CommBank Household Spending Insights

Economic Insights | August 2023

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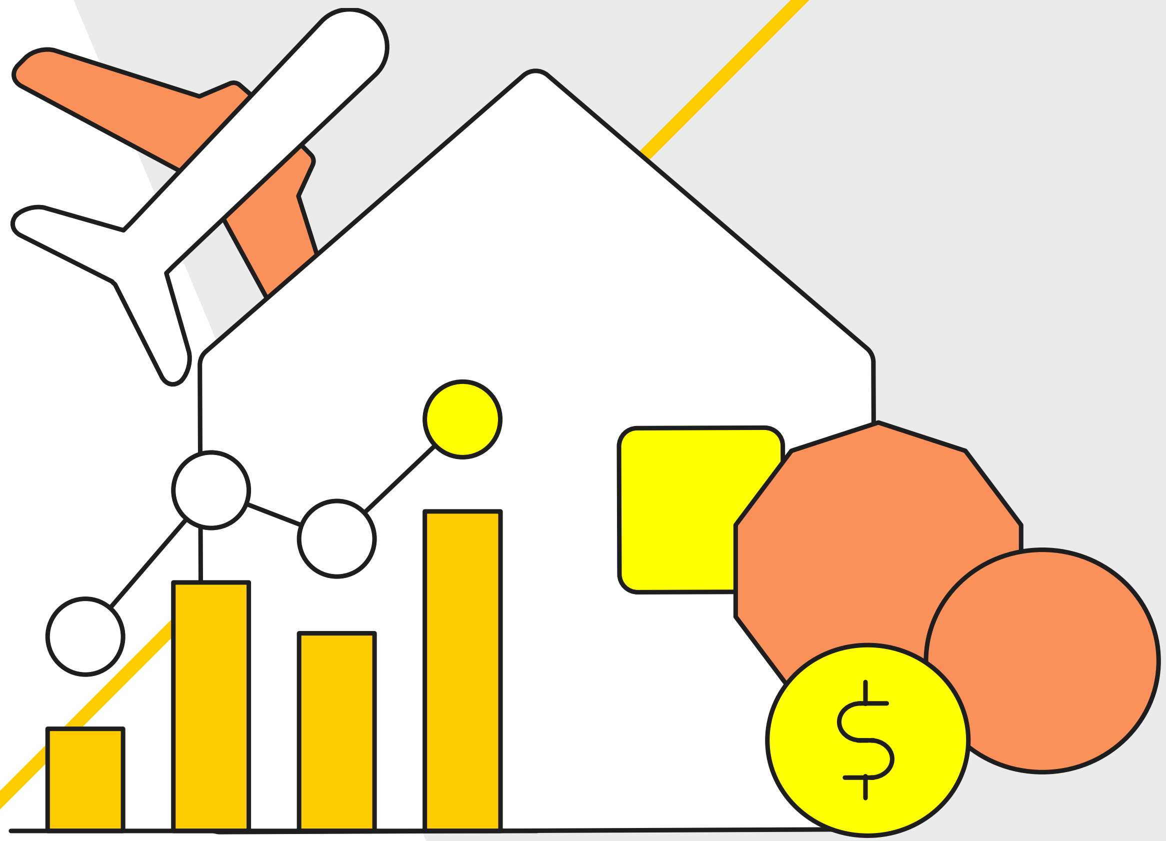

CommBank Household Spending Insights (HSI)

The CommBank Household Spending Insights (HSI) index for August 2023 rose by 0.7%/mth in seasonally adjusted terms, to 137.0.

Gains in August were led by Education (surge in international students), Transport (the higher price of petrol), Recreation (the FIFA World Cup), Household goods (after prolonged weakness), Motor vehicles, Health and Insurance (including for travel). This strength was partly offset by monthly declines in Hospitality and Utilities.

The annual growth rate of the HSI index picked up to 2.3%/yr in August, from a revised 1.9%/yr in July. However, the annual growth rate of the HSI has slowed, it was 8.3%/yr in May 2022, the month the RBA started raising interest rates, and then peaked at 18.7%/yr in August 2022. However the last three months of data has shown more resilience than the prior three month period.

The effects of 400bp of RBA rate hikes is reflected in a significant slowdown in household spending, as measured by the CommBank HSI, particularly compared to a year earlier. With the RBA holding rates steady since June, our view is that the monetary policy tightening cycle is now at an end.

Monetary policy is now restrictive and financial conditions will continue to tighten in the months ahead on the lagged effect of the interest rate hikes and the fixed rate mortgage refinancing task. We continue to expect household spending to weaken further over the remainder of 2023 and into 2024.

The annual growth rates in the August reading of the HSI index continue to show a clear change in the spending 'preferences' of Australian households. The largest increases in spending over the year to August have been on Education (+14.7%) and Insurance (13.5%) – clearly reflecting price increases. But Australians have also found time for some Recreation, with spending in this category up 8.4%/yr.

This has been partly offset by reductions in spending on Household services (-8.4%/yr), Household goods (-3.6%/yr) and Transport (-1.4%/yr).

CommBank HSI Index
August 2023
Seasonally adjusted

137.0

+ 0.7% /month ↑
+ 2.3% /year ↑

The seasonally adjusted HSI index rose by 0.7%/mth in August, to 137.0. Gains in August were seen for Education, Transport and Recreation. These were partly offset by falls in Hospitality and Utilities.
The annual rate of increase improved to 2.3% from a revised 1.9% in July, but remains well down from the 2022 highs.

