



# Confidence in Longer-Term Outlook Slides Amid Cost & Interest Rate Concerns

June 2024



## Consumer confidence has edged downwards over the longer term.

Persistent inflationary pressures have elevated concerns around living costs and interest rates - almost four in five (78%) Western Australians now view living costs as hurting their outlook for the economy, marking a five percentage points increase. At the same time, more than three in five (63%) Western Australians identified interest rates as damaging their confidence, reflecting an eight percentage points surge.

The main factors holding up consumer confidence over the June quarter remain the State Government and employment prospects. This follows the

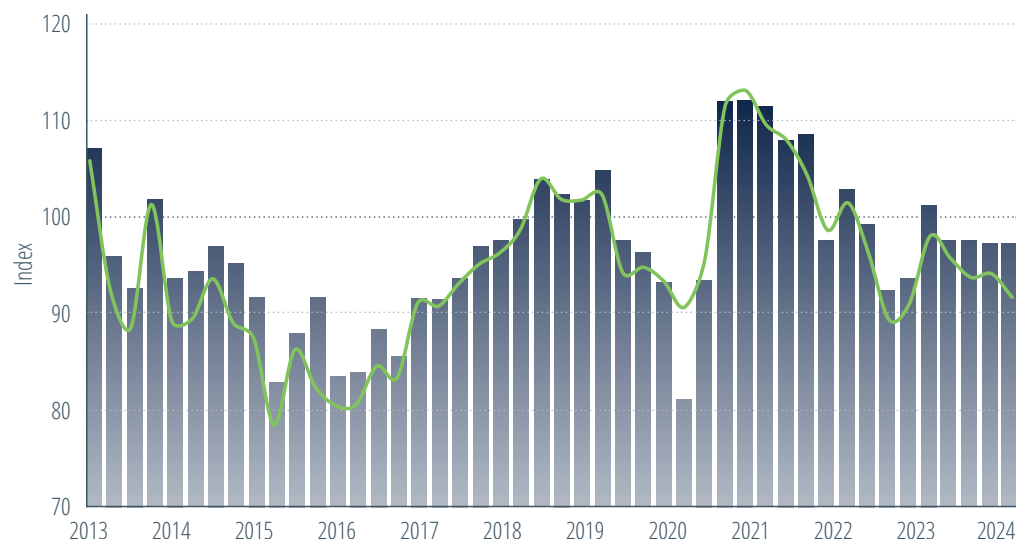
announcement of a sixth consecutive State Budget surplus for 2023-24 and continued strength in the labour market. Although employment prospects have proven to be a consistent pillar to consumers' outlook, the gradual loosening in labour market conditions has resulted in a smaller proportion of Western Australians reporting their job prospects supported their confidence this quarter.

In this edition of the CCIWA *Consumer Confidence Survey*, we ask Western Australians how they intend to change their spending over the second half of the year, whether they drive or plan to drive an electric vehicle and the factors influencing their hunt for a new job.

