

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

April 2017

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 18 May 2017 at 1pm.

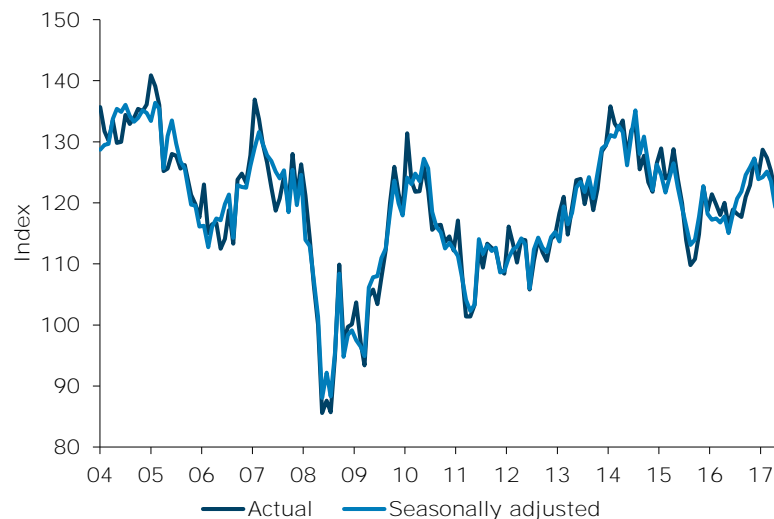
SEE-SAW

SUMMARY

- Consumer sentiment teetered lower in April. Auckland recorded the largest fall.
- **We're not reading too much into it; it's monthly yo-yo equivocation as opposed to a change in trend at this stage.**
- The level remains robust and consistent with good economic momentum.
- Inflation and house price expectations both lifted.

Consumer confidence hit the back button in April. The ANZ-Roy Morgan Consumer Confidence Index eased from 125.2 to 121.7 in April. That's **still** above average and **doesn't look** like anything more than monthly ping pong. It takes consumer confidence back to the levels seen in September last year.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

The Current and Future Conditions Indexes eased 3 and 4 points respectively. At 123.2 and 120.8, the levels for both indexes remain respectable. In terms of the details:

- **Consumers still feel better off, though marginally less so.** A net 9% feel better off financially compared with a year ago, down from a net 13% last month. There was little flip-flop in enthusiasm to buy a major household item; it barely budged, moving from +38 to +37. **It's been dilly-dallying around the 40 mark for three years now.**
- **Forward-looking indicators tottered lower.** Net optimism towards the economy one year out eased from +21 to +14 and when assessing the five-year outlook, was marked lower from +22 to +15. However, **respondents' views towards their own financial situation in 12 months' time lifted a touch to a net +33%.**
- **Consumer confidence swung lower in Auckland.**

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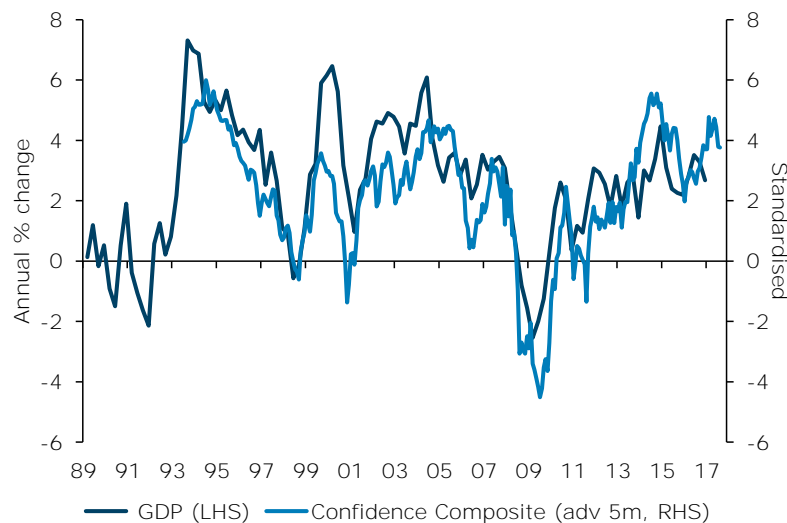
A likely reason behind the easing confidence is a slow-down in the property market, notably in Auckland. While annual house price inflation figures are still showing positive numbers, more timely quarterly figures show house prices are down in the region, and this goes straight into perceptions about feeling better off or not. And there are growing expectations that interest rates are going to be moving up too, if ANZ's Business Outlook survey is anything to go by; a net 65% expect the next move to be up.

