

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE TAKIN' CARE OF BUSINESS

July 2016

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

SUMMARY

- Consumer sentiment continues to oscillate at an elevated level.
- Positive signs for the broader economy are apparent in the survey.
- House price expectations rose once again, hitting yet another new high, led by Auckland. Few surprises there.
- Success has its challenges; confidence in Auckland fell. **What's good for some (home owners) is not good for others (potential first home buyers).**

'Life still goes on' for consumers amidst international shenanigans. The ANZ-Roy Morgan Consumer Confidence Index dipped a smidgen in July from 118.9 to 118.2, **but that's holding in at levels of elevation**, and in line with its historical average. In seasonally adjusted terms confidence rose from 118 to 119, the second monthly rise in a row.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

July's survey had a 'let it ride' element, with most components moving by small margins.

- **Consumers feel better off financially.** A net 9% feel better off compared to a year ago, down a touch on last month's reading of +10 (our seasonally adjusted estimate went from +9 to +11). Given an improving labour market and house price growth, 'you ain't seen nothing yet'.
- **A net 36% believe it is a good time to buy a major household item, unchanged on last month.** That should have big ticket retailers humming 'gimme your money please'. The high NZD will be helping.
- **Forward-looking indicators continue to 'roll on down the highway'.** Net optimism regarding both the short-term and longer-term economic outlook were down slightly but unchanged / up in seasonally adjusted terms. A net 29% expect to be better off financially in 12 months' time.
- **Both the Current Conditions and Future Conditions indices were down by a small amount but up marginally seasonally adjusted terms.** Little news here. The former is consistent with a robust pace of spending across the economy and the latter suggesting a continuation of the same.

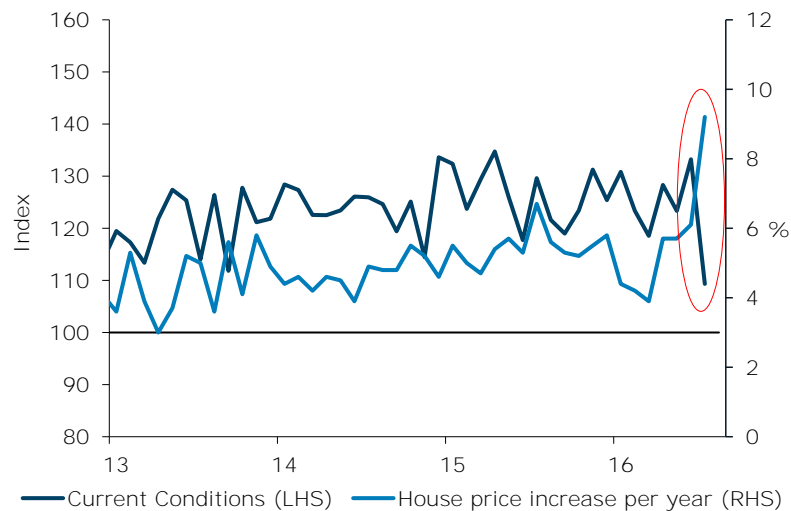
ANZ-ROY MORGAN CONSUMER CONFIDENCE

Consumers are 'free wheelin'. There is a lot to smile about. The labour market is improving. Job ads have risen now for five consecutive months. Skill shortages are becoming more of an issue for businesses. Both bode well for the final piece of the labour market puzzle, namely wages, to start moving up.

House price expectations continue to lift – another traditional positive factor for sentiment – hitting another new high. Expectations surged among those most likely to buy; those in the 25-34 and 35-49 age brackets set new 'sky' highs. Expectations across Auckland rose to 8.4%, also the highest we've seen since the survey started.

Amidst soaring house prices, it was notable to see sentiment actually wane in some consumer segments. Auckland is now one of the weaker (less upbeat) regions across the economy, and the 25-34 year old's current conditions index moved sharply lower (see chart below). With each passing week, and movement in house prices in excess of income growth, affordability and the ability to save that deposit worsens. Who wants to get caught in that traffic gridlock anyway?

