

ANZ-Roy Morgan NZ Consumer Confidence

28 March 2024



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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 26 April 2024 at 10am.

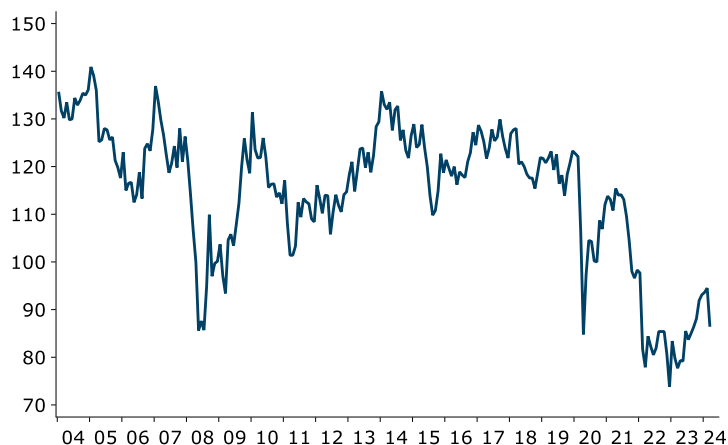
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The R word

Key points

- The steady improvement in consumer confidence over recent months took a blow this month.
- ANZ-Roy Morgan consumer confidence fell 9 points in March to 86.4, with a fall across most questions, likely affected by recession headlines. Late-month responses were markedly weaker than those that preceded the GDP data.
- Inflation expectations were unchanged at 4.5%, while expected house price inflation fell from 4.1% to 3.4%. This series has no predictive power for house prices, but is a lens on the “wealth effect” on spending.

Figure 1. ANZ-Roy Morgan Consumer Confidence



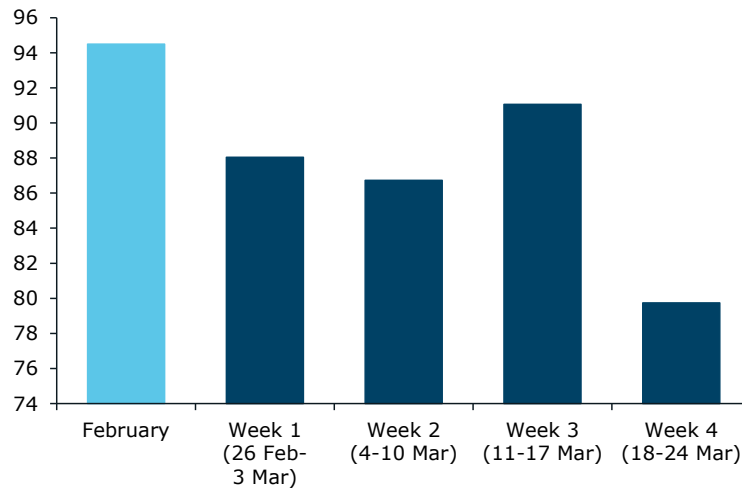
Source: Roy Morgan, Macrobond, ANZ Research

Turning to the detail (for charts see page 5):

- The future conditions index made up of forward-looking questions fell 8 points to 93, while the current conditions index fell 9 points to 76.
- Perceptions of current personal financial situations fell 11 points to -23%, back where it was in September last year.
- A net 19% expect to be better off this time next year, up 1 point.
- A net 24% think it's a bad time to buy a major household item, down 6 points, bringing to an end a steady run of improvement.
- Perceptions regarding the economic outlook in 12 months' time dropped a sharp 14 points to -34%. The 5-year-ahead measure dropped 10 points to -5%.
- House price inflation expectations fell from 4.1% to 3.4% y/y. They are strongest in Canterbury (3.9%) and weakest in the rest of the South Island (2.7%).
- Two-year-ahead CPI inflation expectations were unchanged at 4.5%.

News that the economy re-entered recession in the second half of last year appears to have hit consumer confidence hard (figure 1). Only around half of the week 4 survey responses will have come in after GDP data was released on 21 March, but the responses for that week overall were notably lower. That said, the preceding weeks were also softer than February, so the monthly fall in confidence isn't just about recession headlines.

