

# ANZ-Roy Morgan NZ Consumer Confidence

26 February 2021



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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 1 April 2021 at 10am.

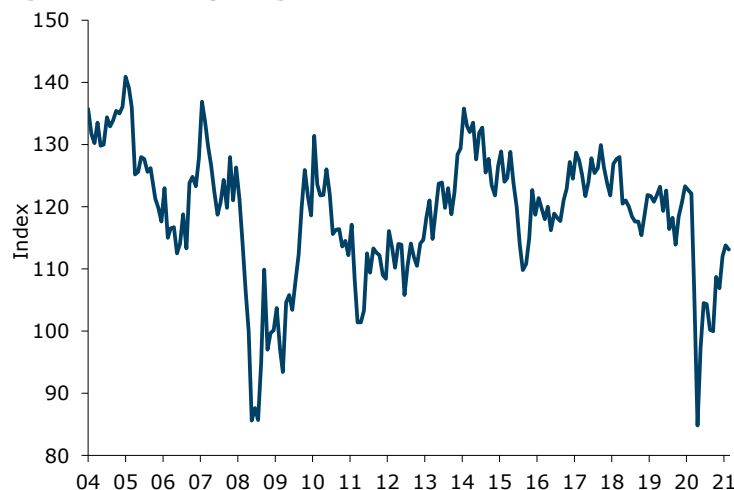
## Hanging in there

### Key points

- Consumer confidence fell 1 point to 113 in February, consolidating a bit short of its historical average of 120.
- The proportion of people who believe it is a good time to buy a major household item, a key retail indicator, fell 1 point.
- Inflation expectations remain high at 4.6%. House price inflation expectations are off the charts at 7.5%.

The ANZ-Roy Morgan Consumer Confidence Index fell 1 point in February. Unlike business sentiment it has not had a full recovery, but it's not too far short of its historical average.

**Figure 1. ANZ-Roy Morgan Consumer Confidence**



Source: ANZ Research, Roy Morgan

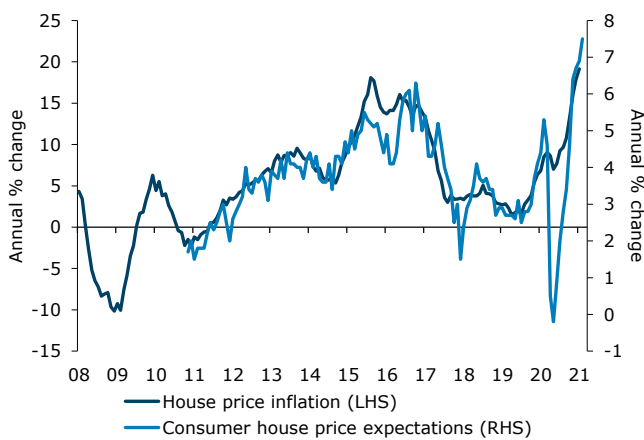
Turning to the detail:

- Perceptions of current financial situations fell 6 points to -2%.
- A net 27% expect to be better off this time next year, down 1.
- A net 20% think it is a good time to buy a major household item, down 1 point. It is consistent with our expectation that the durables retail overshoot is on borrowed time.
- Perceptions regarding the next year's economic outlook lifted 3 points to 2%. The five-year outlook also lifted 3 points to +20%.
- House price inflation expectations jumped another 0.6%pts to 7.5%, a record high in data that begins in 2010. They lifted in every region, and range from 6.2% in Canterbury to 8.4% in the North Island ex Auckland and Wellington.
- CPI inflation expectations lifted 0.1%pts to 4.6%. Household inflation expectations have been persistently high in recent months.

Household house price expectations are spectacular (figure 2), with fear of missing out rampant. However, sales were weaker in January, and longer-term mortgage rates will soon come under upward pressure if the underlying wholesale interest rates don't start to back down. Affordability is exceptionally stretched, and record rates of lending may soon start to put pressure on banks' funding positions. We suspect the frenzy is close to a peak.

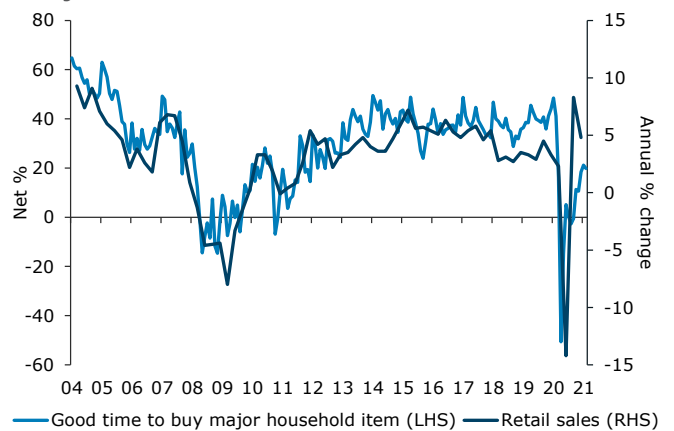
Households continue to be wary about buying a major household item. The latter has historically been the best retail spending indicator in the survey. Retail spending has outperformed this indicator, reflecting repurposed holiday savings, a catch-up from lockdown, the housing boom and interest-free deals. However, this overshoot is now waning, as was inevitable (figure 3).

