THE RED BOOK

JANUARY 2024

WESTPAC INSTITUTIONAL BANK

CONTENTS

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EXECUTIVE SUMMARY

The **Westpac–Melbourne Institute Consumer Sentiment Index** continues to hold around very weak levels, dipping 1.3% over the three months to January. At 81, the Index remains in deeply pessimistic territory.

Cost-of-living pressures continue to dominate. The moderation in inflation and easing rate hike fears have so far done little to revive sentiment. Evidence from abroad suggests sentiment may not stage a rally until inflation is materially lower and the RBA has shifted its guidance on both inflation risks and the interest rate outlook. Even then, the improvement in sentiment may be muted given the scale of the hit to disposable incomes in Australia and what is expected to be a very slow recovery.

Risk aversion remains very high: the **Westpac Risk Aversion Index** rose 3.1pts to 57.2 in December, marking the second highest read since the start of the survey in the mid-1970s. Consumers are more inclined to favour deposits, in part reflecting the higher interest rates on offer.

The sentiment mix continues to be consistent with large cuts in per capita spending. **CSI±**, a modified sentiment indicator that has been a useful guide to actual spending in the past, is hovering around historic lows consistent with per capita spending declines of around 5%yr.

Actual per capita spending has been very weak, declining 2% over the year to September. While the outcome is poor, the decline is milder than the near 7% decline in per capita disposable incomes and the 5% decline in spending our **CSI±** indicator has been pointing to. A large pool of excess savings carried over from the pandemic and a high share of fixed rate mortgages have been key factors buffering the shock to consumer spending.

Consumers' rate rise fears have eased but most still rates to increase over next year. Just over half expect rates to rise. That is more hawkish than both financial markets and economist expectations, both of which are pointing to interest rates moving lower over 2024.

Consumer expectations for inflation and wages growth have eased slightly over the three months to January. While both remain elevated compared to pre-COVID levels they are broadly consistent with both inflation and wages growth tracking towards 3%yr.

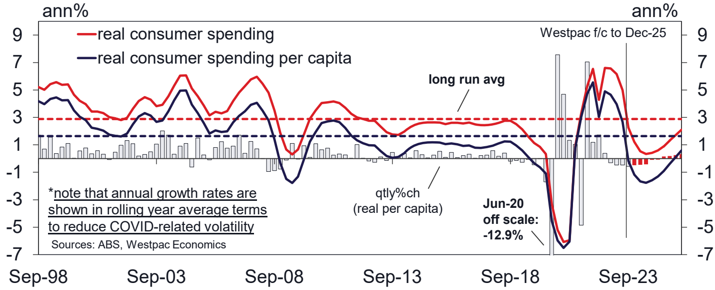
The **'time to buy a major item'** index continues to languish near historic lows, falling back 5.4% over the three months to January. This component is likely to be the first to detect any improvement in how consumers are seeing cost-of-living pressures.

Homebuyer sentiment remains extremely weak. The **'time to buy a dwelling'** index fell 5.3% over the three months to January, having now held around extreme cycle lows for two full years – much longer than previous cycles. The negative consensus reflects affordability issues and is widespread.

Consumer house price expectations remains positive. The **Westpac–Melbourne Institute Consumer House Price Expectations Index** nudged 1.4% lower over the three months to January but at 158.1 remains about 30pts above its long run average.

The **Westpac–Melbourne Institute Unemployment Expectations Index** continues to hold about steady around a 'neutral' level – the January read of 130.7 a touch above the long run average (recall that a higher reads means more consumers expect unemployment to rise). Readings remain consistent with flat rather than weak conditions.

Consumer spending: stagnating



Our January **Red Book** shows Australian consumers have picked up in 2024 where they left off in 2023: with a deeply entrenched pessimism that is showing no signs of lifting. Cost-of-living pressures continue to dominate, weighing heavily on family finances and buyer sentiment. This is despite a clear moderation in inflation locally and some easing in consumer fears that further rate rises are on the way.

The implication is that we will need a more material improvement on both fronts – inflation and interest rates – to shift the dial on consumer sentiment. Developments abroad suggest it may take both substantially lower inflation, firmly in the 3-3.5% range, and a clear 'tightening over' signal from the RBA for sentiment to stage a meaningful rally.

That combination is unlikely to be in place until mid-2024 at best. While we are clearly moving in this direction – with inflation having dropped to 4.1%yr and much clearer signs of weakness on the consumer and a cooling labour market – we still have some way to go before we can comfortably say that Australia's inflation problem has passed.

Moreover, if and when the consumer recovery begins, it could come through quite slowly. This year will clearly see some positives for sentiment as the inflation threat comes under control and the prospect of both fiscal and monetary policy relief comes into view. But many of the cost-of-living problems that have emerged over the last two years will persist. Even with lower inflation and policy easing the real purchasing power of household incomes will take several years to regain lost ground. Living costs may stabilise but they will still be high relative to incomes.

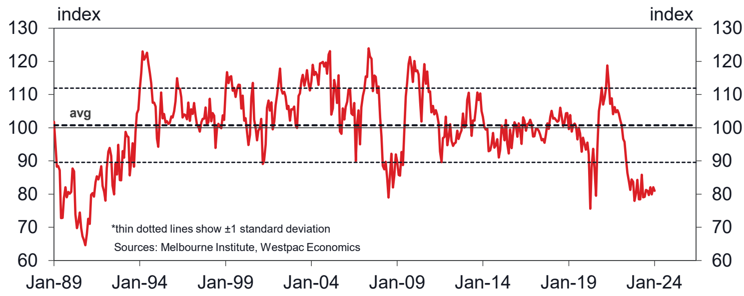
Meanwhile some other supports will be less helpful. A slowing labour market will crimp incomes. The large savings reserves accumulated during the pandemic that have helped cushion spending against recent income shocks will also be diminished (and consumers perhaps less inclined to make further draw-downs). Moderating population growth will also have a dampening impact on demand.

In short, the consumer stagnation we are seeing now still has some way to run and the path out could be a long and difficult one.

