

ANZ-Roy Morgan NZ Consumer Confidence

27 May 2022



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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 July 2022 at 10am.

Closing the wallets

Key points

- Consumer confidence fell 2 points in May to 82.3, above its record low of 77.9 in March, but still dire.
- The proportion of people who believe it is a good time to buy a major household item, the best indicator for spending, fell 7 points to -30.
- In welcome news for the RBNZ, inflation expectations fell from 5.6% to 5.1%.

The ANZ-Roy Morgan Consumer Confidence Index dipped slightly in May. With real wages falling, interest rates rising, house prices and equities falling and Omicron still prevalent, consumers aren't seeing much to feel happy about.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Roy Morgan, Macrobond, ANZ Research

Turning to the detail:

- Perceptions of current personal financial situations fell 2 points to -17%.
- A net 1% expect to be worse off this time next year, down 5 points. It's very unusual for this series to be negative.
- Households think it's a very bad time to buy a major household item (-30%, down 7 points). Remarkably, this is much lower than in the recession following the Global Financial Crisis.
- Perceptions regarding the next year's economic outlook were steady at -41%. The five-year outlook rose 5 points to 0%.
- House price inflation expectations fell from 1.7% to just 1.1%.
- CPI inflation expectations eased 0.5%pts to 5.1%, the lowest read in eight months.

The best retail indicator in the consumer confidence survey is the answer to the question of whether it is a good time to buy a major household item. COVID volatility dominates recent spending data, but as figure 2 shows, the data sits well below the troughs of the 2008/09 recession, suggesting tough times ahead for retailers and others reliant on consumers opening their wallets. Much lower expectations for house price gains (figure 3) will be contributing to homeowners' sense that they're going backwards.

Retailers may get caught with higher inventories if retail spending does follow this indicator. That's tough on both cash flow and margins, but is part of how higher interest rates work to reduce inflation pressure.

The current record-low unemployment rate is an important support for both spending and the housing market. But nonetheless, households are under pressure. Most people will be experiencing real wage falls. That'll change, as wage inflation lifts and CPI inflation retreats, but for now, the squeeze is on. And the screws continue to tighten for those with debt. The RBNZ raised the Official Cash Rate 50bp this week, with ongoing hikes expected into next year. A third 50bp hike now widely expected in July, but from there we think the RBNZ can afford to dial back the pace of hiking to the usual pace of 25bp per meeting – there's no doubt they're getting traction.

Figure 2. Good time to buy a major household item versus retail sales

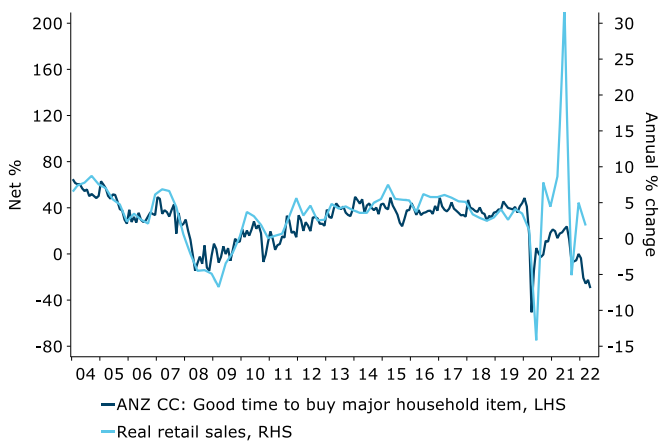
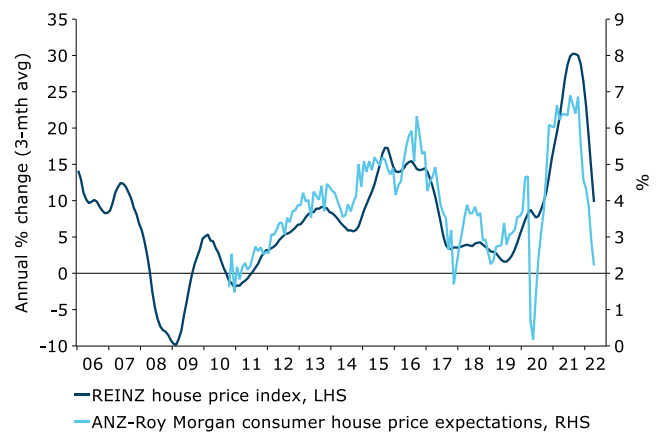


