

CCIWA Consumer Confidence Survey:  
June 2022

# WA consumer confidence steady despite rising living costs and interest rate hikes



Despite rising cost of living pressures and interest rates on the march, WA consumer sentiment has edged higher over the three months to June - buoyed by the easing of domestic COVID-19 restrictions and tightness in the local jobs market.

While overall confidence increased over the June quarter, WA households are becoming increasingly concerned about rising cost pressures. Indeed, 'living costs' became the single biggest drag on consumer confidence this quarter, reflecting anxieties around persistent supply chain disruptions

and rising inflationary pressures.

The first of many anticipated cash rate hikes by the RBA also weighed on the minds of Western Australians this quarter, with 58 per cent identifying interest rates as reducing confidence – up 22 percentage points since last quarter. Globally, the Russo-Ukrainian conflict remains ongoing and continues to add to consumer pessimism, predominantly through higher energy and food costs. We expect these factors to continue to weigh on sentiment in future editions of the *CCIWA Consumer Confidence Survey*.

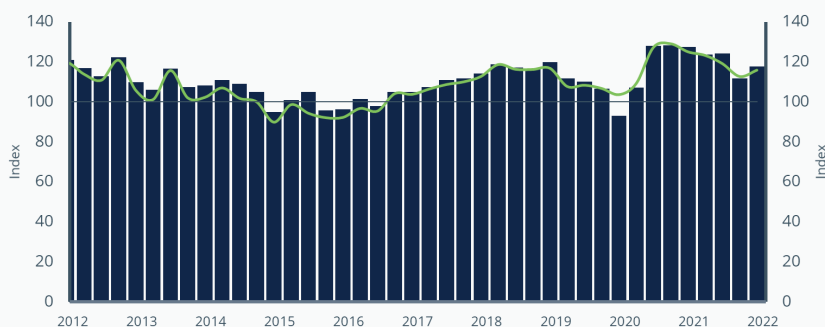
One of the primary factors strengthening the State's consumer sentiment is personal employment, underpinned by WA's tight labour market as the State's unemployment rate reaches its lowest in more than a decade. The State Government remains an additional strong factor boosting Western Australians' confidence following the border re-opening in March, with the extent of its positive influence bucking its recent downward trend and rising 8 percentage points over the quarter.

In this edition of the *CCIWA Consumer Confidence Survey*, we ask Western Australians how rises in mortgage interest rates would impact their spending patterns, whether they are looking for a new job and whether they intend to travel overseas this year.

## CONSUMER CONFIDENCE WA Economic Conditions

Index: 2016/17 Average = 100

■ Short-Term (3 Months) — Longer-Term (12 Months)



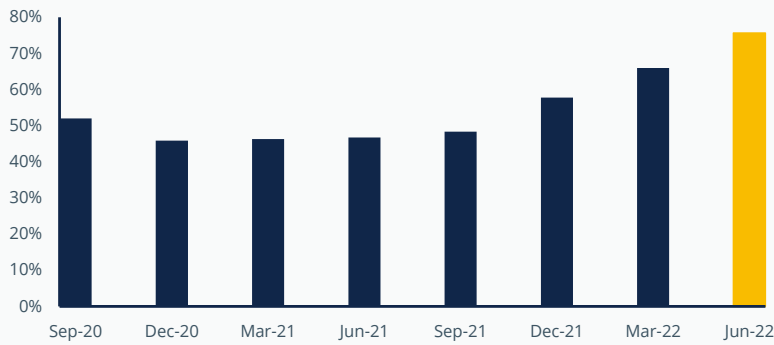
## Confidence in the short-term picks up

**Short-Term Index up 5.9  
Index Points over the  
quarter to 115.3**

More than one quarter (28%) of Western Australians anticipate conditions will improve over the next

## Living Costs - Negative Influence on Confidence

Proportion 'Agree'



three months, while one in five (22%) expect conditions to soften — down 10 percentage points since last quarter. Half (50%) anticipate no change — up 6 percentage points.

## Longer-term outlook rises

**Longer-Term Index up 3.2 Index Points over the quarter to 115.9**

Looking to the year ahead, two out of five (43%) Western Australians anticipate conditions will improve over the next 12 months — up 4 percentage points since last quarter — while 22 per cent expect conditions to worsen. The remainder (35%) anticipate no change.

In the following sections we unpack the key factors influencing Western Australians' confidence in the WA economy.