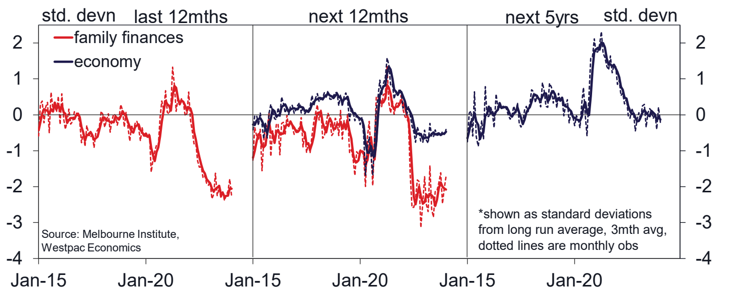
THE CONSUMER MOOD: STRESSED

- For consumers, the new year looks to have picked up where the old one left off: cost of living and high interest rates continuing to dominate and sentiment bumping around deeply pessimistic levels. The **Westpac Melbourne Institute Index of Consumer Sentiment** dipped 1.3% over the three months to Jan. At 81 it remains in the deeply pessimistic range that has prevailed since mid 2022.
- Note that Jan survey reads for the headline and component indexes are adjusted for a regular seasonal bump seen at this time of year. The Summer holiday season typically sees a 3-4pt lift in sentiment that is removed from the index.
- The latest read is in the bottom 7% of all observations since the survey began in the mid-1970s and marks the most pessimistic start to a year outside of the deep recession of the early 1990s.
- Interest rate developments have been mixed over the last three months, the RBA delivering another 25bp hike at its Nov meeting but holding rates steady in Dec and the broader economic backdrop, both locally and abroad, suggesting further tightening is now unlikely with the US FOMC widely expected to begin easing rates in 2024. While Australian consumers are less fearful of rate rises (see p11), they remain relatively hawkish, the shift doing little to improve sentiment overall.

1. Consumer sentiment: gloom continues

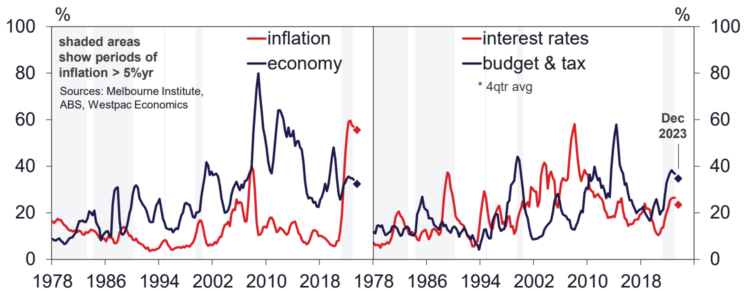


2. Consumer sentiment: finances, economic conditions

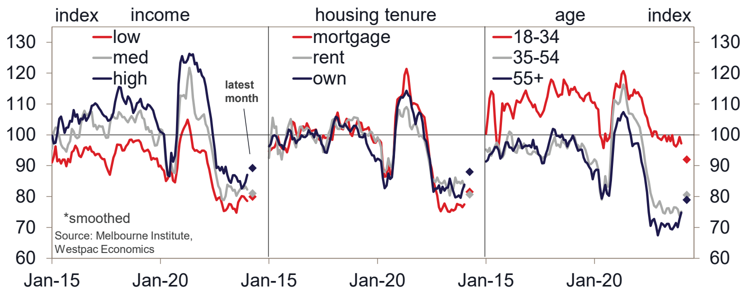


- Similarly, there also looks to have been little or no perceived reprieve in other cost-of-living pressures despite a further moderation in inflation. The monthly CPI indicator showed annual inflation dropping to 4.3% in Nov, from a peak of 8.4%yr in Dec 2022. As noted previously, there is likely to be some 'asymmetry' in the way inflation impacts sentiment, with bursts of inflation doing more to damage confidence than moderations do to support it, particularly when the overall price level remains relatively high.
- Responses to extra questions on news recall in Dec highlight the dominance of inflation news with well over half of consumers noting news on the topic.
- This recall is much higher than in previous periods of high inflation, including the GST introduction in 2000 and the high inflation of the 1970s and 1980s. This likely reflects the more intense pressure bearing down on disposable incomes currently, with income tax cuts providing support in 2000 and high wage growth and tax adjustments supporting disposable incomes in the 'high inflation' decades (when high inflation itself was also more 'normalised', i.e. less remarkable).
- Sentiment has lifted for consumers on high incomes reflecting stage 3 tax cuts due mid-year. The recent overhaul to these cuts could see a similar lift in other income groups in March (see here).

3. Consumer news recall: selected topics



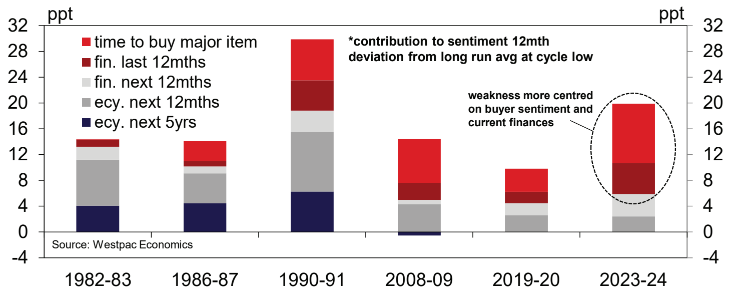
4. Consumer sentiment: selected sub-groups



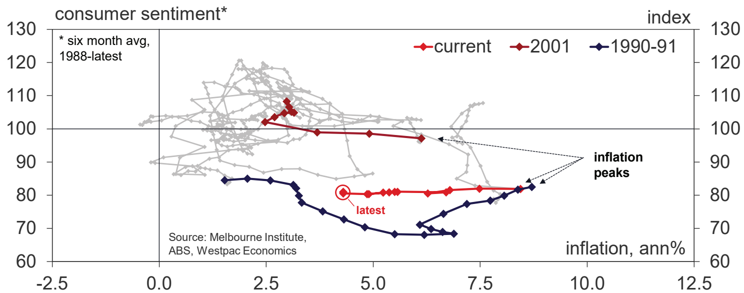
SPECIAL TOPIC: INFLATION RELIEF?

