

# CommBank Household Spending Insights

Economic Insights | July 2023

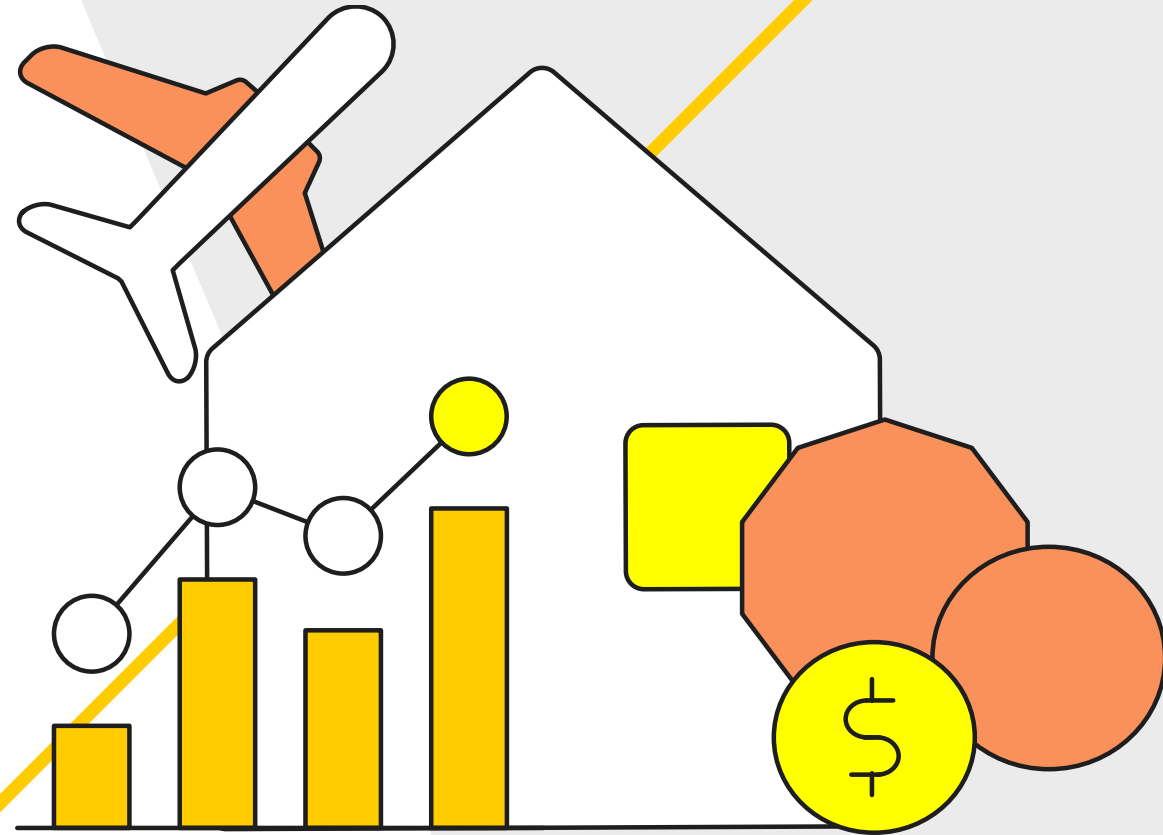
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# CommBank Household Spending Insights (HSI)

The CommBank Household Spending Insights (HSI) index for July 2023 was unchanged on the month in seasonally adjusted terms, at 135.2.

The HSI index is new and improved this month. More details on the next slide.

Gains in July were led by Household goods, Transport, Hospitality, Education, Insurance, Health and Communications & digital. This strength was offset by monthly declines in Household services, Recreation, Utilities, Motor vehicles and Food & beverages goods.

The annual growth rate of the HSI index remained at a very modest 1.3%/yr in July. The annual growth rate of the HSI was 8.3%/yr in May 2022, the month the RBA started raising interest rates, and then peaked at 18.7%/yr in August 2022.

The effects of 400bp of RBA rate hikes is, therefore, clearly reflected in a significant slowdown in household spending, as measured by the CommBank HSI. With the RBA holding rates steady in both July and August, our view is that the monetary policy tightening cycle is now at an end – although the near-term risk is for a further tightening, albeit the hurdle is high.

Monetary policy is now restrictive and financial conditions will continue to tighten in the months ahead on the lagged effect of the interest rate hikes and the fixed rate mortgage refinancing task. We continue to expect household spending to weaken further over the remainder of 2023 and into 2024.

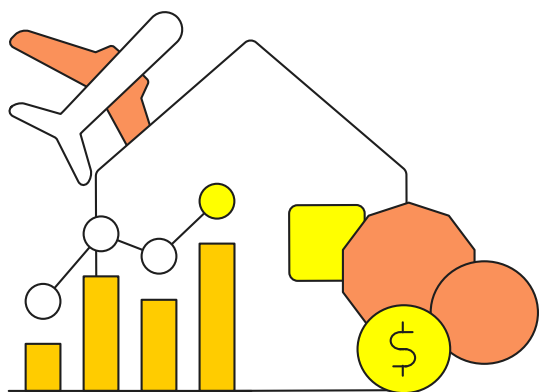
The annual growth rates in the July reading of the HSI index also show a clear change in the spending 'preferences' of Australian households. The largest increases in spending over the past year have been in Insurance (+13.2%/yr), Education (+9%/yr) and Health (+8%/yr) – clearly reflecting price increases. But Australian's have also found time for some Recreation, with spending in this category up 7.1%/yr.

This has been offset by big reductions in spending on Household services (-7.9%/yr), Transport (-6.1%/yr) and Household goods (-5.4%/yr).



