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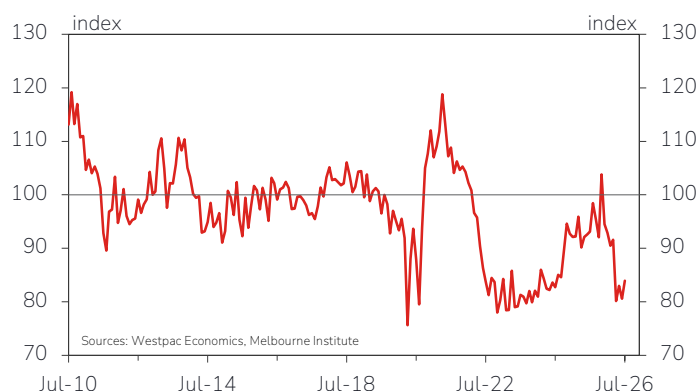
WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

Key points

- Westpac–Melbourne Institute Consumer Sentiment Index up 4.1% to 83.9.
- Pessimism still dominates but fuel price pressures and rate rise fears moderate.
- Consumers remain gloomy on economy and major purchase decisions.
- Job-loss concerns subside, unemployment expectations back near average.
- Homebuyer sentiment continues to recover from extreme lows but consumers less certain about house price outlook.

Consumer Sentiment Index



“The Westpac–Melbourne Institute Consumer Sentiment Index rose 4.1% to 83.9 in July from 80.6 in June.”

Consumer pessimism eases a little



Matthew Hassan
Head of Australian Macro-Forecasting

The Westpac–Melbourne Institute Consumer Sentiment Index rose 4.1% to 83.9 in July from 80.6 in June.

Despite the gain, sentiment remains deeply pessimistic. At 83.9, the latest Index read is still in the bottom 10% of results over the 50-year history of the survey. Some of the July improvement looks to be relief that ‘worst case’ scenarios – around energy prices, interest rates and jobs – are not playing out. However, family finances are clearly under intense pressure and the outlook is uncertain. Sentiment also remains hostage to developments abroad with daily responses showing a significant weakening as the situation in the Strait of Hormuz deteriorated over the course of the survey week.

The component detail shows a less negative assessment of family finances but little change in gloomy views about major purchases and the wider 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.

Cost of living pressures seem to have eased a little. The ‘family finances vs a year ago’ sub-index rose 5.6% to 71.1 but is still 14% below its pre-war and interest rate rise levels at the start of the year. Lower fuel prices look to be the main driver of the July gain, average pump prices nationally declining to \$1.60/litre in the survey week, unwinding all of the Middle East war spike. The sub-group detail shows stronger gains amongst sub-groups that tend to be more sensitive to fuel prices, including renters, those in younger age-groups and low-income earners.

Consumers are much less fearful about their finances over the year ahead. The ‘family finances, next 12 months’ sub-index posted a particularly strong 13.4% rebound to 96.5. While that is still regaining the ground lost in April, the index level is now consistent with marginal rather than widespread pessimism. Lower fuel prices would again be helping here but an easing in rate rise fears also looks to be providing support, with consumers with a mortgage recording a particularly large 23% lift to 99.4.

The shifting rates view shows through clearly in the **Westpac–Melbourne Institute Mortgage Rate Expectations Index**, which tracks consumer expectations for variable mortgage rates over the next 12 months. The index fell a further 5.8% to 162.6 in July to be down 10% from May’s peak. Most

consumers, around 60% of those surveyed, expect mortgage rates to increase further over the next 12 months. However, this is down from the 66% share in June, with most of that move coming from a decline in those expecting mortgage rates to rise by more than 1 percentage point.

The RBA’s decision to leave the cash rate on hold at its June meeting may have calmed fears that there would be a continued rapid sequence of hikes. That said, the conviction on the interest rate outlook is not high with 17% of consumers in the July survey simply reporting that they “don’t know” where rates are going, the highest share since March 2022.

