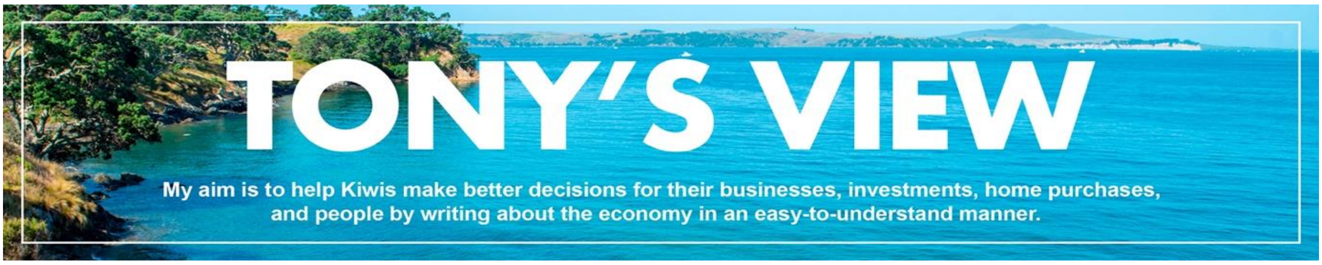

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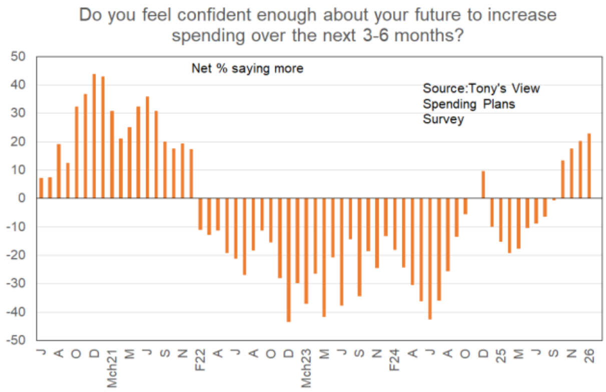
Consumers plan buying things

This past week I have run my first Spending Plans Survey for the year in which I ask people to indicate whether they will buy more or less stuff in the next 3-6 months. My aim is to get a feel for whether or not people are willing to open their wallets more and this can be useful information for retailers contemplating what their sales might look like in the coming few months.

Back in the middle of 2024 when the economy was in the process of shrinking 2% a net 42% of respondents in the survey said that they planned cutting back on their spending.

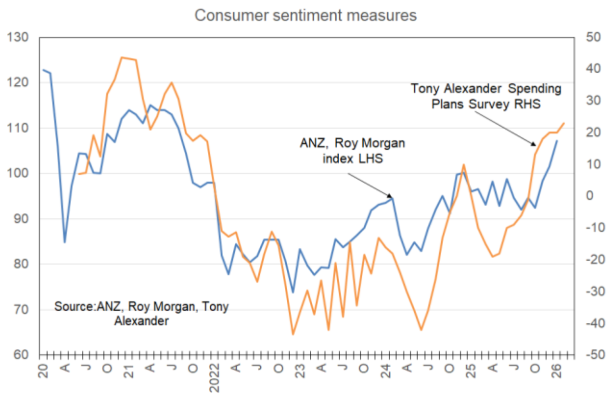
This firmed to a net 10% positive come December 2024 when people were glowingly optimistic about the immediate impact of monetary policy easing from August and I meanwhile was strongly warning that good times were still some ways down the track.

