

ANZ-Roy Morgan NZ Consumer Confidence

30 October 2020



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Contact

Sharon Zollner for more details.

See [page 5](#).

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 27 November 2020 at 10am.

On the up

Key points

- Consumer confidence lifted 9 points to 108.7 in October, with the current and future conditions indexes lifting by similar amounts. It remains under par – its historical average is around 120 – but it's much improved.
- The key retail spending indicator of the net proportion of households who think it's a good time to buy a major household item improved 12 points to +11% – that's still a recessionary level.

The ANZ-Roy Morgan Consumer Confidence Index bounced in October. The profile is remarkably similar to business sentiment indicators: a sharp bounce, a wobble, then renewed improvement to still slightly under-par levels.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ Research, Roy Morgan

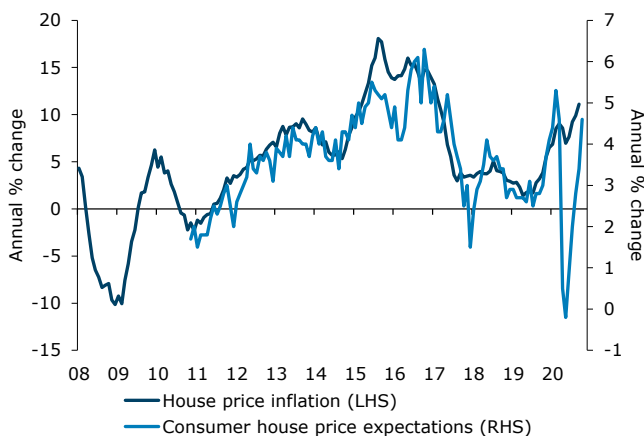
Turning to the detail:

- Consumers' perceptions of their current financial situation lifted 5 points to +3, breaking a run of three consecutive (small) falls.
- A net 28% of consumers expect to be better off financially this time next year, up 6 points in another welcome change of direction.
- A net 11% think it is a good time to buy a major household item, an improvement of 12 points. That's still consistent with tough times ahead for the retail sector.
- Perceptions regarding the next year's economic outlook lifted 14 points to a still-wary -21%. The five-year outlook rose 7 points to +22%.
- House price inflation expectations lifted again, up 1.2%pts to 4.6%. They rose in every region, and are strongest in Wellington (5.5%).
- General inflation expectations rose 0.6%pts to 3.8%, the highest since February.

Households are increasingly confident that the housing boom has legs (figure 2), but they remain wary about whether it is a good time to splash the cash.

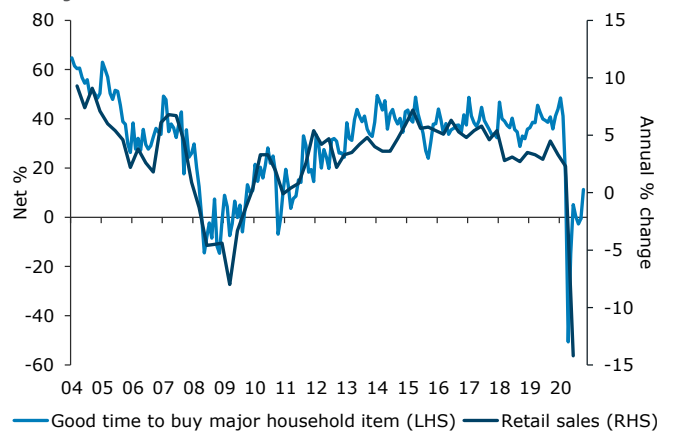
Willingness to buy a major household item is the best retail spending indicator in the survey (figure 3). It remains at levels suggesting heavily curtailed spending, despite the strong housing market. That’s not what we’ve seen so far in the high-frequency data, but it would be an entirely rational response to the economic uncertainty and income shock New Zealand is facing. It’s figure 2 we have some concerns about. Housing booms certainly create a vibe on the street, but they are not a win for everyone, and are a little nerve-wracking in an economy facing a large negative income hit.

