

# ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE NO POST RUGBY WORLD CUP LIFT

NOVEMBER 2011

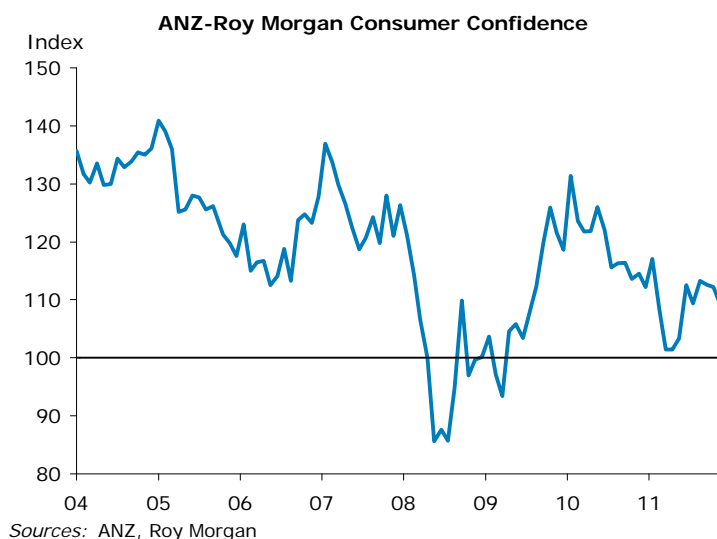
## CONTACTS

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## SUMMARY

- New Zealand consumers are still cautious and are not getting carried away by the Rugby World Cup win.
- More people are feeling financially worse off compared to last year, and fewer think that they will get ahead money-wise next year.
- Global unease could be starting to test the relative resilience seen in New Zealand to date.
- Easing consumer confidence suggests retailers will have their work cut out in trying to pry the discretionary dollar out from consumers' wallets.

**The ANZ-Roy Morgan Consumer Confidence measure fell in November to 109.0, from the 112.2 reading last month.** This marks the third consecutive monthly decline and is the lowest reading since May. While the level is still above the neutral 100 level, indicating that optimists still outnumber pessimists, it is below the historical average reading of 118.1. Seasonal influences do not appear to be behind this month's fall. Our seasonally adjusted estimates show a two point decline, very close to the fall seen in the headline number.



**There does not appear to have been much of a feel-good factor coming through from the All Black's victorious Rugby World Cup campaign.** This month's survey was taken after the final, so either the celebrations were short-lived and the hangover period has begun, or the ongoing uncertainty in the global economy is starting to put a dampener on things. We suspect it is more the latter. New Zealand consumers are certainly not getting carried away by the Rugby World Cup win.

**The Current Conditions index fell 4.2 points to 100.6, just marginally above the neutral level, while the Future Conditions index fell 2.5 points to 114.6.** Current Conditions have been

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fluctuating around the neutral level for the past couple of years, while Future Conditions have been coming off their early 2010 highs.

**Cautious consumer sentiment heading into the end of the year signals more testing times for the retail sector.**

**Of the five components that make up the overall measure of consumer confidence, four recorded declines.** The largest drop was for perceptions of households' current financial position, which fell from -9 to -18. This mostly reversed last month's ten point improvement. But the level has been in negative territory for over three and a half years now, indicating that households don't feel that they are getting ahead despite the economy officially being out of recession since the middle of 2009. The second largest decline among the components was the proportion of households expecting to be better off financially next year, falling from +29 to +23. Again, this reversed last month's five point increase. A slowly improving labour market and sticky unemployment rate could be key influencing factors.

**The global situation is likely to be behind the decline in year-ahead perceptions towards the general economy** (from -5 to -7), though confidence in the five-year outlook was unchanged at +28, which remains at historical averages. Views on whether it is a good or bad time to buy a major household item bucked the trend, improving from +18 to +19, though this came off an eleven point decline in the previous month.

**Among the regions, confidence in Auckland fell the most, easing from 119.1 to 112.8.** This is somewhat surprising, considering that Auckland benefited the most from hosting the business end of the Rugby World Cup, experienced strong employment growth in the September quarter and has the better performing property market. The mantle for most optimistic region has now passed from Auckland to Wellington (at 113.5, down from 114.4), while the least optimistic region is the remainder of the North Island (down from 108.1 to 102.9).

