

TONY'S VIEW

Spending Plans Survey

Input to your Strategy for Adapting to Challenges

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Monday 7 November 2022

Consumers go back into their shells

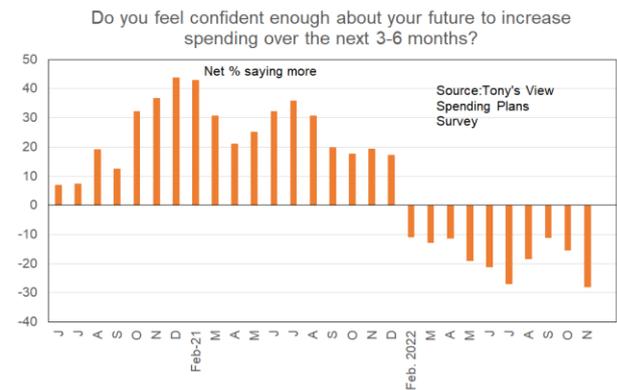
This month's survey of the 29,000 subscribers to my weekly Tony's View publication yielded 1,135 responses. The main result is a further worsening of the net proportion of respondents planning to spend more over the next three to six months to a net -28% from -15% in October. This is the most negative result since our survey started in June 2020 and signals that further pain lies ahead for retailers throughout the country as the Reserve Bank fights inflation with high interest rates.

We also have data telling us that not only are investors not following first home buyers into the housing market, owner occupiers aren't either.

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

Following on from the recent round of interest rate increases there has been a notable deterioration in the net proportion of our over 1,000 respondents saying they plan spending more in the near future. A net 28% plan cutting back as compared with a net 15% last month. Spending Plans are the weakest on record, but

only slightly weaker than back in early-July when a net 27% of people planned cutting their spending.



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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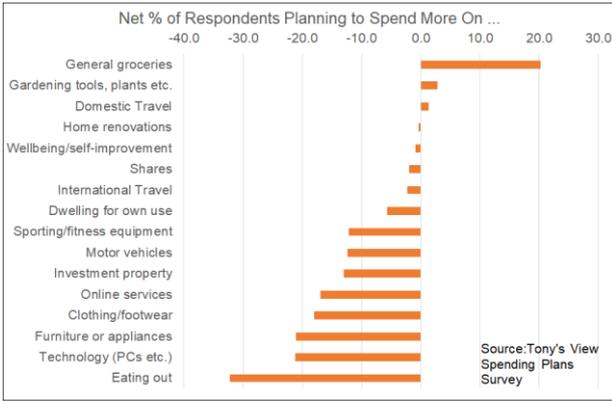
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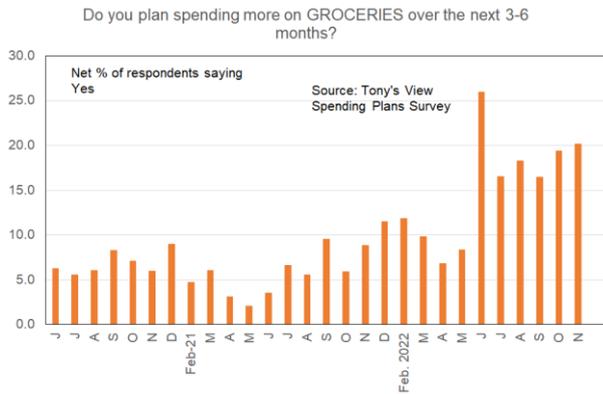
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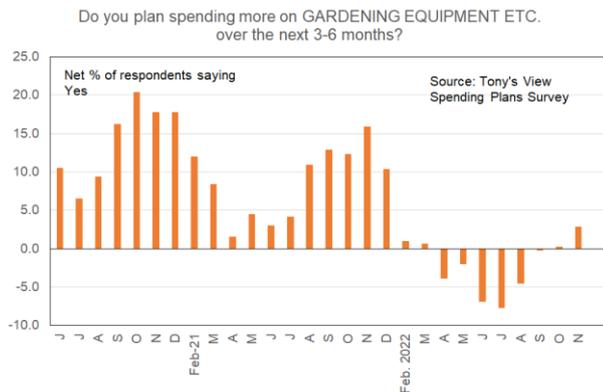


There are only three areas left where people plan to spend more in the next three months in net terms. They are groceries, clearly because of higher prices, gardening equipment, a seasonal effect, and domestic travel, reflecting the approach of summer we suspect.

