



# CommBank iQ

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## Cost of Living Insights Report

May 2023

## Be wary of averages

Australians are responding to cost of living pressures in different ways.

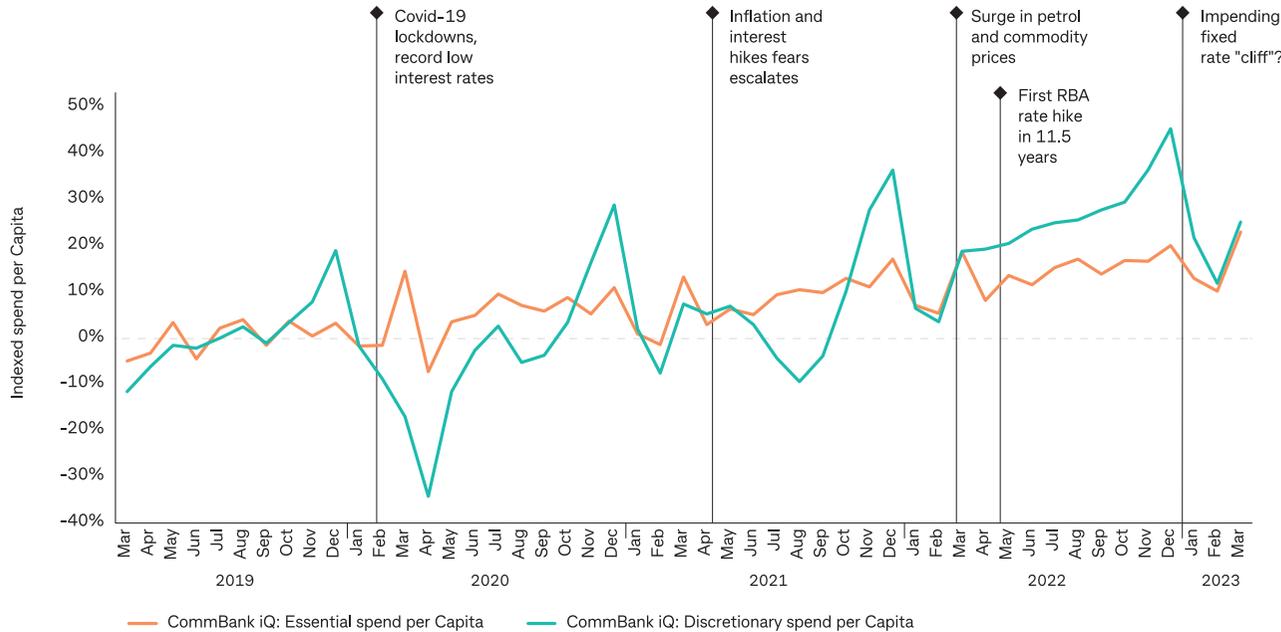
Most economic data is based on national averages – yet businesses serve real people who face unique pressures and make individual choices. Using data from 7 million people<sup>1</sup>, scaled to represent the Australian population, CommBank iQ analyses how your customers are responding to cost of living pressures right now and shows why the decisions you make now are so important.

<sup>1</sup> All data in this report is sourced from CommBank iQ as at 2 May 2023, and represent actual dollar spending unless otherwise stated.



Figure 1: Tracking essential and discretionary spending March 2019 to March 2023

## Reflecting on 2019 to 2023



Indexed to average of March 2019 to Feb 2020

Over the past 18 months, Australians have been coping with inflation, interest rate rises and rent hikes. But putting their expenditure under the microscope shows they're responding to these changes in diverse and sometimes unexpected ways.

Discretionary expenditure grew sharply over 2022 on a per capita basis, according to data from CommBank iQ. And it has continued to grow over the first few months of 2023, but at a much slower rate, as Figure 1 shows.

In contrast, the amount Australians are spending on essential items is barely growing in line with inflation. It seems counter-intuitive that at a time of increased cost of living pressures, consumers are choosing to boost their discretionary spending.

<sup>1</sup> All data in this report is sourced from CommBank iQ as at 2 May 2023, and represent actual dollar spending unless otherwise stated.

Head of Innovation and Analytics at CommBank iQ, Wade Tubman, casts some light on the data.

