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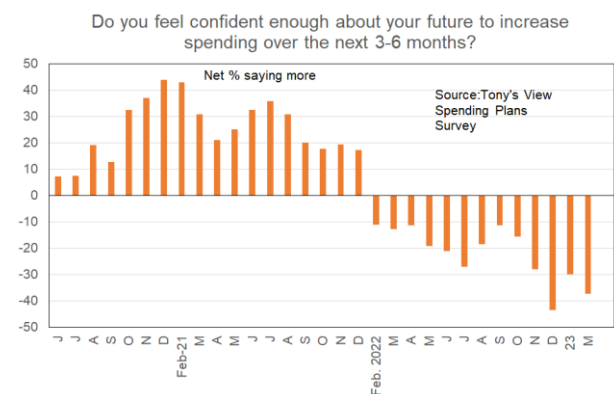
Wednesday 8 March 2023

## Consumers head back into their shells

This month's survey of half of the 30,000 subscribers to my weekly Tony's View shows consumer pessimism has increased almost back to where it was shortly after the record monetary policy tightening of November 23. Considering the continuing strength in the labour market, and declines in some interest rates, it is likely that this month's results are biased downwards because of the recent extreme weather events. A better picture of the underlying spending plans for Kiwi consumers will probably appear in next month's survey and a comparison of those April results with February will perhaps be insightful.

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

A net 37% of the 529 respondents have said that they plan cutting back on their spending over the next 3-6 months. This is the second worst reading on record and a deterioration from a net 30% pessimistic reading recorded a month ago. The worst result was in early-December last year which came about after the tightening of monetary policy in late-November and prediction of recession by the Reserve Bank.



### Where will people spend more?

We ask people what things they plan spending more on and what they plan spending less on. 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 chart.

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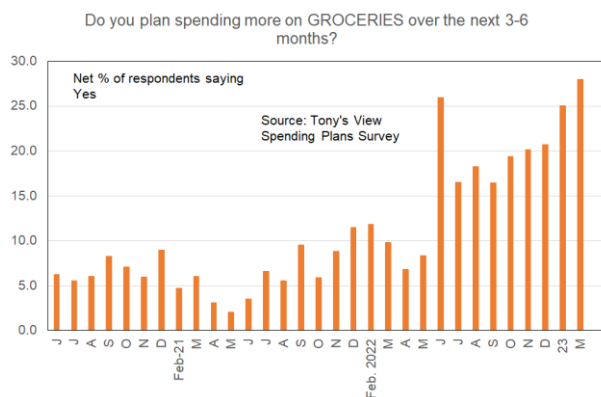
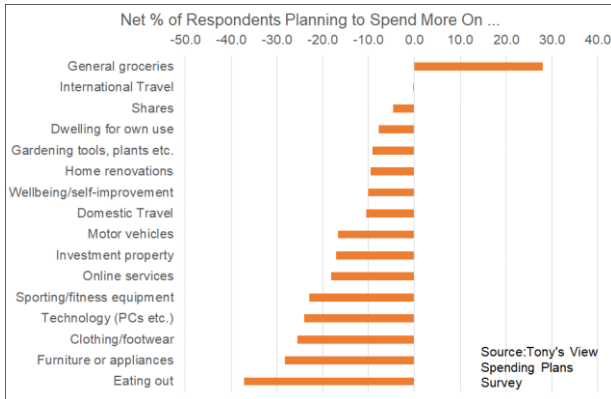
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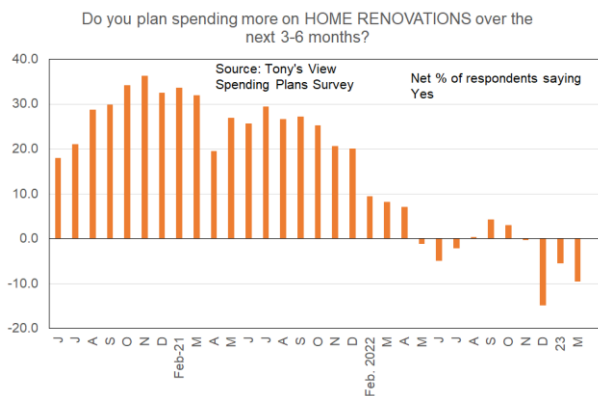
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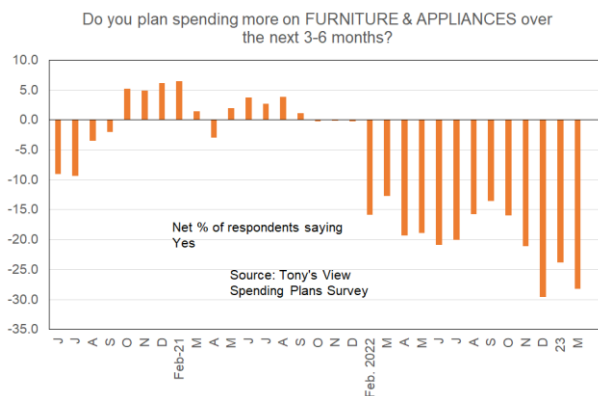
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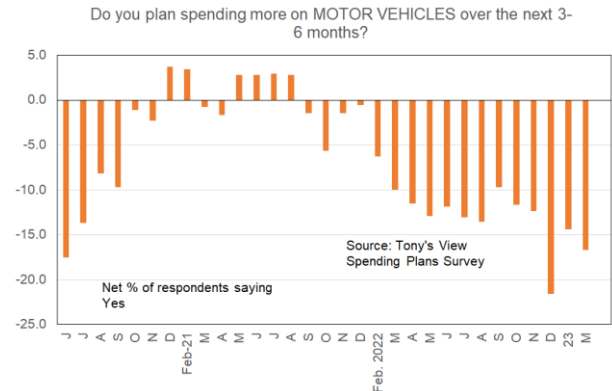
foreign travel towards doing up their homes. That is now over and perhaps when house construction falls more later this year the time will be right for those able to wait to seek a tradie for delayed work on their property.



