



13 August 2024

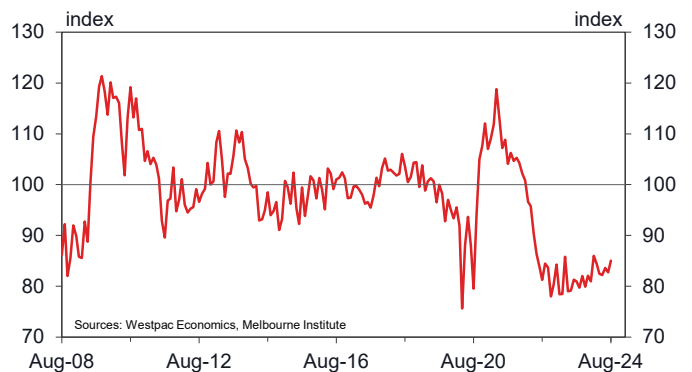
WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

Key points

- The Westpac-Melbourne Institute Consumer Sentiment Index rose 2.8% to 85 in August from 82.7 in July.
- Westpac Consumer Sentiment up 2.8% to 85.
- Views on family finances bounce back from last month but remain weak.
- Some clearer signs of support from tax cuts and fiscal measures.
- Consumers less worried about further interest rate increases than last month.
- Australians still untroubled by jobs outlook.
- Home-buyer sentiment sinks to new lows as price expectations cool.

Consumer Sentiment Index



Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.

Consumer sentiment ticks up but pessimism still dominates



Matthew Hassan
Head of Australian Macro-Forecasting

Consumers breathed a small sigh of relief in August as the RBA Board left interest rates unchanged and the support coming from tax cuts and other fiscal measures became more apparent. That said, the Index remains at weak levels by historical standards, stuck in the 78–86 range that has prevailed for over two years now. The survey detail shows that cost of living and rate rise concerns are still weighing heavily.

Views on finances bounce back but remain weak

The component indexes show a clear improvement in the latest sentiment data, centred around family finances.

The ‘family finances vs a year ago’ sub-index surged 11.7% in August, the biggest monthly gain in nine years (excluding the COVID period) lifting the sub-index to 70.9 – a two year high, albeit still a very weak level overall. The monthly rise was particularly strong amongst low-income earners; 18–34 year olds and those aged over 65; and in South Australia, Queensland and Victoria.

Consumer expectations for their finances also improved, with the ‘family finances, next 12 months’ sub-index rising 5.1% to 96.8. This is the highest level since the interest rate tightening cycle began in May 2022.

While these monthly moves are impressive, both ‘family finances’ sub-indexes were coming off sizeable declines and extremely weak levels in July. Even with these gains, the August reads on both sub-indexes were still in the bottom 15% of monthly readings since the series began in the mid-1970s.

Other components were showed much smaller, mixed shifts. Consumers are a little less pessimistic about the near term economic outlook but a little more downbeat on the medium term view, with buyer sentiment largely unchanged at very weak levels.

The sub-index tracking assessments of the ‘economic outlook, next 12 months’ rose 2.4% to 83.3, up slightly on the month but essentially unchanged since May. The ‘economic outlook, next 5 years’ sub-index declined 3.2% to 91.5.

The ‘time to buy a major item’ sub-index edged up 0.6% to 82.6 but is still well below its long-run average of 124, continuing to track in the bottom 4% of reads historically.

Consumers less worried about rate increases

Rate rise fears subsided noticeably in the month. The Westpac–Melbourne Institute Mortgage Rate Expectations Index tracks consumer expectations for variable mortgage rates over the next 12 months. It fell 14.9% in August, unwinding about two thirds of the 36% surge seen over the previous three months.

Notably, about 10% of that move came before the RBA announced its decision to leave interest rates on hold in August, suggesting rate rise fears had already eased significantly following the June quarter inflation update, and perhaps in response to a clearer signs of a monetary easing cycle emerging abroad.

At 135.5, the Westpac–Melbourne Institute Mortgage Rate Expectations Index is now back below its historical average of 143.7. Just 45% of consumers surveyed after the RBA decision expect mortgage rates to rise over the next year, the first ‘sub-50%’ read since May.

Consumers remain relatively untroubled about the outlook for jobs. The Westpac–Melbourne Institute Unemployment Expectations Index deteriorated slightly, rising 3.8% to 133.5 in August (recall that higher index reads mean more consumers expect unemployment to rise over the year ahead).

“... a small sigh of relief as the RBA Board left interest rates unchanged and the support coming from tax cuts and other fiscal measures became more apparent.”

Overall, sentiment around jobs is a touch worse than long run averages but still consistent with gradual slowing in labour market conditions.

That said, the detail suggests there is more unease amongst those employed in professional services, the public sector and in hospitality and recreational services while job-loss fears have eased materially amongst those employed in construction.

Home-buyer sentiment sinks to new lows

Around housing, home buyer sentiment sank back to new lows but consumers' price expectations cooled a touch.

The 'time to buy a dwelling' index fell 5.8% to 71.4, a new low for the year. Buyer sentiment dropped to exceptionally weak levels in NSW (66.1) but is a little less bleak in Victoria (76.9) and South Australia (76.0).

Nationally, the index has been at extremely weak levels, at or below the 80 mark, for two and a half years now, easily the most sustained period of depressed homebuyer sentiment over the history of the survey. The average index read over the last fifty years is 120.