Spending Category	Monthly Change	Yearly Change
Household Goods	▲ 2.1%	▼ -5.4%
Transport	▲ 2.0%	▼ -6.1%
Hospitality	▲ 2.0%	▲ 2.1%
Education	▲ 1.9%	▲ 9.0%
Insurance	▲ 1.2%	▲ 13.2%
Health	▲ 0.9%	▲ 8.0%
Communications and Digital	▲ 0.3%	▲ 3.8%
Food & beverage goods	▼ -0.2%	▲ 2.7%
Motor Vehicle	▼ -0.9%	▲ 0.1%
Utilities	▼ -1.1%	▲ 1.0%
Recreation	▼ -1.3%	▲ 7.1%
Household Services	▼ -5.5%	▼ -7.9%

# About CommBank HSI



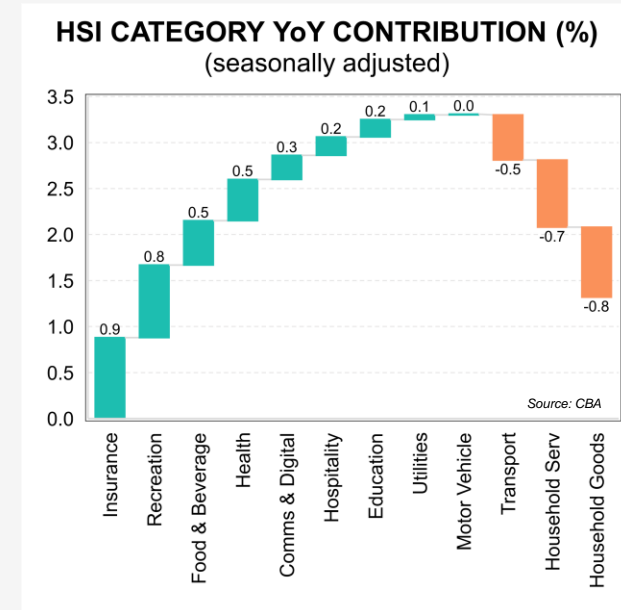
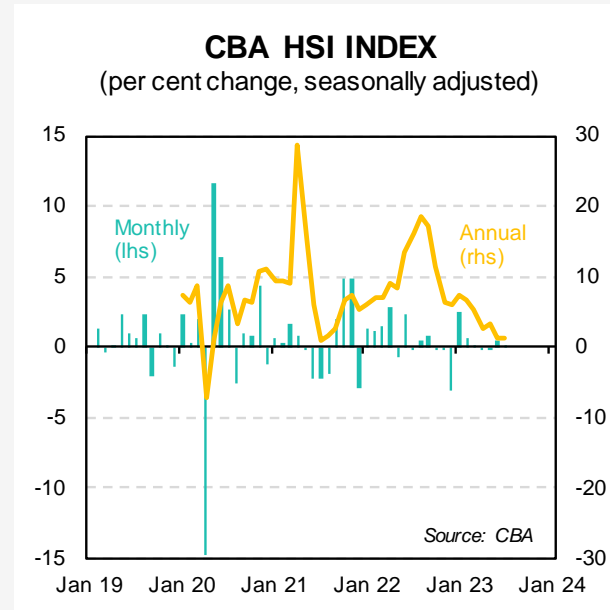
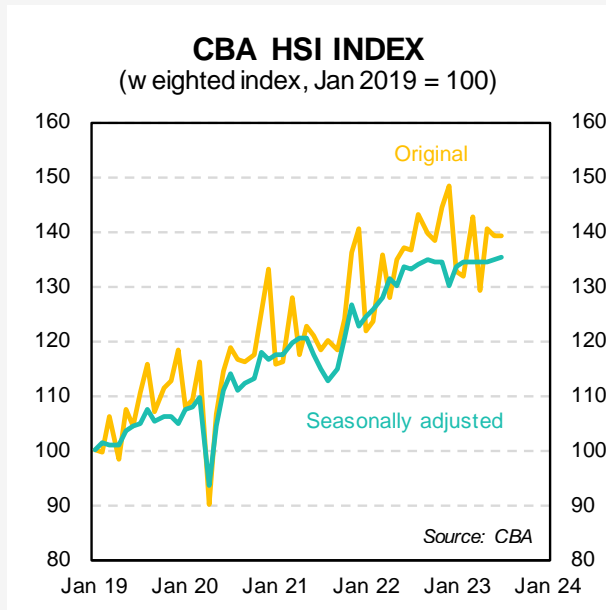
## CommBank Household Spending Insights (HSI)

Household or consumer spending is the largest component (around 50%) of the Australian economy and central to understanding how it is performing, as well as planning for the future. This is why businesses, governments and major policy setting institutions like the Reserve Bank of Australia closely follow measures of consumer spending and emerging trends.

### Key Features of the new CommBank Household Spending Insights (HSI) Index

- Use of de-identified payments (credit card, debit card, keypad transactions, ATM, BPay and direct debit transactions) and home lending data from approximately 7 million CBA customers, comprising roughly 30% of Australian consumer transactions.
- Data is from 1 January 2019 and is de-identified to meet privacy and regulatory requirements.
- Data is now Australian Bureau of Statistics (ABS) census-weighted to be nationally representative of spending.
- The HSI Index is seasonally adjusted by individually adjusting the 12 spend categories either by using ABS seasonal factors or the X-13 ARIMA model methodology. The seasonally adjusted spend (in dollars) for the 12 spend categories are summed to provide the overall HSI and then indexed to January 2019. As a result, the HSI Index is subject to revision each month if required.
- The HSI by state and segment indices are seasonally adjusted separately either by using ABS seasonal factors or the X-13 ARIMA model methodology and is not additive to the overall HSI index. The Home Buying index is seasonally adjusted with X-13 ARIMA model methodology.
- The HSI Index is based on 12 spending categories – please see pages 14-15 for category details.
- The new HSI also shows comparisons between goods and services, retail and non-retail, and essential and discretionary spending. Data by State is also included for the first time.
- There is also a separate Home Buying Index.
- Produced by CommBank's Global Economic & Markets Research team using data and models provided by CommBank iQ, a joint venture with data science and artificial intelligence company Quantum.

