

choice

July 2015

**CONSUMER PULSE:
AUSTRALIANS' ATTITUDES
TO COST OF LIVING
2014–2015**



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CEO CHOICE AUSTRALIA

With over 160,000 members, and more than one million Australians using our services every month, CHOICE is uniquely positioned to understand the issues concerning Australian consumers. When we embarked on the CHOICE Consumer Pulse project 12 months ago, our aim was to try and put some numbers around the consumer concerns we hear about every day through social media, emails and our website.

One year later, as we enter 2015-16, there is a unique story to tell about Australians' attitudes to cost-of-living pressures. Our first snapshot came in the period following the 2014 federal budget, as the political debate over budget cuts drove concerns about health costs and university fees. Nearly half of Australians said they had cut back on essentials.

By September 2014, some of the gloom was lifting. The abolition of the carbon price saw concern over electricity prices ease slightly, although it remained – as it is now – the biggest source of household pressure.

In late 2014, we found there was rising concern over the bigger economic picture, with the percentage of Australians rating the economy as poor (32%) overtaking those who rated it as good (28%). Leading up to another federal budget, in March 2015 there was an overall lifting of pressures. Concern over fuel prices continued a steep descent, as oil prices fell around the globe.

That brings us to June 2015, one year from our first survey, and for the first time the Consumer Pulse has registered increased concern over every major household expense.

And this concern is not evenly distributed. Some Australians are doing it much tougher than most. It is the most vulnerable – particularly those on the lowest incomes – who face the greatest pressure with household expenses, and who are more likely to borrow money from friends and family, and cut back spending on essentials.

While it is not surprising that people on lower incomes are struggling the most, what worries us is that the steps they are taking to manage their household budget may place them at greater risk, particularly when interest rates begin to rise again. We're also worried that it is families, especially those with young children, who are most anxious about rising bills.

These results send an important message to our politicians: consumers are concerned about their ability to manage the household budget and they are particularly sensitive to policy changes that affect the cost of core services like health, education and childcare.

Addressing these concerns is important to our broader economic health, because when consumers feel scared about the future, they will refrain from the expenditure on goods and services that drives economic activity and employment.

CHOICE's aim in publishing this research is to ensure that the consumer voice comes through loud and clear in some of our most important public debates. That's because the ultimate test of our economic system should be whether it is delivering for Australian consumers. As we enter 2015-16, we hope that consumers' concerns will be prominent for representatives from all sides of politics.

WHAT WE FOUND

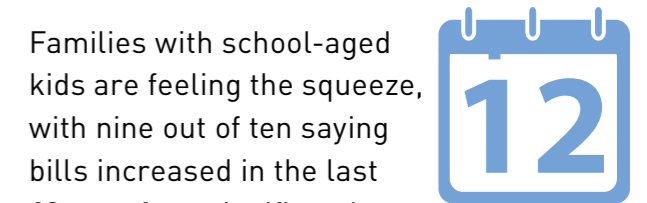
FOR THE FIRST TIME SINCE **JUNE 2014**, CONCERN OVER EVERY MAJOR HOUSEHOLD EXPENSE HAS INCREASED.



ELECTRICITY, FUEL AND FOOD AND GROCERY PRICES TOP CONSUMERS' LIST OF CONCERNS.



ONE IN FIVE PEOPLE HAVE LIVED OFF A CREDIT CARD IN THE LAST 12 MONTHS TO GET THROUGH TO PAYDAY



Families with school-aged kids are feeling the squeeze, with nine out of ten saying bills increased in the last **12 months** – significantly higher than the national average (85%).



Few are positive about the state of the Australian economy, but people in NSW are much more optimistic than their interstate counterparts. Nearly four in ten people in NSW say the economy is good, compared to about a quarter of people in all other states.



WORRIED ABOUT:



More Australians are worried about their finances now than in September 2014; half are worried about interest rates (50%), two-thirds are worried about their level of savings (66%) and just under half are worried about their level of debt (48%), including mortgage and credit card debt.

COST OF LIVING
5-9

What are the top household cost-of-living concerns for Australians in June 2015? And how have concerns changed over the year?

WHAT ARE PEOPLE
WORRIED ABOUT?
10-13

How many people are doing it tough, what do they plan to cut back on, what are their views on the economy, and what are the big issues they're worried about?

HOW ARE PEOPLE COPING?
14-15

How are Australians coping with financial pressure?

WHO IS FEELING THE SQUEEZE?
16-19

Who are Australia's haves and have-nots? Renters, parents with school-aged children, low-income households and young people are feeling cost pressures.

ABOUT THE REPORT
20

INTRODUCTION

The CHOICE Consumer Pulse Report *Australians' Attitudes to Cost of Living 2014-2015* looks back on a year of data about Australians' basic cost-of-living concerns. It paints a picture of an anxious Australia where a third of people are struggling on their current incomes and exhibit signs of financial distress.

Households are feeling increased cost pressure across the board, with electricity remaining the biggest cost concern for the fifth consecutive quarter. June comes with an end-of-financial-year sting in insurance premiums, with concerns over seasonal costs like car insurance (68%), home and contents insurance (60%), and health costs including health insurance (73%) all rising to their highest levels across the survey's five quarters.

Australians are not overly optimistic, with 33% rating the economy as poor compared to 29% who rated it as good. A similar proportion of Australians – three in ten – said they are struggling to get by on their current income. In June 2015, 29% said they are struggling to get by, compared to 26% who say they are living comfortably.

Worries about financial issues have risen since 2014. Half of Australians are worried about interest rates (50%), two-thirds are worried about their level of savings (66%) and just under half are worried about their level of debt (48%), including mortgage and credit card debt.



Costs are rising

Australians say that key costs continue to rise. 85% of people say their household bills and expenses had increased over the last twelve months, with about two in five (42%) saying bills have increased a lot.

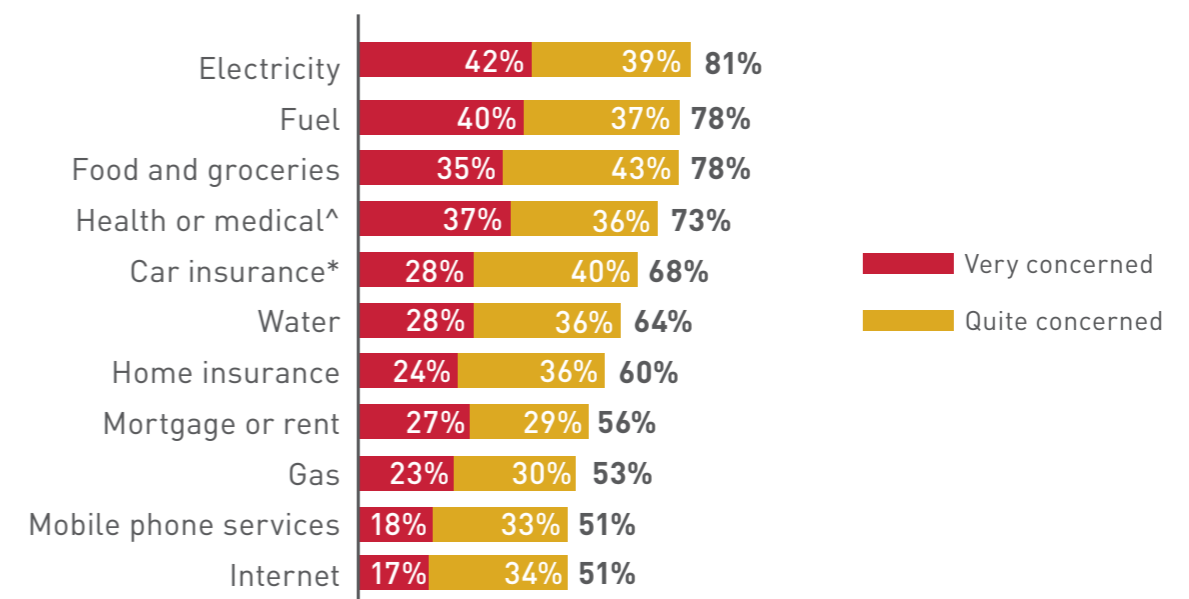
With bills on the rise, it's no surprise that people say they are worried about paying for day-to-day essentials. For the first time, concern about costs has increased over all major household expenses, with electricity, fuel and food and groceries on top of the list.

