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money



NAB Consumer Sentiment Survey Q3-2023



October 2023

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Cost of living stress eases after rising for 7 consecutive quarters. Australians are making deliberate trade-offs in order to balance spending with lifestyle and manage in their own way. The consumer “great reprioritisation” continues.

NAB Behavioural and Industry Economics

The NAB Consumer Stress Index increased for the fourth consecutive quarter as stresses associated with jobs, health, retirement and Government policies all rose. However, cost of living stress, by far the biggest cause of concern, eased after rising for the past seven quarterly surveys. Though consumers are stretched (on balance, 8 in 10 believe living costs increased further in Q3), many are growing more accustomed to these pressures, and are having to make deliberate spending trade-offs in order to manage household balance sheets and support their lifestyle in their own way.

Consumers have been able to adapt because of the availability of jobs. Should employment fall sharply, we could see a significant adjustment in spending. There is a clear expectation that the cost of necessities (groceries, utilities, transport, rent and mortgages), will all continue to rise over the coming year. To manage, consumers are reprioritising their lives - 1 in 2 are cutting back on eating out, entertainment and car travel. Combined, this represents an annual savings buffer of \$3,900 on average, if continued. 4 in 10 consumers have saved on holidays and food delivery and 1 in 3 on a major household appliances and subscription streaming services. Somewhat paradoxically, consumers are splurging and trading down on other purchases. Intent to splurge is especially pronounced among younger age groups. Almost all households are rebalancing, but spending patterns are nuanced, depending on age groups, income levels and housing status.

The NAB Consumer Stress Index increased to 57.7 pts in Q3 2022 (up from 56.9 in the previous quarter and 55.2 the same time last year). However, stress associated with cost of living fell to 69.4 in Q3 after climbing in each of the previous seven quarters - albeit still well above the long-term survey average (66.4). There was also a small decline in the number of consumers reporting very high cost of living stress (90+ pts) to 32% (44% among lower income earners and 41% for those renting a house). Overall, the index continues to trend below the survey average (58.4).

Concerns associated with job security increased for the second consecutive quarter to 43.3 pts in Q3 (up from 42.2 in Q2 and a 4½-year low 39.7 at the same time last year). However, job security is still causing the least stress and remains below the survey average (45.8). In Q3, just 1 in 7 (14%) consumers reported “very high” job stress (i.e. 90+ pts).

Stress associated with health increased most in Q3 (to 57.1 pts, up from 55.3 in Q2 and 55.4 the same time last year) and is now above the survey average (56.6) for the first time in more than 2 years. Around 16% of Australians indicated they were very stressed about health (90+ pts) in Q3. Stress arising from retirement funding also lifted (59.7) but remains below average (60.2). There was also a small increase in stress associated with government policies to a below average 59.1 in Q3 (58.7 in Q2 but somewhat higher than the same time last year 57.3).

Consumer balance sheets emerged from the pandemic in excellent shape and consumption has been very supportive of overall growth. That said, the economy has slowed this year with increasing evidence of the stress on household budgets due to higher interest rates and inflation. Savings continue to fall but remain positive. The unemployment rate has ticked up in recent months, but the rise has partly reflected record participation as employment growth remains robust alongside strong population growth. There remains a disconnect between traditional consumer confidence measures and actual spending habits. NAB's own monthly transaction data continues to suggest spending remains resilient, with September quarter data showing fairly strong growth in consumer spending overall. While consumers are extremely aware of rising prices and high interest rates, most have jobs and wage growth has risen to its strongest pace since 2012, albeit has levelled off.

In Q3, consumer stress was highest among the unemployed (66.1), lower income earners (62.4), people in TAS (60.5), families with children (60.2), divorced (60.2), women aged 50-64 (60.0) and people renting a house (61.1). It was lowest by some margin for retirees (48.7) and people over the age of 65 - both men (49.8) and women (50.9).

On balance 8 in 10 consumers (+81%) believe living costs increased further in Q3, slightly fewer than in Q2 (+83%). 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. Perceptions of higher prices were again most evident for groceries (on balance, +81% of consumers believe they rose), utilities (+79%), transport (+72%), eating out (+68%), travel/holidays (+65%) and home improvements (+62%).

Once the cycle of inflationary psychology begins, it's increasingly hard for economic policymakers to stop it. When asked how they expected overall cost of living and inflation to change over the next 3 & 12 months, though still elevated, there was a small decline on balance in the number of consumers anticipating higher living costs in the next 3 (+66% down from +71% in Q2) and 12 months (67% down from 71% in Q2).

There is an expectation that necessities such as groceries, utilities, rent/mortgage, and transportation costs will take up a bigger part of household income in the coming year. To offset those costs, many consumers plan to spend less on most major purchases, particularly major household appliances and holidays. More consumers also plan to spend less on school fees, investment properties, home renovations, other investments outside property and cars.

Somewhat paradoxically, many consumers continue to splurge on things that represent 'value' to them, including high end experiences, while at the same time cutting back, trading down or cancelling altogether some other purchases.

In Q3, an unchanged 55% of consumers (almost 6 in 10) cancelled or cut back on eating out at restaurants, 1 in 2 cut back or stopped buying micro treats such as coffee, snacks and lunch (unchanged at 50%), on entertainment such as cinema, theatre etc. (47% down from 49% in Q2), and on car journeys to save petrol (unchanged at 45%). 4 in 10 had cancelled, delayed or made more

modest holiday plans (40% down from 42% in Q2), cancelled or back on food delivery services (unchanged at 39%), and charitable giving (38% up from 37% in Q2). Around 1 in 3 cancelled or delayed a major household purchase such as a TV or washing machine (unchanged at 36%) and subscription streaming services (34% up from 30% in Q2).

Consumers remained least inclined to cancel or cut spending on private school fees/tutors (unchanged at 10%), children's activities such as sport and hobbies (13% up from 12%), and spending on their pets (17% down from 18%).

Almost all households are rebalancing but spending patterns have become extremely nuanced depending on their age group, income level, housing status, and what they are buying. A somewhat higher number of consumers in lower income groups targeted petrol (54% lower income; 40% higher income), food (41% vs. 26%), insurances (26% vs. 21%) and pets (22% vs. 18%). In contrast, somewhat more consumers in higher income groups cut back on entertainment (51% higher income; 46% lower income), holiday plans (43% vs. 34%), food delivery services (47% vs. 37%), gym, sports or club memberships (28% vs. 17%) and children's activities (17% vs. 11%).

Consumers who made cutbacks also indicated they had saved more by doing so in all areas relative to the previous quarter. Not surprisingly, the biggest savings came from big ticket items - holidays (on average saving \$549, up from \$392 in Q2) and major household purchases (\$545 up from \$461). The next biggest savings (although reluctance is much greater to do so) came from private school fees/private tutors (\$161 up from \$123 in Q2).

The survey also highlighted significant monthly savings in the four areas where most consumers made adjustments - eating out at restaurants (\$127), buying micro treats (\$62), entertainment (\$63) and cutting down on car journeys to save on petrol (\$72). Combined, this amounted to monthly savings of \$286 in Q3 (a potential savings buffer of around \$3,900 if continued). Even areas where savings from spending cuts were smallest - subscription streaming services (\$32), and other subscription services such as newspapers and magazines (\$27) could potentially save consumers just over \$700 annually if continued.

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.

Behavioural change continues to be most evident among consumers being mindful and careful where they spend their money (on balance +48% of consumers are doing this, up from +44% in Q2), followed by switching to less expensive products to save money (+38% from +35% in Q2) and researching brands and product choices before buying (+22% from +24%). Online reviews have also become more important as consumers focus on 'value'. The ACCC is looking to crack down on fake reviews in line with regulators in other countries. In the UK, the Government is also looking closely at hidden fees in products and services (so called 'drip pricing').

eCommerce (and mobile commerce) sales surged during the pandemic, but as COVID restrictions eased, consumers headed back to brick-and-mortar stores. The past 12 months retraced gains made during the height of the pandemic period (+7% of consumers purchased a product online that would normally have been purchased instore, compared to +15% a year ago). Online is expected to settle at levels higher than before the pandemic, albeit return to a more traditional seasonal sales cycle.

A similar number also continued to make purchases because of great deals (+15%). Consumers are also “spending money to save money” by making larger purchases in the short-term. A large number of consumers on balance also said they dined in less at restaurants (-33%), holidayed overseas (-30%), visited a major shopping centre (-14%) or holidayed in Australia (-12%).

During the pandemic consumers consciously supported local businesses and Australian-made products. This is changing with far fewer buying Australian made (+13%) or supporting local business (+11%) than at the same time last year respectively (+27% & +25%). Australians’ willingness to seek out more sustainable products and brands is also being tested as cost-of-living pressures bite (-5 vs. +1 a year ago). If this continues more companies may need to develop sustainable products comparable in price to what consumers would otherwise buy.

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 remains down on a year ago.

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.

This presents an ongoing opportunity for established and trusted businesses to help consumers navigate these challenging times. Along with promotions, consumers increasingly appreciate a helping hand in spreading, managing, and tracking costs. The cost of retaining an existing customer is typically lower than acquiring a new one.

Key Tables

NAB Consumer Stress Index (100 = extremely concerned)

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Consumer Stress Index	55.2	56.0	56.6	56.9	57.7
Job security	39.7	42.3	42.0	42.2	43.3
Health	55.4	55.6	54.8	55.3	57.1
Ability to fund retirement	56.1	58.1	58.1	58.6	59.7
Cost of living	67.3	67.7	68.9	69.9	69.4
Government policy	57.3	56.1	59.1	58.7	59.1

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

	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Overall cost of living / inflation				83	81
Travel/Holidays	55	57	55	64	65
Eating out	59	55	55	65	68
Entertainment	47	44	46	58	57
Groceries	78	73	76	83	81
Home improvements	55	55	53	65	62
Major HH items	51	51	48	62	59
Utilities	75	71	69	77	79
Telecoms	43	41	40	51	53
Personal goods	51	53	52	59	59
Medical expenses	52	49	58	60	59
Transport	72	69	64	69	72
Children	36	37	46	50	46
Mortgage	58	58	62	67	65
Rent	52	49	55	62	59
Other debt	37	41	43	52	51

