

# Sensis<sup>®</sup> *Consumer Report*

December 2008



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# Introduction

The December 2008 Sensis® *Consumer Report* is a survey designed to measure the confidence and behaviour of the Australian populace.

The primary objectives of the Sensis® *Consumer Report* are to measure consumer confidence and expectations for the next 12 months; and to provide an independent, objective assessment of consumers' experiences and attitudes on key issues.

The Sensis® *Consumer Report* is based on a survey of 1,500 Australians from metropolitan and regional areas of Australia. It includes people from all states and territories, starting from 14 years of age. Demographics such as gender, employment status, income ranges and family status are included to enable cross-analysis of data collected.

Results in the Sensis® *Consumer Report* are reported as a net balance, which represents the total number of positive responses minus the total number of negative responses. All results in the Sensis® *Consumer Report* are based on the responses of consumers surveyed.

The Sensis® *Consumer Report* is an initiative of Sensis Pty Ltd that aims to increase the understanding of consumer behaviour and expectations. Sensis also produces the Sensis® *Business Index*, an ongoing series of surveys tracking confidence and behaviour of Australia's small and medium enterprises (SMEs). Since its inception in 1993, the Sensis® *Business Index* has been one of the most comprehensive and regular surveys of small and medium businesses in Australia.

Data for both of these reports is collected concurrently with many questions being asked of both businesses and consumers. This allows comparisons between these two groups to be made to enable a better understanding of the interaction of supply and demand in the Australian economy.

In addition, Sensis® *Market Intelligence* undertakes commissioned research for corporate and government organisations on a variety of policy issues.

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# About the survey

The results in this report are based on a survey of 1,500 Australians conducted from 7 November to 22 November 2008. All interviews were conducted via telephone by the survey research firm, Sweeney Research.

To ensure a good cross representation across the states and territories and by demographics, quotas were set on age, gender and location as detailed in the charts below.

Sample Structure - Demographics			
	Total	Male	Female
14 – 17 years	100	50	50
18 – 19 years	100	50	50
20 – 29 years	250	125	125
30 – 39 years	250	125	125
40 – 49 years	250	125	125
50 – 64 years	300	150	150
Over 64 years	250	125	125
<b>Total</b>	<b>1500</b>	<b>750</b>	<b>750</b>

Sample Structure - Location			
	Total	Metro	Non-Metro
New South Wales	250	200	50
Victoria	250	200	50
Queensland	250	140	110
South Australia	190	160	30
Western Australia	190	160	30
Tasmania	125	75	50
Northern Territory	125	75	50
Australian Capital Territory	120	120	0
<b>Total</b>	<b>1500</b>	<b>1130</b>	<b>370</b>

The results have been weighted according to the latest Australian Bureau of Statistics (ABS) population figures (2001 Census) so results more closely reflect the population distribution within each state and territory.

Comparisons in the December 2008 Sensis® *Consumer Report* are made between consumers and businesses. The business results are based on data from the August 2008 Sensis® *Business Index* of 1,800 SMEs.

# Executive summary

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## Consumer confidence

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The December 2008 Sensis® *Consumer Report* found a net balance of 27 per cent of Australians reporting confidence in their financial prospects for the year ahead. This result was a fall of five percentage points from last quarter, bringing confidence to the lowest point recorded since the start of the Sensis® *Consumer Report* in May 2004. Over the past 12 months confidence levels amongst consumers have more than halved, falling by 34 percentage points.

This result compares with the latest business confidence results from the November 2008 Sensis® *Business Index*, which found a net 13 per cent of SME operators felt confident about their business prospects for the year ahead, a further fall of 12 percentage points from last quarter, with businesses currently reporting for a downturn in business, people not spending and the economic outlook as reasons for their lower confidence levels.

Having a secure job was the main reason Australians felt confident, with having a good job being relatively less important relative to job security. The main reasons for consumers expressing worry were uncertainty about the future economic direction, increases in the cost of living and investments not performing well.

Twenty-three per cent of Australian households believed they were better off now compared to a year ago (up two percentage points in the past quarter). Earning more money was the main reason for this belief. Twenty-nine per cent of households felt they were worse off (down eight percentage points in the past quarter) due mainly to inflationary concerns. The net proportion of consumers who felt better off rose 10 percentage points in the past quarter, the third successive quarter where Australians were more likely to report that they felt worse off than better off.

Expenditure expectations deteriorated for all categories in the latest results. Areas of relatively discretionary spending, reported the largest falls in overall consumer expenditure expectations. Net negative expectations overall were recorded in seven categories this quarter, the highest number since the survey started.

According to the December 2008 Sensis® *Consumer Report*, Australians were likely to reduce expenditure on entertainment and going out, followed by dining, if they faced tighter economic circumstances. Australians would most likely direct additional income towards savings, followed by mortgage reduction, holidays and travel. Overall, almost six in 10 Australians reported that they had not been impacted by current economic conditions, with the impact most frequently reported being on Australian's superannuation.

## The economy and concerns

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The December 2008 Sensis® *Consumer Report* found Australians' net perceptions of the current state of the economy falling to net negative 64 per cent. This resulted from seven per cent of Australian consumers believing the economy was currently growing, less the 71 per cent who believed the economy was currently slowing. With the 31 percentage point fall in the past quarter, perceptions of the current state of the Australian economy are some 112 percentage points lower than at the same time last year.

While the proportion of consumers feeling the economy would be worse in a year was 17 percentage points higher than the proportion who felt it would be worse, this represented an improvement of two percentage points in the past quarter. The net proportion of consumers feeling the economy would improve in a year is now 20 percentage points lower than at the same time last year.

The drought was the top concern for Australians in the December 2008 Sensis® *Consumer Report*, followed by increases in the cost of living and the environment. The largest increase in levels of concern for Australians was in relation to the state of the economy, followed by unemployment and the conflict in Iraq. The largest drop in concern for any issue was for interest rate rises.

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## Our celebrations

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The December 2008 Sensis® *Consumer Report* found 93 per cent of Australians reported they would be celebrating Christmas this year, up marginally from 92 per cent last year. Of those Australians who celebrate Christmas, the most common activities planned were giving gifts (93 per cent) and spending the day with family (91 per cent). Some 34 per cent of Australians reported they are planning to attend some form of religious service this Christmas.

The results indicate that more consumers expected to decrease their total Christmas shopping spend this year compared to last year, with the nine per cent more reporting that they would decrease their spend rather than increase it. Overall, however, over seven in 10 Australians plan to spend at least as much this year as last year. Most reported intending to purchase gifts for 11 people, with the average total spend on gifts being \$871 (down from \$906 last year). Despite the slight fall from the level reached at the top of the economic cycle last year, the anticipated spend is still up on the level from two years ago and is the second highest level recorded.

Toys topped the list as the most common purchase planned this Christmas, with 28 per cent of Australians planning on buying toys this year, accounting for 19 per cent of total Christmas gift expenditure. Clothing and apparel was the second most common purchase planned this Christmas, accounting for some 13 per cent of expenditure, with gift vouchers in third position, accounting for seven per cent of Christmas retail value.

Cash increased as the main method for paying for Christmas shopping, at 65 per cent up from 61 per cent last year. Overall, use of credit cards to pay for Christmas shopping has decreased from 37 per cent to 33 per cent. Some 29 per cent of Australians are planning to do at least some of their Christmas shopping online, up from 26 per cent last year.

Overall, 44 per cent of Australians reported that they would be considering the environment when they purchased gifts this year. The main issue people were planning to consider was the packaging, how far the item had travelled and what the item was made of.

Jewellery was the gift most nominated as the favourite gift to receive, followed by a children and grandchildren and travel. Clothing topped the list as most commonly reported worst gift ever.

