Consumer Pulse Report 2023

Contents.

About this report

Canstar is a leading money comparison and ratings site across New Zealand and Australia. It simplifies the world of money and helps consumers make good decisions. It does this by comparing more brands than any other site, analysing thousands of products and producing an easily understood ratings system.

Canstar compares value alongside price, offering consumers a simple 5-star ratings system that enables the right choice for each individual.

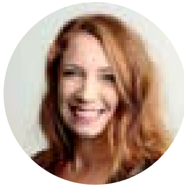
Thanks to its unbiased research, Canstar is trusted by consumers seeking guidance on products across banking, insurance, KiwiSaver, electricity, broadband and household and lifestyle products. One in two Kiwis recognise the Canstar NZ brand and its recognition of excellence.

Welcome to Canstar.co.nz's 2023 Consumer Pulse report. This report is designed to show longitudinal trends, collating responses from several thousand New Zealand adults (18+) who participate in Canstar surveys over a period of time. More than 20,000 New Zealanders have participated in the surveys since February 2021, including nearly 8000 from October 2022 to January 2023. It covers:

- **Financial Pain Points –** money worries and debt levels
- **Our Piggy Banks –** savings habits and goals
- **Property Market Prospects –** state of the nation on housing

This report discusses some of the standout findings nationally and by generation or gender. The findings have been rounded to the nearest whole percentage point. Please note area-based, income and other demographic results are available on request.

For more insights, data or commentary on the Consumer Pulse report, please contact:



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Key findings

Financial Pain Points

Time for bread and butter

It's our year of bread and butter. The price of groceries is by far the greatest financial concern for New Zealanders. A quarter say it's their biggest worry, and nearly a third of over-40s. That's an extraordinary jump from two years ago, when just 11% named it as their biggest worry. The price of groceries has hurtled beyond house prices, rent costs, and the economic fallout of COVID as the nation's major concern.

We're bullish budgeters

In good news, we're taking action. The Reserve Bank (RBNZ) is hammering mortgage holders with rate rises and inflation has been rampant, but Kiwis say they're coping. Over 60% say they are living within their means financially, a notable improvement from two years ago, when 44% said the same. However our budgeting is clearly tight: 52% admit to living payday to payday, and nearly half say they don't have enough put away to survive for two months without a regular wage.

We've adjusted how we spend

As interest rates have risen, Kiwis have pulled back from overpaying their mortgages. Over two-thirds of mortgage holders say they have or will cut back their overall spending due to the increased cost of mortgage repayments.

Our Piggy Banks

Savings inch up?

RBNZ data shows we are better at saving, as our 2022 household savings rates are higher than our pre-COVID levels. And our data reveals that households that are saving put away nearly $500 a month on average, and around $750 for households earning over $120,000.

Nearly a third (31%) of households manage to save around 10% of their income, while 15% save a fifth. But over a quarter aren't saving at all. And things are tough for many, over half (52%) say their finances have taken a hit.

Shares drop out of vogue

Older Kiwis are off stocks, for now at least. In 2021, over 40% of those in their 30s and 40s invested in the stock market. That figure has now slumped to under 30%. Those who did invest were weighted toward healthcare, tech and energy companies. However, there's still high interest from the under 30s, with 56% investing for the first time.

We worry about retirement

The average Kiwi expects to need $457,000 in savings and KiwiSaver to fund their retirement. That figure jumps to $600,000 for those in their 60s. But only 41% feel confident they are on track to raise the funds they need. As such, our reliance on KiwiSaver is tracking up. Nearly half of those surveyed (47%) say their KiwiSaver will be their main source of income after 65. More than half (53%) know their KiwiSaver balances, and 54% are aware of the fees they are charged. A notable 63% are aware of the performance of their KiwiSaver.

Property Market Prospects

Gen-Xers struggle

There has been a big decline in mortgage debt, as RBNZ data reveals. First Home Buyers (FHBs) took on $640m in debt during January 2023, compared to $1bn two years ago. However, a slowing market and fewer investors mean they now make up a higher percentage of the overall market: 23%. And significant numbers of prospective FHBs appear to have dropped out of the market. In 2021, nearly half (48%) of 30-somethings said they were potential FHBs. That figure is now 33%. Fewer people in their 40s also consider themselves potential FHBs, the percentage dropping from 38% in early 2021 to just over a quarter now.

And more people are relying on KiwiSaver to help buy a first home, up from 54% two years ago, to 73% now. Meanwhile, fewer prospective FHBs are planning to draw on family financial assistance, the percentage dropping from 31% to just 11%.

We still love our homes

We remain bullish on property prices. Nearly a third (29%) of us still expect house prices in our areas to grow steadily, while only one in five (20%) expect property values to ease. Nationwide, average mortgages are $254,000, although they sit around $327,000 for those living in Tāmaki Makaurau/Auckland.

