

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE HAPPY CAMPER

June 2016

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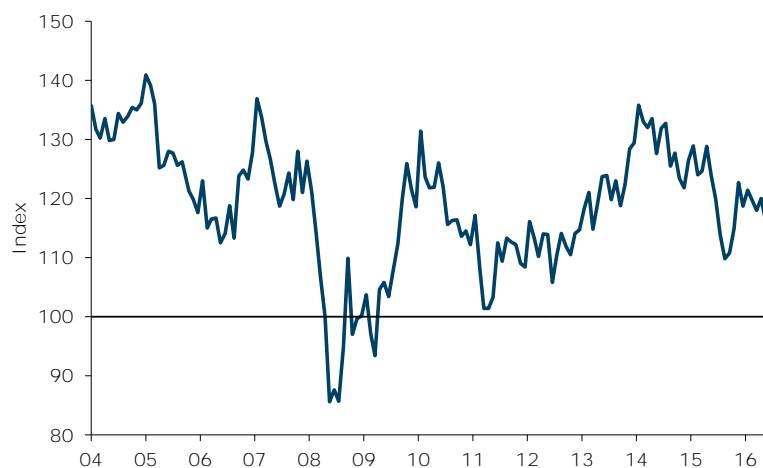
The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 14 July 2016 at 1pm.

SUMMARY

- Consumer sentiment rebounded in June to levels in line with historical averages.
- Sentiment is holding firm, and together with business sector equivalents, is consistent with a reasonable hum of positivity across the economy.
- House price expectations rose once again, hitting a new high.

Consumers continue to have a spring in their step. The ANZ-Roy Morgan Consumer Confidence Index bounced 3 points in June to 118.9, which is in line with its historical average. In seasonally adjusted terms confidence rose from 115 to 117, reversing May's dip. The winter sniffles have been kept at bay.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

Improvement was evident across all elements of the June survey. Key results include:

- **Consumers feel better off financially.** A net 10% feel better off compared with a year ago, which is the highest in over a year. An improving labour market and strong house price growth are clear feel-good factors.
- **A net 36% believe it is a good time to buy a major household item.** That's up 2 points from May. No surprises there; when you feel wealthier, the wallet tends to open up. And the high NZD makes offshore goods cheap.
- **Forward-looking indicators also had a 'whistle while you work' feel.** Net optimism regarding both the short-term and longer-term economic outlook rose, from +6 to +9 and from +13 to +16 respectively. Both are within recent ranges, but add to the positive vibe.
- **The Current Conditions and Future Conditions indices rose by 4 points and 2 points respectively.** In seasonally adjusted terms, both recorded small rises. We wouldn't go as far as to say consumers are on cloud nine, but there is certainly a happy-go-lucky tone.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

From a regional perspective, Auckland recorded the largest lift in confidence, to also be the most optimistic of the regions. Wellington confidence fell from high levels, but still took second place.

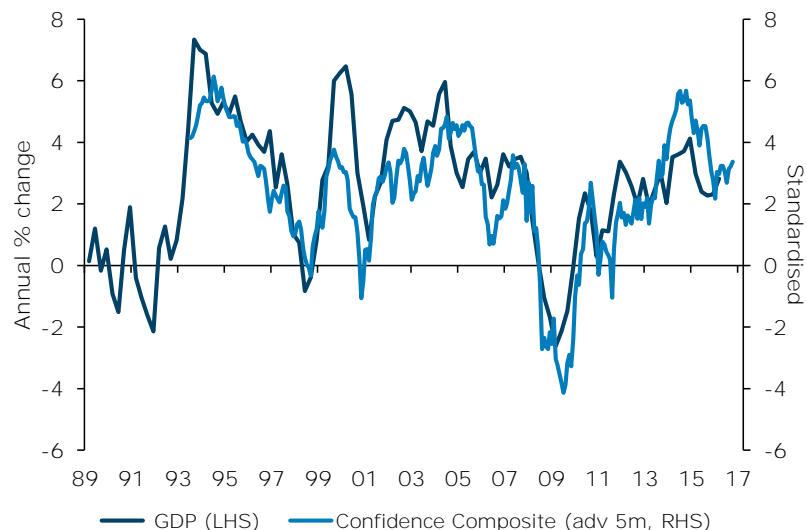
With consumer sentiment hitting a seven-month low in May, the pre-winter sniffles were threatening to turn into a full-blown cold.

The bounce in sentiment in June suggests consumers have kept the germs at bay. We've stocked up on the vitamin C, stoked the fire, put on some woolly socks and are now feeling toasty and warm. The New Zealand economy is chugging along pretty well, despite clear strains in the dairy sector and the unease offshore. Even higher petrol prices have failed to make a dent. The domestic labour market continues to strengthen and Auckland house price love is now being shared by almost all other regions. The RBNZ is still talking about lower interest rates and the stronger NZD, while an issue for exporters, makes those larger consumer purchases or overseas travel more attractive.

That could all change; there remain some key risks offshore. High levels of debt globally, China's debt levels and misallocation of resources, Brexit (to be followed by Frexit, Spexit etc?), and political fragmentation are all worrying, and could change the domestic economic landscape.

But a reasonable level of confidence is an important part of absorbing and dealing with those risks. Momentum and confidence can breed more momentum and confidence. **It is reflected in our Confidence Composite,** which continues to flag a solid-to-strong pace of growth over the coming months. It is starting to suggest a potential acceleration in growth towards 4%. There are not many economies around the world experiencing that type of momentum at present. To be fair though, New Zealand should be growing strongly; the population is rising rapidly courtesy of booming migration. It's a case of more bums on seats delivering more demand for goods and services.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan

House price expectations for the coming two years set another new high of 6.0%. Auckland led the way, although that region's expectations dipped in June to 6.7% (from 7.3%). The big mover was regional North Island, where expectations surged to 6.2% – the highest on record.