# CommBank HSI in charts



- The CommBank Household Spending Insights (HSI) index was unchanged at 135.2 in seasonally adjusted terms in July 2023.
- The monthly change in the seasonally adjusted HSI in July was 0%, ie. the index was unchanged on the month. This follows a 0.5%/mth lift in June.
- The annual change in the seasonally adjusted HSI index in July held steady at 1.3%/yr, but this represents a substantial slowdown in the annual pace of growth since the RBA began raising interest rates in May 2022. The peak annual growth rate was 18.7%/yr in August 2022 (due to base effects). The current pace of spending growth of 1.3%/yr is also much lower than the pace of inflation.
- The largest contributions to the annual increase in the HSI index in July was spending on Insurance (0.9%pts), Recreation (0.8%pts), Food & beverages (0.5%pts), Health (0.5%pts) and Communications & digital (0.3%pts). This was partly offset by declines in spending on Household goods (-0.8%pts), Household services (-0.7%pts) and Transport (-0.5%pts).

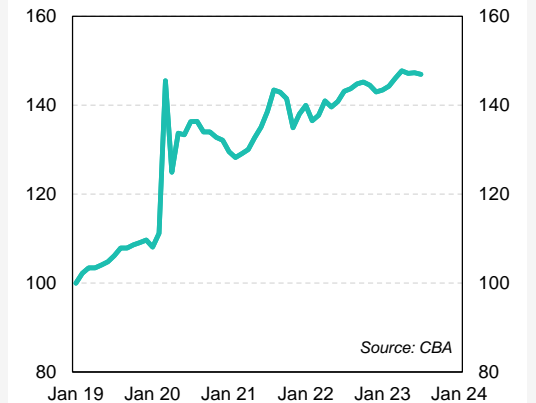
# CommBank HSI in detail



## Food & Beverage Goods

- Food & beverage goods spending declined by  $-0.2\%/mth$  in seasonally adjusted terms in July, following a small gain of  $0.1\%/mth$  in June.
- The annual rate of increase in Food & beverage spending slowed to  $2.7\%/yr$  in July from  $4.6\%/yr$  in June.
- The largest contribution to the small increase in Food & beverage spending in the year to July was supermarkets, convenience stores and bakeries.
- This was partly offset by some decreased spending over the year to July on fruit & vegetable stores, tobacconists and food box subscriptions.

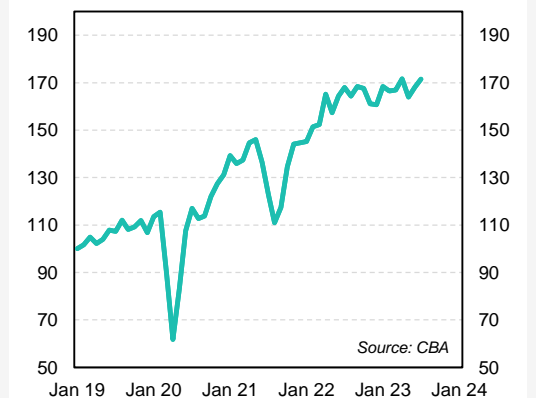
**CBA HSI: FOOD & BEVERAGE**  
(weighted index, seasonally adjusted)



## Hospitality

- Spending on Hospitality increased by a solid  $2.0\%/mth$  in July in seasonally adjusted terms, following on from an increase of  $2.6\%/mth$  in June.
- The annual rate of improvement in Hospitality spending slowed to  $2.1\%/yr$  in July, from  $2.3\%/yr$  in June.
- The largest contribution to the increase in Hospitality spending in the year to July was fast food outlets, restaurants and takeaway food.
- This was partly offset by reduced spending on cafes, food delivery services, breweries & wineries and caterers.

**CBA HSI: HOSPITALITY**  
(weighted index, seasonally adjusted)



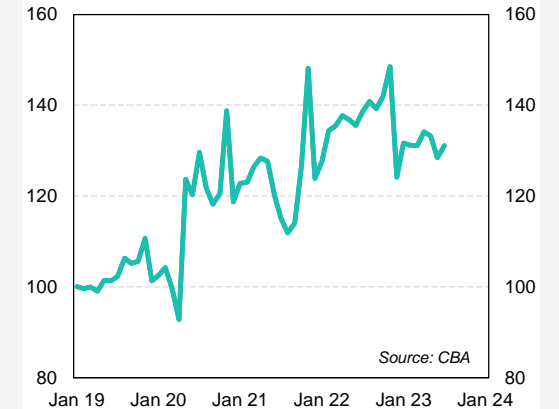
# CommBank HSI in detail



## Household Goods

- Household goods spending rose by 2.1%/mth in July in seasonally adjusted terms, following on from a fall of -3.6%/mth in June.
- Despite the monthly increase in July, the annual rate of change in Household goods spending deteriorated to -5.4%/yr in July from -5.2%/yr in June. This is the weakest annual rate of growth since the Covid-lockdown affected months of mid-2021.
- In the year to July, the largest source of weakness in Household goods was a reduction in spending on household appliances, furniture stores, men's & women's clothing stores and luxury boutiques.
- This was partly offset by some higher spending on on-line market places, newsagencies, used & second hand goods stores and discount & variety stores.

