

# NAB AUSTRALIAN CONSUMER ANXIETY SURVEY Q2'20

## INSIGHTS INTO CONSUMER ANXIETIES & SPENDING BEHAVIOURS



*NAB Behavioural & Industry Economics*

June 2020

Consumer anxiety is falling in Australia in response to shifts in coronavirus concerns as confidence grows in Government responses to the virus and some COVID-19 restrictions are relaxed. Anxiety fell in the June quarter despite very weak levels of economic and employment activity. However, spending behaviours are becoming more conservative with an increase in the number of consumers (on balance) cutting back their spending relative to the previous quarter. Spending expectations for private school fees and private health insurance over the next 12 months have also been significantly scaled back. Savings intentions are also shifting and future income expectations declining.

Consumers are facing both an economic shock and a behavioural one. While many of the more sensationalist predictions about long-term changes to our spending behaviours are likely to be inaccurate, we will see adaptations and modifications to daily life, some of which have implications for how businesses will need to engage with consumers going forward.

The NAB Consumer Anxiety Index declined to a below average 57.3 points, in Q2 2020, down from 60.1 points in the previous quarter, but is still higher than in the same period a year ago (54.4 points).

Lower anxiety over the quarter was driven by fewer concerns over government policy. This is consistent with recent NAB research which showed that fewer than 1 in 6 Australians now identify an “insufficient response from government” among their top coronavirus concerns - less than half the number in March (NAB Special Coronavirus Behaviours Survey - June 2020).

With inflationary pressures also subdued, consumers were also noticeably less concerned about the cost of living. When asked about which key goods and services they believed had changed in price over the past 3 months, consumers said, on balance, costs had increased for groceries, utilities, telecommunications, home improvements and medical expenses. However, this was balanced by falls in entertainment, transport, travel and holidays and eating out expenses.

Despite cost of living pressures easing, it continues to be the biggest driver of overall anxiety. When asked to identify which things had added the most to their own cost of living over the past 3 months, groceries were viewed as having added most to household cost of living pressures. Utilities was the next biggest contributor. There was also a rise in the number of consumers who said home improvements, telecommunications, personal goods and major household items, had added most to their living costs.

But other cost pressures lessened. This was most apparent in transport. Other notable areas that impacted fewer Australians included medical expenses, rent, travel/holidays and eating out.

As COVID-19 restrictions start to ease and Jobkeeper continues, anxiety over jobs has also fallen quite sharply, although it remains well above the survey average and at the same time last year. However, widespread job losses and falling hours of work, have had a significant impact on income levels for many consumers. In Q2, the net number of consumers who reported a decrease in their income level in last 3 months more than doubled. On balance, consumers are also noticeably less positive about the outlook for their incomes in the next 12 months.

During the initial stages of the pandemic, uncertainty drove demand for essentials, resulting in consumers bulk buying household supplies, creating significant shortages in supermarkets. There was strong growth for anything that revolved around being at home, including work, entertainment and health, driving demand for everything from toilet paper, fitness equipment, gardening supplies to home improvement. But as the initial threat level eased, many early reactionary purchases have subsided as consumers move past the “necessities” phase.

### NAB CONSUMER ANXIETY INDEX (100 = extremely concerned)

	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020
Overall Index	54.4	57.3	58.7	60.1	57.3
- Job security	42.9	44.5	48.4	52.3	49.3
- Health	52.4	56.9	56.9	56.8	56.3
- Ability to fund retirement	56.1	58.5	59.6	60.8	60.1
- Cost of living	62.4	64.7	65.2	65.6	61.9
- Government policy	58.0	62.0	63.4	64.9	58.8

Behaviourally it is very clear that how consumers “feel” doesn’t necessarily correlate with how they spend. NAB’s survey also asks consumers how their household financial position has impacted their actual spending behaviours.

Overall, NAB’s measure of household spending behaviour pointed to a large increase in the number of consumers (on balance) cutting back their spending relative to the previous quarter. Spending was pulled back across all key spending categories - essentials, non-essentials and financial spending.

Among essentials, there were notable falls in the number of consumers cutting back on transport, medical expenses and on children. Conversely, on balance, more consumers increased their spending on groceries and utilities. Spending behaviours were even more conservative on non-essentials, especially travel/holidays, entertainment and eating out. Home improvements were the exception.

While consumers’ general level of concern about the Australian and global economy has moderated slightly, it remains elevated. NAB expects to see a large fall in domestic activity in Q2 before picking-up in H2 2020 and into 2021. But we still don’t have the level of GDP exceeding the level of Q4 2019 GDP until mid-2022. The unemployment rate is also expected to remain elevated for some time, despite the rebound in growth. This reflects the time it will take to fully recover the level of GDP to pre-COVID levels following the large expected fall in Q2.

Consumers are facing both an economic shock and a behavioural one. Businesses will need an understanding of the forces that shape customer behaviour.

Humans are not generally disposed to radical departures from their daily routines. When confronted with a crisis like a pandemic, it’s all too easy to believe that everything will change. Human behaviour does not change quickly. Many of the more sensationalist predictions about consumers are also likely to be inaccurate. But for some, the pandemic will be life-changing and may even see lasting changes in not just how they consume but also their overall levels of consumption.

While most people will seek to revert to previous habits and quantum change is unlikely, we will see adaptations and modifications to daily life, many of which may last well beyond the current crisis and have implications for consumption and how businesses will need to engage with consumers going forward.

NAB research shows that improved personal hygiene (e.g. washing hands) is expected to be the most lasting change in behaviour, along with taking fewer overseas holidays and travelling less by plane. Other key ongoing behaviour changes, include spending less time on public transport, at shopping centres (particularly major centres) and eating out at restaurants. Australians also indicated they would save more for emergencies and make more purchases online in the future.

In addition to “value”, safety has become extremely important to many consumers, with maximum shoppers per store, hand sanitising upon entry, physical barriers to protect customers and staff, and “contactless” delivery options, becoming the norm. For many consumers, the speed and efficiency (particularly for essential purchases) will be paramount. We are also likely to see a rise in “check-out free” shopping.

Coronavirus is not just transforming our shopping behaviours, it is also changing the way consumers deal with money with cashless options increasingly favoured by both customers and merchants.

Many businesses are also exploring changes to their channel strategy. Omni-channel (online as well as offline), has become a necessity for many with some also looking to scale back their physical store footprints as online sales continue to rise.

NAB’s Online Retail Sales Index accelerated again in April to be up 16.2%, on a month-on-month, seasonally adjusted basis (s.a.) and +58.5% year on year s.a. - it’s highest ever growth rate in the series history (2012). Investment in virtual messaging through Live chat and virtual assistants is growing rapidly. Some brands are even pivoting to a direct-to-consumer business model, through mobile and digital channels.

None of this means that consumers will no longer want to spend time and shop in physical stores - with of course, a minimum expectation that they will be feel safe to do so. But humans crave social interaction so they will return and a too narrow focus on technology may disengage some customers.

The survey is based on responses from over 2,000 Australians and weighted to be representative of the Australian adult population by state, gender, age and other key demographics.

