

Media release

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Consumer Sentiment stabilises

The Westpac Melbourne Institute Index of Consumer Sentiment declined 0.6% to 102.4 in April from 103.0 in March.

Westpac Chief Economist, Bill Evans, commented “Sentiment continues to hold in slightly optimistic territory with April marking the fifth consecutive month the Index has been above the 100 level, indicating optimists outnumber pessimists. That is a more encouraging signal than we saw in most of 2017 when pessimists outnumbered optimists.

“However the 10% rally we saw in the Index through the second half of 2017 has stalled. Indeed, since the beginning of the year the Index has fallen by around 2.5%.

“Certainly, at 102.4 the Index is still well below the strong 105–115 levels typically associated with a robust consumer.

“The survey detail shows Australians are more uneasy about the outlook for their family finances and jobs but a touch more confident about the economy.

“The sub-index tracking views on ‘finances, next 12mths’ posted a sharp fall of 5.8%. April marks the lowest read since September last year. With stock market volatility persisting over the last month and house prices declining since the start of the year respondents have become more nervous around the outlook.

“An improvement in assessments of ‘finances vs a year ago’ provided some offset although at 88.8 this sub-index remains at a relatively weak level overall.

“Both ‘economic outlook’ components posted gains. The ‘economic outlook, next five years’ sub-index rose 2.9%, unwinding some of last month’s 4.1% pull back which likely related to increased tensions around global trade following the announcement of tariff increases on steel and aluminium in the US. Responses to additional questions on news recall last month showed news on ‘international conditions’ was much more prominent and viewed as significantly more negative than in December. We suspect this survey has also been influenced by these concerns around ‘international conditions’.

“Consumers remain relatively downbeat on spending on ‘big ticket’ items. The ‘time to buy a major item’ sub-index declined 1.8% to 121, a five month low and well below the long run average of 127.5.

“Consistent with the modest deterioration in the overall Index through 2018 we are now seeing some caution around employment prospects.

“The Westpac Melbourne Institute Unemployment Expectations Index, which can be viewed as a measure of consumers’ sense of job security, rose 3.1% in April to 125.7 (recall that higher reads mean more consumers expect unemployment to rise in the year ahead). The shift is notable with April the worst read this year although unemployment fears are still materially better than a year ago, the index down 10.4% since April 2017.

“Consumer views around housing showed little change. The ‘time to buy a dwelling’ index edged 0.5% lower to 104.0, reversing most of last month’s small gain. The index remains well below its long run average of 120 and is considerably weaker across consumers in Sydney (92) and Melbourne (93). However it is worth noting that this Index is well above

the levels seen in 2017 when house prices were booming and affordability concerns were impacting respondents. The overall Index is up around 8% on a year ago while Sydney (up 28%) and Melbourne (up 18%) at least show some significant improvements in confidence.

“The Westpac Melbourne Institute Index of House Price Expectations edged up 0.4% to 130.1, holding slightly above its long run average of 127.5. Expectations remain notably weaker in NSW, with a state index reading of 119.

“The Reserve Bank Board next meets on May 1. There is little chance of a move by the Board at this meeting. Indeed markets which six months ago were fully priced for a rate hike by August 2018 are now not priced for a move until mid- 2019.

“Westpac continues to expect the cash rate will remain on hold through 2018 and 2019”, Mr Evans said.

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Survey interviews are conducted by **OZINFO** Research on the telephone using trained interviewers. Telephone numbers and the household respondent 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 3 April to 8 April 2018. 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.