



May 28 2014

Chinese consumer sentiment lifted in May Westpac MNI China CSI: 121.2, +3.9pts, 3.4% m/m Household anxieties lessen as finances & jobs pick up

- The **Westpac-MNI China Consumer Sentiment Indicator**, hereafter the **Westpac-MNI China CSI**, rose from 117.3 in April to 121.2 in May, a 3.4% change over the month and 0.4% over the year. The May outcome is 0.3% below the long run average. The survey indicates that the anxieties gnawing away at the Chinese consumer through the first four months of the year lessened considerably in May.
- The current conditions composite increased by 3.1pts to 114.3 and the forward looking composite increased by 4.5pts to 125.8. Both current and forward looking family finances improved by more than the headline, as did business conditions one year ahead. Buying conditions for major household items and business conditions five years ahead lagged the rate of improvement seen in the above items, with the buying conditions index recording a relatively sluggish 1.2% gain over April. Business conditions versus a year ago (not part of the composite) moved 3pts higher, offering a useful cross-reference for the unexpectedly large improvement in the flash HSBC PMI.
- The outlook for employment took a turn for the better in May, consistent with the aforementioned responses regarding business conditions and family finances.
- Consumers' attitudes towards real estate were noticeably firmer in May, despite the steady drumbeat of pessimism in both the local and international media. House price expectations increased notably in May, fully reversing their steep March-April dip. Consumers appear to be looking through recent updates on house prices that indicate that weakness is now more widespread than earlier in the year, with both the new and secondary dwelling markets visibly deteriorating. Countering that, selective policy easing has been announced in terms of both mortgage lending and local controls on investor activity. Consumers are expressing a collective faith that policy will eventually carry the day.
- Car purchasing conditions improved appreciably in May, to be 5.2% above the long run average and 1.9% above the level of a year ago. Passenger car sales growth has decelerated in the year to date, but this latest update looks promising for the second half of the year.
- Inflation expectations are 1.9% below their long run average following a modest increase in May. The official CPI target of 3½% for 2014 is unlikely to come under any significant threat, which should allow policymakers greater flexibility as the year goes on.
- Fewer investors were prepared to call stock prices higher over the next three months, after the exuberance of April.
- On the basis of the survey, Westpac remains comfortable with its current forecast of 7¼% GDP growth in 2014 but has raised its expectations for the May official data round, including next week's NBS PMI.

Huw McKay

Senior international economist, +61 (2) 8254 9338

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Figure 1: Westpac MNI China CSI: the headline

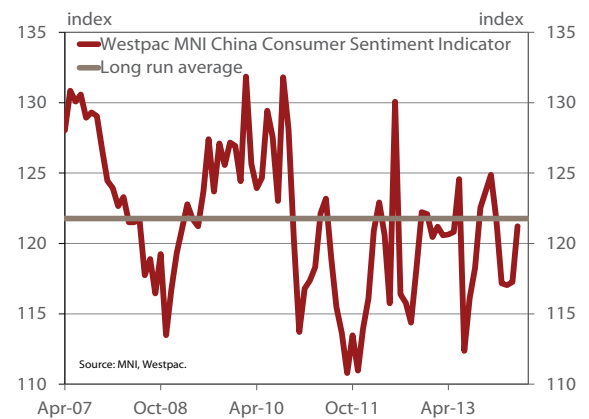


Figure 2: Family finances: current & expected

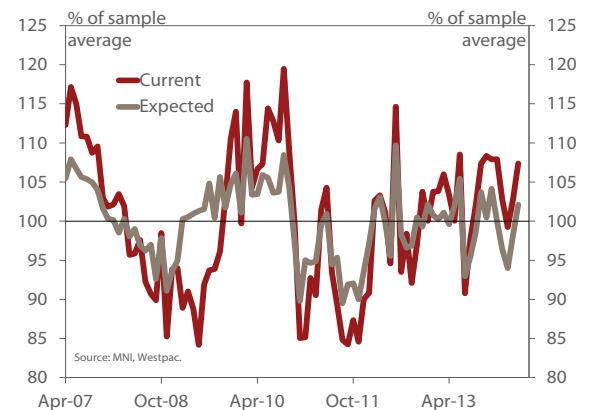
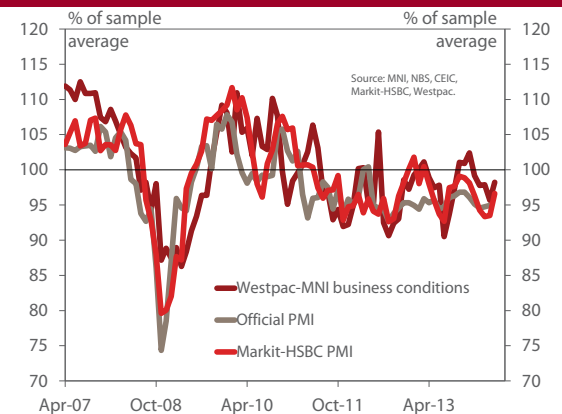


