

## ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

August 2018

## CONTACT

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 28 September 2018 at 10am.

## AS YOU WERE

## SUMMARY

- Consumer confidence was little changed in August, sitting around its historical average.
- Households are upbeat about current conditions but remain a little cautious about the outlook. Disquiet is focused on prospects for the broader economy **over the next 12 months rather than households' own finances, in what is likely an echo of weak business confidence survey results.**

Consumer confidence remains about par, according to the ANZ-Roy Morgan Consumer Confidence Index, which was unchanged in August at 118, around the historical average. The Current Conditions Index fell 1 point to 124 in August, while the Future Conditions Index was unchanged at 114, below its long-run average (122).

**Figure 1. ANZ-Roy Morgan Consumer Confidence**



Source: ANZ, Roy Morgan

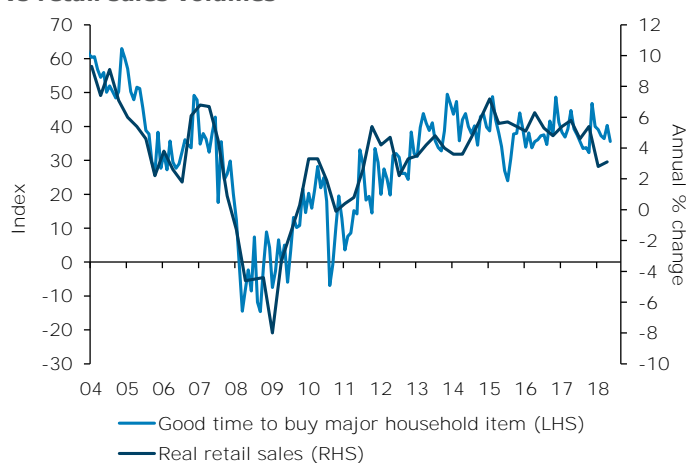
- Consumers' **perceptions** of their current financial situations slipped 2 points, with a net 12% feeling financially better off than a year ago.
- A net 26% of consumers expect to be better off financially this time next year, up 1 point.
- A net 35% say **it's a good time to buy a major household item**, down 1 point but still solid.
- Perceptions regarding the **next year's** economic outlook eased another point to +2%, the lowest reading since October 2015. The five-year outlook also dipped 1 point, to +13%.
- Wellington is by far the most confident region at 131 (-1 point). Confidence fell 2 points in Auckland to be in last place at 113.
- Expectations for national house price inflation eased from 3.7% to 3.4% y/y, with the bounce losing steam. The South Island ex-Canterbury is in the lead at 4.8%, while Canterbury is weakest at 2.4%.
- General inflation expectations ticked up a smidgen to 4.0% – they have been fairly steady around these levels since taking a step up in March.

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Consumer confidence has been relatively steady around average levels in recent months. Perceptions of current conditions remain strong, reflecting a tight labour market. However, there is a degree of caution about the future, more about the economy as a whole **than respondents' own financial** situations. This reflects that confidence about the economic outlook is probably something of an echo chamber between households and firms.

The current level of consumer confidence – and whether respondents think **it's** a good time to buy a major household item – is still supportive for spending (figure 2). This level is not a bad compromise between the need to increase household saving, and a more challenging outlook for retail firms who are also dealing with disruption and weak pricing power.

**Figure 2. ANZ-Roy Morgan Consumer Confidence: good time to buy major item vs retail sales volumes**

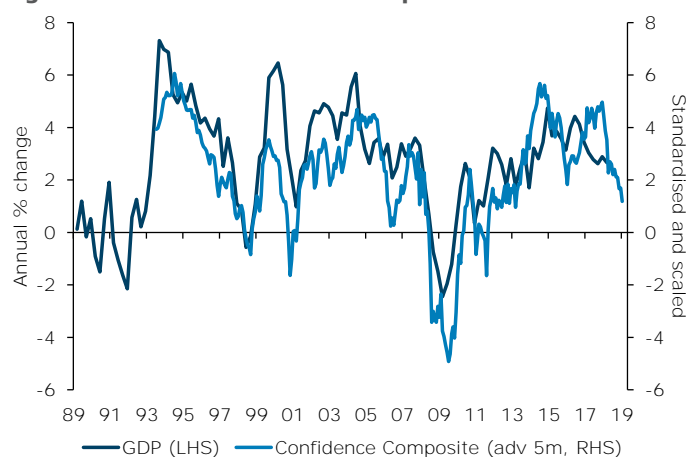


Source: ANZ, Roy Morgan, Statistics NZ

Despite consumer confidence holding up, our confidence composite gauge (which combines business expectations and intentions with consumer **sentiment**) has fallen, due to lower business survey metrics. **It's suggesting a deceleration in GDP growth by year end** (figure 3).

