

ANZ-ROY MORGAN AUSTRALIAN CONSUMER CONFIDENCE MEDIA RELEASE

11 FEBRUARY 2014

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CONSUMER CONFIDENCE FALLS MODESTLY IN FEBRUARY BUT STILL POINTS TO PICK UP IN HOUSEHOLD SPENDING

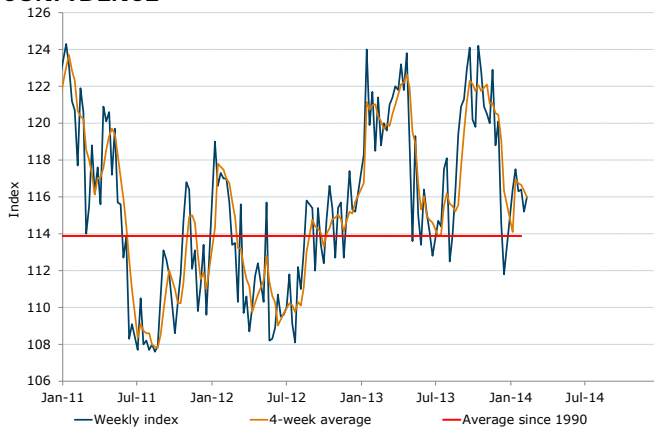
HIGHLIGHTS

- **Consumer confidence increased modestly last week (+0.7%) but remained 0.9% lower over the month in February** (Figure 1). Consumer confidence has retraced much of the solid bounce around the months of the September federal election to be a touch higher than its long-run average. This is a similar profile to recent trends in business confidence.
- **Moves were mixed but generally small across the different consumer confidence subindices in February** (Figure 10). However, 'good time to buy a household item' fell relatively sharply (to 33.0 from 38.5).
- **The subindex most correlated with household consumption – 'better off financially compared to a year ago' – was unchanged in February.** However, this index has strengthened notably since August last year and is consistent with a modest pick up in household consumption growth going forward (Figure 3).
- **The subindices most correlated with labour market indicators were somewhat mixed but overall suggest some near-term improvement in labour market conditions** (Figures 4 & 5). This is consistent with the recent stabilisation in a number of job ads/vacancies measures and our view that the unemployment rate is likely to drift only modestly higher to around 6%.

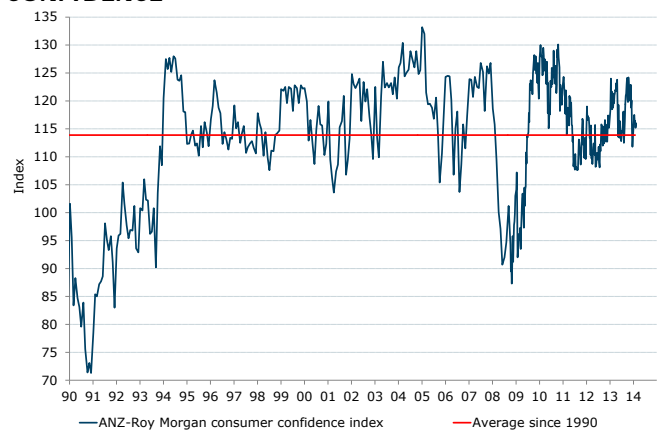
ANZ Chief Economist Warren Hogan said:

"The outlook for the Australian economy is becoming more positive. Despite retracing since the federal election last year, consumer confidence remains firmly above levels seen in 2011 and 2012. This suggests household consumption growth should begin to improve. There are already signs that the low Australian dollar is encouraging domestic retail spending, with retail sales growth strengthening notably since last July. Low interest rates and higher asset prices are likely to be in play here also. ANZ forecasts household consumption to pick up only modestly this year, likely crimped by soft household income growth as mining activity slows from the middle of this year, but strengthen in 2015.

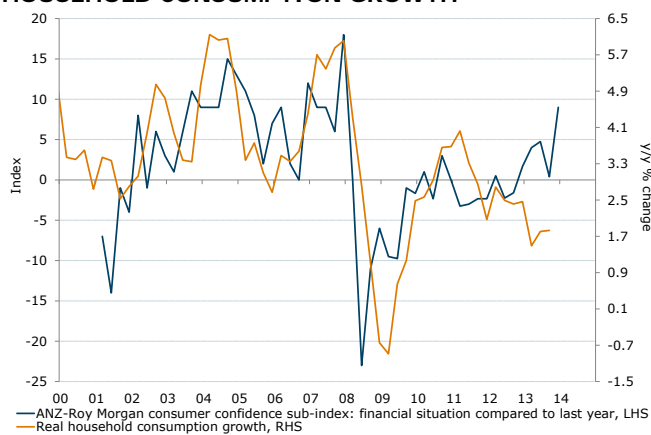
More broadly, concerns over the economy's ability to transition from its reliance on mining investment to other sources of growth have cooled a little. Additional to the improved outlook for household consumption, building approvals (both residential and non-residential) have risen sharply and suggest a strong improvement in building construction this year. Nonetheless, there are some significant uncertainties to this outlook, in particular the extent of decline in the terms of trade over the next year or so. ANZ thinks the RBA will continue to leave monetary policy at accommodative levels for some time and forecasts the cash rate to remain at 2.5% this year and gradually increase in 2015."

