

Dining and Entertainment Remains Top Spending Priority for Hong Kong's Consumers: MasterCard Survey

Saving for Precautionary Purposes with Retirement, Travel and Investment Among Top 3 Saving Priorities in Hong Kong

Hong Kong, 3 July, 2009: The mantra *Eat, Drink and Be Merry* is holding strong among consumers in Hong Kong, as in the rest of Asia/Pacific, Middle East and Africa. According to the MasterCard survey on Consumer Purchasing Priorities released today, the region's consumers are expecting Dining and Entertainment to be their top spending priority for the next six months. The category topped the list for discretionary spending in 18 of the 21¹ markets across Asia/Pacific, Middle East and Africa, including Hong Kong and China. It also topped the previous survey released in December 2008.

The MasterCard Survey on Consumer Purchasing Priorities, released twice yearly, provides valuable insights into consumers' discretionary spending priorities for the six months ahead. The latest survey was conducted from 23 March to 18 April, 2009 and involved 9,211 consumers from 21 markets. Data collection was via personal, telephone and Computer Aided Telephone interviews, with the questionnaire translated to the local language wherever appropriate and necessary.

The MasterCard Worldwide Index of Consumer Purchasing Resilience measures the resilience of the top planned expenditure categories of consumers to spending cutbacks. The Index is derived from the following data - the categories of goods and services that consumers would spend on in the coming six months, how important each of these categories is to consumers and if they would cut back on their discretionary spending over the next six months. A score of over 50 indicates that planned expenditure is unlikely to be cut back; whereas a score below 50 suggests that it is vulnerable to cutback in spending by households. *The Index and its accompanying reports do not represent MasterCard financial performance.*

¹ *Markets surveyed include Australia, China, Egypt, Hong Kong, India, Indonesia, Japan, Kuwait, Lebanon, Malaysia, New Zealand, Philippines, Qatar, Saudi Arabia, South Korea, South Africa, Singapore, Taiwan, Thailand, United Arab Emirates and Vietnam.*

In Hong Kong, 400 consumers participated in the survey. In terms of **savings**, 44% indicated they plan to save the same in the coming 6 months compared with the previous 6 months, 24 % said they will save more and 32% said they will save less. Of those who said they were going to save the same as or more than they did in the past six months, 67% are saving for precautionary purposes (compared to 57% six months ago). The increase in precautionary savings is because respondents perceive the economic outlook as very uncertain and so they need to be prepared for unforeseen emergency expenditures.

The top three reasons for saving are Retirement (49% respondents; on par with the Asia/Pacific average of 49%), Personal Travel (44%; more than double that of the Asia/Pacific average of 20%) and Investments (42%; slightly lower than the Asia Pacific average of 45%). At the same time, of the 32% of respondents who indicated they are planning to save less, the main reasons are that they “do not earn enough to save” (65%), “high inflation” (60%) and “low interest rates/low returns” (40%).

In terms of spending, 58% of the respondents indicated they plan to maintain their level of discretionary spending in the next six months at the same levels as compared to the last six months, whilst 11% indicated that they plan to increase and 32% plan to decrease discretionary spending in the next six months.

Looking at purchasing priorities, Dining and Entertainment (85%; slight increase from 81% six months ago), Fashion and Accessories (48%; drop from 75% six months ago) and Personal Travel (42%; a decrease as compared to 55% six months ago) are the top three most popular discretionary/recreation spending categories. These categories are also resilient to cutbacks in consumer spending. According to the results of the MasterCard Worldwide Index of Consumer Purchasing Resilience, the top three most resilient purchasing priorities for consumers in Hong Kong are Continuing Education for Self Improvement (78), Dining and Entertainment (60) and Personal Travel (58). Other categories that are less vulnerable to spending cutbacks include Fashion and Accessories (56) and Consumer Electronics (52).

In the Asia/Pacific, Middle East and Africa region, Dining and Entertainment (as indicated by 69% of the region's respondents), Fashion and Accessories (49%), Fitness and Wellness (36%), Consumer

Electronics, and Children's Extra-Curricular Activities/Private Tuition² (34% each) are the top spending priorities for the next six months.

