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Media Release

Westpac MNI China Consumer Sentiment Indicator Increases to Six-Month High in October

Pickup in Durable Buying Conditions Leads Improvement

Chinese consumer sentiment edged higher in October, led by a significant improvement in consumers' willingness to spend, leaving confidence at the highest level since April 2016.

The Westpac MNI China Consumer Sentiment Indicator rose 1.7% to 117.1 in October, building on a noticeable increase in the month before. Two of the five components of the headline indicator improved in October, with small falls in Expected Household Finances, Business Conditions in One Year and Business Conditions in Five Years outweighed by sizeable increases in Durable Buying Conditions and Current Household Finances.

Durable Buying Conditions surged 10.3% to 116.0, the highest level since September 2010, as our survey respondents turned more optimistic about making a large household outlay. This was accompanied by improved readings on the detailed buying indicators for IT products, phones and appliances in October.

Consumers' assessment of their current finances, which had been under pressure for much of 2016, appeared to turn a corner in October. The Current Personal Finances Indicator rose 5.6% to 111.3 in October, its highest level since May 2014. The rise was led by a higher percentage of respondents who cited higher income as the main reason for a better financial situation.

While the survey showed a strengthening assessment of households' current financial position, Chinese consumers were less optimistic about personal finances over the coming year, presumably reflecting the still highly uncertain business environment and the continuation of the Chinese Yuan's downtrend. Both long and short term measures of expected business conditions deteriorated slightly in October, matching a decrease in perceived current business conditions.

The worsened outlook for business conditions and household finances was also reflected in a slight deterioration of the Employment Outlook Indicator.

On the back of the implementation of more tightening policies, attitudes towards real estate across a range of measures in the survey were generally weaker, with the Real Estate Investment Indicator slipping 1.4% on the month. The fall in the main indicator was accompanied by a minor fall in expectations for house prices and a pickup in the percentage of those thinking it was a bad time to buy a house.

Commenting on the latest survey, Senior Economist of MNI Indicators Andy Wu said, "The positive result in this month's survey reaffirms our view that consumer conditions are on the mend following some weakness in the early part of Q3 due to the recent floods in China. More positively, the notable uptick in consumers' willingness to spend on durables and leisure items points to some improvement in the retail environment. Despite these positives, Chinese consumers are still cautious about the outlook for business conditions and worried about the implications for jobs. Partly as a result, respondents were also less optimistic about their future personal finances. It remains to be seen whether these less favourable monthly outcomes will feed through to the rest of the report and start weighting on overall sentiment over the coming months."

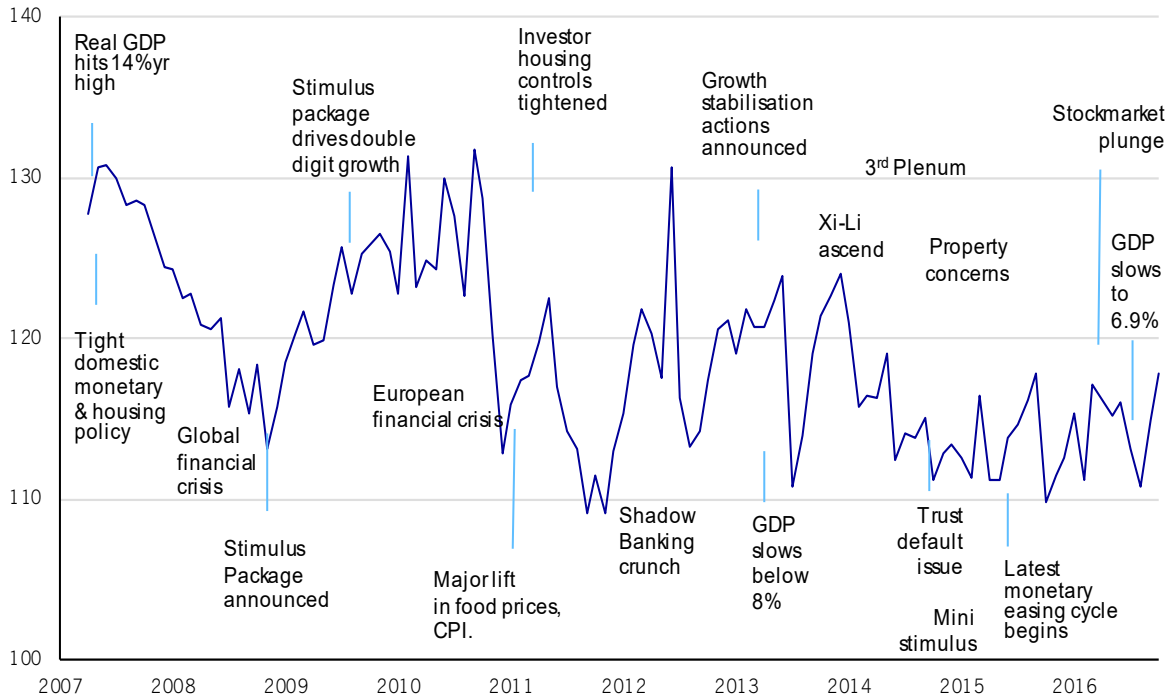
Westpac Senior Economist Matthew Hassan said, "Chinese consumer confidence is again showing promising signs of a sustained lift with the more positive picture on family finances and durables spend a welcome development particularly from the point of view of prospects for an associated lift in demand. That said, the lacklustre picture on business conditions is clearly still a headwind feeding into consumer concerns about job security and a 'risk averse' attitude to spending and saving decisions. Even with the latest gain it still looks like a sustained turnaround in business conditions will be required to drive a stronger and broader upturn for consumers."

