

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE TICKING ALONG

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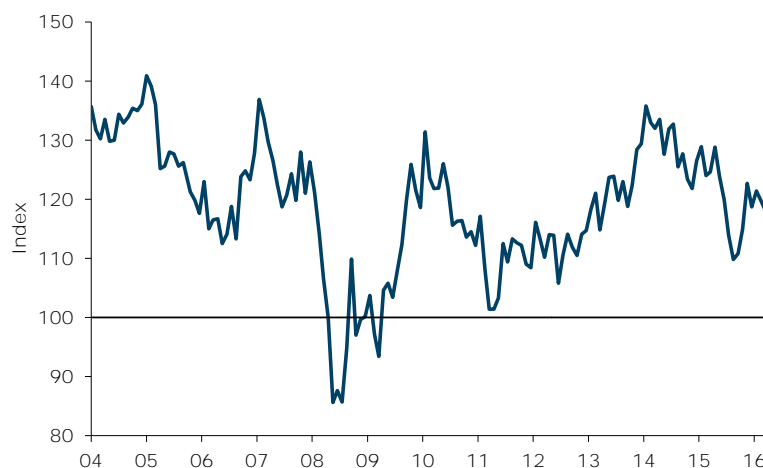
The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 19 May 2016 at 1pm.

SUMMARY

- Consumer sentiment remains elevated.
- Buoyant sentiment is a positive sign for spending trends.
- Nationwide house price expectations are rising once again, led by none other than Auckland.

New Zealand consumers continue to tick along. The ANZ-Roy Morgan Consumer Confidence Index rose 2 points in April to 120.0, a smidgen above the historical average. This continues a theme evident since the start of the year, of sentiment remaining broadly stable at a respectable level. There is little sign that local consumers are ready to clock-off.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

It is a similar message within the survey detail, with little to be alarmed about:

- **Consumers continue to feel better off financially.** A net 8% feel better off compared to a year ago, which is broadly where it has held for four months now. A net 28% are positive regarding the next 12 months, similar to last month (+29).
- **Net optimism regarding the short-term economic outlook (+9) fast-forwarded to a five-month high.** Optimism about the longer-term outlook was unchanged, but at a higher net balance than short-term expectations (+17).
- **A net 38% believe it is a good time to buy a major household item.** That's up 4 points from March, perhaps reflecting recent NZD strength.
- **The Current Conditions and Future Conditions indices both rose 2 points, to 123.2 and 117.8 respectively.** Chime in if you're worried, but this suggests you shouldn't really be.
- **In seasonally adjusted terms, it was a mixed regional picture.** Confidence fell in Wellington, Christchurch and the regional South Island, was broadly unchanged in Auckland (where confidence levels were the highest), but rose in the regional North Island.

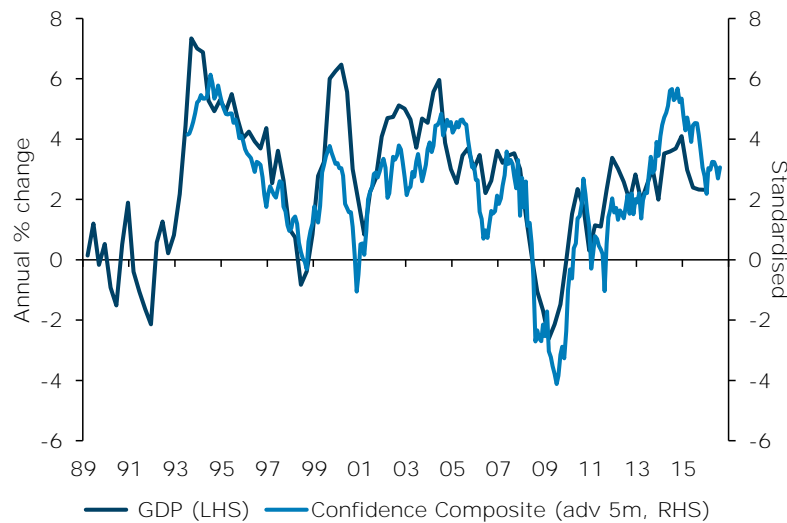
ANZ-ROY MORGAN CONSUMER CONFIDENCE

If they wanted to, there are a number of things that consumers could get wound up about. The dairy sector faces a daunting period of ongoing poor returns and an intense focus on costs. The adjustment has much further to go. Those wanting to get onto the housing ladder will be looking at recent price growth with despair. It is the same for savers, given ongoing falls in interest rates. Those close to retirement may need to reassess future work/leisure plans. And for those still with many years to go in the workforce, while technology comes with massive opportunities, it is resulting in phenomenal change across a number of industries: job security and wage growth is suffering as a result.

