

ANZ-Roy Morgan NZ Consumer Confidence

28 July 2023



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Contact

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See [page 6](#).

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 1 September 2023 at 10am.

Confused by acronyms or jargon? See a glossary [here](#).

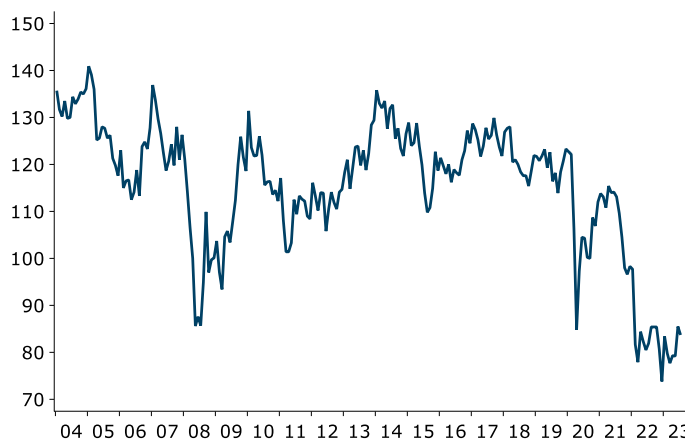
More spending caution evident

Key points

- Consumer confidence fell 2 points in July to 83.7, with the fall driven by the question of whether it's a good time to buy a major household item, which fell from -27% to -39%. That doesn't bode well for retailers.
- Inflation expectations bounced back almost completely from their sharp fall last month, rising from 4.3% back up to 4.7% – still trending lower, however, and well off their high of over 6% in late-2021.

The ANZ-Roy Morgan Consumer Confidence Index eased slightly in July, and remains at low levels.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Roy Morgan, Macrobond, ANZ Research

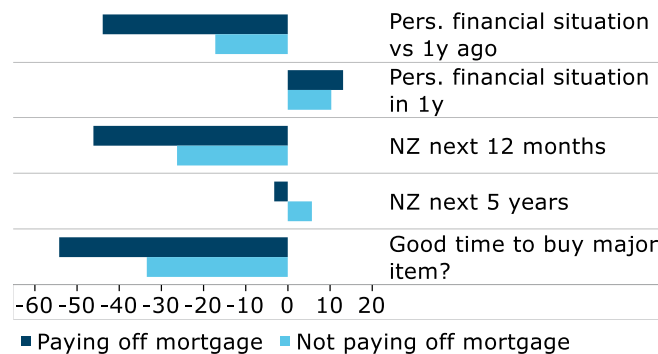
Turning to the detail:

- Perceptions of current personal financial situations eased 1 point to -25%.
- A net 11% expect to be better off this time next year, unchanged.
- A net 39% think it's a bad time to buy a major household item, a sharp 12-point fall, to be back around its lows (excluding lockdowns). That's the best spending indicator in the survey, and suggests consumers are indeed "cooling their jets".
- Perceptions regarding the economic outlook in 12 months' time lifted 2 points to -32%. The 5-year-ahead measure also lifted 2 points to +3%.
- House price inflation expectations lifted from 1.6% to 1.9%. Expectations are strongest in Canterbury (4.4%) but are at least 1% everywhere.
- Headline confidence would have fallen by more were it not for a sharp lift in Canterbury, which saw a sharp lift across all questions except for whether it's a good time to buy a major household item.
- Two-year-ahead CPI inflation expectations jumped back from 4.3% to 4.7%, but the trend remains downward.

Households are being buffeted currently, with headwinds outweighing tailwinds. The cost of living is an obvious headwind, though this shouldn't be overstated, insofar as average incomes have broadly kept pace.

The rapid rise in mortgage rates and the ongoing rollover from lower rates is another clear headwind. Figure 2 shows that those respondents who are paying down mortgages are more pessimistic on every question except for how things might look for them personally a year from now – which is consistent with expectations that interest rates may be lower by then.

