

ANZ-Roy Morgan NZ Consumer Confidence

29 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 27 October 2023 at 10am.

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

Not much spring in their step

Key points

- Consumer confidence rose 1 point in September to 86.4, with small improvements across most questions.
- The exception was whether it's a good time to buy a major household item (down 1 point to -32%).
- Inflation expectations fell 0.4ppt to 4.2%, its lowest read since March 2021.

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

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Roy Morgan, Macrobond, ANZ Research

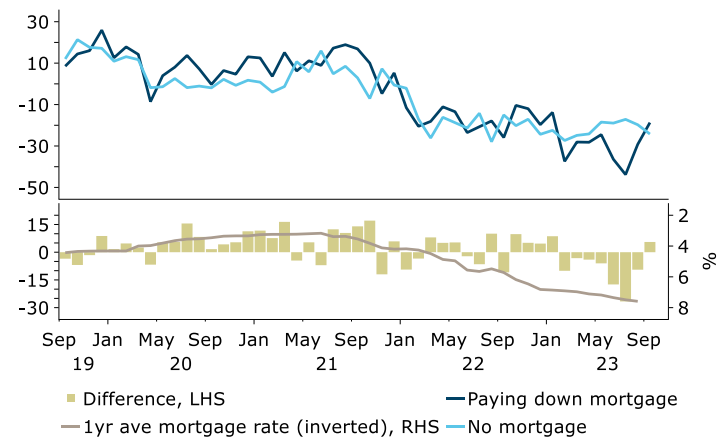
Turning to the detail:

- Perceptions of current personal financial situations lifted 1 point to -23%.
- A net 15% expect to be better off this time next year, up 2 points.
- A net 32% think it's a bad time to buy a major household item, a 1-point dip after last month's 8-point improvement. The level remains very weak, consistent with ongoing softness in retail spending.
- Perceptions regarding the economic outlook in 12 months' time improved 2 points to -32%. The 5-year-ahead measure also lifted 2 points to +3%.
- House price inflation expectations lifted further, from 2.4% to 3.2%. That was led by Auckland (up 1.1ppt to 3.7%), Wellington (up 1.1ppt to 2.4%) and the rest of the North Island (up 1.2ppt to 3.8%). Canterbury (2.3%) and the rest of the South Island (2.1%) fell slightly.
- Two-year-ahead CPI inflation expectations eased from 4.6% to 4.2%, the lowest read since March 2021 (when CPI inflation was just 1.5% y/y, but on the cusp of accelerating towards a peak of 7.3% by mid-2022).

How confident households in New Zealand are feeling often depends to some extent on whether they have debt. But somewhat surprisingly, some indicators have become a little less pessimistic lately among mortgage holders. Confidence lifted a little further in September for those paying down mortgages and so too did house price expectations (probably not a coincidence). Perceptions of whether it was a good time to buy a major household item deteriorated for mortgage holders, but that was on the back of a strong improvement last month.

Perhaps most interesting is consumers' perceptions of whether they are better off than last year. Those paying off a mortgage responded more optimistically in September than those without a mortgage (figure 2). That's a surprising result, given fixed mortgage rates continue to edge higher. The turnaround in the housing market is one possible driver. The level is still very low, but it's interesting that even as mortgage holders continue to roll onto higher rates, it's not a case of things feeling ever worse for households with debt. Of course, every average hides 1000 different stories.

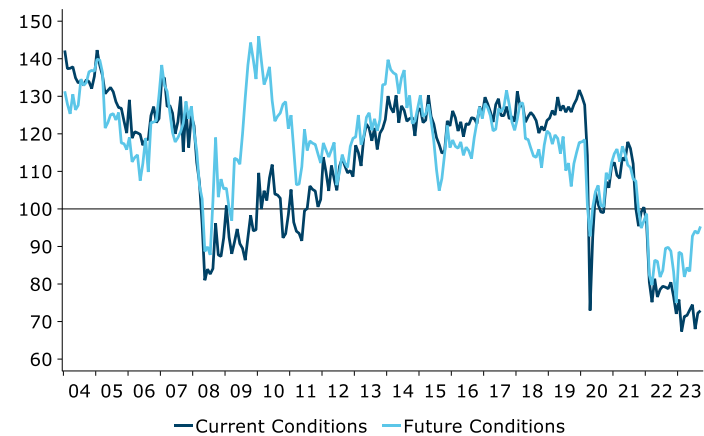
Figure 2. "Better off than last year" split by mortgage status



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.

