



## Input to your Strategy for Adapting to Challenges

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11 September 2023

## Consumers hesitant

This month's survey of half of the 31,000 subscribers to my weekly Tony's View shows a still high net 34% of people intend cutting their spending over the next 3-6 months. There remains no positive news for retailers in this survey as people grapple with high interest rates and the strong rise in the cost of living over the past three years.

Spending intentions are weakest for eating out, furniture & appliances, and clothing & footwear. The only area where people "plan" spending more is groceries.

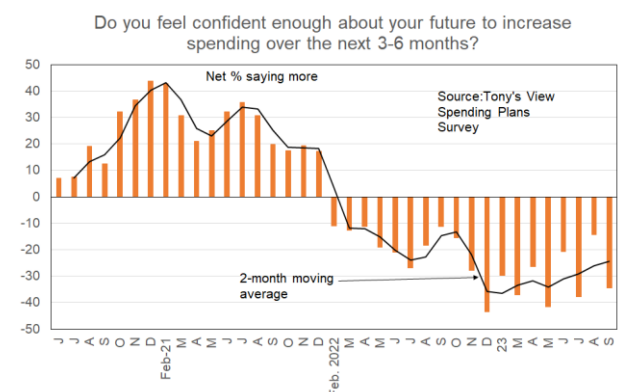
### Do you feel confident enough about your future to increase spending over the next 3-6 months?

Since early this year sentiment has been strongly oscillating up and down from one month to the next so it is best to look at a two-month average of the headline result to see what the underlying trend is and whether retailers can start to feel optimistic yet. They can't really.

The following graph shows the trend in responses is towards less pessimism. But that trend is very slow, and the absolute level of sentiment remains very poor.

People are of a mind to continue to rein in their spending and commentators offshore are noting some developments such as people ending their period of "revenge spending" on travel,

Locally it is notable that more retailers of items we binged on during the pandemic are closing down – spas, swimming pools, outdoor furniture etc.



### Where will people spend more?

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

There is only one area in which people plan increasing their spending – groceries. This is clearly because of rising prices rather than a desire to fill the larders.

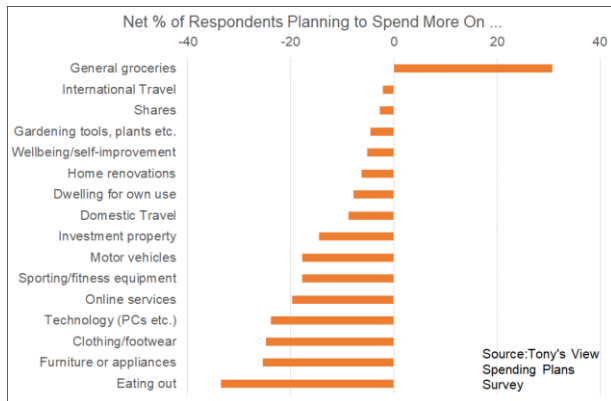
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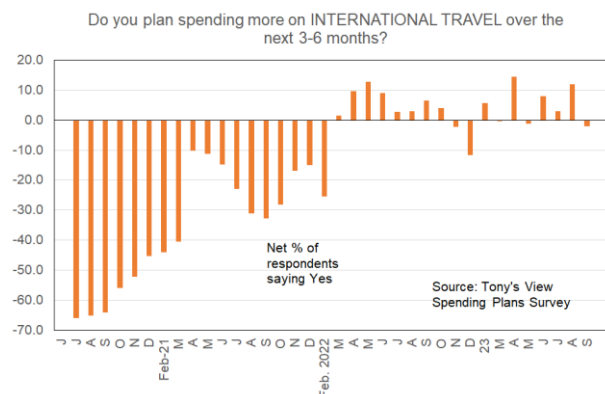
Some see hurdles.  
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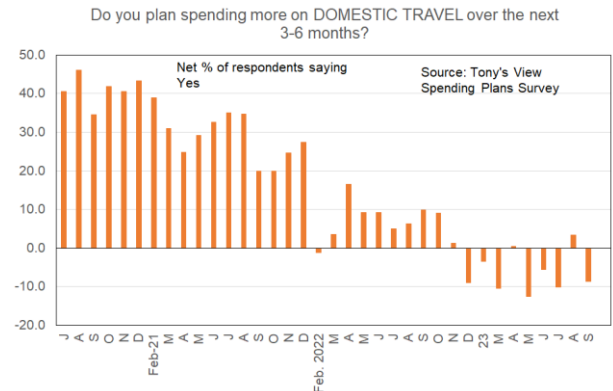
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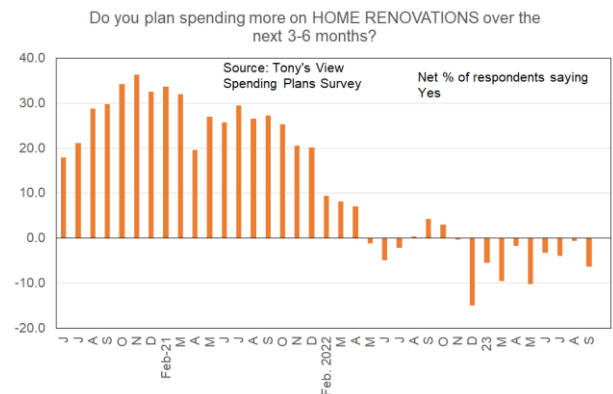
Although this month a net 2% of respondents have said they plan spending less on international travel, it is best to conclude for the moment that the travel desire which appeared from early in 2022 remains and the pullback in some observations of revenge travel offshore may or may not be happening here for Kiwis looking at offshore experiences.



