



CCI SURVEY: Consumer Confidence

March Quarter 2019
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COST OF LIVING DAMPENS CONSUMER CONFIDENCE

Western Australian consumer confidence dropped slightly over the March quarter but remains well above its long-term average, according to the latest *WA Super-CCI Consumer Confidence Survey*. West Australians are more optimistic about their job prospects and financial situation compared to last quarter but remain concerned about slow wages growth, household budgetary pressures and political instability.

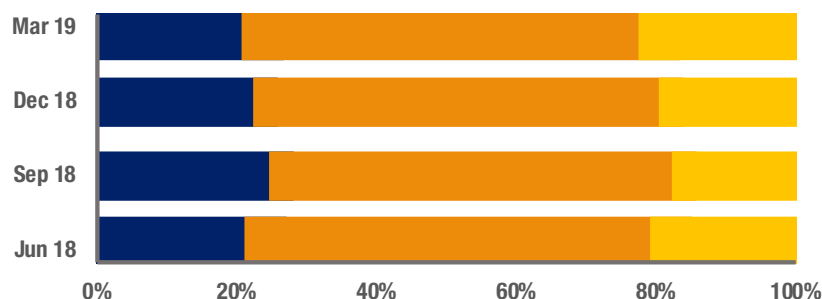
As the only survey of its kind in WA, the Chamber of Commerce and Industry WA's (CCI) Consumer Confidence Survey canvasses the views of West Australians across metropolitan Perth and regional WA to gather evidence on consumer confidence in the economy, personal finances and employment prospects for the 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 March quarter indicate that consumers are more confident about the WA economy than they were this time last year:

CONSUMER CONFIDENCE

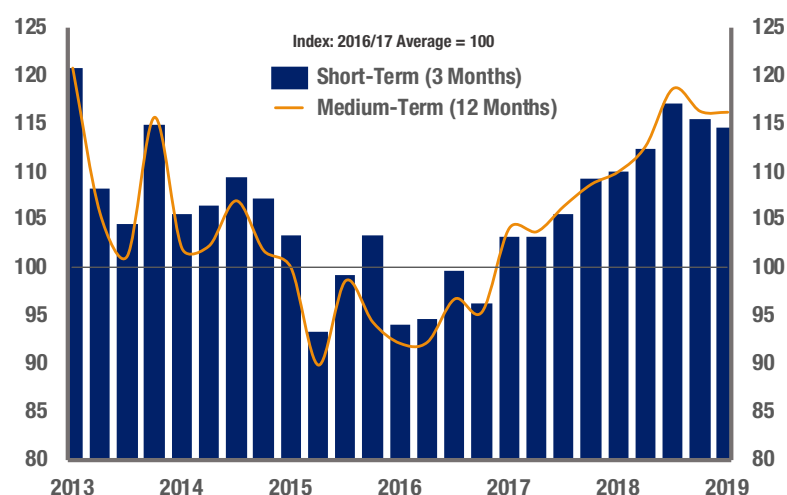
Short-Term (3 Months)

■ Stronger ■ About the same ■ Weaker



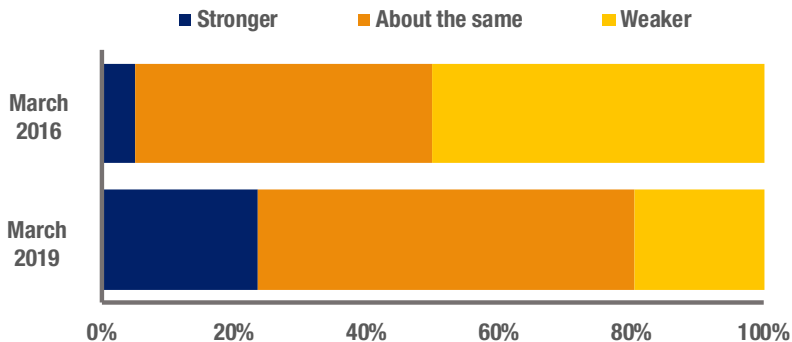
CONSUMER CONFIDENCE

WA Economic Conditions



FOUR OUT OF FIVE CONSUMERS (80%) 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)



