

A man and a woman are standing in a grocery store. The man, on the left, is wearing a light blue button-down shirt and is looking down at a smartphone. The woman, on the right, is wearing a yellow sweater and has her hair in a ponytail. She is holding a long receipt and looking at it. The background shows shelves of products and a red sign with a yellow circle.

CommBank iQ

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Cost of Living Insights Report

May 2024

Real individuals, actual spending.

What we look for and why.

Using Australia's largest de-identified transactional banking data set, CommBank iQ evaluates a range of metrics that indicate changes in cost of living and the different ways Australians are responding. Most economic data is based on national averages – yet businesses serve real people who face unique pressures and make individual choices. Understanding the variation in circumstances across your customer base can help inform strategic decision-making.

Whether that's accommodating impacted customers, planning for promotional activities or better accounting for deviations in business performance. Amid ever-changing customer needs and preferences, using robust and granular intel to support the decisions you make now is more important than ever.

¹All data in this report is sourced from CommBank iQ as at 31 March 2024, and represents actual dollar spending unless otherwise stated.

²More granular and/or bespoke spend categorisation and location available for analysis.

To produce the Cost of Living Insights Report, CommBank iQ analyses transactions from approximately

7 million Australians¹

or approximately 30% of all spending, scaled to represent the population. We evaluate spending per capita for the following dimensions:



Category

Spend across 18 categories, both essential and discretionary²



Channel

In-person and online



Demographic profile

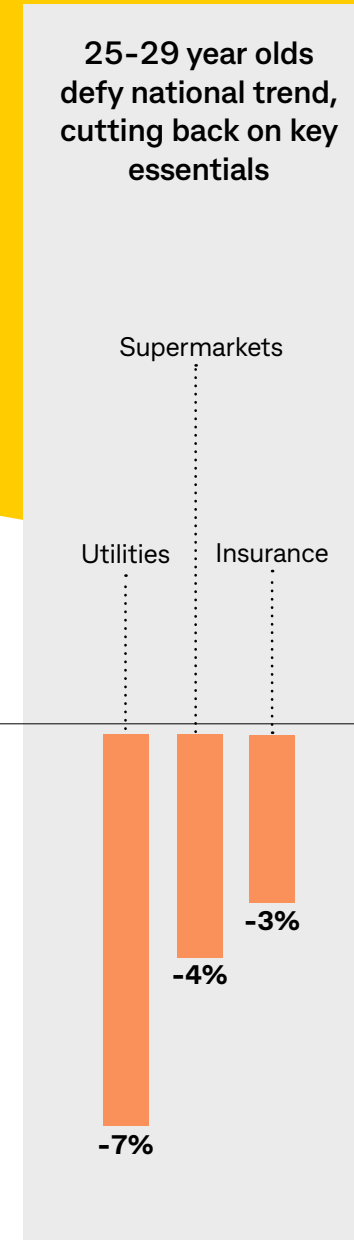
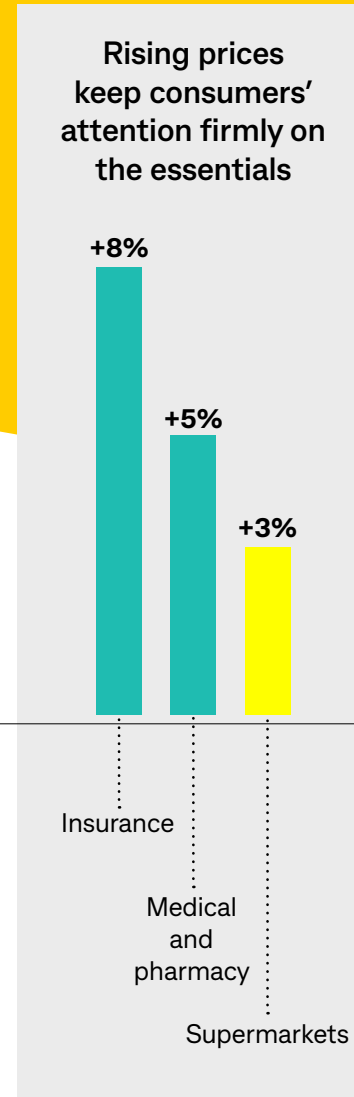
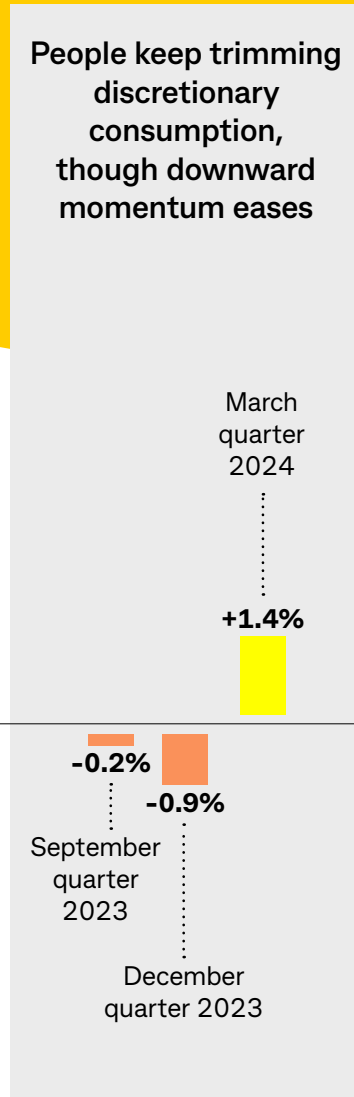
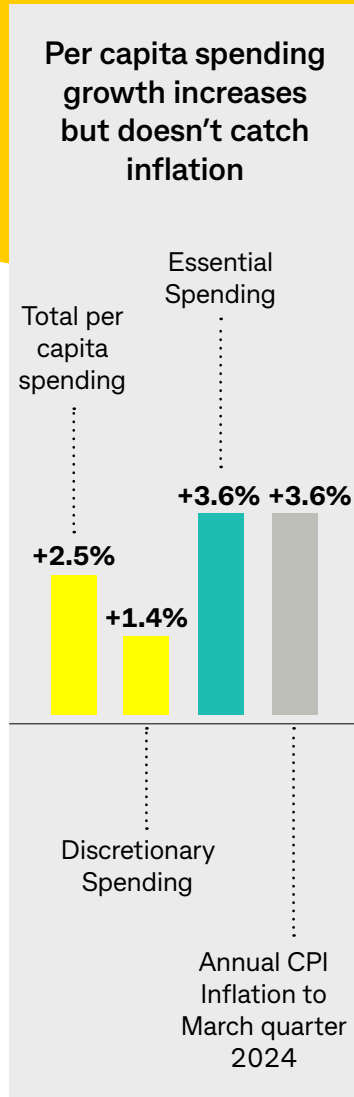
Age groups, life stages, and affluence




Location

States and Territories and regional and metro areas²

Key insights dashboard



 **Note:** All figures compare the period from January to March 2024 to the corresponding period in 2023, unless otherwise stated. All figures based on spend per capita, rather than total consumption.

