

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

March 2018

CONTACT

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 4 April 2018 at 10am.

WALKING ON SUNSHINE

SUMMARY

- Consumer confidence lifted 1 point in February. Consumers are feeling good.
- The current conditions indexes fell back from its 10-year high, but this was offset by a lift in the future conditions index.
- The strong labour market and stabilisation in the housing market are supporting consumer sentiment.

Consumers are feeling positive. The ANZ-Roy Morgan Consumer Confidence Index lifted from 126.9 to 127.7 in February. This is still 2 points off the September high, but it is a solid level. On a seasonally adjusted basis the index remains 8 points off its September high at 124.7.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ, Roy Morgan

After surging 8 points last month **the Current Conditions Index** fell 4 points in February to 127.3. **The Future Conditions Index** lifted another 4 points to 128.0 and has largely unwound its post-election dip.

- **Consumers continue to feel content about their current financial situation.** A net 15% feel financially better off than a year ago. The proportion of those who reported being worse off was the lowest in the history of the survey.
- **A net 34% of consumers expect to be better off financially this time next year** (up 5 points).
- **A net 40% say it's a good time to buy a major household item, down 7 points.** This is still a strong level and should support durables spending.
- **Perceptions regarding the economic outlook were steady at +21%.** The five-year outlook lifted from a net +22% to +29%.
- **Confidence lifted 6 points in Wellington and 3 points in regional North Island, but fell in the South Island.** Auckland confidence was little changed. Wellington and the South Island ex-Canterbury are vying for top spot.
- **National house price expectations lifted from 2.9% to 3.1%** and are strongest in the regional North Island (3.8%). **Inflation expectations continue to meander in a 3-4% range.**

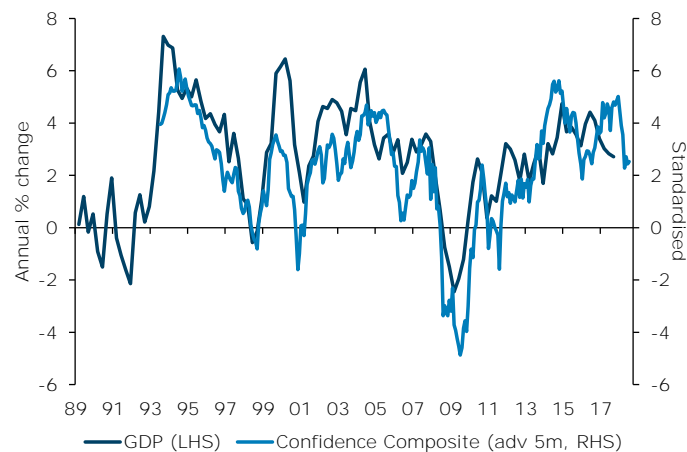
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Consumer confidence is at robust levels. We suspect one has to look no further than the tight labour market to explain why. The outlook for household incomes is good, with both the record-high terms of trade and slightly higher wage growth set to support. With the housing market seemingly having found a floor, downside risks have receded. The gap that opened up last month between responses to the current-situation and forward-looking questions closed in February.

Our confidence composite gauge (which combines business and consumer sentiment, and so covers both the production and spending sides of the economy) **has taken a hit from the fall in business confidence, but robust consumer confidence is supporting it.** It is consistent with 2-3% GDP growth, which is respectable for this stage of the cycle.

Indeed, while we are predicting more modest activity growth as capacity constraints bite, we believe this economic cycle has legs yet. Strong commodity prices are boosting exporter incomes, and **the strong labour market and government policy are supporting household incomes. With household debt at a record high as a proportion of those incomes, it's perhaps just as well.**

Figure 2. GDP vs Confidence Composite



Source: ANZ, Roy Morgan, Statistics NZ

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Survey Summary	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18
No. of Interviews	1,003	999	998	1,000	1,000	1,002	999	1,000

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	36	36	39	35	35	33	33	30
Worse Off	26	24	20	21	19	18	17	15
Net Balance	10	12	19	15	15	14	16	15

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	48	47	46	46	46	46	48
Worse Off	15	13	11	12	17	18	16	13
Net Balance	32	35	36	34	29	28	29	34

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	44	44	43	44	42	41	43
Bad Times	20	19	15	18	26	29	21	23
Net Balance	23	25	30	25	18	13	21	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	41	40	43	43	45	44	41	47
Bad Times	18	19	14	18	22	23	19	18
Net Balance	23	21	29	25	23	22	22	29

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	57	57	56	55	53	56	62	57
Bad Time to Buy	18	19	20	22	20	23	15	17
Net Balance	39	38	36	34	34	32	47	40

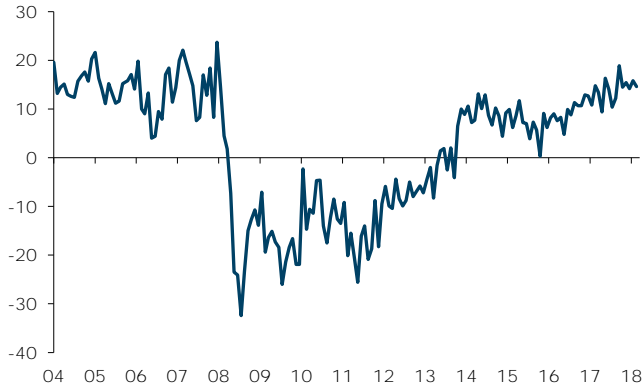
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	70	66	67	66	68	70	65	68
Go Down	3.9	6.4	3.8	5.7	6.8	6.3	6.6	6.2
Expectation (%)	3.4	3.0	3.1	3.5	3.1	3.5	3.2	3.3

