



Chamber of Commerce
and Industry WA

Confidence edges up but still near six year lows

CCIWA Consumer Confidence Survey *March 2023*



WA consumer sentiment is holding steady despite cost-of-living pressures and interest rate rises continuing to bite. However, confidence levels are still close to the lowest reading in six years (excluding the onset of COVID), reflecting the ongoing challenges that continue to plague the economy.

Western Australians remain especially concerned about the surging cost of living, with living costs still the single biggest drag on consumer confidence this quarter – hurting the confidence of four in five (80%) WA households.

Soaring interest rates also continue to weigh heavily on the minds of Western Australians as the RBA has hiked the cash rate further, with 72 per cent of respondents identifying

this as reducing confidence – up three percentage points since the December quarter. Additionally, global economic news continues to dampen sentiment as geopolitical tensions carry on, headlined by the ongoing Russo-Ukraine war. We expect many of these factors are likely to persist in future editions of the CCIWA *Consumer Confidence Survey*.

The primary factor continuing to buoy WA consumer sentiment remains the state's strong jobs market, as WA's unemployment rate remains at low levels and the number of Western Australians in full time employment has continued to grow.

In this edition of the CCIWA *Consumer Confidence Survey*, we ask Western Australians if they are looking to cut back spending this year, whether they are looking to rent out any spare rooms, how much they have dipped into their savings to cover higher living costs and whether they plan on using artificial intelligence.

Consumer confidence

WA economic conditions

Index: 2016/17 Average = 100

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





What's influencing consumer confidence?

Living costs (-)

Robust consumer demand has continued to drive the surge in inflation, with the national Consumer Price Index rising 7.8 per cent over the 12 months to December 2022. Rising mortgage repayments and increases in rents are also beginning to strain household budgets. As a result, four in five (80%) Western Australians indicated **living costs** have reduced their confidence this quarter.

Interest rates (-)

The Reserve Bank of Australia has continued to march interest rates higher, with the official cash rate sitting at 3.6 per cent as of March, and has signalled further increases are likely. This has further intensified concerns about rising debt repayments for households, particularly those with fixed mortgages needing to refinance throughout 2023. Over seven in 10 (72%) Western Australians consider **interest rates** to have reduced their confidence this quarter – up three percentage points since last quarter and now double the proportion of respondents since the start of the RBA's hiking cycle (see chart).

International headlines (-)

Global economic news continues to weigh on the minds of Western Australians, as geopolitical tensions remain ongoing and the Russo-Ukraine war continues to rage on. Three in five (60%) Western Australians consider global economic news to have reduced their confidence this quarter, down five percentage points since last quarter. Whilst still high, this fall may reflect improved relations with China, as well as consumers potentially becoming more accustomed to the Russo-Ukraine conflict.

Confidence edges up in the short-term

Around one in six (17%) Western Australians anticipate conditions will improve over the next three months, up a single percentage point since last quarter. Just over one third (35%) expect conditions to soften, while almost half (48%) anticipate no change, up two percentage points.

Longer-term outlook improves marginally

Looking to the year ahead, three in 10 (30%) Western Australians believe conditions will improve over the next 12 months – up four percentage points since last quarter – while 36 per cent expect conditions to worsen, down three percentage points. The remainder (35%) anticipate no change.

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



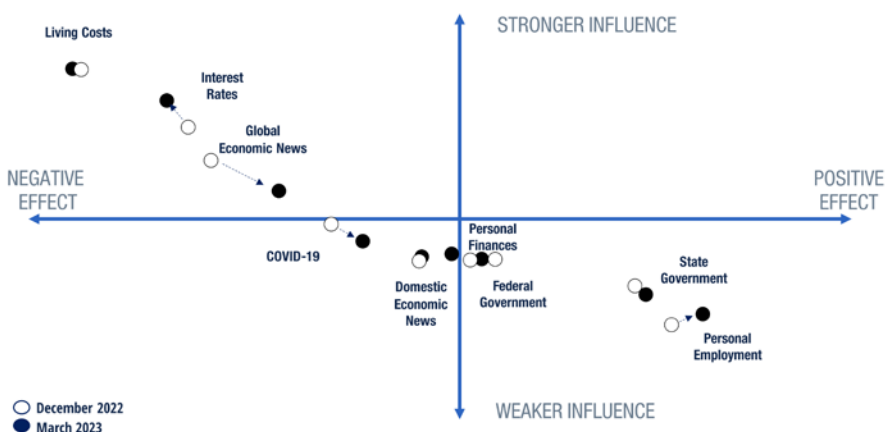
Short-Term Index up 1.4 Index Points over the quarter to 105.0



Longer-Term Index rises 2.0 Index Points over the quarter to 104.1

What influences consumers?