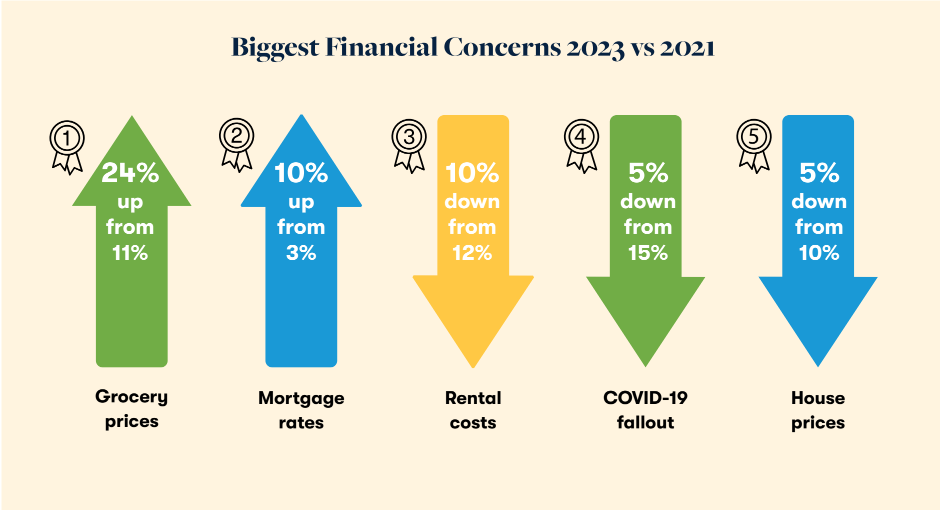
We'll hunker down to save

The number of prospective FHBs living with whānau in order to save a deposit remains high. Over half of under 30s (55%) who identify as potential FHBs are living with family to try to save a deposit, while 53% of 30-somethings are doing the same.

Financial pain points

Time for bread and butter

Standard chat at Kiwi BBQs used to be the cost of housing. Now it's the cost of the food on the grill. Due to post-COVID inflation, and months of wild weather, the price of everyday supermarket staples has soared. And, as a result, the cost of putting dinner on the table has become by far the biggest financial concern for Kiwi households.



The price of groceries is the main worry for 24% of those surveyed. The figure jumps to 27% of those aged 40 to 70. Worryingly, nearly a third (31%) of those over 70 say this is their biggest worry. It's an extraordinary increase from two years ago, when just 11% named it as their biggest worry.

The concerns reflect soaring grocery bills. Food prices rose 12% in the year ended February 2023, according to Statistics NZ. Fruit and vegetables rose a whopping 23%.

Those most worried about food prices are Kiwis in the regions, women, and those with incomes of between $30,000 and $80,000.

Over 40% of those surveyed in Taranaki said that the cost of groceries was their biggest worry, followed by 36% in the Nelson/Tasman region and 32% in the Waikato.

By comparison, Tāmaki Makaurau/Auckland was an outlier, with fewer locals concerned about groceries (18%) and more concerned about the cost of rent (13%). This is likely a reflection of Auckland's far higher rental prices and declining home ownership rates.

The rising worries about the affordability of the weekly supermarket shop signifies a marked shift in the nation's financial concerns.

Two years ago, Kiwis were equally worried about rental costs (12%), house prices (10%), and food prices (11%). Since then our research shows how the cost of groceries has risen rapidly as a concern, and now sits well above house prices (5%) and the cost of rent (10%).

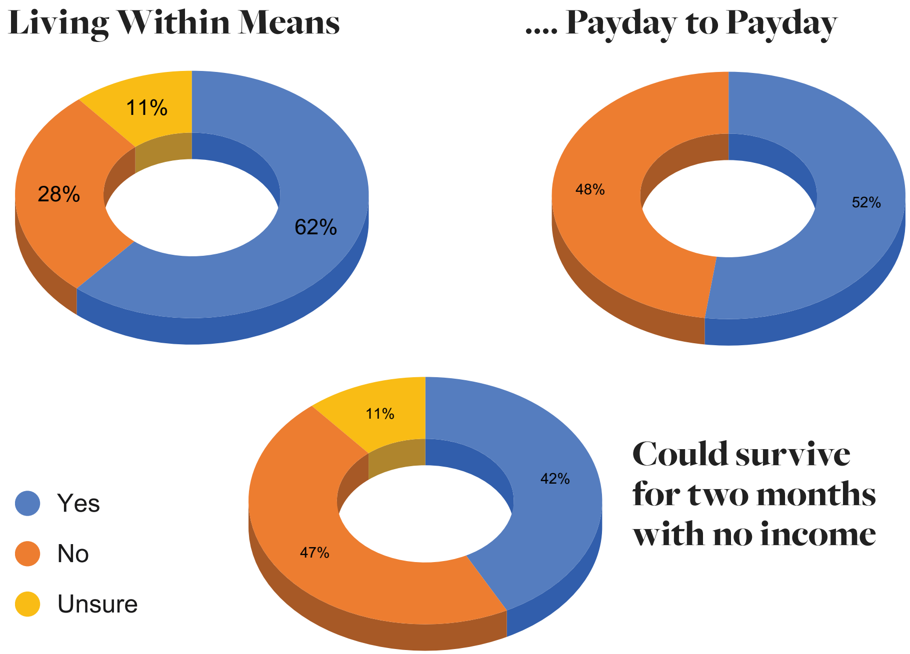
However, a new worry is also more prevalent: the cost of mortgages. Two years ago, it barely registered as a concern. Just 3% said it was their biggest financial worry. Now, one in 10 Kiwis call it their major concern. Notably, that figure rises to 15% of those aged in their 30s and 40s.

