



Chamber of Commerce  
and Industry WA

# Confidence falls on back of inflation fears and interest rate hikes

CCIWA Consumer Confidence Survey *September 2022*

*WA consumer sentiment has dropped over the three months to September as cost-of-living pressures grow and interest rates continue to climb.*

Western Australians remain highly concerned about rising inflationary pressures, as living costs continues to be the single biggest drag on consumer confidence this quarter – affecting 3 in 4 WA households. This reflects rising

inflationary pressures – both here and abroad – brought on by persistent global supply chain disruptions, strong demand for goods, and soaring energy prices. Despite this shift in sentiment, we are yet to see an adjustment in spending, with retail turnover remaining more than 30 per cent above pre-covid levels.

The rapid hiking of the cash rate by the RBA has also weighed on the minds of Western Australians this quarter, with

63 per cent identifying interest rates as reducing confidence – up 5 percentage points since last quarter. Other factors dimming sentiment include surging global price levels, the ongoing Russo-Ukrainian conflict and enduring tensions with China. We expect many of these factors to continue to weigh on sentiment in future editions of the *CCIWA Consumer Confidence Survey*.

One of the primary factors buoying WA consumer sentiment remains the state's strong jobs market, as the state's unemployment rate continues to hover at near record low levels. The State Government remains an additional strong factor boosting Western Australians' confidence, however the extent of its positive influence has dipped over the quarter.

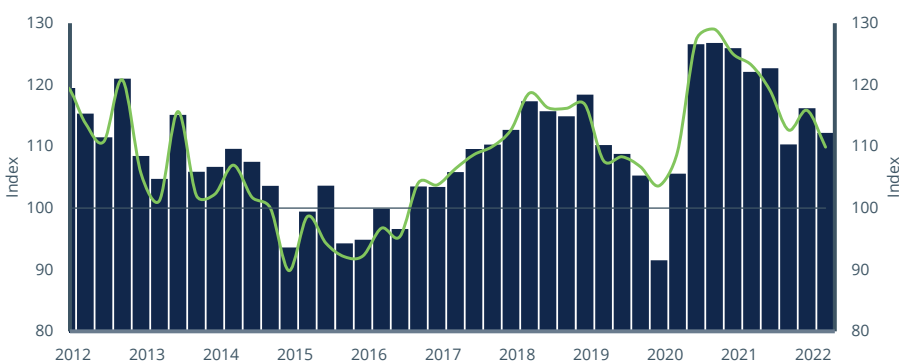
In this edition of the *CCIWA Consumer Confidence Survey*, we ask Western Australians about factors they consider when selecting a consumer brand, their views on payroll tax, how much they plan to spend on overseas travel in the next year and their expectations regarding current inflationary pressures.

## Consumer confidence

WA economic conditions

Index: 2016/17 Average = 100

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



## Confidence falls in the short-term

Just over one in five (23%) Western Australians anticipate conditions will improve over the next three months, down 5 percentage points since last quarter. One quarter (26%) expect conditions to soften – up 4 percentage points – while half (51%) anticipate no change.

## Longer-term outlook drops

Looking to the year ahead, just over a third (36%) of Western Australians anticipate conditions will improve over the next 12 months – down 7 percentage points since last quarter – while 29 per cent expect conditions to worsen. The remainder (34%) 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?

### Living costs (-)

Persistent global 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 6.1 per cent over the 12 months to June 2022.

As a result, three quarters (73%) of Western Australians indicated living costs have negatively influenced their confidence this quarter – down 3 percentage points since last quarter, but still the biggest detractor from consumer confidence.

### Interest rates (-)

The Reserve Bank of Australia has rapidly increased the official cash rate, which now sits at 2.35 per cent, and continues to signal further increases over the coming year. This has strengthened concerns about rising debt obligations for businesses, households, and governments. Just over three in five (63%) Western Australians considered **interest rates** to have negatively affected their confidence this quarter – up 5 percentage points since last quarter and a huge 27 percentage points since the rate hikes began (see chart).

