

RETAIL SPENDING PULSE

6 March 2026

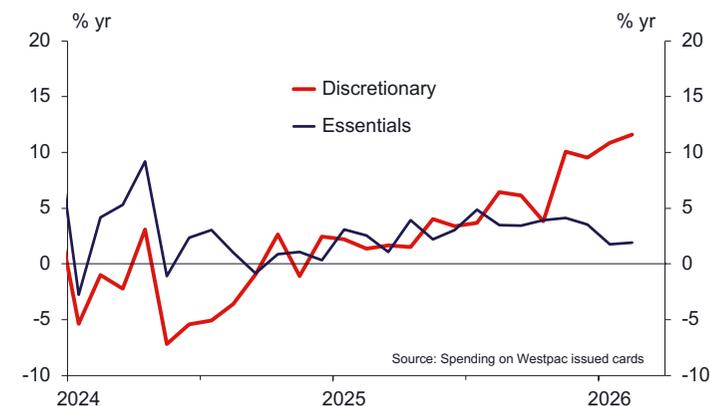


Discretionary spending continuing to climb.

Retail spending has started the year of the horse at a gallop, but challenges remain.

- February saw another solid lift in retail sales. Adjusting for normal seasonal variations, spending on Westpac-issued debit and credit cards was up 0.7% over the past month. That follows strong gains over the holiday months, with spending levels now up 6.6% on this time last year.
- Households are spending more on essentials like groceries as living costs have continued to rise.
- Recent months have also seen solid increases in discretionary spending areas, with a sizeable lift in spending on dining out and other entertainment activities.
- Spending growth remains strongest in areas with strong rural backbones, especially those with large dairying sectors. However, spending has been picking up right across the country as last year's sharp falls in borrowing costs continue to work their way through the economy. Those lower borrowing costs will continue to support spending growth over the coming months.
- We expect retail sales will continue climbing over 2026, but the recovery could be gradual in the near term. Unemployment remains elevated at 5.4% and earnings growth has been sluggish. In addition, cost of living pressures are continuing to bite. And on top of the pressures we've already seen, the conflict in the Middle East could see large increases in petrol prices over the coming weeks. That could push other costs higher also.
- At the same time, many retailers have reported tough trading conditions, with rising operating costs and continued strong competition – both domestically and from offshore/online based operators.

Discretionary and essentials spending

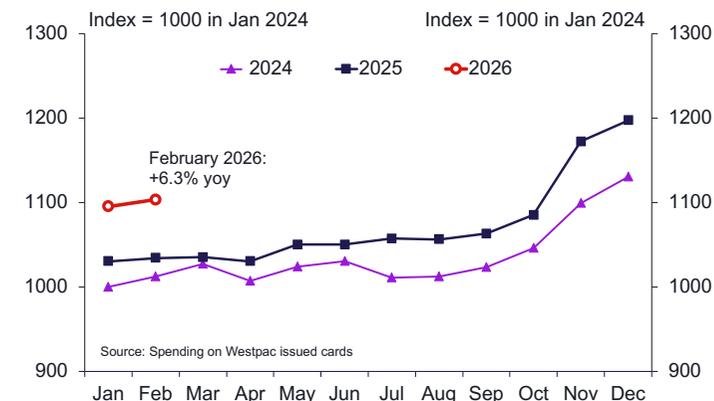


Spending holding firm.

- On a per-person basis, spending on Westpac-issued debit and credit cards rose 0.7% in February and is up 6.6% on the same time last year.*
- Spending levels have taken a sizeable step higher since late last year, with falls in interest rates helping to boost many households' disposable incomes.
- We've also seen continued firmness in commodity export prices, which has helped to boost earnings and confidence in many rural regions.

* 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.

