

# NAB CONSUMER BEHAVIOUR SURVEY Q2 2017



INSIGHTS INTO THE MINDSET OF AUSTRALIAN CONSUMERS – THEIR ANXIETIES AROUND FUTURE SPENDING AND SAVINGS PLANS, WHAT DRIVES THESE CONCERNS AND HOW THEY ARE IMPACTING ACTUAL SPENDING BEHAVIOURS AND FINANCIAL HARDSHIP.

*NAB Behavioural & Industry Economics*

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Consumer anxiety (based on concerns over future spending and savings) rose slightly in the June quarter, however it remains well below long-term averages. Overall, Australians worried less about their current financial position, but the gap between low and high income earners widened. Low anxiety helped drive positive spending behaviours - while more consumers spent on essentials (particularly utilities), fewer cut back on non-essentials. In line with these behaviours, fewer consumers reported any financial hardship, but for those most worried about their finances (especially low income earners), utility bills are the key concern.

## OVERALL CONSUMER ANXIETY

*How anxious are we that our spending/savings will be impacted by our jobs, health, retirement and cost of living?*

NAB's Consumer Anxiety Index rose very slightly in Q2 2017, but remains comfortably below its long-term average. This reflected heightened concerns about health, cost of living and government policy, which offset lower worries relating to retirement funding and job security. The cost of living continues to weigh most heavily on consumers (more than 1 in 5 are "highly" concerned), and highlights the disconnect between low levels of economy-wide inflation and consumer focussed costs.

## HOUSEHOLD FINANCIAL POSITION

*How concerned are we about our current financial position and the factors that are driving these concerns?*

While Australians were less worried about their household financial position, women worry more than men, 30-49 year olds replaced young people as the most anxious age group, and the gap between the highest income group and the lowest widened. Overall consumers were less concerned about almost all key drivers of financial stress. The ability to finance retirement is still the biggest driver of financial anxiety, followed providing for their family's future and raising \$2,000 for an emergency.

## HOUSEHOLD SPENDING BEHAVIOURS

*How is our household financial position impacting our overall spending behaviours?*

Low levels of consumer anxiety appear to have supported more positive spending behaviours. More consumers increased spending on "essentials" (with a big increase in utilities and to a lesser extent, groceries), but also when it came to "non-essential" spending. The number of consumers that cut back on "non-essentials" still out-weighed those who spent more, but less so in all spending categories - especially eating out, personal goods, travel and home improvements.

## FINANCIAL HARDSHIP

*How prevalent is financial stress and hardship and what has the biggest impact on those that worry the most?*

Fewer Australians said they experienced some form of financial hardship in Q2 2017 - 1 in 3 people. Low income earners were hardest hit, with almost 1 in 2 experiencing some form of hardship. By age and gender, 30-49 year olds were most impacted and over 50s least impacted. Women continue to struggle more than men. Not being able to pay a bill was the most frequent cause of hardship, followed by not having enough for food and basic necessities. For those consumers "extremely" concerned about their current financial position, almost 1 in 2 said utility bills impacted their financial position the most.

## RESPONDING TO FINANCIAL STRESS

*How would we respond if we were under financial stress and where would we most likely borrow money from?*

Most consumers would deal with financial stress themselves - 3 in 4 would cut unnecessary expenses and 2 in 3 would follow a stricter budget. Just 1 in 6 would talk over their financial worries with a financial adviser and less than 1 in 10 would talk to their bank or borrow money. Of concern, only 1 in 4 would admit they have a problem and would borrow from family or friends.

<b>NAB CONSUMER ANXIETY INDEX</b>	<b>Q2 2016</b>	<b>Q1 2017</b>	<b>Q2 2017</b>
<b>Overall Index</b>	<b>60.2</b>	<b>55.9</b>	<b>56.1</b>
- Job security	48.7	42.6	41.9
- Health	57.4	53.9	55.2
- Ability to fund retirement	61.8	58.7	57.1
- Cost of living	66.4	63.2	64.2
- Government policy	66.6	61.4	62.2

## HOUSEHOLD FINANCIAL POSITION (FINANCIAL ANXIETY)

(100 = extreme anxiety)

Q2 2016	Q1 2017	Q2 2017
63.1	60.7	58.9

## DRIVERS OF HOUSEHOLD FINANCIAL STRESS

(100 = extremely concerned)

	Q2 2016	Q1 2017	Q2 2017
Medical bills/healthcare	55	42	38
Mortgage, rent, housing costs	49	37	35
Credit card repayments	39	30	27
Personal loan repayments	42	35	28
Children's education	46	36	30
Food/basic necessities	43	34	32
Monthly household bills	47	39	37
Non-essentials (holidays, eating out)	48	41	37
Raising \$2,000 in emergency	52	46	43
Financing retirement	60	53	49
Providing for family's future	55	45	45

## HOUSEHOLD SPENDING BEHAVIOURS

(Net balance - spending more/spending less)

	Q2 2016	Q1 2017	Q2 2017
Non-essential spending	-19	-19	-15
Essential spending	4	3	8
Financial spending	-3	-5	-3
<b>Overall Spending Behaviours</b>	<b>-10</b>	<b>-10</b>	<b>-6</b>

## HOUSEHOLD SPENDING BEHAVIOURS - SPENDING CATEGORY

(Net balance - spending more/spending less)

	Q2 2016	Q1 2017	Q2 2017
Travel	-13	-13	-9
Eating out (coffee, take-away, restaurants, etc.)	-26	-27	-22
Entertainment (movies, sports, concerts, etc.)	-24	-24	-21
Groceries (food, alcohol etc.)	0	-1	5
Home improvements and maintenance	-10	-8	-4
Major household items (appliances, furniture etc.)	-24	-23	-20
Utilities (electricity, gas, phone, etc.)	5	8	24
Personal goods (clothes, toiletries, sports, pets, etc.)	-17	-21	-17
Medical expenses (doctors, pharmacy, optical etc.)	9	9	10
Transport (car running costs and public transport)	5	2	5
Children (school fees, childcare, activities etc.)	-1	-3	-2
Paying off debt	8	8	8
Use of credit	-12	-18	-15
Savings, investments and super contributions	-5	-6	-3
Charitable donations	-21	-23	-20

# PART 1: CONSUMER ANXIETY

*How anxious are Australian consumers that their spending and savings will be impacted by their job security, health, retirement and cost of living?*

NAB's Consumer Anxiety Index - which measures concerns about future spending and savings plans arising from job security, health, retirement, cost of living and government policies - rose very slightly in Q2 2017, reversing the trend of falling anxiety since mid-2015.

The Index increased to 56.1 points in Q2 2017 (55.9 points in Q1 2017). However, overall consumer anxiety is still well below levels reported at the same time last year (60.2 points) and comfortably below its long-term average (60.8 points).

Increased anxiety in Q2 2017 reflected heightened consumer concerns about health, cost of living and government policy, which offset lower worries relating to retirement funding and job security.