Are consumers tapping the brakes on spending cuts or simply tapping out?

The team at CommBank iQ has been busy analysing Australia's largest de-identified banking data set to gain insights into how Australians are responding to cost of living pressures and what this means for businesses.

Our analysis is unique because we look at the spending behaviours of individuals, which removes the effect of population growth. Broader trend analysis that looks at the growing pie can conceal underlying changes in how each Australian adjusts their daily spending.

We're also focused on the short-term levers consumers pull to dial their spending up or down. Housing expenses such as mortgages and rent are not included in the analysis, as this is not a factor consumers can easily change. We're more interested in how consumers change their everyday spending, often to ensure there's enough left over for these immovable costs.

Our latest *Cost of Living Insights* tracks spending in the March quarter of 2024 relative to the same quarter a year earlier.

What we're seeing is that following a consistent contraction in people's spending across 2023, one of two possibilities could be emerging. Either the extent of spending declines is beginning to lose momentum, or consumers don't have enough room left in their budget to continue cutting back at the same rate.



In both scenarios, cost of living pressures and confidence aren't materially improving yet. Overall, per capita spending growth is still trailing inflation, and people continue seeking opportunities to curtail their spending. Still, a small momentum change might suggest some consumers are considering eventual interest rate decreases, tax cuts, and reduced inflation, even if on the longer-term horizon.

It may not feel that way for all Australians. Spending among 25-29 year olds shows they continue to be the most impacted, winding back discretionary purchases and essentials like supermarket and utilities expenses. But even there, pockets of their spending are no longer declining to the same extent they were.

With inflation sticky and prices elevated, consumers are still charting a course through higher costs of living. In many cases, the changes in spending behaviour may last far longer than this phase in the economic cycle. For businesses serving these customers, it will be crucial to account for, and adapt to, these evolving preferences. With a focus on tracking spending at a granular level, that's where CommBank iQ can help.

Wade Tubman
Head of Innovation
and Analytics
CommBank iQ



Cost of living pressures continue to bite, but downward momentum loses some steam

Across the economy, Australians are paying close attention to how they spend. Even as interest rates remain on hold and inflation gradually steps down, higher costs of living remain an entrenched reality that's squeezing household budgets.

The consumer response continues to play out. Comparing nationwide spending in the March quarter 2024 to the same time last year shows people spent 2.5% more. That's behind the last inflation print of 3.6%.

So, how are people watching their wallets? Spending on essential items has continued its steady run-up, with Figure 1 showing a 3.6% increase compared to same time last year. Meanwhile, there was only a 1.4% bump in discretionary spending, the lever people are more likely to pull to keep their budget in check.

While consumers are still finding ways to trim their spending, Figure 2 shows that the strong momentum behind ongoing discretionary spending cuts has eased.

The question remains: Are consumers pumping the brakes on spending cutbacks, or are they running out of options to keep them going?

Figure 1: Total, essential and discretionary spending

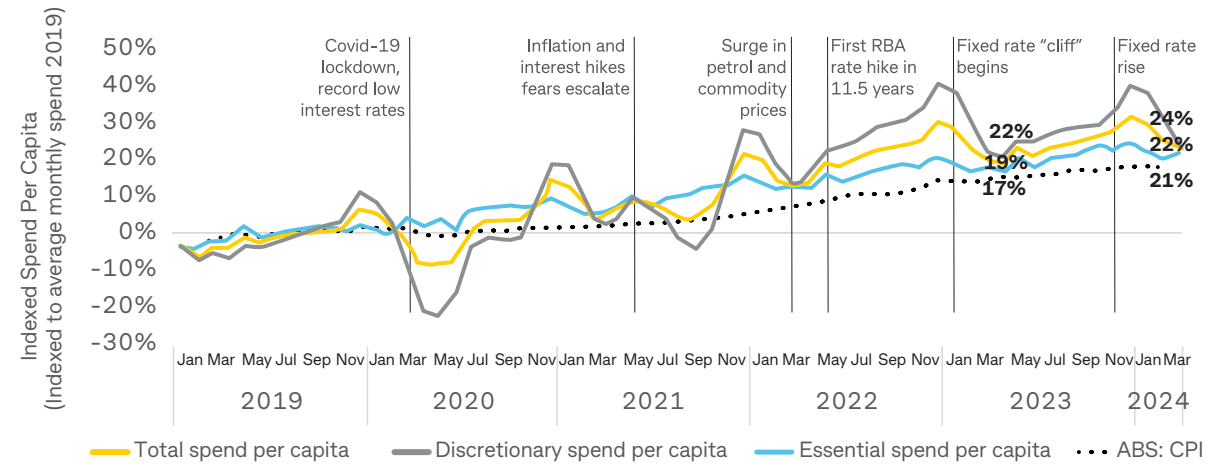
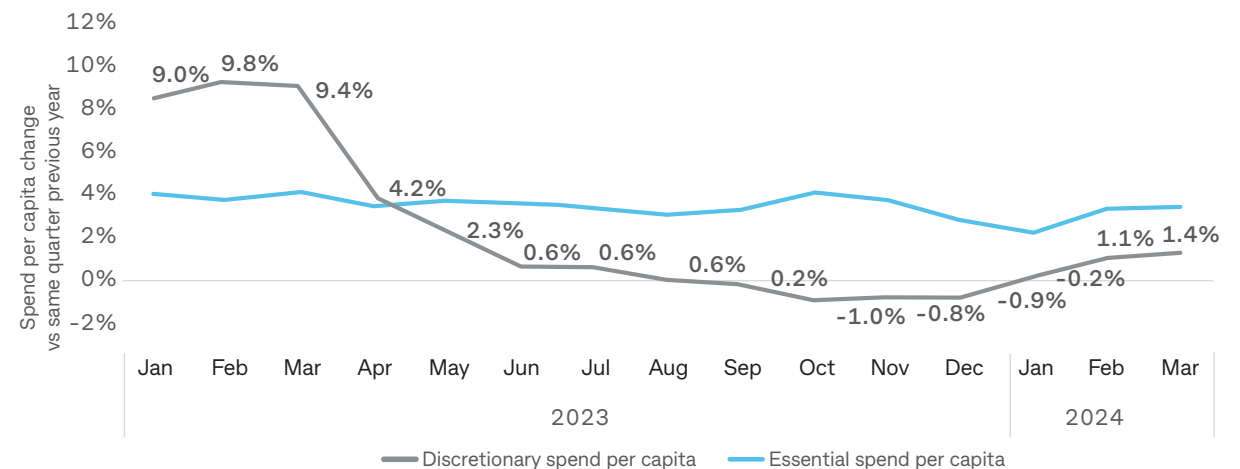


