

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.

Optimism Propels Higher Spending Plans

Each month I ask readers of Tony's View to take a minute to indicate whether they plan raising or lowering their spending levels in the near future, on what, and why. The results this month are in line with many other indicators showing our economy facing far better prospects than was the case 6-7 months ago.

Results broken down at the regional level and by age group are presented in Tview Premium, with greater discussion also of housing-related outcomes. <http://tonyalexander.nz/test.php>

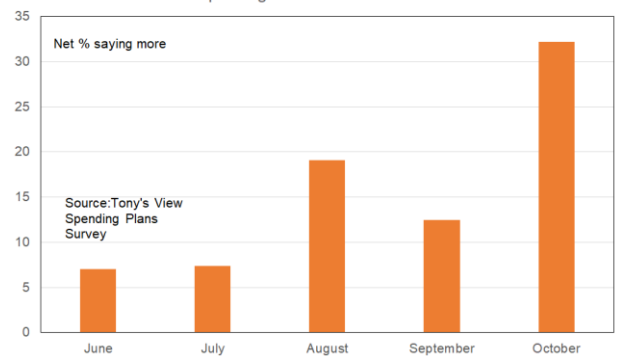
Do you feel confident enough about your future to increase spending over the next 3-6 months?

The monthly Tony's View Spending Plans survey has revealed a very strong rise over the past month in the proportion of people planning to boost their spending levels. A net 32% of 1,343 respondents replied that they plan spending more.

This is a strong turnaround from a net 13% in September, 19% in August (ahead of Auckland's lockdown), and 7% results in July and June.

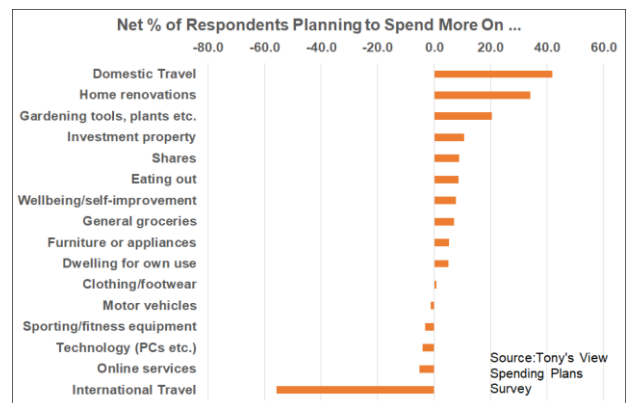
This is also a substantial jump which shows up when we look at some of the measures we can derive when examining why people plan to spend more or less – discussed below.

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



Where will people spend more?

A net 42% of people report that they plan spending more on domestic travel. This result has been consistently strong since July. However, the second chart below shows that this spending option has nonetheless become more popular over the past month.

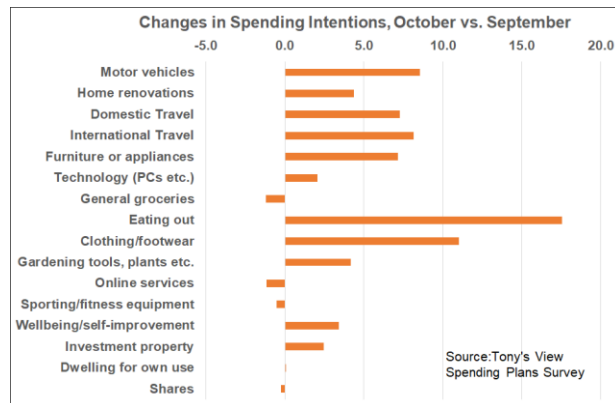


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Home Renovations also attract a net positive 34% spending plans, followed by Gardening at 20% then purchasing an Investment Property at 11%.

