ANZ RESEARCH

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

March 2017

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 21 April 2017 at 1pm.

MARCHING ON

SUMMARY

- Consumer sentiment continues to march along, although the headline and seasonally adjusted indexes both eased slightly in March.
- The data continues to signal a good tempo for spending trends and economic momentum.
- Inflation expectations and house price expectations were little changed.

Consumer confidence is marching along at a steady pace, tracking above average. The ANZ-Roy Morgan Consumer Confidence Index eased from 127.4 to 125.2 in March (average 118). Once we adjust for the usual seasonal pattern, consumer confidence eased from 125.3 to 123.9. That's a blip.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE

Source: ANZ, Roy Morgan

The Current and Future Conditions Indexes both eased 2 points from elevated readings. At 126.0 and 125.0 respectively, the levels for both indexes remain historically high. In terms of the details:

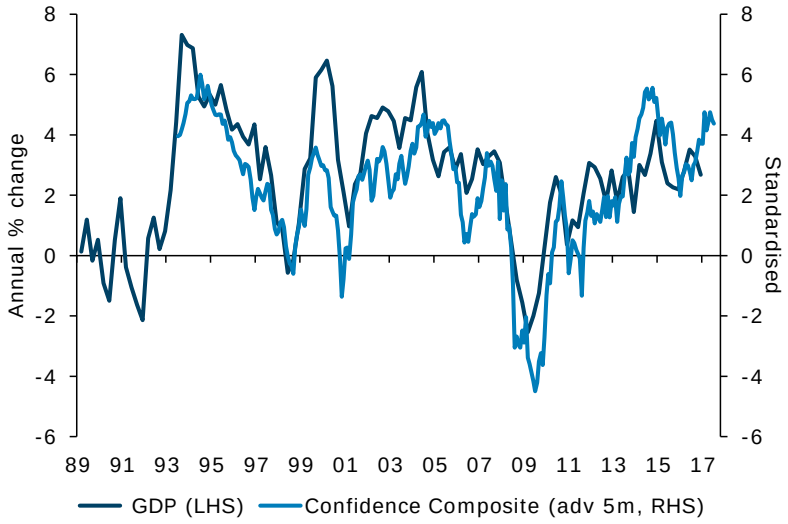
- **Indicators for near-term spending suggest retailers should be able to drum up business.** A net 13% feel better off financially compared with a year ago, around the average for the past six months. Consumer enthusiasm for buying major household items eased from +41 to +38 – this measure has been oscillating around the 40 mark for three years.
- **Forward-looking indicators marked time.** Net optimism towards the economy one year out eased from +26 to +21. However, respondents' views towards their own financial situation in 12 months' time lifted a touch to a net +32%.
- **Solid consumer confidence readings are in step across all regions.** Auckland is the most optimistic region, followed by the South Island excluding Canterbury.

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

Consumers appear to be at ease with the current economic environment. Factors supporting spending are lining up: a high (albeit falling) NZD means imports are cheap. Wage gains might be unremarkable but jobs are plentiful. House price lifts have led to paper wealth for many. The worst of the dairy sector risks appear to have been averted. Interest rates are gradually lifting, which will dent the disposable income of the most stretched borrowers, but we shouldn't forget that higher rates are good for savers.

Our confidence composite gauge (which combines business and consumer sentiment) **continues to point to GDP growth accelerating north of 4%.** We don't think the economy can actually grow that fast, at least not for long, as the workers simply aren't available, particularly in the construction sector but increasingly economy-wide, including services. The overall message, which is relevant following the soft Q4 GDP figures, is that the economy is showing little sign of a turn.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ

House price inflation expectations lifted slightly from 4.3% to 4.6%. Expectations in Auckland rebounded from a 12-month low of 4.1% to 5% – not a significant move in light of the volatility of this data. Expectations were steady in Wellington and the rest of the North Island (down 0.1%pts). In the South Island, Canterbury house price inflation expectations rose from 3.2% to 3.7% but remain the lowest in the country, while the South Island ex Canterbury eased from 4.7% to 4.2%.

Inflation expectations eased from 3.6% to 3.4% and continue to oscillate around 3-4%, with no trend apparent.