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## Energy costs

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Australians are becoming more prepared to pay for increased energy costs under the Federal Government's proposed Carbon Pollution Reduction Scheme. Some six in 10 Australians now report that they are willing to pay an increased cost, with between \$50 and \$99 being the most frequently mentioned amount, and the mean amount that people were willing to pay higher at \$169.

Over eight in 10 Australians believed that petrol should be included in the Carbon Pollution Reduction Scheme, with only 11 per cent thinking it should not be included and seven per cent unsure.

# Section 1 : Economic confidence

## Overall confidence in financial prospects

### Key findings

The December 2008 Sensis® *Consumer Report* found a net 27 per cent of consumers expressed relative confidence in their financial prospects for the year ahead. With confidence falling a further five percentage points in the past quarter, this latest result is again the lowest confidence result since the Sensis® *Consumer Report* commenced in May 2004.

Australians recorded a continued trend of weaker confidence with a net balance result of 27 per cent. This comprised a lower 54 per cent of Australians who were confident about their prospects for the year ahead, in conjunction with an increased 27 per cent who were worried.

The December 2008 Sensis® *Consumer Report* found net confidence among consumers significantly higher than business confidence measured in the concurrent Sensis® *Business Index*. The most recent Sensis® *Business Index* found net confidence among business proprietors in their business prospects for the year ahead was 13 per cent; composed of 47 per cent of businesses confident overall and 34 per cent worried about their prospects going forward.

The net result of consumer confidence at 27 per cent represents a continued fall in the net proportion of consumers who felt confident (down five percentage points from the past quarter). Over the past 12 months consumer confidence has more than halved, having fallen by 34 percentage points to the lowest level recorded since the inception of the Sensis® *Consumer Report* in May 2004.

This latest fall in consumer confidence coincides with the sharp fall in net confidence among SME proprietors which also recorded a continued fall in the latest results for November 2008. In the latest quarter, the main concerns affecting business confidence were decreasing business, people not spending and the economic outlook.

### Confidence trends – past five quarters

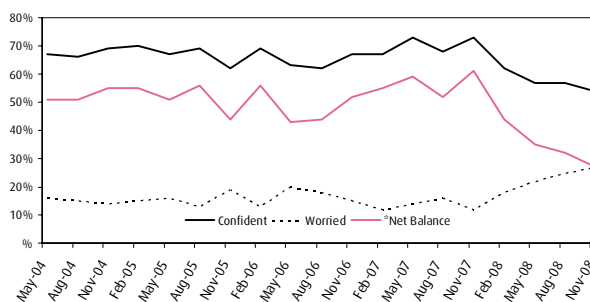
	November 2007	February 2008	May 2008	August 2008	November 2008
Extremely confident	20%	15%	13%	11%	9%
Fairly confident	53%	47%	44%	46%	45%
Neutral	15%	20%	20%	18%	19%
Fairly worried	9%	14%	18%	21%	22%
Extremely worried	3%	4%	4%	4%	5%
Total confident	73%	62%	57%	57%	54%
Total worried	12%	18%	22%	25%	27%
<b>*Net Balance</b>	<b>+61%</b>	<b>+44%</b>	<b>+35%</b>	<b>+32%</b>	<b>+27%</b>

Q. Please think about the next 12 months. How confident do you feel about (your family's) (your) financial prospects?

\*Net Balance defined as the proportion who are confident less the proportion who are worried.

SOURCE: Sensis® *Consumer Report*; Sweeney Research – November 2008

### Long term trends in confidence



\*Net Balance defined as the proportion who are confident less the proportion who are worried.

SOURCE: Sensis® *Consumer Report*; Sweeney Research – November 2008

### Overall confidence

#### Comparison with business – November 2008

	Consumers <sup>1</sup>	Business <sup>2</sup>
Extremely confident	9%	8%
Fairly confident	45%	39%
Neutral	19%	18%
Fairly worried	22%	28%
Extremely worried	5%	6%
Total confident	54%	47%
Total worried	27%	34%
<b>*Net Balance</b>	<b>+27%</b>	<b>13%</b>

\*Net Balance defined as the proportion who are confident less the proportion who are worried.

SOURCE: <sup>1</sup>Sensis® *Consumer Report*; Sweeney Research – November 2008  
<sup>2</sup>Sensis® *Business Index*; Sweeney Research – November 2008

## Overall confidence in financial prospects by respondent characteristics

The December 2008 Sensis® Consumer Report found that while confidence fell by the same amount for both males and females, males were significantly more confident, with their confidence levels some 17 percentage points higher than was the case for females.

Australians aged in their 30s were the most confident in the past quarter, with net confidence in this age group increasing by three percentage points since last quarter. This was the only age group to record a rise in confidence in the past quarter, with confidence unchanged for those Australians in their 40s. Confidence fell amongst all other age groups, with Australians under 30 recording the largest fall of any age group to be 18 percentage points lower than last quarters result.

Examining both gender and age, the most confident Australians in December 2008 were males aged in their 30s and 40s, with a net confidence level of 45 per cent each. This was in stark contrast to females aged over 64, who were the least confident of any age-gender demographic, with confidence at only eight per cent. Females aged in their 30s reported feeling the most confident of any female age group.

Confidence was higher in metropolitan areas. The most confident Australians were those living in the Northern Territory, where a net 49 per cent of consumers reported feeling confident about their financial prospects for the year ahead, up three percentage points from last quarter. The least confident Australians were again in New South Wales, with net confidence at 20 per cent, down three percentage points since the last quarter. Apart from the Northern Territory, the only place where confidence rose in the past quarter was in Western Australia. Confidence fell in all other states and territories in the past quarter, with the largest fall recorded in Tasmania (22 percentage points).

Families with children were the least confident about their financial prospects for the year ahead, with confidence at a net 24 per cent, down by seven percentage points in the past quarter. Families with children and singles were equally most confident recording confidence levels at a net 30 per cent each.

Those on the highest income level were the most likely to feel confident, with a net 42 per cent of those with a household income of more than \$85,000 feeling confident, compared to net seven per cent of those with a household income up to \$35,000. Confidence fell across all income groups in the past quarter, with the exception of those earning less than \$35,000, where confidence actually increased by 12 percentage points.

### Overall confidence by age and gender \*Net balance – November 2008

	Total	Male	Female
<b>Total</b>	<b>27%</b>	<b>36%</b>	<b>19%</b>
Up to 29 years	30%	34%	26%
30 – 39 years	36%	45%	28%
40 – 49 years	34%	45%	25%
50 – 64 years	22%	32%	12%
More than 64 years	14%	22%	8%

\*Net Balance defined as the proportion who are confident less the proportion who are worried.  
Base : 'Householders' – family household heads or independent singles

SOURCE: Sensis® Consumer Report. Sweeney Research – November 2008

### Overall confidence by location \*Net balance – November 2008

	Total
<b>Total</b>	<b>27%</b>
Metro	29%
Non metro	25%
New South Wales	20%
Victoria	36%
Queensland	21%
South Australia	25%
Western Australia	41%
Tasmania	35%
Northern Territory	49%
Australian Capital Territory	35%

\*Net Balance defined as the proportion who are confident less the proportion who are worried.

Base : 'Householders' – family household heads or independent singles

SOURCE: Sensis® Consumer Report. Sweeney Research – November 2008

### Overall confidence by socio-economic variables \*Net balance – November 2008

Total	%
<b>Respondent is..</b>	
The male or female household head in a family with children	24%
The male or female household head in a family without children	30%
Single person living alone or sharing	30%
<b>Household income level..</b>	
Up to \$35,000	7%
\$35,001 to \$55,000	17%
\$55,001 to \$85,000	32%
More than \$85,000	42%

\*Net Balance defined as the proportion who are confident less the proportion who are worried.

