

ANZ-Roy Morgan NZ Consumer Confidence

1 September 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 29 September 2023 at 10am.

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

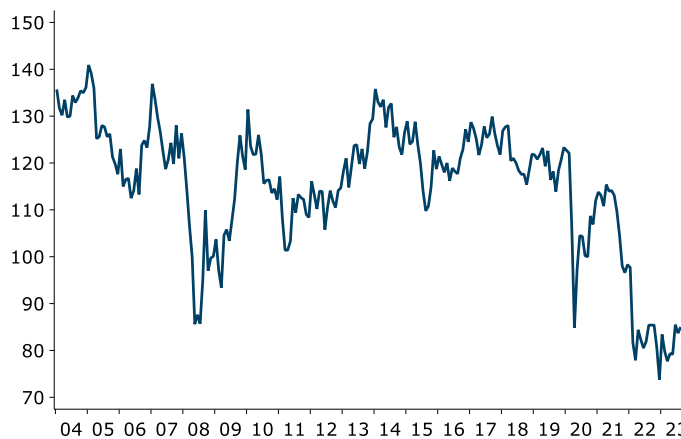
In limbo

Key points

- Consumer confidence rose 1 point in August to 85.0, with the lift driven by an increase in the question of whether it's a good time to buy a major household item, which rose from -39% to -31%.
- Inflation expectations were virtually unchanged at 4.6%.

The ANZ-Roy Morgan Consumer Confidence Index lifted very slightly in August, but remains at low levels.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Roy Morgan, Macrobond, ANZ Research

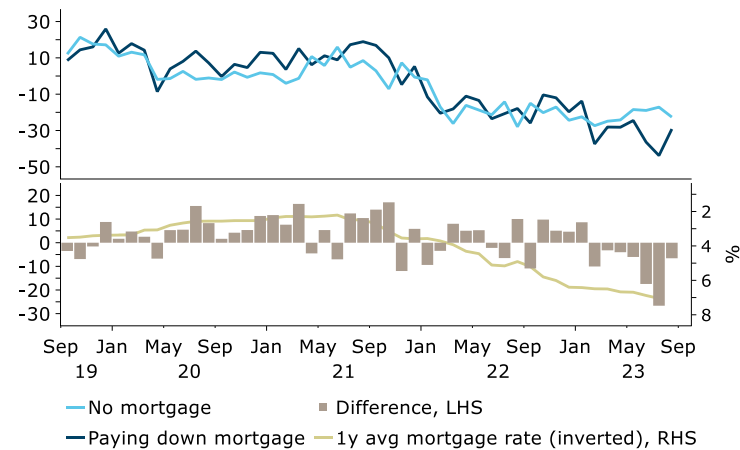
Turning to the detail:

- Perceptions of current personal financial situations lifted 1 point to -24%.
- A net 13% expect to be better off this time next year, up 2.
- A net 31% think it's a bad time to buy a major household item, an 8-point bounce after last month's sharp 12-point fall. However, the level of the indicator suggests little for retailers to celebrate as yet.
- Perceptions regarding the economic outlook in 12 months' time eased 2 points to -34%. The 5-year-ahead measure also fell 2 points to +1%.
- House price inflation expectations lifted again, from 1.9% to 2.4%. Respondents in most regions expect house price growth of around 2½%, but Wellington was the outlier, with half that.
- By region, consumer confidence fell in Auckland and Wellington but rose elsewhere.
- Two-year-ahead CPI inflation expectations eased very slightly from 4.7% to 4.6%.

How confident households in New Zealand are feeling still currently depends to some extent on whether they have debt. But the gap closed compared to last month – surprisingly, by mortgage holders feeling a little less uncomfortable. Those paying down mortgages were much less negative in August than in July regarding both their current financial situation and whether it was a good time to buy a major household item.

That’s not the Reserve Bank’s plan. And it is a surprising result, given fixed mortgage rates continued to edge higher last month. The turnaround in the housing market is one possible driver. The level is still very negative, and can be volatile, but it’s interesting that it isn’t one-way traffic as mortgage holders continue to roll onto higher rates.

