

Westpac McDermott Miller Consumer Confidence Index

Consumer confidence rise 3.8 points to 111.2 in March

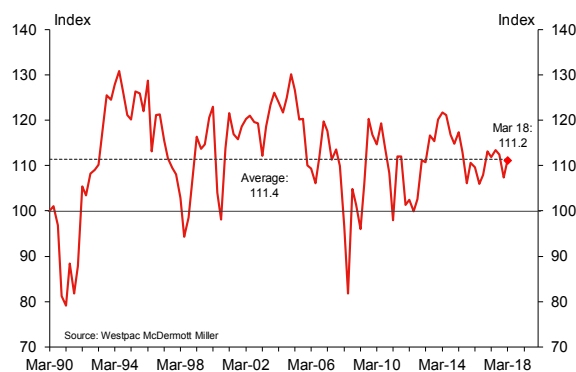
20 March 2018



Consumer Confidence Indices

	Mar-18	Dec-17	Change	Average
Consumer Confidence Index	111.2	107.4	3.8	111.4
Present Conditions Index	111.2	107.7	3.5	108.7
Expected Conditions Index	111.2	107.2	4.0	113.2
Current financial situation	0.0	2.1	-2.1	-8.7
Expected financial situation	4.1	2.3	1.8	11.8
1-year economic outlook	11.7	4.9	6.8	-2.5
5-year economic outlook	17.9	14.3	3.6	30.3
'Good time to buy'	22.5	13.4	9.1	26.1

Consumer confidence



Note: An index number over 100 indicates that optimists outnumber pessimists.

- Consumer confidence has retraced its post-election drop, and is back around average levels.
- Spending appetites have increased.
- Households still don't seem focused on paying down debt.

Good vibrations

Households perked up at the start of 2018. The Westpac McDermott Miller Consumer Confidence Index rose 3.8 points in March, taking it to a level of 111.2. That reversed most of the drop seen in the wake of last year's election and takes consumer confidence back to around average levels.

It's not unusual to see a bit of nervousness around major events like elections, or for the related wobbles in confidence to fade after a few months. But political developments aren't the only thing affecting confidence right now. The past few months have also seen mortgage rates pushing down and a related second wind in the housing market. We've also continued to see positive conditions in some key sectors of the economy, like the hospitality sector.

Looking into the detail of what's behind the lift in consumer confidence, households are feeling more optimistic about the outlook for their own financial situation over the coming year. They have also become more upbeat about the economy's longer-term trajectory more generally.

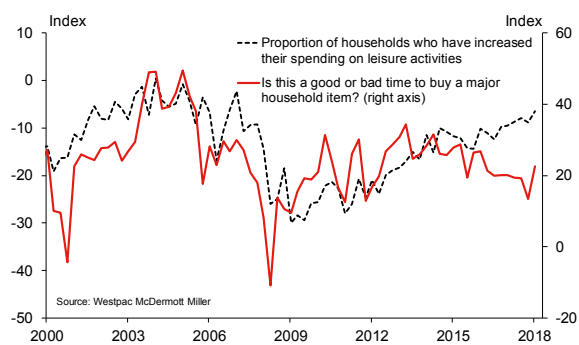
The lift confidence was widespread across geographic regions and household groups.

Don't stop me now

With households feeling a bit more upbeat about the economic backdrop, they've also been opening their wallets a little wider. The number of households telling us that they have increased their spending on entertainment and dining out has climbed to its highest level in 11 years. The past quarter also saw a strong increase in the number of households who think now is a good time to purchase a major household item (breaking a two year run of steady declines).

This lift in spending appetites has given a boost to retail sales in recent months, with firmness in spending on hospitality and durable items like furnishings. Combined with a drop in mortgage rates, a resurgence in the housing market and still strong population growth, we expect that cash registers will continue ringing over the coming months.

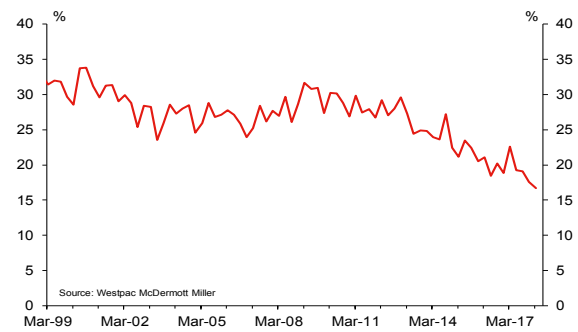
Household spending appetites



But as spending appetites have increased, so too has households' willingness to take on debt. Each quarter, we ask households what they would do if they received a windfall of \$10,000. The number who said that they would use this to pay down debt has now fallen to the lowest level since the survey began in 1998. That is despite the rise in household debt levels in recent years, and is likely to reflect the low level of borrowing rates.

