

NAB AUSTRALIAN CONSUMER ANXIETY SURVEY Q4'20

INSIGHTS INTO CONSUMER STRESS, ATTITUDES, SPENDING PATTERNS & BEHAVIOURS



NAB Behavioural & Industry Economics

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Businesses are having to adjust to a new kind of consumer, but it remains unclear which behaviours and sentiments will stick. Faced with ongoing uncertainty, consumers are expected to continue to adopt a "cautious" mindset.

The NAB Consumer Anxiety Index fell in the final quarter of 2020, to record its best result since mid-2019. Lower anxiety reflected a significant fall in concern over government policy. With employment conditions improving, consumers were also worried less about their job security, but it is still trending above the survey average. The cost of living continues to add most to overall consumer stress, but it also dipped. With the number of active COVID cases remaining low and growing confidence in the ability of the healthcare system to cope, the level of concern over the virus also continues to fall. And with the recovery from the pandemic-driven recession now well underway, the general level of concern over the domestic economy also fell sharply.

While consumers are feeling less anxious, less worried about COVID-19 and less concerned about the economy, they are continuing to embrace some new purchasing attitudes and behaviours that emerged during the height of the pandemic. Consumers make bold statements about how they will behave in the future when faced with a crisis like a pandemic. But as consumers return to work and restrictions ease, many consumers expect to adopt change less aggressively than previously anticipated.

Caution however remains the key theme. Australian consumers are more mindful where they spend their money, more likely to research brands and products before purchasing and where possible, switch to less expensive products to save money. While improving, on balance, consumers are still showing some reluctance to visit major shopping centres. The most important behaviour shaped by the pandemic, purchasing online, also continues, including for items previously purchased in store. Consumer support for local businesses also remains strong, presenting opportunities for Australian SMEs to capture share as consumers embrace community shopping.

While it remains unclear to what extent these new behaviours become entrenched, the rapid evolution of digital is set to continue. Even before COVID-19, bricks-and-mortar retailers were facing growing competition from more established digital retailers. These challenges have clearly accelerated. Consumers are becoming more careful, more informed, more sophisticated and more demanding in their shopping interactions and are likely to be less tolerant of sub-standard shopping experiences, both digital and in-store. Physical retail's future is much more than just embracing digital and the complex logistics and investment that involves. The lines between physical and digital are dissolving. In-store experiences (over and above the basics of health and safety) must be exceptional to ensure consumers that visit in person continue to do so. But physical should remain a key part of a digital shopping experience, with its ability to act as a showroom and distribution hub. Consumer preferences to shop local also bodes well for some physical stores. Consumers are however likely to continue to gravitate to digital tools that make it easy for them to save time and shift it to other activities deemed more valuable.

Looking ahead, rising consumer confidence suggests more spending, though it should benefit some categories more than others, with consumers signalling higher spend on home renovations, holidays and residential property over the coming year.

NAB CONSUMER ANXIETY INDEX (100 = extremely concerned)

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Overall Index	57.7	60.1	57.3	57.0	55.6
- Job security	46.5	52.3	49.3	50.2	48.0
- Health	55.7	56.8	56.3	56.1	56.7
- Ability to fund retirement	58.5	60.8	60.1	56.8	56.7
- Cost of living	64.7	65.6	61.9	61.1	59.9
- Government policy	63.0	64.9	58.8	60.7	56.6

Summary

The **NAB Consumer Anxiety Index** fell to 55.6 points in the final quarter of 2020, down from 57.0 in the previous quarter and 57.7 at the same time in 2019. This was the best result since mid-2019, but the index is still standing below the survey average (59.2). Across key groups, anxiety remained highest for consumers who lost their main source of income due to COVID (66.4).

Lower anxiety reflected a significant fall in concern over government policy, (down 4.1 pts to a survey low 56.6). With employment conditions improving, consumers also worried less about their job security (down 2.2 pts to 48.0, but still treading above the survey average of 46.7). The cost of living continues to add most to overall consumer stress, but it also dipped (to a survey low 59.9). Groceries and utilities continue to add most to cost pressures according to consumer perceptions.

By state, anxiety is highest in NSW/ACT (57.9), in part possibly reflecting the Sydney COVID outbreak in December, and lowest in QLD (52.9). Consumers in NSW also reported the highest anxiety about job security (52.6), ability to fund retirement (58.8) and cost of living (61.9). The 18-29 age group (58.6) replaced the 30-49 group (57.5) as the most anxious by age, with young people reporting heightened concern over retirement funding (up 3.0 pts to 63.3) and health (up 1.6 pts to 57.0). They also worried most about job security (56.2) and cost of living (along with the 30-49 group). By income, the gap between the lowest (61.1) and highest (52.9) income groups stretched further in Q4, with consumers in the lowest income group reporting higher anxiety across all measures except government policy.

With the recovery from the pandemic-driven recession now well underway, the general level of **concern over the domestic economy** also fell sharply (to 62.6 points in Q4 vs. 69.4 in Q3). The level of concern about the global economic situation also eased to 64.6 (69.9 in Q3).

With the number of active COVID cases remaining low and growing confidence in the ability of the healthcare system to cope, the level of **concern over the virus** also fell to a 'moderate' 6.0 pts in Q4 (6.6 pts in Q3) to be at its lowest level since the pandemic began. Concern was lower in all states, except the ACT (6.6 pts) where it was along with NSW (6.4 pts) highest in the country. Concern fell steeply in VIC (6.0 pts) after emerging from lockdown and was lowest in QLD (5.5 pts). With older Australians at much higher risk from virus, concern remains elevated in over 65 age group (7.1 pts) - and broadly unchanged since the outbreak in Q1. Concern however fell noticeably in all other age groups and was lowest in the 18-29 group (5.7 pts).

Outside of direct health concerns stemming from the virus, the **biggest COVID worry according to most consumers** remains the impact on the economy - but this fell slightly to 54% (59% in Q3) with recovery from the pandemic-driven recession now well underway. With international borders still effectively closed and some domestic movement restrictions in place, around 1 in 3 (34%) consumers pointed to travel movements and restrictions as the area they next worried about most (35% in Q3). Interestingly, despite very low case numbers across the country, the number who identified the ability of the healthcare system to cope rose to 33% (30% in Q3). Other areas of concern that have grown since Q3 include an insufficient response from foreign governments (14% now vs. 7% in Q3), running low on key household essentials (13% vs. 12%) and running low on medicines (9% vs. 7%). In contrast, fewer consumers worried about the impact of business closures (24% vs. 27%), employment (24% vs. 26%) and insufficient response from the Australian government (12% vs. 14%).

Growing consumer confidence was reflected in less conservative **household spending patterns** overall in Q4. NAB's overall spending indicator improved to -7 in Q4 from -12 in Q3, but is still down on the same time in 2019 (-4). Spending continues being driven by **essentials** (+9), and the number spending more rose relative to the previous quarter (+5). In Q4, the net number of consumers that increased spending on transport was at 0 (up sharply from -14 in Q3). The number spending more on groceries (+18) and utilities (+17) fell a little, with those who cut back spending on children falling slightly to -2 (-4 in Q3). In contrast, the number of people spending more on medical increased (+10 vs. +8 in Q3).

The net number cutting back on **non-essentials** (-19 vs. -26 in Q3) also fell. Non-essential spending has seen a broad-based rebound, although the net number cutting back spending is still very high for entertainment (-32 vs. -41 in Q3), travel and holidays (-31 vs. -40 in Q3) and eating out (-20 vs. -32 in Q3). Non-essential spending also improved for charitable donations (-16), major household items (-14), personal goods (-13) and home improvements (-3), although the number of consumers who cut back their spending in these areas outweighed those who spent more.

Rising consumer confidence could herald more spending, though it will benefit some categories more than others with **consumer expectations for major purchases in the next 12 months** mixed. On balance, home renovations (+3), holidays (+2) and residential property (+2) are all positive. While negative, improvements were seen in cars (-1 vs. -8 in Q3), school fees (-4 vs. -7 in Q3) and major household items (-6 vs. -7 in Q3). In contrast, intentions weakened for property investment (-9 vs. -7 in Q3), other investments (-4 vs. -2 in Q3) and private health insurance (-2 vs. +1 in Q3).

Business must adjust to a more cautious consumer whose attitudes and behaviours have been shaped by the pandemic and continued reminders of the risks, through contained but very high-profile small outbreaks in several states. When asked how their **household's shopping, purchasing and other behaviours** had changed over the past 3 months, the strongest response in terms of "doing more" (a net +42% of consumers), was "being mindful of where I spent my money" (up from +39% in Q3). Other areas where a greater number of consumers said they were doing more included researching and choosing brands before purchasing (+25% vs. +19% in Q3) and changing to less expensive products to save money (+24% vs. +20% in Q3).

Despite many restrictions and social distancing rules being relaxed in Q4, the number of consumers who dined less at restaurants continued to heavily outweigh those who dined out more often (-37%) - although this was a marked improvement from -53% in Q3 when parts of the country were under stricter lock down. On balance, it also seems many consumers are still reluctant to visit major shopping centres (-26%), although this improved from -41% in Q3.

But there are also opportunities with many consumers (+36) still reporting they are supporting local business (+35% in Q3) and purchasing items online they would normally purchase in store (+22% vs. +23% in Q3). That said, fewer Australians made online purchases out of boredom (-12% vs. -10% in Q3).

NAB's latest **Online Retail Sales Index** contracted in December, after moderate growth in November. When comparing this December to 2019, i.e. in year-on-year terms, the index continues to grow strongly. However, this rate of growth has slowed from the rapid growth between April and November (50% to 60%), to around the rate last recorded in March (around 30%). NAB estimates that in the 12 months to December, Australians spent \$44.18 billion on online retail, a level equivalent to around 12.6% of total retail trade and about 44.4% higher than the 12 months to December 2019.

It is likely that a few factors contributed to the sales volatility of the past few months. October monthly online sales contracted relative to September as lockdowns ended and sales growth returned to instore. It's also possible that some spending was postponed in anticipation of the November sales events. The rebound in November appears to be driven by the sales events, with particularly strong growth for those in regional areas. It's worth noting though, that the increase in sales in November seems to have been mostly driven by a boost to average spend per transaction, as the total volume of transactions were lower than the same monthly change period 2019. Despite the monthly growth from October to November being more moderate relative to the same period 2019, the post sales slowdown in December for online was much larger in 2020. This might partly be due to the base effect from rapid growth for most of 2020.

From the survey, among the most obvious differences by state, despite easing restrictions, behaviours in VIC are still much more skewed towards purchasing online to avoid going into a store (+37%), purchasing items online they would normally purchase in store (+35%), shopping on a new website (+21%) and buying online and picking up in store (+20%) than in other states. Among other observations, more consumers in WA were mindful of supporting local business (+41%), and those in QLD about researching product brands and product choices before buying (+30%). More consumers in QLD (+29%) and SA/NT (+28%) also changed to less expensive products to save money.

Looking forward, when again we asked **consumers which behaviours they expect to stick** and change most in the future, personal hygiene remains top of the list at 6.8 pts (unchanged from Q3). This was again followed by fewer overseas holidays (6.3 pts vs. 6.2 pts) and less travel on planes (5.8 pts vs. 5.9 pts) - and both basically unchanged from Q3. But as consumers return to work and restrictions ease, they also expect to adopt change in other areas less aggressively than they had anticipated in Q3. These include spending less time in local or strip shopping (4.7 pts vs. 5.2 pts in Q3) and major shopping centres (5.1 pts vs. 5.5 pts), travelling less on public transport (5.3 pts vs. 5.7 pts), eating out less often at restaurants (4.9 pts vs. 5.3 pts), socialising less in general (4.8 pts vs. 5.2 pts) and attending fewer non-essential medical visits (4.4 pts vs. 4.8 pts).

