NAB ECONOMICS
CONSUMER CASHFLOW UPDATE
IMPLICATIONS FOR SPENDING & THE WIDER ECONOMY

National Australia Bank

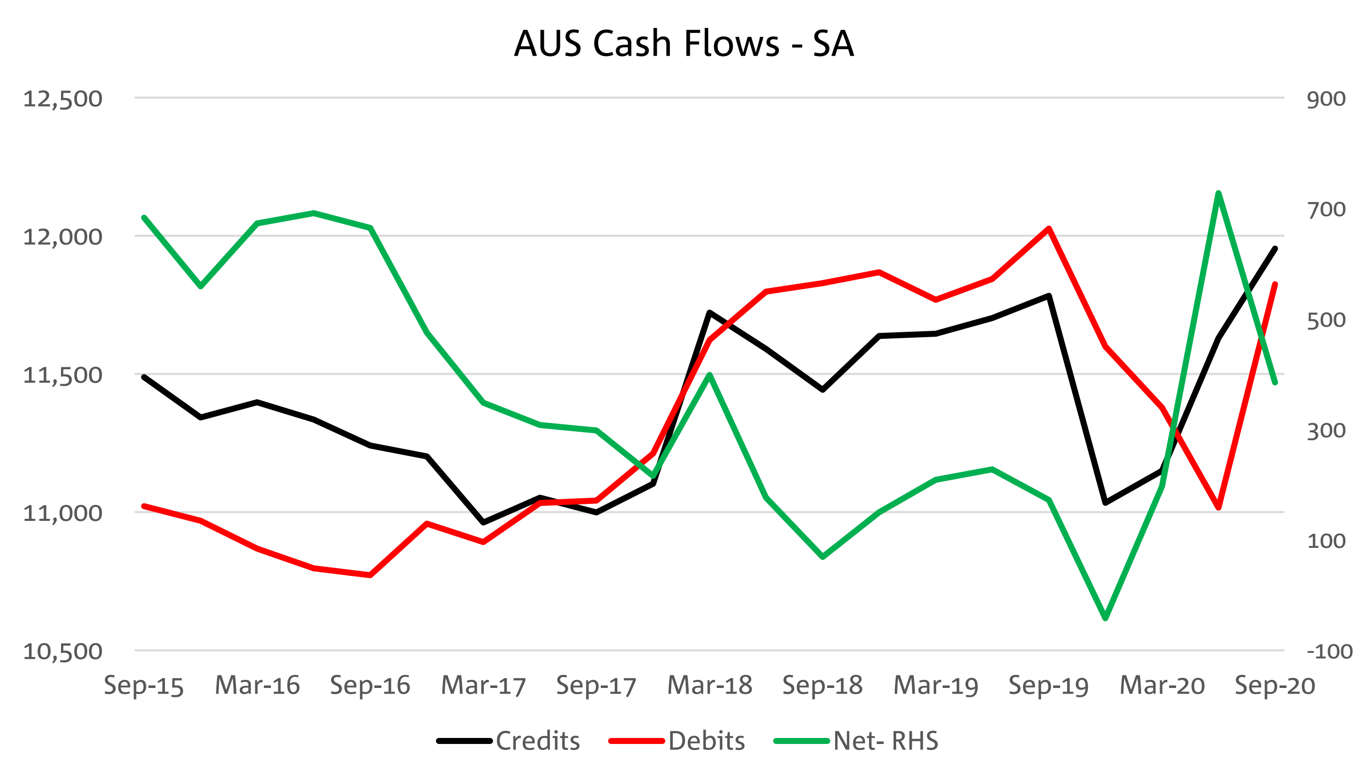
NAB Group Economics

November 2020

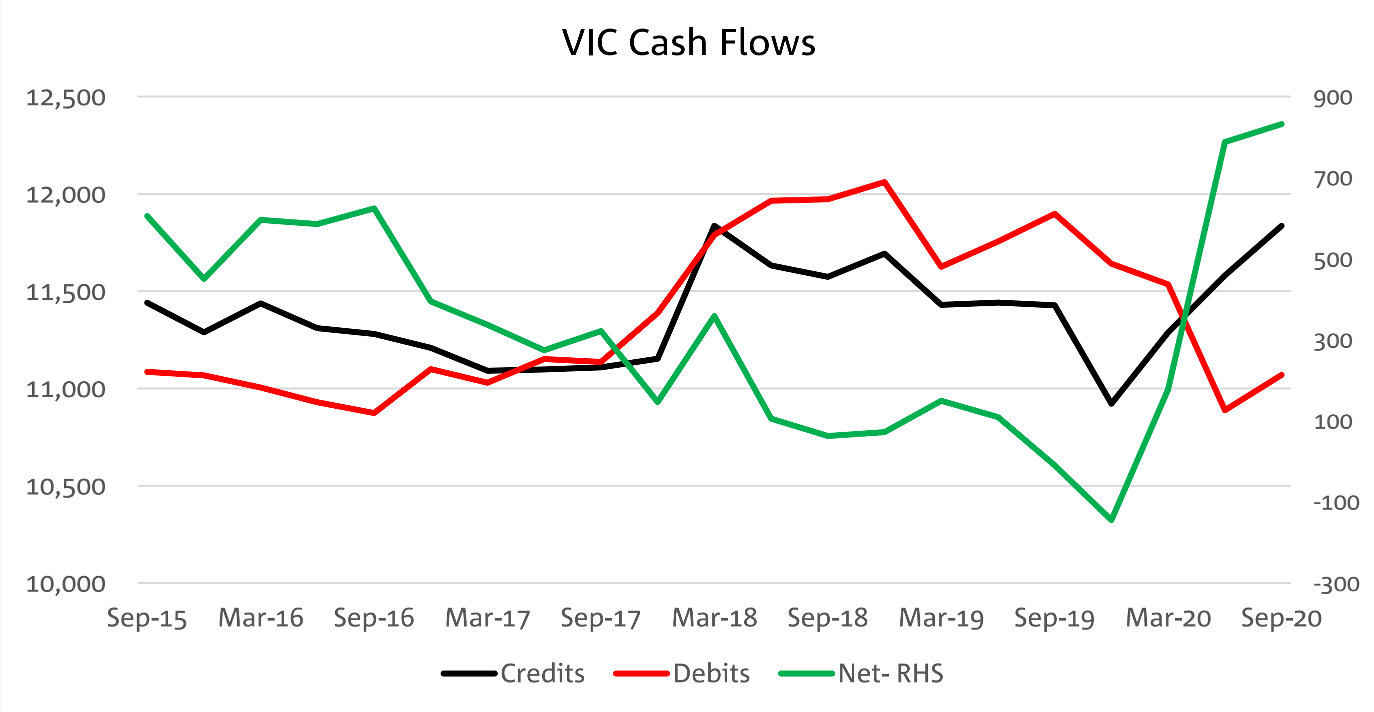
For some time now NAB Economics has been refining the ability to capture the personal "cashflow" of consumer accounts (i.e. money earnt, or cash inflows, as well as money spent, or cash outflows), to determine if an individual has a positive or negative net cashflow. This note updates our analysis for the September quarter, but also takes a closer look at how consumers who withdrew their superannuation funds early have used their retirement funds. This has implications for how tax cuts might be spent going forward, as well as the phased withdrawal of Government benefits and resumption of interest payments over the next four months.

As noted previously, the analysis does not cover a customer's net assets but simply flows into and out of individual accounts. Our focus is to better understand stresses in household balance sheets and hence macroeconomic impacts on consumers spending behaviours. Thus, for example, a customer with large debt funded assets (e.g. investment properties) will only be captured to the extent that interest payments affect their cash outflows (i.e. the loan itself is excluded). Also previously noted, there are stable econometric relationships from things like changes in wage payments and interest rate movements to cash flow. Interestingly, econometrically (i.e. looking at causality where one time series is useful in forecasting another), the data suggests credits cause subsequent changes in debits (such as consumer spend) but not the other way around. Put simply, unless there is growth in inflows, the increase in outflows will slow.

The following chart shows a summary of the data in trend and seasonally adjusted terms updated for the September quarter. The data is shown from September 2015 but is available from 2007. We have also made some technical improvements in the seasonally adjustment process to better capture large movements in recent data (we now use the SLT process rather than Tramo Seats program).



Broadly the data points to the large influx of credits in the first half of 2020 as Government assistance packages and early withdrawals of superannuation boosted incomes and lead to faster spending - especially in retail, but also consumption. The September quarter still saw strong cash flow levels but they were reduced as spending (debits) caught up. The themes across all states were similar except for Victoria where the Phase 4 lockdown added to cash flows as the increase in spending (debits) was much more muted. The chart on the following page shows the Victoria experience. Individual large regional/state charts are shown in Appendix 1.



A closer look at the COVID-19 experience

To better understand the post COVID-19 experience we have provided a monthly split of the data. The key numbers (in seasonally adjusted terms) are shown in the following table.

