

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

December 2017

CONTACT

Sharon Zollner
Chief Economist

Telephone: +64 9 357 4094

E-mail: sharon.zollner@anz.com

The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 2 February 2018 at 10am.

A MERRY CHRISTMAS

SUMMARY

- Consumer confidence dipped slightly in December, its third consecutive decline. However, the level remains robust.
- Both the current and future conditions indexes eased; the latter by more.
- Consumers appear to be pretty relaxed in the face of a cooler housing market and a change in Government, though a degree of wariness is perhaps starting to creep into the forward-looking responses.

Consumers are still feeling pretty sanguine. The ANZ-Roy Morgan Consumer Confidence Index eased from 123.7 to 121.8 in December. That is still above historical averages, but is now 8 points off the September high.

Figure 1. ANZ-Roy Morgan Consumer Confidence



Source: ANZ, Roy Morgan

The Current Conditions Index fell 1.3 points to 123.3, while the Future Conditions Index fell 2.2 points to 120.9.

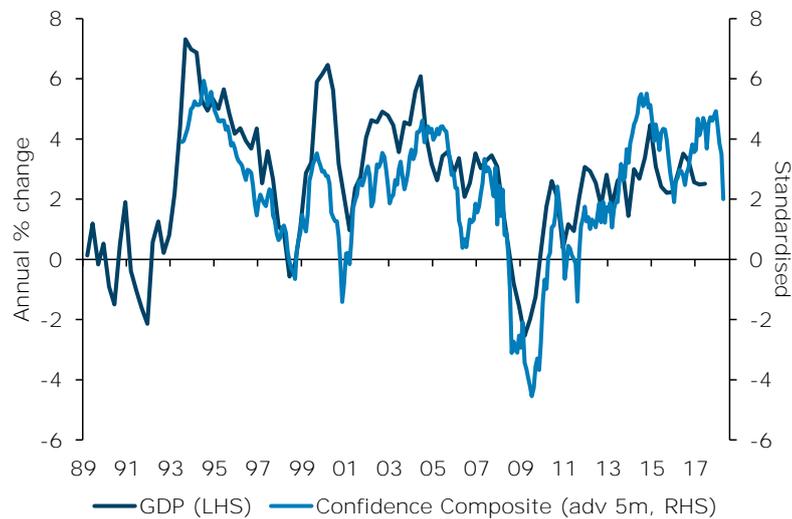
- **Consumers continue to feel happy about their current financial situation.** A net 14% feel financially better off than a year ago. This metric has been pretty stable for the last 12 months.
- **There is a little more caution about the year ahead.** A net 28% of consumers expect to be better off financially this time next year (-1 point). That is the lowest since August 2016.
- **A net 32% say it's a good time to buy a major household item.** Even so, durables spending has softened lately due to fewer house sales.
- **Perceptions regarding the economic outlook fell again.** After three consecutive monthly falls, net optimism at +13% is well off its September high of +30%. The five year outlook dipped from a net +23% to +22%.
- **Confidence fell most sharply in Auckland and Canterbury** (down 6½ points) and these are now the most pessimistic regions. **Confidence is highest in Wellington**, despite a fall (down 2.9pts to 125.9).
- **National house price expectations bounced from 1.5% to 2.4%, but remain at low levels.** Wellington led the bounce-back, while Canterbury expectations remain subdued.
- **Inflation expectations continue to oscillate in a 3-4% range.**

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Consumer confidence is holding up remarkably well in the face of a slower housing market and increased uncertainty. We suspect the strong labour market has much to do with it. However, there is a hint of wariness in the responses to the forward-looking questions. This is consistent with our belief that the economy is experiencing a bit of a lull as a number of growth drivers run out of puff around the same time (migration, housing, and construction in particular) and uncertainty weighs.

Our confidence composite gauge (which combines business and consumer sentiment, and so covers both the production and spending sides of the economy) **has taken a hit due mostly to the fall in business confidence.** However, we believe the strong terms of trade and solid household income growth will carry the economy through. Barring a negative hit from offshore (which, to be fair, **tends to be New Zealand's fate** once a decade or so), this business cycle has plenty of legs yet.

