

CCIWA Consumer Confidence Survey:  
March Quarter 2020

# COVID-19 sends WA consumer confidence to 3 year lows

Western Australian consumer confidence has plunged to a three-year low in the March quarter, according to the latest CCIWA Consumer Confidence Survey. The steep decline in confidence was driven primarily by heightened fears about the global spread of COVID-19 and the impact of containment measures on domestic economic activity and the financial markets.

Partially offsetting the fall was a modest recovery in households' personal financial situation and job prospects compared to this time last year, but this occurred prior to the rapid escalation of policy measures to contain the spread of COVID-19. It's therefore reasonable to expect that households' finances and job prospects will deteriorate over the coming weeks and months.

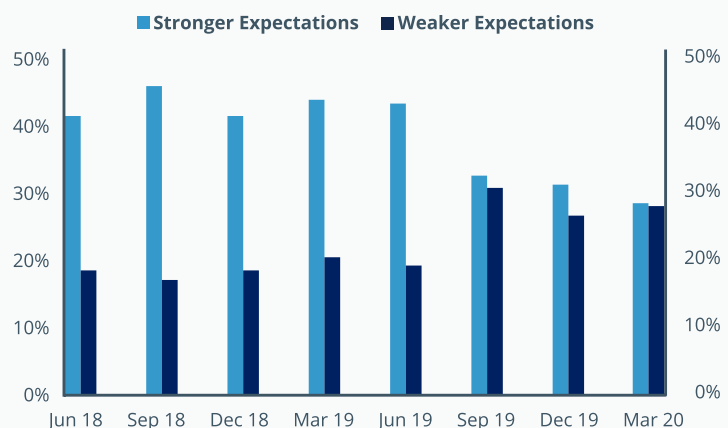
## The short-term outlook remains weak

One-third (33%) of consumers expect the WA economy to worsen over the next three months, up 8 percentage points since last quarter, while only 15 per cent expect it to strengthen.

**Short-Term Index down  
3.5 Index Points over the  
quarter to 104.4**

## Medium-Term Confidence

Gap between 'Stronger' and 'Weaker' Expectations



## Looking to the year ahead, consumers expect economic conditions to remain subdued

More than two out of three (71%) consumers expect conditions to worsen or remain unchanged over the next twelve months, while only 29 per cent expect the WA economy to strengthen - down 3 percentage points since last quarter. While a higher proportion of consumers expect medium-term conditions to improve (29%) over the year ahead rather than worsen (28%), the gap between both measures has continued to close this quarter.

**Medium Term Index down  
1.6 Index Points over the  
quarter to 106.7**

For the first time in nine years, the proportion of those expecting weaker short-term conditions (33%) has exceeded the number that anticipate weaker medium-term conditions (28%). This suggests that at this stage, consumers expect the impact of recent global events on the WA economy to be significant but temporary.

# The growing spread of COVID-19 beyond that of mainland China has had a significant impact on the global economic environment

## COVID-19

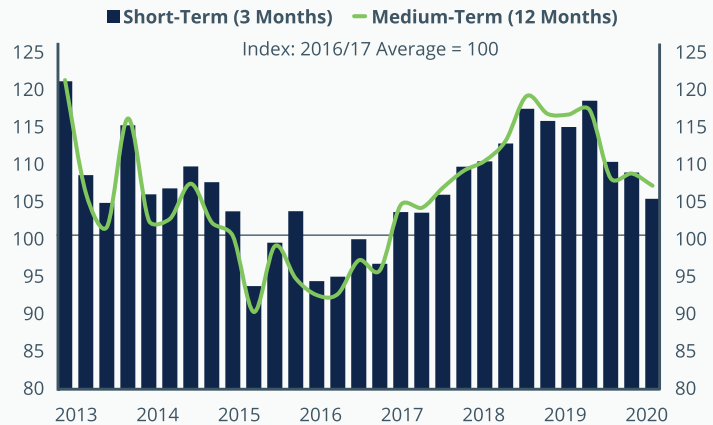
The growing spread of COVID-19 beyond mainland China has dampened the global economic environment.

