

# ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE MORE QUESTIONS THAN ANSWERS

OCTOBER 2011

## CONTACTS

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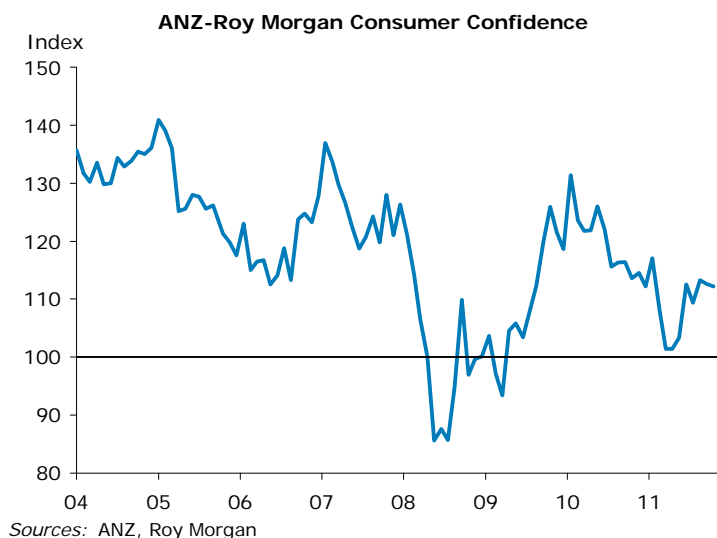
## SUMMARY

- Consumer confidence was largely unchanged in October. To see consumer confidence tread water against a backdrop of growing international unease is encouraging.
- Whether this relative robustness reflects the feel-good factor of a major sporting event or other dynamics remains to be seen.
- However, the level continues to flag hard graft for the spending side of the economy.

**The ANZ-Roy Morgan Consumer Confidence measure dipped marginally from 112.6 to 112.2 in October.** The Future Conditions index fell 0.3 points to 117.2 while the Current Conditions index fell 0.4 points to 104.8. In general terms, consumer confidence has been flat-lining since the middle of the year.

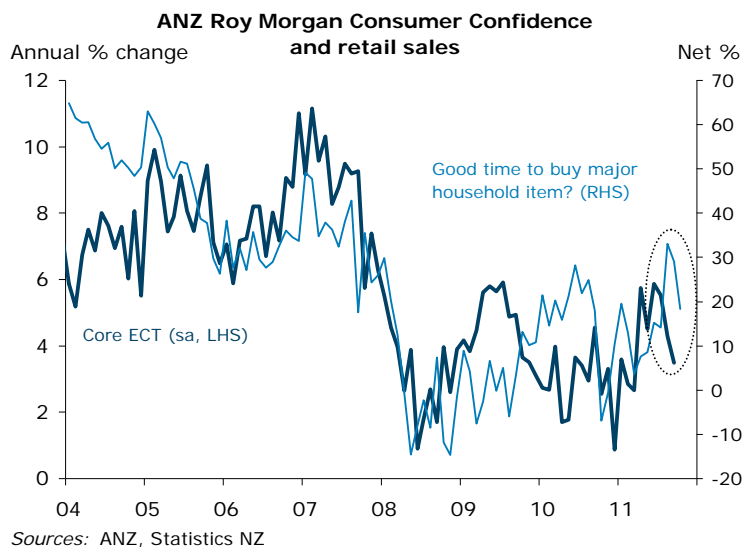
Technically there is a mild seasonal element to consumer confidence. Confidence tends to get weighed down by winter and buoyed by summer. **When such mild seasonal influences are taken into account, consumer confidence is down 9 points from its June peak.** This raises a potential red flag, but given the global backdrop and the volatility confidence surveys can exhibit from month to month, we are wary of reading too much into it. Suffice to say that the current global backdrop would normally be associated with a sharp tail-off in consumer confidence. To date, this has failed to occur. Hence we find the spirit of the results encouraging.

**The level of confidence flags continued hard graft for the economy.** While consumers' perception of current conditions is above the key 100 mark, and has been for four months, the absolute level suggests continuing caution. Things are certainly better than in the early part of the year, but not sufficiently for wallets to be opened en masse.



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**Looking at the five components** that make up the overall measure of consumer confidence; perceptions of households' current financial position improved from -19 to -9. The proportion of households expecting to be better off in twelve months lifted from +24 to +29. Perception towards the general economy moved from -4 to -5. Confidence in the five-year outlook remains upbeat but eased from a net +33 to a net +28. Views on whether it is a good or bad time to buy a major household item softened from +29 to +18.



Looking at the detail reveals **males are more optimistic than females**, lifting from 114 to 118.5. Conversely, female confidence retreated from 111.2 to 106.2. **Different outlooks were noted across age groups**, with confidence lifting in the 14 to 34 group but retreating for those aged 35 plus. However, moves across all age segments were generally small. The **Auckland region remains the most optimistic**, but sentiment in **Wellington and the remainder of the North Island lifted to close the gap a little**. Conversely, **sentiment in Canterbury and the remainder of the South Island eased**, though all remain above the key 100 level.

