

## ANZ-ROY MORGAN SOUTH KOREA CONSUMER CONFIDENCE

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### CONTRIBUTORS

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### SOUTH KOREA CONSUMER CONFIDENCE RISES TO ONE-YEAR HIGH

#### HIGHLIGHTS

- ANZ-Roy Morgan South Korea Consumer Confidence jumped by 6.3pts to 83.1 in September. South Korean Consumer Confidence is now at a one-year high, driven by increasing confidence about buying major household items.
- In terms of personal finances now 10.2% (up 0.2ppt) of respondents in September said their families are 'better off' financially than this time last year, compared with 41.6% (down 3.4ppts) that said their families are 'worse off'.
- Now just under a quarter of respondents, 24.2% (up 0.9ppt), expect their family will be 'better off' financially this time next year, while 35.2% (up 1.9ppts) expect their family to be 'worse off' financially.
- Thinking of economic conditions in South Korea going forward, just over a fifth, 23.4% (up 3ppts), of respondents expect South Korea will have 'good times' economically over the next 12 months (the highest level since October 2014), compared with 61.6% (down 1.9ppts) that expect 'bad times' economically.
- Over the longer-term, 38.3% (up 2.4ppts) of respondents expect South Korea will have 'good times' economically during the next five years and 41.2% (down 1.1ppts) expect 'bad times' for South Korea.
- 35.4% (up 10.6ppts) of respondents say now is a 'good time to buy' major household items (a record high), while 36.4% (down 9.9ppts) say now is a 'bad time to buy' major household items (a record low).
- Inflation expectation edged down 0.2ppt to 2.3% in September.

#### ANZ'S SENIOR ECONOMIST RAYMOND YEUNG SAID:

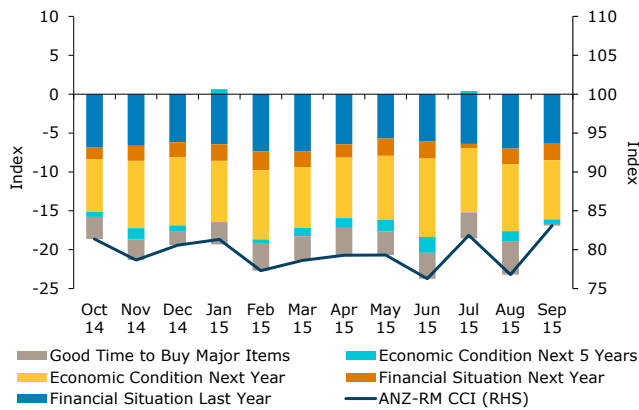
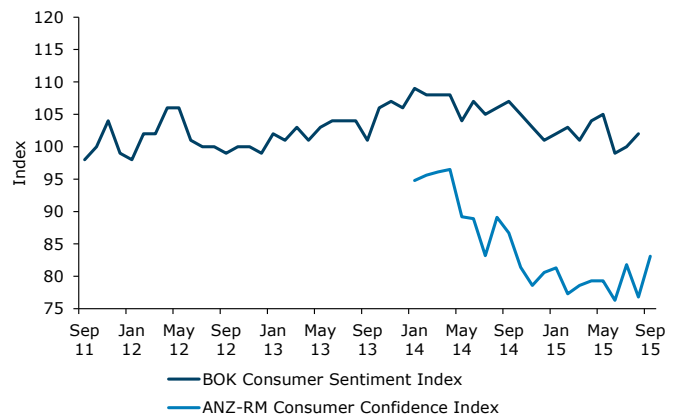
"The September's consumer confidence figure likely reflected the recovery of the equity market following the sell-off on 24 August, and the stock market has rebounded from the low of 1,830 to 1,996 last Friday (18 September). Consumer confidence appears to have stabilised.

However, the looming household debts will continue to weigh on households' spending power. The consumption outlook of South Korea remains challenging. Given the sharp decline of exports, domestic demand is critical to support growth. President Park has called for an expansionary fiscal policy. To accommodate this move, the Bank of Korea should continue to ease monetary policy. We expect another interest rate cut of 25bps in Q4."

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 AN7 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**

		Apr 15	May 15	Jun 15	Jul 15	Aug 15	Sep 15
<b>ANZ-Roy Morgan Consumer Confidence Index</b>		<b>79.3</b>	<b>79.3</b>	<b>76.3</b>	<b>81.8</b>	<b>76.8</b>	<b>83.1</b>
<b>Sub-Index</b>							
<b>1. Financial situation compared with a year ago</b>	Balance	-32.2	-28.5	-30.2	-31.9	-35.0	-31.4
	Better off, %	9.9	12.6	10.8	10.7	10.0	10.2
	Worse off, %	42.1	41.1	41.0	42.6	45.0	41.6
<b>2. Financial situation next year</b>	Balance	-8.6	-11.1	-11.2	-2.7	-10.0	-11.0
	Better off, %	24.5	25.2	23.9	28.1	23.3	24.2
	Worse off, %	33.1	36.3	35.1	30.8	33.3	35.2
<b>3. Economic conditions next year</b>	Balance	-38.9	-41.2	-50.4	-41.4	-43.1	-38.2
	Good, %	21.5	19.5	16.6	21.6	20.4	23.4
	Bad, %	60.4	60.7	67.0	63.0	63.5	61.6
<b>4. Economic conditions next 5 years</b>	Balance	-6.3	-7.3	-10.2	2.0	-6.4	-2.9
	Good, %	35.8	36.0	35.8	40.7	35.9	38.3
	Bad, %	42.1	43.3	46.0	38.7	42.3	41.2
<b>5. Now a good time/bad time to buy major items</b>	Balance	-17.6	-15.3	-16.7	-16.8	-21.5	-1.0
	Good, %	25.8	26.3	25.5	27.4	24.8	35.4
	Bad, %	43.4	41.6	42.2	44.2	46.3	36.4
<b>Inflation expectation</b>	%	2.6	2.6	2.8	2.6	2.5	2.3

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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