

ANZ-Roy Morgan NZ Consumer Confidence

25 October 2024



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Contact

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Henry Russell for more
details.

See page 6.

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 29 November 2024 at 10am.

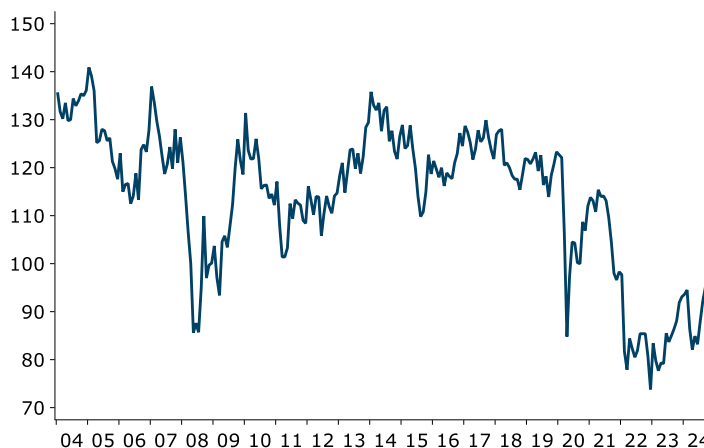
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Back to reality

Key points

- ANZ-Roy Morgan Consumer Confidence fell 4 points in October to 91.2, following three months of improvement. Both the current and future conditions indexes declined.
- Inflation expectations were unchanged at 3.8%. Expected house price inflation lifted from 3.2% to 3.4%.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: Roy Morgan, Macrobond, ANZ Research

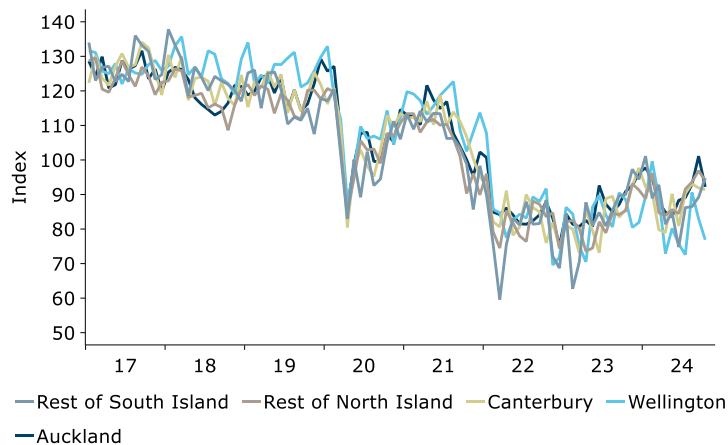
Turning to the detail (for charts see page 5):

- The future conditions index made up of forward-looking questions fell from 105.6 to 100.3. The current conditions index also fell, down 2 points to 77.6.
- Perceptions of current personal financial situations fell 6 points to -22%.
- A net 14% expect to be better off this time next year, down 11 points.
- A net 23% think it's a bad time to buy a major household item, up 2 points but still sending soft signals about retail demand.
- Perceptions regarding the economic outlook in 12 months' time fell 2 points to -19%. The 5-year-ahead measure fell 3 points to +6%.
- House price inflation expectations rose from 3.2% to 3.4% y/y, with the areas outside the main centres leading the charge.
- Two-year-ahead CPI inflation expectations were unchanged at 3.8%. Households typically overestimate the rate of inflation, but expectations are broadly consistent with their long-run average of 3.7%.

After three months of improvement, consumer confidence slipped in October. While interest rate relief is on the horizon – and indeed the month of October saw the RBNZ up the ante and deliver an outsized 50bp OCR cut, with another 50bp cut looking likely in November – that will take time to flow through. Around 65% of mortgage holders will refix in the next 12 months, but the wait certainly isn't without its challenges as labour market conditions continue to deteriorate.

The impacts of deteriorating job security are particularly evident in the regional cut of the data. Wellingtonians remain the most pessimistic across the country, with ongoing public sector job losses and the wider fallout from that likely weighing.

