The State Of The Nation

Report 4 – Spotlight on the Wealth Effect and Investor Stress will be available soon at www.roymorganonlinestore.com
The most important problem facing the World, according to a 2009 survey by Roy Morgan Research, is Economic Issues, accounting for 51% of responses.

Environmental Issues come in second, with 17% of respondents citing them as the most important problem.

Terrorism is the least concerning issue, with only 1% of respondents selecting it as the most important problem.

The survey was conducted as a Nationwide telephone poll (n=684) from May 20-21, 2009, with data from the Australian Population 14+.

Source: Roy Morgan Research

*Roy Morgan Nationwide telephone poll (n=684) May 20-21, 2009; Aust. Population 14+*
Most important problem facing Australia

Source: Roy Morgan Research

### Australia Today

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Confidence</td>
<td>101.2</td>
</tr>
<tr>
<td>Unemployment</td>
<td>7.1%</td>
</tr>
<tr>
<td>(Including Underemployed)</td>
<td>14.9%</td>
</tr>
<tr>
<td>Voting Intention</td>
<td>ALP 58% vs. L-NP 42%</td>
</tr>
<tr>
<td>Better PM</td>
<td>Rudd 60.5% vs. Turnbull 26.5%</td>
</tr>
</tbody>
</table>

Source: Roy Morgan Research

1. Roy Morgan Face-to-Face Survey (n=1122) May 16-17, 2009; Aust. Population 14+
2. Roy Morgan Face-to-Face Survey (n=4315) April, 2009; Aust. Population 14+
3. Roy Morgan Face-to-Face Survey (n=999) May 16-17, 2009; Electors
4. Roy Morgan Nationwide telephone poll (n=873) May 20-21, 2009; Electors
Key Areas of Change

Society .........................................................

Technology ....................................................

Economy ........................................................

Political ........................................................

Environment ......................................................
SOCIETY
Ageing Population

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
SOCIETY
Rising Education Level

Degree

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
SOCIETY

Occupation

- Blue Collar Workers/Farm Workers: 22%
- Clerical: 12%
- Managers: 13%
- Other White Collar Workers: 9%
- Professional: 5%
- Small Business Owners/Farm Owners: 1%

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
Change in Household Structure

- **No Children in Household**: 61% in Jun 98, 63% in Jun 08
- **Married**: 56% in Jun 98, 52% in Jun 08
- **Living with Partner and Children**: 38% in Jun 98, 35% in Jun 08
- **Older Household**: 15% in Jun 98, 18% in Jun 08
- **De Facto Relationship**: 5% in Jun 98, 8% in Jun 08

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
Discover your edge

SOCIETY
Home Ownership

Own Home: 46% to 39%
Rent: 26% to 29%
Paying Off: 28% to 32%

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
SOCIETY
Country of Birth

Discover your edge

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
Society

Cuisine

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.

Chinese
- 78%
- 75%

Italian
- 59%
- 62%

Thai
- 41%
- 50%

Indian
- 32%
- 43%

Japanese
- 24%
- 29%
SOCIETY
Australians Becoming More Progressive

Progressive viewpoint on social issues and social trends

Attracted to new things and new ideas

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
**SOCIETY**

**Australians Becoming More Progressive**

- Religion should be taught once a week in Government schools: 67% (Jun 98) to 61% (Jun 08)
- The fundamental values of our society are under serious threat: 69% (Jun 00) to 62% (Jun 08)
- Homosexual couples should be allowed to adopt children: 32% (Jun 98) to 43% (Jun 08)
- Computers and technology give me more control over my life: 23% (Jun 98) to 35% (Jun 08)
- Women should take care of running their homes and leave running the country to men: 9% (Jun 98) to 8% (Jun 08)

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
Safety

Crime is a growing problem in my community

I'm security conscious

I feel less safe than I used to

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
TECHNOLOGY

- Mobile phones, Internet & Broadband
- New Technology
- Media Consumption
- Banking & Finance
- Shopping on the Internet
TECHNOLOGY
Telecommunication Take-Up

Have home phone connected

Main user of a mobile phone

Used a computer at home in last 3 months

Have Internet connection at home

Subscribe to Pay TV at home

Have Broadband service at home

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
TECHNOLOGY
Ownership of New Technological Product Increasing