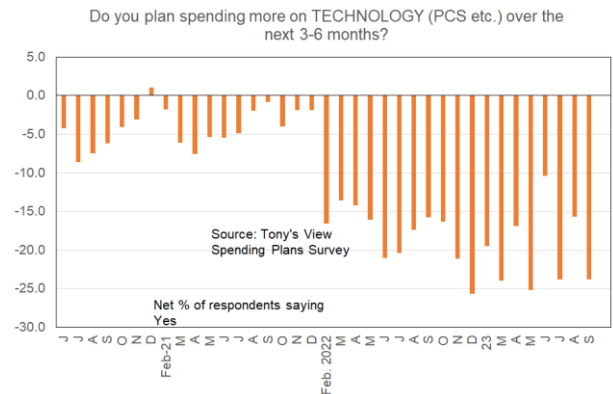
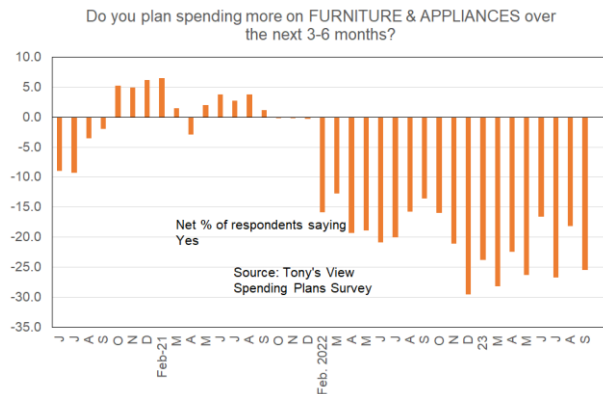
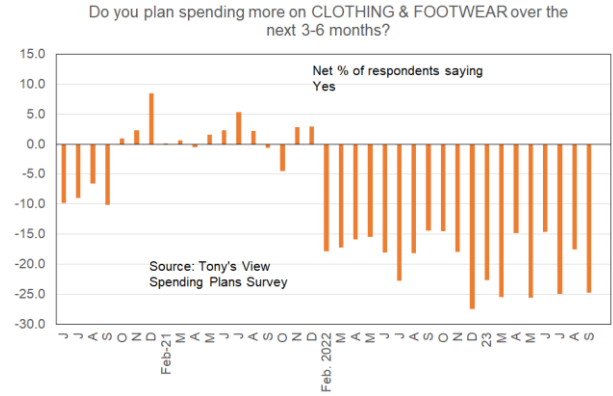
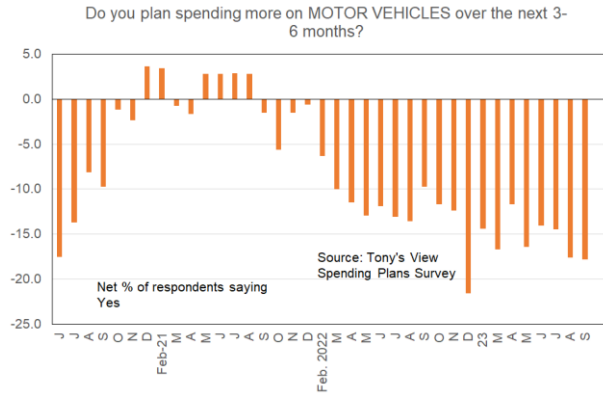
Domestic travel plans are firmly negative and the cost of living surge alongside perhaps allocating money to getting outside the borders likely accounts for this situation from late last year.



