

Westpac McDermott Miller Consumer Confidence

March 2025

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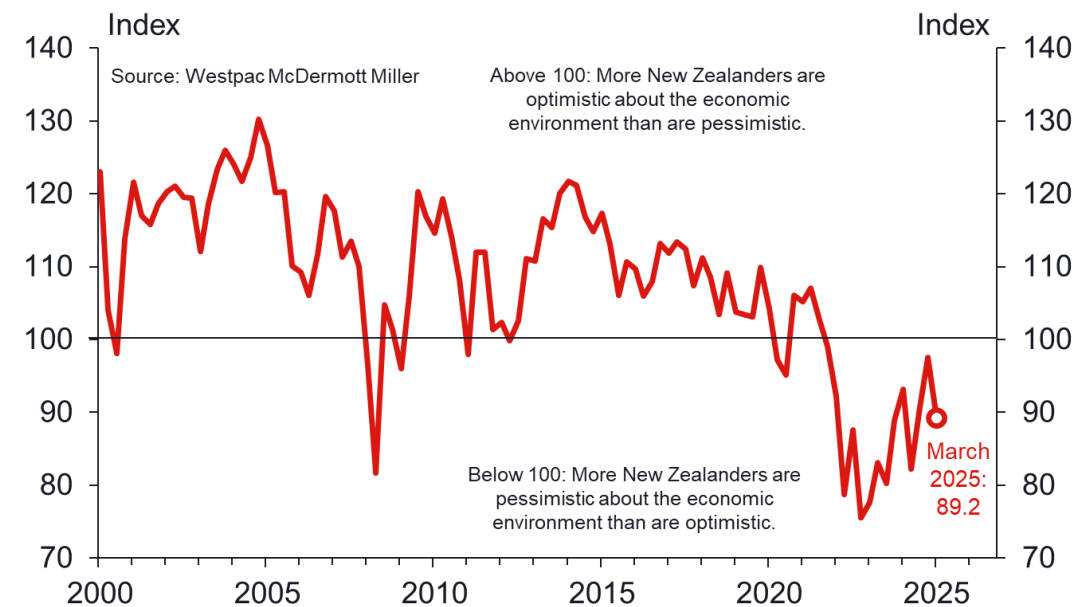
Global storm clouds and local cost-of-living pressures.

- Consumer confidence has taken a step down in the early part of the year. The Westpac-McDermott Miller Consumer Confidence Index fell 8 points in March, taking it to a below average level of 89.2.
- Talk of global trade war risks and ongoing cost of living pressures likely drove the step back in confidence. Consumer spending had been climbing steadily in recent months, and it will be interesting to see if this latest tick down in confidence impacts future spending.
- The level of confidence continues to vary significantly among regions. Confidence is in the doldrums in Wellington, but households are more optimistic in regions that have a strong rural backbone or tourism ties, especially in the lower South Island.

Overview.

- It's been a rocky start to the year and household confidence levels across the country have taken a knock. The Westpac McDermott Miller Consumer Confidence Index fell 8 points in March to a level of 89.2. That reversed some of the increases seen from mid-2024 when interest rates started to be cut.
- Despite this recent drop, household confidence levels have been trending higher over the past year. That's consistent with the country moving into a new phase of the economic cycle, with economic growth and the labour market to gradually firm over 2025. However, the key word here is 'gradual.' As this recent fall in economic confidence highlights, there are a range of concerns that are still worrying New Zealand households, and that's likely to be a brake on spending for a few more months at least.

