October 2026

THE RED BOOK

Quarterly update on the Australian consumer

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Staggering into year end

Coming into the home strait for 2026, the Australian consumer has again got the staggers. Spending has held up surprisingly well given the intense headwinds that have buffeted household budgets over the year. But the same cannot be said for sentiment which has fallen off badly in the face of more shocks.

Our October **Red Book** surveys the scene. Psychologically, consumers has seen a return to the 'cost of living nightmare' they struggled with through much of 2022, 2023 and 2024. Global forces and domestic factors are again having pervasive negative impacts on budgets.

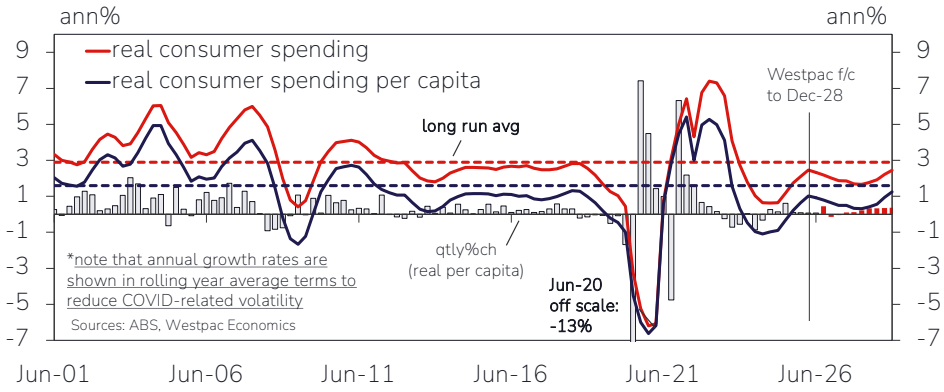
The scale may not be as severe as the previous episode – inflation is running in the 3-4% range not the 7-8% and interest rates have risen 1ppt not 4 – but the feeling is similar. In part this because there has was very little reprieve in between – despite tax cuts and a partial unwind of the interest rate tightening in 2025, household incomes never got a chance to regain the lost ground.

The inflation 'relapse', and the difficulty the RBA and governments seem to be having in managing the situation, is likely feeding into fears about the outlook for the wider economy as well.

Exactly what this means for spending is not entirely clear. As discussed in our last report, sentiment reads have been much weaker than actual spending in recent years. The apparent disconnect is likely due to a mix of legacy effects from COVID, and the specific challenges posed by high inflation (including the lingering effects of high prices even once inflation has subsided).

On balance we expect the spending side to slow materially, particularly as we head into year end. Indeed, the seven weeks between now and Christmas could prove decisive for the consumer outlook, beginning with another important sentiment survey update and then the high season for retail. How spending performs **outside** of key sales windows will be most telling.

1. Consumer spending: slowdown ahead



"... sentiment ... has fallen off badly in the face of more shocks"

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Quick run-down

The **Westpac–Melbourne Institute Consumer Sentiment Index** declined 4.2% over the three months to Oct, unwinding a mini-rally through the middle of the year. At 80.4 the average read over the Oct survey implies that pessimists outnumber optimists by nearly 20%, a deeply pessimistic level by historical standards that is amongst the forty worst reads since the survey began in the 1973.

The survey detail shows 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. The RBA's Sep rate hike, mid-way through the survey week looks to have badly rattled consumers.

The component detail shows a broad pull-back but with bigger declines in assessments of family finances and buyer sentiment and milder declines in assessments of the economic outlook.

Consumers remain intensely risk averse. The **Westpac Risk Aversion Index** held near historical highs in Sep, readings still only a touch of the 52-year high of 60.8 recorded in June 2023. Recall that the index is based on responses to questions on the 'wisest place for savings'. Responses show 'safe options' remain very heavily favoured.

The sentiment mix points to a significant weakening in spending momentum is weakening. **CSI±,** a modified indicator that shows a better correlation with per capita spending, points to a shift back to significant outright contractions in per capita spending. That said, spending in 2026 has held up better than these indicators have suggested so far.

Consumers are on high alert for interest rate. The **Westpac–Melbourne Institute Mortgage Rate Expectations Index** rose 5.5% to 179 over the three months to Oct, just shy of May's cycle peak of 181. The RBA has raised interest rates 25bps since then. The Nov survey update due Nov 10 will be an important update on how expectations have evolved.

The **'time to buy a major item'** index dropped 4.3% over the last three months, taking it back near the lows seen earlier in the year and a full 40pts below the long run avg. Durables spend has been mixed over the first half of 2026, posting a surprisingly solid gain in Q2 but with most of this centred on new vehicle spend where 'extenuating circumstances' were at play.

Homebuyer sentiment has been understandably unsettled in recent months given heightened uncertainty around interest rate and tax policy changes amid evidence of a broadening downturn in established markets.

The **'time to buy a dwelling'** index actually lifted 3.6% over the three months to Oct but is still at firmly pessimistic levels. Both monthly reads and sub-group detail have been very unsettled.

The broadening and deepening downturn in Australia's housing markets is seeing an equally rapid shift in consumer house price expectations although these have not turned as negative as they did during the 2022-23 correction.

The **Westpac–Melbourne Institute Consumer House Price Expectations Index** declined a further 2.4% over the 3mths to Oct, following a steep 25% drop over the previous 3mths. At 115.6, the Oct index read is miles below the 15yr high of 174 at the start of the year and below the long run avg of 130. That said, the read is still above 100, meaning more consumers expect prices to rise than fall.

The labour market remains an island of relative calm for consumers. The **Westpac–Melbourne Institute Unemployment Expectations Index** rose 9.3% over the three months to Oct, reversing most of the 12.1% improvement over the previous three months (recall that higher reads mean more consumers expect unemployment to rise over the year ahead). At 142.2, the Oct index read is now decisively above the long run avg of 129 again but still well below the levels that would sound more worrying alarms.

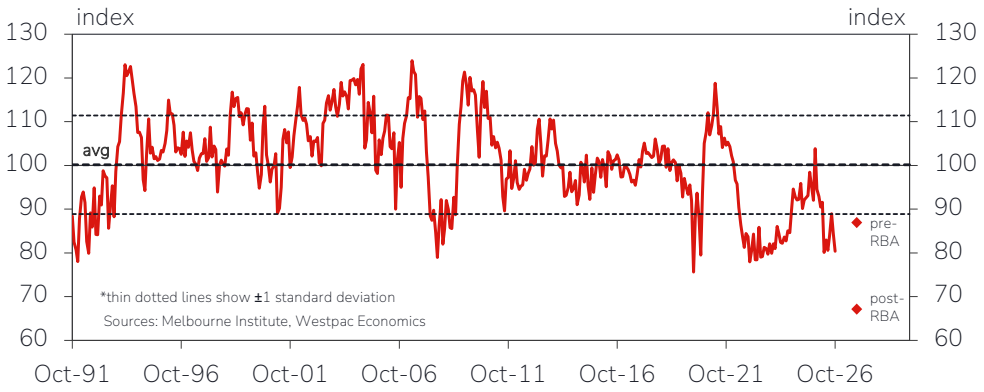
As noted, the Nov survey, currently in the field and due to be released on Nov 10, will provide critical updates on many of these themes.

