

NAB Consumer Behaviour Survey: Q4 2015

Summary Report

by NAB Group Economics

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Consumer anxiety falls again (and to its lowest level since Q4 2014), amid more signs of improvement in the labour market and non-mining segments of the economy.

But, lower anxiety has yet to translate into stronger spending behaviours, with paying down debt still the main priority for consumers. Despite some pullback, spending behaviours remain dominated by key “essentials” (transport, utilities and health). Spending on “non-essentials” was broadly unchanged, but is notably stronger than at the same time last year, particularly in the larger states of NSW and Victoria. Financing retirement, providing for the family’s future and health expenses continue to be the key sources of household financial stress, but again concerns are lower compared with the previous quarter and year.

The NAB Consumer Anxiety Index fell to 61.1 points in Q4 2015 (62.5 points in Q3 2015) and below its long-term average (61.9 points). Lower anxiety was led by diminished concerns relating to job security, with around two-thirds of all Australian consumers (64.7%) rating “very low” or “low” anxiety over their job security in Q4 2015. Anxiety related to government policy was also notably lower, but it continues to be the second biggest contributor to overall anxiety after cost of living.

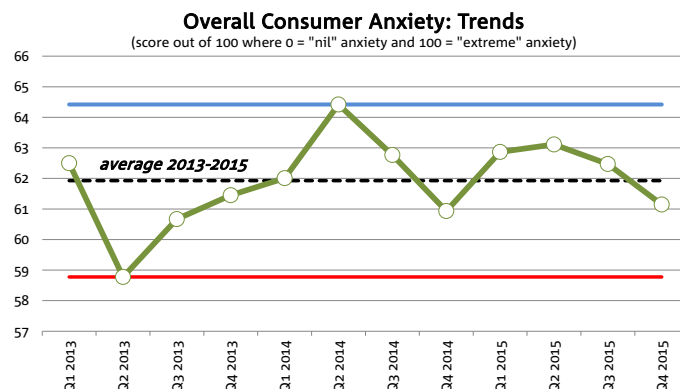
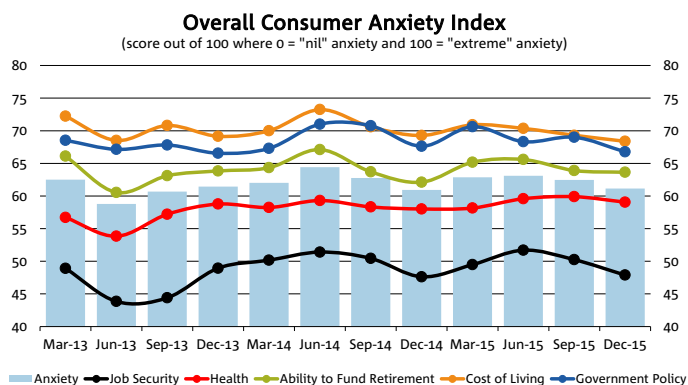
Overall consumer anxiety levels are now below long-term averages in most demographic categories, except in Tasmania, for low (<\$35k) and high (+\$100k) income earners, women over 50, widows and divorced people, professional and “other” workers and for those whose highest educational attainment is a diploma.

The latest Survey results suggest that paying down debt is the main priority for the majority of Australians, particularly in NSW/ACT and WA. It also reveals that more Australian consumers have pulled back spending on many key “essentials” such as transport, utilities and health.

Whereas consumers had previously responded to lower stress by increasing their spending on “non-essentials”, lower levels of consumer anxiety did not appear to have impacted as positively this time around with spending behaviours on most “non-essentials” broadly unchanged during the quarter (albeit stronger than at the same time last year).

