

CCIWA Consumer Confidence Survey:
March 2022

WA consumer confidence drops amid Omicron, rising living costs and prospective rate hikes

Growing Omicron caseloads, elevated living costs and expectations of interest rate hikes have taken the wind out of the sails of WA confidence this quarter — with sentiment running aground.

Both short and longer term confidence dropped in the March quarter, after reaching record highs at the same time last year. Both indices have fallen to their lowest values since September 2020.

COVID-19 remains a significant factor weighing on confidence, reflecting rising local caseloads

of the Omicron variant. At the same time, persistent supply chain disruptions, inflationary pressures and the prospect of interest rate hikes are contributing to anxieties around rising living costs. Globally, tensions were brewing in the Russo-Ukrainian conflict at the time this survey was canvassed — piling on to consumer pessimism.

A primary factor keeping the State's consumer sentiment afloat is personal employment, underpinned by WA's red hot labour market. Meanwhile, the State Government remains a strong factor buoying

Western Australians' confidence, although the extent of its positive influence has dropped this quarter.

In this edition of the CCIWA *Consumer Confidence Survey*, we asked Western Australians how Omicron and mortgage interest rate rises would impact their spending, how often they expect to be working from home and how their ideal living preferences have changed since the beginning of the pandemic.

Confidence in the short-term drops

Short-Term Index down 12.3 Index Points over the quarter to 109.5

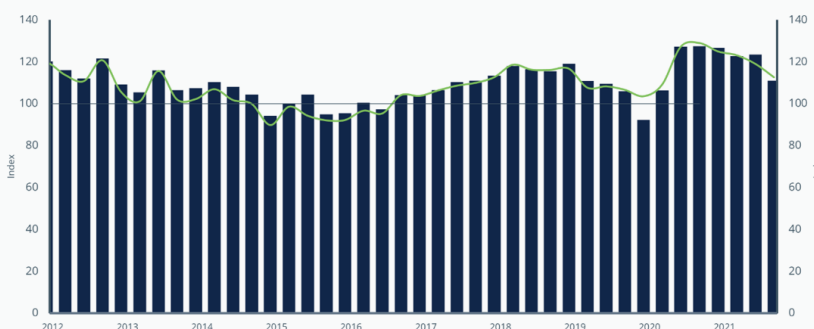
One quarter (24%) of Western Australians anticipate conditions will improve over the next three months, while one third (32%) expect conditions to weaken — up 18 percentage points since last quarter. This is the first time since September 2020 a higher proportion of Western Australians expect weaker short-term conditions than stronger conditions. Four out of ten (44%) anticipate no change — down 8 percentage points.

CONSUMER CONFIDENCE

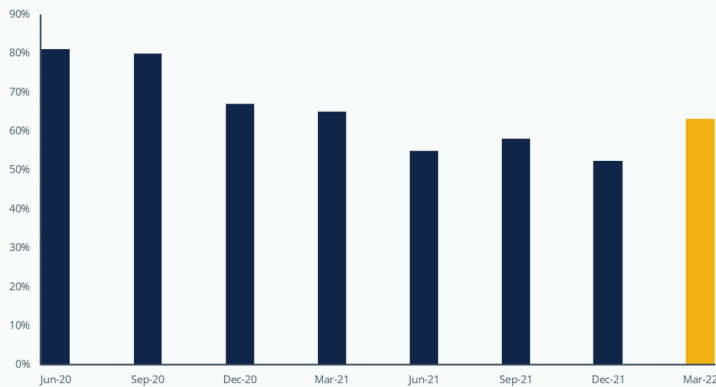
WA Economic Conditions

Index: 2016/17 Average = 100

■ Short-Term (3 Months) — Longer-Term (12 Months)



COVID-19 - Negative Influence on Confidence
Proportion 'Agree'



Longer-term outlook falls

Longer-Term Index down 6.4 Index Points over the quarter to 112.7

Looking to the year ahead, two out of five (39%) Western Australians anticipate conditions will improve over the next 12 months – down 6 percentage points since last quarter – while 28% expect conditions to worsen. The remainder (33%) anticipate no change.

In the following sections we unpack the key factors influencing Western Australians' confidence in the WA economy.

What's influencing consumer confidence?

Personal employment

WA's jobs market is as tight as a drum, with the unemployment rate clocking in at 3.7 per cent in January. This has boosted consumer sentiment, with one third (34%) of Western Australians considering **personal employment** to have positively influenced their confidence this quarter.

State Government

The State Government remains a significant factor driving Western Australian consumer confidence — but that effect has continually declined since the September 2020 quarter.