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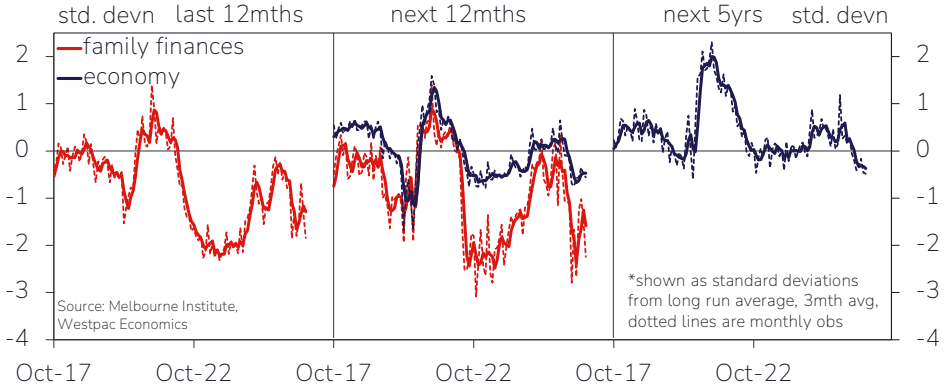
Cost-of-living nightmare continues

- Consumers remain stuck in a cost-of-living nightmare that seems to have not end in sight. Sentiment remains deeply pessimistic, weighed down by continued uncertainty about the path for inflation and interest rates, the latter providing a clear negative 'jolt' midway through the Oct survey week.
- The **Westpac Melbourne Institute Index of Consumer Sentiment** declined 4.2% over the three months to Oct, unwinding a mini-rally through the middle of the year. At 80.4 the average read over the Oct survey implies that pessimists outnumber optimists by nearly 20%, a deeply pessimistic level by historical standards. It is amongst the forty worst reads since the survey began in the 1973. We have had two others in this unfortunate group already this year (in Apr and Jun) with another eight 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.
- Average weekly pump prices pushed back over $2.30/litre nationally in early Oct, rising to over $2.35/litre since. This is near the peaks seen back in April and up nearly 25% since the start of the year. Meanwhile the RBA interest rate rise in late Sep took the cash rate to 4.6%, the highest since 2011, with the standard variable mortgage interest rate pushing above 9% for the first time since 2008.
- The RBA's Sep move badly rattled consumers. Sentiment amongst the 60% of the sample surveyed prior came in at 86.9, up slightly from the Sep 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 negative swing we have seen since we started tracking daily responses in 2019.
- The RBA has delivered another hike as we go to press, meaning Nov is likely to see yet another interest rate hike to sentiment (the survey result will be released on Nov 10).

2. Consumer sentiment: rate rise jolt



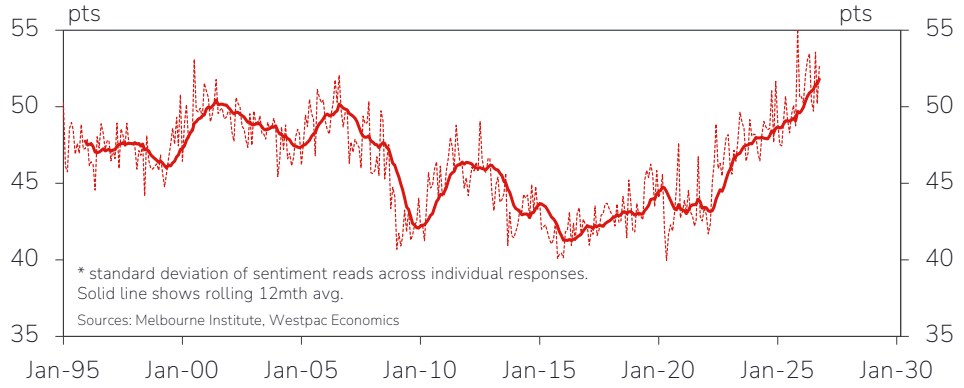
3. Consumer sentiment: finances, economic conditions



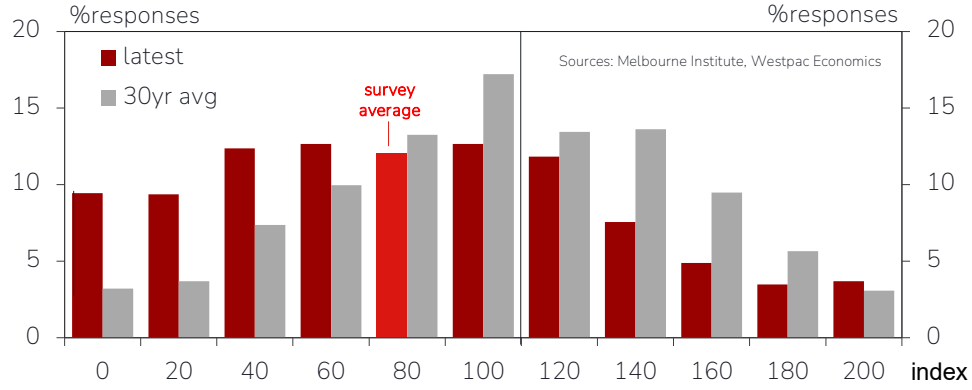
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- The component detail shows a broad pull-back but with bigger declines in assessments of family finances and buyer sentiment. The 'finances vs a year ago' sub-index dropped 6% over the 3mths to Oct to just 66.9, on a par with April's extreme low. The pressure is not expected to ease up any time soon, the 'finances, next 12 months' sub-index also down 8.3% to 88.4, in the bottom 10% of reads for this sub-index since the survey began.
- Consumer views on the economy recorded milder declines, the 'economy, next 12 months' sub-index unchanged on Jul, holding at 78.3 and the 'economy, next 5 years' sub-index down 1.8% to 85.5. However, the latter is now back near the lows seen in Aug 2020. This was a dark time during the COVID crisis when Melbourne had entered its second lockdown and just prior to the Federal government significantly expanding its JobKeeper supports. The readings suggest there are shades of COVID now with a similar sense of helplessness – that Australia is unable to avoid a global inflation problem and that there is relatively little authorities can do to help the situation that does not add to pressures on consumers.
- The cost of living and interest rate pressures are 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.
- That said, sentiment is becoming more dispersed. It is possible to compute sentiment index scores for each individual respondent. Chart 4 shows how the spread across these scores has evolved since 1995. The average standard deviation over the full history is 46pts. It was about 4pts lower over the decade prior to COVID but has risen steadily since to over 52pts in Oct, the average spread over the last 12mths marking a record high. Chart 5 shows the full distribution of individual scores in the last 3mths compared to history.
- We noted in our last report that the widening spread has been accompanied by a notable divergence in sentiment across major and minor party voters. There are likely multiple underlying reasons for the shift which the voter group split may be picking up indirectly rather than directly due to the way these skew across different demographics.

4. Consumer sentiment: spread across individual respondents



5. Consumer sentiment: distribution

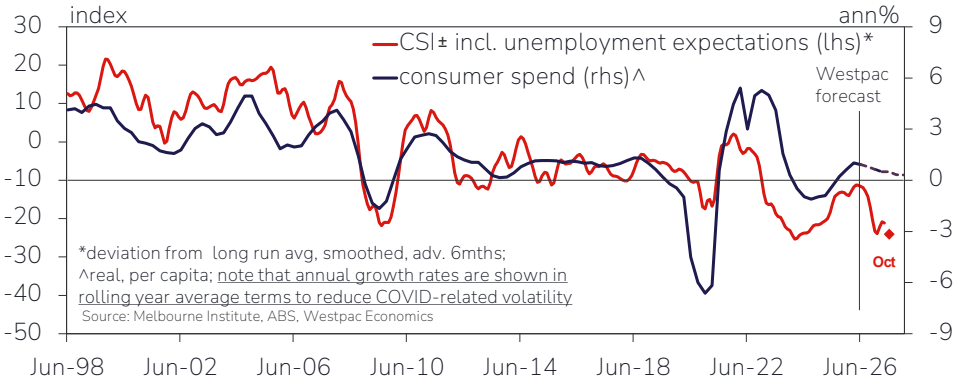


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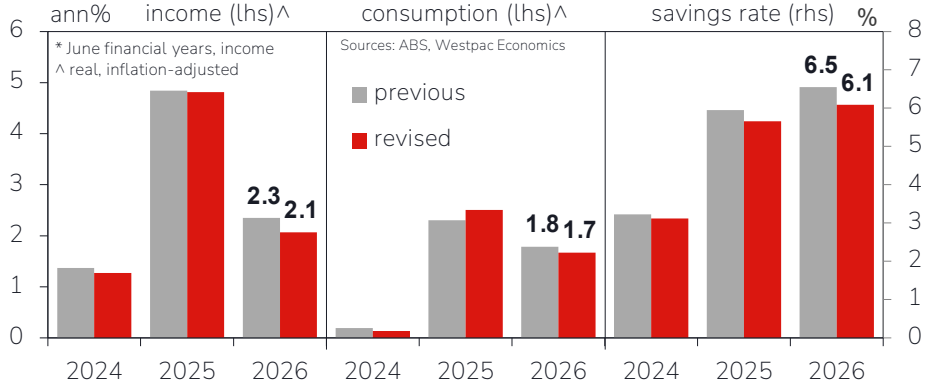
Spending: squeeze ahead

