

# Westpac McDermott Miller Consumer Confidence.

15 September 2020



## Consumer confidence drops again in September.

- Consumer confidence slipped again in September and is languishing at levels we last saw during the financial crisis in 2008.
- Increasing numbers of households are reporting that their financial position has deteriorated in the wake of Covid-19.
- Low levels of confidence are weighing on spending appetites. That's being seen across all age groups and income brackets.

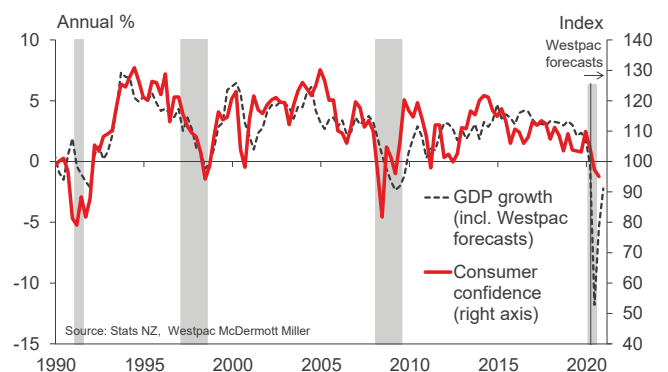
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### Consumer confidence indices

	Sep-20	Jun-20	Change	Average
Consumer Confidence Index	95.1	97.2	-2.1	110.8
Present Conditions Index	90.3	94.1	-3.8	108.4
Expected Conditions Index	98.3	99.3	-1.0	112.4
Current financial situation	-16.9	-13.2	-3.7	-8.5
Expected financial situation	11.2	14.7	-3.5	11.4
1-year economic outlook	-26.3	-28.3	2.0	-2.9
5-year economic outlook	9.9	11.6	-1.7	28.8
'Good time to buy'	-2.5	1.5	-4.0	25.3

### Consumer confidence and GDP growth (recessions highlighted)



### Convalescence.

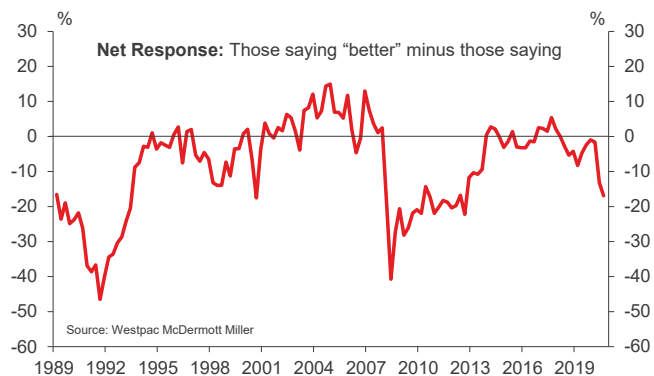
Consumer confidence slipped again in September, with the Westpac McDermott-Miller Consumer Confidence Index falling to a level of 95.1. That's down from 97.1 in June and the lowest level of consumer confidence since the financial crisis in 2008.



The continued decline in consumer confidence contrasts with other recent gauges of the economy's health which have started to turn upwards again. However, while the main impact of Covid-19 is (hopefully) behind us and the economy is on the mend, the road to recovery will be long. Economic activity remains well down on the levels we saw at the start of this year. Joblessness has been rising. And on top of those conditions, the past month saw another flare up in infections, along with the related reinstatement of restrictions on activity. Against that backdrop, it's no surprise that households remain nervous about the economic backdrop.

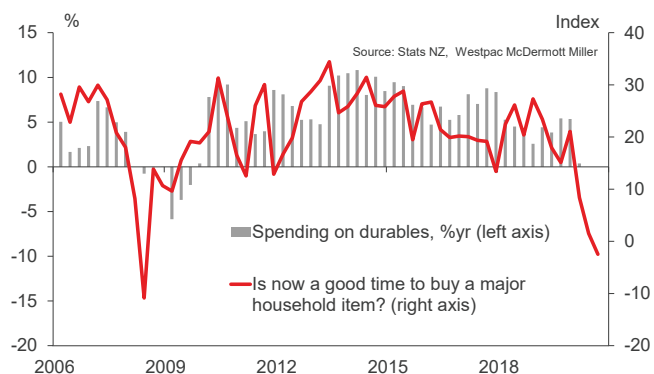
Looking into the details of September's drop in confidence, an increasing number of households are telling us that their financial position has taken a knock in recent months. That's consistent with the rise in joblessness. Households are also nervous about where the economy is heading, with most of those we spoke to expecting continued weakness in economic conditions over the year ahead.

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



Importantly, low consumer confidence is weighing on households spending appetites. In fact, the number of households who think it's a good time to make a major purchase has fallen to lows that we've only seen twice in the last three decades. The first was in 2000 when consumer price inflation and interest rates were on the rise, and house prices were falling. The other was in 2008 when the impacts of the financial crisis were reverberating around the globe.

