

# Economic Note

April 2021 NZ Electronic Card Transactions

11 May 2021

## April boost to retail and we remain positive on the retail outlook

- Strong lift in April card spending, with favourable base effects sees a close to doubling in annual spend.
- Tentative signs of a Trans-Tasman bubble and school holiday boost.
- After a slow start to the year, we remain positive on the outlook for retail spending over 2021, which is likely to continue to support the NZ economy. However, the retail sector outlook includes both tailwinds and some headwinds.

### ECT

	Actual	Market	ASB
Total retail ECT (mom)	4.0		2.0
yoy	108.7		
Core retail ECT (mom)	4.1		
yoy	98.1		
Total ECT (mom)	4.0		
yoy	117.0		

## Summary and implications

April card spending proved to be much stronger than our expectations of a 2% lift. A school holiday boost for retail and the reopening of the Trans-Tasman bubble look to have provided a strong lift to hospitality, apparel, and fuel retail in April. What's more, favourable base effects saw an approximate doubling in spending levels compared to depressed 2020 levels. After a slow start to the year, we remain positive on the outlook for retail spending over 2021, with growing consumer demand expected to support the economy. However, the outlook for the sector includes both tailwinds and headwinds.

## Larger than expected February fall for card spend

**Retail electronic card spending rose a seasonally adjusted 4.0% in April 2021 (-1.2% 3m3m), somewhat better than our +2% mom pick.** Excluding fuel and vehicle components, core spending rose 4.1 s.a. over April (-1.2% 3m3m). Total card spending advanced at a 4.0% monthly rate (-1.7% 3m3m).

**Base effects flattered annual comparisons.** With April 2020 figures dampened by the COVID-19 lockdown, spending levels for most retail categories were much. Much higher than a year ago (retail +109% yoy, core +98% yoy, total +117% yoy). Hospitality spending was about twentyfold higher on depressed April 2020 levels, with apparel spend about ninefold higher. Consumable retail was a fraction lower than a year ago.

**Following a few patchy months, spending in most of the major subgroups rose in April.** In looking at the April month's spending in more detail, the key take-outs were as follows:

- A school holiday boost looks to be behind the April jump in fuel (+5.1% mom) and apparel retail (+8.3% mom) as

kiwis wrapped up for the approaching winter.

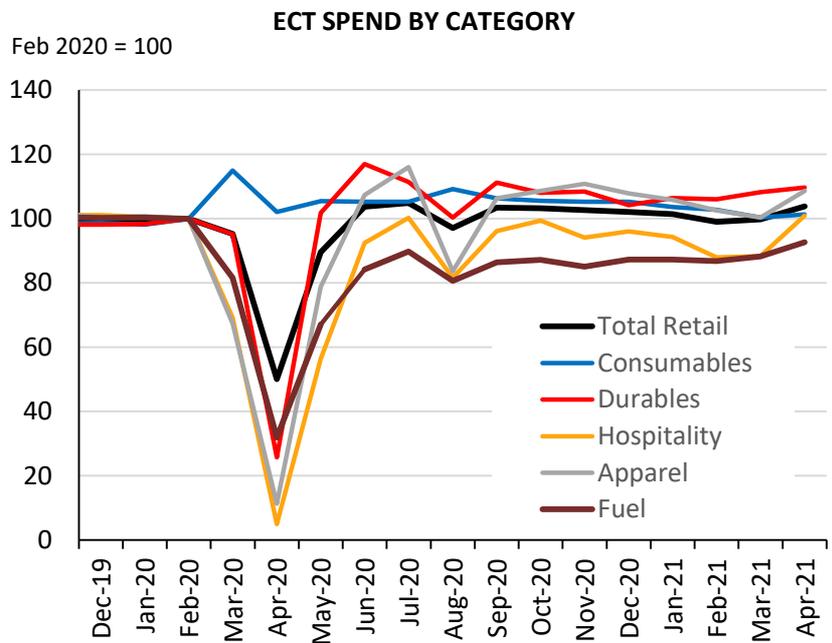
- There were tentative signs of a trans-Tasman bubble boost. Our seasonally adjusted estimates showed a 14% April jump in hospitality spending to its highest level on record. The more detailed splits for the hospitality sector confirmed a base effect boost for food & beverages services retailing (from \$44m in April 2020 to \$969m in April 2021) and for accommodation services retail (from \$13m to \$185m)
- Durable spending remained robust (+1.3% mom, 1.5% 3m3m, 331% yoy). Booming dwelling construction the lack of overseas travel continued to underpin strong furniture, electrical and hardware retail (from \$138m to \$711m). Base effects boosted annual sales growth for department stores (\$93m to \$337m), recreational goods (1\$25m to \$160m).
- Consumable retail rose 1.0% in seasonally adjusted terms (-3.1% 3m3m, -0.4% yoy) following several weaker months, with consumers showing less willingness to maintain precautionary stocks. Supermarket sales were down \$287m compared to April 2020.
- Services retail was flat on the month (-1.8% 3m3m, +752% yoy) but looks set to pick up as consumers substitute expenditures towards services as the economy reverts more to pre-COVID19 spending patterns.

