

ANZ-ROY MORGAN HONG KONG CONSUMER CONFIDENCE

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HONG KONG CONSUMER CONFIDENCE REMAINS STABLE IN AUGUST

HIGHLIGHTS

- ANZ-Roy Morgan Hong Kong Consumer Confidence rose to 138.2 (up 0.6pt) in August (the highest level ever recorded). The rise of the index in August was driven by the record high confidence in personal finances compared with a year ago and expectations for the next 12 months.
- In terms of personal finances now 42.6% (up 2.3ppts) of respondents said their families are 'better off' financially than this time last year (the highest level ever recorded) compared with 9.5% (up 0.1ppt) that said their families are 'worse off' financially.
- In August, 47.8% (up 4.3ppts) of respondents expect their families will be 'better off' financially this time next year (the highest level ever recorded) compared with 8.3% (up 0.3ppt) that expect their families to be 'worse off' financially.
- Thinking of economic conditions in Hong Kong going forward, 57.4% (up 0.4ppt) expect that Hong Kong will have 'good times' economically over the next 12 months, compared with 10.6% (down 1.1ppts) that expect 'bad times' economically.
- 56.2% (down 2.9ppts) of respondents expect that Hong Kong will have 'good times' economically during the next five years and 12.1% (up 1.2ppts) expect 'bad times'.
- In August, 34.8% (down 0.4ppt) of respondents say now is a 'good time to buy' major household items in Hong Kong and 7% (down 0.1ppt) say now is a 'bad time to buy' major household items.
- Inflation expectations were unchanged at 3.4% in August.

ANZ'S SENIOR ECONOMIST RAYMOND YEUNG SAID:

"August's reading may define the peak of the year. As our survey was in the week prior to the fresh round of global market sell-off that began in late last week, market volatility does not bode well for forthcoming releases. In addition, the trend of declining inbound tourists seems to have firmed up on strong HKD against a devaluating RMB, thus August's retail figures will likely deviate from this release today.

That said, low unemployment rate and solid property prices will continue to underscore household spending power. The sharp fall of stock market index will unlikely be translated into a collapse of private consumption. We maintain Hong Kong's GDP growth forecast of 2.1% for 2015."

FIGURE 1. ANZ-ROY MORGAN HONG KONG CONSUMER CONFIDENCE INDEX

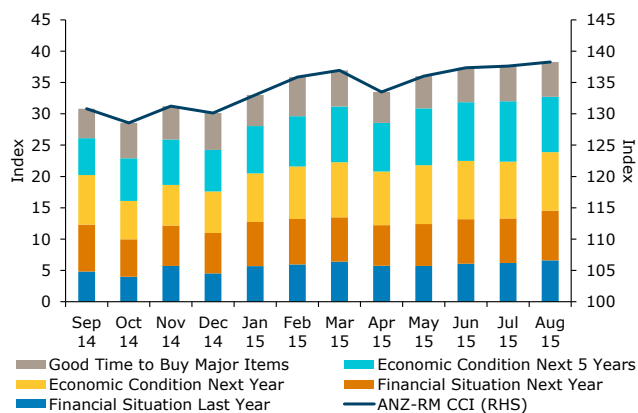
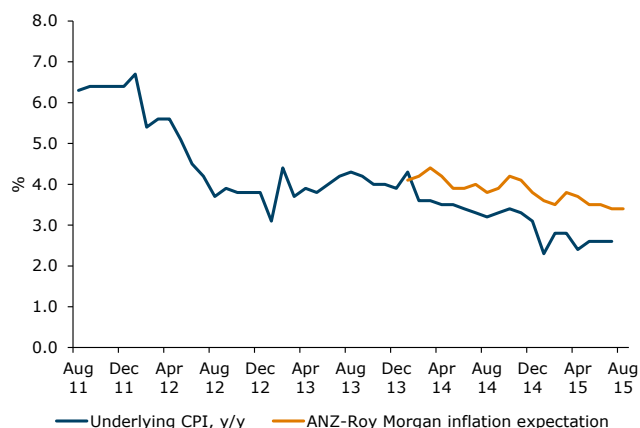


FIGURE 2. ANZ-ROY MORGAN HONG KONG INFLATION EXPECTATIONS VS UNDERLYING CPI



Source: Roy Morgan, ANZ Research

FIGURE 3. ANZ-ROY MORGAN HONG KONG CONSUMER CONFIDENCE

	Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15
ANZ-Roy Morgan Consumer Confidence Index	137.0	133.5	136.0	137.3	137.6	138.2
Sub-Index						
1. Financial situation compared with a year ago						
Balance	32.0	28.7	28.6	30.4	30.9	33.1
Better off, %	39.2	39.3	37.0	38.3	40.3	42.6
Worse off, %	7.2	10.6	8.4	7.9	9.4	9.5
2. Financial situation next year						
Balance	35.4	32.5	33.5	35.5	35.6	39.5
Better off, %	41.8	40.7	42.4	43.7	43.5	47.8
Worse off, %	6.4	8.2	8.9	8.2	8.0	8.3
3. Economic conditions next year						
Balance	44.0	42.8	46.9	46.6	45.3	46.8
Good, %	57.7	55.7	57.8	58.2	57.0	57.4
Bad, %	13.7	12.9	10.9	11.6	11.7	10.6
4. Economic conditions next 5 years						
Balance	44.4	38.8	45.3	46.8	48.2	44.1
Good, %	56.8	53.6	57.1	57.7	59.1	56.2
Bad, %	12.4	14.8	11.8	10.9	10.9	12.1
5. Now a good time/bad time to buy major items						
Balance	28.9	24.7	25.7	27.5	28.1	27.8
Good, %	34.2	31.4	31.9	33.3	35.2	34.8
Bad, %	5.3	6.7	6.2	5.8	7.1	7.0
Inflation expectation						
%	3.8	3.7	3.5	3.5	3.4	3.4

Source: Roy Morgan, ANZ Research

OBJECTIVE

The ANZ-Roy Morgan Consumer Confidence Survey is a survey of Hong Kong's consumer sentiment and expectations. The results are presented in the form of a headline Consumer Confidence Index and Hong Kong's Inflation Expectation. 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 statistical departments. Therefore, ANZ and Roy Morgan have developed this consumer confidence index and aim to release the results in the same month the survey is conducted.

DATA COLLECTION

The survey elicits respondents' expectations of inflation and prices. Data are collected from samples of at least 1,000 people per month (12,000 per annum) by telephone. The robust, representative sample is quota-controlled by gender and age. Disaggregation is available by age, gender, household income, occupation, education, employment status and area. Data is projected to the Hong Kong population aged 14 or above.

SURVEY QUESTIONS

One distinctive feature of the ANZ-Roy Morgan survey is its elicitation technique. 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 asked.

CONSUMER CONFIDENCE INDEX

The 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 by 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 in the index can provide a good gauge of consumer confidence over time.

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