WESTPAC NZ RETAIL SPENDING PULSE

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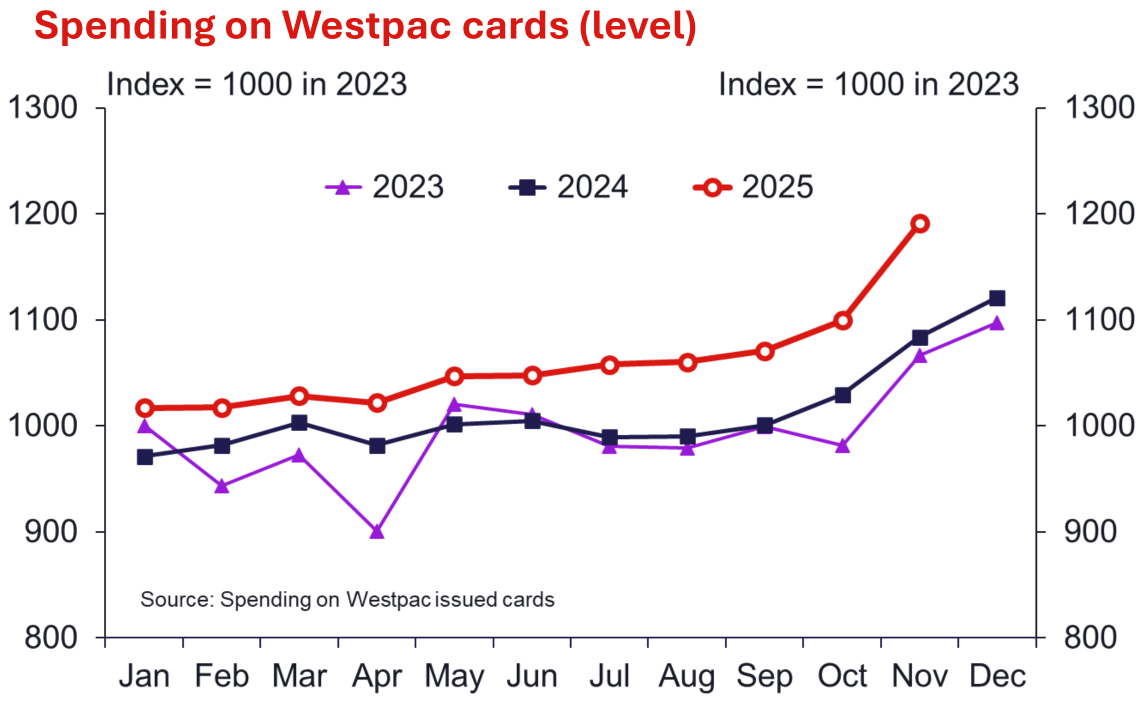
Key take-outs

- It's been a strong start to the holiday shopping season. Spending on Westpac issued credit and debit cards was up 8% in the three months to November compared to the same time last year.
- November's lift in spending was spread across retail categories, including sizeable gains in discretionary spending areas.
- Spending remains strongest in the lower South Island. But in contrast to the past year, spending growth is becoming increasingly widespread across the country.
- Black Friday and other sales events have likely boosted spending appetites.
- More importantly, there have been large reductions in borrowing costs over the past year which have been gradually passing through to households back pockets.
- Over the year ahead, increasing numbers of borrowers will roll on to lower interest rates. That will further boost disposable incomes and spending as we head into the new year.

STRONG START TO THE HOLIDAY SHOPPING SEASON.

After a tough few years, New Zealanders are dusting off their credit cards and heading back to the mall.

- In the three months to November, spending on Westpac issued credit and debit cards was up a chunky 8% compared to the same time last year. Even allowing for inflation of around 3%, that points to a solid rise in spending volumes.
- Media reports have indicated that spending on 'Black Friday' sales was a little more modest than in previous years. However, there's an increasing range of other promotions throughout the month (Cyber Monday, etc) that have been enticing consumers.
- Those shopping events come atop large falls in borrowing costs that have been gradually boosting disposable incomes for an increasing number of New Zealand households.



