

Household Spending Intentions

8 February 2022



Household Spending Intentions – Jan 2022

Welcome to the fourth edition of our new CommBank Household Spending Intentions (HSI) Index. To create the HSI Index we combine CBA internally generated transaction and lending data with publically available Google search terms to provide a view not only on what Australians were spending money on, but also what they intend to spend money on.

The HSI series now covers 12 spending categories– covering almost all consumer spending. The major enhancement is the introduction of the HSI Index – a single data point that represents the weighted change in the 12 individual spending categories. Significantly, changes in the HSI Index are well correlated with the annual change in National Accounts household final consumption data and we think this series will, in time, become an important data set for the Australian economy, financial markets and policy makers. Please refer to the HSI hub at www.commbank.com.au/HSI for further details.

For January 2022 the highlights of the HSI Index include:

- The HSI Index dropped 10%/mth in January 2022, to 103.8. Retail, Entertainment and Household services led the declines. Both seasonal factors and the impact on economic activity of the Omicron variant are at play here. On an annual basis the HSI Index is up 1.4%/yr.
- The Insurance costs index was little changed in January and is up a modest 3.5%/yr.
- The Utilities index is little changed in January and over the year.
- The Education index was down -1%/mth in January and is up 3%/yr.
- The Communications & digital index is down a marginal -2.6%/mth in January and slightly lower on the year.
- The Health & fitness index was down a modest -3.3%/mth in January, but is up a solid 9.4%/yr.
- The Motor vehicle index was down -5.1%/mth in January, with supply-side constraints likely still impacting.
- The Travel index was down -10%/mth in January, but this followed a sharp +25.1%/mth rise in Dec 21 and the index is up a solid 14.9%/yr.
- The Transport index is down -11.6%/mth in January, but this follows the previous strong recovery, leaving the index up close to 22%/yr.
- The Home Buying index dropped by -13.8%/mth in January. January is generally a weaker month for home loan applications, while Google searches related to real estate and property inspections were lower.
- The Household services index was down a sharp -14.4%/mth in January, after previous strong gains. The fall in January likely relates to seasonal factors and a reluctance to have home visitors due to Omicron.
- The Entertainment index declined by a sharp -20.8%/mth in January. This is larger than the average January decline and likely reflects the impact of Omicron.
- The Retail index declined by -20.9%/mth in January, impacted by seasonal factors and Omicron. It is worth noting that the fall in January 2022 was lower than the average January declines since 2017.

CommBank HSI Index

January 2022

103.8

-10.0% / mth ↓

+1.4% / yr ↑

The 10% decline in the HSI Index in January 2022 was driven by falls in Retail, Entertainment and Household services, with seasonal factors and the impact of the Omicron variant on activity key factors.

Spending Category	Mthly change %	Yr change %
Insurance costs	+0.1% ↑	+3.5% ↑
Utilities	-0.1% →	+1.1% ↑
Education	-1.0% ↓	+3.0% ↑
Communications & Digital Streaming	-2.6% ↓	-2.4% ↓
Health & Fitness	-3.3% ↓	+9.4% ↑
Motor Vehicle	-5.1% ↓	+23.9% ↑
Travel	-10.0% ↓	+14.9% ↑
Transport	-11.6% ↓	+21.9% ↑
Home Buying	-13.8% ↓	-27.3% ↓
Household Services	-14.4% ↓	+3.8% ↑
Entertainment	-20.8% ↓	-18.0% ↓
Retail	-20.9% ↓	+4.4% ↑



HSI Dashboard

CBA HSI: INDEX

(weighted index = 100 July 2017)



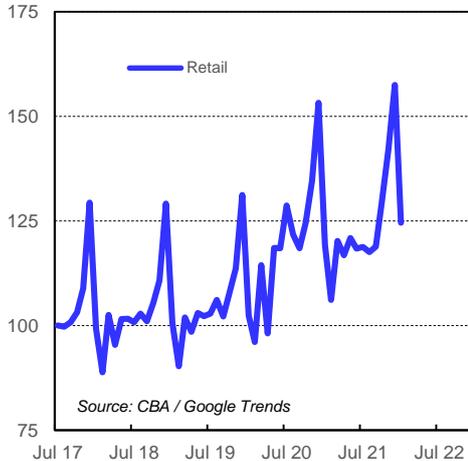
CBA HSI: HOME BUYING

(weighted index)



