Consumer spending intentions hit 11-week high

Consumer confidence: The weekly ANZ-Roy Morgan consumer confidence rating rose by 1.4 per cent to 92.4 (long-run average since 1990 is 112.6). Confidence has lifted in four of the past five weeks. Sentiment is up by 41.5 per cent since hitting record lows of 65.3 on March 29 (lowest since 1973).

Households' considering major purchases: Last week, the measure of whether it was a ‘good time to buy a major household item’ rose by 5.3 per cent to 1.8 points – the highest level in 11 weeks.

Commonwealth Bank (CBA) card spending: According to Commonwealth Bank (CBA), card spending in the week to September 11 was up 4.7 per cent on a year ago, compared to a 5.2 per cent lift for the week ended September 4. Online spending rose 17.4 per cent on a year ago (previous week: +21.9 per cent), but in-store spending was down 0.6 per cent (previous week: -2.1 per cent).

CBA Household Spending Intentions (HSI, August): According to the CBA Group economists, “The improvement seen during July in Home Buying, Retail, Travel, Entertainment and Education spending intentions all stalled in August. Health and Fitness spending intentions picked up in August, while Motor vehicle spending intentions continued to edge higher.”

The Kepler index of retail sales reported that aggregate sales fell by 13.2 per cent last week (September 13), to be down 26.9 per cent on the year. Average transaction value rose 0.1 per cent last week to be up 22.6 per cent on a year ago. Passer-by traffic fell 1.9 per cent last week to be down 52.6 per cent on the year. The weekly store shut down rate rose to 29 per cent with Victoria’s rate at 87 per cent.

Restaurant dining down: Australian restaurant reservations were down 9 per cent on September 13 from a year earlier, firmer than the 40.7 per cent drop recorded on September 6, according to OpenTable. Sit down diners fell by 99.7 per cent in Victoria (previous: -99.9 per cent), but were up by 61.6 per cent in Queensland (previous: up 146 per cent) and up 35.2 per cent in NSW (previous: +127 per cent).

The consumer confidence and credit card spending figures have implications for retailers, and other consumer-focussed businesses.

What does it all mean?

- Consumer confidence continues to improve in September. Sentiment has lifted in four of the past five weeks. Importantly, households are showing increased appetite for making a major household purchase. In fact, the ANZ-Roy Morgan sub-index measure of whether it was a ‘good time to buy a major household item’ rose by 5.3
Economic Insights. Consumer spending intentions hit 11-week high

per cent to 1.8 points last week – the highest level since late June.

- ‘Stay-at-home’ Aussies have shown a strong desire to upgrade their homes during the pandemic. CBA credit and debit card spending on household furnishings and equipment over the week to September 11 is up 28 per cent on a year ago. And annual spending is above 30 per cent across all states and territories except Victoria (up 6.1 per cent).

- Post-lockdown retail spending has been boosted by greater mobility, government payments and superannuation withdrawals. And household savings and potential tax cuts – along with closed international borders – could see pent up demand from consumers even as stimulus is tapered into year-end.

What do the reports and figures show?

Consumer sentiment – Week ended September 13

- The weekly ANZ-Roy Morgan consumer confidence rating rose by 1.4 per cent to 92.4 (long-run average since 1990 is 112.6). Confidence has lifted in four of the past five weeks. Sentiment is up by 41.5 per cent since hitting record lows of 65.3 on March 29 (lowest since 1973).

- Four out of five of the major components of the index rose last week:

| ANZ-Roy Morgan Australian Weekly Consumer Confidence |
|-------------------------------|----------|----------|
| Estimate of family finances compared with a year ago | -9.2 | -12.4 |
| Estimate of family finances over the next year | 14.3 | 12.9 |
| Economic conditions over the next 12 months | -40.8 | -41.1 |
| Economic conditions over the next 5 years | -3.9 | -0.7 |
| Good time to buy a major household item? | 1.3 | 3.3 |
| Consumer confidence rating | 92.4 | 91.1 |
| Four week moving average | 91.6 | 90.7 |
| Inflation expectations | 3.2 | 3.2 |

Source: CommSec, Roy Morgan, ANZ

The Commonwealth Bank (CBA) credit card data – Week ended September 11

- According to Commonwealth Bank (CBA), card spending in the week to September 11 was up 4.7 per cent on a year ago, compared to a 5.2 per cent lift for the week ended September 4. Online spending rose 17.4 per cent on a year ago (previous week: +21.9 per cent), but in-store spending was down 0.6 per cent (previous week: -2.1 per cent). Victorian card spending fell by 11.3 per cent on a year ago (previous week: -10.3 per cent), but Tasmanian spending was up 16.4 per cent (previous week: +18.2 per cent) compared to a year ago.

- CBA noted, “Annual spending growth in all jurisdictions broadly tracked sideways over the past week. Spending on eating and drinking out has firmed over the week. In-store spending is edging higher nationally and in Victoria it looks to have passed the trough.”

The Commonwealth Bank (CBA) Household Spending Intentions Series (HSI): August

- According to the CBA, “The impact of the stage 4 lockdowns in greater Melbourne throughout August are clearly evident in the CBA Household Spending Intentions series for the month. The improvement seen during July in Home Buying, Retail, Travel, Entertainment and Education spending intentions all stalled in August. Health and Fitness spending intentions picked up in August, while Motor vehicle spending intentions continued to edge higher.”