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

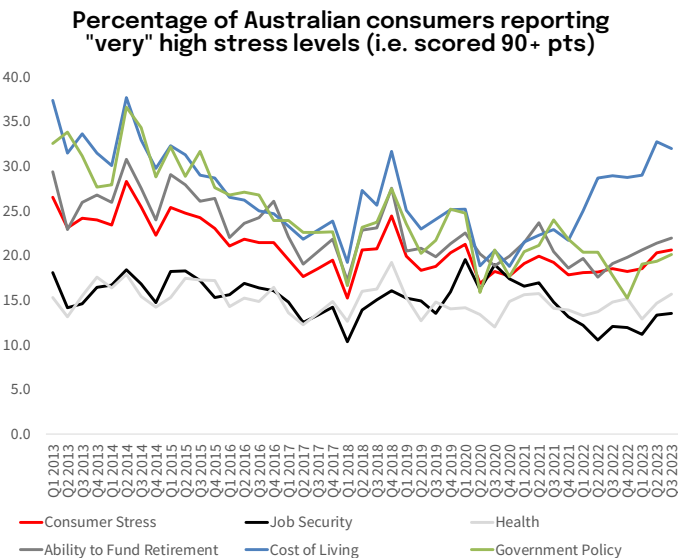
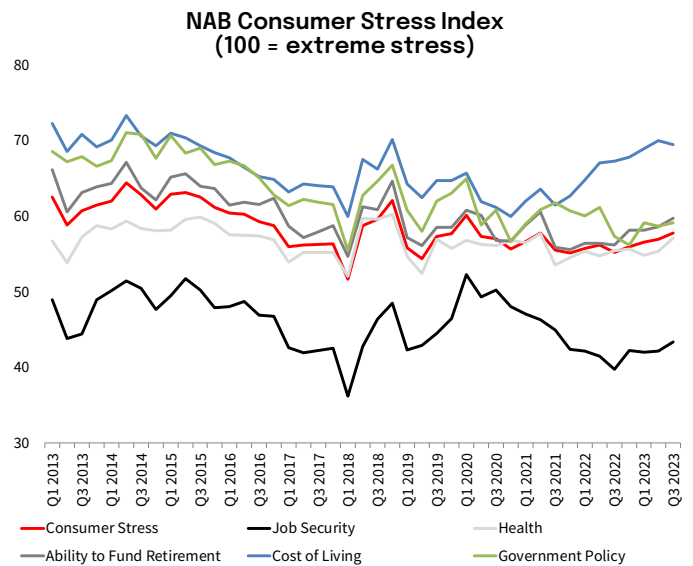
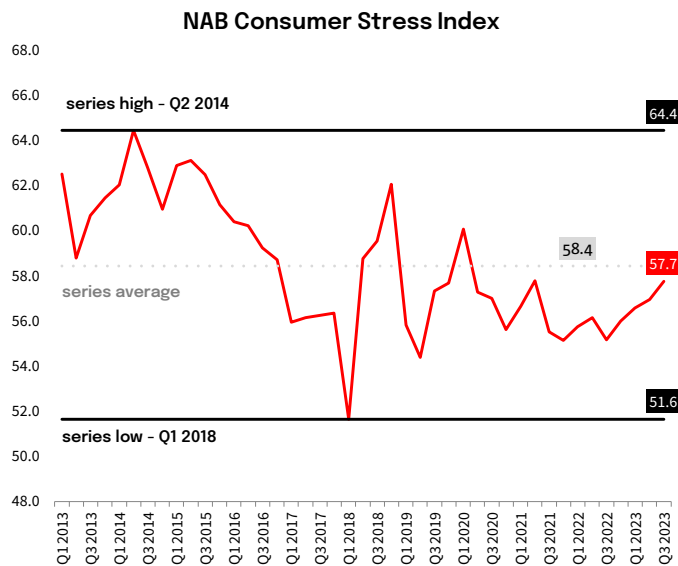
	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
Major household	-15	-17	-17	-17	-18
Car	-7	-12	-9	-10	-9
Property (residence)	-3	-4	-5	-4	-7
Property (investment)	-9	-12	-12	-12	-13
Home renovation	-1	-6	-5	-9	-11
School fees (Private and Catholic)	-10	-9	-14	-12	-13
Holiday	-4	-5	-7	-16	-18
Private health insurance.	2	-5	-3	-2	2
Other Investments (excluding property)	-8	-12	-6	-10	-9

NAB Consumer Stress Index

Most consumer confidence measures have been plumbing levels historically consistent with severe economic downturns. Consumer confidence typically however is not well correlated with consumers spending (indeed 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 that consumers remain relatively upbeat about their work prospects. In short, while inflation continues to be the main driver of consumer stress, having a job is supporting the ability to fund their lifestyle, though spending patterns are changing as consumers become more “considered”.

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 Q3 2023, the NAB Consumer Stress Index increased for the fourth consecutive quarter to 57.7 pts, up from 56.9 pts in the previous quarter and from 55.2 pts at the same time last year. However, overall consumer stress levels continue to trend well below the survey average (58.4 pts).

Cost of living pressures remain by far the biggest cause of stress for Australian consumers. However despite the ABS monthly CPI indicator rising for the first time in four months in August to an annual 5.2%, stress associated with cost of living fell to 69.4 pts in Q3 after climbing in each of the previous seven quarters - albeit still trending well above the long-term survey average (66.4 pts). Also encouraging was a small decline in the number of Australian consumers that reported very high cost of living stress (90+ pts) in Q3 to 32%.



The unemployment rate has ticked up in recent months, but the rise has partly reflected record participation as employment growth remains robust alongside strong population growth. The rate rose from 3.5% to 3.7% in July and remained there in August.

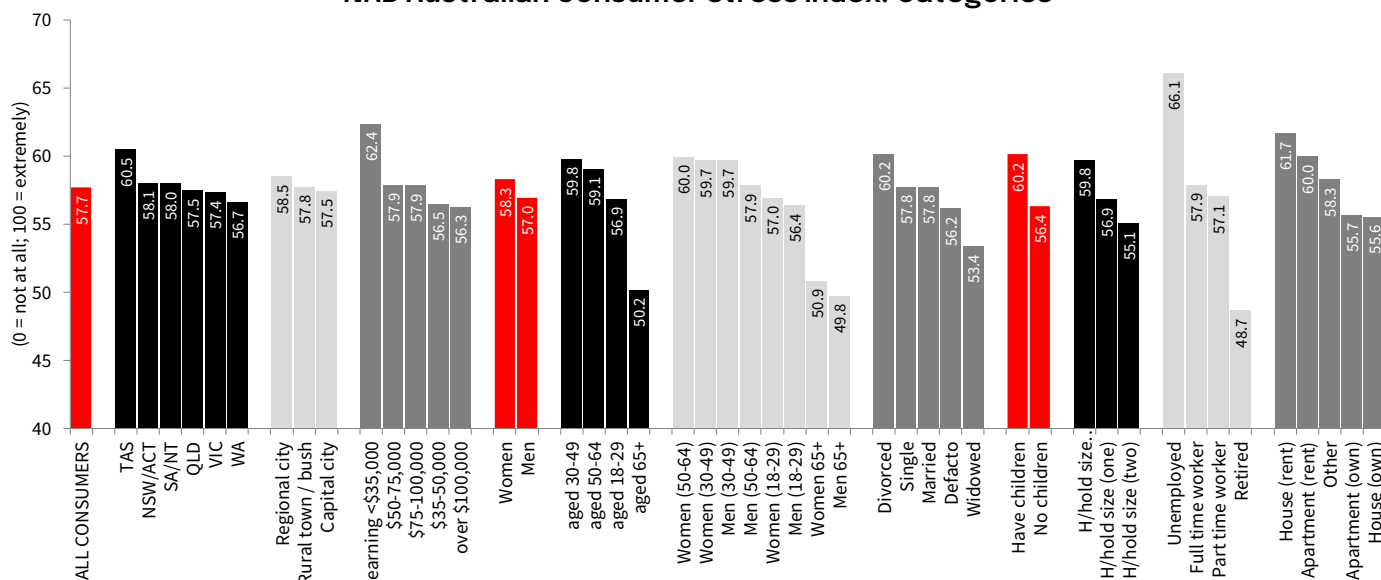
NAB Economics continues to expect employment growth to slow and the unemployment rate to rise more materially as the year progresses, reaching around 4% by end-2023 and approaching 5% by end-2024.

Against this backdrop, consumer stress levels associated with their job security increased for the second consecutive quarter to 43.3 pts in Q3, up from 42.2 pts in the previous quarter and a 4½-year low 39.7 pts at the same time last year. However, job security is still causing the least stress for consumers and is still well below the survey average (45.8 pts).

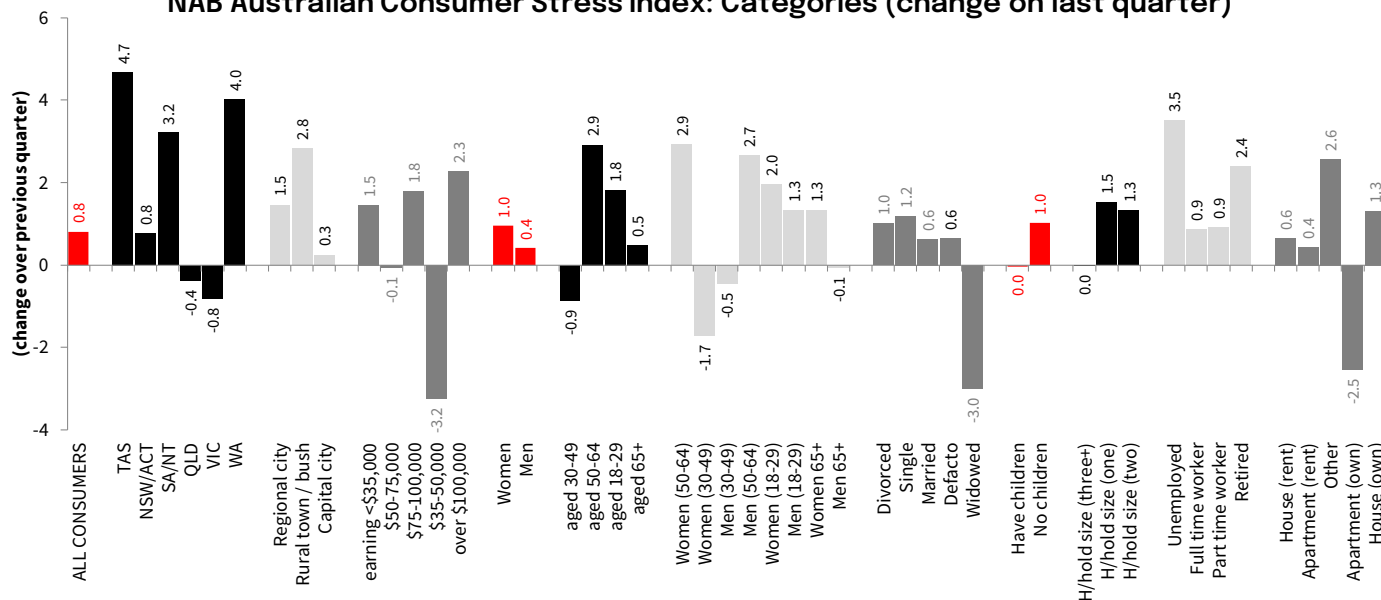
In Q3, just 1 in 7 (14%) Australian consumers reported “very high” job security stress (i.e. 90+ pts).

Stress associated with health increased most in Q3 to 57.1 pts, up from 55.3 pts in the previous quarter and 55.4 pts at the same time last year and printed above survey average levels (56.6 pts) for the first time in more than 2 years. Around 16% of Australians also indicated they were very stressed about health (90+ pts) in Q3 up slightly from 15% in the previous quarter. Consumer stress arising from retirement funding also climbed to 59.7 pts but remained below average (60.2 pts). We also noted a small increase in stress associated with government policies to a below average 59.1 pts in Q3 (from 58.7 pts in the previous quarter but somewhat higher than at the same time last year 57.3 pts).

NAB Australian Consumer Stress Index: Categories



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



The survey continued to highlight large divergences in stress levels across key groups. By state, overall stress in Q3 was highest (and increased most) in TAS (60.5 pts) and was lowest in WA (56.7 pts). VIC (57.4 pts) and QLD (57.5 pts) were the only states to report lower stress in Q3, SANT lower job stress and WA higher cost of living stress. Consumer stress was highest and increased in regional cities (58.5 pts) and lowest in capital cities (57.5 pts) cities. It increased most in rural areas, also the only group with higher cost of living stress.

