

# ANZ-ROY MORGAN CONSUMER CONFIDENCE HOUSEHOLD SENTIMENT TICKS UP SLIGHTLY

19 AUGUST 2010

## CONTACTS

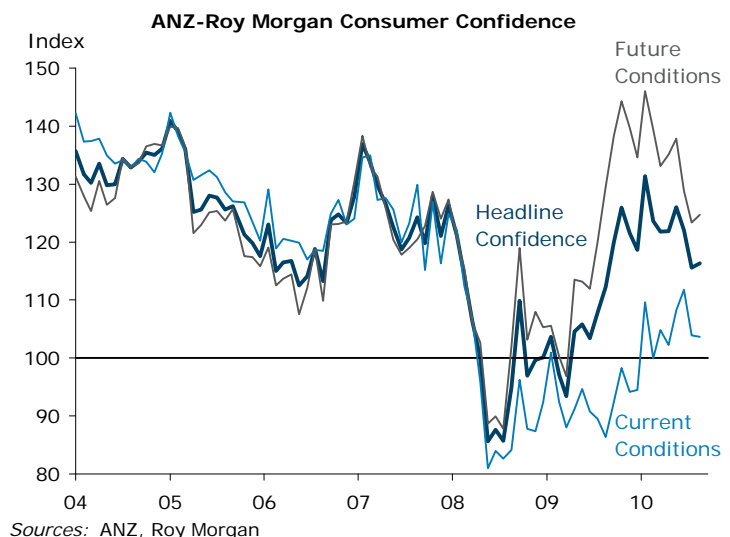
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## SUMMARY

- Consumer confidence rose marginally in August, though the overall message remains one of consumer caution.
- Less people are feeling financially better off compared to a year ago. Perhaps a sign of higher household running costs starting to bite.
- This may weigh on spending decisions in the near-term. However, there was an improvement in intentions to purchase a major household item, which point to ongoing but modest growth in retail sales.

The ANZ-Roy Morgan Consumer Confidence measure posted a **0.7 point increase to 116.3 in August**. This bucks the declines over the previous two months, but the increase is marginal and well within the usual monthly volatility. The level remains below the historical average of 119.4, and is still close to the lowest reading in almost a year. The Current Conditions index was essentially flat at 103.7, while Future Conditions rose slightly to 124.7.

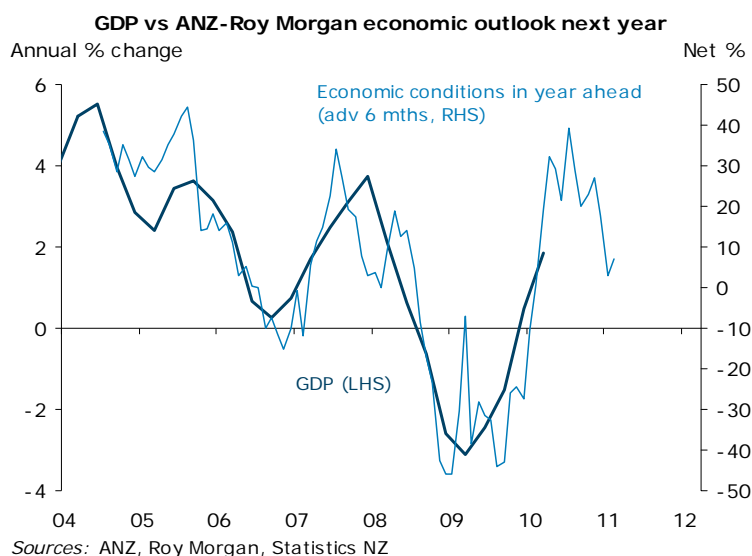


The largest decline among the five component questions that make up the confidence measure is the one regarding respondent's financial situation. While the proportion of people feeling financially worse off now compared to a year ago was unchanged, there was a decline in the proportion who felt better off. This led to a 4 point decline in the net reading to its lowest level since December 2009. Despite an improving demand for labour, the overall labour market backdrop remains challenging. Higher household

