

CCIWA Consumer Confidence Survey: September Quarter 2019

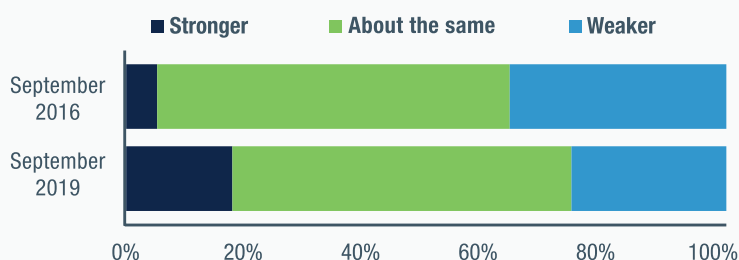
Global headwinds and domestic economic uncertainty weigh on consumer confidence

Western Australian consumer confidence has fallen in the September 2019 quarter, with the results indicating that global economic headwinds have detracted from confidence and WA consumers are less confident about the economy compared to this time last year.

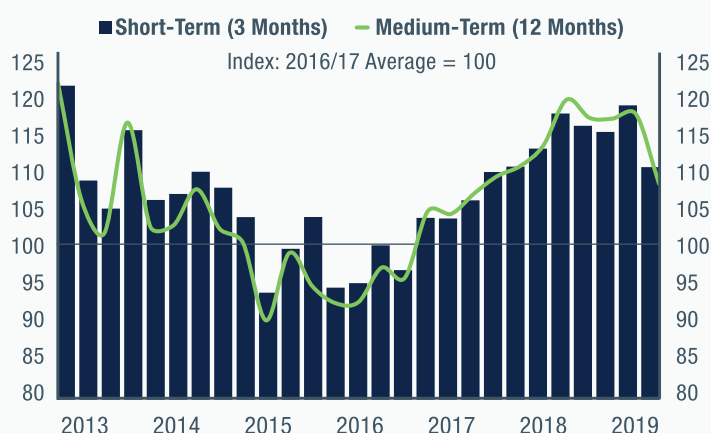
As the only survey of its kind in WA, CCIWA's *Consumer Confidence Survey* canvasses the views of West Australians across metropolitan Perth and regional WA to gather evidence on consumer confidence in the economy, personal finances and employment prospects for the near future. The survey also investigates consumers' spending habits and financial health to gain insight into factors that may influence confidence.

- The Short-Term Index (3-month outlook) fell by 8.2 index points over the quarter to 109.4 – its lowest level since December 2017.
- Four out of five consumers (82%) expect the WA economy to worsen or remain unchanged over the next quarter, including 26 per cent that expect it to worsen – up 10 per cent since last quarter.
- The Medium-Term index (12-month outlook) fell by 9.1 index points over the quarter to 107.7 – the largest quarterly fall in four years (since June 2015).

Change in sentiment over three years Short-Term Consumer Confidence (3 Months Ahead)



Consumer Confidence WA Economic Conditions



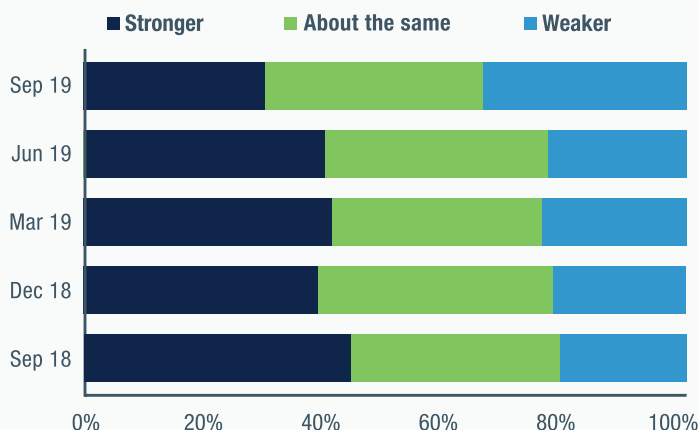
- Three out of ten (31%) consumers expect the economy to worsen over the next 12 months, up 12 per cent since last quarter.

