

Sustained Cost Pressures Keep a Lid on Confidence



September 2024

Western Australian consumer confidence has remained subdued in the short term and has slipped in the longer term over the September quarter.

The ongoing high cost of living continues to strain household cash flows, while international headlines exacerbate household concerns.

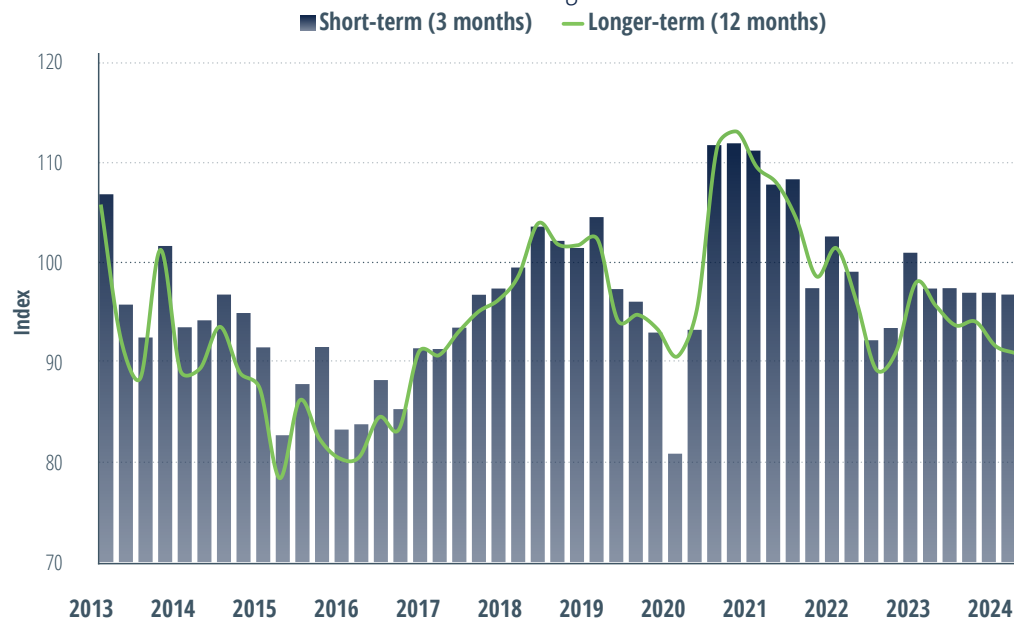
The September quarter saw global economic headlines take over as the second most prevalent concern for Western Australians. This comes at a time when conflict in the Middle East continues to threaten critical supply chains and China's property sector stumbles, while the upcoming US election is creating additional uncertainties. As a result, almost three in five (57%) households reported international headlines as dampening their outlook on the economy.

On the flipside, WA's labour market continues to propel the local economy, remaining stronger than the rest of the nation. WA's unemployment rate remained steady at 3.7% in July, well below the 4.2% reported nationally. This has seen three in every 10 (30%) Western Australians reporting their job prospects have bolstered their confidence.

Additionally, the State Government continues to play a key role in supporting consumer sentiment, likely with the recent round of electricity subsidies taking effect.

In this edition of CCIWA's *Consumer Confidence Survey*, we ask Western Australians how their living standards have changed, their attitudes toward various energy sources, what their priorities are in the energy transition and what influences their brand preferences.

CONSUMER CONFIDENCE: WA ECONOMIC CONDITIONS
Index: 2018 Average = 100



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Subdued confidence in the short term

Short-Term Index remains steady, declining 0.2 Points to **96.1**

Looking to the next three months, just over half (51%) of Western Australians believe economic conditions will remain the same. Three in 10 (30%) expect conditions to weaken, while the remaining one in five (19%) anticipate stronger conditions.

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Longer-term consumer confidence slips

