

NAB Consumer Behaviour Survey: Q2 2016

Summary Report

by NAB Behavioural & Industry Economics

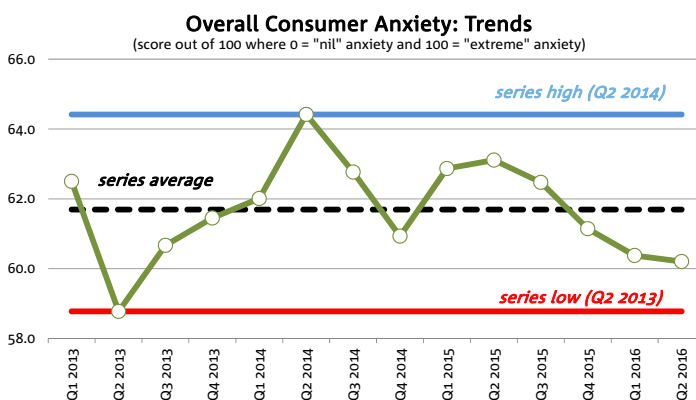
Embargoed until: 11.30am 7 July 2016



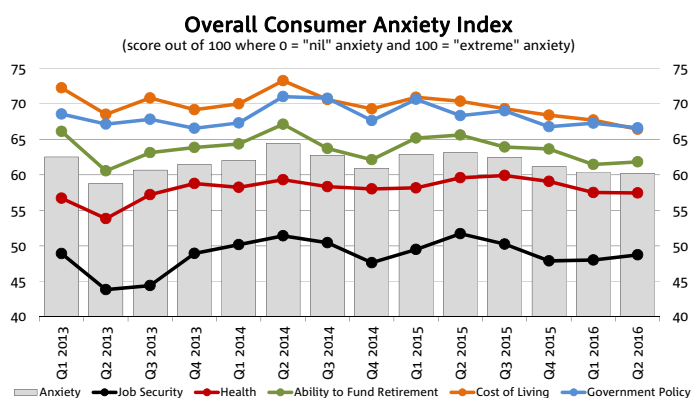
Consumer anxiety fell for the fourth straight quarter as lower anxiety associated with cost of living, government policy (post the Budget) and health expenditure offset growing worries over job security and retirement funding. Despite this improvement, spending behaviours remain conservative (particularly in WA and SA/NT). Consumers in all states are focussed on paying down debt and spending on “essentials” (although the degree varies). Consumers also reduced their spending on many “non-essential” goods and services.

- NAB’s Consumer Anxiety Index eased slightly to 60.2 points in Q2 2016 (60.4 in Q1 2016). The index is below its long-term average level (61.7) and at its lowest point since mid-2013.
- Lower anxiety related to cost of living, government policy and health expenditure have offset increased stress over job security and retirement funding.
- But, post the May budget 27.1% of consumers still rated their anxiety over government policy “high” (26.8% in Q1), with 26.2% also reporting “high” anxiety in relation to cost of living (26.5% in Q1).
- Amid a weakening trend in employment growth, job stress is emerging as a big issue for more Australians, with 16.9% now rating their anxiety “high” (15.6% in Q1), while 23.6% have “high” anxiety about their retirement funding (22% in Q1).
- Consumer anxiety increased in QLD and NSW/ACT but fell in all other states. However, it remains below long-term average levels in all states, except WA (despite a small improvement in Q2).
- While the overall anxiety gap between women and men has narrowed, middle-aged women (30-49) are now reporting the highest levels of anxiety of all groups (replacing low income earners), led by cost of living and retirement funding.
- Anxiety rose for mid-income earners (\$50-75,000), led by higher job stress. Low income earners less stressed in all areas, but still most anxious overall.
- Anxiety continues to rise for labourers as concerns about their job security and cost of living continue to grow. Labourers also continue to report much higher levels of anxiety relative to all other workers.
- Already among the most stressed of all groups, divorced Australians also reported the biggest increase in consumer anxiety in Q2 2016, with significantly higher concern over their job security.
- Despite lower levels of consumer anxiety, spending behaviours in Q2 2016 were still very conservative.
- Spending continues to be dominated by “essentials” (such as medical, transport and utilities) and paying off debt. More consumers on balance are still cutting back on “non-essential” spending.

