

ANZ-Roy Morgan NZ Consumer Confidence

18 December 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 29 January 2021 at 10am.

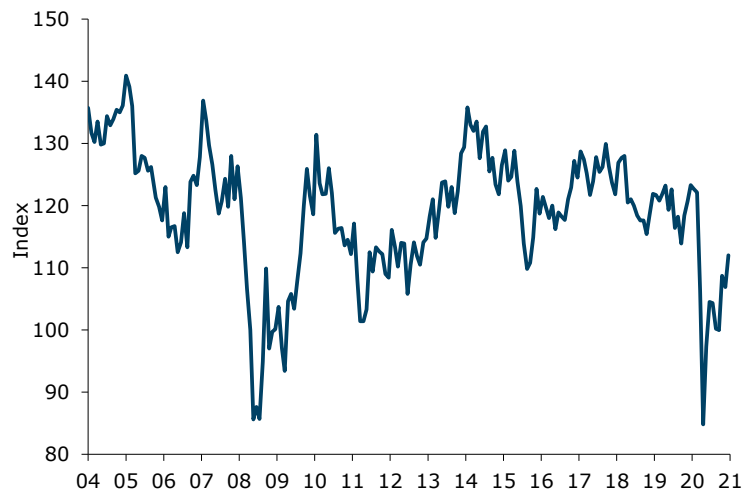
Tis the season

Key points

- Consumer confidence lifted 5 points to 112 in December, with the current and future conditions indexes lifting by similar amounts. Consumer confidence is edging closer to its historical average of around 120.
- In a good sign for the retail sector, the proportion of people who believe it is a good time to buy a major household item lifted 7 points.
- Inflation expectations eased somewhat, but remain elevated.

The ANZ-Roy Morgan Consumer Confidence Index lifted 5 points in December. It remains well short of 2017-19 levels, unlike business sentiment.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ Research, Roy Morgan

Turning to the detail:

- Perceptions of current financial situations rose 3 pts to +4.
- A net 25% of consumers expect to be better off financially this time next year, down 2.
- A net 18% think it is a good time to buy a major household item, up 7. This data still suggests subdued retail spending on the face of it, but may be influenced by freight disruptions and associated shortages and delays.
- Perceptions regarding the next year's economic outlook lifted 12 points to -6%. The five-year outlook rose 3 points to +18%.
- House price inflation expectations lifted another 0.3%pts to 6.7%. They are strongest in the South Island excluding Christchurch (8.3%) after a sharp 2.5%pt monthly lift.
- CPI inflation expectations eased 0.4%pts to 4.3%. The RBNZ discounts household inflation expectations as they are volatile and average well above actual outcomes. But there is information in them nonetheless, and the last two months have been very high in a historical comparison.

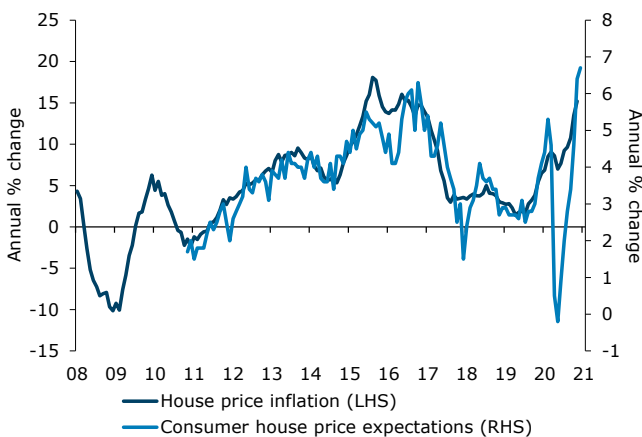
Households expect the housing boom to continue (figure 2), though this indicator does tend to lag the market rather than predict it. Still, it's worth noting that a 6.7% house price inflation expectation is the strongest since the question was first asked in late 2010.

Households remain wary about whether it is a good time to buy a major household item. The latter has historically been the best retail spending indicator in the survey, but undershot last quarter. There are a few factors that could have contributed:

- catch-up spending (which should soon peter out),
- a reallocation of the money that would have been spent on international holidays (which will subside as travel bubbles are established next year), and/or
- the shortages and delays inherent in ordering a wide range of durable goods at present due to shipping disruptions.