- The easing in inflation has done little to revive sentiment so far. While it should eventually drive a lift, the timing and scale of any rally is highly uncertain. Previous episodes of 'disinflation' – slowdowns from high to low inflation – offer limited guidance. Experiences abroad, where inflation cycles are running 3-6 months ahead of Australia, suggest sentiment only starts to rally once inflation is much lower and central banks are clearly contemplating rate cuts.
- 'Cost of living' issues remain front and centre for sentiment. Chart 5 shows how contributions from different sentiment sub-indexes compare for the current cycle low versus previous lows.
- 'Buyer sentiment' and 'finances vs a year ago' components account for over 70% of the current weakness in sentiment. This is much higher than in other cycle lows – during the early-90s and early-80s recessions for example 'economic outlook' components accounted for over half of the weakness in sentiment.
- There are two precedents for 'disinflation' in Australia: the early-90s and 2001. Neither offer much guidance to how sentiment may evolve in the current episode. The early-90s coincided with a deep recession that became the dominant concern. The 2001 disinflation related to the GST introduction which had been compensated for with income tax cuts.

5. Consumer sentiment: cycle lows compared

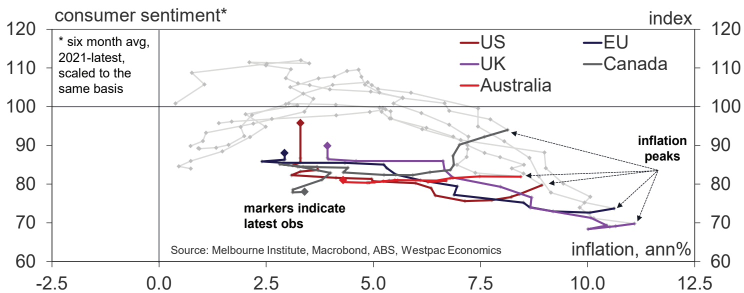


6. Consumer sentiment and 'disinflation': three episodes

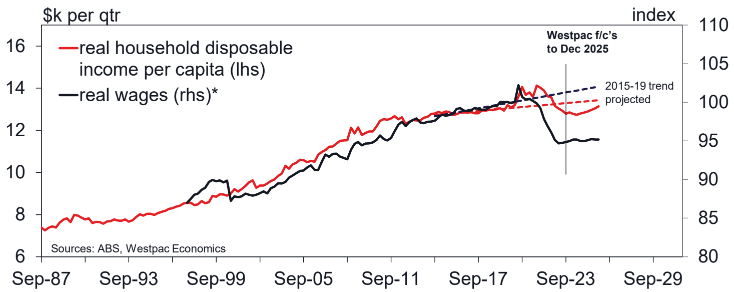


- Chart 6 shows how inflation and sentiment have evolved historically with the current disinflation and the early-90s and 2001 episodes highlighted. These circumstances saw little or no sentiment response to easing inflation in the early-90s and a very muted and short-lived sentiment cycle in 2000-01.
- Experiences abroad likely offer more clues to how sentiment may respond to signs of disinflation. Chart 7 shows how inflation and consumer sentiment have evolved through the current inflation surge in Australia and across key peers: the US, EU, UK and Canada – the coloured periods covering the disinflation periods since respective peaks in inflation.
- Latest figures put annual inflation in the 3-3.5% range for the US, EU, Canada, and 3.9% in the UK (vs 4.3% in Australia as at Nov). Sentiment has been slow to improve but is showing signs of a 'pop' higher in the US. Central bank commentary looks to be an important catalyst, the FOMC shifting its guidance late last year but other banks staying focused on inflation.
- That could see Australian sentiment lift from mid-2024. However, the scale and persistence of income pressures may be a complicating factor. Rate rises have had a heavier impact on Australian incomes, partly due to the prevalence of variable rate loans. Incomes are also expected to only recover very slowly (see Chart 8).

7. Consumer sentiment vs inflation: global comparisons



8. Household disposable income and wages



SENTIMENT INDICATORS: SPENDING

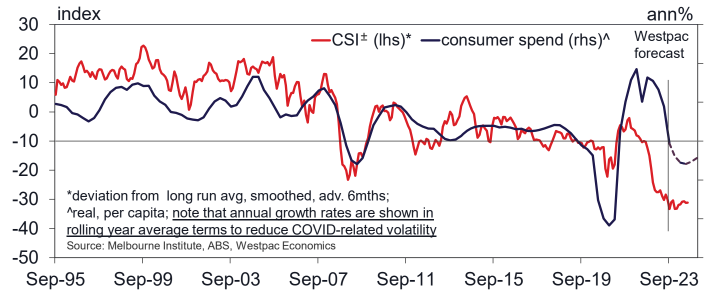
– Our **CSI±** composite combines sub-indexes tracking views on 'family finances' and 'time to buy a major item' with the **Westpac Consumer Risk Aversion Index** and usually provides a good guide to trends in spending over the next 3–6mths.

– As noted previously, 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.

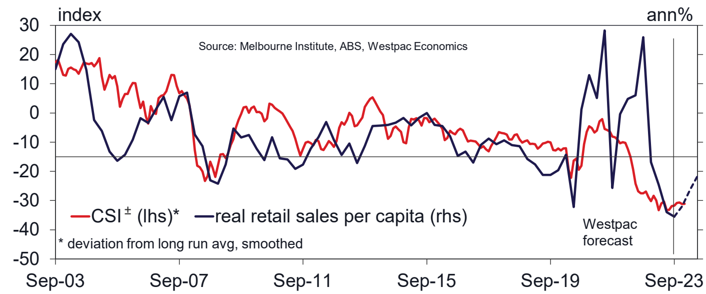
– Bearing this in mind, our **CSI±** indicator should be viewed as a guide to where per capita spending growth momentum would be in the absence of these buffer effects. The latest update suggests per capita spending would likely be contracting at a much faster 5% annual pace. While this sounds extreme, it is milder than the 6.9%yr decline in real per capita disposable income over the year to Sep 2023.

– While weak, our forecasts do not envisage spending contracting at anything like this pace with the aforementioned buffers remaining operative throughout 2024 and income pressures dissipating over the year.

