

ANZ-Roy Morgan NZ Consumer Confidence

30 September 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 28 October 2022 at 10am.

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Steady as she goes

Key points

- Consumer confidence was unchanged in September at 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, fell 8 points to -25, where it was two months ago.
- Inflation expectations were little changed at 5.1%, versus 5.0% last month.

The ANZ-Roy Morgan Consumer Confidence Index was unchanged in September at subdued levels. Living costs are rising, house prices are falling, and mortgage rates are going up. However, the big win for households is the still super-tight labour market, which is contributing to strong job security and solid wage growth.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Stats NZ, Macrobond, ANZ Research

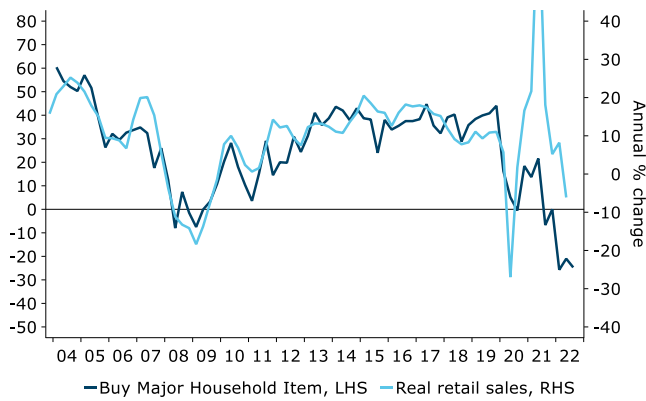
Turning to the detail:

- Perceptions of current personal financial situations lifted 7 points to -18%.
- A net 4% expect to be better off this time next year, up 3 points.
- A net 25% of households think it's a bad time to buy a major household item, down 8. This series bottomed in May at -30%.
- Perceptions regarding the economic outlook in 12 months' time improved from -35% to -32% – still pretty pessimistic. The five-year-ahead measure fell from +2% to -3%.
- House price inflation expectations fell to just 0.5%. They are highest in Auckland (2%) and weakest in Wellington (-0.7%).
- CPI inflation expectations held up, at 5.1% versus 5.0% last month.

Retail sales data remains extremely volatile due to COVID disruptions, but it's fair to say that so far at least it has not dropped away as sharply as reported willingness to buy would suggest it should have (figure 2). This likely has a huge amount to do with the very-strong labour market and solid wage growth and job security that comes with that. But if wage growth (and therefore domestic inflation) remains too high for too long, the RBNZ is likely to respond with a higher OCR than otherwise.

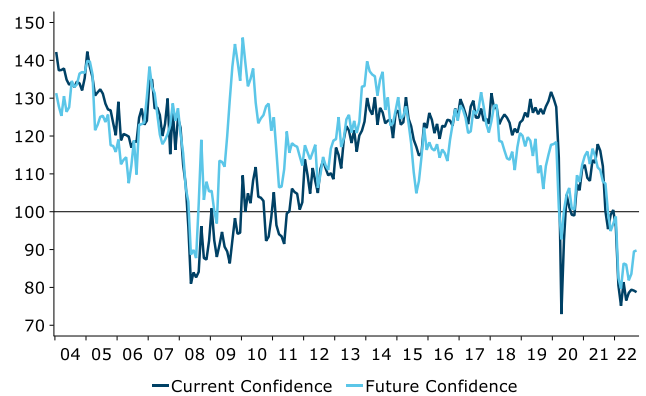
Another notable feature of the current data is the gap starting to open up between future and current conditions (figure 3). This tends to be a hallmark of tougher economic times. And while the gap isn't large right now, this is a trend worth keeping an eye on. That said, given many of the timely data remain consistent with too-high inflation, the RBNZ can't afford to give activity indicators too much weight in their decision making – they have to get on top of core inflation before wage-price spiral risks materialise further.

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



Source: Roy Morgan, Macrobond, ANZ Research

Figure 3: Current and future conditions



Source: Roy Morgan, Macrobond, ANZ Research

Turning to inflation, consumer inflation expectations appear to be stuck around 5%. Consumers don't get to set prices, but their expectations potentially matter more in a super-tight labour market, when it comes to wage negotiations. Further, consumers expecting high inflation may be a little less likely to push back against price rises when they do occur, possibly suggesting less price setting friction for businesses looking to pass on higher costs.

In order to tame still-high inflation we expect the RBNZ to raise the OCR in 50bp steps in the remaining two meetings this year, and then deliver three more 25bp hikes in the first half of next year. That would take the OCR to 4.75%, which is hopefully enough to alleviate capacity stretch and see inflation pressures fall meaningfully.