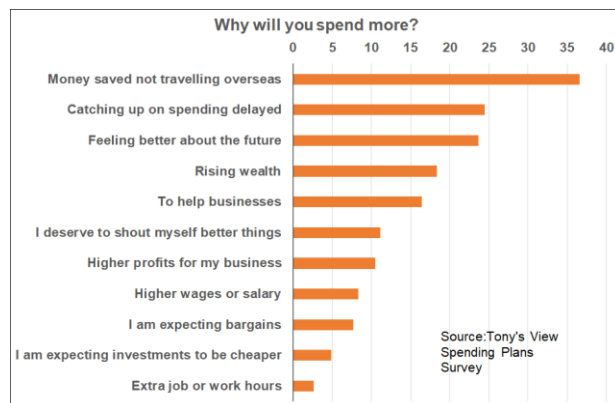
Intentions of purchasing in almost all categories have improved over the past month, except for Groceries, Online Services, and Shares.

The biggest leap in spending intentions has been for Eating Out with a large turnaround to a net 9% positive from 9% negative in September. This will be very good news for the hard-hit hospitality sector.



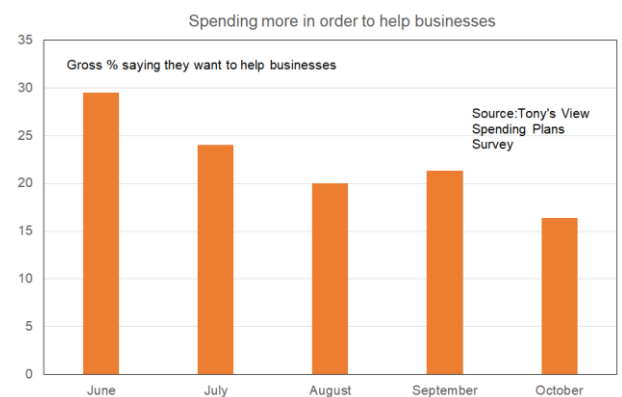
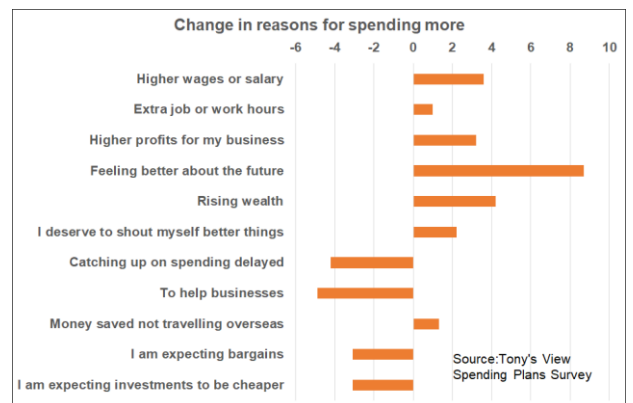
If you plan spending more, why?

For all bar our first survey in June, money saved by not travelling overseas ranks as the top reason for why people will be spending more in the near future. This reflects the fact that we Kiwis typically tip some \$10bn into the coffers of businesses offshore when we travel outside our country – an amount equal to over 3% of GDP.



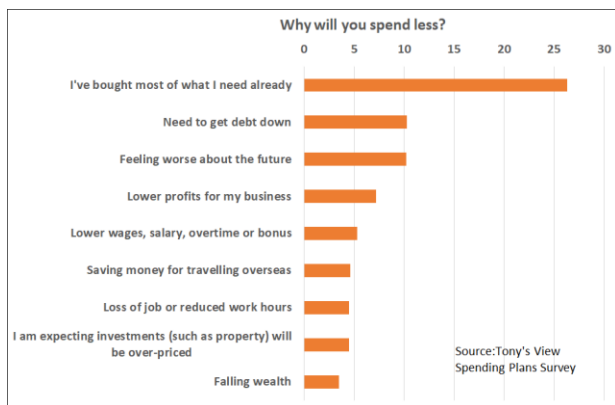
There is still a strong element of people catching up on spending which has been delayed. Perhaps this is something which is commonly experienced as a recession advances and people slowly gain more confidence in their future prospects, rather than just a post-lockdown effect.

A gross 24% of people say they are feeling better about the future. As this following chart shows, this factor has changed most in the positive direction over the past month, followed by rising wealth then higher wages and salaries. But there is less of an effect now from catching up on spending delayed, fewer intentions of spending to help businesses, reduced expectations of bargains, and fewer hopes of investments getting cheaper.



