

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE GLIDE PATH

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The next issue of the ANZ-Roy Morgan Consumer Confidence is scheduled for release on 13 November 2014 at 1pm.

SUMMARY

- Consumer confidence dropped to a 12 month low in October.
- Current conditions remain cheery but expected economic conditions in five years' time have lost some shine, albeit from high levels.
- A drop in consumer confidence was felt in most pockets of the economy, but the level of optimism still portends strong economic growth.

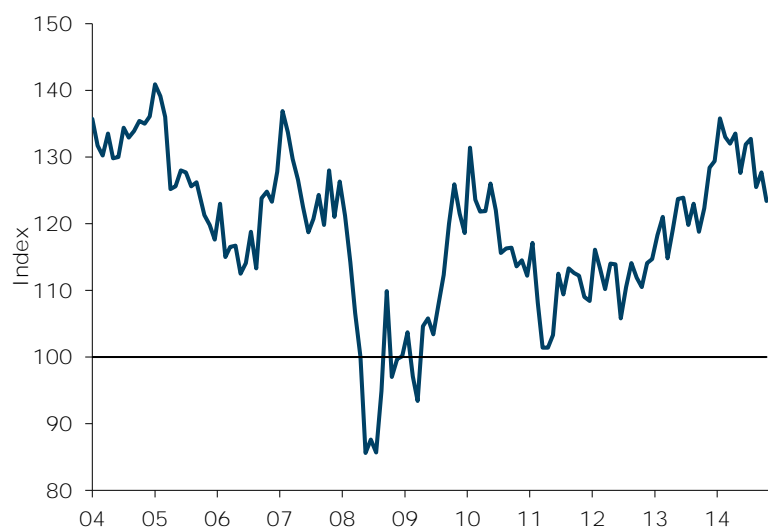
Consumer sentiment lost ground in October. The ANZ-Roy Morgan Consumer Confidence Index dropped 4 points from 127.7 in September to 123.4 in October. The headline index is now at **its lowest level in 12 months** but remains well above the long-term average of 118.8.

Encouragingly, **the Current Conditions index inched up** for the second consecutive month to 124.4. **The Future Conditions index**, on the other hand, **slipped 7 points to a 13-month low**.

Across the five key questions that comprise consumer sentiment:

- **Households still feel better off financially** compared to a year ago (+9 from +10 in September). The series has consistently been in positive territory for a year now – the best run since the global financial crisis.
- **It's still considered a great time to buy a major household item**, improving marginally to +40 from +38.
- The three **forward-looking indicators** (expectations regarding the economy in 1 and 5 years' time, and wealth a year out) **all dropped 7 or 8 points**. The weakest question related to households' expectations regarding the economy in five years' time. This dropped to its lowest level since October 2012.

FIGURE 1. ANZ-ROY MORGAN CONSUMER CONFIDENCE



Source: ANZ, Roy Morgan

ANZ-ROY MORGAN CONSUMER CONFIDENCE

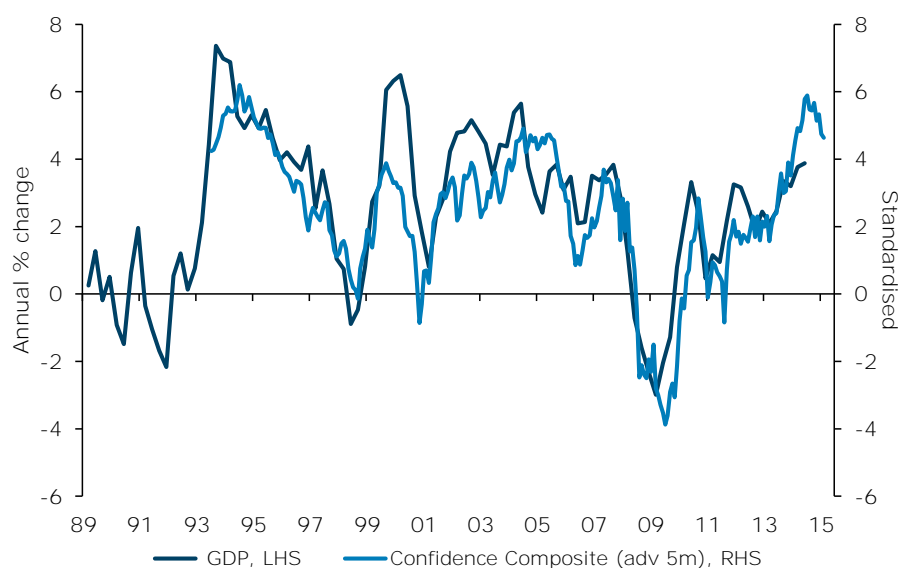
A drop in confidence doesn't come as a complete surprise. There's been a steady downward trend, albeit with ups and downs along the way, since peaking at elevated levels in January. The economic landscape is solid, though far from perfect. Undercurrents of heightened volatility abound across international financial markets, with the Ebola scare and nastiness in the Middle East to boot. Domestic candidates denting that feel-good factor include weaker commodity prices, house prices plateauing, a gravity-defying kiwi dollar, albeit somewhat plucked by the Reserve Bank, and (dare we mention) the All Blacks finding themselves on the losing side of the scoreboard. Amongst that lot a 4 point movement in consumer confidence is trivial.

