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NAB Consumer Sentiment Survey Q2-2023



June 2023

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Concern over cost of living climbs again as 'considered consumers' focus on the things they value most.

Consumer stress rises further as cost of living fears lift for the seventh straight quarter. 7 in 10 consumers expect inflation to continue to rise over the next 12 months. Job security remains the key offset Australians are more considered consumers, prioritising where they see value, and making key savings elsewhere. Average monthly savings from the top four areas where consumers are cutting back equal \$286 a month or around \$3,400 annually, if continued. Over 8 in 10 Australians intend to holiday over the next year, but of these, 6 in 10 have either postponed, cancelled or scaled back due to financial concerns.

NAB Behavioural and Industry Economics

The **NAB Consumer Stress Index** rose for the third consecutive quarter in Q2'23 to 56.9 pts (56.6 pts in Q1'23) as cost of living pressures continue to climb. However, overall stress levels continue to trend well below the survey average (58.5 pts), albeit are above levels the same time last year (56.1 pts). Cost of living pressures remain by far the biggest cause of consumer stress. Cost of living concerns increased for the 7th straight quarter (to 69.9 pts - up from 68.9 in Q1'23 and well above the survey average of 66.3). Of concern, 1 in 3 (33%) consumers overall report very high levels of stress (90+ pts) - the highest number since mid-2014.

Consumer spending, according to NAB's transaction data, rose in May, but only partially reversed the fall over March and April and so does not change our view that consumer spending growth is softening. Consumer confidence typically is not well correlated with consumers spending (the past couple of years have shown just how unreliable sentiment can be as guide to future and even current spending). But the gap between subjective pessimism and actual spending appears to be narrowing.

Australian consumers were asked for the first time about their expectations for inflation over the next 3 and 12 months. On balance, 71% of consumers anticipate ongoing price increases, with higher costs expected in both the next quarter and a year from now. Once the cycle of inflationary psychology begins, it becomes increasingly hard for economic policymakers to stop it. In short, getting consumers to actually "feel" like inflation is falling is likely to lag official data.

While most consumer confidence measures have been plumbing levels historically consistent with severe economic downturns what is different to previous periods of very weak consumer confidence is consumers remain upbeat about their work prospects. Job security remains the key offset as ongoing strong employment growth leaves the labour market very tight. In Q2, stress levels associated with job security rose a little (42.2 pts) but remains comfortably below the survey average (45.8). Stress associated with health also rose (55.3 vs. 54.8 in Q1), though is still trending below average (56.6), while concerns regarding retirement funding increased to a 2-year high 58.6 pts (58.1 in Q1) but remains below average (60.2). Concerns over government policies fell to a below average 58.7 pts in Q2 (59.1 in Q1).

By state, overall consumer stress in Q2 was highest in VIC (58.2), followed by QLD (57.9) and NSW/ACT (57.3). It was lowest in WA (52.6), which along with NSW/ACT, was the only state to report lower stress in Q2. Stress rose across all age groups except the 65+ group. It remains highest in the 30-49 group (60.7), and for all measures bar government policy, and lowest among those aged 65+ (49.8).

By income, the index ranged from 54.0 in higher income groups to 60.9 for those on lower incomes (who also reported much higher stress around job security than all other groups). Overall, stress is highest for the unemployed (62.6), women aged 30-49 (61.4) and house renters (61.1). It is lowest by some margin for retirees (46.3).

Consumers typically extrapolate changes in the overall cost of living based on the price changes that draw most attention - things consumed most recently and most frequently (e.g. utility bills, petrol, and groceries). Consumer perceptions of higher prices in Q2 were again most evident for groceries (on balance 83% of consumers noted an increase in prices over the past 3 months vs. 76% in Q2 and 72% the same time last year).

A very large (and higher) share of consumers also pointed towards rising utility (77%) and transport (69%) costs. On balance 67% of consumers said their mortgage costs had also risen (vs. 62% in Q1 and 41% the same time last year). Other categories where consumers noted price increases included major household items (62% vs. 48% in Q1), home improvements (65% vs. 53% in Q1), entertainment (58%, 46%), telecoms (51% vs. 40%), and eating out (65% vs. 55%).

Inflation may see consumer spending power reduced, but that does not mean consumers stop spending. Instead, they become more discerning about where they spend their money and on what. While there are few substitutes for essentials such as rent, utilities, and mortgages, shopping baskets are changing. Australians have become 'considered consumers' by prioritising things that they value (perhaps a live concert, or their children's education) and making key savings elsewhere.

Over 1 in 2 (or 55%) consumers reported cancelling or cutting back on eating out at restaurants in Q2. Around 1 in 2 (50%) cut back or stopped buying micro treats such as coffees, snacks, or lunches (up from 45% in Q1) and entertainment, such as going to the cinema, theatre etc. (49% up from 41%). The next most common adjustments were car journeys to save petrol (45% up from 42%), spending on travel (43%), making more modest holiday plans (42% up from 35%), and on food delivery services such as Uber Eats (39% up from 34%).

Consumers were most reluctant to cancel or cut spending on private school fees/tutors (only 10% of consumers, up from 7%), children's activities such as sport and hobbies (12% up from 10%), and spending on their pets (18% up from 14% in Q1).

While almost all household budgets are rebalancing, different consumer segments are reacting in distinctly different ways. A significantly higher number of younger people (aged 18-29) are cutting back on micro treats (61%), food delivery services (63%), and skipping meals to save money (44%). A higher number of women are cutting in most areas, particularly micro treats (56% women vs. 43% men), food delivery services (44% vs. 34%), entertainment (53% vs. 44%), and eating out at restaurants (59% vs. 51%).

For the first time, Australian consumers who reported cutting back on their spending were asked to estimate the savings. Not surprisingly, the biggest savings came from big ticket items - cancelling or delaying major household purchases (on average saving \$461) and cancelling, delaying, or making more modest holiday plans (\$392).

However, the survey also revealed significant monthly savings in the four areas where most consumers cut back in Q2 - eating out at restaurants (\$115), buying micro treats (\$55), entertainment (\$58) and cutting down on car journeys to save on petrol (\$58).

Combined, these cutbacks amounted to monthly savings of \$286 (a potential savings buffer of around \$3,400 annually if continued). Even in areas where savings from spending cuts were smallest - subscription streaming services such as Foxtel, Netflix etc. (\$30), and other subscription services such as newspapers and magazines could potentially save consumers \$625 annually.

By age, noticeably bigger savings are being made by consumers in the 50-64 age group for major household purchases (\$536) and holidays (\$541), in the over 65 age group on insurances (\$156), and in the 18-29 age group private tutors/school fees (\$202), pets (\$53) and charitable giving (\$43).

Consumer expectations in regard to major purchases in the next 12 months remain very pessimistic. Overall, spending intentions are most conservative for major household items, followed by holidays, where intentions were considerably more negative in Q2. A significant number also plan to spend less on school fees, investment properties, other investments outside property and cars.

Consumers with holiday intentions over the next 12 months (around 85% of all Australians), were asked if they had made any changes to their travel plans due to their financial situation. Overall, around 1 in 4 (24%) had cancelled all of their holiday plans (12% an overseas holiday and 12% a domestic holiday). Over 4 in 10 (42%) had postponed a holiday, but still planned to go at some stage (21% overseas and 21% domestic). Hence, in total, around 2 in 3 (65%) Australian holiday makers either cancelled or postponed a holiday in Q2 2023. Around 1 in 2 (51%) had made no change to their plans.

Consumer behaviours also continue to change. Businesses will need to position (and market) themselves in ways that align with changing consumer sentiment as Australians continue to make small but thoughtful changes to their purchases to keep on top of increasing costs. Shifts are again most evident (and rising) among consumers being more mindful where they spend money (on balance +44% of consumers are behaving this way).

Consumers also continue to switch to less expensive products to save money (+35%) and be more informed by researching brands and product choices before buying (+24%). A lot of this behaviour has evolved from easier access to information and options consumers discovered as they moved online during the pandemic. Online reviews have also become more important as consumers focus on value. Many businesses, including Amazon, are using artificial intelligence (AI) to crack down on fake reviews.

During COVID consumers more consciously supported local businesses and Australian-made products. Buying local was one way for consumers to give back, while working from home helped reinvigorate many local shopping precincts. As more workers have returned to offices (at least for some of the work week) and cost of living pressures have favoured larger discounters, fewer consumers report supporting Australian-made (14% vs. 19% in Q1'23 and 35% a year ago) and buying local (13% vs. 20% in Q1'23 and 34% the same time last year).

Australians' willingness to seek out more sustainable products and brands is also being tested as cost-of-living pressures bite (-4 vs. +14 a year ago). Value now trumps sustainability.

Consumers (particularly Millennials) increasingly say they want brands that embrace purpose and sustainability yet fewer are following through to buy them. Faced with financial challenges, many consumers are no longer making sustainability a top priority.

In line with spending cutbacks, a growing number of consumers report eating out less at restaurants (-36% vs. -24% in Q1), holidaying overseas (-30% from -26%), holidaying locally (-14% vs. -8% in Q1) or visiting a major shopping centre (-14% vs. -11%).

The pandemic also saw a significant uplift in consumers trying new products and brands and a greater willingness to break relationships to seek “better” experiences, resulting in huge loyalty disruption. This has changed.

On balance, the number of consumers shopping on new websites, trying a new product or brand, a new retailer or shopping on a new website continues to fall. While this may seem counterintuitive given the rising cost of living, many businesses have moved to reward their most loyal and valuable customers, offering inducements such as free shipping, same-day delivery, easy returns, and volume discounts. Consumers are still trading down (by changing the pack or quantity size of their usual purchases for example), but many are also fatigued from constant comparison shopping. For businesses, the cost of retaining an existing customer is lower than the cost of acquiring a new one.

Retaining customers also provides opportunities to leverage data from past purchases to make more tailored recommendations and promotions. But, with the rise in data breaches and online scams, consumers are increasingly worried about how companies use their information and how they can keep it safe.

As more consumers make repeat purchases, there has also been growth in subscription services (including direct to consumer), particularly in areas such as food, pets, and beauty.

Consumers are increasingly looking to trusted brands and businesses to help them navigate these challenging times. Along with promotions, consumers increasingly appreciate a helping hand in spreading, managing, and tracking costs.

eCommerce (and mobile commerce) sales surged during the pandemic, but as COVID restrictions eased, consumers headed back to brick-and-mortar stores. The cost of delivery also became a barrier to purchasing products online. That said, NAB's latest Online Retail Sales Index for May grew rapidly (3.7%) following very subdued growth over the past two months. Year-on-year growth returned in May for the first time since May 2022. The past 12 months retraced gains made during the height of the pandemic period. Based on the current results it's likely that these base effects have now subsided. Online is expected to settle at levels higher than before the pandemic, albeit return to a more traditional seasonal sales cycle.

