

Delta Lockdown – Card Spend improves

8 September 2021

As an aid to policymakers and businesses, BNZ is publishing insights from high-frequency data on how the economy is tracking through lockdown. These insights are published as the data becomes available.

HIGHLIGHTS

- The BNZ card spending data described in this note are for the week ending Friday the 3rd of September 2021. This note also describes data on card spending by region and by online versus in-person to the week ending the 29th of August.
- Total card spending increased 12% in the week ending Friday the 3rd of September compared to the previous week. Total weekly card spending is now 37% lower than it was on average over the four weeks prior to lockdown. At the same point of the nationwide level four lockdown in 2020, card spending was 61% below the pre-lockdown average.
- By merchant category, spending on *IT Equipment/Software*, *Internet Payment Services*, and *Financial Services* has now surged well ahead of pre-lockdown levels. Spending on *Hotels*, *Travel*, and *Restaurants* has picked up from last week but is still very low compared to normal times. Consistent with the aggregate numbers, spending in all merchant categories is now ahead of where it was at the same time in the 2020 nationwide lockdown.
- Across regions, the hit to spending relative to pre-lockdown levels ranges from 63% in Marlborough to 33% in Tasman. The Auckland and Wellington regions have seen spending declines of 40% and 41% respectively.
- Online spending has grown more quickly than in-person spending at least since the beginning of 2020. In contrast to in-person spending, online spending has increased thus far in the delta lockdown compared to pre-lockdown levels.

ANALYSIS

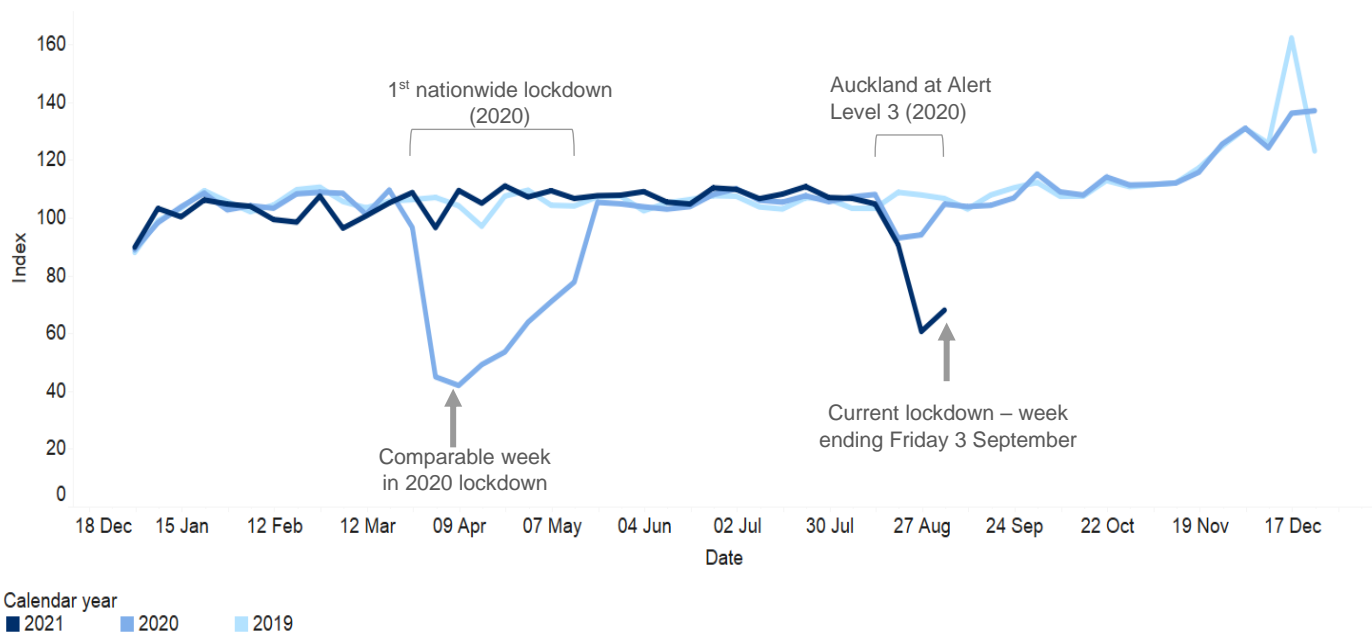
The last datapoint for the 2021 series in Figure 1 is for the week ending Friday the 3rd of September. Compared to the previous week, aggregate card spending **increased** by 12% to be 37% lower than average weekly spending over the four weeks prior to lockdown.