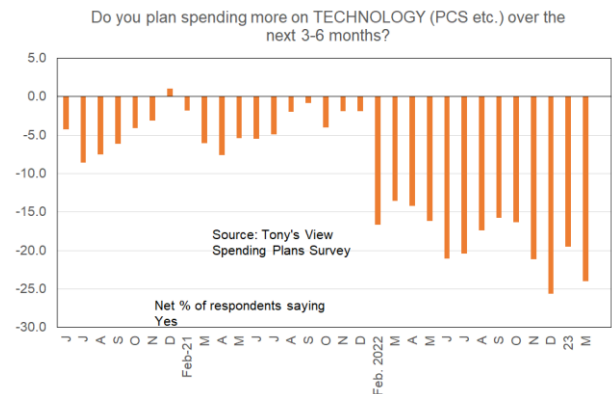
For retailers the news in our monthly survey remains bad. A net 28% of people plan cutting spending on furniture and appliances.



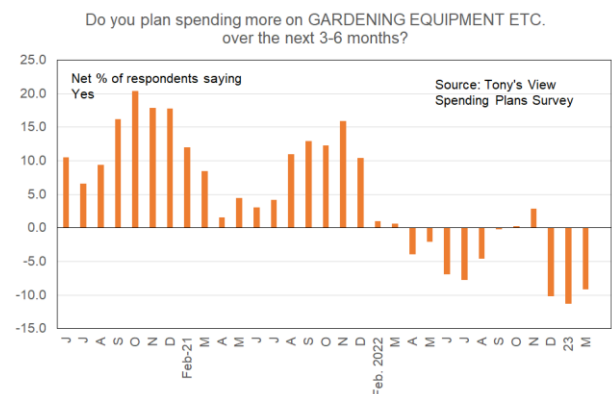
A net 17% plan reducing spending on motor vehicles.



A net 24% plan cutting back on technology spending.

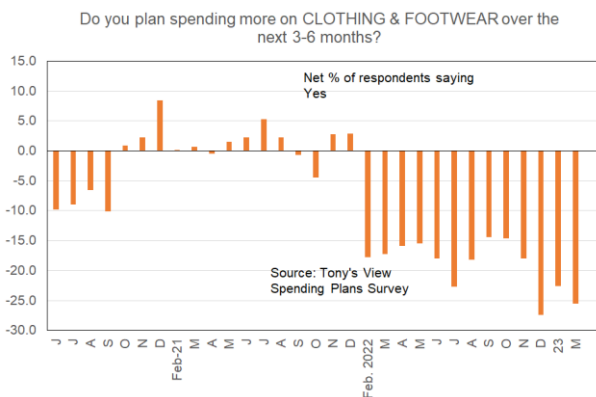


Plans for spending on our gardens remain low at a net 9% negative.

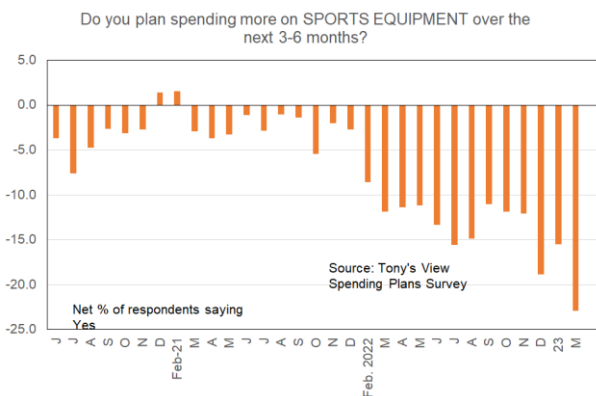




A net 26% of people plan cutting spending on clothing and footwear.

