

RETAIL SPENDING PULSE

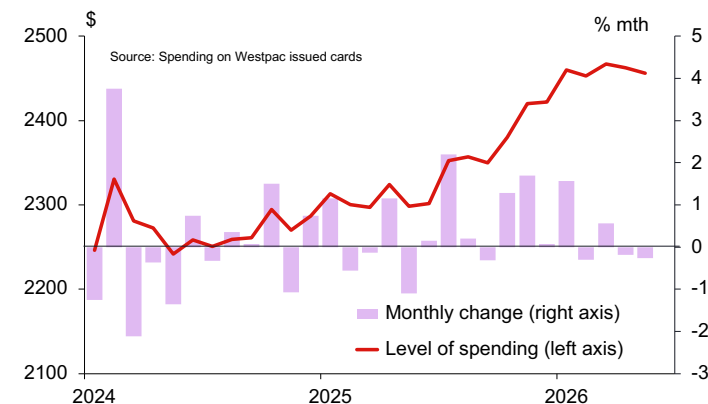
9 June 2026



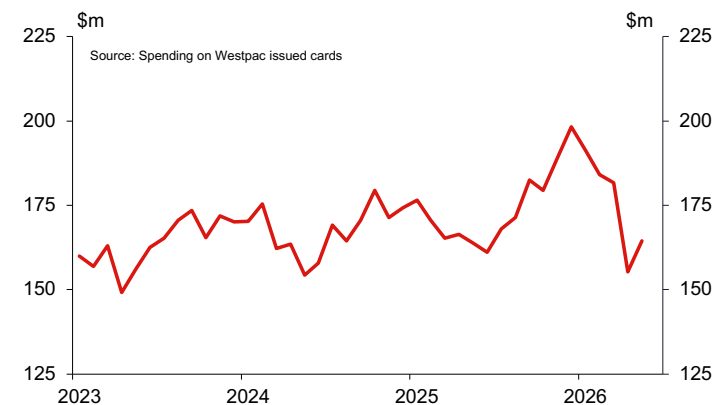
Spending growth remains soft

- May was another soft month for the retail sector, with per-person spending on Westpac debit and credit cards down 0.3% (adjusted for normal seasonal swings). Looking at the longer term trend, spending levels have effectively been tracking sideways since the start of this year.
- Under the surface, the past month saw notable shifts in some key categories. Spending on fuel dropped back as petrol prices have eased. However, this has just been a partial reprieve – prices are still well above the levels we saw prior to the conflict in the Middle East.
- We’ve also seen a modest easing in grocery spending, with operators telling us that buyers have been spending less on ‘nice to haves’ in favour of essentials as cost of living pressures bite.
- May did see a bounce in travel-related spending. That reversed much of the fall that we saw in last month when rising costs and geopolitical tensions saw many holiday plans place on hold. But despite this month’s pickup, travel-related spending remains well down on the levels we saw earlier in the year.
- Spending in restaurants and on takeaways has also picked up again, with the fall in fuel prices helping to boost discretionary spending. Even so, many hospitality operators have reported tough trading conditions, and spending on other entertainment activities has continued to ease.

Monthly retail spending (per person)



