



more
than
money



NAB Consumer Sentiment Survey Q2-2022

23 June 2022

NAB Consumer Sentiment Survey

Q2-2022

Insights into consumer stress, attitudes, price perceptions, spending patterns and buying behaviours.

Consumer stress up again due to the rising cost of living. But this is being offset by falling job pressures, which have hit a 4-year low.

Consumers are increasingly changing their spending & lifestyle patterns to tackle price concerns. Purchasing expectations over the next year have also fallen sharply, particularly for travel.

NAB Behavioural and Industry Economics

The NAB Consumer Stress Index increased for the second straight quarter to 56.4 pts in Q2 2022, from 55.7 pts in Q1. Higher stress was again largely associated with rising concern over cost of living, which jumped a further 2.3 pts during the quarter to 67.0 pts - its highest read since Q4 2018. Overall consumer stress remains lower than in the same quarter a year ago (57.8 pts), and is well below the survey average (58.7 pts). While there was an increase in stress associated with government policy (up 1.1 pts over the quarter to 61.1 pts), stress related to job security eased further to a 4-year low 41.4 pts. Consumer stress levels related to retirement funding was unchanged (56.4 pts), while stress related to health was marginally lower (down 0.6 pts to 54.7 pts).

By state, overall stress was highest in NSW (up 1.1 pts to 57.5 pts), but lifted most in WA (up 2.7 pts to 55.3 pts), with stress in both states driven mainly by cost of living (particularly in WA, up 6.9 pts to 68.7 pts). Consumer stress moderated in SA/NT (down 2.8 pts to 54.0 pts), TAS (down 1.8 pts to 52.4 pts and lowest in the country), and VIC (down 0.5 pts to 55.1 pts). Consumer stress remains highest in capital cities (unchanged at 56.4 pts), but increased in regional cities up 1.4 pts to 55.6 pts and rural areas (up 1.3 pts to 55.3 pts).

Cost of living stress however continues to be higher (and rose more) in regional cities (69.1 pts) and rural areas (67.8 pts) than in capital cities (66.2 pts).

The “stress gap” between the lowest (up 1.2 pts to 61.8 pts) and highest (down 0.6 pts to 52.9 pts) income earners widened to 8.9 pts in Q2 after narrowing in the last four quarters. The unemployed or those who lost their main source of income due to COVID (68.2 pts) continue have the highest stress of all groups by a large margin. Women (up 0.7 pts to 56. pts) and men (up 0.1 pts to 55.6 pts) both reported higher stress in Q2, but a sharper rise for women saw the “stress gap” widen to 1.0 pts from 0.4 pts in Q1. Consumer stress increased in all age groups except the over 65s (down 0.8 pts to 47.9 pts). Overall stress is highest in the 30-49 group (up 0.3 pts to 59.1 pts), who also reported the highest stress for job security (47.5 pts) and retirement funding (61.2 pts).

More Australian consumers are noticing price increases across a number of key categories. Grocery prices come in at number one, with a net +72% of consumers noting higher prices over the past 3 months (up from +50% at the same time last year). With travel and work restrictions easing and petrol prices rising, transport costs came in second (+66%) followed by utility costs (+59%).

With home loan interest rates rising, perceptions about rising mortgage costs also jumped sharply over the quarter to +41% (+21% in Q1). Relative to the previous quarter, we also noted large jumps in the net number of consumers who believe costs had increased for travel & holidays, eating out, entertainment, personal goods and major household items.

New NAB research (Cost of Living Special Report Q2 2022) also found consumers are not only noticing price increases more, but are changing their spending and lifestyle patterns to tackle them. Around one in 2 are switching to cheaper brands & shopping around, turning off electrical appliances & lights and making fewer car trips to save petrol. Over 4 in 10 have cancelled or cut back on food delivery & entertainment, coffees, snacks, lunches, etc. Encouragingly, 4 in 10 have created or are now following a budget and keeping better track of their spending.

As COVID restrictions relaxed, some analysts had predicted consumers would go on shopping sprees, so called “revenge spending”. Certainly, many households (particularly those on higher incomes) have the money to do so, having banked extra savings during the pandemic. And for a while it looked like they might be right. However, consumer expectations in regard to major household purchases over the next 12 months fell sharply in Q2 in all spending categories. Spending on holidays remains slightly positive (+2), but is down sharply from the previous quarter (+14). Despite concerns about inflation and the cost of living, until recently this had not significantly impacted on intentions to spend on travel. Significantly more consumers also said they expect to spend less on home renovations (-1 vs. +9 in Q1) and major household items (-14 vs. -6 in Q1).

In addition to monitoring consumer stress and the drivers, NAB also explores how consumer’s emotions, attitudes and preferences are affecting buying behaviour. Many habits formed during the crisis are likely to endure well beyond it. Consumers are more informed, but also more demanding and impatient for fast, efficient service. People are more willing to buy from businesses and brands that align with their values and location. Consumers are shopping more mindfully and cost-consciously, with demand for local, sustainable and value brands rising.

In line with rising levels of consumer stress, caution is the key theme with a net +44% of consumers in Q2 being more mindful where they spent their money. Around +35% were more conscious of buying Australian made rather than an overseas product (though down slightly from Q1) and supporting local businesses at +34% (also down from +39% in Q1). Consumers continue to be conscious of looking out for their local community and the businesses they serve. This means more businesses will have to adapt to smaller retail store spaces.

Other key themes include changing to less expensive products to save money (+32% vs. +27%), researching brand and product choices before buying (+27%) and making purchases because of great deals (+24%). There was a noticeable decline in consumers buying products based on delivery times and cost (+11% vs. +17%), purchasing online to avoid going into a store (+11% vs. +21%), buying products due to convenience (+8% vs. +15%), or buying online and picking up in-store (+3% vs. +10%).

They were also much less likely to have visited stores based on social distance, safety, and hygiene factors (+8% vs. +15%). The amount of time spent on screens and devices remains strong, although fell to +25% from +33% in Q1. Even before COVID, the majority of media content was being consumed on screens, requiring businesses to keep their customers engaged often across multiple devices. Consumers are also paying closer attention to the environmental, social and governance practices of businesses.

Despite lockdowns ending, and businesses re-opening, the home continues to be the hub of most activities. Previous NAB research showed that around 3 in 10 consumers were still actively avoiding places and people as much as possible because of COVID - i.e. a self-imposed lockdown. NAB’s survey data also points to an improvement in CBD visitations across Australia - though the net number of Australians who visited the CBD less often continues to heavily outweigh the number who visited more often (-53% in Q2 vs. -61% in Q1). That said, on balance there has been a big improvement in visitation in the 18-29 age group.

Key Tables

NAB Consumer Stress Index (100 = extremely concerned)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Consumer Stress Index	57.8	55.5	55.1	55.7	56.1
Job security	46.3	45.0	42.4	42.1	41.4
Health	57.6	53.5	54.5	55.3	54.7
Ability to fund retirement	60.6	55.9	55.6	56.4	56.4
Cost of living	63.5	61.4	62.6	64.7	67.0
Government policy	60.8	61.8	60.7	60.0	61.1

Household Spending Patterns (net balance - spending more/less)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Non-essential spending	-19	-19	-12	-13	-21
Essential spending	12	9	13	13	5
Financial spending	5	2	3	3	-2
Overall Spending Behaviours	-6	-7	-2	-2	-10

Household Spending Patterns - Spending Category (net balance - spending more/less)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Travel/Holidays	-28	-33	-16	-13	-16
Eating out	-18	-24	-14	-15	-29
Entertainment	-29	-36	-22	-20	-29
Groceries	18	24	19	19	4
Home improvements	-5	-3	-1	-3	-12
Major household items	-18	-13	-13	-13	-20
Utilities	18	24	15	16	8
Personal goods	-15	-11	-8	-10	-19
Medical expenses	13	10	14	12	3
Transport	9	-8	18	20	11
Children	1	-4	-1	-1	-3
Paying off debt	14	8	7	8	5
Use of credit	-8	-8	-6	-8	-10
Savings, super, investments	7	7	8	8	-1
Charitable donations	-19	-14	-12	-15	-22

Extent Costs Have Changed in last 3 Months (net balance - costs more/less)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Travel/Holidays	12	0	27	30	48
Eating out	20	6	35	37	53
Entertainment	6	-8	22	24	40
Groceries	50	49	58	64	72
Home improvements	36	30	42	45	52
Major HH items	23	21	31	38	49
Utilities	48	48	49	49	59
Telecoms	32	29	31	29	34
Personal goods	23	16	32	36	48
Medical expenses	35	28	35	40	45
Transport	34	17	51	52	66
Children	29	12	28	30	37
Mortgage	14	10	23	21	41
Rent	34	25	39	38	45
Other debt	24	18	25	28	32

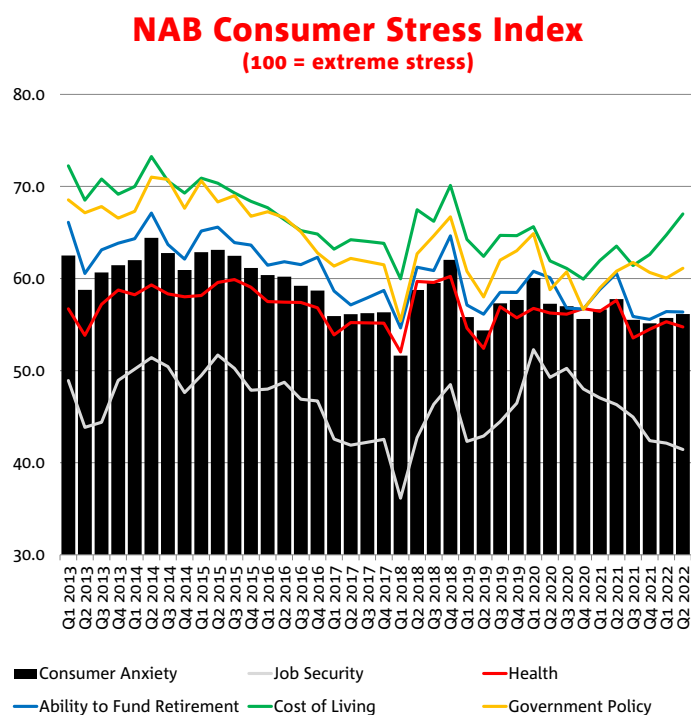
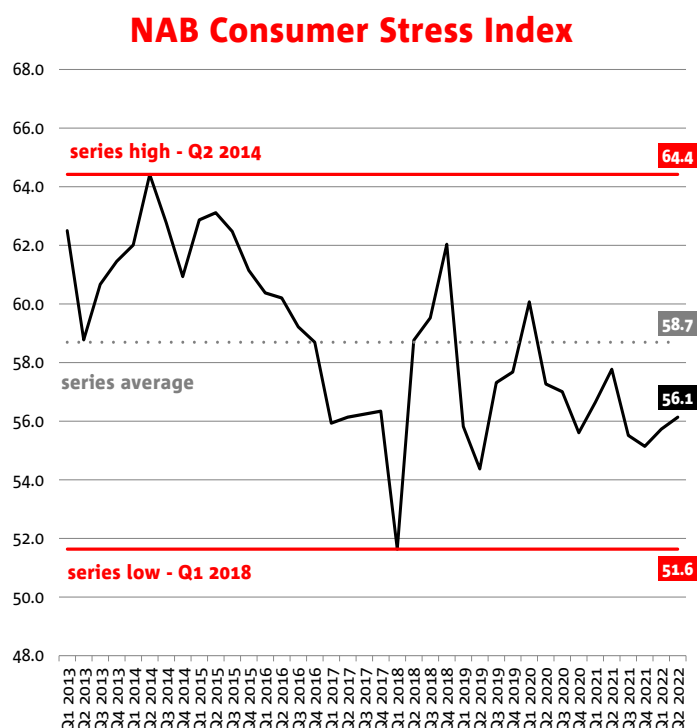
Added Most to Cost of Living in Last 3 Months (% of all responses)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Travel/Holidays	6%	4%	6%	6%	7%
Eating out	17%	14%	17%	16%	16%
Entertainment	4%	4%	5%	5%	4%
Groceries	60%	65%	63%	68%	75%
Home improvements	14%	13%	13%	13%	8%
Major HH items	9%	8%	7%	8%	5%
Utilities	47%	50%	41%	41%	41%
Telecoms	14%	17%	14%	11%	9%
Personal goods	11%	11%	11%	10%	9%
Medical expenses	22%	18%	18%	18%	15%
Transport	23%	21%	37%	41%	47%
Children	8%	6%	7%	7%	5%
Mortgage	17%	11%	13%	12%	12%
Rent	15%	16%	17%	13%	16%
Other debt	9%	7%	5%	5%	3%