Furthermore, higher numbers (18%) of those on higher incomes ($120,000+) said it was their biggest worry, possibly reflecting those who overleveraged themselves during the recent period of low interest rates.

For young Kiwis – those aged 18 to 29 – the price of groceries (18%) and the cost of rent (17%) are on a par as their biggest worries. Two years ago, only 8% said the price of groceries was their biggest concern, far outweighed by the cost of rent (19%) and house price movements (15%).

Meanwhile, the economic fallout from COVID has fallen away as a concern. Lockdowns are over, travel is back, RAT tests are rare. Just 5% cite it as their biggest financial worry, down from 15% at the height of the pandemic.

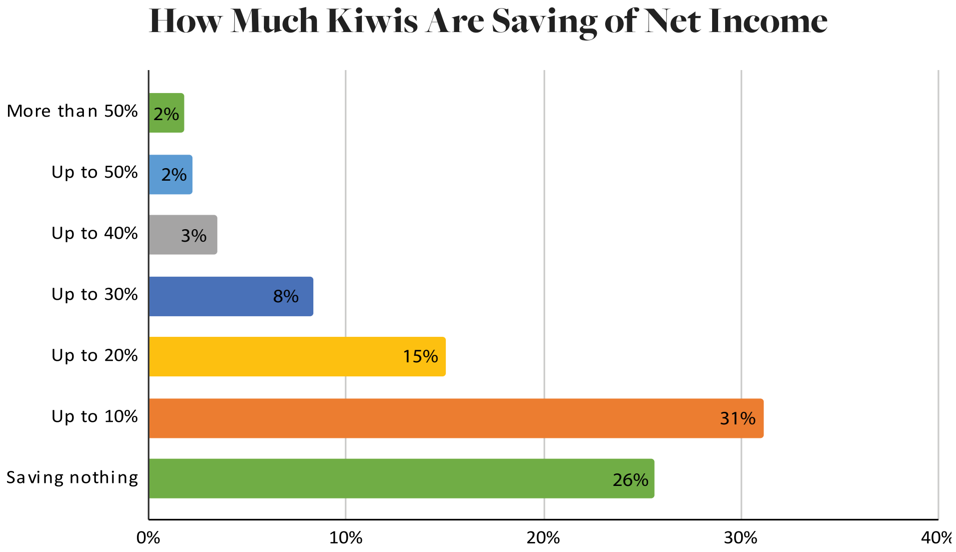
Unfortunately, life is likely to get tougher for many. Widespread flooding and Cyclone Gabrielle battered the North Island, leaving devastated families, destroyed homes and a huge clean-up job in their wake. Insurance premiums are likely to rise as a result. This comes on top of the RBNZ's attempts to slow the economy by lifting the Official Cash Rate, as it tries to manage down inflation.



We're bullish budgeters

We appear to have become more confident in our budgeting abilities, despite rising costs and payday-to-payday living. This may be a result of the cost of living crisis or, perhaps, we've simply gotten smarter at making ends meet.

Either way, over 60% of us now say we're living within our means financially, a notable improvement from two years ago when only 44% said the same. We get more frugal and careful as we age: 59% of 18- to 29-year-olds say they live within their means, but 70% of those over 70 say the same.



However budgeting is clearly tight for many Kiwis: 52% admit they live payday to payday. In the youngest age bracket, 60% say they live payday to payday, dropping to 35% of over 70s.

Nearly half of respondents (47%) say they don't have enough put away to survive for two months without an income. But this is an improvement on two years ago, when 72% felt they did not have the same financial buffer.

That over half of Kiwis live from hand to mouth is a reminder times are truly tight out there. Inflation is over 7%, and unemployment rates are set to rise. People have limited cash reserves to support themselves should they find themselves on the wrong side of a slowing economy.

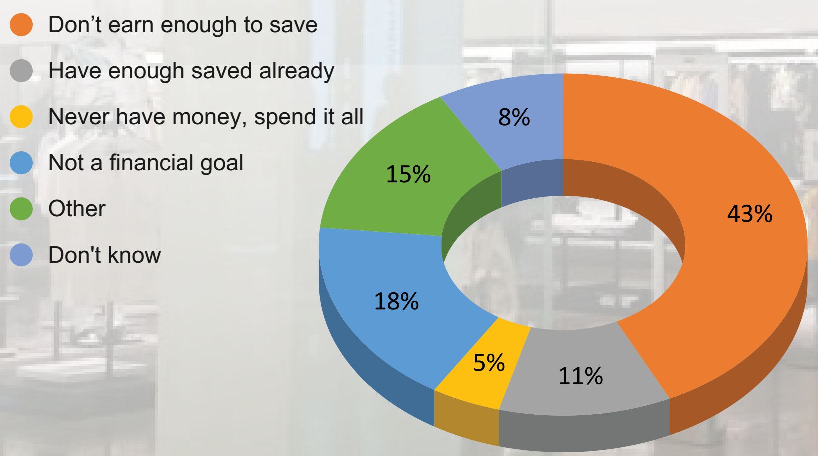
We've adjusted how we spend

Average two-year fixed mortgage rates are more than double the rate of two years ago. The average rate now sits at 6.7%, up from 2.63% two years ago. For a mortgage of $500,000, monthly repayments will have risen from $2276 to $3439, an extra $1163* extra per month.

