

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE BRUSHING OFF OFFSHORE WOES

AUGUST 2011

CONTACTS

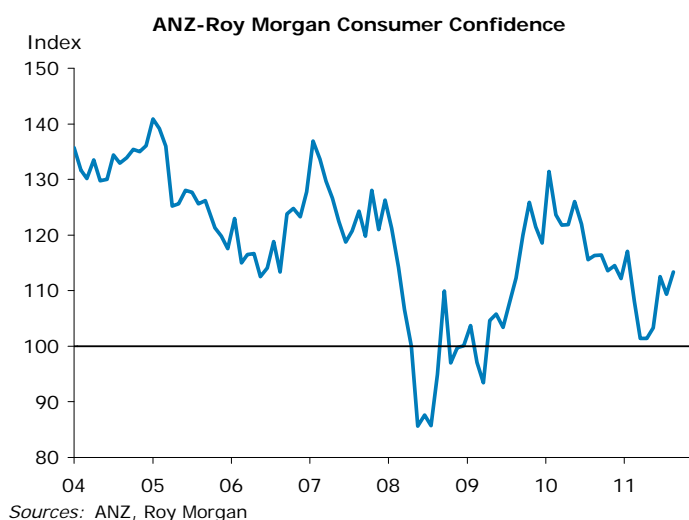
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SUMMARY

- Consumer confidence managed to recover the ground lost last month, rising from 109.4 to 113.3 in August.
- This was despite the considerable uncertainty emanating from offshore, not to mention the RBNZ signalling that interest rates were likely to head higher soon.
- Such resilience in confidence suggests that labour market conditions are improving sufficiently for consumers to start feeling more upbeat (or less downbeat) about prospects.
- The large increase in respondents thinking that it is a good time to make a major household purchase suggests that consumers may be more willing to open their wallets.

The ANZ-Roy Morgan Consumer Confidence measure rose 3.9 points to 113.3 in August. This more than reverses the 3.1 point drop in July and takes the index to its highest level since January. Although the level is still below its historical average of 118.3, it was pleasing to see an increase in confidence despite a very turbulent economic backdrop overseas. **The Future Conditions index rose from 115.6 to 118.1, while the Current Conditions index increased from 100.1 to 106.1.**



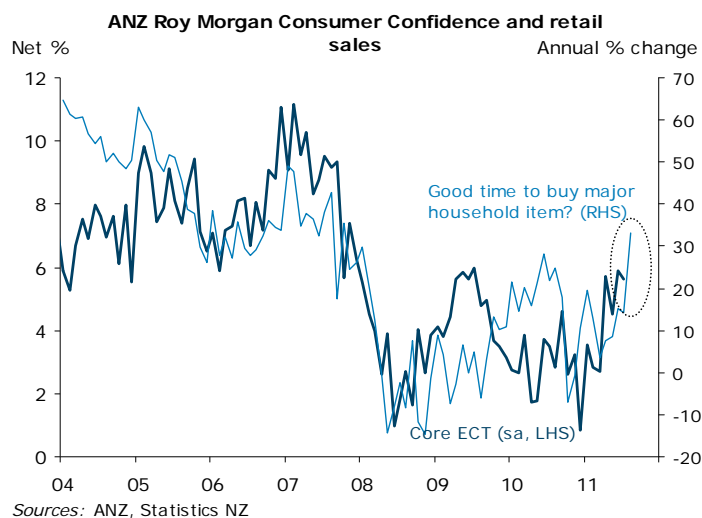
This month's ANZ-Roy Morgan Consumer Confidence survey was conducted between 25 July and 7 August. **The headlines coming from offshore during the survey period were predominantly negative.** We had political brinkmanship in the US over raising their debt ceiling, which resulted in a deal at the last minute, but was not enough to stop S&P from downgrading the US credit rating from AAA to AA+. The European debt crisis escalated, with the focus shifting towards Italy. The first week of August saw turmoil in global financial markets, with large declines in equity markets across the world. Domestically, the RBNZ signalled on 28 July that interest rates were likely to increase soon, and

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the New Zealand dollar rose to record highs against the USD, only to come off sharply during the last few days of the survey period. **Given such a backdrop, one would have expected consumer confidence to have taken a knock.**

The fact that it managed to rise shows that New Zealand consumers are largely brushing off offshore woes, for now anyway. This suggests domestic conditions have continued to improve sufficiently for consumers to feel more positive (or less downbeat) about prospects. Given that the New Zealand equity market has taken a beating and house prices nationally are not really going anywhere, this leaves an improving jobs market as the most likely candidate for explaining the rise in confidence. This could also be behind why there was an increase in those expecting to be financially better off next year (from +24 to +27). The net proportion of respondents who think that economic conditions in New Zealand will improve over the coming year is also at its highest level since January.