Expectations for Major Purchases in Next 12 Months (net balance - spend more/less)

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Major household	-9	1	0	-6	-14
Car	-6	-1	1	0	-6
Property (residence)	-2	3	4	2	-5
Property (investment)	-8	1	-5	-5	-11
Home renovation	7	9	9	9	-1
School fees (Private and Catholic)	-5	-4	-3	-9	-13
Holiday	2	15	15	14	2
Private health insurance.	1	-1	1	4	-2
Other Investments (excluding property)	-3	6	0	0	-6

NAB Consumer Stress Index



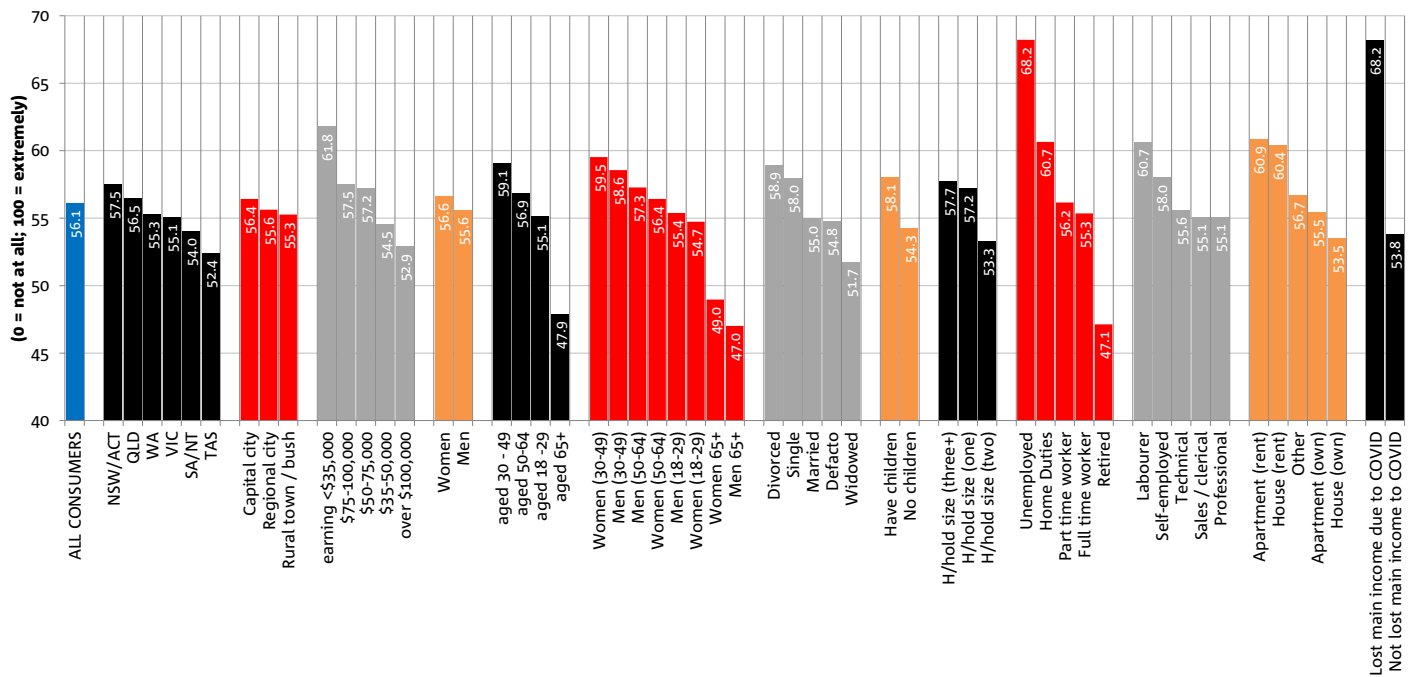
There are several consumer confidence measures frequently published in Australia. Consumer confidence is a lagging, not leading indicator with changes in the economy often only “felt” by consumers months later. NAB’s measure of consumer sentiment is based on typical household stresses around job security, health, ability to fund retirement, cost of living and government policy and how consumers see these factors impacting their spending and savings plans. The NAB Consumer Stress Index increased for the second straight quarter to 56.4 pts in Q2, from 55.7 pts in Q1. It was however down from 57.8 pts in the same quarter a year ago and is still well below the survey average (58.7 pts).

Higher stress was again largely associated with rising worry over cost of living, which jumped a further 2.3 pts during the quarter to 67.0 pts - its highest read since Q4 2018. Rising inflation is underpinning higher cost of living stress, with the CPI rising 5.1% over the year to Q1 2022 - the largest annual change since the GST was introduced in June 2001. Recent statements from the Treasurer suggest pressure on households is intensifying, and the inflation challenge facing consumers is now worse. Recent NAB research also found consumers are not only noticing price increases more (particularly when spending on groceries, transport, and utilities), but are changing their spending and lifestyle patterns to tackle them (NAB Consumer Insights: Cost of living pressures - What’s driving it, and what changes to spending & lifestyle have consumers made in response?).

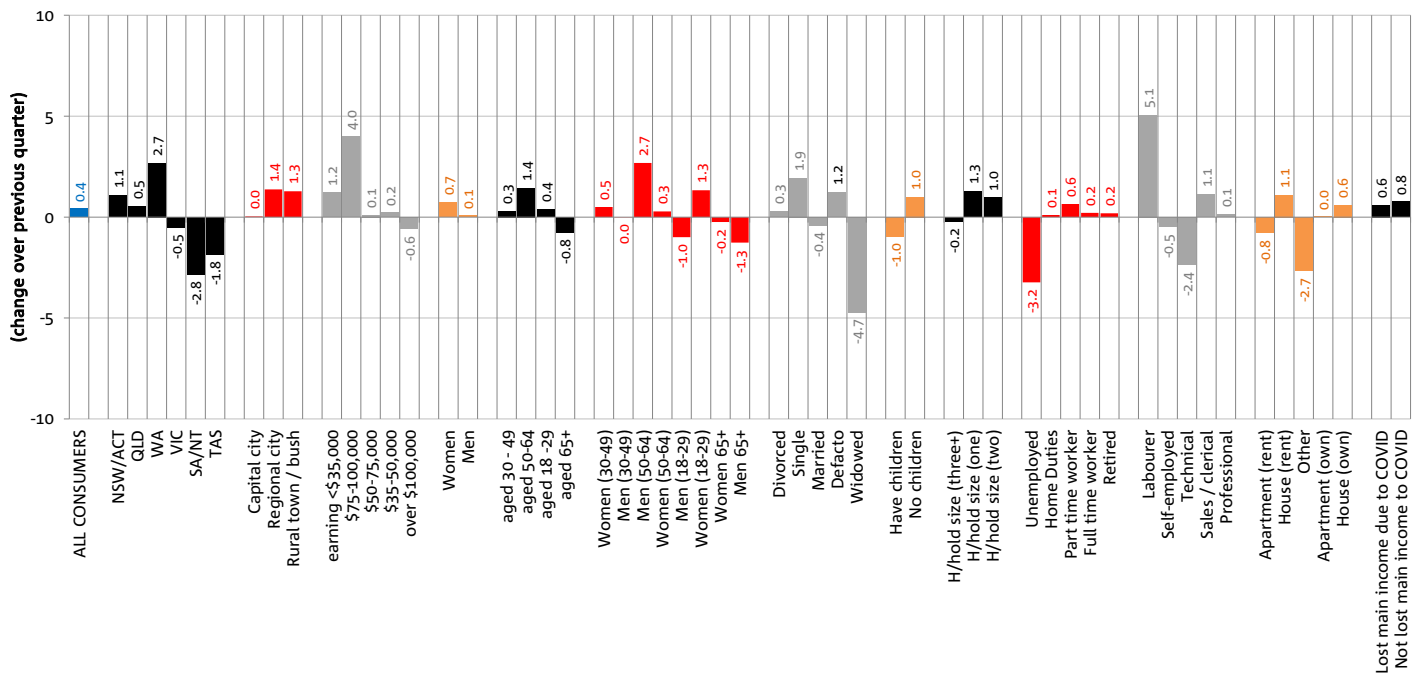
In Q2, Australian consumers also reported a noticeable increase in stress associated with government policy (up 1.1 pts over the quarter to 61.1 pts). But with the labour market remaining very strong and widely expected to remain so through 2022, stress related to job security eased further to a 4-year low 41.4 pts. Consumer stress levels related to retirement funding was unchanged over the quarter (56.4 pts), with stress related to health marginally lower (down 0.6 pts to 54.7 pts).

By state, results were mixed. Overall stress was highest in NSW (up 1.1 pts to 57.5 pts) but lifted most in WA (up 2.7 pts to 55.3 pts), with higher stress in both states driven mainly by cost of living (particularly in WA where it rose 6.9 pts to 68.7 pts and was highest in the country). Consumer stress moderated in SA/NT (down 2.8 pts to 54.0 pts), TAS (down 1.8 pts to 52.4 pts and lowest in the country), and VIC (down 0.5 pts to 55.1 pts). Lower stress in SA/NT was largely due to reduced stress from job security, health and government policy, in TAS government policy and VIC ability to fund retirement. Job security stress was highest by some margin in NSW/ACT (45.4 pts) and lowest in TAS (32.4 pts). Stress related to health was highest in VIC (56.1 pts) and lowest in SA/NT (52.9 pts). Retirement funding concerns were also highest in NSW/ACT (58.1 pts) and lowest in TAS (52.8 pts), with stress over government policy highest in QLD (62.5 pts) and lowest in TAS (57.2 pts). Consumer stress was highest in capital cities (unchanged at 56.4 pts) and increased in regional cities up 1.4 pts to 55.6 pts) and rural areas (up 1.3 pts to 55.3 pts). Despite a small improvement, job security is still weighing more heavily on consumers in capital cities (43.0 pts) than in regional cities (38.2 pts) and rural areas (37.6 pts). Cost of living stress however continues to be higher (and rose more) in regional cities (69.1 pts) and rural areas (67.8 pts) than in capital cities (66.2 pts).

NAB Australian Consumer Stress Index: Categories



NAB Australian Consumer Stress Index: Categories (chg on last qtr)



Women (up 0.7 pts to 56. pts) and men (up 0.1 pts to 55.6 pts) both reported higher stress in Q2, but a sharper rise for women saw the “stress gap” widen to 1.0 pts from 0.4 pts in Q1. Men still report higher stress over job security (43.1 pts men; 39.8 pts women) and government policy (61.8 pts men; 60.5 pts women), and women for retirement funding (58.2 pts women; 54.5 pts men) and health (54.9 pts women; 54.6 pts men). Cost of living stress is still much higher for women and rose 2.6 pts to 69.9 pts, but by a more sedate 1.9 pts to 64.0 pts for men.

Consumer stress increased in all age groups except the over 65s (down 0.8 pts to 47.9 pts), with this group also reporting much lower stress from job security, retirement funding and cost of living. Stress increased most in the 50-64 age group (up 1.4 pts to 56.9 pts), driven mainly by cost of living (up 5.0 pts to 69.6 pts and highest of all age groups). Overall stress was highest in the 30-49 group (up 0.3 pts to 59.1 pts), who also reported the highest stress for job security (47.5 pts) and retirement funding (61.2 pts).