- The Short-Term index (3-month outlook) declined by 0.9 index points over the quarter to 114.0 but remains 4.6 index points higher than March 2018.
- Four out of five consumers (80%) expect the WA economy to improve or remain unchanged over the next quarter, including 24 per cent that expect it to improve – the same as last quarter.
- The Medium-Term index (12-month outlook) declined by 0.1 index points over the quarter to 116.2 but is 6.2 index points higher than this time last year (March 2018).
- More than twice as many consumers (44%) believe the economy will be stronger rather than weaker (21%) in twelve months' time, an increase of 2 percentage points since last quarter.

of consumers aged between 18-39 years reporting that their financial position has improved over the year to March 2019, double the proportion of those aged over 40 years (16%).

Lower income households (with annual household income below \$50,000) continue to feel the pinch, with 42 per cent of these consumers reporting that their financial position has worsened – the same as last quarter.

The Job Prospects Index improved by 2.2 index points since last quarter to 107.5 – its highest index value in four years. This indicates that fewer consumers are feeling pessimistic about their future job prospects. Twenty-four per cent of consumers aged between 18-39 years felt their job prospects

had improved since last year, more than double those aged over 40 years (9%).

WHAT IS INFLUENCING CONSUMER CONFIDENCE?

Positive economic news, relatively subdued interest rates and minimal inflationary pressures continue to boost confidence, while WA consumers remain cautious about the global economic environment, slow wages growth and high household debt.

Cost of living continues to be the biggest dampener on consumer confidence, with almost three out of five consumers (59%) considering living costs such as transport, groceries and utilities as having a negative influence on confidence. The majority across every demographic in WA indicated that they consider living costs to detract from their confidence.

Three out of four (73%) consumers rated global economic news as having a negative or neutral effect on confidence. This may reflect concerns about global downside risks, including significant escalation of trade conflicts, uncertainty around Great Britain's relationship with the EU and a slowdown in Chinese growth.

Almost half of consumers (46%) reported that the Federal Government detracted

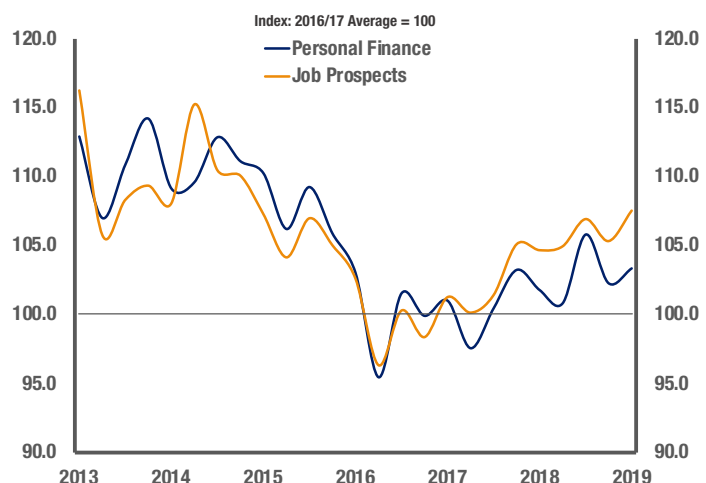
JOB PROSPECTS AND PERSONAL FINANCES

The Personal Finances index rose by 1.1 index points to 103.3 over the quarter, which is 1.6 index points higher than this time last year. This shows that WA consumers are slightly more optimistic about their personal finances than they were in the March 2018 quarter. Even though the index has improved, more consumers felt that their financial situation had declined (34%) rather than improved (22%) over the past year.