We suspect the economy may indeed struggle over the second half of the year, as firms defer investment and employment decisions. The economy is transitioning and some areas of the policy landscape remain uncertain. But the economy still has much going for it – not least of which is a decent fiscal stimulus later this year – and we expect it will muddle through.

**Figure 3. GDP vs Confidence Composite**



Source: ANZ, Roy Morgan, Statistics NZ

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Survey Summary	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18
No. of Interviews	999	1,000	1,002	1,005	998	1,002	1,009	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	33	30	34	30	33	33	34	34
Worse Off	17	15	18	21	20	21	20	22
<b>Net Balance</b>	<b>16</b>	<b>15</b>	<b>16</b>	<b>9</b>	<b>13</b>	<b>11</b>	<b>14</b>	<b>12</b>

**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	49	44	46	44	43	45
Worse Off	16	13	14	19	19	18	18	19
<b>Net Balance</b>	<b>29</b>	<b>34</b>	<b>35</b>	<b>25</b>	<b>27</b>	<b>26</b>	<b>25</b>	<b>26</b>

**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	41	43	45	38	38	36	33	32
Bad Times	21	23	20	24	26	30	30	30
<b>Net Balance</b>	<b>21</b>	<b>21</b>	<b>25</b>	<b>13</b>	<b>12</b>	<b>7</b>	<b>3</b>	<b>2</b>

**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	41	47	47	39	41	41	38	36
Bad Times	19	18	22	22	24	26	24	23
<b>Net Balance</b>	<b>22</b>	<b>29</b>	<b>25</b>	<b>18</b>	<b>17</b>	<b>16</b>	<b>14</b>	<b>13</b>

**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	62	57	55	55	53	57	55	53
Bad Time to Buy	15	17	16	17	17	16	19	18
<b>Net Balance</b>	<b>47</b>	<b>40</b>	<b>39</b>	<b>37</b>	<b>36</b>	<b>40</b>	<b>36</b>	<b>35</b>

**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	68	71	75	75	78	78	77
Go Down	6.6	6.2	4.1	5.2	3.6	3.8	4.2	3.6
<b>Expectation (%)</b>	<b>3.2</b>	<b>3.3</b>	<b>3.4</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>	<b>3.9</b>	<b>4.0</b>

**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?

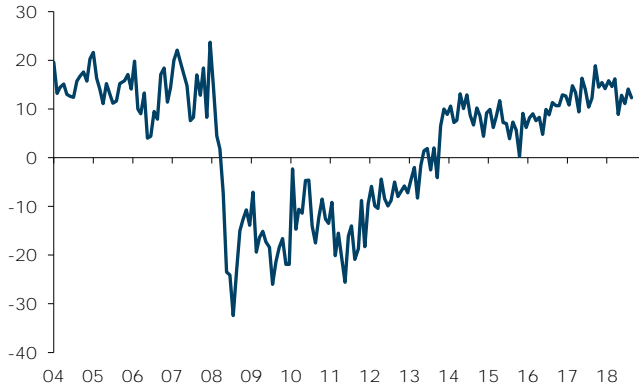
Go Up	51	54	59	62	63	63	59	57
Go Down	18.9	18.5	15.7	12.3	11.0	11.4	10.8	13.1
<b>Expectation (%)</b>	<b>2.9</b>	<b>3.1</b>	<b>3.5</b>	<b>4.1</b>	<b>3.7</b>	<b>3.6</b>	<b>3.7</b>	<b>3.4</b>

