



Consumer360°

An exclusive report that surfaces unique consumer credit & spend behaviour since the COVID-19 outbreak

COVID-19 has significantly impacted New Zealanders. Organisations are struggling to understand the changing consumer landscape and the implications that COVID-19 has had on consumer spending and credit across the regions.

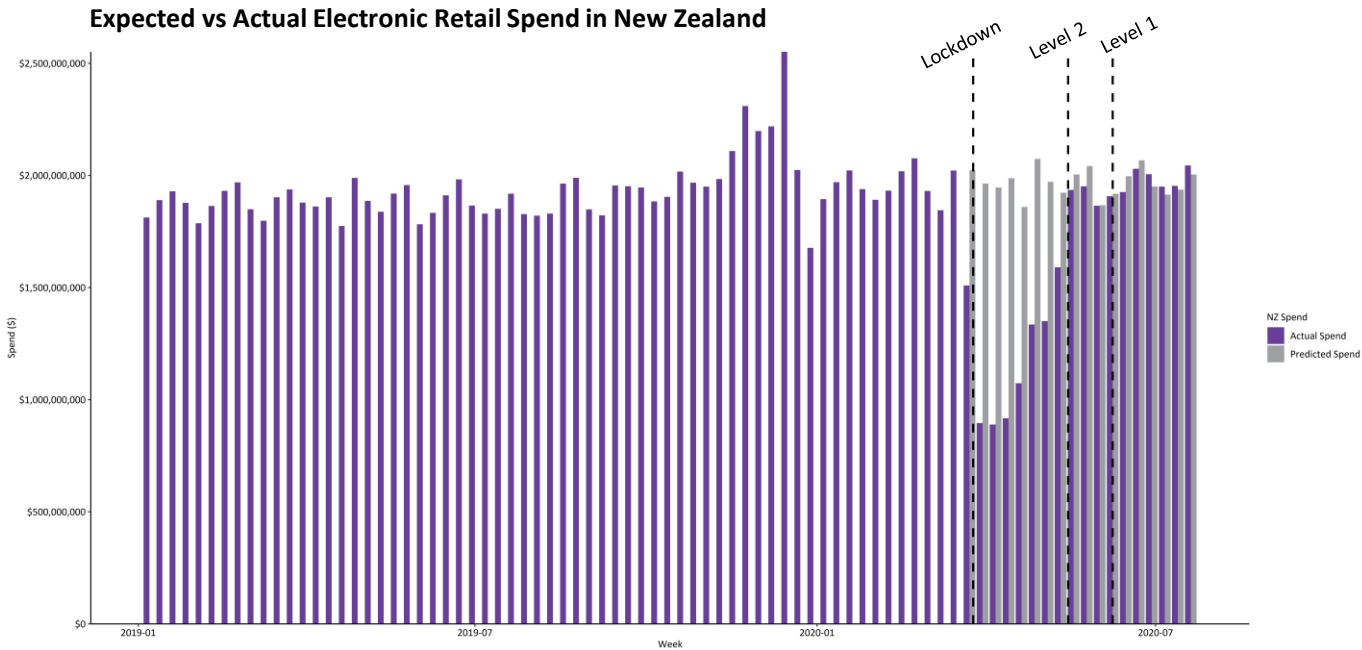
By augmenting consumer data from Datamine's Business Insight service with Centrix, Credit Bureau of New Zealand's data, we provide a unique view of this changing landscape and how these events have impacted consumer confidence and behaviour.

In this exclusive special, we take a closer look to give you a granular view of consumer credit and spending trends in New Zealand.

In particular we look into how New Zealanders shifted their behavior toward online shopping. Will this natural acceleration of online due to Lockdown restrictions continue?

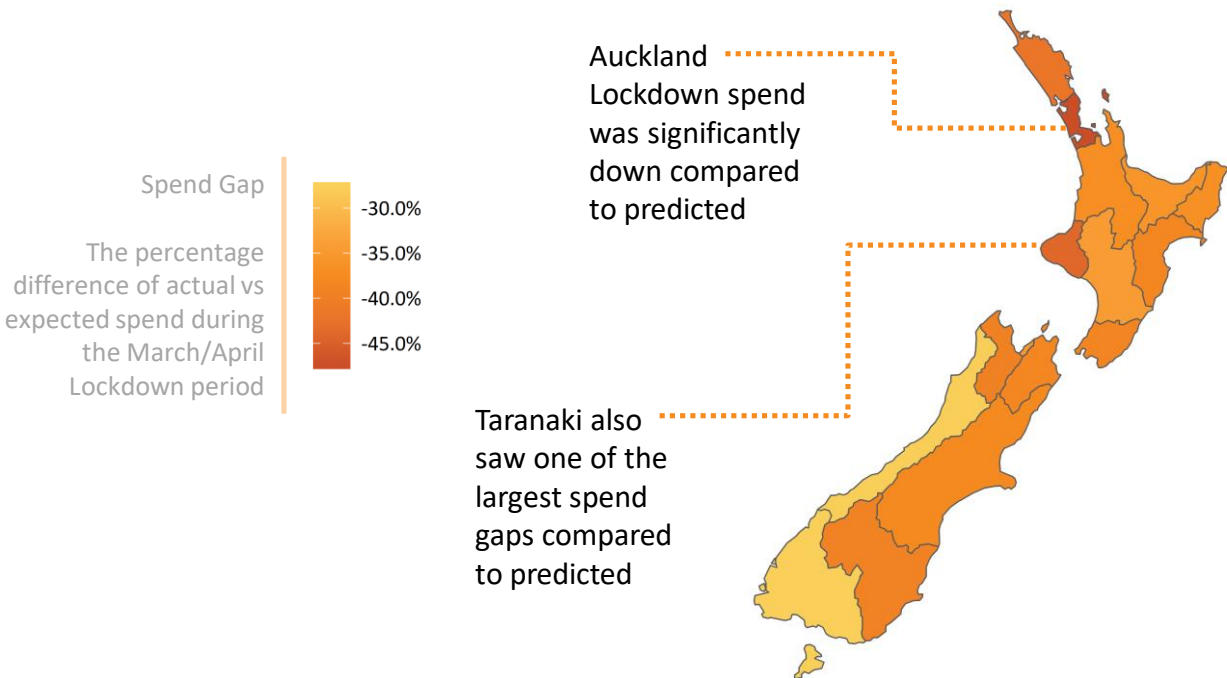
Lockdown created a gap in New Zealand consumer spend

Expected vs Actual Electronic Retail Spend in New Zealand



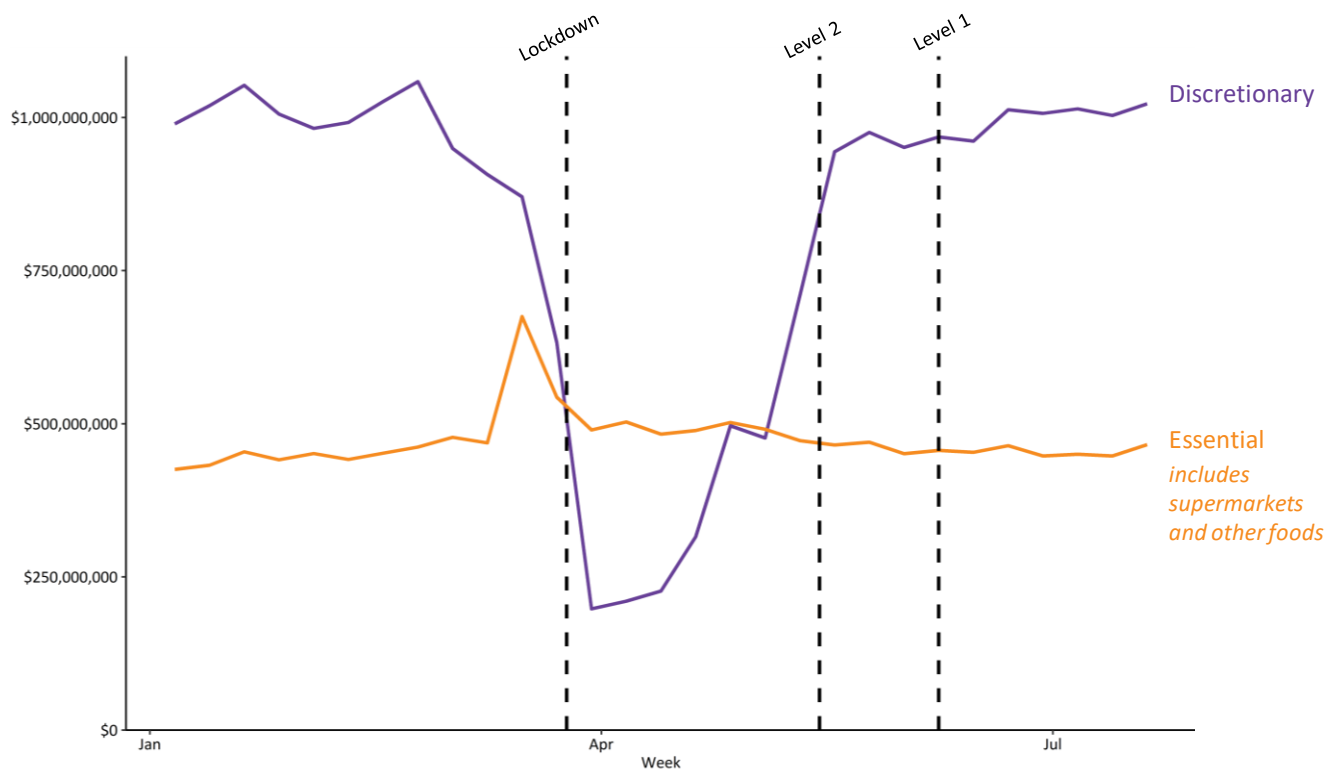
As New Zealand entered the first Lockdown we see a dramatic decrease in retail spend. Compared to the predicted spend over this period, we estimate that total spend was down around \$6.4bn or 42%. Spend returned to pre-Covid levels as the country moved into Level 2.