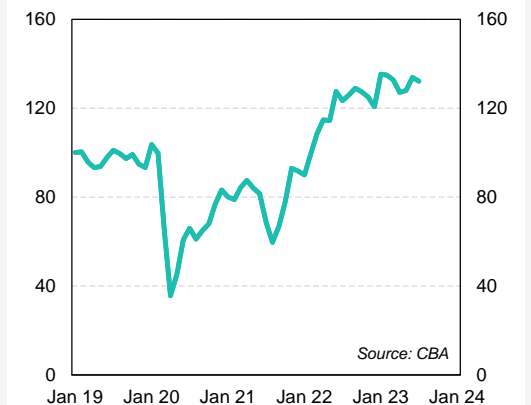
**CBA HSI: HOUSEHOLD GOODS**  
(weighted index, seasonally adjusted)



## Recreation

- Spending on Recreation declined by -1.3%/mth in July in seasonally adjusted terms, but this followed a strong 4.6%/mth increase in June. It is worth noting, however, that spending on cinemas was up a massive 65%/mth in July – thanks to Barbenheimer!
- The annual rate of increase in Recreation spending accelerated however, up to 7.1%/yr in July from 5.0%/yr in June. At 7.1%/yr, the increase in Recreation spending is one of the strongest areas of household spending over the past year.
- The increase in Recreation spending in the year to July was driven by online travel bookings, commercial airlines, cruise lines, travel agencies and cinemas. This was partly offset by reduced spending on camping stores, accommodation, ticketing services, florists and book stores.

**CBA HSI: RECREATION**  
(weighted index, seasonally adjusted)



# CommBank HSI in detail

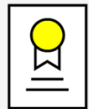
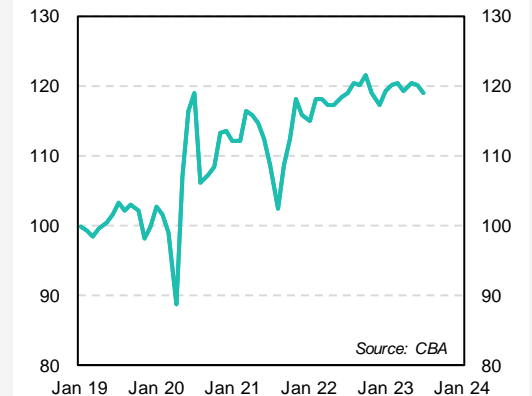


## Motor Vehicles

- Motor vehicle spending declined by -0.9%/mth in July in seasonally adjusted terms, following on from a small -0.2%/mth decline in June.
- The annual rate of increase in motor vehicle spending moderated to just 0.1%/yr in July from 1.5%/yr in June.
- The largest contribution to the annual increase in motor vehicle spending at car dealers, with increases also seen for mechanics, motor vehicle accessories and smash repairs. This was largely offset, however, by reduced spending on motor cycle dealers, tyre retailers and battery services.

## CBA HSI: MOTOR VEHICLES

(w eighted index, seasonally adjusted)



## Education

- Spending on Education rose by a strong 1.9%/mth in July in seasonally adjusted terms, following a solid 0.9%/mth gain in June.
- The annual rate of increase in spending on Education accelerated further to 9.0%/yr in July from 8.8%/yr in June.
- The largest increase in Education spending in the year to July was for universities, followed by private schools, tutoring services and public primary schools. This was only partly offset by reduced spending on 'other creative arts' schools and public secondary schools. Price increases and increased international students are key drivers of recent gains.

## CBA HSI: EDUCATION

(weighted index, seasonally adjusted)



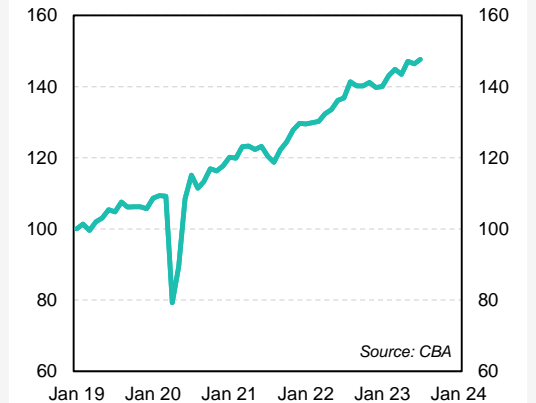
# CommBank HSI in detail



## Health

- Spending on Health increased by 0.9%/mth in July in seasonally adjusted terms, following a -0.5%/mth decline in June.
- The annual rate of increase in Health spending increased to 8.0%/yr in July from 7.5%/yr in June.
- The increase in spending on Health in the year to July was driver by higher spending on GPs, 'other specialist medical services', nursing homes & aged care facilities and dentists. This was partly offset by reduced spending on ophthalmologists, dermatologists and community health services.

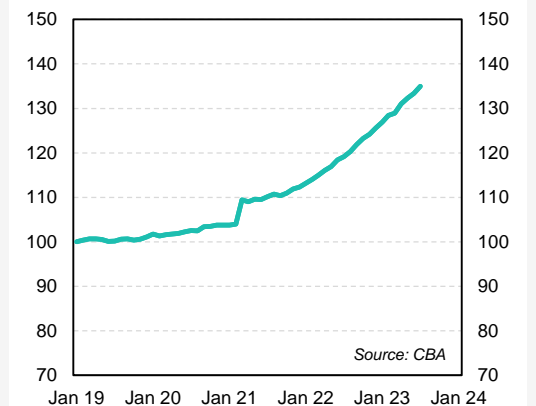
**CBA HSI: HEALTH**  
(weighted index, seasonally adjusted)



## Insurance

- Spending on Insurance rose by 1.2%/mth in July in seasonally adjusted terms, following a 0.8%/mth increase in June.
- The annual rate on increase in spending on Insurance accelerated to 13.2%/yr in July (the fastest pace of increase of all 12 HSI components), up from 12.6%/yr increase in June.
- The largest increases for Insurance spending in the year to July was on home & motor vehicle insurance, health insurance and travel insurance. This was partly offset by reduced spending on life insurance and landlord insurance. As at June, the insurance component of the CPI rose by 14.2%/yr.