Consumer and business confidence have eased from their highs.

Nonetheless, our Composite Confidence gauge (which combines both sentiment measures) is still projecting a strong economy into 2015.

Based on latest readings of business and consumer confidence the composite gauge is indicating the economy could post 4.6% growth by March next year. We think this sort of rate is implausible given that momentum is slowing from its 3.9% Q2 annual pace. We prefer to focus more on the directional signal such gauges provide and it's one of continued strong momentum.

FIGURE 2. GDP VS CONFIDENCE COMPOSITE



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

In terms of survey detail we noted the following highlights.

A drop in consumer confidence was measured across both genders, with larger declines noted for questions regarding future conditions. Male future conditions slipped 7 points to an 18-month low and females eased 8 points to a 12-month low.

Confidence was weaker across all age groups except for the 25 to 34 year cohort, which lifted 3 points to 130. The largest decline was in the 18 to 24 age cohort, which fell 16 points to 131.

Confidence was lower across all regions except the South Island excluding Canterbury, which was unchanged from the previous month. The largest reduction in confidence was a 7 point drop in Wellington, with 5 point drops measured in both Auckland and the rest of the North Island.

ANZ-ROY MORGAN CONSUMER CONFIDENCE

Survey Summary	Mar-14	Apr-14	May-14	Jun-14	Jul-14	Aug-14	Sep-14	Oct-14
No. of Interviews	1,020	958	1,047	978	976	960	1,064	1,017

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	36	39	35	38	36	35	37	35
Worse Off	28	26	25	25	27	28	27	27
Net Balance	8	13	10	13	9	7	10	9

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	52	53	49	49	54	50	52	49
Worse Off	16	13	14	15	14	15	14	17
Net Balance	36	40	36	34	40	35	39	32

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	51	50	48	49	52	39	46	44
Bad Times	16	17	21	16	18	20	21	27
Net Balance	34	33	27	34	34	20	24	17

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	51	48	48	49	51	42	44	41
Bad Times	13	14	18	12	14	16	17	23
Net Balance	38	34	30	37	38	26	27	19

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	62	63	57	61	62	60	58	61
Bad Time to Buy	18	15	21	19	18	20	21	21
Net Balance	44	47	36	42	44	40	38	40

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	76	71	73	74	71	73	77
Go Down	5	6	6	5	6	7	4	5
Expectation (%)	3.4	3.2	3.1	3.1	3.9	3.3	3.9	3.7

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?

