

ANZ-Roy Morgan NZ Consumer Confidence

31 July 2020



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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 28 August 2020 at 10am.

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Glass half full, but fragile

Key points

- Consumer confidence was basically unchanged at 104.3 in July, still well under its historical average but also well off its lows.
- The net proportion of households who think it's a good time to buy a major household item gave up 5 points, falling to 0%, a recessionary level.
- Just like the ANZ Business Outlook survey, it looks like the bounce may be done, and incomplete. Household incomes will come under more pressure from a weaker labour market as wage subsidies roll off.

The ANZ-Roy Morgan Consumer Confidence Index was steady in July. It has made back around half its fall, but seems to have run out of puff for now.

Figure 1. ANZ-Roy Morgan Consumer Confidence



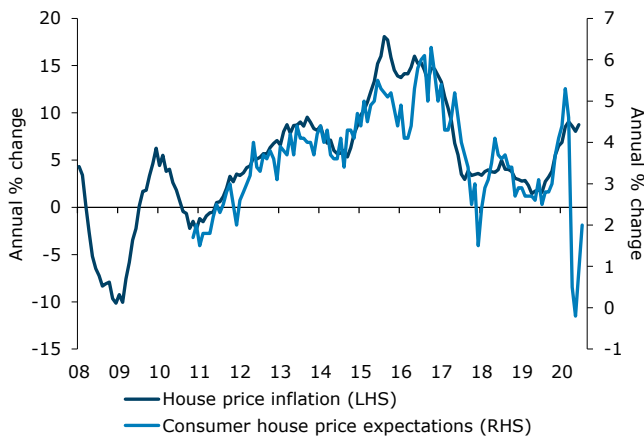
Source: ANZ Research, Roy Morgan

Turning to the detail:

- Consumers' perceptions of their current financial situation fell 2 points to +2. The wage subsidy scheme and lower interest rates have helped, but this is a subdued level.
- A net 31% of consumers expect to be better off financially this time next year, barely changed from June.
- A net 0% think it is a good time to buy a major household item, down 5, suggesting the vigorous post-lockdown bounce in retail spending will peter out quite rapidly.
- Perceptions regarding the next year's economic outlook lifted another 4 points but remains very low at -33%. The five-year outlook lifted 3 points to +22%.
- House price inflation expectations lifted 1%pt to 2.0%, higher in every region (see figure 2, over). They are weakest in Canterbury, and strongest in the North Island outside of Wellington and Auckland.
- General inflation expectations lifted from 2.9% to 3.3%.

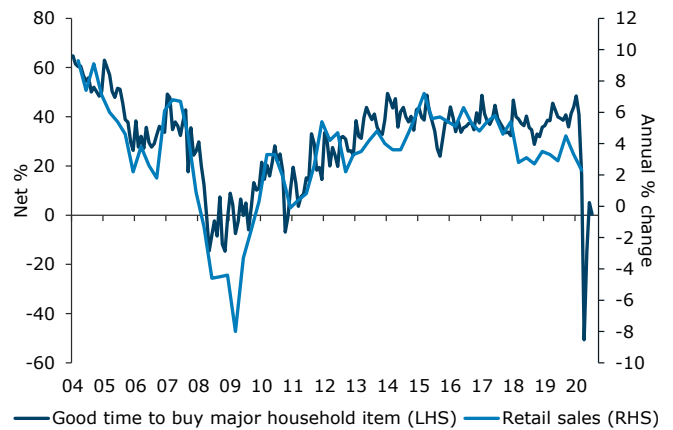
A sense of relief at having (so far) dodged the worst pervades New Zealand. Consumer confidence is well off its lows. But there's also an undercurrent of wariness, with huge uncertainty about the future. Many people are worried about their jobs (or have lost them already). Willingness to buy major household items remains at the levels prevailing in the last recession. This is directly at odds with both anecdote and data showing a remarkably vigorous bounce-back in spending, particularly on big-ticket items. It suggests that the current flurry of spending as households spend their 'accidental' lockdown savings and the cash they'd put aside for international holidays is likely to peter out relatively soon, as lower incomes bite.

Figure 2. House price outcomes and expectations



Source: REINZ, Roy Morgan, ANZ Research

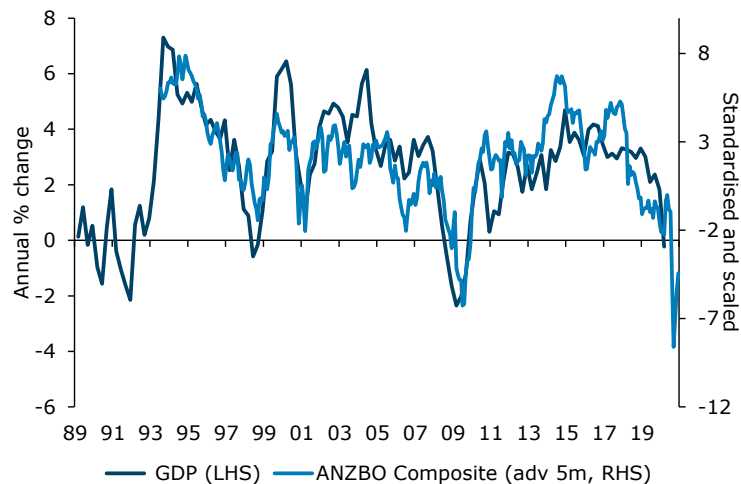
Figure 3. ANZ Consumer Confidence "Good time to buy a major household item" and retail sales