In other findings, the “stress gap” between the lowest (up 1.2 pts to 61.8 pts) and highest (down 0.6 pts to 52.9 pts) income earners stretched to 8.9 pts in Q2 after narrowing in the last four quarters. Stress in the lowest relative to highest income group remains higher for all measures, particularly health (62.4 pts vs. 50.4 pts), cost of living (74.0 pts vs. 63.2 pts) and retirement funding (63.47 pts vs. 53.1 pts). The unemployed or who lost their main source of income due to COVID (68.2 pts) continue have highest stress of all groups by a large margin.

General level of concern over the economy

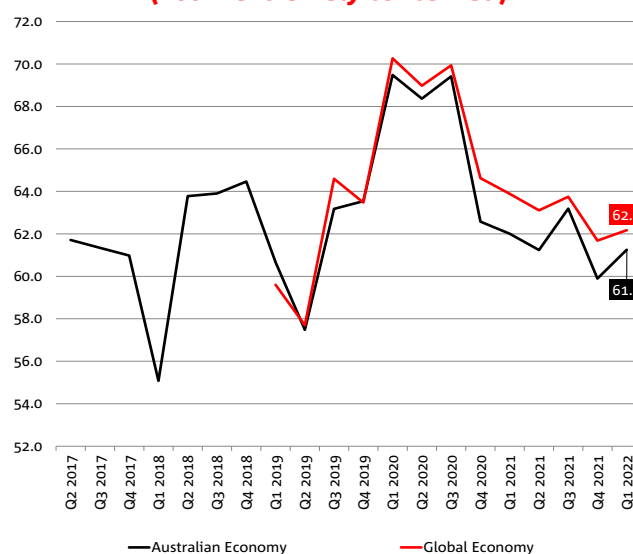
NAB Economics recently lowered our Australian GDP forecast for this year and next, upped our near-term inflation outlook and incorporated a new, front loaded rate track for the RBA. Our outlook for the labour market is broadly unchanged in the near term, with unemployment expected to continue to decline and wage growth to pick up, but we have increased the unemployment rate profile further out. GDP is expected to now grow at 2.7% this year, a below trend 1.8% in 2023 and around 2.0% in 2024. The strength in labour demand indicators still provides us confidence that the unemployment rate will decline in the near-term, though a weaker growth outlook in the out years sees unemployment back up to around 4% by end 2024. We have also upped our inflation forecast over the next two quarters, which sees headline CPI peak at around 6.3% in Q3 and trimmed-mean inflation at around 5%. This, in combination with the RBA’s post meeting statement mean we now expect a front-loaded rate track, with 50bp hikes expected at each of the next two meetings with a 25bp follow up in November. We see the cash rate at around 2.6% by end 2023.

In terms of the global economy, global inflation remains high and showing no signs of easing, placing pressure on household finances. Together with central bank interest rate rises, this is likely to slow growth. The speed and degree of policy tightening may prove too much for economies to handle, particularly given

the commodity price shock currently in play. As a result, recession risk for several of the major advanced economies, including the US, is uncomfortably high. China is also starting to see a recovery in activity as restrictions have been eased although there is considerable uncertainty around the outlook given the continuation of zero-COVID health policies. Our forecast for global growth is 3.4% in 2022, 3.2% in 2023 (previously 3.4%), and 3.1% in 2024; note, however, that we are currently reviewing our US forecast in the light of this week’s Fed meeting.

Against this background, Australian consumers indicated they were more worried more about the impact on their future spending and savings plans from both the domestic (up 1.9 pts to 63.2 pts) and global (up 2.4 pts to 64.6 pts) economies in Q2. Higher concern over the domestic economy was reported in all states bar SA/NT. It was highest in QLD (66.1 pts), but increased most in WA (up 5.3 pts to 61.7 pts). Though also rising sharply, concern was lowest in TAS (up 4.0 pts to 60.4 pts). Regarding the international economic situation, concern also increased in all states (bar TAS). It was highest in QLD (66.9 pts) and lowest in TAS (58.5 pts). It was also clear that concern over the global economy weighed more heavily on consumers than did their concern over the domestic economy in all states (bar TAS).

**Concern About Economic Situation
(100 = extremely concerned)**



	NSW	VIC	QLD	WA	SA/NT	TAS
Level of concern about Australian economy						
Q2 21	60.7	63.3	60.7	58.7	61.6	61.5
Q1 22	61.6	61.4	63.0	56.4	62.6	56.4
Q2 22	62.5	63.3	66.1	61.7	61.0	60.4
Level of concern about Global economy						
Q2 21	63.7	62.9	63.0	63.5	60.9	64.4
Q1 22	63.1	61.5	63.1	58.9	63.0	59.4
Q2 22	63.5	64.9	66.9	64.4	64.1	58.5

Cost of living pressures

How customers perceive prices is often as important as the price itself. To help understand this, NAB looks at cost of living perceptions through the eyes of Australian consumers by asking if they believe the cost of key goods and services increased or decreased in the past 3 months. Results are reported in net balance terms (i.e. a positive result indicates the number who believe costs increased outweighs those who believe it fell. A negative result signals more consumers believe cost has fallen than risen. The results are summarised in the chart below.

It shows that more consumers think costs increased than fell across the board in the past 3 months. Perceptions of higher prices were most evident for groceries, where a net +72% said they increased (+64% in Q1 and +50% at the same time last year). With travel and work restrictions easing and petrol prices rising, the net number who said transport costs increased also rose sharply to +66% (+52% in Q1 and +34% at the same time last year), while utility costs increased according to a net +59% of consumers (49% in Q1).

With mortgage interest rates rising, perceptions about rising mortgage costs also jumped sharply over the quarter to +41% (+21% in Q1). Relative to the previous quarter, we also noted large jumps in the net number of consumers who believe costs had increased for travel & holidays (+48% vs. +30%), eating out (+53% vs. +37%), entertainment (+40% vs. +24%), personal goods (+48% vs. +36%), and major household items (+49% vs. 38%).

Groceries increased according to most consumers in all states (bar TAS), led by QLD (+81%) and SA/NT (+79%). QLD (+75%) and SA/NT (+73%) also had the highest number who said transport costs increased. Home improvement costs rose most in TAS (+66%), and was highest in the country. Utility costs impacted more people in QLD (+64%), VIC (+61%) and WA (+61%), and major household items in QLD (+55%), WA (+52%) and SA/NT (+62%).

Other areas that stood out were the higher number in WA (+56%) and QLD (+53%) singling out travel & holidays, WA personal goods (+57%), QLD rent (+60%), WA entertainment (+49%) and QLD & WA (+43%) children.

The survey also found higher numbers in regional cities who said costs rose in most areas, particularly groceries, utilities, home improvements, travel & holidays, personal goods, rent, medical expenses, mortgages, and entertainment. Noticeably more consumers in regional cities and rural areas, also said costs rose for transport, eating out and major household items than in capital cities, and in regional and capital cities for children. By age, significantly more consumers over 50 said costs rose in nearly all areas than those under 50, particularly home improvements, groceries, transport, major household items and travel & holidays. Higher costs related to children were more apparent in the 30-49 age group, with consumers in this group and those in the 50-64 age group also noting higher costs associated with other debts.

By gender, more women than men reported higher costs in all areas. The gap was highest for groceries (+78% women; +66% men), utilities (+65% women; +53% men), rent (+51% women; +40% men), medical expenses (+50% women; +40% men), and home improvements (+57% women; +48% men).

More consumers in all income groups said costs had risen than fallen in all categories. Though most consumers in all income groups said grocery prices had risen, higher grocery prices were highlighted by noticeably more consumers in lower income groups. Significantly more consumers in lower income groups also said prices had increased for personal goods, entertainment, telecoms, and other debts. Also noticeable was the much higher number of consumers in the \$50-75,000 p.a. income group that highlighted rising rents.

Consumers were also asked to identify the top 3 things that added most to their personal cost of living in the past 3 months. The chart below shows that not only did the cost of groceries increase according to most consumers in Q2, but also added the most to their personal cost of living pressures. Moreover, the number of consumers who said it added most to these pressures increased to 75% (or 3 in 4 consumers overall), from 68% in the previous quarter and 60% at the same time last year.

Transport was the next biggest contributor, with the number of consumers impacted climbing to 47%, from 41% in Q2 and more than twice as many than at the same time last year (23%). Utilities rounded out the top 3, with around 4 in 10 (41%) consumers indicating it added most to their personal living costs, unchanged from the previous quarter, but down from 47% at the same time last year.

Other areas that added to cost to of living pressures for a large number of Australians included eating out (16%), rent (16%), medical expenses (15%) and mortgages (12%). But the survey also revealed the number of consumers who said eating out added most to their personal cost of living in the past 3 months has been steady over the past year. More consumers however said rents were adding to their cost of living than in the previous survey, but the impact of mortgages was unchanged. Pressure on cost of living coming from medical expenses has however fallen quite noticeably over the past year.

Most consumers in all states said groceries added most to their personal cost of living, though it was somewhat higher in SA/NT (84%) and QLD (81%). Transport added to a lot more consumers in TAS (69%), and utilities in SA/NT (51%), WA (49%) and VIC (46%). TAS (21%) and NSW (20%) led for eating out, and TAS for medical expenses (25%). Mortgages were somewhat more problematic for consumers in NSW (15%) and VIC (14%).

By region, more consumers in capital cities said groceries (77%), utilities (43%) and eating out (18%) impacted their personal cost of living, with medical expenses and mortgages also impacting more consumers in capital and regional cities than in rural areas.

By age, groceries and transport added to the personal cost of living for somewhat more consumers under 50, and utilities somewhat more for consumers over 65. But noticeably more in the youngest age group (18-29) said eating out (29%), rent (27%) and personal goods (16%) added most to their personal cost of living. Along with consumers in the 30-49 age group, more also said mortgages and children impacted them than older consumers.

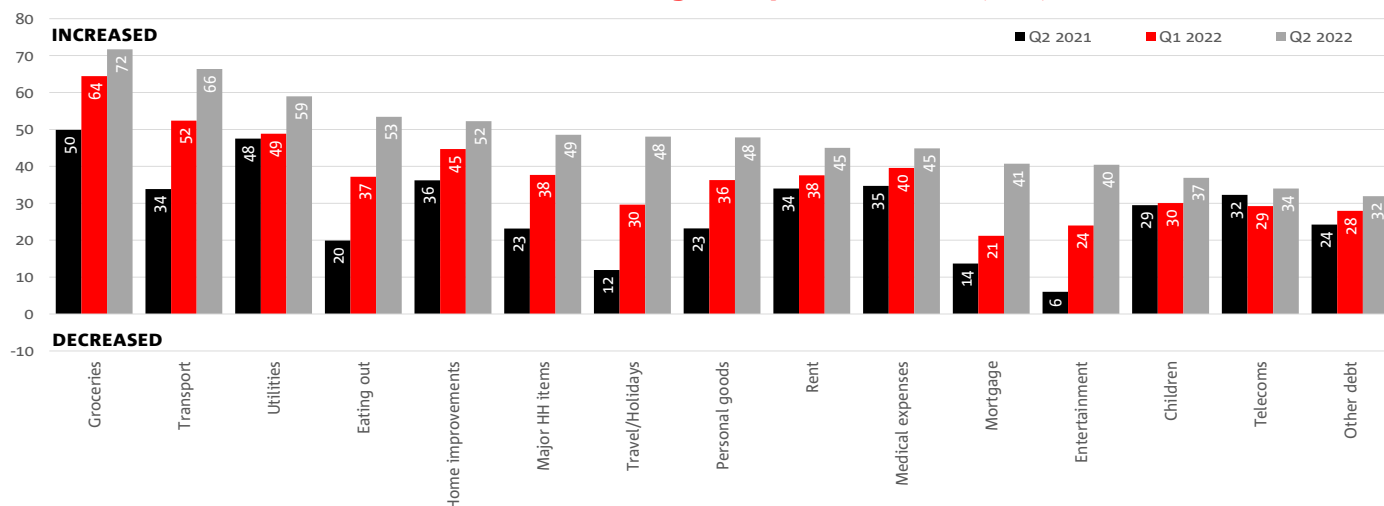
Women and men were in broad agreement in most areas, except groceries (78% women; 71% men) and utilities (45% women; 37% men), and eating out (18% men; 14% women).

