

RETAIL SPENDING PULSE

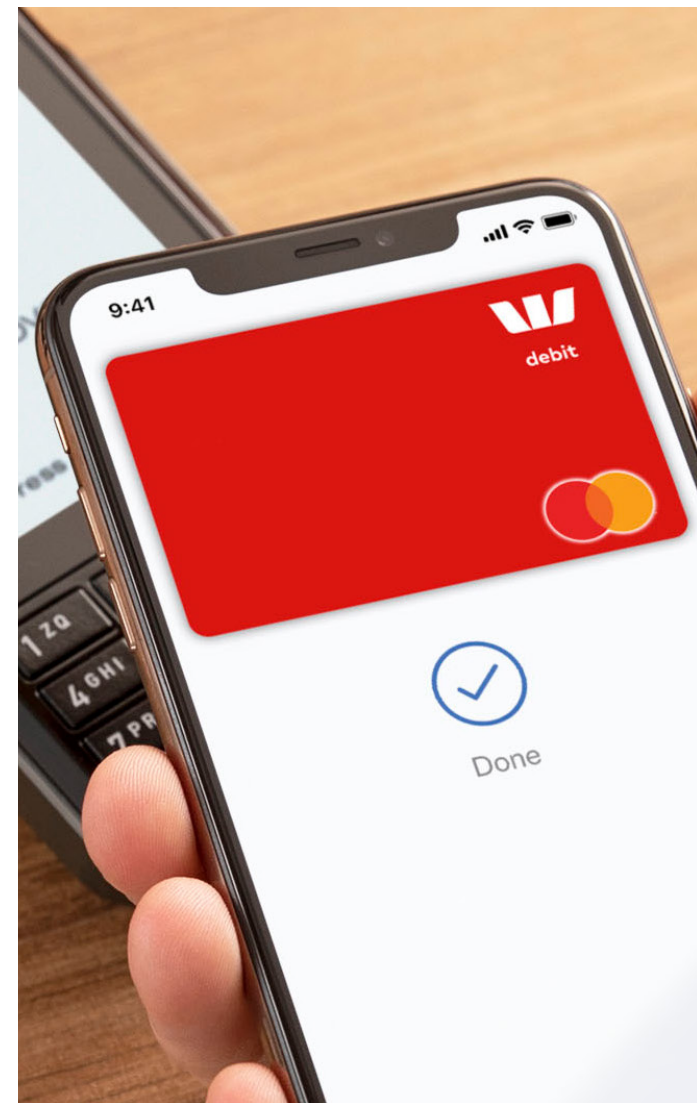
10 February 2026



Spending appetites continuing to firm as we've entered the new year

Overview.

- After a solid pickup in late 2025, retail spending growth has held firm in the early part of 2026. Per-person spending on Westpac-issued debit and credit cards was up 6% in January compared to the same time last year.
- Households have been spending more on essentials like food, petrol and utilities as the cost of living has continued to rise.
- More encouragingly, however, there has also been a lift in discretionary spending. There have been particularly large increases in spending in the hospitality sector, as well as increased sales of furnishings and other household durables.
- Spending appetites continue to be supported by the strength in commodity export earnings.
- We've also seen households' borrowing costs continue to drop, boosting disposable incomes and spending appetites across the country.
- Although the RBNZ's easing cycle has come to a close, borrowers will continue rolling off earlier higher fixed mortgage rates and on to lower ones for some time yet.
- While the pickup in spending has been encouraging, many retailers have faced tough trading conditions and rising operating costs for an extended period. That's squeezed their operating margins, with particularly challenging trading conditions in sectors like apparel. However, retailers are feeling more optimistic about the outlook for 2026, with an increase in forward orders and plans for hiring.

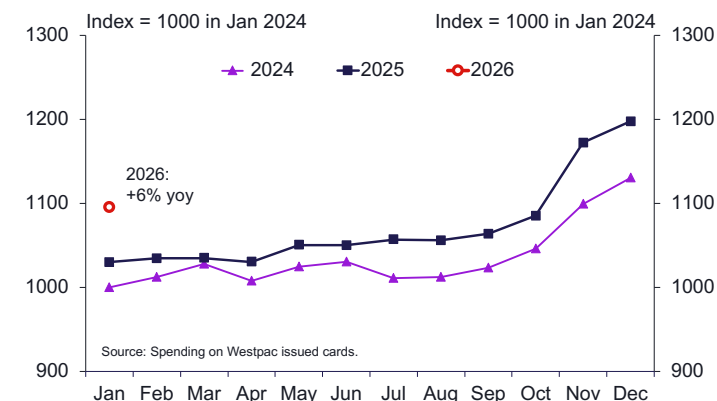


Spending momentum continuing into the new year.

- The pickup in spending we saw through the latter part of 2025 has continued into the new year.
- On a per-person basis, spending on Westpac-issued debit and credit cards was 6% higher in January than the same time last year.*
- Some of that lift in spending is just due to higher prices. **Consumer prices rose by 3.1% over the past year**, and the final months of the year saw a notable step higher in prices for many retail goods like appliances and furnishings.
- But even accounting for the lift in prices, consumers' spending appetites look like they're on the rise as we've entered 2026.