Source: Statistics NZ, ANZ Research, Roy Morgan

Our confidence composite gauge combines business expectations and intentions with overall consumer sentiment to give a better indicator for growth than either series alone. The composite lifted a little in July (figure 4), but remains very low.

Figure 4. GDP vs Confidence Composite



Source: ANZ Research, Roy Morgan, Statistics NZ

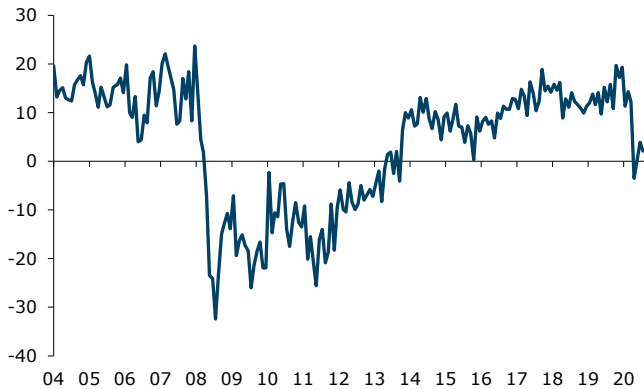
New Zealand is in an enviable position compared to global peers, but we won't get away scot-free. We make our living selling goods and services to the world – and the global economy is in strife, and our doors are shut to international tourists and students. Our national income is now lower, and while it won't hit people evenly, it will hurt.

Survey Summary	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20
No. of Interviews	1,004	998	1,004	1,006	1,021	998	998	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	39	35	35	34	28	28	31	30
Worse Off	20	24	21	22	31	28	27	28
Net Balance	19	11	14	12	-4	0	4	2
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	45	43	37	39	40	48	45
Worse Off	15	15	11	20	24	17	16	15
Net Balance	30	30	32	17	14	23	32	31
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	35	37	30	16	11	15	16	17
Bad Times	27	26	27	55	67	61	53	50
Net Balance	9	10	3	-39	-56	-46	-37	-33
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	35	34	37	44	41	43	37	39
Bad Times	20	20	17	19	21	19	19	18
Net Balance	15	13	20	25	20	24	19	22
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	61	64	57	47	18	34	42	39
Bad Time to Buy	17	15	16	31	69	48	37	39
Net Balance	44	49	41	16	-51	-15	5	0
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	71	73	67	58	61	62	65
Go Down	4.6	3.3	3.0	8.9	12.8	14.3	11.9	7.9
Expectation (%)	3.1	3.7	3.8	3.4	3.2	2.9	2.9	3.3
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	74	74	78	72	37	33	41	49
Go Down	6.9	6.2	5.2	11.9	37.2	39.6	31.0	22.5
Expectation (%)	4.1	4.4	5.3	4.6	0.5	-0.2	0.9	2.0
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	123.3	122.7	122.1	106.3	84.8	97.3	104.5	104.3
Current Conditions	131.7	129.9	127.7	114.2	73.0	92.7	104.5	101.3
Future Conditions	117.7	117.9	118.4	101.0	92.7	100.4	104.6	106.3

