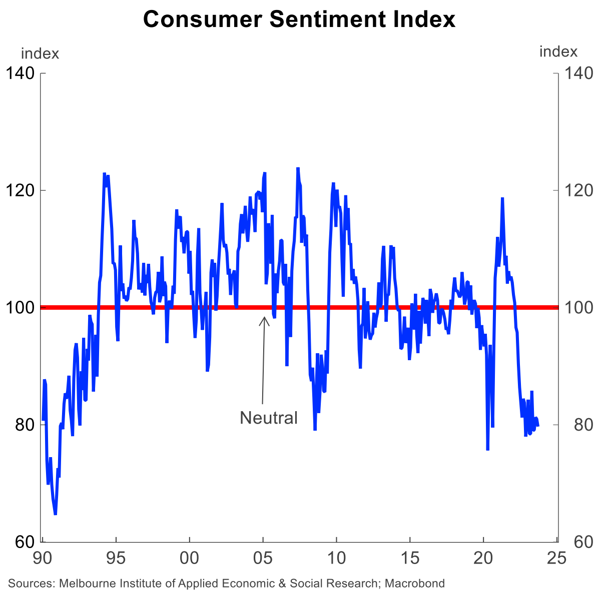
Data Snapshot

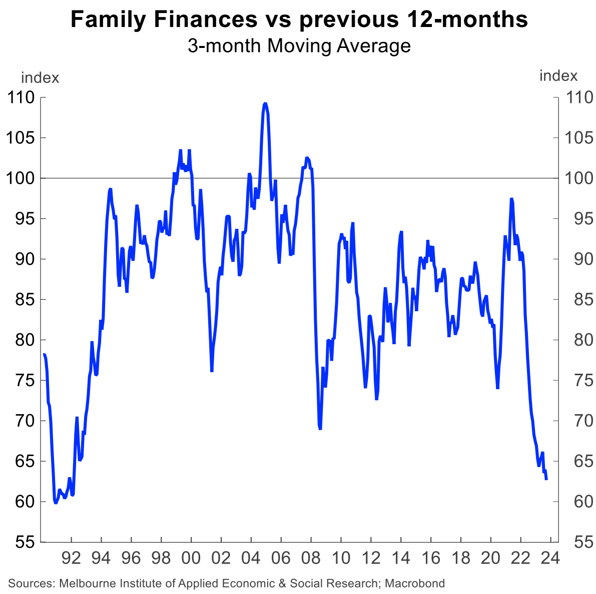
Tuesday, 12 September 2023

Consumer Sentiment

Inflation Still Public Enemy Number One

- **The Westpac-Melbourne Institute consumer sentiment index fell 1.6% in September to 79.7 index points. Confidence has now endured its longest spate of entrenched weakness since the early 1990's recession. This is despite the Reserve Bank's (RBA) third consecutive rate pause.**
- **Households remain concerned by the corrosive impacts of inflation on household income and wealth. This was reflected in the family finances vs the previous 12-month sub-index, which fell to 61.5, its lowest level in over 30 years (since June 1992).**
- **Growing expectations that the RBA is finished with rate hikes did improve the mood among mortgage holders (+7.8%). However, this was more than offset by a deterioration in confidence among renters (-6.1%) as the rental crisis deepens. Sentiment also weakened among outright homeowners (-5.8%).**
- **Interest rate optimism also spurred expectations of house price growth. The house price expectations index rose 2.2% to 154.6 index points, a new cyclical high and just 5.5% shy of the 2021 peak. This raises concern that any future rate cuts may do more to boost house prices than support real economic activity.**
- **The National Accounts revealed that we have likely moved passed the peak pressure on real (or inflation adjusted) household disposable incomes. This may support sentiment moving forward; however, any tailwind is likely to be at least partly offset by the slowing job market. We are therefore unlikely to see a material lift in confidence until the headwinds from inflation and interest rates meaningfully retreat.**





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