

ANZ-ROY MORGAN CONSUMER CONFIDENCE MID-WINTER BLIP?

JULY 2011

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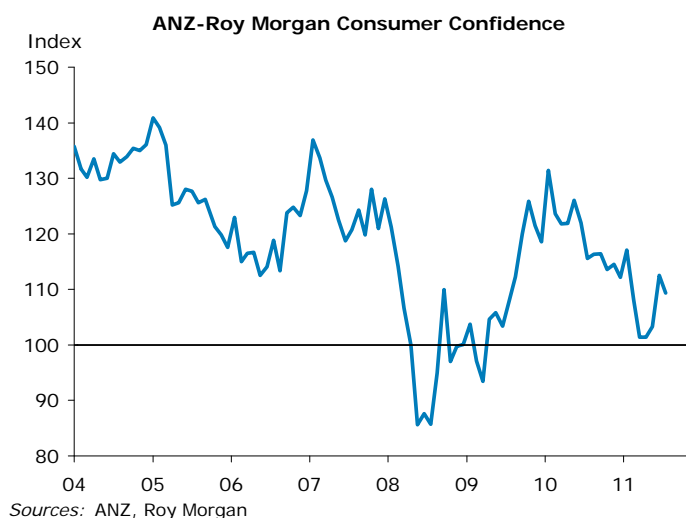
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SUMMARY

- Consumer confidence fell slightly in July with the headline index going from 112.5 to 109.4.
- There are still more optimists than pessimists, but confidence levels remain below historical averages.
- The large June 13 aftershocks that hit Christchurch may have weighed on confidence.
- A bright spot is that less folks are feeling worse off financially compared to last year. But prospects of any big pick up in consumer spending remain some way off.

The ANZ-Roy Morgan Consumer Confidence measure fell 3.1 points to 109.4 in July. This partly reverses the 9.2 point increase seen last month. There does not appear to be any seasonal factor behind the fall, with our seasonally adjusted estimates also showing a decline of a roughly similar magnitude. The current level of confidence is below historical averages.

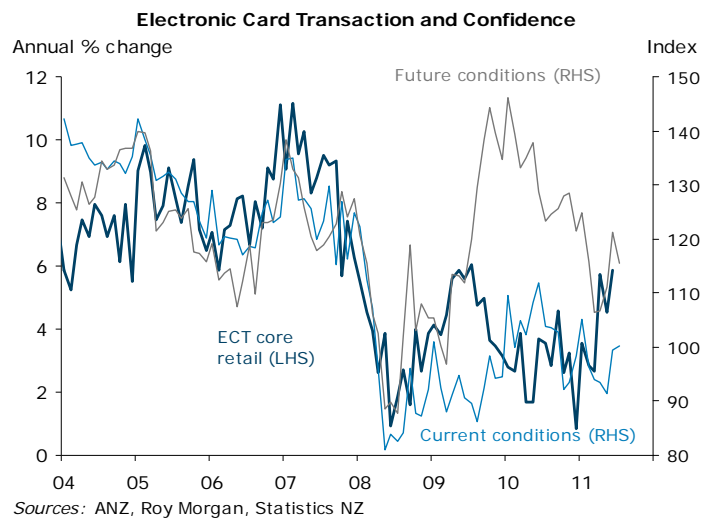
Four of the five component questions behind the headline consumer confidence measure recorded declines. The only one to show an improvement was on whether respondents are better off financially compared to a year ago (from -16 to -14). Though more folks still feel financially worse off now, as least it is moving in the right direction. The largest decline was regarding expectations of the general economy over the next five years, which fell from +38 to +31. **The Future Conditions index fell from 121.2 to 115.6, while the Current Conditions index was up marginally from 99.6 to 100.1.**



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The magnitude of the fall in confidence over July is well within the usual monthly variability. As such, we are not too perturbed by it. The survey period was conducted after the large June 13 aftershocks and the June 23 announcement of the Government's package to buy out those in the worst affected areas, so it is possible that these may have had some influencing factor. We note that confidence was lower immediately following the June 13 aftershocks, but picked up a little after the Government's package was announced. This was certainly more pronounced in the South Island. But we cannot say with too much certainty whether those events were the main drivers behind the movement in confidence during the month. It could also be that global ructions due to the ongoing Greek debt crisis played a part as well.

The bottom line is that consumers' sense of cautiousness is likely to remain for a while. We have seen a lift in retail spending of late. But in the absence of a material increase in consumer perceptions of whether it is a good time to buy a major household item (which fell slightly from +15 to +14), we are unlikely to see a further material pick up in spending in the next couple of months.



The level of **sentiment was weaker among females**, which dropped 6 points to 100.9. Confidence across males was unchanged at 118.3.

Confidence was weaker across all age cohorts except 18-24 year olds. The largest drop of 8 points was measured by the 35-49 year old age group, while confidence for those aged between 18 and 24 years lifted 9 points to 127.5.

Regional confidence was mixed. Wellington posted a small rise in sentiment, Canterbury was unchanged and the rest of NZ was weaker.

Consumers' expectation of inflation 2-years out increased from 3.2 percent to 3.9 percent. Expectations of house price increases 2-years out rose from 2.3 percent to 2.6 percent, indicating that consumers continue to expect real house prices to decline over the next two years.

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Survey Summary	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11
No. of Interviews	1,060	2,093	1,040	1,028	1,103	1,078	1,030	1,012
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	27	30	24	25	25	22	24	27
Worse Off	40	39	44	40	46	48	40	41
Net Balance	-14	-9	-20	-16	-21	-26	-16	-14
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	46	50	47	45	42	43	48	44
Worse Off	18	18	22	24	25	23	20	20
Net Balance	28	32	26	21	18	20	29	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	35	39	31	22	24	27	28	26
Bad Times	34	31	36	49	48	43	31	34
Net Balance	1	8	-5	-28	-24	-16	-3	-8
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	51	54	46	47	48	50	49	45
Bad Times	16	19	20	21	22	20	11	15
Net Balance	35	35	27	26	26	30	38	31
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	47	52	48	43	44	45	50	48
Bad Time to Buy	37	32	35	40	37	36	35	34
Net Balance	10	20	13	4	8	9	15	14
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	112.2	117.1	108.1	101.4	101.4	103.3	112.5	109.4
Current Conditions	98.5	105.2	96.5	94.1	93.5	91.5	99.6	100.1
Future Conditions	121.4	125.0	115.9	106.4	106.6	111.2	121.2	115.6

Q1. Better off past year



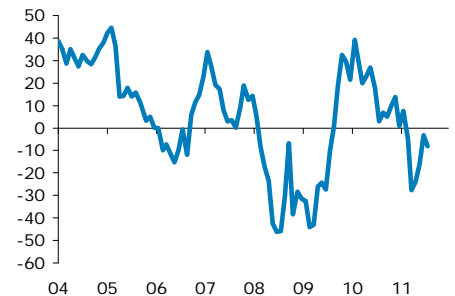
Sources: ANZ, Roy Morgan

Q2. Better off next year



Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



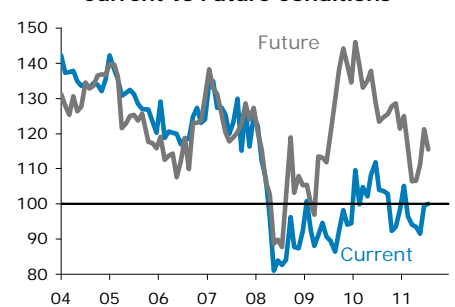
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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