Base : 'Householders' – family household heads or independent singles

SOURCE: Sensis® Consumer Report. Sweeney Research – November 2008

## Reasons for being confident or worried

The main reason Australians gave for feeling confident about their financial prospects for the year ahead was having a secure job, which increased in relative importance over the past quarter. This is the fourth successive quarter where the trend of increasing job security has been considered more important than the quality of the job. The main reasons Australians reported feeling worried were uncertainty over the direction of the economy, increases in the cost of living and investments not performing well.

Having a secure job was the most important reason for feeling confident for those with household incomes of more than \$35,000. For those with household incomes below \$35,000, having sufficient resources remained the main reason for feeling confident.

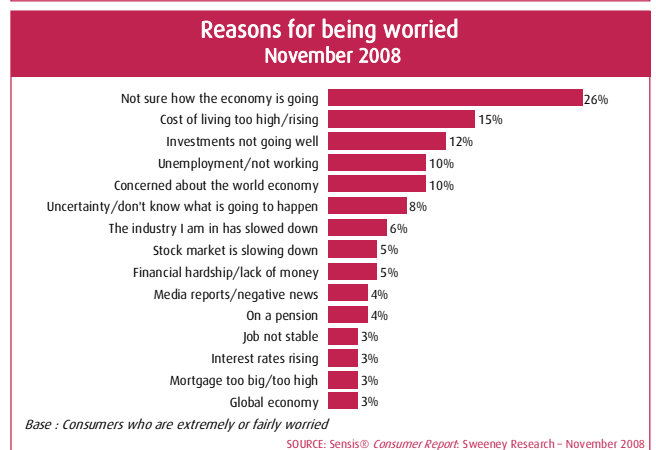
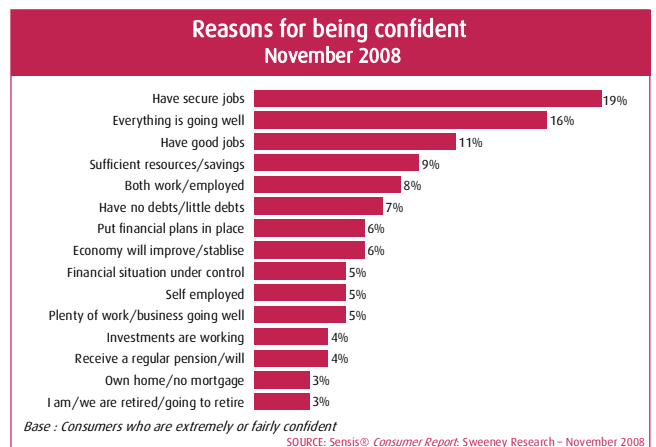
For Australians feeling worried about their financial prospects in the coming year, the main reason was uncertainty about how the economy was going, which was nominated by 26 per cent of those who were worried. This has increased by 12 percentage points over the past quarter.

Other key reasons for concern included increases in the cost of living (15 per cent) an investments not doing well (12 per cent).

Whilst uncertainty over the economy was the overall main cause for concern, it was only the top concern for those earning over \$85,000 a year by income. However, uncertainty over the future of the economy was the top concern for residents of all states and territories.

For those with incomes between \$55,000 and \$85,000 the main concern was uncertainty in general, with increases in the cost of living the top concern for those with household incomes between \$35,000 and \$55,000. For those earning up to \$35,000, being concerned because of poorly performing investments was the top issue impacting on confidence levels.

The highest increasing reason for concern over the past quarter was uncertainty about the economy, which has risen by 12 percentage points over the past quarter



## Comparison to a year ago

While confidence was weaker, this quarter found Australians still more likely to feel that they were worse off than a year ago, but at an improved level from the record low recorded last quarter. Some 23 per cent of Australians believed they were better off than a year ago, up by two percentage points from last quarter. Forty-seven per cent believed their position was about the same as a year ago, up five percentage points. The proportion who felt worse off was down eight percentage points from last quarter to 29 per cent. This resulted in a net improvement of six percentage points in the proportion of Australians feeling better off than a year ago in the past quarter.

While the overall figure remains net negative, it is an improvement from last quarter's result, which was the lowest recorded since the Sensis® Consumer Report started in 2004. It is, however, the third successive quarter where Australians were more likely to report that they were worse off than better off than a year ago.

The results were strongly split by income, with those in the higher income demographic, earning \$55,000 a year and above, more likely to feel they were better off on balance. Those with incomes up to \$35,000 were more likely to feel that, on balance, they were worse off than they had been a year ago. The income demographic most likely to feel worse off on balance was those with incomes up to \$35,000, where the net balance was at net negative 31 per cent, which has fallen by three percentage points in the past quarter.

The only states or territories to record net positive results were the Northern Territory and Western Australia. In the Northern Territory 32 per cent of residents felt that they were better off than a year ago, compared to 17 per cent that felt they were worse off. In Western Australia some 31 per cent reported they felt better off, compared to 25 per cent that felt worse off. Residents of every other state or territory were more likely to feel worse off on balance. Residents of Tasmania were most likely to feel worse off on balance than a year ago. Australians living in metropolitan areas were more likely than those living in regional areas to feel worse off than a year ago (net negative eight per cent compared to net negative three per cent).

The overwhelming reason Australians gave for feeling better off than a year ago related overwhelmingly to increased earnings, in line with the past 14 quarters. Increases in the cost of living and increases in prices topped the list of reasons for feeling worse off, followed by increases in the cost of living and declines in the stock market. Those with household incomes of more than \$55,000 were most likely to be concerned about decreases in the stock market.

### Comparison to a year ago Trends

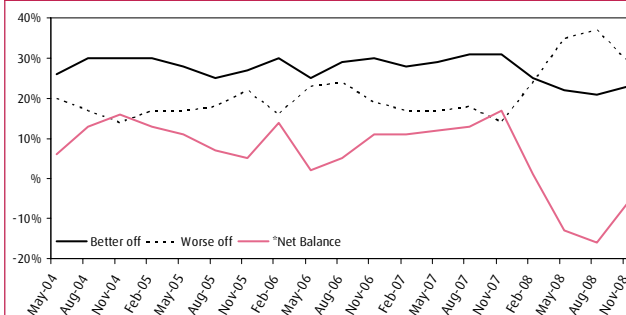
	November 2007	February 2008	May 2008	August 2008	November 2008
Better off	31%	25%	22%	21%	23%
Same	55%	51%	43%	42%	47%
Worse off	14%	24%	35%	37%	29%
<b>*Net Balance</b>	<b>+17%</b>	<b>+1%</b>	<b>-13%</b>	<b>-16%</b>	<b>-6%</b>

Q. And, compared to this time twelve months ago, would you say (your family) (you) are better off, worse off or about the same?

\*Net Balance defined as the proportion who are better off less the proportion who are worse off

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2008

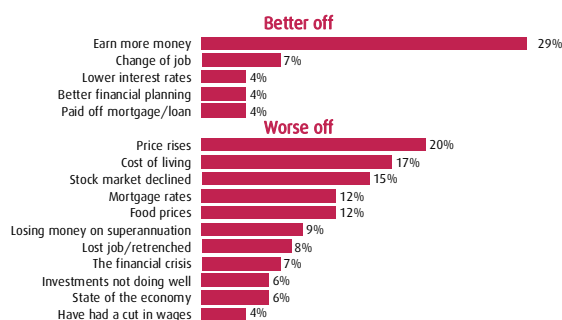
### Comparison to a year ago Long term trends



\*Net Balance defined as the proportion who are better off less the proportion who are worse off

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2008

### Reasons for being better or worse off November 2008



Q. What would you say has contributed to (your family) (you) being better/worse off?

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2008

## Household expenditure expectations

In line with reduced confidence levels, consumer expenditure expectations deteriorated with consumers expecting falls in expenditure for more categories than they expected increases. The areas most Australians expected to increase spending in the next 12 months were general household expenses, transport costs and housing costs.

