

Delta Lockdown – Card Spend down 43%

1 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. This note tracks spending on BNZ credit, debit and EFT-POS cards in the week to the 27th of August 2021.

HIGHLIGHTS

- The BNZ card spending data described in this note is for the week ending Friday the 27th of August 2021. Tracking our weekly datapoints, this is our first full week in level four lockdown. Comparisons are made with card spending in the first full week of the nationwide lockdown in 2020 (week ending Friday the 3rd of April 2020).
- In the week ending Friday the 27th of August, total card spending was 43% lower than it was prior to lockdown (measured as the average weekly spend over the four weeks before lockdown). In comparison, total card spending fell 58% in the first full week of the nationwide lockdown in 2020.
- The change in spending by merchant category shows a broadly similar pattern as in the 2020 nationwide lockdown. Card spending on *IT Equipment/Software* and *food* has increased compared to pre-lockdown levels whereas spending on travel-related products and *restaurants* has declined massively.

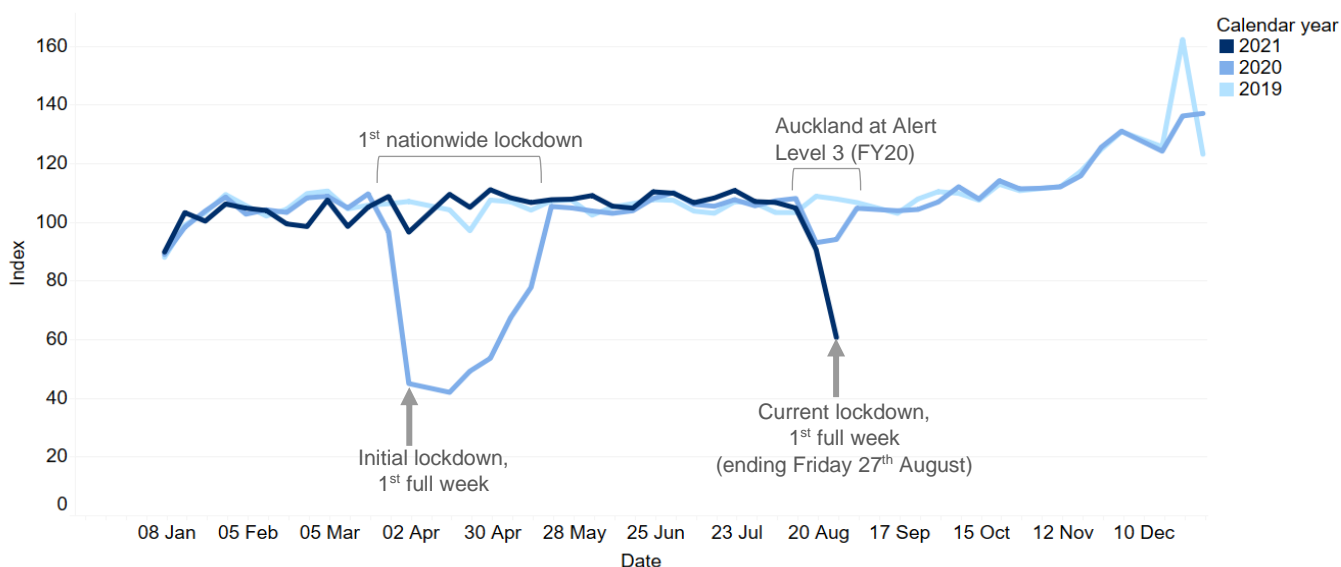
ANALYSIS

Figure 1 shows total BNZ card spending, indexed to equal 100 at the beginning of each year. 2019 serves as a ‘lockdown-free’ baseline for comparison. 2020 clearly shows the impacts of the nationwide and Auckland lockdowns, which give us a yardstick against which to compare the impacts of the current delta lockdown as it progresses.

The last datapoint for the 2021 series in Figure 1 is for the week ending Friday the 27th of August, our first full week in level four lockdown. Consumer spending that week was 43% lower than average weekly spending over the four weeks prior to lockdown.

In the nationwide lockdown in 2020, card spending was down 58% in the first full week. So, while we are witnessing a massive decline in spending, the evidence from BNZ card spending data is that it is not as huge thus far in the delta lockdown as it was at the comparable 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 shows changes in card spending across merchant categories in the week ended Friday the 27th of August compared to the four-week average prior to the delta lockdown. The size of the bubbles represents the proportion of total spending accounted for by each category in the four-weeks before lockdown.

Spending on *IT Equipment/Software* and *food* increased by 21% and 8% respectively in the week to Friday the 27th of August compared to the four weeks prior to lockdown. At the other end of the spectrum, card spending on *restaurants, travel* and *hotels* fall by a massive 93% compared to pre lockdown levels.

