

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE DRIFTING

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CONTACT

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 17 January 2013 at 1pm.

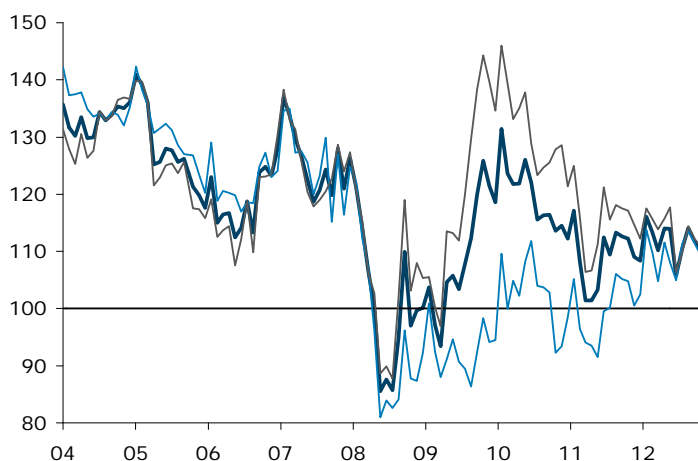
SUMMARY

- Consumer confidence continues to drift as opposed to trend.
- Overall confidence lifted a point, with gains in two of the five sub-components. The future conditions index rose 2 points to 119, while current conditions fell a point to 109. The latter is key for spending trends and foretells continued caution in regards to household spending.
- Our Confidence 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 2.0 percent growth by early next year.

The ANZ-Roy Morgan Consumer Confidence measure firmed to 114.7 in December from 114.1 in November. Two of the five sub-components rose. Consumers feel marginally more worse off financially than a year earlier (-7 versus -6), but are more upbeat regarding their own financial prospects a year ahead (+31 from +27). Views on the general economy a year out are stagnant, with consumers evenly split over whether we'll see better or worse times. Sentiment towards the economy five years out remains solid, lifting from +23 to +26. It's still viewed to be a good time to buy a major household item (a net 24 percent believing so), though with marginally less enthusiasm compared with the month prior.

The Future Conditions index rose 2 points to 119, the highest level since mid 2011, while Current Conditions dipped marginally from 110 to 109.

ANZ-Roy Morgan Consumer Confidence

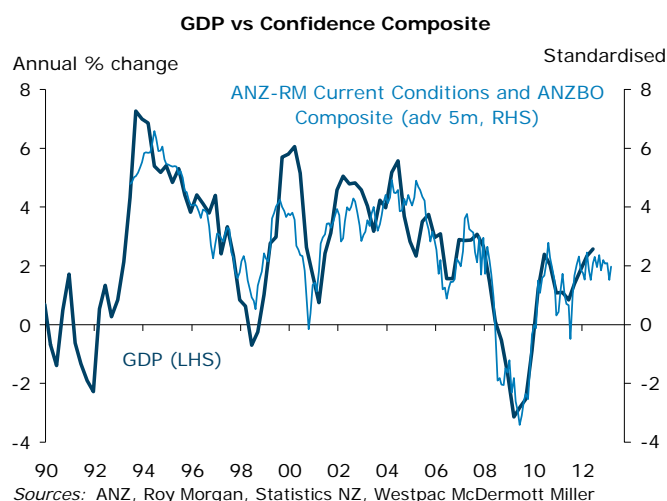


Better perceived sentiment towards the future is welcome, though the clearest trend continues to be the lack of one. We've seen future conditions wax and wane for a number of years now, with movements being of the "drift" variety, as opposed to clear trends. However, spending tends to be more directionally dictated by how consumers feel today. **The current conditions measure has improved over the last two years, but its still-modest level indicates that consumers remain cautious.**

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Why would households remain somewhat cautious despite rising house prices? **It's all about jobs, or the lack of them.** The unemployment rate is up, and outside of Christchurch the trend in job ads – a lead indicator of employment – remains flat. Businesses have signalled jobs growth in surveyed measures of employment intentions, but this has failed to translate into reality and lifts in measured employment. Welcome to the jobless recovery.

Our Confidence 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 2.0 percent growth by early next year.**



Confidence amongst males dropped 1 point to +120, while sentiment for females gained 3 points to +110. Males are more confident than females for both current and future conditions, although the gap narrowed across the former variable.

