


Kiwibank Household Spending Tracker: June Quarter, 2021

Sidestepping covid cases and the need to protect ya neck

Kiwibank credit and debit card spending

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Overseas spend shows signs of life

- **An environment primed for price increases.**
 - Total Kiwibank credit and debit card spend rose 7.2% in the June quarter. A summer spending spree carried the Kiwi economy in the March quarter. And Kiwibank's transactional data suggests that domestic demand remains strong. Improved confidence around job security has undoubtedly supported household consumption. And our ability to sidestep covid outbreaks allows for greater freedom of movement. There are a few signs to suggest that the strength in demand is waning. At the same time, firms are facing rising costs. Materials are stuck in transit and firms are fighting over an evaporating pool of skilled workers. Strong demand and strained supply creates an environment primed for price increases. Rampant cost pressures point to rising inflation, if only temporary.
- **Overseas spend has been slammed, but the Aussie travel bubble is providing a leg up.**
 - It's been a while since we've last swiped, tapped or inserted our cards in places across the seas. Our international spend has been sumo slammed to the ground, but the Aussie travel bubble is allowing some activity across the ditch. After a year of exploring Aotearoa, some have crossed the Tasman sea for a change of scenery and to visit family and friends. "Card-present" spending overseas picked up, with international spend rising 64.5% over the June quarter. The high growth rate is clear evidence that overseas spend had been virtually non-existent.
 - The return to pre-pandemic levels of international spending is a considerable time away. With the risk of being left stranded on the penal colony island, some would rather hold off their plans. Confidence to travel overseas should build as the vaccine rollout continues. And international spend should pick up as more bubbles are blown.

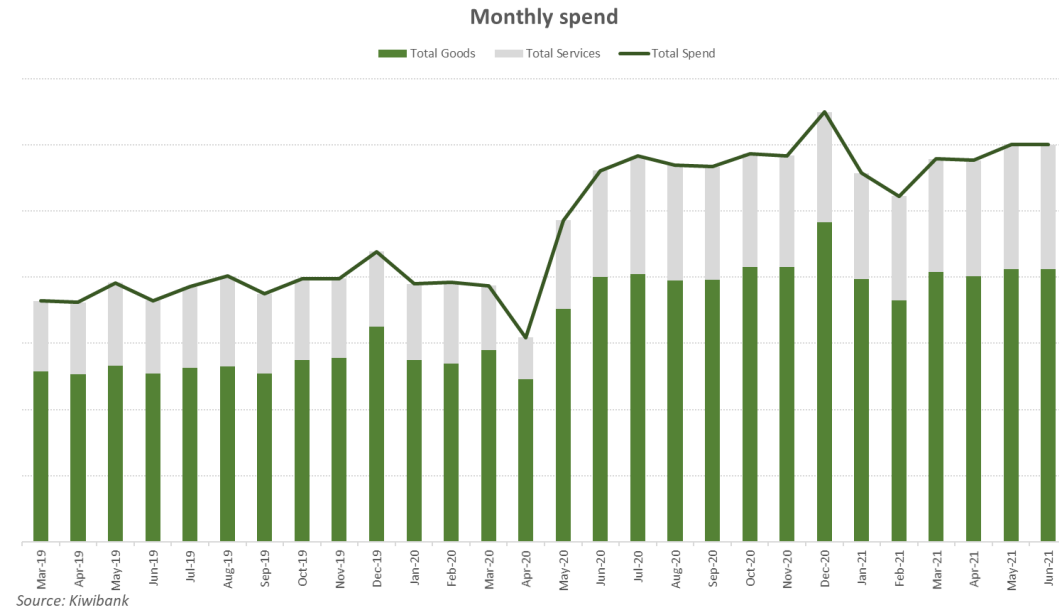
Protect Ya Neck!

