

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE SEASONAL SOLUTIONS

JANUARY 2012

CONTACTS

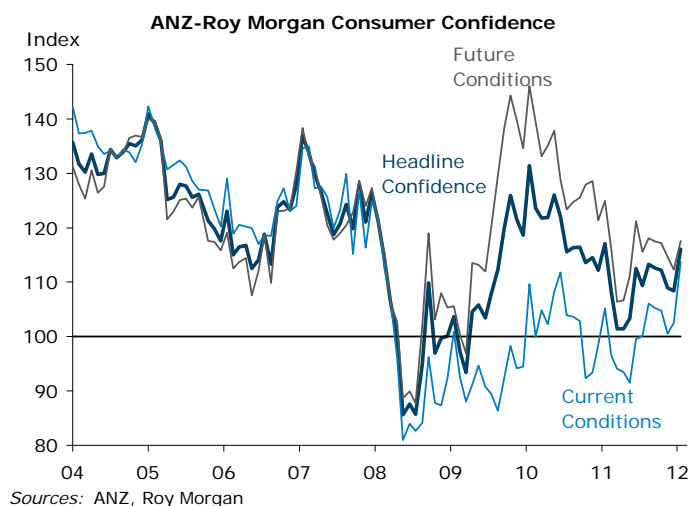
Cameron Bagrie
Chief Economist
Telephone: +64 4 802 2212
E-mail: cameron.bagrie@anz.com

SUMMARY

- Consumer confidence lifted strongly in January, suggesting a firm start to the year. However, the normal seasonal lift accounts for the rise.
- Abstracting from seasonal factors, the trend for consumer confidence is flat, holding in at subdued and cautious levels.
- There is nothing in the consumer confidence figures to flag that listless and fickle consumer spending behaviour is set to change any time soon.
- Inflation expectations, however, lifted sharply. This will bear close monitoring.

The ANZ-Roy Morgan Consumer Confidence measure lifted strongly, rising from 108.4 in December 2011 to 116.1 in January 2012. Improvement was apparent across all the five sub-segments. Households feel marginally less worse off, it's a better time to buy a major household item (lifting sharply from a net 15 to 34), there is more optimism about the five year picture and households expect to be better off in a year's time (rising from 23 to 32). Households' assessment of the one-year ahead economic picture moved from -6 to -2. All in all, solid movements in the right direction.

The **Current Conditions index** posted a 11.3 point increase to 113.8 and the **Future Conditions index** rose 5.3 points to 117.6. An "expectations" vs "reality" gap remains between the two, but it is closing and is the narrowest we have seen since early 2009.

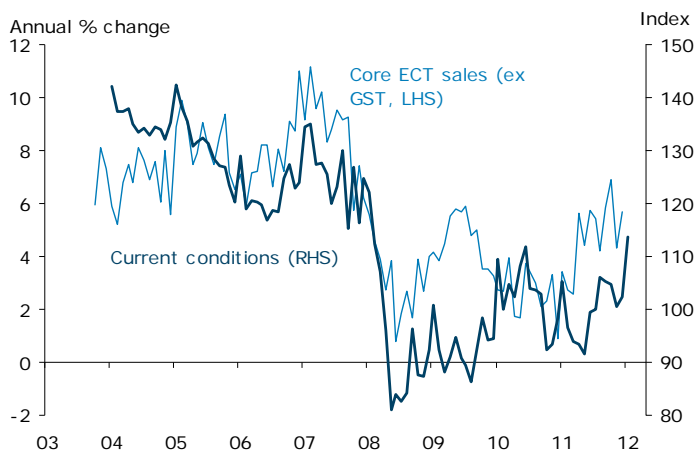


However, seasonal factors account for the lift. Call it the sun factor (a stretched argument for some parts of New Zealand in January!), call it what you will, but consumer confidence does show a modest seasonal pattern. **Removing the seasonal influence leaves the overall index, current conditions, and future conditions measures flat on December 2011.**

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Amongst the hurly-burly of monthly developments, including mixed messages from the labour market, an improving property market, and the barrage of bad news about the global economy, **consumers appear to be taking a wait and see stance. We see little in this month's survey that flags a pending change in listless and fickle consumer spending behaviour.**

Core retail ECT sales and current conditions



Sources: ANZ-Roy Morgan, Statistics NZ

Of note this month was a sharp jump in consumers' expectation of the average rate of inflation over the coming two years, rising from 3.5 to 4.4 percent. This is the strongest reading since we started sampling 3 years ago. Consumer-centric inflation expectation questions tend to offer limited information in regard to "true" inflation expectations *per se* (the former tends to have an upside bias), but they can be used as a barometer of wage bargaining behaviour, which is in itself a critical component of any inflation and monetary policy framework. This is a key area we will monitor going forward and we note the RBNZ has now started measuring consumer-based inflation expectations themselves with a market research company. Our other price proxy within the survey, house price expectations, was largely unchanged coming in at 2.5 percent.