New Zealand regional spend gap between Level 4 and Level 1



Discretionary Spend has fully recovered since a significant downturn

New Zealand electronic spend by essential vs discretionary



New Zealand discretionary spend plummeted as we entered Level 4 Lockdown. However we see spend quickly returning to near pre-Covid levels with the reopening of stores at Level 2.

The panic buying behaviour witnessed on the announcement of Lockdown is clearly visible in a notable spike of essential spend. This spend behaviour normalised quickly after, reaching a relatively stable level of spend shortly after we entered Lockdown.

Disclaimer: While we haven't been able to report on the precise definitions of 'Essential' vs 'Discretionary' we have been able to group retail categories where the majority of spend falls in each definition.

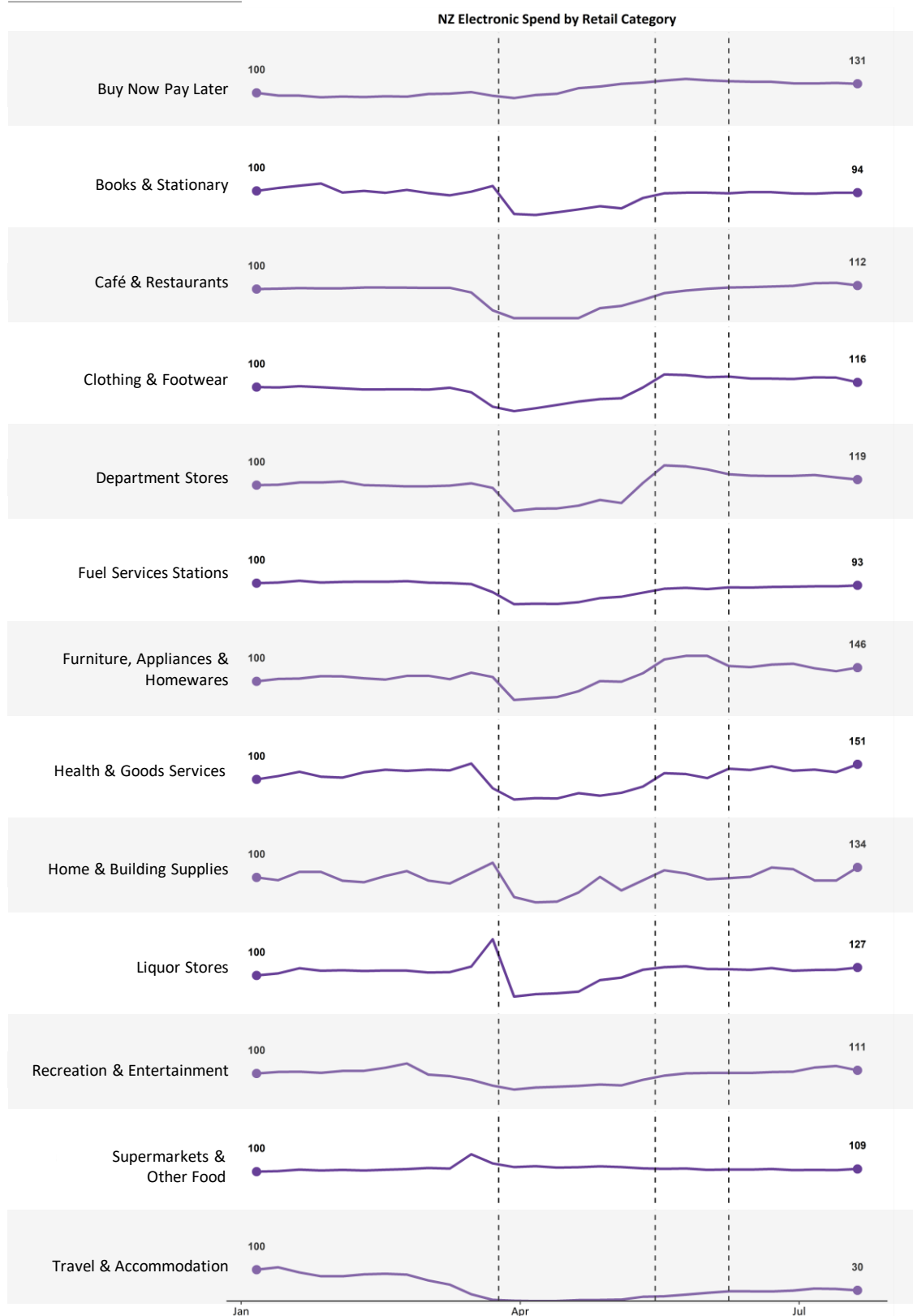
Most retail categories have seen increased spend

Retail categories relating to home improvement, e-commerce and health have seen the biggest increase in spend since the beginning of the year. We can see the devastating effect on the Travel & Accommodation industry.