The cost of living (64.2 points) is still weighing most heavily on consumers, and also highlights the big disconnect between low levels of economy-wide inflation and consumer focussed costs. More than 1 in 5 (22%) consumers reported "high" levels of concern over the cost of living.

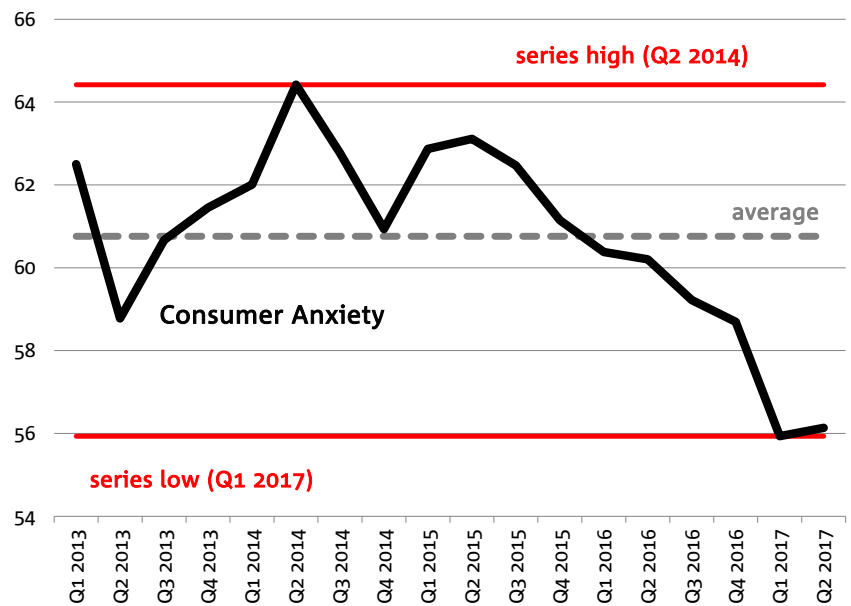
Government policy (62.2 points) was the next biggest cause of anxiety and a "high" concern for around 23% of all Australian consumers.

In contrast, job security (41.9 points) caused the least stress, which likely reflected strong employment growth in the first half of the year and improved labour market conditions also seen in NAB's Business Survey for some time. Overall, 7 in 10 (70%) consumers reported "low" or "very low" levels of anxiety over their job security. As a result, anxiety levels relating to job security now sits at a new survey low.

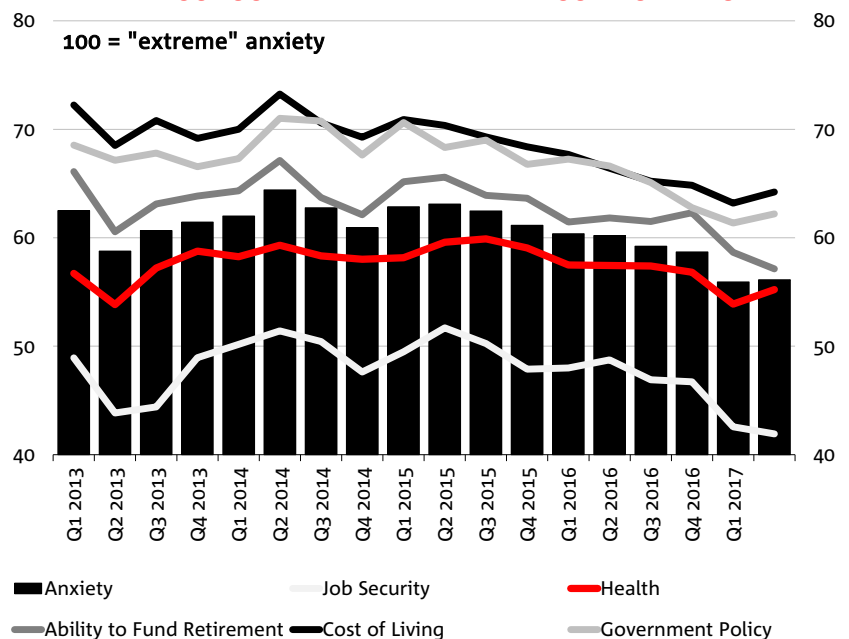
The level of concern arising from retirement funding (57.1 points) also receded in Q2 2017 with almost 1 in 2 (49%) consumers reporting "low" or "very low" anxiety.

But when it came to health (55.2 points), the number of consumers reporting "low" or "very low" anxiety fell to 53%, down from 62% in Q1 2017.

## NAB CONSUMER ANXIETY INDEX



## NAB CONSUMER ANXIETY INDEX: COMPONENTS



### NAB CONSUMER ANXIETY INDEX: ALL GROUPS

Across all consumer groups, anxiety was highest for labourers (62.4 points), those earning less than \$35,000 p.a. (60.4 points), men aged 30-49 (59.9 points) and divorced people (59.0 points). It was lowest for widows (49.0 points), men over 50 (50.9 points), those earning more than \$100,000 (51.7 points) or living in TAS (53.2 points).

