ANZ Research

ANZ-Roy Morgan NZ Consumer Confidence

26 August 2022

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Contact

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See page 5.

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 30 September 2022 at 10am.

Confused by acronyms or jargon? See a glossary here.

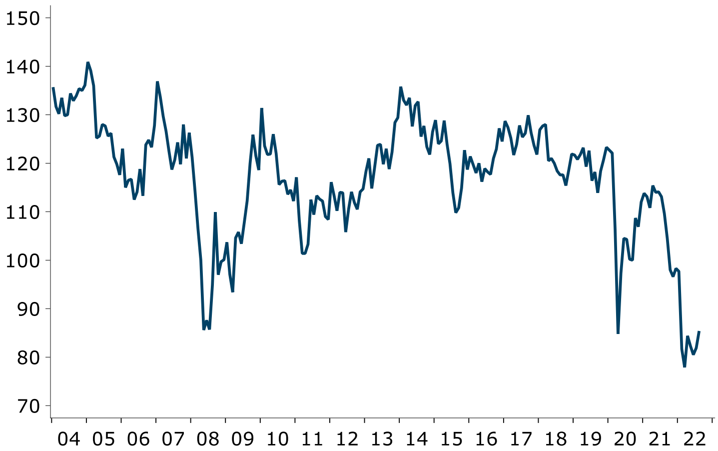
Mortgage holders holding back

Key points

- Consumer confidence lifted 3 points in August to 85.4.
- The proportion of people who believe it is a good time to buy a major household item, the best indicator for retail spending, lifted 8 points to -17, its highest read since January (though still very low). A gap is emerging in this indicator between those with mortgages and those without.
- Inflation expectations were little changed at 5.0%, versus 4.9% last month.

The ANZ-Roy Morgan Consumer Confidence Index lifted a little in August but remains at very subdued levels. Households are not happy about higher living costs and with interest rates rising rapidly, are understandably concerned about the economic outlook. Homeowners are seeing the value of their largest asset going backwards. However, offsetting all that to some extent, in a super-tight labour market incomes are looking secure – and are currently rising rapidly.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Stats NZ, Macrobond, ANZ Research

Turning to the detail:

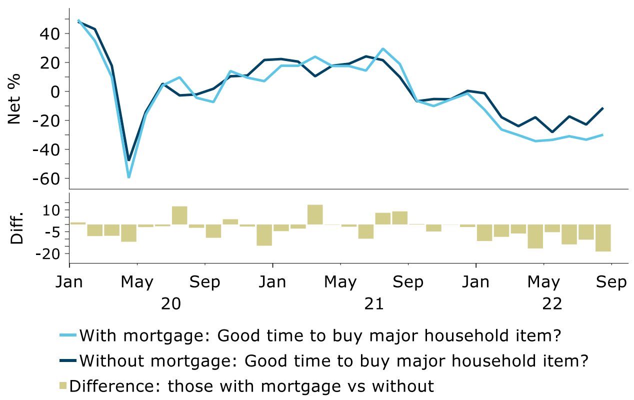
- Perceptions of current personal financial situations fell 9 points to -25%, a fresh low this cycle.
- A net 1% expect to be better off this time next year, little changed.
- A net 17% of households think it’s a bad time to buy a major household item, up 8. This is still very low, but is well off its May trough of -30.
- Perceptions regarding the economic outlook in 12 months’ time improved from -43% to -35%. The five-year-ahead measure lifted from -5% to +2%.
- House price inflation expectations were little changed at 0.9%.
- CPI inflation expectations held up, at 5% versus 4.9% last month.

When it comes to the question of whether it's a good time to buy a major household item (historically the best spending indicator in the survey), a gap has opened up between respondents who have mortgages and those without. That makes intuitive sense – if a households' mortgage payments have not yet gone up, they probably will soon. But less intuitively, the group with mortgages are currently *less* pessimistic about the change in their personal financial situations versus a year ago (-18 for those with mortgages vs -28 for those without). This may reflect that this is undoubtedly a higher-income group on average, meaning the increase in the cost of necessities has been more manageable.

In order to get inflation down, the Reserve Bank requires consumption to slow markedly from its previous trend. The unexpectedly large fall in retail sales in Q2 (figure 3) suggests that is starting to happen, though the data is still extremely volatile due to COVID disruptions. Although the cost of living is much higher (with CPI inflation at 7.3% y/y in June), QES average hourly earnings were up 7% in the same 12 months. That's a huge offset. The outlook for wages will be critical in determining whether the OCR can indeed stop at 4% or whether it needs to keep going.