Electronic spending by retail category, New Zealand

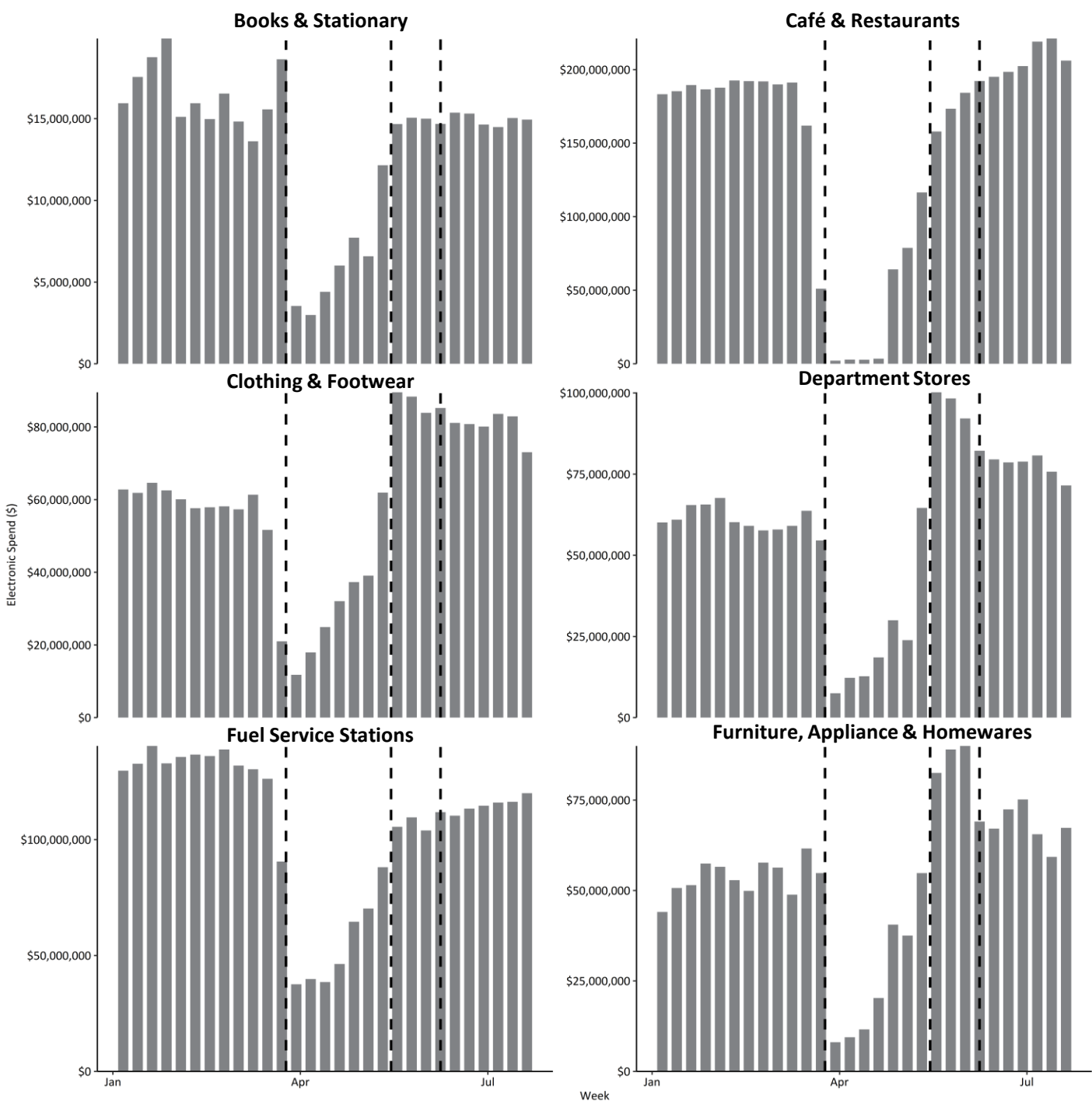
Weekly index of spend per category, 100 = first week of January 2020

weekly spend – 31 July 2020



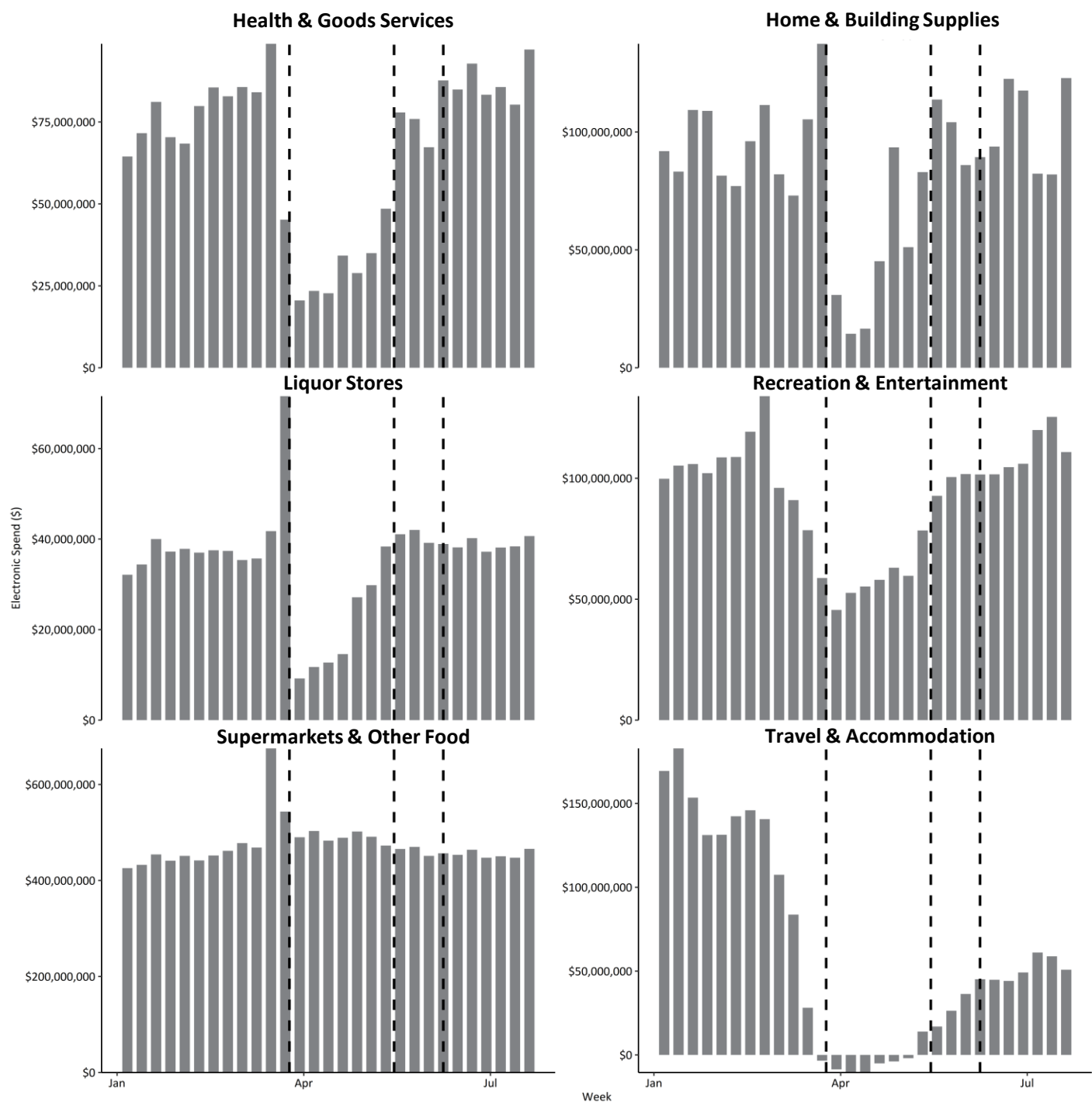
Different levels of recovery across retail categories

Café & Restaurant spend fell to nearly zero during Lockdown Level 4, with spend returning through Levels 3 and 2. Recent trends indicate higher than pre-Covid levels of spend. Clothing and Footwear, Department Stores, and Furniture, Appliances & Homewares all saw significantly higher levels of spend as stores reopened, suggesting pent up consumer demand. Spend levels for these categories look to be trending back towards pre-Covid levels. Spend through Fuel Service Stations are still well below pre-Covid levels.



