

Embargoed until 9:45 A.M. Beijing Time, 25 February 2015

Media Release

Westpac MNI China Consumer Sentiment Indicator Stable in February: Confidence Remains Low

Real Estate Sentiment Improves but Household Finances Under Pressure

Chinese consumer sentiment languished close to record lows in February as respondents reported a further deterioration in their personal finances to the weakest since December 2011.

The Westpac MNI China Consumer Sentiment Indicator decreased 0.1% on the month to 112.0 in February from 112.1 in January. Following the decline in confidence throughout 2014, sentiment has stabilised in recent months, but is hovering close to the record low of 110.8 seen in September 2011.

Both Current and Expected Personal Finances fell in February from already low levels. The former declined to the lowest since December 2011, while expectations gave up all the gain seen in January. The weakest responses came from higher income households and the 55-64 age group. Lower income households and the young were more positive. A rise in the proportion of respondents nominating the "self-insurance" categories of retirement and health care as their primary reason for savings is consistent with a rising level of anxiety among the older cohort.

The other three components that make up the Westpac MNI China CSI increased between January and February. Both short and long-term measures of business expectations improved slightly, widening the gap to current business conditions, which declined. There was also a pick-up in Durable Buying Conditions. This may well reflect declining prices at the factory gate flowing through to the perception of 'bargains' at the retail level.

Sentiment towards the housing market improved somewhat, with house price expectations increasing notably over the month and an increasing percentage of respondents reporting both that real estate was the wisest place to keep their savings and that their primary motivation for saving was a housing purchase. However, attitudes differ substantially by region, reflecting the

narrow nature of the property market stabilisation to date.

Commenting on the data, MNI Indicators Chief Economist Philip Uglow said, "While there has been a stabilisation in confidence in recent months following the decline in 2014, sentiment remains at a historically low level. So far there's sparse evidence that the more accommodative policy stance has had a material impact on our respondents."

Westpac's Senior International Economist Huw McKay commented that "Chinese consumers are dealing with conflicting emotions at present, with the bottoming in the property market in the coastal areas and a somewhat improved employment and business outlook juxtaposed with continued unease regarding their personal financial situation. While the overall tone of the survey has improved marginally over the last four months, the aggregate state of confidence is consistent with no more than an incremental gain in discretionary consumption outlays."

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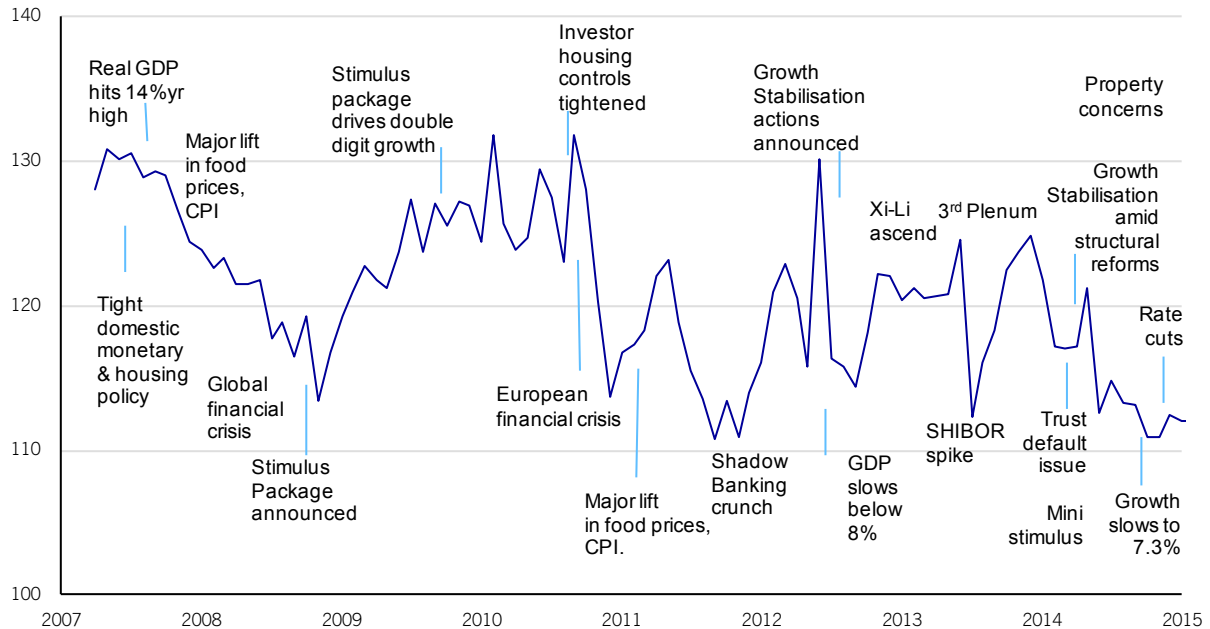
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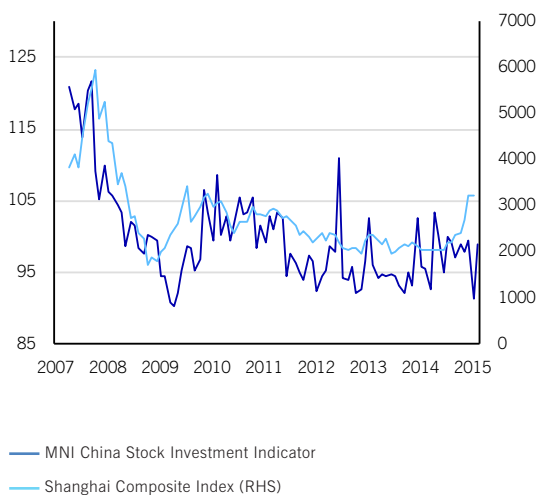
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Westpac MNI China Consumer Sentiment Indicator - Event Map



