

ANZ-Roy Morgan NZ Consumer Confidence

28 October 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 25 November 2022 at 10am.

Confused by acronyms or jargon? See a glossary [here](#).

Feeling flat

Key points

- Consumer confidence was unchanged in October 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, rose 3 points to -22%.
- Inflation expectations were little changed at 5.0%, versus 5.1% last month. It's very unusual for businesses' inflation expectations to sit higher than consumer inflation expectations.

The ANZ-Roy Morgan Consumer Confidence Index was (again) unchanged in October at subdued levels. Households are finding sharp increases in the cost of living hard to deal with, but excellent job security and strong wage growth are helping.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Stats NZ, Macrobond, ANZ Research

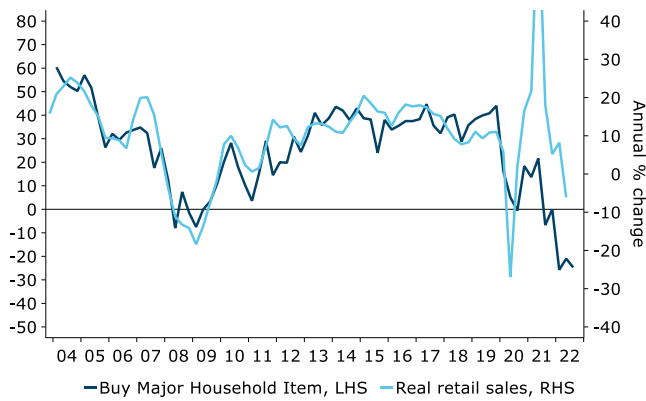
Turning to the detail:

- Perceptions of current personal financial situations was unchanged at -18%.
- A net 4% expect to be better off this time next year, unchanged.
- A net 22% of households think it's a bad time to buy a major household item, up 3.
- Perceptions regarding the economic outlook in 12 months' time deteriorated from -32% to -39% – possibly influenced by the unexpectedly strong CPI that saw economists revise up their interest rate forecasts. The 5-year-ahead measure rose from -3% to +1%.
- House price inflation expectations remained at 0.5%. They are highest in the North Island outside of Auckland and Wellington (1.6%, previously -0.2%) and weakest in Wellington (-1.8%, previously -0.7%).
- CPI inflation expectations held up, at 5.0% versus 5.1% 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.

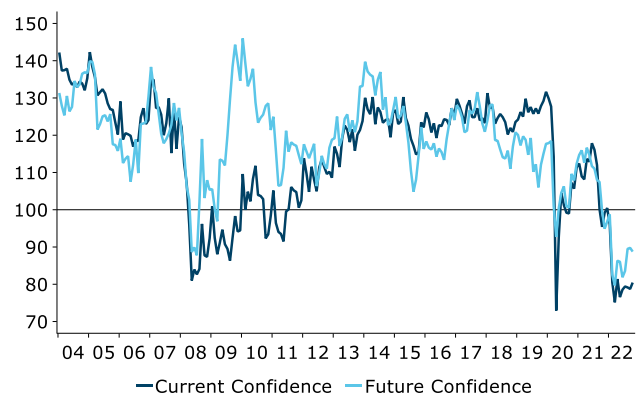
Another notable feature of the current data is the gap starting to open up between future and current conditions (figure 3). This tends to be a hallmark of tougher economic times. And while the gap isn't large right now, this is a trend worth keeping an eye on. That said, given many of the timely data 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

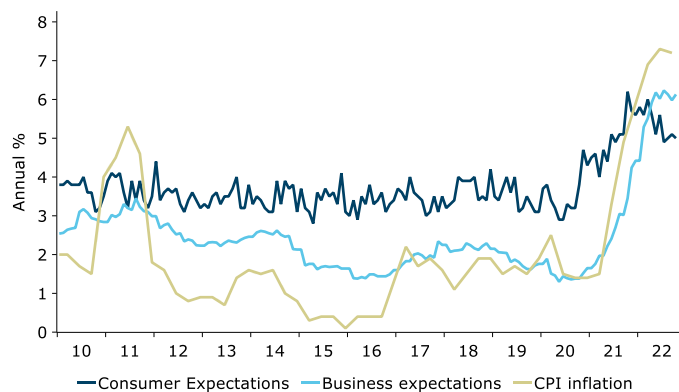


Source: Roy Morgan, Macrobond, ANZ Research

October brought another month of consumer inflation expectations stuck around 5%. Consumers don't set prices, but in a tight labour market they have more wage-bargaining power. Further, if consumers expect inflation, it makes it easier for businesses to pass on cost increases, all else equal.

