



Household Spending Intentions Series.

May 2021

enhanced by  Trends



Commonwealth Bank
of Australia

A new view on Australia's spending.

However you do business or invest, knowing what's around the corner can keep you one step ahead.

Whether you are at the helm of a family business, a policy maker, an investor or one of Australia's corporate enterprises - robust insights on shifting consumer spending intentions are critical for your plans for the future and determining whether it's time to ramp up or down.

CommBank's Household Spending Intentions series combines our spending data, one of Australia's largest financial data sources, with Google Trends publically available search activity. By connecting with advance readings on actual spending data to intentional data, our analysis should provide an early indication of prospective spending trends.

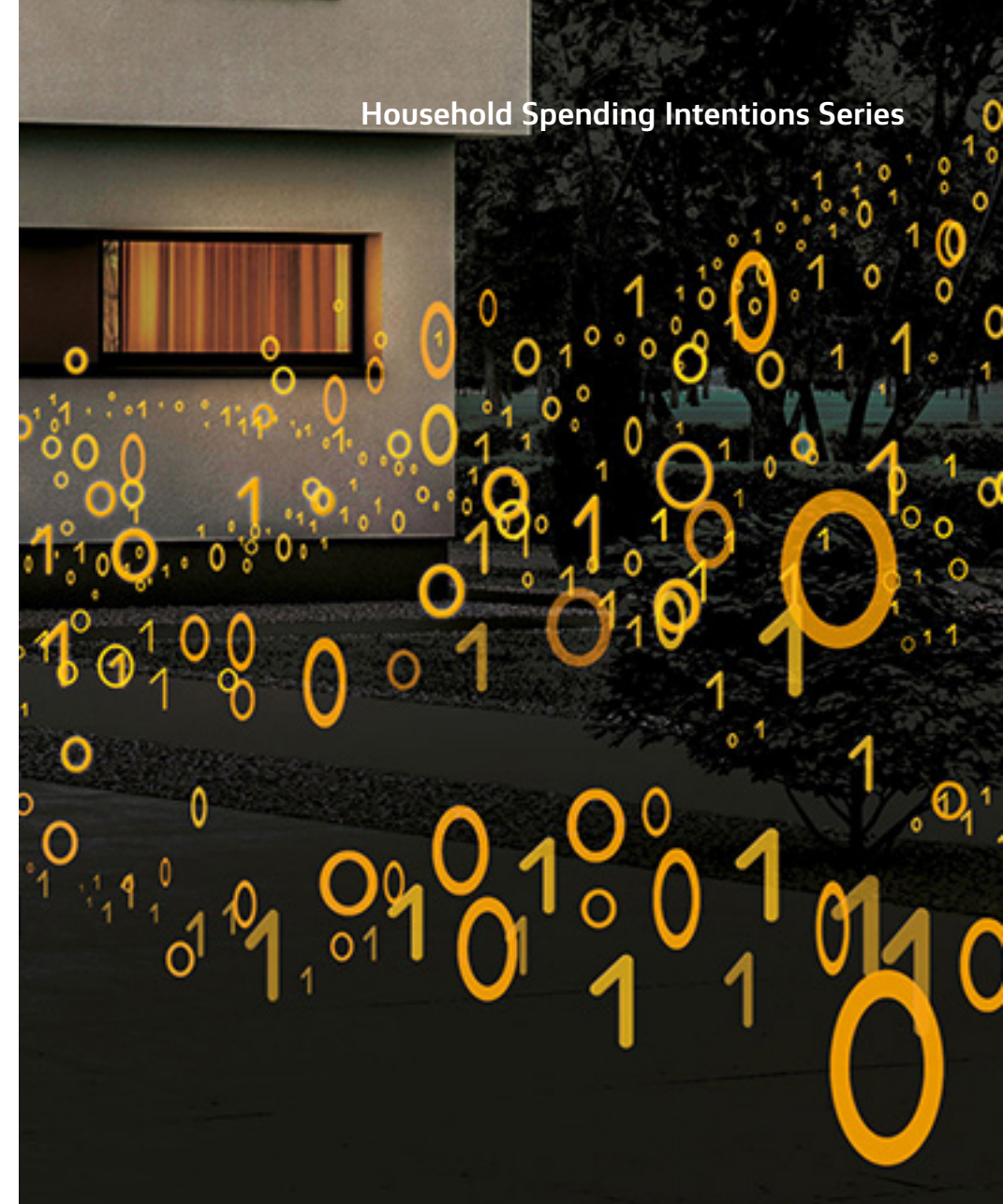
Tracked across seven spending sectors, our analysis can offer a future lens into specific industries.

