

more
than
money



NAB Consumer Sentiment Survey Q4-2023



January 2024

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Consumer stress rose for the fifth straight quarter. Concerns over cost of living are levelling off as inflation eases, but other stresses (particularly job security) are growing. Australians continue to make deliberate spending cutbacks with most using these funds for living expenses and savings. Almost all households are rebalancing but spending behaviours have become extremely nuanced.

NAB Behavioural and Industry Economics

The NAB Consumer Stress Index rose for the fifth straight quarter, the highest since Q1 2020 and above the survey average for the first time in almost 4 years. While cost of living stress has levelled out, concerns related to job security continue to climb, rising quite sharply in the December quarter. The flattening of cost of living stress against rising new concerns is becoming an important piece in the outlook for the consumer in 2024. Australians continue undertake 'consumption smoothing', making deliberate spending trade-offs to manage household balance sheets, support their lifestyle and cope with unexpected expenses. Consumers across the income spectrum are looking for ways to save money and rein in spending. But consumer loyalty is not dead - provided a growing list of expectations are met.

While cost of living pressures remain the biggest cause of stress for consumers, stress levels over living costs were unchanged in Q4 2023 (after easing for the first time in 7 quarters in Q3 2023), as inflation continued to moderate. Though inflation is now clearly past its peak for this cycle, progress from here is likely to be more difficult and volatile given the large swings in prices that have occurred (including commodities) as well as the introduction and unwinding of policy responses to cost of living pressures.

On balance, 8 in 10 consumers believe living costs increased further in Q4 2023. Perceptions of higher prices were again most evident for groceries, utilities, transport, eating out and mortgages. 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. That said, the share of consumers noticing price rises in these key categories is no longer rising and fell in the case of utilities. Some categories did however record increases, particularly medical expenses. When asked to look ahead, there was a further (and somewhat larger), decline on balance in the number of consumers predicting higher living costs in the next 3 months (61% vs. 66%).

Given our expectations that the unemployment rate will reach around 4.5% by end-2024 as the economy slows, consumer concern around jobs is likely to continue to rise in the coming year. And, in addition to job stress, consumer concern over the impact of Government policies on their future spending and savings plans has also increased noticeably. Just over 1 in 5 consumers are now reporting "very high" levels of stress arising from Government policies. Consumers also reported the highest level of stress stemming from their ability to fund their retirement since the onset of COVID in March 2020.

By state, overall stress was highest in SA and VIC, with both states reporting a big spike in job security stress. Overall stress was lowest in WA, while TAS was the only state to report lower stress. Consumer stress increased for both women and men, but the gender gap is now at its widest level since mid-2018. Women are reporting higher stress levels than men for all measures, especially retirement funding and cost of living. Stress rose in all age groups, except among those aged 50-64 years (basically unchanged). Stress remains highest (and by some margin) among those aged 30-49, driven by concerns around cost of living but

also job security and retirement funding. Overall stress was lowest by a significant margin among the over 65 'grey optimists', though they are increasingly concerned about health costs and Government policies.

By income, overall stress levels were significantly higher among those on lower incomes, with this group also reporting higher stress for all measures, particularly job security, retirement funding and cost of living. Stress levels were lowest in the \$50-75,000 income group followed by the \$100,000+ group. Stress levels remained lowest overall by a considerable margin among retirees. Stress levels were highest among the unemployed, women aged 30-49, consumers renting an apartment and those with children under the age of 18 years.

Spending habits are rapidly changing in response to rising consumer stress. 1 in 2 cut back on eating out, buying micro treats such as coffee and snacks, entertainment, and car travel. Combined, these cutbacks amounted to monthly savings of \$300 (creating a potential savings buffer of around \$3,600 a year if continued). 4 in 10 consumers saved on holidays, food delivery and charitable giving and 1 in 3 on a streaming services and major household appliances. Even in areas where savings from spending cuts were smallest - subscription streaming services such as Foxtel and Netflix (\$30), and other subscription services such as newspapers and magazines (\$25) - potential annual savings are \$660. Consumers remain least inclined to cancel or cut spending on private school fees/tutors, children's activities such as sport and hobbies and spending on their pets.

But spending patterns and consumer behaviours have become nuanced depending on age group, income level, housing status, and type of purchase. Far fewer consumers over 65 for example, have cut or reduced their spending relative to other age groups, except for car journeys and charitable giving. A much higher number of those on lower incomes have cut spending on food (42% vs. 25% for higher income consumers), car journeys (50% vs. 49%) and insurances (28% vs. 19%).

For the first time, we asked consumers what they were doing with extra money from these cutbacks. 6 in 10 had redirected it towards day-to-day living expenses, while just over 4 in 10 used it to support savings or offset accounts. Around 1 in 5 paid down their mortgage or other debt and 1 in 10 had splurged on something they wanted. A much higher number of those aged over 65 have focussed on day-to-day living expenses (67%), the 18-29 group on savings or offset accounts (56%), and the 30-49 group paying down their mortgage (26%). More in the 18-29 group also splurged on something they wanted (13%). By gender, noticeably more women used it for day-to-day living expenses (64% vs. 56% of men). By income, 3 in 4 (73%) in the lower income group used it for day-to-day living expenses, compared to 1 in 2 (52%) in the higher income group, while 3 times as many higher income earners put it into a savings or offset account (50% vs. 26%), and 4 times as many paid down their mortgage (34% vs. 9%).

Looking ahead, consumers plan to rein in spending in most areas in Q1 2024, except essential items where rising costs are forcing them to spend more. On balance over 1 in 3 consumers expect to spend less on entertainment (-37) and eating out (-36) and just

under 1 in 3 on major household items, charitable donations, and travel & holidays (-29). Looking further ahead at expectations for the next 12 months, consumers were much more pessimistic. Overall, future spending intentions were most negative for major household items, followed by holidays, property, and other investments. More consumers also planned to spend less on home renovations and cars.

Rising living costs continue to drive a range of other consumer behaviours. Shoppers across the income spectrum are looking for ways to save money. Consumers are also becoming more intentional in the allocation of their disposable income and the purchasing journey is becoming more complex. NAB research continues to show the most common behavioural change among consumers is being mindful where they spend their money (on balance 44% of consumers exhibited this behaviour in Q4 2023), switching to less expensive products to save money (36%), researching brands and product choices before buying (23%) and purchasing because of great deals (14%). When consumers want to purchase a product or service, more than ever they are turning to the internet and search engines to provide greater transparency and ease of comparing prices, highlighting the importance of search engine optimisation.

McKinsey coined the term 'zero consumers' to describe a growing number of consumers (particularly Gen-Z and Millennials), who perceive zero boundaries between physical and digital channels, who have zero appetite for the middle ground, focussing on budget friendly options while splurging at the same time, expecting business to operate at 'net zero', providing excellent value and service but at the same time focussing on sustainability, health and provenance. But, even when all these needs are met, show zero loyalty and appreciation. NAB research reinforces aspects of this consumer stereotype, but challenges others.

While some consumers remain keen to splurge (evidenced by so called 'Swiftonomics'), the majority are trading down in order to fund day-to-day living expenses and build savings. While consumers have become more conscious of the social, environmental and community implications of their purchasing choices, cost of living is a significant barrier to translating values into action. Indeed, the share of consumers conscious of buying Australian made (11%) and supporting local business (9%) continued to decline in Q4 2023 and is well down from the same time last year (24% of consumers). Purchasing because of sustainability issues also fell further (-10% v 6% a year ago). The pandemic clearly saw a significant uplift in consumers' willingness to break relationships, resulting in huge loyalty disruption. Consumers remain more open to trying discounted or generic products, but are taking fewer risks, with spending increasingly focussed on trusted relationships. On balance, the number of consumers who shopped on new websites (-7%), tried a new retailer (-7%) or product (-5%) continues to fall and is well down on a year ago. And, while omnichannel is the expectation, online sales have eased significantly. The share of consumers purchasing online instead of shopping instore continued to fall in Q4 2023 (6% vs. 12% a year ago). NAB estimates in the 12 months to October, Australians spent \$54.4 billion on online retail, around 12.8% of the total retail trade, representing growth of 1.3% relative to previous year.

Key Tables

NAB Consumer Stress Index (100 = extremely concerned)

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Consumer Stress Index	56.0	56.6	56.9	57.7	59.5
Job security	42.3	42.0	42.2	43.3	48.2
Health	55.6	54.8	55.3	57.1	56.5
Ability to fund retirement	58.1	58.1	58.6	59.7	60.7
Cost of living	67.7	68.9	69.9	69.4	69.4
Government policy	56.1	59.1	58.7	59.1	62.8

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

	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023
Overall cost of living / inflation			83	81	82
Travel/Holidays	57	55	64	65	64
Eating out	55	55	65	68	68
Entertainment	44	46	58	57	59
Groceries	73	76	83	81	81
Home improvements	55	53	65	62	65
Major household items	51	48	62	59	59
Utilities	71	69	77	79	75
Telecoms	41	40	51	53	56
Personal goods	53	52	59	59	60
Medical expenses	49	58	60	59	64
Transport	69	64	69	72	71
Children	37	46	50	46	50
Mortgage	58	62	67	65	67
Rent	49	55	62	59	61
Other debt	41	43	52	51	53

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

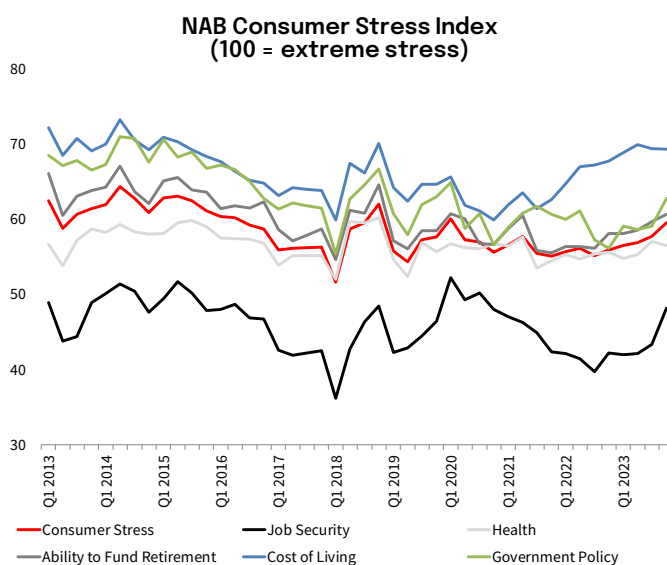
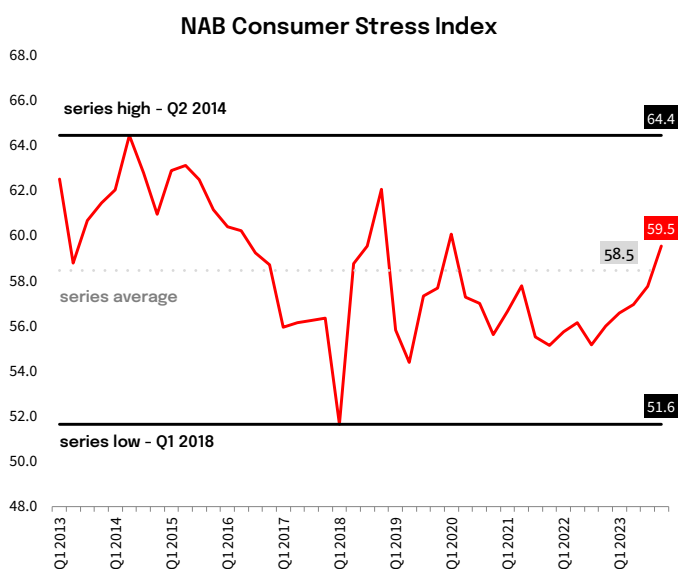
	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q3 2023
Major household item	-17	-17	-17	-18	-24
Car	-12	-9	-10	-9	-13
Property (residence)	-4	-5	-4	-7	-13
Property (investment)	-12	-12	-12	-13	-20
Home renovation	-6	-5	-9	-11	-16
School fees (Private and Catholic)	-9	-14	-12	-13	-15
Holiday	-5	-7	-16	-18	-21
Private health insurance.	-5	-3	-2	2	-6
Other Investments (excluding property)	-12	-6	-10	-9	-19

NAB Consumer Stress Index

Consumers’ assessments of quality and value, decisions about what and where to buy, and recommendations to others are all influenced by emotions. Australian consumers have become increasingly stressed over the past year with more challenging economic conditions, higher interest rates and inflation testing Australian households in a variety of ways. 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 gives another perspective on the Australian consumer. In Q4 2023, the **NAB Consumer Stress Index** rose for the fifth straight quarter to 59.9 pts, up from 57.7 pts in the previous quarter and 56.0 pts at the same time last year. The index now sits at its highest level since the March quarter 2020 (60.1 pts), and also printed above the survey average (58.5 pts) for the first time in almost 4 years.

