

# Macro Research

## Post-COVID consumption – experiences from New Zealand

- **Big consumption comeback after reopening in New Zealand never materialised.**
- **The good news – based on New Zealand’s experience – for European business is that consumers quickly revert to normal patterns of consumption. The bad news is that many do no more than that.**
- **Guests return to restaurants and bars in roughly the same numbers as prior to the crisis, but there is no overcompensation and clothing consumption is only slowly recouping its losses.**
- **Demand for household goods, in particular, remains high, while the housing market has picked up even further since reopening.**

### New Zealand consumers have more or less full access to goods and services again ...

In this paper we look at developments in New Zealand for signs of what a post-COVID19 economy might look like. New Zealand went into strict lockdown from the end of March until May, which more than halved total consumption (as measured by card transactions) in April compared to the start of the year. Apart from one further lockdown in August-September, mainly in the Auckland area, life has largely returned to normal again, with the country at Alert level 1 (out of four possible levels) and the main restriction being some very strict quarantine rules in connection with trips abroad. Hence, New Zealand consumers again have full access to goods and services, apart from travel and holidays.

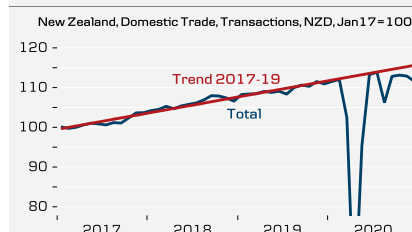
### ... but the big consumption comeback has failed to materialise

The reopening in June failed to prompt any spending frenzy by New Zealanders overall. Consumption in June-July returned to trend and in Q4 was a couple of percent below trend. Accommodation consumption, which in 2019 accounted for just under 3% of total card transactions, can explain much of the downturn. Spending at travel agents has also plummeted but accounts for a very small share of total consumption. Consumer confidence in New Zealand jumped following the reopening, but the upward lift is still from expectations about the future, though these are even higher than they were prior to the crisis. Thus, the global pandemic still seems to weigh on consumers.

Food and beverage service consumption rose a little above trend in July (the first full month without restrictions) but has eased since and was around 5% below trend at the end of 2020. In contrast, consumption of other services compensated more for lockdown upon reopening. This is probably due to more necessary services, such as hairdressers and repair and maintenance services, a phenomenon we are also familiar with from the Danish reopening last year. Nevertheless, consumption of services has now normalised again – after all, you do not get your hair cut twice just because you skipped a trim, for example.

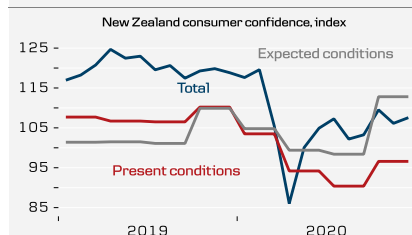
Apparel consumption, which lost close to one and a half months’ sales during lockdown, has so far only recouped around one third of lost revenues in H2 – partly disrupted by the lockdown in August.

### No big consumption comeback in NZ



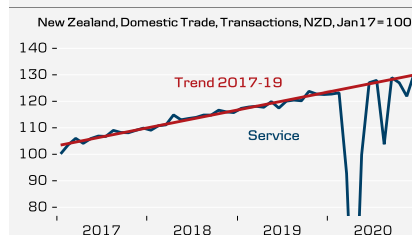
Note: Data covers card transactions in New Zealand.  
Sources: Statistics New Zealand, Macrobond Financial

### Pandemic still weighs on consumer sentiment



Sources: Australian & New Zealand Banking Group Limited, Macrobond Financial

### Service consumption back on trend



Sources: Statistics New Zealand, Macrobond Financial

#### Analyst

Björn Tangaa Sillemann  
+45 45 12 82 29  
bjsi@danskebank.dk

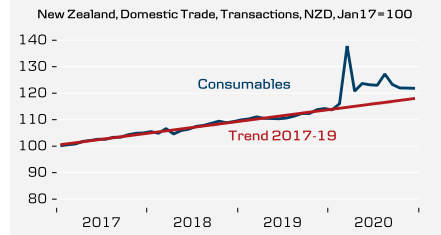
This thus indicates that you do not buy two sweaters in June (winter month in New Zealand) because you did not buy one in May – just as you presumably do not compensate for the times you did not go out to eat or otherwise socialise. Hence, consumption here is only recovering slowly.

Recreational goods (such as bicycles and beach equipment) is one of the areas of consumption that has performed best after reopening, probably not least as a result of consumers taking staycations. Likewise, consumption of shop-bought alcohol has increased. Alcohol was hoarded on a massive scale just prior to the country closing down in March and this trend has continued after reopening. This is also likely to be one of the reasons why consumption at bars and restaurants has not risen more – Kiwis have increasingly got used to drinking at home.

Consumption of electrical goods and furniture has also remained very high, indicating that focus on the home does not appear to evaporate with the lifting of restrictions – at least, not for as long as you cannot travel. This is also apparent in the housing market, where prices have soared 17% in the past year and sales times have shortened significantly – a trend that should also be seen against New Zealand’s central bank cutting interest rates by 1.5 percentage points since May 2019.

