Economic Insights

CommSec

Economics | June 12 2019

Housing market brightens; Chinese tourism slumps

Consumers unsure on best place to put savings

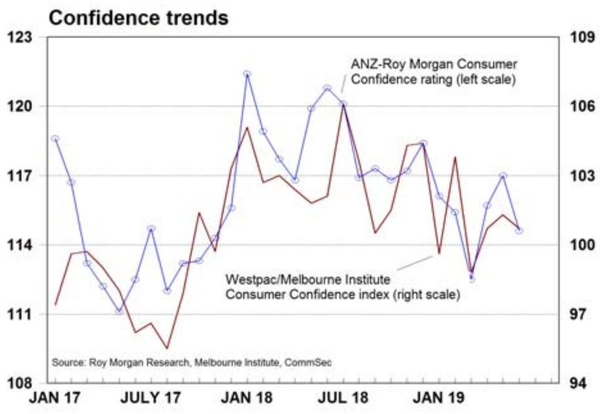
Consumer confidence; Overseas arrivals; Credit cards

- **Consumer confidence: The Westpac/Melbourne Institute survey of consumer sentiment index fell by 0.6 per cent to 100.7 in June after rising by 0.6 per cent to 101.3 in May. The ANZ-Roy Morgan consumer confidence survey fell 1.4 per cent last week. Over June, the ANZ-Roy Morgan survey fell by 2.1 per cent to 114.6. Confidence readings are close to long-term averages.**
- **Housing market: There was a 1.8 per cent lift in the 'good time to buy a home' index. House price expectations soared by 22.7 per cent.**
- **Wisest places for savings: Putting extra savings in the bank is still seen as the 'wisest' place for savings. But the reading of 24.9 per cent is an 11-year low.**
- **Tourism: Tourist arrivals fell by 0.2 per cent in April with departures down 1.1 per cent. China is the largest source of tourists to Australia. Over the past year 1,438,500 tourists came to Australia from China, up by 1.3 per cent on the year – the weakest annual growth rate in nine years.**
- **Credit cards: The number of credit cards fell to a 9-year low of 19.46 million in April.**
- **Chinese inflation: Producer prices rose 0.6 per cent in the year to May, in line with forecasts. Consumer prices rose 2.7 per cent over the year, in line with forecasts. Non-food prices were up 1.6 per cent on the year. Food prices were up 7.7 per cent on the year. Consumer prices were flat in the month of May.**

The consumer confidence figures have implications for retailers, and other consumer-focussed businesses. Tourism data is important for airlines, hotels and booking agents. Migration data is important for retail and housing industries.

What does it all mean?

- Consumers are feeling just OK. The election may be over and interest rates cut to record lows but those events haven't markedly lifted the mood of consumers. Perhaps in coming weeks, consumers will focus on the lift of the sharemarket to 11½-year highs and stabilisation of home prices.
- Is it a good time to buy property? More people think so. The index is now almost 11 per cent up on a year ago.
- Consumers are less certain about where to put new savings. Banks remain the choice of 'wisest' destination for savings but the latest reading is the lowest in 11 years. Shares and property are more in favour. But a record (46-year) 55 per cent of respondents believe the wisest place for savings is not in banks, shares or property.
- Has the US-China trade dispute affected Australia? Certainly there has been a marked slowdown of Chinese tourists coming to Australia. Annual growth of Chinese tourism is the slowest in nine years – a major headache for airlines, hotels and tour operators.



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What do the figures show?

Consumer confidence

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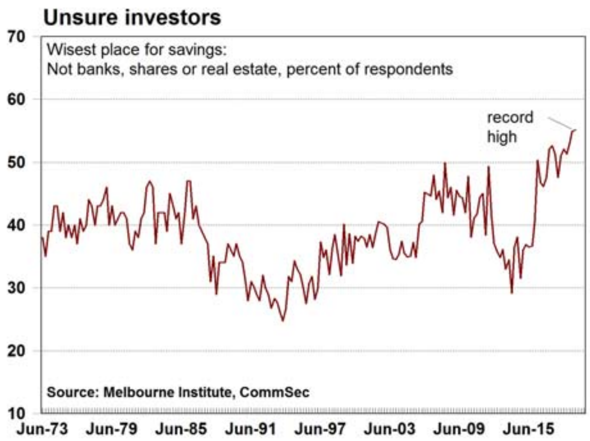
- **Looking at the Westpac survey**: the current conditions index fell by 1.1 per cent, and the expectations index fell by 0.3 per cent.
- **Three of the five** components of the index **fell** in June:
  - The estimate of family finances compared with a year ago **fell** by 2.4 per cent to 83.2;
  - The estimate of family finances over the next year **rose** by 3.1 per cent to 107.0;
  - Economic conditions over the next 12 months **fell** by 4.7 per cent to 99.3;
  - Economic conditions over the next 5 years **rose** by 1.0 per cent to 98.2;
  - The measure on whether it was a good time to buy a major household item **fell** by 0.2 per cent to 115.5.
- **Housing outlook:** A good time to buy a dwelling? The index rose by 1.8 per cent to 116.9, and was up 10.6 per cent on the year. House price expectations soared by 22.7 per cent to 109.7, but were still down by 8.6 per cent on a year ago.
- **Unemployment expectations:** Unemployment expectations rose by 5.1 per cent to 127.0 in June (assuming a weaker job market) after falling by 5.1 per cent in May.
- **Wisest place for savings:** 'Banks' fell from 28.8 per cent to an 11-year low of 24.9 per cent; 'shares' rose from 7.5 per cent to a 3-year high of 9.6 per cent; 'real estate' rose from 8.8 per cent to 10.4 per cent; 'spend it' rose from 5.3 per cent to 6.3 per cent; 'pay debt' fell from 26.3 per cent to 24.7 per cent.

