

# ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE

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## CHINA CONSUMER CONFIDENCE DECLINED IN MARCH

### HIGHLIGHTS

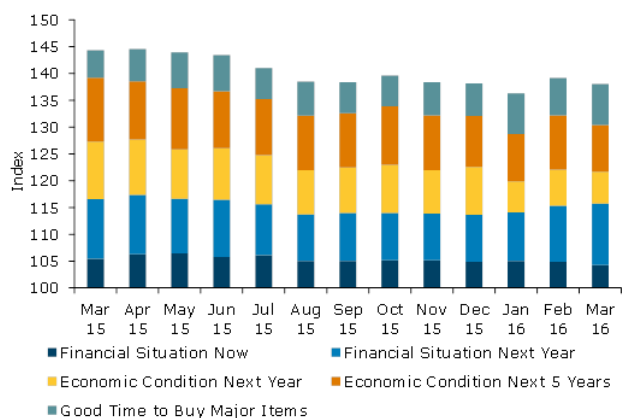
- ANZ-Roy Morgan China Consumer Confidence Index declined to 138.0 in March, from 139.2 in the previous month.
- In terms of personal finances, 41.7% (last 42.8%) of respondents said that their families are 'better off' financially. Meanwhile, 20.3% (last 18.4%) said that they are 'worse off'. On the outlook for personal financial situation, 65.6% (last 58.0%) expected their families to be 'better off' next year, compared with 8.2% (last 5.6%) who expected conditions to be 'worse off'.
- On economic conditions, respondents who expect China to have 'good times' over the next year declined to 49.7% (last 53.2%), while respondents who expect economic 'bad times' rose to 20.0% (last 19.5%). On longer-term economic performance, 62.1% (last 67.4%) expect China to have 'good times' and 18.5% (last 16.9%) said that there will be 'bad times'.
- Respondents who said that it is a 'good time' to buy major items rose to 47.6% (last 44.8%), while respondents who said that it is a 'bad time' to do so edged down to 9.7% (last 10.0%).
- Inflation expectations rose further to 4.14% (last 3.80%) in March.

### ANZ SENIOR ECONOMIST RAYMOND YEUNG SAID:

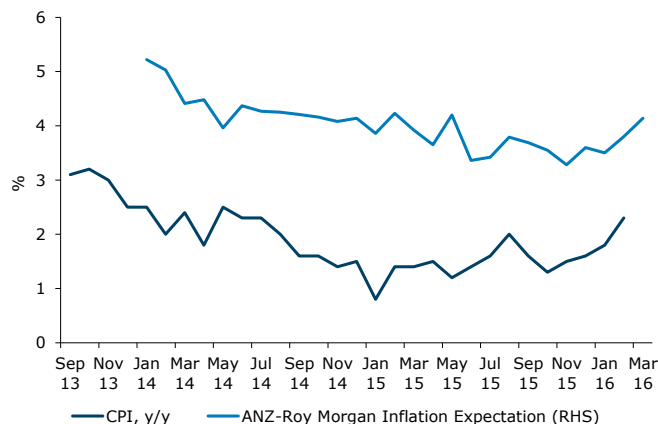
"The drop in consumer confidence in March largely reflects the more pessimistic view on the economic outlook. Respondents to the survey appear to be less confident on both short-term and long-term growth. However, the March survey also shows an improvement in expectations of personal financial situation in the next 12 months, possibly driven by the warm-up of property market.

Given that China's leadership has set aggressive economic targets this year amid slowing global growth, we believe that further monetary policy easing is needed. However, the rapid increase in property prices in first-tier cities may have become a key consideration for the central bank's monetary policy decision. Thus, we expect more selective property market tightening measures to rein in overheating asset prices in some cities."

**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**

		Oct 15	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16
<b>ANZ-Roy Morgan Consumer Confidence Index</b>		<b>139.6</b>	<b>138.4</b>	<b>138.2</b>	<b>136.3</b>	<b>139.2</b>	<b>138.0</b>
<b>Sub-Index</b>							
<b>1. Financial situation compared with a year ago</b>	Balance	25.9	25.9	24.2	25.3	24.4	21.4
	Better off, %	42.8	41.9	40.3	43.1	42.8	41.7
	Worse off, %	16.9	16.0	16.1	17.8	18.4	20.3
<b>2. Financial situation next year</b>	Balance	43.9	43.6	43.9	45.1	52.4	57.4
	Better off, %	51.3	50.6	53.8	53.8	58.0	65.6
	Worse off, %	7.4	7.0	9.9	8.7	5.6	8.2
<b>3. Economic conditions next year</b>	Balance	45.1	40.3	44.9	29.1	33.7	29.7
	Good, %	58.3	56.0	60.9	51.4	53.2	49.7
	Bad, %	13.2	15.7	16.0	22.3	19.5	20.0
<b>4. Economic conditions next 5 years</b>	Balance	54.3	51.2	47.2	43.9	50.5	43.6
	Good, %	67.1	65.0	62.1	62.5	67.4	62.1
	Bad, %	12.8	13.8	14.9	18.6	16.9	18.5
<b>5. Now a good time/bad time to buy major items</b>	Balance	28.8	30.8	30.5	38.1	34.8	37.9
	Good, %	38.0	39.5	40.9	45.9	44.8	47.6
	Bad, %	9.2	8.7	10.4	7.8	10.0	9.7
<b>Inflation expectation</b>	%	3.55	3.28	3.60	3.50	3.80	4.14

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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