

Global Economic Crisis and Consumer Confidence in Asia/Pacific



MasterCard Worldwide A Global Knowledge Leader

MasterCard Worldwide is widely recognized as a knowledge leader around the world. Over the years, the global payment solutions company has devoted extensive resources to developing a deeper understanding of the payments card markets and the business and economic environment through surveys and independent research studies. Some of these initiatives include the MasterCard Worldwide Index of Consumer Confidence, MasterCard Worldwide Index of Retail, MasterCard Worldwide Index of Travel & Asian Lifestyles, MasterCard Worldwide Index of Women's Advancement, MasterCard Worldwide Index of China's Affluent, MasterCard Worldwide Centers of Commerce and MasterCard Worldwide Index of Consumer Purchasing Priorities. Today, these MasterCard offerings are much sought after by analysts, academics and decision makers in financial institutions, government agencies and multi-national organizations.

Launched in 1993, the MasterCard Worldwide Index of Consumer Confidence has proven to be an excellent barometer of the general consumer pulse in Asia/Pacific. The twice annual survey analyzes prevailing consumer perceptions of economic conditions for the next six months. Its insights into the dynamics of consumer sentiment, and the market paradigm deliver value to a variety of audiences, including customers and business partners.

In 2003, MasterCard established the MasterIntelligence Knowledge Panel comprising leading economists and business strategists from China, Hong Kong, India, Japan, Korea and South East Asia. In 2006, it was expanded to become a global knowledge panel, which now conducts research and provides insights on the economic and business environment globally. The panel is headed by Dr. Yuwa Hedrick-Wong, Economic Advisor (Asia/Pacific),

MasterCard Worldwide.

Today, MasterCard continues to demonstrate its commitment by not only adding value with cutting edge research but also through sharing knowledge in new areas. Its knowledge leadership is well recognized and unrivaled.

Regional Overview

As expected, the global credit crunch has now morphed into a global economic crisis; with the Asia/Pacific region increasingly feeling the impact of the downdraft. The much touted thesis of “decoupling” has by and large been forgotten. The question that is foremost in people’s minds today is how severely the region will be affected by a simultaneous recession in the US and Europe.

It is in this context that MasterCard Worldwide publishes the results of the latest round of its consumer confidence survey in Asia/Pacific.¹ A total of 14 markets are covered in the region. As shown in table 1, consumers in nine out of the 14 markets surveyed are pessimistic over the coming six months. In contrast, only in four of the 14 markets do consumers show optimism.² In one market, Australia, the consumers are neutral (neither pessimistic nor optimistic) in outlook.³

Table 1. Summary of Survey Results

	2007 Second Half	2008 First Half	2008 Second Half
Australia	64.9	42.8	49.0
China	85.5	82.7	76.6
Hong Kong	85.9	83.1	41.8
India	86.8	82.1	63.9
Indonesia	87.8	36.7	38.5
Japan	48.6	29.0	17.2
Korea	64.1	27.7	31.4
Malaysia	72.5	36.9	35.9
New Zealand	56.3	37.1	33.7
Philippines	67.7	43.2	40.0
Singapore	83.6	87.3	62.3
Taiwan	29.7	71.3	32.1
Thailand	44.2	23.7	26.2
Vietnam	94.3	86.2	88.1

In two markets, Hong Kong and Taiwan, consumer confidence went from optimism to pessimism between the May and October 2008. In the case of Hong Kong, consumer confidence dropped from a solidly optimistic reading of 83.1 to 41.8 (below 50 indicates pessimism). In Taiwan, the decline is precipitous; dropping from 71.3 to 32.1.

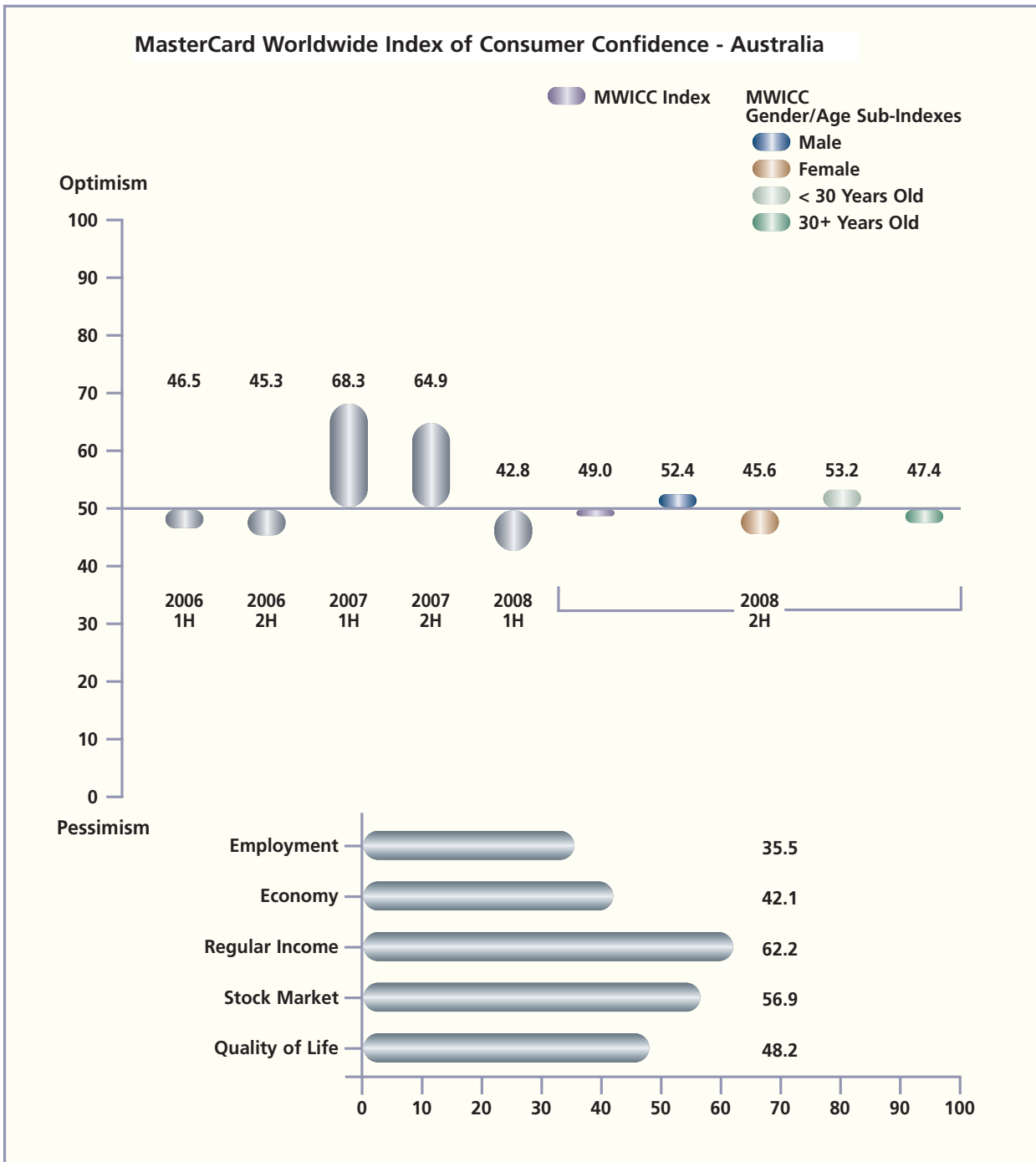
China, India, Vietnam and Singapore are the four markets that remain optimistic in their short term outlook. The level of optimism is the

strongest in Vietnam at 88.1, which is actually slightly higher than the previous survey result of 86.2 (May 2008). Singapore’s level of optimism, on the other hand, is the weakest among the three at 62.3. India’s level of optimism has weakened, at 63.9, having declined from the two previous survey results of 86.8 (November 2007) and 82.1 (May 2008). China’s level of optimism has also been dented, falling from 85.5 (November 2007) to 82.7 (May 2008) to the current 76.6.

