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STRESS LEVELS EASE AS SAVINGS SWELL

Focus on savings driven by unemployment worries

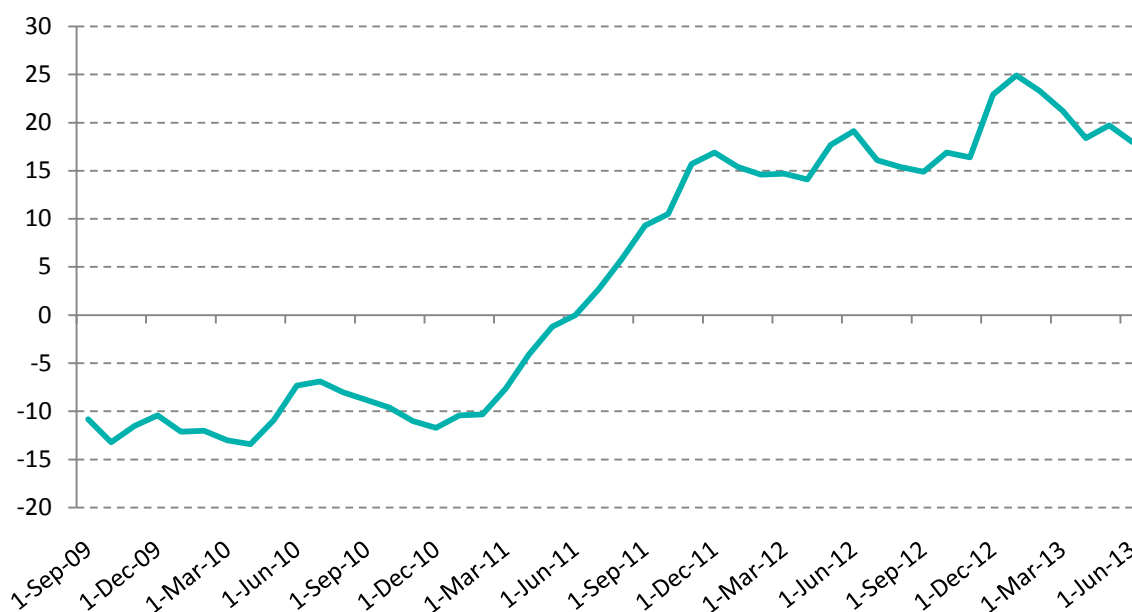
Consumer financial stress continues to ease this year as Australians maintain a focus on shoring-up their financial position in the aftermath of the global financial crisis and as unemployment creeps higher.

With the unemployment rate edging up to 5.7 per cent in June, its highest level since September 2009, the consumer attitude towards increased savings which was established following the GFC looks set to continue. Household savings as a proportion of disposable income have been maintained at above 10 per cent for the past five quarters, lifting to 10.6 per cent during Q1 2013, according to the Australian Bureau of Statistics.

This focus on savings, combined with low interest rates, appears to be assisting Australians' ability to meet their financial obligations, with Dun & Bradstreet's *Consumer Financial Stress Index* moderating during 2013.

The index, which measures consumer demand and capacity for credit, ticked downwards in June to 18.0 points, its lowest point since November 2012. Although still at a historically elevated level, the downward trend this year is a sign that consumers' financial prudence is translating into a more stable financial position.

Consumer Financial Stress Index



Australia's falling interest rate levels throughout the past 18 months have also enabled consumers to more easily meet their debt repayments, reducing the burden of financial obligations including mortgages, personal loans and credit cards.

Regular and timely repayments of bank loans are becoming more important for consumers, with recent changes to the Privacy Act introducing provisions for late payments to be recorded on personal credit reports.



“If there’s been a personal finance positive to take out of the global financial crisis, it’s been the recalibration of Australians’ attitude to savings,” said Danielle Woods, Director of Corporate Affairs at credit information bureau Dun & Bradstreet.

“We know that job security is a major factor in consumer confidence, and so with the unemployment rate creeping up it’s not surprising to see that people are being more conservative with their money.”

“Although this attitude doesn’t necessarily assist the position of businesses, which are eager to see people spending again, the continued focus on savings is a sign that consumers are aware of the fragility of the economy and are ensuring they consolidate their financial position.”