Key differences by income included the higher number earning between \$35-75,000 p.a. impacted by transport costs, in the lowest (51%) and middle income group (20%) by rent, in the

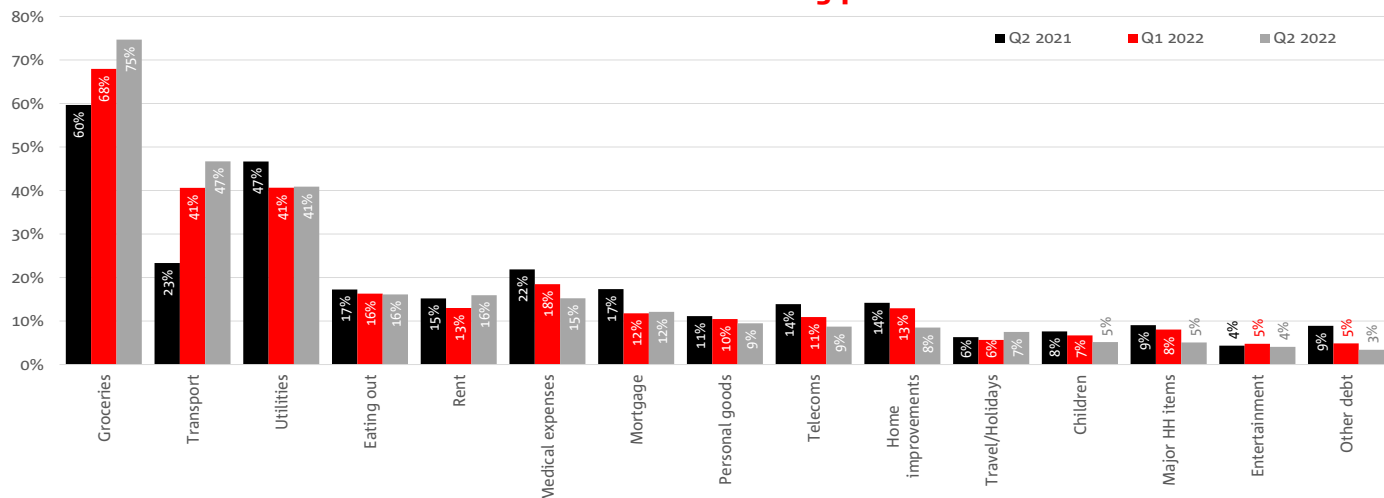
highest income group by eating out (21%), and among those consumers over \$75,000 p.a. by mortgages.

Further information around cost of living pressures is available in NAB's recently released NAB Consumer Insight Report: Cost of living pressures - what's driving it, and what changes to spending & lifestyle have consumers made in response (Q2 2022). The report found the amount of money a household needs to be able to afford the goods and services necessary to maintain their standard of living is steadily rising. Consumers are not only noticing price increases more (particularly when spending on groceries, transport and utilities), but are changing their spending and lifestyle patterns in an attempt to tackle them. Consumers are focussing more on their outgoings, prioritising essentials, and cutting back where they can.

Extent costs have changed in past 3 months (net)



Added most to cost of living pressure



Household spending patterns and expectations

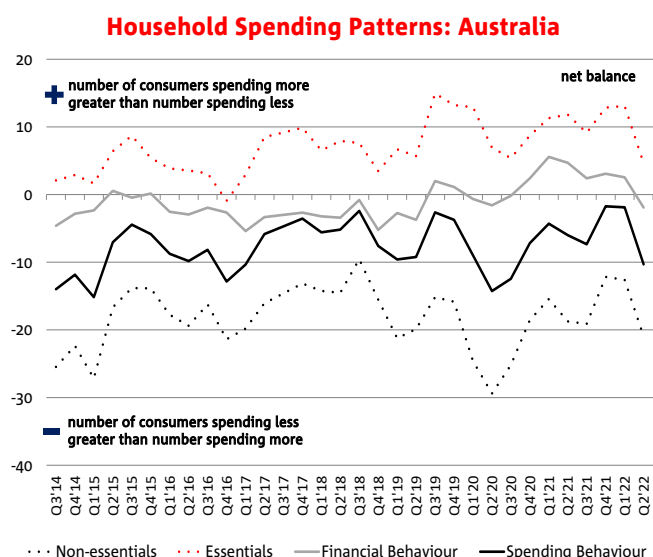
NAB's measure of household spending behaviour (which counts the number of consumers that spent more on a range of items against those that spent less) shows that consumers were much more cautious in Q2 with the overall spending falling sharply to -10, from -2 in Q1 and -6 at the same time last year.

Spending continues being driven by essentials, but the net number spending more in this category dropped sharply to +5, from +13 in Q1 and +12 one year earlier. The net number that cut back non-essential spending also climbed sharply to -21 (-13 in Q1), while financial spending was also negative (-2 from +3 in Q1).

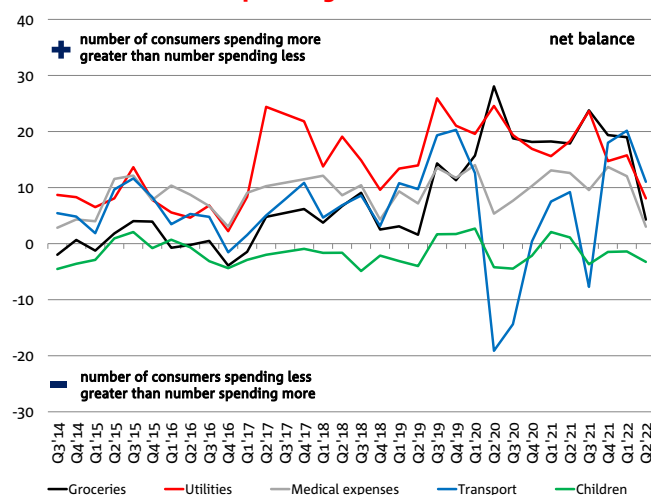
Overall spending patterns were significantly more negative in all states, with the net number cutting back climbing in all states. Consumers were most conservative in QLD (-15), WA (-14) and SA/NT (-13).

Overall, the net number of consumers spending more on essentials in Q2 fell sharply +5 (+13 in Q1), with consumers cutting back in all areas.

Though the net number spending more on essentials still outweighed those spending less, the number doing so fell considerably in most categories - easing to +4 for groceries (+19 in Q1), +11 for transport (+20 in Q1), +8 for utilities (+16 in Q1), and +3 for medical expenses (+12 in Q1). The net number that cut back spending on children also widened to -3 (-1 in Q1).



Household Spending Patterns - Essentials



The table below shows the net number spending more on essentials still outweighed those spending less in all states, but also dropped sharply in all states, except TAS where it climbed to +8 (0 in Q1). The net number of consumers spending more in WA and SA/NT has now also been largely cancelled out by those spending less (+1).

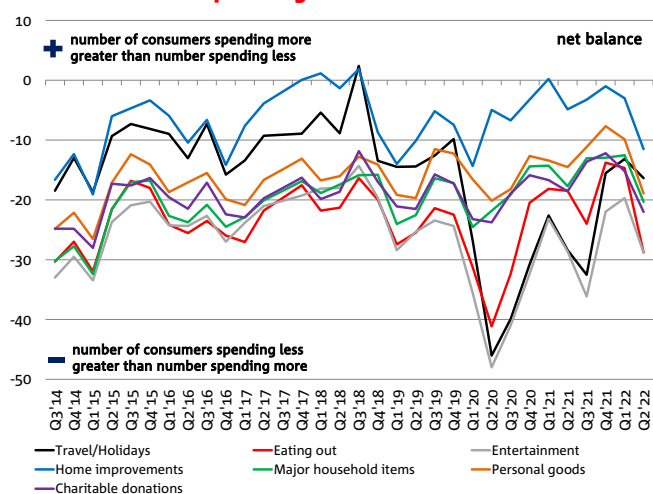
Household spending patterns: Overall (net balance)

	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
AUSTRALIA	-6	-7	-2	-2	-10
NSW/ACT	-4	-8	-3	-3	-7
VIC	-5	-5	1	2	-9
QLD	-11	-6	-2	-5	-15
WA	-6	-8	-5	2	-14
SA/NT	-5	-13	-3	-4	-13
TAS	-13	-8	1	-19	-7

Household spending patterns: Essentials (net balance)

	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
AUSTRALIA	12	9	13	13	5
NSW/ACT	13	8	12	12	7
VIC	14	9	14	15	5
QLD	9	15	12	12	1
WA	12	9	14	17	1
SA/NT	11	1	13	14	4
TAS	0	8	14	0	8

Household Spending Patterns - Non Essentials



The net number of consumers that cut back on their non-essential spending in Q2 also lifted sharply to -21, from -13 in Q1. The net number cutting back their non-essential spending rose in all monitored spending categories, with the biggest increases seen in the net number spending less on eating out (-29 vs. -15 in Q1), entertainment (-29 vs. -20), home improvements (-12 vs. -3), personal goods (-19 vs. -10), major household items (-20 vs. -13) and charitable donations (-22 vs. -15).

The table below further shows that non-essential spending behaviours were materially more conservative in all states bar TAS in Q2, where the net number that cut back their spending fell to -17 (-33 in Q1). Overall, the net number that cut back on non-essential spending increased most in WA (-25 vs. -9) and VIC (-19 vs. -6) but was highest in QLD (-27).

Household spending patterns: Non-Essentials (net balance)

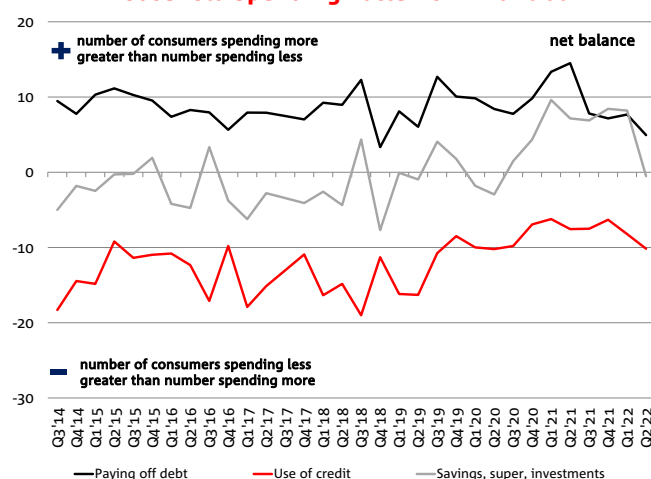
	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
AUSTRALIA	-19	-19	-12	-13	-21
NSW/ACT	-16	-21	-13	-13	-17
VIC	-19	-17	-7	-6	-19
QLD	-24	-21	-13	-16	-27
WA	-18	-22	-19	-9	-25
SA/NT	-17	-23	-14	-16	-24
TAS	-22	-18	-8	-33	-17

Financial spending patterns (paying off debt, using credit cards, and savings, investments & super) turned negative in Q2 for the first time in 2 years (-2).

The number of consumers spending less turned negative in all areas in Q2, led by super, savings or investments (-9 vs. -1). The net number paying off debt fell to -3 (+5 in Q1), and the number that cut back on their use of credit also moved to -2 (-8 in Q1), signalling more Australians may have turned to credit to help cope with the rising cost of living.

Financial spending behaviour in Q2 was negative in all states bar NSW/ACT, where the net number spending more remained unchanged at +2. Big turnarounds in behaviour were noted in most other states, particularly in WA (-6 vs. +5), VIC (-2 vs. +5) and QLD (-5 vs. +2).