Job prospects and personal finances

The Personal Finances Index improved 1.9 index points to 105.5 over the quarter, indicating that WA consumers are more

Lower income households continue to experience some financial stress, with almost one in two of these consumers reporting that their financial position has worsened

Consumer Confidence Medium-Term (12 Months)



after recording a fall in the previous quarter, with the Job Prospects Index improving 0.5 index points to 106.7 in September. However, one out of four (25%) West Australians believe their job prospects have worsened over the last year compared to 16 per cent who reported improvements.

What is influencing consumer confidence?

An escalating trade war between WA's largest trading partners, a slowing global economy and ongoing challenges in the United Kingdom and Eurozone have weighed negatively on the minds of consumers this quarter, with almost six out of ten (56%) considering global economic news as having a negative influence on confidence – up 19 per cent since last quarter.

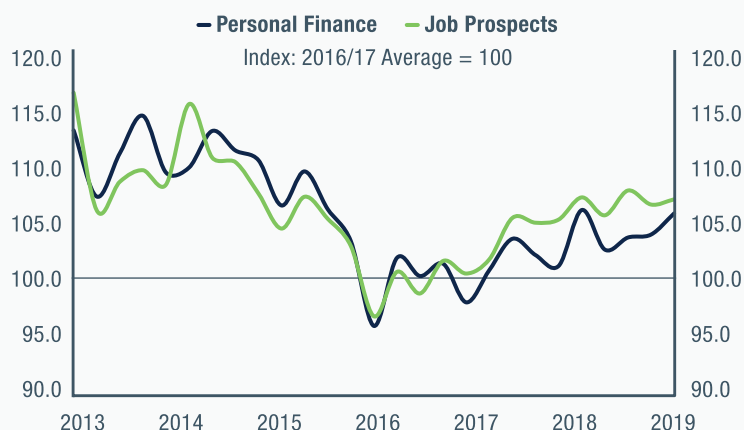
Cost of living continues to be the biggest dampener on consumer confidence, with three out of five consumers (60%) considering living costs such as transport, groceries and utilities as having a negative influence on confidence – up 2 per cent since last quarter.

The spike in confidence seen in the June quarter following the Federal Election has subsided, with the proportion of those considering the Federal Government to positively contribute to confidence falling 15 per cent this quarter – returning to similar levels experienced in the March quarter.

The RBA's decision to cut the cash rate twice to a record low 1.00 per cent continues to contribute positively to confidence, with more consumers considering interest rates as having a positive (38%) influence on confidence than negative (33%), however this is down 4 per cent since last quarter.

While lower interest rates will support WA's housing market and incentivise additional consumer spending by boosting household wealth, it also signals underlying weakness in the domestic economy. This may help explain why the proportion of consumers that consider interest rates to positively contribute to confidence declined slightly this quarter.

Personal Finances and Job Prospects Index Views on personal finance and job prospects compared to a year earlier



optimistic about their personal finances than they were last quarter. However, a higher proportion of consumers stated that their financial situation had worsened (31%) rather than improved (24%) over the past 12 months.

Young people remain relatively more optimistic about their finances than older people, with 34 per cent of consumers aged between 18-39 years reporting that their financial position has improved over the past year – up 3 per cent since last quarter and more than double the proportion of those aged over 40 years (17%). Income tax relief and expectations of additional

cuts to the RBA's cash rate this year are possible factors driving the improvement, particularly in those pockets of the community experiencing high levels of mortgage stress.

Lower income households (with annual household income below \$50,000) continue to experience some financial stress, with almost one in two (48%) of these consumers reporting that their financial position has worsened – up 2 per cent since last quarter.

WA consumers' perception of their employment opportunities have stabilised



On the whole, elevated concerns about the future performance of the domestic economy have become apparent this quarter, with almost one in two (45%) consumers rating domestic economic news as detracting from confidence – up 15 per cent since last quarter.

