

ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE

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CHINA CONSUMER CONFIDENCE SURPRISINGLY REBOUNDED

HIGHLIGHTS

- ANZ-Roy Morgan China Consumer Confidence Index surprisingly rebounded to 139.2 in February, up from 136.3 in January.
- In terms of personal finances, 42.8% (last 43.1%) of respondents said that their families are 'better off' financially. Meanwhile, 18.4% (last 17.8%) said that they are 'worse off'. On the outlook for personal financial situation, 58.0% (last 53.8%) expected their families to be 'better off' next year, compared with 5.6% (last 8.7%) who expected conditions to be 'worse off'.
- On economic conditions, respondents who expect China to have 'good times' over the next year rose to 53.2% (last 51.4%), while respondents who expect economic 'bad times' fell to 19.5% (last 22.3%). On longer-term economic performance, 67.4% (last 62.5%) expect China to have 'good times' and 16.9% (last 18.6%) said that there will be 'bad times'.
- In February, respondents who said that it is a 'good time' to buy major items declined to 44.8% (last 45.9%), while respondents who said that it is a 'bad time' to do so increased to 10.0% (last 7.8%).
- Inflation expectations rose to 3.8% (last 3.5%) in February.

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

"The Consumer Confidence surprisingly rebounded in February although incoming economic data remain sluggish. This may suggest that the services sector continues to outperform the rest of the economy, consistent with some of the service industry data, such as movie box office revenue, online retail sales, tourism statistics, which saw fast growth last year. Services industries will likely continue to drive GDP growth in Q1 2016 because of huge travel volumes during the Chinese New Year period.

While China's rising consumption is encouraging, consumption alone can only cushion China's slowdown but it is likely insufficient to help China achieve a full-fledged recovery in the near term. As China's fixed asset investments only grew 10% in 2015, missing the target of 15% by a large margin, we believe that policy action is still needed to boost investments this year. We think that fiscal deficit will increase to over 2.5% of GDP this year. Meanwhile, further monetary policy easing is also needed, and we expect RRR cuts of 200bps this year."

FIGURE 1. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE INDEX

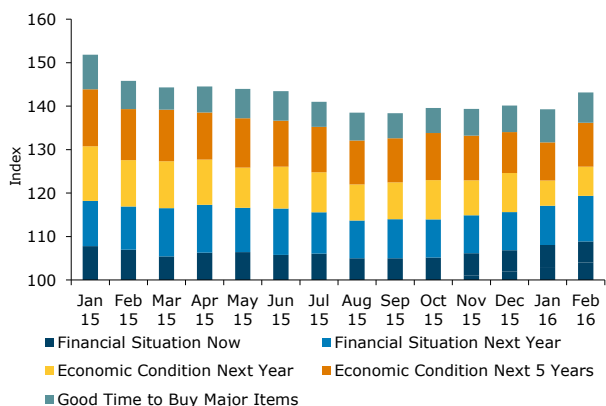
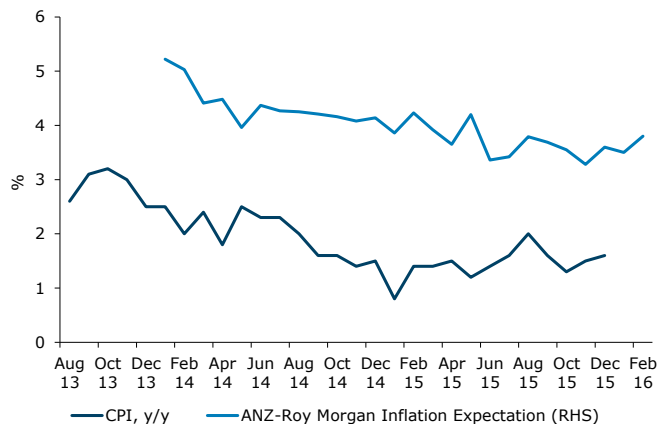


FIGURE 2. ANZ-ROY MORGAN CHINA INFLATION EXPECTATION



Source: Roy Morgan, ANZ Research

FIGURE 3. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE

		Sep 15	Oct 15	Nov 15	Dec 15	Jan 16	Feb 16
ANZ-Roy Morgan Consumer Confidence Index		138.4	139.6	138.4	138.2	136.3	139.2
Sub-Index							
1. Financial situation compared with a year ago	Balance	25.1	25.9	25.9	24.2	25.3	24.4
	Better off, %	40.4	42.8	41.9	40.3	43.1	42.8
	Worse off, %	15.3	16.9	16.0	16.1	17.8	18.4
2. Financial situation next year	Balance	44.8	43.9	43.6	43.9	45.1	52.4
	Better off, %	52.6	51.3	50.6	53.8	53.8	58.0
	Worse off, %	7.8	7.4	7.0	9.9	8.7	5.6
3. Economic conditions next year	Balance	42.4	45.1	40.3	44.9	29.1	33.7
	Good, %	57.3	58.3	56.0	60.9	51.4	53.2
	Bad, %	14.9	13.2	15.7	16.0	22.3	19.5
4. Economic conditions next 5 years	Balance	50.7	54.3	51.2	47.2	43.9	50.5
	Good, %	64.1	67.1	65.0	62.1	62.5	67.4
	Bad, %	13.4	12.8	13.8	14.9	18.6	16.9
5. Now a good time/bad time to buy major items	Balance	28.9	28.8	30.8	30.5	38.1	34.8
	Good, %	37.5	38.0	39.5	40.9	45.9	44.8
	Bad, %	8.6	9.2	8.7	10.4	7.8	10.0
Inflation expectation	%	3.69	3.55	3.28	3.60	3.50	3.80

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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