

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

July 2017

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 17 August 2017 at 1pm.

STRIDING ALONG

SUMMARY

- Consumer sentiment eased in July, but remains at a strong level overall.
- Once we adjusted for seasonality, confidence lifted to the highest level since September 2014.
- Both point to a healthy pace of spending-based activity.
- House price expectations cooled further, especially in Auckland.

Consumer sentiment still had a spring in its step in July. The ANZ-Roy Morgan Consumer Confidence Index eased from 127.8 to 125.4; **that's** still the second highest result in the past five months. It also remains well above its long-run average of 119. Once we adjust for the seasonality at this time of year as the cooler months often bring the same for sentiment, the index rose one point to its highest level since September 2014.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

In terms of the details, the Current Conditions Index fell 4 points to 124.9 while Future Conditions dipped 1 point to 125.8. Again, the story was stronger in seasonally adjusted terms, with current conditions only falling 2 points and future conditions rising 3.

- **Consumers' view of their own financial position tip-toed from +14 to +10.** Views regarding their own financial situation in 12 months' time were little changed at +32 (+33 previously).
- **A net 39% believe it's a good time to buy a major household item.** That's down from 45% in June but still high.
- **Perceptions towards the economic outlook remain strong.** Net optimism towards the economy one year out dipped from +25 to +23, which is neither here nor there, and when assessing the five-year economic outlook, optimism held at +23, which is well above the average since 2015.

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Consumers' have a lot to smile about. The labour market is strong; the unemployment rate is low (and falling) and we are detecting more anecdotes of rising wage pressures – something that has clearly been missing for a number of years. Petrol prices have plunged and competitive pricing pressures in the retail sector remain, allowing the marginal dollar earned to go further. The Budget put \$2 billion on the table for families and pork barrel politics is rampant as the election looms.

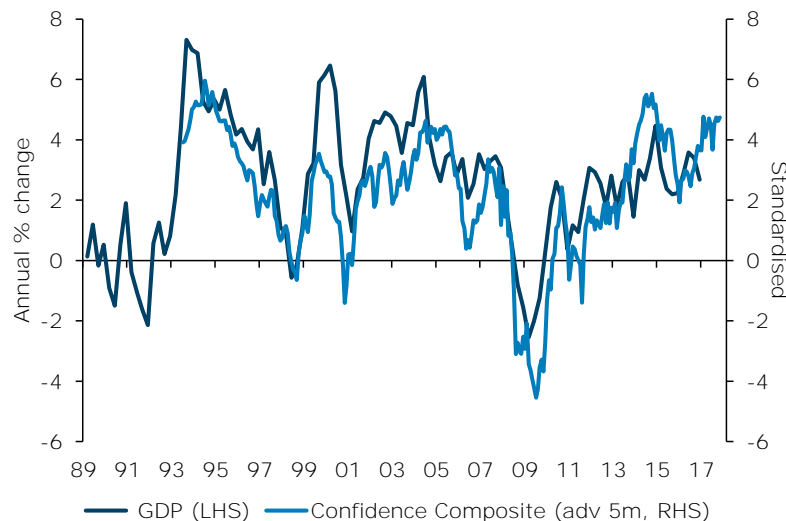
A slowdown in the property market is proving to be no Achilles heel.

Auckland is bearing the brunt of the housing slowdown although the decline in prices since January (down 4%) needs to be put in context following a 77% surge over the prior five years. **That's not much more than a drop in the bucket.** Consumer confidence in Auckland remains elevated. Outside of Auckland, house prices are performing better (rising 3% since January), although the regions **didn't see anywhere near the same** degree of surge over the prior five years. There is close concentration between the most confident region (Canterbury 126.8) and lowest (South Island excluding Canterbury 122.7). So house prices, or the divergent performance, are not having much of an impact.

Consumers' are more upbeat in New Zealand than Australia. The equivalent survey in Australia has consumer confidence at 113.0 compared to **125.4 here.** **There's been a gap in New Zealand's favour for 4 years now.** It is little wonder the migration exodus to Australia is not what it was.

Elevated consumer confidence points to an economy bopping to a steady metronome. 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 very good economic momentum.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ

Inflation expectations dipped to 3.4%. Although that is the third consecutive monthly fall, they continue to jump around in what is now quite a familiar range.

National house price expectations eased from 4.0% to 3.7% in July, the lowest since August 2014. Expectations in Auckland fell to 3.1%, the lowest since November 2011.

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Survey Summary	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
No. of Interviews	1,005	1,000	1,000	1,004	1,000	1,000	1,001	1,003

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	36	34	37	35	35	38	36	36
Worse Off	24	23	22	22	26	21	22	26
Net Balance	13	11	15	13	9	16	14	10

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	48	47	48	48	46	47	46
Worse Off	14	13	16	16	14	15	14	15
Net Balance	32	34	31	32	33	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	45	46	48	44	37	41	45	42
Bad Times	23	21	22	23	23	23	20	20
Net Balance	22	25	26	21	14	17	25	23

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	42	44	45	44	36	38	42	41
Bad Times	24	19	21	23	21	23	19	18
Net Balance	18	25	24	22	15	15	23	23

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	65	59	56	56	58	62	57
Bad Time to Buy	20	16	18	18	19	19	17	18
Net Balance	38	49	41	38	37	39	45	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	67	66	73	69	73	73	71	70
Go Down	5.9	6.4	4.1	6.1	3.1	4.3	5.1	3.9
Expectation (%)	3.4	3.7	3.6	3.4	4.0	3.6	3.5	3.4

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?

