

Delta Consumer Spending – regional, merchant category and online impacts

3 October 2021

As an aid to policymakers and businesses, BNZ is publishing insights from high-frequency data on how the economy is tracking through lockdown. This note tracks card spending on BNZ credit, debit, and EFT-POS cards over the course of the delta lockdown.

HIGHLIGHTS

- Total card spending fell 49% in the first week of lockdown but has improved since and was only 5% below pre-lockdown levels in the week to Tuesday the 28th of September.
- Card spending in Auckland was very weak throughout alert level 4 but increased 28% with the move to alert level 3. Outside Auckland, card spending increased by 33% and 57% as the alert level moved from 4 to 3 and from 3 to 2 respectively. Outside Auckland, card spending is now above pre-lockdown levels, offsetting lower-than-normal spending in Auckland.
- Outside Auckland, card spending has increased across almost all merchant categories in alert level 2 relative to alert level 4. The largest spending increases have been in parts of retail most likely to require face-to-face contact, whereas travel-related categories have seen the smallest increases. In some categories – such as *food, utilities, and in-home entertainment* – spending has remained relatively resilient across alert levels.
- Spending within Auckland by merchant category shows similar patterns but with much smaller changes given alert level 3 restrictions are still in place. The move from alert level 3 to 2 results in a bigger spending pulse across more merchant categories compared with the move from alert level 4 to 3.
- Before the delta lockdown, online spending accounted for 23% of BNZ card spend. It has increased since, but we will only know if this is a permanent change in shopping habits once Auckland is well out of alert level 3.

ANALYSIS

This note analyses weekly BNZ card spending data to the 28th of September 2021. ‘Weeks’ are taken to start on Wednesdays and end on Tuesdays to align with the most critical alert level changes (Table 1). Weeks are grouped to correspond with the different phases of the lockdown shown in the table. The note also looks at the geographic split of card transactions, which is based on the location of merchants (rather than of the cardholder).

For analytical convenience, we do not consider the impacts of Northland and Upper Hauraki being at different alert levels compared to the rest of the country. This does not change results much given these areas combined account for less than 3% of total BNZ card spend.

Table 1: Key delta lockdown dates

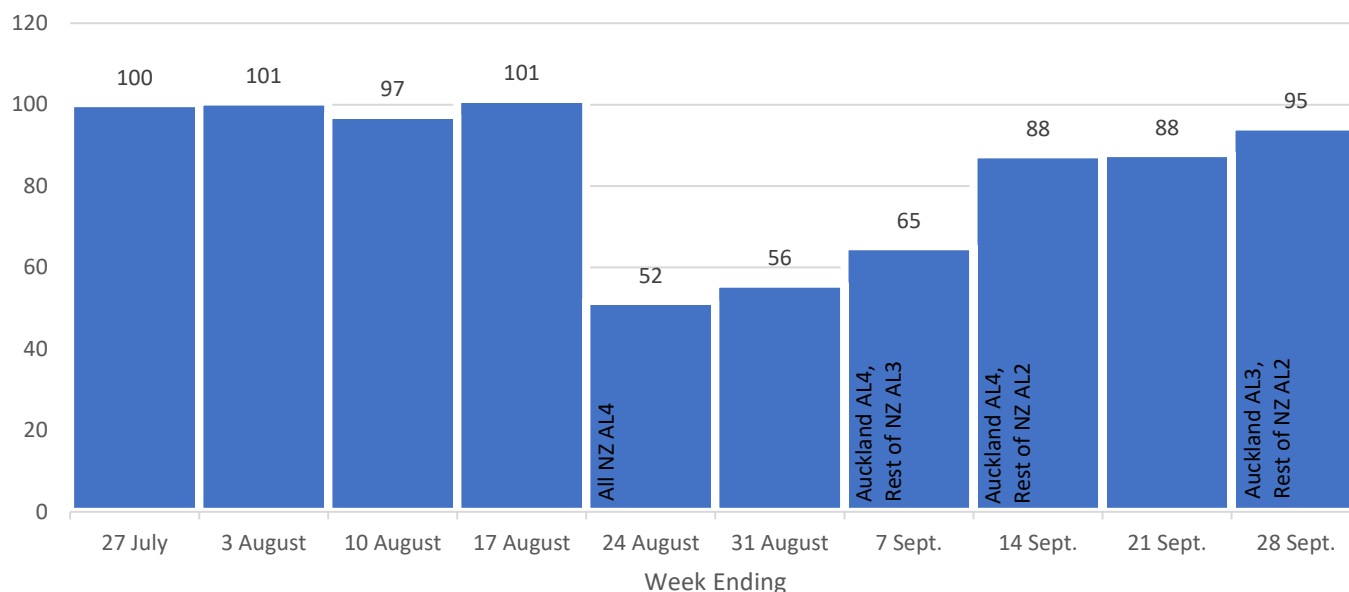
Date	Weekday	No. of weeks	Description
18 August 2021	Wednesday	2	NZ moves to AL 4
1 September	Wednesday	1	Auckland and Northland remain AL 4; rest of NZ to AL 3
8 September	Wednesday	2	Rest of NZ (except Auckland) moves to AL 2
22 September	Wednesday	1	Auckland moves to AL 3

