

Consumer confidence defies rate rises



Western Australian consumer sentiment has defied cost-of-living pressures and interest rate hikes to grow during the three months to June.

The continued strength of the labour market is the primary factor supporting consumer confidence. Job markets remain tight as the unemployment rate hovers near all-time lows and the number of people employed continues to grow.

Just over two in five (44%) Western Australians indicated employment prospects bolstered their confidence this quarter, up ten percentage points from March.

The State Government also remains a strong pillar for Western Australians' confidence, reflecting an overall positive response to the recent release of another budget surplus.

At the same time, the main drags on confidence – living costs and interest rates – are less severe than in previous surveys. The main drag on confidence is still rising living costs with three in four (75%) Western Australians indicating this hurt their outlook for the economy. This is down by 5 percentage points. Coming in next are rising interest rates, identified by 68 per cent of Western Australians, down 4 percentage points. However, this survey was canvassed before the RBA's latest hike took the cash rate to 4.1 per cent. We expect many of these factors are likely to persist in future editions of CCIWA's *Consumer Confidence Survey*.

Significantly, concerns around COVID-19 have now nearly completely disappeared.

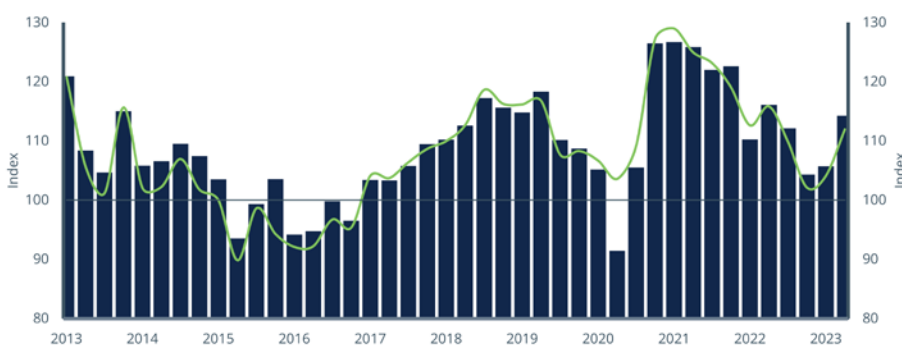
In this edition of the CCIWA *Consumer Confidence Survey*, we ask Western Australians how much of their savings they have dipped into to cover higher costs of living, how they plan on saving in the face of higher living costs, how much their mortgage repayments or rent have increased, and what influences their consumer brand preferences.

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 (-)

Steep **living costs** continue to weigh on consumer sentiment this quarter. Despite peaking in December, the national rate of inflation continues to stick at high levels, reading 7.0% in March 2023. As a result, three in four (75%) Western Australians indicated living costs rattled their confidence this quarter.

Interest rates (-)

WA household confidence continues to be stifled by high **interest rates**, particularly for those households with fixed mortgages needing to refinance throughout 2023. Almost seven in ten (68%) Western Australians consider interest rates to have reduced their confidence this quarter.

International headlines (-)

Global recession-watch and war continue to dominate headlines. Almost half (52%) of Western Australians indicated **global economic news** reduced their confidence this quarter, down eight percentage points since last quarter. Whilst still high, the slight decline may reflect cautious optimism as China has emerged from its Covid-Zero policy and pursues economic recovery, as well as markets potentially becoming accustomed to the Russo-Ukraine conflict. One year post-war, we have seen supply chains gradually stabilise, flowing on to lower commodity prices.

Personal finances (-)

Soaring mortgage repayments and the increased cost of living has seen two in five (40%) respondents indicate **personal finances** has dented their confidence this quarter. While still high, this is down two percentage points from the March quarter, likely reflecting the still tight labour market and the uplift in those reporting their employment prospects had lifted confidence (see employment prospects section below).

Confidence jumps in the short-term

One quarter (25%) of Western Australians anticipate conditions will improve over the next three months, up eight percentage points since last quarter. One half (50%) expect conditions to soften, down 10 percentage points. The rest (25%) anticipate no change.