CBA HSI: RETAIL

(weighted index)



HSI Index

- The CommBank HSI Index dropped 10%/mth in January 2022, to 103.8. Retail, Entertainment and Household services led the declines. Larger falls were also seen for Home buying, Transport and Travel.
- The 10%/mth decline in January 2022 is a little larger than the average January decline since the HSI Index began in 2017, suggesting that both seasonal factors and the impact on economic activity of the Omicron variant were at play this month.
- At 103.8 the HSI index is now back down to levels close to September 2021, as the Australian economy was (at least on the east coast) heavily impacted by the Delta lockdowns.
- On an annual basis the HSI Index is up 1.4%/yr. This supports our view that the economy continues to recover from the worst of the Covid-related slowdown.
- Our high frequency credit & debit card data shows improvement in consumer spending into early February and we continue to expect the Australian economy to grow by close to 5%/yr in 2022.

Home buying intentions index

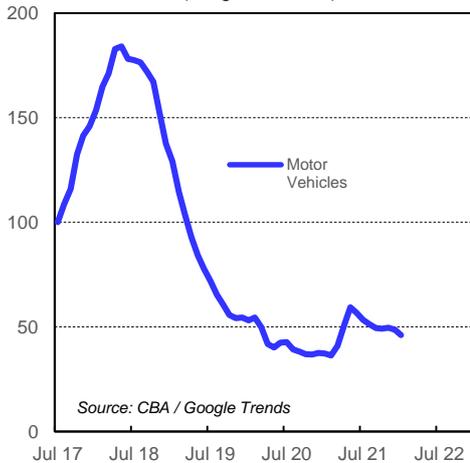
- The Home buying spending intentions index dropped by a further -13.8%/mth in January 2022, and is now -27.3%/yr lower on the year. January is generally a seasonally weak month each year for home loan applications.
- This January seasonal affect looks to have been compounded by the impact of Omicron. Rising infections and some cautiousness on visiting properties is likely behind a substantial decline in Google searches for real estate, property inspections and appraisals compared to previous January's.
- As noted in December, adding to the seasonal fall is some moderation in the housing market. With some increases in fixed rate mortgage rates and the very sharp increase in dwelling prices through 2021, the monthly increase in dwelling prices has started to moderate. This supports our view that after rising by 22%/yr in 2021, dwelling prices are expected to be up a more modest 7%/yr in 2022 before adjusting downwards by a forecast -10%/yr in 2023. The risk is to the downside to our forecasts in 2022 given the earlier rate hike now expected by the RBA (August 2022 from November 2022).

Retail spending intentions index

- The Retail index declined by -20.9%/mth in January 2022, but this followed a number of months of improvement and is largely related to seasonal factors – leaving the annual rate still positive at +4.4%/yr, supporting our view that the consumer led recovery remains intact.
- Interestingly, the -20.9%/mth decline in January 2022, was smaller than the average January decline since 2017, suggesting that the impact of Omicron was less significant as could have been expected. The impact generally has been felt more on services, which is picked up in the Entertainment category rather than goods which are included in Retail.
- Gains on the year to January 2022 were driven by: department stores, electronic stores, hardware, pet shops, women's accessories, florists and, very interestingly, gifts & souvenirs, duty free (off a very low base) and tailors & alterations.
- These were offset to some extent by weaker spending on: packaged alcohol, discount & variety stores (which could relate to supply-side constraints) camera & photographic supplies, art supplies, stationary and antique shops.



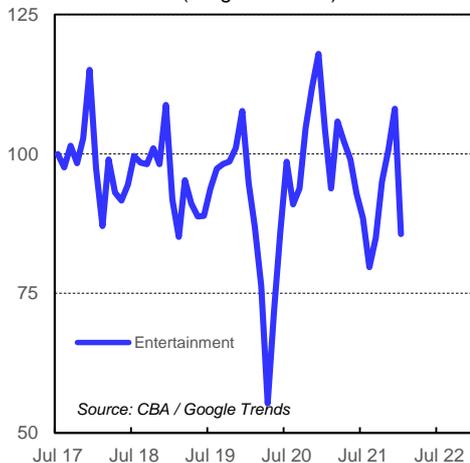
CBA HSI: MOTOR VEHICLES
(weighted index)



Motor vehicle spending intentions index

- The Motor Vehicle spending intentions index was down by -5.1%/mth in January 2022, with falls in seven out of the eight past months.
- The falls reflected a much lower dollar value of motor vehicles purchased (with seasonal factors also likely at play), partly offset by a small increase in the number of loan applications for vehicles on the month. Google searches for motor vehicles were marginally higher in January.
- On an annual basis, motor vehicles spending intentions are still up a solid 23.9%/yr, but the annual gain remains elevated at this stage due to a strong first half of 2021 which will soon fall out of the annual calculation.
- Supply issues have been at play in this sector and are likely impacting the monthly numbers.

