

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE SUMMER LOVIN'

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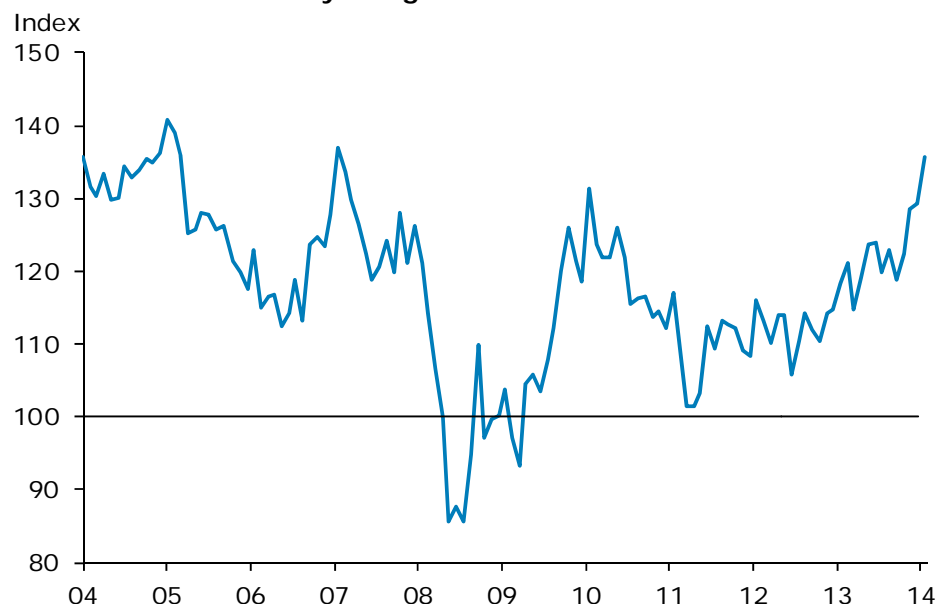
The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 20 February 2014 at 1pm.

SUMMARY

- Consumers remain very optimistic. Consumer confidence increased to the highest level since January 2007. Our seasonally-adjusted estimate showed a smaller rise, but confidence is now the highest it has been since February 2007.
- The economy will surge in 2014 if readings from our composite growth indicator materialise into growth. We're banking on two-thirds of the optimism translating into actual growth: that's 3.5 percent growth as opposed to 5 percent.
- Consumer confidence has lifted across all age cohorts, both genders and was up in all but one region. Meanwhile, inflation expectations weakened after last month's jump.

Consumer sentiment continues to climb. Readings from the *ANZ-Roy Morgan Consumer Confidence* survey rose to 135.8, its highest level since January 2007. The fabled summer loving can typically be trusted to account for a rise in confidence in January. However, the results are broader than that alone. Our seasonally-adjusted estimate shows the same pattern of improvement, with overall confidence (130.9) at the highest reading since February 2007.

ANZ-Roy Morgan Consumer Confidence



Sources: ANZ, Roy Morgan

While rising in aggregate, mixed signals are apparent in the detail.