Longer-term outlook also climbs

Looking to the year ahead, almost two in five (39%) Western Australians believe conditions will improve over the next 12 months – up nine percentage points since last quarter – while 27 per cent expect conditions to worsen, down nine percentage points. The remainder (34%) anticipate no change.

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



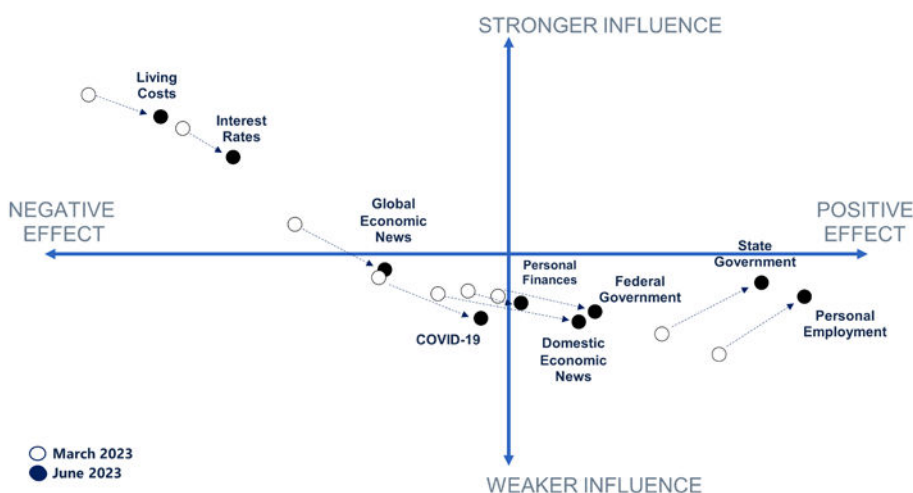
Short-Term Index
up **8.5**
Index Points
over the quarter
to 113.5



Longer-Term Index
rises **7.8**
Index Points
over the quarter
to 112.0

What influences consumers?

June 2023



State Government (+)

Just under a half (45%) of Western Australians consider the **State Government** to have positively influenced their confidence this quarter, up ten percentage point since last quarter. This encouraging effect of the WA Government on confidence follows the announcement of another State Budget surplus, which included further cost of living support measures for households¹.

Employment Prospects (+)

WA's jobs market continues to remain tight. Our unemployment rate sits at 3.6 per cent as of April – the fourth lowest in the nation – while around 10,000 jobs have been added since the start of the year. As such, over two in five (44%) Western Australians considered **employment prospects** to have increased their confidence this quarter, up 14 percentage points.

Insights into CCIWA's Consumer Database

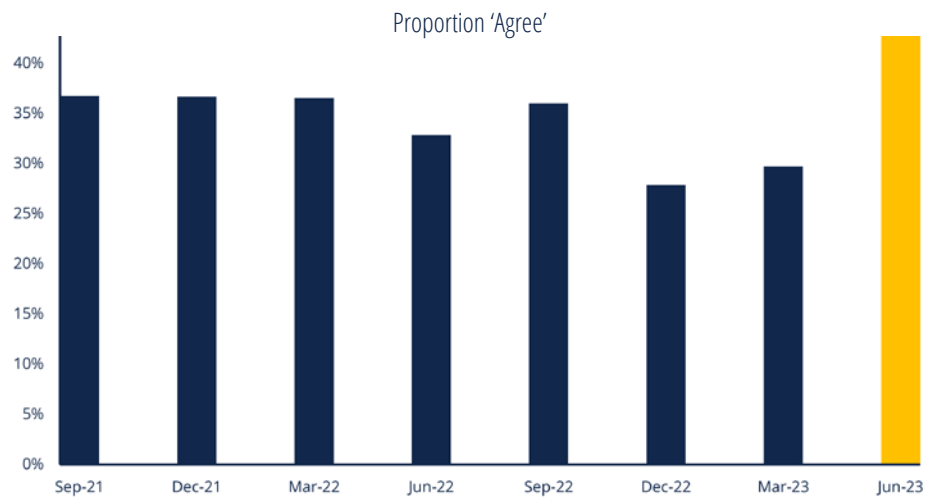
Steep cost of living continues to erode savings

With WA's year-on-year inflation rate reading 5.8 per cent as of March 2023, inflation remains well above target and continues to exert sustained pressure on household cash flows. As such, we asked Western Australians how much they have in savings and whether they have needed to dip into their savings accounts to cover escalating costs of living.

