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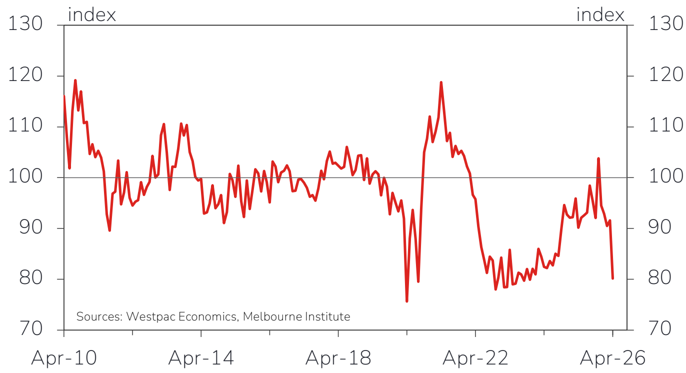
WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

Key points

- Westpac–Melbourne Institute Consumer Sentiment down 12.5% to 80.1
- Spiking fuel prices, rising interest rates trigger biggest fall since COVID.
- Near-term expectations drop back to 2022–23 ‘cost of living’ crisis lows.
- Job loss fears jump to 5½yr high (10yr high excl. COVID period).
- Consumers much less bullish on house price outlook.

Consumer Sentiment Index



“The Westpac–Melbourne Institute Consumer Sentiment Index fell heavily in April, declining 12.5% to 80.1 from 91.6 in March.”

Consumer sentiment crashes

Matthew Hassan
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The Westpac–Melbourne Institute Consumer Sentiment Index fell heavily in April, declining 12.5% to 80.1 from 91.6 in March.

Australian consumers are being hit by another 'cost of living' shock. The spike in fuel prices following the US–Israel war on Iran and a further 25bp interest rate increase are again putting finances under intense pressure. A sharp deterioration in expectations suggests consumers are bracing for a return to the extended period of weakness seen during the 2022–24 inflation fight. The April sentiment drop is the biggest monthly decline since the onset of the COVID pandemic. At 80, the Index is back near historical lows, albeit above the extremes seen at the onset of the pandemic and during the recessions of the early 1990s and 1980s" Mr Hassan commented.

All Index components deteriorated sharply in April. Recall that the Westpac–Melbourne Institute Consumer Sentiment 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.

The biggest falls were across components tracking assessments of 'current conditions'. Surging fuel costs are weighing particularly heavily on the 'family finances vs a year ago' sub-index which plunged 16.7% to 66.8. This is an extremely low read, albeit a touch above the 65 average recorded between September 2022 and June 2024.

Average pump prices hit $2.40/litre in the first week of April, up 37¢ from the time of the March survey and 77¢ compared to early February. This is easily the biggest rise in the history of the survey, with the increase in percentage terms comparable to the 50% annual rise recorded during the 1979 oil crisis. Note that the survey was taken after the Federal government's temporary halving in fuel excise tax, which came into effect on April 1, the 26¢/litre reduction contributing to a 12¢/litre decline in average pump prices in the first week of the month.

Near-term expectations for the economy and family finances also deteriorated sharply, suggesting consumers see little prospect for improvement and are bracing for more difficulties. The 'family finances, next 12 months' sub-index dropped 13.9% to 84 and the 'economy, next 12 months' sub-index dropped 12.4% to 75.3. With the Strait of Hormuz still effectively shut and few signs of an end to the conflict, fuel prices look set to remain elevated. While the fall in near-term expectations was slightly milder than the hit to current conditions, these components have deteriorated by more since 2025.

Rate rise fears also look to be shaping consumers' near-term concerns. The wider inflation consequences of the global energy shock have yet to fully play out locally but clearly add to concerns that the RBA will need to increase interest rates again. The Westpac–Melbourne Institute Mortgage Rate Expectations Index, which tracks consumer expectations for variable mortgage rates over the next 12 months, rose 3.9% to 177.2 in April, returning to recent cycle highs. Amongst those with a view, just over 80% of consumers expect mortgage rates to increase over the next 12 months with 40% expecting a rise of over 1ppt.

The situation is having a major dampening effect on buyer attitudes, with the 'time to buy a major item' sub-index dropping 15% to 83.3. This component has been particularly sensitive to 'cost of living' pressures in recent years. The decline takes the sub-index towards, but still slightly above, the very weak 75–80 range seen in 2022–24.

> **"Australian consumers are being hit by another 'cost of living' shock."**

Consumers' medium-term expectations for the economy have been more resilient, the 'economy, next 5 years' sub-index recording a more moderate 5.1% decline to 91.4. The view here seems to be that current challenges are difficult but will pass over time.

