

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE TWINKLE TOES

August 2016

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 16 September 2016 at 1pm.

SUMMARY

- Consumer sentiment barely budged in August, remaining elevated.
- The survey continues to point to an allongé economic expansion.
- Consumers remain upbeat about their current conditions, though appear more cautious towards the future.
- House price expectations eased back, most notably in Auckland.

The ANZ-Roy Morgan Consumer Confidence Index dipped a smidgen in August from 118.2 to 117.7. Our seasonally adjusted estimate showed a small rise. So we still have a picture of aplomb.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

The clearest trend in confidence across the sub-questions that make up consumer confidence is the lack of one. Confidence is down from its highs, but to extrapolate that into a trend is a bit of a leap.

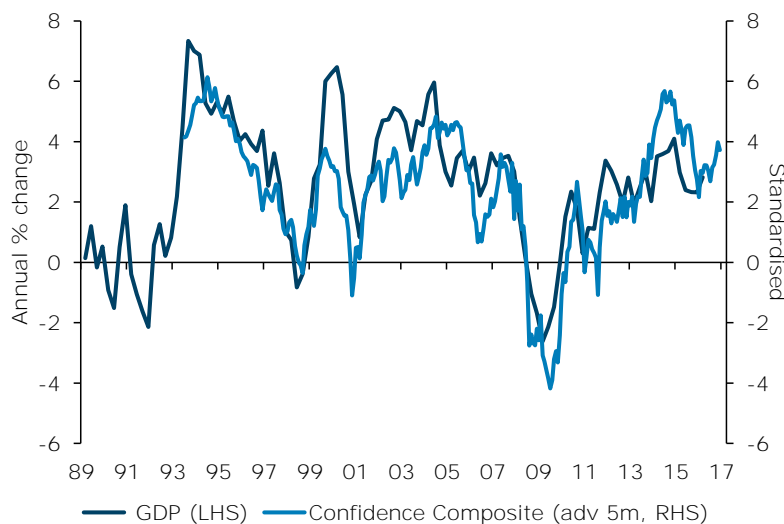
- **Consumers feel better off financially today, which is a good sign for allégro-style spending tomorrow.** A net 11% feel better off compared to a year ago, up a touch on last month's reading of +9 (our seasonally adjusted estimate went from +11 to +12).
- **The ballerina at the ball remains consumers' enthusiasm to buy a major household item, which stands at a net 37%.** That's elevated, but not surprising with the strong NZD keeping prices low.
- **Forward-looking indicators continue to wax and wane.** A net 25% expect to be better off financially in 12 months' time, down 4 points on the month prior. Net optimism regarding the short-term economic outlook was up, but confidence regarding the long-term economic outlook was down. Movements were largely seasonal.
- **The Current Conditions Index rose from 122.5 to 124.3, while the Future Conditions Index eased from 115.5 to 113.4.** The former sits above "the centre" (average) while the latter is below. A softening in future conditions is not in itself something to worry about, but it does flag that consumers are increasingly of the view that this is as good as it gets.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

The economic choreography looks respectable so it's of little surprise to see consumer confidence holding at an elevated level. Unemployment has fallen to 5.1%. House prices are rising rapidly and it's broad-based across regions. Inflation is low. A key risk to the economy – low dairy incomes – is being worked through, with global dairy prices showing welcome signs of recovery. A high NZD remains a boon for consumers, though it's a headwind for exporters.

The economy is caught between adagio and allégo. Our confidence composite gauge (which combines business and consumer sentiment into one gauge) continues to flag a solid-to-strong pace of GDP growth over the coming months. Three to four percent real GDP growth is on offer. That would mark the sixth year of economic expansion. It's looking like an allongé economic cycle.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ

House price expectations pirouetted. They are still expected to rise strongly, but at a more moderate rate of 5%. This was largely an Auckland virtuoso, where expectations eased from 8.4% to 5.5%. That's still above the rest of the country though. While tighter loan-to-value ratio restrictions have yet to be enacted in a formal sense, they are being applied immediately and we may be seeing some early response. That said, the fact it was Auckland alone where house price expectations eased up suggests local factors are at play. After surging so far, Auckland's housing market needs to consolidate. Either way, it will be welcome to the Reserve Bank, but whether it is the beginning of the housing boom finale remains to be seen.