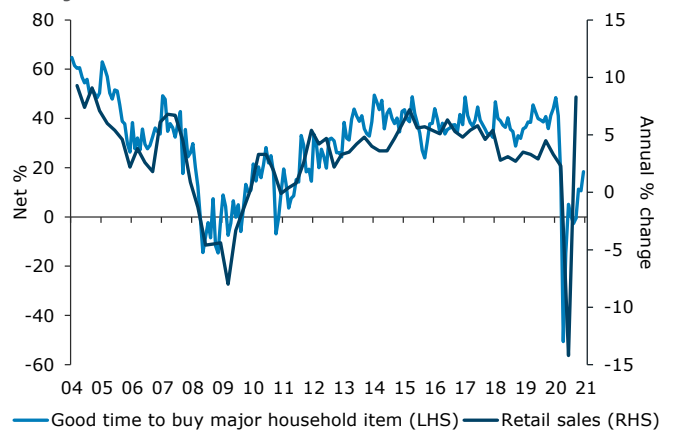
The timing implications are different but these factors do all point to questionable sustainability of the current spending boom.

Figure 2. House price outcomes and expectations



Source: REINZ, Roy Morgan, ANZ Research

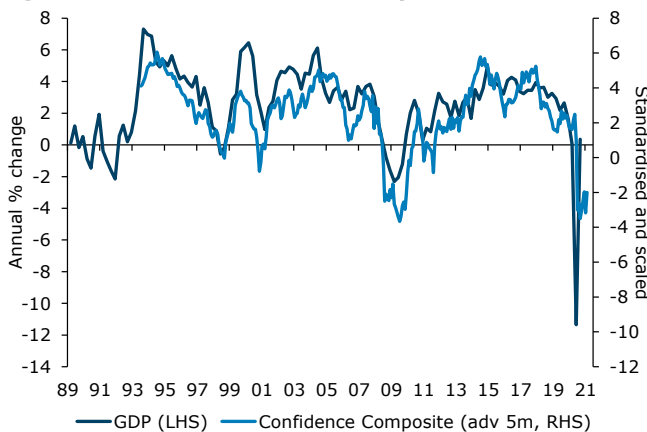
Figure 3. ANZ Consumer Confidence "Good time to buy a major household item" and retail sales



Source: Statistics NZ, ANZ Research, Roy Morgan

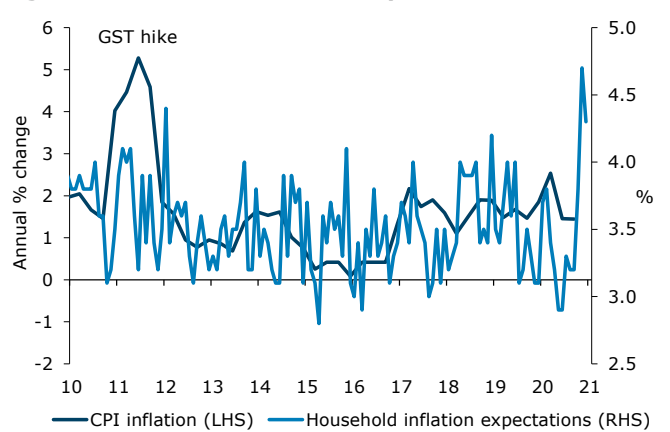
Our confidence composite gauge combines lagged business expectations and intentions with consumer sentiment. The composite continues to improve (figure 4). Meanwhile, the fact that household inflation expectations have not fully unwound their spike is a shot across the bows (figure 5).

Figure 4. GDP vs Confidence Composite



Source: ANZ Research, Roy Morgan, Statistics NZ

Figure 5. Household inflation expectations and CPI



In the New Zealand context, where COVID-19 was brought under control quickly and fiscal policy filled the income hole, the hit to the supply of goods is proving a lot more persistent than the interruption to demand. Inflation therefore bears watching, as it holds the key to future interest rates. The RBNZ won't tighten policy in response to temporary supply-driven inflation, but at the margin it does reduce the odds of further OCR cuts further.

The New Zealand economy has shown impressive resilience through a challenging year. 2021 won't be smooth sailing, but we're going into it in pretty good heart, all things considered.