Currently, consumer inflation expectations sit well below business inflation expectations. This is a pretty unusual state of affairs, as figure 4 shows. The RBNZ will be hoping consumers know something businesses don't. Historically, businesses have tended to be closer to the mark – but consumers win the prize for seeing the surge coming first.

Figure 4: Consumer and business inflation expectations



Source: Macrobond, ANZ Research



Tables and charts

Survey Summary	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22
No. of Interviews	1,000	986	995	999	1,001	1,001	1,010	1,011

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	23	27	27	24	26	21	26	28
Worse Off	47	42	45	46	42	46	44	45
Net Balance	-24	-15	-17	-22	-16	-25	-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	30	35	34	33	33	32	36	35
Worse Off	39	31	34	36	34	31	32	32
Net Balance	-9	4	-1	-3	-2	1	4	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	11	11	10	8	10	12	11	12
Bad Times	56	52	51	55	53	47	43	50
Net Balance	-45	-41	-41	-47	-43	-35	-32	-39

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	20	21	23	20	19	22	19	22
Bad Times	27	26	23	24	24	20	22	21
Net Balance	-7	-5	0	-5	-5	2	-3	1

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	26	27	21	28	25	28	25	26
Bad Time to Buy	51	50	51	49	51	45	50	48
Net Balance	-26	-23	-30	-21	-25	-17	-25	-22

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	90	88	88	85	83	78	80	84
Go Down	2.7	4.8	4.2	3.9	4.8	7.0	7.1	4.4
Expectation (%)	6.0	5.6	5.1	5.6	4.9	5.0	5.1	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	48	40	37	36	33	37	32	33
Go Down	23.2	29.0	35.2	37.5	35.0	34.9	35.1	37.1
Expectation (%)	2.7	1.7	1.1	1.4	0.7	0.9	0.5	0.5

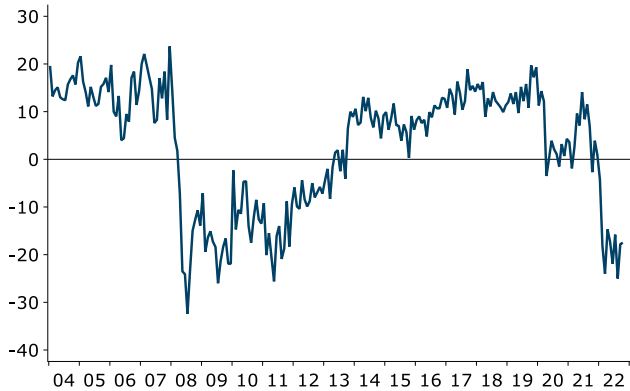
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	77.9	84.4	82.3	80.5	81.9	85.4	85.4	85.4
Current Conditions	75.2	81.4	76.6	78.6	79.4	79.2	78.8	80.5
Future Conditions	79.7	86.3	86.0	81.9	83.6	89.5	89.8	88.8