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

<b>Overall Index</b>	<b>126.9</b>	<b>127.7</b>	<b>128.0</b>	<b>120.5</b>	<b>121.0</b>	<b>120.0</b>	<b>118.4</b>	<b>117.6</b>
Current Conditions	131.3	127.3	127.7	123.1	124.6	125.7	124.9	123.5
Future Conditions	124.0	128.0	128.2	118.7	118.5	116.2	114.1	113.7

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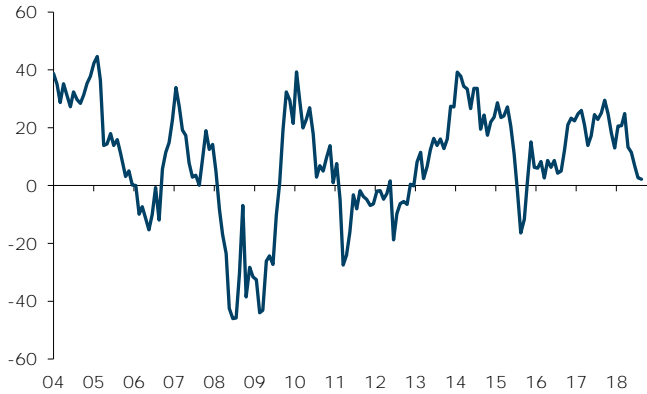
**Q1. Better off past year**



**Q2. Better off next year**



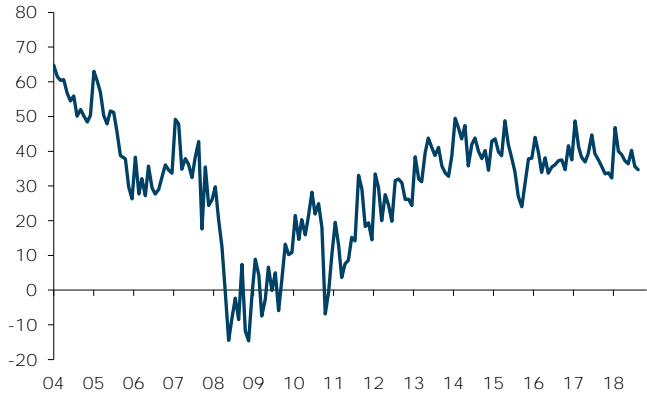
**Q3. NZ economy 12 months' time**



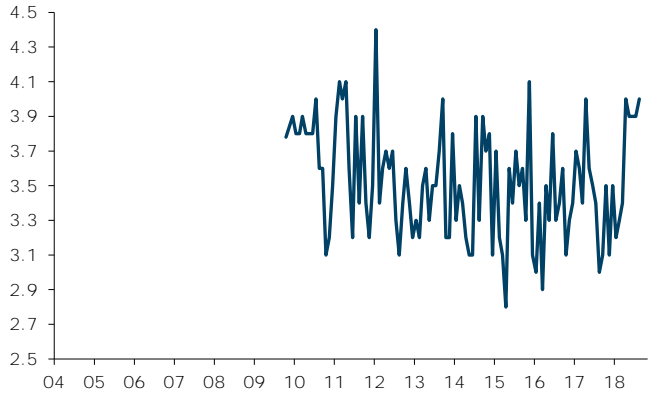
**Q4. Outlook 5 years ahead**



**Q5. Buy major household item**



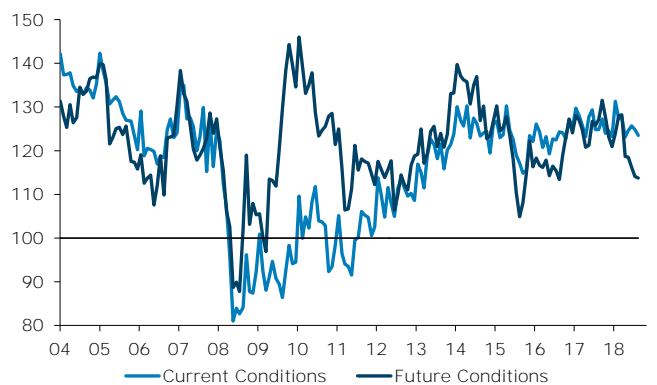
**Q6. Inflation expectations**



**Q7. House price inflation expectations**



**Current vs future conditions**



Source: ANZ, Roy Morgan



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