

ANZ-Roy Morgan NZ Consumer Confidence

27 November 2020



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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 18 December 2020 at 10am.

Still wary – but expecting inflation

Key points

- Consumer confidence eased 2 points to 106.9 in November, with the current and future conditions indexes falling by similar amounts. Consumer confidence remains under par – its historical average is around 120.
- The key retail spending indicator in the survey is still very weak, suggesting the sharp overshoot in retail sales seen in Q3 is likely to fade relatively quickly. But inflation expectations are the highest in 10 years.

The ANZ-Roy Morgan Consumer Confidence Index eased 2 points in November. Unlike businesses, consumer confidence remains well short of levels prevailing last year.

Figure 1. ANZ-Roy Morgan Consumer Confidence



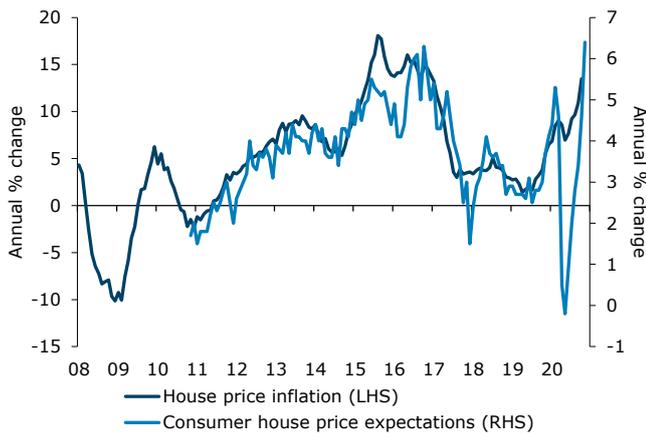
Source: ANZ Research, Roy Morgan

Turning to the detail:

- Consumers' perceptions of their current financial situation fell 2 pts to +1.
- A net 27% of consumers expect to be better off financially this time next year, down 1.
- A net 11% think it is a good time to buy a major household item, unchanged. That's consistent with tough times ahead for the retail sector, but recent strength in retail sales has belied this indicator.
- Perceptions regarding the next year's economic outlook lifted 3 points to a still-nervous -18%. The five-year outlook fell 7 points to +15%.
- House price inflation expectations jumped another 1.8%pts to 6.4%. They rose in every region, and are strongest in the North Island excluding Auckland and Wellington (7.2%).
- CPI inflation expectations rose 0.9%pts to 4.7%. The RBNZ discounts household expectations, but it's notable that this is the highest read since the question was first asked in late-2009 – by far. This might reflect temporary supply disruptions reducing discounting on retail items.

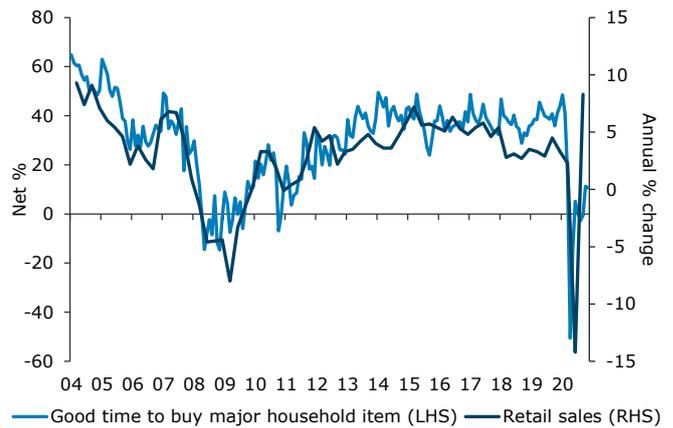
Households are increasingly confident that the housing boom is going to continue (figure 2), though this indicator does tend to lag the market rather than predict it. But they remain wary about whether it is a good time to buy a major household item. The latter has historically been the best retail spending indicator in the survey. It did not presage the sharp lift in retail sales seen in Q3 (figure 3). But there's no reason to think that the indicator will be wrong once the volatility subsides. Accordingly, we expect that as one-offs wane, retail spending growth will drop back to something more sustainable.