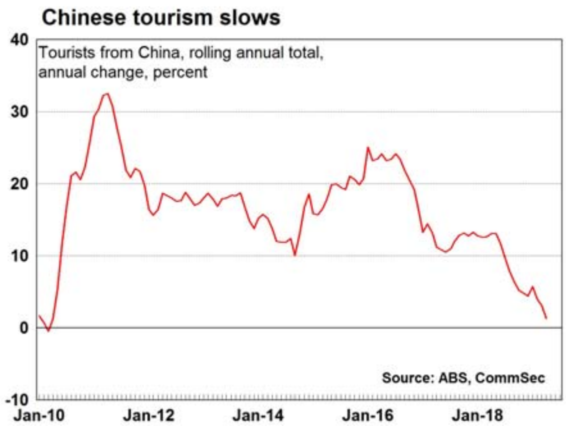
Tourism & migration

- **Tourist arrivals** fell by 0.2 per cent in April after falling by 1.9 per cent in March.
- Aussie **tourist departures** fell by 1.1 per cent in April, easing after a 1.5 per cent increase in March.
- Over the year to April, **arrivals** were up 0.4 per cent. In March arrivals were down by 1.1 per cent – the weakest annual rate in 7½ years. **Departures** were down by 1.3 per cent over the year, the slowest annual rate in 14 months.
- In April, tourists from Greater China (China and Hong Kong) totalled 135,800 (mainland China 109,600; Hong Kong 26,200), ahead of New Zealand (117,400).
- China is the largest source of tourists to Australia. Over the past year 1,438,500 tourists came to Australia from China, up by 1.3 per cent on the year earlier – the weakest annual growth rate in nine years.
- A record 365,600 Indian tourists travelled to Australia over the year to April, up by 12.6 per cent on a year ago.
- In April, there were **record tourist inflows** from Belgium and Colombia. And in the month a **record number of Aussies travelled to** South Korea, Bangladesh.

Migration

- In April, there were 57,590 permanent and long-term arrivals in Australia. The annual number of permanent and long-term overseas arrivals was 843,950, down from the record high of 845,840 in March, but up by 5.5 per cent over the year. In net terms (arrivals less departures) permanent and long-term overseas arrivals totalled 292,280

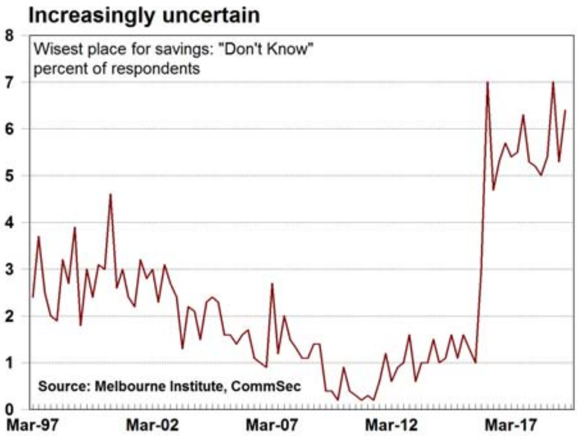




over the year to April.