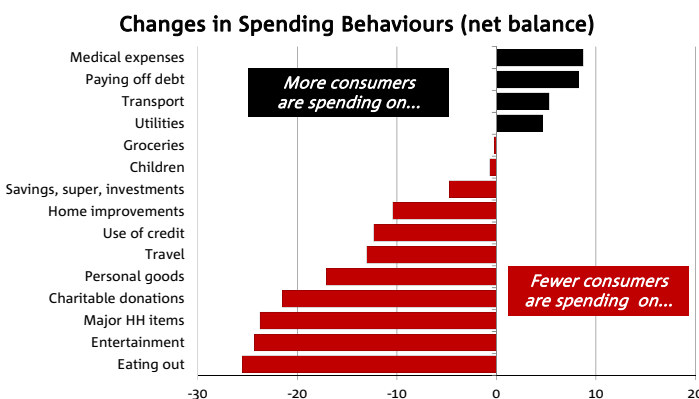
Consumer anxiety continued to moderate in Q2 and currently stands at its lowest level since mid-2013.



Govt policy and cost of living still the biggest drivers of anxiety, but concern over jobs and retirement growing.



And spending behaviours still very conservative.



CONTACTS:
Alan Oster - Chief Economist
(03) 8634-2927 0414 444 652

Dean Pearson
Head of Industry & Behavioural Economics
(03) 8634 3221 0457 517 342

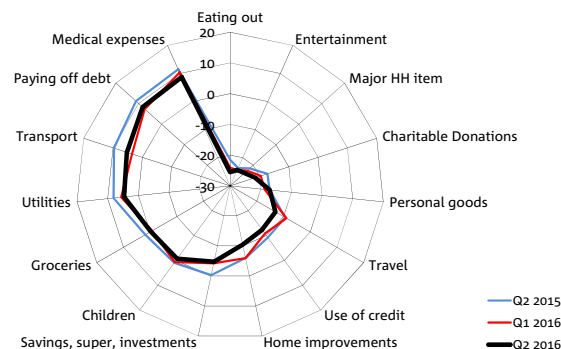
Robert De lure - Senior Economist
Industry & Behavioural Economics
(03) 8634-4611 0477 723 769

Brien McDonald - Senior Economist
Industry & Behavioural Economics
(03) 8634-3837 0455 052 520

- On balance, spending behaviours in relation to “essentials” were broadly unchanged over the quarter. However, more consumers indicated they had cut back spending on many “non-essentials” such as travel, home improvements and donations.
- Spending behaviours were also typically more conservative in all states in Q2 2016 - particularly in WA, SA/NT and TAS (albeit volatile).
- Financing retirement, providing for the family’s future and health expenses continue to be the main drivers of household financial stress, but somewhat less so than at the same time last year.
- Nearly all drivers of financial stress were of less concern than in the previous quarter, except for raising \$2,000 for an emergency.

Spending behaviours unchanged in relation to “essentials” but more cutting back on “non-essentials”.

Changes in Spending Behaviour (net balance)

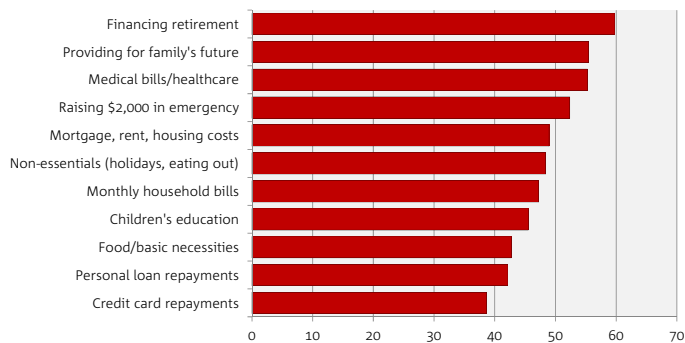


Financing retirement still the main driver of financial stress; credit cards & personal loans causing least stress.

All drivers of household financial stress of less concern in Q2 2016, except raising emergency funds.

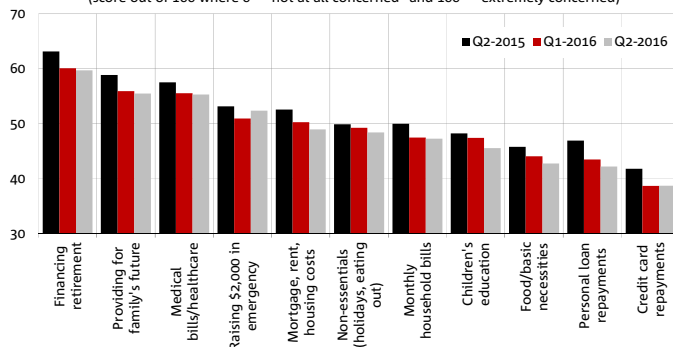
Drivers of Household Financial Stress: Q2'16

