

CommBank Household Spending Intentions Index



What does consumer spending tell us about the Australian economy?

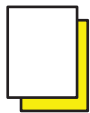
Consumer spending is the largest component (approx 60%) of Australian GDP. It is central to understanding how the Australian economy is performing and critical to planning for the future. This is why governments, businesses, the Reserve Bank of Australia, and economists closely follow measures of consumer confidence or sentiment.

How does the CommBank Household Spending Intentions (HSI) Index help measure consumer confidence?

The CommBank HSI Index combines analysis of the bank's card spending data (the largest consumer spending data set in Australia covering 2½ million households and approximately 40% of payment transactions), loan application information and Google Trends publicly available search activity to provide a unique insight into current and future spending trends.

Each month it shows spending patterns across 12 different spending categories which form a single leading indicator (index) of spending intentions. The categories include Home Buying, Retail, Motor Vehicle, Entertainment, Travel, Education, Health & Fitness, Financial & Insurance Costs, Transport, Utilities, Communications & Digital Streaming and Household Services. The index uses advanced analytics to help us better understand consumer or household spending intentions and it is the only model of its kind globally.

Key features:



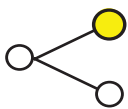
Australia's largest transactional data set

- Spending data from 2½ million households, anonymised and aggregated before analysis.
- Visibility of up to 40% of all consumer payment transactions in Australia, using credit and debit cards, EFTPOS, BPAY and direct debit.
- Data on loan applications for property, travel and motor vehicles.
- The 12 spending categories capture every category that is covered in the Australian Bureau of Statistics' National Accounts and the majority of household spending activity.



Google searches

- Even with the best transaction data, measuring and incorporating spending intentions into economic forecasting can be challenging. Google searches are often a precursor to consumers making a purchase. How early a precursor varies by spending category.
- Compared with solely using transaction data, incorporating Google Trends publicly available search activity improves the model's predictability by 15%, on average, across the 12 spending categories covered.
- Google confirms that CommBank are the world's only major bank to use its data in this way.
- Models using historical data were built with one-month lag to identify leading indicators for household spending intentions.



Advanced data analytics and modelling

- The CommBank HSI Index has a high degree of predictive accuracy, achieving a correlation of 90% with the annual change in National Accounts nominal household final consumption over recent years.
- Advanced analytics are used to build and aggregate the transaction data by category.

Why use CommBank's Household Spending Intentions Index?



- Many consumer sentiment surveys capture what people say they will do, but this can be different from what they actually do. The CommBank HSI Index uses a large sample size, covering 2½ million Australian households and approximately 40% of consumer transactions to help predict consumer spending.
- Unique, near real-time insights into how the Australian economy is performing based on sophisticated data analytics and modelling.
- The world's only economic indicator compiled by a major bank to overlay actual transaction data with Google search activity, improving the accuracy of the model's predictions.

Learn more at commbank.com.au/hsi
Email: globalmarketsresearch@cba.com.au



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