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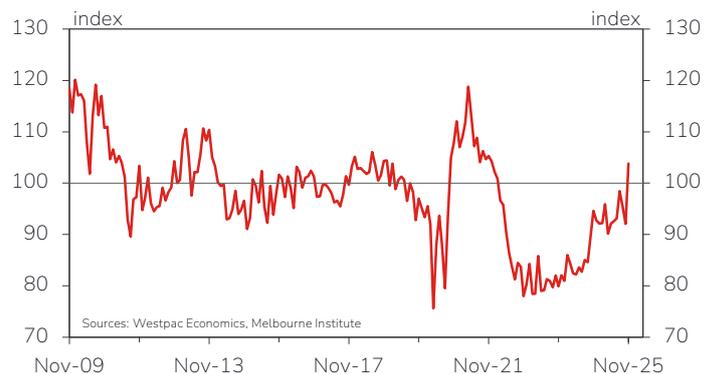
WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

Key points

- Westpac-Melbourne Institute Consumer Sentiment Index surges 12.8% to 103.8.
- First positive read since early 2022 and a seven-year high (excl. COVID period).
- Expectations improve as domestic recovery firms, trade risks subside.
- Strong gain is despite a less confident outlook for interest rates and jobs.
- ‘Mortgage belt’ is a notable exception, sentiment dipping across this sub-group.
- Christmas spending plans less restrained than last year.

Consumer Sentiment Index



“The Westpac–Melbourne Institute Consumer Sentiment Index surged 12.8% to 103.8 in November from 92.1 in October.”

Consumer sentiment pops up into positive



Matthew Hassan
Head of Australian Macro-Forecasting

The Westpac-Melbourne Institute Consumer Sentiment Index surged 12.8% to 103.8 in November from 92.1 in October.

This is an extraordinary and somewhat surprising result. November marks the first 'net positive' read on consumer sentiment in the best part of four years. Recall that an Index above 100 means optimists outnumber pessimists. This is the first time this has happened since February 2022. Indeed, excluding the COVID disruptions in 2020 and 2021, this is the most positive result in seven years.

Sentiment overall is still only marginally positive rather than strongly optimistic. However, the move draws a clearer line under what had been an extended period of consumer pessimism when disposable incomes were being hit hard by a combination of high inflation, high interest rates and rising tax payments.

Much of the November sentiment gain is coming from a markedly more confident assessment of prospects for the economy. The 'economic outlook, next 12 months' and the 'economic outlook, next 5 years' sub-indexes both jumped sharply in the month (up 16.6% and 15.3% respectively). Both sub-indexes are now in solid positive territory, well above long-run averages.

The move likely reflects several developments.

Domestically, there are clearer signs that a recovery is gaining momentum, especially around consumer demand and housing markets. Meanwhile, external threats also appear to have eased with a de-escalation of US-China trade tensions and recent meetings between Australia and the US resulting in a new deal on the supply of critical minerals and rare earths.

The real surprise, though, is how much these positives have outweighed renewed concerns about inflation and the outlook for interest rates.

Higher than expected 'partial' inflation reads had clearly unsettled consumers in previous months. Ordinarily, the surprisingly strong September quarter CPI, released in late October, and the Reserve Bank's decision to leave the cash rate on hold at its November meeting would have been expected to have added to these concerns. These negatives appear to have been less pervasive in November.

Consumers' interest rate expectations did show a shift. Our Westpac-Melbourne Institute Mortgage Rate Expectations Index, which tracks consumer expectations for variable mortgage rates over the next 12 months, jumped 17.1% to 119.1, a fourteen-month high. Interestingly, responses over the course of the survey week showed those surveyed after the RBA decision were more confident and less hawkish on the interest rate outlook. Even so, 76% of those surveyed after the Bank's decision expected mortgage rates to be the same or higher in a year's time. This compares to 60% in October and 57% in September.

“... a markedly more confident assessment of prospects for the economy.”

The RBA decision, it seems, was less unsettling than feared. As we noted at the time, the Bank could have sent a more hawkish message on inflation than it did. Instead, it assessed that some of the recent rise was due to temporary factors. The Governor also revealed that the RBA had not considered raising the cash rate at the November meeting.