*“What we’re seeing is a COVID rebound effect; a continued desire even as late as March 2023 for consumers to catch up on the experiences that they missed out on during COVID”*

In the first calendar quarter of 2023, Australians spent 39% more on travel and accommodation than they did during the same period in 2022. Eating out and food delivery is also up, by 8.5%, which is still an overall increase when taking into account the national average inflation of 7% over the same period. Some customers are drawing down on savings buffers they accumulated during COVID-19. For others, they are choosing to be frugal in some areas so they can continue to prioritise experiences.



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**+39%**

more on travel and accommodation



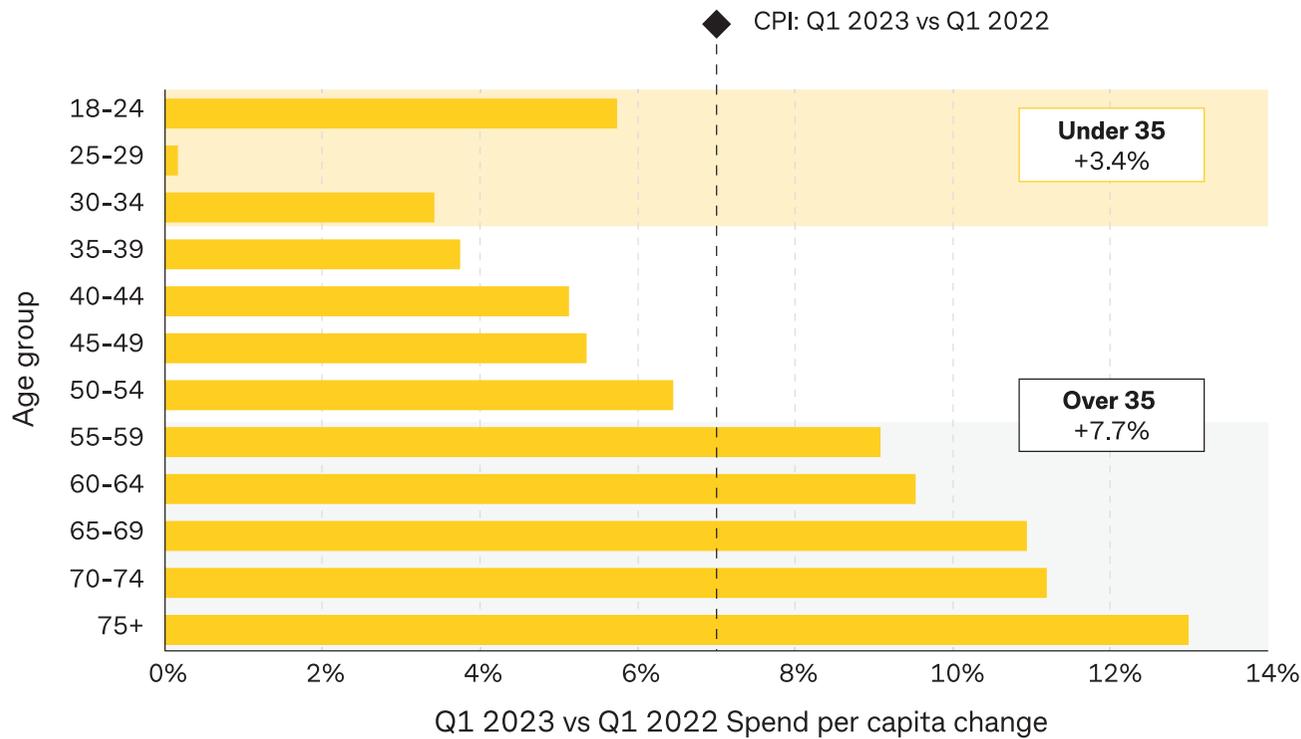
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**+8.5%**

Increase in eating out & food delivery



Figure 3: Year-on-year spending changes by age



# Customers under age 35 cut expenditure as older customers increase consumption

In grouping CommBank’s customer data by age, Figure 3 shows that while older Australians are increasing their expenditure, younger customers are cutting back.

Notably, Australians aged 18 to 24 have sustained their spending in real terms. With many in this age group still living with their parents, they have a lower exposure to rent and mortgage interest rate pressures. The next age group is a different story. As Australians aged 25 to 29 move out and establish their lives with rent and home ownership, they make the largest reductions in expenditure compared with other age groups.

There are also differences in what younger and older consumers are buying. Figure 4 shows some category examples: those under age 35 spent 8.4% less on apparel during the first calendar quarter of 2023 than over the same period in 2022. In contrast, those aged over 35 spent 3.1% more.