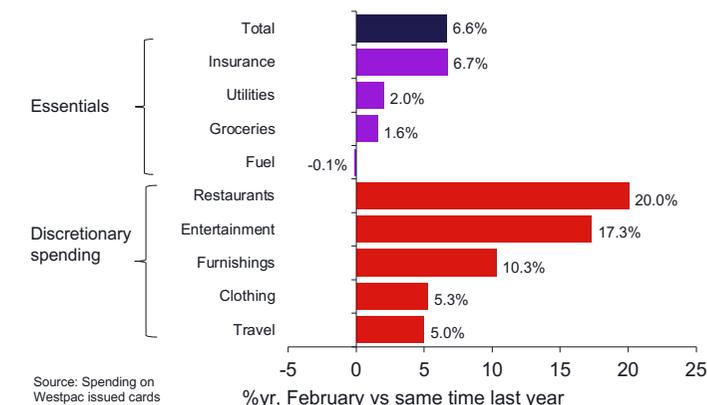
Spending on Westpac cards (per person, level)



Essential costs rising, but discretionary spending is still on the rise.

- Households have been spending more on essentials as living costs continue to push higher. Particular pain points for households include food prices (up 4.6% over the past year) and electricity costs, which are up an eye-watering 12% over the past year.
- But despite continued cost of living pressures, we've also seen a resurgence in discretionary spending categories since late last year. That includes particularly large increases in spending on dining out and other entertainment activities.
- It is still a mixed picture across sectors. Clothing retailing remains a soft spot, with an increasing number of apparel purchases now being made via low cost offshore/online based retailers. That's resulted in tough trading conditions for many domestic retailers.
- February also saw a slowdown in sales of appliances and furnishings following strong sales over the summer holiday months.

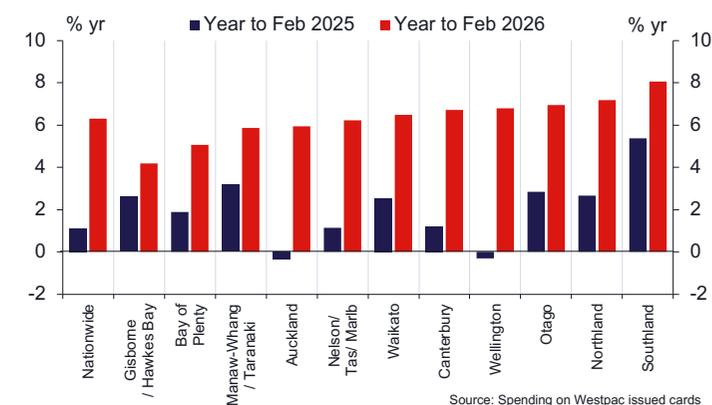
Spending growth by category (per person spend)



Spending growth has lifted right across the country.

- February saw spending growth remaining strong in rural regions, especially those with large dairying sectors like Southland, Otago and Canterbury. Talking to businesses in the regions, the impact of strong commodity prices is evident, with strong increases in export earnings flowing through to a more general lift in confidence and spending.
- However, in contrast to this time last year, spending growth has been lifting right across the country. That reflects the impact of the RBNZ's sharp cuts to the OCR in late 2025 and the related falls in mortgage rates, which has helped to boost disposable incomes for many households.
- 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 70bps lower than this time last year, and the two-year mortgage rate is around 200bps lower than in 2024.

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



Recovery to continue, but spending growth could be gradual in the near term.

- With last year's interest rate cuts still working their way through the economy, as well as ongoing firmness in commodity export earnings, we expect retail spending will continue to rise over the coming months.
- However, the recovery in spending could be gradual, especially in the near term.
- Cost of living pressures are continuing to bite. Notably, fuel prices have taken a step higher following the outbreak of war in the Middle East. We can't say how long the conflict will last. But in the event of a protracted conflict, we could see further increases in fuel prices, along with increases in transport costs and disruptions to global supply chains.
- At the same time, unemployment remains elevated at 5.4% and earnings growth has been sluggish.

How much mortgage relief is coming?



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