


Kiwibank Household Spending Tracker: September Quarter, 2020

Living with alert levels

Aggregated transactional data from
Kiwibank debit and credit cards

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Key spending insights – Living with alert levels

- **Kiwis are adjusting to lockdown life and alert levels.**
 - People are adaptable creatures, and Kiwibank's transactions data show Kiwis are adjusting. Auckland's August lockdown showed a familiar pattern to the initial, national lockdown. Spending fell, with traditional service business most affected. But the overall drop in spending was unlike the first. Businesses and households have quickly learnt to trade in a world with limited face-to-face contact. Many have re-jigged their business models to accommodate social distancing and the shift to digital. We're getting better at living with alert levels.
- **Consumer spending has fared much better than first feared.**
 - Without the possibility of overseas travel, holiday spending has been redirected domestically. Domestic tourism benefited over the winter months, with Kiwis supporting local. We also took a good, LONG look at our backyards and decided we needed more. Many of us ordered pools, fixed fences, laid pavers, and even bought pets. Spending on the home, or home office, has picked up as Kiwis learn to work from home. A resilient and surprisingly strong housing market has also encouraged more spending on the home.
- **The forced change of behaviour in lockdown has seen a rapid change in habits.**
 - We've picked up some good habits, spending a lot more on fruit and veg. A healthy response to a health crisis. We've also embraced the convenience of shopping online and enjoying entertainment at our fingertips. But bad habits have come to light too. Gambling and alcohol spending are among categories experiencing a persistent shift higher. Topping off the change in habits has been a fall in the demand for cash, as we embrace payWave and online shopping.

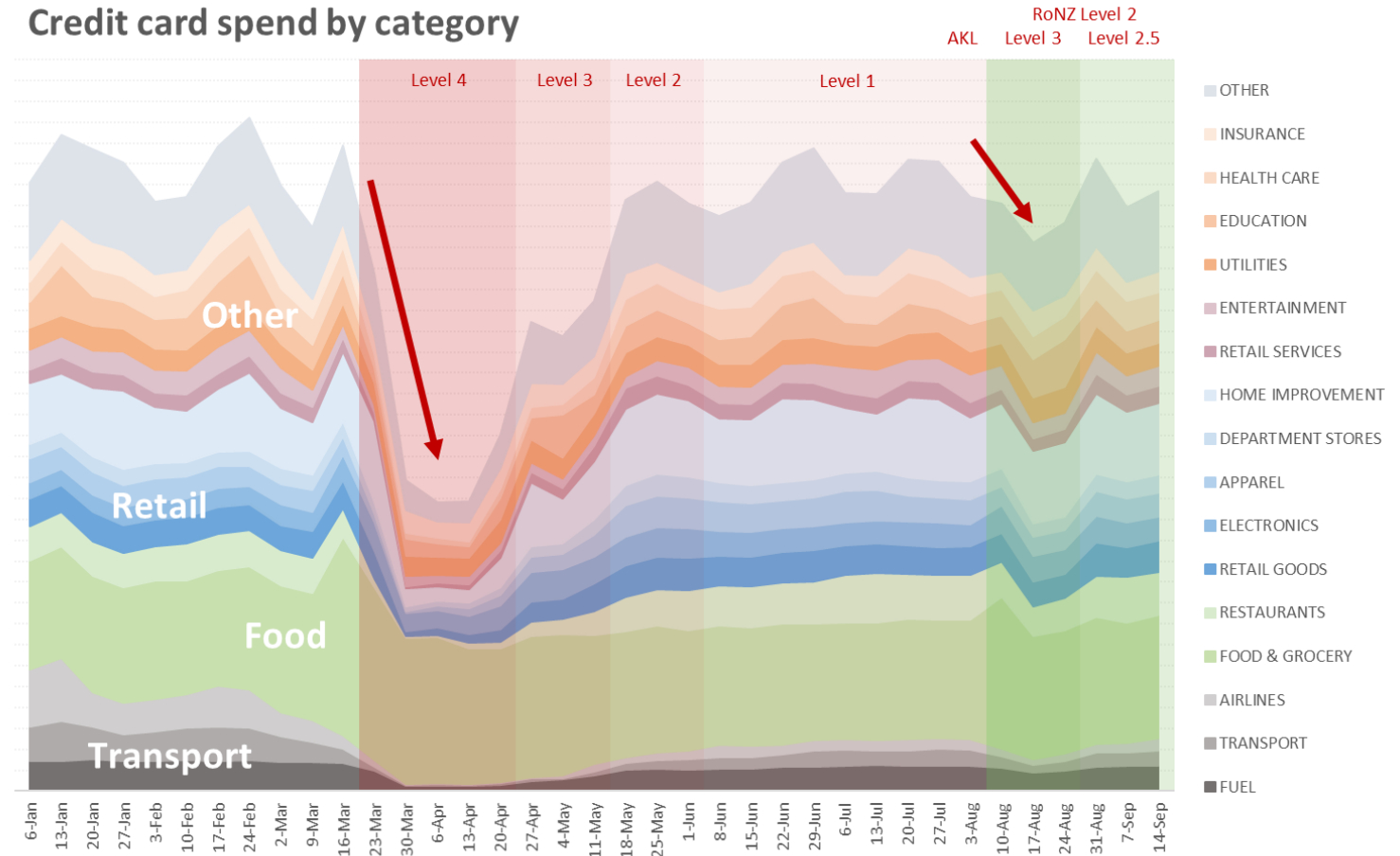
Key spending insights – Living without tourists

- **The tourism sector had a good winter, but there's concern about the summer season.**
 - We're wary of the damage done. The drawbridge into NZ won't be let down anytime soon. Greater domestic tourism goes some way. But foreign tourism is a hard void to fill, especially over Summer. Diverting Kiwis from going overseas, to the slopes of Queenstown worked in the weaker winter period. But the droves of foreign tourism normally seen during the summer months cannot be offset by locals.
- **The strength in spending may ease as job losses rise.**
 - The unemployment rate is expected to rise in the coming months. Companies have failed, and more may fail. The wage subsidy has supported many business and households. But that lifeline is coming to an end. More job losses are expected. Consumer confidence could wane (further), with more subdued spending. The pace of our economic recovery may slow as a result.
- **Not all will survive.**
 - The news to date have been much better than expected. Defaults to date have been surprisingly low. Government and central bank support have helped many businesses stay open and afloat. We Kiwis are resilient people. But the near term outlook may deteriorate before it's gets better. Business investment activity is understandably weak given such high uncertainty. More is needed, especially from the Government, to spur activity. The good news is, they are able to deliver. The Covid Response and Recovery fund is still looking rather plump.

Wash, rinse, repeat

- The official Stats NZ retail data for the June quarter showed a historic 15% decline, as we were unable to spend at home.
- Kiwibank transactional data shows that Food took up most of the budget with supermarket spend rising from ~20% to ~40% of total spend.
- Elsewhere, spending flat-lined.
- The reversion to higher alert levels saw similar spending patterns re-emerge.