Figure 2: Merchant category weekly changes in card spending

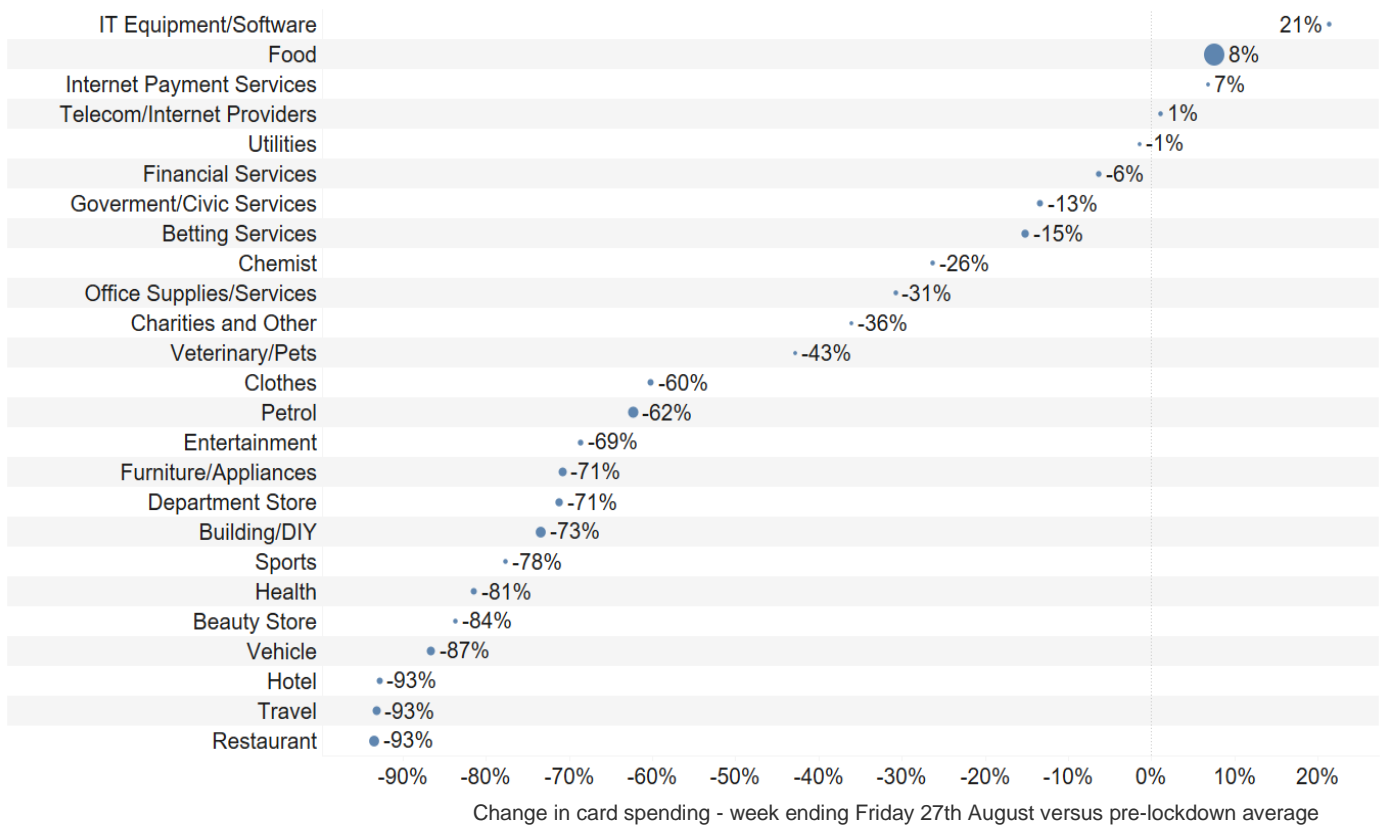


Figure 3 on the next page compares the change in card spending by merchant category in the week to 27 August with the first full week of the nationwide lockdown in 2020. In both cases, the comparator is average card spend by merchant category over the four weeks prior to each lockdown. The size of the bubble represents the share of total average weekly spending accounted for by each category in the four weeks before the 2020 lockdown.

The positive relationship in the graph shows, not surprisingly, that there is a similar pattern to changes in card spending across merchant categories during both lockdowns. Merchant categories that were most negatively impacted during the 2020 lockdown – categories towards the bottom-left corner of the graph – are once again bearing the brunt of the fall in card spending. Categories that were relatively immune to the fall in card spending in both lockdowns are shown towards the top-right of the graph.

Most product categories lie to the left of the 45-degree line in the graph. Consistent with the aggregate data, this indicates that, in almost all product categories, the fall in card spending so far in the delta lockdown is less than it was at a similar stage of the 2020 lockdown. Unfortunately, *charities* are the exception, suffering a much larger fall in spending so far this time around.

