



# ECONOMIC BULLETIN

## Westpac McDermott Miller Consumer Confidence, December quarter 2024.



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## Getting in the festive spirit

- We're into the holiday season and the pessimism that's been widespread over the past few years is now easing. The Westpac McDermott Miller Consumer Confidence Index rose 7 points to 97.5 in December. While that's still a bit below long-run averages, it's the most upbeat New Zealand households have been in three years.
- Underpinning the rise in consumer confidence has been easing pressure on households' finances as inflation and borrowing costs have fallen. New Zealand households are also feeling more confident about where the economy is heading over the coming year.
- Most New Zealand households aren't going on a spending spree this holiday season. Although the pressure on their finances is easing, most households remain cautious about making big-ticket purchases for now. However, we are spending more in bars and restaurants.

### Consumer confidence indices

	Dec-24	Sep-24	Change	Average
Consumer Confidence Index	97.5	90.8	6.7	108.5
Present Conditions Index	89.0	78.2	10.8	105.5
Expected Conditions Index	103.2	99.1	4.1	110.5
Current financial situation	-19.5	-24.8	5.3	-9.9
Expected financial situation	9.4	6.3	3.1	10.5
1-year economic outlook	-8.9	-14.9	6.0	-4.9
5-year economic outlook	9.3	6.0	3.3	26.0
'Good time to buy'	-2.6	-18.8	16.2	21.0

The holiday season is upon us! Across the country the weather is warming up. And New Zealand households are starting to feel more optimistic about the economic outlook

The Westpac McDermott Miller Consumer Confidence Index rose 7 points in December to a level of 97.5. While that still a little below long run averages, it's the most upbeat New Zealand households have been since 2021, and confidence looks likely to continue trending higher as we head into the new year.

### Consumer Confidence

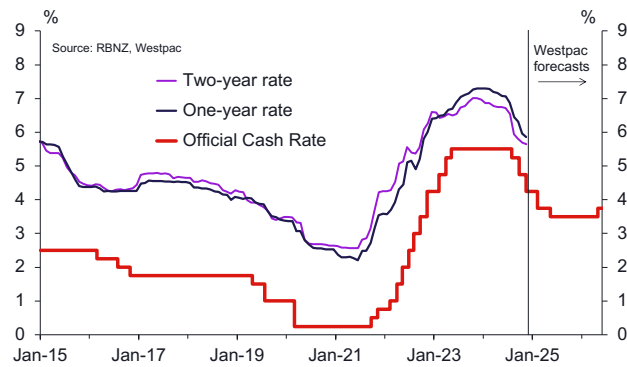


## All I want for Christmas is... lower inflation.

The big factor that has boosted households' spirits has been an easing of the pressures that have squeezed their finances over the past few years.

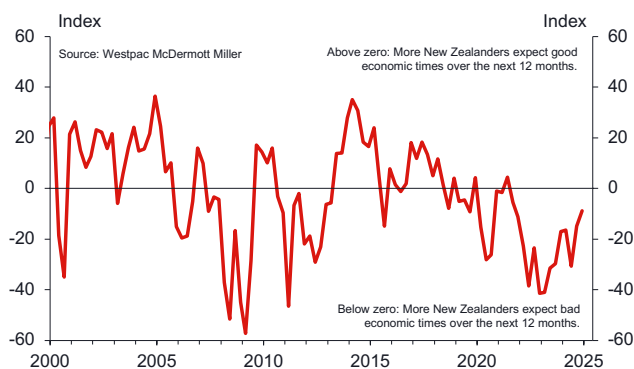
It's been a tough few years for a lot of New Zealand families, and that's been in large part due to the cost-of-living crisis and related increases in interest rates. The sting from those factors hasn't gone away. But as 2024 draws to a close, their impact is easing. Inflation has now dropped back to 2.2%, and mortgage rates have been falling as the Reserve Bank has eased its foot off the brake. Those developments have been a welcome relief for many households, with fewer now seeing their financial position being eroded. Looking ahead, a growing number of households expect their finances will improve in the new year.

### The Official Cash Rate and mortgage rates



And it's not just their own finances that households are feeling more optimistic about. The number of New Zealanders who expect good times in the economy more generally over the coming 12 months has risen to its highest level in three years. That chimes with our own forecasts: we think 2025 will see further interest rate cuts, along with a gradual firming in both the housing market and economic growth.

