



# ECONOMIC BULLETIN

## Westpac McDermott Miller Consumer Confidence, September quarter 2024.



18 Sep 2024 | **Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | satish.ranchhod@westpac.co.nz

## A spring thaw in consumer confidence

- The Westpac McDermott Miller Consumer Confidence Index rose 9 points to 90.8 in September. Although that still leaves confidence at low levels, it looks like some of the pessimism about the outlook is starting to ease.
- New Zealand households continue to report pressure on their finances, and that has been a drag on spending.
- However, New Zealand families are starting to feel a bit more optimistic (or at least less pessimistic) about the outlook for the economy over the coming year. That reflects that the powerful financial headwinds that have buffeted households in recent years – most notably high inflation and interest rates – are now easing.

### Consumer confidence indices

	Sep-24	Jun-24	Change	Average
Consumer Confidence Index	90.8	82.2	8.6	108.6
Present Conditions Index	78.2	74.4	3.8	105.6
Expected Conditions Index	99.1	87.3	11.8	110.6
Current financial situation	-24.8	-27.8	3.0	-9.9
Expected financial situation	6.3	-3.5	9.8	10.5
1-year economic outlook	-14.9	-30.7	15.8	-4.8
5-year economic outlook	6.0	-3.8	9.8	26.1
'Good time to buy'	-18.8	-23.3	4.5	21.1

Spring is finally here! The days are getting longer. The weather is warming up. And consumer confidence has taken a (small) step higher.

The Westpac McDermott Miller Consumer Confidence Index rose 9 points in September, reversing most of the fall we saw last quarter. Confidence about the economic landscape is still low, with many households continuing to face some tough financial conditions. However, it looks like some of the pessimism about the outlook is now starting to ease.

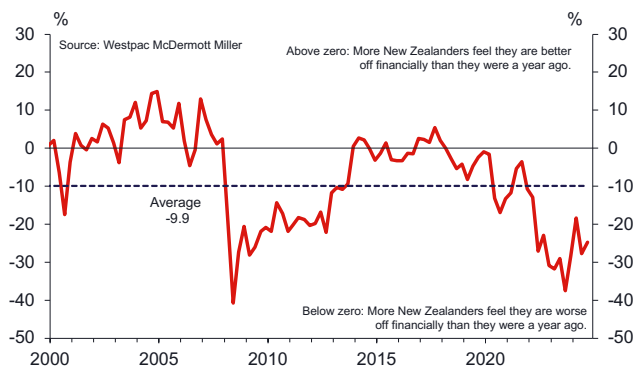
### Consumer Confidence



## Still being squeezed.

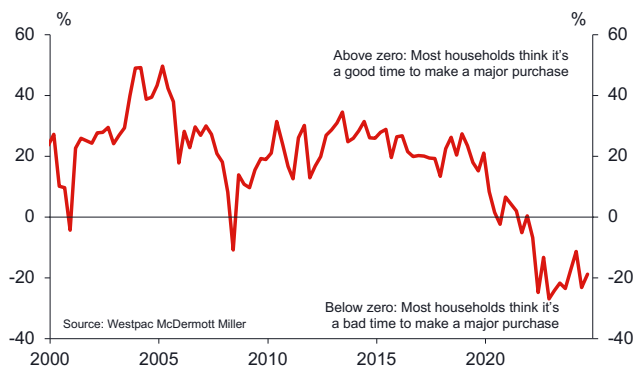
Financial pressures remain front of mind for most New Zealand families. In our recent talks with households around the country, cost of living pressures continued to be a major concern. We frequently hear angst about increases in the cost of utilities, rates and insurance, as well as a range of other financial pressures. And while recent tax cuts have provided some relief, many of us are still feeling the squeeze. Consistent with that, many more households have told us that their financial position had deteriorated over the past year than said it had improved.

### Do households feel better or worse off financially compared to a year ago?



With the ongoing pressure on their finances, the number of households who think it's a good time to make a major purchase continues to languish at low levels. That's been reflected in the sale of household durables like furnishings, which have trended down over the past year. And households aren't just winding back their spending on goods – spending on leisure activities like dining out has also taken a knock.