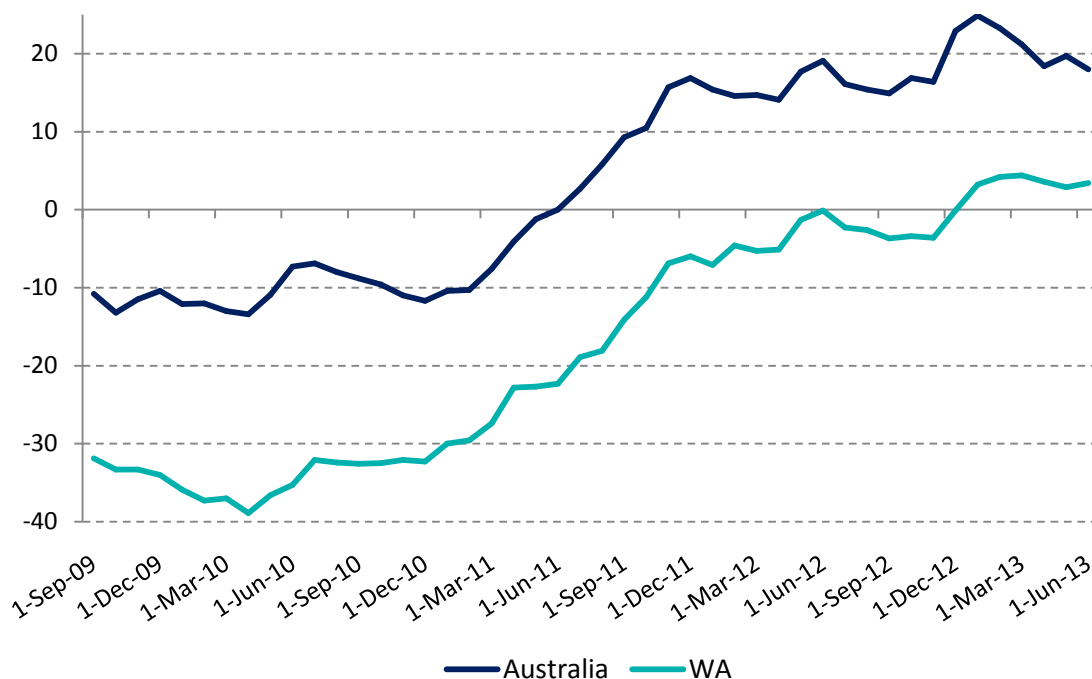
“While D&B’s analysis reflects this financial prudence, the financial stress index is still relatively high, a reminder that the broader economic performance is weak,” she added.

Reflecting the economy’s irregular performance, financial stress levels in mining-strong Western Australia (3.4), Queensland (9.9) and the Northern Territory (-1.4) remain well below the nation’s most populous states, New South Wales (26.8) and Victoria (23.5).

Despite its current low index and the strength of its economy through the post-GFC years, however, Western Australia’s financial stress level is trending upwards. During June it was the only state to experience a rise in the financial stress index, which across 12 months has increased from -0.1 points to 3.4 points.

The movement in the WA financial stress index parallels the state’s increasing unemployment rate, which has been creeping upwards since mid-2012. According to the ABS, the June 2013 unemployment rate in WA was 4.9 per cent, compared to 3.5 per cent the previous year.

Consumer financial stress: Australia v WA



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“The fall in consumer financial stress levels fits with the overall level of consumer sentiment being a little above its long run average and is the result of low interest rates, subdued credit growth and rising real wages,” said Stephen Koukoulas, Economics Advisor to Dun & Bradstreet.

“It suggests that consumers might soon be in a more favourable financial position and will therefore be poised to increase their spending, especially if there is a further interest rate cut within the next few months.”

“A pick up in employment growth would also see consumer financial stress levels fall further in the months ahead,” he added.

About the index

Dun & Bradstreet’s *Consumer Financial Stress Index* is an indicative measure of consumer financial stress in Australia.

First published in January 2013, the index uses information contained on D&B’s extensive credit databases to measure consumer activity, demand, capacity and confidence.

Consumer stress and capacity for financial credit are highly correlated to the broader performance of national economies; with consumer confidence and spending a key driver for small and medium businesses, which constitute more than 95 per cent of all trading businesses in Australia¹.

The index score is an indicator of other external data trends including personal credit growth and employment rates, and will provide new insight to the consumer side of the Australian economy. The index is bound by -100 - +100, with a score above 0 indicating increased stress, while a score below zero indicates lower stress.

Methodology

The index score is calculated each month from a series of data variables which are derived from information held on D&B’s database of millions of Australian consumers and companies. These variables are representative of consumer and business themes covering ‘confidence’, ‘desperation’, ‘awareness’, ‘cash flow’ and ‘business risk’.

Weighted and combined, these variables provide two scores predictive of consumers’ demand and capacity for credit. Together, these scores create a final index of consumer financial stress that is closely aligned with consumers’ ability to meet future credit obligations, and indicative of future business and economic conditions.

About Dun & Bradstreet

Established in 1887, Dun & Bradstreet is Australia and New Zealand’s oldest credit information bureau. Backed by its extensive financial database, D&B helps businesses to make informed credit decisions, and consumers to access personal credit information.

D&B works across the entire credit lifecycle to deliver data-driven solutions in sales and marketing, credit reporting and debt management.

Through analysis of financial and behavioural information, D&B also provides current and predictive assessments of the economy, business conditions and credit activity.

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ⁱSource: ABS, 2012