Inflation expectations continue to oscillate, this month lifting from 3.3% to 3.4%. This measure is volatile and has been promenading around similar levels for a while.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

Survey Summary	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
No. of Interviews	1,007	948	1,001	1,000	1,004	1,000	1,000	1,002

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	34	34	35	31	34	34	37
Worse Off	25	25	27	26	26	24	25	26
Net Balance	8	9	8	8	5	10	9	11

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	49	43	46	46	40	43	44	44
Worse Off	17	16	17	17	17	19	16	19
Net Balance	32	27	29	28	23	24	29	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	36	39	36	37	36	39	36	35
Bad Times	30	30	33	29	30	30	32	30
Net Balance	6	8	3	9	6	9	4	5

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	40	41	39	39	40	37	37
Bad Times	24	26	24	23	26	24	23	27
Net Balance	17	15	17	17	13	16	13	10

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	59	56	56	55	56	57	58
Bad Time to Buy	18	19	22	18	21	20	21	20
Net Balance	44	40	34	38	34	36	36	37

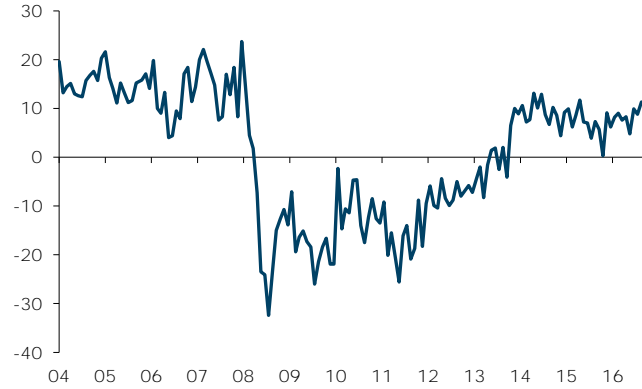
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	63	66	64	66	69	69	64	61
Go Down	6.8	6.0	8.4	5.4	6.1	4.3	6.0	6.1
Expectation (%)	3.0	3.4	2.9	3.5	3.3	3.8	3.3	3.4

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	74	74	78	81	81	79	72
Go Down	9.9	8.5	9.8	8.9	7.9	7.2	9.4	13.2
Expectation (%)	4.1	4.1	4.4	5.3	5.8	6.0	6.1	5.0

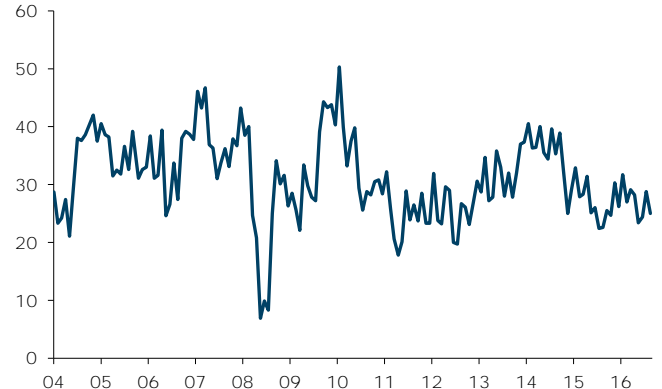
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	121.4	119.7	118.0	120.0	116.2	118.9	118.2	117.7
Current Conditions	126.1	124.3	120.8	123.2	119.3	122.7	122.5	124.3
Future Conditions	118.3	116.7	116.2	117.8	114.3	116.4	115.5	113.4

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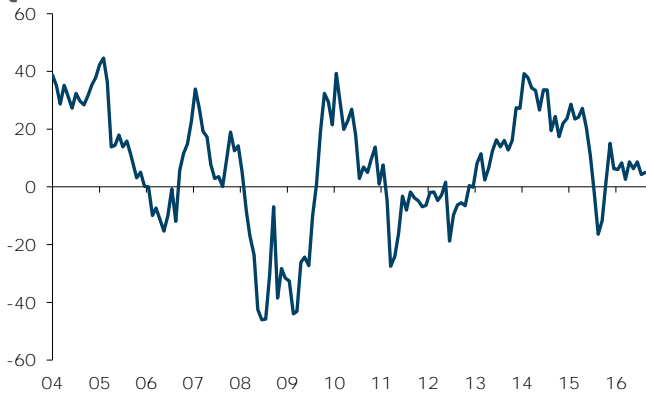
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



