

# Economic Note

March 2021 NZ Electronic Card Transactions

13 April 2021

## Households take back seat despite March lift to card spending

- March sees a pick-up in card spending, with favourable base effects pushing annual growth in card spending into positive territory.
- Nevertheless, card spending values were generally down in Q1, with households no longer driving growth and signalling the NZ economy was potentially back in recession in late 2020/early 2021.
- We expect card spending growth to cool over 2021, with the introduction of the Trans-Tasman travel bubble expected to provide a mixed blessing for NZ retailers.

### ECT

	Actual	Market	ASB
Total retail ECT (mom)	0.9		-1.5
yoy	5.1		
Core retail ECT (mom)	0.7		
yoy	3.7		
Total ECT (mom)	2.0		
yoy	7.8		

## Summary and implications

March card spending proved to be stronger than our expectation of a small fall due to the see-sawing in alert levels (Auckland started the month in lockdown), and the lack of spending by overseas tourists given border restrictions and the waning appetite for durable purchases by consumers. Despite the 0.9% lift in the March month, card spending was down over the March quarter, with households no longer in the driving seat of the economy. However, the improving global outlook will ensure that the stalling in NZ economic activity will be brief. There are several pluses on the retail spending front, including the improved balance sheet position of households, high levels of employment and low interest rates. However, we expect growth in retail spending to cool over 2021 given sharply slowing population growth and waning consumer demand for consumer durables. Even the looming Trans-Tasman bubble will likely prove to be a mixed blessing for the retail sector over 2021.

## Larger than expected February fall for card spend

**Retail electronic card spending rose a seasonally adjusted 0.9% in March 2021, somewhat better than our -1.5% mom pick.** Excluding fuel and vehicle components, core spending rose 0.7% s.a. over March. Courtesy of higher non-retail (+5.7% s.a.) and services spending (+3.0% s.a.) total card spending jumped 2% s.a. The fall was stronger than implied by the MBIE card data that has shown an early March contraction in spending related to the higher Alert levels.

**Base effects flattered annual comparisons.** With March 2020 figures dampened by the lockdown last year, spending levels for most retail categories were higher than a year ago (retail +5.1% yoy, core +3.7% yoy, total +7.8% yoy). Going forward, we expect these base effects will contribute to volatility in annual comparisons.

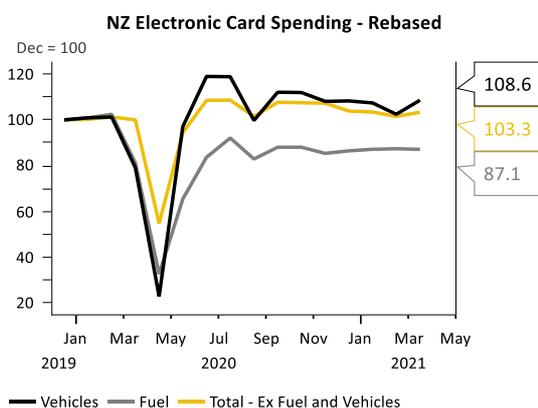
The revised figures show that the March monthly lifts were the first since the September 2020 month for both retail and core spending. **This resulted in sizeable Q1 falls for card spending (-1.9% in Q1 for retail, -2.4% for core spending and down 1.7% for total spending), the first quarterly falls since the June 2020 quarter.**

In looking at the March month's spending in more detail, the key take-outs were as follows:

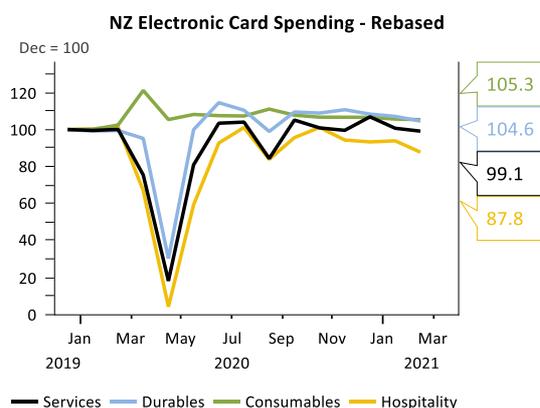
- **Kiwis maintained their love affair with durable spending** (+1.8% mom, +1.5% qoq, 14.1% yoy). The booming housing market, the lack of overseas travel continued to underpin strong furniture, electrical and hardware retail (+17% yoy). Base effects boosted annual sales growth for department stores (+20% yoy), recreational goods (16% yoy).
- **Hospitality retail looks to have bounced back from its sharp February fall.** Statistics NZ have still not provided seasonally adjusted estimates for hospitality given this industry has yet to show a clear pattern post COVID-19. Our seasonally adjusted estimates point to a circa 9.3% March increase (-4.9% qoq, 26.1% yoy). The more detailed splits for the hospitality sector confirmed a base effect boost for food & beverages services retailing (34% yoy), less so for accommodation services retail (+5% yoy).
- **Consumable retail plunged 3.3% in seasonally adjusted terms (-1.4% qoq, -12.4% yoy) as consumers showed less willingness to maintain precautionary stocks.** Supermarket sales (-14% yoy), liquor sales (-9% yoy), were lower, with specialized food sales recovering (+1.7% yoy).
- **Apparel retail declined for a fourth consecutive month** (-2.4% mom, 6.2% qoq, 50.1% yoy), unwinding late 2020 strength, with base effects once again flattering the annual comparison.
- Consistent with climbing fuel prices, fuel card spending rose 1.1% s.a. in March (-2.0% qoq, +8.7% yoy).

### The retail outlook for 2021

**We expect retail spending to cool over 2021 as compared to the 4-5% jumps experienced over 2020.** Several tailwinds do remain, including the strong balance sheet position of households (courtesy of increased saving and asset price revaluations), high levels of overall employment and low interest rates. But there will also be headwinds, including sharply slowing population growth. Housing market conditions are expected to be less favourable over 2021 than they were in 2020, with cooler property market activity to place more of a brake on durable spending over 2021. The Trans-Tasman bubble should provide a welcome boost to some local tourism operators. However, it will also see kiwis head across the ditch, syphoning funds that would have spent locally.



Source: Macrobond, ASB



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