

ANZ-Roy Morgan NZ Consumer Confidence

29 October 2021



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Contact

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See page 5.

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 26 November 2021 at 10am.

Retailers beware

Key points

- Consumer confidence fell 7 points to 98 in October, with both perceptions of current conditions and expectations down sharply.
- The proportion of people who believe it is a good time to buy a major household item didn't rebound from last month's 20-point fall – it remained at -7.
- Inflation expectations went ballistic, rising more than 1% to 6.2%. House price inflation expectations lifted from 6.1% to 6.7%.

The ANZ-Roy Morgan Consumer Confidence Index fell 7 points to 98 in October, well under its long-term average of just shy of 120. The data suggests trouble ahead for the retail sector.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ Research, Roy Morgan

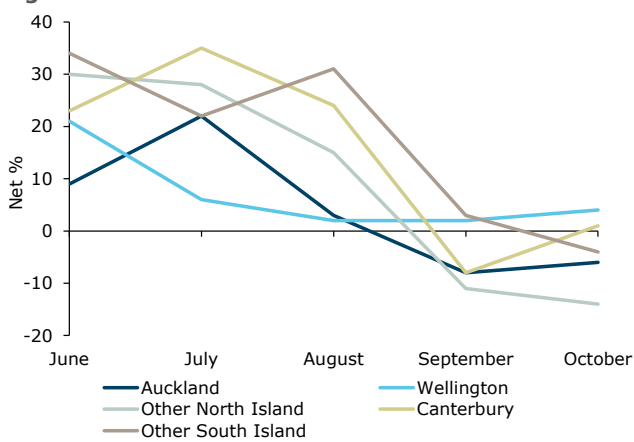
Turning to the detail:

- Perceptions of current financial situations fell 10 points to -3%.
- A net 20% expect to be better off this time next year, down 4.
- A net 7% think it is a bad time to buy a major household item, unchanged and showing last month's 20-point plummet was not a rogue outturn. This is the best retail indicator in the survey.
- Perceptions regarding the next year's economic outlook fell 12 points to -25%. The five-year outlook fell 8 points to +4%.
- House price inflation expectations lifted 0.6%pts to 6.7%. They rose most in Wellington, while the only region to fall was Auckland.
- CPI inflation expectations soared from 5.1% to 6.2%, likely influenced by media coverage around the CPI outturn. Households have been pretty smart about inflation in the past 18 months, and what they think matters hugely for both firms' pricing power and wage negotiations.

Households' response to whether it was a good time to buy a major household item failed to rebound from its plunge in September. Some of this may be lockdown impacts, but in the past two months there's been a sharp drop everywhere but Wellington.

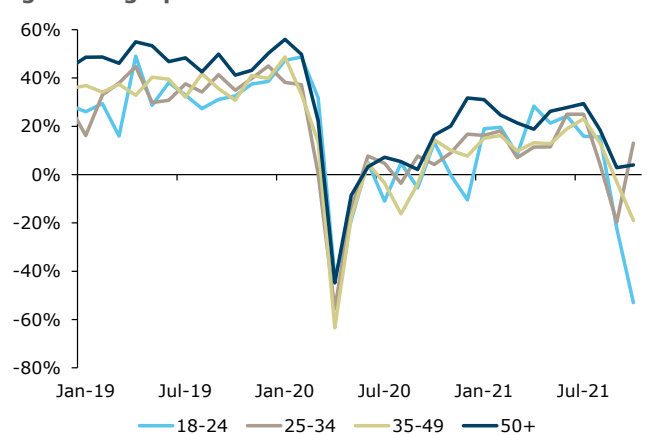
Four potential causes leap to mind: inflation, mortgage rate rises, COVID uncertainty, and supply shortages. Whatever the cause, this series will be key to watch for gauging momentum in the economy as the year progresses. The fall was particularly large for young adults, on par with the fall in the first lockdown last year. Younger adults tend to have lower incomes and therefore be more exposed to rises in the prices of necessities – but they're also less exposed to increases in mortgage rates. The key mortgage belt of 35-45 year olds has also taken a significant hit.

Figure 2. Good time to buy a major household item by region



Source: ANZ Research, Roy Morgan

Figure 3. Good time to buy a major household item by age demographic



Our confidence composite gauge is a GDP growth indicator created by combining lagged business expectations and intentions with consumer sentiment. The composite is hovering slightly under pre-COVID levels (figure 4).

Figure 5 shows why the RBNZ has tended to ignore household inflation expectations. But actually, households have had it all over everyone else in picking inflation recently. And they'll want higher wages to compensate.