If you plan spending less, why?

For those people planning to cut their spending in the near future, a gross 26% say they already have what they need, 10% say they want to get debt down, and a gross 10% are feeling worse about the future. Only 7% cite worries about business profits and 4% expectations of reduced work income.



Only 10% of people planning to spend less now cite the need to get their debt levels down. This was a gross 16% in June and perhaps reflects the combined effects of reduced interest rates, lower worries about income loss, and better hopes for the future generally, including wealth levels.



Are you in a better or worse financial position as a result of Covid-19?

This might seem like a strange question to ask, considering that since February we have been seeing some fairly apocalyptic forecasts of economic shrinkage and job loss. However, sharemarkets have soared and the housing market has very quickly returned not just to the upward path of pre-Covid but an even stronger trajectory.

A net 0.2% of people reported that they are worse off financially. That is, 322 said that they are better off, 325 worse off, and 694 had no view or had experienced no change.

322 Better off
 325 Worse off
 694 No view/no change

Those who responded that they were better off were invited to outline why that was the case. Here are the broad reasons which people gave, in order of importance, then some quotes indicating people's

thoughts. The numbers are the number of people who cited the factor, not percentages.

Reduced spending – mainly no o/seas travel	79
Increased business sales	76
Rise in residential property prices	32
Interest rate reductions	26
Rise in investment portfolio valuation	26
Job promotion/wage increase/new job	17
Boom in real estate sales	15
Business restructuring producing savings etc.	11
Working from home savings	7
Had prepared for a shock so easily handled	4
Government help	3
Fall in the Kiwi dollar	2

Very few people directly cited government policies as the cause of their being better off because of Covid-19. But reduced spending overseas and increased sales for a range of business sectors rank very highly.

Quotes

- Covid challenged us to reassess our spending which has created savings. We are also more conscious of spending to invest in assets rather than just consumer/things of depreciating value.
- I'm a property investor, my assets have gone through the roof and cash flow has increased.
- Due to Covid 19, and not traveling overseas, I've managed to clear all my credit card debts; bought my first car and on the way to saving a good amount of money for first home deposit.
- Landscaping has gone ballistic. 6-day weeks, and no staff available.
- Less after school childcare costs as working from home more.
- I spend a lot of money on international travel and Covid-19 has effectively prevented me from doing that, hence I have plenty left to spend on other things.
- Allowed me to save a lot during the lock down and allowed me to buy a house.

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- Selling our lifestyle sections which have gone wild because of Covid. Social distancing room for dog etc.
- Work (valuation) is a lot busier post Covid-19.
- I got the break I wanted. I got a chance to renew my energy, and then when lockdown eased and I was well-rested and recovered, I could put my energy into finding my 'ideal' role, which in August found me on LinkedIn! Now I work full-time, flexible hours and location, often from home. Loving it!! Many people I talk to are saying the lockdown offered them the same experience. While many negatives occurred, I am so grateful for the chance it gave me.
- I work at a FMCG business that has had record sales.
- We design and manufacture kitchens in Auckland and have seen a huge increase in people wanting new kitchens.
- I'm a director of a housing Company and we are doing very well at the moment.
- Business has never been so good (Garden sector), more profit = more bonus.

Respondents to the survey were distributed by age as follows.

< 30 years	5.6%
31 – 50 years	33.2%
51 – 65 years	43.2%
Over 65 years	15.9%

Distribution by region was as follows.

Northland	25	Tasman	23
Auckland	609	Nelson	28
Waikato	90	Marlborough	8
Bay of Plenty	81	Canterbury	137
Hawkes Bay	41	Queenstown	32
Taranaki	13	Otago ex. Q'twn	52
Manawatu-Wanganui	39	Southland	13
Wellington	141	NZ	1343

The Tview Premium of October 15 will include analysis at the regional level, broken down by age, and special examination of the two housing categories.

This publication is written by Tony Alexander, independent economist and speaker. You can contact me at tony@tonyalexander.nz
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