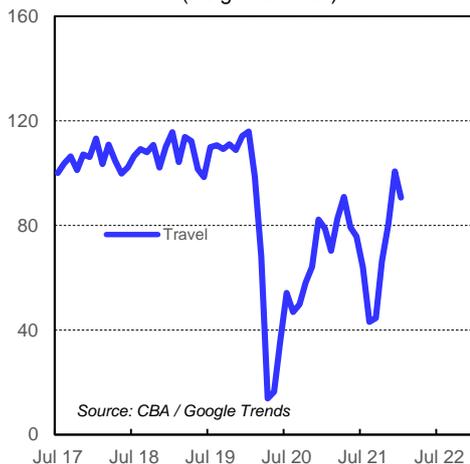
CBA HSI: ENTERTAINMENT
(weighted index)



Entertainment spending intentions index

- The Entertainment index declined by a sharp -20.8%/mth in January. This fall comes after a number of months of improvement and represented a larger January fall than on average since 2017. In addition, the Entertainment index was down -18%/yr relative to January 2021.
- This suggests that the spread of the Omicron variant had a noticeable impact on entertainment spending over the month.
- Relative to January 2021, spending in January this year was higher for: live theatre, record stores, movie theatres and aquariums.
- This was more than offset by annual declines in spending on: drinking places (ie. bars, nightclubs, cocktail lounge which have restrictions in place in many states & territories due to the Omicron wave), music stores, amusement parks, bowling alleys, art galleries, boat dealers and mobile home dealers.

CBA HSI: TRAVEL
(weighted index)

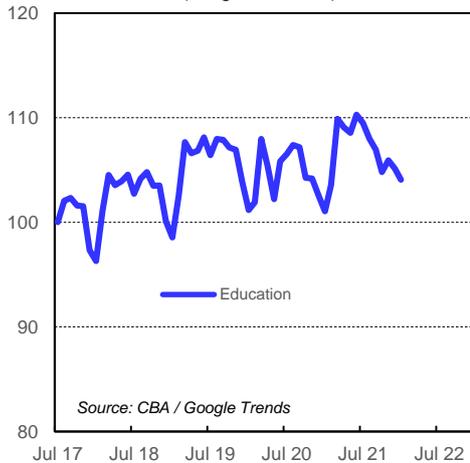


Travel spending intentions index

- The Travel index was down -10%/mth in January 2022, but this followed a sharp +25.1%/mth rise in December 2021. In addition, as can be seen in the chart opposite, the index continues to show a solid recovery from the lows of 2021 and is up a solid 14.9%/yr.
- On an annual basis, ie. relative to January 2021, there were increases in Travel spending in January 2022 across all categories, including most noticeably for: travel agents (off a low base), airlines, motor home & RV rentals, cruise ships (off a very low base), bus lines and airports.
- It is worth noting, however, that relative to January 2019, ie. pre-Covid, travel spending is down, especially for: travel agents, airlines, cruise ships, bus lines and airports.



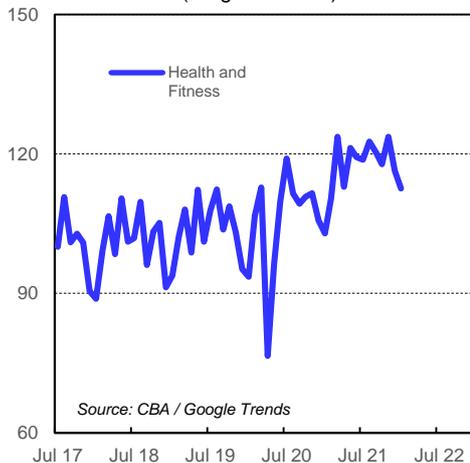
CBA HSI: EDUCATION
(weighted index)



Education spending intentions index

- The Education index was down a marginal -1%/mth in January 2022 and is now up a modest 3%/yr. Softness was seen in both actual spending and Google searches related to Education.
- January is a seasonally soft month for Education spending and, noticeably, the decline in January 2022 was less severe than the January average since 2017.
- As was the case in December 2021, there was falls in all Education spending categories in January 2022, except for school and educational services. These declines were seen for colleges & universities, primary & secondary schools, trade & vocational schools, business & secretarial schools and correspondence schools.

