

Westpac McDermott Miller Consumer Confidence.

15 December 2020



Consumer confidence up 10.9 points to 106 in December.

- After falling sharply in the wake of the Covid outbreak, consumer confidence has rebounded in December.
- With the recovery in activity gaining traction, New Zealand households are feeling more upbeat about the economic outlook.
- Spending appetites have also picked up as we head into the holiday season, with a strong lift in spending on entertainment activities.

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Consumer confidence indices

	Dec-20	Sep-20	Change	Average
Consumer Confidence Index	106.0	95.1	10.9	110.8
Present Conditions Index	96.5	90.3	6.2	108.3
Expected Conditions Index	112.7	98.3	14.4	112.4
Current financial situation	-14.0	-16.9	2.9	-8.5
Expected financial situation	13.0	11.2	1.8	11.4
1-year economic outlook	-1.0	-26.3	25.3	-2.9
5-year economic outlook	26.0	9.9	16.1	28.8
'Good time to buy'	7.0	-2.5	9.5	25.1

Consumer confidence



It's the most wonderful time of the year.

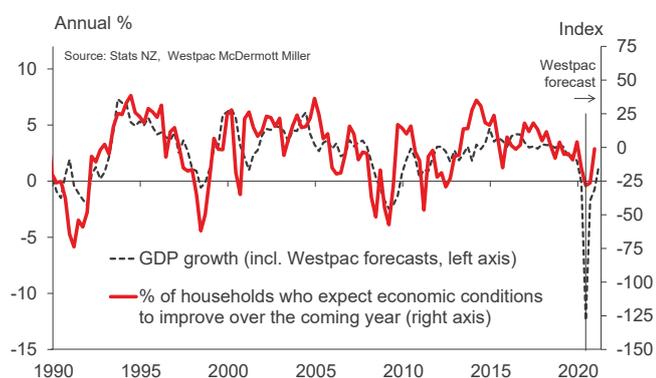
As 2020 draws to a close, New Zealand households have regained their festive spirit. The Westpac McDermott Miller Consumer Confidence Index rose 10.9 points in December to a level of 106. While that rise still leaves confidence a little below its long run average, it's reversed the falls that we saw earlier in 2020 in the wake of the Covid-outbreak.



But this isn't just a case of holiday related cheer. In fact, looking back over history, confidence is just as likely to fall as it is to rise in December.

Underlying the lift in household sentiment has been increasing optimism around the economic outlook. Since our last survey in September, domestic economic activity has rebounded and we're seeing signs of growing momentum as we head into the new year. Most importantly, recent weeks have also seen increasingly positive news regarding vaccines. Together, those developments have left households feeling much more optimistic about the state of the economy over the next few years. New Zealanders are also feeling more secure about their personal financial position.

Expectations for economic activity and GDP growth



Another big factor that's likely to have affected household confidence is the strength of the housing market. Mortgage rates have fallen to record levels in recent months and house prices have been rising at a rapid pace across the country. New Zealanders hold a lot of their wealth in housing assets, be that the family home or some form of investment property. Consequently, recent price increases are likely to have left many households feeling more optimistic about how their personal financial position is shaping up.

Of course, not all households are homeowners, and housing affordability remains a big concern for a lot of families. That may be one reason why, even though confidence is up among all groups, the rise is most pronounced among those households on higher incomes who are more likely to be homeowners.

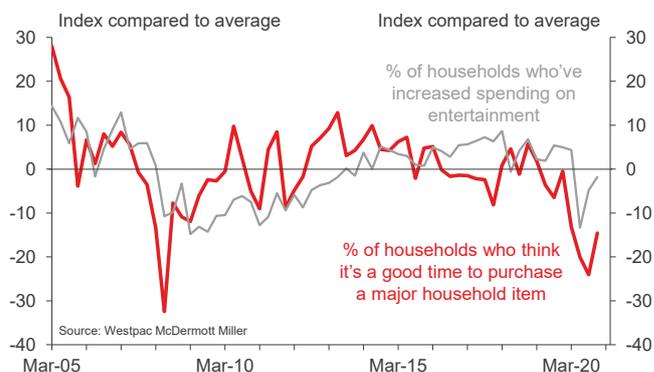
Tis' the season!

Spending appetites are also on the up as we head into the holiday season. Notably, there has been a sharp rise in spending on dining out and entertainment. After a tough year, many New Zealanders are in the mood to hit the town or catch up with friends and family. Plus, with overseas holidays still off the cards, many families are taking the opportunity to head out and explore the country.

It's more of a mixed picture when it comes to spending on durables. Over the past few months, we've seen households spending up on furnishings and other household items.

However, when we asked about their spending plans, the number of households who thought it's a good time to make a major purchase actually remained quite low in December. But rather than signalling a reluctance to spend, we suspect this might reflect concerns about the availability of many consumer goods, with widespread reports about shipping delays in recent weeks.

Spending appetites



Oh come all ye faithful!