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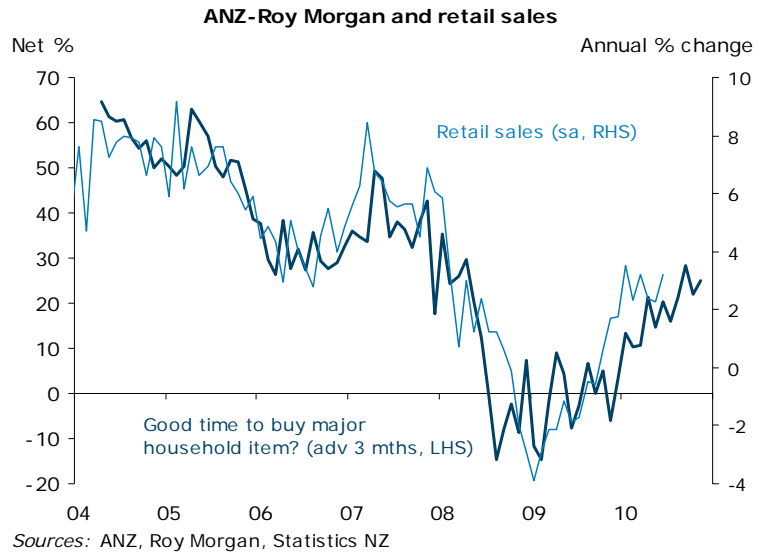
running costs could also be starting to bite, alongside recent increases in floating mortgage interest rates. Fixed mortgage interest rates have fallen, but it seems they are yet to result in any material difference to household finances at this stage. **While there may be less people feeling financially better off compared to last year, more expect to be better off next year**, reversing the previous month's decline.

**In last month's survey, there was a notably sharp decline in perceptions towards the New Zealand economic outlook in a year's time.** There was an improvement this month to a net 7 percent expecting better times next year, an improvement of 3 points. But this is far from reversing last month's 15 point decline. When we look at the relationship between this reading and real GDP growth, it suggests a rather subdued 2 percent year-on-year growth rate next year. We should add, however, that the time series is not long enough to be confident of such an outcome. But it does show that consumers expect the economy to slow, but not head into double dip territory.



**There was an increase in the proportion of respondents thinking it is a good time to purchase a major household item.** The 3 point increase only partly reverses last month's decline, but it does signal that there is still demand out there. We remain unsure over how much influence the GST increase from 1 October is having on the responses to this question. There will no doubt be more "best the GST rise" type activity next month, but the current reading on major household purchase intentions is pointing towards modest retail sales growth of around 3 to 4 percent, as opposed to a much bigger surge. The fact that more households are still feeling financially worse off may limit the extent that consumers are able to front-load their major purchases.

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**Looking at the more detailed survey results, the overall level of confidence improved for males (up 1 point to an index reading of 122) but was unchanged for females at 111.** Males recorded a 2 point lift in the current conditions index to 110 but females felt less confident in August, with their current conditions index slipping 3 points from July to 98. The future index lifted 1 point for males to 129, while for females, it lifted 2 points to 121.

**Confidence dropped for two of the five age bands (14-17 years and 25-34 years) and lifted for the other three age cohorts.** The largest drop was in the 25-34 year age group, which fell 11 points to a twelve month low index value of 119. The 3 point drop in confidence in the youngest age group masked a large drop in current conditions (down 30 points) and a large lift in future conditions (up 16 points).

**Consumer sentiment was up in Auckland and Wellington, but lower over the remainder of the nation.** Both regions shared the highest level of confidence, with Auckland rising by 5 points and Wellington by 4 points from July.