But such factors are a blip in the overall scheme of things. Jobs remain aplenty. Wages are set to sway higher. A moderating housing market and higher interest rates are a critical part of the recipe for extending the good times for all. Too often the New Zealand economy has failed to 'see' the warning signs associated with too much Kool-Aid at the top of the cycle, and subsequently 'saw' the consequences.

So we'll take an oscillating pattern for consumer confidence at elevated levels as a continuation of the merry-go-round.

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 good economic momentum.** Consumer confidence and firms' own activity expectations are north of average. Prospects are the same for GDP growth.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ

Despite a slowing housing market, house price inflation expectations lifted again – weighing on first home buyer aspirations. The move from 4.6% to 5.2% is not a major surprise but the 18-24 year age group came in at 8.5%, which is the highest seen in this group since the series began.

Inflation expectations hit 4.0% for the first time in 17 months. This is the first move upwards after two falls (in a volatile series) so we won't get too excited just yet, but it reflects similar sentiment from the business sector.

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

Survey Summary	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17
No. of Interviews	1,000	1,001	1,002	1,005	1,000	1,000	1,004	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	36	35	36	36	34	37	35	35
Worse Off	25	25	23	24	23	22	22	26
Net Balance	11	11	13	13	11	15	13	9

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	48	44	45	46	48	47	48	48
Worse Off	18	13	14	14	13	16	16	14
Net Balance	31	30	31	32	34	31	32	33

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	39	43	45	45	46	48	44	37
Bad Times	27	22	22	23	21	22	23	23
Net Balance	12	21	23	22	25	26	21	14

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	40	40	47	42	44	45	44	36
Bad Times	26	22	19	24	19	21	23	21
Net Balance	14	18	28	18	25	24	22	15

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	54	59	58	65	59	56	56
Bad Time to Buy	20	20	17	20	16	18	18	19
Net Balance	38	35	42	38	49	41	38	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	62	65	67	67	66	73	69	73
Go Down	6.3	7.5	4.2	5.9	6.4	4.1	6.1	3.1
Expectation (%)	3.6	3.1	3.3	3.4	3.7	3.6	3.4	4.0

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?

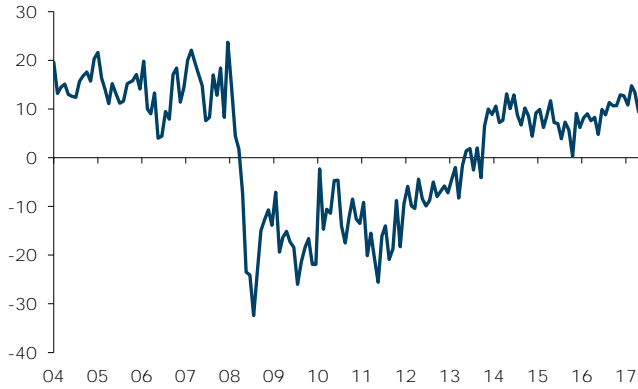
Go Up	79	78	71	70	68	67	69	70
Go Down	9.4	8.2	10.2	11.3	11.6	12.4	12.0	11.2
Expectation (%)	6.3	5.7	5.0	5.4	4.3	4.3	4.6	5.2