The stress gap between women (58.3 pts) and men (57.0 pts) increased in Q3, with women reporting much higher stress levels around health and somewhat higher job stress. Overall however, men still report higher stress from job security and government policies, but women noticeably higher stress over cost of living and retirement funding.

Consumer stress levels rose in all age groups in Q3, except the 30-49 age group where it remained highest overall (59.8 pts). However, the 30-49 age group was also the only age group to report lower stress across all measures during the quarter. Overall stress levels increased most in the 50-64 age group (59.1 pts), who were also the only age group to report higher stress for all measures, particularly retirement funding.

Overall stress levels did not vary materially by income in Q3, except in the lower income group where it was somewhat higher (62.4 pts) and highest for all measures - particularly retirement funding and cost of living. Stress levels printed in a narrow range in all other income groups - from 56.3 pts in the \$100,000+ group to 57.9 pts in income groups between \$35-100,000.

In Q3, stress levels were highest for the unemployed (66.1 pts), in the lowest income group (62.4 pts), for people who live in a rented house (61.7 pts) or apartment (60.0 pts), lived in TAS (60.5 pts), for consumers with children (60.2 pts), who are divorced (60.2 pts), women in the 50-64 age group (60.0 pts) and for people living in a rented house (61.1 pts). It was lowest by some margin for retirees (48.7 pts) and people over the age of 65 - both men (49.8 pts) and women (50.9 pts).

General level of concern over the economy

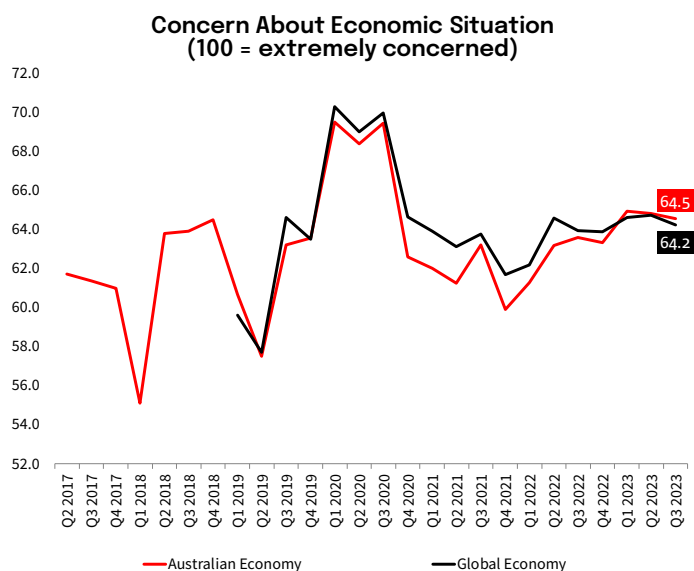
Following the release of the Q2 national accounts, NAB has slightly upgraded its growth forecasts, seeing GDP growth of 1.1% over 2023 and 1.4% in 2024. The upgrade largely reflects the slightly stronger than expected result for Q2 and an upward revision to Q1, as well as a small improvement to our outlook for Q3. NAB's expectation remains that growth will be well below trend over the next two years, weighed down mainly by sluggish growth in household spending as inflation and monetary policy weigh on households. We have also slightly revised up our global growth forecast for 2023 to 3.0%. This reflects an upgrade to India that more than offset a small downward revision for China. For 2024 we expect growth to be weaker at 2.6%, and below the long-term average of 3.4% (since 1980).

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 moderated a little to 64.5 pts, down from 64.8 pts in the previous quarter, but still somewhat higher than at the same time last year (63.6 pts) and trending above the survey average (63.0 pts).

Overall concern over the Australian economy was highest and climbed steeply in SA/NT to 68.5 pts (64.1 pts in Q2). It also increased noticeably in WA to 63.0 pts (59.9 pts in Q2). The level of concern over the Australian economy moderated in all other states, particularly QLD (64.6 pts down from 66.6 pts in Q2) and was lowest in TAS (61.6 pts). The level of concern however continued to print above survey average levels in all states.

The level of consumer concern over the global economic situation also moderated to 64.2 pts in Q3, down from 64.7 pts in the previous quarter and from 64.6 pts at the same time last year. It trended in line with the survey average (64.2 pts).

Concern was highest (and increased sharply) in SA/NT to 69.6 pts (63.8 pts in Q2) and was somewhat higher in WA at 64.0 pts (61.4 pts in Q2). It fell in all other states and was lowest overall in TAS (61.4 pts), followed by NSW/ACT and VIC (63.2 pts).



Concern about Australian economy

	NSW	VIC	QLD	WA	SA/NT	TAS
Q3'22	63.2	65.2	62.7	60.1	65.9	64.6
Q2'23	65.2	65.4	66.6	59.9	64.1	61.7
Q3'23	64.2	64.6	64.6	63.0	68.5	61.6

Concern about International economy

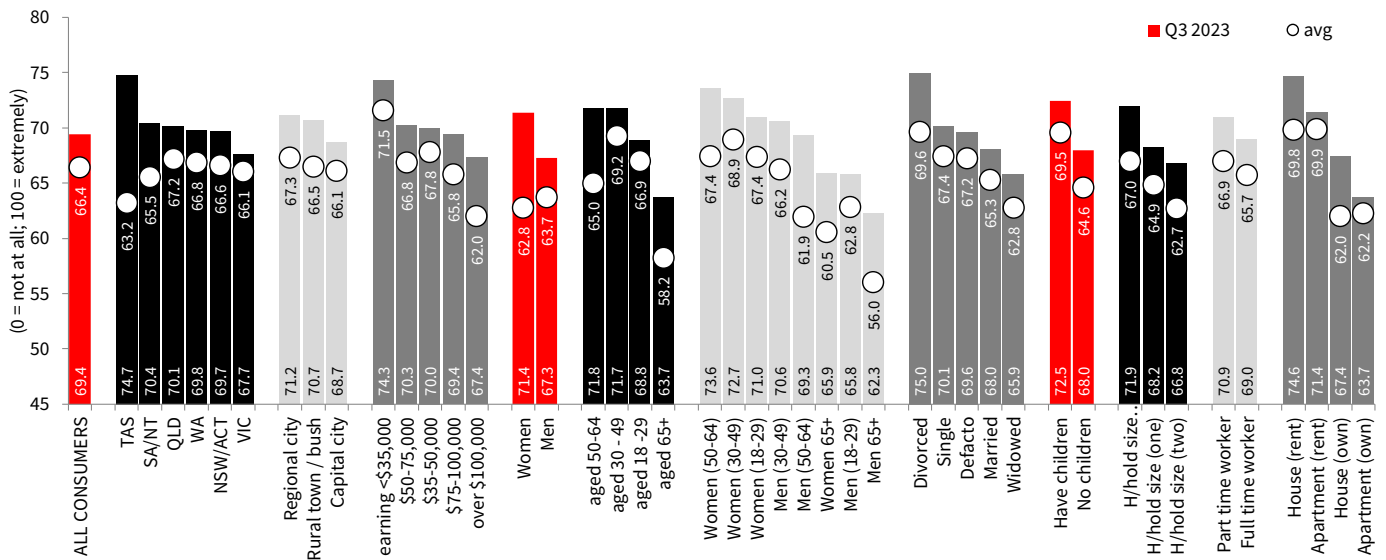
	NSW	VIC	QLD	WA	SA/NT	TAS
Q3'22	63.8	64.9	63.6	60.5	66.7	62.6
Q2'23	64.6	65.6	66.2	61.4	63.8	61.5
Q3'23	63.2	63.2	65.4	64.0	69.6	61.4

Cost of living insights

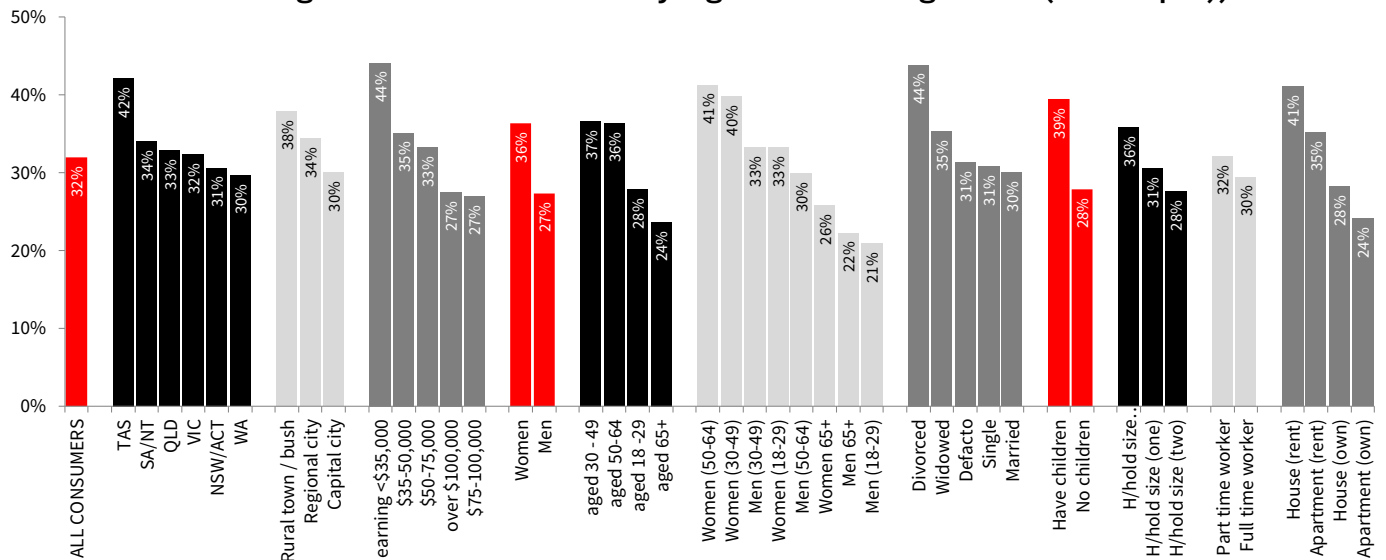
Though consumer stress levels associated with cost of living moderated a little in Q3, it continues to weigh heavily for many Australians. As shown below, cost of living stress continued to trend above average levels in all monitored demographic groups. Moreover, the second chart showed 1 in 3 (32%) Australian consumers still reporting “very high” cost of living stress in Q3 (i.e. scored 90+ pts) - well above the survey average (27%) and up from 19% at the end of 2020.

Cost of living is however impacting consumers differently in key demographic groups. By state, the number of consumers with “very high” cost of living stress in Q3 ranged from 42% in TAS to 30% in WA. It was also significantly higher in rural areas (38%) than in capital cities (30%). Extreme cost of living stress was also much higher in the lower income group (44%) particularly when compared to consumers in income groups earning more than \$75,000 (27%). Significantly more consumers in the 30-49 (37%) and 50-64 (36%) had very high cost of living stress in Q3 than in the over 65 (24%) and 18-29 (27%) age groups. The Q3 survey also showed a much higher number of divorced people (44%), people with children (39%) and living in a rented house (41%) or apartment (35%) with very high cost of living stress.

