



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 76

Research Results

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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 76th survey.

This latest State Monitor was conducted between October 5th-12th 2021, directly following the announcement by the Reserve Bank on October 5th, 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

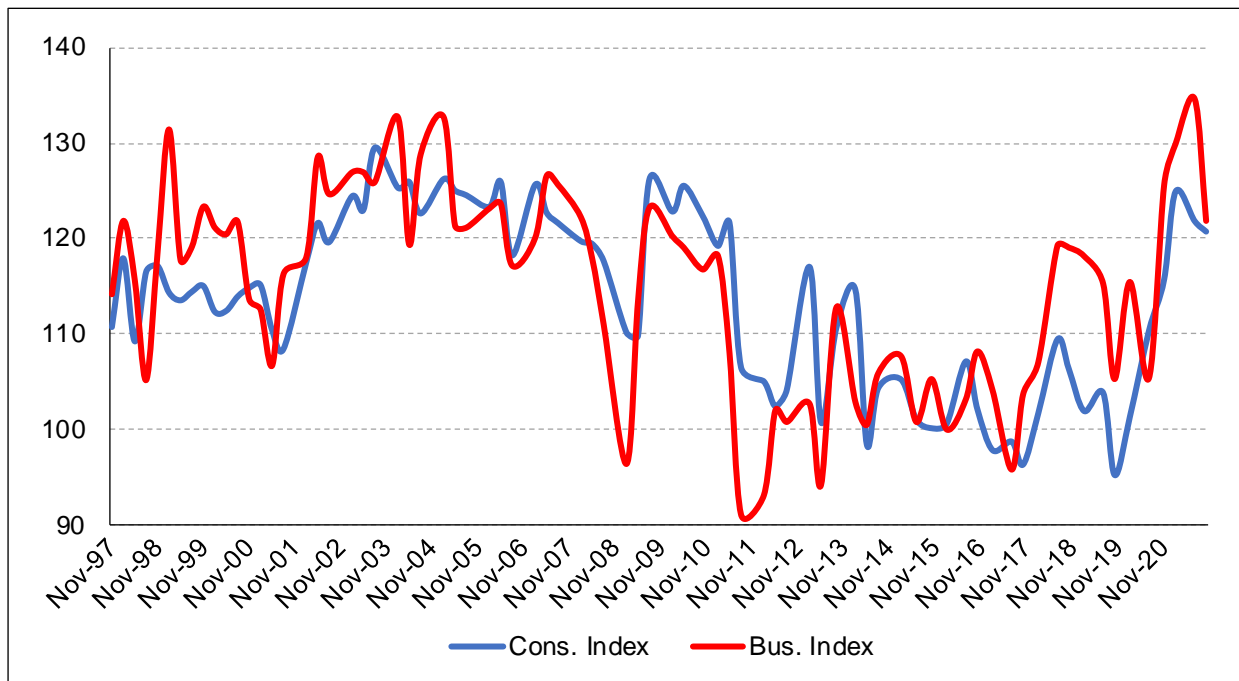
A base of 100 is used, to which the overall results are either added or deducted. If a result greater than 100 is achieved, this represents a positive result and if the result is less than 100, a negative result is represented. Based on this index a maximum score is 200 and a minimum score is zero.

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 1.1 points to 120.7 points. Excluding the February'21 and July'21 outcome, this is the highest result since October 2010.
- Business confidence reports a decrease, down by 12.8 points to 121.8 points, a significant fall, however remains a very high level of confidence.