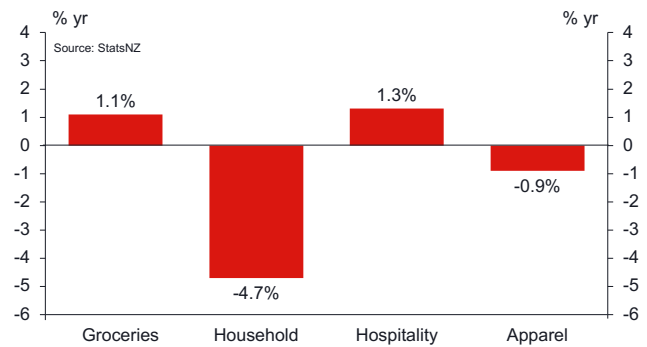
### Do you expect good or bad economic times over the next 12 months?



## Have yourself a frugal little Christmas.

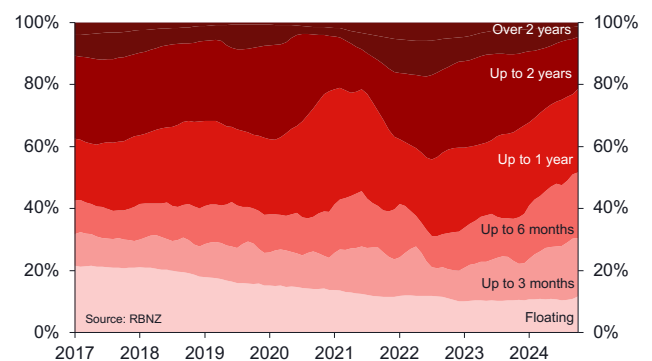
With the pressure on their finances easing, household spending has been rising over the past few months. Even so, most New Zealand households aren't going a spending splurge this holiday season. The lift in spending in recent months has been measured and is mainly due to increased spending in bars and restaurants. However, when it comes to bigger ticket items, the number of households who think it's a good time to make a major purchase remains low. That's seen sales of items like furnishings remaining subdued in recent months.

### Retail spending growth (past twelve months)



That continued softness in spending appetites isn't too surprising. While interest rates have fallen, most New Zealand mortgages are fixed for a period, meaning many borrowers won't have seen their interest costs falling just yet. However, around half of all mortgages are on floating rates or will come up for repricing in the next six months. As borrowers roll on to lower interest rates, we're likely to see spending pushing higher through mid-2025.

### Share of mortgages by time to repricing



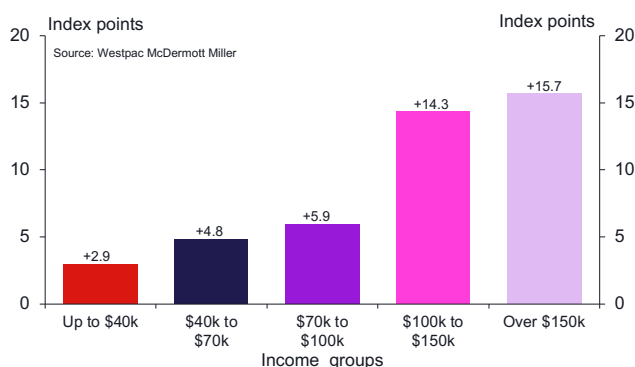
## Oh come all ye faithful!

December's lift in confidence was seen across all income groups but it was most pronounced among middle and higher income households. While all households have felt the squeeze from the rise in living costs in recent years, households in these groups are more likely to have

mortgages (rather than be renting). As a result, they are likely to be breathing a collective sigh of relief now that interest rates are dropping back.

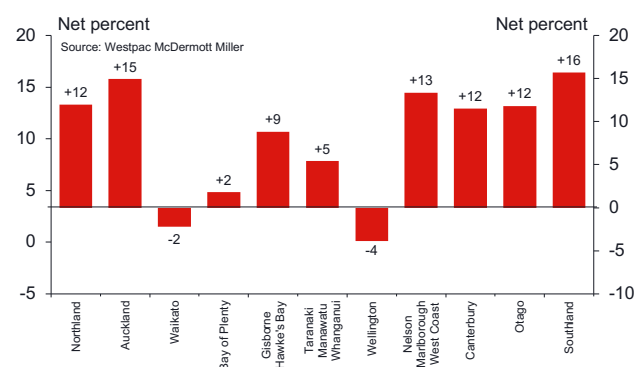
In contrast, households on lower incomes are more concerned about how their finances will shape up over the year ahead, which might reflect concerns about the strength of the labour market. Many households on lower incomes have also told us they are concerned about their spending power.

### Change in confidence by income group



Looking across the country, confidence is up in nearly all regions, and there have been sizeable increases across the South Island. During our recent travels in the mainland, the mood was certainly getting bubblier. While most of those we spoke to told us that economic conditions were still soft, the downturn seen over the past year had been arrested, and both households and businesses were feeling more optimistic about where we're heading over the year ahead. That was in large part due to the fall in borrowing costs, but also reflected improving conditions in the agricultural and tourism sectors.

