

# ANZ-ROY MORGAN CHINA CONSUMER CONFIDENCE MEDIA RELEASE

17 DECEMBER 2014

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## CHINA CONSUMER CONFIDENCE REMAINS BUOYED ON MONETARY EASING

### HIGHLIGHTS

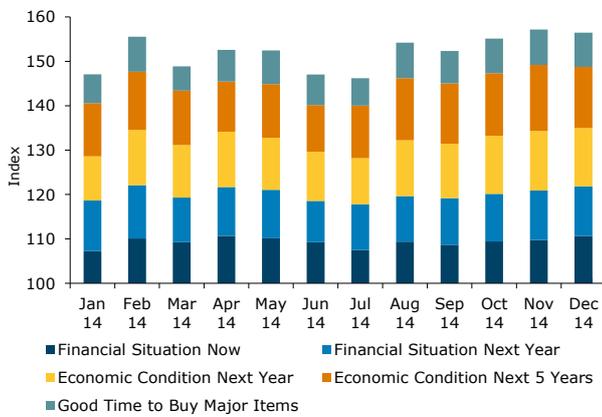
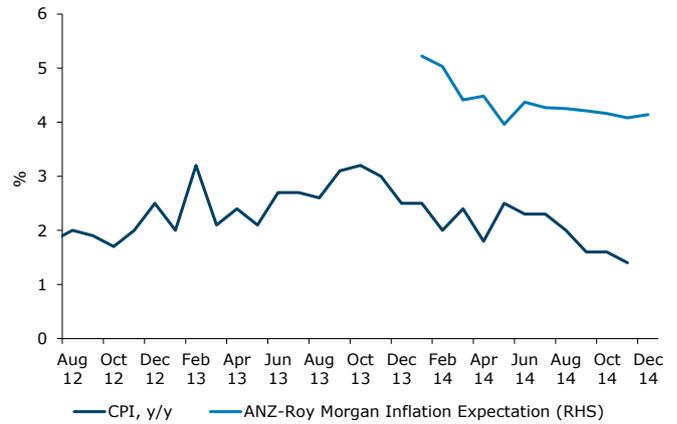
- ANZ-Roy Morgan China Consumer Confidence Index moderated by 1.6pts to 155.5 in December, after a record high of 157.1 in November. The index has remained above the average level of 151.7 in the first 11 months, and also reached the second highest level this year.
- In December, in terms of personal finances, 54% (up 1ppt from November) of respondents say that their families are 'better off' financially compared with the same time last year. Only 5% (up 1ppt) say that they are 'worse off'. For the outlook for the financial condition next year, 56% (unchanged) of respondents expect their families to be 'better off' financially, while 3% (down 1ppt) expect conditions to be 'worse off'.
- For economic conditions, 74% (down 4ppts) expect that China will have 'good times' next year, compared with 6% (up 1ppt) that expect 'bad times'. Meanwhile, sentiments for longer-term economic performance deteriorated somewhat, as 69% (down 5ppts) of respondents expect that China will have 'good times' over longer horizon and 5% (up 1ppt) say there will be 'bad times'.
- By geography, consumer confidence rose in 9 cities while falling in the other 5. Consumer confidence in Shanghai and Guangzhou fell 9.6pts and 3.4pts respectively. In contrast, consumer confidence in Beijing rose 4.9pts.
- Inflation expectation inched up marginally to 4.14%, remaining below the average level of 4.40% in the first 11 months this year. This is the first month of increase after falling for five consecutive months.

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

"A strong performance of the index in December shows that consumer sentiment remained buoyed towards the end of the year, as the monetary policy has clearly eased and the stock market continued to rally.

However, the long-term economic outlook softened in December, as Chinese economy enters a 'new normal', as described by the President Xi Jinping. We also believe that Chinese authorities will likely tolerate a slower growth rate in the coming years, under the framework of 'new normal' economy and will strike a balance among social, environmental, and economic targets. During the transition period, China's growth is bound to slow.

Meanwhile, inflation expectation rebounded slightly but remained below trend. This suggests that the on-going dis-inflationary process will persist. We believe that China will need to further relax monetary policy and forecast that the PBoC will lower the benchmark deposit rate by 25bps and the reserve requirement ratio (RRR) by 150bps next year."

**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**

		Jul 14	Aug 14	Sep 14	Oct 14	Nov 14	Dec 14
<b>ANZ-Roy Morgan Consumer Confidence Index</b>		<b>146.2</b>	<b>154.2</b>	<b>152.3</b>	<b>155.1</b>	<b>157.1</b>	<b>155.5</b>
<b>Sub-Index</b>							
<b>1. Financial situation compared with a year ago</b>	Balance	37.6	46.9	43.4	47.2	48.8	48.5
	Better off, %	44.4	53.1	50.1	52.1	53.1	53.8
	Worse off, %	6.8	6.2	6.7	4.9	4.3	5.3
<b>2. Financial situation next year</b>	Balance	51.5	51.3	52.6	53.6	55.6	55.8
	Better off, %	55.0	56.6	57.0	57.5	59.1	59.2
	Worse off, %	3.5	5.3	4.4	3.9	3.5	3.4
<b>3. Economic conditions next year</b>	Balance	51.8	63.0	61.1	65.4	67.2	65.7
	Good, %	61.5	69.3	67.4	70.4	71.7	71.4
	Bad, %	9.7	6.3	6.3	5.0	4.5	5.7
<b>4. Economic conditions next 5 years</b>	Balance	59.2	69.8	68.0	70.4	74.3	68.6
	Good, %	68.6	76.1	74.5	76.8	78.2	73.8
	Bad, %	9.4	6.3	6.5	6.4	3.9	5.2
<b>5. Now a good time/bad time to buy major items</b>	Balance	30.9	40.0	36.4	38.9	39.8	38.7
	Good, %	35.7	42.2	38.9	41.0	43.1	42.3
	Bad, %	4.8	2.2	2.5	2.1	3.3	3.6
<b>Inflation expectation</b>	%	4.27	4.25	4.21	4.16	4.08	4.14

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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