

# ANZ-ROY MORGAN CONSUMER CONFIDENCE POST-GST BLUES

OCTOBER 2010

## CONTACTS

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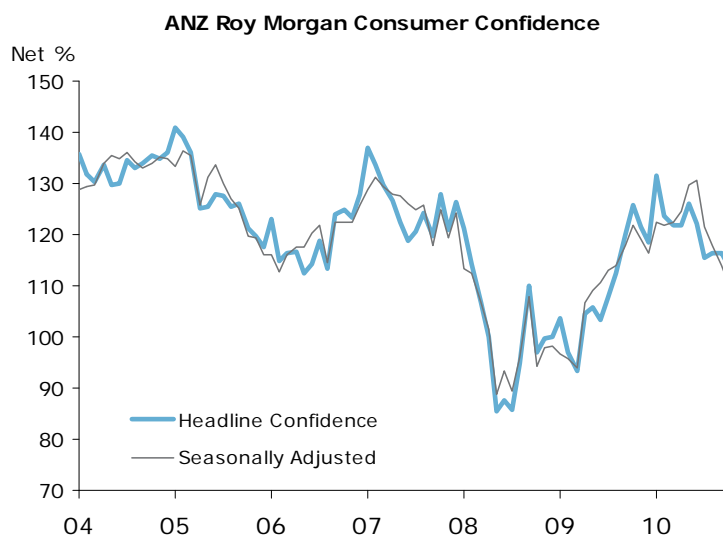
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## SUMMARY

- Consumer confidence eased three points in October from 116.4 to 113.6.
- Consumers' view regarding current conditions dropped a more marked 11 points, and at 92.3 does not bode well for spending going forward.
- Consumer's views on house price gains over the coming two years are for limited movement.

**The ANZ-Roy Morgan Consumer Confidence measure eased 3 points to 113.6.**

**The Current Conditions index dropped 11 points to 92.3 (previously 102.9) while the Future Expectations component lifted 2 points, from 125.5 to 127.9.** The current conditions index has dropped below the 100 mark for the first time since December 2009 and is at its lowest point since August 2009.

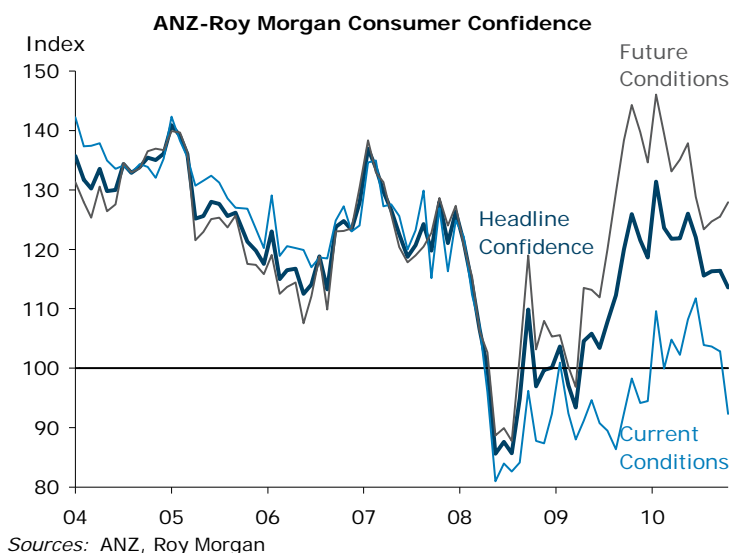


Sources: ANZ, Roy Morgan

Underpinning the drop in confidence was a **25 point plummet in the question regarding whether it is a good time to buy a major household appliance**. A net 7 percent believe it a bad time to buy a major household item. It is hard to gauge how much of this fall reflected the rise in GST at the start of the month, but clearly such a large fall suggests the GST rise has been influential. **However, the decline in current conditions does not bode well for immediate appetites to spend regardless.** We note that the question in regard to whether it was a good time to buy a major household item did not blip up notably pre-GST (but rather it trended up over months prior), and this leaves us suspecting that the post-GST marked decline reflects wider forces in addition to the GST rise.

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**On a more encouraging note was the fact that confidence in all the other component questions recorded a lift.** A net 9 percent of consumers still feel worse off relative to a year ago, but this was up 3 points on September. Expectations regarding whether consumers expect to be better off next year, the one-year economic picture and five years out rose 3, 5 and 1 point, respectively.



Looking at the detail, **males recorded a larger drop in confidence** (down 5 points to 117.0) than females (unchanged at 110.5).

**The 18-24 year old age group recorded the largest drop in confidence**, falling 20 points to 117.1. Confidence in the 25-34 age cohort eased 7 points to 119.1. The 50 year old and over age group eased 2 points to 106.5. **Confidence in the 35-49 year old age group lifted 5 points**, to 112.5.

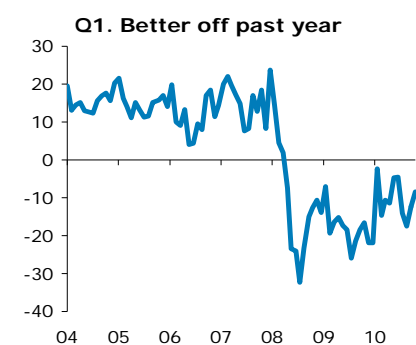
**Confidence dropped in every region except Wellington.** The largest fall was in the South Island (excl Canterbury), dropping 13 points to an index of 104.7. Wellington's confidence measure rose 2 points to 115.8. Consumer confidence in Canterbury remained resilient over October to be broadly unchanged on the month prior.