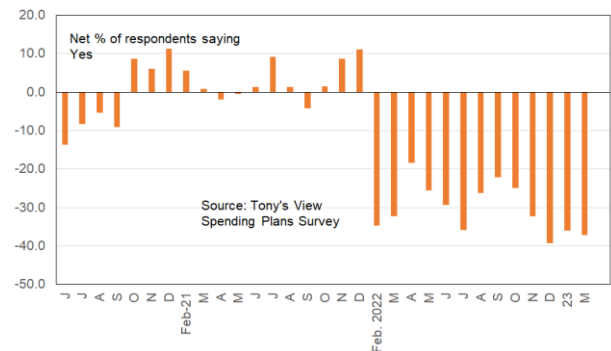


The outlook for sporting goods retailers is extremely poor.



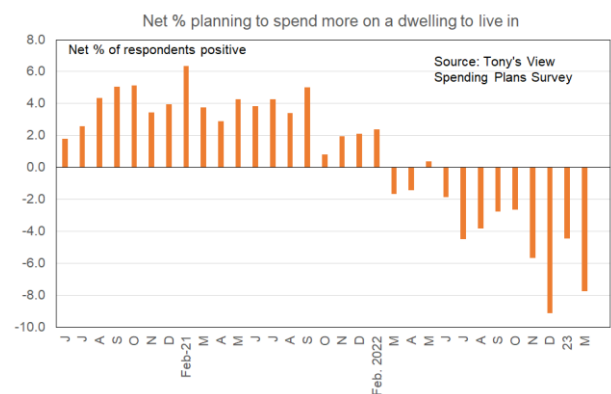
Plans for eating out remain poor with a net 37% of people saying they will spend less.

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



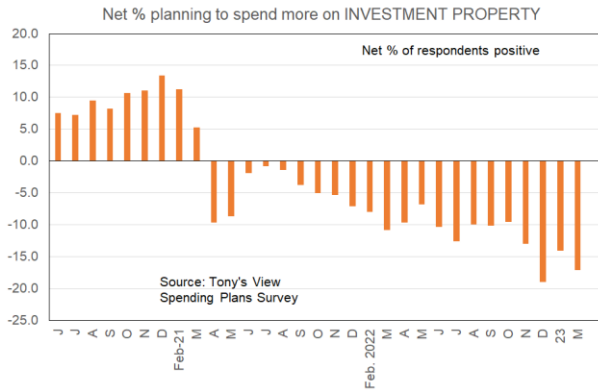
## Housing indicators

In this month's survey a net 8% of people have said that they plan cutting back on spending for a new home in which they will live. This is the second worst reading on record and tells us clearly that although first home buyers are returning to the real estate market, they are not being followed by owner-occupiers generally.



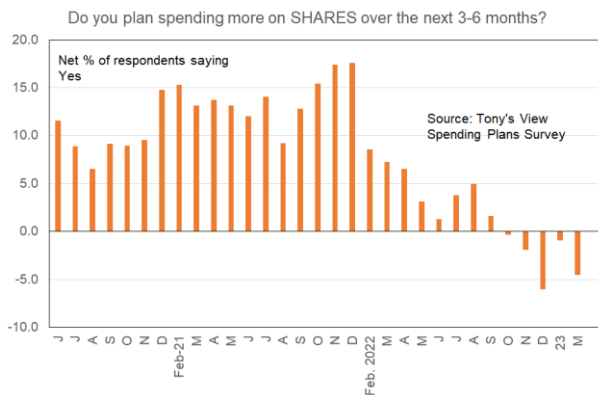
Are investors yet following the young buyers as has happened in the past? No. A net 17% of respondents have said they plan cutting investment property spending as compared with a net 14% last month.





## Buying shares

As has been the case for residential property so too have intentions of buying shares taken a fresh step back this month. A net 5% of people plan cutting their share buying as compared with a net 1% last month.



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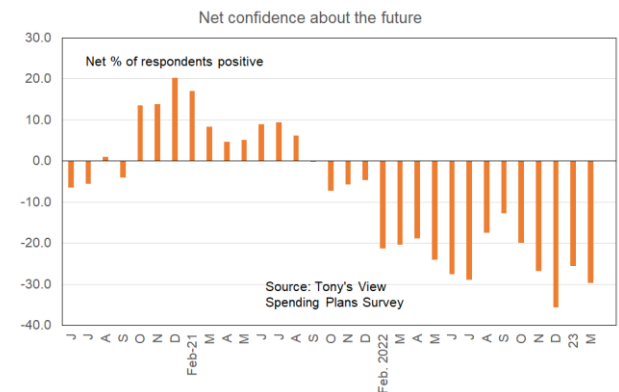
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## Why do you plan spending more or less?