## What's influencing consumer confidence?

### Employment Prospects (+)

WA's jobs market continues to remain tight, with the unemployment rate falling to 3.1 per cent in May, the lowest of all states. This has continued to buoy consumer sentiment, with one third (33%) of Western Australians considering **employment prospects**

to have positively influenced their confidence this quarter.

### State Government (+)

The State Government remains the primary factor driving Western Australian consumer confidence, with the increased positive effect this quarter due to the easing of almost all COVID-19 restrictions in March — including WA's border closures.

Just over half (53%) of Western Australians consider the **State Government** to have positively influenced their confidence this quarter, up 8 percentage points since last quarter.

## Living costs (-)

Persistent supply chain disruptions, strong global demand for goods and rising energy prices have continued to push up headline inflation over the quarter, with the national Consumer Price Index rising 5.1 per cent over the 12 months to March 2022.

As a result, three quarters (76%) of Western Australians indicated **living costs** have negatively influenced their confidence this quarter — up 10 percentage points since last quarter (see chart).

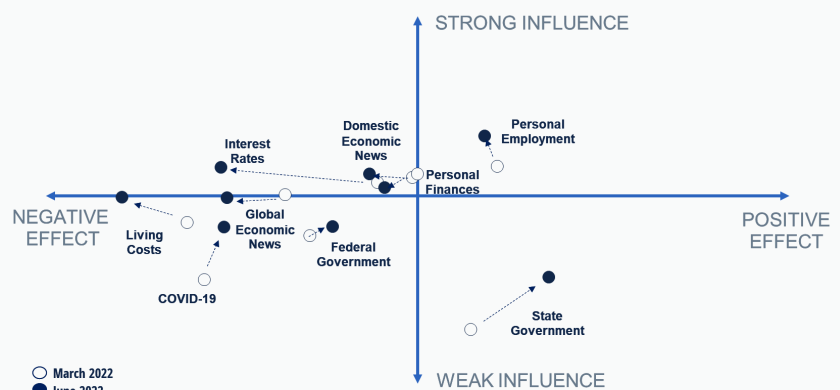
## Interest rates (-)

The Reserve Bank of Australia increased the official cash rate to 0.85 per cent in June with further increases signalled over the coming year, fuelling concerns about rising debt obligations for businesses, households, and governments. Three in five (58%) Western Australians considered **interest rates** to have negatively affected their confidence this quarter — up a huge 22 percentage points since last quarter (see chart). (Note that this survey was canvassed before the 50 basis point rate hike in June).

## Omicron (-)

As WA moves past the peak of the Omicron wave, Western Australians

## WHAT INFLUENCES CONSUMERS? June 2022



## Interest Rates - Negative Influence on Confidence

Proportion 'Agree'



are learning to live with the virus and COVID-19 has subsided as a concern among households this quarter. Three out of five (60%) Western Australians consider **COVID-19** to have reduced their confidence, which is down 5 percentage points since last quarter.

## International headlines (-)

More gloomy international news, headlined by the war in Ukraine as well as rising inflation and interest rates in other countries, continues to weigh on the minds of WA households. Three in five (59%) Western Australians considered **global economic news** to have reduced their confidence this quarter — up 11 percentage points since last quarter.

## Insights into CCIWA's Consumer Database

### Impact of mortgage interest rate rises on spending

Interest rates are well and truly on the rise. In this edition of the *Consumer Confidence Survey* we ask Western Australians how their spending patterns will change as mortgage interest rates increase.

One third (32%) of respondents indicated they own their own home with a mortgage and so would be affected by higher interest rates. Of these households, one in five (18%) would cut back spending at cafes and restaurants, whilst a similar portion (17%) would reduce savings and other investments. Other spending categories include:

- Recreation and holidays (13% of mortgage holders)
- Consumer goods (13%)
- Groceries (10%)
- Bars, clubs, and pubs (9%)

We also asked how much repayments would have to increase before households cut back on discretionary or essential spending. Based on the responses<sup>1</sup>, if the cash rate were to rise to 2 per cent,

around half (51%) of mortgage holders identified they would cut back on 'essential spending' – items like groceries, health care and fuel. This rises to two thirds (66%) when considering the same for discretionary spending (see chart).

Should the cash rate rise in line with consensus expectations (to around 2 per cent by early 2023), our results indicate that the majority of mortgage holders would not only reduce discretionary spending, but also essential spending to make their repayments.