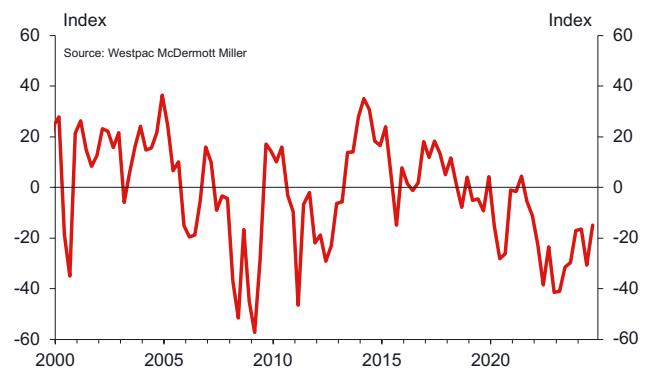
### Is this a good or bad time to buy a major household item?



## Things can only get better.

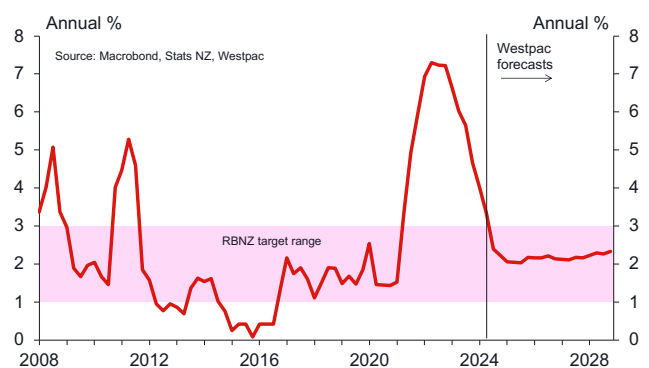
While many New Zealand families are still doing it tough, they are starting to feel a bit more optimistic (or at least less pessimistic) about the outlook for the economy over the coming year. In fact, the number of New Zealanders who expect good economic times over the coming 12 months has risen to its highest level in three years.

### Do you expect good or bad economic times over the next 12 months in NZ?

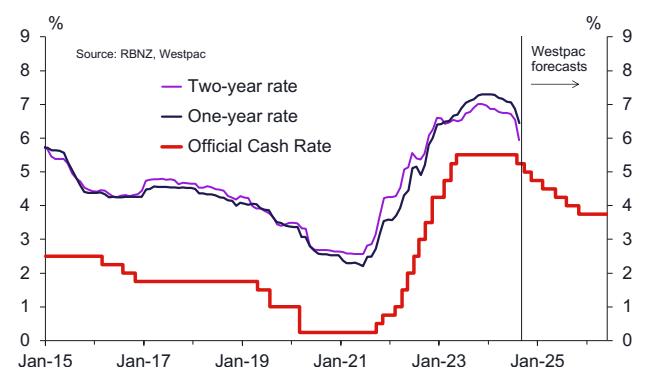


That lift in economic confidence reflects an easing in some of the powerful economic headwinds that have been buffeting households in recent years. First, inflation has fallen to its lowest level since 2021 and it's set to continue dropping back over the coming months. That's been a welcome relief for families right across the country who have seen their spending power eroded by large increases in living costs over the past few years.

### Consumer price inflation



### OCR and mortgage rates



Importantly, with inflation dropping back, borrowing costs have also started to fall. The Reserve Bank cut the Official Cash Rate 25bps in August, and we're picking a series of cuts over the year ahead. That's already passed through to reductions in mortgage rates in recent weeks. With the vast majority of New Zealand mortgages fixed for a period, it will take time for the full impact of rate reductions to flow through to households' back

pockets. Nevertheless, many families are set to see an improvement in their finances after they've faced large increases in borrowing costs over the past few years. In fact, the number of families who expect to be better off financially in 12 months' time has risen to a three year high. That's consistent with our forecast for a gradual recovery in economic activity over 2025.