More importantly, there was a large jump in those thinking that it is a good time to purchase a major household item, with the net percentage rising from +14 to +33. This is the largest monthly increase for this reading in the history of the survey. **The high NZD may be a factor but it may also indicate more willingness by consumers to loosen the purse strings.**



Looking at the details, the lift in confidence was apparent for both sexes. Females recorded the larger lift, up 6 points to 107.4. Nevertheless, males remained more confident, lifting 2 points to 119.6. **Confidence was higher across all districts.** Wellington recorded the largest rise, up 9 points, to be the most confident locality despite uncertainty over jobs prospect in the public sector, and a housing market that is bucking the national improving trend. Canterbury's confidence measure, at 110.2, was the lowest across the regions.

Consumers' expectation of inflation 2 years out fell from 3.9 percent to 3.4 percent, while expectations of house price increases 2 years out were unchanged at 2.6 percent.

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Survey Summary	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11
No. of Interviews	2,093	1,040	1,028	1,103	1,078	1,030	1,012	1,048
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	24	25	25	22	24	27	26
Worse Off	39	44	40	46	48	40	41	47
Net Balance	-9	-20	-16	-21	-26	-16	-14	-21
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	45	42	43	48	44	48
Worse Off	18	22	24	25	23	20	20	21
Net Balance	32	26	21	18	20	29	24	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	39	31	22	24	27	28	26	30
Bad Times	31	36	49	48	43	31	34	32
Net Balance	8	-5	-28	-24	-16	-3	-8	-2
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	54	46	47	48	50	49	45	46
Bad Times	19	20	21	22	20	11	15	16
Net Balance	35	27	26	26	30	38	31	30
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	52	48	43	44	45	50	48	58
Bad Time to Buy	32	35	40	37	36	35	34	25
Net Balance	20	13	4	8	9	15	14	33
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	117.1	108.1	101.4	101.4	103.3	112.5	109.4	113.3
Current Conditions	105.2	96.5	94.1	93.5	91.5	99.6	100.1	106.1
Future Conditions	125.0	115.9	106.4	106.6	111.2	121.2	115.6	118.1

Q1. Better off past year



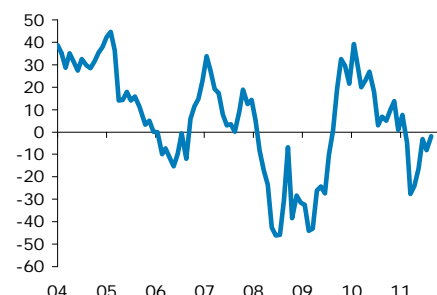
Sources: ANZ, Roy Morgan

Q2. Better off next year



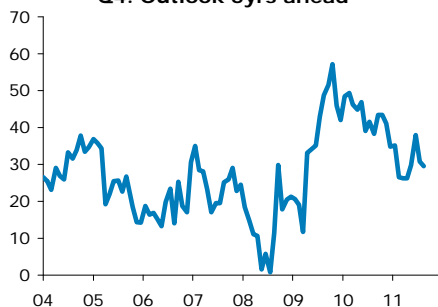
Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



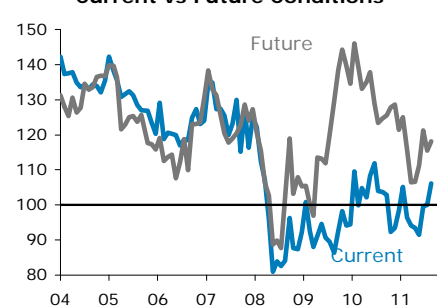
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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