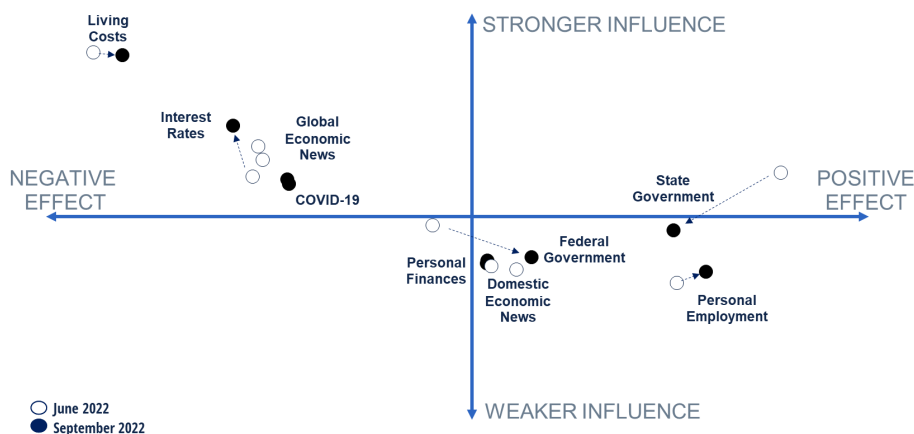
### International headlines (-)

Gloomy international news continued this quarter, headlined by skyrocketing inflation (in particular soaring energy prices) overseas and ongoing tensions with China. Combined with the Russo-Ukraine war in the backdrop, **global economic news** continues to weigh on the minds of WA households, with three in five (57%) Western Australians considering it to have reduced their confidence this quarter – down 2 percentage points.



## What influences consumers?

September 2022



## Covid-19 (-)

As WA moves past the peak of the latest Omicron wave and international travel continues to recover, Western Australians are learning to live with the virus. As a result, COVID-19's drag on confidence has receded this quarter, with just over half (53%) of Western Australians considering **COVID-19** to have reduced their confidence, down 7 percentage points since last quarter.

## Employment Prospects (+)

WA's jobs market remains tight. There are more job vacancies than unemployed people and the unemployment rate is hovering near its record low at 3.2 per cent in July. As such, more than one third (36%) of Western Australians considered **employment prospects** to have positively influenced their confidence this quarter – up 3 percentage points.

## State Government (+)

The State Government is the only other factor buoying WA consumer sentiment. Two in five (43%) Western Australians consider the **State Government** to have positively influenced their confidence this quarter, down 10 percentage points since last quarter.

## Insights into CCIWA's Consumer Database

### Factors influencing consumer brand loyalty and choices

Over the past 12 months, a multitude of factors have altered consumer behaviour, including the pandemic, rising prices, and supply chain issues. In this edition of the *Consumer Confidence Survey*, we ask Western Australians whether they have changed brand for products that they usually buy, as well as the importance of different factors in determining their brand of choice.

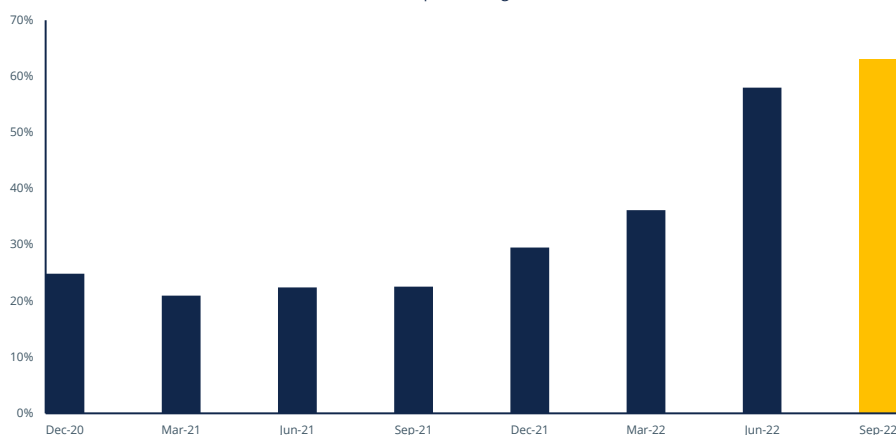
Three quarters (76%) of Western Australians indicated they had changed brands for a product over the past year. Rising cost of living pressures appear to be the key reason as to why consumers



*"Over the past 12 months, a multitude of factors have altered consumer behaviour."*

