

# ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE SUMMER BREAK

December 2015

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 21 January at 1pm.

## SUMMARY

- Consumer sentiment eased, but remains well above its recent lows. Current expectations held firm, while future expectations waned.
- **Softer future expectations suggest consumers aren't getting ahead of themselves just yet.** To a degree this is encouraging; borrow-and-spend style growth can only take us so far – you have to pay it back!
- Reasonable consumer confidence and the same for business sentiment signals respectable but not stellar growth over the months ahead.
- **Reversing last month's moves,** inflation expectations fell, while house price growth expectations bounced. Both continue to bounce around.

**Consumer confidence put its feet up in December,** easing off November's six-month high. The ANZ-Roy Morgan Consumer Confidence Index fell 4 points to 118.7. **That's** in line with the historical average.

### Key results included:

- **Confidence in the economy took a day trip, retracing some of its recent gains.** Net optimism in the economic outlook one and five years ahead fell 9 and 5 points respectively to +6 and +17. The former is in line with its historical average, while the latter is slightly below.
- **A net 6% of respondents are feeling financially better off compared to 12 months prior.** That is down 3 points, and expectations 12 months ahead eased by a similar amount (to +26). Still positive.
- **A net 38% still believe it a good time to buy a major household item - a six-month high.** Get those letters to Santa written!
- **The Current Conditions Index dipped 1 point to 122.1** – this is only a modest retracement from last month's 8 point gain so there is still some Christmas cheer for retailers; ho ho ho!
- **The Future Conditions Index fell 6 points to 116.3.** Be careful not to over-spend, those credit card bills will be arriving in the New Year.
- **Confidence fell in all regions (in seasonally adjusted terms),** but particularly so in the South Island regions.

**FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE**



Source: ANZ, Roy Morgan

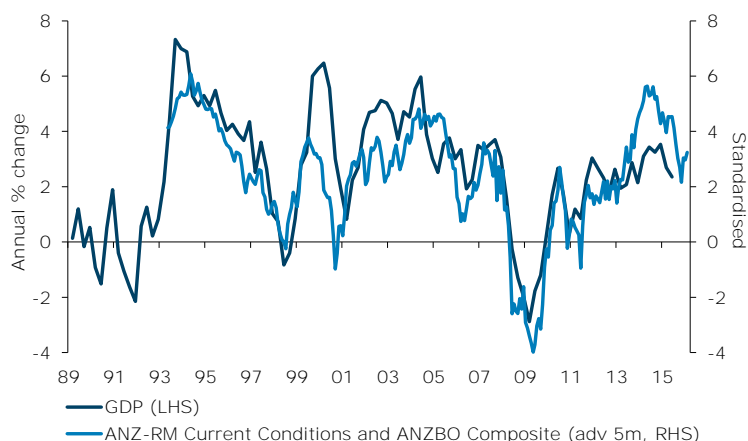
## ANZ-ROY MORGAN CONSUMER CONFIDENCE

**The approaching festive season usually leaves consumers feeling in better spirits.** Allowing for that, our seasonally adjusted estimates show slightly larger falls in overall confidence and the current conditions component. However, **as with the unadjusted figures, both components remain well above recent lows – and in fact historical averages.** Confidence wobbles around from month to month, but what matters is the level; that remains respectable.

**The fact that consumers are feeling a little more cautious regarding the future should not necessarily be seen as a bad thing.** A key theme driving housing activity in particular of late has been a return to borrow-and-spend style growth. Household credit is again running ahead of incomes. To be fair, this is the very behaviour that monetary policy easing is trying to achieve to help generate a spending and inflationary lift. But with debt-to-income ratios already elevated, household saving turning negative (again) and the current account deficit on a widening trajectory, this can only be a temporary phenomenon. Borrow-and-spend behaviour can only take us so far. Some restraint and prudence goes a long way too.

**When combined with business confidence, our confidence composite still points to respectable prospects for the economy heading into 2016.** People need an aura of confidence to spend, businesses need it to be willing to hire and invest; we have that. Yes there are risks. Dairy sector strains remain, and the weather heading into summer, while good for beach-goers, may not be so good for growing grass. The global scene continues to wobble. But improved momentum and sentiment over the second half of the year hopefully reflects how many will feel after the upcoming summer break – relaxed, refreshed and in a good position to continue the good cheer into the New Year.

