

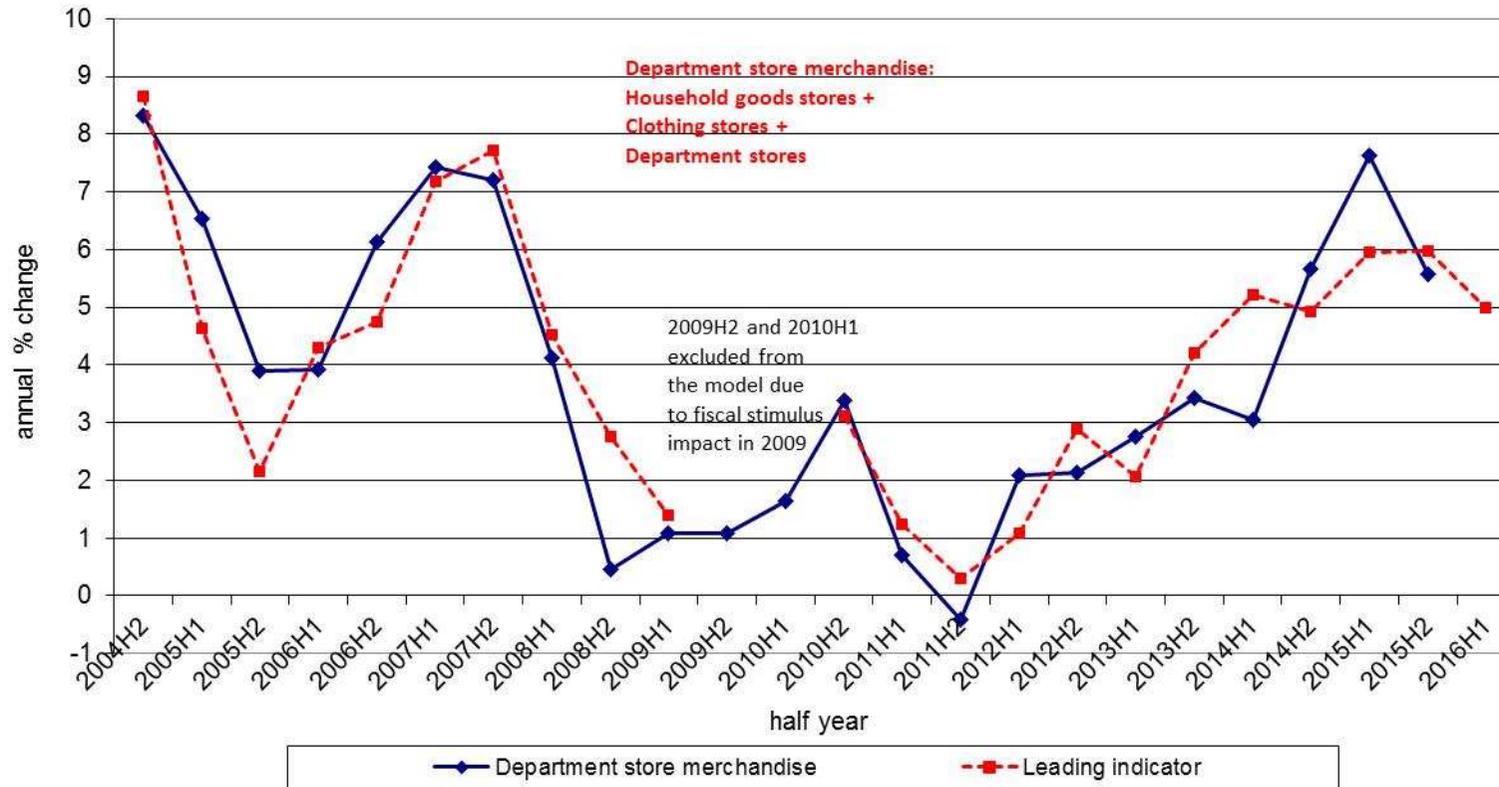
A leading indicator for department store merchandise volume growth

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Leading indicator for department store merchandise volume growth. Indicators included in the model are willingness to spend, expected financial situation, interest rates (all lagged).