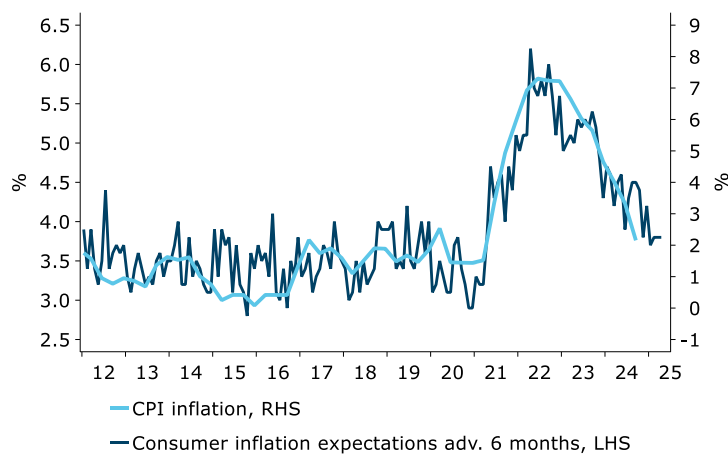
Figure 2. Consumer confidence by region



Source: Roy Morgan, Macrobond, ANZ Research

October delivered news that annual inflation has returned to the 1-3% target band for the first time since March 2021, an important milestone. Household inflation expectations appear to have stabilised in recent months at little above the level that prevailed pre-COVID, though not inconsistent with CPI inflation settling around the RBNZ's 2% target midpoint (figure 3).

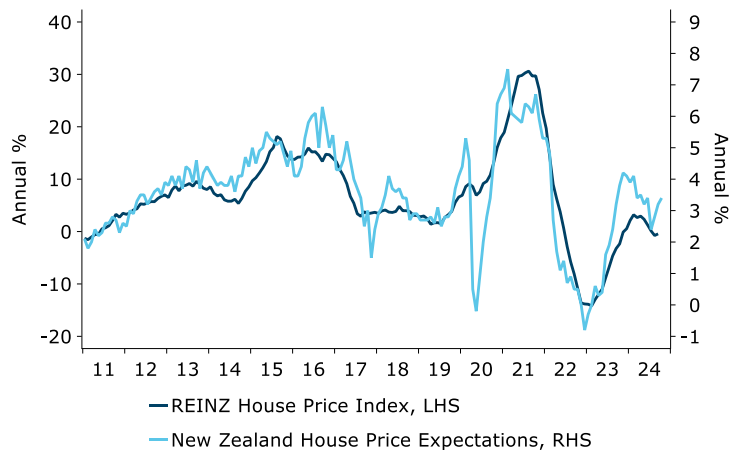
Figure 3. Consumer inflation expectations and CPI inflation



Source: Roy Morgan, Stats NZ, Macrobond, ANZ Research

House price expectations continue to edge higher (figure 4). While rising house prices aren't good for everyone, they do tend to boost confidence and spending in aggregate. Households typically don't get the rate of house price inflation right in level terms, and they don't have a crystal ball, but they are clearly acutely aware of the housing cycle.

Figure 4. Consumer house price expectations versus actual



Source: REINZ, Macrobond, ANZ Research

The view

Falling interest rates had spurred a cautious recovery in consumer confidence from July, but October marked a sombre return to reality. Interest rate relief won't be immediate for many households, and there are still plenty of challenges to navigate in the near term as job security fears add to uncertainty. Given the labour market lags the broader economic cycle by around six months, deteriorating employment conditions are likely to be a headwind well into 2025.

The good news for households is the RBNZ has accelerated the pace of easing and is likely to deliver another 50bp cut by year end, bringing relief a little closer. Meanwhile, with CPI inflation back in the band and within touching distance of the 2% target midpoint, the inflation challenges of the past few years that have battered consumer confidence are drawing to a close. That adjustment certainly hasn't been without cost, and those costs will continue to be felt into next year, but brighter times do lie ahead.