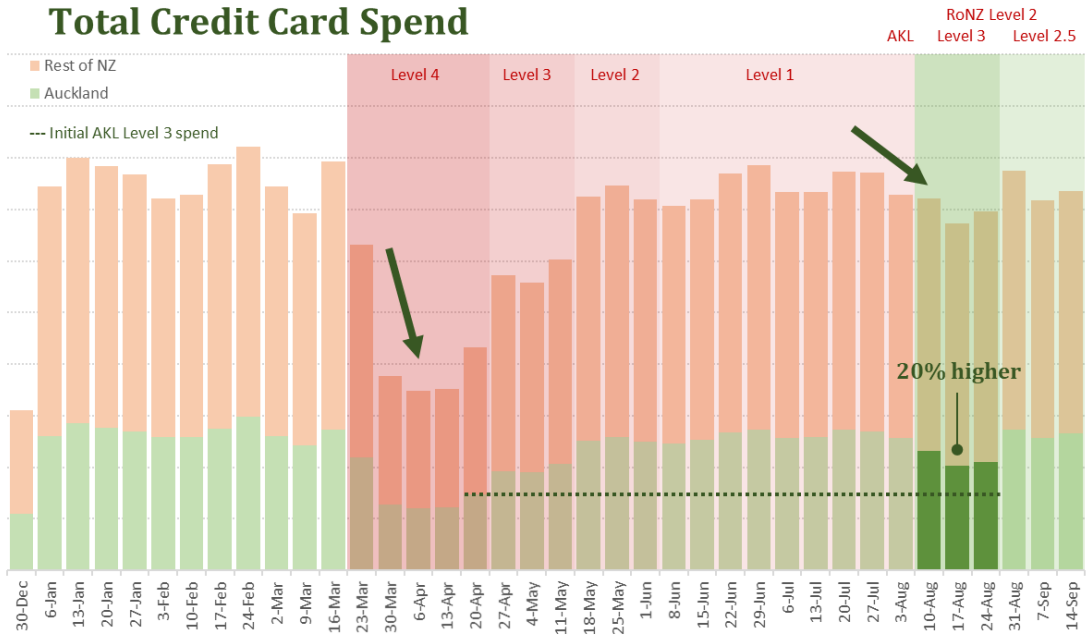
Credit card spend by category



Source: Kiwibank transactional data



Total Credit Card Spend



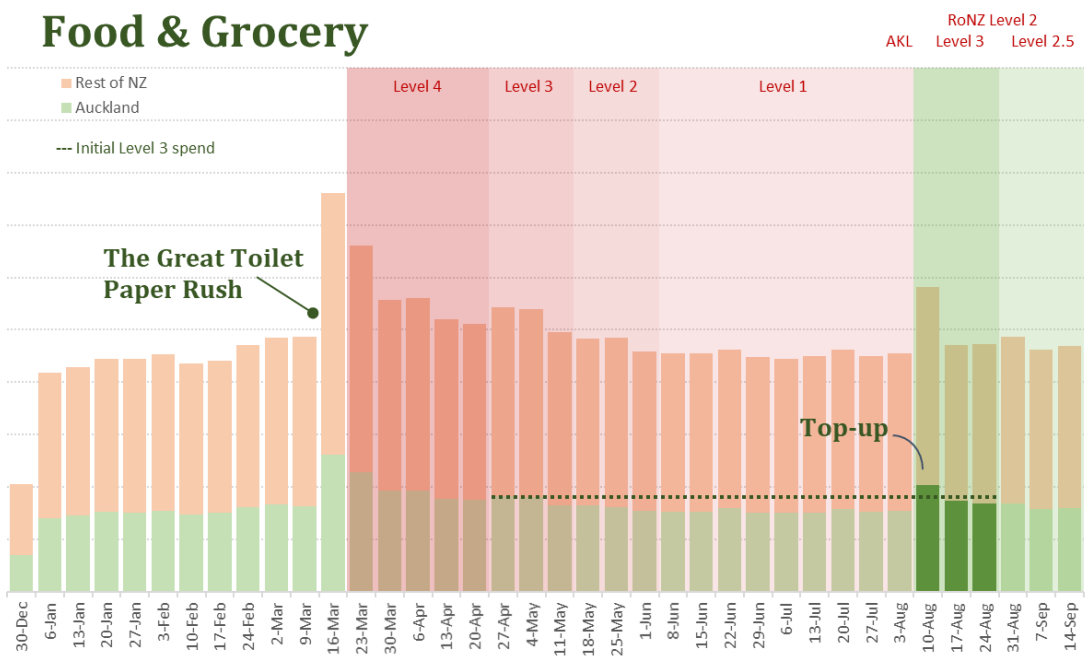
Source: Kiwibank transaction data

Level 3, not Level 4

Auckland's level 3 lockdown saw people head back to the supermarkets, but only for a top-up. We still have a 5-month supply of toilet paper leftover from the first lockdown stockpiling.

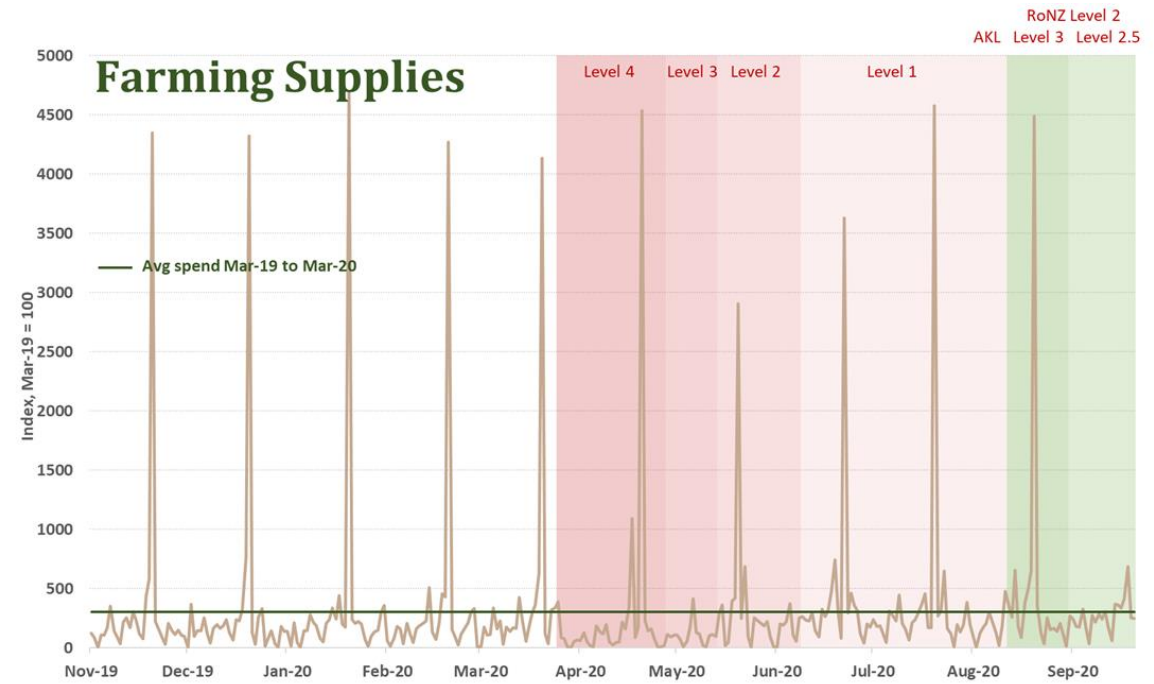
Farming was also considered an essential service. Supplies have continued without disruption.

