

## ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

September 2017

## CONTACT

**Phil Borkin**  
Senior Economist

Telephone: +64 9 357 4065  
E-mail: philip.borkin@anz.com

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 12 October 2017 at 1pm.

## SKY HIGH

### SUMMARY

- Consumer confidence hit a three-year high in September. It points to an ongoing decent pace of spending and activity growth.
- The softer housing market and election uncertainty have failed to dent consumer optimism.
- House price expectations cooled further, while inflation expectations were steady.

**Nothing appears able to clip consumers' wings at present.** The ANZ-Roy Morgan Consumer Confidence Index lifted from 126.2 to 129.9 in September, which is the highest level since July 2014. Once we adjust for seasonality, the index rose by 2 points to also be at its highest level since July 2014. After its recent low in April, the seasonally adjusted index has surged over 15 points.

**Figure 1. ANZ-Roy Morgan Consumer Confidence**



Source: ANZ, Roy Morgan

**In terms of the details, it was a broad-based story of optimism.** The Current Conditions Index lifted 2.4 points to 127.3, while Future Conditions lifted 4.5 points to 131.6. It was a similar story in seasonally adjusted terms.

- **Consumers feel wealthier.** A net 19% feel financially better off than a year ago, a reading that has soared to the highest level since December 2007. Views regarding their own financial situation in 12 months' time lifted to +36 (+35 previously) – a three-year high.
- **A net 36% believe it's a good time to buy a major household item.** History would suggest the weaker housing market will dent big-ticket spending, but there is little sign of that yet.
- **Perceptions on the economic outlook ascended.** Net optimism towards the economy one year out lifted from +25 to +30, and when assessing the five-year outlook, optimism lifted from +21 to +29.
- **Regionally,** confidence rose in Auckland, Canterbury, and regional North Island, was steady in Wellington, and dipped in regional South Island.

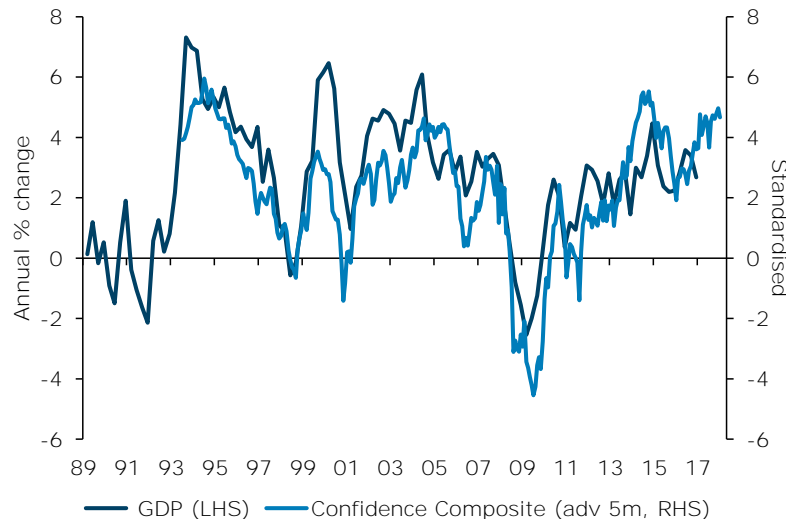
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**History suggests consumers would normally be feeling a little more turbulence by now.** A softer housing market (prices are now reversing modestly in Auckland), has typically presaged a reduction in consumers' appetite to spend. Together with the uncertainty over who will be Prime Minister next month, one could have been forgiven for thinking that consumers would be in a slightly more cautious mood at present.

**However, that is not the case. The seat belt sign remains off and the hot beverage cart is doing the rounds.** That fact that sentiment is not only elevated, but rising, is quite a healthy sign. It reinforces that while the fortunes of the housing market are not immaterial for the economy's ultimate direction and performance, there are numerous other factors that are ensuring an undercurrent of positivity remains. The labour market is strong, as is household income growth. In part, the latter reflects improved farm-gate prospects in the rural sector as New Zealand's commodity prices have lifted. And even though there is uncertainty around the election outcome itself, what is clear is that the fiscal impulse over 2018/19 looks large as spending promises are flowing thick and fast.

