

CCIWA Consumer Confidence Survey: December Quarter 2019

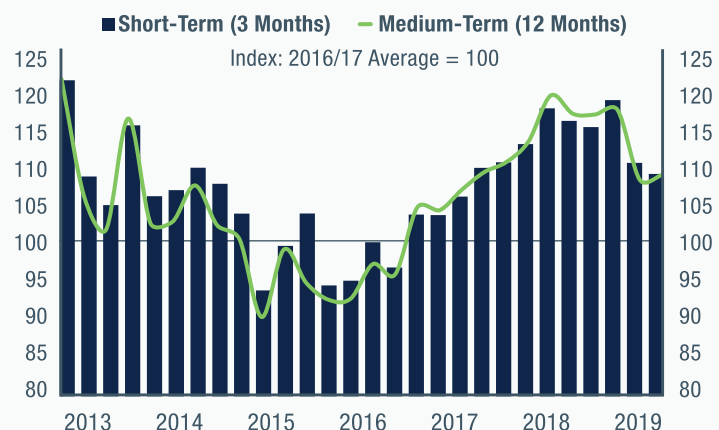
WA consumers end the decade with subdued confidence

Western Australian consumer confidence has continued to fall in the December quarter, with the short-term (3-month) outlook dropping to its lowest level in over two years. The fall in confidence is principally driven by increased concerns about cost of living, personal finances and job prospects. Additionally, a higher proportion of West Australians consider interest rates as having a negative influence on confidence this quarter.

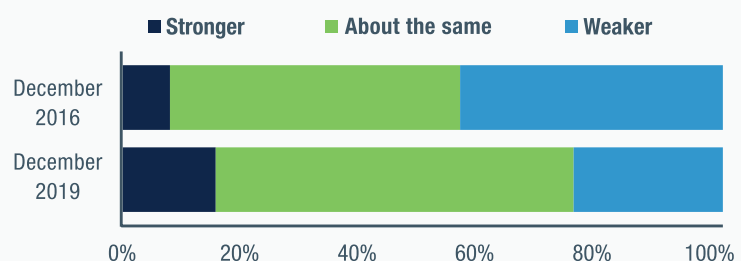
As the only survey of its kind in WA, CCIWA's *Consumer Confidence Survey* canvasses the views of West Australians across metropolitan Perth and regional WA to gather evidence on consumer confidence in the economy, personal finances and employment prospects for the near future. The survey also investigates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

- The Short-Term Index (3-month outlook) fell by 1.4 index points over the quarter to 107.9 – its lowest level since September 2017.
- Five out of six consumers (84%) expect the WA economy to worsen or remain unchanged over the next three months while only 16 per cent expect it to strengthen – down 2 percentage points since last quarter.
- The Medium-Term Index (12-month outlook) improved slightly by 0.6

Consumer Confidence WA Economic Conditions



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



index points over the quarter to 108.3 but remains 7.9 index points lower than this time last year (December 2018).

- Almost three out of ten (27%) consumers expect the economy to worsen over the next 12 months, down 4 percentage points since last quarter.



Job prospects and personal finances

WA consumers continue to report concerns about their personal finances, with the Personal Finances Index falling 2.5 index points over the quarter. A higher proportion of consumers stated that their personal financial situation had worsened (34%) rather than improved (21%) over the past 12 months.

Lower income households (with annual household incomes below \$50,000) continue to experience some financial stress, with almost one in two (49%) of those consumers reporting that their financial position has worsened over the past 12 months, up one percentage point since last quarter.

One contributing factor is the increasing number of WA households experiencing some form of mortgage stress. According to the Reserve Bank of Australia, the housing loan arrears rate* in WA has increased over the past four years, from being a little above the rest of the country to more the double the national rate at 1.7 per cent in July 2019. [Financial Stability Review, October 2019]

Young people remain more optimistic about their finances than older people, with 32 per cent of consumers aged between 18-39 years reporting that their financial position had improved over the past year - more than double the proportion of those aged over 40 years (14%).