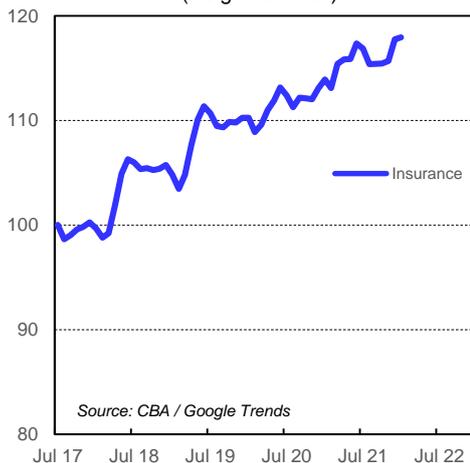
CBA HSI: HEALTH & FITNESS
(weighted index)



Health & fitness spending intentions index

- The Health & fitness index was down a modest -3.3%/mth in January 2022, but is up a solid 9.4%/yr.
- In January 2022 there was a decline in both the number and value of transactions related to Health & fitness, but an increase in Google searches related to health and medical services.
- Relative to January 2021, January 2022 saw increases in spending on: pharmacies (likely driven by rapid antigen tests and medication to aid coronavirus infections), professional sports, opticians and osteopaths.
- This was partly offset by declines in spending in January this year relative to last year on: sports clubs, dentists, hospitals (that's a good thing), ambulances (also a good thing) and medical labs.

CBA HSI: INSURANCE
(weighted index)

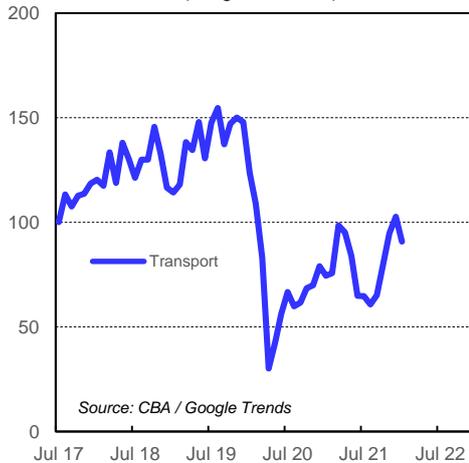


Insurance spending intentions index

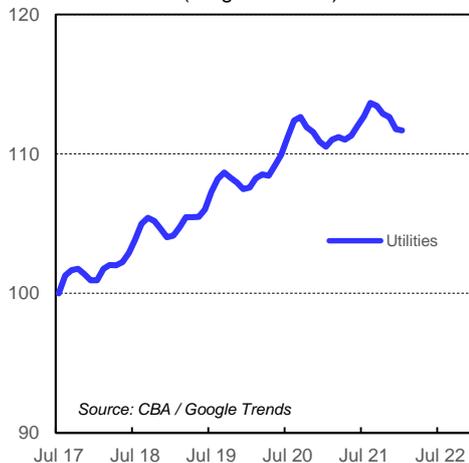
- The Insurance costs index was little changed in January 2022 (+0.1%/mth) and is up a modest 3.5%/yr. Both actual spending on insurance and Google searches related to insurance were little changed in January 2022.
- Spending intentions in this sector have shown some volatility during the COVID-19 period, with the slight downward trend evident during the Delta lockdowns now seemingly passed.