**FIGURE 2. GDP VS CONFIDENCE COMPOSITE**



Source: ANZ, Roy Morgan

**In terms of the regional split** (using seasonally adjusted data), all regions experienced a drop in confidence in December, but only partially reversed recent gains. Canterbury consumers remain the most optimistic, but Auckland consumers are not too far behind. Confidence in the South Island outside of Canterbury fell the most in the month and is the most pessimistic of the regions.

**Nationwide house price expectations lifted back to 4.9%, unwinding last month's drop.** In contrast to recent anecdotes on the property market, Auckland expectations surged (to 6.5%, a four-month high), while expectations fell in most other regions. **General inflation expectations dropped back to 3.1%**, which is back into its familiar range ahead of November's four-year high.

## ANZ-ROY MORGAN CONSUMER CONFIDENCE

Survey Summary	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
No. of Interviews	990	1,000	989	1,005	1,003	1,019	999	1,032

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	33	32	34	34	29	34	34
Worse Off	27	26	28	27	28	29	25	28
<b>Net Balance</b>	<b>7</b>	<b>7</b>	<b>4</b>	<b>7</b>	<b>6</b>	<b>0</b>	<b>9</b>	<b>6</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	45	45	44	43	45	42	47	45
Worse Off	19	19	22	20	19	18	16	19
<b>Net Balance</b>	<b>25</b>	<b>26</b>	<b>22</b>	<b>23</b>	<b>26</b>	<b>25</b>	<b>30</b>	<b>26</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	41	34	27	28	34	44	38
Bad Times	25	30	36	43	39	32	29	32
<b>Net Balance</b>	<b>21</b>	<b>11</b>	<b>-2</b>	<b>-16</b>	<b>-12</b>	<b>2</b>	<b>15</b>	<b>6</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	42	38	38	37	40	45	42
Bad Times	22	25	27	29	26	23	24	26
<b>Net Balance</b>	<b>25</b>	<b>17</b>	<b>11</b>	<b>8</b>	<b>11</b>	<b>18</b>	<b>21</b>	<b>17</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	60	58	55	54	53	53	58	58
Bad Time to Buy	18	20	21	27	29	23	20	20
<b>Net Balance</b>	<b>42</b>	<b>38</b>	<b>34</b>	<b>27</b>	<b>24</b>	<b>31</b>	<b>38</b>	<b>38</b>

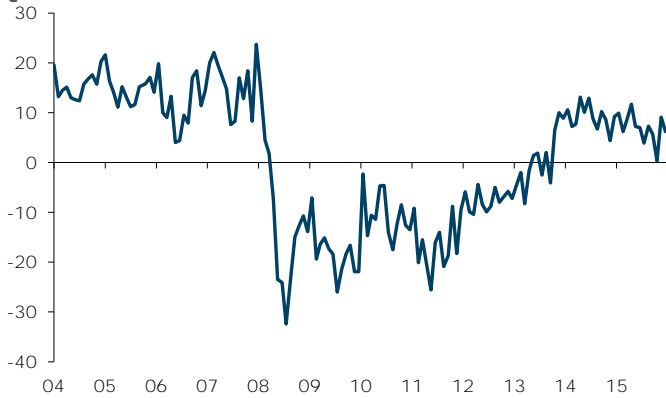
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	68	66	73	69	66	68	65	62
Go Down	5.9	6.4	4.6	4.6	7.6	5.6	7.8	8.4
<b>Expectation (%)</b>	<b>3.6</b>	<b>3.4</b>	<b>3.7</b>	<b>3.5</b>	<b>3.6</b>	<b>3.3</b>	<b>4.1</b>	<b>3.1</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	77	75	76	77	70	72	71	71
Go Down	6.7	9.1	8.7	7.5	9.7	10.1	10.7	9.5
<b>Expectation (%)</b>	<b>5.5</b>	<b>5.3</b>	<b>5.2</b>	<b>5.1</b>	<b>5.2</b>	<b>4.8</b>	<b>4.4</b>	<b>4.9</b>

