

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

April 2018

CONTACT

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 1 June 2018 at 10am.

FEELING A BIT AVERAGE

SUMMARY

- Consumer confidence dropped 7.5 points to 120.5 in April, sitting slightly above its historical average.
- Both current and future conditions indexes fell, the latter by more.
- A strong labour market, low interest rates and a steady housing market are supporting sentiment. Nonetheless, consumers appear to be feeling a little less bullet-proof, consistent with our view the saving rate will lift.

Consumers appear to have mixed views at present. The ANZ-Roy Morgan Consumer Confidence Index fell 7.5 points from 128.0 to 120.5 in April. This is just above the average of the series since its inception in 2004. On a seasonally adjusted basis the story was similar: the index fell 8 points to 118.7.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ, Roy Morgan

The Current Conditions Index fell 5 points to 123.1 in April, while the Future Conditions Index fell 9 points to 118.7. The former is above average, the latter a touch below it, but both remain within the range prevailing over recent years.

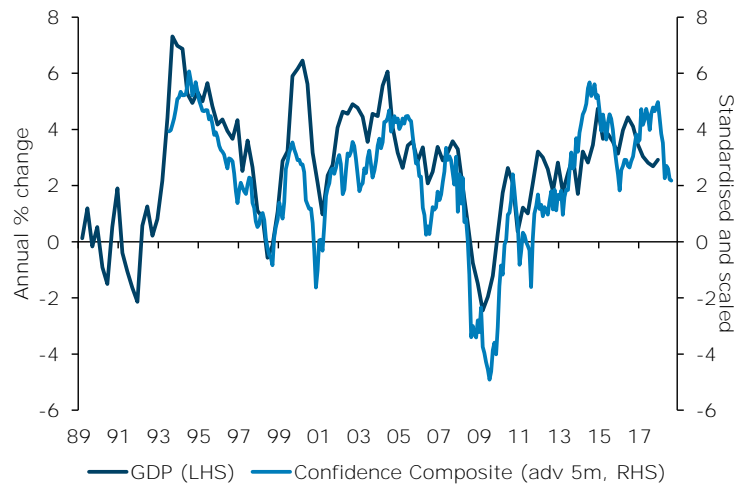
- Consumers' **perceptions of** their current financial situation dipped 7 points to a net 9% feeling financially better off than a year ago.
- A net 25% of consumers expect to be better off financially this time next year, down 10 points.
- A net 37% say **it's a good time to buy a major household item**, down 2 points. This is still strong and bodes well for durables spending.
- Perceptions regarding the **next year's** economic outlook fell a sharp 12 points to +13%, back to its December low. The five-year outlook eased 7 points from +25% to +18%, the lowest since May last year.
- Confidence fell in every region. Wellington remains the most confident region, while confidence in Canterbury fell 13 points to be the weakest.
- National house price expectations lifted from 3.5% to 4.1% and are strongest amongst Wellingtonians (4.9%). Inflation expectations lifted from 3.4% to 4.0% and are strongest in Auckland. Apart from 1-month spikes in January 2012 and November 2015, nationwide inflation expectations, while volatile, have been in a 3-4% range since mid-2011.

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Consumer confidence has dipped, with the catalyst not immediately clear. The labour market is strong, wages look set to rise, and the housing market is relatively steady. The fall appears to reflect increased wariness of what the future may bring; perceived current conditions remain strong.

Our confidence composite gauge (which combines business and consumer sentiment, and so covers both the production and spending sides of the economy) is consistent with 2-3% GDP growth, about par for this stage of the cycle, depending on population growth.