Tables and charts

Survey Summary	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
No. of Interviews	1,003	1,000	986	995	999	1,001	1,001	1,010

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	25	23	27	27	24	26	21	26
Worse Off	43	47	42	45	46	42	46	44
Net Balance	-18	-24	-15	-17	-22	-16	-25	-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	33	30	35	34	33	33	32	36
Worse Off	35	39	31	34	36	34	31	32
Net Balance	-2	-9	4	-1	-3	-2	1	4

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	10	11	11	10	8	10	12	11
Bad Times	52	56	52	51	55	53	47	43
Net Balance	-42	-45	-41	-41	-47	-43	-35	-32

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	19	20	21	23	20	19	22	19
Bad Times	27	27	26	23	24	24	20	22
Net Balance	-8	-7	-5	0	-5	-5	2	-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	28	26	27	21	28	25	28	25
Bad Time to Buy	49	51	50	51	49	51	45	50
Net Balance	-21	-26	-23	-30	-21	-25	-17	-25

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	90	88	88	85	83	78	80
Go Down	2.1	2.7	4.8	4.2	3.9	4.8	7.0	7.1
Expectation (%)	5.6	6.0	5.6	5.1	5.6	4.9	5.0	5.1

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	62	48	40	37	36	33	37	32
Go Down	12.7	23.2	29.0	35.2	37.5	35.0	34.9	35.1
Expectation (%)	4.8	2.7	1.7	1.1	1.4	0.7	0.9	0.5

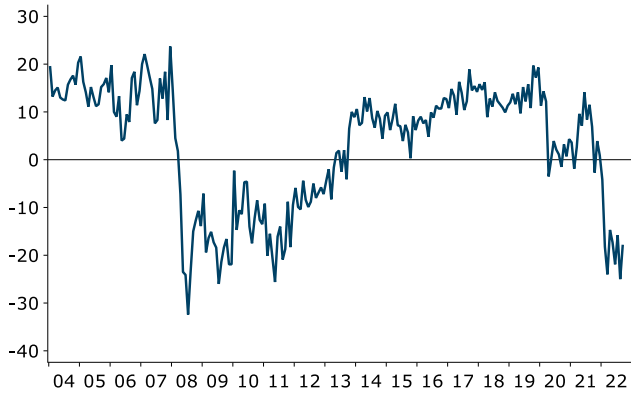
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	81.7	77.9	84.4	82.3	80.5	81.9	85.4	85.4
Current Conditions	80.6	75.2	81.4	76.6	78.6	79.4	79.2	78.8
Future Conditions	82.5	79.7	86.3	86.0	81.9	83.6	89.5	89.8