The city-bush divide

People living in capital cities are significantly more concerned about the cost of gas (62%) than people in regional areas (39%); the same is true for the cost of water (70% of people in capital cities are concerned compared to 54% in regional areas). Insurance costs and housing also rate as more significant concerns for people in capital cities who are typically paying more for these services. There is consistent concern about electricity, mobile, internet, fuel and food and grocery prices across metropolitan and regional Australia.

“HOUSEHOLDS SHOW HIGH LEVELS OF CONCERN ABOUT THE COSTS OF NECESSITIES LIKE ELECTRICITY, FUEL AND FOOD AND GROCERIES”

WHAT WERE CONSUMERS' BIGGEST COST OF LIVING CONCERNS IN JUNE 2015?



Note: Responses to 'How concerned are you about the current costs of each of the following household expenses?'
Base: all people. June 2015 n=1372. [^] Including health insurance. *Including compulsory insurance.

REFLECTING POLITICAL DEBATES

Announcements in the May 2014 federal budget drove a spike in consumer concerns. Issues that were central to the budget and subsequent political debate, such as healthcare costs, peaked as areas of concern in June 2014. In December 2014, forecasts of economic gloom and talk of an 'income recession' were reflected in responses rating the economy as poor.

ELECTRICITY REMAINS NUMBER ONE

Electricity remains the cost households are most concerned about. The repeal of the carbon price saw concerns ease slightly but it remains top of the list. In September, three months after the repeal, 59% of consumers believed it had made no difference to their household expenses. A third said the savings from the tax were less than expected for gas and electricity.

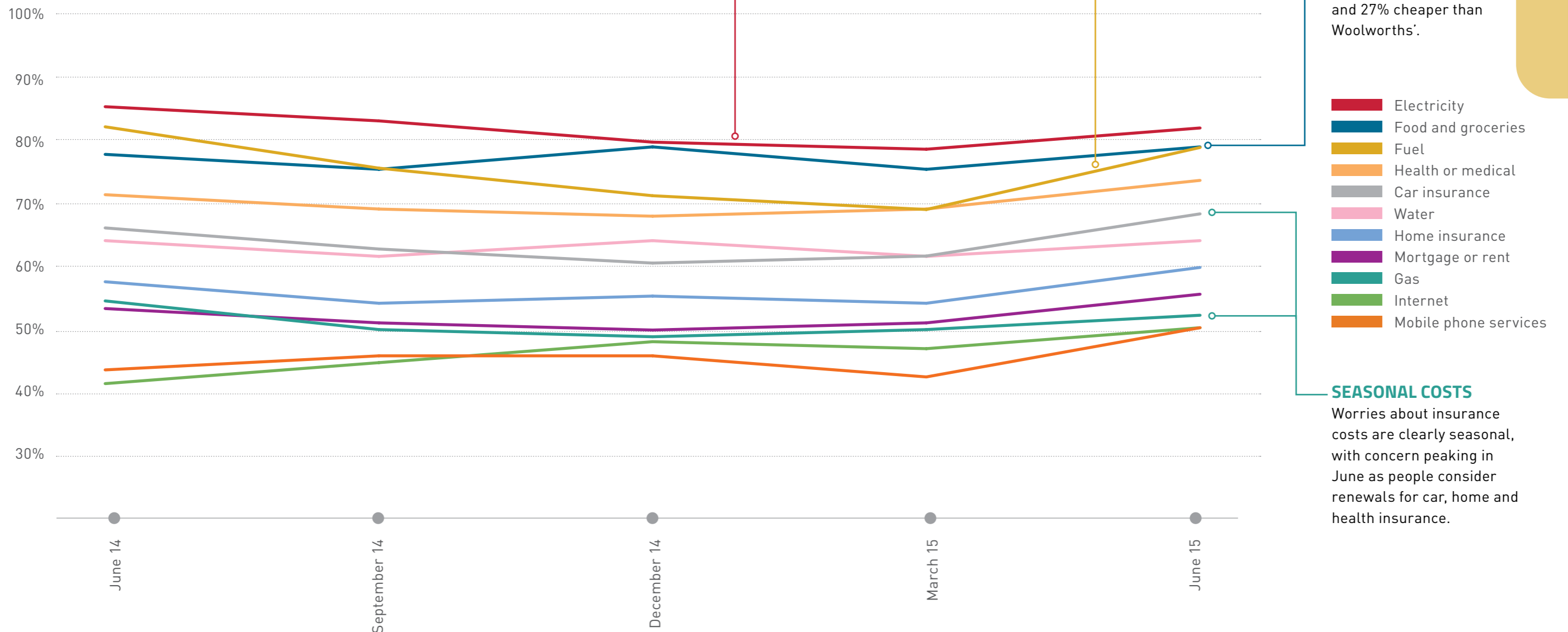
FUEL: COSTS ARE DIFFICULT TO PREDICT

Concern about fuel costs has fluctuated each quarter, surging 9% in the latest survey. June CPI figures showed the largest quarterly increase in fuel costs since December 1990, offsetting a big fall the previous quarter.

WORRIES ABOUT THE PRICE OF A WEEKLY SHOP

Food and groceries have been one of the top three costs each quarter. A June 2015 CHOICE investigation into grocery prices found that consumers can make substantial savings on the weekly shopping bill by switching from name brands to private label items or by shopping at Aldi, which was 23% cheaper than Coles' equivalent private label shopping basket and 27% cheaper than Woolworths'.

CHANGE IN COST OF LIVING CONCERNS BETWEEN JUNE 2014 AND JUNE 2015



Note: Responses to 'How concerned are you about the current costs of each of the following household expenses?' Base: five waves of data. June 2015 n=1372. March 2015 n=1049. December 2014 n=1037. September 2014 n=1012. June 2014 n=1001. Numbers shown are total "very concerned" and "quite concerned".

of data. June 2015 n=1372. March 2015 n=1049. December 2014 n=1037.

SEASONAL COSTS

Worries about insurance costs are clearly seasonal, with concern peaking in June as people consider renewals for car, home and health insurance.

Rent and mortgage costs

Headline figures don't tell the full story about the concerns some Australians have about housing. In June 2015, three out of four renters (75%) and two out of three people with a mortgage (67%) said they were concerned about the cost of housing. There are some groups who are clearly more worried about housing costs: parents with children under five (70%), people living in shared houses (68%), and parents with school-aged children (66%). The groups less worried about housing costs are retirees (27%) and couples with no children (46%).

