

# 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.

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## We Plan to Spend More

This is the second monthly survey of Tony's View readers, focussing in on things we plan to spend more on over the next 3-6 months, and things we plan to spend less on. My aim is to give the country's thousands of small retailers and operators in sectors like hospitality, accommodation, and tourism, some insight into whether things are moving in their favour or not.

With just two months' worth of observations under our belt it is difficult to say much with regard to changes in trends, even though some changes have occurred. For now, the best insights come from simply considering areas where more spending is planned and areas where restraint is targeted by ourselves as consumers.

This month 3,388 people had responded at the time of survey cut-off on Saturday morning, compared with 3,902 last month, and it is pleasing from a statistical point of view to note the high consistency of this month's results with last month's.

Results broken down at the regional level and by age group are presented in Tview Premium. <http://tonyalexander.nz/test.php>

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

At the end of June, a net 7% of the 3,388 respondents said that they do feel confident enough to spend more. This was unchanged from the late-May result and suggests that although there are improvements in many indicators currently occurring, it would seem premature to conclude that consumers are completely dismissing the negative of still rising unemployment and are forging into a new, brighter future. Caution still prevails and we can see that when we look at the breakdown of areas in which people say they will spend more and less with weakness in spending on discretionary and durable items.

### Where will people spend more?

I ask people to look at 16 different areas of spending and indicate whether they plan spending more or less. My hope is that this can give retailers good insights, or at least help them develop a realistic assessment about likely sales prospects for the remainder of this year.

Last month I asked people for their thoughts on "Travel" without doing the intelligent thing of giving two options of domestic travel and international travel. Should've, could've.

A high net 41% of respondents say they intend spending more on domestic travel. This is very good news for operators in the tourism sector wondering if the recent surge in customer numbers over weekends will be sustained or not. The survey results suggest the stories of full carparks at facilities like Rotorua's Gondola will continue, and that as long as the snow is there good numbers of Kiwis will be heading to the ski slopes.

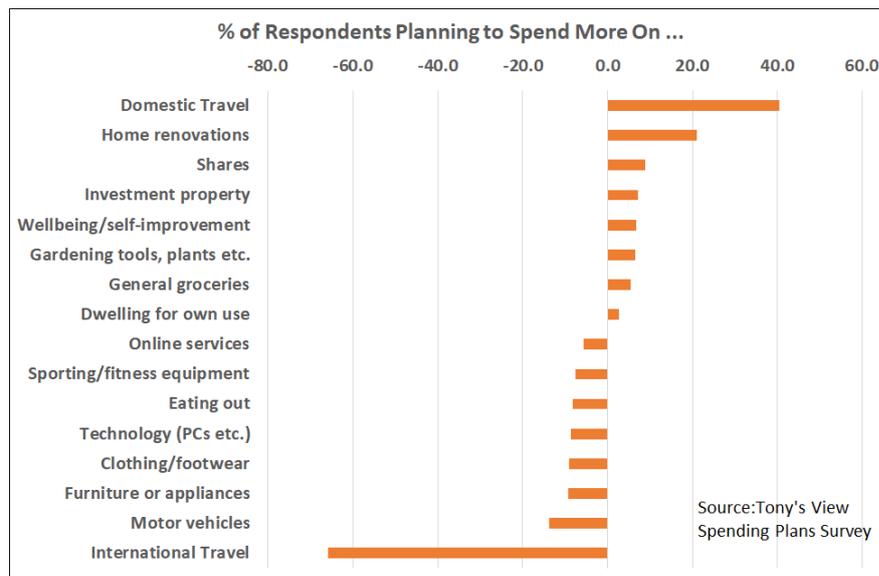
In contrast a net 65% say they will spend less on international travel. It is surprising that is not 100% - but hope springs eternal one supposes.

## Tony's View

After domestic travel, the next largest area of planned spending growth is home renovations at 21%. This result is slightly stronger than the net 18% of May's survey and good news for retailers of paint, wallpaper, mirrors, cushions, throw rugs, wallboards etc. It is also good news for tradespeople – something we can see in the data from Fergus job management software company to be discussed in Tony's View this week.