Consumer Confidence

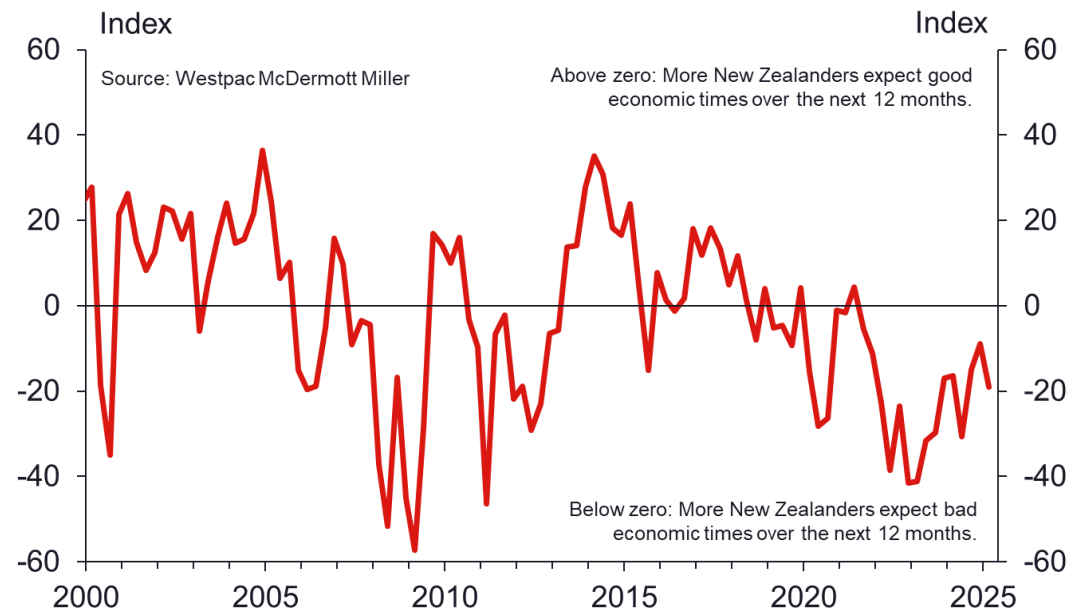


	Mar-25	Dec-24	Change	Average (past five years)
Consumer Confidence Index	89.2	97.5	-8.3	92.1
Present Conditions Index	80.2	89.0	-8.8	85.1
Expected Conditions Index	95.2	103.2	-8.0	96.7
Current financial situation	-24.1	-19.5	-4.6	-19.6
Expected financial situation	4.8	9.4	-4.6	5.3
1-year economic outlook	-19.1	-8.9	-10.2	-20.0
5-year economic outlook	-0.1	9.3	-9.4	4.9
'Good time to buy'	-15.6	-2.6	-13.0	-10.2

Global storm clouds.

- A key development that may have contributed to the recent fall in confidence has been growing nervousness about the global backdrop. At the time of our latest survey, the US began tightening trade restrictions and we saw growing concerns about how a tougher environment for global trade could negatively impact export incomes and the exchange rate. Although New Zealand hasn't been specifically targeted with trade restrictions, we are affected by the blanket tariffs on items like steel and aluminium. And there is a risk we do get caught up in the broader tightening of US trade regulations, especially if the US imposes wide reaching restrictions on agricultural imports or if the global economy turns down.
- Importantly, the tariff war isn't just an issue for exporters or businesses. The past few weeks has seen volatility in financial markets and sharp falls in equity markets, including in New Zealand. New Zealand households may be feeling the impact of that through their KiwiSaver balances and other financial holdings. And we're likely to see more volatility over the coming months.

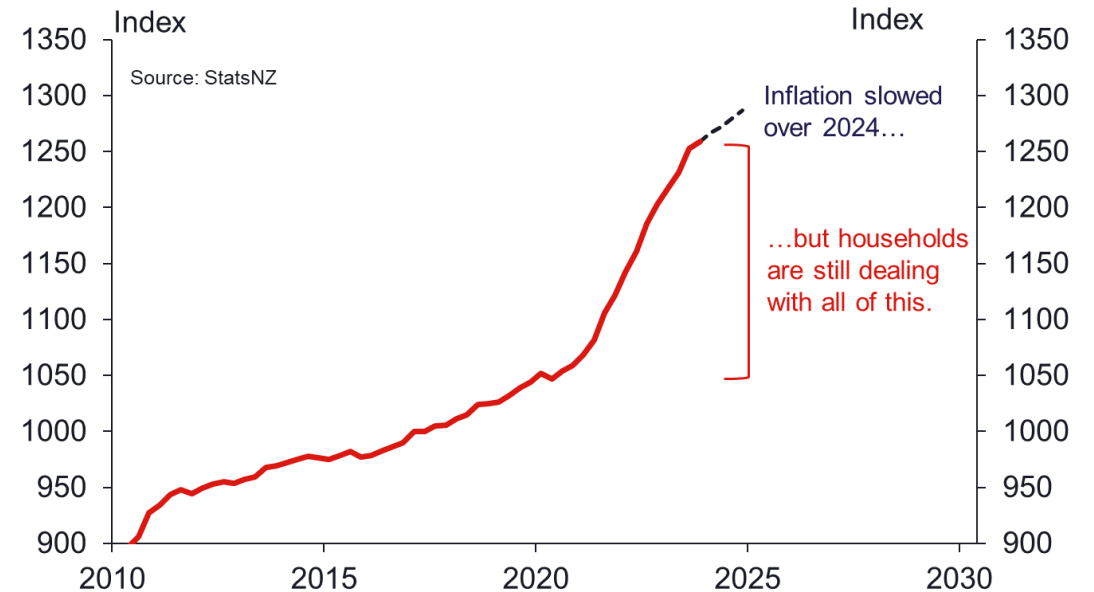
Do you expect good or bad economic times over the next 12 months?