Overall, the category with the highest net proportion of consumers expecting to increase expenditure was general household expenses, by a net 40 per cent. This result was down by 20 percentage points since last quarter, and also down by 15 percentage points compared to the same time last year.

Consumers were expecting to spend less on balance than last quarter on seven categories: personal care; special events; holidays and travel; entertainment, sport and leisure activities; items for the home; home entertainment; and dining out, fast food or home deliveries. This is the highest number of categories where consumers have reported overall net negative expenditure expectations since the report started in May 2004. These categories were all comparatively discretionary areas of expenditure for consumers.

Examining trends, every category this quarter reported falls in the overall net balance of consumer expenditure expectations. The fall was greatest for transport costs, where the net balance result decreased by 29 percentage points. Expenditure expectations held up best in the home entertainment category where net expectations were only down one percentage point from last quarter.

Families with children were most likely to be increasing spending on general household expenses, transportation costs and education costs.

Families without children were most likely to be expecting to increase expenditure for health and medical expenses.

Singles were expecting the largest increases in expenditure in housing costs; telecommunications; personal care and grooming products; special occasions and events; holidays and travel; entertainment, sport and leisure activities; items for the home; home entertainment and dining out, fast food and home deliveries.

### Household expenditure expectations November 2008

Over the next twelve months do you expect to spend a larger, smaller or about the same proportion of (your family) (your) income on...	Spend more	Spend less	No change	*Net balance
General household expenses including groceries and bills	51%	11%	38%	+40%
Transport costs - cars or public transport	31%	14%	55%	+17%
Housing costs such as mortgage payments or rent	21%	12%	67%	+9%
Health and medical expenses	23%	10%	67%	+13%
Education costs	20%	10%	70%	+10%
Home renovations or improvements	24%	21%	55%	+3%
Telecommunications - including mobiles and internet	13%	13%	74%	0%
Personal care or grooming products or services	9%	12%	79%	-3%
Special events or occasions (eg. parties, weddings etc)	14%	19%	67%	-5%
Holidays and travel	23%	30%	47%	-7%
Entertainment, sport and leisure activities	13%	20%	68%	-7%
Items for the home such as furniture or electrical goods	16%	29%	55%	-13%
Home entertainment such as DVD's, CDs	7%	20%	74%	-13%
Dining out, fast food or home deliveries	7%	29%	64%	-22%

Base: 'Householders' - family household heads or independent singles.

\*Net Balance = the proportion who expect more less the proportion who expect less

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2008

### Household expenditure expectations Trends in \*Net Balance

	Nov 2007	Feb 2008	May 2008	Aug 2008	Nov 2008
General household expenses - groceries and bills	55%	55%	62%	60%	40%
Transport costs - cars or public transport	33%	41%	49%	46%	17%
Housing costs such as mortgage or rent	34%	34%	37%	29%	9%
Health and medical expenses	22%	20%	25%	21%	13%
Education costs	14%	17%	13%	17%	10%
Home renovations or improvements	15%	13%	3%	10%	3%
Telecommunications - including mobiles & Internet	8%	10%	6%	6%	0%
Personal care/grooming products	4%	5%	1%	2%	-3%
Special events or occasions (eg. parties, weddings etc)	5%	4%	-4%	1%	-5%
Holidays and travel	13%	6%	2%	1%	-7%
Entertainment, sport and leisure activities	7%	6%	-3%	-1%	-7%
Items for the home such as furniture or electrical goods	-2%	-4%	-10%	-8%	-13%
Home entertainment	-4%	-9%	-14%	-12%	-13%
Dining out, fast food or home deliveries	-8%	-10%	-17%	-15%	-22%

Base: 'Householders' - family household heads or independent singles.

\*Net Balance = the proportion who expect more less the proportion who expect less

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2008

### Household expenditure expectations By family status - November 2008

*Net balance for..	Total	Families with children	Families no children	Singles
General household expenses - groceries and bills	40%	45%	34%	37%
Transport costs - cars or public transport	17%	21%	12%	15%
Housing costs such as mortgage or rent	9%	8%	3%	19%
Health and medical expenses	13%	10%	16%	16%
Education costs	10%	23%	0%	1%
Home renovations or improvements	3%	4%	4%	-3%
Telecommunications - including mobiles & Internet	0%	1%	-2%	5%
Personal care/grooming products	-3%	-6%	-3%	6%
Special events or occasions (eg. parties, weddings etc)	-5%	-10%	-3%	0%
Holidays and travel	-7%	-14%	-5%	2%
Entertainment, sport and leisure activities	-7%	-6%	-9%	-3%
Items for the home such as furniture or electrical goods	-13%	-16%	-13%	-3%
Home entertainment	-13%	-16%	-13%	-7%
Dining out, fast food or home deliveries	-22%	-28%	-19%	-17%

\*Net Balance defined as the proportion who will spend more less the proportion who will spend less

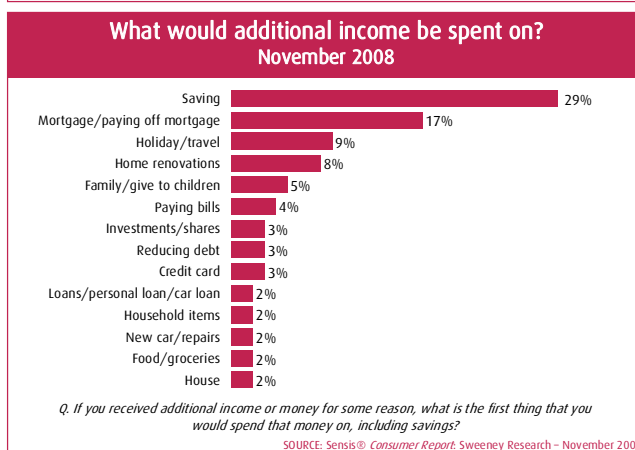
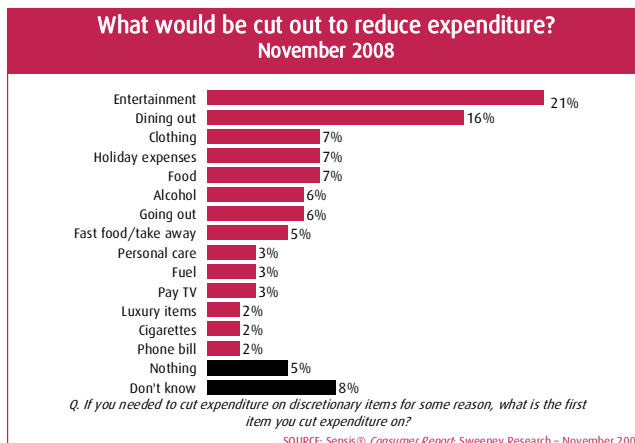
SOURCE: Sensis® Consumer Report: Sweeney Research - November 2008

## Cutting back or increasing expenditure

It is interesting to note the particular areas consumers are most likely to increase or decrease their expenditure, if faced with changing financial circumstances. This can highlight areas of the economy most likely to be affected by an economic downturn or tightening of monetary policy, as well as areas likely to benefit from economic or fiscal stimulus or easing in monetary policy resulting in consumers having additional income.