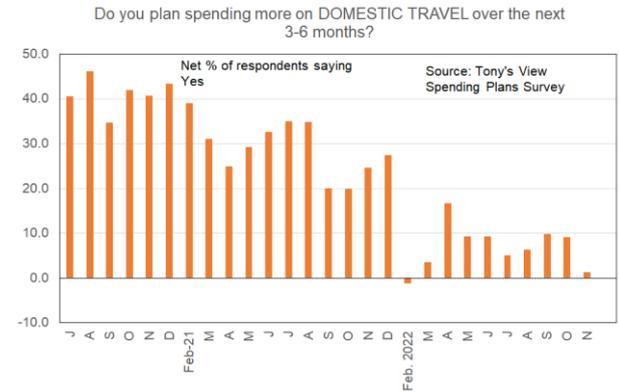
Spending plans for groceries remain very high, though not quite as high as in June as the shock of rising prices seems to have struck hard.



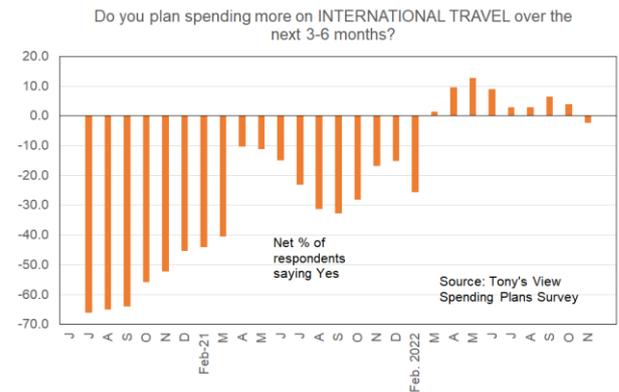
The lift looks seasonal, yet weak, for gardening.



Although domestic travel plans are positive, they are the second weakest on record and suggestive of freer than usual roads for foreign backpackers and campervan users if they show up. The falling away of domestic travel plans is quite stark from an already low level.



Plans for international travel have fallen to the lowest level since the borders opened up. This likely reflects the combined effects of some delayed and revenge travel having been undertaken already, very high airfares, lack of airline capacity, and constrained household budgets.



In the home renovations sector net spending plans are only just negative. This sector is well past its pandemic boom. But the level of support overall is unusually firm in the context of cutbacks for other areas of lumpy spending.

Looking to earn better interest?

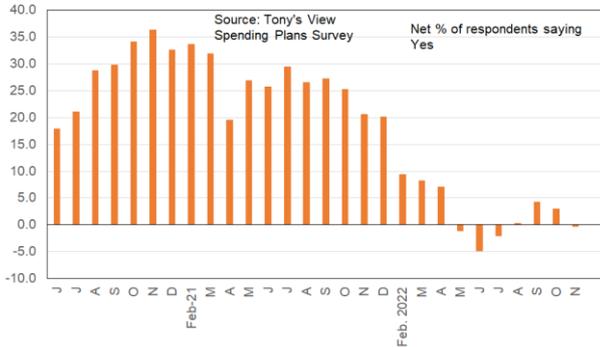
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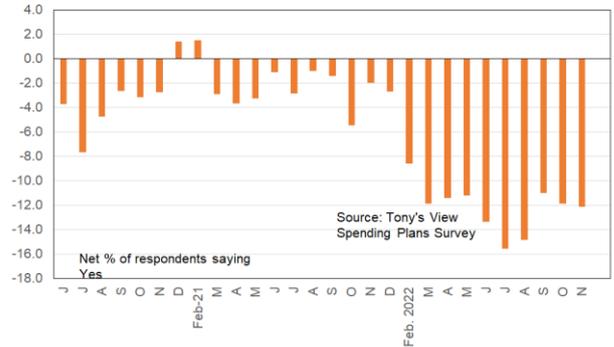


*This opportunity is only available to eligible and/or wholesale investors in terms of the Financial Markets Conduct Act 2013.

