

ANZ-Roy Morgan NZ Consumer Confidence

25 November 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 21 December 2022 at 10am.

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

Feeling the strain

Key points

- Consumer confidence fell 5 points in November to 80.7.
- The proportion of people who believe it is a good time to buy a major household item fell 9 points to -31%.
- Inflation expectations lifted to 5.3%, from 5.0% last month.

The ANZ-Roy Morgan Consumer Confidence Index fell 5 points in November to 80.7, its lowest level since June. Sharp increases in the cost of living and interest rates (not to mention falling house prices) are clearly hurting confidence, but excellent job security and strong wage growth have so far seen spending hold up far better than this level of confidence would normally imply. This dynamic is likely to be on borrowed time.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Stats NZ, Macrobond, ANZ Research

Turning to the detail:

- Perceptions of current personal financial situations lifted 2 points to -16%.
- A net 0% expect to be better off this time next year, down 4 points.
- A net 31% of households think it's a bad time to buy a major household item, a 9 point deterioration to the lowest level since COVID first hit.
- Perceptions regarding the economic outlook in 12 months' time deteriorated from -39% to -41%. The 5-year-ahead measure fell sharply from +1% to -9%.
- House price inflation expectations fell from 0.5% to 0%. They are negative in Auckland, Wellington and the South Island ex Canterbury.
- CPI inflation expectations rose from 5.0% to 5.3%, breaking a downward trend.
- The proportion of mortgage-paying households who think it's a good time to spend continues to be lower than renters.

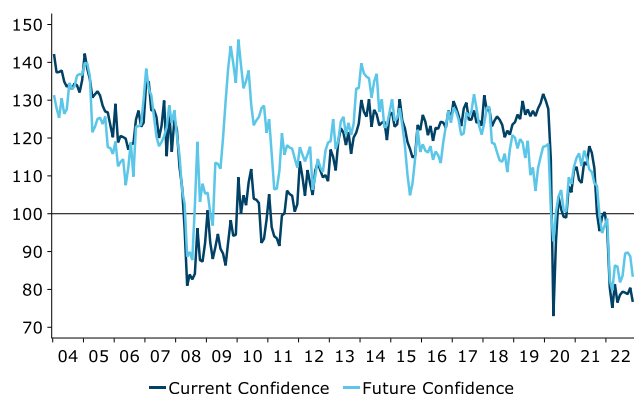
Retail sales data for Q3 will be released later today, but so far, it's fair to say that spending has not dropped away as sharply as reported willingness to buy would suggest it would have by now.

There are significant headwinds for consumer confidence and spending: the rising cost of living, rapidly rising interest rates, and falling house prices, as well as general uncertainty about the economic outlook – clear in this month's survey, where perceptions of the medium-term economic outlook were very weak. But offsetting that, private sector hourly wages are growing rapidly, the employment rate is at record highs, and perceived job security remains excellent. Here and now, most households' cash-flow is okay, and balance sheets are relatively robust.

That said, interest rate increases certainly are biting, as demonstrated by expectations for house price increases petering out completely, and the fact that both overall confidence and the answer to whether it's a good time to buy a major household item are lower amongst households paying off a mortgage. And while the focus has been on those rolling over onto higher mortgage interest rates, rent increases haven't exactly been a walk in the park either.

Overall, while consumer spending has been remarkably resilient, we suspect that this dynamic is due to peter out fairly soon as more and more households roll onto sharply higher mortgage rates and the flow-on effects of the ongoing slowing in the housing market become harder to miss. The Reserve Bank will certainly be hoping so.

Figure 2. Current versus future conditions



Source: Roy Morgan, Macrobond, ANZ Research

Figure 3: Confidence: Renters versus mortgage payers



Source: Roy Morgan, Macrobond, ANZ Research

Consumer inflation expectations lifted from 5% to 5.3% this month, breaking a downward trend, in what will be unwelcome news for the Reserve Bank. Consumers don't set prices, but in a tight labour market they have more wage-bargaining power, which makes their inflation expectations highly pertinent in a world where the RBNZ is seeing unwelcome inflation feedback loops emerge. Further, if consumers expect inflation, it makes it easier for businesses to pass on cost increases, all else equal.

At its Monetary Policy Statement this week the Reserve Bank made it clear that they need to see much lower spending growth in order to bring down persistently high inflation. So far, they've been struggling to get traction with households who have been feeling confident about the income side of the equation. But the RBNZ upped the freak-out factor considerably this week with their forecasts of much higher interest rates, much lower growth, and unemployment reaching 5.7%. The reverberations of that seem likely to show up in the data relatively quickly. Watch this space.