Inflation is down...but the cost-of-living crisis hasn't ended.

- It's not just general economic conditions that households are concerned about. Most households told us that their personal financial situation deteriorated over the past year.
- In our recent talks around the country one of the big concerns households highlighted was the ongoing cost of living crisis. While inflation is now finally back close to 2%, many of us are still grappling with the big increases in living costs over the past few years that have eaten away at our spending power. Furthermore, even though the overall rate of inflation has slowed, we're still seeing large increases in the cost of essentials like food and local council rates. In the face of that ongoing squeeze on their spending power, it's no surprise that many households still feel like they're going backwards.
- With confidence low and continued pressure on household finances, it's not surprising that we're still seeing softness in retail spending. 27% of the households we spoke to told us they've reduced their spending on activities like dining out or in bars over the past year. There's also been a fall in the number of people who think it's a good time to purchase a major item for the home.

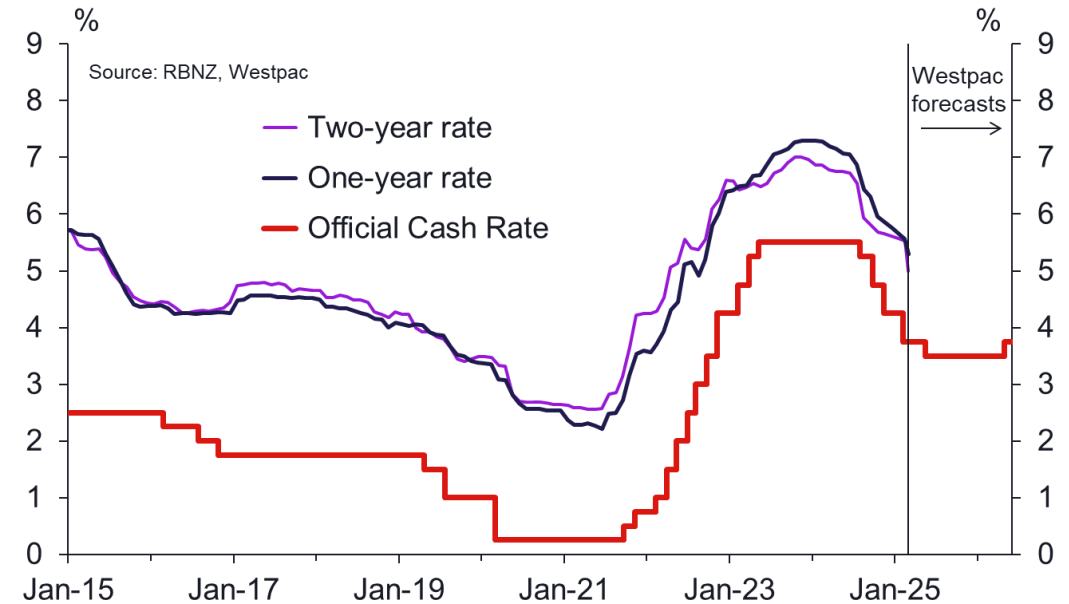
Consumer Price Index – what's happened to the level of prices?



There's relief on the way for borrowers.

- It's not all bad news though. There have been some sizeable falls in interest rates, and around half of all mortgages will come up for re-fixing over the next six months. That will give borrowers the chance to secure a much lower interest rate when they next re-fix their mortgage. While it will take time for those lower interest rates to ripple through the economy, we expect that will support a lift in confidence and spending through the latter part of the year.

The Official Cash Rate and mortgage rates



Town and country.

