Input to your Strategy for Adapting to Challenges

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ISSN: 2744-5178 Monday 12 September 2022

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Consumer spending plans less dire

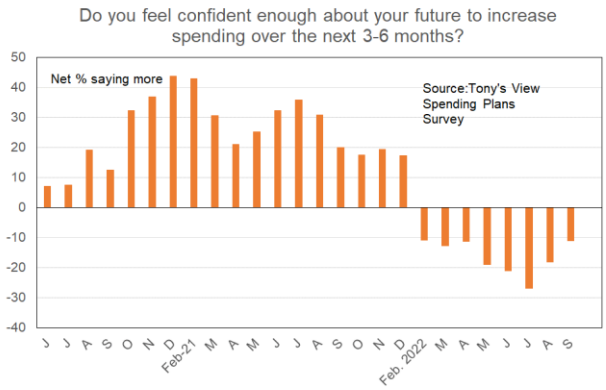
This month's survey of the over 28,000 subscribers to my weekly Tony's View publication yielded 1,676 responses. The main result is an improvement in net spending intentions for the second month in a row to -11% from -18% last month and a record -27% in July. The improvement gels with indicators from my other monthly surveys of mortgage advisers and real estate agents which have also recorded some improvements.

But like those surveys, this one does not actually bespeak of economic improvement as yet – just less degradation. That in itself however is significant because it tells us that although the worsening world growth outlook is legitimate cause for concern, the chances of recession in New Zealand are diminishing – but not completely absent.

For most retailers the survey results suggest continued weak trading conditions as we head through spring into summer.

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

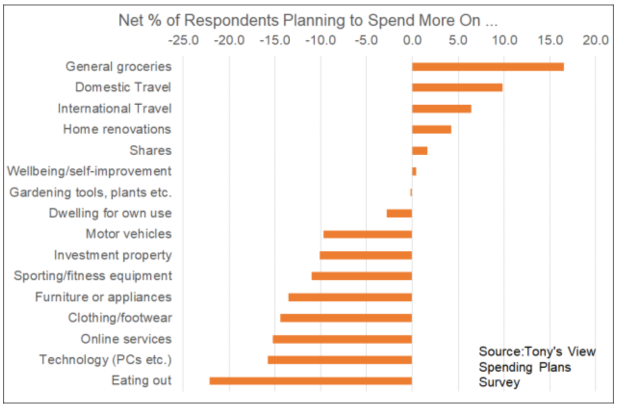
For the second month in a row there has been a lessening of people's plans to cut back on their spending. A net 11% of respondents this month have said they will spend less over the next 3-6 months from 18% in August and 27% in July.



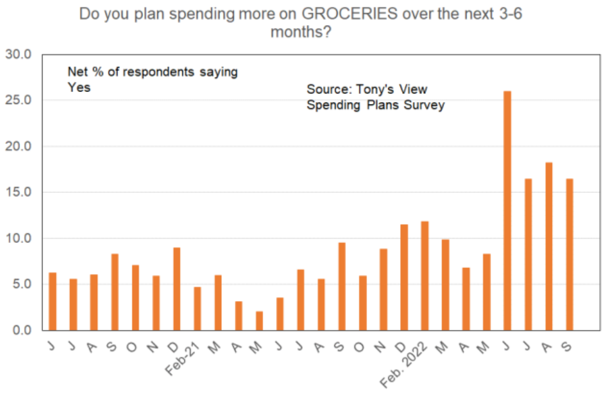
This improvement does not however signal good times for retailers because there are still many more people planning to cut spending than raise it.

Where will people spend more?