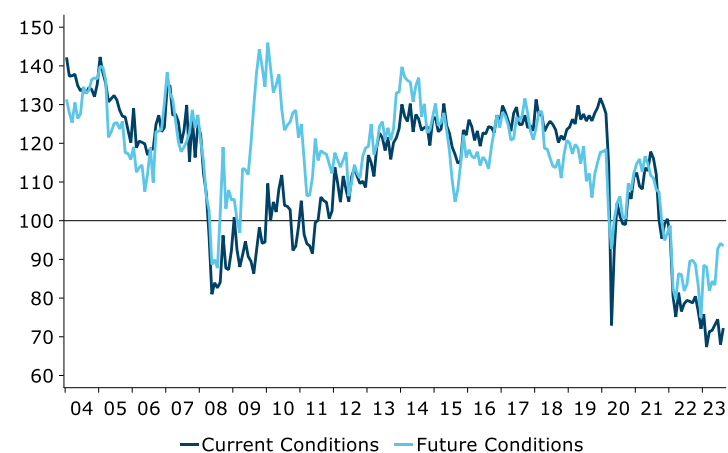
Figure 2. “Better off than last year” split by mortgage status



Source: Roy Morgan, Macrobond, ANZ Research

A wide gap persists between the current and forward-looking questions in the survey. This is typical of periods during which the economy is weak, such as 2009-10 (figure 3). When times are tough, the bar is lower to expect an improvement. But in the current situation, it may also reflect an expectation that rates will be cut next year.

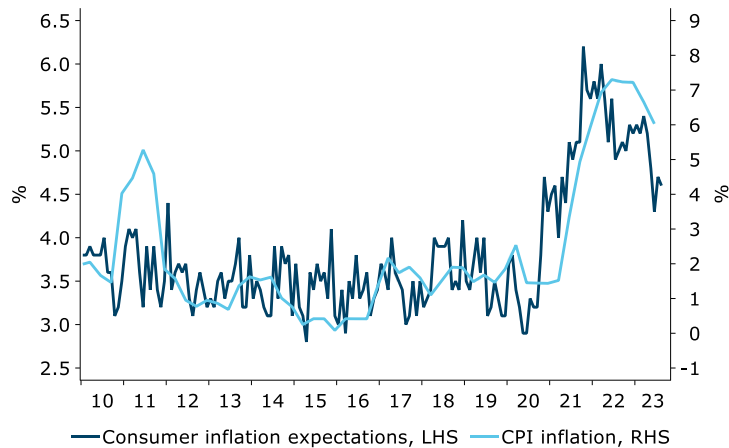
Figure 3. Current and future conditions indexes



Source: Roy Morgan, Macrobond, ANZ Research

Finally, inflation expectations remain stuck at levels inconsistent with the inflation target, but are at least pointing in the right direction. Consumers get the forecasting prize for picking the surge in CPI inflation well before anyone else did, so it's worth paying attention to what they think on the way down as well. Consumer expectations will also matter for wages, though to what extent depends on labour market tightness. Overall, consumer inflation expectations are consistent with our belief that while a fall in CPI inflation to 4-5% is pretty much baked in at this point, ongoing progress from there remains very much a matter of conjecture and debate.

Figure 4. Consumer inflation expectations and CPI inflation



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

Consumers remain wary, with overall confidence stuck in a moribund 10-point band for the past 18 months. Within the detail, respondents have become less pessimistic about the future, but here and now, report ongoing wariness about whether it's a good time to buy a major household item. Figure 5 shows that this usually very reliable indicator for retail spend has overstated weakness in the past year. Accordingly, any rebound as inflation falls is likely to overstate the tailwinds for retail spending. At the end of the day, New Zealand has been living beyond its means for some time, as demonstrated by an enormous current account deficit, and a period of national penance is inevitable.