- **A preference to remain on home turf sees staycations supporting the tourism sector.**
 - Despite creaking open our door, we prefer to remain on home turf. Staycations are helping to keep pockets of the tourism sector running. There's always a new trail to hike, beach to surf or town to visit. Spend on hotels and accommodation remains elevated. And the upcoming school holidays and ski season should provide another boost. Last winter's ski season was strong, with Kiwi embracing the cold, rather than summers offshore.
- **Working from home can be a pain in the neck. As we've ramped up our health spend.**
 - Seemingly endless zoom calls now dominate our day. After tiringly staring at a Brady bunch of faces, furiously smiling with intent, we have kinks in our neck. And we're rushing out to snap ourselves back into alignment. We've seen a spike in spending at chiropractors, massage parlours, and other health services, as we seek to iron out the kinks and creaks. Maybe we need to invest a little more in ergonomic home office furniture.
- **Long-distance travel is still too hard. We're giving our homes and cars a face-lift instead.**
 - For the past year, we've been doing up the house and upgrading our cars. You can find us sitting on our new lounge suite, scrolling through Netflix on our new flat screen, and dipping in the new pool out back. The pause in home reno spend in the March quarter was simply us drawing up new projects. We've picked up the tools again, and spend has resumed in the June quarter. Given long-distance travel will be off the cards for some time yet, this substitution effect will remain in play. Booming residential construction will also support home-related spend. With new housing stock expected to come online, demand for the likes of Danske Møbler will remain strong.

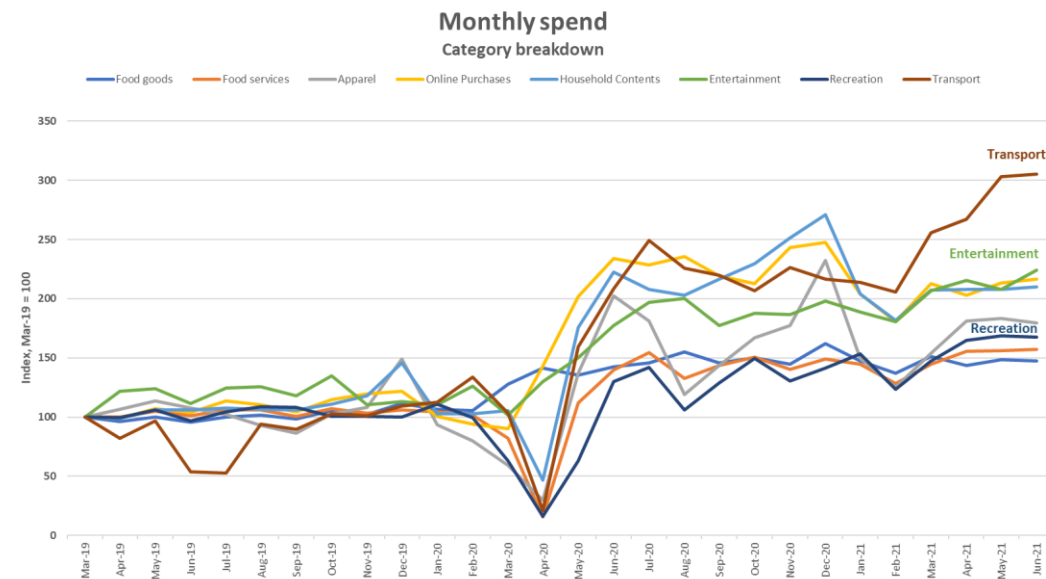
Spending still showing strength



- It's clear that the limited impact of the Covid lockdowns has supported household confidence, and in turn consumption. Kiwibank's transactional data suggests that the strong spend seen over summer has continued. Total credit and debit card spend rose 7.2% in the June quarter.
- The inability to travel overseas continues to funnel spending into the local economy. Kiwi are still upgrading their homes and cars. The return to the office or school means crammed ferries, buses and trains once again. And a health crisis has made many of us more conscience of our own health, with a lift in spend at the doctors, dentists, chiropractors and other health services.
- Total spend is 31% higher than in the June 2020 quarter. The annual percentage change is inflated due to a structural shift away from cash since the lockdown (and with growth on Kiwibank's customer book). But compared to previous quarters, the annual rate has softened, down 10%pts. Because the June 2020 quarter captured the surge in spending once the Alert Level 4 lockdown was lifted.



