

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE NEW YEAR CHEER

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 16 February 2017 at 1pm.

SUMMARY

- Consumer sentiment rose solidly in January. A lift is typical for this time of year, **but it's more than that** – the index is at its highest since April 2015.
- Economic momentum appears to have started 2017 on a similar footing to how 2016 ended – strongly.
- Inflation expectations rose, while house price expectations fell.

The summer weather might be dodgy so far, but consumers have started 2017 on a high. The ANZ-Roy Morgan Consumer Confidence Index rose from 124.5 to 128.7 in January – its highest level since April 2015. To be fair, gains at this time of year are common, with households enjoying that holiday feeling. In seasonally adjusted terms, the lift was more modest, with the index rising 0.3 points to 124.3.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

The Current Conditions and Future Conditions Indexes stormed ahead by 5 and 4 points respectively (although again, seasonally adjusted moves were more modest, while still positive). At 129.8 and 128.1 respectively, the levels for both indexes remain historically high. In terms of the details:

- **December quarter spending numbers may have been a bit of a damp squib, but indicators for concurrent spending remain sunny.** A net 11% feel better off financially compared with a year ago; this indicator has been pretty steady for the last six months. Consumer enthusiasm for buying major household items jumped from +38 to +49, the highest since April 2015.
- **Forward-looking indicators have a tail wind.** Net optimism towards the economy in 1 and 5 years' time both lifted to a net 25% (up 3 and 7 respectively). Respondents' views towards their own financial situation in 12 months' time lifted to a net 34% (up 2).
- **All regions are looking pretty bright.** The South Island ex-Christchurch is the most optimistic about current conditions, while Wellington has the highest reading on future conditions.

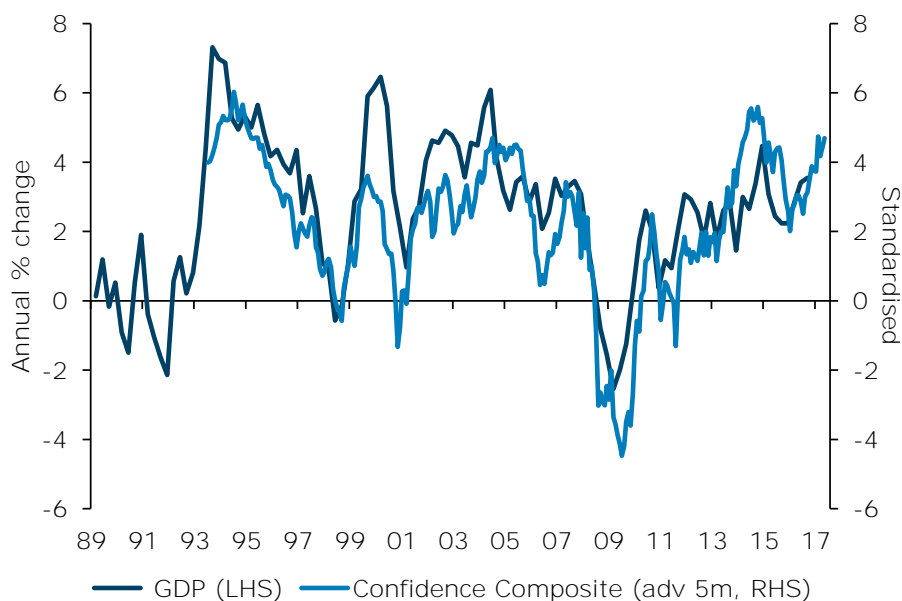
ANZ-ROY MORGAN CONSUMER CONFIDENCE

There are good reasons for consumers to be feeling fine. ANZ job ads have grown uninterrupted for the past 16 months, with strength around the country. Inflation has been modest. The outlook for dairy has improved hugely in recent months. The housing market may be levelling out (and indeed, house price inflation expectations fell from 5.4% to 4.3%, the lowest since February 2016) but property-owning households have been given a huge wealth boost.

Barring a storm offshore, it is the behaviour of households that will determine the path of the New Zealand economy from here. Happy households are of course a good thing, but over-exuberance in terms of borrowing and spending would come at the cost of growth later, and would up the ante on the risks of a boom/bust scenario. Early indications for Q4 spending suggest that households might be feeling good, but they aren't getting silly. That's a good thing.

Our confidence composite gauge (which combines business and consumer sentiment) **continues to point to GDP growth accelerating north of 4%.** Capacity constraints (labour and credit availability) probably rule out this actually eventuating, but it'll be fun trying.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ

House price expectations eased in all regions, and dipped from 5.4% to 4.3% nationally. Auckland (4.6%) has narrowly reclaimed the top spot by dint of expectations falling less than they did in Wellington (down 1.9%pt to 4.5%), while house price expectations are the mildest in the South Island ex-Canterbury, at 3.2%.

Inflation expectations lifted from 3.4% to 3.7%. That's not far off the average seen over the prior 12 months, but expectations have been steadily rising since October.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

Survey Summary	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
No. of Interviews	1,000	1,000	1,002	1,000	1,001	1,002	1,005	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	37	36	35	36	36	34
Worse Off	24	25	26	25	25	23	24	23
Net Balance	10	9	11	11	11	13	13	11

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	43	44	44	48	44	45	46	48
Worse Off	19	16	19	18	13	14	14	13
Net Balance	24	29	25	31	30	31	32	34

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	36	35	39	43	45	45	46
Bad Times	30	32	30	27	22	22	23	21
Net Balance	9	4	5	12	21	23	22	25

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	37	37	40	40	47	42	44
Bad Times	24	23	27	26	22	19	24	19
Net Balance	16	13	10	14	18	28	18	25

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	56	57	58	57	54	59	58	65
Bad Time to Buy	20	21	20	20	20	17	20	16
Net Balance	36	36	37	38	35	42	38	49

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	69	64	61	62	65	67	67	66
Go Down	4.3	6.0	6.1	6.3	7.5	4.2	5.9	6.4
Expectation (%)	3.8	3.3	3.4	3.6	3.1	3.3	3.4	3.7

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?