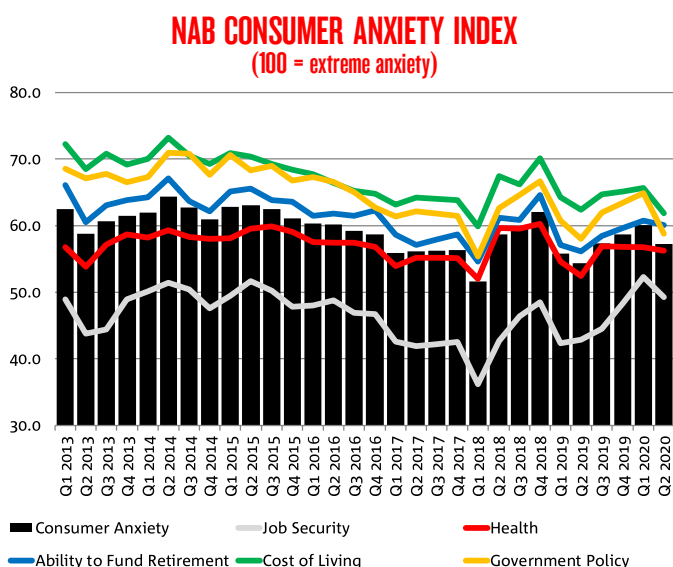
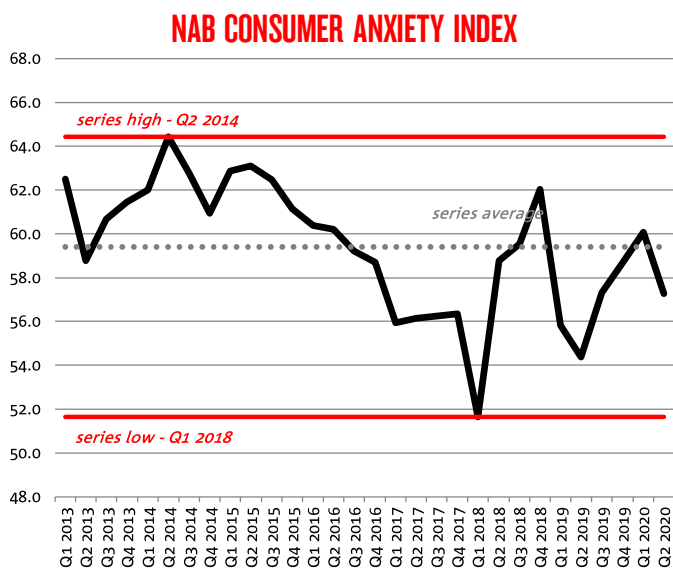
**HOUSEHOLD SPENDING BEHAVIOURS (net balance - spending more/less)**

	Q2 2019	Q1 2020	Q2 2020
Non-essential spending	-20	-25	-30
Essential spending	6	13	7
Financial spending	-4	-1	-2
Overall Spending Behaviours	-9	-9	-14

**HOUSEHOLD SPENDING BEHAVIOURS - SPENDING CATEGORY (net balance - spending more/less)**

	Q2 2019	Q1 2020	Q2 2020
Travel/holidays	-14	-27	-46
Eating out (coffee, take-away, restaurants, etc.)	-25	-31	-41
Entertainment (movies, sports, concerts, etc.)	-25	-36	-48
Groceries (food, alcohol etc.)	2	16	28
Home improvements and maintenance	-10	-14	-5
Major household items (appliances, furniture etc.)	-23	-25	-22
Utilities (electricity, gas, phone, etc.)	14	20	25
Personal goods (clothes, toiletries, sports, pets, etc.)	-20	-17	-20
Medical expenses (doctors, pharmacy, optical etc.)	7	14	5
Transport (car running costs and public transport)	10	13	-19
Children (school fees, childcare, activities etc.)	-4	3	-4
Paying off debt	6	10	8
Use of credit	-16	-10	-10
Savings, investments and super contributions	-1	-2	-3
Charitable donations	-22	-23	-24

# NAB CONSUMER ANXIETY INDEX



As COVID-19 restrictions across the country begin easing, consumers have also become less anxious, despite still very weak levels of economic and employment activity.

In the June quarter, the NAB Consumer Anxiety Index fell to a below average 57.3 points, down from 60.1 points in the previous quarter, but is higher than in the same period a year ago (54.4 points).

Lower anxiety over the quarter was led by diminished concerns over government policy (down 6.1 to 58.8 points). We suspect this may have been in response to the significant support measures and packages put in place by the government to support individuals and businesses during the pandemic.

With inflationary pressures also subdued, consumers were noticeably less concerned about the cost of living (down 3.7 to a survey low 61.9 points). However, cost of living continues to be the biggest driver of overall anxiety.

As restrictions start to ease, anxiety over jobs has also fallen quite sharply (down 3.0 to 49.3 points), although it remains well above the survey average (46.6 points), and at the same time last year (42.9 points).

Lower anxiety around jobs was somewhat surprising, as NAB's May Business Survey points to ongoing restraint in the business sector with respect to hiring and expansion plans.

Modest improvements in anxiety levels related to health (down 0.7 to 56.3 points) and ability to fund retirement (down 0.7 to 60.1 points) were also noted.

Anxiety levels vary across demographic groups. In June 2020, it was highest for consumers living in a rented apartment (61.3 points), earning less than \$35,000 or \$50-75,000 p.a. (60.2 points), women aged 30-49 (59.7 points), people with children (59.6 points) and labourers (58.7 points) - see charts on next page.

It was lowest in the over 65 age group (49.7 points) - particularly men (47.6 points) - consumers earning more than \$100,000 p.a. or had "other" living arrangements (53.3 points), people with a High School qualification (54.7 points) and widows (54.9 points).

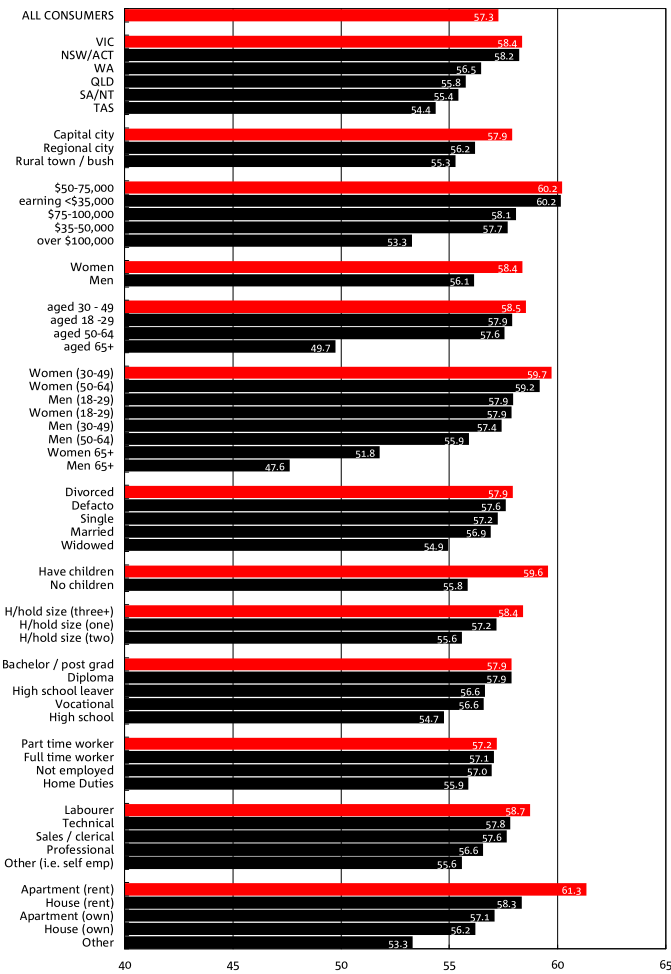
Surprisingly, it fell in all 58 monitored groups over the quarter. It fell most for consumers in TAS (down 10.3 points), involved in home duties (down 8.7 points) or who have "other" living arrangements (down 8.5 points).