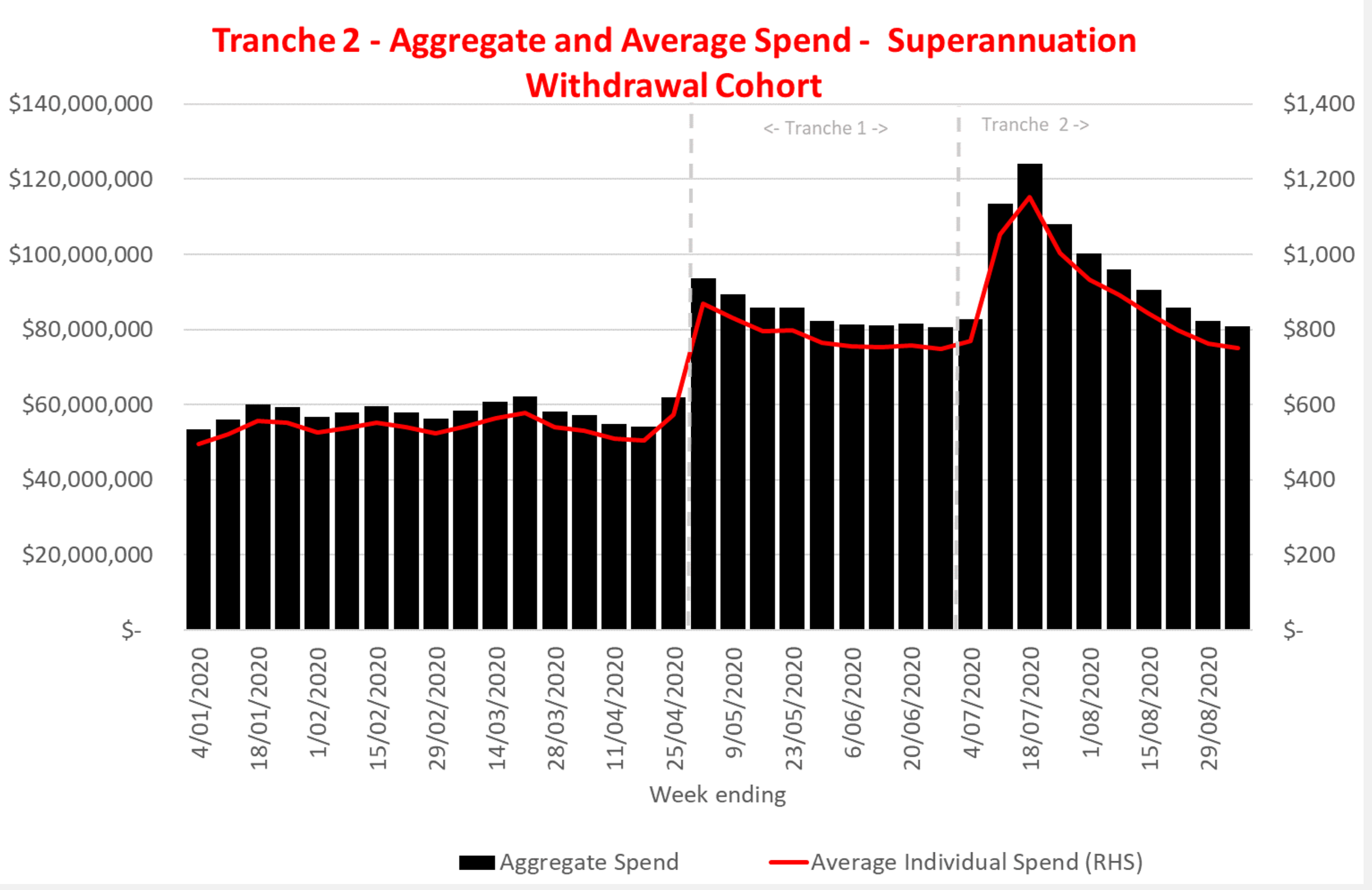
	Summary Data - STL		
	Credits	Debits	Net
Jan-20	3,695.66	3,869.92	-9.3
Feb-20	3,694.63	3,811.75	25.66
Mar-20	3,759.08	3,775.96	120.67
Apr-20	3,923.01	3,454.08	475.57
May-20	3,837.48	3,701.60	169.51
Jun-20	3,798.03	3,841.08	57.1
Jul-20	4,542.47	4,113.58	407.83
Aug-20	3,643.56	3,769.07	-13.4
Sep-20	3,779.76	3,866.30	43.18

Two months stand out. Firstly April, which saw a large increase in credits (reflecting both Government handouts and the payment of early superannuation funds). Higher credits were however accompanied by a crash in debits, as the initial lockdown hit. The other key month was July, coinciding when super withdrawals for 2020/21 were permitted. The increase in debits was large but nowhere near as large as the credits. Interestingly, by September, credit inflows and outflows had rebalanced. This implies that reductions in credit in the back end of 2020 will not be good for debits (spending). While tax cuts are likely to hit balance sheets in mid-November, the lower payments for JobKeeper have already started and early access to superannuation will not be available until July 2021 (if it has already been accessed).

