

BNZ Consumer Insight Special Report

March 2019 - How and when we use cash today

The use of cash in modern society is changing rapidly as consumers and business increasingly embrace cashless payments. In this special BNZ Consumer Insight Report, we explore the role that cash plays in the lives of New Zealand consumers today. We ask how much cash we carry, why we use it and how we normally pay for goods and services across a range of price brackets. The results suggest that cash still plays an important role. New Zealanders still carry cash and use it mostly for buying small ticket items and for emergencies. But younger New Zealanders appear to be much less cash dependent than older New Zealanders when purchasing goods and services and are more likely to use electronic methods of payments, particularly debit cards.

HIGHLIGHTS

How much cash are we carrying?

The average New Zealander carries \$70 cash in their wallet or purse over a week. But the amount they carry varies a lot by gender and age. Overall, men (\$89) carry more than women (\$52). New Zealanders aged 30-49 carry the most (\$79), ahead of people over the age of 50 (\$68). Young New Zealanders (18-29) carry the least (\$61) - consistent with studies (both local and international) showing young people are typically less cash dependent than older people and more likely to have adopted electronic cashless options.

What about where we live?

New Zealanders living in Auckland carry the most cash (\$101), well ahead of Wellington (\$69) the next highest. People living in Gisborne/Hawke's Bay (\$32) and Taranaki/Manawatu-Wanganui (\$43) carry the least. By location, New Zealanders in rural towns (\$63) carry less than people living in main (\$74) and regional cities (\$72) where electronic payment penetration is likely to be much higher.

Do household income levels matter?

As you'd expect household income levels do matter, but not uniformly. New Zealanders with household incomes of \$75-\$100,000 p.a. carry the most (\$130). Either side of this group, that is, people with household incomes of \$100,000 or more and people with household incomes of \$50-\$75,000 both carry the same amount - \$62. This is not much more than people in the lowest household income group - people with household incomes of less than \$35,000 carry the least with \$53.

Why do we carry cash?

Around 4 in 10 New Zealanders do so for emergencies and just over 3 in 10 for small transactions. But usage differs noticeably by age. Around 50% of people over 50 carry cash for small transactions. It was also the number one reason they carried cash. In contrast, just 25% of 30-49 year olds and 20% of 18-29 year olds carry cash for this reason - and it isn't the main reason they carry cash. Instead, around 4 in 10 people in both these age groups carry cash mainly for emergencies.

Does price matter?

Yes, there's a clear relationship between how we pay for goods and services and how much they cost. When spending less than \$5, around 4 in 10 New Zealanders use cash. This falls progressively to just 1 in 100 for purchase over \$500. But when using credit cards, around 2 in 10 people use them when spending less than \$5. This climbs in line with prices to almost 6 in 10 people when making purchases over \$500. When using debit cards, the number climbs from 37% for purchases below \$5, peaks at 52% between \$20 to less than \$100, before falling again progressively to 36% for purchases over \$500.

Does how we pay vary according to age?

Yes. When spending less than \$5, around 6 in 10 people over 50 use cash, but just over 2 in 10 aged 18-29 do so. Around three times as many over 50s (around 3 in 10) also use cash for purchases between \$5 to less than \$20 than do 18-29 year olds (1 in 10). But when spending over \$50, age doesn't play a role with a broadly similar number of people in all age groups using cash. But significantly more 18-29 year olds used a debit card to buy goods and services in all price brackets than any other age group.

How would we prefer to receive \$1,000 if it was offered to us?

The vast majority of Most New Zealanders - almost 7 in 10 - would like to receive it as direct online bank transfer. Only 2 in 10 wanted it in cash and 1 in 10 as a payment off their credit card. Preferences don't vary greatly by gender, but there are some differences by age. Only 17% of 18-29 year olds want cash, compared to 26% of people over 50. But more 18-29 year olds (72%) would prefer it to be transferred into their bank account online than would 30-49 year olds (68%) and over 50s (64%).

MAIN REPORT

There is an abundance of research showing we're moving ever closer to a 'cashless' society - and New Zealand has been among the world leaders in digital banking and adopting cashless payments.