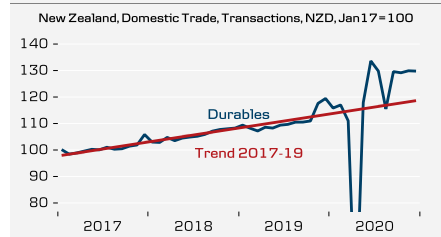
Generally speaking, the good news from New Zealand for business in Europe, which is currently suffering during lockdown, is that consumers quickly revert to normal patterns of consumption. The bad news is that many do no more than that. Neither clothing, restaurants nor services have experienced a permanent boost to consumption post-lockdown – though the fact that the pandemic is still raging in the rest of the world looks like a key reason.

**Consumables above trend**



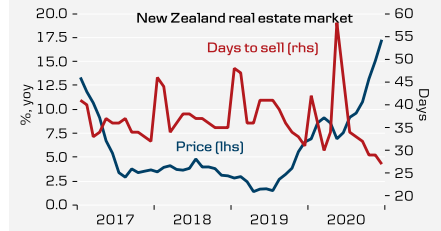
Sources: Statistics New Zealand, Macrobond

**Recreational, furniture, etc. pull durables consumption higher**



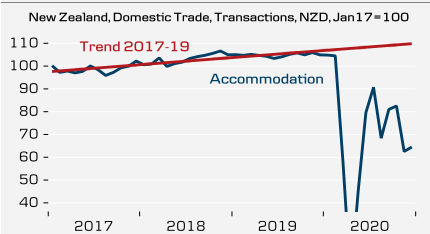
Sources: Statistics New Zealand, Macrobond

**Housing market accelerated after New Zealand reopened**

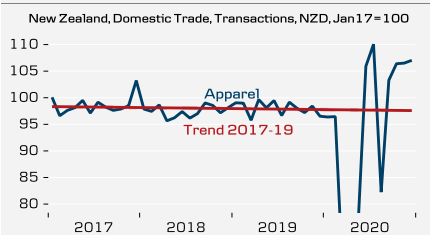


Sources: Real Estate Institute of New Zealand, Macrobond

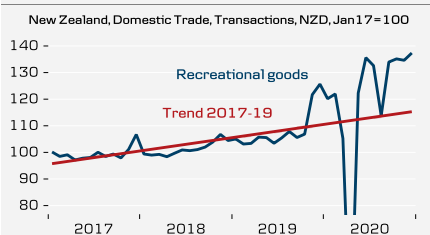
**Tourism shutdown weighs heavy**



**Apparel slowly catching up**

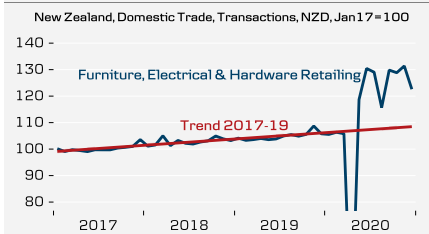


**Recreation thrives on staycation**

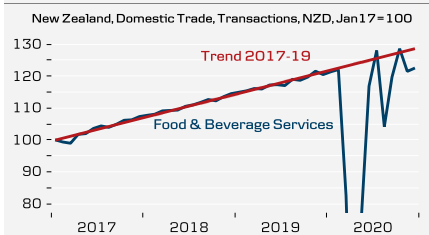


Sources: Statistics New Zealand, Macrobond

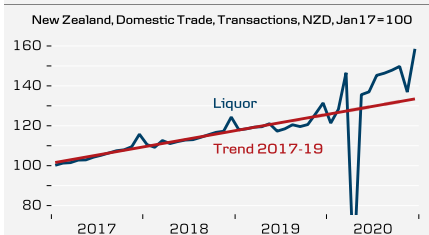
**Household goods are popular**



**More drinking at home takes a toll**



**People got used to drinking at home**



Sources: Statistics New Zealand, Macrobond

## Disclosures

This research report has been prepared by Danske Bank A/S ('Danske Bank'). The author of this research report is Bjørn Tangaa Sillemann, Analyst.

### Analyst certification

Each research analyst responsible for the content of this research report certifies that the views expressed in the research report accurately reflect the research analyst's personal view about the financial instruments and issuers covered by the research report. Each responsible research analyst further certifies that no part of the compensation of the research analyst was, is or will be, directly or indirectly, related to the specific recommendations expressed in the research report.

### Regulation

Authorised and regulated by the Danish Financial Services Authority (Finanstilsynet). Deemed authorised by the Prudential Regulation Authority. Subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details of the Temporary Permissions Regime, which allows EEA-based firms to operate in the UK for a limited period while seeking full authorisation, are available on the Financial Conduct Authority's website.

Danske Bank's research reports are prepared in accordance with the recommendations of the Danish Securities Dealers Association.

### Conflicts of interest

Danske Bank has established procedures to prevent conflicts of interest and to ensure the provision of high-quality research based on research objectivity and independence. These procedures are documented in Danske Bank's research policies. Employees within Danske Bank's Research Departments have been instructed that any request that might impair the objectivity and independence of research shall be referred to Research Management and the Compliance Department. Danske Bank's Research Departments are organised independently from, and do not report to, other business areas within Danske Bank.

