ANZ Research

ANZ-Roy Morgan NZ Consumer Confidence

1 July 2022

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Contact

Miles Workman for more details.

See page 5.

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 29 July 2022 at 10am.

Confused by acronyms or jargon? See a glossary here.

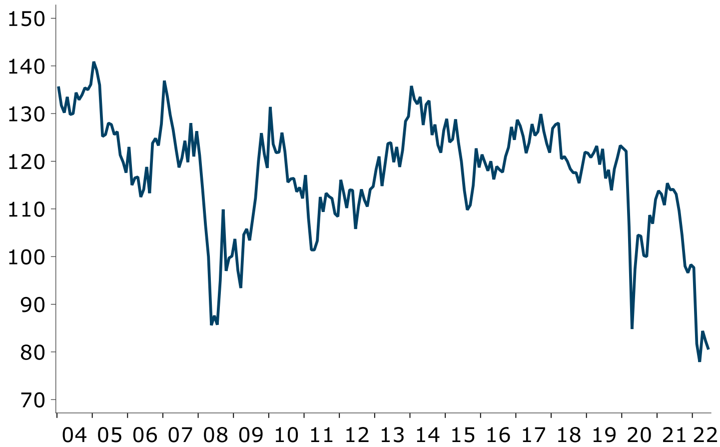
Adjusting for inflation

Key points

- Consumer confidence fell 1.8 points in June to 80.5, a touch above its record low, but still deep within the "something to worry about" zone.
- The proportion of people who believe it is a good time to buy a major household item, the best indicator for spending, bounced 9 points to -21. That's a decent bounce, but it's too early to call this a recovery. This indicator is still dire in an absolute sense.
- Inflation expectations reversed last month's decline, up from 5.1% to 5.6%. Clearly, the RBNZ's war on inflation isn't won yet.

The ANZ-Roy Morgan Consumer Confidence Index fell 1.8 points in June. Households are dealing with a lot right now: incomes not keeping up with inflation, lifting interest rates, falling house and other asset prices, and ongoing COVID and general economic uncertainty. The good news: with the labour market so tight, job security is still looking good.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Roy Morgan, Macrobond, ANZ Research

Turning to the detail:

- Perceptions of current personal financial situations fell 5 points to -22%.
- A net 3% expect to be worse off this time next year, down 2 points. It's very unusual for this series to be negative.
- Households continue to think it's a bad time to buy a major household item, but there was some improvement in June, up 9 points to -21. In an absolute sense, this is extremely low, and worrying for retailers.
- Perceptions regarding the next year's economic outlook deteriorated to -47%. The five-year measure pared gains made in May, back at -5%.
- House price inflation expectations lifted from 1.1% to 1.4%. Still low.
- CPI inflation expectations lifted 0.5%pts to 5.6%, fully reversing last month's decline.

Overall, these data are sending sobering signals about the outlook. In particular, retail spending could soon find itself on the ropes if consumers follow through with their stated answers to the question of whether it is a good time to buy a major household item. So far, spending has been holding up (figure 2), but this is an ominous sign for retailers nonetheless.

Stepping back, however, economic fundamentals aren't all weak by any means. The labour market is extremely tight, and that'll be supporting consumers' perceptions of job security. That's a very different scenario to, say, the Global Financial Crisis, where job losses were front of mind. Indeed, we think sky-high inflation (necessities in particular) are a leading cause for very weak consumer confidence at present (see figure 3). While the higher cost of living will require some belt tightening, there is still light at the end of the tunnel, provided the labour market broadly holds it together as the RBNZ tames inflation. Being worried your income isn't going as far is very different from worrying that your income might be about to stop.

On the inflation front, these data suggest the RBNZ still has work to do. Inflation expectations are too high. Failure to get on top of inflation expectations would risk a nasty combo of persistently high inflation, weak activity, and lifting unemployment. Accordingly, we expect two more 50-point hikes (July and August), before the RBNZ enters a more data-dependent and gradual path of monetary tightening.