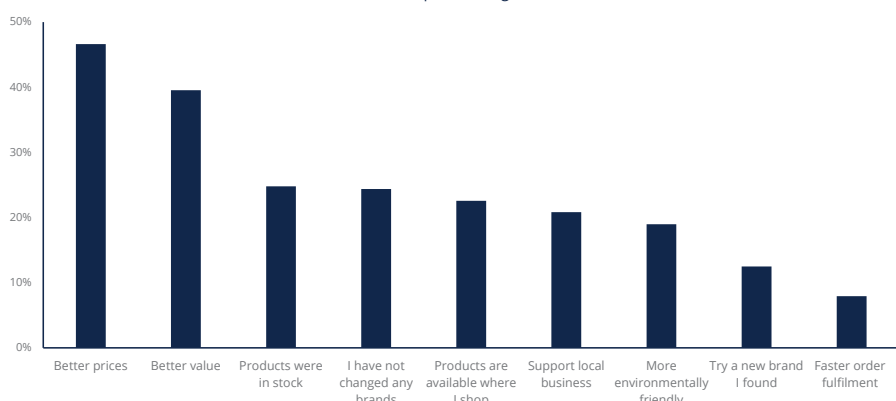
### Interest rates – Negative influence on confidence

Proportion 'Agree'



### Reasons for changing brands

Proportion 'Agree'





have swapped brands, with just under half (47%) indicating that better prices were a reason for shifting while two in five (40%) indicated it was to gain better value.

With supply chains also seeing major disruptions over the past year, product availability has been another reason for consumers making a switch. One quarter (25%) of Western Australians changed brands to those that had products in stock, while a similar proportion (23%) opted for brands that were available where they shop. Other reasons for switching brands include:

- Wanting to support local business (21%)
- Swapping to a brand that is more environmentally friendly (19%)
- Wanting to try a new brand (12%)
- Faster order fulfilment (8%)

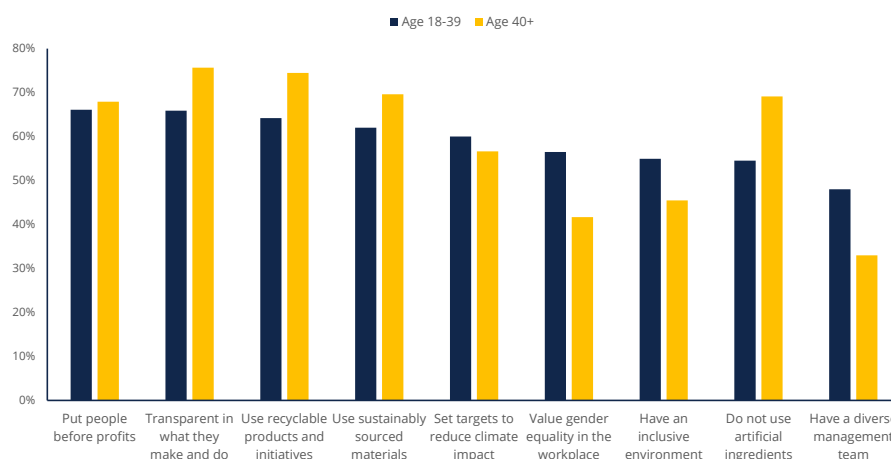
We also asked about the importance of certain factors when deciding which brand to choose from. The most important factor identified was company transparency, with seven out of ten (71%) Western Australians indicating companies that are transparent in what they make and do was 'important' or 'very important' when choosing their brand of choice. A similar amount (70%) indicated companies that use recyclable products or 'green' initiatives are important considerations when determining which brand to choose.

Noticeably, there is a difference between genders as to how important these factors are, with females considering each factor to be more important than males by at least 8 percentage points. This difference is most stark for companies that value gender equality in the workplace, with 56 per cent of females considering this important but only 38 per cent of males – a difference of 18 percentage points. Companies that don't use artificial ingredients (17 percentage point difference) and companies that use recyclable products and similar initiatives (13 percentage point difference) were also factors



## Factors influencing consumers when choosing a brand

Responded 'Important' or 'Very Important'



with contrasting importance between genders.

There is also a distinct difference in what consumers find important between age groups, although not as uniform as that for gender. Those that are younger are more likely to place greater importance on companies that value gender equality (15 percentage point difference) and have a diverse management team (15 percentage point difference). In contrast, those that are older are more likely to view companies that do not use artificial ingredients (15 percentage point difference) or use recyclable products

(10 percentage point difference) as important.

## Payroll Tax

Western Australian businesses face the highest payroll tax burden of any state in the country, which only adds to the cost of doing business. In this edition of the *CCIWA Consumer Confidence Survey*, we asked Western Australians for their views on the current rate of payroll tax faced by WA businesses.

Looking to the results, the majority of Western Australians believe the current payroll tax system is unfair and limits the growth of the WA economy. Nearly

seven out of ten (69%) respondents agreed that the state government needs to do more to level the playing field for WA businesses, whilst only 8 per cent disagreed with this statement. Similarly, just under two thirds (65%) think that it isn't fair WA businesses pay a higher level of payroll tax than businesses in other states – only one in ten (10%) disagree.