Australia

Consumer confidence in Australia has recovered from a pessimistic 42.8 to a neutral level of 49.0. Australian consumers are not positive regarding their employment outlook and that of the economy (the horizontal blue bars in the lower right corner of the chart represent the five

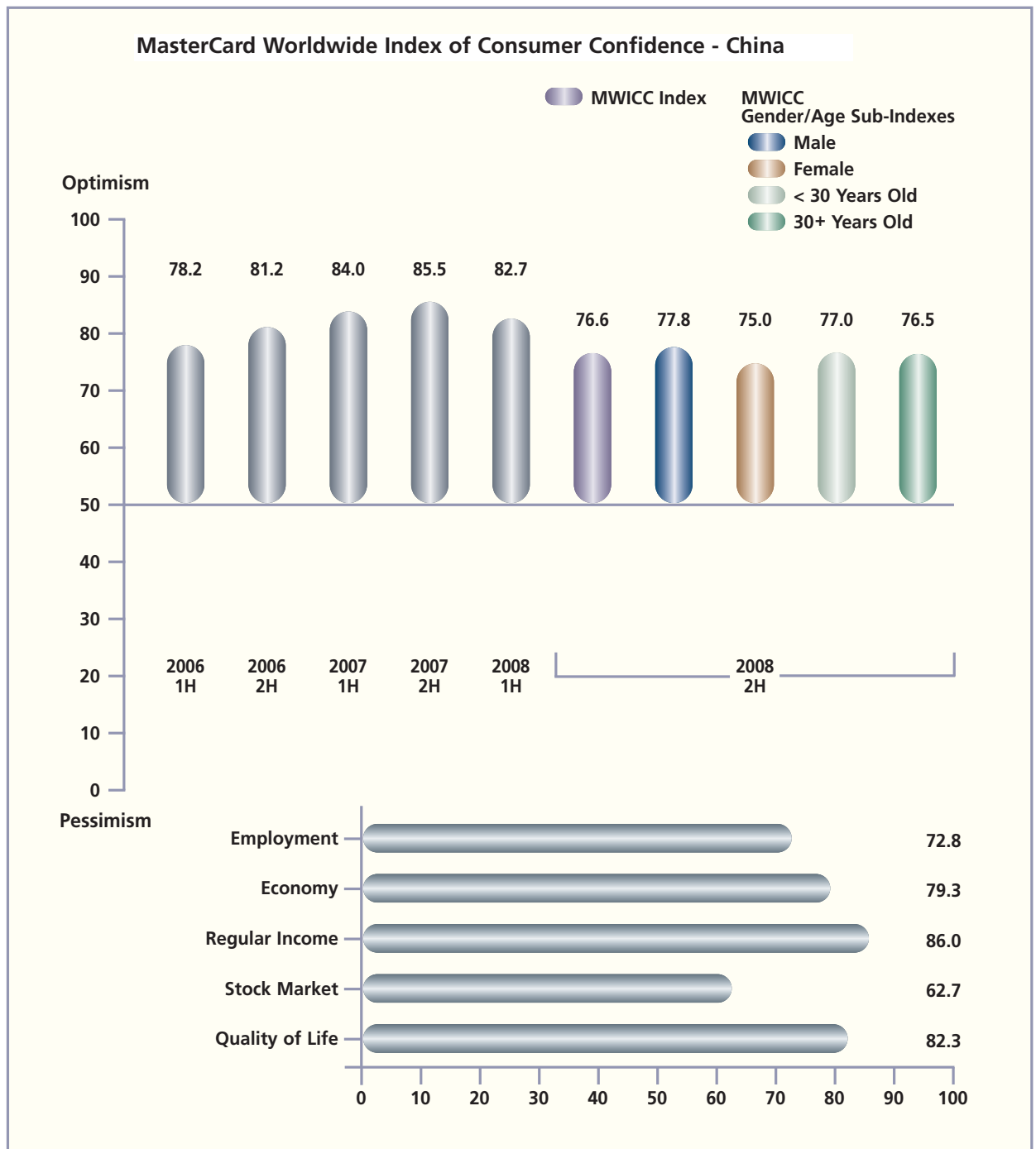
dimensions that make up the final confidence index). Male consumers as well as those under 30 are still somewhat optimistic in outlook; whereas female consumers and consumers over 30 years old are pessimistic in outlook.



China

China's consumer confidence is still at a solidly optimistic level; but as is clearly shown in the chart below, it is the low level of optimism with respect to the stock market outlook (at 62.7) that has dented the overall index value. Significantly, consumers' outlook on their

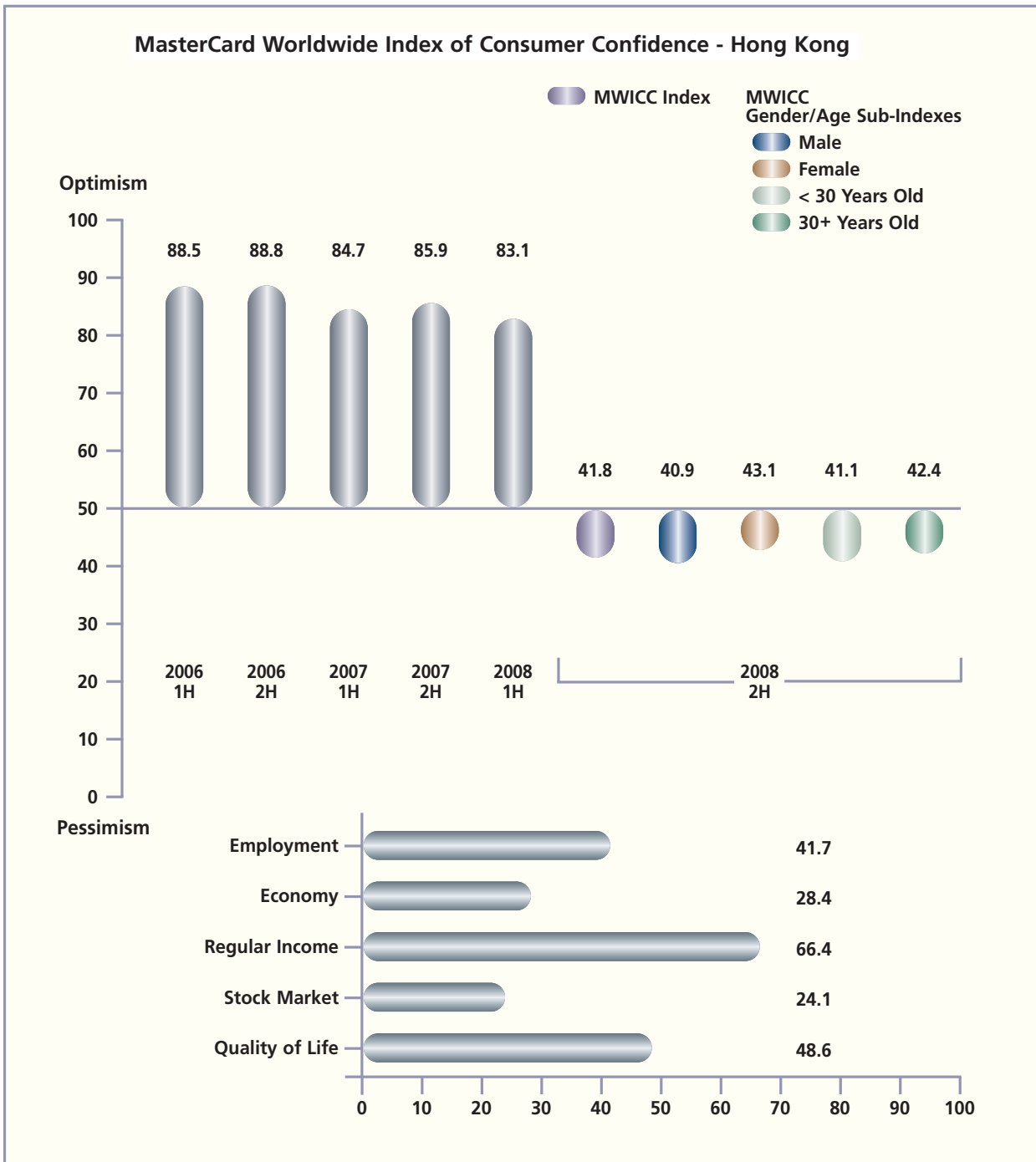
regular income and quality of life remain strongly positive. Both male and younger consumers are slightly more positive than female and those over 30 years of age.