When these sectors are looked at together, the Household Spending Intentions series provides a holistic view on the changing spending behaviours of Australians and the potential implications for the economy.

Summary

The Commonwealth Bank Household Spending Intentions (HSI) series for May 2021 showed a generally positive consumer environment continued in May 2021 when comparing the spending categories relative to May last year. Base effects continue to impact the data as the slow reopening of the economy began a year ago. The HSI series for May 2021 showed strong improvement across 4 categories relative to May last year. The improvements in the HSI in May 2021 continue to highlight the strength in the consumer environment. This was shown in the Q1 21 GDP data with a further accumulation in consumer savings. Together with the strong labour market and positive wealth effects from rising dwelling prices, we expect consumer spending to support economic growth in 2021.

Household Spending Intentions Series



This month's snapshot



Home Buying



Retail



Travel



Health & Fitness



Entertainment



Education



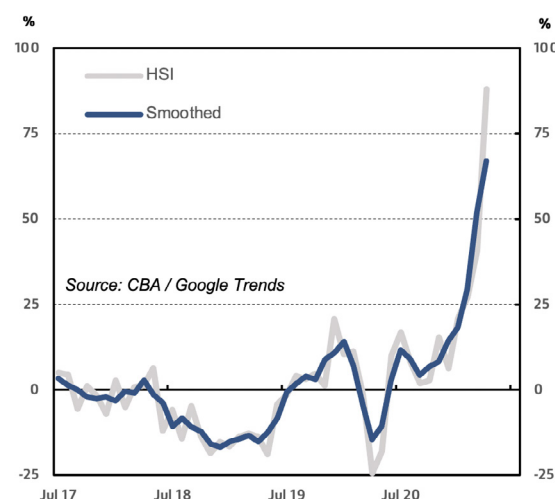
Motor Vehicle



HSI Dashboard

Home Buying Spending Intentions

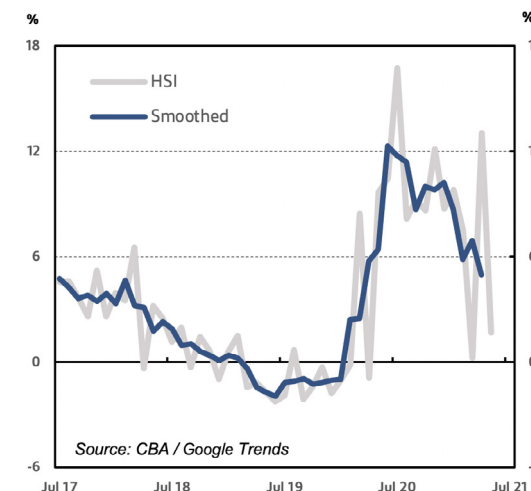
- Home Buying spending intentions remain elevated in May 2021 – relative to both May 2020 and May 2019. The improvement was driven by both stronger home loan applications and Google searches.
- The high reading is no surprise given the strength in the housing market. Residential dwelling prices continue to lift, supported by low interest rates and the return of investors.
- We continue to expect the housing market to be a key source of support for the economy in 2021 and we expect residential dwelling prices rise 14% over 2021 and 2022.



(annual % change)

Retail Spending Intentions

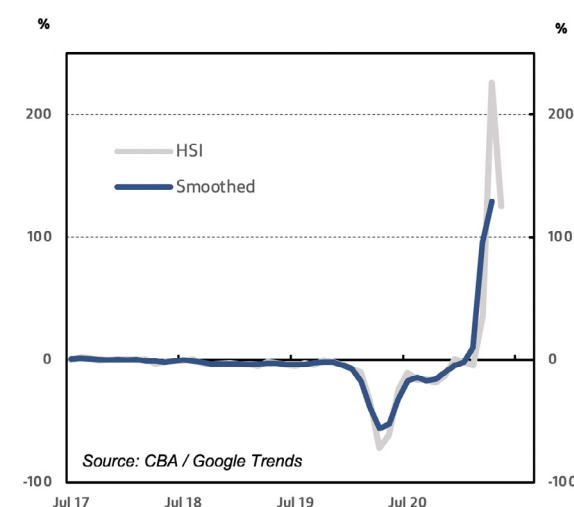
- Retail spending intentions remains higher than May 2020 although the growth rate has retreated due to base effects as the economy commenced reopening in May 2020.
- With few exceptions, i.e. household furnishings & equipment, spending in retail was stronger relative to 2020 across nearly all categories. Personal care and clothing & footwear spend was strong.
- Relative to May 2019, Retail spending remains solid across a number of categories, including clothing & footwear, groceries & supermarkets, department stores, household furnishing and equipment stores, hobby and toy shops, record stores, digital Apps and pet shops.
- Areas of weakness in May 2021 relative to May 2019 included: dry cleaning & laundry services, door-to-door sales and duty free stores.