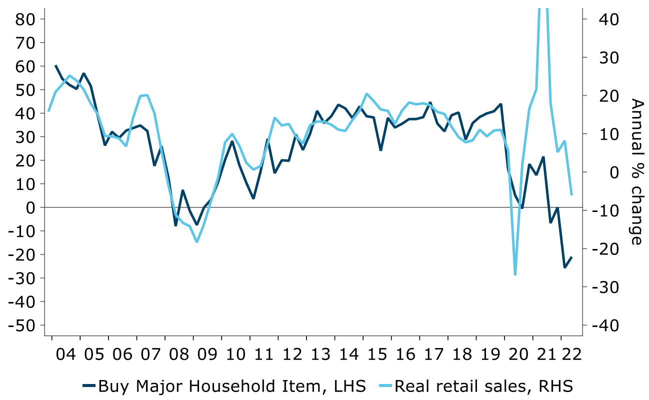
On the inflation front, consumer inflation expectations remain far too high at 5%, but are at least well off their peak. In a super-tight labour market, workers' inflation expectations could well feed into wage demands – and wage outcomes. We expect the RBNZ to keep on with its plan to raise the OCR in 50bp steps in the remaining two meetings this year.

Figure 2. Impact of higher mortgage rates



Source: Roy Morgan, Macrobond, ANZ Research

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



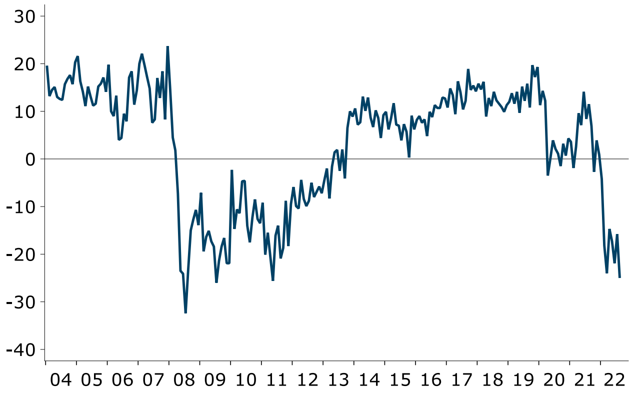
Source: Roy Morgan, Macrobond, ANZ Research

Tables and charts

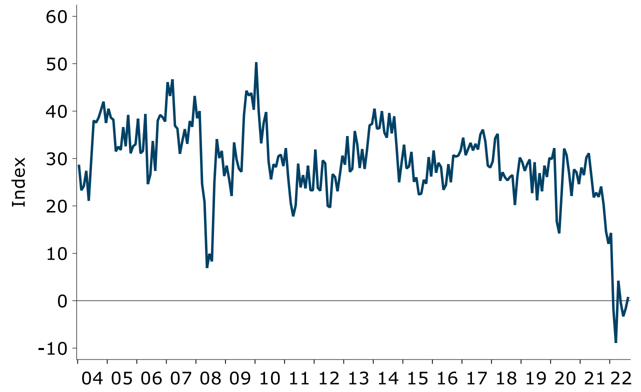
Survey Summary	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
No. of Interviews	981	1,003	1,000	986	995	999	1,001	1,001
Q1. Would you say you and your family are better off financially or worse off than you were at this time last year?								
Better Off	28	25	23	27	27	24	26	21
Worse Off	32	43	47	42	45	46	42	46
Net Balance	**-4**	**-18**	**-24**	**-15**	**-17**	**-22**	**-16**	**-25**
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	33	30	35	34	33	33	32
Worse Off	23	35	39	31	34	36	34	31
Net Balance	**14**	**-2**	**-9**	**4**	**-1**	**-3**	**-2**	**1**
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	10	11	11	10	8	10	12
Bad Times	39	52	56	52	51	55	53	47
Net Balance	**-21**	**-42**	**-45**	**-41**	**-41**	**-47**	**-43**	**-35**
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	26	19	20	21	23	20	19	22
Bad Times	23	27	27	26	23	24	24	20
Net Balance	**3**	**-8**	**-7**	**-5**	**0**	**-5**	**-5**	**2**
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	28	26	27	21	28	25	28
Bad Time to Buy	40	49	51	50	51	49	51	45
Net Balance	**-4**	**-21**	**-26**	**-23**	**-30**	**-21**	**-25**	**-17**
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	92	92	90	88	88	85	83	78
Go Down	1.5	2.1	2.7	4.8	4.2	3.9	4.8	7.0
Expectation (%)	**5.8**	**5.6**	**6.0**	**5.6**	**5.1**	**5.6**	**4.9**	**5.0**
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	67	62	48	40	37	36	33	37
Go Down	11.1	12.7	23.2	29.0	35.2	37.5	35.0	34.9
Expectation (%)	**5.3**	**4.8**	**2.7**	**1.7**	**1.1**	**1.4**	**0.7**	**0.9**
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	**97.7**	**81.7**	**77.9**	**84.4**	**82.3**	**80.5**	**81.9**	**85.4**
Current Conditions	96.1	80.6	75.2	81.4	76.6	78.6	79.4	79.2
Future Conditions	98.7	82.5	79.7	86.3	86.0	81.9	83.6	89.5