In its annual 2017 survey, Mastercard found more than 80% of New Zealanders chose cards as their main method of payment, while a more recent study by VISA ranked Auckland among the world's top 10 cities leading the drive towards cashless cities. But while cash is being used increasingly less today, a survey conducted by the Reserve Bank of New Zealand (RBNZ) in 2017 found that 96% of New Zealand's adult population still use cash and at least 80% carry at least some cash in their wallet or purse.

In this report, BNZ looks at how much cash New Zealanders actually carry. More specifically, we asked New Zealand consumers how much cash they carried in their purses or wallets over the past week. On average, they told us they had \$70. But the amount of cash carried was far from uniform and varied by age, gender, how much we earn and where we live.

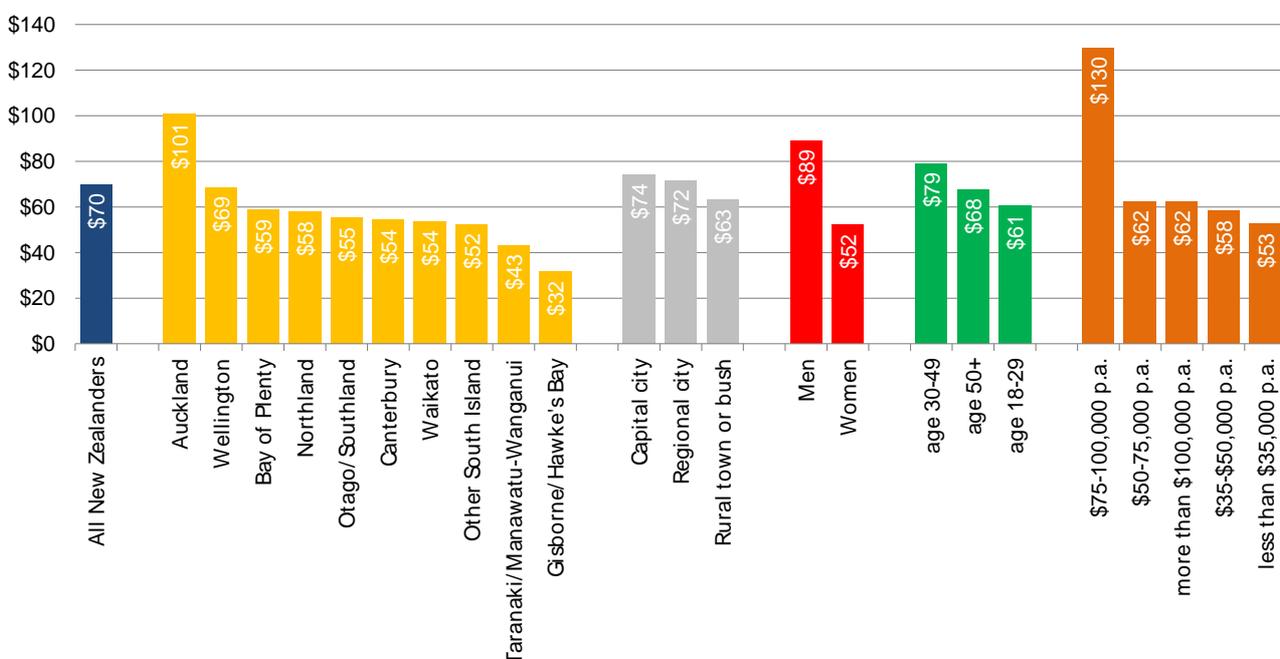
Overall, men (\$89) carried more than women (\$52). By age, New Zealanders aged 30-49 carried the most (\$79), ahead of people over the age of 50 (\$68). Young people aged 18-29 carried the least (\$61) - a result consistent with numerous other findings (both local and international) which show younger people are less cash dependent than older people and more likely to have adopted electronic cashless options.

How much we earn doesn't appear to influence how much cash we carry in our wallets, apart from people with a household income of between \$75-100,000 p.a. (\$130). Outside of this group, there was very little difference irrespective of income. New Zealanders with household incomes of \$50-75,000 p.a. (\$62) and over \$100,000 p.a. (\$62) carried the most and the lowest household income group (less than \$35,000 p.a.) the least (\$53). Overall, the difference between the amount of cash carried in the highest and lowest household income groups was just \$9.