Figure 2. GDP vs Confidence Composite



Source: ANZ, Roy Morgan, Statistics NZ

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Survey Summary	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
No. of Interviews	1,000	1,001	1,003	999	998	1,000	1,000	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	38	36	36	36	39	35	35	33
Worse Off	21	22	26	24	20	21	19	18
Net Balance	16	14	10	12	19	15	15	14

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	47	46	48	47	46	46	46
Worse Off	15	14	15	13	11	12	17	18
Net Balance	32	33	32	35	36	34	29	28

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	41	45	42	44	44	43	44	42
Bad Times	23	20	20	19	15	18	26	29
Net Balance	17	25	23	25	30	25	18	13

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	38	42	41	40	43	43	45	44
Bad Times	23	19	18	19	14	18	22	23
Net Balance	15	23	23	21	29	25	23	22

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	58	62	57	57	56	55	53	56
Bad Time to Buy	19	17	18	19	20	22	20	23
Net Balance	39	45	39	38	36	34	34	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	73	71	70	66	67	66	68	70
Go Down	4.3	5.1	3.9	6.4	3.8	5.7	6.8	6.3
Expectation (%)	3.6	3.5	3.4	3.0	3.1	3.5	3.1	3.5

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	66	63	64	60	55	55	40	49
Go Down	10.9	13.2	13.9	14.9	16.4	16.2	28.1	22.8
Expectation (%)	4.6	4.0	3.7	3.4	2.5	3.0	1.5	2.4

ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	123.9	127.8	125.4	126.2	129.9	126.3	123.7	121.8
Current Conditions	127.8	129.4	124.9	124.9	127.3	124.0	124.6	123.3
Future Conditions	121.2	126.7	125.8	127.1	131.6	127.8	123.2	120.9

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Q1. Better off past year



Q2. Better off next year



Q3. NZ economy 12 months' time



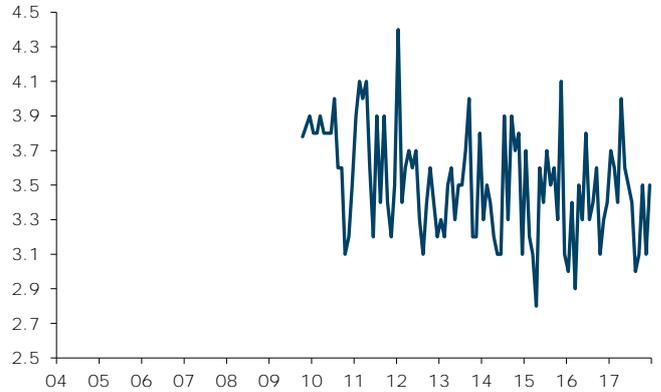
Q4. Outlook 5 years ahead



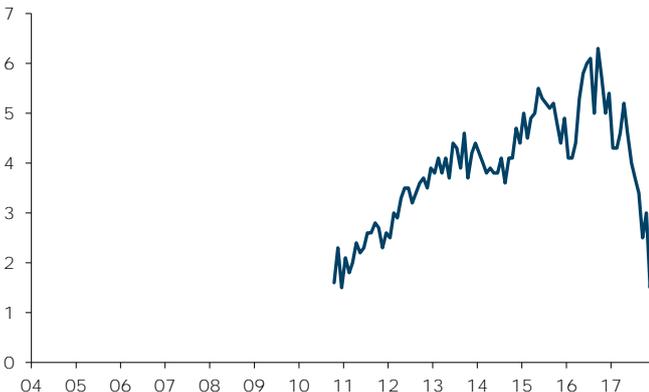
Q5. Buy major household item



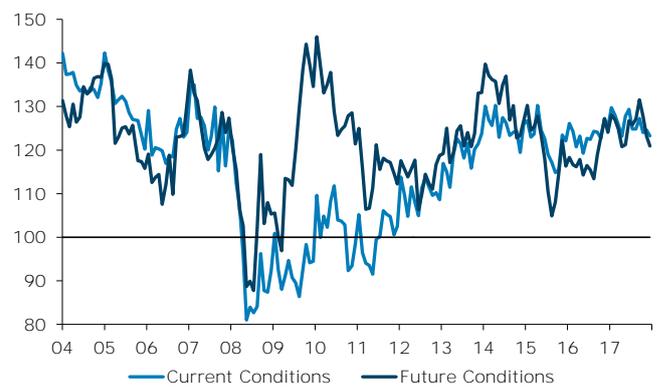
Q6. Inflation expectations



Q7. House price inflation expectations



Current vs future conditions



Source: ANZ, Roy Morgan



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