**CBA HSI: INSURANCE**  
(weighted index, seasonally adjusted)





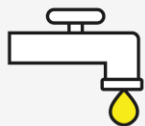
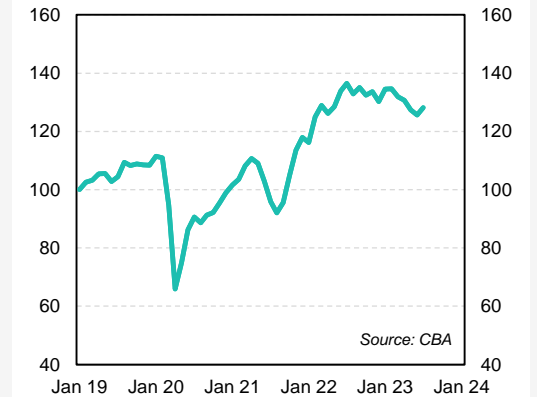
# CommBank HSI in detail



## Transport

- Spending on Transport increased by 2.0%/mth in July in seasonally adjusted terms, following a -1.3%/mth decline in June.
- The annual rate of change in Transport spending was steady at a weak -6.1%/yr in July.
- The falls in spending on Transport in the year to July were driven by a large reduction in spending in service stations – reflecting the lower cost of petrol over the past year. Spending was also lower for motor vehicle rentals, taxis & limousines and car sharing services. This was partly offset by some increased spending on road & traffic authorities, public transport, ride sharing services and tolls.

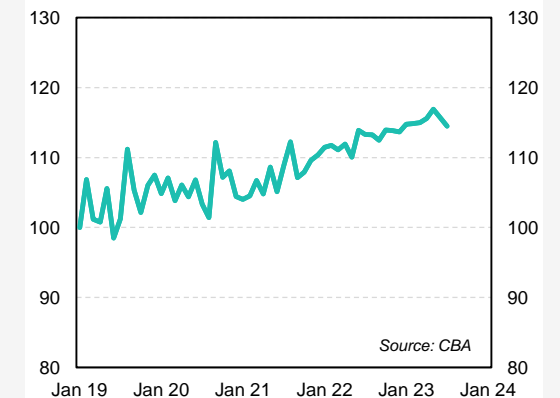
**CBA HSI: TRANSPORT**  
(weighted index, seasonally adjusted)



## Utilities

- Spending on Utilities declined by -1.1%/mth in July in seasonally adjusted terms, following a similar monthly fall in June.
- The annual rate of increase slowed significantly to 1.0%/yr in July from 1.6%/yr in June.
- The increase in Utility spending in the year to July was led by higher spending on electricity & gas supplies, local government fees and strata management fees. This was partly offset by reduced spending on water supplies.

**CBA HSI: UTILITIES**  
(weighted index, seasonally adjusted)



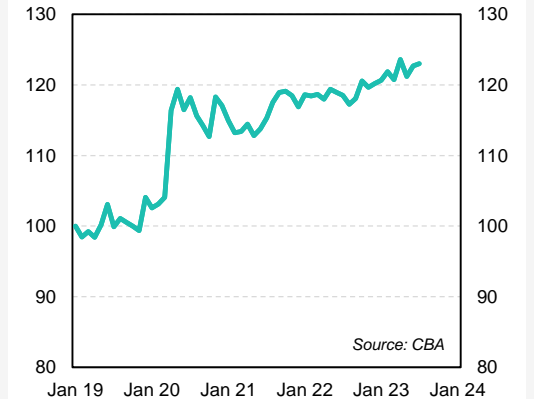
# CommBank HSI in detail



## Communication & Digital

- Spending on Communications & digital rose by 0.2%/mth in July in seasonally adjusted terms, following a solid 1.2%/mth rise in June.
- In the year to July the pace of spending for Communications & digital accelerated to 3.8%/yr from 3.2%/yr in June.
- The largest increases in spending in the year to July was for bundled telecommunications, mobile apps, video streaming services, postal services and internet service providers. This was partly offset by reduced spending on electronic stores, computer stores, board & electric games stores and mobile phone accessories & repairs.

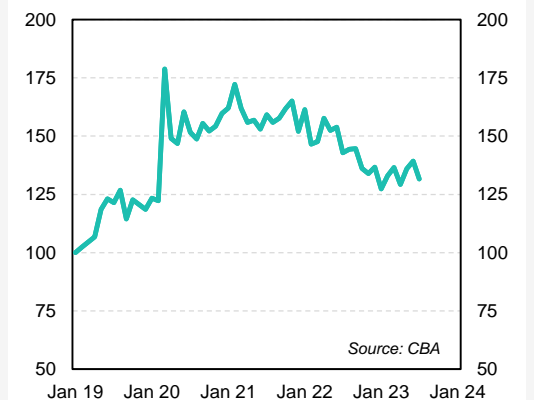
**CBA HSI: COMMS & DIGITAL**  
(weighted index, seasonally adjusted)



## Household Services

- Spending on Household services declined by a sharp -5.5%/mth in July on a seasonally adjusted basis, but this followed a gain of 2.4%/mth in June.
- The pace of change in Household services spending was -7.9%/yr to July, an improvement from -9.4%/yr in June.
- The largest decline in spending on Household services in the year to July was for trading platforms, followed by financial planners, superannuation providers and fund managers. This was partly offset by increased spending on business & professional organisation, household appliance repairs and barbers & hairdressers.

**CBA HSI: HOUSEHOLD SERV**  
(weighted index, seasonally adjusted)



# Home buying insights

The CommBank Home Buying index rose by 2.1%/mth in July in seasonally adjusted terms, to 98.1. The increase in July followed a solid -13.7%/mth fall in June.

