

A close look at the Cost-of-Living Crisis in New Zealand

What household spending are we cutting out and cutting back on?

Statistics NZ recently reported a **6.9% annual jump in the consumer price index** in April – taking **inflation to a new 31-year high**. We asked a cross-section of New Zealanders if they were consciously reducing spending, and what they were giving up, or cutting back on.

26% of respondents stated that, **in general**, they were **'cutting back a lot'** and another **25%** said they were **'cutting back sometimes'** while only 9% were not cutting back at all.



People are cutting back on or even cutting out **specific** essentials such as clothes and shoes, transportation, essential services, food and groceries and even medical care.

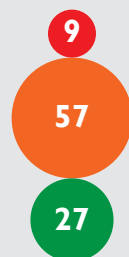
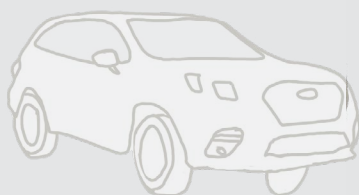
Needs e.g. clothes, shoes, home appliances or school supplies



Essential services e.g. home heating, power, water, internet, or phone:



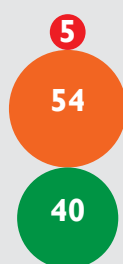
Transport costs e.g. bus or train tickets, fuel for a car, airfares



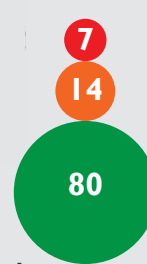
Medical/doctor's care including prescriptions and check-ups



Basics e.g. food and groceries



Rent or mortgage payments



"The cost of living crisis is having a real effect on one-in-every-four New Zealanders."

Emanuel Kalafatelis, Research New Zealand

MEDIA RELEASE (embargoed until midday 7 August 2022)

The ‘cost of living’ crisis is having a real impact on New Zealanders

The topic:

Statistics NZ recently reported a 6.9% annual jump in the consumer price index in April – taking inflation to a new 31-year high. Some people are referring to this situation as a ‘cost-of-living’ crisis.

Consequently, we decided to run a poll to see how this was impacting the average New Zealander. In total, n=1,000 New Zealanders, 18 years of age and over were interviewed between 30 July and 01 August 2022. We asked two questions:

- ❖ “Some people are finding it tough at the moment because of the current economic situation, inflation and the cost of living in general.

As a result of this, how much would you say you are consciously cutting back on your spending at present?”

(This was measured using a 4-point scale: Not cutting back at all; Cutting back a little; Cutting back sometimes; Cutting back a lot; Don’t know.)

- ❖ “Which of the following are you cutting back on, or have gone without in the past month?”

Six areas were presented, including basics such as food and groceries; buying things that are needed (such as clothes, shoes, home appliances or school supplies); essential services such as home heating, power, water, internet, or phone, etc.).

This was measured using a 3-point scale: Have not cut back - spending as usual; Have cut back on this; Have gone without this; Not applicable.



Key findings

- ❖ Significant numbers of people reported being impacted by the current economic situation. In fact, the population appears to be cleanly divided in terms of impact:
 - ❖ 26% of respondents stated that, **in general**, they were 'cutting back a lot' and another 25% said they were 'cutting back sometimes' – that is, a total of 51%.
 - ❖ This compares with 9% of respondents who, at the other extreme, stated they were 'not cutting back at all' and 41% who said they were 'cutting back a little' – that is, a total of 50%.
- ❖ Impacted people are cutting back or cutting out expenditure on the basics of living.
- ❖ Four of the six expenditure areas we polled on were identified by about 50% or more respondents as areas they were cutting back on or cutting out entirely. All are basics required for living an average normal life in Aotearoa New Zealand:
 - ❖ **Buying things that are needed (such as clothes, shoes, home appliances or school supplies)** – 22% said they had 'gone without' and another 52% stated they had 'cut back' – a total of 74%.
 - ❖ **Transport costs (for example bus or train tickets, fuel for a car, airfares etc.)** – 9% said they had 'gone without' and another 57% stated they had 'cut back' – a total of 66%.
 - ❖ **Basics such as food and groceries** – 5% said they had 'gone without' and 54% stated they had 'cut back' – a total of 59%.
 - ❖ **Medical or a doctor's care when feeling unwell (including prescriptions, visits, telehealth etc.)** – 15% said they had 'gone without' and another 29% stated they had 'cut back' – a total of 44%.



Key results – One-in-every-four say they are ‘cutting back a lot’

Table 1 shows that 26% of respondents stated that, **in general**, they were ‘cutting back a lot’ and another 25% said they were ‘cutting back sometimes’ – that is, a total of 51%.

This compares with 9% of respondents who, at the other extreme, stated they were ‘not cutting back at all’ and 41% who said they were ‘cutting back a little’ – that is, a total of 50%.

As usual, the results to the poll questions have been examined by a range of demographic variables. Table 1 shows the extent to which respondents said they were cutting back on their spending, by age. This shows that respondents in their mid-years (aged 35-54) were the most likely to state they were ‘cutting back a lot’, compared with 23% for both of the other age groups.

Other key results are as follows:

- ❖ Females more than males stated they were ‘cutting back a lot’ (31% and 21% respectively).
- ❖ There are no significant differences by geographic region. That is, all regions reported they were cutting back (or not) to the same extent.