The area of expenditure most likely to be cut by consumers was again money spent on entertainment and going out, with 21 per cent of consumers nominating this as their first means to decrease expenditure (down one percentage points in the past quarter). Residents of New South Wales were most likely to report that they would cut spending in this area. Residents of South Australia were more likely to report that they would cut expenditure on dining out than entertainment.

If consumers had more money, they were most likely to report that they would use it to increase their savings, followed by paying off their mortgages, having a holiday and home renovations. For the lowest income demographic, after savings, additional income was most likely to be spent on travel, home renovations and items for their families.

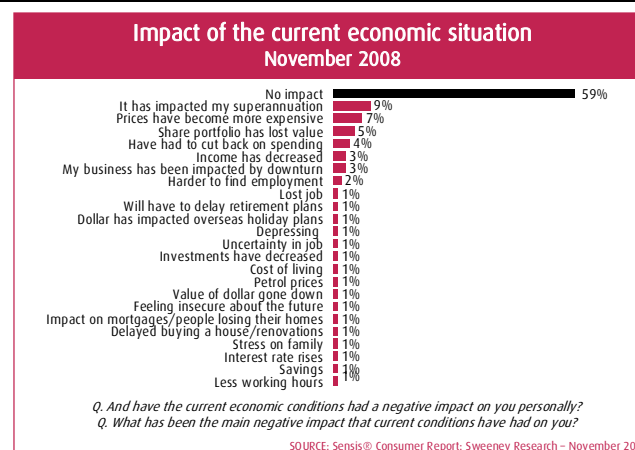


## Impact of the current financial crisis

Overall, the majority of Australians reported that they had not been personally impacted by the current economic situation. Superannuation was the impact most likely to be reported.

Overall, some 59 per cent of Australians reported that they had not been impacted by the current economic situation. Residents of New South Wales were most likely to report a negative impact at 46 per cent, with those in the Northern Territory least likely (33 per cent). The impact was highest for those with incomes between \$35,000 and \$55,000 (47 per cent negatively impacted).

The main impact that the current economic situation has had was on Australian's superannuation, followed by increases in prices and share portfolios losing value. Impacts on superannuation were most likely to be reported by those earning up to \$35,000 a year or between \$55,000 and \$85,000. Those earning between \$35,000 and \$55,000 were most likely to report that price increases had been the main impact on them, with those earning \$85,000 and over most likely to report that their share portfolios had been negatively impacted.



## Perception of the state of Australia's economy

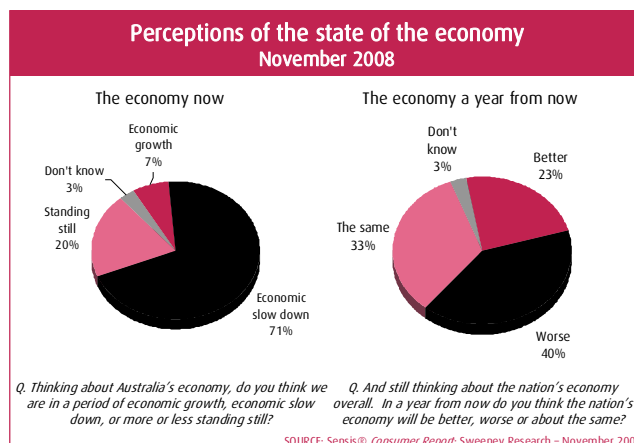
In line with the slump in consumer confidence, the December 2008 Sensis® *Consumer Report* found the net proportion of consumers who felt Australia was currently in a period of economic growth also falling further. Only seven per cent of consumers felt the economy was currently growing (down 11 percentage points), compared to 71 per cent who felt the economy was currently slowing down (up 20 percentage points), and 22 per cent who felt it was standing still. This resulted in a net balance of negative 64 per cent of consumers who felt the economy was currently in a growth phase. This result was down by 31 percentage points since last quarter and down by 112 percentage points from the same time last year. This brings the current economic perception to the lowest point recorded since the inception of the Sensis® *Consumer Report* in May 2004.

While no state or territory recorded a net positive perception of the current state of the Australian economy, there was some variation across the states and territories. Residents of Western Australia again held the highest perceptions of the current state of the economy (negative 61 per cent, down 47 percentage points), with the second highest net result being recorded in Queensland, South Australia and the Northern Territory (negative 62 per cent each). Consumers in Tasmania held the lowest perceptions (net negative 76 per cent, down 52 percentage points in the past quarter).

There was a slight improvement in expectations for the economy for the coming year. When asked how the economy would be performing a year from now, 23 per cent of consumers felt it would be better than the current situation, up three percentage point in the past quarter. This compared to the 40 per cent that thought it would be worse than it is now (up from 39 per cent in the previous quarter). Some 37 per cent of consumers felt that the economy would be the same in a year's time. This resulted in a net negative 17 per cent, an improvement of two percentage points in future expectations for the economy. Despite the improvement in consumer's views of the economy in a year's time, this result was some 20 percentage points lower than at the same time last year.

All states and territories held net negative views on the future economic direction. South Australia was most optimistic (net negative 11 per cent), and Tasmania the most pessimistic (net negative 27 per cent).

When the same question was asked in the November 2008 Sensis® *Business Index*, businesses reported slightly more pessimistic views on the state of the economy now (net negative 68 per cent for businesses compared to net negative 64 per cent for consumers), and much more pessimistic views on the future direction of the economy (net negative 31 per cent for businesses, compared to net negative 17 per cent for consumers).

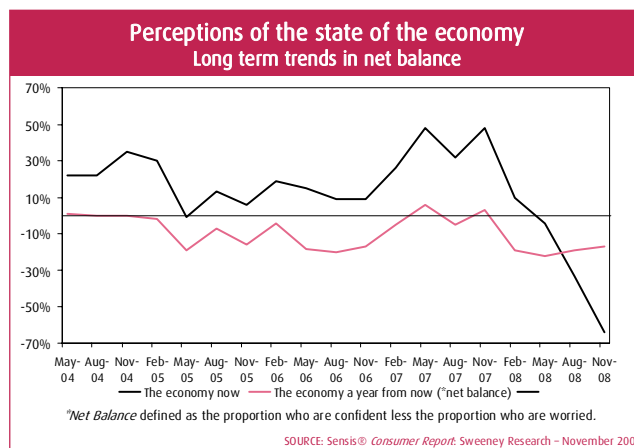


### Perceptions of the state of the economy Trends

	November 2007	February 2008	May 2008	August 2008	November 2008
<b>The economy now</b>					
Growth	61%	40%	33%	18%	7%
Slowing	13%	30%	37%	51%	71%
<b>*Net balance</b>	<b>+48%</b>	<b>+10%</b>	<b>-4%</b>	<b>-33%</b>	<b>-64%</b>
<b>The economy a year from now</b>					
Better	25%	20%	19%	20%	23%
Worse	22%	39%	41%	39%	40%
<b>*Net Balance</b>	<b>+3%</b>	<b>-19%</b>	<b>-22%</b>	<b>-19%</b>	<b>-17%</b>

\*Net Balance defined as the proportion who are positive less the proportion who are negative.

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2008



### Perceptions of the state of the economy Comparison with business - November 2008

	Consumers <sup>1</sup>	Business <sup>2</sup>
<b>The economy now</b>		
Growth	7%	4%
Slowing	71%	72%
<b>*Net balance</b>	<b>-64%</b>	<b>-68%</b>
<b>The economy a year from now</b>		
Better	23%	14%
Worse	40%	45%
<b>*Net balance</b>	<b>-17%</b>	<b>-31%</b>

\*Net Balance defined as the proportion who are positive less the proportion who are negative.