- Our **CSI±** composite combines sub-indexes tracking views on 'family finances' and 'time to buy a major item' with the **Westpac Consumer Risk Aversion Index** and usually provides a good guide to trends in spending over the next 3–6mths.
- However, as discussed in detail in our last report the composite has been of more limited use in recent years due to both the volatile spending around COVID lock-downs and the nature of the post-COVID cost-of-living shock to sentiment. Analysis shows adding the **WestpacMelbourne Institute Index of Unemployment Expectations** (p15) to the composite goes some way to redressing these issues. Accordingly, our **CSI±** indicator will now include this additional component going forward. As Chart 6 highlights, the composite should still mainly be viewed as a directional guide to where per capita spending growth momentum is heading rather than a point estimate.
- Unsurprisingly, the **CSI±** indicator fell steeply over the 3mths to Oct, dropping from 75.6 to 67.6, putting the measure over 26pts below its long run avg of 93.8.
- The move reflected the more marked falls in assessments of finances and 'time to buy' with a significant deterioration in unemployment expectations as well. Risk aversion remained unchanged at very high levels.
- Chart 6 shows the current read is consistent with a large contraction in real per capita consumer spending, even allowing for the wedge that has opened up between observed spending growth and the **CSI±** indicator over the last few years.
- The Q2 national accounts showed some slowing in consumer spending although it was more resilient than feared to the combined effect of higher fuel prices and interest rates while incomes posted a robust rise. More generally a range of shocks and shifts made for a messy quarter (see here for more).
- Real consumption rose 0.4%qtr taking annual growth to 1.8%yr, down from a peak of 2.7%yr in Q3 last year. The detail showed declines in fuel spend and transport services (including air travel) were more than offset by a 10% surge in vehicle sales, led by a big rise in EVs and hybrids.

6. CSI± vs consumer spending



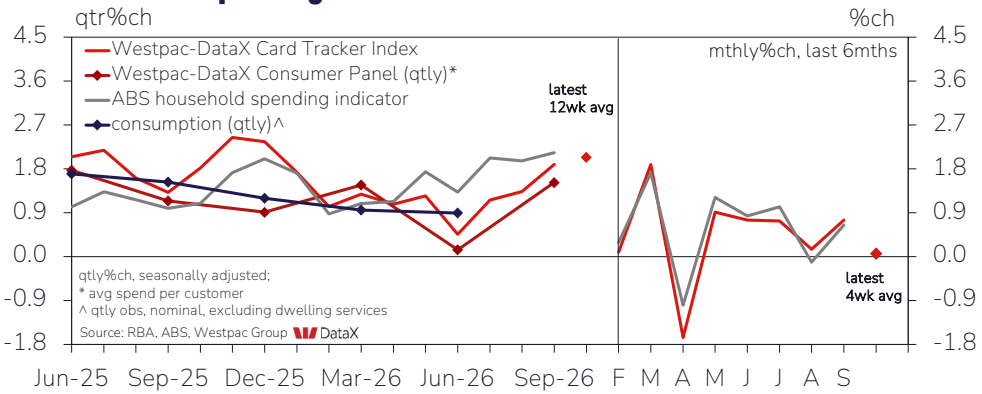
7. Annual national accounts: benchmark revisions



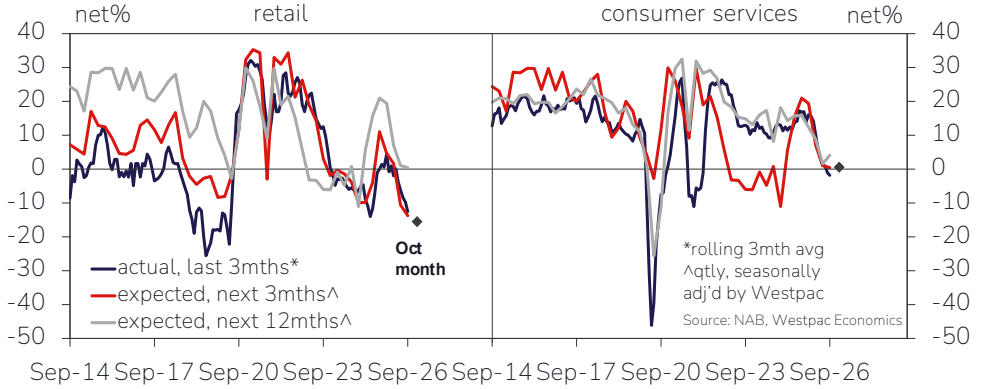
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- Household disposable incomes rose 0.6%qtr, lifting annual growth to 2.3%yr, supported by a continued robust rise in labour income (more due to average compensation than head count in the latest quarter). This in turn meant the household savings rate ticked up slightly from 6.4% to 6.5%.
- New annual benchmarks released by the ABS since the Q2 accounts were published showed relatively minor revisions (Chart 7). For the full financial year, annual growth in disposable income was nudged 0.2pts lower to 2.1%yr with real spending shaved back from 1.8%yr to 1.7%yr and the savings rate lowered from 6.5% to 6.1%. These changes will be rolled into the quarterly estimates when the Q3 national accounts are released on Dec 2.
- Partial data suggests Q3 has seen a lift in nominal spend although most of this is a price effect. The ABS household spending indicator, which covers around two thirds of the total consumption basket, showed a 2.1%qtr rise in nominal terms in Q3 up from 1.3%qtr in Q2. However, all of that was due to stronger price growth with volumes posting a 0.7% rise in line with Q2 (see here).
- Our **Westpac-DataX Card Tracker Index** foreshadowed the spending indicator result and suggests quarterly growth momentum is still tracking at around 2% in mid-Oct in nominal terms. That said, quarterly growth rate is likely slowing in real terms given our estimates that Oct saw a further step-up in price growth. The latest monthly pace of gains also looks to be about flat in nominal terms (see Chart 8).
- Private sector business surveys point to weak conditions for retail (consistent with under-performing discretionary goods segments) and stalling activity for consumer services. Near term expectations are at similar levels for both but with year-weak expectations flat rather than negative for retail.
- The ABS will publish full spending estimates with the Q3 national accounts on Dec 2. Based on partials we expect these to show a solid +0.8%qtr gain, lifting annual growth to 2.1%yr, an upgrade on the +0.4%qtr, 1.5%yr forecast in or last report. However, that's expected to be the high water mark for growth with forecast to slow abruptly into year end and early 2027, growth tracking back to 1.4%yr by Q3 2027.