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

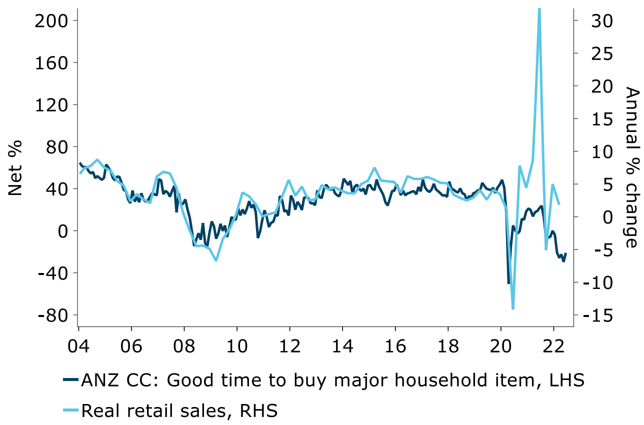
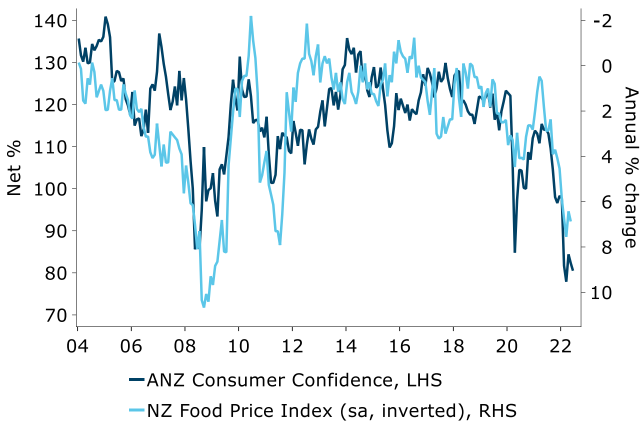


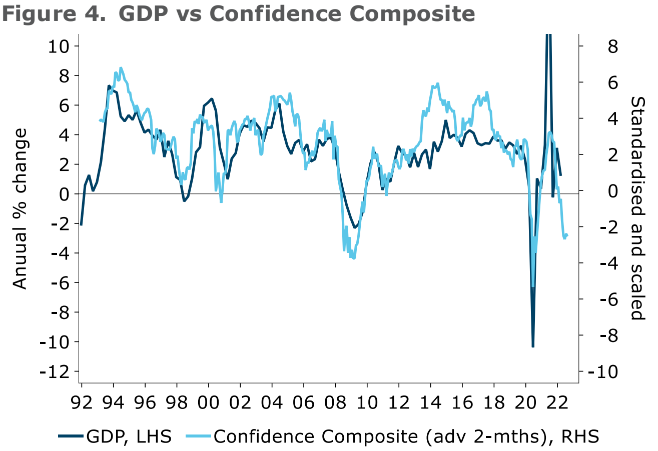
Figure 3. Consumer confidence and FPI inverted



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

Our confidence composite gauge combines lagged Business Outlook expectations and intentions with consumer sentiment (figure 4). Still at recessionary levels, it continues to highlight downside risks to the outlook.

Figure 4. GDP vs Confidence Composite



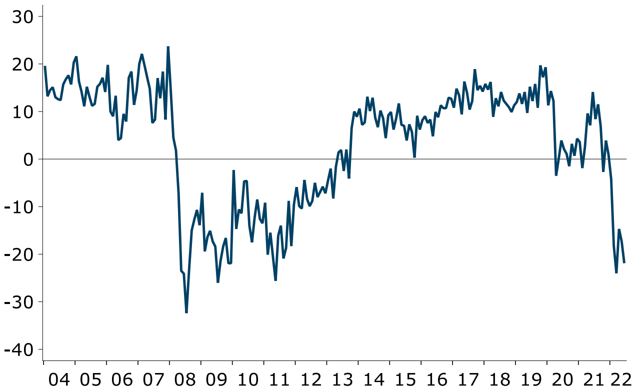
Source: Roy Morgan, Statistics NZ, Macrobond, ANZ Research

