

Are Happy Days Still Some Time Away?

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The Consumer Confidence Index of Malaysia increased only marginally from 94 to 96 in the third quarter, as measured by InsightAsia Research Group.

Confidence in Indonesia, Thailand and particularly Singapore saw sharper increases.

The view of Malaysian consumers on economic conditions has not changed much from the second to the third quarter.

Although consumers are optimistic about the future they are negative about the present.

The view on the current economy is still negative and consumers overall are slightly dissatisfied with their financial well-being.

The general feeling among consumers is that this is a bad time to buy major household products.

Reports have indicated that the impact of the global recession on the Malaysian economy is fading.

Economic contraction of 6.2% in the first quarter was followed by a smaller contraction of 3.9% in the second quarter.

Both the Malaysian Institute of Economic Research (MIER) and the Asian Development Bank (ADB) recently forecasted a third quarter contraction of around -3%.

But even though the economy is improving, the trend of decline is not yet reversed and positive growth has not resumed.

Consumers are mildly optimistic about the future. They expect the economy and their financial well-being to improve in the next 12 months, and are moderately optimistic about keeping their job and increasing their income.

The optimistic outlook of the future is in line with economic forecasts. The MIER and other organizations predict that the Malaysian economy will turn contraction into growth in the fourth quarter and throughout 2010.

The Consumer Confidence Index has increased stronger in neighboring countries Indonesia (+8), Thailand (+10) and particularly Singapore (+22). The index of Indonesia was fuelled by strong optimism about the future and moved up from 97 to 105.

Thailand grew from 78 to 88 and is now catching up with Malaysia after being impacted not only by the global recession but also by domestic political instability earlier in the year.

Confidence in economic conditions increased sharply in Singapore. In the first quarter Singapore had the lowest score of all countries in the survey at 62, as predictions were particularly pessimistic for the city state with an open economy.

However continuing signs of recovery have led to strong increases of consumer confidence in the second and third quarter. Singapore boosted its index with 22 points in the third quarter, from 88 to 110.

China is the only country that registered a decrease. Chinese consumers were very optimistic in the second quarter, following a very strong governmental economic support policy and improved bank loan conditions.

The high Consumer Confidence Index of 123 in June was corrected to 111 in September.

The Chinese economy is still strong, but a decreased stock market index and the announcement of lower government support have curbed Chinese consumer confidence somewhat.

Malaysian consumers had increased their confidence in the second quarter as the impact of the global recession appeared to be less severe than was feared.

The third quarter has not seen another significant increase of consumer confidence as the Malaysian economy has been recovering in a slow pace. A turnaround is predicted in the fourth quarter, driven by government spending and increasing exports.

If these expectations are met, consumer confidence may be lifted and consumer spending could further support the Malaysian economy on its way back to growth.

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