

ANZ-ROY MORGAN VIETNAM CONSUMER CONFIDENCE STATISTICAL RELEASE

27 AUGUST 2014

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CONSUMER CONFIDENCE STRENGTHENS FURTHER IN AUGUST

HIGHLIGHTS

The ANZ-Roy Morgan Vietnam Consumer Confidence increased to 135.5 (up 1.4pts) in August. ANZ-Roy Morgan Consumer Confidence is now clearly above the 2014 year-to-date average of 131.6 and is the highest since March 2014 (136.4). This month's increase in Vietnam Consumer Confidence was primarily driven by increasing confidence about economic conditions in Vietnam over the next year. This suggests a rotation away from political concerns to focus more on the improving macroeconomic backdrop.

- In terms of personal finances, 56% (up 1%) of Vietnamese expect their family will be 'better off' financially this time next year (the highest in 2014) compared to just 5% (down 1%) who expect to be 'worse off' financially (the lowest in 2014).
- 32% (down 2%) of Vietnamese said their families are 'better off' financially than a year ago compared to 21% (up 2%) who said their families are 'worse off' financially.
- Considering the Vietnamese economy, 51% (up 4%) of Vietnamese expect Vietnam will have 'good times' financially during the next twelve months and just 15% (unchanged) expect 'bad times' financially.
- Slightly fewer Vietnamese 60% (down 1%) expect Vietnam will have 'good times' economically over the next five years compared to only 5% (down 2%) who expect 'bad times' economically.
- 40% (up 3%) of Vietnamese said now is a 'good time to buy' major household items compared to 16% (down 1%) who said now is a 'bad time to buy' major household items.

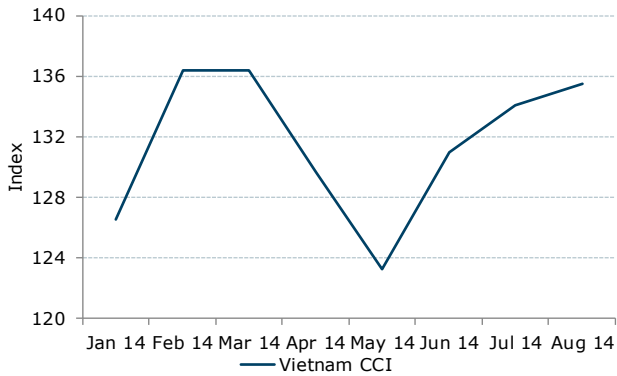
Glenn Maguire, ANZ Chief Economist, South Asia, ASEAN & Pacific says:

"Consumer confidence in Vietnam continues to align with a steadily improving macroeconomic backdrop and has posted its third consecutive gain since tensions with China over the April to May period saw confidence fall sharply. The underlying details of the consumer confidence data confirm a rotation away from medium-term political concerns and more towards shorter-term macroeconomic improvements as the key reason behind this sure and steady increase in consumer confidence. Political tensions tend to be reflected more in the five-year outlook, whereas economic developments tend to be reflected more in the 12-month outlook for personal finances and the economy more generally.

As we noted last month, we continue to believe that Vietnamese consumer confidence is more likely to move sideways around these levels rather than continue to post large gains. In this regard, we note that the sequential increase in consumer confidence has become progressively smaller over the past three months, suggesting the recovery in confidence from this year's low is close to topping out. Further strong gains in confidence will need to be propelled either via wealth effects from higher equity and gold prices, or a faster improvement in the economic backdrop. Hence, we still believe confidence is more likely to move sideways at elevated levels rather than continue to make strong gains."

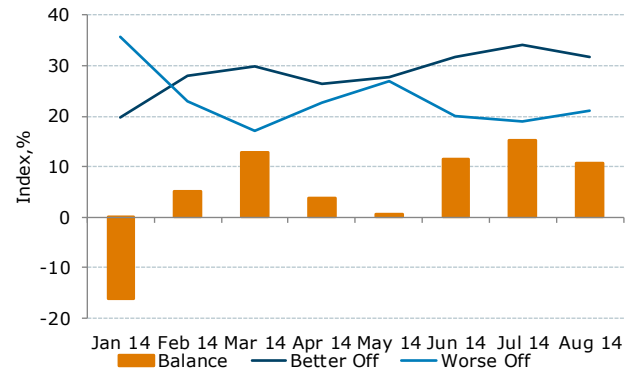
In this month's discussion box we look at the relationship between gold and consumer confidence.

