

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

May 2017

CONTACT

Cameron Bagrie
Chief Economist

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

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 16 June 2017 at 1pm.

LEG-UP

SUMMARY

- Consumer sentiment is still up and running; confidence lifted in May.
- The level adds up to good times ahead across the economy.
- **Consumers' view of their financial position** lifted to the highest level since the global financial crisis; **that's positive for near-term spending momentum.**
- Expectations of both inflation and house prices eased.

The three-month back-up in consumer confidence was replaced by a pick-me-up in May. The ANZ-Roy Morgan Consumer Confidence Index lifted from 121.7 to 123.9. The long-run average is 119. Sentiment is not only up; it's on the positive side of the ledger.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

The Current Conditions Index lifted 5 points while the Future Conditions Index was unchanged.

- **Consumers' view of their own financial position fired up to the highest level since the global financial crisis.** A net 16% feel better off financially compared with a year ago, up from a net 9% in April. A net 39% are eying up buying a major household item.
- **Forward-looking indicators barely budged.** Net optimism towards the economy one year out went from +14 to +17, and when assessing the five-year outlook, optimism was unchanged at +15. Respondents' views regarding their own financial situation in 12 months' time were little changed at +32 versus +33 last month.
- **Seasonally adjusted estimates showed a 4 point lift in headline confidence,** a 9 point rise in current conditions, and a 3 point increase in future conditions.

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

It's 'bottoms up' for consumers.

- The unemployment rate has fallen to 4.9%.
- **Firms' biggest challenge is getting staff.** Job ads are up strongly on a year ago.
- Beyond lifts in prices for food, petrol and housing, inflation is tame. That helps protect the savings nest egg.
- Auckland house price momentum might be sputtering but most of the rest of New Zealand is doing okay.
- Tax rate tweaks are likely to be dangled in the upcoming Budget.

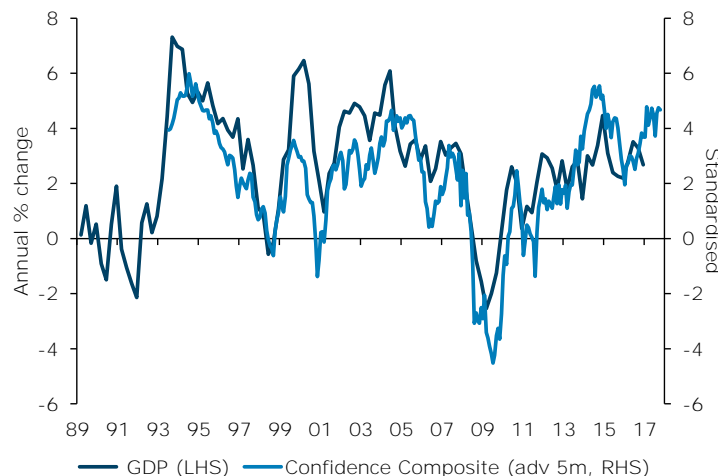
So what could upset things?

- Headline inflation has popped to 2.2% and necessary items (housing, food etc) are rising faster than the 'fun' items (international travel, clothing, audio equipment etc). Attention will swivel to whether wages rise to at least match it, to maintain purchasing power.
- Chicken Little's perennial fear that something could go awry in the property market could yet be realised. Candidates are a global event or rapid-fire lifts in interest rates from the RBNZ *a la* 1997 and 2007. That **said, there's** been a strong negative correlation between house price expectations and confidence levels for 25-34 year olds of late: not everyone would consider housing market weakness a bad thing.
- The RBNZ is not hiking, but retail borrowing rates are being pressured to rise nonetheless as banks scramble for deposits. Though that benefits savers, it is not great news for borrowers.

It adds up to business as usual. We're seeing monthly tilting in consumer sentiment rather than clear trends; elevation remains the overriding story.

Our confidence composite gauge (which combines business and consumer sentiment, and so covers both the production and spending sides of the economy) **continues to flag good economic momentum.** Consumer confidence and firms' own activity expectations are north of average, meaning prospects are the same for GDP growth.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ

House price inflation expectations reversed last month's rise, dropping from 5.2% to 4.6%. Inflation expectations eased from 4.0% to 3.6%.

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Survey Summary	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
No. of Interviews	1,001	1,002	1,005	1,000	1,000	1,004	1,000	1,000

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	35	36	36	34	37	35	35	38
Worse Off	25	23	24	23	22	22	26	21
Net Balance	11	13	13	11	15	13	9	16

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	44	45	46	48	47	48	48	46
Worse Off	13	14	14	13	16	16	14	15
Net Balance	30	31	32	34	31	32	33	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	43	45	45	46	48	44	37	41
Bad Times	22	22	23	21	22	23	23	23
Net Balance	21	23	22	25	26	21	14	17

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	47	42	44	45	44	36	38
Bad Times	22	19	24	19	21	23	21	23
Net Balance	18	28	18	25	24	22	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	54	59	58	65	59	56	56	58
Bad Time to Buy	20	17	20	16	18	18	19	19
Net Balance	35	42	38	49	41	38	37	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	65	67	67	66	73	69	73	73
Go Down	7.5	4.2	5.9	6.4	4.1	6.1	3.1	4.3
Expectation (%)	3.1	3.3	3.4	3.7	3.6	3.4	4.0	3.6

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?