By state, consumers in VIC (58.4 points) and NSW/ACT (58.2 points) were the most anxious in the country by some margin, with fears over job security also much higher than in other states (see Appendix 1 for state charts).

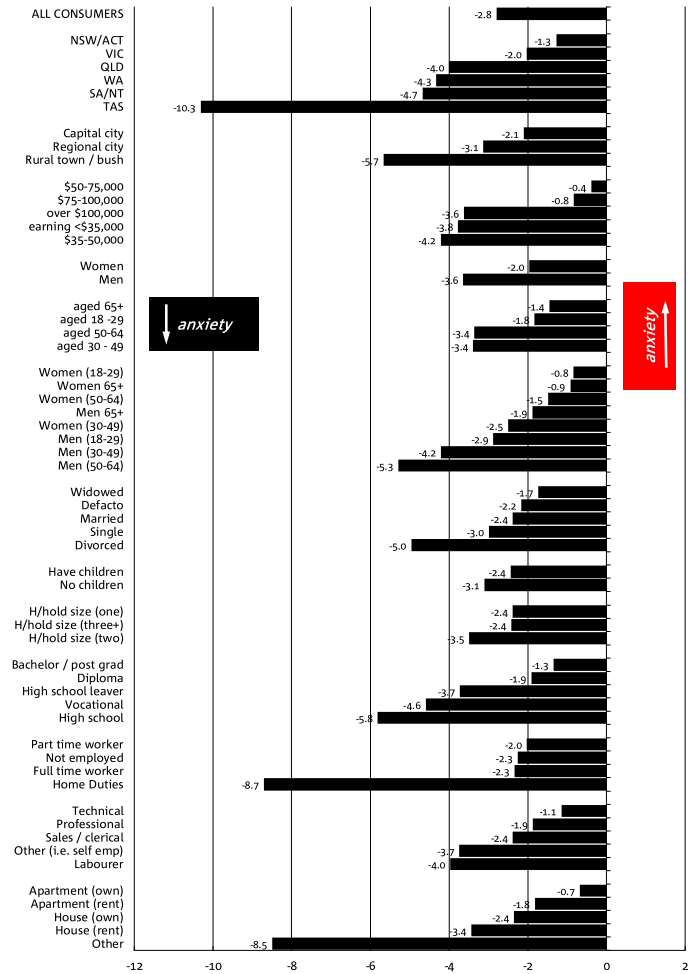
By gender, men (56.1 points) continue to report lower anxiety than women (58.4), with women remaining noticeably more anxious about cost of living (64.2 vs. 59.6 points) and retirement funding (61.9 vs. 58.3 points).

Among other key findings, 18-29 year olds were significantly more worried about their job security than any other age group (57.5 points), and 50-64 year olds (61.4 points) and the over 65s (61.8 points) by government policy. Having money remains a key differentiator. Overall anxiety continues to be much lower for people earning over \$100,000 p.a. (and for all measures). But, consumers earning \$75-100,000 p.a. joined the lowest income group (60.2 points) for having the highest anxiety.

**NAB CONSUMER ANXIETY INDEX: ALL GROUPS**

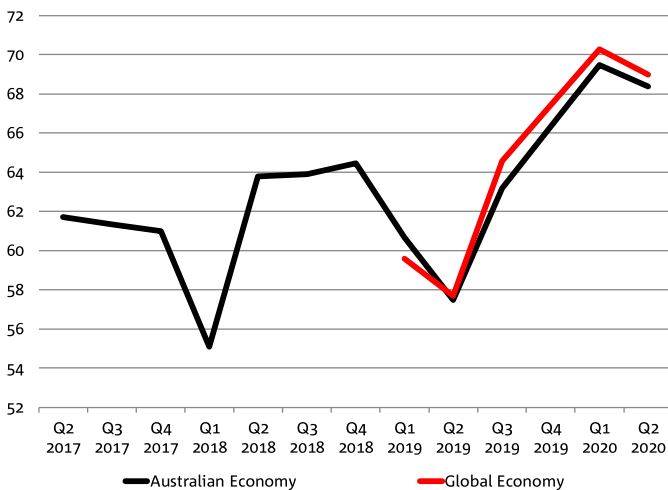


**NAB CONSUMER ANXIETY: ALL GROUPS (CHANGE)**



**GENERAL LEVEL OF CONCERN OVER THE ECONOMY**

**LEVEL OF CONCERN ABOUT ECONOMIC SITUATION**  
(100 = extremely concerned)



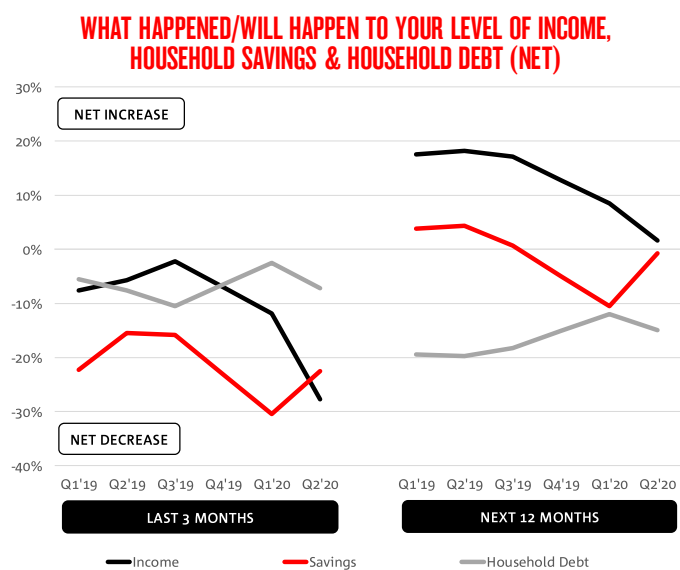
The general level of concern about the Australian and global economy has moderated slightly, but remains elevated. The level of concern about the Australian economy fell to 68.4 points (69.5 points in Q1), and to 68.9 points for the global economy (70.2 points in Q1).

Concern is likely to remain high in the near-term. NAB expects to see a large fall in domestic activity in Q2 before picking-up in H2 2020 and into 2021. But we still don't have the level of GDP exceeding the level of Q4 2019 GDP until mid-2022. The unemployment rate is also expected to remain elevated for some time, despite the rebound in growth. This reflects the time it will take to fully recover the level of GDP to pre-COVID levels following the large expected fall in Q2.

On the global front, we also expect that a full economic recovery will take a long time - including because of relatively weak consumption (due to high unemployment and caution due to COVID-19), permanent business failures caused by the recession, some long lasting structural changes which will take time to adjust to, and damaged balance sheets, including for governments.



# HOUSEHOLD INCOME, SAVINGS & DEBT



Not surprisingly, widespread job losses have had a significant impact on income levels for many consumers. In Q2, the net number who reported a decrease in their income level in last 3 months more than doubled to -28% from -12% in Q1.