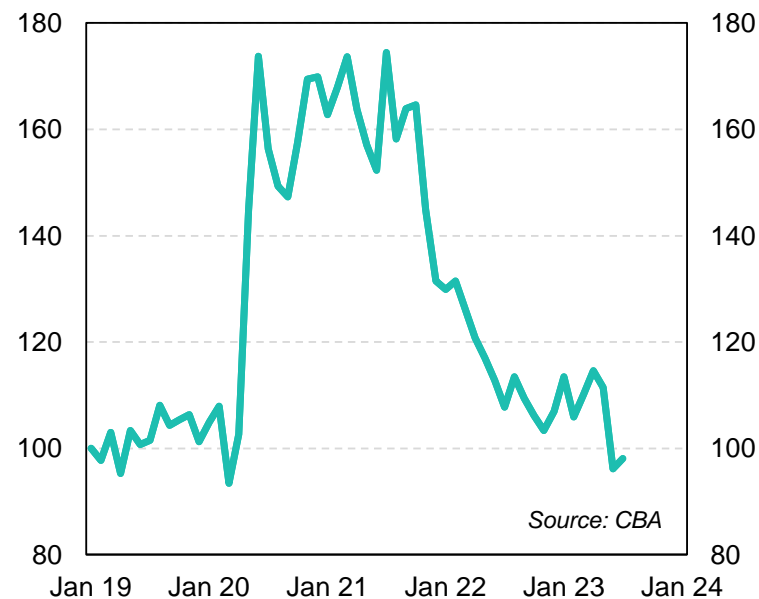
On an annual basis, the Home Buying index was down -9.0%/yr in July, but this represents an improvement from -14.8%/yr in June.

Although there will still be a lagged effect from previous interest rate rises from the RBA, our view that interest rates have peaked in Australia will likely support home buying activity in the months ahead.

Dwelling prices have been moving higher for the past five months, with the gains exceeding our expectations given large supply and demand imbalances.



**CBA: HOME BUYING INDEX**  
(weighted index, seasonally adjusted)



## Home buying insights



98.1

+ 2.1% / month



- 9.0% / year



# HSI Index by State

The strongest state for Household spending, in seasonally adjusted terms, in July was SA (+1.9%), followed by Vic & NSW (+1.7%).

There were more modest increases for ACT (+1.1%), Tas (+1.0%) and WA (+0.8%). Both NT (+0.1%) and Qld (0.0%) were relatively flat.

In the year to July, the strongest state for Household spending was WA (+3.5%), closely followed by both SA (+3.4%) and the NT (+3.4%).

Annual gains were also seen for Tas (+2.7%), Qld (+2.2%) and the ACT (+1.5%).

Both NSW (-0.2%) and Vic (-0.3%) saw declines relative to July last year.

## WA

The increase in July saw WA take the lead as the strongest state over the year to July

+0.8%/month

+3.5%/year

## NT

Despite the small gain in July, NT is one of the strongest 'states' in the year to July

+0.1%/month

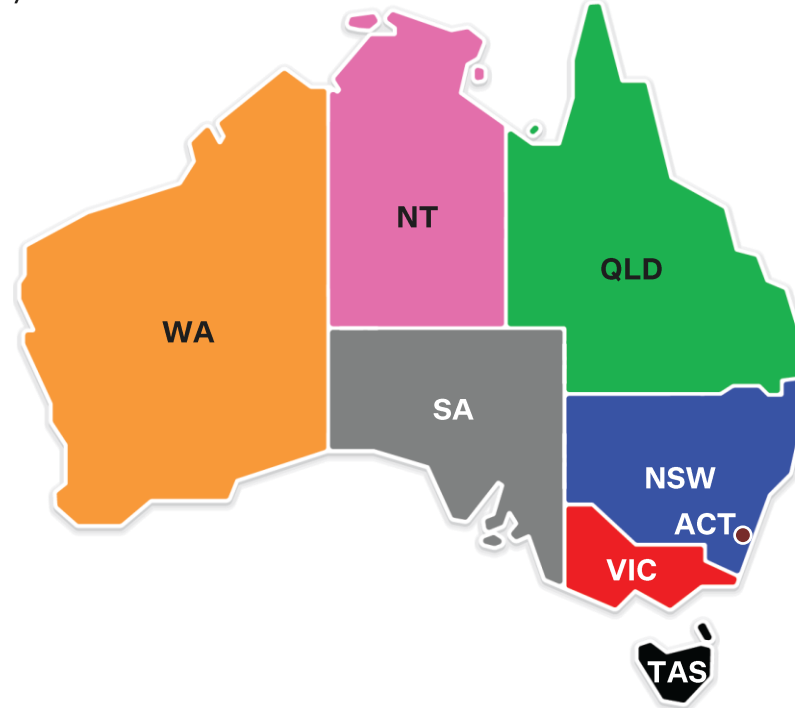
+3.4%/year

## QLD

Qld was soft in the month of July, but is showing solid gains in the year to July

0.0%/month

+2.2%/year



## NSW

NSW showed a solid rise in July, but is the second weakest state for household spending over the year to July

+1.7%/month

-0.2%/year

## ACT

The ACT showed solid gains in both the month and year to July

+1.1%/month

+1.5%/year

## SA

SA showed the strongest gain in July and is the second strongest state in the year to July

+1.9%/month

+3.4%/year

## TAS

Tas showed solid gains in both July and the year to July

+1.0%/month

+2.7%/year

## VIC

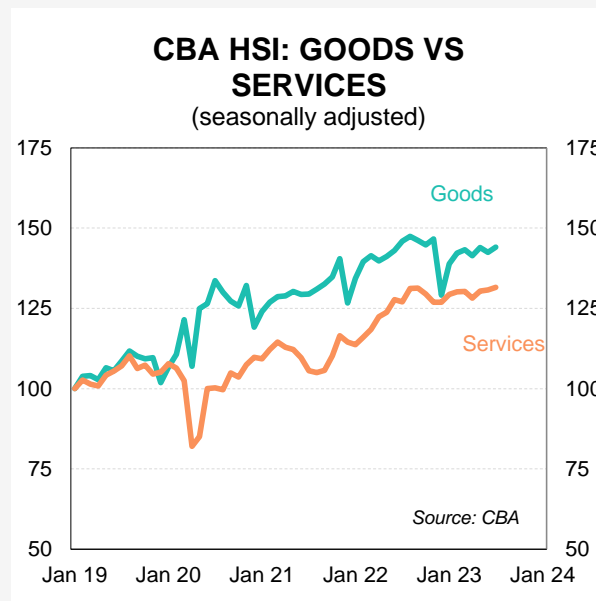
Despite a solid gain in July, Vic is the weakest state for household spending in the year to July