At the same point in the nationwide lockdown in 2020, card spending was still declining and was 61% below pre-lockdown levels. So, while we are still witnessing a massive decline in spending, it is significantly less severe than during the 2020 lockdown and may have bounced earlier. In no small part, these differences in the profile of card spending reflect the fact that much of the country moved to Alert Level 3 in the week to the 3rd of September whereas the country was at Alert Level 4 for 33 days in the 2020 nationwide lockdown.

Figure 2 shows changes in card spending across merchant categories in the week ending Friday the 3rd of September and the week ending Friday the 27th of August, compared to the four-week average prior to the Delta lockdown. Apart from *Chemists*, *Telecom/Internet providers*, and *Food*, spending is up from the previous week in all other product categories. Card spending on *IT Equipment/Software*, *Internet Payment Services*, and *Financial Services* has now surged well ahead of pre-lockdown levels whereas spending on *Hotels*, *Travel*, and *Restaurants* is recovering but still very low.

Figure 3 shows that the change in card spending by merchant category in the week to the 3rd of September compared with the comparable time in the 2020 nationwide lockdown. All merchant categories now lie to the left of the 45-degree line, indicating that the fall in card spending in all categories so far in the Delta lockdown is less than at the same stage of the 2020 lockdown.

Figure 1. Total Card spending (indexed)



Note: The data in this graph is weekly card spending by BNZ customers through domestic and international merchants. This includes all credit and debit card transactions plus EFTPOS card transactions. Transactions include spending less any refunds. Spending data has been indexed to equal 100 in the first four weeks of each year.

Figure 2: Changes in card spending by merchant category – recent weeks compared to pre-lockdown average