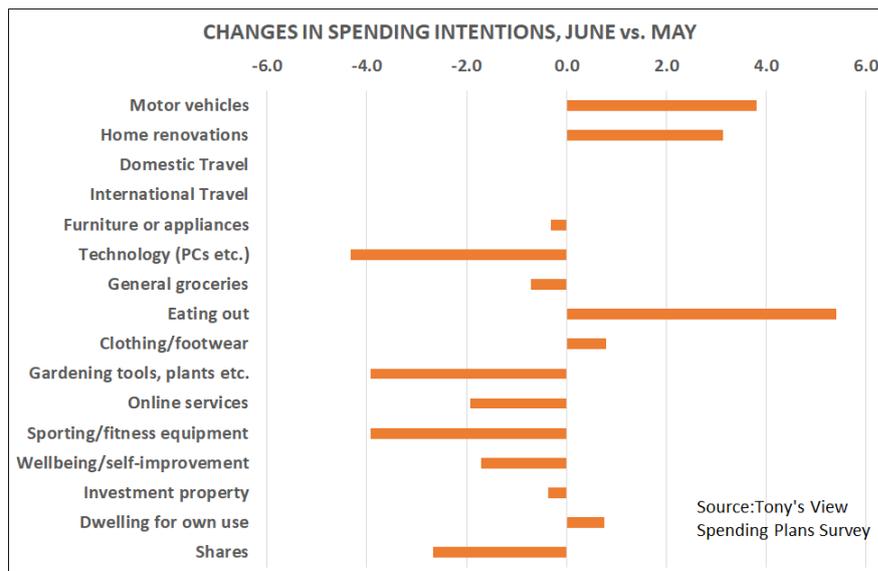
A net 9% of people plan spending more on shares. This is consistent with May's net 12% and the many stories of young people in particular jumping into the sharemarket in such numbers that the Financial Markets Authority has felt the need to give a warning about properly understanding markets. Maybe stories of "easy" profits made in the bounceback of markets from late-March lows are encouraging some people to invest at the same time as their flatmates are being laid off. I discuss the age breakdown of Spending Plan Survey results in Tview Premium.

As in May a net 7% of people plan spending more on investment property, but perhaps the cold and damp weather has somewhat affected the desire to spend time out in the garden. This month only a net 7% of respondents intend spending more on garden supplies etc. compared with a net 11% last month.



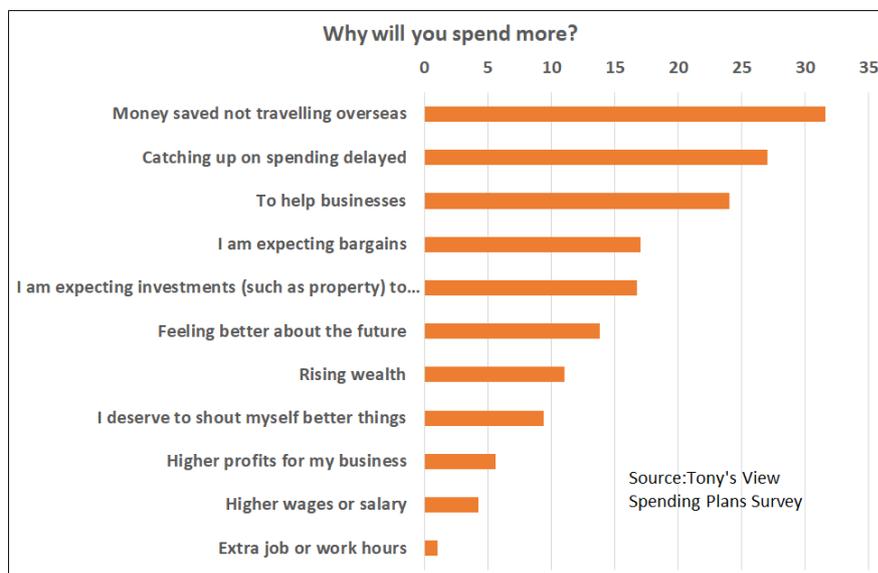
Switching to the areas of planned spending reductions now, we have a net 14% of respondents saying they intend cutting spending on motor vehicles. This is only slightly better than the net 18% planning reductions in May. A net 9% will cut spending on furniture and appliances, exactly the same proportion as in May. Clothing and footwear spending reductions are planned, along with technology and eating out.