Spending Category	Monthly Change	Yearly Change
Education	▲ 2.8%	▲ 14.7%
Transport	▲ 2.1%	▼ -1.4%
Recreation	▲ 1.9%	▲ 8.4%
Household Goods	▲ 1.7%	▼ -3.6%
Motor Vehicle	▲ 1.6%	▲ 0.4%
Health	▲ 1.2%	▲ 5.7%
Insurance	▲ 1.2%	▲ 13.5%
Household Services	▲ 0.5%	▼ -8.4%
Communications and Digital	▲ 0.3%	▲ 5.2%
Food & beverage goods	▲ 0.2%	▲ 2.8%
Utilities	▼ -0.8%	▲ 0.3%
Hospitality	▼ -2.1%	▲ 3.5%

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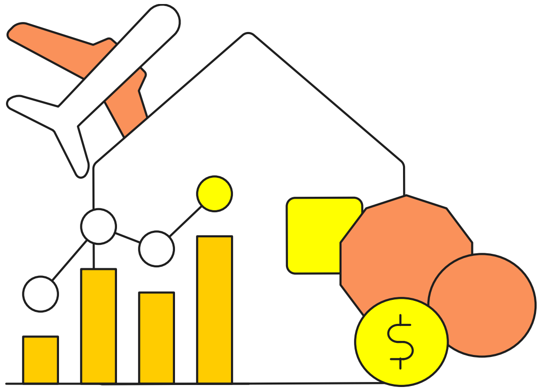
About CommBank HSI



CommBank Household Spending Insights (HSI)

Household or consumer spending is the largest component (around 50%) of the Australian economy and central to understanding how it is performing, as well as planning for the future. This is why businesses, governments and major policy setting institutions like the Reserve Bank of Australia closely follow measures of consumer spending and emerging trends.

Key Features of the new CommBank Household Spending Insights (HSI) Index

- Use of de-identified payments (credit card, debit card, keypad transactions, ATM, BPay and direct debit transactions) and home lending data from approximately 7 million CBA customers, comprising roughly 30% of Australian consumer transactions.
- Data is from 1 January 2019 and is de-identified to meet privacy and regulatory requirements.
- Data is now Australian Bureau of Statistics (ABS) census-weighted to be nationally representative of spending.
- The HSI Index is seasonally adjusted by individually adjusting the 12 spend categories either by using ABS seasonal factors or the X-13 ARIMA model methodology. The seasonally adjusted spend (in dollars) for the 12 spend categories are summed to provide the overall HSI and then indexed to January 2019. As a result, the HSI Index is subject to revision each month if required.
- The HSI by state and segment indices are seasonally adjusted separately either by using ABS seasonal factors or the X-13 ARIMA model methodology and is not additive to the overall HSI index. The Home Buying index is seasonally adjusted with X-13 ARIMA model methodology.
- The HSI Index is based on 12 spending categories – please see pages 14-15 for category details.
- The new HSI also shows comparisons between goods and services, retail and non-retail, and essential and discretionary spending. Data by State is also included for the first time.
- There is also a separate Home Buying Index.
- Produced by CommBank's Global Economic & Markets Research team using data and models provided by CommBank iQ, a joint venture with data science and artificial intelligence company Quantium.

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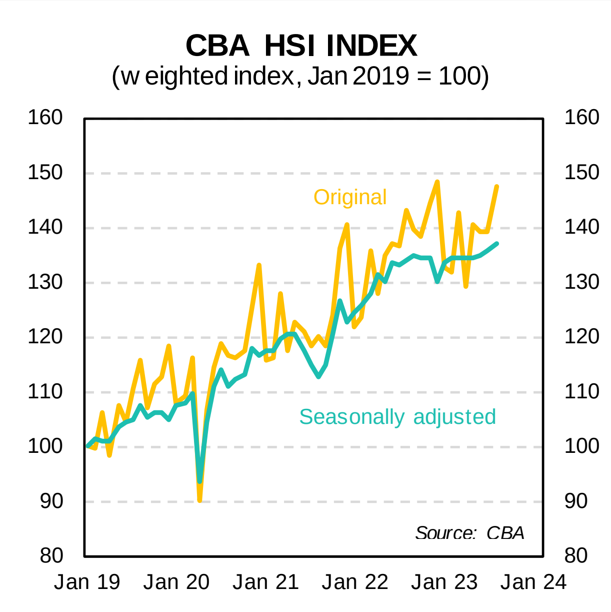
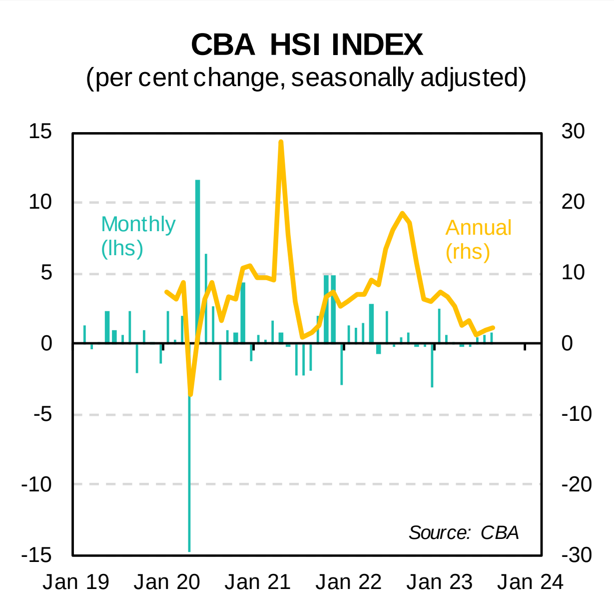
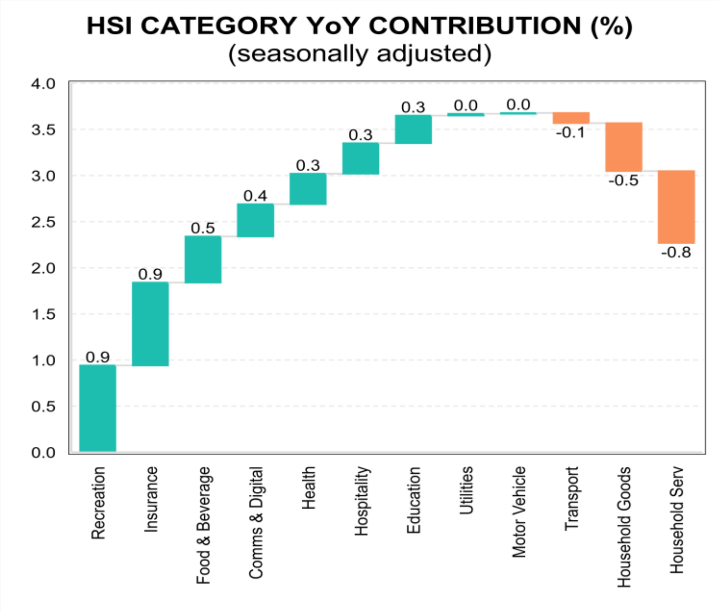
CommBank HSI in charts