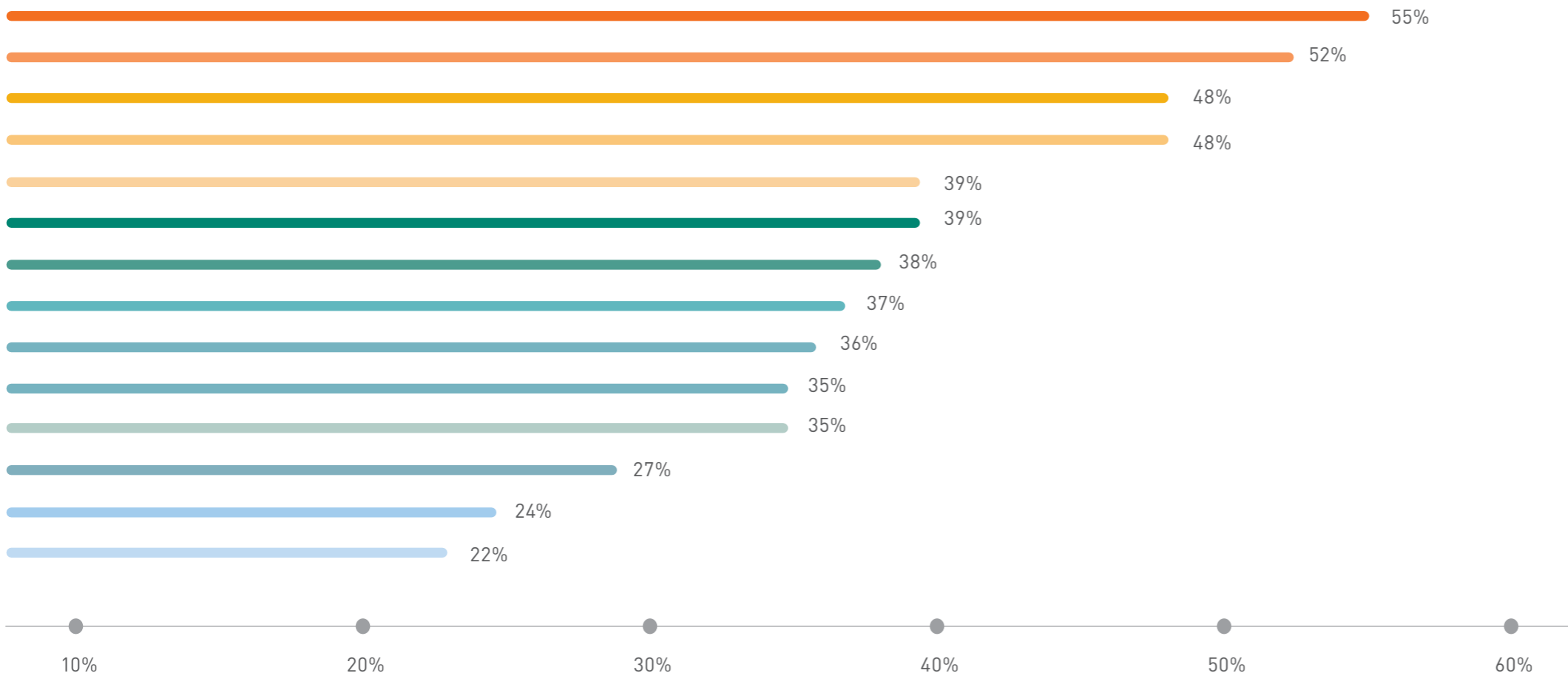
“CONCERN ABOUT THE COST OF TELECOMMUNICATIONS SERVICES HAS GROWN STEADILY”

Telecommunications costs

Concern about the cost of telecommunications services has grown steadily, peaking in the latest survey. Concern about mobile phone costs has jumped by 7% since the March 2015 quarter. Concern about the cost of internet services has increased 3% since the March 2015 quarter, but is 8% higher than in June 2014.

Concern is fairly constant across demographic types, with only small fluctuations. Cost concerns vary most by age. Three in five Gen Ys (60%) are concerned about the cost of mobile services, while only a third (34%) of Pre-Boomers are – indicating that this is an essential service for younger generations. Similarly, three in five Gen Ys (59%) are concerned about internet costs compared to two in five Pre-Boomers (39%).

WHERE ARE PEOPLE CUTTING BACK?



A third of Australians are doing it tough

Almost three in ten people (29%) are finding it difficult or very difficult to get by on their current income. This figure has remained at about 30% for all Consumer Pulse surveys. However, 43% say they're getting by, 20% are living comfortably, and just 9% of Australians say they are living very comfortably on their current income.

What are we cutting back on?

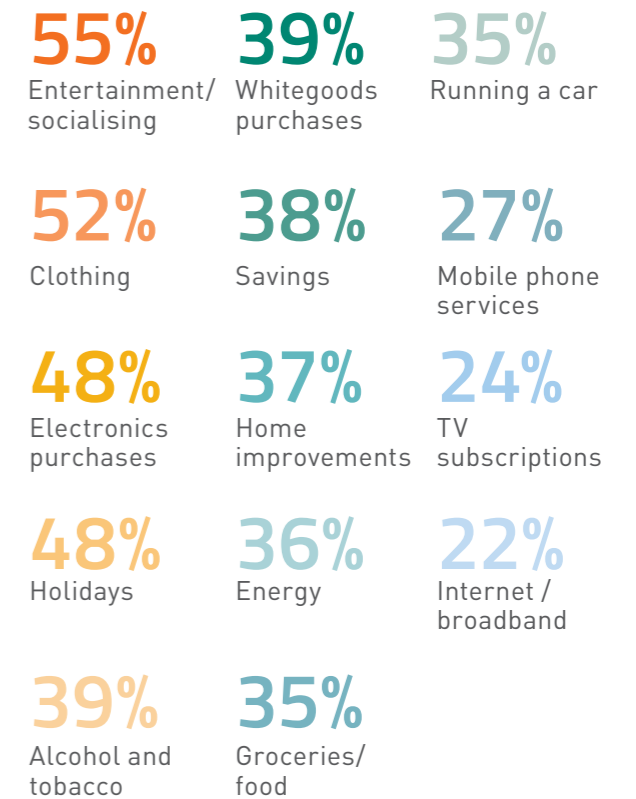
As bills continue to rise, people are planning to cut back spending. Over the next few months, more than half of Australians say they will cut back spending on clothing (52%) and entertainment like going to a restaurant or to a cinema (55%).

With a drop in the value of the Australian dollar, more people say they will cut back on travel. Just

under half of say they'll cut back on holidays (48%) and imported electronics like new TVs or computers (48%) – increases of 6% and 12% respectively since March 2015.

Over the five Consumer Pulse surveys a clear pattern has emerged, identifying the areas where consumers are more likely to cut spending and those costs that are less discretionary. More people will cut back on clothing and entertainment costs than will reduce spending on groceries, their savings, alcohol and tobacco, mobile phone and internet costs.

A growing number of people (up 7% from June 2014 to June 2015) plan to cut back on TV subscriptions, though this is possibly linked to the launch of cheaper video-on-demand services.



