

18 October 2011

CONSUMERS CAUTIOUS HEADING INTO CHRISTMAS

Australian consumers are putting their credit cards away in the lead up to Christmas.

According to the Dun & Bradstreet survey of *Consumer Credit Expectations*, nearly two thirds of consumers will use their own savings to pay for additional expenses in the December quarter.

Dun & Bradstreet CEO, Christine Christian, said that Australians seemed to be turning away from the annual Christmas credit splurge.

“Economic uncertainty and financial instability appear to be influencing increasingly conservative behaviour from consumers. Ordinarily, we would expect borrowing to rise more dramatically around Christmas time, but these results would indicate otherwise,” Ms Christian said.

The survey, which focuses on Australians' expectations for savings, credit usage, spending and debt performance, also found that only 20 per cent planned to apply for new credit, down from a peak of 33 per cent in mid 2009.

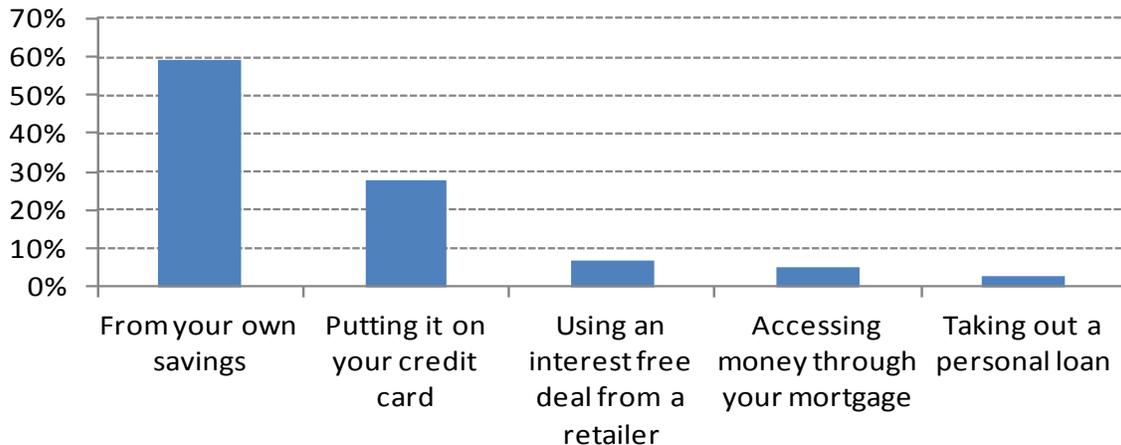
In addition, the number of consumers applying for a credit limit increase has halved since the beginning of last year.

This correlates with findings that many consumers will avoid holiday spending altogether, with more than half saying they had no plans to make a major purchase over the next three months. Of those planning a major purchase, 82 per cent said they would use their savings.

Significantly, the survey recorded a 25 per cent fall in the proportion of consumers anticipating having extra money in the lead up to Christmas. These expectations are flowing directly through to behaviour with more than a quarter saying they would either pay down debt or increase savings, while only 5 per cent said they would spend or invest it.

“This does not bode well for key sectors like retail and tourism that are already experiencing an otherwise dismal year. At this stage it is doubtful whether consumers will deliver as expected this Christmas.”

Paying for Additional Expenses in the December Quarter



“Of particular concern is the fact that potentially exposed demographics, including younger consumers, low income households and families with children are continuing to access credit despite the prospect of increasing financial stress,” Ms Christian said.

“This indicates that default risk will remain prominent for credit providers in the months ahead. It also suggests that certain demographics could find themselves in further trouble early next year.”

