



A Division of Westpac Banking
Corporation
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The BankSA State Monitor

**An ongoing independent survey of South Australian Consumer & Business
Confidence**

Wave 75

Research Results

July 2021

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1. INTRODUCTION

The BankSA State Monitor is an ongoing independent survey (conducted three times a year) on South Australian consumer and business confidence. The survey commenced in November 1997.

This report details the results of the 75th survey.

This latest State Monitor was conducted between July 7-11 2021, directly following the announcement by the Reserve Bank on July 6, to keep the interest rate at a historic low of 0.1%.

2. METHODOLOGY

Action Market Research conducts a survey on behalf of BankSA, with analysis and report generation completed within the Research team of BankSA.

The timing of the research and production of the report is conducted in a three-week timeframe within the same month to ensure results reflect existing market conditions and current issues that may have an impact on confidence levels.

Consumer Tracking Monitor

Conducted three times a year

Consumer indicators include:

- Confidence about the future
- Confidence about own household finances
- Consumer purchase (past three months)
- Consumer purchase (next three months)
- State pride
- Mood of the consumers
- Confidence about small businesses
- Job security
- Lifestyle stability
- Technology adoption

Business Tracking Monitor

Conducted three times a year

Business indicators include:

- Confidence about the future
- Confidence about own business finances
- Business purchase
- Business stability
- Business expansion
- State pride
- Mood
- Confidence about small businesses
- Income security
- Technology adoption

3. RESEARCH OBJECTIVES

To provide an overall index of consumer and business 'confidence' representing the South Australian consumer and business segments.

As these indicators are reported on a regular basis, over time they can provide useful trend information.

4. SUMMARY

4.1 Overall Results

4.1.1 How to Interpret the Index

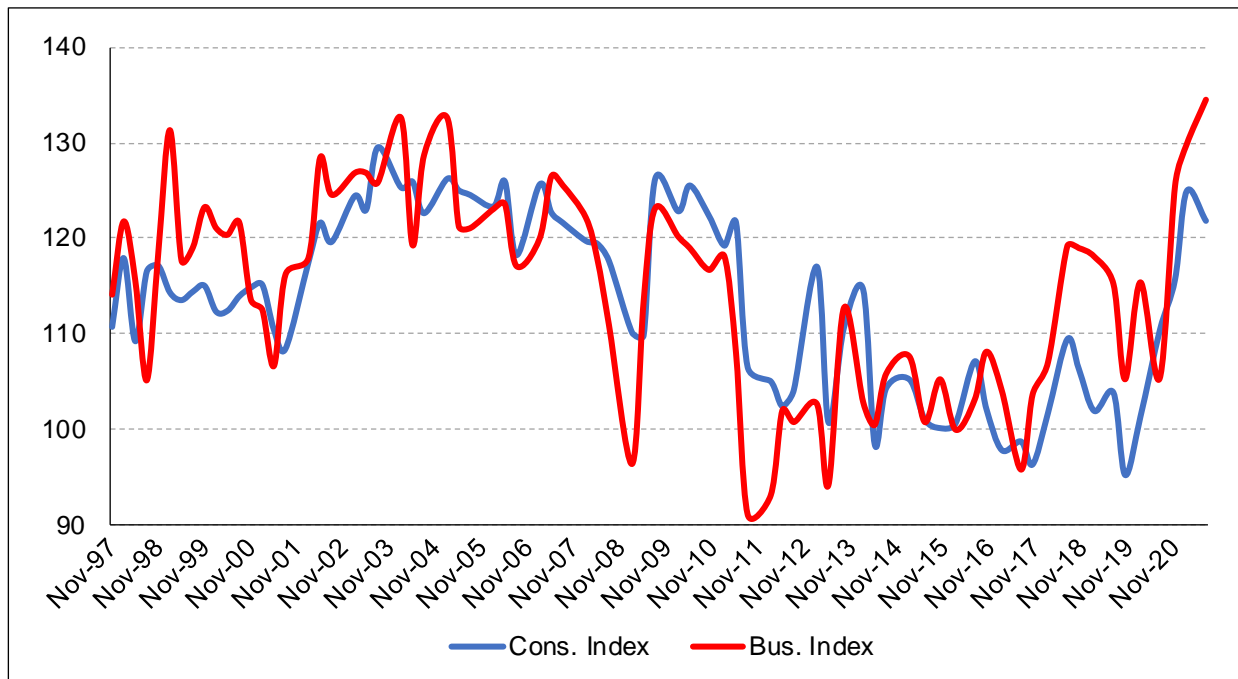
A base of 100 is used, to which the overall results are either added or deducted. If a result greater than 100 is achieved, this represents a positive result and if the result is less than 100, a negative result is represented. Based on this index a maximum score is 200 and a minimum score is zero.