Australians on balance also reported a net decrease in their level of savings over the past 3 months although the number fell to -23%, from -30% in the previous quarter. More Australians (-7%) also reported a net decrease in household debt levels (-3% in Q2).

On balance, consumers are noticeably less positive about the outlook for their incomes in the next 12 months, with the net number expecting their incomes to increase falling to +2%, from +9% in Q1.

They are however somewhat more optimistic about their level of savings (-1% vs. -11% in Q1). Slightly more consumers also expect household debt levels to decrease (-15% vs. -12% in Q1).

The table below shows the latest expectations by gender and age and it reveals some significant differences. While women and men are in broad agreement about their incomes, women are somewhat more pessimistic about their recent and future savings. More men however said their household debts increased in the past 3 months, but more men expect their debt levels to fall than women.

By age, noticeably more young Australians expect their incomes to increase than fall in the next 12 months, but more older Australians continue to see their incomes falling. The hit to savings over the last 3 months was also far greater for people over 65, and they do not see that situation improving over the next 12 months. Consumers aged 30-49 were the most positive in terms of decreasing their household debts.

## WHAT HAPPENED/WILL HAPPEN TO YOUR LEVEL OF INCOME, HOUSELD SAVINGS & DEBT: GENDER & AGE

	Income		Household Savings		Household Debt	
	Last 3m	Next 12m	Last 3m	Next 12m	Last 3m	Next 12m
Women	-27	+1	-26	-5	-5	-5
Men	-28	+2	-19	+4	+4	-10
18-29 years old	-33	+18	-10	+25	-1	-12
30-49 years old	-29	+5	-20	+6	-11	-21
50-64 years old	-28	-5	-27	-7	-8	-18
Over 65	-21	-16	-35	-32	-7	-6

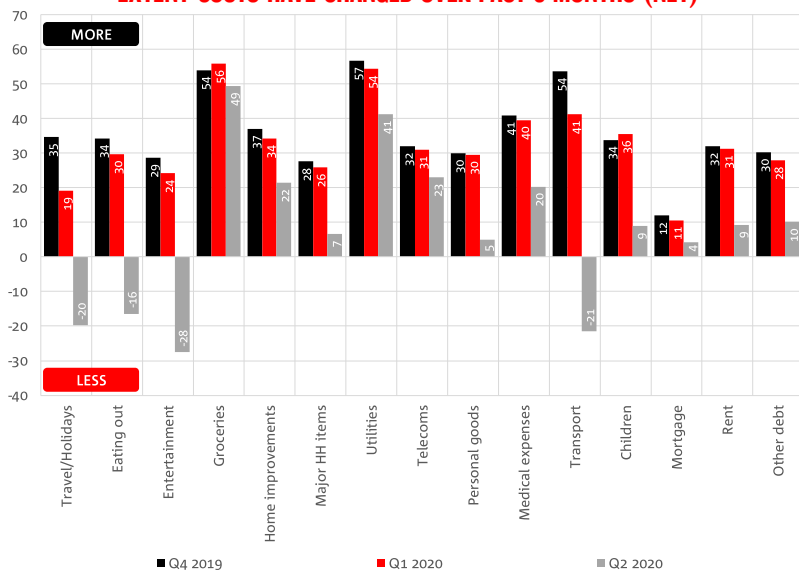
## COST OF LIVING PERCEPTIONS

Australian consumers were asked how the cost of a key goods and services had changed over the past 3 months.

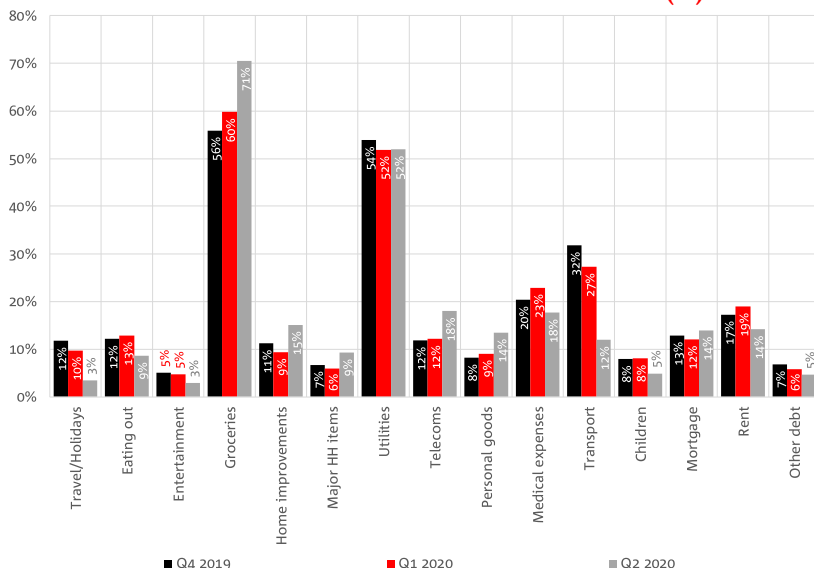
On balance, most (in net terms or the difference between the number who said they had increased against those who said they had fallen) said costs had increased for groceries (+49) and utilities (+41). Perceptions about rising costs were also apparent for telecommunications (+23), home improvements (+22) and medical expenses (+20). However, the net number of consumers who said these costs had increased were lower than in the previous quarter (see chart below).

Not surprisingly given the heavy toll that the Coronavirus-led shutdowns, social distancing and isolation measures had on the Hospitality and Transport industries, the number of consumers who said costs had fallen significantly out-weighed those who said they had risen for entertainment (-28), transport (-21), travel and holidays (-20) and eating out (-16).

**EXTENT COSTS HAVE CHANGED OVER PAST 3-MONTHS (NET)**



**WHICH HAVE ADDED MOST TO YOUR LIVING EXPENSES (%)**



Australians were also asked to identify the top 3 things that added the most to their own cost of living over the past 3 months.

The second chart on the left clearly shows that not only were the cost of groceries perceived to have increased by most Australians in Q2, it also added most to their cost of living pressures according to a net 71%. Moreover, this number increased from 60% in the previous quarter.

Utilities was the next biggest contributor to households' cost of living according to a net 51% of consumers (unchanged from the previous quarter).

We also saw a rise in the number of consumers who said home improvements (15%), telecommunications (18%), personal goods (14%) and major household items (9%) added most to their living costs.

But there were also some things that added to cost of living pressures for fewer Australians.

This was most apparent in transport, where the number who said it added most to their living costs fell steeply to 12%, from 27% in the previous survey.

Other notable areas that impacted fewer Australians included medical expenses (18% vs. 23% in Q1), rent (14% vs. 19% in Q1), travel/holidays (3% vs. 10% in Q1) and eating out (9% vs. 13% in Q1).