## CONSUMER CONFIDENCE: WA ECONOMIC CONDITIONS

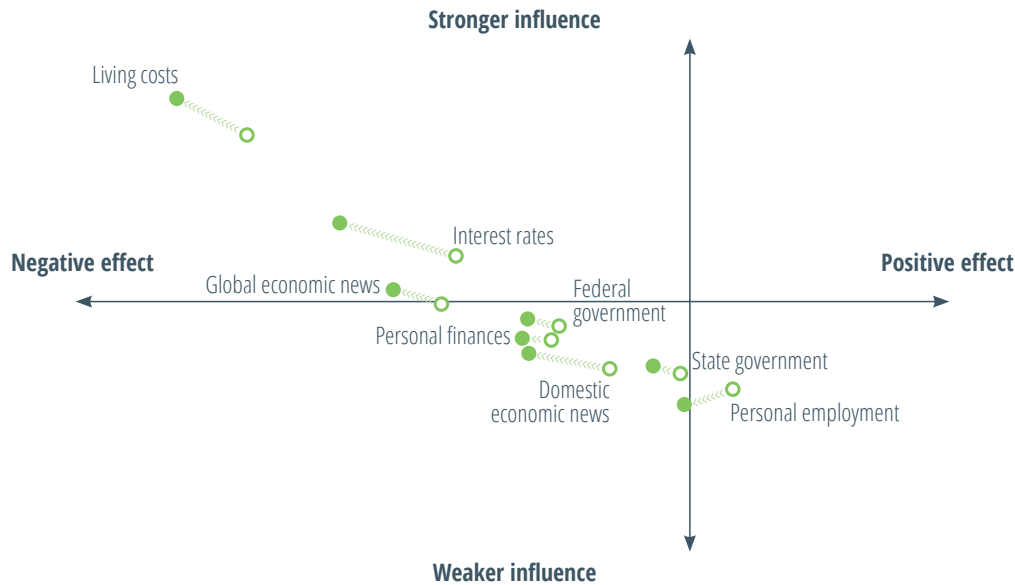
Index: 2018 Average = 100

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



## WHAT INFLUENCES CONSUMERS? JUNE 2024

○ March 2024 ● June 2024



Short-Term Index remains unchanged at **96.3** Index Points

### Consumer confidence holds firm in the short term

Looking to the next three months, the majority (55%) of Western Australians believe economic conditions will remain the same. One in five (18%) expect conditions to strengthen, while the remaining 27% expect conditions to worsen.



Longer-Term Index drops 2.4 Points over the quarter to **91.6**

### Longer-term confidence declines

Around one in three (34%) Western Australians expect conditions to soften over the next year, while a smaller proportion (29%) expect conditions to improve. The remainder (37%) anticipate conditions will 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 inflation may be closing in on target, it is returning to target more slowly than expected and prices remain at elevated levels. As a result, the increased cost of living remains the primary concern for WA households, with 78% of respondents reporting this as a drag on confidence over the June quarter – up five percentage points from last quarter.



### Interest rates (-)

Over three in five (63%) Western Australians reported interest rates have deflated their outlook, marking an eight percentage point rise from March. This likely reflects expectations of a highly anticipated rate cut being pushed back, following stronger than expected inflation and unemployment data.



### International headlines (-)

Geopolitical tensions continue to play out on the world stage, with the conflict in the Middle East continuing to threaten economic stability in the region. At the same time, the US Federal Reserve announcing a delay to the timing of expected interest rate cuts and upcoming elections, including in the US and UK, are also creating additional uncertainties. As a result, over half (56%) of Western Australians indicated international headlines as negatively impacting their outlook on the economy.



### Personal finances (-)

Household finances continue to hurt as interest rates remain in restrictive territory and housing costs continue to rise sharply. Indeed, CCIWA's Personal Finance Index remains subdued, holding near its weakest level since mid-2017 (excluding the onset of the pandemic). As a result, over two in five (44%) respondents indicated their personal finances weighed on their confidence this quarter, up one percentage point since the March quarter.



### Employment prospects (-)

Three in ten (32%) Western Australians reported that employment prospects bolstered their confidence. While this remains the most significant supporter of confidence, the proportion reporting this has been steadily declining over the past 12 months in line with the gradual easing of the labour market over the same period.



### State Government (-)

The State Government has also remained a relative supporter of confidence compared with other factors this quarter. One in three (33%) Western Australians reported the State Government had a positive effect on their confidence over the three months to June – this follows the announcement of the State Government's sixth consecutive budget surplus in 2023-24 and further surpluses expected over the coming years.

## Insights into CCIWA's Consumer Database

### Discretionary spending to curb over the second half of 2024

While inflation in Perth continues to fall, prices remain at higher levels given the cumulative effect of above target inflation over the past three years. As a result, the elevated cost of living continues to impact consumers even as the rate of inflation returns to the target band.