What about where we live? People living in Auckland carried the most cash (\$101), and significantly more than in Wellington which was next highest with \$69. They were followed by Bay of Plenty (\$59), Northland (\$58), Otago/Southland (\$55), Canterbury (\$54), Waikato (\$54) and Other South Island (\$52). New Zealanders living in Gisborne/Hawke's Bay (\$32) and Taranaki/Manawatu-Wanganui (\$43) carried the least.

By location, it's perhaps not surprising that New Zealanders living in a rural town or the bush (\$63) carried less than those living in capital (\$74) and regional cities (\$72) where electronic payment penetration is likely to be much higher.

AVERAGE AMOUNT OF CASH CARRIED IN WALLET OR PURSE OVER THE PAST WEEK



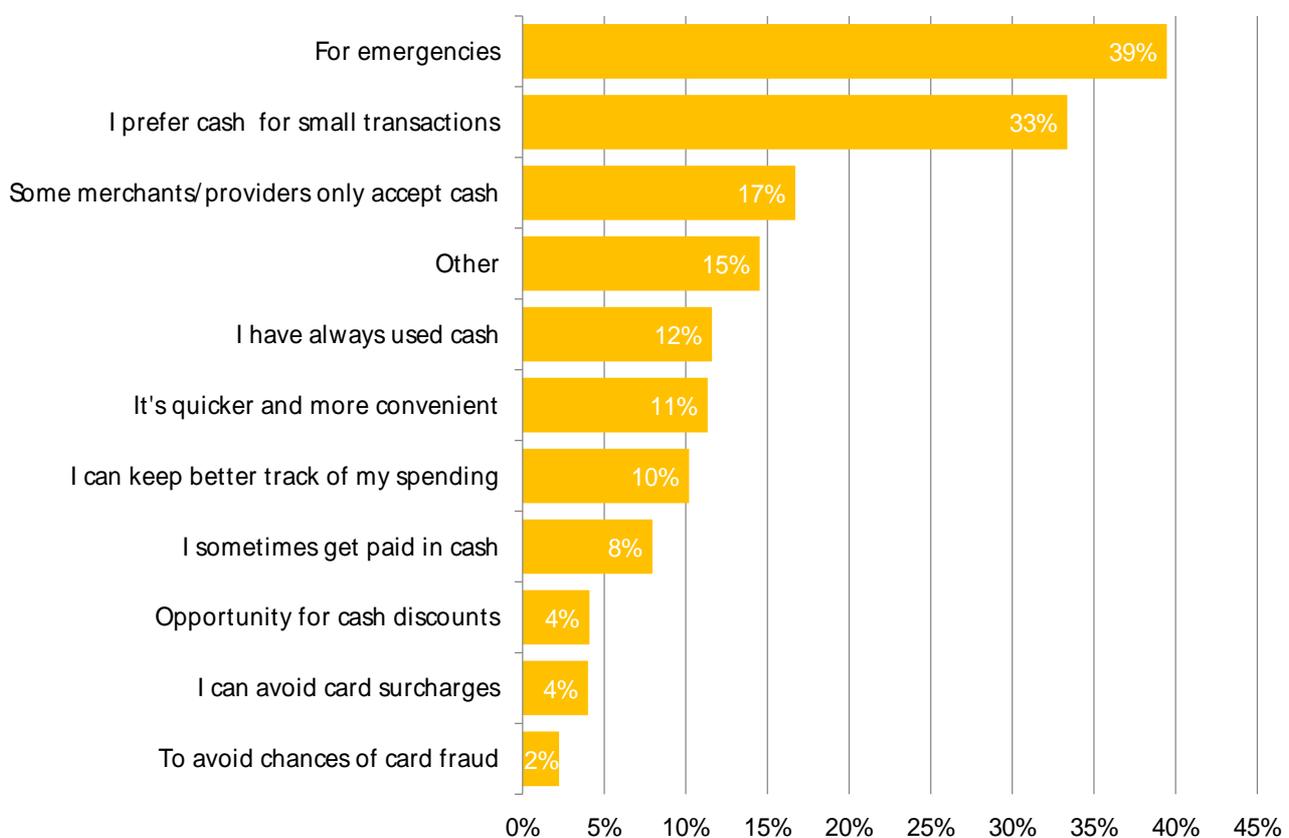
Why are we carrying cash?