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	-10%	White collar 25-34 Male Metro	Blue collar Not employed Rural 50-64
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	-5%	18-24 25-34 White collar Male	65+ Not employed 50-64 Female
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	-5%	25-34 White collar Male 50-64	65+ Not employed Female 35-49
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?	Better	+5%	25-34 18-24 White collar Male	65+ Not employed 50-64 Female
Pride in South Australia	When you look at how things are going in SA, how proud are you to be a South Australian?	Better	+1%	25-34 65+ Male White collar	50-64 Rural Female 35-49
Feeling about household situation	Which words best describe how you feel about your own household situation at present?	Better	+1%	25-34 Rural 65+ Blue collar	18-24 50-64 Metro 35-49
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	-6%	18-24 Not employed Male 50-64	65+ Rural Female White collar
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	-7%	18-24 25-34 Blue collar White collar	65+ 50-64 Not employed Rural
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	+4%	18-24 25-34 White collar Male	50-64 Not employed 65+ Blue collar
Confidence in new technology	How confident do you feel about using technologies such as credit cards, computers, mobile phones, ATMs and EFTPOS?	Worse	-3%	18-24 White collar 25-34 35-49	65+ Not employed 50-64 Female

Notes

- Across age segments: 25-34 second-highest level since Apr-06, 18-24 highest level since Nov-20, and all age segments remain >100-point benchmark.
- White collar report rise since Jul-21, and excluding Feb-21 is highest since May-11.
- In Rural, all regions are above 100-point benchmark. W&N records an increase and the highest level ever recorded for this region, where both MN&R and Southern record decreases since Jul-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	-11%	Agriculture 10 + FTE \$1m + t/o Finance	5 < 10 FTE Construction < 5 FTE < \$0.5m t/o
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?	Worse	-9%	10 + FTE Manufacturing Finance Agriculture	< 5 FTE Recreation < \$0.5m t/o 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	Worse	-12%	10 + FTE Agriculture Manufacturing \$0.5m to \$1m t/o	< \$0.5m t/o < 5 FTE Retail Finance
Additional employees recently	In the last three months, have you created any additional employment or taken on any additional employees in your business?	Worse	-9%	10 + FTE \$1m + t/o \$0.5m to \$1m t/o 5 < 10 FTE	< 5 FTE < \$0.5m t/o Retail Recreation
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	+1%	10 + FTE Manufacturing Community Serv. \$1m + t/o	< 5 FTE < \$0.5m t/o Recreation Agriculture
Pride in South Australia	When you look at how things are going in SA, how proud are you to be a South Australian?	Worse	-18%	Agriculture 10 + FTE Community Serv. \$1m + t/o	Construction < 5 FTE \$0.5m to \$1m t/o Finance
Business situation	Which words best describe how you feel about your own business situation at present? (Positive/Negative)	Worse	-21%	Finance 10 + FTE Agriculture Manufacturing	Construction 5 < 10 FTE < 5 FTE Retail
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?	Worse	-18%	Agriculture Finance Manufacturing 10 + FTE	Construction < 5 FTE Recreation Community Serv.
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?	Worse	-19%	Construction Retail 5 < 10 FTE < \$0.5m t/o	Manufacturing Community Serv. Finance 10 + FTE
Confidence in new technology	How confident do you feel about using technologies such as credit cards, computers, mobile phones, ATMs and EFTPOS?	Worse	-12%	\$0.5m to \$1m t/o 10 + FTE Community Serv. Manufacturing	Construction < 5 FTE < \$0.5m t/o Retail

Notes

- Big decreases for some industries, including Retail, Construction, and Recreational (all impacted by the border closures and associated restrictions). Small businesses (both t/o and FTE) recording significant declines.
- In Rural, decreased across the board, biggest falls in Southern and W&N.

4.2.3 Commentary on Wave 76 Results

Consumer confidence decreased by 1.1 index points between July'21 and October'21, from 121.8 to 120.7 index points. Excluding the February'21 and July'21 result, the October'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 at the end 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 (3 surveys)	122.5	+13.4

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

- The significant uncertainty related to Covid-19, including the race to meet vaccination targets so the state can avoid another lockdown, border closures and shifting dates as to when interstate visitors and travel can return. Several other states have experienced lengthy periods of lockdown due to the virulent nature of the Delta stain, highlighting the potential risk to South Australians if the strain makes its way into the state.
- South Australians are nervous about the upcoming re-opening of the borders once the state hits the 80% fully vaccinated target, with the possibility of the already strained health system buckling under the pressure of Covid-19 cases.
- Many events and activities have either been cancelled or had to operate in a reduced capacity, including the cancellation of the Royal Adelaide Show, the cancellation of the Tour Down Under cycling race, the Christmas Pageant being staged at Adelaide Oval rather than the streets of Adelaide.

