

Westpac McDermott Miller Consumer Confidence.

22 June 2021

Consumer confidence rises 1.9 points to 107.1 in June.

- Household confidence is on the rise, underpinned by a strengthening in broader economic conditions which is expected to continue over the year ahead.
- Households are spending more on entertainment activities, but there's still some trepidation with regards to making major purchases for the home.
- While confidence among those aged over 30 is now back around average levels, confidence among younger New Zealanders remains low.

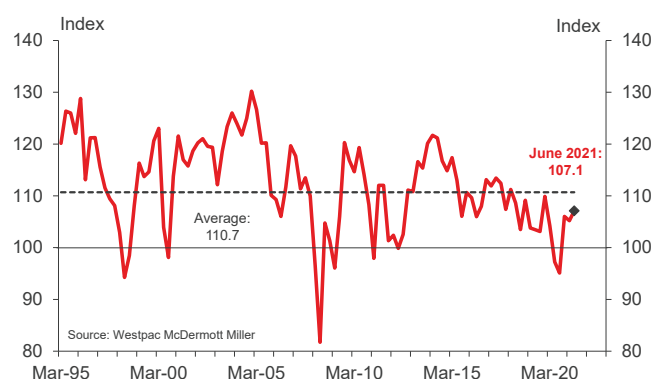
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Consumer confidence indices

	Jun-21	Mar-21	Change	Average
Consumer Confidence Index	107.1	105.2	1.9	110.7
Present Conditions Index	98.3	96.2	2.1	108.1
Expected Conditions Index	112.9	111.2	1.7	112.4
Current financial situation	-5.4	-11.7	6.3	-8.5
Expected financial situation	16.7	15.0	1.7	11.4
1-year economic outlook	4.4	-1.6	6.0	-2.9
5-year economic outlook	17.7	20.1	-2.4	28.7
'Good time to buy'	2.0	4.2	-2.2	24.8

Consumer confidence



Shifting up a gear.

Household confidence levels are on the rise. The Westpac McDermott Miller Consumer Confidence Index rose by 1.9 percentage points in the June quarter, taking it to a level of 107.1. Although that's still a little below its long run average, consumer confidence has been trending higher in recent months and has now recovered most of the drop we saw following last year's outbreak.



Underlying this rise in confidence levels, increasing numbers of households have reported that their financial position has improved over the past 12 months. That's not entirely unexpected, as this time last year New Zealand was emerging from several weeks in lockdown.

But this isn't just a post-Covid bounce. New Zealand's economic recovery has been gaining traction in recent months, with a firming in activity seen across regions and sectors. Importantly, that includes the household sector, with a strengthening in the labour market, strong increases in retail spending, and continued gains in house prices.

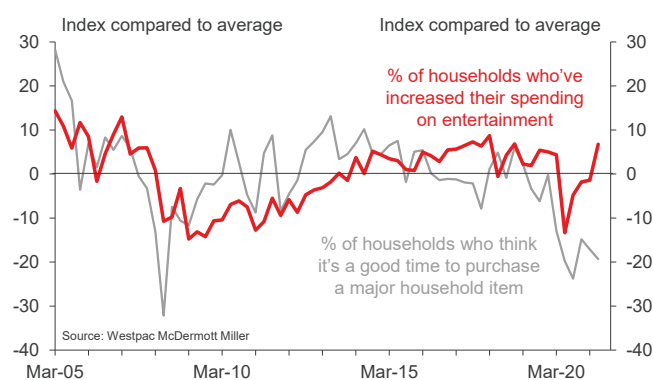
Households are also feeling more optimistic about the outlook for the economy over the coming year, and they expect that their own financial situation will continue to improve. In some cases, that lift in sentiment may have been reinforced by the Government's recent announcement that benefit levels will increase over the coming months.

Paint the town red.

As confidence has continued to improve, we've also seen a sizeable lift in household spending on dining out and other entertainment activities. That's been seen across income and age groups, and in part reflects that instead of taking overseas holidays, many families have been spending up closer to home. That's helping to offset the drag on demand in the hospitality sector from the continued loss of international tourist dollars.

