

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE STEADY AS SHE GOES

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

SUMMARY

- Consumer sentiment was largely unchanged in February holding onto buoyant levels.
- Robust sentiment flags the same for spending trends.
- Stability in sentiment is tremendously encouraging given darkening global clouds. **It's another sign of economic resilience.**

It's steady as she goes for the New Zealand consumer. The ANZ-Roy Morgan Consumer Confidence Index remained at a decent level in February, dipping 2 points to 119.7 (to around its historical average).

For the third consecutive month, confidence was unchanged once seasonal influences are removed.

In terms of detail:

- **Confidence in the economy remained on course.** Net optimism in the economic outlook one and five years ahead rose two points and fell two points to +8 and +15 respectively. The former remains in line with its historical average and hardly points to consumers abandoning ship.
- **A net 9% of respondents are feeling financially better off than 12 months ago.** That is up one point from January. Expectations 12 months ahead eased 5 points to +27, but the level is respectable. Feeling better off financially is a necessary condition to opening the wallet; we have that.
- **A net 40% believe it is a good time to buy a major household item.** This is down 4 points from January, but is still the second highest level for the past nine months. Ahoy there!
- **The Current Conditions Index dipped 2 points to 124.3**, but is still the second highest level since June last year; a country mile from a rudderless outcome.
- **The Future Conditions Index also fell 2 points to 116.7.**
- **Confidence rose in Auckland and Wellington (in seasonally adjusted terms)**, but fell in both regional North and South Island.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

ANZ-ROY MORGAN CONSUMER CONFIDENCE

It's been a rough start to the year for the global economy. Equities and bond yields have tumbled, and credit markets have deteriorated. Chicken Little proponents have a lot (we'd say too much) to say.

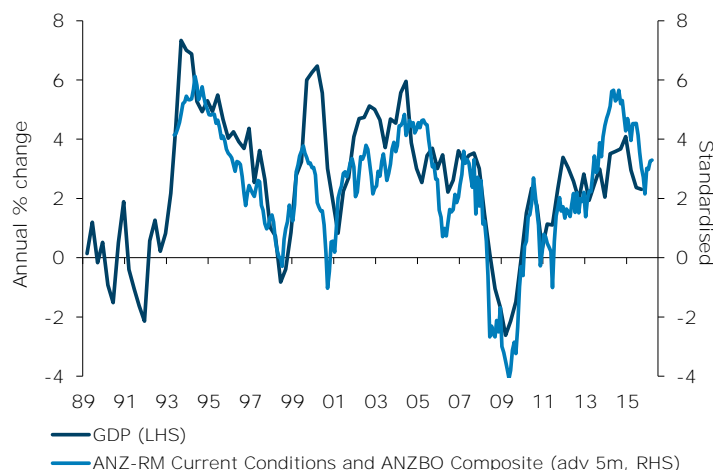
The New Zealand economy is not immune from global pressures. We are a small, commodity dependent, debtor nation. In fact, falling export prices (and not just dairy), a stubborn NZD and rising local funding costs have already delivered a meaningful tightening in local financial conditions. If sustained, it portends of more modest growth ahead.

That's a backdrop where we need to be alert to subtle shifts in sentiment locally. Movement in financial variables are one thing; people need to feel it on the ground before you see real impact. Time and time again, consumer confidence (and the business equivalent) has proven adept at picking turning points in the economy. Confidence is not the key driver of growth across the economy, but growth certainly goes AWOL when you don't have it.

The continued buoyancy of consumer sentiment is tremendously encouraging. Just as there are global headwinds to navigate, the economy has tailwinds at its back. The labour market is improving, regional housing markets are booming, and households have received a massive cash-flow boost in the form of petrol and mortgage rate falls. Beyond dairy, the tourism and construction sectors remain outperformers. Record net migration inflows are a vote of confidence in the economy more generally. Beyond this, a smaller current account deficit and reduced external debt show that the economy is more structurally ship-shape than it has been in the not-too-distant past.