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Survey Summary	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10
No. of Interviews	2,049	1,047	993	1,015	995	1,075	1,062	1,035

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	31	26	28	30	31	30	27	24
Worse Off	33	41	39	41	35	35	41	41
<b>Net Balance</b>	<b>-2</b>	<b>-15</b>	<b>-11</b>	<b>-11</b>	<b>-5</b>	<b>-5</b>	<b>-14</b>	<b>-18</b>

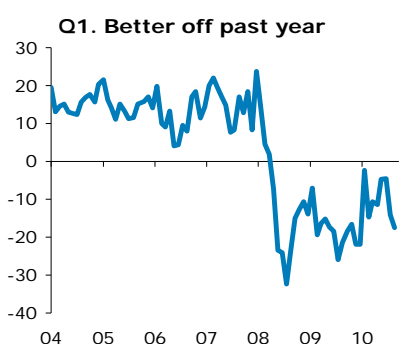
Q2. This time next year, do you and your family expect to be better-off financially or worse off than you are now?								
Better Off	61	57	53	56	56	53	48	49
Worse Off	10	17	20	18	16	23	23	20
<b>Net Balance</b>	<b>50</b>	<b>40</b>	<b>33</b>	<b>38</b>	<b>40</b>	<b>29</b>	<b>26</b>	<b>29</b>

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?								
Good Times	57	53	48	48	53	44	36	37
Bad Times	17	24	28	26	26	26	33	30
<b>Net Balance</b>	<b>39</b>	<b>29</b>	<b>20</b>	<b>23</b>	<b>27</b>	<b>18</b>	<b>3</b>	<b>7</b>

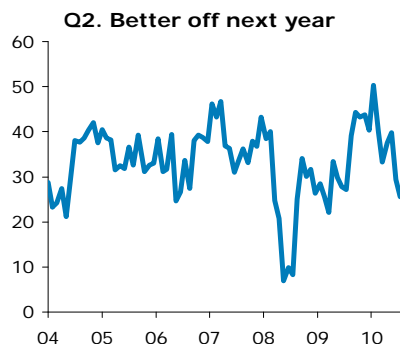
Q4. Looking ahead, what would you say is more likely, that in New Zealand as a whole, we'll have continuous good times during the next five years or so, or we'll have bad times, or some good and some bad?								
Good Times	61	63	61	60	61	56	58	54
Bad Times	13	14	14	15	14	17	16	15
<b>Net Balance</b>	<b>48</b>	<b>49</b>	<b>46</b>	<b>45</b>	<b>47</b>	<b>39</b>	<b>42</b>	<b>38</b>

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	53	49	52	50	54	56	53	53
Bad Time to Buy	32	34	32	34	32	28	31	28
<b>Net Balance</b>	<b>22</b>	<b>15</b>	<b>20</b>	<b>16</b>	<b>21</b>	<b>28</b>	<b>22</b>	<b>25</b>

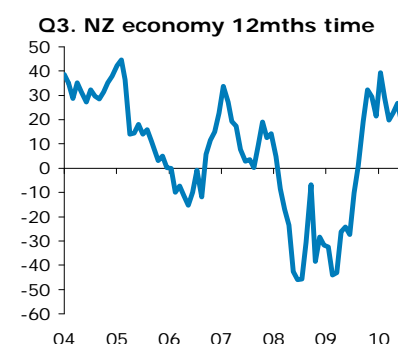
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
<b>Overall Index</b>	<b>131.4</b>	<b>123.6</b>	<b>121.8</b>	<b>121.9</b>	<b>126.0</b>	<b>122.0</b>	<b>115.6</b>	<b>116.3</b>
Current Conditions	109.6	100.0	104.9	102.3	108.3	111.8	104.0	103.7
Future Conditions	146.0	139.4	133.1	135.1	137.8	128.8	123.4	124.7