All of the age groups between 18 and 49 years old recorded a lift in confidence. The 18-24 year old cohort was the most optimistic, rising 8 points to a two-year high of +134, led by a 9 point lift in future conditions to +142. Respondents aged 50 years and over were the most pessimistic age cohort, with future conditions (+100) slightly weaker than current conditions (+101).

The strongest-performing regions are also more upbeat about future conditions. Auckland and Wellington recorded increased confidence in December, Canterbury was unchanged, and the remaining areas were slightly less confident. With regard to future conditions, Auckland and Canterbury are neck and neck (+124), while Wellington is a distant third (+116). **Canterbury's figure is the highest it has recorded since the February 2011 earthquake.**

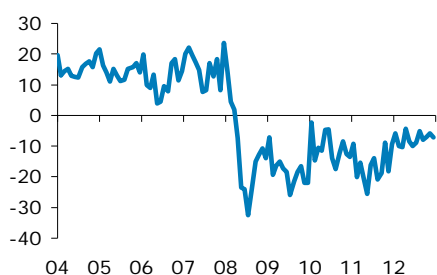
House price expectations continue their steady rise, lifting from 3.5 to 3.9 percent, with expectations in Auckland a more sturdy 4.5 percent. Consumers' **expectations of the inflation rate 2 years ahead** (which tend to reflect wage expectations rather than the CPI) **eased to 3.2 percent** (from 3.4 percent). Such opposing readings partly reflect the disparate nature of the general economy, with some pockets lifting (i.e. housing) but others contained, and retailers having to discount to attract buyers.

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	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12
No. of Interviews	982	1,040	1,166	1,198	987	1,027	1,020	1,051
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	26	28	29	31	28	27	29	29
Worse Off	34	37	37	36	36	34	34	36
Net Balance	-8	-10	-9	-5	-8	-7	-6	-7
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	43	42	47	48	45	45	49
Worse Off	17	23	22	20	22	22	18	19
Net Balance	29	20	20	27	26	23	27	31
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	31	23	26	29	26	26	30	31
Bad Times	29	42	35	35	32	32	29	31
Net Balance	2	-19	-10	-6	-6	-7	1	0
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	43	42	42	44	36	38	42	44
Bad Times	20	24	22	21	20	22	19	18
Net Balance	23	18	20	23	16	17	23	26
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	51	51	57	57	56	53	54	54
Bad Time to Buy	26	32	25	25	25	27	28	30
Net Balance	25	20	32	32	31	26	26	24
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	113.9	105.8	110.5	114.1	111.9	110.5	114.1	114.7
Current Conditions	108.1	105.0	111.4	113.5	111.5	109.6	110.2	108.6
Future Conditions	117.7	106.3	109.9	114.5	112.2	111.0	116.7	118.8

Q1. Better off past year



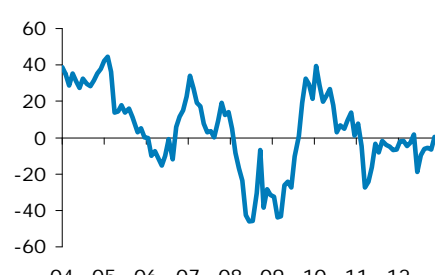
Sources: ANZ, Roy Morgan

Q2. Better off next year



Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



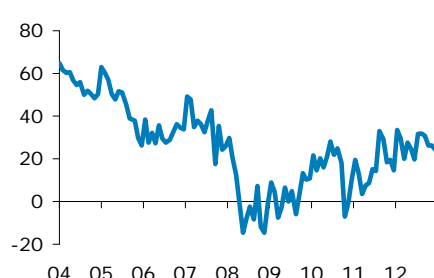
Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



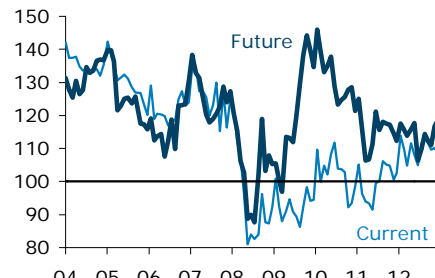
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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