Breaking down the dynamics in the below chart, the curve steepens at lower cash rates before flattening out as the cash rate rises. This means that there is a larger effect - in terms of the proportion of mortgage holders reducing spending - in the early rate hikes (between 0.5%-2%).

## Job Mobility and Flexibility

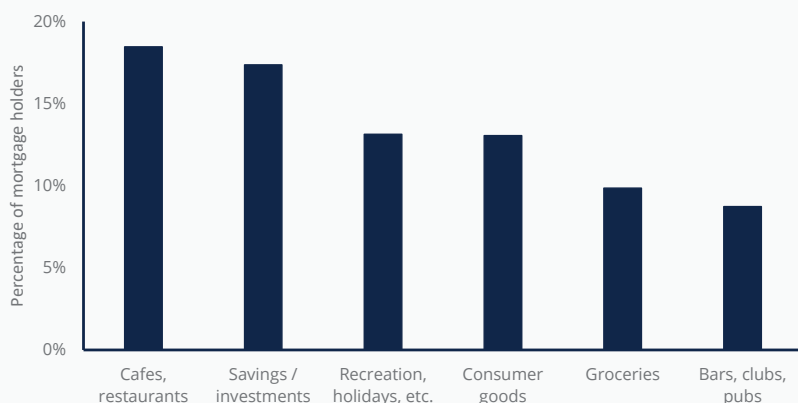
In this edition of the *CCIWA Consumer Confidence Survey* we asked Western Australians whether they were looking for a new job, whether they would take less pay to work flexibly and where they would prefer to live if they were looking to work more flexibly.

Looking to the results, two out of five (41%) Western Australians indicated they were actively looking for another job, with younger people (55%) much more likely to be job hunting than older people (31%). The leading factor for those looking for a new job was career advancement (14%), closely followed by better pay (12%), more flexibility (11%) and changing career paths (11%).

When asked whether they would be willing to receive less pay to have more flexible working conditions, around one third (31%) of respondents agreed, whilst just over half (54%) disagreed. The remainder (14%) had occupations that do not allow for flexible working.

Breaking it down further, those who are younger (36%) indicated they are more willing to sacrifice pay for

## Spending areas cut back when mortgage payments rise



<sup>1</sup> Assuming an average variable mortgage rate of 3% before the initial rate hike, responses for monthly repayments and loan terms are used to approximate each respondent's loan size. The value of 'how much would your monthly repayments have to increase before cutting back on spending' is then added to the initial monthly repayment to determine a new implied monthly repayment at which spending would be cut back, with a new mortgage interest rate calculated based on this new repayment, original loan size and original loan length. The implied cash rate is then calculated based on this new mortgage rate. Chart only includes loan terms greater than 3 years.

flexibility than those who are older (26%), whilst those who work part time (40%) are more willing than those who work full time (30%). The willingness to sacrifice pay is greater in higher income bands, however there were little differences across gender.

Respondents were also asked where they would prefer to live if they are looking for more flexible work arrangements. Notably, 15 per cent of respondents indicated they would prefer to be living in regional WA. This is driven by lower to middle income households, with 23 per cent of those in the \$41,000-\$75,000 income bracket and 19 per cent in the \$76,000-\$115,000 income bracket indicating they would prefer to live in regional WA – nearly double that of the lower and higher income brackets.

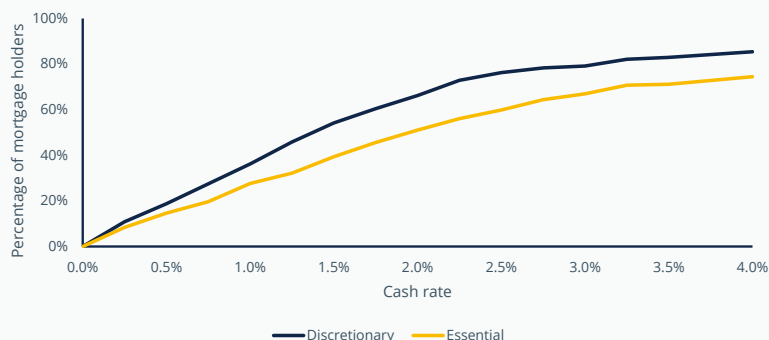
## Impact of border re-opening on travel intentions

With the State Government relaxing border restrictions back in March, we asked Western Australians whether they are seeking to travel overseas over the remainder of 2022.