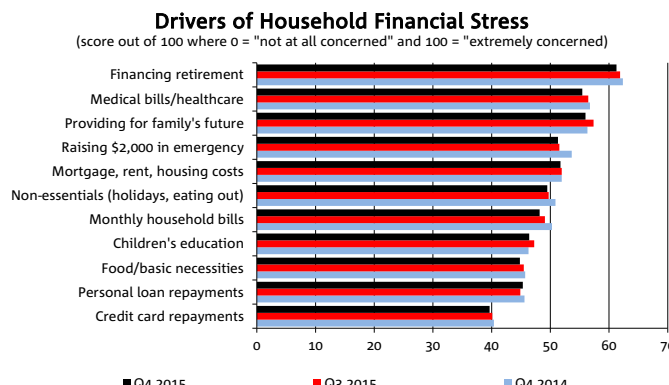
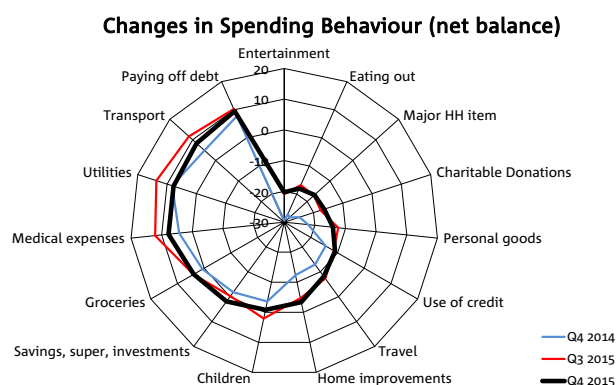
Financing retirement remains the key sources of household financial stress. By state, nearly all types of spending were weighing more heavily on the household financial positions of consumers living in WA and Tasmania.

Overall Consumer Anxiety - fell further in Q4 2015 across all key areas of concern, but cost of living still the biggest contributor. Anxiety now below its series average and at its lowest level since Q4 2014.



Consumer Spending Behaviour - paying down debt main priority; few signs of greater spending on “non-essentials”

Key Drivers of Household Financial Stress - slightly lower in all categories except personal loan repayments



