

# Confidence steady as interest rate concerns ease

March 2024



Chamber of Commerce and Industry WA

Despite cost of living pressures continuing to hurt Western Australian household budgets, consumer confidence has held steady to begin 2024. This is on the back of a significant fall in concern around interest rates, with the cash rate remaining unchanged over the quarter and discussion around the timing of the first rate cut heating up.

Concerns around international trade tensions have also eased slightly over the March quarter, further supporting a steady outlook in the face of elevated living costs.

The main support to consumer sentiment remains the strong jobs market, however

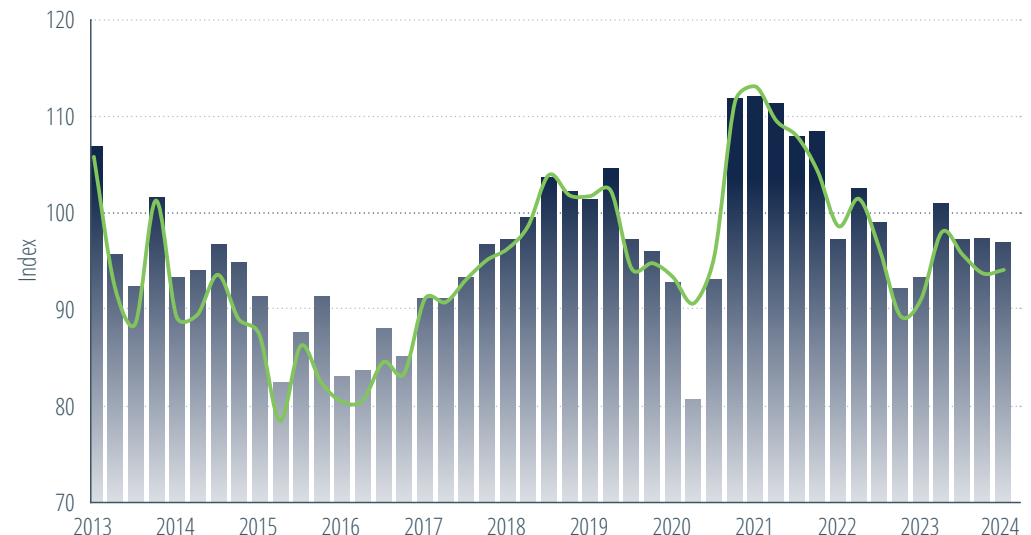
this has reduced slightly since last quarter as labour market conditions continue to loosen – indeed, Western Australia's unemployment rate has now drifted upwards to its highest reading in just over two years, now sitting at 4.2% as of January.

In this edition of *CCIWA's Consumer Confidence Survey* we asked Western Australians how much of their savings they have used to cover higher costs of living, if their living arrangement preferences have changed post pandemic, whether they are looking for a new job and what influences their consumer brand preferences.