NAB Australian Consumer Stress Index: Cost of Living



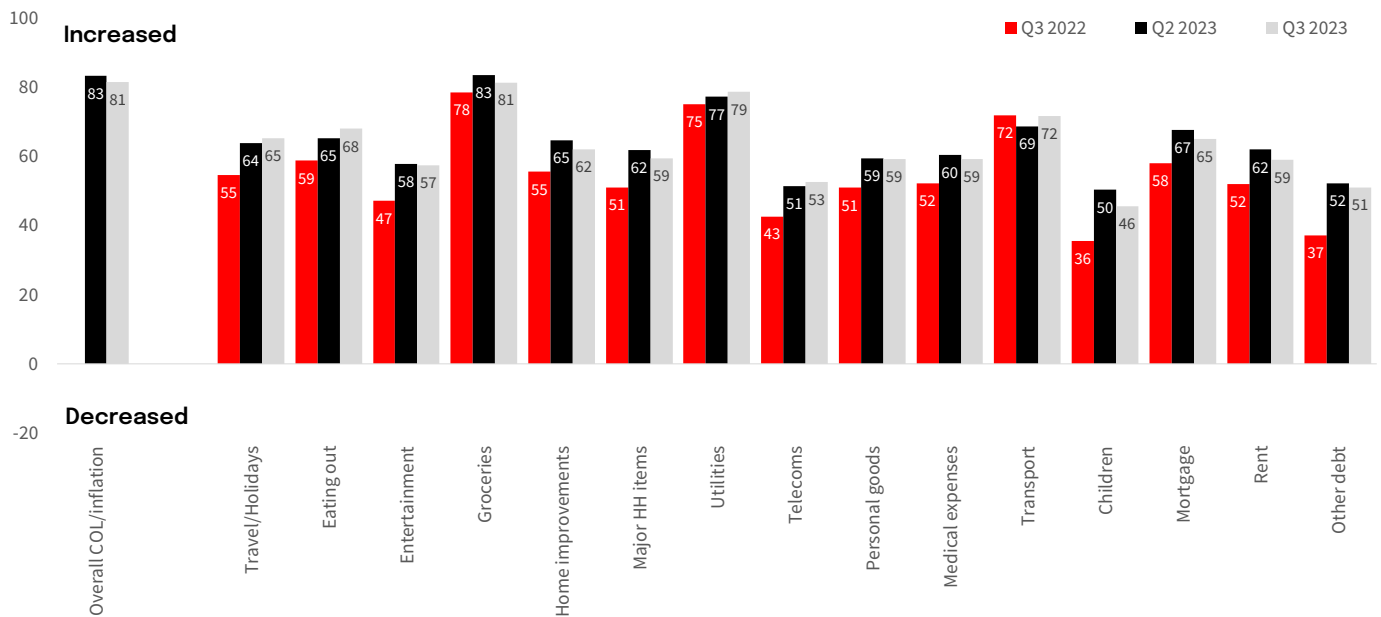
Percentage of Consumers with Very High Cost of Living Stress (i.e. 90+ pts)



Cost of living changes

How consumers 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 significantly more consumers (in net terms) believe overall cost of living increased than fell in Q3, though this was slightly lower than in the previous quarter (+81% down from +83%). Consumer perceptions of higher prices during the quarter were most evident for groceries (+81%), utilities (+79%), transport (+72%), eating out (+68%), travel/holidays (+65%) and home improvements (+62%). Though the net number of consumers that identified increased costs continued to print higher than at the same time last year in all categories, it was encouraging to note that slightly fewer said costs in most spending categories fell relative to the previous quarter.

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



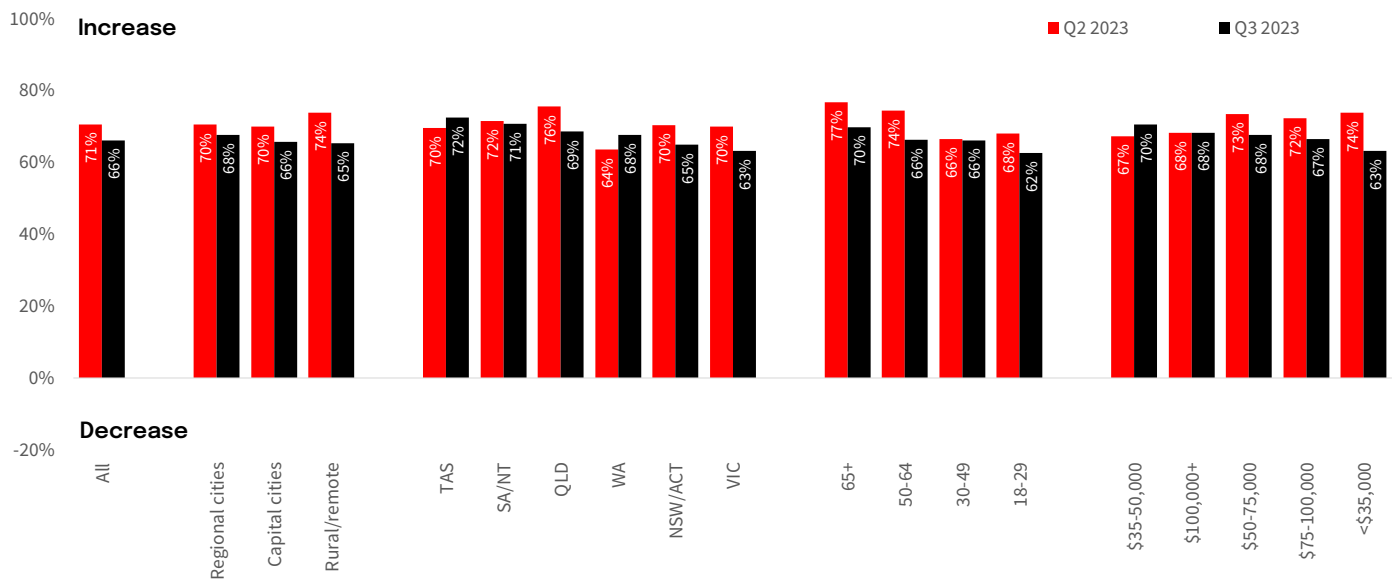
Extent costs changed in the past 3 months (net balance): region, state, high/low income

	AUS	Capital cities	Regional cities	Rural areas	NSW/ACT	VIC	QLD	WA	SA/NT	TAS	18-29	30-49	50-64	65+	Lower income	Higher income
Overall COL /inflation	81	80	86	82	80	78	85	82	87	85	81	73	76	92	81	78
Travel/Holidays	65	64	67	68	62	65	71	60	70	73	56	64	69	75	57	68
Eating out	68	66	72	70	65	68	74	66	67	75	59	67	69	78	63	67
Entertainment	57	56	61	61	54	59	60	57	59	60	48	58	63	64	48	56
Groceries	81	79	85	87	81	76	83	87	84	98	70	79	86	91	81	78
Home improvements	62	59	67	68	57	58	69	70	72	54	49	58	70	78	59	59
Major HH items	59	57	64	63	55	55	65	65	72	51	45	58	66	71	58	58
Utilities	79	78	80	82	78	76	79	80	84	88	65	76	84	91	73	76
Telecoms	53	51	55	57	51	51	53	50	60	72	45	51	56	60	57	49
Personal goods	59	58	62	62	58	55	64	60	62	64	50	60	64	63	60	56
Medical expenses	59	58	63	62	59	56	59	64	61	80	47	58	70	62	57	57
Transport	72	70	74	78	67	73	76	70	77	82	64	69	76	79	69	69
Children	46	44	50	48	43	45	53	43	44	58	39	52	39	42	44	42
Mortgage	65	65	66	61	68	64	64	66	53	71	57	70	67	60	53	67
Rent	59	58	62	58	62	55	61	54	58	64	52	64	62	55	57	59
Other debt	51	49	57	52	49	49	55	55	45	61	43	56	57	42	54	49

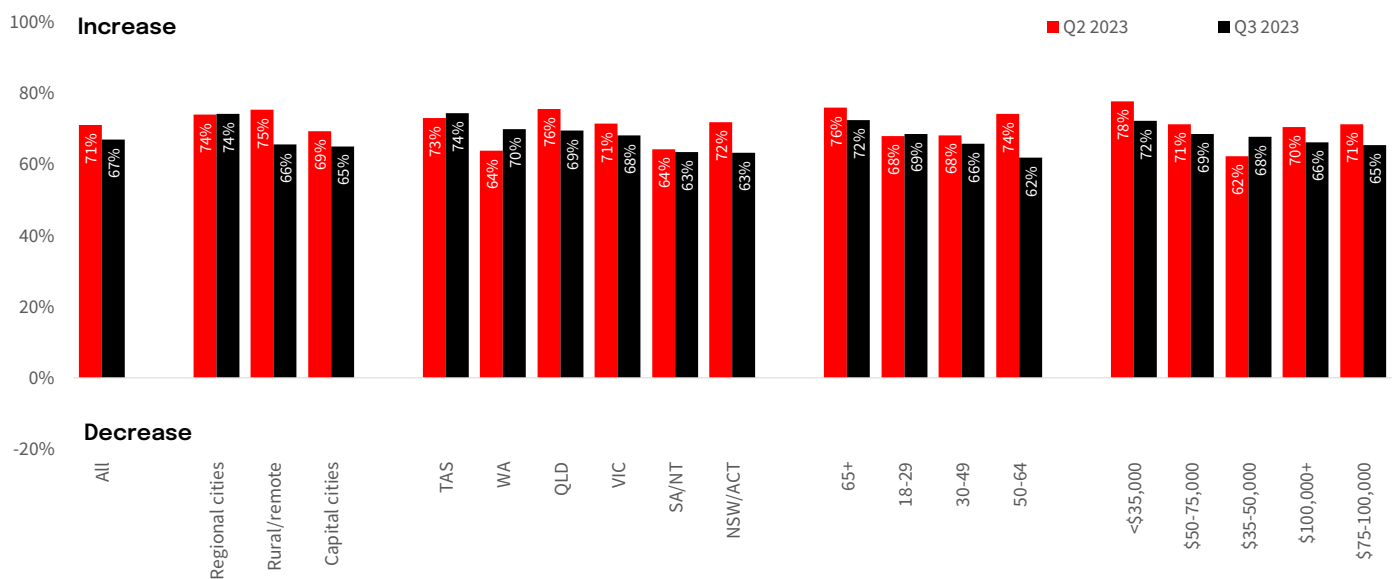
Consumer perceptions of higher prices in Q3 were most evident for groceries, utilities and transport in all regions, states, age groups and higher/lower income groups (see table above). NSW was the exception where most people said mortgage costs had changed (+73%), behind groceries (+81%) and utilities (+78%).

When consumers were asked how overall cost of living and inflation will change over the next 3 & 12 months. Though still quite elevated, we did note a small decline in the net number anticipating higher living costs in the next 3 (+66% down from +71% in Q2) and 12 months (67% down from 71% in Q2). Slightly fewer consumers in all regions expect overall living costs to fall in the next 3 & 12 months, except in regional cities where the outlook in 12 months' time was unchanged. More people expect costs to rise than fall in the next 3 & 12 months in TAS and WA but fall in all other states. The net number expecting higher costs in 3 months' time was lower in all age groups bar the 30-49 group (unchanged), with a significantly lower number expecting costs to rise in 12 months' time in the 50-64 group. Fewer consumers in all income groups see costs rising in these timeframes, except the \$35-50,000 group (where more people expect living costs to rise in both the next 3 & 12 months) and in the \$100,000+ group (unchanged in 3 months' time).