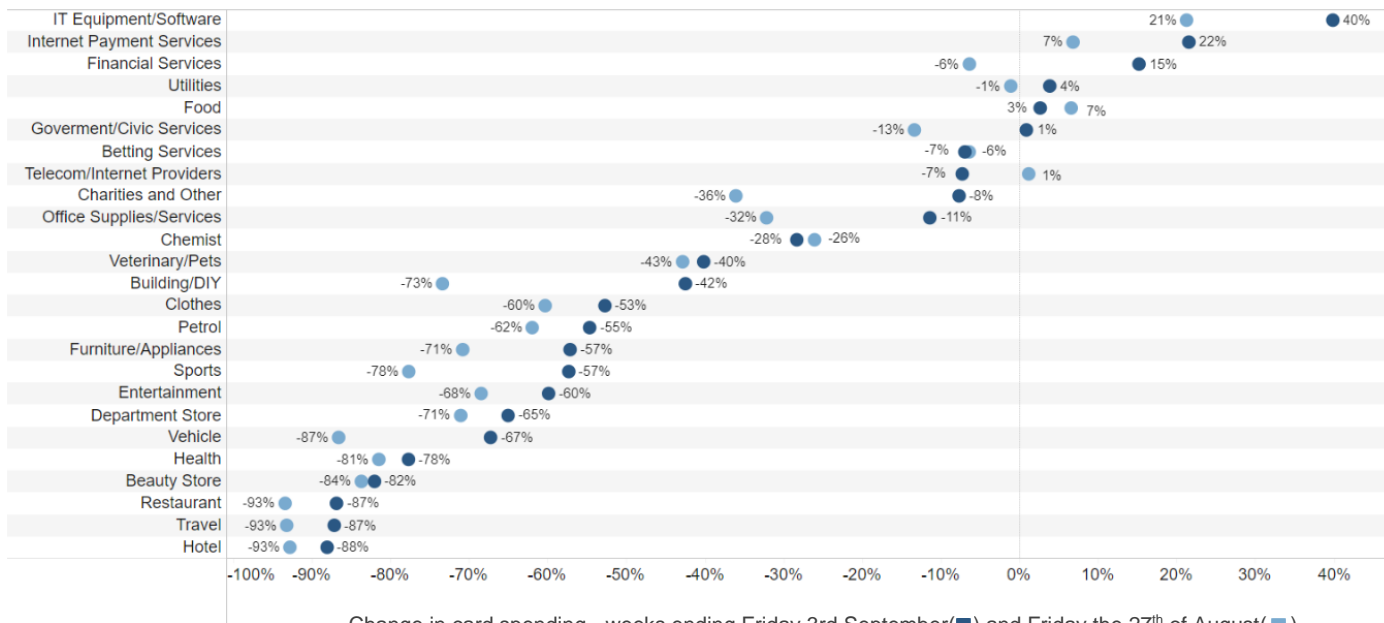


Figure 3: Changes in card spending by merchant category – comparing latest week with the same time in the 2020 lockdown

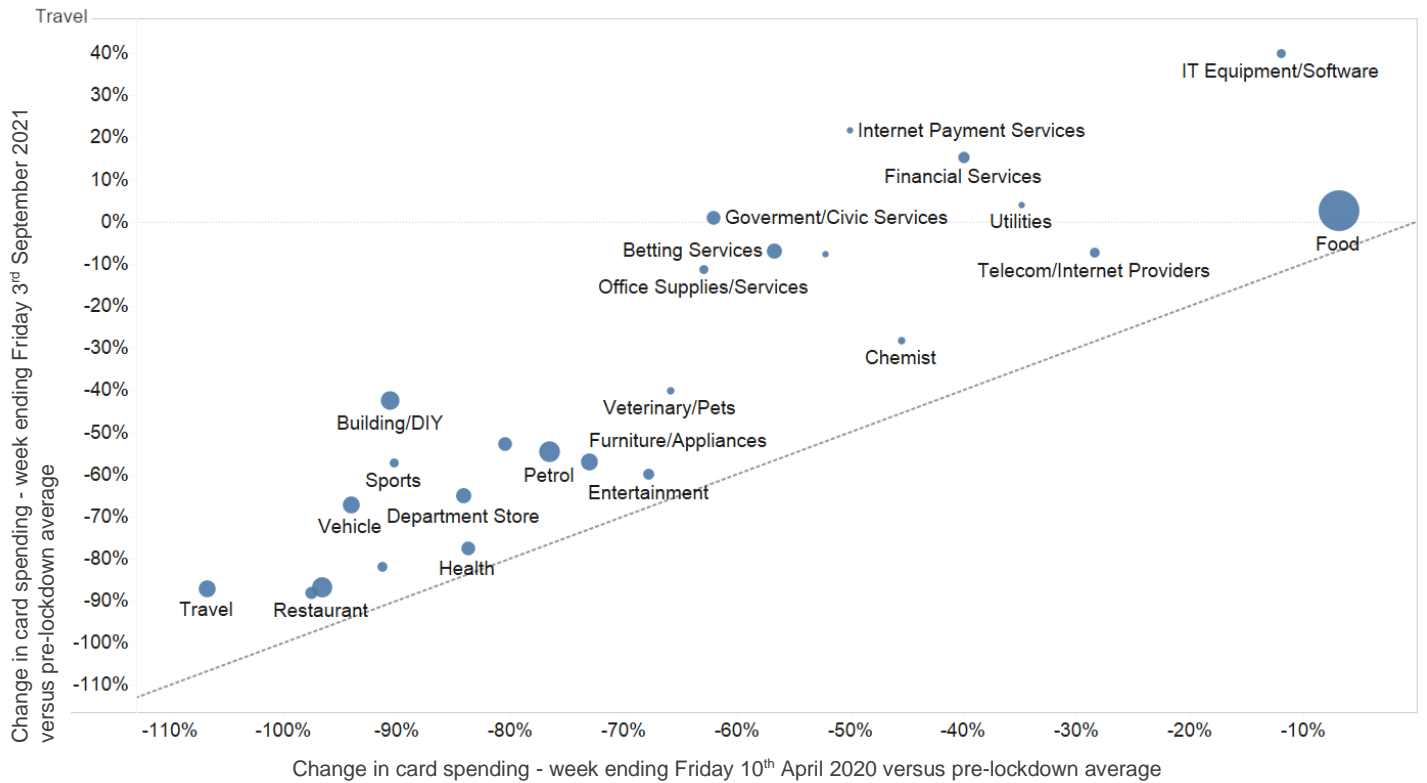


Figure 4 shows the change in card spending across regions in the week ending the 29th of August compared with pre-lockdown levels. The decline in spending by region ranges from 63% in Marlborough to 33% in Tasman. This is narrower than the range across merchant categories given that spending within each region is a weighted average of spending by product category.