**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**

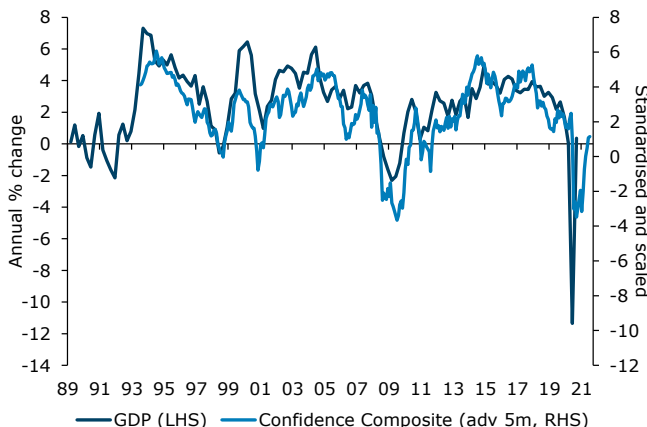


Source: Statistics NZ, ANZ Research, Roy Morgan

Our confidence composite gauge combines lagged business expectations and intentions with consumer sentiment. The composite is pretty steady at levels that are nothing flash (figure 4), consistent with our view that although the economy has performed much better than expected, challenges lie ahead this year due to the closed border and supply disruptions.

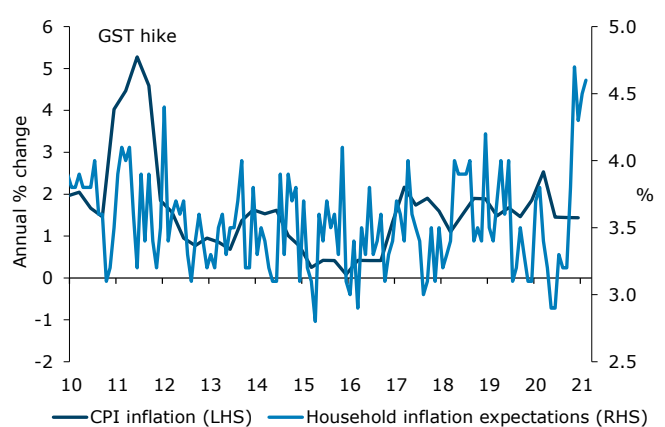
Meanwhile, households are perceiving a lot of inflation out there (figure 5). The Reserve Bank tends to focus on what businesses think, as they are the ones who set the prices. But all else equal, high household inflation expectations make it easier for retailers to pass through cost increases, and will also impact wage negotiations in an environment where firms continue to report that finding labour is their biggest problem.

