



8 October 2024

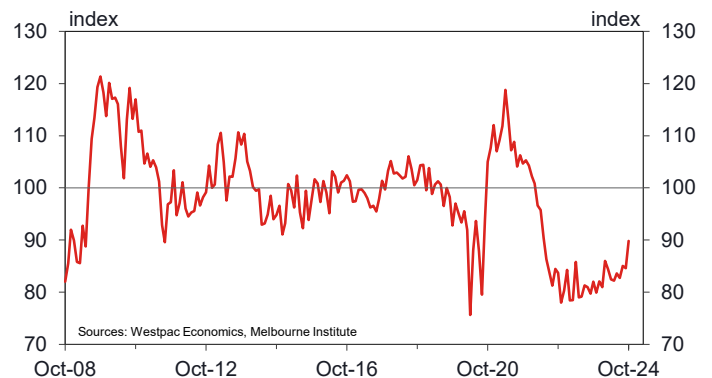
# WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

## Key points

- Consumer Sentiment rises 6.2% to 89.8, a two and a half year high.
- Consumer expectations for interest rates fall sharply.
- Cost-of-living pressures continue to moderate, but progress remains slow.
- Consumers see finances broadly stabilising over the year ahead.
- Home-buyer sentiment improves slightly but still downbeat overall.
- House price expectations tick up, gain centred on Victoria and New South Wales.

## Consumer Sentiment Index



**Westpac-Melbourne Institute Consumer Sentiment Index rises 6.2% to 89.8 in October from 84.6 in September.**

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 pessimism eases as rate rise fears subside



**Matthew Hassan**  
Head of Australian Macro-Forecasting

The Westpac-Melbourne Institute Consumer Sentiment Index rose 6.2% to 89.8 in October from 84.6 in September.

**This is the most promising update we have seen over the cycle to date. While pessimism still dominates, the October consumer sentiment read is the best since the RBA interest rate tightening phase began two and a half years ago. Expectations have been buoyed by interest rate cuts abroad and more promising signs that inflation is moderating locally. Consumers are no longer fearful that the RBA could take interest rates higher. However, responses around family finances suggest progress on cost-of-living pressures – the main source of negative sentiment reads overall – is still slow.**

October saw another big shift in consumer views on interest rates. The **Westpac-Melbourne Institute Mortgage Rate Expectations Index**, which tracks consumer expectations for variable mortgage rates over the next 12 months, dropped 14.1% in October to be down by a third since July.

At 106.4, the Index is at its lowest level since the RBA was actively easing policy during COVID and on a par with the lows seen during previous periods of interest rate cuts over the last 14 years (the question was first added to the survey in 2010). The detail shows just over half of consumers now expect mortgage rates to be unchanged or lower over the year ahead, compared with about a quarter back in July.

The headline Consumer Sentiment Index is a composite measure based on five sub-indexes that capture responses to more specific questions: two on family finances, two on the economic outlook and one on whether now is a good time to buy a major household item. While all sub-indexes improved in October, the biggest moves were around expectations for the economy.

Easing rate rise fears drove a particularly big lift in near term expectations. The ‘economic outlook, next 12 months’ sub-index jumped 14.3% to 92.8, and the ‘economic outlook, next 5 years’ sub-index rose 8% to 97.8. Both sub-indexes are now slightly above their long run averages – the first time we have seen this since May 2022.

Views on family finances showed more muted gains, with the ‘family finances vs a year ago’ and ‘family finances, next 12 months’ sub-indexes both rising 2.8% in October. The picture here is still of intense cost-of-living pressures but with the forward view indicating that consumers expect the situation to stabilise over the year ahead.

Finances remain under pressure despite recent fiscal measures. At 73.8, the ‘family finances vs a year ago’ sub-index is still deeply negative.

That said, it has improved, rising 16.8% from its May low. Recent tax cuts, and a range of government measures aimed at easing energy, rent and transport costs are providing some support. The drag from previous interest rate rises has also dissipated – average variable mortgage rates have risen just 0.25ppts over the last 12 months compared with the 1.75ppts over the previous 12 months. Across consumers with a mortgage, this sub-index has risen 27.8% since May.

**“... the best [read] since the RBA interest rate tightening phase began two and a half years ago.”**

Consumers broadly expect their finances to stabilise over the year ahead. At 99.7, the ‘family finances, next 12 months’ sub-index is close to the ‘neutral’ level of 100 meaning the proportion of consumers expecting their finances to improve is roughly the same as the proportion expecting a deterioration. Again, consumers with a mortgage are showing a larger improvement since May, with this sub-index up 10% for this sub-group compared with a 3.8% gain across consumers more broadly.

The ‘time to buy a major household item’ sub-index rose 3% to 85.1 in October, still well below its long run average of 124.2. This measure and consumer views on family finances are more closely correlated with actual spending than other components, suggesting demand will remain subdued despite the improved headline Index read.

The shifting interest rate and economic outlook has seen consumers become a little less anxious about jobs. The **Westpac-Melbourne Institute Unemployment Expectations Index** fell 6.2% to 129.8 in October (recall that lower index reads mean more consumers expect unemployment to fall over the year ahead).

The move unwinds most of the slight deterioration seen over the previous two months and brings the index back in line with its long run average. The detail showed notable improvements in NSW and amongst those employed in the construction sector (unemployment index reads for these sub-groups both down 14% in the October month).