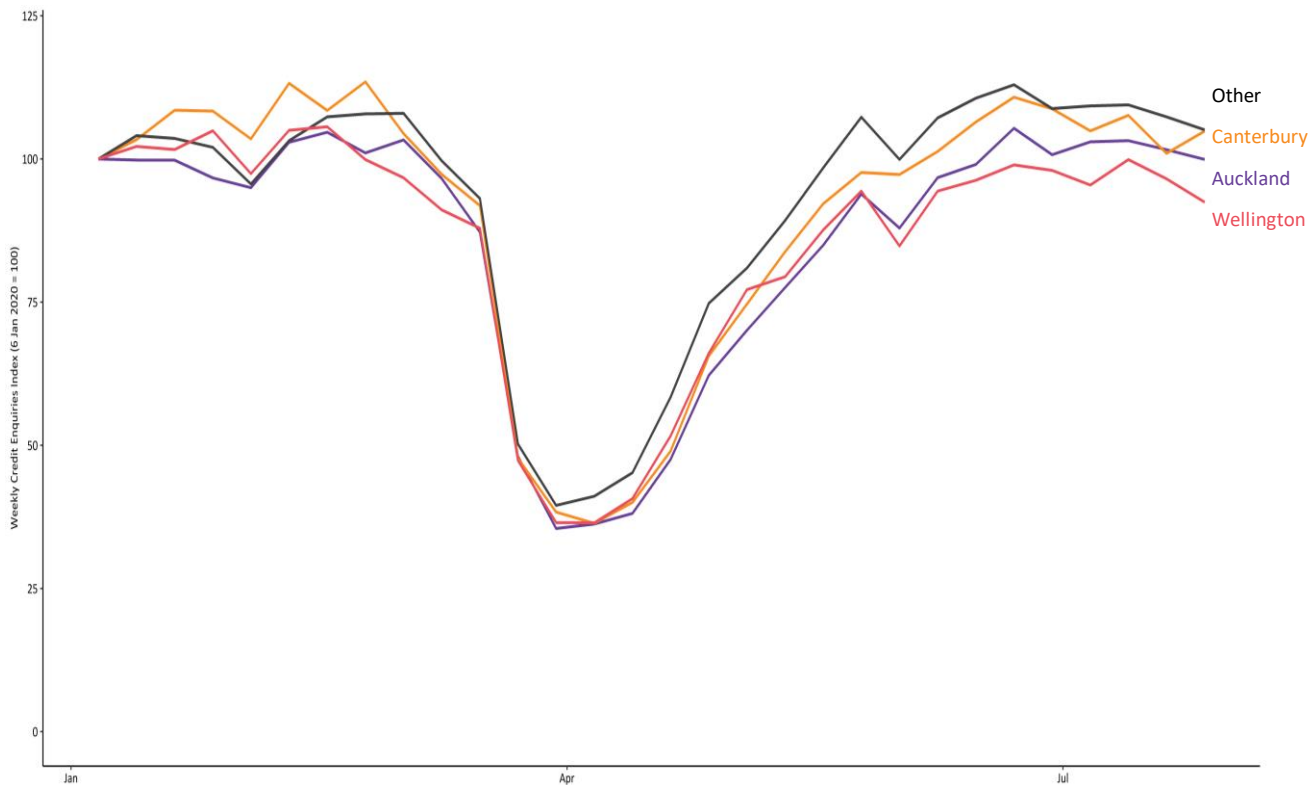
Different levels of recovery across retail categories

A variety of trends by category, we see sharp spikes prior to Level 4 lockdown in Liquor Stores and Supermarkets. Supermarket & Other Food saw an increase in spend throughout lockdown. Health & Goods Services, Home & Building Supplies and Recreational Entertainment all bounced back quickly with increases being seen in spend compared to prior to lockdown. The effect Covid-19 had on Travel & Accommodation can clearly be seen here in comparison with the other categories – including a period of negative spend as credits were given.

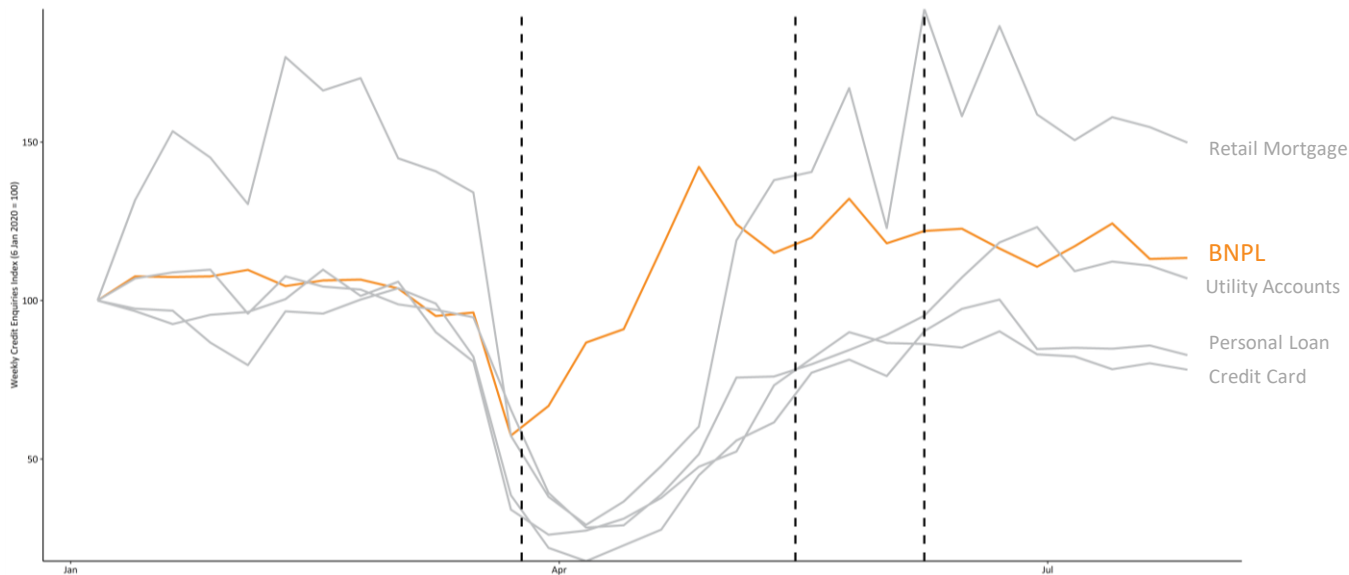


Demand for credit collapsed during Lockdown followed by a swift recovery

Weekly credit enquiries indexed per region



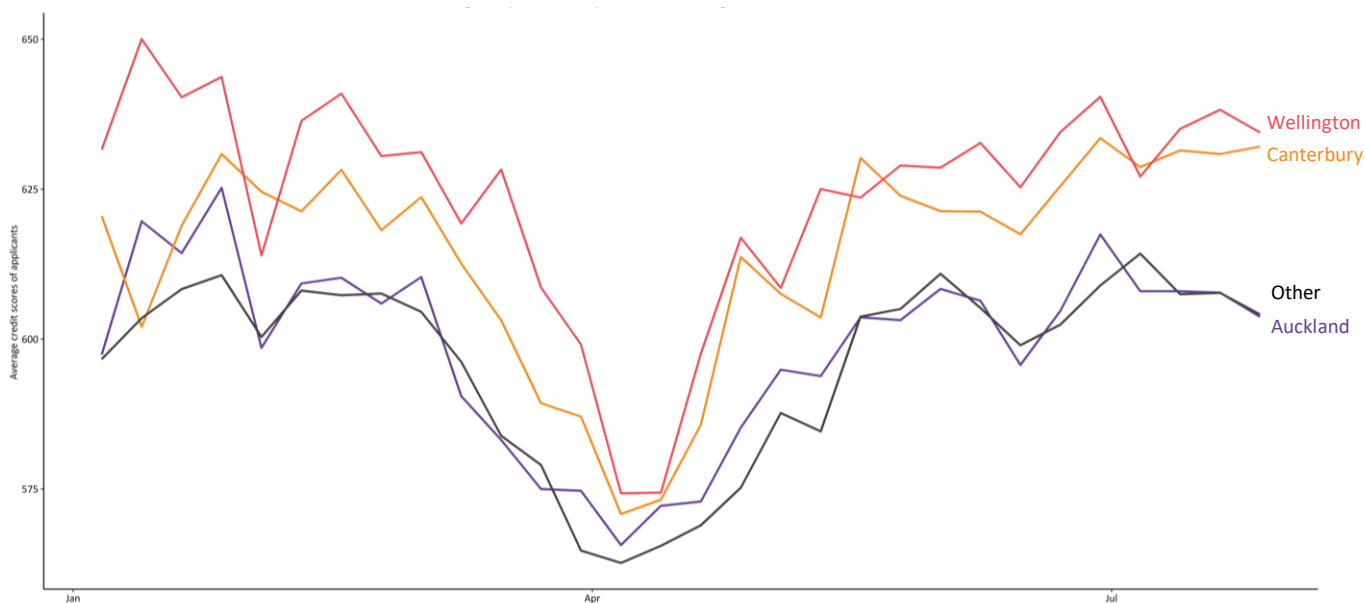
Credit enquiries indexed by product type



We observed a sharp collapse in applications for retail credit and property sector stepping into Lockdown, followed by a swift V-shape recovery. Buy Now Pay Later (BNPL) recovered quickest as consumer spending behaviours shifted to online during level 4 Lockdown.