8. Consumer spending: selected indicators



9. Business conditions: retail and consumer services

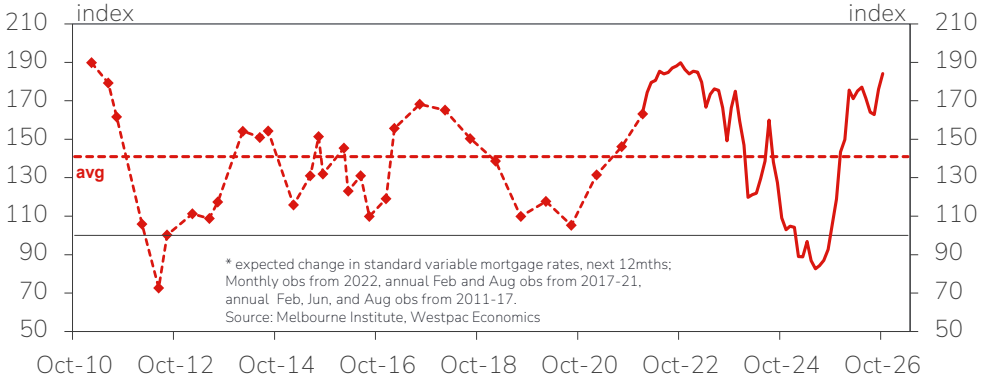


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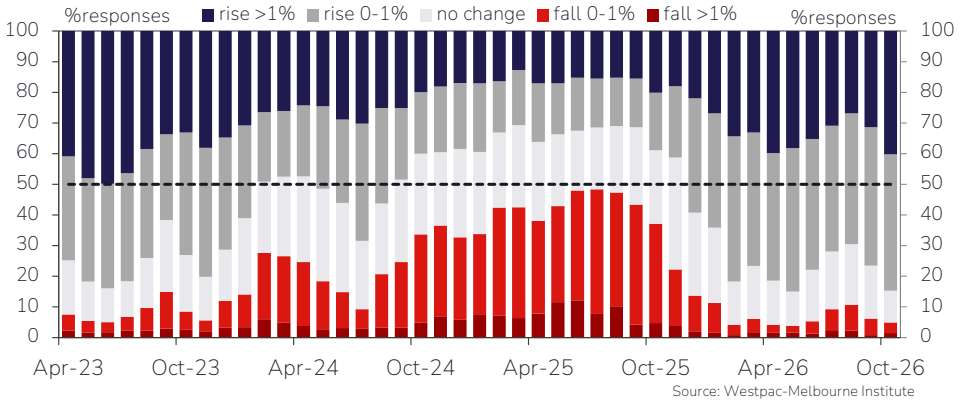
Interest rates: hike fears realised

- Consumers have been on high alert for interest rate rises for some time. Those fears materialised in late Sep and again in early Nov. The Oct survey was in the field during the week of the Sep move. Not surprisingly, the **Westpac–Melbourne Institute Mortgage Rate Expectations Index**, which tracks consumer interest rate expectations, rose 5.5% to 179, 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 12mths. This compares to 64% in Sep. 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.
- While the Sep and Nov interest rate increases were widely expected, the scale of the rise over the last 12mths, a full 1.25%, has come as a surprise. This time last year, consumers were in two minds, 39% of those with a view expecting interest rates to rise and 37% expecting them to fall. Only 20% of consumers expected mortgage rates to rise by over 1ppt.
- As at Oct, just over 40% of consumers with a view expected mortgage interest rates to rise by more than 1ppt. While some hawkishness is clearly warranted, this is extreme – it would take the standard variable mortgage rate well above 10%, to levels not seen since the mid-1990s, thirty years ago.
- Overall, Oct responses suggest consumers were broadly expecting another three 25bp rate hikes from the RBA. The Nov survey, currently in the field, will capture how expectations have shifted after the RBA's more recent move. While this may have amplified rate rise fears, the split vote and some indications from the Governor that there may be a pause to assess things in Dec could work the other way (see here for more).
- The near term inflation outlook clearly remains challenging. However, Westpac expects the RBA to leave rates on hold through the remainder of 2026. And while there are risks of a further tightening in early 2027 we think rates will more likely be maintained at current levels with an eventual gradual relaxation in policy beginning in the second half of 2027.

10. Mortgage interest rate expectations



11. Consumer expectations for mortgage rates

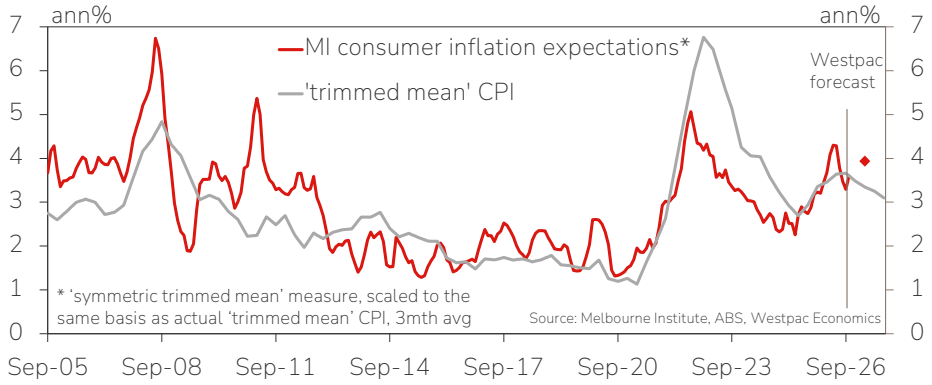


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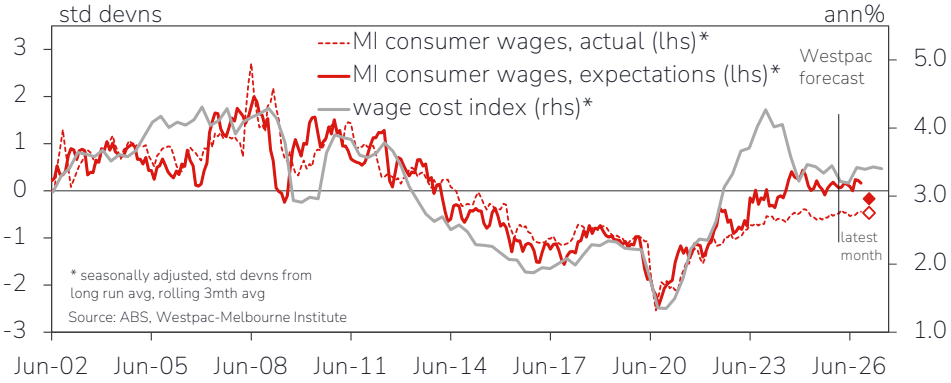
Inflation: still too hot but wages flat

- Inflation has kicked up again over the last 3mths, led by a resurgence in global energy prices. Near term consumer inflation expectations have risen sharply again as well although consumer wage expectations have not moved, if anything moving marginally lower in the latest month.
- The Sep CPI report showed headline up 1.3%qtr, the annual pace holding at the Jun qtr pace of 3.9%yr. The key 'trimmed mean' measure lifted 1.0%qtr, the annual pace ticking up from 3.6%yr to 3.7%yr. The detail revealed underlying inflationary pressures continuing even while a moderation in housing inflation (dwellings in particular) is unfolding slightly faster than anticipated. Near-term risks for inflation are to the upside but more balanced further out (see here)
- Consumer inflation expectations have moved higher again. After peaking at 5.9% in Apr, the Melbourne Institute's 'symmetric mean' measure of consumers' year-ahead inflation expectations eased back to 4.7% in Jul, ticking up slightly to 4.9% in Aug and Sep but jumped again back to 5.3% in Jul. Expectations are likely being skewed by the jump in fuel prices.
- Scaling according to historical inflation outcomes suggests current expectations are consistent with inflation of around 4%yr. It is difficult to look through the effects of fuel price volatility, which amplified expectations in Mar and Apr but dampened them again when the temporary halving in fuel excise tax came into effect through Apr-May.
- From the RBA's perspective, it will be important for inflation expectations to track back towards historical levels in a timely manner as a sign that expectations more generally remain firmly anchored at low inflation rates.
- Certainly there are no signs that the latest lift in inflation is becoming embedded into expectations for wages. Consumer assessments of actual wages lifted a little when the new Award decision came into effect but have settled back to 1.4%, a touch above the Jun qtr avg of 1.2% but below the long run avg of 1.8%. Expectations have tracked a slightly softer path, dipping to 1.2% in Oct, down from a Jun qtr avg of 1.3% and long run avg of 1.3%. At face value, expectations are consistent with a significant deterioration in real wages.