But consumers continue to just get on with it like clock-work. The economy is still performing well, outside of dairying. The unemployment rate is falling and labour demand is strengthening. While it is tough for first-home buyers, existing property owners are benefiting from perceived wealth gains, which is a positive for spending outcomes. Lifting house prices simply add to the feel-good factor, which is also being boosted by lower interest rates. Equities have likewise surged. And although nominal wage growth is low, low inflation and the competitive retail environment mean that the marginal dollar is going further.

Is slower growth a question of time? **Our Confidence Composite** (which combines both consumer and business sentiment) **flags good times are still ahead.** It is suggesting GDP growth of 3% for 2016. While that is off earlier highs, it is still a solid signal overall.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan

General inflation expectations rebounded to 3.5% from an 11-month low in March. This is a five-month high and coincides with a lift in petrol prices.

Turn back the clock: nationwide house price expectations firmed again to 5.3%. This is close to a 12-month high, and is led by Auckland (7.2%). Expectations also rose in Christchurch (3.3%) and regional South Island (4.2%), but were largely unchanged in other regions.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

Survey Summary	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16
No. of Interviews	1,003	1,019	999	1,032	1,007	948	1,001	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	29	34	34	33	34	34	35
Worse Off	28	29	25	28	25	25	27	26
Net Balance	6	0	9	6	8	9	8	8

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	42	47	45	49	43	46	46
Worse Off	19	18	16	19	17	16	17	17
Net Balance	26	25	30	26	32	27	29	28

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	28	34	44	38	36	39	36	37
Bad Times	39	32	29	32	30	30	33	29
Net Balance	-12	2	15	6	6	8	3	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	37	40	45	42	41	40	41	39
Bad Times	26	23	24	26	24	26	24	23
Net Balance	11	18	21	17	17	15	17	17

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	53	53	58	58	62	59	56	56
Bad Time to Buy	29	23	20	20	18	19	22	18
Net Balance	24	31	38	38	44	40	34	38

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	68	65	62	63	66	64	66
Go Down	7.6	5.6	7.8	8.4	6.8	6.0	8.4	5.4
Expectation (%)	3.6	3.3	4.1	3.1	3.0	3.4	2.9	3.5

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?

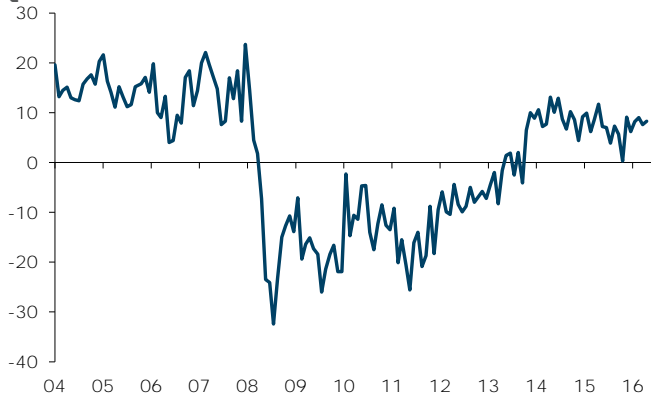
Go Up	70	72	71	71	70	74	74	78
Go Down	9.7	10.1	10.7	9.5	9.9	8.5	9.8	8.9
Expectation (%)	5.2	4.8	4.4	4.9	4.1	4.1	4.4	5.3

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

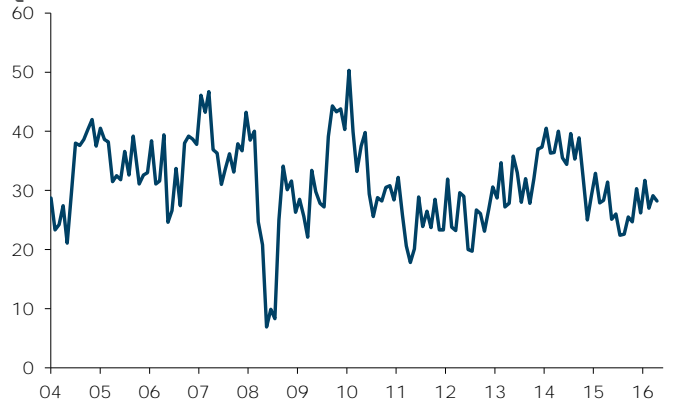
Overall Index	110.8	114.9	122.7	118.7	121.4	119.7	118.0	120.0
Current Conditions	114.9	115.4	123.5	122.1	126.1	124.3	120.8	123.2
Future Conditions	108.1	114.6	122.2	116.3	118.3	116.7	116.2	117.8

