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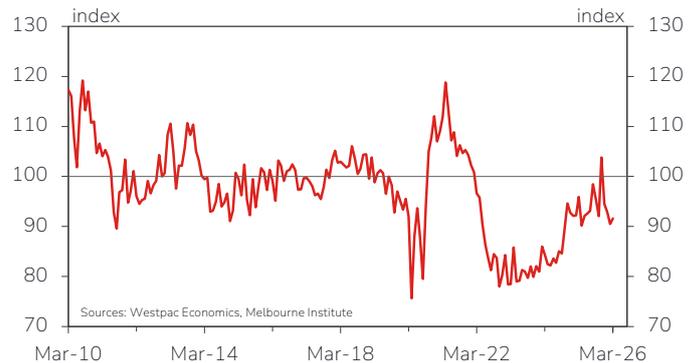
# WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

## Key points

- Westpac–Melbourne Institute Consumer Sentiment edges up 1.2% to 91.6.
- Daily responses show a material weakening over the survey week.
- Less pessimism on current finances and attitudes towards major purchases.
- On the economy: more unease near-term but less concern about medium-term.
- Unemployment expectations push above average, led by over-45s.
- Tension between bullish house price views and weak homebuyer sentiment.

## Consumer Sentiment Index



**“The Westpac–Melbourne Institute Consumer Sentiment Index edged 1.2% higher to 91.6 in March from 90.5 in February.”**

# Sentiment up a tick despite rising concerns about economy



Matthew Hassan  
Head of Australian Macro-Forecasting

**The Westpac-Melbourne Institute Consumer Sentiment Index edged 1.2% higher to 91.6 in March from 90.5 in February.**

While consumers remain firmly pessimistic, sentiment continues to show some resilience. The relatively muted negative response to the RBA's 25bp rate hike in February has been followed by a slight improvement in March. However, daily responses point to a material weakening over the course of the survey week, likely reflecting growing concerns about the escalating conflict in the Middle East. Responses from those surveyed in the last three days were consistent with an index read of just 84.

The component detail shows improvements in current conditions and medium-term expectations for the economy were partially offset by worsening expectations for the year ahead. Recall that the Index is a composite measure based on five sub-indexes: one tracking assessments of family finances compared to a year ago; two tracking expectations for family finances and the economy over the next year; one tracking expectations for the economy over the next five years; and one tracking responses to whether now is a good time to buy a major household item.

Both of the components tracking 'current conditions' posted partial recoveries from their February declines. The 'time to buy a major item' sub-index, which has been particularly sensitive to 'cost-of-living' issues, rose 4.9% in March to 98, leaving it just a touch below both the 99 posted at the start of the year and the 'neutral' level of 100 (where 'optimists' exactly balance 'pessimists'). Assessments of current finances also lifted a little, the 'family finances vs a year ago' sub-index ticking up 1.8% to 80.2.

Expectations were more mixed.

On the positive side, consumers were more constructive about the economy's medium term prospects, the 'economy, next 5 years' sub-index lifting 2.4% to 96.3, to be essentially unchanged since January and above the average historical read of 92.2. Consumers were also relatively sanguine about their near term financial outlook, the 'family finances, next 12 months' sub-index only ticking down very slightly by 0.1% to 97.6.

However, the near-term outlook for the economy is looking shakier. The 'economy, next 12 months' sub-index recorded a 2.9% fall in March, dropping to 85.9, the weakest read since September 2024 and below the long run average of 90.7.

Putting it all together: consumers are seeing a slight improvement in current conditions but expect a softening

economy to be a headwind this year before things improve again medium term.

Much of that view centres on the outlook for interest rates. Consumers' rate rise fears actually eased a touch in March. The Westpac-Melbourne Institute Mortgage Rate Expectations Index, which tracks consumer expectations for variable mortgage rates over the next 12 months, declined 3.9% to 170.5 in March, giving back about a quarter of the surge seen in February. However, there remains a strong consensus view that interest rates will rise further from here – over 75% of consumers expect mortgage rates to increase over the next 12 months.

Responses to additional questions on news recall show other headwinds may also be starting to form. These questions are run once a quarter and ask consumers if they recall news items on a range of topics and whether the news was favourable or unfavourable. Responses in March show a notably higher level of recall with the news on nearly all topics assessed as more unfavourable than back in December.

**“... a material weakening over the course of the survey week, likely reflecting growing concerns about the escalating conflict in the Middle East.”**

Responses show the escalating conflict in the Middle East is sparking concerns. Recall rates on 'international news' doubled compared to December with assessments deteriorating sharply. Nearly 90% of consumers seeing the news from abroad as unfavourable compared to 74% three months ago. The March readings are very similar to those seen when Russia invaded Ukraine in early 2022.