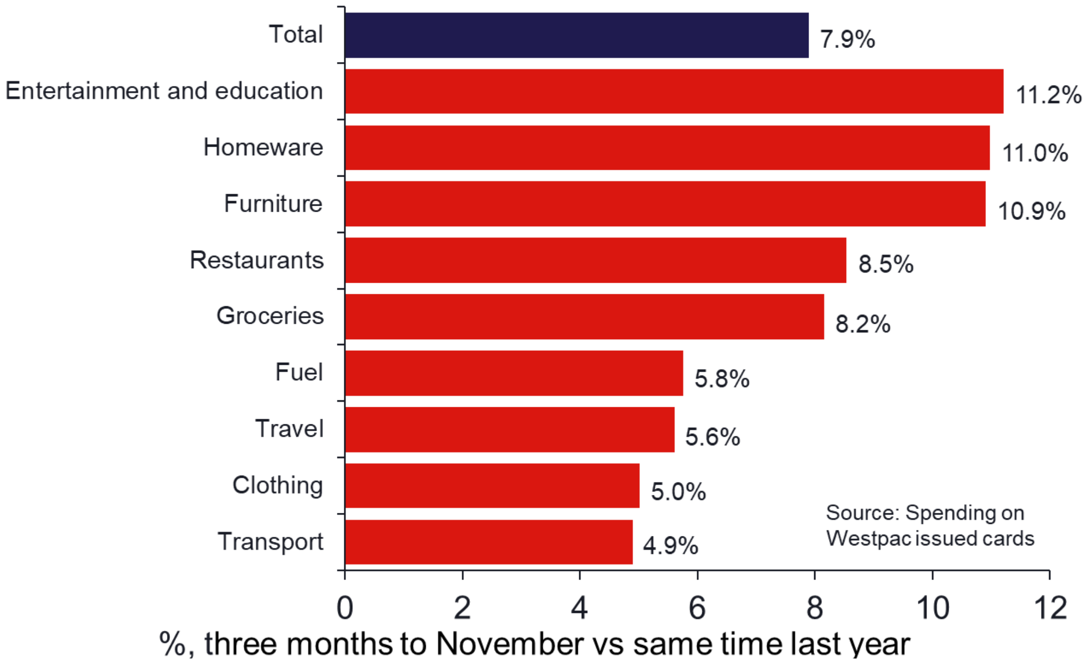
DISCRETIONARY SPENDING CLIMBING.

November's lift in spending was widespread across retail categories.

- The past month did see a lift in spending on necessities, like groceries and fuel.
- More notable, however, was the increases in discretionary spending areas. That includes increased spending on clothing (up 5% compared to this time last year) and furnishings up 11%.
- And it's not just spending on goods that's up. Hospitality spending has also taken a step higher, including a 9% lift in spending in restaurants.
- That lift in discretionary spending points to improving confidence as we head into the new year.

Note: Growth rates are three month averages compared to the same time last year.

Spending by category
(three months to November vs same time last year)

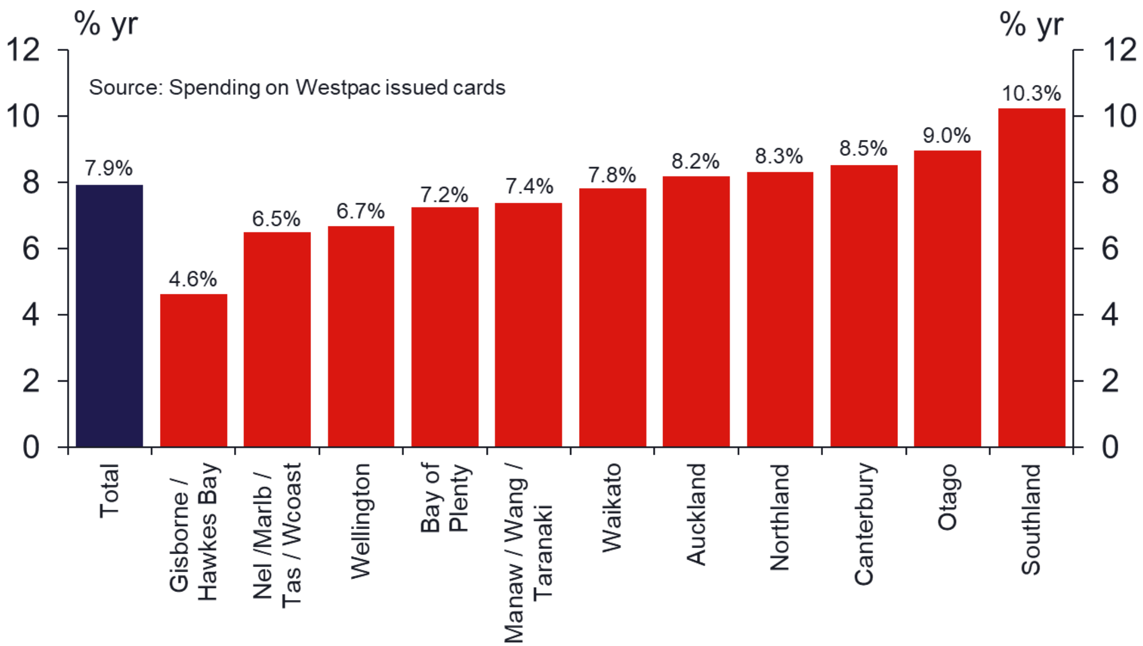


FROM CAPE REINGA TO THE BLUFF.