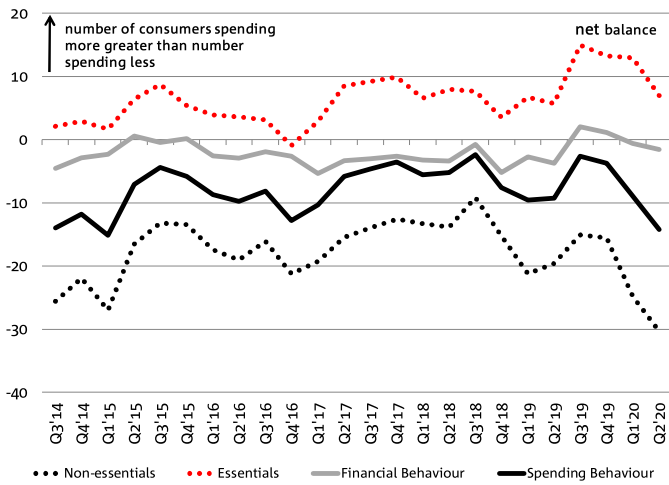
But not all consumers are impacted the same, and the table below highlights the key drivers of higher cost of living expenses in each state, and where they look different.

**FACTORS THAT ADDED MOST TO COST OF LIVING OVER THE LAST 3 MONTHS: STATE**

	AUS	NSW/ACT	VIC	QLD	WA	SA/NT	TAS
Groceries	71%	68%	73%	71%	70%	69%	89%
Utilities	52%	50%	62%	45%	46%	49%	74%
Telecoms	18%	19%	22%	15%	15%	13%	24%
Medical expenses	18%	20%	15%	17%	22%	13%	26%
Home improvements	15%	15%	12%	18%	15%	16%	24%
Rent	14%	13%	17%	14%	11%	12%	21%
Mortgage	14%	13%	13%	12%	27%	12%	13%
Personal goods	14%	14%	14%	12%	15%	14%	9%
Transport	12%	12%	8%	15%	16%	13%	2%
Major HH items	9%	9%	9%	10%	8%	9%	12%
Eating out	9%	8%	8%	8%	11%	9%	17%
Children	5%	5%	6%	4%	3%	3%	0%
Other debt	5%	4%	5%	5%	5%	5%	5%
Travel/Holidays	3%	4%	4%	3%	4%	2%	0%
Entertainment	3%	4%	2%	2%	3%	1%	0%

# HOUSEHOLD SPENDING BEHAVIOURS

## HOUSEHOLD SPENDING BEHAVIOURS: AUSTRALIA

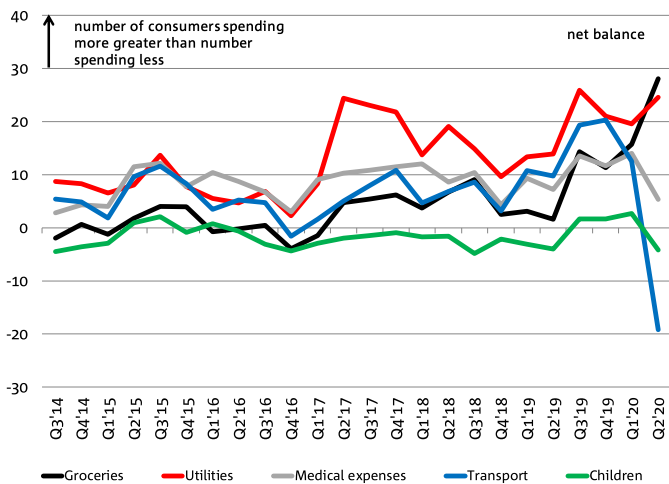


Overall household spending behaviours in Q2 were significantly more conservative. NAB’s measure of household spending behaviour (which counts the number of consumers that spent more on a range of items against those that spent less on these items) pointed to a large increase in the number of consumers (on balance) cutting back their spending relative to the previous quarter.

NAB’s overall spending indicator fell to a survey low -14 in Q2, down from -9 in the previous quarter and at the same time last year.

Spending was pulled back across all key spending categories - essentials, non-essentials and financial spending.

## HOUSEHOLD SPENDING BEHAVIOURS - ESSENTIALS



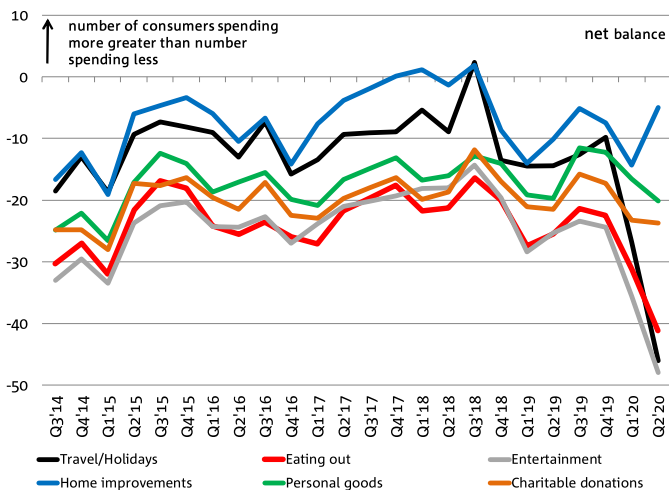
Overall, the net number of consumers spending more on essentials fell to +7 (+13 in the previous quarter). But there were some big shifts in spending patterns.

In Q2, the number of consumers who increased spending on groceries rose to +28 (+16 in Q1), while the number spending more on utilities also increased to +25 (+20 in Q2).

This was however offset by a flip in transport spending. In Q2, the net number of consumers who spent less on transport outweighed those who spent more (-19), reversing the pattern seen in the previous quarter when the number spending more on transport out-weighted those spending less (+13).

The net number of consumers spending more on medical expenses also fell to +5 (+14 in Q1), and the net number spending more on their children also turned negative during the quarter (-4), compared to the previous quarter (+3).

## HOUSEHOLD SPENDING BEHAVIOURS - NON ESSENTIALS



Consumer caution was even more evident when spending on non-essentials, with the net number cutting back falling heavily in nearly all categories.

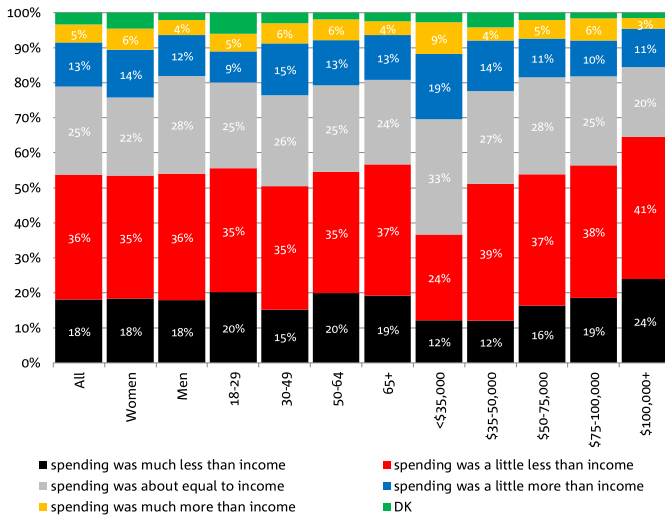
Especially large falls in the net number of consumers spending less was noted in travel/holidays (-46 vs. -27 in Q1), entertainment (-48 vs. -36 in Q1) and eating out (-41 vs. -31 in Q1). Home improvements was the exception, with the net number of consumers cutting back falling to -5 (-14 in the previous quarter).

Financial spending behaviour (paying off debt, using credit cards and savings, investments & superannuation) was also marginally more conservative, with the net number of consumers spending less falling to -2 (-1 in Q1).

See Appendix 2 for individual state spending charts.



