



Tuesday, 12 September 2023

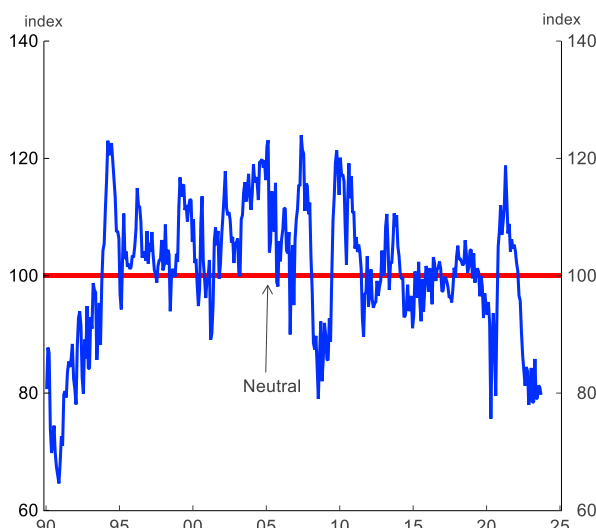


Consumer Sentiment

Inflation Still Public Enemy Number One

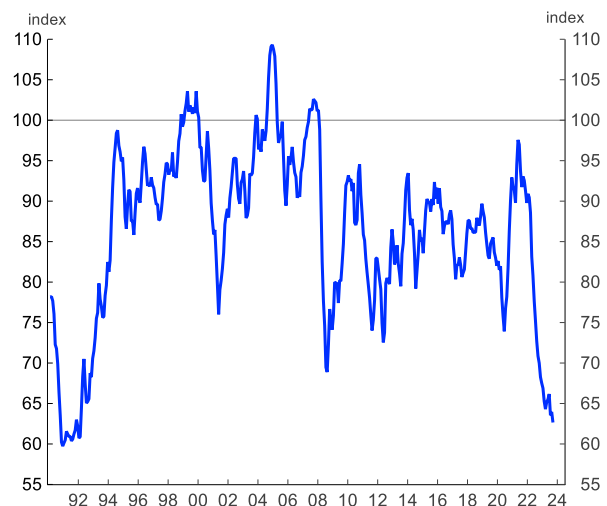
- The Westpac-Melbourne Institute consumer sentiment index fell 1.6% in September to 79.7 index points. Confidence has now endured its longest spate of entrenched weakness since the early 1990's recession. This is despite the Reserve Bank's (RBA) third consecutive rate pause.
- Households remain concerned by the corrosive impacts of inflation on household income and wealth. This was reflected in the family finances vs the previous 12-month sub-index, which fell to 61.5, its lowest level in over 30 years (since June 1992).
- Growing expectations that the RBA is finished with rate hikes did improve the mood among mortgage holders (+7.8%). However, this was more than offset by a deterioration in confidence among renters (-6.1%) as the rental crisis deepens. Sentiment also weakened among outright homeowners (-5.8%).
- Interest rate optimism also spurred expectations of house price growth. The house price expectations index rose 2.2% to 154.6 index points, a new cyclical high and just 5.5% shy of the 2021 peak. This raises concern that any future rate cuts may do more to boost house prices than support real economic activity.
- The National Accounts revealed that we have likely moved passed the peak pressure on real (or inflation adjusted) household disposable incomes. This may support sentiment moving forward; however, any tailwind is likely to be at least partly offset by the slowing job market. We are therefore unlikely to see a material lift in confidence until the headwinds from inflation and interest rates meaningfully retreat.

Consumer Sentiment Index



Sources: Melbourne Institute of Applied Economic & Social Research; Macrobond

Family Finances vs previous 12-months
3-month Moving Average



Sources: Melbourne Institute of Applied Economic & Social Research; Macrobond

Contact Listing

Chief Economist

Besa Deda
dedab@bankofmelbourne.com.au
(02) 8254 3251

Senior Economist

Jarek Kowcza
Jarek.kowcza@bankofmelbourne.com.au
0481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@bankofmelbourne.com.au
0468 571 786

Economist

Jameson Coombs
jameson.coombs@bankofmelbourne.com.au
0401 102 789

The Detail

The information contained in this report (“the Information”) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to Bank of Melbourne products and details are available. Bank of Melbourne or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac’s subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
