

# THE RED BOOK

JULY 2023

**WESTPAC INSTITUTIONAL BANK**



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The next issue of the **Red Book** will be released on 20 Oct 2023.

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The **Westpac-Melbourne Institute Consumer Sentiment Index** continues to hold at very weak levels, declining 5.3% to 81.3 over the three months to July, unwinding most of the gains seen over the previous three months.

Sentiment remains deeply pessimistic as the surging cost of living and rapid interest rate rises weigh heavily on family finances and purchasing power. While the survey detail and developments abroad suggest sentiment should post a solid gain once these pressures start to ease, we have yet to see a definitive easing in inflation or a clear sign that official rates are more firmly on hold.

Risk aversion has continued to escalate, the **Westpac Risk Aversion Index** rising a further 4.7pts to 60.8, a new record high on estimates going back to the mid-1970s. Over a quarter of consumers now favour 'pay down debt' as the 'wisest place for savings' with the proportion favouring 'shares' and 'real estate' continue to hold near historic lows.

The sentiment mix continues to point to an abrupt slowdown in consumer spending and a large contraction in per capita terms. **CSI±**, a modified sentiment indicator that we favour as a guide to actual spending, remains near historic lows, consistent with a contraction in per capita spending of well over 4%. Substantial 'buffers' – high savings in particular – are dampening and slowing the impact of the sentiment shock on spending but sentiment reads are consistent with the intense pressure already bearing down on real household disposable incomes. Latest updates suggest spending has weakened materially in recent months.

Consumers continue to brace for further rises in mortgage interest rates, with over 80% expecting more rises over the next 12mths. Only 6.8% of consumers expect rates to move lower from here.

Consumer expectations for inflation and wages growth have both lifted over the three months to July, suggesting inflationary pressures may take longer to subside. Despite this, neither are particularly threatening, with inflation expectations likely to track lower as observed inflation eases and wage expectations remain broadly consistent with a benign pace for aggregate wage growth.

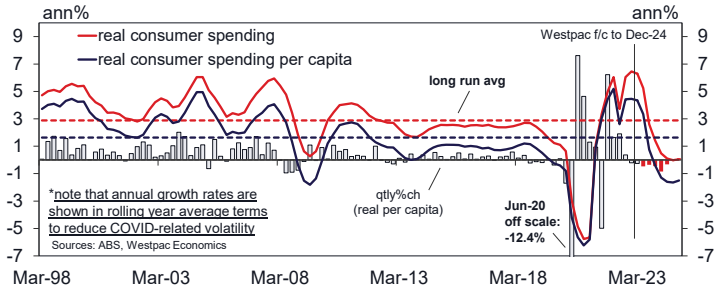
The **'time to buy a major item'** sub-index declined a further 4% to 78.8 over the three months to July, and is pointing to sharp pull-back in durables spend. Latest updates suggest this contraction is starting to show through in per capita spending.

Homebuyer sentiment remains extremely weak, the **'time to buy a dwelling'** index rising 7.6% over the three months to July but to a level (76.4) that is still nearly 40% below long run averages. The current cycle is notable for both the extent and duration of weakness. With interest rate and price rises set to continue weighing on affordability, views are unlikely to improve near term.

House price expectations have posted more strong gains, the **Westpac-Melbourne Institute Consumer House Price Expectations Index** rising a further 14.6% over the three months to July. At 149.3, the Index is now 18% above its long run average. The disconnect between buyer sentiment and price expectations is now stark.

Australia's resilient labour market is the main factor preventing a complete capitulation in sentiment, but confidence on this front has waned. The **Westpac-Melbourne Institute Unemployment Expectations Index** rose a further 10% over the three months to July (recall that higher reads mean more consumers expect unemployment to rise) but remains consistent with flat conditions rather than significant job losses.

## Consumer spending: 'inflation lock-down'



Our July **Red Book** makes for another difficult read. The 'inflation lock-down' that began just over a year ago is clearly starting to bite.

Sentiment-wise, we continue to see some of the bleakest survey results on record – sustained weaker reads only seen in the darkest days of the early-90s recession. About the only thing preventing a move to similar lows right now looks to be the labour market, which has continued to hold up remarkably well.

But the combination of cost-of-living and interest rate rise pressures is bearing down hard on family finances, especially for the mortgage belt and amongst those on low and/or fixed incomes.

Those that managed to accumulate significant excess savings reserves during the pandemic are now starting to draw down on these funds – in aggregate, about \$20bn of the \$260bn had been drawn over the six months to March and no-doubt more since then.

Indeed, the pressure on finances looks to have ratcheted up a notch in the June quarter with interest rates again moving

higher and the pace of 'fixed rate roll-offs' lifting significantly. Our **Westpac Card Tracker** shows card activity likely contracted in Q2 with a weak finish that has carried into early Q3.

To the extent that there are positives emerging, the main real promise is around inflation which is showing clearer signs of easing off recent highs, both locally and abroad. Inflation expectations are also remaining relatively well-behaved, improving prospects of achieving a sustained return to low inflation.

Those positives may become more prominent in coming months. Evidence from recent surveys locally and the experience abroad suggests that sentiment can respond quickly to any signs of an improvement in inflation and the interest rate outlook.

