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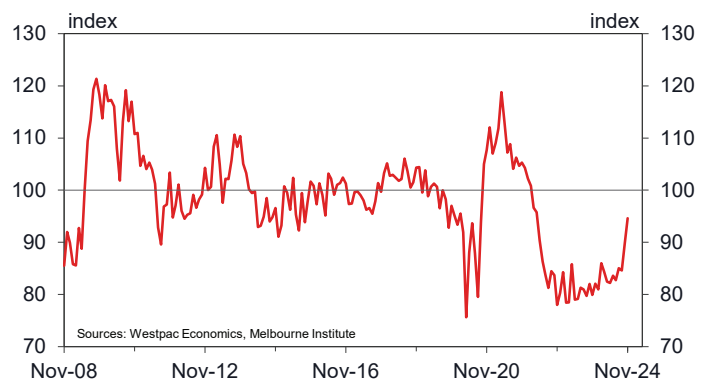
WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

Key points

- Westpac Consumer Sentiment up 5.3% to 94.6.
- Consumers now optimistic about outlook for economy and finances.
- Responses over the week show a pull-back after the US election.
- Job loss fears drop to a 19-month low.
- Consumers' Christmas spending plans more 'average' than 'austere'.

Consumer Sentiment Index



Westpac-Melbourne Institute Consumer Sentiment Index rose 5.3% to 94.6 in November from 89.8 in October.

Consumer sentiment improves again but detail a little shaky



Matthew Hassan
Head of Australian Macro-Forecasting

The Westpac–Melbourne Institute Consumer Sentiment Index rose 5.3% to 94.6 in November from 89.8 in October.

The consumer recovery gained more traction through October–November but the survey detail suggests some of this momentum has been checked by renewed uncertainty following the US election.

Overall, the consumer mood has continued to build on last month’s promising gain, with the Index now up 14.4% from its mid-year lows and only 5.4pts below the ‘neutral’ level of 100. Consumers are seeing some further easing in the pressure on family finances, are no longer concerned about the risk of further interest rate rises and are becoming more confident about the economic outlook. However, some big shifts over the course of the survey week suggest the lift in confidence is shakier than it looks.

The November survey was in the field over the week ending November 9. As such, it provides a gauge of consumer reactions to both the RBA’s November monetary policy decision, announced on November 5, and the US election which saw results coming in over the course on November 6 (most media agencies declared the Trump victory late in the evening). While the timing is not ‘clean’ and small sample sizes mean they are subject to more volatility, daily sentiment reads give some insight into the impact of these events.

Three things stand out. Firstly, consumer sentiment was markedly higher at the start of the week with an index read of 99.7 amongst those surveyed prior to the RBA announcement.

Secondly, sentiment was unaffected by the RBA decision, with the index unchanged on November 5.

Thirdly, sentiment posted a sharp fall following the US election result but with a tentative recovery forming towards the end of the week, with an average index read of 91.1 amongst responses gathered between November 6 and November 9.

Needless to say, these swings make the November result trickier to assess. Whether the strong start, or weaker finish to the week are a better guide depends on how lasting the post-US election drop is expected to be. That translates to a $\pm 5\%$ range on the November index read, an unusually high degree of uncertainty.

That said, the mood does look to be improving and is providing some more positive signs for retailers ahead of the all-important Christmas high season. Certainly, spending plans are looking less austere than in previous years.

Our November surveys include an additional question about Christmas spending intentions, asking consumers whether they plan to spend less, the same or more on gifts than last year.

Responses show just over 35% of consumers still plan to spend less on gifts than last year. However, that is a clear improvement on the 40% that were planning to cut back this time last year, which followed a similarly weak read in 2022 (the 2022 and 2023 reads were the most downbeat responses since the question was first run in 2009). The average across other years shows about a third of consumers reported planning to spend less on Christmas.

“... some big shifts over the course of the survey week suggest the lift in confidence is shakier than it looks.”

Consumers are becoming ‘cautiously optimistic’ about the outlook for both the economy and their finances.

The headline Consumer Sentiment Index is a composite measure based on five sub-indexes: two tracking views on family finances, two on the economic outlook and one on whether now is a good time to buy a major household item.

The forward-looking components outperformed in November.

The biggest gains were in the ‘economic outlook, next 12 months’ sub-index which rose 8.7% to 100.9. This marks the first optimistic read, over the 100-level, since the Christmas coming out of the COVID pandemic.