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

Survey Summary	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
No. of Interviews	1,002	1,000	1,001	1,002	1,005	1,000	1,000	1,004

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	37	36	35	36	36	34	37	35
Worse Off	26	25	25	23	24	23	22	22
Net Balance	**11**	**11**	**11**	**13**	**13**	**11**	**15**	**13**

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	48	44	45	46	48	47	48
Worse Off	19	18	13	14	14	13	16	16
Net Balance	**25**	**31**	**30**	**31**	**32**	**34**	**31**	**32**

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	35	39	43	45	45	46	48	44
Bad Times	30	27	22	22	23	21	22	23
Net Balance	**5**	**12**	**21**	**23**	**22**	**25**	**26**	**21**

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	40	47	42	44	45	44
Bad Times	27	26	22	19	24	19	21	23
Net Balance	**10**	**14**	**18**	**28**	**18**	**25**	**24**	**22**

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	57	54	59	58	65	59	56
Bad Time to Buy	20	20	20	17	20	16	18	18
Net Balance	**37**	**38**	**35**	**42**	**38**	**49**	**41**	**38**

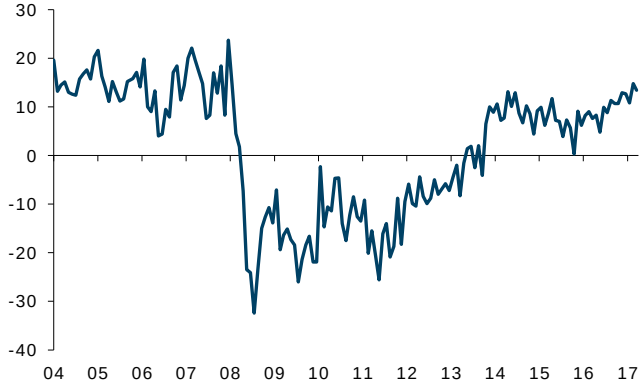
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	61	62	65	67	67	66	73	69
Go Down	6.1	6.3	7.5	4.2	5.9	6.4	4.1	6.1
Expectation (%)	**3.4**	**3.6**	**3.1**	**3.3**	**3.4**	**3.7**	**3.6**	**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	72	79	78	71	70	68	67	69
Go Down	13.2	9.4	8.2	10.2	11.3	11.6	12.4	12.0
Expectation (%)	**5.0**	**6.3**	**5.7**	**5.0**	**5.4**	**4.3**	**4.3**	**4.6**

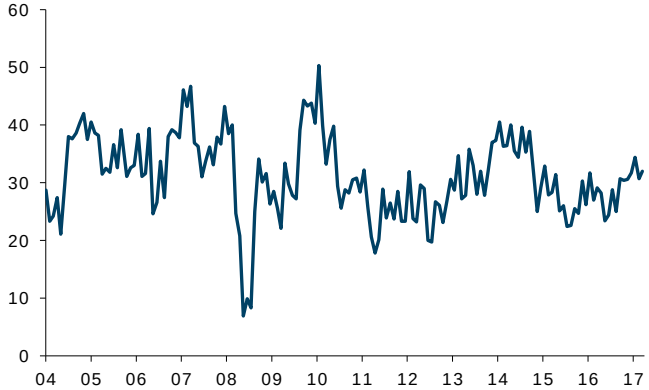
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	**117.7**	**121.0**	**122.9**	**127.2**	**124.5**	**128.7**	**127.4**	**125.2**
Current Conditions	124.3	124.1	122.7	127.3	125.1	129.8	128.0	125.9
Future Conditions	113.4	119.0	123.1	127.2	124.1	128.1	127.0	124.8