If the index is below 100, this means that there are more pessimistic respondents than optimistic.

Therefore, any score above 100 represents a positive confidence result and obviously the higher the result the more confident the response.

4.1.2 BankSA Total Confidence Index

- Consumer confidence reports a decrease, down by 3.1 points to 121.8 points. Excluding the February'21 outcome, this is the highest result since October 2010.
- Business confidence reports an increase, up by 4.7 points to 134.6 points, the highest confidence level ever recorded.



4.2 Summary of Results

4.2.1 Top Line Results – Consumer Summary

Indicator	Question	Net change since last survey		Best result	Worst result
Consumer spending climate	How confident are you that the climate for consumer spending will improve over the next 12 months?	Worse	-4%	65+ Male White collar Metro	Rural Female 50-64 Not employed
Positive financial change	How confident are you that there will be a significant positive change in your financial position in the next 12 months?	Worse	-6%	25-34 18-24 White collar Blue collar	Not employed 65+ 50-64 35-49
Made significant major purchase	Have you made any significant purchases in the last three months, such as real estate, cars, whitegoods, hi-fi equipment or holiday travel?	Worse	-4%	25-34 35-49 White collar Male	65+ Rural 50-64 18-24
Likely to make major purchase	Are you or your household likely to make a major purchase in the next three months of real estate, cars, whitegoods, hi-fi equipment or holiday travel?	Worse	-3%	25-34 18-24 Male White collar	65+ Female Not employed Rural
Pride in South Australia	When you look at how things are going in SA, how proud are you to be a South Australian?	Worse	-8%	65+ Blue collar 18-24 25-34	35-49 50-64 Male White collar
Feeling about household situation	Which words best describe how you feel about your own household situation at present?	Worse	-6%	65+ 25-34 White collar Rural	18-24 35-49 Blue collar Not employed
Business activity direction	When you think about small business in SA generally, does small business seem to be picking up, steady or slowing down?	Worse	-5%	18-24 25-34 White collar 35-49	50-64 Not employed 65+ Female
Worried by unemployment (lower is better)	In the last three months, has your household or family been affected by an inability to find suitable work or worried about losing existing employment?	Better	-6%	18-24 White collar 25-34 Metro	65+ Not employed Rural Male
Could change to a better job	If you or someone in your household or family wanted to change jobs, how confident are you that suitable work would be available?	Better	+6%	25-34 18-24 White collar Male	50-64 Not employed 65+ Female
Confidence in new technology	How confident do you feel about using technologies such as credit cards, computers, mobile phones, ATMs and EFTPOS?	Worse	-7%	25-34 White collar 50-64 Metro	Not employed 65+ Rural 35-49

Notes

- Across age segments: 25-34 highest level since Apr-06, 65+ highest level since May-08, and all age segments remain >100-point benchmark.
- White collar report falls since Feb-21, but excluding Feb-21 is highest since May-11
- In Rural, all regions are above 100 point benchmark. MN&R records an increase, where W&N records a big decrease since Feb-21.