12. CPI Inflation: actual vs expected



13. Wages growth: actual vs expected

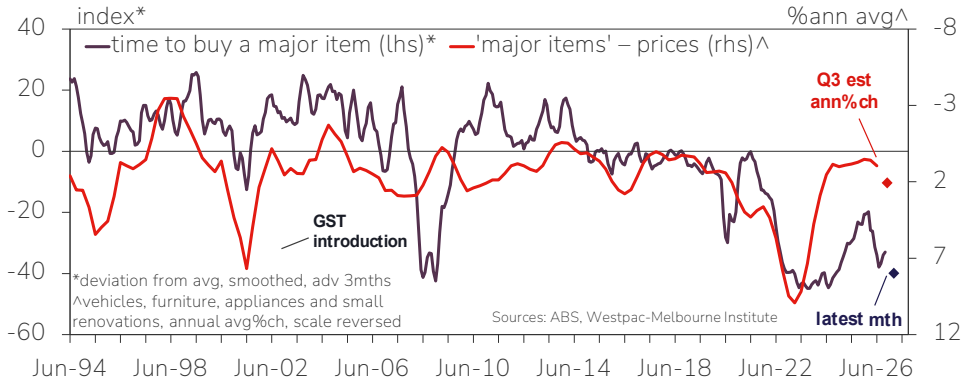


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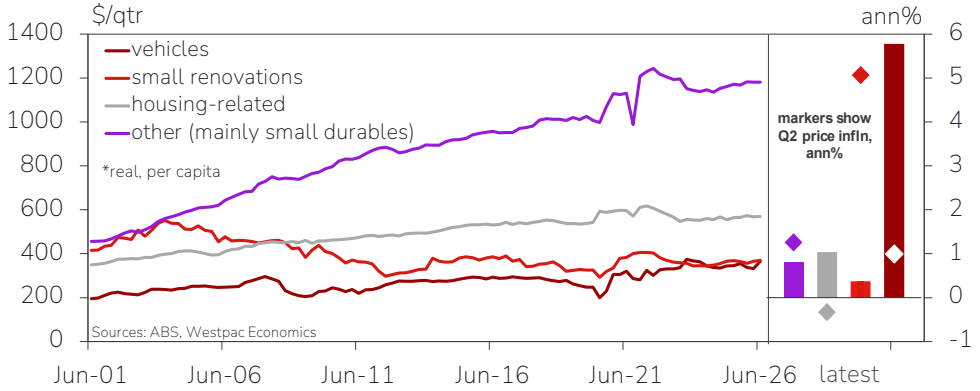
Durables: soft spend, dire sentiment

- Durables spend has been mixed over the first half of 2026, posting a surprisingly solid gain in Q2 but with most of this centred on new vehicle spend where 'extenuating circumstances' were at play. Even excluding this, the flat underlying trend is not nearly as weak as the dire reads on the 'time to buy a major item' sub-index would suggest. The last 3mths has seen the sub-index drop back again, a 4.3% decline taking it to 83, near the lows seen earlier in the year and a full 40pts below the long-run avg of 123.
- As discussed regularly over the last four years, the extreme weakness appears to relate to the collapse in purchasing power since 2022. While prices have stabilised somewhat, their still high level is casting a dark shadow over buyer sentiment.
- As Chart 18 shows, durable goods prices have been more stable since 2024 but look to have posted a bigger rise in the Sep quarter, our estimates based on the CPI detail pointing to annual price growth lifting back above 2.1%yr.
- There are a range factors at play here for prices. Construction costs have fed into the renovation segment of our measure. Some major durable items also have higher transport costs components. However, a notable medium term trend has been the absence of trend price declines for audio-visual and computing equipment, which make up a large part of the 'small durables' segment.
- As chart 15 shows, growth in real per capita spend on the 'major item' segments centred on a 10%qtr jump in vehicles in Q2, led by strong take-up of EVs that was partly in response to the sharp move higher in fuel prices this year. Excluding vehicles, per capita spend was up just 0.3%qtr, 0.8%yr.
- Partial data suggests Q3 is softer with the industry data pointing to a much slower 1%qtr gain for vehicle sales and the ABS Household Spending Indicator detail showing flat volumes for furnishings and household equipment. Our card data also suggests there has been a further shift to outright weakness in discretionary goods in the Oct month.

14. 'Time to buy a major item' vs prices



15. Consumer spending: 'big ticket' items

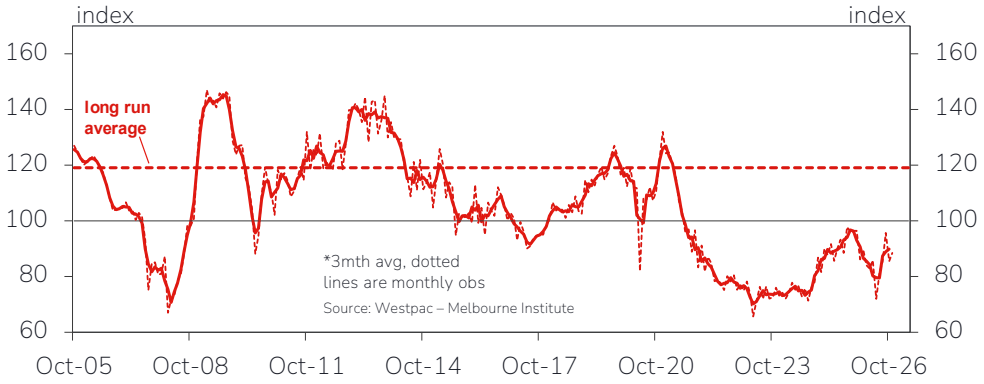


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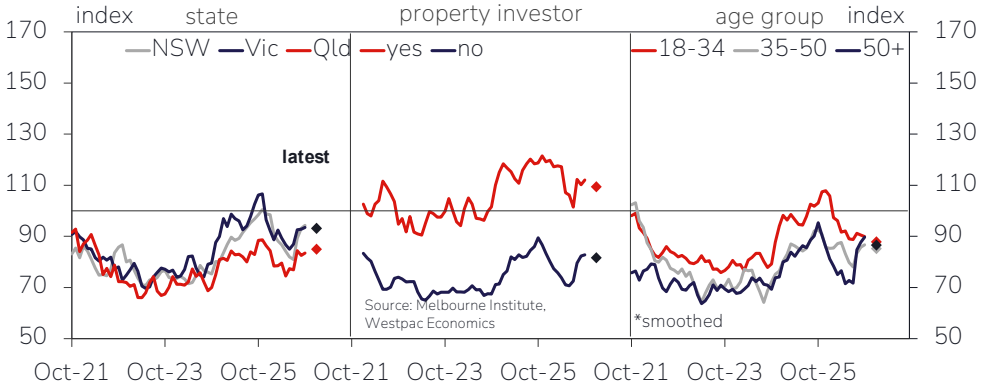
Dwellings: pessimistic and uncertain

- Housing-related sentiment has been understandably unsettled in recent months, reflecting the heightened uncertainty around interest rate and tax policy changes amid evidence of a broadening downturn in established markets.
- Assessments of 'time to buy' – generally seen as being from the perspective of owner occupiers rather than investors – have been choppy month to month but still in firmly pessimistic territory, albeit off the extreme lows seen in previous years.
- The **'time to buy a dwelling'** index actually lifted 3.6% over the 3mths to Oct sharply in May (–16%) but tracked a volatile monthly path, up 12% at one stage but unwinding most of that as inflation and rate rise fears returned.
- At 88.4, the Oct index read is still far from positive, over 30pts below the long run avg of 119.
- The sub-group detail is also quite unsettled. The Oct month improvement was more pronounced for outright homeowners, retirees, 25–34-year-olds and those earning over $80k a year. But on a quarterly basis the biggest improvement has been amongst those aged 50+ and earning over $100k.
- Interestingly, existing owners of residential property investments (25% of all respondents) continue to be outright positive on 'time to buy'.
- By state, buyer sentiment is still a little less downbeat in NSW and Vic (both state indexes at 93), where dwelling prices have seen bigger moves lower, but more pessimistic in Qld (85) and deeply pessimistic in WA (71) and SA (70).
- The overarching question is whether improving affordability – reflecting a mix of lower prices and higher interest rates – will be sufficient to offset unease about the pace of price declines.