Figure 2: Essential and discretionary spending growth rates



Top essential categories demand more spend as discretionary cuts taper

While the economic flow-on of the pandemic and sustained cost of living pressures have done little to change people's overall budget allocation by category, some categories are moving more than others, with a select few growing faster than inflation.

In the March quarter, consumers clocked up an average of \$1,472 per month on essentials. With price rises in many of these categories and less room to reduce spending, consumers have fewer choices.

As seen in Figure 3, the yearly 3.6% increase in spending on essentials was driven by higher insurance and medical and pharmacies expenses, the only essential categories to see real spending growth. Meanwhile, supermarkets - the category accounting for the highest dollar amount in people's wallets - also climbed.

Discretionary purchases rose 1.4% year-on-year to account for \$1,386 spend on average per month. While we saw an uptick in expenditure on experiences like travel and entertainment, growth in these categories has slowed relative to previous quarters.

Spending on household goods and apparel was again lower than last year. For these categories, the rate of spending decline lost some momentum compared to deeper cutbacks over 2023.

Figure 3: Changes in essential and discretionary spending by category
(Average monthly spend in quarter to March 2024 compared to corresponding period 2023)

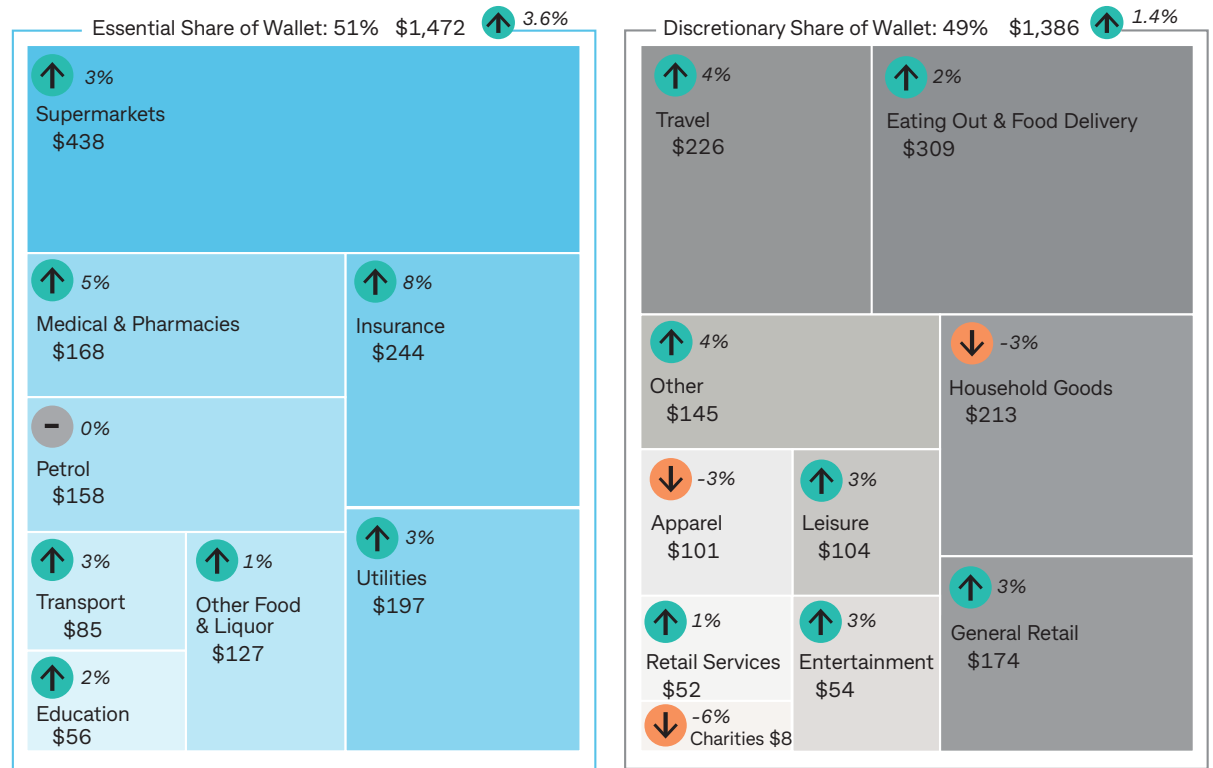
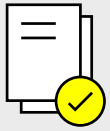


Figure 4: Largest proportionate spending increases and decreases by category
(Average monthly spend in quarter to March 2024 compared to corresponding period 2023)



Categories in focus



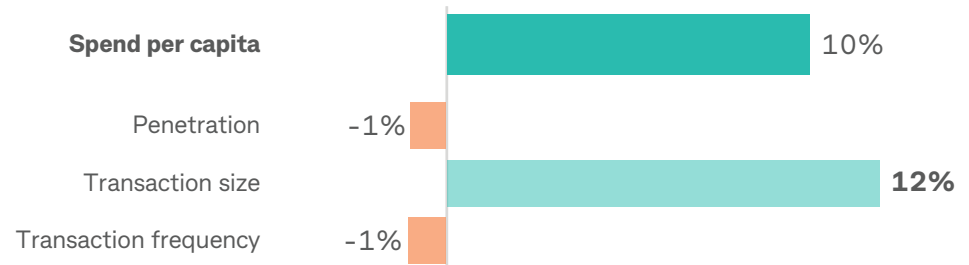
Insurance (+8%)

Across the two areas of coverage seen in Figure 5, home and motor insurance was up the most. That included a 12% increase in spending per transaction and a 1% fall in coverage held across the population. A similar situation unfolded for health insurance. That suggests that rising premiums are a key driver of higher spending.