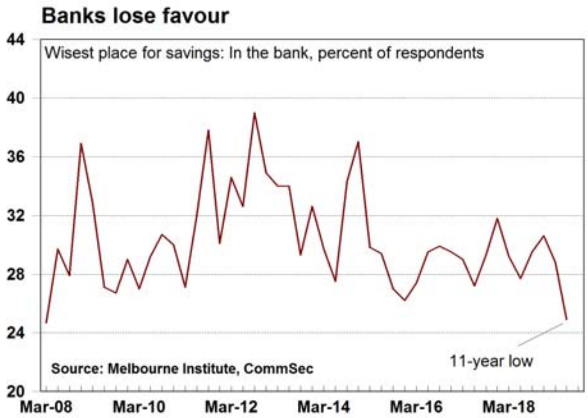
Credit and debit card lending:

- **The number of personal credit and charge card accounts** stood at 14.6 million in April. While there have been 'series breaks' over time, accounts stand at 4-year lows. The **number of commercial credit card accounts** rose from 1,186,700 to 1,186.900.
- **The number of credit cards** hit a 9-year low of 19.46 million in April.
- **The number of credit and charge card purchase transactions** in April was up 3.9 per cent on a year ago with the value up just 2.1 per cent.
- **The value of overseas purchases** made with personal credit and charge cards in April was 1.6 per cent lower than a year ago. Earlier, in January, overseas purchases were down by 6.3 per cent on a year ago, the biggest fall in 9 years.



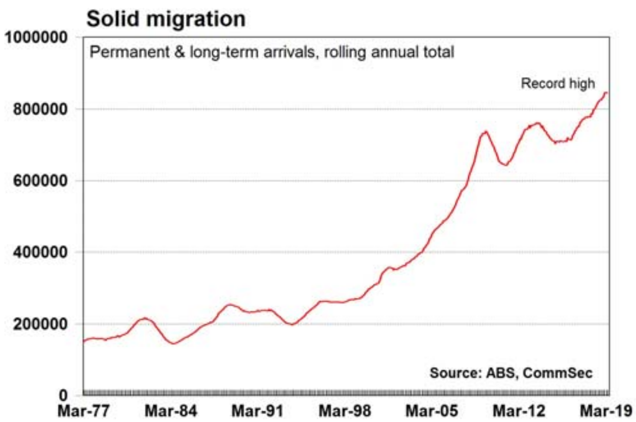
What is the importance of the economic data?

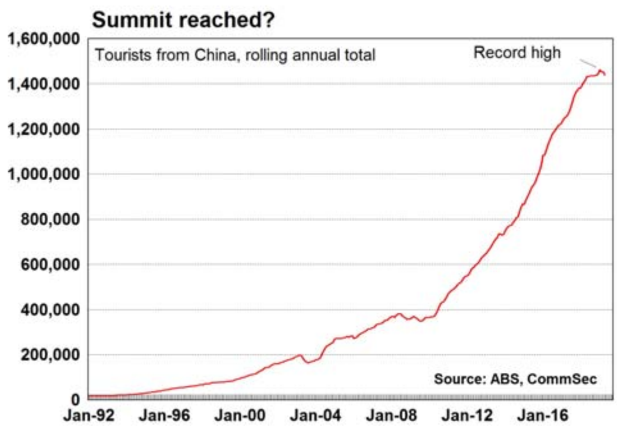
- Westpac and the Melbourne Institute release the **Index of Consumer Sentiment** each month. According to Melbourne Institute: "The survey of consumer sentiment was first undertaken in 1973 and was conducted on a quarterly basis until 1976, a six-weekly basis from 1976 to 1986, and has been conducted monthly ever since." Confident consumers may be more inclined to spend, especially on major items.
- The **ANZ/Roy Morgan weekly survey of consumer confidence** closely tracks the monthly Westpac/Melbourne Institute consumer sentiment index but the former measure is a timelier assessment of consumer attitudes and is now closely tracked by the Reserve Bank.
- The Australian Bureau of Statistics releases data on **overseas arrivals and departures** is produced monthly and is an indicator of the health of the tourism sector. The figures are also useful in understanding spending trends and tracking migrant numbers – an indicator with widespread implications for employment, housing and spending.
- The Reserve Bank releases data on **credit and debit card transactions** each month. The credit card figures are useful in highlighting consumer borrowing and spending trends.



What are the implications for interest rates and investors?

- The latest data doesn't throw any light on the timing of the next rate cut. But anyone thinking that rate cuts would work miracles on the economy need think again. There are more and more people looking to save. Slower growth in inflation and wages and lower interest rates mean lower returns on investments.





- CommSec continues to pencil in another rate cut in August. But fiscal stimulus is a better idea. Labor support for the Government's tax plans would go a long way in providing certainty for Aussie workers.
- The slowdown in tourist arrivals highlights the slowdown in the global economy. The sooner a US-China trade deal is secured, the better for all concerned.
- There are more signs of a bottoming in home prices. While the rate cut didn't light a fire under consumers, it has made people more optimistic that home prices are likely to rise again and that now is a good time to buy residential property.
- The best measure of Chinese inflation is non-food prices. And the slowdown in this measure to a 3-year low of 1.6 per cent annual rate shows the absence of inflationary pressures – not just in China but globally.

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