Someone on a higher mortgage, for example $750,000, will have seen their mortgage repayments increase from $3414 to $5158, a rise of $1744* per month.

It's difficult for households to absorb these extra costs, particularly given the rising costs of basics, such as food. However, many mortgage holders have prepared themselves for the pain of much higher repayments.

Why Kiwis Aren't Saving



*Source: www.canstar.co.nz – 24/02/2023. Based on owner-occupier loans on Canstar's database, 80% LVR and principal and interest repayments; excluding introductory, first home buyer and green only loans. Calculations assume a loan term of 25 years.

66%

of Kiwi mortgage holders say they have, or will, cut back on their spending due to refinancing their mortgages

Two thirds (66%) of mortgage holders say they have, or will, cut back on essential and non-essential items due to refinancing their mortgages. This figure is split between 45% curtailing spending on non-essential items like dining out, entertainment and fashion, and 21% who are pulling back on essential items, such as groceries, electricity and phone usage.

Of those pulling back on essential items, mortgage holders in their 30s are suffering the most: over a quarter (26%) say they have, or plan to, cut back their spending as a result of mortgage rate increases. This compares to 23% of those in their 40s.

And more Kiwis, across a wider age bracket, are cutting back on non-essentials. Over half (54%) of under-30s say they're reducing their spending, dropping to 52% of those in their 30s, and 41% of people in their 40s.

Homeowners are also pulling back on mortgage overpayments as interest rates rise and property values fall. Just 22% say they overpay on their mortgages, down from 42% two years ago. However, there's an important caveat: the number of people overpaying dropped to just 14% at the time Tāmaki Makaurau/Auckland was plunged into its four-month lockdown. This suggests Kiwis buckled down on their finances at that time given the uncertainties.

We're not feeling so asset-rich, either. Only 27% of those surveyed said their homes earned more than them due to capital gains, down from nearly half (48%) two years ago. And the figure is set to drop further, as house prices look set to experience further double-digit drops during 2023.

The number of those changing mortgage lenders for cheaper rates remains low. This reflects the difficulty of shifting lenders in the current environment, in which lending applications are heavily scrutinised, and banks are stress-testing applicants at near double-digit rates.

Only 5% of homeowners changed lenders for a lower rate, down from 6% two years ago. And only 7% negotiated better rates with their banks. Furthermore, the numbers of those who have redrawn on their mortgages has dropped from 11% two years ago to just 6%.

In (slightly) good news, we're less worried about the ability of the next generation to afford first homes. While 46% of us are worried about FHBs' ability to buy a house, it's way down from two years ago, when 57% said the same.

Despite this, the bright line test appears to have tempered appetite for a capital gains tax. Two years ago, nearly a third (29%) of Kiwis supported a capital gains tax, but that figure has now dropped to just 18%.

6%

the number redrawing on their mortgages has dropped from 11% in 2021 to 6% in 2023

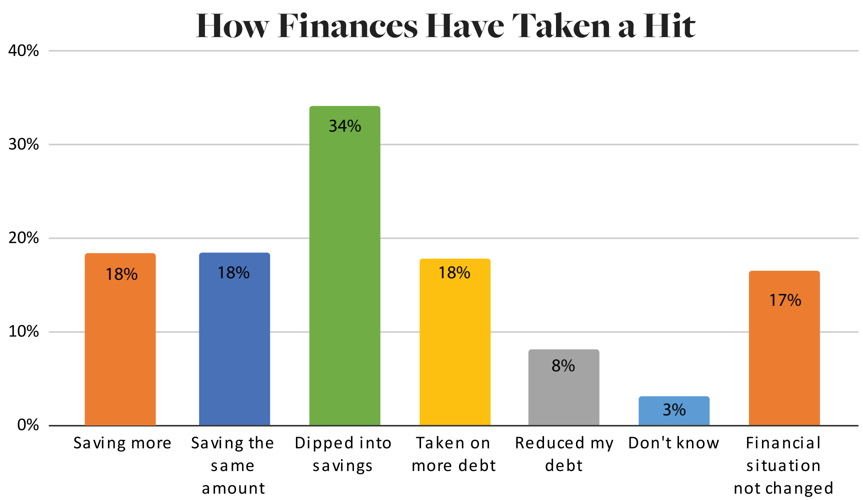
Our piggy banks

Savings inch up?