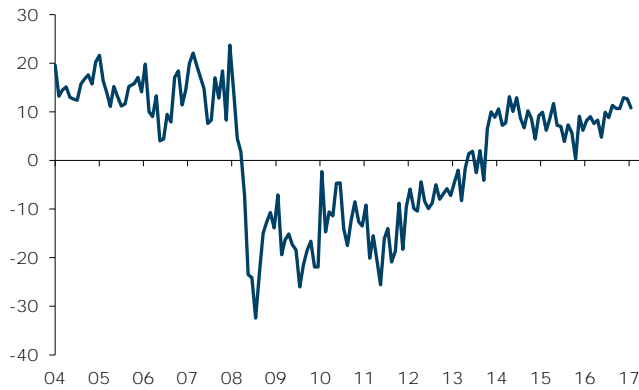
Go Up	81	79	72	79	78	71	70	68
Go Down	7.2	9.4	13.2	9.4	8.2	10.2	11.3	11.6
Expectation (%)	6.0	6.1	5.0	6.3	5.7	5.0	5.4	4.3

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

Overall Index	118.9	118.2	117.7	121.0	122.9	127.2	124.5	128.7
Current Conditions	122.7	122.5	124.3	124.1	122.7	127.3	125.1	129.8
Future Conditions	116.4	115.5	113.4	119.0	123.1	127.2	124.1	128.1

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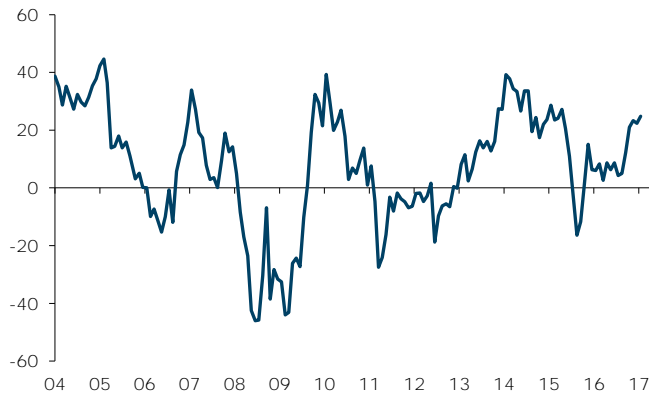
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



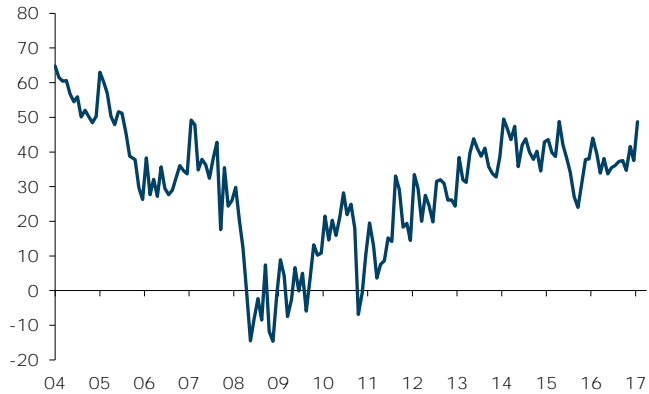
Q3. NZ ECONOMY 12 MONTHS TIME



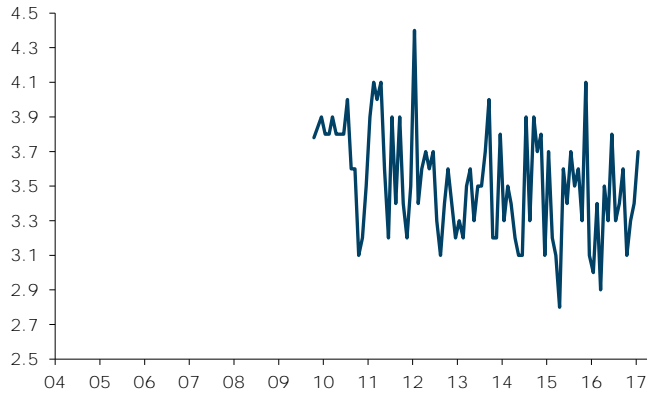
Q4. OUTLOOK 5 YEARS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



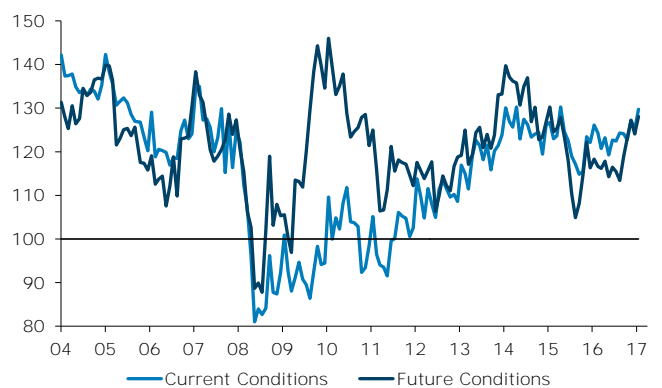
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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