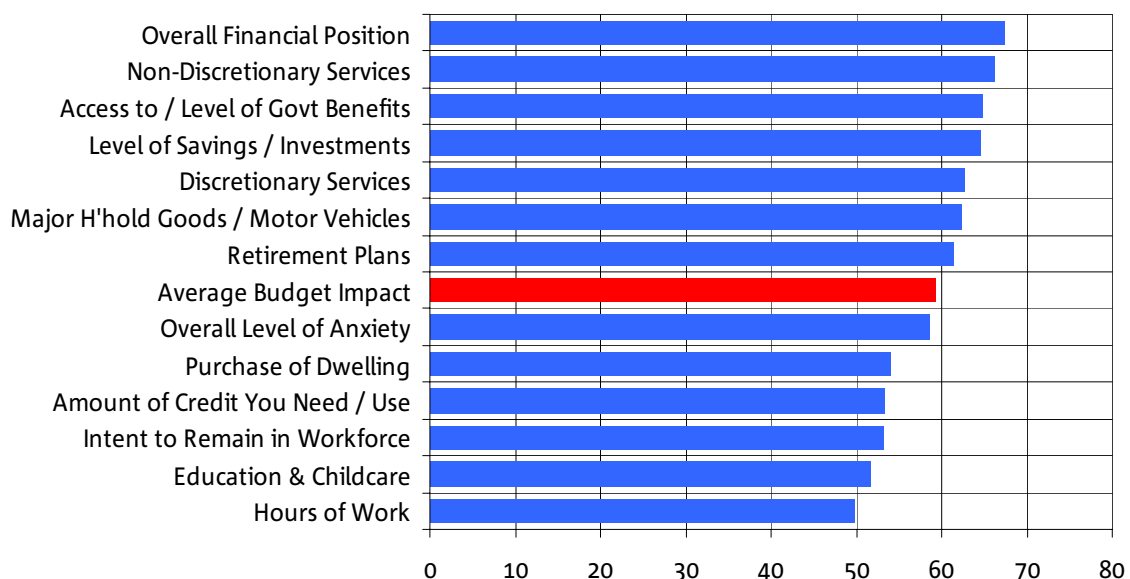


NAB Quarterly Australian Consumer Anxiety Index: Q2 2014 Special Report - Budget Impacts

- Australian consumers react negatively to the Federal Government's budget announced in May, with the NAB Consumer Anxiety Index climbing almost 3 points to a high of 64.5 points in Q2 2014.
- In this special survey - conducted over the four weeks immediately following the May 13 Federal Budget - we asked Australian consumers to identify where the biggest budget impacts would be felt over the next 12 months.
- Overall, the biggest budget impacts are expected to be felt on consumers' overall financial position, spending on non-discretionary services (e.g. food, rent, mortgages, health and utilities), access to government benefits, general level of savings/investments and discretionary services (e.g. eating out, entertainment and travel).
- Conversely, spending on education (despite the Government's intention to move towards a more 'user-pays' model), childcare and hours worked are expected to be least affected.
- There is a very strong relationship between lower incomes and negative budget impacts.
- Low income groups expect a much bigger budget impact on their access to government benefits, non-discretionary services, level of savings/investments, spending on major household goods/vehicles and overall level of anxiety compared to high income earners.
- Women expect the budget to have a bigger negative influence across all factors than men over the next 12 months. Families, low income earners and young people also expect to be more negatively impacted.
- The budget impacts on those with children compared to those without is particularly apparent.
- On average, the biggest budget impact is expected to be felt by women aged 18-29, followed by families with children and those earning less than \$35K, while average budget impacts are expected to be least severe for widows and retirees.
- Budget impacts considered to be greatest in SA/NT and smallest in TAS.
- All states nominate their overall financial position as the key impact, with the exception of QLD, where the biggest impact is expected to be in non-discretionary services spending.
- Younger people were most concerned about the impact on non-discretionary services, while older people (aged 30-49 and 50+) more concerned about their overall financial position over the next year.

Budget Impacts

(score out of 100 where 0 = "no impact at all" and 100 = "very significant impact")