Around 4 in 10 (39%) New Zealanders said they do so for emergencies, and 33% (or 1 in 3 people) because they prefer to use it for small transactions.

17% said because some merchants only accept cash, 12% said it's because they have always used cash, 11% that cash is quicker and more convenient, and 10% said so they can keep better track of their spending. Other reasons (15%) include donations, parking meters, and children asking for cash.

Very few people carry cash to avoid the chances of card fraud (2%), to avoid card surcharges (4%) or because of opportunities for discounts if they use cash (4%).

REASONS FOR CARRYING CASH OVER THE PAST WEEK - ALL NEW ZEALANDERS



But the overall result masks some differences in why people use cash by age group

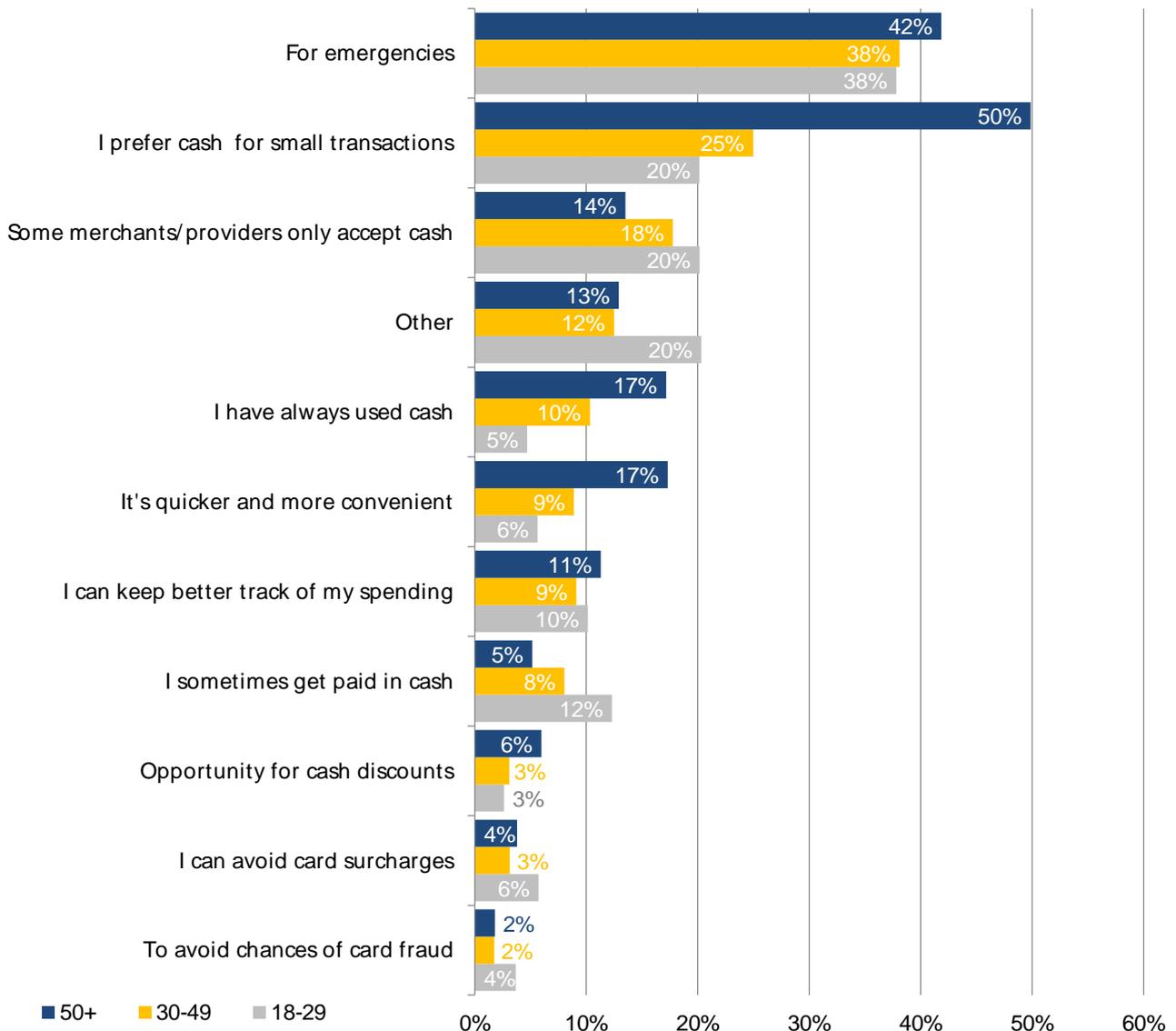
Around 50% of New Zealanders over the age of 50 prefer to carry cash for small transactions. In fact, it was the number one reason why consumers in this group carried cash.