Hong Kong

Hong Kong's consumer confidence literally fell off the cliff between May and September/October 2008. Consumer outlook on the stock market is the most pessimistic, followed by outlook on the economy. In contrast to the situation in Australia and China,

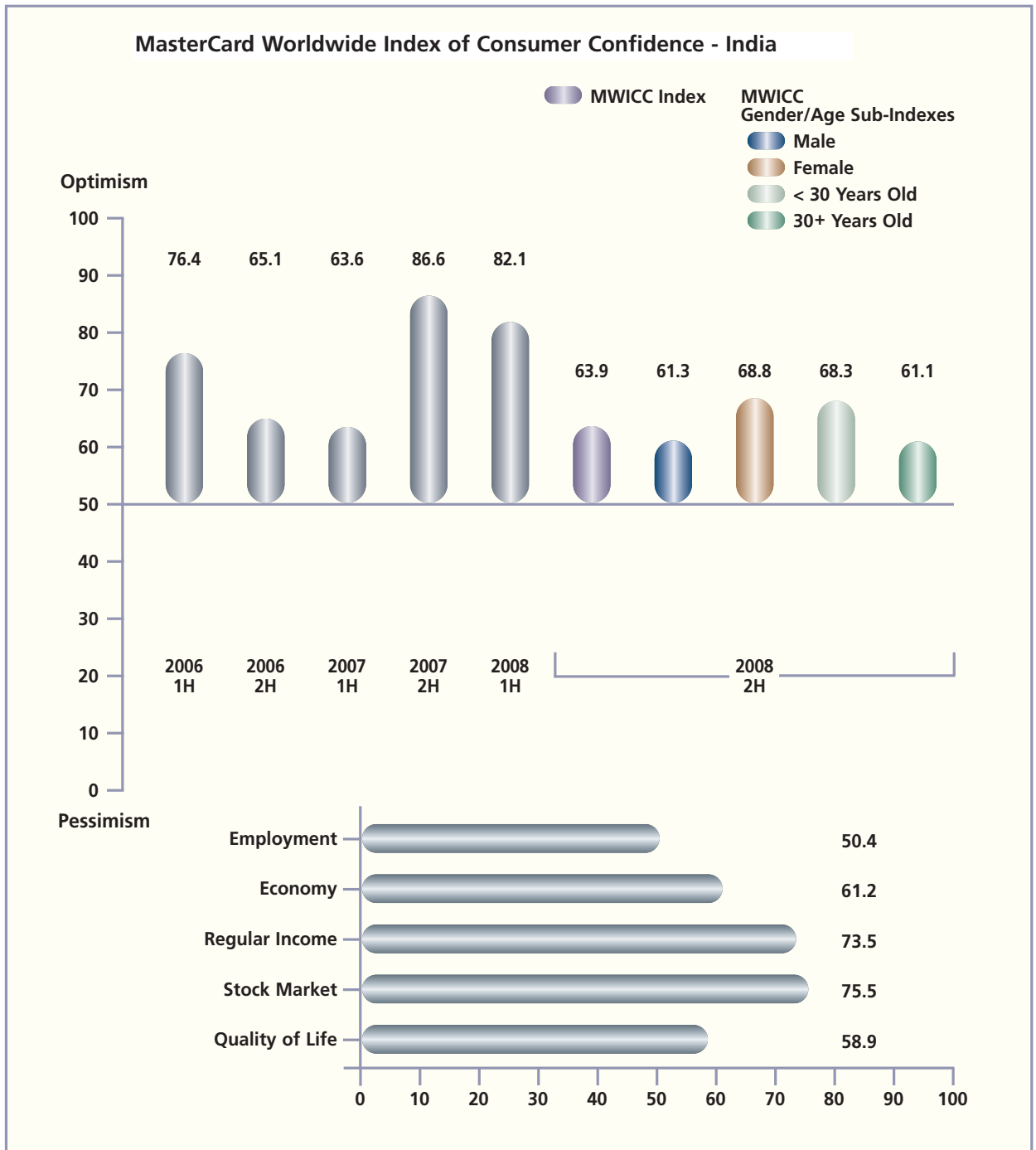
however, it is female consumers and those over 30 years of age that are relatively less pessimistic than the male and consumers aged under 30 years.



India

Indian consumers are still optimistic in their short term outlook, albeit at a much lower level than before. They are most worried about their employment prospect (neither optimistic nor pessimistic at 50.4). Their outlook on quality of life is also just slightly optimistic. Unlike

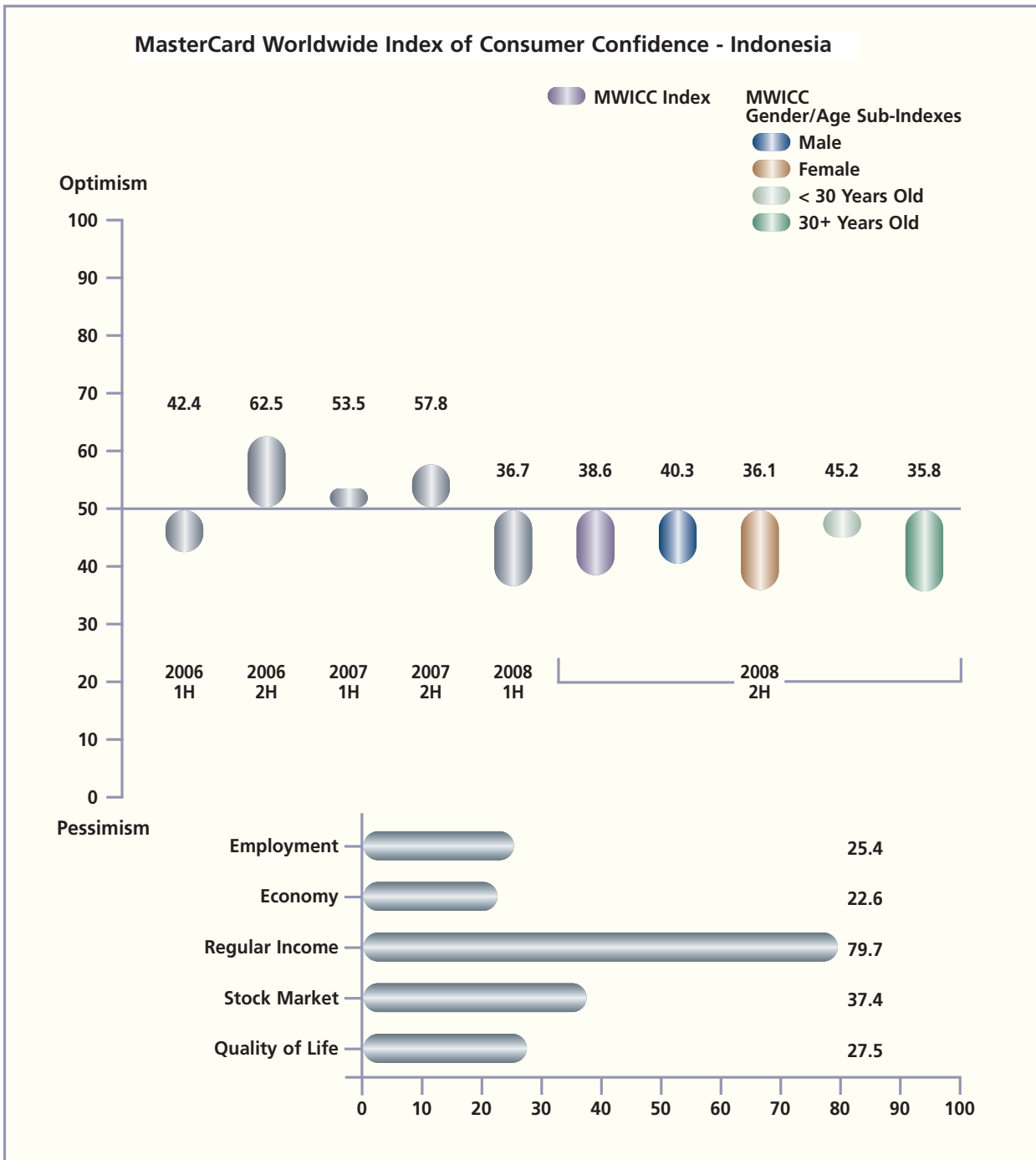
Australia, China, or Hong Kong, however, it is the female and under 30 consumers that are more positive than the male and over 30 consumers.



