

ANZ-Roy Morgan NZ Consumer Confidence

20 December 2019



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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 31 January 2020 at 10am.

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Resilient

Summary

- Consumer confidence lifted 2 points in December to 123, its third consecutive increase.
- The Current Conditions Index rose 3 points to 132, while the Future Conditions Index rose 3 points to 118.
- The proportion of households who think it's a good time to buy a major household item lifted another 3 points to 44%, a solid level.

The ANZ-Roy Morgan Consumer Confidence Index rose 2 points to 123 in December. Households are more confident about both the here and now, and the future.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ Research, Roy Morgan

Turning to the detail:

- Consumers' perceptions of their current financial situation rose 2 points, well above the average for the past five years. A net 19% feel financially better off than a year ago.
- A net 30% of consumers expect to be better off financially this time next year, up four points versus last month.
- A net 44% think it's a good time to buy a major household item, up 3.
- Perceptions regarding the next year's economic outlook rose another 5 points to a net 9% expecting conditions to improve, consistent with the lift in business confidence. The five-year outlook was unchanged at +15%.
- Confidence rose in three of the five regions, most sharply in the South Island outside of Canterbury. Wellington remains the most optimistic region and North Island regions outside the main centres the least.
- House price inflation expectations lifted in all regions, most sharply in Canterbury (up 1.2%pts to 3.8%). Auckland again had the weakest lift and continues to drag the chain (up 0.1%pts to 2.9%). The national average rose 0.4%pts to 4.1%, the strongest since April last year. General inflation expectations were unchanged at 3.1%.

The 2 point lift in consumer confidence took the series further above its historical average of 120. Confidence in both current and future conditions lifted, and the increase was broad-based across the various questions.

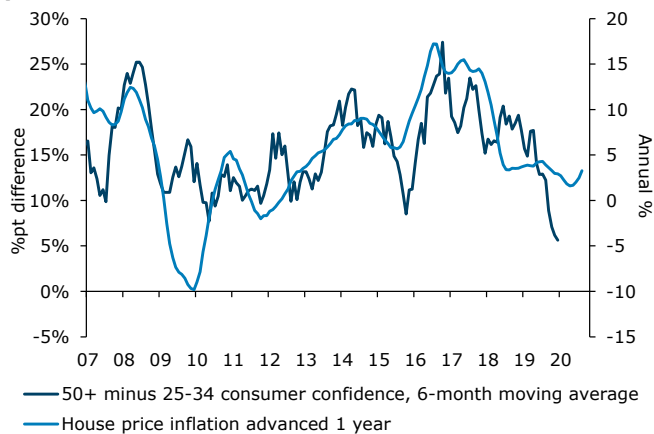
New Zealand households, unlike their Australian counterparts, are feeling pretty resilient. While debt levels are pretty high, the labour market is tight, wage growth is reasonable, mortgage interest rates have fallen considerably, and the housing market is lifting, which, while not good news for those not yet on the ladder, tends to spur spending.

Figure 2 shows that when house price inflation is strong, it has a more positive impact on older consumers' willingness to spend than for those aged 25-34. Recently, however, older consumers' willingness to spend has been relatively less positive (while still strong in level terms). Partly this will reflect that it takes a while for housing market turns to impact. But it may also reflect that a larger proportion of older people's income comes from interest on savings, and interest rate falls to record lows are not beneficial in that regard. Certainly, anecdotal evidence suggests that those no longer earning wage income are cutting back spending in response.

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.

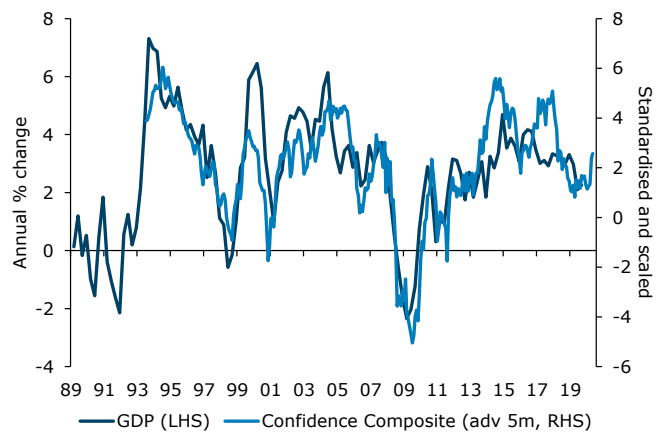
The composite lifted sharply this month (figure 3), primarily due to another lift in ANZBO indicators. It is consistent with our view that while the headwinds facing the economy are real, growth should bottom out around the 2% mark, as easing monetary conditions and remarkably resilient commodity prices (touch wood) feed through.