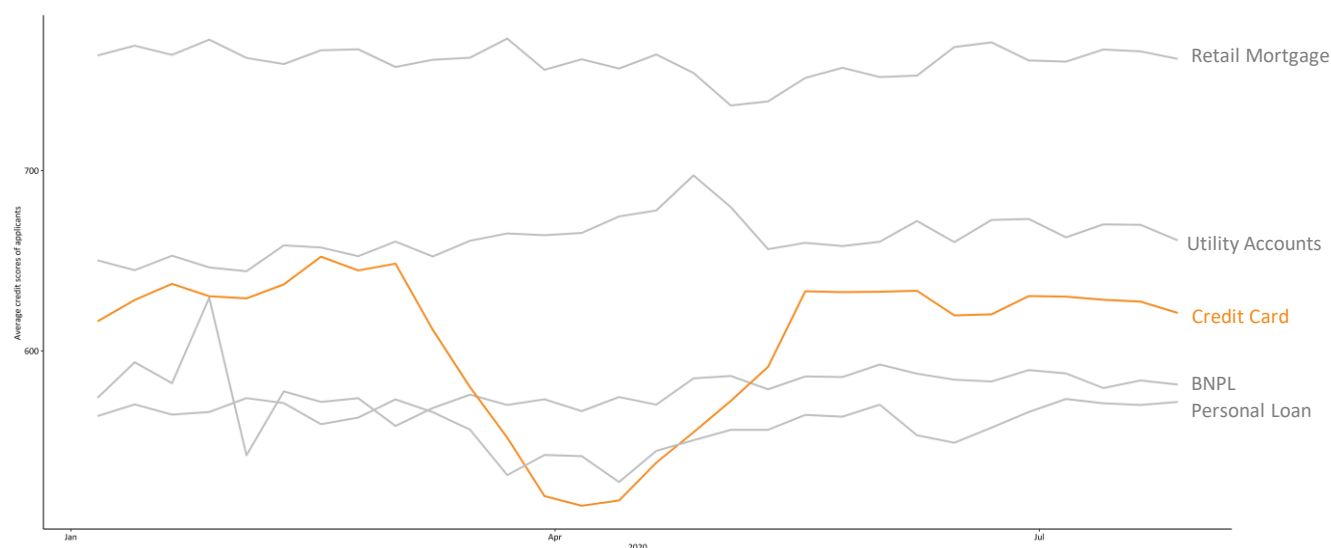
Credit quality of new applicants fell back during Lockdown

Average credit scores by region



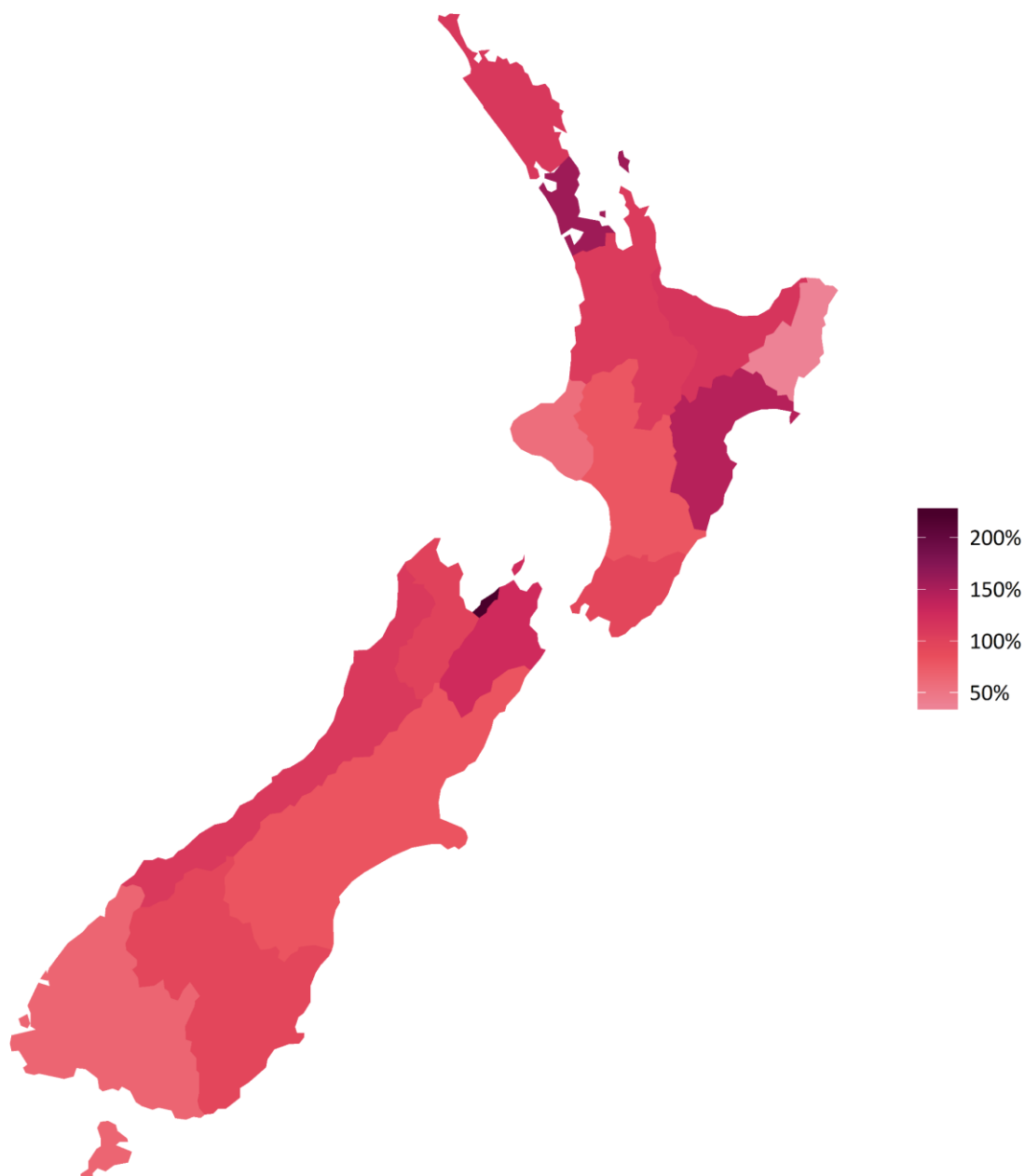
Credit ratings for new applicants (measured by credit scores ranging between zero and 1000) fell across all regions during Lockdown. Consumers with higher credit ratings pulled back from the market during Level 4, but those with lower credit ratings remained active to access credit to meet their needs.

Average credit scores by product



Average credit scores by product remained fairly stable during Lockdown with the notable exception of unsecured credit applicants (credit card and personal loans). As spending behaviours shifted during Lockdown, credit card applicants with higher credit ratings all but disappeared from the market.

Increase in financial hardship by region (pre-Lockdown vs during Lockdown)



The number of credit accounts registered as being in financial hardship doubled during Lockdown as New Zealanders were beginning to feel the financial pinch. The North Island was hit hardest with more consumers requesting financial support than ever before.

