



## Input to your Strategy for Adapting to Challenges

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Monday 8 August 2022

## Consumers slightly less dour

This month's survey of the 28,000 subscribers to my weekly Tony's View publication yielded 1,207 responses. The main result is an improvement in net spending intentions to -18% from a record -27% last month. Whilst better, the result still suggests falling household spending across a range of goods and services over the remainder of this year – excluding offshore travel and groceries.

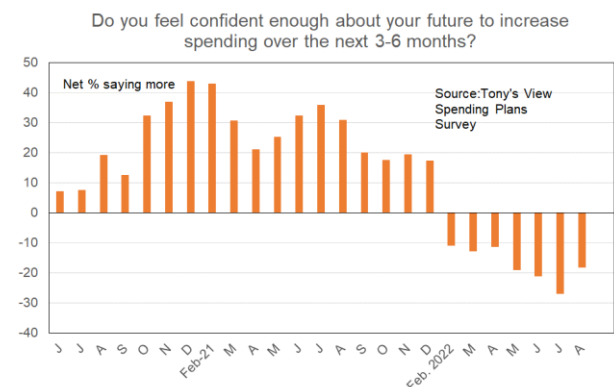
Improvements in spending intentions were recorded for all categories except motor vehicles where a two year binge has come to an end.

A net 9.9% of people plan cutting back spending on investment property and a net 3.8% intend cutting back on buying a house to live in. However, a net 5% intend buying more shares.

### Do you feel confident enough about your future to increase spending over the next 3-6 months?

There has been a reduction in the extent to which Kiwi households intend reducing their spending in the next 3-6 months in our headline survey number. A net 18% of the over 1,200

respondents intend cutting back compared with a record net 27% last month.



This is still a firmly negative outcome and tells us retailers should remain braced for weakness in sales over the remainder of 2022.

But the improvement gels with some indicators from the other monthly surveys I run in the sense of things pulling back from extremely pessimistic levels.

Two key factors may be contributing to the easing of intense pessimism. First, the net proportion of people expecting their wealth to decline has eased from 6.5% last month to 1.3%

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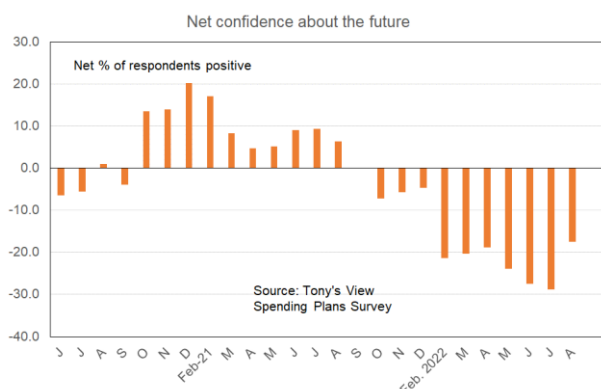
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in August. Again, the result is negative and bespeaks of underlying concerns that asset prices and perhaps incomes will decline. But those concerns are easing perhaps in the face of improving share prices on world markets.



Second, net confidence about the future has improved from -29% to -18%. Bad, just less bad.

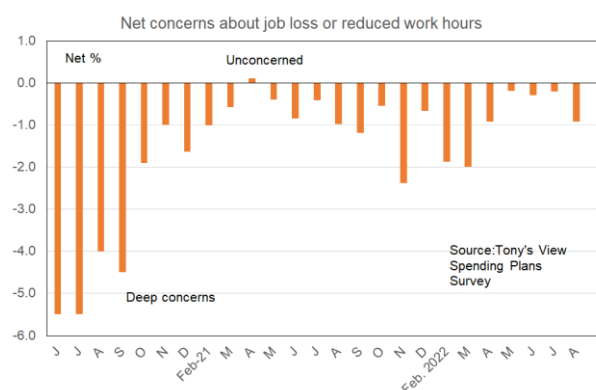


There is another result worth citing regarding the net proportion of people expecting their wages to rise. This has declined from 5.2% to 3.9%. This is a small negative for spending growth. But more importantly it is perhaps one of the early signals that the tight labour market and high inflation is not going to produce a surge in wages

growth which will drive a wage/price spiral and ultimately much higher interest rates.



Related to this point, there has been a deterioration in confidence about gaining employment or extra hours of work. Another early sign perhaps of some easing in the degree of labour market tightness.