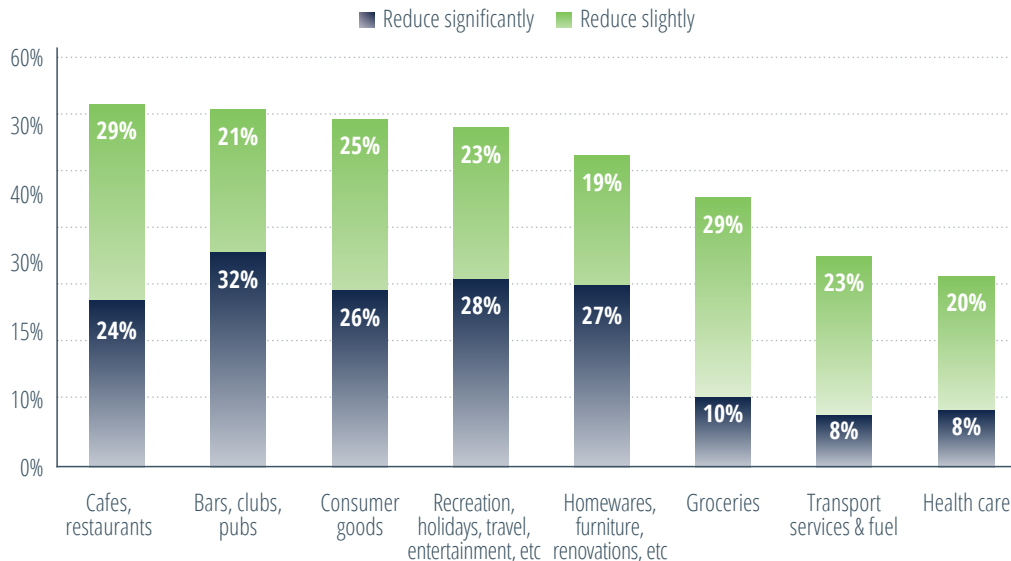
In this edition of CCIWA's *Consumer Confidence Survey*, we asked Western Australians whether they plan to change their spending patterns in the second half of the year compared to the first half of the year.

The majority of respondents indicated they were most likely to cut their spending on cafes and restaurants (53%), bars, clubs and pubs (53%), consumer goods (51%) and recreation, holidays, travel and entertainment (50%). Other categories consumers plan to reduce their spending are homewares (46%), groceries (40%), transport services and fuel (31%) and health care (28%).

Consumers are also more likely to cut back significantly on discretionary items, such as bars, clubs and pubs (32%), and recreation, holidays, travel and entertainment (28%). On the flipside, consumers are looking to sustain their spending on essentials as much as possible, with categories such as health care (8%), transport (8%) and groceries (10%) seeing fewer people planning to significantly cut their spending.



### PLANNED REDUCTION IN SPENDING IN THE SECOND HALF OF 2024



Those most likely to cut back spending on these discretionary categories are renters. More than three in five (64%) households that rent plan to pull back their spending on cafes and restaurants, while a similar proportion (62%) plan to cut back on bars, clubs and pubs.

Of note, there is a significant disparity in spending intentions on groceries and transport by household income. Over two in five households earning up to \$40,000 are planning to reduce their spending on groceries (49%) and transport (44%), while a much smaller proportion of those earning over \$186,000 (30% for groceries, 25% for transport) plan to do the same.

Despite this, some consumers are also planning to increase their spending in the second half of the year. This is most prevalent in recreation, holidays, travel and entertainment, with just over one in five (23%) Western Australians reporting this. This is closely followed by groceries (21%) and health care (20%).

Those most likely planning to increase their spending on recreation, holidays, travel and entertainment are males (26%), over the age of 65 (26%) or earning between \$116,000 and \$185,000 per annum (30%).



## Cost the key factor behind sluggish EV adoption

In this edition of CCIWA's *Consumer Confidence Survey*, we investigate consumer attitudes toward electric vehicle (EV) adoption. We asked consumers whether they currently drive an EV or intend to drive one in future, as well as the factors that will determine when they choose to purchase one.