Food & Grocery



Source: Kiwibank transactional data

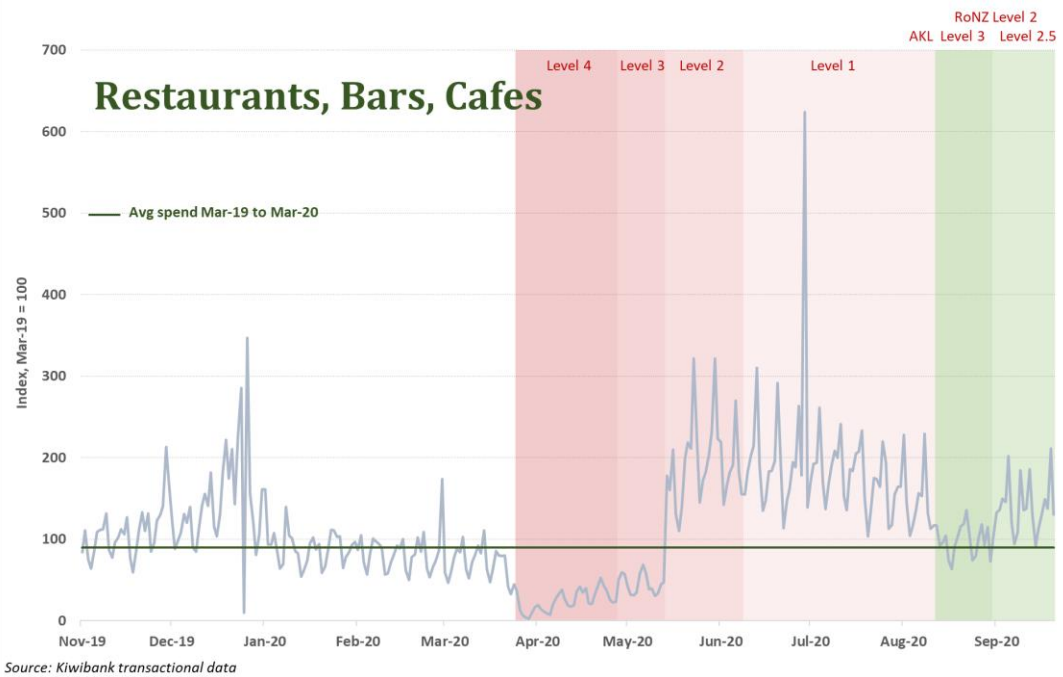
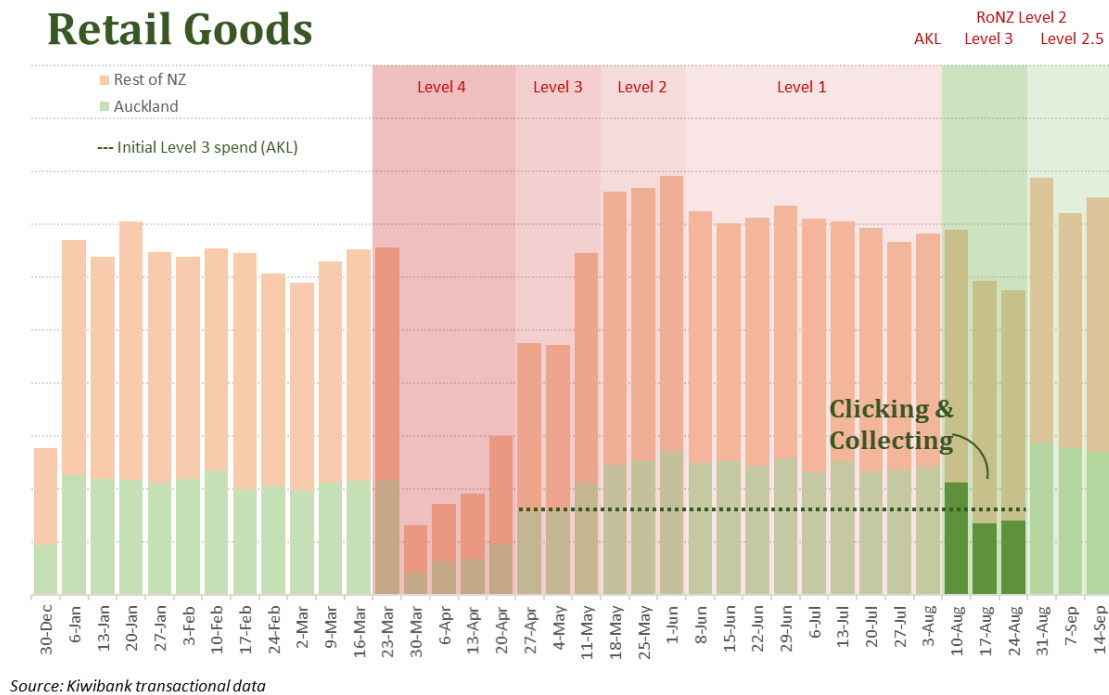
Farming Supplies



Source: Kiwibank transactional data

Better know-how

Businesses and households have quickly adapted to a world with limited face-to-face trading. There's more clicking & collecting, many have moved to online, and Kiwi ingenuity helped overcome the complexities of contactless service. Lockdown living is the new reality, and we're getting better at it.

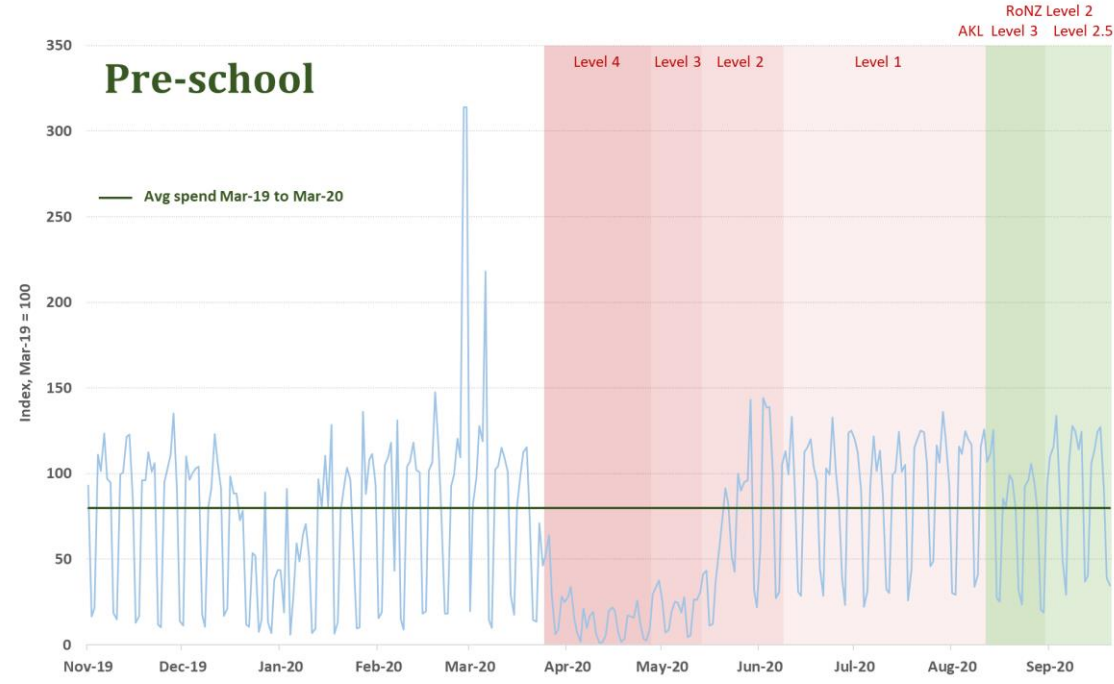




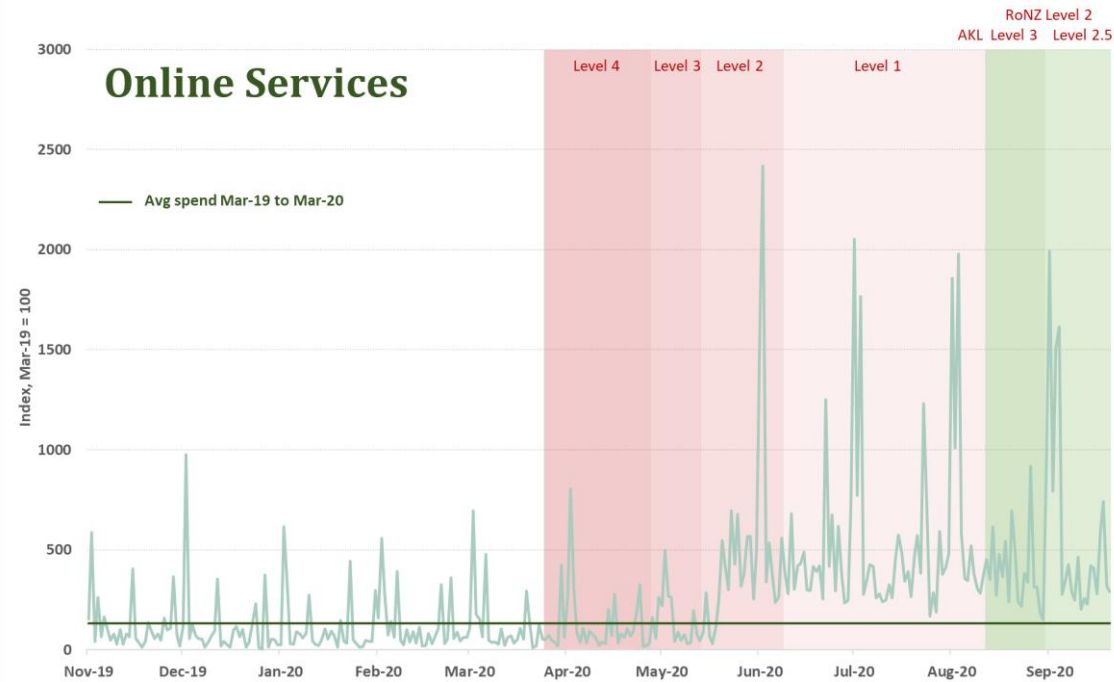
“You’re on mute!”