FIGURE 1. ANZ-ROY MORGAN VIETNAM CONSUMER CONFIDENCE INDEX



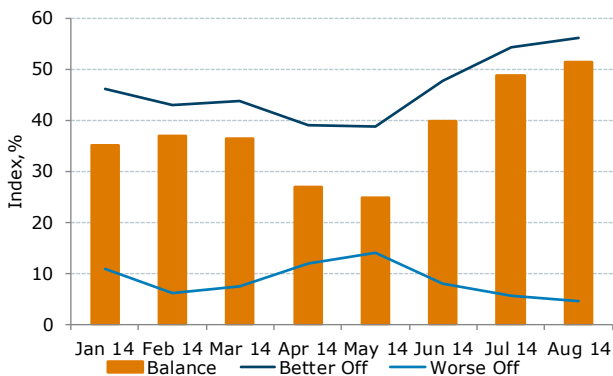
Source: ANZ-Roy Morgan

FIGURE 2. Q1 WOULD YOU SAY YOU AND YOUR FAMILY ARE BETTER OFF FINANCIALLY OR WORSE OFF THAN YOU WERE AT THIS TIME LAST YEAR?



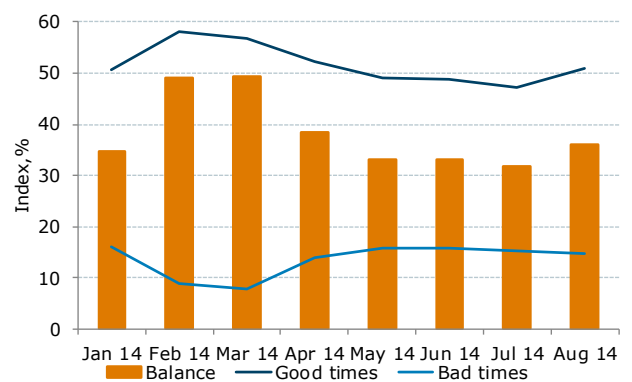
Source: CEIC, ANZ-Roy Morgan

FIGURE 3. Q2 THIS TIME NEXT YEAR, DO YOU AND YOUR FAMILY EXPECT TO BE BETTER-OFF FINANCIALLY OR WORSE OFF THAN YOU ARE NOW?



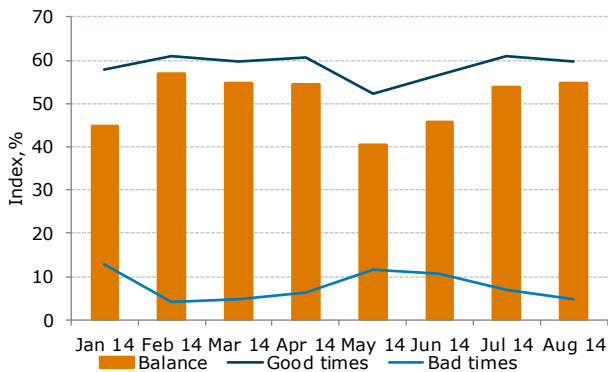
Source: ANZ-Roy Morgan

FIGURE 4. Q3 THINKING OF ECONOMIC CONDITIONS IN VIETNAM AS A WHOLE. IN THE NEXT 12 MONTHS DO YOU EXPECT WE'LL HAVE GOOD TIMES FINANCIALLY, BAD TIMES, OR SOME GOOD AND SOME BAD?



