

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE STILL CHIRPY

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 20 March 2015 at 1pm.

SUMMARY

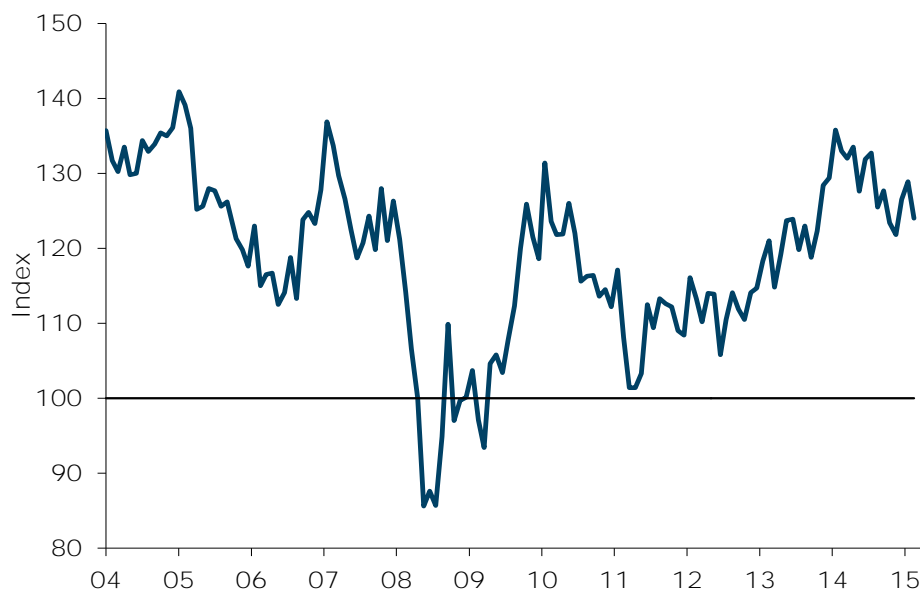
- Consumer sentiment remains elevated despite a slight dip in February.
- **We're not reading too much into** the dip – though it is interesting that lower interest rates and petrol prices have not yet engendered the usual Pavlovian response.
- Buoyant levels of consumer sentiment augur well for the economic expansion. It can even be argued that a failure to respond to short-term stimulus augers even better going forward – if consumers were to cut loose and binge the RBNZ would be forced to spoil the party.
- Auckland and Wellington showed the largest dips in confidence.

Consumers remained upbeat at the start of 2015. The ANZ-Roy Morgan Consumer Confidence Index eased a touch from 128.9 in January to 124.0 in February but we're not reading too much into that – a 5 point move is well within the bounds of normal monthly noise and volatility. The level of confidence remains elevated.

Both the Current Conditions Index (a concurrent indicator of spending trends) and the **Future Conditions Index eased in February.** The current conditions index moderated from 126.8 to 123.0; that's still consistent with solid rates of consumer spending. The future conditions index eased from 130.3 to 124.6.

All five components that make up consumer confidence waned in February, moving into less-positive territory. Households still perceive themselves as better off in terms of their finances, and still consider it a great time to buy a major household item. The three forward-looking gauges all dipped, but remain at healthy levels. Simply eyeballing the chart below shows confidence is sitting well above its nadir and in a pretty chirpy range.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