## CONSUMER CONFIDENCE: WA ECONOMIC CONDITIONS

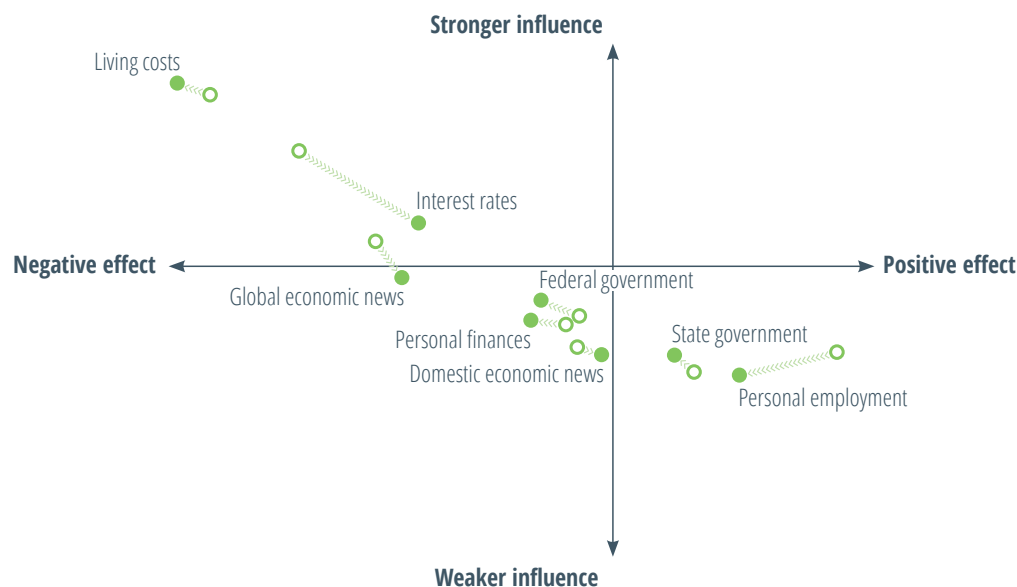
Index: 2018 Average = 100

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



## WHAT INFLUENCES CONSUMERS? MARCH 2024

○ December 2023 ● March 2024



Short-Term Index drops 0.4 Index Points to **96.3**

### Consumer confidence holds steady in the short term

Looking to the next three months, the majority (52%) of Western Australians believe economic conditions will remain the same. One in five (20%) expect conditions to strengthen, while the remaining three in 10 (28%) expect conditions to worsen.



Longer-Term Index rises 0.4 Index Points over the quarter to **94.0**

### Longer-term confidence improves marginally

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 (-)

While the rate of inflation has continued to decline, reading 3.6% in Perth as of December 2023, it remains above the RBA's target band. As a result, the elevated cost of living remains the number one concern for WA households, with 73% of respondents reporting this as a drag on confidence over the March quarter.



### Interest rates (-)

Over half (55%) of Western Australians reported that interest rates have deflated their outlook, marking a nine percentage point decline from December. This decline is likely reflective of the RBA's latest decision in February to keep the cash rate unchanged at 4.35%, as well as the promise of interest rate cuts on the horizon.



### Personal finances (-)

Over two in five (43%) consumers reported that their personal finances have weighed on confidence, reflective of the sustained cost pressures being placed on households.



### International headlines (-)

Global economic news remains a concern for Western Australian consumers, as conflict in the Middle East continues to threaten key transport routes and place an upside risk on oil prices. Over half (54%) of respondents indicated international headlines as deflating their outlook.



### Employment prospects (+)

Employment prospects continue to bolster consumer confidence, with over three in ten (35%) Western Australians indicating this. However, this proportion has declined five percentage points since last quarter. The decline likely reflects loosening labour market conditions, as WA's rate of unemployment has continued to drift upwards, reaching 4.2% in January – the highest rate since August 2021.



### State Government (+)

The WA State Government remains the second support to household confidence, with over one third (36%) indicating the government bolstered their confidence over the three months to March.



Insights into CCIWA's Consumer Database

Steep cost of living continues to erode savings

With the inflation rate sitting well above target over the past two years and interest rates also placed in restrictive territory, households have been forced to tighten their belts.

In this edition of CCIWA's Consumer Confidence Survey, we asked Western Australians whether they have needed to dip into their savings accounts to cover the higher cost of living and what proportion of their savings they have needed to use.

Looking to the responses, three in five (58%) Western Australians indicated they have needed to draw down on their

savings or offset accounts to cover the higher cost of living – up nine percentage points from six months ago. The average drawdown of those who have accessed their savings is now 20%, up from 16% six months ago. Around 13% of Western Australians reported they have drawn down on more than half of their savings.

There is a significant disparity in the use of saving across cohorts, with younger people more likely to have dipped into their savings and to a greater extent compared with their older counterparts. Two in three (66%) of those between 18 and 39 years old indicated they have needed to use their savings, with an average drawdown of 26%. In contrast, 57% of those between 40 and 64 years old did so, with an average drawdown of 20%. Similarly, less than half (47%) of those over 65 years indicated the same, with an average drawdown of only 10%.