16. 'Time to buy a dwelling'



17. 'Time to buy a dwelling': selected sub-groups

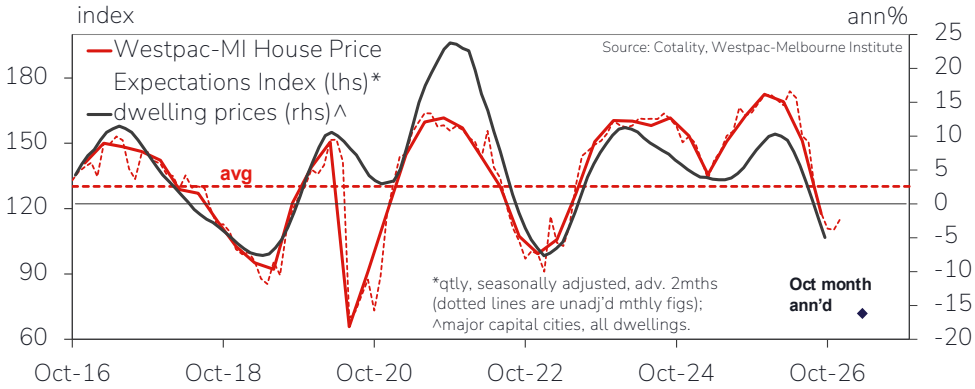


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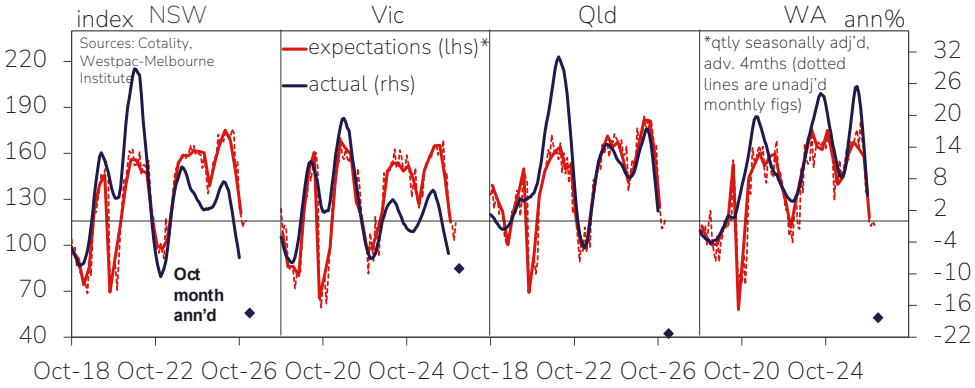
House prices: uncertain vs downbeat

- The broadening and deepening downturn in Australia's housing markets is seeing an equally rapid shift in consumer house price expectations although these have not turned as negative as they did during the 2022-23 correction.
- The **Westpac Melbourne Institute House Price Expectations Index** declined a further 2.4% over the 3mths to Oct, following a steep 25% drop over the previous 3mths. At 115.6, the Oct index read is miles below the 15yr high of 174 at the start of the year and below the long run avg of 130.
- That said, the read is still above 100, meaning more consumers expect prices to rise than fall. This compares to the low of 91 during the 2022-23 correction when the consensus view was for continued declines. The Nov survey update will be an important gauge of whether a negative consensus has again emerged about the house price outlook. If it does, price momentum is likely to remain weak as buyers will be more inclined to hold off and sellers more willing to accept low prices now.
- The detailed responses in Oct were a picture of uncertainty, 46% of those surveyed expecting prices to rise, 18% expecting no change, 31% expecting prices to decline and 5% reporting "don't know". This was a similar mix to Jul.
- That said, there is little doubt that the downturn is deepening. The Cotality home value index – covering all of Australia – fell 1.2% in Oct, annual growth dropping into negative (–2.8%yr) for the first time and prices down 6.7% from their peak in Mar (see here for a full run down).
- Actual price growth has been broadly comparable to consumer house price expectations overall (see Chart 18), although the latest monthly result suggests the latter is set to move materially lower. By state, expectations have overshot outcomes in NSW and Vic, been very closely aligned in Qld but undershot to date in WA.
- Notably, the sub-group detail shows price expectations have outright pessimistic (sub-100) for older age groups.

18. Westpac-MI House Price Expectations Index



19. Dwelling prices: actual vs expected by state

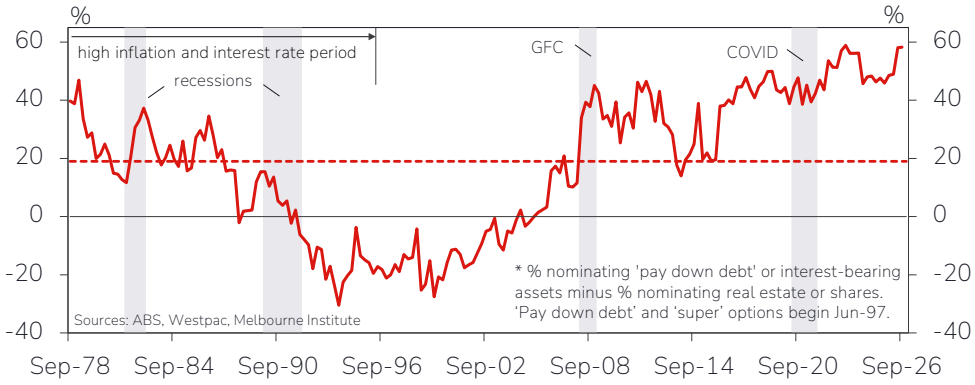


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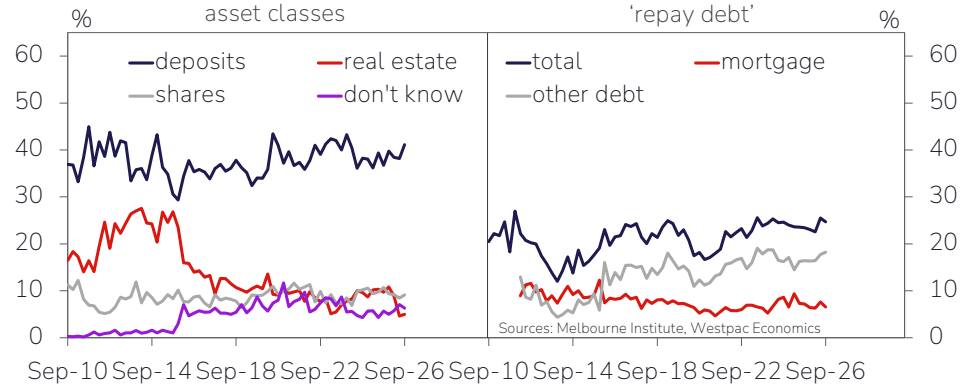
Risk aversion: bracing

- Consumers remain intensely risk averse. The **Westpac Consumer Risk Aversion Index** remained near historical extreme highs in Sep, dipping slightly from 60.1 to 57.5, but unchanged in seasonally adjusted terms (as shown on Chart 20). Readings are just a touch of the 52-year high of 60.8 recorded in June 2023.
- Recall that the index is based on responses to questions on the 'wisest place for savings'. These ask consumers to nominate from a range of options, the risk index being the difference between the share nominating 'safe' options such as 'deposits' and 'repay debt' and the share nominating 'risky' options such as 'shares' and 'real estate'.
- 'Safe options' remain very heavily favoured: 33% of consumers nominating 'bank deposits'; 24% nominating 'pay down debt' and 7% nominating 'superannuation'. The share nominating 'real estate' hold near historic lows at just 4.7%.
- As noted previously, the mix of high inflation, interest rate rises, tax policy changes, a housing downturn, and numerous other factors – including conflict in the Middle East, tariffs, and a range of disruptions from AI – is creating an extremely uncertain environment for consumers when it comes to financial decisions.
- This 'safety first' mode is typically associated with more elevated savings rates, increased voluntary debt repayments and an aversion to new borrowing that drives debt to income ratios lower over time. Notably, mix of responses on 'repay debt' suggests the focus is primarily on non mortgage rather than mortgage debt.
- The survey detail showed a fair bit of variation across sub-groups, with material declines in Vic and SA, 35-44 year olds, retirees and males but rises in NSW and amongst 45-54 year olds. Note that all of these reads were taken from the Sep survey and so pre-date the RBA's rate rise in late Sep.