However, it's a more mixed picture in terms of spending on household durables, with the number of households who think it's a good time to make a major purchase languishing at very low levels. Rather than signalling a reluctance to spend, we suspect this might reflect concerns about the availability of many consumer goods, with disruptions to global supply chains continuing to be felt on local shop floors. That's been a major hurdle that many businesses have been highlighting, while those retailers who have been able to source stocks have actually reported solid levels of sales.

Spending appetites



Confidence split across age groups.

While overall economic confidence is on the rise, there are still some big differences across age groups. Notably, while confidence among those aged over 30 is now back around average levels, those aged 18 to 29 are still very downbeat about the economic landscape.

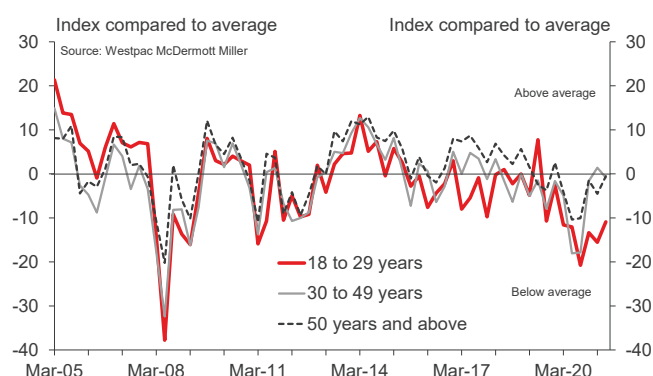
Compared to other age groups, a larger number of young New Zealanders told us that their financial position has deteriorated over the past year. Younger New Zealanders are also more concerned about the economy's longer-term trajectory.

One factor that may have influenced this split in confidence are the ongoing restrictions on overseas travel. For many talented young New Zealanders, living abroad is a rite of passage and is often a vital steppingstone in their careers. However, lingering health concerns mean that in many cases, the traditional kiwi OE is off the cards for the foreseeable future.

The other big factor that may be contributing to the split in confidence across age groups – and a perennial concern for the New Zealand economy – is the state of the housing market. There's been a suite of new housing market policies announced by the Government in recent months. However, at this stage housing demand has remained fairly resilient, and house prices have continued to rise at a rapid pace.

New Zealanders hold a lot of their wealth in housing assets, and recent price gains are likely to have left many households feeling more optimistic about how their personal financial position is shaping up. But of course, not all households are homeowners. And with rapid and continuing house price increases in recent years, housing affordability is becoming an increasing hurdle for many families. That may be one reason why confidence among older New Zealanders (who are more likely to be homeowners) has bounced back faster in recent months.

Consumer confidence by age group



Consumer confidence by region.

Consumer confidence remains below average in most parts of the country. However, it has been on the rise in many regions, including Auckland (now officially the most liveable city in the world!) and Canterbury.

Wellington remains the most confident region in the country.

Our upcoming Regional Economic Confidence report (out Tuesday 29 June) will take a closer look at conditions across the country.

Consumer confidence by region

	Jun-21	Mar-21	Change
Northland	101.0	109.3	-8.3
Auckland	108.6	103.9	4.7
Waikato	105.2	101.6	3.6
Bay of Plenty	103.4	98.8	4.6
Gisborne/Hawke's Bay	102.6	106.6	-4
Taranaki/Manawatu-Whanganui	98.3	113	-14.7
Wellington	113.1	116.2	-3.1
Nelson/Marlborough/West Coast	109.3	101.8	7.5
Canterbury	109.5	99.9	9.6
Otago	104.6	104.8	-0.2
Southland	110.1	107.3	2.8
Nationwide	107.1	105.2	1.9

