

ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE

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Previous ANZ-Roy Morgan Consumer Confidence reports for Australia and other countries can be accessed on ANZ Live.

CHINA CONSUMER CONFIDENCE STABILISED IN DECEMBER

HIGHLIGHTS

- ANZ-Roy Morgan China Consumer Confidence Index stalled at 138.2 in December, compared with 138.4 last month.
- In terms of personal finances, 40.3% (last 41.9%) of respondents said that their families are 'better off' financially. Meanwhile, 16.1% (last 16.0%) said that they are 'worse off'. On the outlook for personal financial situation, 53.8% (last 50.6%) expected their families to be 'better off' next year, compared with 9.9% (last 7.0%) who expected conditions to be 'worse off'.
- On economic conditions, respondents who expect China to have 'good times' next year rose to 60.9% (last 56.0%), while respondents who expect economic 'bad times' edged up to 16.0% (last 15.7%). On longer-term economic performance, 62.1% (last 65.0%) expect China to have 'good times' and 14.9% (last 13.8%) said that there will be 'bad times'.
- In November, respondents who said that it is a 'good time' to buy major items increased to 40.9% (last 39.5%), while respondents who said that it is a 'bad time' to do so also rose to 10.4% (last 8.7%).
- Inflation expectations increased to 3.60% (last 3.28%) in December.

ANZ'S CHIEF ECONOMIST FOR GREATER CHINA LI-GANG LIU SAID:

"The Index this month indicates that China's consumer confidence has not picked up, despite the slightly improving retail sales in November that gained 11.2% annually compared with 11.0% in the previous month. Our finding is consistent with the generally sluggish growth momentum. China is likely to miss the GDP target of 7.0% in 2015.

As growth momentum remains weak and deflation risk looms large, the central bank is expected to further ease monetary policy. We forecast an imminent 50bps cut of reserve requirement ratio (RRR), followed by another 200 bps cut in 2016. China's interest rate should also be lowered by 100bps next year."

FIGURE 1. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE INDEX

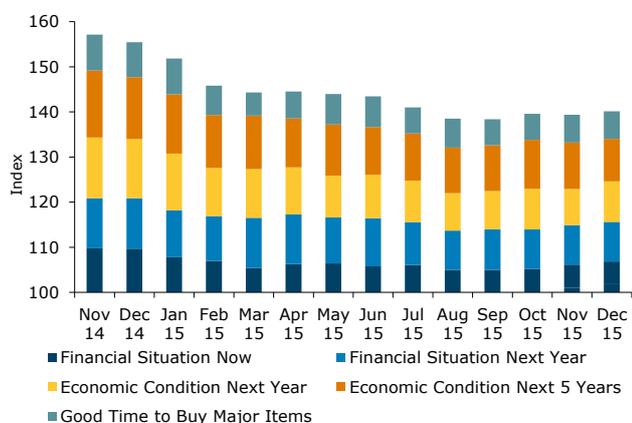
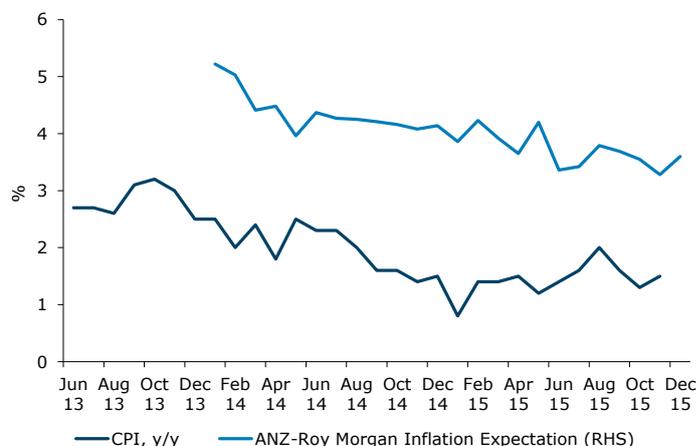