RBNZ trends suggest we are better at saving. Our 2022 household savings levels were higher than our pre-COVID savings levels. However, around a quarter of us aren't saving a cent – and this number has risen. In good news, nearly a third of us manage to save around 10% of our income, while 15% manage to save a fifth.

Over a third (36%) of Kiwis say they're saving the same or more than usual. Another third (34%) say they have dipped into their savings, while nearly one in five (18%) have taken on debt.

Households that are able to save put away nearly $500 a month, on average. Aucklanders manage to save a bit more ($523 a month), while those in Northland are only able to put away $229 a month. Men save more than women: $560 and $447, respectively. And high-earning households ($120,000+) save nearly $750 a month.



However, our caution as to where we park our funds remains. The bulk of Kiwis (76%) put their spare cash into a savings account. Around a third (29%) make use of term deposits.

But our dreams remain big! Nearly half of us (46%) say we're saving for a major expense - and over a quarter (28%) say it's an international holiday. This is quite a jump from 2021, when we were mired in COVID concerns and only 18% aspired to an overseas jaunt. Domestic holidays are a low priority, with only 8% saying it's a savings goal. More folk are eyeing new cars, with 13% saying it's how they'll spend their savings.

The number of people who are free of personal debt remains steady, at around 44%. And those in debt are responsible with their repayments: the majority (59%) say they never miss repayments, compared to 43% who said the same two years ago. Another one in five (19%) say they miss repayments only rarely.

Unfortunately 7% "always" miss repayments, although that figure is dramatically down on the 19% who fell into the same category two years ago. As in our last survey, the response is split along gender lines: 15% of men say they "always" miss repayments, compared to just 4% of women.

Savings Goals

International holiday 28%

New car 13%

Domestic holiday 8%

Home renovations 8%

Investment property 8%

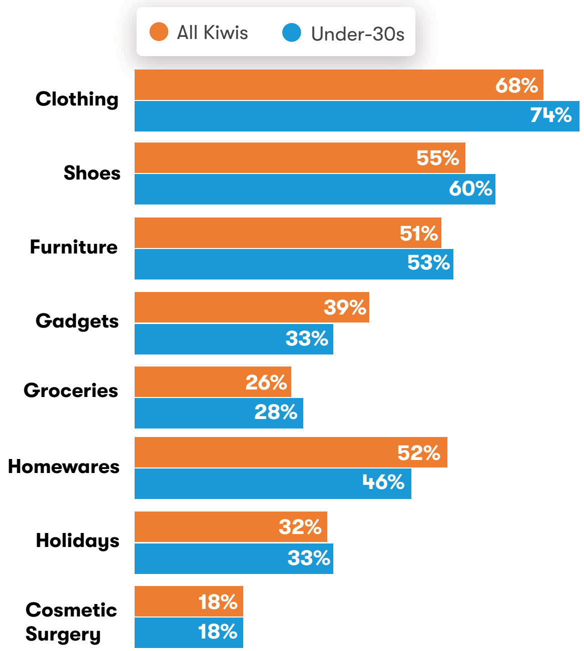
Despite these figures, 80% believe their debt is manageable, down from 85% two years ago. Again, men are more bullish on this question: 84% say they can manage, compared to 78% of women.

Most people's debt (29%) is sitting on credit cards; 16% report personal loan debt and another 16% student loans, while 15% have car loans.

Just over one in ten (12%) of us have Buy Now Pay Later (BNPL) debt. This is a sharp drop from two years ago, when nearly one in five (19%) said they had this form of credit. The fall is most dramatic for those in their 20s, 40s and 50s, where usage has declined by over 40%.

Attitudes toward BNPL debt have also changed. Two years ago, 60% of under-50s believed it was a responsible way to spend. Now, only 40%-46% of that same age group believe it's responsible.

BNPL Purchases



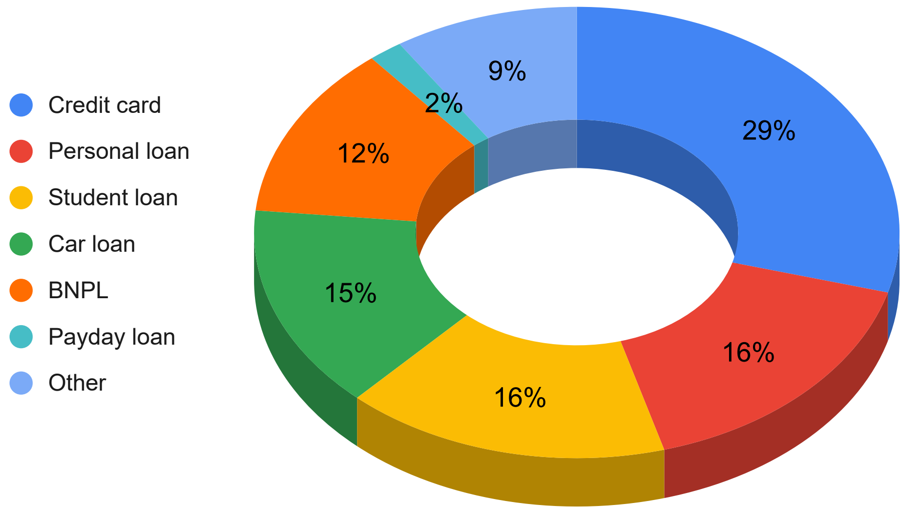
44%

of Kiwis have no personal debt

Consumers who are still using BNPL for credit say it's useful for purchasing goods while managing cashflow and avoiding interest payments. Three quarters (74%) of under 30s say they use BNPL for clothing purchases.