(score out of 100 where 0 = "not at all concerned" and 100 = "extremely concerned")



Drivers of Household Financial Stress

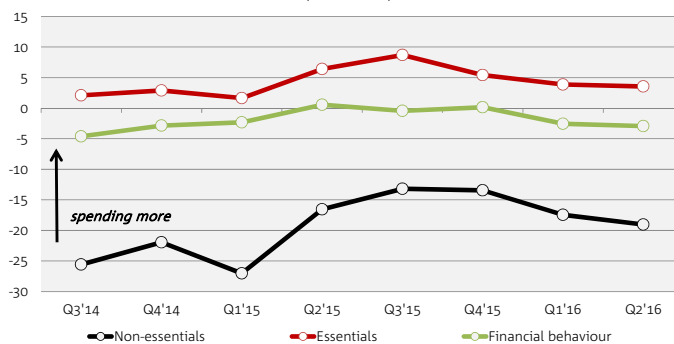
(score out of 100 where 0 = "not at all concerned" and 100 = "extremely concerned")



- Another way to show consumer spending behaviour is by grouping all “non-essentials” (entertainment, eating out, major household items, home improvements, personal goods and travel), “essentials” (medical, utilities, transport, groceries and children) and “financial spending” (paying off debt, savings/super/investments and use of credit).
- Spending behaviour in relation to “essentials” and financial behaviour was unchanged over the last quarter. But there was some further moderation in “non-essential” spending sentiment (a broad proxy for consumer “confidence”), with sentiment falling to its lowest level since early-2015.

“Non-essential” spending sentiment moderated in Q2 - a broad proxy for consumer “sentiment”

Consumer Behaviour by Spending Type (net balance)