Comparing the regional decline in card spending across lockdowns shows that the hit from the Delta lockdown is smaller so far than in the 2020 lockdown in all regions (Figure 5). There is also a similar pattern across regions – regions hit relatively hard in the 2020 lockdown are once again experiencing relatively large falls in card spending.

Figure 4: Change card spending by region

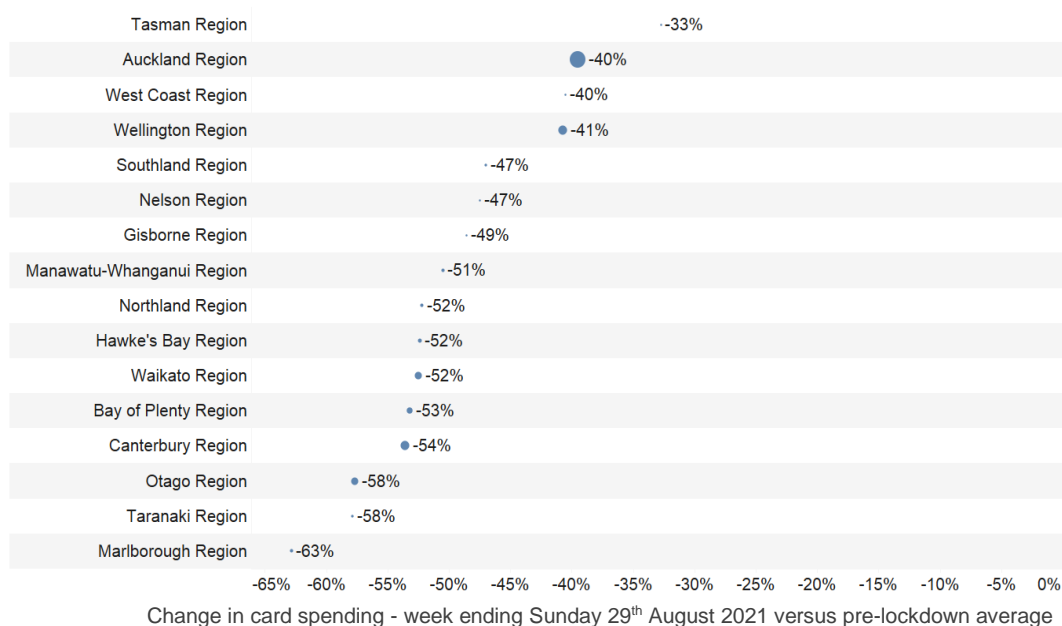
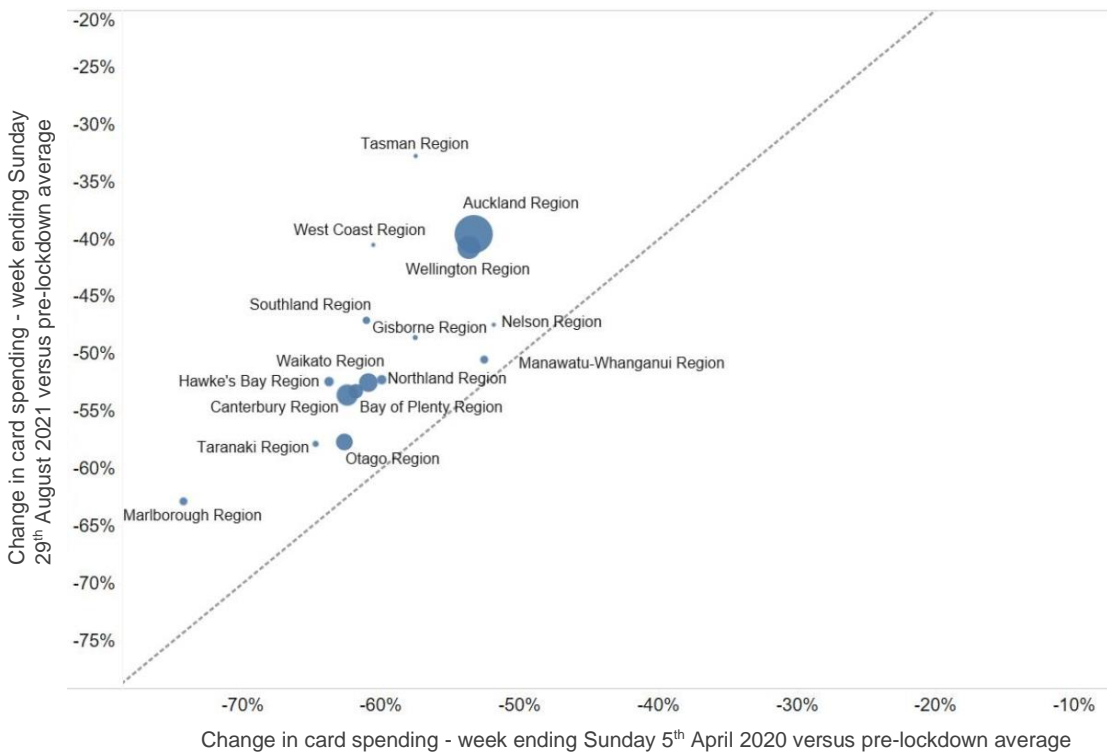


