

# ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

November 2017

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

## GOING WITH THE FLOW

### SUMMARY

- Consumer confidence slipped further in November, but remains above its historical average.
- The current conditions index rose slightly; future conditions fell.
- Consumers appear to be looking through housing headwinds and the recent period of political uncertainty, seemingly happy to go with the flow, but with a cautious eye to the future.

**New Zealand consumers appear to be just getting on with it.** The ANZ-Roy Morgan Consumer Confidence Index eased from 126.3 to 123.7 in November. While that is a seven month low, overall sentiment is still tracking above historical averages.

**Figure 1. ANZ-Roy Morgan Consumer Confidence**



Source: ANZ, Roy Morgan

**The Current Conditions Index rose 0.6 points to 124.6, while the Future Conditions Index fell 4.6 points to 123.2.**

- **Consumers continue to feel happy about their current financial situation.** A net 15% feel financially better off than a year ago, which is unchanged on October. This measure has bobbed around healthy levels for the last 12 months.
- **But there is a little more unease about the year ahead.** A net 29% of consumers say they expect to be better-off financially this time next year. That is down 5 pts on October and the lowest since August 2016.
- **A net 34% still believe it's a good time to buy a major household item.** House price growth has fallen, which would typically impact spending on big-ticket items. Consumers appear undeterred for now.
- **Perceptions on the economic outlook fell.** Net optimism towards the economy one year ahead fell 7 pts after a 5 ppt drop in October. The five year outlook dipped from a net +25% to +23%.
- **Confidence is highest in Wellington (128.8), and lifted in Auckland (up 2.8 points to 126.3).** However, the other centres saw reasonable falls, with Canterbury and the rest of the South Island down 7 and 8 points respectively. Confidence is lowest in regional North Island (118.9).

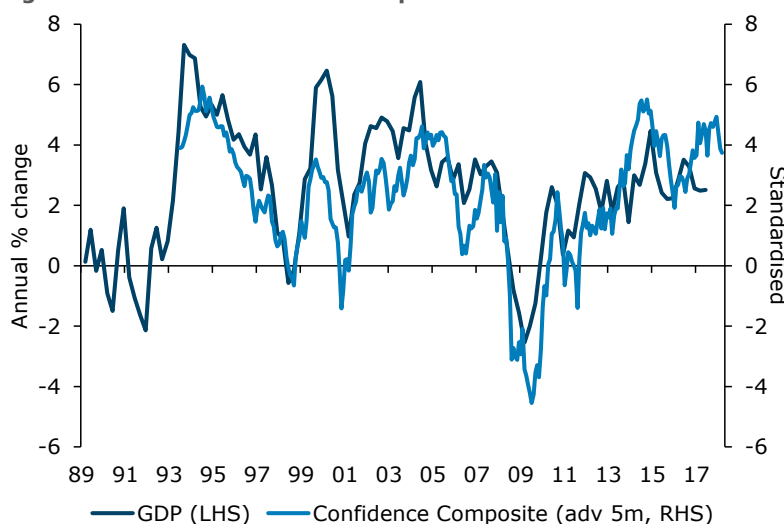
## ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE

**On many levels it is encouraging that headline consumer sentiment is still holding at reasonable levels.** Yes it is off its highs, but at a time of far more subdued housing market activity (and far more subdued house price expectations), petrol price increases, lower NZD (making that overseas trip a little more expensive), and heightened political and policy uncertainty, one could have been forgiven for thinking that consumers would be more inclined to go into their shells. Clearly, the strong labour market should not be discounted as a powerful supportive force.

**But scrape below the surface, and a number of cross-currents become apparent.** Whether that is the divergence between respondents' views on their own financial situation (still okay) and their views on the broader economy (a little more cautious), or movements at the regional level (higher in Wellington and Auckland, but weaker elsewhere), or even the fact that males are the least confident they have been in the future for close to two years, while females are the most optimistic they have been in nearly four years, and it becomes clear that there are a number of moving parts.

**In many ways this is indicative of how the economy itself is placed right now.** Overall, our confidence composite gauge (which combines business and consumer sentiment, and so covers both the production and spending sides of the economy) **continues to indicate good economic momentum overall.** However, with the economy transitioning in terms of its growth drivers (construction and migration have peaked, while the likes of commodity prices and fiscal stimulus should eventually fill the void), at the same time as it grapples with headwinds from the soft housing market, late cycle capacity pressures and the uncertainty that political change can bring, it is clear there are a number of broader cross-currents to be aware of. The overall economic story still seems reasonable right now, but it is fair to say it has become a little more nuanced.