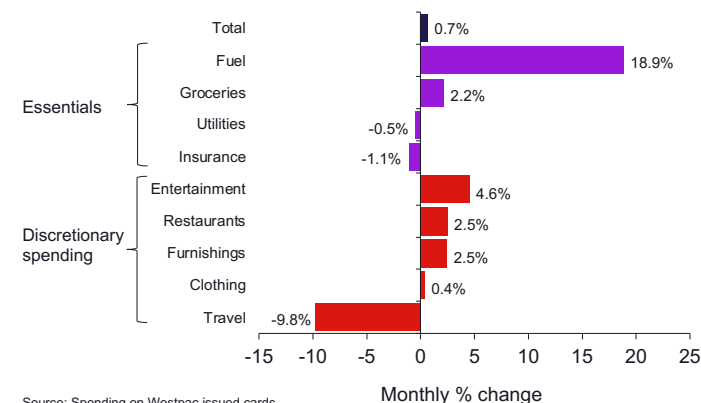
Monthly travel spending



Living costs and uncertainty remain a drag

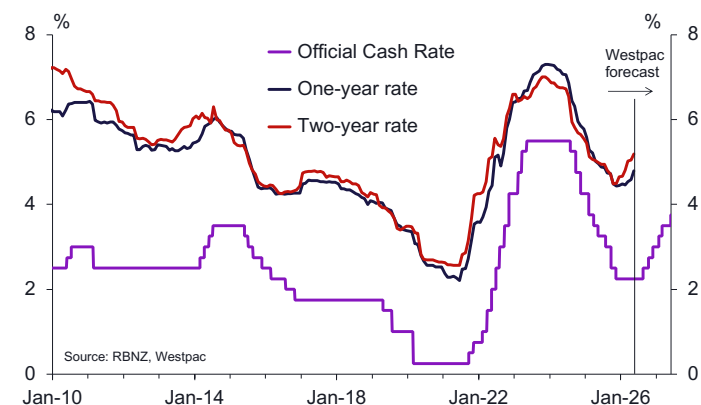
- Looking at spending over the past three months (since the start of the Middle East war), spending levels have risen just 0.7%. That’s a sharp slowdown from the start of this year when we were seeing quarterly growth rates of 2-3%. Furthermore, much of the increase seen over the past few months has been due to higher costs for fuel and other essentials, which is weighing on discretionary spending.
- We expect spending growth will remain soft through the back part of this year. While living costs are continuing to rise, employment and earnings growth remain muted.
- Adding to the pressure on households’ finances is the changing interest rate environment. Over the past year, many borrowers have been rolling off the high fixed-term mortgage rates that were on offer in recent years and on to much lower ones. However, compared to last year, the average drop in interest costs as borrowers re-fix their mortgage is now much smaller. Carded mortgage rates have been moving higher in recent months as inflation pressures have mounted and expectations for interest rate hikes from the RBNZ have been pulled forward.
- We expect the RBNZ will hike the Official Cash Rate three times by the end of this year. We’ve pencilled in the first hike for September, but there is a risk of an earlier start in July depending on the evolution of economic data.

Spending growth, three months to May vs previous three months (per person)



Source: Spending on Westpac issued cards

Mortgage rates and the Official Cash Rate

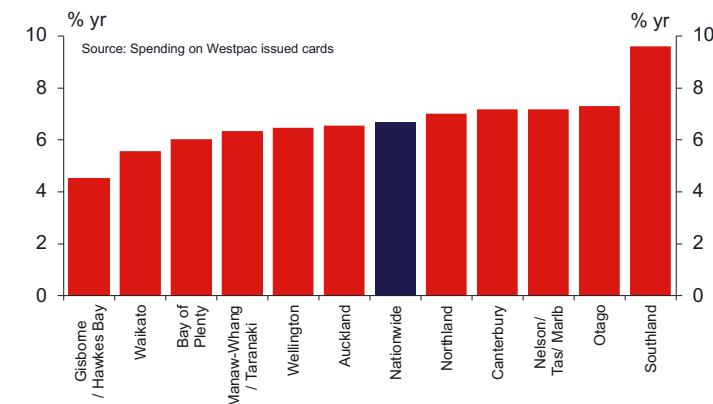


Source: RBNZ, Westpac

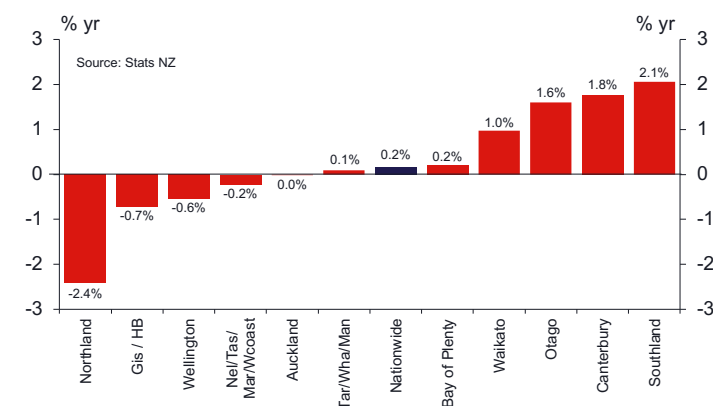
Regional breakdown

- Looking across the country, we're continuing to see the strongest spending growth in Canterbury, Otago and Southland. As in other parts of the country, households in those regions have been feeling the pinch from high fuel prices. However, the strength in commodity export prices (especially for dairy products) has provided a powerful boost to sentiment and spending in the face of other headwinds. During our recent visits to the South Island the vibe was fizzy, with households and businesses in high spirits.
- At the weaker end of the spectrum have been Gisborne and Hawke's Bay. Those regions have seen significant disruptions from recent severe weather events, which is adding to the pressure on households' finances.
- Spending has also slowed in metro regions like Auckland and Wellington, consistent with the softness in their labour markets.
- We'll take a closer look at how sentiment across the country has been shaping up in our upcoming consumer confidence report (out next week).

Annual spending growth by region (three months to May)



Filled jobs by region



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