Tables and charts

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

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	27	27	24	26	21	26	28	28
Worse Off	42	45	46	42	46	44	45	43
Net Balance	-15	-17	-22	-16	-25	-18	-18	-16

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	35	34	33	33	32	36	35	34
Worse Off	31	34	36	34	31	32	32	34
Net Balance	4	-1	-3	-2	1	4	4	0

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	10	8	10	12	11	12	12
Bad Times	52	51	55	53	47	43	50	53
Net Balance	-41	-41	-47	-43	-35	-32	-39	-41

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	21	23	20	19	22	19	22	19
Bad Times	26	23	24	24	20	22	21	28
Net Balance	-5	0	-5	-5	2	-3	1	-9

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	27	21	28	25	28	25	26	21
Bad Time to Buy	50	51	49	51	45	50	48	52
Net Balance	-23	-30	-21	-25	-17	-25	-22	-31

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	88	88	85	83	78	80	84	84
Go Down	4.8	4.2	3.9	4.8	7.0	7.1	4.4	5.0
Expectation (%)	5.6	5.1	5.6	4.9	5.0	5.1	5.0	5.3

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	40	37	36	33	37	32	33	32
Go Down	29.0	35.2	37.5	35.0	34.9	35.1	37.1	39.8
Expectation (%)	1.7	1.1	1.4	0.7	0.9	0.5	0.5	0.0

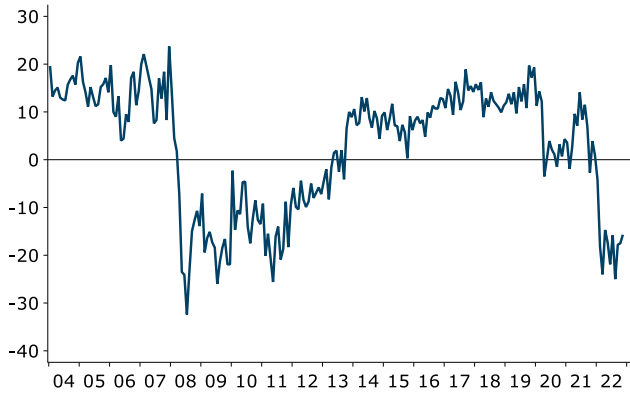
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	84.4	82.3	80.5	81.9	85.4	85.4	85.4	80.7
Current Conditions	81.4	76.6	78.6	79.4	79.2	78.8	80.5	76.7
Future Conditions	86.3	86.0	81.9	83.6	89.5	89.8	88.8	83.3