20. Westpac Consumer Risk Aversion Index



21. Consumer: 'wisest place for savings'

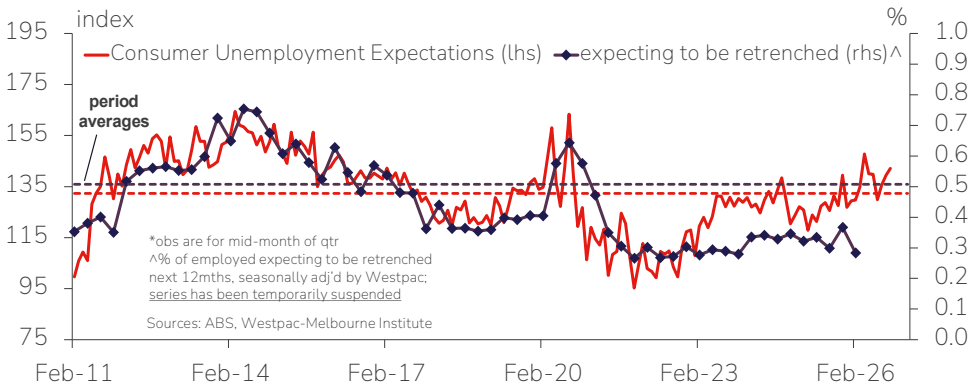


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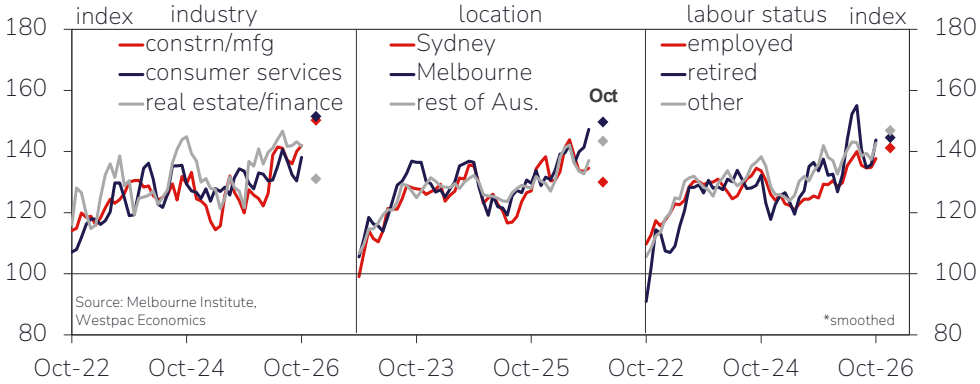
Job security: a wind shift?

- For Australian consumers, the labour market remains an island of relative calm amid the swirling mix of cost-of-living stresses, rate rise and housing downturns. Job-loss fears have moved around, most recently rising again over the last three months, but the moves have been mild compared to wider sentiment swings and the overall level of concern still relatively mild.
- The **Westpac-Melbourne Institute Index of Unemployment Expectations** rose 9.3% over the three months to Oct, reversing most of the 12.1% improvement over the previous three months (recall that higher reads mean more consumers expect unemployment to rise over the year ahead). At 142.2, the Oct index read is now decisively above the long run avg of 129 again but still well below the levels that would sound more worrying alarms.
- The latest ABS labour force figures show employment gains have been lumpy month to month but have averaged +34k/mth through May-Aug, a tick up from the +22k/mth average over the six months prior.
- Annual employment growth has been slower, holding within the 1.0-1.5%yr range over the past year or so. With the working age population expanding 1.7%yr, the mix has seen the unemployment rate drift higher, reaching 4.7% in Aug vs 4.4% in May (see here for more). While there is evidence of a little more slack emerging in labour markets this appears to be mainly coming from a combination of increased supply and more moderate growth in hiring rather than retrenchments. Unfortunately changes to the ABS survey mean official estimates of both retrenchments and expected retrenchment (as shown in Chart 26) are unavailable.
- Based on historical outcomes and adjusting for biases, the latest index read is roughly consistent with a 0.4-0.6ppt rise in the unemployment rate, which would take it into the 5.2-5.3% range by this time next year.
- The sub-group detail shows real estate and construction workers led the deterioration in Oct, suggesting it is linked to interest rate and housing market developments.

22. Unemployment expectations



23. Unemployment expectations: selected sub-groups

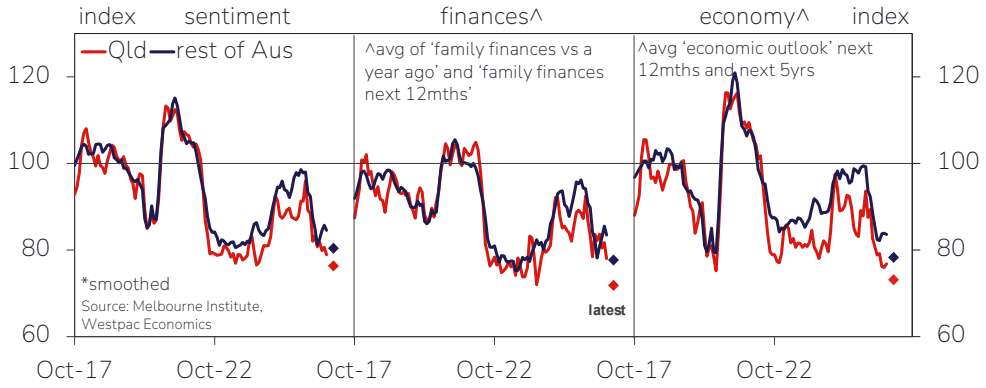


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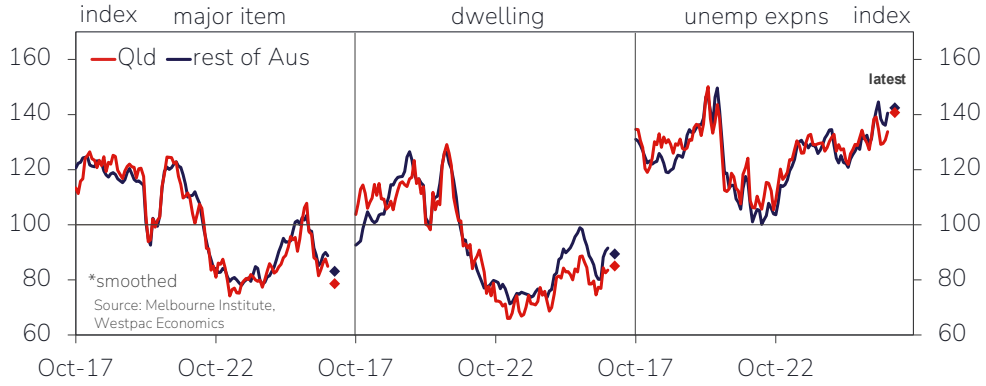
Queensland

- The last time we profiled consumer sentiment in Qld, a year ago, it was seeing a marked divergence with the rest of Aus with Qlders much more pessimistic. Some of that shift appeared to be linked to the withdrawal of what were more material cost-of-living supports provided by the Qld state government, and an associated sharper rise in headline inflation. That in turn suggested the negative wedge on sentiment could close up a little. And for a time this was the case: Qld more-or-less re-converged sentiment-wise with the rest of Aus around the start of 2026. However, since then, sentiment amongst the state's consumers has deteriorated more sharply again. At just 76.3 in Oct, the 'Sunshine state' is the gloomiest of the big 3 eastern states and plumbing 2022-23 lows.
- Component-wise, the 6pt gap with the rest of Aus in recent months has mainly centred on differing assessments of the economic outlook where there has been a 7-8pt wedge. However, assessments of finances deteriorated particularly sharply in the Oct month suggesting the housing downturn, which came on later in Qld, may be a factor now as well.
- Qld'ers are also more pessimistic on time to buy questions (especially dwellings) but interestingly are less troubled about unemployment.
- The latter may speak to a different take on the wider economic and inflation challenges: as a state, Qld has tended to see stronger demand growth (including an expected lift in infrastructure and Olympics-related build) that it putting more pressure on capacity, particularly across its labour market. Qld's unemployment rate is sitting at 4.5% a touch below the national rate which is unusual for a state that has tended to see unemployment track slightly above the national rate for most of its history (not because of labour demand issues but because the strength and composition of its population growth has tended to see more ample supply. This excessive fear factor may be a view in Qld that Australia's capacity and inflation problems may be more substantive and enduring.
- Looking ahead, housing may be the next area to weigh more heavily on sentiment with prices in the state now showing a very abrupt slowing (p13).