Indonesia

Indonesian consumers turned pessimistic towards the end of 2007, and the latest survey results show that they are still stuck in pessimism. Their outlook is the most negative with respect to the economy, followed by employment, and quality of life. Female and

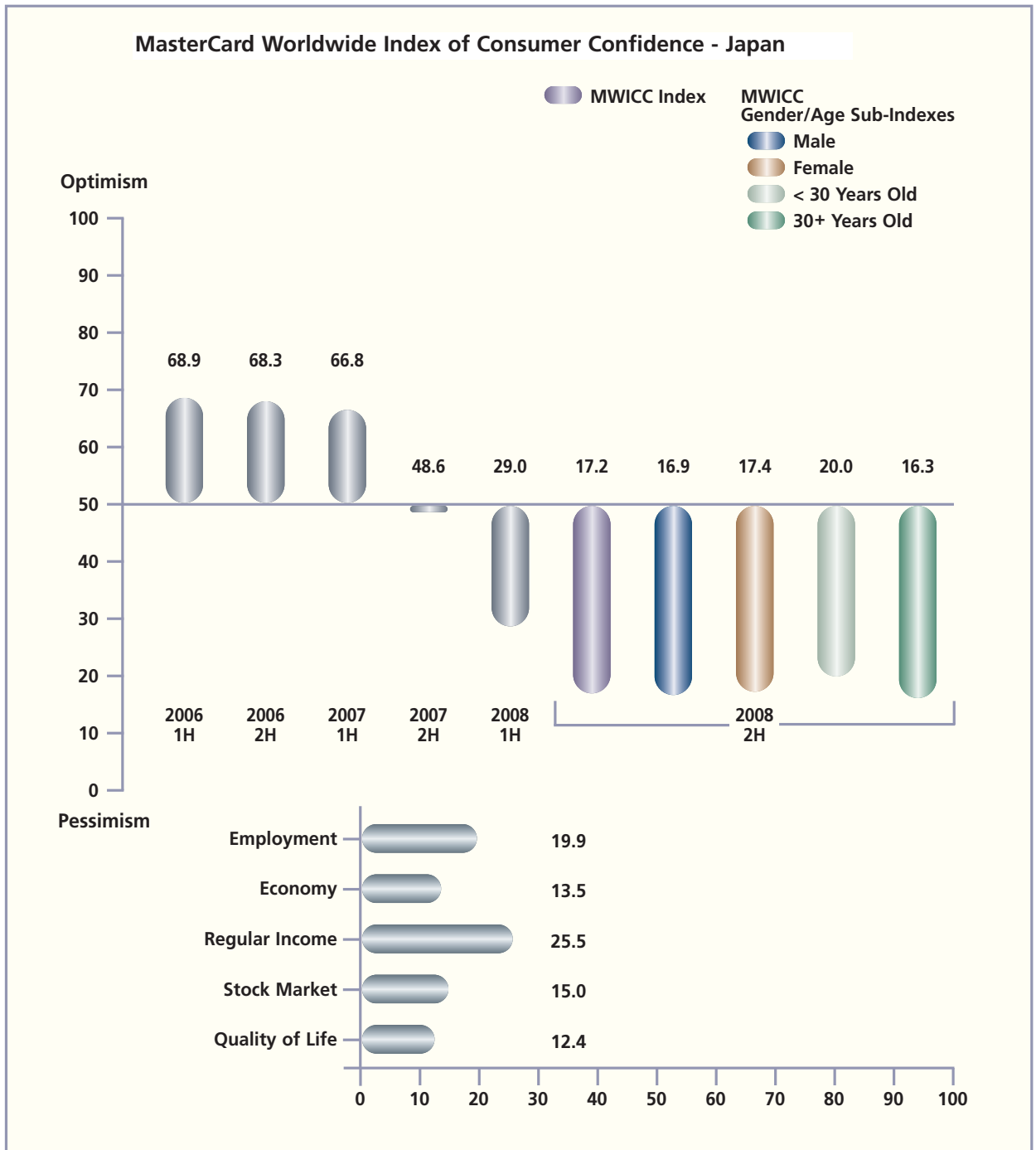
over 30 consumers are more pessimistic than the male and under 30 consumers.



Japan

Consumer pessimism has deepened in Japan, dropping to a new depth at a reading of 17.2 ("0" being the most pessimistic level). Their outlook on the quality of life, the economy and the stock market are the most negative. The level of pessimism is similar between the

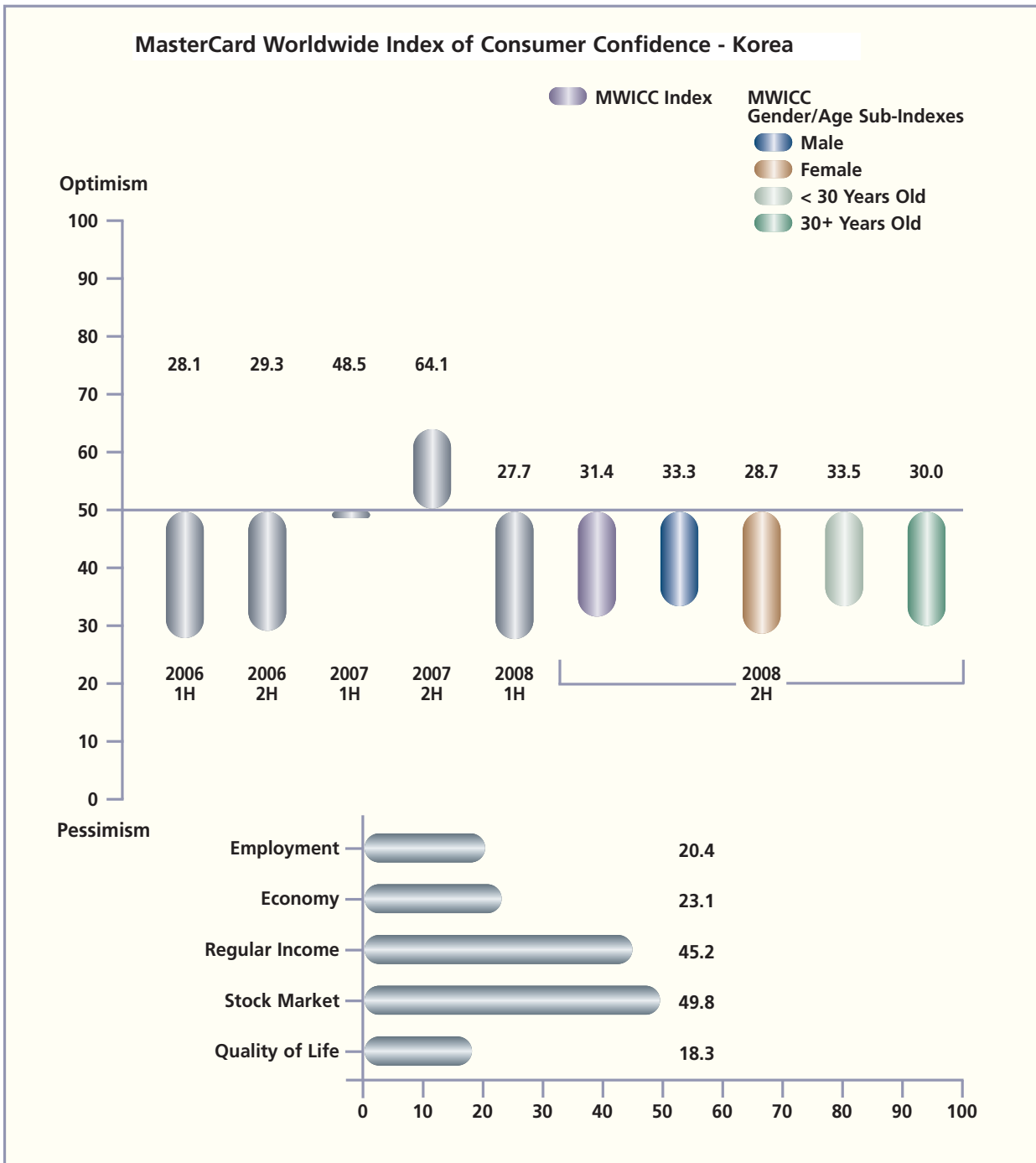
different segments, with those under 30 being slightly less pessimistic than the average.