HOUSEHOLD SPENDING PATTERNS (net balance - spending more/less)

	Q4 2020	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Non-essential spending	-16	-25	-30	-26	-19
Essential spending	13	13	7	5	9
Financial spending	1	-1	-2	0	2
Overall Spending Behaviours	-4	-9	-14	-12	-7

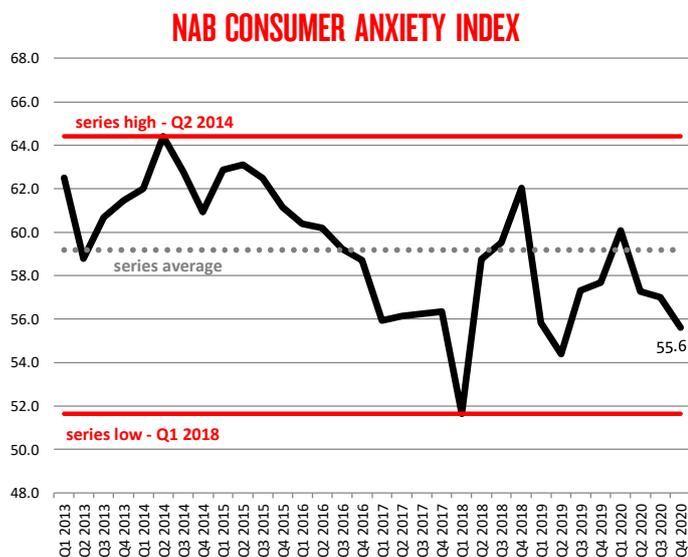
HOUSEHOLD SPENDING PATTERNS - SPENDING CATEGORY (net balance - spending more/less)

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Travel/holidays	-10	-27	-46	-40	-31
Eating out (coffee, take-away, restaurants, etc.)	-22	-31	-41	-32	-20
Entertainment (movies, sports, concerts, etc.)	-24	-36	-48	-41	-32
Groceries (food, alcohol etc.)	11	16	28	19	18
Home improvements and maintenance	-7	-14	-5	-7	-3
Major household items (appliances, furniture etc.)	-17	-25	-22	-19	-14
Utilities (electricity, gas, phone, etc.)	21	20	25	19	17
Personal goods (clothes, toiletries, sports, pets, etc.)	-12	-17	-20	-18	-13
Medical expenses (doctors, pharmacy, optical etc.)	12	14	5	8	10
Transport (car running costs and public transport)	20	13	-19	-14	0
Children (school fees, childcare, activities etc.)	2	3	-4	-4	-2
Paying off debt	10	10	8	8	10
Use of credit	-8	-10	-10	-10	-7
Savings, investments and super contributions	2	-2	-3	1	4
Charitable donations	-17	-23	-24	-19	-16

EXTENT HOUSEHOLD SHOPPING, PURCHASING & OTHER BEHAVIOURS HAVE CHANGED (net balance)

	AUST	NSW/ ACT	VIC	QLD	WA	SA/NT	TAS
Was mindful where I spent my money	42%	37%	44%	47%	42%	45%	32%
Supported local businesses	36%	31%	38%	36%	41%	36%	34%
Researched brand & product choices before buying	25%	25%	26%	30%	21%	21%	16%
Changed to less expensive products to save money	24%	23%	24%	29%	18%	28%	19%
Purchased items online I normally purchase in store	23%	19%	35%	20%	15%	22%	10%
Purchased online to avoid going into a store	22%	19%	37%	22%	6%	23%	-11%
Made purchases because of great deals	17%	17%	18%	21%	9%	18%	17%
Visited stores based on social distance/safety/hygiene	14%	15%	18%	14%	9%	8%	4%
Purchased a product based on availability	12%	13%	13%	16%	5%	11%	0%
Purchased sustainable/eco-friendly products/services	10%	7%	14%	11%	13%	10%	5%
Shopped on a new website	8%	2%	21%	7%	-7%	13%	-9%
Tried a new product or brand	6%	3%	10%	7%	8%	10%	-6%
Bought online and picked up in store	5%	0%	20%	6%	-3%	-4%	-9%
Purchased a product due to convenience	5%	4%	8%	6%	-1%	6%	-1%
Tried a new retailer	1%	-2%	8%	0%	-3%	-5%	-3%
Purchased from major retailers	-4%	-6%	-3%	-2%	-5%	-7%	-10%
Changed my primary grocery store	-5%	-5%	-3%	-2%	-6%	-10%	-19%
Shopped at a new grocery store	-10%	-12%	-12%	-8%	-5%	-10%	-17%
made online purchases out of boredom	-12%	-14%	-3%	-14%	-23%	-12%	-13%
Visited a major shopping centre	-26%	-27%	-36%	-17%	-14%	-34%	-16%
Dined in at a restaurant	-37%	-38%	-39%	-40%	-29%	-37%	-30%

NAB CONSUMER ANXIETY INDEX



Business conditions rose further in December to its highest level since late-2018, according to NAB’s latest Monthly Business Survey. This was the fourth consecutive month of improvement and encouragingly, showed employment conditions back in positive territory for the first time since the start of the pandemic. Business conditions are now well above average, suggesting there is strong momentum in Australia’s economic recovery.

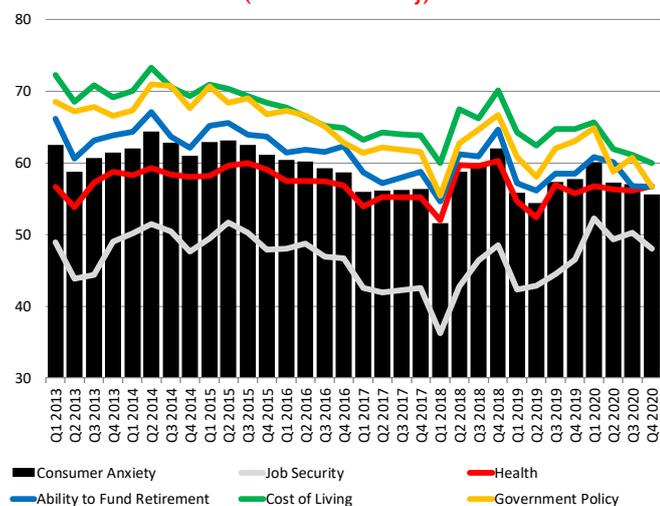
Against this backdrop, the NAB Consumer Anxiety Index fell to 55.6 points in the final quarter of 2020, down from 57.0 in the previous quarter and from 57.7 at the same time in 2019. This was also the best result since mid-2019 with the index currently standing well below the survey average (59.2).

Lower anxiety this quarter reflected a significant fall in concern over government policy, which fell 4.1 pts to a survey low 56.6. With employment conditions improving (and consistent with the big gains seen in the official jobs data), consumers worried less about their job security, which fell 2.2 pts to 48.0, but it is still trading above the survey average (46.7). Cost of living continues to add most to overall consumer anxiety, but it also dipped to a survey low 59.9 in Q4. Consumers were however a little more worried about health (up 0.6 pts to 56.7), with concerns over their retirement funding basically unchanged at 56.7.

Across key groups, anxiety remained highest for consumers who lost their main source of income due to COVID (66.4), were self-employed (63.5), lived in a rented (62.1), earned less than \$35,000 p.a. (61.1) and men aged 18-29 (60.8) - see chart on next page.

By state, anxiety was highest in NSW/ACT (57.9), in part likely reflecting the Sydney COVID outbreak in December, and lowest in QLD (52.9). Consumers in NSW also reported the highest anxiety about job security (52.6), ability to fund retirement (58.8) and cost of living (61.9), with TAS leading the way for health (58.9) and government policy (61.9). They also reported the lowest anxiety over job security (39.4), QLD for health (53.5), cost of living (58.0) and government policy (52.6) and SA/NT for retirement funding (53.9).

NAB CONSUMER ANXIETY INDEX (100 = extreme anxiety)

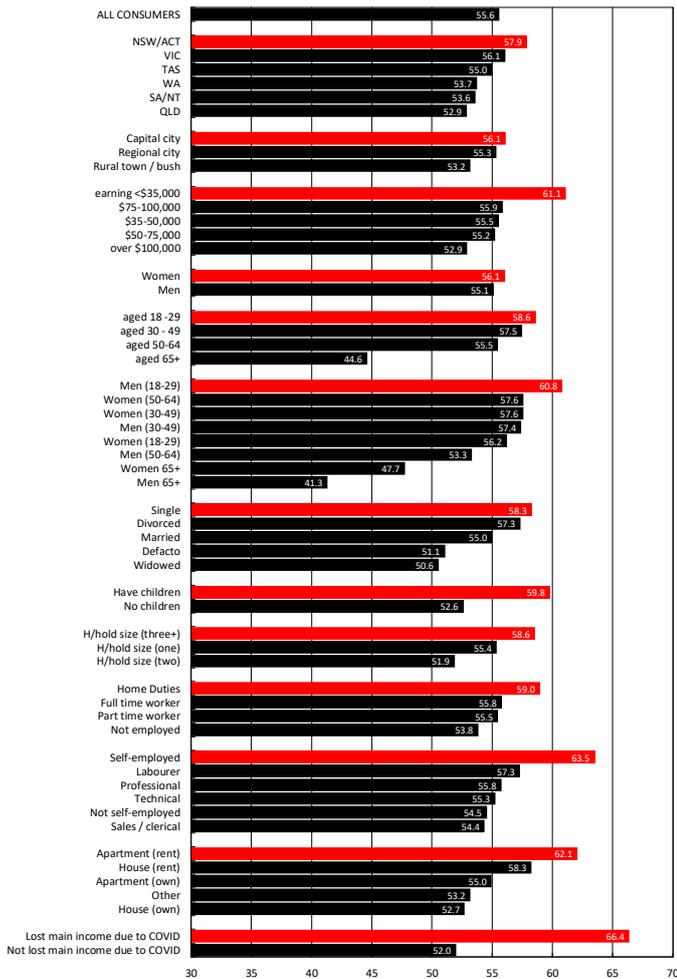


The anxiety gap between women (56.1) and men (55.1) narrowed in Q4, with women reporting much lower anxiety over government policy and job security. But they remain noticeably more anxious about cost of living (61.6 women; 58.3 men) and retirement funding (58.0 women; 55.4 men).

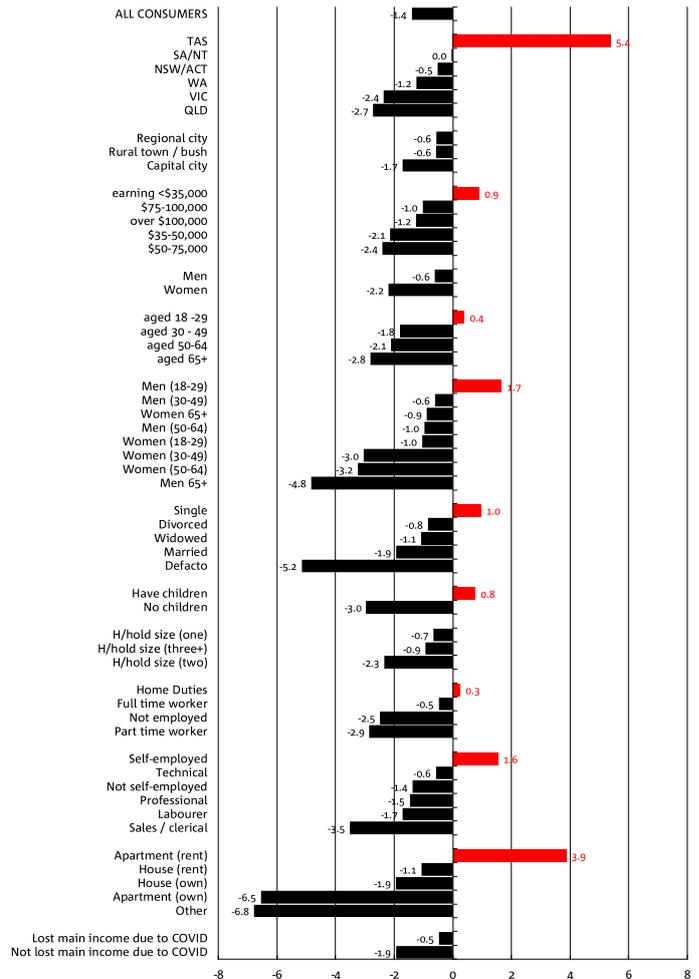
The 18-29 age group (58.6) replaced the 30-49 group (57.5) as the most anxious by age, with young people reporting heightened concern over retirement funding (up 3.0 pts to 63.3) and health (up 1.6 pts to 57.0). They also worried most about job security (56.2) and cost of living (along with the 30-49 group). Men aged 18-29 also replaced women in the 30-49 group as most anxious overall, mainly due to much higher anxiety over their job security than any other age group.