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Q1. BETTER OFF PAST YEAR



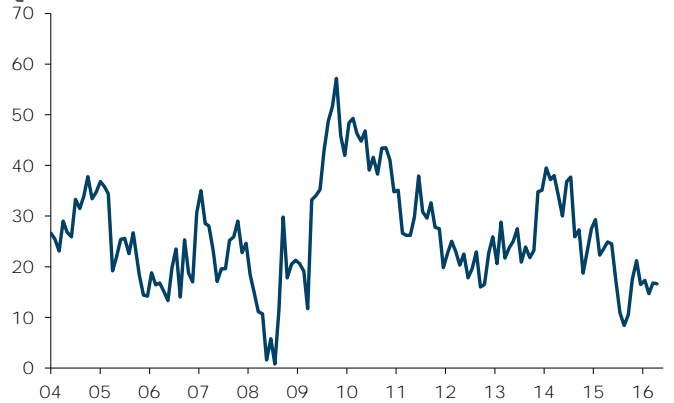
Q2. BETTER OFF NEXT YEAR



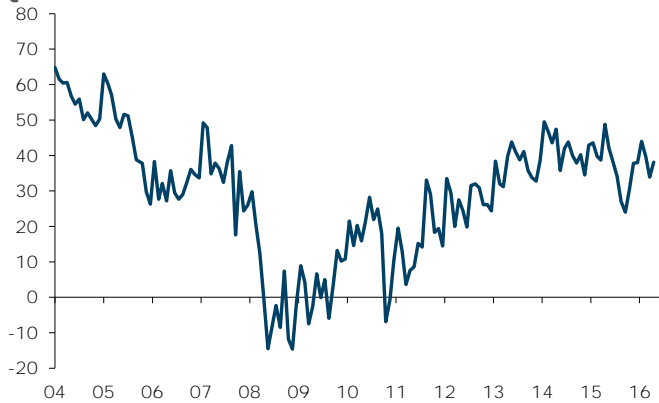
Q3. NZ ECONOMY 12MTHS TIME



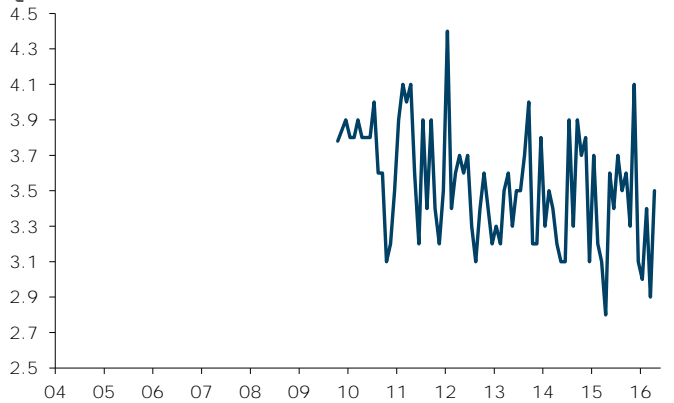
Q4. OUTLOOK 5YRS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



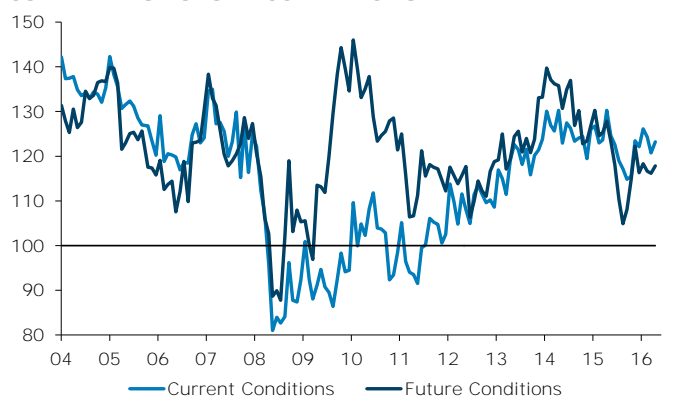
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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