While the WA community has spent much of this quarter largely free of the virus, the rapid escalation of COVID-19 across the globe has weighed heavily on the minds of WA consumers:

- Nearly three out of five (57%) West Australians considered global economic news to have detracted from confidence this quarter – up 4 per cent since last quarter and 13 per cent over the year.
- Older people remain more concerned about the impact of recent global events than younger people, with more than six out of ten (62%) consumers aged 45+ considering global economic news to have detracted from their confidence, compared to half (50%) of those aged 18-44 years.
- This may reflect several factors, including the increased health risk of COVID-19 for those in older age brackets and the impact of falling stock prices on superannuation income.

While the full effect of COVID-19 on the WA economy is yet to be seen, recent developments in other nations demonstrate the damage the virus can have on economic conditions. It is likely that these developments, along with the escalation of domestic containment measures, have materially impacted the confidence of WA consumers this quarter.

## Consumer Confidence WA Economic Conditions



## Bushfires

Australian bushfires have devastated Australia's natural environment and regional communities. While the epicentre of the recent crisis was largely contained to regional NSW and Victoria, the intensity, magnitude and impact of the fires has reverberated throughout the WA community.

WA consumers in regional areas are particularly concerned about the future economic environment, with one in three (35%) expecting conditions to weaken over the next twelve months, up 10 percentage points since last quarter and higher than the proportion of consumers in metropolitan areas (26%).

## Consumer Pulse Check

While major external events have suppressed overall confidence in the economy over the past three months, WA consumers reported modest improvements in their personal outlook compared to this time last year. That said,

this occurred prior to the rapid escalation of containment measures to curb the spread of COVID-19, so it is reasonable to anticipate that these improvements will ease in the coming months.

## Personal Finances

The Personal Finances Index jumped 2.5 Index Points since last quarter to 106.1 – its highest level in almost 5 years. Almost one in four (24%) consumers stated that their personal financial position had improved over the year, up 3 percentage points since last quarter.

One possible explanation for the rise in positivity could be the RBA's recent easing of monetary policy, which may have helped relieve financial pressure from pockets of the community facing relatively higher levels of mortgage stress:

- The proportion of lower income households (with annual household incomes below \$50,000) that reported their financial position had worsened over the past twelve months

declined by 10 percentage points over the quarter (to 39%).

- Almost one out of five (18%) consumers aged 45+ reported that their financial position had improved over the past year, up 4 percentage points since last quarter.

Additionally, fewer consumers considered interest rates as having a negative influence on confidence this quarter (down 10% QoQ), which could indicate that consumers may be adjusting to the new low interest rate environment.

### Job Prospects

WA consumers' view of their employment opportunities have stabilised after falling in the previous quarter, with the Job Prospects Index improving 1.2 index points to 105.9 in March. However, one out of four (25%) West Australians believe their job prospects have worsened over the last year compared to 13 per cent who reported improvements.

### Dollar Spend

Despite showing marginal signs of improvement, the appetite of WA consumers to spend in the economy remains subdued. One out of five (21%) consumers expect to make a major household purchase over the next three months – up 3 percentage points since last quarter.

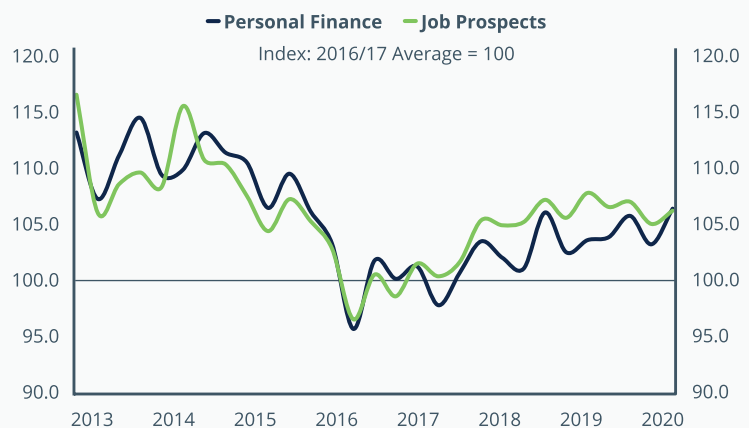
The majority of consumers (62%) reported that they were unlikely to make a major household purchase of more than \$2,000 in value over the next three months, including 73 per cent of regional consumers (up 5%) and 74 per cent of lower income households (down 4%).

This will not be welcome news to WA's struggling retail industry, which recently recorded its worst December-January performance in retail turnover growth since the Global Financial Crisis (2007-2008).