## Where will people spend more?

We ask people what things they plan spending more on and what they plan spending less. From those responses we can calculate net purchasing intentions for the categories we cover and the results for this month are shown in the following graph.



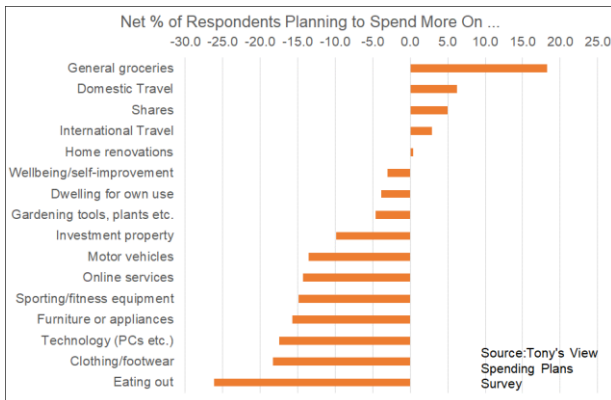
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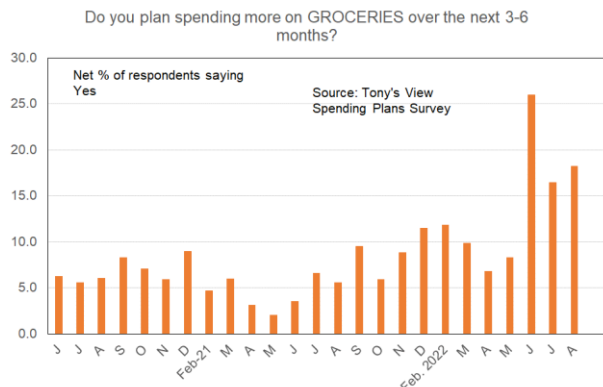
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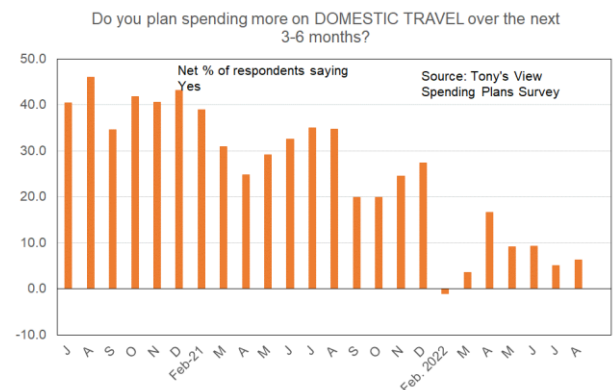
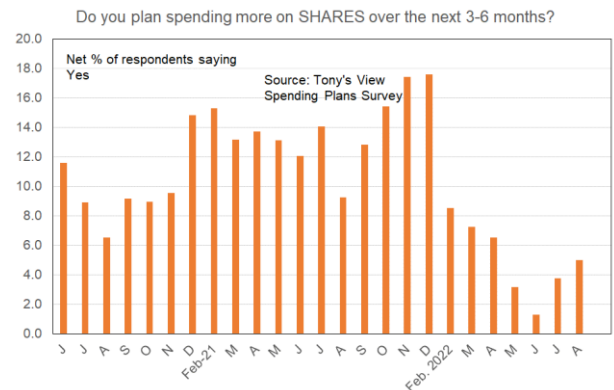
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A net 18% of people plan spending more on groceries, which is not surprising considering the soaring cost of grocery items but the need to purchase them.



Intentions to buy shares and travel are also positive, as was the case last month.



Note the slight easing in offshore travel intentions. Maybe the news regarding delays at foreign airports due to staff shortages is encouraging some people to ease back from their immediate travel plans. Wholesale cancellation of flights by Jetstar for the next school holidays for instance is the sort of thing likely to encourage people to forget travelling this year and wait for things to improve.