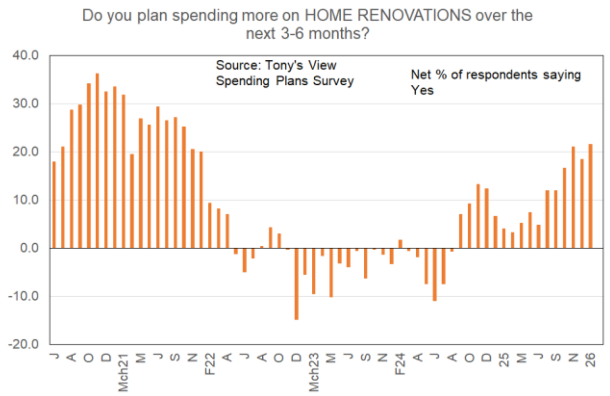
Come the April-May period last year the measure fell back to -19%. At the start of December it had recovered to a strong 20% and now a net 23% of consumers are indicating they plan spending more in the near future.



There is upward momentum from a good level in consumer spending willingness, and this is good news because about 65% of spending in our economy comes from the household sector and some 65% or so of that occurs in the retailing sector.

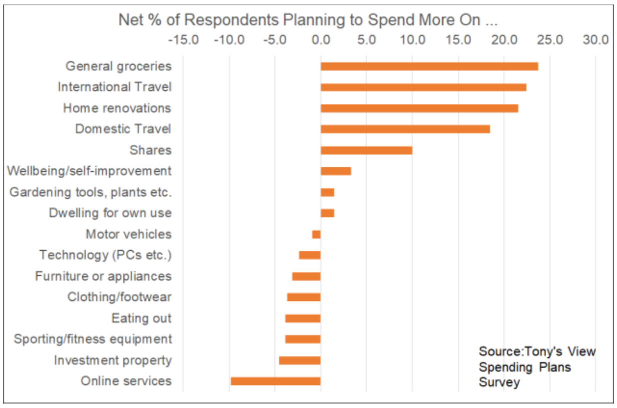
I don't feel the result or the upward movement is out of line with what most people would be already thinking about where the economy is headed, including the Reserve Bank. So, there are no new monetary policy implications from the data, but it may soon be reflected in greater strength in the much-watched ANZ Roy Morgan measure.





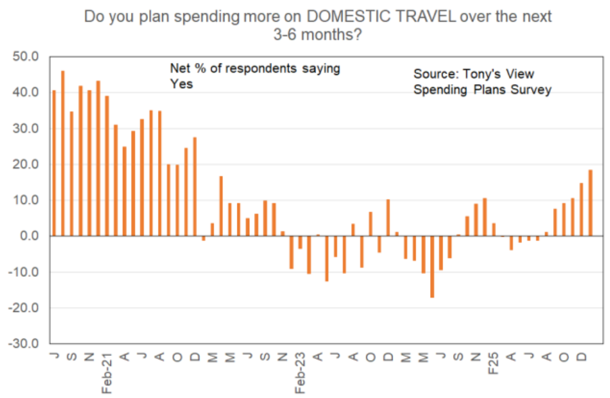
Now, lets dive into the entrails of the release to see if we can tell some interesting stories.

There are eight categories in which people plan to spend more ranging from general groceries (higher prices effect still there) through to a dwelling to live in. Cutbacks are planned for investment properties and seven other groups of things.

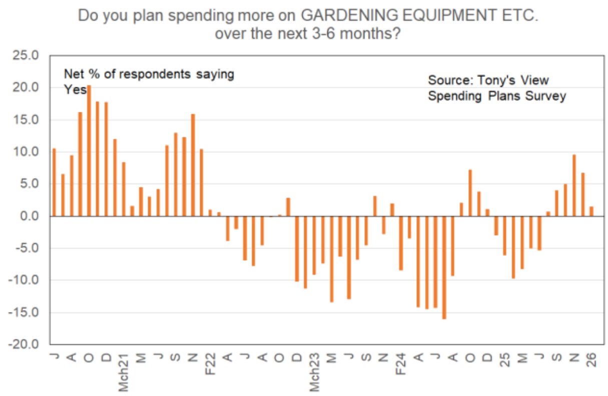


Prospects for businesses involved in home renovations remain very positive. Falling interest rates from late-2024 had a big impact for this category.