Figure 4: Category spend varies sharply by age

Key drivers	Category spend varies sharply by age	
	Under 35s	Over 35s
Apparel Incl: clothing, shoes and accessories	-8.4%	+3.1%
Eating Out Incl: cafes, restaurants and takeaway	+7.1%	+18%
Retail Services Incl: hair, beauty and optometrists	-0.6%	+9.7%

# Cost of living pressure likely to keep increasing in the second half of 2023

When interest rates started to rise in 2022, CommBank iQ's Cost of Living Pressure Score showed an immediate increase (Figure 5). It then eased as spending surged in the lead up to Christmas.

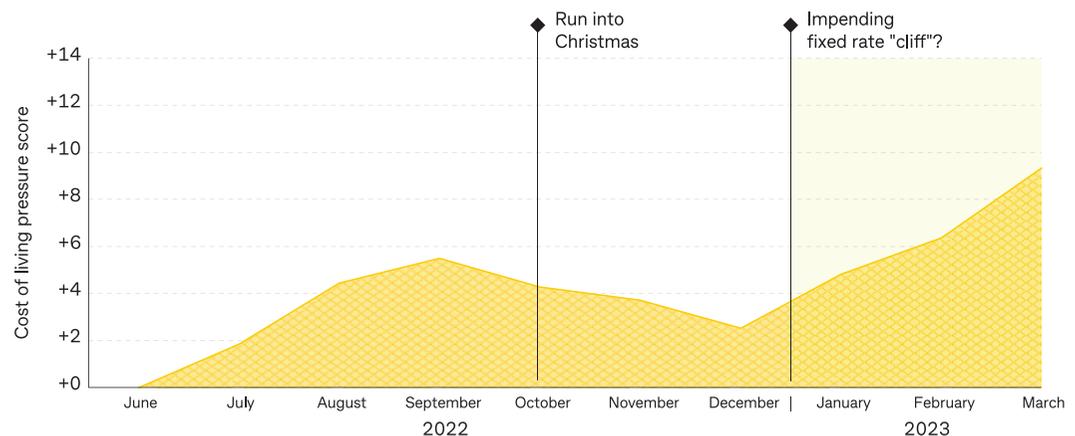
*“The cost of living pressure score has started to rapidly pick up since Christmas and certainly the trends are that financial pressure will continue to rise. The Reserve Bank’s decision to increase the cash rate by 0.25% to 3.85% on 2 May will add to these pressures,”* Tubman says.

Looking ahead, the lagged effect of higher interest rates and mortgage costs is expected to further increase cost of living pressures and soften consumer demand.

<sup>2</sup>CommBank iQ's IP and algorithm for measuring cost of living pressure is based on the relative change in discretionary spend at an individual level for over 7million de-identified Australians