9. CSI± vs total consumer spending

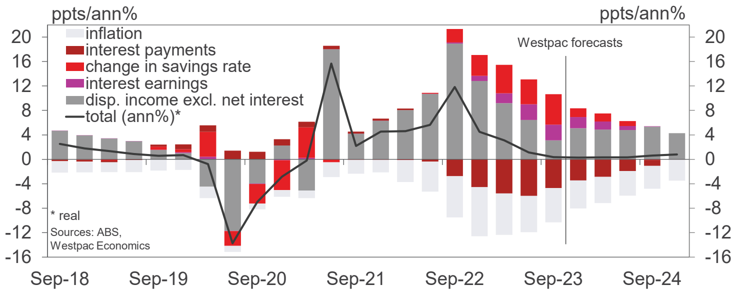


10. CSI± vs retail sales

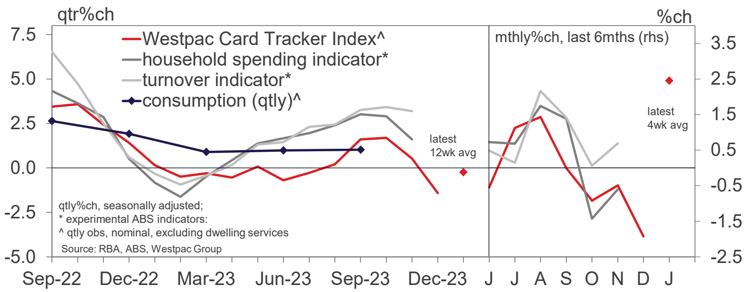


- However, consumer demand is clearly very weak. Indeed, the Sep quarter national accounts, released in early Dec, was a 'game changer' on spending trends and wider household themes. Spending stalled flat in the quarter with material downward revisions lowering annual growth to just 0.4%yr, a -2% contraction in per capita terms and the biggest per capita decline since the GFC (larger than that seen during recessions).
- The picture around incomes and savings was also materially weaker than expected. Real disposable incomes contracted in the quarter with another sizeable savings draw-down required just to keep pace with inflation (see here for more details).
- More timely indicators suggest spending remained weak in the December quarter and into early 2024. The ABS retail survey showed a volatile Nov-Dec, sales buffeted by shifting seasonal variations but with underlying momentum weak (see here for more). Q4 sales volumes are yet to be released but will likely be similar to the insipid 0.2% gain in Q3.
- Our **Westpac Card Tracker** and other monthly ABS indicators also show a similar pattern with slightly better Nov results (partly due to higher prices) giving way to a sharp weakening into year-end that has carried into early Jan. Consumer sector responses to business surveys also show a marked weakening into year-end.

11. Consumer spending: drivers and headwinds



12. Westpac Card Tracker Index



SENTIMENT INDICATORS: INTEREST RATES

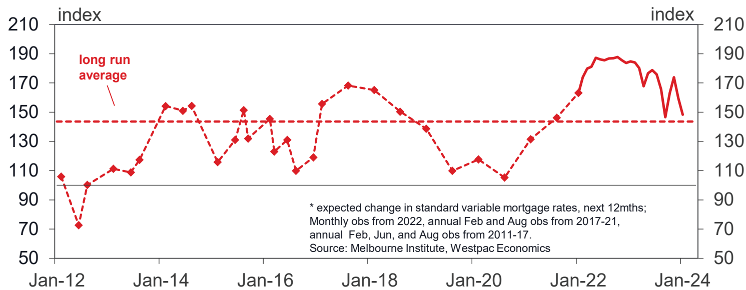
– Consumers' rate rise fears have eased since Oct but most still expect rates to move higher over the next 12mths. The **mortgage interest rate expectations** index, which tracks consumer views on the outlook for variable mortgage rates, dropped sharply, by 15.8% over Dec-Jan. That unwinds all of the rise leading into the RBA's Nov rate hike. At 147, the index is in line with its Apr low but still a touch above its long run avg (see Chart 13).

– Consumers may be less fearful of hikes but few expect rates to move lower any time soon. As at Jan, 52% expect rates to rise, 21% expect no change and just over 12% expect rates to move lower. Just over 14% reported 'don't know'/'no opinion'.

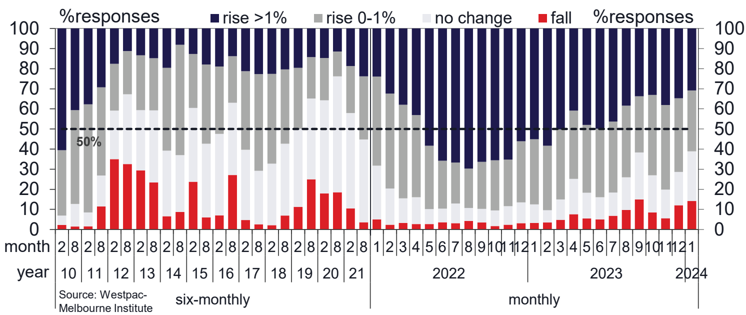
– The 52%/21%/12% mix compares to a 60%/15%/11% mix amongst those surveyed after the Dec RBA decision and a 73%/11%/4% mix amongst those surveyed after the RBA's rate hike in Nov. In contrast, futures markets are currently pricing in nearly 50bps in cuts by year-end and three out of four economists expect the cash rate to move lower in 2024.

– Changes to the RBA meeting schedule – moving from 11 to 8 meetings that are no longer on a monthly frequency – mean consumer rate views may be more stable in 2024. Note that, for the Mar, Jun and Sep surveys we have pushed back the timing of our survey to ensure it is in the field during the week of the RBA meeting.