**Figure 4. GDP vs Confidence Composite**



Source: ANZ Research, Roy Morgan, Statistics NZ

**Figure 5. Household inflation expectations and CPI**

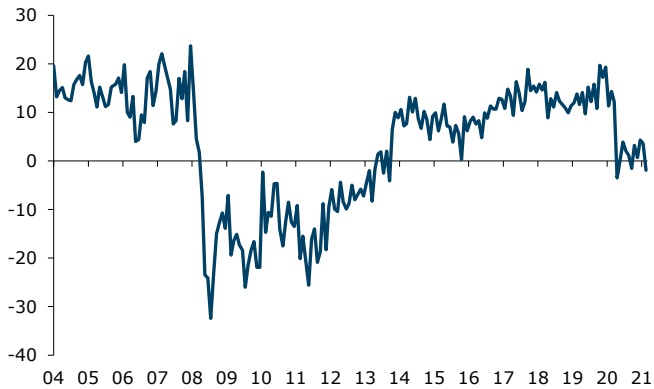


Survey Summary	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21
No. of Interviews	1,001	1,001	997	1,206	1,002	1,004	1,001	1,004
<b>Q1. Would you say you and your family are better off financially or worse off than you were at this time last year?</b>								
Better Off	30	28	27	29	27	28	28	26
Worse Off	28	27	29	26	27	23	24	28
<b>Net Balance</b>	<b>2</b>	<b>1</b>	<b>-2</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>4</b>	<b>-2</b>
<b>Q2. This time next year do you and your family expect to be better off financially or worse off than you are now?</b>								
Better Off	45	40	40	41	43	40	43	42
Worse Off	15	13	18	14	15	15	14	15
<b>Net Balance</b>	<b>31</b>	<b>27</b>	<b>22</b>	<b>28</b>	<b>27</b>	<b>25</b>	<b>28</b>	<b>27</b>
<b>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?</b>								
Good Times	17	14	12	17	17	23	24	27
Bad Times	50	54	47	38	35	28	24	25
<b>Net Balance</b>	<b>-33</b>	<b>-41</b>	<b>-35</b>	<b>-21</b>	<b>-18</b>	<b>-6</b>	<b>-1</b>	<b>2</b>
<b>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?</b>								
Good Times	39	35	31	36	31	32	32	33
Bad Times	18	18	17	14	16	14	15	14
<b>Net Balance</b>	<b>22</b>	<b>17</b>	<b>15</b>	<b>22</b>	<b>15</b>	<b>18</b>	<b>17</b>	<b>20</b>
<b>Q5. Generally, do you think now is a good time, or a bad time, for people to buy major household items?</b>								
Good Time to Buy	39	38	36	43	41	47	48	49
Bad Time to Buy	39	41	37	31	31	28	27	29
<b>Net Balance</b>	<b>0</b>	<b>-3</b>	<b>-1</b>	<b>11</b>	<b>11</b>	<b>18</b>	<b>21</b>	<b>20</b>
<b>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?</b>								
Go Up	65	67	67	70	75	78	80	81
Go Down	7.9	8.4	7.2	5.9	4.0	2.5	3.5	3.3
<b>Expectation (%)</b>	<b>3.3</b>	<b>3.2</b>	<b>3.2</b>	<b>3.8</b>	<b>4.7</b>	<b>4.3</b>	<b>4.5</b>	<b>4.6</b>
<b>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?</b>								
Go Up	49	56	65	74	82	81	84	85
Go Down	22.5	18.5	13.0	9.5	6.8	6.4	5.4	4.6
<b>Expectation (%)</b>	<b>2.0</b>	<b>2.8</b>	<b>3.4</b>	<b>4.6</b>	<b>6.4</b>	<b>6.7</b>	<b>6.9</b>	<b>7.5</b>
<b>ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)</b>								
<b>Overall Index</b>	<b>104.3</b>	<b>100.2</b>	<b>100.0</b>	<b>108.7</b>	<b>106.9</b>	<b>112.0</b>	<b>113.8</b>	<b>113.1</b>
Current Conditions	101.3	99.2	99.0	107.3	105.7	111.4	112.4	109.0
Future Conditions	106.3	100.9	100.6	109.6	107.9	112.3	114.7	115.9