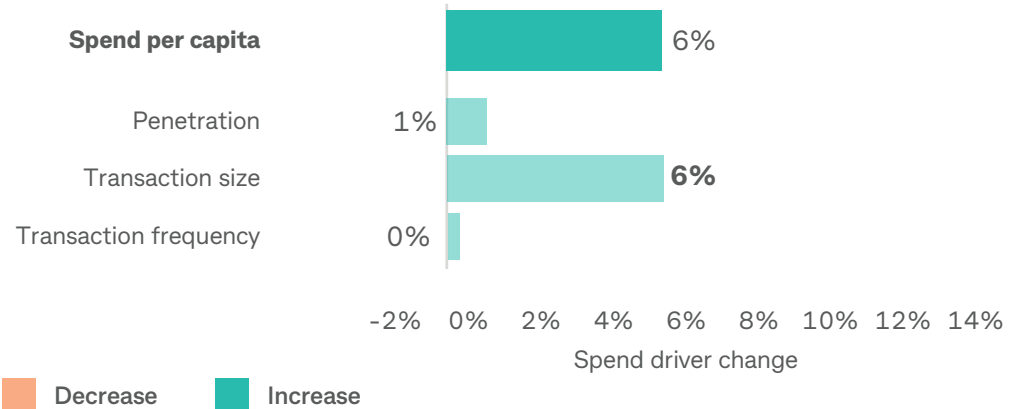


Figure 5: Change in spending on insurance sub-sectors
(Average month in quarter to March 2024, compared to corresponding period 2023)

Home and Motor Insurance



Health Insurance



Spend per capita is based on the average monthly spend in the category for all Australian adults - including those who did not transact in the category. This number is driven by 3 key metrics:

Penetration: proportion of people who have spent in the category on average per month.

Transaction size: average transaction size in the category per month.

Transaction frequency: how many transactions customers make on average in the category per month.

The charts above show the change in these metrics for the average month in quarter to March 2024 compared to corresponding period 2023. For example, we see that Home and Motor Insurance spend per capita has overall increased by 10%, which was driven by a 12% increase in transaction size (i.e. likely due to price increases), while penetration and transaction frequency are only marginally down.

Categories in focus



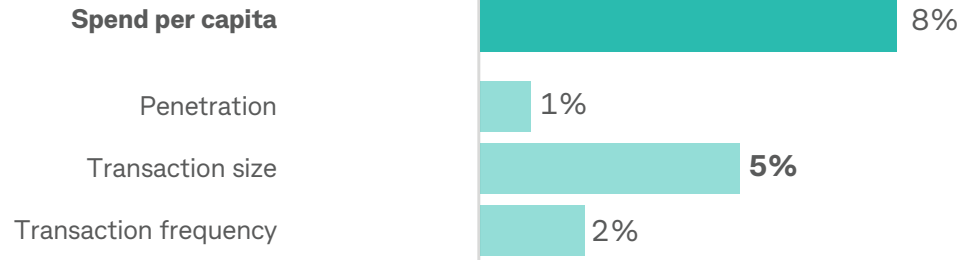
Medical and pharmacy (+5%)

Out-of-pocket spending at pharmacies grew faster (8%) than medical and healthcare services (3%). For both, the number of visits held steady, but the amount people spent increased. All else being equal, it means people are paying more for the same medical and pharmacy goods and services.

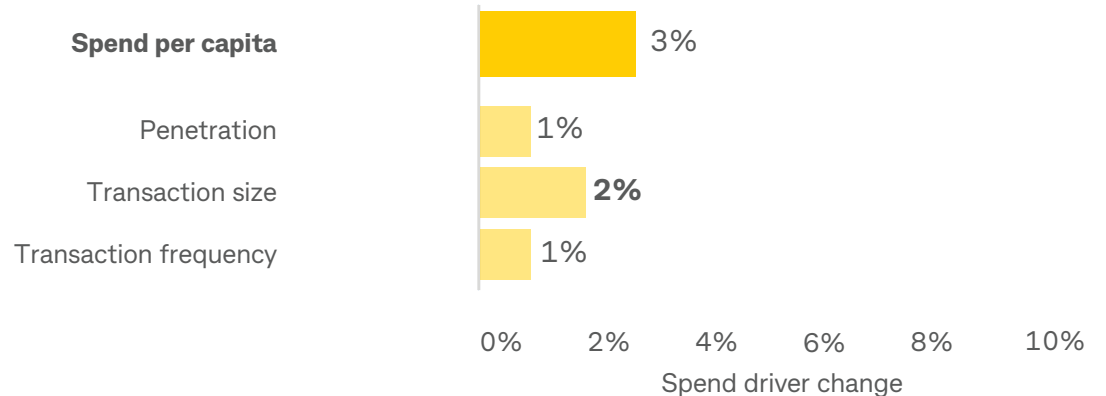


Figure 6: Change in spending on medical and pharmacy sub-sectors
(Average month in quarter to March 2024 compared to corresponding period 2023)

Pharmacies



Medical and other health services



Categories in focus

Travel (+4%)