13. Mortgage interest rate expectations



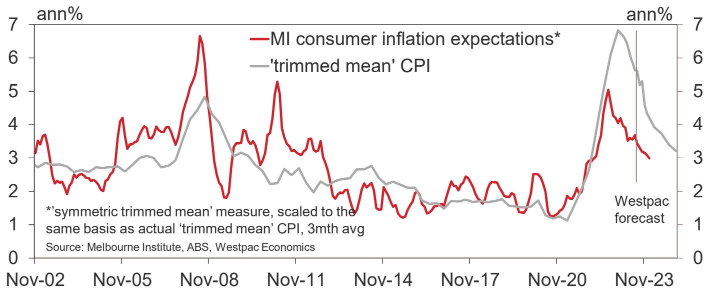
14. Consumer expectations for mortgage rates



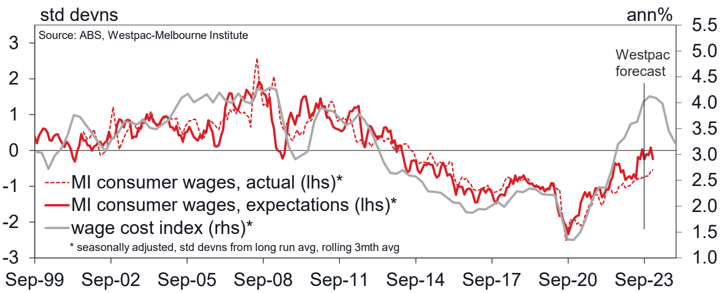
SENTIMENT INDICATORS: INFLATION

- Consumer expectations for inflation and wages growth continued to ease over the 3mths to Jan, both moving about 0.4pts lower but still at relatively high levels.
- The Melbourne Institute's 'symmetric mean' measure of consumers' year–ahead inflation expectations declined from 4.83% in Oct to 4.48% in Jan, well down from the 5.58% read a year ago and the 6.66% peak in mid 2022. Consumer inflation expectations are typically higher than observed inflation – Chart 15 gives a sense of how expectations look adjusted for this bias. On this basis, current expectations are broadly consistent with inflation tracking towards 3%yr by early 2025.
- The Melbourne Institute's 'symmetric mean' measure of consumers' year–ahead wage growth expectations declined from 1.35% in Oct to 0.92% in Jan, well down on the 1.56% peak in mid-2023 but a touch above the 0.81% avg over the five years prior to COVID.
- In contrast to inflation, this measure of consumer wage expectations is typically lower than observed wage growth, due in part to a high proportion of respondents reporting expectations for wage freezes or cuts (this recent RBA Bulletin article provides some detail). Allowing for this bias, current reads are broadly consistent with wages growth of just under 3%yr (see Chart 16).

15. CPI inflation: actual vs expected



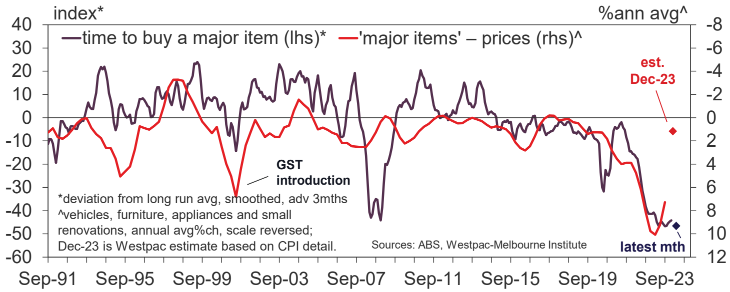
16. Wages growth: actual vs expected



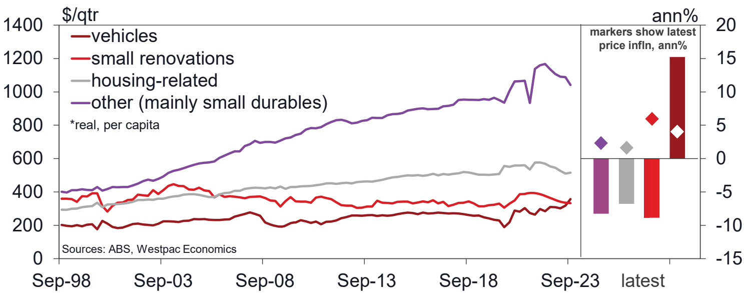
SENTIMENT INDICATORS: DURABLES

- The **'time to buy a major item'** sub–index continues to languish near historical lows, falling 5.4% over the three months to Jan. At 78, the sub-index remains at extreme lows in the bottom 1.5% of observations historically.
- The sub-index has captured the effects of surging prices on purchasing power. As such, it will be a key gauge of how slowing inflation is seeing the situation improve. It will also clarify the extent to which sentiment is shaped by price levels rather than growth. The stabilisation in durable goods prices over the second half of 2023 has done little to lift buyer sentiment so far, suggesting levels may be critical and that any improvement may be slow.
- Total spending on consumer durables lifted a little through the middle of 2023 but underlying trends are much weaker. All of the gain was due to a lift in vehicle purchases as delayed orders came through. Vehicle sales surged 12.5% in Q3 but have already seen a partial retracement in Q4 (down 3.3%qtr). Other categories are seeing per capita spending declines running in the 7-9%yr range.
- That said, the detail from our **Westpac Card Tracker** does suggest durables spend has been a little firmer since mid-2023 with modest gains coming across both vehicle related and other durables segments.

17. 'Time to buy a major item' vs prices



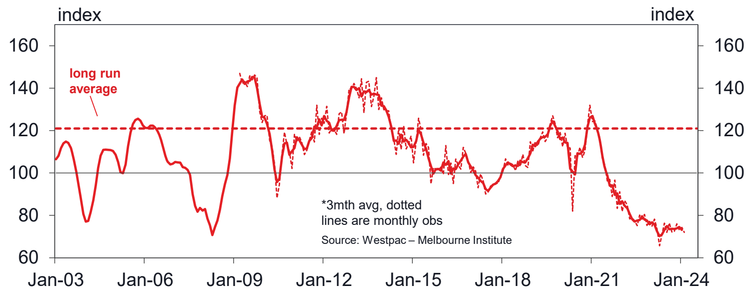
18. Consumer spending: 'big ticket' items



SENTIMENT INDICATORS: DWELLINGS

- Homebuyer sentiment continues to languish at historical lows. The **'time to buy a dwelling'** index fell 5.3% over the three months to Jan, lapsing back to just 72, nearly 50% below the long run average read of 121. As noted previously, the index is closely linked to affordability, current weak reads clearly reflecting the twin pressures of resurgent dwelling prices and high interest rates.
- The duration of the slump in buyer sentiment is becoming notable. Sub-85 index reads have now been recorded for two full years. The longest previous slump, during the early-90s recession, lasted about a year with other cycle lows typically only lasting six months or less.
- The negative consensus remains widespread with none of the 55 sub-groups we monitor recording a positive reading in Jan. Moreover, the segments that have 'given up the ghost' somewhat since Oct include consumers with an investment property, one of the few segments to register a positive assessment over the last year.
- The sub-group detail also shows a notable and widening divergence between males and females, the latter recording an extremely pessimistic response in Jan. Its unclear what exactly is behind the widening – some may be due to income differences but it may also reflect different attitudes towards risk (see p16).