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

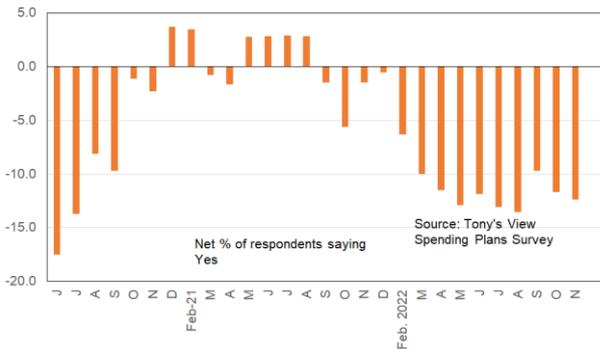


Do you plan spending more on SPORTS EQUIPMENT over the next 3-6 months?

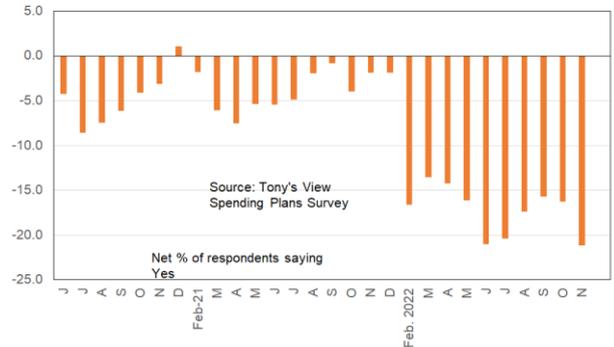


For instance, plans for spending on motor vehicles, furniture and appliances, sports equipment, and technology are all very weak.

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

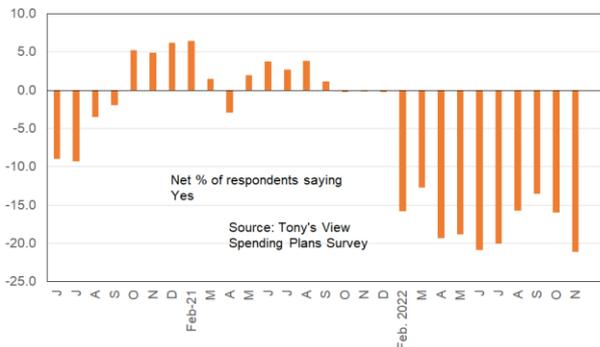


Do you plan spending more on TECHNOLOGY (PCS etc.) over the next 3-6 months?