Focus On: Equities

MNI China Stock Investment Indicator



Mainland stock markets had a stellar 2014. Our survey respondents have had a hard time capitalising on the rally though, not least because a typical domestic fund will be invested in small and medium sized enterprises where performance has been far less impressive, as well as the recent clamp-down on margin lending.

The MNI Stock Investment Indicator, which measures consumer sentiment on the share market, is made up of three components, Investment Return, Stock Price Sentiment and Stock Market Expectations. February saw a marked increase in the indicator, led by a surge in the Investment Return component after January's crackdown on margin lending. It is worth noting that the Investment Return component remains below 100, implying that more respondents lost money on their positions than those who gained.

Westpac MNI China CSI and its five components

	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Westpac MNI China CSI	113.2	110.9	111.0	112.5	112.1	112.0
Personal Finances: Current	102.1	101.1	101.8	103.0	101.7	99.8
Personal Finances: Expected	113.5	110.7	112.0	112.0	114.2	111.3
Business Conditions: 1 Year	113.1	110.4	105.9	111.4	110.8	111.1
Business Conditions: 5 Years	134.3	131.3	132.1	135.1	133.1	134.7
Durable Buying Conditions	103.2	101.2	103.1	100.8	100.6	103.2

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

	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Westpac MNI China CSI	-0.1%	-2.0%	0.0%	1.3%	-0.3%	-0.1%
Personal Finances: Current	-2.3%	-1.0%	0.8%	1.1%	-1.3%	-1.9%
Personal Finances: Expected	-0.3%	-2.5%	1.2%	0.0%	2.0%	-2.6%
Business Conditions: 1 Year	2.0%	-2.3%	-4.1%	5.2%	-0.5%	0.3%
Business Conditions: 5 Years	0.2%	-2.2%	0.6%	2.3%	-1.5%	1.1%
Durable Buying Conditions	-0.2%	-2.0%	1.9%	-2.2%	-0.2%	2.6%

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

	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15	Feb-15
Westpac MNI China CSI	-4.3%	-9.5%	-10.3%	-9.9%	-7.9%	-4.4%
Personal Finances: Current	-9.2%	-14.6%	-14.8%	-13.4%	-14.6%	-11.9%
Personal Finances: Expected	-5.8%	-12.7%	-8.8%	-12.0%	-6.6%	-5.5%
Business Conditions: 1 Year	-4.1%	-7.6%	-14.7%	-9.9%	-7.2%	-3.6%
Business Conditions: 5 Years	0.8%	-5.2%	-7.4%	-6.1%	-4.0%	1.4%
Durable Buying Conditions	-3.7%	-7.6%	-6.0%	-8.9%	-7.9%	-3.3%

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, a wholly owned subsidiary of Deutsche Börse AG, and 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 and a sub-branch in the Shanghai Free Trade Zone.