

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

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March 2016

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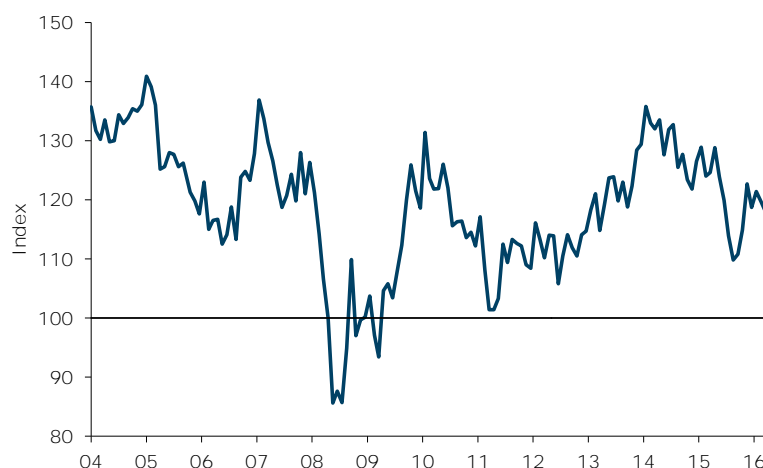
The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 21 April 2016 at 1pm.

SUMMARY

- Consumer confidence continues to bounce along at near-average levels.
- **That's still** a good sign for the spending side of the economy.
- Strong employment and house prices are eggstra-special feel-good factors.
- House price expectations – at 4.4% – remain firm but not eye-watering.

Consumers continue to go about their daily business, if readings from the ANZ-Roy Morgan survey are anything to go by. At 118.0 the index is down a smidgen on February (119.7), but in line with the historical average. Sentiment has been oscillating in a reasonably narrow range over the past six months after coming out of a chocolate dip – another sign the economy is still in reasonable nick. We are neither shell-shocked nor egg-static.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

Key insights from the survey include:

- **Consumers are feeling better off compared with a year ago and this optimism is broadly unchanged on the month prior (+8 versus +9).** Perceived wealth is a critical influence on spending decisions. It's moving up and flags the same for spending. Encouragingly, consumers expect to be even better off 12 months down the track (+29).
- **A net 34% believe it is a good time to buy a major household item.** That is down 6 points from February, but still elevated.
- **Respondents' optimism over the short-term economic outlook slipped 5 points to a five-month low.** But at +3, it's still in positive territory. There is still more optimism on the longer-term outlook (+17).
- **The Current Conditions Index dipped 3 points to 120.8.** That's still above the historical average of 115, helping to keep wallets open.
- **The Future Conditions Index eased ever so slightly from 116.7 to 116.2 and sits below the long-term average.**
- **Confidence rose in all regions apart from Auckland (in seasonally adjusted terms),** with overall sentiment the most positive in Wellington and Canterbury.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

There are a host of reasons for people to remain sunny side up.

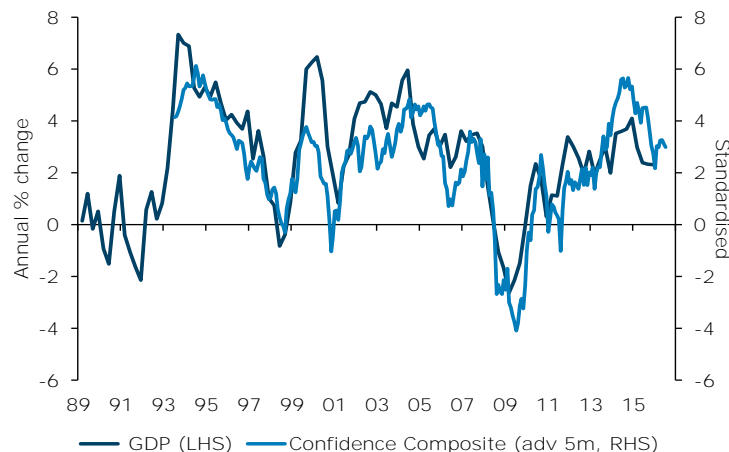
- Unemployment has fallen; employment is up.
- House prices are rising and the regions are now the pace-setters; wealth is a key variable driving spending decisions.
- The economy is still doing okay, as **long as you don't** run a dairy farm.
- Interest rates keep pushing lower.
- Inflation is low; the price of technology-based products keeps falling. Everyday items (toasters, microwaves, TVs) are the new commodities; you **don't repair them** – they have a limited life-span and are simply replaced.

However, there are whisks we can't egg-nore. Petrol prices have started to move back up. Global economic news is about as upbeat as a coroner's retirement speech. New Zealand is heavily egg-sposed to global shifts and commodity prices, such as dairy; ripple effects will occur. Employment may be up, but wages are not moving by much. Technology is bringing egg-straordinary opportunity but also job uncertainty. Low(er) interest rates are great for borrowers, but what about the savers, or those headed into retirement? Suddenly the nest-egg looks decidedly hollow.

