

ANZ-Roy Morgan NZ Consumer Confidence

30 August 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 27 September 2024 at 10am.

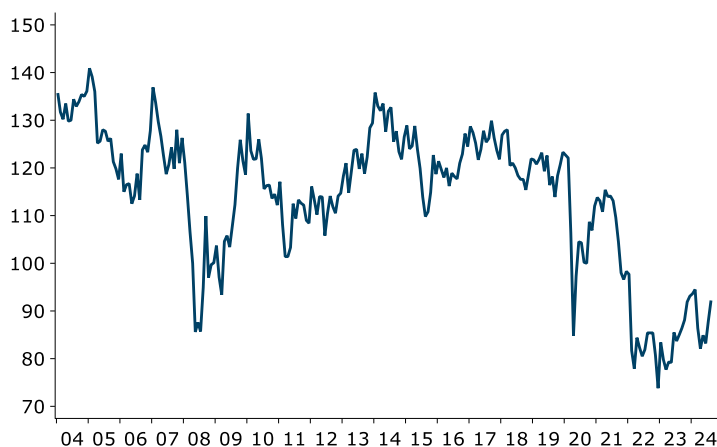
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Going the right way

Key points

- ANZ-Roy Morgan Consumer Confidence rose 4 points in August, on top of a 5-point lift last month. At 92.2 it is still well below its 10-year average (109), but also well off its lows. Both the current and future conditions indexes lifted, the latter by more.
- Inflation expectations ticked 0.1%pt higher to 3.8%. Expected house price inflation lifted from 2.4% to 2.8%.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Roy Morgan, Macrobond, ANZ Research

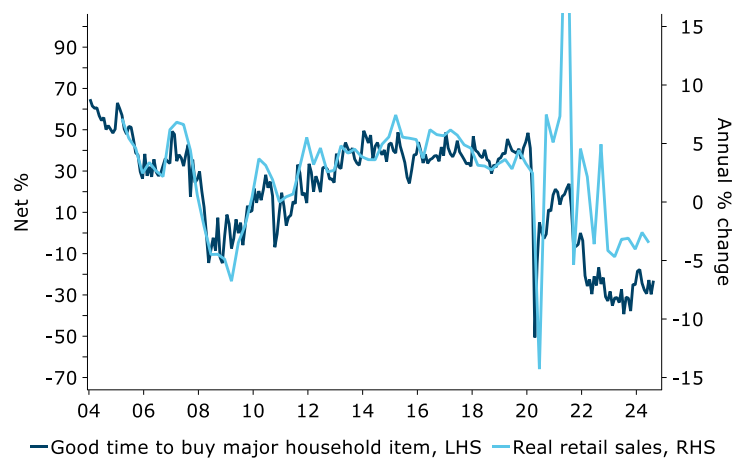
Turning to the detail (for charts see page 5):

- The future conditions index made up of forward-looking questions rose 5 points from 95.7 to 100.5. The current conditions index lifted 2 points but remains much more subdued at 79.7. This strong contrast between the here and now and expectations of the future mirrors the themes from yesterday's [Business Outlook](#) survey, and is typical of turning points in the economy.
- Perceptions of current personal financial situations were unchanged at -18%.
- A net 17% expect to be better off this time next year, down 3 points.
- A net 23% think it's a bad time to buy a major household item, an improvement of 7 points but still very low.
- Perceptions regarding the economic outlook in 12 months' time lifted 14 points to -18%. The 5-year-ahead measure rose 4 points to +3%.
- House price inflation expectations rose from 2.4% to 2.8% y/y, with a particularly sharp lift in the South Island excluding Canterbury.
- Two-year-ahead CPI inflation expectations were little changed at 3.8%. Households typically overestimate the rate of inflation.