Changes in living arrangement preferences post pandemic

The WA housing market remains tight as a drum, as population growth continues to outstrip housing supply. As a result, some households may be forced to consider a broader range of housing options. This is particularly as the pandemic saw a shift in living preferences, as many share houses broke up and people flocked to the spacious outer suburbs. In this edition of CCIWA's Consumer Confidence Survey, we investigate whether household living preferences have shifted as a result of these influences.

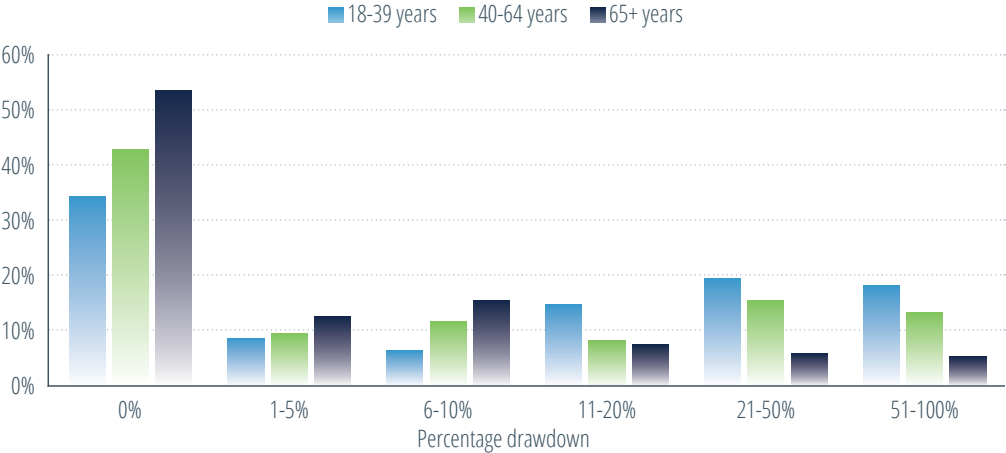
Three in 10 (30%) households reported they are less likely to prefer having a larger house or block, with the same proportion (30%) indicating they are less likely to prefer a shared living arrangement. Over one in four (27%) said they are more likely to prefer living in

outer suburbs versus inner suburbs, with a similar proportion (26%) preferring a house rather than apartment.

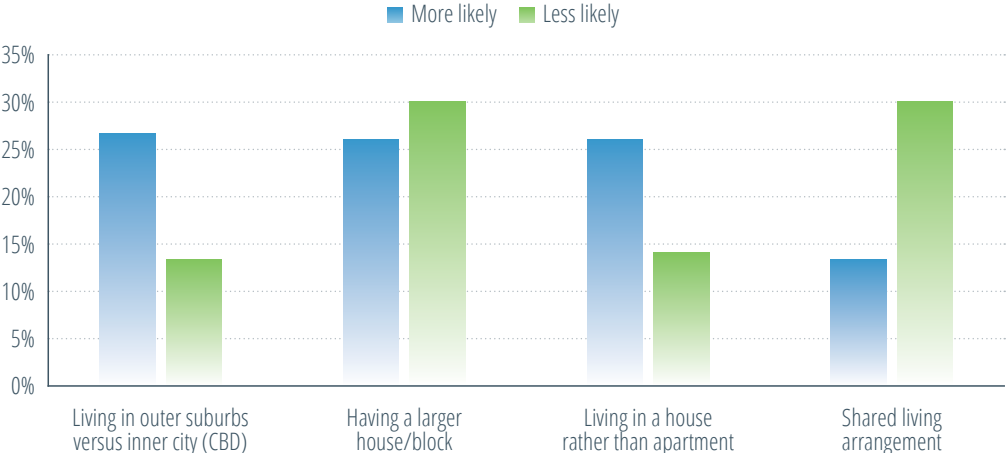
Compared with the last time this was asked in March 2022, there has been a noticeable shift in preferences, with households now less likely to prefer a house over an apartment or a larger block of land. Indeed, there has been a five percentage point increase in the proportion of people who are less likely to prefer living in a house over an apartment, while there has been a 12 percentage point increase in the proportion less likely to want a bigger house.