The Westpac Melbourne Institute Index of House Price Expectations declined 2.1% to 157.8, taking the index back to around the levels seen late last year.

Consumers in Western Australia and South Australia remain much more bullish on the price outlook than consumers across the eastern seaboard. The average gap between index reads in these two groups is now close to 20pts. Price expectations are particularly subdued in Victoria where the state index read of 143.5 is close to the long run average seen historically.

Conclusion

The Reserve Bank Board next meets on September 23-24. The Governor has all but ruled out rate cuts in the short term, and the flow of data between now and the meeting will not add much new information about the inflation pulse. Given this, it seems likely that the Board will hold the cash rate unchanged at its next meeting.

Consumer Sentiment – August 2024

Item	avg*	Aug 2022	Aug 2023	Jul 2024	Aug 2024	%mth	%yr
Consumer Sentiment Index	100.6	81.2	81.0	82.7	85.0	2.8	5.0
Family finances vs a year ago	88.2	72.1	64.3	63.5	70.9	11.7	10.4
Family finances next 12mths	106.7	88.2	89.9	92.1	96.8	5.1	7.7
Economic conditions next 12mths	90.6	73.9	78.2	81.4	83.3	2.4	6.6
Economic conditions next 5yrs	92.0	90.7	93.5	94.5	91.5	-3.2	-2.2
Time to buy a major household item	124.3	81.4	79.0	82.1	82.6	0.6	4.5
Time to buy a dwelling	120.5	78.2	72.1	75.7	71.4	-5.8	-1.0
Unemployment Expectations Index	129.2	103.4	127.2	128.6	133.5	3.8	5.0
House Price Expectations Index	126.5	97.1	151.2	161.2	157.8	-2.1	4.4
Interest Rate Expectations Index	143.7	185.0	164.3	159.2	135.5	-14.9	-17.5

Source: Westpac-Melbourne Institute.

*avg over full history of the survey, all indexes except 'time to buy a dwelling', 'unemployment expectations' and 'house price expectations' are seasonally adjusted

The survey is conducted by OZINFO & DYNATA. Respondents are selected at random. This latest survey is based on 1200 adults aged 18 years and over, across Australia. It was conducted in the week from 5 August to 9 August 2024. The data have been weighted to reflect Australia's population distribution. Copyright at all times remains with the Melbourne Institute of Applied Economic and Social Research.

Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.



Authors

Westpac Economics / Australia

Sydney

Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis

Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan

Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke

Head of International Economics
E: eclarke@westpac.com.au

Justin Smirk

Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante

Senior Economist
E: pat.bustamante@westpac.com.au

Ryan Wells

Economist
E: ryan.wells@westpac.com.au

Illiana Jain

Economist
E: illiana.jain@westpac.com.au

Jameson Coombs

Economist
E: jameson.coombs@westpac.com.au

Westpac Economics / New Zealand

Auckland

Takutai on the Square
Level 8, 16 Takutai Square
Auckland, New Zealand

E: economics@westpac.co.nz

Kelly Eckhold

Chief Economist NZ

Michael Gordon

Senior Economist

Darren Gibbs

Senior Economist

Satish Ranchhod

Senior Economist

Paul Clark

Industry Economist

Westpac Economics / Global

London

Camomile Court,
23 Camomile St,
London EC3A 7LL
United Kingdom

Singapore

12 Marina View
#27-00,
Asia Square Tower 2
Singapore, 018961

New York

39th Floor
575 Fifth Avenue
New York, 10017 USA



westpaciq.com.au

©2024 Westpac Banking Corporation ABN 33 007 457 141 (including where acting under any of its Westpac, St George, Bank of Melbourne or BankSA brands, collectively, "Westpac"). References to the "Westpac Group" are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

Things you should know

We respect your privacy: [You can view our privacy statement at Westpac.com.au](#). Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

This information, unless specifically indicated otherwise, is under copyright of the Westpac Group. None of the material, nor its contents, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior written permission of the Westpac Group.

Disclaimer

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward-looking statements. The words "believe", "anticipate", "expect", "intend", "plan", "predict", "continue", "assume", "positioned", "may", "will", "should", "shall", "risk" and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation

agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material. The author(s) also confirms that this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate.

Further important information regarding sustainability-related content: This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). You can access [Westpac's Financial Services Guide here](#) or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

New Zealand: In New Zealand, products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking

Disclaimer continues overleaf ▶

licence and is subject to supervision by the Monetary Authority of Singapore.

U.S.: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission (“CFTC”) as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation (“FDIC”). Westpac Capital Markets, LLC (“WCM”), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 (‘the Exchange Act’) and member of the Financial Industry Regulatory Authority (‘FINRA’). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK and EU: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac’s London branch by the PRA are available from us on request.

Westpac Europe GmbH (“WEG”) is authorised in Germany by the Federal Financial Supervision Authority (‘BaFin’) and subject to its regulation. WEG’s supervisory authorities are BaFin and the German Federal Bank (‘Deutsche Bundesbank’). WEG is registered with the commercial register (‘Handelsregister’) of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA’s Prudential Standard 222 ‘Association with Related Entities’, Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation. This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Order”)); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as “relevant persons”). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for “eligible counterparties” and “professional clients” as defined by the rules of the Financial Conduct Authority and is not intended for “retail clients”. Westpac expressly prohibits you from passing on the information in this communication to any third party.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an ‘investment recommendation’ and/or ‘information recommending or suggesting an investment’, both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) (“MAR”). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the general disclosure which can be found [here](#). Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.