

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

August 2017

CONTACT

Cameron Bagrie
Chief Economist

Telephone: +64 4 802 2212
 E-mail: cameron.bagrie@anz.com

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 14 September 2017 at 1pm.

FULL SAIL

SUMMARY

- Consumer confidence lifted in August.
- Moderation across the housing market is not impacting consumer sentiment. **That's a healthy sign.**
- Buoyant consumer confidence points to a solid pace of spending-based activity.
- House price expectations cooled further.

Consumers remain in a buoyant mood. The ANZ-Roy Morgan Consumer Confidence Index lifted from 125.4 to 126.2, with sentiment well above its long-run average of 119. Once we adjust for the seasonality at this time of year (the cooler months often bring the same for sentiment), the index rose 2 points to its highest level since July 2014.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ, Roy Morgan

In terms of the details, the Current Conditions Index was unchanged at 124.9 while Future Conditions lifted 1 point to 127.1; both 'steady as she goes'.

- **Consumers feel wealthier.** A net 12% feel better off than a year ago. Views regarding their own financial situation in 12 months' time lifted to +35 (+32 previously).
- **A net 38% believe it's a good time to buy a major household item.**
- **Perceptions regarding the economic outlook remain buoyant.** Net optimism towards the economy one year out lifted from +23 to +25, and when assessing the five-year economic outlook, optimism eased from +23 to +21.

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Moderation across the housing market is not taking the wind out of consumers' sails.

The economy is typically tied to the fortunes of the property market. Rising house prices lift **property owners'** wealth and encourages spending, and the reverse also applies. Auckland house prices are falling but it seems consumers feel there is no need to batten down the hatches; consumer confidence remains elevated.

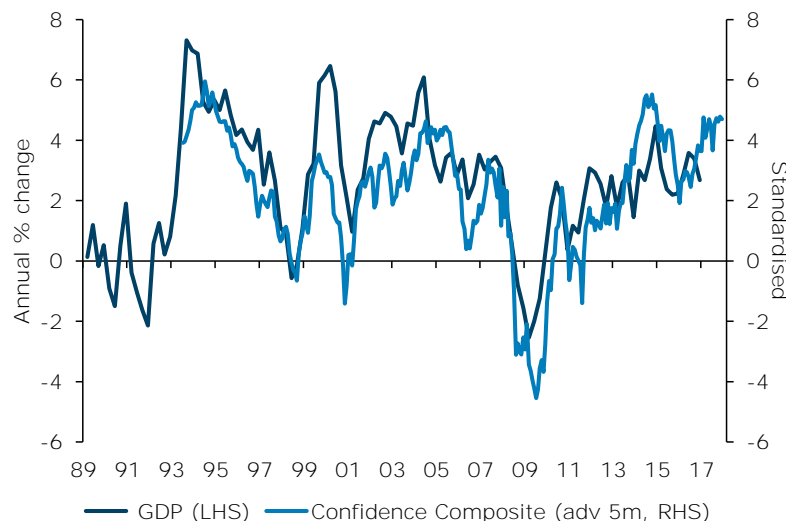
There are numerous reasons consumers' boats are not being rocked.

- Jobs are plentiful. The unemployment rate has fallen to 4.8%.
- **One man's loss is another man's profit.** Falling house prices are good for those trying to get on the property ladder.
- House prices outside of Auckland are still lifting, albeit more modestly.
- Regional New Zealand is being buoyed by strong commodity prices; the South Island (excluding Canterbury) is now the most upbeat region.
- The high NZD is keeping inflation low and major household items cheap.
- Interest rates are still low and set to be lower for longer (though it **shouldn't be forgotten that** this hurts savers).
- The Budget put \$2 billion on the table for families and the election lolly scramble is underway.

Buoyant consumer confidence points to an economy that's still full

steam ahead. Our confidence composite gauge (which combines business and consumer sentiment, and so covers both the production and spending sides of the economy) continues to flag very good economic momentum.

Figure 2. GDP vs Confidence Composite



Source: ANZ, Roy Morgan, Statistics NZ

Inflation expectations dipped to 3.0%, the fourth consecutive monthly fall.

National house price expectations eased from 3.7% to 3.4%.

Expectations in Auckland bucked the downward trend and lifted from 3.1% to 3.5%. It looks like a blip in a steep downward trend.

