

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 REMAINS UPBEAT

HIGHLIGHTS

- The ANZ-Roy Morgan China Consumer Confidence Index declined to 144.0 in May, down from 145.0 in the previous month.
- In terms of personal finances, 49.5% (prev: 46.9%) of the respondents said that their families are 'better off' financially. Meanwhile, 18.4% (prev: 16.3%) said that they are 'worse off'. On the outlook for their own personal financial situations, 66.4% (prev: 68.7%) of the respondents expect their families to be 'better off' next year, compared with 6.4% (prev: 5.4%) who expect conditions to be 'worse off'.
- On economic conditions, the number of respondents who expect China to have 'good times' over the next year declined to 55.8% (prev: 56.1%), while those who expect economic 'bad times' rose to 17.2% (prev: 14.0%). On longer-term economic performance, 63.5% (prev: 63.9%) expect China to have 'good times' and 14.7% (prev: 14.9%) said that there will be 'bad times'.
- Respondents who said that it is a 'good time' to buy major items rose to 47.1% (prev: 46.3%), while the number of respondents who said that it is a 'bad time' to do so edged down to 5.7% (prev: 6.4%).
- Inflation expectations eased further to 3.67% (prev: 4.02%) in May.

ANZ ECONOMIST LOUIS LAM SAID:

"Sentiment remains elevated following April's strong rebound. Despite the slight fall in the headline index in May, consumer confidence remains well above the average level over the past year. This is also the second highest reading over the past twelve months, second only to that in April 2016.

Strong consumption will continue to be a cornerstone of the Chinese economy, with private consumption contributing 5.7ppt towards the GDP growth of 6.7% in Q1 2016. This development will continue to underpin a decent growth momentum in Q2 GDP which is forecast to be 6.5%."

FIGURE 1. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE INDEX

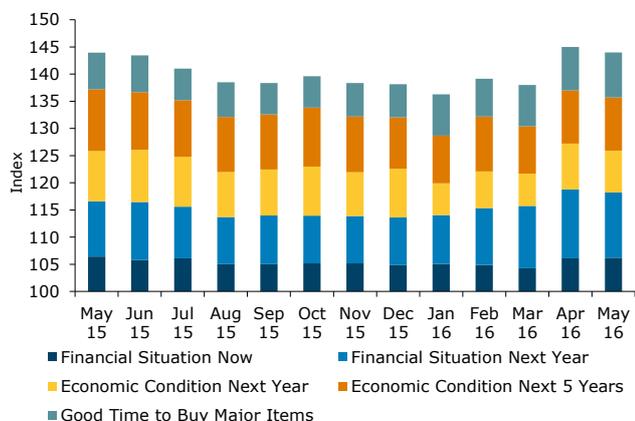
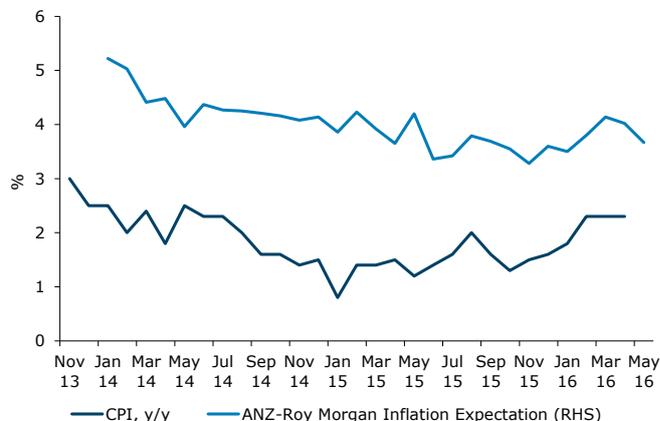


FIGURE 2. ANZ-ROY MORGAN CHINA INFLATION EXPECTATION



Source: Roy Morgan, ANZ Research

FIGURE 3. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE

		Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16
ANZ-Roy Morgan Consumer Confidence Index		138.2	136.3	139.2	138.0	145.0	144.0
Sub-Index							
1. Financial situation compared with a year ago	Balance	24.2	25.3	24.4	21.4	30.6	31.1
	Better off, %	40.3	43.1	42.8	41.7	46.9	49.5
	Worse off, %	16.1	17.8	18.4	20.3	16.3	18.4
2. Financial situation next year	Balance	43.9	45.1	52.4	57.4	63.3	60.0
	Better off, %	53.8	53.8	58.0	65.6	68.7	66.4
	Worse off, %	9.9	8.7	5.6	8.2	5.4	6.4
3. Economic conditions next year	Balance	44.9	29.1	33.7	29.7	42.1	38.6
	Good, %	60.9	51.4	53.2	49.7	56.1	55.8
	Bad, %	16.0	22.3	19.5	20.0	14.0	17.2
4. Economic conditions next 5 years	Balance	47.2	43.9	50.5	43.6	49.0	48.8
	Good, %	62.1	62.5	67.4	62.1	63.9	63.5
	Bad, %	14.9	18.6	16.9	18.5	14.9	14.7
5. Now a good time/bad time to buy major items	Balance	30.5	38.1	34.8	37.9	39.9	41.4
	Good, %	40.9	45.9	44.8	47.6	46.3	47.1
	Bad, %	10.4	7.8	10.0	9.7	6.4	5.7
Inflation expectation	%	3.60	3.50	3.80	4.14	4.02	3.67

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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