

# ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE SEVEN YEAR ITCH

February 2014

## CONTACT

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 21 March 2014 at 1pm.

## SUMMARY

- We're still seeing elevated levels of consumer confidence. That's tremendously encouraging given well-flagged prospects for interest rates to move up.
- Confidence is spreading to all corners of the country.
- Our composite growth indicator continues to flag the potential for very strong growth. We're more conservative, siding with "strong" over "very strong".

**Consumer confidence remains high.** The headline figure actually retraced a tad in February (from 135.8 to 133) but that sort of movement is nothing more than noise. Our seasonally adjusted estimate showed a miniscule rise, hitting a seven-year high.

**We're encouraged by the continued elevated levels.** It's now well flagged that interest rates are set to move up – a typical bug-bear for sentiment. However, that dynamic looks to be being usurped by the combination of rising asset prices (namely house prices, albeit at a slowing rate of increase), firming employment prospects, more people participating in the labour force (the participation rate hit a five-year high in the December quarter), a falling unemployment rate, and reasonable income growth.

**ANZ-Roy Morgan Consumer Confidence**



Sources: ANZ, Roy Morgan

Strong consumer sentiment typically flags the same for spending trends. **But while consumer sentiment is strong, spending trends are more of a mixed bag.** Retail sales are up 4 percent on a year ago. We're seeing a pick-up, but it's far from "all-guns blazing" spending euphoria. In contrast, credit card billings are up more strongly, and housing credit growth is tracking ahead of income growth – that's adding to an already leveraged balance sheet and has sparked a response from the RBNZ in the form of loan-to-value ratio restrictions.

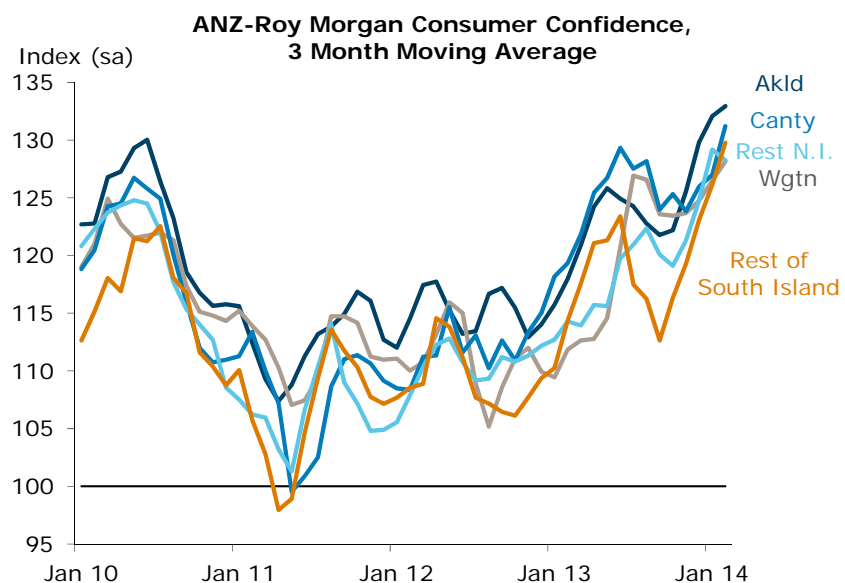
## ANZ-ROY MORGAN CONSUMER CONFIDENCE

Such figures highlight what will be one of the key issues of 2014: have households truly reformed their borrow-and-spend ways? Or was consumer caution over 2008 to 2012 merely transitory? The evidence to date is mixed.

A pick-up in consumer spending – to be expected if consumer confidence trends are followed – is to be welcomed, *provided it is supported by income generation*. That's the realities of working with a savings rate of zero. Get the income-generating side right and spending trends can follow. The good news on this front is that job prospects are improving. Wage gains will follow. The durability, magnitude and frequency of wage rises will depend critically on productivity gains to make them affordable.