Figure 2. House price outcomes and expectations



Source: REINZ, Roy Morgan, ANZ Research

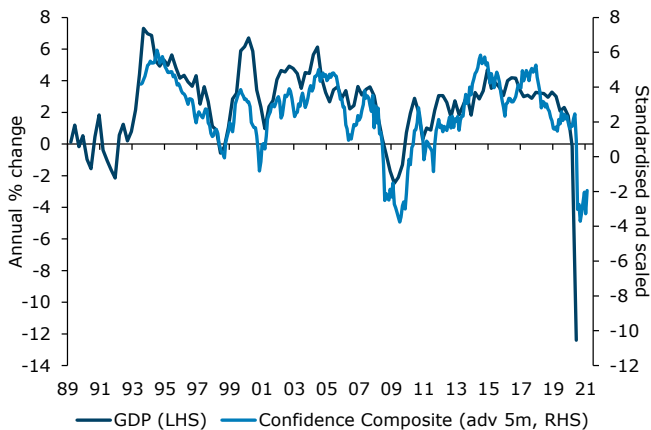
Figure 3. ANZ Consumer Confidence “Good time to buy a major household item” and retail sales



Source: Statistics NZ, ANZ Research, Roy Morgan

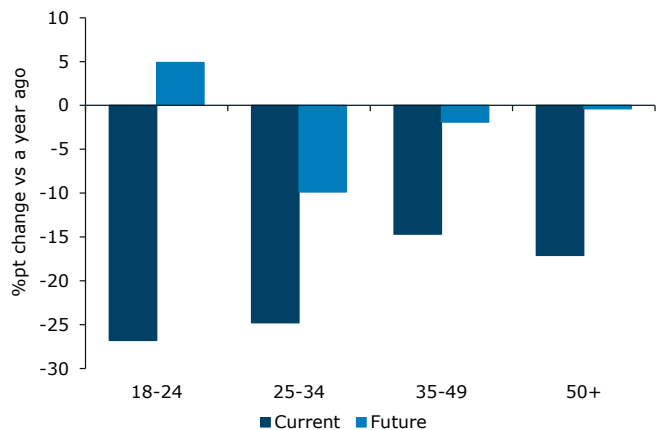
Our confidence composite gauge combines lagged business expectations and intentions (from the October ANZBO) with consumer sentiment to give a growth indicator. The composite remains around its lows (figure 4).

Figure 4. GDP vs Confidence Composite



Source: ANZ Research, Roy Morgan, Statistics NZ

Figure 5. Current and future conditions by age group



New Zealand households are in a delicate balance. Job security has taken a hit, but not evenly – it’s primarily amongst young people and lower income earners in retail, tourism and hospitality – though the full force hasn’t been felt yet due to the wage subsidy. House price increases are making homeowners feel richer and renters/first-time buyers poorer. All up, it makes sense that perceptions of current economic conditions amongst 18-34 year olds are down far more than those aged 35 and over (figure 5). There’s nothing ‘fair’ about recessions, and this one in particular is hitting vulnerable groups hardest.