Young people remain relatively optimistic about their finances, with 32 per cent

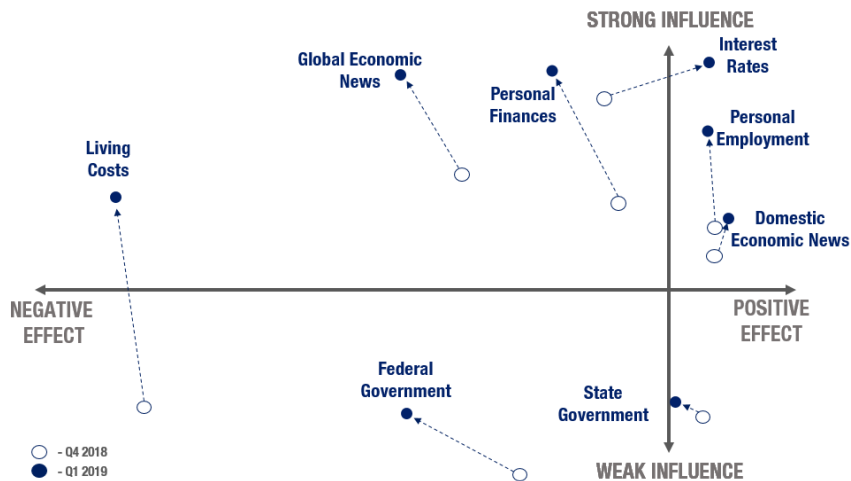
PERSONAL FINANCES AND JOB PROSPECTS INDEX

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

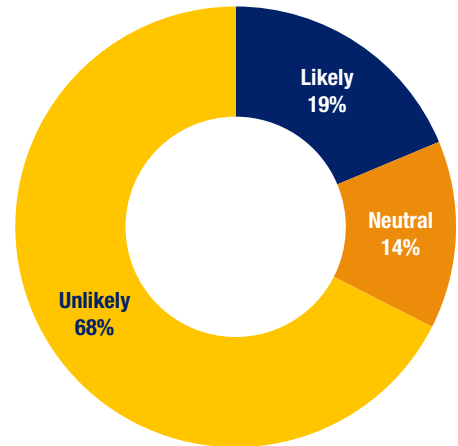


ALMOST HALF (41%) OF CONSUMERS AGED 18-39 YEARS REPORTED THAT THEIR REGULAR MONTHLY EXPENSES EXCEEDED THEIR INCOME

WHAT INFLUENCES CONSUMERS?



LIKELIHOOD OF MAKING MAJOR HOUSEHOLD PURCHASES



from their confidence in the economy, an increase of 3 percentage points since last quarter. Likely causes include the fast-approaching Federal Election and the subsequent domestic political uncertainty.

The net positive effect of low interest rates on confidence has improved for the first time since March 2018, increasing by 6 percentage points to 32 per cent over the quarter. Tightening lending standards, falling national housing prices and soft GDP growth have bolstered speculation of an RBA interest rate cut this year, leading to a more positive consumer response to the prospect that interest rates will stay low.

CONFIDENCE AND DOLLAR SPEND

Over two-thirds (68%) of WA consumers believe it is unlikely they will make any major household purchases of more than \$2,000 in value over the next three months, an increase of 8 percentage points since last quarter. While a slight increase is to be expected after the Christmas period, these results will not be positive news for WA's struggling retail trade sector.

ABS data indicates that slow wages growth and rising living costs have contributed to flat consumer spending in the retail industry. Over the year to January 2019, WA retail turnover increased by 0.6 per cent in seasonally adjusted year-ended terms.

This improvement can be largely attributed to spending increases on food and pharmaceutical retailing, with clothing retail turnover falling by 1.3 per cent over the same period, along with household goods consumption (-5.7%), footwear (-1.3%) and liquor retailing (-0.2%).

WHAT ABOUT OUR FINANCIAL HEALTH?

Monitoring financial stress acts as a barometer on the financial stability of an economy.

