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Media release

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Consumer Sentiment remains ‘slightly optimistic’

The Westpac Melbourne Institute Index of Consumer Sentiment rose 0.2% to 103.0 in March from 102.7 in February.

Westpac Senior Economist, Matthew Hassan, commented “Sentiment continues to hold in slightly optimistic territory with March marking the fourth consecutive monthly reading above the 100 level. That followed a year in which pessimism dominated. However, the Index is still well below levels typically associated with a robust consumer.

“The survey detail suggests a recovery from last month’s market volatility has been mostly offset by new concerns about longer term prospects for the economy. Assessments of family finances recovered some of the ground lost last month, the sub-index tracking views on ‘finances vs a year ago’ rising 2.4% and the sub-index tracking expectations for ‘finances, next 12 months’ up 2.1%. Both remain slightly below their January levels. Near term expectations for the economy also recovered, the ‘economic outlook, next 12 months’ sub-index rising 1.7%, but again still 3.1% below its January high.

“A 0.5% dip in the ‘time to buy a major Item’ sub-index, which has been consistently below its long run average over the last few years, points to a continued reluctance to commit to large purchases.

“These broadly positive monthly moves were almost entirely offset by a 4.1% fall in the ‘economic outlook, next 5 years’ sub-index. The pull back in March may reflect 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 this month also suggest increased concerns around the economy relate to developments abroad. The highest recall rate by topic area was of news on ‘economic conditions’ (30%), with the news also assessed as more negative than three months ago. However, the most notable shift was around news on ‘international conditions’ which had the highest recall in 2½ years (20%) and was viewed as significantly more negative than in December. Other categories with high recall rates included: ‘budget and taxation’ (18%); interest rates (17%); jobs (16%); and inflation (11%). None of the news on these topics was viewed as favourable although in the case of interest rates and employment the news was seen as significantly less unfavourable than it was through most of 2017.

“Consumers were a little less confident around job prospects in March. The Westpac Melbourne Institute Unemployment Expectations Index rose 1.0% to 121.8, a slight deterioration following a strong, sustained improvement over the last year (recall that higher reads mean more consumers expect unemployment to rise in the year ahead). The Index, which can be viewed as a measure of consumers’ sense of job security, has still improved significantly since this time last year with the March update 6.4% better than the long run average read.

“Consumer views around housing were again mixed with a slight improvement in buyer sentiment but price expectations reversing most of last month’s lift.

"The 'time to buy a dwelling' index edged 0.8% higher to 104.5 in March and continues to show a clear improvement from its mid-2017 lows. However the index remains well below its long run average of 120, suggesting conditions remain soft overall. Buyer sentiment showed bigger gains in Sydney and Melbourne, bringing these city measures more into line with the national index after being much weaker in previous months (February index reads were 88 and 89 respectively).

"The Westpac Melbourne Institute Index of House Price Expectations fell 4.2%, retracing most of last month's 4.8% rise. At 129.6, the index remains slightly above its long run average of 127.5. Expectations remain notably weaker in NSW, with a state index reading of 115.8.

"Responses to additional questions on the 'wisest place for savings' continue to indicate high levels of risk aversion. Nearly two thirds of consumers still favour safe options – deposits, superannuation or paying down debt – with only 11% nominating real estate and 8% nominating shares. Indeed, more consumers favour 'pay down debt' (22%) than those favouring real estate and shares combined.

"The Reserve Bank Board next meets on April 3. Westpac continues to expect the cash rate will remain on hold through 2018 and 2019", Mr Hassan 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 5 March to 11 March 2018. The data have been weighted to reflect Australia's population distribution.