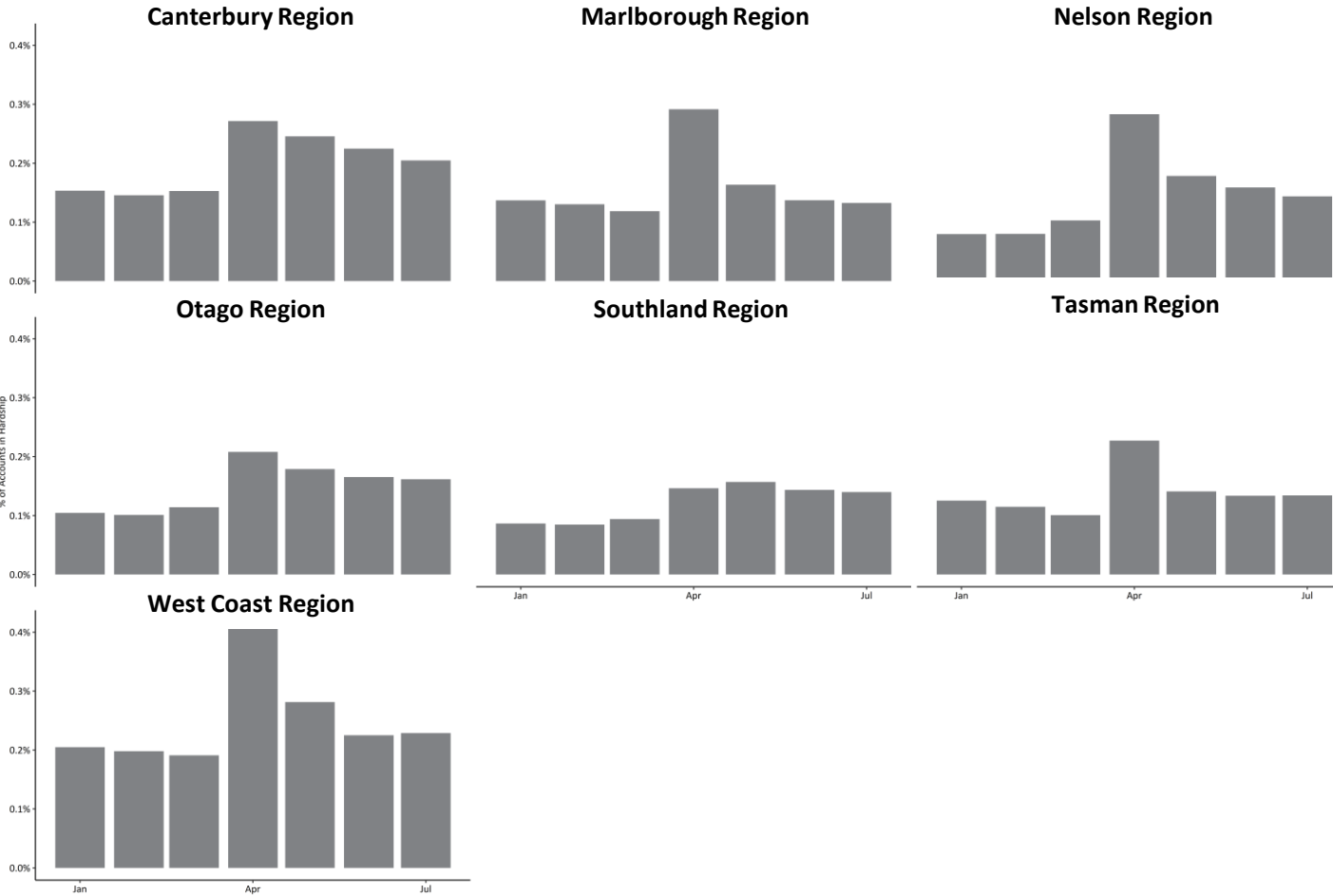
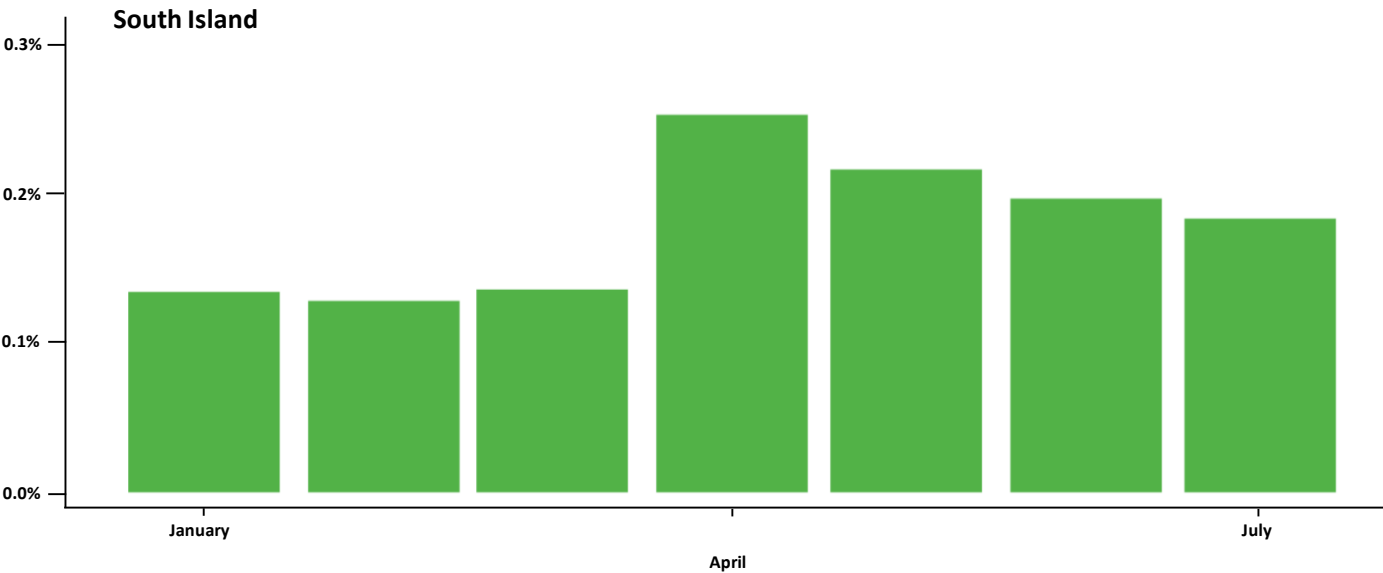
It is important to note however, that as lenders adapted processes and system capabilities to cater for payment deferrals, we saw a shift of accounts moving from hardship status into payment deferral status. Despite this shuffle, the number of registered hardships remained higher than pre-Covid levels.

Distribution of New Zealand accounts in hardship (%)



The Auckland region is shown to have experienced the highest increase in financial hardship during Level 4. A solid recovery has been observed across all regions as the restrictions have eased.

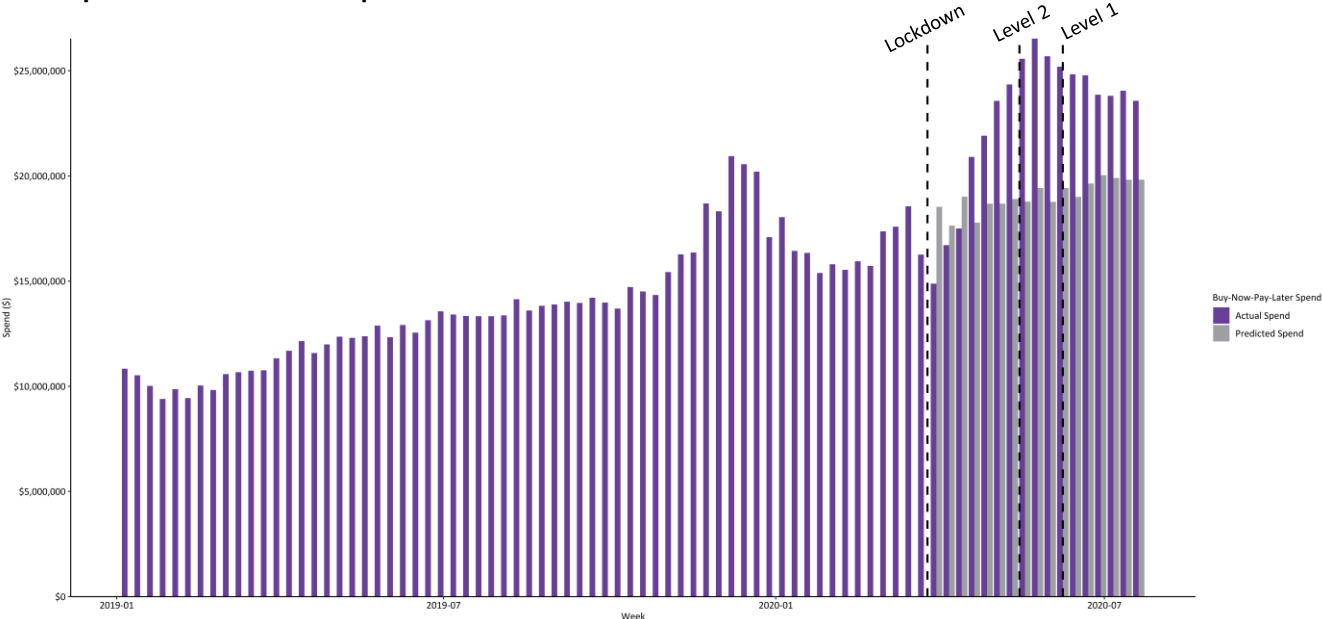
Distribution of New Zealand accounts in hardship (%)



The upper South Island experienced the greatest rise in financial hardship during April, followed by a swift recovery. Southland region has one of the lowest levels of financial hardship across New Zealand, and is shown to be least impact by COVID-19.

