

ANZ-ROY MORGAN TAIWAN CONSUMER CONFIDENCE

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TAIWAN CONSUMER CONFIDENCE EDGED UP IN JULY

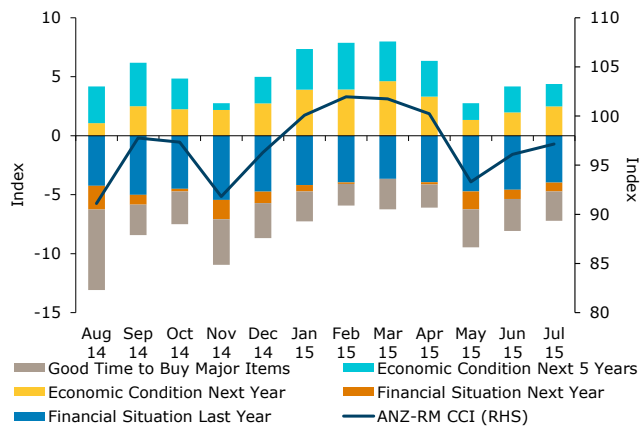
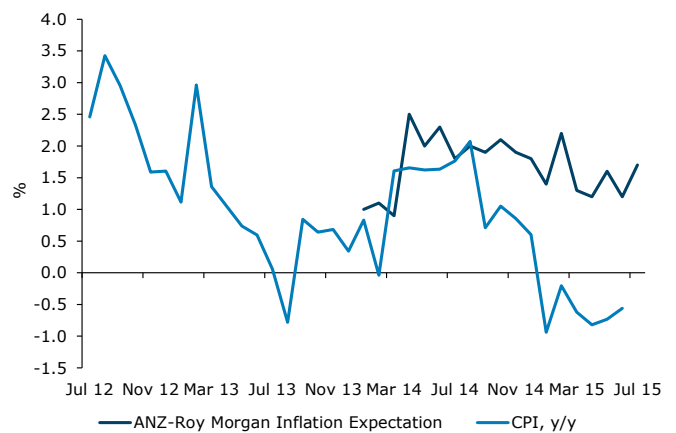
HIGHLIGHTS

- ANZ-Roy Morgan Taiwan Consumer Confidence rose to 97.1 (up 1pt) in July, compared with 96.1 in June.
- In terms of personal finances, 7.6% (down 0.2ppt) of respondents said their families are 'better off' financially than this time last year, compared to 27.5% (down 3.2ppts) that said their families are 'worse off', a record low for this indicator.
- 12.8% (down 1.3ppts) of respondents expect their families will be 'better off' financially this time next year, compared to 16.5% (down 1.5ppts) that expect their families will be 'worse off' financially, the lowest figure recorded.
- In addition, 32.5% (up 2.6ppts) of respondents expect Taiwan will have 'good times' economically over the next 12 months, while just 20.2% (up 0.2ppt) of respondents expect 'bad times' economically.
- Over a quarter of respondents, 26.7% (down 0.3ppt) expect Taiwan will have 'good times' during the next five years and just 17.2% (up 1.2ppts) of respondents expect Taiwan will have 'bad times'.
- 10.6% (down 0.6ppt) of respondents say now is a 'good time to buy' major household items in Taiwan while a record low of 23.1% (down 1.7ppts) of respondents say now is a 'bad time to buy' major household items.
- The inflation expectations rose to 1.7% in June (up 0.5ppt).

ANZ'S SENIOR ECONOMIST RAYMOND YEUNG SAID:

"July's figure is not impressive. The increase in index was mainly because of fewer pessimists rather than more optimists. Taiwan's retail sales barely grew in the past few months. Households will spend cautiously due to financial market volatility.

More importantly, exports continue to decline in recent months and we have adjusted the GDP forecast for 2015 downward. However, we believe that the central bank will keep interest rate on hold this year. As the market interest rate remains low with overnight interbank offered rate staying at below 0.4%, the room for further rate cut is also small. Given the direction of the U.S. Fed, we believe that the policy rate revision will likely be a hike, probably in early next year."

FIGURE 1. ANZ-ROY MORGAN TAIWAN CONSUMER CONFIDENCE INDEX**FIGURE 2. ANZ-ROY MORGAN TAIWAN INFLATION EXPECTATION VS CPI**

Source: Roy Morgan, ANZ Research

FIGURE 3. ANZ-ROY MORGAN TAIWAN CONSUMER CONFIDENCE

| | | Feb 15 | Mar 15 | Apr 15 | May 15 | Jun 15 | Jul 15 |
|--|---------------|--------------|--------------|--------------|-------------|-------------|-------------|
| ANZ-Roy Morgan Consumer Confidence Index | | 102.0 | 101.7 | 100.2 | 93.3 | 96.1 | 97.1 |
| Sub-Index | | | | | | | |
| 1. Financial situation compared with a year ago | Balance | -19.8 | -18.3 | -19.7 | -23.6 | -22.9 | -19.9 |
| | Better off, % | 9.8 | 11.2 | 8.0 | 6.7 | 7.8 | 7.6 |
| | Worse off, % | 29.6 | 29.5 | 27.7 | 30.2 | 30.7 | 27.5 |
| 2. Financial situation next year | Balance | -0.6 | 0.4 | -1.0 | -7.6 | -3.9 | -3.7 |
| | Better off, % | 18.4 | 19.0 | 16.8 | 13.1 | 14.1 | 12.8 |
| | Worse off, % | 18.9 | 18.6 | 17.8 | 20.7 | 18.0 | 16.5 |
| 3. Economic conditions next year | Balance | 19.6 | 22.7 | 16.6 | 6.7 | 9.9 | 12.4 |
| | Good, % | 38.4 | 40.2 | 34.7 | 28.3 | 29.9 | 32.5 |
| | Bad, % | 18.8 | 17.4 | 18.1 | 21.6 | 20.0 | 20.2 |
| 4. Economic conditions next 5 years | Balance | 19.8 | 16.8 | 15.1 | 7.1 | 11.0 | 9.5 |
| | Good, % | 35.6 | 32.9 | 29.1 | 25.1 | 27.0 | 26.7 |
| | Bad, % | 15.8 | 16.1 | 14.0 | 18.0 | 16.0 | 17.2 |
| 5. Now a good time/bad time to buy major items | Balance | -9.2 | -12.9 | -9.8 | -16.1 | -13.6 | -12.5 |
| | Good, % | 15.2 | 13.2 | 14.0 | 9.9 | 11.2 | 10.6 |
| | Bad, % | 24.4 | 26.2 | 23.8 | 26.0 | 24.8 | 23.1 |
| Inflation expectation | % | 2.2 | 1.3 | 1.2 | 1.6 | 1.2 | 1.7 |

Source: Roy Morgan, ANZ Research

OBJECTIVE

ANZ-Roy Morgan Consumer Confidence Survey is a survey of Taiwan'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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