This will be an important area to watch over the next few years, both with regards to household confidence and spending. Relative to disposable incomes, debt levels are now at record highs, with much of this leveraged against housing assets. Over the next few years, we expect to see some big changes in housing market policy, and this could have an important impact on households' financial health over the coming years.

Proportion of households would use a cash windfall for debt repayment



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.

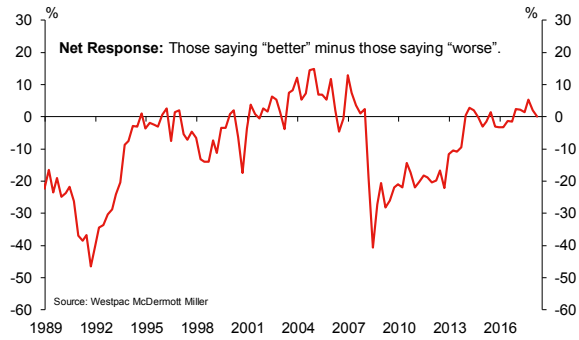
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average.

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 – 15 March 2018. The sample size was 1,552.

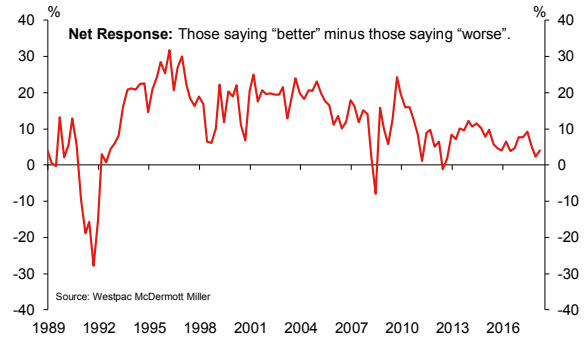
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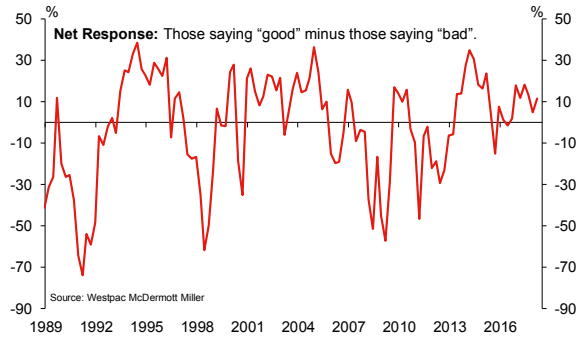
Are you better or worse off financially than a year ago?



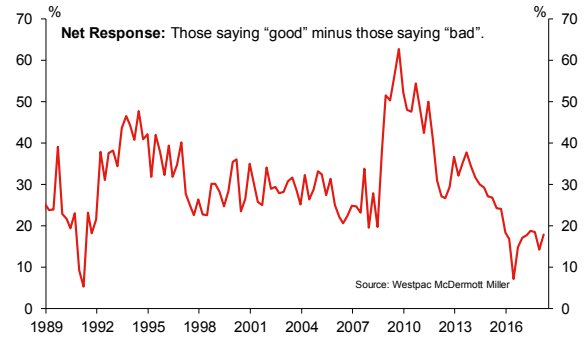
Do you expect to be better or worse off financially in a year's time?



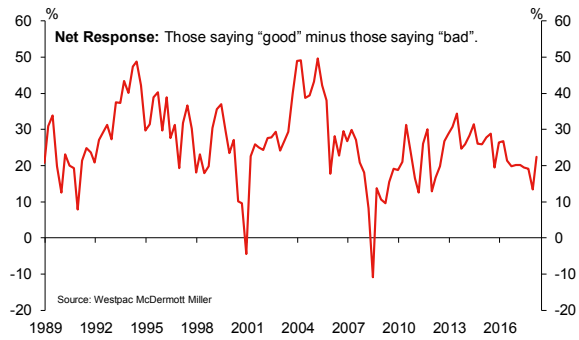
Do you expect good or bad economic times over the next 12 months in New Zealand?



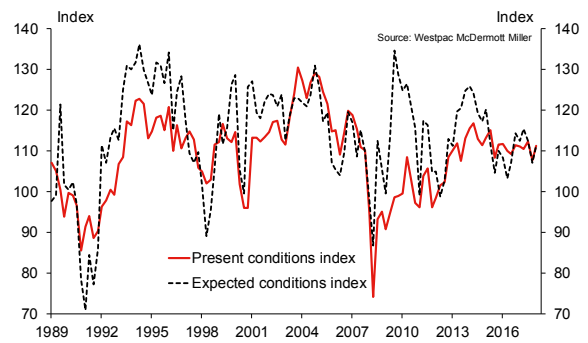
Do you expect good or bad economic times over the next 5 years in New Zealand?



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



Present and expected conditions



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