

Two-speed recovery looms for Australian businesses: Zip

- Granular transaction data from more than 1.8 million Australians in May shows first fragile signs of recovery.
- Return to normalcy is highly fractured as industries face different restriction eases which is creating a two-speed recovery.
- Consumer data shows sectors where spending has been slower to return, and hints at potential long-term impacts.

Sydney: Embargoed until 00:01am, 16 June 2020: Consumer spending data from Zip's Weekly Spending Index has signalled that May is showing the first - but fragile - signs of recovery for Australia's consumer retail sectors.

Under the macroeconomic context of inconsistent easing of restrictions across industries, and namely big differences between large and small business, recovery so far is fragmented. Government regulation is still having a significant impact on consumer spending, the ability of businesses to return to regular trade, and the make-up of the Australian business landscape.

Data from Zip's Weekly Spending Index for May shows where Australian spending is returning to and the industries that are continuing to fall short of pre-COVID levels, and raises the question of whether some industries may ever return to pre-COVID levels again.

Key insights include:

- With only partial easing of restrictions for the hospitality sector, pubs and bars are still struggling, while restaurant and cafe recovery is further ahead. [More here.](#)
- While the property market has stalled, spending on building and renovations has rocketed over the past quarter — raising questions about the timing and need of the government's renovation stimulus package. [More here.](#)
- Australia is continuing to trend toward a cashless society as cash usage drops, while online payments rises. However, in-store is seeing a minor recovery in buy now, pay later usage. [More here.](#)
- The way we move around the city is continuing to change. Public transport, taxi services, rideshare and car rentals are down; while bike shop purchases continue to increase. [More here.](#)
- On a lighter note:
 - Following the news that the country's fish in aquariums were exhibiting signs of depression, spending at aquariums rocketed.
 - As beaches reopened for leisure, ice cream sales doubled compared to the yearly average.
 - Similarly, beaches opening also led to huge upticks on surf school spending.
 - As the Australian dollar weakened, there was an increase in spending on foreign exchange, remittance and investing (in platforms like Raiz and CommSec).

Peter Gray, Co-founder and COO of Zip said:

“There is a clear two-speed recovery emerging in the business economy, based on what consumers are spending their money on. While large shopping centres have resembled Christmas shopping sized crowds in recent weeks, pubs and bars are still limited to 50 patrons. This disparity of easing will continue to impact the business landscape, and particularly the small to medium sized enterprises, who are fronting large costs to adjust their places of trade.

“We have been particularly interested in the bolstering of spend in the past quarter on building and renovation, which is interesting in light of the recent government stimulus package.

“Perhaps the most interesting shift in the Zip Weekly Spending Index is the seismic shift towards a cashless economy. At this rate, it’s not unreasonable to consider Australia could be almost cashless by 2021.

“The shift to ecommerce-first and online payments has intensified, and we’ve seen the transformation of retail accelerate over the past three months. For businesses, the move to online and creation of frictionless payment routes is crucial. Online will become the biggest battleground for Australian retailers.

“What we don’t know yet is whether some of the hardest hit industries will ever fully recover. We’ve seen trends in fitness and beauty that suggest that at-home equivalents may take the place of gyms and salons. We’ll have a fuller picture on these industries in the coming months as restrictions are eased.”

The Zip Weekly Spending Index is based on anonymised transaction data from a sample of more than 1.5 million Zip customers and 300,000 Pocketbook users. Unlike other retail reports, the index provides a granular look at week-by-week changes in spending across different categories, providing fresh insights into consumer behaviour during the COVID-19 crisis.

The key findings are outlined below. Data must be attributed to ‘Zip Weekly Spending Index’. Note the report has two sections, May 2019 vs May 2020, and a week-by-week breakdown of May spend.

Zip Weekly Spending Index

May 2020

Monthly snapshot

May spending data, gathered from Pocketbook transactions, gives us our first look at Australian consumer spending as restrictions throughout the country were slowly pulled back.

The industries that have bounced back, and those that haven't, gives us an insight into what Australia's future business ecosystem may look like.