Inflation expectations lifted to 3.8% from 3.3%. This measure is volatile but it is still worth noting that's a seven-month high.

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Survey Summary	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
No. of Interviews	999	1,032	1,007	948	1,001	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	34	34	33	34	34	35	31	34
Worse Off	25	28	25	25	27	26	26	24
Net Balance	9	6	8	9	8	8	5	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	47	45	49	43	46	46	40	43
Worse Off	16	19	17	16	17	17	17	19
Net Balance	30	26	32	27	29	28	23	24

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	44	38	36	39	36	37	36	39
Bad Times	29	32	30	30	33	29	30	30
Net Balance	15	6	6	8	3	9	6	9

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	45	42	41	40	41	39	39	40
Bad Times	24	26	24	26	24	23	26	24
Net Balance	21	17	17	15	17	17	13	16

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	58	62	59	56	56	55	56
Bad Time to Buy	20	20	18	19	22	18	21	20
Net Balance	38	38	44	40	34	38	34	36

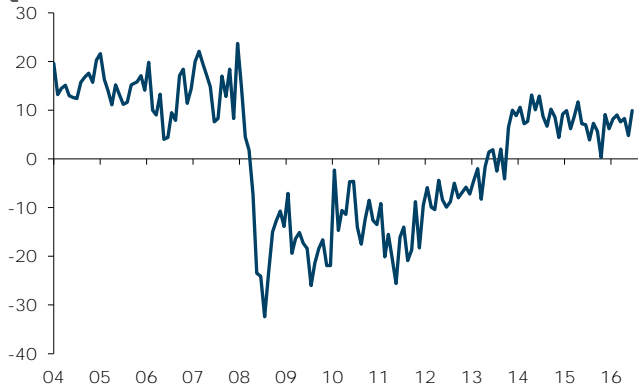
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	65	62	63	66	64	66	69	69
Go Down	7.8	8.4	6.8	6.0	8.4	5.4	6.1	4.3
Expectation (%)	4.1	3.1	3.0	3.4	2.9	3.5	3.3	3.8

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	71	71	70	74	74	78	81	81
Go Down	10.7	9.5	9.9	8.5	9.8	8.9	7.9	7.2
Expectation (%)	4.4	4.9	4.1	4.1	4.4	5.3	5.8	6.0

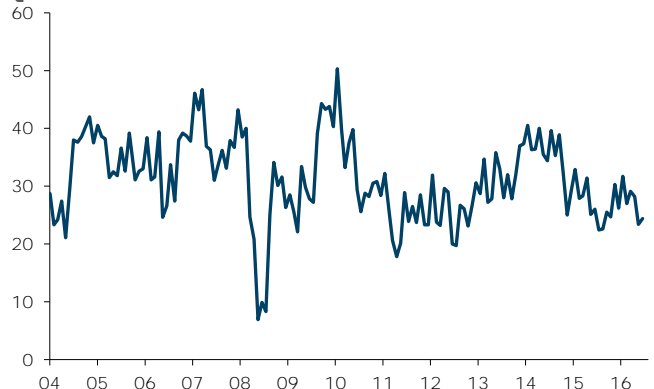
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	122.7	118.7	121.4	119.7	118.0	120.0	116.2	118.9
Current Conditions	123.5	122.1	126.1	124.3	120.8	123.2	119.3	122.7
Future Conditions	122.2	116.3	118.3	116.7	116.2	117.8	114.3	116.4

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Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



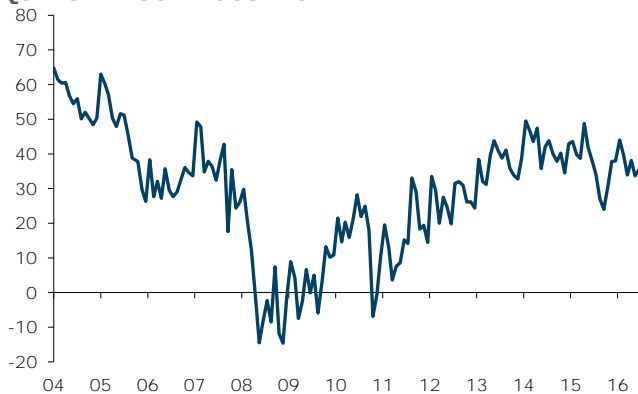
Q3. NZ ECONOMY 12MTHS TIME



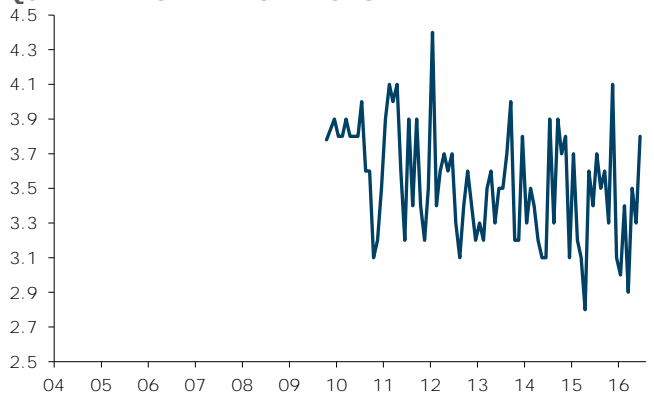
Q4. OUTLOOK 5YRS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan

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