In contrast, only 25% of 30-49 year olds and 20% of 18-29 year olds carried cash for this reason, and it wasn't the main reason they carried cash. Instead, around 4 in 10 people in both these age groups carried cash mainly for emergencies.

It was also apparent that a lot more over 50s also carried cash because they have always used cash (17%) or because it was quicker and more convenient (17%). Over 50s were also marginally more inclined to carry cash for cash discount opportunities (6%).

Conversely, 18-29 year olds were the most likely age group to carry cash because of 'other' reasons (20%) or because they sometimes get paid in cash (12%). They were also marginally more likely to use cash to avoid card surcharges (6%) and card fraud (4%).

REASONS FOR CARRYING CASH OVER THE PAST WEEK - BY AGE GROUP



How do we usually pay for goods and services in various price brackets?

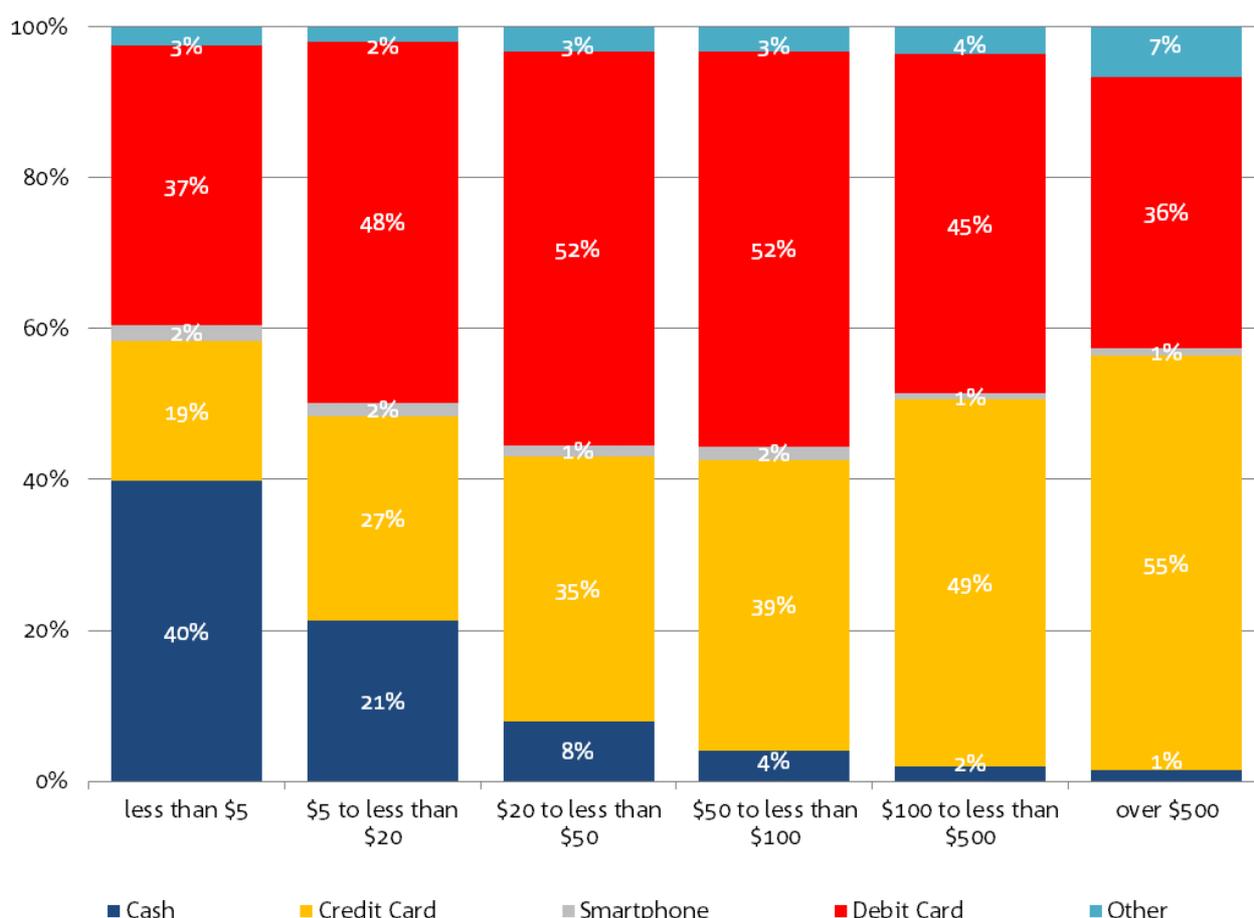
There's a clear relationship between the way we pay for goods and services with cash and the cost of the goods and services we buy.