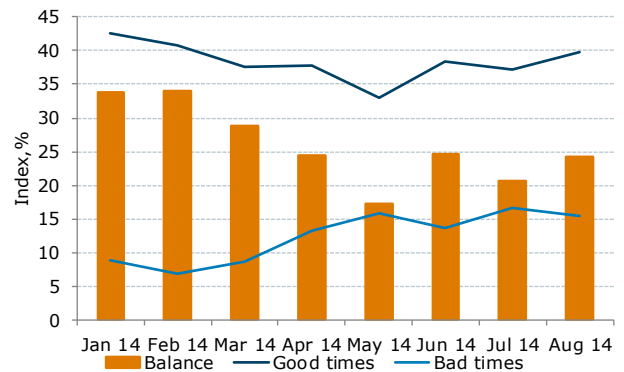
Source: ANZ-Roy Morgan

FIGURE 5. Q4 LOOKING AHEAD, WHAT WOULD YOU SAY IS MORE LIKELY, THAT IN VIETNAM AS A WHOLE, WE'LL HAVE CONTINUOUS GOOD TIMES DURING THE NEXT FIVE YEARS OR SO - OR WE'LL HAVE BAD TIMES - OR SOME GOOD AND SOME BAD?



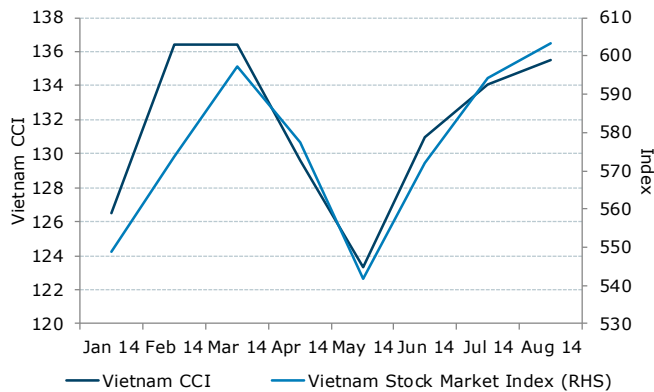
Source: ANZ-Roy Morgan

FIGURE 6. Q5 GENERALLY, DO YOU THINK NOW IS A GOOD TIME - OR A BAD TIME - FOR PEOPLE TO BUY MAJOR HOUSEHOLD ITEMS?