Key Tables

NAB Consumer Stress Index (100 = extremely concerned)

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Consumer Stress Index	56.1	55.2	56.0	56.6	56.9
Job security	41.4	39.7	42.3	42.0	42.2
Health	54.7	55.4	55.6	54.8	55.3
Ability to fund retirement	56.4	56.1	58.1	58.1	58.6
Cost of living	67.0	67.3	67.7	68.9	69.9
Government policy	61.1	57.3	56.1	59.1	58.7

Extent Costs Have Changed in Last 3 Months (net balance - higher/lower)

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Overall cost of living / inflation					83
Travel/Holidays	48	55	57	55	64
Eating out	53	59	55	55	65
Entertainment	40	47	44	46	58
Groceries	72	78	73	76	83
Home improvements	52	55	55	53	65
Major HH items	49	51	51	48	62
Utilities	59	75	71	69	77
Telecoms	34	43	41	40	51
Personal goods	48	51	53	52	59
Medical expenses	45	52	49	58	60
Transport	66	72	69	64	69
Children	37	36	37	46	50
Mortgage	41	58	58	62	67
Rent	45	52	49	55	62
Other debt	32	37	41	43	52

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

	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
Major household	-14	-15	-17	-17	-17
Car	-6	-7	-12	-9	-10
Property (residence)	-5	-3	-4	-5	-4
Property (investment)	-11	-9	-12	-12	-12
Home renovation	-1	-1	-6	-5	-9
School fees (Private and Catholic)	-13	-10	-9	-14	-12
Holiday	2	-4	-5	-7	-16
Private health insurance.	-2	2	-5	-3	-2
Other Investments (excluding property)	-6	-8	-12	-6	-10

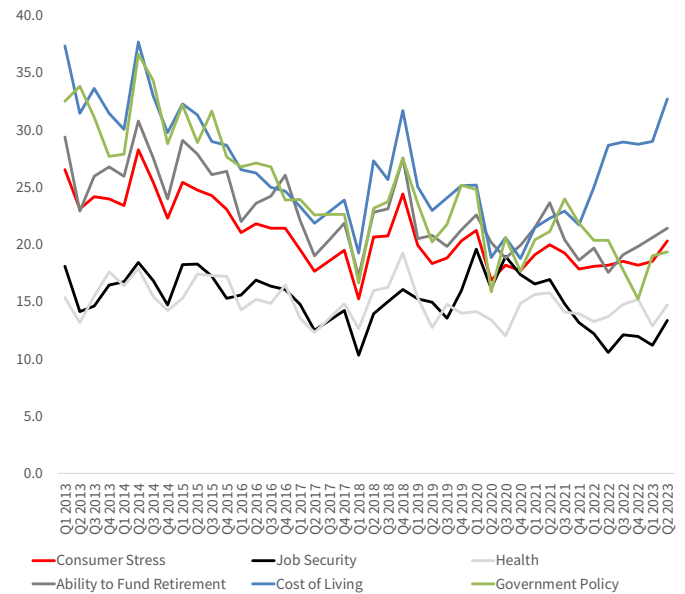
NAB Consumer Stress Index

NAB's measure of consumer sentiment is based on typical household stresses around cost of living, health, ability to fund retirement, government policy and job security. It provides another perspective on the consumer.

In Q2 2023, the NAB Consumer Stress Index increased for the third consecutive quarter to 56.9 pts (56.6 pts in Q1'23). However, overall stress levels continue to trend well below the survey average (58.5 pts). In short, inflation continues to drive consumer stress, but having a job underpins their ability to fund their lifestyle, albeit spending patterns are changing.

Cost of living pressures continue to grow and remain by far the biggest cause of stress for Australian consumers. In Q2, stress associated with cost of living increased for the 7th straight quarter to reach a 69.9 pts - up from 68.9 pts in the previous quarter and printing well above the survey average (66.3 pts). Moreover, 1 in (33%) consumers overall reported very high levels of stress (90+ pts) during Q2, up from 29% in the previous quarter and the highest number since mid-2014.

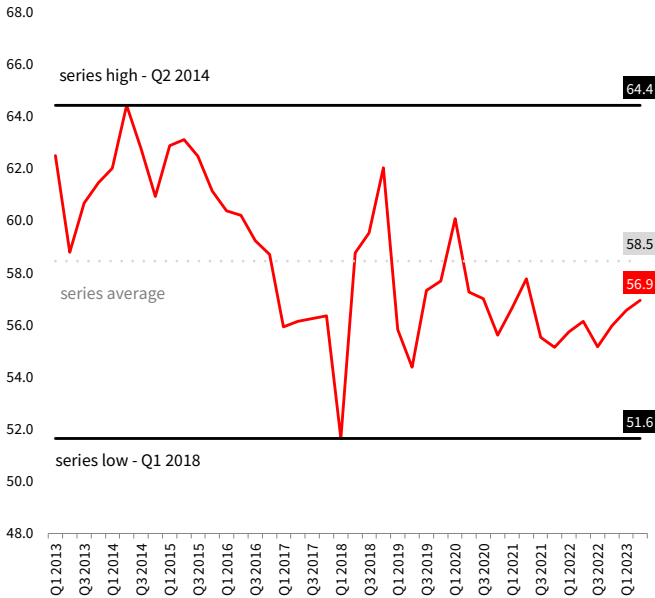
Percentage of Australian consumers reporting "very" high stress levels (i.e. scored 90+ pts)



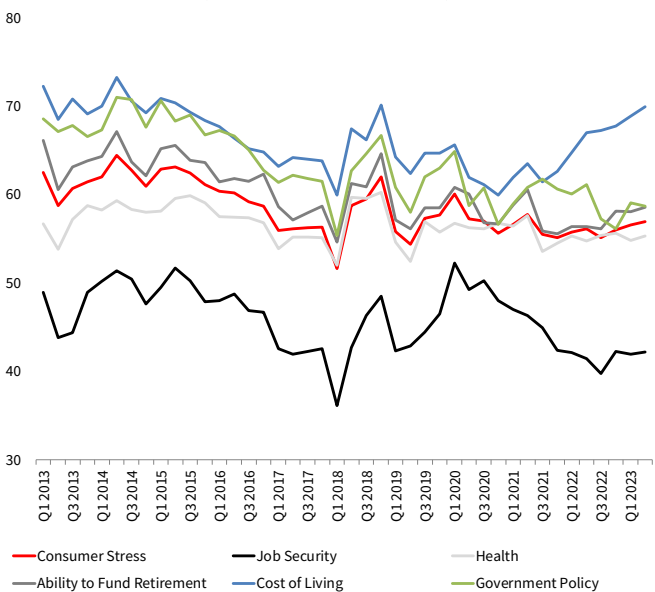
Strong employment growth has left the labour market very tight, with unemployment remaining very low at 3.5% in May. Consequently, job security is still causing the least stress for consumers. In Q2, however stress levels associated with job security rose a little to 42.2 pts but remains comfortably below the survey average (45.8 pts). Currently, just over 1 in 10 (13%) consumers report "very high" job stress.

Stress associated with health rose to 55.3 pts (54.8 pts in Q1), though still trending below average (56.6 pts). Consumer stress arising from retirement funding also rose to a 2-year high 58.6 pts (58.1 pts in Q1) but remains below average (60.2 pts). We did however note a small fall in stress associated with government policies to a below average 58.7 pts in Q2 (59.1 pts in Q1).

NAB Consumer Stress Index



NAB Consumer Stress Index (100 = extreme stress)



Most consumer confidence measures have been plumbing levels historically consistent with severe economic downturns. Consumer confidence typically is not well correlated with consumers spending (the past couple of years have shown just how unreliable sentiment can be as guide to future and indeed even current spending), but what is different to previous periods of very weak consumer 'confidence' is consumers remain upbeat about their work prospects.

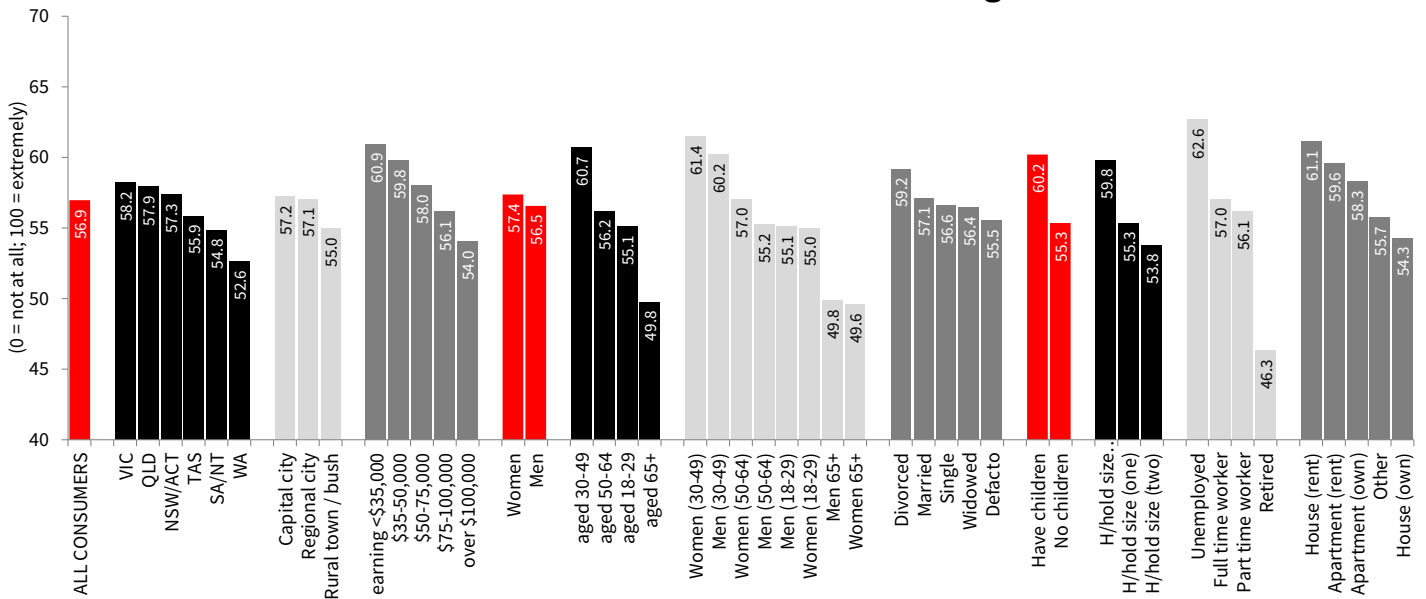
By state, overall stress in Q2 was highest in VIC (58.2 pts), followed by QLD (57.9 pts) and NSW/ACT (57.3 pts). It was lowest in WA (52.6 pts), which was along with NSW/ACT the only state to report lower stress in Q2. Consumer stress was highest and increased in capital (57.2 pts) and regional (57.1 pts) cities, but fell in rural areas (55.0 pts), mainly reflecting sharp falls in stress associated with government policy and job security.

The stress gap between women (57.4 pts) and men (56.5 pts) narrowed further in Q2. Men reported much higher stress over government policies and jobs, but women continue to worry much more about cost of living and retirement funding.