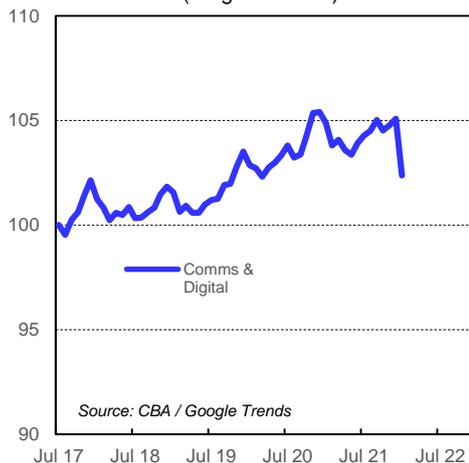
CBA HSI: TRANSPORT
(weighted index)



CBA HSI: UTILITIES
(weighted index)



CBA HSI: COMMS & DIGITAL
(weighted index)



Transport spending intentions index

- The Transport index is down -11.6%/mth in January 2022, but this follows the previous strong recovery, leaving the index up close to 22%/yr. Both the number and value of Transport related transactions were lower in January 2022. Google searches related to bus & rail were also softer on the month (with the push back to work from home and the summer holiday season), while searches related to ride-sharing were unchanged.
- Relative to January 2021, increases in spending in January 2022 were seen for: service stations & fuel dispensing (ie. likely reflecting the higher price of oil/petrol), car washes, trucking & freight carriers, truck & ute rentals and towing services.
- This was partly offset by softer spending for: local & suburban commuter transport, including passenger rail and ferries, auto repairs and car rentals.

Utilities spending intentions index

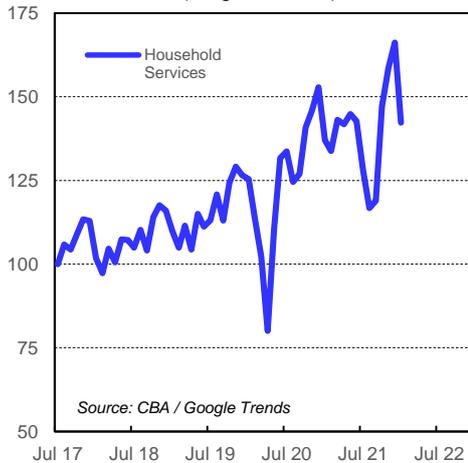
- The Utilities index was little changed in January 2022 at -0.1%/mth and is only marginally higher at +1.1%/yr.
- The number of transactions was little changed in January 2022, with the value lower on the month. Google searches related to oil & gas were a touch softer on the month, while Google searches related to renewable & alternative energies were marginally higher.

Communications & digital spending intentions index

- The Communications & digital index is down a marginal -2.6%/mth in January 2022 and is slightly lower at -2.4%/yr.
- Both the number and value of transactions for Communications & digital were down on the month in January 2022. Google searches related to consumer electrics were marginally lower, search for communications equipment were unchanged, mobile accessories were a touch higher and web services searches were up solidly.
- Relative to January 2021, January 2022 saw spending increases for: computer software stores, computer network services, pay TV services, digital games, books, music and Apps. This is a structural shift but could also reflect the large number of people isolating over the month.
- Partly offsetting this was decline on the year in spending on: telephone sales, telephone services, computer software and computer repairs.



CBA HSI: HOUSEHOLD SERV (weighted index)



Household services spending intentions index

- The Household services index was down a sharp -14.4%/mth in January 2022, after previous strong gains. The fall in January likely relates to a reluctance to have home visitors with the spread of Omicron as well as seasonal factors. Relative to January 2021, the Household spending index was up 3.8%/yr.
- Over January 2022, both the number and value of transactions related to household services were lower. Partly offsetting this was an increase in Google searches related to home & garden services and home improvement services.
- Relative to January 2021, January this year saw spending increases on: vets, child care, swimming pools, landscaping, tiles & stonemasons and roofing services.
- This was partly offset by declines in spending on: air conditioning, carpentry services and furniture repairs & reupholsters.

Household Spending Intentions (HSI):

When we launched the Household Spending Intentions (HSI) series in July 2019 the idea was not only to focus on what Australians were spending money on, but what they intended to spend money on. To do this, the Commonwealth Bank has an advantage. With over 16 million customers and using an ongoing sample of more than 2.5 million households, the CBA generates a significant amount of close to “real time” data on how the economy is travelling.

This information relates particularly to the household sector – the dominant sector of the economy, including spending, income, savings and lending. All these internally generated data points are coincident indicators of economic activity, although they are leading indicators in a publication sense – as we receive and publish insights using this data well ahead of the official data releases from the Australian Bureau of Statistics.