### Consumer confidence by region (Change over past 12 months)



Confidence is also up in Auckland, which is now the most upbeat part of the country. Those in our largest city have reported improvements in their personal financial conditions and increased optimism about where the economy is heading.

It's a starkly different picture in Wellington, where confidence has fallen to the lowest level in the country. Those in the capital are increasingly concerned about their financial positions, with reductions in public sector spending and employment key concerns.

### Consumer Confidence by region

	Dec-24	Sep-24	Average
Northland	94.4	89.6	105.2
Auckland	106.5	91.4	111.9
Waikato	88.5	96.2	106.2
Bay of Plenty	98.9	88.7	107.0
Gisborne/Hawke's Bay	96.4	93.8	106.0
Taranaki/Manawatu-Whanganui	86.0	86.8	105.0
Wellington	85.2	93.1	111.1
Nelson/Marlborough/West Coast	99.5	80.1	104.8
Canterbury	101.4	93.4	108.7
Otago	90.8	80.3	105.6
Southland	93.5	88.3	105.3
Nationwide	97.5	90.8	108.5

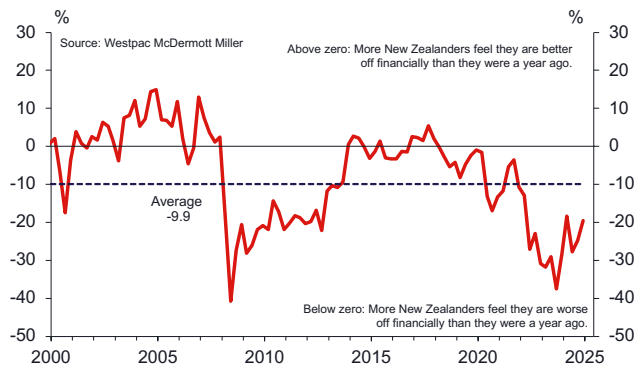
### Survey description.

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.

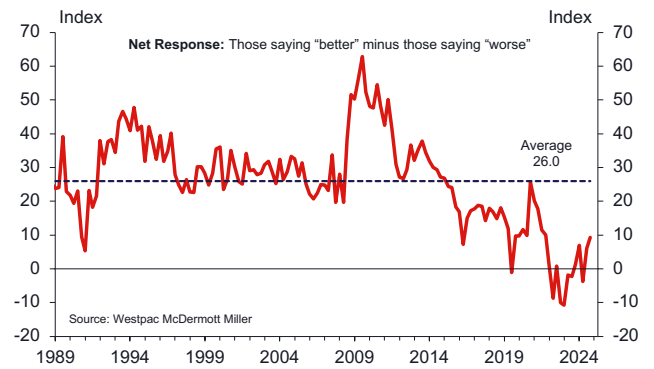
The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes 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 2024. The sample size was 1,553.

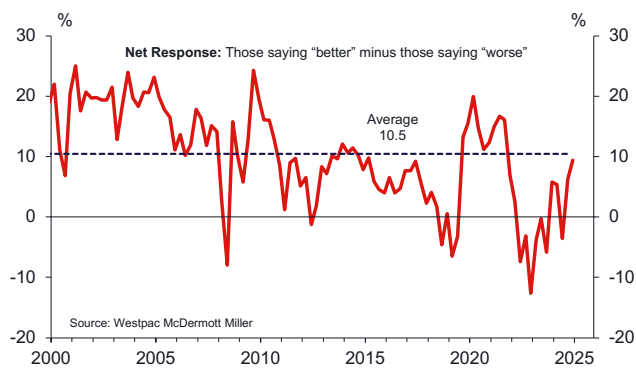
**Do households feel better or worse off financially compared to a year ago?**



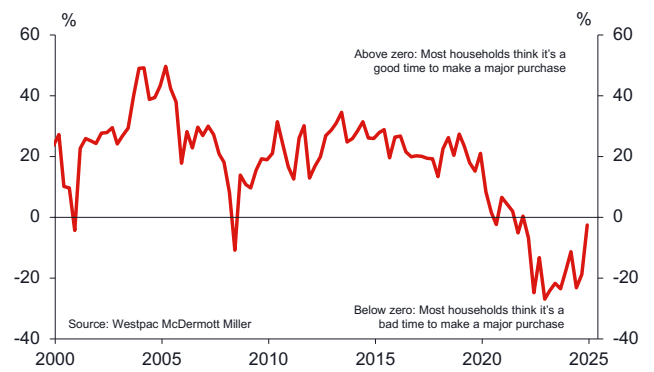
**Do you expect good or bad economic times over the next 5 years?**



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



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



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