Figure 5: Cost of living pressure is steadily rising



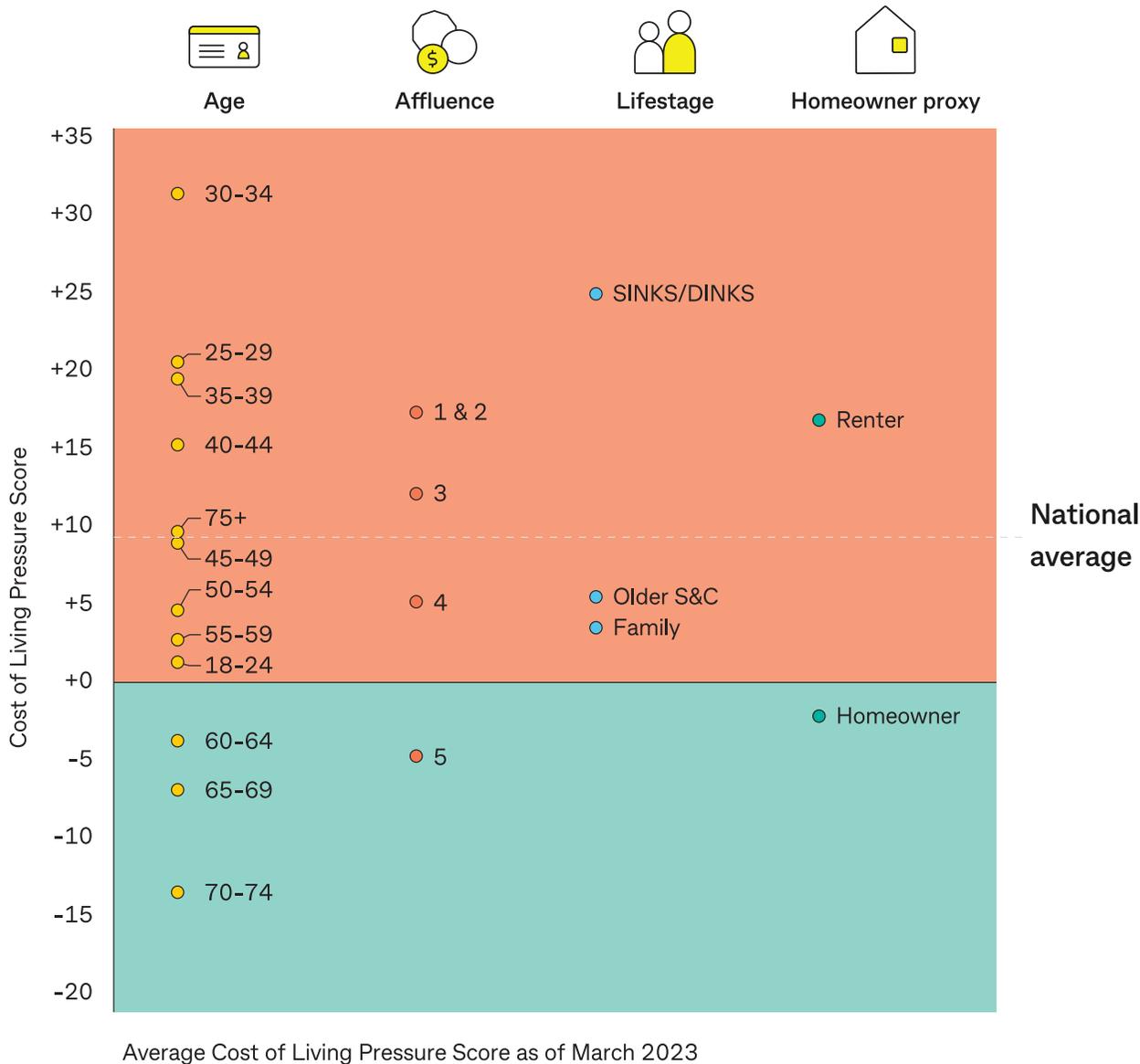
## CommBank iQ's Cost of Living Pressure Score

Looking only at an individual's age, income or affluence isn't enough to determine whether they're experiencing cost of living pressures. There are multiple dimensions that drive an individual's decision to change their spending behaviour. CommBank iQ's cost of living pressure score focuses on outcomes observed in their total spend and discretionary spend.

The score is determined based on the relative change in discretionary spend at an individual level using de-identified data<sup>2</sup>. It can then be looked at across population segments to consider and better understand how individuals are feeling the pinch across age, life stage, affluence, homeowner status and location.

The larger the cost of living pressure score, the greater the pressure on consumers.

Figure 6: Cost of Living Pressure Score by demographic cohort



## Renters and Australians aged 30 to 34 feel the greatest pain

Using more granular data, the cost of living pressure score varies across age, lifestage, affluence and home ownership. While most groups have experienced some pressure, people aged 30 to 34 are experiencing the greatest pain – generating the highest cost of living pressure score.