**HOW TOTAL HOUSEHOLD INCOME COMPARED TO TOTAL SPENDING OVER THE PAST 3 MONTHS**



For the first time we asked consumers how their total household income compared to their spending over the past 3 months.

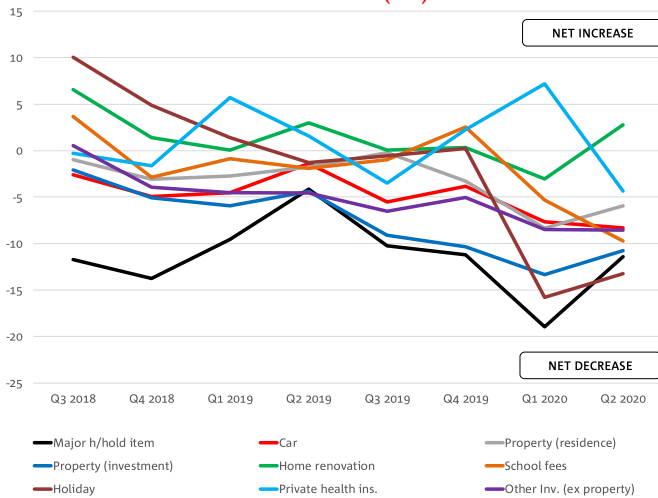
Despite spending less in most areas, around 1 in 5 (or 18%) of consumers said their spending exceeded their income over the past 3 months - for 13% “a little” more and for 5% “much” more.

While these patterns were broadly the same for women and men, there were differences by age and income.

By age, around 20% of consumers in the 30-49 age group said they had spent more than their total income over the past 3 months, compared to just 14% in the 18-29 age group.

Not surprisingly, more consumers in the lowest income group were struggling to make ends meet, with almost 3 in 10 (28%) indicating they spent more than their incomes over the 3 months, and almost 1 in 10 (9%) “much” more. This compared to just 14% in of consumers in the highest who said their spending exceeded their income.

**EXPECTATIONS IN REGARDS TO MAKING MAJOR PURCHASES IN NEXT 12 MONTHS (NET)**



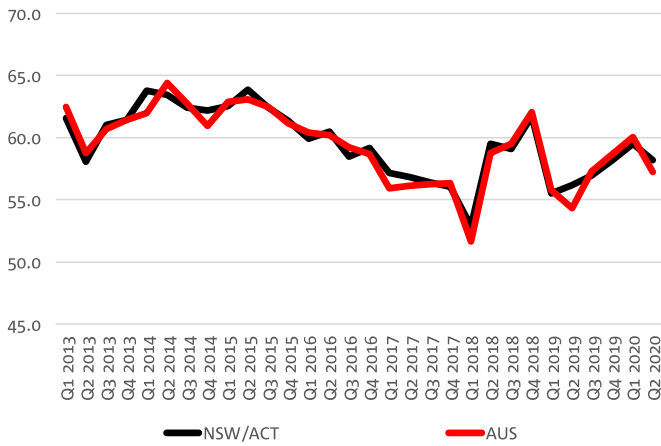
While conservatism is still key theme for consumers, they are more optimistic about their spending on major items in the next 12 months.

Overall, the number who expected to spend less outweighed those expecting to spend more in all categories except home renovations (+3 vs. -3 in Q1).

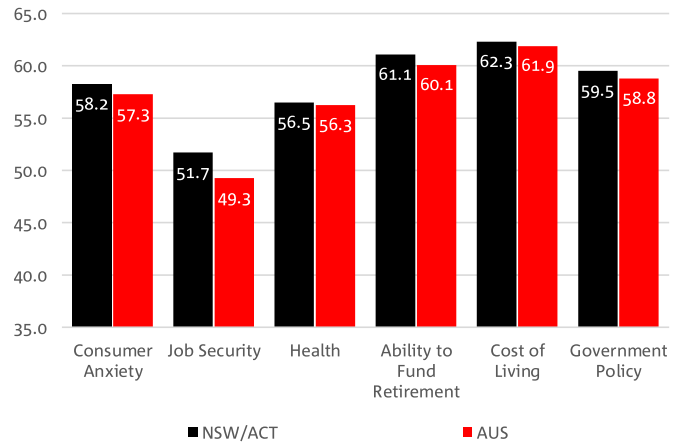
More consumers on balance expect to spend less on all other major household items, although the net number of consumers planning to spend less was smaller or unchanged in the previous quarter in all categories except school fees (-10 vs. -5 in Q1), and private health insurance (-4 vs +7 in Q1).

# APPENDIX 1: CONSUMER ANXIETY - STATES

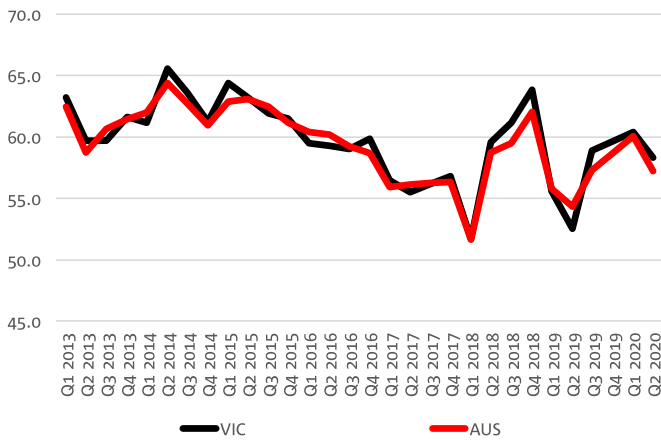
## CONSUMER ANXIETY: NSW/ACT



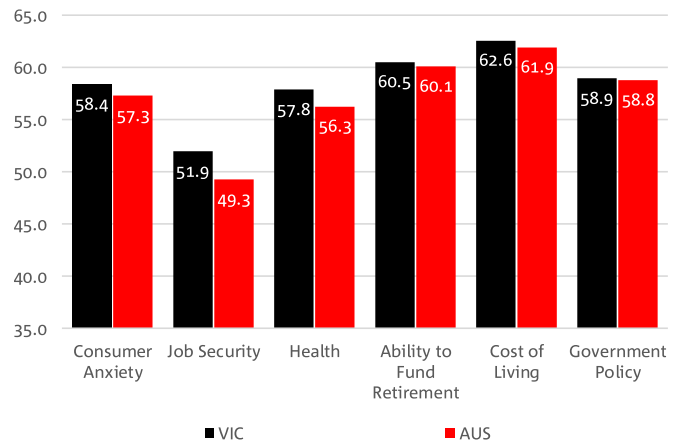
## CONSUMER ANXIETY: NSW/ACT (Q2 2020)