Household Spending Patterns - Financial



Household spending patterns: Finance (net balance)

	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22
AUSTRALIA	5	2	3	3	-2
NSW/ACT	6	3	3	2	2
VIC	5	5	6	5	-2
QLD	4	2	3	2	-5
WA	5	1	-3	5	-6
SA/NT	-1	-3	4	0	-2
TAS	8	-7	-9	-7	-4

Consumer expectations about making major purchases in the next 12 months were mixed in Q1. With COVID travel restrictions loosening, expectations for making a major purchase in the next 12 months were most positive for holidays, with net number of consumers expecting to spend more on them basically unchanged at +14 (+15 in Q4 2021). More consumers also said they expect to spend more on home renovations (+9 and unchanged from Q4 2021), with intentions slightly more positive private health insurance (+4 vs. +1) and residential property (+2 vs. +4), with expectations for other investments and cars balanced (0).

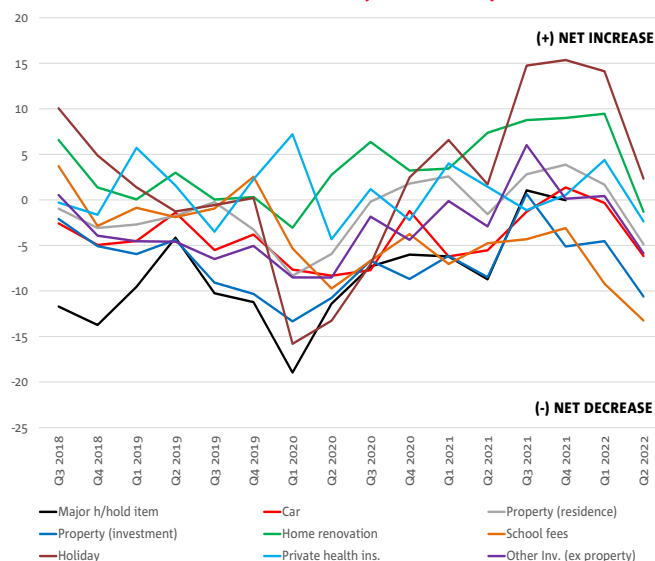
In other areas, the number who expect to spend less outweighed those who intend to spend more for school fees (-9 vs. -3).

Consumer expectations for making major purchases over the next 12 months varied widely across states. In NSW/ACT, the highest net number of consumers said they were planning to spend less on major household items (-16), but in VIC on investment property and school fees (-11), in QLD (-15) and SA/NT (-17%) on investment property, and in WA (-29) and TAS (-18) on school fees.

When it came to holidays, spending expectations were highest in TAS (+18) by some margin, followed by VIC (+8) and WA (+4). Intentions were broadly neutral in NSW/ACT (0), QLD (-1) and SA/NT (-1). Noticeably more consumers in TAS in net terms also had positive intentions to spend more home renovations (+18). On balance, more consumers expected to spend more on home renovations in WA (+6) and VIC (+3%) but spend less in SA/NT (-7), NSW/ACT (-5) and QLD (-3).

Slightly more consumers in Q2 planned to spend more over the next 12 months on private health insurance in TAS (+6), SA/NT (+3) and VIC (+1), but more consumers in WA (-6), NSW/ACT (-4) and QLD (-3) planned to cut back. TAS was the only state where the number expecting to spend more on residential property (+8) exceeded those who planned to spend less, which was highest in NSW/ACT (-8).

Expectations in regards to making major purchases in next 12 months (net balance)



Net expectations for other investments were negative in all states, led by SA/NT (-12) and WA (-10). WA was also the most negative state for car purchases (-13) and TAS the only state where the number intending to spend more was largely cancelled out by those intending to spend less (+1). SA/NT (-17) and QLD (-15) were the most negative states for spending on property investment.

Also apparent was the significantly higher number of consumers in WA (-29) who intended to spend less on school fees over the next 12 months and on major household items (-20) relative to other states.

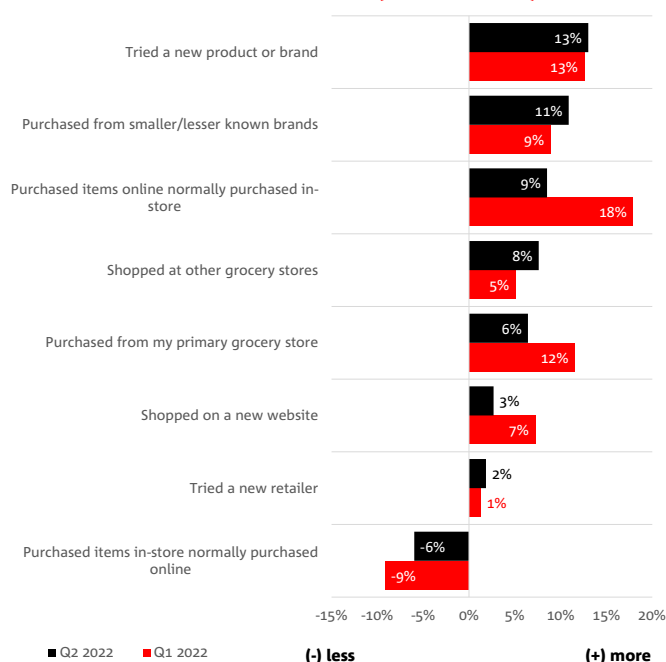
Expectations for making major purchases in next 12 months (net balance): State

	AUS	NSW/ACT	VIC	QLD	WA	SA/NT	TAS
Holiday	2	0	8	-1	4	-1	18
Home renovation	-1	-5	3	-3	6	-7	18
Private health insurance	-2	-4	1	-3	-6	3	6
Property (residence)	-5	-8	-4	-3	-5	-2	8
Other Investments (ex. property)	-6	-7	-3	-4	-10	-12	-3
Car	-6	-7	-1	-9	-13	-8	14
Property (investment)	-11	-8	-11	-15	-12	-17	1
School fees	-13	-12	-11	-10	-29	-12	-18
Major household item	-14	-16	-10	-12	-20	-16	-13

Shopping, purchasing and other behaviours

In this section, we explore how consumer behaviours and habits changed over the past 3 months in relation to a number of issues. Specifically, we explore whether they switched or tried new products, brands, stores, or ways of purchasing, if their household has been influenced by various cost, value, convenience, safety environmental, social or privacy issues, and whether behaviours changed around a number of more general themes.

Switched or tried a new product, brand, store or way of purchasing in these areas over last 3 months (net balance)



To establish how behaviours had changed, consumers were asked to think back over the past 3 months and rate the extent they switched or tried a new product, brand, store, or way or purchasing in the following areas compared to previously.

Behavioural change continued to be most evident in relation to purchasing items online normally purchased in-store, with the net number of consumers who did more of this unchanged over the quarter at +13%. The next biggest change was purchasing from smaller or lesser known brands (+11% vs. +9% in Q1).

In Q2, we noted a big fall in the number who indicated they purchased items online normally purchased in store to just +9%, halving from +18% in the previous quarter. We suspect the passing of the Omicron wave, return to work and widespread easing of Covid restrictions may have played big roles. The number who shopped at other grocery stores also increased slightly to +8% (+5% in Q1), while those buying from their primary grocery store halved to +6% (+12% in Q1).

We also saw a fall in the net number who shopped on a new website to +3% (+7% in Q1), and an increase in the net number of consumers who were less inclined to purchase items in-store normally purchased online (-9% vs. -6% in Q1).

By age, noticeably more consumers in the 18-29 age group altered their behaviours when it came to trying a new product or brand (+21%), buying items online normally purchased in-store (19%) or purchased from their primary grocery store (+17%). Behavioural change for older consumers over the age of 65 continues to be skewed toward doing less of most things compared to other age groups, particularly shopping on a new website (-11%), trying a new retailer (-11%) or purchasing items online normally purchased in store (-7%).

Behaviours were broadly aligned by gender, except for trying a new retailer where the number of men who changed their way of purchasing by trying a new retailer outweighed those who did not (+5%), whereas this behaviour was largely unchanged for women (-1%). Fewer men also cut back buying items in-store normally purchased online (-4% men; -8% women), but slightly more women bought items online normally purchased in-store (+10% women; +7% men).

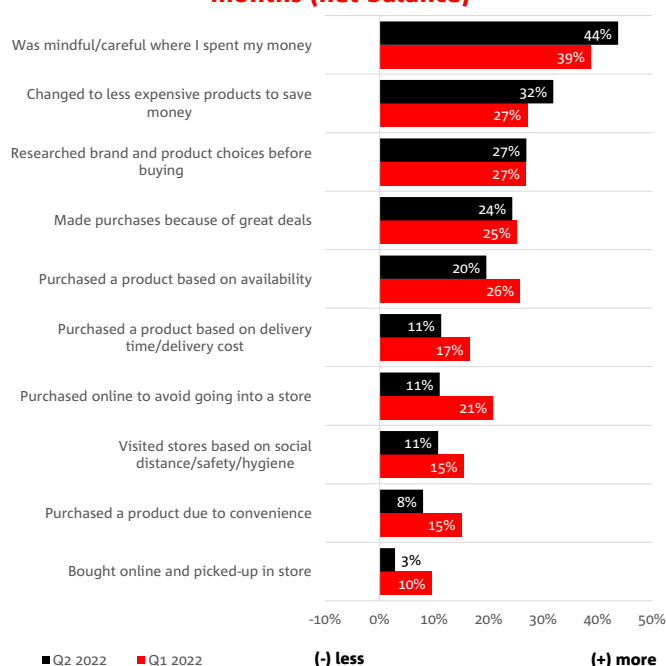
Switched or tried new product, brand, store or way of purchasing: Age and gender

	Overall	18-29	30-49	50-64	65+	Men	Women
Tried a new product or brand	13%	21%	14%	15%	2%	12%	14%
Purchased from smaller/lesser known brands	11%	17%	13%	10%	2%	10%	12%
Purchased items online normally purchased in-store	9%	19%	12%	8%	-7%	7%	10%
Shopped at other grocery stores	8%	12%	10%	9%	-2%	8%	7%
Purchased from my primary grocery store	6%	17%	6%	0%	2%	8%	5%
Shopped on a new website	3%	10%	8%	-1%	-11%	4%	2%
Tried a new retailer	2%	9%	7%	-1%	-11%	5%	-1%
Purchased items in-store normally purchased online	-6%	-1%	-4%	-8%	-13%	-4%	-8%

When asked how much their household had been influenced by a range of cost, value, convenience or safety issues, the net number who said they were more positively influenced outweighed those who were less influenced for all issues

But consumer caution is still the key theme, with a net +44% saying they were mindful or careful of where they spent their money, rising from +39% in Q1. A noticeably higher number also changed to less expensive products to save money (+32% vs. +27%). A broadly unchanged number researched brand and product choices before buying (+27%) or made purchases because of great deals (+24%).

Influenced by these costs, value, convenience or safety issues over last 3 months (net balance)



However, the number who purchased products based on availability fell to +20% (+26% in Q1), with fewer consumers also buying products based on delivery times and cost (+11% vs. +17%), purchasing online to avoid going into a store (+11% vs. +21%), buying products due to convenience (+8% vs. +15%), or buying online and picking up in-store (+3% vs. +10%). They were also much less likely to have visited stores based on social distance, safety, and hygiene factors (+8% vs. +15%).

The highest number of consumers in all age groups said they were mindful and careful about where they spent their money in Q2. Significantly more consumers in the 18-29 group also said they bought a product due to convenience (+21%) than in any other age group, and were also somewhat more likely to have purchased a product based on delivery time or cost (+21%), or researched brand and product choices before buying (+32%). Somewhat more consumers in the 30-49 age group however visited stores based on social distance, safety & hygiene issues (+13%), whereas consumers over the age of 65 were the only age group to report a net fall in the number buying products based on delivery time or cost (-4%), purchasing online to avoid going into a store (-2%) and purchasing a product due to convenience (-3%). Along with the 50-64 group, they were also the only age demographic to report a negative result for buying online and picking up in-store (-15% over 65; -4% 50-64).

By gender, significantly more women than men in Q2 were mindful or careful about where they spent their money (+50% women; +38% men), changed to less expensive products to save money (+38% women; +26% men), made purchases because of great deals (+27% women; +21%), or made purchases online to avoid going into stores (+15% women; +7% men).

