



Input to your Strategy for Adapting to Challenges

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Lockdown hits spending plans

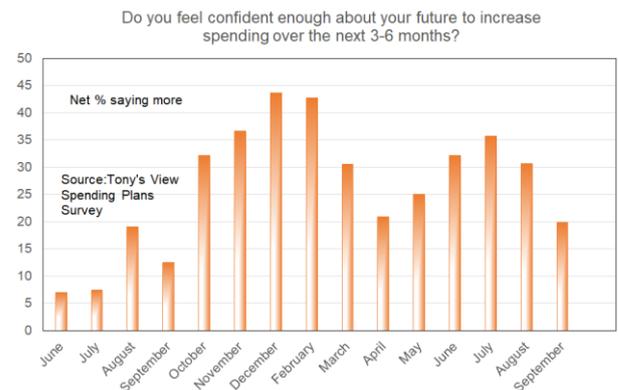
The imposition of a new nationwide lockdown has had a strong impact on people’s spending plans. This month a net 20% of our 1,094 respondents have said they plan spending more over the next 3-6 months. This is down from 31% in August and the lowest reading since September last year when a lockdown in Auckland from August 11 produced a similar decline in spending plans.

Home renovations remain the most heavily favoured area of extra spending and international travel the least favoured (the least possible as well).

Understandably, there has been a jump in plans to buy more groceries, and an improvement in plans to spend on online services. Plans to buy an investment property have fallen away slightly, though not back to levels of April and May. But plans to buy one’s own house to live in have risen to a seven-month high.

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

Overall spending plans have fallen back to levels of a year ago just before Auckland went into a lockdown from the middle of August. A net 20% of our survey respondents plan raising their spending levels over the coming 3–6-month period. This is down from a net 31% in August and a peak of 36% in July.



Based on what happened when Auckland emerged from the August 2020 lockdown, we can reasonably expect that when this lockdown



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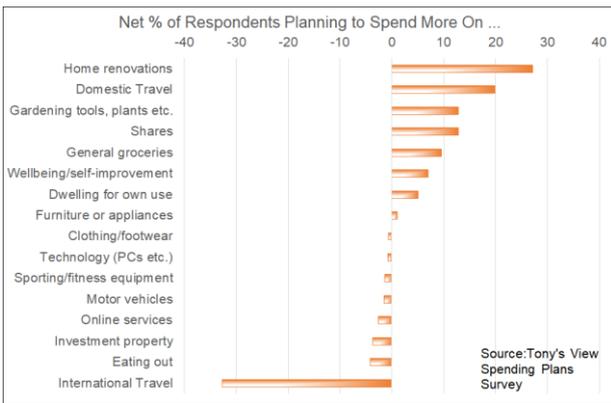
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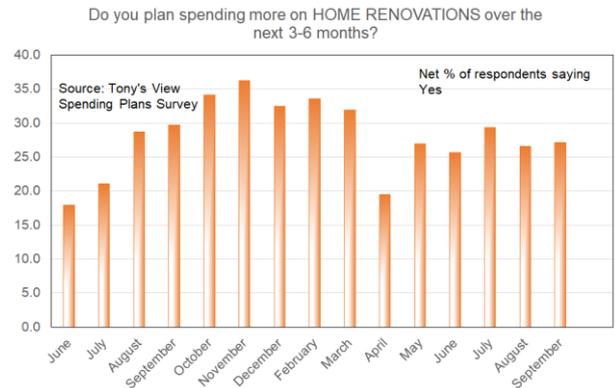
ends, we will see a recovery in spending plans akin to back then. For that reason, one would be unwise to take this month's decline as signalling a worsened outlook for the economy which might for instance stay the hand of the Reserve Bank as it contemplates raising interest rates.

Where will people spend more?

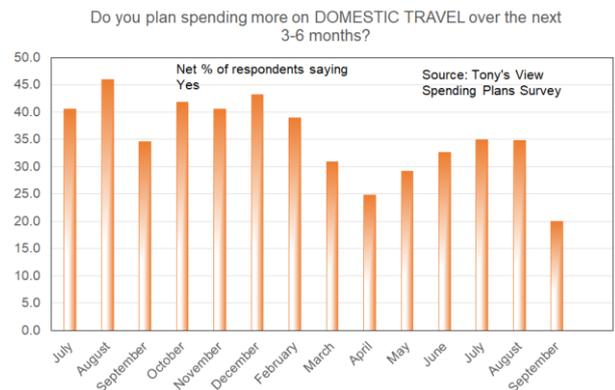
A net 27% of people plan spending more on home renovations in the next 3-6 months. This is the highest rated area of spending and is followed by domestic travel at 20%. Plans for eating out are as weak as plans for buying investment property, but not as weak understandably as the net negative 33% of people planning to travel offshore.