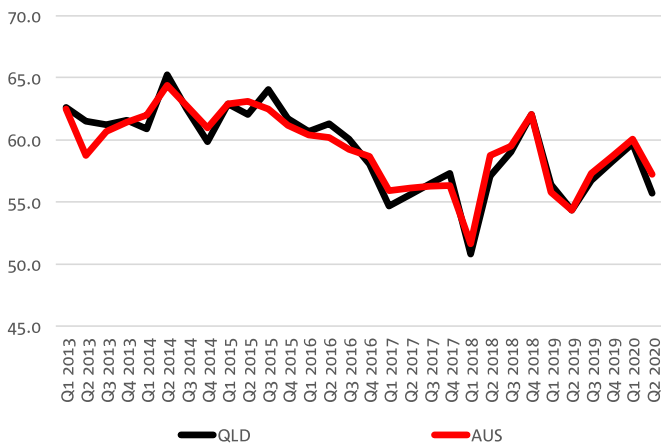
## CONSUMER ANXIETY: VIC



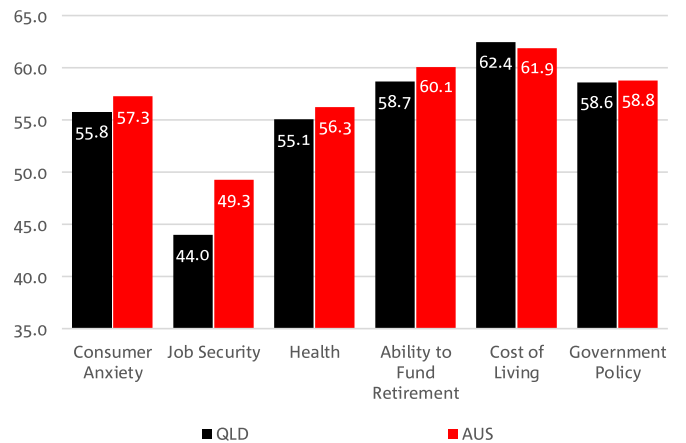
## CONSUMER ANXIETY: VIC (Q2 2020)



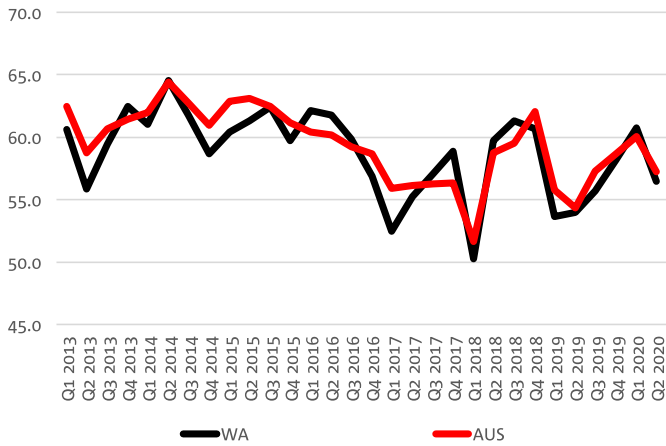
## CONSUMER ANXIETY: QLD



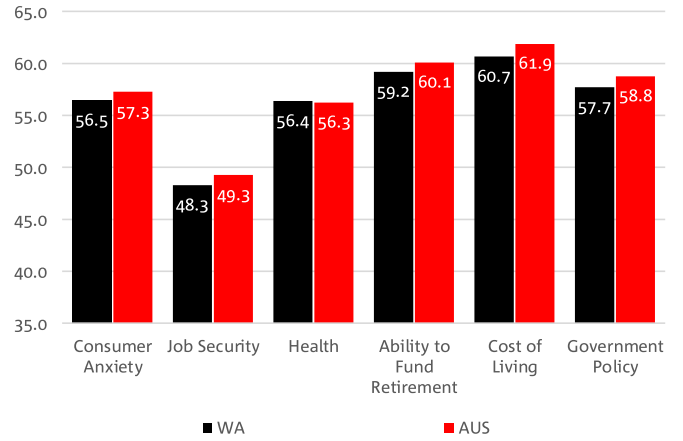
## CONSUMER ANXIETY: QLD (Q2 2020)



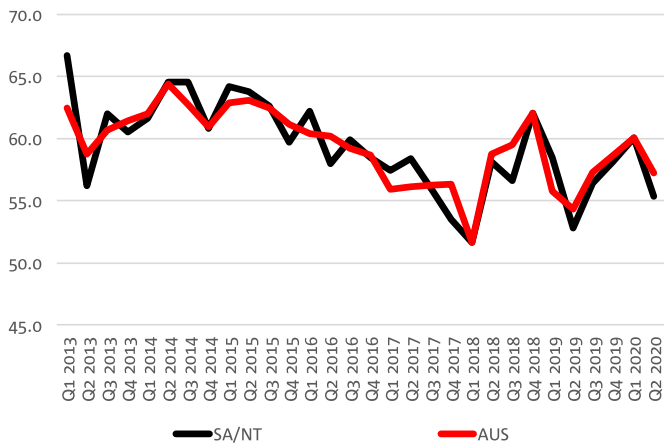
### CONSUMER ANXIETY: WA



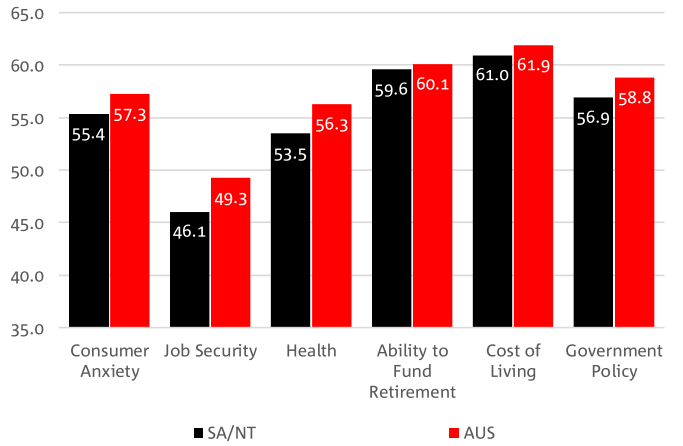
### CONSUMER ANXIETY: WA (Q2 2020)



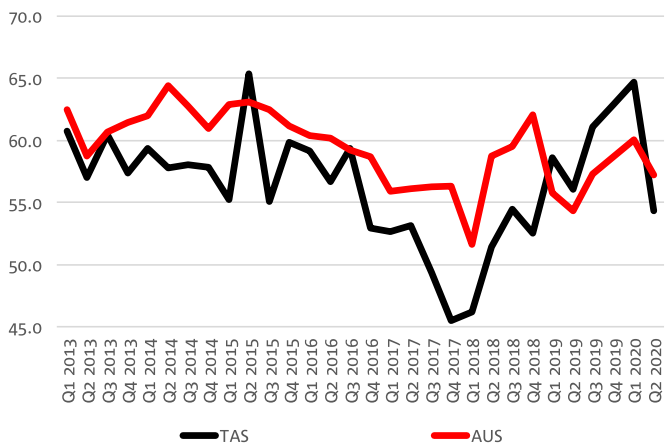
### CONSUMER ANXIETY: SA/NT



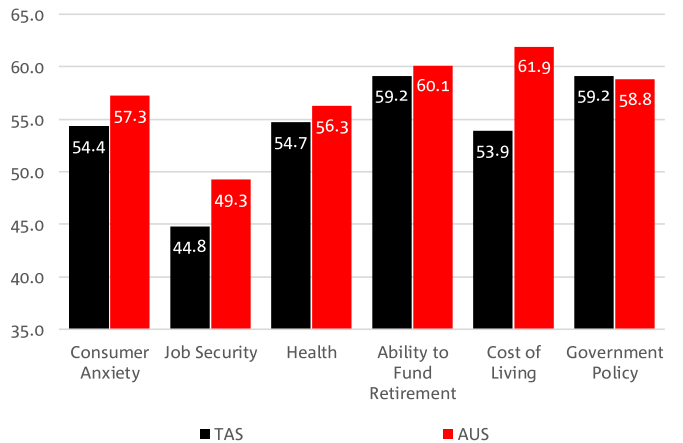
### CONSUMER ANXIETY: SA/NT (Q2 2020)