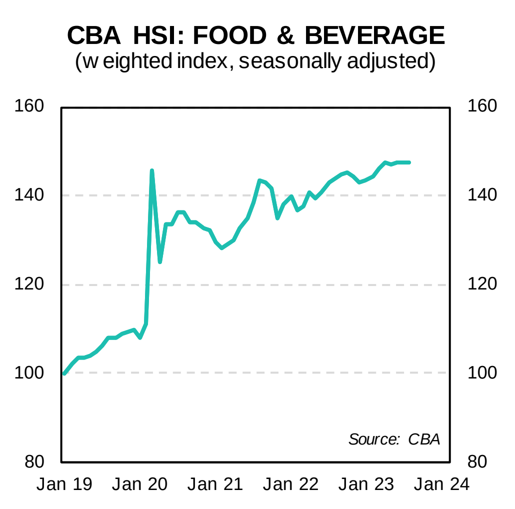


- The CommBank Household Spending Insights (HSI) index rose by 0.7%/mth in seasonally adjusted terms in August 2023, taking the index to 137.0.
- The monthly gain was led by a 2.8%/mth increase in Education spending – which is being driven by the return of international students. Transport spending was up 2.1%/mth, but this reflected a jump in the price of petrol, which was up ~9% in August. More positively, the FIFA Women's World Cup helped drive a 1.9%/mth increase in Recreation spending, including in ticketing agencies and other recreation spending and travel. Spending on Household goods was up 1.7%/mth, after prolonged weakness. This was partly offset by a fall in spending on Hospitality (-2.1%/mth) after two strong months in a row and a decline in spending on Utilities (-0.8%/mth) as the government rebates on electricity bills lower payments and as consumers shift to cheaper plans to save money.
- The annual change in the seasonally adjusted HSI index picked up to 2.3%/yr in August, from a revised 1.9%/yr in July. The last two months of data has shown some resilience compared to the June quarter data and this will be important to watch over coming months. The annual growth still represents a substantial slowdown in the annual pace of growth since the RBA began raising interest rates in May 2022 (8.3%/yr) and the peak annual growth rate of 18.7%/yr in August 2022. The current pace of spending growth of 2.3%/yr is also much lower than the pace of inflation, implying a fall in real terms.
- The largest contributions to the annual increase in the HSI index in August was spending on Recreation and Insurance (both up 0.9%pts), followed by Food & beverage goods (0.5%pts), Communications & digital (0.4%pts) and Health (0.3%pts). This was partly offset by declines in spending on Household services (-0.8%pts), Household goods (-0.5%pts) and Transport (-0.1%pts).

CommBank HSI in detail

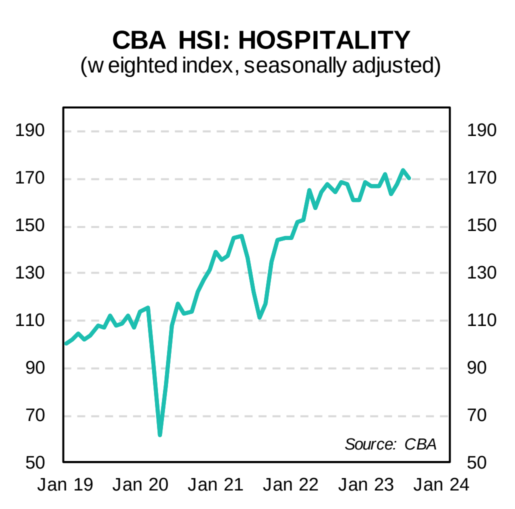
Food & Beverage Goods

- Food & beverage goods spending increased by 0.2%/mth in seasonally adjusted terms in August, following a revised small gain of 0.1%/mth in July.
- The annual rate of increase in Food & beverage spending slowed to 2.8%/yr in August from a revised 3.0%/yr in July.
- The largest contribution to the increase in Food & beverage spending in the year to August was supermarkets, convenience stores, liquor stores, bakeries and butchers.
- This was partly offset by some decreased spending over the year to August on fruit & vegetable stores, food box subscriptions, tobacconists, international cuisine supermarkets and delicatessens.



Hospitality

- Spending on Hospitality declined by -2.1%/mth in August in seasonally adjusted terms, following on from an increase of 3.3%/mth in July.
- The annual rate of increase in Hospitality spending was relatively steady at 3.5%/yr in August, from 3.4%/yr in July.
- The largest contribution to the increase in Hospitality spending in the year to August was fast food outlets, restaurants, food delivery services, takeaway food and pubs & bars.
- This was partly offset by reduced spending on cafes, breweries & wineries, event hire & planning as well as caterers and function & event centres.