This month we introduced a new question into the survey, **which asks respondents at what rate they expect house prices to grow (or decline) on average over the next 2 years.** A key macro issue going forward is whether current weakness in housing is cyclical or more reflective of a wider structural change, and the perception of our respondents may offer useful insights. If the current perception proves transitory in nature, and housing were to return to expectations of old (i.e. gains in excess of income), this could be one factor forcing the RBNZ to raise interest rates. **At present, consumers perception regarding house price gains over the coming years are cautious. House prices are expected to rise by 1.6 percent per year.**

**Two-year ahead consumer inflation expectations dropped to 3.1 percent**, which is the lowest rate of increase we've measured since we started asking the question 12 months ago.

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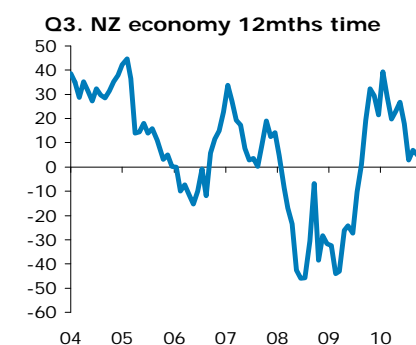
Survey Summary	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Sep-10	Oct-10
No. of Interviews	993	1,015	995	1,075	1,062	1,035	1,021	1,071
<b>Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?</b>								
Better Off	28	30	31	30	27	24	26	28
Worse Off	39	41	35	35	41	41	39	36
<b>Net Balance</b>	<b>-11</b>	<b>-11</b>	<b>-5</b>	<b>-5</b>	<b>-14</b>	<b>-18</b>	<b>-12</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	53	56	56	53	48	49	48	48
Worse Off	20	18	16	23	23	20	19	18
<b>Net Balance</b>	<b>33</b>	<b>38</b>	<b>40</b>	<b>29</b>	<b>26</b>	<b>29</b>	<b>28</b>	<b>31</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	48	48	53	44	36	37	36	37
Bad Times	28	26	26	26	33	30	31	27
<b>Net Balance</b>	<b>20</b>	<b>23</b>	<b>27</b>	<b>18</b>	<b>3</b>	<b>7</b>	<b>5</b>	<b>10</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	61	60	61	56	58	54	56	56
Bad Times	14	15	14	17	16	15	12	12
<b>Net Balance</b>	<b>46</b>	<b>45</b>	<b>47</b>	<b>39</b>	<b>42</b>	<b>38</b>	<b>43</b>	<b>44</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	52	50	54	56	53	53	51	35
Bad Time to Buy	32	34	32	28	31	28	33	42
<b>Net Balance</b>	<b>20</b>	<b>16</b>	<b>21</b>	<b>28</b>	<b>22</b>	<b>25</b>	<b>18</b>	<b>-7</b>
<b>ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)</b>								
<b>Overall Index</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>	<b>116.4</b>	<b>113.6</b>
Current Conditions	104.9	102.3	108.3	111.8	104.0	103.7	102.9	92.3
Future Conditions	133.1	135.1	137.8	128.8	123.4	124.7	125.5	127.9



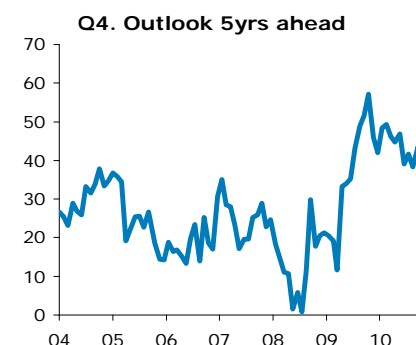
Sources: ANZ, Roy Morgan



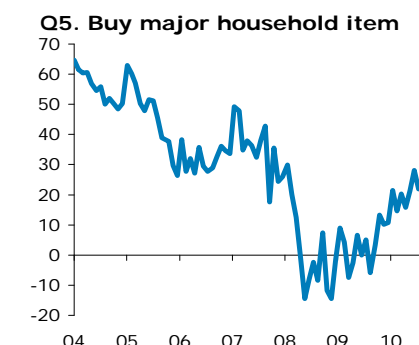
Sources: ANZ, Roy Morgan



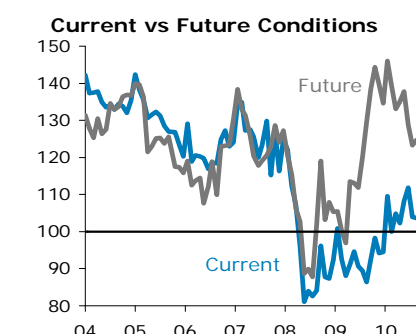
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The Bank is a registered bank and, through its staff, is experienced in providing investment advice about its own securities and, where applicable, the securities of other issuers. The Bank has been selling securities, and providing investment advice 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.

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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.

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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.

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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.

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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.

#### PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY

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.

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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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