

## Spirits improve again; Record share of migrants

### Consumer confidence

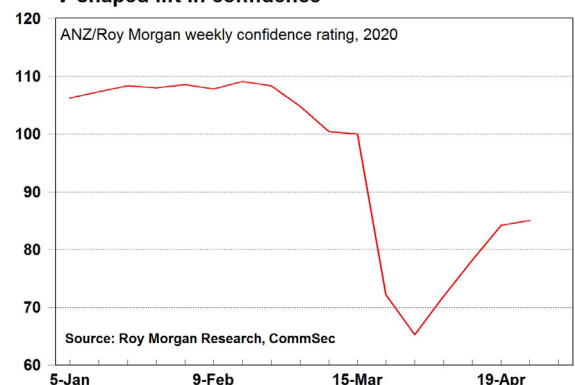
- **Consumer confidence:** The weekly ANZ-Roy Morgan consumer confidence rating rose by 1 per cent to 85 points. Sentiment has lifted for four successive weeks and is up 27.5 per cent since hitting record lows (lowest since 1973) of 65.3 points on March 29.
- **Testimony on the economy:** Senior officials from Federal Treasury have given testimony to the Senate Committee on COVID-19. The Federal Government will provide an economic update on May 12.
- **New annual publications for 2018/19:** The Bureau of Statistics (ABS) has released *Taxation Revenue; Government Finance Statistics; and Migration*. As at June 30, 2019, the share of migrants in the population hit a record 29.7 per cent.

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

### What does it all mean?

- Australia is at a critical juncture in the ongoing fight against the coronavirus (COVID-19) – as evidenced by the more cautious response from consumers in their views on family finances and the economy this week. A combination of government financial support for workers (JobKeeper payments), declining new COVID-19 infections, ultra-low borrowing costs, an easing in state social distancing measures and an improvement in financial markets have boosted sentiment in recent weeks.
- But Bureau of Statistics (ABS) data released last week shows that our success in ‘flattening the curve’ – via restrictive social distancing and business shutdown measures – has come at an incredible cost to workers and small businesses. Job losses are mounting, hours worked have been cut and wages have been reduced as businesses fight for survival amid a plunge in cash flow and turnover. Both younger and older Australians have been most affected with job losses and pay cuts particularly acute for people working casually or part-time, especially in the hospitality and tourism sectors.
- Faced with rising job insecurity and an uncertain future, most Aussies are scaling back their discretionary spending – as evidenced by the Commonwealth Bank’s credit and debit card spending data. And a real-time spending tracker developed by analytics firm AlphaBeta shows that wealthier ‘white collar’ workers – largely people working from home - have cut back their spending on clothing, leisure activities and cafes/restaurants during the pandemic. In fact, the AlphaBeta data showed overall discretionary spending was 27 per cent below the national pre-pandemic level last week.
- Even when restrictions are eased later this year, higher unemployment and mortgage debt will likely keep consumers cautious, limiting spending. That said, most will be keen for some self-indulgence like a holiday when the pandemic eventually recedes after the winter months! And there will be catch-up on some spending that has been ‘deferred’.
- One area of ‘stimulus’ for the economy is coming from Aussie savings. That is, the early release of superannuation funds. So far 762,000 people have applied for early release of superannuation and 757,000

V-shaped lift in confidence



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applications have been approved. The release of superannuation now totals \$6.3 billion.

## What do the figures show?

### Consumer sentiment – Week ended April 26

- **The weekly ANZ-Roy Morgan consumer confidence rating** rose by 1 per cent to 85 points. Sentiment has lifted by 27.5 per cent since hitting record lows (lowest since 1973) of 65.3 points on March 29.
- **Three of the five major components of the index rose last week:**
  - The estimate of family finances compared with a year ago was **up** from -21.2 points to -20.9 points;
  - The estimate of family finances over the next year was **down** from 12.1 points to 8.4 points;
  - Economic conditions over the next 12 months was **up** from -48.6 points to -41.9 points;
  - Economic conditions over the next 5 years was **down** from -1.7 points to -7.5 points;
  - The measure of whether it was a good time to buy a major household item was **up** from -19.7 points to -13.1 points.
- The measure of inflation expectations **rose** from 3.1 per cent to 3.6 per cent.

### Migration, 2018/19

- As at June 30, 2019, 29.7 per cent of Australians were born overseas. People born in England were the largest group (3.9 per cent of the total) from China (2.7 per cent) and India (2.6 per cent).
- ABS noted: *“In the year to 30 June 2019, 538,000 people arrived to live in Australia, while 298,000 people left Australia to live overseas.”*
- *Of those migrant arrivals, 64 per cent were temporary visa holders including 32 per cent who were international students.*
- *In addition, in 2018-19 there were 75,000 Australian citizens who returned to Australia after living overseas but in the same year there were nearly 87,000 who decided to emigrate.”*

## What is the importance of the economic data?

- **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.

## What are the implications for investors?

- Updates from retailers such as Accent Group and Wesfarmers in recent days have highlighted the extent to which the economic lockdown has impacted profits, sales and turnover. Consumer behaviour has also changed. Footwear retailer Accent has announced plans to re-open many of its Foot Locker, Platypus and Hype DC next month. Encouraged by a huge jump in online sales – as Aussies stayed at home – the company is weighing up whether to close between 50 and 100 stores with digital sales expected to remain elevated at around 30 per cent.
- And while Wesfarmers has reported a surge in sales at Bunnings and Officeworks – as Aussies stockpiled home office supplies and focused on DIY home improvement projects – department stores such as Kmart and Target are suffering from the collapse in shopper foot traffic. Changes in consumer behaviour and the responsiveness of retailers to lifting online sales could have huge implications for casual and part-time workers in the industry post-virus.
- In a net sense, around 240,000 fewer people are likely to be coming to live in Australia over the next year. Clearly fewer people living here affects consumer spending for a raft of items, impacts the job market and also has broad effects on the housing sector. The longer that our borders are closed, the greater the risk that Australia will experience a slower economic rebound than other countries without the same reliance on migration.

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