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Media Release

Westpac MNI China CSI Increases to 121.2 in May from 117.3 in April

Highest since Jan as household anxieties wane on policy ease hopes

The Westpac MNI China Consumer Sentiment Indicator increased for the second consecutive month in May to the highest since January, amid growing confidence that the authorities will take action to support growth.

The Westpac MNI China CSI increased to 121.2 in May from 117.3 in April, a marked improvement from the lull seen in the previous three months. Confidence has been hit recently by concerns over the economy and the health of the financial system. A raft of minor stimulus measures in early April combined with measures to ensure the availability of mortgages, though, appears to have boosted sentiment.

The rise in sentiment was broad based with all five components increasing in May, in particular Business Conditions in One Year and Current Personal Finances. Expected Personal Finances and Business Conditions in Five Years also added significantly to households' confidence. The Durable Buying Conditions Indicator, which measures the willingness of consumers to buy a large household item, rose for the third consecutive month, but the degree of improvement lagged behind the other inputs to the Westpac MNI China CSI in May.

Consumers' attitudes towards real estate were noticeably firmer in May, despite the steady drumbeat of pessimism on the Chinese property market in both the local and international media. House price expectations increased notably in the month, fully reversing their combined March-April dip. Recent updates on house prices indicate that weakness is now more widespread than earlier in the year, with both the new and secondary dwelling markets visibly deteriorating. Countering that, selective policy easing has been announced in terms of both mortgage lending and local controls on investor activity. One

can infer from the May survey that consumers are anticipating that policy easing will eventually carry the day.

Consumers were also the most optimistic for three and a half years about buying a car in the next 12 months.

Commenting on the data, Chief Economist for MNI Indicators Philip Uglow said, "The May data showed a marked improvement from the past three months with consumers seemingly optimistic that the authorities won't stand by and let the economy weaken further. In spite of widespread concerns about the housing market, respondents were even more optimistic that prices will continue to rise."

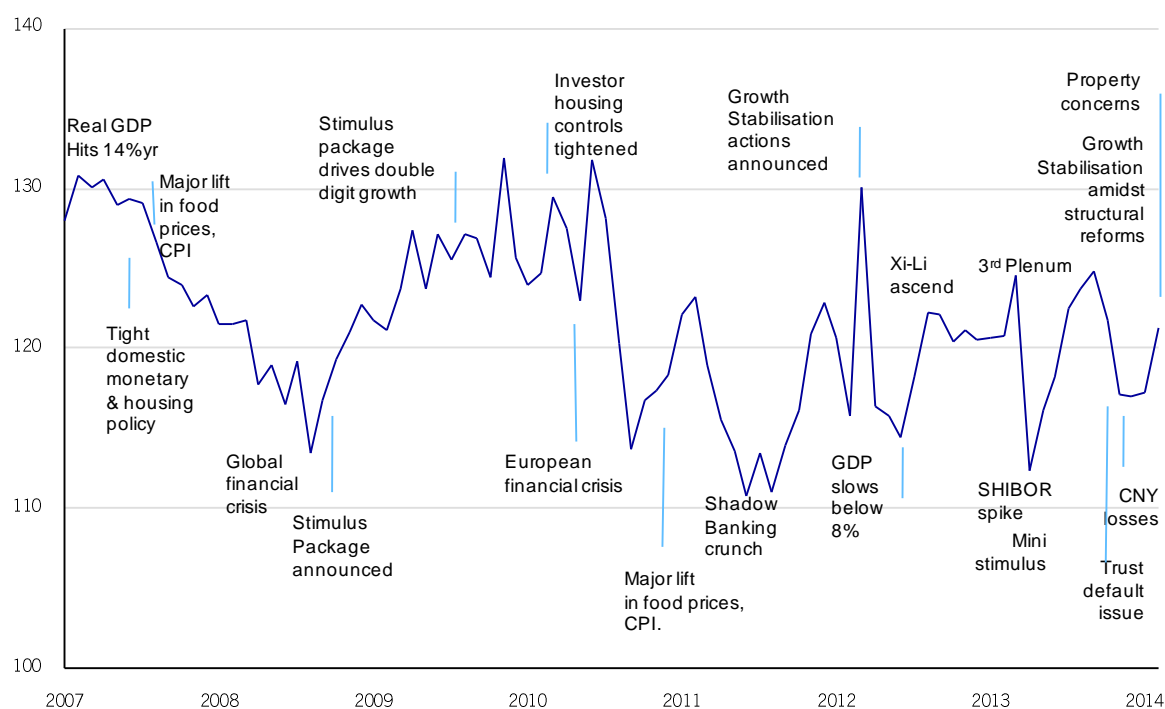
Westpac's Senior International Economist Huw McKay said, "While an undercurrent of caution still remains, the survey indicates that the anxieties gnawing away at the Chinese consumer through the first four months of the year lessened considerably in May. Encouragingly, the outlook for employment took a turn for the better in May, consistent with the improvement in responses regarding business conditions and family finances. It will be interesting to see how resilient consumers are to the latest shadow banking controls, which will be captured by the June survey".

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Westpac MNI China Consumer Sentiment Indicator - Event Map



About MNI Indicators

MNI Indicators is a product line that specialises in monthly business and consumer focused macro-economic reports that explore attitudes, perspectives and confidence across different regions designed to present an advance picture of the economic landscape and highlighting changing patterns and potential developments in business and consumer activities.

About MNI

MNI is the leading provider of news and intelligence, a wholly owned subsidiary of Deutsche Börse AG, one of the largest worldwide exchange organisations.

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.

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.