Cost of living pressures are still by far the biggest cause of stress for consumers. However, overall stress levels were unchanged in the December quarter at 69.4 pts as inflation continued to moderate in Q3 falling to 5.4% year-on-year and the October monthly CPI surprising on the downside and easing to 4.9% year-on-year. That said, cost of living concerns remains well above the survey average (66.5 pts), and though inflation is now clearly past its peak for this cycle, progress from here is likely to be more difficult and volatile given the large swings in prices that have occurred (including commodities) as well as the introduction and unwinding of policy responses to cost of living pressures. This suggests cost of living pressures will continue to weigh on consumers in the immediate future.

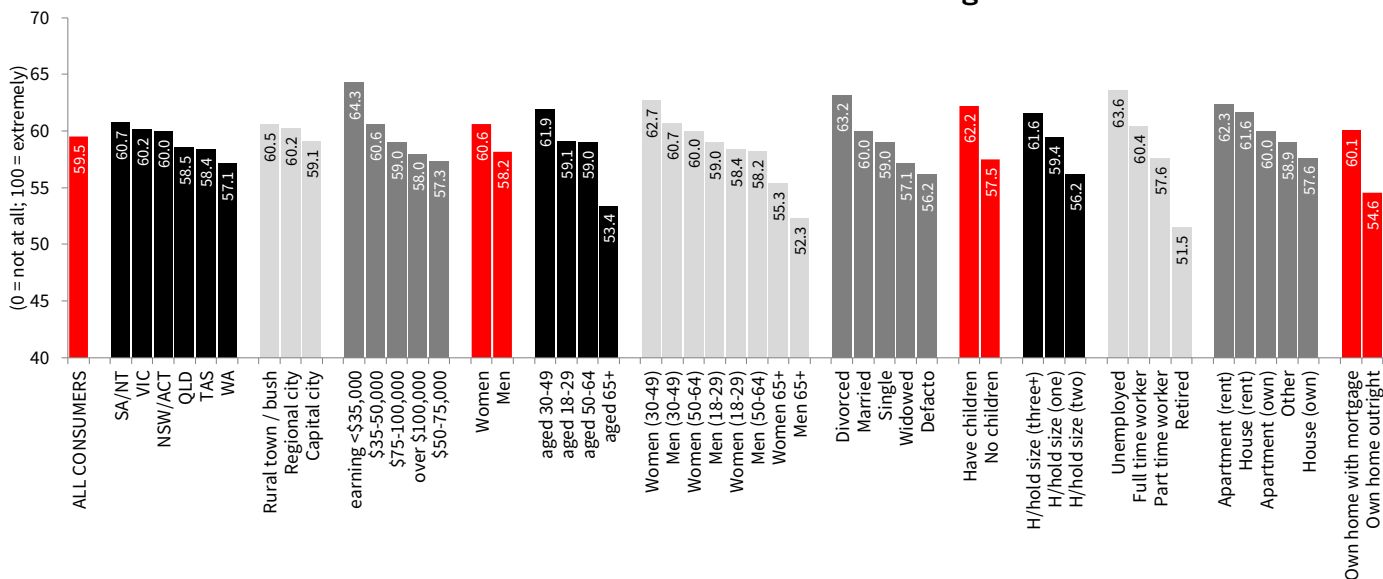
Whereas cost of living stress has levelled out, stress levels related to job security continue to climb and rose quite sharply in the December quarter to 48.2 pts from 43.3 pts in the previous quarter and 42.3 pts at the same time last year. Job security stress also printed well above the survey average (45.8 pts) and reached its highest point since September 2020 (though still causing the least stress for consumers). Higher job security stress in Q4 has coincided with an increase in the unemployment rate to a still relatively low 3.9% in November (despite the creation of around 61,000 jobs). And with expectations of some gradual easing in employment and rising unemployment through 2024 as the economy slows, concern around jobs is likely to remain elevated in the coming year.



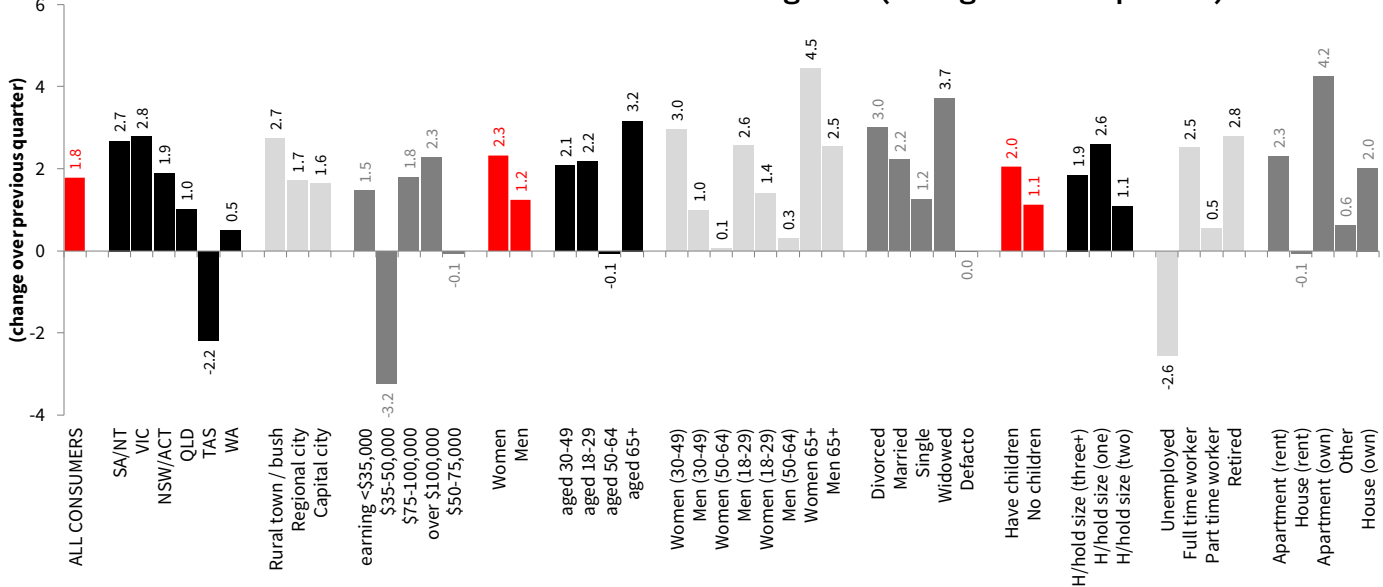
Consumer concern about the impact of Government policies on their future spending and savings plans also increased noticeably during the December quarter to 62.8 pts, from 29.4 pts in the previous quarter and 56.1 pts at the same time last year. Consequently, stress associated with Government policies increased to its highest level since the COVID pandemic began in March 2020, though it continued to print below the survey average (63.2 pts). Just over 1 in 5 (21%) consumers also reported “very high” levels of stress arising from Government policies.

Running out of money whilst living in retirement and not having enough income to live on is often cited as a key concern among pre-retirees and those already in retirement. And in the December quarter, Australian consumers reported the highest level of stress stemming from their ability to fund their retirement since the onset of COVID in March 2020, with this measure climbing to 60.7 pts, up from 59.7 pts in the previous quarter and 58.1 pts at the same time last year. Moreover, stress levels printed above average (60.2 pts) for the first time since mid-2021. In contrast, stress associated with the impact of health on consumer’s future spending and savings planned fell to 56.5 pts during the December quarter, from 57.1 pts in the previous quarter but up from 55.6 pts in December 2022. Stress levels are now basically back of par with the survey average (56.6 pts).

NAB Australian Consumer Stress Index: Categories



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



The survey again highlighted large divergences in stress levels across key groups (see charts above), though consumers in 41 out of 48 monitored groups reported higher levels of stress during the December quarter.

By state, overall stress level were highest in SA/NT (60.7 pts) and VIC (60.2 pts), with consumers in both states also reporting a big spike in job security stress. Overall stress was lowest in WA (57.1 pts), with TAS the only state to report lower stress (down 2.2 to 58.4 pts). Consumers in VIC reported the highest job stress (52.0 pts), TAS health (61.1 pts), SA/NT retirement funding (62.7 pts) and Government policies (65.1 pts) and QLD cost of living (70.2 pts). By region, overall stress levels were highest in rural areas (60.5 pts) and lowest in capital cities (59.1 pts). Job security stress was however highest in capital cities (48.5 pts), health (56.8 pts), retirement funding (63.4 pts) and government policies (65.0 pts) in rural areas and cost of living in regional cities (71.1 pts).

Overall stress levels increased for both women (60.6 pts) and men (58.2 pts) during the December quarter, but a larger increase in stress levels among women pushed the stress gap between women and men to its widest level since mid-2018. Women reported higher stress levels than men for all measures, especially retirement funding (63.1 pts vs. 58.1 pts) and cost of living (71.6 pts vs. 67.0 pts).

Overall stress rose in all age groups in the December quarter, except in the 50-64 group (basically unchanged at 59.0 pts). Stress was

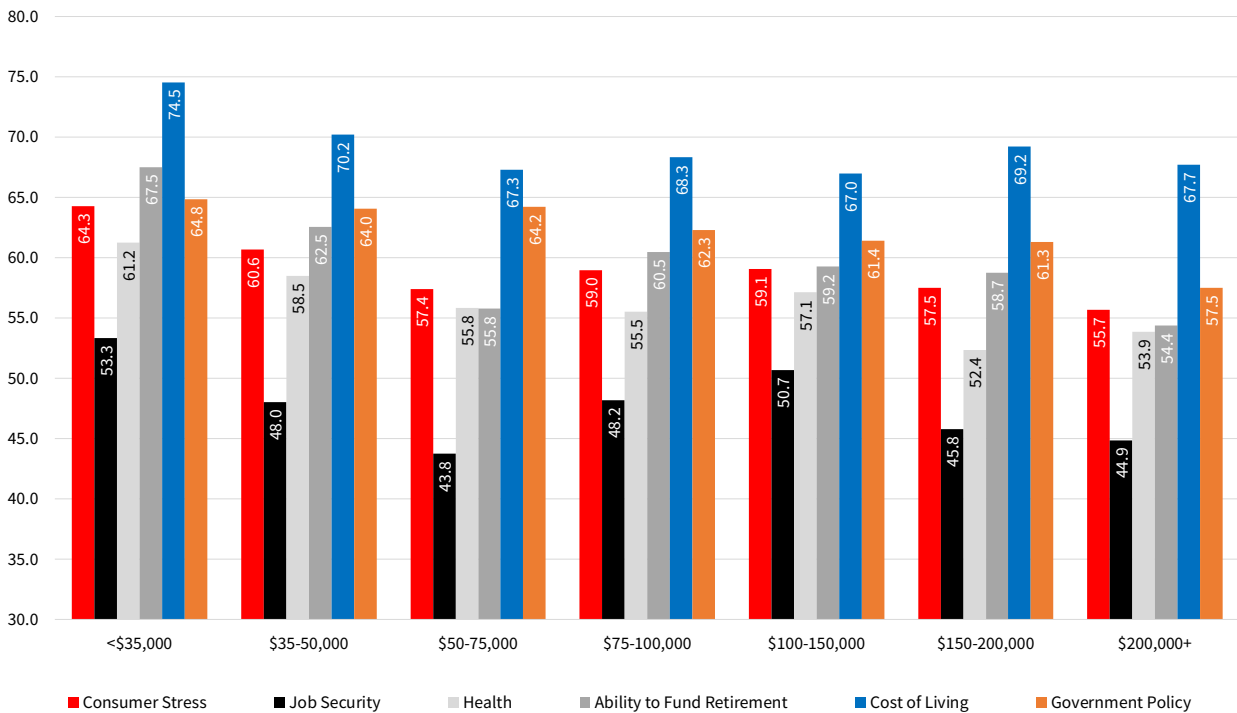
highest by some margin in the 30-49 group (61.9 pts), with this group also reporting the highest stress for job security (52.8 pts), retirement funding (64.8 pts) and cost of living (71.6 pts). Overall stress was lowest (by a big margin) among the over 65s (53.4 pts), though they also stressed the most about health (57.6 pts) and Government policies (65.2 pts).