Cost, value, convenience, safety issues: Age & gender

	Overall	18-29	30-49	50-64	65+	Men	Women
Was mindful/careful where I spent my money	44%	44%	44%	46%	40%	38%	50%
Changed to less expensive products to save money	32%	34%	34%	36%	22%	26%	38%
Researched brand and product choices before buying	27%	32%	28%	25%	22%	26%	28%
Made purchases because of great deals	24%	32%	31%	22%	8%	21%	27%
Purchased a product based on availability	20%	23%	25%	19%	9%	18%	22%
Purchased a product based on delivery time/delivery cost	11%	21%	17%	7%	-4%	10%	13%
Purchased online to avoid going into a store	11%	18%	16%	9%	-2%	7%	15%
Visited stores based on social distance/safety/hygiene	11%	8%	13%	10%	10%	8%	13%
Purchased a product due to convenience	8%	21%	10%	3%	-3%	9%	7%
Bought online and picked-up in store	3%	15%	11%	-4%	-15%	4%	1%

When asked how much their household purchasing decisions had been influenced by a range of environmental, social or privacy issues, the net number who indicated they were influenced more by all of these issues outweighed those who were less influenced.

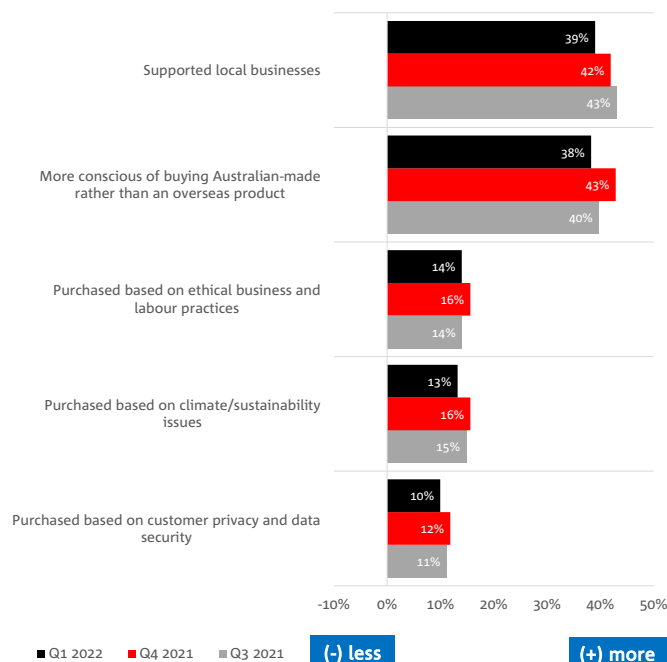
Most influential in terms of decision making in Q2 according to a net +35% of all consumers was being more conscious of buying Australian made rather than an overseas product at +35% (though down slightly from +38% in Q1). This was followed by supporting local businesses at +34% (also down from +39% in Q1).

A net +14% said they made purchases based on climate or sustainability issues such as carbon footprint, waste management, energy use, disposable packaging etc. (up slightly from +13% in Q4 2021), and +11% purchased based on ethical business and labour practices (though down a little from +14% in Q1).

Purchases based on customer privacy and data security influenced the lowest net number of consumers at an unchanged +10%.

Noticeably more Australians over the age of 50 (led by the over 65 group at +52%) were conscious of buying Australian-made rather than overseas products than Australians under 50 (particularly the 18-29 group at just +23%). More older Australians were also influenced to buy products to support local businesses, reaching +45% in the over 65 group, compared to +29% in the 30-49 group. But while the impact of both these factors was less pronounced for Australians under the age of 50, they continued to positively influence more consumers in this age group than any other factor. In contrast, purchasing decisions for noticeably more consumers in the 18-29 age groups were influenced by climate or sustainability issues (+20%) or purchases based on customer privacy and data (+15%). Making purchases based on ethical business and labour practices positively influenced a broadly similar number of consumers in all age groups in net terms.

Influenced by these environmental, social or privacy issues over last 3 months (net balance)



Gender outcomes in Q2 were broadly aligned for being more conscious or buying Australian-made (+37% women; +33% men), supporting local businesses (+35% women; +33% men) and making purchases based on customer privacy and data security (10% women; 10% men). But noticeably more women than men made purchases based on climate or sustainability issues (18% women; 11% men) or on ethical business and labour practices (14% women; 8% men).

Influenced by these environmental, social or privacy issues: Age and gender

	Overall	18-29	30-49	50-64	65+	Men	Women
More conscious of buying Australian-made rather than an overseas product	35%	23%	29%	41%	52%	33%	37%
Supported local businesses	34%	30%	29%	36%	45%	33%	35%
Purchased based on climate/sustainability issues	14%	20%	12%	12%	14%	11%	18%
Purchased based on ethical business and labour practices	11%	10%	12%	12%	12%	8%	14%
Purchased based on customer privacy and data security	10%	15%	10%	8%	7%	10%	10%

When consumers were asked how behaviours had changed for a series of other themes, positive change was again most evident in relation to cooking from home +37% (+36% in Q1), and amount of time spent on screens and devices, though this fell to +25% from +33% in Q1. Other areas where the number of consumers had done more out-weighed those that had done less were use of social media (+12% vs +18% in Q1), purchased based of the health benefits of the product or service (+5% vs. +10%), and doing home maintenance, improvements, gardening etc. (+3% vs. +11%). We also noted a further reduction in the net number who said they were working more from home to +1% (+7% in Q1).

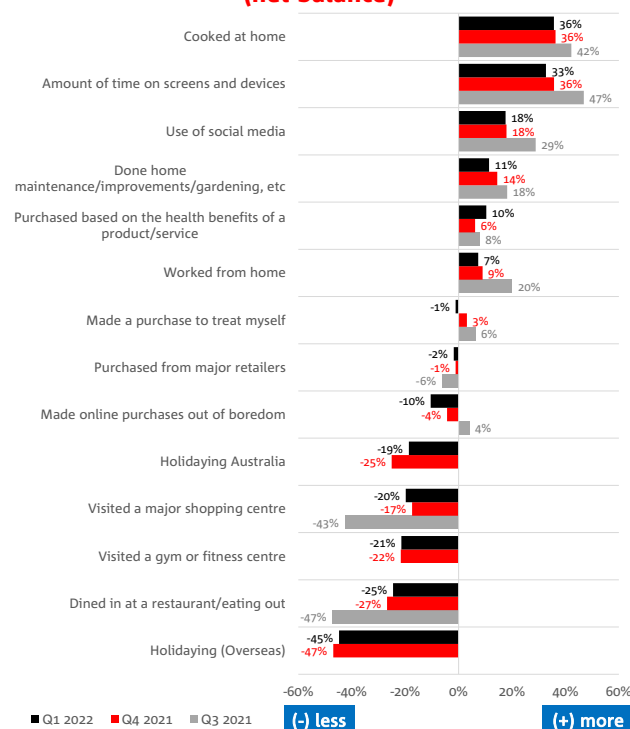
The number of consumers who spent less time holidaying overseas continues to greatly exceed those that holidayed overseas more, but eased to -34% (-45% in Q1). The net number who dined in at a restaurant or ate out was also still very negative and broadly unchanged at -24%, as was the number who visited a gym or fitness centre (-18% vs. -21%), or holidayed in Australia (-17% vs. -19%). Noticeably more consumers also cut back on purchases to treat themselves (-11% vs. -1% in Q1) and on making online purchases out of boredom (-16% vs. -10%), but fewer cut back on visits to major shopping centres (-14% vs. -20%).0% men).

In Q2, more consumers in the 18-29 age group cooked more from home (+45%), spent time on screens and devices (+31%), purchased from major retailers (+12%) or made a purchase to treat themselves (+12%) relative to other age groups. In contrast, we found a much larger number of Australians over 50 who said they did less of most things, with this gap greatest for holidaying overseas, dining in at restaurants or eating out, making purchases to treat themselves and visiting gyms or fitness centres.

By gender, key differences included the noticeably higher number of women who said they cut back on dining at restaurants and

eating out (-32% women; -16% men), holidayed in Australia (-23% women; -10% men), visited a major shopping centre (-20% women; -8% men), and went to gyms or fitness centres (-24% women; -12% men).

Extent behaviours changed for each of the following over last 3 months (net balance)

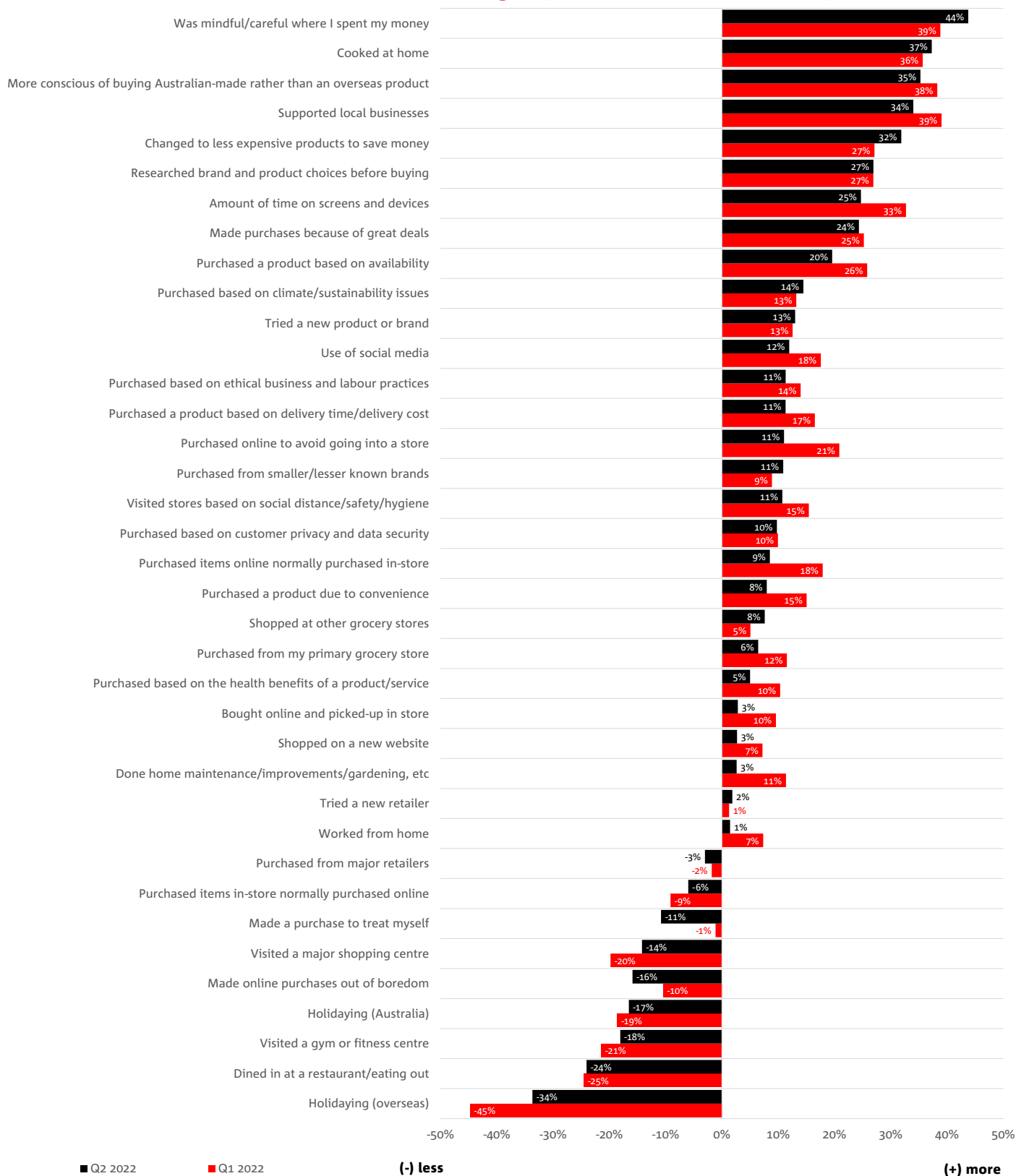


Other household behavioural changes: Age and gender

	Overall	18-29	30-49	50-64	65+	Men	Women
Cooked at home	37%	45%	37%	37%	30%	35%	39%
Amount of time on screens and devices	25%	31%	24%	25%	20%	22%	27%
Use of social media	12%	35%	13%	3%	-4%	11%	13%
Purchased based on the health benefits of a product/service	5%	9%	10%	-1%	0%	5%	5%
Done home maintenance/improvements/gardening, etc	3%	3%	2%	5%	0%	4%	1%
Worked from home	1%	6%	8%	-2%	-10%	2%	1%
Purchased from major retailers	-3%	12%	0%	-11%	-16%	0%	-6%
Made a purchase to treat myself	-11%	5%	-7%	-24%	-22%	-7%	-14%
Visited a major shopping centre	-14%	2%	-8%	-26%	-28%	-8%	-20%
Made online purchases out of boredom	-16%	-1%	-12%	-22%	-30%	-15%	-17%
Holidaying (Australia)	-17%	-9%	-11%	-22%	-27%	-10%	-23%
Visited a gym or fitness centre	-18%	-8%	-14%	-27%	-25%	-12%	-24%
Dined in at a restaurant/eating out	-24%	1%	-21%	-38%	-41%	-16%	-32%
Holidaying (overseas)	-34%	-22%	-26%	-42%	-50%	-28%	-39%