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

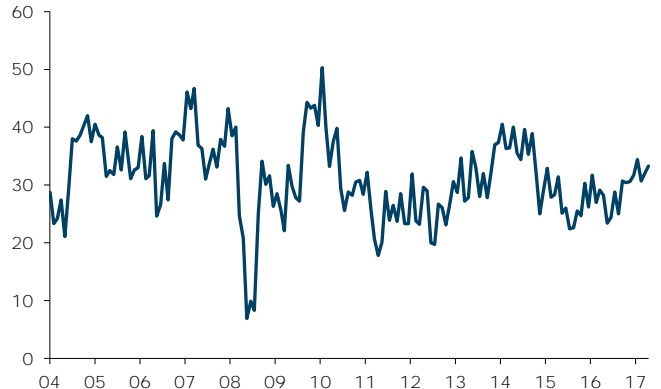
Overall Index	121.0	122.9	127.2	124.5	128.7	127.4	125.2	121.7
Current Conditions	124.1	122.7	127.3	125.1	129.8	128.0	125.9	123.2
Future Conditions	119.0	123.1	127.2	124.1	128.1	127.0	124.8	120.8

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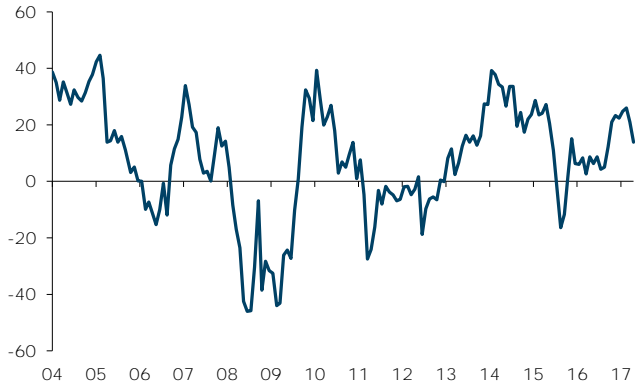
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



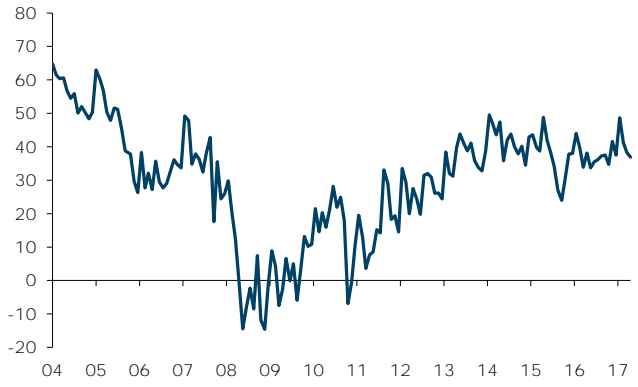
Q3. NZ ECONOMY 12 MONTHS TIME



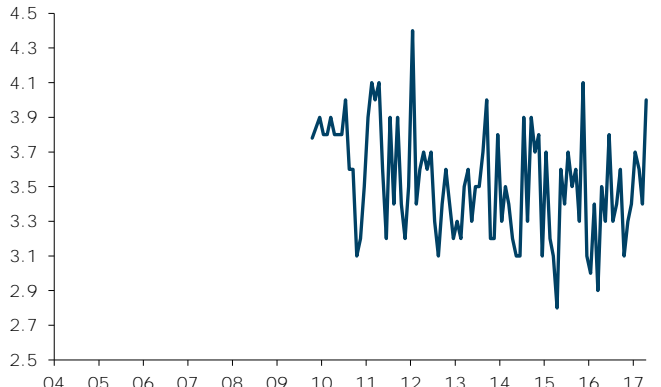
Q4. OUTLOOK 5 YEARS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



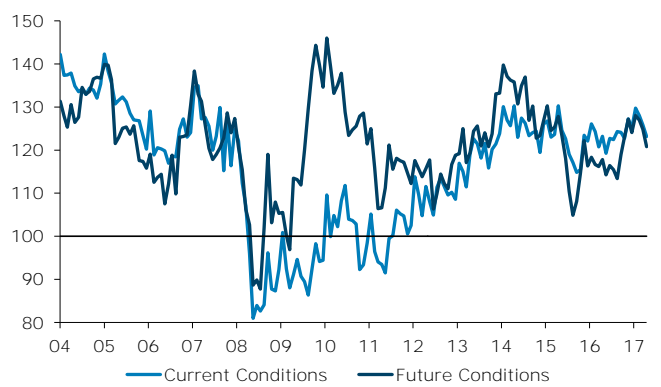
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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