

# ANZ-ROY MORGAN CONSUMER CONFIDENCE TICK-UP IN CONFIDENCE – BUT LOW BASE REMAINS

MAY 2011

## CONTACTS

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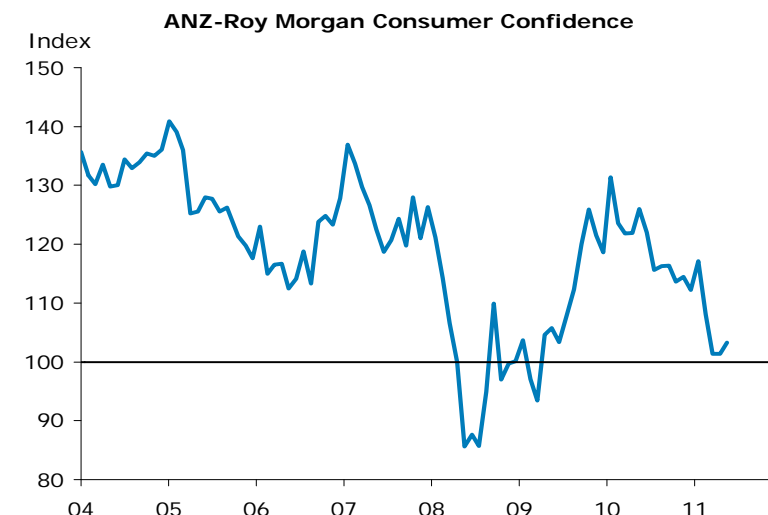
## SUMMARY

- Consumer confidence lifted 2 points in May.
- Consumers' view regarding current conditions dropped 2 points. The level (sub 100) remains low and continues to suggest caution in regards to spending behaviour.
- Consumers continue to have an anaemic view towards gains in house prices. With the wealth effect not driving consumption, spending needs to come from income generation. At present households appear reluctant to open their wallets in a sustained manner.

**The ANZ-Roy Morgan Consumer Confidence measure lifted two points to 103.3 in May.** Such a movement is well within the normal monthly volatility of the survey and the underlying message is one of subdued consumer confidence, with confidence remaining confined to a 101-108 range since February.

**The Current Conditions index eased two points to 91.5** (previously 93.5). A net 26 percent of consumers still feel worse off relative to last year. This is five percentage points weaker than in April, with the net balance in negative territory since March 2008. Conversely, perceptions on whether it was a good time to buy a major household item lifted marginally (from +8 to +9). **The aggregate level of current sentiment remains low and continues to suggest a large element of caution on the part of consumers.**

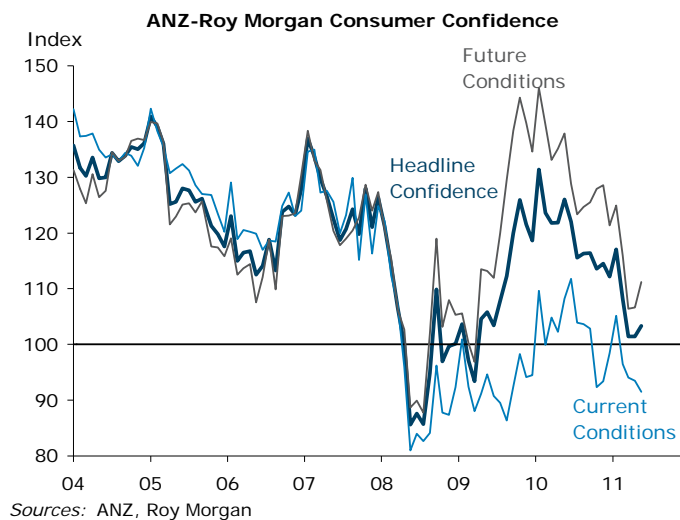
**Against the backdrop of an easing in current conditions, the Future Expectations component rose from 106.6 to 111.2.** The rise was underpinned by modest rises in household's financial well-being a year out, the general economy over the year ahead and New Zealand as a whole over the next five years.



Sources: ANZ, Roy Morgan

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**The overall message is unchanged: households remain cautious towards spending and how they perceive the economy is evolving.** We can see elements of clear support for spending to begin diffusing through the economy via labour income growth and high commodity export prices. Income growth has been solid, with average gross weekly earnings up 4.6 percent over the March 2011 year. However, such support is facing headwinds from the deleveraging backdrop, rising cost of staples, job uncertainty and a sideways housing market.



Looking at the detail reveals that **females recorded a 5 point rebound in headline confidence**, to 100.7, from last month's recent low. Males reported a 2 point easing in confidence to 106.1. Both sexes registered a 2 point drop in current conditions, with females more confident (+10 points) in future conditions.

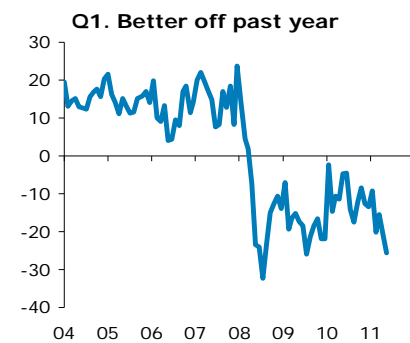
The younger respondents recorded a drop in confidence, led by a 9 point fall in the 18-24 year old age group, to 112.6; while **the older age groups reported a lift in confidence**. The 25-34 year age cohort recorded a 2 point increase in confidence (to 110.3), while the 35-49 year age bracket registered a 3 point lift (to 101.2). The 50+ age group recorded a 6 point lift in confidence (to 96.4).

