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# NAB Consumer Sentiment Survey

Q4 2024 Summary



January 2025

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**Consumer stress is rising again with many wary about the year ahead.** This in part reflects growing concerns over Government policies coming into an election year. While elections rarely have widespread impacts on consumer behaviours, sentiment can be buoyed once there is greater clarity around the policies of each party and an eventual outcome. Cost of living concerns also inched up and remain the biggest cause of stress, despite fewer consumers observing higher prices during the quarter. Many are fatigued but continue to manage via cutbacks, drawing down savings, mindful spending and researching before buying. New research confirms significant numbers of Australians are unsure about the year ahead with the risk of a misstep and full-blown recession not ruled out. 1 in 2 consumers believe there's more chance of recession and higher unemployment. 2 in 3 a further rise in inflation, 6 in 10 higher taxes & Government charges, and 7 in 10 more scams. And with growing uncertainty, 4 in 10 expect interest rates to rise. Most also expect higher house prices. NAB is not forecasting a recession and expects rate cuts by mid-year, providing room for an uplift in sentiment as the year progresses and more Australians 'feel' household pressures easing. Until then, the mantra for many consumers appears to be "show me the money"!

### NAB Behavioural and Industry Economics

The NAB Consumer Sentiment Survey provides insights into how consumers are feeling in response to changing economic conditions and their personal finances. There is growing recognition that how people experience the economy is often as important as how the economy is measured. While there can be a disconnect between economic data and sentiment, how consumers feel influences their behaviours and ultimately economic outcomes. Pressures on consumers rose again in the final quarter of 2024, with the NAB Consumer Stress Index lifting to 58.5 pts (up from 57.6 pts in the previous quarter but is still down from 59.5 pts at the same time last year). The share of consumers reporting 'very high' stress (90+ pts) crept up to 19.7%, having inched down the previous two quarters. Consumer stress increased noticeably among lower income earners but fell in the higher income group. Consumers remains most concerned in VIC, but stress increased most in QLD.

#### What are the current drivers of consumer stress?

Higher stress in the December quarter largely reflected **growing concerns over the impact of Government policies** on future spending and savings plans, with overall stress levels rising to 62.5 pts (59.7 pts in Q3). Election results rarely have a material effect on consumer spending. But uncertainty is never good for consumer sentiment. Regardless of the eventual winner, a sizable share of consumers will likely update their economic expectations based on the results of the election. Stress arising from job security was also somewhat higher. Though labour demand remains comparatively strong, consumer sentiment aligns with NAB's own expectations that labour market conditions will weaken in coming months as jobs growth slows and labour supply continues to recover, pushing unemployment higher. With CPI components sensitive to domestic demand also showing persistence at elevated levels, consumer stress associated with cost of living also inched up, with around 3 in 10 consumers reporting 'very high' cost of living stress. Consumers are fatigued with most still reporting higher prices for groceries (+74% report noticing higher prices vs. +75% in Q3) and utilities (+66% vs. +72%). Encouragingly, on balance the number who said costs increased was lower or unchanged in most categories except home improvements (+59% vs. +58%) and travel & holidays (+58% vs. +57%). The biggest falls were for transport (+54% vs. +63%), utilities (+66% vs. +72%), telecoms (+53% vs. +58%) and mortgages (+50% vs. +55%). Consumers were also more stressed about health (56.1 up from 55.5) in Q4, but a little less worried about their ability to fund their retirement (59.0 pts vs. 59.2 pts).

When asked how they expect their overall cost of living to change in the next 3 & 12 months, on balance +50% of consumers expect an increase, down from +52% in Q3 and +61% the same time last year. Longer-term expectations are less positive. Despite consensus expectations among experts for inflation to slow over the next year, the number of consumers who believe their living costs will grow in the next 12 months remains elevated at +61% (+62% in Q3).

**Consumer stress rose across most monitored groups in Q4.** By state, stress was highest in VIC (60.0 pts) and WA (59.9) but increased most in QLD (up 4.3 to 58.9). It was lowest and fell heavily in TAS (down 10.4 to 51.0), with NSW/ACT the only other state reporting lower stress (down 1.9 to 57.0). Stress increased in all regions and remained highest in regional cities (59.2) and lowest in rural areas (57.5). Consumer stress remains higher for women (60.1) than men (56.9), with the gender 'stress gap' widening to 3.3 pts - the largest in nearly 8 years. Stress fell in all age groups except for 30-49 year olds (59.8), who along with 50-64 (59.7) and 18-29 (59.1) reported much higher stress than consumers over 65 (51.8). Consumer stress increased noticeably and

continued to print highest for consumers on lower incomes (up 3.8 pts to 63.3). It was lowest (and fell) in the higher income group (down 0.5 to 56.3). Renters, houses (60.5)/apartments (60.5), continue to report much higher stress than those who own their homes (consumers with a mortgage having much higher stress than those who owned their home outright (60.7 vs. 54.9).

