

Shares favoured over property

Consumer Sentiment; Labour Account; China data

- **Consumer confidence:** The Westpac-Melbourne Institute Index of Consumer Sentiment rose by 2.6 per cent in March to 111.8 – the second highest reading in seven years. A reading above 100 points denotes optimism.
- **Wisest places for savings:** Consumers believe that the wisest place for extra savings is in the bank (30 per cent of respondents). But 10.5 per cent of people now believe that the wisest place for savings is shares – the second highest reading in seven years. Fewer Aussies (9.3 per cent) believe that real estate is the wisest place for new savings.
- **Labour market in focus:** The Bureau of Statistics (ABS) has released a report detailing developments in the job market over the December quarter.
- **Chinese inflation:** Consumer prices rose 0.6 per cent in February to be 0.2 per cent down on the year (survey -0.4 per cent). Producer prices rose 1.5 per cent in the year to February (survey 1.7 per cent).

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

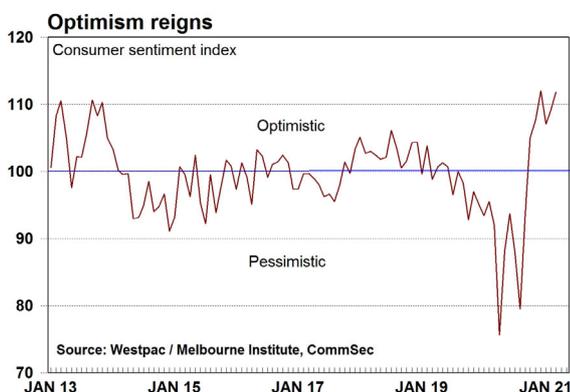
What does it all mean?

- Yesterday, survey data showed that both consumers and businesses are confident about the outlook for the economy and confident about the outlook for their finances/business operations. Today, it was the turn of the monthly consumer sentiment report to confirm the optimistic view.
- But for confidence to be retained in coming months, much will depend on continued suppression of the virus, the roll out of vaccines across the country and domestic borders remaining open.
- Where do you believe is the wisest place to put new savings? Despite soaring home prices, more consumers now believe that shares (listed equities) is the better option for new savings compared with real estate.

What do you need to know?

Consumer confidence – March

- The **Westpac-Melbourne Institute Index of Consumer Sentiment** rose by 2.6 per cent in March to 111.8 – the second highest reading in seven years. The index is 17.1 per cent above its pre-pandemic level in February 2020



Craig James, Chief Economist
Twitter: @CommSec

IMPORTANT INFORMATION AND DISCLAIMER FOR RETAIL CLIENTS

The Economic Insights Series provides general market-related commentary on Australian macroeconomic themes that have been selected for coverage by the Commonwealth Securities Limited (CommSec) Chief Economist. Economic Insights are not intended to be investment research reports.

This report has been prepared without taking into account your objectives, financial situation or needs. It is not to be construed as a solicitation or an offer to buy or sell any securities or financial instruments, or as a recommendation and/or investment advice. Before acting on the information in this report, you should consider the appropriateness and suitability of the information, having regard to your own objectives, financial situation and needs and, if necessary, seek appropriate professional financial advice.

CommSec believes that the information in this report is correct and any opinions, conclusions or recommendations are reasonably held or made based on information available at the time of its compilation, but no representation or warranty is made as to the accuracy, reliability or completeness of any statements made in this report. Any opinions, conclusions or recommendations set forth in this report are subject to change without notice and may differ or be contrary to the opinions, conclusions or recommendations expressed by any other member of the Commonwealth Bank of Australia group of companies.

CommSec is under no obligation to, and does not, update or keep current the information contained in this report. Neither Commonwealth Bank of Australia nor any of its affiliates or subsidiaries accepts liability for loss or damage arising out of the use of all or any part of this report. All material presented in this report, unless specifically indicated otherwise, is under copyright of CommSec.

This report is approved and distributed in Australia by Commonwealth Securities Limited ABN 60 067 254 399, a wholly owned but not guaranteed subsidiary of Commonwealth Bank of Australia ABN 48 123 123 124. This report is not directed to, nor intended for distribution to or use by, any person or entity who is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or that would subject any entity within the Commonwealth Bank group of companies to any registration or licensing requirement within such jurisdiction.

and up 47.9 per cent after hitting 29-year lows of 75.6 points in April, 2020. A reading above 100 points denotes optimism. The survey was taken over March 1-4.