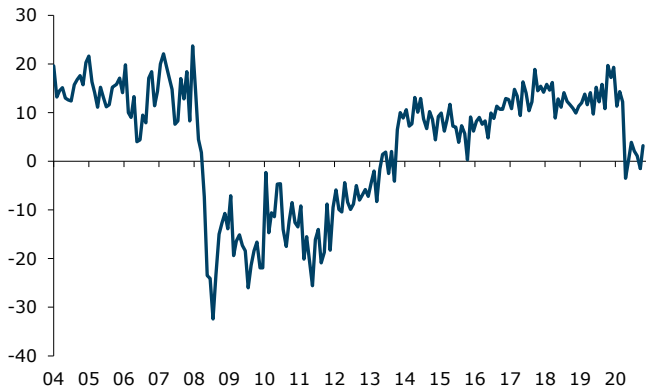
Tables and charts

| Survey Summary | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 |
|--|--------------|-------------|-------------|--------------|--------------|--------------|--------------|--------------|
| No. of Interviews | 1,006 | 1,021 | 998 | 998 | 1,001 | 1,001 | 997 | 1,206 |
| Q1. Would you say you and your family are better off financially or worse off than you were at this time last year? | | | | | | | | |
| Better Off | 34 | 28 | 28 | 31 | 30 | 28 | 27 | 29 |
| Worse Off | 22 | 31 | 28 | 27 | 28 | 27 | 29 | 26 |
| Net Balance | 12 | -4 | 0 | 4 | 2 | 1 | -2 | 3 |
| Q2. This time next year do you and your family expect to be better off financially or worse off than you are now? | | | | | | | | |
| Better Off | 37 | 39 | 40 | 48 | 45 | 40 | 40 | 41 |
| Worse Off | 20 | 24 | 17 | 16 | 15 | 13 | 18 | 14 |
| Net Balance | 17 | 14 | 23 | 32 | 31 | 27 | 22 | 28 |
| Q3. Thinking of economic conditions in New Zealand as a whole, in the next 12 months, do you expect we'll have good times financially, bad times or some good and some bad? | | | | | | | | |
| Good Times | 16 | 11 | 15 | 16 | 17 | 14 | 12 | 17 |
| Bad Times | 55 | 67 | 61 | 53 | 50 | 54 | 47 | 38 |
| Net Balance | -39 | -56 | -46 | -37 | -33 | -41 | -35 | -21 |
| Q4. Looking ahead, what would you say is more likely: that in New Zealand as a whole we'll have continuous good times during the next five years or so, we'll have bad times, or some good and some bad? | | | | | | | | |
| Good Times | 44 | 41 | 43 | 37 | 39 | 35 | 31 | 36 |
| Bad Times | 19 | 21 | 19 | 19 | 18 | 18 | 17 | 14 |
| Net Balance | 25 | 20 | 24 | 19 | 22 | 17 | 15 | 22 |
| Q5. Generally, do you think now is a good time, or a bad time, for people to buy major household items? | | | | | | | | |
| Good Time to Buy | 47 | 18 | 34 | 42 | 39 | 38 | 36 | 43 |
| Bad Time to Buy | 31 | 69 | 48 | 37 | 39 | 41 | 37 | 31 |
| Net Balance | 16 | -51 | -15 | 5 | 0 | -3 | -1 | 11 |
| Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year? | | | | | | | | |
| Go Up | 67 | 58 | 61 | 62 | 65 | 67 | 67 | 70 |
| Go Down | 8.9 | 12.8 | 14.3 | 11.9 | 7.9 | 8.4 | 7.2 | 5.9 |
| Expectation (%) | 3.4 | 3.2 | 2.9 | 2.9 | 3.3 | 3.2 | 3.2 | 3.8 |
| Q7. Specifically thinking about the price of houses during the next 2 years, do you think that the price of houses in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year? | | | | | | | | |
| Go Up | 72 | 37 | 33 | 41 | 49 | 56 | 65 | 74 |
| Go Down | 11.9 | 37.2 | 39.6 | 31.0 | 22.5 | 18.5 | 13.0 | 9.5 |
| Expectation (%) | 4.6 | 0.5 | -0.2 | 0.9 | 2.0 | 2.8 | 3.4 | 4.6 |
| ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5) | | | | | | | | |
| Overall Index | 106.3 | 84.8 | 97.3 | 104.5 | 104.3 | 100.2 | 100.0 | 108.7 |
| Current Conditions | 114.2 | 73.0 | 92.7 | 104.5 | 101.3 | 99.2 | 99.0 | 107.3 |
| Future Conditions | 101.0 | 92.7 | 100.4 | 104.6 | 106.3 | 100.9 | 100.6 | 109.6 |