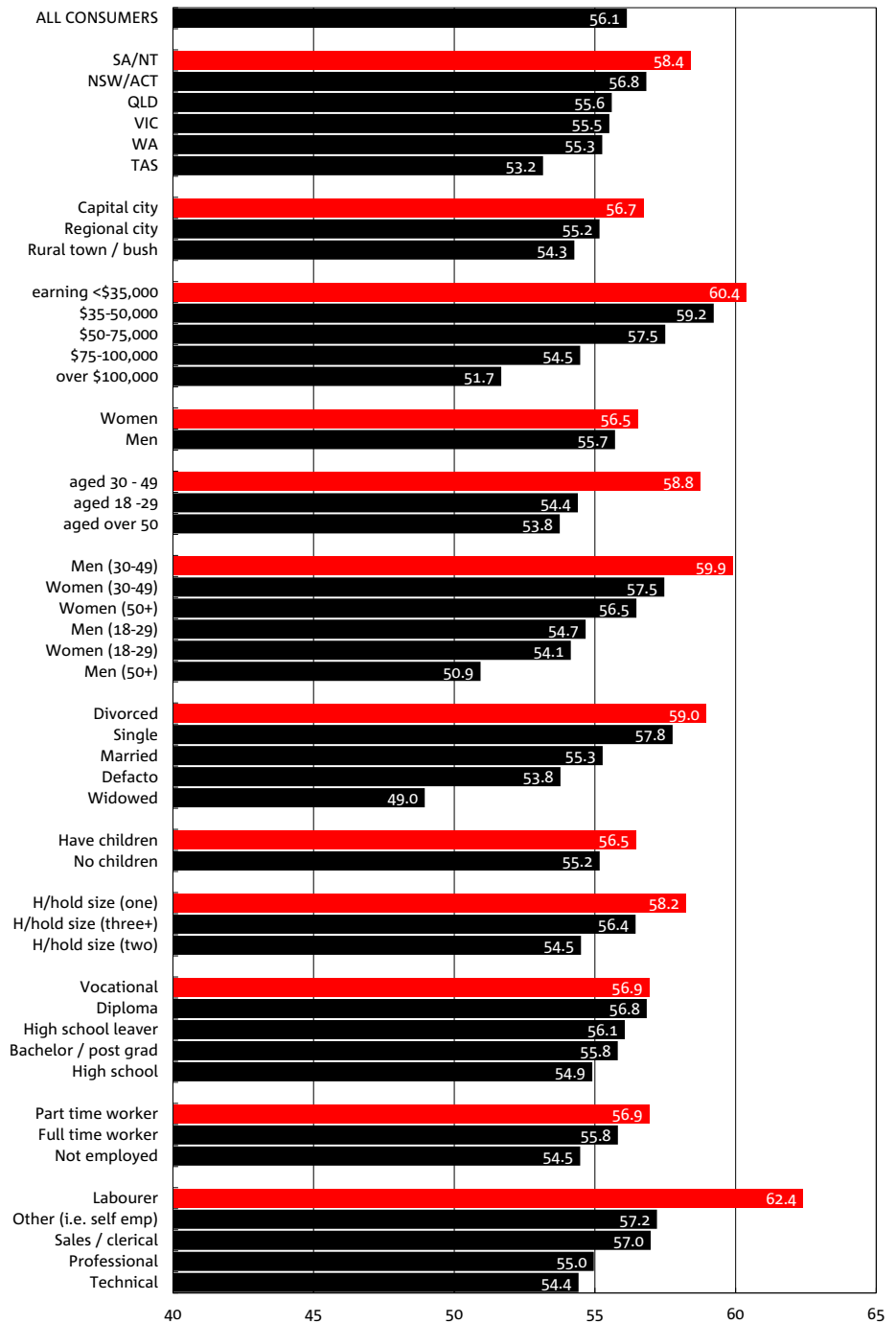
Among key demographic groups, anxiety by state increased and remained highest in SA/NT (58.4 points). Consumers living in SA/NT also rated their concerns about health, retirement funding and cost of living highest of all states. In contrast, anxiety was lowest in TAS (53.2 points), where consumers were also least concerned about all factors except government policy.

Anxiety continues to be higher for women (56.5 points) than for men (55.7 points), despite a small improvement during the quarter. Elevated anxiety among women reflected higher concerns about their ability to fund their retirement and living costs.

Middle-aged consumers (30-49) reported the highest anxiety (58.8 points) by age, especially in relation to retirement funding and cost of living. Middle-aged men (59.9 points) were the most anxious. In contrast, anxiety fell sharply for young women (54.1 points) because of much lower stress over their cost of living, retirement funding and job security. They are now the least anxious group after men over 50 by gender and age.

By income, there was a very strong relationship between earnings and anxiety. Anxiety was lowest in the highest income group (51.7 points) and highest in the lowest income group (60.4 points). Low income earners reported the highest levels of stress across all factors, except job security.

Elsewhere, consumers living in capital cities remain the most anxious by region (56.7 points), particularly in regards to their job security.



Another factor impacting consumers is the state of the Australian economy.

In this report, consumers were asked to tell us for the first time how concerned they were about the general economic situation in Australia.

Overall, they scored 61.7 points (where 100 is “extremely” concerned), suggesting it contributed “moderately” to their anxiety.

But there are important differences in key groups.

By state, consumers living in SA/NT (65.8 points) expressed the highest concern about the economy - they were also the most anxious overall. Consumers in VIC (59.5 points) were the least concerned.

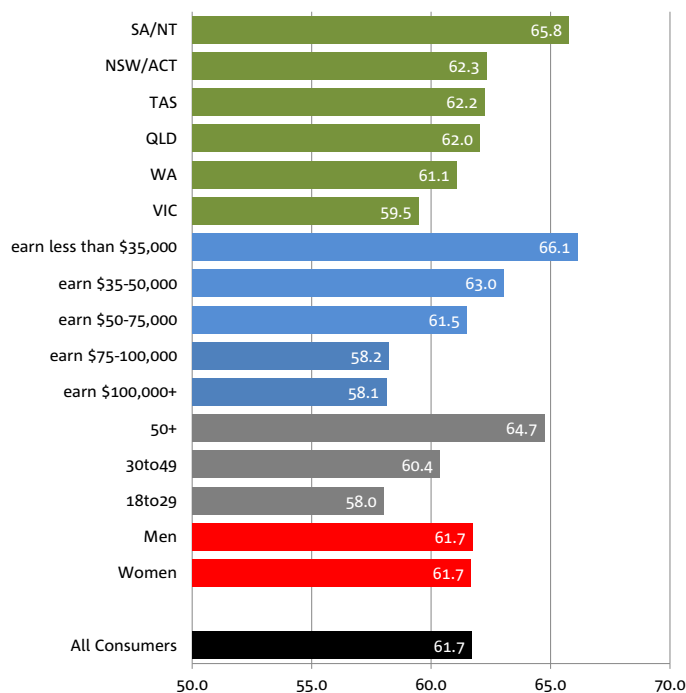
There was a clear relationship between the economy and income - it was a far greater concern in the lowest income group (66.1 points), but moderated as incomes grew.

Interestingly, the economy was a bigger factor for over 50s (particularly women), despite having the lowest levels of consumer anxiety by age group. Young Australians worried the least.

There was no difference between women and men (61.7 points).

### HOW ANXIOUS ARE CONSUMERS ABOUT THE GENERAL ECONOMIC SITUATION IN AUSTRALIA

(0 = not at all; 100 = extremely)



## THE VIEW FROM NAB ECONOMICS

Official data on consumer spending picked up in the June quarter to a solid (though not exceptional) growth rate of 0.7% quarter-on-quarter in real terms.

While some of this spending may be tied to the dwelling construction cycle, stronger growth in discretionary spending categories is an encouraging sign following a tilt towards spending on essentials over non-essentials in recent years.

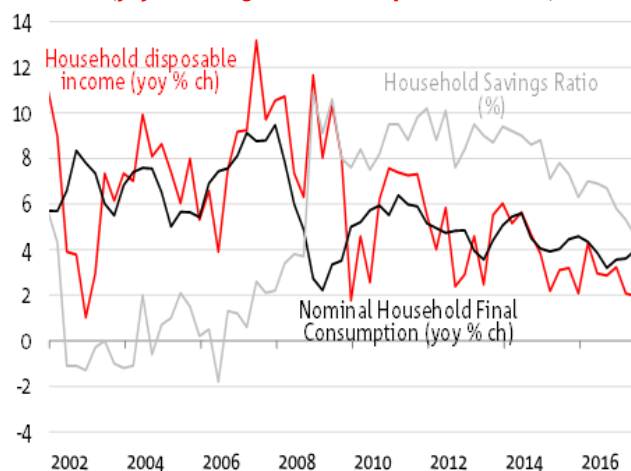
The pick-up in spending is in line with strong employment growth in the first half of this year. However, monthly retail data suggests a notable slowing in the months of June and July following strength in April and May.