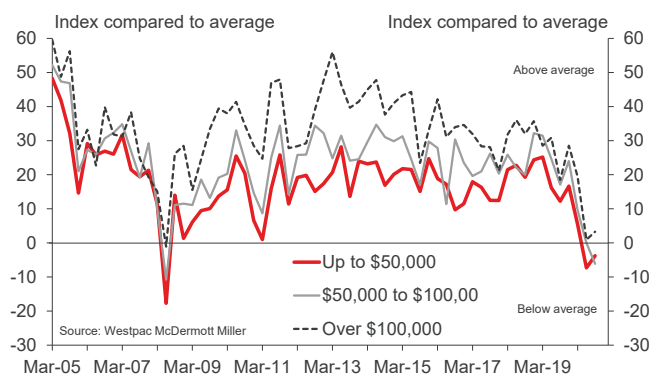
### Spending appetites and spending on durables



And it's not just spending on durables that has taken a knock. Households spending on entertainment and dining out also remains low (though it has picked up from the levels we saw last quarter when Alert Level 4 and 3 restrictions were in place for several weeks).

The drop in spending appetites has been widespread, with households in all age groups and income brackets reporting large declines since the start of this year.

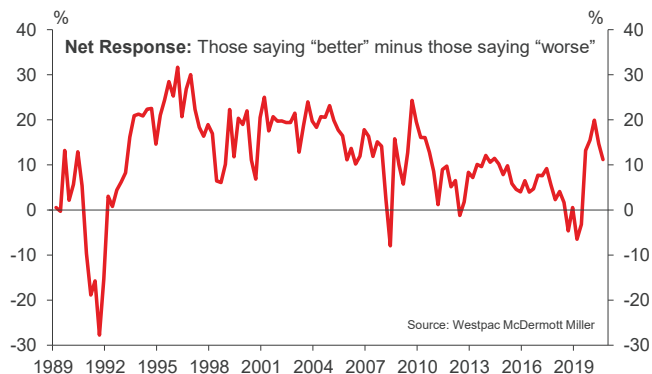
### Spending appetites by income bracket



Spending levels in the economy have actually picked up since the easing in restrictions after the first lockdown. However, many businesses are still wrestling with holes in their earnings and are reporting sluggish growth in demand. Given the low level of consumer confidence, as well as the winddown in the wage subsidy scheme, it seems likely that spending will remain sluggish through the back half of the year.

Despite the headwinds currently buffeting the economy, most households are more optimistic about the outlook for their own finances than they are about the economy more generally. In fact, most households we spoke to expect that their own financial position will improve over the coming year. However, some of that optimism has faded in recent months as the Covid crisis has dragged on. We'll be watching to see if this continues, as it could have important implications for spending and activity as we head into the new year.

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



## Consumer confidence by region

	Sep-20	Jun-20	Change
Northland	100.0	91.6	8
Auckland	91.6	96.0	-4
Waikato	97.0	102.8	-6
Bay of Plenty	102.6	100.2	2
Gisborne/Hawke's Bay	95.5	107.2	-12
Taranaki/Manawatu-Whanganui	98.1	103.2	-5
Wellington	95.4	95.7	0
Nelson/Marlborough/West Coast	100.1	90.7	9
Canterbury	95.5	92.6	3
Otago	91.9	96.2	-4
Southland	92.7	102.0	-9
Nationwide	95.1	97.2	-2

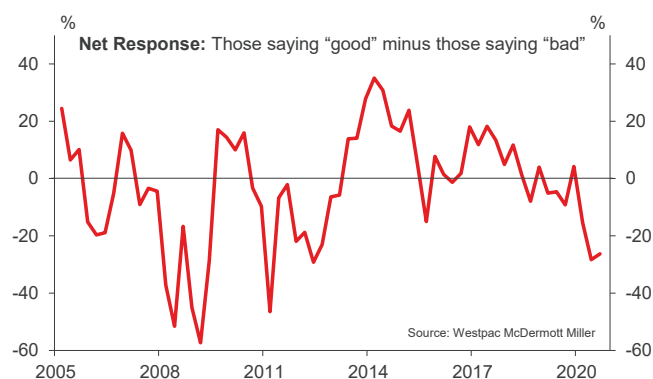
## Survey description.

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.

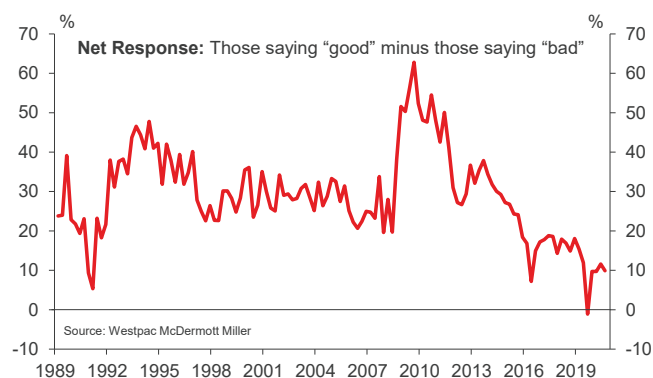
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes 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 September. The sample size was 1,559.

## 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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