

## ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

July 2018

## CONTACT

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 31 August 2018 at 10am.

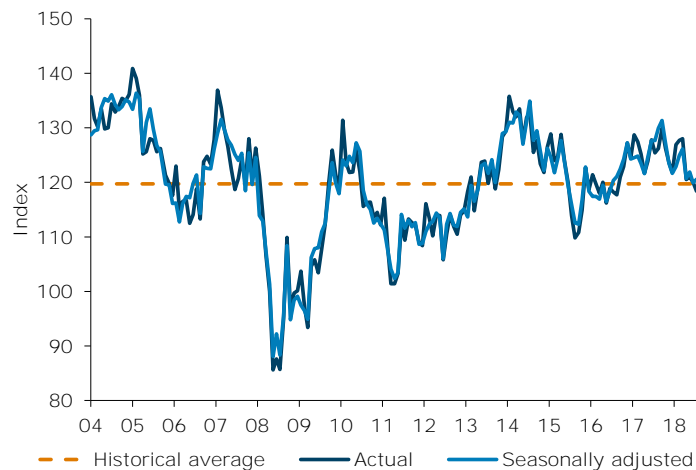
## RUG UP

### SUMMARY

- Consumer confidence dipped 2 points to 118 in July, around its historical average. But winter weather typically takes a toll: seasonally adjusted confidence actually rose 1 point to 121.
- Current conditions are pretty upbeat, but households remain a little wary about the outlook. Disquiet is focused on prospects for the broader economy rather than households' own finances.

**It's dark and cold, let's face it.** But looking through that, consumer confidence is about par, according to the ANZ-Roy Morgan Consumer Confidence Index. The headline data slipped 2 points to 118 in June, but on a seasonally adjusted basis the index lifted 1 point to 121. Both are sitting around the historical average.

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



Source: ANZ, Roy Morgan

The Current Conditions Index fell 1 point to 124.9 in July, while the Future Conditions Index fell 2 points to 114.1, well below its average (121).

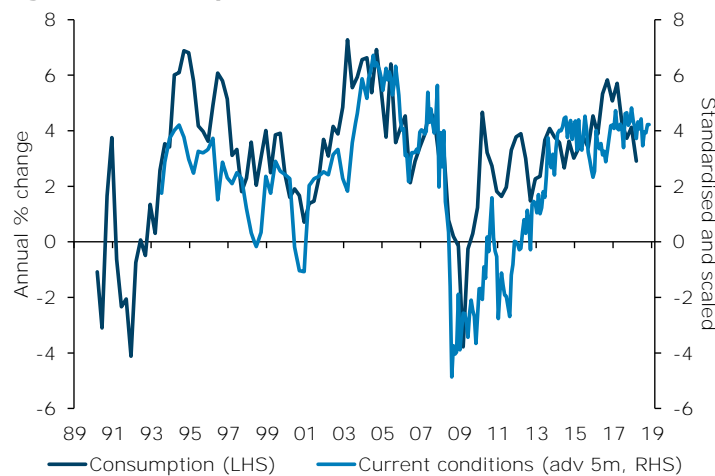
- Consumers' **perceptions of** their current financial situations lifted 3 points, with a net 14% feeling financially better off than a year ago.
- A net 25% of consumers expect to be better off financially this time next year, down 1 point.
- A net 36% say **it's a good time to buy a major household item**, down 4 points.
- Perceptions regarding the **next year's** economic outlook eased another 4 points to +3%, the lowest reading since March 2016. The five-year outlook also dipped, down 2 points to +14%.
- Wellington is by far the most confident region at 132 (+8 pts). Confidence fell 2 points in Auckland and 4 points in the rest of the North Island, to sit in equal last place on 115. The South Island is middle of the pack.
- Expectations for national house price inflation were little changed at 3.7% y/y %, with Wellington back in the lead at 4.8%. General inflation expectations were again unchanged at 3.9% – marking the first time in several years that a spike to these levels has been sustained.

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Consumer confidence has taken a step down since the start of the year, but only to about average levels, rather than anything alarming. While perceptions of current conditions remain pretty solid, there is a degree of wariness about the future, focused on the economy as a whole rather than respondents' own financial situations. **It's an unusually large gap between the two at present (in this direction – see the final chart on page 4).** However, **it's not unintuitive:** headlines about the economy have turned more negative of late but the labour market is tight and prospects for household incomes are good.

At these levels, consumer confidence is still supportive for spending (figure 2). **Par isn't a bad outcome: exuberance would be unhelpful given household debt levels,** but a sharp drop in consumer confidence would be problematic for the growth outlook.

