

ANZ-Roy Morgan Consumer Confidence

October 2009

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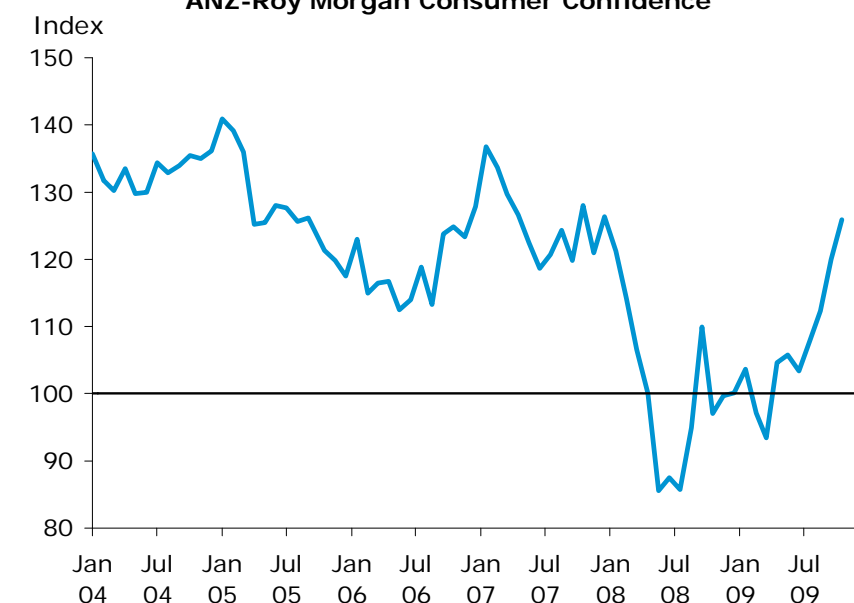
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- Consumer confidence up.
- Expectations of a better future, as opposed to current conditions, continues to underpin consumer confidence.
- However, both expectations and current conditions are improving.
- Two-year average inflation expectations 3.8 percent.

The ANZ-Roy Morgan Consumer Confidence measure lifted to a 22-month high in October, rising 5.9 points on the month prior to 125.9. Such readings add to the array of "soft" economic data that points to an economy firming over the year ahead.

ANZ-Roy Morgan Consumer Confidence



Sources: ANZ National, Roy Morgan

ANZ Roy Morgan Consumer Confidence		
	Level	Change
Oct-08	97.0	-12.9
Nov-08	99.7	2.7
Dec-08	100.1	0.4
Jan-09	103.7	3.6
Feb-09	97.1	-6.6
Mar-09	93.4	-3.7
Apr-09	104.6	11.2
May-09	105.8	1.2
Jun-09	103.4	-2.4
Jul-09	107.8	4.4
Aug-09	112.3	4.5
Sep-09	120.0	7.7
Oct-09	125.9	5.9

The survey was conducted from October 5 to 18, across New Zealand by telephone with a cross section of 1,109 people aged 14 and over.

While the headline confidence measure has improved, it masks a wide gulf that has opened up between expectations of the future versus how consumers are feeling right at the moment. This can be seen from the divergence in our Future Conditions Index and the Current Conditions one (refer to the bottom right-hand chart on page 3). The former has risen to a new record high for the series since its inception in January 2004, while the latter is still below the 100 level (although on an improving trajectory over the month), indicating pessimists marginally out-numbering the optimists. It is the latter that history has shown to be most correlated with actual spending decisions. Improving steps are to be acknowledged but there is still a way to go.

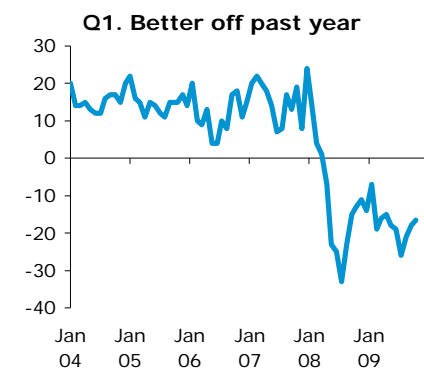
The biggest jump in the component questions that make up the overall measure was about expectations of better times ahead over the next 12 months (up 13 points). However, while the future is expected to look much brighter, a net 17 percent of respondents still feel financially worse off now compared to last year. Once again though, while low – and lagging, there has been a slight improving trend since July (*refer table page 3*). **Retailers will no doubt be heartened to see a 10 point rise in the net percentage of people expecting to buy a major household item**, especially with the Christmas shopping season about to kick off. If this translates through, we should see some pick-up in retail spending, though until we see Current Conditions pick-up in a more sustained fashion it portends of something modest.