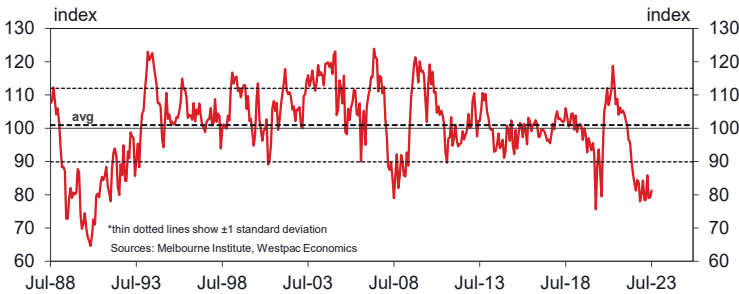
Pessimism should ease if we see a decisive turn. But unfortunately that shift is likely to coincide with more evidence of a softening in the economy and the labour market. The worst of the inflation surge may have passed but it will be a long while yet before we can say the same for the Australian consumer.

# THE CONSUMER MOOD: UNDER SIEGE

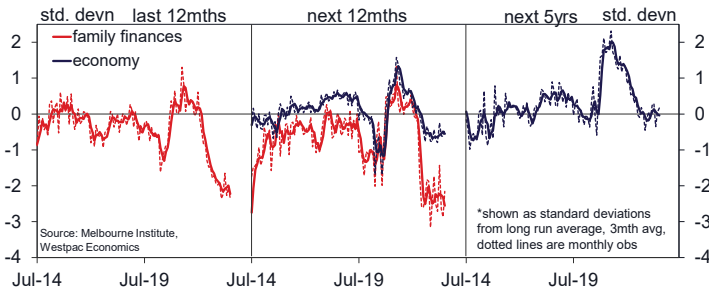


- The **Westpac Melbourne Institute Index of Consumer Sentiment** continues to hold at very weak levels. After showing tentative signs of moving off its lows three months ago, the Index weakened again over the three months to July, declining 5.3% to 81.3.
- The protracted inflation and interest rate 'siege' continues to weigh heavily on consumer sentiment, on assessments of family finances and 'time to buy' in particular. Indeed, over the 50yr history of the survey, the current run of bleak sentiment reads is second only to the darkest days of the early-1990s recession in terms of both the depth and duration of weakness.
- Notably, sentiment only posted a subdued 2.7% lift in the Jul month, despite the RBA's decision to leave the cash rate on hold. That is in contrast to the more hopeful 9.4% rally seen following the Bank's last pause back in Apr and a 5% gain in Jan when rates were unchanged due to the RBA having no scheduled meeting.
- The lacklustre response to the RBA's July pause is even more apparent in responses over the course of the survey week which showed much weaker sentiment reads amongst those surveyed after the decision compared to those surveyed prior - a relatively large negative 'RBA split' of -11.6%.

## 1. Consumer sentiment: sustained bleak reads

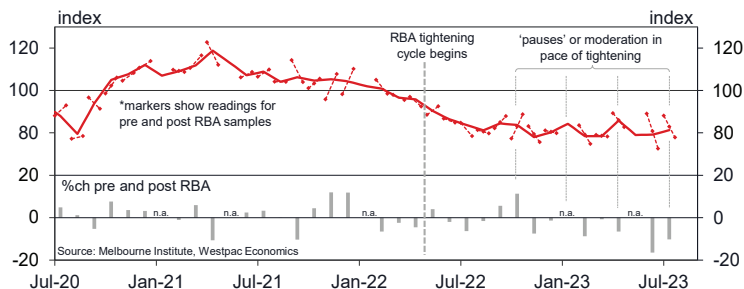


## 2. Consumer sentiment: finances, economic conditions

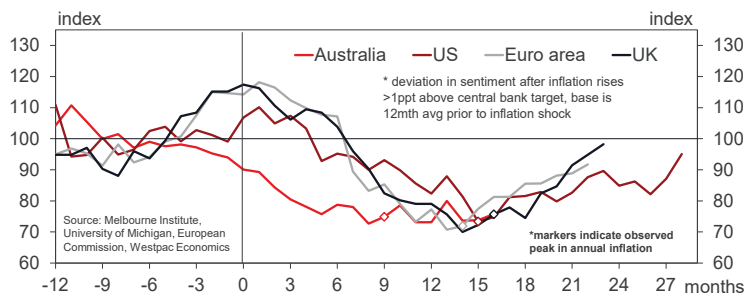


- The weaker post-RBA sentiment read is a little surprising but similar to the pattern seen when the RBA last opted to pause back in April. The reaction likely reflects a complex mix of factors, including: the 'framing' of the decision in terms of both expectations and commentary from the RBA; other developments (e.g. around inflation); and sample 'noise'. The history to date suggests there may also be a slight 'day of the week' pattern that sees sentiment a touch softer later in the week.
- Chart 3 shows all the available 'RBA splits' over the last three years (the gaps being Jan, when there is no RBA meeting, and months where the survey is delayed to capture Budget reactions).
- Expectations-wise, the RBA's Jul pause came as more of a surprise than the pause in Apr, which the market widely anticipated. However, consumers may have been disappointed by the continued hawkish tone to the Governor's decision statement in Jul. Notably, the RBA's decision to slow the pace of tightening from 50 to 25bp moves back in Oct came as a much bigger surprise and generated a large positive 'RBA split'.
- Stepping back from this detail, the picture from both the survey detail and from abroad suggests that sentiment is likely to stage a solid gain once we see a definitive easing in inflation and the RBA goes more firmly on hold.