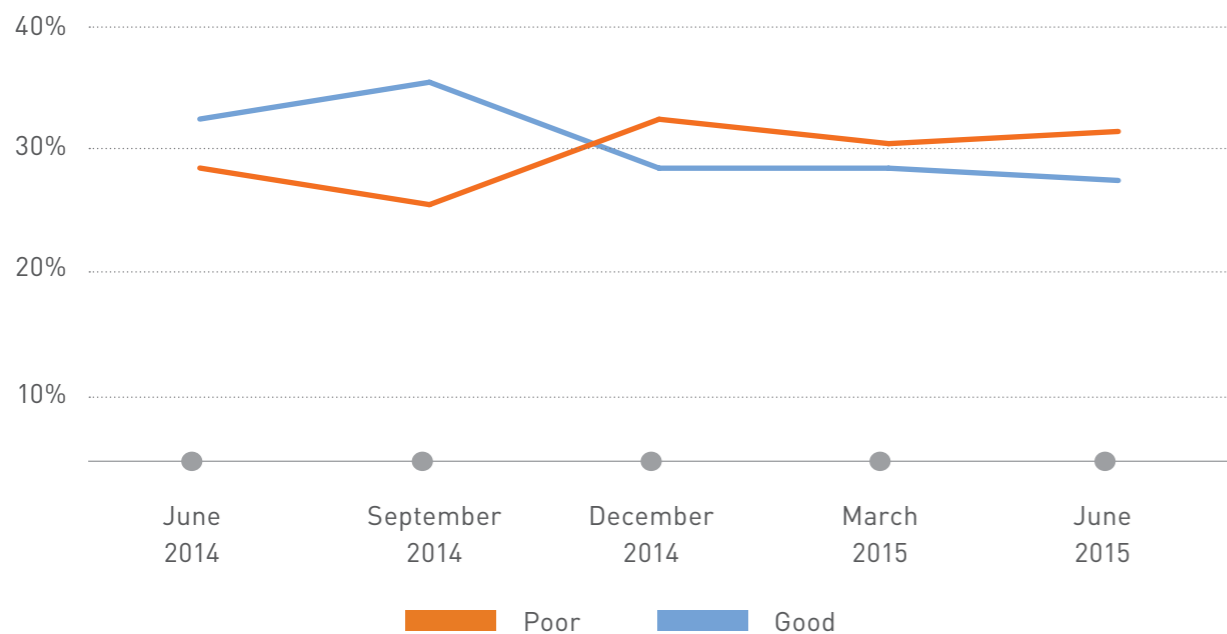
Note: Responses to 'In the next few months, do you plan to cut back, increase spending or spend the same on the following?'
Base: all people. June 2015 n=1372.

A gloomy view of the economy

When it comes to the state of the economy, 33% of people rate the Australian economy as poor and 29% as good. The proportion rating it 'poor' overtook those rating it 'good' in December 2014, and has remained about the same since then.

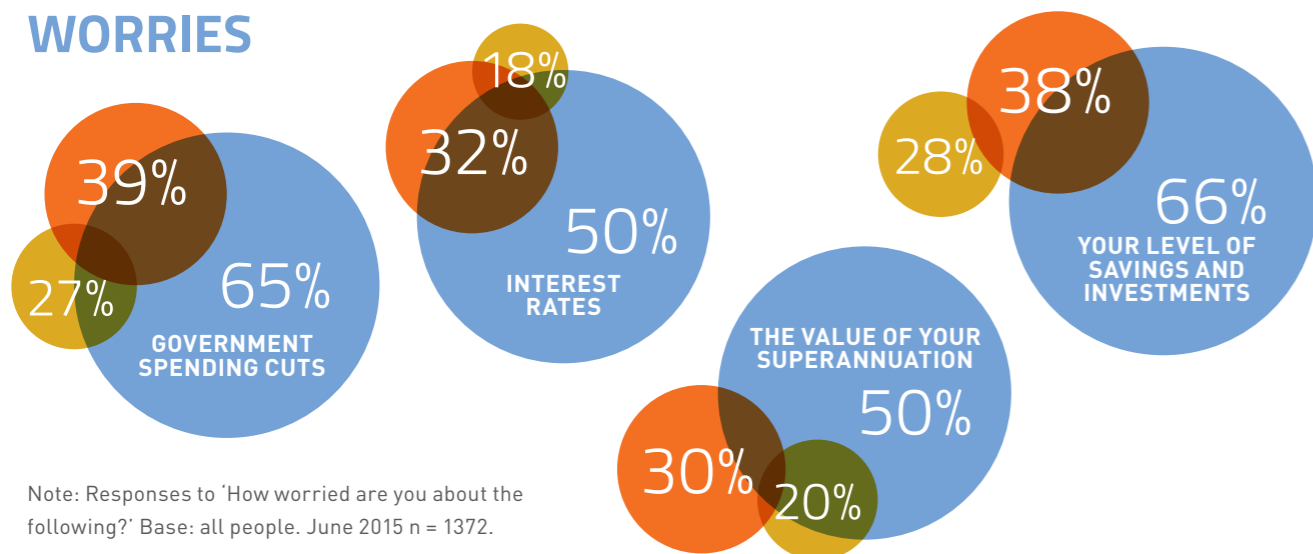
The downturn of views on the economy occurred as real disposable income per capita dropped over successive quarters, causing an 'income recession' from September 2014.²

VIEW OF THE ECONOMY OVER THE YEAR



Note: Responses to 'How would you rate the Australian economy at the moment?' Base: five waves of data. June 2015 n=1372. March 2015 n=1049. December 2014 n=1037. September 2014 n=1012. June 2014 n=1001. Numbers shown are total 'good' and 'poor' responses.

WORRIES



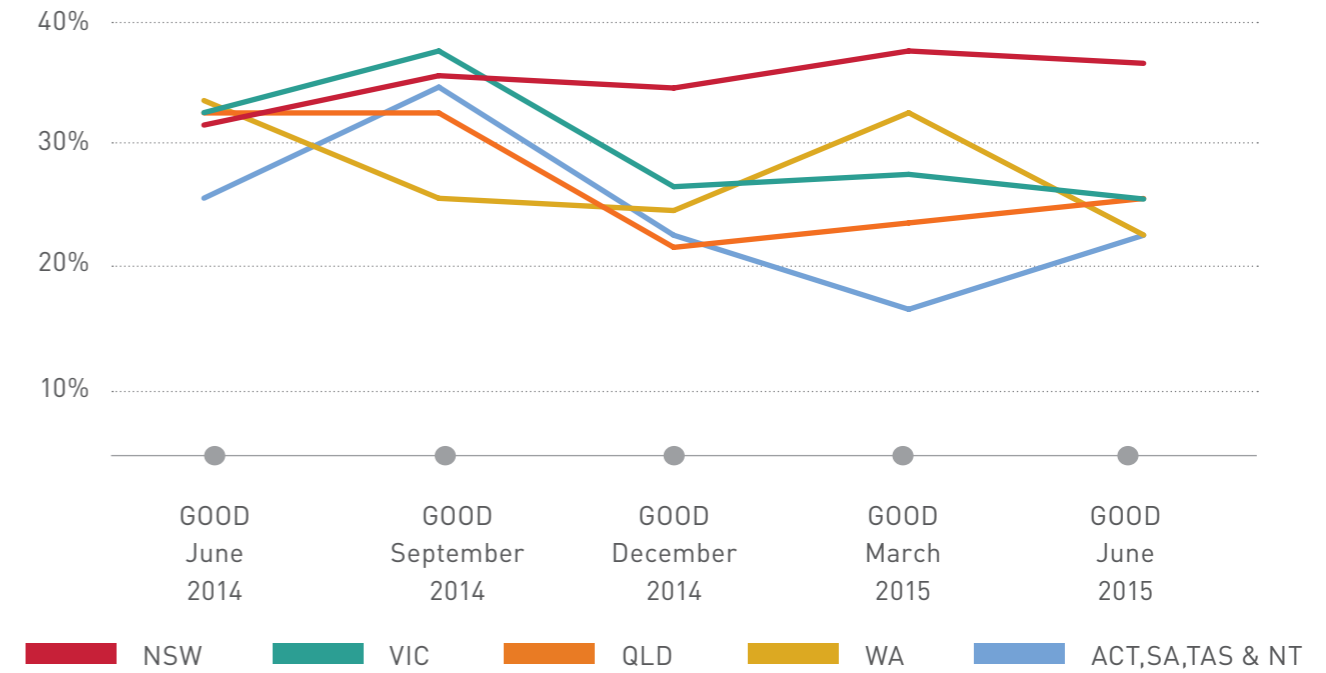
Note: Responses to 'How worried are you about the following?' Base: all people. June 2015 n = 1372.