(annual % change)

Travel Spending Intentions

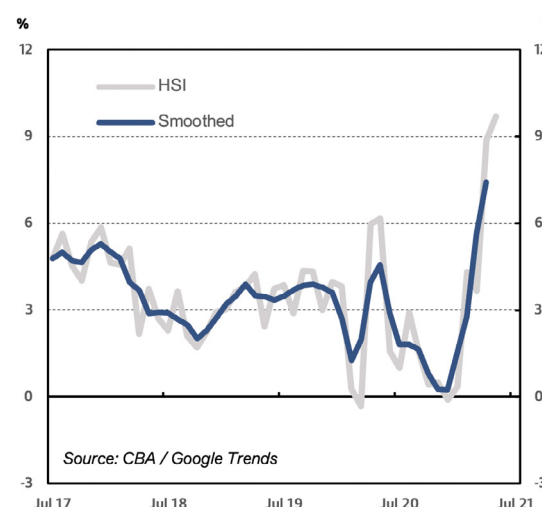
- Travel spending intentions remain significantly higher in May 2021 compared to May 2020 – when almost all travel was shutdown. Travel spending intentions, not surprisingly, remain lower than May 2019.
- All travel spending categories were up significantly in May compared to a year ago. Relative to 2019 solid increases were seen in: visits to aquariums, camper and RV dealers, motor home and RV rental, tourist attractions and trailer parks and camp grounds.
- Relative to May 2019, travel spending intentions are still relatively weak for: airlines, cruise ships, timeshares, travel agents, car rentals and bus lines.



(annual % change)

Health and Fitness Spending Intentions

- Health & fitness spending intentions are up strongly in May 2021 relative to 2020, led higher by a resumption of spending on medical services including dentists and orthodontists, doctors, hospitals, medical laboratories and optometrists as these services were reopened post lockdown. Spending at bike shops was lower compared to the surge in peak lockdown in 2020.
- Relative to May 2019, however, the increase in Health & Fitness spending intentions were more modest. Over this timeframe, the largest increases were seen in spending on: sports apparel, dentists, nursing & personal care, bicycle shops & repairs, sports clubs, golf courses and sporting goods stores. Spend on Ambulances is lower.



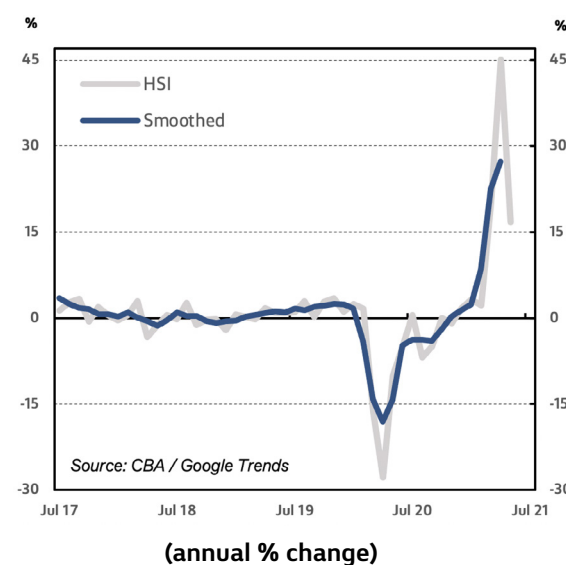
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HSI Dashboard

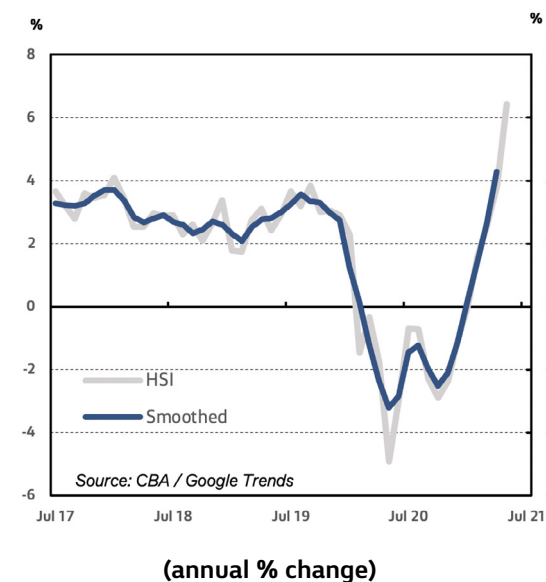
Entertainment Spending Intentions

- Entertainment spending intentions are higher in May 2021 than both May 2020 and May 2019. We have seen a clear shift in spending take place with more spending on recreation services near the home rather than driven by travel.
- The largest increases in Entertainment spending intentions in May 2021 vs May 2020 were in: drinking out, eating out and restaurants, personal care, bowling alleys, movie theatres and live theatre.
- Relative to May 2019, the largest increases in Entertainment spending were on: eating out & restaurants, fast food, bowling alleys and digital books, movies & music.
- Declines relative to May 2019 were seen in: movie theatres, live theatre, video games and arcades and video tape rental stores.



