

CCIWA Consumer Confidence Survey:  
June Quarter 2019

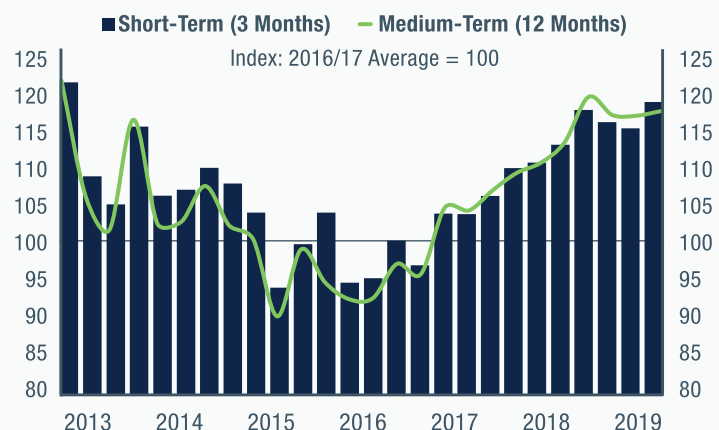
# Consumer confidence hits six-year high

**W**estern Australian consumer confidence has improved over the June quarter, with the short-term (3-month) outlook rising to its highest level in over six years. Rebounding confidence in the Federal Government following the May 18 election, historically low interest rates and a more optimistic outlook for the State's finances and economy have driven confidence this quarter, with the medium-term (12-month) outlook also recording an improvement. However, consumers remain concerned about their job prospects and the cost of living.

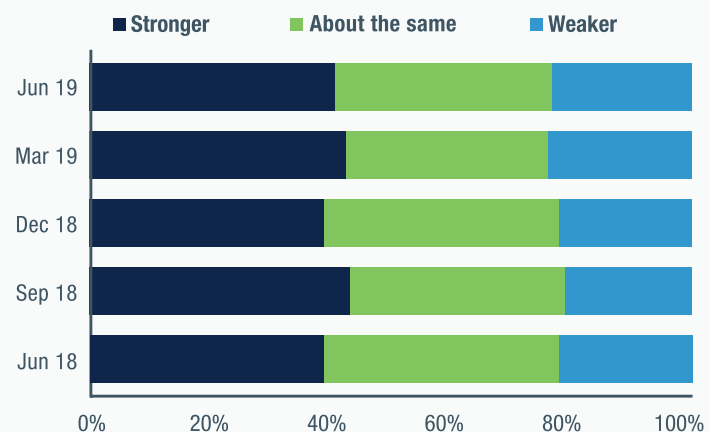
As the only survey of its kind in WA, the Chamber of Commerce and Industry WA's (CCIWA) *Consumer Confidence Survey* canvasses the views of West Australians across metropolitan Perth and regional WA to gather evidence on consumer confidence in the economy, personal finances and employment prospects for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

The results for the June quarter indicate that economic recovery in WA is still underway and consumers are more confident about the WA economy compared to this time last year:

**Consumer Confidence**  
WA Economic Conditions

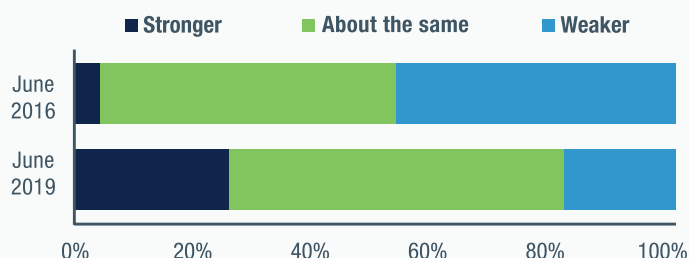


**Consumer Confidence**  
Medium-Term (12 Months)



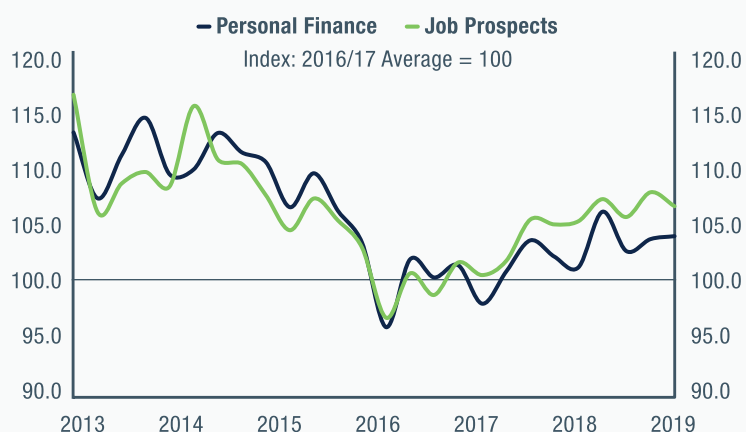
Four out of five consumers (84%) expect the WA economy to improve or remain unchanged over the next quarter

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



### Personal Finances and Job Prospects Index

Views on personal finance and job prospects compared to a year earlier



Lower income households (with annual household income below \$50,000) continue to experience some financial stress, with 44 per cent of these consumers reporting that their financial position has worsened – up 2 per cent since last quarter.