When spending less than \$5, around 40% of New Zealanders said they use cash. That number falls progressively to 2 in 10 (21%) when spending \$5 to less than \$20, to 8% when spending \$20 to less than \$50, to 4% between \$50 to less than \$100, to 2% for purchases between \$100 to less than \$500 and to 1% for purchase of \$500 or more.

The reverse pattern is seen when using credit cards. Around 19% said they use their credit card for purchases of less than \$5. This climbs progressively to a peak of 55% when making purchases over \$500.

The number of people using debit cards also climbs from 37% for purchases below \$5 and peaks at 52% for purchases between \$20 to less than \$100, before falling again progressively to 36% for purchases over \$500.

HOW NEW ZEALANDERS USUALLY PAY FOR GOOD AND SERVICES IN VARIOUS PRICE BRACKETS?



There are interesting differences in how people pay for goods and services in varying price brackets according to how old we are (see table below).

When spending less than \$5, almost 6 in 10 (58%) over 50s use cash, whereas just over 2 in 10 (22%) people aged 18-29 year old do so. Almost three times as many over 50s (32%) also use cash for purchases of \$5 to less than \$20 than do 18-29 year olds (11%). But when it came to spending more than \$50, age did not seem to play an important role with a broadly similar number of people in all age saying they use cash.

More middle aged New Zealanders (21%) said they would usually use their credit cards to pay for goods and services that cost less than \$5 than did 18-29 year olds (18%) and over 50s (16%). But more over 50s said they would use a credit card for purchases of in all other price brackets.

In contrast, a lot more 18-29 year olds said they would usually use a debit card to purchase goods and services in all price brackets than did 30-49 year olds and over 50s. Moreover, the number of young people using their debit card was the highest in all price brackets - ranging from 55% for purchases of less than \$5 to 70% for purchases of between \$20 to less than \$50.

Payments via smartphones is still an emerging payment option for New Zealanders, irrespective of their age, but younger people are slightly more likely to embrace this option.

	CASH			CREDIT CARD			SMARTPHONE			DEBIT CARD		
	18-29	30-49	50+	18-29	30-49	50+	18-29	30-49	50+	18-29	30-49	50+
Less than \$5	22%	36%	58%	18%	21%	16%	4%	2%	1%	55%	37%	22%
\$5 to less than \$20	11%	19%	32%	20%	29%	31%	2%	2%	1%	65%	47%	33%
\$20 to less than \$50	4%	10%	9%	21%	37%	45%	3%	1%	1%	70%	49%	41%
\$50 to less than \$100	3%	6%	3%	22%	41%	50%	4%	2%	0%	69%	49%	42%
\$100 to less than \$500	2%	2%	1%	29%	53%	60%	2%	1%	0%	64%	41%	33%
Over \$500	2%	1%	1%	35%	59%	67%	2%	1%	0%	57%	32%	23%

What would you do with \$1000?

