

*From the Desk of...*

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## Asia Consumer Confidence, Saving and Expenditure:

As expected, the global credit crisis 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 “de-coupling” has by-and-large been forgotten. The question foremost in people’s minds today is just how severely the regional will be affected by a simultaneous recession in the US and Europe.

MasterCard Worldwide regularly publishes the results of its Index of Consumer Confidence Survey and has also recently launched its Consumer Purchasing Priority Index which we can highlight here as timely data along with conclusions drawn from these by Dr. Hedrick-Wong.

**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

*These research findings were derived from the MasterCard Worldwide Consumer Confidence Index. A full summary of the findings, edited by Yuwa Hedrick-Wong, are contained in MasterCard’s Q4 2008 Insights Report. [Click here to download this report.](#)*

The consumer confidence survey in Asia/Pacific surveyed a total of 14 markets. Nine were shown to be pessimistic over the coming six months, only four indicate that consumers show optimism and one market, Australia, sees consumers being neutral (neither pessimistic nor optimistic) in outlook.

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

The four markets that remain optimistic are China, India, Vietnam and Singapore, with the strongest in Vietnam at 88.1, which is higher than the previous survey of May 08. Singapore's level of optimism, on the other hand, is the weakest among the three at 62.3. India's has weakened to 63.9 having declined from the two previous survey results in Nov 07 and May 08. Significantly, China's optimism has also been dented, falling from 85.5 in Nov 07 to 82.7 May 08 to the current level of 76.6.

### **Saving in Asia Pacific; consumers' priorities**

Linked to the overall feeling of 'confidence' we should also look at consumers' propensity to save at this time. For the vast majority of consumers in Asia Pacific, few can count on their parents' savings and have to save for themselves. So at any given time, how much they decide collectively to save determines what is left over for discretionary spending. During times of uncertainty, consumers tend to save more. This is what economists call 'precautionary saving'. And

**Asia's currently high precautionary savings rate across the region translates into less discretionary spending in 2009**

of course the global economic conditions today are nothing else if not uncertain.

Apart from rising uncertainty in the global economy, households in the region have also seen their level of indebtedness increase in the last eight years in most instances. In 2007, the level of household indebtedness in Australia, New Zealand, Korea and Singapore are actually higher than that of the US, while India's level is similar to the US. So consumers in Asia/Pacific will have to cope with rising uncertainty while managing -- and paying down where possible -- their debts.

For the region as a whole, the vast majority (87.4%) of consumers today consider saving as 'very important' or 'important'. Saving is clearly of even higher priority to those earning less than US\$10,000 a year, compared with those earning over, say, US\$30,000k a year. The precautionary motive for saving is by far the most important one with 65.5% of consumers stating it as their main reason for saving. After precautionary savings are set aside, the report found that the next three reasons to save were for 'retirement', for 'investment' and to 'buy property'.

After savings have been set aside, the research ought to identify the top three priorities for discretionary spending over the next 12 months; in summary, the priorities appear to be 'dining and entertaining', 'fashion and accessories' and 'children's education'. Close to 33% of consumers in Asia Pacific plan to spend less than 10% of their income on discretionary purchases in the next 12 months. A slightly smaller number, about 29% plans to spend between 10-20% of the income on discretionary purchases, followed by about 15% planning to spend between 20-30%.

**Conspicuously absent from the priority list everywhere are items like automobiles, white goods and consumer electronics**

The chart below summarizes the top three discretionary spending priorities across Asia-Pacific. Conspicuously absent from the priority list everywhere are items like automobiles, white goods and consumer electronics

**Chart 6: Regional Comparison of Top 3 Spending Priorities**

	Dining & Entertainment	Fitness and Wellness	Personal Travel	Fashion and Accessories	Children's Education	Buying and Upgrading Properties	Continuing Own Education
AU	60.3	-	59.0	53.5	-	-	-
CN	53.8	44.4	-	-	43.7	-	-
HK	81.0	-	55.1	74.6	-	-	-
IN	-	46.5	-	-	69.2	49.3	-
ID	74.4	-	-	71.9	59.5	-	-
JP	57.8	-	36.8	-	22.8	-	-
KR	-	-	-	33.0	43.8	-	19.8
MY	58.8	-	42.5	42.3	-	-	-
NZ	73.5	62.0	63.3	-	-	-	-
PH	-	-	-	46.3	68.8	48.0	-
SG	58.4	54.2	53.2	-	-	-	-
TW	69.5	-	52.8	43.3	-	-	-
TH	82.8	-	46.3	-	-	43.8	-
VN	75.8	-	-	61.0	57.0	-	-

*These research findings were derived from a new research project launched by MasterCard Worldwide called the Consumer Purchasing Priority Index. A full summary of the findings, edited by Yuwa Hedrick-Wong, are contained in MasterCard's Q4 2008 Insights Report. [Click here to download this report.](#)*

One key observation drawn from this report is that Asia's currently high precautionary savings rate across the region, all things being equal, translates, unfortunately for many marketers, into less discretionary spending in 2009.

**About Yuwa Hedrick-Wong and The Insight Bureau.**

Yuwa Hedrick-Wong coordinates MasterCard's MasterIntelligence Knowledge Panel, comprising leading economists and business strategists, many of whom are also members of The Insight Bureau's resource network, providing speeches and presentations at business conferences as well as confidential, in-house briefings to senior executives. Based in Singapore, Yuwa Hedrick-Wong is a highly respected global economist and Asia business strategist.

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