



ECONOMIC BULLETIN

Westpac McDermott Miller Consumer Confidence, March quarter 2024.



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

The squeezed middle feeling a little less squeezed

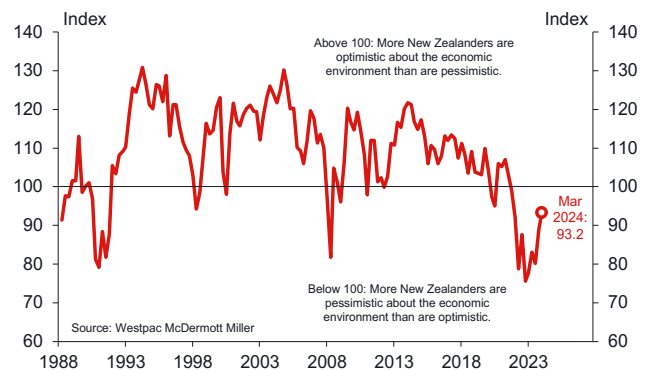
- The Westpac McDermott Miller Consumer Confidence Index rose 4.3 points to 93.2 in March. While still low, that’s the highest consumer confidence has been in more than two years.
- Households are feeling a bit more upbeat about their finances, and that has given a boost to spending appetites.
- The lift in confidence has been seen across all income groups, but is most pronounced among middle-income households.

Consumer confidence indices

	Mar-24	Dec-23	Change	Average
Consumer Confidence Index	93.2	88.9	4.3	108.2
Present Conditions Index	85.1	77.1	8.0	106.0
Expected Conditions Index	98.6	96.7	1.9	110.8
Current financial situation	-18.4	-28.4	10.0	-9.6
Expected financial situation	5.4	5.8	-0.4	10.6
1-year economic outlook	-16.4	-17.0	0.6	-4.6
5-year economic outlook	6.9	1.3	5.6	26.5
'Good time to buy'	-11.4	-17.4	6.0	21.7

New Zealand households have been feeling a bit perkier. The Westpac McDermott Miller Consumer Confidence Index rose 4.3 points in March, taking it to a level of 93.2. That’s still below the 100 level, signalling that the number of New Zealanders who are feeling pessimistic about economic conditions still outnumbers those that are feeling optimistic. However, some of households’ concerns about financial pressures are starting to ease, and that has seen confidence picking up to its highest level in more than two years.

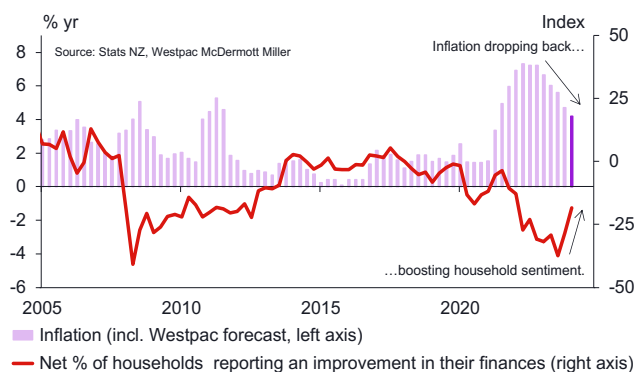
Consumer Confidence



Stepping back and looking at economic conditions more generally, one of the biggest challenges that households have been dealing with has been high inflation. In recent years, rapid increases in the prices of many consumer goods – including the costs of essentials like food and utilities – have eroded every household’s purchasing power. On top of that, many households have faced related large increases in borrowing costs.

But while inflation is still high, it’s fallen from rates of over 7% in 2022 to 4.7% at the end of last year. In addition, with that easing in inflation, it looks likely that interest rates have now peaked, with some fixed term mortgage rates dropping back in recent months. Those developments have been a welcome relief for many families across the country who are struggling with the cost of living. Consistent with that, a growing number of households have told us that their financial position has improved in recent months. There’s also been a more modest increase in the number of households who expect their financial position will improve over the coming year.

Household finances and consumer price inflation



Loosening the purse strings just a little bit.

While spending in discretionary areas remains relatively depressed, the easing in financial pressure has seen New Zealand households warming to the idea of spending more on leisure activities, like dining out. There’s also been a lift in the number of households who think it’s a good time to make a major purchase.

But while households might be toying with the idea of spending more, for now there’s still a clear degree of caution, with our gauges of spending appetites still sitting at relatively low levels. That’s consistent with the feedback we’ve heard from retailers about subdued spending. Several retailers have also reported a switch in household spending away from ‘nice to haves’ and towards necessities.