Note: AL = ‘Alert Level’ (Upper Hauraki AL changes excluded from this table. Not all key dates shown in Figures)

Figure 1 shows total BNZ card spend over the delta lockdown. Total card spending fell 49% in the first week of lockdown, recovered slightly in the second week, and then more strongly as alert levels were progressively lowered outside Auckland. Total spending lifted another 7 percentage points when Auckland moved to alert level 3.

By the week ending 28 September, BNZ card spending was only 5% below its average weekly level in the four weeks prior to lockdown.

Figure 1: Aggregate BNZ Card Spending through the delta lockdown



Note: The data in this graph is average weekly card spending by BNZ customers through New Zealand merchants. This includes all credit and debit card transactions plus EFTPOS card transactions. Transactions include spending less any refunds. Data is indexed to 100 based on the average of the first four weeks in this series.

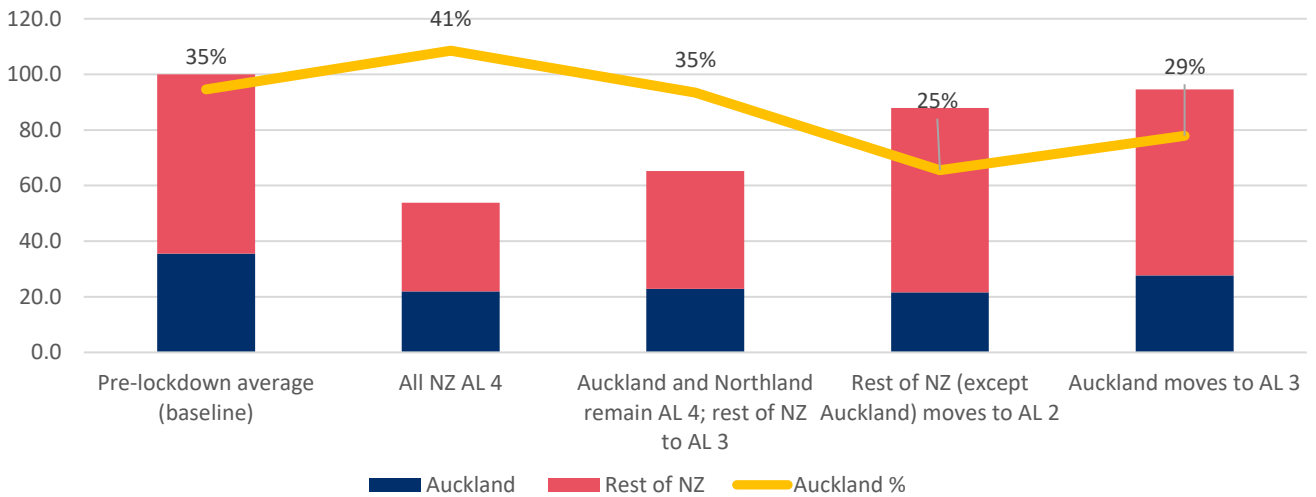
While the recovery in aggregate card spending is encouraging, the delta lockdown has shifted card spending across regions and merchant categories.