We can see that apart from April this year plans for spending on home renovations have been very strong ever since August 2020. At some stage expenditure in this area is likely to fall away quite sharply, and the three main triggers are likely to be rising interest rates, plateauing house prices, and the reopening of borders to international travel.



Plans for domestic travel have been firm but on an easing trend since a year ago. This month's decline clearly reflects lockdown protocols and recovery is likely as we get freed and as we pass through spring into summer.



But it will be interesting to see how these intentions alter when the opportunity to travel offshore reappears presumably from early next year.

One of the clearest trends in recent months has been a decline in plans for travelling offshore associated with the spread of Covid's Delta variant and more latterly the ending of the trans-Tasman bubble.



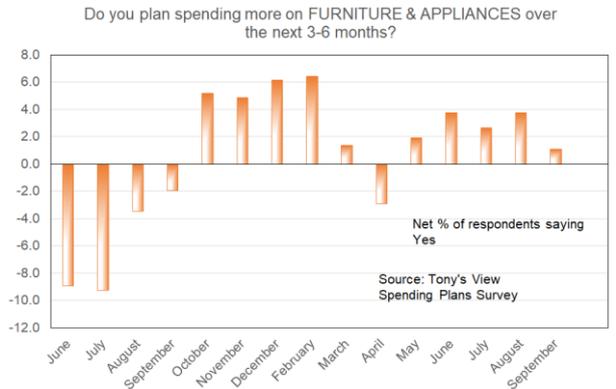
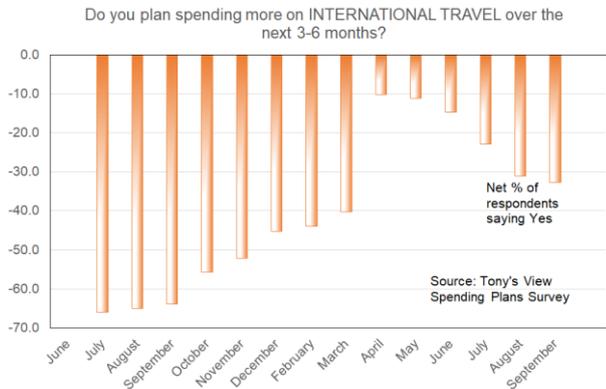
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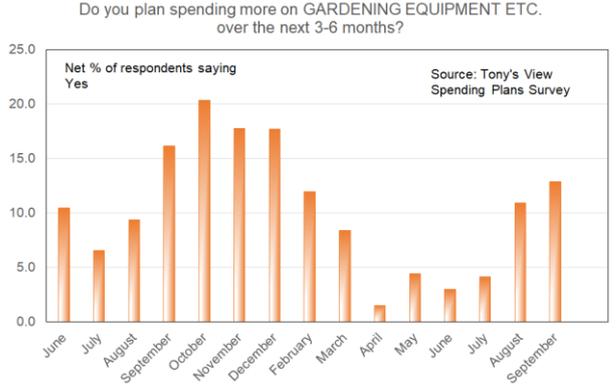
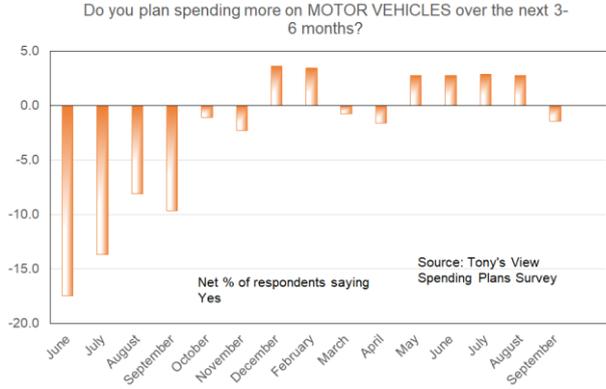
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For areas which traditionally do well when householders feel positive about the future and their incomes – consumer durables – we have seen some declines in spending plans this month. None of the changes however are large or even inconsistent with inherent volatility in these measures and therefore we shouldn't as yet take these falls as signalling the start of a cyclical correction in durables expenditure.

Spring is on us now and the seasonal transition probably explains the rise over recent months in plans to spend on gardening equipment and supplies.



Plans to spend on groceries have jumped up this month, undoubtedly because of lockdown and the desire for full larders.

