

Consumer spending intentions hit 11-month high

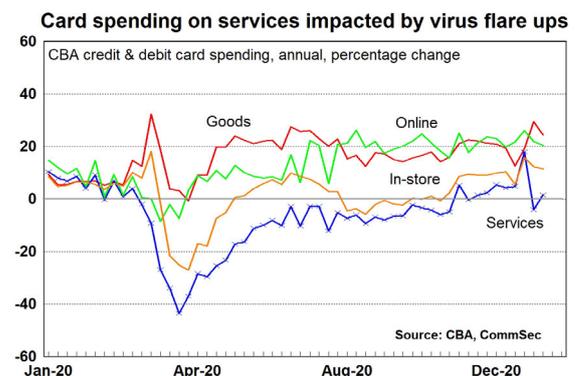
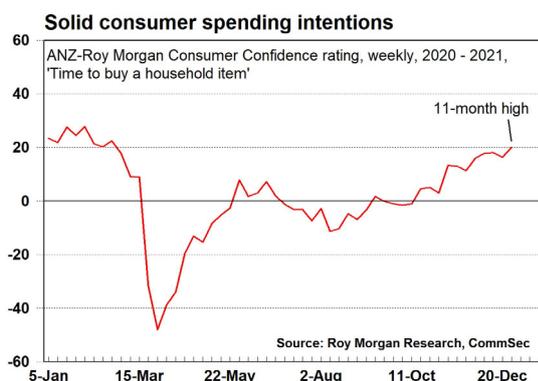
Consumer confidence; CBA household card spending

- **Consumer confidence:** The weekly ANZ-Roy Morgan consumer confidence rating fell by just 0.1 per cent to 108.9 (long-run average since 1990 is 112.6). Sentiment has fallen for two consecutive weeks after hitting a 13-month high of 111.2 on December 13, 2020. But confidence is still up by 66.8 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 3.3 per cent to 20.1 points – the highest level since February 23, 2020.
- **Commonwealth Bank (CBA) credit & debit card spending:** According to the Commonwealth Bank (CBA), credit and debit card spending in the week to January 8 lifted by 13.1 per cent on a year ago (previously: +14.0 per cent). Spending on services rose by 1.5 per cent from a year ago (previously: -4.1 per cent). And the annual growth rate of goods spending climbed 24.4 per cent (previously: +29.4 per cent).

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

What does it all mean?

- Consumer confidence continues to ease after hitting 13-month highs in mid-December 2020. Sentiment remains heavily tied to the fortunes of Australia's suppression of the coronavirus ahead of an expected roll out of Covid-19 vaccines in mid-to-late February.
- The ANZ-Roy Morgan Consumer Confidence index edged lower to begin 2021 with sentiment dampened by virus flare ups, the arrival of new overseas-borne strains of Covid-19 and increased government restrictions in Melbourne, Sydney and Brisbane. In particular, ANZ economists noted, "Confidence in New South Wales and Victoria declined, as borders closed." But the announcement of a short and hard lockdown in Brisbane failed to dampen the mood in the Sunshine State with "confidence up on the pre-Christmas week."
- Despite the downbeat start to 2021, 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 3.3 per cent to 20.1 points last week – the highest level in 11 months.
- Commonwealth Bank (CBA) credit and debit card spending climbed by 13.1 per cent over the week to January 8, 2021 from a year ago. But the annual pace of spending decelerated from a growth rate of 18.6 per cent for the week ended December 25, 2020 and 14.0 per cent in the week to January 1, 2021. CBA Group economists said,



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“The COVID-19 outbreak and restrictions in Greater Sydney over the holiday break have impacted on spending momentum. Services spending has been negatively impacted while goods spending has lifted.”

What do the figures show?

Consumer sentiment – Week ended January 10

- The **weekly ANZ-Roy Morgan consumer confidence rating** fell by just 0.1 per cent to 108.9 (long-run average since 1990 is 112.6). Sentiment has fallen for two consecutive weeks after hitting a 13-month high of 111.2 on December 13, 2020. But confidence is still up by 66.8 per cent since hitting record lows of 65.3 on March 29 (lowest since 1973).
- **Three** of the **five** major components of the index **fell** last week:

ANZ-Roy Morgan Australian Weekly Consumer Confidence index

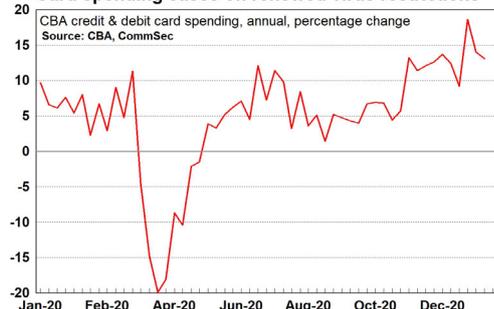
	As at	
	January 10	Previous week
Estimate of family finances compared with a year ago	-1.8	-3.8
Estimate of family finances over the next year	24.9	27.3
Economic conditions over the next 12 months	-7.6	-5.4
Economic conditions over the next 5 years	9.1	10.6
Good time to buy a major household item?	20.1	16.3
Consumer confidence rating	108.9	109.0
Four week moving average	109.6	109.3
Inflation expectations	3.6	3.8

Source: CommSec, Roy Morgan, ANZ

The Commonwealth Bank (CBA) credit and debit card data – Week ended January 8

- According to the Commonwealth Bank (CBA), credit and debit card spending in the week to January 8 lifted by 13.1 per cent on a year ago (previously: +14.0 per cent). Spending on services rose 1.5 per cent from a year ago (previously: -4.1 per cent). And the annual growth rate of goods spending climbed 24.4 per cent (previously: +29.4 per cent). Online spending rose by 20.4 per cent from a year ago (previously: +21.8 per cent) with in-store spending up 11.5 per cent (previously: +12.3 per cent).
- Over the week, the strongest annual card spending growth rate was in South Australia (+18.7 per cent), followed by Tasmania (+18.2 per cent), Western Australia (+17.1 per cent), Queensland (+16.7 per cent), Northern Territory (+16.6 per cent), Victoria (+11.8 per cent), the ACT (+10.3 per cent) and NSW (+10.2 per cent).

Card spending eases on renewed virus restrictions



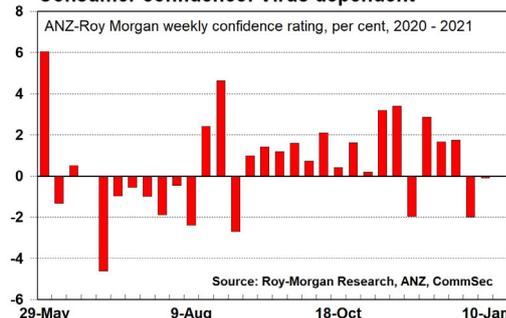
What is the importance of the economic data?

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

What are the implications for investors?

- At this stage, health authorities and governments appear to have been successful at containing the virus outbreaks on Sydney’s Northern Beaches, Inner West and South Western suburbs. Brisbane is re-opening after a short and hard lockdown.
- Broader, deeper and longer lockdowns continue to pose a threat to consumer spending and confidence until vaccines are rolled out. But Aussie ASX-listed retailers are currently enjoying the boom in household spending. The S&P/ASX 200 Retailing index - which includes Super Retail Group, Harvey Norman, JB Hi-Fi, Kogan and Wesfarmers - reached 6,126.76 points on January 8, 2021, the highest level since January 4, 2008!

Consumer confidence: Virus dependent



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