**Figure 2. Consumption vs Consumer Confidence**

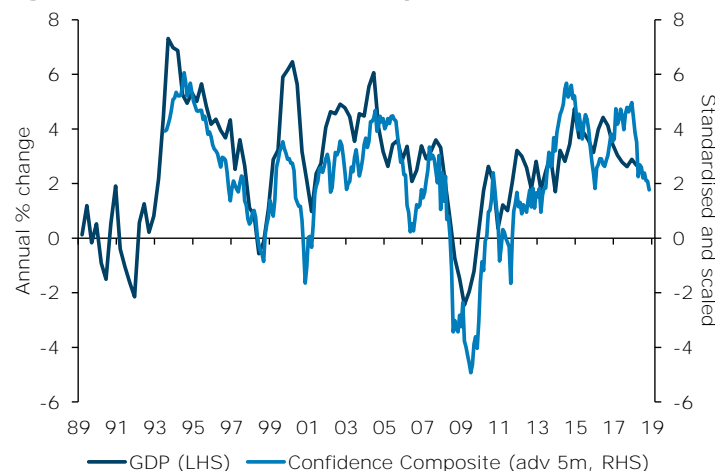


Source: ANZ, Roy Morgan, Statistics NZ

Our confidence composite gauge (which combines business expectations and intentions with consumer sentiment) is still suggesting around 2% GDP growth but is on a downward trajectory, primarily as a result of falling business confidence metrics.

We do expect some harder yards for the economy going forward, with growth harder won. This far into an economic cycle the low-hanging fruit has typically **been picked, and a number of growth drivers are fading. But that's a far cry** from calling time on the economic expansion.

**Figure 3. GDP vs Confidence Composite**



Source: ANZ, Roy Morgan, Statistics NZ

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Survey Summary	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
No. of Interviews	1,002	999	1,000	1,002	1,005	998	1,002	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	33	33	30	34	30	33	33	34
Worse Off	18	17	15	18	21	20	21	20
<b>Net Balance</b>	<b>14</b>	<b>16</b>	<b>15</b>	<b>16</b>	<b>9</b>	<b>13</b>	<b>11</b>	<b>14</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	46	46	48	49	44	46	44	43
Worse Off	18	16	13	14	19	19	18	18
<b>Net Balance</b>	<b>28</b>	<b>29</b>	<b>34</b>	<b>35</b>	<b>25</b>	<b>27</b>	<b>26</b>	<b>25</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	42	41	43	45	38	38	36	33
Bad Times	29	21	23	20	24	26	30	30
<b>Net Balance</b>	<b>13</b>	<b>21</b>	<b>21</b>	<b>25</b>	<b>13</b>	<b>12</b>	<b>7</b>	<b>3</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	44	41	47	47	39	41	41	38
Bad Times	23	19	18	22	22	24	26	24
<b>Net Balance</b>	<b>22</b>	<b>22</b>	<b>29</b>	<b>25</b>	<b>18</b>	<b>17</b>	<b>16</b>	<b>14</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	56	62	57	55	55	53	57	55
Bad Time to Buy	23	15	17	16	17	17	16	19
<b>Net Balance</b>	<b>32</b>	<b>47</b>	<b>40</b>	<b>39</b>	<b>37</b>	<b>36</b>	<b>40</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	70	65	68	71	75	75	78	78
Go Down	6.3	6.6	6.2	4.1	5.2	3.6	3.8	4.2
<b>Expectation (%)</b>	<b>3.5</b>	<b>3.2</b>	<b>3.3</b>	<b>3.4</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>	<b>3.9</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?

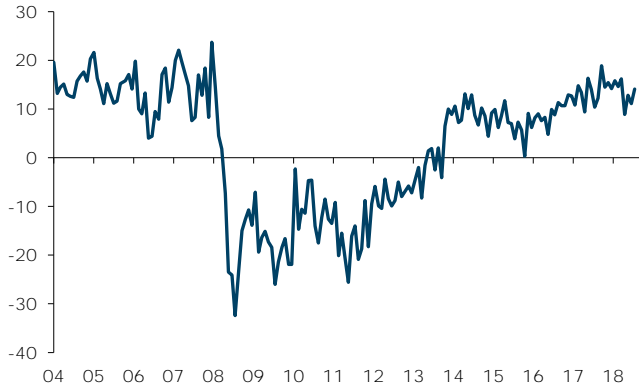
Go Up	49	51	54	59	62	63	63	59
Go Down	22.8	18.9	18.5	15.7	12.3	11.0	11.4	10.8
<b>Expectation (%)</b>	<b>2.4</b>	<b>2.9</b>	<b>3.1</b>	<b>3.5</b>	<b>4.1</b>	<b>3.7</b>	<b>3.6</b>	<b>3.7</b>