Canstar's survey also shows higher numbers of under-30s carrying student loans (32%), which reflects the age group, while older Kiwis carry more debt on credit cards.

Types of Debt



Shares drop out of vogue

Our discretionary spending power is shrinking and a global downturn looms. It seems many older Kiwis, faced with rising living costs, are responding by pulling back on investments into the sharemarket.

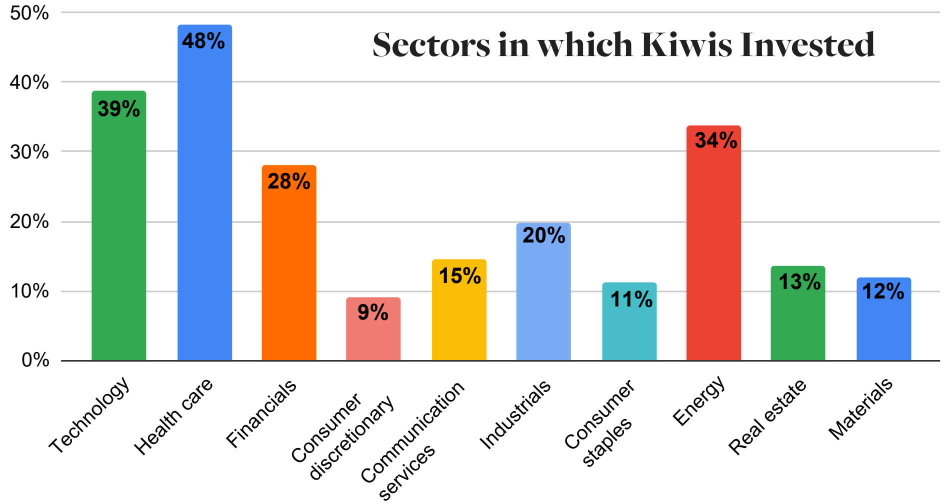
76%

of Kiwis do not invest in the sharemarket

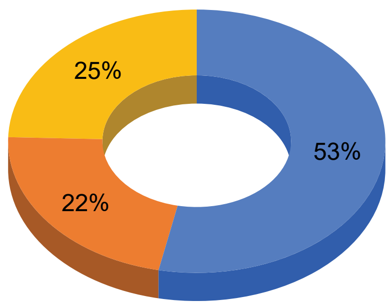
Back in 2021, those in their 30s and 40s were the most active investors. Over 40% were dabbling in the sharemarket, a figure that has dropped to less than 30% now. Men remain more active, with 29% investing, compared to 21% of women. On average, a greater percentage (39%) of those on higher incomes ($120,000+) still invest, but this is still down from 51% in 2021.

Those who are investing are heavily weighted toward healthcare (48%), technology (39%) and energy companies (34%).

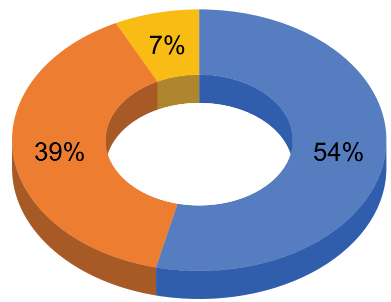
Younger generations, still struggling to crack into the property markets, are looking to sharemarkets for the first time. Of the under 30s who had purchased shares, 56% were doing so for the first time. They are also the heaviest users of micro-investing platforms. More than one in ten (11%) of under 30s have invested through such a platform, compared to only 3% of that age bracket in 2021. Across all age groups, most investors still operate through managed funds (25%) or into particular companies (23%).

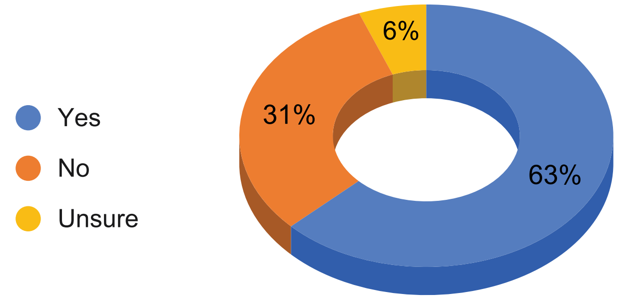


Know KiwiSaver Balance



Know KiwiSaver Fees





Know KiwiSaver Performance

We worry about retirement

We're still really worried about retirement. This is a constant theme for New Zealanders, given our poor savings record and the rising cost of living. We expect to need $457,000 in savings and KiwiSaver to fund our retirements, that figure jumping to nearly $600,000 for those in their 60s.