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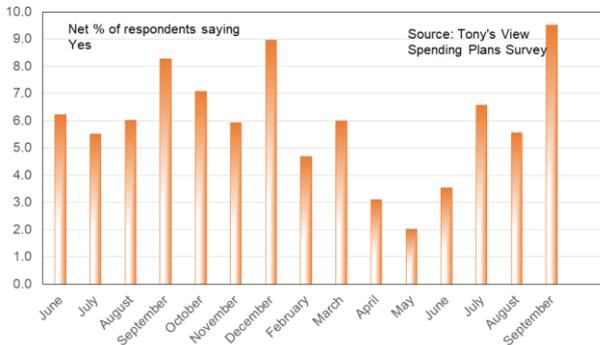
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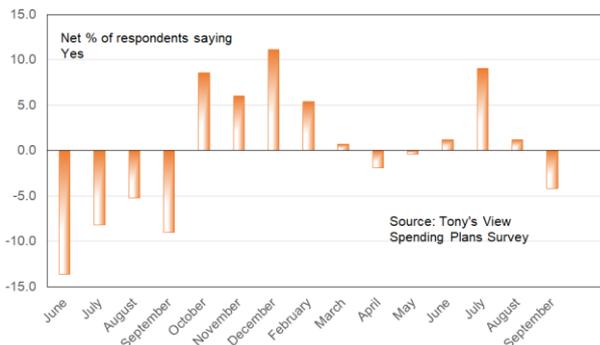
*This opportunity is only available to select wholesale investors.

Do you plan spending more on GROCERIES over the next 3-6 months?



Eating out plans in contrast have fallen away. The jump in eating out plans last year when Auckland's lockdown ended suggests we will see a surge in our eating away from home when the end of lockdown this time around is confirmed.

Do you plan spending more on EATING OUT over the next 3-6 months?



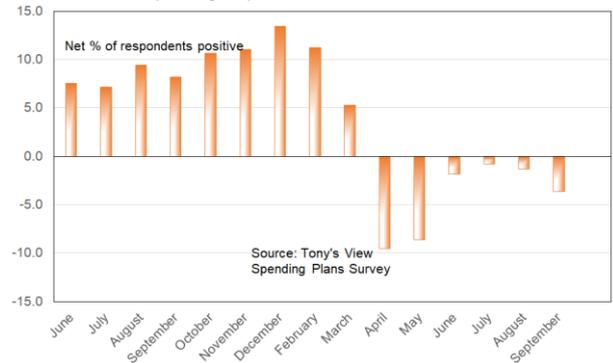
Housing indicators

There has been a notable decline in the net proportion of people planning to spend more on investment property in the next 3-6 months. A net 4% of respondents plan reduced spending – the weakest result since May's net 9% negative.

This gauge has been in negative territory since the government announced tax changes late in

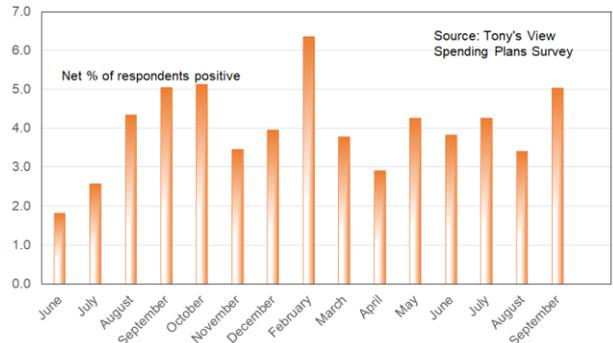
March. The extent of investor withdrawal was easing up until the last two months and it will be interesting to see whether this trend re-establishes itself when lockdown ends. Possibly not given the upward track for interest rates.

Net % planning to spend more on INVESTMENT PROPERTY



When Auckland went into lockdown in August last year there was a small nationwide rise in people's plans for buying their own house to live in, shown as the September 2020 result in the graph below. The rise in such purchase intentions this time around has been stronger, perhaps because people now have knowledge of what lockdowns can do to housing demand – they boost it.

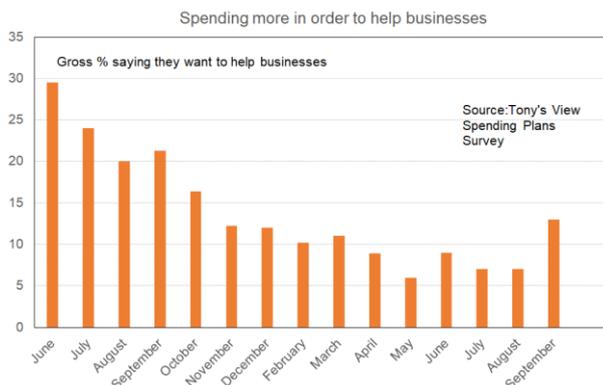
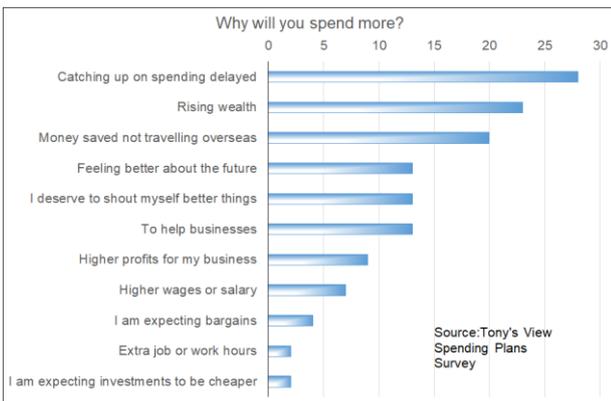
Net % planning to spend more on a DWELLING FOR ONE'S OWN USE



Why do you plan spending more or less?