Tables and charts

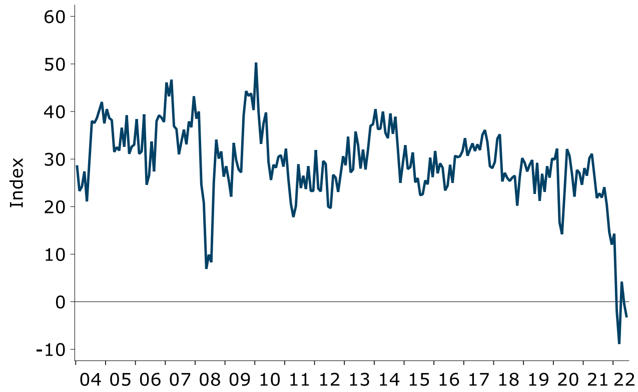
Survey Summary	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
No. of Interviews	1,004	1,009	981	1,003	1,000	986	995	999
Q1. Would you say you and your family are better off financially or worse off than you were at this time last year?								
Better Off	32	31	28	25	23	27	27	24
Worse Off	28	30	32	43	47	42	45	46
Net Balance	**4**	**1**	**-4**	**-18**	**-24**	**-15**	**-17**	**-22**
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	39	37	37	33	30	35	34	33
Worse Off	24	25	23	35	39	31	34	36
Net Balance	**15**	**12**	**14**	**-2**	**-9**	**4**	**-1**	**-3**
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	18	20	18	10	11	11	10	8
Bad Times	47	40	39	52	56	52	51	55
Net Balance	**-28**	**-20**	**-21**	**-42**	**-45**	**-41**	**-41**	**-47**
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	25	24	26	19	20	21	23	20
Bad Times	27	26	23	27	27	26	23	24
Net Balance	**-2**	**-1**	**3**	**-8**	**-7**	**-5**	**0**	**-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	37	40	37	28	26	27	21	28
Bad Time to Buy	42	40	40	49	51	50	51	49
Net Balance	**-6**	**0**	**-4**	**-21**	**-26**	**-23**	**-30**	**-21**
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	91	89	92	92	90	88	88	85
Go Down	1.2	2.3	1.5	2.1	2.7	4.8	4.2	3.9
Expectation (%)	**5.7**	**5.6**	**5.8**	**5.6**	**6.0**	**5.6**	**5.1**	**5.6**
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	72	68	67	62	48	40	37	36
Go Down	9.6	11.4	11.1	12.7	23.2	29.0	35.2	37.5
Expectation (%)	**5.9**	**5.3**	**5.3**	**4.8**	**2.7**	**1.7**	**1.1**	**1.4**
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	**96.6**	**98.3**	**97.7**	**81.7**	**77.9**	**84.4**	**82.3**	**80.5**
Current Conditions	99.2	100.5	96.1	80.6	75.2	81.4	76.6	78.6
Future Conditions	94.9	96.8	98.7	82.5	79.7	86.3	86.0	81.9