General spending trends in May

| Spending up (monthly, YOY) ¹ | | Spending down (monthly, YOY) ¹ | |
|---|-------|---|------|
| Security & Safety System Installation | +133% | Gyms & Fitness Centres | -81% |
| Surf schools | +102% | Pubs & bars | -74% |
| Online marketplaces | +89% | Taxis | -69% |
| Trade services | +30% | ATM | -43% |

At the beginning of June, the Australian Government announced it would be handing down significant grants for housing renovations to help reinvigorate the construction industry. However, data from May 2020 shows that home renovations and trade services saw a boon when compared to May 2019. Security installation, roofing, gardening, outdoor home improvement and, home pools and spas all saw significant increases in consumer spending in May 2020, while trade services like electricians, plumbers and painters were all sought-after.

Similarly, the hospitality industry has been left to struggle due to lockdown measures. Forced to pivot significantly during May, spending in pubs & bars, cafes and restaurants remains significantly lower than seasonal averages. While adaptive models have helped reclaim some of the lost revenue, the gap won't be closed until lockdown measures are completely pulled back.

While restaurants (down 19%) and cafes (down 39%) saw some resurgence in May 2020 (compared to April 2020, down 38% and 53% respectively), spending at pubs and bars in May 2020 (down 74%) remained at similarly low levels to April 2020 (down 79%).

As beaches began to open, first for exercise, and then later in the month for leisure, goods and services related to the beach saw spikes in spend. Surf schools were uncharacteristically popular during the coldest months of Autumn, with consumers spending double what they usually would during May in 2020 compared to 2019.

One of the biggest shifts during the COVID-19 lockdown has been the acceleration of the transition to a cashless society. During the weeks of lockdown, ATM usage plummeted and that trend

¹ Selected data

continued in May (down 43%), while spending on online marketplaces almost doubled compared to the same period last year (up 89%).

The way that Australians move around cities has continued to change. Spending on public transport, taxis, car rentals have all continued to decrease; while bike shops have seen prolonged increase in spend. This trend will continue as many cities begin to develop more cycle-friendly approaches.

An industry that looks likely to be completely reimagined by COVID-19 is fitness. Spending on gyms and fitness centres, which remained closed during May, continued to be down on last year. The increased spending on at-home workout equipment through March and April could further hamper the industry's recovery, even as gyms begin to reopen again.

Other interesting trends in general spending:

- Gyms & Fitness Centres fell 81.49%
- Beauty Salons down 72.76%
- Investing up 54.44%
- Hair Removal down 45.56%

Buy now, pay later trends in May

| Spending up (monthly, YOY) ¹ | | Spending down (monthly, YOY) ¹ | |
|---|-------|---|------|
| Cosmetics | +103% | Fitness & Gym equipment | -52% |
| Jewellery | +55% | Electronics | -21% |
| Outdoor gear | +47% | Music stores | -10% |
| Furniture & Homewares | +19% | Bikes & Scooters | -4% |

The steady move out of lockdown had an influence over how Australians were using buy now, pay later. As beaches opened, outdoor gear buying on Zip was up 47%; the move to offices and more face-to-face interaction saw cosmetics (103%), and jewellery (55%) all up.

Gyms and fitness centres remained closed throughout May, and Australians have stopped using buy now, pay later to purchase workout equipment for at home (down 52%), possibly due to the ongoing rises in spending throughout March and April 2020.

While bikes and scooters were purchased in droves through buy now, pay later during April 2020, this swung significantly in May 2020 (down -4%). However, general spending on bikes and scooters remained high.

Home renovations were commonplace throughout May, and furniture purchases through Zip was up 19% throughout May 2020.

Week-by-week snapshot

General spending (week by week)

| Weeks | Spending up (weekly, YOY) ¹ | | Spending down (weekly, YOY) ¹ | |
|--|--|-------|--|-------|
| Monday 27 April – Sunday 3 May Week 18 | Surf school | +432% | Music venues | - 79% |
| | Online marketplaces | +96% | Car rentals | - 64% |
| | Outdoor Home Improvement | +94% | Hairdressers | -39% |
| | Investing | +63% | Lingerie | -25% |