SOURCE: <sup>1</sup> Sensis® Consumer Report: Sweeney Research - November 2008  
<sup>2</sup> Sensis® Business Index: Sweeney Research - November 2008

## Section 2 : Our concerns

### Prime concerns

Concerns about the state of the economy rose more than any other issue compared to last quarter, according to the December 2008 Sensis® *Consumer Report*. The drought was the highest concern for Australians overall, followed by increases in the cost of living.

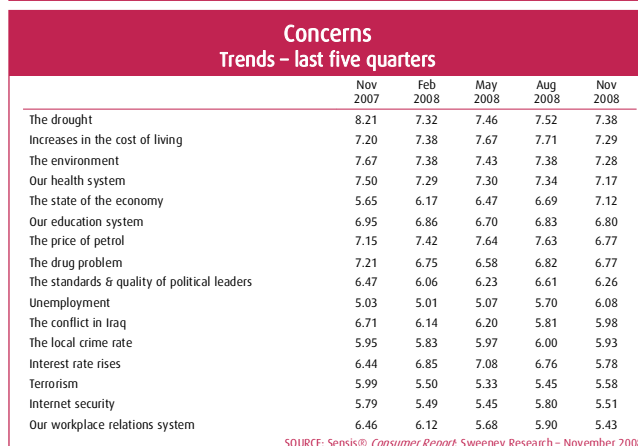
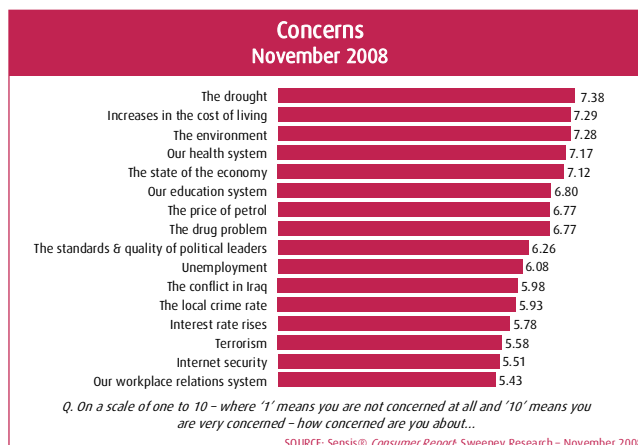
When asked to rank topical issues on a scale of one, representing no concern at all, to 10, representing a high level of concern, the drought scored an average score of 7.38. Concerns about the drought fell by 0.14 during the quarter. While this was the top concern overall, only the income demographics earning between \$55,000 and \$85,000 the top concern was increases in the cost of living. For those earning between \$85,000 and over the environment was the top concern. The highest level of concern for the drought was recorded in South Australia (8.45) with the lowest level recorded in Western Australia (6.36). The drought was the top concern overall for residents of Victoria, South Australia and Tasmania.

The second highest concern for Australians was increases in the cost of living, which ranked at 7.29, a fall of 0.42 in the past quarter. Those with household incomes up to \$35,000 were most likely to be concerned about this issue (7.67). Residents of Tasmania were most likely to be concerned about increases in the cost of living (7.45) while residents of Western Australia reported the lowest levels of concern about increases in the cost of living (7.00).

Concerns about the state of the economy rose more than any other issue, up by 0.43 to 7.12. Concerns about the state of the economy were greatest in New South Wales (7.31) and lowest in the Northern Territory (6.57). The level of concern about the state of the economy was registered amongst those with household incomes between \$35,000 and \$55,000 (7.64) and the lowest level of concern amongst those with household incomes between \$55,000 and \$85,000 (6.92).

Other issues recording increased concern levels over the past quarter included unemployment (up 0.38), the conflict in Iraq (up 0.17) and terrorism (up 0.13).

The largest fall in the level of concern over the past quarter was recorded for interest rate rises, with concern levels falling by 0.98.



## Concerns by age and gender

Females again displayed higher levels of concern across all topics in this quarter. Males' and females' opinions differed most when it came to the drug problem, followed by interest rate rises and terrorism. The topic of concern where male and female views most closely aligned was the standard and quality of Australia's political leaders, with concern levels varying by only 0.07 between males and females.

Concerns did vary by income, with those on household incomes less than \$55,000 most concerned about the drought. For those earning between \$55,000 and \$85,000 increases in the cost of living was the highest concern. For the highest income bracket, \$85,000 and above, the top issue of concern was the environment.

The results show those aged up to 19 years were more likely than any other age group to be concerned about the price of petrol. Those Australians in their 20s were more likely than any other age demographic to be concerned about increases in the cost of living. Australians aged from 30 to 39 years were most concerned about the education system and interest rate rises. Those aged in their 40s displayed the highest levels of concern over the environment and internet security of any age demographic.

Australians aged from 50 to 64 were more likely than any other age demographic to be concerned about the health system, the state of the economy and the standard and quality of our political leaders. Those Australians more than 64 years were more likely than any other age group to be concerned about the drought, the drug problem, unemployment, the conflict in Iraq, the local crime rate and terrorism.

The top issue overall, the drought, was only the top issue for those aged in their 40s. For those under 30 increases in the cost of living was the top issue. For those Australians aged in their 30s the environment was the top issue overall, and for those aged in their 50s the health system was the top ranking concern. For those Australians aged 64 and above the drug problem was the top ranking concern.

### Concerns by gender November 2008

	Total	Male	Female	Difference
The drought	7.38	6.97	7.77	(0.80)
Increases in the cost of living	7.29	6.89	7.68	(0.79)
The environment	7.28	6.96	7.58	(0.62)
Our health system	7.17	6.82	7.51	(0.69)
The state of the economy	7.12	6.88	7.36	(0.48)
Our education system	6.8	6.51	7.08	(0.57)
The price of petrol	6.77	6.54	6.99	(0.45)
The drug problem	6.77	6.26	7.26	(1.00)
The standards & quality of political leaders	6.26	6.22	6.29	(0.07)
Unemployment	6.08	5.66	6.48	(0.82)
The conflict in Iraq	5.98	5.53	6.42	(0.89)
The local crime rate	5.93	5.56	6.29	(0.73)
Interest rate rises	5.78	5.28	6.26	(0.98)
Terrorism	5.58	5.11	6.03	(0.92)
Internet security	5.51	5.06	5.93	(0.87)
Our workplace relations system	5.43	5.25	5.61	(0.36)

SOURCE: Sensis® Consumer Report: Sweeney Research - November 2008

### Concerns by age group November 2008

	Total	Up to		20 to	30 to	40 to	50 to	65+
		19	29	29	39	49	64	
The drought	7.38	6.42	7.06	7.24	7.67	7.42	8.14	
Increases in the cost of living	7.29	7.12	7.54	7.42	7.07	7.17	7.40	
The environment	7.28	6.85	7.33	7.45	7.60	7.29	6.91	
Our health system	7.17	6.68	6.87	7.08	7.25	7.55	7.36	
The state of the economy	7.12	6.74	6.78	7.09	7.19	7.40	7.36	
Our education system	6.80	5.92	6.66	7.12	6.94	6.88	6.90	
The price of petrol	6.77	7.11	6.77	6.79	6.51	6.81	6.76	
The drug problem	6.77	6.07	5.83	6.38	6.96	6.93	8.31	
The standards & quality of political leaders	6.26	4.98	5.97	6.01	6.47	6.91	6.65	
Unemployment	6.08	5.42	6.04	5.85	6.14	6.35	6.43	
The conflict in Iraq	5.98	5.43	5.53	5.55	6.06	6.30	6.88	
The local crime rate	5.93	5.73	5.78	5.63	5.76	6.09	6.60	
Interest rate rises	5.78	5.44	6.33	6.34	5.66	5.16	5.64	
Terrorism	5.58	5.85	5.26	5.02	5.73	5.60	6.25	
Internet security	5.51	4.91	5.31	5.32	5.89	5.79	5.55	
Our workplace relations system	5.43	5.00	5.48	5.53	5.41	5.53	5.46	