Among other findings, the anxiety gap between the lowest (61.1) and highest (52.9) income groups stretched further in Q4, with consumers in the lowest income group reporting higher anxiety across all measures except government policy. Self-employed consumers also struggled (up 1.6 pts to 63.5), reporting higher levels of anxiety for all index measures, particularly government policy.

NAB CONSUMER ANXIETY INDEX: ALL GROUPS

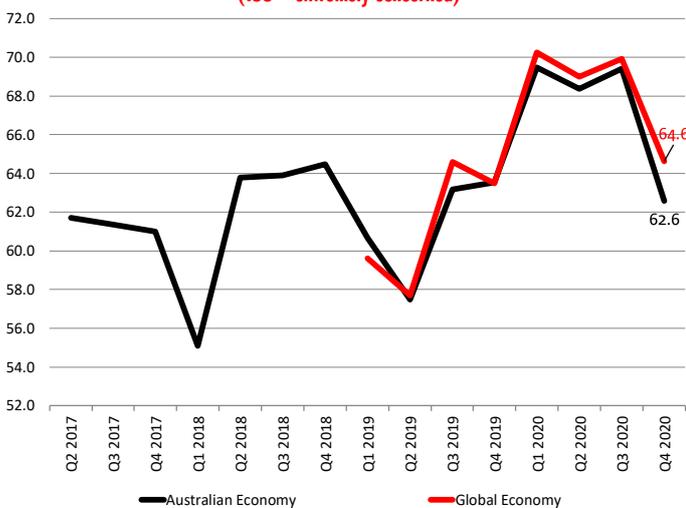


NAB CONSUMER ANXIETY: ALL GROUPS (CHANGE)



GENERAL LEVEL OF CONCERN OVER THE ECONOMY

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



The Q3 20 national accounts showed a strong rebound in economic activity across the country, except in Victoria which had significant virus-related restrictions in place during the quarter. But since then higher frequency data shows once restrictions were removed, activity in the state lifted significantly - a similar experience to elsewhere.

With the recovery from the pandemic-driven recession now well underway, the general level of concern about the domestic economy also fell sharply to 62.6 points in Q4 (69.4 in Q3). The level of concern about the global economic situation also eased to 64.6 (69.9 in Q3).

Australian consumers were noticeably less anxious about the domestic economy in most states, led by QLD (down 10.5 pts to 59.0) and WA (down 8.3 pts to 59.6). TAS was the exception, with anxiety up 2.5 pts to 64.8 - the highest of all states.

On the basis state lockdowns finish by end-2020, NAB now sees the prospect of faster growth through 2021, which should provide some comfort for anxious consumers. On the international front however for many countries, recovery is expected to be protracted, with spread of the virus a key risk, with some countries struggling to get it under control.

LEVEL OF CONCERN ABOUT AUSTRALIAN ECONOMY

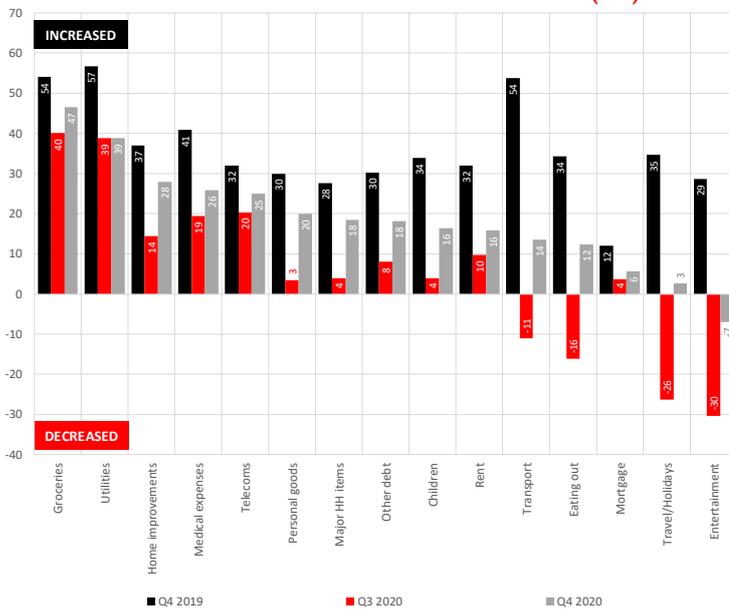
	NSW	VIC	QLD	WA	SA/NT	TAS
Q4 19	62.7	63.7	63.8	63.3	65.5	65.5
Q3 20	69.2	70.7	69.5	67.9	69.7	62.4
Q4 20	65.0	63.4	59.0	59.6	61.8	64.8

COST OF LIVING PERCEPTIONS

Despite an ongoing improvement in anxiety arising from cost of living seen in recent quarters, some factors are contributing more to overall anxiety than others. When asked how their living costs had changed in the last 3 months, in net terms (the difference between the number of consumers who indicated costs had increased against those who said they fell) was again highest for groceries and utilities. But whereas the net number who identified utilities was unchanged at +39, it increased to +47 for groceries (+40 in Q3).

Relative to Q3, perceptions about rising costs in Q4 also increased for more consumers in all other expenditure categories. The biggest changes were in relation to home improvements (+28 vs. +14 in Q3), personal goods (+20 vs. +3), major household items (+18 vs. +3), children (+16 vs. +4), transport (+14 vs. -11), eating out (+12 vs. -16), travel and holidays (+3 vs -26) and entertainment (-7 vs. -30). However, the net number of consumers who said costs had increased remain well below perceptions at the same time in 2019 in all categories (see chart below).

EXTENT COSTS HAVE CHANGED OVER PAST 3 MONTHS (NET)



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 bottom chart on the left again clearly shows that not only were the cost of groceries perceived to have increased by most Australians in Q4, but it also added most to their cost of living pressures according to 62% of all Australians - down slightly from 66% in the previous quarter but higher than at the same time in 2019 (56%).

Utilities was the next biggest contributor to households' cost of living in Q4 according to 46% of consumers (52% in Q3), followed by medical expenses (20%), telecommunications (18%), rent (17%), transport (17%), eating out (16%), home improvements (16%), telecoms (15%) and mortgages (14%).

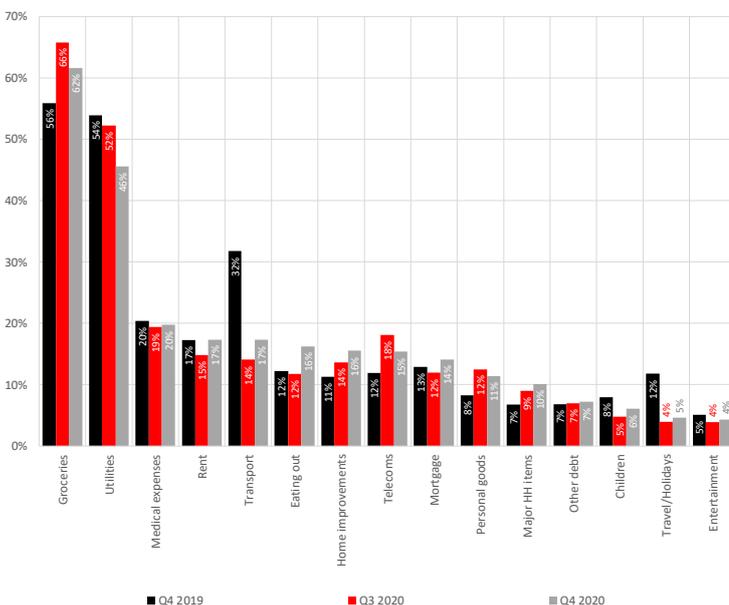
But not all consumers were impacted the same. The tables below highlight perceptions of how living costs changed by state and what added most to their cost of living pressures.

The extent prices changed was highest for groceries according to consumers in all states. But the net number of consumers who said grocery prices increased ranged from +55 in WA to just +39 in SA/NT.

A noticeably higher number on consumers in WA also said the cost of home improvements (+41) and other debt (+24) had increased than in any other state, but far more consumers in TAS said costs had increased for eating out (+34), transport (+32), children (+30) and mortgages (+19), and those in VIC utilities (+45). In contrast, significantly more consumers in SA/NT said their costs had fallen for entertainment (-20) and travel and holidays (-6).

When looking at what added most to cost of living pressures, some key differences included a noticeably higher number of consumers calling out utilities in TAS (63%) and VIC (54%), groceries (74%), transport (28%) and telecoms (21%) in TAS, rents in QLD (21%), SA/NT (20%) and NSW/ACT (18%), and home improvements in WA (21%).

ADDED MOST TO COST OF LIVING PRESSURE



EXTENT COSTS HAVE CHANGED OVER THE PAST 3 MONTHS: STATE (net balance)

	AUS	NSW/ACT	VIC	QLD	WA	SA/NT	TAS
Groceries	47	43	46	50	55	39	54
Utilities	39	39	45	36	37	30	35
Home improvements	28	25	29	26	41	22	36
Medical expenses	26	25	27	26	27	23	29
Telecoms	25	24	28	25	27	16	24
Personal goods	20	16	20	26	24	15	29
Major HH items	18	16	19	20	24	13	27
Other debt	18	17	19	18	24	16	12
Children	16	16	18	19	14	9	30
Rent	16	10	15	25	23	14	28
Transport	14	15	3	23	14	12	32
Eating out	12	9	12	17	17	5	34
Mortgage	6	3	10	2	3	10	19
Travel/Holidays	3	-1	7	1	11	-6	8
Entertainment	-7	-10	-6	-2	0	-20	7

ADDED MOST TO COST OF LIVING PRESSURES OVER PAST 3 MONTHS: STATE (% of total responses)

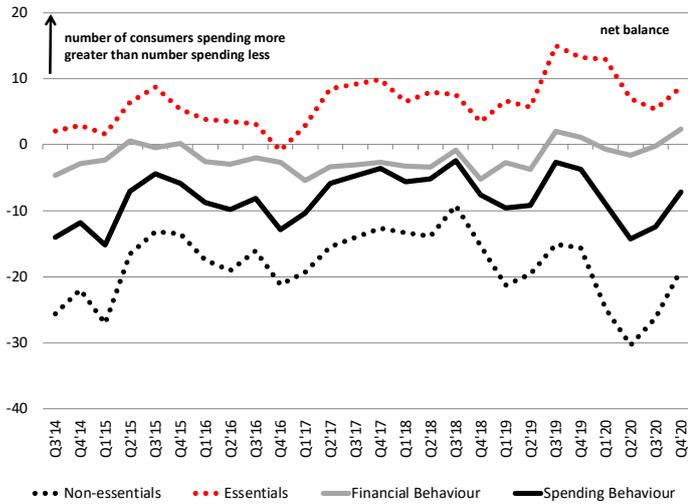
	AUS	NSW/ACT	VIC	QLD	WA	SA/NT	TAS
Groceries	62%	60%	62%	63%	69%	57%	74%
Utilities	46%	42%	54%	39%	47%	44%	63%
Medical expenses	20%	22%	21%	17%	19%	14%	23%
Rent	17%	18%	15%	21%	12%	20%	9%
Transport	17%	17%	14%	19%	18%	19%	28%
Eating out	16%	15%	17%	20%	15%	15%	15%
Home improvements	16%	16%	15%	13%	21%	10%	18%
Telecoms	15%	15%	17%	13%	18%	12%	21%
Mortgage	14%	13%	15%	15%	14%	13%	11%
Personal goods	11%	12%	10%	9%	13%	15%	10%
Major HH items	10%	10%	10%	11%	11%	10%	0%
Other debt	7%	7%	5%	8%	10%	5%	7%
Children	6%	6%	6%	5%	6%	8%	2%
Travel/Holidays	5%	4%	4%	6%	7%	4%	2%
Entertainment	4%	4%	4%	4%	5%	7%	0%

ADDED MOST TO COST OF LIVING PRESSURES (% of total responses)

	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Travel/Holidays	12%	10%	3%	4%	5%
Eating out	12%	13%	9%	12%	16%
Entertainment	5%	5%	3%	4%	4%
Groceries	56%	60%	71%	66%	62%
Home improvements	11%	9%	15%	14%	16%
Major household items	7%	6%	9%	9%	10%
Utilities	54%	52%	52%	52%	46%
Telecoms	12%	12%	18%	18%	15%
Personal goods	8%	9%	14%	12%	11%
Medical expenses	20%	23%	18%	19%	20%
Transport	32%	27%	12%	14%	17%
Children	8%	8%	5%	5%	6%
Mortgage	13%	12%	14%	12%	14%
Rent	17%	19%	14%	15%	17%
Other debt	7%	6%	5%	7%	7%

HOUSEHOLD SPENDING PATTERNS & EXPECTATIONS

HOUSEHOLD SPENDING PATTERNS: AUSTRALIA



Overall household spending patterns in Q4 were less conservative. NAB’s measure of household spending patterns (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 decline in the number of consumers (on balance) cutting back their spending relative to the previous quarter.