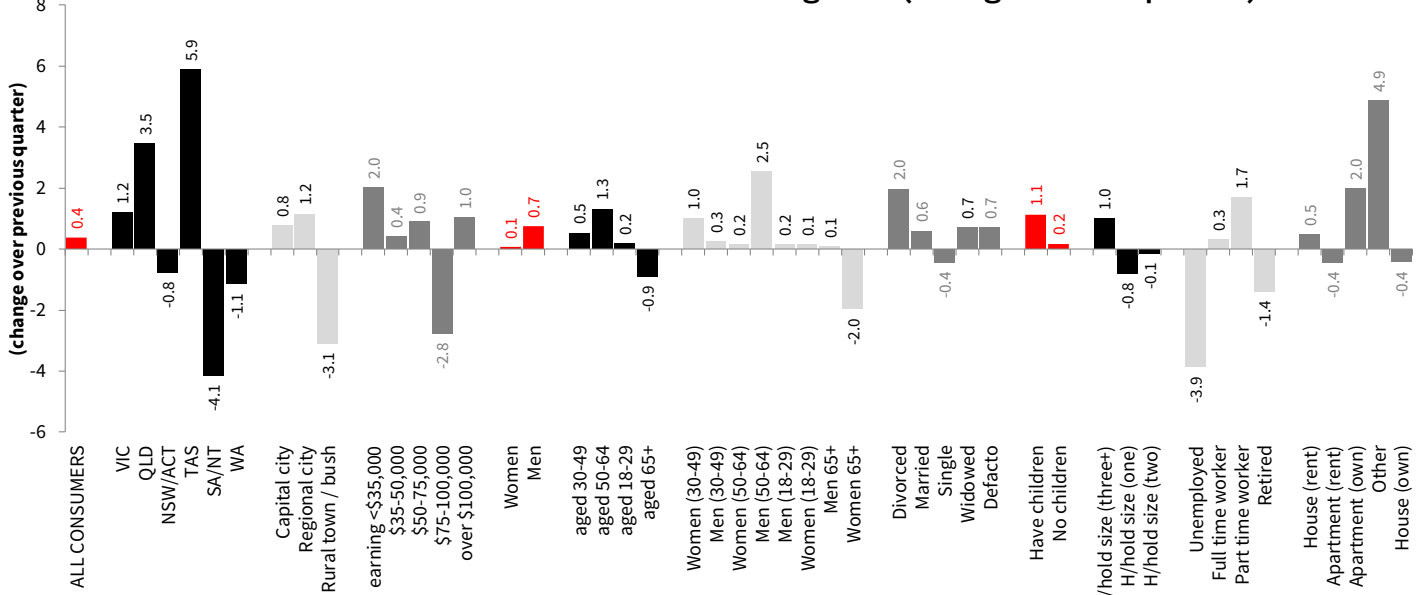
Stress rose in all age groups except the 65+ group. It remained highest in the 30-49 group (60.7 pts), and for all measures bar government policy. Stress levels remain lowest in the 65+ group (49.8 pts), but highest for government policy.

Stress levels increased as incomes fell - from 54.0 pts in higher income groups to 60.9 pts in lower income groups (who also reported much higher stress around job security than all other income groups). Overall, stress was highest for unemployed consumers (62.6 pts), women in the 30-49 age group (61.4 pts) and for people living in a rented house (61.1 pts). It was lowest by some margin for retirees (46.3 pts).

NAB Australian Consumer Stress Index: Categories



NAB Australian Consumer Stress Index: Categories (change over last quarter)



General level of concern over the economy

While the Australian economy remained resilient through 2022, there are increasing signs that interest rates are beginning to flow through with nominal (and real) spending growth slowing, an ongoing impact on housing construction and softening capex expectations.

The recent run of activity data (including NAB’s business survey) clearly shows the economy is now slowing as consumer spending begins to stall, but inflation and wage data still show that price pressures remain elevated.

This was highlighted by the Q1 national accounts which saw GDP growth of just 0.2% over the quarter and increasing signs of interest rates and inflation weighing on the consumer, while dwelling investment continued to fall.

Following the RBA’s decision to lift interest rates to 4.1% at the June 2023 meeting, NAB upped its interest rate call to 4.35% by August 2023. We are now also tentatively adding an additional 25 bps increase taking the cash rate to 4.6%. Timing however is less certain, and we pencil in 25 bps increases for July/August.

Alongside the upgrade to our interest rate forecasts, we have also pulled back our expectations for economic growth this year and next. We now see GDP growth of just 0.5% over 2023 and 0.9% over 2024.

Domestic labour cost pressures will be important for how inflation moderates. The labour market remains tight, but unemployment seems to be starting to edge up. We now see unemployment rising to 4.3% by end-2023, 4.6% by mid-2024 and 5% by end-2024. By mid-2024, we expect slower growth to have had a significant impact on the labour market and see some easing in inflation pressure. Therefore, we continue to expect the cash rate to normalise to a more neutral rate of around 3% with rate cuts likely to commence in Q2 2024.

Against this background, the level of concern among Australian consumers about the impact on their future spending and savings plans arising from the domestic economy in Q2 was basically unchanged at 64.8 pts (64.9 pts in the previous quarter).

Overall concern remains highest in QLD (up 0.2 pts to 66.6 pts). It rose most in TAS (up 5.3 pts to 61.7 pts) and increased in NSW (up 1.0 pts to 65.2 pts). Concern however fell quite noticeably in WA (down 4.0 pts to 59.9 pts and lowest overall), It also eased in SA/NT (down 1.0 pts to 64.1 pts) and VIC (down 0.3 pts to 65.4 pts).

The overall level of concern over the international economic situation was also broadly unchanged at 64.7 pts (64.6 pts in Q1). Concern was highest (and increased) in QLD (up 1.0 pts to 66.2 pts), ahead of VIC (up 0.2 pts to 65.3 pts), and NSW (up 0.7 pts to 64.6 pts). Concern was lowest in WA (down 3.4 pts to 61.4 pts), ahead of TAS (up 2.2 pts to 61.5 pts). Global economic concerns also weighed less on consumers SA/NT (down 0.5 pts to 63.8 pts).

Concern About Economic Situation (100 = extremely concerned)



Level of concern about the Australian economy

	NSW	VIC	QLD	WA	SA/NT	TAS
Q2 22	62.5	63.3	66.1	61.7	61.0	60.4
Q1 23	64.2	65.7	66.4	63.9	65.1	56.4
Q1 23	65.2	65.4	66.6	59.9	64.1	61.7

Level of concern about the Global economy

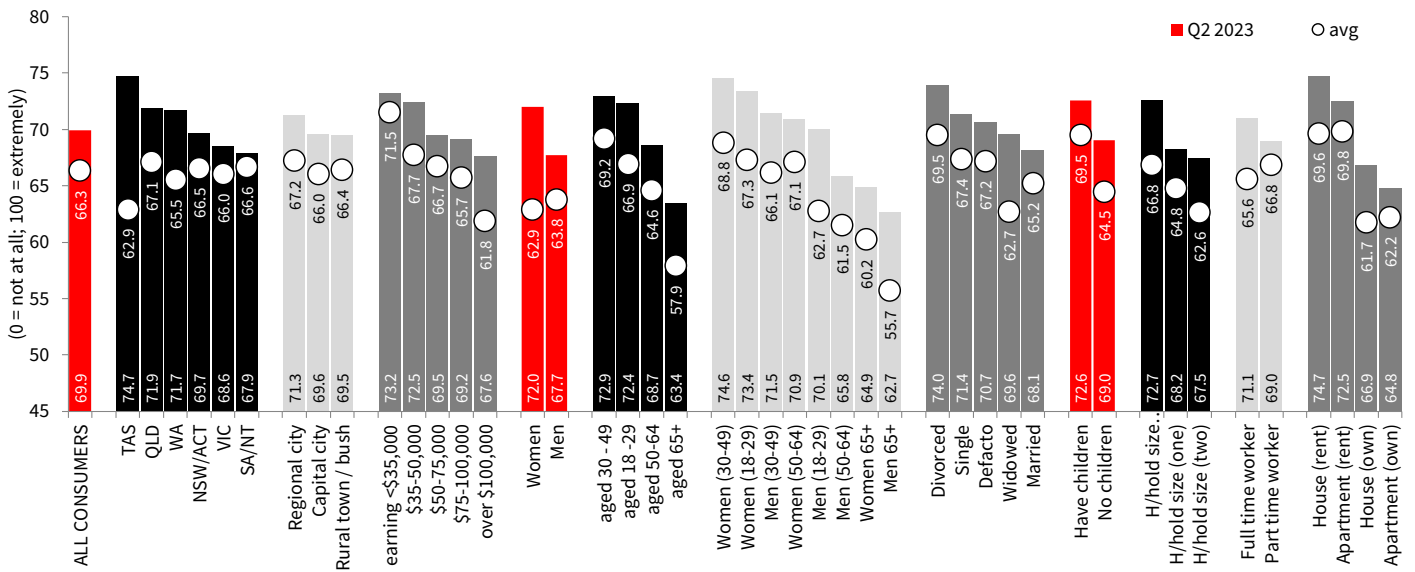
	NSW	VIC	QLD	WA	SA/NT	TAS
Q2 22	63.8	64.9	63.6	60.5	66.7	62.6
Q1 23	63.9	65.4	65.2	64.8	64.3	59.3
Q2 23	64.6	65.6	66.2	61.4	63.8	61.5

Cost of living insights

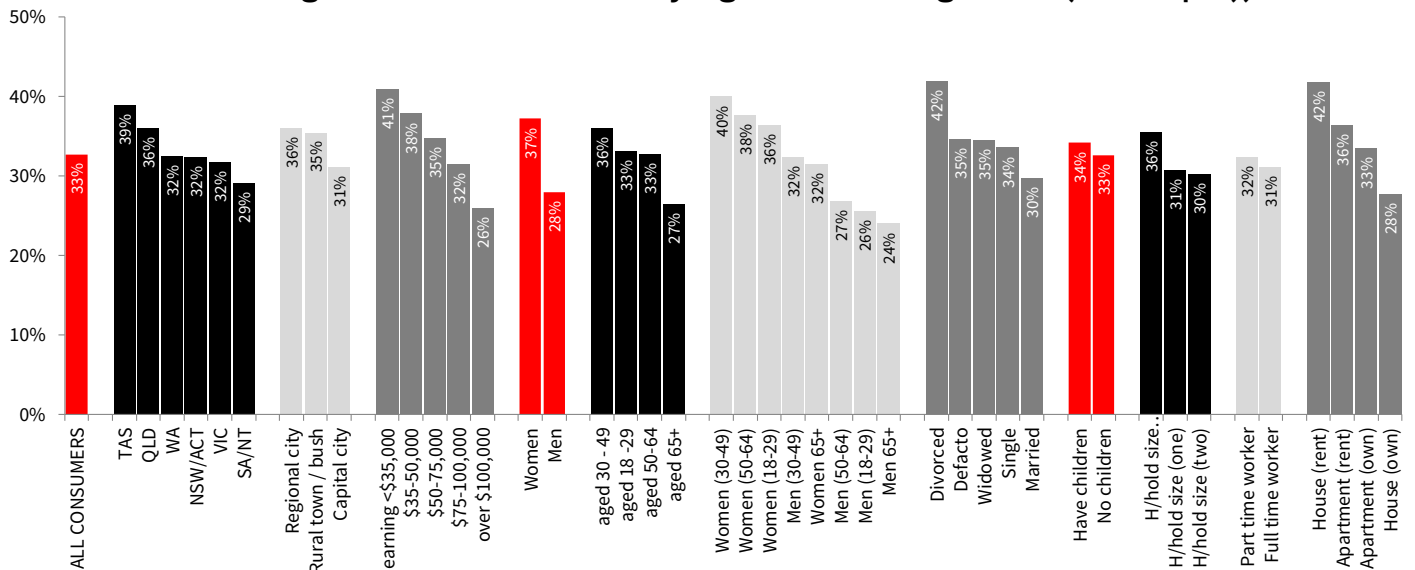
Cost of living pressures continue to weigh on Australian consumers, and a growing pain point in recent quarters. As shown above, consumer stress associated with cost of living lifted to a multi-year high 69.9 pts in Q2. Not only is cost of living stress growing, it is now also trending above average levels in all monitored demographic groups - see first chart below. The second chart suggests 1 in 3 (33%) consumers had “very high” cost of living stress in Q2 (i.e. scored 90+ pts), up from 29% in Q2. However, this number ranged widely across key groups.

By state, it was highest in SA/NT (39%) and lowest in TAS (29%). It was marginally higher in regional cities (36%) and rural areas (35%) than in capital cities (31%). Extreme cost of living stress increased as incomes fell from 41% in lower income groups to 26% in higher income groups. More women (37%) struggled than men (28%), but the number of highly stressed consumers with children (34%) was on par with those without children (33%). High stress was more prevalent in the 30-49 age group (36%), and lowest in the over 65 age group (27%). The highest number of consumers with extreme cost of living stress lived in a rented apartment or were divorced (42%).

