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WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

Key points

- Westpac Consumer Sentiment Index ticks up 0.6% to 93.1 in July.
- RBA's 'hold' decision checked what would have been a solid gain.
- Most consumers still expect interest rates to move lower from here.
- Expectations for finances nudge back into positive territory.
- Consumers uncertain about outlook for economy and jobs.
- Housing-related sentiment dips slightly but price expectations remain high.

Consumer Sentiment Index



The Westpac-Melbourne Institute Consumer Sentiment Index ticked 0.6% higher to 93.1 in July from 92.6 in June.

Sentiment ticks up despite rate cut disappointment



Matthew Hassan
Head of Australian Macro-Forecasting

The Westpac–Melbourne Institute Consumer Sentiment Index ticked 0.6% higher to 93.1 in July from 92.6 in June.

Australia's consumer sentiment recovery experienced another 'false start' in July. While the mood improved a touch for the month as a whole, responses over the survey week show a clear disappointment following the RBA's surprise move to leave rates on hold at its July meeting. Those surveyed before the decision was announced reported an index read of 95.6 while those surveyed after reported an index read of 92. The reaction checked what would probably have been a solid rise.

This is the third time since late last year that events have conspired to undermine promising improvements in the consumer mood. Daily responses showed similar patterns in April (following the 'Liberation Day' tariff announcements) and back in November (when a milder RBA disappointment combined with a surprise US Presidential election result). The latest check to sentiment is less dramatic but it still leaves the consumer mood stuck at 'cautiously pessimistic' levels 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 consumers see now as a good time to buy a major household item. Three of the five sub-indexes improved in July.

Assessments of family finances improved for the survey overall but showed a sharper pull-back following the RBA decision. The 'family finances vs a year ago' sub-index posted a solid 5% rise overall but was up over 12% vs June amongst those surveyed before the interest rate announcement. Had it been sustained for the whole month, the pre-RBA read would have been the strongest result for this sub-index since February 2022.

The 'family finances, next 12 months' sub-index posted a milder 2.6% gain to 101.4, nudging back into net positive. This may partly reflect the RBA's messaging following its 'on hold' decision which stressed: 1) that the decision was finely-balanced, with Board members voting 6:3 in favour of holding and; 2) that it was mainly about timing rather than the future direction of rates, with the Board wanting to wait a little longer to confirm its view on inflation.

Indeed, even with the RBA's July surprise, consumers have become slightly more confident that interest rates will continue to move lower over the next year. The Westpac–Melbourne Institute Mortgage Rate Expectations Index, which tracks consumer expectations for variable mortgage rates over the

next 12 months, declined 1.7% to 83.1, a new thirteen-year low. The detailed responses show that, amongst those surveyed after the RBA decision, just over half of consumers with a view expect mortgage rates to be lower in a year's time. The figure is closer to 60% amongst consumers with a mortgage.

Buyer sentiment softened a touch. The 'time to buy a major item' sub-index declined 2.6% to 97.6, partly unwinding last month's promising 7.5% surge and dipping back into slight negative territory. The decision on interest rates may have tipped some consumers towards holding off on major purchases.

“... consumer mood stuck at ‘cautiously pessimistic’ levels overall.”

Consumer views on the economy had a mixed month in July, with near-term expectations improving slightly but longer-term expectations deteriorating. The 'economic outlook, next 12 months' sub-index rose 1.8% to 94.1 while the 'economic outlook, next 5 years' sub-index declined 2.8% to 93.4. Both sub-indexes are still marginally above historical averages but have struggled to sustain gains since the start of the year. Tariff-related uncertainty about the global economic backdrop continues to weigh particularly heavily on five-year views on the economy with this sub-index down nearly 8% compared with March. Consumers are not overly concerned about the economy but appear unsure about which direction its heading in.

General uncertainty about the economic outlook continues to eat away at consumer confidence around jobs. The Westpac–Melbourne Institute Unemployment Expectations Index rose 1.1% to 128.7 in July (recall that higher index reads mean more consumers expect unemployment to rise over the year ahead), bringing it directly in line with its long run average. While consumers are not fearful of job losses, the read is broadly consistent with a flat rather than firming labour market.