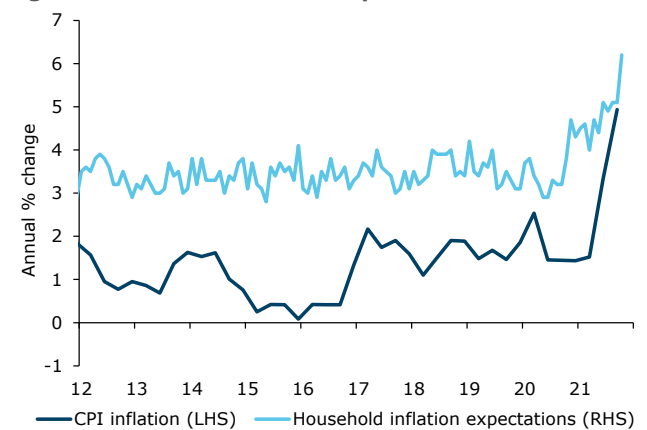
Auckland is hanging in there – consumer confidence actually lifted slightly over the month, and is higher than the North Island excluding Auckland and Wellington. That makes some sense: Auckland is looking forward to easing restrictions, whereas the rest of the North Island knows COVID is on the way.

Figure 4. GDP vs Confidence Composite



Source: ANZ Research, Roy Morgan, Statistics NZ

Figure 5. CPI and inflation expectations





Tables and charts

Survey Summary	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21
No. of Interviews	1,002	1,004	1,001	1,008	1,001	1,005	1,006	1,000

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	32	31	35	35	34	31	28
Worse Off	26	22	24	21	27	23	25	31
Net Balance	3	10	7	14	8	12	7	-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	43	45	43	40	42	42	41	41
Worse Off	13	14	16	18	19	20	17	21
Net Balance	30	31	27	22	23	22	24	20

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	23	29	26	28	28	27	20	18
Bad Times	30	25	26	25	30	31	33	43
Net Balance	-7	4	-1	3	-2	-5	-13	-25

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	30	33	34	29	31	30	32	28
Bad Times	16	18	16	19	19	23	20	24
Net Balance	15	15	18	10	12	7	12	4

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	45	46	45	50	51	44	35	36
Bad Time to Buy	31	28	27	28	27	31	42	42
Net Balance	14	18	19	22	24	13	-7	-7

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	82	85	84	88	87	89	86	88
Go Down	3.7	2.7	2.8	1.7	1.9	3.0	2.0	2.5
Expectation (%)	4.0	4.7	4.4	5.1	4.9	5.1	5.1	6.2

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	76	72	74	74	77	74	72	75
Go Down	10.0	10.9	9.8	7.5	7.2	7.6	7.9	6.7
Expectation (%)	6.1	6.0	5.9	5.8	6.4	6.3	6.1	6.7

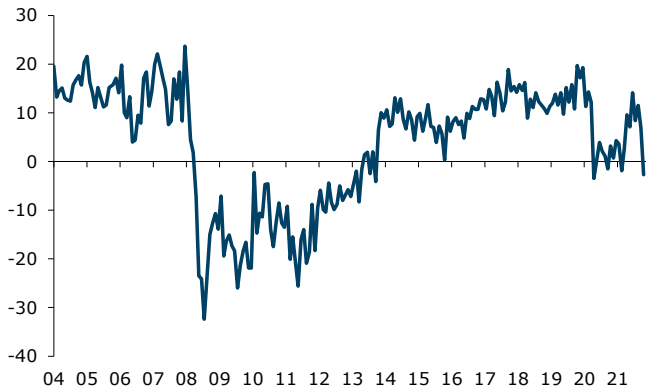
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	110.8	115.4	114.0	114.1	113.1	109.6	104.5	98.0
Current Conditions	108.2	113.7	112.9	117.9	116.1	112.0	100.1	95.4
Future Conditions	112.6	116.7	114.7	111.7	111.0	108.0	107.4	99.7