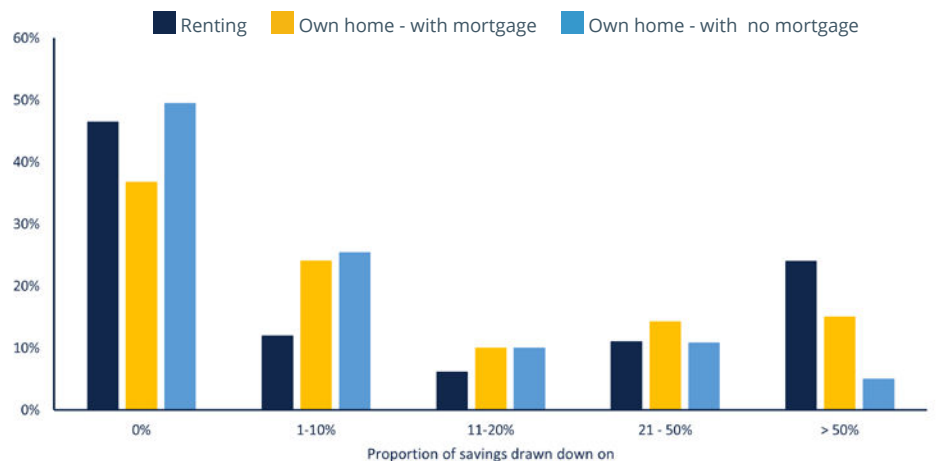
On average, Western Australians indicated they have just over \$55,000 in savings and offset accounts. The median value saved, however, sits much lower at \$5,000 – in other words, half of respondents have less than \$5,000 saved. The median savings value has fallen by \$1,000 since December, down from \$6,000.

Unsurprisingly, those on lower incomes (up to \$40,000 in annual income) have significantly less in savings compared to their higher income counterparts (earning over

Job prospects – Positive influence on confidence



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



\$180,000 in annual income). On average, lower-income earners have \$14,000 saved, while higher-income earners have \$184,400 saved.

When asked whether they had needed to draw down on their savings or offset accounts, more than half (52%) of respondents indicated they had - six percentage points higher than last quarter. On average, Western Australians identified they have drained 19% of their savings and offset accounts over the last six months.

There is a noteworthy disparity in the use of savings based on living arrangements and age groups during the past 6 months. A majority of homeowners in Western Australia

with a mortgage (63%) have tapped into their savings, while just over half of renters (54%) have done the same. On the flipside, only one in 10 (11%) homeowners without a mortgage have resorted to using their savings.

Drilling down further on mortgage holders, households with a variable rate mortgage used their savings to a greater extent than those with a fixed rate mortgage. Among variable rate mortgage holders, 68 per cent have drawn down on their savings, with an average drawdown of 25 per cent. In contrast, only 40 per cent of fixed rate mortgage holders have accessed their savings, with an average withdrawal of 5 per cent. With a large number of fixed mortgages rolling over to variable rates in the next six months,

¹ The 2023-24 WA State Budget was released one day after the start of the survey collection period.

it is likely these households will begin to use more of their savings.

Young people were significantly more likely to tap into their savings. Nearly two thirds (65%) of young people have had to draw on their savings, compared to only one half (51%) of older people. Younger people were also more likely to have drawn down a greater proportion of savings, averaging a reduction of 25 per cent – marking a 7 per cent decrease from last quarter. This is opposed to the older cohort, who said they only reduced their savings by an average of 16 per cent.

Households looking to tighten their belts

As the cost of living has continued to surge, many households are looking for new ways to cut back on spending. In this edition of CCIWA's *Consumer Confidence Survey*, we asked Western Australians what they plan on doing over the next year to help save money.

