

WESTPAC MCDERMOTT MILLER CONSUMER CONFIDENCE

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Household confidence down as financial pressures bite.

- The 'squeeze' on households' finances is continuing, with further increases in living costs and mortgage payments.
- In the face of those pressures, the Westpac McDermott Miller Consumer Confidence Index fell 2.9 points in September to 80.2, leaving it close to the lows we've seen over most of the past year.
- With confidence at low levels, households have been winding back their spending. We expect spending will remain soft as we head in to the new year.
- Confidence is at low levels across all age groups, income brackets and regions.

Consumer confidence indices

	Sep-23	Jun-23	Change	Average
Consumer Confidence Index	80.2	83.1	-2.9	109.2
Present Conditions Index	69.5	74.6	-5.1	106.4
Expected Conditions Index	87.4	88.8	-1.4	111.0
Current financial situation	-37.5	-29.1	-8.4	-9.5
Expected financial situation	-5.8	-0.3	-5.5	10.7
1-year economic outlook	-29.8	-31.6	1.8	-4.4
5-year economic outlook	-2.3	-1.8	-0.5	26.8
'Good time to buy'	-23.5	-21.7	-1.8	22.2

Consumer Confidence



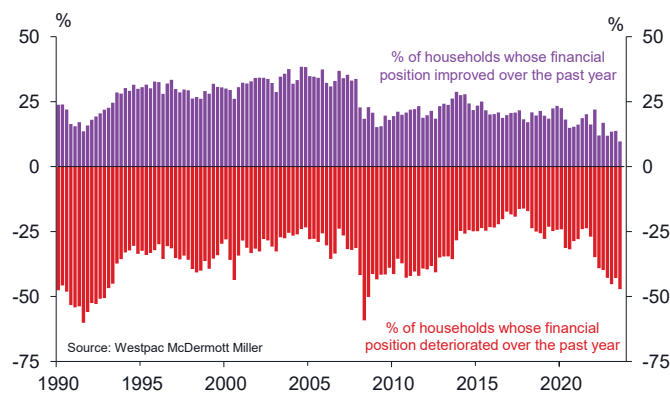
Spring is in the air. The weather is improving. And... well... it turns out most of us are still feeling pretty gloomy. The Westpac McDermott Miller Consumer Confidence Index fell 2.9 points in September, dropping to a level of 80.2. That's well

below average, and signals that the number of New Zealand households who are pessimistic about the economic landscape continues to outweigh those who are optimistic by a wide margin.

Looking at what drove September's drop in consumer confidence, financial pressures remain front of mind for New Zealand households. Just 10% of the households we spoke to in September said they had seen their financial position improve in the past year. That's the lowest result we've seen in the 35 years the survey has been running. Conversely, nearly half of households (47%) told us that their financial position had deteriorated in the past year.

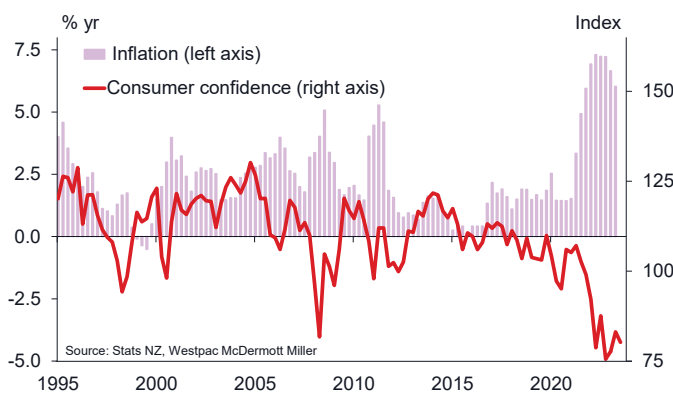
And it's not just current economic conditions that are worrying households. Most households also expect economic conditions - including their own financial position - will get worse over the year ahead.

What's happened to households' finances?



The pressure on households' finances has been coming on two big fronts: first, living costs continue to rise strongly with consumer prices up 6% over the past year; and second, mortgage costs are continuing to rise.

Consumer Confidence vs. consumer price inflation



In terms of cost increases, many families have been especially hard hit by the large increases in the prices of necessities. For example, food prices were up nearly 9% in the year to August, new rents were up 4-7% annually around the country, and the price of 91-unleaded has again risen over \$3/ltr.

