

## Confidence Abounds Among Affluent Australian Opinion Leaders and Shareholders

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Paper prepared for

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Roy Morgan Research Pty Ltd

In late August, affluent Australian opinion leaders and shareholders expressed strong Consumer Confidence (148.9 – compared to the August Roy Morgan Consumer Confidence Rating of 120.6) and strong confidence in the Australian Dollar.

The vast majority (84%) rated Australian Shares as a good investment ahead of Overseas Shares (69%) and way ahead of Property (Commercial 53%, Houses and apartments 20%).

BHP was top of the list of good investments (50%) – way ahead of the next most favored shares Rio Tinto (14%) and Commonwealth Bank (13%).

For this survey, Roy Morgan International interviewed in Australia 276 affluent opinion leaders and investors from August 26 - 29, 2005. Respondents surveyed were either Chairmen, CEO's, Directors or very senior management, with incomes over \$80,000 per annum or over \$40,000 invested in shares.<sup>1</sup>

#### Issues Facing The World and Australia

Respondents were first asked: “*What do you think is the most important problem facing the world today?*” and “*What do you think is the most important problem facing Australia today?*”

The study shows that affluent opinion leaders and shareholders view the problems facing the world and Australia today differently. Twenty-eight percent of respondents believe poverty; the gap between the rich and the poor is the most important problem **facing the world** today, with 16% of respondents believing religious fundamentalism followed by 13% environmental issues.

However 22% of respondents believe environmental issues are the most important problem **facing Australia**, 15% poverty; the gap between the rich and the poor and 12% think educational issues. Only 8% mentioned religious fundamentalism as the most important problem facing Australia.

Most important problem facing	The World (%)	Australia (%)
Poverty; the gap between the rich & poor	28	15
Religious fundamentalism	16	8
Environmental issues	13	22
Terrorism	11	4
Wars and conflicts	9	2
Globalisation / fairer world trade	5	7
Human rights	5	5
Corruption	5	4
Economic Problems	3	7
HIV / Aids and other health issues	3	1
Educational issues	1	12
Drugs and Drug Abuse	*	7
Refugees, refugee and asylum problems	*	4
Crime	*	1
Unemployment	*	1

\* Less than 1%

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**Confidence Rating**

**Affluent Opinion Leader and Shareholder Confidence Rating 148.9 points**

**Roy Morgan August 2005 Consumer Confidence Rating 120.6 points**

The 148.9 Roy Morgan Confidence Rating of affluent opinion leaders and shareholders was significantly higher than the average Australian August Consumer Confidence Rating of 120.6. This augers well for Australia's future as these people are the trend setters for improved economic activity.

Respondents were asked: *"Would you say you and your family are better off financially or worse off than you were at this time last year?"*

	<b>Affluent Opinion Leaders</b>	<b>Australian Consumers (August 2005)</b>
<b>Better off</b>	63	36
<b>Worse off</b>	20	27
<b>Difference</b>	43	9

Respondents were next asked: *"This time next year, do you and your family expect to be better off financially or worse off than you are now?"*

	<b>Affluent Opinion Leaders</b>	<b>Australian Consumers (August 2005)</b>
<b>Better off</b>	61	40
<b>Worse off</b>	24	16
<b>Difference</b>	37	24

Respondents were next asked: *"Thinking of economic conditions in Australia as a whole. In the next 12 months, do you expect we'll have good times financially, or bad times?"*

	<b>Affluent Opinion Leaders</b>	<b>Australian Consumers (August 2005)</b>
<b>Good times</b>	85	42
<b>Bad times</b>	15	23
<b>Difference</b>	70	19

Respondents were next asked: *"Looking ahead, what would you say is more likely? That in Australia as a whole, we'll have continuous good times during the next five years or so, or we'll have bad times?"*

	<b>Affluent Opinion Leaders</b>	<b>Australian Consumers (August 2005)</b>
<b>Good times</b>	72	32
<b>Bad times</b>	28	24
<b>Difference</b>	44	8

Respondents were then asked: *"Generally, do you think now is a good time – or a bad time – for people to buy major household items?"*

	<b>Affluent Opinion Leaders</b>	<b>Australian Consumers (August 2005)</b>
<b>Good time to buy</b>	75	57
<b>Bad time to buy</b>	25	14
<b>Difference</b>	50	43

## Expected Returns from Investments

Respondents were asked:

- “Over the last few years, managed investments such as equity funds and trusts have returned 10% or more. Over the next 12 months, what percentage return do you expect managed investments to achieve?”
- “Over the next five years, what percentage return do you expect managed investments to achieve?”