Table 1: Cutting back on spending – by age

	Total	18-34	35 - 54	55+
Unweighted base =	1000	288	365	347
	%	%	%	%
Not cutting back at all	9	5	8	12
Cutting back a little	41	47	34	41
Cutting back sometimes	25	24	26	23
Cutting back a lot	26	23	32	23
Don't know	0	0	0	0
Total	100	100	100	100

Total may not sum to 100% due to rounding.



Key results – Expenditure on clothes, shoes, transportation, food and groceries, and medical care is being cut back or cut out

Table 2 shows the areas in which respondents were cutting back (or not):

- ❖ Taking into consideration the combined percentage of respondents who stated they had 'cut back' or had 'gone without', three areas were mentioned by 50% or more of all respondents; namely (in order):
 - ❖ **Buying things that are needed (such as clothes, shoes, home appliances or school supplies)** – 22% said they had 'gone without' and another 52% stated they had 'cut back' – a total of 74%.
 - ❖ **Transport costs (for example bus or train tickets, fuel for a car, airfares etc.)** – 9% said they had 'gone without' and another 57% stated they had 'cut back' – a total of 66%.
 - ❖ **Basics such as food and groceries** – 5% said they had 'gone without' and 54% stated they had 'cut back' – a total of 59%.
- ❖ However, if we only focus on the percentage who stated they had 'gone without', **Medical or a doctor's care when feeling unwell (including prescriptions, visits, telehealth etc.)**, filters through to be in second place on this basis.

Fifteen percent (15%) said they had 'gone without' this compared with 22% for, Buying things that are needed (such as clothes, shoes, home appliances or school supplies).
- ❖ Note that if we overlay the results of the first (summative) question, respondents who were cutting 'back a lot' were, as expected, seriously cutting back and cutting out in all areas.
- ❖ In fact, this group, who comprise 26% of all respondents, were **twice as likely** as the average respondent to state they had cut back or cut out these areas of expenditure (in descending order):
 - ❖ Buying things that are needed (such as clothes, shoes, home appliances or school supplies) – 46% said they had 'gone without' compared with 22% of all respondents.
 - ❖ Medical or a doctor's care when feeling unwell (including prescriptions, visits, telehealth etc.) – 31% said they had 'gone without' compared with 15% of all respondents.
 - ❖ Transport costs (for example bus or train tickets, fuel for a car, airfares etc.) – 14% said they had 'gone without' compared with 9% of all respondents.
 - ❖ **Basics such as food and groceries** – 12% said they had 'gone without' compared with 5% of all respondents.



Table 2: Areas cutting back – by Q1 (cutting back or not cutting back, overall)

	Total	Not cutting back at all	Cutting back a little	Cutting back sometimes	Cutting back a lot
Unweighted base =	1000	91	397	248	264
	%	%	%	%	%
Buying things that are needed (such as clothes, shoes, home appliances or school supplies):					
Have not cut back – spending as usual	21	67	25	19	3
Have cut back on this	52	20	57	58	48
Have gone without this	22	5	13	18	46
Medical or a doctor's care when feeling unwell (including prescriptions, visits, telehealth etc.):					
Have not cut back – spending as usual	50	73	58	51	30
Have cut back on this	29	11	26	31	37
Have gone without this	15	8	7	13	31
Essential services such as home heating, power, water, internet, or phone:					
Have not cut back – spending as usual	51	84	60	46	32
Have cut back on this	38	4	32	42	56
Have gone without this	9	9	6	11	11
Transport costs (for example bus or train tickets, fuel for a car, airfares etc.):					
Have not cut back – spending as usual	27	25	26	30	27
Have cut back on this	57	55	59	58	57
Have gone without this	9	15	9	3	9
Rent or mortgage payments:[^]					
Have not cut back – spending as usual	80	81	77	79	83
Have cut back on this	14	10	16	15	10
Have gone without this	7	9	6	6	7
Basics such as food and groceries:					
Have not cut back – spending as usual	40	93	49	35	13
Have cut back on this	54	4	48	59	75
Have gone without this	5	1	3	5	12

[^] Based on respondents who rent or have a mortgage (n=729).



Comment:

“An inflation rate which is a new 31 year high may not mean much to people until it hits them directly in the pocket and this poll tells us that it is having a real effect on one-in-every-four New Zealanders – even to the point where people are cutting back or even cutting out on essentials such as clothes and shoes, transportation, food and groceries and even medical care.

However, the poll also tells us that there’s a real gap between the ‘haves’ and the ‘have nots’, given that it’s saying that 50% of respondents stated they were ‘not cutting back at all’ (9%) or only ‘a little’ (41%).

It’s also telling that whilst the current economic situation is having a reasonably widespread effect, it is particularly impacting those in their mid-years, many of whom will have young families and hefty mortgages.”

Research New Zealand Managing Partner, Emanuel Kalafatelis.

This survey of 1,000 respondents aged 18 years and over was conducted online, from 30 July-01 August 2022. The maximum margin of error is +/- 3.2 percent (at the 95 percent confidence level).

*The sample has been weighted by gender and age to ensure the results are representative of the population 18 years plus based on these demographic criteria. The survey was **not** undertaken on behalf of any organisation, but as part of Research New Zealand’s social poll of New Zealanders’ opinions about topical issues.*

Contact: Emanuel Kalafatelis
Managing Partner
Research New Zealand Limited
P O Box 10-617
Wellington 6143
Mobile: 027-500-4401

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