4.2.2 Top Line Results – Business Summary

Indicator	Question	Net change since last survey		Best result	Worst result
Business climate improvement	How confident are you that the climate for doing business in SA will improve over the next 12 months?	Worse	-5%	Construction Rural Manufacturing \$1m + t/o	Community Serv. 5 < 10 FTE < \$0.5m t/o Metro
Own business improvement	How confident are you that there will be a significant improvement in the performance of your business in the next 12 months?	Stable	0%	10 + FTE \$1m + t/o 5 < 10 FTE Manufacturing	Agriculture < \$0.5m t/o < 5 FTE Rural
Major purchase in 12 months	How likely is it that your business will make a major purchase in the next 12 months, such as office equipment, cars, commercial real estate or other	Better	+13%	10 + FTE \$1m + t/o 5 < 10 FTE Finance	< 5 FTE < \$0.5m t/o Agriculture Retail
Additional employees recently	In the last three months, have you created any additional employment or taken on any additional employees in your business?	Better	+8%	\$1m + t/o 5 < 10 FTE 10 + FTE Community Serv.	< \$0.5m t/o < 5 FTE Recreation Retail
Additional employees in future	In the next three months, are you likely to create any additional employment or take on any additional employees in your business?	Better	+12%	10 + FTE \$1m + t/o Construction Community Serv.	< 5 FTE < \$0.5m t/o Agriculture Rural
Pride in South Australia	When you look at how things are going in SA, how proud are you to be a South Australian?	Worse	-2%	Retail Recreation \$1m + t/o Finance	Agriculture Construction Community Serv. 5 < 10 FTE
Business situation	Which words best describe how you feel about your own business situation at present? (Positive/Negative)	Better	+5%	Finance \$0.5m to \$1m t/o 10 + FTE \$1m + t/o	Community Serv. < \$0.5m t/o Construction Agriculture
General direction small business	When you think about small business in SA generally, does small business seem to be picking up, steady or slowing down?	Better	+3%	Agriculture 10 + FTE \$1m + t/o Finance	Community Serv. < \$0.5m t/o < 5 FTE Construction
Downturn in turnover	In the last three months, has your business been affected by any downturn in turnover or have you been worried about possible downturn in turnover?	Better	+12%	Recreation Retail < \$0.5m t/o 5 < 10 FTE	\$0.5m to \$1m t/o Agriculture Rural Finance
Confidence in new technology	How confident do you feel about using technologies such as credit cards, computers, mobile phones, ATMs and EFTPOS?	Better	+1%	\$1m + t/o 5 < 10 FTE Recreation Manufacturing	Agriculture < \$0.5m t/o < 5 FTE Construction

Notes

- Big increases for some industries, including Transport, Finance and Recreational (all beneficiaries of improving economic conditions and stimulus). Large businesses (both t/o and FTE) also recorded increases.
- In Rural, W&N have increased, Southern and MN&R has decreased.

4.2.3 Commentary on Wave 75 Results

Consumer confidence decreased by 3.1 index points between February'21 and July'21, from 124.9 to 121.8 index points. Excluding the February'21 result, the July'21 result is the highest since October 2010.

The main observations for the latest results are:

- On an annualised basis (see table below), consumer confidence in the middle of 2021 is higher than all results seen across the last ten years.

BSA State Monitor (last 10 years)	Consumer Annualised Index	Annual Movement
2011 (3 surveys)	115.8	-7.8
2012 (3 surveys)	103.8	-11.9
2013 (3 surveys)	109.4	+5.6
2014 (3 surveys)	105.8	-3.7
2015 (3 surveys)	102.1	-3.7
2016 (3 surveys)	103.3	+1.2
2017 (3 surveys)	97.6	-5.7
2018 (3 surveys)	105.8	+8.2
2019 (3 surveys)	100.3	-5.5
2020 (3 surveys)	109.1	+8.8
2021 (2 surveys)	123.4	+14.3

Speculatively, the fall in confidence among South Australian consumers might be driven by:

- The delays and supply issues with the COVID-19 vaccine roll-out.
- Several states experiencing COVID case spikes, and further lockdowns.
- Increasing cost of living pressures, over and above any wage increases.

However, this result remains high and is likely due to:

- Continuation of a very low interest rate environment.
- Big share market returns, providing record level growth in superannuation.
- Adelaide being ranked as the third most liveable city in the world, and the most liveable city in Australia.
- South Australia recording consecutive positive net migration figures for the first time in almost 30 years as a clear indicator that South Australia is being perceived as a great place to live and work.

Note, these comments are only speculative, and the actual confidence index is contributed to by 10 measures. These measures are analysed in the following pages.

Business confidence increased by 4.7 index points between Feb'21 and Jul'21, and at 134.6 is at the highest level ever recorded in the 24 years of measuring business confidence in SA:

BSA State Monitor (last 10 years)	Business Annualised Index	Annual Movement
2011 (3 surveys)	105.7	-13.0
2012 (3 surveys)	98.5	-7.1
2013 (3 surveys)	103.1	+4.6
2014 (3 surveys)	103.0	-0.1
2015 (3 surveys)	104.5	+1.5
2016 (3 surveys)	103.7	-0.8
2017 (3 surveys)	101.1	-2.6
2018 (3 surveys)	115.1	+14.0
2019 (3 surveys)	112.8	-2.2
2020 (3 surveys)	115.4	+2.6
2021 (2 surveys)	132.3	+16.8

Possible reasons for the upwards movement in business confidence are:

- The JobKeeper “cliff” never eventuated, with many businesses recording lifts in economic performance.
- South Australia has avoided any COVID related lockdowns in 2021, and other states have set the example for how lockdowns can limit the impact on business.
- Continued low interest rates for the foreseeable future, enabling businesses to borrow and invest at low rates.
- Federal and State Government budgets were “business friendly”, including payroll tax relief and deferrals, incentives for additional employment, incentives for plant and equipment purchases, and investment in infrastructure that has flow on effects throughout the economy.