Of course, as noted above, what we are really interested in is not just what people are spending money on, but what they intend to spend money on. One approach is to ask people about their confidence levels and whether they think now is a good time (or not) to buy. But we think there is a better, more modern way, and that is to use internet searches as an indicator of what people intend to spend money on. To do this we use publically available Google Trends search data.

By combining the internally generated CBA spending and lending data with publically available Google trends search data, the Household Spending Intentions (HSI) provides key insights into both current spending patterns and spending intentions.

When we launched the HSI in July 2019, we covered seven different categories of household spending: Home Buying, Retail, Travel, Health & Fitness, Entertainment, Education and Motor Vehicles. Together these spending categories covered about 55% of total consumer spending in the economy.

After just over two years of the original HSI, the time is now right to expand the series. To do so we have added five new spending categories: Financial and insurance costs, Transport, Utilities, Communications & Digital Streaming and Household Services. Adding these new spending categories has also given us the opportunity to upgrade and re-order the detailed spending sectors included in each category. Full details of what spending is in each category are provided in the tables below.

Introducing the HSI Index:

But perhaps the most significant enhancement in this updated version of the Household Spending Intentions series is the addition of the HSI Index. Each month we will publish the HSI Index, using the changes in the 12 spending categories, weighted according to their share of household consumption. The index is based at 100 as at July 2017. An index number above 100 indicates that Household Spending Intentions are higher than they were as at July 2017, while a number below 100 indicates weaker spending.

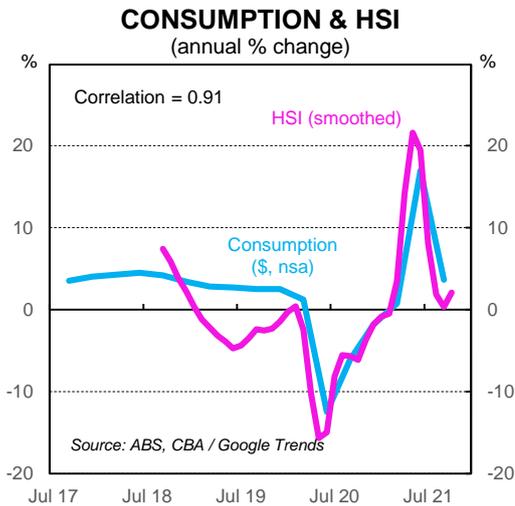
Each month we will publish the HSI Index, as well as the monthly % change and the annual % change. But perhaps more importantly, each of the individual 12 spending categories will also have its own index (based at 100 in July 2017) and we will be able to attribute changes in the HSI Index to each spending category.



We see the HSI Index as a major step-forward in the data available to our clients and the Australian community more generally to help provide insights into the current and future state of household spending.

HSI Index correlation to National Accounts consumer spending:

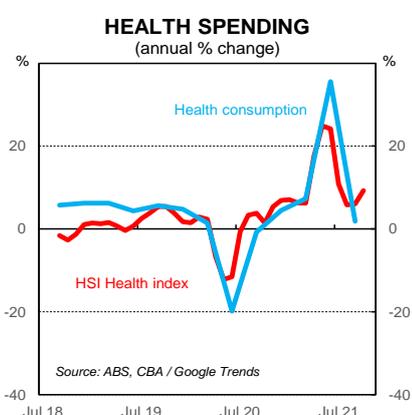
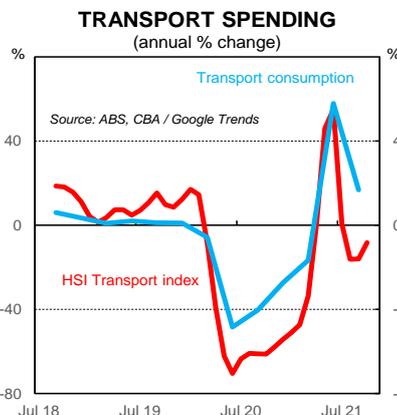
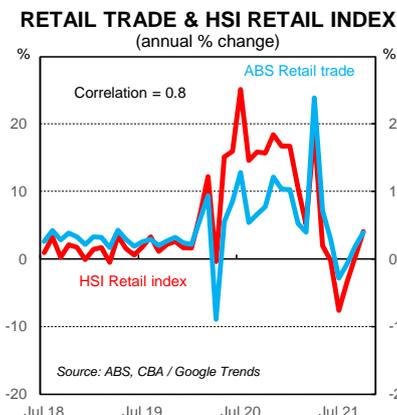
The good news is that the HSI index is very well-correlated with the non-seasonally adjusted National Accounts measure of nominal household final consumption¹. The correlation coefficient of the two series on an annual change basis is 0.90 for the period from Q3 2018 to Q3 2021. Over that same period, the correlations for other consumption indicators were lower.