### 3. Consumer sentiment: 'RBA splits'



### 4. Consumer sentiment: inflation shocks, selected countries

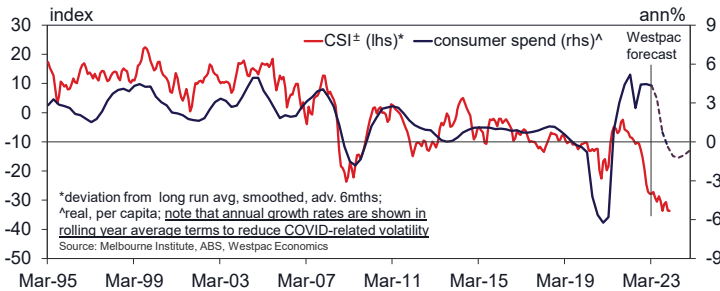


# SENTIMENT INDICATORS: SPENDING

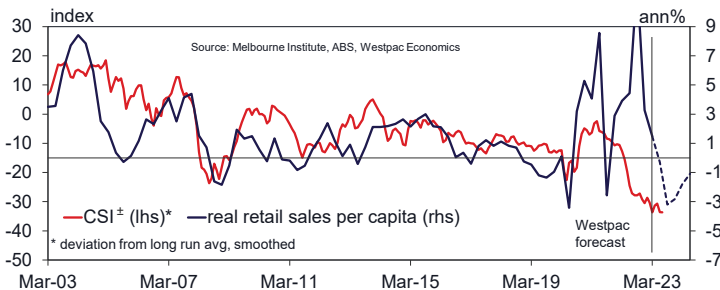


- Our **CSI<sup>±</sup>** composite combines sub-indexes tracking views on 'family finances' and 'time to buy a major item' with the **Westpac Consumer Risk Aversion Index** and usually provides a good guide to trends in spending over the next 3-6mths.
- As noted in previous reports, that 3-6mth lag currently looks to be considerably longer due to two significant buffers delaying the impact of rate rises, namely: 1) a large pool of excess savings accumulated during the pandemic; and 2) a delayed cash-flow impact due to a higher share of fixed rate mortgages. Both of these buffer effects are now starting to dissipate.
- Bearing this in mind, our **CSI<sup>±</sup>** indicator should be viewed as a guide to where per capita spending growth momentum is likely to land once buffer effects are out of the picture. As such, the latest reads are again flashing bright red. The July update remains consistent with per capita spending contracting at a horrendous 4-5% annual pace.
- Interestingly, this is comparable to the annual pace of contraction we are already seeing in real incomes. One of the most eye-catching results in the [Q1 national accounts](#) was a 4%yr fall in real household disposable income (i.e. after interest, tax and inflation), the biggest annual decline since 1983.

## 5. CSI<sup>±</sup> vs total consumer spending

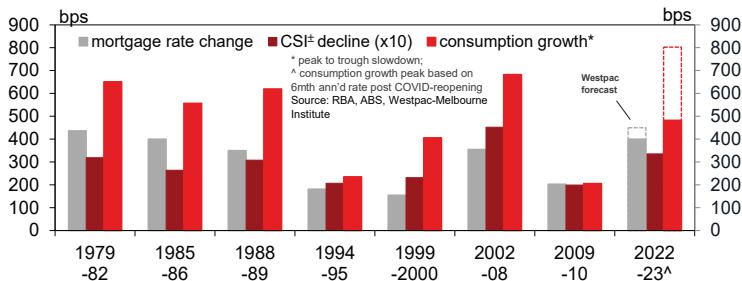


## 6. CSI<sup>±</sup> vs retail sales

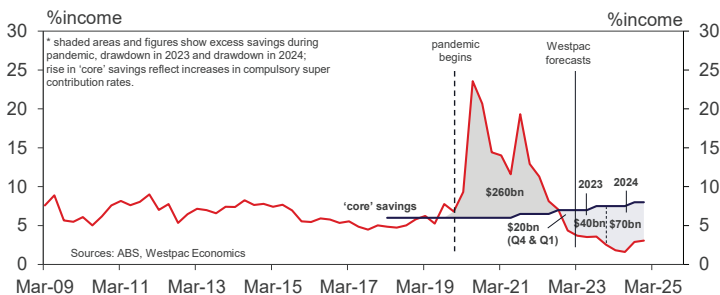


- The contraction in incomes highlights that it is the savings buffer moreso than the 'fixed rate' mortgage effect that is supporting spending. The fact that real spending still rose 3.5%yr despite this ferocious income decline speaks to the scale of the savings draw-down effect.
- For Q1, the 'new' savings ratio (the portion of income unspent) declined to 3.7%, effectively 'freeing up' an extra \$2bn for spending. The scope for further falls is now very limited. The savings rate is at a 15yr low and now well below the 'par' of 6-6.5%. It implies a notional draw-down on 'excess savings' accumulated during the pandemic - estimated at around \$260bn - running at about \$9bn/qr.
- While this draw-down is expected to continue, its likely to run at a similar pace from here, meaning it will not be adding to spending *growth* to the same extent (although it is preventing what would otherwise be a significant weakening). Mid-year is shaping up to be a pivotal moment in these shifts. A range of indicators, including timely data from our [Westpac Card Tracker](#) are pointing to a further weakening in spending through Q2 that has carried into July.
- Chart 7 shows every major rate rise cycle since the late-70s. The current cycle is having a comparable impact on sentiment but we look to be only half-way through the full impact on spending.

