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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 30 November 2018 at 10am.

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## This time it's personal

### Summary

- October consumer confidence slipped 3 points to below-average levels.
- Perceptions of current conditions remain very strong, but the future conditions index is at its lowest level since late 2015.
- The pessimism about the future has spread from being about the broader economy to about one's own future financial position. But households nonetheless still think it's a good time to buy a major household item.

Consumer confidence is gradually declining due to increased wariness about what the future may bring, according to the ANZ-Roy Morgan Consumer Confidence Index. The overall index dipped 3 points, taking it under the historical average. The Current Conditions Index lifted 2 points to 122, but the Future Conditions Index fell 5 points to 111, the lowest level since September 2015.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ, Roy Morgan

- Consumers' perceptions of their current financial situations dipped 1 point to a net 11% feeling financially better off than a year ago.
- A net 20% of consumers expect to be better off financially this time next year, down 7 points.
- Nonetheless, a net 33% say **it's a good time to buy a major household item**, bouncing back 4 points **from last month's fall**.
- Perceptions regarding the **next year's** economic outlook fell 5 points to a net 1% expecting conditions to deteriorate. The five-year outlook fell 4 points to +14%.
- Confidence in the North Island ex Auckland and Wellington dropped the most, down 6 points to be the weakest in the country. Auckland was the only region to see an improvement, now sitting in the middle of the pack.
- House price inflation expectations dropped to 2.7% y/y, lower everywhere.
- Inflation expectations lifted a tad from 3.4% to 3.5%, a pretty muted move in light of recent petrol price increases.

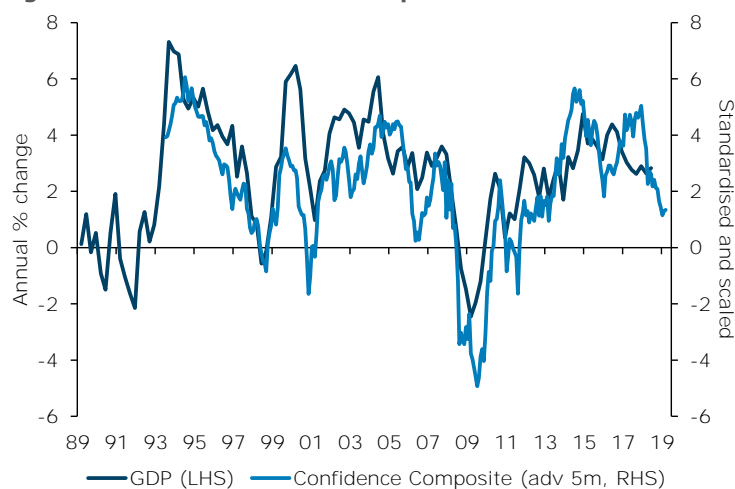
Consumer confidence is a mixed bag currently. Consumers are feeling good about the here and now, but concerns about the future are clearly growing. And now, it includes concern about **respondents' own** future financial situations, not just the broader economy. **Indeed, consumers haven't been this pessimistic about their own and their family's financial outlook one year ahead** since mid-2012, and this data series has only been below the current level of 20% once since 2008.

A key question is whether this growing concern about the outlook will lead to consumers reining in their spending. However, encouragingly for retailers, the **proportion of respondents who think it's a good time to buy a major household item** increased and is at a level consistent with solid growth in spending.

The economy is facing a mix of headwinds and tailwinds at the moment. In our view they roughly cancel out in aggregate – we see the economy continuing to grow at a 2½-3% pace. But if households get spooked into a higher saving rate, this will dampen growth – a positive development from a medium-term standpoint, as it would build resilience to adverse events.

Indeed, our confidence composite gauge (which combines business expectations and intentions with overall consumer sentiment) suggests a slowing in GDP growth by year end (figure 2). Such a development would not be welcomed by the Reserve Bank, who is struggling to get inflation sustainably up to the inflation midpoint. We continue to see an eventual OCR cut as a very real possibility.

**Figure 2. GDP vs Confidence Composite**



Source: ANZ, Roy Morgan, Statistics NZ



## Tables and charts

Survey Summary	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
No. of Interviews	1,002	1,005	998	1,002	1,009	1,004	1,009	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	30	33	33	34	34	34	35
Worse Off	18	21	20	21	20	22	22	25
<b>Net Balance</b>	<b>16</b>	<b>9</b>	<b>13</b>	<b>11</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>11</b>

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	49	44	46	44	43	45	45	41
Worse Off	14	19	19	18	18	19	18	21
<b>Net Balance</b>	<b>35</b>	<b>25</b>	<b>27</b>	<b>26</b>	<b>25</b>	<b>26</b>	<b>27</b>	<b>20</b>

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	45	38	38	36	33	32	35	33
Bad Times	20	24	26	30	30	30	32	34
<b>Net Balance</b>	<b>25</b>	<b>13</b>	<b>12</b>	<b>7</b>	<b>3</b>	<b>2</b>	<b>4</b>	<b>-1</b>

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	47	39	41	41	38	36	39	35
Bad Times	22	22	24	26	24	23	22	21
<b>Net Balance</b>	<b>25</b>	<b>18</b>	<b>17</b>	<b>16</b>	<b>14</b>	<b>13</b>	<b>18</b>	<b>14</b>

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	55	53	57	55	53	51	54
Bad Time to Buy	16	17	17	16	19	18	22	21
<b>Net Balance</b>	<b>39</b>	<b>37</b>	<b>36</b>	<b>40</b>	<b>36</b>	<b>35</b>	<b>29</b>	<b>33</b>