### The retail outlook for 2021

After spending much of the March quarter on the side lines, we expect increased consumer demand to help prop up the NZ economy over the remainder of 2021. However, the outlook for sector includes both tailwinds and headwinds.

Several tailwinds remain, including the strong balance sheet position of households (asset price revaluations), higher levels of saving (household deposits have climbed \$20bn since COVID-19), record levels of housing construction, high levels of overall employment and low interest rates. The Trans-Tasman bubble will help attract overseas funds, but this is a two-way street, with the opening of other travel bubbles in the coming months expected to further syphon away funds that could be spent domestically.

There are also retail headwinds. Stock shortages, supply bottlenecks, higher freight costs and higher consumer prices are expected to reduce the options available to consumers and limit how far their spending dollars will go. Sharply slowing population growth and less favourable housing market conditions will also cool overall spending.



Source: Stats NZ, ASB

#### ASB Economics & Research

Chief Economist  
Senior Economist  
Senior Economist  
Senior Economist  
Senior Economist, Wealth  
Economist  
Publication & Data Manager

Nick Tuffley  
Mark Smith  
Jane Turner  
Mike Jones  
Chris Tennent-Brown  
Nat Keall  
Judith Pinto

[nick.tuffley@asb.co.nz](mailto:nick.tuffley@asb.co.nz)  
[mark.smith4@asb.co.nz](mailto:mark.smith4@asb.co.nz)  
[jane.turner@asb.co.nz](mailto:jane.turner@asb.co.nz)  
[mike.jones@asb.co.nz](mailto:mike.jones@asb.co.nz)  
[chris.tennent-brown@asb.co.nz](mailto:chris.tennent-brown@asb.co.nz)  
[nathaniel.keall@asb.co.nz](mailto:nathaniel.keall@asb.co.nz)  
[judith.pinto@asb.co.nz](mailto:judith.pinto@asb.co.nz)

#### Phone

(649) 301 5659  
(649) 301 5657  
(649) 301 5853  
(649) 301 5661  
(649) 301 5915  
(649) 301 5720  
(649) 301 5660

[www.asb.co.nz/economics](http://www.asb.co.nz/economics)

[@ASBMarkets](https://twitter.com/ASBMarkets)

Disclaimer

This document is published solely for informational purposes. It has been prepared without taking account of your objectives, financial situation, or needs. Before acting on the information in this document, you should consider the appropriateness and suitability of the information, having regard to your objectives, financial situation and needs, and, if necessary seek appropriate professional or financial advice. We believe that the information in this document is correct and any opinions, conclusions or recommendations are reasonably held or made, based on the information available at the time of its compilation, but no representation or warranty, either expressed or implied, is made or provided as to accuracy, reliability or completeness of any statement made in this document. Any opinions, conclusions or recommendations set forth in this document are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed elsewhere by ASB Bank Limited. We are under no obligation to, and do not, update or keep current the information contained in this document. Neither ASB nor any person involved in the preparation of this document accepts any liability for any loss or damage arising out of the use of all or any part of this document. Any valuations, projections and forecasts contained in this document are based on a number of assumptions and estimates and are subject to contingencies and uncertainties. Different assumptions and estimates could result in materially different results. ASB does not represent or warrant that any of these valuations, projections or forecasts, or any of the underlying assumptions or estimates, will be met.