It is also likely that higher energy prices will weigh on discretionary spending in Q3. The increase in the minimum wage should assist lower paid workers to some extent (despite the loss of penalty rates for some), although the general trend for wages and household income growth is for only very gradual improvement.

We expect slow growth in household consumption of just over 2% in real terms in the coming year despite further gains in employment, before picking up to 2¾% by 2019, as households remain cautious amidst high household debt levels.

### LOWER SAVINGS RATE DRIVING CONSUMER SPENDING

(yoy % change & % of disposable income)



## PART 2: HOUSEHOLD FINANCIAL POSITION

*How concerned are consumers about their current financial position and what are the factors that are driving these concerns?*

Australians were less worried about their household financial position (financial anxiety) in Q2 2017.

When asked to rate their level of concern relating to their future spending and savings plans arising from their current financial position, they scored 58.9 points out of 100 (100 is “extremely” concerned), down from 60.7 points in Q1 2017.

The overall result suggests Australians are experiencing “moderate” levels of financial anxiety.

But the overall result also hides some important differences between men and women, by age and by income.

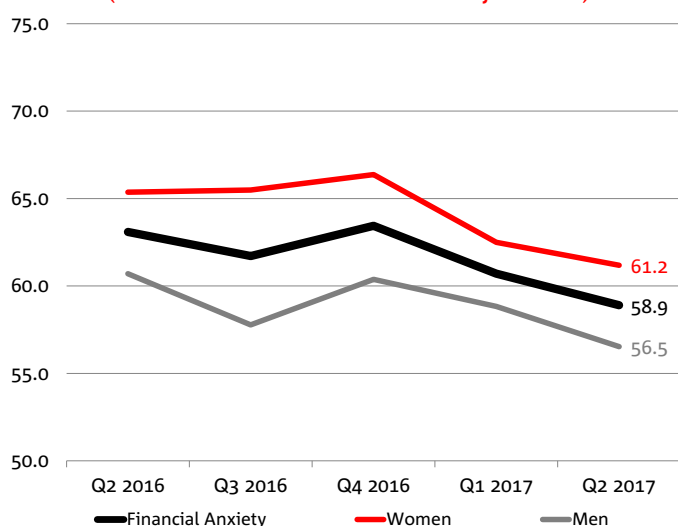
While financial anxiety moderated for women and men, women (61.2 points) still worried more about their financial position than men (56.5 points).

By age, anxiety fell noticeably for 18-29 year olds (59.6 points) - led by women who said all stress drivers contributed less to their overall anxiety - especially personal loan repayments and retirement financing. However, young women (61.6 points) continue to be more anxious than young men (57.2 points).

30-49 year olds (63.0 points) replaced young people (59.6 points) as the most anxious age group in Q2 2017, with 30-49 year old men (63.1 points) the most anxious.

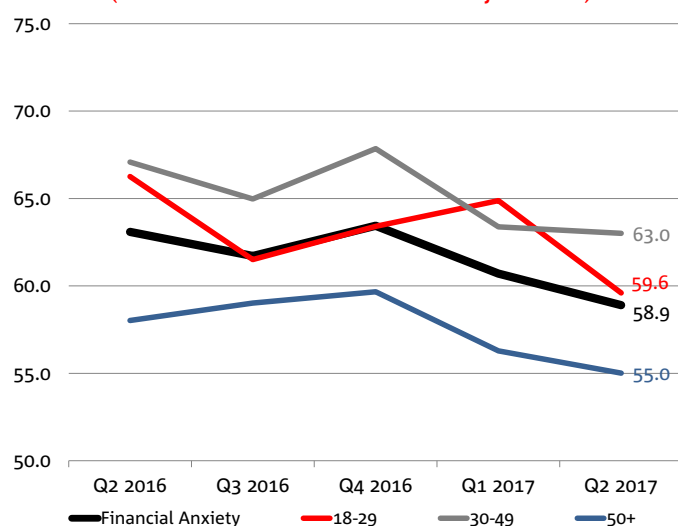
### FINANCIAL ANXIETY: GENDER

(0 = “not at all” concerned and 100 = “extremely” concerned)



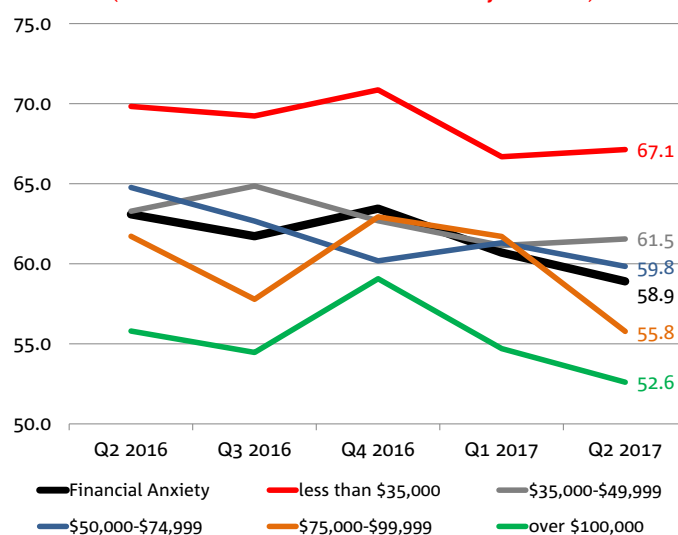
### FINANCIAL ANXIETY: AGE

(0 = “not at all” concerned and 100 = “extremely” concerned)



### FINANCIAL ANXIETY: INCOME

(0 = “not at all” concerned and 100 = “extremely” concerned)



Australians over the age of 50 were the least anxious group by some margin (55.0 points), particularly men (50.3 points).

Financial anxiety also moderated in most income groups - except for Australians earning less than \$50,000 per annum where it increased a little.

As a result, the financial anxiety gap between the highest income group (52.6 points) and the lowest income group (67.1 points) widened.

Australian consumers were less concerned about all key drivers of financial stress in Q2 2017 - except when it came to providing for their family's future (unchanged).

Their level of concern fell most in regards to personal loan repayments, children's education, non-essentials, medical and healthcare bills and financing their retirement.

Overall, consumers again nominated their ability to finance retirement as the biggest single driver of financial anxiety, followed by their ability to provide for their family's future and raise \$2,000 for an emergency.

Women expressed higher levels of concern than men for all anxiety drivers, except for meeting minimum credit card and personal loan repayments and financing their children's education.

