

ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE MEDIA RELEASE

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CONTRIBUTORS

For further comments:

Li-Gang Liu
Chief Economist,
Greater China
+852-3918-7730
Ligang.Liu@anz.com

Raymond Yeung
Senior Economist,
Greater China
+852-3918-7733
Raymond.Yeung@anz.com

Hao Zhou
Economist, China
+8621-6169-6348
Hao.Zhou2@anz.com

CHINA CONSUMER CONFIDENCE RISES FURTHER ON RECORD 'SINGLES DAY' E-COMMERCE SALES

HIGHLIGHTS

- ANZ-Roy Morgan China Consumer Confidence Index increased 2pts to 157.1 in November, the highest level this year.
- The improvement in the Consumer Confidence index was broad-based. The sub-index for current financial situation rose 1.6pts in November, and the confidence of economic conditions next year increased 2.0pts. Meanwhile, the sub-index for economic conditions next year went up by 1.8pts, while the long-term economic conditions sub-index increased 3.9pts, possibly attributing to the recent property market stabilisation, which helps lift Chinese consumers' confidence.
- By geography, consumer sentiments were equally split, with consumer confidence rising in 7 cities while falling in the other 7. Notably, consumer confidence in Shanghai and Guangzhou rose 6.4pts and 2.7pts respectively. Consumer confidence in Beijing declined 0.8pt.
- Inflation expectation declined for the fifth consecutive month to 4.08%, suggesting a disinflation expectation is forming.

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

"The November survey results suggest that consumer sentiments bode well for a steady rebound of Q4 GDP growth. We have seen positive signals in housing and stock market. The record sales figure on 'Singles Day' also reflects great opportunities in China's e-commerce market.

The housing transactions have started to rebound since late September as the government gradually relaxed the 'purchase limit policy' in the property market. In our view, China will intensify the effort to stabilise the housing market. China's stock market also outperformed in the past few months due to expectations of 'reform dividends' and the official launch of Shanghai-Hong Kong stock connect program.

In the meantime, China's online sales reached another record high on 'Singles Day' (11 November) this year, suggesting that Chinese household consumption has great potential to increase over time. The sales on Alibaba's online shopping platform hit a new record of RMB57bn during the 24 hour shopping marathon on the 'Singles Day'. 278m packages have been delivered - one for every five people in China.

In addition, the continuous decline in inflation expectation suggests that China has entered a rapid dis-inflation process, indicating that the easing bias in China's monetary policy will continue over the next year. "

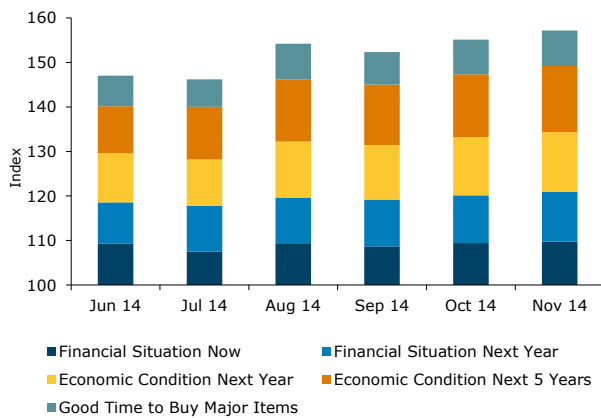
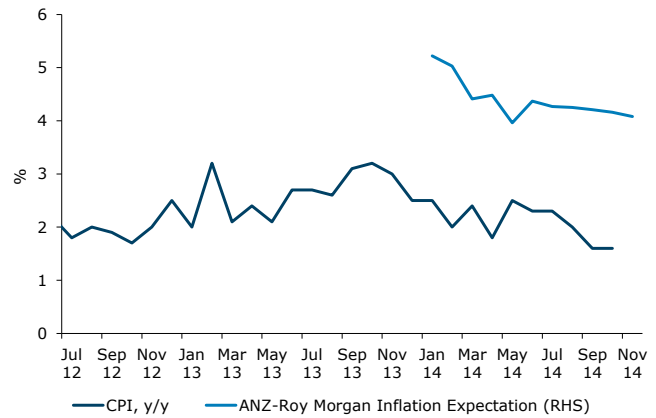
Please refer to Page 4 for a further discussion on China's mobile online shopping.