The HSI index is a coincident indicator of household consumption. But they are leading indicators in a publication sense. The National Accounts measure of consumption is released just over two months after the end of each quarter. By contrast, CBA’s HSI index will be released monthly, at approx. one week after the end of each month (ie. publication is planned for the second Tuesday of each month).

Given the high correlation it is no surprise that a simple linear regression model using the HSI index as the independent variable performs well in fitting to the historical National Accounts consumption data. It explains a far larger share of historical spending than other indicators like consumer sentiment do on their own. The HSI index explains around 80% of the variation in household consumption in the National Accounts. In addition to CBA’s internal card spending data, the use of Google Trends data helps to augment the HSI index. In general, adding in the Google search categories improved model performance by around 15%, though this did vary by spending category.

Many of the subcomponents of the HSI index also correlate well with their official statistical counterparts. The HSI Retail index is very well-correlated with the official Retail Trade figures, with a correlation of 0.8. Other spending categories, for instance the HSI Health and Transport indexes also track their respective consumption categories in the National Accounts fairly closely.



¹ With thanks to Stephen Wu for his correlation work.



A few caveats...

One point to keep in mind is that the history of the HSI is fairly short. So the estimated correlations and relationship with consumption are based on relatively small sample sizes. And the sample would be smaller still if we were to exclude the unusual pandemic period and only consider the HSI's ability to track consumer spending in 'normal' times. It may be the case that the HSI's relationship with consumption is stronger during major turning points, as has been shown to be the case for consumer sentiment. For instance, see this RBA [article](#).

There is another caveat to be aware of. The HSI index and its individual spending category indices are well-correlated to *non-seasonally adjusted* and *nominal* values of consumption. That should not be surprising as the CBA's internal card spending data are a key input into the HSI and so the index reflects actual spending that occurs. But the more relevant economic variables – and importantly, the ones that markets pay most attention to – strip out any seasonal patterns and pricing changes (i.e. they are seasonally and inflation adjusted). However, the history of the HSI is not yet long enough to perform seasonal adjustments. And it is difficult to construct the implicit price deflators that are used to calculate real volumes – for some of these categories of consumption the values and volumes measures can differ substantially.

The 12 HSI 2.0 spending categories in detail:

The full list of 12 spending categories are below and now account for close to 100% of consumer spending.

- 1) Home Buying.
- 2) Retail.
- 3) Motor Vehicle.
- 4) Entertainment.
- 5) Travel.
- 6) Education.
- 7) Health & Fitness.
- 8) Insurance costs.
- 9) Transport.
- 10) Utilities.
- 11) Communications and Digital Streaming
- 12) Household Services.

Home buying:

- CBA Home loan applications for owner occupiers and investors

Retail:

- Alcoholic beverages from package stores.
- Clothing and footwear, including; men, women, children, uniforms, footwear, repairs/alterations and cleaning/laundry services.
- Food and non-alcoholic beverages, including; supermarkets/grocery stores, dairy product stores.
- General retail, including; department stores, duty free and second hand stores.
- Household furnishings and equipment, including; electrical equipment & appliances, furniture, floor coverings, glass, paint/wallpaper, hardware & tools, lumber & building supplies, nurseries, plumbing/heating equipment.
- Jewellery, watch, clock, and silverware stores.
- Luggage and leather goods stores.
- School, stationery and office supply stores.
- Personal care stores.
- Cosmetic stores.
- Electric razor stores.
- Recreation.
- Antique shops.
- Books and newspapers.
- Camera and photographic supply stores.
- Electronic stores.
- Florist supplies, nursery stock, and flowers.
- Pet shops, pet foods, and supplies.
- Tobacco products.

**Motor Vehicle:**

- Car and truck dealers (new and used) - sales, service, repairs, parts and leasing.
- Car and truck dealers (used only) -sales, service, repairs, parts and leasing.
- Motorcycle shops and dealers.