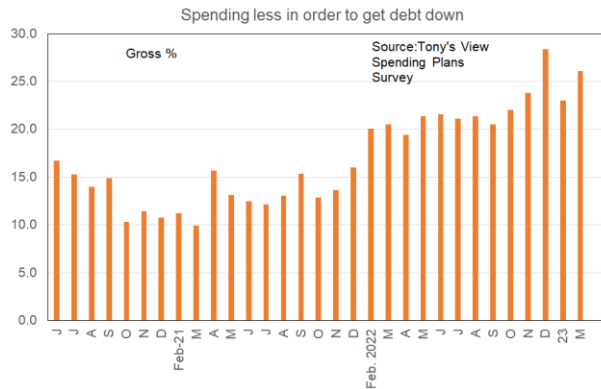
The following graph shows the proportion of people who state that they are cutting spending for the reasons shown. People are again mainly worried about what the future holds and their level of debt.



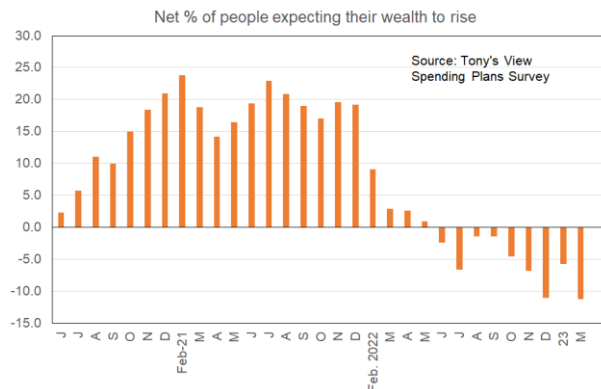
Sentiment regarding the future is not quite as bad as it was in December – but the difference is fairly small.



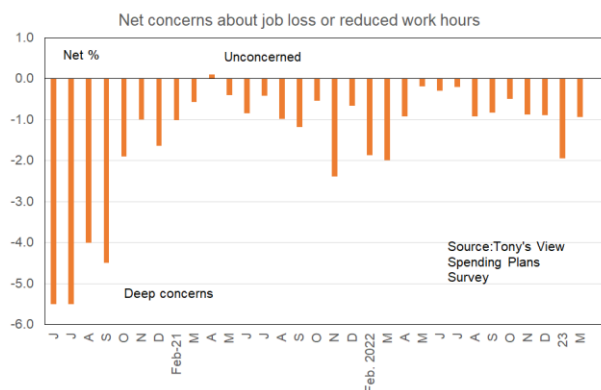
The desire to get debt levels down has been trending up since the start of 2021 just before fixed mortgage rates started their upward march in the middle of that year. The recent lift in plans for debt reduction have come about in spite of rate discounting by some NZ banks and increasing commentary regarding fixed mortgage rates having peaked.



Worries about wealth levels remain strong



Concerns about employment however still remain relatively low.



And perhaps this explains why expectations for wage rises have crept higher. Note however that these net wage rise expectations are still low compared with before the late-November monetary policy chock. So, perhaps the Reserve Bank can still give some benefit of the doubt to people reining in their wage demands.

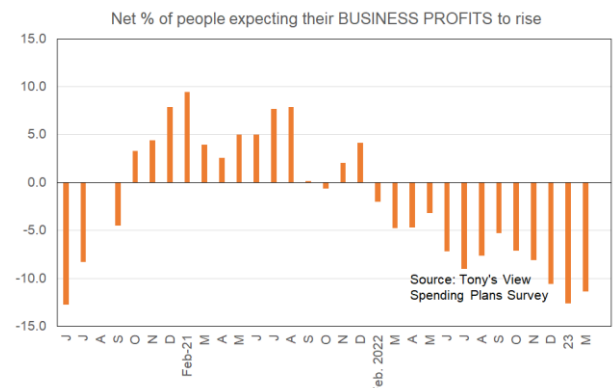


We also ask why people will spend more, and the results are shown in this next graph.



Rising grocery prices are once again the prime reason people plan to spend more.

Expectations for business profits continue to deteriorate.





Respondents to the survey were distributed by age as follows.

< 30 years	3.9%
31 – 50 years	32.0%
51 – 65 years	39.3%
Over 65 years	24.8%

Distribution by region was as follows.

Northland	1.7%	Tasman	0.9
Auckland	43.8	Nelson	0.4
Waikato	10.5	Marlborough	0.8
Bay of Plenty	7.1	West Coast	0.1
Hawkes Bay	4.4	Canterbury	11.3
Taranaki	1.3	Queenstown	1.1
Manawatu-Wang.	2.8	Otago ex. Q'twn	3.6
Wellington	10.5	Southland	1.1
Gisborne	0.1	Other	0.1

Total responses = 529

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