NAB’s overall spending indicator improved to -7 in Q4 from -12 in Q3. However, the indicator is still down on the same time in 2019 (-4).

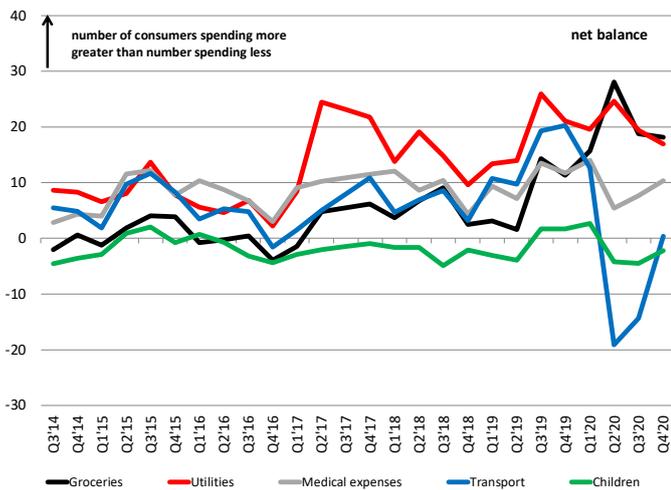
Spending continues being driven by essentials (+9), and the number spending more rose relative to the previous quarter (+5). The net number cutting back on non-essentials (-19 vs. -26 in Q3) fell but increased for financial spending (+2 vs. 0).

The table below shows that overall consumer spending patterns were noticeably less conservative in all states, except SA/NT (basically unchanged).

HOUSEHOLD SPENDING PATTERNS: OVERALL (NET)

	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Australia	-4	-9	-14	-12	-7
NSW/ACT	-3	-6	-13	-11	-8
VIC	-1	-10	-14	-14	-5
QLD	-6	-12	-17	-14	-9
WA	-7	-8	-14	-13	-6
SA/NT	-7	-12	-19	-8	-7
TAS	-5	-8	-8	-10	-6

HOUSEHOLD SPENDING PATTERNS - ESSENTIALS



Overall, the net number of consumers spending more on essentials rose to +9 in Q4 (+5 in Q3) and +13 at the end of 2019.

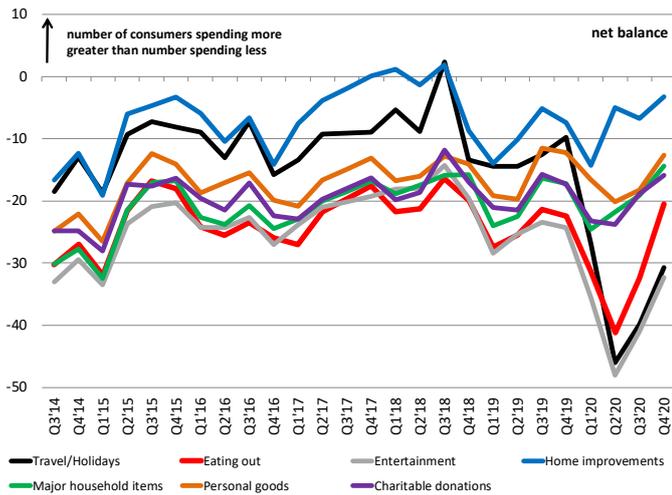
In Q4, the net number of consumers that increased spending on transport was balanced at 0 (up sharply from -14 in Q3). The number spending more on groceries (+18) and utilities (+17) fell a little, with those who cut back spending on children falling slightly to -2 (-4 in Q3). In contrast, the number of people spending more on medical increased (+10 vs. +8 in Q3).

The table below shows that the number of consumers spending more on essentials outweighed those spending less in all states, with the number doing so up sharply in VIC (+9 vs. +1 in Q3) and WA (+10 vs. +2 in Q3). In contrast, fewer consumers in TAS (+12 vs. +14 in Q3) and QLD (+6 vs. +7 in Q3) said they spent more.

HOUSEHOLD SPENDING PATTERNS: ESSENTIALS (NET)

	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Australia	13	13	7	5	9
NSW/ACT	14	14	8	7	9
VIC	15	13	8	1	9
QLD	11	11	6	7	6
WA	11	15	5	2	10
SA/NT	11	11	5	8	11
TAS	16	15	10	14	12

HOUSEHOLD SPENDING PATTERNS - NON ESSENTIALS



Non-essential spending has seen a broad-based rebound, although the net number cutting back spending is still very high for entertainment (-32 vs. -41 in Q3), travel and holidays (-31 vs. -40 in Q3) and eating out (-20 vs. -32 in Q3).

Non-essential spending also improved for charitable donations (-16), major household items (-14), personal goods (-13) and home improvements (-3), although the number of consumers who cut back their spending in these areas outweighed those who spent more. The table below shows the number of consumers that cut back non-essential spending fell in all states, except TAS, with particularly big falls in VIC (-16 vs. -27 in Q3) and QLD (-20 vs. -29 in Q3).

See Appendix 2 for individual state spending charts.

HOUSEHOLD SPENDING PATTERNS: NON-ESSENTIALS (NET)

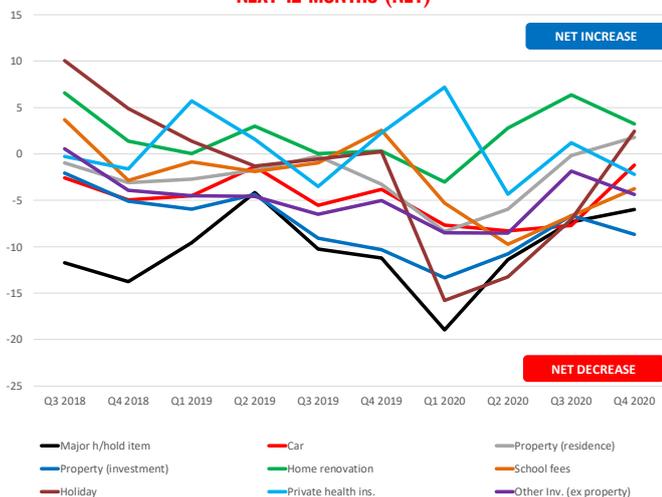
	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Australia	-16	-25	-30	-26	-19
NSW/ACT	-15	-21	-28	-26	-20
VIC	-12	-27	-30	-27	-16
QLD	-18	-28	-33	-29	-20
WA	-20	-26	-28	-24	-19
SA/NT	-20	-28	-37	-20	-19
TAS	-18	-23	-23	-27	-20

Financial spending patterns (paying off debt, using credit cards and savings, investments & superannuation) was marginally more positive. In Q4, the overall net number of consumers who increased financial spending slightly outweighed the number cutting back (+2). Financial spending was positive in all states except TAS (-5), with particularly large improvements noted in WA (+4 vs. -2 in Q3) and SA/NT (+3 vs. -2 in Q3). The net number of consumers who increased financial spending in VIC however moderated a little (+2 vs. +4 in Q3).

HOUSEHOLD SPENDING PATTERNS: FINANCIAL (NET)

	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20
Australia	1	-1	-2	0	2
NSW/ACT	2	1	-2	0	3
VIC	4	-1	0	4	2
QLD	2	-1	-3	-4	1
WA	-2	-1	-2	-2	4
SA/NT	-5	-4	-2	-2	3
TAS	-5	-6	3	-8	-5

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



Expectations for major purchases in the next 12 months are mixed. On balance, more consumers expect to spend more than less on home renovations (+3), holidays (+2) and residential property (+2). In all other areas, more expect to spend less - although the number expecting to do so fell for cars (-1 vs. -8 in Q3), school fees (-4 vs. -7 in Q3) and major household items (-6 vs. -7 in Q3). In contrast, intentions weakened for property investment (-9 vs. -7 in Q3), other investments (-4 vs. -2 in Q3) and private health insurance (-2 vs. +1 in Q3).

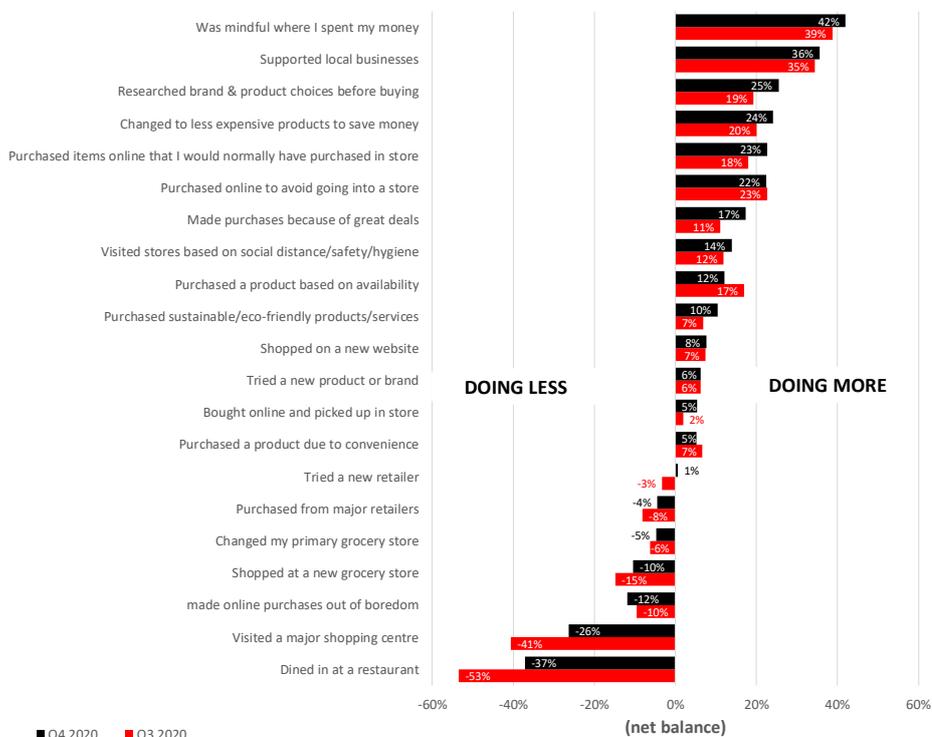
By state, noticeably more consumers in TAS (+15) and SA/NT (+11) indicated they would spend more on home renovations, with TAS (+12) also leading for school fees. Consumers in QLD were most positive about residential property (+9) and other investments (+3) and VIC for holidays (+9). More people in VIC plan to cut back on school fees (-8), NSW on major household items (-10) and WA on investment property (-13).

EXPECTATIONS FOR MAKING MAJOR PURCHASES IN THE NEXT 12 MONTHS (NET)

	NSW/ACT	VIC	QLD	WA	SA/NT	TAS
Major household item	-10	-5	-4	0	-6	-6
Car	-4	-2	2	0	4	-4
Property (residence)	-1	-1	9	-1	6	-9
Property (investment)	-10	-10	-4	-13	-8	-6
Home renovation	-1	2	8	3	11	15
School fees	-4	-8	-5	1	6	12
Holiday	1	9	3	-8	5	-12
Private health insurance	-2	-3	-1	-4	-3	6
Other Investments (excl. property)	-5	-9	3	-2	-7	-7

HOUSEHOLD SHOPPING, PURCHASING & OTHER BEHAVIOURS

EXTENT YOUR HOUSEHOLD'S SHOPPING, PURCHASING & OTHER BEHAVIOURS HAVE CHANGED IN RELATION TO...



When asked to think back about their household's shopping purchasing and other behaviours over the past 3 months and estimate the extent they had changed their behaviour in several areas, consumer caution was again the key theme.

In terms of doing more, a net 42% of said they were being mindful of where they spent their money (up from +39% in Q3), and +36% supported local business (+35% in Q3).

