

RETAIL SPENDING PULSE

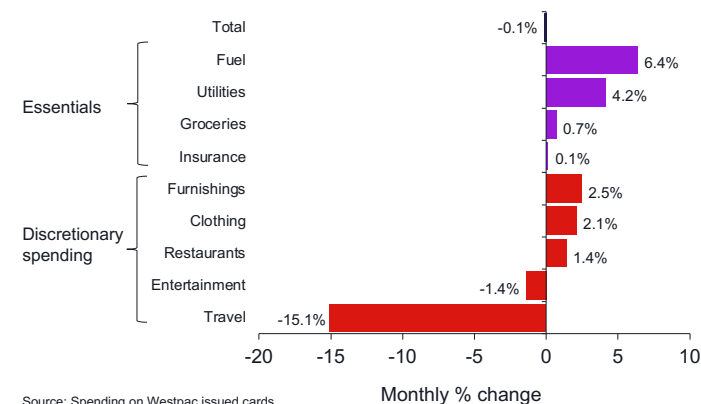
7 May 2026



Travel spending down as fuel cost increases bite

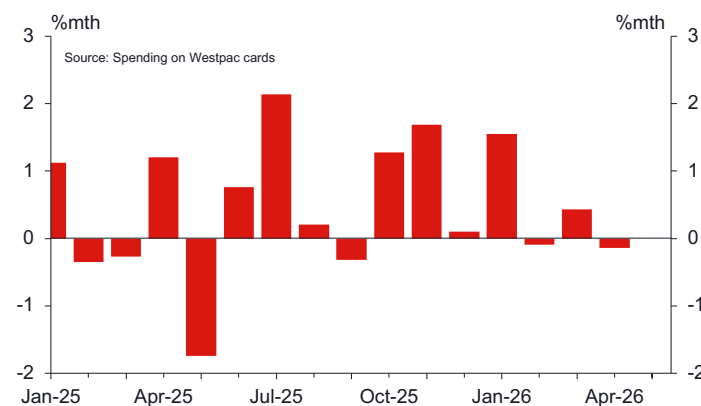
- Ironically, it looks like retail spending has run out of gas. Adjusting for normal seasonal swings, per-person spending on Westpac issued debit and credit cards was down 0.1% in April, and it's been effectively tracking sideways since January.
- Digging under the surface, the impacts of the ongoing cost of living crisis are as clear as the big neon sign outside your local petrol station. Spending on fuel was up another 6% in April. That followed a 17% increase in spending last month as the war in the Middle East has pushed pump prices well above \$3/ltr.
- And fuel isn't the only essential item where costs have been rising. Spending on utilities was up 4% over the past month following recent increases in electricity charges.
- There's also been a more moderate 0.7% rise in grocery spending. Notably, retailers have been telling us that households are adjusting their spending as living costs have risen, with a shift to home-brands and other budget friendly options, and away from nice-to-haves.
- The increased cost of essentials means that households have less left over to spend on nice-to-haves. However, looking at discretionary spending, it's a mixed picture across categories.
- Spending on appliances and furnishings has been holding up. We also saw spending on takeaways and restaurants pick up again after last month's fall. However, the trend here has been pretty flat over the past few months, and many operators have told us that spending has taken a knock as households have been confronted by rising costs for essentials.
- But the stand out this month (for all the wrong reasons) was spending on travel, which fell 15% over the month. That includes sharp declines in spending on airfares and with travel agents. While much of that fall in demand will be due to higher airfares, safety concerns and the risk of cancellations will also be weighing on spending appetites.

Monthly spending growth by category (per person spend)



Source: Spending on Westpac issued cards

Monthly spending growth (per person)

