

Significant Improvement in Consumer Confidence

(5 January 2010, Hong Kong) There has been a significant improvement in local consumer confidence over the past three months, according to the fourth quarter consumer confidence survey released by the Bauhinia Foundation Research Centre (BFRC).

The improvement is particularly evident in the Bauhinia Hong Kong Consumer Confidence Index (BHKCCI), which has increased from 115.4 in the previous survey (September 2009) to **127.1** in December 2009.

However, consumers' expectation of economic conditions over the next 12 months has slightly weakened, as reflected in the Bauhinia Hong Kong Consumer Expectations Index (BHKCEI) which has dropped from 105.1 to **102.4** during the same period.

BFRC Chairman, Mr Anthony Ting Yuk Wu said: "An increase in the BHKCCI indicates consumers' optimism about the city's economy and its short-term prospects, which will be translated into higher consumer spending and investment over the next three months.

"But our BHKCEI shows that consumers have a more cautious and prudent outlook for the state of economy over a longer timeframe."

Regarding Hong Kong's employment situations, respondents' current perceptions have improved very significantly and their expectations for the next three months have improved significantly. The employment situation of respondents' family members over the past three months has remained unchanged; so is their expectation for the next three months.

Another component of the BHKCCI is property purchase by respondents' families. The percentage of families who had purchased properties over the past three months has declined significantly. But respondents' expectation for the next three months regarding property purchase by their families has improved significantly, as compared to the previous survey three months ago.

In fact, the sale and purchase agreements of residential properties in Hong Kong plunged to 9,300 and 9,213 in October and November respectively from 12,285 in September 2009.

Mr Wu said: "Hong Kong's property market has slowed down since last October not least because of the rising concerns over speculation and possible asset bubble. Nevertheless, our survey suggests that more respondents are likely to buy flats in the short-term future."

Respondents' expenses on daily necessities over the past three months have improved significantly; so are their expectations for the next three months. Their spending on non-recurrent large purchases over the past three months has been on a par with the previous survey, while their expectations for the next three months have improved significantly.

Marked improvements have also been recorded in respondents' investment in financial products over the past three months and their expectations for the next three months.

BHKCCI and BHKCEI are calculated from the index scores of the questions covered in a series of quarterly telephone surveys commencing June last year, and the index scores for the base period (June 2009) are set to be 100. An increase in an index indicates an improvement of consumer confidence or economic conditions and vice versa.

The data collection took place from 1st to 5th December, 2009 and respondents are permanent Hong Kong residents aged 18 or above. A total of 1,070 respondents were interviewed from a random sample.

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