This following graph shows changes in spending intentions between May and June. If the orange bar is on the right side of the 0.0 line then things are less bad or better now than a month ago. But if the orange bar is on the left, prospects for retailers in those sectors have got a little bit worse. Note that the outlook for eating out is still bad, but a bit less so, same for motor vehicles. For home renovations however determination to spend there has increased.

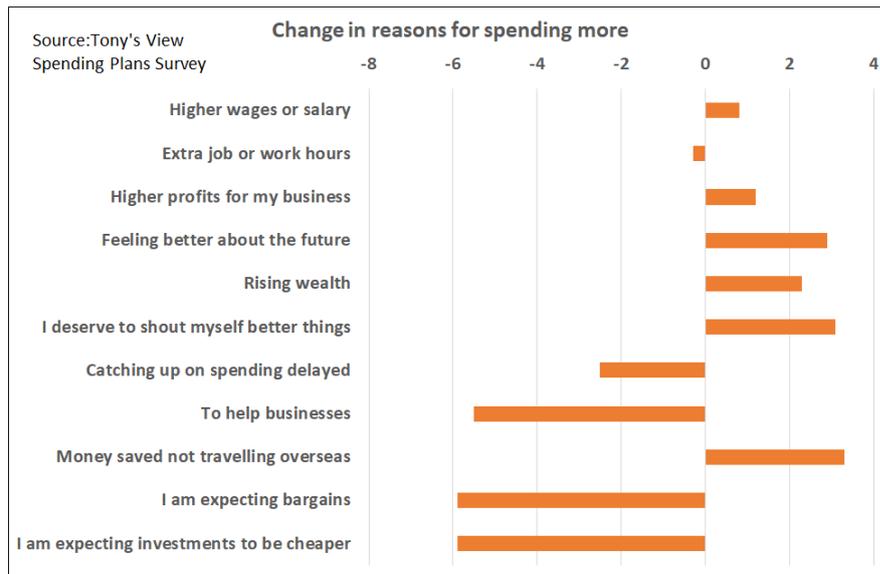


## If you plan spending more, why?

I ask people why they are thinking about spending more and we can see the impact of the \$10bn which Kiwis were going to spend on overseas travel this coming year. A gross 32% say they will spend more because of money saved not travelling. 27% cite catching up on spending they did not do earlier, and 24% say they want to help businesses. These three factors were the largest motivators of higher spending in the May survey. But are they waning in influence?