Dining and Entertainment is also among the top three categories most resilient to cutbacks in consumer spending in the Asia/Pacific, Middle East and Africa region. It registered a score of 69 in the MasterCard Worldwide Index of Consumer Purchasing Resilience, behind spending on Children's Extra-Curricular Activities/Private Tuition (87), and Fitness and Wellness (78). Consumer Electronics (67), and Fashion and Accessories (65) also showed resilience to cutbacks.

The survey also found that the majority of consumers in the region are planning to maintain their discretionary spending in the second half of the year at the same levels as six months ago. China (70%), Kuwait (69%), Saudi Arabia (67%) and Japan (63%) have the highest percentage of consumers planning to maintain their discretionary spending, while Qatar (21%), South Africa and India (20% each) have the highest percentage of consumers planning to increase their discretionary spending in the next six months.

Dr Yuwa Hedrick-Wong, economic advisor, Asia/Pacific, MasterCard Worldwide said, "The global recession does not appear to have a serious impact on the urban middle class in the Asia/Pacific, Middle East and Africa region compared with previous recessions. Private consumption is holding up well in the region; and in many markets, consumers are either planning to maintain or increase their discretionary spending in the next six months. Everything else being equal, the latest findings in consumer purchasing priorities are very positive for a stronger outlook of domestic consumption going forward, in spite of persistent uncertainty in the global economy."

Market highlights include:

Asia/Pacific

Consumer Purchasing Priorities for the Second Half of 2009

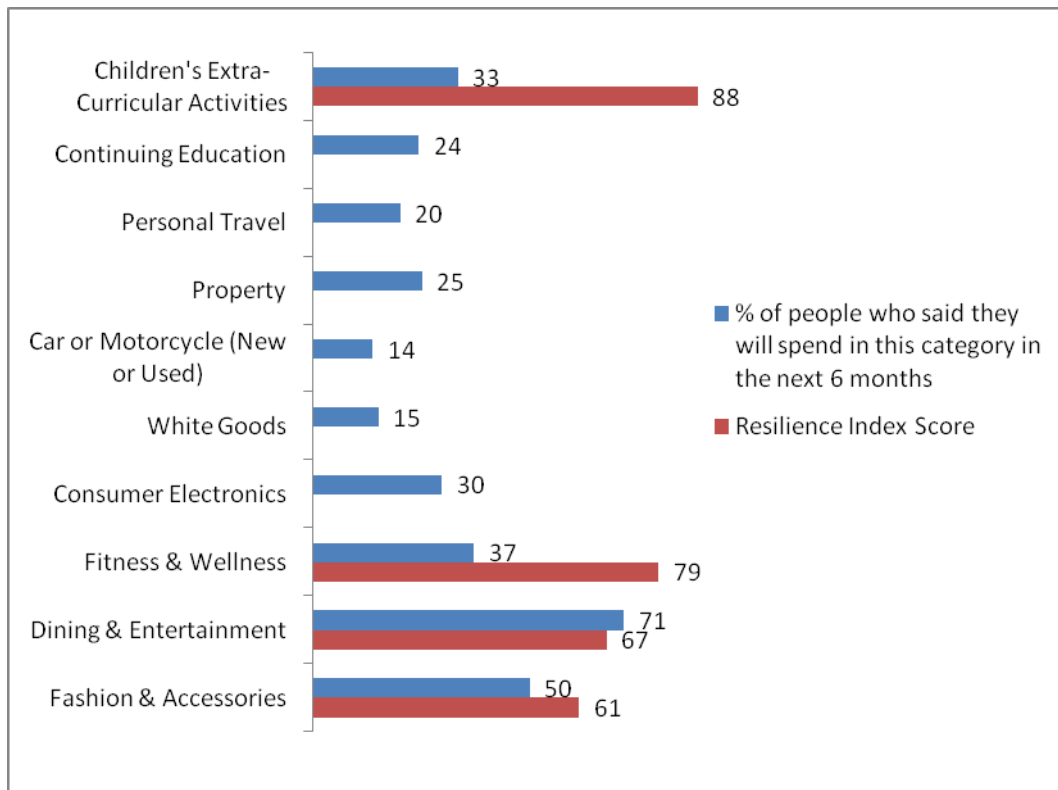
- The majority of consumers in China (70%), Japan (63%), Indonesia (59%), India and Hong Kong (58% each) plan to maintain their discretionary spending in the next six months at the same level as they did six months ago.