- Own a PC
- Own a digital camera valued over $150
- Already Use / Likely to use VoIP
- Own a plasma or LCD TV
- Own a DVD Recorder
- Own a 3G mobile phone
- Own a digital camera valued over $150

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
TECHNOLOGY
Media Consumption Over Time

- Watched any Commercial TV on a normal weekday: 93%
- Read any Magazine (last issue): 83%
- Read any Newspaper in last 7 days (excl. Community Newspapers): 79%
- Listened to any Commercial Radio on a normal weekday: 73%
- Accessed the Internet at least monthly: 64%
- Read any Local/Community Newspapers in the last 7 days: 45%
- Been to Cinema in last 4 weeks: 25%
- Watched Pay TV in the last 7 days: 21%

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
TECHNOLOGY
Website Visitation

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
Technology and Banking

- Used an ATM: 76%
- Total Visited Any Branch: 47%
- Total Used Phone Banking: 21%
- Used Internet to Access Financial Services Information: 8%
- Used Internet to Conduct Banking: 26%

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
TECHNOLOGY
Shopping on the Internet

TOTAL Ever Accessed the Internet

TOTAL Ever Bought on the Internet

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average
ECONOMY

- Unemployment & Workforce Participation
- Consumer Confidence
- Lead Indicators – Share Market, Interest Rates, Exchange Rates, Superannuation
- Attitudes to Economy and Government Performance
Unemployment

Source: ABS, Roy Morgan Research; Monthly Average

<table>
<thead>
<tr>
<th>Year</th>
<th>ABS Original</th>
<th>ABS Seasonally Adjusted</th>
<th>Roy Morgan Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>6.9%</td>
<td>6.9%</td>
<td>9.4%</td>
</tr>
<tr>
<td>2005</td>
<td>5.4%</td>
<td>5.7%</td>
<td>7.1%</td>
</tr>
<tr>
<td>2009</td>
<td>5.4%</td>
<td>5.7%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>
Unemployment by Age group

Base: Aust population aged 18+ in workforce; Source: Roy Morgan Research; Discrete Quarters
ECONOMY
Real Growth in Employment

Proportion of population employed

60.3% (10.5m)
55.7% (8.3m)

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
Roy Morgan Consumer Confidence – Long Term

Base Aust Population aged 14+; Source: Roy Morgan Research.
Roy Morgan Consumer Confidence – Short Term

Oct. 2007 Share market peak, S&P/ASX 200 index

May 2008 Record high petrol price - hitting $1.50 per litre

July 2008 Share market S&P/ASX 200 index = 4977

8th Oct. Government deposits guarantee announced; 14th Oct. $10.4b stimulus package announced

Nov. 2007 RBA increased OCR to 6.75% on 7th; Kevin Rudd won on election on 24th.

22nd Jan. 2008 Share market crash, ASX200 dropped to 5253.

6th Feb. 2008 RBA increased OCR to 7%

5th Mar. 2008 RBA increased OCR to 7.25%, the highest in 12 years

Jan. 2009 Large job cut by major Australian companies

5th Nov. 2008 RBA cut OCR to 5.25%

3rd Dec. 2008 RBA cut OCR to 4.25%

3rd Sep. 2008 RBA cut OCR to 7%

3rd Feb. 2009 $42b stimulus package introduced; 4th Feb. RBA cut OCR to 3.25%, lowest since 1964

5th Nov. 2008 RBA cut OCR to 5.25%

4th Mar. ABS announced a 0.5% contraction in GDP growth during Dec 08 quarter.

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5th Nov. 2008 RBA cut OCR to 5.25%

April 2009 ABS March unemployment rate rose to 5.7%

Mar. 2009: Share market S&P/ASX 200 index = 3582

2007

2008

2009

Base Aust Population aged 14+; Source: Roy Morgan Research;
### Impact of Consumer Confidence Level on Economic Activity (Jul-Dec 08)