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Survey Summary	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
No. of Interviews	1,000	1,000	1,004	1,000	1,000	1,001	1,003	999

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	34	37	35	35	38	36	36	36
Worse Off	23	22	22	26	21	22	26	24
Net Balance	11	15	13	9	16	14	10	12

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	48	47	48	48	46	47	46	48
Worse Off	13	16	16	14	15	14	15	13
Net Balance	34	31	32	33	32	33	32	35

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	46	48	44	37	41	45	42	44
Bad Times	21	22	23	23	23	20	20	19
Net Balance	25	26	21	14	17	25	23	25

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	45	44	36	38	42	41	40
Bad Times	19	21	23	21	23	19	18	19
Net Balance	25	24	22	15	15	23	23	21

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	65	59	56	56	58	62	57	57
Bad Time to Buy	16	18	18	19	19	17	18	19
Net Balance	49	41	38	37	39	45	39	38

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	73	69	73	73	71	70	66
Go Down	6.4	4.1	6.1	3.1	4.3	5.1	3.9	6.4
Expectation (%)	3.7	3.6	3.4	4.0	3.6	3.5	3.4	3.0

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?

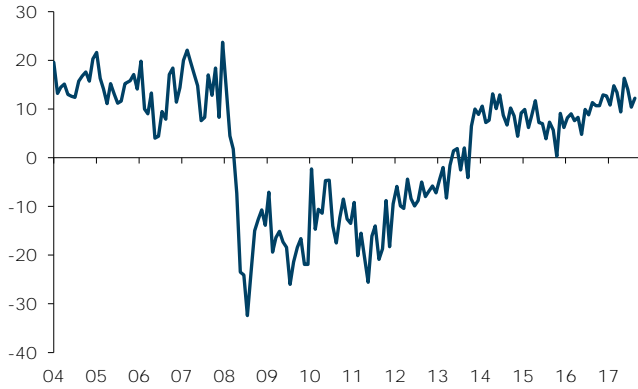
Go Up	68	67	69	70	66	63	64	60
Go Down	11.6	12.4	12.0	11.2	10.9	13.2	13.9	14.9
Expectation (%)	4.3	4.3	4.6	5.2	4.6	4.0	3.7	3.4

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

Overall Index	128.7	127.4	125.2	121.7	123.9	127.8	125.4	126.2
Current Conditions	129.8	128.0	125.9	123.2	127.8	129.4	124.9	124.9
Future Conditions	128.1	127.0	124.8	120.8	121.2	126.7	125.8	127.1

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Q1. Better off past year



Q2. Better off next year



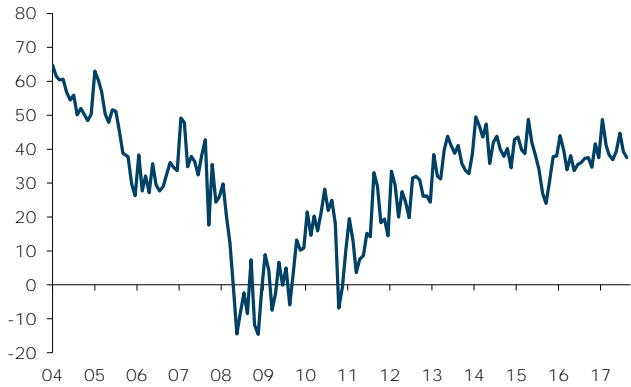
Q3. NZ economy 12 months time



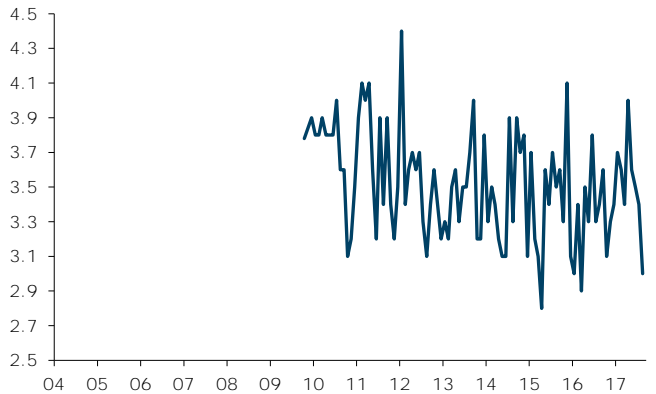
Q4. Outlook 5 years ahead



Q5. Buy major household item



Q6. Inflation expectations



Q7. House price expectations



Current vs future conditions



Source: ANZ, Roy Morgan



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