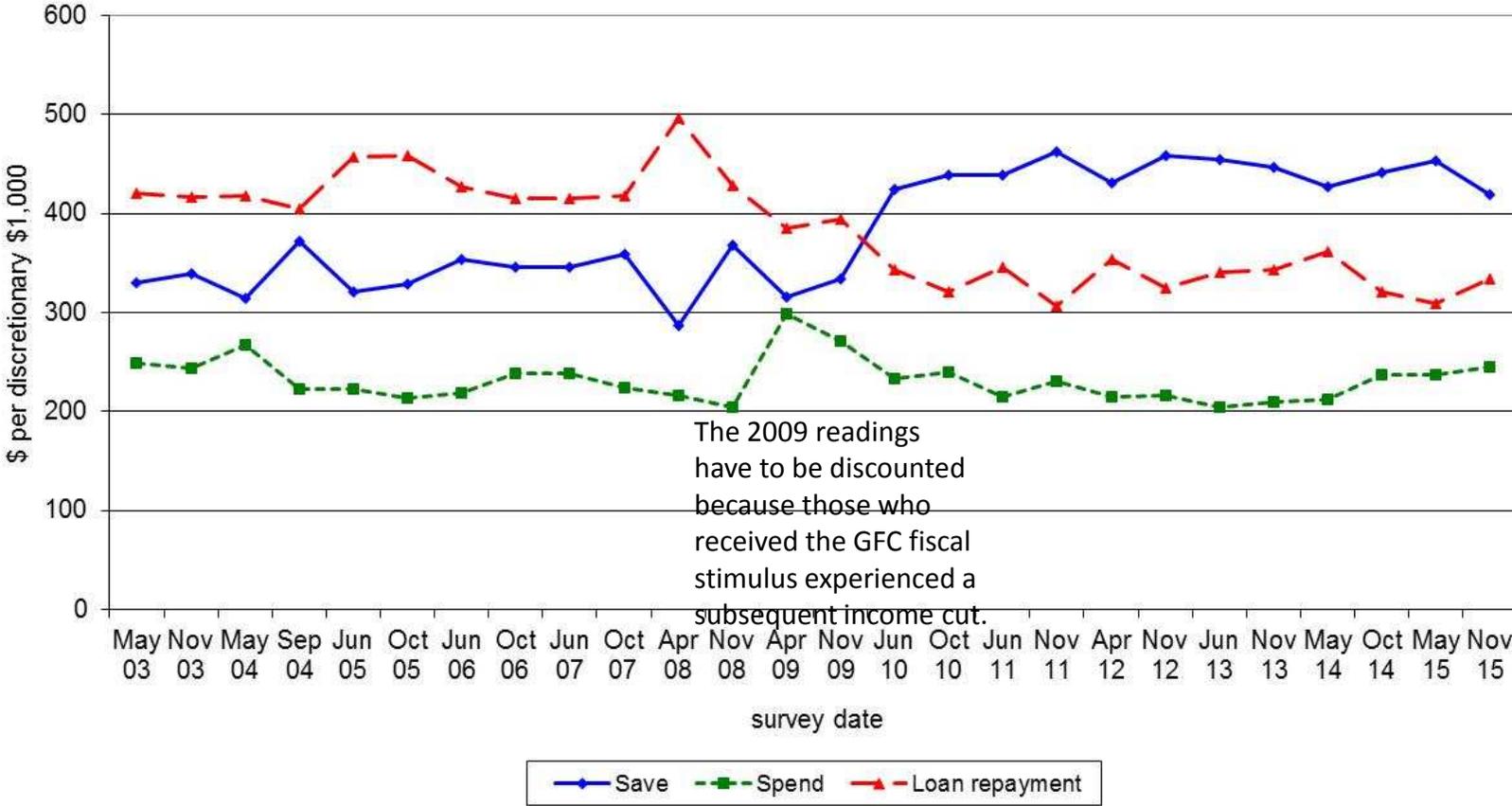
Leading indicator for department store merchandise retail sales volume growth
Source: foreseechange



Willingness to spend is a key leading indicator for most categories of consumer spending.