The shifting outlook for interest rates gave a modest lift to housing-related sentiment, although the main theme here continues to be the stark divergence between very weak buyer sentiment and upbeat price expectations.

The 'time to buy a dwelling' index rose 2.5% to 78. While buyer sentiment remains deeply pessimistic, this is highest read since the start of last year.

The state breakdown suggests local factors are also at play. The October month saw particularly strong gains in Queensland (+32%) and South Australia (+19%) where state governments have introduced additional assistance for first home buyers. In contrast, buyer sentiment fell sharply in Western Australia (-10.5%), where rampant price growth is seeing a rapid deterioration in affordability, and in Victoria (-8.9%) where an overhang of on-market supply and recent state government tax changes are the main issue.

The **Westpac-Melbourne Institute Index of House Price Expectations** rose 1.8% to 153.2. Despite the gain, the index is still off its most recent high of 163.8 recorded in June. The October gain was led by Victoria (+9.1%) and New South Wales (+5.4%) which both posted partial rebounds from September declines. Price expectations softened in Queensland (-5.8%) and Western Australia (-7.2%) where they were coming from a stronger starting point last month. The detail shows over two thirds (66%) of consumers still expect prices to rise over the next year, with state responses ranging from 61% in Victoria to 70-75% across the other major states.

The Reserve Bank Board next meets on November 4-5. While the cash rate target is likely to remain unchanged for the remainder of the year, we expect the Board to make some significant changes to its messaging, moving away from the 'hawkish hold' it has communicated in recent meetings.

The Board's discussions in November will be heavily influenced by the September quarter CPI update due on October 30. We expect this to show annual inflation tracking back to 3.5% on both headline and trimmed mean measures, with the six-month annualised pace of trimmed mean inflation also set to drop to 3%. While that's unlikely to be enough for the Board to shift to an explicit easing bias, there should be enough additional comfort around the inflation outlook for the Board to start to relax its 'vigilant' stance on policy. As our October survey highlights, that will come as welcome relief for consumers even if actual progress on cost-of-living pressures continues to be slow.

## Consumer Sentiment – October 2024

	avg*	Oct 2022	Oct 2023	Sep 2024	Oct 2024	%mth	%yr
<b>Consumer Sentiment Index</b>	<b>100.5</b>	<b>83.7</b>	<b>82.0</b>	<b>84.6</b>	<b>89.8</b>	<b>6.2</b>	<b>9.5</b>
Family finances vs a year ago	88.2	69.3	63.1	71.8	73.8	2.8	16.9
Family finances next 12mths	106.7	92.0	93.9	97.0	99.7	2.8	6.2
Economic conditions next 12mths	90.6	79.7	78.3	81.2	92.8	14.3	18.5
Economic conditions next 5yrs	92.0	92.5	92.4	90.6	97.8	8.0	5.8
Time to buy a major household item	124.1	85.1	82.4	82.6	85.1	3.0	3.2
Time to buy a dwelling	120.3	75.3	76.0	76.1	78.0	2.5	2.6
Unemployment Expectations Index	129.2	111.3	127.3	138.4	129.8	-6.2	2.0
House Price Expectations Index	126.5	99.0	160.4	150.5	153.2	1.8	-4.5
Interest Rate Expectations Index	143.4	188.7	164.6	123.8	106.4	-14.1	-35.4

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 30 September to 4 October 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](mailto:economics@westpac.com.au)

### Luci Ellis

Chief Economist Westpac Group  
E: [luci.ellis@westpac.com.au](mailto:luci.ellis@westpac.com.au)

### Matthew Hassan

Head of Australian Macro-Forecasting  
E: [mhassan@westpac.com.au](mailto:mhassan@westpac.com.au)

### Elliot Clarke

Head of International Economics  
E: [eclarke@westpac.com.au](mailto:eclarke@westpac.com.au)

### Justin Smirk

Senior Economist  
E: [jsmirk@westpac.com.au](mailto:jsmirk@westpac.com.au)

### Pat Bustamante

Senior Economist  
E: [pat.bustamante@westpac.com.au](mailto:pat.bustamante@westpac.com.au)

### Mantas Vanagas

Senior Economist  
E: [mantas.vanagas@westpac.com.au](mailto:mantas.vanagas@westpac.com.au)

### Ryan Wells

Economist  
E: [ryan.wells@westpac.com.au](mailto:ryan.wells@westpac.com.au)

### Illiana Jain

Economist  
E: [illiana.jain@westpac.com.au](mailto:illiana.jain@westpac.com.au)

### Jameson Coombs

Economist  
E: [jameson.coombs@westpac.com.au](mailto:jameson.coombs@westpac.com.au)

### Neha Sharma

Economist  
E: [neha.sharma1@westpac.com.au](mailto:neha.sharma1@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](mailto:economics@westpac.co.nz)

### Kelly Eckhold

Chief Economist NZ  
E: [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

### Michael Gordon

Senior Economist  
E: [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

### Darren Gibbs

Senior Economist  
E: [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

### Satish Ranchhod

Senior Economist  
E: [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

### Paul Clark

Industry Economist  
E: [paul.clarke@westpac.co.nz](mailto:paul.clarke@westpac.co.nz)

## Westpac Economics / Fiji

### Suva

1 Thomson Street  
Suva, Fiji

### Shamal Chand

Senior Economist  
E: [shamal.chand@westpac.com.au](mailto:shamal.chand@westpac.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](http://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.