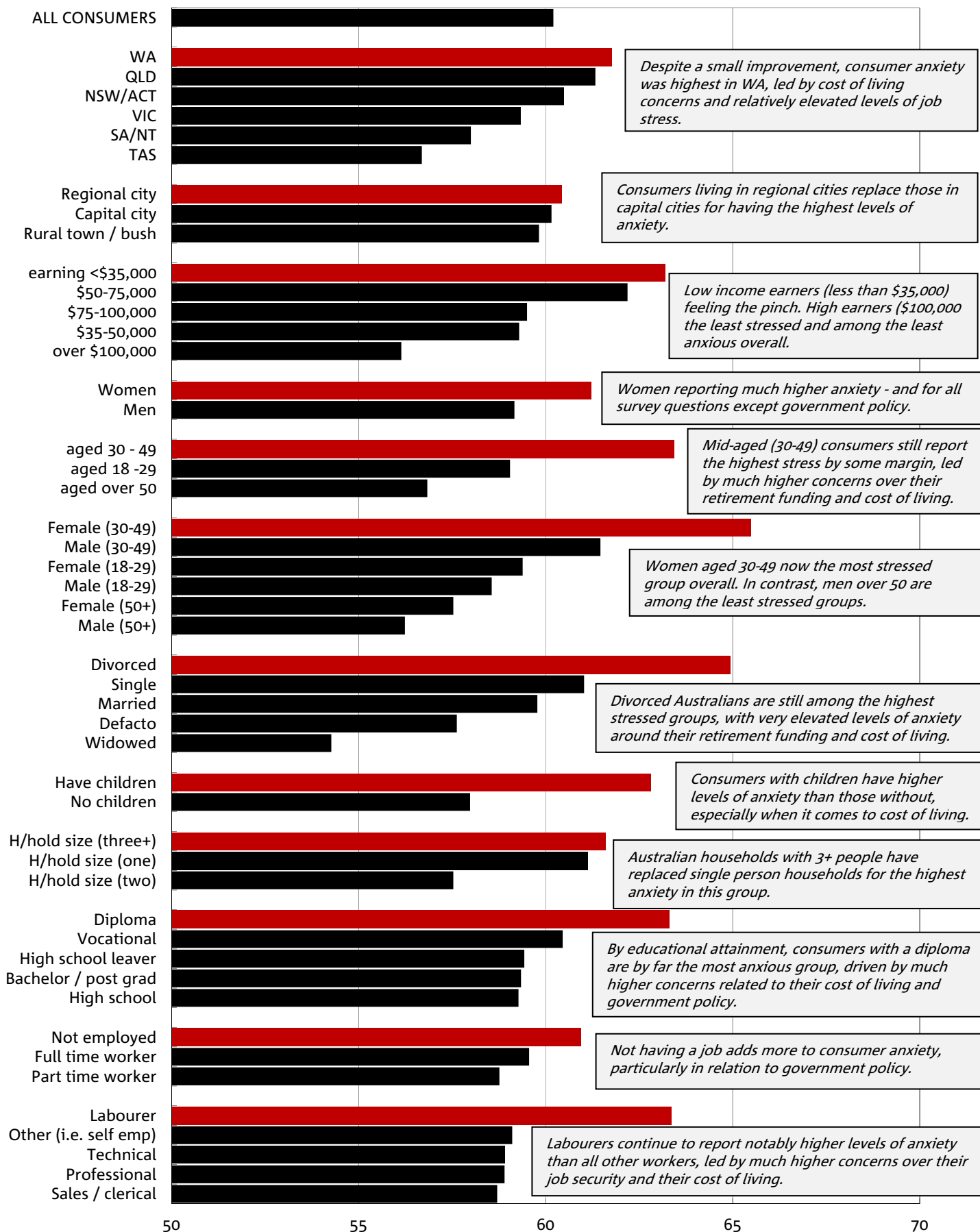


The view from NAB Economics...

Household consumption has been relatively resilient (0.7% q/q in Q1), despite slower employment growth since late-2015. Household income accelerated in Q1, but the overall trend is still down due to a compositional shift in the labour market to lower-paid jobs and the adverse impact from the declining terms of trade. As such, household consumption has been largely supported by a falling household savings rate (although it did rise in Q1). More timely data shows an easing trend in retail spending (more than one-third of all consumer spending), pointing to some downside risks for consumption in Q2. Slower house price growth projected for most capitals this year will also offer less impetus to spending through the wealth channel going forward. Wages growth also remains subdued, but there are signs that wage pressures are building in sectors such as construction, hospitality & tourism, government and defence and sales. That said, NAB expects moderate growth in consumer spending through 2016 and 2017, supported by a broadening recovery in the non-mining sector, low interest rates and further easing in household savings rate. A general improvement in consumer confidence, if sustained amidst a federal election and financial market volatility following Brexit, may also encourage consumer spending to a certain extent.

Contact: Riki Polygenis, (Head of Australian Economics) +(61 3) 8679 9534

Consumer Anxiety by Key Categories



Despite a small improvement, consumer anxiety was highest in WA, led by cost of living concerns and relatively elevated levels of job stress.

Consumers living in regional cities replace those in capital cities for having the highest levels of anxiety.

Low income earners (less than \$35,000) feeling the pinch. High earners (\$100,000 the least stressed and among the least anxious overall.

Women reporting much higher anxiety - and for all survey questions except government policy.

Mid-aged (30-49) consumers still report the highest stress by some margin, led by much higher concerns over their retirement funding and cost of living.

Women aged 30-49 now the most stressed group overall. In contrast, men over 50 are among the least stressed groups.

Divorced Australians are still among the highest stressed groups, with very elevated levels of anxiety around their retirement funding and cost of living.

Consumers with children have higher levels of anxiety than those without, especially when it comes to cost of living.