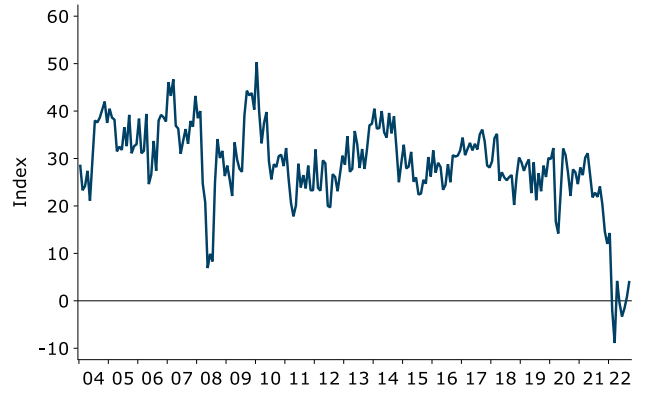


Tables and charts

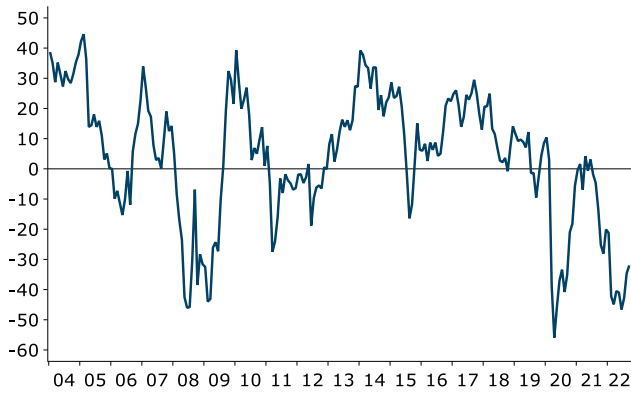
Q1. Better off past year



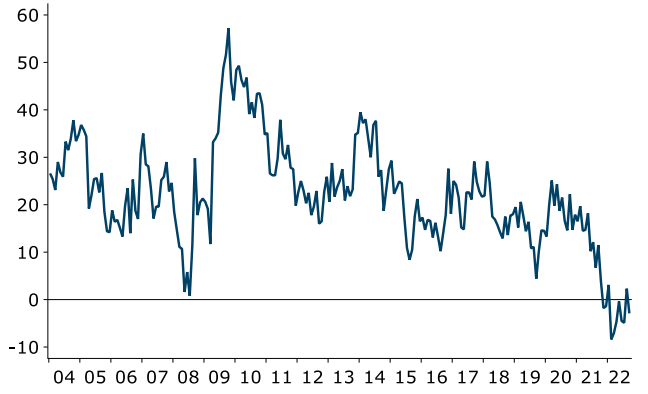
Q2. Better off next year



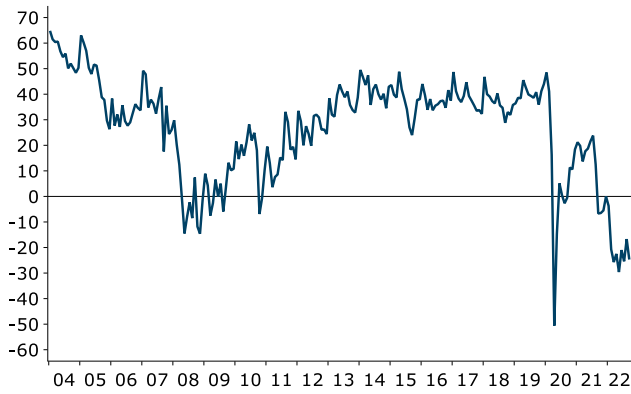
Q3. NZ economy 12 months' time



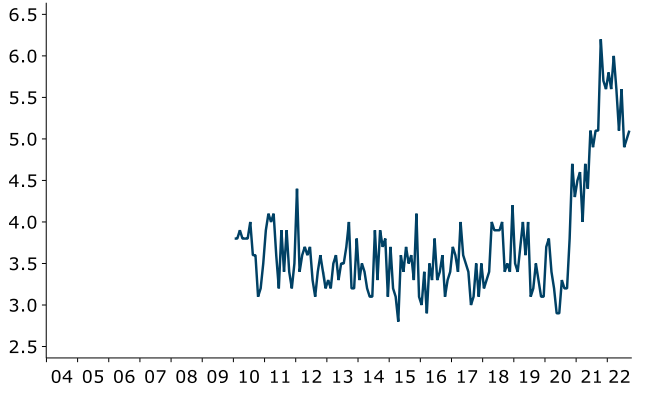
Q4. Outlook 5 years ahead



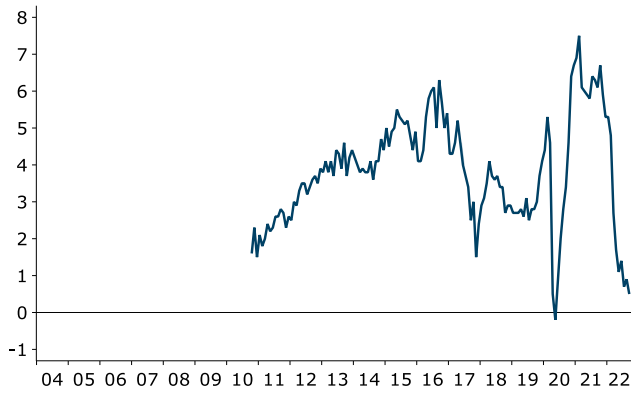
Q5. Buy major household item



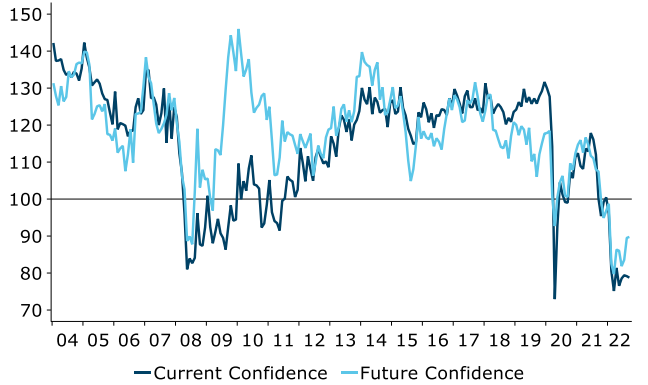
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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