## Looking to earn better interest?

# 7.5%+ p.a.

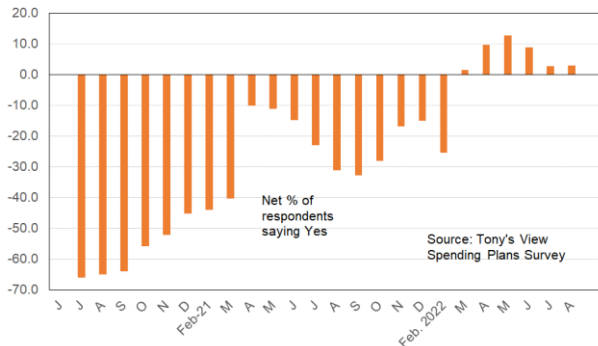
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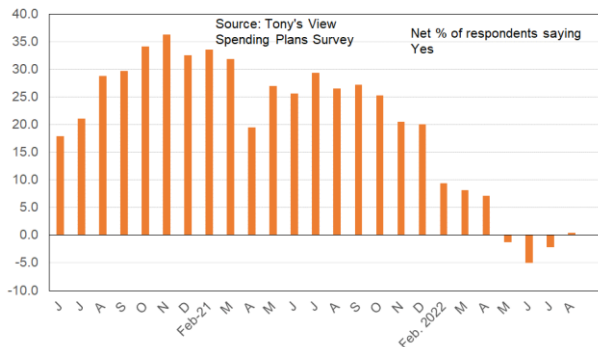
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Do you plan spending more on INTERNATIONAL TRAVEL over the next 3-6 months?



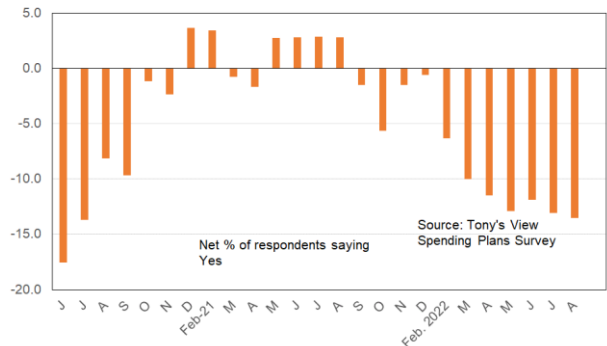
There has been a return to positive intentions for home renovations – but only just.

Do you plan spending more on HOME RENOVATIONS over the next 3-6 months?



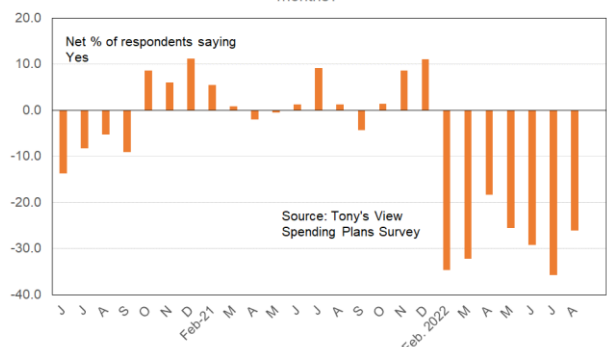
For all other categories from which people can choose spending intentions are negative – substantially so in some cases. But all have become less negative except motor vehicles.

Do you plan spending more on MOTOR VEHICLES over the next 3-6 months?



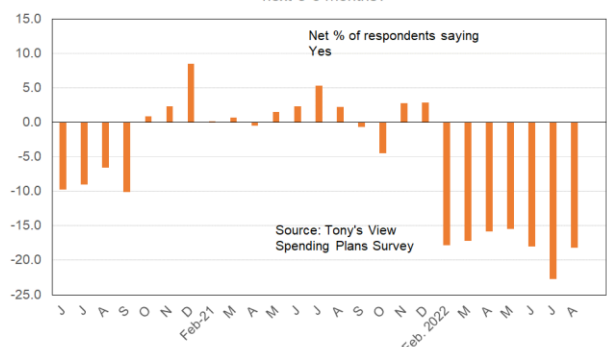
A net 26% of people plan cutting spending on eating out. This likely reflects the need to save on discretionary spending.

Do you plan spending more on EATING OUT over the next 3-6 months?



A net 18% of people plan cutting spending on clothing and footwear.

Do you plan spending more on CLOTHING & FOOTWEAR over the next 3-6 months?