**It means that despite housing headwinds, the economy can continue to record a decent pace of activity growth.** Our confidence composite gauge (which combines business and consumer sentiment, and so covers both the production and spending sides of the economy) continues to flag strong economic momentum. Admittedly, we think that it is unlikely that we'll get to the 4%+ rates of GDP growth this gauge is signalling, but it is certainly not pointing to the economy needing to come in for an emergency landing.

**Figure 2. GDP vs Confidence Composite**



Source: ANZ, Roy Morgan, Statistics NZ

**Inflation expectations were steady at 3.1%.** That is up from 3.0%, but still within familiar ranges.

**National house price inflation expectations continue to drop. At 2.5% they are the lowest since 2012, and have more than halved in 5 months.** All regions are on the same page, with expectations across every region now below 3%. Auckland and regional South Island are the lowest at 2.4% and 2.2% respectively.

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Survey Summary	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17
No. of Interviews	1,000	1,004	1,000	1,000	1,001	1,003	999	998

**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	35	35	38	36	36	36	39
Worse Off	22	22	26	21	22	26	24	20
<b>Net Balance</b>	<b>15</b>	<b>13</b>	<b>9</b>	<b>16</b>	<b>14</b>	<b>10</b>	<b>12</b>	<b>19</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	48	48	46	47	46	48	47
Worse Off	16	16	14	15	14	15	13	11
<b>Net Balance</b>	<b>31</b>	<b>32</b>	<b>33</b>	<b>32</b>	<b>33</b>	<b>32</b>	<b>35</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	48	44	37	41	45	42	44	44
Bad Times	22	23	23	23	20	20	19	15
<b>Net Balance</b>	<b>26</b>	<b>21</b>	<b>14</b>	<b>17</b>	<b>25</b>	<b>23</b>	<b>25</b>	<b>30</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	45	44	36	38	42	41	40	43
Bad Times	21	23	21	23	19	18	19	14
<b>Net Balance</b>	<b>24</b>	<b>22</b>	<b>15</b>	<b>15</b>	<b>23</b>	<b>23</b>	<b>21</b>	<b>29</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	59	56	56	58	62	57	57	56
Bad Time to Buy	18	18	19	19	17	18	19	20
<b>Net Balance</b>	<b>41</b>	<b>38</b>	<b>37</b>	<b>39</b>	<b>45</b>	<b>39</b>	<b>38</b>	<b>36</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	73	69	73	73	71	70	66	67
Go Down	4.1	6.1	3.1	4.3	5.1	3.9	6.4	3.8
<b>Expectation (%)</b>	<b>3.6</b>	<b>3.4</b>	<b>4.0</b>	<b>3.6</b>	<b>3.5</b>	<b>3.4</b>	<b>3.0</b>	<b>3.1</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?

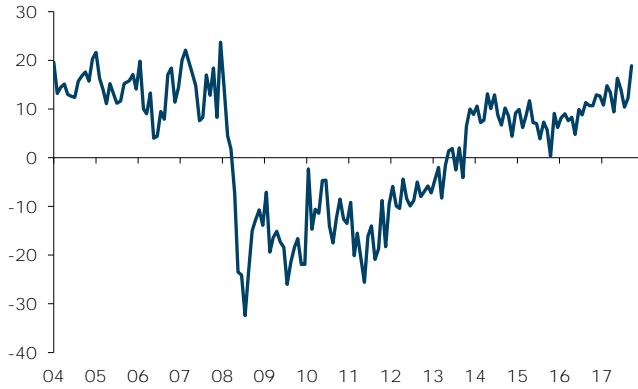
Go Up	67	69	70	66	63	64	60	55
Go Down	12.4	12.0	11.2	10.9	13.2	13.9	14.9	16.4
<b>Expectation (%)</b>	<b>4.3</b>	<b>4.6</b>	<b>5.2</b>	<b>4.6</b>	<b>4.0</b>	<b>3.7</b>	<b>3.4</b>	<b>2.5</b>