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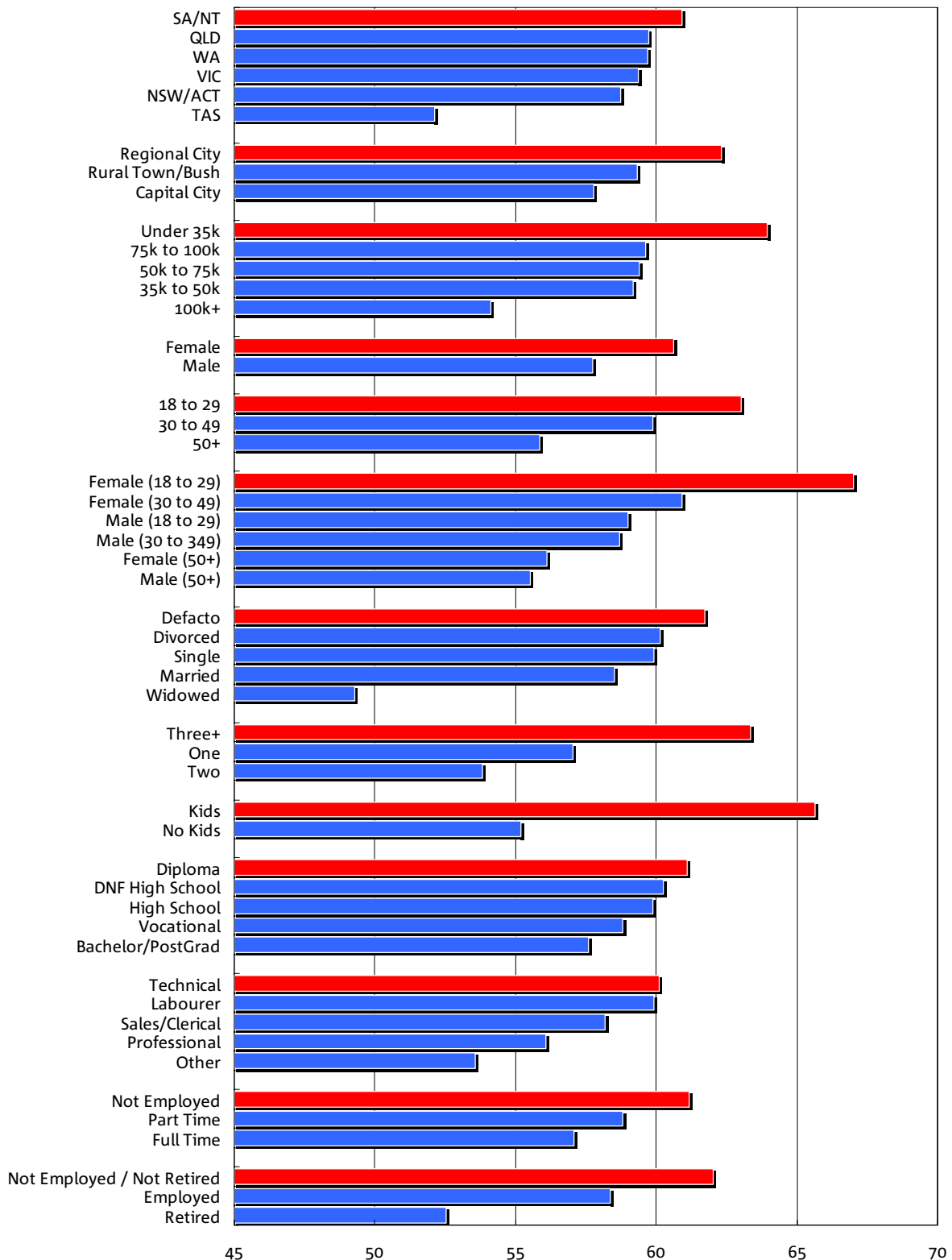
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Average Budget Impact by Key Demographic

(score out of 100 where 0 = "no impact at all" and 100 = "very significant impact")



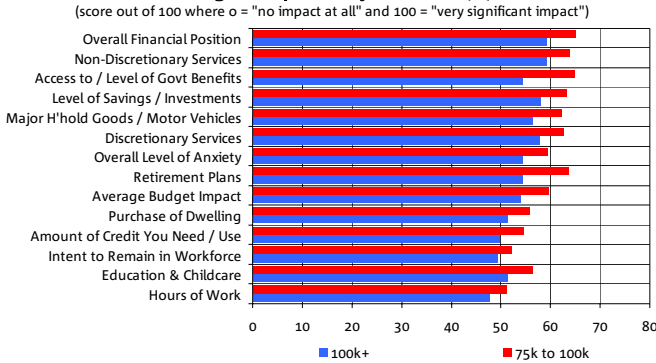
There are some notable differences in where the biggest budget impacts will be felt across key demographics. NAB's survey indicates that on average the biggest budget impact is expected to be felt by females aged 18-29 followed by families with children and those earning less than \$35K.

This may reflect a number of budget measures which could impact families, low income earners and young people. These included tightening eligibility criteria for family tax benefits and stricter eligibility rules for unemployment benefits and Newstart youth allowances among some of the key areas of government savings.