Our confidence composite continues to point to respectable prospects for the economy heading into 2016. We are picking the same. There are risks to monitor and choppy global seas to navigate. Consumers appear happier in calmer local waters.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan

Regionally, (using seasonally adjusted data), confidence rose in Auckland and Wellington, the latter to a six month high. This offset falls for regional North and South Island, perhaps indicative of renewed dairy sector woes. Canterbury confidence was unchanged, but consumers there remain the most optimistic.

General inflation expectations rose to a three-month high of 3.4%, although have been wobbling around this level for some time. **Nationwide house price expectations were unchanged at 4.1%,** with increases for most regions offset by a large drop in Canterbury (to 1.5%, the lowest on record).

ANZ-ROY MORGAN CONSUMER CONFIDENCE

Survey Summary	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
No. of Interviews	989	1,005	1,003	1,019	999	1,032	1,007	948

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	32	34	34	29	34	34	33	34
Worse Off	28	27	28	29	25	28	25	25
Net Balance	4	7	6	0	9	6	8	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	44	43	45	42	47	45	49	43
Worse Off	22	20	19	18	16	19	17	16
Net Balance	22	23	26	25	30	26	32	27

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	34	27	28	34	44	38	36	39
Bad Times	36	43	39	32	29	32	30	30
Net Balance	-2	-16	-12	2	15	6	6	8

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	38	38	37	40	45	42	41	40
Bad Times	27	29	26	23	24	26	24	26
Net Balance	11	8	11	18	21	17	17	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	55	54	53	53	58	58	62	59
Bad Time to Buy	21	27	29	23	20	20	18	19
Net Balance	34	27	24	31	38	38	44	40

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	73	69	66	68	65	62	63	66
Go Down	4.6	4.6	7.6	5.6	7.8	8.4	6.8	6.0
Expectation (%)	3.7	3.5	3.6	3.3	4.1	3.1	3.0	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?

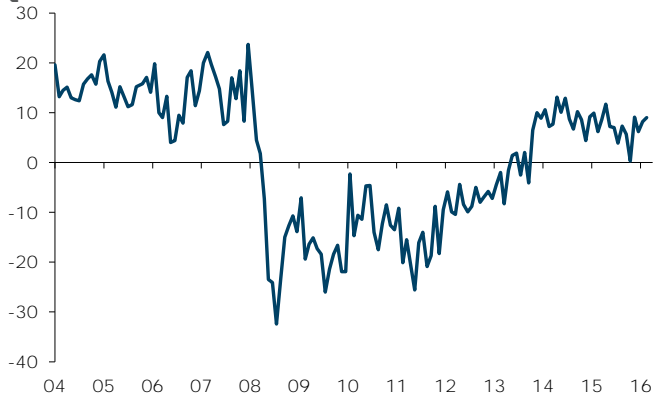
Go Up	76	77	70	72	71	71	70	74
Go Down	8.7	7.5	9.7	10.1	10.7	9.5	9.9	8.5
Expectation (%)	5.2	5.1	5.2	4.8	4.4	4.9	4.1	4.1

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

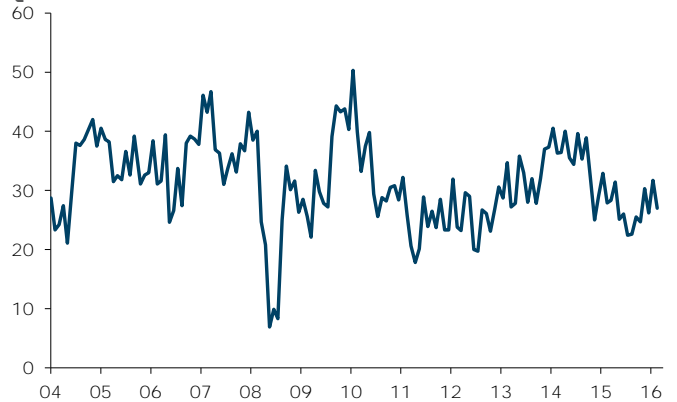
Overall Index	113.9	109.8	110.8	114.9	122.7	118.7	121.4	119.7
Current Conditions	119.0	117.2	114.9	115.4	123.5	122.1	126.1	124.3
Future Conditions	110.4	104.9	108.1	114.6	122.2	116.3	118.3	116.7