19. 'Time to buy a dwelling'



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

SENTIMENT INDICATORS: HOUSE PRICES

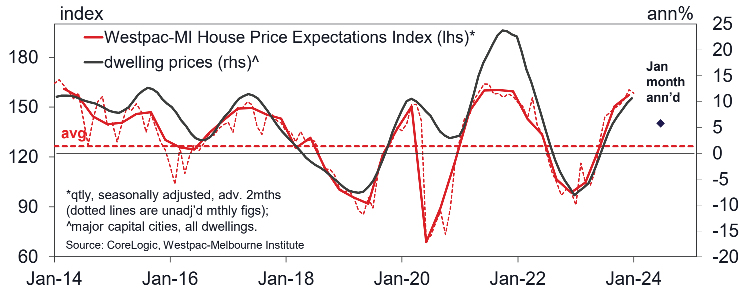
– Consumer house price expectations remain strongly positive. The **Westpac Melbourne Institute House Price Expectations Index** nudged slightly lower over the three months to Jan, dipping 1.4% to 158.1. However, this was coming from a cycle high and leaves the index a good 30pts above the long run avg of 126.

– A strong outright majority of consumers (67%) expect prices to continue rising over the next 12mths, albeit down on the 2021 peak of 76%. Around 13% expect double-digit price growth. Just over 9% expect prices to decline with 19% expecting no change this year. This time last year, over a third expected prices to be lower by now.

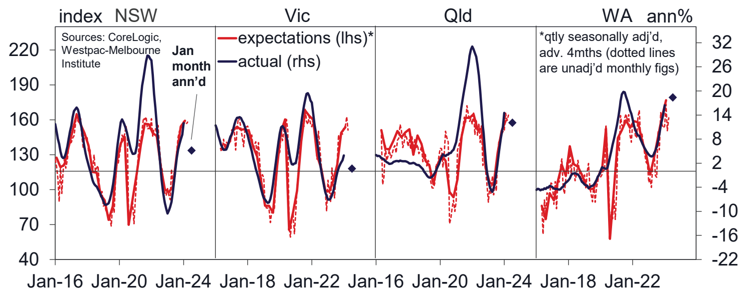
– The final wash-up shows dwelling prices rose 9.7% across the five major capital cities in 2023. This gain would have come as a surprise for most consumers with only a third picking a 0-10% rise a year ago with nearly half of consumers expecting the price correction to continue. The latest price data shows a moderation in growth since late last year that looks to have carried into early 2024.

– The state split shows optimism is broad -based but marginally more positive in Qld and WA and a touch less positive in Vic. The latter may be starting to reflect the slower momentum in the Melbourne market where prices only rose 3.5% in 2023 and have stalled flat since Aug.

21. Westpac–MI House Price Expectations Index



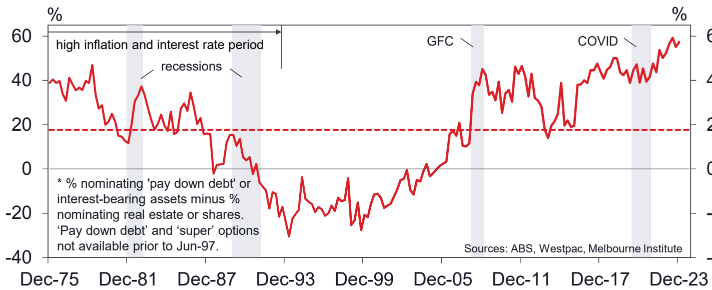
22. Dwelling prices: actual vs expected by state



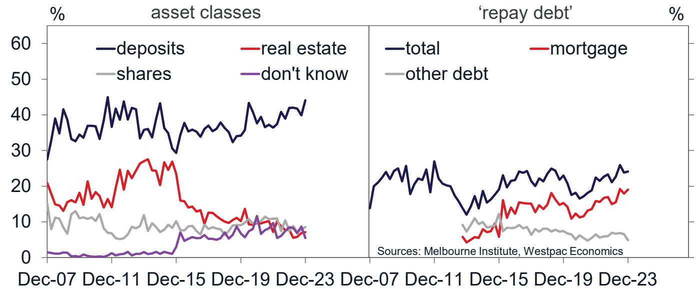
SENTIMENT INDICATORS: RISK AVERSION

- Consumer risk aversion remains very high. The **Westpac Consumer Risk Aversion Index** rose from 54.1 in Sep to 57.2 in Dec, the second highest reading since the mid-1970s, the highest read of just under 61 recorded in Jun last year.
- The index is based on responses to the 'wisest place for savings' questions. These showed a significant lift in the proportion favouring 'deposits', from 39% to 44% – on par with the highest levels seen since the early-90s recession. Aside from risk aversion, this will also reflect the higher returns on offer – the average 1yr term deposit rate hitting 4.55% in Dec, an 11yr high and up sharply on the 1.3% avg over 2018-2022.
- Other components were largely unchanged, the share nominating 'pay down debt' holding steady at 27% and the proportion favouring 'real estate' also unchanged at 7.4% (near record lows). The split showed a slight lift in the proportion nominating 'shares', from 7.2% to 8.3%, but this was still in line with the average for 2023.
- The survey detail shows risk aversion is more elevated in NSW and WA, in non-metro areas, amongst consumers with a mortgage (understandably), those aged 45-64, and amongst females. The latter is particularly stark with an Index read across female respondents close to 61 and 53 across male respondents.