NSW: Leading the pack for positivity

Detailed results show a clear geographic difference. Nearly four in ten (37%) people in NSW say the economy is good, compared to about a quarter of people in other states (26% in Victoria

and Queensland; 23% in all other states and territories). Looking at the past year, NSW is the only state where a third or more of people have consistently rated the Australian economy 'good'.

VIEWS ON THE ECONOMY BY STATE



Note: Responses to 'How would you rate the Australian economy at the moment?' Base: five waves of data. June 2015 n=1372. March 2015 n=1049. December 2014 n=1037. September 2014 n=1012. June 2014 n=1001. Numbers shown are total 'good' responses.

More people worried about finances

Worries about financial issues have increased since September last year. Half of Australians are worried about interest rates, 66% are worried about their level of savings, and just under half (48%) are worried about their level of debt, including mortgage and credit card debt. Nearly eight in ten people who are carers or full-time parents (78%) are worried about their level of savings or investments. Around three in five Gen Ys (61%) and parents with children under five (63%) are worried about their debt levels.

● Very worried ● Quite worried ● Total

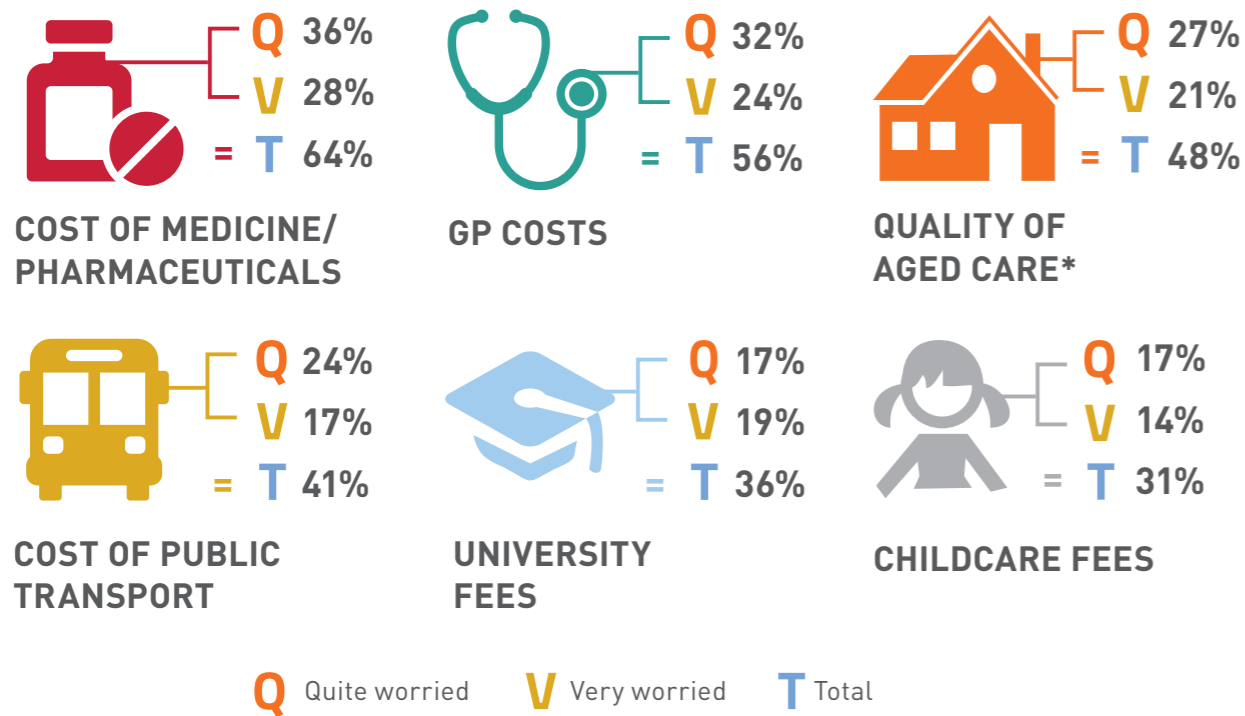
Worries about the cost of essential services, by generation

More than half of all Australians are very or quite concerned about the cost of seeing their doctor (56%) and the cost of medicine (64%). What people worry about varies by age and life-stage. Over half of Gen Ys are worried about university fees (56%), the cost of public transport (53%) and childcare fees (53%). In comparison, significantly fewer Baby

Boomers are worried about costs for university (22%), public transport (35%) and childcare (11%). Three-quarters (74%) of those with children under five are worried about childcare fees, indicating significant cost concern among the group most affected by policy changes to childcare.

“THREE-QUARTERS (74%) OF PARENTS WITH CHILDREN UNDER FIVE ARE WORRIED ABOUT CHILDCARE FEES”

WHAT COSTS ARE PEOPLE MOST WORRIED ABOUT?