**How are consumers responding?**

Most consumers continue to adjust to these recurring challenges by **continuing to cut back on non-discretionary goods and services**, with cutbacks most common for eating out at restaurants (52% of consumers report doing this), micro treats (48%), entertainment (45%), car journeys to save petrol (41%), holiday plans (39%), food delivery services (38%) and charitable giving (37%). Consumers remain least inclined to cut spending on private school fees & tutors (10%), their children’s activities (12%) and pets (17%). Young Australians continue to cut back their spending most. While around 4 in 10 (40%) consumers aged over 65 report no change to their lifestyles due to cost of living pressures this compares to just 16% of those aged between 18-29.

Consumers who cancelled, delayed, or cut spending report **the biggest savings from making more modest holiday plans** (\$559 saved vs. \$445 in Q3), on major household purchases (\$432 vs. \$540) and private school fees & private tutors (\$175 vs. \$189). Significant savings were also made in areas where most consumers cut or stopped spending - eating out at restaurants (\$131 vs. \$121, buying micro treats (\$63 vs. \$59), entertainment (\$72 vs. \$60) and car journeys to save petrol (\$71 vs. \$61). Combined, this added to total monthly savings of \$337, leaving a potential savings buffer of \$4,044 a year if these behaviours continued. Even in areas where savings were smallest - other subscriptions (\$28 vs. \$26) & subscription streaming services (\$33 vs. \$31) - could potentially save consumers \$732 annually. Over 1 in 2 (56%) who saved through cutbacks in Q4, used the savings for daily living expenses (vs. 48% in Q3), 47% put them into savings or offset accounts (43% in Q3). A slightly higher 17% paid down their mortgage (16% in Q3) and an unchanged 15% other debt. Around 1 in 20 splurged on something they wanted (6%).

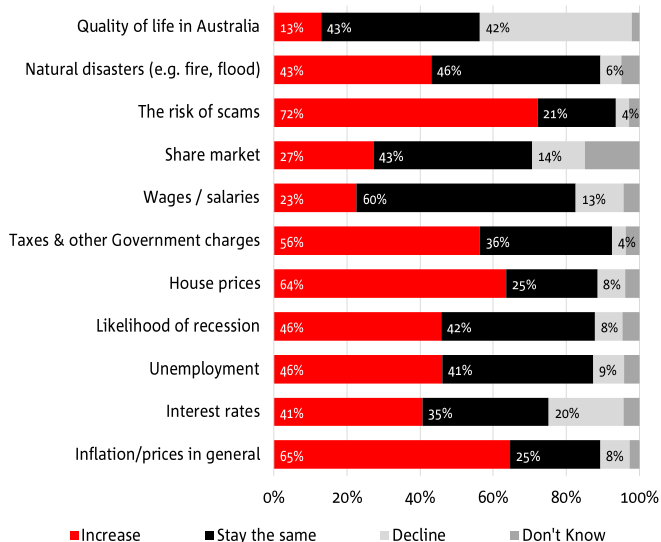
**Consumers were also asked if they had made other changes to manage cost of living increases**, most people - 1 in 3 (33%) - used their savings more rapidly, and a slightly higher 1 in 5 (20%) sold possessions (17% in Q3). Overall, 15% borrowed or were given money from family or friends (14% in Q3) and an unchanged 12% got a second job or worked longer hours. Slightly more sold shares and other investments (8% up from 7%) and unchanged numbers took money from their super or did not top it up (7%), used equity in their home or investment property, took out a reverse mortgage or drew down their mortgage (5%), took out a loan or mortgage to fund expenses (4%) or ‘other’ means (4%). 1 in 4 (25%) people overall said cost of living increases were not affecting their lifestyle, down slightly from 26% in Q3.