News headlines were mixed for consumers this month – how one feels about headlines along the lines of “interest rates are dropping earlier than expected because the economy is so weak” will depend on one’s debt levels versus personal job security. Looking at how confidence evolved over the month (in light of the RBNZ rate cut on 14 August), there was no significant difference in overall confidence in the early and later samples, but it was notable that confidence was higher in the second half of the month for those paying off mortgages, but lower for renters.

Consumer confidence remains quite subdued, as any retailer could tell you, particularly those selling discretionary or durable goods (figure 2). Our [Business Outlook survey](#) yesterday showed retailers are hopeful of better times ahead, but consumers are going to take a bit more convincing to spend.

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



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

Households’ inflation expectations are volatile, but the downward trend remains intact (figure 3). Household expectations can impact both wage demands (though the power is now very much with employers) and the ease with which businesses can pass on cost increases into prices.

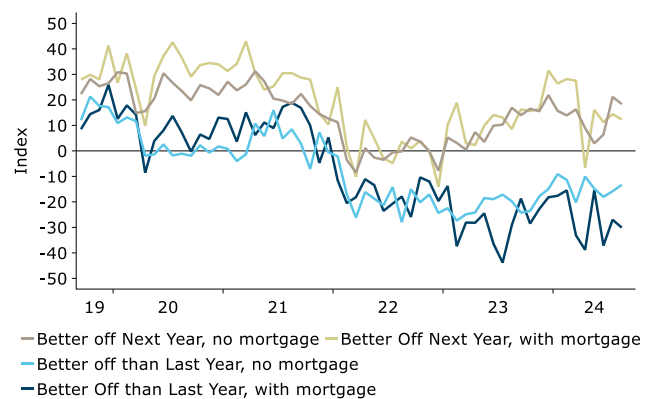
Meanwhile, those with mortgages are generally more downbeat about their current financial situations, but there isn’t a big difference regarding expectations about the next year (figure 4).

Figure 3. Consumer inflation expectations and CPI inflation



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

Figure 4. Consumer confidence: by mortgage status



Source: Roy Morgan, Macrobond, ANZ Research

House price expectations seem to be finding a floor. Figure 5 shows they rose in three regions, but were pretty flat in Auckland and Canterbury.

Figure 5. Regional house price expectations



Source: Roy Morgan, Macrobond, ANZ Research

The view

Consumers are feeling a little better, on the whole. Interest rates are falling, but it's because the economy in recent months has been weaker than the Reserve Bank and other punters expected. For the person on the street, things are still likely to feel worse before they feel better, due to the fact that the labour market lags the broader economic cycle by around six months, and an increase in unemployment over the rest of the year looks pretty baked in.

But the seeds of the recovery have now been sown, and it's possible that the recovery could be a little more vigorous than is generally anticipated. That's a low bar, given most economists' forecasts for extremely subdued growth for the rest of this year. This recession has been very nasty, no question, but it has been atypical in that it is been very much driven by higher interest rates. There hasn't been a king hit to incomes or confidence such as a global financial crisis or a natural disaster. As such, interest rate cuts could change the mood relatively quickly, though of course it will take quite some time to feed through to disposable incomes in a meaningful way due to the preponderance of fixed rate mortgages. Card spending and housing market activity are a couple of indicators we'll be watching closely as we assess how the economy is likely to respond.



Tables and charts

Survey Summary	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24
No. of Interviews	1,003	1,003	1,002	1,003	1,002	1,000	1,000	1,001

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	24	20	22	25	20	23	23
Worse Off	35	37	44	39	40	42	41	41
Net Balance	-12	-12	-23	-17	-15	-22	-18	-18

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	45	41	43	34	36	37	43	41
Worse Off	26	24	24	29	30	29	23	24
Net Balance	19	18	19	5	6	8	20	17

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	19	20	12	11	13	11	14	17
Bad Times	41	40	46	51	49	50	46	35
Net Balance	-22	-20	-34	-40	-36	-39	-32	-18