23. Westpac Consumer Risk Aversion Index vs savings rate

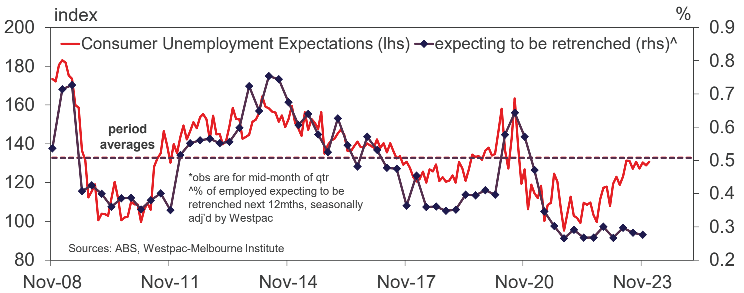


24. Consumer: 'wisest place for savings'

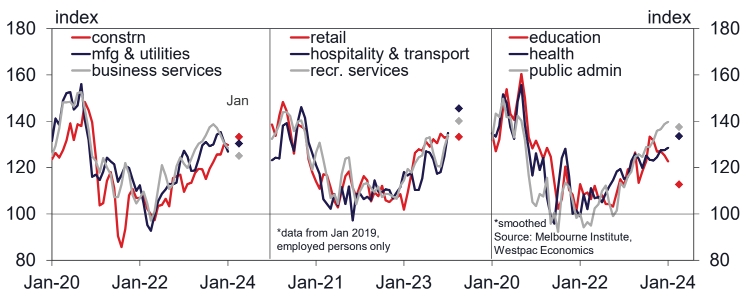


- Labour market conditions remain a key steadying factor in what is otherwise a very challenging environment for consumer sentiment. The **Westpac Melbourne Institute Index of Unemployment Expectations** continued to hold fairly steady around 'neutral' levels, a 2.7% gain over the three months to Jan reversing a 3% dip over the previous three months (recall that higher index reads means more consumers expect unemployment to rise in the year ahead). At 130.7, the index is a touch above the long run avg of 129.
- To date, readings remain consistent with flat labour market conditions rather than a sharp spike in unemployment.
- Other data sources indicate that few consumers are facing imminent job loss. The ABS labour force survey includes a quarterly question asking workers whether they expect to be retrenched over the next 12mths. Currently less than 0.3% expect to be let go, unchanged from recent lows and well below the long run avg of 0.5%. While labour-shedding often comes as a surprise (the actual retrenchment rate is about 1% on avg) this measure usually foreshadows shifts.
- That said, new hiring is clearly slowing. The avg 3mth pace of job gains was 17.2k in Dec, down from 40-50k/mth mid-year (see here for more). Job vacancies are also declining, albeit slowly (see here).

25. Unemployment expectations



26. Unemployment expectations: by industry sector



STATE SNAPSHOT: NEW SOUTH WALES

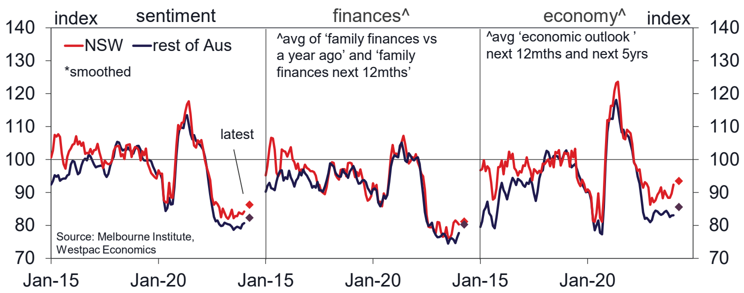
– The last time our snapshot checked in on NSW, at the start of 2023, the state's consumers had become deeply pessimistic as a post-COVID reopening flourish had given way to intense concerns about surging inflation and rapid rate rises. That said, sentiment in the state was less pessimistic than elsewhere. Its a similar story in early 2024, with NSW posting sentiment index reads in the 82-86 range compared to the 79-80 reads being recorded across the rest of Aus.

– Components show NSW consumers are a lot less anxious about the economic outlook. In index terms, both 12mth and 5yr views on the economy are a good 9pts higher in NSW than elsewhere.

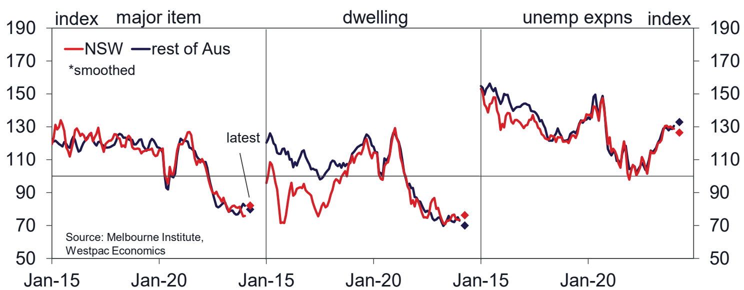
– NSW consumers are also less negative on 'time to buy a major item' assessments and are slightly less negative on 'family finances'. In both cases, the 'gap' vs the rest of Aus has narrowed materially in the latest month. NSW consumers are also a little more upbeat on unemployment expectations. More surprisingly, they are a little less downbeat than interstate peers on 'time to buy a dwelling' despite more stretched housing affordability.

– Interestingly, the regional detail shows sentiment over the last year has been more resilient amongst Sydneysiders than consumers in regional NSW. However, easing pessimism in regional NSW has narrowed the gap since July.

27. Consumer sentiment, finances, economy: NSW vs rest of Aus



28. Consumer 'time to buy', unemp expns: NSW vs rest of Aus



ECONOMIC AND FINANCIAL FORECASTS

Interest rate forecasts

Australia	Latest	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
Cash	4.35	4.35	4.35	4.10	3.85	3.60	3.35	3.10	3.10
90 Day BBSW	4.33	4.55	4.47	4.22	3.97	3.72	3.47	3.30	3.30
3 Year Swap	3.76	4.15	4.10	4.05	4.00	3.90	3.70	3.60	3.50
3 Year Bond	3.57	3.95	3.90	3.85	3.80	3.70	3.50	3.40	3.30
10 Year Bond	4.01	4.35	4.30	4.20	4.15	4.10	4.05	4.00	4.00
10 Year Spread to US (bps)	7	10	10	5	5	5	0	0	0
US									
Fed Funds	5.375	5.125	4.875	4.625	4.375	4.125	3.875	3.625	3.375
US 10 Year Bond	3.95	4.25	4.20	4.15	4.10	4.05	4.05	4.00	4.00

Exchange rate forecasts

	Latest	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25
AUD/USD	0.6571	0.67	0.68	0.69	0.70	0.71	0.72	0.72	0.73
NZD/USD	0.6137	0.62	0.62	0.62	0.63	0.63	0.63	0.63	0.64
USD/JPY	146.58	145	144	141	138	135	132	130	127
EUR/USD	1.0820	1.09	1.11	1.13	1.14	1.15	1.16	1.17	1.17
GBP/USD	1.2693	1.26	1.27	1.28	1.29	1.30	1.30	1.31	1.31
USD/CNY	7.1777	7.10	6.90	6.80	6.70	6.60	6.50	6.40	6.30
AUD/NZD	1.0708	1.08	1.11	1.11	1.11	1.13	1.14	1.14	1.15

Sources: Bloomberg, Westpac Economics.