Entertainment:

- Amusement Parks, circuses & carnivals.
- Aquariums.
- Art dealers and galleries.
- Betting, including lottery tickets, casino gaming chips, off-track betting and race tracks.
- Boat dealers, rentals and leasing.
- Book stores.
- Bowling alleys.
- Caterers.
- Commercial photography, art and graphics.
- Dance halls, studios and schools.
- Drinking places – bars, nightclubs, cocktail lounges etc.
- Eating places and restaurants.
- Fast food restaurants.
- Hobby, toy and game stores.
- Marinas, marine service and supplies.
- Motion picture theatres.
- Music and record stores.
- Theatrical producers (except motion pictures) and ticket agencies.
- Video game arcades and establishments.

Travel:

- Airlines and air carriers.
- Airports and airport terminals.
- Bus lines
- Camper, recreational and utility trailer dealers.
- 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.
- Tourist attractions and exhibits.

Education:

- Business and secretarial schools.
- Colleges, universities and professional schools.
- Correspondence schools.
- Elementary and secondary schools.
- Schools and educational services.
- Trade and vocational Schools.

Health & fitness, including**Health:**

- Ambulance services.
- Osteopaths, podiatrists and chiropractors.
- Dentists and orthodontists.
- Doctors and Physicians.
- Pharmacies.
- Health and beauty spas.
- Hospitals.
- Medical labs.
- Nursing and personal care facilities.
- Opticians and eyeglasses.

**Fitness**

- Bicycle shops – sales and service.
- Commercial and professional sports clubs.
- Sport, recreation and athletic club membership.
- Public & private golf courses.
- Sporting goods stores.

Insurance:

- Direct marketing – insurance services.
- Insurance sales, underwriting and premiums.

Transport:

- Automotive fuels and service stations.
- Automotive associations.
- Automobile rental agencies.
- Automotive body repair, parts and paint shops.
- Automotive service and tyre shops.
- Car washes.
- Motor freight carriers and trucking - local and long distance, moving and storage companies and local delivery.
- Parking lots and garages.
- Passenger railways.
- Taxicabs and limousines.
- Toll and bridge fees.
- Towing services.

Utilities:

- Electric, gas, water and sanitary utilities.

Communications and Digital:

- Cable and other pay television services.
- Computer network/information services.
- Computers, computer equipment and software.
- Digital goods: Applications – books, movies, music & games.
- Telecommunication services, including local and long distance calls.
- Telecommunications equipment and telephone sales.
- Video amusement game supplies.

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.
- Roofing contractors.
- Swimming pools--sales, supplies and service.
- Veterinary services.



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Global Economic & Markets Research

Stephen Halmarick Chief Economist - Head of Global Economic & Markets Research +612 9303 3030 stephen.halmarick@cba.com.au

Commodities		Telephone	Email Address
Vivek Dhar	Mining & Energy Commodities	+613 9675 6183	vivek.dhar@cba.com.au
Tobin Gorey	Agri Commodities Strategist	+612 9117 1130	tobin.gorey@cba.com.au

Economics		Telephone	Email Address
Gareth Aird	Head of Australian Economics	+612 9118 1100	gareth.aird@cba.com.au
Kristina Clifton	Senior Economist	+612 9117 7407	kristina.clifton@cba.com.au
Belinda Allen	Senior Economist	+612 9303 3110	ballen@cba.com.au
Stephen Wu	Economist	+612 99160986	Stephen.Wu@cba.com.au

Fixed Income & Currency Strategy		Telephone	Email Address
Martin Whetton	Head of Fixed Income & Currency Strategy	+612 9303 3557	martin.whetton1@cba.com.au
Philip Brown	Senior Fixed Income Strategist	+613 9675 7522	philip.brown@cba.com.au
Tally Dewan	Financials and Securitisation Strategist	+612 9118 1105	tally.dewan@cba.com.au
Elias Haddad	Senior Currency Strategist	+442077105603	elias.haddad@cba.com.au

International Economics		Telephone	Email Address
Joseph Capurso	Head of International Economics	+612 9118 1106	joseph.capurso@cba.com.au
Kim Mundy	Senior Economist and Senior Currency Strategist	+612 9118 1107	kimberley.mundy@cba.com.au
Kevin Xie	Senior Asia Economist	+852 2844 7360	Kevin.xie@cba.com.au
Carol Kong	Senior Associate International Economics and Currency Strategy	+612 9303 8274	carol.kong@cba.com.au

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