As soon as the school gates re-opened, the little ones were (happily) sent back. Spending at pre-school centres has returned to normal.

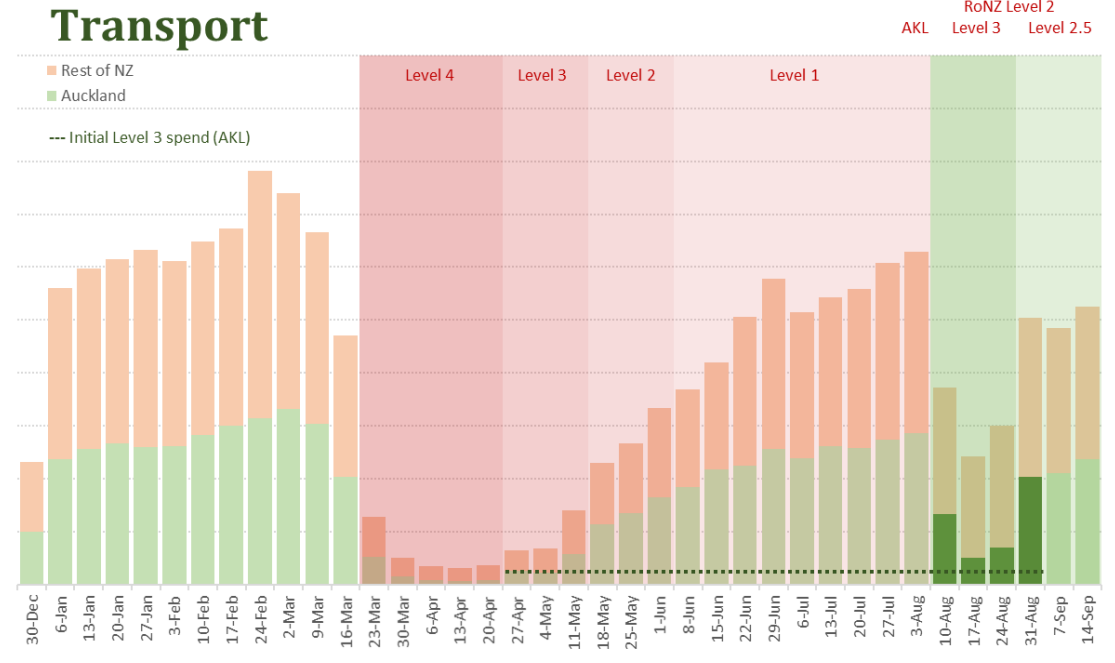
But we’re slower to head back to the office. We’ve embraced the shift toward ‘WFH’. The commute is shorter and we’re mastering Zoom etiquette.