Figure 5. Good time to buy a major household item vs. real retail sales



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



Tables and charts

Survey Summary	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23
No. of Interviews	1,005	1,007	1,008	1,004	1,004	1,003	1,019	1,009

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	23	20	24	24	25	23	23	22
Worse Off	43	50	50	49	45	47	48	46
Net Balance	-20	-30	-26	-25	-20	-24	-25	-24

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	35	37	35	36	34	37	38	41
Worse Off	29	29	34	30	28	25	27	28
Net Balance	7	7	1	6	5	11	11	13

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	13	11	10	10	12	15	14	13
Bad Times	53	52	56	60	55	49	45	47
Net Balance	-40	-41	-46	-50	-43	-34	-32	-34

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

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	25	22	22	24	24	25	19	24
Bad Time to Buy	53	57	54	55	58	53	59	56
Net Balance	-28	-35	-32	-31	-34	-27	-39	-31

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	79	82	82	83	80	72	72	75
Go Down	5.1	5.9	4.5	4.8	5.6	8.7	8.2	6.3
Expectation (%)	5.3	5.2	5.4	5.2	4.8	4.3	4.7	4.6

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	28	31	35	32	33	41	45	49
Go Down	41.3	40.8	32.8	39.6	36.2	26.4	23.3	17.8
Expectation (%)	-0.3	0.0	0.6	0.3	0.4	1.6	1.9	2.4

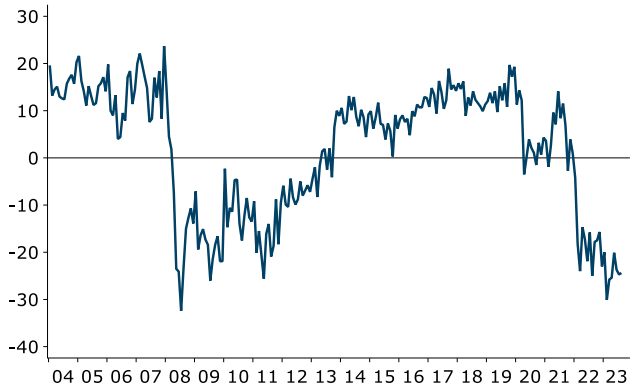
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	83.4	79.8	77.7	79.3	79.2	85.5	83.7	85.0
Current Conditions	75.9	67.4	71.4	71.7	73.1	74.5	68.0	72.3
Future Conditions	88.5	88.0	81.9	84.4	83.4	92.8	94.1	93.5