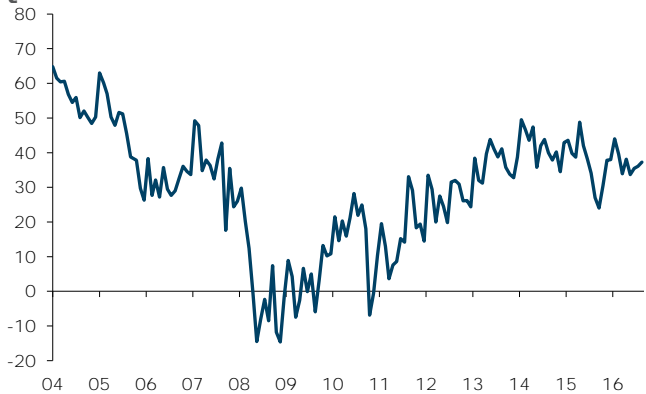
Q3. NZ ECONOMY 12MTHS TIME



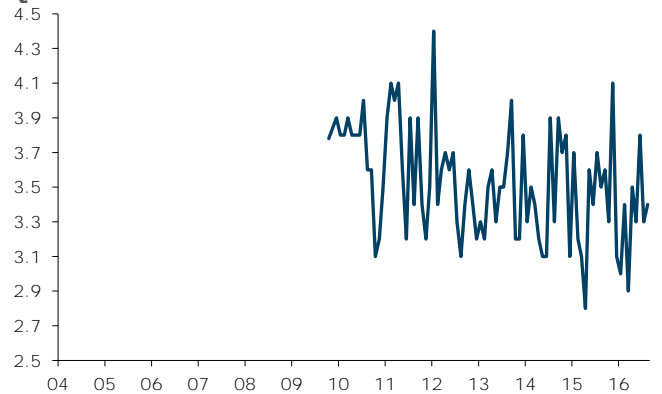
Q4. OUTLOOK 5YRS AHEAD



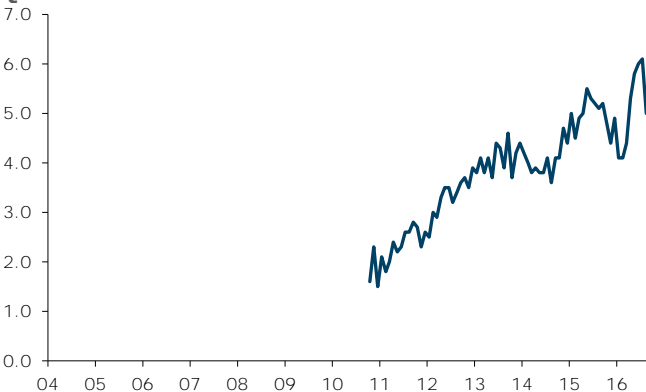
Q5. BUY MAJOR HOUSEHOLD ITEM



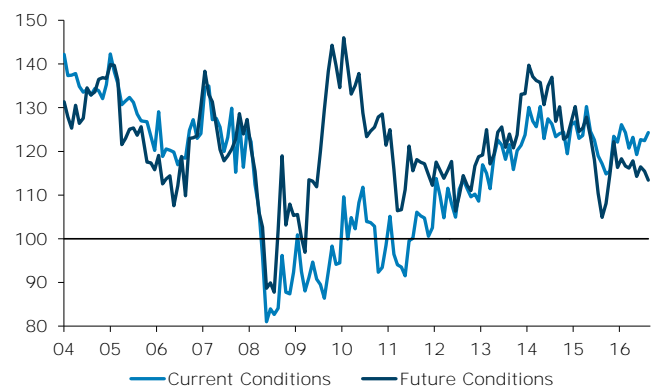
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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