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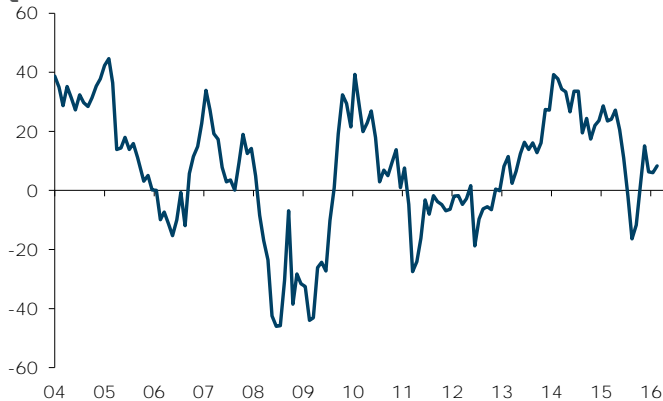
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



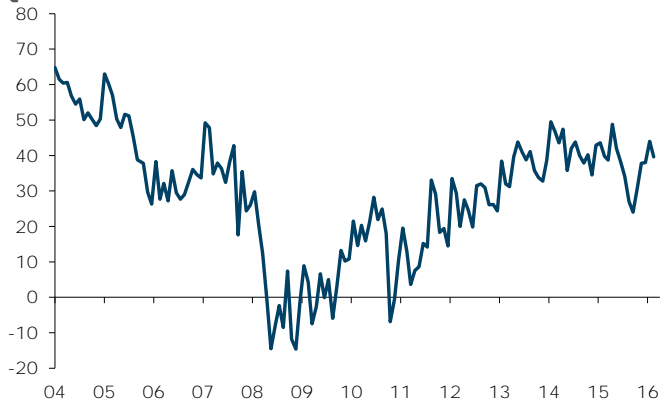
Q3. NZ ECONOMY 12MTHS TIME



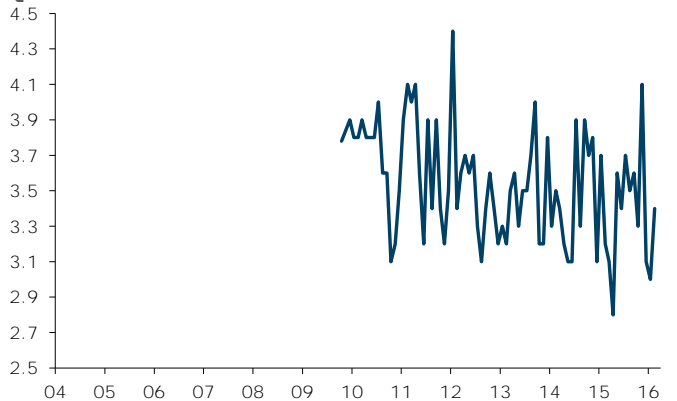
Q4. OUTLOOK 5YRS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



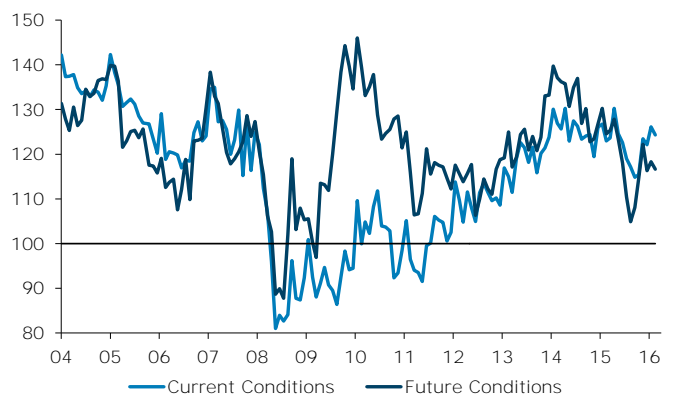
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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