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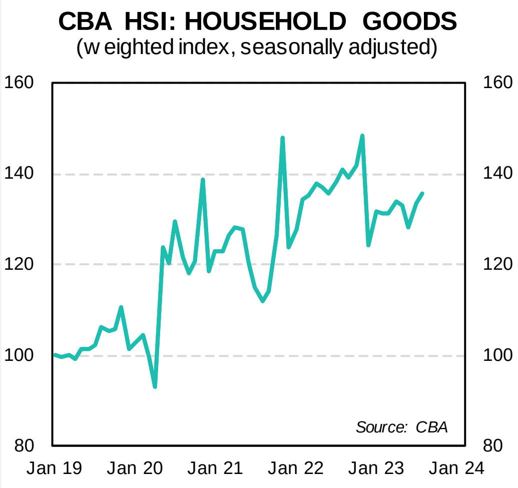
CommBank HSI in detail

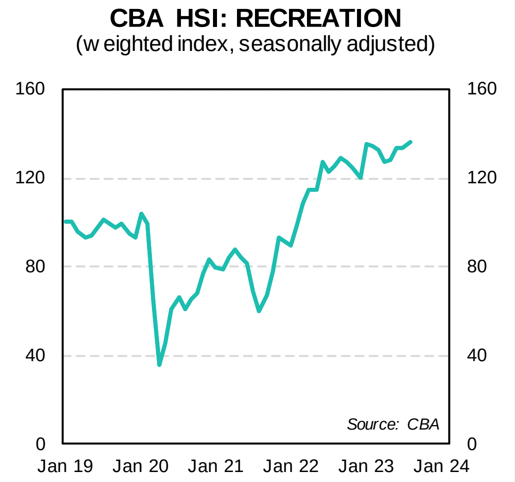
Household Goods

- Household goods spending rose by 1.7%/mth in August in seasonally adjusted terms, following on from a revised gain of 3.9%/mth in July.
- Despite the monthly increase in August, the annual rate of change in Household goods spending was little changed at -3.6%/yr in August from a revised -3.7%/yr in July.
- In the year to August, the largest source of weakness in Household goods was a reduction in spending on furniture stores, household appliance stores, men's & women's clothing stores, luxury boutiques and hardware stores.
- This was partly offset by some higher spending on on-line market places, newsagencies, used & second hand goods stores, discount & variety stores and active wear stores.



Recreation

- Spending on Recreation increased by 1.9%/mth in August in seasonally adjusted terms, following on from a flat result for July. August saw a 70%/mth increase in ticketing services, likely related to a late rush for tickets to the FIFA Women's World Cup.
- The annual rate of increase in Recreation spending was little changed at 8.4%/yr in August from 8.5%/yr in July. At 8.4%/yr, the increase in Recreation spending is one of the strongest areas of household spending over the past year.
- The increase in Recreation spending in the year to August was driven by online travel bookings, ticketing services, commercial airlines, cruise lines and accommodation. This was partly offset by reduced spending on camping stores, book stores, florists, gardening stores & nurseries and ski resorts (likely reflecting the poor snow conditions well before the seasons end).



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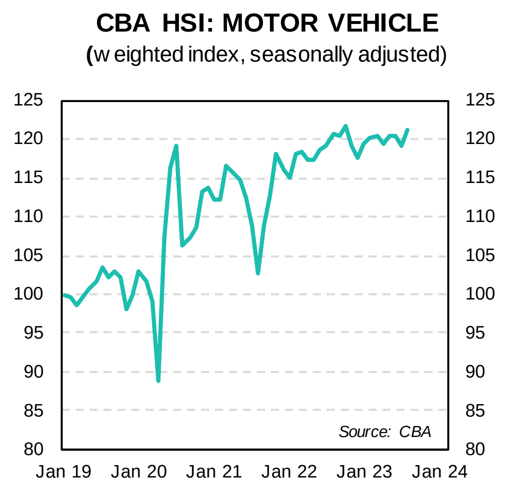
CommBank HSI in detail

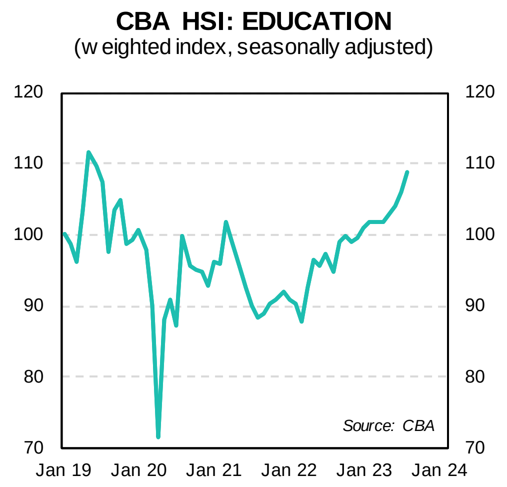
Motor Vehicles

- Motor vehicle spending increased by 1.6%/mth in August in seasonally adjusted terms, following on from a fall of -0.9%/mth in July.
- The annual rate of increase in motor vehicle spending improved modestly to 0.4%/yr in August from just 0.1%/yr in July.
- The largest contribution to the annual increase in motor vehicle spending to August was mechanics, followed by car dealers, smash repairs and windscreen repairs. This was largely offset, however, by reduced spending on motor cycle dealers, motor vehicles accessories, tyre retailers and battery services.



Education

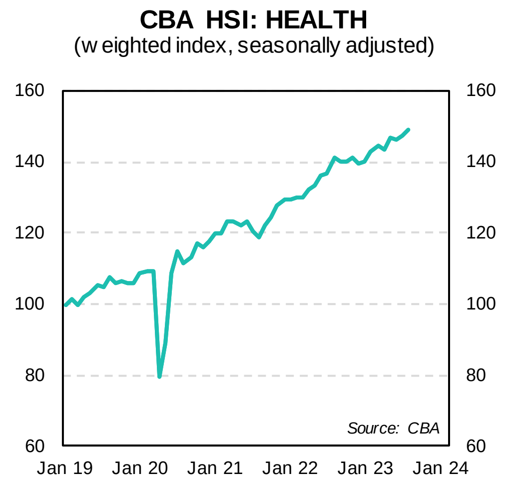
- Spending on Education rose strongly again in August, up 2.8%/mth in seasonally adjusted terms, following a solid 1.9%/mth gain in July.
- The annual rate of increase in spending on Education accelerated further to 14.7%/yr in August from 9.0%/yr in July.
- The largest increase in Education spending in the year to August was for universities, followed by tutoring services, public primary schools, driving schools and language schools. This was only partly offset by reduced spending on private schools (likely related to the time of term payments), public secondary schools, ‘other creative arts’ schools, schools associations and preschool education. Price increases and increased international students are key drivers of recent gains.



