

ANZ-ROY MORGAN NZ CONSUMER CONFIDENCE KNUCKLING DOWN

JUNE 2012

CONTACTS

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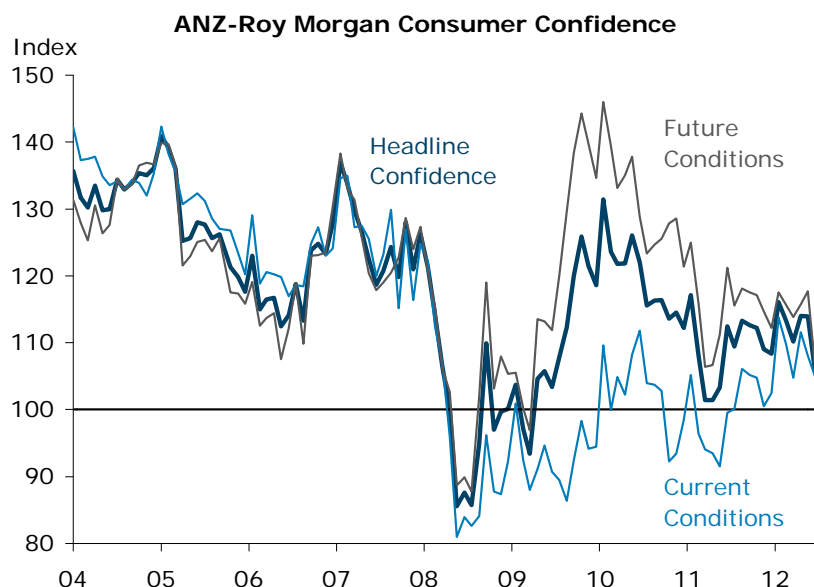
SUMMARY

- Consumer confidence retreated in June.
- Consumers remain cautious.
- Our composite growth indicator – which comprises consumer confidence (current conditions) and indicators from the National Bank *Business Outlook* survey – is flagging 2.4 percent growth.

The ANZ-Roy Morgan Consumer Confidence measure eased from 113.9 to 105.8 in June. All the five sub-segments that make up consumer confidence eased:

- Right here and now consumers still feel worse off, and more so (-10 versus -8).
- Consumers remain upbeat about financial prospects a year ahead, but less so than last month (from +29 to +20).
- Perceptions towards the general economy a year out have flipped from being marginally positive to significantly negative (+2 to -19). Sentiment towards the economy five years out is still positive (+18, though down from +23).
- Households still perceive it as being a good time to buy a major household item, though the net balance eased from +25 to +20.

The **Current Conditions index** posted a 3.1 point drop to 105 and the **Future Conditions index** eased by 11.4 points to 106.3.

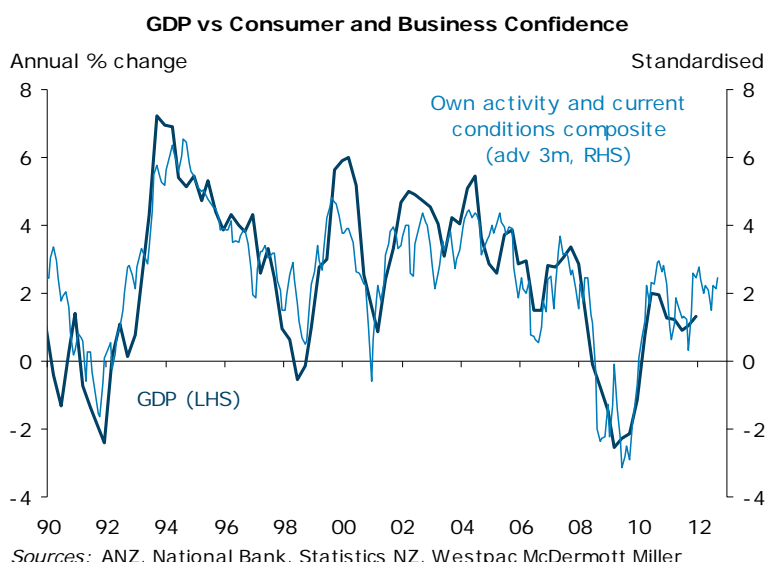


Sources: ANZ, Roy Morgan

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There are three key takeouts from the latest consumer confidence survey. First, while the knock-back is unwelcome, **consumer confidence remains above 100** on all three measures (total, current and future conditions). Second, **restrained levels tell us that consumers are still cautious**: the consumer is not going to be the flag-bearer of growth. Third, the gap between future and current conditions is the narrowest we've seen since 2008. The closure has unfortunately come from receding optimism towards future conditions. This **portends a "knuckling down" dynamic**.

Our composite growth indicator – which comprises consumer confidence (current conditions) and own activity from the National Bank *Business Outlook* survey – is flagging 2.4 percent growth. The composite indicator (which uses own activity advanced 6 months and current conditions advanced 3 months) is a better guide to economic prospects than **either** individual survey alone. Subsequent readings for Own Activity from the National Bank *Business Outlook* have eased back and signal a moderation in the composite over the next few months unless it is offset by a climb in consumer confidence.



The drop in confidence was more pronounced among female respondents than males, dropping 10 and 6 points, respectively. Confidence among females (99.7) has now slipped to its lowest level since April 2011, with weaker confidence regarding the current situation rather than the future outlook.

