

WESTPAC : McDERMOTT MILLER CONSUMER CONFIDENCE SURVEY

13 January 2015

"The Westpac: McDermott Miller New Zealand Consumer Confidence Index (CCI) has slipped a further 1.9 points to 114.8 in December Quarter 2014, from 116.7 in the September Quarter," announced John McDougall, Director Forecasting in Strategy Planning and Economics Consultancy, McDermott Miller, "this continues a gradual slide from the peak of 121.7 recorded in March 2014." "But the significance of the decline should not be overstated", said McDougall. "Consumers remain firmly optimistic and this is the tenth quarter in a row New Zealand consumers have been so" he observed.

"Consumer Confidence amongst those employed in the Private Sector slid in the December Quarter, down 4 points to 118.6 from 122.6 in September", reported John McDougall. "However their Consumer Confidence remains higher than their counterparts employed in the Public Sector, whose December CCI of 114.2 is little changed from September."

"This quarter, the largest movement among the five component questions of the CCI is an increase in the net percentage of consumers who feel they are now worse off than they were a year ago (up to a net 3.1% in December from 0.2% in September).", John McDougall said. "This was accompanied by a decline in the net percentage of consumers expecting to be better off in a year's time (down from 10.2% in September to 7.8% in December), and a dip in the net percentage expecting good economic times in New Zealand over the next year to 16.5% in December, down 1.8 points from September."

"When we looked at why consumers feel they are worse off than they were a year ago, the most frequent reason given is that living costs are rising faster than income (47%)", John McDougall explained. "Among those that expect to be better off in a year's time, the most frequently given reason is an expected rise in salary or wages (24%), followed by expected improvement in financial commitments (18%)."

"This continues to be the main reason for expecting good economic times over the next year in New Zealand "Belief in the effectiveness of government economic policy (32%). Interestingly, those expecting bad economic times in the coming year, tend to ascribe it to Government policy (29%)."

"Significantly, over the September and December quarters there was near doubling (to 23%) of those expecting bad economic times because of a poor outlook for farming. Concern about the fall in dairy payout likely underlies this", conjectured John McDougall. "Indeed, a poor outlook for farming is the most cited reason among Private Sector employees for expecting bad economic times over the next year - 32% give this reason compared to only 15% of Public Sector employees".

"The national Consumer Confidence Index remains strongly optimistic at 114.8, and points to healthy spending by consumers on Christmas and New Year season goods, holidays and leisure activities", concluded John McDougall "If this is accompanied by continued growth in consumer spending on large ticket household items, retailers can expect consumer spending to remain strong through the early New Year".

Regional Consumer Confidence

"Metropolitan consumers continue to be more optimistic than rural and secondary centre consumers" announced John McDougall, Director Forecasting in Strategy Planning and Economics Consultancy, McDermott Miller. Their confidence rose against the national trend by 0.8 points, to 119.2 in the December quarter. In contrast, Secondary Centre consumer confidence fell by 4.3 points to 110.2, and the confidence of Rural Consumers by even more, down 5.6 points to 108.8. There is now a dichotomy in consumer confidence, between Metropolitan consumers on the one hand, who can still be described as strongly optimistic, and on the other hand secondary centre and rural consumers who could be described as cautiously optimistic".

"Wellington consumers are the most optimistic of any region in New Zealand, with an Index of 120.0. They have the highest net percentage who expect to be personally better off in a year's time - 14%, up from 10% in

September. A high 43% of Wellington respondents cite a salary/wage rise as the reason for this expectation. The net 30% of Wellington consumers who see the present as a good time to buy major household items is up 9 points since September, primarily because there are good sales on."

"Canterbury consumers also are strongly optimistic, with an index of 119.9, up 4.0 points since September. A net 6% feel they are now personally better off than they were a year ago, the highest such response of all consumers. Some 31% of those say it is because of an improvement in their financial commitments, followed by 28% who say it is because of a salary/wage rise. Also contributing to Cantabrians' optimism is the net 32% who think the present is a good time to buy major household items, again the highest in the country (some 58% say this is because of competition or good sales on) ".

"Auckland consumers are not far behind in their optimism, with an index of 118.4, down from 120.2 in September. They are the most bullish about New Zealand's short-term economic prospects, with some 28% expecting good times over the next year (up 1.8 points from September), largely because of effective government policies (by 26%).

"Bay of Plenty region consumers are the most confident among provincial regions, with a December index of 116.6 (down 7.2 points from September). Of all regions' consumers, they have the highest expectations of New Zealand's long term economic prospects, with a net 39% expecting good times over the next 5 years (down slightly from 41% in September)".

Consumers in Southland (index 104.4) and Otago (105.0) regions are the least optimistic in the country. A net 8% of Southland consumers expect to be personally worse off in a years time, the gloomiest expectation in the country. Otago consumers have the lowest expectation of New Zealand's short term economic prospects, with a net 8.9% expecting bad economic times over the next year. Some 33% of Otago consumers say this is because of poor outlook for farming, especially dairy".

"The poor outlook for farming is cited by many provincial consumers as the reason for expecting bad economic times in New Zealand over the next year; some 46% of Waikato consumers give this reason, as do 38% of Southland, 30% of Taranaki/Manawatu/Wanganui and 29% of Canterbury consumers. In contrast, only 16% of Auckland consumers and 8% of Wellington consumers who expect bad economic times the coming year give farming prospects as the reason. This suggests many metropolitan (other the Christchurch) consumers are largely oblivious to the most significant short term threat to New Zealand's economic prosperity – low dairy prices", John McDougall concluded.

[ENDS]

13 January 2015

John McDougall
Director Forecasting
McDermott Miller
04 471 8502
0204 027 6688
Email: strategies@mcdermottmiller.co.nz
Website: <http://www.mcdermottmiller.co.nz/>

Index Background

The Consumer Confidence Index is based on a survey of a representative sample of 1557 New Zealand households interviewed during 1-11 December 2014. It analyses answers to five standard questions on personal financial circumstances, expectations for the economy and attitude to buying substantial household items. Index scores measure consumer confidence in the economy, with a score of greater than 100 showing more optimism than pessimism and vice versa for a score below 100 (for more information see [Survey Specifications](#)).

Acknowledgement

The Westpac: McDermott Miller Consumer Confidence Survey and Index is owned by McDermott Miller Limited. Westpac: McDermott Miller should be acknowledged as the source when citing the Index, just as Westpac-Melbourne Institute should be acknowledged when citing the Australian Index of Consumer Sentiment. Graphs supplied may be reproduced by the news media provided the Westpac: McDermott Miller logo remains inset.