### Looking at the broader survey results and trends:

- **The current conditions index eased 3 points to 127.0.** Once we strip out the seasonality, the measure nudged back to a 6½-year high.
- **The future conditions index also decreased 3 points to 137.1,** but seasonally adjusting left the measure similar to last month's six-year high.
- **Males recorded a 5 point drop in confidence, while female sentiment was unchanged.** This is the "back to work" effect, as male confidence increased after adjusting for seasonality.
- **Confidence across age groups was mixed.** However, after accounting for seasonality all age cohorts recorded a lift in optimism. The younger age groups are more positive. But the gap is closing – seasonally adjusted sentiment in the 50+ age group hit a new record high.
- **Regional sentiment is clustering at a higher level.** On a three month average basis, confidence in Auckland and Canterbury touched seven-year highs, with the rest of the South Island also improving to third ranking.
- **Expected inflation lifted, while expected house price inflation weakened.** Both price expectation measures were the highest in Wellington, at 4.8 and 4.9 percent respectively.



Sources: ANZ, Roy Morgan

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Survey Summary	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
No. of Interviews	1,102	1,061	959	981	991	1,063	1,737	1,009

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	31	34	30	36	38	37	37	36
Worse Off	34	32	34	29	28	28	26	29
<b>Net Balance</b>	<b>-3</b>	<b>2</b>	<b>-4</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>11</b>	<b>7</b>

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	47	51	47	49	51	53	54	52
Worse Off	19	19	19	17	14	16	13	15
<b>Net Balance</b>	<b>28</b>	<b>32</b>	<b>28</b>	<b>32</b>	<b>37</b>	<b>37</b>	<b>41</b>	<b>36</b>

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	40	40	36	41	48	50	55	52
Bad Times	26	24	23	25	20	23	16	15
<b>Net Balance</b>	<b>14</b>	<b>16</b>	<b>13</b>	<b>16</b>	<b>27</b>	<b>27</b>	<b>39</b>	<b>38</b>

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	41	42	38	41	51	53	52	50
Bad Times	20	18	16	18	16	17	12	13
<b>Net Balance</b>	<b>21</b>	<b>24</b>	<b>22</b>	<b>23</b>	<b>35</b>	<b>35</b>	<b>40</b>	<b>37</b>

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	60	62	58	57	57	60	66	65
Bad Time to Buy	21	20	22	23	25	21	17	18
<b>Net Balance</b>	<b>39</b>	<b>41</b>	<b>36</b>	<b>34</b>	<b>33</b>	<b>39</b>	<b>50</b>	<b>47</b>

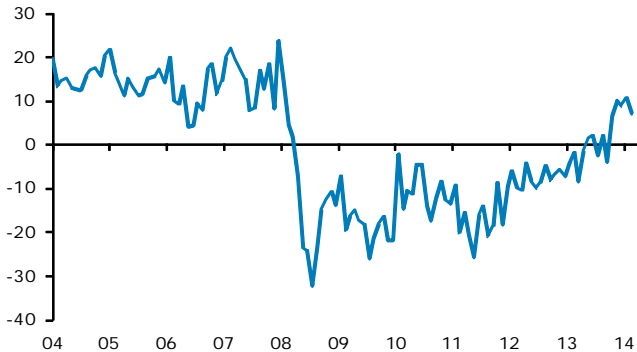
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	79	74	77	73	74	72	69	73
Go Down	5	5	5	6	5	6	7	6
<b>Expectation (%)</b>	<b>3.5</b>	<b>3.7</b>	<b>4.0</b>	<b>3.2</b>	<b>3.2</b>	<b>3.8</b>	<b>3.3</b>	<b>3.5</b>

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	73	74	73	72	74	71	72	73
Go Down	8	8	8	9	7	7	7	8
<b>Expectation (%)</b>	<b>4.3</b>	<b>3.9</b>	<b>4.6</b>	<b>3.7</b>	<b>4.2</b>	<b>4.4</b>	<b>4.2</b>	<b>4.0</b>

ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
<b>Overall Index</b>	<b>119.8</b>	<b>123.0</b>	<b>118.8</b>	<b>122.3</b>	<b>128.4</b>	<b>129.4</b>	<b>135.8</b>	<b>133.0</b>
Current Conditions	118.2	121.6	115.9	120.2	121.4	123.8	130.1	127.0
Future Conditions	120.9	124.0	120.8	123.8	133.1	133.2	139.7	137.1

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**Q1. Better off past year**