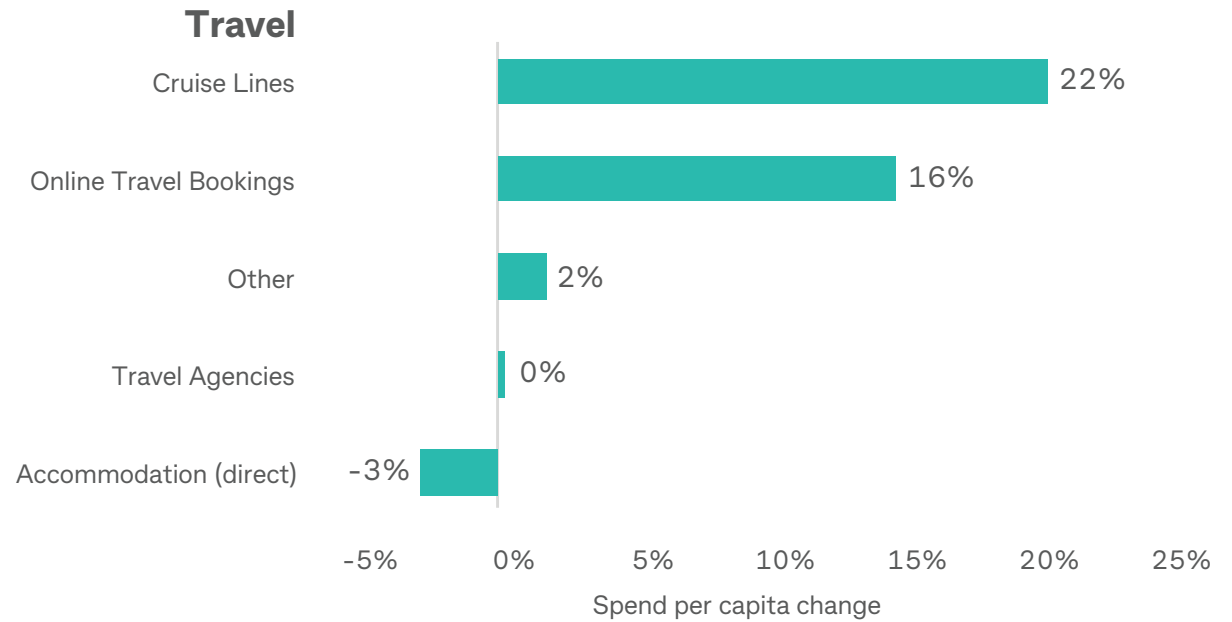
Many people are still making room for travel, albeit that spending growth is starting to plateau. The rise was boosted by a 16% annual lift in spending on online travel bookings, possibly absorbing flat or declining spend on travel agencies and direct accommodation bookings.

Note that Cruise Lines is a small sub category, only 5% of overall Travel spend, so the large percentage uplift compared to last year is less impactful in dollar terms.



Figure 7: Change in spending on travel sub-sectors

(Average monthly spend in quarter to March 2024 compared to corresponding period 2023)



Categories in focus



Eating out and food delivery (+2%)

Australians spent more on eating out this quarter than last year, but while purchasing on fast food was up 5%, it was down 2% for cafés and casual dining restaurants. That could be because people switched to more affordable options. At the higher end, spend on fine dining grew 3%, albeit from a far smaller dollar-value and customer base.

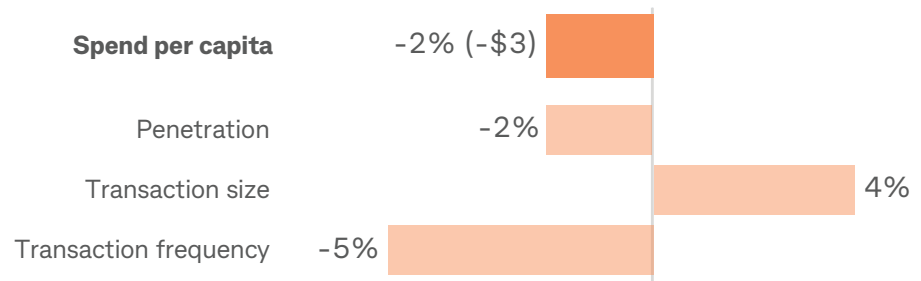


Figure 8: Change in spending on eating out
(Average month in quarter to March 2024 compared to corresponding period 2023)

Fast food chains



Mainstream eating out



Premium eating out

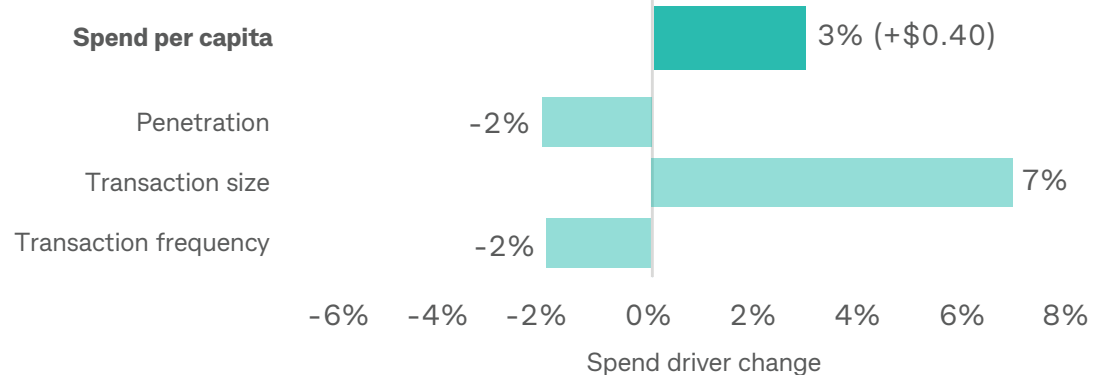
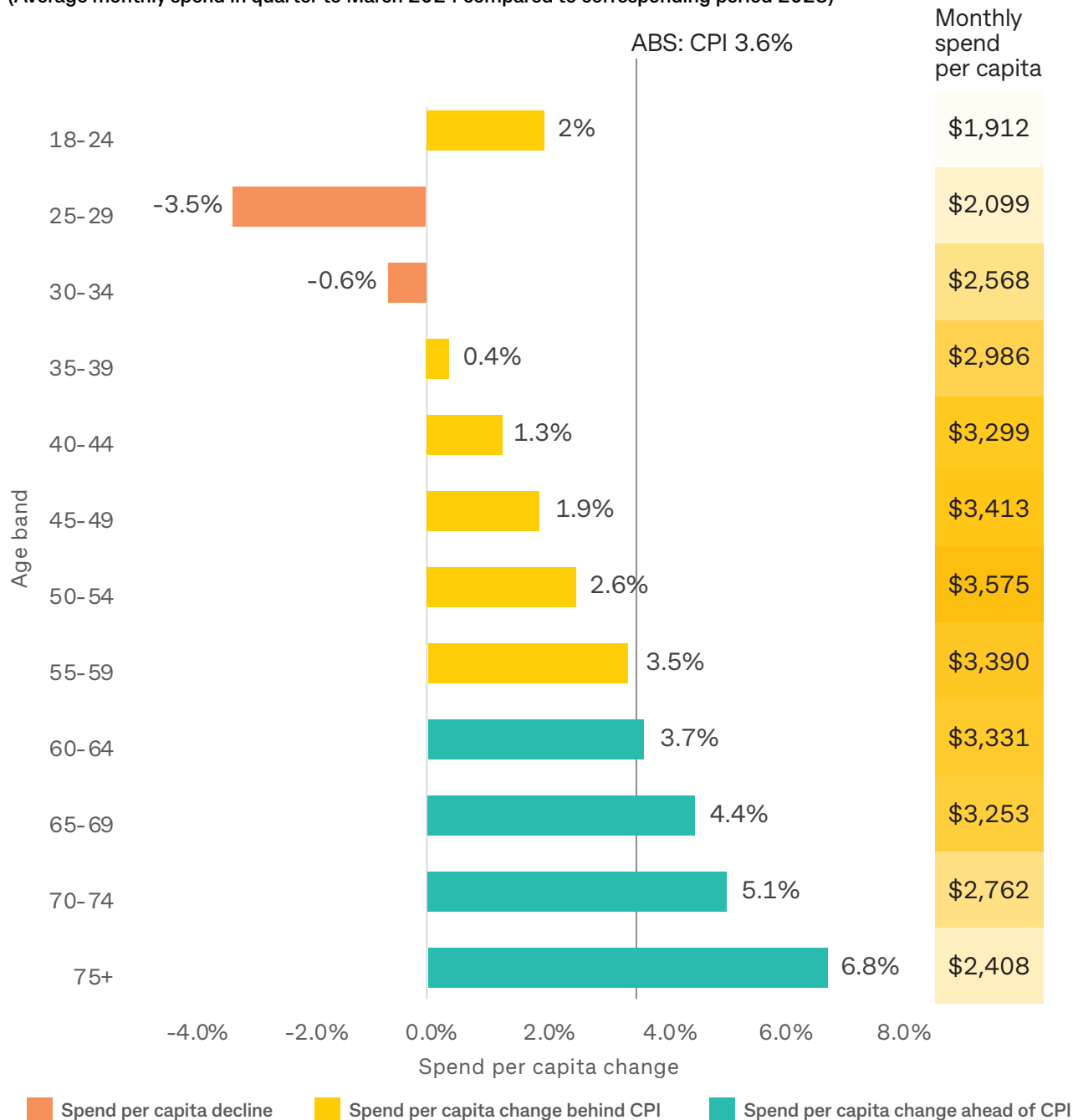