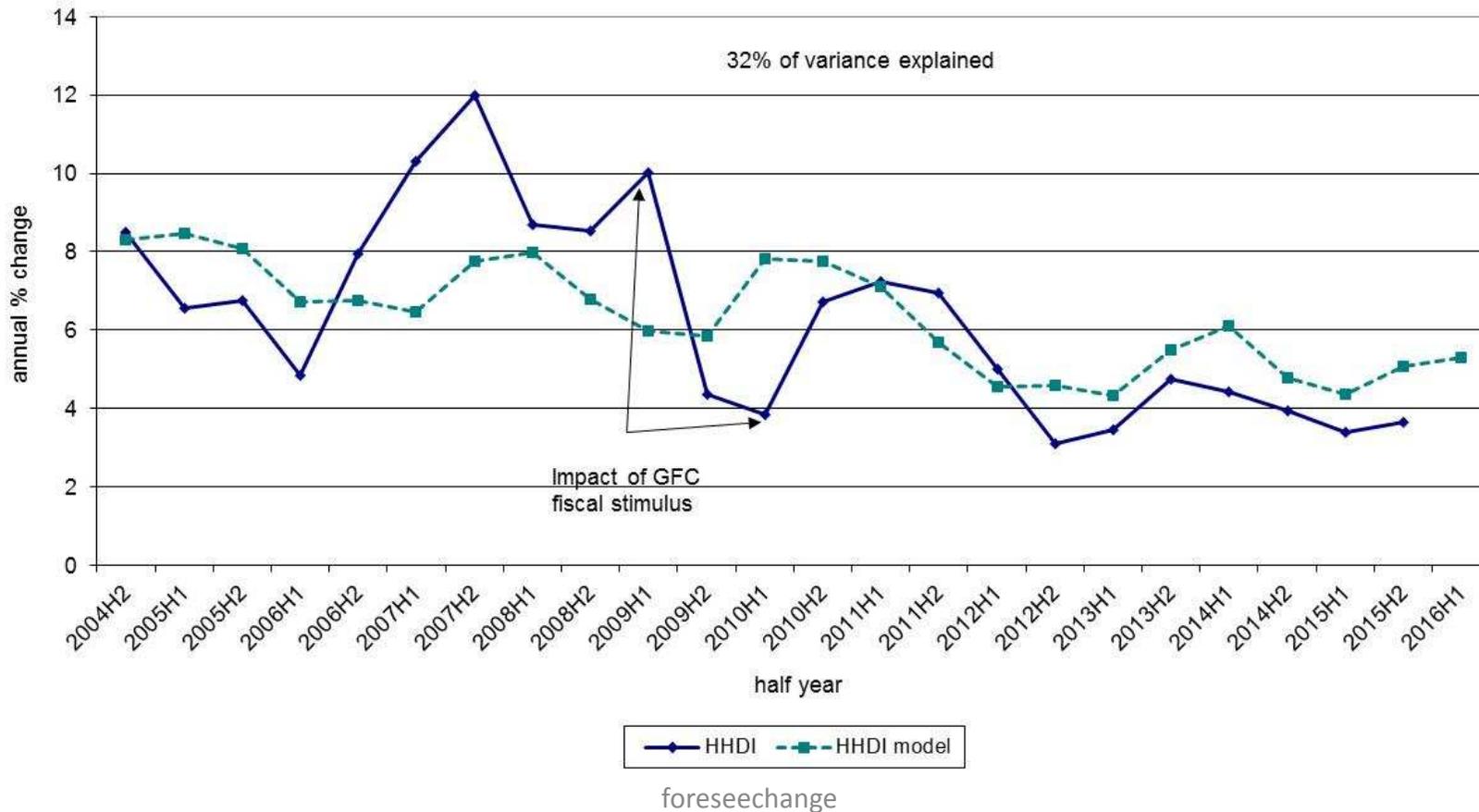
Willingness to spend and determination to save - all adults

source: foreseechange



Expected financial situation is used as a leading indicator of income.

Household disposable income (HDI) leading indicator model
Based on expected financial situation
source: Melbourne Institute, foreseechange



Summary and outlook

- The leading indicator is based on:
 - Survey data of willingness to spend (a trade-off between spending, loan repayment, and building savings);
 - Survey data on expected future financial situation as a proxy for income;
 - Housing loan interest rate as a measure of discretionary spending power for households with a mortgage, which is also a leading indicator.
- The impacts of these factors may be waning:
 - Willingness to spend lifted in late 2014, but has been steady since;
 - Income growth has slowed so far in 2016 with weak employment growth and slowing wages growth – which may affect expected future financial situation.
 - The impact of lower interest rates is weaker as there has only been one rate cut in the last year and banks are increasing mortgage rates anyway.
- The leading indicator for the second half of 2016 will be updated in late June, based on June survey data.

Other leading indicators

- Leading indicators have been developed for total retail sales (volume and value); outbound international tourism; house prices; and household consumption expenditure, which includes all goods and services.
- Customised indicators can be developed for categories of consumer spending.
- More information is at www.leadingindicator.com.au.