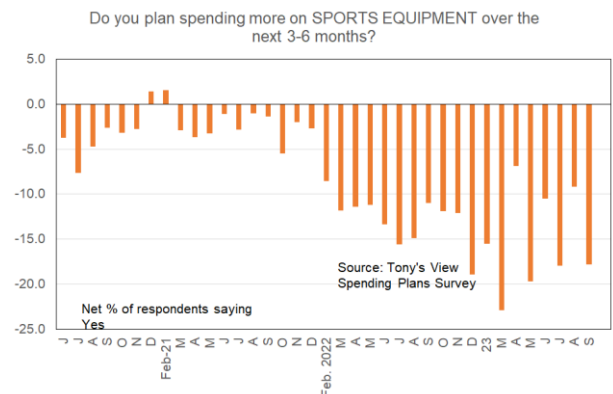
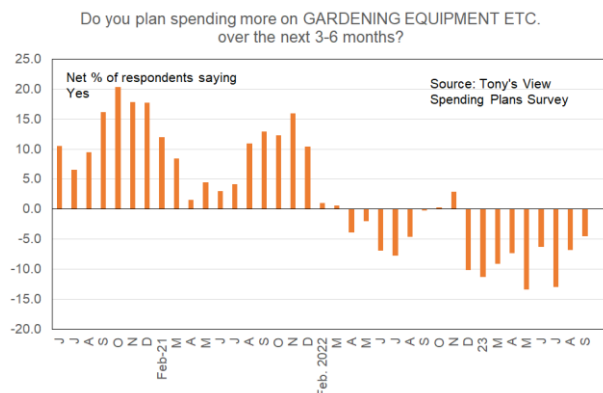
For businesses in the home renovations sector prospects remain poor with a net 6% of people planning to cut spending.



Intentions of spending in other "lumpy" areas – which we economists usually call durable goods – remain very negative as shown by these following graphs for motor vehicles and furniture & appliances.

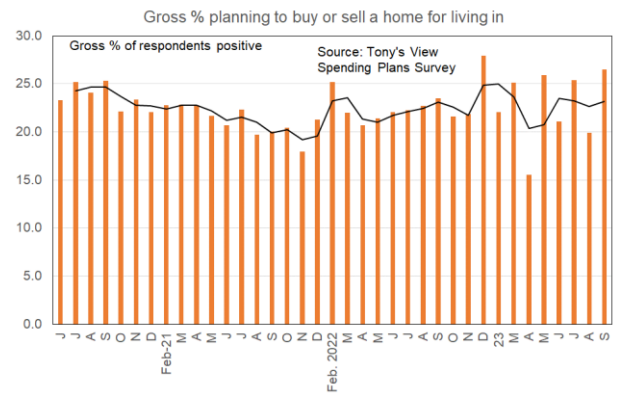
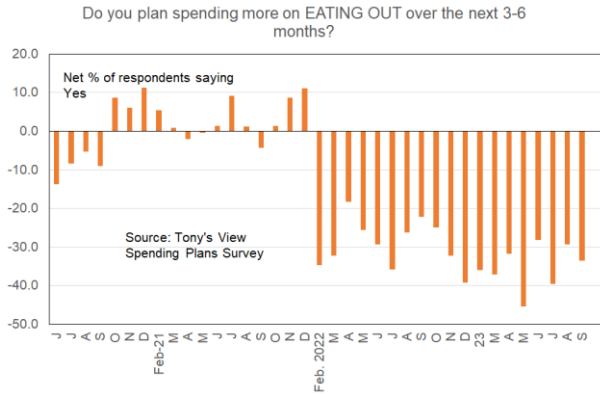


Spring now appears to be upon us, but plans people have for spending on gardening things remain firmly negative. For nurseries supplying garden centres prospects look poor. For public amenity and riparian planting throughout the country however the situation looks different based on personal observations of planting north of Wellington.



As has been the case since early-2021, plans for eating out remain dire.