By income, overall stress levels were significantly higher in the lower income group (64.3 pts) compared to other income cohorts, with this group also reporting higher stress for all measures, particularly job security (53.3 pts), retirement funding (67.5 pts) and cost of living (74.5 pts). Interestingly, stress levels were lowest in the \$50-75,000 income group (57.3 pts), followed by the \$100,000+ group (58.0 pts).

More broadly, consumer stress levels during the December quarter were highest in the lowest income group (64.3 pts), among the unemployed (63.6 pts), for women aged 30-49 (63.2 pts), consumers who live in a rented apartment (62.3 pts) or have children under the age of 18 (62.2 pts). Stress levels remained lowest by a considerable margin among retirees (51.5 pts though up from 48.7 pts in the previous quarter) and for consumers over the age of 65 (53.4 pts) but also up from 50.2 pts previously.

A closer look at the components of the NAB Consumer Stress Index among the higher income cohort shows concerns over the cost of living is transcending wealth, with elevated stress levels even among those earning over \$200,000. Interesting the stress profile of someone earning \$50-75,000 is broadly similar to those earning over \$200,000 with the exception of Government policy. It is also clear that the lower-income consumer is under significant pressure.

Consumer Stress Index: Income Q4 2023



New research also shows that consumer stress levels are much lower for people that own a home outright (54.6 pts) than those who own their home with a mortgage (60.1 pts). More specifically, people who own a home outright report significantly lower levels of job stress than people who own their homes with a mortgage (38.2 pots vs. 48.8 pts), and also worry much less about their ability to fund their retirement (51.6 pts vs. 62.2 pts) and cost of living (63.6 pts vs. 70.9 pts). But those who own their homes without a mortgage report somewhat lower stress over government polices (61.5 pts vs. 64.3 pts).

General level of concern over the economy

Recent data confirm the Australian economy is growing at a well-below trend pace, inflation pressure is continuing to moderate, and the labour market is still healthy. NAB sees below trend GDP growth of 1.4% and 1.7% over 2023 and 2024 respectively with soft consumption growth the key dynamic, as households continue to face pressures from higher rates and inflation, adjusting both the amount of spending and the savings rate

NAB’s outlook for the labour market is unchanged with the unemployment rate expected to rise to around 4.5% by end-2024. NAB also sees trimmed-mean inflation ending 2023 around 4.5%, easing to 3.25% by end-2024 and tracking within the upper half of the RBA’s target band by end-2025.

Based on the outlook for weak activity growth, an ongoing easing in labour market pressures and continued easing in inflation, NAB believes the cash rate has peaked for this cycle at 4.35%, with the RBA expected to remain on hold until November

Against this background, the level of concern among consumers about the impact on their future spending and savings plans arising from the domestic economy in the December quarter increased to 65.5 pts, up from 64.5 pts in the previous quarter, and 63.3 pts at the same time last year. The level of consumer concern over the domestic economy is also still above the survey average (63.1 pts).

Overall concern over the Australian economy remained highest in SA/NT at a broadly unchanged 68.4 pts (68.5 pts in the previous quarter). Concern increased both NSW (65.9 pts up from 64.2 pts), VIC (65.9 pts up from 64.6 pts) and QLD (65.3 pts from 64.6 pts) but moderated a little in WA (62.7 pts from 63.0 pts). Concern fell more noticeably (and was lowest overall) in TAS (60.2 pts from 61.6 pts).

The level of consumer concern over the global economic situation increased more sharply to 66.0 pts, up from 64.2 pts in the previous quarter and 63.9 pts at the same time last year. It also trended well above the survey average (64.3 pts).

Concern remained highest (but fell noticeably) in SA/NT to 67.7 pts from 69.6 pts in the previous quarter. It increased sharply in both NSW (67.2 pts from 63.2 pts) and TAS (65.2 pts from 61.4 pts). It was lowest in QLD (64.9 pts), which was the only state where the level of concern moderated (65.4 pts in the previous quarter).

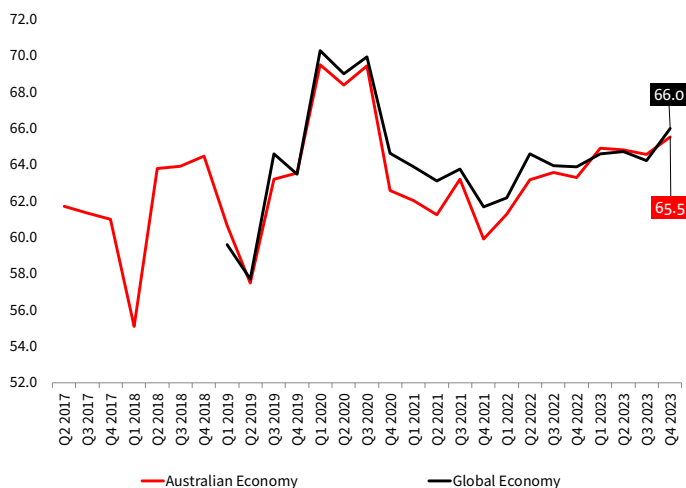
Job security

Job security has added the least stress to the overall NAB Consumer Stress Index since we first started compiling this data in March 2013. After climbing to a survey high 52.3 pts at the onset of COVID in the March quarter 2020, the job security component of the overall NAB Consumer Stress Index trended down to a near survey low 39.7 pts by September quarter 2022. Since then, however job security stress has been rising consistently as economic conditions have become more challenging reaching 48.2 pts in the December quarter 2023, and now trending well above the survey average (45.8 pts).

In November, the unemployment rate rose to 3.9%, but the labour market is still very strong with jobs growth broadly keeping pace with the very strong population growth. Employment rose 61,000 in November, backing up a slightly revised 43,000 increase the month prior - though hours worked were fairly steady in the month. Nonetheless, there was a small rise in the unemployment rate to 3.9% as the participation rate rose a further 0.2 ppts to a new record high 67.2%.

Population data to June show net migration topped 518,000 over the past year, reflecting a combination of both elevated arrivals and

Concern About Economic Situation (100 = extremely concerned)



Concern about the Australian economy

	NSW	VIC	QLD	WA	SA/NT	TAS
Q4'22	63.0	62.8	65.5	61.1	63.3	63.7
Q3'23	64.2	64.6	64.6	63.0	68.5	61.6
Q4'23	65.9	65.9	65.3	62.7	68.4	60.2

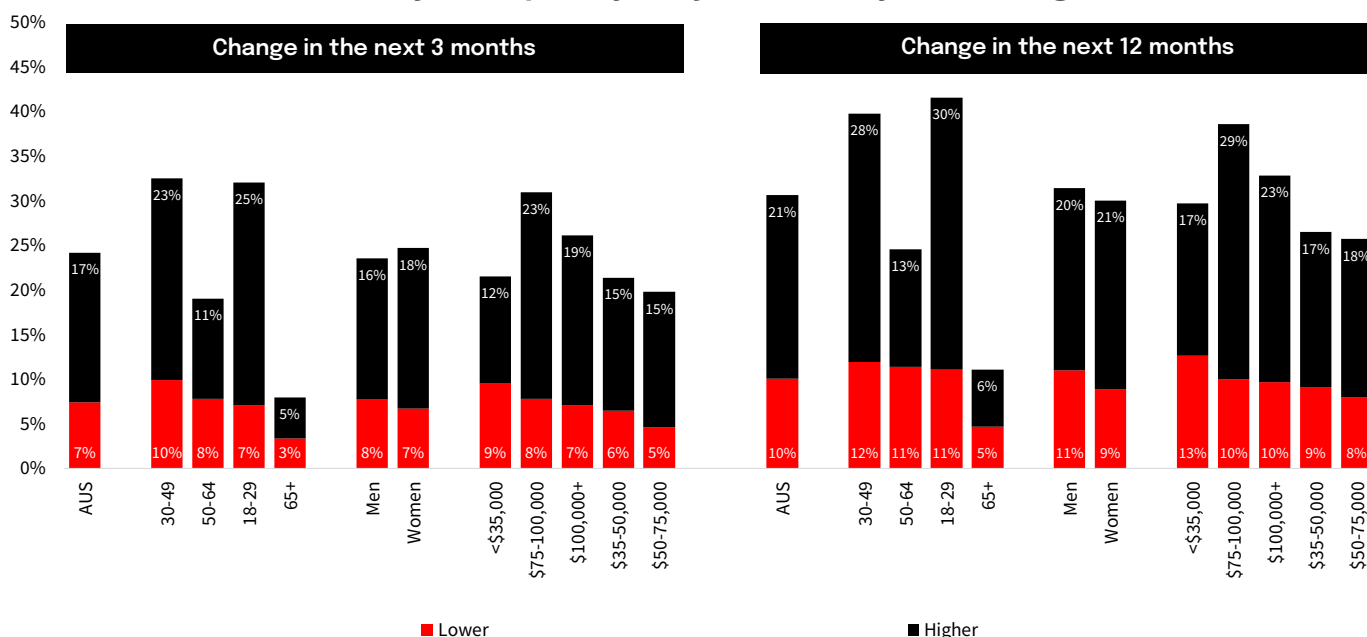
Concern about the International economy

	NSW	VIC	QLD	WA	SA/NT	TAS
Q4'22	63.3	63.1	65.4	64.2	65.2	61.0
Q3'23	63.2	63.2	65.4	64.0	69.6	61.4
Q4'23	67.2	65.0	64.9	65.5	67.7	65.2

lower than normal departures. This has lifted population growth to 2.4% year-on-year, and more timely estimates to November indicate a run rate as high as 3% - with the pandemic-era 'population gap' now fully closed.

So far, the strength of labour demand has seen the economy successfully absorb the rebound in population with the employment-to-population ratio broadly steady since mid-2022. Rather, the rising participation rate is driving the gradual lift in the unemployment rate. With migrants more likely to be working age than the population as a whole, the composition effect of elevated net migration is likely contributing to rising participation. However, there may also be lingering participation benefits from individuals drawn into the labour market when workforce shortages were most acute, as well as some gains in access to the labour market from the shift to working from home and childcare policy changes. While the composition effect will fade as migration normalises, labour demand will also soften as the economy slows, and NAB expects the unemployment rate to reach around 4.5% by end-2024.

How do you expect your job security will change?



Against this backdrop, we asked Australian consumers for the first time if they thought their job security would be higher or lower in the next 3 and 12 months. Overall, 7% expect it to be lower in the next 3 months, but this increases to 10% in the next 12 months. By age, the number expecting it to be worse in the next 3 months was highest in the 30-49 group (10%) and lowest in the over 65 group (3%). All age groups expect their job security to be lower in the next 12 months, particularly in the 18-29 (11% vs. 7% in 3 months) and 50-64 (11% vs. 8% in 3 months) age groups. Slightly more men than women expect their job security to be lower in the next 3 months (8% vs. 7%) and next 12 months (11% vs. 9%). The lower income group is the most pessimistic about their job security in the next 3 (9%) and 12 months (13%) with the least number of consumers expecting their job security to be lower in the \$50-75,000 income group in both 3 (5%) and 12 months (8%).

Cost of living insights

Consumer stress related to cost of living levelled out in the December quarter as inflation measures continued to moderate. But it continues to weigh on the psyche of Australian consumers, with cost of living stress still trending above average levels in all monitored demographic groups, and over 1 in 3 Australian consumers still reporting “very high” cost of living stress.

But despite the official data, how consumers perceive prices is often as important as the price itself.