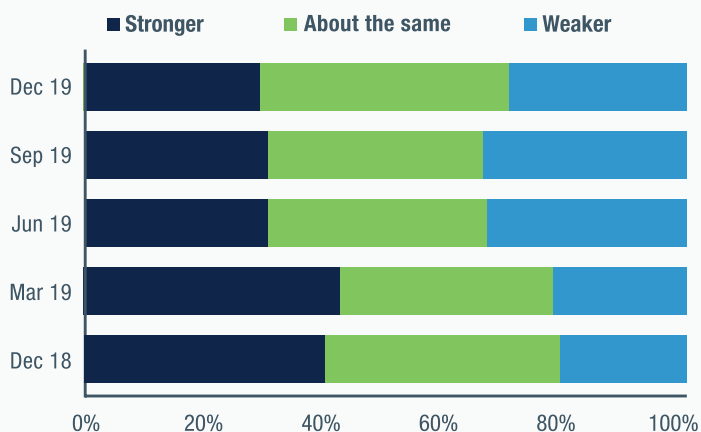
WA consumers' perception of their employment opportunities have declined this quarter, with the Job Prospects Index falling 2.0 index points to 104.8. One out of four (27%) West Australians believe their job prospects have worsened over the year, up 2 percentage points since last quarter and almost double the proportion that reported improvements (15%).

*For the share of mortgage balance 90+ days in arrears.

What is influencing consumer confidence?

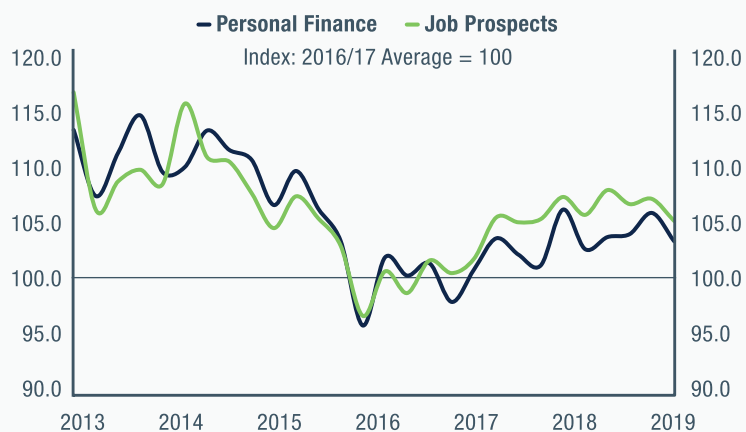
The *Consumer Confidence Survey* tracks eight separate influences of consumer confidence: Living Costs, Global Economic News, Domestic Economic News, Federal Government, State Government, Personal Finances,

Consumer Confidence Medium-Term (12 Months)



Personal Finances and Job Prospects Index

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





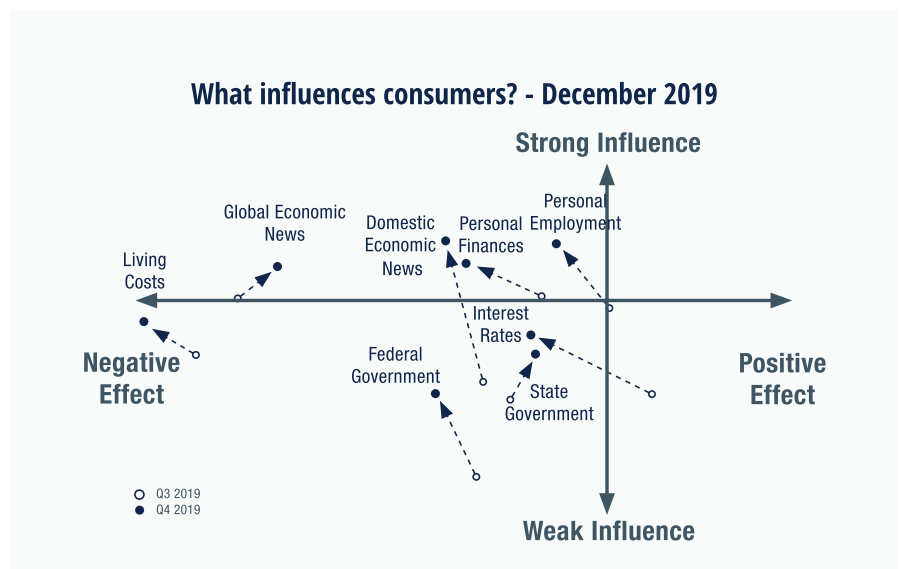
The RBA's move to cut the cash rate three times in quick succession (to a record low 0.75 per cent) may be perceived as an indication of underlying weakness in the domestic economy

Personal Employment and Interest Rates.
This quarter is significant because all eight influences are viewed as detracting from confidence – the first time this has occurred since this survey began tracking these influences (in March 2018).