CommBank HSI in detail

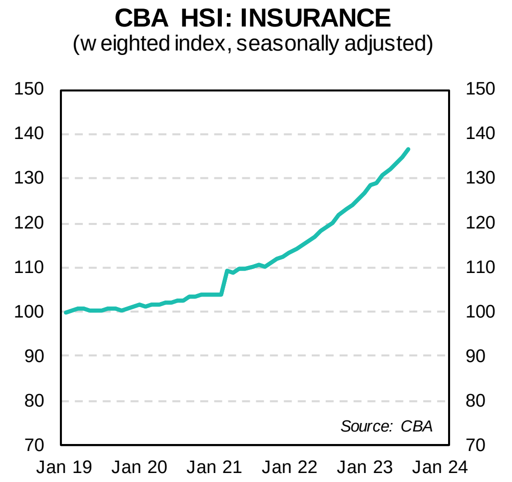
Health

- Spending on Health increased by 1.2%/mth in August in seasonally adjusted terms, following a 0.9%/mth gain in July.
- However, the annual rate of increase in Health spending decelerated to 5.7%/yr in August from 7.9%/yr in July.
- The increase in spending on Health in the year to August was driver by higher spending on GPs, nursing homes & aged care, 'other specialised medical services, pharmacies and dentists. This was partly offset by reduced spending on ophthalmologists, fertility services, urologists, plastic surgeons and dermatologists.



Insurance

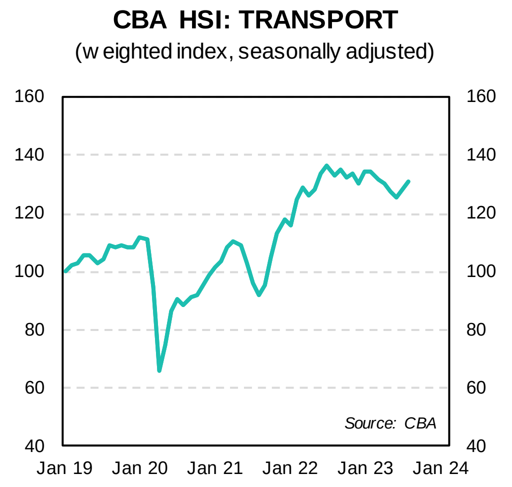
- Spending on Insurance rose by a further 1.2%/mth in August in seasonally adjusted terms, the same monthly increase as in July.
- The annual rate on increase in spending on Insurance accelerated to 13.5%/yr in August (the second fastest pace of increase of all 12 HSI components, just behind Education), up from 13.2%/yr increase in July.
- The largest increases for Insurance spending in the year to August was on home & motor vehicle insurance, health insurance, travel insurance (with higher demand) and pet insurance. This was partly offset by reduced spending on life insurance and landlord insurance. Some insurance premiums are rising, as reflected in the CPI and contributing to the annual increase.



CommBank HSI in detail

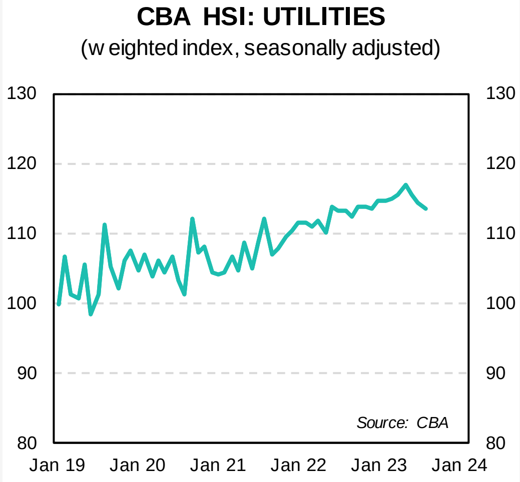
Transport

- Spending on Transport increased by a solid 2.1%/mth in August in seasonally adjusted terms, following on from a 2.0%/mth gain in July. Spending on service stations (ie. impacted by the price of petrol) was up almost 9.5%/mth in August, close to the ~9% lift in petrol prices over the month.
- The annual rate of change in Transport spending improved to -1.4%/yr to August from -6.1%/yr in July.
- The falls in spending on Transport in the year to August were driven by a reduction in spending on motor vehicle rentals, car sharing services, taxis and limousines, motor clubs and removalists. This was partly offset by increased spending on petrol stations, public transport networks, ride sharing services, trains and roads & traffic authorities.



Utilities

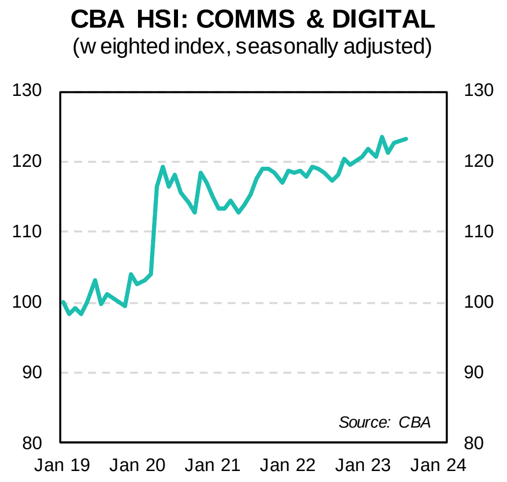
- Spending on Utilities declined by -0.8%/mth in August in seasonally adjusted terms, following a monthly fall of -1.1% in July.
- The annual rate of increase in spending on Utilities slowed significantly to just 0.3%/yr in August from 1.0%/yr in July.
- The increase in Utility spending in the year to August was led by higher spending on local government fees, electricity & gas supplies and strata management fees. This was partly offset by reduced spending on water supplies. The various attempts by governments to lower the price of energy is at work in this sector, as prices (and therefore spending) are lower than they otherwise would have been.
- We expect to see dollars spent on electricity continue to be impacted through the remainder of 2023, as government rebates work through the billing cycle.



