



# Westpac McDermott Miller Consumer Confidence Index

Consumer confidence down 5.3 points to 103.8 in March

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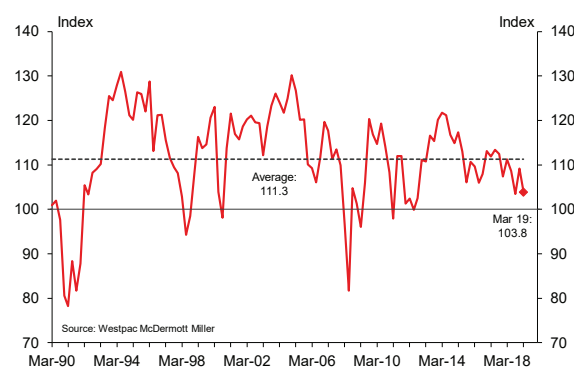
*Our recent survey of consumer confidence was conducted prior to the tragic events in Christchurch. We would like to acknowledge those events, and offer our deepest sympathies and support for those affected.*

- Consumer confidence has lost altitude and now sits at a below average level.
- Confidence was down across all income brackets, age groups and regions.
- Households have highlighted increased concern about their personal financial situation. They are also concerned about the trajectory of the economy over the next few years.
- Despite the increased concern about the economic outlook, spending appetites only softened a little.

## Consumer Confidence Indices

	Mar-19	Dec-18	Change	Average
Consumer Confidence Index	<b>103.8</b>	109.1	-5.3	111.2
Present Conditions Index	<b>107.6</b>	111.5	-3.9	108.7
Expected Conditions Index	<b>101.3</b>	107.5	-6.2	112.9
Current financial situation	<b>-8.3</b>	-4.2	-4.1	-8.6
Expected financial situation	<b>-6.5</b>	0.5	-7.0	11.6
1-year economic outlook	<b>-5.1</b>	4.0	-9.1	-2.5
5-year economic outlook	<b>15.4</b>	18.1	-2.7	30.0
'Good time to buy'	<b>23.4</b>	27.3	-3.9	26.0

## Consumer confidence



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

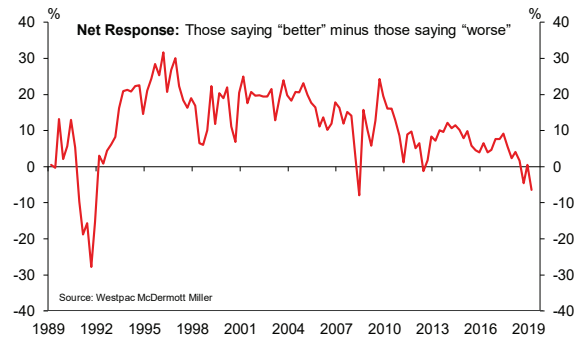
## Households increasingly concerned about their financial outlook...

The Westpac-McDermott Miller Consumer Confidence Index fell 5.3 points in March to a level of 103.8. That drop reversed the rise we saw in late 2018 and leaves consumer confidence at low levels.

Households have become increasingly concerned about their personal financial situation. The number of households reporting that they are better off financially now compared to a year ago has been dropping steadily since mid-2017. Similarly, the number of households who expect to be better off this time next year has fallen to its lowest level since 2008, when the initial impacts of the Global Financial Crisis were just starting to be felt.

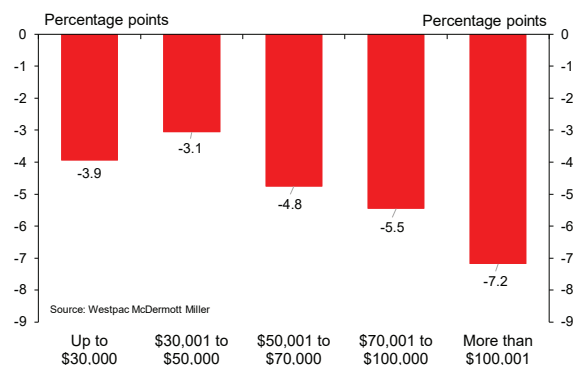
In addition to concerns about their personal financial situation, households have also highlighted ongoing nervousness about where the economy more generally is heading over the coming year.

### Proportion of households who expect to be financially better off in a years time



The low level of consumer confidence is consistent with the cooling in per-capita GDP growth over the past year. It also follows a wave of negative headlines about the strength of the global economy over the summer.