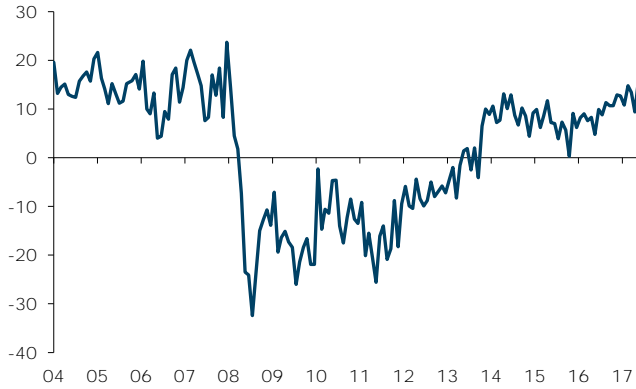
Go Up	78	71	70	68	67	69	70	66
Go Down	8.2	10.2	11.3	11.6	12.4	12.0	11.2	10.9
Expectation (%)	5.7	5.0	5.4	4.3	4.3	4.6	5.2	4.6

ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)

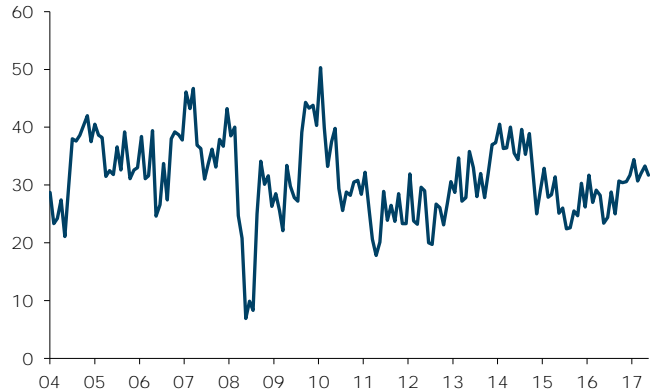
Overall Index	122.9	127.2	124.5	128.7	127.4	125.2	121.7	123.9
Current Conditions	122.7	127.3	125.1	129.8	128.0	125.9	123.2	127.8
Future Conditions	123.1	127.2	124.1	128.1	127.0	124.8	120.8	121.2

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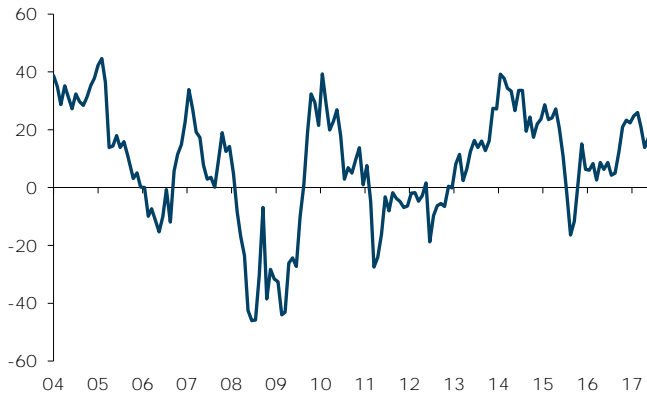
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



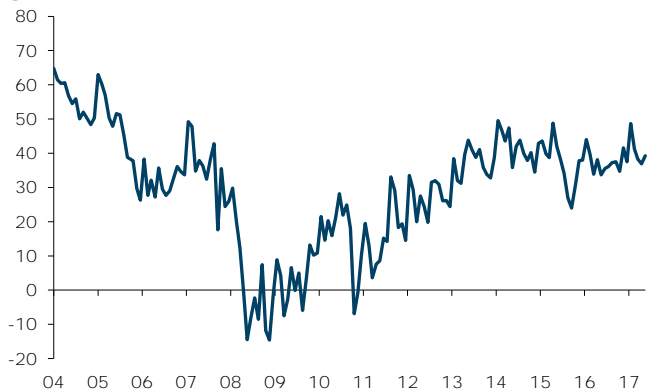
Q3. NZ ECONOMY 12 MONTHS TIME



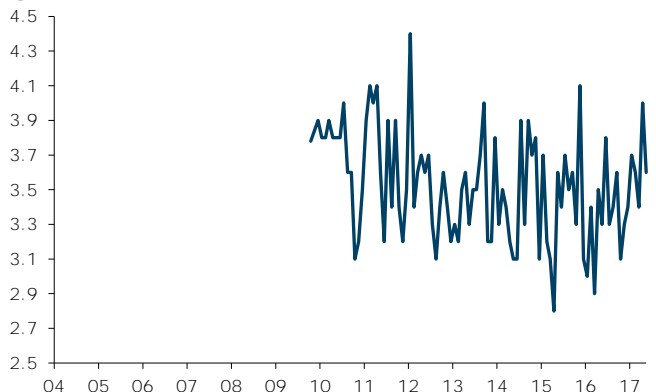
Q4. OUTLOOK 5 YEARS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



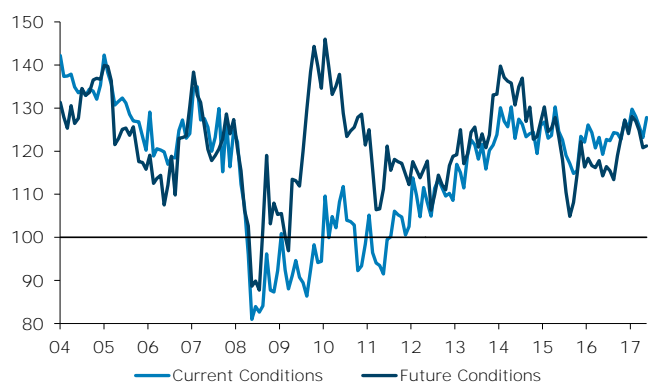
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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