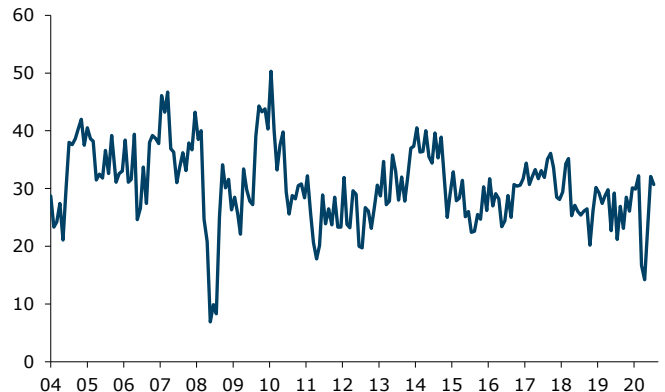


Tables and charts

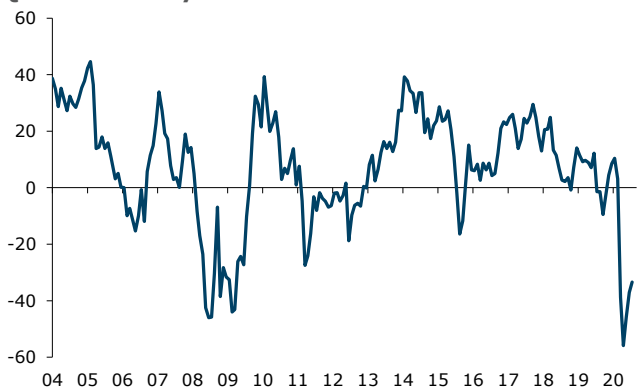
Q1. Better off past year



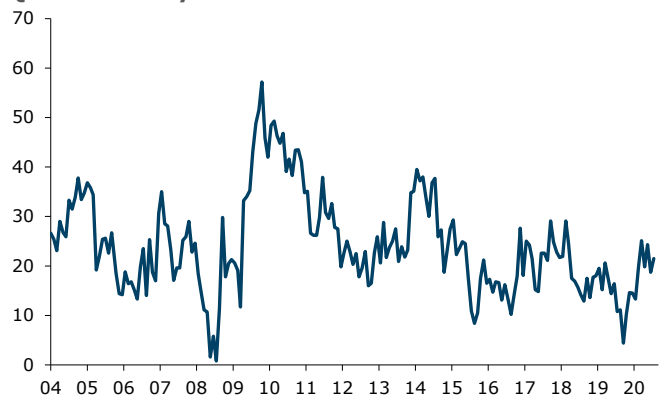
Q2. Better off next year



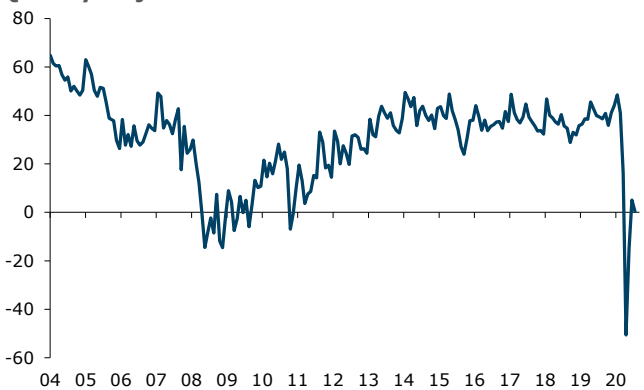
Q3. NZ economy 12 months' time



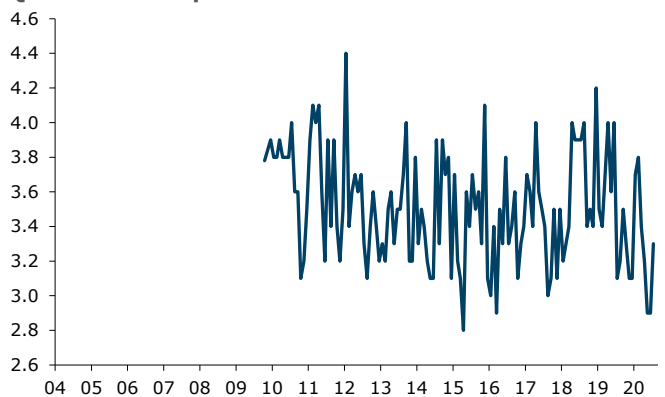
Q4. Outlook 5 years ahead



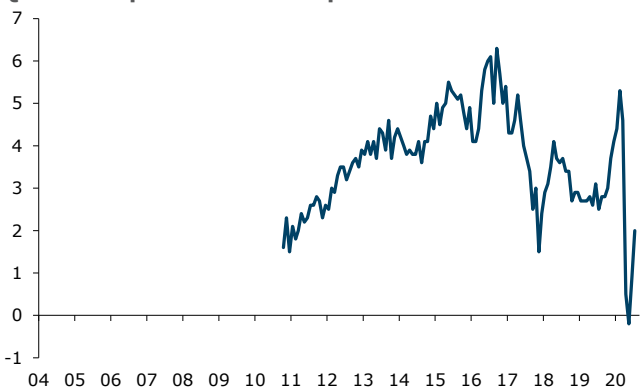
Q5. Buy major household item



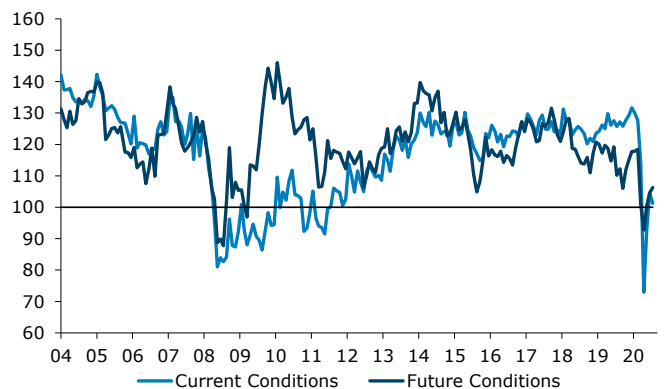
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ Research, Roy Morgan



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