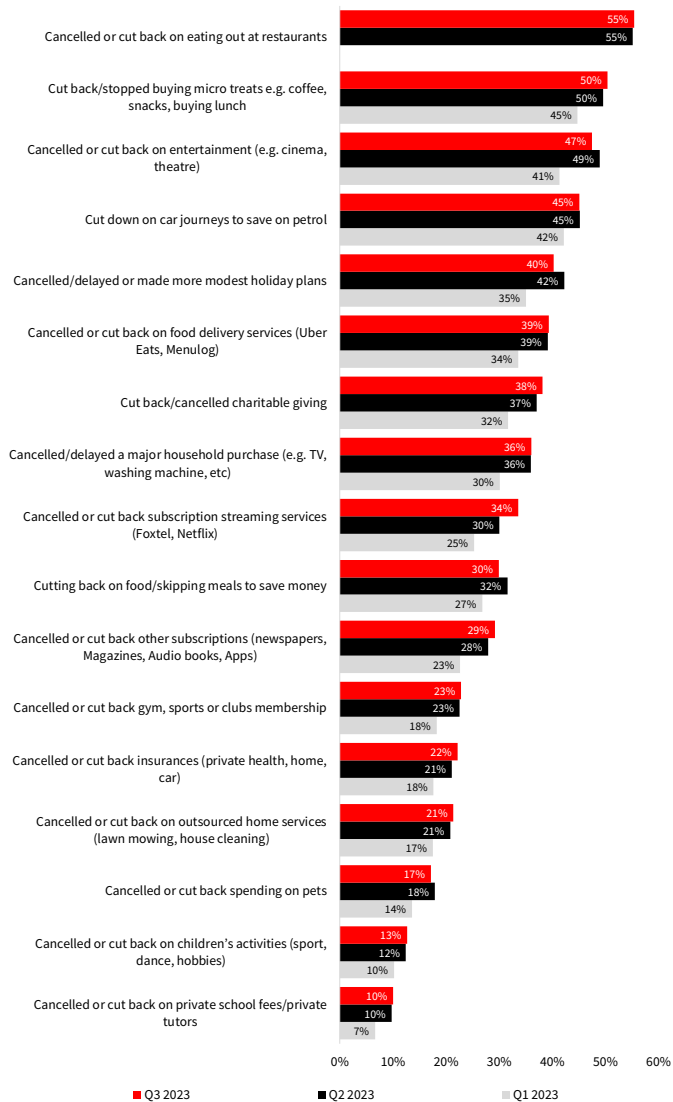
How will overall cost of living change in the next 3 months (net balance)



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



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



Australian consumers are responding to cost of living pressures by cutting back or cancelling spending in several areas, with the most common cutbacks continuing to be seen in non-discretionary goods and services.

In Q3, an unchanged 55% of consumers (almost 6 in 10) cancelled or cut back on eating out at restaurants, an unchanged 1 in 2 cut back or stopped buying micro treats such as coffee, snacks and lunch (unchanged at 50%), on entertainment such as cinema, theatre etc. (47% down from 49% in Q2), and on car journeys to save petrol (unchanged at 45%).

Around 4 in 10 consumers indicated that they had cancelled, delayed or made more modest holiday plans in Q3 (40% down from 42% in Q2), cancelled or back on food delivery services such as Uber Eats and Menulog (unchanged at 39%), and charitable giving (38% up from 37% in Q2).

Around 1 in 3 consumers overall cancelled or delayed a major household purchase such as a TV or washing machine (unchanged at 36%) and subscription streaming services like Netflix and Foxtel (34% up from 30% in Q2).

Australian consumers remained least inclined to cancel or cut spending on private school fees/tutors (unchanged at 10%), children's activities such as sport and hobbies (13% up from 12%), and spending on their pets (17% down from 18%).

Though the number of consumers that cancelled or cut back in all these areas did not change materially over the quarter in most spending categories, noticeably more consumers have however cut back or reduced spending in most areas relative to the same time last year.

The survey found a lower number of consumers over 65 that cut back in all areas, except charitable giving where the 18-29 group cut back most. More consumers under the age of 50 also typically cut back more than those over 50, particularly for subscription streaming services, other subscriptions, gyms, sports or club memberships, spending on pets, children's activities and private school fees/private tutors. The survey also found a somewhat higher number in the 50-64 age group had cut back on car journeys to save petrol (53%) and in the 30-49 group cancelled, delayed or made more modest holiday plans (47%) or made major household purchases (44%) relative to other age groups.

More women typically cancelled or cut back spending in most areas, particularly eating out at restaurants (59% women; 52% men), micro treats (54% vs. 47%), food delivery services (43% vs. 36%) and charitable giving (42% vs. 35%).

When comparing the impact of cost of living pressures on spending between lower and higher income earning consumers, we noted some key differences in where they had cancelled or cut back spending in Q3.

A somewhat higher number of consumers in lower income groups cancelled or cut back spending on car journeys to save petrol (54% lower income; 40% higher income), cut back on food or skipped meals (41% vs. 26%), cut or cancelled insurances (26% vs. 21%) and spending on their pets (22% vs. 18%).

In contrast, somewhat more consumers in higher income groups cut back on entertainment (51% higher income; 46% lower income), cancelled, delayed or made more modest holiday plans (43% vs. 34%), cut back spending on food delivery services (47% vs. 37%), gym, sports or club memberships (28% vs. 17%) and children's activities (17% vs. 11%).

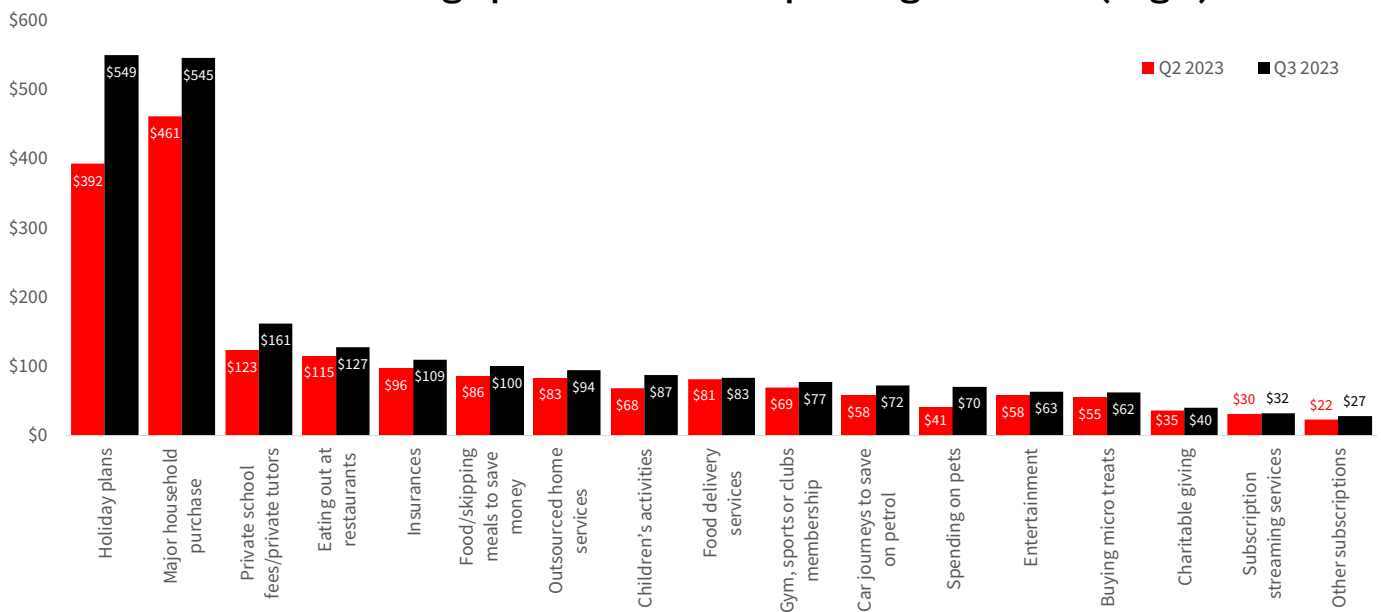
Cuts made to spending due to cost of living pressures: age, gender, high/low income

	All	18-29	30-49	50-64	65+	Men	Women	Lower Income	Higher Income
Eating out at restaurants	55%	59%	60%	59%	41%	52%	59%	55%	58%
Buying micro treats	50%	51%	58%	52%	36%	47%	54%	54%	55%
Entertainment	47%	51%	54%	48%	33%	45%	50%	46%	51%
Car journeys to save on petrol	45%	40%	46%	53%	42%	44%	47%	54%	40%
Cancelled/delayed/ modest holiday plans	40%	41%	47%	40%	28%	38%	42%	34%	43%
Food delivery services	39%	54%	51%	32%	12%	36%	43%	37%	47%
Charitable giving	38%	30%	41%	45%	34%	35%	42%	42%	39%
Major household purchase	36%	36%	44%	37%	22%	35%	37%	38%	38%
Subscription streaming services	34%	43%	42%	26%	18%	32%	35%	38%	37%
Cutting back on food/skipping meals	30%	36%	36%	27%	16%	28%	31%	41%	26%
Other subscriptions	29%	37%	36%	25%	14%	27%	31%	28%	33%
Gym, sports or club membership	23%	33%	30%	16%	6%	22%	24%	17%	28%
Insurances	22%	23%	28%	21%	13%	22%	22%	26%	21%
Outsourced home services	21%	26%	26%	20%	10%	21%	22%	22%	25%
Spending on pets	17%	21%	24%	14%	6%	17%	17%	22%	18%
Children's activities	13%	16%	20%	8%	2%	12%	14%	11%	17%
Private school fees/private tutors	10%	15%	16%	4%	1%	11%	9%	9%	12%

Australian consumers who said they had cut back or stopped spending in these areas in Q3 were also asked to estimate their monthly saving from these cutbacks. Not surprisingly, the biggest (and bigger) savings came from big ticket items - cancelling, delaying or making more modest holiday plans (\$549 up from \$392 in Q2), and cancelling or delaying major household purchases (\$545 up from \$461). The next biggest savings came from cancelling or cutting back on private school fees/private tutors (\$161 up from \$123). Australian consumers who made cutbacks also indicated they saved more from cutbacks in all areas relative to the previous quarter.

The survey also highlighted significant monthly savings in the four areas where most consumers cut back in Q3 - eating out at restaurants (\$127), buying micro treats (\$62), entertainment (\$63) and cutting down on car journeys to save on petrol (\$72). Combined, these cutbacks amounted to monthly savings of \$286 in Q3 (a potential savings buffer of around \$3,900 if continued). Even areas where savings from spending cuts were smallest - subscription streaming services such as Foxtel, Netflix etc. (\$32), and other subscription services such as newspapers and magazines (\$27) could potentially save consumers just over \$700 annually if continued.