Figure 2. Survey results split by mortgage status



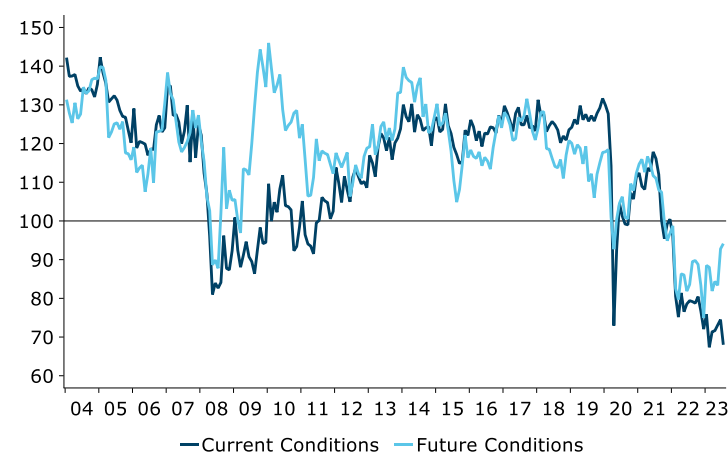
Source: Roy Morgan, Macrobond, ANZ Research

There is also a widespread expectation of rising unemployment over the second half of the year. While perceived job security has been a bright spot for consumers in recent years, it seems likely that this perception will change as the economy continues to cool. And prices for New Zealand's export commodities (particularly dairy) have weakened significantly, which will impact incomes, confidence and spending in rural communities.

Tailwinds exist too – the housing market is lifting, though we don't expect it to come to much, given we are forecasting recession. And fiscal policy is currently very supportive. Population growth will also support total spending, though not on a per capita basis.

One notable feature of the survey data recently has been a divergence between the current and forward-looking questions in the survey. The history shows that this is typical of periods during which the economy is weak, such as 2009-10 (figure 3). That makes sense – when times are tough, the bar is lower to expect an improvement.

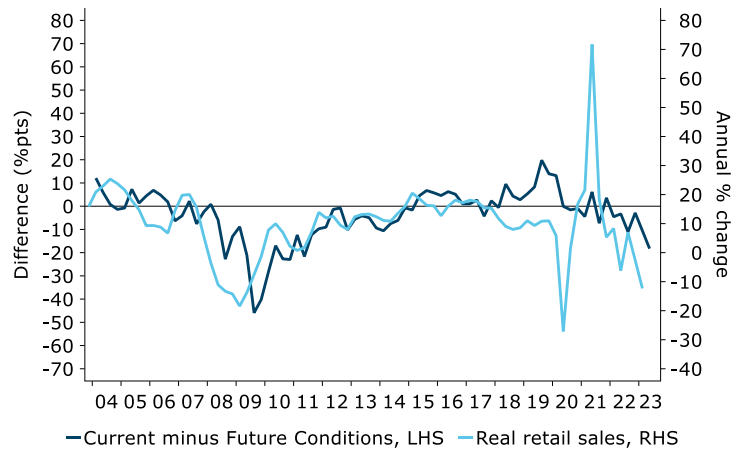
Figure 3. Current and future conditions indexes



Source: Roy Morgan, Macrobond, ANZ Research

The difference between the two indexes is also correlated with real retail spending (figure 4). However, the chart also shows that this measure lags spending – that is, it is a more a reflection of where the economy has been, than it is a reliable guide to where it’s going. That is, views on the current situation (ie is the bar for improvement low or high) dominate changing perceptions of what the future might look like.

Figure 4. Difference between current and future conditions and real retail spending growth



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

A slowdown in consumer spending is underway, and likely has some way to run, given the RBNZ views it as a prerequisite for bringing inflation sustainably back down to target. At the end of the day, any upward surprises regarding resilience of consumer spending will be met by upward surprises to how high interest rates end up going. We can do this the hard way or the slightly easier way, but one way or another, after a period of excess during the COVID period, gravity is calling.



