

11 November 2011

## Australian consumers setting up for yet another quiet Christmas

### One in three plan to spend less on gifts than last year though average planned spend is up 6.1%

- It is shaping as another 'so-so' Christmas for the Australian consumer. The November **Westpac-Melbourne Institute Consumer Sentiment** survey included additional questions on plans for spending on Christmas gifts. Responses show just over a third of Australians plan to spend less this year than they did in 2010 although at \$465, the average expected spend on gifts is up on the \$438 reported this time last year.
- When asked about their planned gift spending vs last year – 34.3% said they intended to spend less; 54.2% said they would spend the same amount and just 11.5% said they would be spending more. This is almost identical to responses last year and in 2009, both of which proved to be lacklustre Christmas seasons for retailers sales-wise. That said, the outlook is mixed rather than bad with attitudes towards gift spending about mid-way between the 'dire' reading in late 2008 (immediately after the GFC) and the upbeat responses seen in 2007, the last 'boom' Christmas for retailers. With a consistent 'frugal' bias to spending plans (those saying they plan to cut outnumber those planning to increase spending even in bumper years like 2007), this suggests the 2011 plans are consistent with subdued growth rather than cutbacks.
- Indeed, the picture is more promising when consumers are asked about the dollar value of their planned gift spending: 47% say they will spend over \$500 (vs 43% last year); 19% expect to spend \$300 to \$500 (vs 23% last year); and 34% plan to spend less than \$300 (the same as last year). The implied average expected spend of \$465 is up solidly on the \$438 reported in 2010 and \$434 reported in 2009.
- The state breakdown shows spending plans improved in NSW, Vic and WA but were pared back in Qld and SA. NSW and WA consumers are the most 'generous' givers with over half of consumers in these states planning to spend over \$500 on gifts. That said, state estimates of average planned spending often ran counter to shifts in plans vs a year ago, making them difficult to interpret. Other detail suggests the festive season will be a notch or two tighter for those in the 'mortgage belt'.
- With several years of data now available it is possible to make some basic observations about Christmas spending plans. Firstly, they are more closely linked to consumers' views on their actual financial situation than other aspects of sentiment. Responses are 90% correlated with the 'family finances vs a year ago' sub-index from the main consumer sentiment survey, compared to 15-66% correlations with other sub-indices. That suggests consumers plan to 'spend within their means' although in recent years it may also reflect a reluctance to increase debt levels. Secondly, the survey does seem to give a reasonable guide to actual spending. If we exclude 2008, which was dominated by fiscal payments, per capita spending on non-food retail items has moved in line with the survey responses. As a rough guide it points to slight 0.2%yr dip for 2011 in per capita terms or a rise of about 1.2%yr in total spending.

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#### Consumer Christmas spending – November 2011

##### Expected spending on gifts compared to last year

|     | % responses expecting: |           |      | net % |       |
|-----|------------------------|-----------|------|-------|-------|
|     | less                   | unchanged | more | 2010  | 2011  |
| Aus | 34.3                   | 54.2      | 11.5 | -21.9 | -22.7 |
| NSW | 37.6                   | 51.9      | 10.5 | -28.6 | -27.1 |
| Vic | 33.2                   | 52.0      | 14.8 | -22.6 | -18.4 |
| Qld | 32.4                   | 56.7      | 10.9 | -17.3 | -21.5 |
| SA  | 28.9                   | 60.5      | 10.6 | -11.5 | -18.3 |
| WA  | 32.0                   | 55.4      | 12.7 | -23.0 | -19.3 |

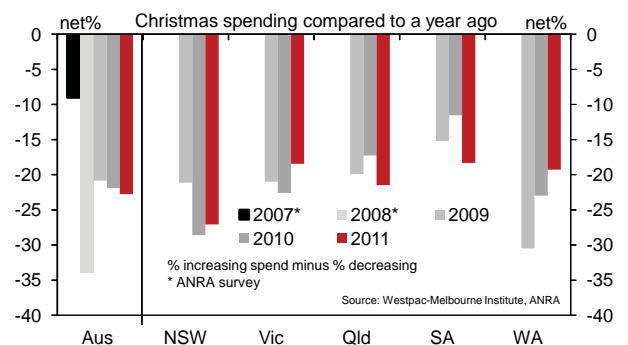
##### How much do you plan to spend on gifts this year?

|               | %responses |      |     | average (\$)* |      |
|---------------|------------|------|-----|---------------|------|
|               | 2010       | 2011 |     | 2010          | 2011 |
| < \$100       | 11.0       | 9.0  | Aus | 438           | 465  |
| \$100 – \$299 | 23.0       | 25.3 | NSW | 481           | 503  |
| \$300 – \$499 | 23.0       | 18.9 | Vic | 465           | 425  |
| \$500 – \$749 | 18.8       | 19.4 | Qld | 341           | 481  |
| > \$750       | 24.2       | 27.4 | SA  | 366           | 424  |
| Total         | 100        | 32.2 | WA  | 514           | 533  |

\* Estimated median based on interpolated mid-point.