Research analysts are remunerated in part based on the overall profitability of Danske Bank, which includes investment banking revenues, but do not receive bonuses or other remuneration linked to specific corporate finance or debt capital transactions.

### Financial models and/or methodology used in this research report

Calculations and presentations in this research report are based on standard econometric tools and methodology as well as publicly available statistics for each individual security, issuer and/or country. Documentation can be obtained from the authors on request.

### Risk warning

Major risks connected with recommendations or opinions in this research report, including as sensitivity analysis of relevant assumptions, are stated throughout the text.

### Expected updates

Ad hoc.

### Date of first publication

See the front page of this research report for the date of first publication.

## General disclaimer

This research has been prepared by Danske Bank A/S. It is provided for informational purposes only and should not be considered investment, legal or tax advice. It does not constitute or form part of, and shall under no circumstances be considered as, an offer to sell or a solicitation of an offer to purchase or sell any relevant financial instruments (i.e. financial instruments mentioned herein or other financial instruments of any issuer mentioned herein and/or options, warrants, rights or other interests with respect to any such financial instruments) ('Relevant Financial Instruments').

This research report has been prepared independently and solely on the basis of publicly available information that Danske Bank A/S considers to be reliable but Danske Bank A/S has not independently verified the contents hereof. While reasonable care has been taken to ensure that its contents are not untrue or misleading, no representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or reasonableness of the information, opinions and projections contained in this research report and Danske Bank A/S, its affiliates and subsidiaries accept no liability whatsoever for any direct or consequential loss, including without limitation any loss of profits, arising from reliance on this research report.

The opinions expressed herein are the opinions of the research analysts and reflect their opinion as of the date hereof. These opinions are subject to change and Danske Bank A/S does not undertake to notify any recipient of this research report of any such change nor of any other changes related to the information provided in this research report.

This research report is not intended for, and may not be redistributed to, retail customers in the United Kingdom (see separate disclaimer below) and retail customers in the European Economic Area as defined by Directive 2014/65/EU.

This research report is protected by copyright and is intended solely for the designated addressee. It may not be reproduced or distributed, in whole or in part, by any recipient for any purpose without Danske Bank A/S's prior written consent.

## Disclaimer related to distribution in the United States

This research report was created by Danske Bank A/S and is distributed in the United States by Danske Markets Inc., a U.S. registered broker-dealer and subsidiary of Danske Bank A/S, pursuant to SEC Rule 15a-6 and related interpretations issued by the U.S. Securities and Exchange Commission. The research report is intended for distribution in the United States solely to 'U.S. institutional investors' as defined in SEC Rule 15a-6. Danske Markets Inc. accepts responsibility for this research report in connection with distribution in the United States solely to 'U.S. institutional investors'.

Danske Bank A/S is not subject to U.S. rules with regard to the preparation of research reports and the independence of research analysts. In addition, the research analysts of Danske Bank A/S who have prepared this research report are not registered or qualified as research analysts with the New York Stock Exchange or Financial Industry Regulatory Authority but satisfy the applicable requirements of a non-U.S. jurisdiction.

Any U.S. investor recipient of this research report who wishes to purchase or sell any Relevant Financial Instrument may do so only by contacting Danske Markets Inc. directly and should be aware that investing in non-U.S. financial instruments may entail certain risks. Financial instruments of non-U.S. issuers may not be registered with the U.S. Securities and Exchange Commission and may not be subject to the reporting and auditing standards of the U.S. Securities and Exchange Commission.

## Disclaimer related to distribution in the United Kingdom

In the United Kingdom, this document is for distribution only to (I) persons who have professional experience in matters relating to investments falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the 'Order'); (II) high net worth entities falling within article 49(2)(a) to (d) of the Order; or (III) persons who are an elective professional client or a per se professional client under Chapter 3 of the FCA Conduct of Business Sourcebook (all such persons together being referred to as 'Relevant Persons'). In the United Kingdom, this document is directed only at Relevant Persons, and other persons should not act or rely on this document or any of its contents.

## Disclaimer related to distribution in the European Economic Area

This document is being distributed to and is directed only at persons in member states of the European Economic Area ('EEA') who are 'Qualified Investors' within the meaning of Article 2(e) of the Prospectus Regulation (Regulation (EU) 2017/1129) ('Qualified Investors'). Any person in the EEA who receives this document will be deemed to have represented and agreed that it is a Qualified Investor. Any such recipient will also be deemed to have represented and agreed that it has not received this document on behalf of persons in the EEA other than Qualified Investors or persons in the UK and member states (where equivalent legislation exists) for whom the investor has authority to make decisions on a wholly discretionary basis. Danske Bank A/S will rely on the truth and accuracy of the foregoing representations and agreements. Any person in the EEA who is not a Qualified Investor should not act or rely on this document or any of its contents.

**Report completed:** 2 February 2021, 15:09 CET

**Report first disseminated:** 3 February 2021, 06:00 CET