

Festive spending tightens as cost of living bites

Western Australians intend to rein in spending this festive season, wary that cost of living and interest rate pressures will continue into 2024. While short-term consumer confidence remains steady since the last read taken in September, deeper analysis of the spending intentions and financial stress points of Western Australian households reflects that a growing number of households are feeling the pinch. The longer-term outlook in particular has softened, likely fuelled by concerns that inflation will remain stubbornly high

and elevated uncertainty triggered by recent global events.

Despite this, Western Australians are more optimistic than the rest of the nation - the latest Westpac-Melbourne Institute Consumer Sentiment Index recorded a 2.6% decline in November, in contrast to the stable reading of CCIWA's Consumer Confidence Index.

The main factors weighing on Western Australia consumer sentiment remain the high cost of living and elevated interest rates. While gradually declining over the

year, WA's inflation rate is still at 5.8%. At the same time, the RBA's latest 25-basis point hike has pushed the cash rate to its highest level since 2011 and has reignited concerns of further increases in the new year. As a result, seven in 10 (71%) WA households identified the cost of living as weakening their confidence while over three in five (64%) said the same about interest rates.

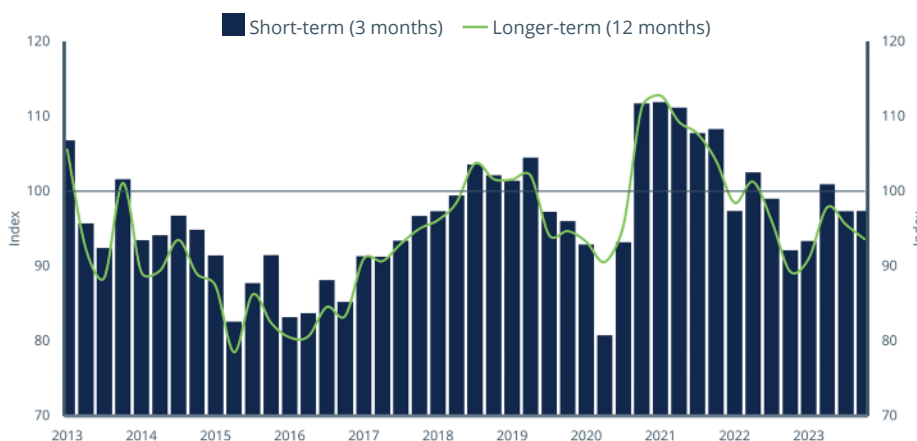
The strong labour market remains the primary source of support for confidence, with two in five (40%) Western Australians reporting that their employment prospects have buoyed their confidence. The proportion of respondents reporting this has remained unchanged since last quarter, likely reflecting the sustained, high demand for labour in WA.

In this edition of CCIWA's *Consumer Confidence Survey* we asked Western Australians about their spending intentions over the holiday period, which factors are incentivising their job mobility and how their finances are holding up.

Consumer confidence

WA economic conditions

Index: 2018 Average=100





Confidence holds in the short term

Looking to the next three months, almost one half (49%) of Western Australians believe economic conditions will remain the same. Over one in five (21%) expect conditions to strengthen, up by 2 percentage points since last quarter. The

remaining three in 10 (30%) have a more pessimistic short-term outlook.

Longer-term confidence drops

One in three (33%) Western Australians expect conditions to improve over the next year, while the same proportion (33%) expect

conditions to worsen. The remainder (34%) anticipate conditions to remain unchanged.

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

What's influencing consumer confidence?

Living costs (-)

The elevated **cost of living** remains the greatest concern for WA households, with 71% of respondents reporting this as deflating their confidence. However, this is the lowest proportion of respondents since March 2022, likely reflecting the gradual decline in inflation experienced over 2023.

Interest rates (-)

Around two in three (64%) consumers reported that higher **interest rates** have subdued their outlook, the same proportion as last quarter. This is on the back of the latest monetary policy decision in November, which saw the cash rate increase further to 4.35%, with continued speculation of a further increase in the new year.

International headlines (-)

Global economic news further dampened consumer sentiment over the quarter, as conflict erupted in the Middle East and economic focus increased on potential disruptions to oil supply. Almost three in five (57%) respondents indicated international headlines as a concern, increasing by 4 percentage points in the past three months.