**High living costs continue to drive a range of consumers spending** behaviours (expressed as consumers doing more or less of something), with shoppers in all demographic groups looking for ways to save money. In Q4, the most common behavioural change was being mindful or careful about where they spent their money, with on balance +42% of consumers reporting doing this (from 39% in Q3 but lower than at the same time last year). This was followed by switching to less expensive products to save money (also rising to +32% from +29% in Q3), researching brands & product choices before buying (+23% vs. +22%) and making purchases because of great deals (+16% vs. 13%). Slightly fewer consumers were conscious of buying Australian made (+7% vs. +8%), but we recorded an increase in the net number of buyers who purchased items online they normally purchased in-store (+6% vs. 0%) and who supported local business (+4% vs. +2%). In terms of doing less, we recorded a smaller number who dined in less at restaurants or ate out (-32% vs. -38% in Q3). We also recorded a somewhat lower number who holidayed less overseas (-28% vs. -29%), holidayed less in Australia (-15% vs. -20%), visited a major shopping centre (-14% vs. -17%), made purchases based on climate or sustainability issues (-10% vs. -13%) and shopped on a new website (-9% vs. -12%).

**How do consumers see the year ahead?**

Finally, as we enter a new year, we asked consumers to share their **expectations for the year ahead** across a range of key areas including interest rates, unemployment, risk of recession, house prices, wages, risk of scams, taxes, the share market, and inflation. Their responses, along with NAB’s measure of consumer stress, helps frame the mindset of Australians when thinking about their spending and savings patterns in 2025. It confirms many consumers are unsure about the year ahead.

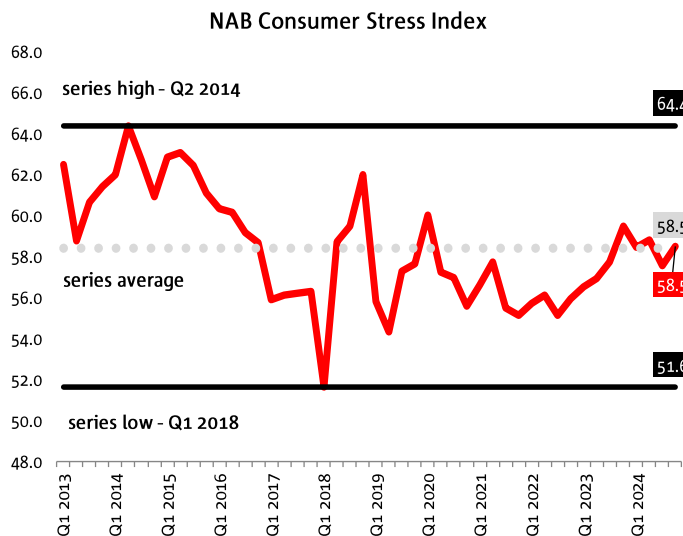
How will the following change in the next 12m?



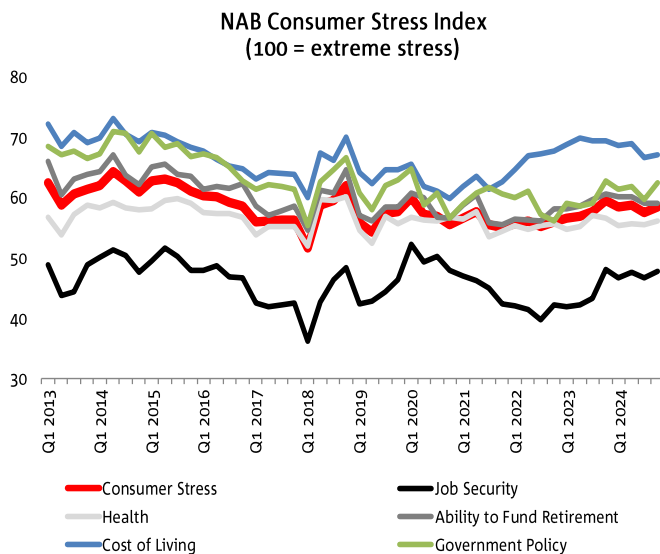
Almost 3 in 4 (72%) consumers expect scam risks to increase further and 2 in 3 for inflation to continue to rise (65%) along with house prices (64%). Almost 6 in 10 believe taxes & other Government charges (e.g. rates, land taxes) will increase further (56%) and **1 in 2 see an increased likelihood of recession** (46% vs. only 8% who say it is less likely) along with higher unemployment (46% vs. 9% lower). 4 in 10 also believe the incidence of natural disasters (43%) will increase, and with growing uncertainty over the future, quality of life to fall (43% vs. just 13% expecting an improvement). A large number (41%) also believe **interest rates will rise further** - with only 1 in 5 (20%), expecting cuts. **This is not the view of NAB Economics, suggesting some upside for consumer sentiment as the year progresses.** NAB sees growth picking up in early 2025, inflation gradually easing back towards the mid-point of the RBA’s target and interest rate cuts by May. While our outlook is still very much for a soft landing, easing household pressures are expected to see a rebound in consumer spending and GDP growth of around 2¼% over each of the next two years.