NAB Australian Consumer Stress Index: Cost of Living



Percentage of Consumers with Very High Cost of Living Stress (i.e. 90+ pts)



Cost of living changes

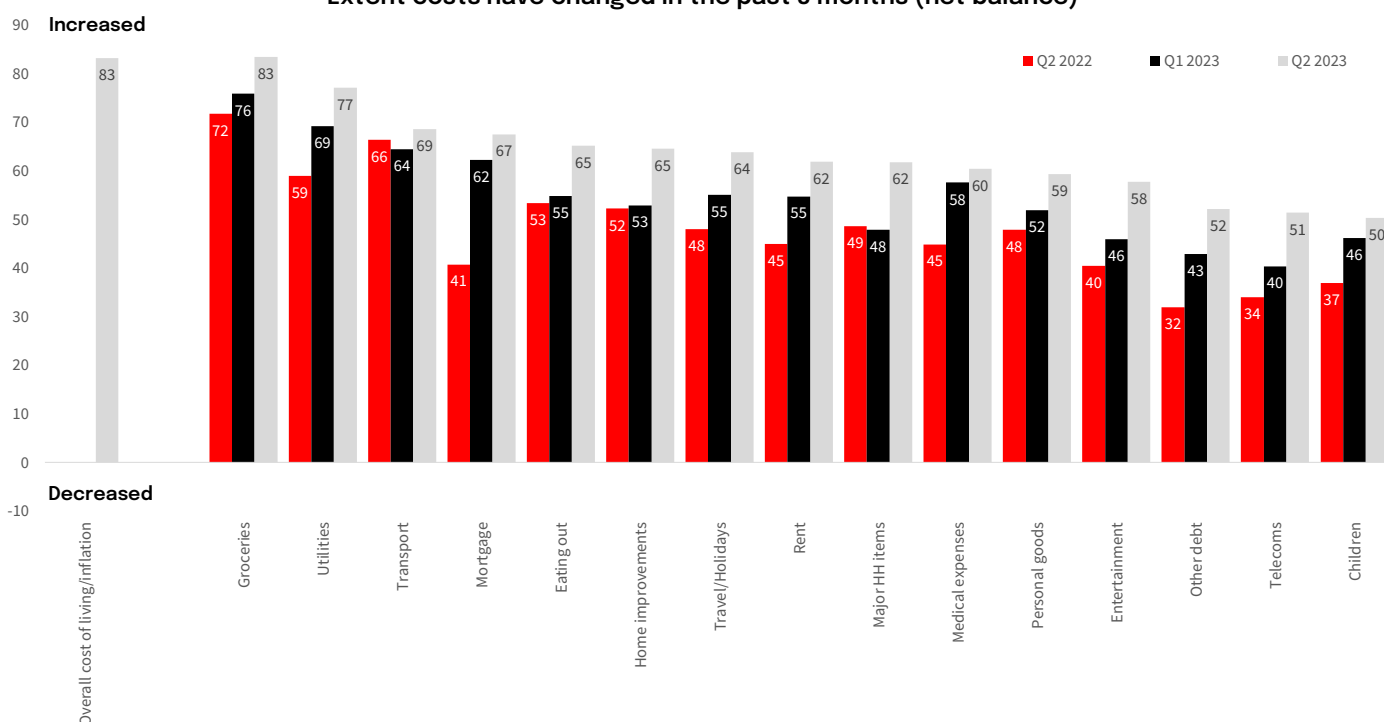
How customers perceive prices is often as important as the price itself. To help identify which costs are growing, NAB looks at cost of living perceptions through the eyes of consumers by asking if they believe the cost of key goods and services rose or fell in the past 3 months.

Results are reported in net balance terms - i.e. a positive result means the number of consumers who believe costs increased outweighed those who think they fell. A negative result signals more consumers think costs have fallen than risen. The results are summarised in the chart below.

It shows more consumers believe costs increased than fell in all monitored spending categories in the last 3 months. Moreover, the net number that identified higher costs remains significantly above the same time last year in all monitored categories. It also increased in all spending categories relative to the previous quarter or was broadly unchanged.

When asked for the first time to also estimate how their overall cost of living/inflation had changed, a net +83% said it increased. By region, however, this ranged from +86% in regional cities and rural areas to +82% in capital cities, from 90% in QLD to +71% in TAS, and from +90% in the over 65 age group to +75% in the 30-49 group - see table below.

Extent costs have changed in the past 3 months (net balance)



Consumer perceptions of higher prices in Q2 were again most evident for groceries, where a net +83% said they rose over the last 3 months (+76% in Q2 and +72% at the same time last year). The Q2 survey again also showed a very large (and higher) net number of consumers pointing to rising utility (+77%) and transport (+69%) costs compared to the previous quarter and the same time last year. Most consumers in all regions, states and age groups said prices were higher for groceries, utilities, and transport in Q2.

With home mortgage rates continuing to climb through the first half of 2023, the net number of consumers who said their mortgage costs had risen heavily out-weighted those that said they fell (+67%). Moreover, this number increased from +62% in the previous quarter and +41% at the same time last year. Mortgage costs were higher according to most consumers in TAS (+78%),

SA/NT (74%), QLD (+72%), regional (+69%) and capital (+68%) cities, and in the 50-64 age group (+74%).

Other categories which saw a noticeable rise in the number of consumers who said costs climbed in the past 3 months included major household items (+62% from +48%), home improvements (+65% from +53%), entertainment (+58% from +46%), telecoms (+51% from +40%), and eating out (+65% from +55%).

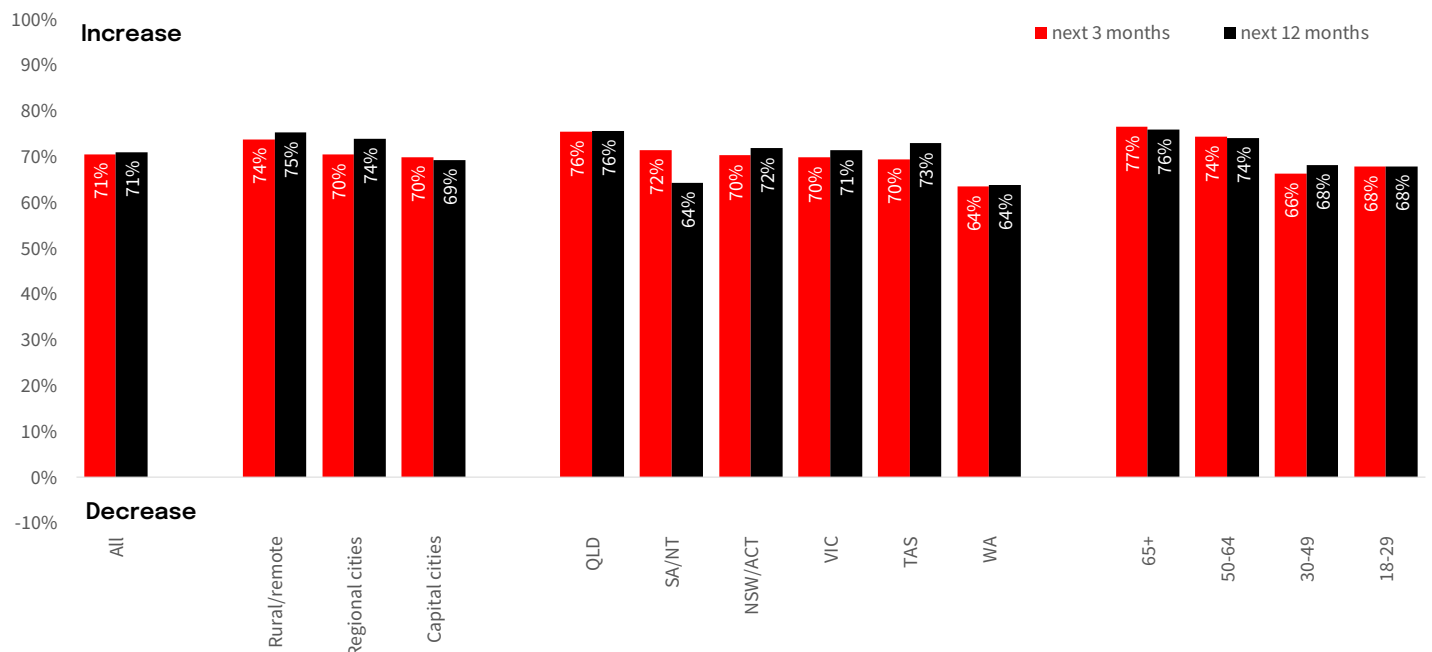
We also noted a higher number in QLD that singled out higher utilities, transport, and home improvement costs, in SA/NT rents, among consumers over 50 home improvements, travel/holidays, major household items and telecoms, and in capital and regional cities rent and children – see table on the following page for more detail.

Extent costs have changed in the past 3 months (net balance): region, state & age

	AUS	Capital cities	Regional cities	Rural areas	NSW/ACT	VIC	QLD	WA	SA/NT	TAS	18-29	30-49	50-64	65+
Overall cost of living/inflation	83	82	86	86	81	81	90	85	83	71	81	75	92	90
Groceries	83	83	85	85	82	83	88	83	82	86	80	77	89	92
Utilities	77	76	80	78	79	75	82	72	76	66	72	69	88	85
Transport	69	66	74	71	67	64	79	71	63	73	67	65	73	72
Mortgage	67	68	69	61	65	64	72	66	74	78	68	67	74	53
Eating out	65	65	66	64	62	64	68	68	71	70	69	61	67	67
Home improvements	65	63	68	65	60	68	73	61	57	69	57	59	74	74
Travel/Holidays	64	63	69	62	66	61	65	64	61	67	64	57	70	70
Rent	62	62	67	54	61	54	62	65	77	53	69	60	65	40
Major household items	62	61	61	65	60	61	70	62	48	69	57	55	73	70
Medical expenses	60	60	61	62	58	61	62	64	60	64	59	56	68	61
Personal goods	59	58	62	62	58	57	63	62	62	54	57	55	64	65
Entertainment	58	57	61	55	58	58	60	53	57	58	56	56	62	58
Other debt	52	53	49	51	50	49	59	54	56	52	53	55	54	43
Telecoms	51	51	53	50	52	53	52	50	48	39	43	49	59	56
Children	50	51	51	44	51	49	54	42	55	48	48	55	52	16

Australian consumers were also asked for the first time how overall cost of living and inflation will change over the next 3 and 12 months. Overall, most expect little respite with a net +71% anticipating higher costs in both the next 3 and 12 months. Slightly more consumers in regional cities (+75%) and rural areas (+74%) expect living costs to rise in the next 3 months than in capital cities (+70%), with somewhat more anticipating higher living costs in regional cities in the next 12 months (+74%). By state, a net 76% of consumers in QLD see prices rising in the next 3 months, compared to +64% in WA. SA/NT is the only state where fewer consumers anticipate higher living costs in 12 months. The number predicting higher living costs in the next 3-12 months is somewhat larger in age groups over 50 than in under 50 age groups.