Source: Kiwibank transactional data

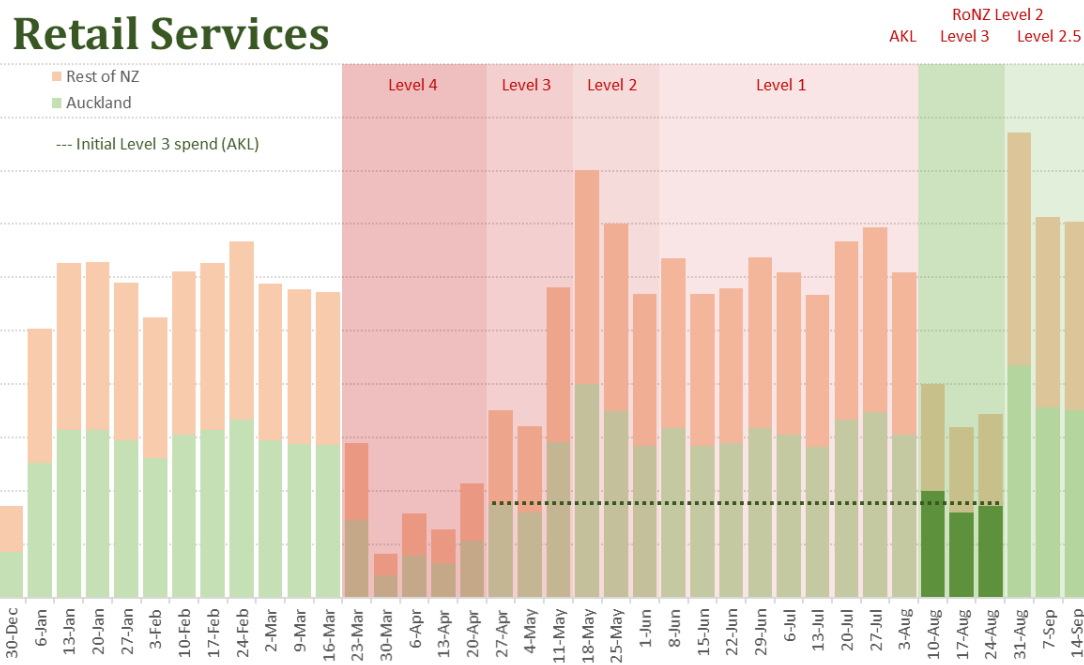


Source: Kiwibank transactional data

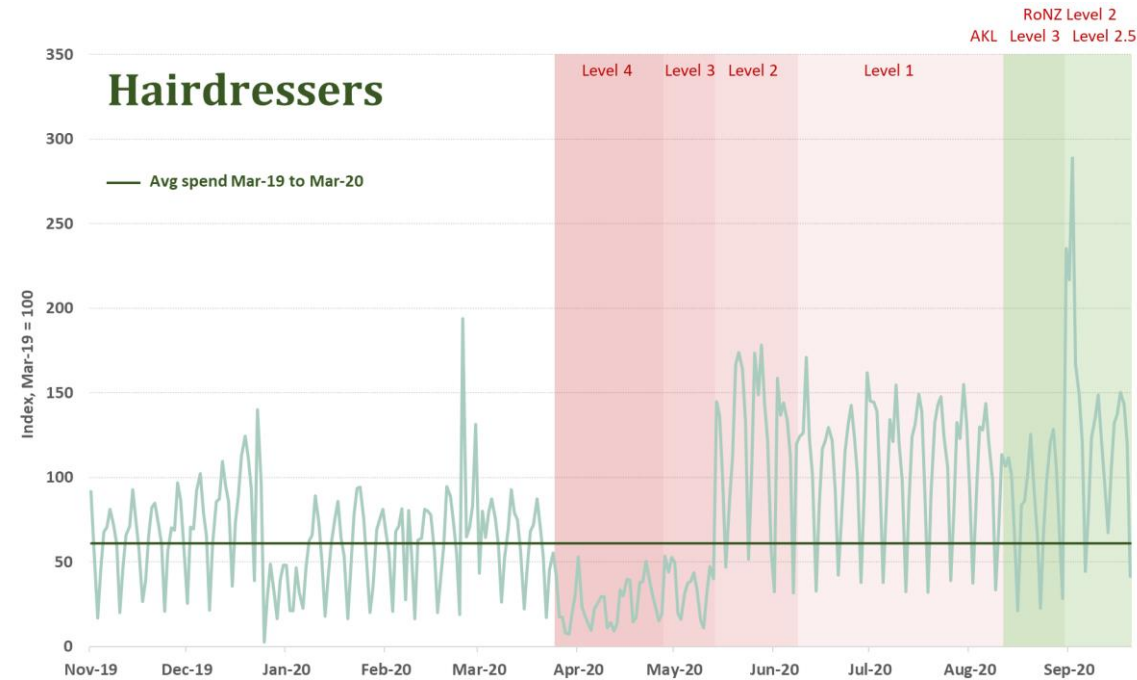


Source: Kiwibank transactional data

Retail Services



Source: Kiwibank transactional data



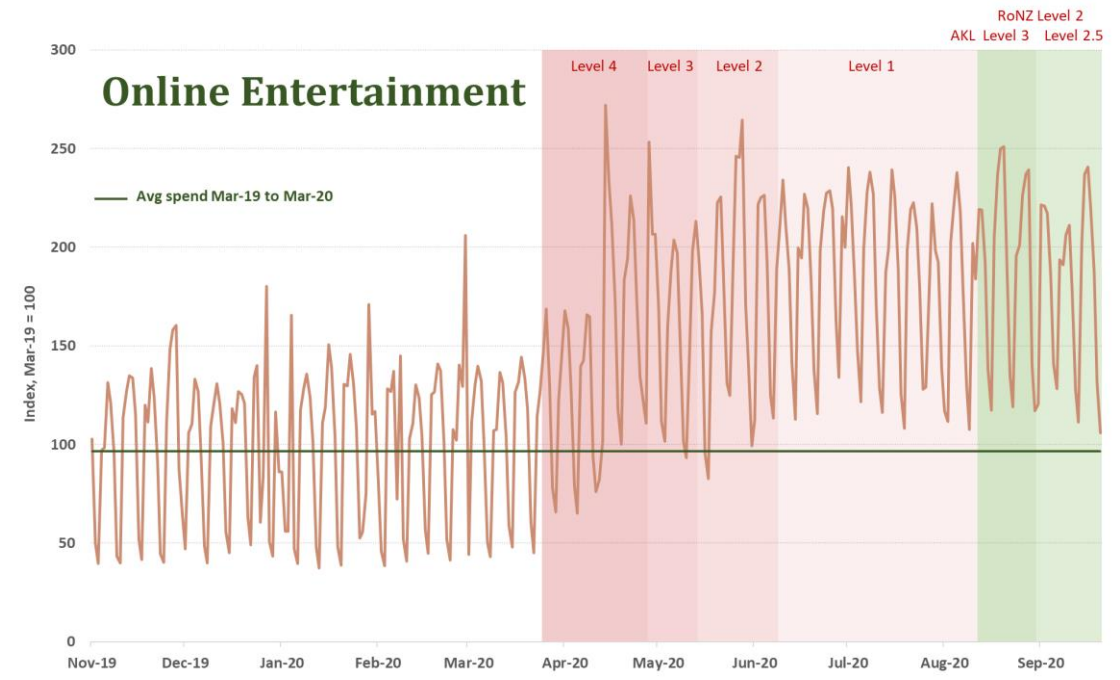
Source: Kiwibank transactional data

Back to the bunker



Not all business can shift to digital. Traditional services are most sensitive to alert levels. A virtual haircut is a hard sell. Spending in these areas dipped, again.

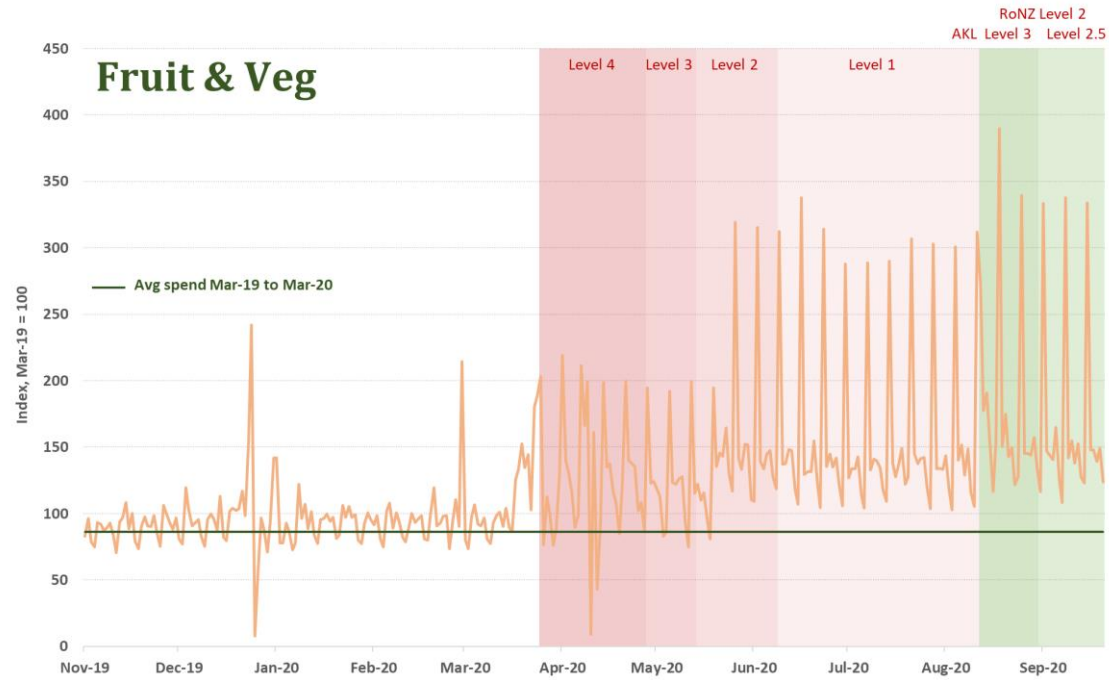
But there are clear winners. Netflix continues to dominate our screens as cinema seats stay empty. *Streaming killed the video star.*



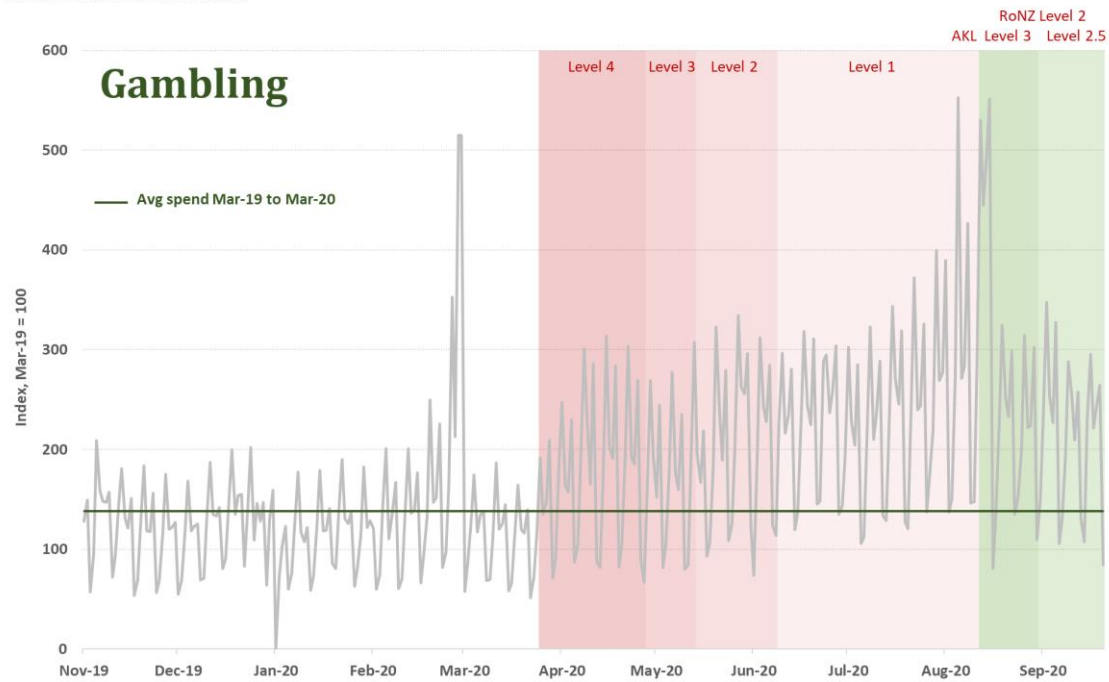
Source: Kiwibank transactional data

New habits, formed in lockdown, are becoming cemented.