Key Charts

NAB Consumer Stress Index rose in Q4 2024 but remains down on a year ago

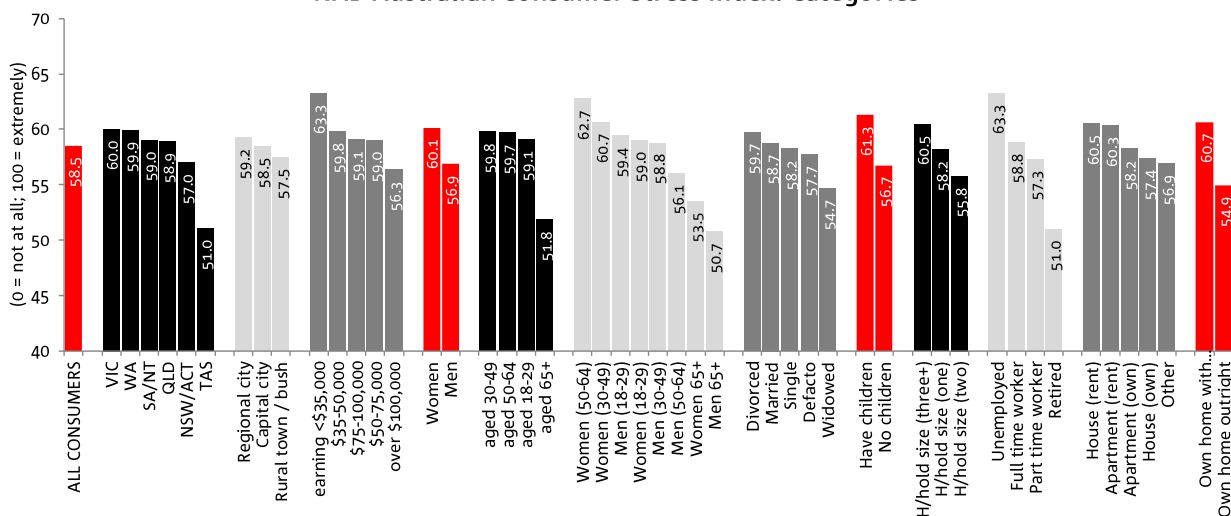


Higher stress largely reflects growing concern about the impact of Government policies



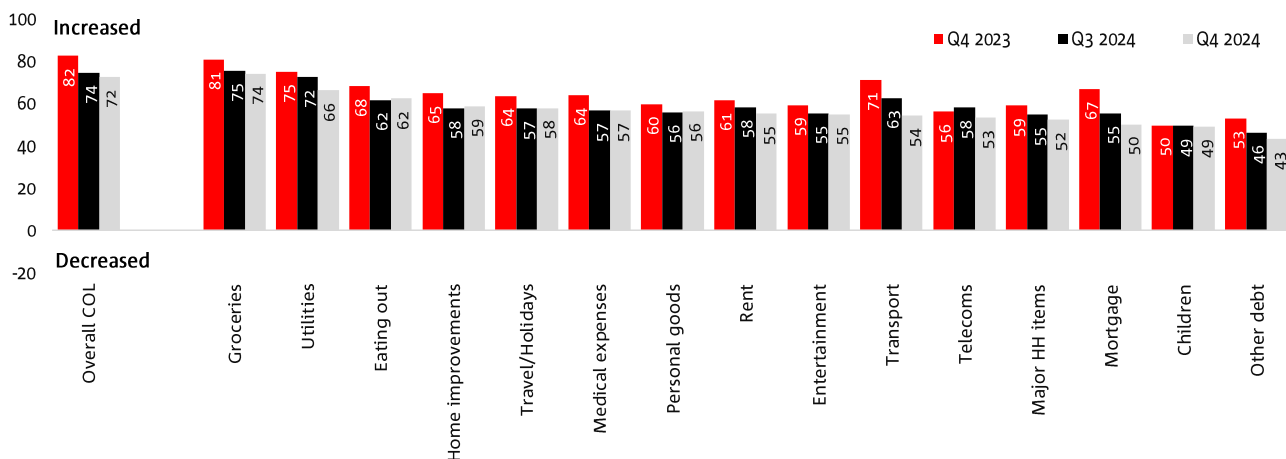
Consumer stress levels remains highest in VIC, among lower income earners, women, families, the unemployed & renters