December 2022



Covid-19 (-)

COVID-19's drag on consumer confidence continues to diminish, as Western Australians have learnt to live with the virus and case numbers have fallen following a rise late last year. As a result, just under half (47%) of respondents consider **COVID-19** to have negatively affected their confidence this quarter – down five percentage points.

Employment Prospects (+)

WA's jobs market continues to remain tight. Our unemployment rate sits at 3.6 per cent as of January – the third lowest in the nation – while we are the only state to have more job vacancies than unemployed people. As such, three in 10 (30%) Western Australians considered **employment prospects** to have increased their confidence this quarter, up two percentage points.

State Government (+)

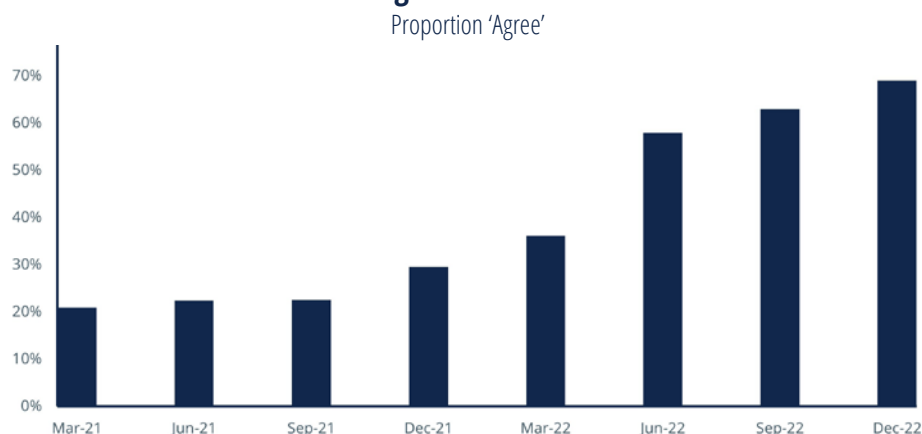
The State Government remains the only other factor buoying WA consumer sentiment. Just over one third (35%) of Western Australians consider the **State Government** to have positively influenced their confidence this quarter, down one percentage point since last quarter.

Insights into CCIWA's Consumer Database

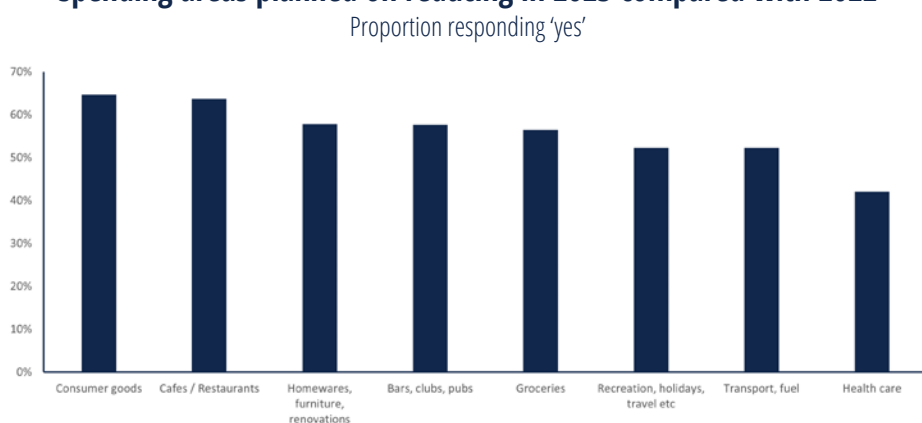
Increased Cost of Living Set to Reduce Spending

The Reserve Bank has now hiked the cash rate at its fastest pace since 1990, rising by 3.5 percentage points in just under a year. This has piled on the pressure for many mortgage holders, with variable mortgage repayments increasing significantly and fixed mortgage holders bracing themselves for when they need to refinance. At the same time, inflation remains high and continues to make everyday items more expensive. In this edition of the *Consumer Confidence Survey*, we asked Western Australians how much they are

Interest rates – Negative influence on confidence



Spending areas planned on reducing in 2023 compared with 2022



planning on reducing their spending in 2023 due to the rising cost of living, as well as which areas they're seeking to rein in.

Almost two thirds (65%) are planning on reducing their spending on **consumer goods** – things like electronics and clothing – while a similar proportion plan on cutting back at **cafés and restaurants** (64%).

Other areas where respondents indicated they plan to reduce their spending include:

- Bars, clubs and pubs (58%)
- Homewares, furniture and renovations (58%)
- Groceries (57%)
- Recreation, holidays and travel (52%)
- Transport and fuel (52%)
- Health care (42%)

Only 52 per cent of respondents indicated they would cut back on **recreation, holidays and travel** – this is a lower proportion than those cutting back on the essential spending area of groceries. Following years of closed borders, Western Australians remain travel hungry and are seemingly willing to pay up to jet off on a holiday.