Consumer views on the economy are largely unchanged, the ‘economy, next 12 months’ sub-index ticking up 0.6% to 78.3 and the ‘economy, next 5 years’ sub-index ticking up 0.7% to 87.1. Both remain 10–12pts below their long-run average reads.

“Some of the July improvement looks to be relief that ‘worst case’ scenarios ... are not playing out.”

Attitudes towards major purchases were also largely unchanged, the ‘time to buy a major item’ sub-index nudging 0.5% higher to 85.4. This component, which seems to capture more of the purchasing power deterioration that comes with surging prices, remains very weak by historical standards, some 36pts below the long-run average of 123.

While they are still downbeat on the economy, consumers are more comfortable about the labour market outlook. The **Westpac–Melbourne Institute Unemployment Expectations Index** dropped 7.1% to 129.9 in July, marking a significant improvement (recall that lower reads on this index mean more consumers expect unemployment to fall over the year ahead). The Index is now back around the long-run average read of 129.

Housing-related sentiment remains very unsettled with assessments of ‘time to buy’ lifting but still deeply pessimistic overall and housing price expectations continuing to decline.

The ‘time to buy a dwelling’ index rose 5.3% to 85.4 in July, having already bounced 12.6% in June. However, this is still only recovering from the extremely weak May read of 72, which was nearly 50pts below the long-run average of 119. By state, buyer sentiment is less downbeat in New South

Wales (90) and Victoria (91), where dwelling prices have been declining, but more pessimistic in South Australia (83), Queensland (82) and Western Australia (70) where price growth has been relatively strong and prices are still rising.

Fewer consumers expect dwelling price gains to continue. The **Westpac–Melbourne Institute Index of House Price Expectations** fell 8% to 118, a new three-year low. Consumers are now uncertain about the outlook for prices with 47% of those surveyed expecting prices to rise over the next 12 months, 19% expecting no change, 29% expecting prices to decline and 6% reporting “don’t know”. This is the first time since March 2023 that there was not an outright majority of consumers expecting prices to rise. Consumer dwelling price expectations pulled back in every state.

The Reserve Bank Monetary Policy Board next meets on August 10–11. The latest sentiment updates show higher interest rates are continuing to contribute to a more subdued consumer. That said, high inflation is still the RBA’s primary concern. As such, the June quarter CPI update on July 29 will be the critical reading ahead of the August meeting. Recent communication has highlighted the Board’s readiness to hike rates again if needed, with speeches by senior RBA staff putting forward reasons why inflation might be more persistent and why policy might need to be more pro-active. On balance we expect the June quarter update to show inflation running too high and a further 25bp rate increase from the RBA Board in August.

Consumer Sentiment – July 2026

	avg*	Jul 2024	Jul 2025	Jun 2026	Jul 2026	%mth	%yr
Consumer Sentiment Index	100.2	82.7	93.1	80.6	83.9	4.1	–9.9
Family finances vs a year ago	87.6	63.5	79.2	67.3	71.1	5.6	–10.3
Family finances next 12mths	106.1	92.1	101.4	85.1	96.5	13.4	–4.9
Economic conditions next 12mths	90.3	81.4	94.1	77.8	78.3	0.6	–16.8
Economic conditions next 5yrs	92.1	94.5	93.4	86.5	87.1	0.7	–6.8
Time to buy a major household item	123.1	82.1	97.6	86.4	86.8	0.5	–11.1
Time to buy a dwelling	119.2	75.7	88.5	81.1	85.4	5.3	–3.5
Unemployment Expectations Index	129.2	128.6	128.7	139.8	129.9	–7.1	0.9
House Price Expectations Index	130.3	161.2	162.8	128.2	118.0	–8.0	–27.5
Interest Rate Expectations Index	141.2	159.2	83.1	172.6	162.6	–5.8	95.5

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 July to 9 July. 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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