NAB Australian Consumer Stress Index: Categories

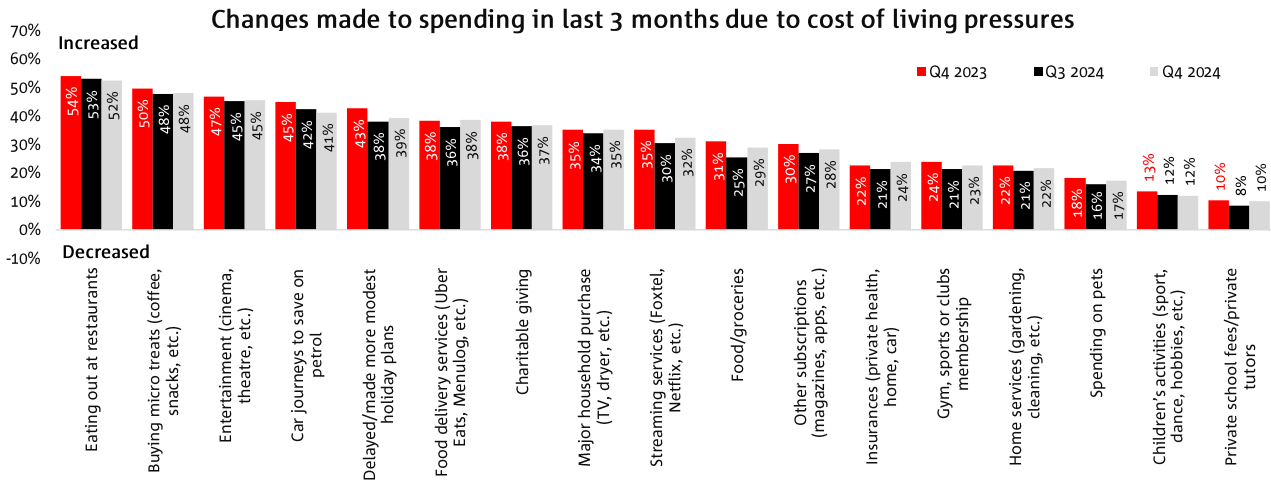


Most consumers still reporting higher prices for groceries (+74%) and utilities (+66%) and eating out (+62%)

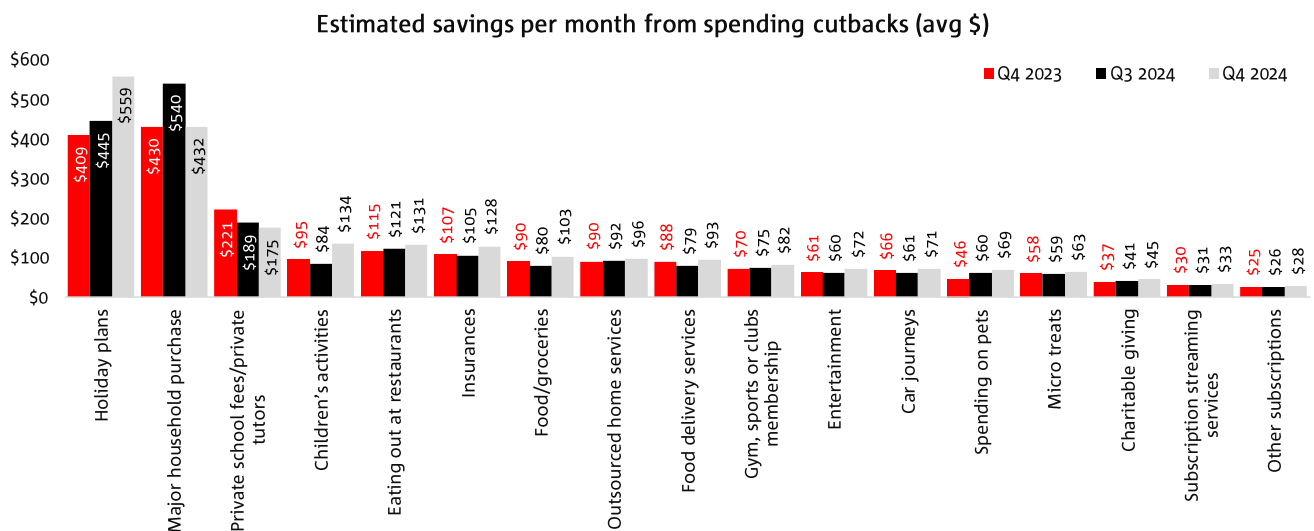
Extent costs have changed in the past 3 months (net balance)