We then asked respondents by how much they plan on reducing their spending in each of these categories compared with their 2022 spend. For those that plan to cut back spending this year, they are looking to do this more so by more on discretionary items. On average, households indicated they would cut back the most on Bars, clubs and pubs, doing so by 18 per cent. This was closely followed by homewares,

furniture and renovations, with an average spending cutback of 17 per cent, while consumers are also planning on reducing consumer goods spend by 16 per cent on average.

On the flipside, the reduction in spending on essential items is much less. Western Australians plan on reducing their spending on health care by nine per cent on average, the same amount as transport and fuel. Similarly, households are planning on cutting back their grocery spending by an average of 10 per cent.

Households Continue to Dip into their Savings

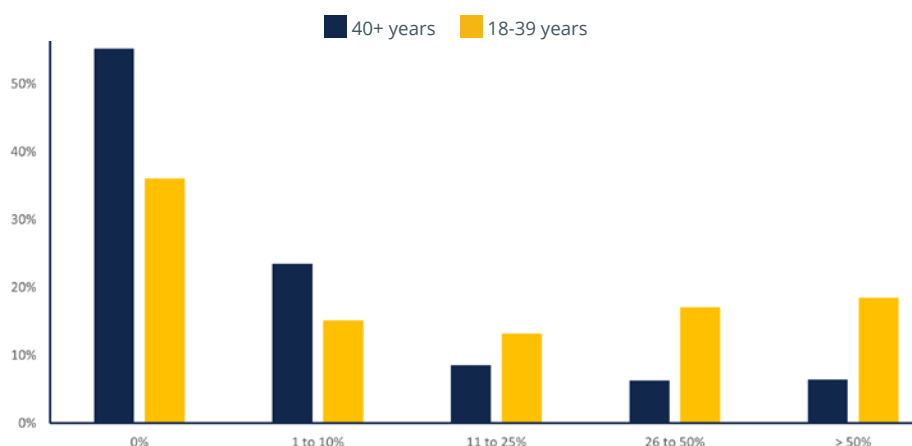
As the cost of living continues to surge, we asked Western Australians how much of their savings they have needed to dip into to cover their higher living costs.

On average, Western Australians identified they have drawn down 20 per cent of their savings and offset accounts over the last six months. However, there is a significant discrepancy between across cohorts as to the proportion of people who have drawn down funds, as well as by how much they have needed to reduce their financial stockpile.

Nearly two thirds (64%) of young people have had to reduce their savings, compared with just over two in five (45%) older people. Younger people were also more likely to have drawn down more, doing so by an average of 32%. This is more than double that of the older cohort, who have only reduced their savings by 13%. This likely reflects the fact that those who are younger are more likely to be renting or have a mortgage, as well as having less savings to draw upon compared with the older cohort given they have been able to accumulate wealth over a longer period. They have spent less time in the workforce.

Similarly, a lower proportion of those on high incomes (\$186,000+) have

What percentage of savings have you drawn down in the last 6 months?



needed to dip into their savings than other income earners. Only two in five (40%) of those on higher incomes have done so, whereas almost three in five (57%) of those earning less than this have started using eating into their savings. Lower to middle income households have also used nearly double the proportion of savings as higher income households, again reflecting lower starting balances and earning capacity.

And while a similar proportion of full-time (42%), part-time (41%) and casual workers (45%) have needed to use their savings in the last six months, the amount which they have depleted varies significantly. Full-time workers, on average, have drawn down 20 per cent of their savings and offset account balance. This is slightly higher for part-time workers, who have drawn down 25 per cent of their savings, and significantly higher still for casual workers, who have used 41 per cent of their savings in the last six months alone.

Housing Crisis Seeing a Return to Shared Living

The housing market in Western Australia is currently as tight as a drum, with the rental vacancy rate sitting at its lowest level in 10 years which has fuelled growth in rents. At the same time, mortgage payments for homeowners have skyrocketed

as interest rates continue to climb. As overseas migration continues to pick up and international students return to our shores, conditions aren't expected to ease any time soon. In this edition of the *Consumer Confidence Survey*, we asked Western Australians if they had any spare rooms in their house and whether they were considering renting them out to assist easing the rising cost of living.

When asked if they had any spare rooms, more than three quarters (77%) of Western Australian households indicated they have at least one bedroom that isn't being used, with an average of 1.6 rooms sitting vacant. Those who are renting are less likely to have a spare room than homeowners. Renters have on average 1.2 bedrooms being unused, while homeowners without a mortgage have an average of 1.9 bedrooms spare.