Figure 3: Consumer perceptions of business conditions & the business surveys



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Figure 4: Business conditions & industrial output

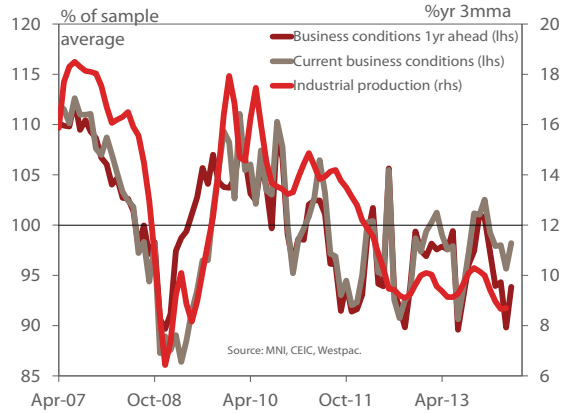


Figure 5: House price expectations & land prices

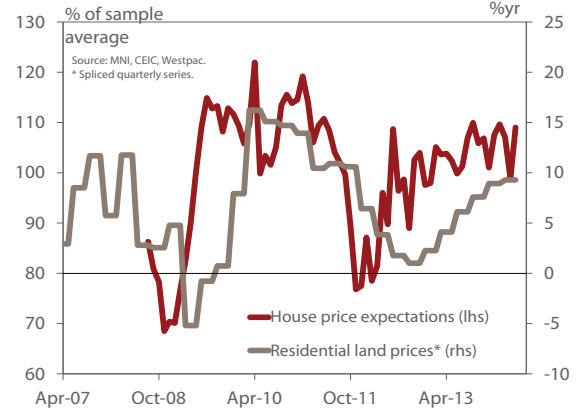


Figure 6: Employment outlook & export growth

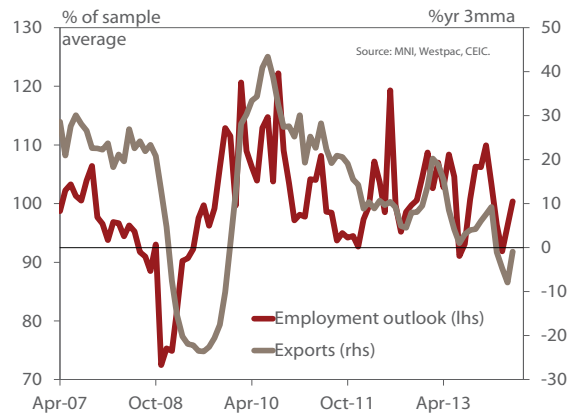


Figure 7: Durables buying conditions & auto sales

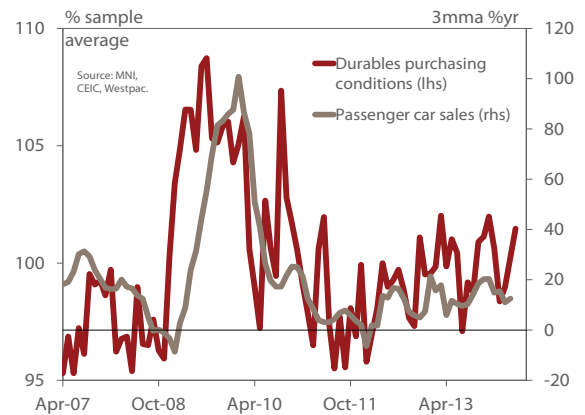


Table 1: The Westpac MNI China Consumer Sentiment Survey, May 2014

	long run average ¹	level one year ago	level 6 mths ago	Jan-14	Feb-14	Mar-14	Apr-14	May-14
Consumer Sentiment Indicator	121.6	120.8	123.7	121.7	117.2	117.0	117.3	121.2
Current Indicator	109.5	110.0	114.6	114.1	110.0	108.4	111.2	114.3
Expectations Indicator	129.7	128.0	129.8	126.8	121.9	122.8	121.3	125.8
Personal finances vs a year ago	110.4	110.3	119.5	119.0	113.3	109.4	113.6	118.6
Personal finances next 12 months	122.1	124.5	122.8	122.3	117.8	114.9	120.0	124.6
Business conditions next 12 months	122.7	119.7	124.0	119.4	115.2	115.7	110.2	115.2
Business conditions next 5 years	144.3	139.9	142.6	138.7	132.8	137.8	133.8	137.7
Time to buy a major household item ²	108.5	109.6	109.7	109.2	106.7	107.4	108.8	110.1
Housing composite	102.0	104.3	106.0	104.2	107.4	107.3	103.3	106.9
Auto composite	87.5	90.3	90.4	88.7	91.5	88.7	92.5	92.0
Business conditions vs a year ago	114.7	111.9	115.9	113.9	112.3	112.4	109.7	112.7
Employment expectations	107.1	116.3	113.9	110.8	103.4	98.5	103.0	107.5
House Price expectations	111.8	114.1	119.1	119.9	122.2	119.3	110.5	121.9
Inflation expectations	136.3	134.0	131.2	132.5	135.3	137.4	130.0	133.7
Interest rate expectations	114.9	102.9	109.4	111.3	113.5	118.9	112.9	114.4
Stock market expectations	108.5	99.4	99.2	105.2	101.1	101.4	112.3	103.7

Note: all index point changes are calculated on rounded numbers; see overleaf for methodological details.

Source: Westpac and MNI. 1. Average calculated from Apr-2007 to May-2014. 2. Referred to as "durable buying conditions" in figure 7.

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The survey at a glance

Sponsor: Westpac Banking Corporation.

Production: MNI Indicators.

Release time: The final Wednesday of each calendar month at 9:45am local time in the People's Republic of China.

Date range: Monthly since April 2007.

Collection method: Computer aided telephone interviews.

Collection period: Ten working days from the first business day of the month in the People's Republic of China.