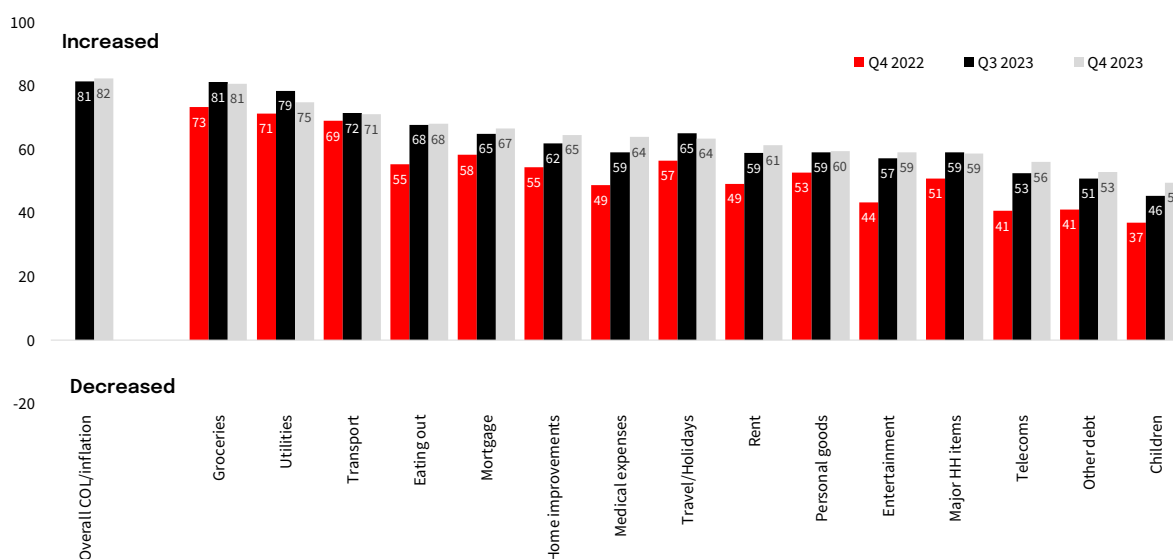
To help find which costs are growing, NAB looks at the cost of living perceptions through the eyes of consumers by asking if they believe the cost of key goods and services rose or fell in the past 3 months. The results are reported in net balance terms - i.e., a positive result means the number of consumers 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 far more consumers (in net terms) believe their overall cost of living rose than fell in the December quarter and was also a little higher than in the previous quarter (82% vs. +81%). Perceptions of higher prices in December were again most evident for groceries (unchanged at +81%), utilities (+75% vs. +79%), transport (+71% vs. +72%), eating out (unchanged at +68%) and mortgages (+65% vs. +62%). Other areas where somewhat more consumers said costs had risen included home improvements (+65% vs. +62%) and telecoms (+56% vs. +53%). The chart also shows that the number of consumers who said costs were higher was significantly higher in nearly all spending categories compared to the same time last year.

The December quarter survey also revealed a somewhat higher number of consumers that said costs related medical expenses (+64% vs. +59%) and children (+50% vs. +46%) increased than in the previous quarter.

Though a broadly similar number of consumers said their cost of living increased across regions, it increased according to more consumers in TAS (+86%), SA/NT (85%) and WA (+84%) than in VIC (+81%) and NSW (+82%). The survey found a strong relationship with age - with the number who +77% in the 18-29 signalling higher costs, stepping up to +91% in the over 65 age group. Slightly more consumers in the higher income group (+84%) also said their living costs had risen than in the lower income group (+81%) - see table below for detail.

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



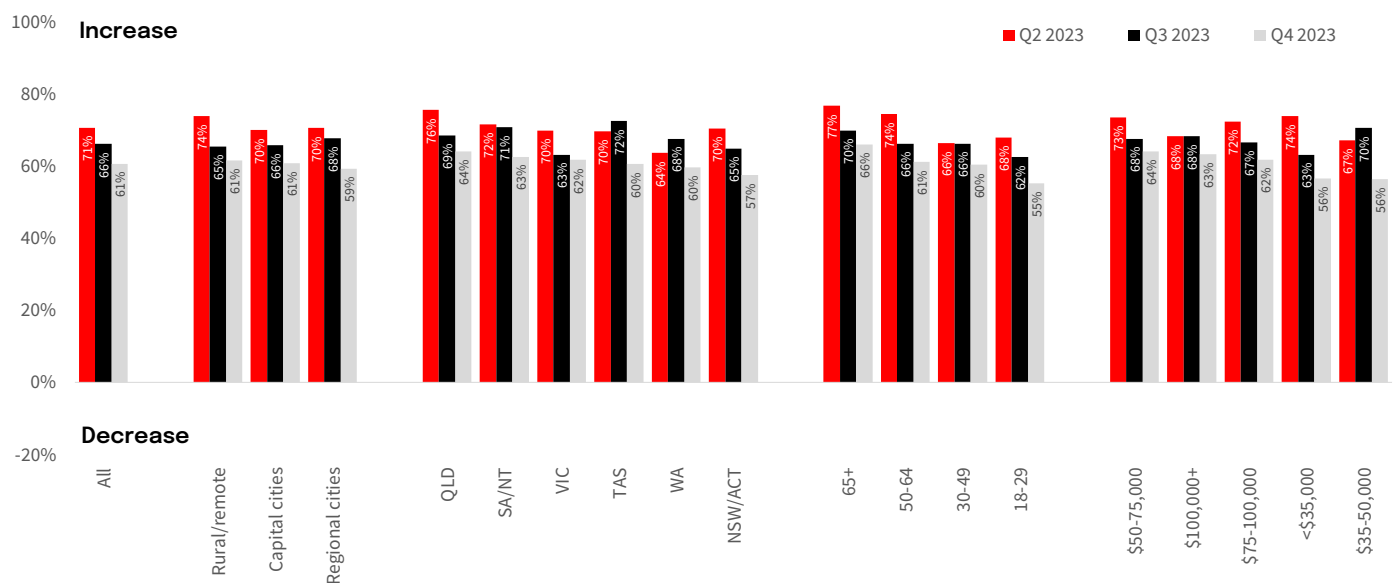
Extent costs changed in the past 3 months (net balance): region, state, age, high/low income

	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	82	82	82	83	82	81	83	84	85	86	77	80	84	91	81	84
Groceries	81	80	82	84	79	80	84	81	82	91	74	77	86	90	82	79
Utilities	75	75	74	76	75	76	74	73	77	76	64	72	81	86	76	74
Transport	71	69	76	73	69	70	74	72	76	79	59	68	78	81	74	68
Eating out	68	68	69	65	69	65	70	69	69	77	61	67	74	72	69	67
Mortgage	67	68	65	63	66	68	60	72	73	73	62	70	73	54	72	61
Home improvements	65	64	64	69	59	65	69	71	68	67	54	63	73	72	67	62
Medical expenses	64	65	63	63	60	65	65	70	65	80	57	63	69	67	68	60
Travel/Holidays	64	63	64	66	62	64	64	63	69	67	58	61	70	68	67	60
Rent	61	59	70	61	59	57	62	70	70	89	64	60	59	62	66	56
Personal goods	60	59	59	61	56	60	62	64	58	73	51	61	61	65	64	55
Entertainment	59	60	59	58	58	60	58	61	60	66	54	59	66	60	60	58
Major HH items	59	58	59	64	57	57	61	58	67	64	46	58	69	65	62	55
Telecoms	56	56	55	59	58	56	52	55	62	51	43	56	60	67	57	56
Other debt	53	51	59	54	53	55	54	46	51	62	48	56	55	50	59	47
Children	50	50	49	50	49	46	49	54	59	65	43	54	51	44	55	44

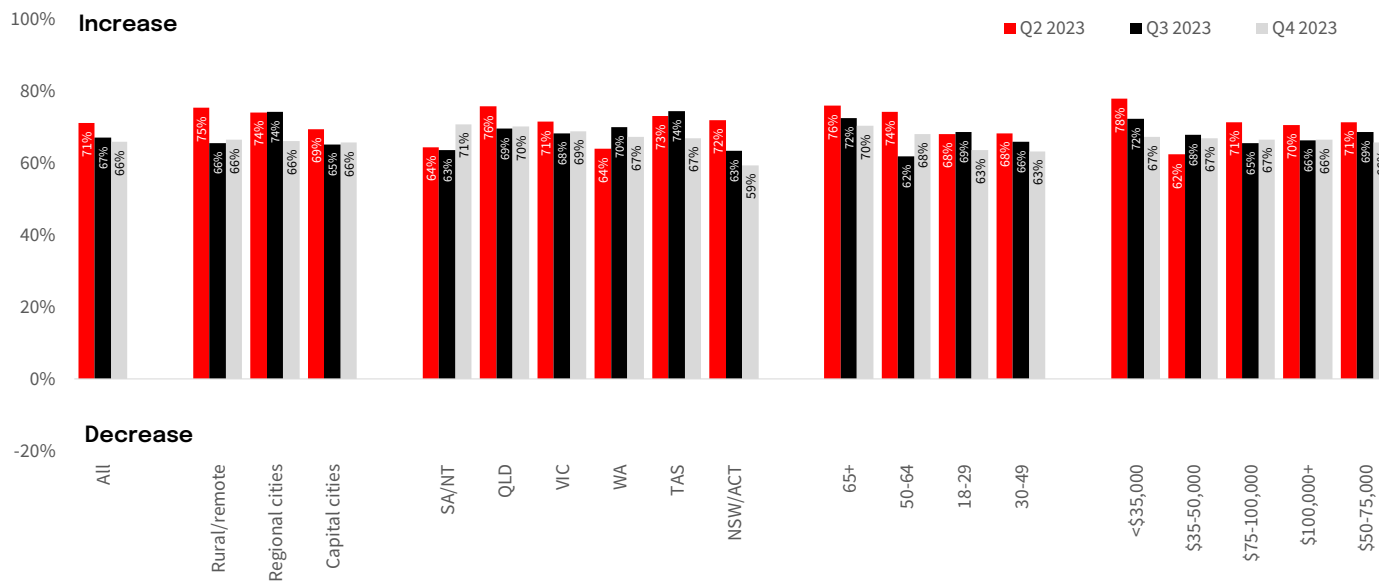
Consumers were asked how their overall cost of living will change over the next 3 & 12 months. Though still elevated, we recorded a further (and somewhat larger) decline in the net number predicting higher living costs in the next 3 months (+61% vs. +66%). However, more consumers expect their living costs to increase in the next 12 months than in the next 3 months though this fell slightly (+66% vs. +67%).

Slightly fewer consumers in all regions expect their overall living costs to fall in the next 3 months. Expectations were unchanged in the next 12 months in capital cities and rural areas but were much more positive in regional cities (66% vs. 74%). More people in all states and territories expect costs to rise than fall in the next 3 months, ranging from 64% in QLD to 57% in NSW. The survey also found a significant increase in the number expecting their living costs to rise in SA/NT in the next 12 months (+71% from +63%). The net number expecting higher costs in 3 months' time fell in all age and income groups, but consumers in the 50-64 age group were more pessimistic about the next 12 months (+68% vs. +62% - see charts below).

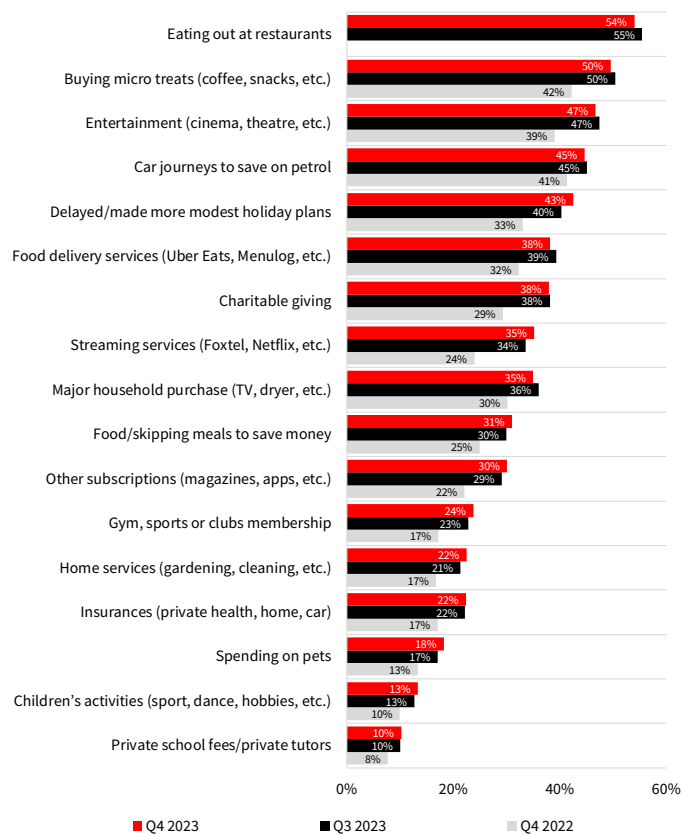
How will overall cost of living change in the next 3 months (net balance)



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



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



During the December quarter, Australian consumers continued to respond to cost of living pressures by cutting back or cancelling spending in several areas, with the most common cutbacks again seen in non-discretionary goods and services.