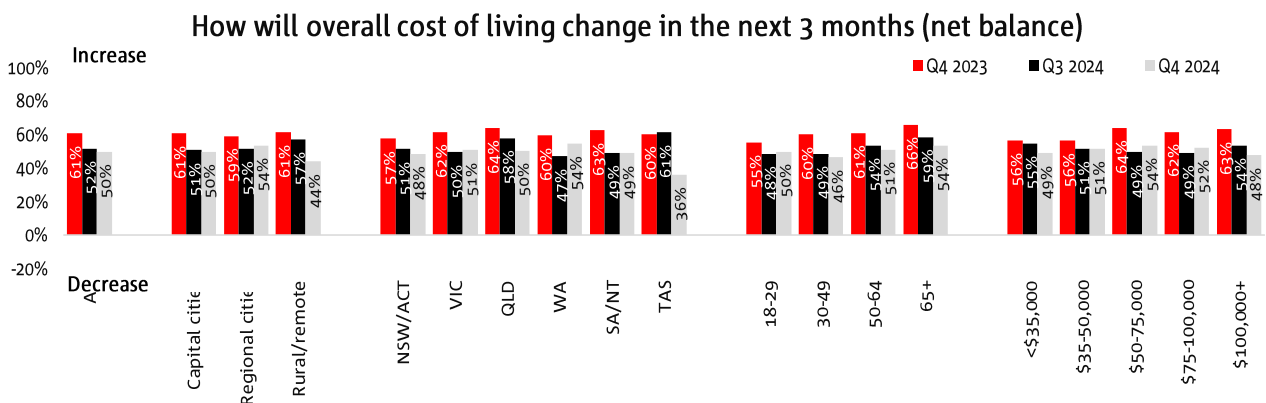
Consumers continue to target restaurants (52%), micro treats e.g. coffees (48%), entertainment (45%), petrol (41%), holiday plans (39%), food delivery services (38%) and charitable giving (37%) when cutting back



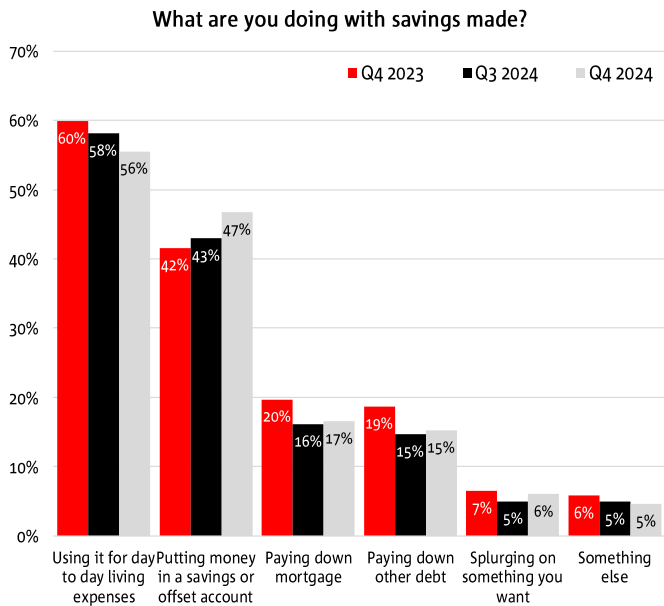
Australians report saving most on holidays (\$559) and major household purchases (\$432). Significant savings also at restaurants, on entertainment & petrol (combined monthly savings of \$337, or \$4,044 a year if continued)