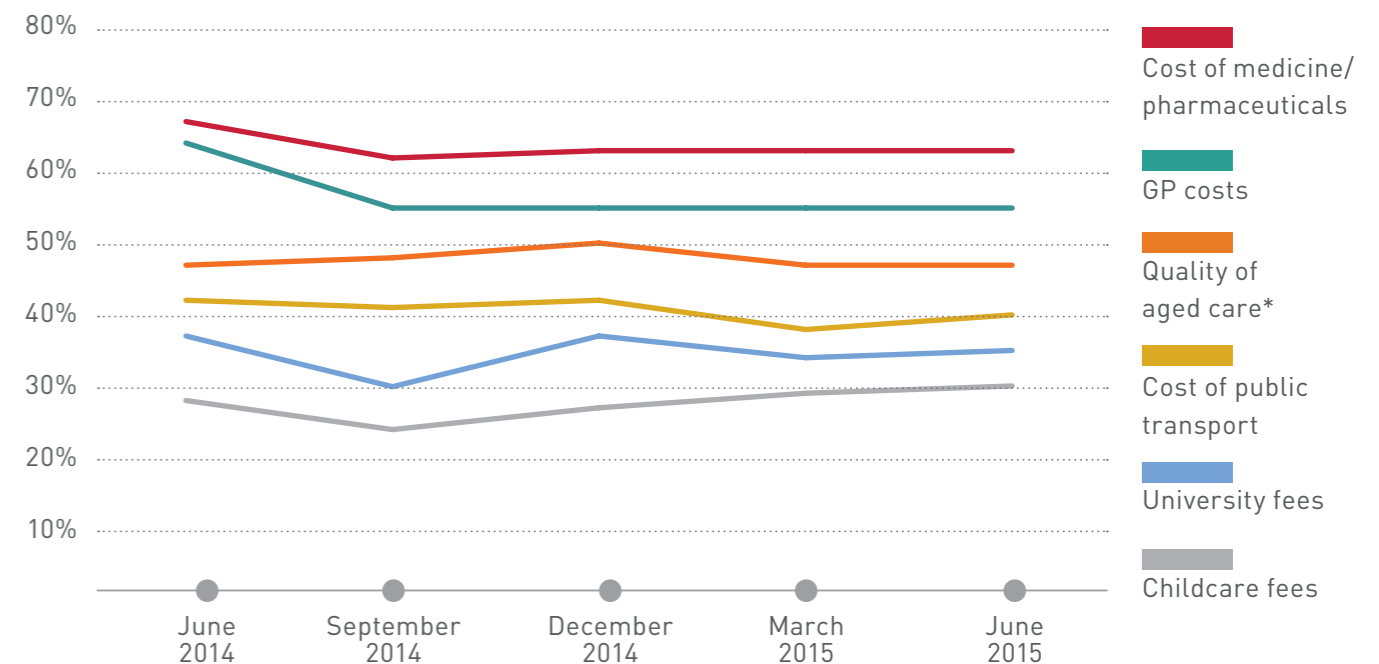
Note: Responses to 'How concerned are you about the following?', Base: all people. June 2015 n=1372. * (i.e. retirement villages / nursing homes).

Political proposals drive concern over the year

Over the last year, worries about essential health costs peaked with political announcements. Over two-thirds of people were worried about GP costs (65%) and medicine costs (68%) after the May 2014 federal budget. Concern reduced from September 2014 after it became clear that changes, such as a GP co-payment, would not be introduced.

Concern about university fees has also fluctuated with political activity. It was high after the May 2014 budget, and peaked in December 2014 when the Senate blocked deregulation. It dropped slightly by March 2015 as the Senate again voted against deregulation but the government made clear that it wanted changes.

COSTS PEOPLE WERE WORRIED ABOUT OVER 2014–2015



Note: Responses to 'How concerned are you about the following?'. Base: five waves of data. June 2015 n=1372. March 2015 n=1049. December 2014 n=1037. September 2014 n=1012. June 2014 n=1001. Numbers shown are total who say they are worried.* (i.e. retirement villages / nursing homes).

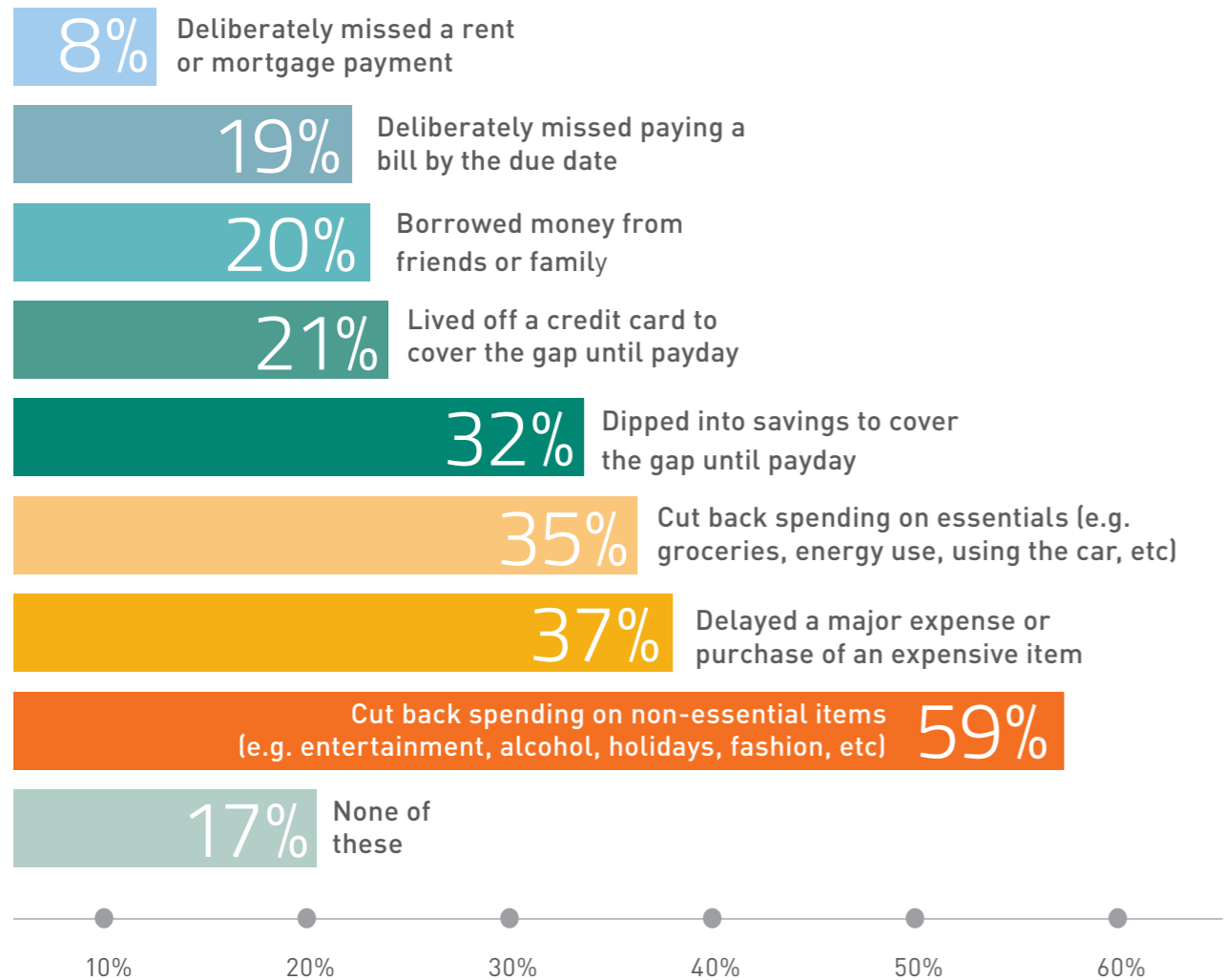
One in five people have lived off credit cards to get through to payday

A third of Australians (35%) say they have cut back spending on essentials like groceries, using their car or energy costs in the last twelve months in order to cope with financial pressure. This is a dramatic decrease from June 2014, where just under half of people (46%) had cut back on essentials in the twelve months prior.

However, indicators of major financial distress

have remained steady or increased over the year. One in five (21%) people have lived off a credit card to cover the gap until payday. Around the same number have borrowed money from friends or family. Almost one in ten (8%) have deliberately missed or delayed a rent or mortgage payment, with Gen Ys (14%) most likely to miss or delay a payment.

HOW ARE PEOPLE COPING WITH FINANCIAL PRESSURES?



Note: Responses to 'Which of the following have you experienced in the last 12 months?'; Base: all people. June 2015 n=1372.

