

# ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE ALL SUMMER LONG

January 2016

## CONTACT

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 18 February 2016 at 1pm.

## SUMMARY

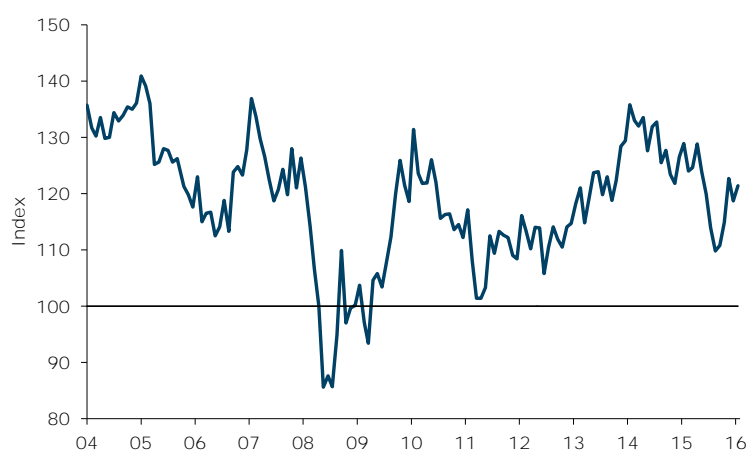
- Consumer sentiment showed good vibrations in January, although it was broadly unchanged when we remove seasonal influences.
- Such stability is notable considering the negative economic nuances from offshore to start the year. To see stability against this backdrop is a tell-tale sign the New Zealand economy has considerable localised pep.
- Prospects for the economy remain solid, amidst international turbulence.

**Surf's up, with consumer confidence remaining high.** The ANZ-Roy Morgan Consumer Confidence Index rose 3 points to 121.4 in January. Confidence was unchanged after accounting for the summer factor.

### We take three key messages from the overall result.

- **Levels count as well as the change and confidence levels are elevated.** Headline confidence is not only sitting well above the 100 "neutral" level but is in line with the historical average (119). It's still a case of "fun fun fun".
- **Negative developments offshore have failed to derail local sentiment;** for a small economy like New Zealand, this is always a risk, and a plus when it doesn't happen.
- **Solidity in sentiment is testament to the powerful local influences shaping how consumers feel.** We take that interpretation over the "head in the sand" one.

**FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE**



Source: ANZ, Roy Morgan

**The year has started horribly for the global economy.** Commodity prices are under huge downward pressure. Equity markets have been thumped. China – one of our top two trading partners (and the world's second largest economy) – appears under the pump. Financial market volatility is on the rise. **That's hardly a friendly backdrop for sentiment.**

**But the resilience of the domestic consumer can be put down to a number of factors.** We've been here before; volatility has been the new norm since the financial crisis and consumers are now far more used to swings and roundabouts. Someone's pain is another's gain; consumers win when

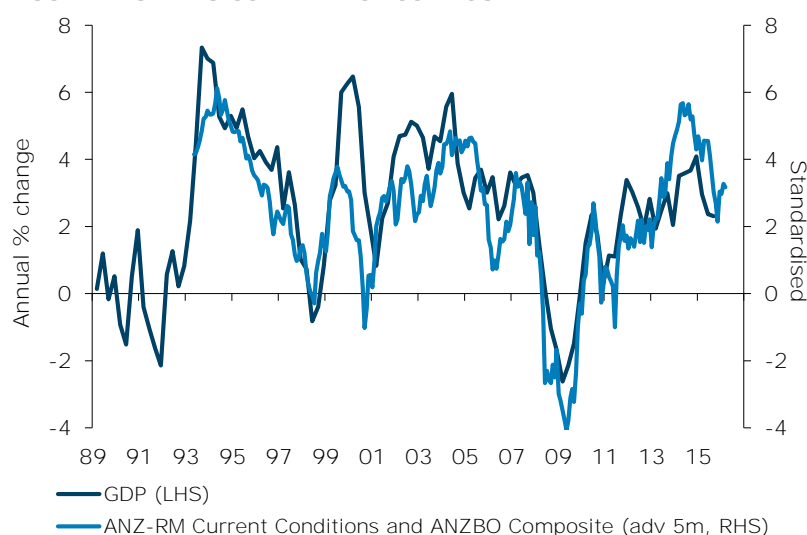
## ANZ-ROY MORGAN CONSUMER CONFIDENCE

commodity prices such as oil go down (at least initially for oil importing nations). The benefit of lower interest rates is still flowing into the economy. Regional house prices are lifting sharply. The economy clearly regained momentum in late 2015, such that job creation has picked up strongly. Competitive pressures continue to swat away the inflationary impact of a lower NZD, keeping tradable prices low; that's good for bargain hunting. Collectively it's a surfin' safari.

**But being confident does not mean we should be complacent.** As a commodity exporting nation, weak global commodity prices and slowing demand do not spell great prospects for our national earning potential. And as a debtor nation, an escalation in global credit market pressures could affect domestic funding costs. We are watching these developments closely. But as we sit here today, they are risks rather than a foregone conclusion.