**Base Aust Population 14+ (unless otherwise specified); Source: Roy Morgan Research; Jul-Dec 2008**

<table>
<thead>
<tr>
<th>Intent</th>
<th>Very Unconfident</th>
<th>Unconfident</th>
<th>Confident</th>
<th>Very Confident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buy or build new property in next 12 months</td>
<td>4.1%</td>
<td>3.1%</td>
<td>2.7%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Buy an established property in next 12 months</td>
<td>9.6%</td>
<td>6.9%</td>
<td>5.6%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Travel overseas in next 12 months</td>
<td>17.4%</td>
<td>15.8%</td>
<td>14.3%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Buy a used vehicle within 1 year (18+)</td>
<td>10.0%</td>
<td>6.7%</td>
<td>5.2%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Buy a new vehicle within 1 year (18+)</td>
<td>4.9%</td>
<td>3.7%</td>
<td>3.1%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>
ECONOMY
Housing Interest Rates

Source: Reserve Bank of Australia
ECONOMY
Mortgage Risk

Source: Roy Morgan Research; 3 month moving average
ECONOMY
One Year Term Deposit Rate

Source: Reserve Bank of Australia
Petrol Price

Monthly Metro Unleaded Petrol Price

Source: FuelWatch
ECONOMY
Exchange Rates

AUD Vs USD

Source: Reserve Bank of Australia
Discover your edge

ECONOMY
Share Market

Source: Reserve Bank of Australia
Total Superannuation Assets

- $245 bn
- $1,054 bn

Source: APRA
ECONOMY
Attitudes towards the Economy, Finance and Government

I don’t trust the current Australian Government

The government is doing a good job running the country

Recently I’ve cut down my spending

I’m worried about interest rates at the moment

Australian economy appears to be improving

Base Aust Population aged 14+; Source: Roy Morgan Research; 3 month moving average.
• Voting Intentions
POLITICS

Voting Intentions

Howard re-elected for a 3rd term at 2001 Election soon after September 11 and the controversy of the Tampa refugees incident. LNP (51%); ALP (49%)

Introduction of the Controversial GST Legislation - July 2000

Latham replaces Crean as Opposition Leader in December 2003.

Howard re-elected for a 4th and final term at 2004 Election as Mark Latham implodes LNP (52.5%); ALP (47.5%)

Turnbull replaces Nelson as Opposition Leader in September 2008

Rudd brings the ALP back into Government after 11 years in Opposition. ALP (52.5%); LNP (47.5%). Brendan Nelson becomes the new Opposition Leader.

Beazley replaces Latham as Opposition Leader in January 2005

Crean replaces Beazley as Opposition Leader after 2001 Election defeat

ALP: 58%

L-NP: 42%

Base: Electors; Source: Roy Morgan Research
ENVIRONMENT

- Environmental Attitudes
- Behaviour
ENVIROMENT
Environment as an Issue has come of Age

If we don't act now we'll never control our environmental problems
89%

I try to recycle everything I can
80%

At the heart I'm an environmentalist
63%

'Environmentally friendly' products are overpriced
62%

23% Threats to the environment are exaggerated

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
ENVIRONMENT
Air Conditioner and Solar Hot Water Service

Base Aust Population aged 14+; Source: Roy Morgan Research; 12 month moving average.
Investor Stress
Investor Stress

- The Effect of the Global Financial Crisis (GFC) on Australian Consumers via the “Negative Wealth Effect”.
Introduction to Investor Stress

- What is the effect of the GFC on Australian consumers?
- In the US and UK, the GFC’s most immediate effect is on housing and unemployment due to bad loans and increased interest rates, as Banks restrict credit or foreclose loans on both businesses and consumers. We will not address these issues here.
- In Australia the most immediate impact of the GFC has been through the downturn in financial markets – which is assumed to impact consumers through the “Negative Wealth Effect” or “Investor Stress”.

What is the Wealth Effect?

• The Wealth Effect, simply stated, is the theory that as consumers grow richer – through increasing value of the investments or assets – they are inclined to spend more money.

• The negative version of this, or “Investor Stress” effect, assumes that as wealth decreases, consumers are less inclined to spend money.

• The purpose of this research is to show to what extent the “Investor Stress” effect has impacted Australian consumers.
Understanding the Data

• The following data examines the absolute dollar returns on investments and its effect on “Retail Discretionary Expenditure”. We are using absolute $ returns (rather than % returns) as this is the simplest definition of “increasing value” in wealth or assets and determines expenditure levels.