The impact of early Super withdrawals - What did consumers do with the funds?

One of the advantages of the Cashflow analysis is that we can identify the sources of credits and debits. Hence, once we can identify a Super withdrawal we can then see changes in that cohort's spending behaviour. And that is exactly what we have done for the months of July and April.

According to the data (based on NAB customers), in April/May there were around 96,500 customers accessing early withdrawal of super with an average age of 39 years, an average payout of $8,470, and an average increase in debits of around $792. For July, the numbers were larger at 107,650 withdrawals, an average age of 40 years, and an average withdrawal of $8,900. The additional spend was $895. Here is a summary chart of withdrawals and spend (data up to early September) for NAB customers.



Breaking up the additional spend in both Tranche 1 (April to May) and Tranche 2 (July to early Sept), around half of the additional spend per week was in retail. The key numbers are shown in the summary table below. It is also clear from the chart above that the spend has lessened as we moved further into the September quarter. Finally, by way of contrast the same analysis showed only around 20% of tax refunds in 2019 were spent. Also, last year most of the refunds went into finance to pay down loans. This analysis shows a lower saving propensity - and it appears that this year much of the finance flows went into savings, rather than paying off loans (which is what happened in 2019).

	Tranche 1	Tranche 2
Additional Weekly Total Spend	$231	$246
Retail Spend	$140	$133
Finance	$52	$34
Accommodation and Rec	$18	$29
Other	$21	$50

Our aim is to repeat this note every two months (or earlier if things change radically). The December quarterly update should be published early in 2021.

Finally let me stress NAB takes data privacy very seriously. All customer transaction data has been aggregated and no individual's data is specifically identified or analysed as part of this process. The data used in this report will not be sold or made publicly available, but insights from the data will be shared with the Australian people.