Tables and charts

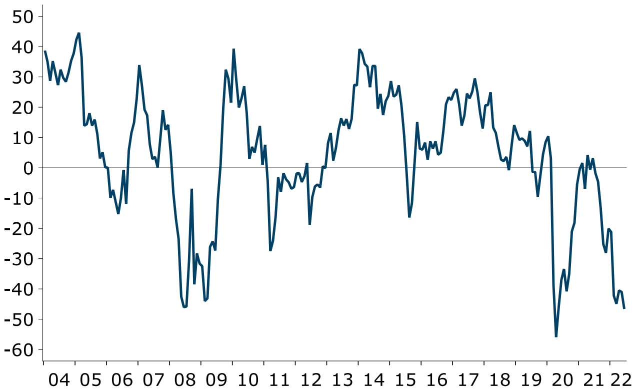
Q1. Better off past year



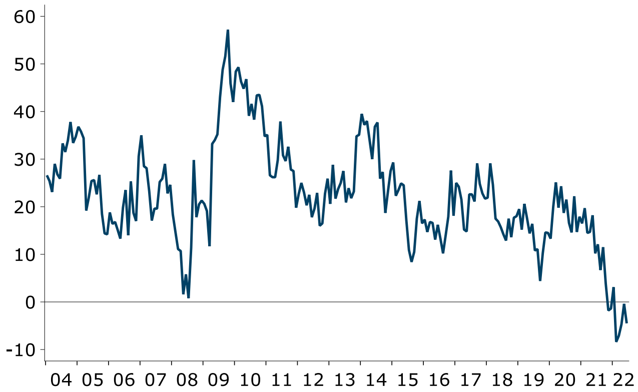
Q2. Better off next year



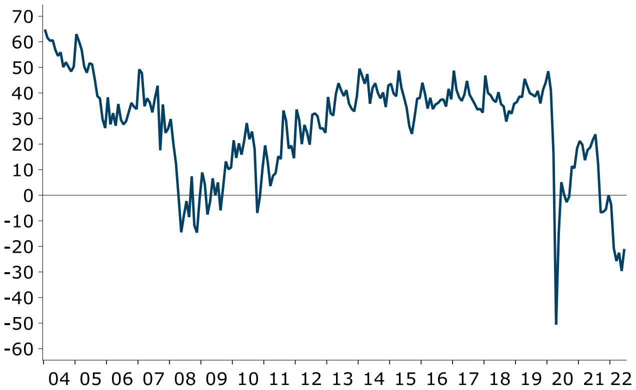
Q3. NZ economy 12 months' time



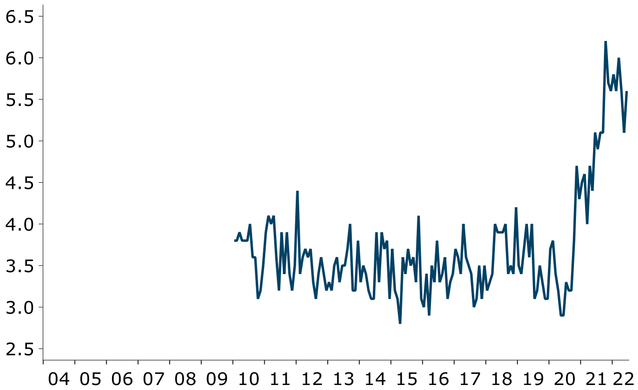
Q4. Outlook 5 years ahead



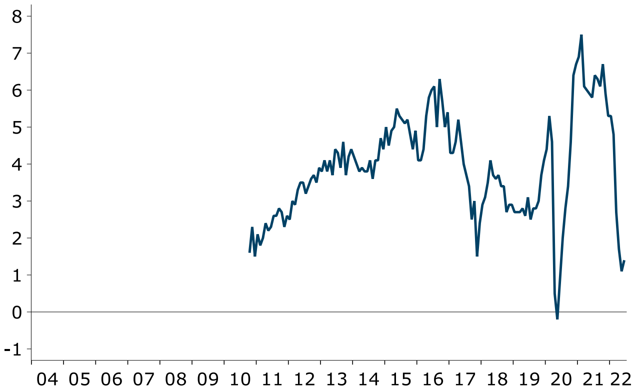
Q5. Buy major household item



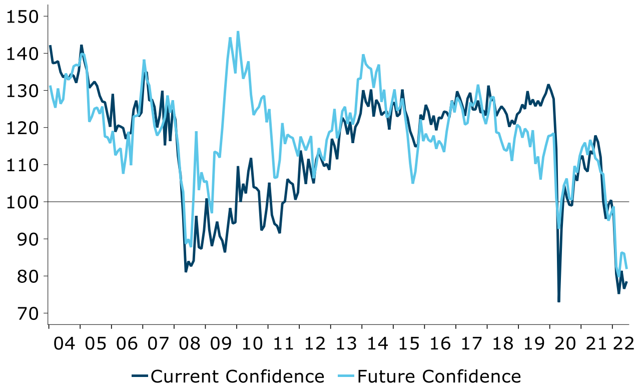
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research

Contact us

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Sharon Zollner
Chief Economist

Follow Sharon on Twitter
@sharon_zollner

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Follow ANZ Research
@ANZ_Research (global)

David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com

Susan Kilsby
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469
Email: susan.kilsby@anz.com

Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792
Email: miles.workman@anz.com

Finn Robinson
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553
Email: finn.robinson@anz.com

Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com

Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808
Email: natalie.denne@anz.com

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Last updated: 22 June 2022

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