Figure 5: Change in card spending by region – nationwide 2020 lockdown versus Delta lockdown



Finally, Figure 6 shows the change in online and in-person spending from the beginning of 2020 to the 29th of August 2021. Over that period, online spending has increased by about 40%, much more than in-person spending.

In the initial stages of the 2020 nationwide lockdown, online and in-person spending both declined. However, while the fall in in-person spending during the initial phase of the Delta lockdown is similar to the fall at the beginning of the 2020 lockdown, online sales have increased so far in the Delta lockdown. Coupled with the sustained increase in online spending, this may indicate New Zealand are becoming increasingly comfortable with shopping online.

Figure 6: Online and in-person spending

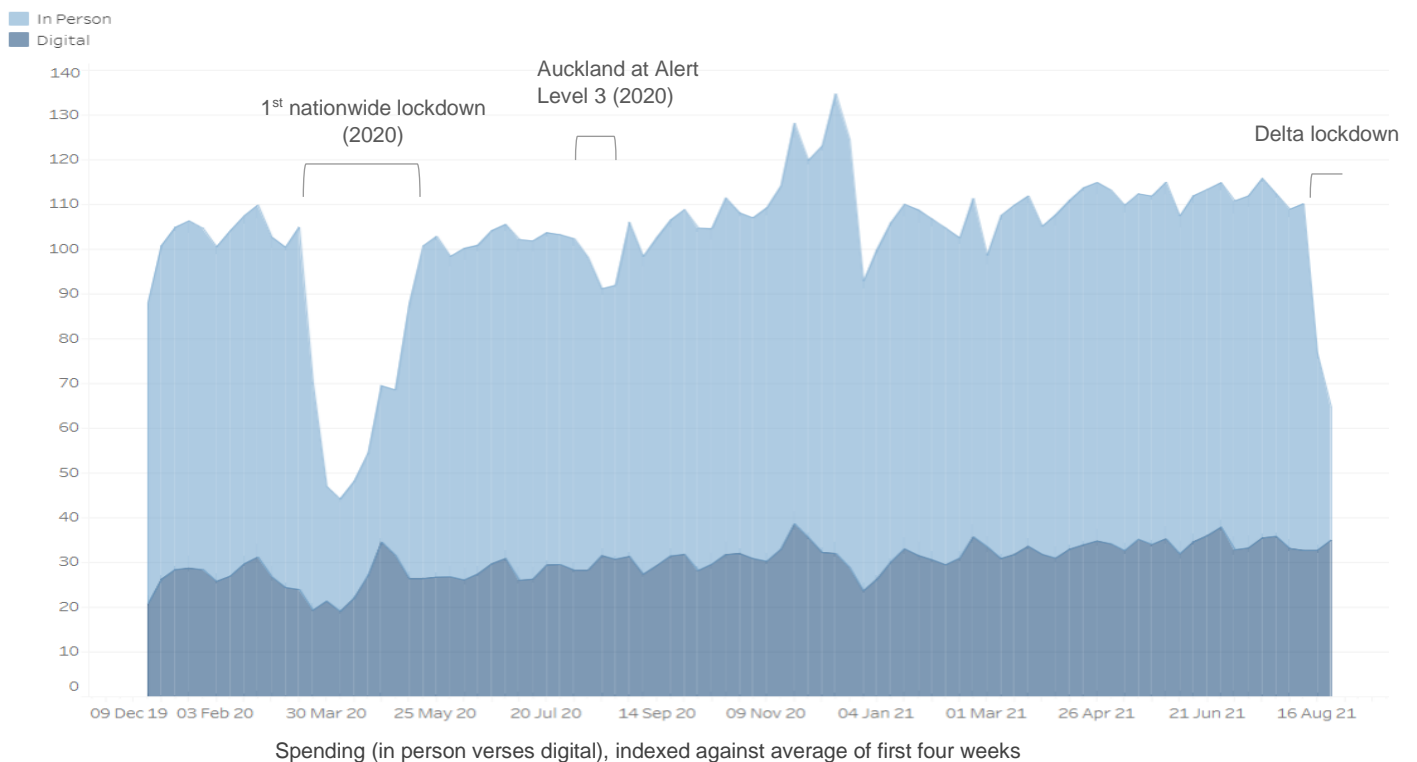


Table 1: Key lockdown dates

Graph notation	Date	Day of the week	Description
Enter lockdown (L3)	23 March 2020	Monday	NZ moves to AL 3
Level change	26 March 2020	Thursday	NZ moves to AL 4
Exit lockdown	13 May 2020	Wednesday	NZ moves to AL 2
Re-enter lockdown	12 August 2020	Wednesday	Auckland moves to AL 3; rest of NZ moves to AL 2
Re-exit lockdown	30 August 2020	Sunday	Auckland moves to AL 2; rest of NZ stays at AL 2
Enter Delta lockdown	18 August 2021	Wednesday	NZ moves to AL 4
Part level change	1 September	Wednesday	Auckland & Northland stay at AL 4; rest of NZ move to AL 3
Part-level change	3 September	Friday	Auckland stays at AL 4; Northland moves to AL 3 along with the rest of NZ

Note: AL = 'Alert Level'

Conclusion

Consumer spending in the week ending Friday the 3rd of September has improved since the previous week but is still well below pre-lockdown levels. Across all product categories, card spending is now ahead of where it was at the comparable stage of the 2020 nationwide lockdown.