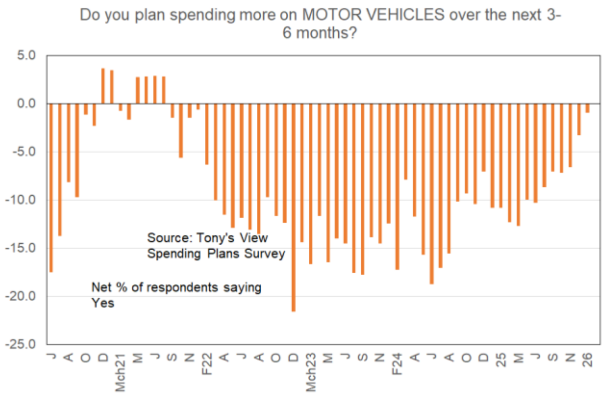
Those offering domestic travel services also can have a positive outlook in general.

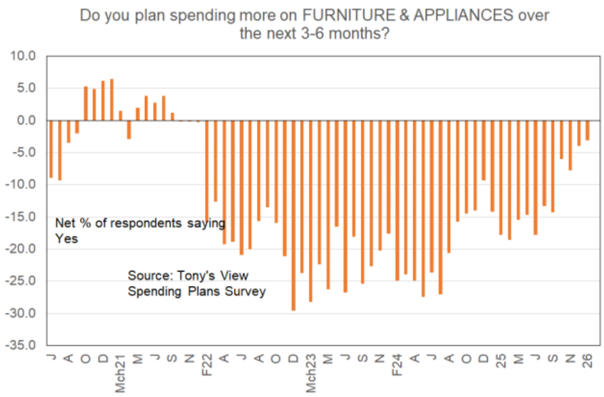


Spending plans for going offshore have taken an extra jump higher this month to an all-time high for this survey.



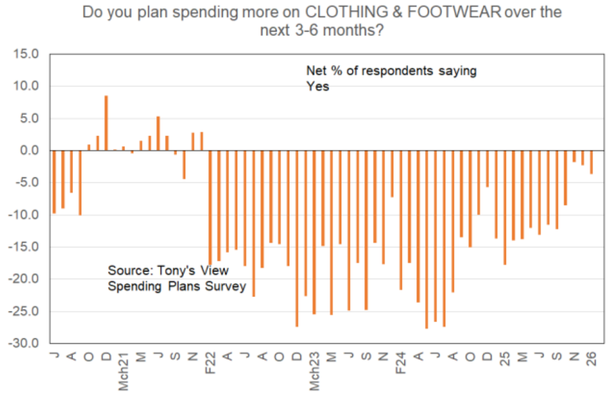
We have almost reached the point where more people plan boosting spending on motor vehicles, furniture and appliances than plan cutting it. These items are called "durables" and we consumers tend only to buy many more of them when we have good confidence about what the future holds, including our employment status.

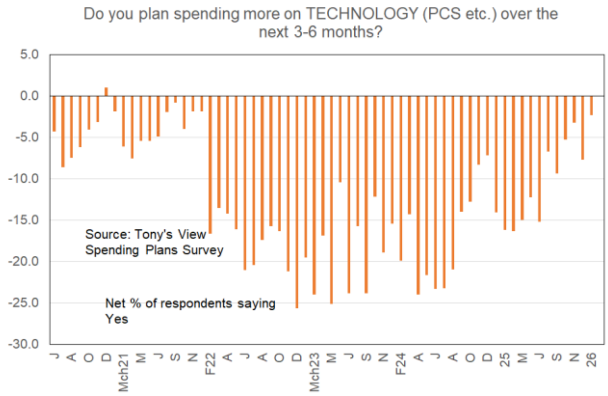


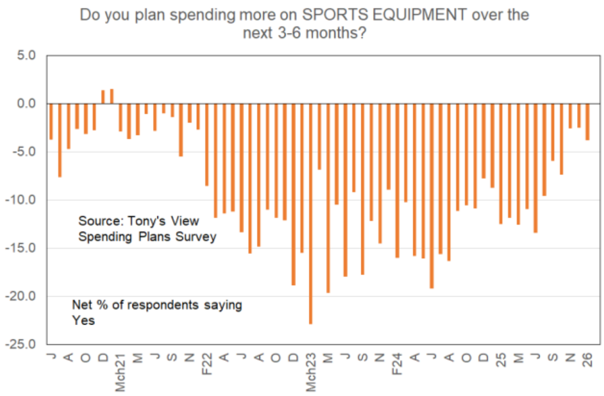


Spending plans for the garden have fallen away but this looks like a seasonal development.