Estimated savings per month from spending cutbacks (avg \$)



Estimated monthly savings from cutbacks: age, gender, higher/lower income

	All	18-29	30-49	50-64	65+	Men	Women	Lower income	Higher income
Holiday plans	\$549	\$858	\$569	\$400	\$602	\$457	\$672	\$501	\$484
Major household purchase	\$545	\$498	\$493	\$772	\$515	\$361	\$764	\$636	\$503
Private school fees/private tutors	\$161	\$387	\$110	\$368	\$0	\$142	\$215	\$255	\$176
Eating out at restaurants	\$127	\$149	\$128	\$125	\$102	\$127	\$128	\$85	\$145
Insurances	\$109	\$123	\$94	\$139	\$121	\$106	\$112	\$154	\$120
Food/skipping meals to save money	\$100	\$106	\$104	\$86	\$83	\$95	\$104	\$70	\$119
Outsourced home services	\$94	\$94	\$127	\$86	\$62	\$90	\$98	\$68	\$123
Children's activities	\$87	\$93	\$81	\$205	\$12	\$74	\$97	\$56	\$111
Food delivery services	\$83	\$92	\$88	\$68	\$52	\$76	\$89	\$51	\$93
Gym, sports or club membership	\$77	\$89	\$82	\$58	\$49	\$78	\$76	\$57	\$97
Car journeys	\$72	\$97	\$73	\$73	\$51	\$74	\$71	\$61	\$89
Spending on pets	\$70	\$129	\$66	\$33	\$21	\$76	\$68	\$55	\$117
Entertainment	\$63	\$79	\$66	\$57	\$39	\$58	\$68	\$43	\$75
Micro treats	\$62	\$78	\$68	\$55	\$37	\$63	\$59	\$39	\$79
Charitable giving	\$40	\$51	\$44	\$32	\$37	\$40	\$40	\$27	\$52
Subscription streaming services	\$32	\$38	\$31	\$33	\$24	\$32	\$32	\$24	\$38
Other subscriptions	\$27	\$38	\$25	\$27	\$25	\$31	\$25	\$21	\$38

The table above shows monthly savings by age, gender and higher/lower income groups. By age, noticeably bigger savings were made by people in the 18-29 group on holiday plans (\$858), in the 50-64 group major household purchases (\$772), in the 18-29 (\$387) and 50-64 (\$368) groups private school fees and tutors (\$368), in the 18-29 group (\$106) and 30-49 (\$104) food and skipping meals, in the 30-49 group outsourced home services (\$127), in the 50-64 group children's activities (\$205), in the 18-29 (\$89) and 30-49 (\$82) gyms, sports or club memberships, and in the 18-29 age group on car journeys (\$97), spending on pets (\$129) and entertainment (\$79).

By gender, the biggest differences related to much bigger savings made by women on holiday plans (\$672 women; \$457 men), major household purchases (\$764 vs. \$361), private school fees and tutors (\$215 vs. 142), children's activities \$97 vs. \$74) and food delivery services (\$86 vs. \$76). We also noted somewhat bigger savings made by men from spending on their pets (\$76 men; \$68 women) and micro treats (\$63 vs. \$59). Consumers in higher income groups made bigger savings than lower income groups in all areas except bigger ticket items where consumers on lower incomes saved more - holiday plans (\$501 lower income; \$484 higher income), major household purchases (\$636 vs. \$503), private school fees and tutors (\$255 vs. \$176) and insurances (\$154 vs. \$120).

Future household spending intentions

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

The Q3 survey continued to paint a picture of a very conservative consumer, with the overall net number planning to cut back on all spending largely unchanged at -11 (-12 in Q2 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 largely unchanged at -27 (-28 Q2'23 and -20 in Q4'22). In terms of spending plans on essentials (groceries, utilities, medical expenses, transport and children), the net number planning to spend more in the next 3 months exceeded those planning to spend less. It also increased to +7 (+5 Q2 but down from +9 in Q4'22). Intentions around financial spending (paying off debt, using credit and super, savings & investments), were also restrained with the net number expecting to spend less unchanged at -3.

Overall future spending plans remained conservative across the country in Q3, with the net number planning to cut spending outweighing those intending to spend more in all states - ranging from -18 in TAS to -7 in QLD. In terms of non-essential spending, more consumers were planning to cut back in all states and was highest in TAS (-39) and lowest in QLD (-23). In terms of future spending plans for essentials, more people expect to spend more in all states, ranging from +11 in QLD to +4 in NSW/ACT and WA. Financial spending intentions were also negative in all state, ranging from -11 in TAS to -1 in WA - see table below.

Spending intentions (net balance)

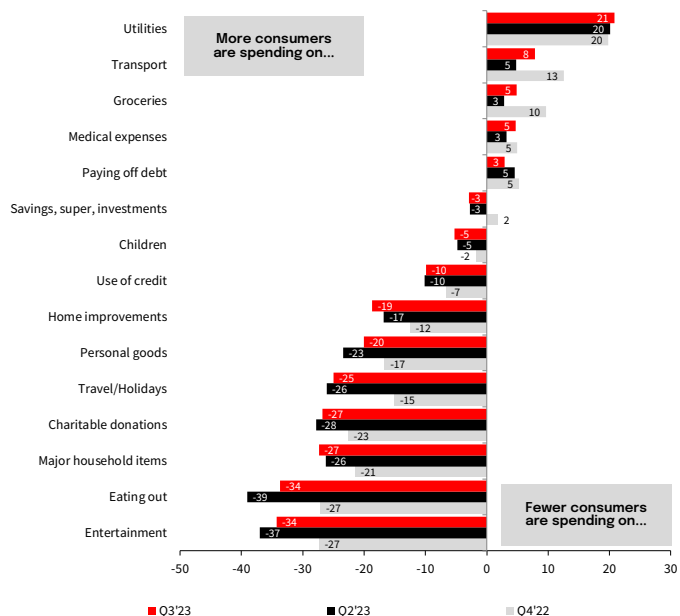
	Non-essentials			Essentials			Financial spending			Overall		
	Q3'22	Q2'23	Q4'22	Q3'22	Q2'23	Q4'22	Q3'22	Q2'23	Q4'22	Q3'22	Q2'23	Q4'22
AUS	-27	-28	-20	+7	+5	+9	-3	-3	0	-11	-12	-6
NSW/ACT	-27	-27	-20	+4	+9	+8	-4	-2	+2	-12	-10	-6
VIC	-27	-25	-19	+7	+9	+8	-3	0	0	-11	-9	-7
QLD	-23	-32	-22	+11	+6	+9	-2	0	0	-7	-14	-7
WA	-29	-34	-20	+4	-6	+7	-1	-1	-1	-13	-19	-7
SA/NT	-25	-26	-19	+10	-2	+17	-7	-4	-4	-10	-13	-4
TAS	-39	-32	-15	+6	-10	+2	-11	-1	-1	-18	-20	-5

In terms of individual spending categories, more consumers still plan to rein in spending in most areas, except essential items where rising costs are forcing consumers to spend more. Overall, the net number planning to spend more on essentials increased for utilities to +21 (+20 in Q2), transport (+8 from +5), groceries (+5 from +3), medical expenses (+5 from +3) - see accompanying chart on the right.

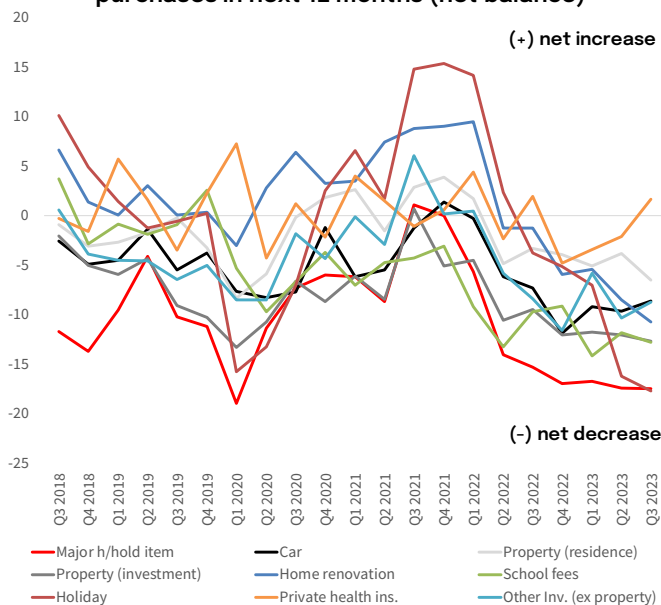
Though more consumers still intend to spend less on non-essentials, expectations varied for different non-essential goods and services. In net terms, most people (-34) expect to cut spending on entertainment and eating out in the next 3 months, though this fell from -37 and -39 respectively in the previous quarter. Fewer also intend to cut back on charitable donations (-27 from -28 in Q2), travel/holidays (-25 vs. -26), and personal goods (-20 vs. -23). However, slightly more consumers expect to cut back spending on major household items (-27 from -26 in Q2) and home improvements (-19 vs. -17).

In terms of financial spending, more consumers plan to pay off debt in the next 3 months, though the number expecting to do so fell to +2 in Q3 (+5 in Q2). However, the net number cutting back spending on their super savings and investment (-3) and use of credit (-10) was unchanged - **appendix 2 State detail**.

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



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



Consumer expectations for making major purchases in the next 12 months remain pessimistic, with the number planning to spend less on outweighing those planning to spend more in all categories, except private health insurance (+2).

Overall, spending intentions remained most conservative for major household items (-18 from -17 in Q2) and holidays (-18 from -16 in Q2). More consumers also planned to spend less on school fees (-13 from -12 in Q2), investment property (-13 down from -12), home renovations (-11 from -9), other investments outside property (-9 up from -10) and cars (-9 up from -10).

Expectations did however vary in key groups. By age, we noted a higher number planning to spend more on private health insurance in the over 65 group (+18), and far fewer in the 50-64 group on residential property (-14), the 30-49 age group on other investments (-15) and 18-29 group on home renovations (-20). Noticeably fewer women planned to spend less on other investments than men (-12 vs. -6). We also recorded a somewhat higher number in the lower income group with negative expectations for home renovations (-17 vs. -12%) and major household items (-22% vs. -5) than in the higher income group.

Expectations for major purchases: age, gender & lower/higher income

	AUS	18-29	30-49	50-64	65+	Women	Men	Lower income	Higher income
Private health ins.	2	-1	-6	5	18	-1	3	1	4
Property (residence)	-7	-3	-6	-14	-3	-7	-7	-9	-6
Car	-9	-9	-11	-10	-4	-8	-10	-9	-9
Other Investments	-9	-3	-15	-10	0	-12	-6	-9	-9
Home renovation	-11	-20	-9	-10	-6	-10	-12	-17	-12
Property (investment)	-13	-10	-15	-16	-6	-11	-14	-15	-11
School fees	-13	-17	-11	-9	-11	-14	-11	-7	-11
Major household item	-18	-9	-19	-22	-20	-19	-16	-22	-15