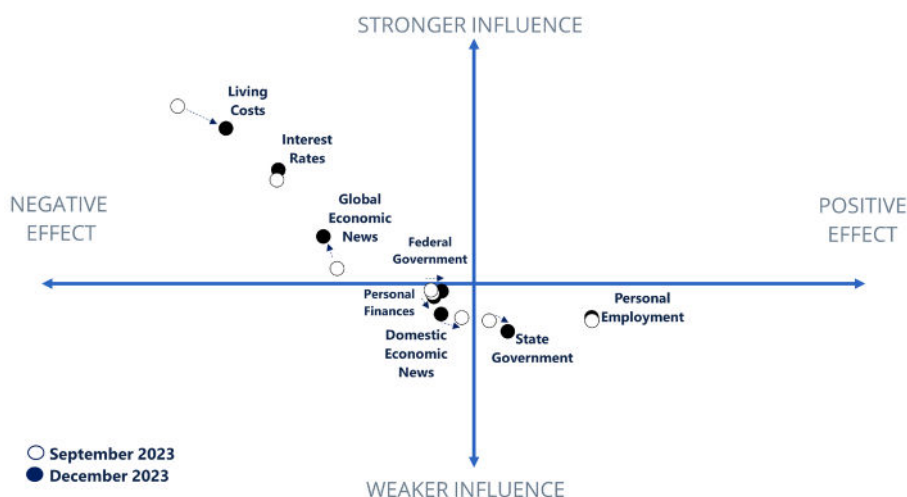
Personal finances (-)

Two in five (40%) consumers indicated their **personal finances** have weighed on their confidence, unchanged since last quarter. This marks the third consecutive quarter of no change to this factor, likely reflecting households have adjusted to the ongoing impact of higher interest rates and inflation.



What influences consumers?

December 2023



Employment Prospects (+)

Employment prospects continue to be the primary driver holding up consumer sentiment, with two in five (40%) Western Australians reporting this has bolstered their confidence. This proportion has held steady since last quarter, likely indicative of the enduring demand for labour.

State Government (+)

The **WA State Government** remains the only other positive contributor to household confidence, with one third (34%) indicating this supported their outlook on the economy over the quarter – unchanged from last quarter.

Insights into CCIWA's Consumer Database

Holiday related spending

Over the past year, inflationary and interest rate pressures have tightened household budgets, with retail spending per person beginning to fall as a result. However, as the holiday period approaches, in this edition of *CCIWA's Consumer Confidence Survey* we look to uncover whether households plan to indulge this festive season or tighten their spending reins.

Looking to the responses, two in five (41%) Western Australians expect to spend about the same over the holiday period as they did last year. One in five (21%) expect to spend more this year, while almost two in five (39%) expect to spend less. The verdict: Santa will be carrying a lighter load this Christmas.

On average, Western Australians expect to spend just under \$1,800. The median household holiday-related spending is expected to be \$1,000 – in other words, half of WA households expect to spend less than \$1,000. In total, Western Australians are expected to spend just over \$5 billion over the holiday period. Breaking this down further, two in five (40%) Western Australians expect to spend between \$501 and \$2,000,

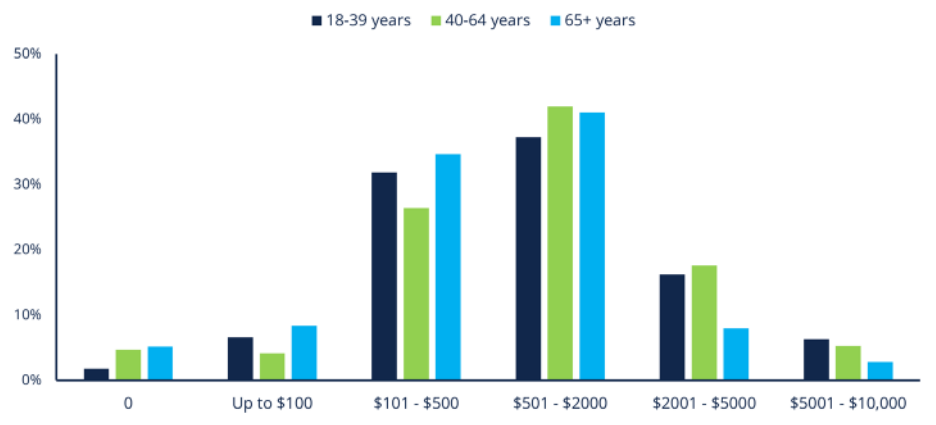


Demographic	Average spending per person (\$)	Higher (%)	Lower (%)
Male	2,604	20	34
Female	1,588	21	43
19 - 39 years	2,246	33	37
40 - 64 years	1,741	16	42
65+ years	1,258	10	37
Total	1,788	21	39