Two out of five (43%) Western Australians consider the **State Government** to have positively influenced their confidence this quarter, down 15 percentage points since last quarter (see chart).

Living costs

Persistent supply chain disruptions, robust global demand for goods and rising fuel prices have continued to push up headline inflation in recent months, with the national Consumer Price Index rising 3.5 per cent over the 12 months to December 2021.

As a result, nearly two thirds (65%) of Western Australians indicated **living costs** to have negatively influenced their confidence this quarter – up 9 percentage points since last quarter.

Omicron

The spread of Omicron in the State has weighed on consumer sentiment this year. Three out of five (63%) Western Australians consider **COVID-19** to have negatively influenced their confidence this quarter — back up from a low of 52 percent last quarter.

International headlines

Gloomy international news has dimmed Western Australian consumer confidence in the lead up to Russia's large-scale invasion on the 24th of February. Nearly half (48%) of Western Australians consider **global economic news** to have negatively impacted their confidence this quarter — up 9 percentage points since last quarter.

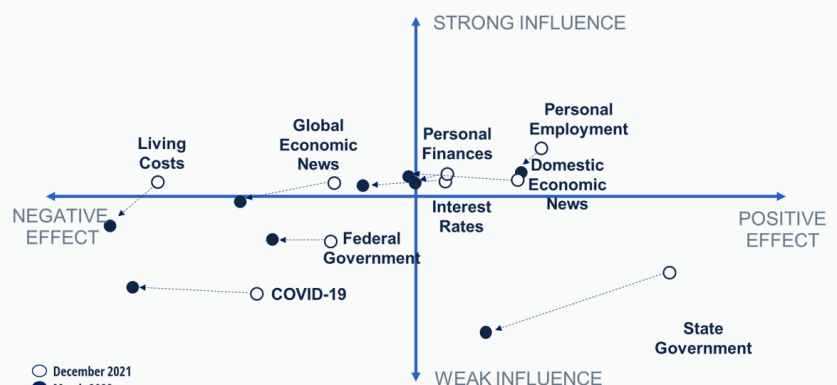
Interest rates

The financial markets have priced in interest rate hikes in the second half of 2022, igniting concerns about rising debt obligations for both businesses, households and governments. This has in turn softened consumer sentiment, with more than one third (34%) considering **interest rates** to have weighed on their confidence this quarter — up 4 percentage points since last quarter.

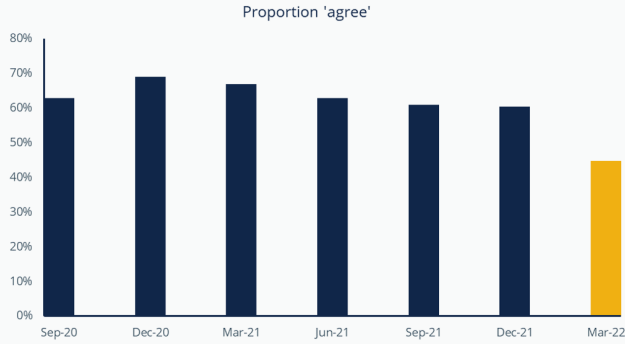
Federal Government

More than four out of ten (46%) Western Australians consider the **Federal Government** to

WHAT INFLUENCES CONSUMERS? March 2022



State Government - Positive influence on confidence



have negatively influenced their confidence this quarter — up 5 percentage points since last quarter.

Insights into CCIWA's Consumer Database

Impact of mortgage interest rate rises on spending

Pressure is building on the RBA to start lifting the official cash rate soon, with a number of key economic indicators signalling that a rate hike is fast approaching.

National unemployment is at 4.2 per cent; underlying inflation is now within the target range of 2 to 3 per cent; and wage pressures are building. Fixed mortgage interest rates have started to rise, and financial markets expect variable rates to begin rising this year.

In this edition of the *Consumer Confidence Survey*, we ask Western Australians whether they would be able to absorb a mortgage increase and how their spending intentions will change if mortgage interest rates rise in the next 12 months.