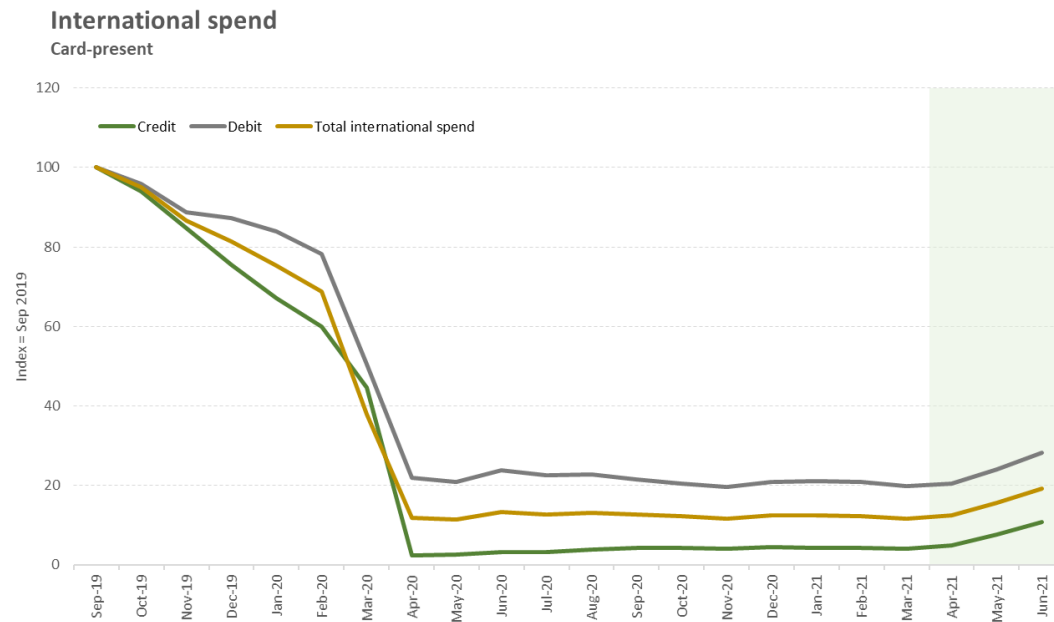
Source: Kiwibank



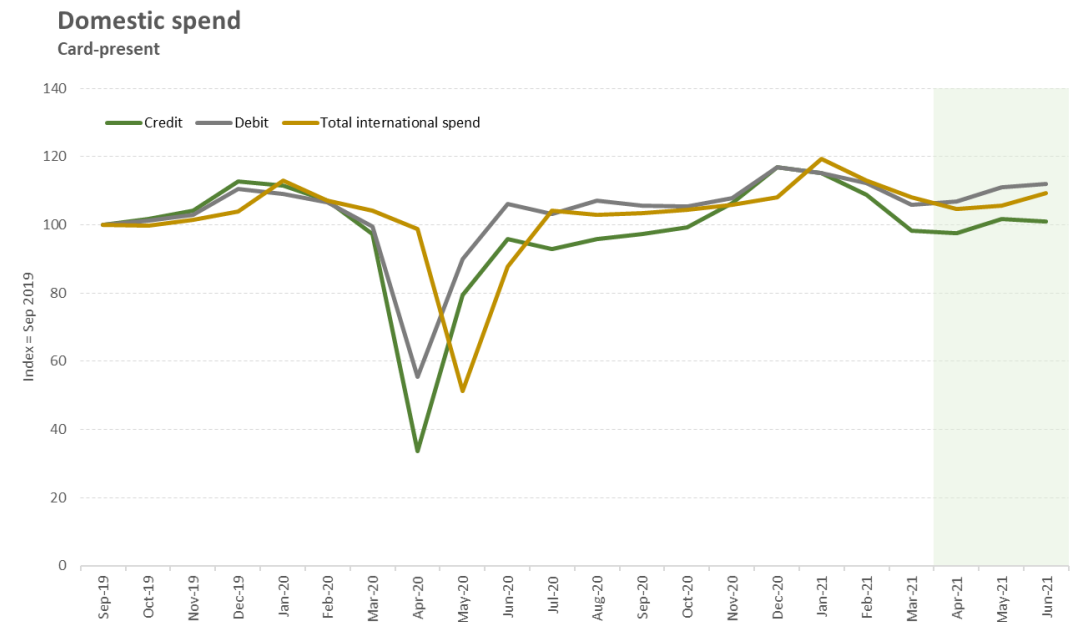
Source: Kiwibank

Overseas spend shows signs of life, but we prefer home turf

- After a year of dormancy, the Aussie travel bubble has breathed some life into our overseas spend. “Card-present” international spend rose 64.5% over the quarter.
- But, despite creaking open our door, we prefer to remain on home turf. There's always a new trail to hike, beach to surf or town to visit. Spend on domestic lodging, tourist attractions and other hospitality services remains elevated.
- Domestic spend at travel agencies and tour operators however is struggling to recover. Since we’re exploring our own backyard, there’s little need to hop on a tour bus. We’ve designed our own Contiki tour. The closed border and 2020 lockdown saw many services shut down. And spend is still below pre-pandemic levels. Covid may have spelled the end of the traditional way to plan travel.
- The return to pre-pandemic levels for international spend is a considerable time away. Confidence to travel overseas should build as the vaccine rollout continues. And international spend should pick up as more bubbles are blown.