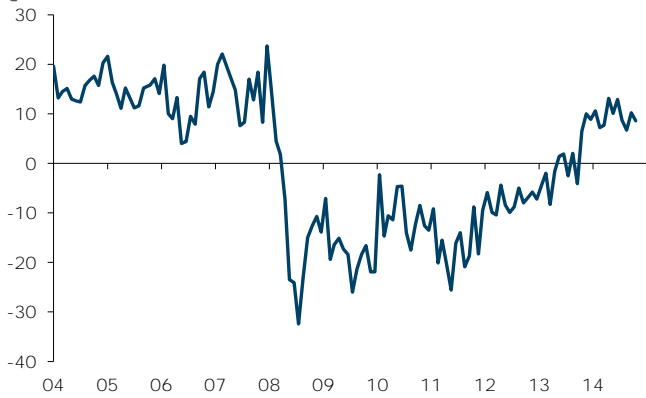
Go Up	71	72	72	67	69	67	69	70
Go Down	8	8	9	10	8	8	8	9
Expectation (%)	3.8	3.9	3.8	3.8	4.1	3.6	4.1	4.1

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

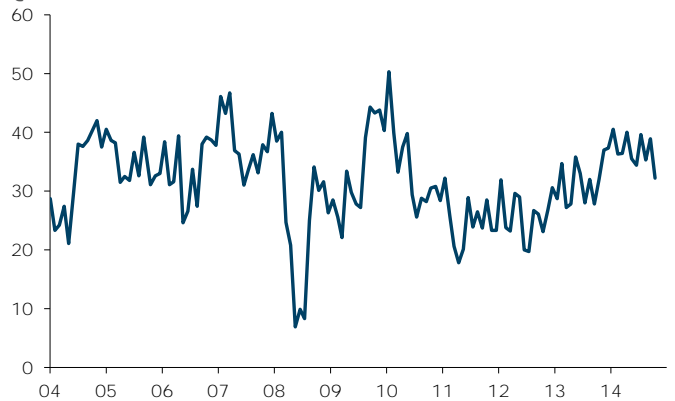
Overall Index	132.0	133.5	127.6	131.9	132.7	125.5	127.7	123.4
Current Conditions	125.7	130.3	123.0	127.5	126.3	123.4	124.1	124.4
Future Conditions	136.2	135.8	130.7	134.9	137.0	126.9	130.2	122.8

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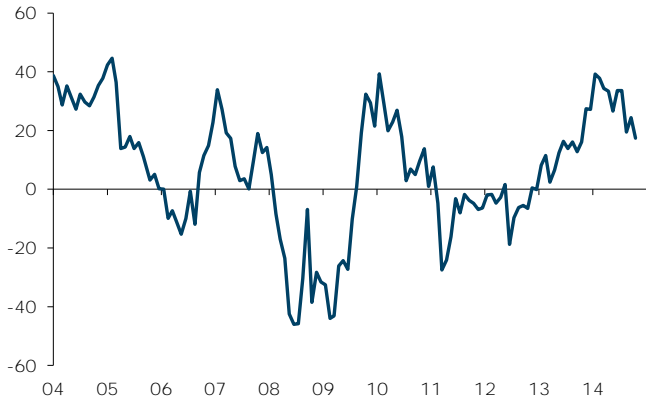
Q1. BETTER OFF PAST YEAR



Q2. BETTER OFF NEXT YEAR



Q3. NZ ECONOMY 12MTHS TIME



Q4. OUTLOOK 5YRS AHEAD



Q5. BUY MAJOR HOUSEHOLD ITEM



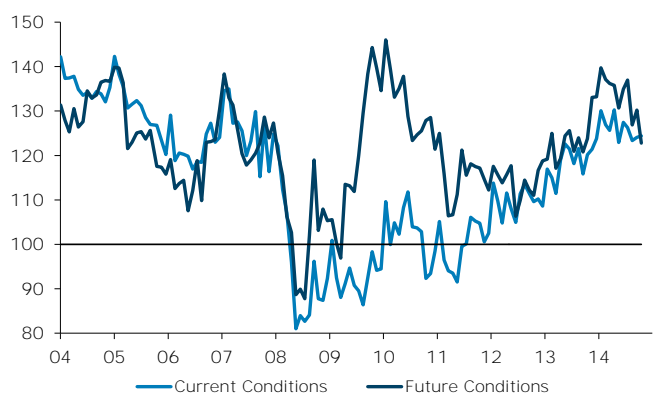
Q6. INFLATION EXPECTATIONS



Q7. HOUSE PRICE EXPECTATIONS



CURRENT VS FUTURE CONDITIONS



Source: ANZ, Roy Morgan



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