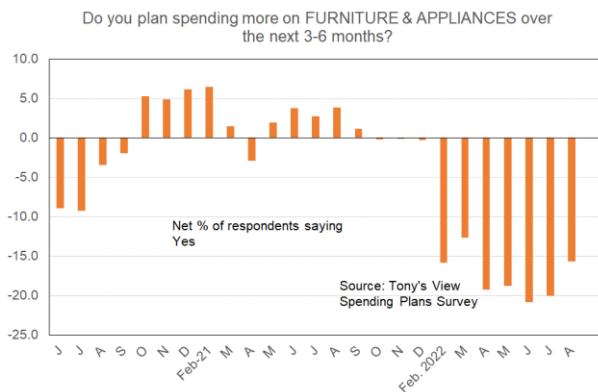




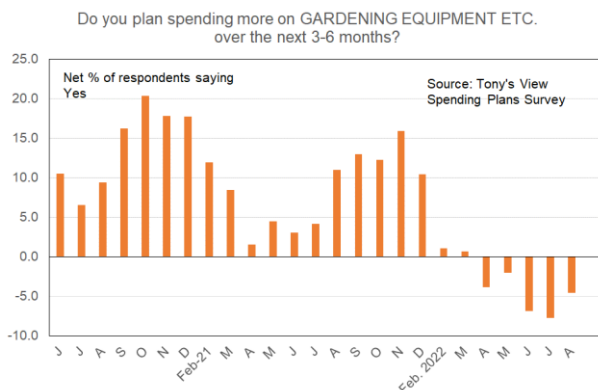
## Household durables

High levels of consumer concern about the future are associated with reduced spending on long-lasting things for which such spending can be delayed. As noted above, plans for spending on motor vehicles have deteriorated. For other durable items things are bad, but less bad than in July.

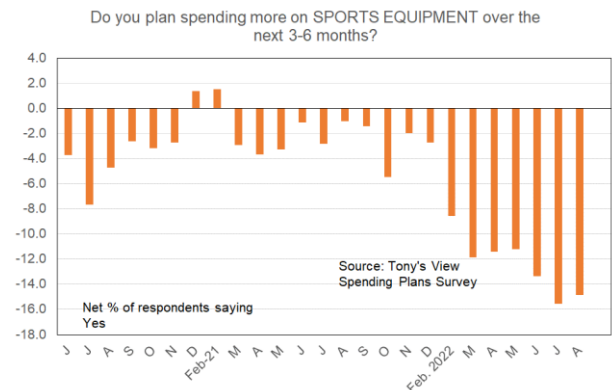
A net 16% of people plan spending less on furniture and appliances.



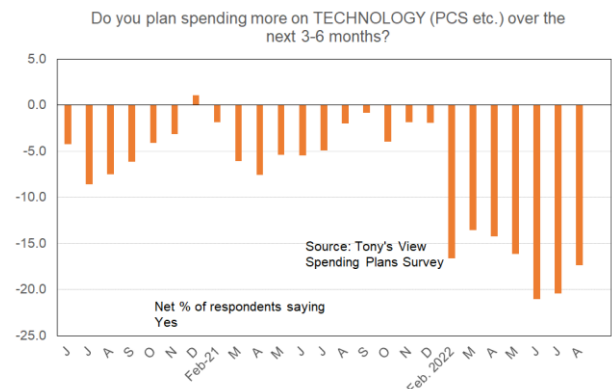
Plans for spending on gardening equipment are a net 4.6% negative from 7.7% last month.



But plans for spending on sports equipment are firmly negative at -14.8% from -15.5% in July.



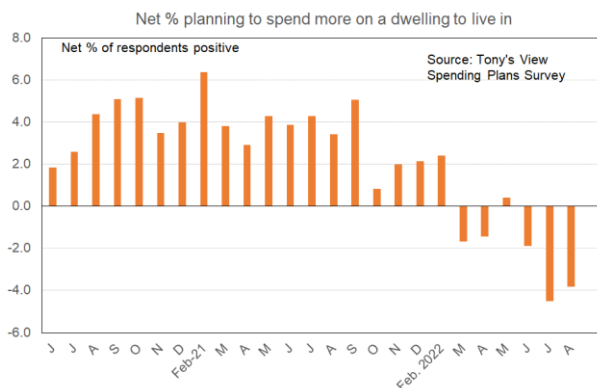
Home technology spending plans are even more negative, but again slightly better than last month, at -17.4%.



