

Consumers feel glum about the budget, but will it matter at the voting box?

Written by The Conversation

Australians, so far, appear not to have been convinced by the Coalition's 'jobs and growth' pitch in the 2016 federal budget. But it's far from clear how this negative reaction may impact on the fortunes of either party in the current election campaign.

Using information from the Westpac-Melbourne Institute Consumer Sentiment Index (CSI), we have analysed how Australians have reacted to the last six federal budgets – the three handed down by Labor Treasurers in 2011-2013, and the three by Liberal Treasurers in 2014-2016.

Comparing the reading of the CSI before and after the release of the Budget, we found it dipped by 4.4% following the release of the 2016 budget. But somewhat surprisingly, our research indicates voting intentions appear to be irrelevant when it comes to how people respond to budgets.

The Westpac-Melbourne Institute Consumer Sentiment Survey is a monthly representative survey of 1200 consumers across Australia. In May each year, the survey is carried out during the week of the budget release. We analysed the CSI in May, before and after the Budget announcements for the last six budgets.

Overall, we found four out of the six Budgets were not well received, with consumer sentiment declining most substantially by 9.6% in 2014, by 6.1% in 2012, by 4.0% in 2011 and it was negative again this year (see the figure below).

Positive reactions were registered in 2013 and 2015 with the consumer sentiment index rising post Budget announcement (compared to the pre-Budget reading) by 3.4% and 0.7%, respectively.

The figure below gives the changes in the index pre- and post-Budget day:

Not surprisingly these reactions are a direct consequence of perceived gains or losses by consumers. The [2013 Budget](#) included many sweeteners like support for young jobseekers,

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senior Australians, farmers, huge commitments to Medicare, private health insurance, disability and cancer care.

In contrast, the Abbott-Hockey [2014 budget](#) included cost-cutting measures like reducing the Family Tax Benefit, increasing petrol excise, introducing a GP co-payment, reducing benefits for young jobseekers, tightening the criteria for disability pension and the Seniors Health Card, and removing Seniors supplement for Commonwealth Seniors Health Card holders. (Many of these initiatives were killed off or stalled in the minority-held Senate).

The 2015 budget, with its centrepiece of a small business package that included a tax cut for businesses under \$2 million, saw only a small uptick in consumer sentiment, despite the government by then having backed away from a number of its more contentious proposals.

What is surprising though is the reaction when grouped by political voting intentions. In general, throughout the year, consumers supporting the party in office are more optimistic than consumers whose party is in opposition. But come Budget time, voting intentions appear to be irrelevant.

The figures below give the changes in the consumer sentiment index, in the May survey week, pre-post budget release for the last six years, organised according to voting intentions: Australian Labor Party (ALP); Liberal-National Coalition (LNC); Greens and other parties; refused or don't know (undecided).

Interestingly ALP voters were less negative about the 2016 budget than Coalition voters with a drop of 2.8% among Labor voters compared to 4.7%, probably indicating a backlash from (potential) Liberal voters concerned about planned changes to superannuation concessions for high income earners.

Only once in the last six years did Coalition supporters react positively to a budget release (rising by 16.4%) and that was in 2013 - an election year - for a Budget handed down by the Labor Treasurer Wayne Swan. Supporters of the Labor Party, the Greens and the rest, all gave it the thumbs down that year.

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The strongest positive reception from Labor supporters was in 2015 for the Budget handed down by the Liberal Treasurer Joe Hockey. The upswing in sentiment by supporters of the Labor Party in 2015 was 14.2%, which is a much stronger response than the 3.5% rise for the 2011 Budget handed down by the Labor Treasurer Wayne Swan.

The 2016 'election' budget was not well-received across all categories of voting intentions. Whether the intention is to vote for the ALP, the Coalition, the Greens, other minor parties, or even a 'don't know', the change in sentiment pre-post Budget was negative. It appears that, when it comes to the Budget, voting intentions are no guide to consumer reactions.

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