Spending levels are up right across the country.

- Rural power house regions, like Canterbury, Otago and Southland have continued to see the strongest spending. Firm commodity export prices, especially for dairy products, have boosted incomes and sentiment in many rural regions. That’s been flowing through to increases in spending, both on and off the farm.
- However, in contrast to earlier in the year, the strength in spending has become increasingly widespread. Notably spending is on the rise in metro areas like Auckland and Wellington (though the Capital is still running a little behind most other parts of the country).

Spending growth by region
(three months to November vs same time last year)

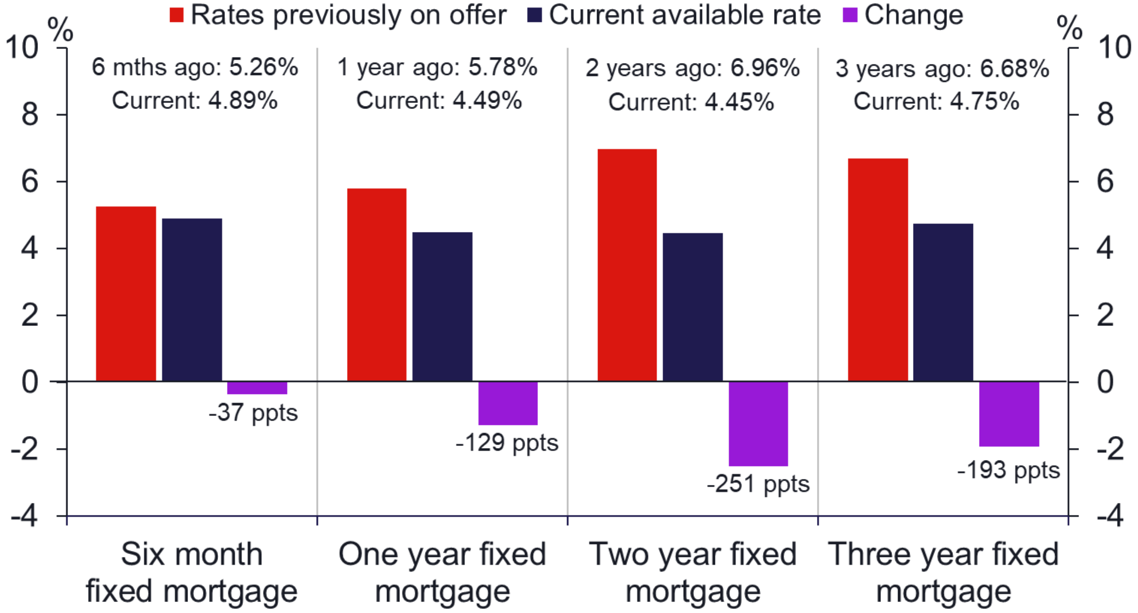


“RE-FIX IN ’26” WILL FURTHER BOOST SPENDING OVER THE YEAR AHEAD

Sharp falls in borrowing costs are boosting disposable incomes, and there’s more to come.

- Last week the Reserve Bank signalled that the interest rate cutting cycle has likely come to a close. However, the full impact of the large mortgage rate falls over the past year is yet to be felt. That’s because many borrowers are still on the relatively high fixed mortgage rates that were on offer in recent years.
- Many borrowers have already come up for refixing in recent months, and that process will continue over the coming year, with around 32% of all fixed rate mortgages rolling over in the next six months alone.
- When borrowers go to refix their mortgages, many will be rolling on to much lower interest rates. For instance, over the past year the one-year mortgage rate has fallen by nearly 130bps, while the two-year rate is around 250bps lower than in 2023.
- That ongoing roll over on to lower mortgage rates will help to boost disposable incomes for an increasing number of households over the coming year. And we expect that will also boost retail spending appetites.

How have mortgage rates changed?



Source: RBNZ data for borrowers with over 20% equity. Current rates on offer from Westpac from 4 December 2025.

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