Source: Kiwibank

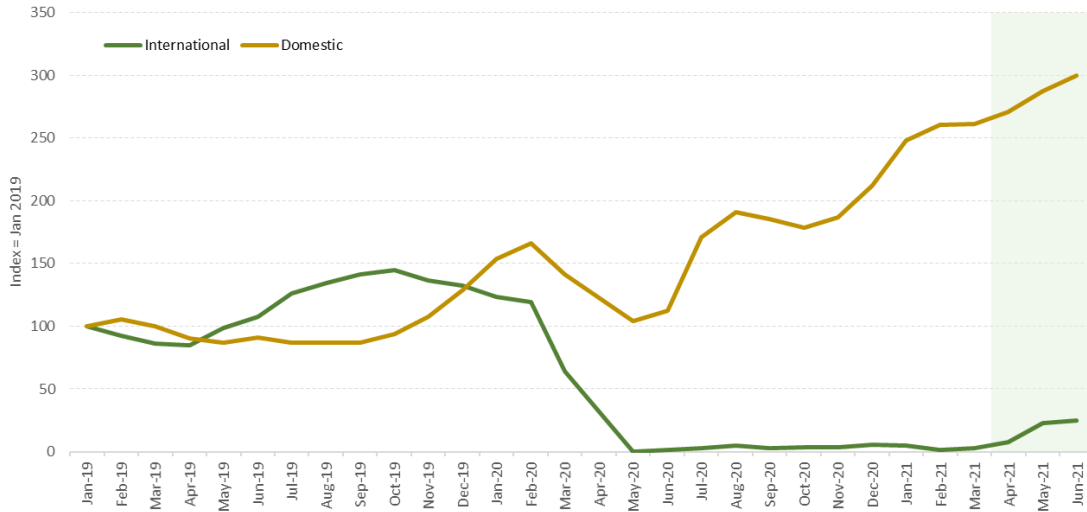


Source: Kiwibank

International vs Domestic spend

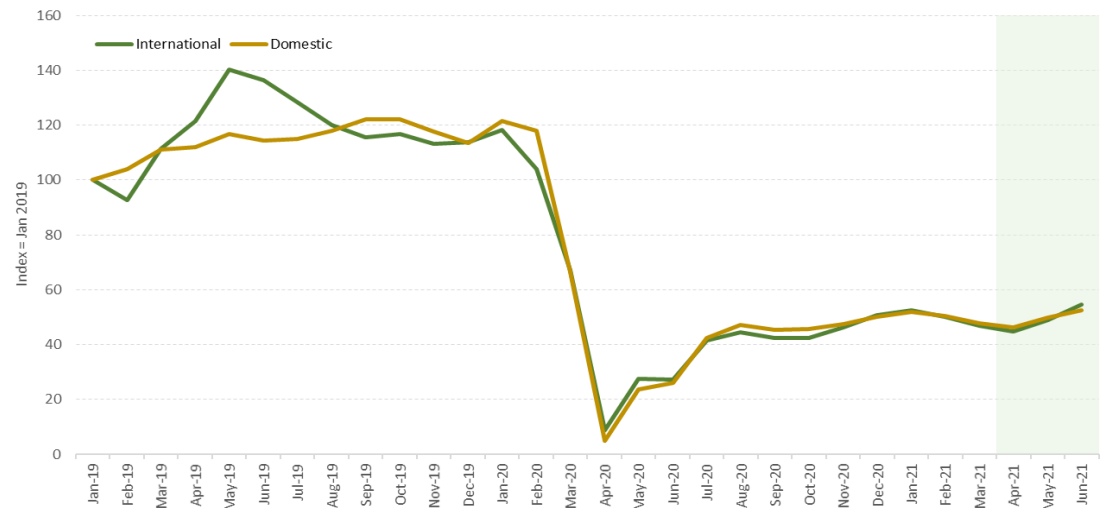


Tourist attractions and exhibits Card-present



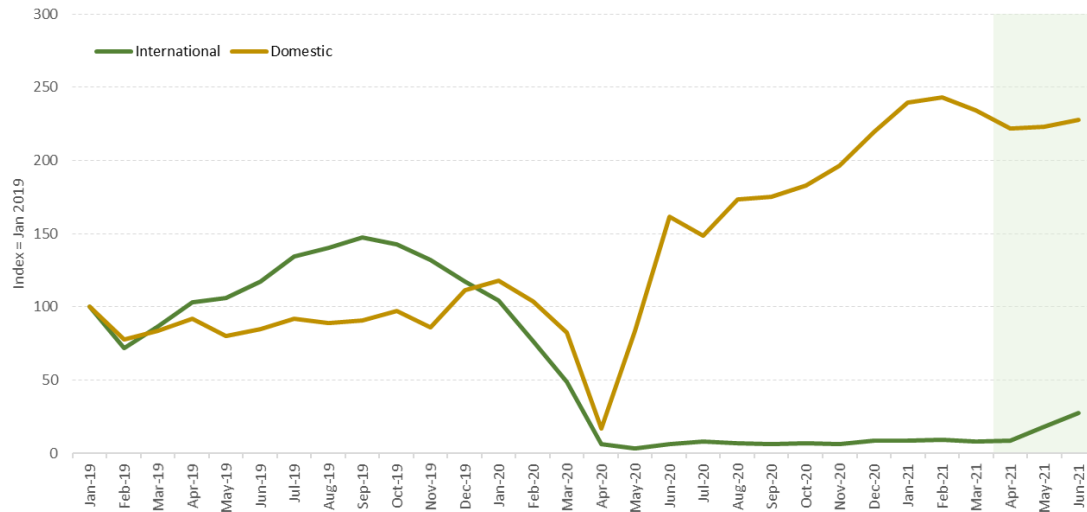
Source: Kiwibank debit card spend

Travel agencies & tour operators



Source: Kiwibank debit card spend

Lodging Card present



Source: Kiwibank debit card spend

Restaurants and bars Card-present



