



Westpac McDermott Miller Consumer Confidence Index

Consumer confidence up 5.6 points to 109.1 in December

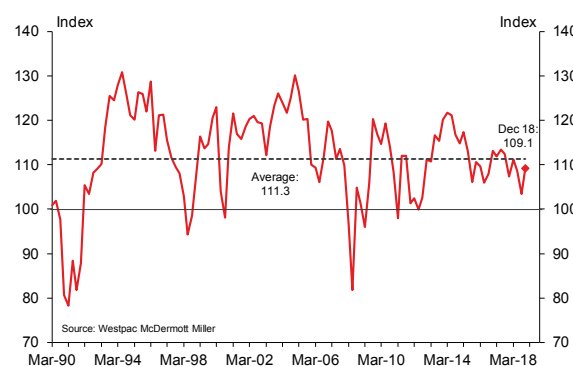
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Consumer Confidence Indices

	Dec-18	Sep-18	Change	Average
Consumer Confidence Index	109.1	103.5	5.6	111.3
Present Conditions Index	111.5	107.5	4.0	108.7
Expected Conditions Index	107.5	100.8	6.7	113.0
Current financial situation	-4.2	-5.3	1.1	-8.6
Expected financial situation	0.5	-4.6	5.1	11.6
1-year economic outlook	4.0	-7.9	11.9	-2.5
5-year economic outlook	18.1	14.9	3.2	30.0
'Good time to buy'	27.3	20.4	6.9	26.0

- Consumer confidence picked up again in December, shaking off its mid-year slump.
- With fuel prices down and signs the housing market is firming, households are in the mood to spend heading into the Christmas shopping season. That's been reinforced by the low level of borrowing rates.
- December's gains in confidence have been widespread across regions, age brackets and income groups.

Consumer confidence



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

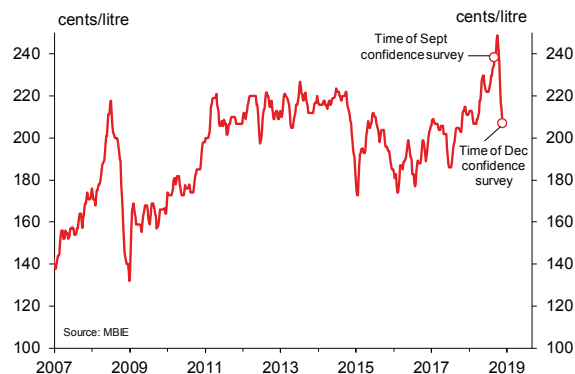
Tis' the season!

Through the middle part of this year, there was a notable loss of optimism in the New Zealand economy. But with summer finally here and holiday celebrations already underway in many parts of the country, households are now shaking off those winter blues. That's been reflected in the latest Westpac-McDermott Miller Consumer Confidence Index which rose by 5.6 points to 109.1 in December. That increase completely reversed the sharp drop we saw last quarter, and leaves consumer confidence just a little below its long run average.

The past few months have seen a couple of big developments that have helped to boost household sentiment. The first is the fall in petrol prices. At the time

of our last survey in September, pump prices were close to \$2.40/litre. Now, they're back around \$2.07/litre, and for many families that's put a good chunk of money back into the kitty ahead of the holiday season.

Petrol prices

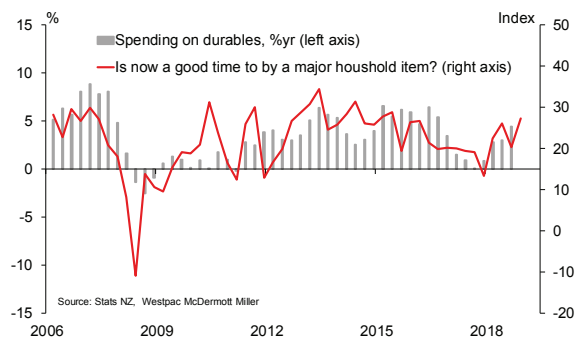


Recent months also saw mortgage rates falling to low levels, along with a related firming in housing markets in some regions. New Zealanders hold a lot of their wealth in housing assets, be that the family home or some form of investment. As a result, it's no surprise that conditions in the housing market tend to have a large impact on household sentiment and spending.

Jingle all the way!

The combination of these developments has put households in the mood to spend heading into the Christmas shopping season. The number of households who think now is a good time to make a major purchase rose strongly this quarter and is at its highest level in four years. On top of that, we're seeing a growing number of households increasing their spending on entertainment and eating out. These developments are consistent with our expectations for a firming in economic activity through 2019.

Spending appetites



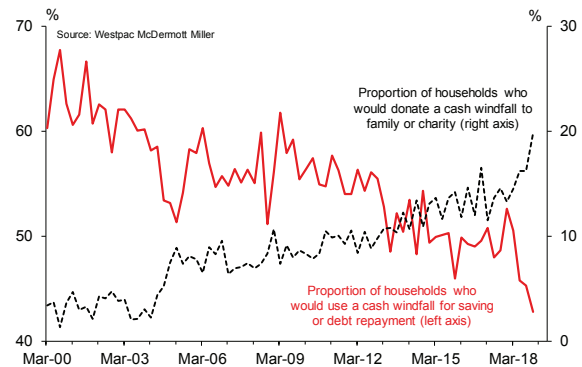
Low interest rates are clearly playing a role in encouraging spending. When asked what they would do with a \$10,000 windfall, the proportion of households who said they would use it to pay down debt has fallen to its lowest level in 20 years!