+1.7%/month

-0.3%/year

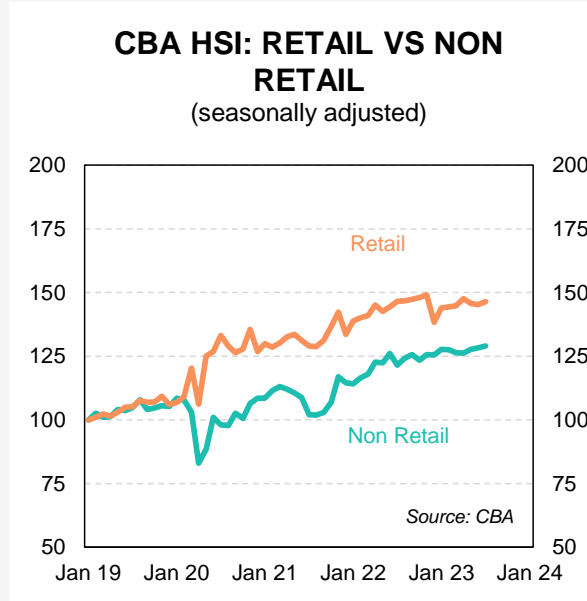
## Goods v Services

- Goods spending rose by 1.1%/mth in July in seasonally adjusted terms, following a -1.1%/mth decline in June.
- Services spending was up a more modest 0.6%/mth in July in seasonally adjusted terms, but increased by 0.3%/mth in June.
- In annual terms, Services spending is up 3.6%/yr, while Goods spending is down -1.3%/yr.



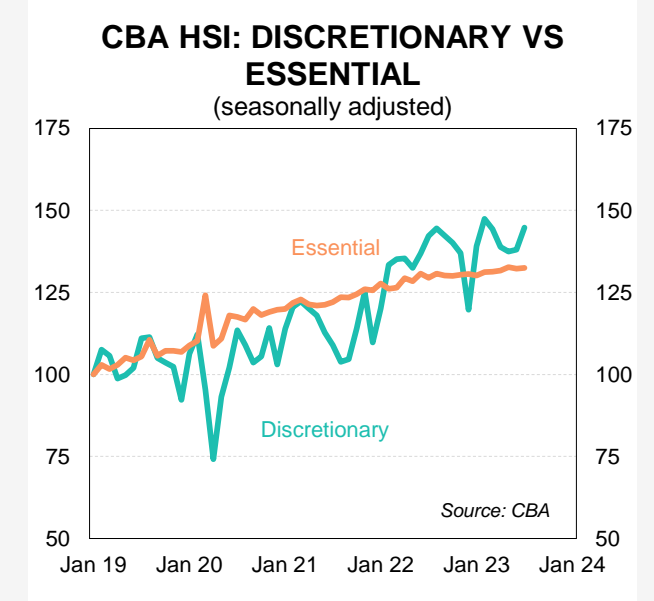
## Retail v Non-Retail

- Retail spending rose 0.8%/mth in July in seasonally adjusted terms, after declining by -0.3%/mth in June.
- Non-retail spending was, in contrast, stronger at up 0.6%/mth in July after a 0.5%/mth rise in June.
- On an annual basis, Retail spending was up 0.8%/yr in July, with Non-retail spending up 0.6%/yr.








## Essential v Discretionary









- Spending on Essential goods & services rose by 0.2%/mth in July, after declining by -0.3%/mth in June.
- In contrast, spending on Discretionary goods & services was up a solid 4.8%/mth in July.
- On an annual basis, however, spending on Essentials was up 2.3%/yr, while spending on Discretionary was up a more modest 1.7%/yr.