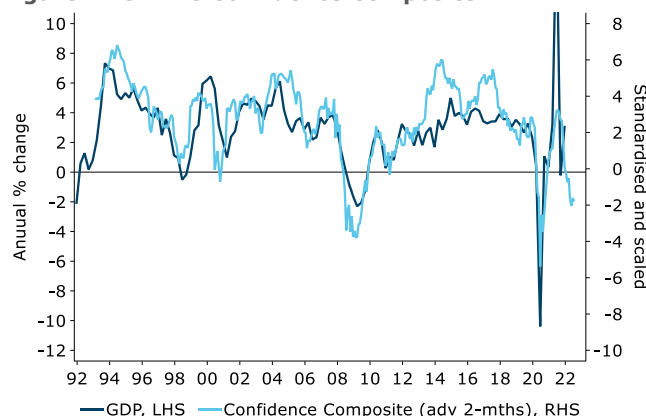
Figure 3. House price expectations



Source: Roy Morgan, Statistics NZ, Macrobond, ANZ Research

Our confidence composite gauge combines lagged Business Outlook expectations and intentions with consumer sentiment (figure 4). It continues to highlight the risk of a hard landing – not our forecast, but a real possibility as monetary policy continues to tighten in the face of falling house prices.

Figure 4. GDP vs Confidence Composite



Source: Roy Morgan, Statistics NZ, Macrobond, ANZ Research



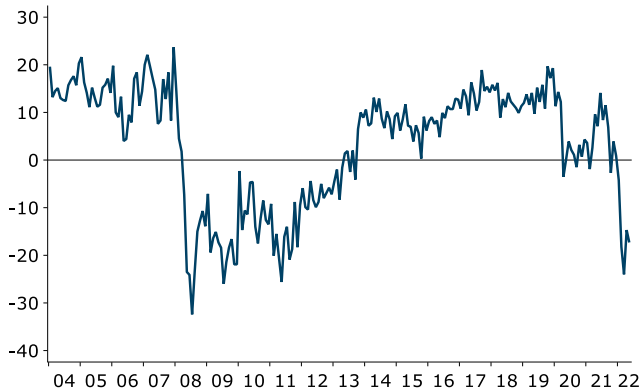
Tables and charts

Survey Summary	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
No. of Interviews	1,000	1,004	1,009	981	1,003	1,000	986	995
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	28	25	23	27	27
Worse Off	31	28	30	32	43	47	42	45
Net Balance	-3	4	1	-4	-18	-24	-15	-17
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	41	39	37	37	33	30	35	34
Worse Off	21	24	25	23	35	39	31	34
Net Balance	20	15	12	14	-2	-9	4	-1
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	18	18	20	18	10	11	11	10
Bad Times	43	47	40	39	52	56	52	51
Net Balance	-25	-28	-20	-21	-42	-45	-41	-41
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	28	25	24	26	19	20	21	23
Bad Times	24	27	26	23	27	27	26	23
Net Balance	4	-2	-1	3	-8	-7	-5	0
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	36	37	40	37	28	26	27	21
Bad Time to Buy	42	42	40	40	49	51	50	51
Net Balance	-7	-6	0	-4	-21	-26	-23	-30
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	88	91	89	92	92	90	88	88
Go Down	2.5	1.2	2.3	1.5	2.1	2.7	4.8	4.2
Expectation (%)	6.2	5.7	5.6	5.8	5.6	6.0	5.6	5.1
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	75	72	68	67	62	48	40	37
Go Down	6.7	9.6	11.4	11.1	12.7	23.2	29.0	35.2
Expectation (%)	6.7	5.9	5.3	5.3	4.8	2.7	1.7	1.1
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	98.0	96.6	98.3	97.7	81.7	77.9	84.4	82.3
Current Conditions	95.4	99.2	100.5	96.1	80.6	75.2	81.4	76.6
Future Conditions	99.7	94.9	96.8	98.7	82.5	79.7	86.3	86.0