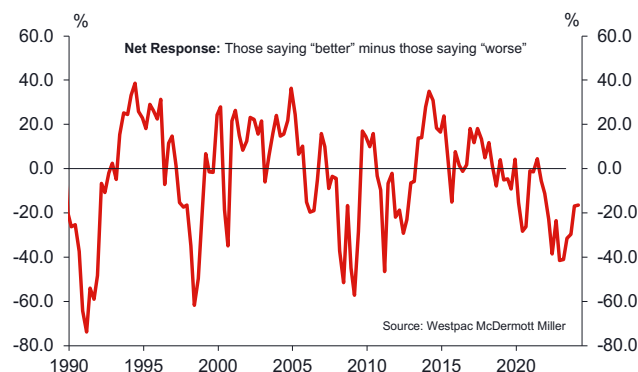
Is this a good or bad time to buy a major household item?



Still some nervousness.

As well as feeling a bit more upbeat about their personal finances, households are also feeling a little less pessimistic about the outlook for the economy more generally. Even so, there is still a high degree of nervousness about where the economy is heading, with most households continuing to expect tough economic times over the year ahead. On this front, we’ve already seen economic growth slowing sharply over the past year, and we expect that growth will remain subdued over 2024.

Do you expect good or bad economic times over the coming year?

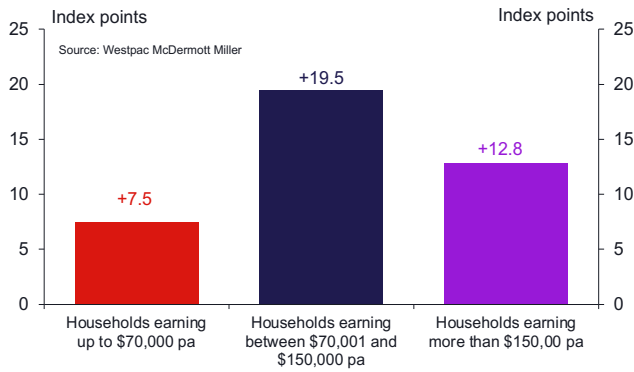


The squeezed middle feeling a little less squeezed.

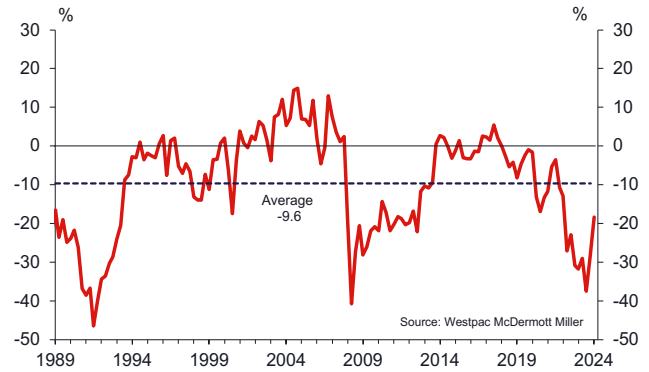
While the lift in household sentiment has been widespread, it has been more pronounced among middle-income families – those whose household earnings are between \$70,000 to \$150,000 per annum. Notably, families in this income bracket have become more optimistic about the outlook for their finances over the year ahead. They’ve also reported a larger lift in spending appetites than those in other income groups.

In part, the lift in confidence among these households may be due to signalled income tax reductions which are targeted at middle income families. Many of these households will also have mortgages, and will have welcomed the recent easing in interest rate pressures.

Change in confidence over the past year – income groups



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



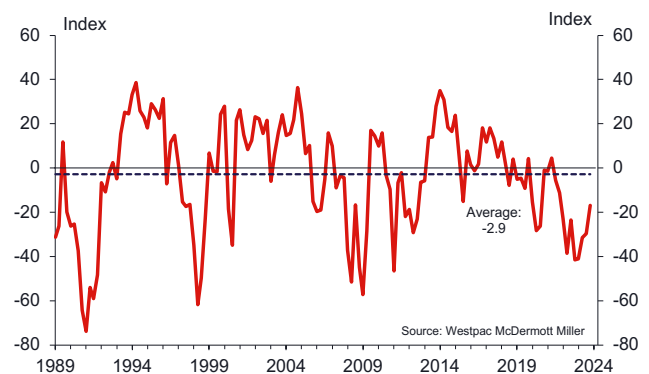
Survey description.

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.

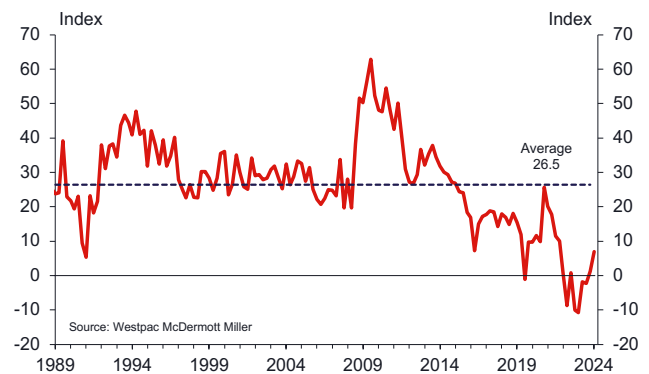
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes 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 March 2024. The sample size was 1,550.

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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