* We've focused on per-person spending, rather than total spending on Westpac cards. That helps to give a better indication of households' spending patterns as it won't be affected by changes in card provider.

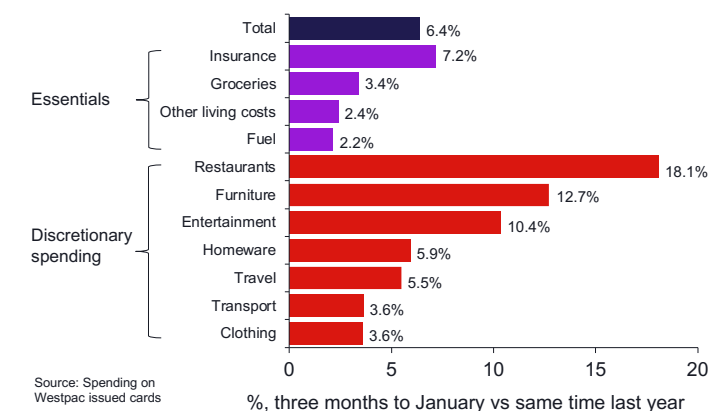
Spending on Westpac cards (per person, level)



Discretionary spending continues to climb even as the cost of essentials rises.

- Households have been spending more on essentials, like groceries, petrol, utilities and insurance. Those are all areas where we've seen sizeable price increases over the past year.
- But even though households have been confronted by large increases in the costs of essentials, spending in a number of discretionary areas has also been on the rise.
- There have been particularly large increases in spending on dining out and entertainment activities. Notably, such increases aren't just seasonal lifts related to the summer holidays.
- Households have also been dialling up their spending on furnishings and other durable items for the home.
- There are still some areas where spending has been soft, including clothing. In part that reflects continued strong competition from large online and offshore-based retailers.

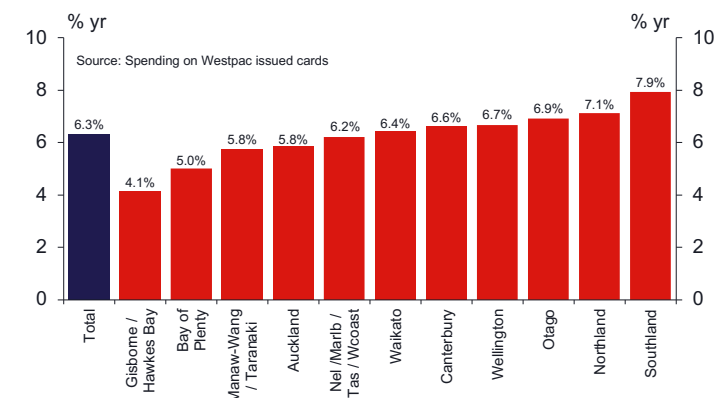
Spending growth by category (per person spend)



Spending up across the country.

- We're continuing to see strong spending growth in regions like Canterbury, Otago and Southland, supported by firmness in commodity export prices.
- However, spending has been on the rise right across the country, with metro areas like Auckland and Wellington also recording solid increases.
- While spending in the Capital is on the rise, the level of spending in Wellington is still lower than in other parts of the country, consistent with the broader softness in the region.

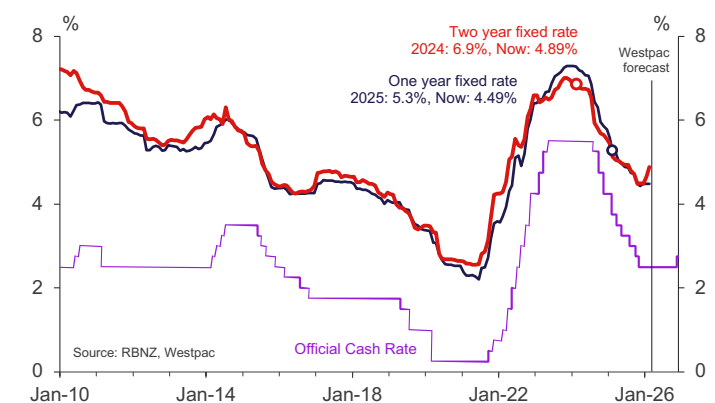
Spending growth (three months to January vs same time last year)



RBNZ on hold, but borrowing costs continuing to fall.

- In addition to the continued strength in commodity prices, lower borrowing costs have been a driver of spending appetites in recent months.
- Widespread mortgage rate fixing means that it's taken a while for the impact of interest rate reductions to pass through to households. However, large numbers of mortgages have rolled over in recent months, and the related fall in borrowing costs has boosted disposable incomes right across the country.
- With economic activity and inflation picking up in recent months, the RBNZ's easing cycle has come to an end, and some mortgage rates have been pushing higher. Nevertheless, average household borrowing costs are set to continue dropping as borrowers roll off the higher fixed mortgage rates that were on offer in recent years and on to lower ones. For instance, one-year fixed mortgage rates are around 80bps lower than this time last year, and the two-year mortgage rate is around 200bps lower than in 2024.

How much mortgage relief is coming?



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