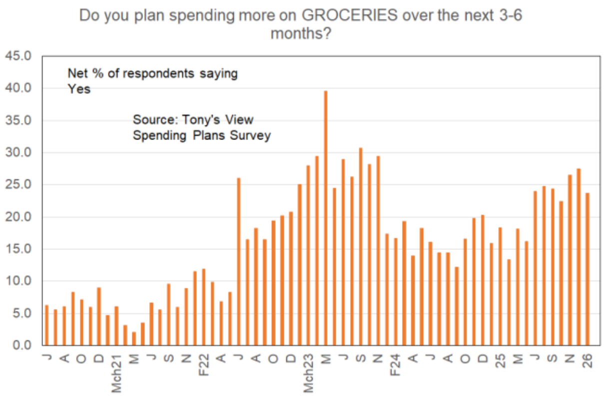
In the apparel sector things still look restrained – just not as badly as was the case over 2022-25. Same for technology spending and also sports equipment.



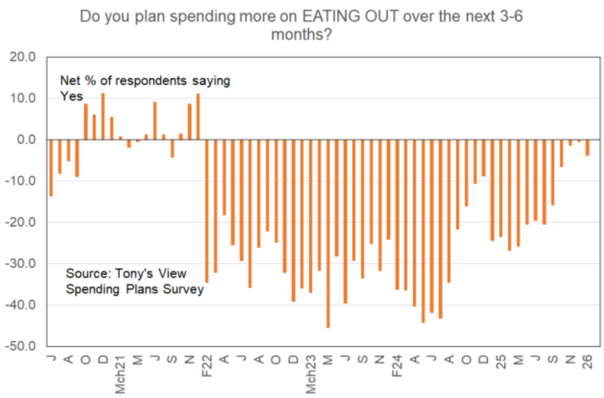




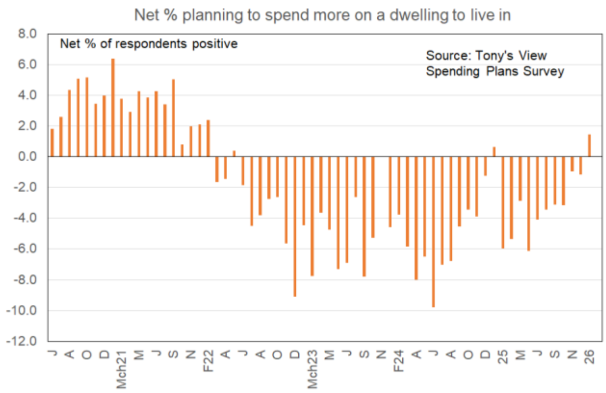
I struggle to say anything meaningful about the groceries measure.



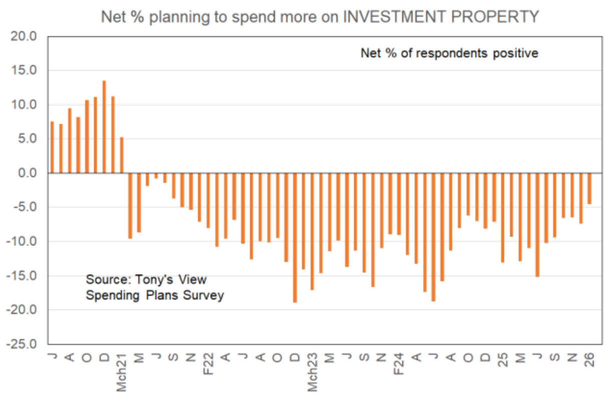
Plans for eating out achieved a net positive reading at the start of December but now things have eased back again - though not to a horrible level.