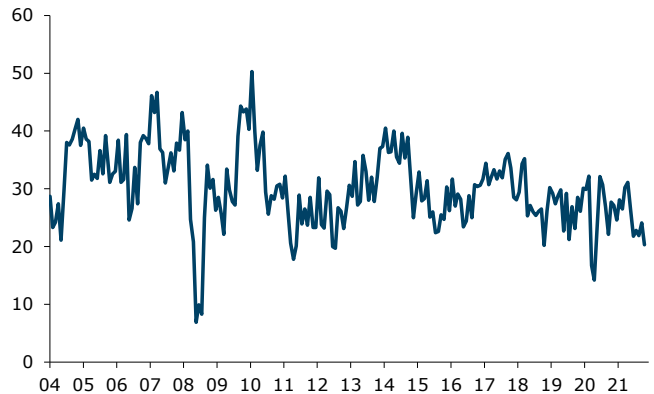


Tables and charts

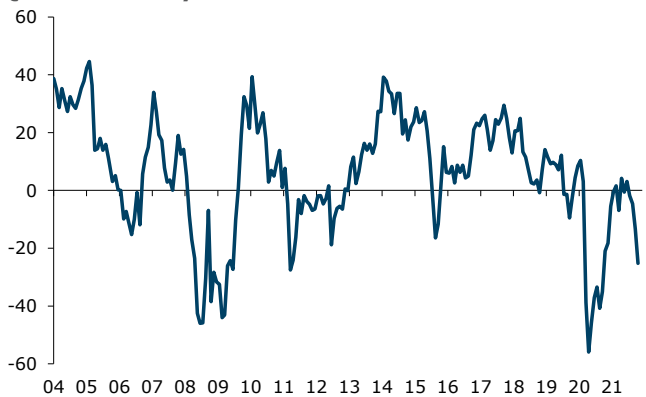
Q1. Better off past year



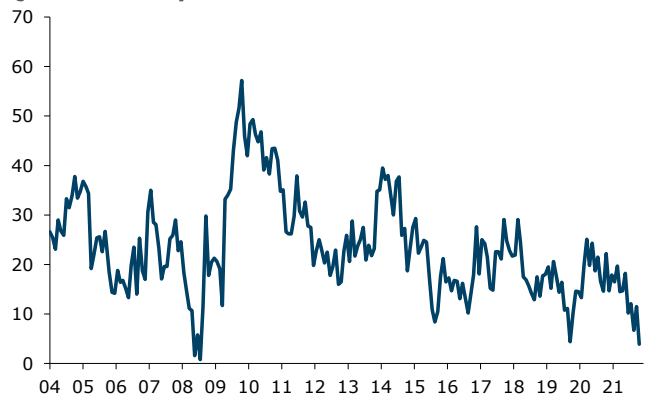
Q2. Better off next year



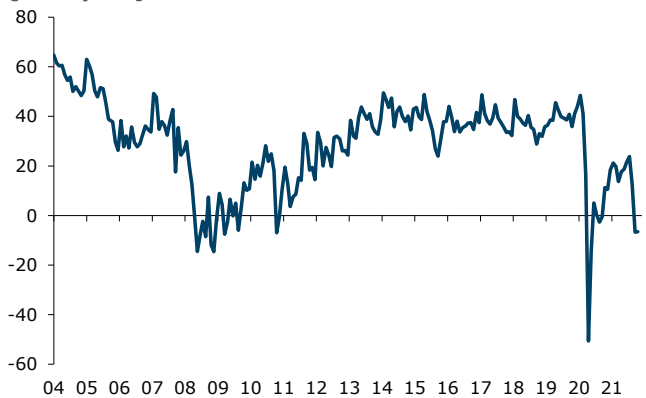
Q3. NZ economy 12 months' time



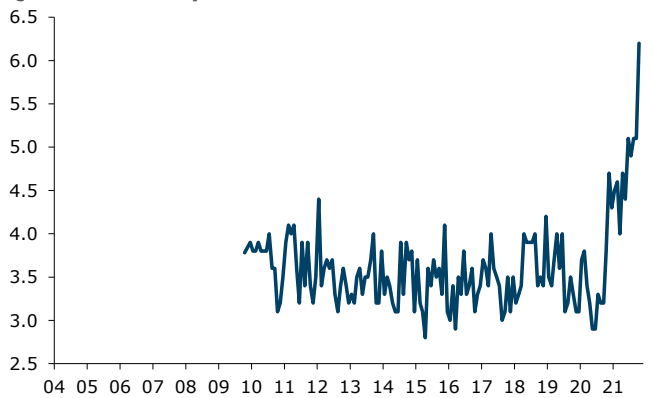
Q4. Outlook 5 years ahead



Q5. Buy major household item



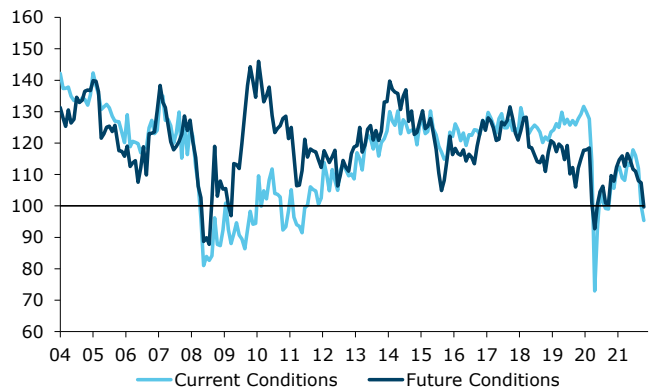
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ Research, Roy Morgan



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