Figure 2. ANZ Consumer Confidence "good time to buy a major household item" by age cohort versus house price inflation



Source: ANZ Research, Roy Morgan, REINZ

Figure 3. GDP vs Confidence Composite



Source: ANZ Research, Roy Morgan, Statistics NZ



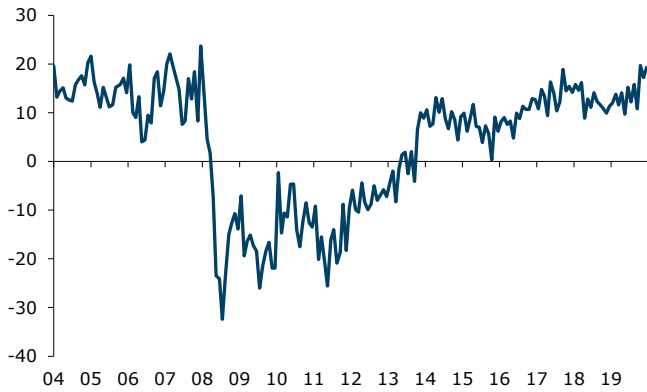
Tables and charts

| Survey Summary | May-19 | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| No. of Interviews | 1,002 | 1,001 | 1,001 | 1,001 | 1,000 | 1,001 | 998 | 1,004 |
| 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 | 32 | 37 | 37 | 37 | 33 | 41 | 37 | 39 |
| Worse Off | 22 | 22 | 25 | 22 | 22 | 21 | 20 | 20 |
| Net Balance | 10 | 15 | 12 | 16 | 11 | 20 | 17 | 19 |
| 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 | 39 | 46 | 42 | 44 | 40 | 45 | 41 | 45 |
| Worse Off | 16 | 17 | 21 | 17 | 17 | 16 | 15 | 15 |
| Net Balance | 23 | 29 | 21 | 27 | 23 | 29 | 26 | 30 |
| 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 | 33 | 38 | 31 | 30 | 26 | 29 | 32 | 35 |
| Bad Times | 26 | 26 | 33 | 32 | 35 | 31 | 28 | 27 |
| Net Balance | 7 | 12 | -1 | -1 | -10 | -3 | 4 | 9 |
| 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 | 32 | 35 | 34 | 33 | 29 | 32 | 34 | 35 |
| Bad Times | 18 | 19 | 23 | 22 | 24 | 21 | 19 | 20 |
| Net Balance | 14 | 16 | 11 | 11 | 4 | 10 | 15 | 15 |
| 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 | 58 | 56 | 56 | 58 | 58 | 56 | 58 | 61 |
| Bad Time to Buy | 16 | 16 | 17 | 19 | 18 | 20 | 17 | 17 |
| Net Balance | 43 | 40 | 39 | 39 | 41 | 36 | 41 | 44 |
| 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 | 72 | 71 | 73 | 70 | 70 | 75 | 70 | 74 |
| Go Down | 4.7 | 4.9 | 5.3 | 6.5 | 4.8 | 3.8 | 5.3 | 4.6 |
| Expectation (%) | 3.6 | 4.0 | 3.1 | 3.2 | 3.5 | 3.3 | 3.1 | 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 | 54 | 55 | 55 | 54 | 54 | 59 | 66 | 74 |
| Go Down | 16.9 | 15.2 | 14.2 | 17.2 | 14.4 | 11.9 | 8.1 | 6.9 |
| Expectation (%) | 2.6 | 3.1 | 2.5 | 2.8 | 2.8 | 3.0 | 3.7 | 4.1 |
| ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5) | | | | | | | | |
| Overall Index | 119.3 | 122.6 | 116.4 | 118.2 | 113.9 | 118.4 | 120.7 | 123.3 |
| Current Conditions | 126.2 | 127.6 | 125.8 | 127.2 | 125.8 | 127.8 | 129.2 | 131.7 |
| Future Conditions | 114.7 | 119.3 | 110.2 | 112.2 | 106.0 | 112.1 | 115.0 | 117.7 |

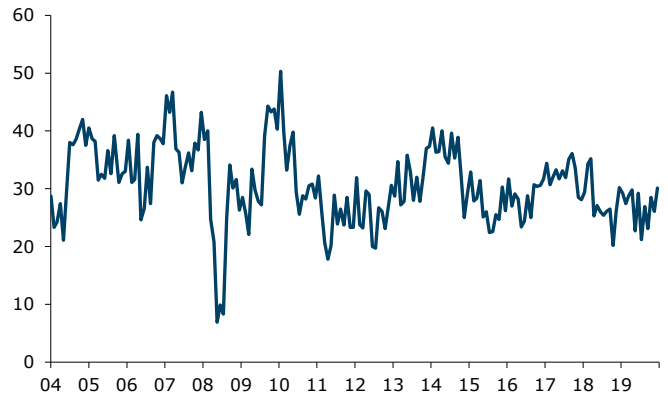


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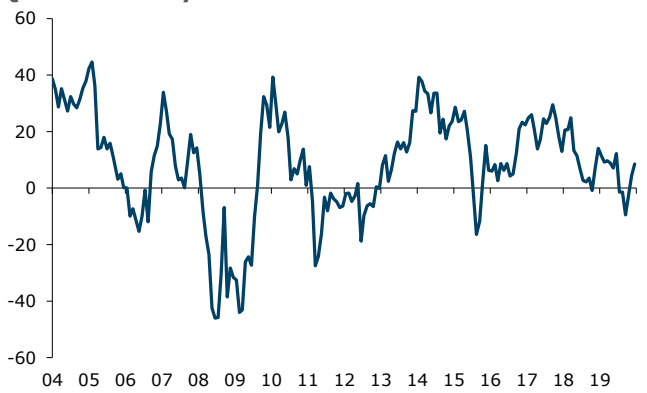
Q1. Better off past year