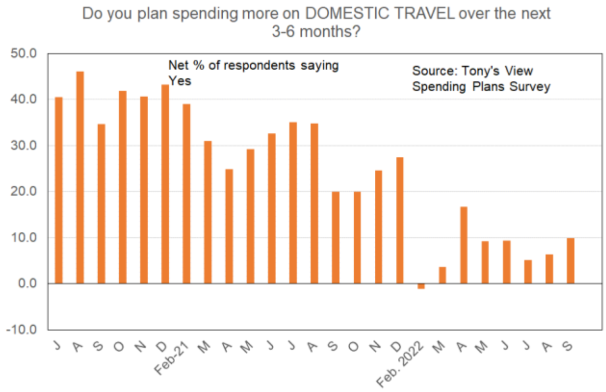
We ask people what things they plan spending more on and what they plan spending less on. From those responses we can calculate net purchasing intentions for the categories we cover and the results for this month are shown in the following chart.



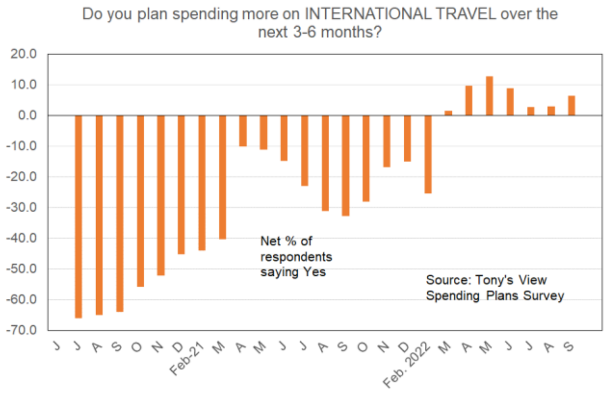
Highest ranking is the net 17% of respondents who plan spending more on groceries – clearly because they have to with prices rising so much.



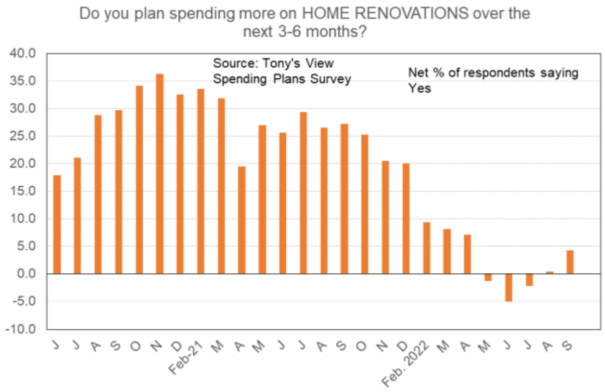
The desire to travel domestically remains strong as does the desire to travel offshore.



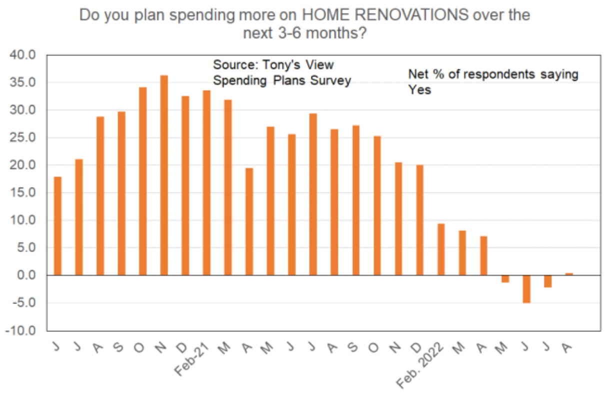
The initial surge in plans to get out of the country for a while has ended, and recent changes tell us that no rising or falling trend is obviously in place.



Plans for undertaking home renovations have improved for the third month in a row and this is a very interesting development. One would think that with the binge on buying consumer durable goods during the pandemic ending, interest rates rising, and household wealth falling, that people would be putting off home renovation plans.