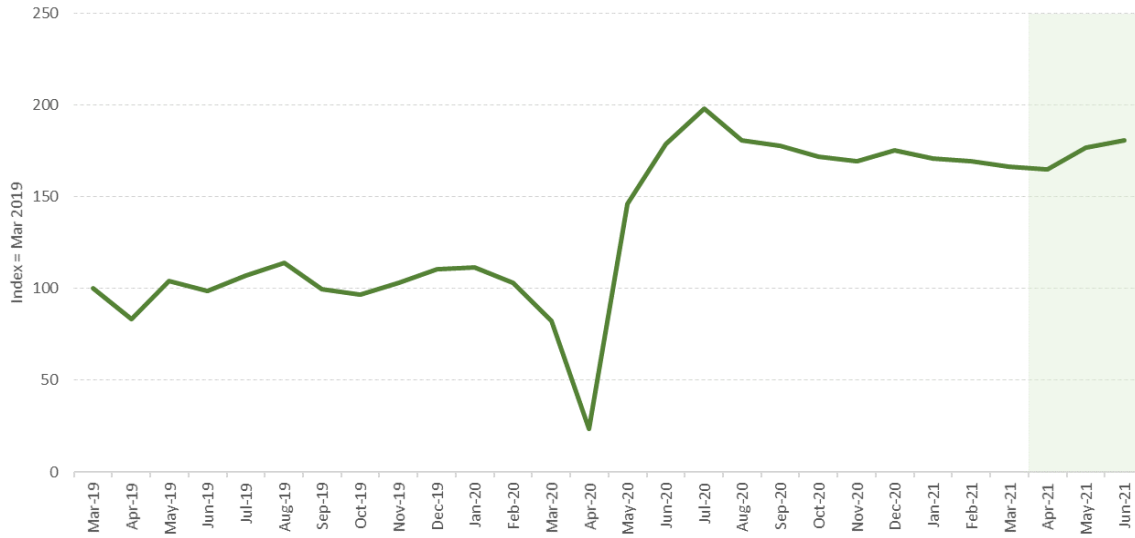
Source: Kiwibank debit card spend

Back at it

For the past year, we've been doing up the house and upgrading our cars. You can find us sitting on our new lounge suite, scrolling Netflix on our new flat screen, with the kids in the new pool out back. The pause in home reno spend in the March quarter was simply us drawing up new projects. We've picked up the tools again, and spend has resumed in the June quarter.