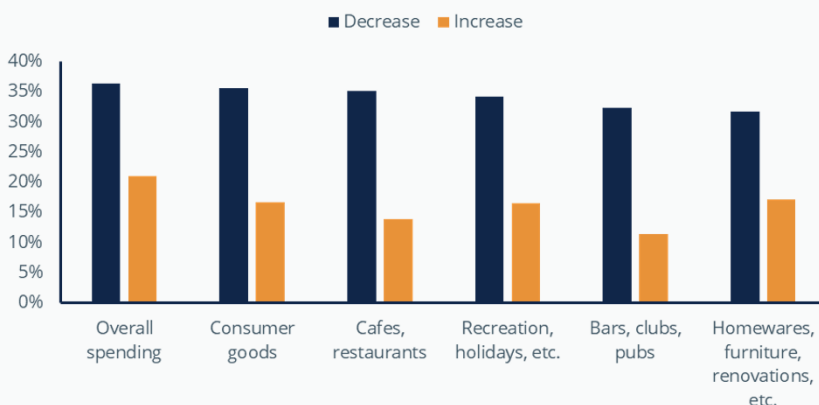
Six out of ten (60%) survey respondents indicated they would be impacted by rate increases. Of those, more than half (55%) believed they would be able to absorb an increase. One quarter (25%) indicated they would not be able to absorb an increase — and one out of five (21%) were unsure.

Looking to broader impacts on spending, more than one third (36%) of Western Australians indicated that an increase in mortgage interest rates this year would negatively impact their spending. That includes decreased spending on:

- Consumer goods (36%)
- Cafes and restaurants (35%)
- Recreation, holidays, etc. (34%)
- Bars, clubs and pubs (32%)
- Homewares, furniture, renovations, etc. (32%)

More than one out of ten (15%) indicated that their overall spending habits would not be impacted by mortgage interest rate rises this year.

Spending intentions if mortgage interest rates rise



Impact of COVID-19 on spending

In this edition of the *CCIWA Consumer Confidence Survey* we asked Western Australians how the spread of Omicron would impact their spending intentions, how frequently they expected to be working from home and how their ideal living arrangements may have changed.

Looking to the results, three out of five (63%) Western Australians indicated that as Omicron spreads in WA, they would spend less time at large events including concerts, sports events and festivals. Nearly three out of five survey respondents indicated they would spend less time dining out and visiting bars (58%) and half (50%) indicated they would make fewer trips to shopping centres.

Online shopping is expected to see a boost, with nearly two out of five (38%) Western Australians planning to spend more online. Bank deposits would also likely increase, with one quarter (25%) of survey respondents indicating they would increase their contributions to personal savings.

At the same time, about half of Western Australians expect no change in their spending habits as Omicron spreads, including:

- Contributions to personal savings (59%)
- Spending on consumer goods (57%)
- Spending on homewares, furniture, exercise equipment, etc. (53%)

Impact of COVID-19 on working arrangements

Working arrangements have become more flexible during the pandemic, with work from home and hybrid models becoming more common. We asked Western Australians how frequently they expect to be working from home in the next three months.

Of those in the workforce, half (52%) do not expect to be working from home at all. The remainder (48%) of survey respondents indicated they expect to be working from home at least one day a week.

That figure includes nearly one out of ten expecting to work one day a week (7%) and four days a week (6%); and more than one out of ten (12%) who expect to work from home two, three and five days a week.

Given this survey reflects responses from across the State, commercial centres such as the Perth CBD would observe significantly higher proportions of people expecting to work from home.

