

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE TURBO-CHARGED

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 16 December 2016 at 1pm.

SUMMARY

- Consumer sentiment rose further in November, lifting 4 points to the highest level since early 2015.
- Confidence in current conditions and the future both lifted.
- The majority of responses were received prior to recent earthquakes. How confidence behaves going forward will be a key factor in determining any wider near-term economic fall-out.
- Strong levels of confidence – a key flag-bearer for growth momentum – provide the economy with resilience to deal with challenges.

Consumer optimism has continued its ascent. The ANZ-Roy Morgan Consumer Confidence Index rose from 122.9 to 127.2, taking confidence to the highest level since April 2015. The gain in seasonally adjusted terms was more modest (from 126 to 129), but was still its sixth consecutive increase. Consumers are no longer in cruise control; it's pedal to the metal.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

There is plenty of torque in the details. The Current Conditions and Future Conditions Indexes rose 4 points each, to 127.3 and 127.2 respectively.

- **Indicators for concurrent spending increased their RPMs.** A net 13% feel better off compared with a year ago, which is the highest since June 2014. Consumer enthusiasm towards buying major household items also surged 7 points to a net 42%.
- **Forward-looking indicators also revved their engines.** Net optimism towards the economy in 1 and 5 years' time rose to a net 23% and 28% respectively, taking both back to levels seen in early 2015. Respondents' views towards their own financial situation in 12 months' time held at a respectable net 31%.
- **Regionally, all set faster lap times.** Every region recorded stronger confidence in the month (both in unadjusted and seasonally adjusted terms), but Wellington took poll position after being mid-pack in October.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

Strong levels of confidence reflect an economy that is performing well.

The labour market is strengthening, cost of living changes remain historically low (every dollar earned goes further), dairying is no longer facing the risks it was, and earlier house price gains have given home owners a decent wealth boost. **Our confidence composite gauge** (which combines business and consumer sentiment) **is pointing to GDP growth accelerating to north of 4%. We don't** actually think that is attainable, but is a strong directional signal nonetheless.

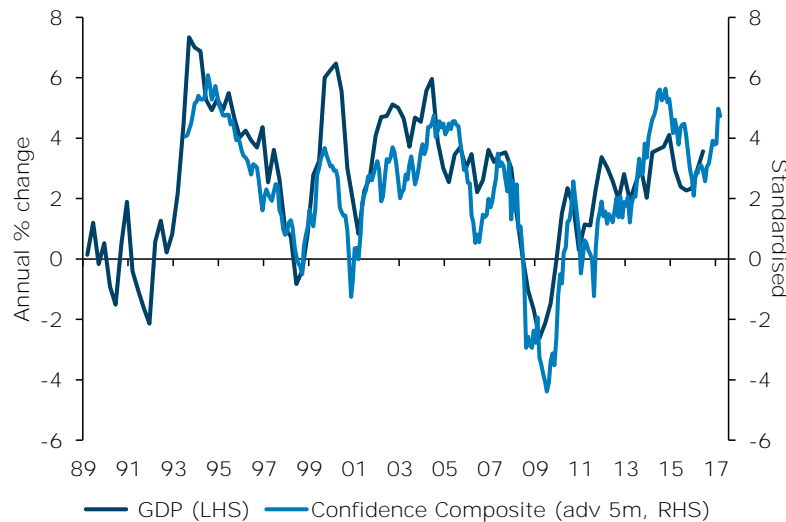
However, some dashboard warning lights are now beginning to flash.

The majority of responses to this month's survey were received prior to recent central New Zealand earthquakes. As was the case after the 2010/11 quakes, some hit to confidence is possible. To what degree this occurs will be a key determinant of the near-term economic impact. The housing market now looks to be slowing as LVR restrictions bite and borrowing rates look to be past their lows as global yields rise and banks chase deposits. Globally we are heading into the unknown as populist rhetoric and leadership gains the upper hand, which will have growth consequences.

The economy has some key safety features to steer it through smoothly.