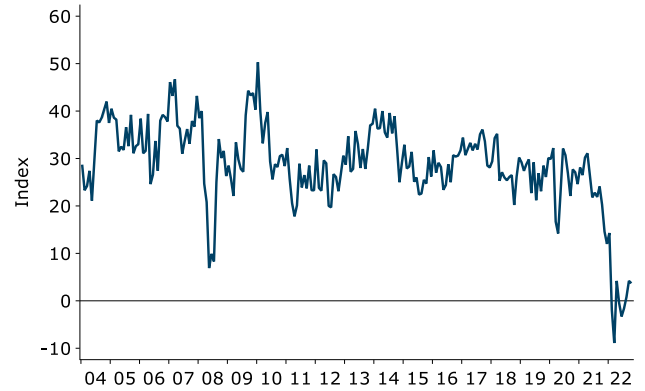


Tables and charts

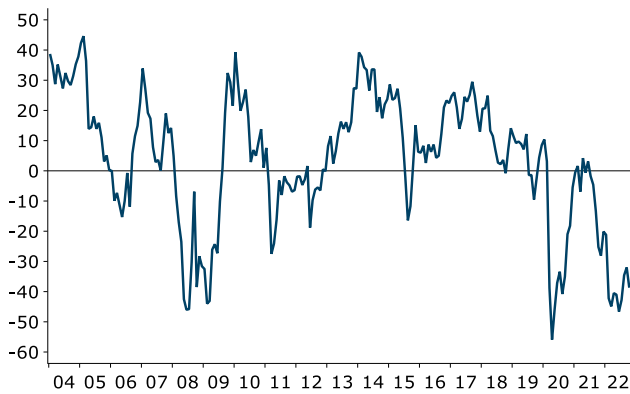
Q1. Better off past year



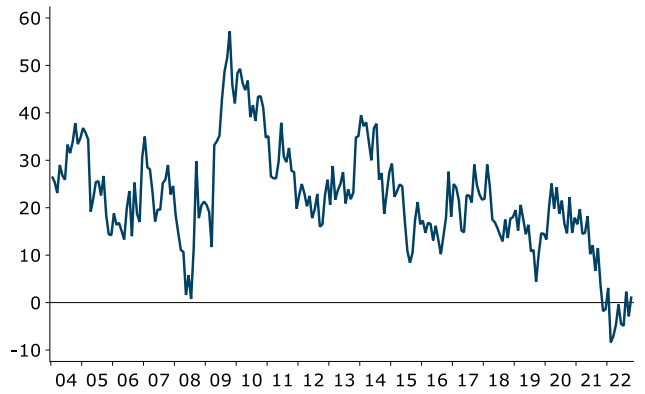
Q2. Better off next year



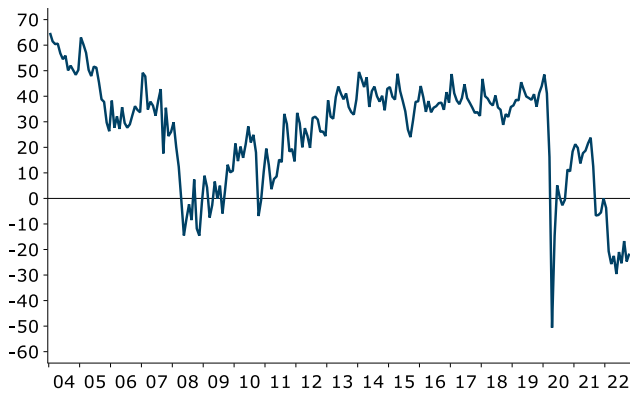
Q3. NZ economy 12 months' time



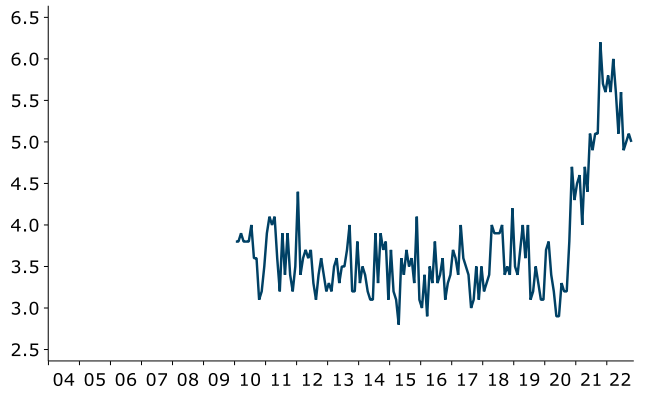
Q4. Outlook 5 years ahead



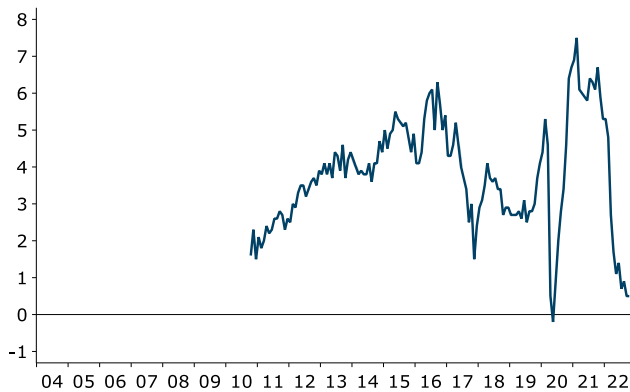
Q5. Buy major household item



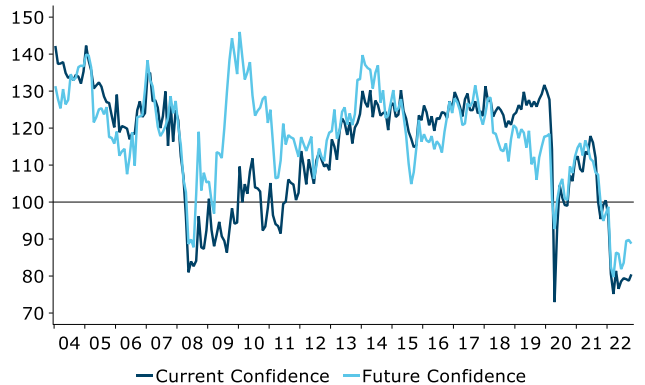
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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Last updated: 1 September 2022

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