In terms of the survey's detail, consumer confidence is generally stronger across younger age groups, and more reserved with age. Males are more confident at present – particularly so in regard to buying a household item. A net 20 percent of males think it is a good time to buy a household item. By contrast, a net 7 percent for females believe it is a good time to buy a major household item. Across the regional standings, Wellington leads the way in terms of overall sentiment, with a consumer confidence figure of 128.5. At the other extreme, non-Canterbury South Island is the laggard, with a consumer confidence figure of 117.8.

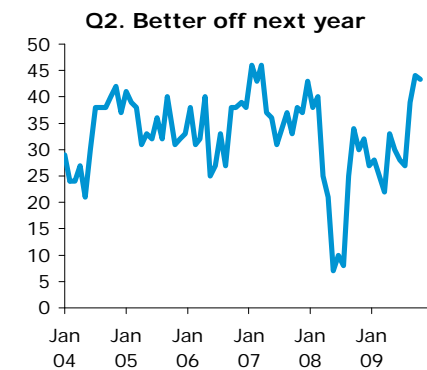
This month's survey includes a key question in relation to how consumers view inflation going forward. In terms of information content, we can split inflation expectations questions into two sorts. The first give information about long-term inflation expectations, which 5-year and 10-year ahead questions are focused. Such questions offer critical insight into whether inflation expectations are anchored or slipping. Conversely, inflation expectations questions that are more short-term focused (say 1 or 2 years ahead), offer little in regard to inflation expectations *per se*, but can be used as barometers of wage bargaining behaviour, which are in themselves critical components of any monetary policy framework.

When asked where respondents thought inflation would reside on average over the next two years, the answer came back 3.8 percent. At present, it is impossible to provide insightful comment on such a figure. Yet this is a key element of the survey. One's immediate reaction is that it resides outside the top-end of the 1 to 3 percent policy band. But around the globe there is an inherent upwards bias in such surveys. At present we will hold judgment and assess on a month-to-month basis how the responses evolve. Ultimately it is the trends over time that will deliver the most information content, both to the market and the Reserve Bank.

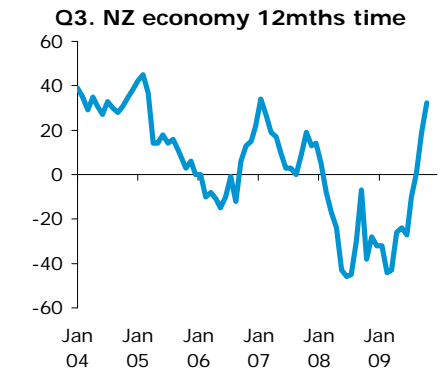
Survey Summary	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
No. of Interviews	1,071	1,060	1,117	1,038	1,039	1,013	1,058	1,109
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	26	25	24	24	20	23	25	23
Worse Off	42	40	42	43	46	44	43	39
Net Balance	-16	-15	-18	-19	-26	-21	-18	-17
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	48	51	50	49	47	55	56	56
Worse Off	26	18	20	21	20	16	12	12
Net Balance	22	33	30	28	27	39	44	43
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	21	27	29	26	31	40	47	53
Bad Times	64	53	53	53	41	39	28	21
Net Balance	-43	-26	-24	-27	-10	1	19	32
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, or we'll have bad times, or some good and some bad?								
Good Times	43	55	54	52	56	62	64	68
Bad Times	31	22	20	17	13	13	13	11
Net Balance	12	33	34	35	43	49	51	57
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	38	41	45	42	45	37	45	48
Bad Time to Buy	45	44	39	42	40	43	42	35
Net Balance	-7	-3	6	0	5	-6	3	13
ANZ Roy Morgan Consumer Confidence (100 plus the unweighted average of the five net balances)								
	93.4	104.6	105.8	103.4	107.8	112.3	120.0	125.9