while three in ten (31%) expect to spend between \$101 and \$500. Just under one in five (19%) expect to spend over \$2,000. The remaining 10% expect to not spend at all or spend up to \$100. Looking by age groups, younger people are more likely to be forking out on the Christmas period than older people. One in three (33%) young people said they expect to spend more this year compared with last year, while only 10% of those

above 65 years indicated the same. On average, those aged between 18 and 39 years expect to spend just over \$2,200, while those in the 40 to 64 age group expect to spend just over \$1,700. People aged 65 and above expect to spend just under \$1,300. When looking at the median spend by age group, half of those between 18 and 64 expect to spend up to \$1,000, while half of those over 65 years of age only expect to spend up to \$600.

How much do you expect to spend on household holiday-related purchases?





Factors incentivising job mobility

With the WA labour market remaining tight, in this edition of *CCIWA's Consumer Confidence Survey* we look to unmask whether job mobility remains high, as well as the reasons driving Western Australians to seek new jobs.

Over one in three (36%) Western Australians indicated they are actively seeking new employment opportunities, up 5 percentage points from 6 months ago. This is particularly the case for those that are younger, with 57% of 18-39 year olds looking for a new job.

Of those looking for new employment, the most prevalent reason was for more flexible working conditions, with two in five (40%) indicating this.

A similar proportion (39%) said they are seeking better remuneration packages and opportunities for career advancement (39%). Other factors incentivising job mobility include:

- Change of career paths (24%)
- Want to live somewhere else, for lifestyle reasons (18%)
- Not aligned with employer's values (11%)

Looking at the responses by age groups, younger people (aged between 18-39) are more likely to be seeking more flexible working arrangements (45%). In contrast, those between the ages of 40 and 64 years are more likely to be seeking better remuneration packages (44%).

Breaking down the results by gender, females are more likely to be looking for greater workplace flexibility – with 42% of female job seekers reporting this. On the other hand, males are more likely to be seeking better remuneration packages – with 45% of male job seekers reporting this.

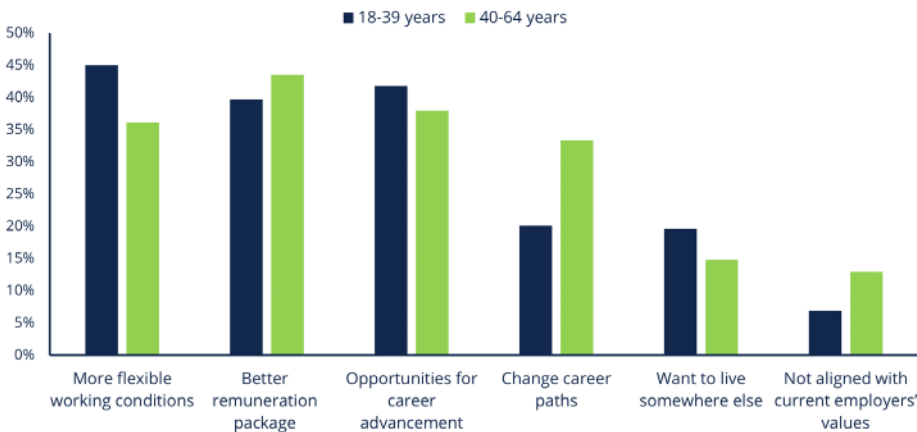
Financial stress increasing as cost pressures bite

While the higher cost of living is affecting every household, the impacts are felt by some more acutely than others. In this edition of *CCIWA's Consumer Confidence Survey*, we explore the number and type of financial stress issues experienced by WA households.

Looking to the responses, almost three in five (59%) households experienced at least one financial stressor over the previous three months, with 28% experiencing at least two. The proportion of households reporting at least one form of financial stress has increased seven percentage points since the same period last year and 14 percentage points since December 2021.