Korea

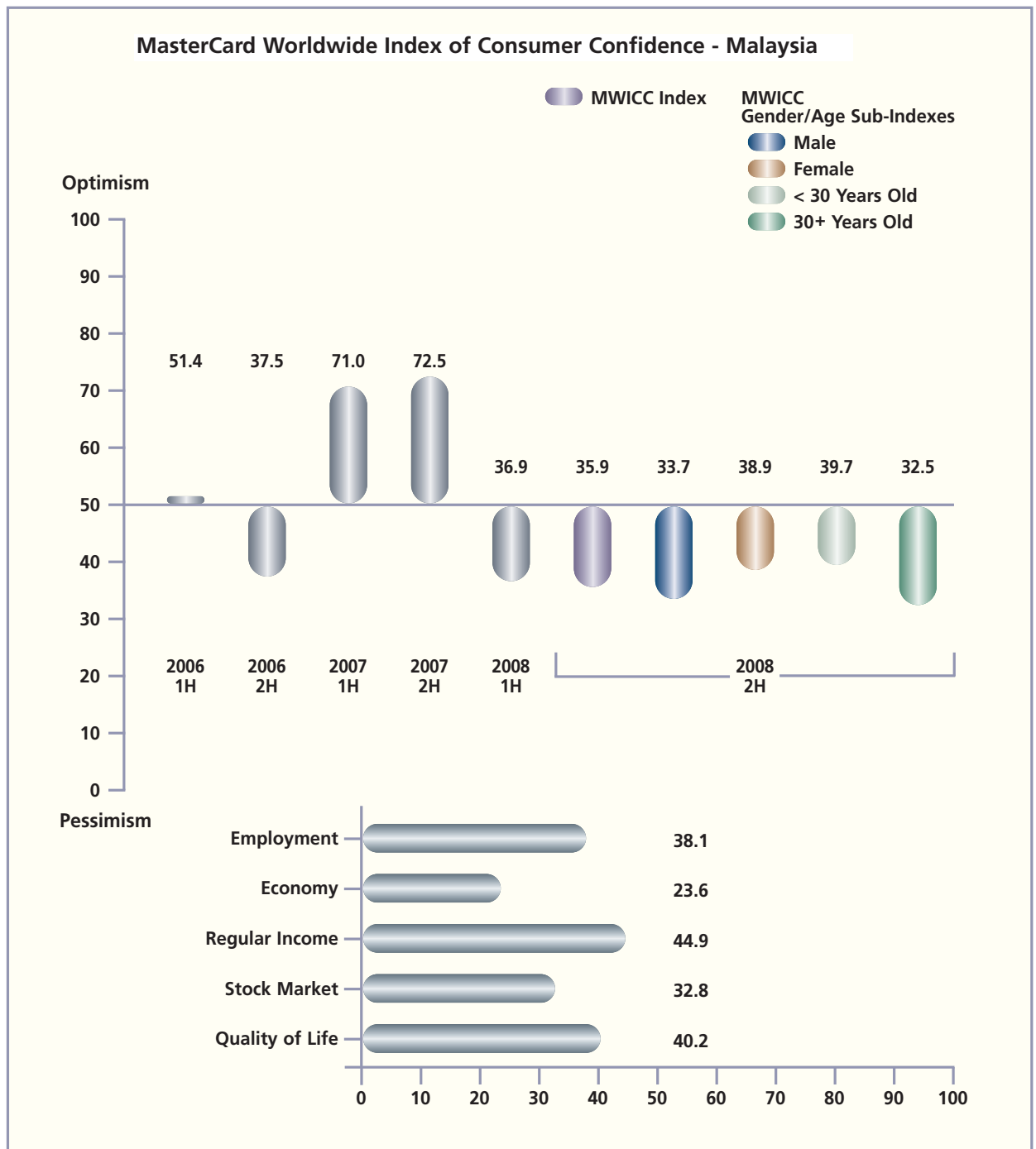
Korean consumers have been pessimistic for some time. There was only one brief period in the second half of 2007 that they became slightly optimistic; but then fell quickly back into the territory of pessimism. At 31.4, Korean consumers today are slightly less pessimistic

than in May 2008, but not by much. They are most negative with respect to outlook on their quality of life, followed by employment prospects, and the economy. Male and under 30 consumers are less negative than the average.