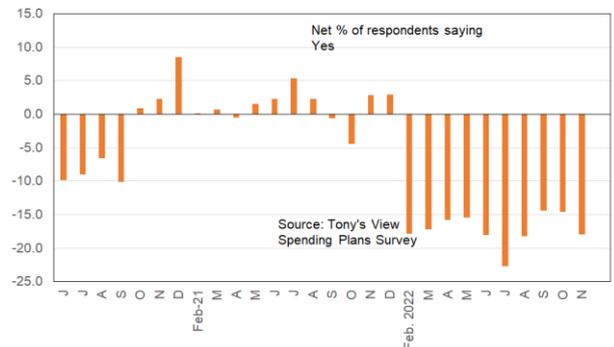


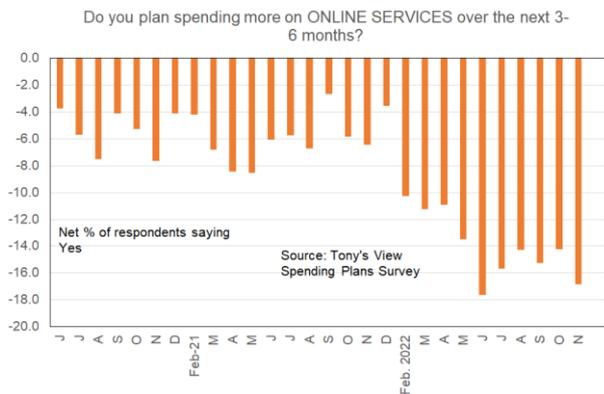
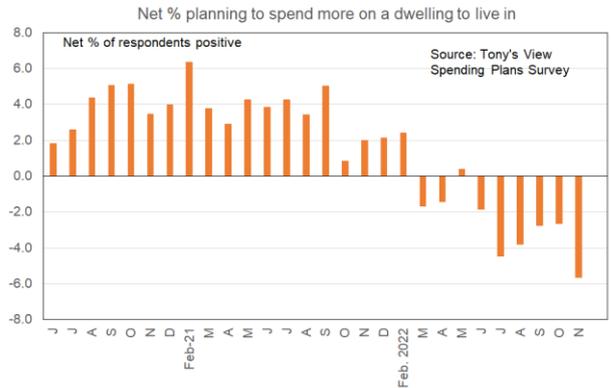
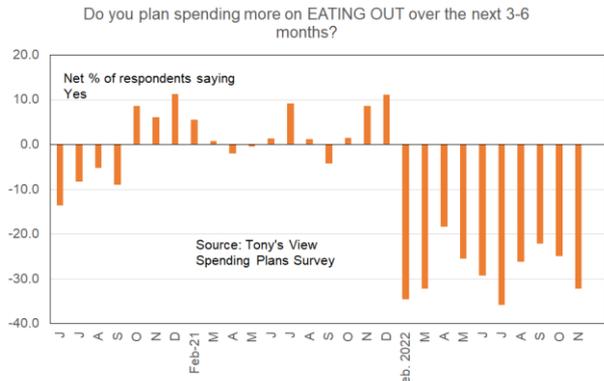
Spending plans for more discretionary items such as clothing & footwear, eating out, and particularly online services are very weak.

Do you plan spending more on FURNITURE & APPLIANCES over the next 3-6 months?



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





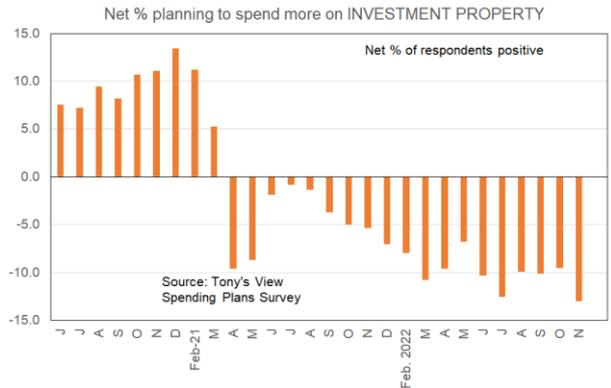
The result tells us something important given that the bulk of people who subscribe to the weekly Tony's View and who are given the opportunity to reply to the survey requests will be existing homeowners. The survey result tells us that it is not reasonable to expect that in the very near future owner occupiers will follow first home buyers into the housing market.

Reducing consumption of online services is usually an item right near the top of the list when people are asked to suggest tips for budgeting during these tougher times, along with eating out.

Our second housing-related question tells us we should not expect investors to follow either. A net 13% of respondents say they plan reducing spending on investment property. This also is the worst result in the two and a half years during which our survey has been running.

Housing indicators

A record low net 5.6% of survey respondents say that they plan spending more on a property to live in over the next 3-6 months. We can quibble about exactly what this means, but the beauty of surveys like this is that such quibbles don't matter. It is the changes in whatever measure one is using which are important and not the measure itself.