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	64	60	55	55	40	49	51	54
Go Down	13.9	14.9	16.4	16.2	28.1	22.8	18.9	18.5
Expectation (%)	3.7	3.4	2.5	3.0	1.5	2.4	2.9	3.1

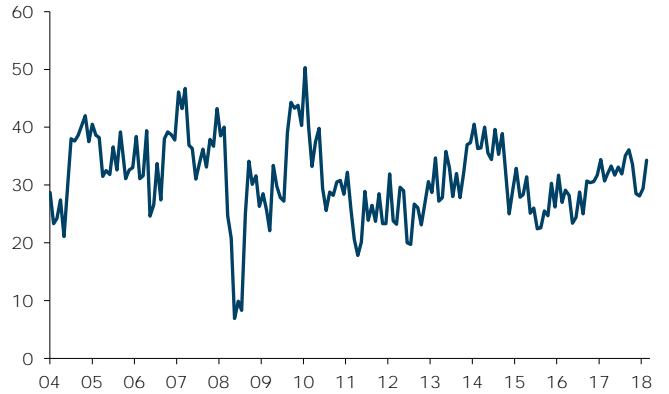
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	125.4	126.2	129.9	126.3	123.7	121.8	126.9	127.7
Current Conditions	124.9	124.9	127.3	124.0	124.6	123.3	131.3	127.3
Future Conditions	125.8	127.1	131.6	127.8	123.2	120.9	124.0	128.0

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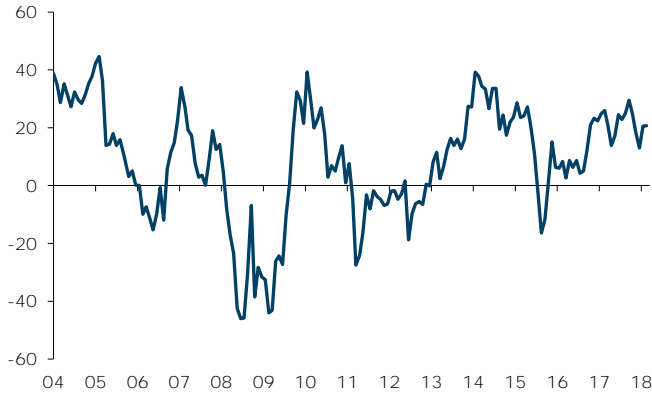
Q1. Better off past year



Q2. Better off next year



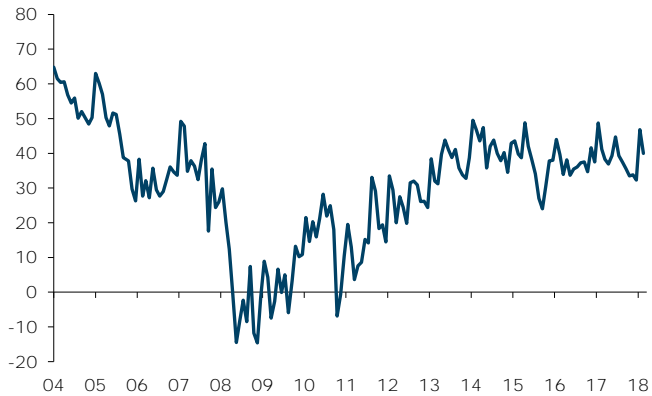
Q3. NZ economy 12 months' time



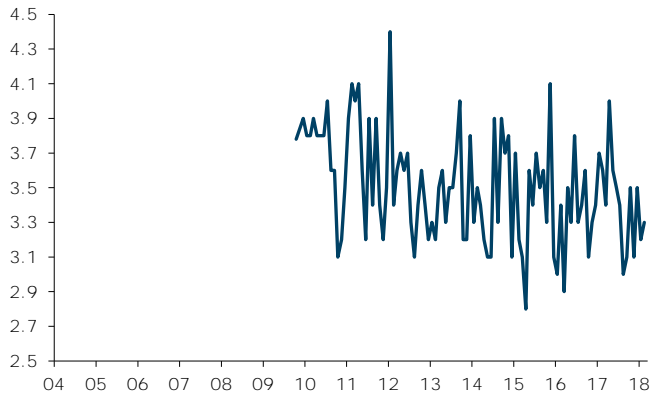
Q4. Outlook 5 years ahead



Q5. Buy major household item



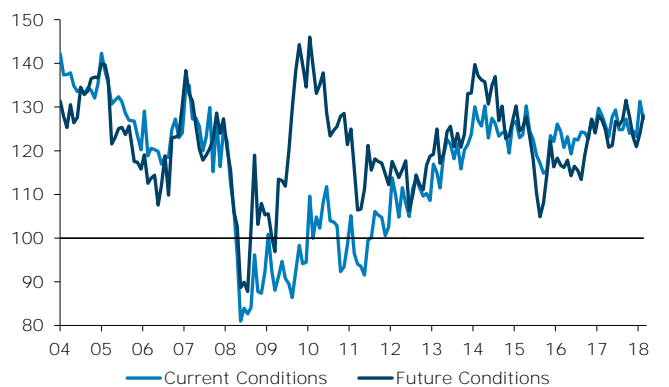
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ, Roy Morgan



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