Figure 2. House price outcomes and expectations



Source: REINZ, Roy Morgan, ANZ Research

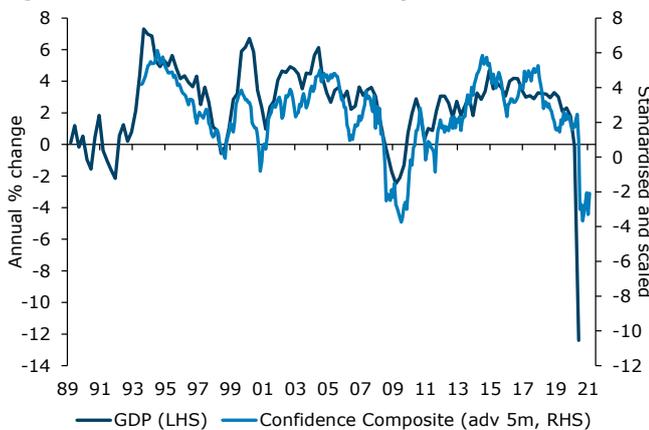
Figure 3. ANZ Consumer Confidence "Good time to buy a major household item" and retail sales



Source: Statistics NZ, ANZ Research, Roy Morgan

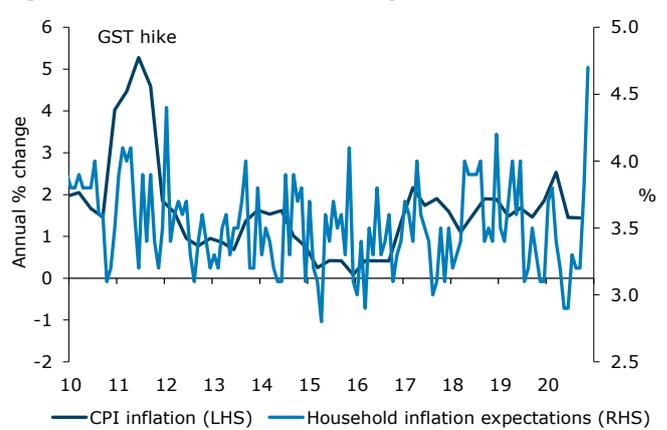
Our confidence composite gauge combines lagged business expectations and intentions with consumer sentiment. The composite remains around its lows (figure 4). Meanwhile, household inflation expectations have hit a record high, with a spectacular jump in recent months. The RBNZ downplays household inflation expectations because they're very volatile and have an upward bias. But the fact that households expect the highest inflation since at least late-2009 (by far) is striking. We'll be keeping a close eye on this data. It's worth remembering that the COVID-19 shock to the economy is a negative supply shock too. Global shipping logistics are in tatters and New Zealand is running short of a wide range of consumer goods as a result. Temporary, yes. But potentially inflationary.

Figure 4. GDP vs Confidence Composite



Source: ANZ Research, Roy Morgan, Statistics NZ

Figure 5. Household inflation expectations and CPI



New Zealand households say it's not a great time to buy a major household item, but that's exactly what they've been doing. How long can momentum last? We'll be watching both household and business sentiment closely to gauge that, with our forecasts implying a wobble as tourism pain bites.



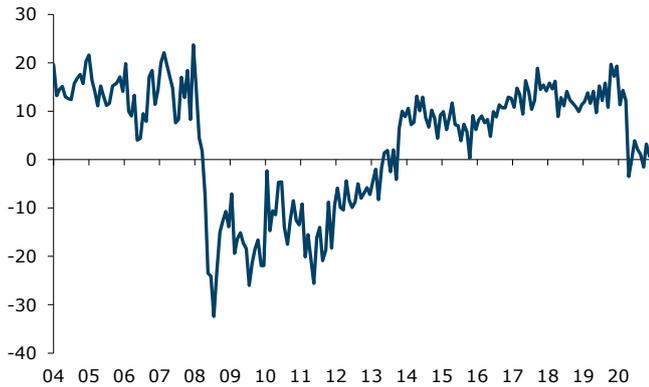
Tables and charts

Survey Summary	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20
No. of Interviews	1,021	998	998	1,001	1,001	997	1,206	1,002
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	28	31	30	28	27	29	27
Worse Off	31	28	27	28	27	29	26	27
Net Balance	-4	0	4	2	1	-2	3	1
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	40	48	45	40	40	41	43
Worse Off	24	17	16	15	13	18	14	15
Net Balance	14	23	32	31	27	22	28	27
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	15	16	17	14	12	17	17
Bad Times	67	61	53	50	54	47	38	35
Net Balance	-56	-46	-37	-33	-41	-35	-21	-18
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	41	43	37	39	35	31	36	31
Bad Times	21	19	19	18	18	17	14	16
Net Balance	20	24	19	22	17	15	22	15
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	18	34	42	39	38	36	43	41
Bad Time to Buy	69	48	37	39	41	37	31	31
Net Balance	-51	-15	5	0	-3	-1	11	11
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	58	61	62	65	67	67	70	75
Go Down	12.8	14.3	11.9	7.9	8.4	7.2	5.9	4.0
Expectation (%)	3.2	2.9	2.9	3.3	3.2	3.2	3.8	4.7
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	37	33	41	49	56	65	74	82
Go Down	37.2	39.6	31.0	22.5	18.5	13.0	9.5	6.8
Expectation (%)	0.5	-0.2	0.9	2.0	2.8	3.4	4.6	6.4
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	84.8	97.3	104.5	104.3	100.2	100.0	108.7	106.9
Current Conditions	73.0	92.7	104.5	101.3	99.2	99.0	107.3	105.7
Future Conditions	92.7	100.4	104.6	106.3	100.9	100.6	109.6	107.9