During the first two weeks of lockdown, with the whole country in alert level 4, card spending was most negatively impacted outside Auckland – card spending fell 50% in the rest of the country compared to 38% in Auckland relative to pre-lockdown levels (Figure 2).

Outside Auckland, BNZ card spending progressively recovered as the alert level was lowered – compared to the previous week, it increased by 33% when the alert level was lowered from 4 to 3 and by 57% when the alert level was lowered from 3 to 2. By the week ending 28 September, card spending outside Auckland was 4% above its pre-lockdown level.

While Auckland was at alert level 4, card spending remained very weak, and Auckland’s share of total card spending fell accordingly (Figure 2). When Auckland moved to alert level 3 on the 22nd of September, card spending in the city increased by 28% but remains 22% below its pre-lockdown level.

Figure 2: Average weekly consumer spend through delta alert levels – Auckland and the rest of New Zealand



Note: The data in this graph is average weekly card spending by BNZ customers through New Zealand merchants. This includes all credit and debit card transactions plus EFTPOS card transactions. Transactions include spending less any refunds. Auckland and Rest of NZ data has been indexed to 100 in the pre-lockdown period.

Card spending outside Auckland increased in almost all merchant categories in level 2 relative to level 4 (Figure 3). Consistent with the aggregate card spending data, the move from level 3 to level 2 generated bigger spending increases in most merchant categories compared with the move from level 4 to level 3. In most merchant categories, card spending outside Auckland is now above pre-lockdown levels.

Broadly speaking, merchant categories most closely associated with face-to-face retail – *Building/DIY, Beauty Store, Sports, Books, and Department Stores* – have seen the biggest lift in card spending from the move to alert level 2. Card spending in travel-related categories – including *Rental Cars, Hotels, and Petrol* – has increased less and is still below pre-lockdown levels. Some merchant categories – *food, utilities, and in-home entertainment* – has remained relatively unchanged whereas spending on digital services and equipment has been strong over lockdown.

In Auckland, card spending across most merchant categories increased in alert level 3 compared to alert level 4 (Figure 4). However, these increases are much smaller than in the rest of the country in the move to alert level 2.