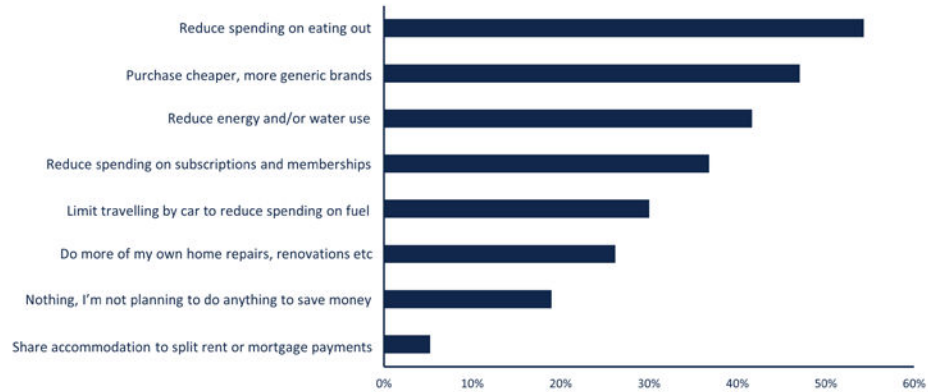
Looking to the responses, four in five (81%) households are looking at ways to cut back their spending. This includes more than half (54%) that are planning on reducing how much they spend on eating out, while a similar proportion plan on purchasing less expensive, more generic brands (47%). Other ways respondents indicated they plan to save money include:

- Reduce energy and/or water use (42%)
- Reduce spending on subscriptions and memberships (37%)
- Limit travelling by car to reduce spending on fuel (30%)
- DIY home repairs and renovations instead of paying for a tradesperson (26%)
- Share accommodation to split rent or mortgage repayments (5%)

Higher income earners (earning \$116,000 and above) are more likely to reduce spending on eating

Over the next 12 months, are you planning to do any of the following to save money?

Proportion 'Agree' to each



out (58%), purchasing cheaper, more generic brands (45%), reduce spending on subscriptions and memberships (40%), reduce energy and/or energy use (37%) and DIY home repairs and renovations instead of paying for a tradesperson (28%).

Those who own their home with a mortgage or are renting are significantly more likely to be taking action to curb their spending – 89% of mortgage holders and 88% of renters plan to cut back spending, compared with only 71% of homeowners without a mortgage.

Unexpected bill payments would see borrowing increase

As interest rates continue to rise and savings diminish, an increasing number of households are reporting financial stress. To help uncover the severity of this, we asked Western Australians how they would pay for an unexpected \$700 bill.

Three in five (63%) respondents said they would use their savings account to help pay for it, while almost two in five (38%) said they would need to use some form of loan, such as a credit card or borrowing money from family. Strikingly, one in 10 (11%) said they could not find a way to pay or are unsure how they would pay.

Looking further into the results, almost one in seven (14%) of those renting reported they could not find a way to pay, compared with only 2 per cent

of those who own their own homes. Similarly, over one in 10 (13%) of those earning lower incomes (with up to \$40,000 in annual income) reported they could not find a way to pay – compared with only 4 per cent of those on higher incomes.

Additionally, a greater proportion of females (8%) reported they could not find a way to pay than males (2%), while significantly more people who are unemployed (25%) or casual workers (9%) would struggle with an unexpected payment than those employed full time (2%).

Housing costs are surging, but by how much?

A combination of skyrocketing mortgage repayments and a rental market that continues to be squeezed has seen housing costs surge over the past 12 months. In this edition of CCIWA's *Consumer Confidence Survey*, we asked Western Australians how much their mortgage repayments or rent has increased over the past 12 months.

Over seven in 10 (73%) of Western Australians with mortgages or renting said their repayments or rent has increased over the past 12 months, with an average increase of 20 per cent. Breaking this down further, those with mortgages identified a 23 per cent increase, while those renting identified an average increase of 16 per cent.

A greater proportion of people on higher incomes (67%) have experienced an increase in mortgage repayments or rent – compared to lower income earners (35%). Additionally, those on higher incomes experienced a greater percentage increase in rent or mortgage repayments, averaging 17%, than the increases experienced by lower income earners, which averaged 12%.

