

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE YO-YO

November 2012

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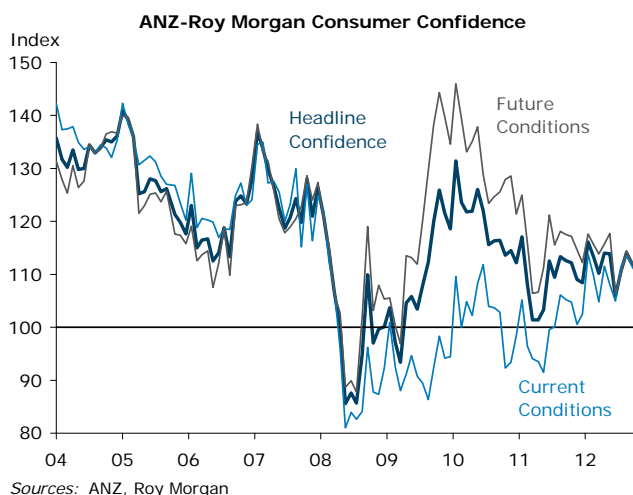
The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 13 December 2012 at 1pm.

SUMMARY

- Consumer confidence edged higher in November, but there remains little in the way of a clear trending direction.
- Overall confidence rose 3 points, with gains in four of the five sub-components. The future conditions index rose 6 points to 117, with broadly unchanged current conditions (110) signalling a moderate outlook for household spending.
- Our combined composite growth indicator – which combines consumer confidence (current conditions) with the composite measure of business confidence from the ANZ *Business Outlook* (ANZBO) survey – is flagging sub-2.0 percent growth by early next year.

The ANZ-Roy Morgan Consumer Confidence measure firmed to 114.1 in November from 110.5 in October. After accounting for seasonality, overall confidence gained 3 points (to 112.7) to sit around July/August levels. Four of the five sub-components rose. Consumers are now feeling slightly less worse off than a year earlier (-6 versus -7), with respondents more upbeat regarding their own financial prospects a year ahead (+27 from +23). Views on the general economy a year out improved to their highest level since May, with a net 1 percent of respondents expecting better economic conditions over the next 12 months. Sentiment towards the economy five years out also improved (to +23), but is still below year-earlier levels. It's still viewed to be a good time to buy a major household item, but this net balance was unchanged on the previous month at +26.

The Future Conditions index rose 6 points to 117, its highest since May, while Current Conditions were broadly unchanged at 111.



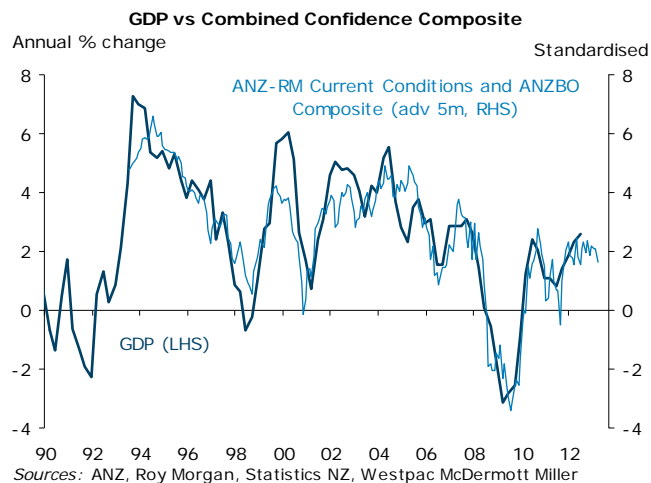
Despite the November improvement, there is no clear direction in sentiment, with a zig-zag pattern apparent over past year. Much of the variation has been in future conditions, with the extent of optimism tending to wax and wane. The current conditions measure has hovered around the 110 mark since the start of the year, suggesting no push on the part of consumers to significantly increase household spending.

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With the RBNZ looking closely at inflation indicators, the pricing information from the survey provided some good news. Consumers' expectations of the inflation rate 2-years-ahead (which tend to reflect wage expectations rather than the CPI) eased to 3.4 percent (from 3.6 percent). The fall was widespread across regions and age groups, with larger falls in Auckland and for the over 50's. Nonetheless, inflation expectations remain higher than the nationwide average for Canterbury (3.8 percent) and Auckland (3.7 percent) and for the under 35's.

House price expectations also eased a fraction (to 3.5 percent from 3.7 percent in two years time), with those for the Auckland (4.2 percent) and Canterbury (4.4 percent) both down, as were those for Wellington and the rest of the North Island. It suggests respondents remain somewhat guarded on the persistence of the recent housing market upturn.