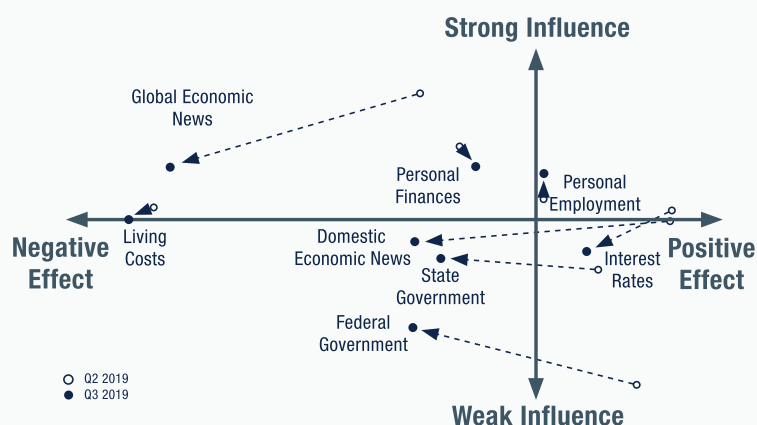
Confidence and dollar spend

The appetite of West Australians to spend in the economy has remained weak this quarter. Almost two-thirds (63%) of consumers reported that they were unlikely to make a major household purchase of more than \$2,000 in value over the next three months. This includes 81 per cent of lower-income households (with annual income under \$50,000) – up 6 per cent since last quarter.

Only 22 per cent of consumers expect to make a major household purchase over the next three months – up 1 per cent since last quarter.

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What influences consumers? - September 2019



One out of five (20%) consumers aged 18-39 years reported needing to borrow money from friends and family compared to only 8 per cent of those aged over 40 years

What about our financial health?

Monitoring financial stress acts as a barometer on the financial stability of an economy. About one out of five consumers (19%) were unable to pay their bills on time this quarter, down 1 per cent since last quarter.

Four times as many lower income earners (28%) experienced a period of unemployment over the last three months compared with higher income earners (7%). This gap has widened by 4 per cent since the June quarter. One possible explanation

is the flat performance of certain service-based and labour-intensive industries. Total unemployment among retail workers in WA is currently higher than any other industry (8,700 people), closely followed by construction (7,600) and accommodation and food services (5,900 people).


Encouragingly, the proportion of consumers aged 18-39 years that exceeded their monthly income decreased by 7 per cent over the quarter, following a 6 per cent reduction in the June quarter. The proportion of young people that were unable

to pay off their credit card debt by the end of the month also declined by 2 per cent.

However, indicators of financial stress remain weighted toward the younger generation. One out of five (20%) consumers aged 18-39 years reported needing to borrow money from friends and family compared to only 8 per cent of those aged over 40 years.

On the whole, the five indicators of financial stress have eased over the three months to September and consumers are reporting a sense of improved financial stability.

Indicators of financial stress over the last three months

 **13%** had to **borrow money** from friends or family

18% could not pay off their credit card bill 

 **Almost 1 out of 4 young people (aged 18-39) couldn't pay their bills on time**

3 out of 10 (31%)  of consumers spent **more** than they earned

 Encouragingly, **44%** of consumers reported experiencing **none of these**


What does this mean for WA?

Global economic news has weighed heavily on confidence this quarter, largely driven by an escalating trade war between the US and China, mounting uncertainty in the United Kingdom and Eurozone and a slowing world economy. WA consumers also recorded concerns about the future performance of the domestic economy and the capability of expansionary stimulus measures to boost economic growth. Despite this, consumers are feeling less stressed about their financial situation and slightly more optimistic about their job prospects and personal experience.

Medium-term confidence experienced **largest quarterly fall** in 4 years 

 **Job Prospects Index** up **0.5 points** since last quarter

Rising global headwinds have **detracted** from confidence 

60% consider **living costs** to have a **negative influence** on confidence 

6 out of 10 consumers  are unlikely to make **major household purchases** in the next quarter

Consumer Confidence	Current Quarter (September)	Previous Quarter (June)	Lowest since
Short-term	109.4	117.5	December 2017
Medium-term	107.7	116.8	September 2017

Note: Index figures may have changed from previous editions of Consumer Confidence due to changes in index calculation methodology. Percentage figures may not always add to 100% due to rounding errors. The index is rebased to the average score of respondents to the 2016-17 financial year. The value of the index can be interpreted as the percentage change in average consumer confidence in a period compared with the average consumer confidence in 2016-17. For instance, the Consumer Confidence Index in September 2019 is 109.4, which suggests that the average score of survey respondents for consumer confidence in September 2019 is 9.4 per cent higher than the average rating in 2016-17.