

ANZ-Roy Morgan NZ Consumer Confidence

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 30 August 2019 at 10am.

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Warning shot

Summary

- Consumer confidence fell 6 points in July to 116, below the historical average.
- The Current Conditions Index fell 2 points to remain within its 2019 range, while the Future Conditions Index fell a whopping 9 points to its lowest since September 2015.
- The proportion of households who **think it's** a good time to buy a major household item fell 1 point but remains at a respectable level.

The ANZ-Roy Morgan Consumer Confidence Index fell 6 points to 116 in July, its lowest reading for 2019. The Current Conditions Index fell 2 points to 126, while the Future Conditions Index fell 9 points to 110.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ Research, Roy Morgan

Turning to the detail:

- Consumers' **perceptions of** their current financial situation fell 3 points to a net 12% feeling financially better off than a year ago.
- A net 21% of consumers expect to be better off financially this time next year, down 8 points.
- A net 39% think **it's a good time to buy a major household item**, down 1.
- Perceptions regarding the **next year's** economic outlook fell a sharp 13 points to a net 1% expecting conditions to worsen. The five-year outlook fell 6 points to +11%.
- Regional divergence was a key theme, with Wellington confidence up 2 points to 130 but Auckland dropping 10 to 114. The least-confident region is the South Island excluding Canterbury, which fell 10 points to 110.
- Wellington is the region with the strongest house price inflation expectations, up 0.4%pts to 3.3%. Canterbury is the weakest at 1.7%. General inflation expectations fell 0.9%pts to 3.1%.

Consumer confidence fell 6 points in July to sit below its historical average of 120. A deterioration in confidence in future conditions (to 110 and below its average of 121) led the decline, whereas perceptions of current conditions remain at a respectable level (at 126, above its average of 117).

While the current conditions index points to a still-robust household sector, there are a few warning signs that are worth keeping an eye on:

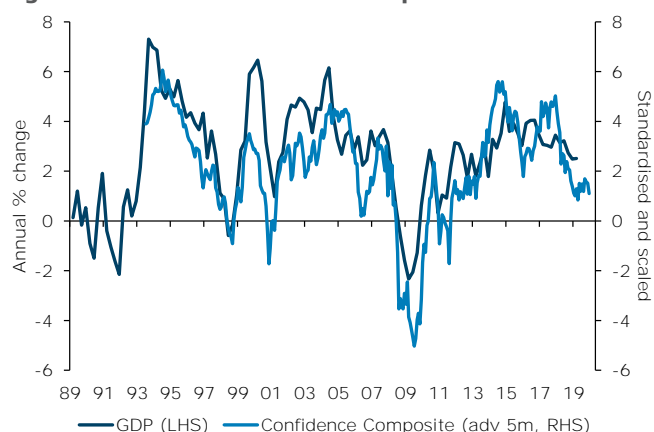
- Deteriorating future conditions imply caution among households is on the rise, and that's likely to be weighing on spending decisions.
- Evidence that slowing economic activity is beginning to impact employment growth is mounting, and softening consumer confidence could be reflecting that. Indeed, our July Business Outlook showed a net 6% of firms (and 33% of construction firms) are expecting to cut jobs.
- Auckland confidence is sharply lower (largely about future conditions), and is perhaps a decent barometer for pipeline confidence at the national level, given this region led the economic expansion for most of the current cycle.

Despite the slip this month, it's fair to say that consumer confidence has proven resilient in the face of housing market softness, particularly in Auckland and Christchurch. No doubt lower mortgage rates are supporting. And despite easing slightly in July, the proportion of people still thinking it's a good time to buy a major household item remains at a high level, which should support spending in the near term. So while positive developments in July's results are few and far between, most of the bad news remains in the 'risks' basket. Labour market developments from here will be key. We'll get a read on Q2 next week.

Our confidence composite gauge combines business expectations and intentions with overall consumer sentiment to capture both the demand and supply side of the economy and give a better indicator for growth than either series alone.

Looking through the monthly volatility, the composite remains consistent with our expectation that economic growth is finding a floor (figure 2). But downside risks appear heightened, and so far there is little evidence to support our view that growth will begin to gradually recover from the second half of 2019. To be fair, it's still a bit soon for leading indicators such as our confidence composite to be sending a clear signal on growth momentum in the second half of the year. But as data continues to roll in, the prospects for a sharp acceleration in growth (as per the RBNZ's May MPS) are looking ever dimmer. We expect the RBNZ to downgrade their outlook at next week's Monetary Policy Statement.