Each month we like to examine the reasons why people indicate they might spend more or less, to see if there are some interesting outcomes which might be useful to businesses and even policy planners.

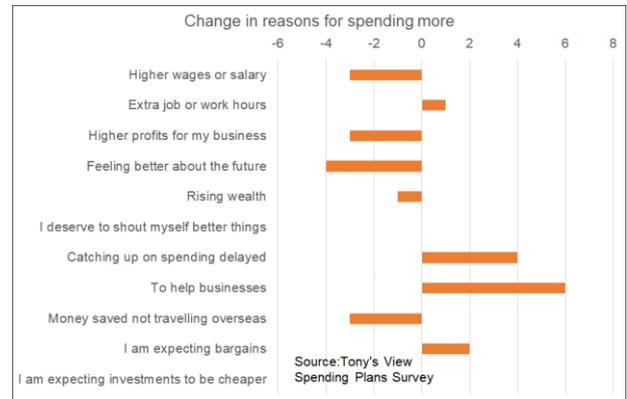
This month there has been a lift in the proportion of people planning to spend more to assist the business sector, to 13% from 7% in most recent months. This is the highest reading since October last year.



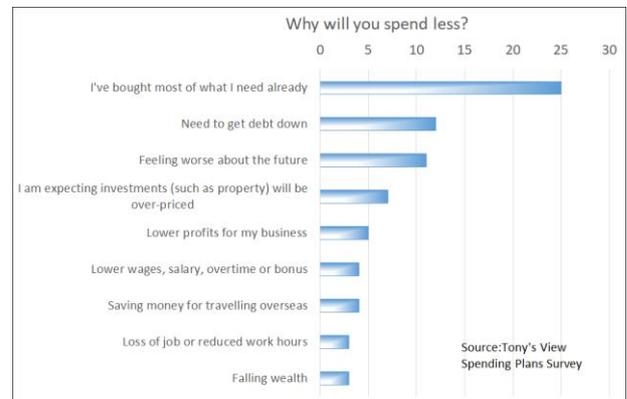
Some of the optimism slowly appearing in the labour market has pulled back with only 7% of people citing higher wages as reason for spending more, down from 10% last month.

We can see the month-to-month changes in reasons for spending more in this following graph. Most of the changes seem unsurprising

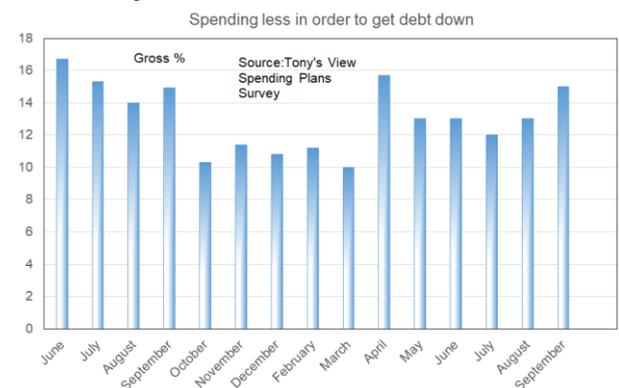
considering this month's circumstances. The exception is the decline in the proportion of people citing money saved not travelling offshore.



The most commonly cited reason given for spending less is, as usual, having most of what one needs already. But after that comes getting debt down.



Are debt concerns growing? Yes, but not to levels beyond those we have seen already since June last year.



Respondents to the survey were distributed by age as follows.

< 30 years	4.8%
31 – 50 years	36.4%
51 – 65 years	40.9%
Over 65 years	17.9%

Distribution by region was as follows.

Northland	2.8%	Tasman	1.2
Auckland	45.2	Nelson	1.1
Waikato	7.9	Marlborough	0.6
Bay of Plenty	6.2	West Coast	0.2
Hawkes Bay	4.0	Canterbury	10.9
Taranaki	0.9	Queenstown	1.6
Manawatu-Wang.	3.1	Otago ex. Q'twn	2.7
Wellington	9.9	Southland	0.7
Gisborne	0.2	Other	0.8

Total responses = 1,094



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Tony's View Spending Plans Survey



Tony's View Business Survey



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