The RBA's decision to leave interest rates unchanged also dented housing-related sentiment slightly.

The 'time to buy a dwelling' index declined 5.1% to 88.5, moving off the cycle high in June but still lodged firmly in pessimistic territory and well below the long run average of 120. Buyer sentiment is closer to neutral in Victoria (97) but deteriorated markedly to very weak levels in Queensland (69).

and Western Australia (74) where the RBA's July decision looks to have been interpreted much more hawkishly (a small majority of consumers in both states now expecting rates to rise rather than fall over the next year).

The RBA's hesitant approach on interest rates also took some of the gloss off consumers' house price expectations. The Westpac–Melbourne Institute Index of House Price Expectations dipped 2.2% to 162.8. That said, the index was coming from a stretched starting point with June marking a twelve-year high. Three quarters of consumers still expect prices to rise over the next 12 months. Consumer price expectations also saw slightly bigger pull-backs in Queensland and Western Australia, consistent with the bigger down-shift in assessments of time to buy.

The Reserve Bank Monetary Policy Board next meets on August 11–12. There is still a chance that the Board will hesitate again if the next quarterly inflation read exceeds the RBA's expectations. The more likely outcome, however, is that the June quarter data provides the confirmation of inflation inside the 2–3% target range that the RBA is seeking. This will clear the way for a 25bp cut to the cash rate, followed up by another at the November meeting.

Consumer Sentiment – July 2025

	avg*	Jul 2023	Jul 2024	Jun 2025	Jul 2025	%mth	%yr
Consumer Sentiment Index	100.4	81.3	82.7	92.6	93.1	0.6	12.6
Family finances vs a year ago	88.0	62.2	63.5	75.4	79.2	5.0	24.8
Family finances next 12mths	106.6	89.7	92.1	98.8	101.4	2.6	10.0
Economic conditions next 12mths	90.7	81.4	81.4	92.4	94.1	1.8	15.6
Economic conditions next 5yrs	92.1	94.3	94.5	96.2	93.4	-2.8	-1.2
Time to buy a major household item	123.6	78.8	82.1	100.2	97.6	-2.6	18.8
Time to buy a dwelling	119.8	76.4	75.7	93.3	88.5	-5.1	16.9
Unemployment Expectations Index	128.9	131.2	128.6	127.4	128.7	1.1	0.1
House Price Expectations Index	128.5	149.3	161.2	166.5	162.8	-2.2	1.0
Interest Rate Expectations Index	141.0	174.8	159.2	84.6	83.1	-1.7	-47.8

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 7 July to 11 July 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.



Authors

Westpac Economics / Australia

Sydney
Level 19, 275 Kent Street
Sydney NSW 2000
Australia

E: economics@westpac.com.au

Luci Ellis
Chief Economist Westpac Group
E: luci.ellis@westpac.com.au

Matthew Hassan
Head of Australian Macro-Forecasting
E: mhassan@westpac.com.au

Elliot Clarke
Head of International Economics
E: eclarke@westpac.com.au

Sian Fenner
Head of Business and Industry Economics
E: sian.fenner@westpac.com.au

Justin Smirk
Senior Economist
E: jsmirk@westpac.com.au

Pat Bustamante
Senior Economist
E: pat.bustamante@westpac.com.au

Mantas Vanagas
Senior Economist
E: mantas.vanagas@westpac.com.au

Ryan Wells
Economist
E: ryan.wells@westpac.com.au

Illiana Jain
Economist
E: illiana.jain@westpac.com.au

Jameson Coombs
Economist
E: jameson.coombs@westpac.com.au

Neha Sharma
Economist
E: 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

Kelly Eckhold
Chief Economist NZ
E: kelly.eckhold@westpac.co.nz

Michael Gordon
Senior Economist
E: michael.gordon@westpac.co.nz

Darren Gibbs
Senior Economist
E: darren.gibbs@westpac.co.nz

Satish Ranchhod
Senior Economist
E: satish.ranchhod@westpac.co.nz

Paul Clark
Industry Economist
E: paul.clarke@westpac.co.nz

Westpac Economics / Fiji

Suva
1 Thomson Street
Suva, Fiji

Shamal Chand
Senior Economist
E: shamal.chand@westpac.com.au



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