

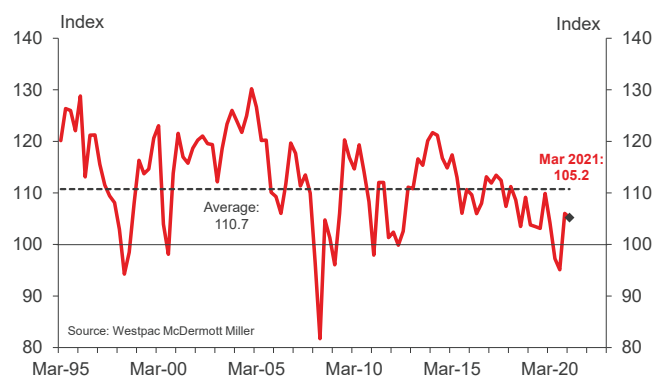
Westpac McDermott Miller Consumer Confidence.

22 March 2021

Consumer confidence down 0.8 points to 105.2 in March.

- Consumer confidence edged back in the March quarter and remains at below average levels.
- While households are feeling more secure about their personal financial situation, they are continuing to highlight concerns about the economy's longer run trajectory.
- There are big differences in confidence levels across age groups. Notably, many younger New Zealanders are highlighting concerns about their financial situation.

Consumer confidence



Consumer confidence indices

	Mar-21	Dec-20	Change	Average
Consumer Confidence Index	105.2	106.0	-0.8	109.9
Present Conditions Index	96.2	96.6	-0.4	107.4
Expected Conditions Index	111.2	112.3	-1.1	111.6
Current financial situation	-11.7	-13.3	1.6	-8.5
Expected financial situation	15.0	12.3	2.7	11.3
1-year economic outlook	-1.6	-1.1	-0.5	-2.9
5-year economic outlook	20.1	25.7	-5.6	28.5
'Good time to buy'	4.2	6.5	-2.3	24.8

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The good, the bad and the virus.

While the New Zealand economy is getting back on firmer footing, many households are still concerned about the economic backdrop. Those concerns were reflected in the latest Westpac McDermott Miller Consumer Confidence Index which slipped 0.8 percentage points in the March quarter to a level of 105.2. That leaves consumer confidence sitting at below average levels.

This ongoing nervousness among households isn't surprising. Our latest survey actually took place early in March, when Covid-related restrictions on activity had been dialled up again. That's likely to have dampened some households' spirits, especially in Auckland and in traditional tourism hot spots.

But even before the recent flare up in infections, New Zealand was wrestling with some big challenges. Although the economy as a whole has weathered the Covid storm fairly well, there's been ongoing weakness in industries that are closely linked to the international border (like hospitality). We've also seen unemployment creep higher over the past



year. Against this backdrop, we're continuing to hear concerns about the economy's longer-term trajectory.

However, while there are still some dark clouds lingering on the economic horizon, many New Zealand households are feeling more optimistic about their personal financial situation and expect their finances will improve over the coming year.

Talkin' bout my generation.

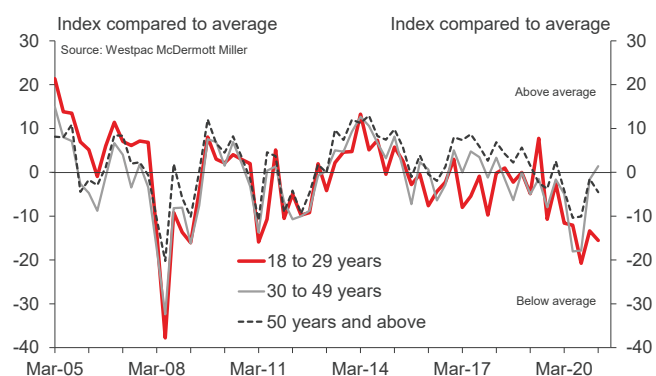
Digging under the surface, there are some big differences in confidence levels across household groups. Notably, confidence is much lower among younger New Zealanders (those aged 18 to 29) than it is in other age brackets. Compared to their older cohorts, more young New Zealanders reported that their financial position has deteriorated over the past year. They are also less optimistic about the outlook for their finances over 2021.