CommBank HSI in detail

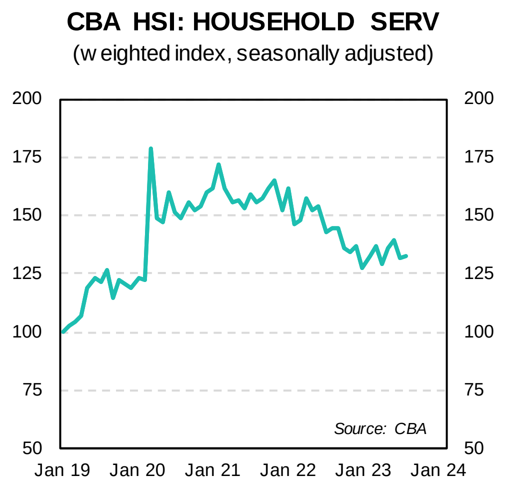
Communication & Digital

- Spending on Communications & digital rose by 0.3%/mth in August in seasonally adjusted terms, following a 0.2%/mth rise in July.
- In the year to August the pace of spending for Communications & digital accelerated to 5.2%/yr from 3.8%/yr in July.
- The largest increases in spending in the year to August was for bundled telecommunications, mobile apps, video streaming services, postal services and computer repairs. This was partly offset by reduced spending on electronic stores, computer stores, mobile service providers, board & electric games stores and mobile phone accessories & repairs.



Household Services

- Spending on Household services rose by 0.5%/mth in August, partly offsetting a sharp -5.5%/mth decline in July on a seasonally adjusted basis.
- Spending on Household services spending was very weak in the year to August, declining by -8.4%/yr, down from -7.9%/yr to July.
- The largest increases in spending on Household services in the year to August was for barbers & hairdressers, ‘other public services’, business & professional organisations, household appliance repair and ‘other charities’.
- This was more than offset by declines in spending on trading platforms, superannuation providers, financial planning, fund managers and beauty salons.



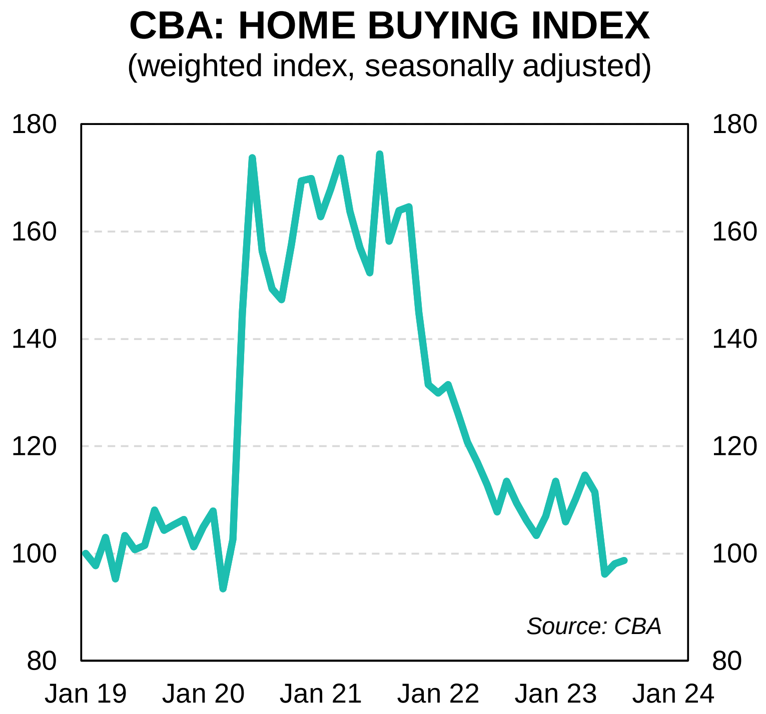
Home buying insights

The CommBank Home Buying index rose by 0.6%/mth in August in seasonally adjusted terms, to 98.7. The increase in August followed a 2.1%/mth gain in July.

On an annual basis, the Home Buying index decelerated to -13.0%/yr in August. This represents a decline from -9.0%/yr in July.

Although there will still be a lagged effect from previous interest rate rises from the RBA, our view that interest rates have peaked in Australia will likely support home buying activity in the months ahead., albeit constrained by a low level of available supply.

Dwelling prices have been moving higher for the past six months and we forecast a total rise of 7%/yr in 2023 and a further 5%/yr gain in 2024.



Home buying insights

98.7

+ 0.6% /month

- 13.0% /year

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HSI Index by State

The strongest state for Household spending, in seasonally adjusted terms, in August was Qld (+1.5%), Tas (1.3%), ACT (1.1%) and NSW (0.9%).

There were more modest increases for WA (0.5%), Vic (0.4%) and NT (0.3%). SA was the only state to see a decline in August (-0.2%).

In the year to August, the strongest state for Household spending remained WA (+4.7%), closely followed by SA (+4.5%).

Annual gains were also seen for Tas (+3.1%), Qld (2.8%), NT (2.6%), ACT (1.9%), and NSW (1.0%).

Vic was the softest state in the year to August with flat spending (0%).

