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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 21 December 2018 at 10am.

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Summary

- November consumer confidence lifted 4 points to around average levels.
- Perceptions of current conditions eased, but the future conditions index bounced back markedly to its strongest level in six months.
- The proportion of households who **think it's** a good time to buy a major household item was little changed.

Consumer confidence has found a floor after broadly trending down since March, according to the ANZ-Roy Morgan Consumer Confidence Index. The overall index lifted 4 points in November to around the historical average. The Current Conditions Index eased 1 point to 121, but the Future Conditions Index bounced back 6 points to 117, to levels more consistent with other readings this year.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ, Roy Morgan

- Consumers' **perceptions of** their current financial situation dipped 1 point to a net 10% feeling financially better off than a year ago.
- A net 26% of consumers expect to be better off financially this time next year, up 6 points.
- A net 32% think **it's a good time to buy a major household item**, down 1 point.
- Perceptions regarding the **next year's** economic outlook lifted 8 points to a net 7% expecting conditions to improve. The five-year outlook lifted 4 points to +18%.
- Confidence in Wellington dropped 3 points to fall below Auckland (which rose 5 points to become the most confident region in the country, a marked contrast with business confidence). Canterbury is the weakest.
- House price inflation expectations were little changed around the country (2.9%). They are weakest in Canterbury (1.9%) and strongest in Other South Island (3.8%).
- Inflation expectations eased 0.1%pts to 3.4%.

Consumers are feeling pretty resilient, with confidence bouncing back to sit around historically average levels. Confidence about the future remains a bit further under par. However, the proportion thinking it is a good time to buy a major household item is holding up well enough to suggest spenders aren't closing their wallets just yet.

Figure 2. Good time to buy major item vs retail sales volumes

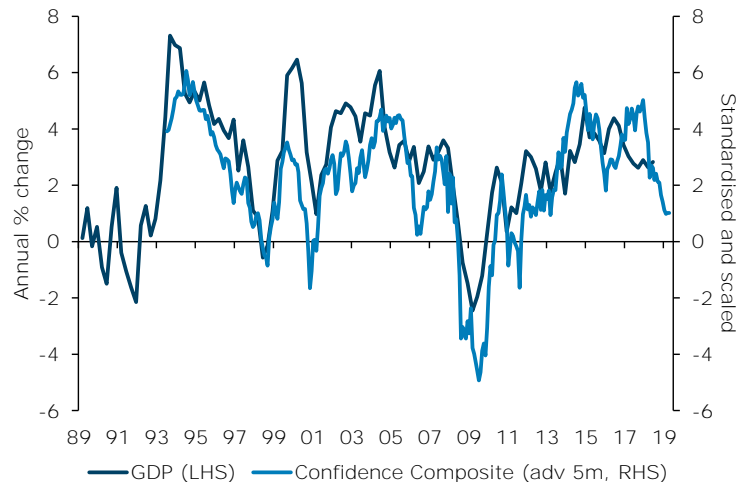


Source: ANZ, Roy Morgan, Statistics NZ

A resilient consumer is of course good for near-term economic growth, but a degree of prudence is warranted too. Household debt has flattened off at very high levels – 167% of household disposable income – and any improvement from here will be a long, slow grind. The estimated saving rate, while imprecisely estimated and prone to large revisions, is currently negative, suggesting little evidence of a precautionary saving motive in action.

Our confidence composite gauge (which combines business expectations and intentions with overall consumer sentiment) continues to suggest a slowing in GDP growth by year end (figure 2). We suspect business sentiment indicators are overstating the power of the growth headwinds at present, and rather see growth holding up in a 2½-3% range. Given high debt levels, consumer retrenchment is certainly a risk that could exacerbate any slowdown, but it is unlikely to be the catalyst for such an event.

Figure 3. GDP vs Confidence Composite



Source: ANZ, Roy Morgan, Statistics NZ



Tables and charts

Survey Summary	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18
No. of Interviews	1,005	998	1,002	1,009	1,004	1,009	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	30	33	33	34	34	34	35	34
Worse Off	21	20	21	20	22	22	25	24
Net Balance	9	13	11	14	12	12	11	10

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	44	46	44	43	45	45	41	44
Worse Off	19	19	18	18	19	18	21	18
Net Balance	25	27	26	25	26	27	20	26

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	38	38	36	33	32	35	33	37
Bad Times	24	26	30	30	30	32	34	30
Net Balance	13	12	7	3	2	4	-1	7

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	41	41	38	36	39	35	40
Bad Times	22	24	26	24	23	22	21	22
Net Balance	18	17	16	14	13	18	14	18

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	55	53	57	55	53	51	54	52
Bad Time to Buy	17	17	16	19	18	22	21	21
Net Balance	37	36	40	36	35	29	33	32

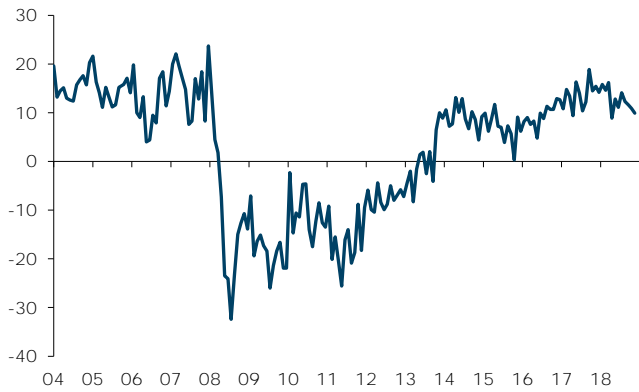
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	75	75	78	78	77	78	78	75
Go Down	5.2	3.6	3.8	4.2	3.6	5.2	4.1	5.0
Expectation (%)	4.0	3.9	3.9	3.9	4.0	3.4	3.5	3.4

