Still a spring in our step

September quarter Westpac McDermott Miller Consumer Confidence Index: Down 1 point to 112.4

19 September 2017

- Consumer confidence edged down in September, but remains at firm levels.
- Households are still in the mood to spend, though their tastes have been changing.
- Paying down debt still not a big priority for households.

Consumer confidence indices

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<th>Sep-17</th>
<th>Jun-17</th>
<th>Change</th>
<th>Average</th>
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<tr>
<td>Consumer confidence</td>
<td>112.4</td>
<td>113.4</td>
<td>-1.0</td>
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<tr>
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<td>110.5</td>
<td>1.8</td>
<td>108.6</td>
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</table>

Confidence has edged down, but remains at firm levels

While consumer confidence has eased a little, households remain in good spirits.

The Westpac McDermott Miller Consumer Confidence softened to a level of 112.4 in September, down from 113.4 last quarter. Given normal quarter-to-quarter volatility, that’s a fairly small fall. And following gains earlier in the year, household confidence remains at firm levels.

The slight fall in confidence this quarter was mainly due a little less optimism about the economic outlook over the next year. That may reflect concerns about the continuing slowdown in the housing market.

But while households may be a little less optimistic, they’re certainly not pessimistic. In fact, the proportion of households reporting that they are in better shape financially than they were last year is at its highest level in a decade.

Changing appetites

With confidence still at firm levels, households remain in the mood to spend, especially on leisure activities like dining out. In fact, the number of households who reported that they have increased spending on entertainment is at its highest level in since 2007.

But while consumers are spending more on services, it’s quite a different picture when we look at their spending on goods. The number of households who think now is a good time to purchase a major household item nudged down again in September, taking it to a five year low. That’s despite softness in the prices of many household furnishings.

This reluctance to spend on big-ticket household items is likely due to the slowdown in the housing market. Households will often purchase new furnishings when moving home. However, house sales have fallen more than 20% over the past year, and house price growth has essentially stalled.
Debt levels still not front of brain for most households

Paying down debt doesn’t appear to be a major concern for households right now. Each quarter, we ask households what they would do if they received a windfall of $10,000. And the number of households who said they would use these funds for savings or paying down debt has been hovering at very low levels for some time. That is despite the continued rise in household debt levels in recent years. This will be an important area to watch over the coming year with regards both to household confidence and spending. Relative to disposable incomes, debt levels are now at record highs, with much of this leveraged against housing assets. And with the housing market slowing, this could have an important impact on households’ financial health over the coming years.

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 – 10 September 2017. The sample size was 1553.

Satish Ranchhod
Senior Economist
Are you better or worse off financially than a year ago?

Net Response: Those saying "better" minus those saying "worse".

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

Net Response: Those saying "good" minus those saying "bad".

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

Net Response: Those saying "good" minus those saying "bad".

Is this a good or bad time to buy a major household item?

Net Response: Those saying "good" minus those saying "bad".

Present and expected conditions

Index

Present conditions index

Expected conditions index
Any questions email: Paul Clark, Shyamal Maharaj, Satish Ranchhod, Michael Gordon, Paul Clark, Industry Economist +64 9 336 5656

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Contact the Westpac economics team

Dominick Stephens, Chief Economist +64 9 336 5671
Michael Gordon, Senior Economist +64 9 336 5670
Satish Ranchhod, Senior Economist +64 9 336 5668
Shyamal Maharaj, Economist +64 9 336 5669
Paul Clark, Industry Economist +64 9 336 5656
Any questions email: economics@westpac.co.nz

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