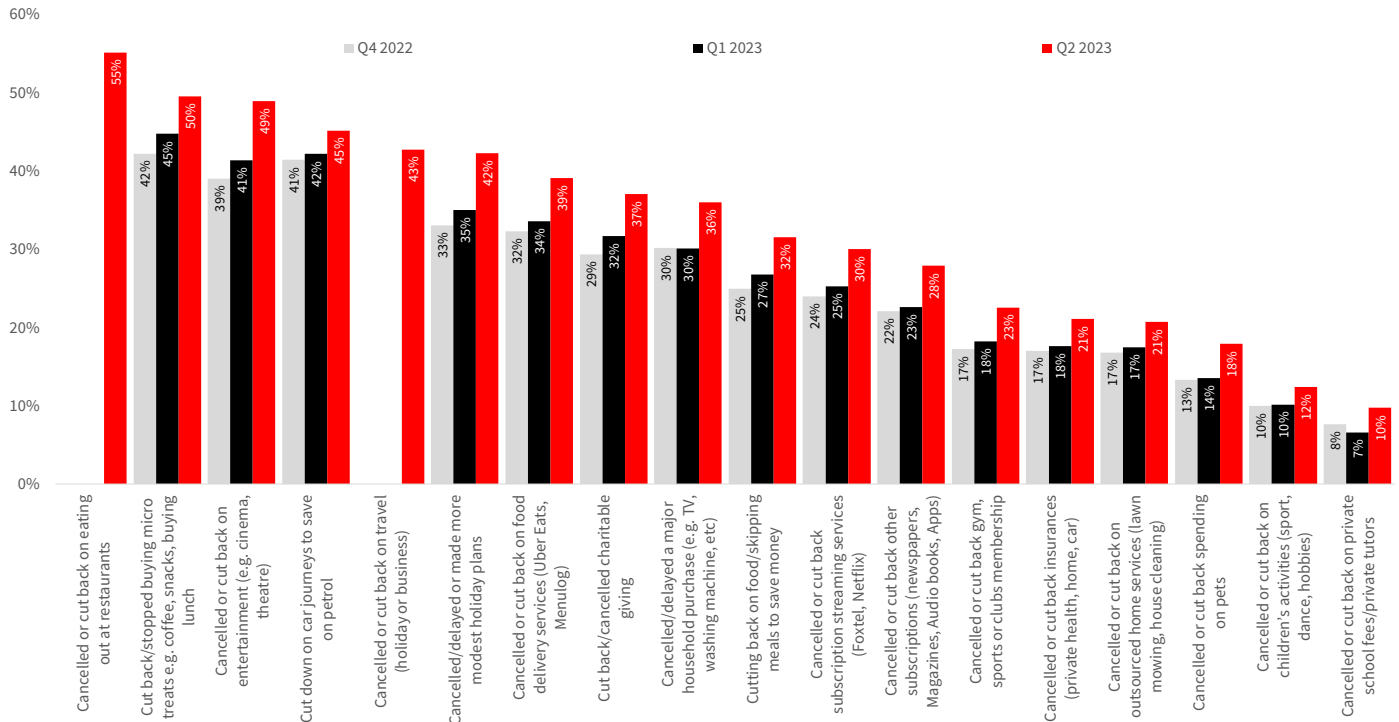
How will overall cost of living change in the next 3 & 12 months (net balance)



With cost of living pressures growing, more consumers cut back spending on a range of items in Q2. In total, over 1 in 2 or 55% cancelled or cut back on eating out at restaurants. Around 1 in 2 (50%) cut back or stopped buying micro treats such as coffees, snacks, or lunch (up from 45% in Q1) and entertainment such as going to the cinema, theatre etc. (49% up from 41%). The next most common was cutting back on car journeys to save petrol (45% up from 42%). Around 4 in 10 consumers also cut back or

cancelled spending on travel (43%), made more modest holiday plans (42% up from 35%), or on food delivery services such as Uber Eats and Menulog (39% up from 34%). Consumers were least inclined to cancel or cut spending on private school fees/tutors (10% up from 7%), children’s activities such as sport and hobbies (12% up from 10%), and spending on their pets (18% up from 14% in Q1).

Cuts made to spending in the past 3 months due to cost of living pressures



Cuts made to spending due to cost of living pressures: age, gender, high/low income

	All	18-29	30-49	50-64	65+	Men	Women	Lower Income	Higher Income
Eating out at restaurants	55%	64%	60%	52%	41%	51%	59%	53%	56%
Buying micro treats e.g. coffee, snacks	50%	61%	52%	47%	35%	43%	56%	46%	52%
Entertainment (e.g. cinema, theatre)	49%	59%	54%	46%	32%	44%	53%	46%	51%
Car journeys to save on petrol	45%	49%	46%	45%	41%	41%	49%	44%	41%
Travel (holiday or business)	43%	52%	46%	37%	33%	41%	44%	37%	42%
More modest holiday plans	42%	50%	46%	37%	32%	39%	45%	36%	44%
Food delivery services (e.g. Uber Eats)	39%	63%	47%	28%	13%	34%	44%	33%	45%
Charitable giving	37%	33%	38%	42%	35%	35%	39%	37%	36%
Major household purchase (e.g. TV)	36%	40%	42%	34%	24%	32%	40%	35%	36%
Food/skipping meals to save money	32%	44%	35%	27%	16%	27%	36%	40%	24%
Subscription streaming services (e.g. Netflix)	30%	41%	38%	24%	12%	29%	31%	28%	31%
Other subscriptions (newspapers, Apps)	28%	33%	33%	23%	19%	27%	28%	26%	27%
Gym, sports or clubs membership	23%	34%	28%	16%	8%	21%	24%	19%	24%
Insurances (private health, home, car)	21%	23%	26%	19%	13%	20%	22%	21%	20%
Outsourced home services (cleaning)	21%	26%	26%	15%	11%	21%	21%	25%	22%
Spending on pets	18%	23%	24%	15%	6%	17%	19%	19%	18%
Children's activities (sport, dance, hobbies)	12%	14%	20%	7%	3%	13%	12%	12%	13%
Private school fees/private tutors	10%	11%	16%	6%	2%	11%	8%	10%	11%

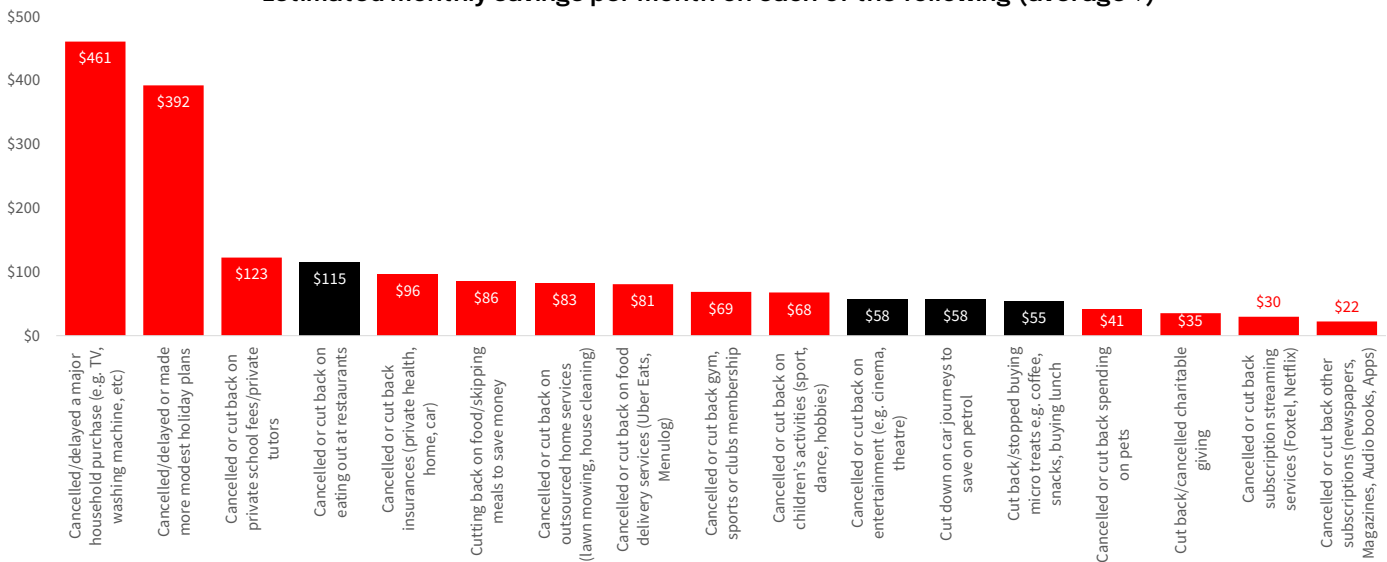
The survey found a higher number of consumers under 50 cutting back in all areas, except charitable giving, where the highest number were in the 50-64 group (42%). It also highlighted a significantly higher number in the 18-29 group that cut spending on micro treats (61%), food delivery services (63%), and skipping meals to save money (44%). We also noted a higher number of women that cut spending in most areas, particularly micro treats (56% women; 43% men), food delivery services (44% women; 34% men), entertainment (53% women; 44% men), and eating out at restaurants (59% women; 51% men). For lower and higher income earners, the biggest disparities were the much higher number in lower income groups skipping meals (40% lower income: 24% higher income), and in higher income groups cutting back on food delivery services (45% higher income; 33% lower income).

For the first time, Australian consumers who said they had cut back or stopped spending in these areas were asked to estimate

their monthly saving from these cutbacks. Not surprisingly, the biggest savings came from big ticket items - cancelling or delaying major household purchases (\$461), cancelling, delaying or making more modest holiday plans (\$392), and cancelling or cutting back on private school fees/private tutors (\$123).

However, the survey also revealed significant monthly savings in the four areas where most consumers cut back in Q2 - eating out at restaurants (\$115), buying micro treats (\$55), entertainment (\$58) and cutting down on car journeys to save on petrol (\$58). Combined, these cutbacks amounted to monthly savings of \$286 (a potential savings buffer of around \$3,400 annually if continued). Even in areas where savings from spending cuts were smallest - subscription streaming services such as Foxtel, Netflix etc. (\$30), and other subscription services such as newspapers and magazines could potentially save consumers \$625 annually.

Estimated monthly savings per month on each of the following (average \$)



Estimated monthly savings from cutbacks: age, gender

	All	18-29	30-49	50-64	65+	Men	Women
Major household purchase	\$461	\$490	\$390	\$536	\$513	\$390	\$519
Holiday plans	\$392	\$409	\$324	\$541	\$360	\$293	\$505
Private school fees/private tutors	\$123	\$202	\$158	\$13	\$1	\$119	\$142
Eating out at restaurants	\$115	\$123	\$119	\$113	\$95	\$114	\$116
Insurances	\$96	\$89	\$94	\$88	\$156	\$93	\$101
Food/skipping meals	\$86	\$99	\$93	\$77	\$30	\$77	\$93
Outsourced home services	\$83	\$88	\$82	\$83	\$79	\$71	\$93
Food delivery services	\$81	\$90	\$83	\$71	\$49	\$79	\$83
Gym, sports or clubs membership	\$69	\$76	\$63	\$76	\$50	\$55	\$81
Children's activities	\$68	\$81	\$79	\$35	\$4	\$44	\$96
Entertainment	\$58	\$60	\$67	\$49	\$39	\$52	\$62
Car journeys to save on petrol	\$58	\$64	\$65	\$54	\$39	\$59	\$57
Micro treats	\$55	\$65	\$57	\$57	\$31	\$52	\$57
Spending on pets	\$41	\$53	\$40	\$31	\$34	\$39	\$43
Charitable giving	\$35	\$43	\$34	\$34	\$35	\$34	\$36
Subscription streaming services	\$30	\$30	\$30	\$35	\$18	\$31	\$29
Other subscriptions	\$22	\$21	\$23	\$25	\$21	\$20	\$25

The table above shows monthly savings by age and gender. By age, noticeably bigger savings were made by consumers in the 50-64 age group for major household purchases (\$536) and holidays (\$541), in the over 65 age group on insurances (\$156), and in the 18-29 age group private school fees/tutors (\$202), pets (\$53) and charitable giving (\$43).

