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WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

Key points

- Westpac Consumer Sentiment Index up 2.2% to 92.1 in May.
- Index recovers about a third of April's tariff-related fall.
- Solid rebound in views on finances led by sharemarket rally, lower fuel prices.
- Benign inflation shores up consumer expectations for interest rate cuts.

Consumer Sentiment Index



The Westpac–Melbourne Institute Consumer Sentiment Index rose 2.2% to 92.1 in May from 90.1 in April.

Consumer sentiment improves slightly



Matthew Hassan
Head of Australian Macro-Forecasting

The Westpac–Melbourne Institute Consumer Sentiment Index rose 2.2% to 92.1 in May from 90.1 in April.

Consumer sentiment has recovered just over a third of last month's tariff-related fall, buoyed by a rebound in financial markets and a clear-cut Federal election result. The 2.2% rise in the Index month-to-month understates the extent of the improvement. Recall that our April survey was in the field over the week that included the 'reciprocal tariffs' announced by US President Trump. Sentiment was markedly weaker amongst those surveyed after the announcement with an average index read of just 86.6. Against this benchmark, the May read of 90.1 is more like a 6% rebound. That said, the Index is still 3.9% below its March level and in 'firmly pessimistic' territory overall.

The **Consumer Sentiment Index** is a composite measure based on five sub-indexes: two tracking assessments of family finances, two tracking expectations for the economy and one on whether now is 'a good time to buy a major household item'. Four of the five components improved in the month of May but all remain below their levels in March.

The 'family finances vs a year ago' sub-index recorded the biggest improvement, rising 7% to 75.1, retracing three quarters of the sharp 8.5% fall in April. The move mirrors the rebound in global share markets – the S&P/ASX200 up 7.4% between the April and May surveys, having fallen 10% over the previous two months. These swings continue to have more marked impacts on sub-groups higher market exposure, including through superannuation holdings – assessments surged 23% for those aged over 65 and 14% for those aged 55–64.

There also looks have been some support from the lower cost of petrol, which can be a big expenditure item for some sub-groups. Since our April survey, average pump prices have declined 13¢ to \$1.54/litre nationally. This likely accounts for some of the strong improvement in finance assessments amongst renters (+8.2%) and those aged 18–24 (+7.2%).

Consumers were less convinced about the outlook for their finances. Indeed, the 'family finances, next 12 months' was the only sub-index to deteriorate in May, dipping 0.8% to 100.7. While that still leaves the Index in optimistic territory, expectations have moved from cautiously optimistic a few months ago to just above neutral, falling 7% in the last two months alone.

The less confident outlook for family finances is despite a more confident view on the prospect of interest rate cuts. The Westpac–Melbourne Institute Mortgage Rate Expectations

Index, which tracks consumer expectations for variable mortgage rates over the next 12 months, fell 7.5% to 90.8, returning to the levels seen through February–March. The benign March quarter CPI update released on April 30 would have gone some way towards shoring up expectations.

Around the economy, consumer expectations for the year ahead posted a solid rally but five-year views were largely unchanged. The 'economic outlook, next 12 months' sub-index rose 2.8% to 93, reversing nearly half of the previous month's fall. The 'economic outlook, next 5 years' sub-index was up just 0.2% to 98.6. Both sub-indexes are still down about 3% compared to their pre-tariff announcement levels in March.

“... the Index is still 3.9% below its March level and in ‘firmly pessimistic’ territory overall.”

Consumers are a little less downbeat on spending. The 'time to buy a major household item' sub-index rose 3.5% to 93.2. This sub-index has seen the biggest improvement on a year ago, up 21.9%, reflecting moderating inflation and an easing in 'cost of living' concerns. That said, the recovery has lost its way a little in early 2025 with buyer sentiment retracing 4% over the last two months and recent updates showing retail sales and broader indicators of spending stalling flat in the March quarter.

Responses across the survey week and across voter sub-groups suggest the Federal election result was a small positive in the May month. Sentiment was notably higher amongst those surveyed in the first few days of the week. For the survey as a whole, moves followed party lines but the combined effect of a bounce amongst ALP and swing voters slightly outweighed the fall amongst Coalition voters.

Consumers gained a little more confidence around jobs. The Westpac–Melbourne Institute Unemployment Expectations Index declined 2.1% to 121.3 in May (recall that lower index reads mean more consumers expect unemployment to fall over the year ahead). The Index remains well below the long run average read of 129.

On housing, consumers were less pessimistic on assessments of 'time to buy' and more positive on the price outlook.

The 'time to buy a dwelling' index rebounded 5.1% to 90, pessimists still outnumbering optimists but by the second narrowest margin since late 2021.

The **Westpac–Melbourne Institute Index** of House Price Expectations rose 1.4% to 155.5. Some 87% of consumers expect prices to be the same or higher in a year's time. Consumers in NSW (159.6) and South Australia (158) remain a little more bullish, particularly compared to those in Victoria (153.3) and Queensland (152.9).

The Reserve Bank Monetary Policy Board meets on May 19–20. Westpac expects the Board to cut the cash rate by another 25bps to 3.85%. Latest updates show all measures of inflation are now back within the 2-3% target band. Current policy settings are still weighing on the consumer, as shown by both pessimistic sentiment reads and slow growth in spending. As such, some further easing in these restrictive settings is appropriate, particularly given the more unsettled and threatening global backdrop.

Consumer Sentiment – May 2025

	avg*	May 2023	May 2024	Apr 2025	May 2025	%mth	%yr
Consumer Sentiment Index	100.4	79.0	82.2	90.1	92.1	2.2	12.0
Family finances vs a year ago	88.0	63.0	63.2	70.2	75.1	7.0	18.8
Family finances next 12mths	106.6	85.8	96.1	101.6	100.7	–0.8	4.8
Economic conditions next 12mths	90.6	77.3	83.2	90.5	93.0	2.8	11.8
Economic conditions next 5yrs	92.1	87.2	92.2	98.4	98.6	0.2	7.0
Time to buy a major household item	123.8	81.7	76.5	90.0	93.2	3.5	21.9
Time to buy a dwelling	119.9	76.3	76.5	85.7	90.0	5.1	17.7
Unemployment Expectations Index	129.2	123.2	129.8	123.9	121.3	–2.1	–6.5
House Price Expectations Index	129.6	144.3	161.1	153.4	155.5	1.4	–3.5
Interest Rate Expectations Index	141.6	176.2	133.0	98.1	90.8	–7.5	–31.7

Source: Westpac–Melbourne Institute.

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

The survey is conducted by OZINFO & DYNATA. Respondents are selected at random. This latest survey is based on 1200 adults aged 18 years and over, across Australia. It was conducted in the week from 5 May to 9 May 2025. 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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