Figure 3: Change in consumer spending in first full week of lockdown – nationwide 2020 lockdown versus delta lockdown

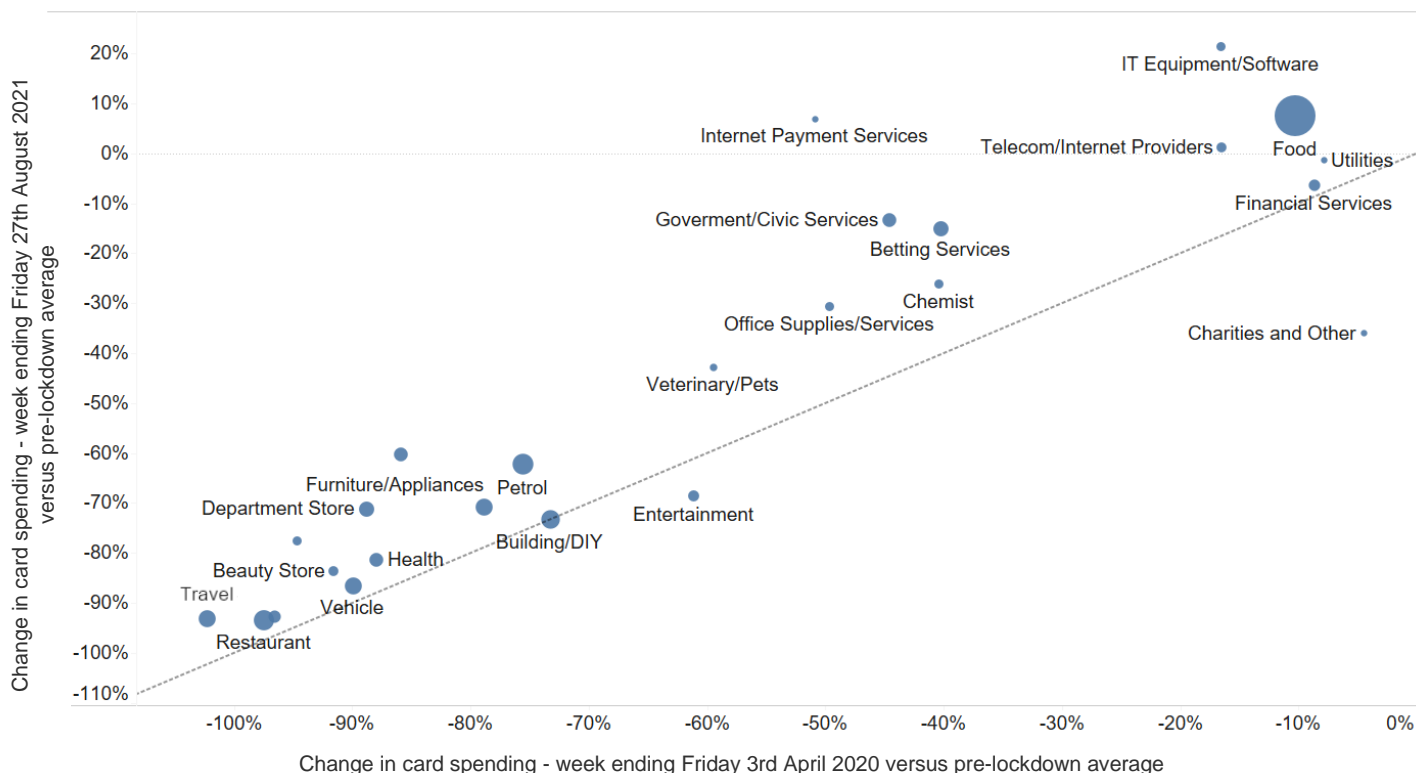


Table 1: Key lockdown dates

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

Note: AL = 'Alert Level'

Conclusion

Consumer spending in the week ending Friday the 27th of August has taken a huge hit, falling 43% compared to the four-week average pre lockdown. This represents a massive change in consumer behavior that will have severe flow-on impacts on the economy. However, it is not as extreme as the fall in card spending that occurred at a similar time during the 2020 nationwide lockdown (58%).

By product category, hospitality and travel-related products are again experiencing brutal cuts in spending. Some of these categories – particularly those related to tourism – had not fully recovered from the lockdowns of 2020, making these spending cuts all the more painful. More generally, spending across product categories confirms a less extreme hit to card spending at this stage of lockdown compared to the 2020 nationwide lockdown.

This less extreme crunch in card spending could reflect greater comfort with online shopping. It may also reflect the fact that we have been here before and emerged from the 2020 nationwide lockdown with the economy and household balance sheets holding up remarkably well.

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