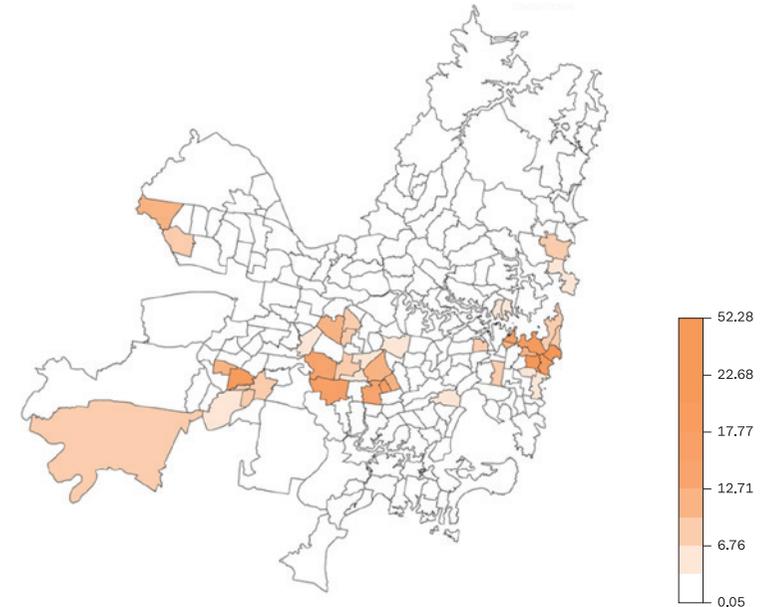
Renters are also feeling significant pressure. This is consistent with the age demographic and life stage analysis. On the other hand, homeowners, as a group, are feeling less pressure than other Australians. While we know recent interest rate increases will be placing a lot of pressure on some mortgage holders, our view of homeowners picks up all homeowners. Half of all homeowners are mortgage-free and a third of those with a mortgage have savings buffers of two years or more.

# Sydney's inner city, east and south west under increased financial pressure

Applying the cost of living score to Sydney postcodes, the areas that are experiencing the highest level of pressure are the outer south west, the inner city and eastern suburbs (Figure 7). The concentration of younger people and renters in the inner city and eastern suburbs is fuelling the cost of living pressures in those areas. In the nine months from June 2022 to March 2023, more Sydney postcodes are showing higher cost of living scores.

Figure 7: Sydney postcodes under the greatest pressure

2022 June



VS

2023 March

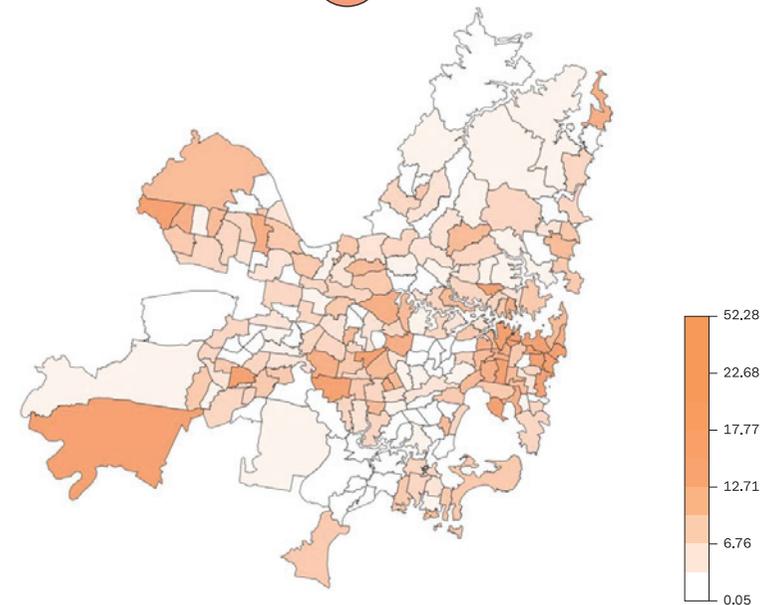
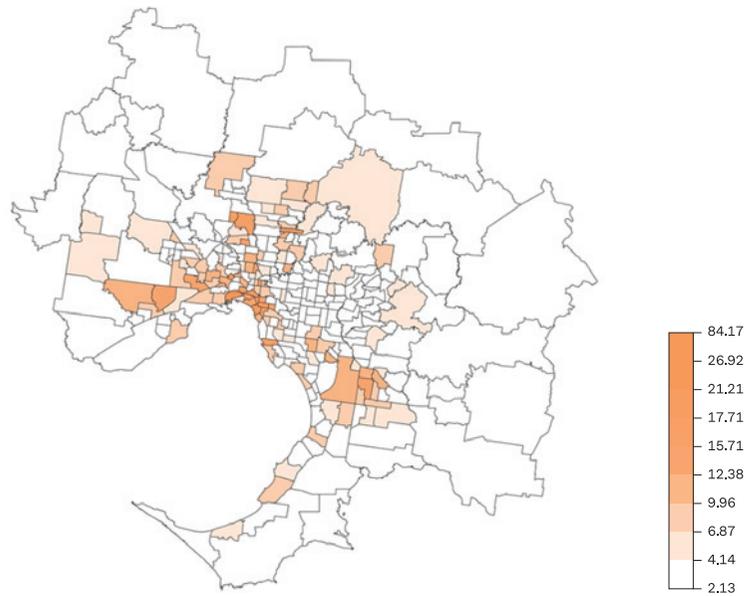