² This refers to optional children's educational activities and enhancement programs that are over and above mandated schooling/education.

- In Taiwan (62%), the Philippines (54%), Malaysia (49%), New Zealand and Thailand (46% each), the majority of consumers are looking to reduce their discretionary spending in the next six months.
- Spending on Dining and Entertainment ranks top priority for consumers in Asia/Pacific (71%), in the coming six months. It took the top spot in 12 of the 14 markets surveyed in Asia/Pacific: Thailand (100%), Indonesia (89%), Hong Kong (85%), China (83%), New Zealand (79%), Vietnam (78%), Malaysia (76%), Taiwan (73%), Australia (70%), India (67%), Japan (48%) and Singapore (43%). Compared to six months ago, more consumers in Asia/Pacific are prioritizing Dining and Entertainment for discretionary spending in the coming six months (71% currently vs. 59% six months ago).
- More consumers plan to spend on Fashion and Accessories (50%) compared to six months ago (46%) It was among the top three spending priorities for consumers in Indonesia (73%), China (63%), the Philippines (61%), Vietnam (60%), Australia (58%), New Zealand and Thailand (55% each), Hong Kong and India (48% each), Taiwan (41%), Singapore (40%), Malaysia (38%) and South Korea (35%).
- More consumers also plan to spend on Fitness and Wellness (37%), compared to six months ago (34%), with consumers in India (66%) leading the pack. This category is among the top three spending priorities for consumers in New Zealand (53%), Australia (47%) and Malaysia (37%).
- While personal travel was among the top three categories of discretionary spending for consumers in 10 of the 14 markets in the last survey, only consumers in Hong Kong (42%) and Singapore (30%) now consider it among their top three discretionary spending priorities for the six months ahead.

Resilience to Cutbacks on Spending

- Spending on Children's Extra Curricular Activities/Private Tuition is the most resilient to cutbacks, with Vietnam (Resilience Index score: 96), China (95) and the Philippines (91) demonstrating the most resilience in this category.



**To maintain the statistical robustness of the Index, a Resilience Index Score is presented only if a category received a market response of 30% or more*