• Roy Morgan Single Source captures the value of a wide range of assets, including owner occupied housing, investment properties, bank deposits, superannuation, managed investments and shares.
Understanding the Data

• Using external data on the rates of return and appreciation of these assets, an overall level of absolute returns has been estimated for each investor. The figures estimate the annual return over the preceding 12 months, and are adjusted each quarter.

• Lastly, our definition of “Retail Discretionary Expenditure” includes purchases of almost any good that is neither food, drink nor groceries from a retailer or department store in Australia.
Average Absolute Returns over Time

Average Annual Investor Returns (Including Owner Occupied Home)

Discrete Quarters

Base Aust Population aged 14+; Source: Roy Morgan Research;
Distribution of Returns over Investor Population

Base Aust Population aged 14+; Source: Roy Morgan Research;
Values of All Investments

Base Aust Population aged 14+; Source: Roy Morgan Research;
% of all Investment Dollars (Exc. Owner Occupied Home)

First Quintile* (Lowest)
(Average $1.1K, Min $3.6K, Max $20.3K), 0.1%

Second Quintile*
(Average $10.9K, Min $3.6K, Max $20.3K), 1.3%

Third Quintile*
(Average $40.3K, Min $20.4K, Max $72.5K), 4.6%

Fourth Quintile*
(Average $124.3K, Min $72.6K, Max $218.4K), 14.3%

Fifth Quintile* (Highest)
(Average $691.8K, Min $218.5K), 79.7%

Base Aust Population aged 14+; Source: Roy Morgan Research; Jul-Dec 2008
*Excluding Owner Occupied Home
Retail Discretionary Expenditure ($m)

Source: Australian Bureau of Statistics
Consumer Spending and Intention Changes

<table>
<thead>
<tr>
<th></th>
<th>6 Months to Dec 2007</th>
<th>6 Months to Dec 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Retail $’s spent last 4 weeks</td>
<td>$464.50</td>
<td>$455.50</td>
</tr>
<tr>
<td>New Car Buying Intention in next 12 months</td>
<td>3.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>$ spent on &quot;going out&quot; in last 7 days</td>
<td>$60.48</td>
<td>$60.51</td>
</tr>
<tr>
<td>Intention to Travel Overseas next 12 months</td>
<td>15.0%</td>
<td>16.6%</td>
</tr>
</tbody>
</table>

Base Aust Population aged 14+; Source: Roy Morgan Research;
Average Retail Discretionary Expenditure Data for Wealth Quintiles 2007 vs. 2008

<table>
<thead>
<tr>
<th>Wealth Quintile*</th>
<th>$ Spend in Last 4 Weeks</th>
<th>6 Months to Dec 2007</th>
<th>6 Months to Dec 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fifth (Highest)</td>
<td>$647</td>
<td>$613</td>
<td></td>
</tr>
<tr>
<td>Fourth</td>
<td>$534</td>
<td>$492</td>
<td></td>
</tr>
<tr>
<td>Third</td>
<td>$489</td>
<td>$516</td>
<td></td>
</tr>
<tr>
<td>Second</td>
<td>$372</td>
<td>$373</td>
<td></td>
</tr>
<tr>
<td>First (Lowest)</td>
<td>$248</td>
<td>$249</td>
<td></td>
</tr>
</tbody>
</table>

Base Aust Population aged 14+; Source: Roy Morgan Research;
*Excludes value of owner occupied homes
Intention to Purchase a New Car in Next 12 Months for Wealth Quintiles 2007 vs. 2008

Base Aust Population aged 14+; Source: Roy Morgan Research;
*Excludes value of owner occupied homes
Expenditure on 'Going Out' for Wealth Quintiles 2007 vs. 2008

- **Fifth (Highest)**:
  - 6 Months to Dec 2007: $78.0
  - 6 Months to Dec 2008: $77.0

- **Fourth**:
  - 6 Months to Dec 2007: $60.0
  - 6 Months to Dec 2008: $61.0

- **Third**:
  - 6 Months to Dec 2007: $61.0
  - 6 Months to Dec 2008: $60.0

- **Second**:
  - 6 Months to Dec 2007: $59.0
  - 6 Months to Dec 2008: $67.5

- **First (Lowest)**:
  - 6 Months to Dec 2007: $37.0
  - 6 Months to Dec 2008: $43.0