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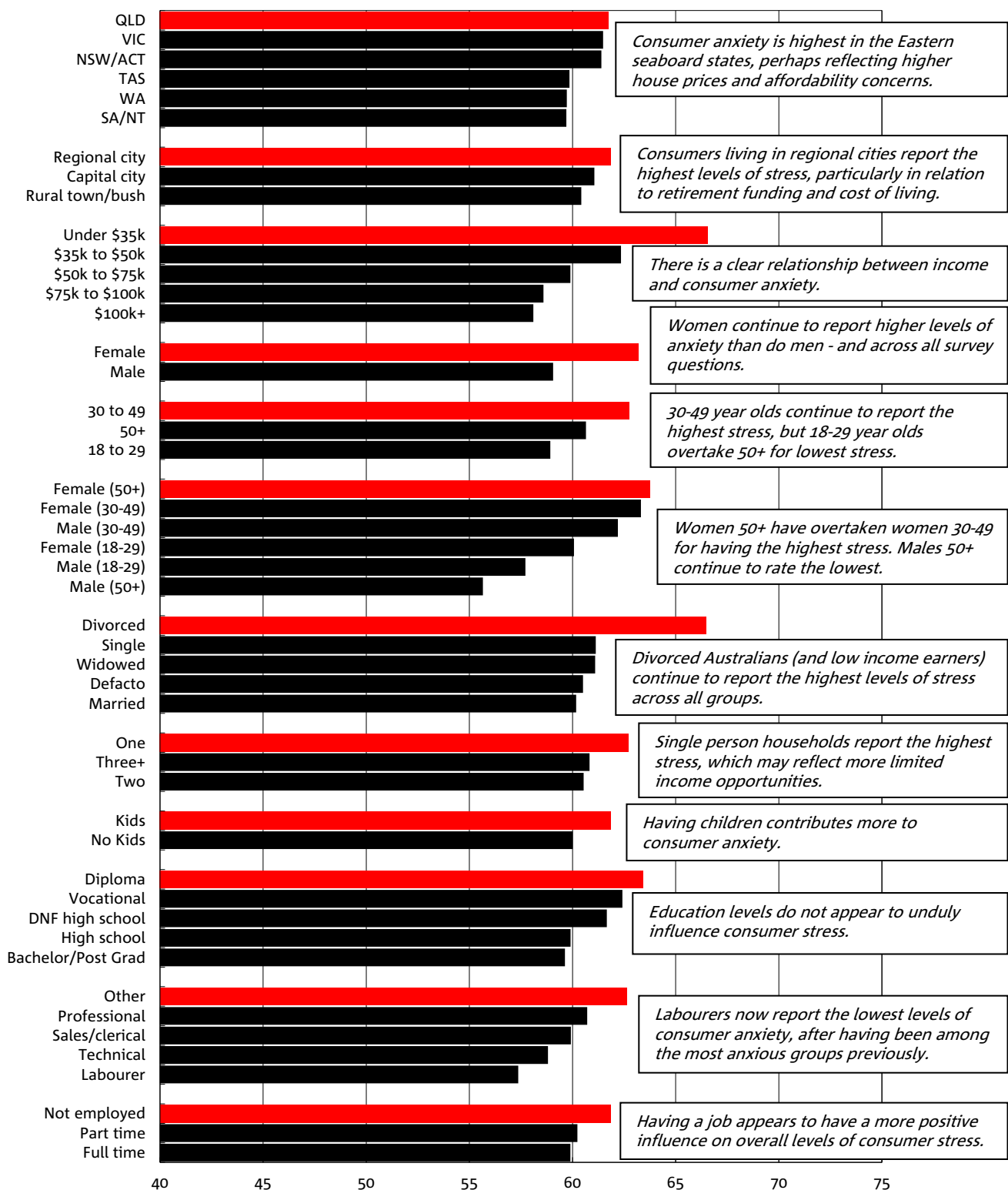
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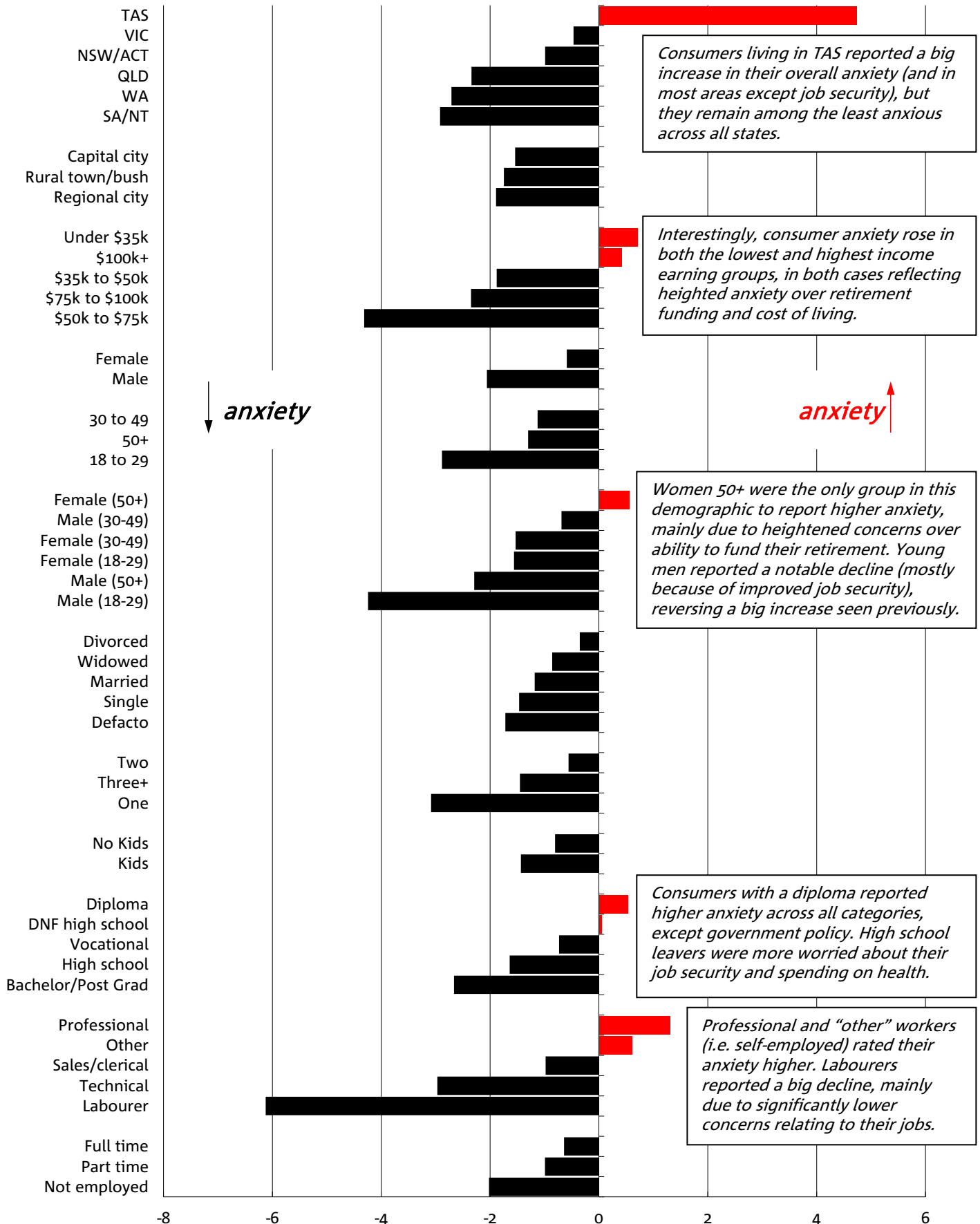
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The view from NAB Economics...
 While consumers continue to exhibit a high level of caution in their overall spending behaviour, there are signs that they have become increasingly more optimistic about their near-term family finances, and to a lesser extent, the domestic economic outlook in recent months. This is consistent with the notable improvements observed in a number of consumer confidence measures this year, suggesting that consumers are more buoyant going into this Christmas period compared to the same time last year. The household savings rate has also showed a gradual downward trend since early 2013 despite remaining elevated at the current level of 9%. Strong employment growth and a falling unemployment rate may be buoying confidence, despite weak growth in wages suppressing household income. Wealth creation effects from the housing boom in Sydney and Melbourne are also likely to have contributed, but may provide less impetus to consumer spending in the new year as house prices stabilise.