Figure 9: Change in total spend per capita by age

(Average monthly spend in quarter to March 2024 compared to corresponding period 2023)



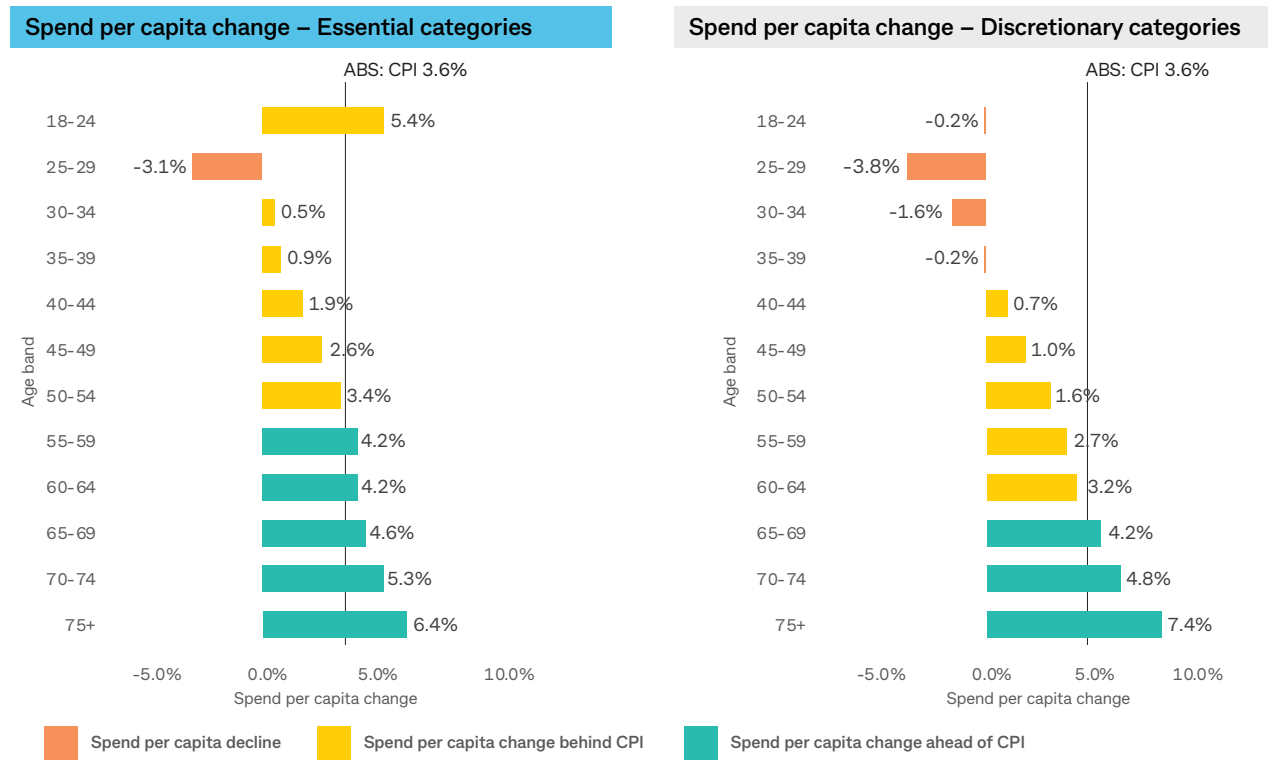
More belt-tightening for younger consumers as over 60s outspend inflation

The life stage of Australians significantly influences spending patterns, with younger Australians still bearing the brunt of cost of living pressures.

Figure 9 shows that 25–29 year olds have pulled back spending by 3.5% compared to last year. When adding in inflation, consumption shrank more than 7% year-on-year.

At the other end of the spectrum, total spending among over-60s ran ahead of inflation. Only marginally for 60–64 year old Australians, then stepping up gradually with age.