Figure 3: Merchant Category Spend weekly averages, rest of New Zealand

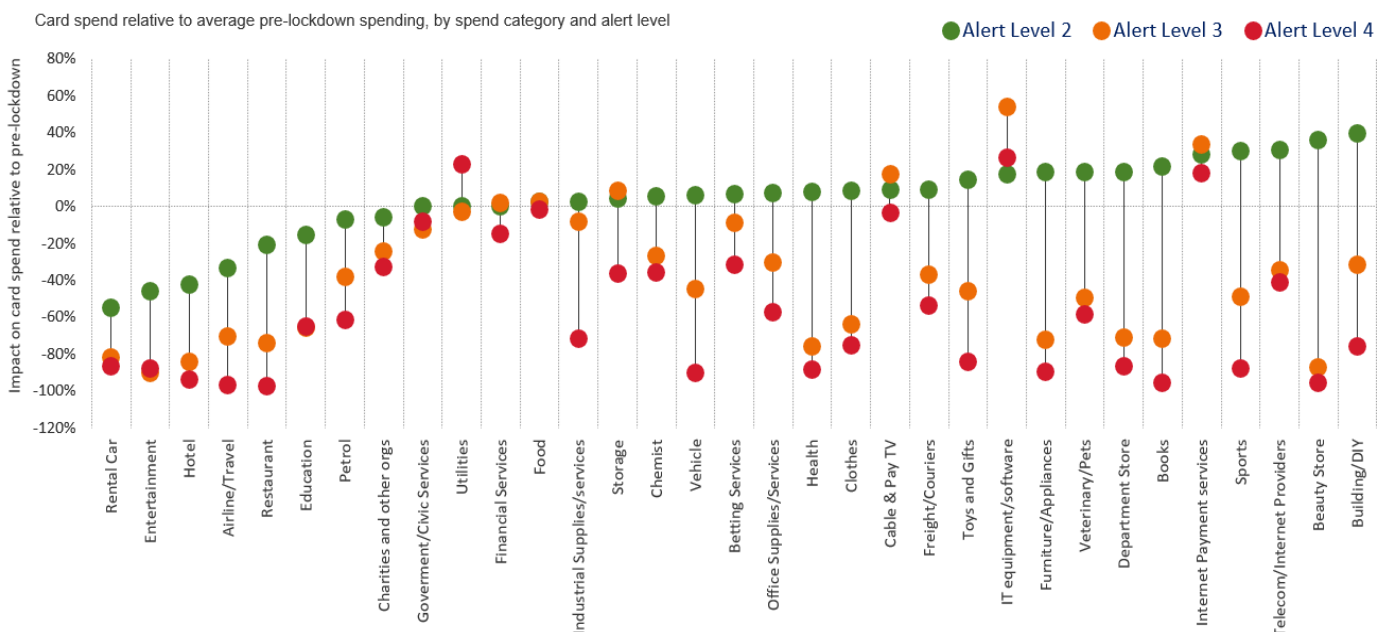


Figure 4: Merchant Category Spend weekly averages, Auckland

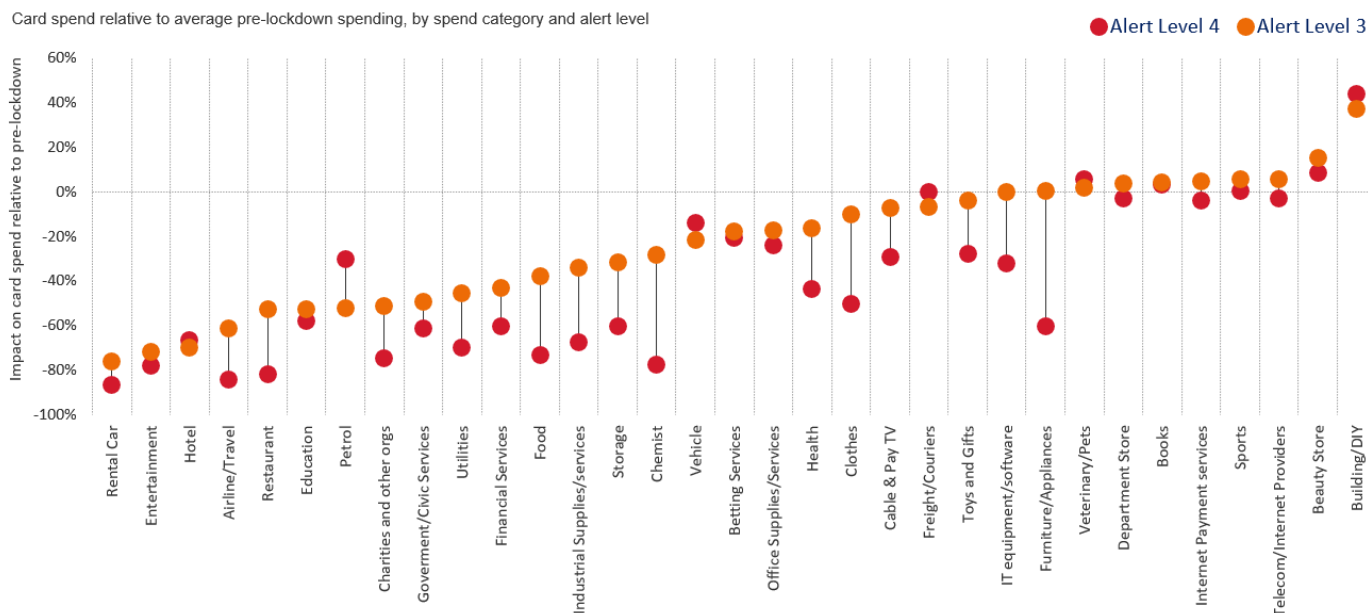
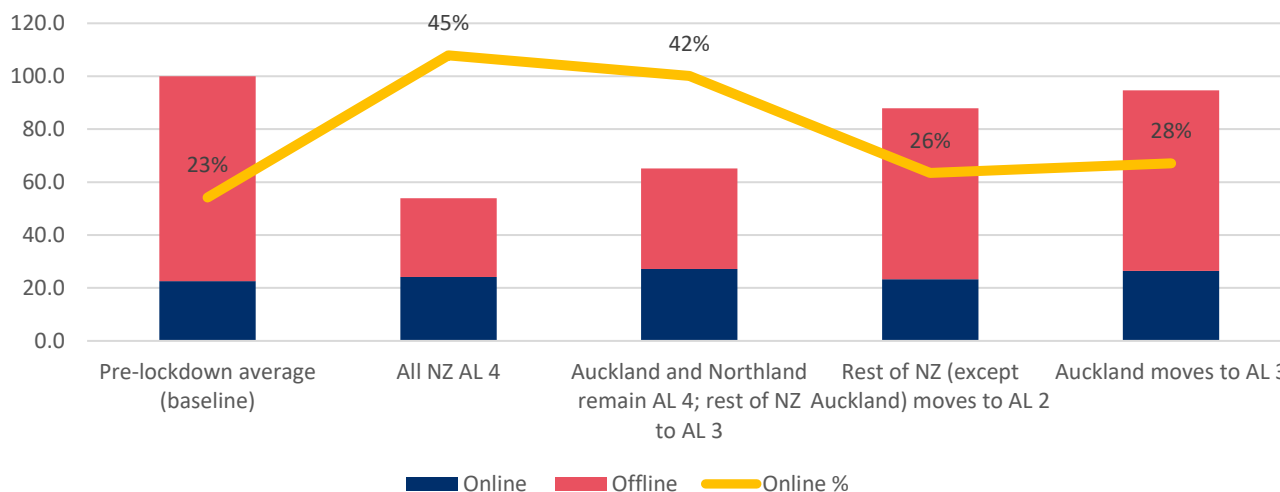


Figure 5 shows the split of total card spending across on-line versus in-person transactions. The 46% fall in total card spending in the first two weeks of lockdown alert level 4 (compared to the four-week pre-delta lockdown average) occurred because of a huge 62% fall in in-person spending. In contrast, on-line card spending increased 7% above pre-lockdown levels in these two weeks. As a result, on-line spending grew to 45% of total spending in alert level 4.

As the country outside Auckland moved down the alert levels, in-person card spending began to recover and the share of on-line spending in total spend declined. It is, however, still above pre-lockdown levels. Time will tell if the delta lockdown has permanently encouraged more Kiwis to shop on-line.

Figure 5: Average weekly consumer spend through delta alert levels – Online and Offline spend



Conclusion

The latest BNZ card spend data shows some encouraging signs. Both within and outside Auckland, spending bounced significantly as the alert level was lowered from 4 to 3 (at different times). Outside Auckland, spending had a stronger jump when the alert level was lowered to 2, largely offsetting more restrained spending in Auckland.

By allowing (socially distant) face-to-face retail, the move from alert level 3 to 2 leads to relatively strong growth in spending. So, if the experience outside Auckland is anything to go by, we can expect another strong spending pulse when Auckland finally gets to alert level 2.

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