Tables and charts

Survey Summary	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23
No. of Interviews	1,001	1,005	1,007	1,008	1,004	1,004	1,003	1,019

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	24	23	20	24	24	25	23	23
Worse Off	47	43	50	50	49	45	47	48
Net Balance	-23	-20	-30	-26	-25	-20	-24	-25

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	30	35	37	35	36	34	37	38
Worse Off	39	29	29	34	30	28	25	27
Net Balance	-10	7	7	1	6	5	11	11

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	8	13	11	10	10	12	15	14
Bad Times	62	53	52	56	60	55	49	45
Net Balance	-54	-40	-41	-46	-50	-43	-34	-32

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	19	22	22	19	22	16	24	25
Bad Times	30	23	25	29	25	28	23	22
Net Balance	-12	-1	-3	-10	-2	-12	1	3

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	24	25	22	22	24	24	25	19
Bad Time to Buy	57	53	57	54	55	58	53	59
Net Balance	-33	-28	-35	-32	-31	-34	-27	-39

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	78	79	82	82	83	80	72	72
Go Down	6.3	5.1	5.9	4.5	4.8	5.6	8.7	8.2
Expectation (%)	5.2	5.3	5.2	5.4	5.2	4.8	4.3	4.7

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	29	28	31	35	32	33	41	45
Go Down	49.5	41.3	40.8	32.8	39.6	36.2	26.4	23.3
Expectation (%)	-0.8	-0.3	0.0	0.6	0.3	0.4	1.6	1.9

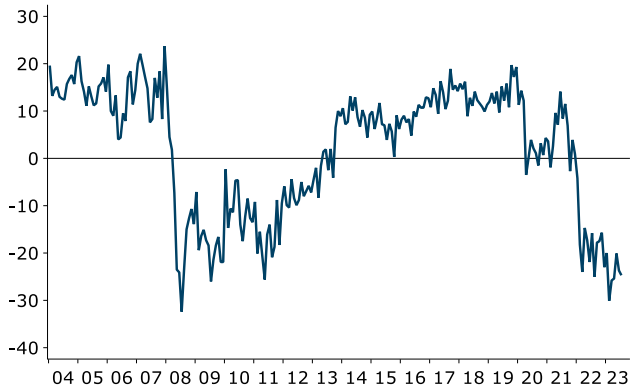
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	73.8	83.4	79.8	77.7	79.3	79.2	85.5	83.7
Current Conditions	72.1	75.9	67.4	71.4	71.7	73.1	74.5	68.0
Future Conditions	74.9	88.5	88.0	81.9	84.4	83.4	92.8	94.1