There has been a slight dip in consumers' perception of their employment opportunities, with the Job Prospects Index falling 1.2 index points over the quarter to 106.3. Almost one out of four (24%) West Australians feel their job prospects had worsened over the last year, compared to 14 per cent who reported improvements. ABS data indicates that WA's unemployment rate is the second highest in the country at 6.2 per cent and there are about 90,000 unemployed and 123,000 underemployed West Australians looking for additional hours of work.

### What is influencing consumer confidence?

A more optimistic outlook for the State's finances and economy, falling interest rates and political certainty following the return of the Federal Government have boosted confidence this quarter. Slow wages growth, high household debt and falling house prices continue to detract from confidence.

Cost of living continues to be the biggest dampener on consumer confidence, with almost three out of five consumers (58%) considering living costs such as transport, groceries and utilities as having a negative influence on confidence – about the same as last quarter.

The recent Federal Election had an encouraging influence this quarter, with almost half (44%) of consumers considering the Federal Government to positively contribute to confidence, up 18 per cent since last quarter. Certainty surrounding the future of negative gearing policy and anticipated income tax relief are possible factors contributing to the improvement.

The RBA's decision to cut the cash rate to a record low 1.25 per cent and expectations of additional cuts this year have weighed

- The Short-Term Index (3-month outlook) increased by 3.5 index points over the quarter to 117.5 – the highest level since March 2013.
- Four out of five consumers (84%) expect the WA economy to improve or remain unchanged over the next quarter, including 29 per cent that expect it to improve – up 5 per cent since last quarter.
- The Medium-Term Index (12-month outlook) improved by 0.6 index points over the quarter to 116.8 and is 4.1 index points higher than this time last year (June 2018).
- More than twice as many consumers believe the economy will be stronger (44%) rather than weaker (19%) in 12 months' time.

### Job prospects and personal finances

The Personal Finances Index improved 0.3 index points to 103.6 over the quarter and is 2.8 index points higher than this time last year. This signals that WA consumers are more optimistic about their personal finances than they were in the June 2018 quarter. However, a higher proportion of consumers stated that their financial situation had worsened (33%) rather than improved (21%) over the past year.

Young people remain relatively optimistic about their finances, with 31 per cent of consumers aged between 18-39 years reporting that their financial position has improved over the year – more than double the proportion of those aged over 40 years (14%).





positively on the minds of WA consumers, with two out of five (42%) West Australians considering interest rates as having a positive influence on confidence – up ten per cent since the March quarter. Low interest rates will support WA's housing market and consumer spending.

It is therefore no surprise that more than four out of ten consumers (45%) rated domestic economic news as positive contributors to confidence, up 6 per cent since last quarter.

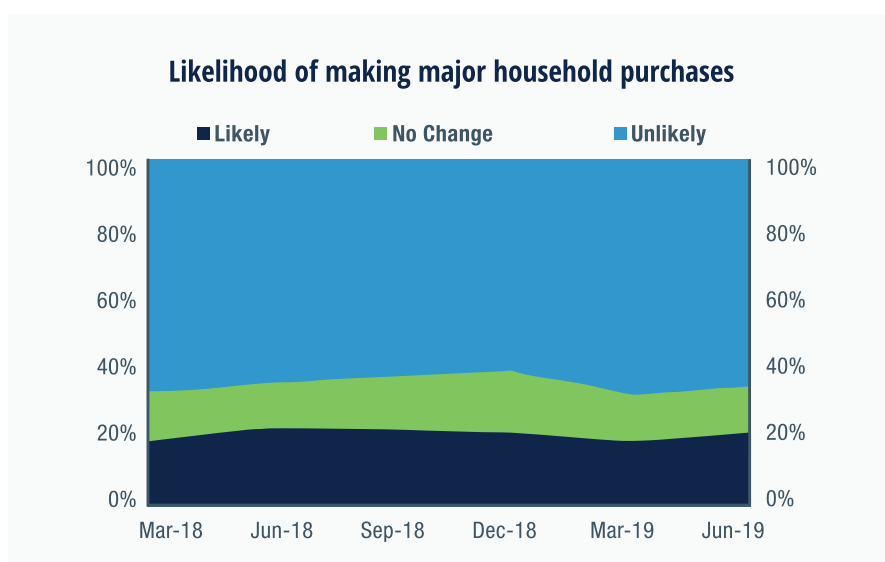
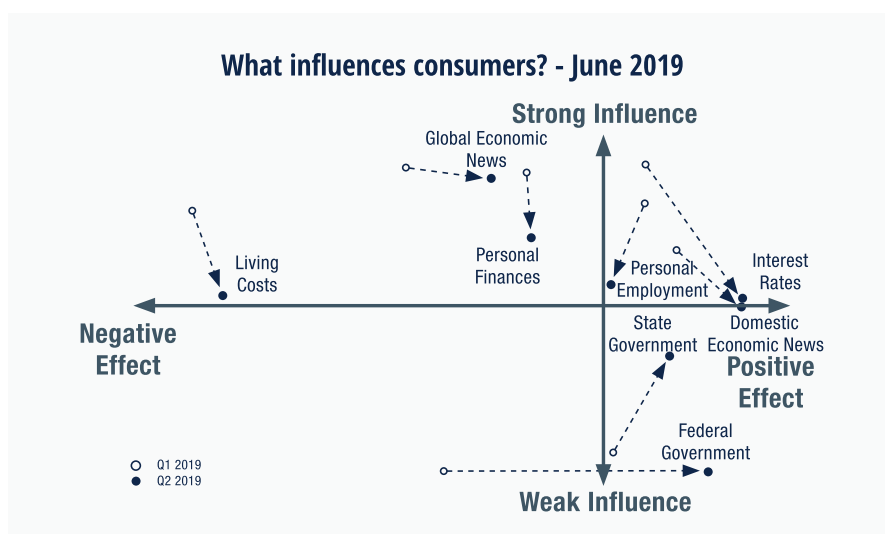
### Confidence and dollar spend