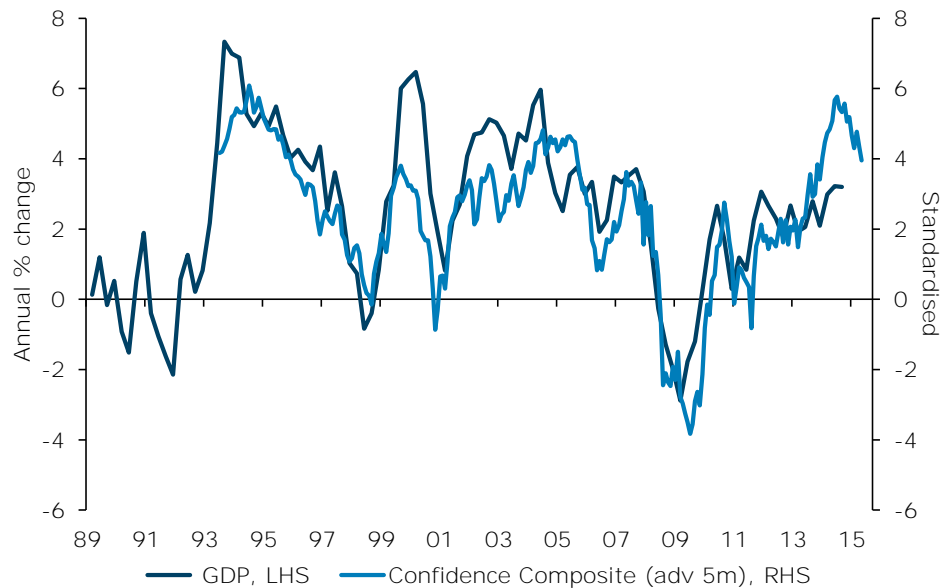
ANZ-ROY MORGAN CONSUMER CONFIDENCE

Why the drop in confidence? Interest rates have moved lower, house prices are still moving up, jobs are relatively plentiful and lower petrol prices (though a tad higher of late) mean more discretionary money in the pocket. That would normally be a winning combination. The finger can be pointed at the following:

- Noise; sentiment can wax and wane from month to month. Movements of less than 10 points are generally more noise than signal.
- Seasonality; boo, we're back at work. Stripping out the mild seasonal element showed confidence still dropped, but by a marginal amount.
- Shifting attitudes; traditional cyclical stimulus is potentially a less relevant driver of household sentiment. Extra money in the pocket is more likely to be saved than spent. Households are no longer using house price gains as an ATM.
- International gyrations; it's been a fickle start to the year. Things are also delicate close to home, with Australia in the midst of grumpy growth; there is growth but it's not the feel-good kind.

Our Composite Confidence gauge (which combines sentiment from both businesses and consumers) continues to ease from early 2014 peaks but the signal remains upbeat for growth going forward.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ, Westpac McDermott Miller

Looking at broader survey results (after seasonal adjustment):

- **Auckland and Wellington showed the largest falls in confidence** though Auckland remains the most confident region.
- **Confidence across younger age cohorts generally lifted and they are more upbeat, but confidence fell for the 25+ and older groups.** Alas for retailers, it's the latter groups that have the spending power.
- **Inflation expectations were generally lower.** Anticipated house price inflation eased to 4.5%, while general inflation expectations moderated to 3.2%.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

Survey Summary	Jul-14	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
No. of Interviews	976	960	1,064	1,017	1,002	1,001	1,001	1,003

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	35	37	35	31	35	33	32
Worse Off	27	28	27	27	27	26	23	26
Net Balance	9	7	10	9	4	9	10	6

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	54	50	52	49	45	47	49	46
Worse Off	14	15	14	17	20	18	16	18
Net Balance	40	35	39	32	25	29	33	28

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	52	39	46	44	46	48	51	45
Bad Times	18	20	21	27	24	24	22	22
Net Balance	34	20	24	17	22	24	29	24

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	51	42	44	41	44	49	47	43
Bad Times	14	16	17	23	21	21	17	21
Net Balance	38	26	27	19	23	28	29	22

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	62	60	58	61	58	61	62	59
Bad Time to Buy	18	20	21	21	23	18	18	19
Net Balance	44	40	38	40	35	43	44	40