One big factor that's likely to have influenced this split in confidence across age groups is the strength of the housing market. Mortgage rates have fallen to record lows 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.

But of course, not all households are homeowners. Housing affordability is a big concern, especially for many young families. That may be one reason why confidence is higher among older New Zealanders who are more likely to be homeowners.

The state of the labour market may also be playing a role in the split in confidence levels. Younger New Zealanders are more likely to be employed in sectors like hospitality, which have struggled in the wake of the Covid outbreak.

Consumer confidence by age group



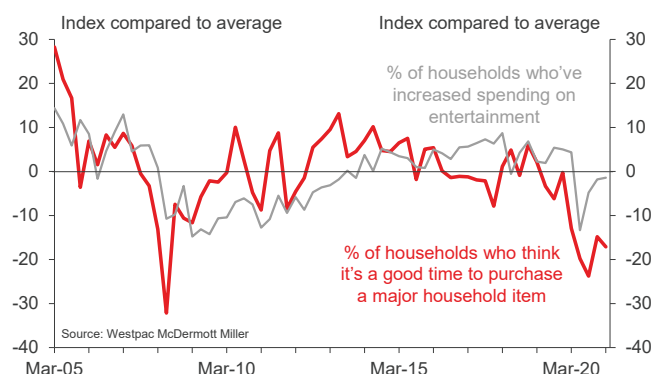
The money or the bag?

Turning to households' spending appetites, the early part of 2021 has seen a further lift in spending on dining out and entertainment activities, especially in major urban centres. That will be welcome news for many businesses in the

hospitality sector who are continuing to struggle with the loss of international tourist dollars.

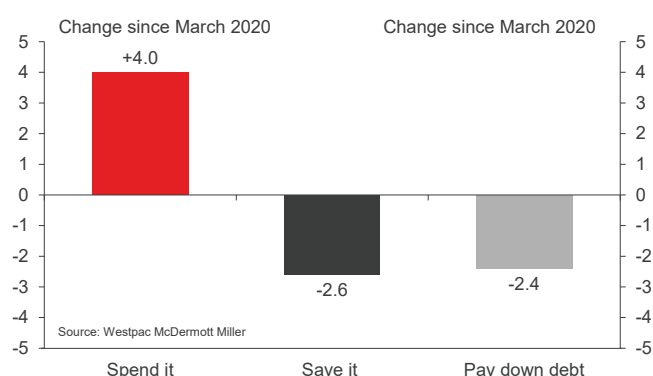
It's a more mixed picture in terms of spending on household durables. Since exiting lockdown, New Zealanders have been spending up on furnishings and other household items. However, our latest survey raises some questions about how long this will continue. The proportion of people who think it's a good time to make a major purchase fell in the March quarter and remains at very low levels. But 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 in local stores.

Spending appetites



One major factor that's helped to support households spending appetites since the outbreak has been the low level of interest rates. Each quarter we ask households what they would do with a \$10,000 windfall. Compared to our survey in March of last year (which predated the Alert Level 4 lockdown), the proportion of households who said they would save it or use it to pay down debt has dropped back. Conversely, the numbers who said they would spend a cash windfall has trended higher.

How would you spend a \$10,000 cash windfall?



Consumer confidence by region.

Consumer confidence remains below average in most parts of the country. Confidence is particularly low in Auckland, the Bay of Plenty and Canterbury.

The most upbeat region in the country is Wellington, which is less exposed to the downturn in international tourism. The stability of the government sector is also helping to support employment in the capital, while house prices are continuing to charge higher. Households in Taranaki/Manawatu-Whanganui are also feeling fairly optimistic. In part, that's likely to reflect the recent firmness in prices for the region's major commodity exports, including dairy products.

Our upcoming Regional Economic Confidence report (out Wednesday 31 March) will take a closer look at conditions across the country.