Other areas where a significantly greater number of consumers said they were doing included researching and choosing brands before purchasing (+25% vs. +19% in Q3), changing to less expensive products to save money (+24% vs. +20% in Q3) and purchasing items online they would normally purchase in store (+22% vs. +23% in Q3).

COVID-19 delivered a major hit to household consumption - particularly in spending on services. And while many restrictions and social distancing rules were relaxed in Q4, the number of consumers who dined less a restaurant continued to heavily outweigh those who dined out more often (-37%) - although this was a marked improvement from -53% in Q3 when parts of the country were under stricter lock down.

On balance, it also seems many consumers are still reluctant to visit major shopping centres (-26%), although this improved from -41% in Q3. Fewer Australian also made online purchases out of boredom (-12% vs. -10% in Q3).

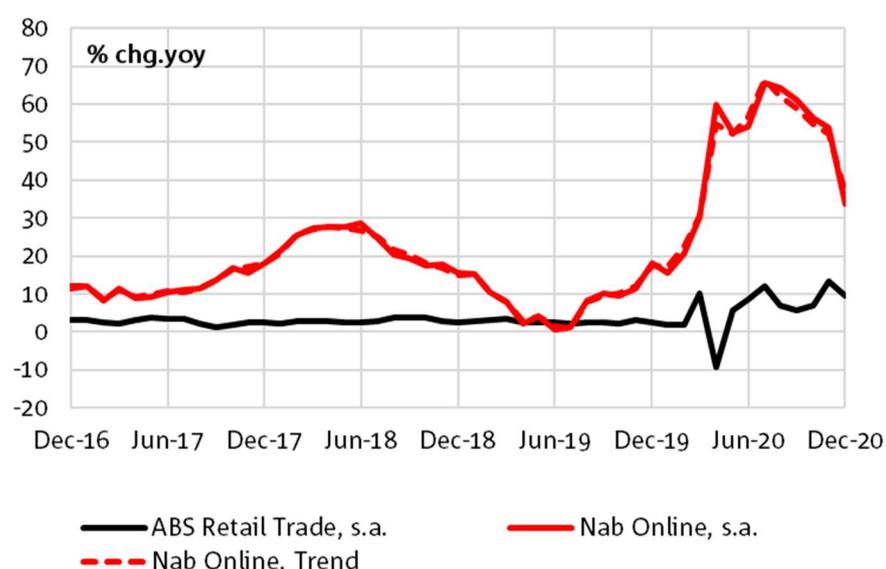
EXTENT HOUSEHOLD SHOPPING, PURCHASING & OTHER BEHAVIOURS HAVE CHANGED

	AUST	NSW/ ACT	VIC	QLD	WA	SA/NT	TAS
Was mindful where I spent my money	42%	37%	44%	47%	42%	45%	32%
Supported local businesses	36%	31%	38%	36%	41%	36%	34%
Researched brand & product choices before buying	25%	25%	26%	30%	21%	21%	16%
Changed to less expensive products to save money	24%	23%	24%	29%	18%	28%	19%
Purchased items online I normally purchase in store	23%	19%	35%	20%	15%	22%	10%
Purchased online to avoid going into a store	22%	19%	37%	22%	6%	23%	-11%
Made purchases because of great deals	17%	17%	18%	21%	9%	18%	17%
Visited stores based on social distance/safety/hygiene	14%	15%	18%	14%	9%	8%	4%
Purchased a product based on availability	12%	13%	13%	16%	5%	11%	0%
Purchased sustainable/eco-friendly products/services	10%	7%	14%	11%	13%	10%	5%
Shopped on a new website	8%	2%	21%	7%	-7%	13%	-9%
Tried a new product or brand	6%	3%	10%	7%	8%	10%	-6%
Bought online and picked up in store	5%	0%	20%	6%	-3%	-4%	-9%
Purchased a product due to convenience	5%	4%	8%	6%	-1%	6%	-1%
Tried a new retailer	1%	-2%	8%	0%	-3%	-5%	-3%
Purchased from major retailers	-4%	-6%	-3%	-2%	-5%	-7%	-10%
Changed my primary grocery store	-5%	-5%	-3%	-2%	-6%	-10%	-19%
Shopped at a new grocery store	-10%	-12%	-12%	-8%	-5%	-10%	-17%
made online purchases out of boredom	-12%	-14%	-3%	-14%	-23%	-12%	-13%
Visited a major shopping centre	-26%	-27%	-36%	-17%	-14%	-34%	-16%
Dined in at a restaurant	-37%	-38%	-39%	-40%	-29%	-37%	-30%

The table above shows how consumer behaviours changed by state. Among the most obvious differences it shows that despite easing restrictions, behaviours in VIC were still much more skewed towards purchasing online to avoid going into a store (+37%), purchasing items online they would normally purchase in store (+35%), shopping on a new website (+21%) and buying online and picking up in store (+20%) than in other states.

Among other observations, more consumers in WA were mindful of supporting local business (+41%), and those in QLD about researching product brands and product choices before buying (+30%). More consumers in QLD (+29%) and SA/NT (+28%) also changed to less expensive products to save money.

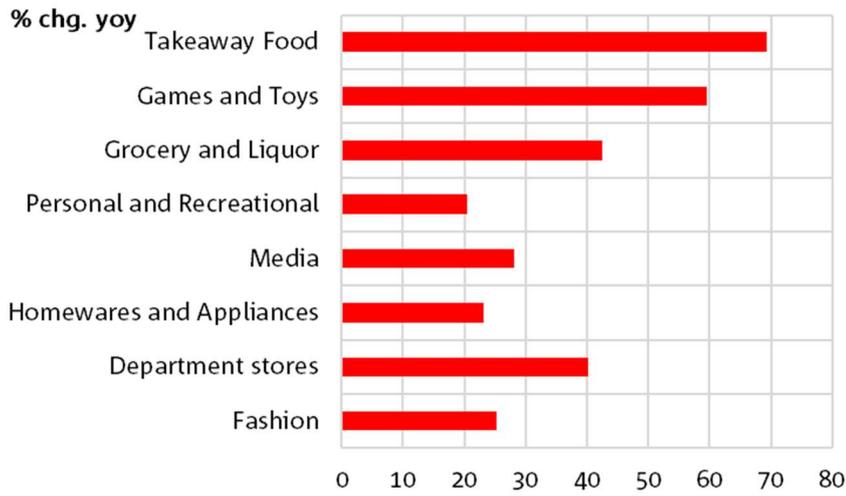
NAB ONLINE RETAIL SALES INDEX & ABS RETAIL SALES



The growing importance of online shopping in Australia is clear. NAB estimates that in the 12 months to December, Australians spent \$44.18 billion on online retail, a level equivalent to around 12.6% of the total retail trade estimate (Preliminary Dec 2020, Series 8501, Australian Bureau of Statistics), and about 44.4% higher than the 12 months to December 2019.

In month-on-month terms, NAB'S latest Online Retail Sales Index contracted in December, after moderate growth in November. When comparing this December to 2019, i.e. in year-on-year terms, the index continues to grow strongly. However, this rate of growth has slowed from the rapid growth between April and November (50% to 60%), to around the rate last recorded in March (~30%).

ONLINE RETAIL SALES BY INDUSTRY, yoy s.a.



Not every category contracted in December. Food still played a major role in the festive season (delivered meals, takeaway food, grocery and liquor). Grocery & liquor (the second largest online sales by volume), has generally recorded rapid growth over the past 18 months.

For smallest sales category, takeaway food, such high growth has resulted in a larger share of online sales. A year ago, this category represented about 3.8% of the index, but with rapid growth over the past year, it now represents about 5.2%.

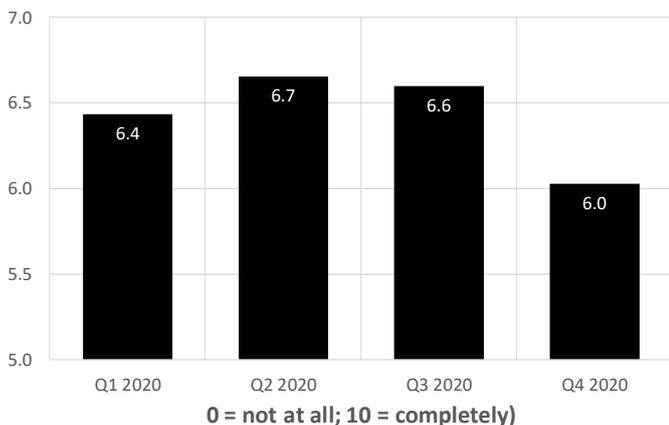
After strong growth last month, the largest sales category, homewares and appliances, contracted significantly in December, across all states and territories. But it is worth putting this latest number in perspective, as the category is still up 23.2% compared to the same month 2019.

VIC has recorded a contraction in sales in each of the past three months, coinciding with the reopening of physical stores. But in year-on-year terms, the state’s growth remains the strongest, so it is more likely that the recent contraction is a result of the large base effect from extraordinary growth mid-year.

THE IMPACT OF COVID-19 ON CONSUMER BEHAVIOUR

The pandemic is forcing consumers to rethink how they will change the way they live, shop and spend in the future. People are creatures of habit and as life starts up again, some old habits will return as many behavioural shifts have been the result of enforced change. But others will stick.

HOW CONCERNED ARE YOU ABOUT CORONAVIRUS

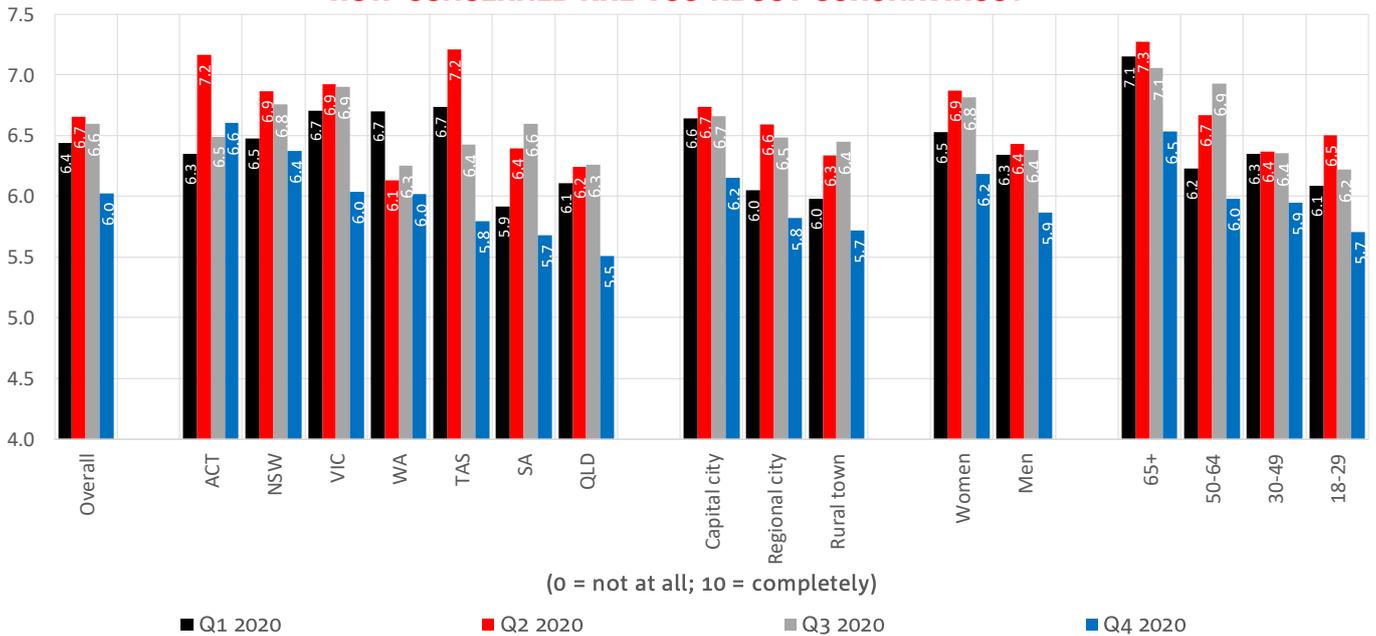


With the number of active cases remaining low and growing confidence in the ability of the healthcare system to cope, the level of concern over the virus in fell to a ‘moderate’ 6.0 pts in Q4 (6.6 pts in Q3).