Source: Westpac-Melbourne Institute

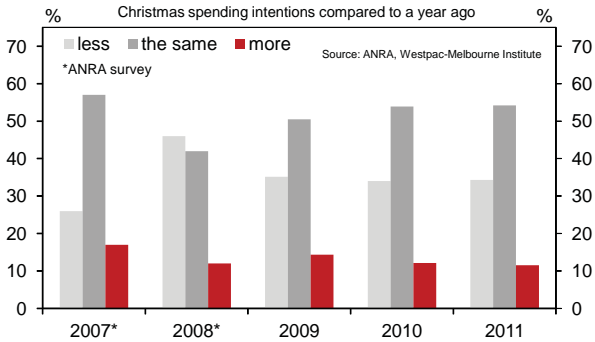
#### Planning for another 'subdued' Christmas



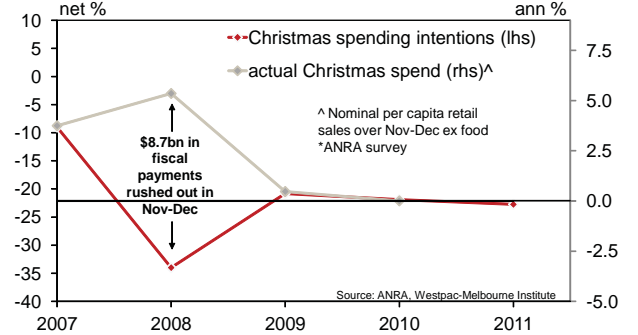
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### Christmas spending plans restrained



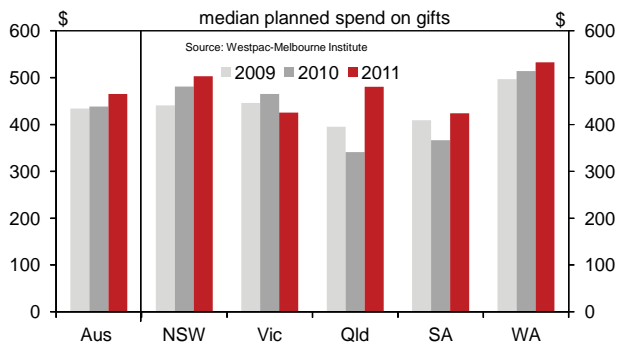
### Christmas spending plans restrained



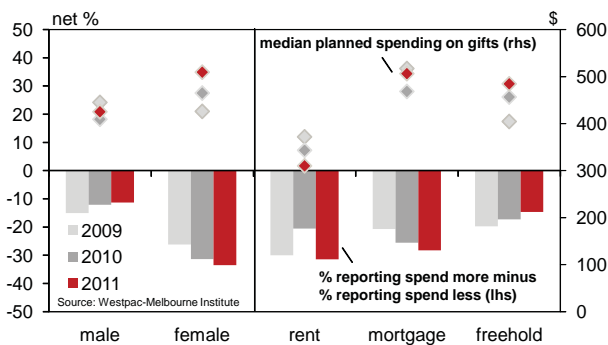
### Consumer Christmas spending plans



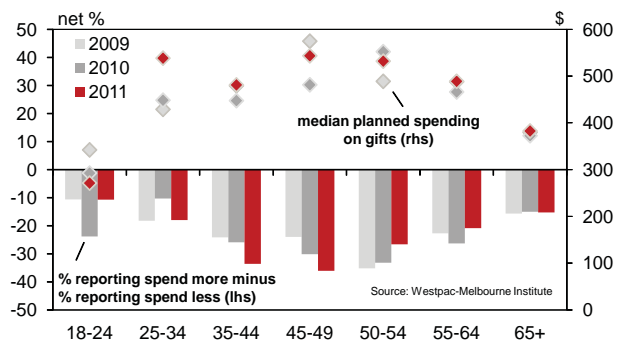
### Average Christmas spend plans



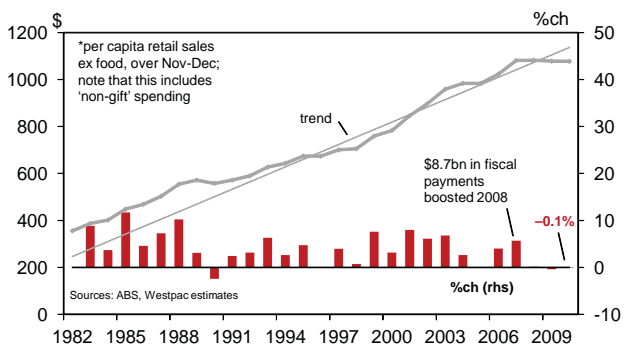
### Christmas spending plans: selected groups



### Christmas spending plans: by age group



### Christmas per capita retail sales: historical



### Christmas per capita retail sales by category