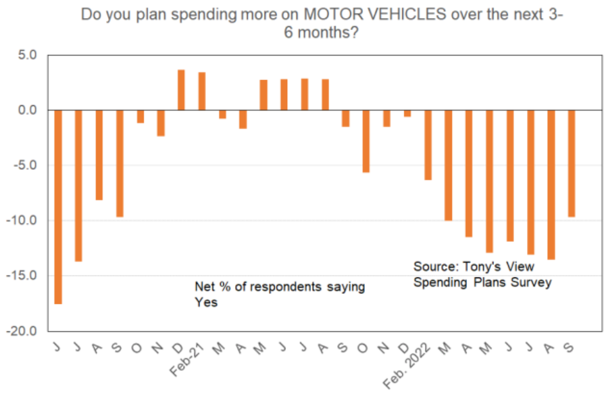


Desires to undertake renovations are certainly substantially lower than during the pandemic. But the recovery reminds us that not everyone has their spending plans driven by housing wealth and borrowing costs. Bank balances are 21% above levels at the end of 2019, the labour market is very strong, and there are likely to be people engaging now who stepped back from renovations earlier because of the frenzy underway previously and soaring quotes for work. They might now be stepping forward and if so, will be a firm supporting factor for this sector even as levels of new house construction ease off soon.

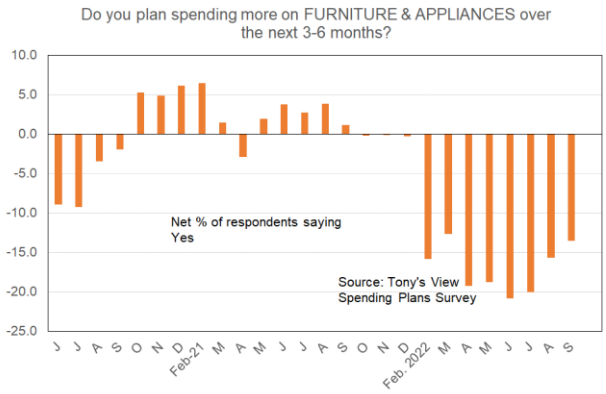


For most other categories from which people can choose spending intentions are negative – substantially so in some cases.

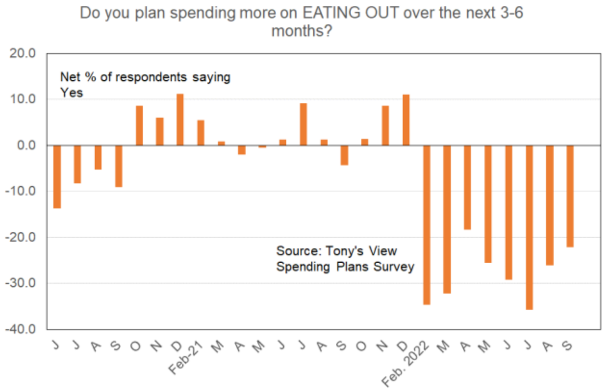
A net 10% of people plan cutting spending on motor vehicles. This is the least negative reading since February, but it is still negative.



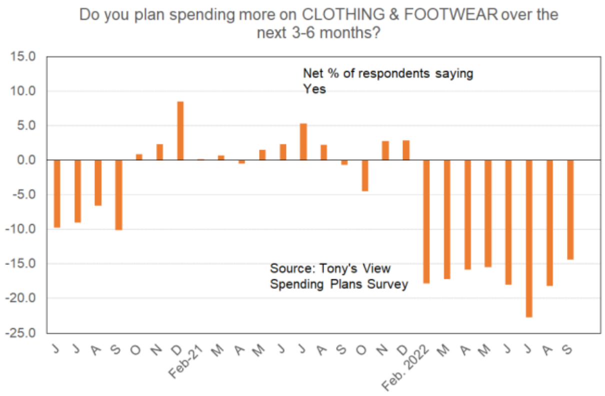
A net 14% of people plan cutting spending on furniture and appliances. The recent pattern is similar to that for motor vehicles.

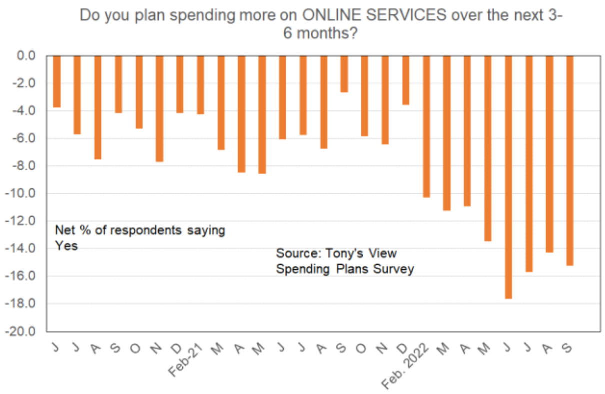


A net 22% plan cutting spending on eating out. This is a fairly negative result suggestive of ongoing challenges for the hospitality sector – for which staff are not sufficiently available anyway to handle demand currently let alone if this measure should shift into positive territory!