Strong momentum and elevated levels of confidence are important as they give the economy far more resilience to deal with negative shocks. Moreover, while there are certainly pressure points (Auckland housing, household debt levels), the economy doesn't have the same widespread vulnerabilities and imbalances that have often tipped it over in the past when negative shocks have hit.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



Source: ANZ, Roy Morgan, Statistics NZ

House price expectations eased further, dropping from 5.7% to 5.0%.

This is just back to the levels seen in August, so it is hardly out of the ordinary, but it is consistent with other data and anecdotes pointing to a cooling in housing market activity. Lower expectations were seen in every region except the South Island ex-Canterbury.

Inflation expectations lifted from 3.1% to 3.3%. This measure is volatile, but the result is in line with the average seen over the prior 12 months.

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Survey Summary	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16
No. of Interviews	1,000	1,004	1,000	1,000	1,002	1,000	1,001	1,002

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	35	31	34	34	37	36	35	36
Worse Off	26	26	24	25	26	25	25	23
Net Balance	8	5	10	9	11	11	11	13

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	40	43	44	44	48	44	45
Worse Off	17	17	19	16	19	18	13	14
Net Balance	28	23	24	29	25	31	30	31

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	37	36	39	36	35	39	43	45
Bad Times	29	30	30	32	30	27	22	22
Net Balance	9	6	9	4	5	12	21	23

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	39	39	40	37	37	40	40	47
Bad Times	23	26	24	23	27	26	22	19
Net Balance	17	13	16	13	10	14	18	28

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	55	56	57	58	57	54	59
Bad Time to Buy	18	21	20	21	20	20	20	17
Net Balance	38	34	36	36	37	38	35	42

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	66	69	69	64	61	62	65	67
Go Down	5.4	6.1	4.3	6.0	6.1	6.3	7.5	4.2
Expectation (%)	3.5	3.3	3.8	3.3	3.4	3.6	3.1	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?

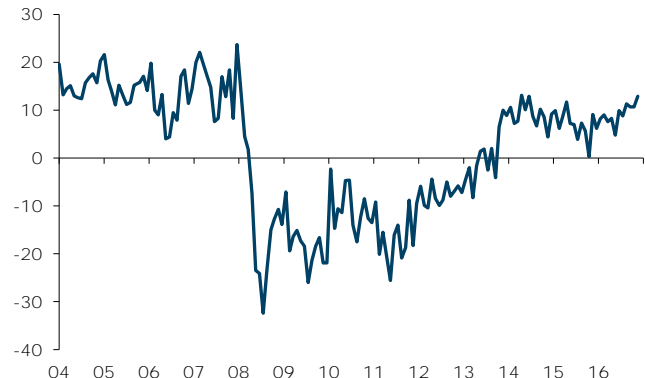
Go Up	78	81	81	79	72	79	78	71
Go Down	8.9	7.9	7.2	9.4	13.2	9.4	8.2	10.2
Expectation (%)	5.3	5.8	6.0	6.1	5.0	6.3	5.7	5.0

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

Overall Index	120.0	116.2	118.9	118.2	117.7	121.0	122.9	127.2
Current Conditions	123.2	119.3	122.7	122.5	124.3	124.1	122.7	127.3
Future Conditions	117.8	114.3	116.4	115.5	113.4	119.0	123.1	127.2

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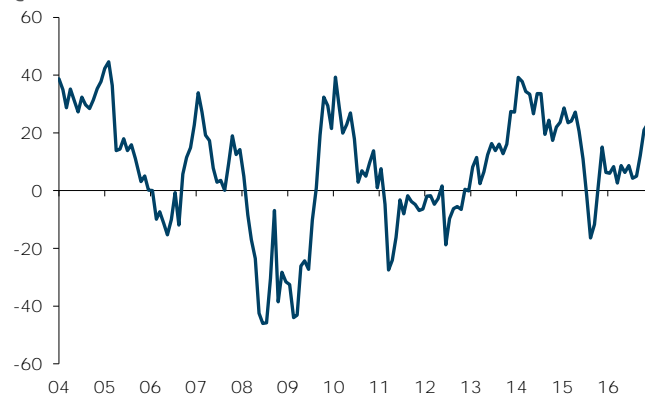
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



