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WBS METHODOLOGY BULLETIN

Westpac's Business Signal

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What the WBS measures

The Westpac Business Signal uses Westpac-DataX Business Panel. This is a large-scale transaction dataset that provides a timely and detailed picture of Australian business conditions. Developed by Westpac Economics and DataX, Westpac's data analytics team, the dataset uses business transaction data to track revenues, expenses and cashflow across industries, regions and business sizes. All data is de-identified and aggregated to ensure privacy. The series begins in November 2019.

Data is weighted to national industry composition using ABS Gross Value Added (GVA) shares. The WBS is published quarterly, in the first month after the reference quarter closes, ahead of the ABS Australian National Accounts, which are released with a two-month lag. This gives an early read on business operating and cashflow conditions across industries, states and by business size.

Two headline gauges are published:

- **Business Performance Gauge (BPG):** the ratio of operating revenue to operating expense, excluding tax flows and debt servicing. Provides a read on the trading position of businesses.
- **Cashflow Gauge (CFG):** the ratio of operating revenue to operating expense and debt servicing net of taxes. Captures the effective cashflow pressure on businesses from tax and interest costs.

Both gauges are indexed to 100 at the FY2024–25 reference year, in line with current ABS chain-volume measure convention.

The two headline gauges are built from two components of business cashflow – operating revenue and operating expenses. Definitions of each, alongside the gauges they feed, are set out below.

- **Operating revenue** – inflows to business customer accounts from ordinary trading activity, across all customer types (business, government, consumer). Excludes transfers within business groups, capital transactions and tax refunds.
- **Operating expenses** – outflows from business customer accounts for ordinary trading activity, including wages, materials, occupancy, fuel, utilities and other input costs. Excludes transfers within business groups, capital transactions, debt-servicing payments and tax payments.

The WBS also publishes both gauges at state, segment and industry level, and for composite industry groupings. Definitions of these cuts and groupings are set out below.

Coverage and sample

The WBS is derived from over 350,000 active Westpac business customers each period. Coverage extends across all Australian states and 19 ANZSIC 2006 industry divisions. Sample size varies by cut. The aggregate uses the full active book.

Panel definition

Growth rates and level series are computed on a balanced panel of consistently active businesses, rather than the full active customer base. This is a matched-firm approach adapted to transaction-based cashflow data. Restricting the panel to consistently active customers reduces the influence of customer churn on published growth rates.

A de-identified customer is included in the balanced panel for a given period T if they have both operating revenue and operating expense activity in at least six of the twelve months from T-11 through T inclusive.

New businesses enter the panel once they qualify, that is, once they have accumulated at least six months of revenue and expense activity within a rolling 12-month window. Businesses exit the panel when they no longer meet the qualification threshold, whether through closure or extended dormancy.

For the earliest months of the series (November 2019 to October 2020), a full 12-month trailing history is not available. Over this window the balanced panel threshold scales with the history available. The standard 6-of-12 threshold applies from November 2020.

Data preparation

Customer transactions are categorised into 24 Economic Categories across three Gauge Classes: operating revenue, operating expense, and liability. Categories cover the main components of business cashflow, including revenue sources on the income side, and wages, materials, occupancy costs, tax, and debt servicing on the expense and liability side.

Tax flows are included where they can be identified and split into refunds (income side) and payments (expense side).

Chain-weighting and indexation

Industry weights are ABS GVA shares (Cat. 5206.0, chain-volume measures excluding Ownership of Dwellings), applied at the ANZSIC 2006 industry division level. Weights update annually at the July financial year link point, with prior-year weights carried forward using the Laspeyres framework.

Chain-linking preserves level continuity across weight updates. The reference year updates annually.

Seasonal adjustment

Data is seasonally adjusted using STL (Seasonal-Trend decomposition using Loess), applied at the Economic Category level within each published cut.

Published gauges

Aggregate. Balanced panel across the full business book, weighted by GVA share.

State. Balanced panel published for NSW, Vic, Qld, WA, SA and Tas. Together these account for around 99 per cent of state-attributed business amount. Territories are excluded from this publication.

Segment. Balanced panel published for customer segments defined by annual turnover. Size classifications are based on turnover only and are used for economic commentary purposes. They do not reflect Westpac's internal segmentation, which considers multiple factors including customer type, product needs, industry specialisation, exposure and management judgement.

- SME: turnover $0 to $5m
- Commercial: turnover $5m to $150m
- Large Corporate: turnover $150m and above

Industry. Balanced panel published for 15 individual ANZSIC 2006 industry divisions. Excludes Mining, Financial and Insurance Services, Utilities, Public Administration and Safety from published individual industry cuts.

Composite industry gauges:

QBS Industry Gauge. The publishable 15-industry set combined into a single indicator, weighted by GVA share. Serves as the headline industry-level reading for the WBS. It excludes Mining, Financial & Insurance Services, Utilities, and Public Administration & Safety.

Non-Market. Education & Training, Health Care & Social Assistance, Public Administration & Safety. Covers industries whose activity is predominantly funded through government or non-market financing. Movement here are heavily impacted by Federal and State government policies and is less sensitive to consumer or business cycle conditions than the market-facing composites.

Consumer-Facing. Accommodation and Food Services, Retail Trade, Arts & Recreation Services. Covers industries whose revenue is directly driven by household demand. Movement here reflects consumer spending pressure on operating businesses.

Business Services. Professional, Scientific & Technical Services, Rental, Hiring & Real Estate Services, and Information Media & Telecommunications. Covers industries whose revenue is predominantly driven by other businesses rather than end consumers. Movement here reflects intermediate business activity and demand from other firms.

Interpretation

The WBS measures the operating cashflow trajectory of consistently active Australian businesses banking with Westpac, weighted to national industry composition. It is released ahead of the ABS Australian National Accounts and Business Indicators. It gives an early read on business operating conditions for the reference quarter.

Business Performance Gauge captures the trading position of businesses through the ratio of operating revenue to operating expense. A rising gauge indicates operating revenue is growing faster than expenses, or that expenses are contracting faster than revenue. A falling gauge indicates the reverse. Direction of movement is best read alongside commentary on the underlying revenue and expense trajectories, which the WBS report discusses each quarter.

Cashflow Gauge captures the effective cash burden on businesses, including tax obligations and debt servicing. The gap between this gauge and the Business Performance Gauge shows the share of the operating cash base absorbed by tax and interest. This gap widens when interest rates rise or ATO burden lifts.

Cut-level gauges can be compared across states, segments and industries to identify differences in operating conditions. Comparisons to the aggregate should be read alongside the composition of each cut. Industry-level movements are driven by the GVA-weighted underlying firms in that industry, while the aggregate reflects the whole book.

Composite gauges aggregate related industries to give a thematic read on operating conditions. Direction of movement is set by the GVA-weighted contribution of the underlying industries in each composite. Read together with the WBS Industry Gauge, the composites give a decomposition of headline industry activity across the public-sector, consumer-facing and business-services segments of the economy.

Publication schedule and revisions

The WBS is published quarterly. Each release incorporates any revisions to source data or methodology since the previous edition. Methodology changes are documented in the accompanying release note.

Considerations for interpretation

Businesses with short operating durations. The balanced panel captures businesses with sustained operating activity, defined as at least six months of revenue and expense activity in any rolling 12-month window. This picks up seasonal businesses by design, since the six months can fall in any pattern across the year. Businesses that operate for shorter total periods are not represented in the WBS.

Weighting basis. GVA weights are applied at the national industry division level. Cross-state industry composition variance is not fully captured. State-specific industry weights are being considered for future editions.

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