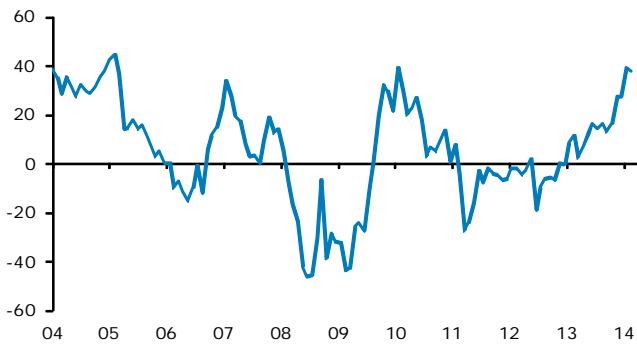
Sources: ANZ, Roy Morgan

**Q2. Better off next year**



Sources: ANZ, Roy Morgan

**Q3. NZ economy 12mths time**



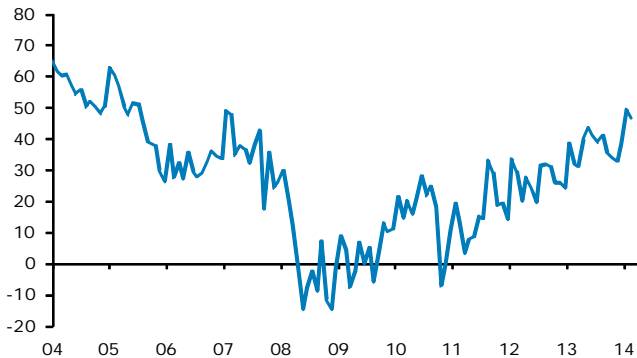
Sources: ANZ, Roy Morgan

**Q4. Outlook 5yrs ahead**



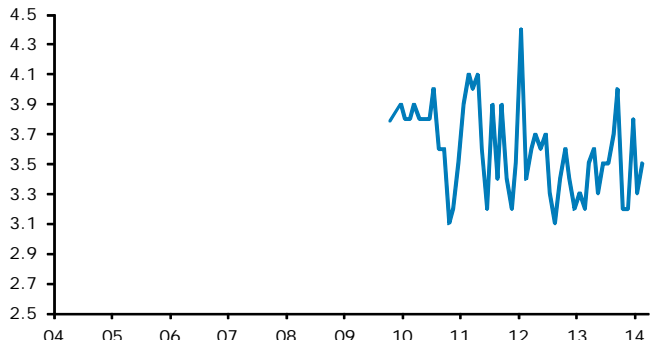
Sources: ANZ, Roy Morgan

**Q5. Buy major household item**



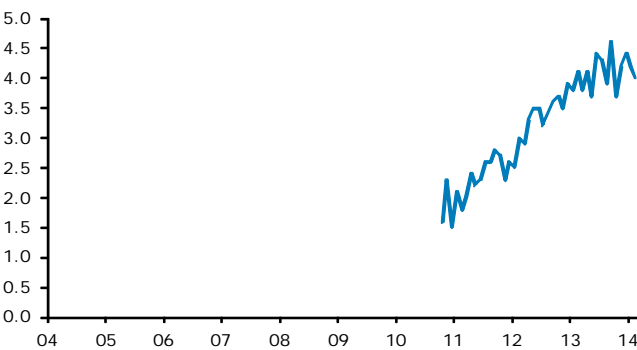
Sources: ANZ, Roy Morgan

**Q6. Inflation expectations**



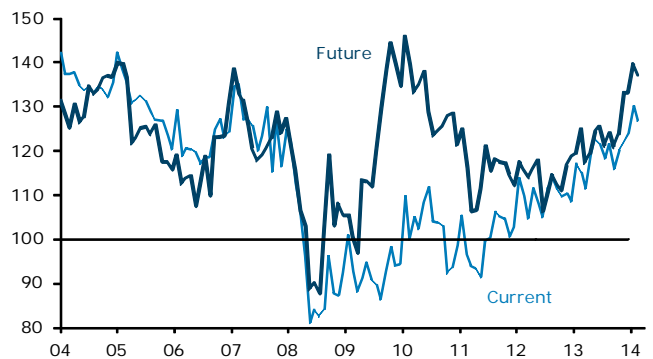
Sources: ANZ, Roy Morgan

**Q7. House price expectations**



Sources: ANZ, Roy Morgan

**Current vs Future Conditions**



Sources: ANZ, Roy Morgan

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