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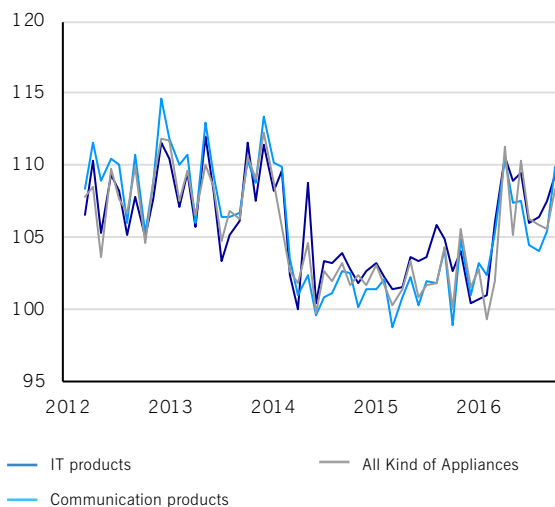
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Westpac MNI China Consumer Sentiment Indicator - Event Map



Focus On: Buying Conditions - Durable Goods

Buying Conditions Indicators: Durable Goods



In addition to perceptions towards buying conditions for houses, cars and durables as a whole, the Westpac MNI China Consumer Sentiment Survey contains a wealth of information on consumer durables by category as well.

There was a noticeable increase in all three categories in October. Matched with the uptick in the Shopping, Dining Out and Entertainment Expenditure Indicators, the latest rise is a positive for retail sales over the coming months.

Westpac MNI China CSI and its five components

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Westpac MNI China CSI	114.2	115.9	114.0	111.5	115.2	117.1
Personal Finances: Current	104.3	107.7	105.2	104.1	105.4	111.3
Personal Finances: Expected	112.8	116.0	113.8	106.0	113.6	111.5
Business Conditions: 1 Year	115.7	118.4	117.5	112.8	118.2	114.9
Business Conditions: 5 Years	134.1	132.0	131.3	130.2	133.6	131.8
Durable Buying Conditions	104.0	105.4	102.3	104.4	105.1	116.0

% m/m changes Westpac MNI China CSI and its five components

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Westpac MNI China CSI	-3.1%	1.5%	-1.6%	-2.2%	3.3%	1.7%
Personal Finances: Current	-5.5%	3.3%	-2.3%	-1.1%	1.3%	5.6%
Personal Finances: Expected	-2.8%	2.8%	-1.9%	-6.8%	7.1%	-1.9%
Business Conditions: 1 Year	-3.0%	2.3%	-0.7%	-4.0%	4.9%	-2.8%
Business Conditions: 5 Years	-0.5%	-1.6%	-0.5%	-0.9%	2.6%	-1.3%
Durable Buying Conditions	-4.2%	1.4%	-2.9%	2.1%	0.7%	10.3%

% y/y changes Westpac MNI China CSI and its five components

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Westpac MNI China CSI	2.8%	3.2%	-0.4%	-4.3%	-2.6%	6.7%
Personal Finances: Current	4.2%	6.7%	1.6%	-2.6%	-4.0%	7.1%
Personal Finances: Expected	0.3%	1.4%	-3.0%	-13.4%	-5.5%	0.1%
Business Conditions: 1 Year	4.7%	5.3%	2.3%	-3.7%	-1.9%	6.3%
Business Conditions: 5 Years	3.4%	-0.6%	-1.6%	-2.3%	-1.8%	5.6%
Durable Buying Conditions	1.3%	4.5%	-1.0%	1.5%	0.5%	15.5%

Notes to editors:

Sponsor: Westpac Banking Corporation.

Production: MNI Indicators.

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 1,000 respondents aged between 18 and 64 across 30 cities in the 1st, 2nd and 3rd tiers. That represents a 0.0003% sample size relative to the population of China's 30 largest cities at the time of the 2010 Census.

Cf. The University of Michigan surveys a minimum of 500 respondents in the United States excluding Alaska and Hawaii. That represents a 0.00016% sample size relative to the July 1, 2012 population.

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.

Headline indicator: the Westpac MNI China CSI is an equally weighted composite of two current and three forward looking assessments, namely current and future personal 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.

About MNI Indicators

MNI Indicators specialises in producing business and consumer surveys designed to present an advance picture of the economic landscape and highlight changing trends in business and consumer activity. The timely reports explore attitudes, perspectives and sentiment across the globe, including China, India and Russia. Alongside MNI Indicators' core focus on consumer and business surveys in emerging markets, MNI Indicators produces the renowned Chicago Business Barometer (Chicago PMI), a key leading indicator of the US economy. MNI Indicators is part of MNI, a leading provider of news and intelligence.

About Westpac in Asia

With its regional Head Office in Singapore, Westpac is a leading institutional bank providing strong capability and global franchise across Trade, Structured Commodity Finance, Debt Capital Markets, Derivatives FX and Natural Resources. The Bank's goal in Asia is to both support Australian and New Zealand customers in the region, as well as provide a gateway for Asian firms and individuals with interests in Australia and New Zealand.

Westpac has been operating in Asia for 40 years delivering a broad range of financial services to individuals, corporate and institutional customers with branches in Singapore, Shanghai, Beijing, Hong Kong, Mumbai as well as a representative office in Jakarta and a sub-branch in the Shanghai Free Trade Zone.