.com.au

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