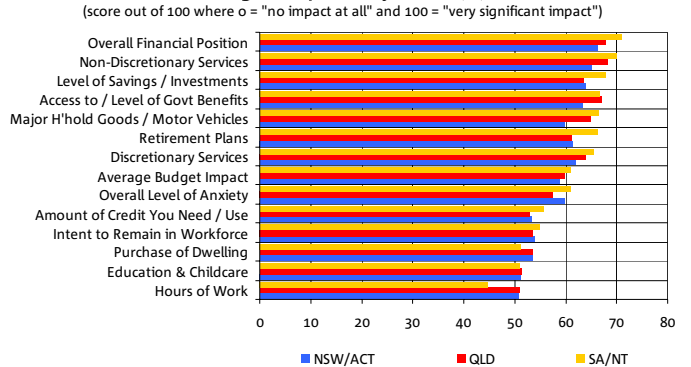
The survey indicates a very strong relationship between income and budget impacts, with the average budget impact expected to be biggest for low income earners (<\$35K) and smallest for high income earners (>\$100K). Significantly, low income groups are expecting a much bigger budget impact on their access to government benefits, non-discretionary services, level of savings/investments, spending on major household goods/vehicles and overall level of anxiety compared to high income earners. In contrast, all income groups expected the budget to impact hours worked the least.

By state, the average budget impact was considered to be biggest in SA/NT and smallest in TAS. Overall, the biggest budget impact over the next 12 months was expected to be felt on consumers' overall financial position in all states except QLD, where the biggest impact was expected in non-discretionary services spending. All states saw the budget having the least impact on the number of hours worked, especially in TAS, which was generally the least pessimistic state across all factors, except for purchase of dwellings where those surveyed expected to budget to have the biggest impact in the country.

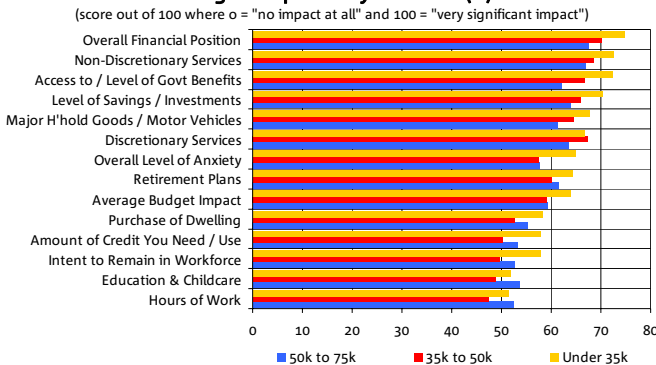
Budget Impacts by Income (1)



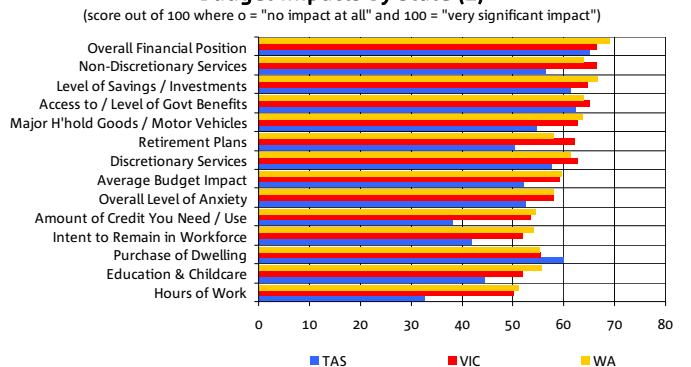
Budget Impacts by State (1)



Budget Impacts by Income (2)



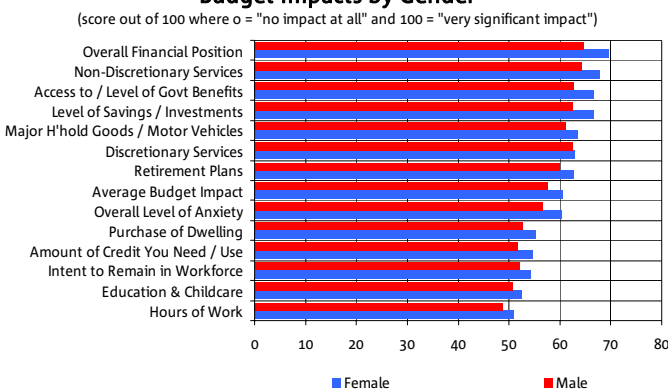
Budget Impacts by State (2)