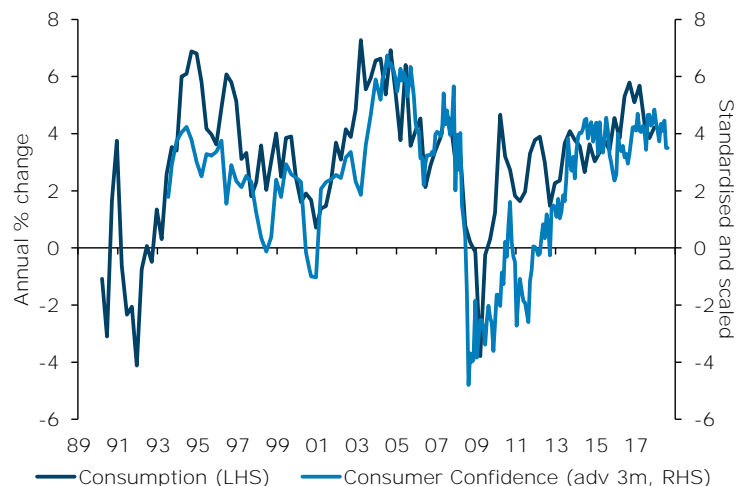
Figure 2. GDP vs Confidence Composite



Source: ANZ, Roy Morgan, Statistics NZ

Despite the dip in April, consumer confidence remains in the broad range seen in the past few years and is still suggesting decent consumption growth. Given already record-high household debt levels relative to incomes, a consumption boom would be the last thing the economy needs. Income growth is currently pretty solid, and if this return to a more typical degree of wariness about the future leads to **modestly increased rates of saving, we'd view that as a good thing**, for all it would dampen GDP growth in the near term. Indeed, that is our forecast.

Figure 3. Consumption vs Consumer Confidence



Source: ANZ, Roy Morgan, Statistics NZ

Household inflation expectations are very volatile. But we'll be watching next month's outturn with great interest to gauge whether the April lift is just another short-lived spike or possibly the start of something more meaningful.

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Survey Summary	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18
No. of Interviews	998	1,000	1,000	1,002	999	1,000	1,002	1,005

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	39	35	35	33	33	30	34	30
Worse Off	20	21	19	18	17	15	18	21
Net Balance	19	15	15	14	16	15	16	9

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	47	46	46	46	46	48	49	44
Worse Off	11	12	17	18	16	13	14	19
Net Balance	36	34	29	28	29	34	35	25

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	44	43	44	42	41	43	45	38
Bad Times	15	18	26	29	21	23	20	24
Net Balance	30	25	18	13	21	21	25	13

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	43	43	45	44	41	47	47	39
Bad Times	14	18	22	23	19	18	22	22
Net Balance	29	25	23	22	22	29	25	18

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	53	56	62	57	55	55
Bad Time to Buy	20	22	20	23	15	17	16	17
Net Balance	36	34	34	32	47	40	39	37

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	67	66	68	70	65	68	71	75
Go Down	3.8	5.7	6.8	6.3	6.6	6.2	4.1	5.2
Expectation (%)	3.1	3.5	3.1	3.5	3.2	3.3	3.4	4.0

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?

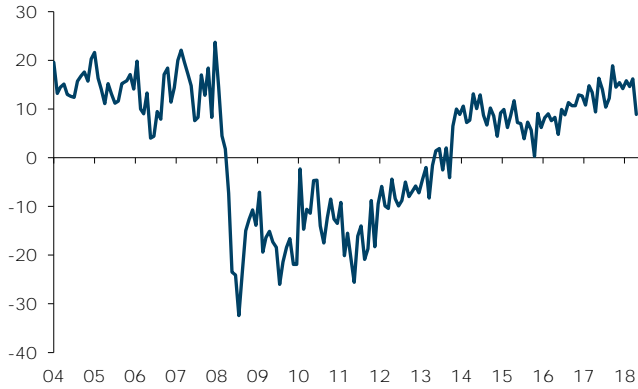
Go Up	55	55	40	49	51	54	59	62
Go Down	16.4	16.2	28.1	22.8	18.9	18.5	15.7	12.3
Expectation (%)	2.5	3.0	1.5	2.4	2.9	3.1	3.5	4.1