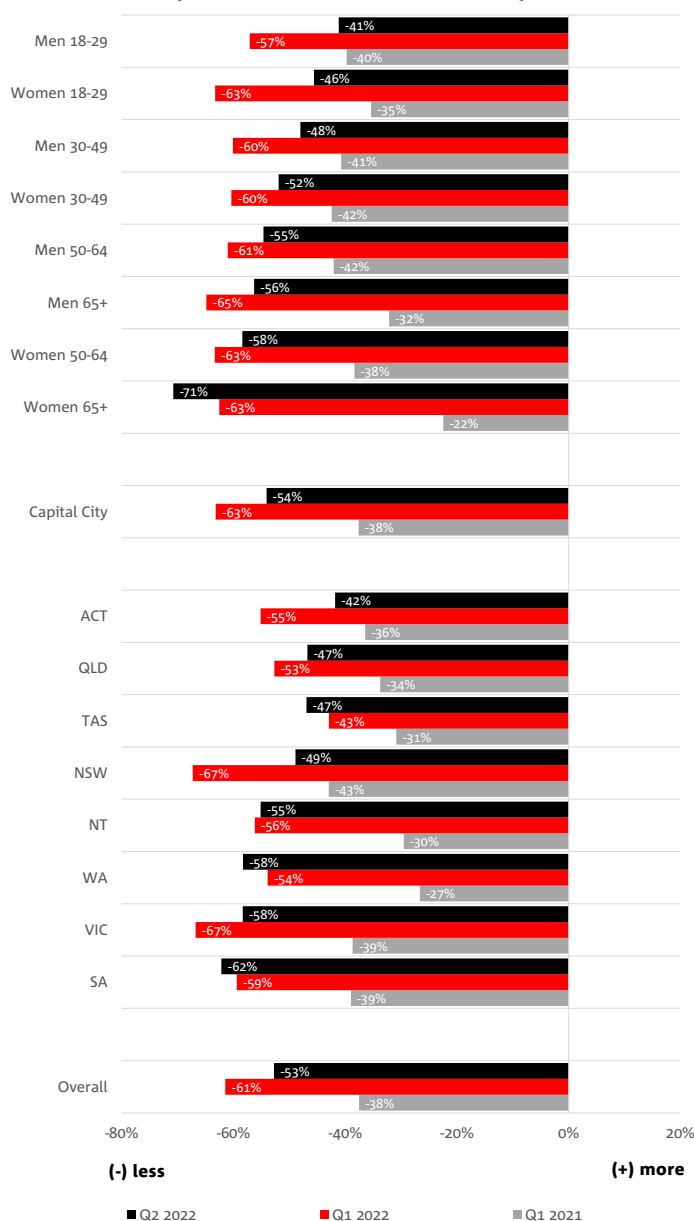
All behavioural changes

Extent behaviours have changed (net balance - more or less)



Special insight: CBD visitation

Extent visits to CBD have changed (net balance - more or less)



With much of the country now free from Covid restrictions, and the return to the office accelerating across Australia's largest cities (though still well below pre-Covid levels), NAB's survey data pointed to an improvement in CBD visitations across Australia - though the net number of Australians who visited the CBD less often continued to heavily outweigh the number who visited more often.

When asked to what extent their visits to the CBD had changed since COVID, on balance -53% said they visited less in Q2. Though this improved from -61% in the previous quarter, it was still well above the amount when NAB first asked consumers about their CBD visits in Q1 2021 (-38%).

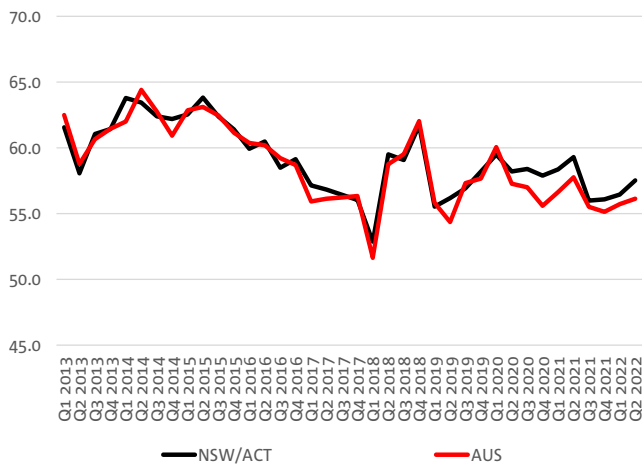
The highest number of consumers that cut back visits to their local CBD in Q2 were in SA, and the number increased to -62% from -59% in Q1. It was next highest in VIC at -58% (but represented a noticeable improvement from -67% in Q1), and WA where it rose to -58% (from -54% in Q1). Visitation was broadly unchanged in the NT (-55%), but improved substantially in NSW to -49% (from -67% in Q1). CBD visitation worsened a little in TAS (-47% vs. -43% in Q1), but improved in QLD (-47% vs. -53% in Q1). The lowest net number that cut their visits to the CBD were in the ACT, and it fell noticeably to -42% from -55% in Q1.

A net -54% of consumers living in capital city areas visited their local CBD less often in Q2, an improvement from -63% in the previous quarter but still worse than in Q1 2021 when visitation numbers were at -38%.

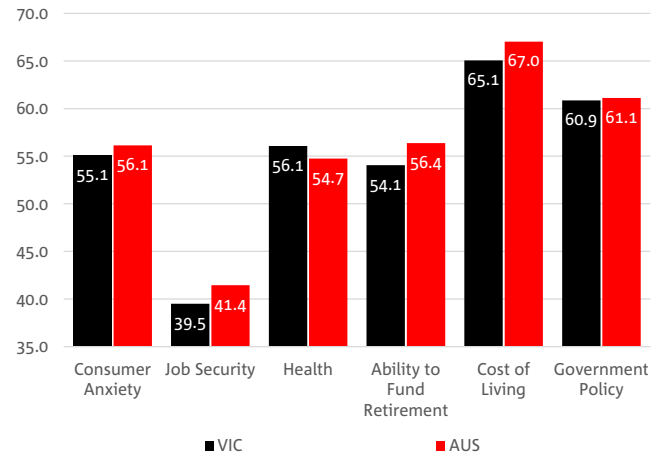
By gender and age, CBD visits improved in all groups, except for women over 65 where it rose to -71% (-63% in Q1). The survey results also showed a big improvement in the net number of men and women in the 18-29 age group who visited the CBD less in Q2, with their numbers over the quarter falling from -57% to -41% for men and -63% to -46% for women.

Appendix 1: Consumer Stress - States

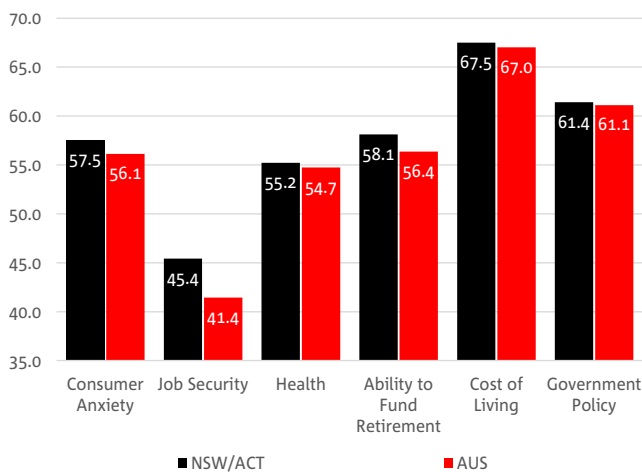
Consumer Stress: NSW/ACT



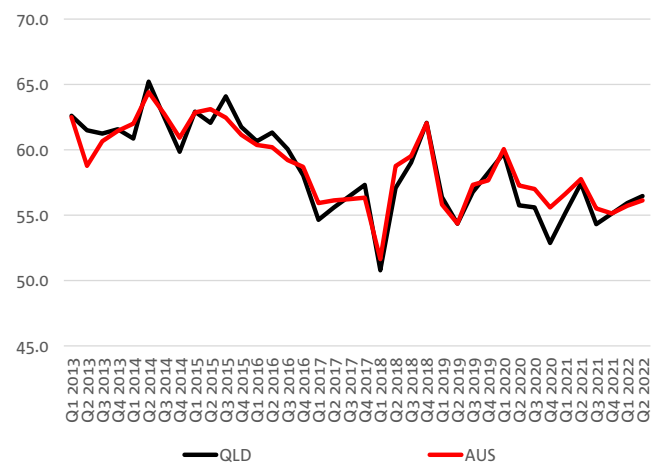
Consumer Stress: VIC (Q2 2022)



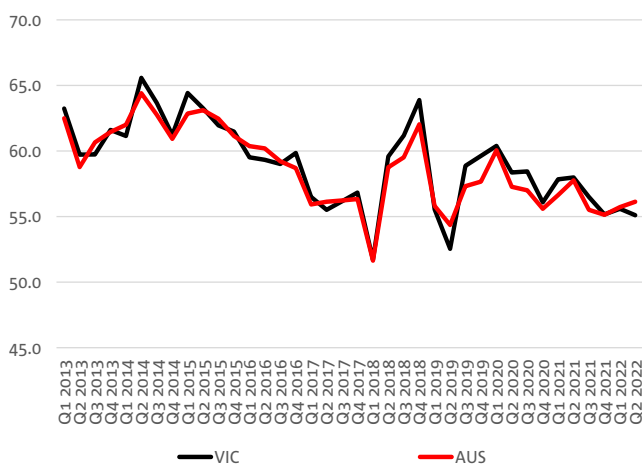
Consumer Stress: NSW/ACT (Q2 2022)