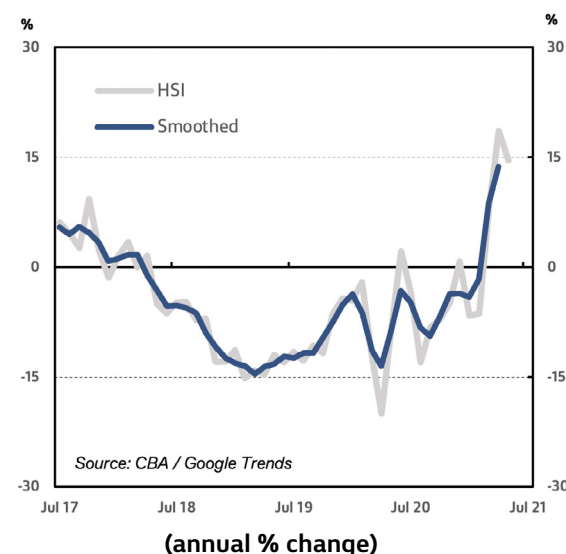
Education Spending Intentions

- Education spending intentions are also up strongly relative to May 2020. In value terms, however, Education spending is a touch lower when compared to 2019 levels.
- The number of Education spending transactions was up in May 2021 relative to both May 2020 and, to a lesser extent May 2019. The increase relative to 2019 was mainly in correspondence schools due to border closures as well as primary & secondary schools and education & school services.
- The value of Education spending in May 2021 was up strongly relative to May 2020, but still below May 2019 levels. Over this period, increases in spending were seen in correspondence schools.



Motor Vehicle Spending Intentions

- Car buying spending intentions continued to remain at high levels in May 2021 driven by very strong gains in the number of car loan applications.
- Demand for new and used cars remains strong in 2021. We are moving around cities and suburbs differently than pre-COVID and this has supported an improvement in motor vehicle spending intentions.
- The wealth effect from rising dwelling prices is also a key factor. Generally demand for cars lifts with gains in wealth and we are seeing this play out in this housing cycle.



The first issue of our Household Spending Intentions report from 23 July 2019 can be found [here](#). The report provides more detail on the thinking behind our HSI measures.



The approach

The need to get ahead of emerging trends has never been greater. Policy makers need to keep ahead of changes in demand for public goods and services if they want to keep the voters happy. Companies need to keep ahead of changes in demand for private goods and services if they want to keep their shareholders happy. Individuals need to keep ahead to maximise their personal utility.

We all need early warning signs of emerging risks and issues.

When peering into the future it is essential to know where you are standing. And here the Commonwealth Bank has an advantage. The Bank's business generates a significant amount of close to "real time" information on how the economy is travelling. This information relates particularly to the household sector. Households are the dominant part of the economy and drive much of its activity and volatility. From that perspective, CBA is the largest financial services organisation in the country with over sixteen million customers. The interaction with these customers generate a vast array of data on the activities of Australian households. An ongoing sample of more than 2½ million households who are CBA customers, for example, gives us information on income, wealth and spending trends shortly after the end of each month.

CBA data measures are really coincident indicators of economic activity. But they are leading indicators in a publication sense.

Even with the best data, however, economists have never been very good in measuring and incorporating intentions into their forecasts.

At the most basic level, the act of spending is preceded by an intention to spend. Spending money on a holiday is a good example. By the time you've decided where to go on tripzard.com, booked a flight on webjet.com, chosen a hotel on tripadvisor.com, topped up your Travel Money Card at commbank.com.au and decided what to do when you get there on LonelyPlanet.com you have scattered a fair amount of clues about your intention to spend! Search activity is one way to track these intentions. And Google Trends provides the needed tools.

By combining the up-to-the minute data from CBA's household surveys with relevant searches from Google Trends, we have developed indicators of household purchase intentions. (click [here](#) to see how spending intentions form).





Talk to us

Visit commbank.com.au/spendingintentions
or email globalmarketsresearch@cba.com.au

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