



Westpac McDermott Miller Consumer Confidence Index

Consumer confidence down 0.3 points to 103.5 in June

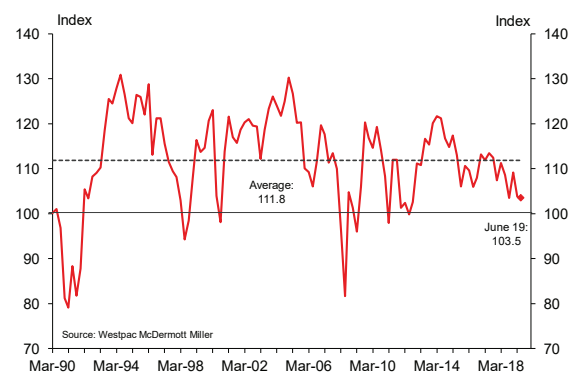
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- Households remain downbeat about the economic outlook, with consumer confidence nudging down again in the June quarter.
- Households continue to highlight concerns about their personal financial situation, and this is weighing on spending appetites.
- This provides a further indication that the New Zealand economy is slowing.

Consumer confidence indices

	Jun-19	Mar-19	Change	Average
Consumer Confidence Index	103.5	103.8	-0.3	111.2
Present Conditions Index	106.6	107.6	-1.0	108.7
Expected Conditions Index	101.4	101.3	0.1	112.8
Current financial situation	-4.7	-8.3	3.6	-8.6
Expected financial situation	-3.2	-6.5	3.3	11.2
1-year economic outlook	-4.6	-5.1	0.5	-2.5
5-year economic outlook	11.9	15.4	-3.5	29.7
'Good time to buy'	17.9	23.4	-5.5	25.9

Consumer confidence



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

Now is the winter of our discontent

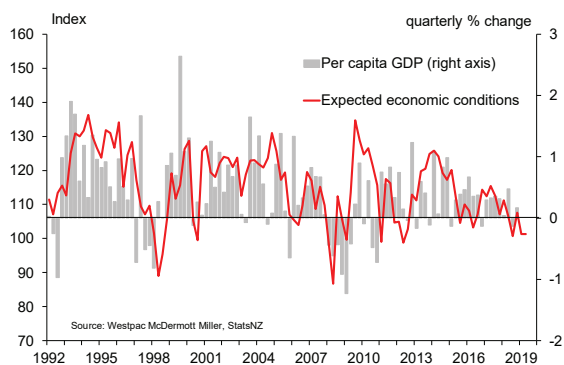
New Zealand households remain downbeat about the economic backdrop. That was reflected in our latest Westpac McDermott Miller Consumer Confidence survey, which fell 0.3 points in June to a level of 103.5. While that's a relatively small drop, it comes on the back of earlier declines and leaves confidence well below average levels.

The continued slide in household confidence follows a more general cooling in the economy over the past year, and households are feeling it. In fact, in annual terms, per-capita GDP growth has now fallen to its slowest pace since 2011, and it effectively stalled through the back half of last year.

This weakness in per-capita growth highlights the fact that much of the growth in economic activity in recent years has come on the back of strong migration and population growth. It also helps us to understand why individual households may be feeling so downbeat about the economic environment.

Reinforcing this sense of nervousness among households, recent weeks have seen widespread reports of weakening economic conditions abroad and low business confidence domestically. Weakness in the housing market is also likely to be a major factor dampening consumer sentiment, particularly in areas like Auckland. And as discussed below, this latter factor is likely to be a big concern for many older New Zealanders.

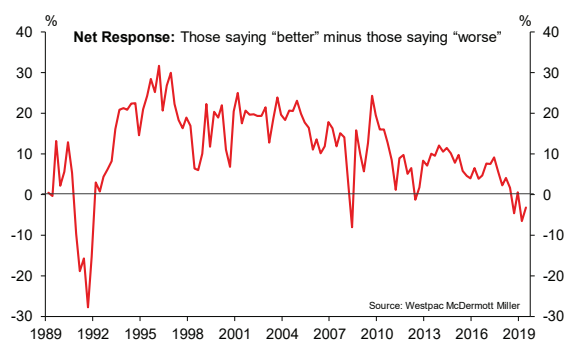
Expected economic conditions and per capita GDP growth



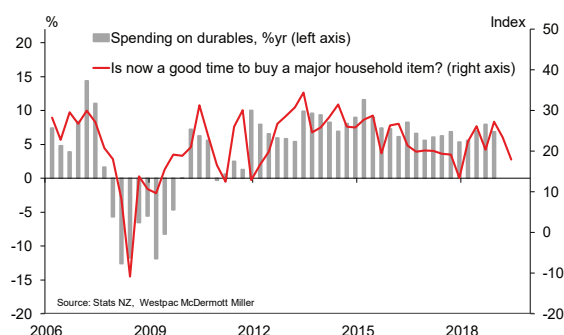
Against this backdrop, it's not surprising that a big factor worrying households is their financial situation. The number of households reporting that they are better off financially now compared to a year ago remains low. And very few households expect they will be better off in a year's time. Those sorts of concerns are likely to have been exacerbated by the cooling in the labour market over the past year.

Households' confidence about the economic outlook has been trending down for around 18 months and is now weighing on spending appetites. The number of households who think now is a good time to purchase a major item has fallen to a two-year low. That's already been reflected in spending on household durable items, which has essentially been flat since late 2018. Households are also reporting that they have been scaling back their spending on entertainment activities and dining out.