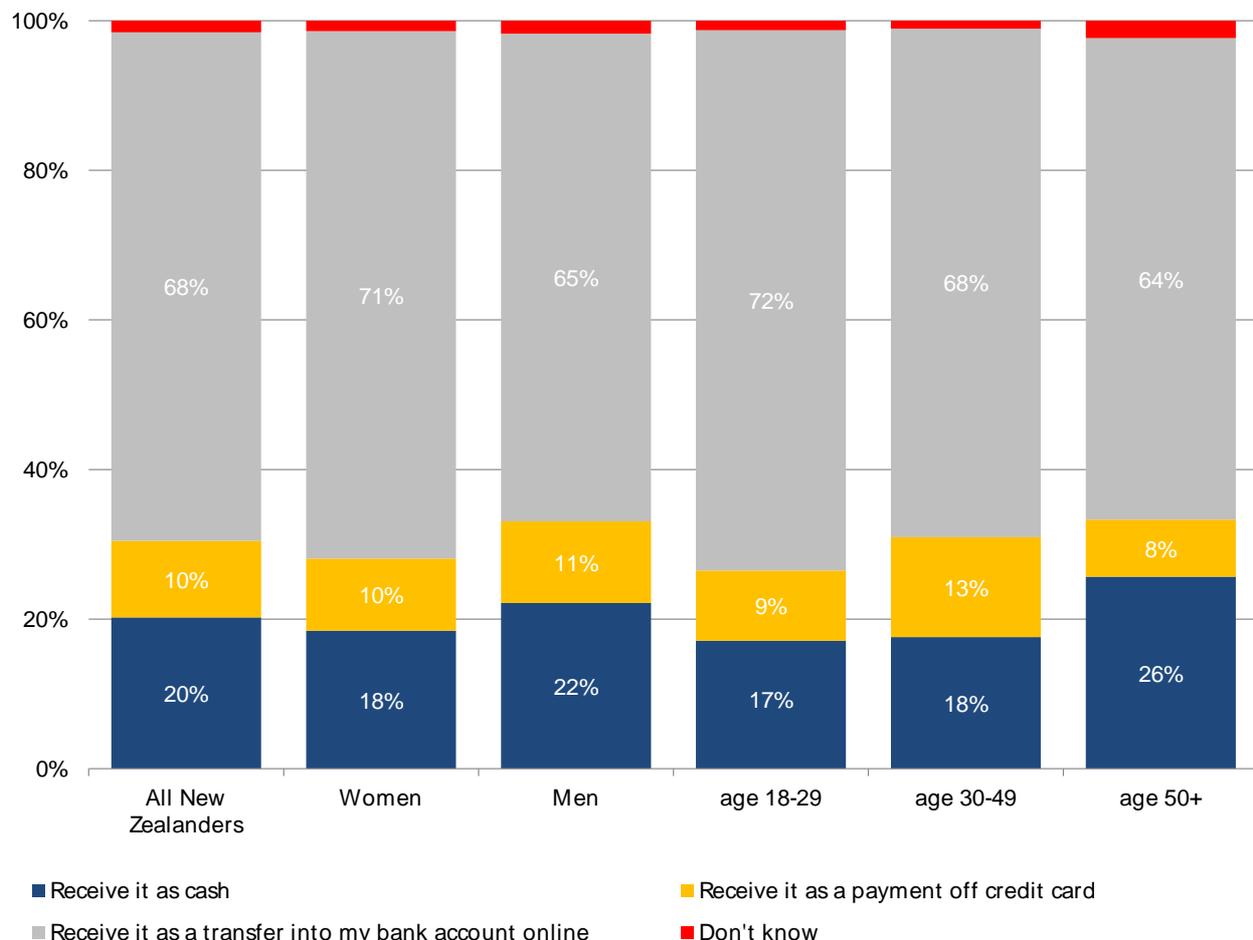
While the amount of cash we carry and how and when we use it differs, when asked how we would prefer to receive \$1,000 if it were offered to us, most want to receive it as a transfer into their bank account online.

More specifically, almost 7 in 10 (68%) said they wanted to receive it as a direct online bank transfer. Around 2 in 10 (20%) would prefer to take it in cash and 1 in 10 (10%) as a payment off their credit card.

Preferences didn't vary greatly by gender, Around 71% of women said they would prefer a direct online transfer compared to 65% of men. But slightly more men (22%) than women (18%) said they would prefer to take it as cash.

Preferences varied a little more by age. Only 17% of 18-29 year olds said they would prefer cash, compared to 26% of New Zealanders over the age of 50. But more 18-29 year olds (72%) preferred a transfer into their bank account online than 30-49 year olds (68%) and over 50s (64%).

WHAT CHOICE WOULD YOU MAKE IF OFFERED \$1,000?



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