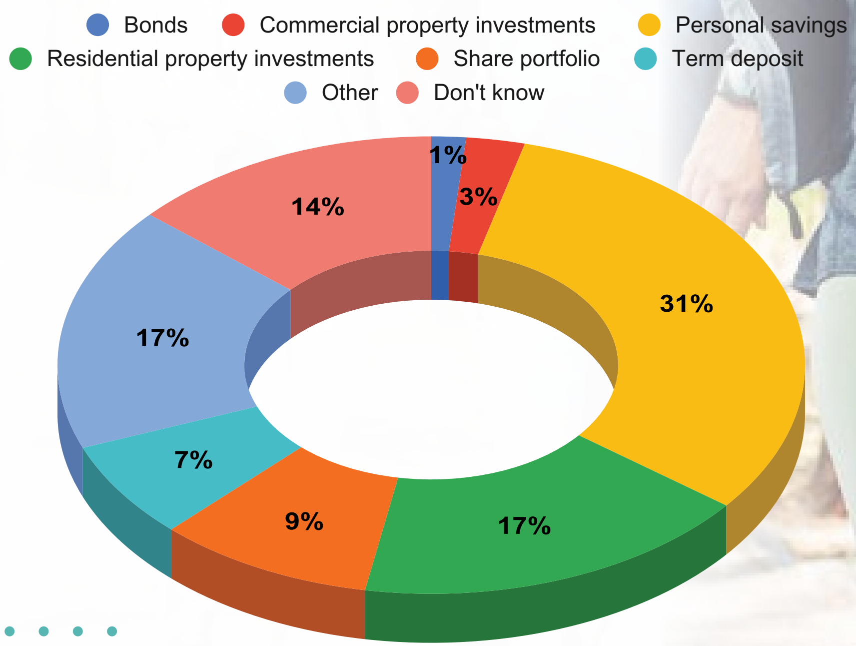
But only 41% feel confident they are on track to raise the funds they need. Nearly half (47%) say they are not on track to meet their savings goal, while another 11% say they don't know if they are on target.

Worryingly, around 55% of 30- to 60-year olds say they're not on track to meet their goals. More women (52%) than men (43%) say they are behind where they want to be. And more than half of those on incomes under $120,000 say they're worried about their financial futures.

It's not yet clear if government changes to default providers and fund profiles are giving Kiwis more confidence in their retirement plans. The changes are designed to promote better investment habits, and to ensure New Zealanders are in the right plans for their ages and risk appetites.

In good news, more people are keeping an eye on their retirement funds. More than half (53%) know their balances, and slightly more (54%) are aware of the fees they're paying. Furthermore, a notable 63% are aware of the performance of their KiwiSaver funds.

Main retirement income of those (35%) not relying on KiwiSaver:



53%

know the balance of their KiwiSaver

Property market prospects

Gen-Xers struggle

It's been a tumultuous couple of years in the property market. Property prices have slumped from eye-watering highs, with the peak to trough fall expected to hit 20-25% by late 2023. But while property prices have dropped, mortgage rates have nearly tripled, and lenders' affordability scrutiny has increased. Many hopeful first home buyers have had their dreams crushed. There are some signs they are returning to the market, but only slowly.

RBNZ data shows a dramatic decline in the amount of mortgage debt being drawn. FHBs took on $640 million in debt during January 2023, compared to $1 billion two years ago. However, a slowing market and fewer investors mean they now make up a much higher percentage of the overall market: 23%.

Our data from the last two years shows how many hopefuls have given up on getting on the property ladder. Significant numbers – particularly those aged in their 30s and 40s – appeared to have dropped out as prices skyrocketed. In 2021, nearly half (48%) of 30-somethings considered themselves potential FHBs. But now, that figure is 33%, suggesting nearly a third have pulled the plug on the dream of home ownership, at least for the time being.

Fewer people in their 40s also consider themselves potential FHBs, the percentage dropping from 38% in early 2021 to just over a quarter now.

One notable shift is the increased number of people who say they're relying on KiwiSaver to support the purchase of a first home. It's increased from 54% two years ago to 73% now. Meanwhile, the percentage of potential FHBs planning to draw on family financial assistance has dropped from 31% to 11%.