- March’s fall in confidence was seen across all age and income groups. During our recent travels around the country, many of those we spoke to told us they were seeing continued softness in economic conditions. And we also heard ongoing concerns about cost-of-living pressures.
- Confidence is especially low in Wellington, with financial headwinds and a tightening up of public spending are key concerns for many households.
- But while it’s tempting to suggest that the current low level of confidence in the Capital is due to the government of the day, confidence in Wellington has been at these sorts of lows since late-2022 during the previous Government’s time in office. Like other parts of the country, households in Wellington have faced some tough financial conditions in recent years. And with Wellington’s economy heavily oriented towards the service sector, post-pandemic changes in how and where people work have had a big impact on the vibrancy of the central city. On top of that, Wellington isn’t seeing the same benefits from the recovery in commodity prices that we’re seeing in many rural areas. Nor is it benefiting from the lift in international visitors in the same way as centres like Queenstown and Auckland.

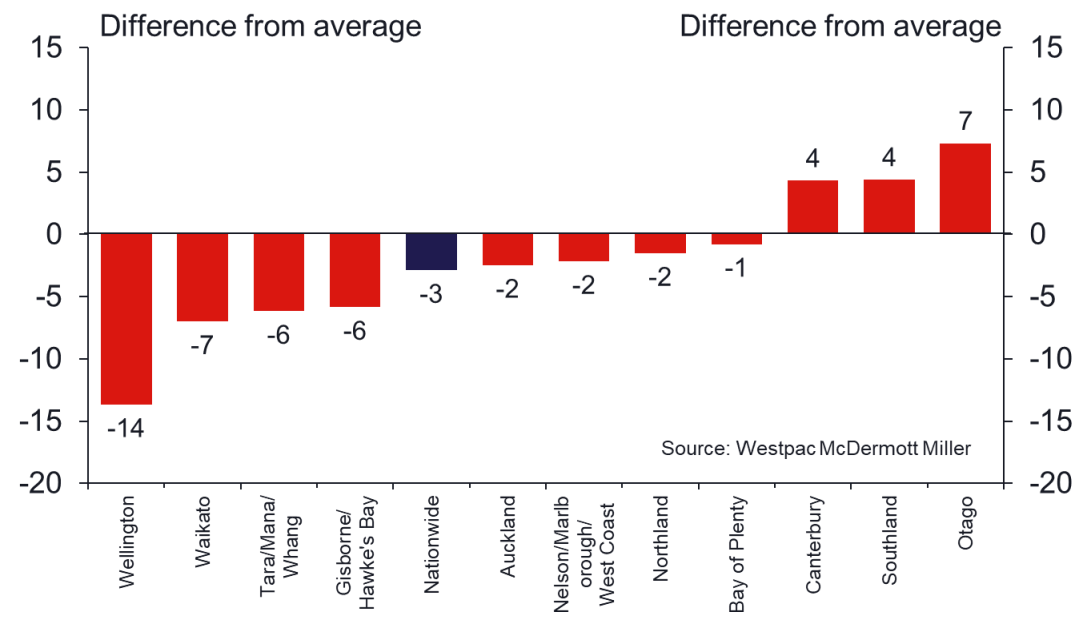
Consumer confidence by region

	Mar-25	Dec-24	Average (past five years)
Northland	88.1	94.4	89.6
Auckland	91.3	106.5	93.8
Waikato	86.2	88.5	93.2
Bay of Plenty	90.6	98.9	91.4
Gisborne/Hawke's Bay	85.1	96.4	91.0
Taranaki/Manawatu-Whanganui	84.4	86.0	90.6
Wellington	80.5	85.2	94.2
Nelson/Marlborough/West Coast	85.6	99.5	87.8
Canterbury	95.4	101.4	91.1
Otago	94.7	90.8	87.4
Southland	92.7	93.5	88.2
Nationwide	89.2	97.5	92.1