**Figure 2. GDP vs Confidence Composite**



Source: ANZ, Roy Morgan, Statistics NZ

**National house price expectations fell to 1.5%, the lowest since December 2010.** Expectations fell in every region except Canterbury. Auckland fell to 2.2% (which is the lowest since February 2011), while Wellington recorded its lowest ever mark of 0.2%.

**Inflation expectations continue to wobble about around at similar levels.** They fell to 3.1% in November, from October's 3.5%.

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Survey Summary	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17
No. of Interviews	1,000	1,000	1,001	1,003	999	998	1,000	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	35	38	36	36	36	39	35	35
Worse Off	26	21	22	26	24	20	21	19
<b>Net Balance</b>	<b>9</b>	<b>16</b>	<b>14</b>	<b>10</b>	<b>12</b>	<b>19</b>	<b>15</b>	<b>15</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	48	46	47	46	48	47	46	46
Worse Off	14	15	14	15	13	11	12	17
<b>Net Balance</b>	<b>33</b>	<b>32</b>	<b>33</b>	<b>32</b>	<b>35</b>	<b>36</b>	<b>34</b>	<b>29</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	37	41	45	42	44	44	43	44
Bad Times	23	23	20	20	19	15	18	26
<b>Net Balance</b>	<b>14</b>	<b>17</b>	<b>25</b>	<b>23</b>	<b>25</b>	<b>30</b>	<b>25</b>	<b>18</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	36	38	42	41	40	43	43	45
Bad Times	21	23	19	18	19	14	18	22
<b>Net Balance</b>	<b>15</b>	<b>15</b>	<b>23</b>	<b>23</b>	<b>21</b>	<b>29</b>	<b>25</b>	<b>23</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	56	58	62	57	57	56	55	53
Bad Time to Buy	19	19	17	18	19	20	22	20
<b>Net Balance</b>	<b>37</b>	<b>39</b>	<b>45</b>	<b>39</b>	<b>38</b>	<b>36</b>	<b>34</b>	<b>34</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	73	73	71	70	66	67	66	68
Go Down	3.1	4.3	5.1	3.9	6.4	3.8	5.7	6.8
<b>Expectation (%)</b>	<b>4.0</b>	<b>3.6</b>	<b>3.5</b>	<b>3.4</b>	<b>3.0</b>	<b>3.1</b>	<b>3.5</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?

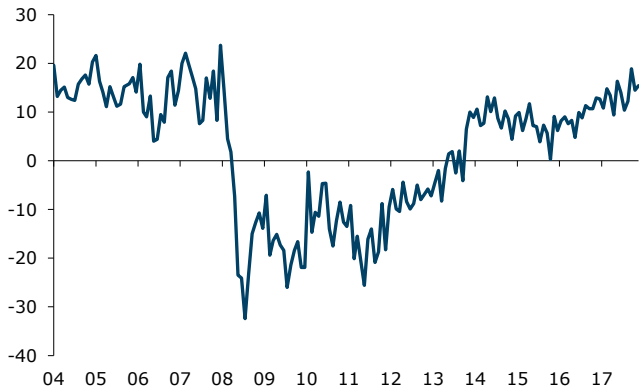
Go Up	70	66	63	64	60	55	55	40
Go Down	11.2	10.9	13.2	13.9	14.9	16.4	16.2	28.1
<b>Expectation (%)</b>	<b>5.2</b>	<b>4.6</b>	<b>4.0</b>	<b>3.7</b>	<b>3.4</b>	<b>2.5</b>	<b>3.0</b>	<b>1.5</b>

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

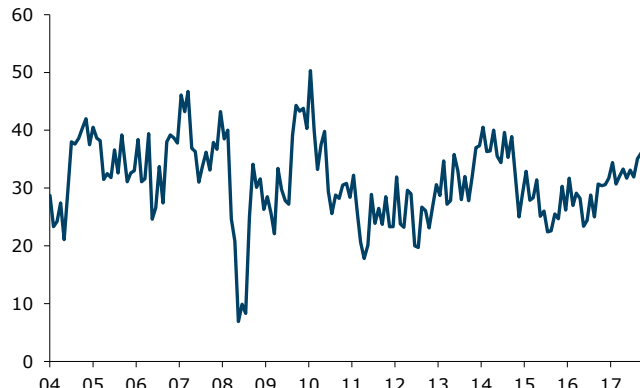
<b>Overall Index</b>	<b>121.7</b>	<b>123.9</b>	<b>127.8</b>	<b>125.4</b>	<b>126.2</b>	<b>129.9</b>	<b>126.3</b>	<b>123.7</b>
Current Conditions	123.2	127.8	129.4	124.9	124.9	127.3	124.0	124.6
Future Conditions	120.8	121.2	126.7	125.8	127.1	131.6	127.8	123.2