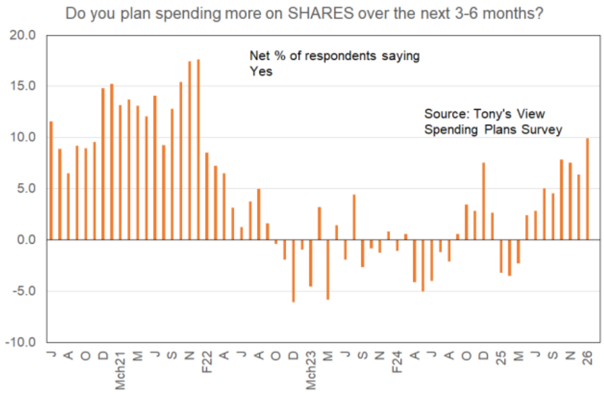
When it comes to purchasing a house to live in things have shifted to a net positive position and this is only the second time this has happened since the middle of 2022. This time the rise is likely to be sustained as opposed to what happened late in 2024 when people were overly optimistic about what 2025 would bring. This hints to us that more than first home buyers will step forward to make a house purchase this year and that means extra turnover for real estate agents, mortgage brokers, shifting companies etc.



But for buying investment property things remain on the weak side. This is not surprising and next week I will run through a list of reasons why the investor-driven part of the housing market has permanently changed back to normality - where it was before the middle of the 1990s.



Finally, people clearly like what they are seeing on some sharemarkets around the world and a firm net 9.9% intend spending more. Note the contrast with investing in residential property.

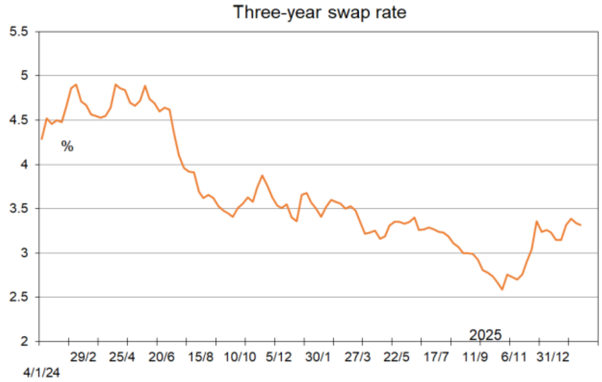


	Net %
General groceries	23.7
International Travel	22.4
Home renovations	21.5
Domestic Travel	18.4
Shares	9.9
Wellbeing/self-improvement	3.3
Gardening tools, plants etc.	1.4
Dwelling for own use	1.4
Motor vehicles	-0.9
Technology (PCs etc.)	-2.4
Furniture or appliances	-3.1
Clothing/footwear	-3.6
Eating out	-3.8
Sporting/fitness equipment	-3.8
Investment property	-4.5
Online services	-9.8

If I were a borrower, what would I do?

I've nothing interesting to say regarding interest rates this week in the absence of any major developments here or offshore. For the moment and following a round of fixed mortgage rate increases, pressure for extra rises is being contained by some small declines in wholesale borrowing costs.

These declines mainly reflect some falls in US rates in response to weaker than expected data, especially for retail spending. The stronger than expected jobs data released last night applied only some mild upward pressure on rates. The markets have priced in two cuts to US interest rates this year with a third increasingly considered likely.



If I were borrowing at the moment, I'd probably fix three years. Fixing five years is no longer possible at the good rate of 4.99% and at about 5.50% the leap from fixing one year near 4.5% is too large to seriously consider for all but the highly risk averse.

To see the interest rates currently charged by major lenders go to www.mortgages.co.nz

Nothing I write here or anywhere else in this publication is intended to be personal advice. You should discuss your financing options with a professional.