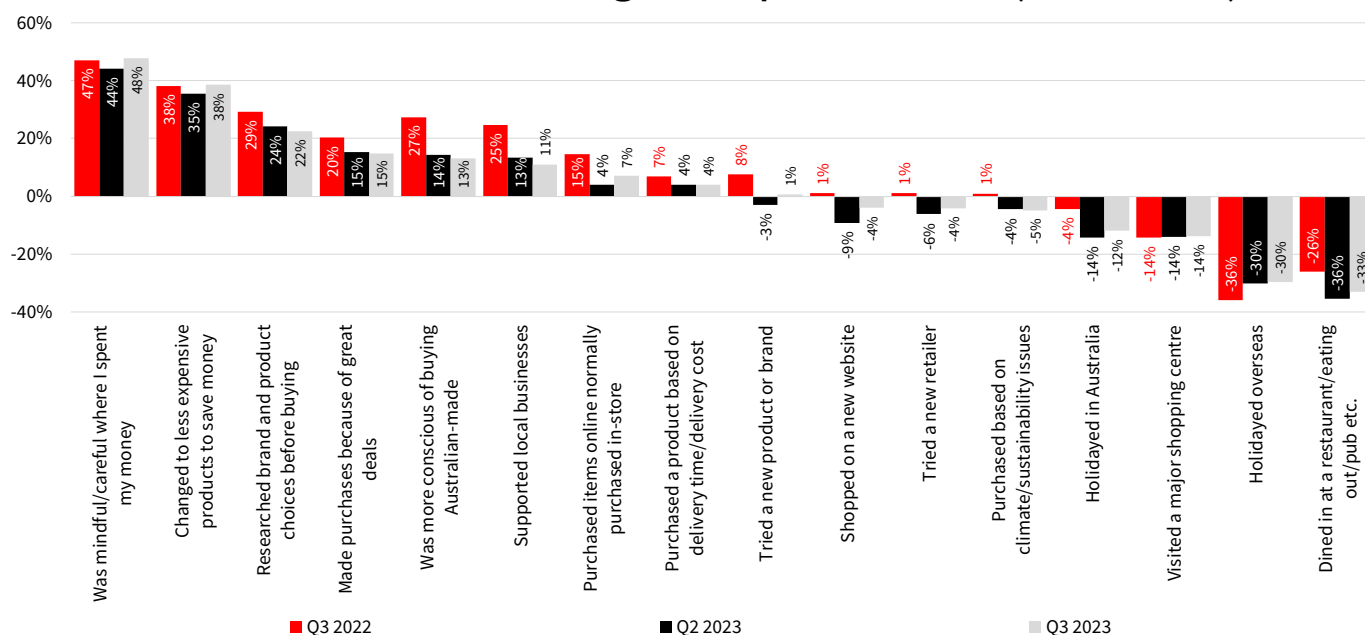
Shopping Behaviours

Here 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 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 in several areas over 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 consumers, behavioural change in Q3 remains most evident for being mindful or careful about where they spent their money, with the net number doing so heavily outweighing those being less mindful at +48% (and this was up from +44% in Q2). Positive behavioural change was next most common for switching to less expensive products to save money (+38% from +35% in Q2) and researching brands and product choices before buying (+29% from +24%). A similar number also continued to make purchases because of great deals (+15%). Interestingly, far fewer consumers are still more conscious about buying Australian made (+13%) or supporting local business (+11%) than at the same time last year respectively (+27% & +25%).

In contrast, a significantly large number of consumers in net terms said they dined in less at a restaurant (-33%) or holidayed less overseas (-30%) in the past 3 months, or visited a major shopping centre (-14%) or holidayed in Australia (-12%) less.

Switched or tried something new in past 3 months (net balance)



The table below looks at spending behaviours by age, gender and high/low income. It highlights some big differences in how people in these groups behaved in the last 3 months. By age, we noted more people in all groups dined in less at restaurants, pubs etc., holidayed overseas, visited major shopping centres or holidayed in Australia, but the number doing less of these things typically also increased with age. Also interesting was the much higher number in the over 65 group that were more conscious of buying Australian made and supported local business, and in age groups under 50 that purchased items online normally purchased in stores or made purchases based on delivery times and costs.

By gender, key differences included the much higher number of women that were more mindful or careful about where they spent money (+53% women vs. +43% men) and changed to less expensive products (+43% vs. +34%). We also recorded a much higher number of women who said they visited a major shopping centre less in the last 3 months (+20% women vs. -7% men).

When it came to income, the survey revealed a much bigger number in the higher income group that researched brand and product choices before making a purchase (+27% higher income vs. +18% lower income), made purchases because of great deals (+25% vs. +3%), bought items online they normally bought in stores (+17% vs. -2%), and made purchases based on delivery times or cost (+9% vs. -1%). The survey also highlighted a somewhat bigger number in the lower income group who were more conscious of buying Australian made products (+14% lower income vs. +8% higher income), who shopped less on a new website (-12% vs. +1%), holidayed in Australia (-22% vs. -4%), holidayed overseas (-37% vs. -27%) or dined in at a restaurant, pub etc. (-38% vs. -29%).

Shopping behaviours: age and gender

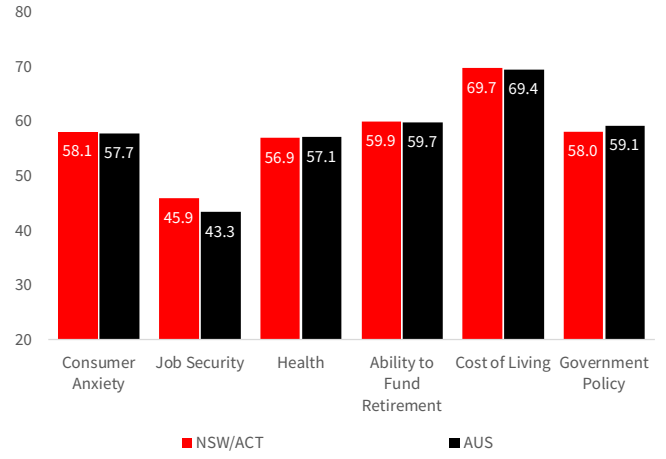
	All	18-29	30-40	50-64	65+	Men	Women	Higher income	Lower income
Was mindful/careful where I spent money	48%	45%	47%	52%	48%	42%	53%	48%	52%
Changed to less expensive products to save money	38%	37%	39%	42%	36%	34%	43%	43%	44%
Researched brand & product choices before buying	22%	20%	23%	26%	21%	19%	25%	18%	27%
Made purchases because of great deals	15%	19%	19%	15%	2%	12%	17%	3%	25%
Was more conscious of buying Australian-made	13%	1%	5%	19%	34%	14%	13%	14%	8%
Supported local businesses	11%	10%	4%	11%	25%	10%	12%	6%	11%
Purchased items online normally bought in-store	7%	12%	13%	1%	-2%	7%	7%	-2%	17%
Purchased based on delivery time/delivery cost	4%	11%	9%	-1%	-5%	1%	7%	-1%	9%
Tried a new product or brand	1%	7%	5%	-4%	-7%	4%	-3%	0%	7%
Shopped on a new website	-4%	2%	-4%	-5%	-9%	-3%	-6%	-12%	1%
Tried a new retailer	-4%	1%	-4%	-5%	-10%	-2%	-7%	-8%	0%
Purchased based on climate/sustainability issues	-5%	1%	-6%	-8%	-6%	-6%	-4%	-4%	-3%
Holidayed in Australia	-12%	-3%	-8%	-22%	-17%	-10%	-15%	-22%	-4%
Visited a major shopping centre	-14%	-2%	-15%	-22%	-17%	-7%	-20%	-18%	-11%
Holidayed overseas	-30%	-20%	-28%	-36%	-35%	-27%	-32%	-37%	-27%
Dined in at a restaurant/eating out/pub etc.	-33%	-18%	-33%	-44%	-38%	-29%	-37%	-38%	-29%

Appendix 1: Consumer Stress Index - States

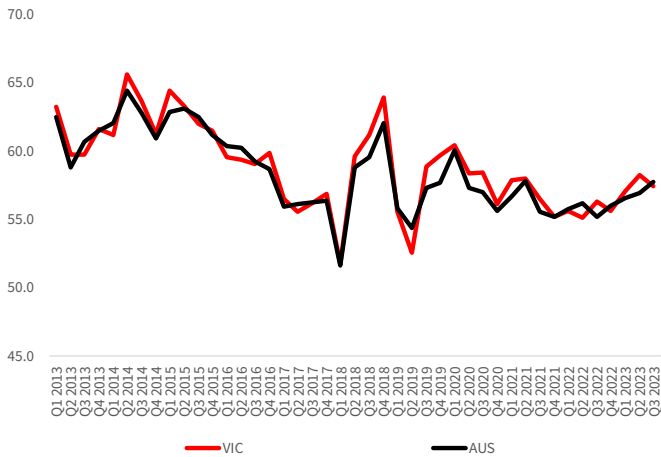
Consumer Stress: NSW/ACT



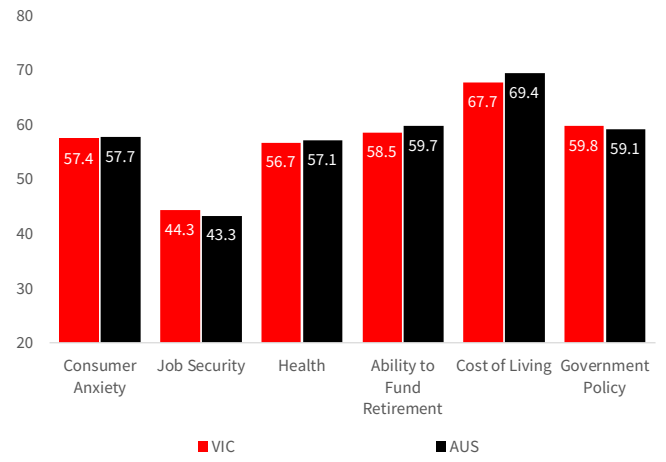
Consumer Stress: NSW/ACT (Q3 2023)



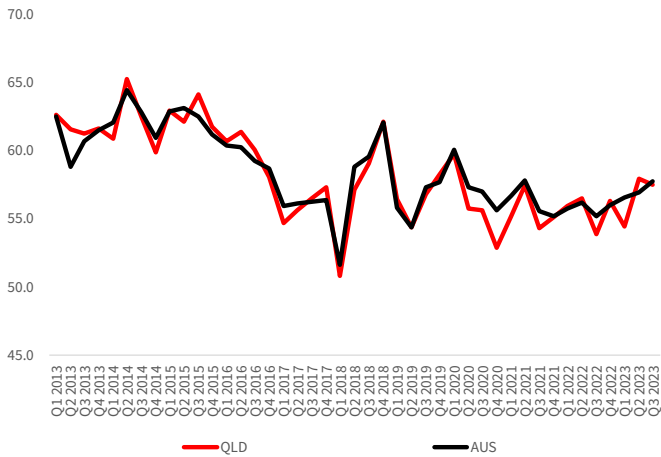
Consumer Stress: VIC



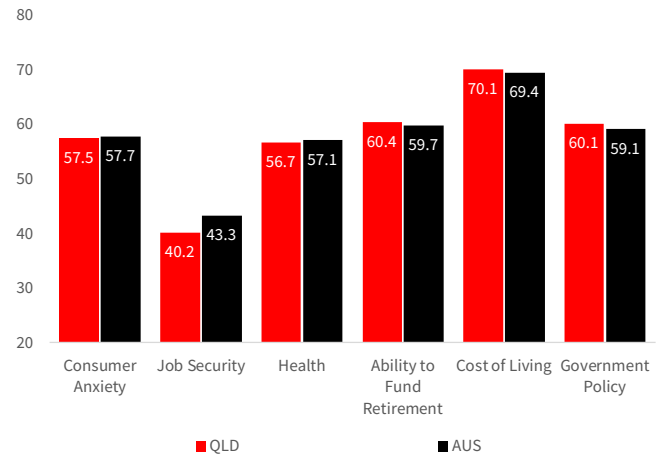
Consumer Stress: VIC (Q3 2023)