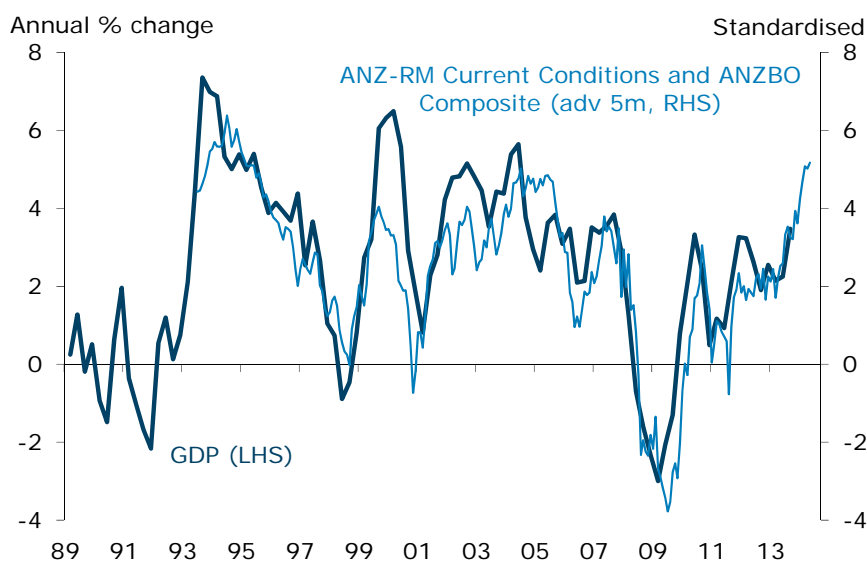
- **The current conditions index rose to 130.1, a seven-year high.** Once we strip out the seasonality, this measure dipped two points. However, that's a dip from a starting position of real elevation.
- **The future conditions index increased from 133.2 to 139.7,** and likewise lifted according to our seasonally-adjusted estimates.

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- **Consumers still think it's a great time to buy a major household item** (a net 50 percent – up 11 points, but unchanged once seasonality is taken into account).
- **The lift in confidence was measured over both genders.** Males reported the higher level of sentiment, lifting to a nine-year high, while female sentiment posted a seven-year high.
- **All age groups reported a lift in confidence.** The greatest increase in optimism was measured in the 18-24 year age cohort, lifting 11 points to 142.4. This represents a six-year high for the age grouping. The two oldest age groupings (25-49 years, and 50+ years) both reported an eight-year high in economic sentiment.
- **Sentiment was steady in Canterbury, but rose everywhere else.** Auckland recorded the highest level of optimism, rising 6 points to 139.3. Canterbury trailed the regions, standing still on 132.5.
- **Inflation and house price expectations weakened.** Two-year ahead inflation expectations lowered from 3.8 to 3.3 percent, while anticipated house price inflation eased from 4.4 to 4.2 percent.

We're left with an impression of elevated levels of consumer optimism. That's a good sign for some post-Christmas cheer across the retail sector now that the silly season and traditional bout of December euphoria has passed.

GDP vs Confidence Composite



Sources: ANZ, Roy Morgan, Statistics NZ, Westpac McDermott Miller

The economy will surge in 2014 if readings from our composite growth indicator manifest into economic growth – which has historically been the case. Our composite growth measure is signalling the potential for 5 percent growth. Capacity constraints and a weak national balance sheet rule out that growth trajectory. Nonetheless, we think New Zealand is comfortably on course to bank two-thirds of the growth rate implied by our composite growth indicator. **That means 3.5 percent growth (and 5.5 percent in nominal terms). And that'll be good enough to propel New Zealand to the top of the OECD growth stakes.**

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Survey Summary	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14
No. of Interviews	1,074	1,102	1,061	959	981	991	1,063	1,737

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	31	34	30	36	38	37	37
Worse Off	32	34	32	34	29	28	28	26
Net Balance	2	-3	2	-4	7	10	9	11

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	50	47	51	47	49	51	53	54
Worse Off	17	19	19	19	17	14	16	13
Net Balance	33	28	32	28	32	37	37	41

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	40	40	36	41	48	50	55
Bad Times	24	26	24	23	25	20	23	16
Net Balance	16	14	16	13	16	27	27	39

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	45	41	42	38	41	51	53	52
Bad Times	18	20	18	16	18	16	17	12
Net Balance	28	21	24	22	23	35	35	40

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	60	62	58	57	57	60	66
Bad Time to Buy	19	21	20	22	23	25	21	17
Net Balance	41	39	41	36	34	33	39	50