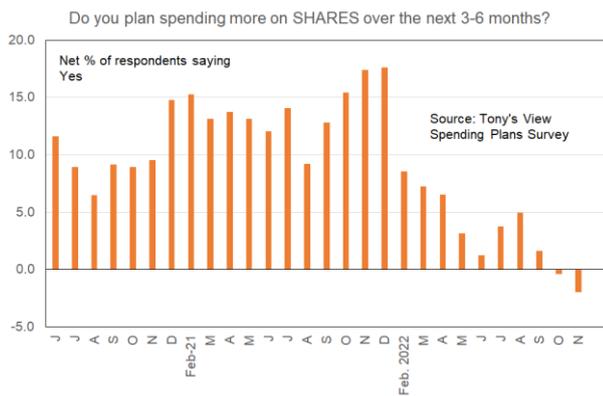


This result gels with that from my monthly survey of real estate agents undertaken with REINZ.

That survey, released last Friday morning, shows investors running even further back from the housing market following the recent round of interest rate rises.

Buying shares

With sharemarkets continuing to be highly volatile, returns on alternatives like interest rate products rising, and amidst forecasts of global recession, it is unsurprising that people's plans for buying shares have also weakened. Like the results for housing this measure is also at a record low.



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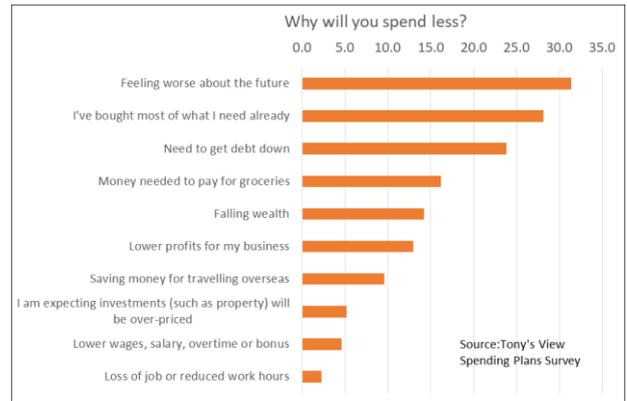
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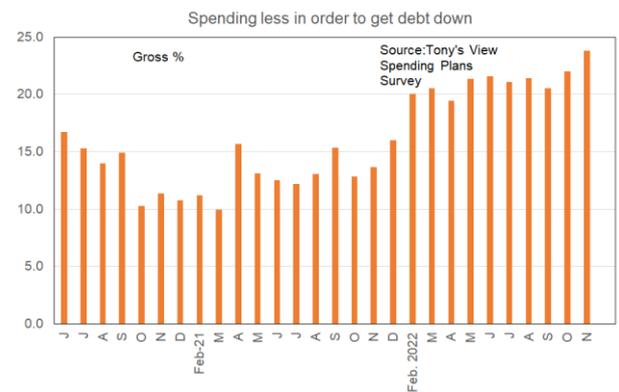
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Why do you plan spending more or less?

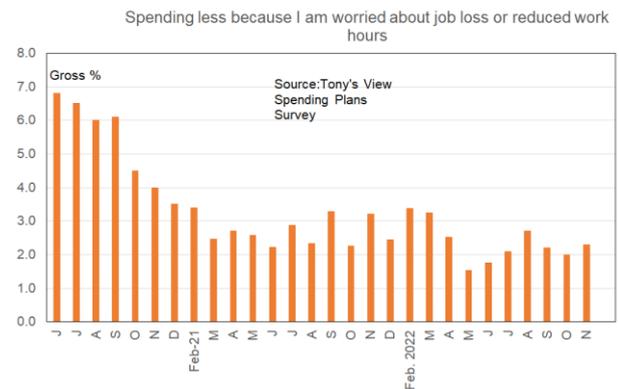
The following graph shows the proportion of people who state that they are cutting spending for the reasons shown. Cutbacks are mainly attributable to having what one needs already, worries about the future, and getting debt down – same as last month.



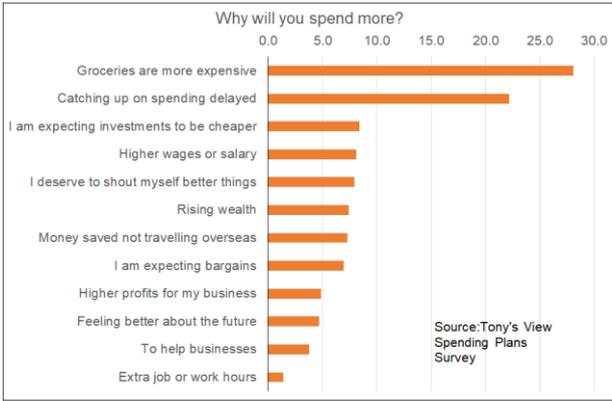
Plans for getting debt down have noticeably risen this survey.