Factors shaping consumer brand preferences

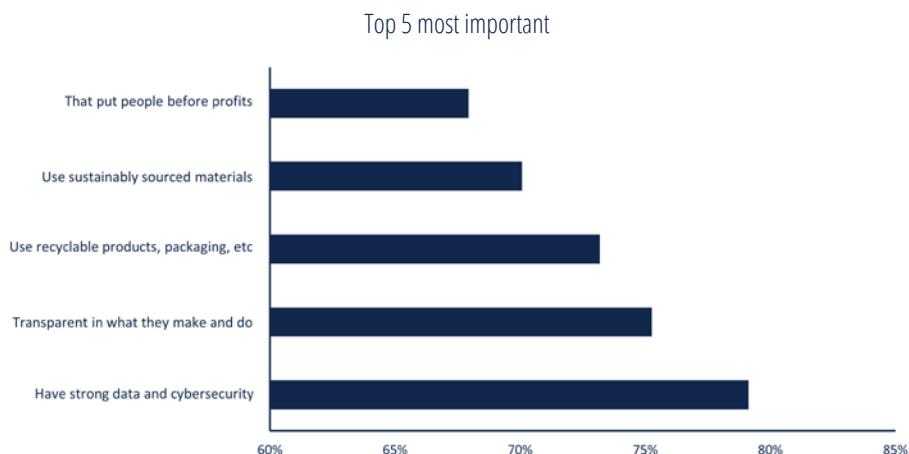
Consumers are taking greater interest in environmental and social issues. To help identify the issues of greatest interest to Western Australian consumers, we asked them the importance of different factors in determining their brand or company of choice.

The most important factor identified was strong data and cybersecurity, with almost eight out of ten (79%) Western Australians indicating companies that have strong data and cybersecurity was ‘important’ or ‘very important’ when choosing their brand of choice. A similar proportion (75%) indicated companies that are transparent in what they make and do is also an important consideration when determining which brand to choose. The full set of factors shaping consumer brand preferences are included in the chart below.

- Use of recyclable products, packaging, etc (73%)
- Use of sustainably sourced materials (70%)
- Put people before profits (68%)
- Set targets & restrictions to reduce climate impact (63%)
- Use no artificial ingredients (61%)
- Have an inclusive environment (53%)
- Value gender equality in the workplace (50%)
- Have a diverse management team (45%)



When purchasing a product, how important are the following factors that may be attributed to the company or brand?



The importance of these factors is different between cohorts. Noticeably, people over the age of 40 place more importance on no artificial ingredients and cybersecurity than younger people, by 16 percentage points and 15 percentage points, respectively. Whereas those under 40 years old more strongly prefer companies that have an inclusive environment and have a diverse management team, by 13 percentage points and 11 percentage points, respectively.

There is also a clear difference in the priorities of consumers based on

gender, with a greater proportion of females finding each factor more important than their male counterparts. This difference is greatest for companies that have an inclusive environment (17 percentage point difference), use sustainably sourced materials (15 percentage point difference) and have a diverse management team (14 percentage point difference). On the flipside, males are much more aligned when it comes to companies that put people before profits, with a difference of only four percentage points.

Consumer Confidence – June 2023



Both **shorter** and **longer-term confidence** have **jumped** this quarter and are at their **highest** since **June 2022**

More than one half (54%) of Western Australians are planning on **reducing** their **spending on eating out**, while a similar proportion plan on **purchasing less expensive**, more **generic brands** (47%)



Mortgage holders identified a **23 per cent increase** in their **mortgage repayments** while **renters** identified an average **rent increase** of **16 per cent**

The **most important factors** Western Australians **consider** when choosing a **brand** are **cybersecurity** (79%), **transparency** (75%), and use of **recyclable materials** (73%)



Consumer Confidence	Current Quarter (June 2023)	Previous Quarter (March 2023)	Highest Since
Short-Term	113.5	105.0	June 2022
Longer-Term	112.0	104.1	June 2022
Personal Finances	101.5	101.0	September 2022
Job Prospects	111.4	111.8	March 2023

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 June 2023 is 113.5, which suggests that the average score of survey respondents for consumer confidence in June 2023 is 13.5 per cent higher than the average rating in 2016-17.

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