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

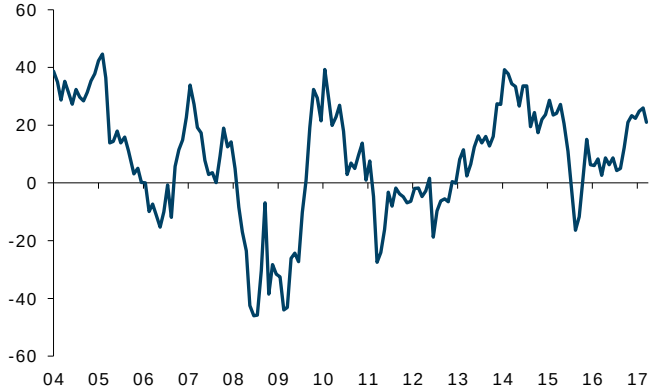
Q1. BETTER OFF PAST YEAR



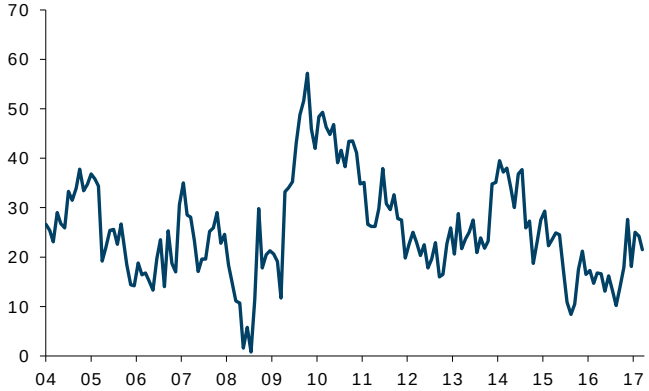
Q2. BETTER OFF NEXT YEAR



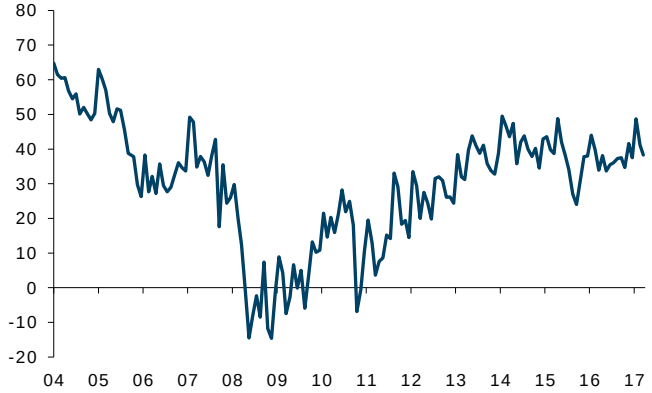
Q3. NZ ECONOMY 12 MONTHS TIME



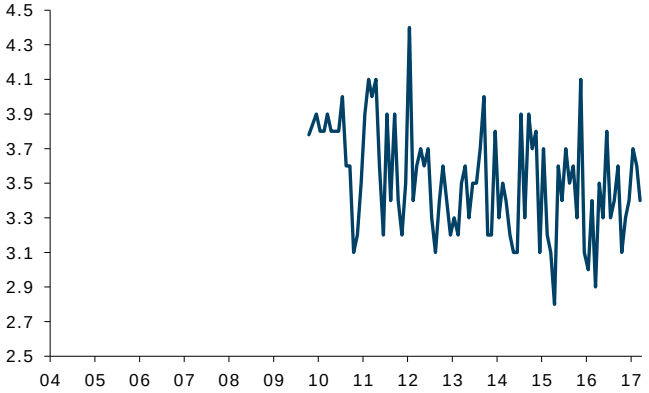
Q4. OUTLOOK 5 YEARS AHEAD



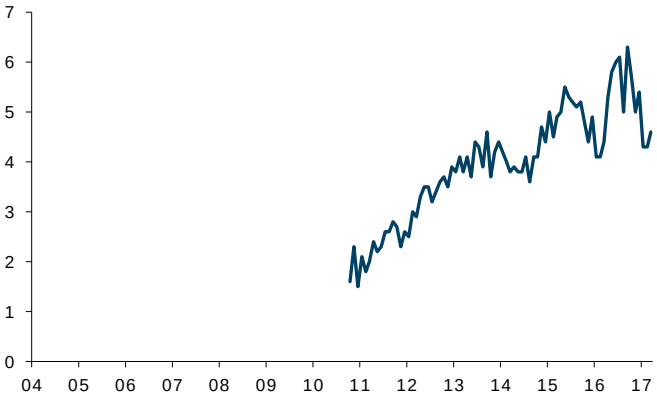
Q5. BUY MAJOR HOUSEHOLD ITEM



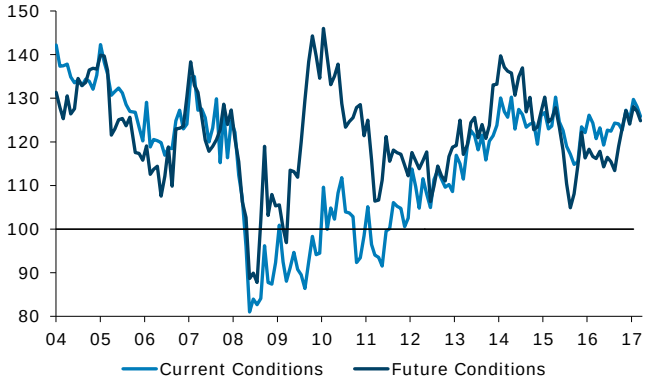
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan

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