Middle East and Africa

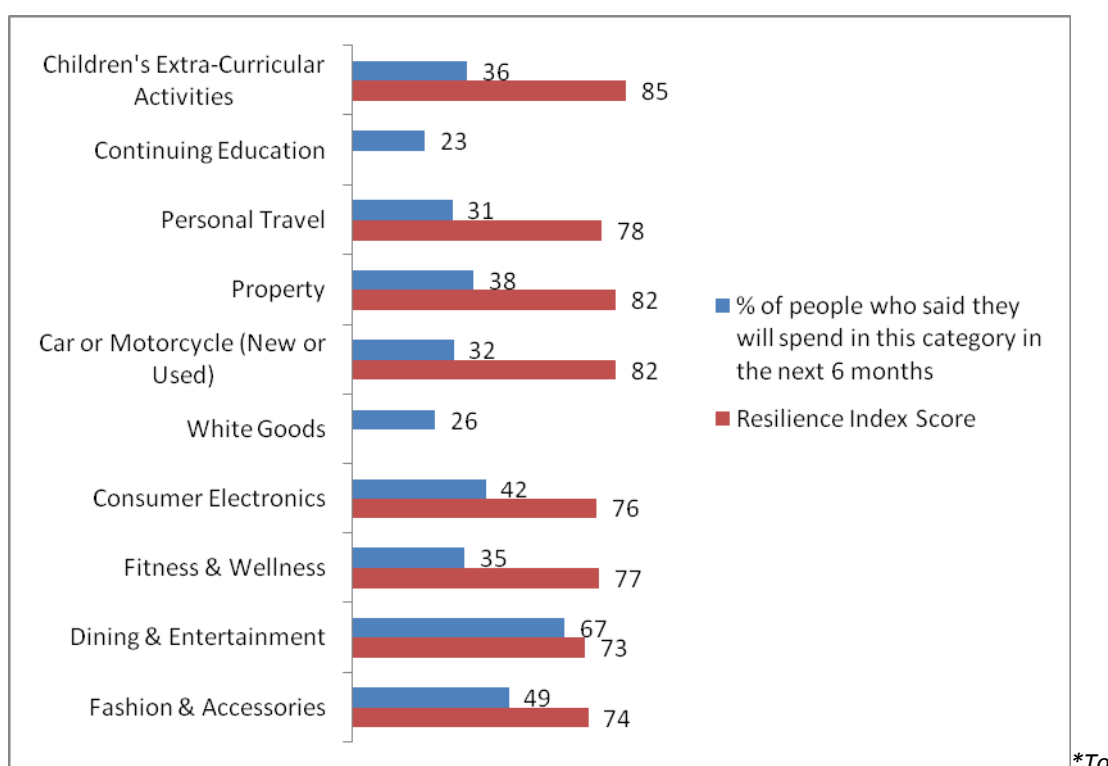
Consumer Purchasing Priorities for the Second Half of 2009

- A majority of consumers in Kuwait (69%), Saudi Arabia (67%) and Lebanon (61%) plan to maintain their discretionary spending for the next six months at the same level as it was six months ago. Consumers in the UAE (53%), Egypt (51%) and South Africa (43%) are looking to reduce their discretionary spending in the coming six months.
- Qatar has the highest percentage of consumers planning to increase their discretionary spending in the next six months (21%), followed by South Africa (20%).
- Spending on Dining and Entertainment (67%) ranks top in priority for consumers in the Middle East and Africa for the next six months. It is the top category of discretionary spending for consumers in Saudi Arabia (88%), Kuwait (86%), Egypt (73%), Lebanon (71%), the UAE (57%) and South Africa (48%). For consumers in Qatar, it is the second most popular category of spending (51%).
- More consumers in the Middle East and Africa are prioritizing Fashion and Accessories for discretionary spending in the coming six months (49%), compared to six months ago (39%). It is among the top three categories for consumers in Egypt (58%), Qatar (53%), South Africa (48%), Lebanon (42%) and the UAE (40%).

- Purchase of Consumer Electronics (42%) is among the top three discretionary spending categories for consumers in Egypt (56%), Kuwait (51%) and Qatar (24%).

Resilience to Cutbacks on Spending

- Spending on Children’s Extra Curricular Activities/Private Tuition is the most resilient in the Middle East and Africa, with an Index score of 86. This is followed by spending on Automobile and Buying/Upgrading/Renovating Property (Index score of 82 each). Personal Travel also showed resilience to cutbacks on spending, with an Index score of 78.



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More information on the research can be found on the website: www.masterintelligence.com

MasterCard and its Suite of Research Properties

Based on the MasterCard Survey on Consumer Purchasing Priorities, the MasterCard Worldwide Index of Consumer Purchasing Resilience is part of the MasterCard Worldwide Index suite of research products in Asia/Pacific, Middle East and Africa. The others include the MasterCard Worldwide Index of Consumer Confidence and MasterCard Worldwide Index of Women’s Advancement.

Besides these, MasterCard also regularly releases its Insights reports; the series is part its ongoing research and analysis of business dynamics, financial policies and regulatory activities in the Asia/Pacific, Middle East and Africa region. Over 60 Insights reports have been produced since 2004. MasterCard has also released a series of four books on Asian consumer insights, authored by its Asia/Pacific economist, Dr. Yuwa Hedrick-Wong and published by John Wiley & Sons.

The MasterCard Indexes and Insights reports are available at www.masterintelligence.com

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