Figure 10: Change in essential and discretionary spending by age
 (Average monthly spend in quarter to March 2024 compared to corresponding period 2023)



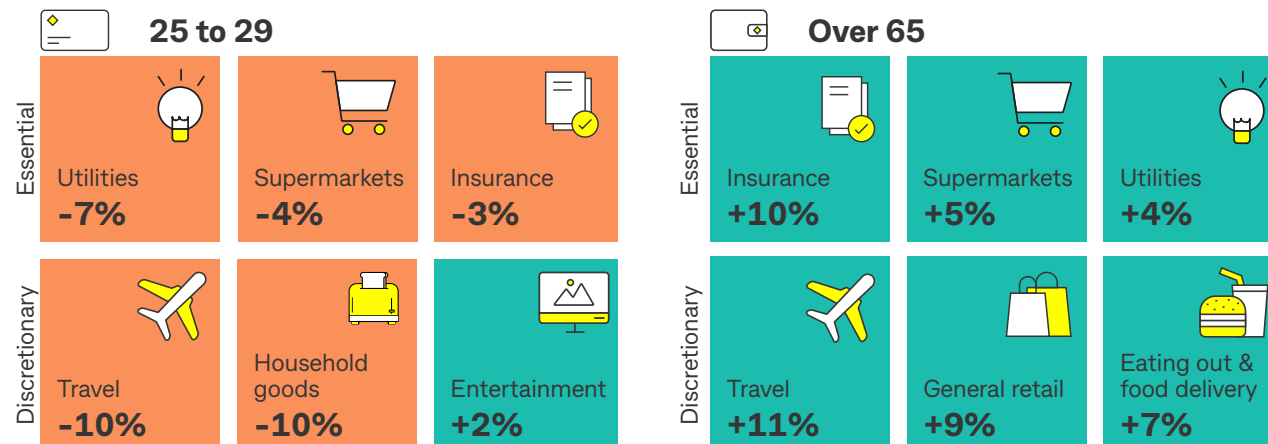
Austerity prevails for 25-29 year olds, as older Australians relish their freedom

With younger consumers allocating more of their total budget to discretionary purchases, it's not surprising to see that contracting faster when times are tough, as Figure 10 shows. However, for 25-29 year olds, spending on essentials fell at nearly the same rate.

For these Australians, a cutback in travel, household goods and apparel expenditure was paired with lower spending on supermarkets and utilities.

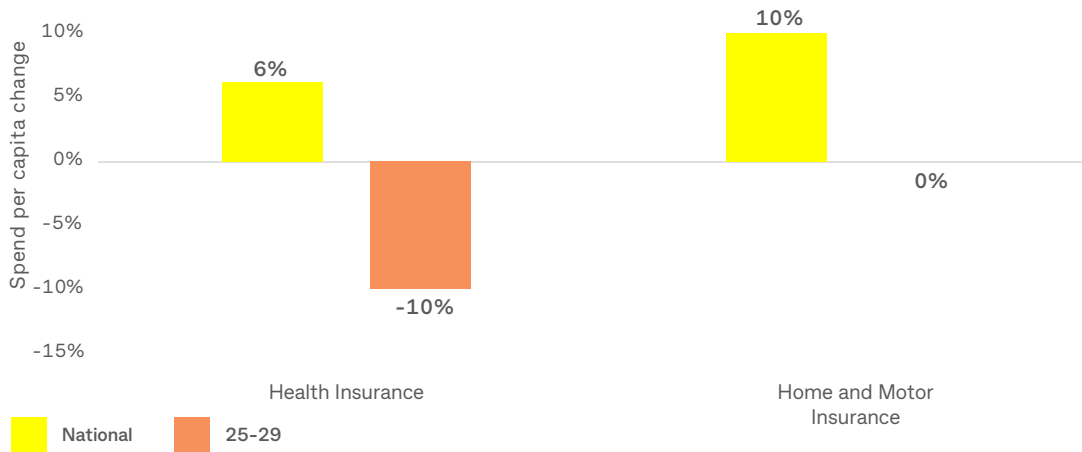
This is a stark difference to over 65s, whose spending lifted most in many of the same categories. Figure 11 shows this includes a jump in travel, insurance and supermarket purchases helping balance out these gains at a national level.

Figure 11: Change in essential and discretionary spending by age and category
 (Average monthly spend in quarter to March 2024 compared to corresponding period 2023)



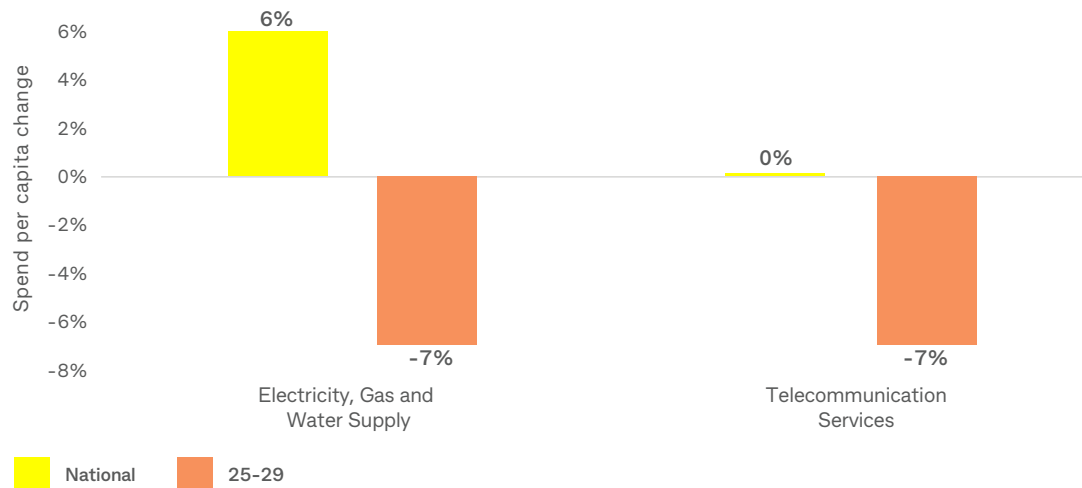
**Figure 12: Change in insurance sub-categories
(25-29 year olds compared to national average)**

(Average monthly spend in quarter to March 2024 compared to corresponding period 2023)



**Figure 13: Change in utilities sub-categories
(25-29 year olds compared to national average)**

(Average monthly spend in quarter to March 2024 compared to corresponding period 2023)