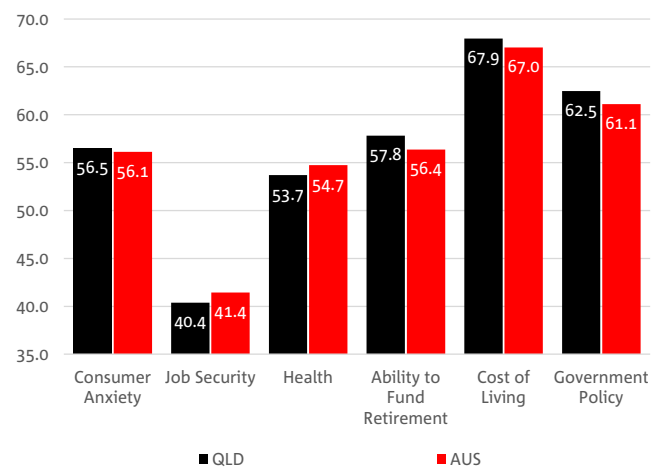
Consumer Stress: QLD



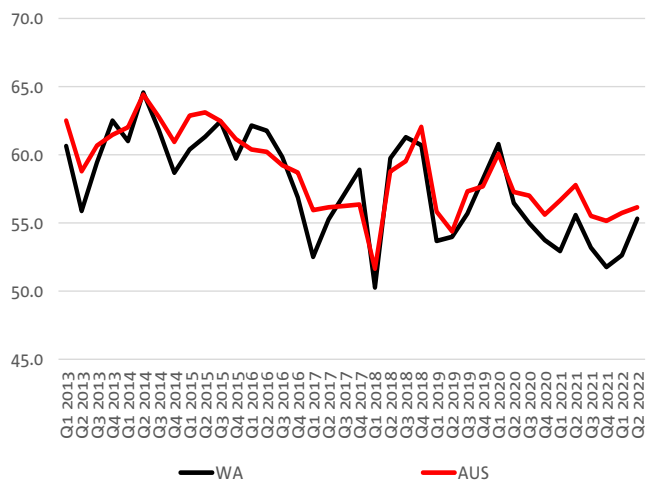
Consumer Stress: VIC



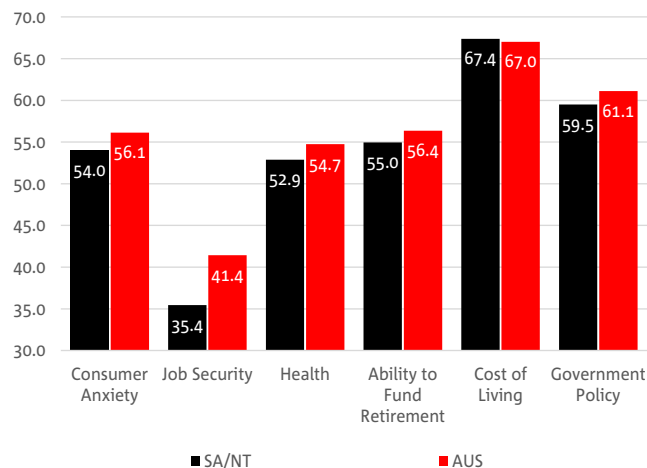
Consumer Stress: QLD (Q2 2022)



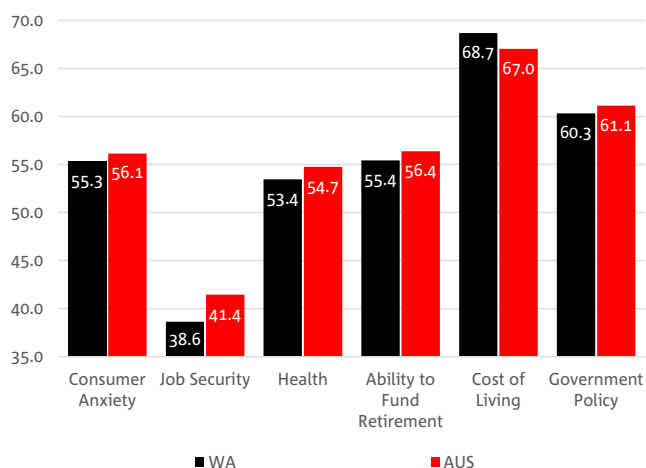
Consumer Stress: WA



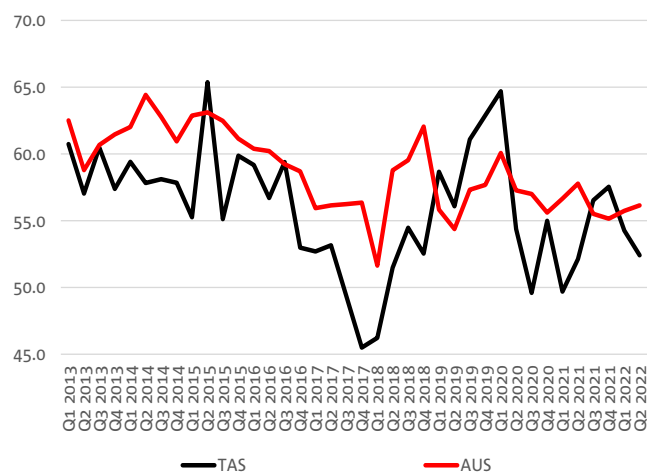
Consumer Stress: SA/NT (Q2 2022)



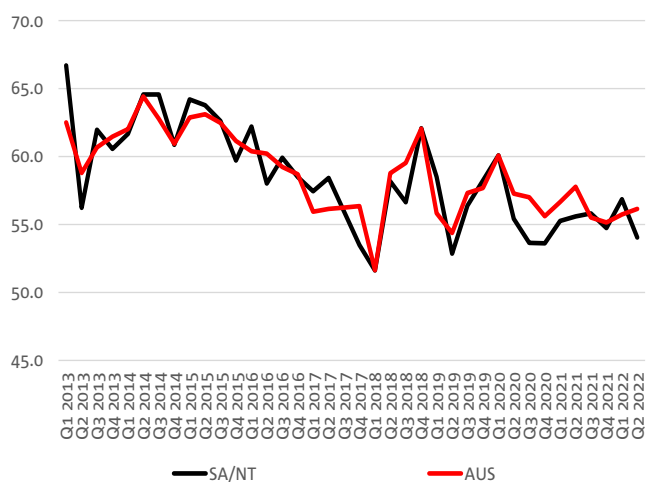
Consumer Stress: WA (Q2 2022)



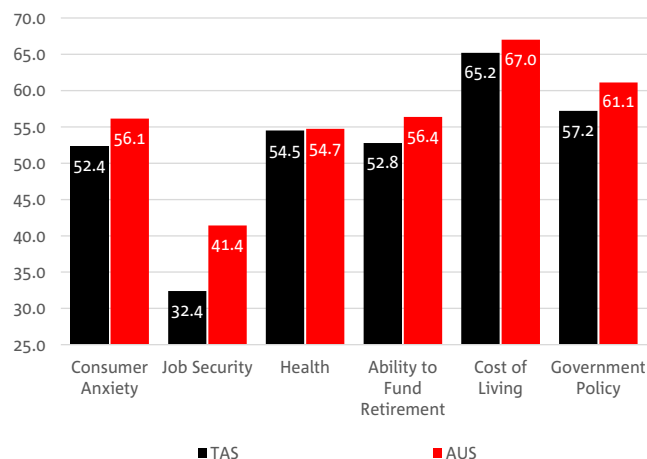
Consumer Stress: TAS



Consumer Stress: SA/NT

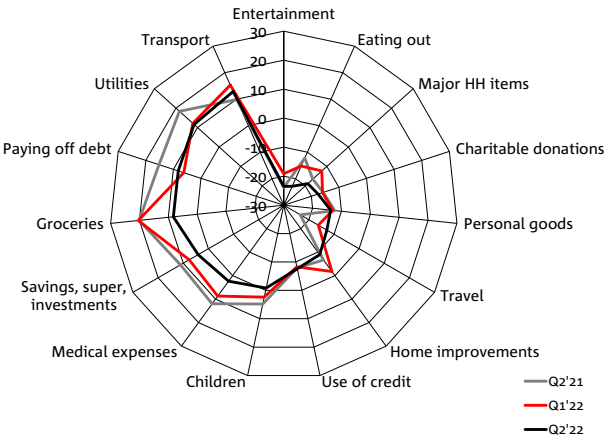


Consumer Stress: TAS (Q2 2022)

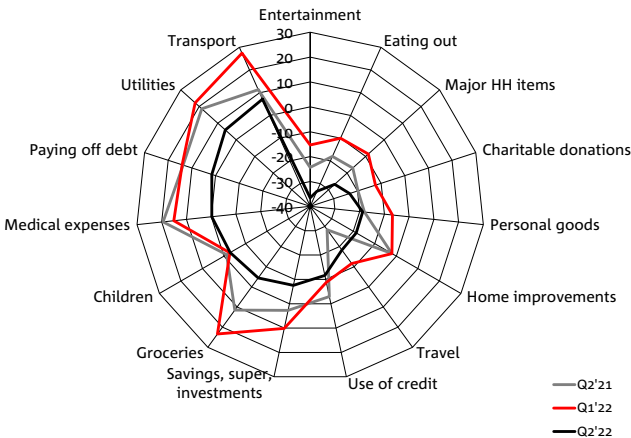


Appendix 2: Changes in Spending Patterns: States

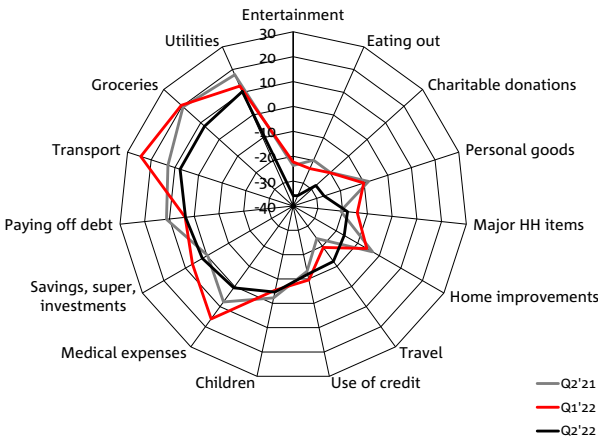
NSW/ACT: Changes in Spending Patterns (net balance)



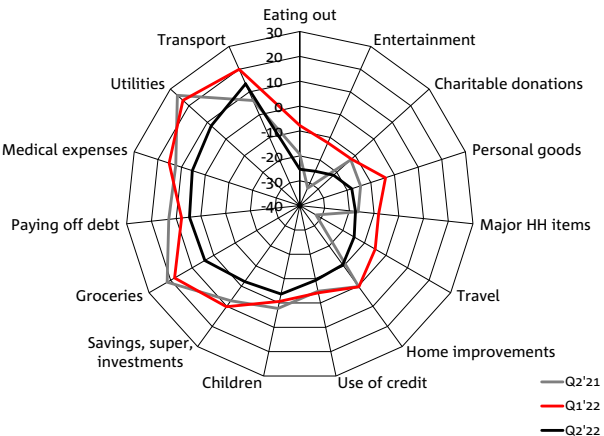
WA: Changes in Spending Patterns (net balance)



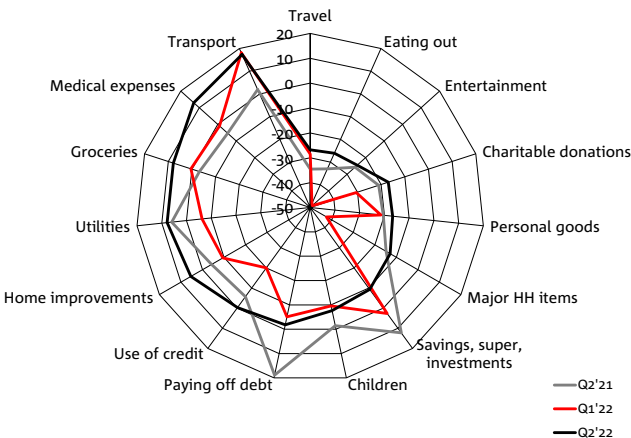
SA/NT: Changes in Spending Patterns (net balance)



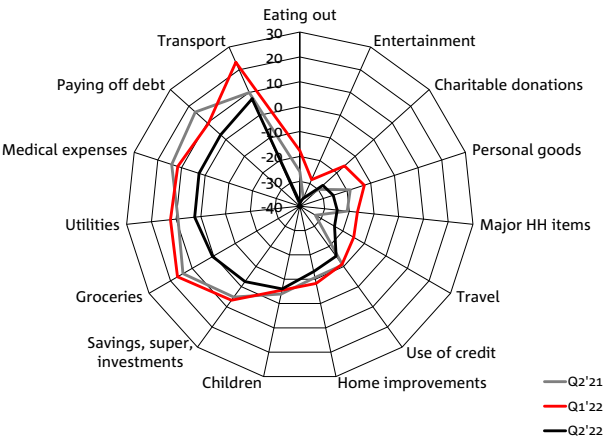
VIC: Changes in Spending Patterns (net balance)



TAS: Changes in Spending Patterns (net balance)



QLD: Changes in Spending Patterns (net balance)





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