Malaysia

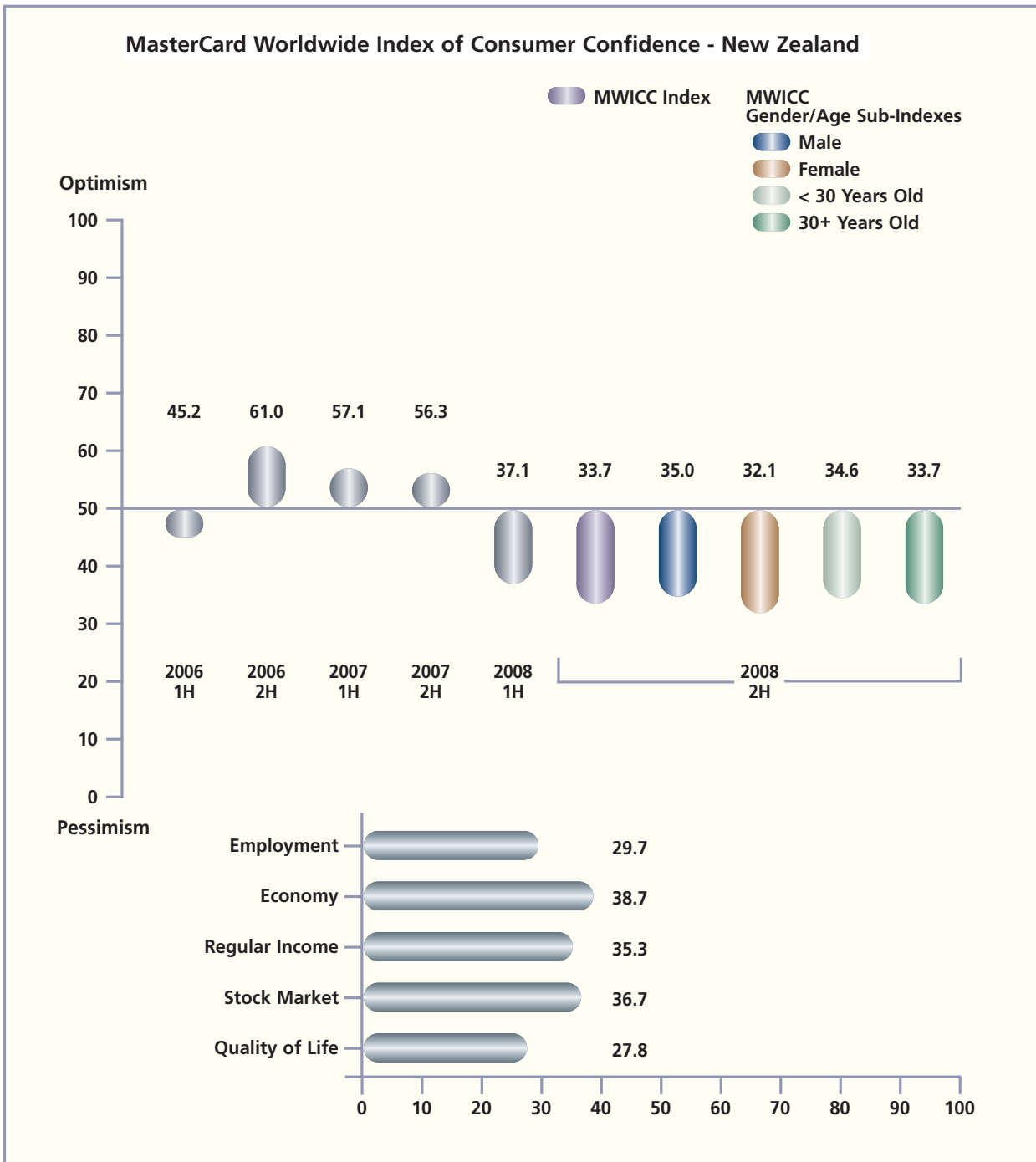
The level of pessimism of Malaysian consumers is basically unchanged since the last survey in May 2008. They are most pessimistic regarding the economy, followed by the stock market. Female and under 30 consumers are, however, less pessimistic than the average.



New Zealand

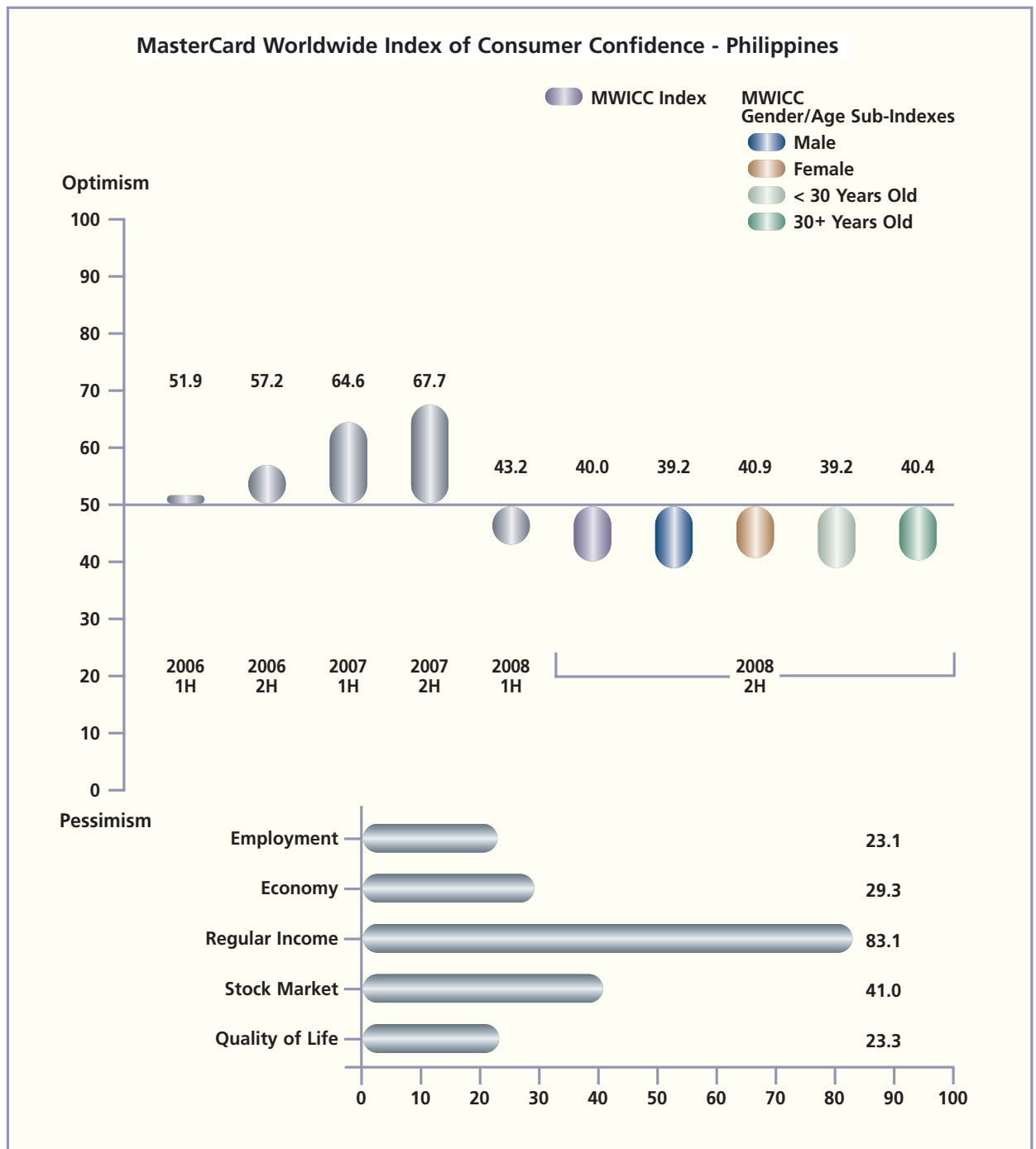
The level of pessimism has deepened for consumers in New Zealand since the last survey in May 2008. Their outlook is most negative with respect to their quality of life, followed by employment prospects, and their regular income. Male and under 30 consumers are

relatively less pessimistic.