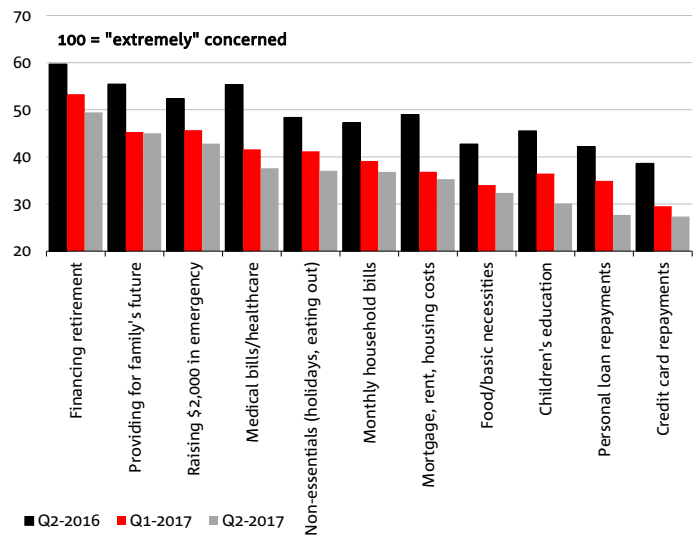
By age, middle-aged Australians (30-49 years old) were noticeably more concerned about being unable to finance their retirement, provide for their family and pay for their children's education and healthcare than all other age groups.

Young Australians were however the most concerned when it came to their ability to raise money for an emergency and not being able to meet personal loan repayments. Older Australians expressed the lowest concern for all drivers.

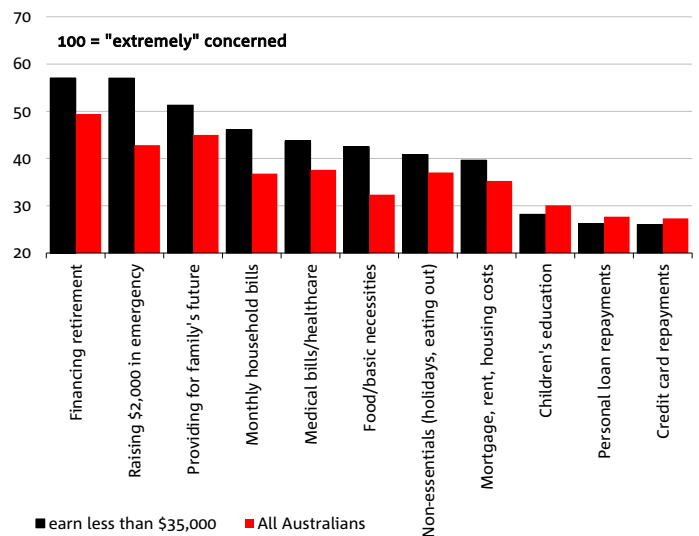
Not surprisingly, the lowest income earning group was much more concerned about most drivers of financial stress than everyday Australians - particularly when it came to raising \$2,000 for an emergency, their monthly household bills and financing their retirement.

However, they were less worried about their children's education and credit card and personal loan repayments than the average Australian.

### DRIVERS OF HOUSEHOLD FINANCIAL STRESS



### DRIVERS OF HOUSEHOLD FINANCIAL STRESS: Q2



## PART 3: HOUSEHOLD SPENDING BEHAVIOURS

*How has the household financial position of Australian consumers impacted their overall spending behaviours?*

Relatively low levels of consumer anxiety (despite a small uptick) and lower concerns about their current financial position appear to have supported more positive household spending behaviours in Q2 2017.

NAB’s measure of Household Spending Behaviours (which counts the number of consumers that spent more against those that spent less) continued to paint a picture of a conservative consumer - albeit steadily improving since late-2016. This result is consistent with solid - albeit softer than expected - household spending also recorded in the Q2 2017 national accounts.

NAB’s overall spending indicator rose to -6 in Q2 2017 (from -10 in Q1 2017), indicating that the number of consumers that cut back their overall spending still out-numbered those that increased their spending.

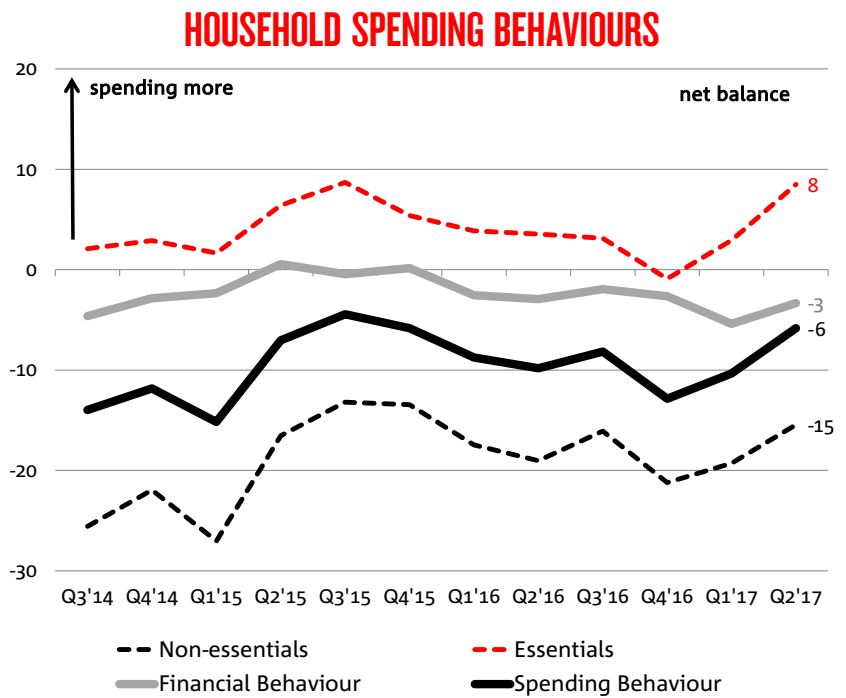
While more consumers increased their spending on “essentials” (+3 to +8), there were also positive signs when it came to “non-essential” spending, with a further reduction in the number of consumers cutting back (-19 to -15) during the quarter.

Financial spending behaviours (consisting of paying of debt, using credit cards and savings, investments and super contributions) also improved from -5 to -3.

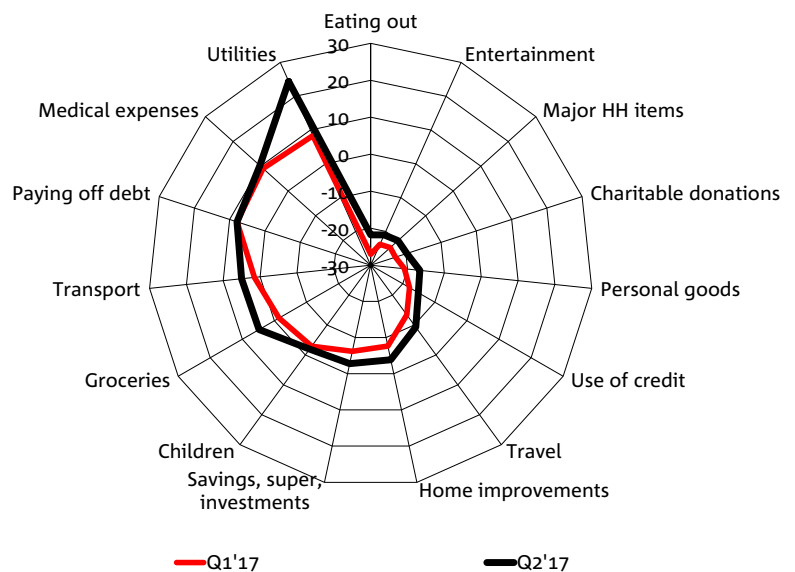
When it came to what they were actually spending on, we noted a big increase in the number of consumers spending more on “essentials”, particularly utilities and to a lesser extent groceries.