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	29	22	21	24	21	23	24
Bad Times	26	25	28	31	25	29	24	21
Net Balance	1	5	-5	-10	-2	-8	-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	29	28	26	21	22	26	22	27
Bad Time to Buy	47	45	51	49	52	49	52	50
Net Balance	-19	-18	-24	-28	-29	-23	-30	-23

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	74	74	76	76	73	76	70	64
Go Down	7.6	5.8	4.1	5.8	7.9	5.4	8.7	6.4
Expectation (%)	4.3	4.5	4.5	4.4	3.8	4.2	3.7	3.8

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	73	74	67	68	62	57	54	57
Go Down	8.8	6.8	8.8	10.1	11.5	14.9	18.0	15.6
Expectation (%)	3.9	4.1	3.4	3.5	3.2	3.4	2.4	2.8

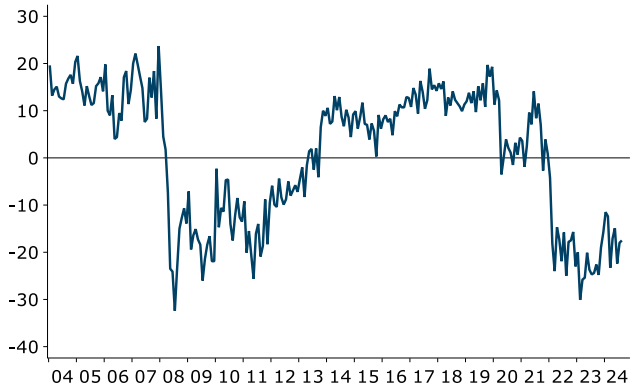
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	93.6	94.5	86.4	82.1	84.9	83.2	87.9	92.2
Current Conditions	85.0	85.0	76.2	77.7	77.9	77.4	76.2	79.7
Future Conditions	99.4	100.9	93.2	85.0	89.5	87.0	95.7	100.5