### Change in consumer confidence by income group



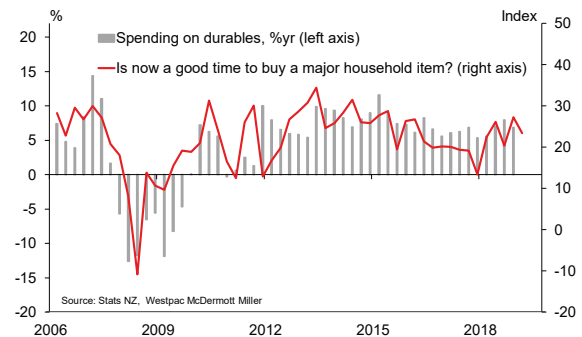
Confidence may also have been affected by news of potential changes to New Zealand's tax system. That includes the possible introduction of a capital gains tax, which was mooted by the Tax Working Group just one week before surveying began. Consistent with that, March saw

a larger decline in confidence among those households on higher income levels. However, when we look across age groups, the drop in confidence was quite evenly spread, suggesting that other factors were also at play. Other concerns that are weighing on confidence include rising living costs and the availability of affordable housing.

## ... though spending appetites have been more resilient

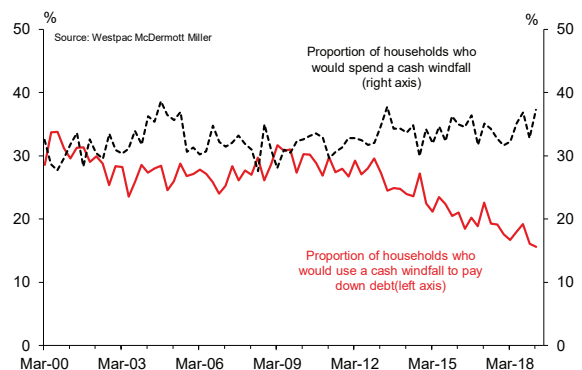
While households are concerned about the economic backdrop, spending appetites have been resilient. The number of households who think now is a good time to purchase a major household item nudged down slightly in March, but it remains at moderate levels. We saw a similar pattern for spending on entertainment and dining out.

### Spending appetites



The resilience in spending appetites likely reflects the low level of interest rates. In fact, 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. This suggests that the drop in confidence may not fully translate to weaker consumer spending.

### How would households use a cash windfall?



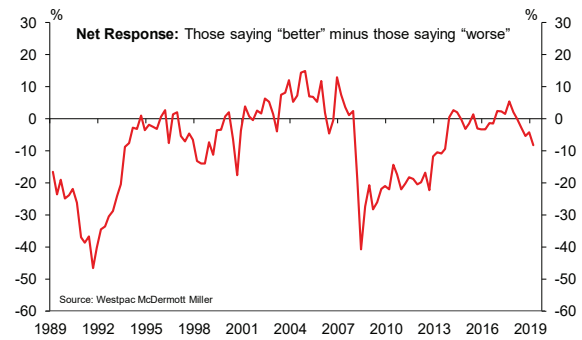
## Survey description

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.

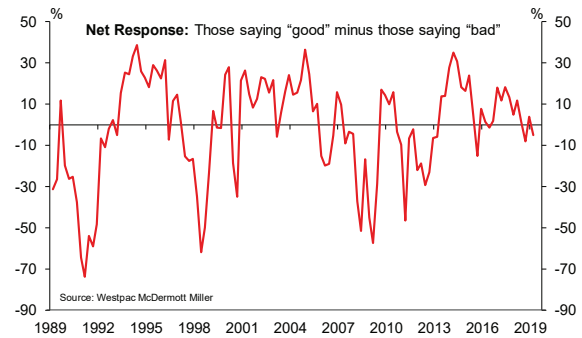
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average.

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 1-10 March 2019. The sample size was 1,556.

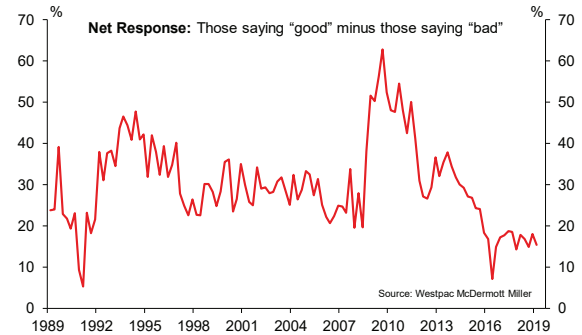
### Are you better or worse off financially than a year ago?



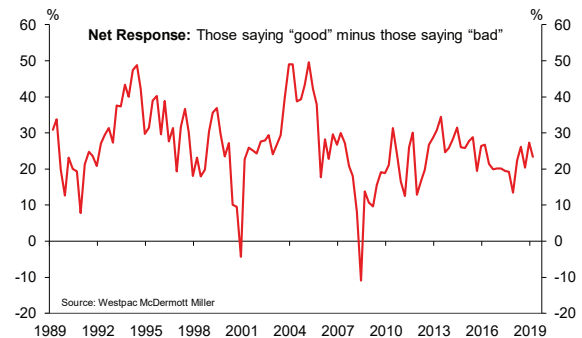
### Do you expect good or bad economic times over the next 12 months in New Zealand?



### 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?



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# Contact the Westpac economics team

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