Concern was lower in all states, except the ACT (6.6 pts) where it was along with NSW (6.4 pts) highest in the country. Concern fell steeply in VIC (6.0 pts) after emerging from lockdown and was lowest in QLD (5.5 pts). By region, concern remains highest in capital cities (6.2 pts).

Women (6.2 pts) continue to worry more about the virus than men (5.9 pts). With older Australians at much higher risk from virus, concern remains elevated in over 65 age group (7.1 pts) - and broadly unchanged since the outbreak in Q1. Concern however fell noticeably in all other age groups and was lowest in the 18-29 group (5.7 pts).

HOW CONCERNED ARE YOU ABOUT CORONAVIRUS?

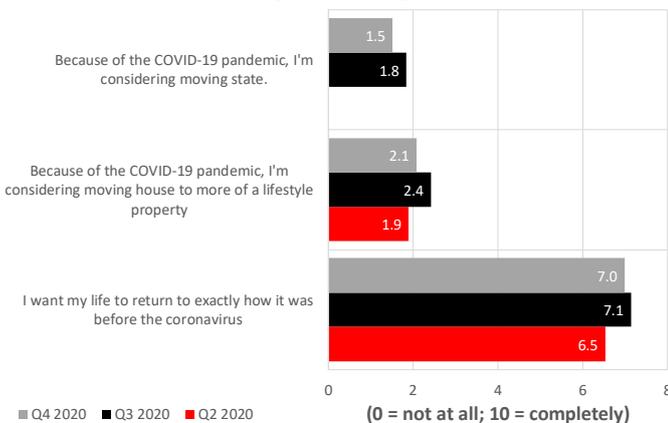


Do consumers want their lives to return to how they were before COVID?

When asked the rate the extent they agreed with the statement “I want my life to return to exactly how it was before the COVID-19 pandemic”, on average consumers scored a relatively high 7.0 pts, or basically unchanged from Q3 (7.1 pts).

While this did not vary much by state, men (7.4 pts) were somewhat keener to return to their old lives than women (6.6 pts), as were older Australians (7.5 pts for over 65s falling to 6.7 pts in the 18-29 group).

EXTENT OF AGREEMENT WITH FOLLOWING STATEMENTS



When asked about the likelihood of moving state, Australians on average scored just 1.5 pts (1.8 pts in Q3). This ranged from 1.7 pts in NSW, VIC and SA to 0.8 pts in TAS.

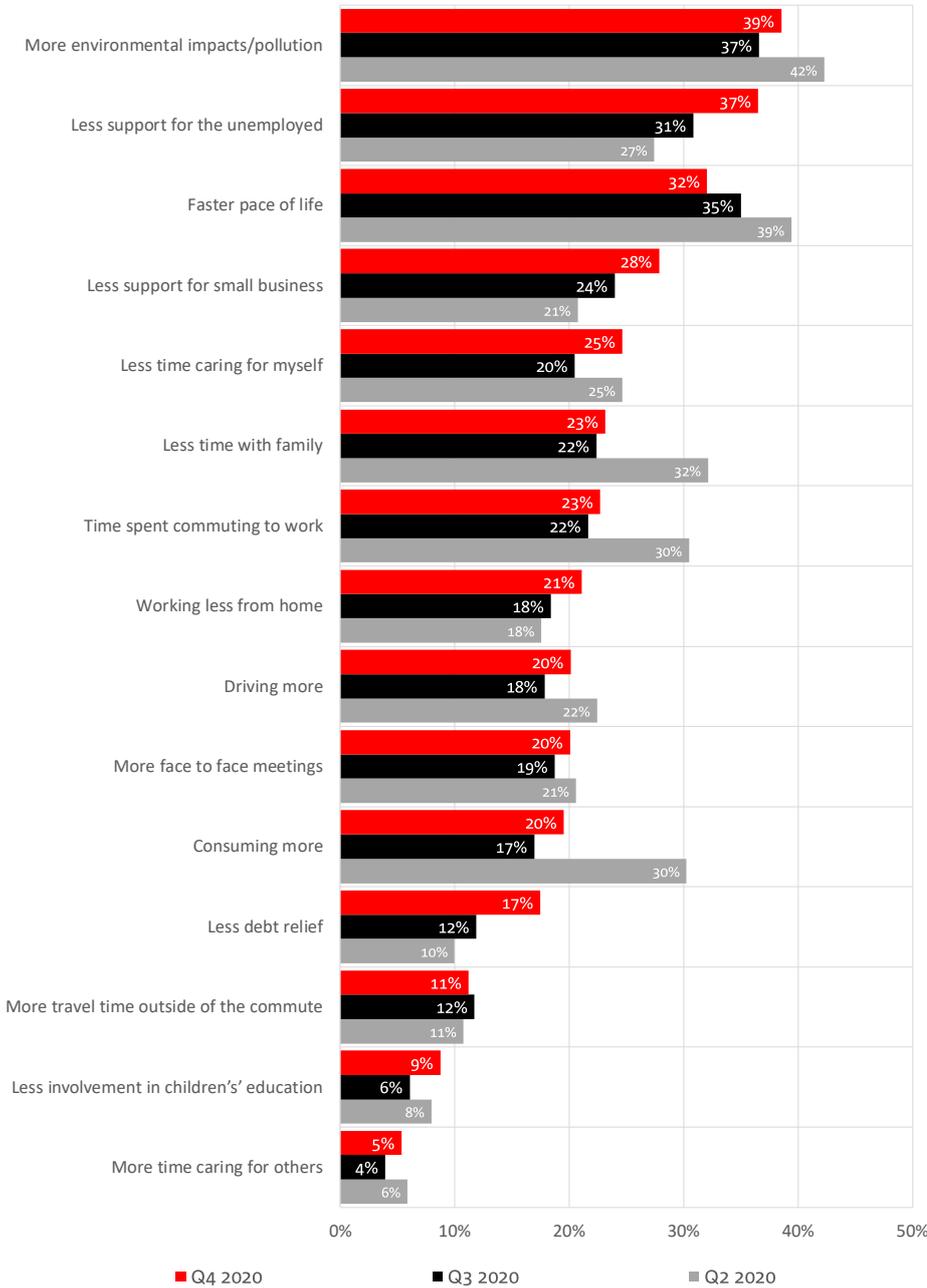
By age, younger consumers (18-29) were most open to moving (3.2 pts), with men (1.8 pts) also more likely to consider the possibility than women (1.2 pts).

Our research continues to also suggest relatively few consumers are considering moving for a lifestyle change - and less than in Q3.

When asked about the actual likelihood of moving to more of a lifestyle property, on average they scored just 2.1 pts (2.4 pts in Q3) - although this did range from 2.3 pts in NSW to 1.2 pts in the ACT and TAS.

Once again younger Australians (3.4 pts) were in stronger agreement relative to other age groups, particularly the over 65s (0.5 pts), as were men (2.3 pts) than women (1.8 pts).

WHAT ARE YOU MOST CONCERNED ABOUT POST THE EASING OF CORONAVIRUS RESTRICTION?



With coronavirus enduring, many Australian consumers have been forced to adapt to new ways of living and working.

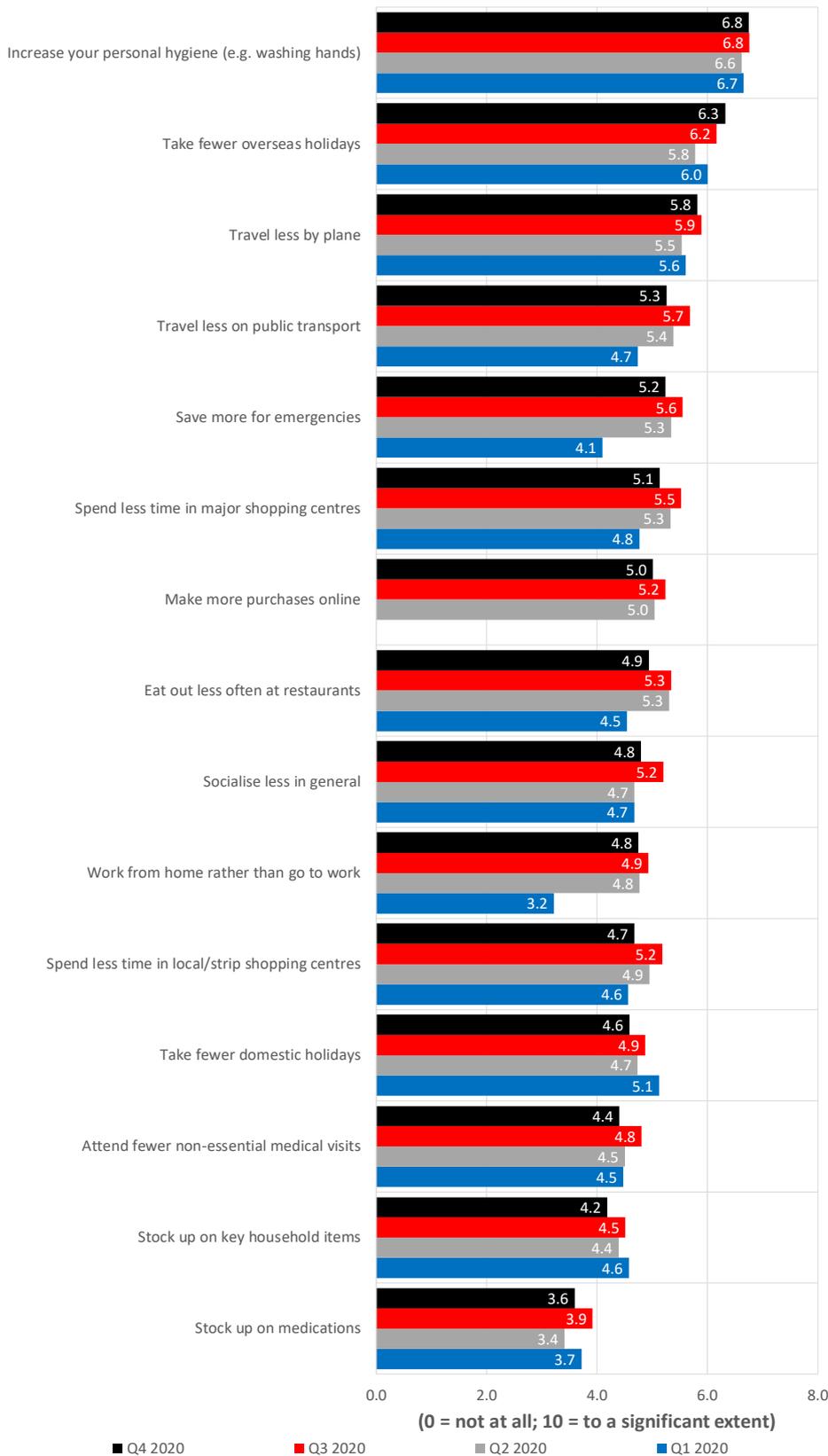
When consumers who were in lowest agreement over the statement “I want my life to return to exactly how it was before the coronavirus” (i.e. scored 4 pts or below) were asked what they feared losing after coronavirus restrictions have eased, around 4 in 10 cited returning to a world of more environmental impacts/pollution (39%) and less support for the unemployed (37%), with these numbers also climbing from 37% and 31% in Q3 respectively.

Slightly fewer however worried about returning to a faster pace of life (32% vs. 35% in Q3) - although this remains an issue for almost twice as many women (39%) than men (21%)

With parts of the economy still struggling and elevated unemployment, more consumers also worried over falling support for small business (28% vs. 24%), and we noted a sizeable jump in the number who cited less debt relief as a factor (17% vs. 12%).

But relative to Q3, we also saw an increase in the number of consumers who did not want their lives to return to a pre-COVID normal because of less time caring for themselves (25% vs. 20%), working from home less (21% vs. 18%) and consuming more (20% vs. 17%).

