

ANZ-ROY MORGAN SOUTH KOREA CONSUMER CONFIDENCE

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SOUTH KOREA CONSUMER SENTIMENT FALLS DESPITE EXTRA HOLIDAY

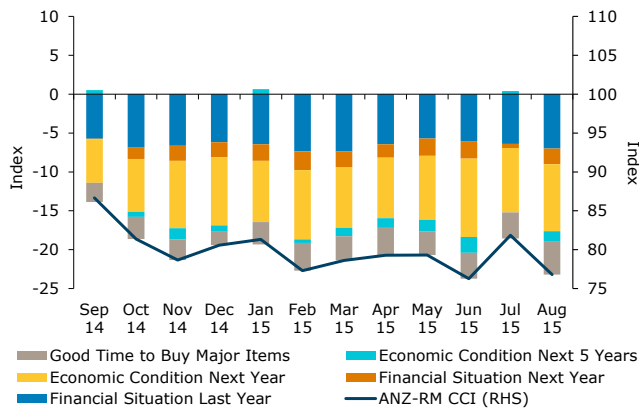
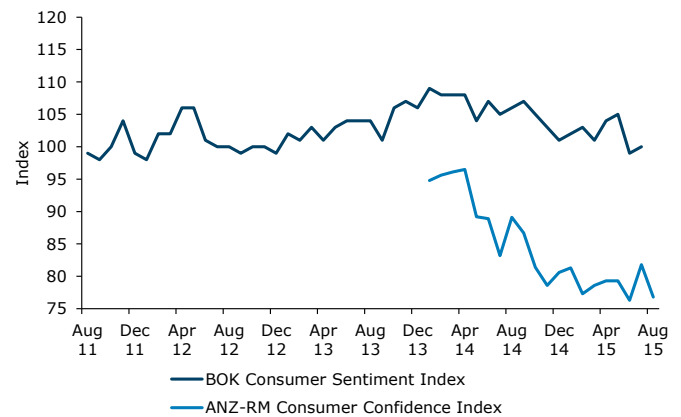
HIGHLIGHTS

- ANZ-Roy Morgan South Korea Consumer Confidence fell sharply by 5.0pts to 76.8 in August. The index remains well below its long-term average of 84.6 in August, 12.3pts below the reading in August 2014 (89.1). The confidence across all components of the survey fell in August.
- In terms of personal finances now 10% (down 0.7ppt) of respondents said their families are 'better off' financially than this time last year compared with 45% (up 2.4ppts) that said their families are 'worse off'.
- Under a quarter of respondents, 23.3% (down 4.8ppts) expect that their families will be 'better off' financially this time next year (the lowest level ever recorded) while 33.3% (up 2.5ppts) expect their families to be 'worse off' financially this time next year.
- Thinking of economic conditions in South Korea going forward, just a fifth, 20.4% (down 1.2ppts), of respondents, expect South Korea will have 'good times' economically over the next 12 months, compared with 63.5% (up 0.5ppt) that expect 'bad times' economically.
- Over the longer term, 35.9% (down 4.8ppts) of respondents expect South Korea will have 'good times' economically during the next five years (an equal record low) and 42.3% (up 3.6ppts) expect 'bad times' economically for South Korea.
- In August, 24.8% (down 2.6ppts) of respondents say that now is a 'good time to buy' major household items (an equal record low) while 46.3% (up 2.1ppts) say that now is a 'bad time to buy' major household items (the highest level ever recorded).
- Inflation expectation edged down 0.1ppt to 2.5% in August.

ANZ'S SENIOR ECONOMIST RAYMOND YEUNG SAID:

"Although there are signs that a special holiday on 14 August this year has lifted local retail sales, the overall sentiment remained weak. Notwithstanding the political tension with North Korea is expected to subside given the agreement announced last night (24 August), the consumption outlook remains challenging.

Nonetheless, today's release adds to our increasing concern on the overall economic prospect. Given the deteriorating external environment, domestic sentiment is critical to upholding Korean economy. The near-term economic prospect continues to see downside risk and this will prompt the central bank to stay accommodative. Even though the policy interest rate is at all-time low of 1.50%, further monetary easing is still on the cards."

FIGURE 1. ANZ-ROY MORGAN SOUTH KOREA CONSUMER CONFIDENCE INDEX**FIGURE 2. ANZ-ROY MORGAN SOUTH KOREA CONSUMER CONFIDENCE VS BOK CONSUMER SENTIMENT INDEX**

Source: Roy Morgan, ANZ Research

FIGURE 3. ANZ-ROY MORGAN SOUTH KOREA CONSUMER CONFIDENCE

		Mar 15	Apr 15	May 15	Jun 15	Jul 15	Aug 15
ANZ-Roy Morgan Consumer Confidence Index		78.6	79.3	79.3	76.3	81.8	76.8
Sub-Index							
1. Financial situation compared with a year ago	Balance	-36.9	-32.2	-28.5	-30.2	-31.9	-35.0
	Better off, %	9.2	9.9	12.6	10.8	10.7	10.0
	Worse off, %	46.1	42.1	41.1	41.0	42.6	45.0
2. Financial situation next year	Balance	-9.9	-8.6	-11.1	-11.2	-2.7	-10.0
	Better off, %	24.5	24.5	25.2	23.9	28.1	23.3
	Worse off, %	34.4	33.1	36.3	35.1	30.8	33.3
3. Economic conditions next year	Balance	-39.2	-38.9	-41.2	-50.4	-41.4	-43.1
	Good, %	21.6	21.5	19.5	16.6	21.6	20.4
	Bad, %	60.8	60.4	60.7	67.0	63.0	63.5
4. Economic conditions next 5 years	Balance	-5.3	-6.3	-7.3	-10.2	2.0	-6.4
	Good, %	36.4	35.8	36.0	35.8	40.7	35.9
	Bad, %	41.7	42.1	43.3	46.0	38.7	42.3
5. Now a good time/bad time to buy major items	Balance	-15.6	-17.6	-15.3	-16.7	-16.8	-21.5
	Good, %	26.8	25.8	26.3	25.5	27.4	24.8
	Bad, %	42.4	43.4	41.6	42.2	44.2	46.3
Inflation expectation	%	2.9	2.6	2.6	2.8	2.6	2.5

Source: Roy Morgan, ANZ Research

OBJECTIVE

ANZ-Roy Morgan Consumer Confidence Survey is a survey of South Korea's consumer sentiment and expectations. The results are presented in the form of a headline Consumer Confidence Index and 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 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. 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.

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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