During the quarter, a basically unchanged 54% cancelled or cut back on eating out at restaurants, 50% cut back or stopped buying micro treats such as coffee, snacks and lunch, 47% on entertainment such as cinema, theatre etc. and 45% on car journeys to save petrol. Slightly more delayed or made more modest holiday plans (43% from 40% in the previous quarter). The number who cancelled or cut spending was largely unchanged in all other categories, with consumers still least inclined to cancel or cut spending on private school fees/tutors (10%), children's activities such as sport and hobbies (13%) and spending on their pets (18%).

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

Far fewer consumers over 65 cut or reduced their spending in most areas relative to other age groups, except for car journeys and charitable giving. A greater number of consumers under 50 also typically cut back more in all areas than those over 50. By gender, more women than men cut or reduced their spending in all areas, particularly buying micro treats (55% vs. 44%), food & skipping meals (35% vs. 26%), eating out at restaurants (58% vs. 50%), charitable giving (42% vs. 34%) and spending on pets (22% vs. 14%).

When comparing the lower and higher income groups, we noted much higher numbers in the lower income group that cancelled or cut spending on food or skipped meals (42% vs. 25%), car journeys (50% vs. 49%) and insurances (28% vs. 19%) - see table below.

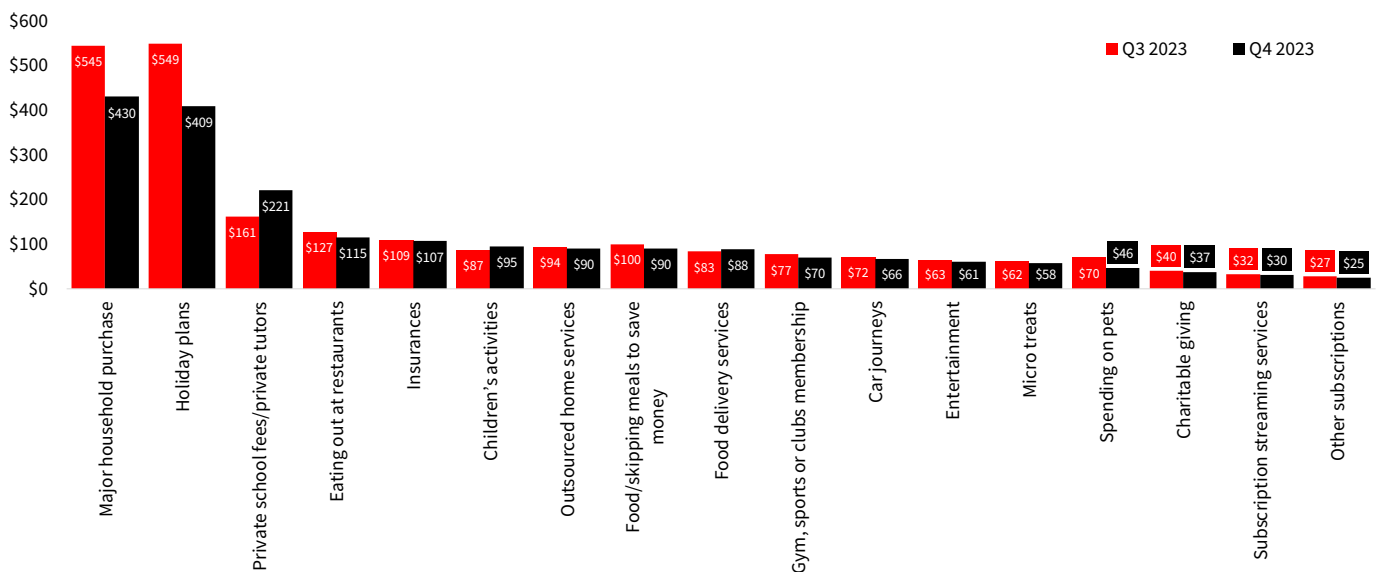
Cuts made to spending due to cost of living pressures: age, gender, high/low income

	All	18-29	30-49	50-64	65+	Men	Women	Lower Income	Higher Income
Eating out at restaurants	54%	57%	60%	54%	41%	50%	58%	56%	55%
Buying micro treats (coffee, snacks, etc.)	50%	51%	56%	50%	36%	44%	55%	51%	50%
Entertainment (cinema, theatre, etc.)	47%	49%	52%	50%	33%	43%	50%	49%	45%
Car journeys to save on petrol	45%	43%	48%	44%	43%	41%	48%	50%	39%
Delayed/made more modest holiday plans	43%	46%	49%	39%	33%	39%	46%	42%	43%
Food delivery services (Uber Eats, etc.)	38%	55%	48%	31%	13%	36%	40%	39%	42%
Charitable giving	38%	34%	40%	44%	33%	34%	42%	41%	35%
Streaming services (Foxtel, Netflix, etc.)	35%	40%	45%	30%	20%	31%	38%	37%	37%
Major household purchase (TV, dryer, etc.)	35%	33%	44%	36%	21%	31%	38%	42%	33%
Food/skipping meals to save money	31%	39%	36%	29%	18%	26%	35%	42%	25%
Other subscriptions (magazines, apps, etc.)	30%	34%	38%	27%	17%	28%	32%	30%	32%
Gym, sports, or clubs membership	24%	31%	32%	17%	10%	21%	26%	24%	26%
Home services (gardening, cleaning, etc.)	22%	25%	29%	22%	10%	19%	26%	25%	24%
Insurances (private health, home, car)	22%	23%	29%	21%	12%	19%	25%	28%	19%
Spending on pets	18%	25%	25%	14%	4%	14%	22%	22%	16%
Children's activities (sport, dance, etc.)	13%	15%	22%	8%	3%	10%	16%	13%	16%
Private school fees/private tutors	10%	14%	16%	6%	2%	9%	11%	12%	11%

Consumers that cut back or stopped spending in these areas were asked to estimate their monthly savings from these cutbacks. In the December quarter, the biggest savings came from spending less on major household appliances (\$430) and on holiday plans (\$409) - though estimated savings were somewhat lower than in the previous quarter (\$545 & \$549 respectively). The next biggest savings came from private school fees & tutors (\$221 up from \$161 in the previous quarter). The level of savings from cutbacks were largely similar in most other areas, except spending on pets where savings fell to \$46 from \$70 in the September quarter.

The survey again also highlighted significant savings in the four areas where most consumers cut back the December quarter - eating out at restaurants (\$115 down from \$127), buying micro treats (\$58 down from \$62), entertainment (\$61 down from \$63) and cutting down on car journeys to save on petrol (\$66 down from \$72). Combined, these cutbacks amounted to monthly savings of \$300 (leaving a potential savings buffer of around \$3,600 a year if continued). Even areas where savings from spending cuts were smallest - subscription streaming services such as Foxtel and Netflix (\$30), and other subscription services such as newspapers and magazines (\$25) could potentially save consumers around \$660 annually.

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

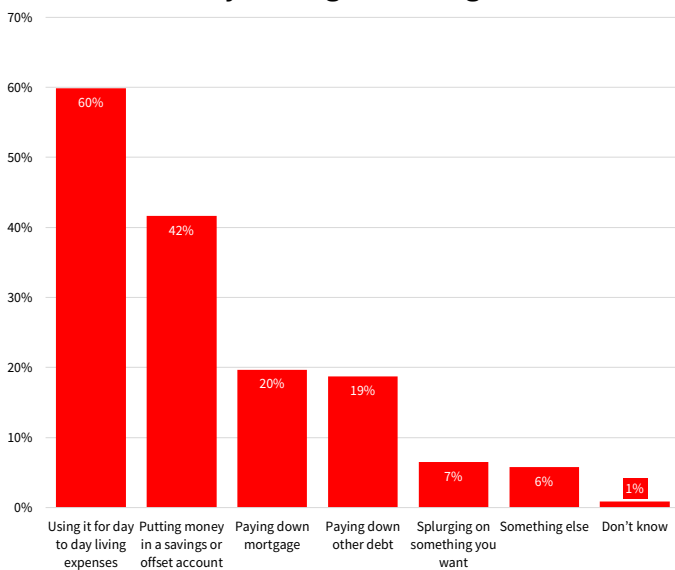


Estimated monthly savings from cutbacks: age, gender, higher/lower income

	All	18-29	30-49	50-64	65+	Men	Women	Lower income	Higher income
Major household purchase	\$430	\$432	\$424	\$395	\$498	\$398	\$466	\$377	\$496
Holiday plans	\$409	\$390	\$443	\$372	\$452	\$386	\$443	\$296	\$480
Private school fees/private tutors	\$221	\$135	\$281	\$1,061	\$399	\$135	\$367	\$67	\$359
Eating out at restaurants	\$115	\$124	\$117	\$115	\$97	\$118	\$112	\$92	\$134
Insurances	\$107	\$138	\$102	\$93	\$142	\$100	\$115	\$113	\$93
Children’s activities	\$95	\$86	\$96	\$113	\$103	\$83	\$103	\$80	\$100
Outsourced home services	\$90	\$112	\$86	\$91	\$87	\$81	\$98	\$80	\$109
Food/skipping meals to save money	\$90	\$96	\$102	\$78	\$61	\$96	\$84	\$63	\$116
Food delivery services	\$88	\$98	\$90	\$81	\$58	\$78	\$98	\$62	\$96
Gym, sports, or clubs membership	\$70	\$86	\$66	\$63	\$57	\$72	\$69	\$47	\$80
Car journeys	\$66	\$70	\$75	\$61	\$57	\$67	\$66	\$60	\$73
Entertainment	\$61	\$64	\$69	\$55	\$41	\$57	\$65	\$54	\$68
Micro treats	\$58	\$73	\$59	\$50	\$48	\$60	\$56	\$47	\$66
Spending on pets	\$46	\$60	\$39	\$47	\$48	\$50	\$44	\$41	\$57
Charitable giving	\$37	\$36	\$44	\$34	\$36	\$33	\$42	\$29	\$42
Subscription streaming services	\$30	\$30	\$28	\$32	\$32	\$31	\$29	\$24	\$29
Other subscriptions	\$25	\$27	\$23	\$24	\$27	\$27	\$24	\$18	\$27

The table above shows monthly savings by age, gender and in the higher and lower income groups. By age, the key takeout was the substantially higher savings made in the 50-64 age group (\$1,061) from cutting spending on private school fees & tutors than in any other age group. Women also saved substantially more than men by reducing spend on major household items (\$466 vs. \$398), holiday plans (\$443 vs. \$386), and private school fees & tutors (\$367 vs. \$145). Consumers in the higher income group made bigger savings than those in the lower income groups in all areas except insurances (\$113 vs. \$194) - see table above.

What are you doing with savings made?



Australian consumers told us they cut or reduced spending in several areas during the December quarter and saved money in all of these areas (see above). So, for the first time, we asked what they were doing with the savings they made. The results suggest they are mostly prioritising between paying down debt and saving.

By the numbers, 6 in 10 (60%) used the savings made for day-to-day living expenses, and just over 4 in 10 (42%) put this extra money in a savings or offset account. Around 1 in 5 used these savings to pay down their mortgage (20%) or other debt (19%). Less than 1 in 10 splurged on something they want (7%) or did something else with this money (6%), while 1% were unsure.

How savings were used did however differ in key groups. The biggest differences by age, included a much higher number in the over 65 group using it for day-to-day living (67%), the 18-29 group putting it into a savings or an offset account (56%), and the 30-49 group paying down mortgages (26%). Significantly more in the 18-29 group also splurged on something they wanted (13%). By gender, noticeably more women used it for day-to-day living expenses (64% vs. 56%). By income, 3 in 4 (73%) in the lower income group used it for day-to-day living expenses, compared to 1 in 2 (52%) in the higher income group, but 3 times as many in the higher income group put it into a savings or offset account (50% vs. 26%), and 4 times as many paid down mortgages (34% vs. 9%) - see table below.