Unsurprisingly, news on 'interest rates' and 'inflation' was also more prominent and assessed as less favourable than in December.

Perhaps more surprisingly, 'budget and taxation' news had the highest recall rate across all topics, with just over half of consumers remembering news on this topic. This is the highest in over a decade, 10pts above the level seen during the introduction of the 'stage 3' income tax cuts in 2024. This news was assessed as marginally more unfavourable than in

December as were all other topics except news on ‘politics’ which was seen as slightly less unfavourable.

Consumers were less confident about the labour market outlook. The Westpac–Melbourne Institute Unemployment Expectations Index rose 3.8% to 134.7 (recall that higher reads on this index mean more consumers expect unemployment to rise over the year ahead). The sub-group detail here shows a significant age divide with a sharper weakening amongst those aged over 45 (+7.8% to 142.6) but a material improvement amongst 18-24 year olds (–5.7% to 128.3).

Consumer sentiment towards housing softened slightly in March.

The ‘time to buy a dwelling’ index declined a further 1.3% to a new cycle low just over 15% below the most recent peak in August last year. At 82.9, the latest read is more than 36pts below the long-run average of 120. Sentiment weakened sharply amongst households with a mortgage, dropping 16% to just 73. In contrast, assessments of ‘time to buy a dwelling’ posted a 10% rise amongst renters to 80 and was largely unchanged at a somewhat firmer 94 amongst those that own their home without a mortgage.

Across geographies, homebuyer sentiment fell more materially in Queensland (–5% to 76) and to an exceptionally weak level in Western Australia (–15% 65), the continued strong price growth in these markets again weighing heavily on affordability. Interestingly, buyer sentiment posted a solid 14% rebound in regional areas and is now slightly less pessimistic than sentiment across metro areas.

The Westpac-Melbourne Institute Index of House Price Expectations dipped 1.7% to 171, off slightly from what was a fifteen-year high in February. Across states, expectations

converged. States where the Index stood above 180 in February saw the largest index declines in March: –5% in Queensland, –6% in South Australia and –8% in Western Australia. Conversely, Victoria, which has had more subdued price expectations in recent months, posted a 5% rise to 168.

Consumer savings attitudes continue to show a clear aversion to risk. Responses to our quarterly question on the ‘wisest place for savings’ show ‘safe options’ are still generally favoured, with 22% nominating ‘pay down debt’ and 28% nominating ‘bank deposits’. Amongst the ‘riskier’ options, consumers were less inclined towards ‘real estate’ (9.2% down from 10.7% in December), still relatively uninterested in ‘shares’ (9.2%) but may be starting to seek out other options. Some 6.4% nominated ‘other’ – the highest read since December 2015. This catch-all category captures a wide range of items including the likes of Bitcoin and gold.”

The Reserve Bank Monetary Policy Board next meets on March 16–17. While we continue to expect that the most likely timing for the next rate rise is May, a hike is likely to be on the table for discussion at the March meeting. Domestic developments have been mixed: growth coming in above the RBA’s expectations in 2025 but with some better news on supply capacity and the latest sentiment survey suggesting momentum is cooling across the consumer sector. However, the global backdrop has become much more unsettled. The conflict in the Middle East has impacted energy supplies and is casting major doubts over the outlook for growth. The RBA will be wary about how an associated spike in petrol prices feeds into inflation locally but will also be wary about making policy changes in the midst of a rapidly evolving and uncertain situation. On balance we believe it will opt to leave rates unchanged in March with the next rate rise coming a little later, once the dust has settled a bit, in May.

## Consumer Sentiment – March 2026

	avg*	Mar 2024	Mar 2025	Feb 2026	Mar 2026	%mth	%yr
<b>Consumer Sentiment Index</b>	<b>100.3</b>	<b>84.4</b>	<b>95.9</b>	<b>90.5</b>	<b>91.6</b>	<b>1.2</b>	<b>–4.5</b>
Family finances vs a year ago	87.9	65.2	76.7	78.8	80.2	1.8	4.6
Family finances next 12mths	106.6	93.8	108.3	97.7	97.6	–0.1	–9.9
Economic conditions next 12mths	90.7	84.9	96.0	88.5	85.9	–2.9	–10.5
Economic conditions next 5yrs	92.2	94.0	101.5	94.1	96.3	2.4	–5.1
Time to buy a major household item	123.4	84.2	97.1	93.5	98.0	4.9	1.0
Time to buy a dwelling	119.5	77.8	91.6	84.0	82.9	–1.3	–9.5
Unemployment Expectations Index	129.2	128.1	117.9	129.8	134.7	3.8	14.3
House Price Expectations Index	129.4	161.1	146.5	173.9	171.0	–1.7	16.7
Interest Rate Expectations Index	140.6	120.9	88.2	177.5	170.5	–3.9	93.4

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 2 March to 6 March. 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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