IN THE PAST YEAR:

5.3 MILLION CUT BACK SPENDING ON ESSENTIALS

1.2 MILLION DELIBERATELY MISSED A RENT OR MORTGAGE PAYMENT

3 MILLION BORROWED MONEY FROM FAMILY OR FRIENDS



3.1 MILLION LIVED OFF A CREDIT CARD TO GET THROUGH TO PAYDAY

4.8 MILLION DIPPED INTO THEIR SAVINGS TO COVER THEIR MONTHLY EXPENSES

3 MILLION DELIBERATELY MISSED PAYING A BILL BY THE DUE DATE



Note: Approximate number of people calculated using number of Australians aged 18-75 years as per ABS 2011 Census.

Who's on Struggle Street and who's living comfortably?

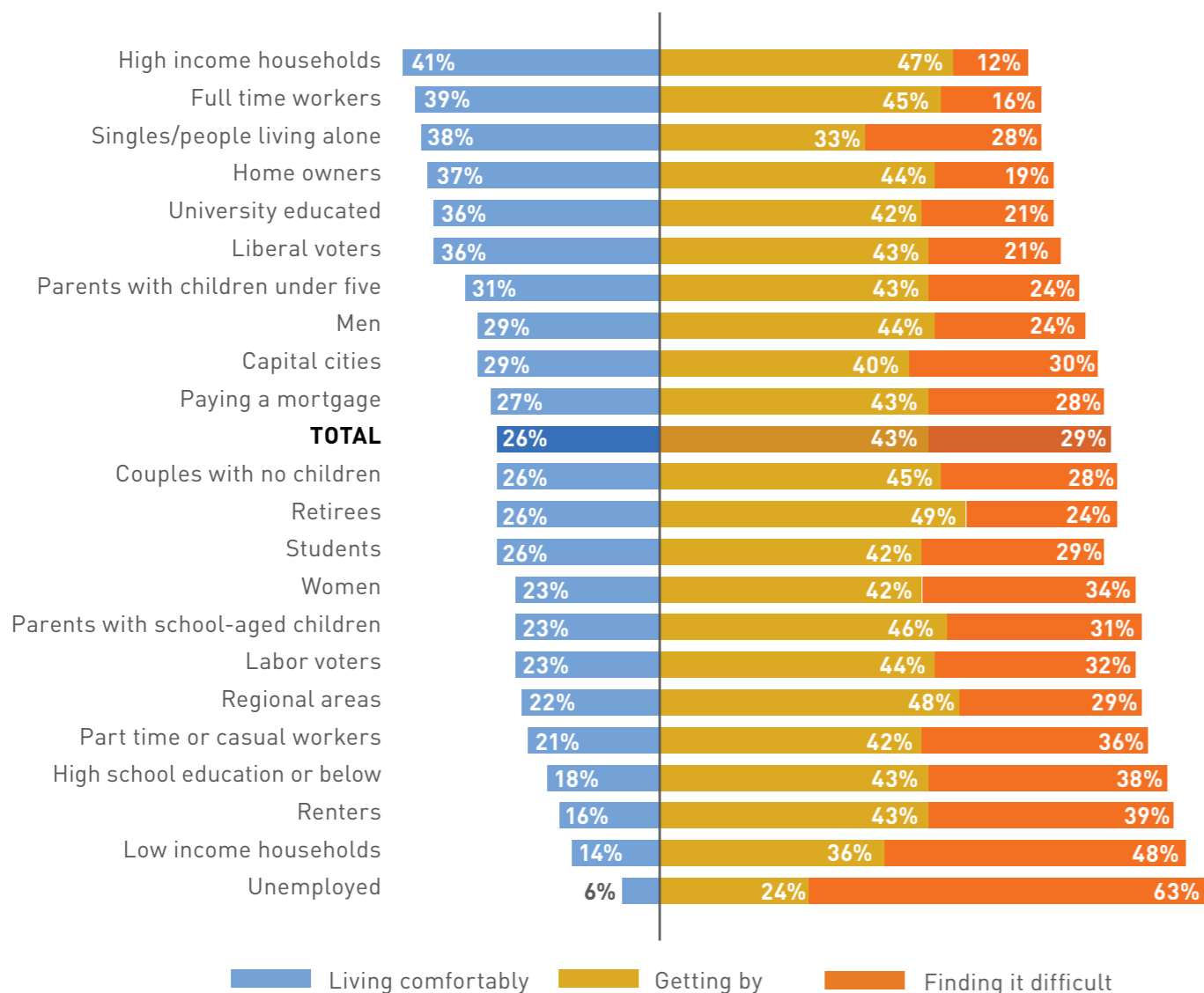
Three in ten Australians (29%) are finding it difficult to get by on their current incomes and 26% say they are living comfortably. But there are clearly groups who are finding it tougher than most, including renters, people on low incomes and the unemployed.

A third of women (34%) say they are finding it difficult to manage on their current incomes compared to a quarter (24%) of men. The difference has not always been so stark, with

27% of men and 28% of women saying they were finding it difficult to get by in September 2014, but the gap has steadily increased since then.

Only two in ten (22%) of people in regional areas said they were living comfortably in June 2015 and nearly half saying they were getting by (48%). In comparison, more people in capital cities say life is comfortable. Three in ten (29%) of people in capital cities said they were living comfortably in June 2015.

THE HAVES AND HAVE-NOTS. WHO IS COMFORTABLE AND WHO IS FINDING IT DIFFICULT?



Note: Responses to 'Thinking about your household income, which of the following best applies?' Base: all people. June 2015 n=1372.

Families with financial worries

Parents of school-aged children face a number of financial pressures. They're typically from Generation X (61%), have a mortgage (48%) and work full time (49%), with a mid-level income (45%).

Nine in ten (90%) of these parents said their bills have increased over the year, significantly higher than the Australian average of 85%. They're more likely than average to be worried about household expenses like electricity (87%), gas (60%), fuel (85%), food and groceries (85%), and mortgage payments or rent (66%). And they're cutting back on spending more than most: 44% have delayed a major expense or purchase, compared to an Australian average of 37%. Three in ten (30%) have lived off a credit card to cover the gap until payday, compared to an average of two in ten (21%).

Parents of school-aged children are worried about the future. They're more worried about government spending cuts (71%) than average (65%). Six in ten (62%) are concerned about the cost of GPs and four in ten (43%) are worried about childcare fees. Half of all parents (51%) with school-aged children are worried about university fees compared to a third of all Australians (36%).

Long-term financial issues keep this group awake at night, with 56% worried about the value of their superannuation, 73% worried about their level of savings and investments and 57% about debt levels, all well above the Australian average. They're also much more likely to be worried about losing their job or their partner losing their job (52%, compared to the Australian average of 42%).

