



Input to your Strategy for Adapting to Challenges

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Consumer spending plans ease off

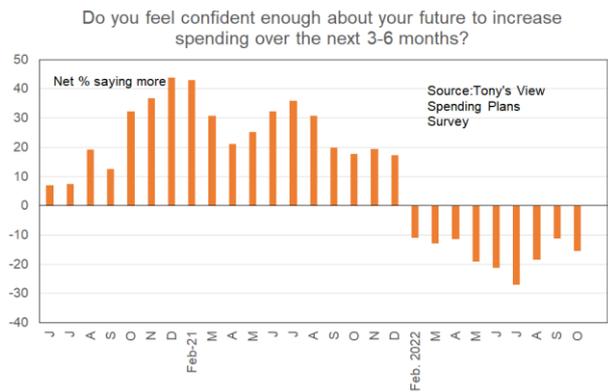
This month's survey of the over 28,000 subscribers to my weekly Tony's View publication yielded 1,098 responses. The main result is a slight worsening of the net proportion of respondents planning to spend more over the next three to six months -15% from -11% in September. Spending plans worsened for almost all categories with greatest weakness in plans for eating out, technology, and purchasing furniture and appliances.

In contrast a net 19% of people said they plan spending more on groceries - but of course this is an involuntary increase reflecting the higher cost of living rather than desires to purchase more flour and sugar.

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

A net 15% of people have said they plan cutting back their levels of spending over the next three to six months compared with a net 11% planning reductions last month. This reverses an improving trend over the previous two months and may reflect increasing concern about

interest rates along with a sharp rise in media discussion about recessions in key trading partners.



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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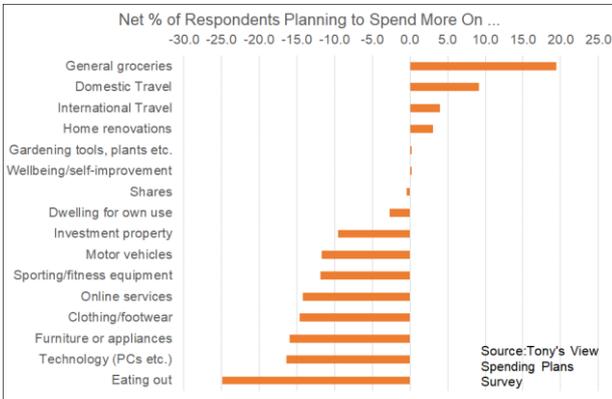


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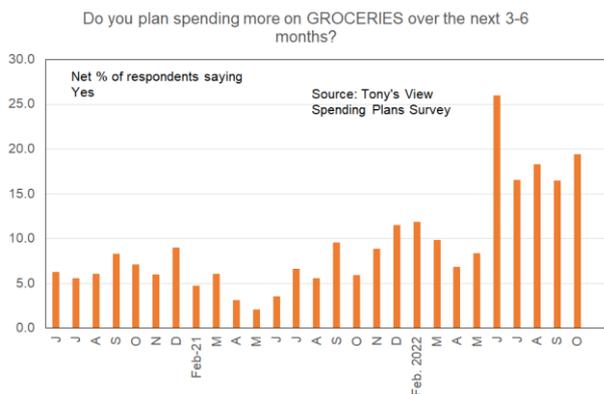
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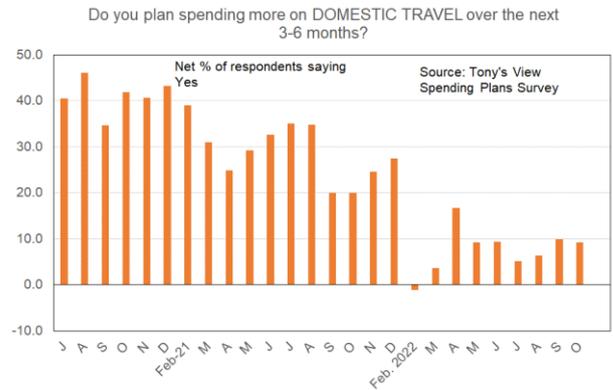
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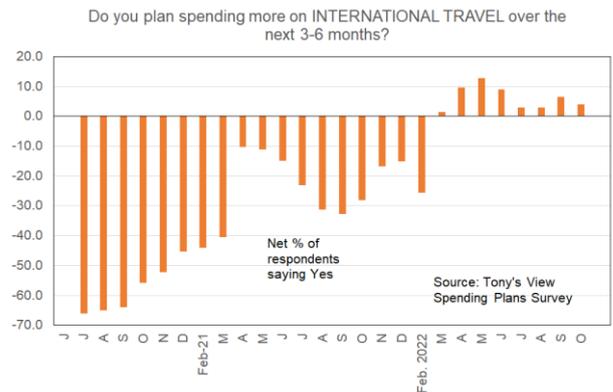
People plan to spend more on groceries along with domestic travel, international travel, and home renovations. The impact of the surge in the cost of living is fairly clear in the following graph showing each month's proportion of respondents looking at spending more on groceries.