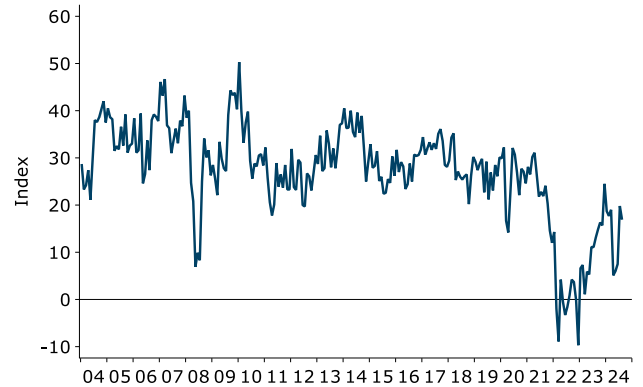


Tables and charts

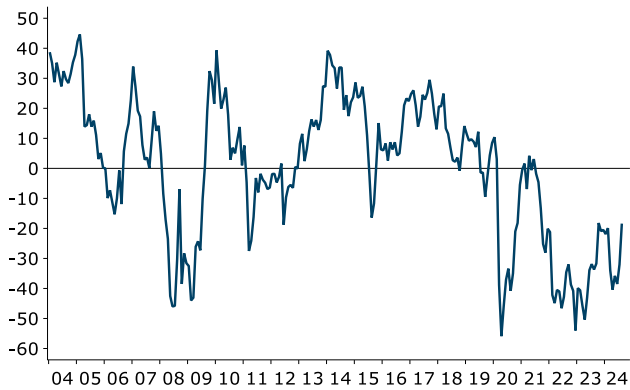
Q1. Better off past year



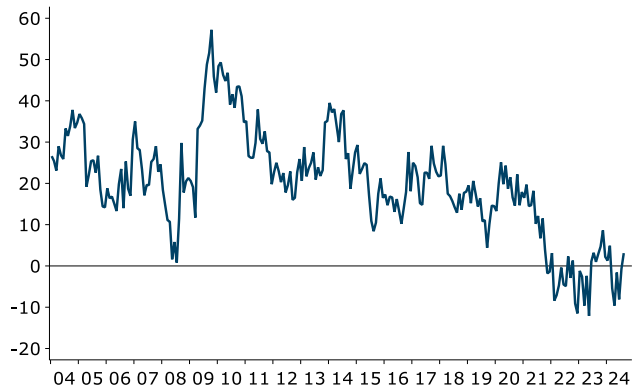
Q2. Better off next year



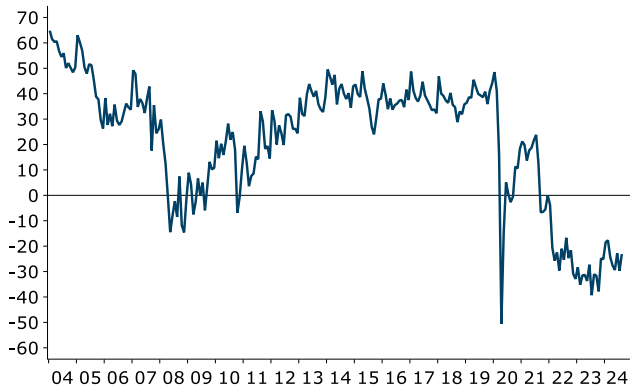
Q3. NZ economy 12 months' time



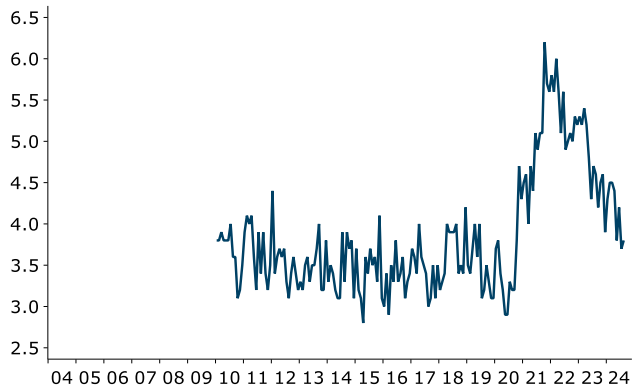
Q4. Outlook 5 years ahead



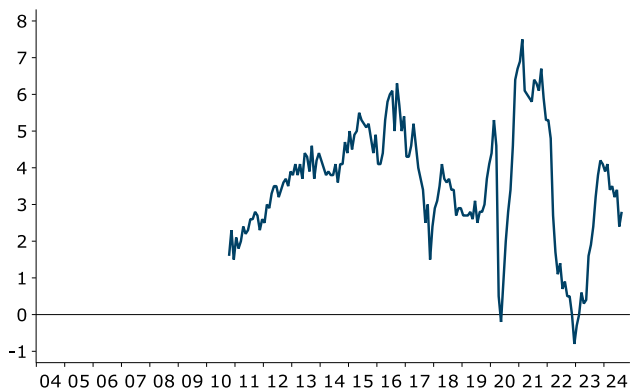
Q5. Buy major household item



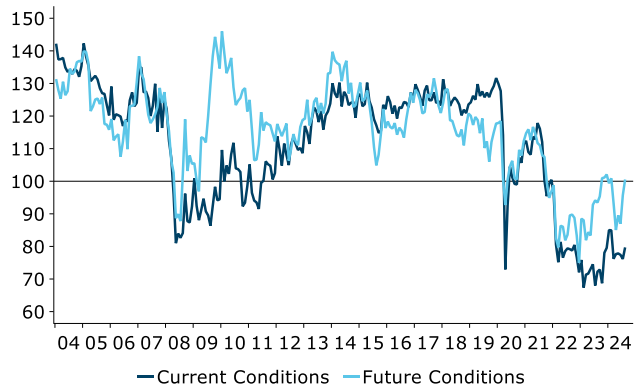
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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