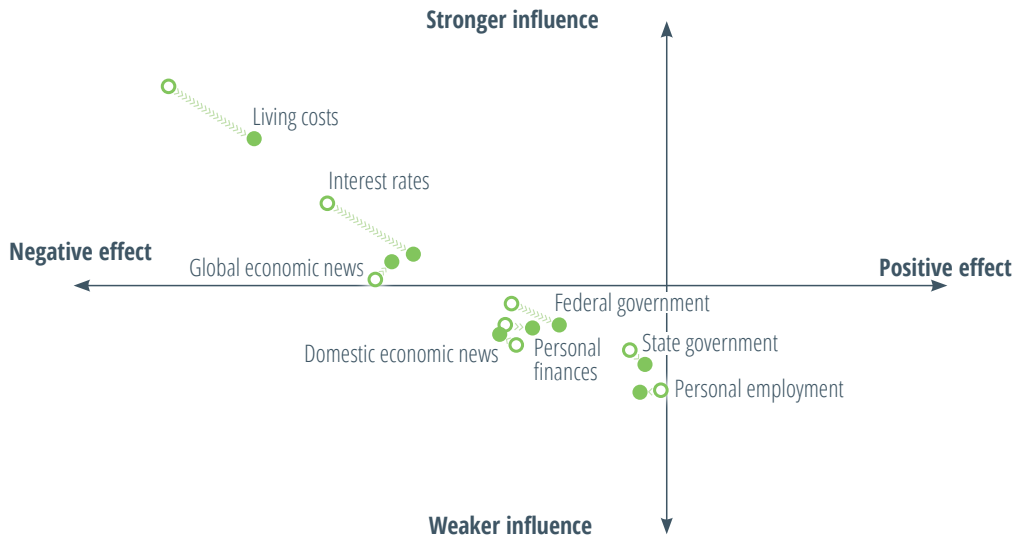
Longer-Term Index drops 0.7 Points over the quarter to **90.9**

Over one third (36%) of Western Australians expect economic conditions to soften over the coming year, while one in three (28%) anticipate improved conditions. The remaining 36 per cent expect no change.

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

WHAT INFLUENCES CONSUMERS? SEPTEMBER 2024

○ June 2024 ● September 2024



What's influencing consumer confidence?

Living costs (-)

Perth's annual rate of inflation surged to 4.6% from 3.4% in March, with steeper housing costs and the unwinding of electricity subsidies driving this climb. As a result, over seven in 10 (72%) households identified the elevated **cost of living** as dampening their outlook. Encouragingly, this proportion has declined six percentage points since last quarter, likely reflecting other government cost of living relief initiatives for the 2024-25 financial year taking effect.

International headlines (-)

Global economic news has taken over as the second most significant concern for households this quarter, with over half (57%) of households reporting this as hurting their confidence. This comes at a time when conflict in the Middle East continues to threaten critical transport routes, China's iron ore demand cools further and upcoming elections in the US create additional uncertainties.

Personal finances (-)

Sustained above-target inflation for over three years coupled with high borrowing costs continues to strain household cashflows. As a result, over two in five (42%) respondents indicated their **personal finances** weighed on their confidence this quarter.

Interest rates (-)

The RBA's decision to keep the cash rate unchanged at 4.35% in August means that interest rates continue to sit at restrictive levels, while rate cuts are not yet in their thinking. As a result, interest rates remain front of mind for Western Australian households – over half (55%) of respondents indicated **interest rates** are denting their outlook. This marks an eight percentage point decline from June, likely reflecting households adjusting to higher interest rates and greater hope of future rate cuts.

Employment prospects (+)

Three in 10 (30%) Western Australians identified that **employment prospects** supported their confidence this quarter. Despite employment prospects providing a consistent pillar to confidence, the slight easing of labour market conditions has seen this gradually decline over the past 15 months, having now declined 14 percentage points from June last year.

State Government (+)

The **WA State Government** continues to bolster consumer confidence this quarter, with three in 10 (32%) respondents identifying this. This follows the first electricity subsidy for the 2024-25 financial year taking effect, providing relief to household budgets.

Insights into CCIWA's Consumer Database

Majority of Western Australians' living standards have stagnated

High inflation, restrictive interest rates and skyrocketing housing costs have damaged confidence over the last few years. However, these factors are each felt unevenly across society, with some pockets hurting far more than others. In this edition of *CCIWA's Consumer Confidence Survey*, we asked Western Australians to consider how their standard of living has changed over the past three years.

The vast majority (81%) of Western Australians indicated their living standards have not improved over that time – of which, 36 per cent said their living standards have gone backwards. Only one in five (19%) reported they have seen an improvement.



Looking at the responses by household income, a greater proportion of households earning lower incomes (up to \$75,000 in annual income) reported their living standards have not improved compared with households earning over \$76,000 in annual income.

Almost nine in 10 (88%) lower income earners said their living standards have stayed the same or gone backwards compared with three in four (75%) higher income earners.

On the other hand, a greater proportion of households earning higher incomes have seen improvements in their living standards compared with lower income earners. One in four (25%) higher income earners said their living standards have improved, while only 12 per cent of lower income earners said the same.