# CommBank HSI Categories

 <p><b>Home buying</b></p>	<ul style="list-style-type: none"> <li>• CBA Home loan applications for owner occupiers and investors (excludes refinances, renovations, or other purposes),</li> </ul>			
 <p><b>Food &amp; beverage</b></p>	<ul style="list-style-type: none"> <li>• Alcoholic beverages from package stores.</li> </ul>	<ul style="list-style-type: none"> <li>• Food and non-alcoholic beverages, including; supermarkets, grocery stores, dairy product stores.</li> </ul>		
 <p><b>Household goods</b></p>	<ul style="list-style-type: none"> <li>• Clothing and footwear, including; men, women, children, uniforms, footwear, repairs/alterations and cleaning/laundry services.</li> <li>• Pet shops, pet foods, and supplies.</li> <li>• Florist supplies, nursery stock, and flowers.</li> </ul>	<ul style="list-style-type: none"> <li>• Cosmetic stores.</li> <li>• Electric razor stores.</li> <li>• Antique shops.</li> <li>• Books and newspapers.</li> <li>• Camera and photographic supply stores.</li> <li>• Electronic stores.</li> </ul>	<ul style="list-style-type: none"> <li>• Jewellery, watch, clock, and silverware stores.</li> <li>• Luggage and leather goods stores.</li> <li>• School, stationery and office supply stores.</li> <li>• Personal care stores.</li> <li>• General retail, including; department stores, duty free and second hand stores.</li> <li>• Tobacco products.</li> </ul>	<ul style="list-style-type: none"> <li>• Household furnishings and equipment, including; electrical equipment &amp; appliances, furniture, floor coverings, glass, paint/wallpaper, hardware &amp; tools, lumber &amp; building supplies, nurseries, plumbing/heating equipment.</li> </ul>
 <p><b>Motor vehicles</b></p>	<ul style="list-style-type: none"> <li>• Car and truck dealers (new and used) – sales, service, repairs, parts and leasing.</li> </ul>	<ul style="list-style-type: none"> <li>• Automotive body repair, parts and paint shops</li> </ul>	<ul style="list-style-type: none"> <li>• Motorcycle shops and dealers.</li> </ul>	<ul style="list-style-type: none"> <li>• Automotive service and tyre shops.</li> </ul>
 <p><b>Recreation</b></p>	<ul style="list-style-type: none"> <li>• Amusement Parks, circuses &amp; carnivals.</li> <li>• Aquariums.</li> <li>• Art dealers and galleries.</li> <li>• Boat dealers, rentals and leasing.</li> <li>• Book stores.</li> <li>• Bowling alleys.</li> <li>• Caterers</li> <li>• Commercial photography, art and graphics</li> </ul>	<ul style="list-style-type: none"> <li>• Dance halls, studios and schools.</li> <li>• Hobby, toy and game stores.</li> <li>• Airlines and air carriers.</li> <li>• Airports and airport terminals.</li> <li>• Bus lines</li> <li>• Camper, recreational and utility trailer dealers.</li> <li>• Motion picture theatres.</li> <li>• Music and record stores.</li> </ul>	<ul style="list-style-type: none"> <li>• Hotels, motels and resorts.</li> <li>• Motor home and RV rentals.</li> <li>• Trailer park and camp grounds.</li> <li>• Package tour operators.</li> <li>• Travel agencies and tour operators.</li> <li>• Sport and Recreation camps.</li> <li>• Cruise lines.</li> <li>• Video game arcades and establishments</li> <li>• Theatrical producers (except motion pictures) and ticket agencies.</li> </ul>	<ul style="list-style-type: none"> <li>• Tourist attractions and exhibits.</li> <li>• Bicycle shops – sales and service.</li> <li>• Commercial and professional sports clubs.</li> <li>• Sport, recreation and athletic club membership.</li> <li>• Public &amp; private golf courses.</li> <li>• Sporting goods stores.</li> <li>• Marinas, marine service and supplies.</li> </ul>

# CommBank HSI Categories

 <b>Hospitality</b>	<ul style="list-style-type: none"> <li>• Drinking places – bars, nightclubs, cocktail lounges etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Fast food restaurants.</li> </ul>	<ul style="list-style-type: none"> <li>• Eating places and restaurants.</li> </ul>
 <b>Education</b>	<ul style="list-style-type: none"> <li>• Colleges, universities and professional schools.</li> </ul>	<ul style="list-style-type: none"> <li>• Primary and secondary schools.</li> <li>• Schools and educational services.</li> </ul>	<ul style="list-style-type: none"> <li>• Trade and vocational Schools.</li> <li>• Correspondence schools.</li> <li>• Business and secretarial schools.</li> </ul>
 <b>Health</b>	<ul style="list-style-type: none"> <li>• Ambulance services.</li> <li>• Osteopaths, podiatrists and chiropractors.</li> </ul>	<ul style="list-style-type: none"> <li>• Health and beauty spas.</li> <li>• Hospitals.</li> <li>• Medical labs.</li> </ul>	<ul style="list-style-type: none"> <li>• Nursing and personal care facilities.</li> <li>• Opticians and eyeglasses.</li> <li>• Dentists and orthodontists.</li> <li>• Doctors and Physicians.</li> <li>• Pharmacies.</li> </ul>
 <b>Insurance</b>	<ul style="list-style-type: none"> <li>• Direct marketing – insurance services.</li> </ul>	<ul style="list-style-type: none"> <li>• Insurance sales, underwriting and premiums.</li> </ul>	
 <b>Transport</b>	<ul style="list-style-type: none"> <li>• Automotive fuels and service stations.</li> <li>• Automotive associations.</li> <li>• Automobile rental agencies.</li> </ul>	<ul style="list-style-type: none"> <li>• Car washes.</li> <li>• Motor freight carriers and trucking - local and long distance, moving and storage companies and local delivery.</li> </ul>	<ul style="list-style-type: none"> <li>• Passenger railways.</li> <li>• Taxicabs and limousines.</li> <li>• Toll and bridge fees.</li> <li>• Parking lots and garages</li> <li>• Towing services.</li> </ul>
 <b>Communications and digital</b>	<ul style="list-style-type: none"> <li>• Cable and other pay television services.</li> <li>• Computer network/information services.</li> </ul>	<ul style="list-style-type: none"> <li>• Digital goods: Applications – books, movies, music &amp; games.</li> <li>• Telecommunication services, including local and long distance calls.</li> </ul>	<ul style="list-style-type: none"> <li>• Telecommunications equipment and telephone sales.</li> <li>• Video amusement game supplies.</li> <li>• Computers, computer equipment and software.</li> </ul>
 <b>Utilities</b>	<ul style="list-style-type: none"> <li>• Water</li> </ul>	<ul style="list-style-type: none"> <li>• Electricity</li> </ul>	<ul style="list-style-type: none"> <li>• Gas</li> </ul>
 <b>Household services</b>	<ul style="list-style-type: none"> <li>• Architectural, engineering, carpentry and surveying services.</li> <li>• Beauty and barber shops.</li> <li>• Cleaning services.</li> <li>• Charitable and social service organisations.</li> </ul>	<ul style="list-style-type: none"> <li>• Child care services.</li> <li>• Concrete work contractors.</li> <li>• Electrical contractors.</li> <li>• Funeral services and crematories.</li> </ul>	<ul style="list-style-type: none"> <li>• Heating, plumbing, and air conditioning contractors.</li> <li>• Landscaping and horticultural services.</li> <li>• Masonry, stonework, tile setting, plastering and insulation contractors.</li> <li>• Swimming pools--sales, supplies and service.</li> <li>• Veterinary services.</li> <li>• Roofing contractors.</li> </ul>

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