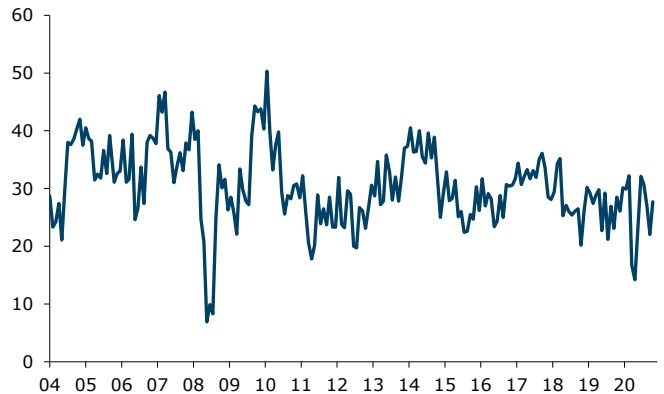


Tables and charts

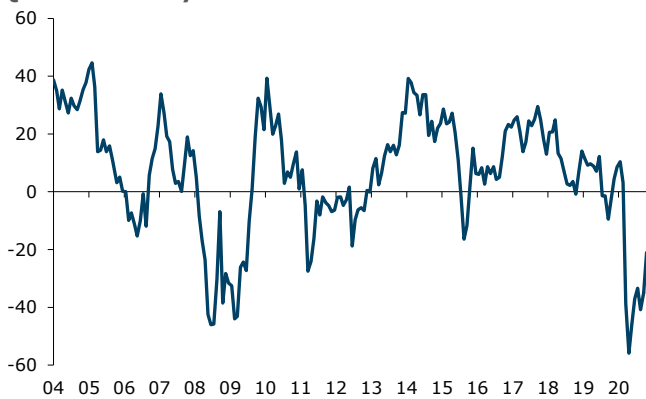
Q1. Better off past year



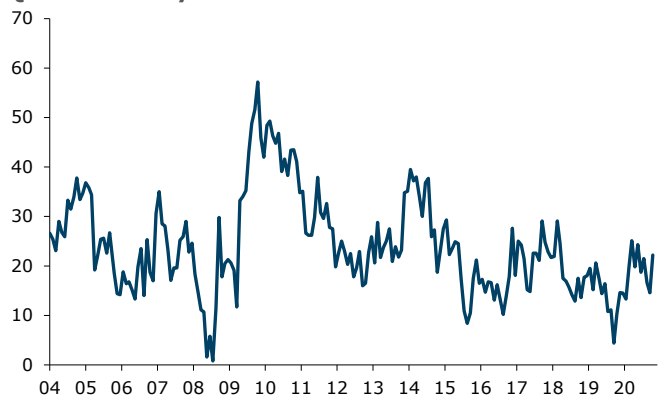
Q2. Better off next year



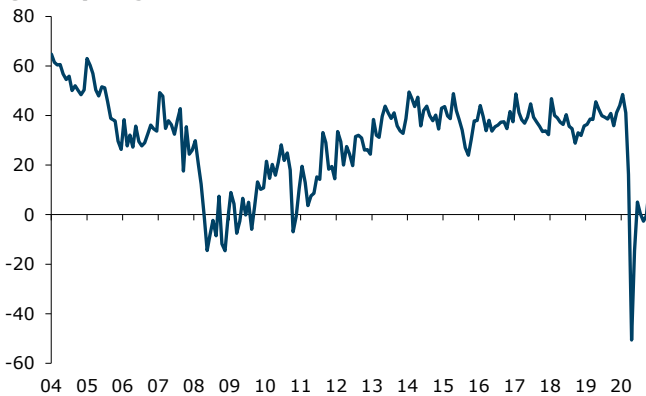
Q3. NZ economy 12 months' time



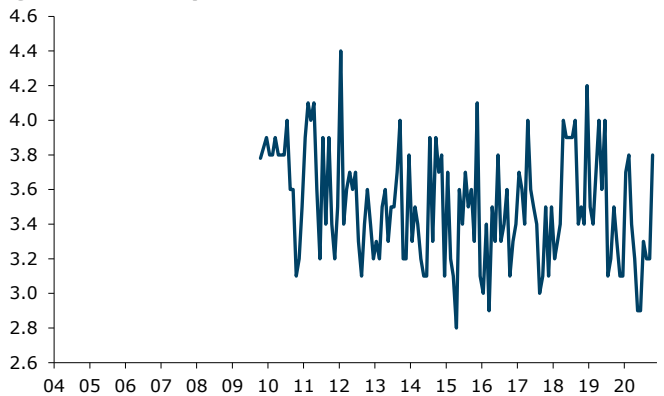
Q4. Outlook 5 years ahead



Q5. Buy major household item



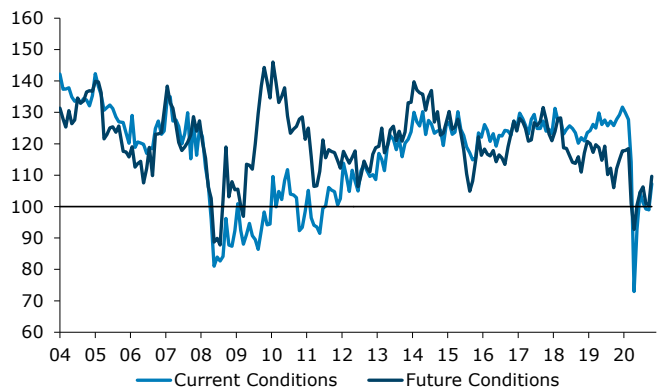
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ Research, Roy Morgan



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Sharon Zollner
Chief Economist

Follow Sharon on Twitter
[@sharon_zollner](#)

Telephone: +64 27 664 3554
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
[@ANZ_Research](#) (global)



David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com



Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com



Liz Kendall
Senior Economist

Research co-ordinator, publication strategy, property market analysis, monetary and prudential policy.

Telephone: +64 27 240 9969
Email: elizabeth.kendall@anz.com



Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com



Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com



Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com



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