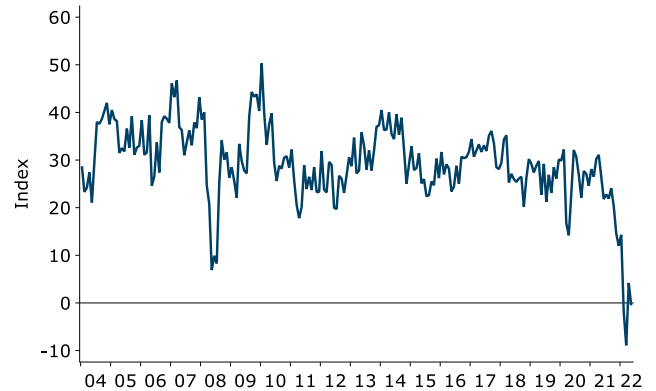


Tables and charts

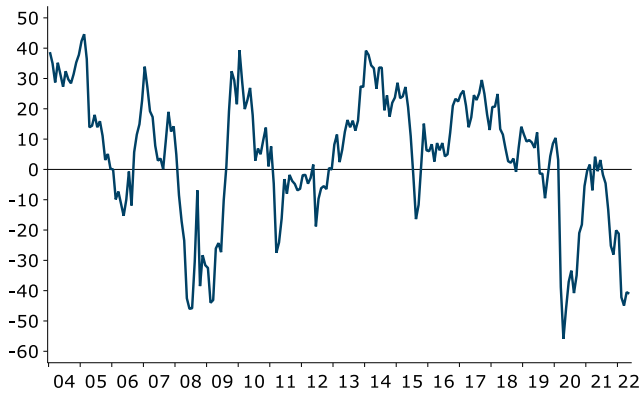
Q1. Better off past year



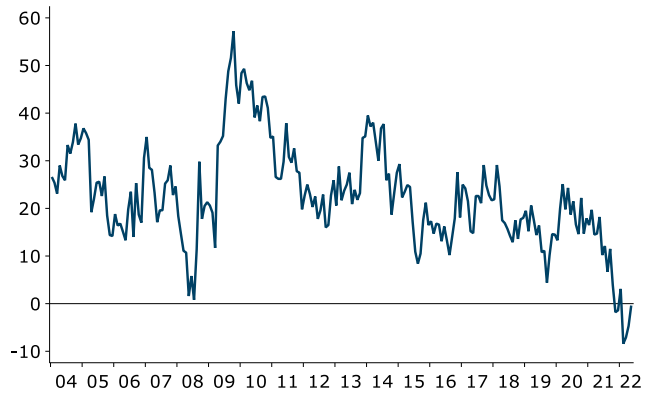
Q2. Better off next year



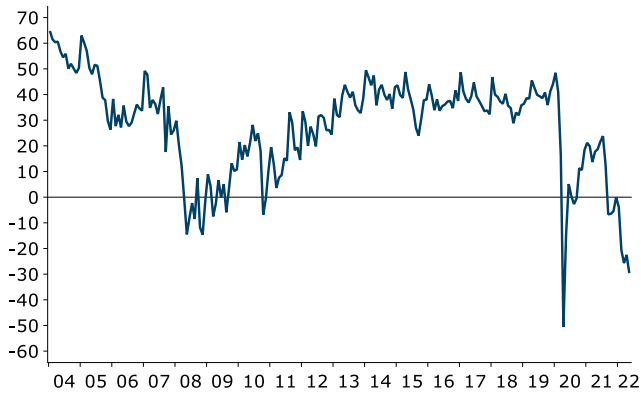
Q3. NZ economy 12 months' time



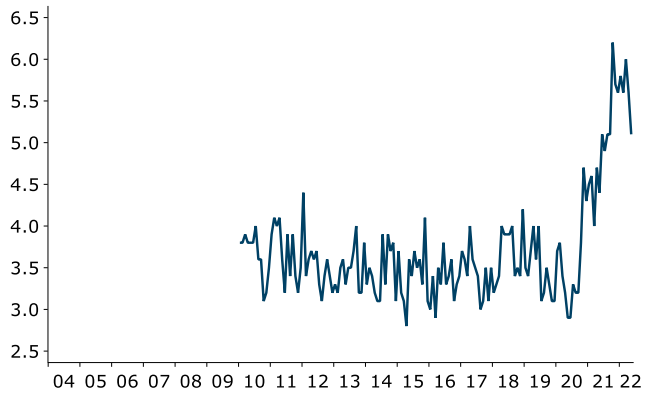
Q4. Outlook 5 years ahead



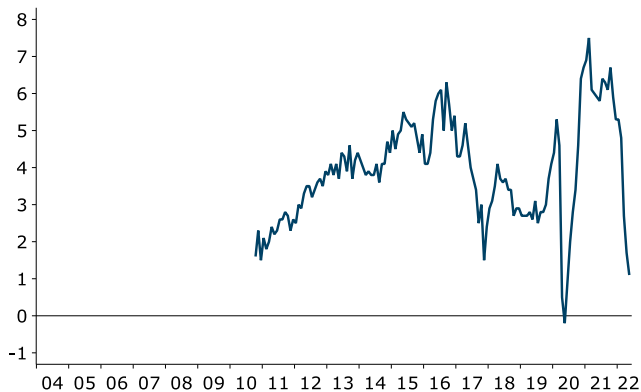
Q5. Buy major household item



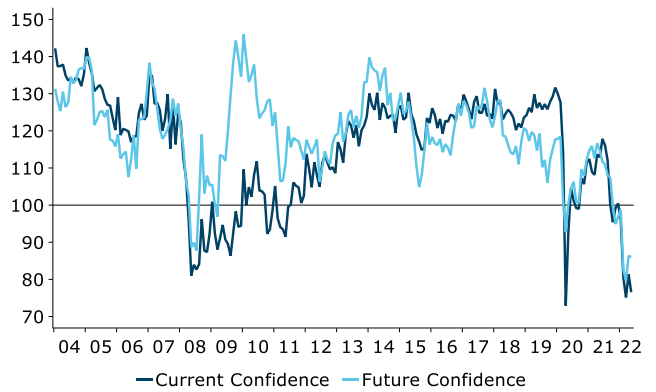
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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Last updated: 28 February 2022

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