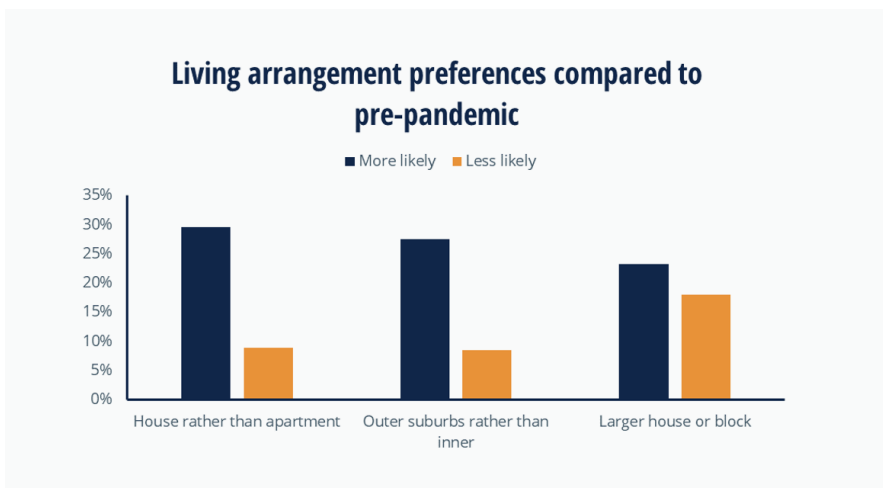
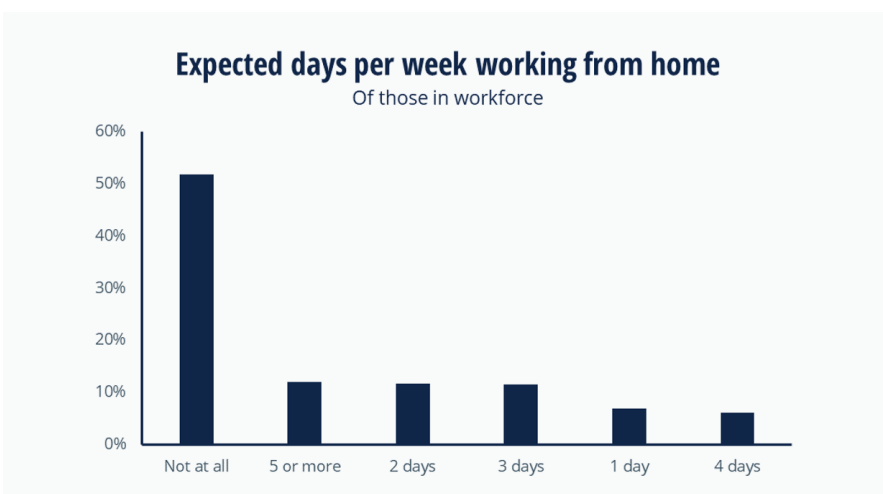
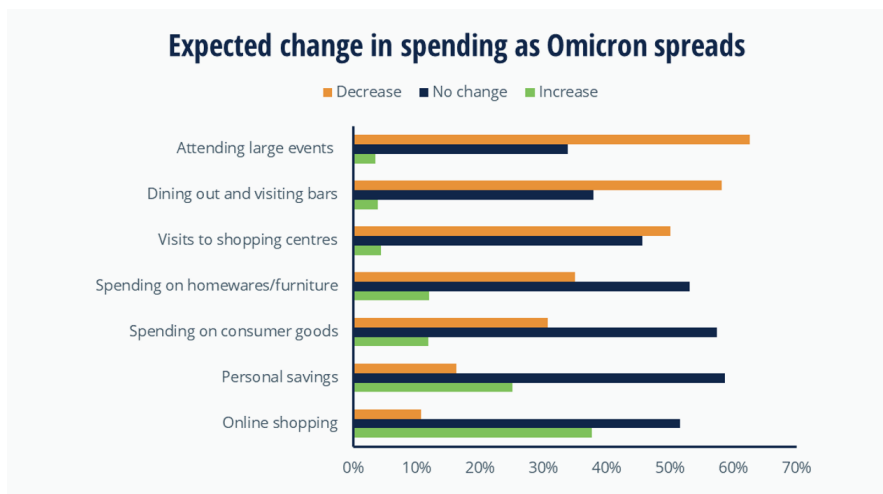
Breaking it down further for those in the workforce:

- Four out of five (81%) part time or casual workers do not expect to work from home at all compared to nearly three quarters (73%) of full time workers.
- Three out of five (61%) young people (18-39 years old) do not expect to work from home at all compared to nearly half (45%) of those aged 40 years and older.
- Nearly one out of five (19%) higher income earners (\$116K+) expect to work from home five or more days a week, compared with one out of ten (11%) middle income earners and one out of twenty (5%) lower income earners (up to \$40K).
- Similar proportions of males (54%) and females (50%) do not expect to work from home at all, with males more likely to expect to work from home 5 or more days a week (15%) compared to females (9%).

Impact of COVID-19 on living preferences

Have living arrangement preferences changed since the pandemic began?

Nearly one third (30%) of Western Australians are more likely to prefer living in a house over an apartment compared to pre-COVID. About three out of ten (29%) are more likely to prefer living in the outer suburbs rather than inner city, and more than one out of five (23%) now prefer to live in a larger house or block.



Consumer Confidence – March 2022

Both shorter term and longer term
confidence
have dropped substantially this quarter



The State Government, living costs
and COVID-19 are the most significant factors
influencing confidence

One quarter **(25%) of Western
Australians** who would be impacted
by increased mortgage interest rates
indicated they would not be able to absorb
the additional costs
worried about **side effects**



Nearly half (48%) of Western Australians
in the workforce expect to work from home at least
one day a week in the next three months

Consumer Confidence	Current Quarter (March)	Previous Quarter (December)	Highest Since
Short-Term	109.5	121.8	December 2021
Longer-Term	112.7	119.1	December 2021
Personal Finances	107.7	110.1	December 2021
Job Prospects	113.1	112.9	June 2014

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 2022 is 109.5, which suggests that the average score of survey respondents for consumer confidence in March 2022 is 9.5 per cent higher than the average rating in 2016-17.

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