"SEVEN IN TEN PARENTS WITH SCHOOL-AGED CHILDREN ARE WORRIED ABOUT GOVERNMENT SPENDING CUTS"



16% OF FULL TIME WORKERS ARE FINDING IT DIFFICULT



36% OF PART TIME OR CASUAL WORKERS ARE FINDING IT DIFFICULT



63% OF UNEMPLOYED PEOPLE ARE FINDING IT DIFFICULT



24% OF MEN ARE FINDING IT DIFFICULT



34% OF WOMEN ARE FINDING IT DIFFICULT



48% OF LOW INCOME HOUSEHOLDS ARE FINDING IT DIFFICULT



12% OF HIGH INCOME HOUSEHOLDS ARE FINDING IT DIFFICULT

Renters

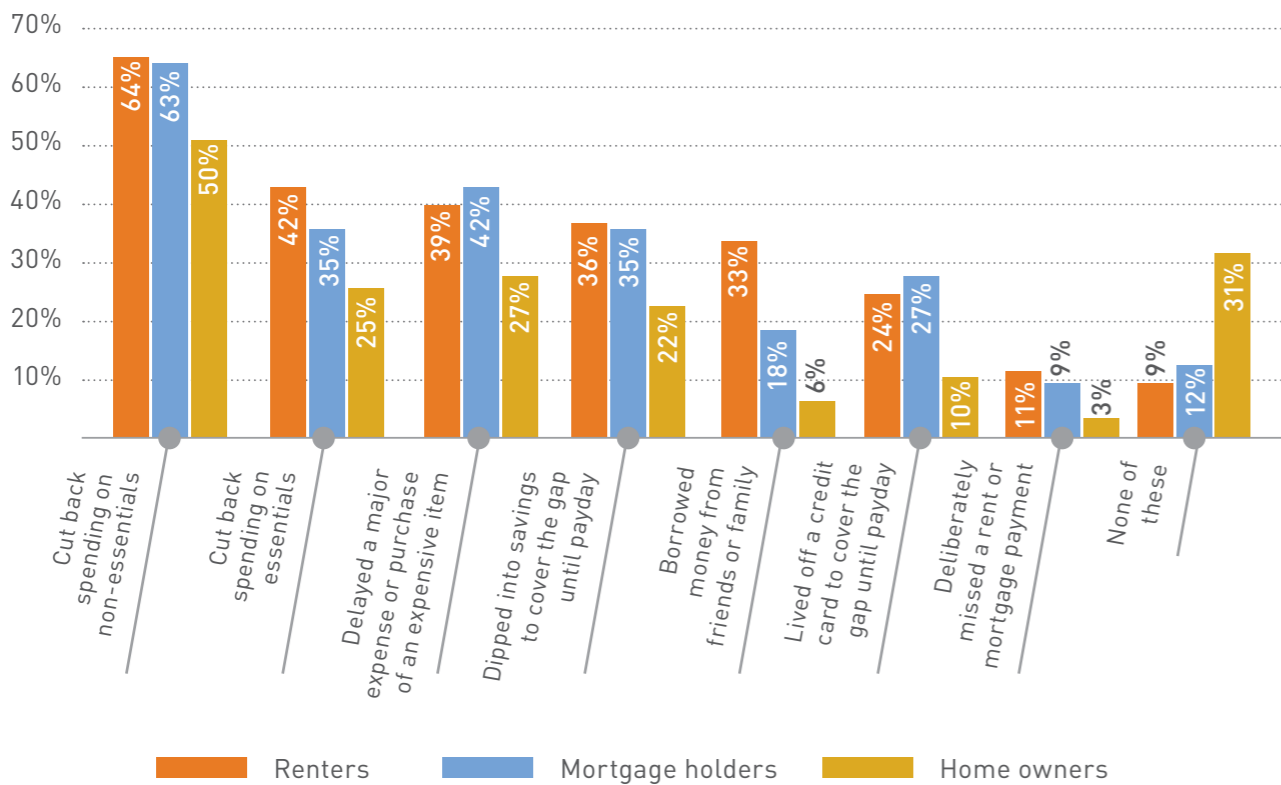
Renters have emerged as one of the groups feeling the most financial pressure in all five Consumer Pulse surveys. Four in ten (39%) say they are finding it difficult to get by on their present income, compared to three in ten (28%) mortgage holders and two in ten (19%) people who own a home outright.

A typical renter in Australia is from Gen Y (44%); over a third (37%) of renters have kids; and renters are more likely to earn a low income (41%). Comparatively, the Australians paying a

mortgage are a mix of Gen Y (33%) and Gen X (36%), and are more likely than renters to have children (55%) and earn a middle income (41%).

Renters are much more likely than mortgage holders and homeowners to have borrowed money from friends and family, and to have deliberately not paid a bill by the due date. Both renters and mortgage holders are significantly more likely than home owners to exhibit other signs of financial distress. Three-quarters of renters (74%) are worried about their level of savings and investments.

RENTERS, MORTGAGE HOLDERS AND HOMEOWNERS



Note: Response to 'Which of the following have you experienced in the last 12 months?'. Base: only responders who indicated they were renters (n=428), had a mortgage (n=451) or owned a home outright (n=464), June 2015.

Low-income households

Households earning less than \$50,000 a year are feeling the squeeze. Low-income earners are more likely to be renting (48%). They're the least likely to be living comfortably (14% compared to 28% for middle-income earners and 41% for high-income earners) and most likely finding it difficult

to get by (48% compared to 25% for middle-income earners and 12% for high-income earners).

Forty-two percent of low-income households have cut back on spending on essentials. They're also more worried about government spending cuts (70%) and nearly four in ten (38%) think the economy is poor.

Gen Y

Gen Y is growing up, and starting to feel major cost pressures, particularly in housing. A typical Gen Y is renting (48%) and working full time (43%). A quarter of Gen Ys have children under 5 (25%) and 15% are students, compared to the Australian averages of 15% and 5% respectively.

Gen Ys are the least likely to feel that household bills have increased (78%, compared to 87% of Gen Xs and 90% of older Australians) but the most likely to be concerned about mobile phone (60%) and internet (59%) costs.

Gen Ys are the most likely to exhibit major markers of financial distress. Three in ten (32%) have borrowed money from friends or family, a quarter (26%) have deliberately missed paying a bill

by the due date and 14% have deliberately missed a rent or mortgage payment in the last 12 months.

Of Gen Ys who pay rent or a mortgage, 81% are concerned about the cost. Concern drops dramatically by age. Looking at people who pay rent or have a mortgage, 68% of Gen Xs, 58% of Baby Boomers and just 57% of Pre-Boomers are worried about costs.

Gen Ys are more worried about their level of debt (61%), university fees (56%), childcare fees (53%) and cost of public transport (53%) than any other generation. Yet, overall Gen Ys are the most optimistic about the big picture. They're more likely to say they are living comfortably (33%) and significantly more likely to feel that the Australian economy is good (37%).

“YOUNG AUSTRALIANS ARE THE GROUP MOST CONCERNED ABOUT THE COST OF HOUSING”





CHOICE Consumer Pulse was launched in June 2014. The survey was designed and analysed by CHOICE with fieldwork by GMI/Lightspeed Research Australia, which is a member of the Australian Market & Social Research Society (AMSRS), abides strictly by the Code of Professional Behaviour for market research and panel management in Australia, and complies with Australian Privacy Principles. At least 1000 Australians aged 18–75 are surveyed every quarter. Each wave's data has been weighted to ensure it is representative of the Australian

population based on the ABS Census 2011. Total sample in wave 5 is n=1372. Fieldwork was conducted between 15 and 24 June 2015. The survey is aligned, where possible, with CHOICE's sister organisation Which? UK.

Notes on reporting of figures:

Unless otherwise noted, responses about concerns with expenses are based on the total population, including people who do not have a given expense. We've done this to represent the overall views of Australians.

NOTES:

1 See ABS, Retail Trade, Australia, May 2015, Table 2. Retail Turnover, by industry group – percentage change from previous month: www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/8501.0May%202015?OpenDocument

2 See ABS, Wage Price Index, Australia, Mar 2015, Dec 2014 and Sept 2014: www.abs.gov.au/AUSSTATS/abs@.nsf/allprimarymainfeatures/3F85BC8B42C2D64ECA257B17000D36FC?opendocument