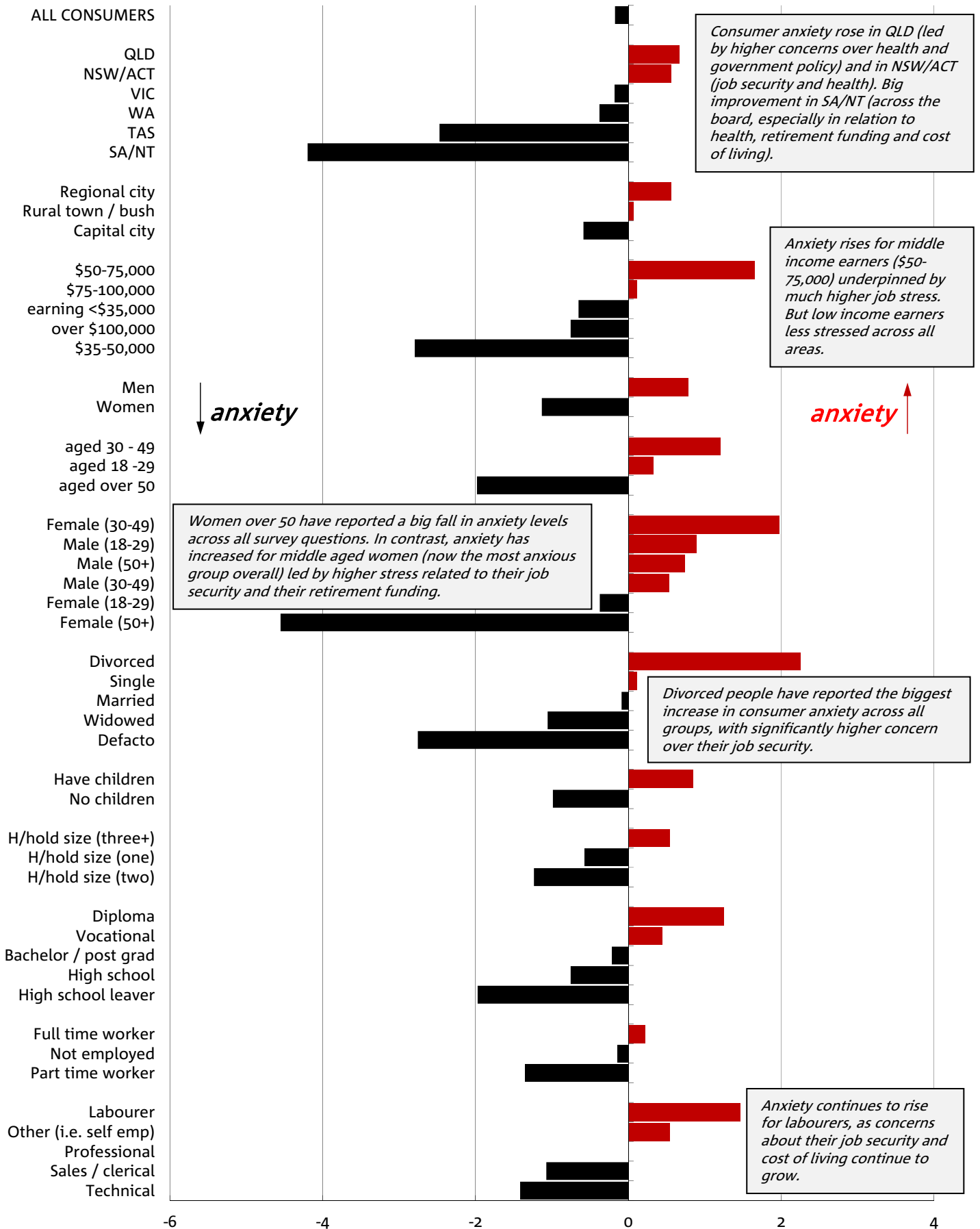
Australian households with 3+ people have replaced single person households for the highest anxiety in this group.

By educational attainment, consumers with a diploma are by far the most anxious group, driven by much higher concerns related to their cost of living and government policy.

Not having a job adds more to consumer anxiety, particularly in relation to government policy.

Labourers continue to report notably higher levels of anxiety than all other workers, led by much higher concerns over their job security and their cost of living.

Consumer Anxiety by Key Categories (change)



Consumer anxiety rose in QLD (led by higher concerns over health and government policy) and in NSW/ACT (job security and health). Big improvement in SA/NT (across the board, especially in relation to health, retirement funding and cost of living).

Anxiety rises for middle income earners (\$50-75,000) underpinned by much higher job stress. But low income earners less stressed across all areas.

Women over 50 have reported a big fall in anxiety levels across all survey questions. In contrast, anxiety has increased for middle aged women (now the most anxious group overall) led by higher stress related to their job security and their retirement funding.

Divorced people have reported the biggest increase in consumer anxiety across all groups, with significantly higher concern over their job security.

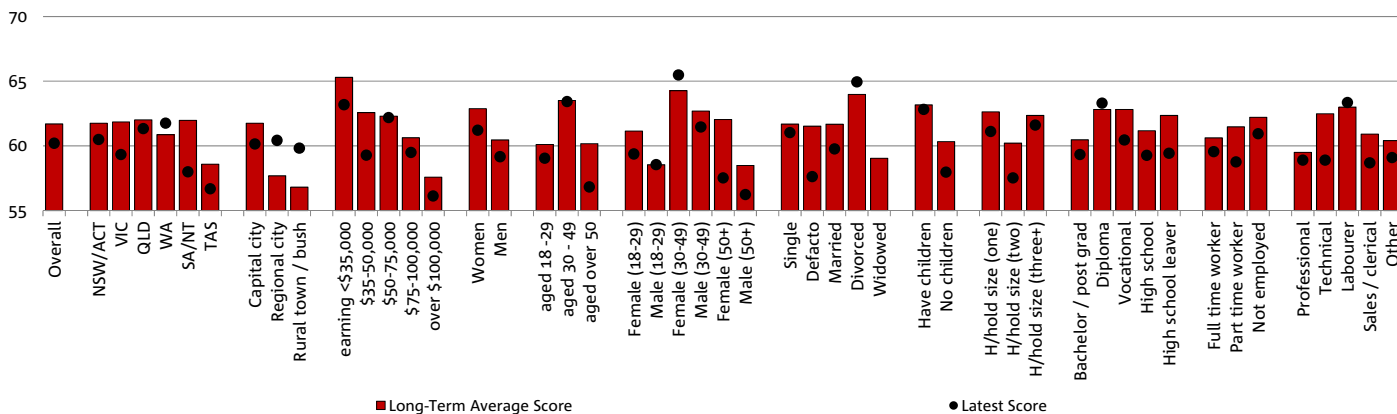
Anxiety continues to rise for labourers, as concerns about their job security and cost of living continue to grow.