■ = Highest level of concern  
■ = Lowest level of concern

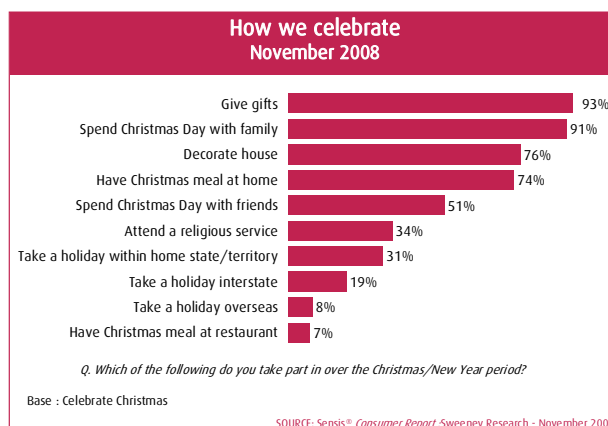
SOURCE: Sensis® Consumer Report: Sweeney Research - November 2008

# Section 3: Our celebrations

## How we celebrate Christmas

Christmas remained a popular occasion with Australians, with some 93 per cent reporting they would celebrate Christmas this year, up marginally from 92 per cent last year. Residents of the Australian Capital Territory were again the most likely to celebrate Christmas (97 per cent) with those in Tasmania least likely to take part (89 per cent).

According to the results, giving gifts was the activity that Australians were most likely to take part in (93 per cent, down marginally from 94 per cent last year). This was closely followed by spending Christmas Day with family (91 per cent, down from 97 per cent last year). Other key activities Australians reported taking part with Christmas included decorating the house (76 per cent, unchanged in the past year), having the Christmas meal at home (74 per cent, down one percentage point) and spending Christmas Day with friends (51 per cent, down from 57 per cent last year).



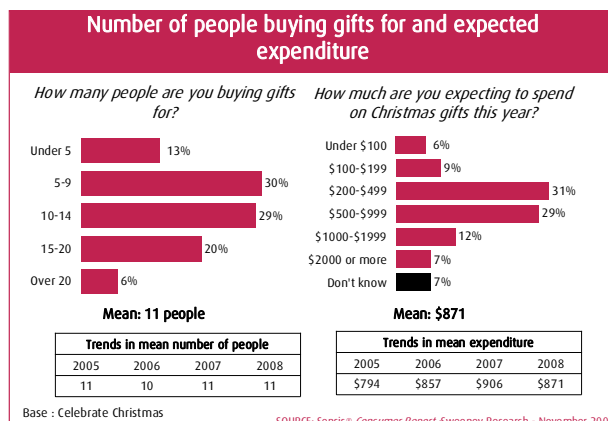
SOURCE: Sensis® Consumer Report/Sweeney Research - November 2008

## Christmas retail expenditure

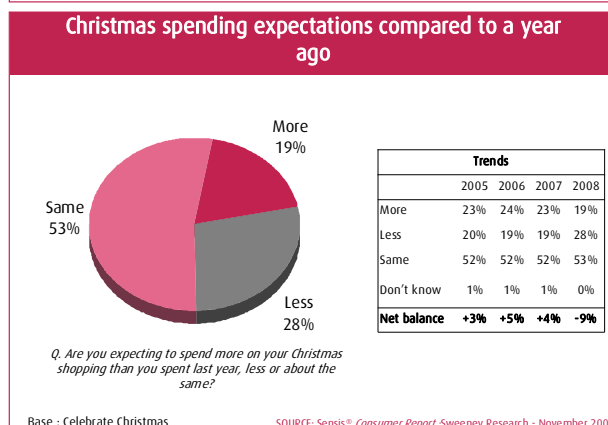
As seen earlier, giving gifts was the most common activity Australians will participate in this year, with 93 per cent of those that celebrate Christmas giving gifts. Overall, the results show that Australians are expecting to spend slightly less on Christmas this year compared to last year, with 19 per cent expecting to increase their Christmas spend, compared to 28 per cent who are expecting to spend less, and the majority, 53 per cent, who are expecting to spend the same.

Most Australians reported, on average, to be buying gifts for 11 people this year, which has remained relatively stable over recent years. The average spend on gifts this year has decreased to \$871 (down from \$906 last year). With the decrease in total anticipated spending across the same number of people the average gift price this year is expected to be approximately \$79 (down marginally from \$82 last year).

The highest average level of expected spend on Christmas gifts this year was recorded in New South Wales, followed by the Northern Territory. At the other end of the scale, residents in South Australia were anticipating the lowest level of spending on their Christmas gifts.



SOURCE: Sensis® Consumer Report/Sweeney Research - November 2008



SOURCE: Sensis® Consumer Report/Sweeney Research - November 2008

## Christmas retail expenditure (cont)

The item most people expect to buy for gifts this year was toys. Some 28 per cent of those giving gifts were expecting to buy toys as part of their Christmas shopping. This was followed by clothing, the second most popular category of gifts. As well as accounting for the greatest proportion of gifts, toys also accounted for the greatest share of expenditure, at 19 per cent. Clothing accounted for the second greatest share at 13 per cent. The third greatest share of expenditure was expected to be spent on gift vouchers, accounting for seven per cent of anticipated expenditure.

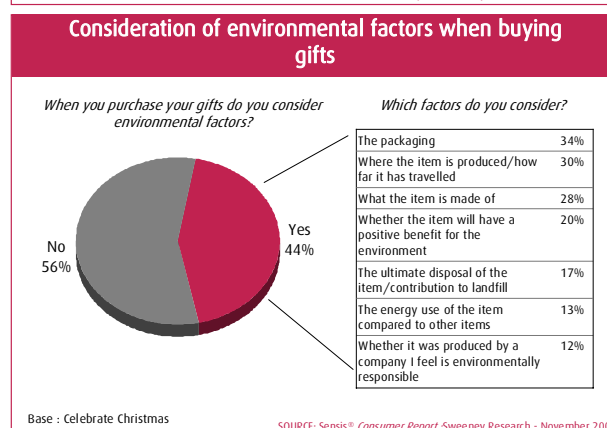
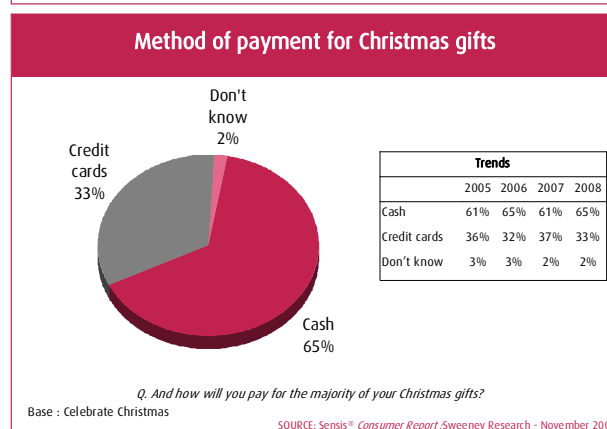
The results show that, not surprisingly, toys were by far the most common gift category for families with children (39 per cent), however, it is interesting to note that they are also the most common purchase for families without children (24 per cent). Clothing was the most popular purchase for singles (16 per cent), followed by books (14 per cent) and toys in third position (13 per cent).

Females were much more likely to be buying most types of gifts, although in most cases the differences were not large. Males were more likely than females to purchase CDs and DVDs as well as alcohol. While most categories were relatively close between the genders, females were much more likely to be buying toys than males (32 per cent compared to 24 per cent).