Consumer confidence by region

	Mar-21	Dec-20	Change
Northland	109.3	106.3	3
Auckland	103.9	106.9	-3
Waikato	101.6	103.8	-2
Bay of Plenty	98.8	107.4	-9
Gisborne/Hawke's Bay	106.6	116.6	-10
Taranaki/Manawatu-Whanganui	113.0	106.2	7
Wellington	116.2	108.5	8
Nelson/Marlborough/West Coast	101.8	110.4	-9
Canterbury	99.9	100.4	-1
Otago	104.8	99.0	6
Southland	107.3	104.4	3
Nationwide	105.2	106.0	-1

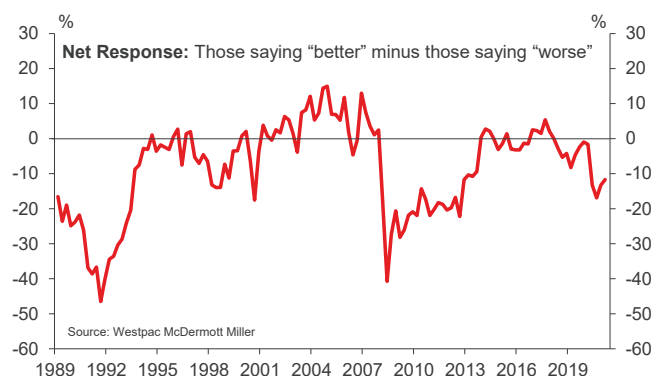
Survey description.

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.

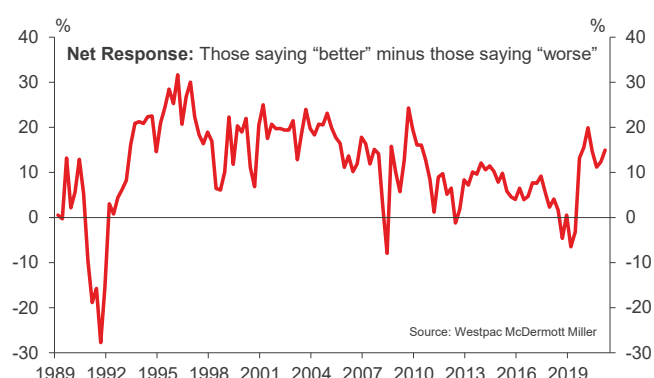
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes 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 1-11 March. The sample size was 1,557.

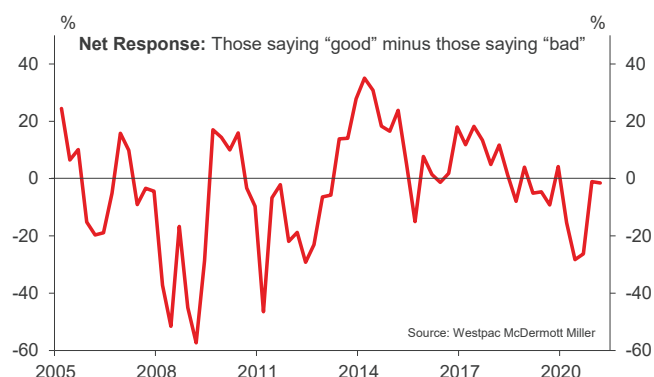
Are you better or worse off financially than a year ago?



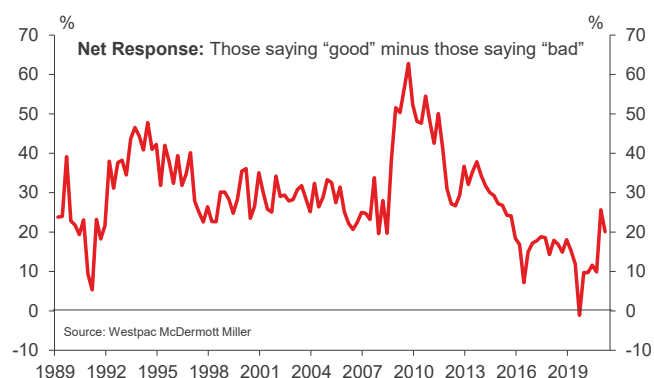
Do you expect to be better or worse off financially in a year's time?



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



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



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