**Our confidence composite points to respectable prospects for the economy heading into 2016.** Reality may yet set in, but it's far easier to navigate turbulence when you have forward momentum than not. New Zealand has that momentum.

**FIGURE 2. GDP VS CONFIDENCE COMPOSITE**



Source: ANZ, Roy Morgan

### In terms of specific detail:

- **Sentiment was flat to higher across all the sub-components of consumer confidence.** Consumers feel marginally better off financially and believe it is an even better time to buy a major household item (+44 vs +38). Views regarding the economy one and five years out were unchanged.
- **The Current Conditions Index rose 4 points to 126.1** with the Future Conditions Index up 2 points to 118.3. **The former augurs well for near-term spending trends.**
- **Nationwide house price expectations eased to 4.1%, a 15-month low. Auckland house price expectations moderated from 6.5% to 4%**, while gains were noted in Wellington, the rest of the North Island and Canterbury. **General inflation expectations were largely unchanged at 3.0% (previously 3.1%).**
- **The regional split** (using seasonally adjusted data), **shows Cantabrians as the confidence pace-setters**, followed by Aucklanders.

## ANZ-ROY MORGAN CONSUMER CONFIDENCE

Survey Summary	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16
No. of Interviews	1,000	989	1,005	1,003	1,019	999	1,032	1,007

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	32	34	34	29	34	34	33
Worse Off	26	28	27	28	29	25	28	25
<b>Net Balance</b>	<b>7</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>0</b>	<b>9</b>	<b>6</b>	<b>8</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	45	44	43	45	42	47	45	49
Worse Off	19	22	20	19	18	16	19	17
<b>Net Balance</b>	<b>26</b>	<b>22</b>	<b>23</b>	<b>26</b>	<b>25</b>	<b>30</b>	<b>26</b>	<b>32</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	34	27	28	34	44	38	36
Bad Times	30	36	43	39	32	29	32	30
<b>Net Balance</b>	<b>11</b>	<b>-2</b>	<b>-16</b>	<b>-12</b>	<b>2</b>	<b>15</b>	<b>6</b>	<b>6</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	42	38	38	37	40	45	42	41
Bad Times	25	27	29	26	23	24	26	24
<b>Net Balance</b>	<b>17</b>	<b>11</b>	<b>8</b>	<b>11</b>	<b>18</b>	<b>21</b>	<b>17</b>	<b>17</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	58	55	54	53	53	58	58	62
Bad Time to Buy	20	21	27	29	23	20	20	18
<b>Net Balance</b>	<b>38</b>	<b>34</b>	<b>27</b>	<b>24</b>	<b>31</b>	<b>38</b>	<b>38</b>	<b>44</b>

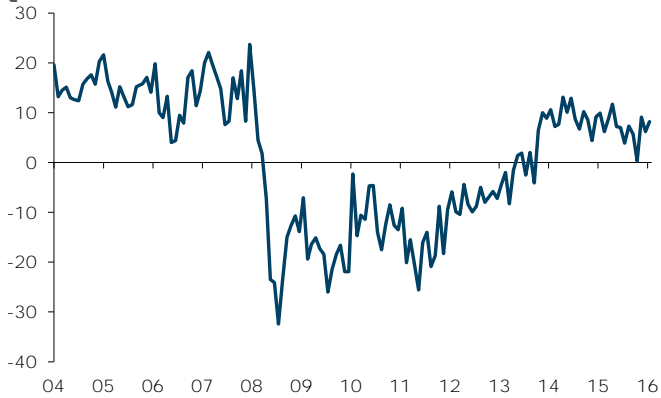
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	66	73	69	66	68	65	62	63
Go Down	6.4	4.6	4.6	7.6	5.6	7.8	8.4	6.8
<b>Expectation (%)</b>	<b>3.4</b>	<b>3.7</b>	<b>3.5</b>	<b>3.6</b>	<b>3.3</b>	<b>4.1</b>	<b>3.1</b>	<b>3.0</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	75	76	77	70	72	71	71	70
Go Down	9.1	8.7	7.5	9.7	10.1	10.7	9.5	9.9
<b>Expectation (%)</b>	<b>5.3</b>	<b>5.2</b>	<b>5.1</b>	<b>5.2</b>	<b>4.8</b>	<b>4.4</b>	<b>4.9</b>	<b>4.1</b>