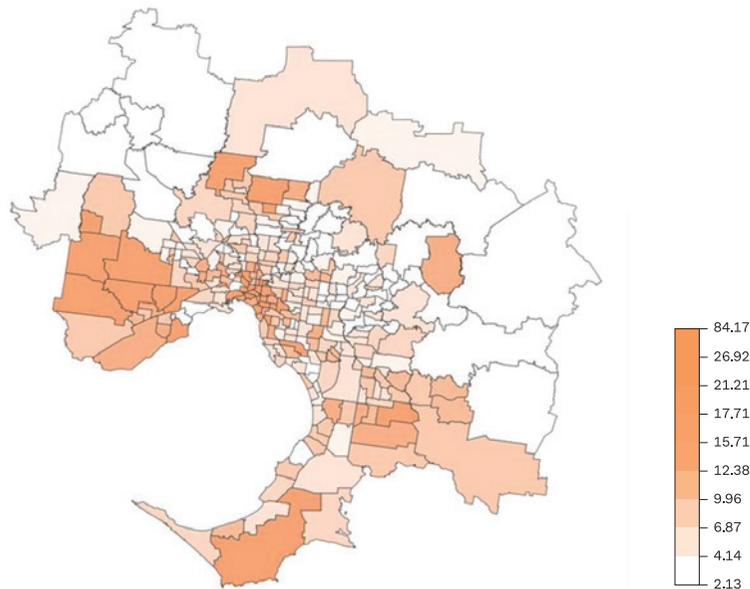
Figure 8: Melbourne postcodes under the greatest pressure

2022 June



VS

2023 March



## Melbourne's inner and outer suburbs experiencing greatest cost of living pressure

Greater Melbourne as a whole has experienced increased cost of living pressures as shown by the increase in the red regions between June 2022 and March 2023 (Figure 8). Inner Melbourne, west and south east regions felt this pressure earliest.

The March 2023 data also shows clear differences between suburb lines. Inner Melbourne and outer areas such as Werribee, Melton and Cranborne are experiencing some of the highest pressure.

## Want to know more?

When you understand the drivers of your customers' behaviour you can measure your organisation's performance versus the broader market with much greater accuracy. What's more, your geographic and segment-based initiatives can be benchmarked with greater precision. **Contact CommBank iQ** to learn more about how your business can unlock maximum value from up-to-date analysis of customer behaviour and market movements.



# Our Capabilities

## Bring CommBank iQ intelligence to your decisions.

We combine a deep and rich view of Australians with 20+ years of analytics excellence to help leading organisations unlock maximum value using data insights.

At **CommBank iQ**, we help you make truly customer-led decisions, and step-change your growth, through:



### 360° customer view

Make smarter decisions with comprehensive up-to-date analysis of customer behaviour and market movements.

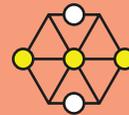
- ✓ 7 million customers
- ✓ 365+ spend categories
- ✓ 200k+ brands



### Real behaviour

Leverage the dataset of Australia's largest bank, weighted to reflect the actual behaviour of the Australian population.

- ✓ Real data, not surveyed
- ✓ 2021 Census weighted
- ✓ Reviewed, cross-referenced and triangulated



### Deep, multi-sector intelligence

Access customised industry solutions founded on 20+ years' experience unlocking transformational value from banking data.

- ✓ Industry experts
- ✓ Leading analytical capability
- ✓ Focused on delivering ROI



### Powerful products

Accelerate your decision-making based on automated insights with products and tools designed to solve your challenges.

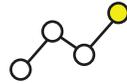
- ✓ Self-serve insights
- ✓ Enable direct data ingestion
- ✓ Access to the latest insights

# Our solutions



## Customer intelligence

Understand why your customers buy from you, where you fit in their broader lives, and predict their future needs.



## Market intelligence

Benchmark against curated competitor cohorts and identify product, category, and location-based growth opportunities.



## Geospatial intelligence

Interrogate current consumer insights on a national, state or local catchment level by mapping where customers live, work and spend.



## Decision intelligence

Step-change your decision insight, accuracy and efficiency through advanced analytics and predictive data.





# CommBank iQ

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