

ANZ-ROY MORGAN SOUTH KOREA CONSUMER CONFIDENCE

MEDIA RELEASE

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MERS HURT SOUTH KOREA'S CONSUMER CONFIDENCE SEVERELY

HIGHLIGHTS

- ANZ-Roy Morgan South Korea Consumer Confidence edged down 3pts to 76.3 in June, the lowest level on record and below its 12-month average of 81.0.
- In terms of personal finances now 10.8% (down 1.8ppts) of respondents said their families are 'better off' financially than this time last year compared to 41% (down 0.1ppt) that said their families are 'worse off'.
- 23.9% (down 1.3ppts) expect their family will be 'better off' financially this time next year, the lowest ever recorded for this indicator; 35.1% (down 1.2ppts) expect their family to be 'worse off' financially this time next year.
- Thinking of economic conditions in South Korea going forward, 16.6% (down 2.9ppts) of respondents expect South Korea will have 'good times' economically over the next 12 months, the lowest ever recorded for this indicator; 67% (up 6.3ppts) expect 'bad times' economically, the highest ever recorded for this indicator.
- Over the longer-term, 35.8% (down 0.2ppt) of respondents expect South Korea will have 'good times' financially during the next five years and 46% (up 2.7ppts), expect 'bad times' financially for South Korea, the highest ever recorded for this indicator.
- 25.5% (down 0.8ppt) of respondents say now is a 'good time to buy' major household items, while 42.2% (up 0.6ppt), say now is a 'bad time to buy' major household items.
- Inflation expectation edged up by 0.2ppt to 2.8% in June.

ANZ'S SENIOR ECONOMIST RAYMOND YEUNG SAID:

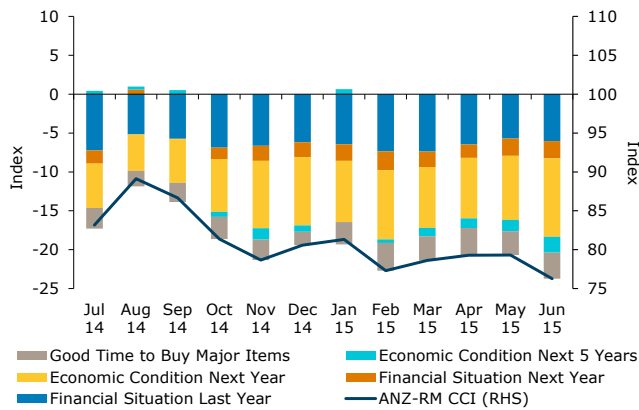
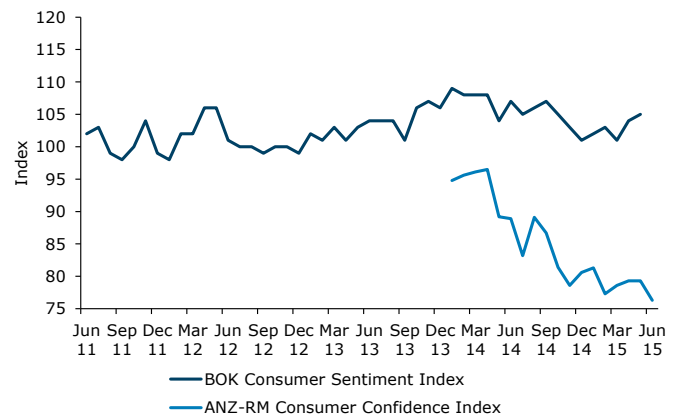
"Needless to say, MERS is the major culprit behind today's result. According to the Korean government, department store sales plunged by 17% in the first week of June. More than 100,000 foreign tourists have cancelled their trip to Korea. Domestic consumption and tourism are hard hit.

Obviously, policymakers are mulling a stimulus package to boost growth. Without proper level of policy support, the economy may not be able to achieve 3% growth in 2015. Following the interest rate cut in June, we expect the Finance Ministry to propose a supplementary budget very soon."

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

		Jan 15	Feb 15	Mar 15	Apr 15	May 15	Jun 15
ANZ-Roy Morgan Consumer Confidence Index		81.3	77.3	78.6	79.3	79.3	76.3
Sub-Index							
1. Financial situation compared with a year ago	Balance	-32.2	-36.8	-36.9	-32.3	-28.5	-30.2
	Better off, %	10.9	9.1	9.2	9.9	12.6	10.8
	Worse off, %	43.2	45.9	46.1	42.1	41.1	41.0
2. Financial situation next year	Balance	-10.6	-12.0	-9.9	-8.6	-11.1	-11.2
	Better off, %	25.8	24.3	24.5	24.5	25.2	23.9
	Worse off, %	36.4	36.3	34.4	33.1	36.3	35.1
3. Economic conditions next year	Balance	-39.5	-44.6	-39.2	-38.9	-41.2	-50.4
	Good, %	22.3	19.1	21.6	21.5	19.5	16.6
	Bad, %	61.8	63.7	60.8	60.4	60.7	67.0
4. Economic conditions next 5 years	Balance	3.2	-2.2	-5.3	-6.3	-7.3	-10.2
	Good, %	41.3	39.4	36.4	35.8	36.0	35.8
	Bad, %	38.1	41.6	41.7	42.1	43.3	46.0
5. Now a good time/bad time to buy major items	Balance	-14.3	-17.9	-15.6	-17.5	-15.3	-16.7
	Good, %	28.2	25.8	26.8	25.8	26.3	25.5
	Bad, %	42.5	43.7	42.4	43.4	41.6	42.2
Inflation expectation	%	3.1	3.0	2.9	2.6	2.6	2.8

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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