Consumers cutting back on “non-essentials” still out-weighed those who spent more, but the number that cut back in Q2 2017 fell in all spending categories - especially eating out, personal goods, travel and home improvements.

When it came to “financial” spending, more Australians on balance increased their usage of credit cards and added to their savings, investments and superannuation. Their behaviours towards paying off debt were unchanged.



### HOUSEHOLD SPENDING BEHAVIOURS (SPENDING MORE/SPENDING LESS - NET BALANCE)





Typically much of our spending on “non-essentials” is considered to be “lifestyle” purchases rather than essential to everyday life.

But what types of lifestyle spending are most highly valued by Australian consumers, and which would they be prepared to sacrifice in order to improve their financial position?

Broadly speaking, around 1 in 2 consumers said they would be prepared to spend “much less” on most of their lifestyle purchases - particularly on things such as taxis and Uber, take away food, fitness, fashion, restaurants and bars, entertainment and alcohol.

But they would be far less inclined to severely curtail their spending on internet and mobile phones.

Interestingly, spending habits do not differ significantly across age groups.

And it was particularly revealing that young people shared very similar attitudes to lifestyle spending to middle aged consumers.

Australian consumers were also asked what type of “lifestyle spending” they would fear losing the most.

Here, a different picture emerges.

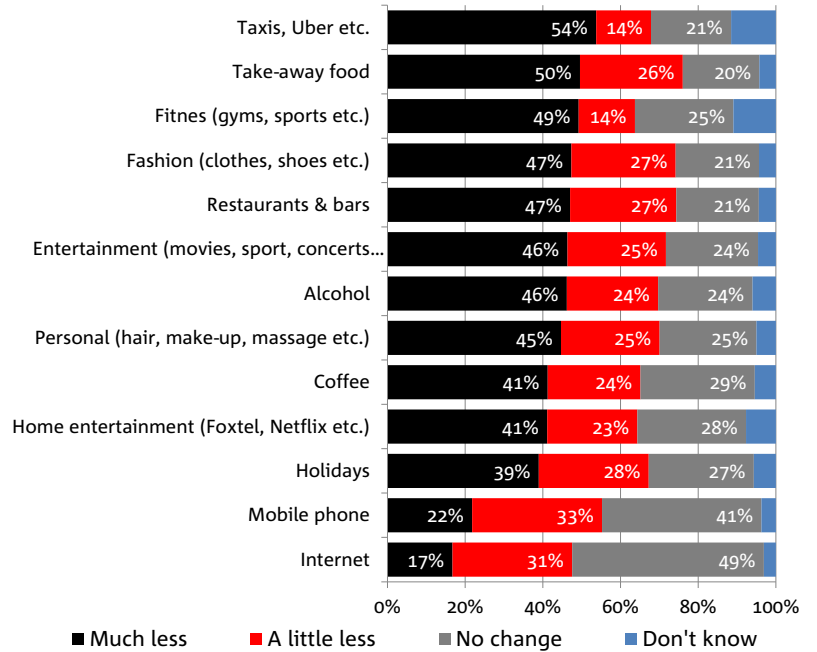
While consumers in all age groups most fear losing internet or mobile phones, the prospect causes greater trepidation for young Australians, particularly when it comes to losing their mobile phones.

Young people were also more fearful when it came to nearly all other types of lifestyle spending, except when it came to holidays, coffee and alcohol, where over 50s led.

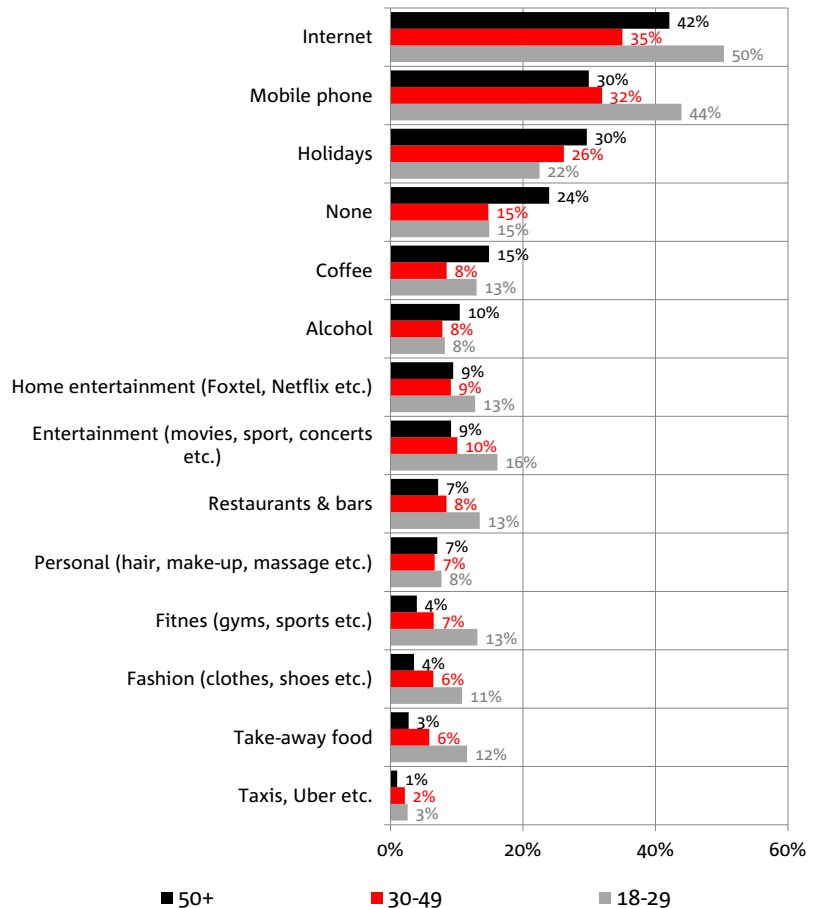
Interestingly, around 1 in 5 (24%) over 50s did not fear losing any lifestyle sending, compared to just 15% of 30-49 year olds and 15% of 18-29 year olds.



### EXTENT CONSUMERS WOULD CUT BACK ON "LIFESTYLE SPENDING" TO HAVE MORE LEFT FOR SAVINGS, RETIREMENT, HOUSING, HEALTH ETC.



### "LIFESTYLE SPENDING" CONSUMERS FEAR LOSING MOST - BY AGE



## PART 4: FINANCIAL HARDSHIP

*How prevalent is financial stress and hardship, and what has the biggest impact on the financial position of those that worry the most?*

Fewer Australians overall said they experienced any financial hardship in the past 3 months - just 31% in Q2 2017 (or around 1 in 3 people) down from 38% (around 4 in 10) in Q1 2017.