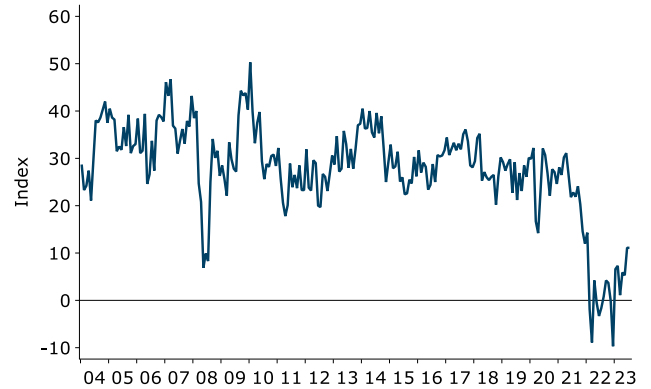


Tables and charts

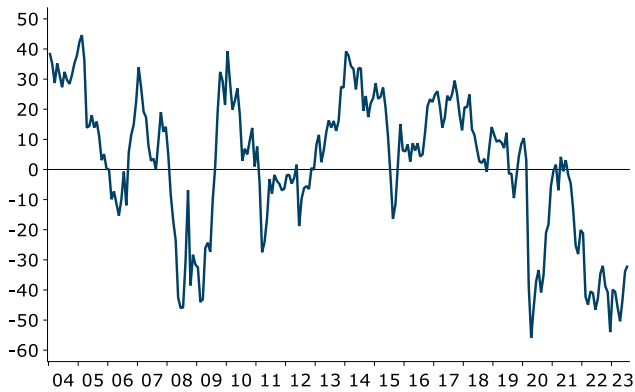
Q1. Better off past year



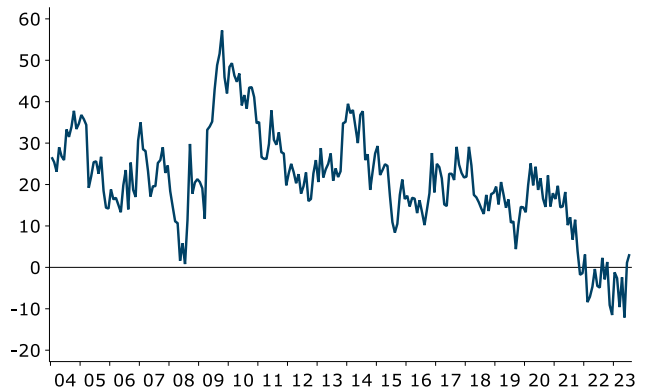
Q2. Better off next year



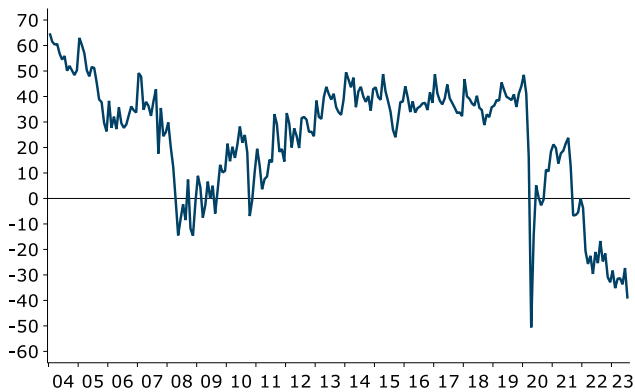
Q3. NZ economy 12 months' time



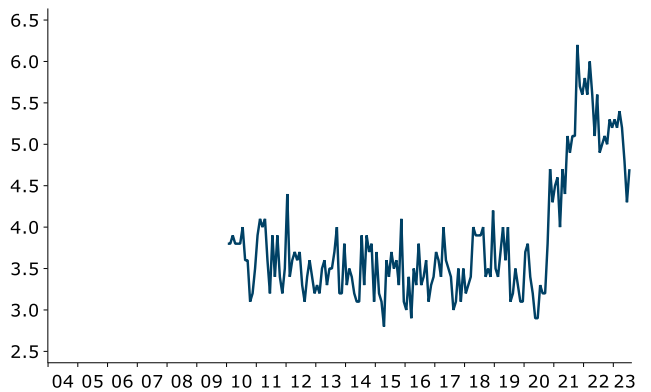
Q4. Outlook 5 years ahead



Q5. Buy major household item



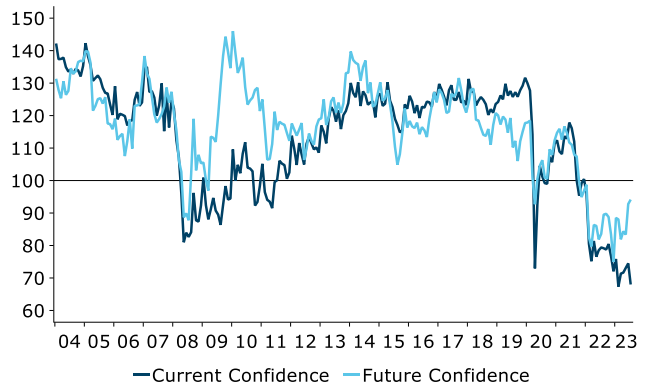
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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