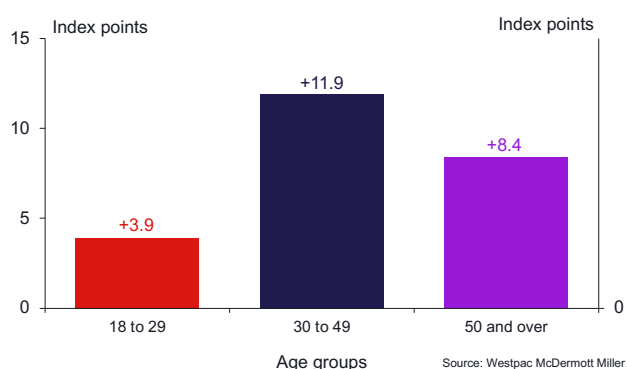
## From Cape Reinga to the Bluff.

September's rise in confidence was widespread across age groups, income brackets and regions. There were just two parts of the country where confidence didn't rise this quarter – Otago and Nelson/Marlborough/West Coast. However, even in those regions, it looks like some of the gloom we saw over the past few years is starting to ease. During our recent talks we heard comments that, although conditions weren't getting better yet, they aren't getting worse. And the easing in financial pressures had been very welcome news.

### Consumer Confidence by region

	Sep-24	Jun-24	Average
Northland	89.6	85.6	105.3
Auckland	91.4	81.0	112.0
Waikato	96.2	88.7	106.3
Bay of Plenty	88.7	77.6	107.1
Gisborne/Hawke's Bay	93.8	85.1	106.0
Taranaki/Manawatu-Whanganui	86.8	85.1	105.1
Wellington	93.1	79.3	111.3
Nelson/Marlborough/West Coast	80.1	80.3	104.8
Canterbury	93.4	82.8	108.8
Otago	80.3	82.1	105.7
Southland	88.3	76.5	105.4
Nationwide	90.8	82.2	108.6

### Change in confidence by age group



While confidence was up in all age groups, the rise was most pronounced among those aged to 30 to 49. New Zealanders in this age group are more likely to have mortgages (rather than renting or owning a home outright) and are likely to be breathing a collective sigh of relief now that interest rates are dropping back.

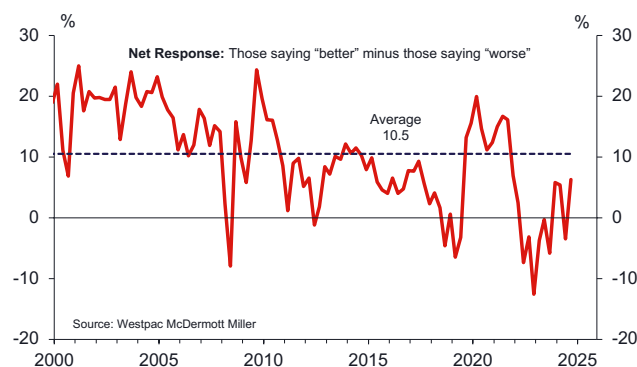
## Survey description.

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.

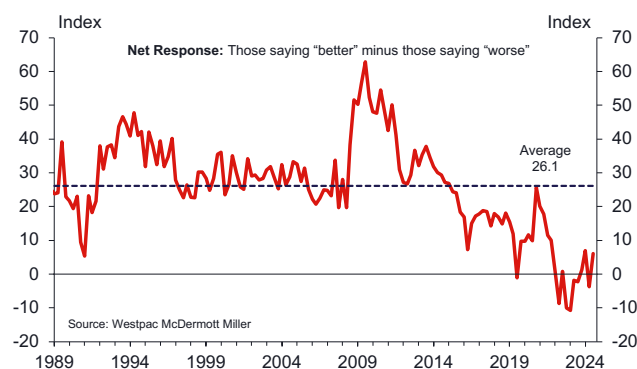
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes 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 September 2024. The sample size was 1,555.

### 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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