Figure 2. Surveyed consumer confidence by week

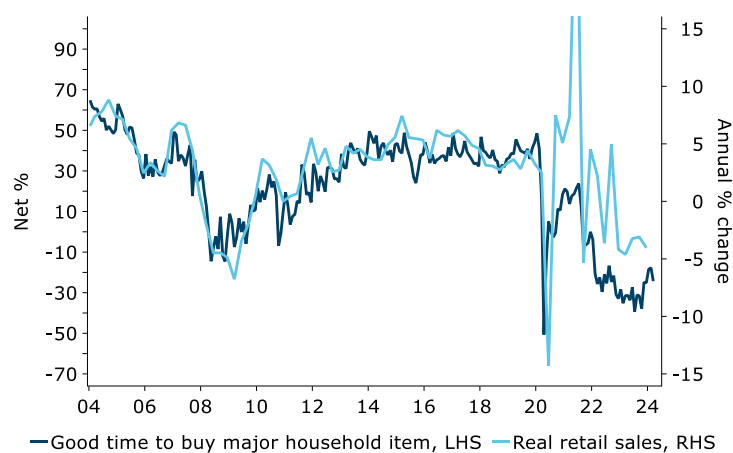


Source: Roy Morgan, ANZ Research

Indeed, while the GDP data has likely caused some volatility in surveyed confidence, in the bigger picture, the economy really struggled in the second half of last year, especially on a per capita basis, and the labour market is increasingly showing the impact of that. And for the majority of people, the labour market *is* the business cycle: wage increases, job security, the ease of finding a new job – and all are heading south. And even if in GDP terms the economy is now past the worst, as we expect it is, the labour market will continue to soften for some time yet, given the usual lags in the dynamics between overall activity and the labour market.

Consumers continue to report ongoing extreme wariness about purchasing major household items (figure 3). This perception has been strongly inversely correlated with inflation in recent years, to the extent of breaking the usual reliable relationship with retail sales. To be sure, retail sales have been very weak, ask any shopkeeper, but the fall in this indicator was extreme as inflation took off.

Figure 3. Good time to buy a major household item vs. real retail sales

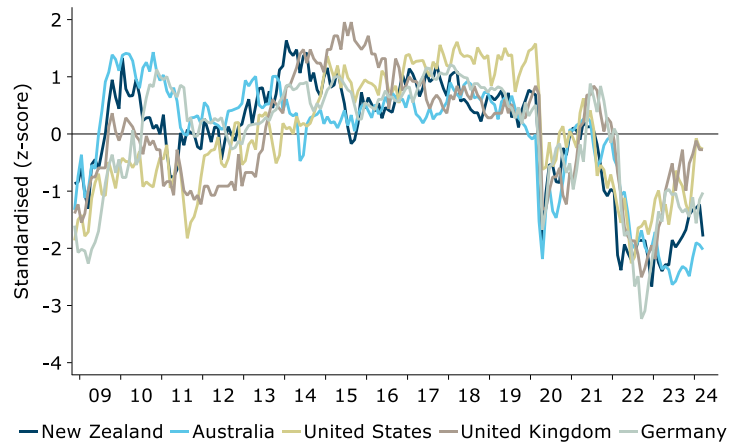


Source: Stats NZ, Roy Morgan, Macrobond, ANZ Research

Household inflation expectations are well off their highs, but remain much higher than pre-COVID levels and at 4.5% are hardly screaming “job done”. Household inflation expectations are of secondary importance insofar as households don’t set prices, but they can impact wage demands (less relevant now the labour market is so much less tight) and the ease with which businesses can pass cost increases through into their prices.

Finally, despite the fall in consumer confidence this month, at least we’re still ahead of Australia. That’s something.