Note: ANZ-Roy Morgan consumer sentiment survey compliments the surveys in Australia, New Zealand, Indonesia, China and etc. More consumer confidence surveys for other Asia-Pacific economies will be forthcoming.

You can find the ANZ-Roy Morgan Consumer Confidence series on Bloomberg:

AU: ALLX AUANZ <GO>
NZ: ALLX NZANZ <GO>
CN: ALLX CHOANZ <GO>
ID: ALLX IDANZ <GO>
SG: ALLX SIANZ <GO>
TH: ALLX THANZ <GO>
VN: ALLX VNANZ <GO>

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

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

		Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
ANZ-Roy Morgan Consumer Confidence Index		147.0	146.2	154.2	152.3	155.1	157.1
Sub-Index							
1. Financial situation compared with a year ago	Balance	46.4	37.6	46.9	43.4	47.2	48.8
	Better off, %	51.6	44.4	53.1	50.1	52.1	53.1
	Worse off, %	5.2	6.8	6.2	6.7	4.9	4.3
2. Financial situation next year	Balance	46.4	51.5	51.3	52.6	53.6	55.6
	Better off, %	53.3	55.0	56.6	57.0	57.5	59.1
	Worse off, %	6.9	3.5	5.3	4.4	3.9	3.5
3. Economic conditions next year	Balance	55.5	51.8	63.0	61.1	65.4	67.2
	Good, %	64.3	61.5	69.3	67.4	70.4	71.7
	Bad, %	8.8	9.7	6.3	6.3	5.0	4.5
4. Economic conditions next 5 years	Balance	52.4	59.2	69.8	68.0	70.4	74.3
	Good, %	64.4	68.6	76.1	74.5	76.8	78.2
	Bad, %	12.0	9.4	6.3	6.5	6.4	3.9
5. Now a good time/bad time to buy major items	Balance	34.5	30.9	40.0	36.4	38.9	39.8
	Good, %	39.2	35.7	42.2	38.9	41.0	43.1
	Bad, %	4.7	4.8	2.2	2.5	2.1	3.3
Inflation expectation	%	4.37	4.27	4.25	4.21	4.16	4.08

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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Roy Morgan Research is one of the best known and oldest market research companies in Asia-Pacific, with an unparalleled reputation for reliable, accurate, meaningful, and revealing market research. With more than 70 years' experience tracking most social trends in the region, and the global recognition they have received for pioneering numerous new research methodologies, it makes Roy Morgan the perfect partner for ANZ in the Asia Pacific region. They offer a unique combination of rigorous and robust systems, which have been tested, refined and proven over almost three quarters of a century to ensure an absolute commitment to accuracy, truth and transparency meaning that Roy Morgan matters.

DISCUSSION BOX

CHINA'S MOBILE ONLINE SHOPPING GAINS MOMENTUM

- China online sales market is booming. According to 100EC.cn, online sales value has reached RMB1.086trn in June 2014, up 43.9% from same period last year, constituting 8.7% of total retail sales values, up 27.9% from last year (Figure 1).
- Alibaba said that gross merchandise sales exceeded RMB36.2bn in the first 13 hours of 'Singles Day' sales on 11 November this year, higher than the average full day sales last year and surpassing those in the U.S.'s Cyber Monday sales last year. Total sales on 'Singles Day' reached RMB57.1bn (USD9.33bn) this year, up 63% y/y last year (Figure 2). Meanwhile, 43% of total online transactions made via mobile devices, up 21% from last year, in line with the rising trend shown in figure 3. This indicated that consumers are increasingly using mobile for online shopping.
- Notably, Alibaba aims to internationalise the 'Single Day' promotion by offering domestic consumers more access to quality products around the globe. The company set up a global promotion section on Tmall, where domestic Chinese can purchase products from different countries and foreign consumers also can order product through the platform. This indicated that China's online shoppers are gradually going global and the growth potential for cross-border e-commerce is huge.
- According to 100EC.cn, China's cross-border e-commerce transaction rose to RMB3.0trn in H1 2014, and there are over 5,000 units of cross-border e-commerce platforms and 200,000 enterprises operating cross-border e-commerce business. Meanwhile, PayPal's figures showed that China has become U.S.' second largest cross-border e-commerce consumers, constituting 39% of its total e-commerce consumers (Figure 4).