Tables and charts

Survey Summary	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24
No. of Interviews	1,002	1,003	1,002	1,000	1,000	1,001	1,001	1,000

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	20	22	25	20	23	23	26	21
Worse Off	44	39	40	42	41	41	41	43
Net Balance	-23	-17	-15	-22	-18	-18	-16	-22

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	43	34	36	37	43	41	46	41
Worse Off	24	29	30	29	23	24	21	27
Net Balance	19	5	6	8	20	17	25	14

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	12	11	13	11	14	17	20	19
Bad Times	46	51	49	50	46	35	37	38
Net Balance	-34	-40	-36	-39	-32	-18	-17	-19

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	22	21	24	21	23	24	29	27
Bad Times	28	31	25	29	24	21	21	20
Net Balance	-5	-10	-2	-8	-1	3	9	6

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	21	22	26	22	27	25	26
Bad Time to Buy	51	49	52	49	52	50	51	49
Net Balance	-24	-28	-29	-23	-30	-23	-25	-23

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	76	76	73	76	70	64	71	72
Go Down	4.1	5.8	7.9	5.4	8.7	6.4	8.4	7.0
Expectation (%)	4.5	4.4	3.8	4.2	3.7	3.8	3.8	3.8

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	68	62	57	54	57	59	62
Go Down	8.8	10.1	11.5	14.9	18.0	15.6	12.9	13.0
Expectation (%)	3.4	3.5	3.2	3.4	2.4	2.8	3.2	3.4

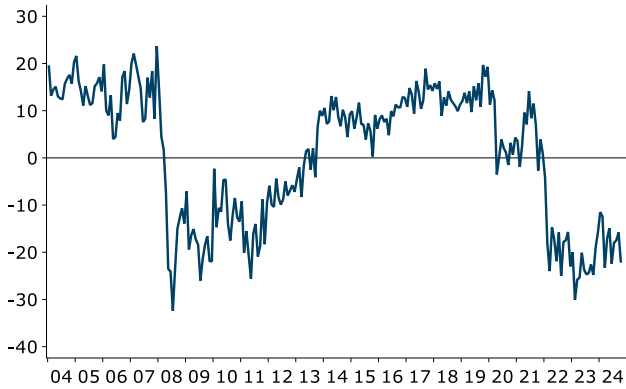
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

Overall Index	86.4	82.1	84.9	83.2	87.9	92.2	95.1	91.2
Current Conditions	76.2	77.7	77.9	77.4	76.2	79.7	79.6	77.6
Future Conditions	93.2	85.0	89.5	87.0	95.7	100.5	105.6	100.3