Consistent with this lift in spending appetites, households are also feeling a little more optimistic about the outlook for their own financial situation and the outlook for the

economy more generally over the coming year. However, there's still some nervousness out there about the economy's longer-term trajectory.

But households aren't just thinking about themselves at this time of year. The proportion of households who said they would donate a windfall to family or charity has been trending up for some time, and has now shot up to its highest level on record.

How would households use a cash windfall?



Oh come all ye faithful!

Confidence picked up in nearly all regions in December, with particularly large gains in Auckland and in the Gisborne/Hawke's Bay region.

December's gain in confidence was also widespread across age groups and income brackets. In fact, the only group who didn't report a lift in confidence this quarter were those households earning less than \$30,000 per annum. However, confidence among these households is actually at above average levels.

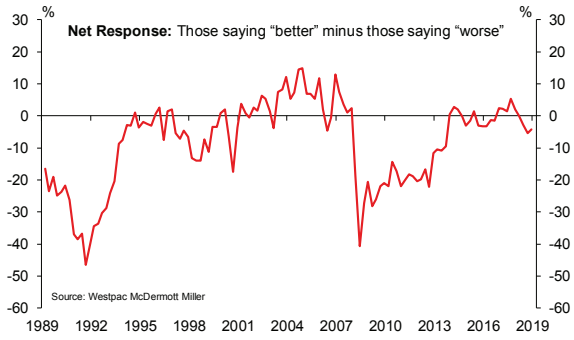
Survey description

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.

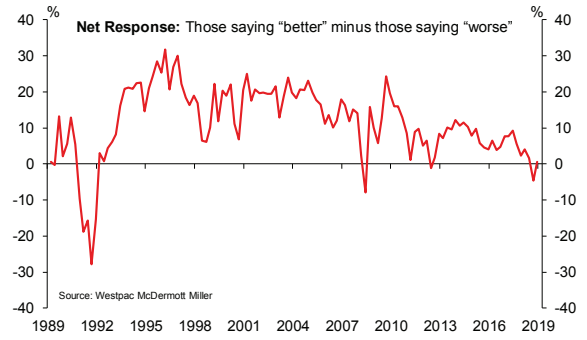
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average.

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 December 2018. The sample size was 1,555.

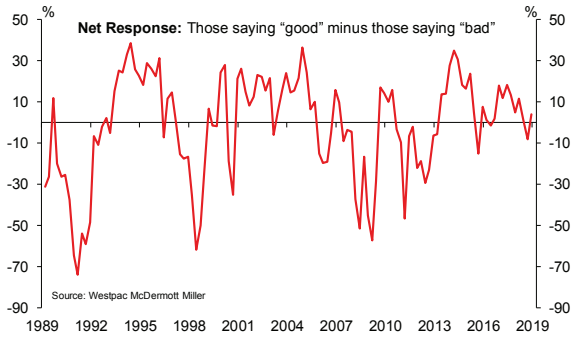
Are you better or worse off financially than a year ago?



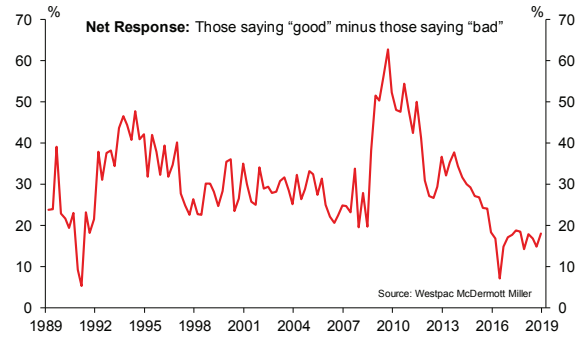
Do you expect to be better or worse off financially in a year's time?



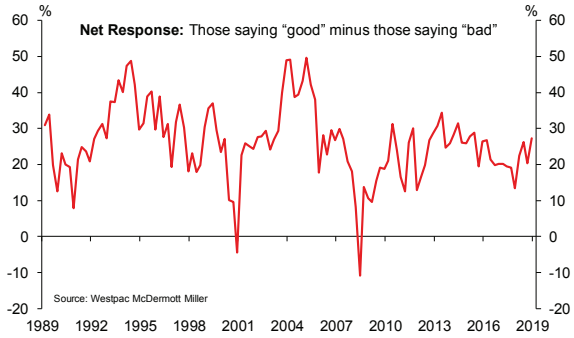
Do you expect good or bad economic times over the next 12 months in New Zealand?



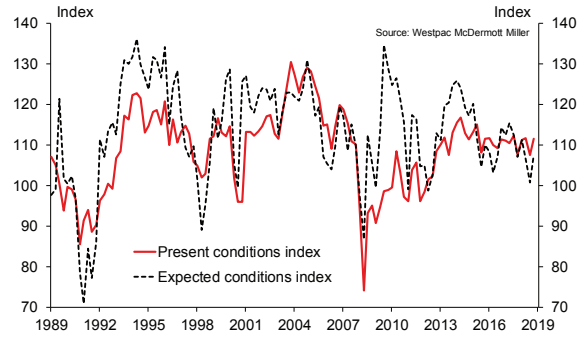
Do you expect good or bad economic times over the next 5 years in New Zealand?



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



Present and expected conditions



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