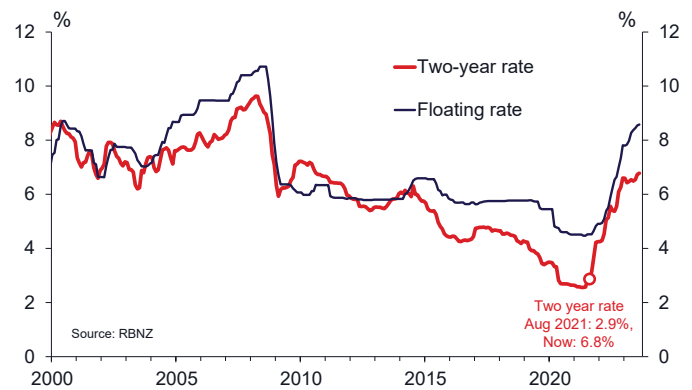
While inflation has slowed modestly from the eye-watering peak of over 7% last year, it is not 'low' by any stretch of the

imagination. Furthermore, price pressures look set to ease only gradually. Hence, the pressure on households' spending power will continue for some time yet.

For households with mortgages, large increases in mortgage interest costs are adding to the pressure as borrowers roll off the low fixed interest rates that were available in recent years. For some borrowers, their mortgage interest rate has risen by 2 to 3 percentage points, adding hundreds of dollars to their monthly interest payments.

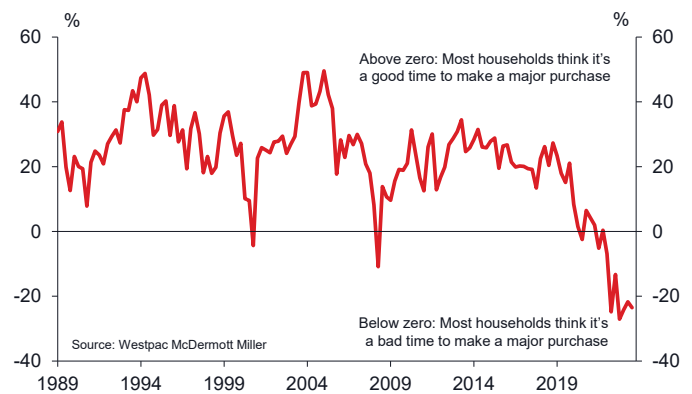
Importantly, around 50% of fixed rate mortgages will come up for repricing over the coming year. That means for many households there is still a big rise in debt servicing costs on the horizon.

Mortgage interest rates



Those mounting financial pressures and the related low level of consumer confidence has seen households winding back their spending on activities like dining out. In addition, the number of households who think it's a good time to make a major purchase remains close to record lows. We expect the financial headwinds that are buffeting households will continue into the new year, pointing to ongoing softness in spending.

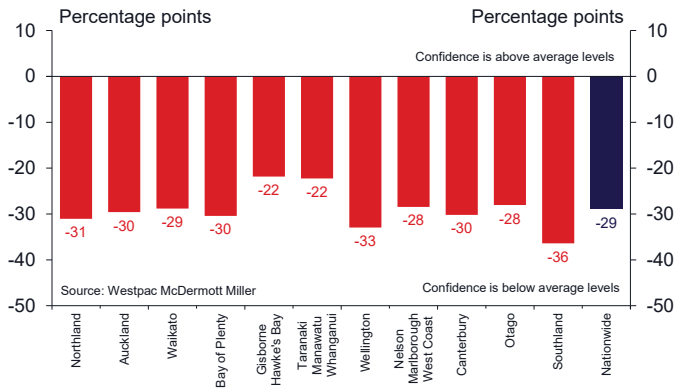
Is this a good or bad time to buy a major household item?



Same-same: confidence low right across the country.

Consumer confidence remains low in every part of the country, and across all age and income brackets highlighting that higher living costs and interest rates are being felt in every corner of the country.

Consumer confidence by region (compared to average)



Looking across the country, confidence has fallen in most areas, with sizeable falls in Southland, the Bay of Plenty and the Waikato. For many households and businesses in those regions, recent falls in global commodity prices are likely adding to the gloom and will likely have a flow-on to spending in rural centres.

Confidence in Nelson, Marlborough and the West Coast did take a step higher in September (although it remains low). In addition to the continuing recovery in the tourism sector, Nelson’s labour market remains in good shape with unemployment of just 3%. The region’s housing market has also held up better than many other parts of the country.

Confidence has also lifted slightly in some central North Island regions like the Hawke’s Bay and Gisborne. However, that follows sharp falls in the wake of January and February’s devastating storms and still leaves confidence in these regions at low levels. Many households, farmers and other businesses in the affected regions are still dealing with ongoing disruptions to their day-to-day activities, as well as a long reconstruction process.