## Housing indicators

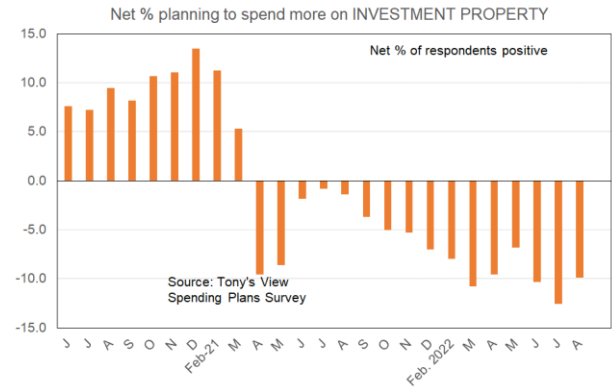
In some of my other monthly surveys I can see evidence of things becoming less bad (though still bad) in intentions of purchasing property. Although house prices are continuing to fall and widely expected to remain declining, the extent to which first home buyers are stepping back from the market is easing, and one or two more people may be appearing at auctions and open homes. Spring will be quite interesting this year.

A net 3.8% of respondents in this month's Spending Plans Survey have said that they intend cutting back on plans for purchasing a dwelling to live in.



This is an improvement from -4.5% last month. But it is still the second weakest reading on record and provides no justification for saying that things are actually getting better in the residential real estate sector. They are continuing to deteriorate.

Similarly, a net 9.9% of survey respondents this month have said that they plan cutting back on purchasing investment property. This is better than the record -12.5% result in July but also the second worst reading on record.



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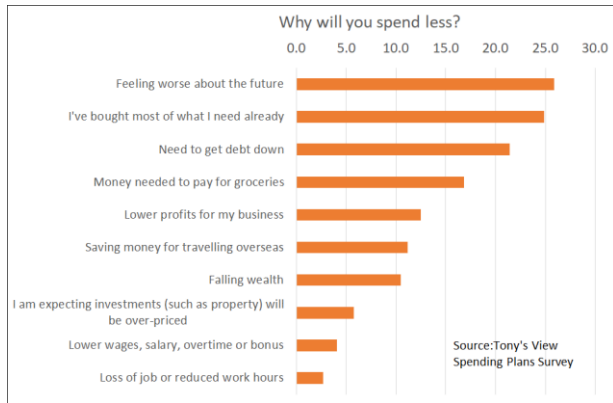
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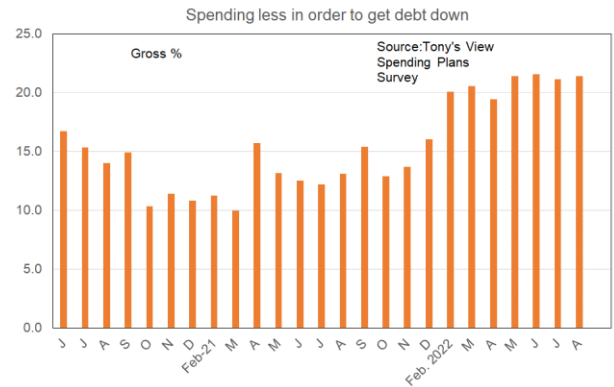
## Why do you plan spending more or less?

Earlier in this publication I looked at changes in some of the factors people can cite as lying behind their intentions to spend more or spend less. For completeness of the account, here are my usual two graphs showing the ranking of reasons for spending more and reasons for spending less.





Are debt concerns showing any sign yet of escalating? No. The gross proportion of people planning to spend less in order that they can reduce their debt has remained fairly static since February when a jump was recorded from 2021 levels.



Respondents to the survey were distributed by age as follows.

< 30 years	5.6%
31 – 50 years	34.7%
51 – 65 years	40.3%
Over 65 years	19.5%

Distribution by region was as follows.

Northland	2.1%	Tasman	1.5
Auckland	43.3	Nelson	2.0
Waikato	7.7	Marlborough	0.8
Bay of Plenty	5.8	West Coast	0.2
Hawkes Bay	2.6	Canterbury	12.4
Taranaki	1.7	Queenstown	1.4
Manawatu-Wang.	3.6	Otago ex. Q'twn	2.5
Wellington	10.0	Southland	1.3
Gisborne	0.4	Other	0.7

Total responses = 1,207



## Links to publications

[Tony's View Spending Plans Survey](#)



[mortgages.co.nz & Tony Alexander Mortgage Advisors Survey](#)



[Tony's Thoughts Vlog](#)



[Tony Alexander Regional Property Report](#)



[REINZ & Tony Alexander Real Estate Survey](#)



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