Sample size and geographic area: Minimum of 1000 respondents aged between 18 and 64 across 30 cities in the 1st, 2nd and 3rd tiers. Cf. The University of Michigan surveys a minimum of 500 respondents in the United States excluding Alaska and Hawaii.

Sampling error: 3.5% for the "All China" series. Cf. The University of Michigan survey reports a sampling error of 5% at the national level.

Disaggregation: By age, by gender, by income, by region, sub-region and by tier 1 city.

Calculation method: Each individual question is a diffusion index where 100 represents a neutral position, i.e. optimists and pessimists are equal in number. The headline and other composite indicators are weighted measures comprised of the individual diffusion indices.

Seasonal adjustment: The raw data has been analysed for identifiable seasonality using Census X-13. No identifiable seasonal pattern was present. Please refer to the Analytical User Guide for further discussion.

Headline indicator: The **Westpac MNI China CSI** is an equally weighted composite of two current and three forward looking assessments, namely current and future family finances; overall business conditions one and five years ahead; and buying conditions for major household items.

Sub-indicators: These cover consumer perceptions and/or intentions regarding employment conditions, the real estate and equity markets, autos, inflation, gasoline prices and interest rates.

Other available information: Household expenditure breakdown, detailed reasoning behind responses, profit and loss on stock investments, and more. The Analytical User Guide documents forthcoming additions to the survey in the fields of savings motivations and preferred asset classes, alongside enhanced detailed on purchasing decisions.

Bloomberg ticker: <MNCCINDEX> <INDEX> <GO> or type <WESTPAC MNI> <HELP>

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212-669-6400 (North America)

800-284-1401 (North America toll free)

+44-207-862-7400 (Europe, Middle East and Africa)

81-3-5847-8212 (Japan)

+852-3446-2812 (Hong Kong, Mainland China and Taiwan)

+65-6632-3411 (Singapore, Southeast Asia and Australia)

sales@marketnews.com

www.mni-news.com

To receive a copy of the Analytical User Guide

Westpac Economic Research

Level 2, 275 Kent St

Sydney, New South Wales, 2000

Australia

Email: economics@westpac.com.au

Telephone: +61 2 8254 8372

To receive this report and other Westpac research

on an ongoing basis

Email: wibiqsupport@westpac.com.au



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