This likely reflects a combination of returning to previous preferences following the pandemic, as workers return more regularly to the office, as well as the current shortage of housing options forcing people to reconsider their ideal living situation.

WHAT PERCENTAGE OF SAVINGS HAVE YOU DRAWN DOWN TO COVER HIGHER COSTS OF LIVING?



CHANGE IN LIVING PREFERENCES







## Factors incentivising job mobility

Despite a softening in labour market conditions over the past six months, unemployment remains low, sitting at 4.2% in January. In this edition of CCIWA's *Consumer Confidence Survey* we look to explore whether this loosening in labour market conditions has impacted job mobility, as well as the reasons driving Western Australians to seek new jobs.

Looking to the responses, almost two in five (38%) Western Australians are actively seeking new employment, up two percentage points compared with last quarter. The younger cohort remains the most likely to be seeking new employment – with three in five (59%) job seekers between 18 and 39 years old reporting this, compared with 35% of job seekers between 40 and 64 years old identifying the same.

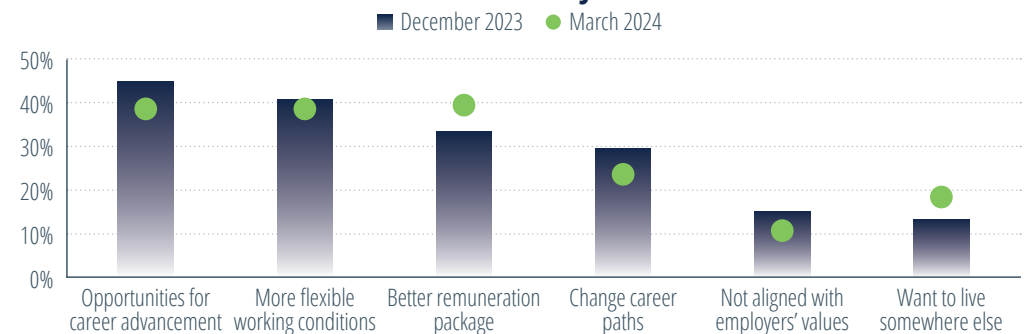
The main factor driving job mobility is opportunities for career advancement, with over two in five (45%) of those looking for new employment reporting

this — up six percentage points since December. A similar proportion (41%) said they are looking for more flexible working conditions, while one in three (34%) said they are looking for better remuneration packages — down six percentage points since December. Other factors incentivising job mobility include:

- 30%** Change of career paths
- 16%** Not aligned with employer's values
- 14%** Want to live somewhere else, for lifestyle reasons

Looking at the reasons driving job mobility by age groups, younger job seekers are more likely to be seeking opportunities for career advancement (53%), followed by more flexible working conditions (43%) and better remuneration packages (33%). While the main factor incentivising change for those between the ages of 40 and 64 years are better remuneration packages (40%), followed by more flexible working arrangements (39%) and opportunities for career advancement (38%).

## FACTORS INFLUENCING JOB MOBILITY



Factors affecting consumer brand preferences

With consumers increasingly taking Environmental, Social and Governance issues into consideration when making purchasing decisions, we look to uncover the most important factors consumers take into account when determining their brand of choice.

The most important factor identified remains strong data and cybersecurity, with almost eight in 10 (78%) Western Australians indicating companies that have strong data and cybersecurity was ‘important’ or ‘very important’ when choosing their brand of choice. A similar proportion (77%) indicated companies that are transparent in what they make and do is also an important consideration when determining which brand to choose.

- Other factors shaping consumer brand preferences include companies that:
- 74% Put people before profits
  - 71% Use recyclable products and packaging
  - 68% Use sustainably sourced materials
  - 63% Set targets and restrictions to reduce climate impact
  - 61% Use no artificial ingredients
  - 57% Have an inclusive environment
  - 54% Value gender equality in the workplace
  - 49% Have a diverse management team

Compared with the last time this was asked in June 2023, there was a notable rise in the proportion of consumers who place importance on social issues - with a greater proportion indicating companies that put people before profits (up six percentage points), value gender equality (up four percentage

points) and have a diverse management team (up four percentage points) were important factors.