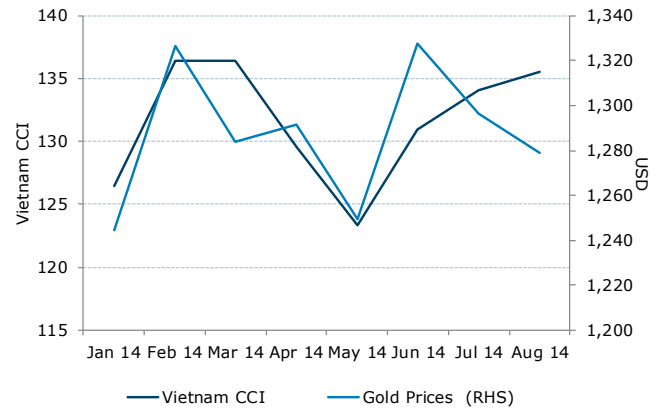
Source: ANZ-Roy Morgan

FIGURE 7. INDEX AND STOCK MARKET



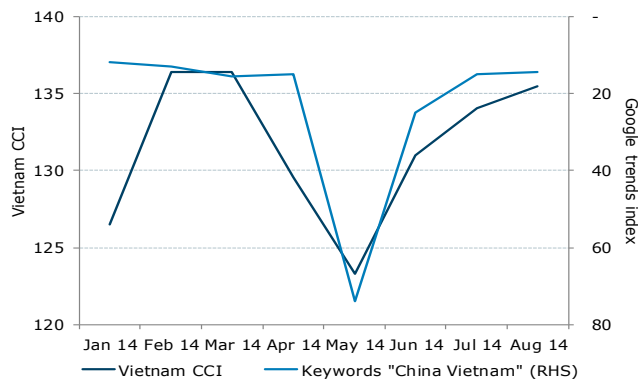
Source: Bloomberg, ANZ-Roy Morgan

FIGURE 8. INDEX AND GOLD PRICES



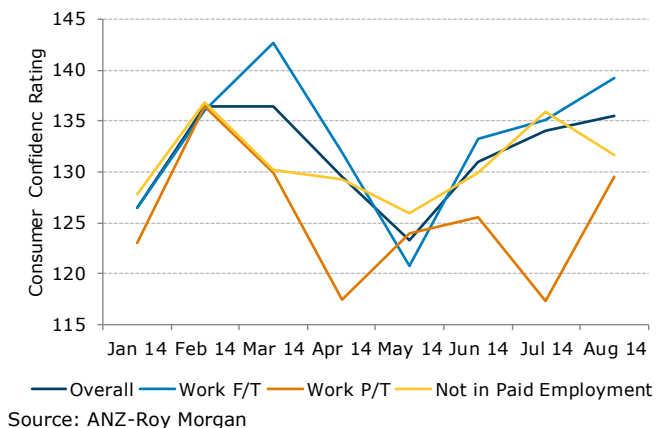
Source: Bloomberg, ANZ-Roy Morgan

FIGURE 9. INDEX AND GOOGLE TRENDS KEYWORDS "CHINA VIETNAM" (100 = PEAK)



Source: ANZ-Roy Morgan, Google trends

FIGURE 10. INDEX VS TYPE OF EMPLOYMENT



Source: ANZ-Roy Morgan

FIGURE 11. ANZ-ROY MORGAN VIETNAM CONSUMER CONFIDENCE TABLE

		Apr-14	May-14	Jun-14	Jul-14	Aug-14
Headline consumer confidence index:		129.6	123.3	131.0	134.1	135.5
Subindices:						
1. Financial situation compared to a year ago	Balance, index	3.7	0.6	11.6	15.2	10.7
	Better off, %	26.4	27.6	31.6	34.1	31.7
	Worse off, %	22.7	27.0	20.0	18.9	21.0
2. Financial situation next year	Balance, index	27.0	24.7	39.8	48.8	51.4
	Better off, %	38.9	38.8	47.7	54.4	56.0
	Worse off, %	11.9	14.1	7.9	5.6	4.6
3. Economic conditions next year	Balance, index	38.3	33.2	33.2	31.8	36.0
	Better off, %	52.2	49.0	48.9	47.1	50.8
	Worse off, %	13.9	15.8	15.7	15.3	14.8
4. Economic conditions next 5 years	Balance, index	54.4	40.6	45.8	53.9	54.8
	Better off, %	60.6	52.3	56.5	60.9	59.7
	Worse off, %	6.2	11.7	10.7	7.0	4.9
5. Best time to buy a major household item	Balance, index	24.5	17.2	24.7	20.6	24.3
	Better off, %	37.7	33.1	38.3	37.2	39.8
	Worse off, %	13.2	15.9	13.6	16.6	15.5

1. Would you say you and your family are better off financially or worse off than you were at this time last year?
2. This time next year, do you and your family expect to be better-off financially or worse off than you are now?
3. Thinking of economic conditions in Vietnam as a whole. In the next 12 months do you expect we'll have good times financially, bad times, or some good and some bad?
4. Looking ahead, what would you say is more likely, that in Vietnam as a whole, we'll have continuous good times during the next five years or so - or we'll have bad times?
5. Generally, do you think now is a good time - or a bad time - for people to buy major household items?

Source: ANZ-Roy Morgan



**ANZ-ROY MORGAN VIETNAM CONSUMER CONFIDENCE MONTHLY DISCUSSION BOX
THE ROLE OF LOCAL GOLD PRICES IN DETERMINING VIETNAM CONSUMER CONFIDENCE**

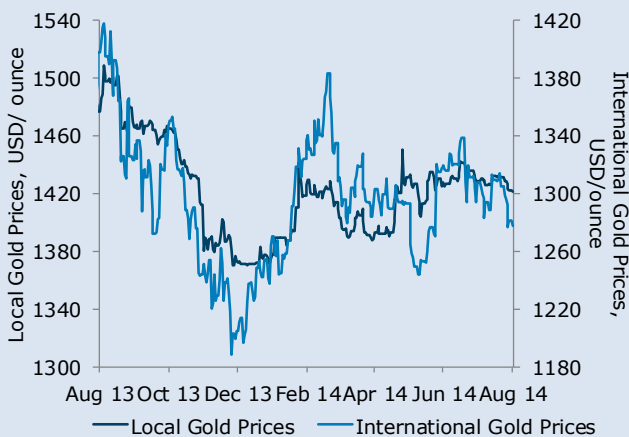
In our third Discussion Box, we look at the impact of gold prices in Vietnam and whether consumer confidence is more aligned with local or international gold prices.