FIGURE 1. ONLINE SALES VALUE

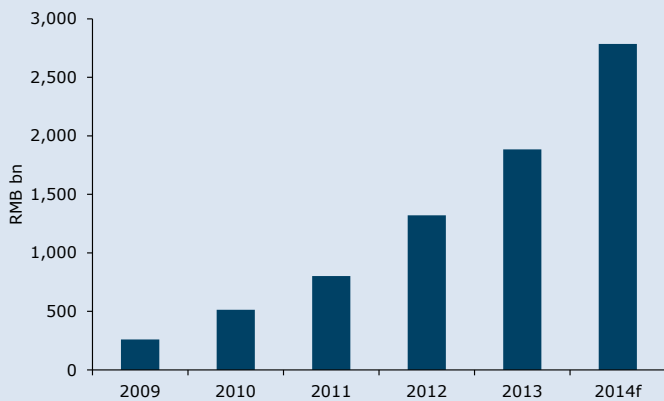


FIGURE 2. ONLINE SHOPPING FESTIVAL

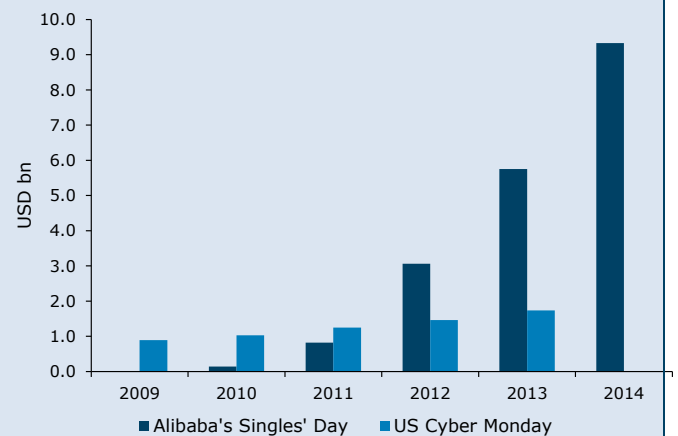


FIGURE 3. SHARE OF MOBILE TRANSACTION

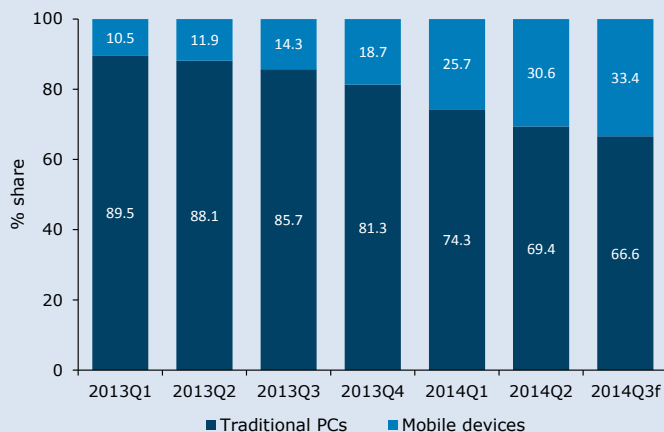
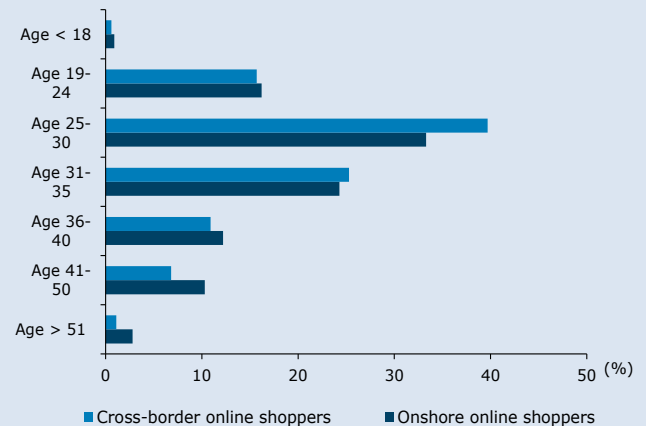


FIGURE 4. CHINA'S ONLINE SHOPPERS



Source: Alibaba, ComScore, iResearch, 100ec.cn, ANZ Research

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