

ANZ-ROY MORGAN CONSUMER CONFIDENCE

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FIRST GAUGE OF IMPACT FROM BUDGET POLICY LEAKS AND COMMISSION OF AUDIT; CONFIDENCE DOWN 8% IN TWO WEEKS

- Consumer confidence fell a further 4.2% to 106.3 in the week ending 4 May. Confidence is now down a sharp 8% over the past fortnight; a large move for the index. This is most likely to have been driven by policy leaks in the lead up to the May 13 Federal budget, with the Commission of Audit's report and the mooted 'deficit reduction levy' covered extensively in the media in the past week.
- Consistent with this, the weakness in the week was driven by another sharp fall in consumers' perceptions of 'economic conditions next year' (-10.8%) and this subindex is now down over 20% over the past fortnight. Perceptions of 'economic conditions in the next five years' fell 3.8% after declining 4.6%.
- However, there was a silver lining in the report. The subindex of confidence - perceptions of 'financial situation compared to a year ago' - which is most correlated with households' spending decisions, rose modestly last week (+1.9%) after falling a more modest 3.7% in the previous week compared to other subindices.
- As such, and together with signs that the labour market is beginning to strengthen, ANZ's bottom line for the household consumption outlook remains that consumer spending will improve this year and next, although next week's budget has the ability to drag on the speed of that recovery.

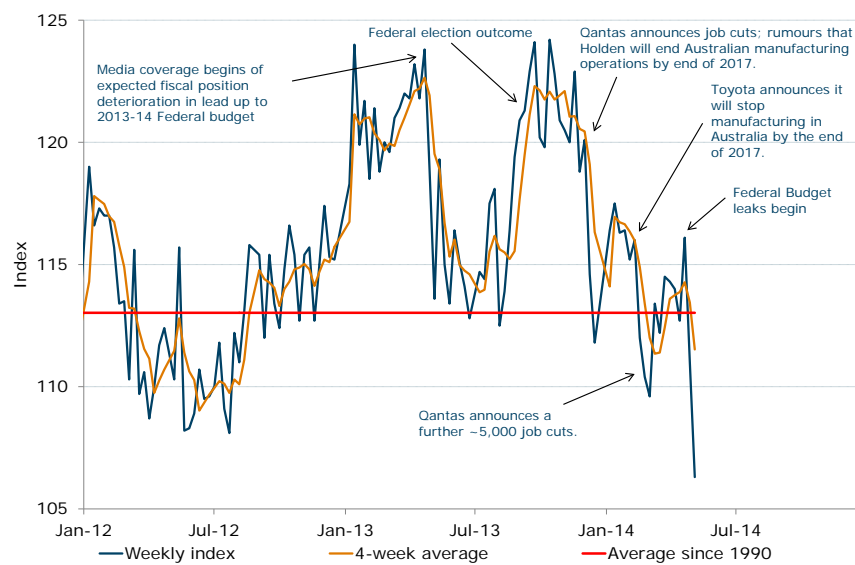
ANZ Chief Economist (Australia) Ivan Colhoun said:

"The ANZ-Roy Morgan weekly consumer confidence is providing the first read of the impact of the Budget on consumers. Confidence has fallen sharply over the past fortnight, to be down over 8% over that period, which coincides with a number of policy leaks in the lead up to the May 13 Federal Budget.

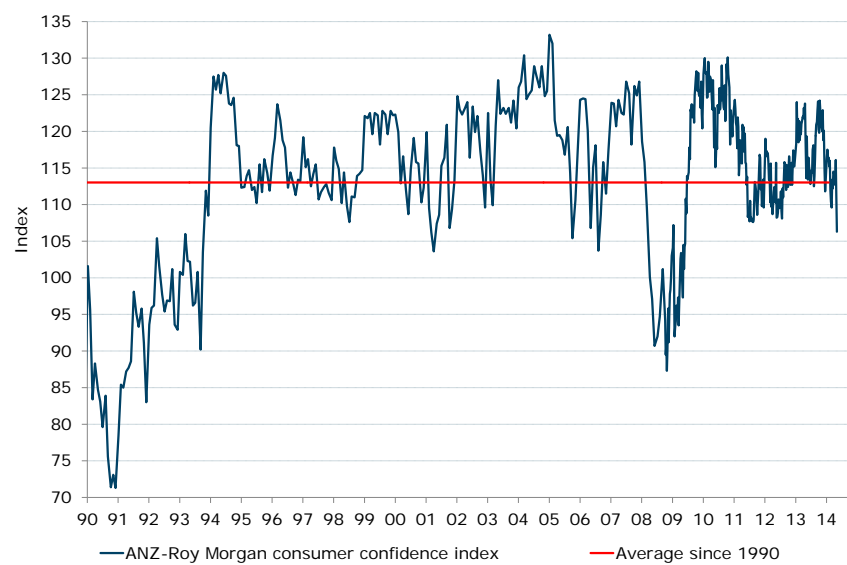
The policies of most concern to the consumer spending outlook at this stage are the mooted temporary deficit reduction levy and the proposed changes to the eligibilities for welfare and pension payments. These policies, if introduced, would impact consumption both directly and indirectly. This index will be important to watch for the likely magnitude of the policy's indirect hit to consumer spending – and how sustained the impact from any other Budget-related news will be on consumer confidence more generally."

FIGURE 1. WEEKLY ANZ-ROY MORGAN CONSUMER CONFIDENCE

Last week (3 rd /4 th May)	Weekly change, %	4-week avg	Monthly avg since 1990
106.3	-4.2	111.5	113.0
Data collected last weekend (Saturday and Sunday), based on around 1,000 face-to-face interviews. Not seasonally adjusted.			

FIGURE 2. WEEKLY ANZ-ROY MORGAN CONSUMER CONFIDENCE

Source: ANZ-Roy Morgan

FIGURE 3. WEEKLY ANZ-ROY MORGAN CONSUMER CONFIDENCE

Source: ANZ-Roy Morgan

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