FIGURE 1. WEEKLY ANZ-ROY MORGAN CONSUMER CONFIDENCE

Source: ANZ-Roy Morgan

FIGURE 2. MONTHLY ANZ-ROY MORGAN CONSUMER CONFIDENCE

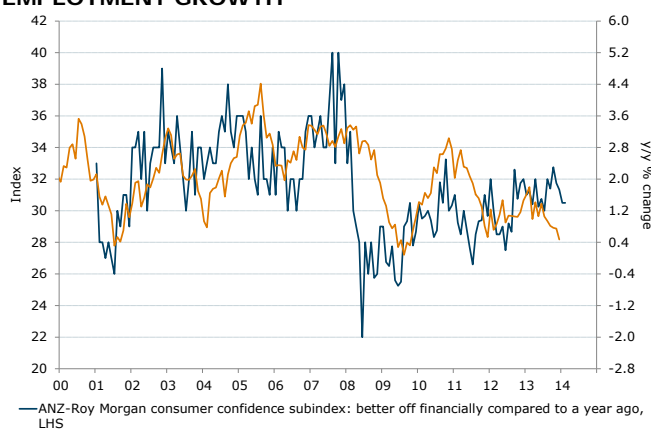
Source: ANZ-Roy Morgan

FIGURE 3. ANZ-ROY MORGAN SUB-INDEX (FINANCIAL SITUATION COMPARED TO LAST YEAR) VS REAL HOUSEHOLD CONSUMPTION GROWTH

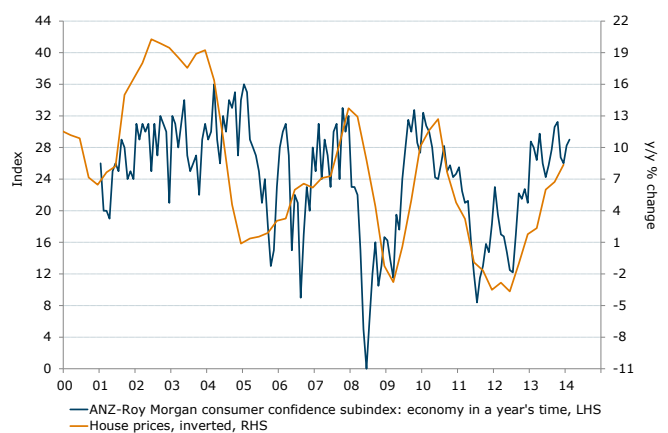
Source: ABS, ANZ-Roy Morgan

FIGURE 4. ANZ-ROY MORGAN SUB-INDEX (ECONOMY WILL IMPROVE IN A YEAR'S TIME) VS CHANGE IN UNEMPLOYMENT RATE

Source: ABS, ANZ-Roy Morgan

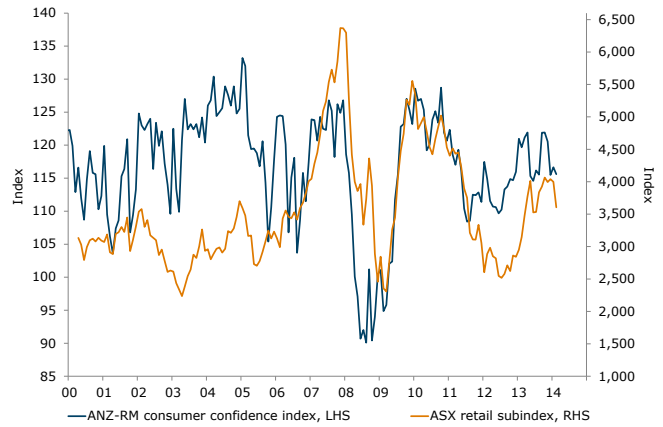
FIGURE 5. ANZ-ROY MORGAN SUB-INDEX (BETTER OFF FINANCIALLY COMPARED TO A YEAR AGO) VS EMPLOYMENT GROWTH