Tables and charts

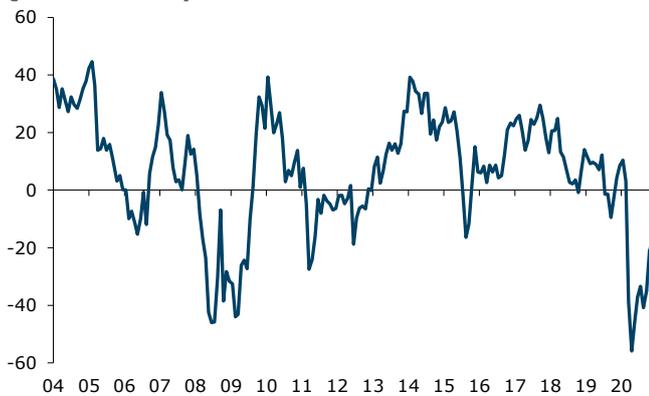
Q1. Better off past year



Q2. Better off next year



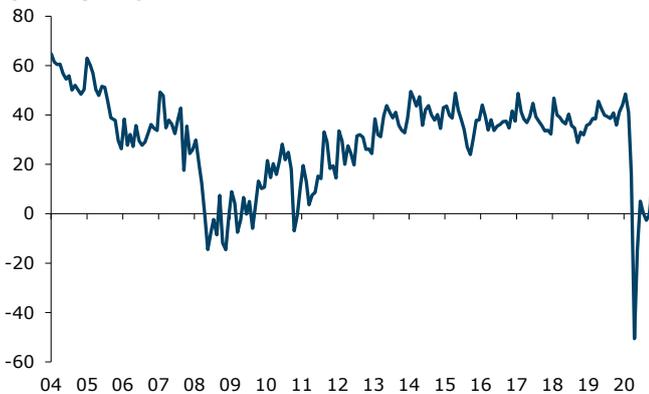
Q3. NZ economy 12 months' time



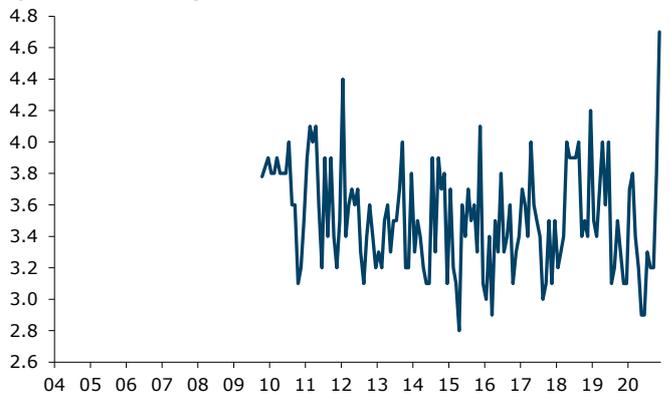
Q4. Outlook 5 years ahead



Q5. Buy major household item



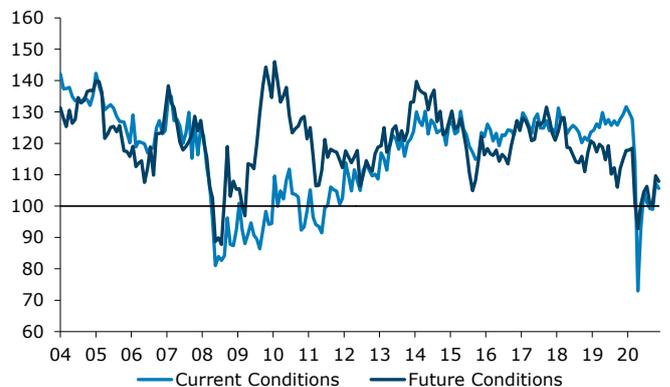
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ Research, Roy Morgan



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