

Economic Note

Electronic Cards Transactions – March 2024

12 April 2024

Card spending continues March-ing backwards

- Card spending continues to soften as consumers slam their wallets shut in the face of mounting headwinds.
- There's little good news in the breakdowns by category, with the decline in spending pretty broad based at this point.
- High interest rate settings are clearly working to crimp consumer spending, but the RBNZ wants to see a bit more progress on reducing inflation before cutting the OCR.

ECT

March 2024	Actual
Total retail ECT (mom)	-0.7
yoy	-3.0
Core retail ECT (mom)	-0.6
yoy	-1.9
Total ECT (mom)	0.1
yoy	-2.8

Electronic Card Transactions March

March card spending figures were again on the softer side, underperforming our already-mediocre expectations. Total retail spending fell 0.7% and core retail spending fell 0.6%, while total card spending was essentially flat (-0.1%). **Card spending patterns had previously been following a bit of a see-saw pattern, but this month's data shows spending failed to bounce back after February's 1½-2% falls.**

This month's soggy performance was pretty broad-based, with few bright spots among the individual spending categories. Among core components, consumables spending fell 0.2%, durables spending fell 0.3% and apparel spending fell 2.2% - all softening further from their declines in February. Vehicle spending also fell 2.2% to its lowest monthly level in more than twelve months. Fuel spending eased 1.4% over the month, though crude oil prices have since headed higher again over recent weeks.

On an annual basis there was also a marked decline in retail, core and total spending. Total retail spending fell 3%, core retail spending fell 1.9% and total spending fell 2.8%. Again, that weakness was evident across the board. Kiwis have fallen out of love with durable spending, which recorded its seventh consecutive year-on-year decline – but this month's 8.5% fall was particularly marked. A 6.3% annual decline in apparel spending was also particularly marked, as was an 11.5% fall in spending on vehicles.

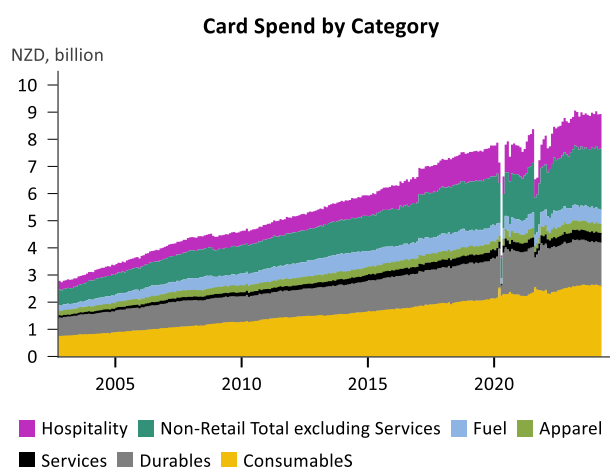
Even spending on consumables, which is still growing in year-on-year terms and presumably being strongly impacted by population growth, looks to be losing momentum. Consumables spending managed a 1.7% year-on-year lift this month, its weakest growth in eighteen months. Hospitality spending figures, which aren't being seasonally adjusted, also managed an annual lift of just 0.7% this month.

There's some extra noise in the figures this month given the earlier timing of the Easter break. Nonetheless, as we've previously noted, recent spending figures need to be viewed through the prism of substantial retail price inflation (circa +4% yoy) and population growth (circa +3% yoy), both of which are inflating nominal spending figures. A considerable cutback in spending by consumers is clearly taking place to produce such weak monthly and annual trends.

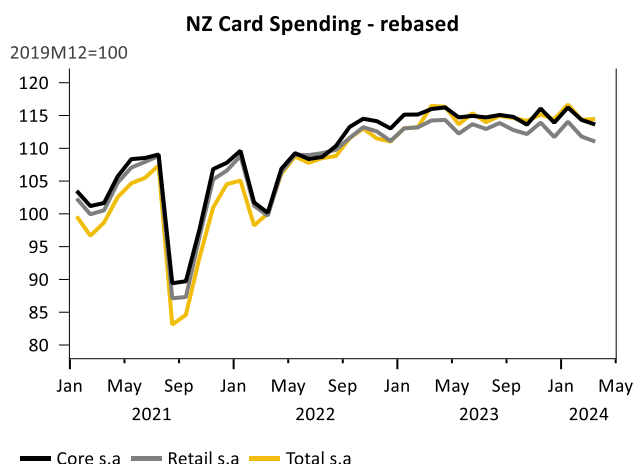
The weak underlying trend in spending is unlikely to reverse itself anytime soon. Cost of living pressures on households are still considerable (equivalent to an extra \$70 a week in our estimation), albeit unevenly shared. The combo of a less-favourable labour market and an anaemic growth outlook are also unlikely to do much to boost consumer confidence. And while the housing market may be past its weakest point, it hasn't exactly taken off like a rocket either. While not exactly flash to begin with, total spending figures continue to be flattered by strong population growth. On a per capita basis, the decline will remain substantially.

High interest rate settings are clearly working to crimp consumer spending – that's ultimately the goal after all. But the important thing for the RBNZ is the extent to which weaker demand is being reflected in lower inflation. The RBNZ will be watching coming data for evidence that pricing pressures are continuing to recede, with non-tradable inflation proving particularly stubborn to come down thus far. We tend to think that, towards the end of the year, the Bank will have enough evidence that inflation is heading back to target to justify cutting the OCR. Until then, the squeeze on households is likely to continue.

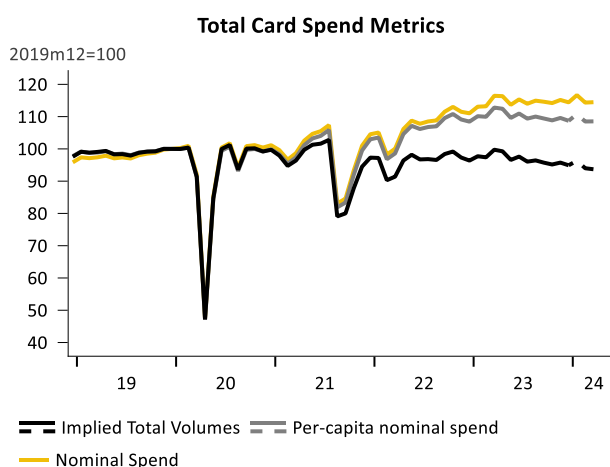
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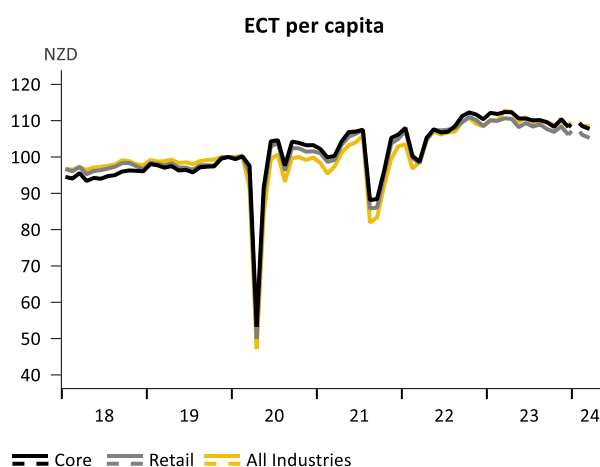
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