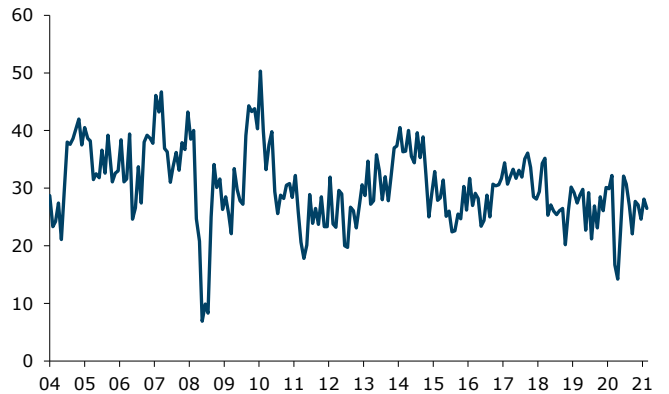


## Tables and charts

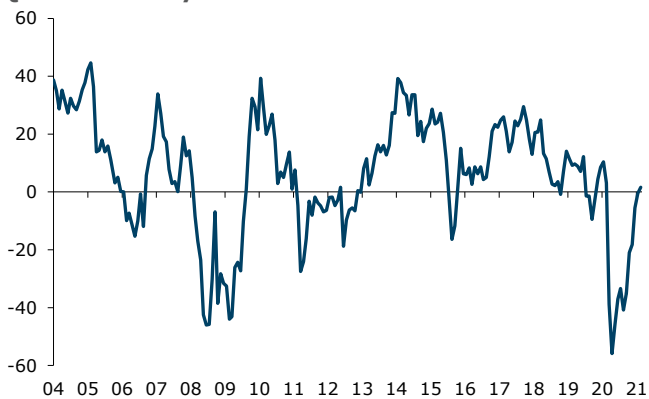
**Q1. Better off past year**



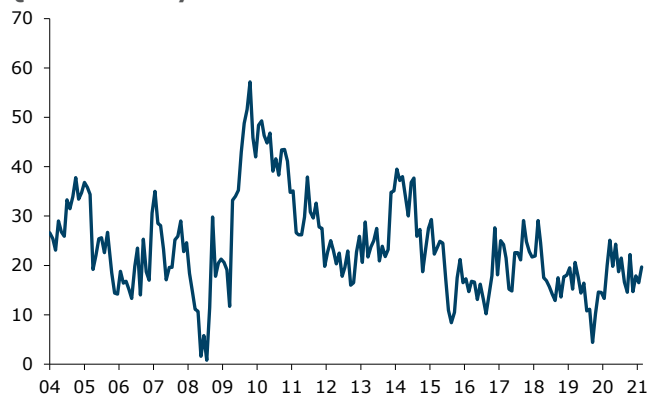
**Q2. Better off next year**



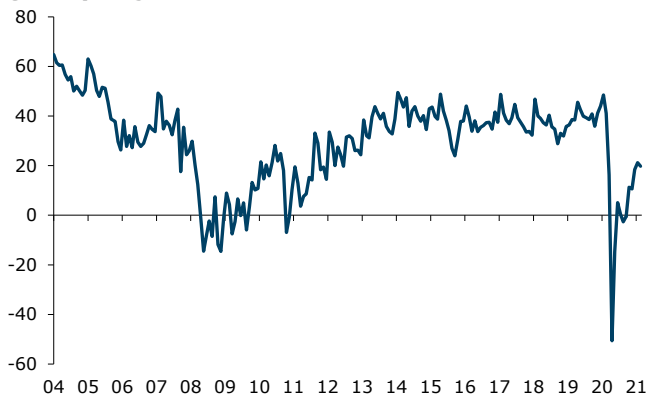
**Q3. NZ economy 12 months' time**



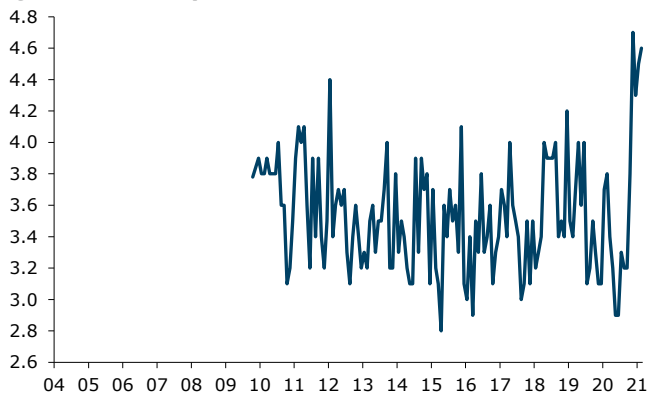
**Q4. Outlook 5 years ahead**



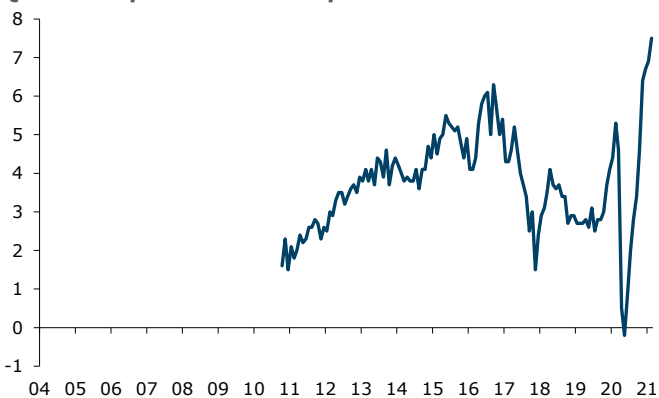
**Q5. Buy major household item**



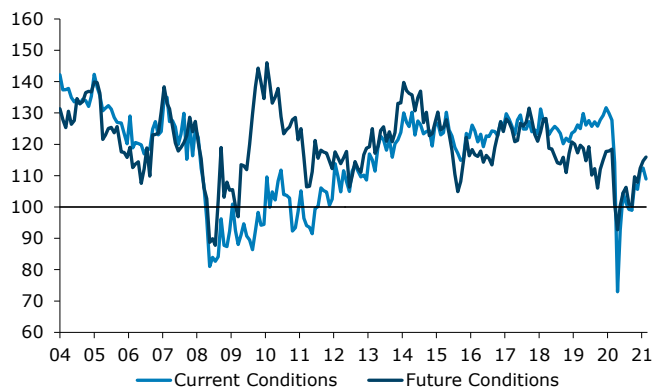
**Q6. Inflation expectations**



**Q7. House price inflation expectations**



**Current vs future conditions**



Source: ANZ Research, Roy Morgan



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[1 February 2021]

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