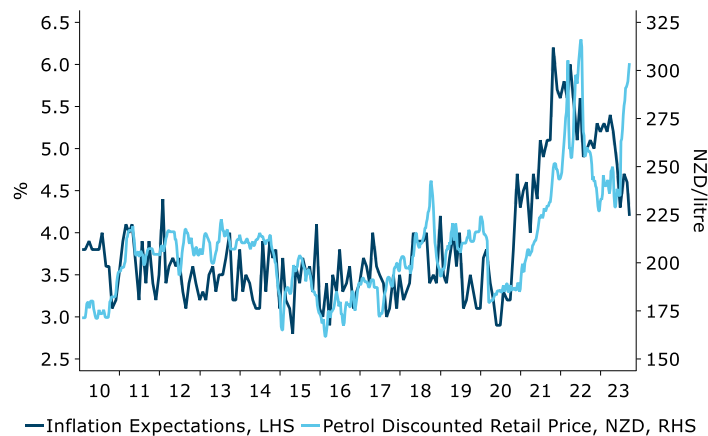
Figure 3. Current and future conditions indexes



Source: Roy Morgan, Macrobond, ANZ Research

One of the many milestones along the road to eventual rate cuts will be a significant reduction in inflation expectations, and September brought some good news on that front: inflation expectations fell 0.4ppt to 4.2%. That's somewhat surprising given recent strength in petrol prices (figure 4), but for now it's good news nonetheless. Consumers picked 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, ongoing progress from there could still prove difficult.

Figure 4. Consumer inflation expectations and petrol prices



Source: Stats NZ, MBIE, Macrobond, ANZ Research

Consumers remain wary, with overall confidence drifting along at very pessimistic levels since early 2022. 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, retailers probably shouldn't get too excited about any rebound.

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



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

All told, September's read on the consumer paints a mixed picture for the RBNZ. Inflation expectations are slipping (which may not last), but house price inflation expectations are lifting, and mortgage holders don't appear quite as pessimistic as previously (despite lifting mortgage rates). It's certainly tough going out there for retailers, but that's part of the RBNZ's plan and such conditions are likely to persist until inflation is brought under control.



Tables and charts

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

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

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	37	35	36	34	37	38	41	39
Worse Off	29	34	30	28	25	27	28	25
Net Balance	7	1	6	5	11	11	13	15

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	11	10	10	12	15	14	13	14
Bad Times	52	56	60	55	49	45	47	46
Net Balance	-41	-46	-50	-43	-34	-32	-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	22	19	22	16	24	25	23	24
Bad Times	25	29	25	28	23	22	22	21
Net Balance	-3	-10	-2	-12	1	3	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	22	22	24	24	25	19	24	24
Bad Time to Buy	57	54	55	58	53	59	56	56
Net Balance	-35	-32	-31	-34	-27	-39	-31	-32

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	82	83	80	72	72	75	75
Go Down	5.9	4.5	4.8	5.6	8.7	8.2	6.3	5.1
Expectation (%)	5.2	5.4	5.2	4.8	4.3	4.7	4.6	4.2

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	31	35	32	33	41	45	49	60
Go Down	40.8	32.8	39.6	36.2	26.4	23.3	17.8	10.0
Expectation (%)	0.0	0.6	0.3	0.4	1.6	1.9	2.4	3.2

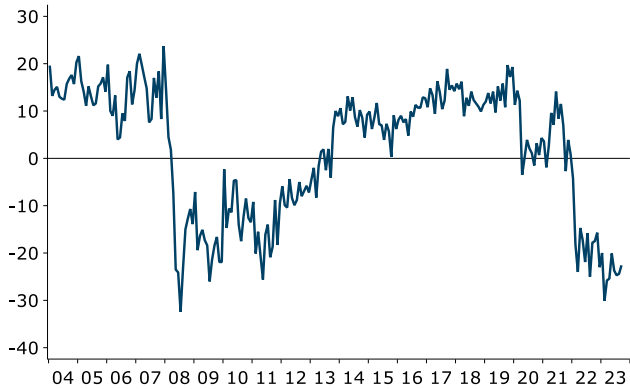
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	79.8	77.7	79.3	79.2	85.5	83.7	85.0	86.4
Current Conditions	67.4	71.4	71.7	73.1	74.5	68.0	72.3	72.9
Future Conditions	88.0	81.9	84.4	83.4	92.8	94.1	93.5	95.3