Figure 4. Consumer confidence in selected countries



Source: University of Michigan, GfK, DG ECFIN, Macrobond, ANZ Research



Tables and charts

Survey Summary	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24
No. of Interviews	1,009	1,004	1,008	1,003	1,008	1,003	1,003	1,002

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	22	24	22	22	24	24	24	20
Worse Off	46	46	47	41	39	35	37	44
Net Balance	-24	-23	-25	-19	-16	-12	-12	-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	41	39	38	40	45	45	41	43
Worse Off	28	25	22	25	21	26	24	24
Net Balance	13	15	16	16	25	19	18	19

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	14	19	21	18	19	20	12
Bad Times	47	46	37	42	39	41	40	46
Net Balance	-34	-32	-18	-21	-21	-22	-20	-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	23	24	26	33	24	28	29	22
Bad Times	22	21	21	25	22	26	25	28
Net Balance	1	3	5	9	2	1	5	-5

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	24	20	26	24	29	28	26
Bad Time to Buy	56	56	58	51	49	47	45	51
Net Balance	-31	-32	-38	-25	-25	-19	-18	-24

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	75	75	72	72	71	74	74	76
Go Down	6.3	5.1	7.5	7.8	8.3	7.6	5.8	4.1
Expectation (%)	4.6	4.2	4.5	4.6	3.9	4.3	4.5	4.5

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	49	60	68	70	69	73	74	67
Go Down	17.8	10.0	10.8	9.7	9.7	8.8	6.8	8.8
Expectation (%)	2.4	3.2	3.8	4.2	4.1	3.9	4.1	3.4

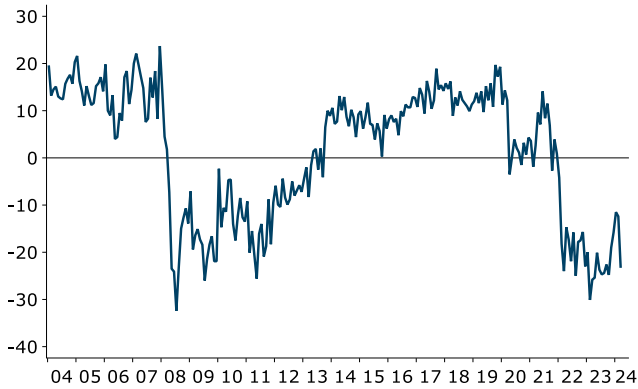
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	85.0	86.4	88.1	91.9	93.1	93.6	94.5	86.4
Current Conditions	72.3	72.9	68.7	78.1	79.6	85.0	85.0	76.2
Future Conditions	93.5	95.3	100.9	101.1	102.1	99.4	100.9	93.2