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

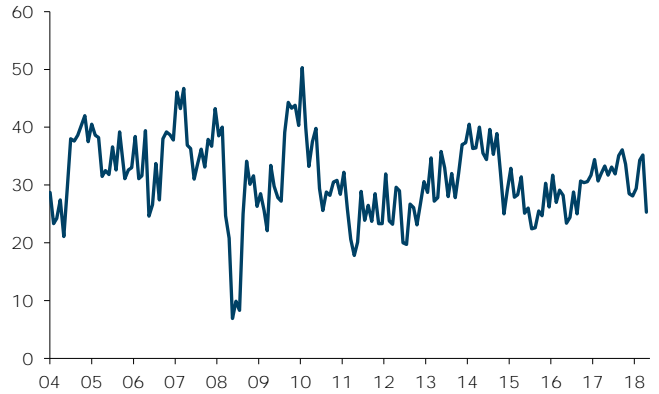
Overall Index	129.9	126.3	123.7	121.8	126.9	127.7	128.0	120.5
Current Conditions	127.3	124.0	124.6	123.3	131.3	127.3	127.7	123.1
Future Conditions	131.6	127.8	123.2	120.9	124.0	128.0	128.2	118.7

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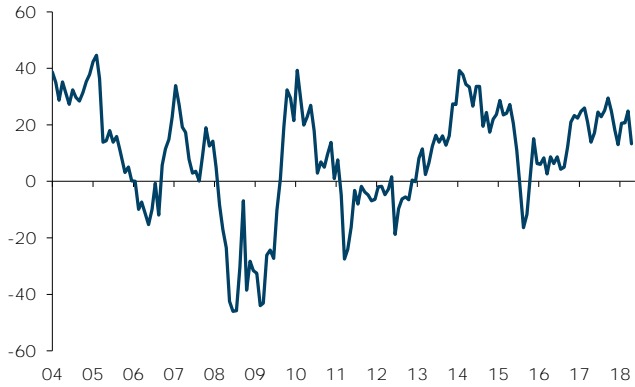
Q1. Better off past year



Q2. Better off next year



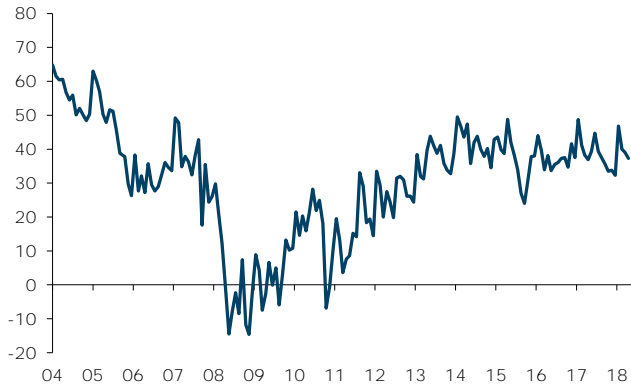
Q3. NZ economy 12 months' time



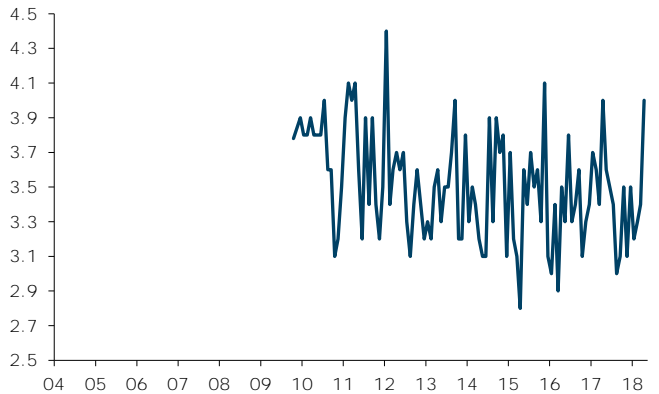
Q4. Outlook 5 years ahead



Q5. Buy major household item



Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ, Roy Morgan



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