- A change in habits during lockdown look increasingly permanent. More of us are embracing the convenience of shopping online and ordering from our favourite eateries on a smartphone.
- In a health crisis, healthy eating is something we can control. Spending on fresh fruit and veg has soared. Consuming more fresh produce is partly a replacement for not being able to eat out. But even as restaurants have reopened, we still can't get enough of our greens. A change for good.
- But there was also a change for the worse. Spending on alcohol and gambling looks like an unwanted hangover. Fewer drinks at the pub or casino may be replaced with more around the socially distanced BBQ, and a betting app.
- Amongst all the change, we are using less cash to transact. Weekly cash withdrawals took a step-down during lockdown and haven't recovered. Hard currency isn't needed as much if more shopping is done via payWave or online. But the drop in cash withdrawals can't explain the entire rebound in spending we've seen on cards.



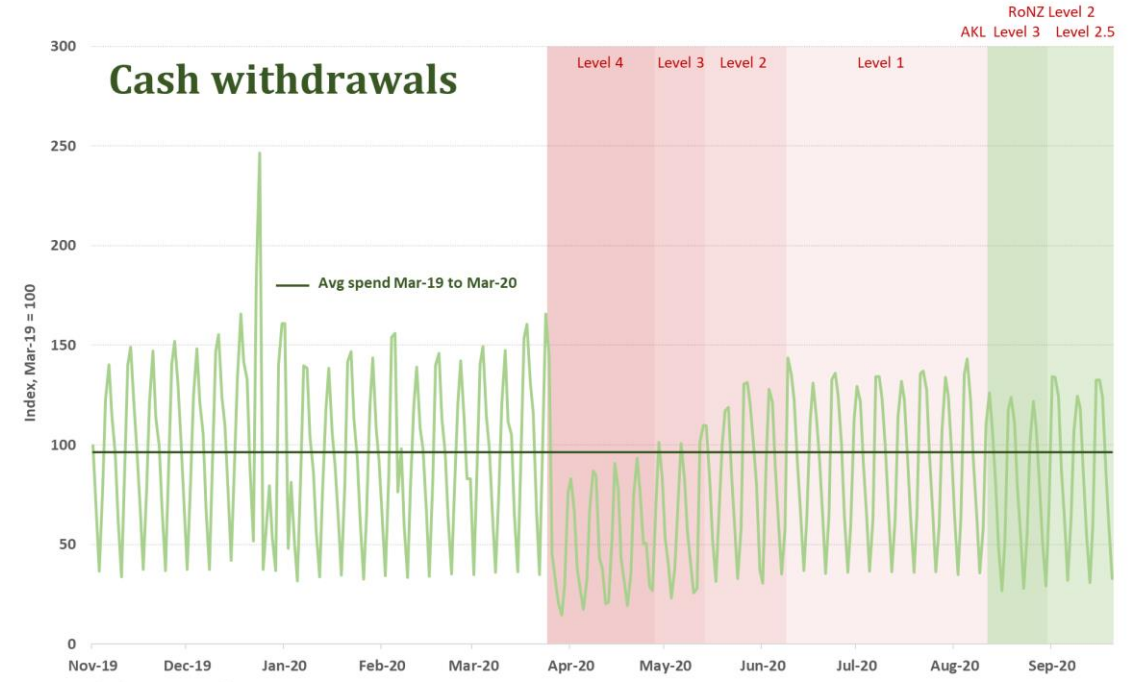
Source: Kiwibank transactional data



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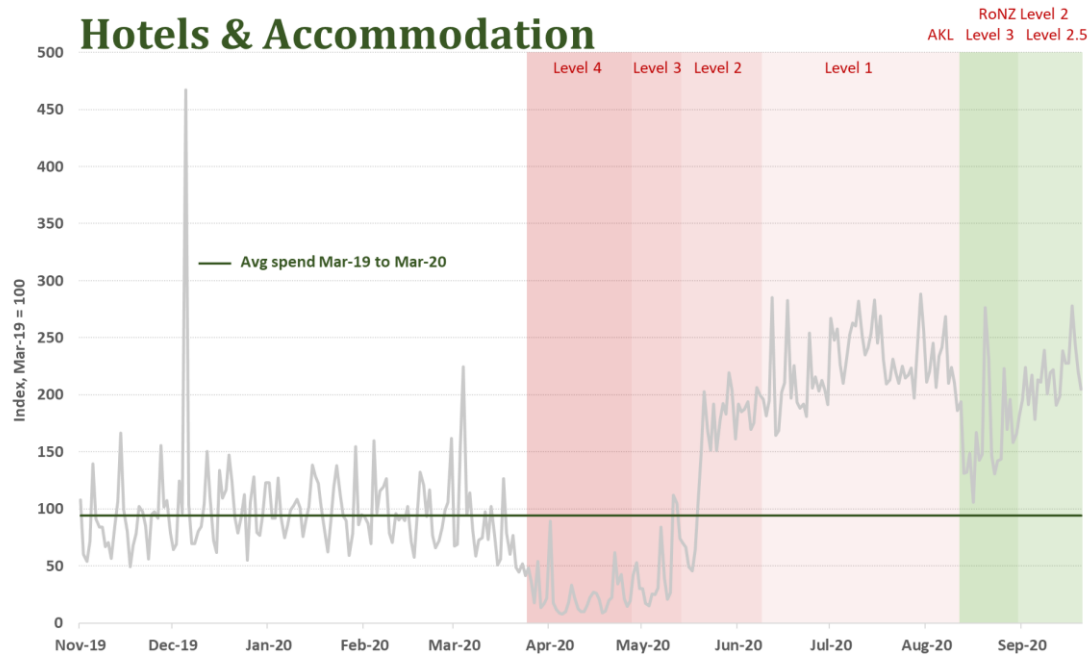
Changing habits