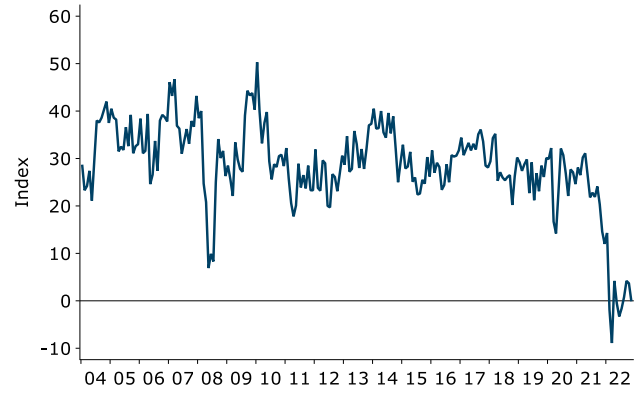


Tables and charts

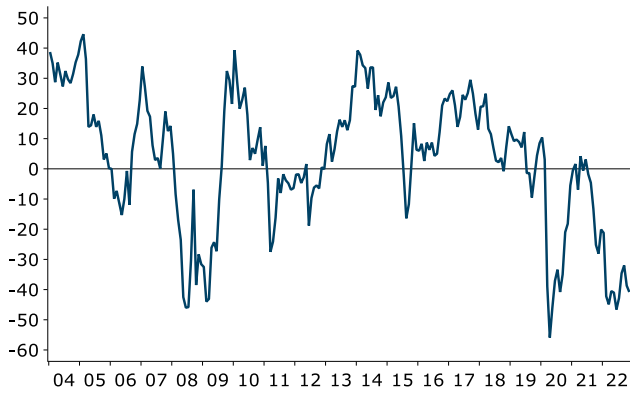
Q1. Better off past year



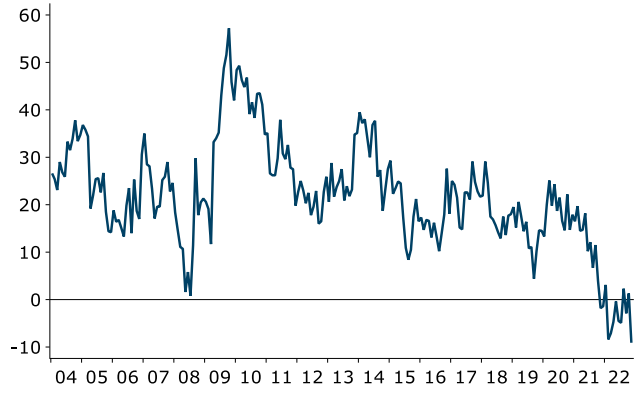
Q2. Better off next year



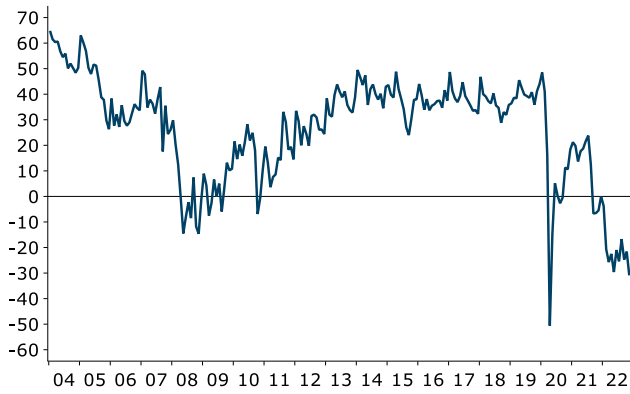
Q3. NZ economy 12 months' time



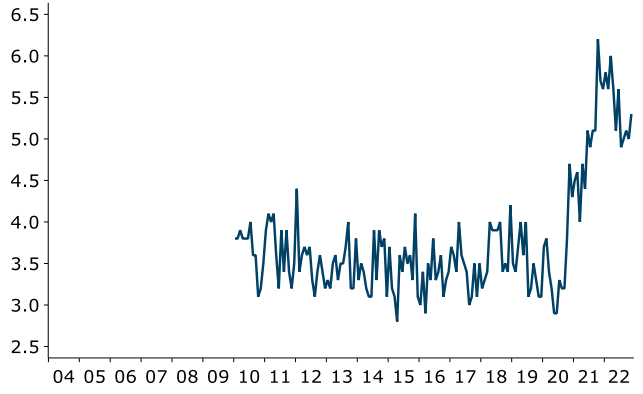
Q4. Outlook 5 years ahead



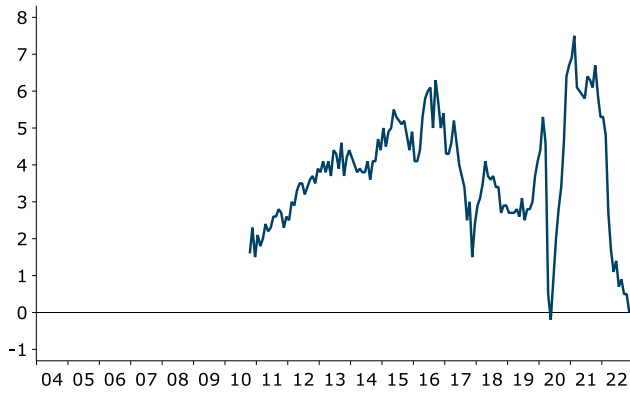
Q5. Buy major household item



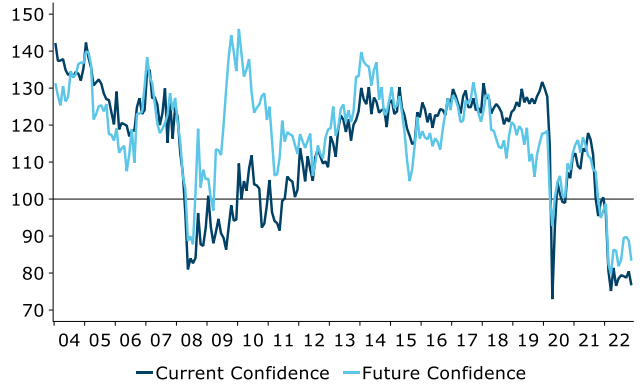
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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