Consumer anxiety trends - a more detailed look at areas of higher concern

Overall consumer anxiety is currently below long-term average levels in most demographic groups, except in WA, regional cities and rural towns/bush, for women aged 30-49, divorced Australians, for those with a diploma and for labourers.

Consumer Anxiety

(score out of 100 where 0 = 'nil' anxiety and 100 = 'extreme' anxiety)

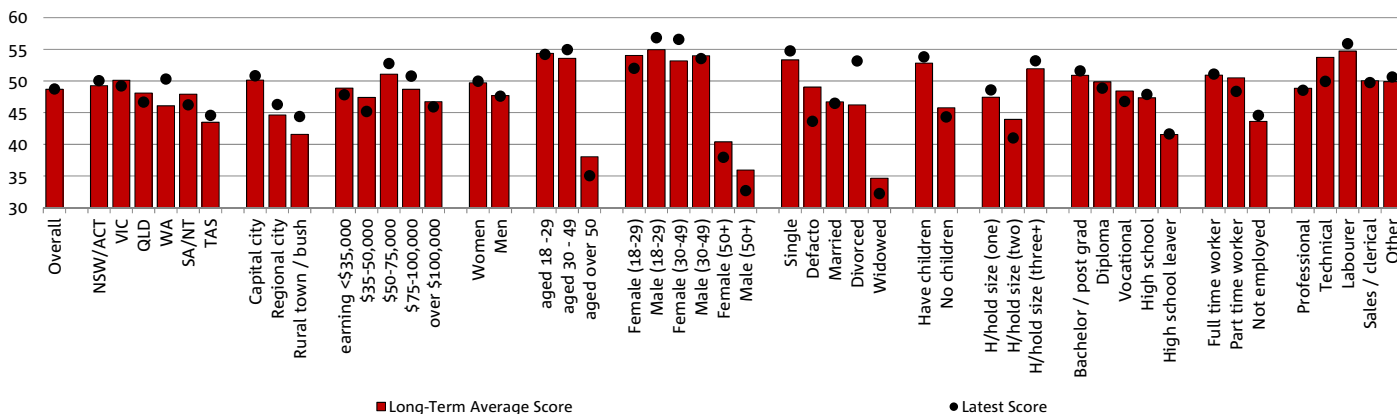


Consumer anxiety related to job security contributes least to overall consumer anxiety, but it has risen in the past 2 quarters.

Concern over job security is currently highest for young men, middle aged women and labourers. Job security concerns are also above long-term average levels in WA, in all regions, for those earning between \$50-100,000, men aged 18-29, women aged 30-49, singles, divorced Australians, for consumers with children, living in single and 3+ households, for those with a bachelor/post grad or high school qualification, for full time workers, the unemployed and labourers.