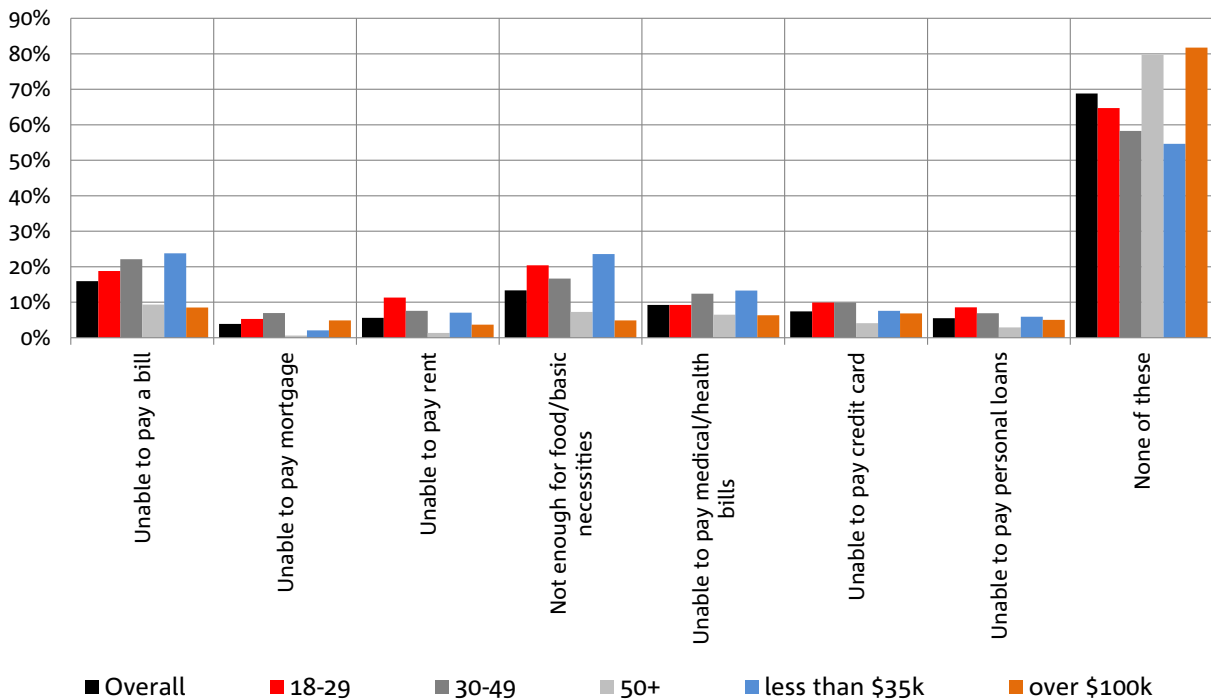
The lowest income earning group (less than \$35,000 per annum) was hardest hit, with almost 1 in 2 (45%) experiencing some form of financial hardship in the past 3 months. This compared with just 1 in 3 earning between \$35,000-\$99,999 and less than 1 in 2 (18%) in the highest income group.

By age, 30-49 year olds were most impacted (42%) and over 50s (20%) least impacted. Just over 1 in 3 young Australians (35%) experienced some hardship, down from more than 1 in 2 (53%) in Q1 2017.

More women (34%) than men (28%) experienced financial hardship.

Being unable to pay a bill was the most frequently cited cause of hardship - for 16% of Australians overall, but for over 1 in 5 (22%) middle aged Australians and for 1 in 4 (24%) lowest income earning Australians. Not having enough for food and basic necessities was the next biggest driver of hardship - affecting 13% in total, but around 1 in 4 (24%) low income earners and 1 in 5 (20%) young people.

### FINANCIAL STRESS EXPERIENCED IN LAST 3 MONTHS



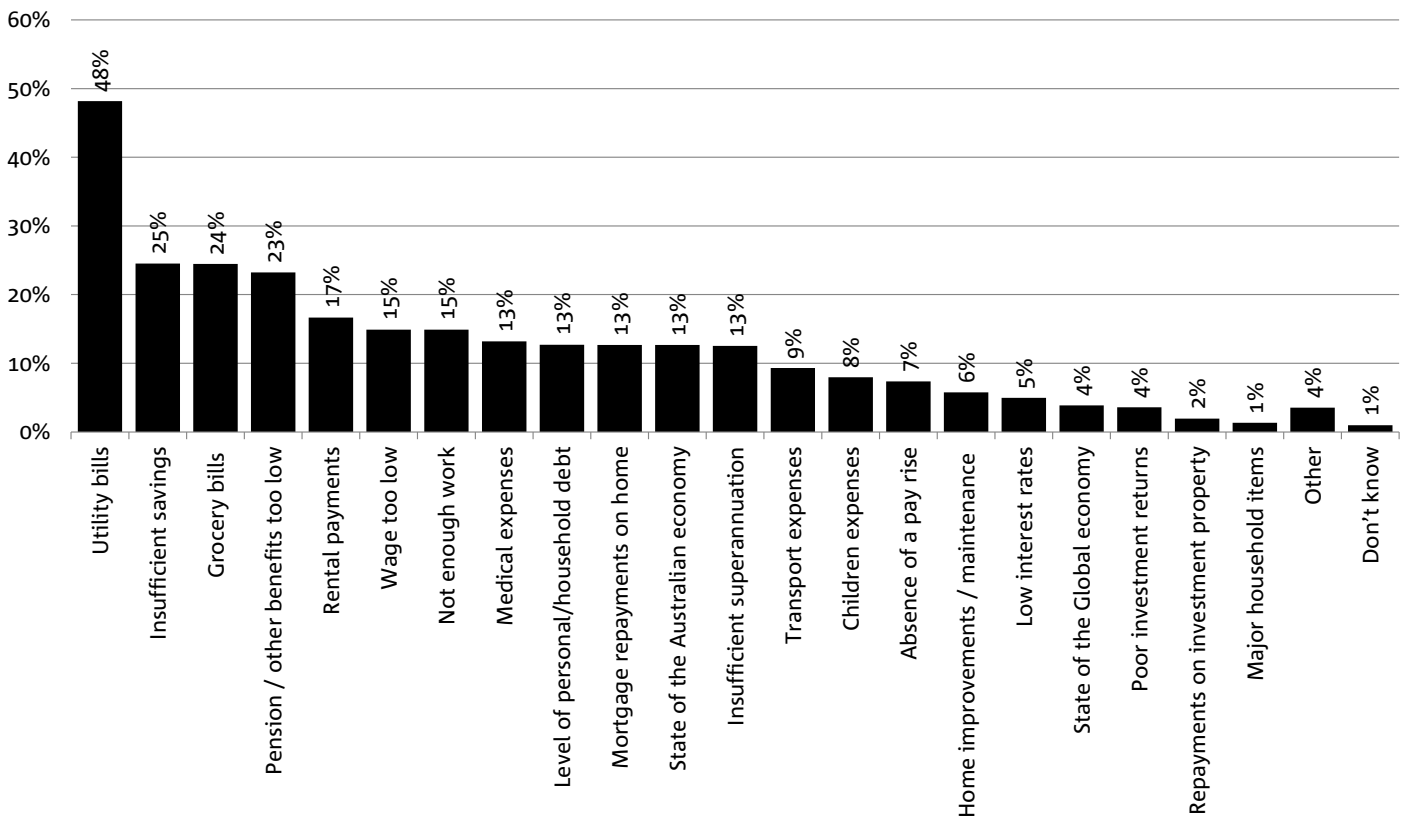
Australian consumers who said they were “extremely” concerned about their current financial position were also asked to tell us what issues in particular were having the biggest impact on their current financial position.