What are you doing with savings made: age, gender, higher/lower income

	Using it for day to day living expenses	Putting money in a savings or offset account	Paying down mortgage	Paying down other debt	Splurging on something you want	Something else	Don't know
All	60%	42%	20%	19%	7%	6%	1%
18-29	53%	56%	20%	21%	13%	3%	1%
30-49	59%	43%	26%	20%	7%	6%	1%
50-64	62%	35%	22%	19%	3%	6%	1%
65+	67%	28%	4%	13%	2%	9%	1%
Men	56%	41%	21%	17%	8%	6%	1%
Women	64%	42%	18%	20%	5%	6%	1%
Lower income	73%	26%	9%	17%	4%	7%	1%
Higher income	52%	50%	34%	21%	8%	3%	1%

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. Stressed consumers typically show increased saving intentions, but also increased spending on products the consumer perceives as necessities. These behaviours occur as a means to gain control in an otherwise uncontrollable environment. The December quarter survey painted a picture of an increasingly cautious consumer, with the overall net number planning to cut back on all spending increasing to -13, from -11 in the previous quarter and -6 at the same time last year.

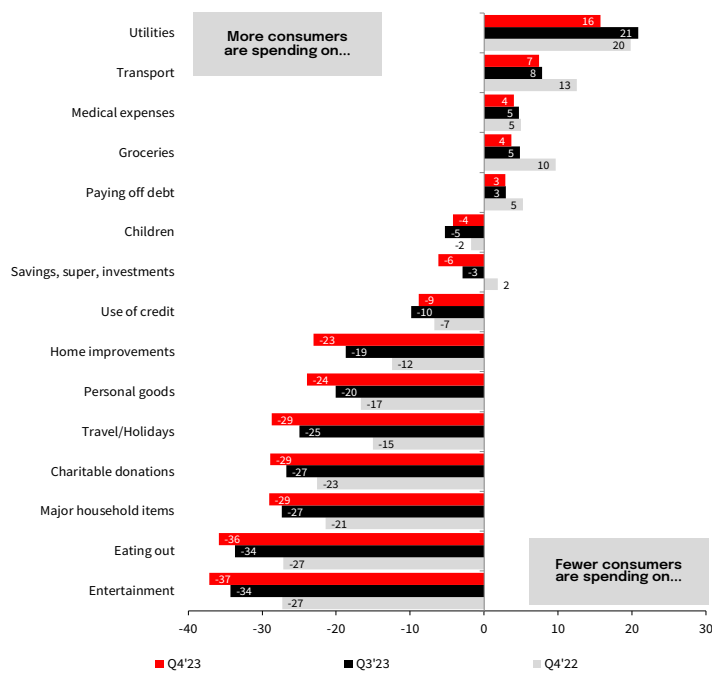
On balance, more consumers plan to reduce spending on non-essentials (i.e., travel/holidays, eating out, entertainment, home improvements, major household items, personal goods, and charitable donations), than spend more with the net number planning to spend less rising to -30, from -27 in the previous quarter and -20 at the same time last year. In terms of spending plans on essentials (groceries, utilities, medical expenses, transport, and children), the net number planning to spend more exceeded those planning to spend less. However, this fell to +5 from +7 in the last quarter and +9 at the same time last year. Intentions around financial spending (paying off debt, using credit and super, savings & investments), were also more restrained with the net number of consumers planning to spend less in the next 3 months inching up to -4, from -3 in the previous quarter.

Overall future spending plans remained conservative across the country in the December quarter, with the net number planning to cut spending outweighing those intending to spend more in all states - ranging from -14 in QLD, WA and TAS to -11 in SA/NT. In terms of non-essential spending, more consumers were planning to cut back in all states, ranging from -33 in QLD and TAS to -26 in SA/NT. In terms of future spending plans for essentials, more people expect to spend more in all states, ranging from +7 in QLD, WA and TAS to +4 in NSW/ACT. Financial spending intentions were also negative in all states, ranging from -6 in VIC, QLD, and WA to -1 in NSW/ACT - see table below.

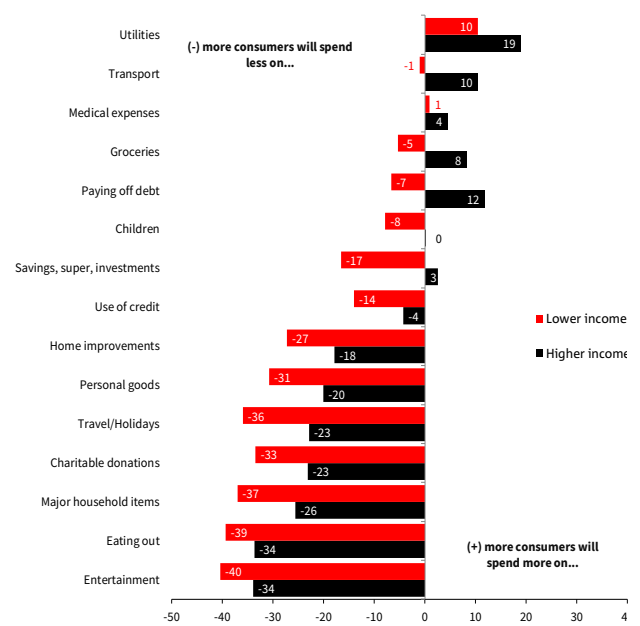
Spending intentions (net balance)

	Non-essentials			Essentials			Financial spending			Overall		
	Q4'23	Q3'23	Q4'22	Q4'23	Q3'23	Q4'22	Q4'23	Q3'23	Q4'22	Q4'23	Q3'23	Q4'22
AUS	-30	-27	-20	+5	+7	+9	-4	-3	0	-13	-11	-6
NSW/ACT	-29	-27	-20	+4	+4	+8	-1	-4	+2	-12	-12	-6
VIC	-28	-27	-19	+5	+7	+8	-6	-3	0	-12	-11	-7
QLD	-33	-23	-22	+7	+11	+9	-6	-2	0	-14	-7	-7
WA	-32	-29	-20	+7	+4	+7	-6	-1	-1	-14	-13	-7
SA/NT	-26	-25	-19	+5	+10	+17	-4	-7	-4	-11	-10	-4
TAS	-33	-39	-15	+7	+6	+2	-3	-11	-1	-14	-18	-5

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



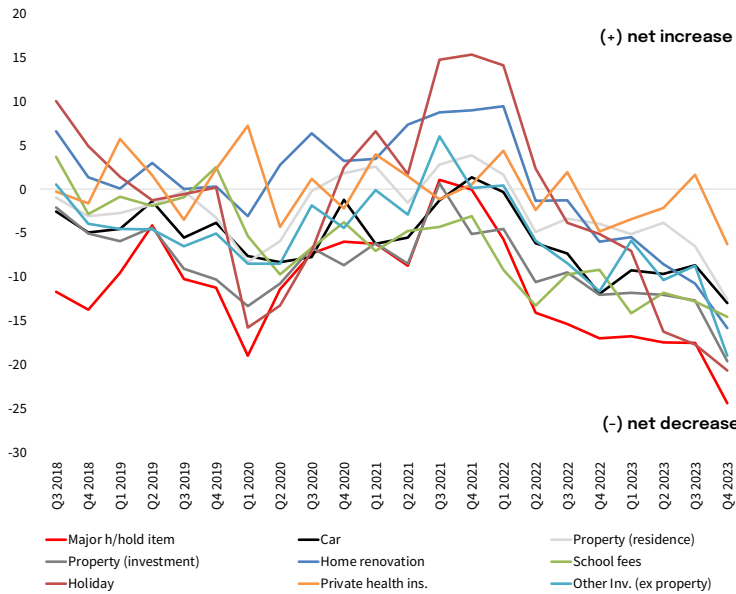
Expected changes in household spending patterns in the next 3 months (net balance)



In terms of financial spending, more consumers plan to pay off debt in the next 3 months, with the net number expecting to do so unchanged at +3. However, the net number cutting back spending on their super savings and investment doubled to -6 (-3 in the previous quarter) and use of credit (-9 from -10) - see appendix 2 for State detail.

By income (see chart right previous page), the spending areas where consumers are expecting to make cutbacks are similar in terms of non-essentials - albeit a greater number of lower income earners expect to do so compared to those on higher incomes. However, in some areas of essential spend, expected spending patterns diverge much more noticeably with lower income earners expected to spend less (e.g., groceries).

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



Consumer expectations for making major purchases in the next 12 months were much more pessimistic in the December quarter, with the number planning to spend less outweighing those planning to spend more in all categories - and noticeably weaker in all categories than in the previous quarter.

Overall, spending intentions were most conservative for major household items (-24 from -18 in the previous quarter), followed by holidays (-21 vs. -18), investment property (-20 vs. -13) and other investments other than property where expectations weakened most (-19 vs. -9). More consumers also planned to spend less on home renovations (-16 vs. -11), school fees (-15 vs. -13), residential property (-13 vs. -7), cars (-13 vs. -9) and private health insurance (-6 vs. +2).

Expectations varied in key groups. By age, we noted a higher number in the 50-64 group planning to spend less on major household items (-30), in the 65+ group on school fees (+24) and in the 30-49 group on residential (-16) and investment (-24) property and holidays (-25). Noticeably more women planned to spend less on property investment (-22), private health insurance (-8) and men on school fees (-17). More consumers in the lower income group had negative expectations for major purchases in all categories than consumers in the higher income group, particularly holidays (-34 vs. -12), school fees (-22 vs. -7), investment property (-26 vs. -13) and other investments (-26 vs. -14) - see table below.

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

	AUS	18-29	30-49	50-64	65+	Women	Men	Lower income	Higher income
Major h/hold item	-24	-23	-23	-30	-23	-24	-25	-26	-21
Car	-13	-8	-18	-12	-11	-15	-11	-15	-9
Property (residence)	-13	-10	-16	-11	-11	-12	-13	-14	-9
Property (investment)	-20	-14	-24	-16	-21	-22	-17	-26	-13
Home renovation	-16	-18	-20	-16	-6	-16	-16	-18	-12
School fees	-15	-18	-12	-14	-24	-12	-17	-22	-7
Holiday	-21	-15	-27	-20	-17	-21	-20	-34	-12
Private health ins.	-6	-10	-13	-4	9	-8	-4	-7	-1

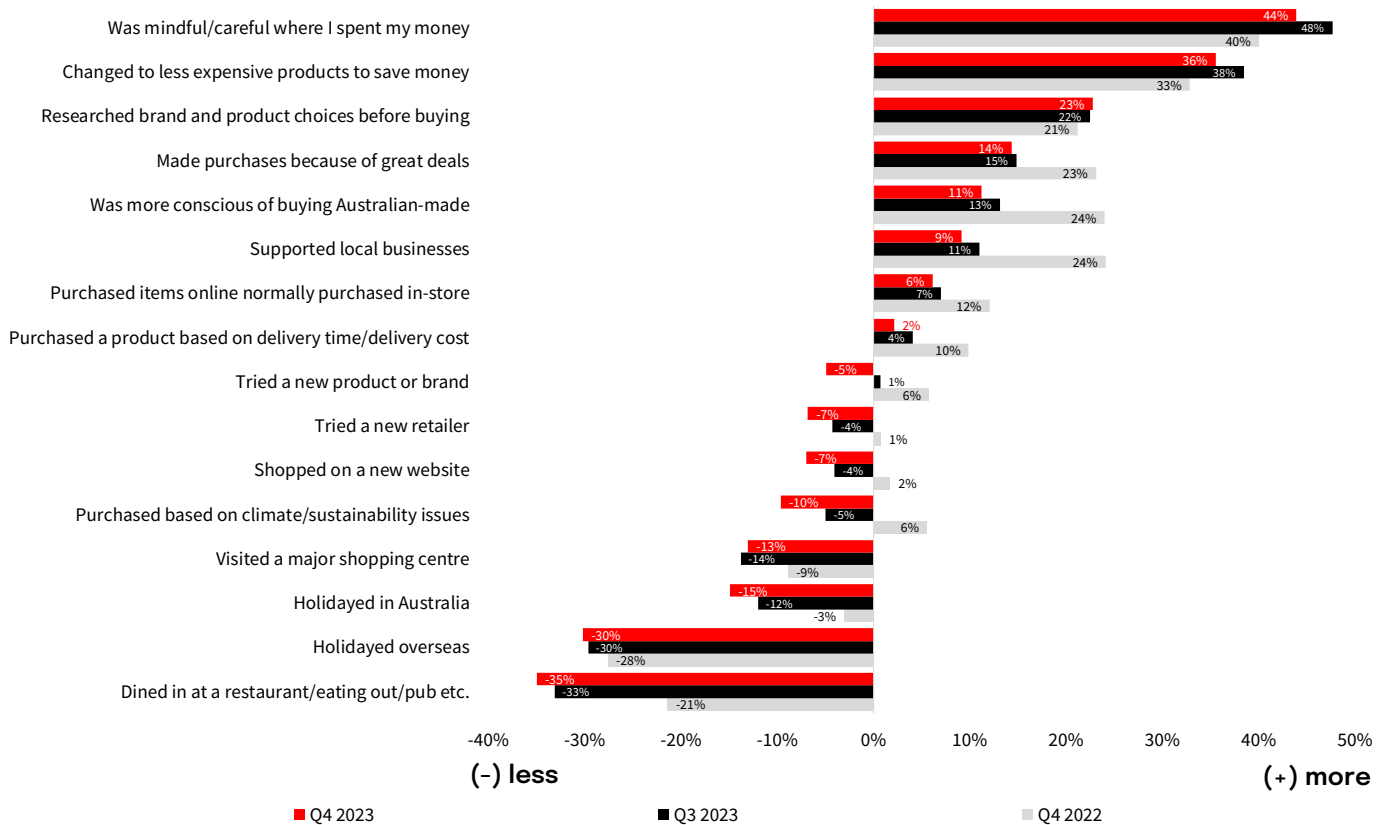
Shopping Behaviours

In this section, we explore how consumer behaviours and habits changed over the last 3 months. We focus on whether consumers have 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 more general themes. To show if and how their behaviours had changed, they 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 (i.e., if they were doing more or less of these things).