Job Security

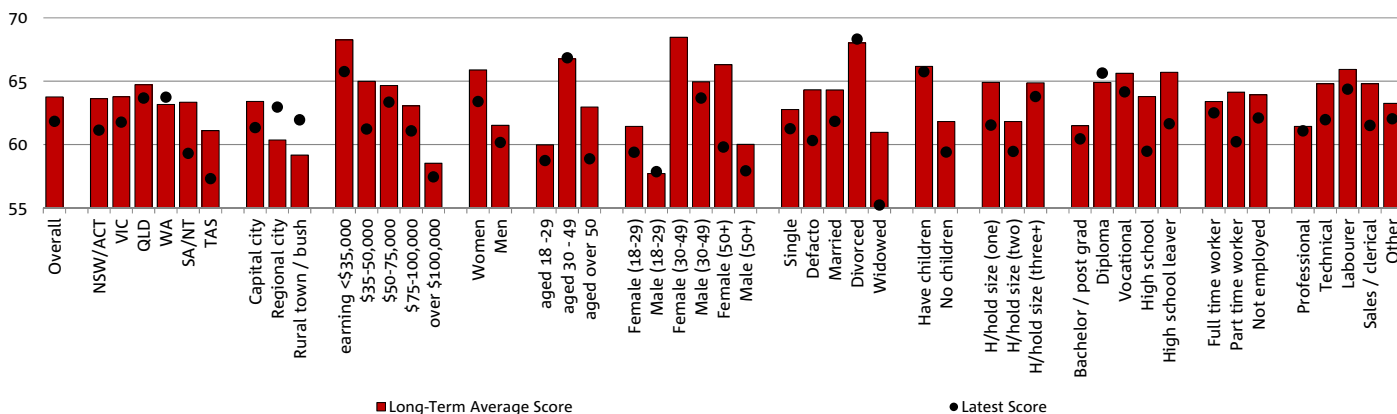
(score out of 100 where 0 = 'nil' anxiety and 100 = 'extreme' anxiety)



Consumer stress related to retirement financing also increased slightly in Q2. However, overall stress related to retirement funding is still below average levels in most groups. Some notable exceptions include consumers living in WA, regional cities and rural towns/bush and for those who are divorced or whose highest educational attainment is a diploma.

Ability to Fund Retirement

(score out of 100 where 0 = 'nil' anxiety and 100 = 'extreme' anxiety)

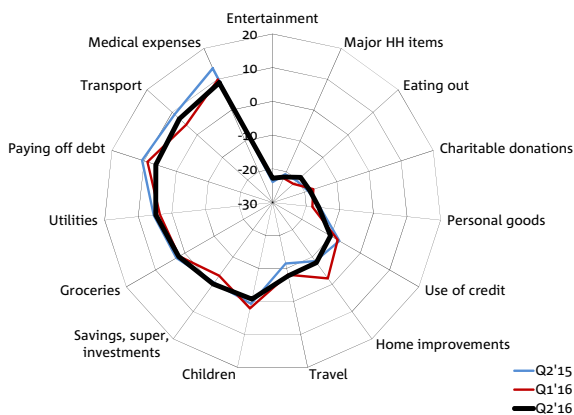


Changes in consumer spending behaviours by state

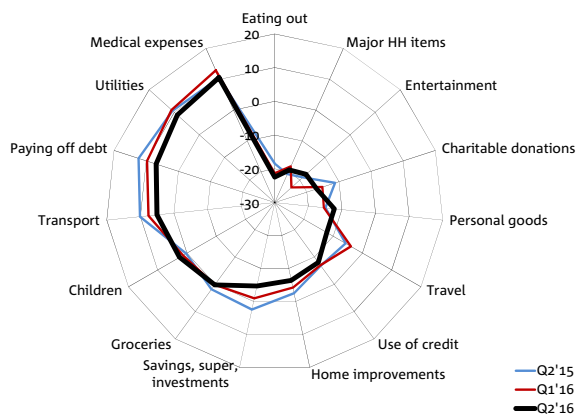
Spending behaviours in NSW/ACT largely unchanged. Some cutbacks on home improvement spending, Fewer consumers paying down debt or using credit, but saving more.

More consumers in VIC have cut spending in most categories (especially travel). They are spending less on most “essentials” and “non-essentials” except entertainment & personal goods.

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



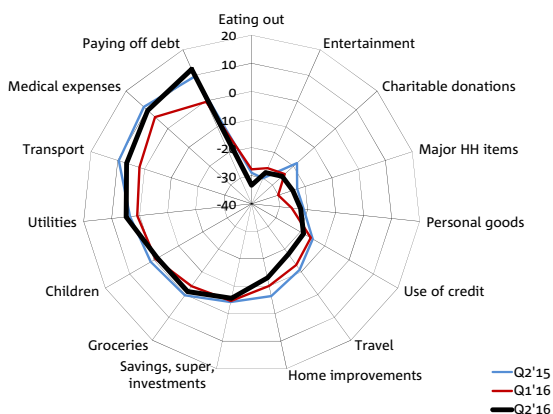
VIC: Changes in Spending Behaviour (net balance)



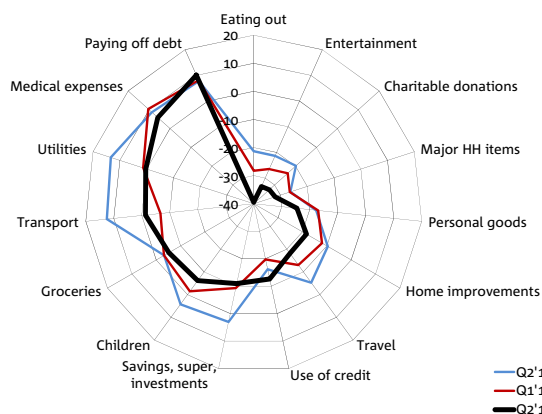
More consumers paying off debt & spending on “essentials”. Picture for “non-essentials” mixed - more spending on personal goods & major h/hold items; cutting back elsewhere.