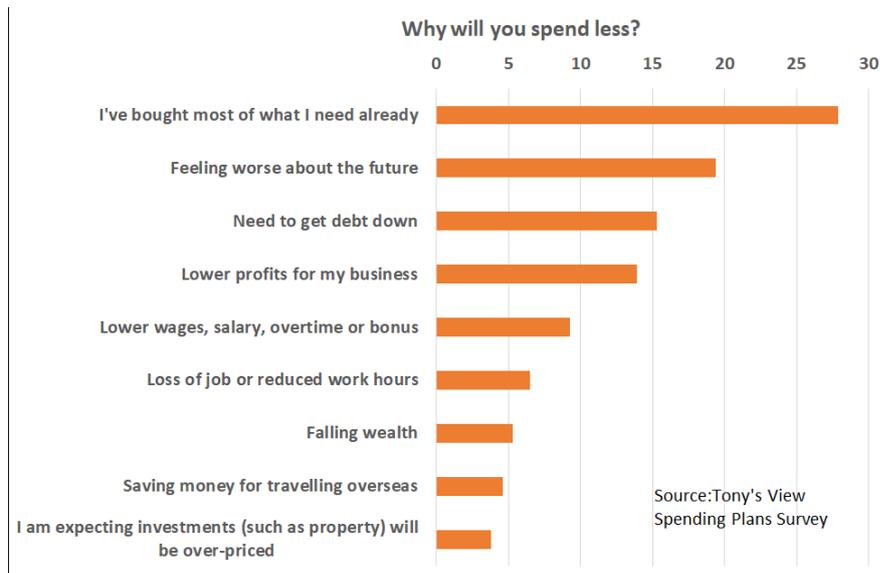


In this next graph, an orange bar to the right of the 0 vertical line means the reason has increased in importance. An orange bar on the left means the factor is less important as a reason for spending more. A few more people are feeling better about the future (14% vs. 11% in May), and more people reckon they deserve shouting themselves some nice things. But note that fewer people are now saying they are catching up on delayed spending (that makes sense as time passes), and willingness to spend in order to help businesses is easing off. Plus, fewer people now feel that investments are going to get cheaper as reason for presumably looking to buy more of them – shares, property etc. Fewer people are optimistic that they will be able to find bargains.

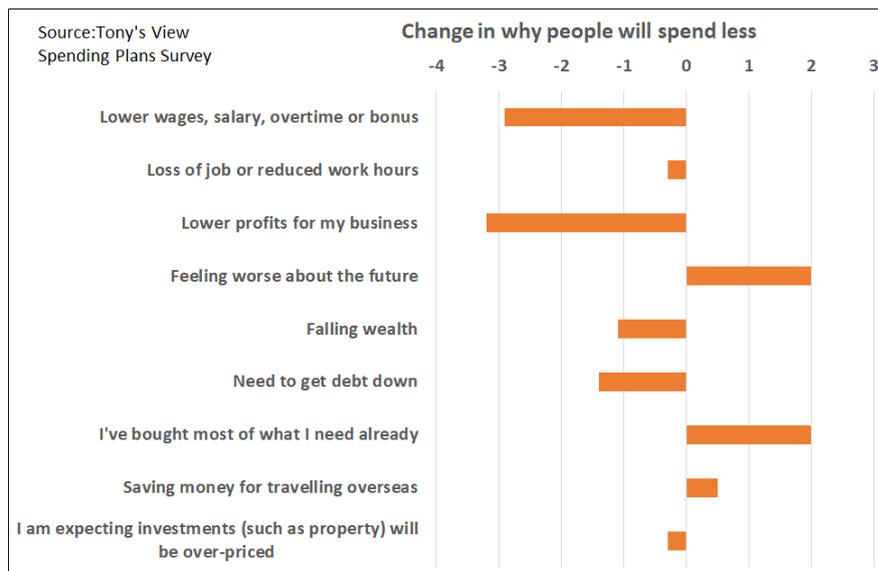


## If you plan spending less, why?

I also ask people why they plan spending less. Most important in the rankings here is people saying they have what they want, followed by worries about the future and needing to get debt levels down. Are these results much changed from May's survey?



Compared with May, those people planning to spend less more frequently cite worries about the future, are less concerned about job loss and income reduction, and less feeling the need to get their debt levels down. Personally, I find this analysis and the same piece just above for why people will spend more, delivers good insights into changes in the seriousness of underlying stresses which will over time hopefully help inform government policy and maybe even product development.



Overall, the results paint a picture of people willing to spend, but not in areas which traditionally suffer contraction when tough times hit – discretionary items like clothing and footwear, plus long-lasting items like motor vehicles and furniture. The unique circumstances of the Covid-19 crisis have caused a surge in plans to undertake home renovation, and the demand for investments including property and shares tells us that underneath all the woe, there is not a belief that NZ prospects are dire. Confidence in the country's future continues.

Respondents to the survey were distributed by age as follows.

< 30 years	6.6%
31 – 50 years	40.2%
51 – 65 years	39.0%
Over 65 years	14.1%

Distribution by region was as follows.

Northland	2.2%	Tasman	1.4
Auckland	45.0	Nelson	1.8
Waikato	6.8	Marlborough	0.7
Bay of Plenty	6.4	West Coast	0.2
Gisborne	0.2	Canterbury	13.6
Hawkes Bay	2.2	Otago	3.7
Taranaki	1.0	Southland	1.0
Manawatu-Wanganui	2.4		
Wellington	9.4		

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