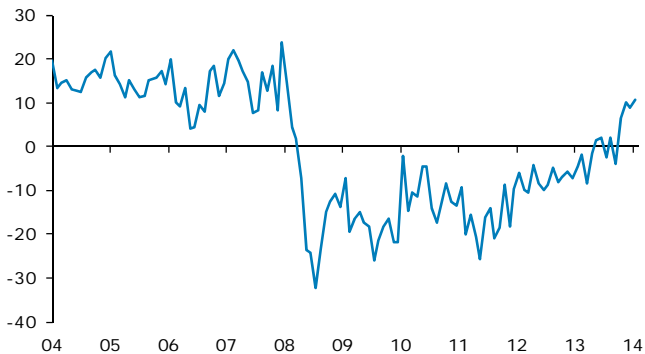
Q6. During the next 2 years do you think that prices in general will go up, go down, or stay where they are now? And if up, what is the expected percentage per year?								
Go Up	76	79	74	77	73	74	72	69
Go Down	5	5	5	5	6	5	6	7
Expectation (%)	3.5	3.5	3.7	4.0	3.2	3.2	3.8	3.3

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	75	73	74	73	72	74	71	72
Go Down	8	8	8	8	9	7	7	7
Expectation (%)	4.4	4.3	3.9	4.6	3.7	4.2	4.4	4.2

ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the net balances of Q1-5)								
Overall Index	123.9	119.8	123.0	118.8	122.3	128.4	129.4	135.8
Current Conditions	121.5	118.2	121.6	115.9	120.2	121.4	123.8	130.1
Future Conditions	125.6	120.9	124.0	120.8	123.8	133.1	133.2	139.7

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Q1. Better off past year



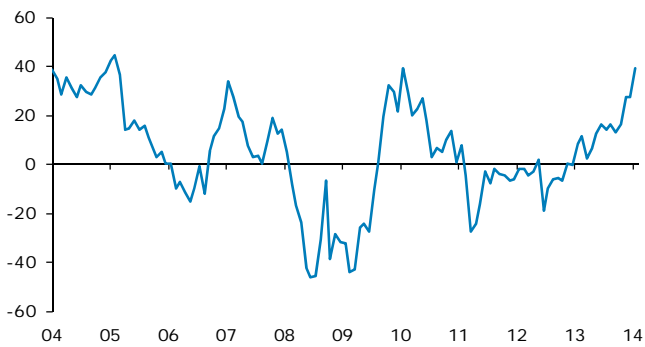
Sources: ANZ, Roy Morgan

Q2. Better off next year



Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



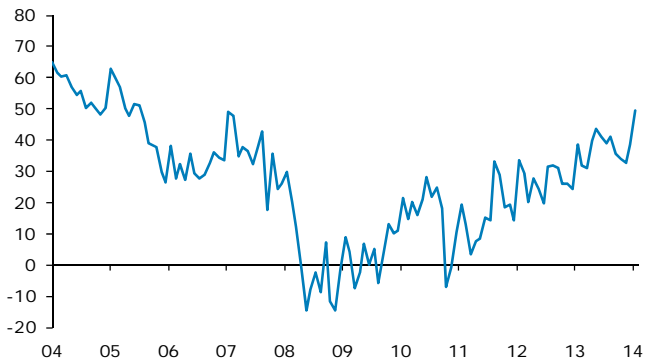
Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Q6. Inflation expectations



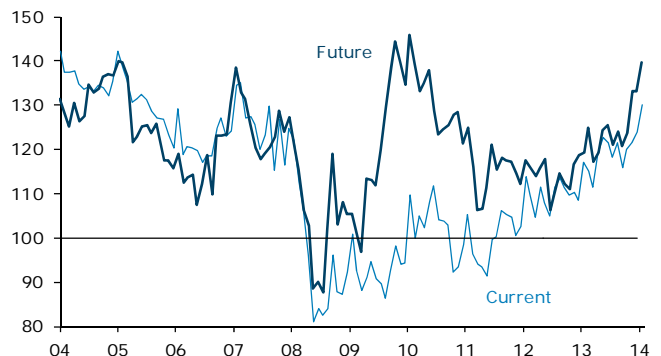
Sources: ANZ, Roy Morgan

Q7. House price expectations



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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