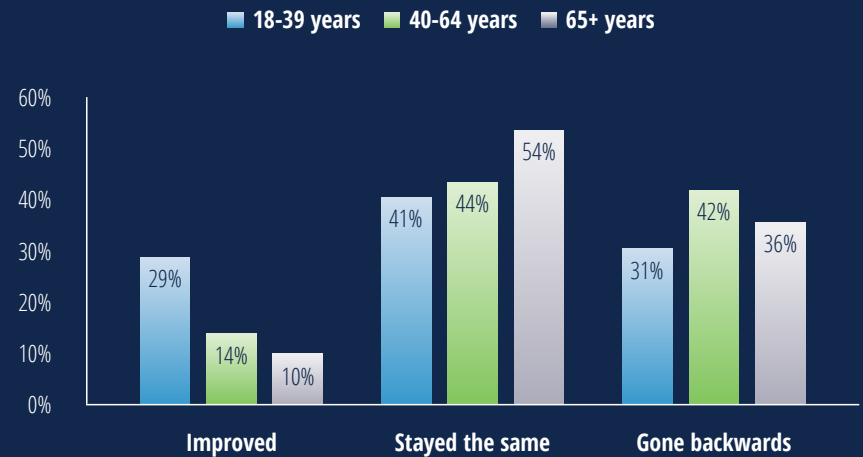
There is a significant disparity by age group, with a significantly greater proportion of those aged 18 - 39 years (29%) indicating their living standards have improved, compared with only 14% for those aged 40 - 64 and 10% for those aged over 65. This may reflect that the younger cohort has been better able to take advantage of the strong job market, being more likely to receive promotions into higher-paying roles or to have secured their first full-time jobs.

A greater proportion of those between 40 and 64 years (42%) have seen their living standards go backwards, potentially given this group is most likely to have a mortgage.

CHANGE IN LIVING STANDARDS OVER THE PAST 3 YEARS



CHANGE IN LIVING STANDARDS OVER THE PAST 3 YEARS



WHEN THINKING ABOUT AUSTRALIA'S ENERGY TRANSITION, WHAT OUTCOMES ARE MOST IMPORTANT TO YOU?



Affordability front of mind in the energy transition

The energy transition is one of the greatest challenges facing the world economy, however there is significant debate as to which energy sources should be developed to generate future power. In this edition of *CCIWA's Consumer Confidence Survey*, we asked respondents which outcomes they would like to see most prioritised throughout Australia's energy transition.

The number one priority for Western Australians was more affordable energy, with two in five (41%) respondents ranking this as their most important outcome. The second highest priority identified was reducing Australia's carbon emissions, reported by one in five (20%) Western Australians.

A similar proportion (19%) identified increasing Australia's energy self-reliance.

On the flipside, creating new wealth and opportunities for Australia was ranked the least important outcome by over a third (36%) of respondents. A similar proportion (33%) identified reducing Australia's carbon emissions as their least important priority, highlighting the polarising views on this as an outcome in the transition.

While all age groups view affordability as their top priority, those that are younger (aged 18 - 39) are most likely to view reducing carbon emissions as a key priority (23% reporting as top priority). In contrast, those aged over 65, are more likely to want to prioritise increasing Australia's energy self-reliance (22%) and maintaining energy reliability (19%).



Factors shaping consumer brand preferences

With consumers increasingly taking Environmental, Social and Governance issues into consideration when making purchasing decisions, we explore consumers' priorities when choosing their preferred brand.

The most important factor identified remains strong data and cybersecurity, with four in five (80%) Western Australians indicating companies that have strong data and cybersecurity was 'important' or 'very important' when choosing their brand of choice – up two percentage points from when we asked this in March. 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.