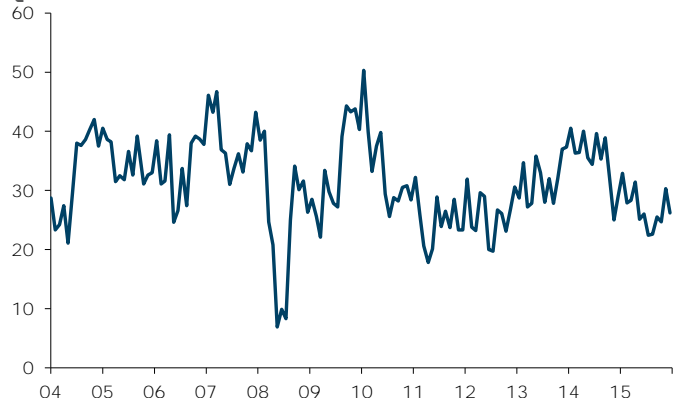
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
<b>Overall Index</b>	<b>123.9</b>	<b>119.9</b>	<b>113.9</b>	<b>109.8</b>	<b>110.8</b>	<b>114.9</b>	<b>122.7</b>	<b>118.7</b>
Current Conditions	124.6	122.6	119.0	117.2	114.9	115.4	123.5	122.1
Future Conditions	123.4	118.1	110.4	104.9	108.1	114.6	122.2	116.3

# ANZ-ROY MORGAN CONSUMER CONFIDENCE

**Q1. BETTER OFF PAST YEAR**



**Q2. BETTER OFF NEXT YEAR**



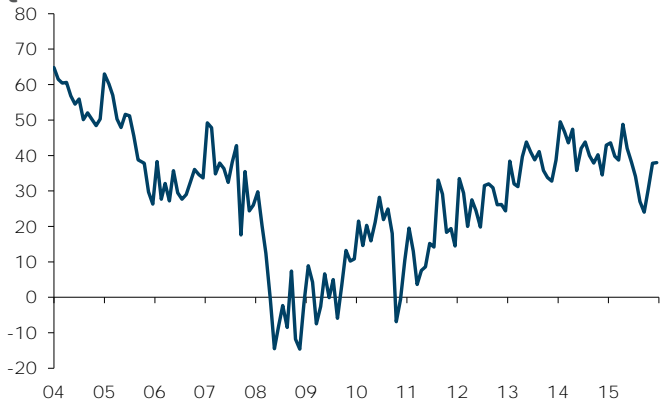
**Q3. NZ ECONOMY 12MTHS TIME**



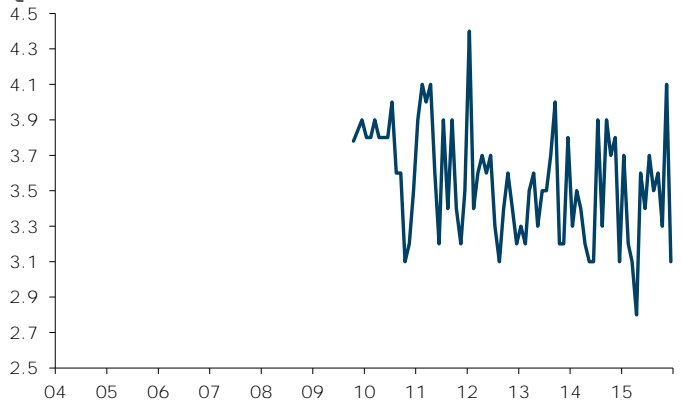
**Q4. OUTLOOK 5YRS AHEAD**



**Q5. BUY MAJOR HOUSEHOLD ITEM**



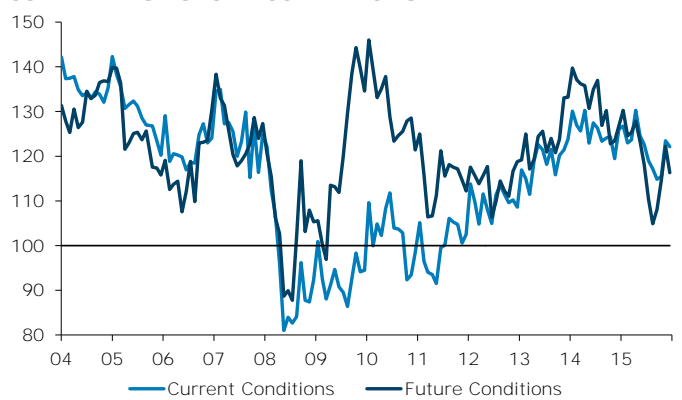
**Q6. INFLATION EXPECTATIONS**



**Q7. HOUSE PRICE EXPECTATIONS**



**CURRENT VS FUTURE CONDITIONS**



Source: ANZ, Roy Morgan



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