EXTENT CORONAVIRUS WILL CHANGE THE WAY YOU LIVE, WORK & SHOP IN FUTURE



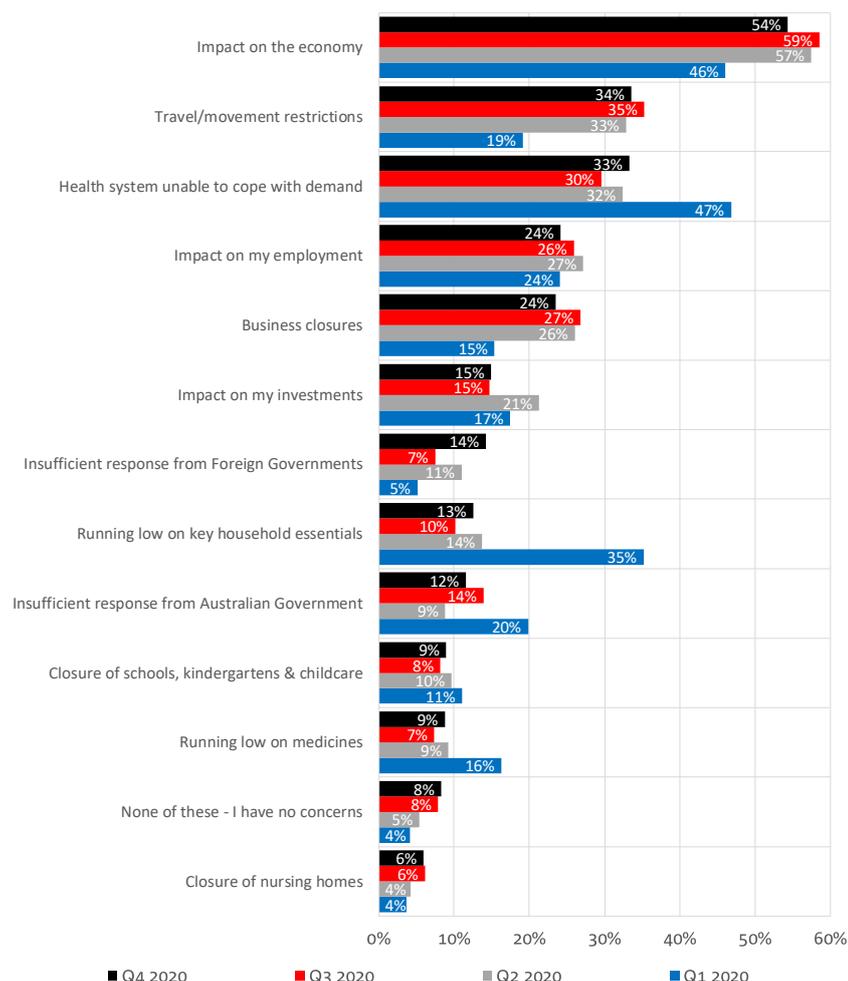
Coronavirus has also forced many consumers to rethink how they may change the way they live, work and shop in the future. NAB again asked which behaviours they expect to change most in the future.

Personal hygiene remains top of the list at 6.8 pts (unchanged from Q3). This was again followed by fewer overseas holidays (6.3 pts vs. 6.2pts) and less travel on planes (5.8 pts vs. 5.9 pts) - and both basically unchanged from Q3.

But as consumers return to work and restrictions ease, they also expect to adopt change in other areas less aggressively than they had anticipated in Q3.

These include spending less time in local or strip shopping (4.7 pts vs. 5.2 pts in Q3) and major shopping centres (5.1 pts vs. 5.5 pts), travelling less on public transport (5.3 pts vs. 5.7 pts), eating out less often at restaurants (4.9 pts vs. 5.3 pts), socialising less in general (4.8 pts vs. 5.2 pts) and attending fewer non-essential medical visits (4.4 pts vs. 4.8 pts).

TOP CONCERNS REGARDING CORONAVIRUS OTHER THAN HEALTH IMPACT



Coronavirus has also raised many concerns outside of its direct impact on our health and that of family and friends. Outside of direct health concerns, the biggest worry by some margin according to most consumers remains the impact the virus is having on the economy - but this fell slightly to 54% (59% in Q3) with recovery from the pandemic-driven recession now well underway.

With international borders still effectively closed and some domestic movement restrictions in place, around 1 in 3 (34%) consumers pointed to travel movements and restrictions as the area they next worried about most (35% in Q3). Interestingly, despite very low case numbers across the country, the number who identified the ability of the healthcare system to cope rose to 33% (30% in Q3).

Other areas of concern that have grown since Q3 include an insufficient response from foreign governments (14% now vs. 7% in Q3), running low on key household essentials (13% vs. 12%) and running low on medicines (9% vs. 7%).

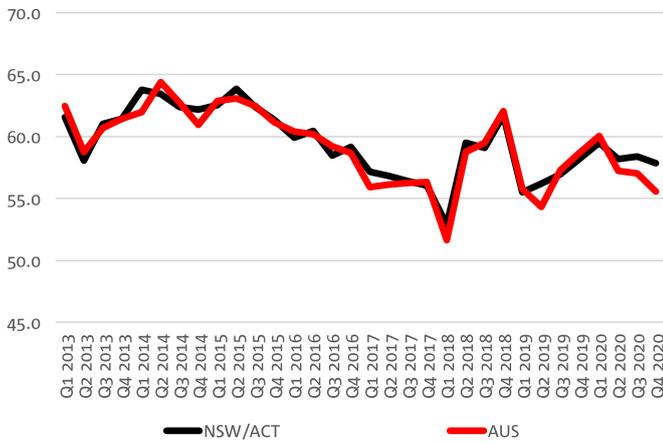
In contrast, fewer consumers worried about the impact of business closures (24% vs. 27%), employment (24% vs. 26%) and insufficient response from the Australian government (12% vs. 14%).

TOP CONCERNS BY STATE

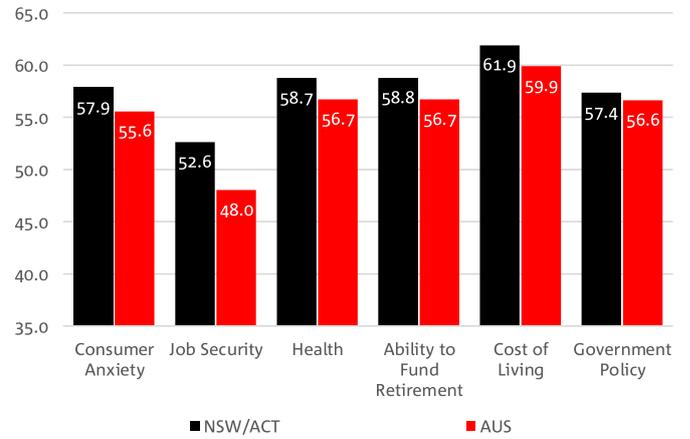
	AUS	NSW	VIC	SA	ACT	WA	TAS	QLD
Impact on the economy	54%	54%	54%	44%	54%	60%	60%	55%
Travel/movement restrictions	34%	35%	32%	36%	39%	29%	33%	34%
Health system unable to cope with demand	33%	28%	34%	35%	44%	40%	48%	34%
Impact on my employment	24%	28%	24%	21%	15%	20%	12%	25%
Business closures	24%	25%	28%	22%	20%	17%	27%	20%
Impact on my investments	15%	16%	15%	10%	24%	11%	7%	16%
Insufficient response from Foreign Governments	14%	14%	14%	12%	17%	16%	13%	14%
Running low on key household essentials	13%	12%	7%	23%	15%	20%	11%	12%
Insufficient response from Australian Government	12%	10%	13%	11%	7%	7%	11%	16%
Closure of schools, kindergartens & childcare	9%	8%	12%	9%	10%	5%	2%	9%
Running low on medicines	9%	7%	7%	12%	10%	13%	14%	9%
None of these - I have no concerns	8%	9%	8%	7%	10%	9%	12%	7%
Closure of nursing homes	6%	6%	5%	5%	2%	7%	3%	7%

APPENDIX 1: CONSUMER ANXIETY - STATES

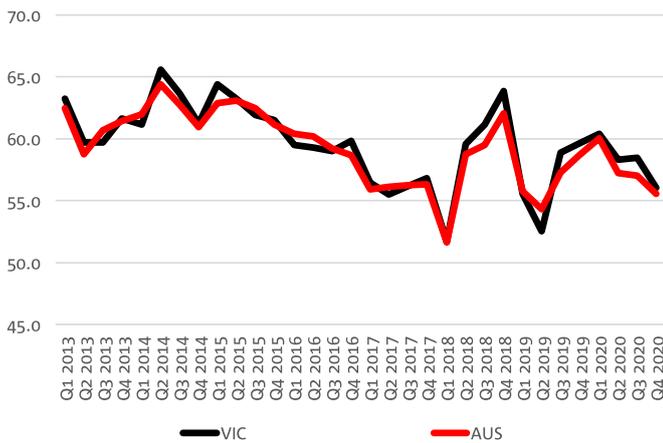
CONSUMER ANXIETY: NSW/ACT



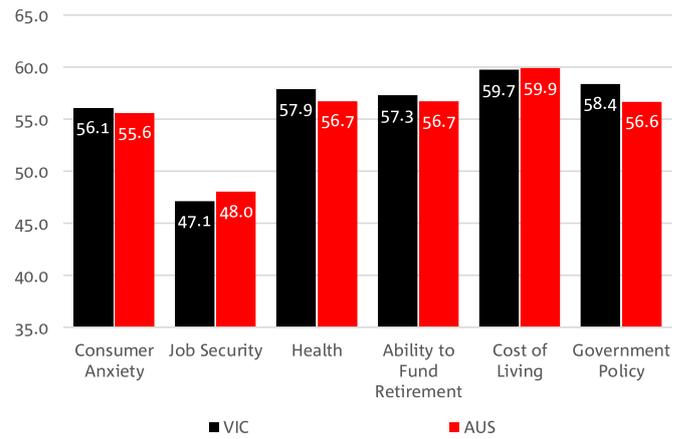
CONSUMER ANXIETY: NSW/ACT (Q4 2020)



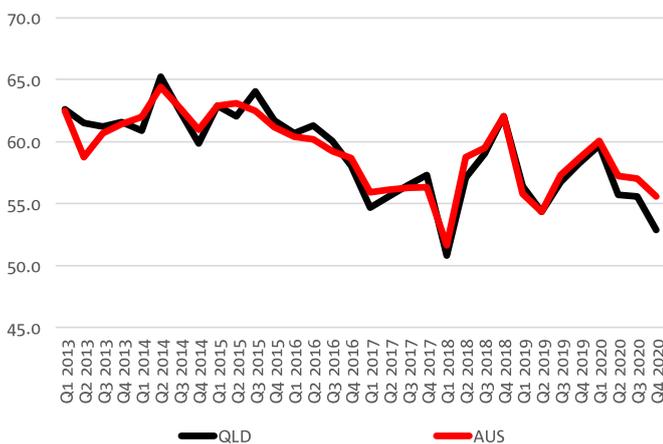
CONSUMER ANXIETY: VIC



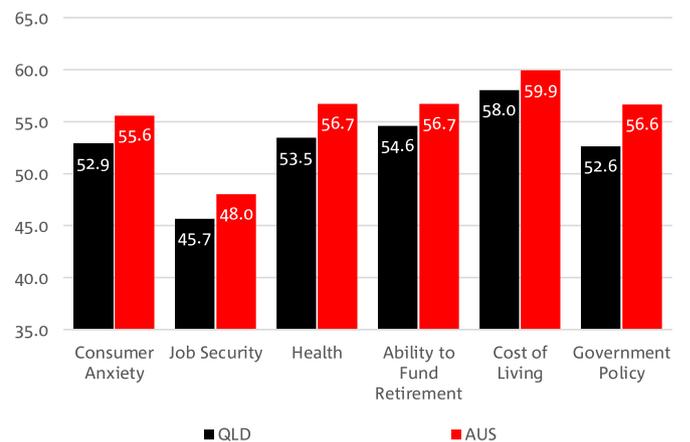
CONSUMER ANXIETY: VIC (Q4 2020)