There is no trend change underway in plans for domestic travel and this has been the case since very early this year. This of course stands in contrast to results for the first year and a half of our survey which were taken when the borders were closed.



Plans for international travel have also changed by very little since early this year with the opposite pattern as shown above for domestic travel.



Plans for spending on home renovations continue to hang in at small positive levels, though the proportion of people planning higher spending here is noticeably much less than during the pandemic when spending was actively diverted from overseas travel.

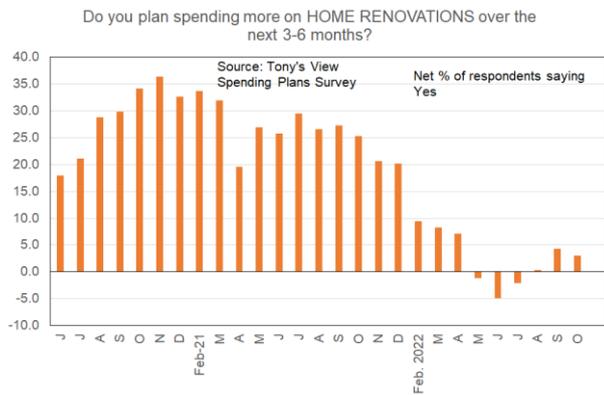




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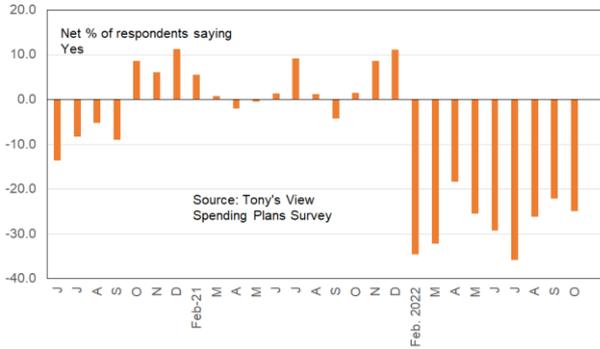
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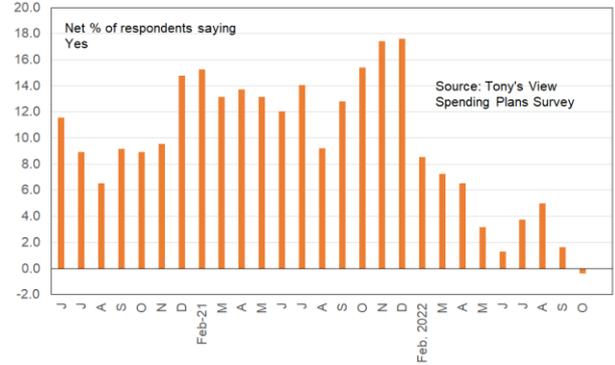


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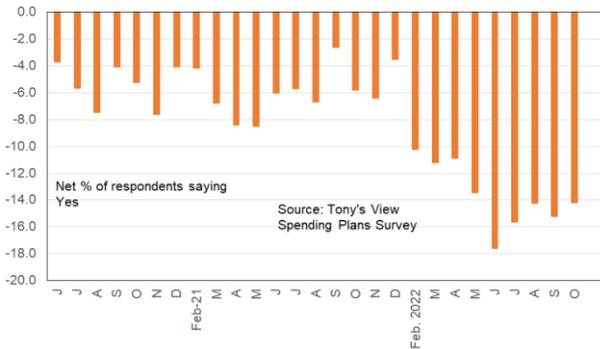
Do you plan spending more on EATING OUT over the next 3-6 months?