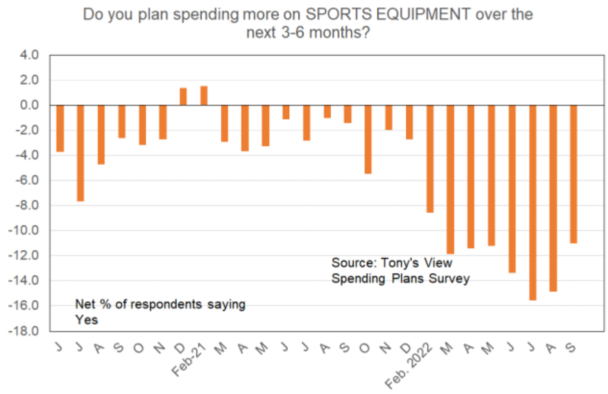
Plans for spending on clothing and footwear remain weak, as do intentions of purchasing online services. The latter is a popular area for immediate cutback by households looking to trim overall expenses.

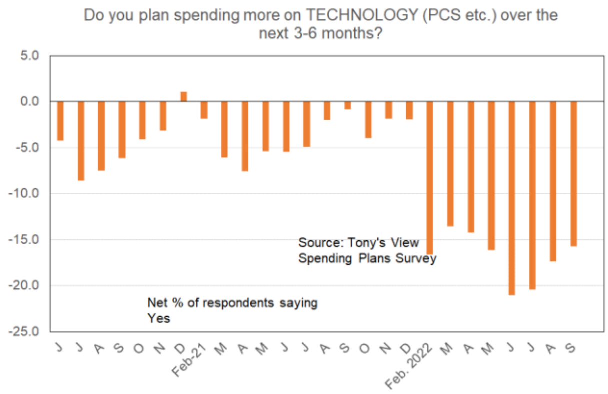




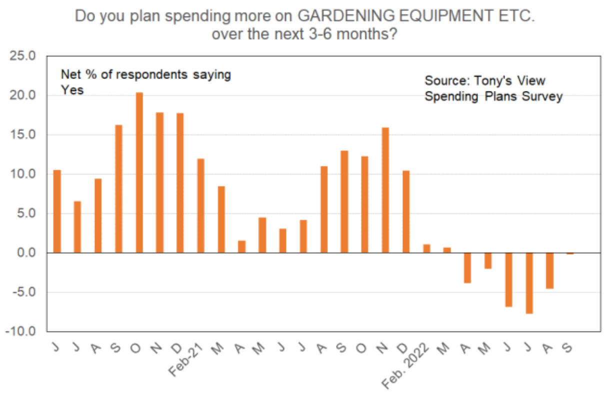
Plans for spending on wellbeing/self improvement have shifted back into positive territory for the first time since April.

For sports equipment and technology spending plans have improved but remain very weak.

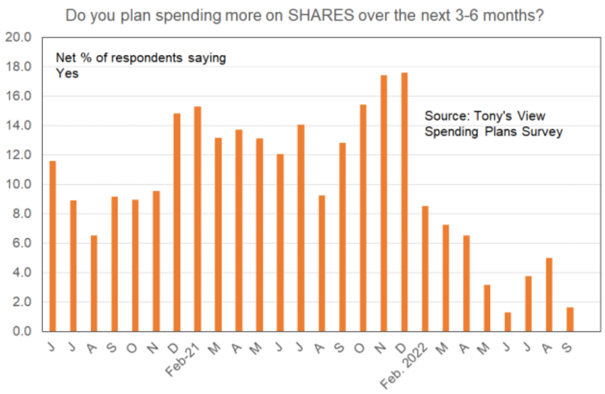




The encroachment of spring has not produced as much of a lift in garden spending plans as in 2021 and 2020.