Looking to the responses, over two in five (44%) Western Australians are interested in driving EVs – with four per cent reporting they currently drive an EV and 40 per cent saying they plan to drive an EV in future. On the flipside, almost half (49%) reported they have no plans to ever drive an EV. The remaining six per cent said they don't own a car.

Intentions to drive an EV in future vary significantly by cohort, location and income – with those who plan to do so most likely to be aged between 18 and

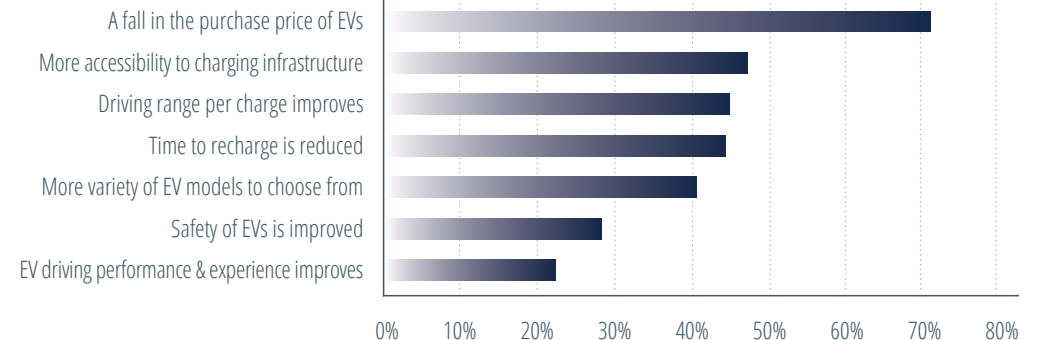
39 years, living in metro WA (44%) and earning above \$76,000 per annum (48%).

We then asked respondents who intend to drive an EV in the future which factors will determine when they decide to buy one. The leading factor determining uptake is a fall in purchase price, with seven in 10 (71%) respondents intending to drive an EV reporting this. This was followed by greater accessibility to charging infrastructure in the metro (48%) and regional (48%) areas, with almost half reporting both.

Other factors that will impact the timing of uptake include:

- 45%** Improved driving range per charge
- 45%** Reduction in charging time
- 41%** More variety of EV models to choose from
- 29%** Improved safety of EVs
- 22%** Improved EV driving performance and experience

## WHICH OF THE FOLLOWING FACTORS WILL DETERMINE WHEN YOU WILL BUY AN ELECTRIC VEHICLE?



## Factors incentivising job mobility

While still tight, WA's labour market continues to ease gradually, with the unemployment rate now 0.9 percentage points higher than this time two years ago.

In this edition of CCIWA's *Consumer Confidence Survey*, we look to explore whether this softening in labour market conditions has impacted job mobility, as well as the reasons driving Western Australians to seek new jobs.

Looking to the responses, around one in three (34%) Western Australians are actively seeking new employment, down four percentage points compared with last quarter.

The younger cohort remains the most likely to be seeking new employment – with half (52%) of those aged between 18 and 39 years old reporting this, compared with 30% of those aged between 40 and 64 years old.

The main factor driving job mobility is more flexible working conditions, with over two in five (45%) of those looking for new employment reporting this – up four percentage points since March. Of note, this quarter marks the second consecutive rise in the proportion of job seekers looking for new employment to change career paths (33%) and due to misalignment with their current employers' values (23%) – up nine percentage points and 11 percentage points respectively over the last six months.