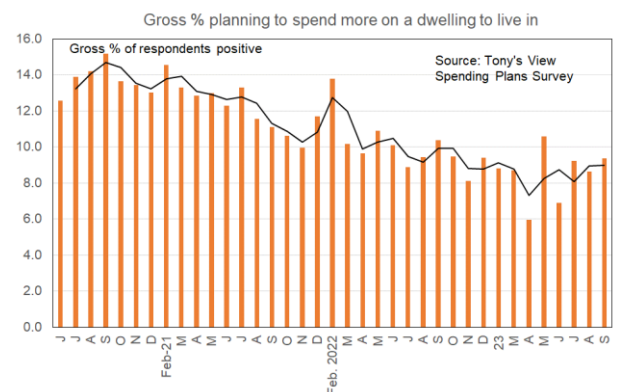
Tight budgets likely explain plans for cutting spending on clothing and footwear along with technology and sports gear – hence discounts at the large sports retailers around the country.



## Housing indicators

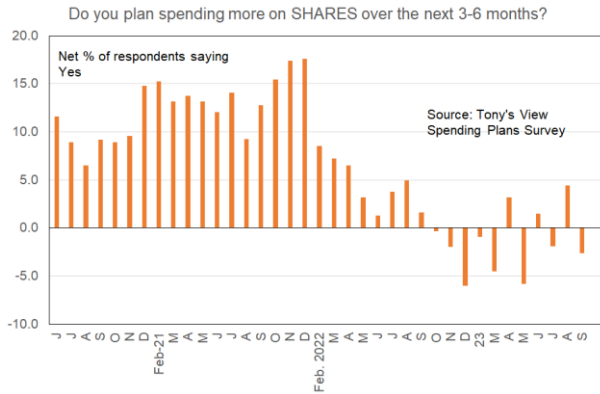
In this month's Spending Plans Survey a gross 26.5% of people have said that they either plan buying a home to live in or selling the one they are living in now. Given the paucity of young people responding in the survey each month this can best be read as the plans of existing owner occupiers. We cannot yet see much of an upward trend in this measure which means growth in real estate sales could be mild for the next few months – unless investors after the election start following first home buyers into the market.

A net 14.5% have said they do not plan buying an investment property. This backs up other surveys showing investors are not yet active in the property market.



## Buying shares

A net 2.6% of people have said they plan selling shares in the near future. This measure has been oscillating around zero since late last year and therefore suggests no particular up or down pressure on NZ share prices for the next 3-6 months.

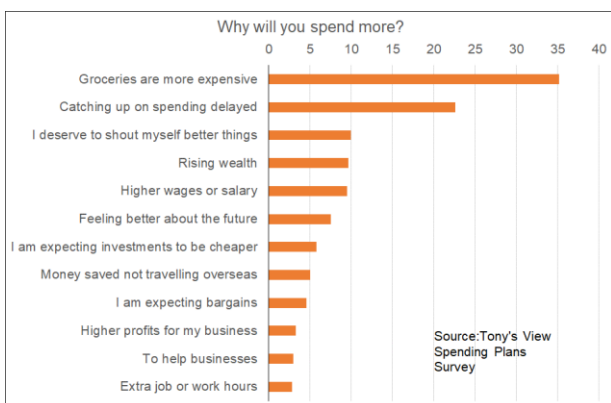


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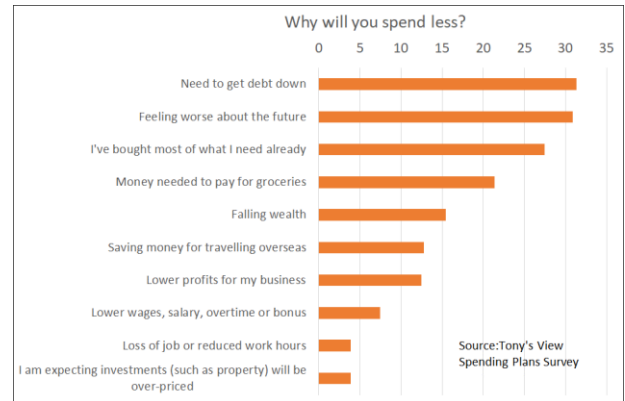
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## Why do you plan spending more or less?

For those people planning to spend more in the next 3-6 months, the main reason is understandably that groceries have become and are likely expected to become more expensive.



For those planning to spend less the need to get debt down is the strongest motivating factor.



Answers to these two questions are more interesting when analysed on an individual basis rather than all grouped together.

There is an upward trend in the proportion of people planning to cut spending in order to get their debt levels down.



Note the up and down oscillating pattern since late last year.