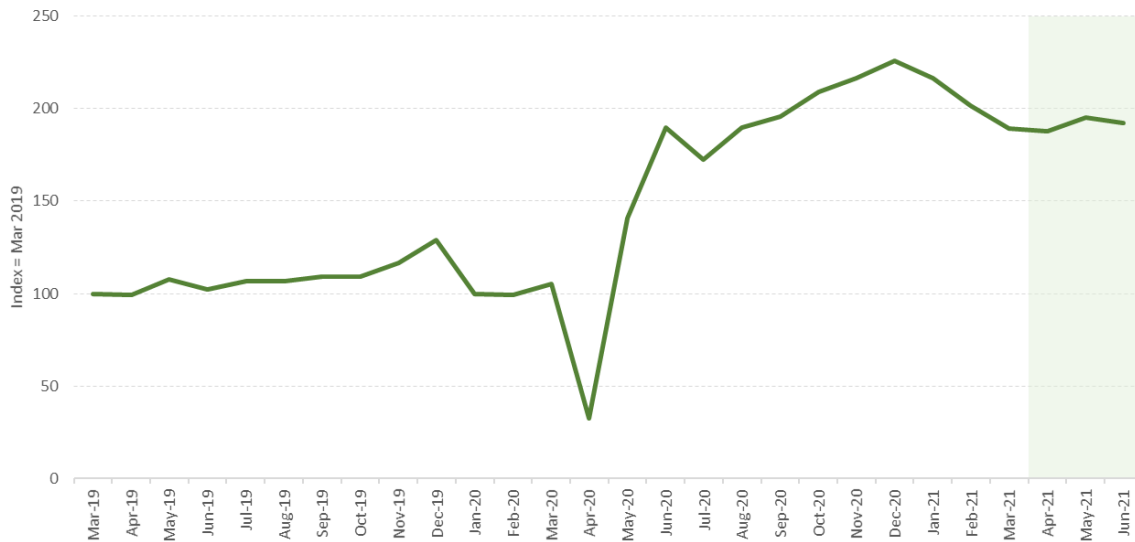
Booming residential construction will also support home-related spend. With new housing stock expected to come online, demand for the likes of Danske Møbler will remain strong.

Vehicle purchases & repairs



Source: Kiwibank

Hardware



Source: Kiwibank

Household contents & furnishings



Source: Kiwibank

A travelling tin of sardines

Despite expanding our bubble, NZ has largely managed to keep covid at bay. No outbreak meant no change in alert levels. Movement was relatively uninhibited throughout the June quarter. Transport and petrol spend picked up.

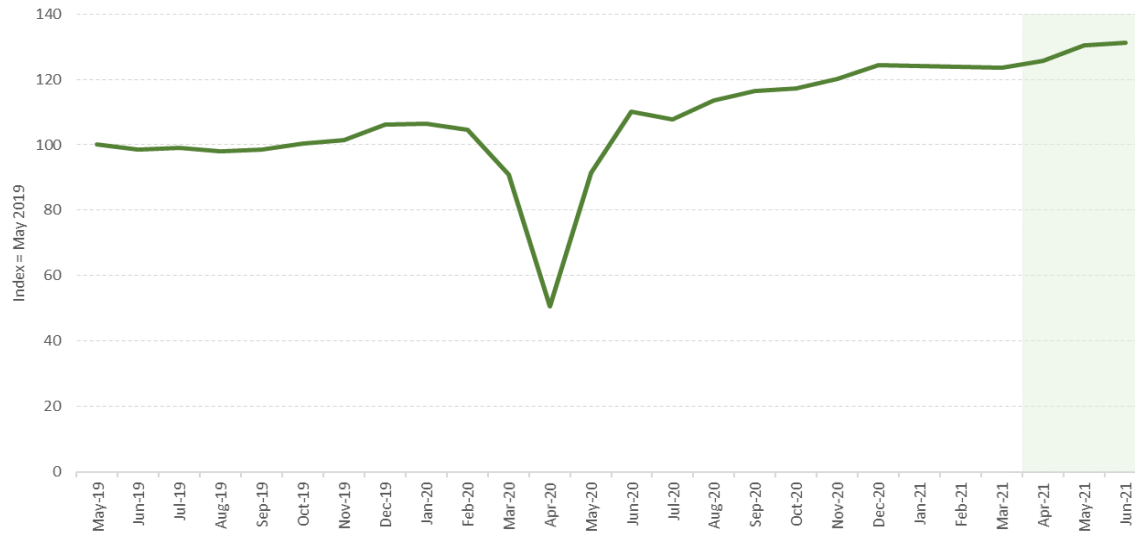
But remote working has become embedded within organisations. And you can avoid hopping into a travelling tin of sardines. There's still strong demand for office equipment and online services.