| Survey Summary | May-20 | Jun-20 | Jul-20 | Aug-20 | Sep-20 | Oct-20 | Nov-20 | Dec-20 |
|-------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| No. of Interviews | 998 | 998 | 1,001 | 1,001 | 997 | 1,206 | 1,002 | 1,004 |

| 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 | 28 | 31 | 30 | 28 | 27 | 29 | 27 | 28 |
| Worse Off | 28 | 27 | 28 | 27 | 29 | 26 | 27 | 23 |
| Net Balance | 0 | 4 | 2 | 1 | -2 | 3 | 1 | 4 |

| 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 | 40 | 48 | 45 | 40 | 40 | 41 | 43 | 40 |
| Worse Off | 17 | 16 | 15 | 13 | 18 | 14 | 15 | 15 |
| Net Balance | 23 | 32 | 31 | 27 | 22 | 28 | 27 | 25 |

| 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 | 15 | 16 | 17 | 14 | 12 | 17 | 17 | 23 |
| Bad Times | 61 | 53 | 50 | 54 | 47 | 38 | 35 | 28 |
| Net Balance | -46 | -37 | -33 | -41 | -35 | -21 | -18 | -6 |

| 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 | 43 | 37 | 39 | 35 | 31 | 36 | 31 | 32 |
| Bad Times | 19 | 19 | 18 | 18 | 17 | 14 | 16 | 14 |
| Net Balance | 24 | 19 | 22 | 17 | 15 | 22 | 15 | 18 |

| 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 | 34 | 42 | 39 | 38 | 36 | 43 | 41 | 47 |
| Bad Time to Buy | 48 | 37 | 39 | 41 | 37 | 31 | 31 | 28 |
| Net Balance | -15 | 5 | 0 | -3 | -1 | 11 | 11 | 18 |

| 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 | 61 | 62 | 65 | 67 | 67 | 70 | 75 | 78 |
| Go Down | 14.3 | 11.9 | 7.9 | 8.4 | 7.2 | 5.9 | 4.0 | 2.5 |
| Expectation (%) | 2.9 | 2.9 | 3.3 | 3.2 | 3.2 | 3.8 | 4.7 | 4.3 |

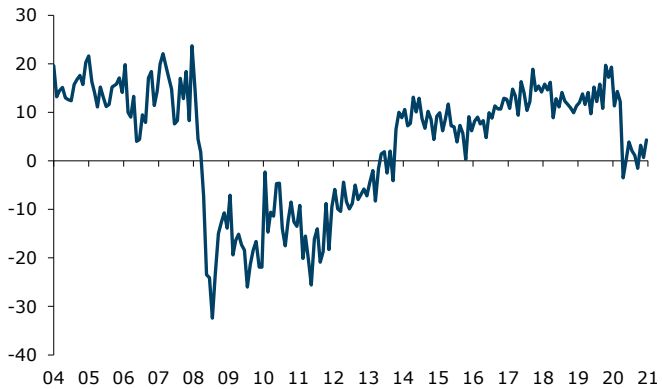
| Q7. Specifically thinking about the price of houses during the next 2 years, do you think that the price of houses in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year? | | | | | | | | |
|---|-------------|------------|------------|------------|------------|------------|------------|------------|
| Go Up | 33 | 41 | 49 | 56 | 65 | 74 | 82 | 81 |
| Go Down | 39.6 | 31.0 | 22.5 | 18.5 | 13.0 | 9.5 | 6.8 | 6.4 |
| Expectation (%) | -0.2 | 0.9 | 2.0 | 2.8 | 3.4 | 4.6 | 6.4 | 6.7 |

| ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5) | | | | | | | | |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Overall Index | 97.3 | 104.5 | 104.3 | 100.2 | 100.0 | 108.7 | 106.9 | 112.0 |
| Current Conditions | 92.7 | 104.5 | 101.3 | 99.2 | 99.0 | 107.3 | 105.7 | 111.4 |
| Future Conditions | 100.4 | 104.6 | 106.3 | 100.9 | 100.6 | 109.6 | 107.9 | 112.3 |