Source: ABS, ANZ-Roy Morgan

FIGURE 6. ANZ-ROY MORGAN SUB-INDEX (ECONOMY IN A YEAR'S TIME) VS HOUSE PRICE GROWTH

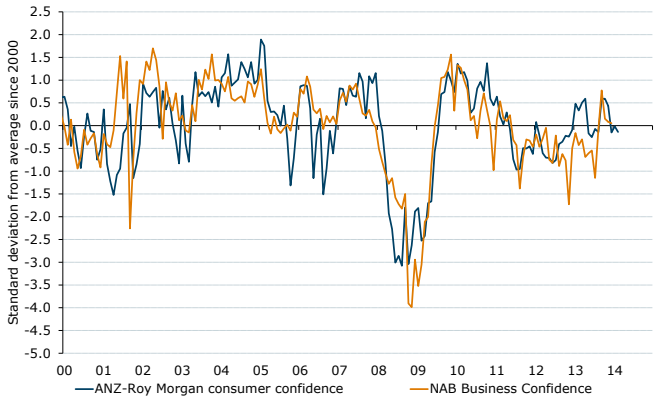
Source: Residex, ANZ-Roy Morgan

FIGURE 7. ANZ-ROY MORGAN CONSUMER CONFIDENCE VS RETAIL EQUITIES



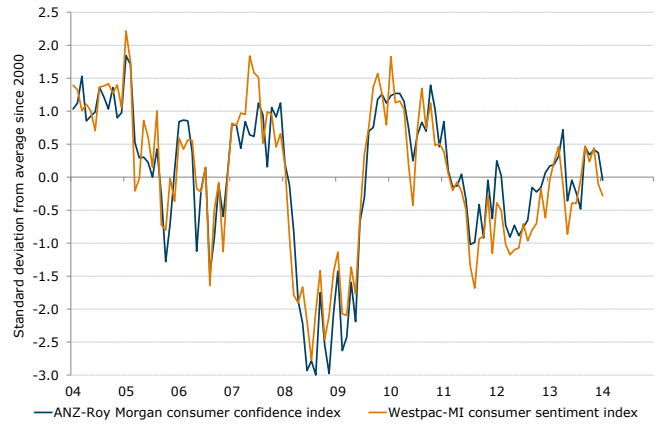
Source: Bloomberg, ANZ-Roy Morgan

FIGURE 8. ANZ-ROY MORGAN CONSUMER CONFIDENCE VS NAB BUSINESS CONFIDENCE



Source: NAB, ANZ-Roy Morgan

FIGURE 9. ANZ-ROY MORGAN VS WESTPAC-MELBOURNE INSTITUTE CONSUMER CONFIDENCE



Source: Westpac-Melbourne Institute, ANZ-Roy Morgan

FIGURE 10. ANZ-ROY MORGAN SUBINDICES

		Average since 2001	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14
1. Financial situation compared to a year ago	Balance	2.0	5.5	6.5	9.0	8.5	5.5
	Better off	31.5	32.8	31.8	31.3	30.5	30.5
	Worse off	29.4	23.8	24.0	24.7	24.3	24.5
2. Financial situation next year	Balance	24.3	26.8	26.8	26.0	28.3	29.0
	Better off	40.6	43.3	40.3	40.0	41.5	42.5
	Worse off	16.3	12.0	13.5	14.0	13.3	13.5
3. Economic conditions next year	Balance	7.8	11.3	10.8	-0.7	0.3	0.5
	Better off	35.0	35.8	36.0	30.7	30.8	31.5
	Worse off	27.2	24.5	25.3	31.3	30.5	31.0
4. Economic conditions next 5 years	Balance	16.2	21.5	20.0	11.3	10.3	9.5
	Better off	35.2	40.0	39.0	34.0	33.0	34.5
	Worse off	19.0	18.5	19.0	22.7	22.8	25.0
5. Best time to buy a major household item	Balance	34.5	37.0	37.3	34.3	38.5	33.0
	Better off	52.6	53.5	53.3	52.7	54.5	50.5
	Worse off	18.1	16.5	16.0	18.3	16.0	17.5

1. Would you say you and your family are better off financially or worse off than you were at this time last year?
2. This time next year, do you and your family expect to be better-off financially or worse off than you are now?
3. Thinking of economic conditions in Australia 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?
4. Looking ahead, what would you say is more likely, that in Australia as a whole, we'll have continuous good times during the next five years or so - or we'll have bad times?
5. Generally, do you think now is a good time - or a bad time - for people to buy major household items?

Source: ANZ-Roy Morgan

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