With higher living costs still weighing on consumers, behavioural change in the December quarter was again 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 (+44% but down from +48% in the last survey). Positive behavioural change was next most common for switching to less expensive products to save

money (+36% vs. +38%) and researching brands and product choices before buying (+23% vs. +22%). A broadly similar number continued to make purchases because of great deals (+14% vs. +15%). Interestingly, the net number more conscious of buying Australian made (+11% vs. 13%) and supporting local business (+9% vs. +11%) slipped further and was well down from the same time last year (+24%). In terms of doing less, we noted a higher number of consumers who dined in at restaurants (-36% vs. -33%), holidayed in Australia (-15% vs. -12%), made purchases based on climate or sustainability issues (-10% vs. -5%), shopped a new website (-7% vs. -4%), tried a new retailer (-7% vs. -4%) or tried a new product or brand (-5 vs. +1%). The number of consumers that holidayed less overseas (-30%) or visited a major shopping centre less (-13%) also remained elevated but basically unchanged over the quarter - see chart below.

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, some key differences included the much higher number of consumers in the 50-64 age group more mindful of where they spent their money (+51%) in the past 3 months, and somewhat higher number in this age group also less inclined to make purchases based on climate or sustainability issues (-19%), holiday in Australia (-21%) or dine in at restaurants (-44%). The survey also revealed a much higher number in the over 65 group more conscious of buying Australian made (+16%) and a much higher number less inclined to try a new product or brand (-11%) or shop on a new website (-19%). In contrast, a far greater number in the 18-29 age group made more purchases because of great deals (+28%), bought items online they would normally buy in-store (+13%) and bought products based on delivery times and cost (+15%). Also clear was the much higher number of Australian consumers over the age of 50 that supported local business and holidayed less overseas than did those under 50 in the last 3 months.

By gender, key differences included the much higher number of women more mindful or careful about where they spent their money (+47% women vs. +41% men) and who changed to less expensive products (+39% vs. +32%). We also recorded a much higher number of women who said they shopped less on a new website (-10% vs. -4%), visited a major shopping centre (-17% vs. -9%) or dined in at a restaurant or ate out (-40% vs. -30%).

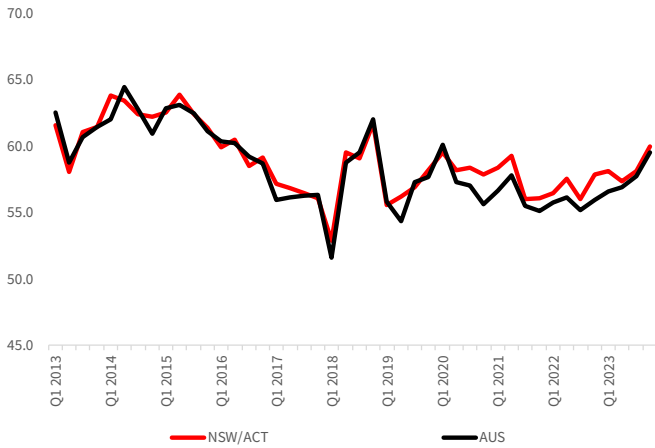
When it came to income, the survey revealed a much larger number in the higher income group that were more mindful about where they spent their money (+49% vs. +43%), changed to less expensive products to save money (+42% vs. 34%), researched brand and product choices before making a purchase (+31% vs. +14%) or made purchases because of great deals (+26% vs. +15%). The survey also pointed to a

Shopping behaviours: age and gender

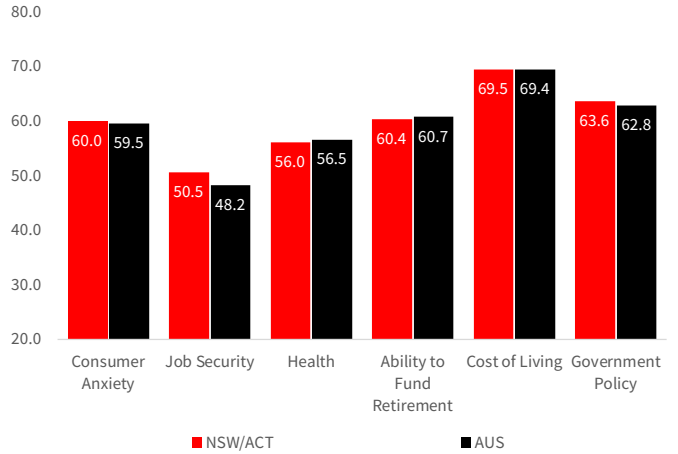
	All	18-29	30-40	50-64	65+	Men	Women	Lower income	Higher income
Was mindful/careful where I spent my money	44%	45%	40%	51%	42%	41%	47%	43%	49%
Changed to less expensive products to save money	36%	38%	36%	40%	29%	32%	39%	34%	42%
Researched brand & product choices before buying	23%	24%	24%	27%	16%	21%	24%	14%	31%
Made purchases because of great deals	14%	28%	16%	10%	2%	13%	16%	3%	26%
Was more conscious of buying Australian-made	11%	2%	5%	17%	26%	13%	10%	5%	13%
Supported local businesses	9%	6%	4%	14%	16%	10%	8%	-1%	14%
Purchased items online normally bought in-store	6%	13%	9%	5%	-5%	5%	7%	-4%	15%
Purchased products based on delivery time/cost	2%	15%	2%	-5%	-5%	2%	3%	-3%	8%
Tried a new product or brand	-5%	0%	0%	-8%	-15%	-4%	-6%	-12%	7%
Tried a new retailer	-7%	1%	-6%	-11%	-11%	-5%	-9%	-10%	1%
Shopped on a new website	-7%	2%	-4%	-9%	-19%	-4%	-10%	-15%	4%
Purchased based on climate/sustainability issues	-10%	1%	-9%	-19%	-13%	-11%	-8%	-19%	-3%
Visited a major shopping centre	-13%	-3%	-13%	-19%	-17%	-9%	-17%	-20%	-6%
Holidayed in Australia	-15%	-12%	-14%	-21%	-14%	-13%	-17%	-21%	-7%
Holidayed overseas	-30%	-22%	-26%	-38%	-37%	-29%	-31%	-36%	-21%
Dined in at a restaurant/eating out/pub etc.	-35%	-20%	-38%	-44%	-36%	-30%	-40%	-38%	-29%

Appendix 1: Consumer Stress Index - States

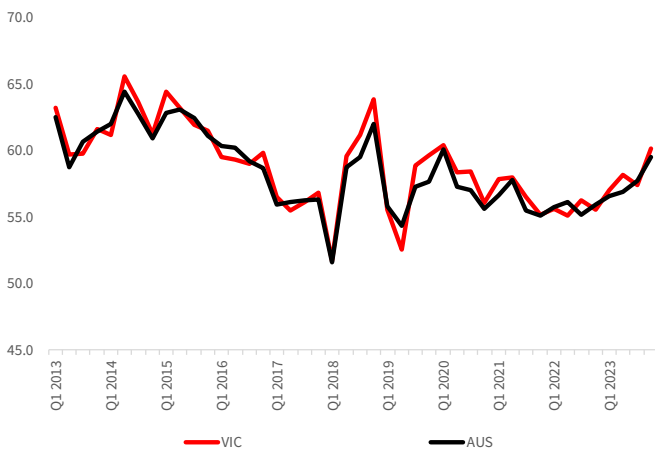
Consumer Stress: NSW/ACT



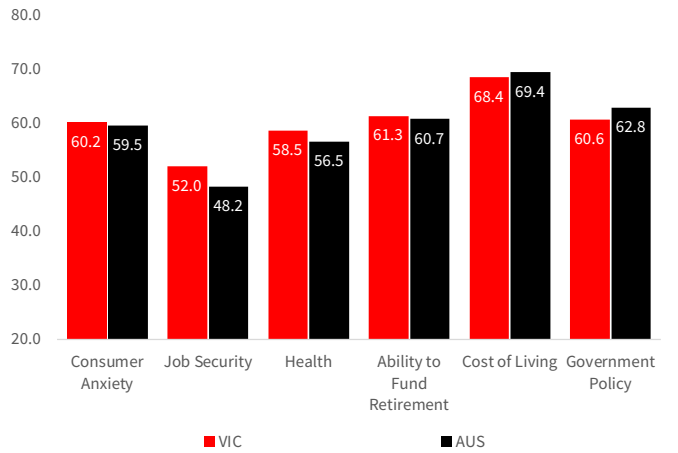
Consumer Stress: NSW/ACT (Q4 2023)



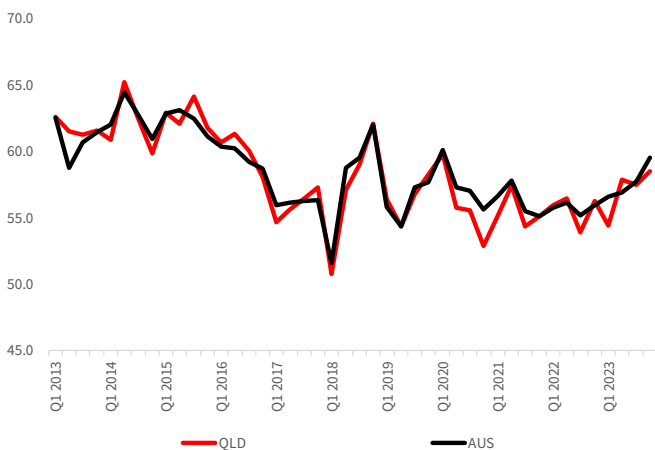
Consumer Stress: VIC



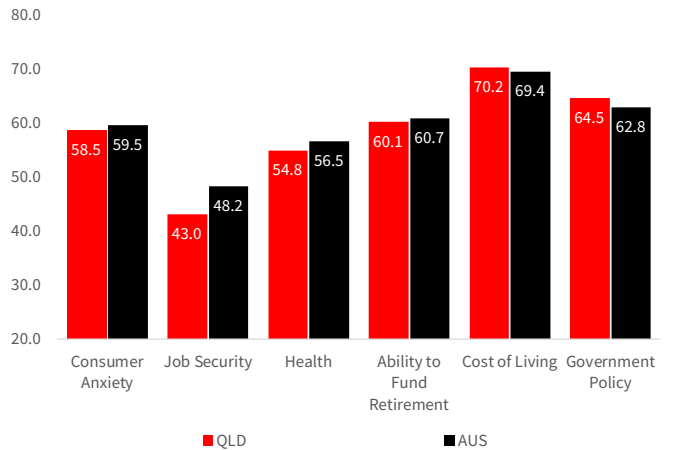
Consumer Stress: VIC (Q4 2023)