Consumer confidence by region

	Sep-23	Jun-23	Average
Northland	74.7	74.5	105.7
Auckland	82.9	84.0	112.5
Waikato	78.0	82.5	106.8
Bay of Plenty	77.2	86.1	107.6
Gisborne/Hawke's Bay	84.7	83.2	106.6
Taranaki/Manawatu-Whanganui	83.5	83.8	105.7
Wellington	79.0	92.8	112.0
Nelson/Marlborough/West Coast	77.0	69.4	105.4
Canterbury	79.2	78.9	109.4
Otago	78.3	82.3	106.4
Southland	69.5	77.4	105.9
Nationwide	80.2	83.1	109.2

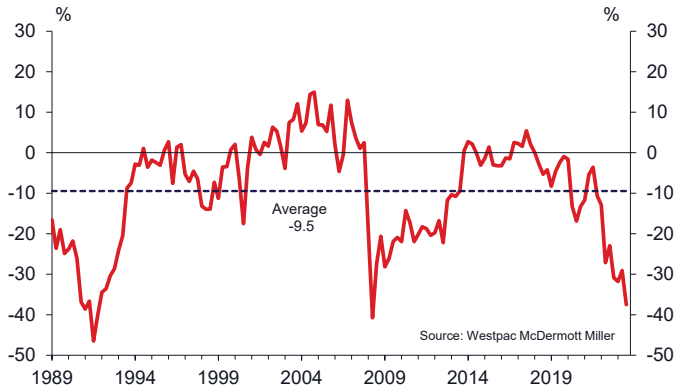
Survey description.

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.

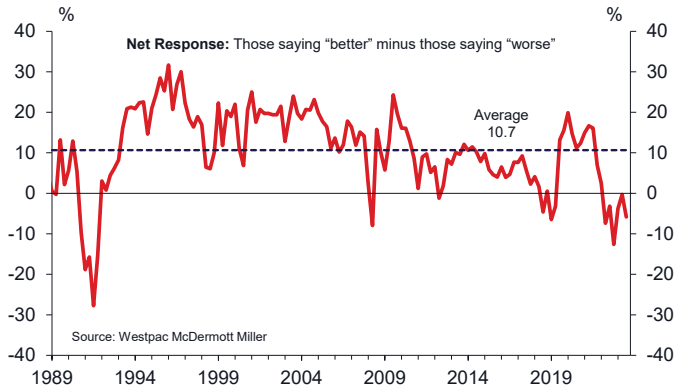
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes 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 1-13 September 2023. The sample size was 1,551.

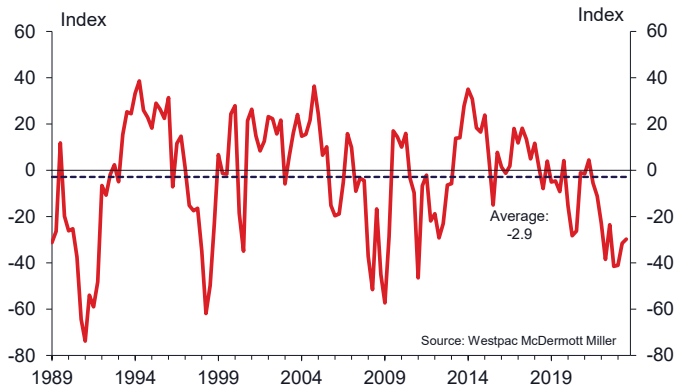
Are you better or worse off financially than a year ago?



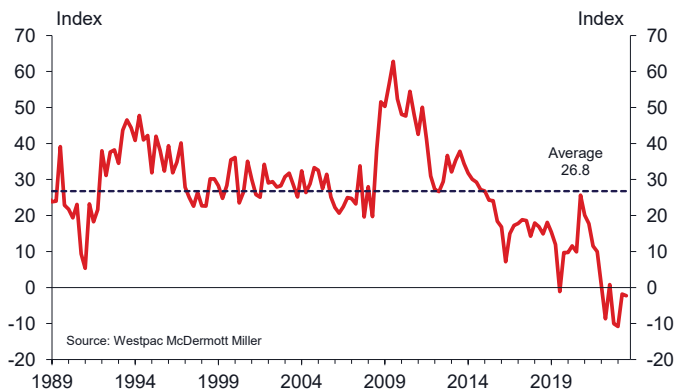
Do you expect to be better or worse off financially in a year's time?



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



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



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