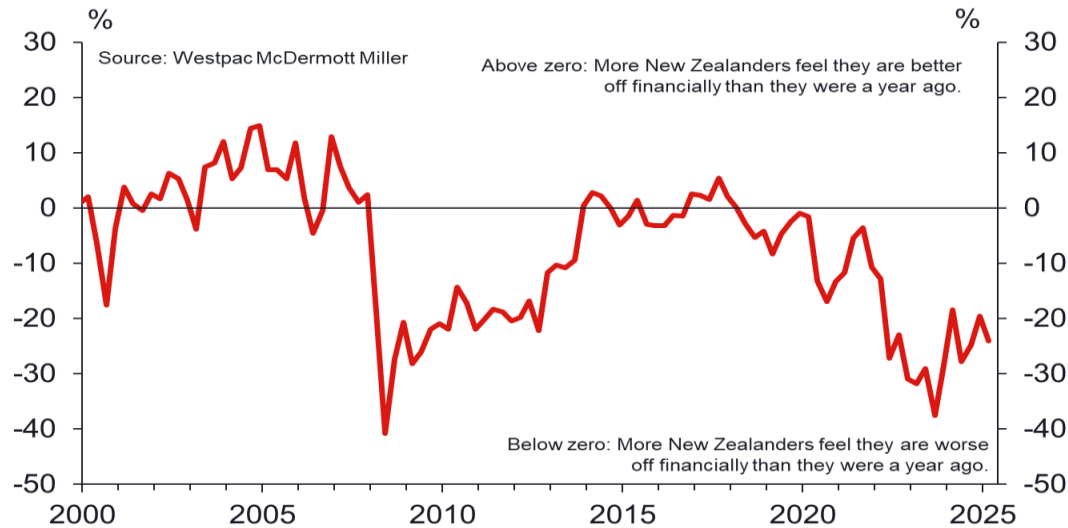
Town and country (continued).

- At the other end of the spectrum, those households in the lower parts of the South Island are feeling relatively upbeat. That includes those in Canterbury, Otago and Southland. Those are regions with a strong rural backbone, and the lift in commodity prices in recent months signals a welcome lift in earnings in many communities. On top of that, growing numbers of international visitors will be helping to boost conditions in Queenstown and other tourism hotspots.

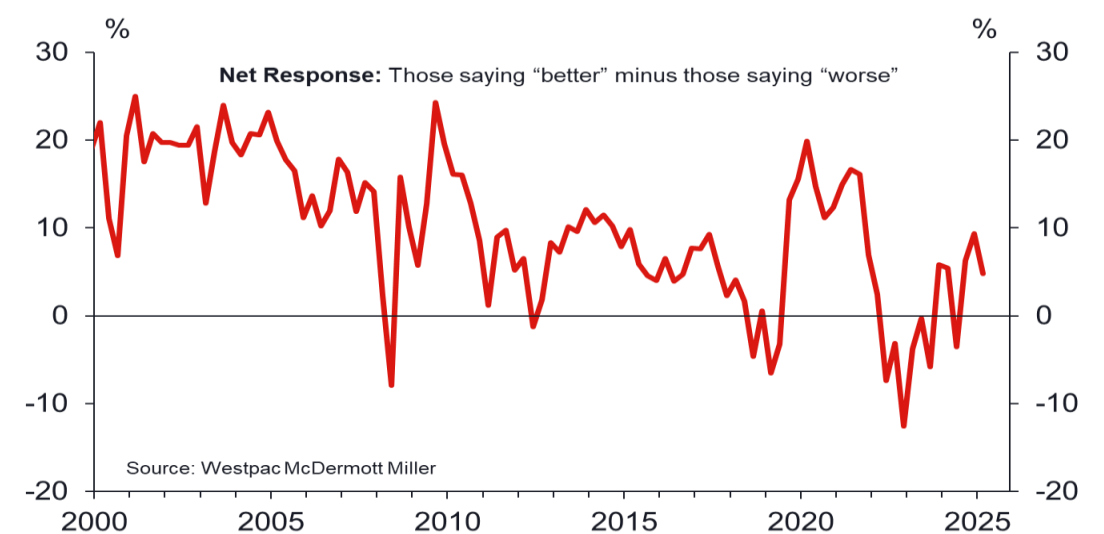
Consumer confidence by region (deviation from five year average)