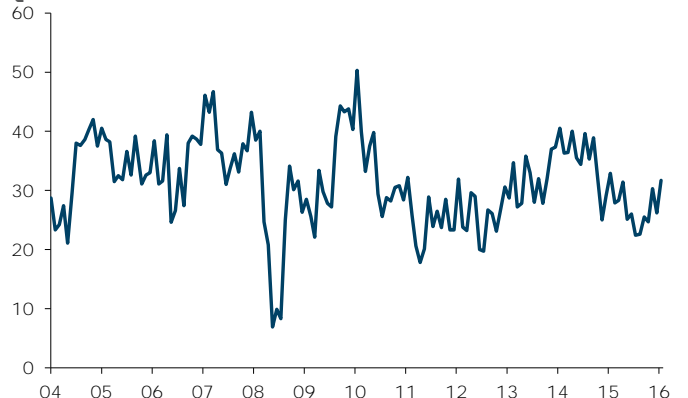
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
<b>Overall Index</b>	<b>119.9</b>	<b>113.9</b>	<b>109.8</b>	<b>110.8</b>	<b>114.9</b>	<b>122.7</b>	<b>118.7</b>	<b>121.4</b>
Current Conditions	122.6	119.0	117.2	114.9	115.4	123.5	122.1	126.1
Future Conditions	118.1	110.4	104.9	108.1	114.6	122.2	116.3	118.3

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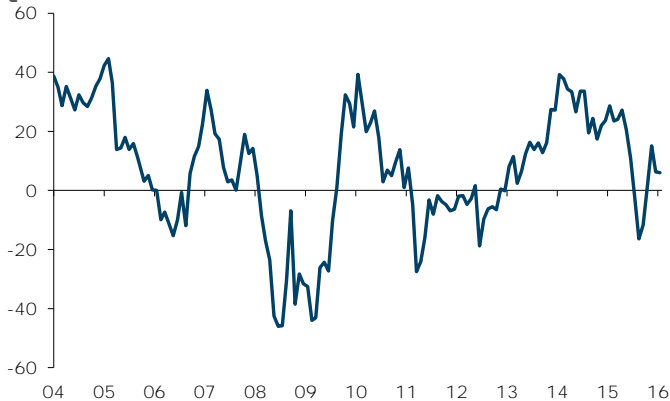
**Q1. BETTER OFF PAST YEAR**



**Q2. BETTER OFF NEXT YEAR**



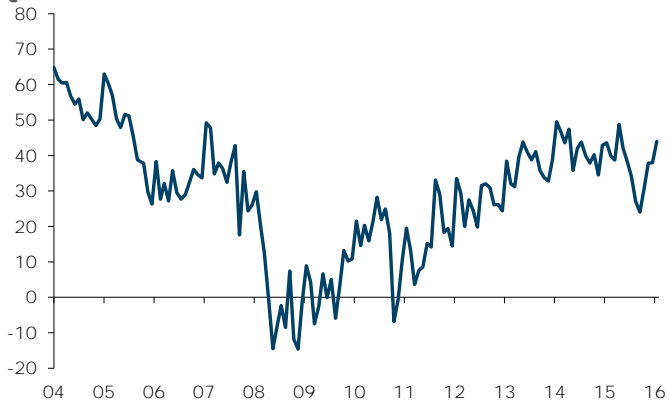
**Q3. NZ ECONOMY 12MTHS TIME**



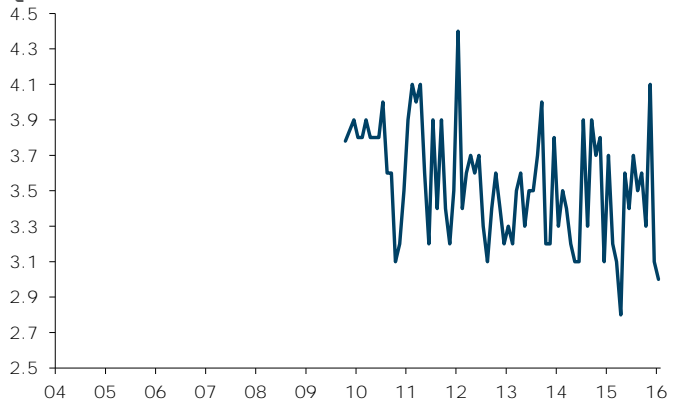
**Q4. OUTLOOK 5YRS AHEAD**



**Q5. BUY MAJOR HOUSEHOLD ITEM**



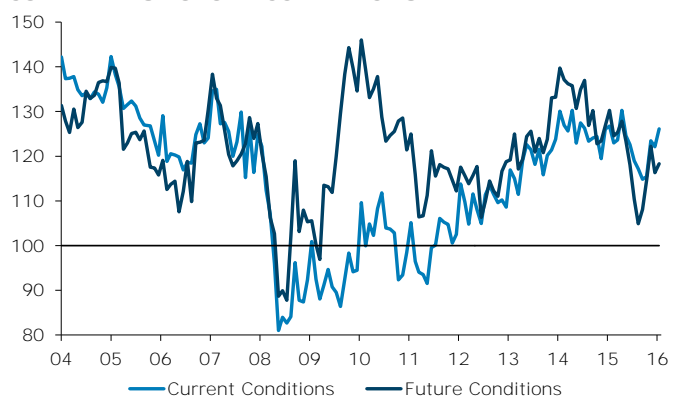
**Q6. INFLATION EXPECTATIONS**



**Q7. HOUSE PRICE EXPECTATIONS**



**CURRENT VS FUTURE CONDITIONS**



Source: ANZ, Roy Morgan



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