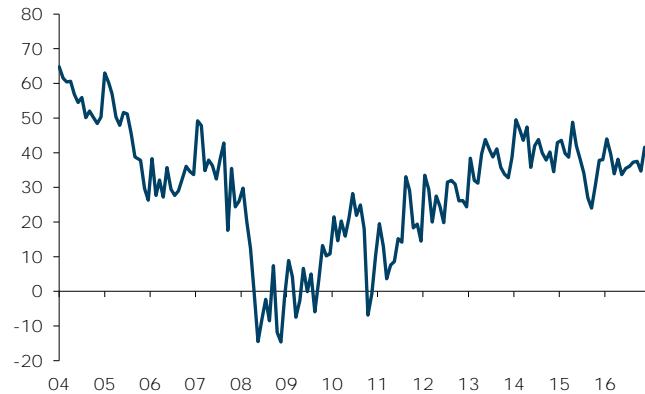
Q3. NZ ECONOMY 12MTHS TIME



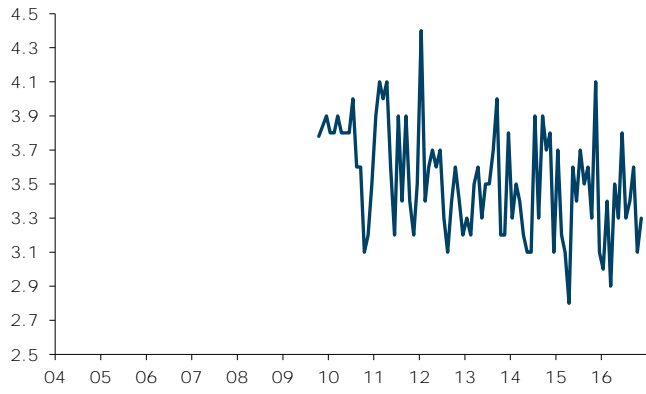
Q4. OUTLOOK 5YRS AHEAD



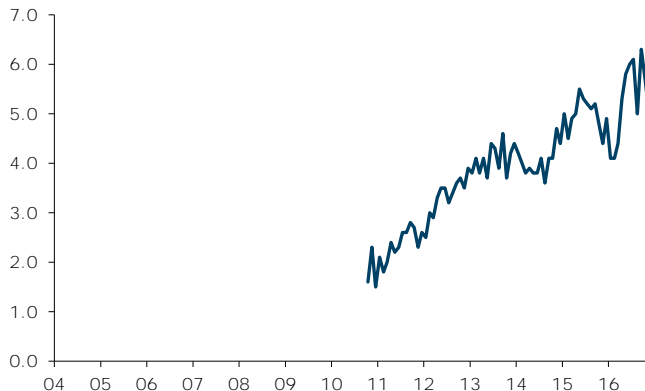
Q5. BUY MAJOR HOUSEHOLD ITEM



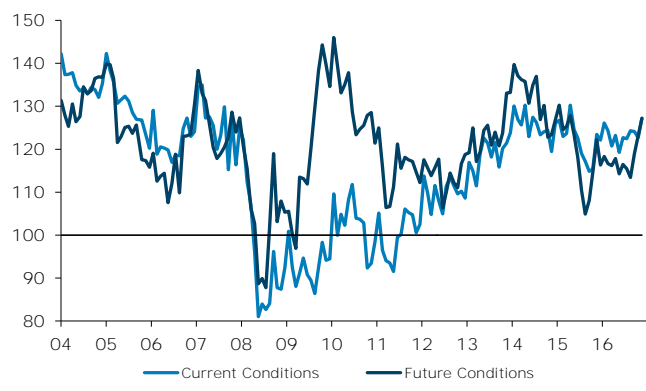
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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