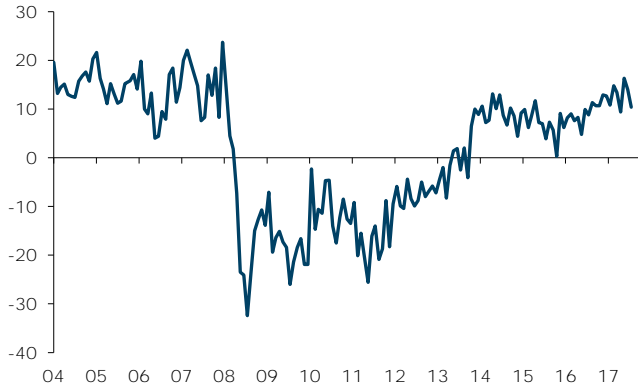
Go Up	70	68	67	69	70	66	63	64
Go Down	11.3	11.6	12.4	12.0	11.2	10.9	13.2	13.9
Expectation (%)	5.4	4.3	4.3	4.6	5.2	4.6	4.0	3.7

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

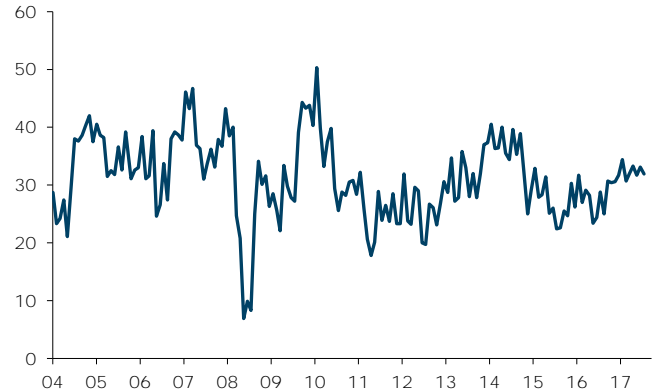
Overall Index	124.5	128.7	127.4	125.2	121.7	123.9	127.8	125.4
Current Conditions	125.1	129.8	128.0	125.9	123.2	127.8	129.4	124.9
Future Conditions	124.1	128.1	127.0	124.8	120.8	121.2	126.7	125.8

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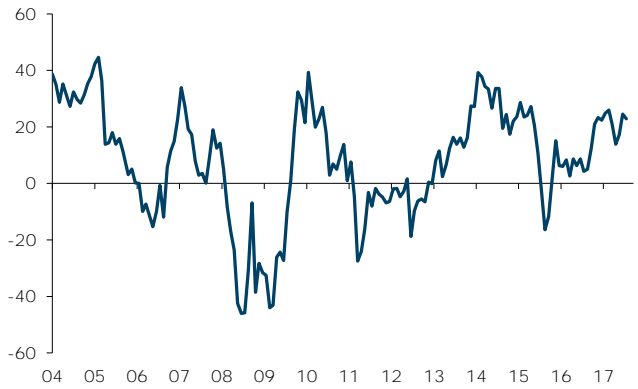
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



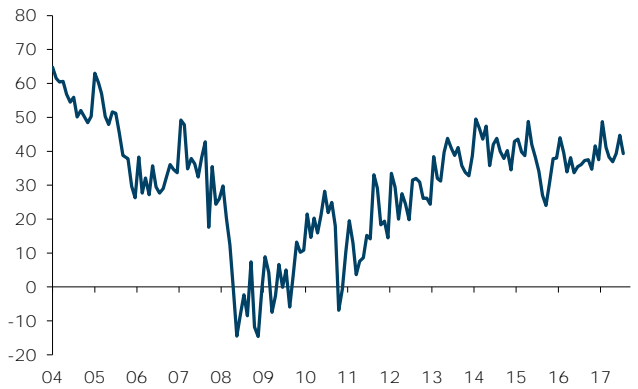
Q3. NZ ECONOMY 12 MONTHS TIME



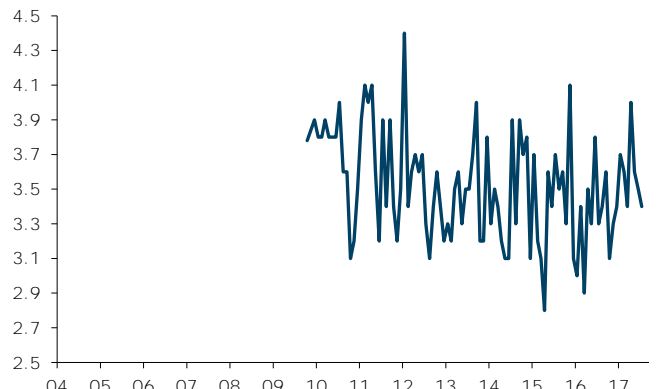
Q4. OUTLOOK 5 YEARS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



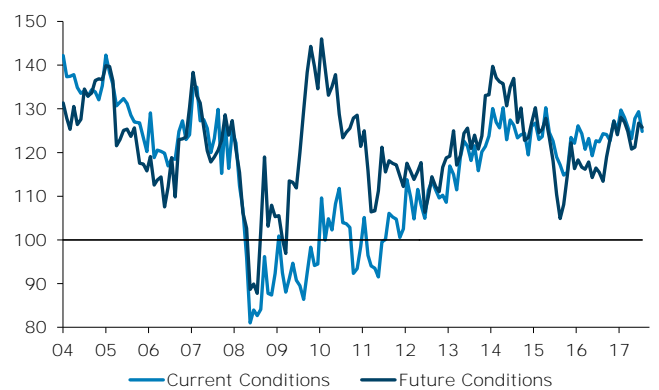
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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