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

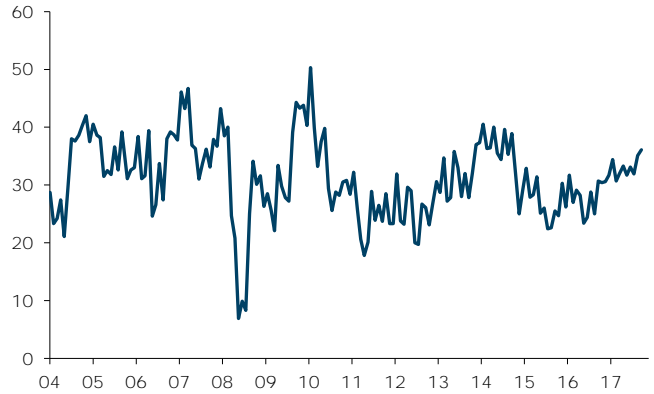
<b>Overall Index</b>	<b>127.4</b>	<b>125.2</b>	<b>121.7</b>	<b>123.9</b>	<b>127.8</b>	<b>125.4</b>	<b>126.2</b>	<b>129.9</b>
Current Conditions	128.0	125.9	123.2	127.8	129.4	124.9	124.9	127.3
Future Conditions	127.0	124.8	120.8	121.2	126.7	125.8	127.1	131.6

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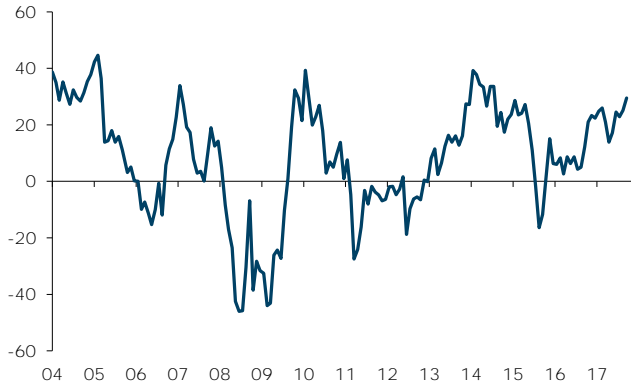
**Q1. Better off past year**



**Q2. Better off next year**



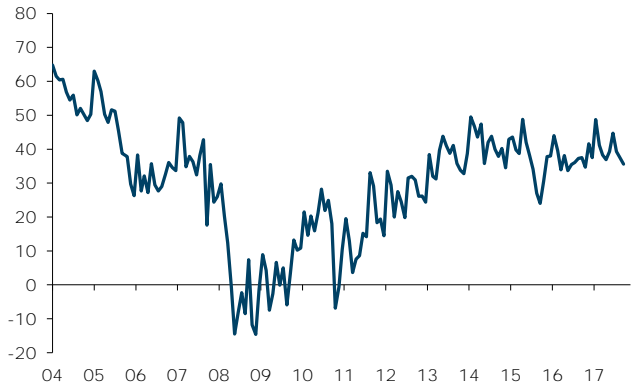
**Q3. NZ economy 12 months' time**



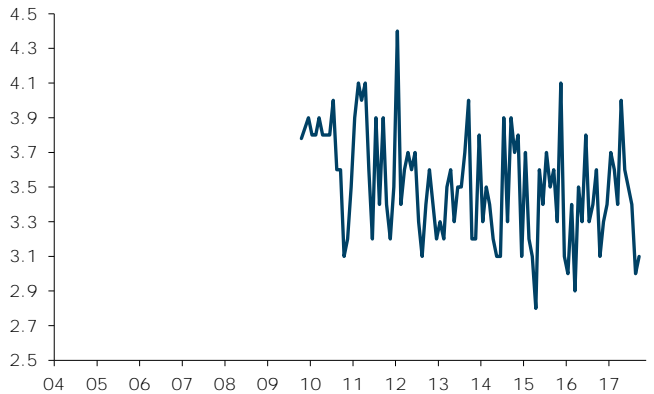
**Q4. Outlook 5 years ahead**



**Q5. Buy major household item**



**Q6. Inflation expectations**



**Q7. House price inflation expectations**



**Current vs future conditions**



Source: ANZ, Roy Morgan



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