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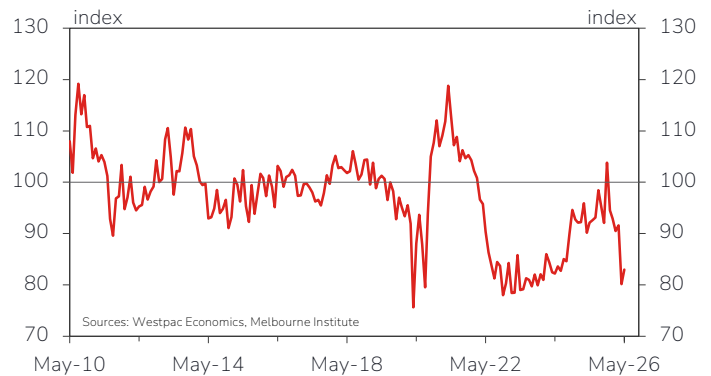
WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

Key points

- Westpac Consumer Sentiment Index up 3.5% to 83 as fuel shock eases.
- Improved assessment of finances but more downbeat on economy.
- Budget impact on finances seen as more negative than last year but about average.
- Job loss fears remain elevated despite some improvement.
- Homebuyer sentiment down sharply to deeply pessimistic levels.
- Consumer house price expectations soften but still positive.
- Widening sentiment gap between young and old.

Consumer Sentiment Index



“The Westpac–Melbourne Institute Consumer Sentiment Index rose 3.5% to 83 in May from 80.1 in April.”

Consumer sentiment ticks up from extreme low



Matthew Hassan
Head of Australian Macro-Forecasting

The Westpac–Melbourne Institute Consumer Sentiment Index rose 3.5% to 83 in May from 80.1 in April.

Despite a small improvement, consumers remain deeply pessimistic. Some of last month's shock from the spike in fuel prices has eased. The temporary halving in fuel excise tax has helped to reduce average pump prices by nearly 30¢/litre since April. However, this positive would have been largely offset by the RBA's 25bp rate hike at the start of the month, the third interest rate rise in as many meetings. Meanwhile, the impact of the Federal budget looks to have been very mixed.

Responses over the course of the survey week show a slight improvement in sentiment following the Federal budget announcement on Tuesday. This is despite few consumers expecting to benefit directly. Since 2010, our budget month surveys have asked respondents whether they expect the announcement to improve or worsen their finances over the year ahead. It's fair to say that Budgets in general are not often popular: responses typically show a heavy negative response – over the last sixteen years, the proportion expecting to be worse off has, on average, been 20% higher than the proportion expecting to benefit. This year, the gap was 21%, with 15% of consumers expecting to be better off and 34% expecting to be worse off (the gap measure excludes 7% reporting 'don't know'). While that's typical, it is a significant deterioration on the 10% gap last year, and well down on the 3% gap in 2024 when the 'stage 3' tax cuts were centre stage.

The budget's 'intergenerational' themes this year were clear in the detail, with a notable skew in responses across age groups. Among 'baby boomers' and 'Generation X', those expecting to be worse off outnumbered those expecting to benefit by 30–36% compared with a gap of just 9% for 'Millennials' and small net positive spread (+1%) among 'Generation Z' (or 'zoomers').

Generational differences are also stark for sentiment more broadly. Index reads across the 'baby boomer' and 'Generation X' cohorts are extremely weak, at just below 70. In contrast, sentiment amongst 'Millennials' is only modestly pessimistic, with an average index read of 94.6, and is outright positive for 'Generation Z' at 104. Note that some of this is a structural feature: sentiment generally declines with age, moving 1ppt lower every two years. However, the generational gap has widened materially in 2026.

The component detail for the latest month shows easing concerns around family finances were largely offset by a further weakening in expectations for the economy. 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 rises in May were around assessments of family finances. The 'family finances vs a year ago' and 'family finances, next 12 months' sub-indexes both posted solid recoveries, up 9% to 72.8 and 10.7% to 93 respectively, although both remain well below March levels and weak overall.

Meanwhile, the 'economy, next 12 months' and 'economy, next 5 years' sub-indexes dipped 1.5% to 74.2 and 2.2% to 89.3 respectively. This marks the weakest combined read since November 2022.