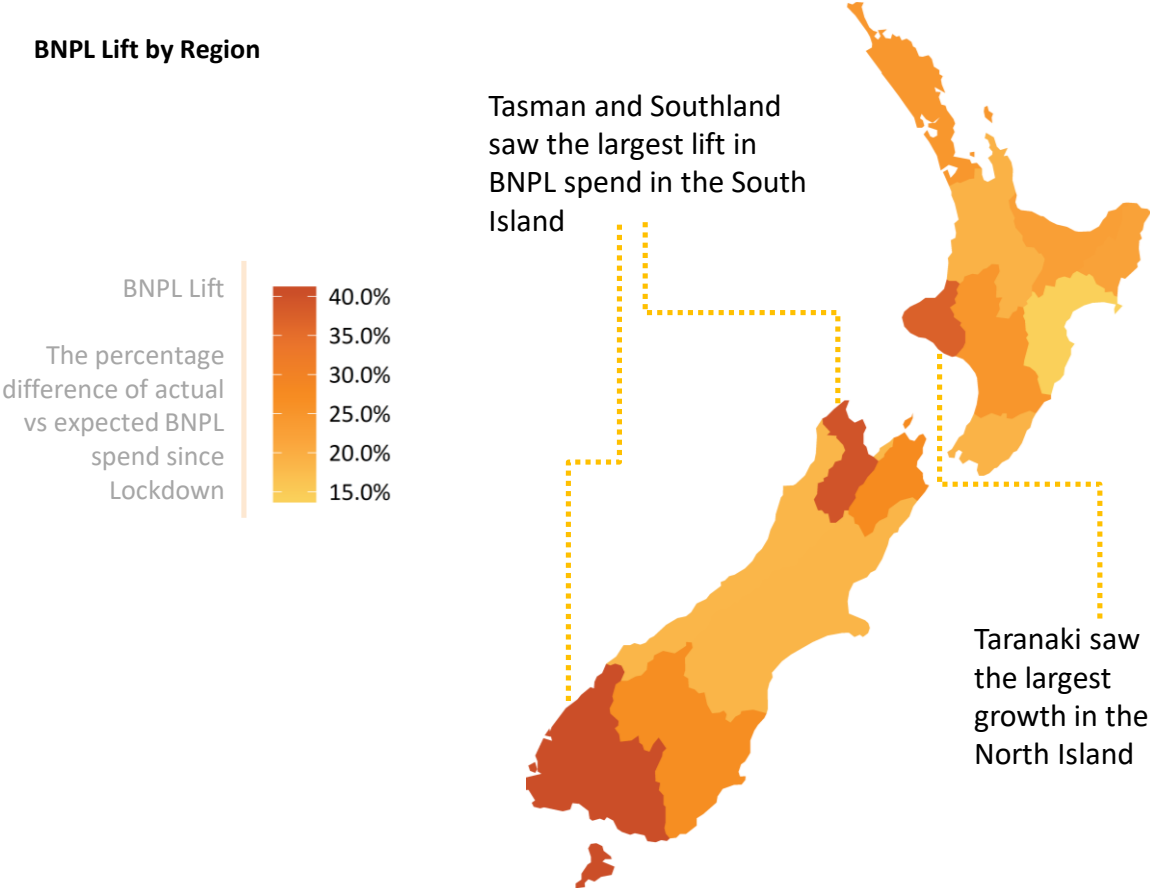
Buy Now Pay Later (BNPL) spend uplift

Expected vs Actual BNPL Spend in New Zealand



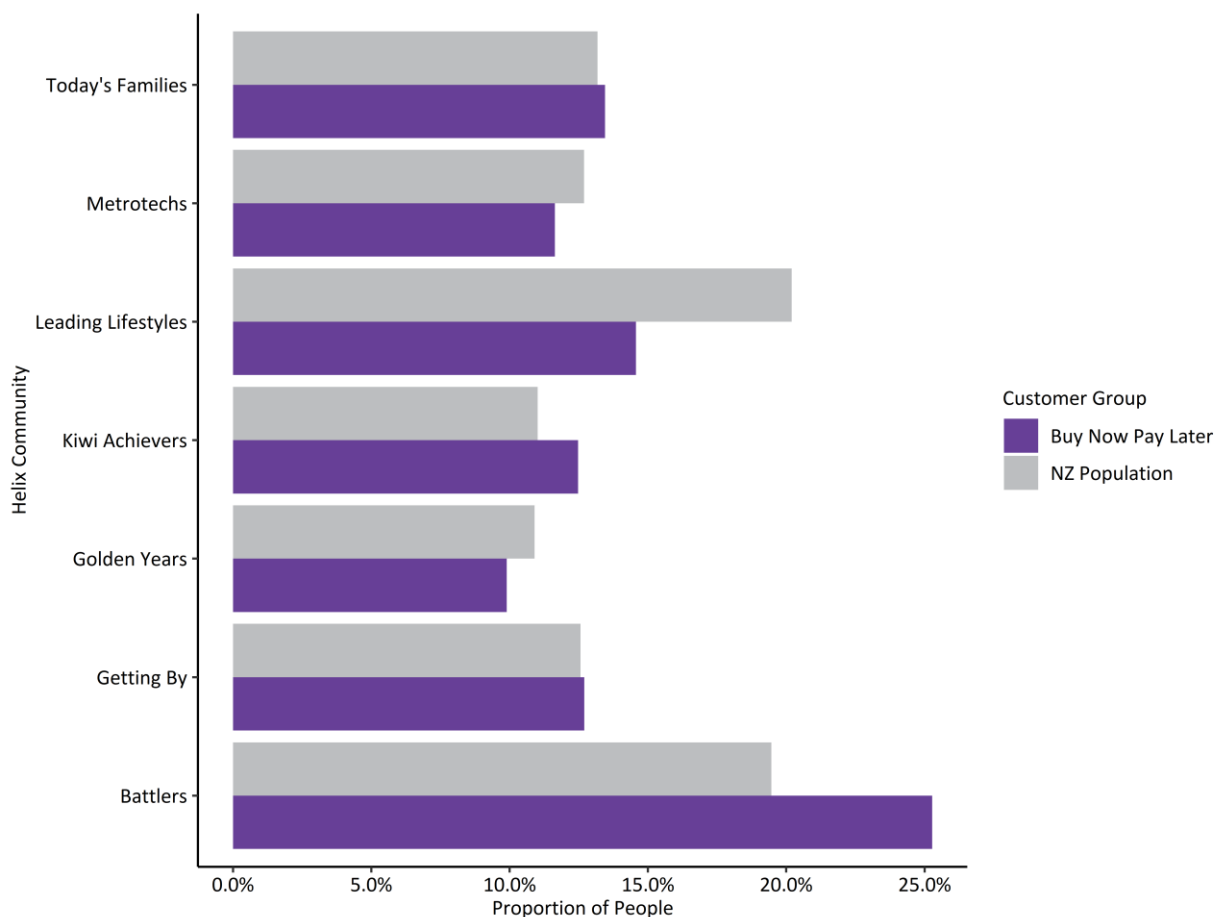
Buy Now, Pay Later (BNPL) spend has been steadily increasing since January 2019. However, since the initial Lockdown BNPL has seen a significant increase compared to predicted levels – this is in stark contrast to most retail categories. This is largely due to increased levels of e-commerce spend during this period. We now appear to be seeing a recalibrated market demand for BNPL. We estimate that BNPL was up \$61.7 million or 17% compared to predicted BNPL spend, since the beginning of Lockdown.

BNPL Lift by Region



Who are our Buy Now, Pay Later customers?

Distribution of 2020 BNPL customers by Helix Community*



The **Battlers** are the highest over-indexed community; **Kiwi Achievers**, **Today's Families** and **Getting By** are also above.



***Helix Personas**: a geo-digital psychographic segmentation, combining location, demographics, lifestyle, attitudes, behaviours and values

Kiwi Achievers

Closest to the average New Zealander, those mid-life, average educated families are working full time to pay off their expensive separate house.

Today's Families

Young families living in the suburbs, earning above-average incomes. They are family oriented and enjoy improving their homes.

