

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE HOLDING UP AMIDST THE GLOBAL VOLATILITY

SEPTEMBER 2011

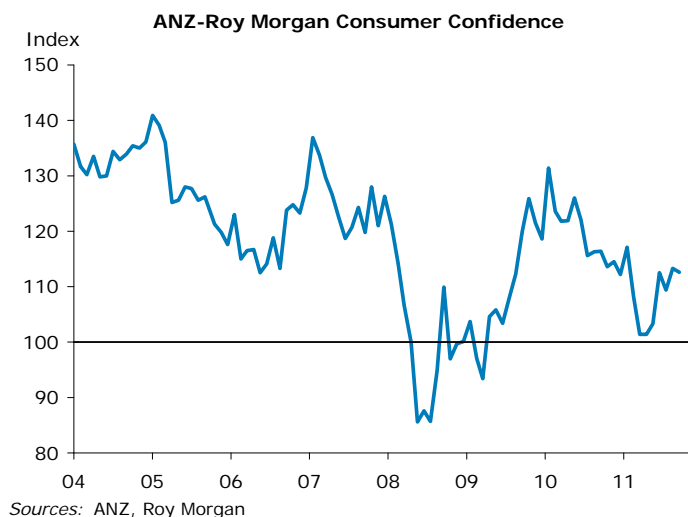
CONTACTS

Khoon Goh
Head of Market Economics and Strategy
Telephone: +64 4 802 2357
E-mail: Khoon.Goh@anz.com

SUMMARY

- Consumer confidence eased slightly in September, which considering the ongoing turbulence in global financial markets is very rather satisfying result.
- There were clear regional disparities in this month's survey, with confidence amongst consumers in Wellington dropping 11 points, while Auckland consumers are the most confident. Canterbury consumers also saw their confidence rise.
- With consumer confidence holding up and slightly more respondents feeling financially better off compared to last year, we can expect some pick-up in retail sales growth. But the extent of the increase will be capped by the fact that consumers still expect real house prices to decline over the next two years.

The ANZ-Roy Morgan Consumer Confidence measure dipped just 0.7 points to 112.6 in September. This follows a 3.9 point increase the prior month. Considering the ongoing volatility in global financial markets, the fact that consumer confidence has not fallen markedly should be seen as a sign of resilience. **The Future Conditions index fell 0.6 points to 117.5 while the Current Conditions index fell 0.9 points to 105.2.** The reading on current conditions has held above the 100 neutral level for the last three months.



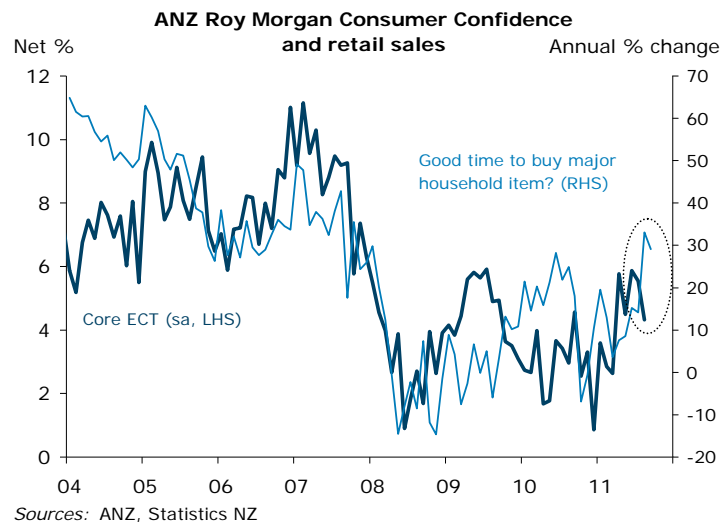
The survey period this month covered the lead-up to the opening of the Rugby World Cup as well as the matches over the first couple of days of the tournament. **Given the amount of interest in the event, it is possible that the Rugby World Cup has been a useful distraction for consumers.** The feel-good factor from hosting the event may have helped to offset any negative impact on sentiment from the deteriorating global outlook. Fonterra's announcement early in the month affirming

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the dairy payout forecast for the 2011/12 season would also have helped confidence.

Looking at the component questions of the survey, there was an improvement in two out of the five. More respondents expect better times in New Zealand over the next five years (up from +30 to +33), and there was an increase in those feeling financially better off compared to a year ago (from -21 to -19). The deteriorating global outlook is likely to be behind the decline in those expecting to be better off financially next year (from +27 to +24) and those expecting economic conditions in New Zealand to be better in a year's time (from -2 to -4). But such movements are not major, and serve to highlight that offshore woes have not had a material impact on sentiment to date.