### Personal Finances and Job Prospects Index


Views on personal finance and job prospects compared to a year earlier



### Indicators of financial stress over the last three months

 **15%** had to **borrow money** from friends or family

**19%** could **not pay** off their **credit card bill** 

**One-quarter (26%)**  of young people (aged 18-44) **couldn't** pay their bills on time

 Encouragingly, **44%** of consumers reported experiencing **none of these**

**3 out of 10 (32%)** of consumers spent **more** than they earned



## Financial Stress

Financial stress is a barometer on the financial stability of an economy. Around one-third (32%) of consumers exceeded their monthly incomes over the past three months and 19 per cent did not pay off their credit card debt in full.

In a slight improvement, fewer than one out of five (19%) West Australians were unable to pay their bills on time in the last three months – down 3 percentage point since last quarter.

That said, indicators of financial stress remain weighted toward the younger generation. One out of four (25%) consumers aged 18-39 years reported needing to borrow money from friends and family compared to only 6% of those aged over 45 years.

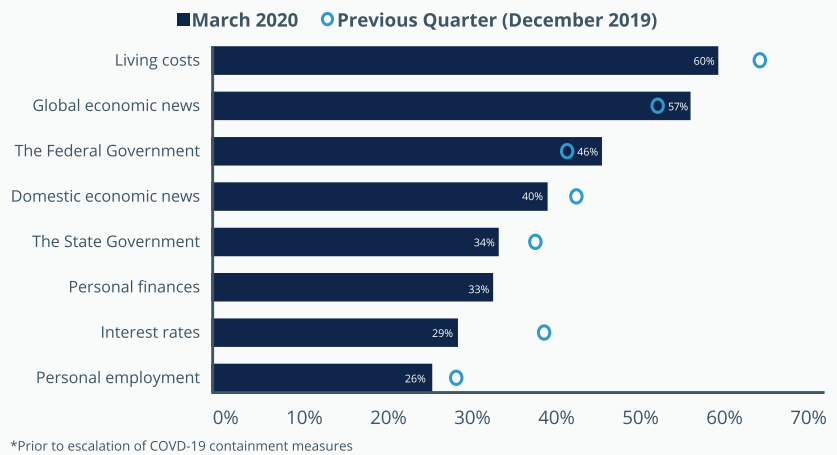
On the whole, all five indicators of financial stress have remained relatively steady over the three months to March and consumers reported a sense of improved financial stability, however this is expected to deteriorate over the coming months as the Government ramps up containment measures to curb the spread of COVID-19.

## So what does this mean for WA?

WA consumers have entered the new decade with fresh concerns about the health of the WA economy. These concerns stem from the onset of two major events that have triggered a period of unprecedented uncertainty: 1) the rapid spread of COVID-19 across the globe and 2) the recent Australian bushfire season. Both events have

## The Most Significant Factors Holding Back Confidence\*

Number of Pessimists (%)



weighed heavily on the minds of WA consumers this quarter, driving short-term confidence to its lowest level in three years. Looking internally, consumers appear more optimistic about their personal financial situation and job prospects than they did three months ago, however this

occurred prior to the onset of the COVID-19 crisis. All told, WA consumers anticipate difficult conditions over the near-term, and given the escalating nature of the policy response to COVID-19, it is likely that consumer confidence will continue to fall into the June 2020 quarter.

## Consumer Confidence - December 2019

Short-term confidence at its **lowest** level in **3 years**



**60%** consider **living costs** to have a **negative influence** on confidence



Personal Finances Index rises to **highest** level in **5 years**



**COVID-19** and **bushfires** key **detractors** from confidence



**More than 6 out of 10 consumers** are unlikely to make **major household purchases** in the next quarter

Consumer Confidence	Current Quarter (March)	Previous Quarter (December)	Lowest since
Short-Term	104.4	107.9	June 2017
Medium-Term	106.7	108.3	September 2017

Note: Index figures may have changed from previous editions of Consumer Confidence due to changes in index calculation methodology. Percentage figures may not always add to 100% due to rounding errors.

The index is rebased to the average score of respondents to the 2016-17 financial year. The value of the index can be interpreted as the percentage change in average consumer confidence in a period compared with the average consumer confidence in 2016-17. For instance, the Consumer Confidence Index in March 2020 is 104.4, which suggests that the average score of survey respondents for consumer confidence in March 2020 is 4.4 per cent higher than the average rating in 2016-17.