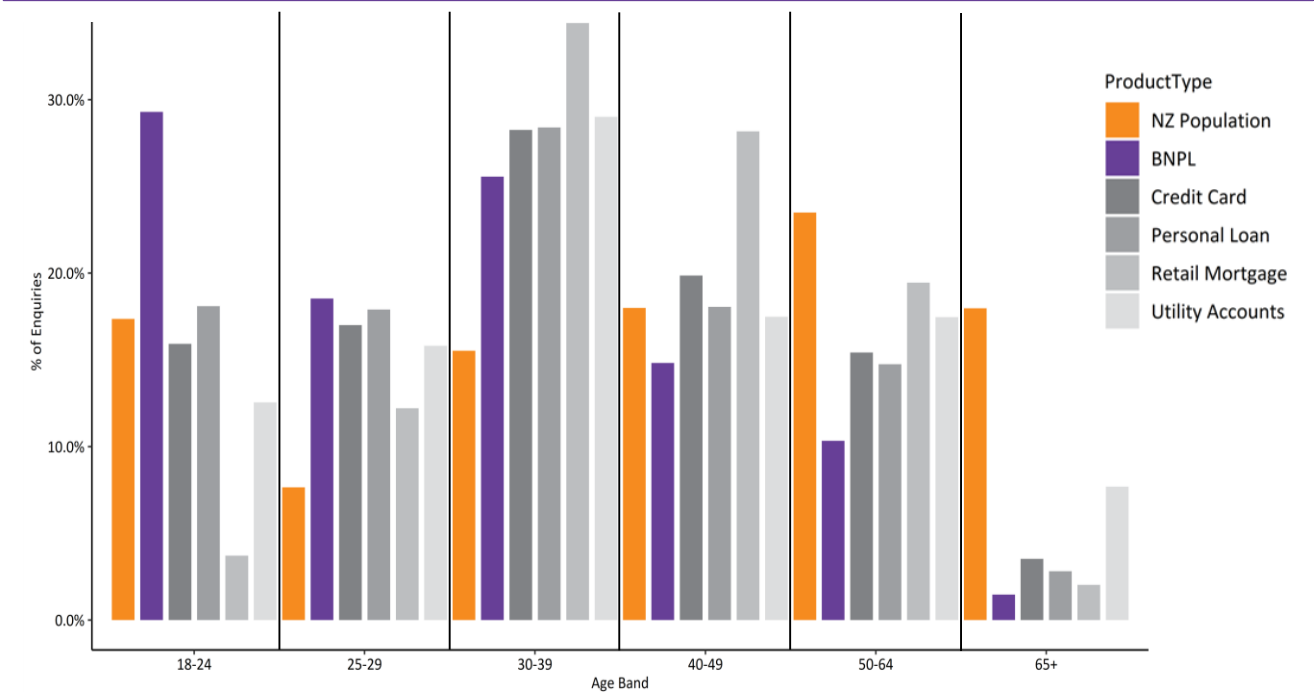
Battlers

Ethnically diverse, young families, single mums & retirees focussed on making ends meet. Many are welfare dependent.

Getting By

Young parents or older families with children still at home, the most ethnically diverse community, a lot of part-time workers looking for full-time work.

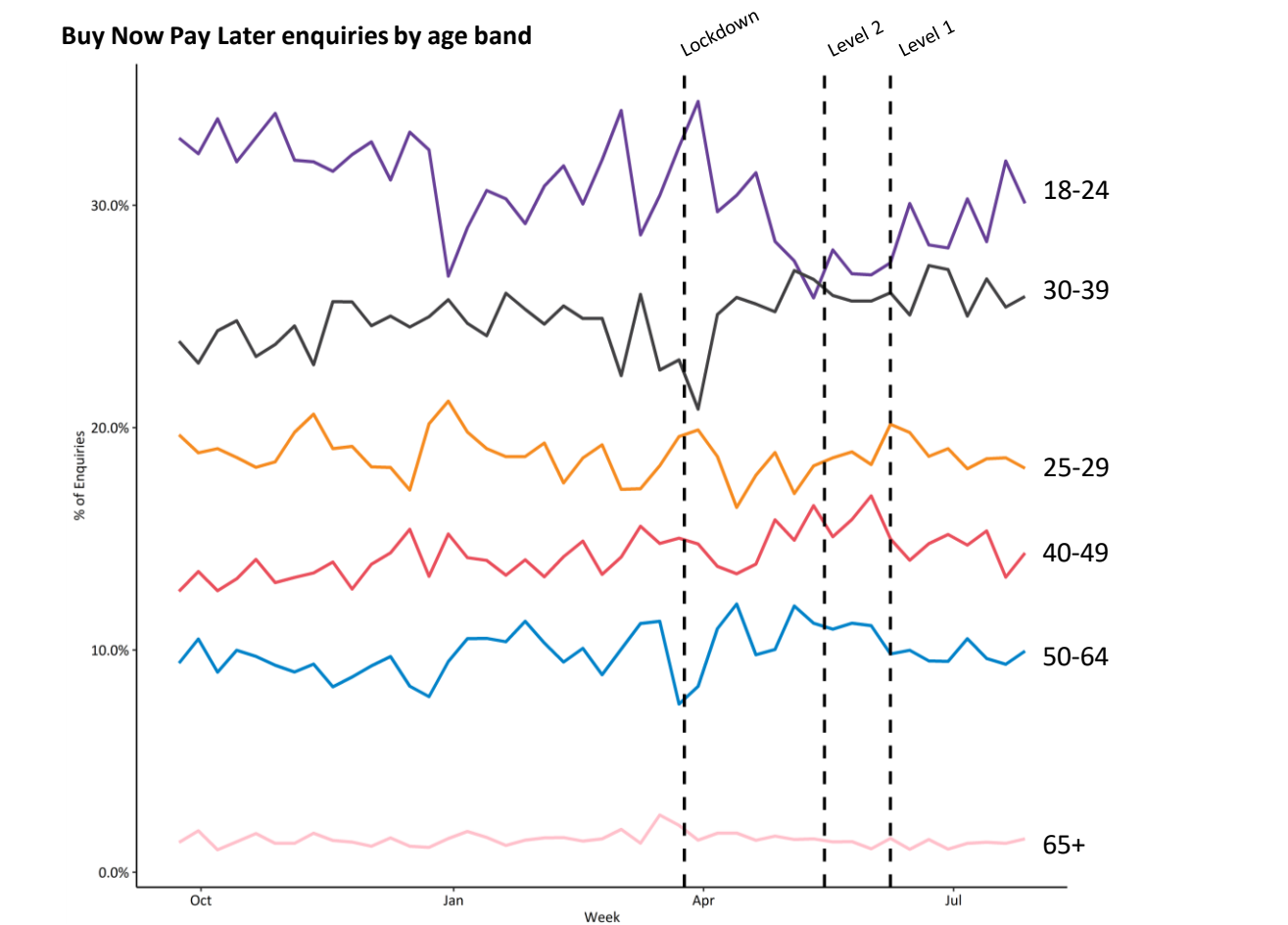
Distribution of age by credit product over Lockdown



The highest number of enquiries for all credit products was derived from the 30-39 group. Notably, we see that the 18-24 and 30-39 groups have been driving Buy Now Pay Later growth.

Below we can see that towards the end of Lockdown the 30-39 group briefly overtook the 18-24's for total enquiries, before tapering back slightly as we moved into Level 1.

Buy Now Pay Later enquiries by age band



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About this report

Purpose

Datamine's mission is to unlock the value in data and we have been providing Retailwatch reports to the market for over a decade, supporting New Zealand businesses. Centrix are New Zealand's only locally owned consumer credit bureau, with the most comprehensive account payment data and credit information on 95% of consumers. Datamine and Centrix have partnered to provide an unbiased, unique 360-degree view of New Zealand's consumer confidence. We're two Kiwi owned and operated businesses, operating for circa 40 years combined, collaborating to bring analytical insight to the surface for the benefit of New Zealanders.

Data source

All data used to produce this report is aggregated and anonymized at source. Spend data in this report refers solely to spend made by New Zealand credit and debit cards online or in New Zealand stores. Retailer categories are taken from the Merchant Category Codes allocated by MasterCard and VISA and all New Zealand estimates are exclusive of GST. This spend data comes from one of our Banking and Financial clients' Business Insight and is weighted to give national and regional totals. Credit data in this report is derived from indexed credit scoring and product enquiry data, representative of changes in credit behavior between 1 January 2020 and 31 July 2020.

Contact Us

If you have any questions about this report, contact us at hello@datamine.com

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