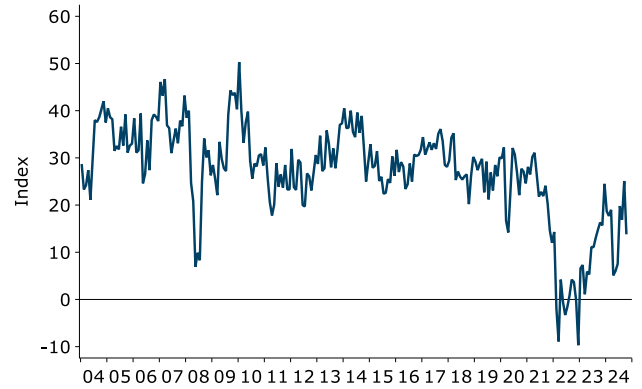


Tables and charts

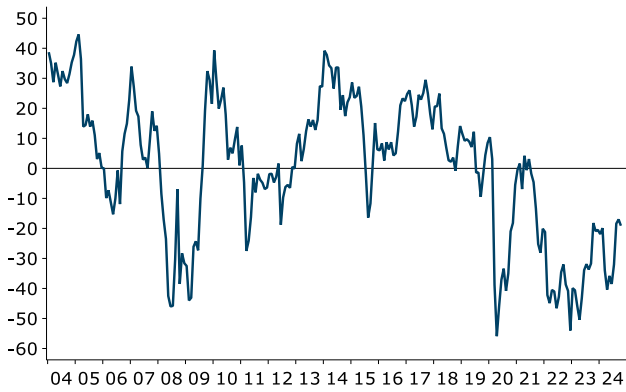
Q1. Better off past year



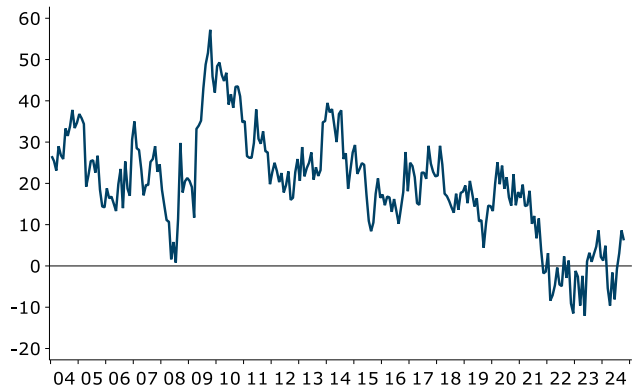
Q2. Better off next year



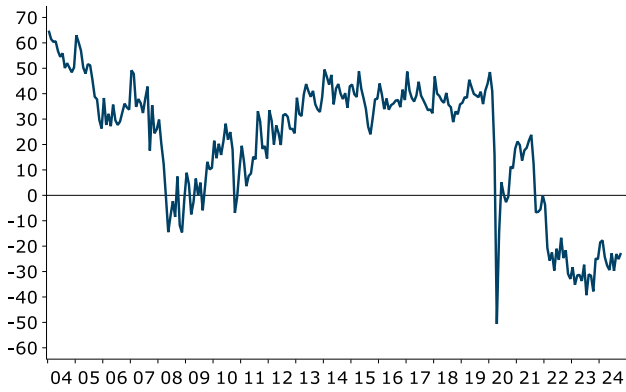
Q3. NZ economy 12 months' time



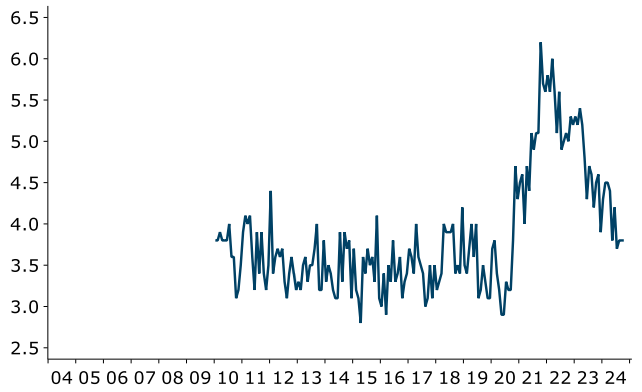
Q4. Outlook 5 years ahead



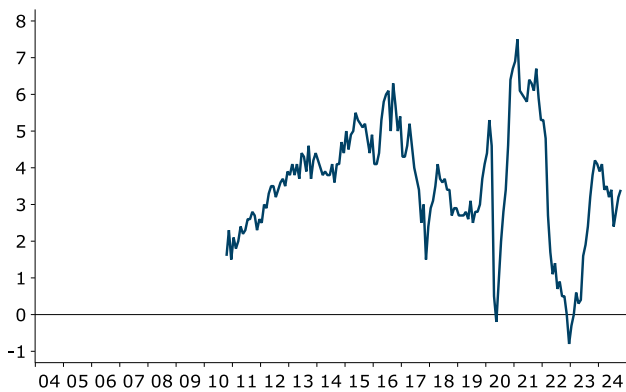
Q5. Buy major household item



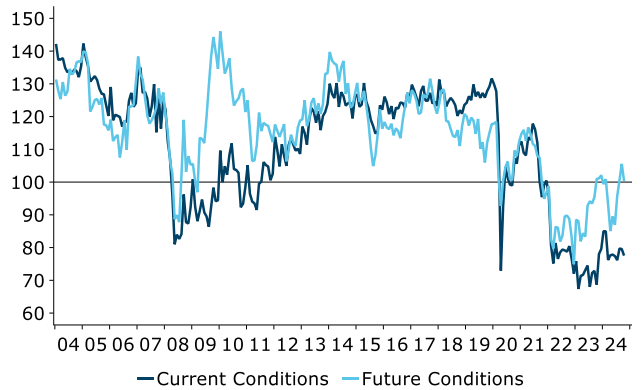
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: Roy Morgan, Macrobond, ANZ Research



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