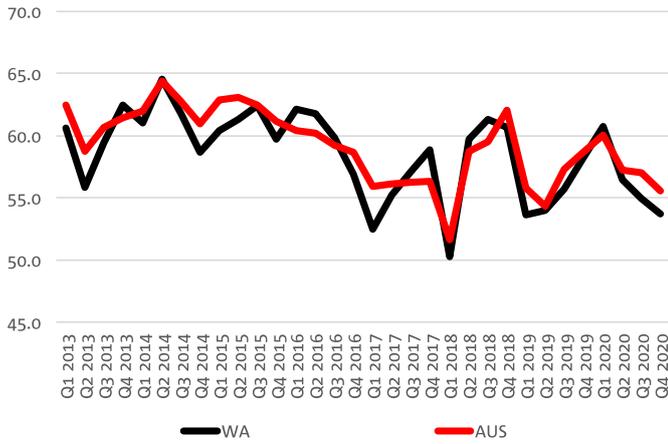
CONSUMER ANXIETY: QLD



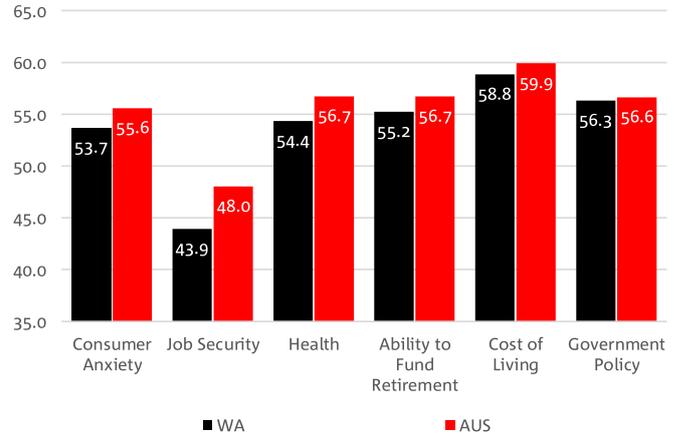
CONSUMER ANXIETY: QLD (Q4 2020)



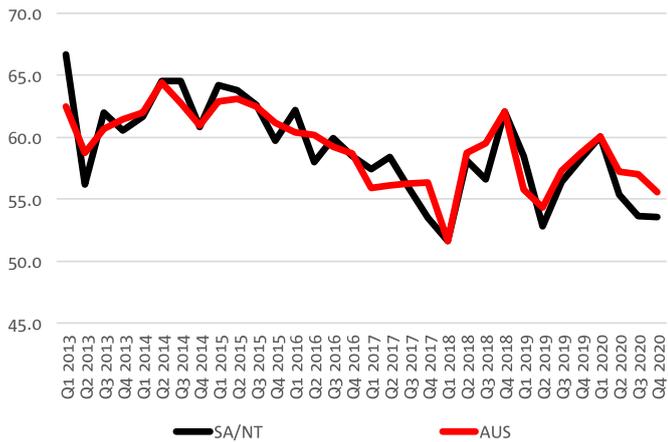
CONSUMER ANXIETY: WA



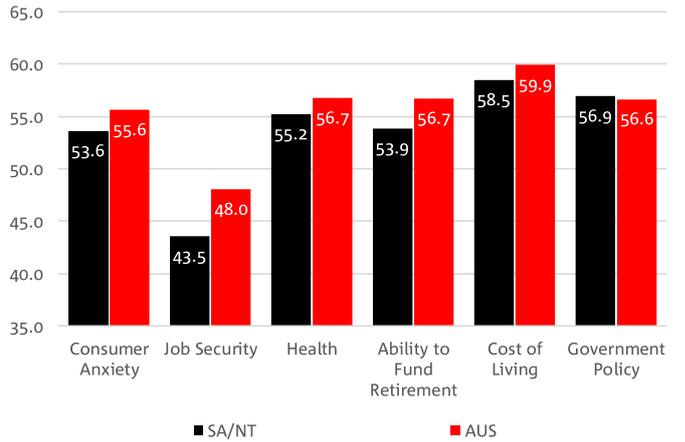
CONSUMER ANXIETY: WA (Q4 2020)



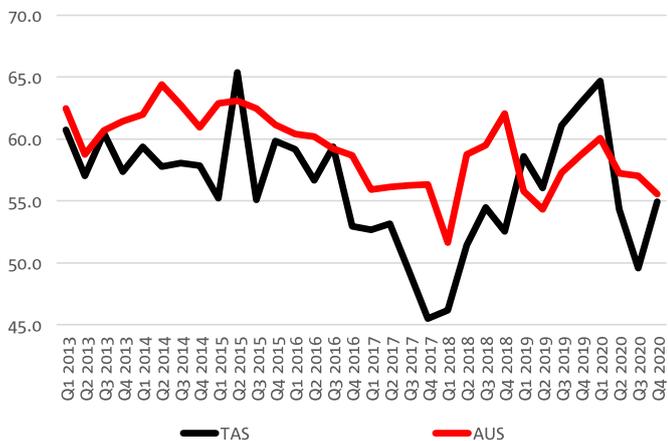
CONSUMER ANXIETY: SA/NT



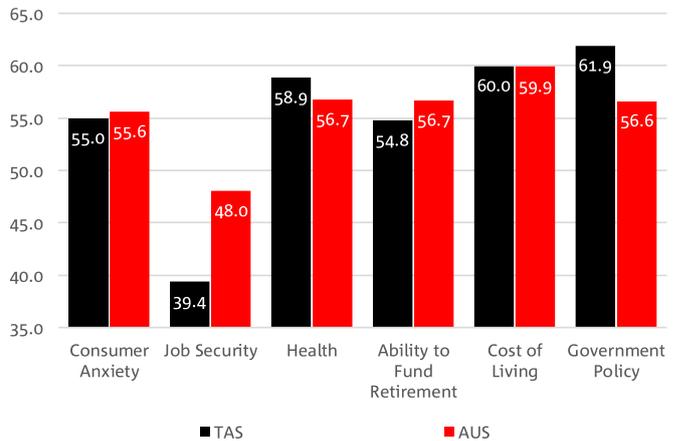
CONSUMER ANXIETY: SA/NT (Q4 2020)



CONSUMER ANXIETY: TAS

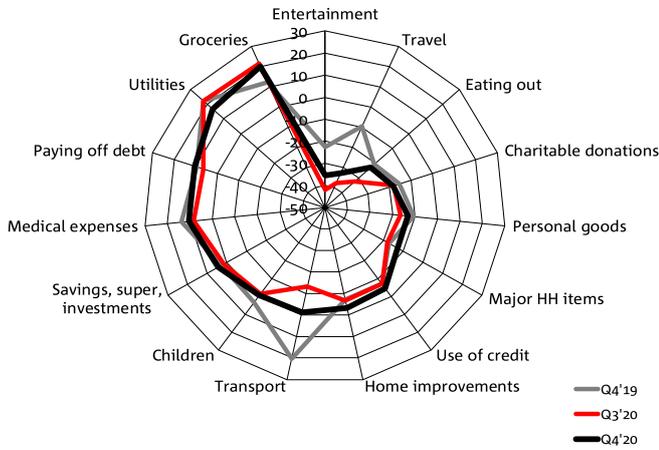


CONSUMER ANXIETY: TAS (Q4 2020)

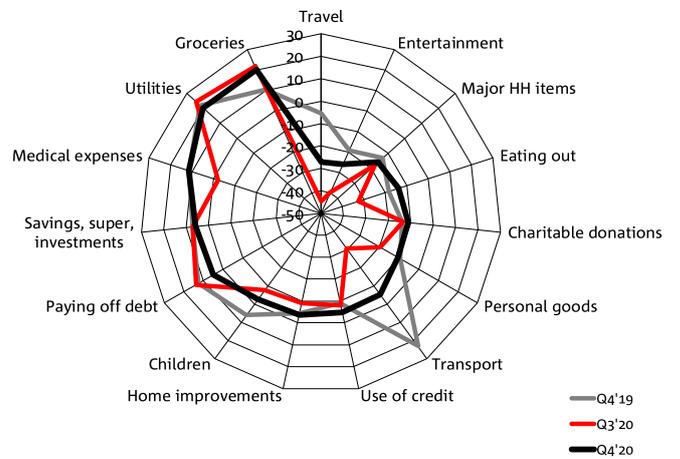


APPENDIX 2: CHANGES IN SPENDING PATTERNS- STATES

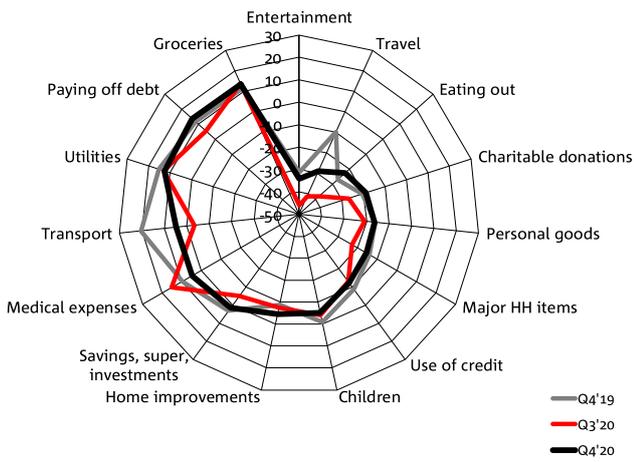
NSW/ACT: CHANGES IN SPENDING PATTERNS (net balance)



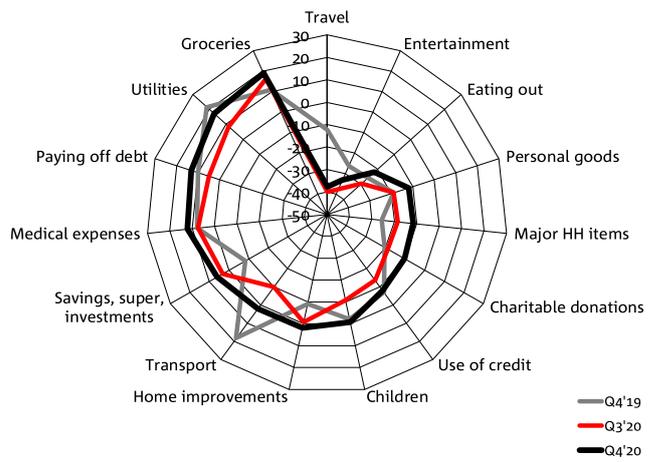
VIC: CHANGES IN SPENDING PATTERNS (net balance)



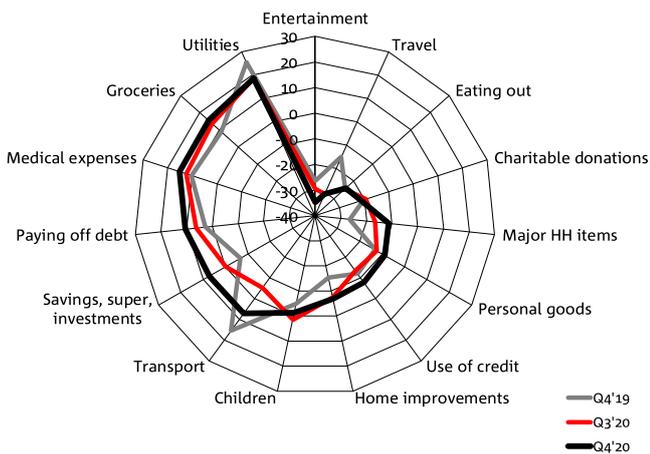
QLD: CHANGES IN SPENDING PATTERNS (net balance)



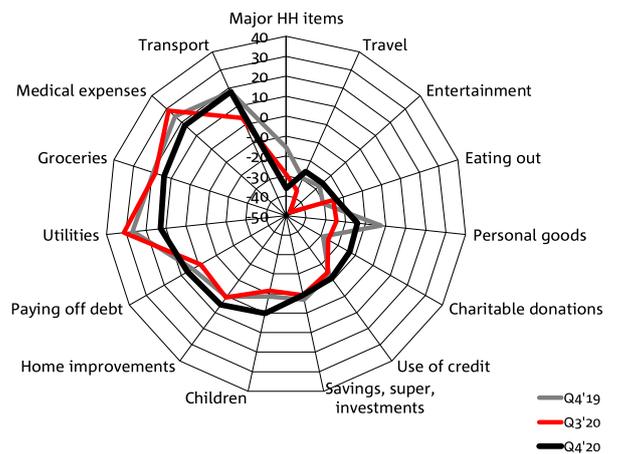
WA: CHANGES IN SPENDING PATTERNS (net balance)



SA/NT: CHANGES IN SPENDING PATTERNS (net balance)



TAS: CHANGES IN SPENDING PATTERNS (net balance)



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