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	62	63	63	59	57	60	55	56
Go Down	12.3	11.0	11.4	10.8	13.1	12.5	12.9	14.8
Expectation (%)	4.1	3.7	3.6	3.7	3.4	3.4	2.7	2.9

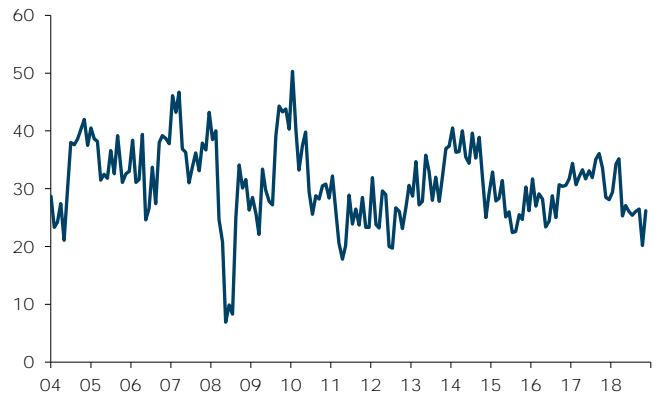
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	120.5	121.0	120.0	118.4	117.6	117.6	115.4	118.6
Current Conditions	123.1	124.6	125.7	124.9	123.5	120.2	122.0	120.9
Future Conditions	118.7	118.5	116.2	114.1	113.7	115.9	111.0	117.0



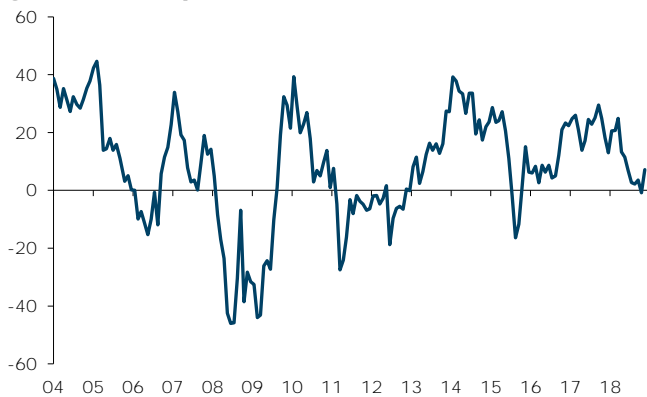
Q1. Better off past year



Q2. Better off next year



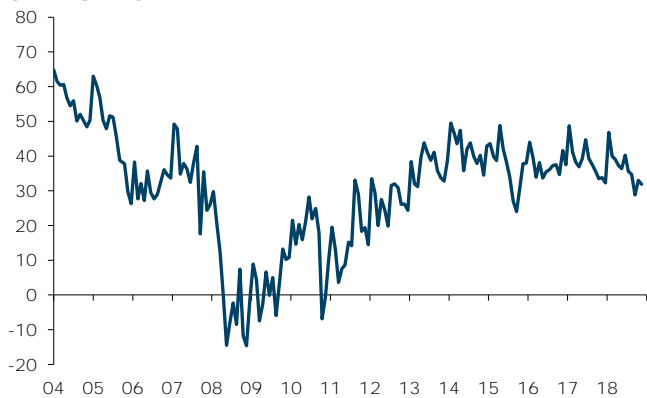
Q3. NZ economy 12 months' time



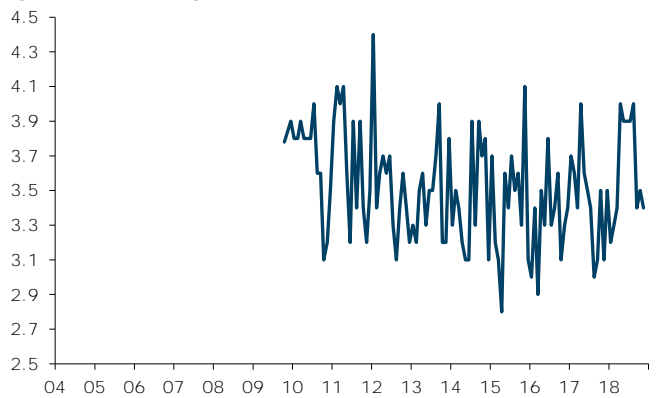
Q4. Outlook 5 years ahead



Q5. Buy major household item



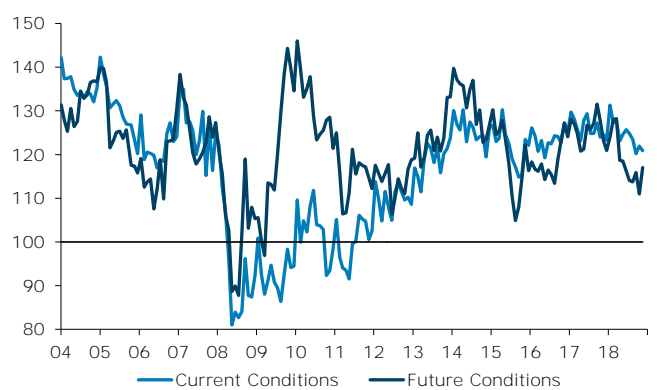
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ, Roy Morgan



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