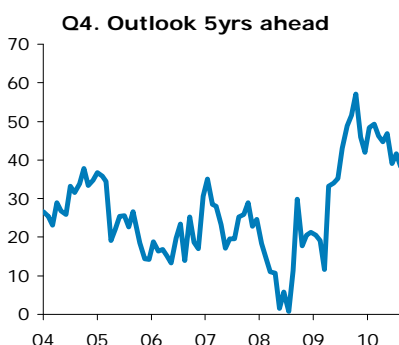
Sources: ANZ, Roy Morgan



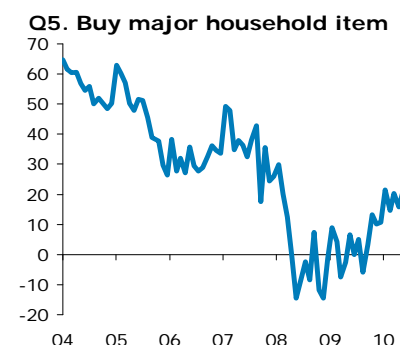
Sources: ANZ, Roy Morgan



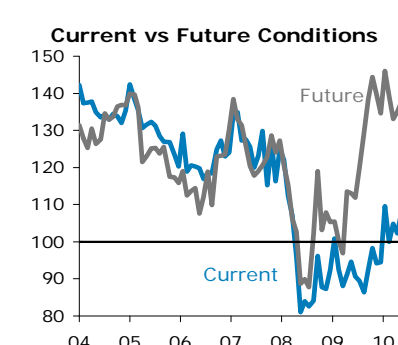
Sources: ANZ, Roy Morgan



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The Bank (in respect of itself and its principal officers) makes the following investment broker disclosure to you pursuant to section 41G of the Securities Markets Act 1988.

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#### Experience

The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice on those securities, to customers as a core part of its business for many years, drawing on the extensive research undertaken by the Bank and its related companies and the skills of specialised staff employed by the Bank. The Bank is represented on many bank, finance and investment related organisations and keeps abreast of relevant issues by running seminars and workshops for relevant staff and having its investment adviser staff attend external seminars where appropriate. The Bank subscribes to relevant industry publications and, where appropriate, its investment advisers will monitor the financial markets.

#### Relevant professional body

The Bank is a member of the following professional bodies relevant to the provision of investment advice:

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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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This insurance covers issues (including 'prior acts') arising from staff fraud, electronic crime, documentary fraud and physical loss of property. The scope of the insurance also extends to third party civil claims, including those for negligence. The level of cover is of an amount commensurate with the size and scale of the Bank.

The insurer is ANZcover Insurance Pty Limited.

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The Bank has a process in place for resolving disputes. Should a problem arise, you can contact any branch of the Bank for more information on the Bank's procedures or refer to any of the Bank's websites.

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- Convicted of an offence under the Securities Markets Act 1988, or the Securities Act 1978 or of a crime involving dishonesty (as defined in section 2(1) of the Crimes Act 1961);
- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- 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.

#### Fees

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.

#### Other interests and relationships

When a security is sold by the Bank, the Bank may receive a commission, either from the issuer of a security or from an associated person of the Bank. Whether that commission is received and, if received, its value depends on the security sold. At the time of providing this disclosure statement it is not practicable to provide a detailed list of each security that may be advised on, the name of the issuer of that security and the rate of the commission received by the Bank. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

In addition to the interest that the Bank has in products of which it is the issuer, the Bank, or an associated person of the Bank, has the following interests or relationships that a reasonable person would find reasonably likely to influence the Bank in providing the investment advice on the securities listed below:

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- UDC Finance Limited (UDC), as a wholly owned subsidiary of the Bank, is an associated person of the Bank. UDC may receive remuneration from a third party relating to a security sold by the Investment Adviser.
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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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If you wish to pay investment money to the Bank you can do this in several ways such as by:



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- Providing cash;
- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or
- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

Investment property (other than money) may be delivered to the Bank by lodging the relevant property (for example, share certificates) with any branch of the Bank offering a safe custody service, or by posting (using registered post) the documents or other property to a branch of the Bank, identifying your name, account number and investment purpose.

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.

### Record Keeping

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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