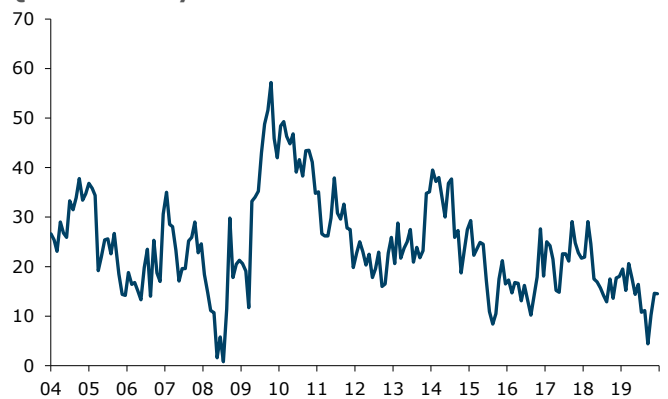
Q2. Better off next year



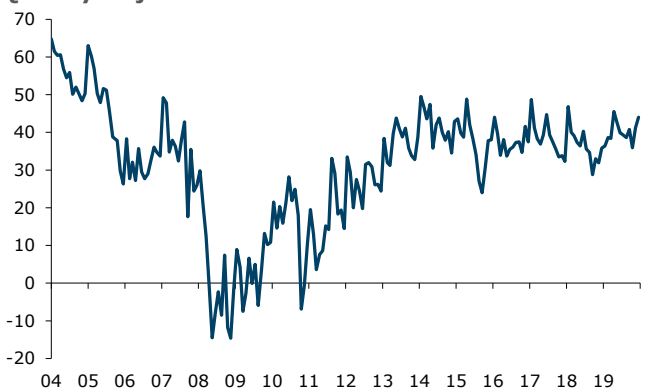
Q3. NZ economy 12 months' time



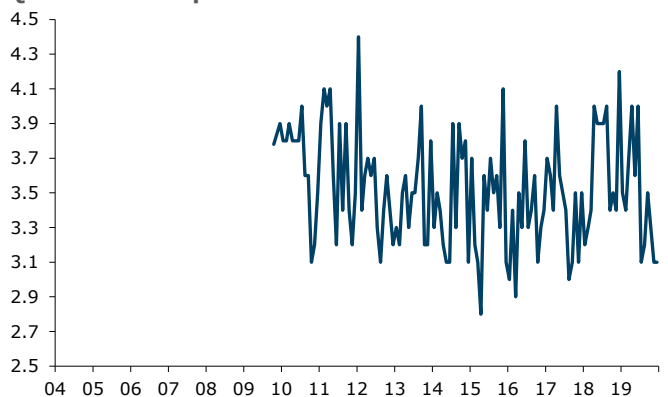
Q4. Outlook 5 years ahead



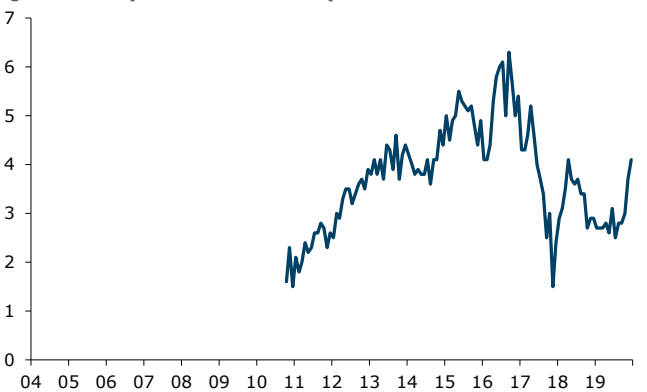
Q5. Buy major household item



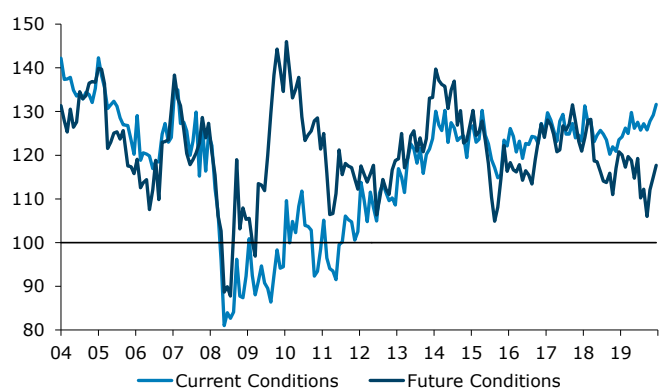
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ Research, Roy Morgan



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