

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 FELL IN JANUARY

HIGHLIGHTS

- ANZ-Roy Morgan China Consumer Confidence Index fell 1.9pts to 136.3 in January, from 138.2 last month.
- In terms of personal finances, 43.1% (last 40.3%) of respondents said that their families are 'better off' financially. Meanwhile, 17.8% (last 16.1%) said that they are 'worse off'. On the outlook for personal financial situation, 53.8% (last 53.8%) expected their families to be 'better off' next year, compared with 8.7% (last 9.9%) who expected conditions to be 'worse off'.
- On economic conditions, respondents who expect China to have 'good times' over the next year dropped sharply to 51.4% (last 60.9%), while respondents who expect economic 'bad times' increased to 22.3% (last 16.0%). On longer-term economic performance, 62.5% (last 62.1%) expect China to have 'good times' and 18.6% (last 14.9%) said that there will be 'bad times'.
- In January, respondents who said that it is a 'good time' to buy major items increased to 45.9% (last 40.9%), while respondents who said that it is a 'bad time' to do so declined to 7.8% (last 10.4%).
- Inflation expectations edged down to 3.5% (last 3.6%) in January.

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

"The Consumer Confidence Index fell to a record low, coinciding with the lower-than-expected Q4 GDP growth in 2015. We find that respondents to the survey are increasingly pessimistic on the economy. Expectations for short-term economic outlook deteriorated sharply, as more people expect bad economic conditions over the next 12 months. Confidence on the five-year economic outlook also worsened in January.

China is undergoing a debt-deflation led downward business cycle. During the process, conventional fiscal and monetary policy will gradually lose effectiveness in stimulating the economy. This means accelerating structural reforms is more urgent than designing plans to boost short-term growth.

We forecast that China's growth will slow to 6.4% in 2016, and hit the trough of 6.0% in 2017. A gradual rebound in growth could start in 2018, together with an upward property market cycle and political business cycle. It is still possible that China could achieve an average 6.5% growth during its 13th five year plan (2016-20) provided that the government takes decisive measures to tackle the highly indebted corporate and local government sectors in the coming two years."

FIGURE 1. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE INDEX

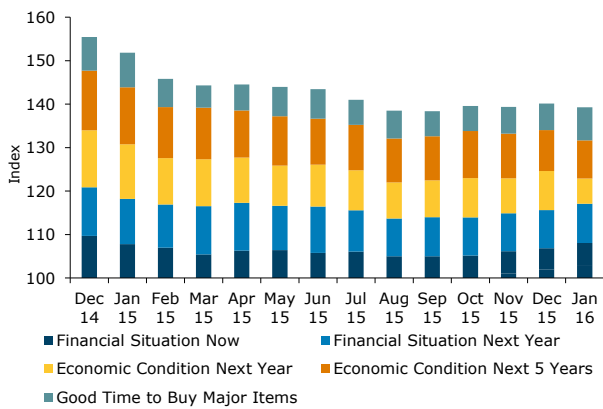
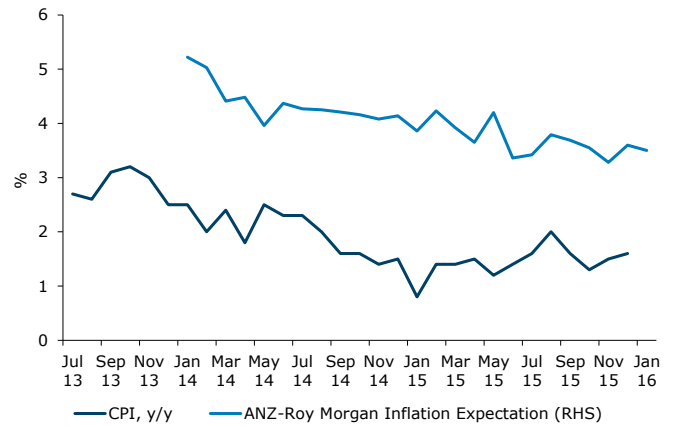


FIGURE 2. ANZ-ROY MORGAN CHINA INFLATION EXPECTATION



Source: Roy Morgan, ANZ Research

FIGURE 3. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE

		Aug 15	Sep 15	Oct 15	Nov 15	Dec 15	Jan 16
ANZ-Roy Morgan Consumer Confidence Index		138.5	138.4	139.6	138.4	138.2	136.3
Sub-Index							
1. Financial situation compared with a year ago	Balance	25.1	25.1	25.9	25.9	24.2	25.3
	Better off, %	40.7	40.4	42.8	41.9	40.3	43.1
	Worse off, %	15.6	15.3	16.9	16.0	16.1	17.8
2. Financial situation next year	Balance	43.4	44.8	43.9	43.6	43.9	45.1
	Better off, %	50.9	52.6	51.3	50.6	53.8	53.8
	Worse off, %	7.5	7.8	7.4	7.0	9.9	8.7
3. Economic conditions next year	Balance	41.5	42.4	45.1	40.3	44.9	29.1
	Good, %	57.4	57.3	58.3	56.0	60.9	51.4
	Bad, %	15.9	14.9	13.2	15.7	16.0	22.3
4. Economic conditions next 5 years	Balance	50.6	50.7	54.3	51.2	47.2	43.9
	Good, %	65.6	64.1	67.1	65.0	62.1	62.5
	Bad, %	15.0	13.4	12.8	13.8	14.9	18.6
5. Now a good time/bad time to buy major items	Balance	31.9	28.9	28.8	30.8	30.5	38.1
	Good, %	39.9	37.5	38.0	39.5	40.9	45.9
	Bad, %	8.0	8.6	9.2	8.7	10.4	7.8
Inflation expectation	%	3.79	3.69	3.55	3.28	3.60	3.50

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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