Most Australians were planning to use cash to pay for gifts compared to credit cards (65 per cent compared to 33 per cent). This reflected an increased trend for Australians to use cash to buy Christmas gifts, with the proportion of Australians that used cash increasing by four percentage points this year. The proportion of Australians looking at using credit cards fell by four percentage points compared to last year.

Another interesting trend to examine is the extent to which Australians are planning to purchase gifts online. Overall, some 29 per cent are purchasing at least some of their Christmas gifts online. This has increased from 26 per cent last year. Australians under 30 were most likely to buy some of their gifts online, with females more likely than males to purchase online. Residents of the Northern Territory were the most likely to purchase some of their Christmas shopping online (37 per cent), with those in South Australia least likely (22 per cent).

Some 44 per cent of Australians reported that they would consider environmental factors when purchasing gifts this year, with the packaging being the main factor, followed by how far the item had travelled and what the item is made of. Residents of the Australian Capital Territory were most likely to consider environmental factors when purchasing gifts.



## Best and worst gifts

The December 2008 Sensis® *Consumer Report* asked Australians what their most memorable Christmas gifts were, looking in particular at those that stood out to them as the best and the worst gifts that they had received.

Overall, jewellery was by far the most commonly reported "best gift" that people had received, with 11 per cent of Australians nominating jewellery. Underlying this finding was large variations in demographics, with some 19 per cent of females reporting jewellery as their "best gift" compared to only three per cent of males. Apart from the strong gender split, there was a direct relationship between household income and jewellery being nominated as the best gift – some 14 per cent of Australians with a household income of \$85,000 and above reported favouring jewellery, compared to only nine per cent of those with a household income of up to \$35,000. Residents of Queensland and the Northern Territory were most likely to report jewellery as the best gift (17 per cent each).

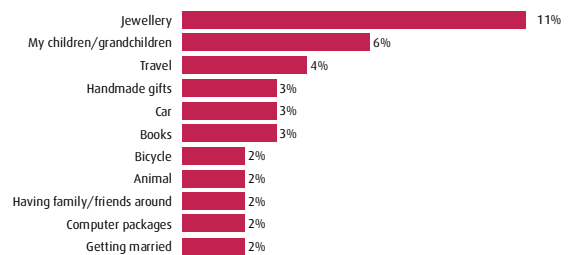
Whilst jewellery can reflect a considerable cost component, not all our favourite gifts were purely monetary. The second favourite gift was something that could not be bought - children and grandchildren, nominated by six per cent of Australians as their best gift. Children and grandchildren were actually the top gift of choice for males for the second year and were marginally more likely to nominate children and grandchildren than females. The third most nominated best gift was travel, which was nominated by four per cent of Australians and was equally favoured by both males and females.

Not all the gifts Australians had received had been as appreciated as these. Articles of clothing were most nominated again by Australians as the worst gift they had ever received. Some articles of clothing were received considerable nominations in their own right, with sock being nominated as the worst gift by three per cent, and the co-aligned "jocks" being nominated by an additional two per cent.

Males were most likely to nominate clothing as the worst gift they had received, with residents of Tasmania and Queensland most likely to nominate clothing as the worst gift they had received.

Kitchen appliances were the next most frequently nominated worst gifts, followed by sock, ornamental household items, food items and toiletries. Kitchen appliances were the most frequently mentioned "worst gift received" by females.

### Best gift ever received

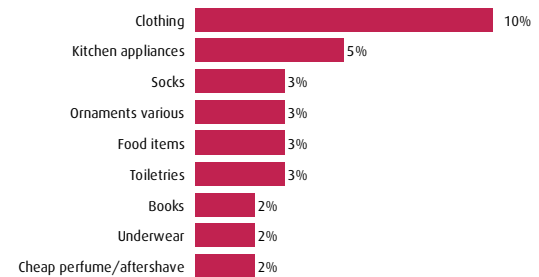


Q. What is the best gift that you have ever received?

Base : Celebrate Christmas

SOURCE: Sensis® Consumer Report Sweeney Research - November 2008

### Worst gift ever received



Q. What is the worst gift that you have ever received?

Base : Celebrate Christmas

SOURCE: Sensis® Consumer Report Sweeney Research - November 2008

## Section 4: Energy costs

### Consumer views on carbon pollution reduction

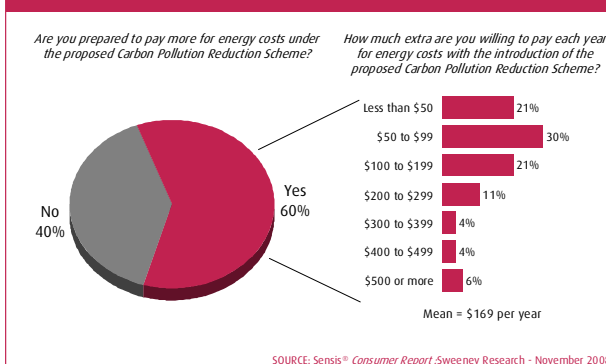
Australians have increased their level of acceptance of the Federal Government's proposed Carbon Pollution Reduction Scheme, with six in 10 now reporting that they are prepared to pay more for energy costs under the scheme. This has increased from 46 per cent last quarter, an increase of 14 percentage points.

The propensity of Australians prepared to pay more for future energy costs varied with income, with 54 per cent of those earning up to \$35,000 a year prepared to pay more, which increased up to 67 per cent of those earning \$85,000 and above. Females were more willing to pay additional energy costs (64 per cent, compared to 57 per cent for males). Residents of the Australian Capital Territory were the most likely to report that they were willing to pay more for their future energy costs (67 per cent), with Tasmanians the least willing (51 per cent).

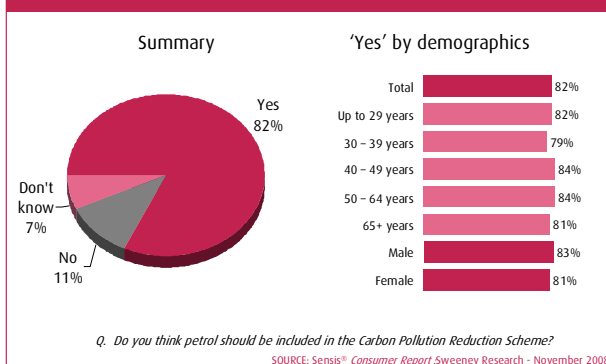
While Australians were becoming more likely to say that they would be prepared to pay more for their energy, they were not willing to pay large amounts more. Of those willing to pay more, between \$50 and \$99 was the most frequent response (30 per cent). While this was the most frequent response, the overall mean amount that people were willing to pay was an additional \$169 a year. There was a considerable variation around the states and territories, with residents of the Australian Capital willing to spend the most on additional energy costs, and residents of South Australia willing to pay the least additional energy costs of any state or territory.

Overwhelmingly Australians thought that petrol should be included in the Carbon Pollution Reduction Scheme, with 82 per cent reporting this response. Residents of New South Wales were most likely to think that petrol should be included in the scheme at 85 per cent. It is interesting to note that despite their strong levels of support for the Carbon Pollution Reduction Scheme, being most likely to be prepared to pay more, and willing to pay the highest additional amount, residents of the Australian Capital Territory were by far the least likely to think that petrol should be included in the scheme, at only 72 per cent.

#### Are people prepared to pay more for energy under the proposed Carbon Pollution Reduction Scheme?



#### Should petrol be included in the Carbon Pollution Reduction Scheme?



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## How to obtain a copy of the Sensis® *Consumer Report*

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Visit [www.about.sensis.com.au](http://www.about.sensis.com.au)

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## Sensis® *Consumer Report* "Special Reports"

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