## 7. Consumer spending: major downturns



## 8. Household saving: notional excess reserve



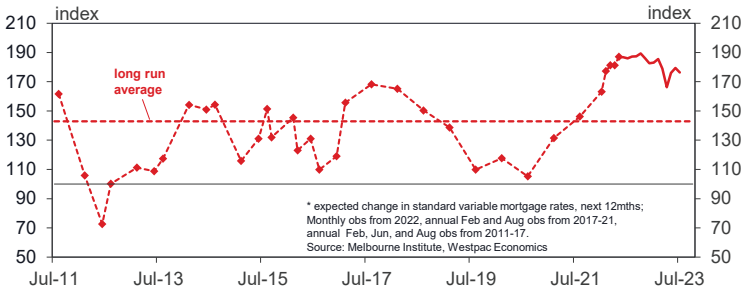


# SENTIMENT INDICATORS: INTEREST RATES

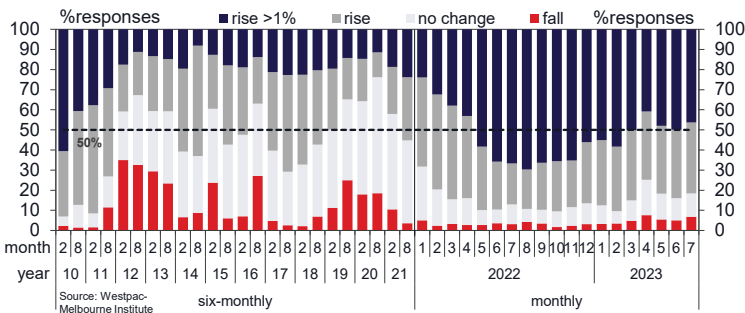


- Consumers remain very hawkish on the outlook for mortgage interest rates, an easing in rate rise fears in Apr largely reversing over the last 3mths. The **mortgage interest expectations** index, which tracks consumer views on the outlook for variable mortgage rates over the next 12mths, rose 4.5% over the 3mths to Jul, reversing just over half of the 9.2% drop over the previous 3mths. At 174.8, the index remains well above its long run avg of around 140.
- While views are still very hawkish, they are less so than at the start of the year. Notably less than 50% expect rates to rise by >1ppt, down from an outright majority between May 2022 and Feb 2023.
- However, at 46.3%, the share expecting a >1ppt rise is still very high. At the other end of the spectrum, only 6.8% of consumers expect rates to move lower over the next year and 11.6% expect to see no change. The share of 'don't knows' (excluded from the shares discussed above) eased to 13.4%. Interestingly, mortgage-holders – a sub-group clearly tracking developments more closely – are slightly less hawkish, about 10% expecting rates to fall by this time next year.
- Interest rate expectations should ease from here, potentially sharply in 2-3 months. Westpac expects the RBA to make two more 25bp hikes in Aug and Sep then move to an extended pause.

## 9. Mortgage interest rate expectations



## 10. Consumer expectations for mortgage rates

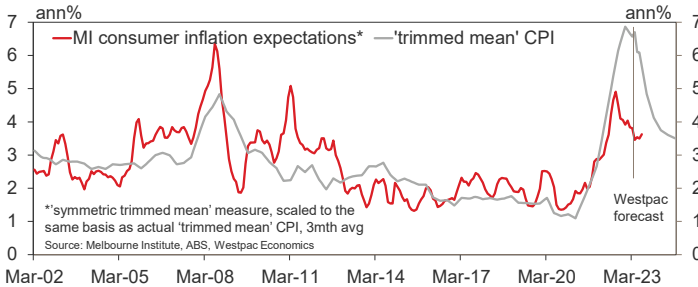


# SENTIMENT INDICATORS: INFLATION

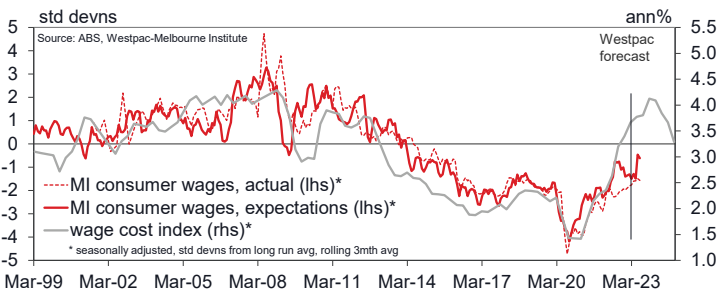


- Consumer expectations for inflation and wages growth both lifted over the 3mths to Jul, suggesting inflationary pressures may take longer to subside. The Melbourne Institute's 'symmetric mean' measure of consumers' year-ahead inflation expectations rose from 4.6% in Apr - a 15-month low - to 5.2% in Jul. The Melbourne Institute's 'symmetric mean' measure of consumers' year-ahead wage growth expectations lifted to 1.2% in Jul, up a touch from 1.1% in Apr but with a notably strong 1.6% read in Jun.
- Both series are shown in 3mth avg terms in the charts below, alongside 'actual' measures of 'trimmed mean' inflation and wages growth.
- For the RBA, recent developments around expectations are not helpful but also not particularly threatening. Inflation expectations are still off their recent highs and while the decline back to low levels has stalled over the last 3mths, improved reads on actual inflation should restart momentum in coming months.
- The lift in wage expectations may be of more concern in that it suggests the large 5.75% increase in Federal minimum and award wages brought down in June has shifted expectations. However, the level of wage expectations remains subdued by historical standards, consistent with only a gradual lift in wages growth to a moderate pace overall.