The good, the bad, and the cashless



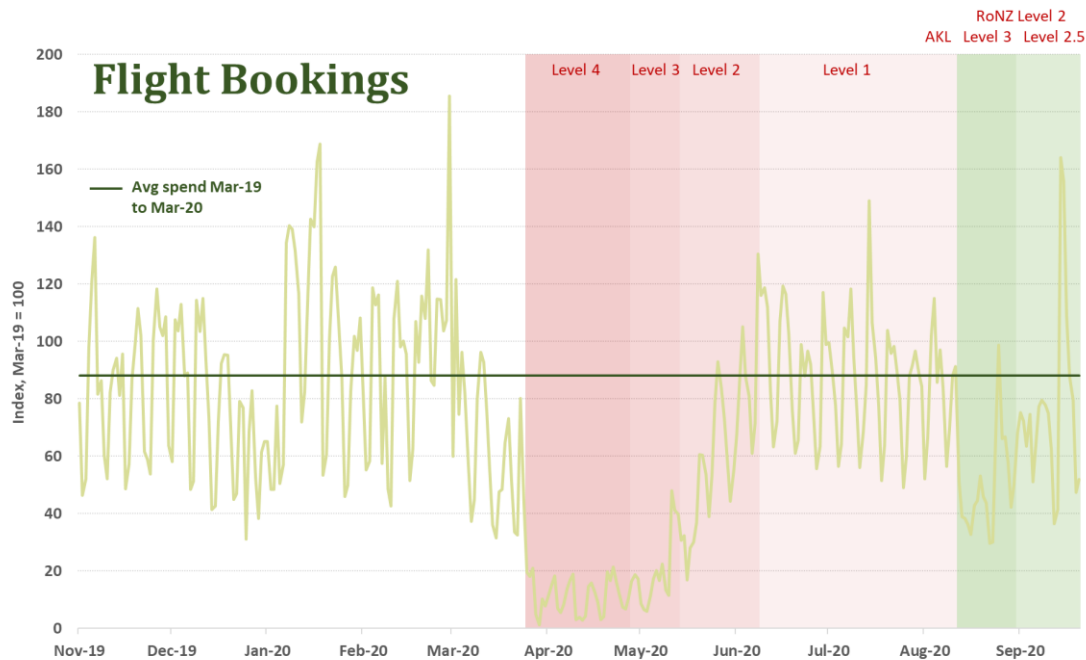
Source: Kiwibank transactional data

Hotels & Accommodation



Source: Kiwibank transactional data

Flight Bookings



Source: Kiwibank transactional data

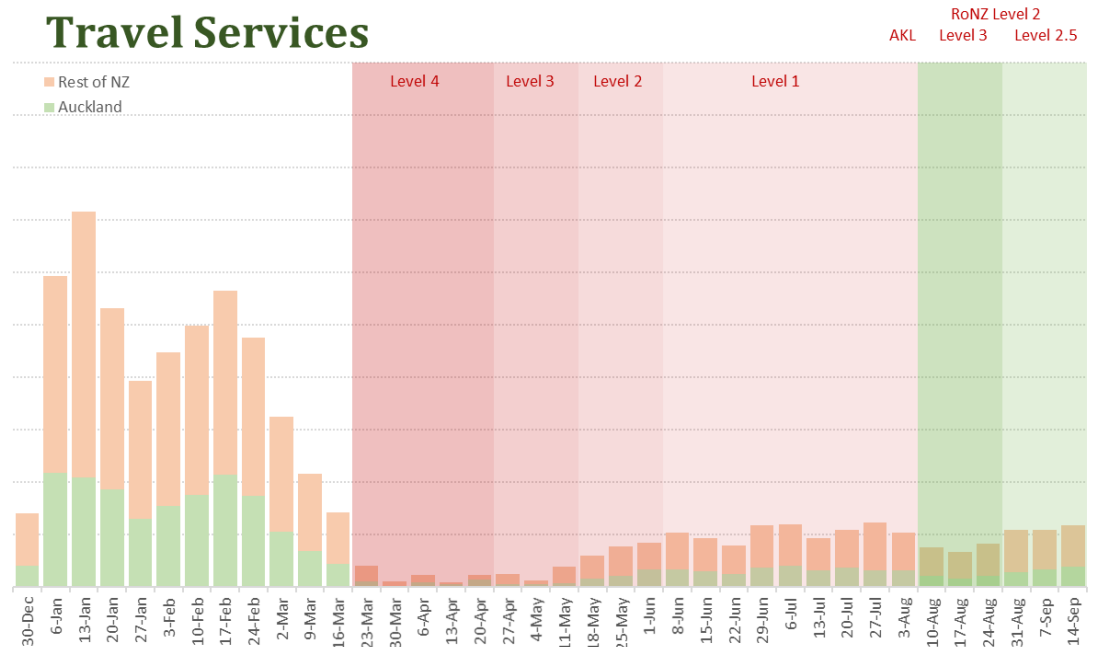
Closed until further notice



Kiwis couldn't escape the NZ winter this year. Island getaways were swapped for the Queenstown slopes. Domestic tourism benefited.

But there's growing concern as we head into Summer, a time when the number of foreign visitors soars. It looks like there'll be nothing but tumbleweed at international arrivals.

Travel Services



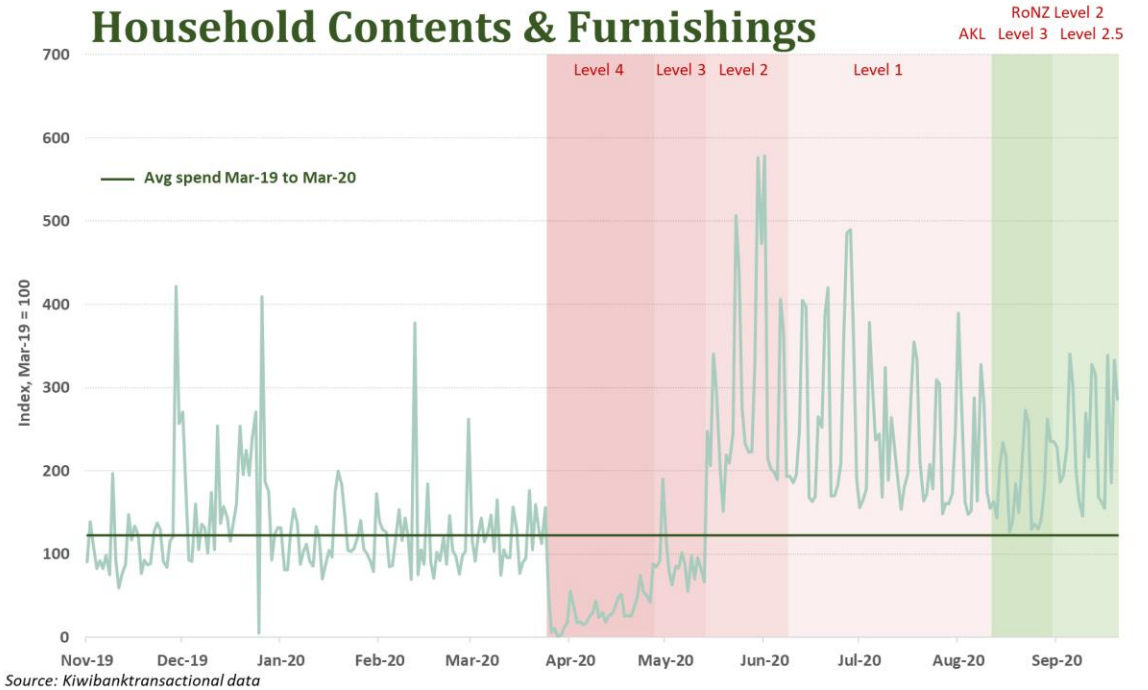
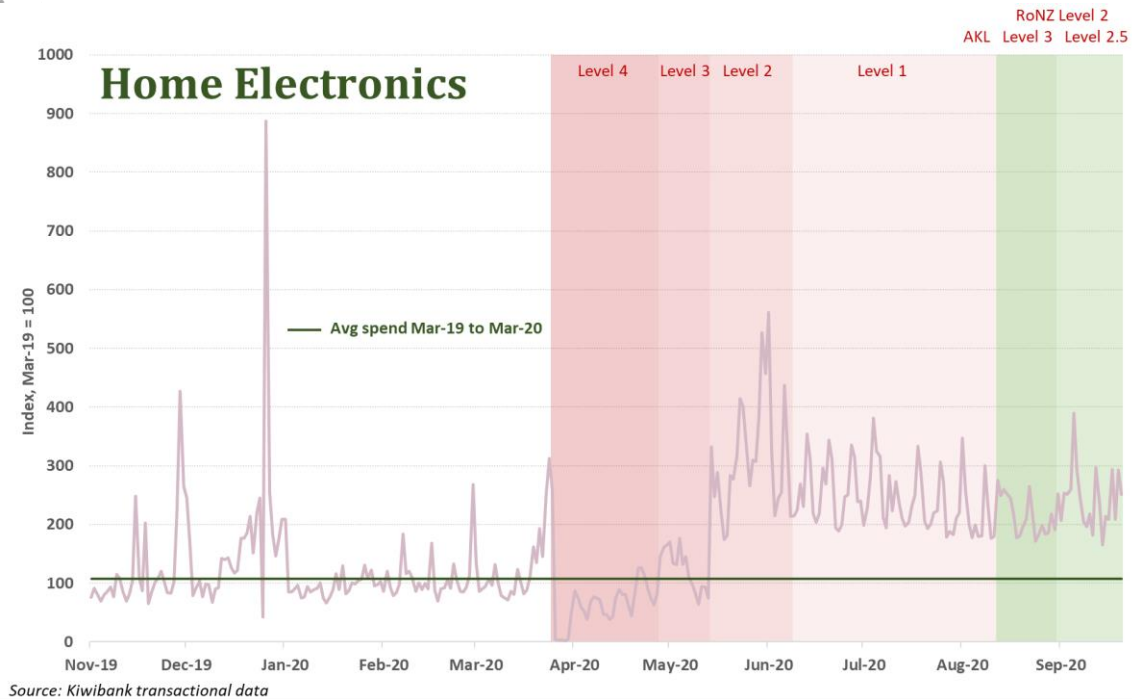
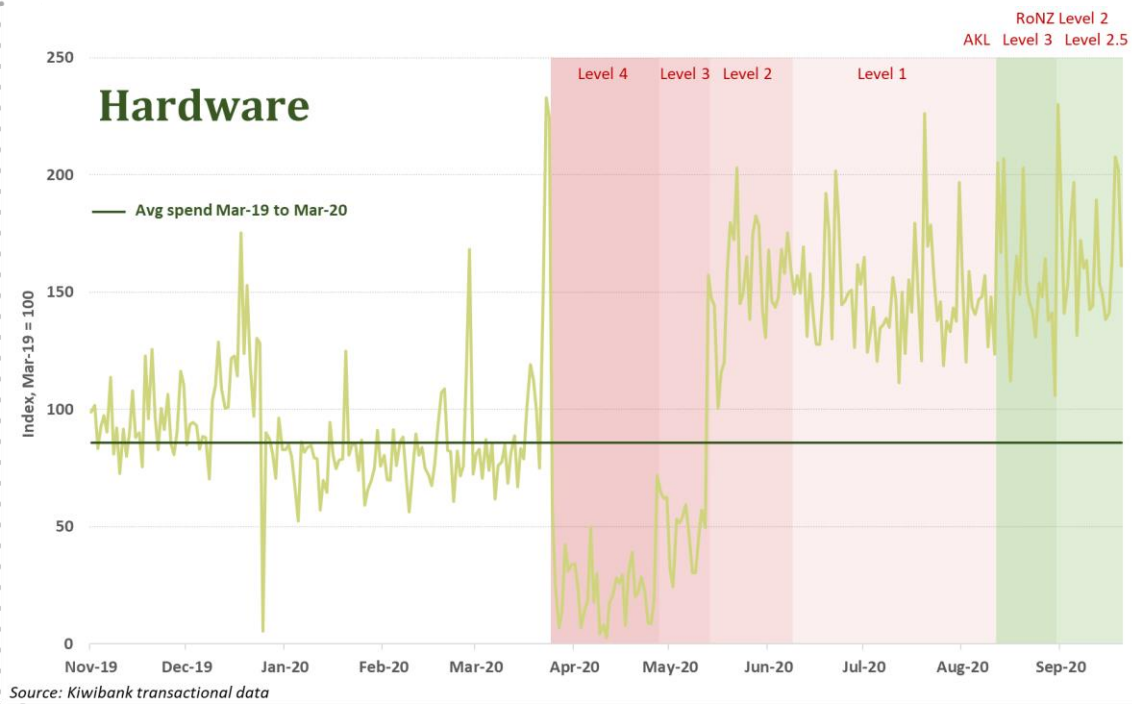
Source: Kiwibank transactional data



