



ECONOMIC BULLETIN

Westpac McDermott Miller Consumer Confidence, December quarter 2023.



18 Dec 2023 | **Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | satish.ranchhod@westpac.co.nz

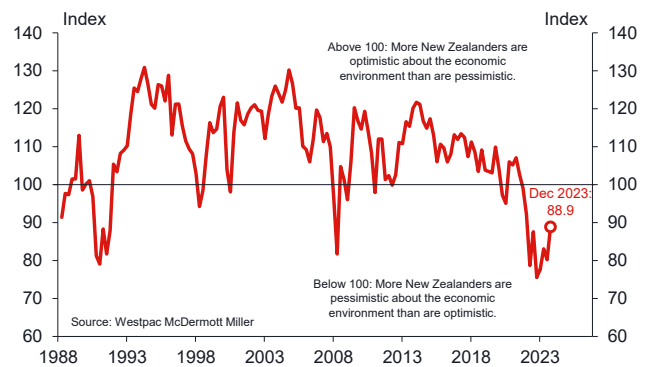
Just a little bit of holiday cheer

- While still low, consumer confidence has picked up, with the Westpac McDermott Miller Consumer Confidence Index rising 8.7 points to 88.9 in December.
- Households are feeling less pessimistic about the outlook for economic activity and their own finances.
- But while confidence has picked up, households aren't throwing their wallets open. Spending appetites remain weak going into the holiday shopping season.

Consumer confidence indices

	Dec-23	Sep-23	Change	Avg.
Consumer Confidence Index	88.9	80.2	8.7	109.0
Present Conditions Index	77.1	69.5	7.6	106.2
Expected Conditions Index	96.7	87.4	9.3	110.9
Current financial situation	-28.4	-37.5	9.1	-9.6
Expected financial situation	5.8	-5.8	11.6	10.6
1-year economic outlook	-17.0	-29.8	12.8	-4.5
5-year economic outlook	1.3	-2.3	3.6	26.6
'Good time to buy'	-17.4	-23.5	6.1	21.9

Consumer Confidence

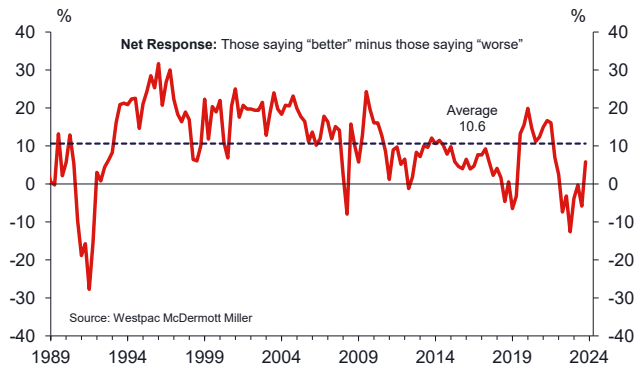


The holiday season is upon us. The weather is warming up. Champagne corks are popping. And New Zealand households are starting to feel more upbeat – or at least less pessimistic – about the economic outlook.

The Westpac McDermott Miller Consumer Confidence Index rose 8.7 points in December, taking it to a level of 88.9. That's still well below average, with many more New Zealanders feeling pessimistic about economic conditions than those who feel optimistic. However, the rise in the index in recent months is an encouraging sign, with confidence now at its highest level in nearly two years.

Underpinning the increase in consumer confidence has been a rise in the number of New Zealanders who expect that economic conditions will strengthen over the coming year. And it's not just the general economic outlook which is expected to improve. A growing number of households have also told us that their personal financial position has been improving and they expect that their finances will continue to strengthen over 2024.

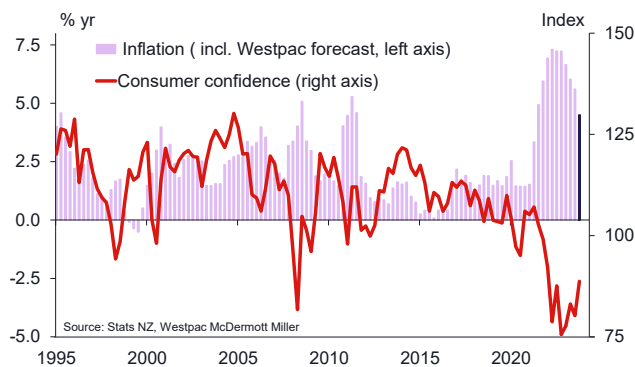
Do you expect to be better or worse off financially in a year's time?



There have been some notable changes in recent months that may have contributed to the lift in household sentiment. First has been the easing in inflation. At the start of 2023 inflation was running at close to 7%, including large increases in the cost of necessities. Twelve months on, and although we're still seeing some sizeable price rises, inflation has been cooling. Importantly, the past few months have seen prices for food easing, as well as a sharp drop in petrol prices. That will be welcome news for households right across the country going into the holiday season.

Related to that easing in inflation pressures, there is a growing expectation that interest rates are at or close to their peak. In fact, we've actually seen some borrowing rates easing recently. With many households finding their finances squeezed by large increases in borrowing costs over the past couple of years, that easing in interest rate pressures will have been a relief.