## 11. CPI inflation: actual vs expected



## 12. Wages growth: actual vs expected

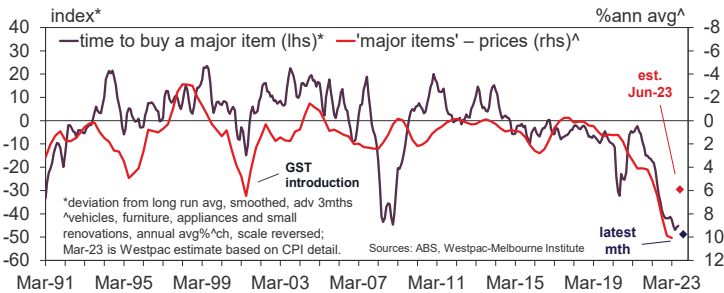


# SENTIMENT INDICATORS: DURABLES

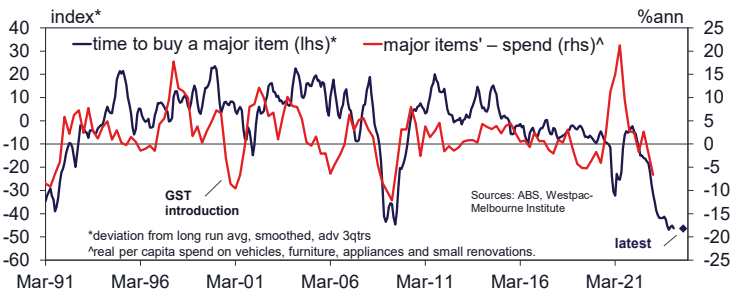


- The **'time to buy a major item'** sub-index continues to highlight the intensity of cost of living pressures. The sub-index declined 4% to 78.8 over the 3mths to Jul to be back near the extreme cycle lows seen earlier in the year. Indeed, recent monthly reads have been close to the extreme 76.2 low seen during the first COVID lock-down. Prior to this, only the GFC and early-1990s recession.
- The importance of high inflation is reflected in the remarkable fact that the sub-index never dropped below 100 in the 1994-95, 1999-2000 and 2009-10 tightening cycles and only dropped below 100 when inflation surged towards the tail-end of the long 2002-07 tightening cycle.
- Chart 13 and 14 show the 'time to buy a major item' index vs durables prices and per capita durables spend respectively. The latter (which under our definition includes 'small renovations') is now clearly weakening, down 6.6%yr, running at a 10% annualised pace of decline through Q4 and Q1. Sentiment points to double-digit annual declines ahead.
- Our **Westpac Card Tracker** points to a further weakening through Q2 and early Q3. That said, official spending figures may hold up a little better. Vehicle sales in particular, which the national accounts measures 'on delivery' rather than 'on payment', appear to have lifted, monthly sales up about 5%qtr, presumably as backlogged orders have been met.

## 13. 'Time to buy a major item' vs prices

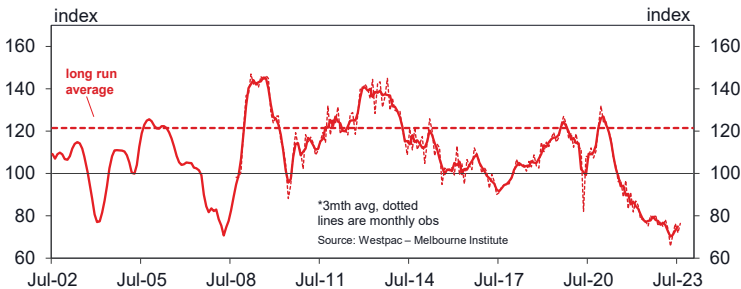


## 14. 'Time to buy a major item' vs spend



- Homebuyer sentiment remains at the bottom of an extended slump. The **'time to buy a dwelling'** index rose 7.6% over the 3mths to Jul but at 76.4 it is still nearly 40% below long run avg levels.
- The sustained weak reads are hardly surprising given the combination of high-and-rising interest rates and high-and-rising dwelling prices - consumers expecting both to move higher still in the year ahead. This suggests we should be very cautious about the housing market rally since the start of the year. The duration of weakness is particularly notable. July marked the 26th consecutive sub-100 read on buyer sentiment.
- That is much longer than any previous run of weak reads. The next longest, during the deep recession of the early 1990s, only saw 18 consecutive months of sub-100 reads by comparison (bearing in mind that the question was run quarterly at that stage). The GFC saw a 15 month run while all other cycle lows lasted comfortably less than a year.
- The prospective 'nuclear winter' for buyer sentiment suggests owner occupier demand will remain low this year and next. That, in turn, means market rallies will be difficult to sustain as they gain momentum, especially if investor activity remains subdued as well.