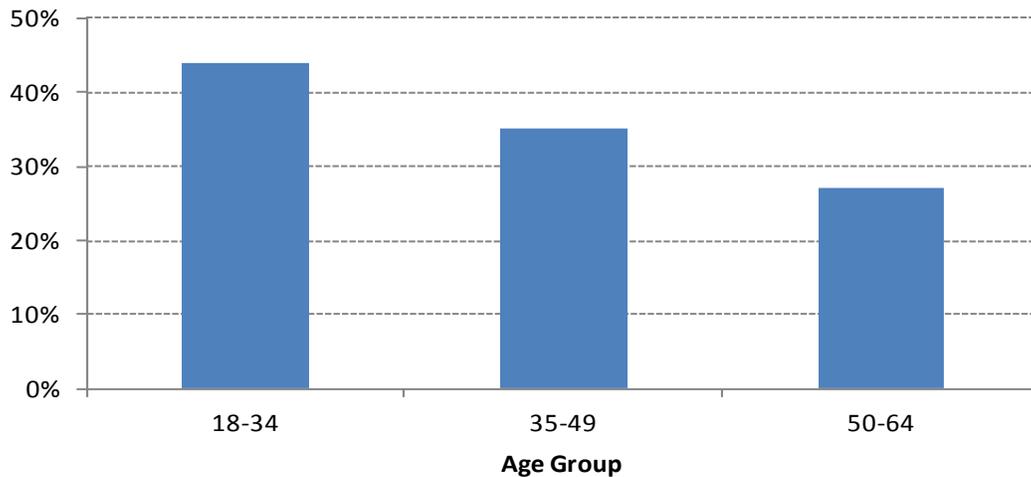
More than a third of low income households reported that their debt levels will rise in the lead up to Christmas, with almost 40 per cent expecting they will have difficulty meeting credit commitments over Christmas.

Forty per cent of families with children anticipate having trouble meeting their credit obligations over the holiday period, with a similar proportion anticipating that they will have to rely on their credit card for expenses they could otherwise not afford.

Although younger consumers were the most likely group to encounter difficulty meeting their credit commitments (36%), they were also the most likely to use credit over Christmas (33%) and to use credit to purchase something they could otherwise not afford (44%).

“Young credit users often are unaware of the lasting impact a default can have on their credit rating, affecting their ability to access credit later in life when they need it most,” Ms Christian said.

Credit Card Use for Otherwise Unaffordable Purchases



"Consumers that are turning to credit to either make ends meet or fund discretionary spending beyond their means should be wary of applying for new credit."

"Many consumers in this situation never manage to pay off the debt. This can result in a default being recorded on their credit report. The default will stay on the report for five years and can severely limit a consumer's ability to access affordable, mainstream credit in the future."

"Before consumers apply for more credit they should assess whether or not they can afford to repay the funds and check their credit report to ensure there are no black marks listed on their file that could make it harder or more expensive to get credit."

Consumers can obtain a copy of their personal credit report at www.dnbcreditreport.com.au

See full report attached and below.

For further information please contact:

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Notes

1. The national survey was conducted online by Newspoll between 15-18 September 2011 among 1,212 respondents aged 18-64.

MEDIA RELEASE



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Dun & Bradstreet Consumer Credit Expectations Survey

Age

25-34 year-olds were the most likely age group to encounter difficulty meeting their credit commitments (36%), followed by 35-49 year olds (34%). However, 44 per cent of 25-34 year-olds will use credit to purchase something they could otherwise not afford this holiday period. More than one in ten in this age bracket will apply for a new credit card, compared with just six per cent of 35-49 year-olds.

This same demographic was the most likely to use credit over Christmas (33%), with Australians aged 50 to 64 also likely to put holiday expenses on credit at 22 per cent. An interest rate rise would negatively impact 52 per cent of 35-49 year-olds and 41 per cent of 25-34 year-olds.

Income

Low income households (<\$40K p.a.) were more likely to see their debt levels rise (34%) over the fourth quarter, compared with 19 per cent of high income households (>\$80K p.a.). One quarter of high income households expect to reduce debt during this time, despite 39 per cent of this demographic anticipating a major purchase before the end of the year. One quarter of low income households had intended to make a major purchase over the next three months but will delay.

Almost 40 per cent of low income households expect to have difficulty meeting credit commitments over the next quarter, with just 13 per cent applying for a new credit product during this time. This was compared with 20 per cent of high income earners.

Area

Over one-third (36%) of households in both Queensland and New South Wales will encounter difficulty meeting credit obligations during the December quarter. One in five households in these States anticipate a major negative impact should interest rates rise during this time. Just four per cent of Queenslanders intend to apply for a new credit card before Christmas, compared with one in ten NSW residents.

Consumers in Western Australia were the most likely to save any additional funds (22%) in the final quarter. Victorians were the next best savers, with 18 per cent expecting to save any additional cash. However, 39 per cent of WA residents intend to make a major purchase in the lead up to Christmas, followed by consumers in NSW (31%) and Victoria (30%).