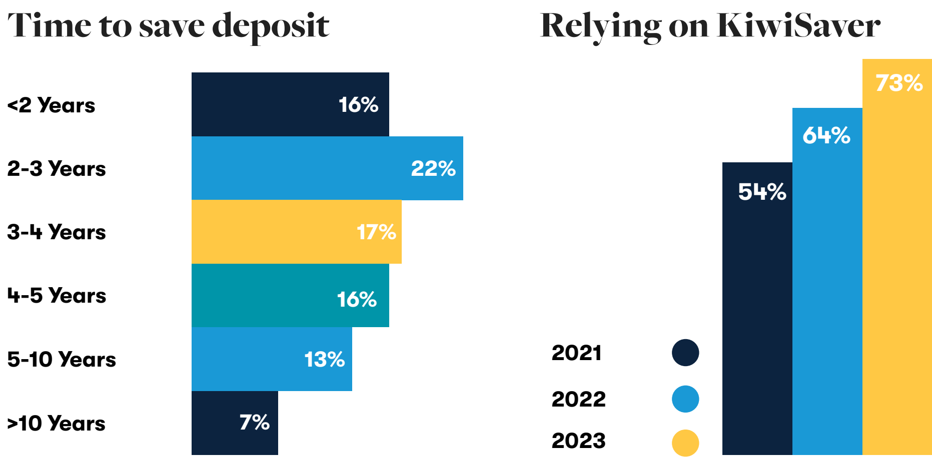
73%

of prospective FHBs are relying on KiwiSaver to save enough for deposit

Interestingly, prospective FHBs are more bullish in their belief they can save a deposit within a short time frame. Two years ago, only one in ten believed they could save a deposit within two years. Now, 16% believe the same, while over one in five (22%) believe they can do it within three years. At the other end of the scale, just 7% believe it will take over ten years to save a deposit.

This may seem overly optimistic, given [CoreLogic's latest Home Affordability Report](). While it does show a slight increase in affordability for Kiwi home buyers, the average number of years to save a typical deposit sits around ten. This is down from the record high of 11.8 in the first quarter of 2022, but is far higher than the long-term average of eight years.

Prospective FHBs:



Of those who are saving for a first home, 24% are putting away less than 10% of their income. Another quarter are saving between 10% and 20% of their income, while another 20% are saving between 20% and 30%.

How much potential FHBs are saving of monthly income for a deposit

	18-29 Years	30-39 Years	40-49 Years
<10%	18%	32%	22%
10-20%	27%	23%	22%
20-30%	19%	21%	23%
30-40%	15%	9%	16%
40-50%	9%	7%	7%
>50%	6%	2%	2%

We still love our homes

Despite the softening property market, we remain bullish on property prices. Nearly a third (29%) of us expect house prices in our areas to grow steadily, while only one in five (20%) expects property values to ease further. Nationwide, average mortgages are around $254,000, although they sit around $327,000 for Aucklanders.

We love our big houses: most of us (49%) own three- or four-bedroom, detached houses. Another 5% own detached houses with five or more bedrooms. On average, we believe our homes are worth just under $678,000, although that figure jumps to nearly $767,000 in Auckland. There's also a gender split. Men put a higher value on their houses than women do, at $710,000 and $650,000, respectively.

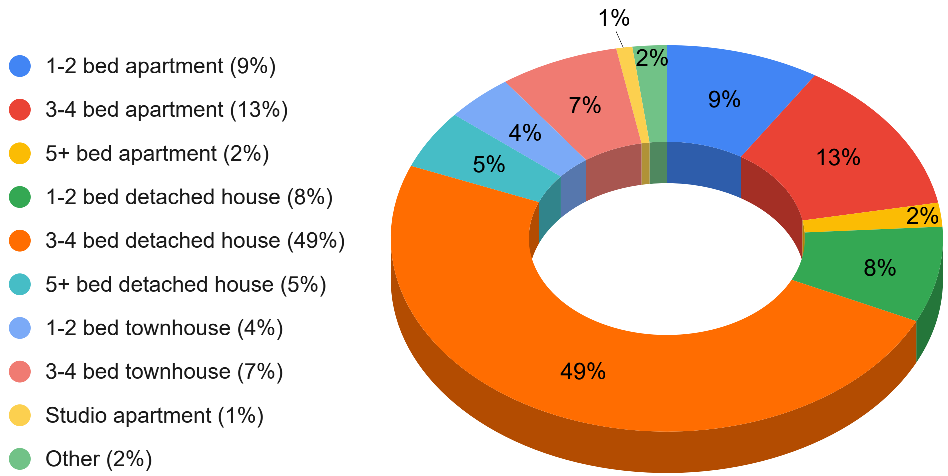
Those who can afford property are still investing, but have pulled back. Investors in our survey say the number of properties they own has dropped, from two properties in 2021 to an average of 1.3, each property with an average mortgage of around $266,000.

We'll hunker down to save

The number of prospective FHBs living with family to save a deposit has fallen, but remains remarkably high. Two years ago, 65% of Kiwis were living at home to try to save enough for a first home. That figure has now dropped to 54%, with a skew toward younger generations and men.

Just over half of 20-somethings (55%) and 30-somethings (53%) who identify as potential FHBs are living with family to try to save a deposit. Two thirds (66%) of men who are trying to save for a first home are living with family to do so, compared to 46% of women.

The size of our homes



Canstar is New Zealand's foremost financial comparison site, helping people to compare finance brands across a wide range of finance categories including banking, insurance and KiwiSaver.

In 2010, we expanded our services and launched Canstar Blue to provide customer satisfaction research and ratings for hundreds of brands across different consumer products and services. Today this also includes value comparisons for energy, phone and internet providers.

Our purpose is to help consumers confidently find the right product for them.