Philippines

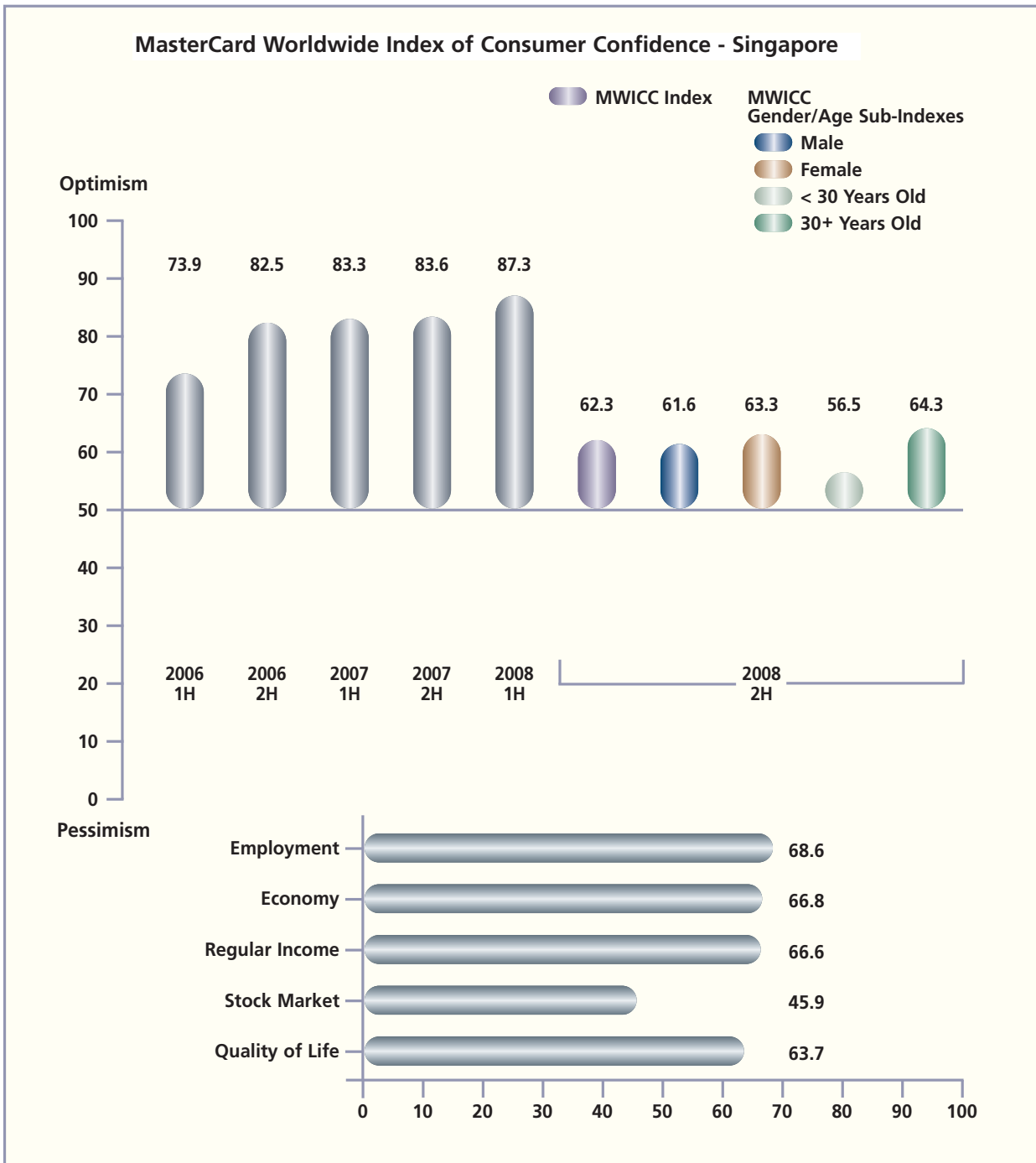
Consumers in Philippines have also become more pessimistic. They are most worried about employment, followed by their quality of life, and the economy. Female and over 30 consumers, however, are slightly less pessimistic than the rest.



Singapore

Singapore consumers are still somewhat optimistic; but they are now much less so than in previous periods. They are actually pessimistic in their outlook on the stock market. Female consumers are slightly more optimistic than male consumers; and the under 30 consumers

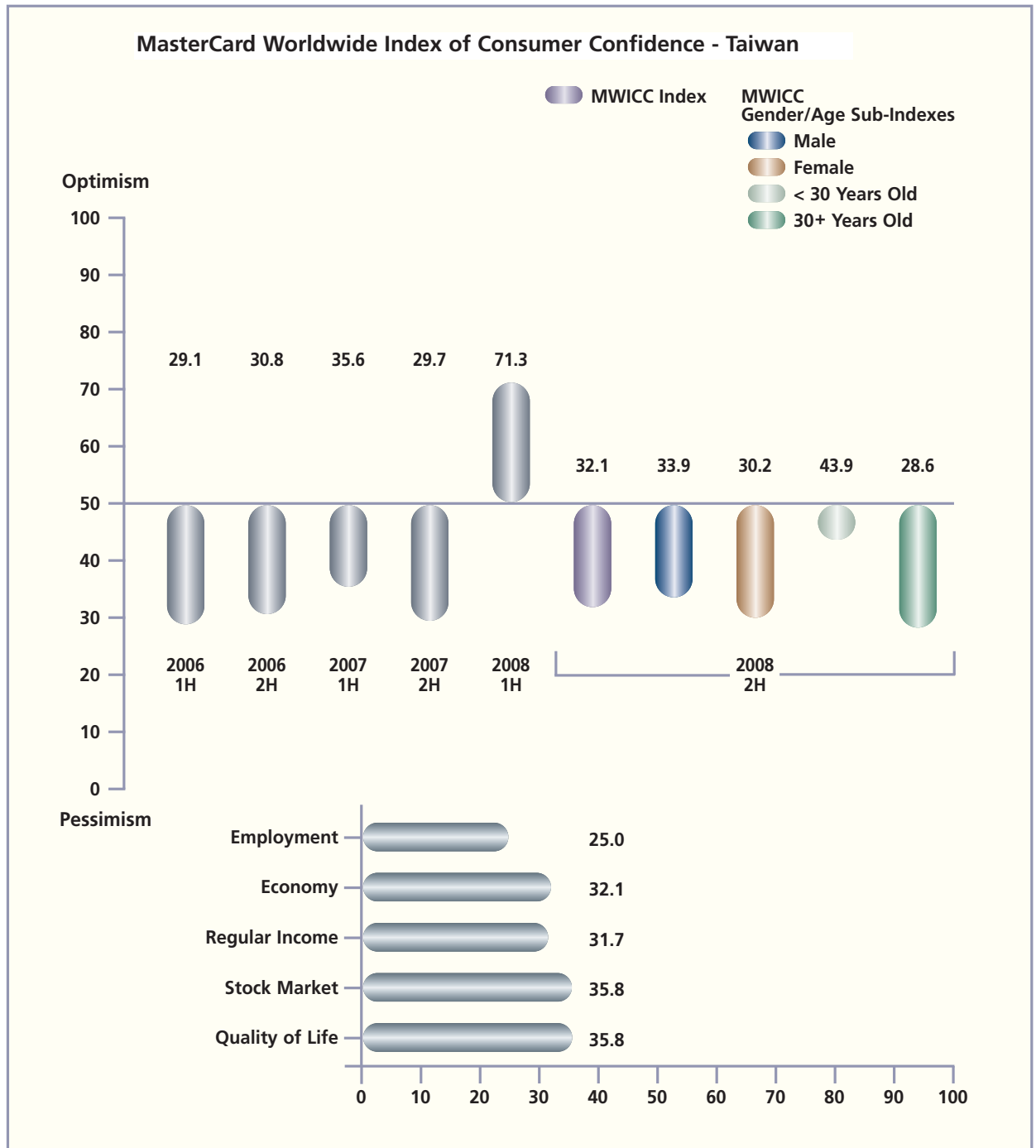
are the least optimistic.