Stronger short-term expectations (3-months) have translated into a slight improvement in consumer spending. One out of five (21%) WA consumers believe it is likely that they will make a major household purchase of more than \$2,000 in value over the next three months, up 2 per cent since last quarter. Possible drivers of the increase include retail discounting due to end of financial year sales.

Despite this slight improvement, WA consumers remain cautious. Almost two-thirds (65%) of consumers reported that they were unlikely to make any major purchases over the coming quarter, including three out of four (75%) lower-income households (with annual income under \$50,000).

Subdued wages growth, falling house prices and tight lending conditions continue to reduce the capacity of WA consumers to make major purchases.

Almost two-thirds (65%) of consumers reported that they were unlikely to make any major purchases over the coming quarter



# Total unemployment among retail workers in WA is currently higher than any other industry, closely followed by accommodation and food services

## What about our financial health?

Monitoring financial stress acts as a barometer on the financial stability of an economy. Since last quarter, there has been an increase in the proportion of consumers unable to pay off their bills on time, up 4 per cent.

Almost three times as many lower income earners (26%) experienced a period of unemployment over the last three months compared with higher income earners (9%) – up 8 per cent since the March


quarter. One possible explanation is the flat performance of certain service-based industries. Total unemployment among retail workers in WA is currently higher than any other industry (8,900 people), closely followed by accommodation and food services (5,900 people).


Encouragingly, the proportion of consumers aged 18-39 years that exceeded their monthly income decreased 4 per cent over the quarter, with an additional reduction in the proportion that did not pay their credit card debt in full (2%).


However, indicators of financial stress remain weighted toward the younger generation. One out of four (24%) consumers aged 18-39 years reported having 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 remained relatively steady over the three months to June and consumers are reporting a sense of improved financial stability.

## Indicators of financial stress over the last three months

 **15%** had to **borrow money** from friends or family

**20%** could not pay off their credit card bill 

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

**One third (33%)**  of consumers spent **more** than they earned

 Encouragingly, **45%** of consumers reported experiencing **none of these**


## What does this mean for WA?

Historically low interest rates, political stability and the delivery of an optimistic WA State Budget have driven short-term (3-months) expectations to the highest level in six years, with the medium-term outlook (12-months) also improving. WA consumers are feeling less stressed about their personal finances and more confident about WA's economic recovery. Despite this, consumers remain cautious about opening their wallets and concerned about their future job prospects, which somewhat explains the disconnect between growing confidence and low expenditure growth.

**Short-term index**  
(3-months) at **highest level** in over six years 

 **Job Prospects Index** down **0.6 points** since last quarter

More West Australians believe the economy is **stronger** than **weaker** 

**58%**  consider **living costs** to have a **negative influence** on confidence

**2 out of 3 consumers**  are unlikely to make **major household purchases** in the next quarter

Consumer Confidence	Current Quarter (June)	Previous Quarter (March)	Highest since
Short-term	117.5	114.0	March 2013
Medium-term	116.8	116.2	September 2018

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 March 2019 is 117.5, which suggests that the average score of survey respondents for consumer confidence in December 2018 is 17.5 per cent higher than the average rating in 2016-17.