- On home buying intentions: “Home buying spending intentions for August retreated from their July highs. While there was a
Economic Insights. Consumer spending intentions hit 11-week high

- On retail spending intentions: “Retail spending intentions pulled-back in August, consistent with our high-frequency CBA credit/debit card spending data.”

- On travel spending intentions: “The recovery in Travel spending intentions stalled in August, impacted by the restrictions imposed in Victoria.”

- On health & fitness spending intentions: “Health & fitness spending intentions picked up in August. While actual spending was a little lower on the month, Google searches related to health saw an increase.”

- On entertainment spending intentions: “Entertainment spending intentions pulled-back a little in August, led lower by declines in food (eating out) and alcohol spending on licenced premises.”

- On education spending intentions: “Education spending intentions were little changed in August, with some softness in spending and in Google searches for the education sector.”

- On motor vehicle purchase intentions: “Motor vehicle spending intentions picked up in August and are back in positive territory for the first time since the start of the Covid-19 pandemic.”

Kepler index of retail sales activity – Week ended September 13

- The Kepler index of retail sales reported that aggregate sales fell by 13.2 per cent last week (September 13) to be down 26.9 per cent on the year. Average transaction value rose 0.1 per cent last week to be up 22.6 per cent on a year ago. Passer-by traffic fell 1.9 per cent last week to be down 52.6 per cent on the year. The weekly store shut down rate rose to 29 per cent (prior week: 27 per cent) with Victoria’s rate at 87 per cent.

OpenTable restaurant reservations – Week ended September 13

- Australian restaurant reservations were down 9 per cent on September 13 from a year earlier, firmer than the 40.7 per cent drop recorded on September 6, according to OpenTable. Sit down diners fell by 99.7 per cent in Victoria (previous: -99.9 per cent), but were up by 61.6 per cent in Queensland (previous: up 146 per cent) and up 35.2 per cent in NSW (previous: +127 per cent).

Moovit change in public transport demand – Week ended September 13

- Demand for public transportation – as measured by the urban trip planning app Moovit – was mixed over the week to September 13 (compared with the pre-pandemic level of January 15) from a week earlier in most of Australia’s biggest cities:
  - Sydney & NSW: -43.7 per cent (previous week: -43.3 per cent)
  - Perth: -32.7 per cent (previous week: -36.5 per cent)
  - Brisbane & South-East Queensland: -41.5 per cent (previous week: -41.1 per cent)
  - Melbourne & Victoria: -83.1 per cent (previous week: -83 per cent).

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.

- The weekly Commonwealth Bank (CBA) credit & debit card spend data is derived from transaction authorisations to give a near-real-time view. This means that cancelled authorisations, refunds, reversals, etc. will not be included. Data has not been adjusted for effects of consumers substituting between cash and card payments. CBA merchant facility spend data is derived from the Merchant Acquiring System which includes net sales from
Economic Insights. Consumer spending intentions hit 11-week high

both CBA and Other Financial Institution (OFI) domestic and international cards.

- The focus of the Commonwealth Bank (CBA) Household Spending Intentions Series (HSI) is on Australian households and their spending intentions. The approach is to employ the near real-time spending readings from CBA’s household transactions data, combine them with relevant search information from Google Trends data and map the results to the official data on consumer spending.

- Kepler Analytics have “sensors in over 3500 locations globally, collecting traffic and other consumer behaviour data anonymously.” Kepler notes, “Our clients provide us with their daily sales targets, actual POS sales and other specific data points on which they measure and manage their businesses. By aggregating and anonymising this information, we can provide unique insights into the Retail Industry as a whole.”

- OpenTable tracks more than 54,000 restaurants on its reservation site. The data captures online and phone reservations as well as walk-ins. Take-out and deliveries are excluded. Only states or cities with 50+ restaurants in the sample are included.

- Moovit analyses the repercussions of Coronavirus (COVID-19) on public transportation ridership, relative to the typical usage before the outbreak began. Updated daily, Moovit’s insights show the percentage of changed demand for public transit around the world.

What are the implications for investors?

- Consumer confidence continues to improve due to increasing mobility in virus ‘free’ states and territories. Outside of Sydney and Melbourne, Aussies are more confident about going about their daily activities with the virus all but supressed. The notable weakening in sentiment last week in the two biggest cities and virus ‘hotspots’ – Melbourne (down more than 5 per cent) and Sydney (down over 3 per cent) – suggests that consumer caution remains elevated, weighing on the broader economic recovery.

- Next week’s standout data release will be much-anticipated preliminary retail trade figures for August. The CBA Household Spending Intentions survey released today suggests that retail spending intentions pullled back in August. High frequency weekly CBA card spending and the Kepler Analytics retail gauge also imply a decline in spending during the month. Of course, Melbourne entered stage 4 lockdown restrictions in August with Victorian retail spending adversely impacted by social distancing measures and temporary retail store closures. But greater mobility in the ‘virus free’ states and territories are supportive of consumption and could yet offset the decline in Victorian spending.

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