WA

WA remains the strongest state for Household Spending, with a further 0.5%/mth rise in August

+0.5%/month

+4.7%/year

NT

While spending was up 0.3%/mth in August in the NT, the annual rate of increase moderated

+0.3%/month

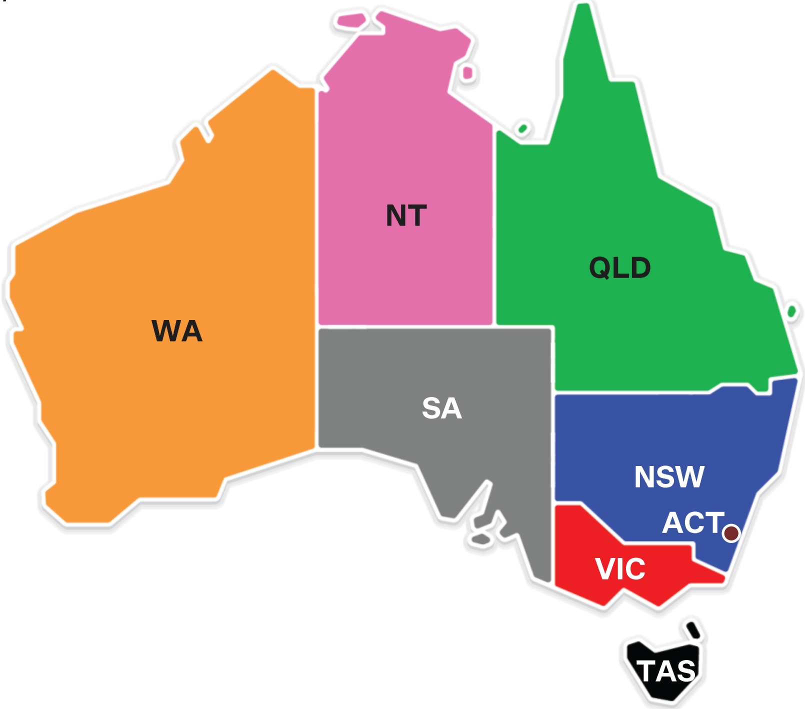
+2.6%/year

QLD

Qld saw the strongest rate of increase for spending in the month of August

+1.5%/month

+2.8%/year



NSW

NSW showed improvement in August, taking the annual rate of growth from a revised 0.3%/yr in July to 1.0%/yr in August

+1.0%/month

+1.0%/year

ACT

The ACT improved in August, but remains one of the softest states/territories over the year

+1.1%/month

+1.9%/year

SA

SA showed a small decline in August, but remains the second strongest state year to August

-0.2%/month

+4.5%/year

TAS

Tas showed further solid gains in both August and the year to August

+1.3%/month

+3.1%/year

VIC

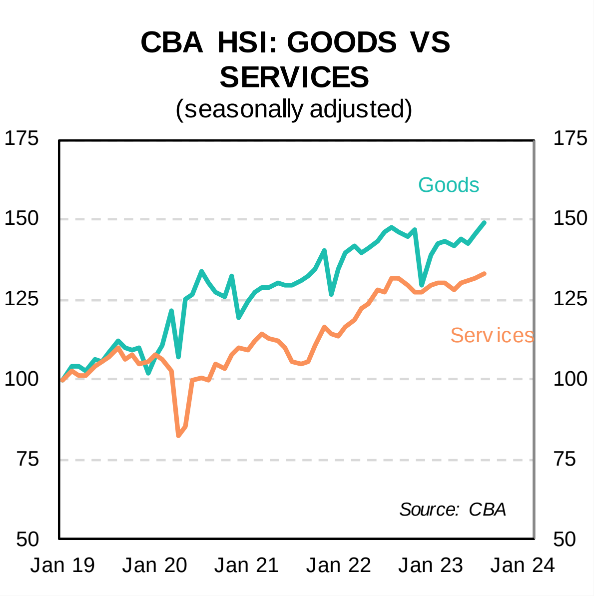
Despite a small gain in August, Vic is the weakest state for household spending in the year to August

+0.4%/month

0.0%/year

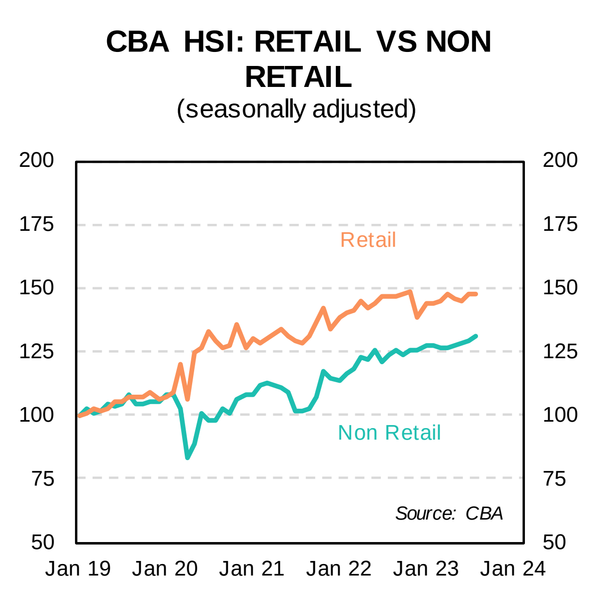
Goods v Services

- Goods spending rose by 2.4%/mth in August in seasonally adjusted terms, following a 2.1%/mth rise in July.
- Services spending was up a more modest 1.0%/mth in August in seasonally adjusted terms, after a 0.6%/mth gain in July.
- In annual terms, Services spending is up 1.2%/yr to August, while Goods spending is up 1.0%/yr.



