

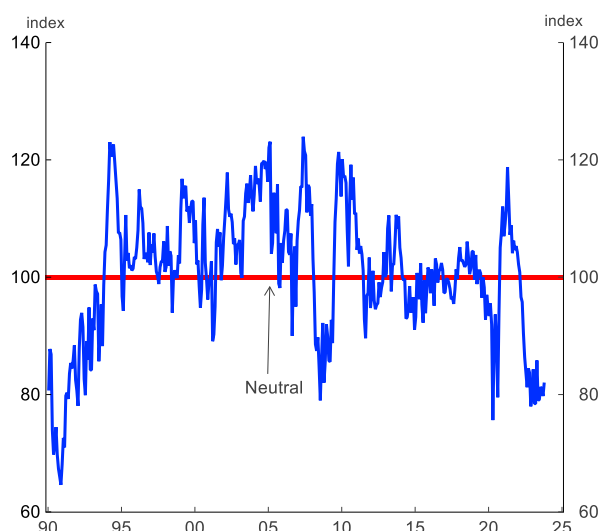
Tuesday, 10 October 2023

# Consumer Sentiment

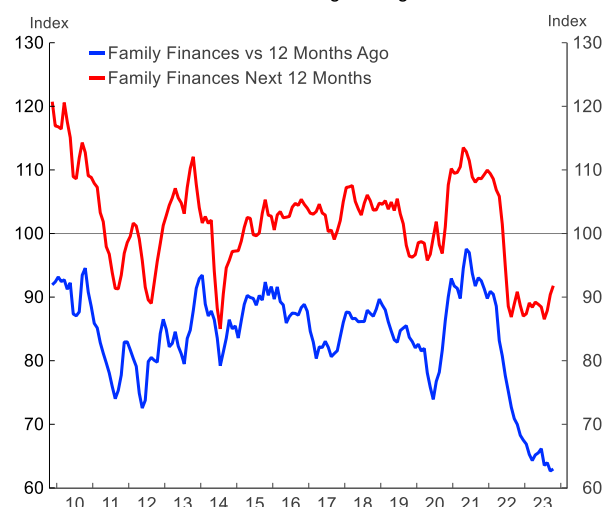
## Bumpy Near the Bottom

- The Westpac-Melbourne Institute consumer confidence index rose 2.9% in October to 82.0 - the strongest reading since January. Despite the bounce, confidence remains deeply entrenched in pessimistic territory.
- Sentiment has been bumpy month-to-month since finding a floor in November last year. October's result was no different, meaning the monthly pickup is unlikely to reflect a sustained turnaround in household spirits.
- Looking at the detail, a stabilisation in households' assessments of their current and future finances helped underpin the aggregate improvement. However, both measures remain notably weak.
- The labour market continues to be a bedrock for households, offsetting weakness elsewhere. This leaves confidence susceptible to retesting cycle lows if the labour market deteriorates more quickly than expected.
- While we have probably seen a bottom, it's unlikely that the mood among households will improve materially anytime soon. A successful return to the Reserve Bank's (RBA) inflation target and relief on interest rates are likely necessary for a sustained rise in sentiment.
- The pessimistic mood and prolonged squeeze on household budgets points to further weakness in consumption over the coming quarters. The ongoing rollover of fixed rate mortgages onto much higher variable rates is likely to compound this pressure.

Consumer Sentiment Index



Sources: Melbourne Institute of Applied Economic &amp; Social Research; Macrobond

Views on Family Finances  
3-month Moving Average

Sources: Melbourne Institute of Applied Economic &amp; Social Research; Macrobond

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