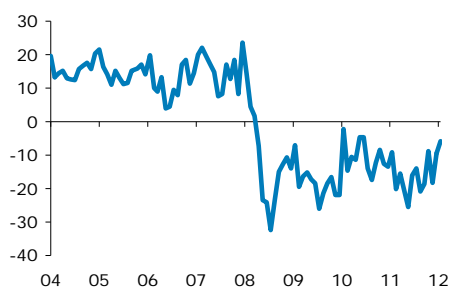
Confidence was the strongest in the metropolitan areas, with a strong rebound in Auckland (up 11 points to 121.1), surpassing the second-ranked Wellington (up 5 points to 117.0). It's been 18 months since consumer confidence has been this strong in Auckland. This trend may continue, given that the Auckland responses to the forward-looking questions were much more upbeat than the current conditions in the region, or future conditions in any of the other regions we monitor.

A fairly even lift in consumer sentiment was noted across the three age cohorts aged between 18-50 years. The level of confidence in the 25-34 year age group lifted 10 points, to reach a 12-month high of 126.2, while sentiment in the 35-49 year cohort lifted 11 points to hit an 18-month high of 118.5. The 18-24 age bracket recorded a 12 point increase to 127.9. While this increase and level was slightly stronger than the other two age brackets, this younger cohort doesn't exert as much spending power as the older groups have at their disposal.

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	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Jan-12
No. of Interviews	1,030	1,012	1,048	1,037	982	1,053	1,010	2,042
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	24	27	26	23	26	22	25	30
Worse Off	40	41	47	42	35	41	34	36
Net Balance	-16	-14	-21	-19	-9	-18	-10	-6
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	48	44	48	44	45	42	42	50
Worse Off	20	20	21	20	17	19	19	18
Net Balance	29	24	27	24	29	23	23	32
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	28	26	30	27	25	26	26	33
Bad Times	31	34	32	31	30	33	32	35
Net Balance	-3	-8	-2	-4	-5	-7	-6	-2
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	49	45	46	46	41	43	36	46
Bad Times	11	15	16	13	14	15	16	23
Net Balance	38	31	30	33	28	28	20	23
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	50	48	58	57	51	49	48	59
Bad Time to Buy	35	34	25	28	33	30	34	26
Net Balance	15	14	33	29	18	19	15	34
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	112.5	109.4	113.3	112.6	112.2	109.0	108.4	116.1
Current Conditions	99.6	100.1	106.1	105.2	104.8	100.6	102.5	113.8
Future Conditions	121.2	115.6	118.1	117.5	117.2	114.6	112.2	117.6

Q1. Better off past year



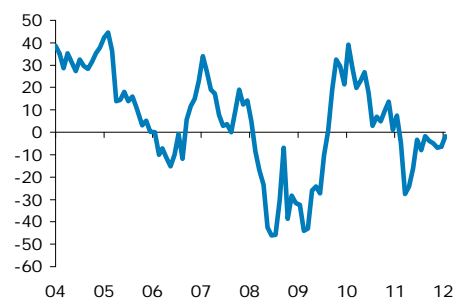
Sources: ANZ, Roy Morgan

Q2. Better off next year



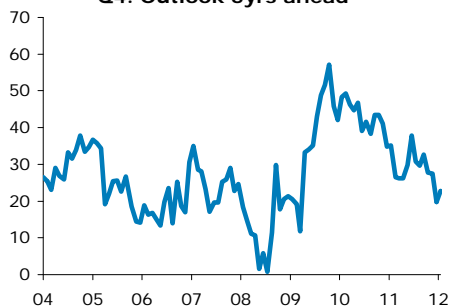
Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



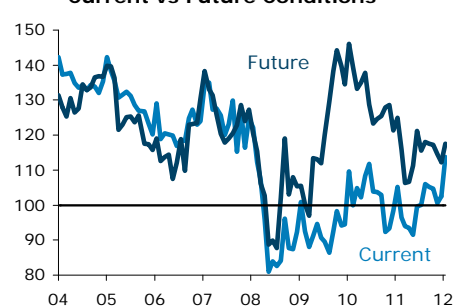
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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