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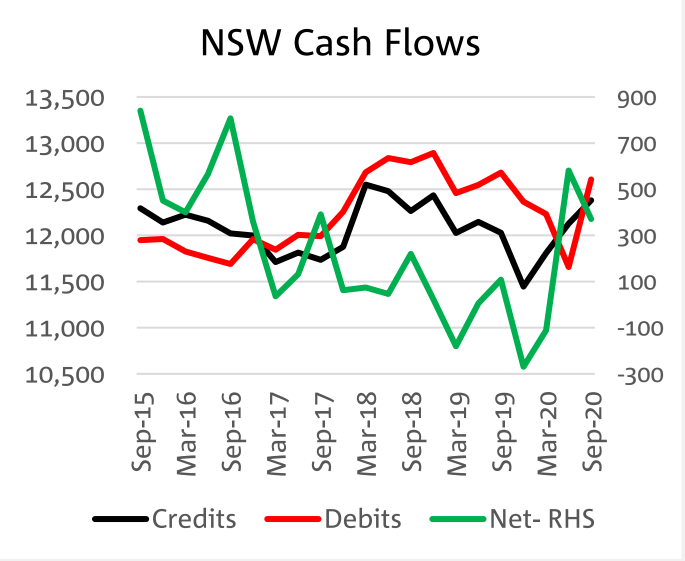
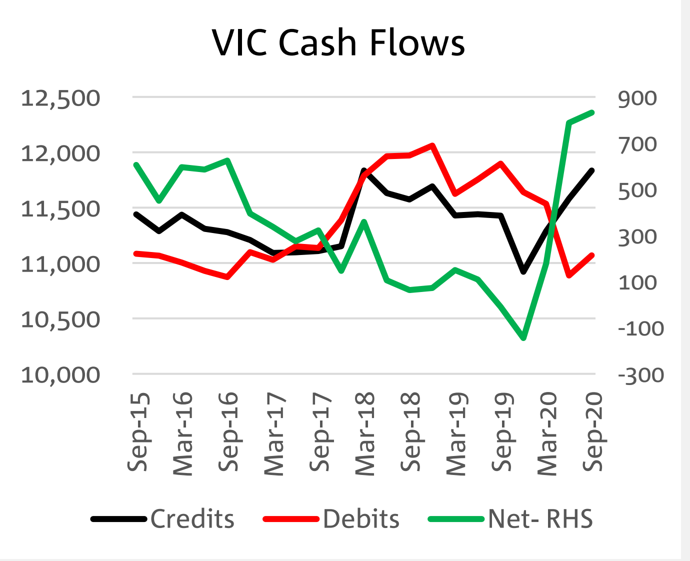
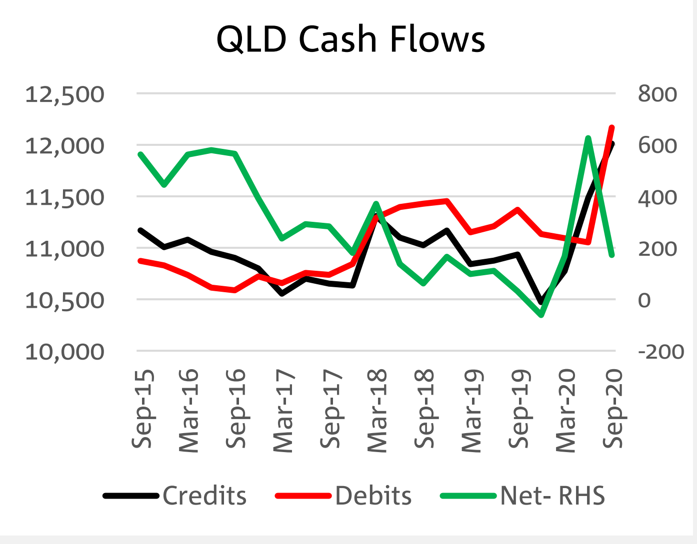
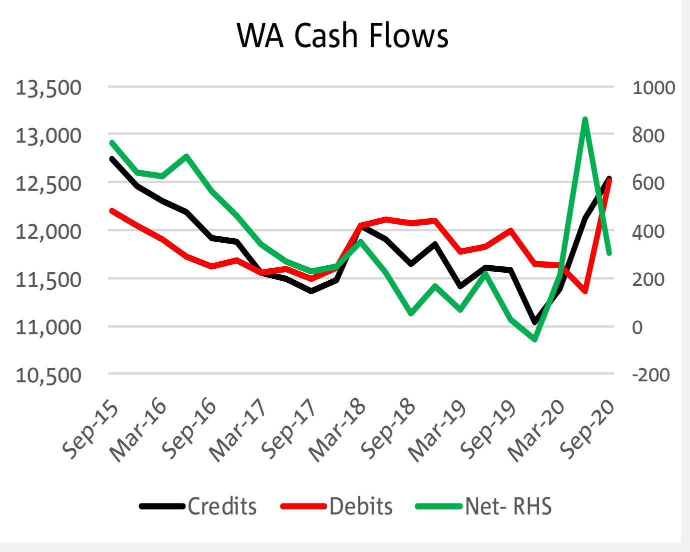
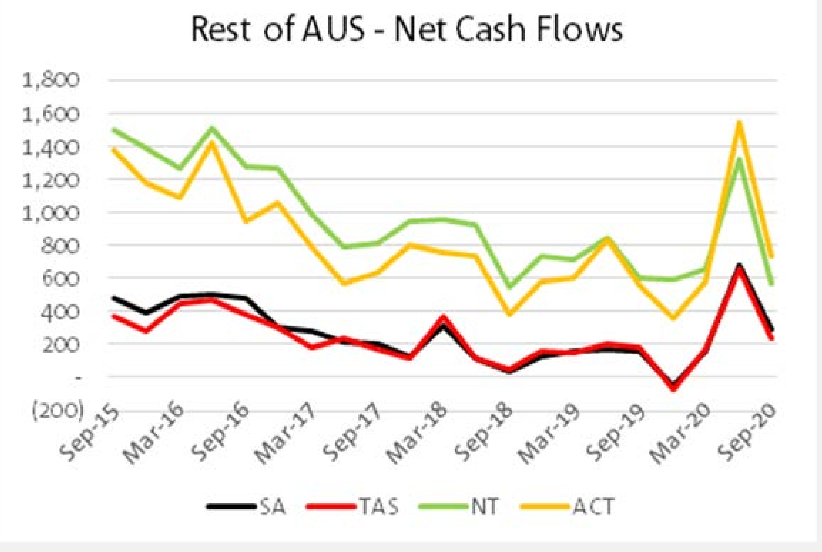
Appendix 1
Consumer Cash Flow since 2007
By Major Regions











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