Forward views are clearly still being weighed down by uncertainty around global energy supply with the Strait of Hormuz still effectively shut. However, rate rise fears are also in the mix. The Westpac–Melbourne Institute Mortgage Rate Expectations Index, which tracks consumer expectations for variable mortgage rates over the next 12 months, ticked 2.3% higher to 181.2, a fresh three-year high. Even with three hikes already done this year, 85% of consumers still expect mortgage rates to increase further over the next 12 months. That is closer to 90% across consumers with a mortgage.

“Consumer sentiment ticks up from extreme low.”

Broader inflationary pressures still look to be dampening sentiment as well. Despite the significantly less negative views on family finances, attitudes towards major purchases recorded a relatively muted improvement in May. The 'time to buy a major item' sub-index rose 2.8% to 85.6. As we saw through 2022–24, this component is particularly sensitive to cost of living pressures. Current reads are very weak by historical standards, nearly 38pts below the long run average of 123.

Consumer job loss fears eased somewhat in May. The Westpac–Melbourne Institute Unemployment Expectations Index declined 5.2% to 140 in May, clawing back about half of the rise last month (recall that higher reads on this index mean more consumers expect unemployment to rise over the year ahead). The Index is still sitting above the long-run average of 129, suggesting consumers remain a little on edge about job prospects.

Housing-related sentiment is looking very unsettled, reflecting a mix of price declines in some major markets, actual and expected interest rate rises and some major tax policy changes affecting investor housing announced in the Federal budget.

Homebuyer sentiment has weakened sharply, with the 'time to buy a dwelling' index dropping 16.1% to 72, an 18-month low and nearly 50pts below the long-run average of 119. Most of the fall came before the budget with post-budget responses showing a slightly less pessimistic read of 74.8. Generational themes were again evident, with buyer sentiment much firmer at 91.5 and improving a touch among 18–34-year-olds but extremely weak at just 60 for those aged over 50.

Consumer house price expectations also softened although they remain firmly positive overall. The Westpac–Melbourne Institute Index of House Price Expectations declined 1.8% to 150.6. The index is now off 13.4% from its multi-year high in February but still over 20pts above the long-run average of 130. Two-thirds of those with a view expect prices to increase over the next year while 14% expect prices to fall. Expectations showed a notable cooling in Western Australia (–17% to 135) and South Australia (–8% to 151) but ticked up a couple of points in the big eastern states.

The Reserve Bank Monetary Policy Board next meets on June 15–16. Having raised rates in its previous three meetings, the Board is likely to pause at its next meeting to assess the impact of the energy price shock and a significant monetary tightening. The latest consumer sentiment survey points to a material slowing in demand in response to both higher interest rates and cost of living pressures. However, inflation risks remain elevated with higher energy costs passing through to other prices. That means the Board will likely have little time to catch its breath, with further rate hikes expected in subsequent meetings.

Consumer Sentiment – May 2026

	avg*	May 2024	May 2025	Apr 2026	May 2026	%mth	%yr
Consumer Sentiment Index	100.3	82.2	92.1	80.1	83.0	3.5	-9.9
Family finances vs a year ago	87.9	63.2	75.1	66.8	72.8	9.0	-3.1
Family finances next 12mths	106.5	96.1	100.7	84.0	93.0	10.7	-7.7
Economic conditions next 12mths	90.6	83.2	93.0	75.3	74.2	-1.5	-20.3
Economic conditions next 5yrs	92.1	92.2	98.6	91.4	89.3	-2.2	-9.4
Time to buy a major household item	123.3	76.5	93.2	83.3	85.6	2.8	-8.1
Time to buy a dwelling	119.3	76.5	90.0	85.8	72.0	-16.1	-20.0
Unemployment Expectations Index	129.2	129.8	121.3	147.8	140.0	-5.2	15.4
House Price Expectations Index	129.8	161.1	155.5	153.5	150.6	-1.8	-3.1
Interest Rate Expectations Index	140.9	133.0	90.8	177.2	181.2	2.3	99.6

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 11 May to 15 May. 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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