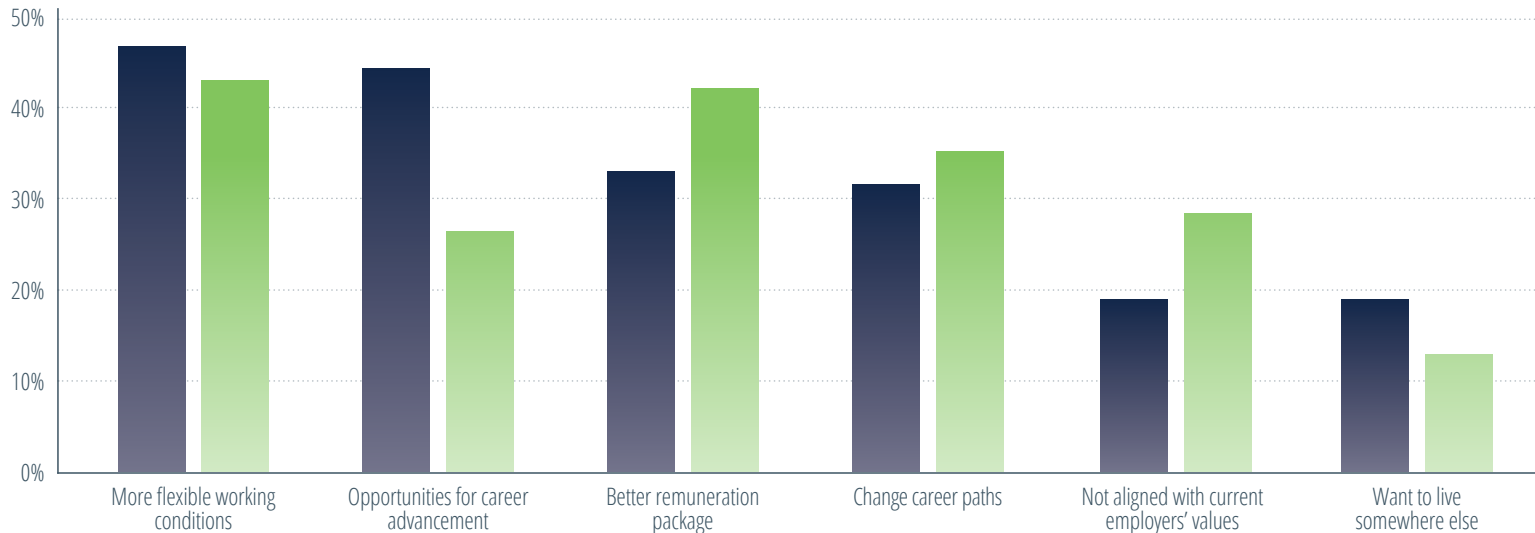
Other factors driving job mobility include:

- 37% Opportunities for career advancement
- 36% Better remuneration packages
- 18% Want to live somewhere else, for lifestyle reasons

Breaking this down further by age groups, younger job seekers are more likely to be seeking opportunities for more flexible working arrangements (47%), more opportunities for career advancement (44%) and better remuneration packages (33%). For the older cohort, the main factor incentivising change remains more flexible working arrangements (43%), however other more prominent factors are better remuneration packages (42%) and changing career paths (35%).

## FACTORS INCENTIVISING JOB MOBILITY

■ 18-39 years ■ 40-64 years



## CONSUMER CONFIDENCE JUNE 2024



Consumer confidence has proved **resilient in the short term**, despite rising concerns around costs of living.



Flexible working arrangements remains the primary reason Western Australians are looking for new jobs, with more than **two in five (45%) job seekers** indicating this.



Over half (53%) of Western Australians plan to **reduce their spending on eating out** over the second half of 2024.



A fall in the **price of electric vehicles** would be the **primary driver to increased uptake** in WA, with seven in 10 (71%) **potential buyers** reporting this.

### CONSUMER CONFIDENCE

	Current Quarter (June 2024)	Previous Quarter (March 2024)	Highest Since
Short-Term	96.3	96.3	December 2023
Longer-Term	91.6	94.0	March 2024
Personal Finances	98.2	97.9	December 2023
Job Prospects	103.7	107.3	March 2024

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 June 2024 is 96.3, which suggests that the average score of survey respondents for consumer confidence in June 2024 is 3.7 per cent lower than the average rating in 2018.



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