Public transport



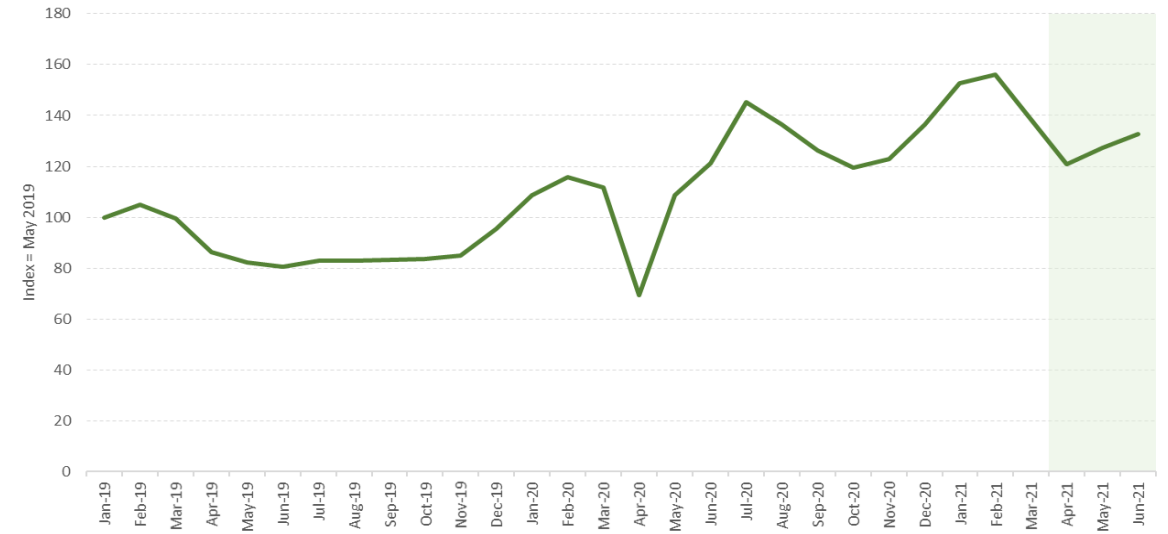
Source: Kiwibank

Petrol



Source: Kiwibank

Office, school supply and stationery stores



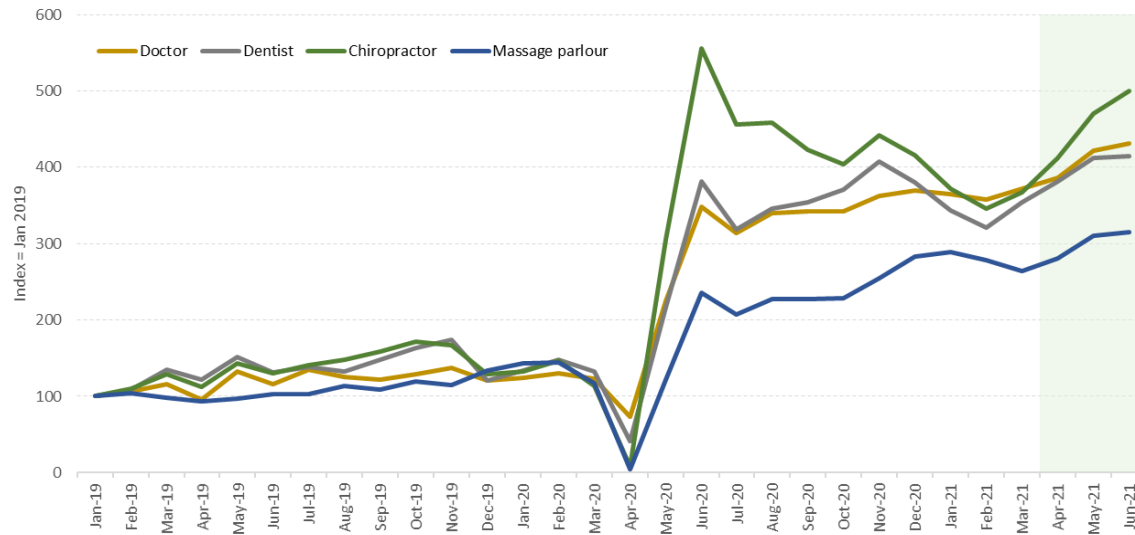
Source: Kiwibank debit card spend

A real pain in the neck

Seemingly endless zoom calls now dominate our day. After tiringly staring at a Brady bunch of faces, furiously smiling with intent, we have kinks in our neck. And we're rushing out to snap ourselves back into alignment. We've seen a spike in spending at chiropractors, massage parlours, and other health services, as we seek to iron out the kinks and creaks. Maybe we need to invest a little more in ergonomic home office furniture.