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

- Continuation of a very low interest rate environment, driving record housing price growth, a boon for homeowners.
- The announcement of the nuclear submarine deal, providing employment opportunities and flow on benefits to South Australia.
- Port Adelaide making the preliminary final in the AFL, and Adelaide Oval hosting finals football with crowds in attendance.

Note, these comments are only speculative, and the actual confidence index is contributed to by 10 measures.

Business confidence decreased by 12.8 index points between Jul'21 and Oct'21, falling from the record high of 134.6 recorded in Jul'21 to 121.8. While this fall is significant, the Oct'21 result remains a very high level of confidence.

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 (3 surveys)	128.8	+13.3

Possible reasons for the fall in business confidence are:

- The borders remaining closed between New South Wales and Victoria limiting the business opportunities, visitation and flow of goods from interstate.
- The increased restrictions placed on the business community after the 7-day lockdown in July 2021, including venue attendance limits, operating rules and increased Covid-19 regulation.
- Some businesses are unable to find enough workers to meet the demand for their goods and services, and are having to compete for workers for the upcoming holiday season, or rely on current staff to take on more shifts or work longer hours.

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, five have increased, and five 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 more confidence that they will make a major purchase in the next 3 months;
- A lift in State pride;
- Consumers more confident about their own household situation;
- A decrease in concern about unemployment;
- A rise in confidence that consumers can find a better job if needed.

The measures reporting negative results are:

- Consumers are less confident that the climate for spending will improve;
- Consumers are less confident that their own household financial situation will improve;
- A fall in those households that have made significant purchases in the last 3 months;
- A perception that business activity has reduced around town;
- Decreased confidence in adapting to new technology.

However, the overall confidence index result for Oct'21 remains a very strong result.

Anecdotal comments relating to the positive and negative shifts mentioned above are as follows (including an explanation of what each indicator measures):

A total of 35 factors were provided to consumers in the survey, as potential factors making consumers optimistic or pessimistic about the future.

Overall, 8 of these factors have shown a positive shift in sentiment, while 27 are lower reflecting an overall more pessimistic mood in Oct-21.

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

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

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;
- Own household financial position;
- Australia's response to the Covid pandemic;
- Australia's long-term outlook for the future;
- The performance of the share market;
- Housing and car sales;
- Opportunities available to consumers;
- Headlines in newspapers.

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

- Australia's handling of the vaccine rollout;
- South Australia's response to the Covid -19 pandemic;
- The performance of the corporate sector;
- Opportunities available to consumers;
- Unemployment levels;

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 for 1 factor, and lower for 9 factors

The one measure reporting a positive shift is:

- The intention to hire additional employees in the near future is higher;

The nine measures reporting negative shifts are:

- Lower confidence that the climate for doing business in SA will improve in the next 12 months;
- Lower confidence about their own business performance over the next 12 months;
- Decrease in likelihood business will make a major purchase in the next 12 months;
- The creation of additional employment in the last 3 months is lower;
- State pride is lower;
- Feelings about their own overall current business situation has decreased;
- A perception that small business activity around town is declining;
- A larger number of businesses recording a downturn in turnover;
- Confidence about adoption of new technology has fallen.

Anecdotal comments relating to the positive and negative shifts mentioned above are as follows:

A total of 35 factors were provided to business owners in the survey, as potential factors making businesses optimistic or pessimistic about the future. Of these factors, 5 report a positive shift with 30 reporting a negative shift.

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

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

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

- SA's response to the Covid-19 pandemic;
- The long-term outlook for South Australia;
- Household financial position of business owners;
- Income security for business owners;
- Interest rates;
- Retail sales;
- Opportunities for business owners;
- The state of the South Australian economy;
- Australia's response to the Covid-19 pandemic; and
- General direction in which Australia is heading.

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

- Australia's handling of the vaccine rollout;
- Other countries response to the Covid-19 pandemic;
- China's influence on Australia's economy;
- The future of the Murray;
- Media reports on consumer confidence.

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