A net 1.6% of our near 1,700 survey respondents this month say that they plan increasing spending on shares. This takes such intentions back to where they were in June and probably the decline reflects deepening concerns about developments in the world economy.



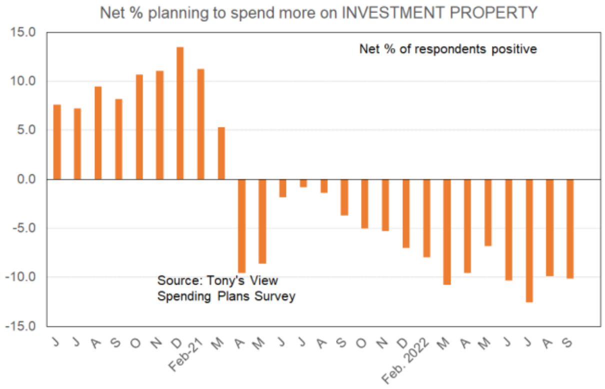
Housing indicators

The view I have been expressing recently regarding the housing market is that we have entered the endgame of the period of price and sales decline. This does not mean that things are set to improve, merely that the deterioration is occurring at a slowing pace and the scene is being set for a cyclical upturn of minor nature to commence, perhaps around the turn of the year.

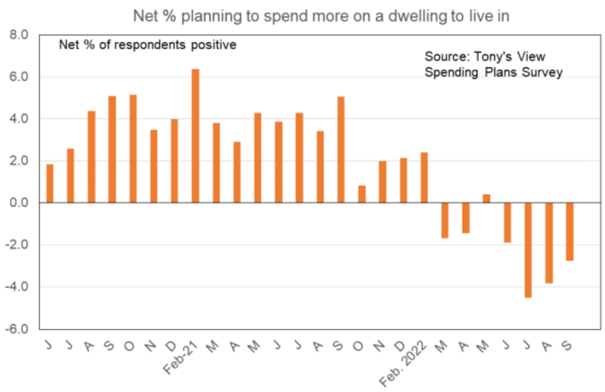
There will continue to be restraint through 2023 from net migration outflows and high interest rates. But high job security, the credit crunch easing, and the many years worth of backed up demand from frustrated first home buyers suggest slight gains in sales and prices for 2023 are likely.

For now, things will continue to deteriorate, and we can see easy justification for expecting additional weakness in the near future from the results of the Spending Plans Survey.

A net 10% of people have noted that they plan cutting their spending on residential investment property. This is unchanged from August and revealing of no improving trend as yet. In contrast, one or two indicators from my other monthly surveys suggest some improvement in investor demand. Such results are consistent with the endgame thesis and absence of actual improvement for the next few months.



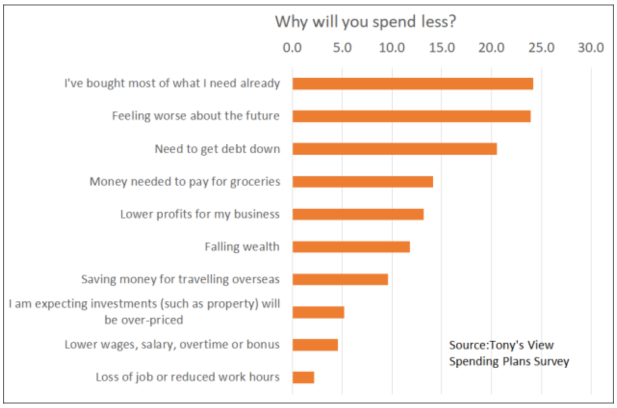
The clearest housing development seen in my surveys of mortgage advisers and real estate agents is the return of first home buyers. We get an indication of owner occupier demand improving from this Spending Plans Survey via the change to a net 2.7% of people planning to reduce spending on housing to live in from 3.8% in August and 4.5% in July.



