

ANZ-ROY MORGAN SOUTH KOREA CONSUMER CONFIDENCE

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KOREA CONSUMER CONFIDENCE REBOUNDED AS MERS WANES

HIGHLIGHTS

- ANZ-Roy Morgan South Korea Consumer Confidence jumped 5.5pts to 81.8 in July, the highest level for nearly a year since September 2014. The rise was driven by increasing confidence about Korean economy over the next 12 months and five years.
- In terms of personal finances, 10.7% (down 0.1ppt) of respondents said their families are 'better off' financially than this time last year, compared to 42.6% (up 1.6ppts) that said their families are 'worse off'.
- Over a quarter of respondents, 28.1% (up 4.2ppts) expect their families will be 'better off' financially this time next year, the lowest level since October 2014. Meanwhile, 30.8% (down 4.3ppts) expect their families to be 'worse off' financially this time next year, the lowest record of this indicator for nearly a year since September 2014.
- Thinking of economic conditions going forward, 21.6% (up 5ppts) of respondents expect South Korea will have 'good times' economically over the next 12 months, compared to 63% (down 4ppts) expecting 'bad times'.
- Over the longer term, 40.7% (up 4.9ppts) of respondents expect South Korea will have 'good times' economically during the next five years and 38.7% (down 7.3ppts) expect 'bad times'.
- In July, 27.4% (up 1.9ppts) of respondents say now is a 'good time to buy' major household items, while 44.2% (up 2ppts) say now is a 'bad time to buy' major household items, reaching a record high.
- Inflation expectation declined 0.2ppt to 2.6% in July.

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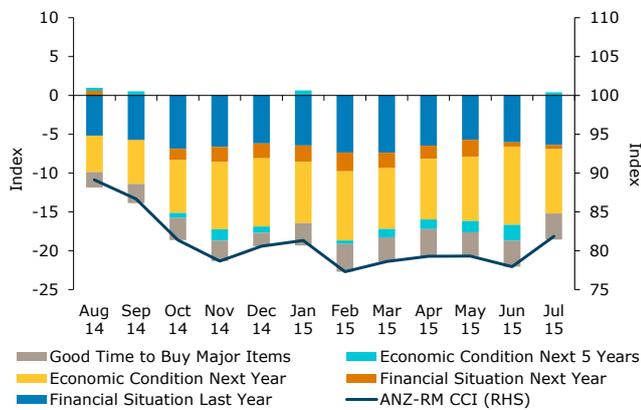
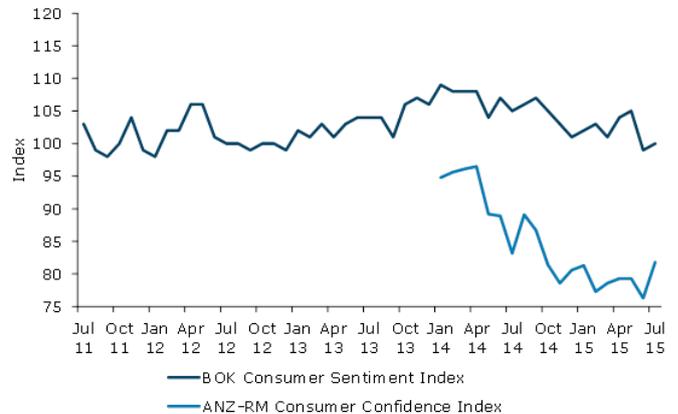
"There has been no new MERS cases reported since 4 July and the negative impact on consumer confidence has started to wane. In addition, the launch of government stimulus package has also lifted the household sentiment. Today's reading is encouraging.

However, the overall economic condition remains challenging. As an export oriented economy, South Korea's trade data remains the most critical indicator shaping the economic outlook. If exports fail to improve in Q3, it may not be able to achieve 2.8% growth, a level predicted by the Bank of Korea. This downside risk will continue to prompt the central bank to stay accommodative. Even though the policy interest rate is at all-time low of 1.50%, another rate cut is still possible."

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

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

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

		Feb 15	Mar 15	Apr 15	May 15	Jun 15	Jul 15
ANZ-Roy Morgan Consumer Confidence Index		77.3	78.6	79.3	79.3	76.3	81.8
Sub-Index							
1. Financial situation compared with a year ago	Balance	-36.8	-36.9	-32.3	-28.5	-30.2	-31.9
	Better off, %	9.1	9.2	9.9	12.6	10.8	10.7
	Worse off, %	45.9	46.1	42.1	41.1	41.0	42.6
2. Financial situation next year	Balance	-12.0	-9.9	-8.6	-11.1	-2.7	-2.7
	Better off, %	24.3	24.5	24.5	25.2	23.9	28.1
	Worse off, %	36.3	34.4	33.1	36.3	35.1	30.8
3. Economic conditions next year	Balance	-44.6	-39.2	-38.9	-41.2	-50.4	-41.4
	Good, %	19.1	21.6	21.5	19.5	16.6	21.6
	Bad, %	63.7	60.8	60.4	60.7	67.0	63.0
4. Economic conditions next 5 years	Balance	-2.2	-5.3	-6.3	-7.3	-10.2	2.0
	Good, %	39.4	36.4	35.8	36.0	35.8	40.7
	Bad, %	41.6	41.7	42.1	43.3	46.0	38.7
5. Now a good time/bad time to buy major items	Balance	-17.9	-15.6	-17.5	-15.3	-16.8	-16.8
	Good, %	25.8	26.8	25.8	26.3	25.5	27.4
	Bad, %	43.7	42.4	43.4	41.6	42.2	44.2
Inflation expectation	%	3.0	2.9	2.6	2.6	2.8	2.6

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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