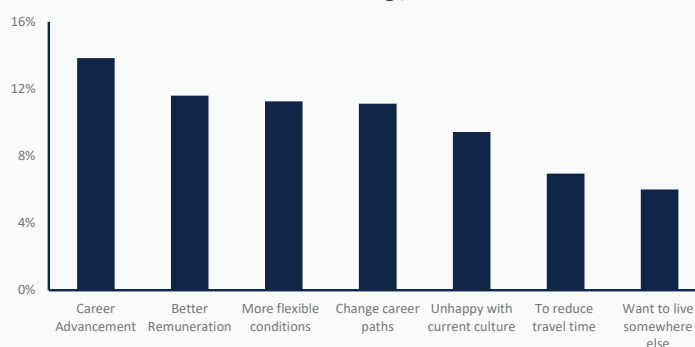
Looking to the results, one third (32%) of respondents intend to travel for a short-term holiday of up to 3 months. Breaking this down, younger people (46%) are more than twice as likely than older people (22%) to jet off on a holiday this year. Those who work full time (45%) and come from higher income households (46%) were also more likely to travel for holiday than part time workers (32%) and those from lower income households (23%).

Looking longer term, nearly one in ten (8%) Western Australians also said they will seek to relocate overseas this year. This is again driven by the younger cohort, with nearly one in five (17%) of those aged 18-39 indicating they will seek to move overseas this year, compared with only one in fifty (2%) of those aged 40 and over.

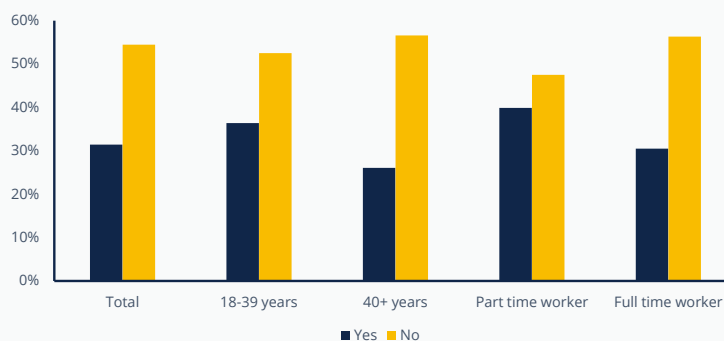
## Cash rate at which spending will be cut back



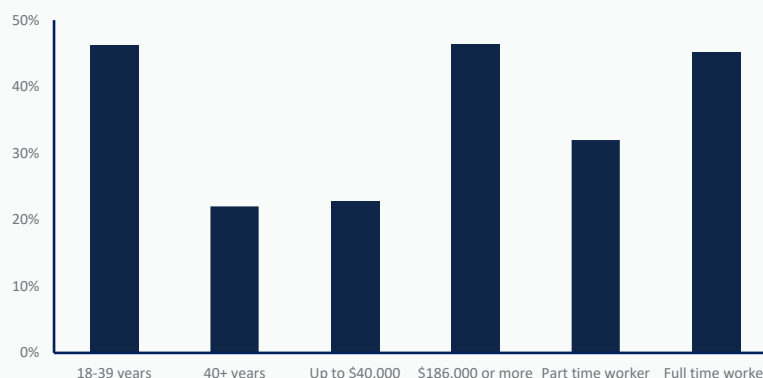
## Reasons Influencing Job Searches



## Willing to receive less pay to work flexibly



## Looking to Travel for Short Term Holiday





## Consumer Confidence – June 2022

Both **shorter term** and longer term

### confidence

**have picked up this quarter,**  
largely driven by the easing of  
**COVID-19 restrictions in late March**



### Interest rates and rising living costs

are the **most significant factors weighing on confidence**

One half **(51%) of Western Australian** mortgage holders would have to cut back essential spending and **two thirds (66%)** would need to cut back on discretionary spending if the cash rate is to rise to 2%



**Two in five (41%)** Western Australians **are looking for a new job** whilst one third (31%) would be willing to take a pay cut to **work more flexibly.**

Consumer Confidence	Current Quarter (June)	Previous Quarter (March)	Highest Since
Short-Term	115.3	109.5	December 2021
Longer-Term	115.9	112.7	December 2021
Personal Finances	104.4	107.0	March 2022
Job Prospects	112.6	113.1	March 2022

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 June 2022 is 115.3, which suggests that the average score of survey respondents for consumer confidence in June 2022 is 15.3 per cent higher than the average rating in 2016-17.

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