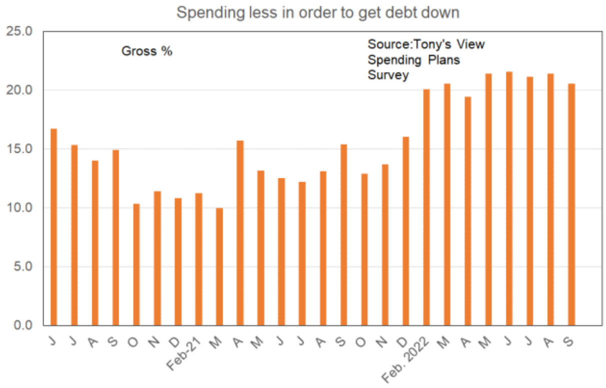
But note again that these readings are still negative. The residential real estate market is not yet getting firmer.

Why do you plan spending more or less?

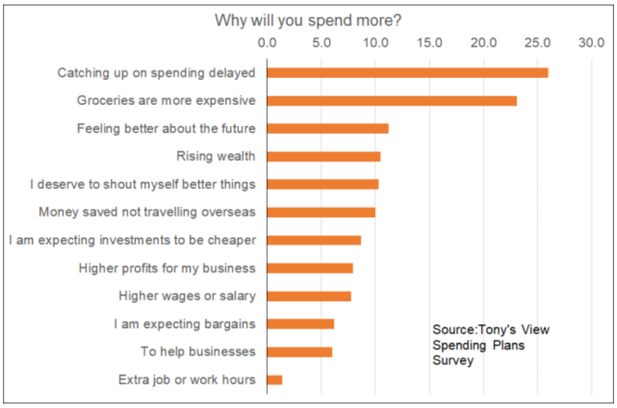
The following two bar graphs show the proportion of people who state that they are cutting or raising spending for the reasons shown. Cutbacks are mainly attributable to having what one needs already, worries about the future, and getting debt down.



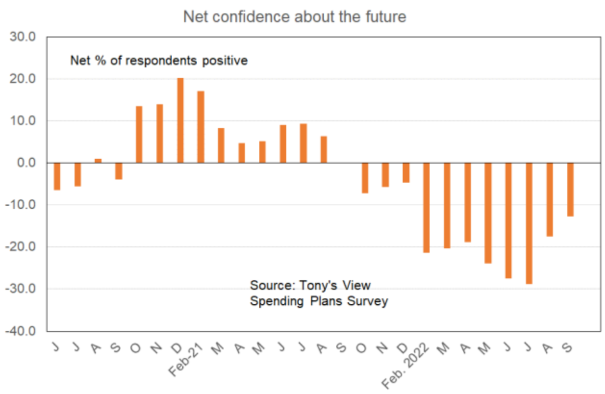
Debt worries have risen this year, but there is no rising trend now in place.



For those spending more the main motivations are catching up on delayed spending, simply having to pay more for groceries, and feeling better about the future.



We can create a net reading for future feelings and see an improving trend underway. This measure is best considered a proxy for other monthly consumer confidence measures which will eventually come out, the most notable of which is the ANZ Roy Morgan measure.



Respondents to the survey were distributed by age as follows.

< 30 years	4.5%
31 – 50 years	343.5%
51 – 65 years	41.2%
Over 65 years	20.8%

Distribution by region was as follows.

Northland	2.4%	Tasman	1.5
Auckland	44.6	Nelson	1.1
Waikato	8.4	Marlborough	0.7
Bay of Plenty	5.5	West Coast	0.1
Hawkes Bay	2.7	Canterbury	11.7
Taranaki	0.8	Queenstown	2.1
Manawatu-Wang.	2.7	Otago ex. Q'twn	3.3
Wellington	10.9	Southland	0.8
Gisborne	0.2	Other	0.5

Total responses = 1,676

Links to publications

Tony's View Spending Plans Survey

Spending Plans Survey

Tony's Thoughts Vlog

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