Future household spending behaviours

NAB’s Consumer Spending Pulse tracks expected changes in household spending patterns in the next 3 months - i.e. whether consumers are planning to spend more or less across a range of spending categories.

The Q2 survey results paint a picture of an increasingly conservative consumer, with the overall net number planning to cut back on all spending rising to -12, from -9 in the previous quarter and -6 in Q4’22

On balance, more consumers plan to reduce spending on non-essentials (i.e. travel/holidays, eating out, entertainment, home improvements, major household items, personal goods, and charitable donations), than spend more on them, with the overall the net number cutting back rising to -28 (-24 in Q1’23 and -20 in Q4’22).

In terms of spending plans on essentials (groceries, utilities, medical expenses, transport and children), the overall net number planning to spend more in the next 3 months continues to exceed those planning to spend less. However, it fell further to +5 (+8 in Q1’23 and +9 in Q4’22).

Intentions around financial spending (paying off debt, using credit and super, savings & investments), were also more restrained, with the net number expecting to spend less rising to -3, from -1 in the previous quarter.

Overall future spending plans were more conservative across the country in Q2, with the net number planning to cut spending rising. Consumers in TAS (-20) and TAS (-19) were most conservative, and those in VIC (-9) and NSW/ACT (-10) least so.

In terms of non-essential spending, we again noted a higher number of consumers planning to cut back in all states, led by WA (-34), QLD (-32) and TAS (-32).

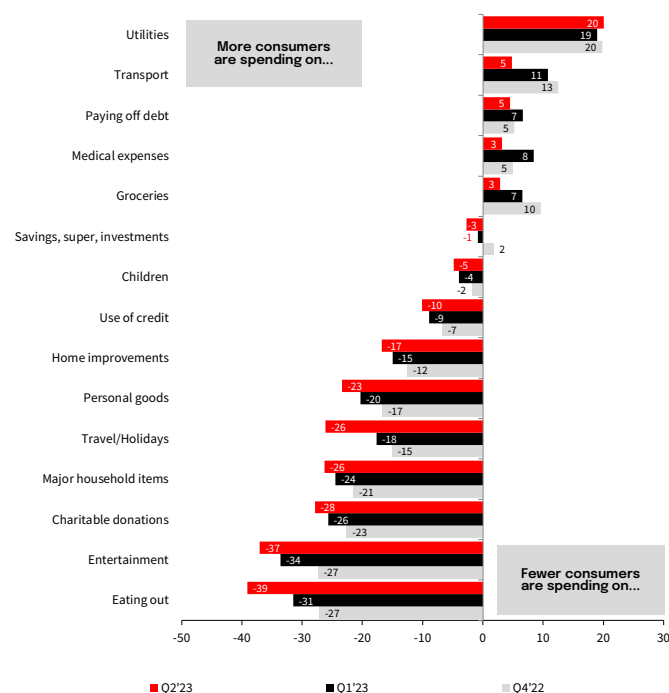
Results however varied significantly across states in relation to future spending plans for essentials. Whereas the number expecting to spend more on essentials in the next 3 months outweighed those expecting to spend less in NSW/ACT (+9), VIC (+9) and QLD (+66), the number expecting to spend less outweighed those expecting to spend more in TAS (-13), WA (-6) and SA/NT (-2).

Financial spending intentions were pared back (and negative) in all states bar VIC (0) in Q2 - see table on right.

Future spending patterns (net balance)

	AUS	NSW/ACT	VIC	QLD	WA	SA/NT	TAS
Non-essentials							
- Q2 2023	-28	-27	-25	-32	-34	-26	-32
- Q1 2023	-24	-22	-23	-29	-22	-23	-19
- Q4 2022	-20	-20	-19	-22	-20	-19	-15
Essentials							
- Q2 2023	+5	+9	+9	+6	-6	-2	-10
- Q1 2023	+8	+5	+9	+8	+12	+14	+8
- Q4 2022	+9	+8	+8	+9	+7	+17	+2
Financial							
- Q2 2023	-3	-2	0	-6	-6	-2	-7
- Q1 2023	-1	-1	0	0	0	-6	-6
- Q4 2022	0	+2	0	0	-1	-4	-1
Overall							
- Q2 2023	-12	-10	-9	-14	-19	-13	-20
- Q1 2023	-9	-9	-8	-11	-6	-8	-7
- Q4 2022	-6	-6	-7	-7	-7	-4	-5

NAB Consumer Spending Pulse - Expected changes in household spending patterns in next 3m (net balance)



In terms of individual spending categories, consumers are planning to rein in spending in all areas except utilities where slightly more expect to spend more (+20 from +19 in Q1). Overall, the net number planning to spend more on essentials in all categories continued to out-weigh those planning to spend more – albeit somewhat lower in all categories - transport (+5 from +11 in Q1), medical expenses (+3 from +8) and groceries (+3 from +7) - see chart above.

More consumers also indicated they will spend less on all types of non-essentials in the next 3 months, with the highest number indicating they will cut back on eating out (-39 from -31 in Q1) and entertainment (-34 from -37). We also noted a big uplift in the net number of consumers with plans to reduce spending on travel/holidays (-36 from -18).

Financial spending intentions were mixed, whereas more consumers on balance plan to pay off debt, the number expecting to do so fell to +5 (+7 in Q1). However, the net number cutting back spending on their super savings and investment (-3 from -1) and use of credit (-10 from -9) increased slightly - **see appendix 2 for State details.**

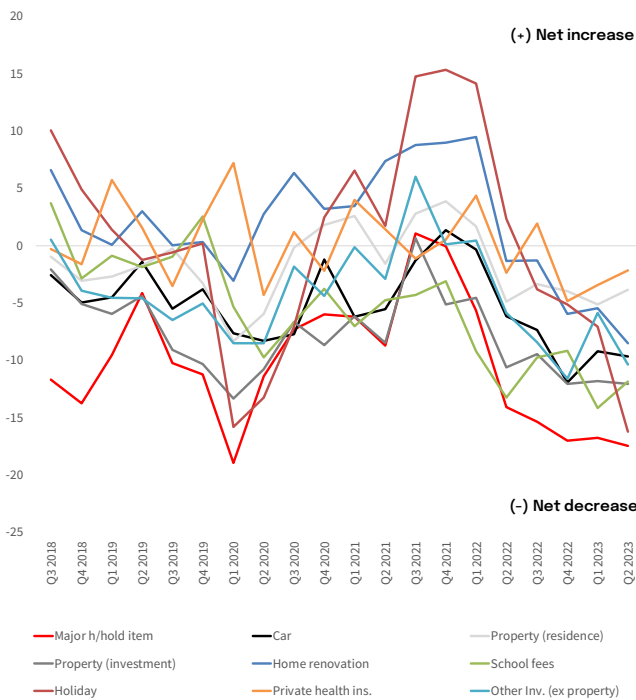
holidays where intentions were considerably more negative (-16 from -7 in Q1). A significant number also planned to spend less on school fees (-12 from -14 in Q1), investment property (unchanged at -12), other investments outside property (-10 down from -6) and cars (-10 from -9).

Expectations for making major purchases in the next 12 months do however vary by state. In particular, the Q2 survey revealed a somewhat higher number in SA/NT planning to spend less on private health insurance (-13) and residential property (-16), in QLD on cars (-15), in VIC on other investments outside of property (-20) and major household items (-23), and in both TAS (18) and WA (-17) on school fees – see table below.

Expectations for major purchases: states

	NSW/ACT	VIC	QLD	WA	SA/NT	TAS
Private health ins.	-2	-4	0	-2	-4	-1
Property (residence)	-4	-3	-6	-1	-13	2
Home renovation	-9	-9	-6	-9	-16	-7
Car	-10	-8	-15	-9	-11	2
Other Inv. (ex. property)	-10	-14	-9	-10	-3	-9
School fees	-12	-13	-6	-17	-8	-18
Property (investment)	-12	-14	-14	-9	-10	-7
Holiday	-16	-20	-18	-18	-10	1
Major household item	-17	-23	-14	-19	-15	-9

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



Consumer expectations about making major purchases in the next 12 months also remain very pessimistic, with the number of planning to spend less on major purchases outweighing those planning to spend more in all categories. Overall, spending intentions remained most conservative for major household items (unchanged for the third straight quarter at -17), followed by

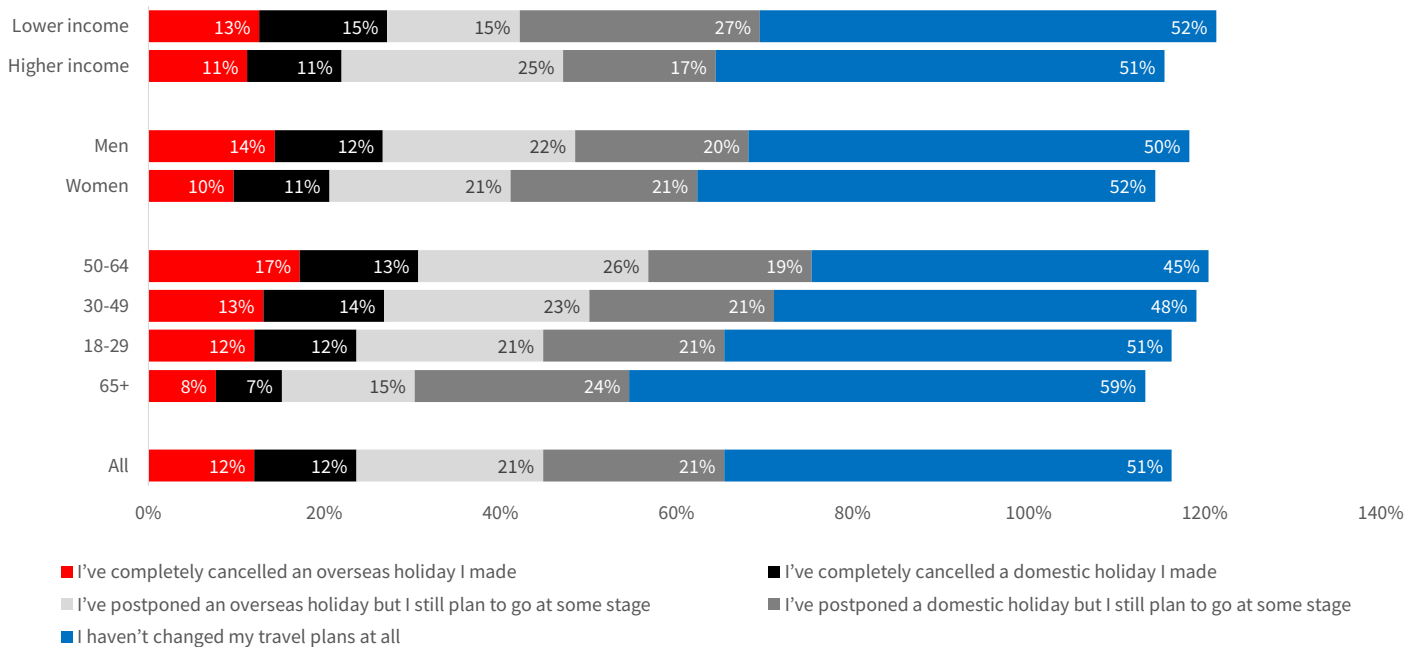
Special insight: travel plans

Consumers who had intentions to holiday in the next 12 months (around 85% of all Australians), were also asked if they had made any changes to their travel plans for 2023 due to their financial situation.

Overall, around 1 in 4 (24%) cancelled all of their holiday plans (12% an overseas holiday and 12% a domestic holiday). Over 4 in 10 (42%) postponed a holiday, but still planned to go at some stage (21% overseas and 21% domestic). In total, around 2 in 3 (65%) Australians either cancelled or postponed a holiday in Q2 2023. But 1 in 2 (51%) did not change their travel plans at all.

