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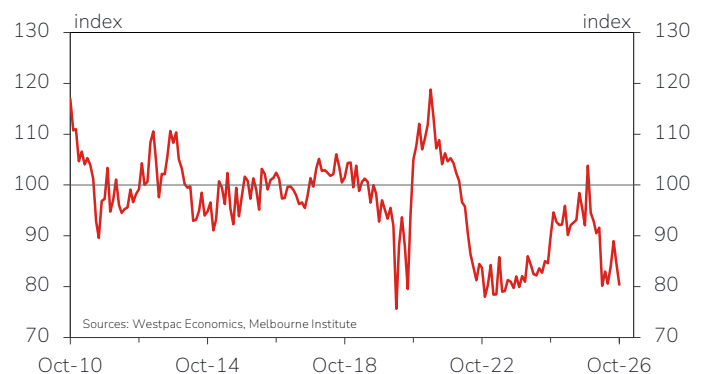
WESTPAC-MI CONSUMER SENTIMENT BULLETIN

Latest insights on the Australian consumer

Key points

- Westpac–Melbourne Institute Consumer Sentiment Index drops 4.7% to 80.4.
- Responses over survey week show very sharp pull-back after RBA rate hike.
- Finances back under intense pressure from higher fuel and interest rates.
- Over 80% consumers expect mortgage rates to rise over the next year.
- Homebuyer sentiment and house price expectations tick up but still uncertain.
- Consumers reporting growing unease about the outlook for jobs.

Consumer Sentiment Index



“The Westpac–Melbourne Institute Consumer Sentiment Index fell 4.7% to 80.4 in October from 84.4 in September.”

Sentiment hit again by fuel and interest rate rises



Matthew Hassan
Head of Australian Macro-Forecasting

The Westpac–Melbourne Institute Consumer Sentiment Index fell 4.7% to 80.4 in October from 84.4 in September.

Australian consumers remain stuck in a cost-of-living nightmare that seems to have no end in sight. At just over 80, the latest sentiment Index is amongst the forty worst reads since our monthly survey began in the early 1970s. We have had two others in this unfortunate group already this year – in April and June – with another eight recorded in 2022–23. Altogether this marks the worst period of recurring extremely weak sentiment since the disastrous recession in the early 1990s.

The survey detail shows consumer concerns are still primarily about the cost-of-living and high interest rates than the more acute job and insolvency problems that arise during a recession. However, these pressures are still both broad and intense. Pessimists outnumber optimists in 102 of the 106 sub-groups we track, and by over 20% in nearly two thirds of these. This speaks to the pervasive influence of higher fuel costs in particular. Average weekly pump prices have pushed back over \$2.30/litre nationally, to be near the peaks seen back in April and up nearly 25% since the start of the year. Meanwhile the latest RBA interest rate move takes the cash rate to 4.6%, the highest since 2011, with the standard variable mortgage interest rate set to push above 9% for the first time since 2008.

The latest RBA move looks to have badly rattled consumers. Responses over the course of the survey week show a very sharp deterioration after the decision was announced. Sentiment amongst the 60% of the sample surveyed prior came in at 86.9, up slightly from the September read. The sentiment read across the 40% surveyed after the RBA decision came in at just 67.2, an alarmingly weak read that, for complete surveys, has only been registered during the depths of the early 1990s recession. The nearly 20% drop between pre and post RBA samples is also the largest seen since we started tracking daily responses in 2019.

The component detail shows the October sentiment fall was broad-based but with a larger pull-back in assessments of family finances and buyer sentiment. 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.

Consumer finances are again coming under intense pressure from higher fuel prices, higher interest rates and a broadening housing downturn. The sub-index tracking consumer assessments of 'family finances vs a year ago' dropped 8% back to just 66.9, on a par with April's extreme low. That said, the sub-group detail shows some large divergences in the October month with assessments deteriorating sharply amongst women, retirees and consumers with investment properties but holding about steady amongst those aged 18–34 and posting solid gains amongst men and those earning less than \$60k a year.

The pressure is not expected to ease up any time soon. The 'family finances, next 12 months' sub-index recorded a sharp 6.4% decline to 88.4. While this is not overly weak, it sits in the bottom 10% of reads for this sub-index since the survey began.

“Australian consumers remain stuck in a cost-of-living nightmare that seems to have no end in sight”

Consumer assessments of the economic outlook recorded much milder declines, the 'economy, next 12 months' sub-index down 1.6% to 78.3 and the 'economy, next 5 years' sub-index down 0.4% to 85.5, the latter back near the lows seen in August 2020, when Melbourne had just entered its second lockdown and just prior to the Federal government significantly expanding its JobKeeper support measures.