Note, these explanations are only speculative. The next section in this report examines the fall in business confidence in more detail.

Consumer Comments

The ten variables that are combined to produce the composite consumer confidence index.

Of the 10 variables, two have increased, and eight have decreased.

Examination of each of these variables individually helps to explain those factors that have influenced the index either in a negative or positive way.

The measures reporting positive results are:

- Consumers are less worried by unemployment.
- Consumers are more confident they can find a better job if they needed to.

The measures reporting negative results are:

- A small reduction in confidence that the climate for consumer spending will improve.
- A small fall in confidence that there will be a significant positive change in financial position.
- A small reduction in the number of consumers making significant purchases in the last 3 months, and slightly lower likelihood of consumers making a major purchase in the next 3 months.
- A fall in State Pride.
- Perception that business activity around town has reduced.
- Lower confidence in adapting to new technology.

However, these negative shifts are small, and the overall confidence index result for Jul'21 remains a very strong result.

A total of 33 factors were provided to consumers in the survey, as potential factors making consumers optimistic or pessimistic about the future.

Overall, 7 of these factors have shown a positive shift in sentiment, while 26 are lower reflecting an overall more pessimistic mood in Jul-21.

The 10 factors that generate the most pessimistic scores (in order of most pessimistic) are:

- China's influence on Australia's economy;
- World affairs;
- Wages relative to the cost of living;
- Petrol prices;
- The state of the world economy;
- Headlines in newspapers;
- Unemployment levels;
- Other countries response to the COVID-19 pandemic;
- The political leaders in Australia;
- Other countries influence on Australia's economy.

The 10 factors that generate the most optimistic scores (in order of optimism) are:

- SA's response to the COVID pandemic;
- SA's long-term outlook for the future;
- Employment and income security;
- Australia's long-term outlook for the future;
- The performance of the share market;

- Own household financial position;
- Where things are heading generally in Australia;
- Australia's response to the COVID pandemic;
- The state of the SA economy;
- Retail sales figures.

The major factors reporting an increase in optimism (or a decrease in pessimism), are:

- Other countries response to the COVID-19 pandemic;
- Other countries influence on Australia's economy;
- World affairs;
- China's influence on Australia's economy;
- The state of the world economy;

These factors help to provide "context" for the current level in consumer confidence, namely a mixture of economic, social, environmental, and political issues.

Business Comments

Of the 10 factors contributing to the business confidence index, the results are higher across 7 factors.

The seven measures reporting positive shifts are:

- Increase in likelihood business will make a major purchase in the next 12 months;
- The creation of additional employment in the last 3 months is higher;
- The intention to hire additional employees in the near future is higher;
- Feelings about their own overall current business situation has increased;
- A higher perception that small business activity is improving;
- A lower number of businesses recording a downturn in turnover;
- Confidence about adoption of new technology has improved.

A total of 33 factors were provided to business owners in the survey, as potential factors making businesses optimistic or pessimistic about the future. Of these factors, 12 report a positive shift with 21 reporting a negative shift and one reporting no change.

The 10 factors that generate the most pessimistic scores (in order of most pessimistic) are:

- China's influence on Australia's economy;
- World affairs'
- The world economy;
- Petrol prices;
- Newspaper headlines;
- Other countries responses to the COVID-19 pandemic;
- The future of the Murray;
- Wages relative to cost of living;
- Political leaders;
- Unemployment levels; and
- Media reports on consumer confidence.

The 10 factors that generate the most optimistic scores (in order of optimism) are:

- SA's response to the COVID pandemic;
- Household financial position of business owners;
- The long-term outlook for South Australia;
- Income security for business owners;
- The long-term outlook for Australia;
- General direction in which Australia is heading;
- The state of the South Australian economy;
- Interest rates
- Opportunities for business owners; and
- Share market performance.

The main factors reporting increased optimism or decreased pessimism, are:

- Other countries response to the COVID-19 pandemic;
- The world economy;

- China's influence on Australia's economy;
- Infrastructure projects;
- Share market performance;
- Unemployment levels;
- Other countries influence on Australia's economy;
- Retail sales;
- Newspaper headlines; and
- World affairs.

Overall, these results provide some "context" for the current level of business confidence.