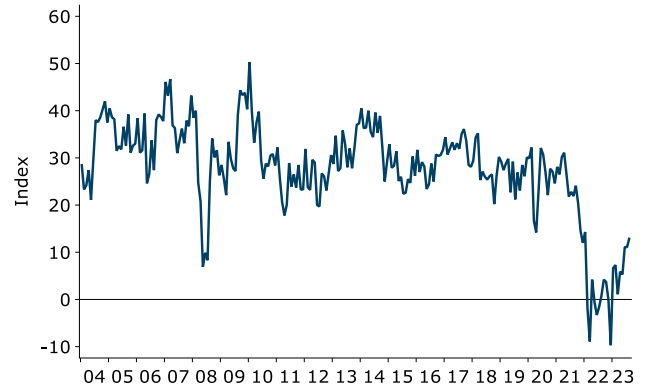


Tables and charts

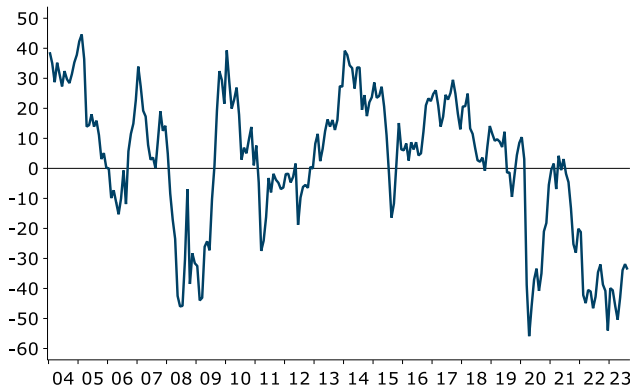
Q1. Better off past year



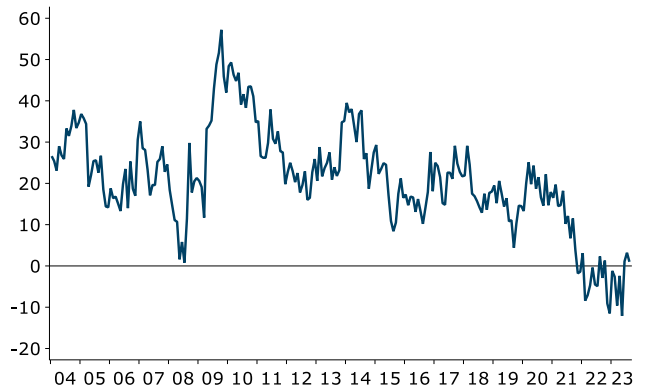
Q2. Better off next year



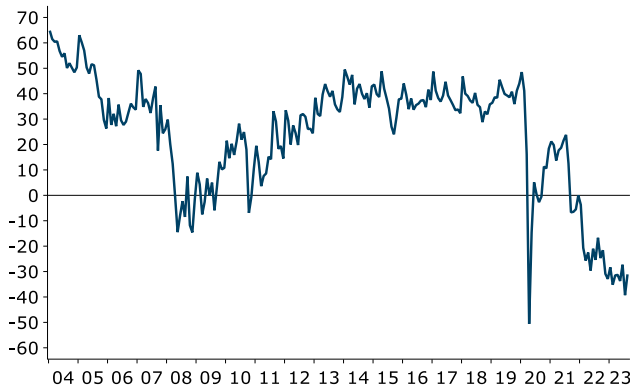
Q3. NZ economy 12 months' time



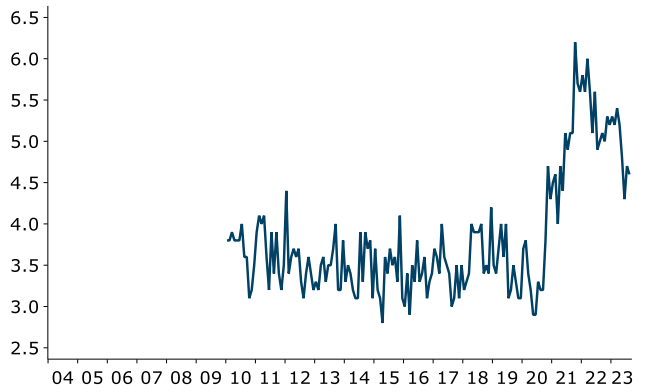
Q4. Outlook 5 years ahead



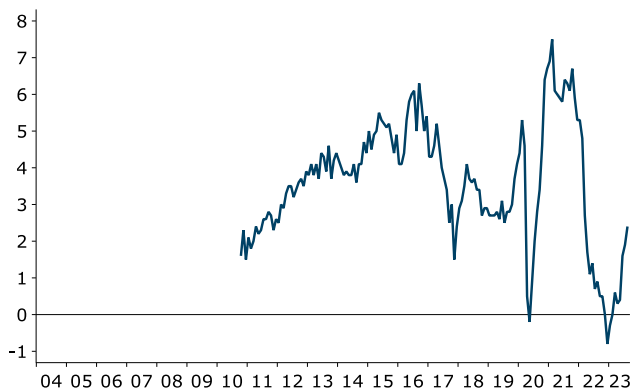
Q5. Buy major household item



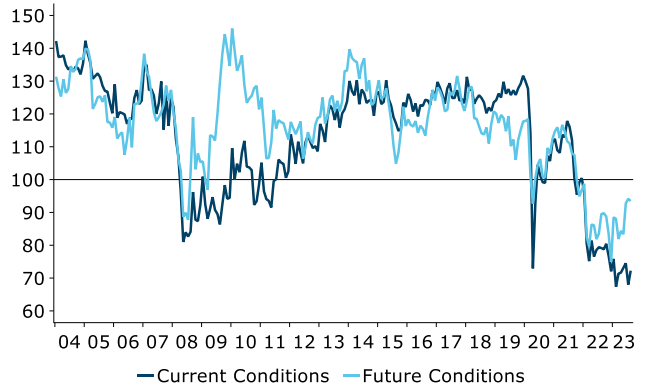
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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