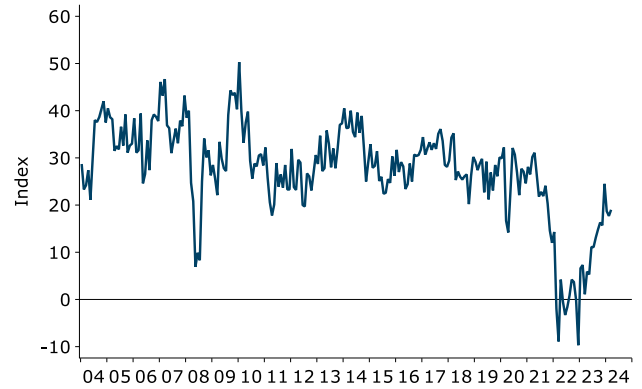


Tables and charts

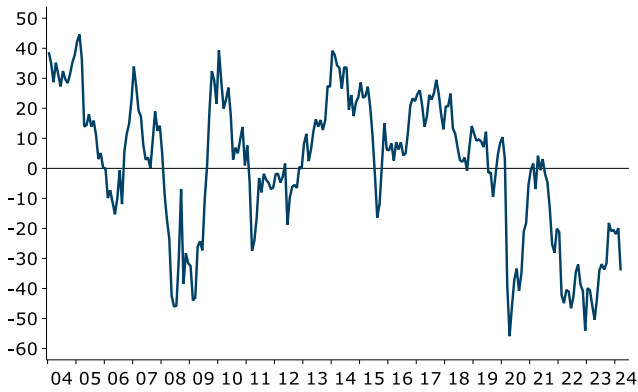
Q1. Better off past year



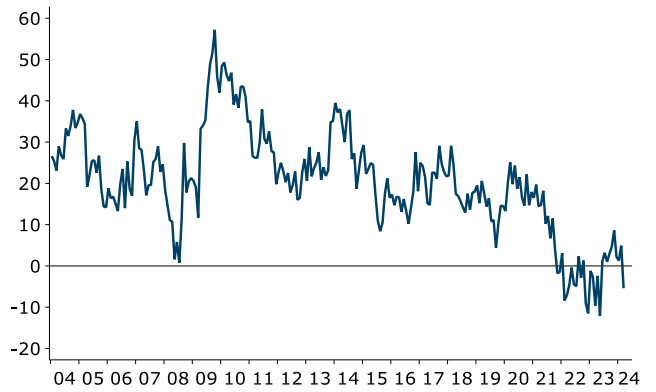
Q2. Better off next year



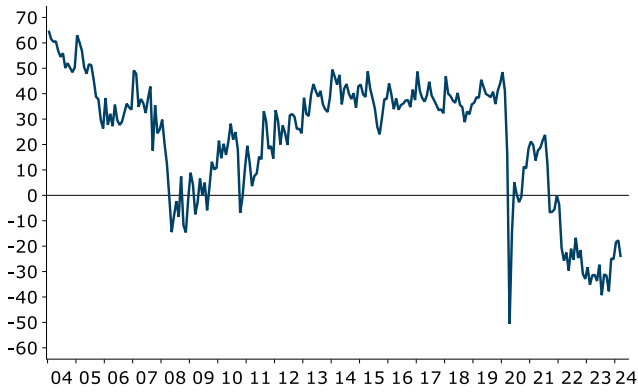
Q3. NZ economy 12 months' time



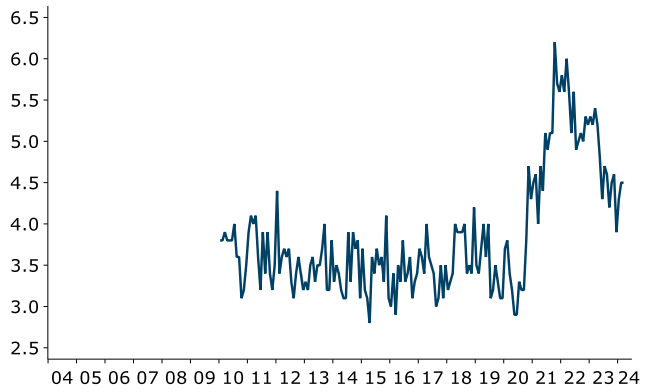
Q4. Outlook 5 years ahead



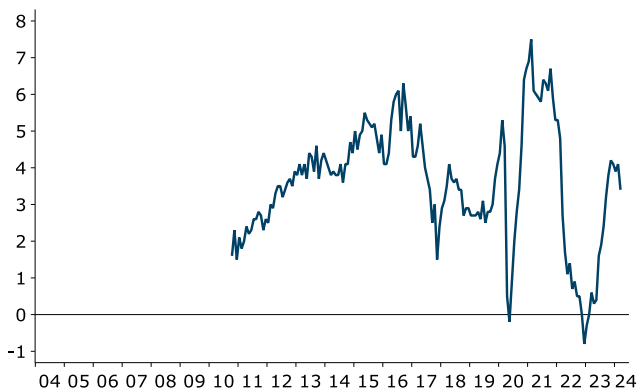
Q5. Buy major household item



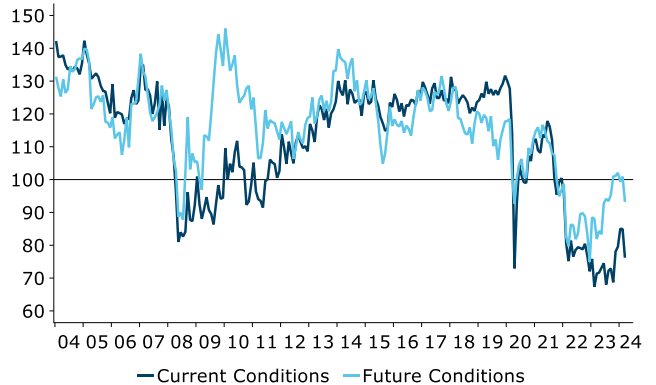
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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