

ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE

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CONTRIBUTOR

Li-Gang Liu
Chief Economist,
Greater China
 +852-3918-7730
 Ligang.Liu@anz.com

Louis Lam
Economist,
Greater China
 +852-3918-7732
 Louis.Lam@anz.com

MEDIA CONTACT

Elsa Huang
Corporate Communication
Manager, China
 +86 21 61696002
 Elsa.Huang@anz.com

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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 FELL IN NOVEMBER

HIGHLIGHTS

- ANZ-Roy Morgan China Consumer Confidence Index declined 1.2 pts to 138.4 in November, an equal record low as in September 2015.
- In terms of personal finances, 41.9% (down 0.9ppt from October) of respondents in November said that their families are 'better off' financially, compared with the same time last year. Meanwhile, 16.0% (down 0.9ppt) said that they are 'worse off'. On the outlook for personal financial situation, 50.6% (down 0.7ppt) expected their families to be 'better off' next year, compared with 7.0% (down 0.4ppt) who expected conditions to be 'worse off'.
- On economic conditions, respondents who expect China to have 'good times' next year declined to 56.0% (down 2.3ppts), while respondents who expect economic 'bad times' rose to 15.7% (up 2.5ppts). On longer-term economic performance, 65.0% (down 2.1ppts) expect China to have 'good times' and 13.8% (up 1.0ppt) said that there will be 'bad times'.
- In November, respondents who said that it is a 'good time' to buy major items increased to 39.5% (up 1.5ppts), while respondents who said that it is a 'bad time' to do so declined to 8.7% (down 0.5ppt).
- Inflation expectations declined to 3.28% (down 0.27ppt) in November.

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

"The ANZ-Roy Morgan China Consumer Confidence declined in November as respondents turned more pessimistic on China's economic outlook. This is consistent with the sluggish October activity data, suggesting that real sector growth momentum remained weak.

Importantly, the survey respondent's inflation expectations declined to a record low in November, reflecting the intensifying deflation pressure in China. In fact, the October CPI inflation did ease further and PPI remained negative for over 40 months. Meanwhile, the pork price cycle, which was a key driver to the recent rise in CPI inflation, has started to fade out.

As growth momentum is weak and deflation risk looms large, it opens the door open wider for the central bank to further ease monetary policy through reducing reserve requirement ratio (RRR) and benchmark interest rates."

FIGURE 1. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE INDEX

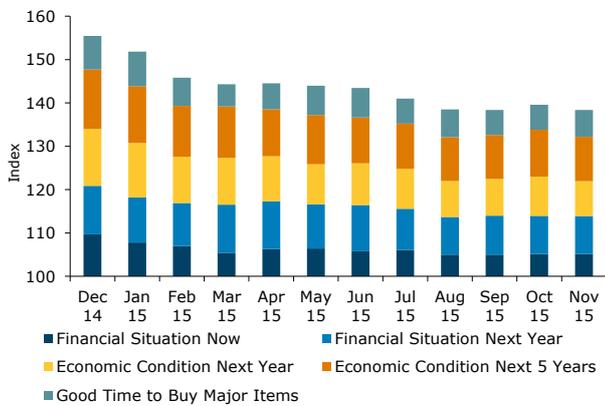
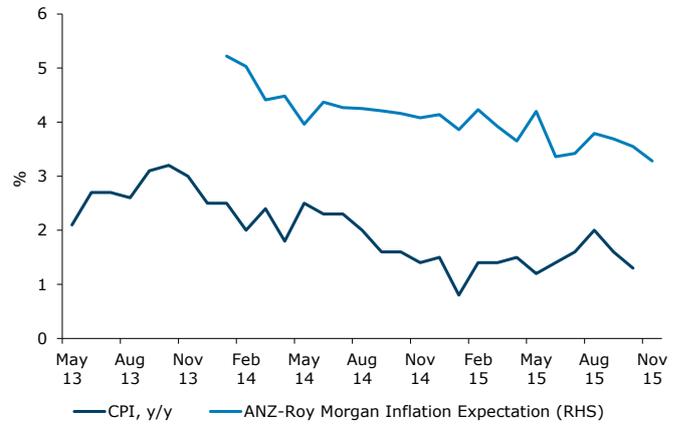


FIGURE 2. ANZ-ROY MORGAN CHINA INFLATION EXPECTATION



Source: Roy Morgan, ANZ Research

FIGURE 3. ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE

| | | Jun 15 | Jul 15 | Aug 15 | Sep 15 | Oct 15 | Nov 15 |
|--|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| ANZ-Roy Morgan Consumer Confidence Index | | 143.5 | 141.0 | 138.5 | 138.4 | 139.6 | 138.4 |
| Sub-Index | | | | | | | |
| 1. Financial situation compared with a year ago | Balance | 28.9 | 30.5 | 25.1 | 25.1 | 25.9 | 25.9 |
| | Better off, % | 41.9 | 43.0 | 40.7 | 40.4 | 42.8 | 41.9 |
| | Worse off, % | 13.0 | 12.5 | 15.6 | 15.3 | 16.9 | 16.0 |
| 2. Financial situation next year | Balance | 53.4 | 47.5 | 43.4 | 44.8 | 43.9 | 43.6 |
| | Better off, % | 61.5 | 56.3 | 50.9 | 52.6 | 51.3 | 50.6 |
| | Worse off, % | 8.1 | 8.8 | 7.5 | 7.8 | 7.4 | 7.0 |
| 3. Economic conditions next year | Balance | 48.0 | 45.9 | 41.5 | 42.4 | 45.1 | 40.3 |
| | Good, % | 59.9 | 59.1 | 57.4 | 57.3 | 58.3 | 56.0 |
| | Bad, % | 11.9 | 13.2 | 15.9 | 14.9 | 13.2 | 15.7 |
| 4. Economic conditions next 5 years | Balance | 53.1 | 52.2 | 50.6 | 50.7 | 54.3 | 51.2 |
| | Good, % | 65.3 | 66.1 | 65.6 | 64.1 | 67.1 | 65.0 |
| | Bad, % | 12.2 | 13.9 | 15.0 | 13.4 | 12.8 | 13.8 |
| 5. Now a good time/bad time to buy major items | Balance | 33.9 | 29.0 | 31.9 | 28.9 | 28.8 | 30.8 |
| | Good, % | 41.7 | 37.0 | 39.9 | 37.5 | 38.0 | 39.5 |
| | Bad, % | 7.8 | 8.0 | 8.0 | 8.6 | 9.2 | 8.7 |
| Inflation expectation | % | 3.36 | 3.42 | 3.79 | 3.69 | 3.55 | 3.28 |

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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