Australian economic growth forecasts

	2023			2024			
	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f
GDP % qtr	0.4	0.2	0.2	0.3	0.3	0.4	0.5
%yr end	2.0	2.1	1.4	1.2	1.0	1.3	1.6
Unemployment rate %	3.6	3.7	3.8	4.0	4.2	4.4	4.5
Wages (WPI)	0.9	1.3	0.9	0.9	0.8	0.8	0.7
annual chg	3.6	4.0	4.1	4.1	4.0	3.5	3.2
CPI Headline	0.8	1.2	0.6	0.7	0.8	1.0	0.7
annual chg	6.0	5.4	4.1	3.5	3.5	3.3	3.2
Trimmed mean	1.0	1.2	0.8	0.9	0.8	0.8	0.7
annual chg	5.9	5.2	4.2	4.0	3.8	3.4	3.2

	Calendar years			
	2022	2023e	2024f	2025f
GDP % qtr	–	–	–	–
%yr end	2.3	1.4	1.6	2.5
Unemployment rate %	3.4	3.8	4.5	4.6
Wages (WPI)	–	–	–	–
annual chg	3.3	4.1	3.2	3.0
CPI Headline	–	–	–	–
annual chg	7.8	4.1	3.2	2.8
Trimmed mean	–	–	–	–
annual chg	6.8	4.2	3.2	2.8

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

	2023				2024			
% change	**Q1**	**Q2**	**Q3**	**Q4e**	**Q1f**	**Q2f**	**Q3f**	**Q4f**
Total private consumption*	0.1	0.1	0.0	0.1	0.1	0.1	0.4	0.4
annual chg	3.1	1.1	0.4	0.3	0.3	0.3	0.7	1.0
Real labour income, ann chg	2.9	2.6	2.4	3.4	2.6	2.2	0.8	0.7
Real disposable income, ann chg**	-4.1	-2.8	-3.5	-0.1	0.2	0.5	2.0	1.8
Household savings ratio	3.5	2.8	1.1	1.7	1.3	1.0	1.6	1.7
Real retail sales, ann chg	0.3	-1.5	-1.7	-1.0	-0.1	0.8	0.9	1.0
Motor vehicle sales (‘000s)***	813	858	966	933	910	892	922	952
annual chg	4.6	14.4	22.0	15.8	11.9	3.9	-4.5	2.0

	Calendar years			
	2021	**2022**	**2023e**	**2024f**
Total private consumption, ann chg*	5.3	6.6	1.2	0.6
Real labour income, ann chg	4.4	3.2	2.8	1.6
Real disposable income, ann chg**	2.1	-0.9	-2.7	1.1
Household savings ratio, %	14.3	7.3	2.3	1.4
Real retail sales, ann chg	3.5	5.1	-1.0	0.6
Motor vehicle sales (‘000s)	756	781	893	919
annual chg	12.1	3.3	14.3	3.0

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 DATA AND FORECASTS

Consumer sentiment

		2023				
% change	**avg^**	**Apr**	**May**	**Jun**	**Jul**	**Aug**
Westpac–MI Consumer Sentiment Index	100.8	85.8	79.0	79.2	81.3	81.0
family finances vs a year ago	88.5	70.1	63.0	65.4	62.2	64.3
family finances next 12 months	106.8	95.5	85.8	84.0	89.7	89.9
economic conditions next 12 months	90.7	85.4	77.3	77.2	81.4	78.2
economic conditions next 5 years	92.0	96.0	87.2	92.7	94.3	93.5
time to buy major household item	124.8	82.1	81.7	76.4	78.8	79.0
time to buy a dwelling	121.0	71.1	76.3	72.0	76.4	72.1
Westpac–MI Consumer Risk Aversion Index^^	17.7	–	–	59.2	–	–
CSI±	100.6	72.5	68.0	66.7	68.2	69.2
Westpac–MI House Price Expectations Index#	126.5	130.3	144.3	146.7	149.3	151.2
consumer mortgage rate expectations#	40.5	67.2	76.2	78.9	74.8	64.3
Westpac–MI Unemployment Expectations	129.0	118.9	123.2	131.3	131.2	127.2
MI inflation expectations (trimmed mean)	4.4	4.6	5.2	5.2	5.2	4.9
MI wage expectations (trimmed mean)	1.3	1.1	0.8	1.6	1.2	1.2

					2024
continued	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**
Westpac–MI Consumer Sentiment Index	79.7	82.0	79.9	82.1	81.0
family finances vs a year ago	61.5	63.1	64.4	68.2	63.0
family finances next 12 months	91.6	93.9	87.0	90.4	93.0
economic conditions next 12 months	78.5	78.3	80.5	78.7	81.8
economic conditions next 5 years	90.5	92.4	86.5	94.9	89.1
time to buy major household item	76.6	82.4	81.3	78.2	78.0
time to buy a dwelling	72.5	76.0	73.2	74.3	72.0
Westpac–MI Consumer Risk Aversion Index^^	55.1	–	–	57.4	–
CSI±	68.6	70.9	69.0	69.9	69.2
Westpac–MI House Price Expectations Index#	154.6	160.4	158.4	157.3	158.1
consumer mortgage rate expectations#	46.7	64.6	74.6	59.3	47.0
Westpac–MI Unemployment Expectations	130.8	127.3	130.4	128.9	130.7
MI inflation expectations (trimmed mean)	4.6	4.8	4.9	4.5	4.5
MI wage expectations (trimmed mean)	1.0	1.3	1.2	1.3	0.9

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