This likely explains the strong rise in consumers' expectations for finances. The 'family finances, next 12 months' sub-index surged 12.3% to 109.1. Notably, this gain came despite a 0.3% dip in expectations amongst households with a mortgage.

Current assessments of finances showed a more muted gain. The 'family finances vs a year ago' sub-index rose 3.7% to 85.2, leaving it in net pessimistic territory and below long-run averages. This does suggest we should be a little cautious about the wider surge in sentiment – expectations can change quickly, especially if consumers are not seeing actual improvements in their finances.

More promising though, especially for retailers, is a big lift in buyer sentiment. The 'time to buy a major item' sub-index surged 14.9% to 111.6 in November, a four-year high.

The positive mood but patchy assessment of current finances points to a mixed lead-in to the Christmas high season. This is broadly consistent with the responses to additional questions on Christmas spending intentions

run in our November surveys. These show just over 35% of consumers plan to spend less on gifts than last year – a similar share to 2024 – but with 15% planning to spend more, up from 11.6% last year. While the mix falls short of that seen during the post-COVID reopening boom in 2021, it's the 'least restrained' spending intentions we have recorded outside of that year since 2016.

Despite their improved confidence around the outlook for the economy and family finances, consumers are more anxious about jobs. The Westpac–Melbourne Institute Unemployment Expectations Index rose 9.3% to 139.5 in November (recall that higher index reads mean more consumers expect unemployment to rise over the year ahead). The deterioration seems to reflect conditions on the ground, with recent labour force updates showing a renewed softening in employment growth and a lift in unemployment. Notably, the softening in expectations has been led by sub-groups that are a little more sensitive to labour market fluctuations: 18–24-year-olds, tradies and the unemployed.

Homebuyer sentiment was largely unchanged in November, with the 'time to buy a dwelling' index ticking down 0.1% to 96.4. However there continues to be a widening divergence across age-groups with a much more positive 115 read amongst those aged 18–34 compared to 87 for those aged 35–50 and 84 for those

aged over 50. The Federal Government's expanded First Homebuyer Guarantee – which allow eligible applicants to purchase with a 5% deposit without having to pay loan mortgage insurance – appears to be driving the big lift in buyer sentiment among younger cohorts.

Meanwhile consumers remain very bullish on the outlook for house prices. The Westpac–Melbourne Institute Index of House Price Expectations edged up 0.3% in November to 172.4, marking a new cycle high. Just over 80% of consumers expect prices to rise over the next 12 months. Expectations are stronger in South Australian (179) and Queensland (175) but lagging in Victoria (165).

The Reserve Bank Monetary Policy Board (MPB) next meets on December 8–9. Given the recent lift in inflation, we expect it to keep the cash rate firmly on hold. It will take more than one quarter of better news on this front to ease the RBA's concerns and give it a pathway to remove the remaining restrictiveness of monetary policy. The November Consumer Sentiment survey shows that to the dent from a changed outlook for interest rates has been more than offset by other positives, suggesting that the consumer recovery is likely to continue tracking well, at least for now.

Consumer Sentiment – November 2025

	avg*	Nov 2023	Nov 2024	Oct 2025	Nov 2025	%mth	%yr
Consumer Sentiment Index	100.4	79.9	94.6	92.1	103.8	12.8	9.7
Family finances vs a year ago	88.0	64.4	78.8	82.1	85.2	3.7	8.1
Family finances next 12mths	106.6	87.0	104.1	97.1	109.1	12.3	4.8
Economic conditions next 12mths	90.7	80.5	100.9	89.9	104.8	16.6	3.9
Economic conditions next 5yrs	92.1	86.5	104.2	94.0	108.4	15.3	4.1
Time to buy a major household item	123.5	81.3	85.2	97.2	111.6	14.9	31.1
Time to buy a dwelling	119.7	73.2	86.8	96.5	96.4	-0.1	11.0
Unemployment Expectations Index	129.2	130.4	120.5	127.6	139.5	9.3	15.8
House Price Expectations Index	129.4	158.4	150.1	171.9	172.4	0.3	14.9
Interest Rate Expectations Index	140.1	174.6	103.0	101.7	119.1	17.1	15.7

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 3 November to 8 November. 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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