| Weeks | Spending up (weekly, YOY) ¹ | | Spending down (weekly, YOY) ¹ | |
|--|--|-------|--|-------|
| Monday 4 May – Sunday 10 May Week 19 | Computer retailers | +168% | Nail Salon | -96% |
| | Bike shops | +120% | Gyms & Fitness Centres | - 80% |
| | Online marketplaces | +99% | Clothing retailers | -33% |
| | Kitchen & Bath Retailers | +95% | Ice Cream & Frozen Yogurt | -21% |

| Weeks | Spending up (weekly, YOY) ¹ | | Spending down (weekly, YOY) ¹ | |
|---|--|-------|--|-------|
| Monday 11 May – Sunday 17 May Week 20 | Ice Cream & Frozen Yogurt | +138% | Pubs & bars | -73% |
| | Lawyers | +137% | Taxis | - 69% |
| | Aquariums | +41% | ATM | -41% |
| | Weight loss treatment | +10% | TV subscriptions | -18% |

| Weeks | Spending up (weekly, YOY) ¹ | | Spending down (weekly, YOY) ¹ | |
|---|--|-------|--|-------|
| Monday 18 May – Sunday 24 May Week 21 | Foreign Currency Exchange | +476% | Pubs & Bars | -72% |
| | Outdoor home improvement | +201% | Taxis | - 64% |
| | Outdoor gear retailer | +71% | Security & Safety System Installation | -23% |
| | Pregnancy & Maternity Services | +13% | Ice Cream & Frozen Yogurt | -11% |

| Weeks | Spending up (weekly, YOY) ¹ | | Spending down (weekly, YOY) ¹ | |
|---|--|-------|--|------|
| Monday 25 May – Sunday 31 May Week 22 | Remittance | +118% | Gyms & Fitness Centres | -82% |
| | Bike Shops | +73% | Beauty Salons | -65% |
| | Bakeries | +34% | ATM withdrawals | -47% |
| | Investing | +33% | Tolls | -43% |

Zip's Weekly Spending data showed just how closely the tie between government regulation and consumer spending is, and the role that consistent cross-industry restrictions easing can have on helping Australia's businesses recover from the COVID-19 pandemic.

While April 2020 saw consistent downward trending of surf schools, May began with the news that beaches were being reopened for exercise. This prompted an immense surge in spending with surf schools (+432% compared to the same week the year prior) as Australians adjusted to life being guided by restriction easing.

The opening of beaches proved to be a turning point for other industries too. Ice cream sales saw a major bump following the news that Australia's beaches would be opened to small groups for leisure, and that more outdoor activities were permitted. During the week of May 11th, ice cream and frozen yogurt spending was more than double the amount it was the previous year (+138%), despite no discernible change in weather. The trend wouldn't last long, the following week spending dropped 11% compared to the same week the year prior.

The news of a weakened Aussie dollar during the week of May 18th gave way to increased spend in foreign currency exchange, remittance and investing (including spending on investing platforms like Raiz and CommSec) over the following week.

The shift to ecommerce continued in May, and allows retail and big businesses to recover from COVID-19 more quickly than others. Online marketplace spending almost doubled throughout May 2020, compared 2019.

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Notes for editors

About the report

The Zip Weekly Spending Index is based on anonymised transaction data from a sample of more than 1.5 million Zip customers and 300,000 Pocketbook users

Data from the more than 1.8 million Zip and Pocketbook accounts was analysed to identify trends in consumer spending throughout May. This also included transaction data from financial services accounts linked to the Pocketbook app.

Unlike other retail reports, the Zip Weekly Spending Index provides a granular look at week-by-week changes in spending across different categories, providing fresh insights into consumer behaviour during the COVID-19 crisis.



About Zip

ASX-listed Zip Co Limited (Z1P: ASX) or (“Zip”) is a leading player in the digital retail finance and payments industry. The company offers point-of-sale credit and digital payment services to the retail, home, health, automotive and travel industries. Zip has operations across Australia, New Zealand, the USA and United Kingdom, with associates in South Africa. Zip also owns Pocketbook, a leading personal financial management tool and SME lending provider Spotcap. The company is focused on offering transparent, responsible and fairly priced consumer and SME products. Zip’s platform is entirely digital and leverages big data in its proprietary fraud and credit-decisioning technology to deliver real-time consumer responses. Zip is managed by a team with over 100 years’ experience in retail finance and payments and is a licensed and regulated credit provider.

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