Regional spending data show a similar pattern as in the 2020 nationwide lockdown, implying the structure of spending within regions is broadly constant though time and influences the sensitivity of regional spending to lockdowns.

The split in card spend data across in-person and digital channels reveals relatively strong growth in online sales. It also shows the smaller crunch in total card spending in the Delta lockdown compared with the 2020 nationwide lockdown is partly because New Zealanders are becoming more accustomed to online shopping.

CONTACTS

Paul Conway

Chief Economist

paul_conway@bnz.co.nz

021 1499 452

Disclaimer:

The information, opinions and conclusions contained in this document ("Information") is provided by Bank of New Zealand for general information and discussion purposes only. None of the Information is to be used for any other purpose, reproduced or altered. Bank of New Zealand does not warrant or represent that the Information is accurate, reliable, complete, or current. Although every effort has been made to ensure this document is accurate, the contents should not be relied upon and anyone proposing to use the Information should independently verify and check its accuracy, completeness, reliability, and suitability. This document is solely for information purposes and is not intended to be financial advice. If you need help, please contact BNZ or your financial adviser.

Subject to any terms implied by law and which cannot be excluded, neither Bank of New Zealand nor any person involved in this document accepts any liability for any loss or damage whatsoever that may result from any errors, omissions, defects or misrepresentations in the Information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the Information. The Information is governed by, and is to be construed in accordance with, the laws in force in New Zealand. National Australia Bank Limited is not a registered bank in New Zealand.