FIGURE 2. 25-34 YR CURRENT CONDITIONS VS HOUSE PRICE EXPECTATIONS – ONE UP SHARPLY AND THE OTHER DOWN



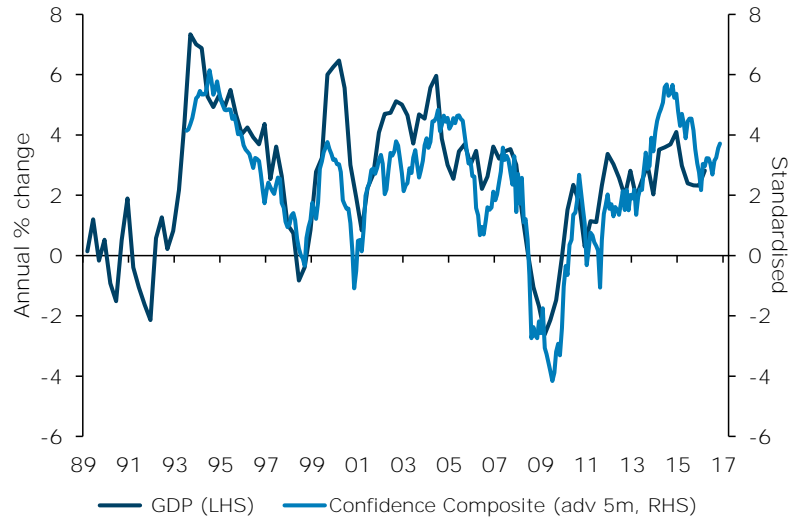
Source: ANZ, Roy Morgan

Our confidence composite gauge (which combines business and consumer sentiment into one gauge) continues to flag a solid-to-strong pace of GDP growth over the coming months. It is starting to suggest a potential acceleration towards 4%.

The mix to growth (more borrow and spend) is becoming increasingly lopsided, but we'll take it for now. While we are seeing clear exuberance on some levels (housing, credit growth), reasonable (as opposed to exuberant) levels of consumer sentiment suggest a degree of caution nonetheless in terms of blowing all the loot. Moderation remains order of the day.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

FIGURE 3. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan

Inflation expectations eased from 3.8% to 3.3%. This measure is volatile and has been wobbling around similar levels for a while.

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Survey Summary	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
No. of Interviews	1,032	1,007	948	1,001	1,000	1,004	1,000	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	33	34	34	35	31	34	34
Worse Off	28	25	25	27	26	26	24	25
Net Balance	6	8	9	8	8	5	10	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	45	49	43	46	46	40	43	44
Worse Off	19	17	16	17	17	17	19	16
Net Balance	26	32	27	29	28	23	24	29

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	38	36	39	36	37	36	39	36
Bad Times	32	30	30	33	29	30	30	32
Net Balance	6	6	8	3	9	6	9	4

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	41	40	41	39	39	40	37
Bad Times	26	24	26	24	23	26	24	23
Net Balance	17	17	15	17	17	13	16	13

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	62	59	56	56	55	56	57
Bad Time to Buy	20	18	19	22	18	21	20	21
Net Balance	38	44	40	34	38	34	36	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	62	63	66	64	66	69	69	64
Go Down	8.4	6.8	6.0	8.4	5.4	6.1	4.3	6.0
Expectation (%)	3.1	3.0	3.4	2.9	3.5	3.3	3.8	3.3

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?

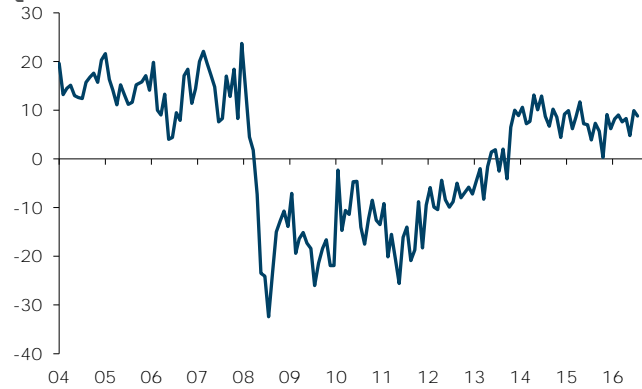
Go Up	71	70	74	74	78	81	81	79
Go Down	9.5	9.9	8.5	9.8	8.9	7.9	7.2	9.4
Expectation (%)	4.9	4.1	4.1	4.4	5.3	5.8	6.0	6.1

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

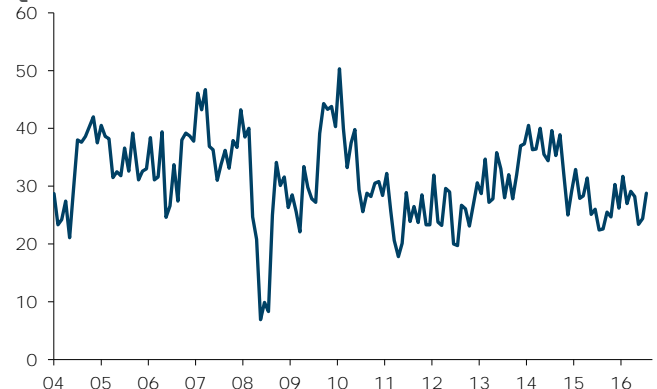
Overall Index	118.7	121.4	119.7	118.0	120.0	116.2	118.9	118.2
Current Conditions	122.1	126.1	124.3	120.8	123.2	119.3	122.7	122.5
Future Conditions	116.3	118.3	116.7	116.2	117.8	114.3	116.4	115.5