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



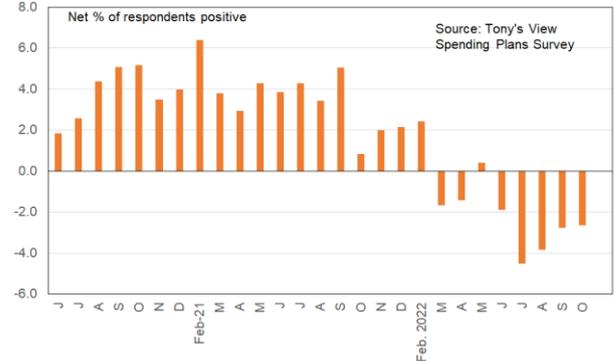
Do you plan spending more on ONLINE SERVICES over the next 3-6 months?



Housing indicators

Over the past month there has been no change in the net proportion of people planning to spend more on a property which they will live in. That proportion is currently a net 2.6% negative.

Net % planning to spend more on a dwelling to live in



For the first time ever in our survey we have more people planning to reduce spending on shares than increase it over the next three to six months. This situation is likely to reflect the recent weakness in share prices around the world alongside predictions of a global recession.

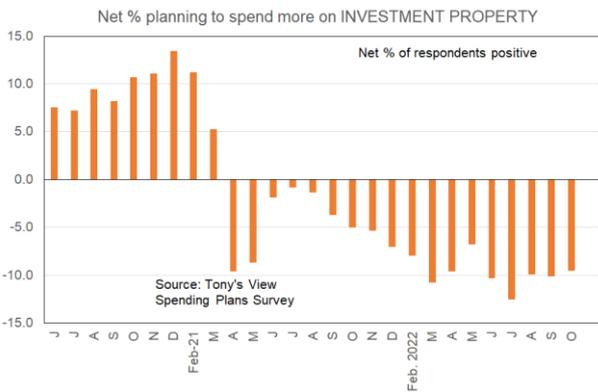
As noted previously this perhaps suggests that although first home buyers are clearly returning to the residential property market to take advantage of the large fall in prices over the past year, owner occupiers generally are not following suit.

And when it comes to purchasing property as an investment we continue to see a strongly negative result. Net negative migration flows,





high interest rates, decreased access to capital, and a range of legislation from the government actively discouraging people from providing rental accommodation are likely to be the factors in play here.



But with the results of local body elections around the country suggesting dissatisfaction with the current left-leaning government the increased probability of a victory for the National opposition at next year's general election may start to bring some investors into the marketplace to make a purchase. The driving factor here will be anticipation of the restoration of interest expense deductibility alongside watering down of much derided plans for housing intensification.

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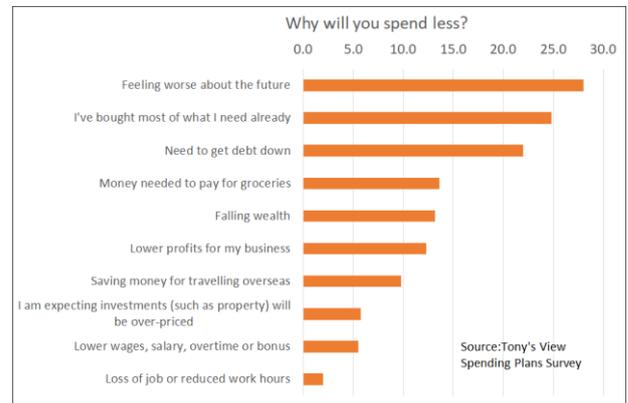
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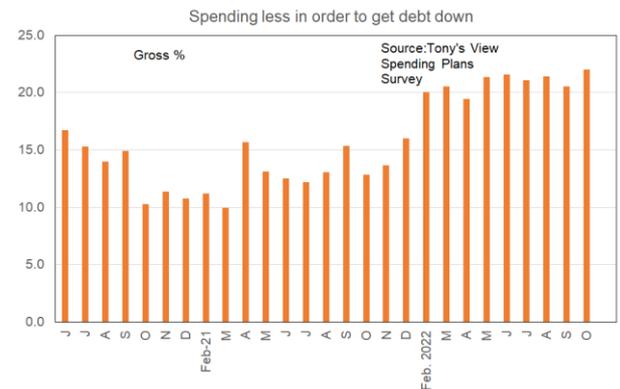
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Why do you plan spending more or less?