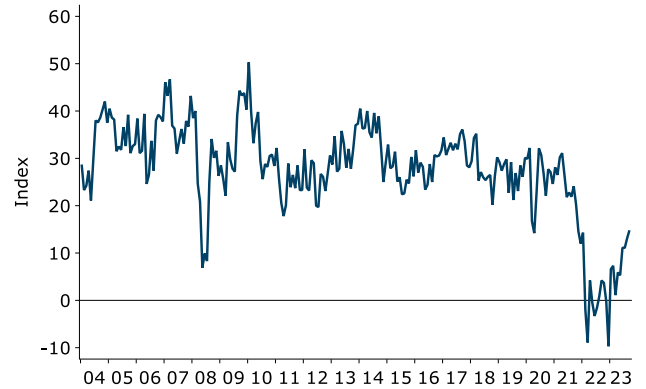


Tables and charts

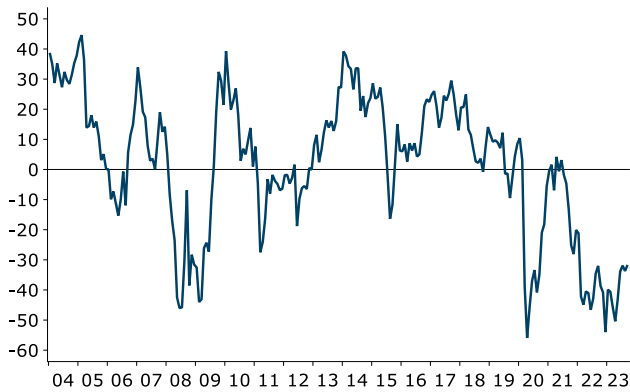
Q1. Better off past year



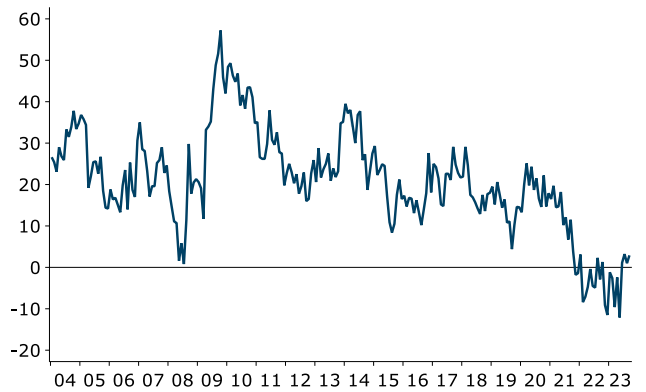
Q2. Better off next year



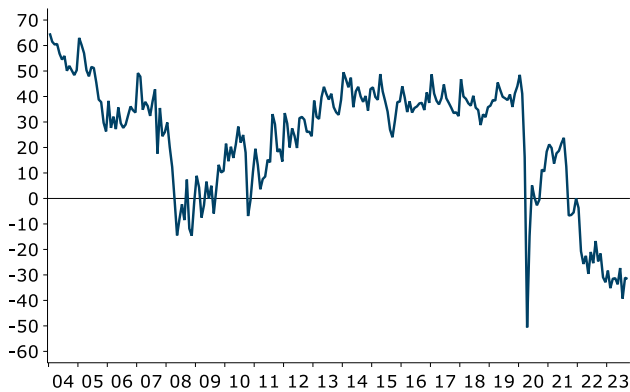
Q3. NZ economy 12 months' time



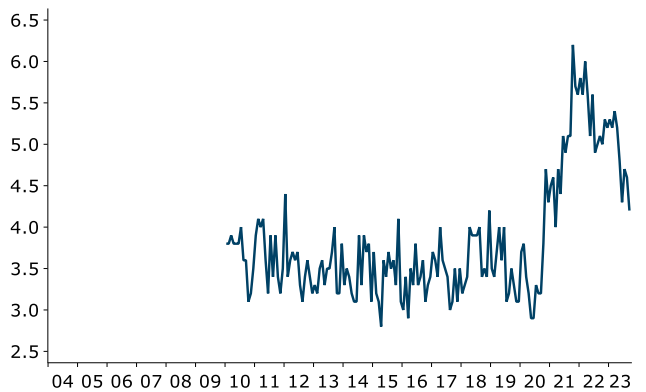
Q4. Outlook 5 years ahead



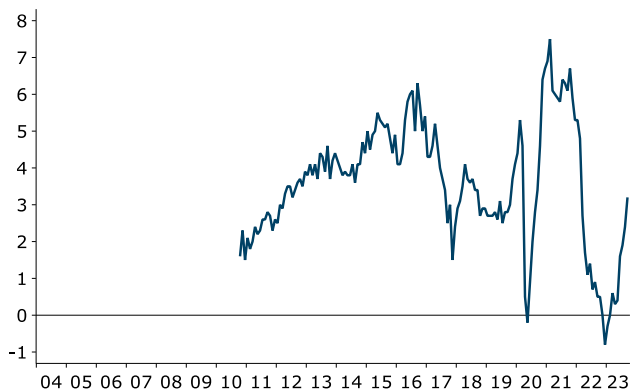
Q5. Buy major household item



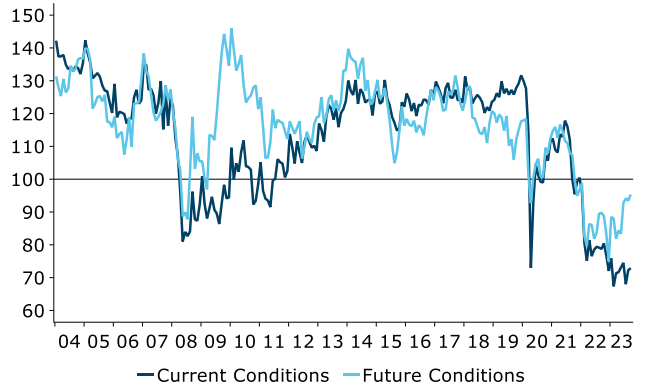
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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Last updated: 18 April 2023

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