Taiwan

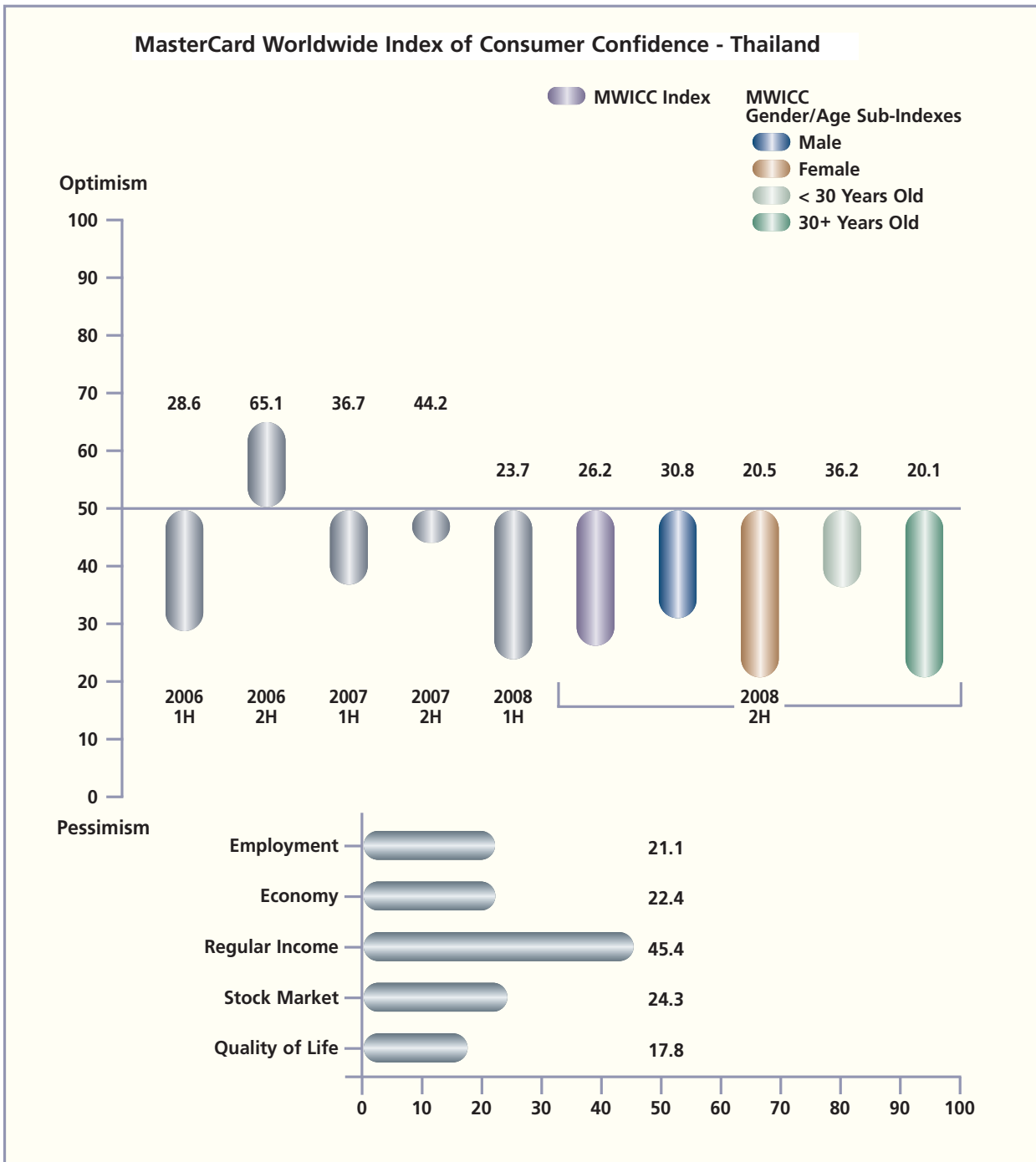
Earlier this year consumers in Taiwan enjoyed a brief revival of optimism⁴, which failed to stay. Between May and September/October, consumer sentiments went from a solidly optimistic reading of 71.3 to an unambiguous dismal outlook of 32.1. They are most negative

in their outlook on employment, followed by regular income, and the economy. The under 30 consumers, however, are significantly less pessimistic than the rest; at 43.9 their sentiment is close to being neutral.



Thailand

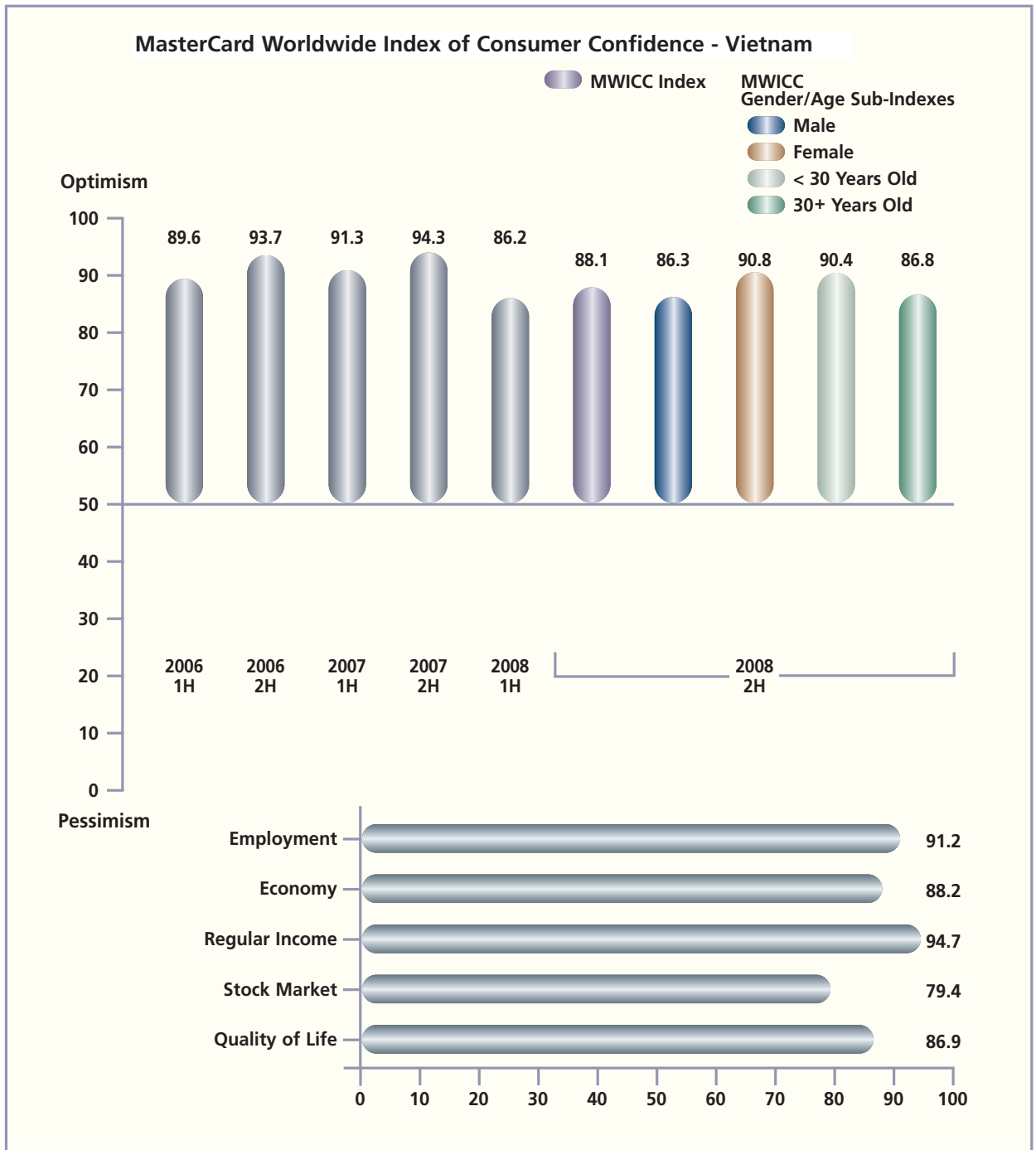
Thailand's consumers are still deeply pessimistic, and are most negative with respect to their quality of life.⁵ Male and under 30 consumers are less pessimistic than the female and over 30 consumers.



Vietnam

Vietnamese consumers are slightly more optimistic today than they were in May 2008. They are least positive in their outlook on the stock market. Their optimism with respect to their employment prospects and regular income remains sky high. Female consumers and those

under 30 are the most optimistic among all consumers in Vietnam.



1. The survey was conducted over the period of late September to mid-October, 2008. 6,000 consumers were surveyed in 14 markets in Asia/Pacific. The profile of the respondents is best described as urban middle class as the survey was conducted only in urban areas; and qualified respondents are those (i) over 18 years old, (ii) with regular income, and (iii) qualified for a personal credit card (though not necessarily having one).

2. The index score is structured between 0 and 100. An index value of 50 indicates a neutral outlook; above 50

indicates optimism; and less than 50 indicates pessimism.

3. Australia's index value is 49.0, which, given the margin of error of about 5%, should be considered neutral.

4. Most likely as a result of the presidential election outcome as the election of a president was seen as a promising beginning of better relations with China.

5. It appears that the continuing political strife and street demonstrations in Bangkok is wearing the Thai middle class down.

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