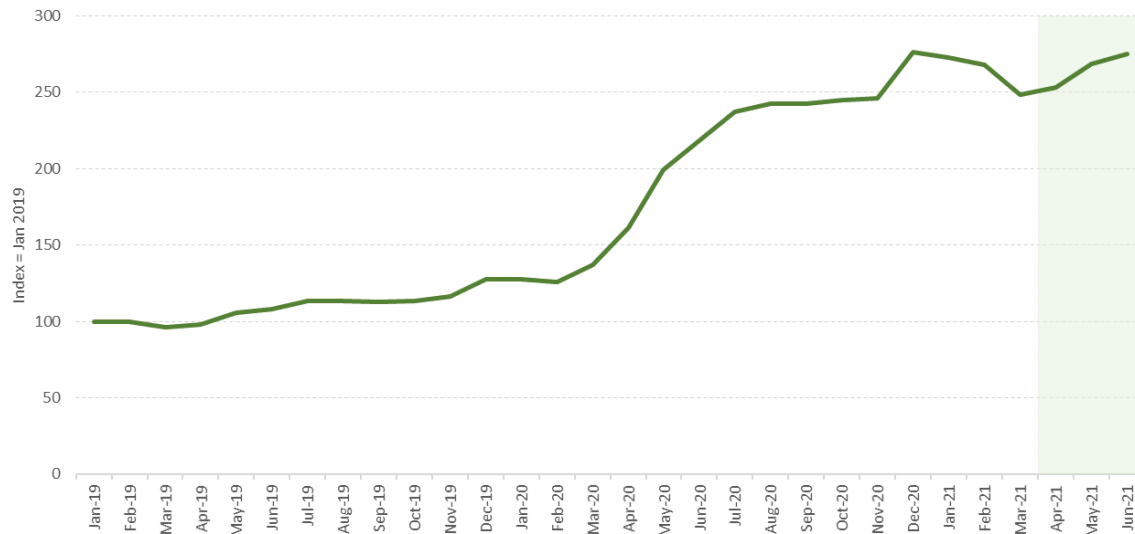
In the face of the Covid crisis, our own health has been put under the microscope. And judging by the spike in health-related spend, we've become a little hypochondriacal. We're spending more time at the gym, visiting the doctor more often, and browsing the pharmacy shelves looking for the new concoction to take.

Health care spend



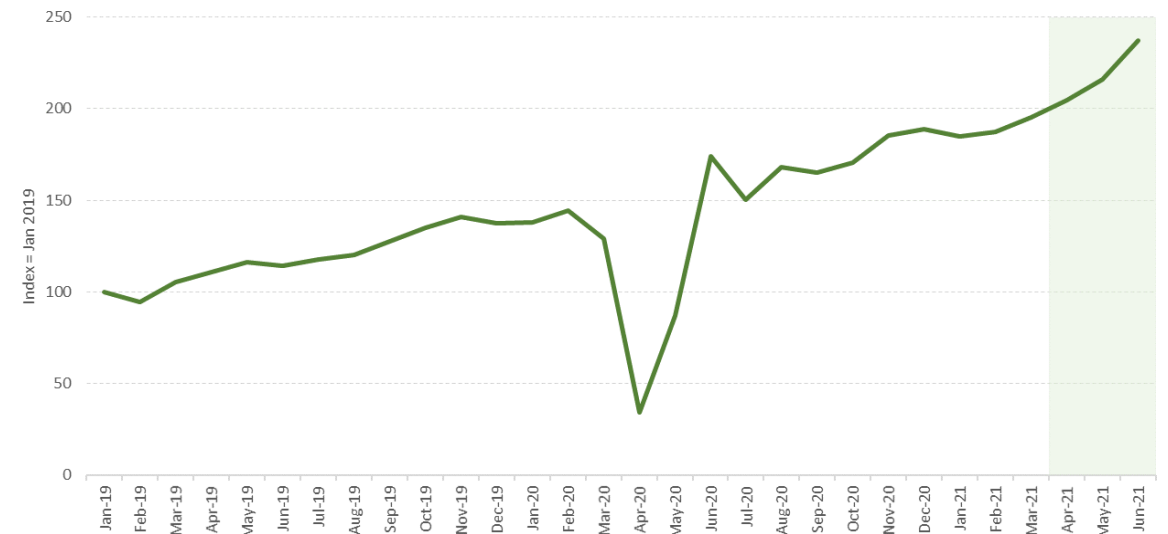
Source: Kiwibank debit card spend

Drug stores and pharmacies



Source: Kiwibank debit card spend

Gym membership



Source: Kiwibank debit card spend

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