## 15. 'Time to buy a dwelling'



## 16. 'Time to buy a dwelling': selected sub-groups



# SENTIMENT INDICATORS: HOUSE PRICES

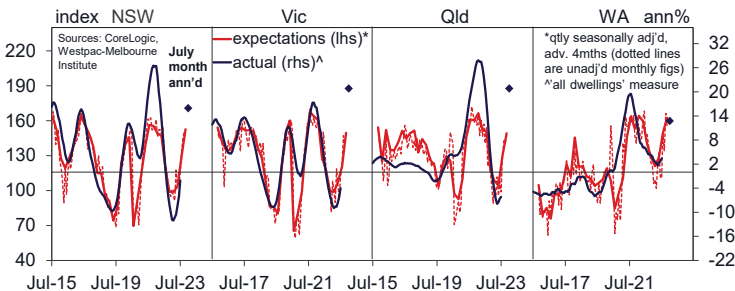


- In increasingly stark contrast to homebuyer sentiment, consumer house price expectations have continued to lift strongly towards historic highs. The **Westpac Melbourne Institute House Price Expectations Index** put on a further 14.6% over the 3mths to Jul, hitting 149.3, a 20-month high and nearly 18% above the long run avg of 126.8.
- A clear outright majority of consumers (66%) expect prices to continue rising over the next 12mths, with about a quarter of this group expecting double digit price growth. Another 22% expect prices to hold flat while 12.7% expect prices to decline. This compares with Jan when the rise/steady/decline mix was much more even at 43%/19%/38%.
- The rally in expectations coincides with (and is being validated by) a clear lift in actual prices, which have been rising at a 13% annualised pace since Feb across the five major capital cities.
- Big gaps between price expectations and homebuyer sentiment are by no means unprecedented but have tended to come towards the end of the cycle. We saw comparable wedges open up in late 2021 (at the end of the pandemic price surge); briefly in mid-2010; and in late 2007 - the last two being when interest rate tightening cycles were peaking and prices were slow to move into correction phases. Whether price expectations or buyer sentiment wins the 'tug of war' this time around remains to be seen.

## 17. Westpac-MI House Price Expectations Index



## 18. Dwelling prices: actual vs expected by state

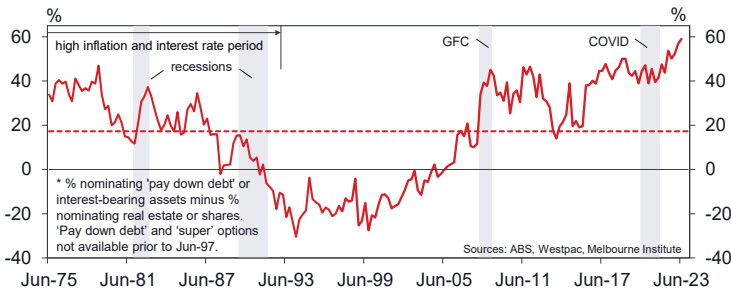


# SENTIMENT INDICATORS: RISK AVERSION

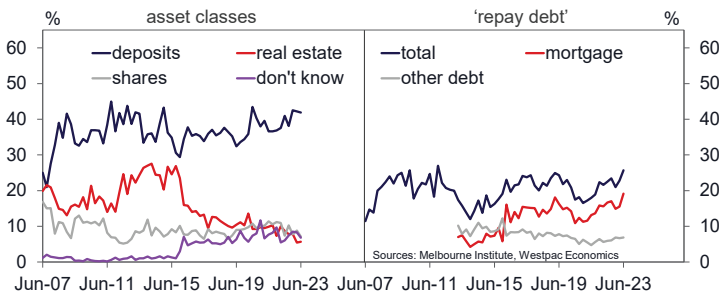


- Consumer risk aversion hit new record highs in Jun, our **Westpac Consumer Risk Aversion Index** rising to 60.8, up 4.7pts from 56.1 in Mar.
- The index is based on responses to the 'wisest place for savings' questions. These showed a further gravitation towards 'safe' options in Jun, centred on 'pay down debt', favoured by 27% of consumers, up from 23% and the highest proportion since this option was included in 1997, eclipsing the highs seen during the deleveraging phase that followed the GFC. Conversely, very few consumers favour riskier options, just 5% favouring 'real estate' and 8% 'shares', both near historical lows.
- The survey detail shows risk aversion is materially higher across the mortgage belt (+77); amongst those aged 35-44 (+65); women (+65); high income earners (+65) and Qld'ers (+70).
- The key question of course is how this fear factor translates into shifts in behaviour. Notably, previous spikes that resulted in sharp changes (increased saving and active moves to reduce leverage) were preceded by extended periods of low saving and surging household debt. This is clearly not the situation with the 2023 surge in risk aversion. As such, we expect it to inhibit decisions and new borrowing rather than trigger a significant rethink of households' finances and/or portfolios.

## 19. Westpac Consumer Risk Aversion Index vs savings rate



## 20. Consumer: 'wisest place for savings'



# SENTIMENT INDICATORS: JOB SECURITY

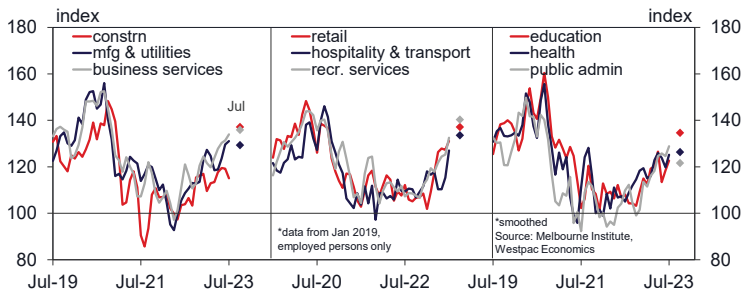


- Australia's resilient labour market is the main factor preventing a complete capitulation in consumer sentiment to the record lows seen during the early-1990s recession. That said, consumers have continued to lose confidence in the jobs outlook. The **Westpac Melbourne Institute Index of Unemployment Expectations** rose a further 10% to 131.2 over the 3mths to July, nudging slightly above the long run avg for the first time since the pandemic (recall that a higher index means more consumers expect unemployment to rise in the year ahead).
- To date the shift is more consistent with flattening labour market conditions rather than a sharp spike in job-loss fears.
- That is consistent with the picture from the latest labour market data. Job gains have continued at a robust pace, averaging above 40k/mth through Q2 with the unemployment rate holding at 3.5% – neither rising nor falling (see [here](#) for more). Other measures show job vacancies still at very high levels by historical standards while the number of workers expecting to be retrenched over the next 12mths remains near historic lows.
- The survey detail shows the deterioration in expectations is broad-based but slightly bigger for those employed in the hospitality and transport sectors, suggesting there has been some cooling in some discretionary services spend locally.