Tables and charts

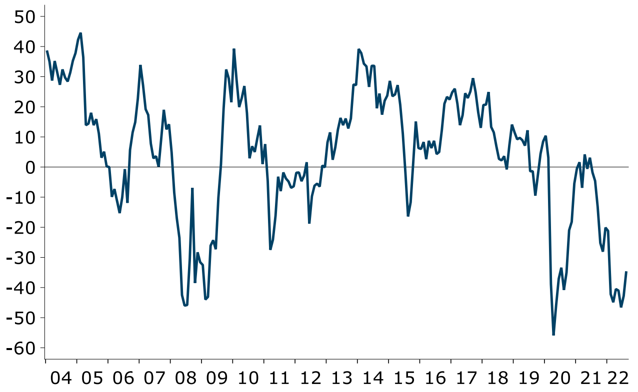
Q1. Better off past year



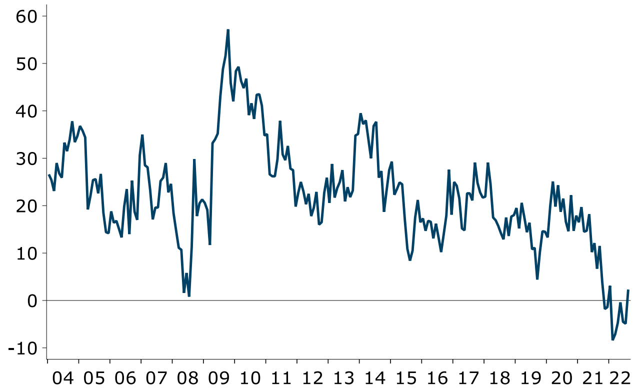
Q2. Better off next year



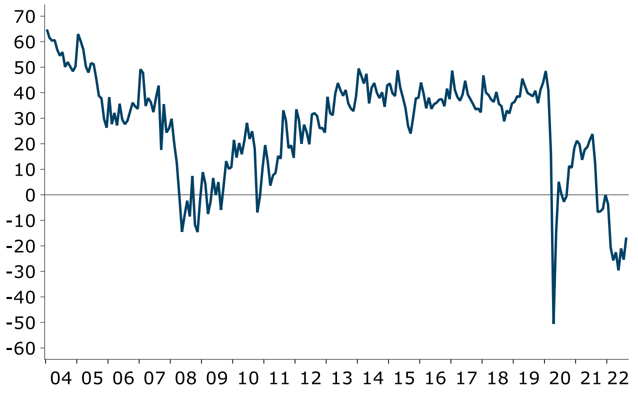
Q3. NZ economy 12 months' time



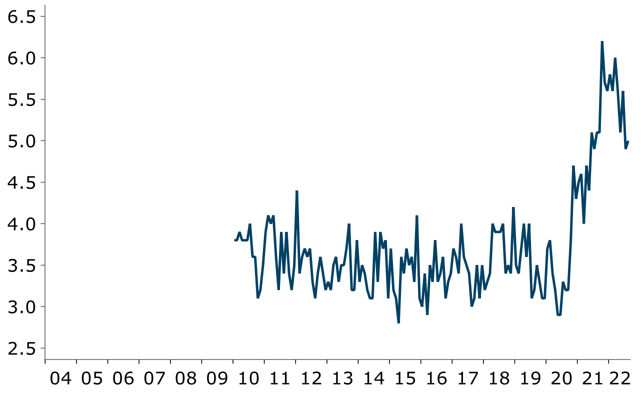
Q4. Outlook 5 years ahead



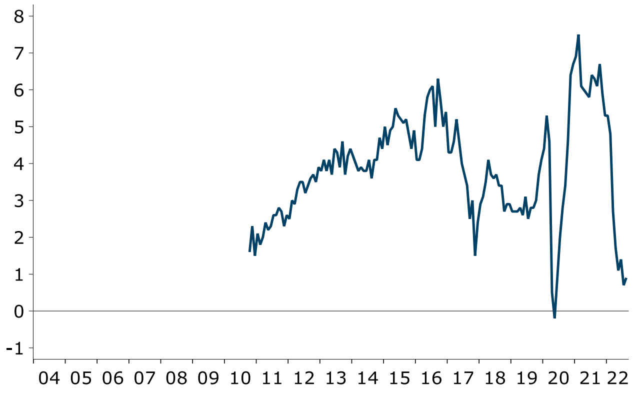
Q5. Buy major household item



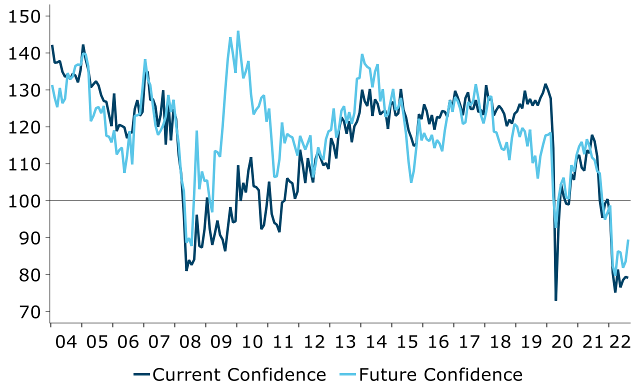
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research

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