Further, three in five (61%) people believe lowering the payroll tax burden on WA businesses would help to grow the state's economy, whilst a similar proportion (59%) think WA businesses would be more competitive if the current payroll tax were lowered. Only 11 per cent of respondents disagreed with both of these statements.

### Travel intentions and spending on holidays

With the number of Western Australians travelling internationally beginning to increase, we asked whether survey participants were planning to jet off for a holiday in the next 12 months and how much they plan to save for their trip.

Looking to the results, one in five (22%) respondents indicated they were going to be travelling overseas this year, whilst another quarter (24%) said they would 'probably' be heading overseas for a holiday. Cohorts most likely to be holidaying overseas this year include younger Western Australians, those living in the metro area and middle-to-higher income earners.

For those planning on or considering travelling, the average person is looking to save approximately \$9,000 for their trip, including flights, accommodation, and any other spending whilst away. These results suggest that Western Australians will spend around \$1.8 billion on overseas holidays this year.

### Inflation expectations

Over the past 12 months, inflationary pressures have boosted the prices of many everyday goods and services for Western Australian consumers. In this edition of the CCIWA Consumer

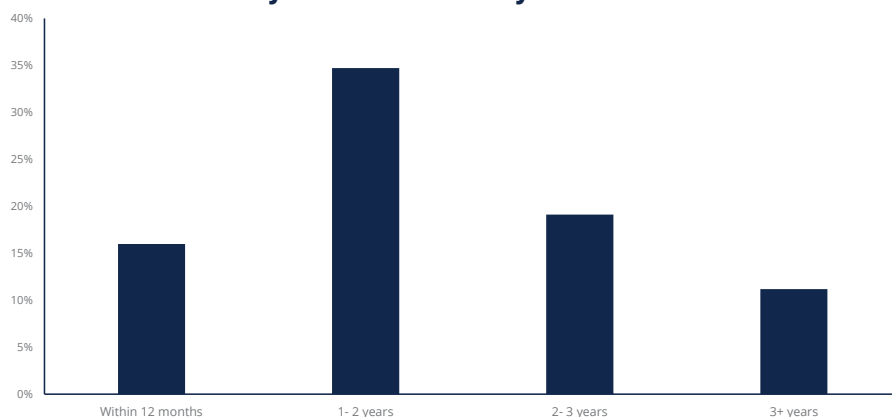
Confidence Survey, we asked Western Australians for their view on when inflationary pressures will begin to ease.

We find that only one in six (16%) households believe prices will stop increasing at their current rate within the next 12 months – the period in which most economic forecasters believe prices will begin to stabilise. A further one third (35%) of respondents believe inflation will begin to ease in the next 1-2 years, with one in five (19%)

believing prices will continue to rise for another 2-3 years. An additional one in ten (11%) believe conditions won't ease for at least 3 years.

With the majority of Western Australians believing inflation is likely to stick around for some time yet, this may influence consumer's purchasing decisions – potentially bringing forward major purchases or winding down discretionary spending to try and avoid rising prices.

### When do you think inflationary conditions will ease?



*"These results suggest that Western Australians will spend around \$1.8 billion on overseas holidays this year."*



# Consumer Confidence – September 2022



Both **shorter** and **longer term confidence** has **fallen** this quarter, largely driven by **inflationary** pressures and rising **interest rates**

In the last 12 months just under one half (**47%**) of Western Australians have **swapped brands** for a **better price**, whilst a quarter (**25%**) have **swapped** because their normal **product wasn't in stock**



More than two thirds (**69%**) of Western Australians believe that the **state government** should be **doing more** to help level the playing field for WA businesses by **reducing payroll tax**

One in five (**22%**) Western Australians say they will be **traveling overseas** in the next 12 months, with another one quarter (**24%**) saying they are **likely** to also **take a trip**. The average traveller plans to **save \$9000** for their holiday.



Consumer Confidence	Current Quarter (September)	Previous Quarter (June)	Highest Since
Short-Term	111.3	115.3	June 2022
Longer-Term	109.9	115.9	June 2022
Personal Finances	105.5	104.4	March 2022
Job Prospects	114.8	112.6	Record

**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 2022 is 111.3, which suggests that the average score of survey respondents for consumer confidence in September 2022 is 11.3 per cent higher than the average rating in 2016-17.

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