

TONY'S VIEW - Spending Plans Survey

Input to your Strategy for Adapting to Challenges

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My Aim

To help Kiwis make better decisions for their businesses, investments, home purchases, and people by writing about the economy in an easy to understand manner.

Spending Restraint – But Not All Retailers Will Suffer

I've started up a monthly survey of Tony's View subscribers in their capacity as consumers. Unlike other consumer surveys which concentrate on how confident people feel, I'm seeking explicit insight into whether people do actually plan spending more money, what they think they will buy, and why they are thinking about spending more – if they are.

Changes will be made to the survey following this first set of results and any feedback from people reading this report would be welcome.

At the time of close off on Sunday evening 750 recipients of the Tony's View weekly had responded.

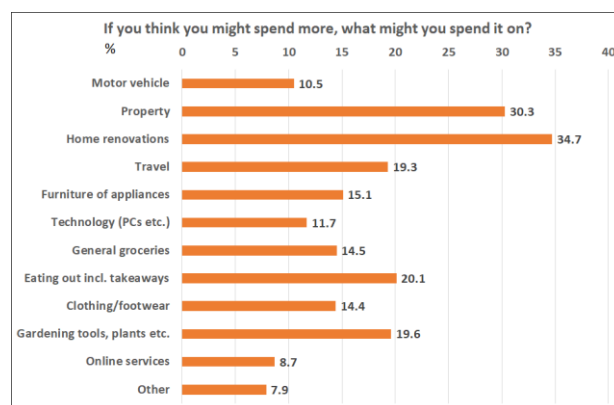
Do you feel confident enough about your future to increase spending over the next 3-6 months?

38% of respondents said they do feel confident enough, but 43% said they do not. 19% were neutral or did not know. This means a net 5% of people don't foresee spending more money in the next 3-6 months. That sounds like a very good result in the current circumstances. But it is likely that during normal times the proportion of us planning to spend more is far higher than 38% given that our incomes tend to rise over time. In addition, as the answers to the final question below show, for many people the reason they anticipate spending more is simply to catch up on spending unable to be undertaken during lockdown. By the middle of next year, we will get a feel for what the normal level is. But until then the month to month changes in this measure should at least prove insightful.

If you think you might spend more, what might you spend it on?

Of those people planning to spend more, the following proportion choose each of the areas of

spending identified. Respondents could choose more than one category.



Perhaps as a result of spending five weeks looking at their walls 35% of people planning to spend more have decided the time is right to spruce up their house, change the wallpaper, knock out a wall, or create a home office. Of the spenders a high 30% plan spending on property. From the next survey this option will be broken down to buying new property or investment property. Reflecting the recent burger frenzy, 20% say they will spend more on eating out, and 20% also say they will spend more on their garden.

From this so far, we can conclude that although we know the economic shock will cause an overall decline in household spending, there will be relative outperformance by retailers selling products for home renovations (hardware stores etc.), and also gardening centres. But also, stores selling recreational goods such as bikes, kayaks and gym equipment are also likely to be relatively busy.

We can conclude this because under the "Other" category many people cited sporting equipment, along with areas focussing on wellbeing and self-improvement. Alcohol got a small look-in as well.

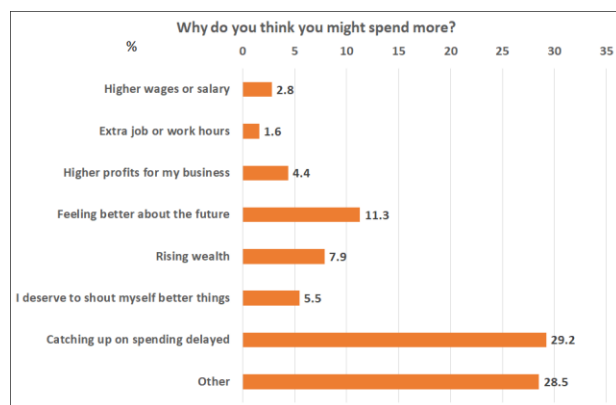
The graph above also tells us that Kiwis are keen to see more of their own country when current restrictions are lifted. 20% said they will spend more on travel, and many also noted this under the "Other"

category. This suggests that there is scope for some alleviation of the pain facing those in the tourism industry if the government allows domestic travel under alert Level 2. (Australians spend A\$65bn travelling overseas each year. The potential payoff to our economy from letting them share our bubble is huge.)

Many people also noted their intention to “spend” on investments – enough so that we will include that category next time. In fact, this question will be slightly expanded next time in light of responses received under “Other” and to finesse some of the stated categories.

Why do you think you might spend more?

The 39% of respondents who said they would probably spend more cited the following factors behind that willingness.



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The results show something we will probably only ever see in the current circumstances. The main reason people anticipate spending more is to catch-up on spending they have not been able to do recently. A few people say they are feeling better about the future. But very few say that their higher spending plans reflect any anticipation of higher income.

The more interesting result to this question came under the “Other” category. Over 40 people gave some version of spending more in order to help local businesses. This is still quite small compared with 56 people saying they will spend more because they deserve better things. But it is a result which we would not expect to see during the normal course of events.

The survey overall tells us that more people plan cutting their spending back than increasing it, but that there could be relative outperformance by retailers selling recreational goods, hardware, dine-in and takeaway food, and gardening supplies such as plants, tools, etc.

The relatively high 30% of people planning to spend more citing property, and the frequency with which this was cited in the “Other” category and mentioned (in terms of bargains) in answers to the last question, suggests that there are plenty of people hoping and planning to take advantage of the shift in residential real estate to being a buyers' market.