## 21. Unemployment expectations



## 22. Unemployment expectations by industry

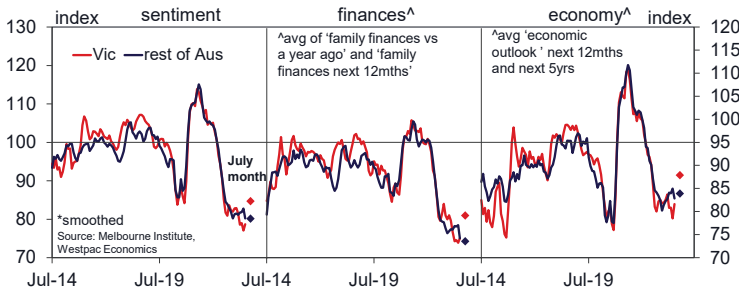


# STATE SNAPSHOT: VICTORIA

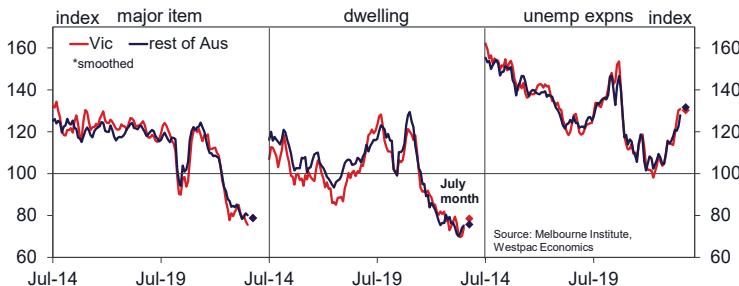


- The last time we profiled Vic, back in July 2022, the state had come out of its long COVID battle and seen a reasonable revival but was starting to see a hit from surging costs and the rapid re-tightening in interest rates - sentiment responses suggested Vic was being hit harder than other states.
- A year on, this still looks to be the case, but with the latest month offering a little more hope, presumably reflecting the RBA's pause on rates and the higher interest rate sensitivity of Vic's household sector. Sentiment plunged to 72.2 in Jun but bounced to 84.7 in Jul. Some of that pattern likely also reflects reactions to a confronting state budget released in late May (see [here](#) for more).
- The detail shows this pattern - of a weak Q2 and Jul bounce - across both finances and expectations for the economy but with much smaller differences vs the rest of Aus around buyer sentiment, homebuyer attitudes and labour market expectations. There is little daylight between Vic consumers and the rest of the nation when it comes to interest rate expectations either although they are a touch less optimistic on house prices.
- Vic's Jul sentiment rally centred on Melbourne, sentiment remaining much more subdued, in the low 70s, in regional areas. That has likely fallen further following the state government's recent decision to scrap plans to host the 2026 Commonwealth games in regional Vic.

## 23. Consumer sentiment, finances, economy: Vic vs rest of Aus



## 24. Consumer 'time to buy', unemp expns: Vic vs rest of Aus





## Interest rate forecasts

Australia	Latest (21 Jul)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Cash	4.10	4.60	4.60	4.60	4.35	4.10	3.85
90 Day BBSW	4.36	4.80	4.80	4.63	4.38	4.13	3.88
3 Year Swap	4.31	4.30	4.15	4.00	3.80	3.60	3.50
3 Year Bond	3.97	4.00	3.85	3.75	3.55	3.40	3.30
10 Year Bond	4.04	3.90	3.70	3.50	3.30	3.20	3.10
10 Year Spread to US (bps)	19	20	20	20	20	20	20

US	Latest (21 Jul)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Fed Funds	5.125	5.375	5.375	5.125	4.625	4.125	3.625
US 10 Year Bond	3.85	3.70	3.50	3.30	3.10	3.00	2.90

## Exchange rate forecasts

	Latest (21 Jul)	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
AUD/USD	0.6779	0.69	0.69	0.71	0.72	0.73	0.74
NZD/USD	0.6225	0.62	0.62	0.63	0.64	0.65	0.66
USD/JPY	140.12	138	136	134	132	130	128
EUR/USD	1.1140	1.11	1.12	1.12	1.13	1.14	1.15
GBP/USD	1.2884	1.28	1.28	1.29	1.29	1.30	1.30
USD/CNY	7.1701	7.10	7.00	6.80	6.70	6.60	6.50
AUD/NZD	1.0890	1.11	1.11	1.13	1.13	1.12	1.12

Sources: Bloomberg, Westpac Economics.

## Australian economic growth forecasts

	2022		2023			2024	
	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f
GDP % qtr	0.6	0.2	0.1	0.2	0.1	-0.2	0.2
%yr end	2.6	2.3	1.5	1.1	0.6	0.2	0.3
Unemployment rate %	3.5	3.6	3.6	3.7	4.0	4.2	4.8
Wages (WPI)	0.8	0.8	1.0	1.1	1.2	0.8	0.7
annual chg	3.4	3.7	3.8	3.8	4.1	4.1	3.8
CPI Headline	1.9	1.4	1.1	0.9	0.8	0.9	0.9
annual chg	7.8	7.0	6.3	5.4	4.3	3.8	3.5
Trimmed mean	1.7	1.2	1.1	0.8	0.9	0.8	1.0
annual chg	6.9	6.6	6.0	4.9	4.1	3.7	3.7

	Calendar years			
	2021	2022f	2023f	2024f
GDP % qtr	-	-	-	-
%yr end	4.6	2.6	0.6	1.0
Unemployment rate %	4.7	3.5	4.0	5.3
Wages (WPI)	-	-	-	-
annual chg	2.3	3.4	4.1	3.3
CPI Headline	-	-	-	-
annual chg	3.5	7.8	4.3	3.2
Trimmed mean	-	-	-	-
annual chg	2.7	6.9	4.1	3.3

Calendar year changes are (1) period average for GDP, employment and unemployment, terms of trade (2) through the year for inflation and wages.