We can look at wage change as a motivation for spending more or less and calculate whether people's expectations for wage rises are going up or down. Recently, they have increased.





There is a broad upward trend in the proportion of people looking to spend less because of employment worries. But note the easing of this measure in the past two months which is consistent with the improved wages measure just above. Strength in the labour market may continue to surprise on the positive side through the remainder of this year.

The past two months have revealed small rises in the proportion of people saying they will spend more because they expect their wealth to go up. Personally, I feel the effect of changes in wealth sentiment is often over-estimated as a driver of consumer spending. But it exists nonetheless and the latest change could be because of discussion about the housing market and prices turning upward.



Respondents to the survey were distributed by age as follows.

< 30 years	3.7%
31 – 50 years	39.9%
51 – 65 years	37.5%
Over 65 years	18.8%

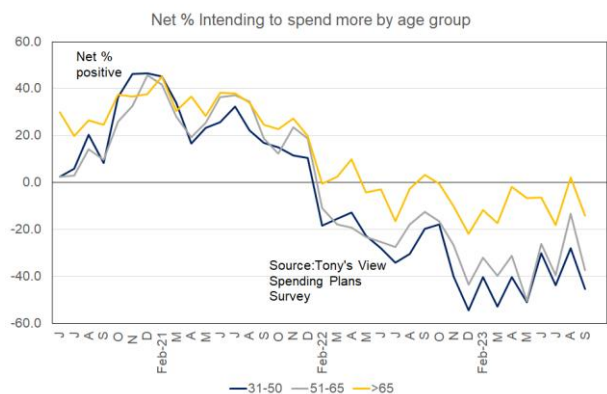
Distribution by region was as follows.

Northland	2.2%	Tasman	0.9
Auckland	39.9	Nelson	2.0
Waikato	8.6	Marlborough	0.3
Bay of Plenty	7.9	West Coast	0.2
Hawkes Bay	3.9	Canterbury	12.8
Taranaki	1.4	Queenstown	1.2
Manawatu-Wang.	3.1	Otago ex. Q'twn	1.6
Wellington	11.4	Southland	1.1
Gisborne	1.0	Other	0.5

Total responses = 642

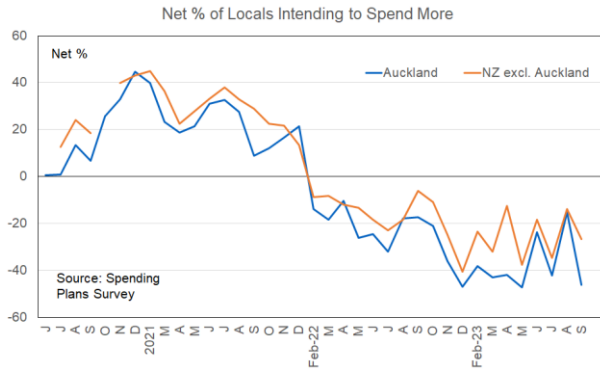
## Why are survey results oscillating?

This graph shows net spending intentions by age group excluding those under 30 because of low numbers responding in that age group. The oscillating pattern is clear for the 31-50 and 51-65 age groups but less clear for those aged over 65.

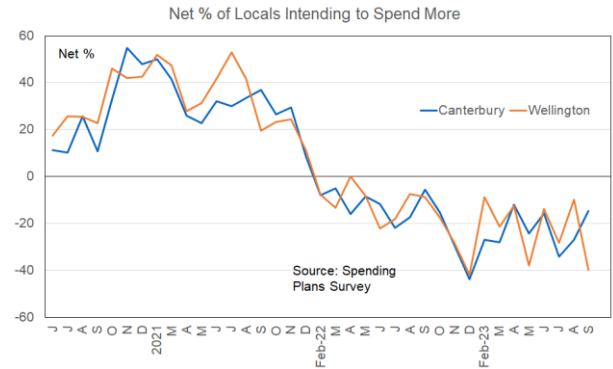


Therefore, oscillations are not due to changes in proportions of different age groups making up responses from one month to another.

Looking at regions we also see the same pattern. This next graph shows net spending intentions for Auckland versus non-Auckland NZ. The pattern is there though longer lasting outside of Auckland.



The pattern is also seen for the other two areas supplying many of the survey's responses – Canterbury and Wellington.



All up, sentiment simply seems to be in a strong state of flux with major uncertainty regarding how things are and where they are headed. Maybe this is a normal post-pandemic pre-election pattern!

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