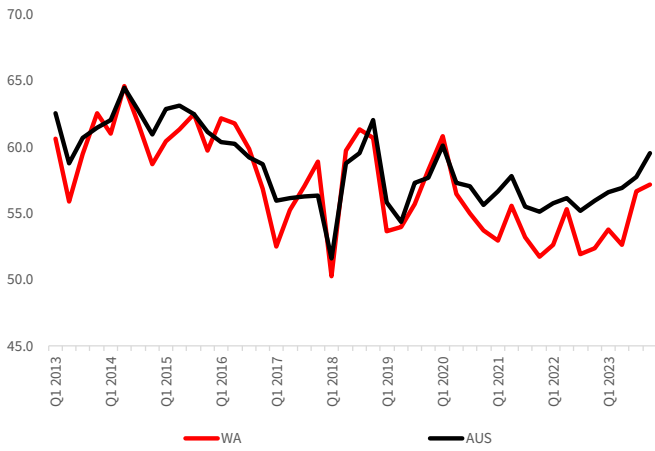
Consumer Stress: QLD



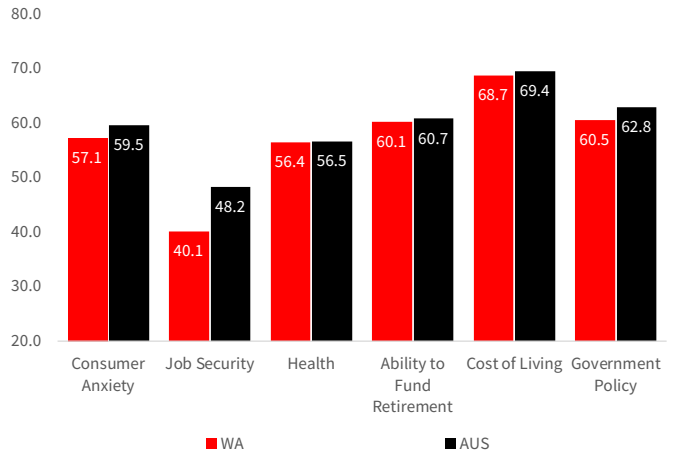
Consumer Stress: QLD (Q4 2023)



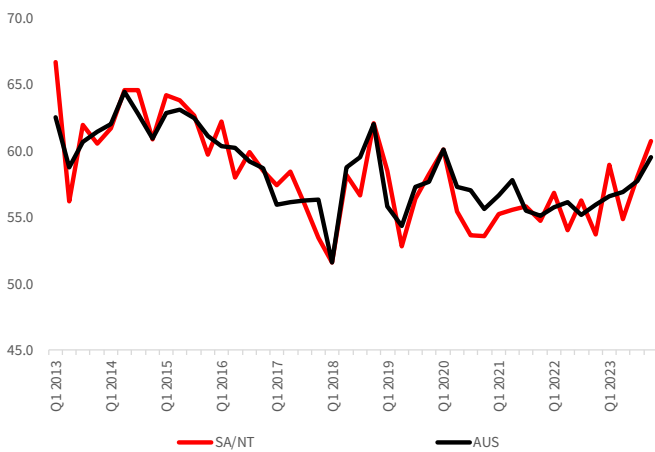
Consumer Stress: WA



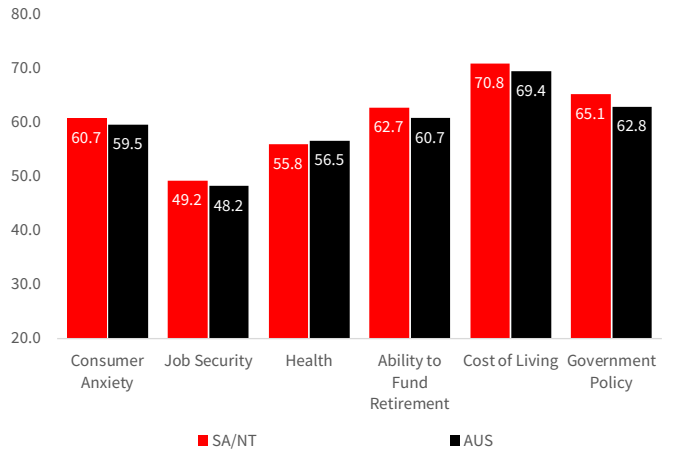
Consumer Stress: WA (Q4 2023)



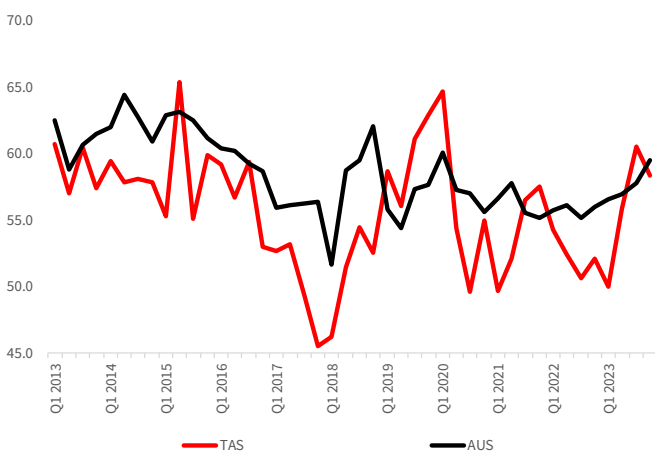
Consumer Stress: SA/NT



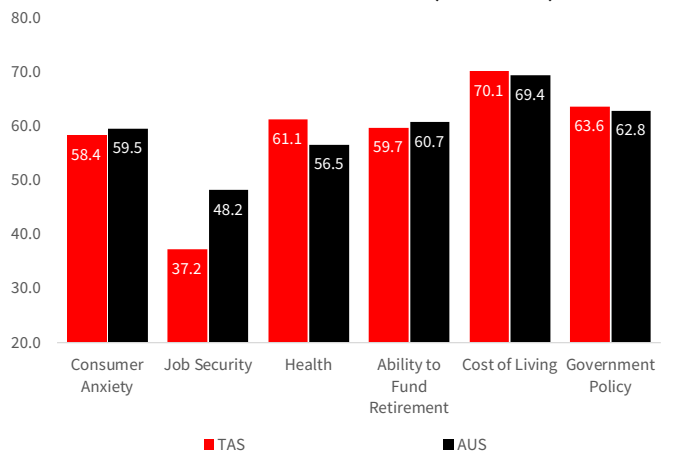
Consumer Stress: SA/NT (Q4 2023)



Consumer Stress: TAS

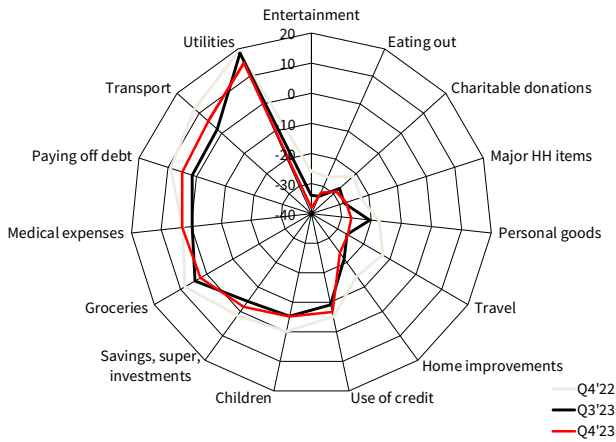


Consumer Stress: TAS (Q4 2023)

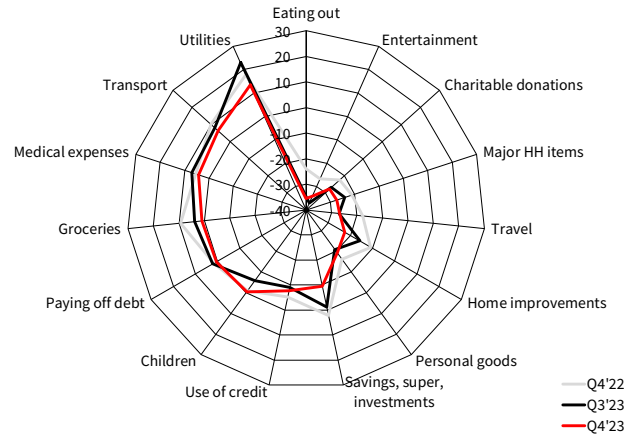


Appendix 2: Future Spending Patterns: States

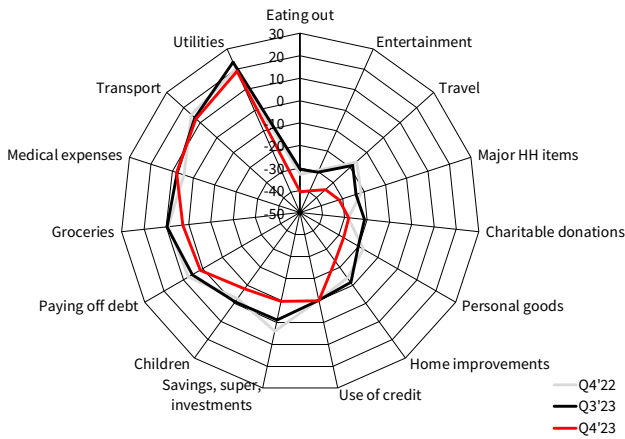
NSW/ACT: Changes in spending patterns (net)



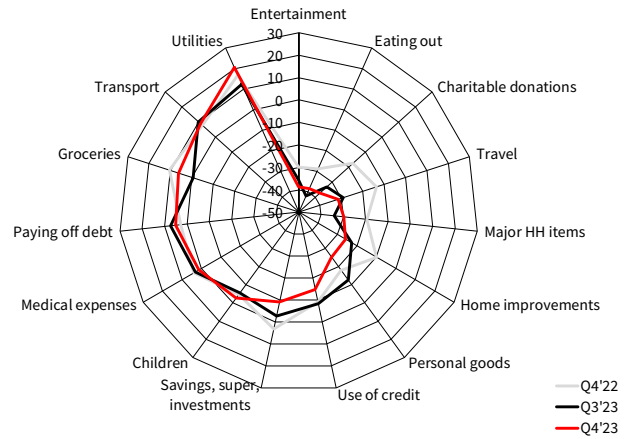
VIC: Changes in spending patterns (net)



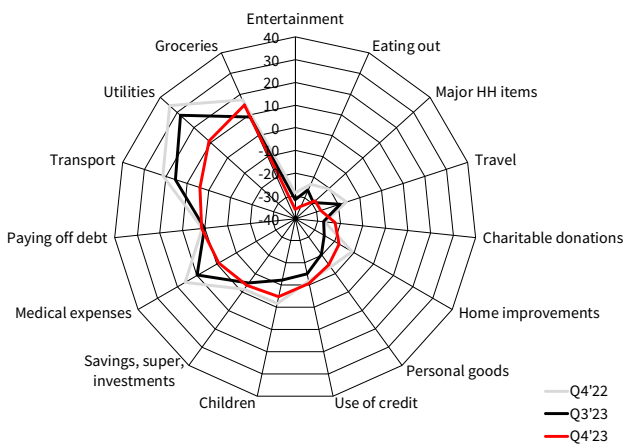
QLD: Changes in spending patterns (net)



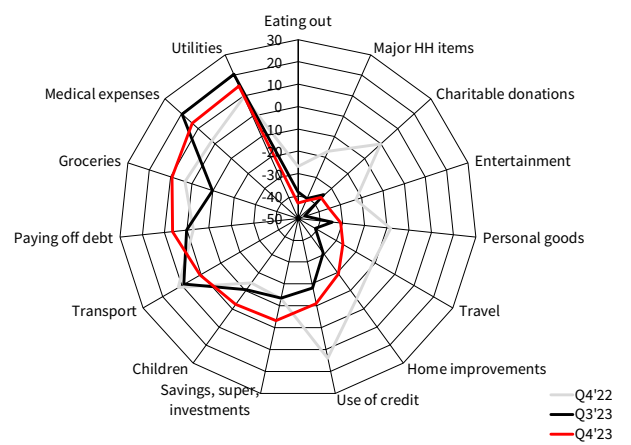
WA: Changes in spending patterns (net)



SA/NT: Changes in spending patterns (net)



TAS: Changes in spending patterns (net)





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Contact the authors

Dean Pearson,
Head of Economics
Dean.Pearson@nab.com.au
+61 0 457 517 342

Robert De lure
Associate Director - Economics
Robert.De.lure@nab.com.au
+61 0 477 723 769