Proportion of households who expect to be financially better off in a year's time



Spending appetites



In the details

The downtrend in economic confidence over the past year has been widespread, with households in the upper North Island particularly downbeat. The fall in confidence has also been seen across income groups.

There are, however, some noticeable differences in confidence across age groups. In particular, those aged under 30 are actually feeling much more upbeat about the economic outlook. In fact, confidence in this age group has picked up to a five year high. New Zealanders in this age group are feeling particularly upbeat about their current financial situation and fairly optimistic about the direction of the economy over the next few years.

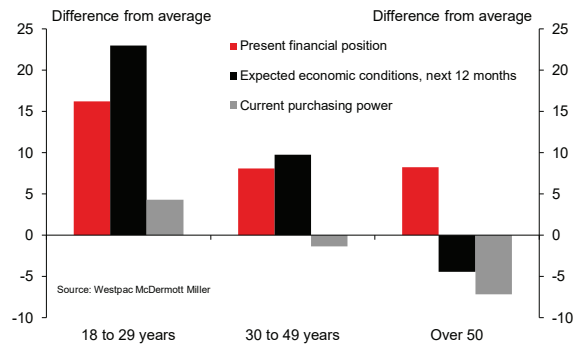
This is in sharp contrast to those aged over 30 who tend to be less upbeat, with those aged over 50 noticeably less confident than other groups. Those aged over 50 are particularly concerned about the economy's direction over the coming year, and that's weighing on their spending appetites.

A big part of the reason for this split in confidence across age groups is likely to be developments in the housing market. The past year has seen a marked slowdown in house sales and price growth. There have also been a number of regulatory changes affecting the property market, as well as nervousness around the now cancelled capital gains tax.

For older New Zealanders, who are more likely to be home owners or property investors, these developments have

raised a number of concerns about their financial position. In contrast, for many younger New Zealanders who are trying to get their foot on the property ladder, the slowdown in the housing market and low interest rates means that home ownership is now looking much more affordable.

Consumer confidence by age group



Consumer confidence by region

	Jun-19	Mar-19	Change
Northland	101	99	2
Auckland	102	101	1
Waikato	97	100	-3
Bay of Plenty	97	110	-13
Gisborne/Hawke's Bay	106	111	-5
Taranaki/Manawatu-Whanganui	106	102	4
Wellington	115	114	1
Nelson/Marlborough/West Coast	103	102	1
Canterbury	102	99	3
Otago	109	112	-3
Southland	99	110	-11
Nationwide	103	104	-1

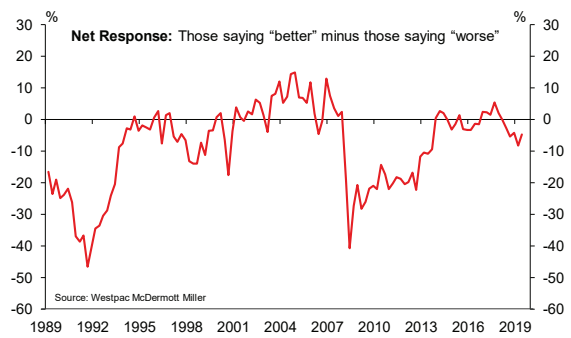
Survey description

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.

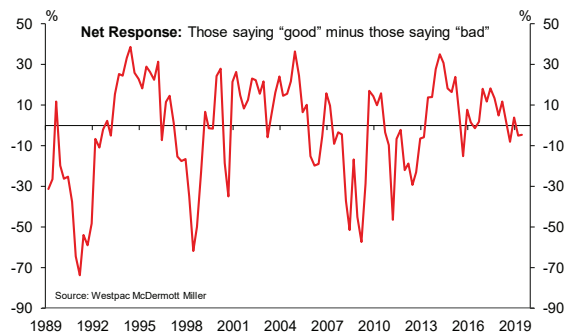
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average.

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 June 2019. The sample size was 1,555.

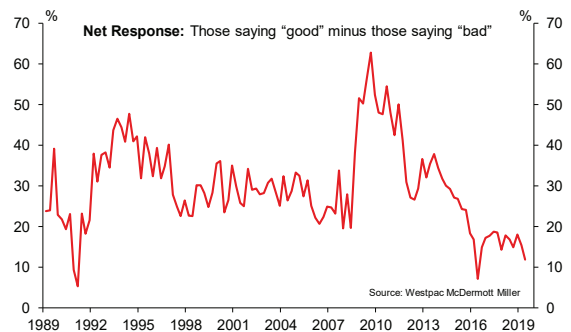
Are you better or worse off financially than a year ago?



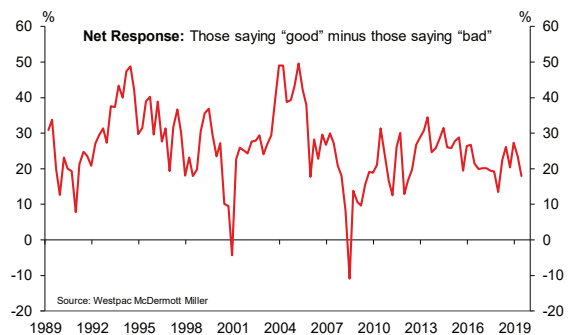
Do you expect good or bad economic times over the next 12 months in New Zealand?



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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