There was a 4 point decline in those thinking that it is a good time to purchase a major household item (from +33 to +29), though this is to be expected after a big jump in the previous month. The level of this reading is consistent with a pick-up in retail sales growth over the coming months. However, consumers continue to expect only modest house price appreciation over the next two years at 2.8 percent per annum (up from 2.6 percent last month). With annual inflation of 3.9 percent expected in the next two years (up from 3.4 percent last month), the implication is that consumers expect real house prices to fall, which will cap the extent of increases in retail sales growth.



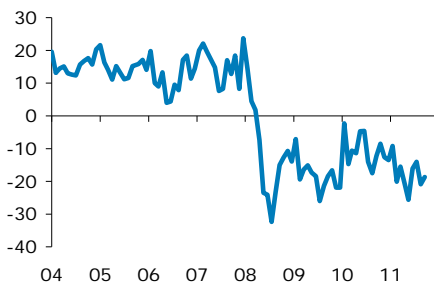
An interesting regional picture is apparent in this month's survey.

Confidence amongst Wellington consumers fell 11 points from 120.8 to 109.8. Given the capital's exposure to the state sector, it is possible that the ongoing reductions in staff numbers across some government agencies is starting to have an effect on consumer confidence. In contrast, confidence amongst Auckland consumers rose 7.9 points to 120.2, its highest level since June last year. Aucklanders are now the most optimistic lot compared to other regions. Confidence in Canterbury also rose 5.9 points to 116.1, the second highest level behind Auckland. Cantabrians are clearly just getting on with it despite ongoing aftershocks and the challenges faced with earthquake reconstruction.

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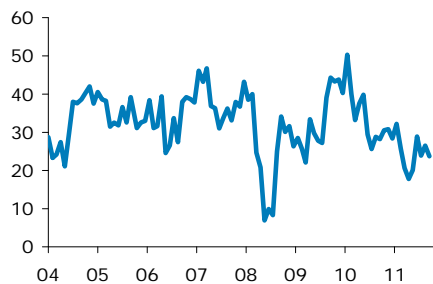
Survey Summary	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11
No. of Interviews	1,040	1,028	1,103	1,078	1,030	1,012	1,048	1,037
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	24	25	25	22	24	27	26	23
Worse Off	44	40	46	48	40	41	47	42
Net Balance	-20	-16	-21	-26	-16	-14	-21	-19
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	47	45	42	43	48	44	48	44
Worse Off	22	24	25	23	20	20	21	20
Net Balance	26	21	18	20	29	24	27	24
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	31	22	24	27	28	26	30	27
Bad Times	36	49	48	43	31	34	32	31
Net Balance	-5	-28	-24	-16	-3	-8	-2	-4
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, or we'll have bad times, or some good and some bad?								
Good Times	46	47	48	50	49	45	46	46
Bad Times	20	21	22	20	11	15	16	13
Net Balance	27	26	26	30	38	31	30	33
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	48	43	44	45	50	48	58	57
Bad Time to Buy	35	40	37	36	35	34	25	28
Net Balance	13	4	8	9	15	14	33	29
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	108.1	101.4	101.4	103.3	112.5	109.4	113.3	112.6
Current Conditions	96.5	94.1	93.5	91.5	99.6	100.1	106.1	105.2
Future Conditions	115.9	106.4	106.6	111.2	121.2	115.6	118.1	117.5

Q1. Better off past year



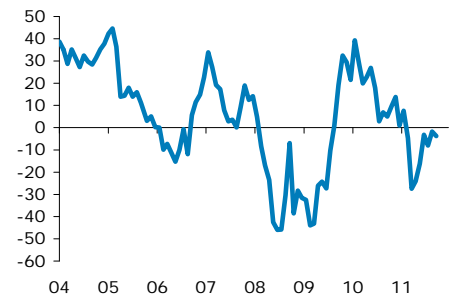
Sources: ANZ, Roy Morgan

Q2. Better off next year



Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



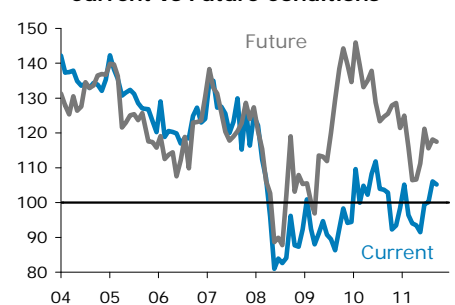
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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