Been meaning to...

Stuck at home, Kiwis started striking off the to-do list. We re-painted walls, fixed fences and laid pavers. More time at home, means more spending on the home. Hardware spending spiked post-lockdown and remains elevated.

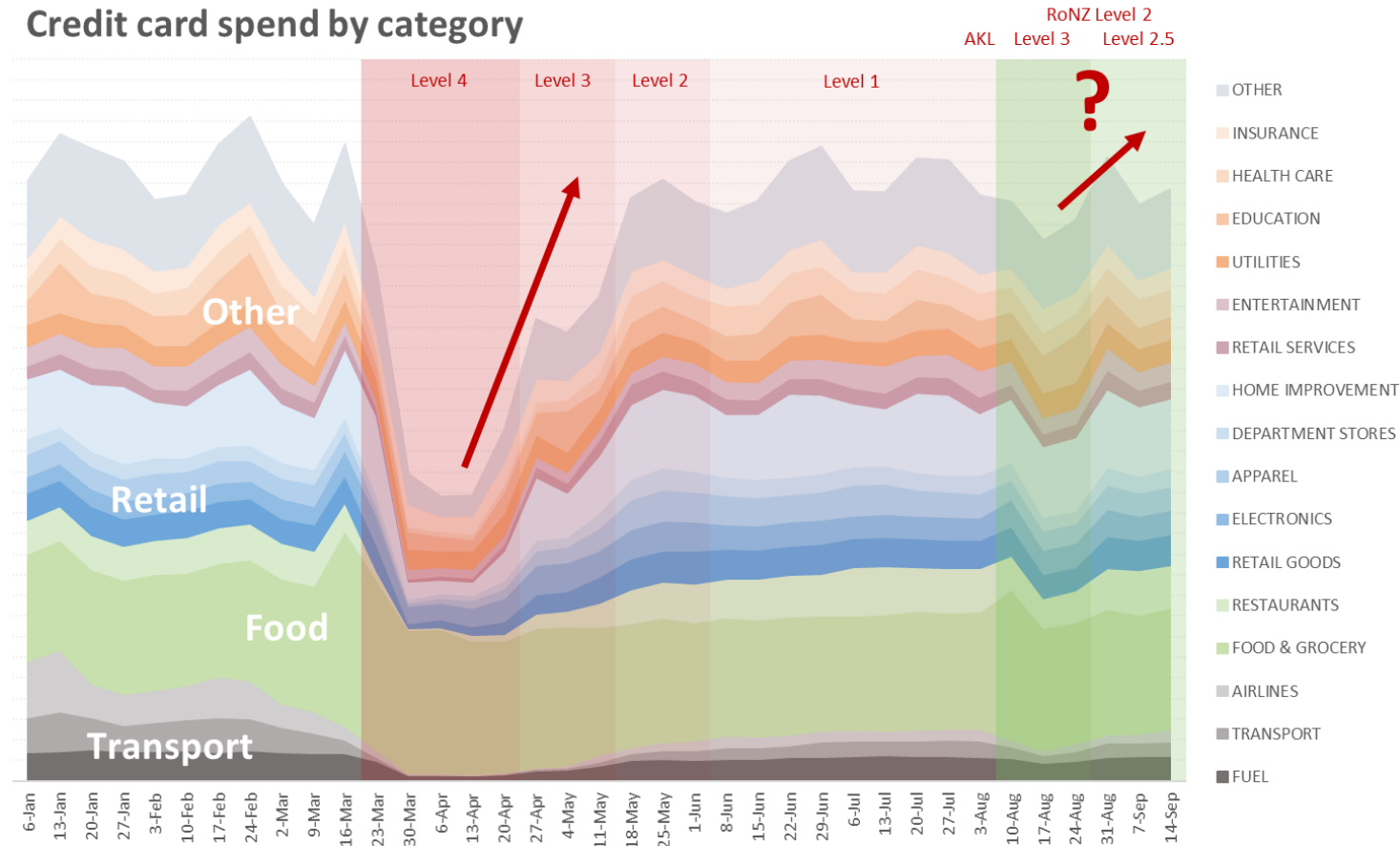
With holidays canned, spending was also re-directed toward new furnishings.



Second spending spree?

- As NZ rolls back the restrictions, with Akl this Wednesday, we're expecting another bounce in spending.
- The end of the wage subsidy scheme however will weigh on the strength of the rebound. Unemployment is expected to rise. Consumer confidence could wane, with more subdued spending and investment likely.
- The decline in personal incomes across US households and slowing consumption growth is something to watch out for in NZ.
- Time will tell.

Credit card spend by category



Source: Kiwibank transactional data

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