Auckland and Wellington recorded rises in confidence (up 6 and 3 points, respectively) but **Cantabrians registered a 9 point fall in confidence, to its lowest level since March 2009**, when the economy was in the shadow of the global financial crisis. Canterbury's weaker sentiment was noted in both current and future conditions. Current conditions recorded a 16 point slump, to 82.4, while the future conditions measure in the region was 5 points lower, on 98.3.

Looking at the pricing gauges, **household's 2-year ahead inflation expectations and house price expectations eased**. The former dropped 0.5 percentage points and the latter 0.2 percentage points. While such measures are not what we consider direct inflationary barometers, they imply little signs of rising wage expectations (an indirect inflation channel) or housing market sentiment.

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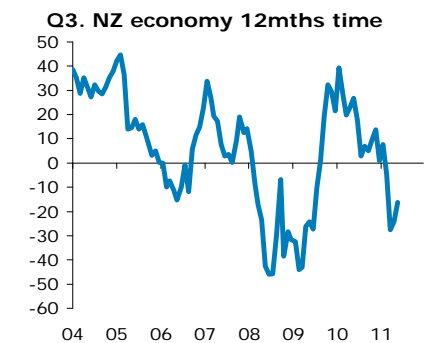
Survey Summary	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11
No. of Interviews	1,071	1,008	1,060	2,093	1,040	1,028	1,103	1,078
<b>Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?</b>								
Better Off	28	25	27	30	24	25	25	22
Worse Off	36	38	40	39	44	40	46	48
<b>Net Balance</b>	<b>-9</b>	<b>-13</b>	<b>-14</b>	<b>-9</b>	<b>-20</b>	<b>-16</b>	<b>-21</b>	<b>-26</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	48	47	46	50	47	45	42	43
Worse Off	18	17	18	18	22	24	25	23
<b>Net Balance</b>	<b>31</b>	<b>31</b>	<b>28</b>	<b>32</b>	<b>26</b>	<b>21</b>	<b>18</b>	<b>20</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	37	41	35	39	31	22	24	27
Bad Times	27	27	34	31	36	49	48	43
<b>Net Balance</b>	<b>10</b>	<b>14</b>	<b>1</b>	<b>8</b>	<b>-5</b>	<b>-28</b>	<b>-24</b>	<b>-16</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	56	55	51	54	46	47	48	50
Bad Times	12	14	16	19	20	21	22	20
<b>Net Balance</b>	<b>44</b>	<b>41</b>	<b>35</b>	<b>35</b>	<b>27</b>	<b>26</b>	<b>26</b>	<b>30</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	35	40	47	52	48	43	44	45
Bad Time to Buy	42	41	37	32	35	40	37	36
<b>Net Balance</b>	<b>-7</b>	<b>-1</b>	<b>10</b>	<b>20</b>	<b>13</b>	<b>4</b>	<b>8</b>	<b>9</b>
<b>ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)</b>								
<b>Overall Index</b>	<b>113.6</b>	<b>114.5</b>	<b>112.2</b>	<b>117.1</b>	<b>108.1</b>	<b>101.4</b>	<b>101.4</b>	<b>103.3</b>
Current Conditions	92.3	93.4	98.5	105.2	96.5	94.1	93.5	91.5
Future Conditions	127.9	128.6	121.4	125.0	115.9	106.4	106.6	111.2



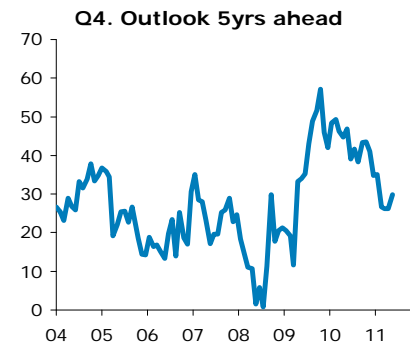
Sources: ANZ, Roy Morgan



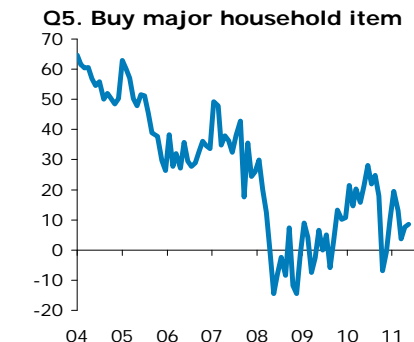
Sources: ANZ, Roy Morgan



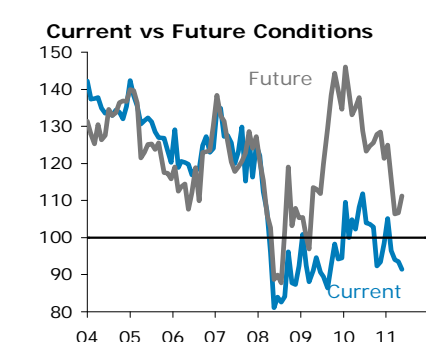
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- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
- Institute of Finance Professionals.

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- Adjudicated bankrupt;

- Prohibited by an Act or by a court from taking part in the management of a company or a business;
- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

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At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

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- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
- Superannuation schemes and bonds;
- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

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- Providing cash;

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- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
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Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

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The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

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