FIGURE 2. ANZ-ROY MORGAN CHINA INFLATION EXPECTATION



Source: Roy Morgan, ANZ Research

FIGURE 3. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE

		Jul 15	Aug 15	Sep 15	Oct 15	Nov 15	Dec 15
ANZ-Roy Morgan Consumer Confidence Index		141.0	138.5	138.4	139.6	138.4	138.2
Sub-Index							
1. Financial situation compared with a year ago	Balance	30.5	25.1	25.1	25.9	25.9	24.2
	Better off, %	43.0	40.7	40.4	42.8	41.9	40.3
	Worse off, %	12.5	15.6	15.3	16.9	16.0	16.1
2. Financial situation next year	Balance	47.5	43.4	44.8	43.9	43.6	43.9
	Better off, %	56.3	50.9	52.6	51.3	50.6	53.8
	Worse off, %	8.8	7.5	7.8	7.4	7.0	9.9
3. Economic conditions next year	Balance	45.9	41.5	42.4	45.1	40.3	44.9
	Good, %	59.1	57.4	57.3	58.3	56.0	60.9
	Bad, %	13.2	15.9	14.9	13.2	15.7	16.0
4. Economic conditions next 5 years	Balance	52.2	50.6	50.7	54.3	51.2	47.2
	Good, %	66.1	65.6	64.1	67.1	65.0	62.1
	Bad, %	13.9	15.0	13.4	12.8	13.8	14.9
5. Now a good time/bad time to buy major items	Balance	29.0	31.9	28.9	28.8	30.8	30.5
	Good, %	37.0	39.9	37.5	38.0	39.5	40.9
	Bad, %	8.0	8.0	8.6	9.2	8.7	10.4
Inflation expectation	%	3.42	3.79	3.69	3.55	3.28	3.60

Source: Roy Morgan, ANZ Research

SURVEY METHODOLOGY

OBJECTIVE

ANZ-Roy Morgan Consumer Confidence Survey is a survey of China's consumer sentiment and expectations. The results are presented in the form of a headline Consumer Confidence Index and China's Inflation Expectation.

As China is moving from an investment-led to a consumer-led economy, consumer confidence becomes increasingly important to the Chinese economy. Conventionally, economists rely on "hard" economic data, such as retail sales, in assessing the sentiment of households. However, there are often time lags between the collection and release of data by the national statistical authorities. Therefore, ANZ and Roy Morgan develop this consumer confidence index and aim to release the results in the same month the survey is conducted.

DATA COLLECTION

The survey elicits respondents' expectation of inflation and prices. Through collecting data from samples of at least 1,000 people per month (12,000 per annum) by telephone, the survey is conducted in metropolitan and outer urban areas - not only are 1st, 2nd and 3rd Tier cities included, but Tier 4 cities are also surveyed every month. The robust, representative sample is stratified geographically, with quotas controlled by gender and age. Disaggregation is available by age, gender, household income, occupation, education, employment status and area. Data is projected to the Chinese population aged 14 or above.

SURVEY QUESTIONS

As opposed to other consumer sentiment surveys, one distinctive feature of the ANZ-Roy Morgan survey is its elicitation technique. More importantly, the questions ask about confidence in economic and financial situations – not about feelings. In the core consumer confidence survey, five categories of core questions such as economic wellbeing, financial conditions, price level, and inflation expectation are being asked.

CONSUMER CONFIDENCE INDEX

ANZ-Roy Morgan Consumer Confidence Index is a diffusion index. The index indicates the relative strength of "good" versus "bad" or "better off" versus "worse off". The index is computed through taking the arithmetic mean of the net balances (% saying good minus % saying bad) of the five core questions and adding 100. It is a very transparent methodology. As the study is conducted consistently in every data collection, the change of the index can provide a good gauge of consumer confidence over time.

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