Some notable increases in the number of consumers in WA cutting back spending across most categories, except paying off debt, utilities, transport and credit use.

QLD: Changes in Spending Behaviour (net balance)



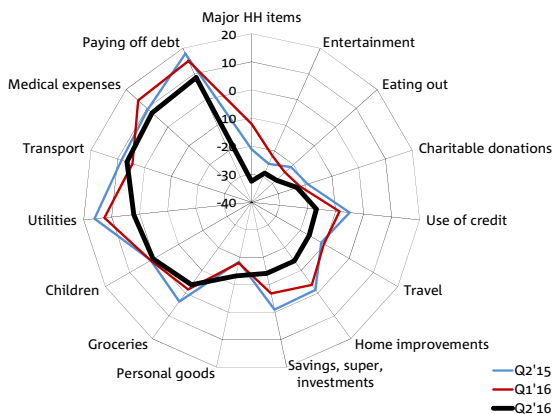
WA: Changes in Spending Behaviour (net balance)



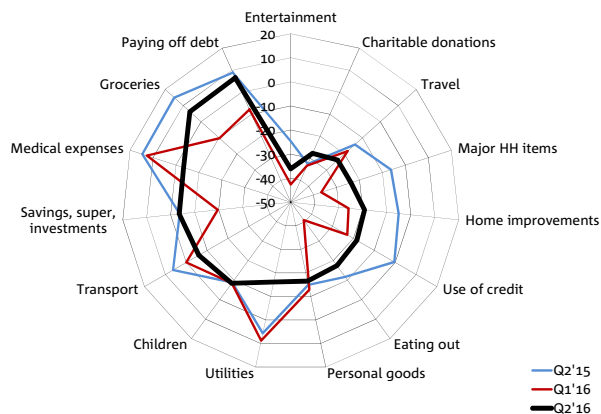
Consumers in SA/NT notably more conservative across all spending categories, except for transport, children, personal goods and charitable donations.

TAS remains volatile. Notably more consumers paying off debt, spending on utilities, groceries and their savings, but have cut back on many other “essentials” and “non-essentials”.

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



TAS: Changes in Spending Behaviour (net balance)



Group Economics

Alan Oster
Group Chief Economist
+61 3 8634 2927

Jacqui Brand
Personal Assistant
+61 3 8634 2181

Behavioural & Industry Economics

Dean Pearson
Head of Behavioural & Industry Economics
+(61 3) 8634 2331

Robert De lure
Senior Economist - Behavioural & Industry Economics
+(61 3) 8634 4611

Brien McDonald
Senior Economist - Behavioural & Industry Economics
+(61 3) 8634 3837

Australian Economics

Riki Polygenis
Head of Australian Economics
+(61 3) 8697 9534

James Glenn
Senior Economist - Australia
+(61 3) 9208 8129

Vyanne Lai
Economist - Australia
+(61 3) 8634 0198

Amy Li
Economist - Australia
+(61 3) 8634 1563

Phin Ziebell
Economist - Agribusiness
+(61 4) 75 940 662

International Economics

Tom Taylor
Head of Economics, International
+61 3 8634 1883

Tony Kelly
Senior Economist - International
+(61 3) 9208 5049

Gerard Burg
Senior Economist - Asia
+(61 3) 8634 2788

John Sharma
Economist - Sovereign Risk
+(61 3) 8634 4514

Important Notice

This document has been prepared by National Australia Bank Limited ABN 12 004 044 937 AFSL 230686 ("NAB"). Any advice contained in this document has been prepared without taking into account your objectives, financial situation or needs. Before acting on any advice in this document, NAB recommends that you consider whether the advice is appropriate for your circumstances.

NAB recommends that you obtain and consider the relevant Product Disclosure Statement or other disclosure document, before making any decision about a product including whether to acquire or to continue to hold it.

Please click [here](#) to view our disclaimer and terms of use.