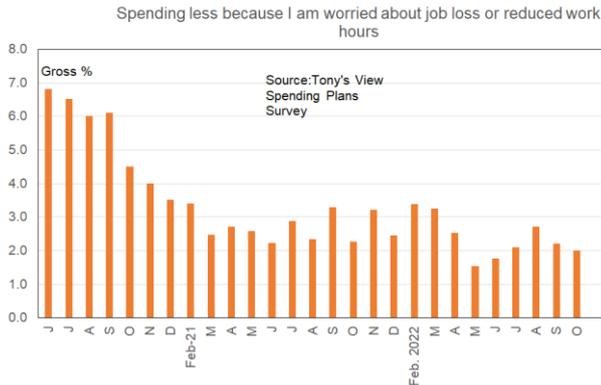
The following graph shows the proportion of people who state that they are cutting spending for the reasons shown. Cutbacks are mainly attributable to having what one needs already, worries about the future, and getting debt down.



The proportion of people saying they plan spending less in order to get debt levels down increased at the start of this year but has not continued to move upward. This suggests that although cash outflows for servicing debt have gone up and are expected to rise further there is no sense of panic by people generally.



Reflecting the firm state of the labour market we can see that there is no upward trend in the proportion of people saying they will spend less because they are worried about employment.

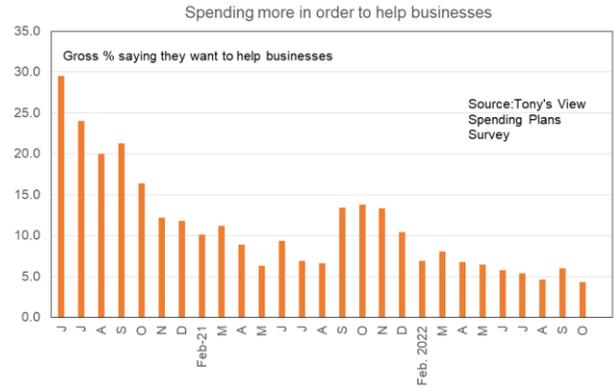


We also ask people why they plan spending more and those results are shown in the following bar graph.

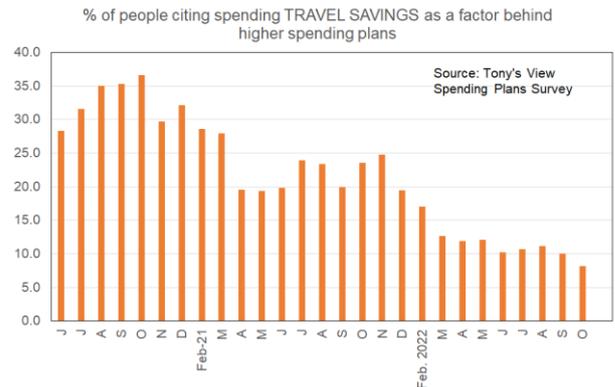


On the face of it none of these results are particularly surprising. But of course, it is the trends in this survey which gives the most interesting insights rather than necessarily the results at any particular point in time.

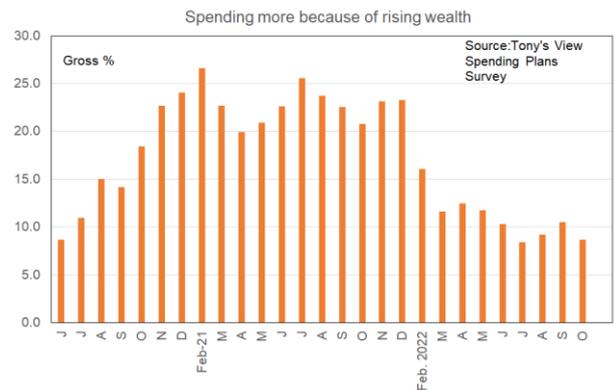
Fewer and fewer people are specifically spending more in order to help the business sector. This was a noticeable driver of willingness to spend in the early days of the pandemic.



There is a slow decrease in the proportion of people saying they will spend more because of savings built up over the past couple of years from not being able to travel.



And finally, there are now far fewer people saying they are spending more because they feel that their levels of wealth have gone up.





Respondents to the survey were distributed by age as follows.

< 30 years	5.4%
31 – 50 years	32.1%
51 – 65 years	43.4%
Over 65 years	19.1%

Distribution by region was as follows.

Northland	2.1%	Tasman	1.3
Auckland	43.1	Nelson	1.4
Waikato	7.3	Marlborough	0.6
Bay of Plenty	6.6	West Coast	0.1
Hawkes Bay	2.4	Canterbury	11.9
Taranaki	1.2	Queenstown	1.6
Manawatu-Wang.	3.4	Otago ex. Q'twn	3.3
Wellington	11.8	Southland	1.0
Gisborne	0.3	Other	0.5

Total responses = 1,098

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