Net on net, consumers seem to think things are okay. We concur. The economy is hopping along at a reasonable pace. Not too slow, nor too fast. And **importantly, it's** a speed that is more sustainable for longer-term prospects.

Our confidence composite (combining both consumer and business confidence) continues to point to respectable prospects for the economy heading into 2016. While it may not be a strong rate by historical standards, **it's** a pace of growth that will remain the envy of many countries around the globe. Though to be fair, on a per capita basis, there is less to get egg-cited about.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan

Regionally, (using seasonally adjusted data), **confidence cracked in Auckland but rose elsewhere**, with confidence in Wellington at a nine-month high. Levels of confidence remain the lowest outside the main centres, perhaps indicative of renewed dairy sector woes, with low interest rates and strengthening housing markets not appearing to be enough of an offset at this stage.

General inflation expectations fell to an 11-month low of 2.9%, with low rates of current inflation a likely catalyst. **Nationwide house price expectations firmed to 4.4%**, supported by increases in most regions except for the regional North Island (+4.7%). Wellington kept the top spot (+5.4%).

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Survey Summary	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16
No. of Interviews	1,005	1,003	1,019	999	1,032	1,007	948	1,001

Q1. Would you say you and your family are better off financially or worse off than you were at this time last year?								
Better Off	34	34	29	34	34	33	34	34
Worse Off	27	28	29	25	28	25	25	27
Net Balance	7	6	0	9	6	8	9	8

Q2. This time next year do you and your family expect to be better off financially or worse off than you are now?								
Better Off	43	45	42	47	45	49	43	46
Worse Off	20	19	18	16	19	17	16	17
Net Balance	23	26	25	30	26	32	27	29

Q3. Thinking of economic conditions in New Zealand as a whole, in the next 12 months, do you expect we'll have good times financially, bad times or some good and some bad?								
Good Times	27	28	34	44	38	36	39	36
Bad Times	43	39	32	29	32	30	30	33
Net Balance	-16	-12	2	15	6	6	8	3

Q4. Looking ahead, what would you say is more likely: that in New Zealand as a whole we'll have continuous good times during the next five years or so, we'll have bad times, or some good and some bad?								
Good Times	38	37	40	45	42	41	40	41
Bad Times	29	26	23	24	26	24	26	24
Net Balance	8	11	18	21	17	17	15	17

Q5. Generally, do you think now is a good time, or a bad time, for people to buy major household items?								
Good Time to Buy	54	53	53	58	58	62	59	56
Bad Time to Buy	27	29	23	20	20	18	19	22
Net Balance	27	24	31	38	38	44	40	34

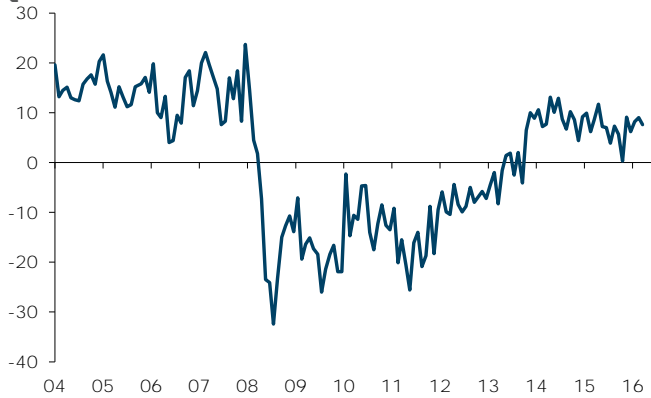
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	69	66	68	65	62	63	66	64
Go Down	4.6	7.6	5.6	7.8	8.4	6.8	6.0	8.4
Expectation (%)	3.5	3.6	3.3	4.1	3.1	3.0	3.4	2.9

Q7. Specifically thinking about the price of houses during the next 2 years, do you think that the price of houses in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	77	70	72	71	71	70	74	74
Go Down	7.5	9.7	10.1	10.7	9.5	9.9	8.5	9.8
Expectation (%)	5.1	5.2	4.8	4.4	4.9	4.1	4.1	4.4