While the average return on managed funds is expected to drop to 8.9% over the next year, affluent opinion leaders and shareholders expect this return to rise to 10.1% over the next five years.

Managed Investments	Average expected % return on managed investments	Expected Percentage Return			
		<10%	10%	10%+	Undecided
		%	%	%	%
Over next 12 months	8.9%	41	24	17	18
Over next 5 years	10.1%	47	16	20	17

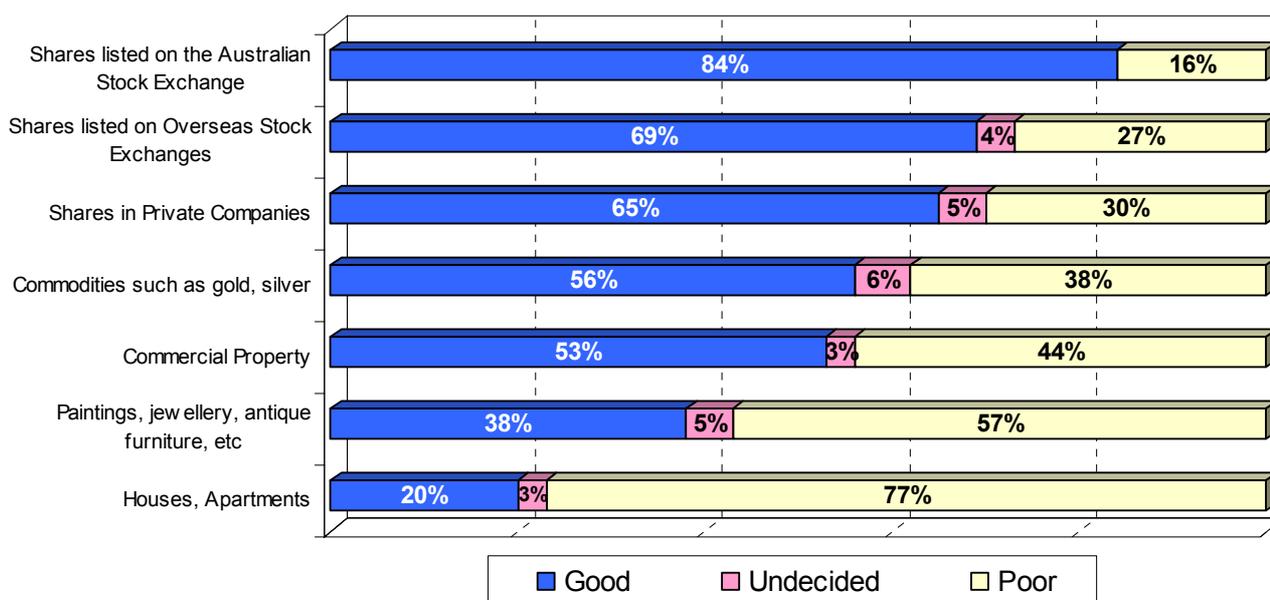
## Direct Investment

Respondents were asked: “Now thinking of direct investments. Over the next 12 months, which of the following would you expect to be good or poor investments?”

An overwhelming majority of respondents (84%) expect that shares listed on the Australian Stock Exchange will be a good investment over the next 12 months. The majority of respondents also expect shares listed on Overseas Stock Exchanges (69%), shares in private companies (65%), commodities, such as gold and silver (56%) and commercial property (53%) to be good investments.

The majority of respondents expect Houses and apartments (77%) and Paintings, jewellery, antique furniture etc (57%) to be a poor investment over the next 12 months.