Consumer Anxiety by Key Categories



Consumer Anxiety by Key Categories (change)

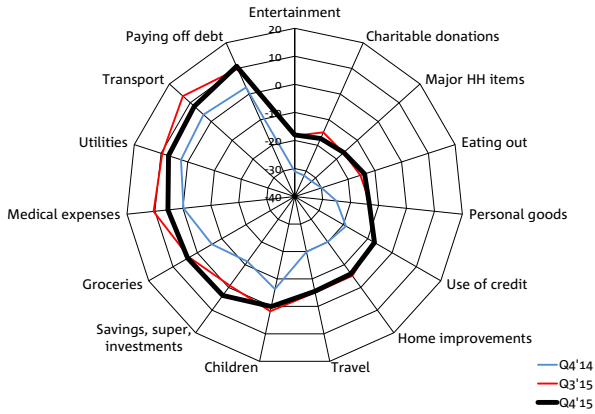


Changes in Consumer Spending Behaviours by State

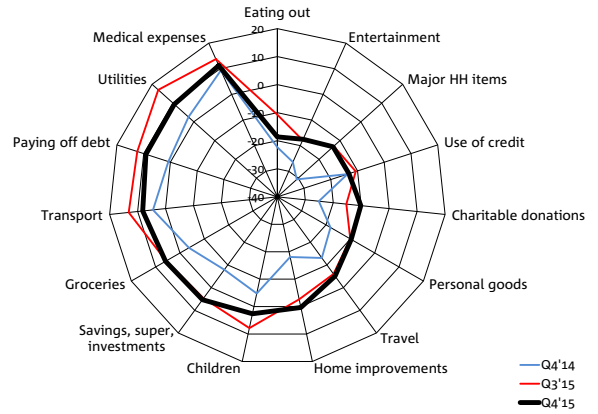
More NSW/ACT consumers are paying down debt and building their savings/investments, but more have cut back their spending on transport, utilities and medical expenses.

VIC consumers have cut back on “essentials” such as medical, utilities & transport. Fewer are paying off debt & spending on kids, but more are spending on home improvements & charity.