Gold is an important store of value in Vietnam and should be a barometer of consumer sentiment.

Given the importance of gold as an alternative store of value in Vietnam, the evolution of gold prices in the local markets is considered to be structurally important in economic policy. The government regularly reports on gold prices in their economic reports. Gold prices have posted a decline of 13.8% ytd y/y as of August (-3.06% y/y). To regulate the local gold trade, the State Bank of Vietnam (SBV) is the sole importer of the precious metal. The state-owned Saigon Jewellery Company controls 90% of the retail market. **Thus, local gold prices are less volatile than prices in the international market (Fig I).**

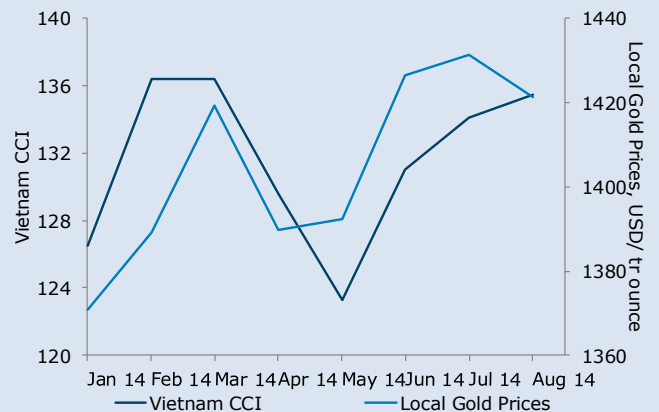
Despite the local price premium, gold has traded between USD1,370-1,510 per ounce, while international prices have traded at a much wider range of USD1,180-1,420 per ounce over the last 12 months. Although local prices tend to follow international prices, volatility is contained locally. This suggests that the SBV actively manages the local gold prices as much as it manages its currency. **The lower volatility in the local gold price may also encourage its use as a store of value.**

FIGURE I. LOCAL GOLD PRICES ARE MORE STABLE



Source: BLOOMBERG

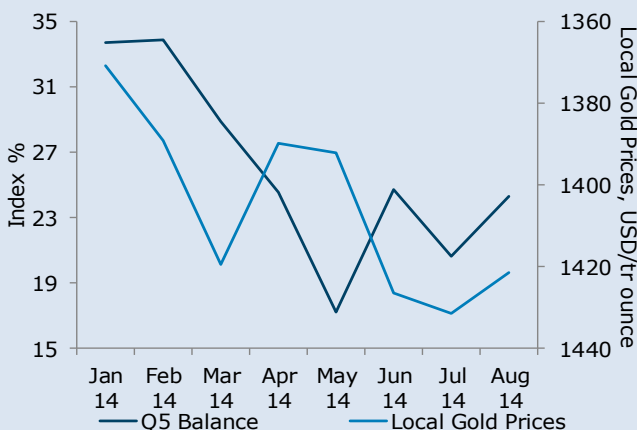
FIGURE II. CONSUMER CONFIDENCE VS. LOCAL GOLD PRICES



Source: BLOOMBERG, ANZ-ROY MORGAN

In view of the short data series, a visual examination points that local gold prices are directly related to consumer confidence in Vietnam (Fig II). In extraordinary cases like the height of the anti-China protests in May, local prices have diverged from global markets. At that time, local gold prices jumped more than 2% in 10 days while gold prices around the world softened. We now find that consumer confidence is supported by the stability of local gold prices in calm periods.

FIGURE III. DECISION TO BUY MAJOR HOUSEHOLD ITEMS VS. LOCAL GOLD PRICES



Source: BLOOMBERG, ANZ-ROY MORGAN

Looking at Question 5 in the survey, of whether consumers find it a good time to buy major household items, we see that in calmer periods, local gold prices are more indicative of consumer purchases. In the first quarter, as local gold prices declined, the difference between those who responded it was a good time to buy versus those who responded otherwise declined. From June to August, the balance of Question 5 also moved with local gold prices. **This affirms our earlier assertion that gold as a store of value in Vietnam is indicative of consumer confidence.** However, it is important to focus more on local gold prices rather than international prices in assessing the likely impact on confidence and propensity to consume.

Eugenia F. Victorino



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