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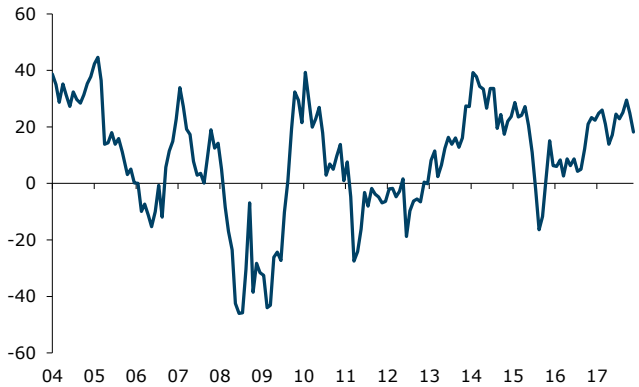
**Q1. Better off past year**



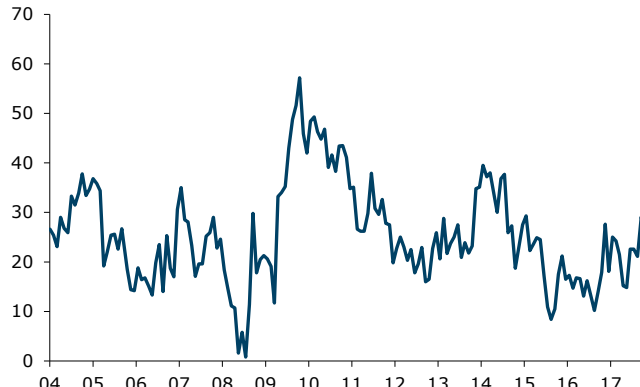
**Q2. Better off next year**



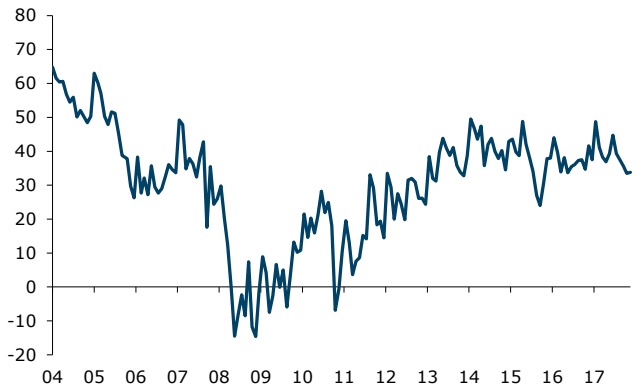
**Q3. NZ economy 12 months' time**



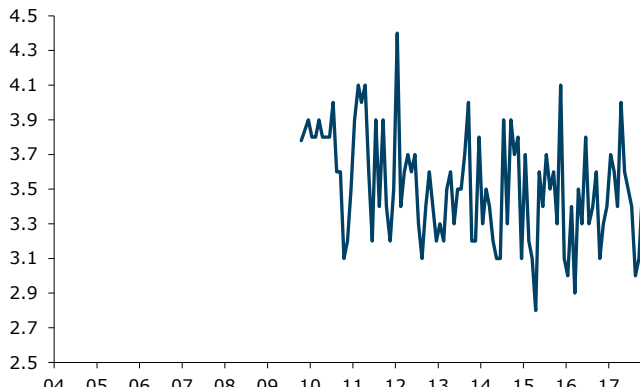
**Q4. Outlook 5 years ahead**



**Q5. Buy major household item**



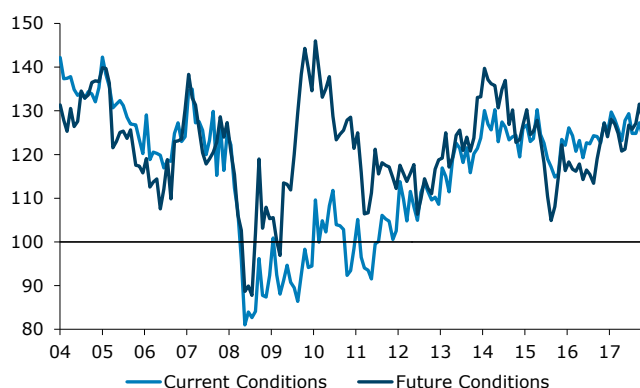
**Q6. Inflation expectations**



**Q7. House price inflation expectations**



**Current vs future conditions**



Source: ANZ, Roy Morgan



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