### CONSUMER ANXIETY: TAS

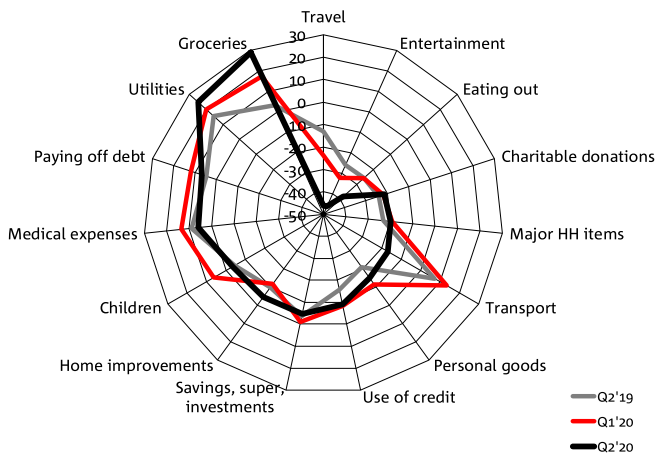


### CONSUMER ANXIETY: TAS (Q2 2020)

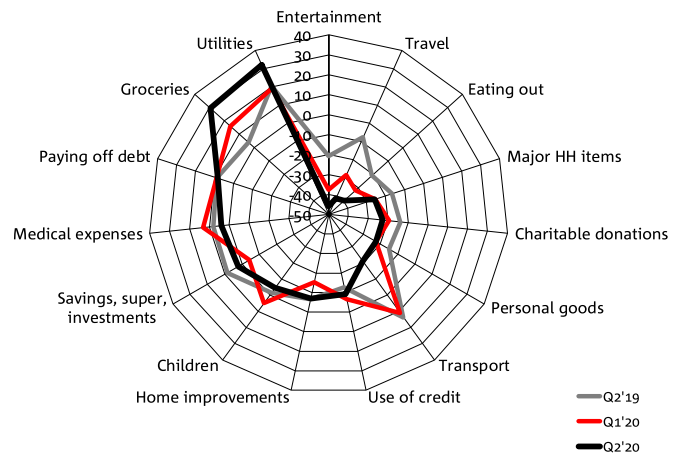


## APPENDIX 2: CHANGES IN SPENDING BEHAVIOUR- STATES

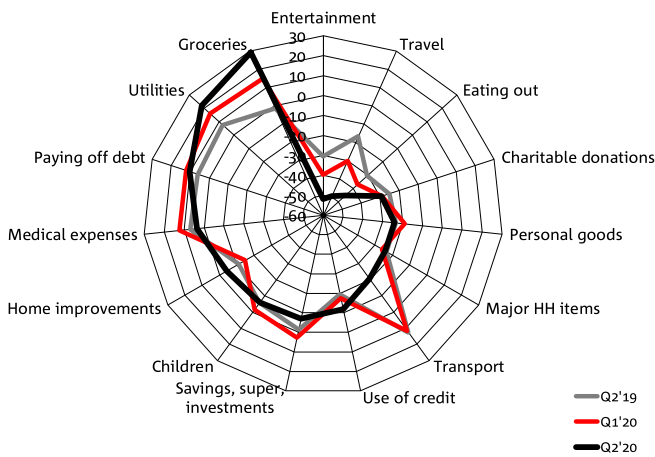
**NSW/ACT: CHANGES IN SPENDING BEHAVIOUR (net balance)**



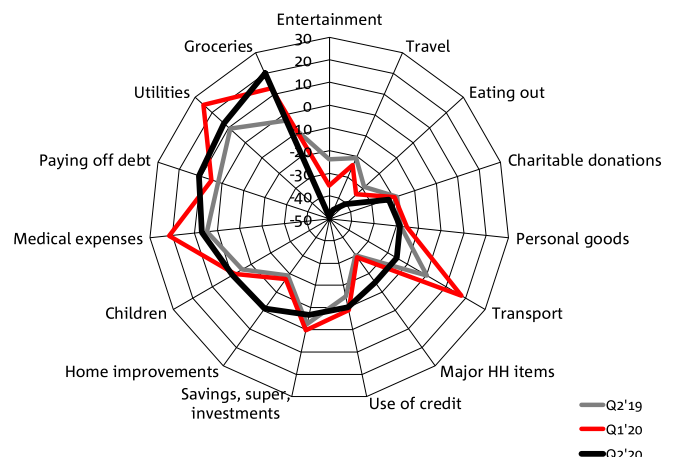
**VIC: CHANGES IN SPENDING BEHAVIOUR (net balance)**



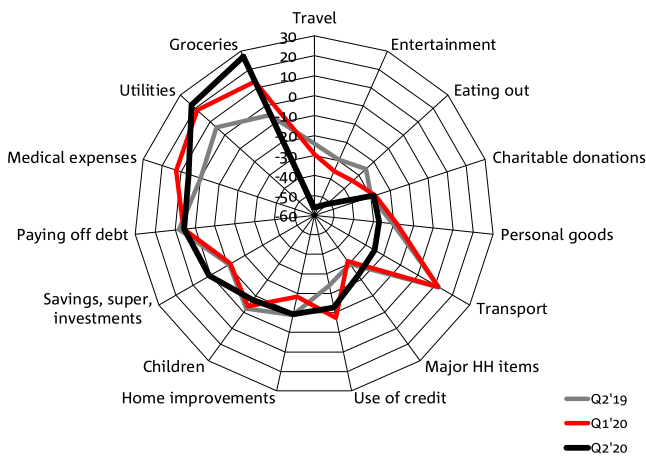
**QLD: CHANGES IN SPENDING BEHAVIOUR (net balance)**



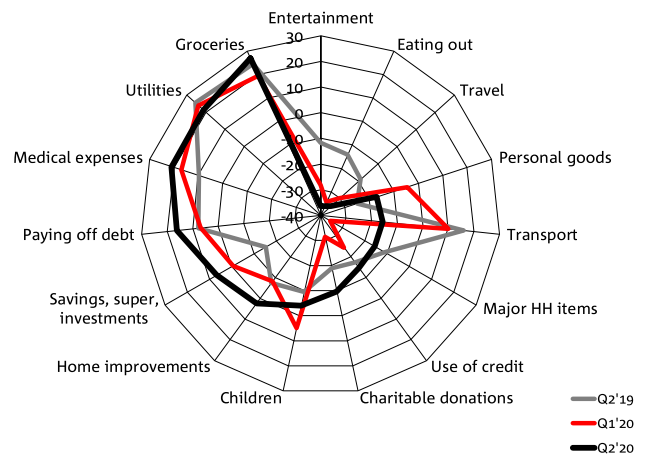
**WA: CHANGES IN SPENDING BEHAVIOUR (net balance)**



**SA/NT: CHANGES IN SPENDING BEHAVIOUR (net balance)**



**TAS: CHANGES IN SPENDING BEHAVIOUR (net balance)**



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