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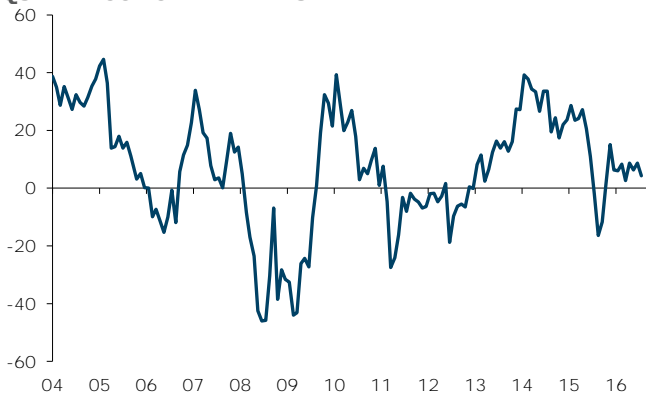
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



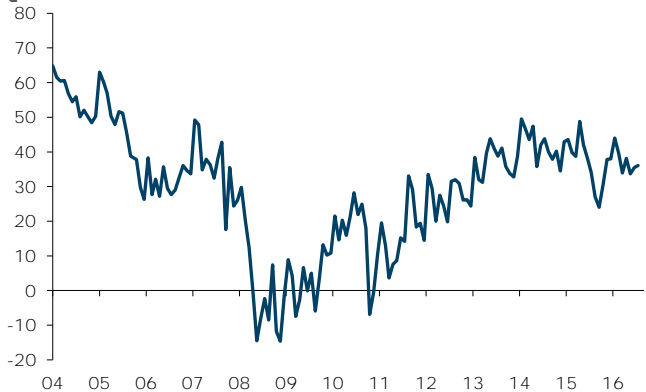
Q3. NZ ECONOMY 12MTHS TIME



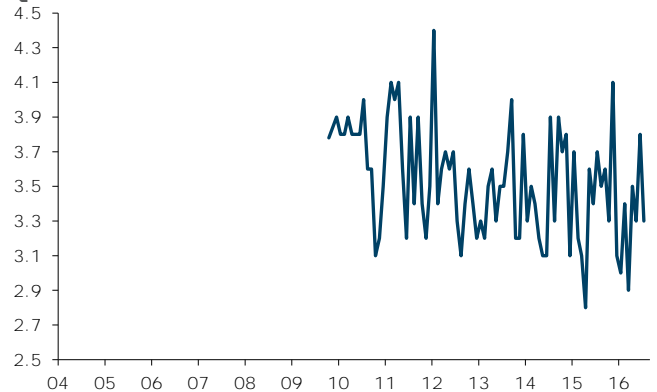
Q4. OUTLOOK 5YRS AHEAD



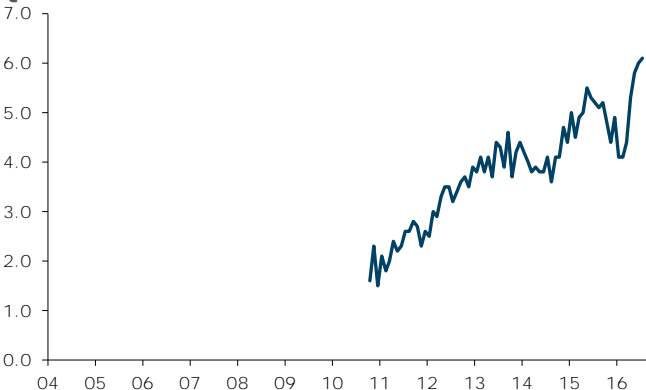
Q5. BUY MAJOR HOUSEHOLD ITEM



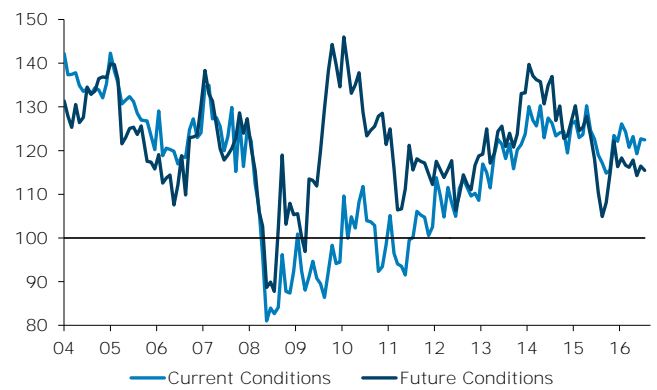
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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