Given the rising cost of living forcing households to reassess their budgets, we then asked whether respondents had considered living with a greater number of people to help reduce some of these costs. Almost one in 10 (9%) Western Australians said they had already started living with more people to assist with costs, while a further one in four (26%) indicated they were considering or open to doing the same.

Breaking this down further, nearly one

in five (17%) renters indicated they had already started living with a greater number of people to help cut costs, while one in 10 (9%) mortgage holders had also done so. This is significantly greater than those who own their own home without a mortgage, with only two per cent having taken this step.

An additional one third (31%) of renters are either seeking or considering living with more people, with a similar proportion of mortgage holders (32%) also thinking about doing this as a next step. In comparison, only half as many homeowners without a mortgage are considering doing so, with 15 per cent indicating they are open to living with more people.

A greater number of young people have also started living with more people – 15 per cent of those that are younger have already done so, compared with only five per cent of older people. A further two in five (39%) people in the younger cohort are considering increasing the number of housemates they have, compared with less than one in five (16%) of those that are older.

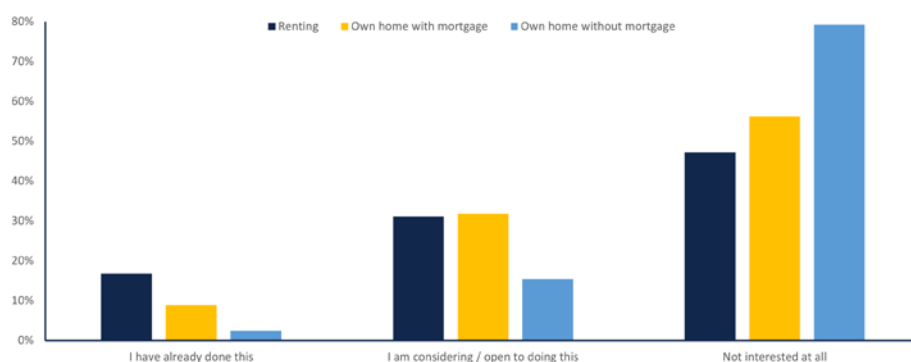
These results suggest that rising living costs are forcing households to take stock on their current living situation in a bid to cut costs and shows the regressive effect of rising living costs on Western Australian households .

Artificial Intelligence Taking the World by Storm

In November last year, a new artificial intelligence chatbot, ChatGPT, was released and has taken the world by storm. ChatGPT is an advanced online chatbot which is able to quickly give detailed responses across a range of topics, and its release has begun a race between technology companies to see who can create their own version to rival it first. In light of this technology hitting mainstream media, we asked Western Australians whether they plan on using ChatGPT, and if so, what they intend on using it for.



Would you consider living with a greater number of people to reduce living costs?



Already, one in 10 (10%) respondents indicated they are using this technology, while another one in five (20%) plan on using it in the future. Those who are male, younger and work full time are more likely to be using it than their peers.

Nearly two in five (37%) males suggested they already are or plan to use ChatGPT, compared with only one in five (22%) females. Similarly, more than one half (54%) of young people plan to use this technology compared with only 14 per cent of their older peers, while more than five times the number of full-time workers (47%) are set to use ChatGPT than those that are not in the workforce (9%).

For those that are looking to use ChatGPT, we then asked what they planned on using it for. The greatest response was helping complete work-based tasks and jobs, with one in five (20%) citing this as their main use. This was closely followed by general information and inquiries (19%), while developing creative content (11%) was also a popular choice. Other uses identified include:

- Improving writing skills (8%)
- Academic studies and work-related research (8%)
- Increasing efficiency in everyday life (8%)
- General entertainment (6%)

Consumer Confidence – March 2023



Both **shorter** and **longer term confidence** have **ticked up** slightly this quarter but remains near the **lowest** recorded in **six years**

Western Australians are planning on **cutting back discretionary spending** in 2022, (65%) cutting back on **consumer goods**.



More than half (**52%**) of Western Australians have **dipped** into their **savings** and **offset accounts** to cover the **higher cost of living** over the past six months.

Just over one third (**35%**) of households indicated they **have** or would **consider living** with a **greater number of people** to help **cover** the rising **cost** of living.



Consumer Confidence	Current Quarter (March 2023)	Previous Quarter (December 2022)	Lowest Since
Short-Term	105.0	103.6	December 2022
Longer-Term	104.1	102.1	December 2022
Personal Finances	101.0	100.2	December 2022
Job Prospects	111.8	111.7	December 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.

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 2023 is 105.0, which suggests that the average score of survey respondents for consumer confidence in March 2023 is 5.0 per cent higher than the average rating in 2016-17.

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