Figure 2. GDP vs Confidence Composite



Source: ANZ Research, Roy Morgan, Statistics NZ



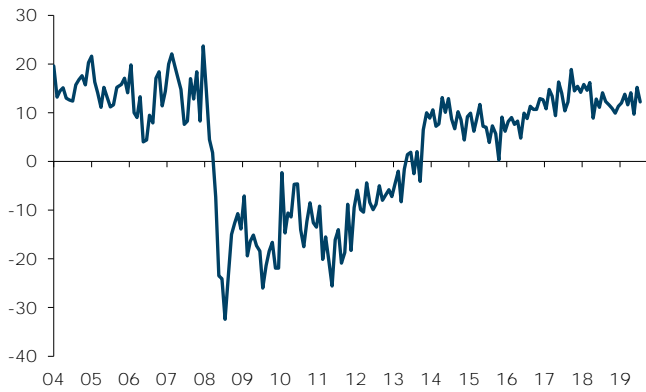
Tables and charts

Survey Summary	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19
No. of Interviews	1,000	1,000	1,001	1,001	1,000	1,002	1,001	1,001
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	34	34	35	34	36	32	37	37
Worse Off	23	22	21	23	22	22	22	25
Net Balance	11	12	14	12	14	10	15	12
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	45	44	46	45	39	46	42
Worse Off	16	16	16	17	16	16	17	21
Net Balance	30	29	27	29	30	23	29	21
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	40	38	38	39	35	33	38	31
Bad Times	26	27	29	29	26	26	26	33
Net Balance	14	12	9	10	9	7	12	-1
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, we'll have bad times, or some good and some bad?								
Good Times	40	41	38	40	35	32	35	34
Bad Times	22	22	23	20	17	18	19	23
Net Balance	18	20	15	21	18	14	16	11
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	56	55	57	56	60	58	56	56
Bad Time to Buy	20	19	18	18	14	16	16	17
Net Balance	36	36	39	38	46	43	40	39
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	74	70	72	73	72	72	71	73
Go Down	4.9	6.5	5.8	5.2	4.9	4.7	4.9	5.3
Expectation (%)	4.2	3.5	3.4	3.7	4.0	3.6	4.0	3.1
Q7. Specifically thinking about the price of houses during the next 2 years, do you think that the price of houses in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	56	56	52	51	51	54	55	55
Go Down	15.4	15.7	18.6	17.8	20.1	16.9	15.2	14.2
Expectation (%)	2.9	2.7	2.7	2.7	2.8	2.6	3.1	2.5
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	121.9	121.7	120.8	121.8	123.2	119.3	122.6	116.4
Current Conditions	123.6	124.2	126.2	125.0	129.8	126.2	127.6	125.8
Future Conditions	120.8	120.1	117.3	119.7	118.8	114.7	119.3	110.2



Tables and charts

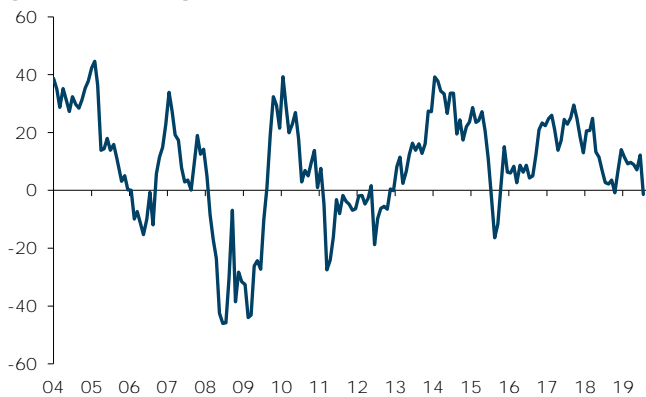
Q1. Better off past year



Q2. Better off next year



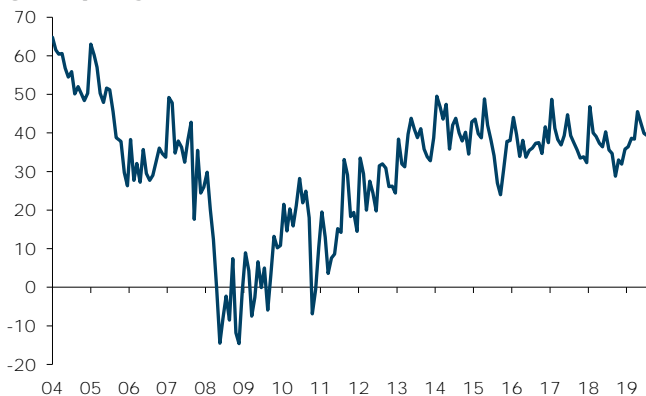
Q3. NZ economy 12 months' time



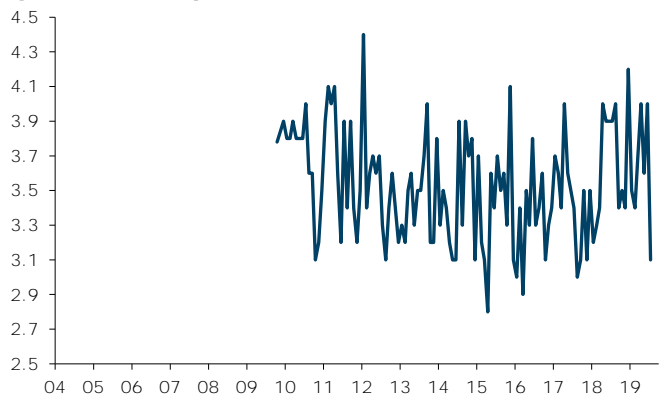
Q4. Outlook 5 years ahead



Q5. Buy major household item



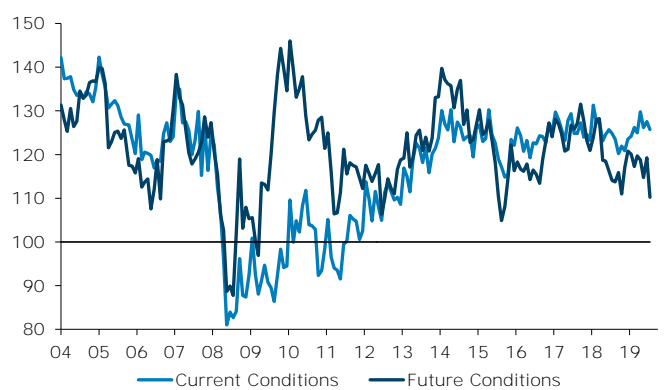
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ Research, Roy Morgan



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