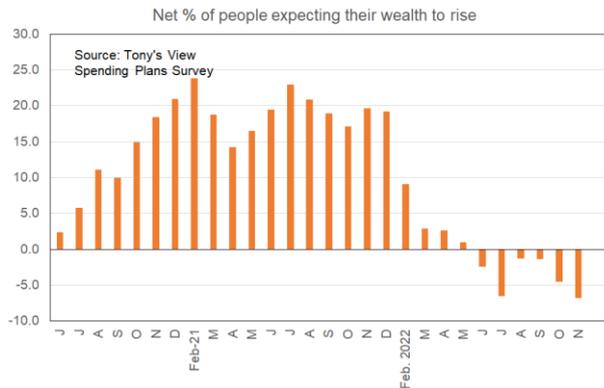
There is however no upward trend in the proportion of people saying they will spend less because they are worried about their income.



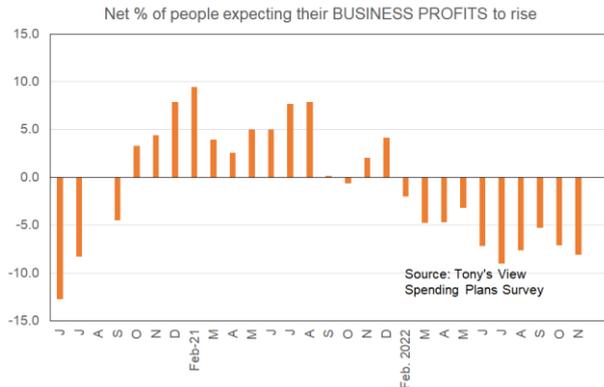
We also ask why people will spend more, and the results are shown in this next graph.



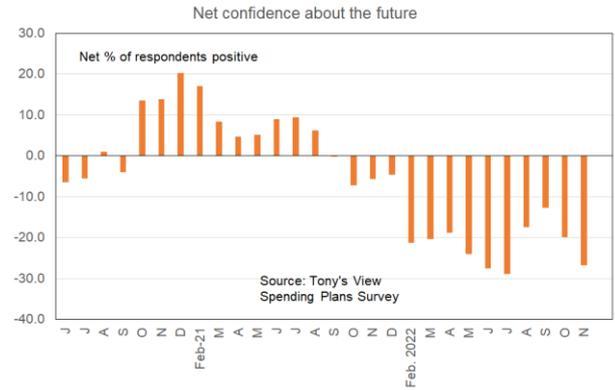
Netting some of the factors off against each other for ups and downs we get these following insights. First, people expect to get poorer.



They expect their business profits to go down.



They are not confident about the future.



Imagine going into an election with these sentiments in place amongst the voters.

Respondents to the survey were distributed by age as follows.

| | |
|---------------|-------|
| < 30 years | 5.6% |
| 31 – 50 years | 34.5% |
| 51 – 65 years | 41.7% |
| Over 65 years | 18.2% |

Distribution by region was as follows.

| | | | |
|----------------|------|-----------------|------|
| Northland | 1.9% | Tasman | 1.0 |
| Auckland | 42.2 | Nelson | 1.6 |
| Waikato | 9.7 | Marlborough | 1.8 |
| Bay of Plenty | 6.1 | West Coast | 0.1 |
| Hawkes Bay | 3.1 | Canterbury | 13.1 |
| Taranaki | 1.2 | Queenstown | 2.5 |
| Manawatu-Wang. | 2.8 | Otago ex. Q'twn | 2.7 |
| Wellington | 8.6 | Southland | 0.6 |
| Gisborne | 0.2 | Other | 0.8 |

Total responses = 1,135

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