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

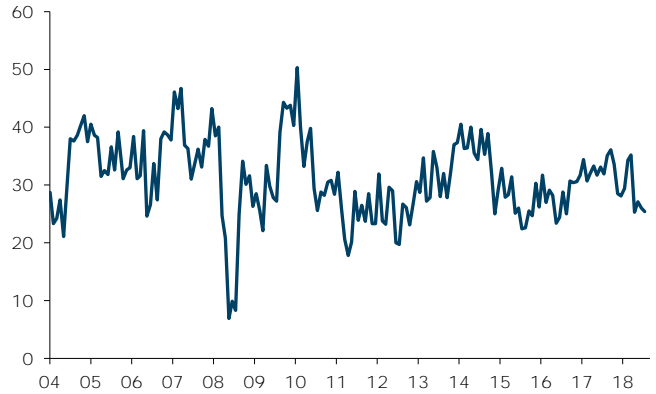
<b>Overall Index</b>	<b>121.8</b>	<b>126.9</b>	<b>127.7</b>	<b>128.0</b>	<b>120.5</b>	<b>121.0</b>	<b>120.0</b>	<b>118.4</b>
Current Conditions	123.3	131.3	127.3	127.7	123.1	124.6	125.7	124.9
Future Conditions	120.9	124.0	128.0	128.2	118.7	118.5	116.2	114.1

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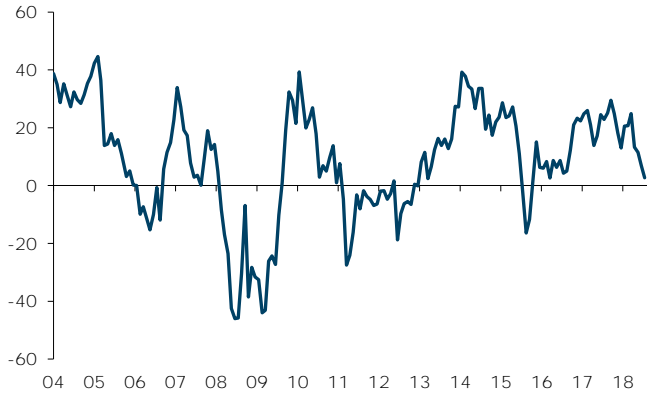
**Q1. Better off past year**



**Q2. Better off next year**



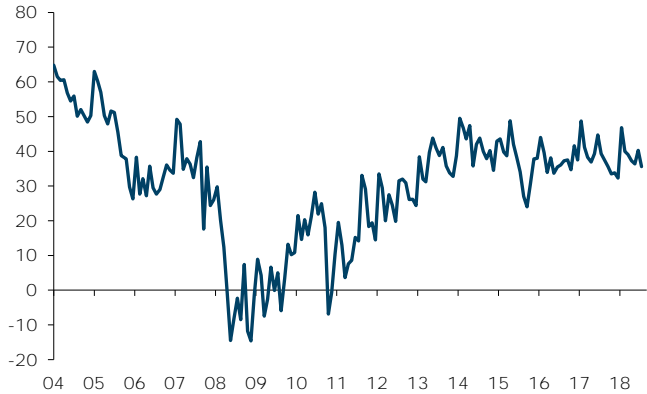
**Q3. NZ economy 12 months' time**



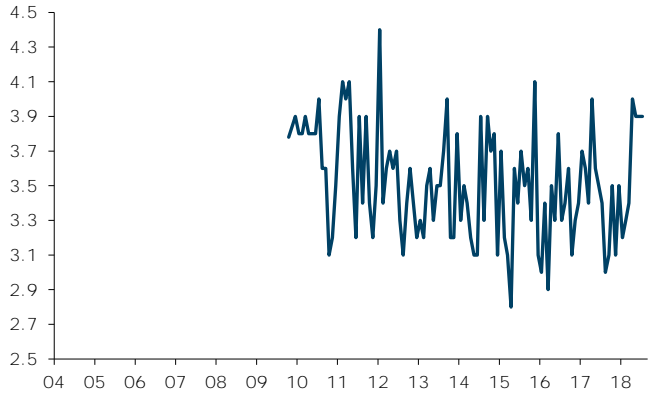
**Q4. Outlook 5 years ahead**



**Q5. Buy major household item**



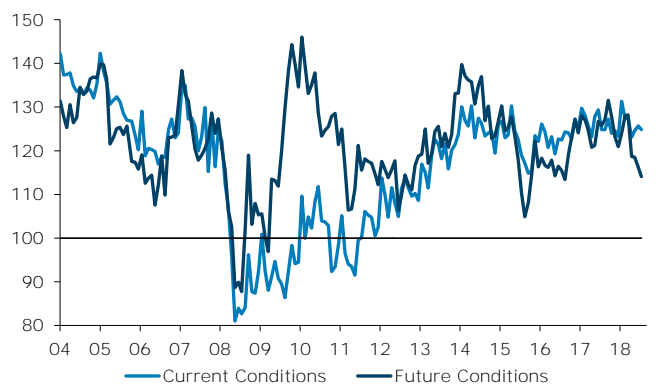
**Q6. Inflation expectations**



**Q7. House price inflation expectations**



**Current vs future conditions**



Source: ANZ, Roy Morgan



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