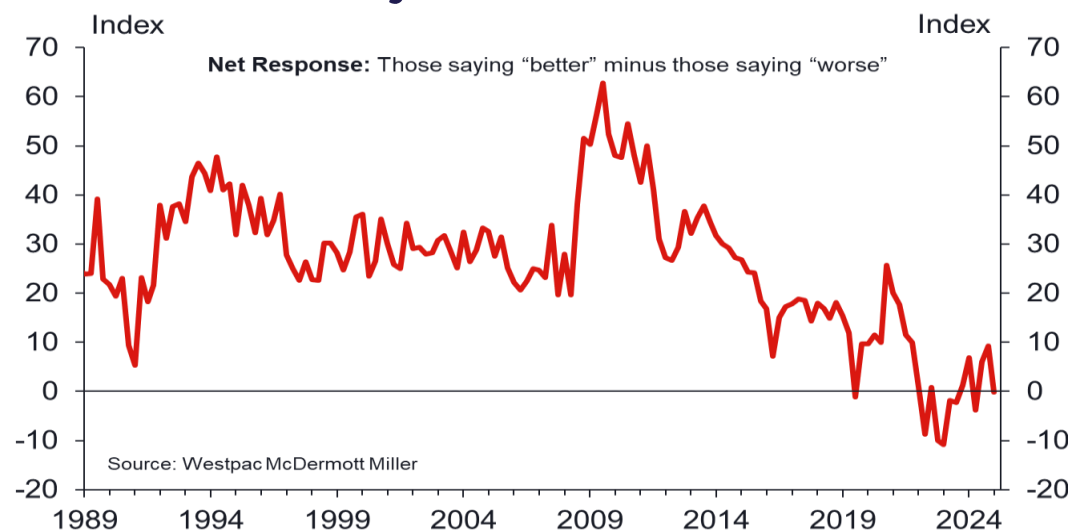
Do households feel better or worse off financially compared to a year ago?



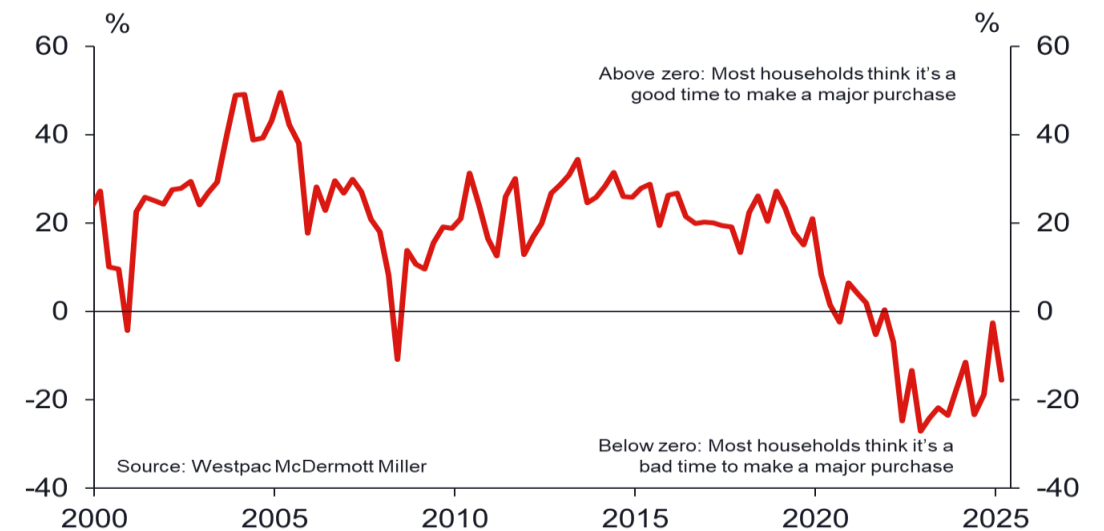
Do you expect to be better or worse off financially in a year's time?



Do you expect good or bad economic times over the next 5 years?



Is this a good or bad time to buy a major household item?



Survey description

The Westpac-McDermott Miller Consumer Confidence Index summarises the net balance of optimistic/pessimistic responses to five questions: how households' financial situation has changed over the past year; whether now is a good time to buy a major household item; how households expect their financial situation to change over the coming year; and near term and longer-term prospects for the New Zealand economy as a whole.

The first two of these questions are summarised in the Present Conditions Index, and the last three are summarised in the Expected Conditions Index. An index number over 100 indicates that optimists outnumber pessimists, though the series may be above or below 100 on average. The survey also includes questions on respondents' spending on entertainment and eating out, and on what they would do with a \$10,000 windfall.

Survey interviews were conducted over the period 1-12 March 2025. The sample size was 1,550.

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