Consumer confidence has picked up across all parts of the country, with particularly large increases in Gisborne/Hawke's Bay, Auckland and Wellington. However, digging under the surface we are seeing some differences across household groups.

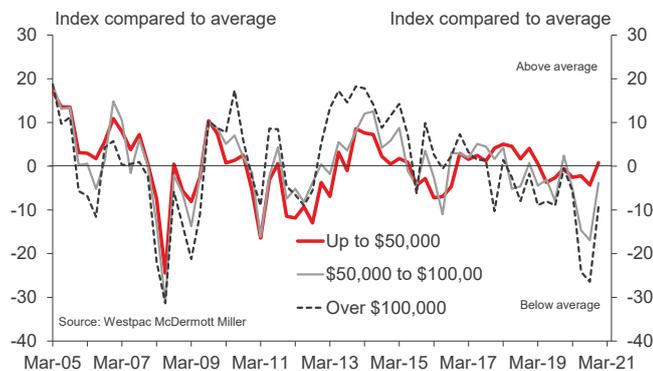
Consumer confidence by region

	Dec-20	Sep-20	Change
Northland	106.3	100.0	6.3
Auckland	106.9	91.6	15.3
Waikato	103.8	97.0	6.8
Bay of Plenty	107.4	102.6	4.8
Gisborne/Hawke's Bay	116.6	95.5	21.1
Taranaki/Manawatu-Whanganui	106.2	98.1	8.1
Wellington	108.5	95.4	13.1
Nelson/Marlborough/West Coast	110.4	100.1	10.3
Canterbury	100.4	95.5	4.9
Otago	99.0	91.9	7.1
Southland	104.4	92.7	11.7
Nationwide	106.0	95.1	10.9

Looking across age groups, confidence remains lower among young New Zealanders (those aged 18 to 29). Compared to other age groups, more young New Zealanders are reporting that their financial position has deteriorated over the past year. They are also less optimistic that their finances will improve over 2021. Younger New Zealanders are more likely to be employed in sectors like hospitality, which has struggled in the wake of the Covid outbreak. Younger New Zealanders are also less likely to own their own home.

Looking across income brackets, those earning over \$50,000 per annum reported a large increase in confidence this quarter. However, those same households reported larger drops earlier in the year and they remain nervous about the outlook for the economy over the coming years. In contrast, confidence among those earning less than \$50,000 per annum has remained broadly steady.

Consumer confidence by income bracket



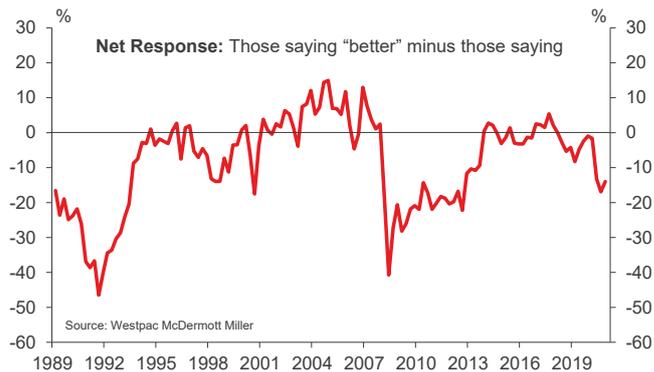
Survey description.

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.

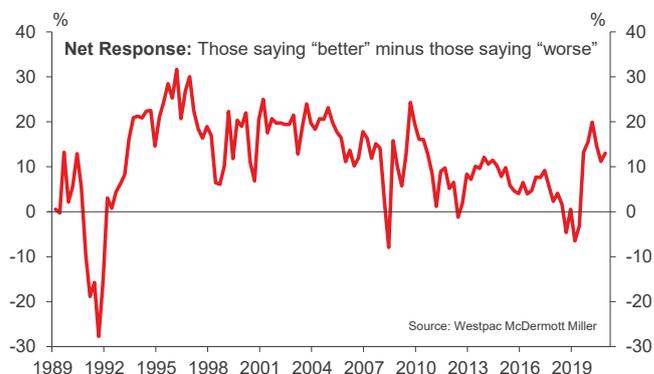
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes 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 December. The sample size was 1,553.

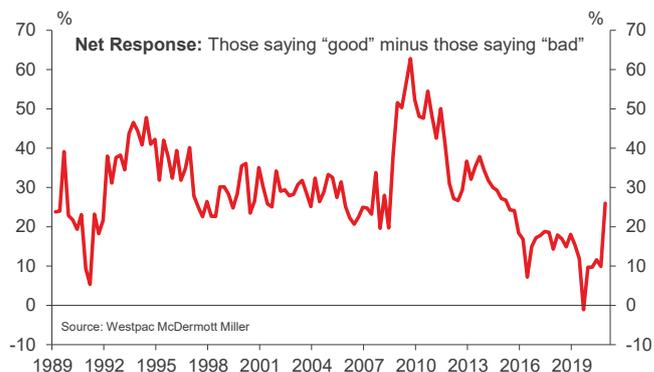
Are you better or worse off financially than a year ago?



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 5 years in NZ?



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