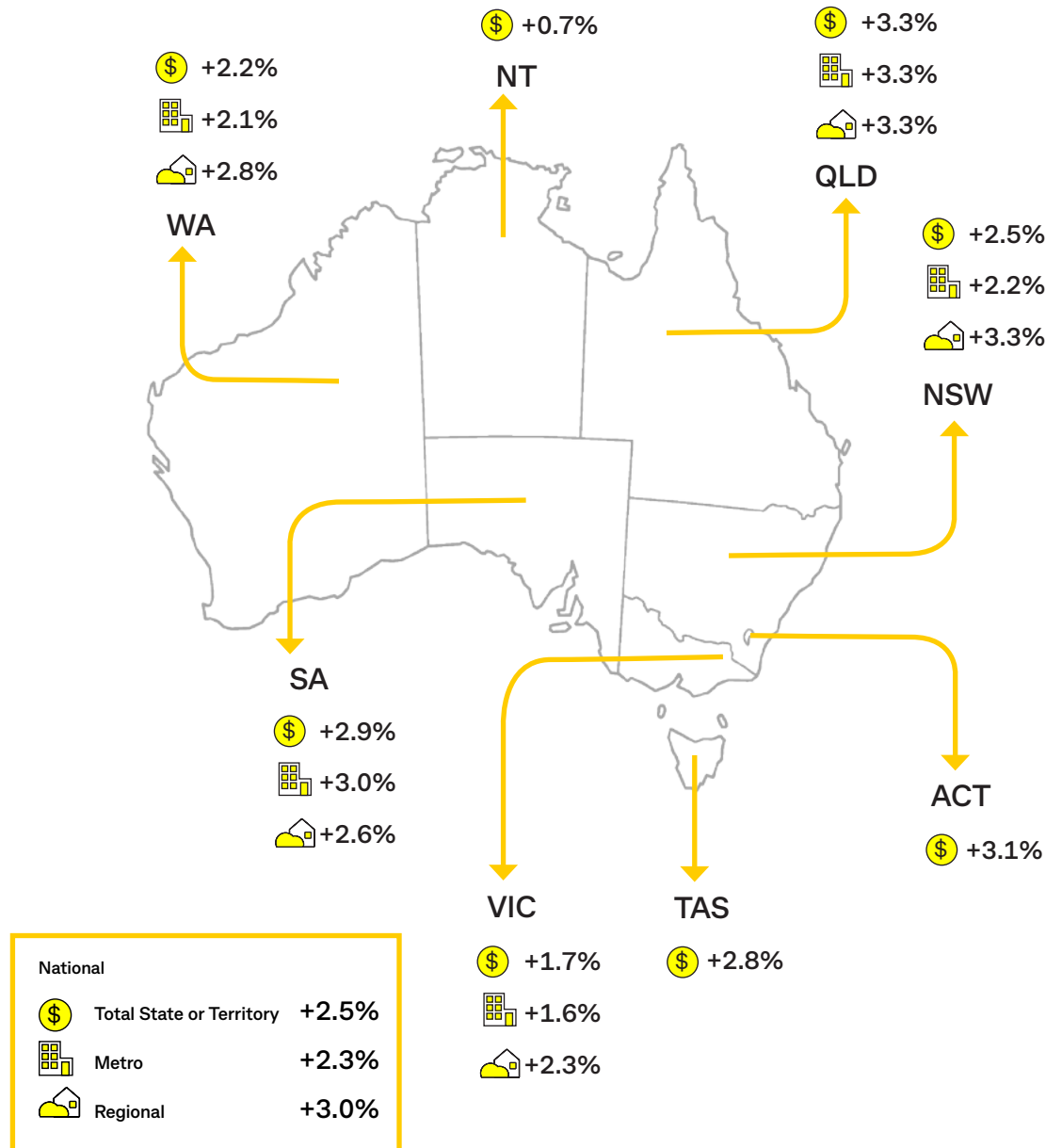
25-29 year olds call the essentials into question

Compared to the national experience, 25-29 year olds face tough choices. For example, a 10% fall in health insurance spending compared to last year was the result of a 12% reduction in people having coverage.

The fact that people in this age group spent less on utilities tells a similar story. Nationally, spending on electricity, gas and water rose 6%, but among 25-29 year olds, it fell 7%. It's possible that's because more people are moving back in with parents, into shared accommodation, or delaying plans to leave home.

Figure 14: Change in spending across locations

(Average monthly spend in quarter to March 2024 compared to corresponding period 2023)



Spending in regional Australia holds up better than metro areas as gap narrows

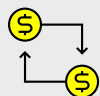
Annual spending changes across the nation are moving at different speeds. Generally, regional locations held up better than metro areas, where housing-related expenses are often higher; however, neither could keep up with inflation.

The gap in spending growth between regional and metro areas was smaller than in previous quarters. This raises the question of whether people in metro locations have downsized their wallets to adjust to higher prices, and what remains is the new normal.

Among the states and territories, Figure 14 shows that spending was most resilient in Queensland. In the Sunshine State, spend per capita on travel was higher than the nationwide average, and on the same measure, falls in household goods and apparel were not as pronounced.

The picture for Australia's two largest states was mixed. We saw stronger spending growth in New South Wales, particularly for regional residents, while Victoria recorded weaker gains. Victorians tended to reduce their spending more significantly than others when it came to homewares and apparel and didn't increase spend as much on travel, leisure and eating out.

Bring CommBank iQ intelligence to your decisions.



Contact CommBank iQ to learn more about how your business can unlock value from up-to-date customer behaviour analysis and market movements.



Customer intelligence

Understand why customers buy from you, where you fit in their broader lives, and predict their future needs.



Market intelligence

Benchmark against curated competitor cohorts and identify product, category, and location-based growth opportunities.



Geospatial intelligence

Interrogate current consumer insights on a national, state or local catchment level by mapping where de-identified customers live, work and spend.



Decision intelligence

Step-change your decision insight, accuracy and efficiency through advanced analytics and predictive data.

Our Capabilities



360° customer view

Make smarter decisions with comprehensive up-to-date analysis of customer behaviour and market movements.

- ✓ Approximately 7 million customers
- ✓ 365+ spend categories
- ✓ 200k+ brands



Real behaviour

Leverage the dataset of Australia's largest bank, weighted to reflect the actual behaviour of the Australian population.

- ✓ Real data, not surveyed
- ✓ 2021 Census weighted
- ✓ Reviewed, cross-referenced and triangulated



Deep, multi-sector intelligence

Access customised industry solutions founded on 20+ years' experience unlocking transformational value from banking data.

- ✓ Industry experts
- ✓ Leading analytical capability
- ✓ Focused on delivering ROI



Powerful products

Accelerate your decision-making based on automated insights with products and tools designed to solve your challenges.

- ✓ Self-serve insights
- ✓ Enable direct data ingestion
- ✓ Access to the latest insights

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