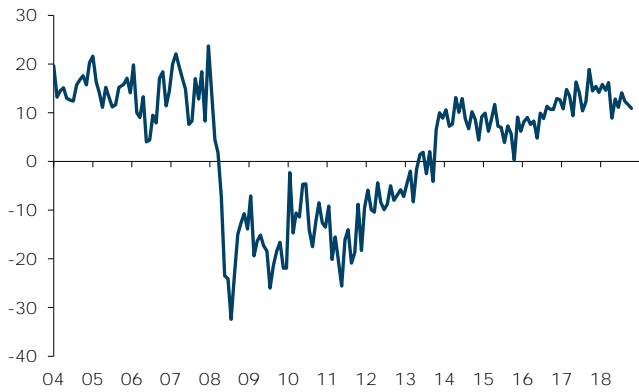
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	71	75	75	78	78	77	78	78
Go Down	4.1	5.2	3.6	3.8	4.2	3.6	5.2	4.1
<b>Expectation (%)</b>	<b>3.4</b>	<b>4.0</b>	<b>3.9</b>	<b>3.9</b>	<b>3.9</b>	<b>4.0</b>	<b>3.4</b>	<b>3.5</b>

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	59	62	63	63	59	57	60	55
Go Down	15.7	12.3	11.0	11.4	10.8	13.1	12.5	12.9
<b>Expectation (%)</b>	<b>3.5</b>	<b>4.1</b>	<b>3.7</b>	<b>3.6</b>	<b>3.7</b>	<b>3.4</b>	<b>3.4</b>	<b>2.7</b>

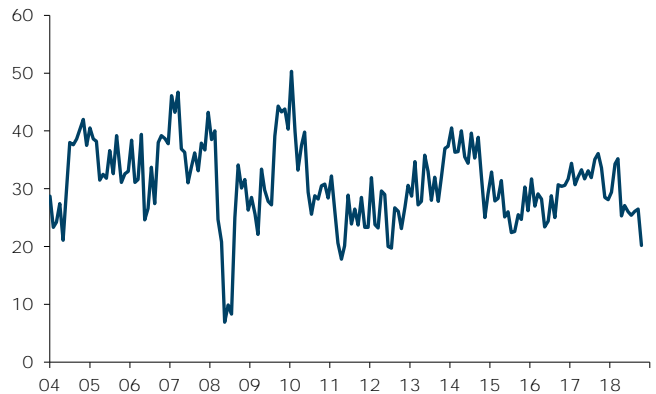
<b>ANZ Roy Morgan Consumer Confidence Rating</b> (100 plus the unweighted average of the net balances of Q1-5)								
<b>Overall Index</b>	<b>128.0</b>	<b>120.5</b>	<b>121.0</b>	<b>120.0</b>	<b>118.4</b>	<b>117.6</b>	<b>117.6</b>	<b>115.4</b>
Current Conditions	127.7	123.1	124.6	125.7	124.9	123.5	120.2	122.0
Future Conditions	128.2	118.7	118.5	116.2	114.1	113.7	115.9	111.0



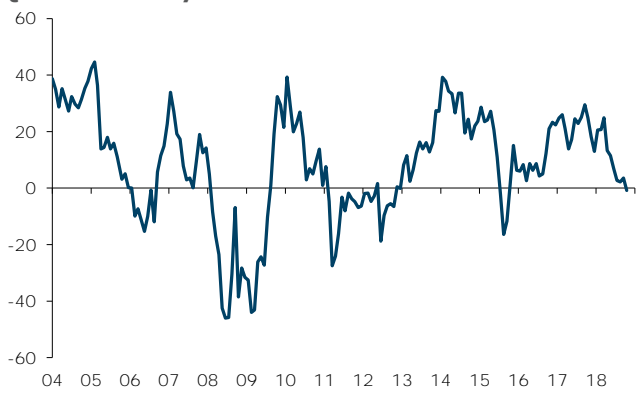
**Q1. Better off past year**



**Q2. Better off next year**



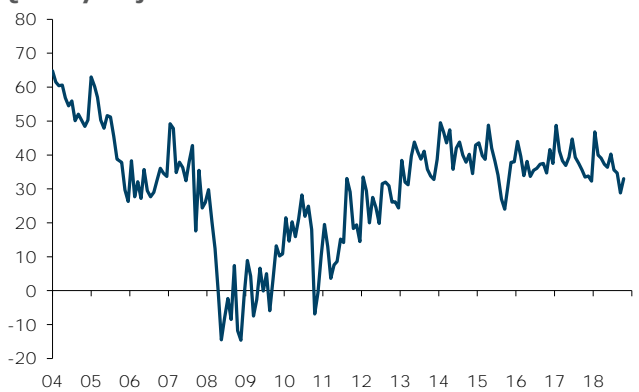
**Q3. NZ economy 12 months' time**



**Q4. Outlook 5 years ahead**



**Q5. Buy major household item**



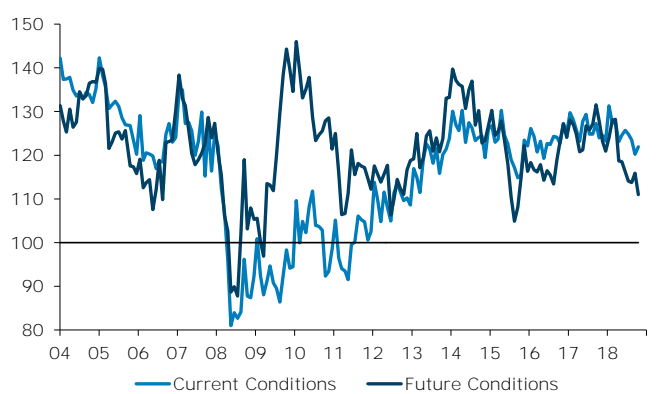
**Q6. Inflation expectations**



**Q7. House price inflation expectations**



**Current vs future conditions**



Source: ANZ, Roy Morgan



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