Base Aust Population aged 14+; Source: Roy Morgan Research;
*Excludes value of owner occupied homes
Intention to Travel Overseas in Next 12 Months for Wealth Quintiles 2007 vs. 2008

<table>
<thead>
<tr>
<th>Wealth Quintile*</th>
<th>6 Months to Dec 2007</th>
<th>6 Months to Dec 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>First (Lowest)</td>
<td>9.0%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Second</td>
<td>13.5%</td>
<td>15.5%</td>
</tr>
<tr>
<td>Third</td>
<td>15.0%</td>
<td>16.5%</td>
</tr>
<tr>
<td>Fourth</td>
<td>16.0%</td>
<td>16.0%</td>
</tr>
<tr>
<td>Fifth (Highest)</td>
<td>22.0%</td>
<td>24.0%</td>
</tr>
</tbody>
</table>

Base Aust Population aged 14+; Source: Roy Morgan Research;
*Excludes value of owner occupied homes
Average Retail Discretionary Expenditure by Different Subgroups within the Top 20%

- Age 14-29: $483 in 2007, $625 in 2008
- Age 45-59: $479 in 2007, $655 in 2008
- Age 60+: $479 in 2007, $580 in 2008
- Not Employed: $672 in 2007, $700 in 2008

Base Aust Population aged 14+; Source: Roy Morgan Research;
Intention to Buy Car in Next 12 months by Different Subgroups within the Top 20%

Base: Aust Population aged 14+; Source: Roy Morgan Research;
Average Expenditure 'Going Out' by Different Subgroups within the Top 20%

<table>
<thead>
<tr>
<th>Age Group</th>
<th>6 Months to Dec 2007</th>
<th>6 Months to Dec 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 14-29</td>
<td>$109</td>
<td>$108</td>
</tr>
<tr>
<td>Age 30-44</td>
<td>$88</td>
<td>$96</td>
</tr>
<tr>
<td>Age 45-59</td>
<td>$75</td>
<td>$75</td>
</tr>
<tr>
<td>Age 60+</td>
<td>$61</td>
<td>$66</td>
</tr>
<tr>
<td>Employed</td>
<td>$83</td>
<td>$80</td>
</tr>
<tr>
<td>Not Employed</td>
<td>$64</td>
<td>$66</td>
</tr>
<tr>
<td>Self-funded Retirees</td>
<td>$68</td>
<td>$67</td>
</tr>
</tbody>
</table>

Base Aust Population aged 14+; Source: Roy Morgan Research;
Intention to Travel Overseas in Next 12 Months by Different Subgroups within the Top 20%

<table>
<thead>
<tr>
<th>Subgroup</th>
<th>6 Months to Dec 2008</th>
<th>6 Months to Dec 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 14-29</td>
<td>20.5%</td>
<td>21.5%</td>
</tr>
<tr>
<td>Age 30-44</td>
<td>21.5%</td>
<td>22.0%</td>
</tr>
<tr>
<td>Age 45-59</td>
<td>22.0%</td>
<td>22.5%</td>
</tr>
<tr>
<td>Age 60+</td>
<td>22.0%</td>
<td>22.5%</td>
</tr>
<tr>
<td>Employed</td>
<td>22.5%</td>
<td>23.0%</td>
</tr>
<tr>
<td>Not Employed</td>
<td>19.0%</td>
<td>20.0%</td>
</tr>
<tr>
<td>Self-funded Retirees</td>
<td>19.0%</td>
<td>20.5%</td>
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</tbody>
</table>

Base Aust Population aged 14+; Source: Roy Morgan Research;
This analysis provides a framework to monitor the coming months in terms of the likely consequences of the GFC for Australian consumers.
So What?
• ‘Retail sales’ is not a lead indicator, it is a lag indicator

• Unemployment and under-employment are the key indicators for the economy today.

• Small business is already showing signs of pain and frustration with the banks (see next slide)

• The sleeper is the blame and criticism that will be levelled at the ‘superannuation’ system – including the Government for enforcing contributions to super and fund managers.
Small Business Owner Satisfaction with Major Banks

*Small Business Owners (including Agriculture) includes respondents aged 14+ in a workplace with 1-19 employees, who are either self-employed or occupation is Owner, partner or Proprietor.

Source: Roy Morgan Research.
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