The net positive effect of low interest rates on confidence has continued to decline over the last two editions of the *Consumer Confidence Survey*, with a greater proportion of consumers now considering interest rates as having a negative influence on confidence (39%), rather than a positive one (32%). This indicates that the RBA's move to cut the cash rate three times in quick succession (to a record low 0.75 per cent) may be perceived as an indication of underlying weakness in the domestic economy.

Cost of living remains the largest dampener on consumer confidence, with almost two out of three consumers (65%) considering living costs such as transport, groceries and utilities as having a negative influence on confidence – up 5 percentage points since last quarter.

Global economic news has continued to detract from confidence this quarter, with more than one out of two (53%) consumers considering the ongoing trade war between WA's largest trading partners and challenges in the UK and Eurozone as having a negative influence on confidence. This is almost three times the proportion



that consider global news as having a positive influence (18%).

On a positive note, news of the State Government's recent decision to ease the payroll tax burden on small and medium sized businesses may have filtered through to consumer sentiment, with three out of ten (30%) West Australians considering the State Government as having a positive influence on confidence – up 2 percentage points since last quarter.

On the whole, consumers remain concerned about the future performance of the domestic economy, with two out of five West Australians (43%) considering domestic economic news as detracting from confidence.

Confidence and dollar spend

The appetite of West Australians to spend in the economy has remained weak this quarter. Almost two-thirds (65%) 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, including 78 per cent of lower-income households (with annual income under \$50,000).

Only 19 per cent of consumers expect to make a major household purchase over the next three months – down 2 percentage points since last quarter.

More than one out of five West Australians (22%) were unable to pay their bills on time in the last three months – up 3 percentage points since last quarter

What about our financial health?

Monitoring financial stress acts as a barometer on the financial stability of an economy. More than one out of five West Australians (22%) were unable to pay their bills on time in the last three months – up 3 percentage points since last quarter.

Around one-third (32%) of consumers exceeded their monthly incomes over the past three months, including four out of ten (40%) lower income earners. Almost

one out of five (19%) consumers did not pay off their credit card debt in full, up one percentage point since last quarter.


Indicators of financial stress seem to remain weighted toward the younger generation. One out of four (25%) consumers aged 18-39 years reported needing to borrow money from friends and family compared to only 10 per cent of those aged over 40 years.


Three out of ten (29%) young people

reported experiencing a period of unemployment over the last three months - up 8 percentage points since last quarter. This will not be welcome news to those young people looking for part-time opportunities over the Christmas period.

On the whole, all five indicators of financial health have worsened over the three months to December, suggesting a growing proportion of Western Australians are suffering some form of financial stress.

Indicators of financial stress over the last three months


 **16%** had to **borrow money** from friends or family

19% could **not pay** off their **credit card bill** 



3 out of 10 (32%) of consumers spent **more** than they earnt

Almost one-third (31%)

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



Encouragingly, **42%** of consumers reported experiencing **none of these**

What does this mean for WA?

WA consumers are approaching the end of 2019 with heightened concerns about the health of the WA economy. Global economic headwinds, high living costs and ultra-low interest rates have weighed on confidence this quarter, driving the short-term outlook to its lowest level in over two years. As a result, West Australians remain cautious about increasing their spending and are also concerned about their job prospects and financial situation. On a positive note, consumers feel slightly more optimistic about the next 12 months than they did three months ago.

Short-term confidence at its **lowest level** in over two years 



Personal Finances Index down **2.5 points** since last quarter



65% consider **living costs** to have a **negative influence** on confidence

Rising global headwinds have **detracted** from confidence 



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

Consumer Confidence	Current Quarter (December)	Previous Quarter (September)	Lowest since
Short-Term	107.9	109.4	September 2017
Medium-Term	108.3	107.7	September 2019

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 December 2019 is 107.9, which suggests that the average score of survey respondents for consumer confidence in December 2019 is 7.9 per cent higher than the average rating in 2016-17.