The 'time to buy a major item' sub-index fell 7.1% to 83, returning to the lows seen earlier in the year and a full 40 points below the long-run average of 123.

All sub-indexes are in pessimistic territory, well below long-run averages and deteriorated markedly over the course of the survey week.

Consumers are on high alert for more interest rate increases. The Westpac–Melbourne Institute Mortgage Rate Expectations Index, which tracks consumer interest rate expectations, rose 5.5% to 179.7 in October, just shy of May's cycle peak of 181. Amongst those surveyed after the RBA decision, just over 80%, an overwhelming majority, expect mortgage rates to increase further over the next 12 months. This compares to 63% last month. Across the mortgage belt, the share is closer to 90%, with over 40% of this sub-group expecting rates to rise by more than a percentage point over

the next twelve months.

Job-loss fears are slowly rising as well. The Westpac–Melbourne Institute Unemployment Expectations Index ticked 1.9% higher to 142.1 in October, a further slight deterioration (recall that higher reads on this index mean more consumers expect unemployment to rise over the year ahead). The Index is now clearly above the long-run average of 129 but is still some way below previous peaks, the latest read broadly consistent with a consumer that is 'on edge' rather than alarmed. Job loss fears remain more elevated amongst consumers working in cyclical and fuel-cost-exposed sectors like construction, hospitality, food services and transport.

Housing-related sentiment provided an interesting contrast in October with both assessments of 'time to buy a dwelling' and house price expectations posting small gains in the month.

The 'time to buy a dwelling' index rose 3.4% to 88.4 in October, despite the RBA rate hike. Improvements following an interest rate rise are rare but not unheard of, particularly when buyer sentiment is already coming from a very weak level. Across sub-groups, the improvement was more pronounced for outright homeowners, retirees, 25–34-year-olds and those earning over \$80k a year. That said, the proportion saying now is a bad time to buy still outnumbers the share saying it is a good time to buy in nearly all sub-groups.

By state, buyer sentiment is still a little less downbeat in New South Wales and Victoria (both state indexes at 93), where dwelling prices have seen bigger moves lower, but more pessimistic in Queensland (85) and deeply pessimistic in

Western Australia (71) and South Australia (70).

The Westpac–Melbourne Institute Index of House Price Expectations rose 4.3% to 115.1 in October, coming off a steady September and a 36% slide over the previous six months. While the survey as a whole showed a gain, responses varied widely over the course of the survey week, with those surveyed prior to the RBA decision recording an index read of 121 and those surveyed after recording a read of just 103. Consumers appear very uncertain about the direction of prices over the next year, just over 31% expecting more declines, with 18% expecting no change and 46% expecting a rise (5% reporting "don't know").

The state breakdown showed the monthly rise was heavily concentrated in Victoria (+11%) with a small improvement in Queensland (+4.3%) but little change in the other major states.

The Reserve Bank Monetary Policy Board next meets on November 2–3. The latest Sentiment read shows pessimism remains intense and widespread across the Australian consumer. However, the higher fuel prices that are contributing to this are also starting to flow through into higher prices across a broader range of goods and services – a sign that the upside risks to inflation the RBA has previously warned about are materialising. Meanwhile the Board is also wary of demand pressures starting to emanate from the AI/data centre boom. On balance, we think that a follow-up rate hike is likely at the RBA's November meeting

Consumer Sentiment – October 2026

	avg*	Oct 2024	Oct 2025	Sep 2026	Oct 2026	%mth	%yr
Consumer Sentiment Index	100.2	89.8	92.1	84.4	80.4	-4.7	-12.7
Family finances vs a year ago	87.7	73.8	82.1	72.6	66.9	-8.0	-18.6
Family finances next 12mths	106.4	99.7	97.1	94.5	88.4	-6.4	-8.9
Economic conditions next 12mths	90.5	92.8	89.9	79.5	78.3	-1.6	-12.9
Economic conditions next 5yrs	92.1	97.8	94.0	85.8	85.5	-0.4	-9.1
Time to buy a major household item	123.0	85.1	97.2	89.3	83.0	-7.1	-14.6
Time to buy a dwelling	119.1	78.0	96.5	85.5	88.4	3.4	-8.3
Unemployment Expectations Index	129.3	129.8	127.6	139.4	142.1	1.9	11.4
House Price Expectations Index	130.2	153.2	171.9	110.3	115.1	4.3	-33.1
Interest Rate Expectations Index	141.6	106.4	101.7	170.4	179.7	5.5	76.8

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 28 September to 1 October. 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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