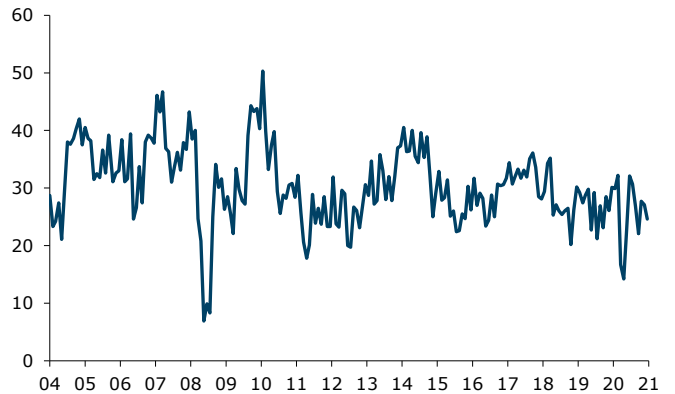


Tables and charts

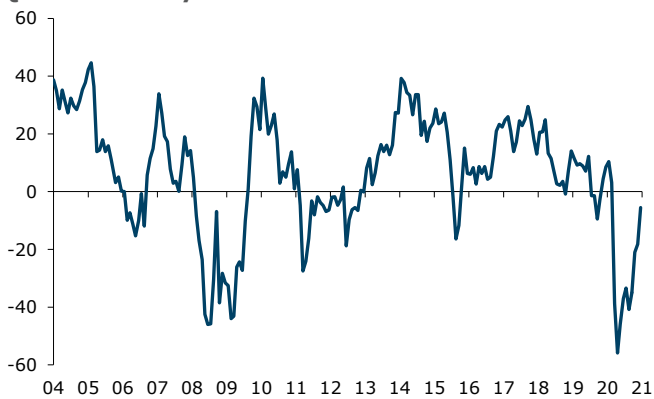
Q1. Better off past year



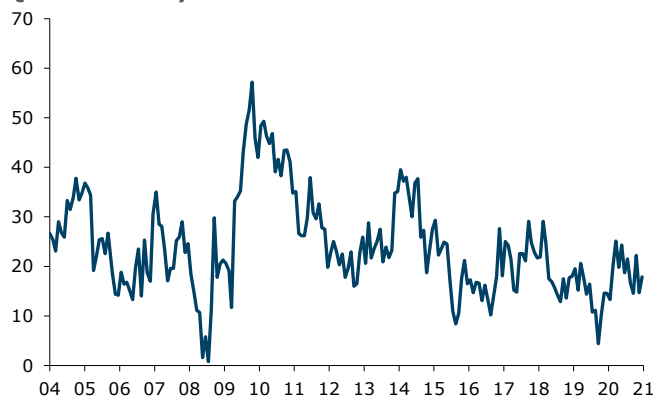
Q2. Better off next year



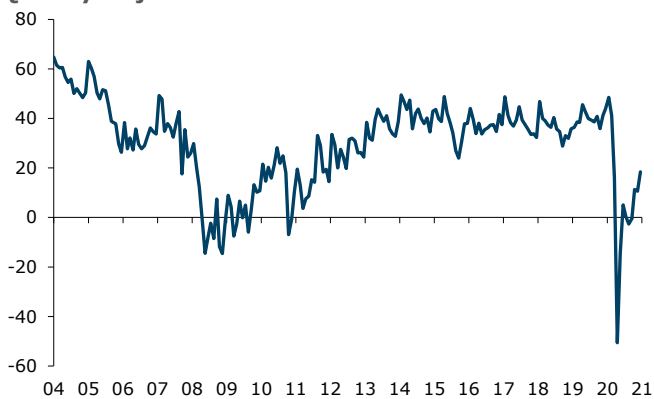
Q3. NZ economy 12 months' time



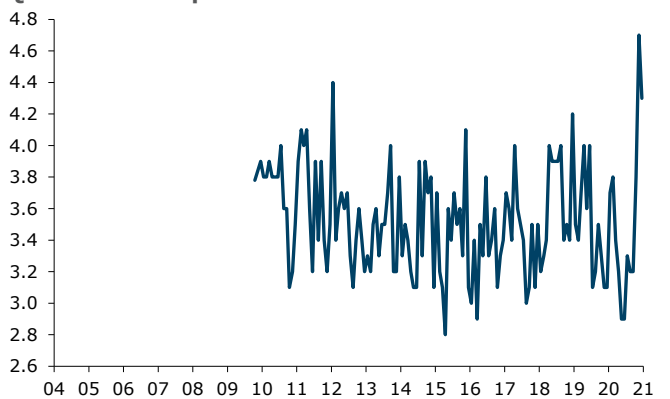
Q4. Outlook 5 years ahead



Q5. Buy major household item



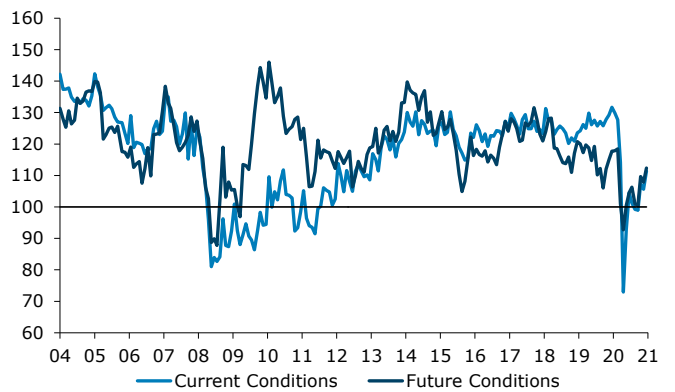
Q6. Inflation expectations



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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