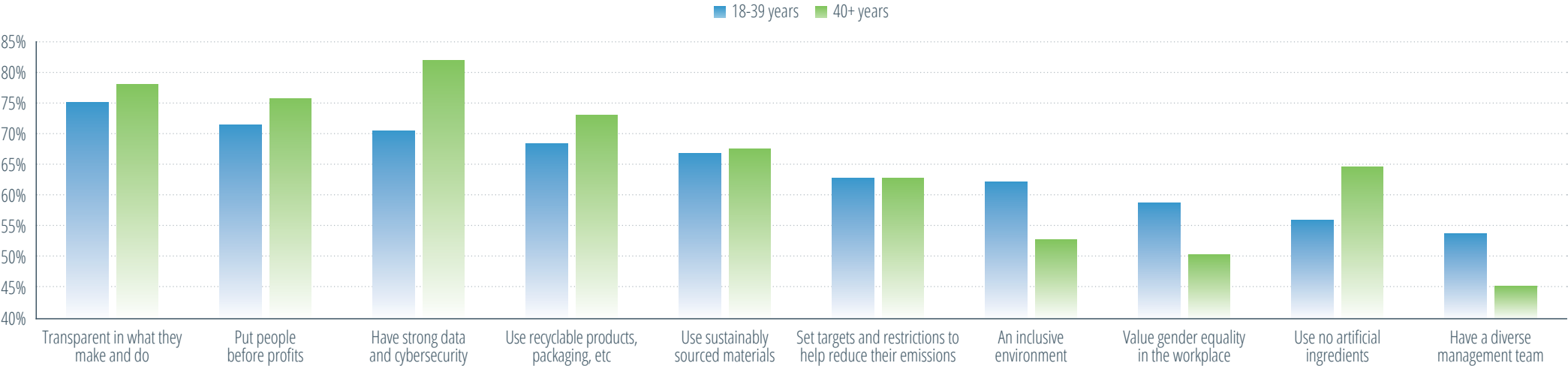
Looking at the results by age group, there is a discrepancy in priorities across cohorts. A greater proportion of those over 40 years old place importance on strong data and cybersecurity, with 83% indicating this, compared with 71% of those between 18 and 39 years old saying the same. The older cohort is also more likely to take interest in companies that use no artificial ingredients, with 65% of those over the age of 40 reporting this compared with 56% of younger people.

On the other hand, a greater proportion of younger people prefer purchasing products from companies that have diverse management teams (54%),

value gender equality (59%) and have an inclusive environment (62%) – all nine percentage points greater than the older cohort.

Breaking this down by gender, a greater proportion of females find each factor more important than their male counterparts. This difference is greatest for companies that value gender equality in the workplace, with 65% of females indicating this compared with 42% of males. There is also a significant difference for companies that use no artificial ingredients, with 71% of females indicating this as important compared with 52% of males.

WHEN PURCHASING A PRODUCT, HOW IMPORTANT ARE THE FOLLOWING FACTORS THAT MAY BE ATTRIBUTED TO THE COMPANY OR BRAND?



## CONSUMER CONFIDENCE MARCH 2024



**Short-term and longer-term confidence** have **held steady** over the March quarter.



**Three in five (58%)** Western Australians indicated they have needed to **draw down on their savings or offset accounts** to cover **higher living costs**.



Almost **two in five (38%) people are looking for a new job**, with the most significant driver being **opportunities for career advancement**.



The **leading factor** determining **consumer brand preference** is **strong data and cybersecurity** – identified by eight in 10 (78%) Western Australians.

### CONSUMER CONFIDENCE

	Current Quarter (March 2024)	Previous Quarter (December 2023)	Highest Since
Short-Term	96.3	96.7	December 2023
Longer-Term	94.0	93.6	September 2023
Personal Finances	97.9	98.9	December 2023
Job Prospects	107.3	109.3	December 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 March 2024 is 96.3, which suggests that the average score of survey respondents for consumer confidence in March 2024 is 3.7 per cent lower than the average rating in 2018.



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