NSW/ACT: Changes in Spending Behaviour (net balance)



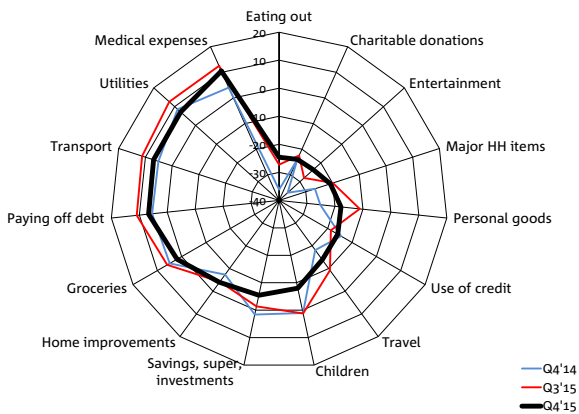
VIC: Changes in Spending Behaviour (net balance)



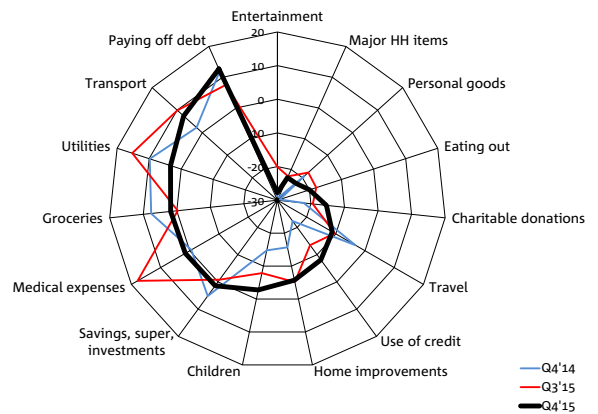
Consumer spending behaviours in QLD are being cut across most items (especially children & personal goods). The use of credit and entertainment appear to be the only exceptions.

Key priority in WA is paying off debt as spending behaviours cut back in most other categories. Most notable exceptions include spending on children, use of credit and charity.

QLD: Changes in Spending Behaviour (net balance)



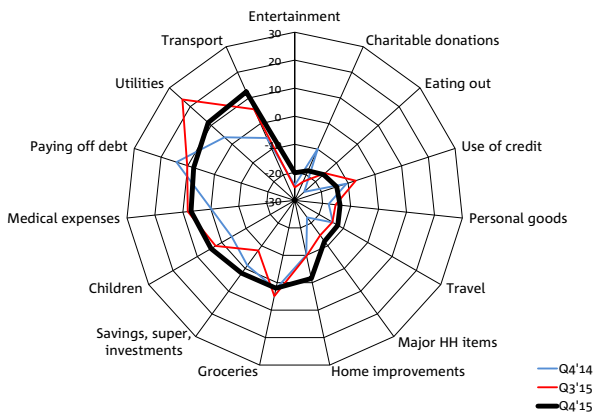
WA: Changes in Spending Behaviour (net balance)



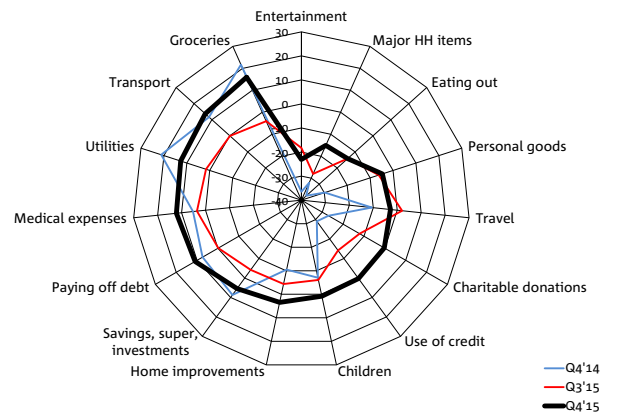
SA/NT consumers have cut back on many “essentials” and use of credit. More are spending on savings and “non-essentials” like home improvements, household items & travel.

TAS volatile but notable increase in spending behaviours across nearly all categories relative to Q3, except for some “non-essentials” like travel and entertainment.

SA/NT: Changes in Spending Behaviour (net balance)



TAS: Changes in Spending Behaviour (net balance)



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