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Media release

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Consumer sentiment improves on rates reprieve

- **Westpac–Melbourne Institute Consumer Sentiment Index up 6% to 88.9 in August.**
- **Overall result is still pessimistic and below last year's levels.**
- **Increase driven by people with mortgages post RBA decision to hold, while renter sentiment falls modestly.**
- **Unemployment expectations rise above long-run average, partly reversing last month's fall.**
- **House price expectations decline as market weakens. Renters less likely to expect price falls and more downbeat about home purchases.**

Westpac's Chief Economist, Luci Ellis, commented, "The Westpac–Melbourne Institute Consumer Sentiment Index rose 6% to 88.9 in August from 83.9 in July."

"This is still a weak result and noticeably lower than the readings recorded last year," Ms Ellis commented. "While consumers are feeling less pessimistic than last month, pessimists still outnumber optimists, especially about their current finances. The improvement in forward-looking views was also much less pronounced than for the questions covering current conditions. This suggests that pervasive uncertainty, including about the Middle East, is still weighing on sentiment to some extent."

“The gain was concentrated among people with mortgages, and in responses received after the RBA decision on 11 August. Responses received before the decision were little changed compared with July, with all the monthly improvement emerging afterwards. Sentiment among renters increased after the RBA meeting, but the pre-meeting read was below the July outcome, leaving renter sentiment down a little in the month overall.”

“A majority (59%) of all respondents nonetheless still expect further increases in mortgage interest rates, with this share little changed after the meeting or compared with last month. However, the meeting outcome seems to have provided some clarity, with fewer respondents saying they did not know, and the share expecting mortgage rates to decline or stay the same lifting to nearly 28% after the meeting, versus 21% before it.”

“The component detail pointed to a larger improvement for current conditions measures, though to still-weak levels, and continues to imply caution about the outlook. 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 have eased a little further. The ‘family finances vs a year ago’ sub-index increased 12.6% to 80.0 in August. While this is still a very weak read overall, it was the largest percentage improvement of any of the sub-indices in the month. This was despite the increase in fuel prices in the preceding days, after the temporary cut to fuel excise was fully unwound."

"Consumer expectations of their finances in a year's time continue to improve. While the increase in the month was only 1.8%, the index now stands at 98.2, close to the levels seen last year and implying that optimists and pessimists are broadly balanced. The ongoing pause after this year's interest rate increases continues to ease earlier pessimism, along with the relative lack of news on the Middle East compared with previous months."

"Consumer expectations about the economy saw a solid improvement, albeit not as emphatic as the lift in current assessments of family finances, with the 'economy, next 12 months' sub-index lifting 5.8% to 82.8 and the 'economy, next 5 years' sub-index rising 3.2% to 89.8. Both readings remain well below average and below the levels seen earlier in the year."

"Attitudes toward major purchases also improved. The 'time to buy a major household item' sub-index increased 8.1% to 93.8 in August, from 86.8 in July. As in previous months, this is weak compared with historical experience, still 35pts below the long-run average of 123. There was no change in responses received before and after the RBA decision."

"Last month's more comforting view of the labour market has partly unwound. The Westpac–Melbourne Institute Unemployment Expectations increased to 135.7 in August from 129.9 in July, an increase of 4.4%. (Recall that higher reads on this index mean more consumers expect unemployment to increase over the year ahead.) This is a little above the long-run average, though still slightly below the readings seen over April–June. The increase was driven by female respondents but broadly based across age groups and occupation categories other than manager/professionals."

"Housing-related sentiment was further supported by the more benign outlook for interest rates but remains pessimistic overall. The 'time to buy a dwelling' index rose 12.1% to 95.7, the highest since November 2025 but still below the long-run average of 119. The increase was broad-based across states and cities and saw the readings for Sydney and Melbourne both edge back over the 100 mark. The index is lower for consumers in non-metro areas, as has been the case for most of the post-pandemic period. This is possibly because these regions are yet to see as much of a price correction as has already occurred in some major cities, so affordability feels more stretched. The index also fell slightly in the month for renters, though it has clearly recovered from the trough reached earlier in the latest phase of RBA rate hikes."

"Sentiment about home purchase is also being supported by expectations of future housing price moderation. The Westpac–Melbourne Institute Index of House Price Expectations fell again in August to record a fresh three-year low of 110.8. The decline was broad-based across states, but especially marked for outright owners, who are much more likely (43.5%) to expect housing prices to fall than people with a mortgage (27.2%) or renters (21.1%). These less negative views about future housing price moves are likely contributing to renters' more downbeat views of whether now is a good time to buy a home, and more broadly, their chances of achieving home ownership in future."

"The Reserve Bank Monetary Policy Board next meets on 28–29 September. The Board stated after its August meeting that it was prepared to raise the cash rate further if upside inflation risks materialise. However, there is only one monthly inflation print ahead of the meeting, and the labour market is easing more than the Reserve Bank had previously forecast. It is therefore unlikely that the Board will have enough evidence to conclude that risks have materialised in time for its September meeting. Having already raised the cash rate three times this year to a restrictive level, the Monetary Policy Board has scope to keep the cash rate on hold while it monitors the effect of policy tightening across the economy and confirms whether underlying inflation has peaked."

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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 10 August to 14 August 2026. The data have been weighted to reflect Australia's population distribution.