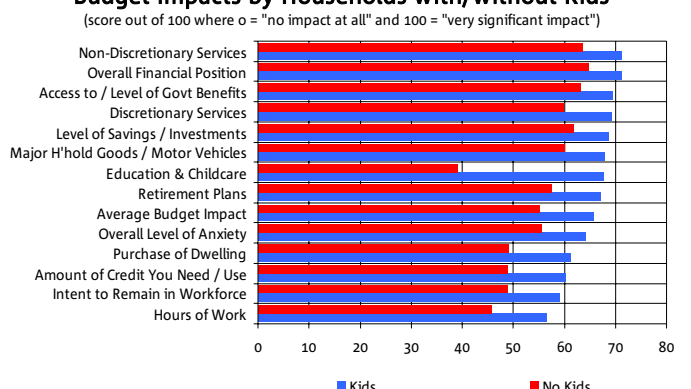
Looking at budget impacts by gender, it is apparent that women expect the budget to have a bigger negative influence across all factors than men over the next 12 months. However, both female and male consumers expect the biggest budget impacts to be felt on their overall financial position, spending on non-discretionary services, access to government benefits, general level of savings/investments and discretionary services. They also expect education and childcare and hours worked to be least affected.

According to the survey, the impact for families with children is expected to be one of the largest across all demographics, with the biggest impacts in the next 12 months expected to be felt in non-discretionary services, overall financial position, access to government benefits and discretionary services. This response may be related to new budget measures including a scaling back in family tax benefits, deregulation of higher education fees and lower childcare subsidies.

Budget Impacts by Gender

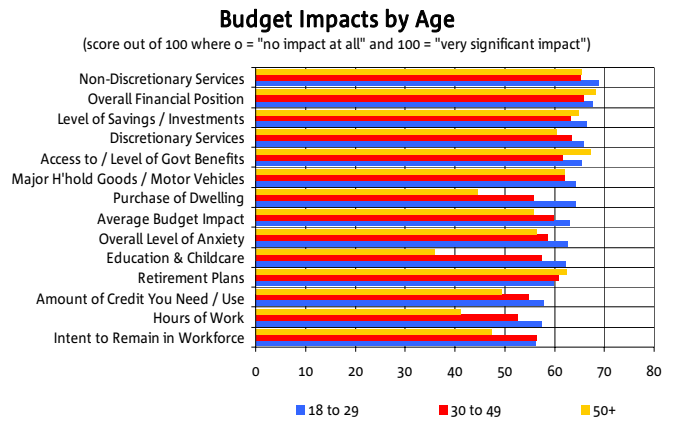


Budget Impacts by Households with/without Kids



Consumers aged 18-29 expected the budget to have a bigger impact on all factors over the next year, except for retirement plans, access to government benefits and overall financial position, where those aged 50+ expected the budget impact to be more significant.

It was also notable that younger people expected the overall budget impact to be biggest for non-discretionary services, whereas those aged 30-49 and 50+ expected the budget to impact most on their overall financial position over the next year.



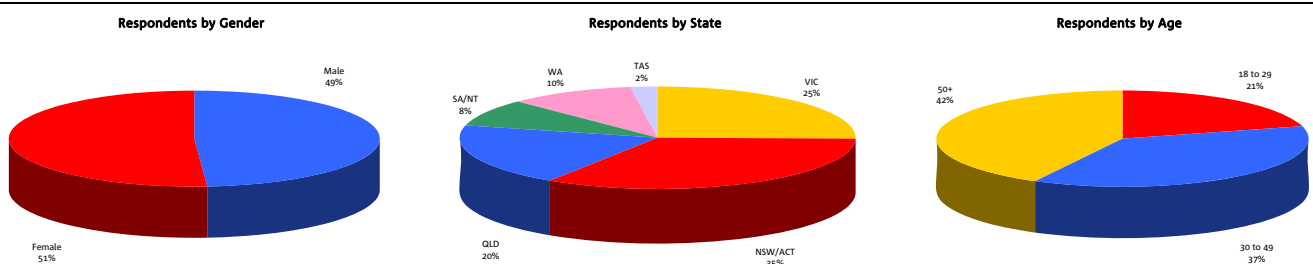
Appendix 1: About the Survey

The NAB Australian Consumer Anxiety Index was launched in April 2013 in conjunction with the NAB Australian Wellbeing Index with the aim of assessing perceptions of consumer stress and wellbeing.

The NAB Australian Consumer Anxiety Index was developed by NAB Group Economics and is based on survey participants' responses to five questions related to their own concerns about their future spending/savings plans arising from:

- Your job security.
- Your health.
- Your financial security for retirement.
- Your cost of living.
- Government policies.

All questions were answered on a scale of 0-10 where 0 is "not at all concerned" and 10 is "extremely concerned". Around 2,200 respondents participated in the Q2 2014 survey, with weights applied to age, location and gender to ensure that the survey reasonably reflects the Australian population. The breakdown of our survey respondents - by age, location, and gender - is shown in the charts below.



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