The most prevalent financial stress issue identified was monthly expenses exceeding monthly income, with more than one in three (36%) consumers identifying this. Breaking this down

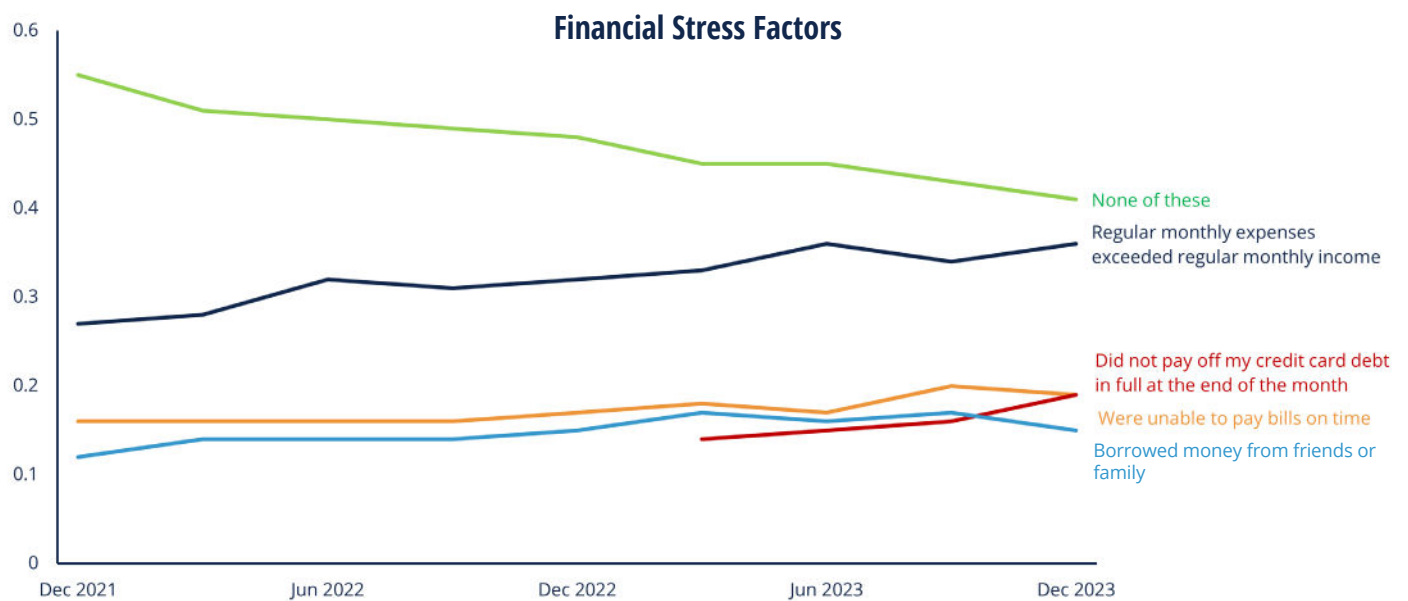
Factors incentivising job mobility



by age groups, younger people are more likely to have seen their monthly expenses exceed their monthly income — more than two in five (42%) respondents between 18 and 39 years reported this, while only 26% of those above 65 years identified the same.

Other incidents of financial stress reported include:

- Not being able to pay off credit card debt in full at month end (19%)
- Not being able to pay bills on time (19%)
- Borrowing money from family or friends (15%)
- Working fewer hours (15%)



Consumer Confidence – December 2023



Short-term **confidence**
held **steady** over the **quarter**,
while longer-term confidence **softened**.

Over a third (36%) of Western Australians indicated that their regular **monthly expenses** exceeded their regular **monthly income** in the last three months.



Almost **two in five** (39%) Western Australians are planning on **spending less this holiday period** than last year.

Just over **one in three** (36%) West Australians are **looking** for a **new job**, with greater **workplace flexibility** the most influential factor.



Consumer Confidence	Current Quarter (December 2023)	Previous Quarter (September 2023)	Highest Since
Short-Term	96.7	96.7	September 2023
Longer-Term	93.6	95.6	December 2023
Personal Finances	98.9	98.6	June 2023
Job Prospects	109.3	104.8	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 2018 calendar 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 2018. For instance, the Consumer Confidence Index in December 2023 is 96.7, which suggests that the average score of survey respondents for consumer confidence in December 2023 is 3.3% lower than the average rating in 2018.

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