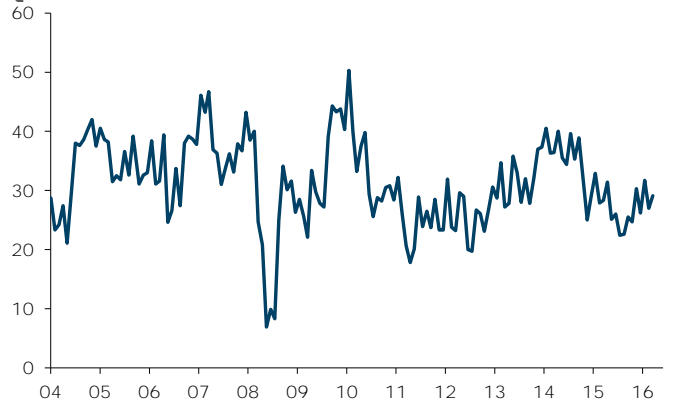
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	109.8	110.8	114.9	122.7	118.7	121.4	119.7	118.0
Current Conditions	117.2	114.9	115.4	123.5	122.1	126.1	124.3	120.8
Future Conditions	104.9	108.1	114.6	122.2	116.3	118.3	116.7	116.2

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Q1. BETTER OFF PAST YEAR



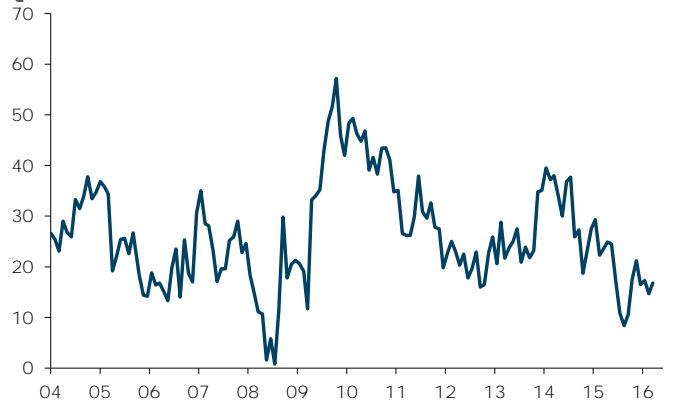
Q2. BETTER OFF NEXT YEAR



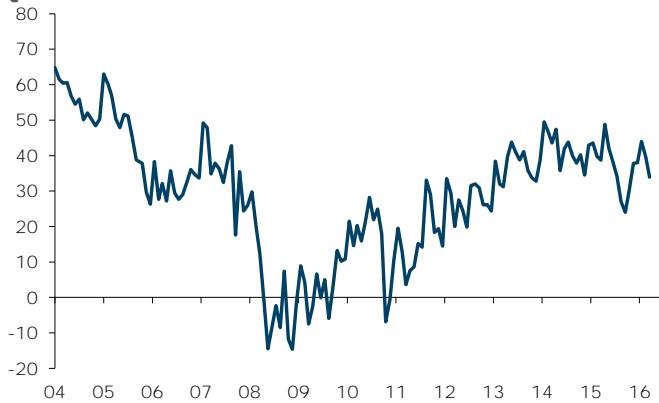
Q3. NZ ECONOMY 12MTHS TIME



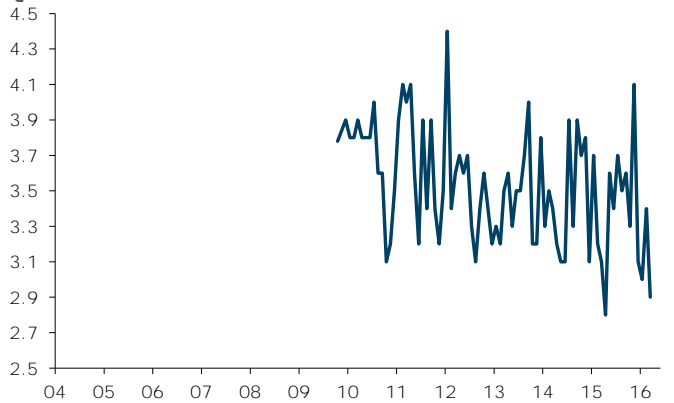
Q4. OUTLOOK 5YRS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



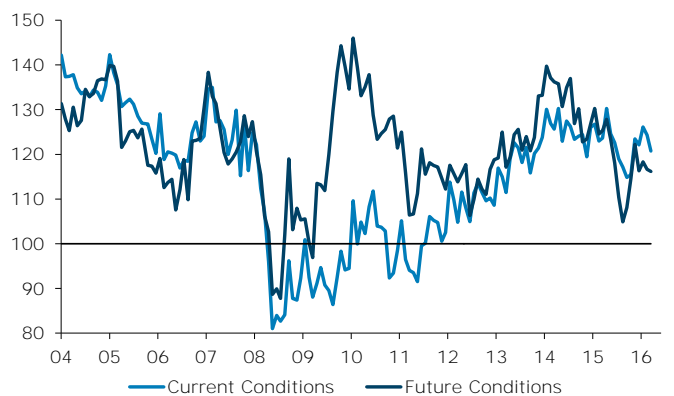
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan

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