

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE LANTERN FESTIVAL

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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 17 March 2017 at 1pm.

SUMMARY

- Consumer sentiment continues to shine brightly; the headline index eased a tad in February while the seasonally adjusted estimate lifted.
- Glowing consumer sentiment augurs well for spending trends and economic momentum.
- Inflation expectations and house price expectations were largely unchanged.

The summer might have been sub-par but consumer confidence is showing lots of energy, tracking above average. The ANZ-Roy Morgan Consumer Confidence Index eased from 128.7 to 127.4 in February (average 118). **It's normal for confidence to ease in February** as people go from holiday to work mode. Once we adjust for the seasonal aspect, consumer confidence luminescence lifted from 124.3 to 125.4.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

The Current and Future Conditions Indexes eased back from elevated readings in January (by 2 and 1 points respectively). At 128.0 and 127.0 respectively, the levels for both indexes remain historically high. Seasonally adjusted moves were up. In terms of the details:

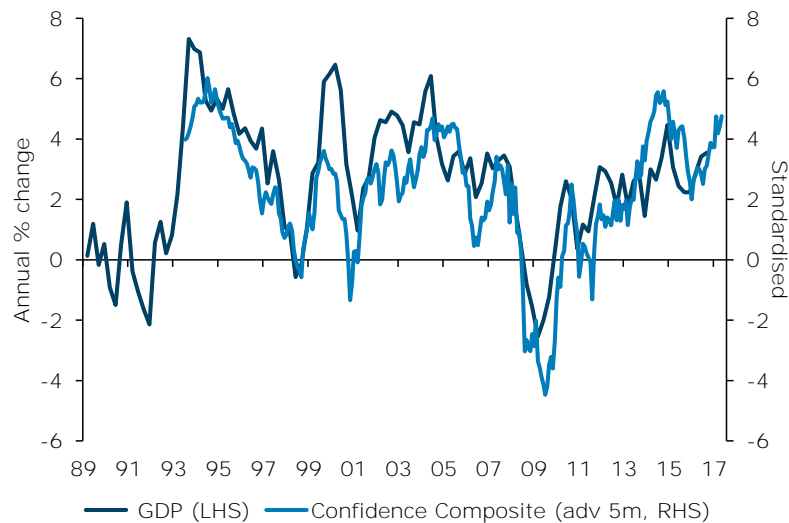
- **Indicators for near-term spending remain bright.** A net 15% feel better off financially compared with a year ago. **That's the highest reading since early 2008.** People tend to open the wallet when they feel better off. Consumer enthusiasm for buying major household items eased from +49 to +41 but has been oscillating around the 40 mark for three years.
- **Forward-looking indicators waxed and waned.** Net optimism towards the economy 1 year out lifted from +25 to +26. **Respondents' views towards their own financial situation in 12 months' time eased to a net 31% (down 3).**
- **Elevated consumer confidence readings are apparent across all regions.** Wellington is the most optimistic region, followed by Canterbury.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

The economic landscape looks pretty radiant for consumers. A high NZD is keeping imported products cheap. Wage gains might be modest but income growth is still up 4.8% on a year ago, courtesy of strong employment growth. Household (and consumer) wealth / balance sheets have been given a huge fillip courtesy of house price gains (though slowing of late). Dairy sector incomes are on the recovery path. Interest rates have risen from their lows, potentially denting borrowers' **disposable income**, but **it's** supporting depositors and savers, a group often forgotten about.

Our confidence composite gauge (which combines business and consumer sentiment) **continues to point to GDP growth accelerating north of 4%.** We don't think the economy has the anaerobic capacity to grow that fast (labour is becoming too hard to find), but the overall message is one of strong growth in prospect.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ

House price inflation expectations were unchanged at 4.3%. Expectations in Auckland fell to a 12-month low (4.1%). In contrast, expectations firmed in Wellington (up from 4.5% to 5.2%), the rest of the North Island (from 4.4% to 4.6%), and the South Island ex Canterbury (from 3.2% to 4.7%).

Inflation expectations eased from 3.7% to 3.6% and continue to oscillate, as opposed to trend.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

Survey Summary	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
No. of Interviews	1,000	1,002	1,000	1,001	1,002	1,005	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	34	37	36	35	36	36	34	37
Worse Off	25	26	25	25	23	24	23	22
Net Balance	9	11	11	11	13	13	11	15

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	44	48	44	45	46	48	47
Worse Off	16	19	18	13	14	14	13	16
Net Balance	29	25	31	30	31	32	34	31

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	36	35	39	43	45	45	46	48
Bad Times	32	30	27	22	22	23	21	22
Net Balance	4	5	12	21	23	22	25	26

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	37	37	40	40	47	42	44	45
Bad Times	23	27	26	22	19	24	19	21
Net Balance	13	10	14	18	28	18	25	24

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	57	58	57	54	59	58	65	59
Bad Time to Buy	21	20	20	20	17	20	16	18
Net Balance	36	37	38	35	42	38	49	41

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	64	61	62	65	67	67	66	73
Go Down	6.0	6.1	6.3	7.5	4.2	5.9	6.4	4.1
Expectation (%)	3.3	3.4	3.6	3.1	3.3	3.4	3.7	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?