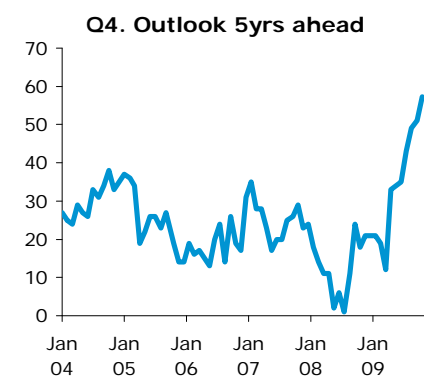
Sources: ANZ National, Roy Morgan



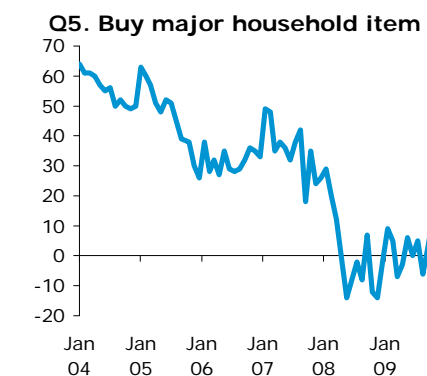
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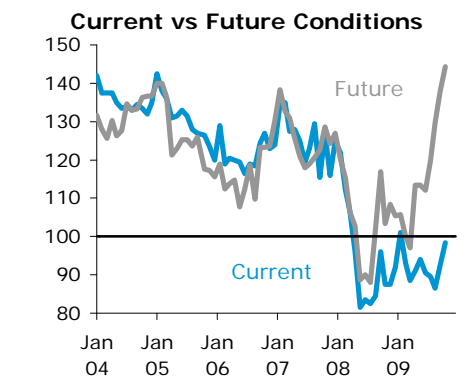
Sources: ANZ National, Roy Morgan



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- Associate Member of Investment Savings & Insurance Association of NZ;
- Financial Markets Operations Association; and
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- A principal officer of a body corporate when that body corporate committed any of the offences or crimes involving dishonesty as described above;
- Adjudicated bankrupt;
- Prohibited by an Act or by a court from taking part in the management of a company or a business;

- Subject of an adverse finding by a court in any proceeding that has been taken against them in their professional capacity;
- Expelled from or has been prohibited from being a member of a professional body; or
- Placed in statutory management or receivership.

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At the time of providing this disclosure statement it is not practicable to provide accurate disclosure of the fees payable for all securities that may be advised on. However, this information will be disclosed to you should you seek advice from one of the Bank's investment advisers on a specific investment.

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- Debt securities including term and call deposits, government stock, local authority stock, State-Owned Enterprise bonds, Kiwi bonds and corporate bonds and notes;
- Equity securities such as listed and unlisted shares;
- New Zealand and overseas unit trusts;
- Share in a limited partnership;
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- Group investment funds;
- Life insurance products;
- Derivative products including interest rate and currency forward rate contracts and options; and
- Other forms of security, such as participatory securities.

PROCEDURES FOR DEALING WITH INVESTMENT MONEY OR INVESTMENT PROPERTY

If you wish to pay investment money to the Bank you can do this in several ways such as by:

- Providing cash;
- Providing a cheque payable to the relevant product or service provider and crossed 'not transferable'; or

- Making an automatic payment or payment through another electronic delivery mechanism operated by the Bank.

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Any investment money lodged with the Bank for the purchase of securities offered by the Bank, its subsidiaries or any third parties will be deposited in accordance with your instructions, to your nominated account or investment. Such money will be held by the Bank according to usual banking terms and conditions applying to that account or the particular terms and conditions relating to the investment and will not be held by the Bank on trust unless explicitly accepted by the Bank on those terms. Any investment money or property accepted by the Bank on trust will be so held until disbursed in accordance with your instructions. Any investment property lodged with the Bank will be held by the Bank as bailee according to the Bank's standard terms and conditions for holding your property.

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The Bank will keep adequate records of the deposit of investment moneys or property and all withdrawals and dealings with such money or property, using the account/investment number allocated to your investment. You may have access to those records upon request.

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