Somewhat more men (26%) cancelled all their plans than women (21%). By age, cancellations were highest in 50-64 (31%) and 30-39 (29%) groups - and twice as high than in the 65+ group (15%), and higher than the 18-29 group (24%). Around 6 in 10 (59%) consumers over 65 did not change their travel plans at all, compared to 45% in the 50-64 group - though this age group also had the most postponements (45%). Interestingly, only somewhat fewer in lower income groups (22%) cancelled a holiday compared to consumers in higher income groups (28%) - see chart below.

Changes to 2023 travel plans due to your financial situation



Switching and trying something new

Finally, we explore how consumer behaviours/habits changed in the last 3 months in several areas. Specifically, we identify whether they switched or tried new products, brands, stores, or ways of purchasing, if their household was influenced by various cost, value, convenience, safety environmental or social issues, and whether their behaviours had changed around a number of more general themes.

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 across several areas in the last 3 months (i.e. if they were doing more or less of these things).

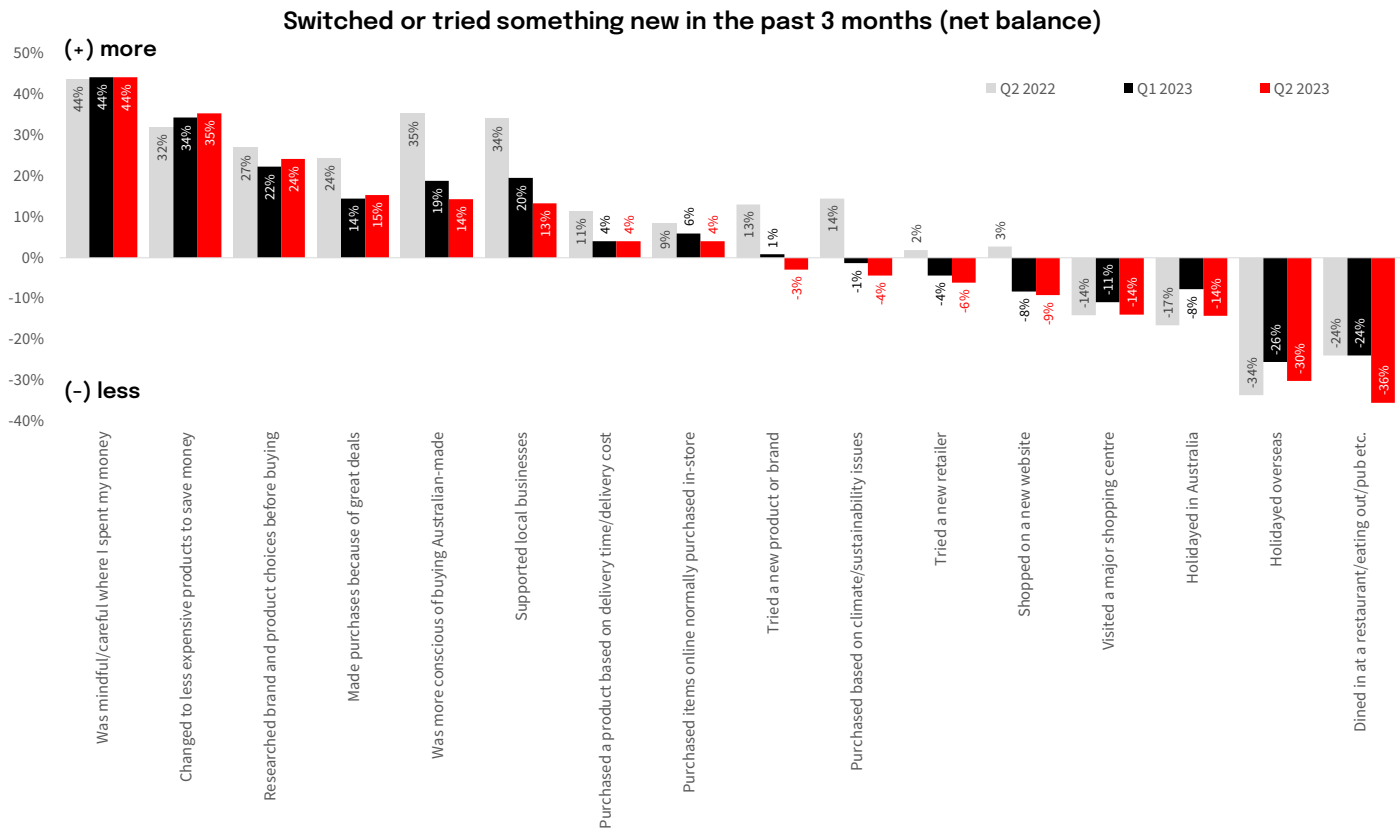
With the rising cost of living still top of mind for many, behavioural change among consumers in Q2 was again most evident for being mindful or careful of where they spent their money, with the net number being more mindful about spending heavily outweighing those less mindful of their spending at +44%. Positive change was next most common when switching to less expensive products to

save money (+35% from +34% in Q1) and researching brands and product choices before buying (+24% from +22%). Slightly more also made purchases because of great deals (+15%).

However noticeably fewer consumers said they were more conscious of buying Australian made (+14% down from +19% in Q1) or supporting local business (+13% down from +20%). Moreover, we have noted a very clear change in consumer behaviour around buying Australian made and supporting local business over the past year (+35% and +34% respectively).

In contrast, we noted a very sharp increase in the number that said they dined in less at a restaurant to -36% (-24% in Q1), with those that holidayed less overseas also continuing to heavily outweigh those that holidayed overseas more (-30% from -26%). The survey also recorded a somewhat higher number that holidayed less in Australia (-14% from -8% in Q1) or visited a major shopping centre (-14% from -11%).

The table on the following page highlights behavioural changes by age, gender, and higher/lower income groups – see chart & table on the following page.



Switching or trying something new: age and gender

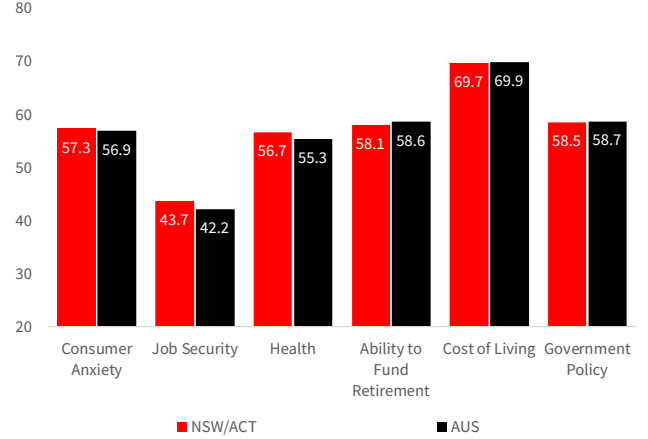
	All	18-29	30-40	50-64	65+	Men	Women
Was mindful/careful where I spent my money	44%	46%	38%	46%	50%	36%	51%
Changed to less expensive products to save money	35%	43%	36%	33%	29%	26%	44%
Researched brand and product choices before buying	24%	26%	23%	22%	26%	18%	30%
Made purchases because of great deals	15%	24%	27%	7%	-4%	8%	22%
Was more conscious of buying Australian-made	14%	-1%	8%	18%	36%	14%	15%
Supported local businesses	13%	6%	9%	16%	25%	13%	14%
Purchased a product based on delivery time/delivery cost	4%	13%	9%	0%	-9%	0%	8%
Purchased items online normally purchased in-store	4%	10%	12%	-3%	-9%	-1%	9%
Tried a new product or brand	-3%	1%	0%	-3%	-12%	-6%	0%
Purchased based on climate/sustainability issues	-4%	-2%	-1%	-5%	-12%	-7%	-2%
Tried a new retailer	-6%	-3%	-2%	-9%	-15%	-8%	-4%
Shopped on a new website	-9%	2%	-2%	-18%	-24%	-8%	-10%
Visited a major shopping centre	-14%	-11%	-10%	-18%	-20%	-11%	-16%
Holidayed in Australia	-14%	-12%	-14%	-14%	-17%	-12%	-16%
Holidayed overseas	-30%	-23%	-24%	-34%	-44%	-29%	-31%
Dined in at a restaurant/eating out/pub etc.	-36%	-26%	-33%	-45%	-40%	-32%	-39%

Appendix 1: Consumer Stress Index - States

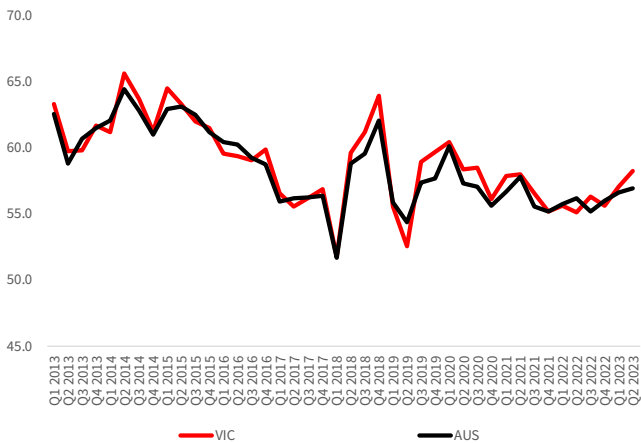
Consumer Stress: NSW/ACT



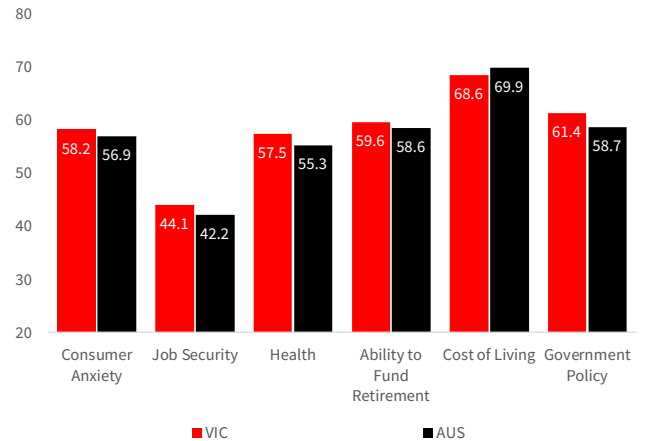
Consumer Stress: NSW/ACT (Q2 2023)



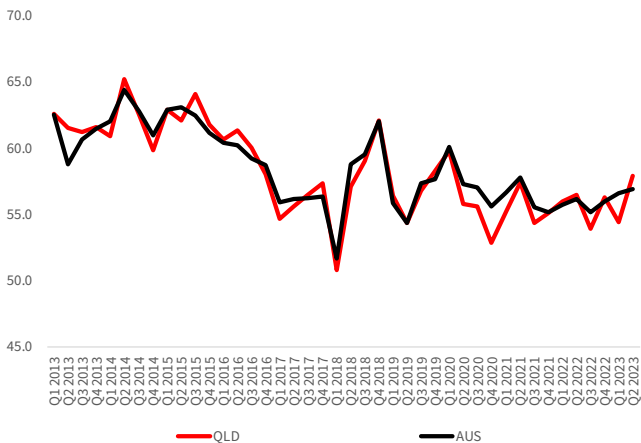
Consumer Stress: VIC



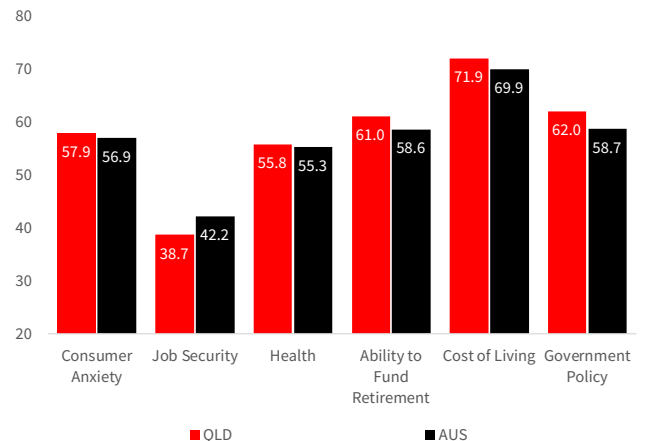
Consumer Stress: VIC (Q2 2023)



