



ECONOMIC BULLETIN

Retail Spending Pulse.



8 Dec 2023 | **Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | satish.ranchhod@westpac.co.nz

This is the inaugural release of our Retail Spending Pulse where we analyse spending on Westpac customers' credit and debit cards¹ to gather timely insights on emerging spending trends. We will be expanding this analysis over the coming months to cover a broader range of spending indicators.

Spending growth has continued to slow in recent months in line with the trends we have seen in the broader economy this year. The slowdown in spending is most notable in 'nice to have' or discretionary items, with households increasingly focused on value for money. These trends point to soft spending appetites heading into the holiday shopping season.

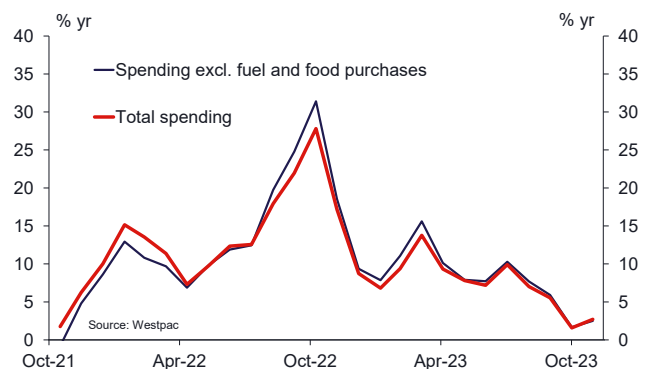
Spending squeeze as financial pressures bite.

Our tracker of spending on Westpac-issued debit and credit cards showed that nominal spending in the three months to November was up just 3% compared to the same time last year. That's a sharp slowdown from the first half of the year when spending had been rising at an annual rate of around 9%.

As retail prices have increased by around 4% and the population by more than 2%, these spending trends imply weak per-capita spending. Households are splashing out more cash but getting fewer goods in their shopping baskets.

These weak spending trends reflect the squeeze on household budgets from rising prices and higher interest rates. The weakening in the labour market and slowing economy have also likely seen households wind back spending and focus more on the essentials.

Annual spending growth



Note: As spending can be volatile on a month-to-month basis, we've looked at spending levels over a three month period compared to the same time one year prior.

¹ This data excludes spending on non-chip EFTPOS cards.

Spending slowdown widespread.

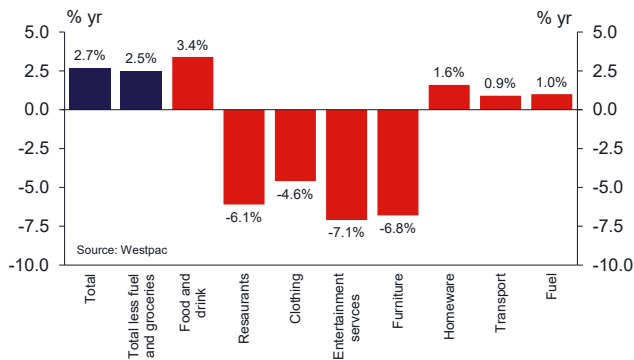
There's been an especially sharp slowdown in spending on items such as clothing, furnishings and recreational items. That chimes with anecdotes we've heard from retailers that spending during 'Black Friday' and other sales events through November has been subdued, and that households have been spending more on essentials and seeking value for money.

Spending in restaurants fell by 6% over the past year and spending on other entertainment services fell by 7% (comparing the three months to November to the same time last year).

Bucking the trend, the past year has seen strong growth in spending on areas related to tourism, such as spending on airfares (up 7%) and travel agents services (up 16%). Demand for these services continues to rise in the wake of the pandemic.

We think it's likely that ongoing financial pressures and lingering nervousness about the economic landscape will see many households keeping their cards in their wallets through the Christmas shopping season. That will be welcome news for the RBNZ who need to see a cooling in domestic activity to get inflation back in the band.

Annual spending growth (three months to November vs same time last year)



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