

ANZ-ROY MORGAN CONSUMER CONFIDENCE SPECIAL REPORT - MEDIA RELEASE

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CONFIDENCE FALLS FURTHER AHEAD OF TONIGHT'S BUDGET

- Consumer confidence fell a further 2.4% to 103.7 in the week ending 11 May. Confidence has fallen sharply in the weeks leading up to today's Federal Budget release and is down almost 11% over the past 3 weeks when various policy leaks began receiving significant media attention.
- Confidence is now at its lowest level since May 2009. Although the current consumer spending environment is quite different to that during the Global Financial Crisis, recent developments suggest some possible softening in consumer spending going forward. Of note, the subindex of confidence - perceptions of 'financial situation compared to a year ago' - which is most correlated with households' spending decisions fell sharply last week (-5.7%). While this series can be quite volatile, it has noticeably weakened over the past 2 months. 'Financial situations next year' also fell relatively sharply (-4.3%), although moves across all other subindices were more modest, particularly 'economic conditions next year' which was unchanged last week but is around 20% lower than three weeks ago.
- At this stage, ANZ's bottom line for the household consumption outlook remains that consumer spending will improve this year and next, although tonight's budget has the ability to drag on the speed of that recovery.

ANZ Chief Economist (Australia) Ivan Colhoun said:

"The ANZ-Roy Morgan weekly consumer confidence has weakened sharply over the past three weeks as a number of budget initiatives have been leaked and covered closely in the media. Although the Government appears to be preparing the community for a 'horror' budget, ANZ's view is that the budget will be tough rather than horrific and that fiscal policy is likely to be tightened progressively over the next few years.

Regardless of what transpires tonight, this weekly index will be an important first gauge of the Budget's impact on consumers. Developments in this series should be watched to garner how transitory the recent dip in consumer confidence will be."

FIGURE 1. WEEKLY ANZ-ROY MORGAN CONSUMER CONFIDENCE

Last week (10 th /11 th May)	Weekly change, %	4-week avg	Monthly avg since 1990
103.7	-2.4	109.3	113.1

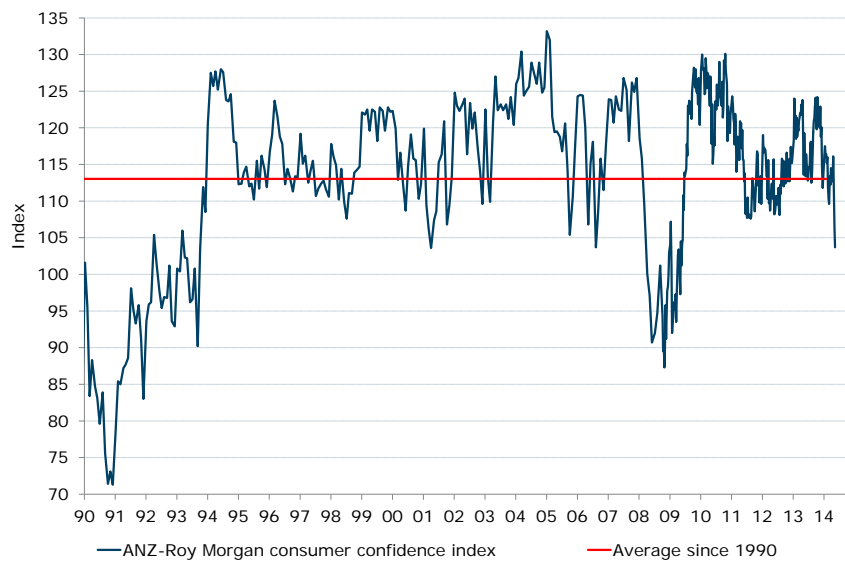
Data collected last weekend (Saturday and Sunday), based on around 1,000 face-to-face interviews. Not seasonally adjusted.

FIGURE 2. WEEKLY ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ-Roy Morgan

FIGURE 3. WEEKLY ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ-Roy Morgan

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