**Males continue to be more optimistic than females**, though male confidence fell nearly 7 points to 111.7 whereas female confidence was largely unchanged at 106.4. **Confidence declined across all age groups, with the younger cohorts registering the largest declines**, particularly in the 18-24 year bracket (down 17 points). Falls in the older age groups were generally small.

**Inflation and house price expectations both eased for the second month running.** Households expect general inflation to average 3.2 percent per annum over the next two years, down from 3.4 percent last month and well below the 4.1 percent view earlier this year. House price expectations over the next two years moved from 2.7 percent per annum to 2.3 percent.

**On balance, there is nothing in this month's survey to be too alarmed at.** The fall in consumer confidence mirrors that seen in business surveys, and the decline is relatively marginal. The level of confidence, while below historical averages, remains in optimistic territory. **But the global situation and lack of strong local economic momentum is clearly starting to test the relative resilience seen in New Zealand to date.** With no more temporary feel-good factors to buoy consumers, and with overseas headlines unlikely to show improvements anytime soon, Christmas is shaping up to be somewhat of a Grinch.

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Survey Summary	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11
No. of Interviews	1,103	1,078	1,030	1,012	1,048	1,037	982	1,053
<b>Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?</b>								
Better Off	25	22	24	27	26	23	26	22
Worse Off	46	48	40	41	47	42	35	41
<b>Net Balance</b>	<b>-21</b>	<b>-26</b>	<b>-16</b>	<b>-14</b>	<b>-21</b>	<b>-19</b>	<b>-9</b>	<b>-18</b>
<b>Q2. This time next year, do you and your family expect to be better-off financially or worse off than you are now?</b>								
Better Off	42	43	48	44	48	44	45	42
Worse Off	25	23	20	20	21	20	17	19
<b>Net Balance</b>	<b>18</b>	<b>20</b>	<b>29</b>	<b>24</b>	<b>27</b>	<b>24</b>	<b>29</b>	<b>23</b>
<b>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?</b>								
Good Times	24	27	28	26	30	27	25	26
Bad Times	48	43	31	34	32	31	30	33
<b>Net Balance</b>	<b>-24</b>	<b>-16</b>	<b>-3</b>	<b>-8</b>	<b>-2</b>	<b>-4</b>	<b>-5</b>	<b>-7</b>
<b>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?</b>								
Good Times	48	50	49	45	46	46	41	43
Bad Times	22	20	11	15	16	13	14	15
<b>Net Balance</b>	<b>26</b>	<b>30</b>	<b>38</b>	<b>31</b>	<b>30</b>	<b>33</b>	<b>28</b>	<b>28</b>
<b>Q5. Generally, do you think now is a good time, or a bad time, for people to buy major household items?</b>								
Good Time to Buy	44	45	50	48	58	57	51	49
Bad Time to Buy	37	36	35	34	25	28	33	30
<b>Net Balance</b>	<b>8</b>	<b>9</b>	<b>15</b>	<b>14</b>	<b>33</b>	<b>29</b>	<b>18</b>	<b>19</b>
<b>ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)</b>								
<b>Overall Index</b>	<b>101.4</b>	<b>103.3</b>	<b>112.5</b>	<b>109.4</b>	<b>113.3</b>	<b>112.6</b>	<b>112.2</b>	<b>109.0</b>
Current Conditions	93.5	91.5	99.6	100.1	106.1	105.2	104.8	100.6
Future Conditions	106.6	111.2	121.2	115.6	118.1	117.5	117.2	114.6

Q1. Better off past year



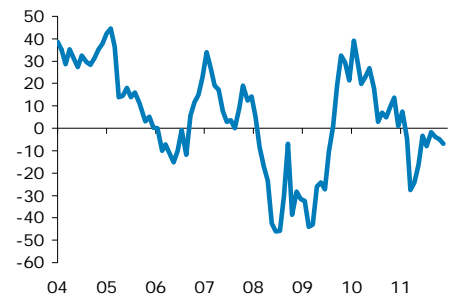
Sources: ANZ, Roy Morgan

Q2. Better off next year



Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



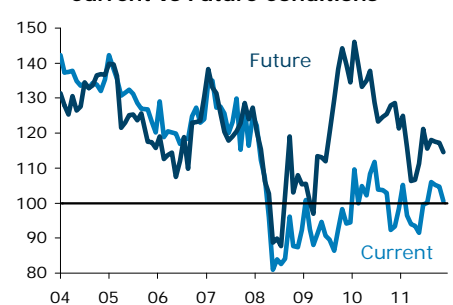
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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