Almost 1 in 2 said utility bills (electricity, gas, water, and phone) had the biggest impact. Around 1 in 4 also said inefficient savings, grocery bills and low pensions and/or other benefits also impacted their current financial position.

Utility bills was a far bigger problem for over 50s (61%) and 30-49 year olds (47%) than for 18-29 years olds (26%). But around 1 in 4 young Australians said rental payments, low wages and not enough work impacted their financial position, compared to around 1 in 10 over 50s. Far more middle-aged Australians (15%) cited expenses relating to their children than any other age group.

By income, the lowest income earners (less than \$35,000 p.a.) were much more affected by utilities (56%) and low pensions/benefits (47%), whereas a lot more high income earners (over \$100,000 p.a.) identified home mortgage repayments (24%) and children’s expenses (18%) than any other income group.

## ISSUES THAT MOST IMPACT CURRENT FINANCIAL POSITION OF THOSE MOST CONCERNED ABOUT THEIR FINANCIAL POSITION - OVERALL



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## PART 5: RESPONDING TO FINANCIAL STRESS

*How would Australian consumers respond if they were under financial stress and where would they most likely borrow money from?*

Overwhelmingly, most Australians said they would try to deal with financial stress themselves - around 3 in 4 (74%) said they would try to cut out any unnecessary expenses, while 2 in 3 (66%) would try to follow a strict budget. Around 43% also said they would try to better understand their own finances.

In contrast, just 16% would talk over their financial worries with a financial adviser and less than 1 in 10 would talk to their bank (9%) or borrow money (8%).

It is of some concern that only 1 in 4 (25%) Australians would admit to themselves they have a financial problem.

There are however some interesting differences in behaviours between men and women, by age and income. In particular, more women (72%) said they would try to budget better than men (61%). Around 77% of women also said they would try to cut back on unnecessary spending compared to 71% of men.

By age, more over 50s would try cut back on unnecessary spending (77%) than 18-29 year olds (69%). Over 50s were also more likely to tighten their budgets (70%), talk to their financial adviser (20%) or admit they had a problem (29%) than any other age group.

In contrast, around 14% of 18-29 year olds said they would try to borrow money compared to just 10% of 30-49 year olds and just 4% of over 50s.

Responses varied little between the highest (earning over \$100,000 p.a.) and lowest (earning less than \$35,000 p.a.) income groups - except when it came to better understanding their finances (46% of high income earners vs. 35% of low income earners) and talking over financial worries with an adviser (19% vs. 12%) or bank (12% vs. 7%). Interestingly, more low income earners (27%) would admit they had a problem than high income earners (24%).

Consumers were also asked how likely they would be to borrow from a number of sources if they were under financial stress. They would most likely borrow from family or friends - albeit they scored the likelihood of doing so just 3.3 points out of 10 (10 is "extremely" likely), followed by taking out a personal loan (2.3 points) and increasing credit card debt (2.1 points). They were least likely to seek out a loan from a pay day lender (1.3 points).

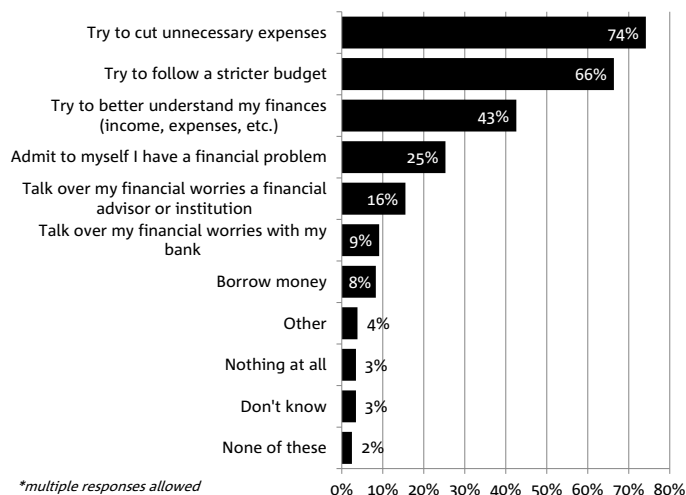
By gender, men and women scored family and friends highest and equally (3.3 points), but men were somewhat more likely to borrow from all other sources than women.

By age, 18-29 year olds were a lot more likely to approach family and friends (4.9 points), than 30-49 year olds (4.0 points) and over 50s (1.8 points). Along with 30-49 year olds, they were also far more likely to borrow from all other sources than over 50s.

The highest income group was more likely to borrow from all sources than were low income earners, particularly when it came to personal loans (2.8 points vs. 1.8 points), increasing credit card debt (2.5 points vs. 1.4 points), transferring debt to a new credit card (2.7 points vs. 1.2 points) and applying for an overdraft (2.3 points vs. 1.1 points).

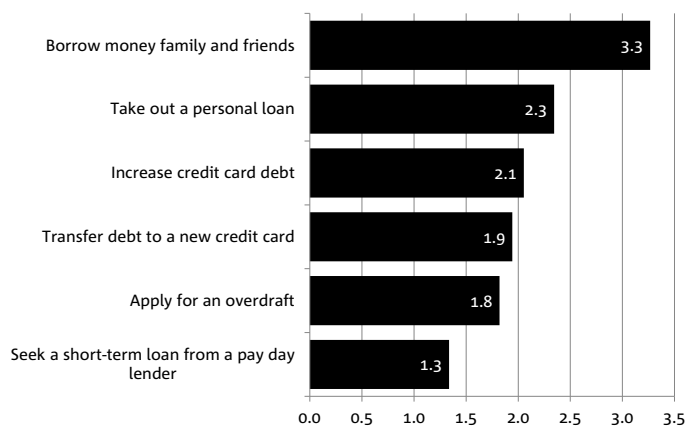
### RESPONDING TO FINANCIAL STRESS

(percentage of respondents\*)



### HOW LIKELY WE WOULD BE TO BORROW FROM EACH OF THE FOLLOWING IF WE WERE UNDER FINANCIAL STRESS

(0 = not at all likely; 10 = extremely likely)



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