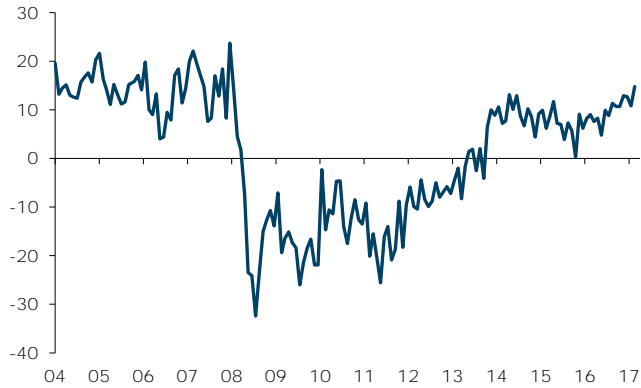
Go Up	79	72	79	78	71	70	68	67
Go Down	9.4	13.2	9.4	8.2	10.2	11.3	11.6	12.4
Expectation (%)	6.1	5.0	6.3	5.7	5.0	5.4	4.3	4.3

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

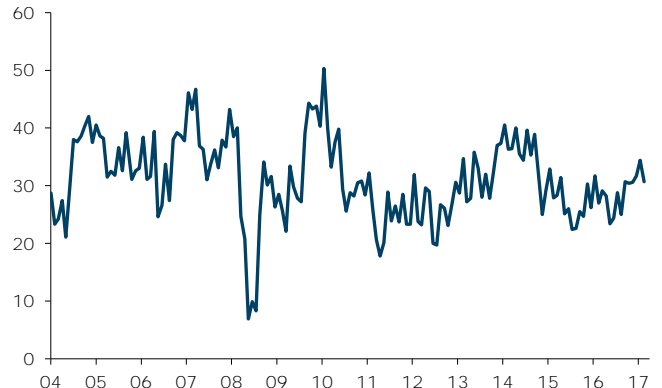
Overall Index	118.2	117.7	121.0	122.9	127.2	124.5	128.7	127.4
Current Conditions	122.5	124.3	124.1	122.7	127.3	125.1	129.8	128.0
Future Conditions	115.5	113.4	119.0	123.1	127.2	124.1	128.1	127.0

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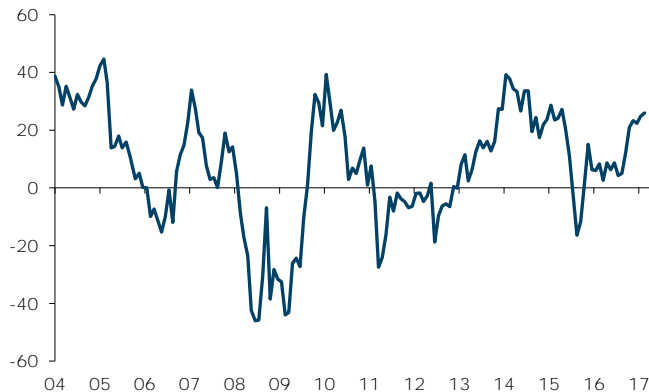
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



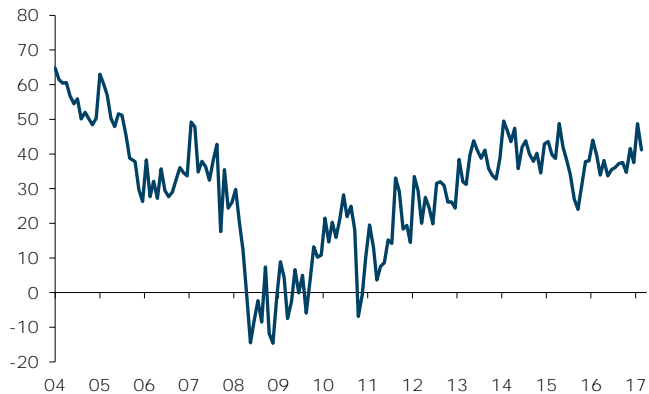
Q3. NZ ECONOMY 12 MONTHS TIME



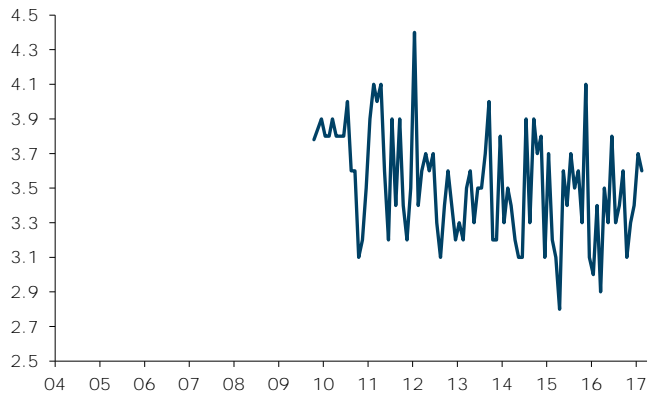
Q4. OUTLOOK 5 YEARS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



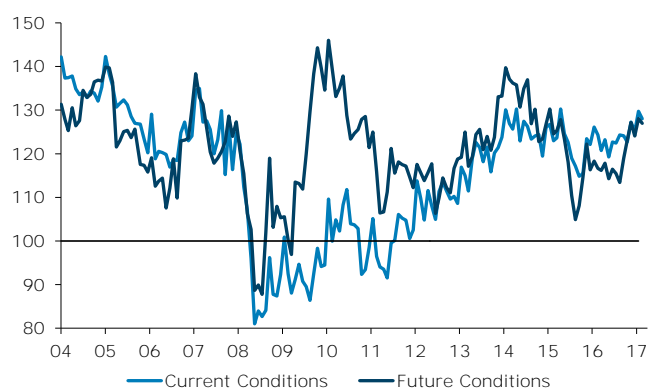
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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