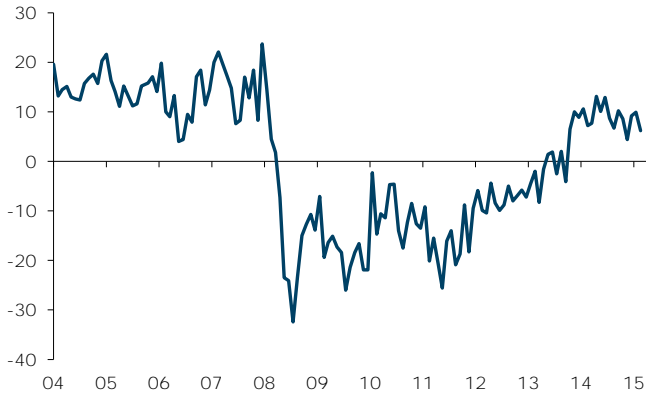
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	74	71	73	77	73	70	63	69
Go Down	6	7	4	5	5	6	9	7
Expectation (%)	3.9	3.3	3.9	3.7	3.8	3.1	3.7	3.2

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	69	67	69	70	78	74	75	75
Go Down	8	8	8	9	7	9	6	8
Expectation (%)	4.1	3.6	4.1	4.1	4.7	4.4	5.0	4.5

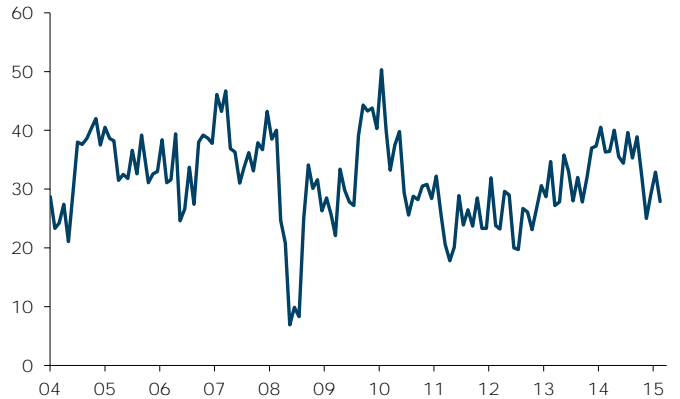
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	132.7	125.5	127.7	123.4	121.8	126.5	128.9	124.0
Current Conditions	126.3	123.4	124.1	124.4	119.5	126.1	126.8	123.0
Future Conditions	137.0	126.9	130.2	122.8	123.4	126.8	130.3	124.6

ANZ-ROY MORGAN CONSUMER CONFIDENCE

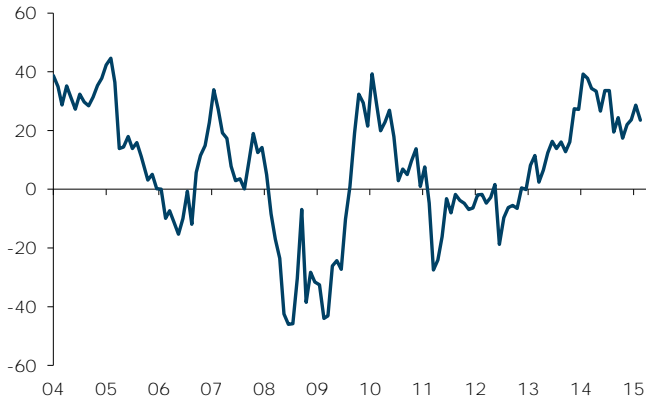
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



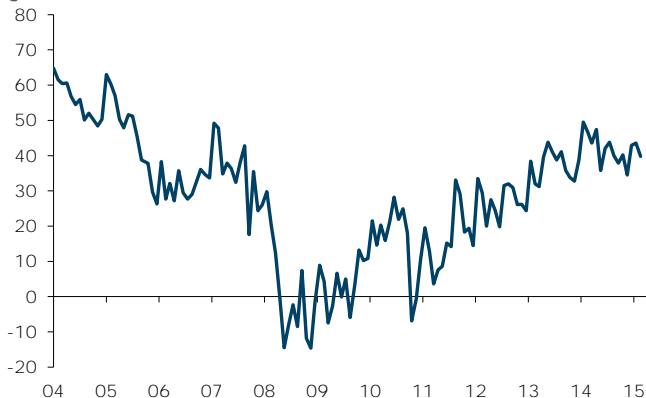
Q3. NZ ECONOMY 12MTHS TIME



Q4. OUTLOOK 5YRS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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