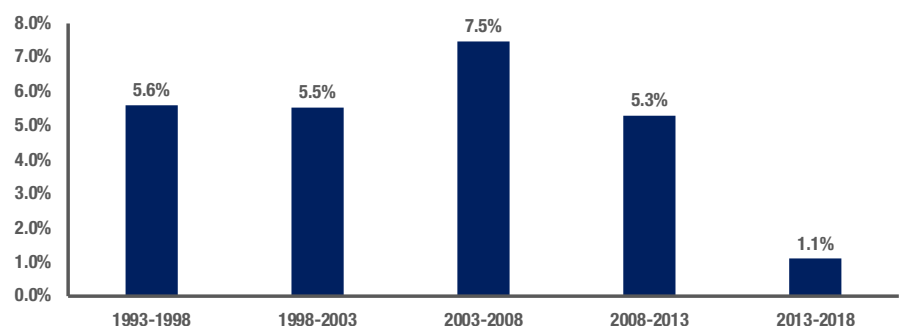
Since last quarter, there has been an increase in the proportion of consumers unable to pay off their credit card debt in full, up 4 per cent – likely due to increased spending over the Christmas period. This was somewhat counteracted by a 4 per cent decrease in those who were unable to

pay their bills on time, indicating improved management of general household expenses.

Encouragingly, the proportion of consumers aged 18-39 years who reported having to borrow money from friends and family decreased 6 per cent this quarter. However, indicators of financial stress remain weighted towards younger people. Almost half (41%) of consumers aged 18-39 years reported that their regular monthly expenses exceeded their income compared to only 32 per cent of those aged over 40 years.

On the whole, consumers have brought in the new year feeling less stressed about their personal finances. All five indicators of financial stress either improved or stayed the same over the quarter in aggregate, and almost half of consumers (46%) reported that they experienced none of them.

AVERAGE YEAR-ON-YEAR GROWTH - RETAIL TURNOVER WA, Total Industry, Original





INDICATORS OF FINANCIAL STRESS Over the last three months



14% HAD TO
BORROW MONEY FROM
FRIENDS OR FAMILY

19%

COULD NOT PAY
OFF THEIR CREDIT CARD BILL



1 OUT OF 5 YOUNG PEOPLE
(AGED 18-39)
COULDN'T PAY THEIR BILLS ON TIME



**ONE THIRD
(35%)**

OF CONSUMERS SPENT
MORE THAN THEY EARN'T

ENCOURAGINGLY,



46% OF
CONSUMERS
REPORTED
EXPERIENCING
NONE OF THESE

WHAT DOES THIS MEAN FOR WA?

While confidence has softened over the quarter, consumers are more confident about the WA economy compared to this time last year. Consumers have brought in 2019 feeling less stressed about their personal finances and more optimistic about their job prospects. Despite this, consumers remain cautious about opening their wallets and increasing their spending patterns, considering cost of living as the primary dampener on confidence.

CONSUMER
CONFIDENCE INDEX
**TRENDING
ABOVE**
ITS 5-YEAR
AVERAGE



MORE WEST
AUSTRALIANS
BELIEVE THE
ECONOMY
IS
STRONGER
THAN WEAKER



59% CONSIDER
LIVING COSTS TO HAVE A
NEGATIVE INFLUENCE ON CONFIDENCE



BUY BUY BUY

2 OUT OF 3 CONSUMERS
ARE UNLIKELY TO MAKE
MAJOR HOUSEHOLD PURCHASES
IN THE NEXT QUARTER

JOB PROSPECTS INDEX
UP 2.2 POINTS
SINCE LAST QUARTER – THE
HIGHEST SINCE DECEMBER 2014



CONSUMER CONFIDENCE	CURRENT QUARTER (MARCH)	PREVIOUS QUARTER (DECEMBER)	HIGHEST SINCE
Short-term	114.0	114.9	December 2018
Medium-term	116.2	116.3	December 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 114.0, which suggests that the average score of survey respondents for consumer confidence in March 2019 is 14.0 per cent higher than the average rating in 2016-17.