## Direct Investments



Respondents were then asked: “Which particular shares (companies) would you expect to be good investments?” or “Which particular shares (companies) would you expect to be bad investments?” One-in-two affluent opinion leaders and shareholders expect BHP Billiton (50%) to be a good investment. Rio Tinto (14%) and the Commonwealth Bank (13%) are also perceived to be a good investment.

## Direct Investment, Cont.

Good Shares*	Bad Shares*
BHP Billiton (50%)	Telstra (8%)
Rio Tinto (14%)	BHP Billiton (2%)
Commonwealth Bank (13%)	National Australia Bank (2%)
Macquarie Bank (11%)	Westpac (1%)
NAB (11%)	
Woodside Petroleum (10%)	
ANZ Bank (9%)	
Telstra (8%)	
Woolworths (6%)	
Santos (5%), Toll Holdings (5%)	
AMP (4%), Westpac (4%)	

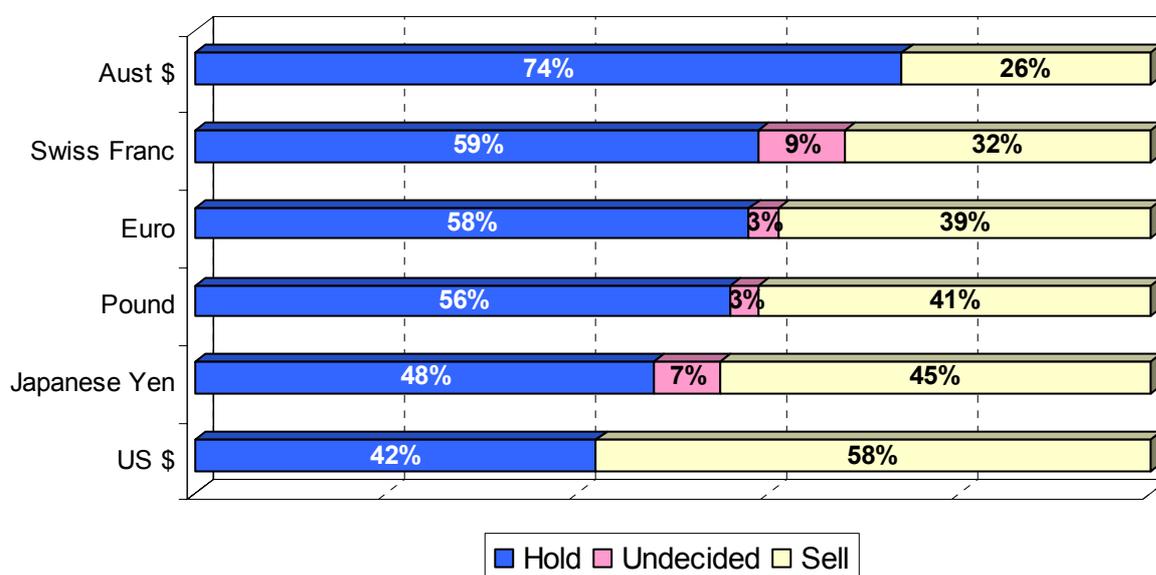
\* Respondents could list more than one particular share (company).

## Hold or Sell Currencies?

Respondents were then asked: "In your opinion, which currencies should be held or sold over the next 12 months?"

A large majority of respondents (74%) believe the Australian Dollar should be held over the next 12 months, while only 26% believe the Australian Dollar should be sold over the next 12 months. The majority of respondents also believe the Swiss Franc (59%), the Euro (58%) and the Pound (56%) should also be held over the next 12 months.

The majority of respondents (58%) believe the US Dollar should be sold over the next 12 months.



The complete analysis of results by demographics and regions is available on subscription.

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<sup>1</sup> The sample was drawn from the top end of Roy Morgan Single Source - a well constructed Australia-wide sample of people of income \$80,000+ and in the top occupational categories, and included booster samples of high income investing Henry Thornton readers and Crikey readers

Analysis of the three subgroups showed no significant difference on attitudes towards the economy and investment so they have been combined into this single report.