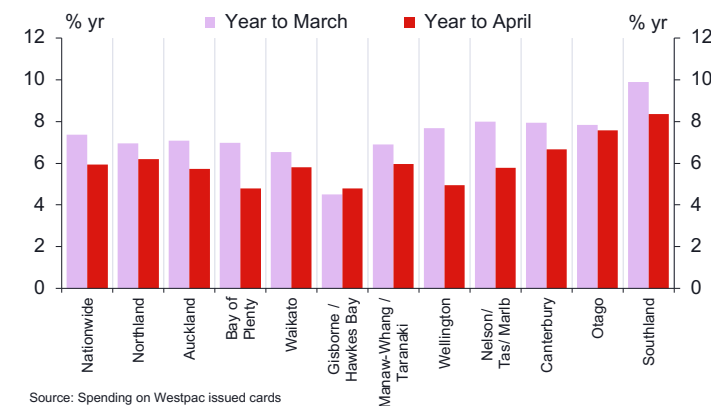


Source: Spending on Westpac cards

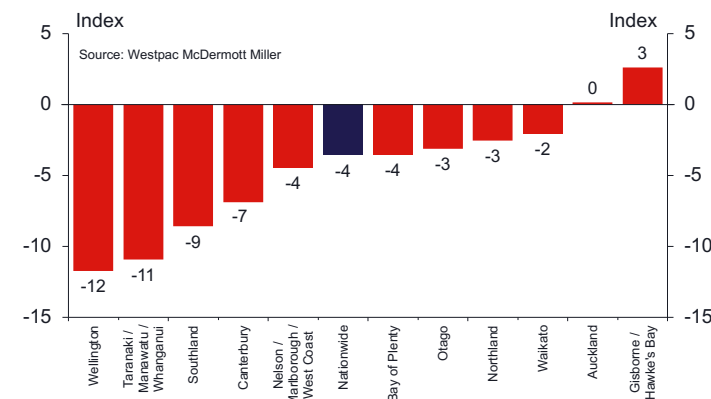
Regional breakdown

- Higher living costs have been a drag on spending right across the country. In fact, the only areas where spending growth hasn't taken a step down have been Gisborne and Hawkes Bay. However, some of the resilience in those regions likely reflects the severe weather mid-month, which saw households stocking up on groceries and other essentials as a precaution.
- Looking across the rest of the country, we're still seeing the strongest spending growth in the South Island dairy power-house regions of Canterbury, Southland and Otago. But even in these regions, spending has been slowing as higher living costs have started to bite. And it's a similar picture in other regions with strong rural backbones.
- A further concern that we've been hearing from businesses in Queenstown is that increases in transport costs are likely to discourage some international travellers. That's likely to be a drag on spending through the middle part of the year, with some operators already reporting cancellations.
- Spending has also slowed in metro areas, with an especially sharp drop in Wellington. While some of that softness may have been due to poor weather, consumer confidence in the Capital is at low levels and retailers in the region are reporting softness in discretionary spending.

Annual spending growth by region



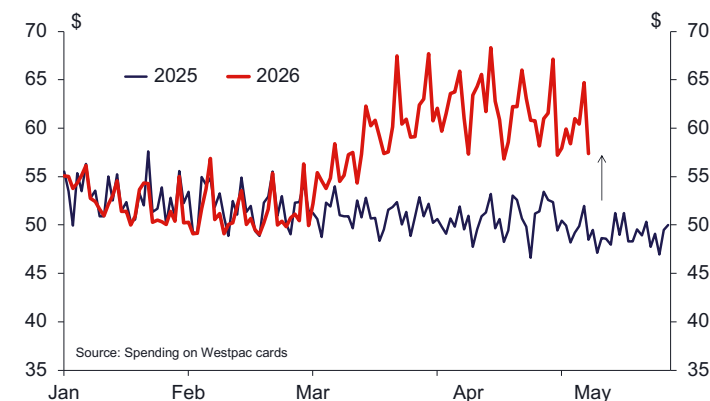
Consumer confidence by region (difference from historic average)



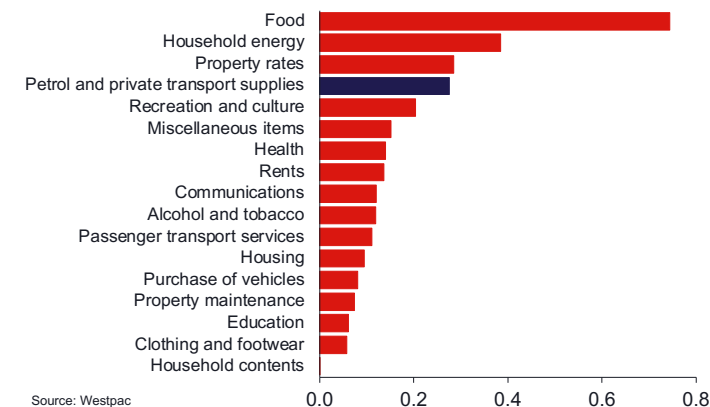
It's not just petrol; cost of living pressures to broaden and squeeze households.

- With the sharp rise in petrol prices over the past couple of months, spending on fuel is up about 20% compared to this time last year. However, the amount of fuel we're getting in the tank is down about 5%.
- That rise in petrol prices has been a significant drag on spending. However, petrol isn't the only item that's been rising in price. We've also seen sizeable increases in the costs of other necessities like food (+4%/yr) and electricity (+13%/yr). On top of that, households have also been confronted by large increases in other non-discretionary costs like rates and insurance. Those higher costs for essentials are compounding the downward pressure on household spending.
- Importantly, the coming months are likely to see increasingly widespread and potentially large increases in the cost of many goods and services. Since the outbreak of the war in the Middle East, businesses right across the economy have been reporting higher transport and materials costs. While we have seen prices rising for a number of goods and services, in many cases higher costs have not been fully passed through to consumers, with margins being squeezed. For many businesses, that won't be sustainable.
- We expect to see inflation reaccelerating to around 4.5% over the coming months. The resulting pressure on households' balance sheets means that retail spending growth is likely to remain subdued through the middle part of the year.

Average fuel spend per transaction



Contributions to inflation, year to March (percentage points)



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