\* GDP & component forecasts are reviewed following the release of quarterly national accounts.

\*\* Business investment and government spending adjusted to exclude the effect of private sector purchases of public sector assets.

# CONSUMER DATA AND FORECASTS



## Consumer demand

% change	2022				2023			
	Q1	Q2	Q3	Q4f	Q1	Q2f	Q3f	Q4f
Total private consumption*	1.9	2.2	0.8	0.3	0.2	0.0	0.1	0.0
annual chg	4.0	5.3	11.6	5.2	3.5	1.3	0.6	0.3
Real labour income, ann chg	2.1	2.4	3.3	2.5	3.4	3.7	3.1	3.1
Real disposable income, ann chg**	1.7	1.9	-2.5	-3.6	-4.0	-2.9	-2.2	-0.6
Household savings ratio	11.3	8.1	7.1	4.4	3.7	3.5	3.5	2.5
Real retail sales, ann chg	4.9	5.4	9.9	1.8	0.3	-0.6	-1.1	-1.0
Motor vehicle sales ('000s)***	772	739	808	808	757	742	735	735
annual chg	-3.7	-10.2	10.8	20.7	-1.8	0.4	-9.1	-9.1

	Calendar years			
	2020	2021	2022	2023f
Total private consumption, ann chg*	-5.8	5.0	6.5	1.4
Real labour income, ann chg	2.2	3.5	2.6	3.3
Real disposable income, ann chg**	5.8	2.3	-0.7	-2.5
Household savings ratio, %	17.1	14.5	7.7	3.3
Real retail sales, ann chg	2.7	3.5	5.2	-0.6
Motor vehicle sales ('000s)	675	756	782	742
annual chg	-15.7	12.1	3.4	-5.1

Notes to pages 25 and 26:

\* National accounts definition.

\*\* Labour and non-labour income after tax and interest payments.

\*\*\* Passenger vehicles and SUVs, annualised

^ Average over entire history of survey.

^^ Seasonally adjusted.

# Net % expected rise next 12 months minus % expecting fall (wage expectations is net of % expecting wages to rise and % expecting flat/decline).

Note that questions on mortgage rate and house price expectations have only been surveyed since May 2009.

## Consumer sentiment

% change	avg <sup>^</sup>	2022			2023	
		Oct	Nov	Dec	Jan	Feb
Westpac-MI Consumer Sentiment Index	101.0	83.7	78.0	80.3	84.3	78.5
family finances vs a year ago	88.7	69.3	66.9	66.3	67.4	62.1
family finances next 12 months	107.0	92.0	81.7	87.3	93.1	86.8
economic conditions next 12 months	90.8	79.7	74.2	73.9	81.4	75.1
economic conditions next 5 years	92.0	92.5	85.8	90.2	92.8	90.3
time to buy major household item	125.3	85.1	81.4	83.8	86.8	78.0
time to buy a dwelling	121.5	75.3	77.1	74.9	78.2	73.9
Westpac-MI Consumer Risk Aversion Index <sup>^^</sup>	17.3	-	-	52.4	-	-
CSI <sup>±</sup>	100.9	73.9	69.6	71.2	73.3	67.9
Westpac-MI House Price Expectations Index <sup>#</sup>	125.8	99.0	91.1	116.3	104.4	102.9
consumer mortgage rate expectations <sup>#</sup>	40.5	88.7	86.0	83.3	84.2	87.0
Westpac-MI Unemployment Expectations	129.2	111.3	117.3	117.9	108.0	119.4
MI inflation expectations (trimmed mean)	4.3	5.4	6.0	5.2	5.6	5.1
MI wage expectations (trimmed mean)	1.3	0.9	1.0	0.7	1.1	1.0

continued	2023				
	Mar	Apr	May	Jun	Jul
Westpac-MI Consumer Sentiment Index	78.5	85.8	79.0	79.2	81.3
family finances vs a year ago	63.4	70.1	63.0	65.4	62.2
family finances next 12 months	85.3	95.5	85.8	84.0	89.7
economic conditions next 12 months	73.3	85.4	77.3	77.2	81.4
economic conditions next 5 years	95.3	96.0	87.2	92.7	94.3
time to buy major household item	74.9	82.1	81.7	76.4	78.8
time to buy a dwelling	65.7	71.1	76.3	72.0	76.4
Westpac-MI Consumer Risk Aversion Index <sup>^^</sup>	56.9	-	-	59.0	-
CSI <sup>±</sup>	66.7	72.5	68.1	66.7	67.9
Westpac-MI House Price Expectations Index <sup>#</sup>	111.7	130.3	144.3	146.7	149.3
consumer mortgage rate expectations <sup>#</sup>	80.3	67.2	76.2	78.9	74.8
Westpac-MI Unemployment Expectations	122.9	118.9	123.2	131.3	131.2
MI inflation expectations (trimmed mean)	5.0	4.6	5.2	5.2	5.2
MI wage expectations (trimmed mean)	0.7	1.1	0.8	1.6	1.2

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