The forward view on family finances also improved. The ‘family finances, next 12 months’ sub-index rose 4.4% to 104.1. The sub-group detail showed particularly strong gains amongst Queenslanders, middle-income earners and amongst those aged 55–64.

Current assessments of family finances also point to some further easing in cost-of-living pressures, albeit with sentiment still deeply negative. The ‘family finances vs a year ago’ sub-index rose 6.8% and is now up 25% from its May low. However, at 78.8, the sub-index still shows pessimists greatly outnumber optimists. Tax cuts, fiscal support measures and stable interest rates are improving the situation, but many consumers are still clearly struggling to keep up financially, let alone get ahead.

Reflecting these challenges, buyer sentiment is the main component lagging the wider sentiment recovery. The 'time to buy a major household item' sub-index barely changed in November and is up only 3.1% over the last two months. At 85.2, it remains well below neutral and even further below its long run average of 124.2. The continued poor reads suggest that despite the slowdown in inflation it will take a long time to restore consumers' sense of purchasing power.

More positively, Australians are becoming much more assured about the labour market outlook. The **Westpac-Melbourne Institute Unemployment Expectations Index** fell 7.2% to 120.5 in November, marking the most confident labour market assessment since April last year (recall that lower index reads mean more consumers expect unemployment to fall over the year ahead). The detail shows particularly big improvements in Western Australia and amongst those employed in the health, finance and construction sectors (unemployment index reads for these sub-groups improving by around 20% over the last two months).

The more confident outlook also looks to have given a boost to housing-related sentiment. The 'time to buy a dwelling' index surged 11.3% in November to 86.8, the highest read in nearly three years. The gain centred on a particularly big rise in Victoria where modest price slippage over the last year looks to be generating a lift in buyer interest (the state index rose 31.5% to 101.3). Buyer sentiment is still relatively weak elsewhere, in the 80-87 range across New South Wales, Queensland and South Australia and at an extremely weak 66 in Western Australia.

House price expectations remain positive but with some notable shifts across states. Nationally, the **Westpac-Melbourne Institute House Price Expectations Index** declined 2.1% to 150.1.

However, the state detail showed a particularly steep fall in Western Australia, down -17% to 129.6, bringing the state index into line with its long run average. House price growth remains very strong in Perth but the reading suggests locals no longer see this being sustained. There was also a significant 6.2% drop in New South Wales, where price growth has been flattening in recent months. Price expectations remain more bullish in Queensland (159) and South Australia (158.7) where they were coming from a stronger starting point last month.

Consumers remain relatively dovish on the outlook for interest rates. The **Westpac-Melbourne Institute Mortgage Rate Expectations Index**, which tracks consumer expectations for variable mortgage rates over the next 12 months, declined 3.2% in November to 103.0, marking the lowest level since August 2012. Just over 52% of consumers expect mortgage rates to be unchanged or lower by this time next year. That is nearly twice the 27% of consumers that expected 'no rate rises' back in July.

The Reserve Bank Board next meets on December 9-10. Westpac expects the Board to again keep rates on hold at that meeting, even though incoming data on wages growth and demand in Australia are likely to provide further confirmation that domestic inflation pressures are subsiding. The latest improvement in consumer sentiment relates more to the improving inflation environment than a lift in demand. If the recent declining inflation trend remains on track, the Board should be in a position to reduce the restrictiveness of monetary policy in the new year

Consumer Sentiment – November 2024

	avg*	Nov 2022	Nov 2023	Oct 2024	Nov 2024	%mth	%yr
Consumer Sentiment Index	100.5	78.0	79.9	89.8	94.6	5.3	18.4
Family finances vs a year ago	88.1	66.9	64.4	73.8	78.8	6.8	22.3
Family finances next 12mths	106.7	81.7	87.0	99.7	104.1	4.4	19.6
Economic conditions next 12mths	90.6	74.2	80.5	92.8	100.9	8.7	25.4
Economic conditions next 5yrs	92.0	85.8	86.5	97.8	104.2	6.5	20.4
Time to buy a major household item	124.1	81.4	81.3	85.1	85.2	0.1	4.7
Time to buy a dwelling	120.3	77.1	73.2	78.0	86.8	11.3	18.6
Unemployment Expectations Index	129.2	117.3	130.4	129.8	120.5	-7.2	-7.6
House Price Expectations Index	126.5	91.1	158.4	153.2	150.1	-2.1	-5.2
Interest Rate Expectations Index	143.2	186.0	174.6	106.4	103.0	-3.2	-41.0

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 4 November to 9 November 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.

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