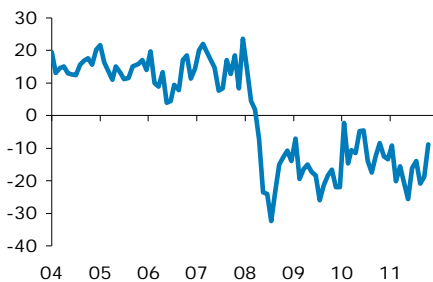
**General inflation expectations eased, and house price expectations slipped very slightly.** Households expect general inflation to average 3.4 percent per annum over the next two years (down from 3.9 percent in September). Household inflation expectations have generally wobbled around 3.5 to 4 percent since the start of the year. While such measures are generally a poor bellwether for inflation itself, they do provide some value in terms of wage bargaining expectations, an area we will watch with interest given the spike in headline inflation to 5.0 percent. House prices are expected to rise 2.7 percent per year on average over the next 2 years, down from September's 2.8 percent.

**Overall, we find the spirit of October's confidence report heartening, though a clear amount of caution is evident. A degree of cautious optimism remains evident.** Given the increasingly bleak international backdrop and plethora of bad news dominating headlines, to see consumer confidence tread water is hugely encouraging. However, **whether this partly reflects the temporary feel-good factor associated with a one-off event will not be known for another couple of months.**

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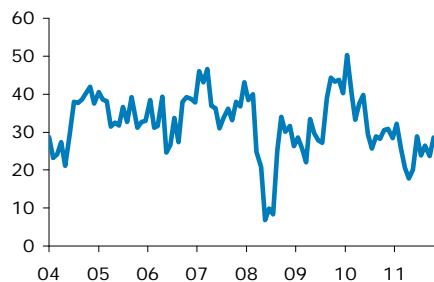
Survey Summary	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11
No. of Interviews	1,028	1,103	1,078	1,030	1,012	1,048	1,037	982
<b>Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?</b>								
Better Off	25	25	22	24	27	26	23	26
Worse Off	40	46	48	40	41	47	42	35
<b>Net Balance</b>	<b>-16</b>	<b>-21</b>	<b>-26</b>	<b>-16</b>	<b>-14</b>	<b>-21</b>	<b>-19</b>	<b>-9</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	45	42	43	48	44	48	44	45
Worse Off	24	25	23	20	20	21	20	17
<b>Net Balance</b>	<b>21</b>	<b>18</b>	<b>20</b>	<b>29</b>	<b>24</b>	<b>27</b>	<b>24</b>	<b>29</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	22	24	27	28	26	30	27	25
Bad Times	49	48	43	31	34	32	31	30
<b>Net Balance</b>	<b>-28</b>	<b>-24</b>	<b>-16</b>	<b>-3</b>	<b>-8</b>	<b>-2</b>	<b>-4</b>	<b>-5</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	47	48	50	49	45	46	46	41
Bad Times	21	22	20	11	15	16	13	14
<b>Net Balance</b>	<b>26</b>	<b>26</b>	<b>30</b>	<b>38</b>	<b>31</b>	<b>30</b>	<b>33</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	43	44	45	50	48	58	57	51
Bad Time to Buy	40	37	36	35	34	25	28	33
<b>Net Balance</b>	<b>4</b>	<b>8</b>	<b>9</b>	<b>15</b>	<b>14</b>	<b>33</b>	<b>29</b>	<b>18</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>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>
Current Conditions	94.1	93.5	91.5	99.6	100.1	106.1	105.2	104.8
Future Conditions	106.4	106.6	111.2	121.2	115.6	118.1	117.5	117.2

Q1. Better off past year



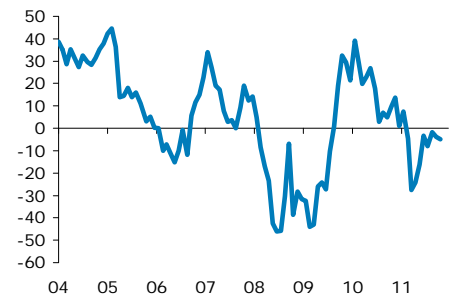
Sources: ANZ, Roy Morgan

Q2. Better off next year



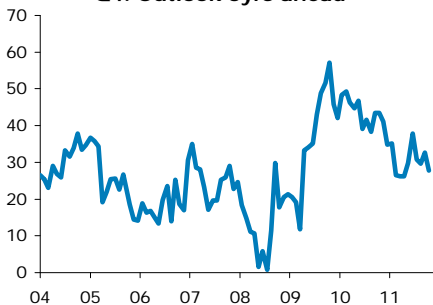
Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



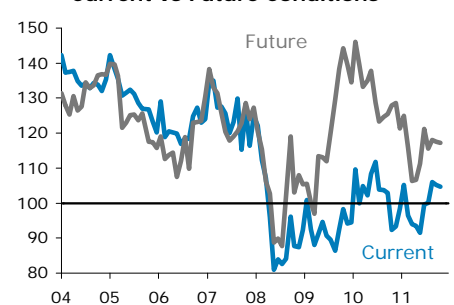
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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