Consumer Confidence vs. consumer price inflation



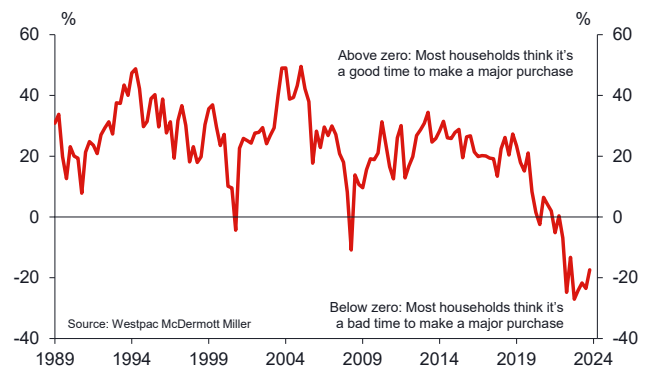
In addition to changes in economic conditions, we've also had a change in government. The new coalition

government is planning on introducing tax relief, with a focus on middle income families. Consistent with that, we've seen larger increases in confidence among those households earning between \$30,000 and \$70,000, with those on higher incomes reporting more moderate increases. However, confidence remains very low among those earning less than \$30,000 each year. That's likely to reflect the ongoing financial pressures that many families are struggling with.

Have yourself a frugal little Christmas.

But while confidence has been pushing higher, it's still low. Consistent with that, households remain cautious about their spending. The number of households who think it's a good time to make a major purchase is still lingering close to all-time lows. Similarly, households have told us that they've been cutting back their spending on leisure activities. That's consistent with anecdotes that we've been hearing from retailers about subdued spending going into the Christmas shopping season.

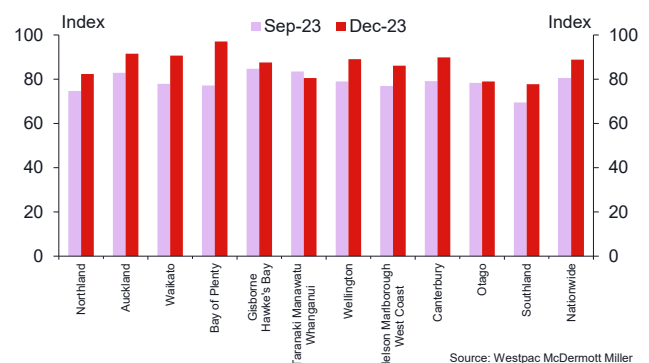
Is this a good or bad time to buy a major household item?



From North to South – confidence across the country.

Looking across the country, confidence has firmed in most regions. There have been sizeable increases in many central North Island regions like the Bay of Plenty, which are continuing their recovery from severe weather earlier in the year.

Consumer confidence by region



However, there are still some areas where confidence remains low. That includes Taranaki/Manawatu-Whanganui where the labour market has been softening and financial pressures have been weighing on household spending. We're also seeing low levels of confidence in Otago and Southland. In part, that's likely to be related to the challenging conditions that many rural communities are struggling with, including softness in some key export markets and the related weakness in commodity prices.

Consumer Confidence by region

	Dec-23	Sep-23	Average
Northland	82.4	74.7	105.6
Auckland	91.5	82.9	112.4
Waikato	90.7	78.0	106.7
Bay of Plenty	97.1	77.2	107.5
Gisborne/Hawke's Bay	87.6	84.7	106.4
Taranaki/Manawatu-Whanganui	80.6	83.5	105.6
Wellington	89.1	79.0	111.8
Nelson/Marlborough/West Coast	86.1	77.0	105.3
Canterbury	89.9	79.2	109.2
Otago	79.0	78.3	106.2
Southland	77.8	69.5	105.7
Nationwide	88.9	80.2	109.0

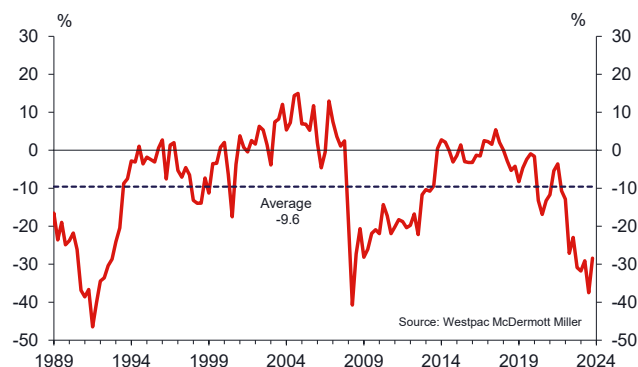
Survey description.

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.

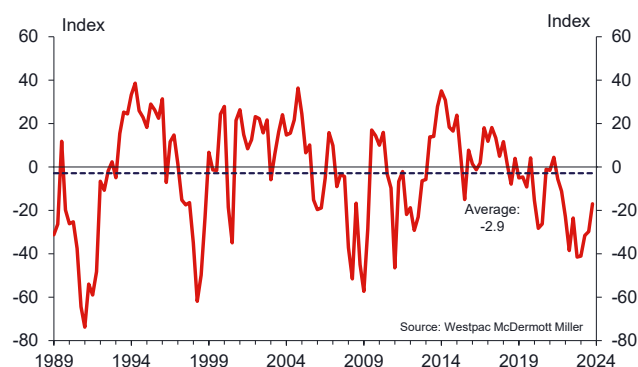
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes 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 2023. The sample size was 1,550.

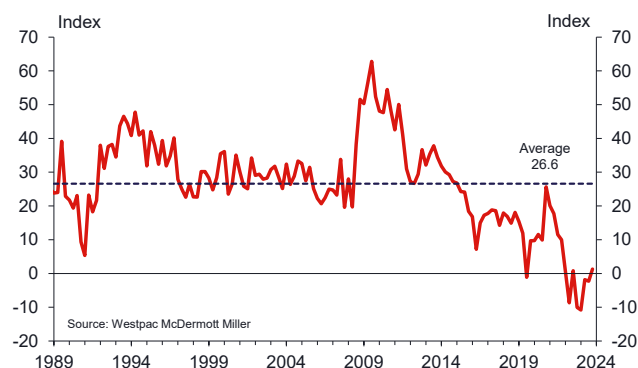
Are you better or worse off financially than a year ago?



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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