

## Confused consumers are unsure about saving Consumer confidence

- **Consumer confidence:** The Westpac/Melbourne Institute survey of consumer sentiment index fell by 1.7 per cent to 98.2 in September.
- **Wisest places for savings:** The proportion of people that 'don't know' where is the wisest place to put new savings lifted from 6.4 per cent to a record (24-year) high of 8.7 per cent.

*The consumer confidence figures have implications for retailers, and other consumer-focussed businesses.*

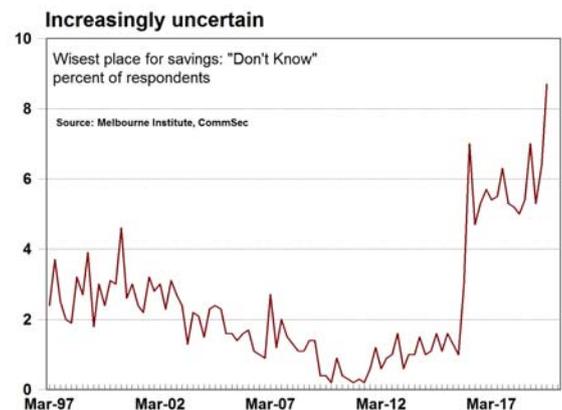
### What does it all mean?

- Many Aussies are confused about what to do with their money in the current environment. While low interest rates may be seen as positive for borrowers, the fact that the cash rate is at all-time lows of just 1 per cent worries plenty of Aussies. Some people question – especially the more senior Aussies – how strong the economy can be if cash rates are just 1 per cent and are tipped to go lower. While the Reserve Bank believes that rate cuts are still stimulatory (based on the gap between borrowings and savings), that doesn't take into account consumer sentiment.
- Consumers are increasingly uncertain about where to put new savings. Banks remain the choice of 'wisest' destination for savings, despite record low interest rates. Property is more in favour. But almost 9 per cent of people confess that they don't know where is the best place for savings.
- Consumers are feeling just OK at present with the latest sentiment index dropping below the 100 level that separates optimism from pessimism. Still, the latest confidence result is a victim of bad timing – the economic growth figures released last Wednesday were the weakest in a decade. The 'news' that most people remember hearing about over the past week was "economic conditions". (News from 'overseas' was also high up the 'recall' list – again largely negative news.) Having said that, the economy has entered its 29<sup>th</sup> year of growth, extending the record expansion. But strangely that didn't feature in a lot of media reports.

### What do the figures show?

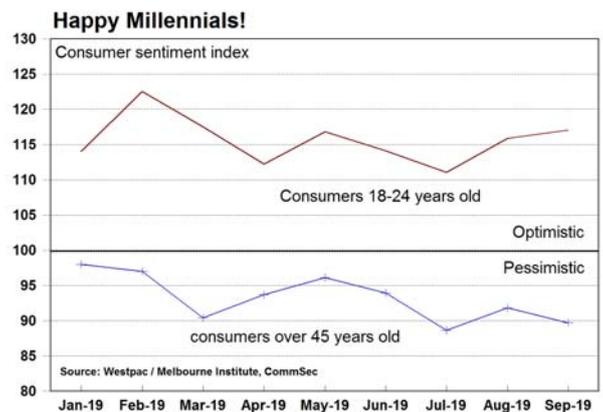
#### Consumer confidence

- The Westpac/Melbourne Institute survey of consumer sentiment index fell by 1.7 per cent to 98.2 in September after lifting 3.6 per cent in August.
- The current conditions index fell by 2.7 per cent, and the expectations index fell by 1.0 per cent.
- **Four of the five** components of the index **fell** in September.
  - The estimate of family finances compared with a year ago **fell** by 2.5 per cent to 84.3;
  - The estimate of family finances over the next year **fell** by 2.2 per cent to 96.9;
  - Economic conditions over the next 12 months **fell** by



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- 3.1 per cent to 92.6;
- Economic conditions over the next 5 years **rose** by 2.1 per cent to 97.8;
- The measure on whether it was a good time to buy a major household item **fell** by 2.8 per cent to 119.6.
- **Housing outlook:** A good time to buy a dwelling? The index fell by 2.9 per cent to 123.3 but was still up 19.1 per cent on the year. House price expectations rose by 3.9 per cent to 130.3 and was up by 19.1 per cent on a year ago.
- **Unemployment expectations:** Unemployment expectations rose by 0.2 per cent to 133.6 in September.
- **Wisest place for savings:** Banks' rose from an 11-year low of 24.9 per cent to 26.7 per cent; 'shares' fell from a 3-year high of 9.6 per cent to 8.8 per cent; 'real estate' rose from 10.4 per cent to a 21-month high of 11.9 per cent; 'spend it' fell from 6.3 per cent to 5.5 per cent; 'pay debt' fell from 24.7 per cent to 20.7 per cent.
- The proportion of people that 'don't know' where is the wisest place to put new savings lifted from 6.4 per cent to a record (24-year) high of 8.7 per cent.



**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.

**What are the implications for interest rates and investors?**

- Retailers would be disappointed by the latest consumer survey. Not only are consumers feeling a little 'meh', but Aussies are not sure about what to do with their cash. When asked about the wisest place to put savings, a record 9 per cent of respondents answered 'don't know'. That result is even higher than the 5 per cent of consumers saying that new saving should be spent. But encouragingly Aussie consumers expect home prices to rise over coming months, and that may boost wealth levels and spending.
- There have been rate cuts in June and July. Mortgage rates are at record lows. Shouldn't those who are paying off a mortgage be happy? Consumer sentiment for this key spending demographic is at 11-month lows.
- Commonwealth Bank Group economists are tipping a quarter per cent rate cut in November and then a follow up move in February 2020.

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