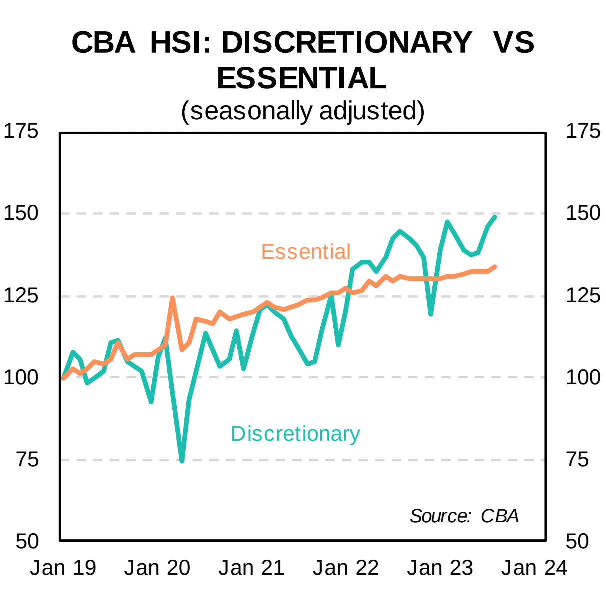
Retail v Non-Retail

- Retail spending rose by just 0.2%/mth in August in seasonally adjusted terms, after a solid 1.7%/mth rise in July.
- Non-retail spending was, in contrast, stronger at up 1.9%/mth in August after a 0.6%/mth rise in July.
- On an annual basis, Retail spending was up 0.9%/yr in August, with Non-retail spending up a strong 5.8%/yr.



Essential v Discretionary

- Spending on Essential goods & services rose by 1.2%/mth in August, after rising by 0.2%/mth in July.
- Spending on Discretionary items was up 1.6%/mth in August, following a strong 6.1%/mth gain in July.
- On an annual basis, spending on Essentials was up 2.5%/yr, while spending on Discretionary was up 3.0%/yr.



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CommBank HSI Categories

Home buying	• CBA Home loan applications for owner occupiers and investors (excludes refinances, renovations, or other purposes),			
Food & beverage	• Alcoholic beverages from package stores.	• Food and non-alcoholic beverages, including; supermarkets, grocery stores, dairy product stores.		
Household goods	• Clothing and footwear, including; men, women, children, uniforms, footwear, repairs/alterations and cleaning/laundry services. • Pet shops, pet foods, and supplies. • Florist supplies, nursery stock, and flowers.	• Cosmetic stores. • Electric razor stores. • Antique shops. • Books and newspapers. • Camera and photographic supply stores. • Electronic stores.	• Jewellery, watch, clock, and silverware stores. • Luggage and leather goods stores. • School, stationery and office supply stores. • Personal care stores. • General retail, including; department stores, duty free and second hand stores. • Tobacco products.	• Household furnishings and equipment, including; electrical equipment & appliances, furniture, floor coverings, glass, paint/wallpaper, hardware & tools, lumber & building supplies, nurseries, plumbing/heating equipment.
Motor vehicles	• Car and truck dealers (new and used) - sales, service, repairs, parts and leasing.	• Automotive body repair, parts and paint shops	• Motorcycle shops and dealers.	• Automotive service and tyre shops.
Recreation	• Amusement Parks, circuses & carnivals. • Aquariums. • Art dealers and galleries. • Boat dealers, rentals and leasing. • Book stores. • Bowling alleys. • Caterers • Commercial photography, art and graphics	• Dance halls, studios and schools. • Hobby, toy and game stores. • Airlines and air carriers. • Airports and airport terminals. • Bus lines • Camper, recreational and utility trailer dealers. • Motion picture theatres. • Music and record stores.	• Hotels, motels and resorts. • Motor home and RV rentals. • Trailer park and camp grounds. • Package tour operators. • Travel agencies and tour operators. • Sport and Recreation camps. • Cruise lines. • Video game arcades and establishments • Theatrical producers (except motion pictures) and ticket agencies.	• Tourist attractions and exhibits. • Bicycle shops – sales and service. • Commercial and professional sports clubs. • Sport, recreation and athletic club membership. • Public & private golf courses. • Sporting goods stores. • Marinas, marine service and supplies.

CommBank HSI Categories

Hospitality	• Drinking places – bars, nightclubs, cocktail lounges etc.	• Fast food restaurants.	• Eating places and restaurants.	
Education	• Colleges, universities and professional schools.	• Primary and secondary schools. • Schools and educational services.	• Trade and vocational Schools. • Correspondence schools.	• Business and secretarial schools.
Health	• Ambulance services. • Osteopaths, podiatrists and chiropractors.	• Health and beauty spas. • Hospitals. • Medical labs.	• Nursing and personal care facilities. • Opticians and eyeglasses. • Dentists and orthodontists.	• Doctors and Physicians. • Pharmacies.
Insurance	• Direct marketing – insurance services.	• Insurance sales, underwriting and premiums.		
Transport	• Automotive fuels and service stations. • Automotive associations. • Automobile rental agencies.	• Car washes. • Motor freight carriers and trucking - local and long distance, moving and storage companies and local delivery.	• Passenger railways. • Taxicabs and limousines. • Toll and bridge fees.	• Parking lots and garages • Towing services.
Communications and digital	• Cable and other pay television services. • Computer network/information services.	• Digital goods: Applications – books, movies, music & games. • Telecommunication services, including local and long distance calls.	• Telecommunications equipment and telephone sales. • Video amusement game supplies.	• Computers, computer equipment and software.
Utilities	• Water	• Electricity	• Gas	
Household services	• Architectural, engineering, carpentry and surveying services. • Beauty and barber shops. • Cleaning services. • Charitable and social service organisations.	• Child care services. • Concrete work contractors. • Electrical contractors. • Funeral services and crematories.	• Heating, plumbing, and air conditioning contractors. • Landscaping and horticultural services. • Masonry, stonework, tile setting, plastering and insulation contractors.	• Swimming pools--sales, supplies and service. • Veterinary services. • Roofing contractors.

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