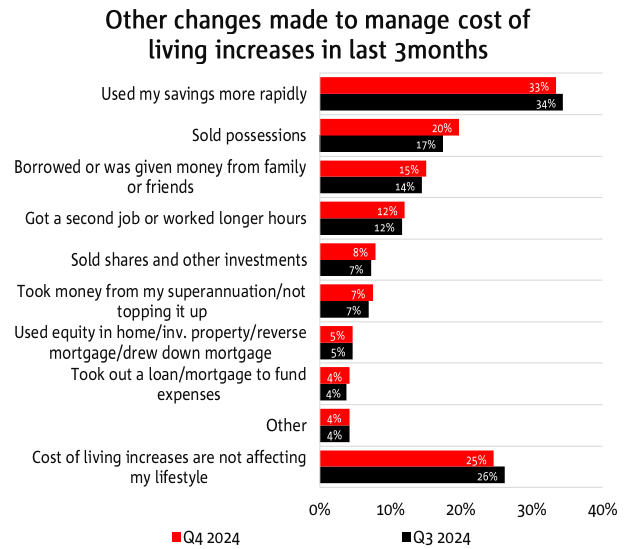
On balance 50% of consumers still expect living costs to increase over the next 3 mths (down from +52% in the previous quarter and +61% at the same time last year)



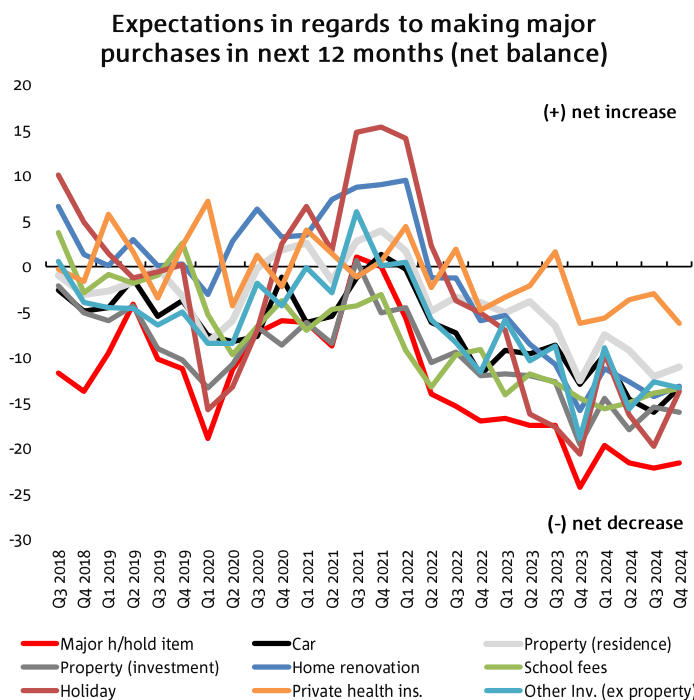
Most using cut backs to support daily living expenses, and build savings or offset accounts



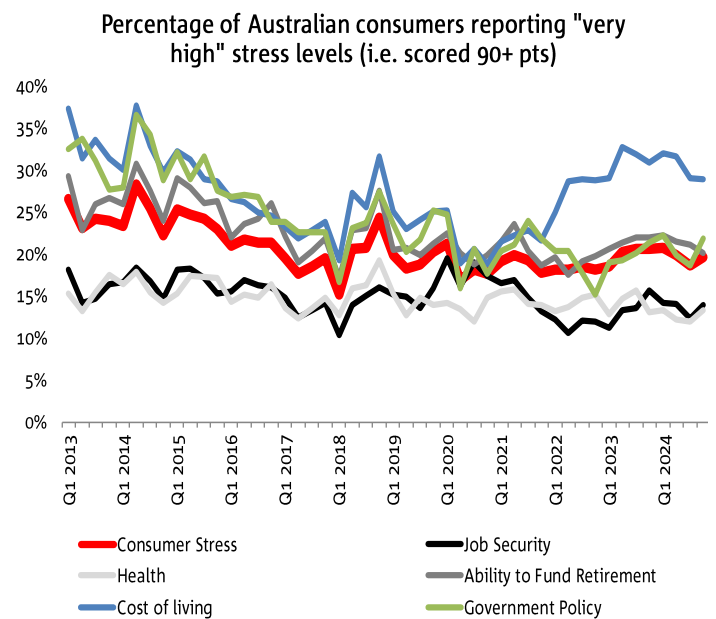
Consumers also drawing down savings, selling possessions, borrowing from family/friends, and getting a second job/working longer hours.



Consumers expect to rein in spending in most areas & particularly major household items, property, holidays, cars & renovations



The share of consumers reporting 'very high' stress (90+ pts) crept up to 19.7% in the December quarter after having inched down the previous two quarters



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