- The current conditions index rose by 3.4 per cent. And the expectations index rose by 2.1 per cent.
- **All of the five** major components of the index **rose** in March:

Westpac-Melbourne Institute Australian Consumer Confidence Index

	As at March 2021	Monthly Change %	Annual Change %
Family finances vs. a year ago	91.3	2.8	10.4
Family finances next 12 months	111.6	0.2	14.6
Economic conditions next 12 months	113.8	3.7	46.1
Economic conditions next 5 years	118.9	2.3	31.5
Time to buy a major household item?	123.7	3.7	11.0
Current conditions	107.5	3.4	10.8
Expectations	114.8	2.1	29.6
Consumer Sentiment Index	111.8	2.6	21.6

Source: CommSec, Westpac, Melbourne Institute

- Of the remaining sub-components, the 'time to buy a dwelling' index fell by 3.6 per cent to 116.4. The 'house price expectations' index lifted 3.1 per cent to 7-year highs of 159.5. The 'unemployment expectations' index fell (improved) by 2.1 per cent to 112.0 – near 9½-year lows.
- **Wisest place for savings:** Overall 30 per cent of respondents believe the wisest place to put new savings is in the bank – unchanged over the quarter but down from a 5½-year high of 34.8 per cent in the June quarter 2020. The proportion of consumers that nominated shares rose from 9.5 per cent to 10.5 per cent – the second highest reading in seven years. And 9.3 per cent believe the wisest place for savings is real estate, down from 9.7 per cent in the December quarter.
- Encouragingly only 6.6 per cent now say that they don't know the wisest place for savings – that result is down from 11.7 per cent in the December quarter – the highest level in the 25-year history of the survey.
- In the quarter, 17.7 per cent of consumers thought that paying down debt was the wisest place for new savings, up from a 6-year low of 16.3 per cent. Those electing 'superannuation' as the wisest place for savings rose from 4.6 per cent to 7.5 per cent – a 4-year high.

Labour accounts – September quarter

- The Bureau of Statistics (ABS) has released a report detailing developments in the job market over the December quarter 2020. Most of the data has been previously released. The latest monthly job market data is January 2021. <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-account-australia/dec-2020>
- The ABS noted: *“Filled jobs increased by 403,700 over the December quarter. There were 14.2 million filled jobs, up from a low of 13.6 million in the June quarter. Around 7 out of 10 of the filled jobs that were lost during the March and June quarters have now been regained.”*
- *“Filled jobs grew in almost all industries in the December quarter, continuing the recovery from the June quarter. The largest quarterly increase was seen in the Health care and social assistance industry (6.2 per cent), which rose to a record high of more than 2 million filled jobs, and grew by 6.8 per cent over the year. Filled jobs remained lower than the previous year's levels in 13 out of the 19 industries.”*
- *“In the December quarter, around 6.0 per cent of employed people worked more than one job, up slightly from 5.7 per cent in the September quarter. This reflected faster growth in secondary jobs (8.3 per cent), compared to jobs worked by people as their main job (2.5 per cent).”*
- *“The Labour Account is the best source of headline information on employment by industry and sector, drawing upon the broad range of labour market statistics produced by the ABS. It contains a range of key indicators for jobs, people, hours, and payments back to September quarter 1994.”*

What is the importance of the economic data?

- Westpac and the Melbourne Institute release the **Index of Consumer Sentiment** each month. **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. Confident consumers may be more inclined to spend, especially on major items.
- *“The Australian Labour Account complements other **Australian Bureau of Statistics** measures to build a more comprehensive picture of the labour market. Labour Account data provides the number of filled jobs at a point-in-*

time each quarter, while the Jobs in Australia data provides insights into all jobs held throughout the year, and Labour Force Survey data measures the number of people employed each month.”

What are the implications for investors?

- Aussie consumers believe that home prices will rise further – the reading from the latest survey is the highest in seven years. But is it a good time to buy a home? No, according to survey participants – the reading falling by 3.6 per cent in the month. Is there likely to be a better time to buy a home later in the year? Are prices too high now? Are there better options for savings? All questions to be explored.
- And interestingly, only 9.3 per cent of consumers now believe the wisest place for savings is in real estate, a result now exceeded by shares (10.5 per cent). Over time, returns on real estate and shares have been neck-and-neck.
- But conservative options still reign. In the latest survey, 30 per cent believe the wisest place for savings is in the bank followed with “pay debt” favoured by 17.7 per cent of consumers.

Craig James, Chief Economist, CommSec
Twitter: @CommSec