Our combined composite indicator (which combines the composite measure¹ from the ANZ *Business Outlook* and consumers' current conditions) is a better guide to economic prospects than either survey alone. **This composite indicator is flagging sub 2 percent growth by early next year.**



Confidence amongst males gained 6 points to +121, while sentiment for females gained 1 point to +107. The gain in male confidence was largely due to a 9 point gain in future conditions (to 123). Females reported a 3 point gain in future conditions (111), but their assessment of current conditions (102) eased a fraction in November. Both sexes remain more optimistic over future conditions.

There remain differences by age group. Overall confidence rose for the over 35s and 18-34s but fell for the 25-34s. The fall in confidence for the 18-24s (to 113) reflected a 10 point fall in current conditions (104), with the net balance of respondents reporting an improved financial position over the last 12 months falling to -6, its weakest since March. Concerns over the employment outlook and declining housing affordability may be playing a role.

The gain in confidence was widespread across the regions. Canterbury registered a 15 point climb in confidence and was the most confident region overall (123), followed by Auckland (115). Wellington was the only region in which confidence did not climb, with overall confidence (110), the lowest of the regions. Confidence rose in the rest of the North (113) and South (111) Islands.

¹ The ANZBO composite measure combines current readings for surveyed own activity, employment and profit expectations with lagged investment intentions. It provides a proxy measure of business sentiment, which has tended to lead movements in economic activity.

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Survey Summary	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12
No. of Interviews	1,053	982	1,040	1,166	1,198	987	1,027	1,020
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	26	28	29	31	28	27	29
Worse Off	34	34	37	37	36	36	34	34
Net Balance	-4	-8	-10	-9	-5	-8	-7	-6
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	43	42	47	48	45	45
Worse Off	19	17	23	22	20	22	22	18
Net Balance	30	29	20	20	27	26	23	27
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	29	31	23	26	29	26	26	30
Bad Times	32	29	42	35	35	32	32	29
Net Balance	-3	2	-19	-10	-6	-6	-7	1
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, or we'll have bad times, or some good and some bad?								
Good Times	40	43	42	42	44	36	38	42
Bad Times	19	20	24	22	21	20	22	19
Net Balance	20	23	18	20	23	16	17	23
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	51	51	57	57	56	53	54
Bad Time to Buy	28	26	32	25	25	25	27	28
Net Balance	28	25	20	32	32	31	26	26
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	114.0	113.9	105.8	110.5	114.1	111.9	110.5	114.1
Current Conditions	111.6	108.1	105.0	111.4	113.5	111.5	109.6	110.2
Future Conditions	115.7	117.7	106.3	109.9	114.5	112.2	111.0	116.7

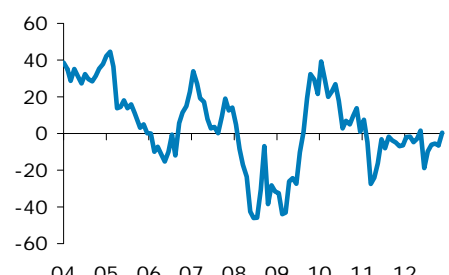
Q1. Better off past year



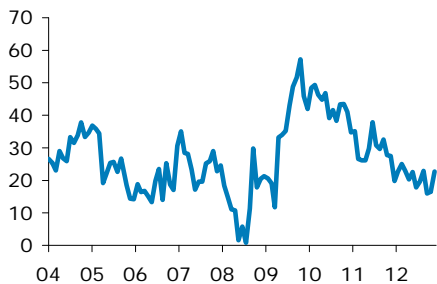
Q2. Better off next year



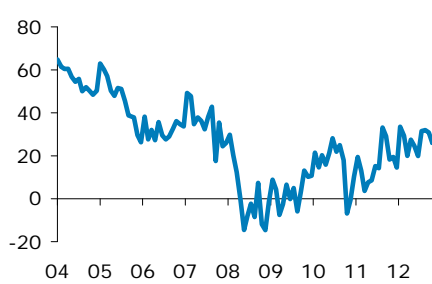
Q3. NZ economy 12mths time



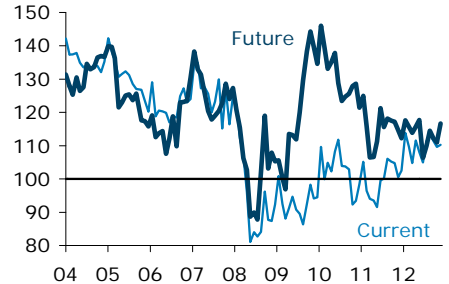
Q4. Outlook 5yrs ahead



Q5. Buy major household item



Current vs Future Conditions



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