There was a marked deterioration in confidence among respondents aged 25 year or older. The largest drop in optimism was noted in the 35-49 age cohort, down 13 points to a 14-month low of 100.1. Those aged 50 years or older recorded the lowest level of confidence, down 9 points to 94.8. Confidence for those aged between 25 and 34 years of age dropped 10 points to 113.1. Double-digit declines in the future component was noted across all three age cohorts aged 25 or older.

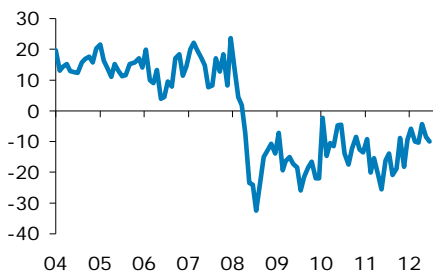
Confidence dropped across all five regions. Canterbury recorded the largest fall, down 14 points to 106.1. Wellington recorded the second-largest fall in sentiment, down 13 points to a 13-month low of 105.7, while Auckland recorded the smallest decline, down 2 points to 109.8.

Inflation expectations lifted marginally (from 3.6 to 3.7 percent) while expected lifts in house prices were unchanged at 3.5 percent.

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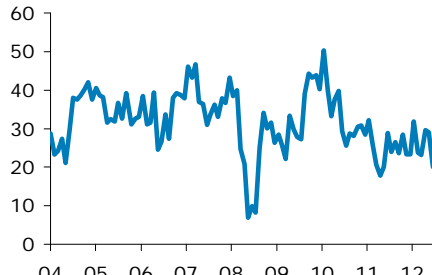
Survey Summary	Nov-11	Dec-11	Jan-12	Feb-12	Mar-12	Apr-12	May-12	Jun-12
No. of Interviews	1,053	1,010	2,042	1,055	1,029	1,053	982	1,040
Q1. Would you say you and your family are better-off financially or worse off than you were at this time last year?								
Better Off	22	25	30	26	26	30	26	28
Worse Off	41	34	36	36	36	34	34	37
Net Balance	-18	-10	-6	-10	-10	-4	-8	-10
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	42	42	50	45	44	48	46	43
Worse Off	19	19	18	21	21	19	17	23
Net Balance	23	23	32	24	23	30	29	20
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	26	26	33	30	28	29	31	23
Bad Times	33	32	35	32	32	32	29	42
Net Balance	-7	-6	-2	-2	-5	-3	2	-19
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	36	46	44	42	40	43	42
Bad Times	15	16	23	19	19	19	20	24
Net Balance	28	20	23	25	23	20	23	18
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	49	48	59	56	51	56	51	51
Bad Time to Buy	30	34	26	26	31	28	26	32
Net Balance	19	15	34	29	20	28	25	20
ANZ Roy Morgan Consumer Confidence Rating (100 plus the unweighted average of the five net balances)								
Overall Index	109.0	108.4	116.1	113.3	110.2	114.0	113.9	105.8
Current Conditions	100.6	102.5	113.8	109.8	104.8	111.6	108.1	105.0
Future Conditions	114.6	112.2	117.6	115.7	113.8	115.7	117.7	106.3

Q1. Better off past year



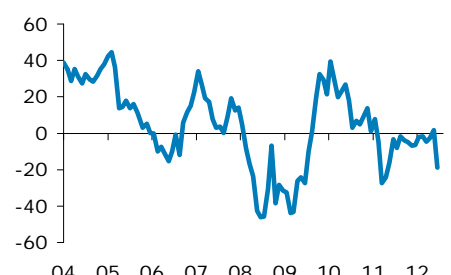
Sources: ANZ, Roy Morgan

Q2. Better off next year



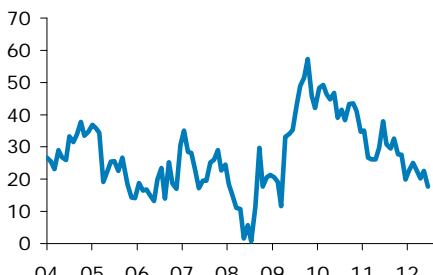
Sources: ANZ, Roy Morgan

Q3. NZ economy 12mths time



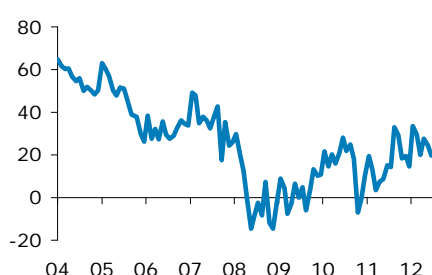
Sources: ANZ, Roy Morgan

Q4. Outlook 5yrs ahead



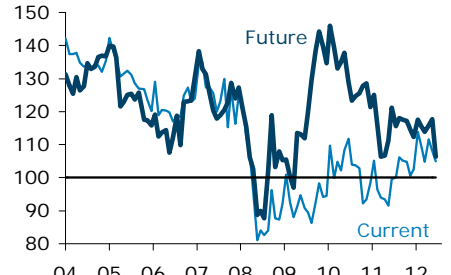
Sources: ANZ, Roy Morgan

Q5. Buy major household item



Sources: ANZ, Roy Morgan

Current vs Future Conditions



Sources: ANZ, Roy Morgan

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