24. Consumer sentiment, finances, economy: Qld vs rest of Aus



25. Consumer sentiment: 'time to buy', unemp expns: Qld vs rest of Aus



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Economic and financial forecasts

Interest rate forecasts

Australia	Latest (6 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28	Dec–28
Cash	4.85	4.85	4.85	4.85	4.60	4.35	4.10	3.85	3.85	3.85	3.60
90 Day BBSW	4.93	4.95	4.95	4.80	4.55	4.30	4.10	3.95	3.95	3.95	3.70
3 Year Bond	4.71	4.90	4.85	4.75	4.65	4.55	4.45	4.35	4.30	4.25	3.90
3 Year Swap	4.69	4.90	4.85	4.75	4.65	4.55	4.45	4.35	4.30	4.25	3.90
10 Year Bond	5.02	5.20	5.15	5.10	5.05	5.05	5.00	5.00	5.00	5.00	4.65
10 Year Spread to US (bps)	17	15	15	15	15	10	0	–5	–10	–15	–20
US											
Fed Funds	3.875	4.125	4.125	4.125	4.125	4.125	3.875	3.625	3.625	3.625	3.625
US 10 Year Bond	4.85	5.05	5.00	4.95	4.90	4.95	5.00	5.05	5.10	5.15	4.85

Exchange rate forecasts

	Latest (6 Nov)	Dec–26	Mar–27	Jun–27	Sep–27	Dec–27	Mar–28	Jun–28	Sep–28	Dec–28	Dec–28
AUD/USD	0.6902	0.72	0.72	0.73	0.73	0.73	0.73	0.72	0.72	0.72	0.72
NZD/USD	0.5566	0.56	0.58	0.61	0.63	0.64	0.64	0.64	0.65	0.65	0.66
USD/JPY	157.82	156	154	153	152	151	150	149	148	146	146
EUR/USD	1.1199	1.14	1.16	1.18	1.20	1.21	1.22	1.22	1.21	1.21	1.21
GBP/USD	1.3433	1.34	1.35	1.36	1.38	1.39	1.40	1.41	1.41	1.40	1.40
USD/CNY	6.6688	6.65	t6.60	6.50	6.45	6.40	6.35	6.35	6.30	6.30	6.30
AUD/NZD	1.2399	1.27	1.24	1.20	1.16	1.15	1.13	1.12	1.12	1.11	1.10

Sources: Bloomberg, Westpac Economics.

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Economic and financial forecasts

Australian economic growth forecasts

	2026				2027			
	Q1	Q2f	Q3(f)	Q4(f)	Q1(f)	Q2(f)	Q3(f)	Q4(f)
GDP %qtr	0.3	0.4	0.5	0.2	0.4	0.3	0.4	0.5
%yr end	2.5	2.1	2.2	1.5	1.6	1.5	1.4	1.6
Unemployment rate % *	4.2	4.4	4.6	4.7	4.7	4.8	4.8	4.7
Wages (WPI) (sa) %qtr	0.8	0.8	1.0	0.8	0.8	0.8	0.8	0.8
%yr end	3.2	3.2	3.4	3.4	3.4	3.4	3.2	3.2
Headline CPI %qtr	1.4	0.6	1.3	1.3	0.4	0.5	1.0	0.5
%yr end	4.1	3.9	3.9	4.6	3.6	3.4	3.2	2.4
Trimmed Mean CPI %qtr	0.8	0.8	1.0	0.9	0.7	0.7	0.7	0.7
%yr end	3.5	3.6	3.7	3.5	3.3	3.3	3.1	2.9

	Calendar years			
	2025	2026(f)	2027(f)	2028(f)
GDP %qtr	–	–	–	–
%yr end	2.6	1.5	1.6	2.4
Unemployment rate % *	4.3	4.7	4.7	4.5
Wages (WPI) (sa) %qtr	–	–	–	–
%yr end	3.4	3.4	3.2	3.4
Headline CPI %qtr	–	–	–	–
%yr end	3.6	4.6	2.4	2.3
Trimmed Mean CPI %qtr	–	–	–	–
%yr end	3.3	3.5	2.9	2.4

* Quarter–average.

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Consumer demand

	2026				2027			
% change	**Q1**	**Q2f**	**Q3f**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**
Total private consumption*	0.4	0.4	0.8	0.2	0.3	0.5	0.5	0.6
annual chg	2.4	1.8	2.1	1.8	1.7	1.8	1.4	1.8
Real labour income, ann chg	2.8	3.0	2.3	1.0	1.3	1.2	1.8	3.2
Real disposable income, ann chg**	1.9	2.3	3.1	0.2	1.1	1.5	1.3	2.8
Household savings ratio, %	6.4	6.5	7.2	5.1	5.8	6.4	7.1	6.1
Motor vehicle sales ('000s)***	846	928	939	907	912	916	921	925
annual chg	-1.9	10.3	10.9	8.0	7.8	-1.3	-2.0	2.0

	Calendar years			
	2025	**2026f**	**2027f**	**2028f**
Total private consumption, ann chg*	2.1	2.0	1.7	2.4
Real labour income, ann chg	3.4	2.3	1.9	3.3
Real disposable income, ann chg**	4.3	1.9	1.7	3.1
Household savings ratio, %	6.5	6.3	6.4	7.0
Motor vehicle sales ('000s)	848	905	918	948
annual chg	-3.9	6.8	1.5	3.3

Notes to pages 23 and 24:
* National accounts definition.
** Labour and non–labour income after tax and interest payments.
*** Passenger vehicles and SUVs, annualised (includes EVs).
^ Average over entire history of survey.
^^Seasonally adjusted. # Net % expected rise next 12 months minus % expecting fall (wage expectations is net of % expecting wages to rise and % expecting flat/decline).
Note that questions on mortgage rate and house price expectations have only been surveyed since May 2009.

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Consumer sentiment

		2026									
% change	avg^	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Westpac–MI Consumer Sentiment Index	100.2	92.9	90.5	91.6	80.1	83.0	80.6	83.9	88.9	84.4	80.4
family finances vs a year ago	87.7	82.7	78.8	80.2	66.8	72.8	67.3	71.1	80.0	72.6	66.9
family finances next 12 months	106.4	97.8	97.7	97.6	84.0	93.0	85.1	96.5	98.2	94.5	88.4
economic conditions next 12 months	90.5	88.4	88.5	85.9	75.3	74.2	77.8	78.3	82.8	79.5	78.3
economic conditions next 5 years	92.1	96.5	94.1	96.3	91.4	89.3	86.5	87.1	89.8	85.8	85.5
time to buy major household item	123.0	99.1	93.5	98.0	83.3	85.6	86.4	86.8	93.8	89.3	83.0
time to buy a dwelling	119.1	89.6	84.0	82.9	85.8	72.0	81.1	85.4	95.7	85.5	88.4
Westpac–MI Consumer Risk Aversion Index^^	19.3	–	–	49.0	–	–	58.0	–	–	58.3	–
CSI±	93.7	80.3	78.3	78.4	66.9	71.3	68.2	73.3	75.6	71.7	67.6
Westpac–MI House Price Expectations Index#	130.2	167.5	173.9	171.0	153.5	150.6	128.2	118.0	110.8	110.3	115.1
consumer mortgage rate expectations#	40.5	52.8	77.5	70.5	77.2	81.2	72.6	62.6	58.8	70.4	79.7
Westpac–MI Unemployment Expectations	129.3	129.4	129.8	134.7	147.8	140.0	139.8	129.9	135.7	139.4	142.1
MI inflation expectations (trimmed mean)	4.4	4.6	5.0	5.2	5.9	5.6	5.5	4.7	4.9	4.9	5.3
MI wage expectations (trimmed mean)	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.3	1.6	1.2	1.2

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