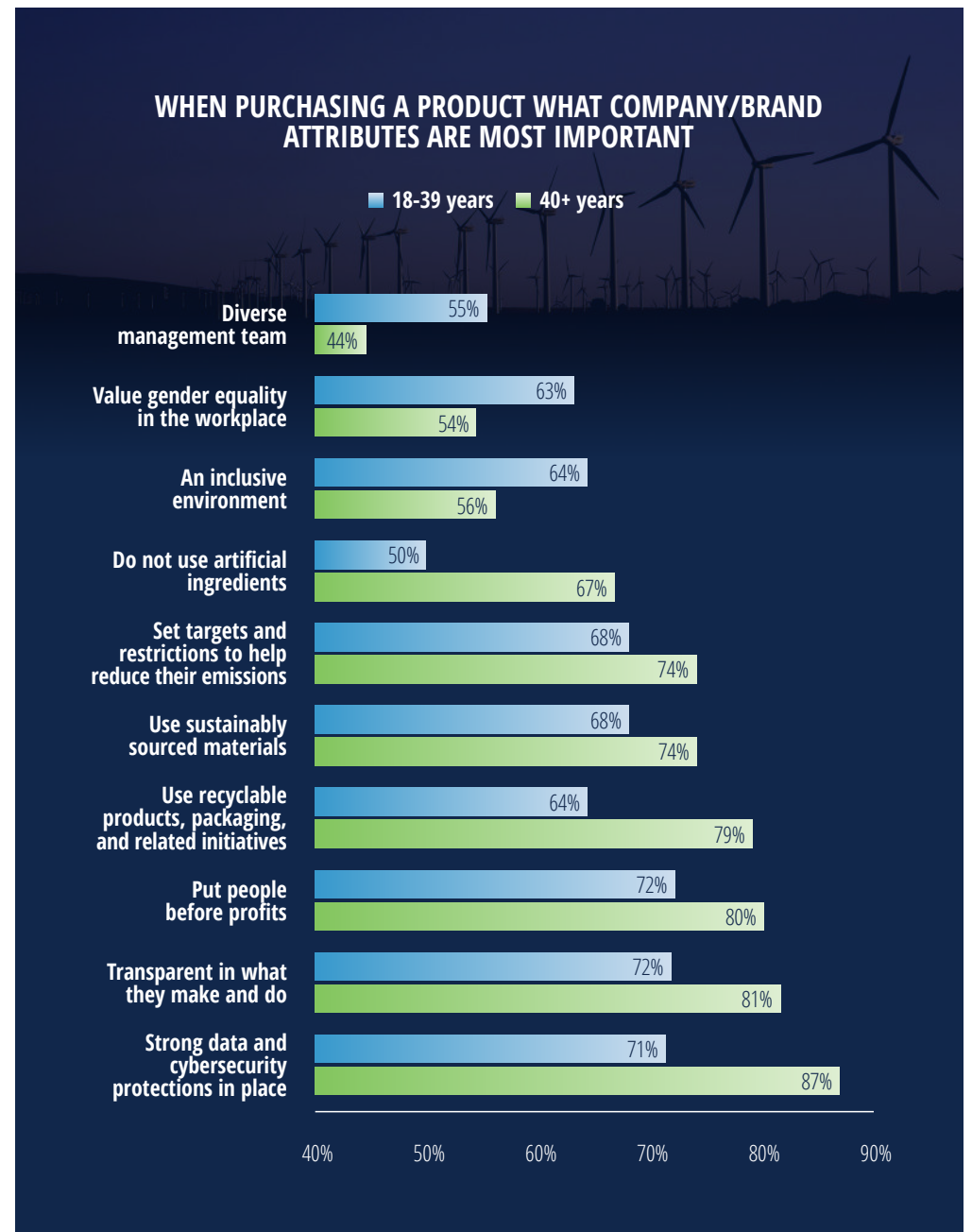
Other factors shaping consumer brand preferences include companies that:

- 76%** Put people before profits
- 73%** Use recyclable products and packaging
- 71%** Use sustainably sourced materials
- 63%** Set targets and restrictions to reduce climate impact
- 60%** Use no artificial ingredients
- 59%** Have an inclusive environment
- 57%** Value gender equality in the workplace
- 49%** Have a diverse management team

Compared with the last time this was asked in March 2024, there was a rise in the proportion of consumers that place importance on the use of sustainably sourced materials and whether a business values gender equality, with a four percentage point rise for each.

Looking at the results by age group, the top three priorities are largely consistent across cohorts, with a greater proportion of older respondents reporting these factors as important. The younger cohort is most likely to place importance on companies that are transparent in what they do and make (72%) and put people before profits (72%), followed by those that have strong cybersecurity (71%). Meanwhile, the older cohort is most likely to prioritise companies that have strong cybersecurity (87%), followed by companies that are transparent in what they do and make (81%) and put people before profits (80%).

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 put people before profits, with 83% of females indicating this compared with 71% of males. Females are also more likely to prioritise companies that are transparent in what they make and do, value gender equality in the workplace and have an inclusive environment – by 10 percentage points more than males for each factor.



CONSUMER CONFIDENCE SEPTEMBER 2024



Consumer confidence has fallen marginally in both the short and longer-term.



Four in five (81%) Western Australians indicated their living standards have either not progressed or gone backwards.



Solar energy is WA's preferred energy source, with the vast majority (85%) of Western Australians saying they support it.



The leading priority for Western Australians throughout the energy transition is more affordable energy, reported by two in five (41%) respondents.

CONSUMER CONFIDENCE

	Current Quarter (September 2024)	Previous Quarter (June 2024)	Highest Since
Short-Term	96.1	96.3	June 2024
Longer-Term	90.9	91.6	June 2024
Personal Finances	99.6	98.2	September 2022
Job Prospects	103.7	103.7	June 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 September 2024 is 96.1, which suggests that the average score of survey respondents for consumer confidence in September 2024 is 3.9 per cent lower than the average rating in 2018.



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