The April sentiment shock was broadly based with 90 of the 100-odd sub-groups that we track recording declines in the month. Falls were particularly pronounced across sub-groups that are being more heavily impacted by higher fuel costs. Sentiment amongst those living in regional areas recorded a sharper 16% fall to just 73. There were also notably larger sentiment declines amongst those working in the recreational services, manufacturing and construction sectors – all of which have higher exposure to rising energy costs and/or cyclical swings in activity.

Notably, the current shock is having a deeper impact on consumers' labour market expectations than the 2022–24 'cost of living' crisis. The Westpac–Melbourne Institute Unemployment Expectations Index jumped 9.7% to 147.8 in April (recall that higher reads on this index mean more consumers expect unemployment to rise over the year ahead).

This is the worst read on job expectations since the 163 recorded in August 2020, one of the darkest moments during the COVID pandemic, just before the Federal government significantly expanded its JobKeeper policy to prevent widespread job losses. While the aggregate index is still well below previous cycle peaks, which have been in the 160–180 range, the latest shift is clearly worth monitoring closely.

The sub-group detail shows the rise in job loss fears has been most pronounced amongst those employed in sectors that are exposed to the energy and interest rate shocks, especially construction (+22% to 152), hospitality (+19% to 149).

Around housing, consumer expectations for house prices showed a clear cooling with homebuyer sentiment improving marginally. That said, price expectations are still very bullish overall and buyer sentiment is still weak by historical standards.

Homebuyer sentiment was the only part of the survey to record an improvement in April. The 'time to buy a dwelling' index rose 3.5% to 85.8 but was coming off a new cycle low in March. The latest read is still more than 33pts below the long-run average of 120. Curiously, the mortgage belt drove most of the rise, buyer sentiment across this sub-group up 5% to 88.2. Most states recorded rises with Victoria the main exception, its state index down 6.5% to 85. Buyer sentiment is notably firmer in New South Wales and South Australia (both state indexes at 93).

Buyer sentiment has tended to move inversely with price expectations in recent years –falls associated with high price expectations and vice versa. That was again the case in April with the Westpac–Melbourne Institute Index of House Price Expectations posting a sharp 10.2% fall to 153.5. Even with the decline, price expectations are still relatively bullish, well above the long-run average of 130. A clear majority of consumers still expect prices to rise. Over two-thirds of those with a view expect an increase over the next year compared to just 12% expecting a fall.

Notably, the April cooling centred on New South Wales (–13% to 151) and Victoria (–14.5% to 144), where capital city markets, Sydney and Melbourne, have shown a clearer slowing and modest price slippage in recent months. Price expectations posted much milder declines and remained significantly higher in Queensland, South Australia and Western Australia with state indexes still in the 162–164 range.

The Reserve Bank Monetary Policy Board next meets on May 4–5. The April consumer sentiment survey shows the spike in fuel prices and higher interest rates are weighing heavily, suggesting we are heading into another period of declining real per capita income and spending. Despite this, inflation remains a major concern with underlying measures already above the RBA's 2–3% target range and the effects of energy price rises yet to come through. For the MPB, the main focus will continue to be on inflation and how the balance of risks – between slower growth and higher energy and other costs – affect inflation expectations. We expect that to result in another 25bp rate hike in May with further moves likely in the second half of the year.

Consumer Sentiment – April 2026

	avg*	Apr 2024	Apr 2025	Mar 2026	Apr 2026	%mth	%yr
Consumer Sentiment Index	**100.3**	**82.4**	**90.1**	**91.6**	**80.1**	**–12.5**	**–11.1**
Family finances vs a year ago	87.9	65.5	70.2	80.2	66.8	–16.7	–4.8
Family finances next 12mths	106.5	95.5	101.6	97.6	84.0	–13.9	–17.3
Economic conditions next 12mths	90.7	82.7	90.5	85.9	75.3	–12.4	–16.9
Economic conditions next 5yrs	92.2	89.8	98.4	96.3	91.4	–5.1	–7.1
Time to buy a major household item	123.3	78.7	90.0	98.0	83.3	–15.0	–7.5
Time to buy a dwelling	119.4	75.3	85.7	82.9	85.8	3.5	0.1
Unemployment Expectations Index	129.2	124.6	123.9	134.7	147.8	9.7	19.2
House Price Expectations Index	129.8	161.2	153.4	171.0	153.5	–10.2	0.0
Interest Rate Expectations Index	140.7	122.8	98.1	170.5	177.2	3.9	80.6

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 6 April to 11 April. The data have been weighted to reflect Australia's population distribution.

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