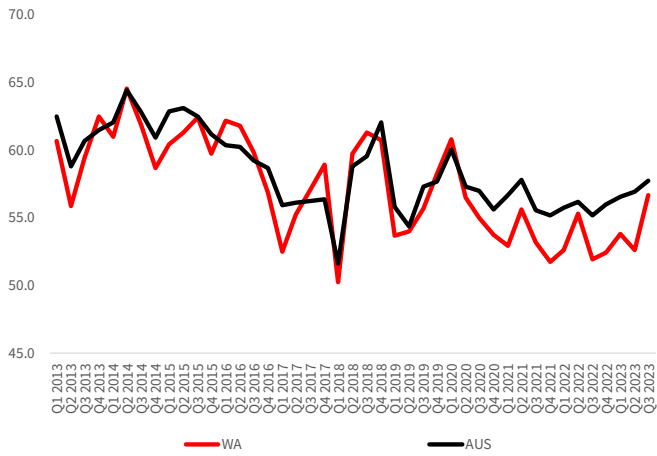
Consumer Stress: QLD



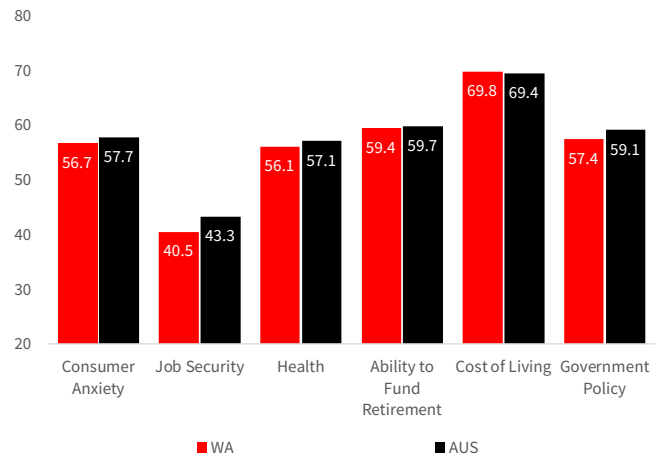
Consumer Stress: QLD (Q3 2023)



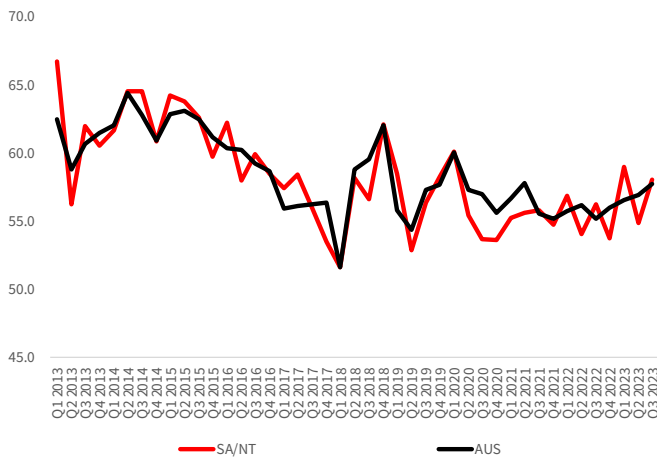
Consumer Stress: WA



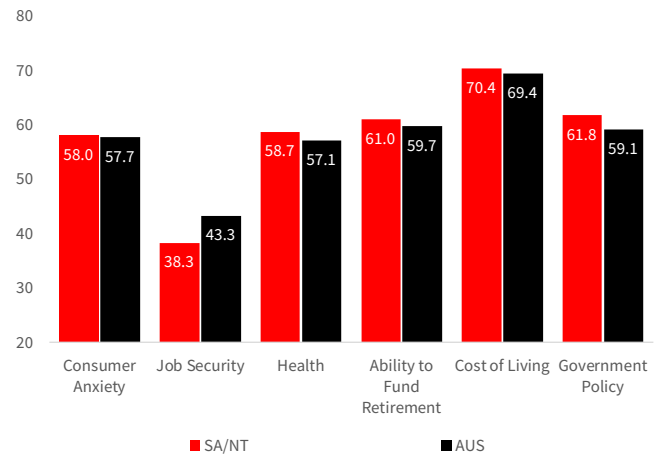
Consumer Stress: WA (Q3 2023)



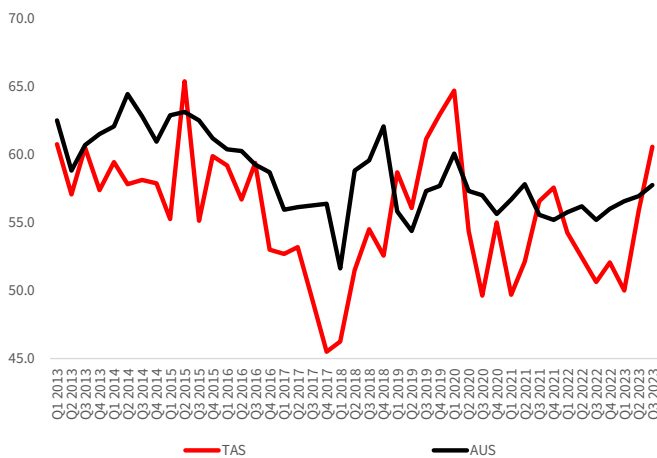
Consumer Stress: SA/NT



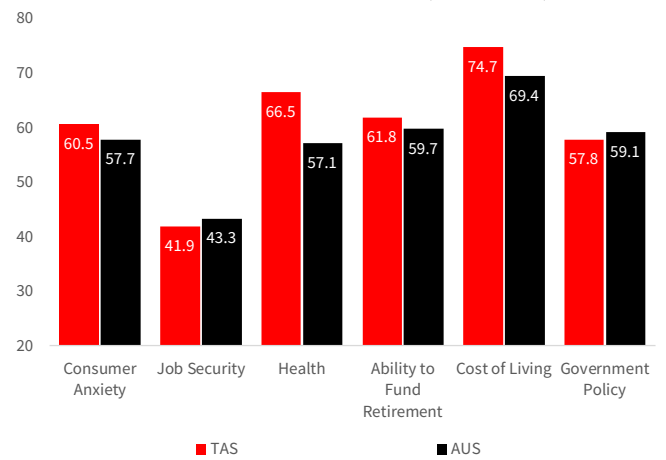
Consumer Stress: SA/NT (Q3 2023)



Consumer Stress: TAS



Consumer Stress: TAS (Q3 2023)

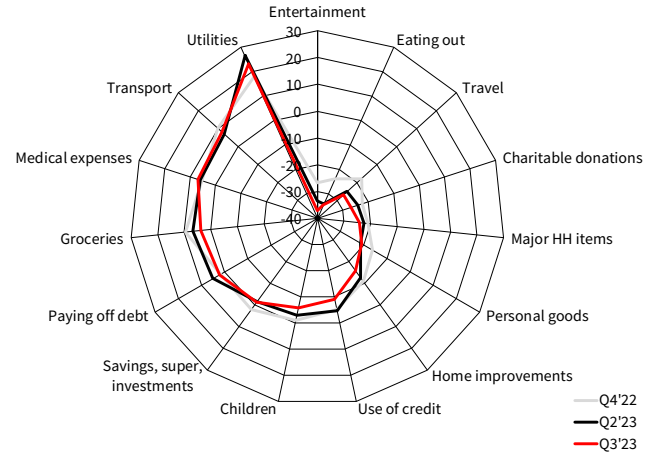


Appendix 2: Future Spending Patterns: States

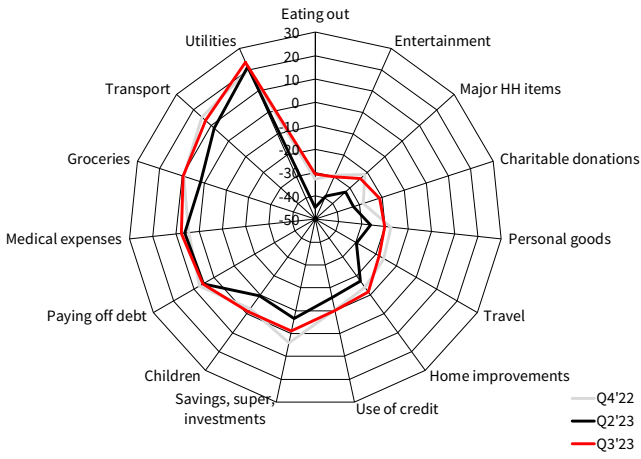
NSW/ACT: Changes in spending patterns (net)



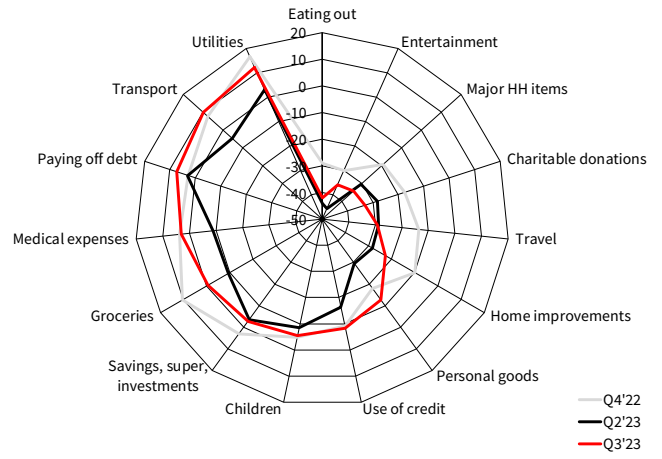
VIC: Changes in spending patterns (net)



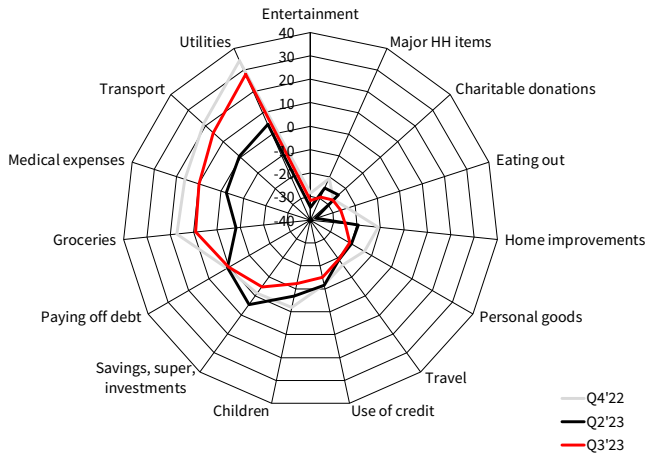
QLD: Changes in spending patterns (net)



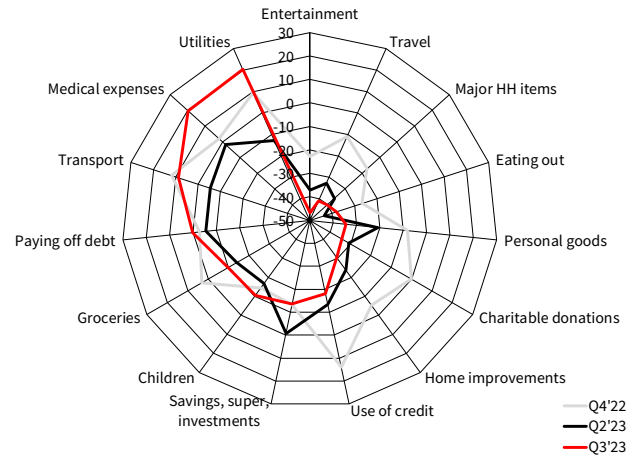
WA: Changes in spending patterns (net)



SA/NT: Changes in spending patterns (net)



TAS: Changes in spending patterns (net)





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