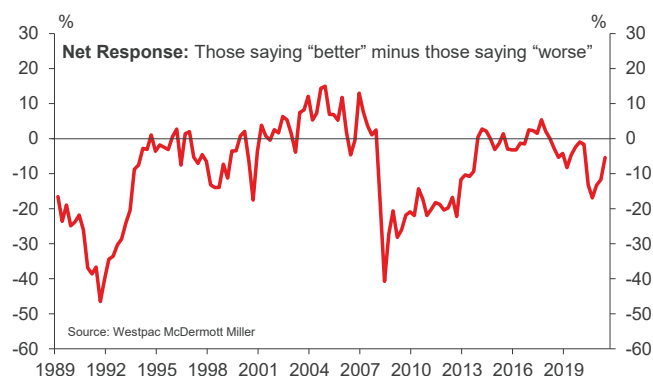
Survey description.

The Westpac McDermott Miller Consumer Confidence Index summarises the net balance of optimistic/pessimistic responses to five questions: how households' financial situation has changed over the past year; whether now is a good time to buy a major household item; how households expect their financial situation to change over the coming year; and near term and longer-term prospects for the New Zealand economy as a whole.

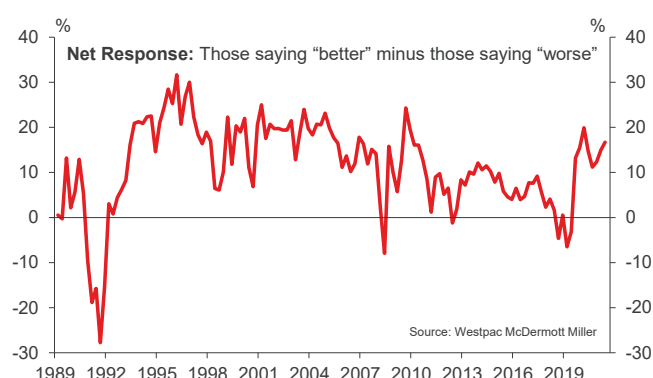
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes questions on respondents' spending on entertainment and eating out, and on what they would do with a \$10,000 windfall.

Survey interviews were conducted over the period 1-12 June. The sample size was 1,555.

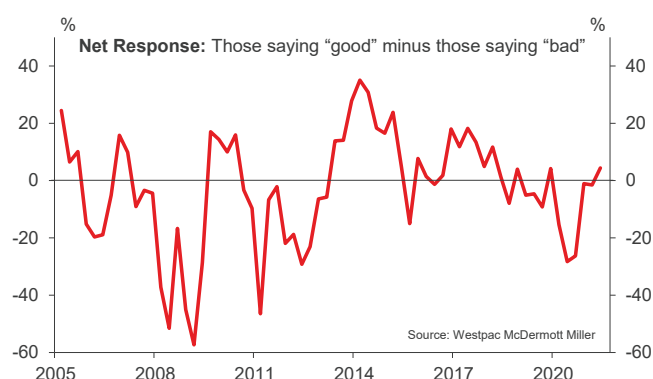
Are you better or worse off financially than a year ago?



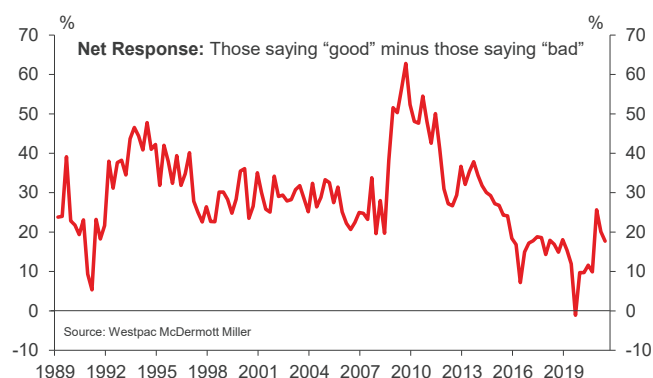
Do you expect to be better or worse off financially in a year's time?



Do you expect good or bad economic times over the next 12 months in NZ?



Do you expect good or bad economic times over the next 5 years in NZ?



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