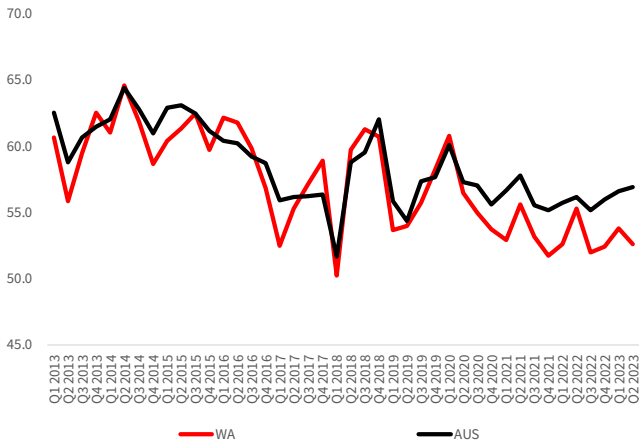
Consumer Stress: QLD



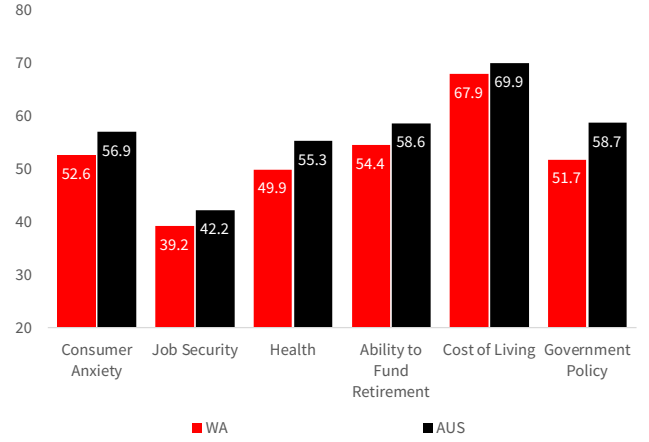
Consumer Stress: QLD (Q2 2023)



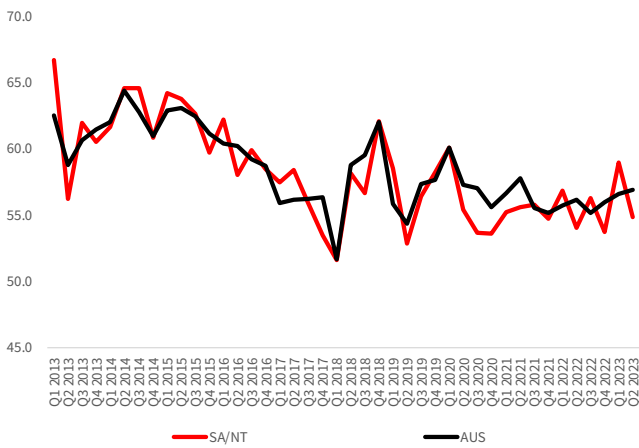
Consumer Stress: WA



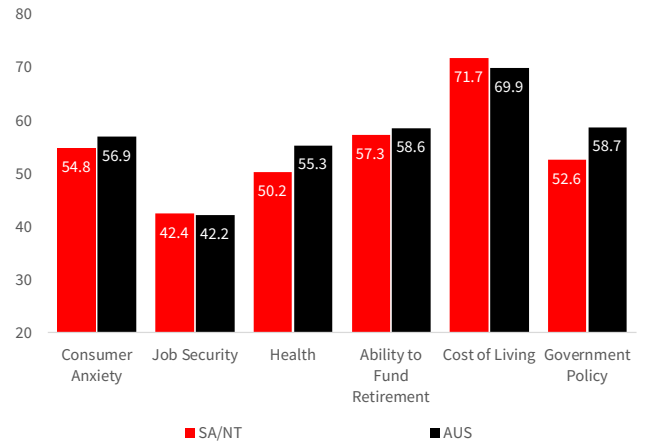
Consumer Stress: WA (Q2 2023)



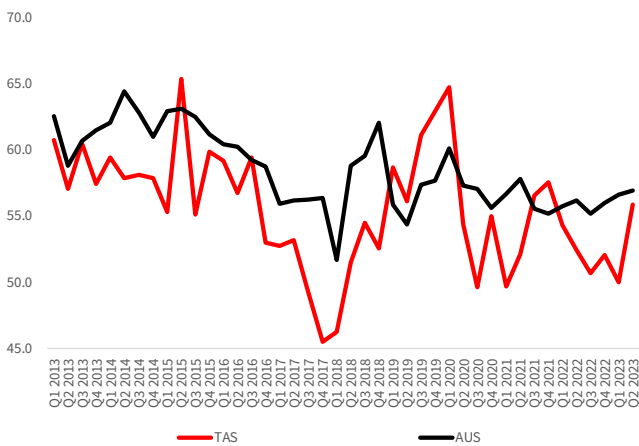
Consumer Stress: SA/NT



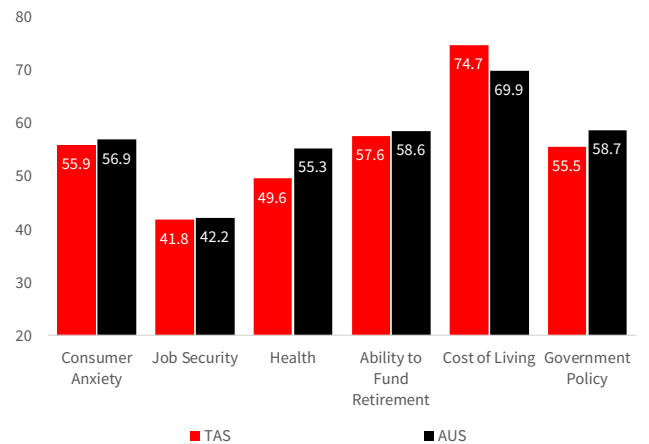
Consumer Stress: SA/NT (Q2 2023)



Consumer Stress: TAS

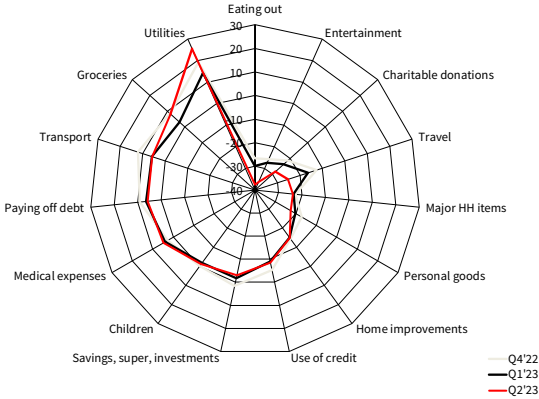


Consumer Stress: TAS (Q2 2023)

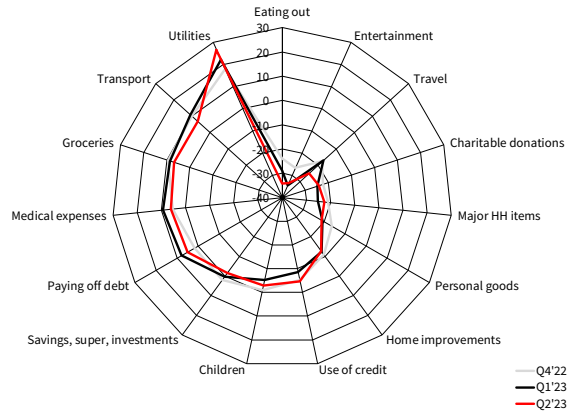


Appendix 2: Future Spending Patterns: States

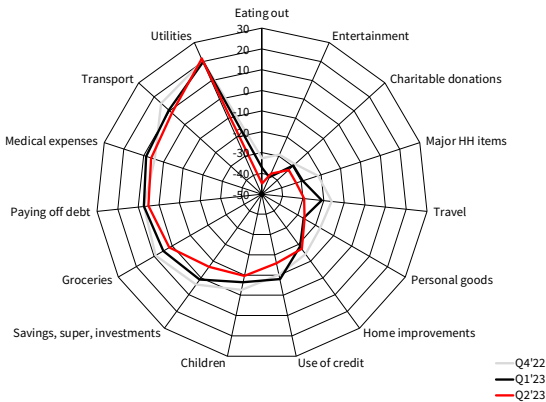
NSW/ACT: Changes in spending patterns (net balance)



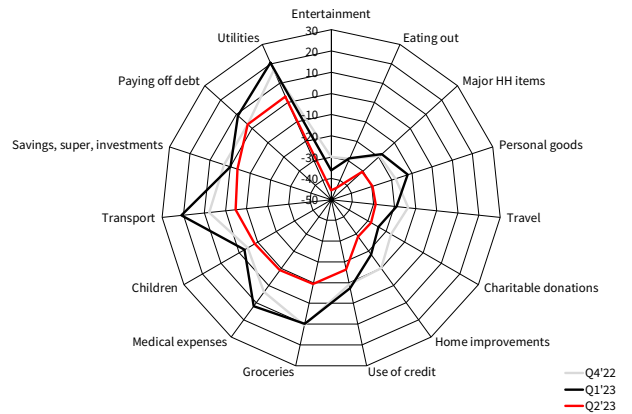
VIC: Changes in spending patterns (net balance)



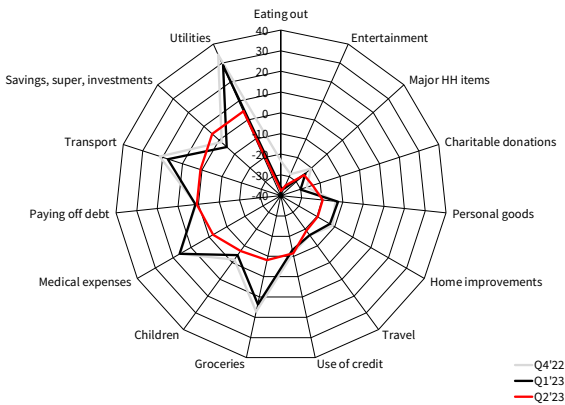
QLD: Changes in spending patterns (net balance)



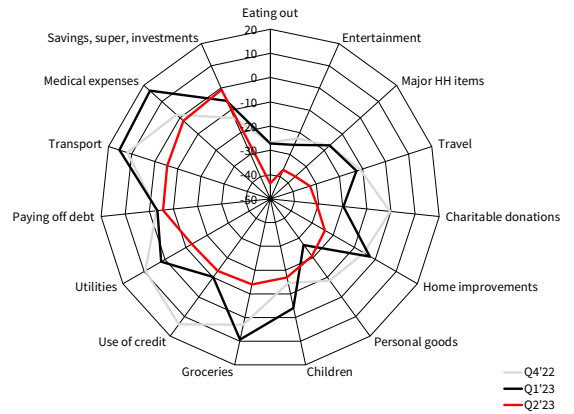
WA: Changes in spending patterns (net balance)



SA/NT: Changes in spending patterns (net balance)



TAS: Changes in spending patterns (net balance)





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