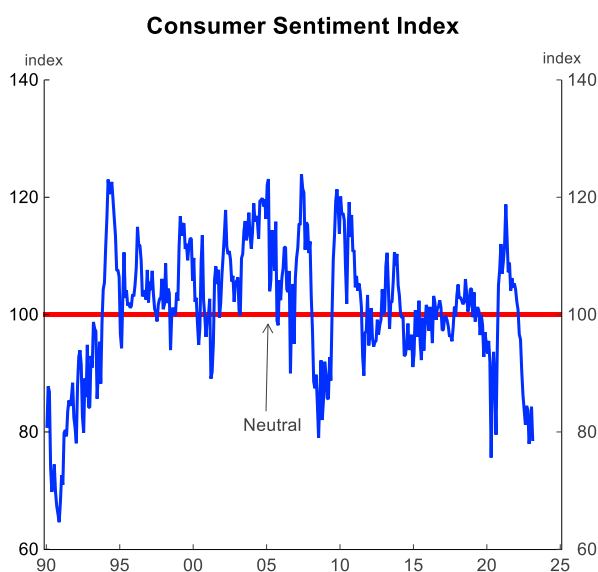


Tuesday, 14 February 2023

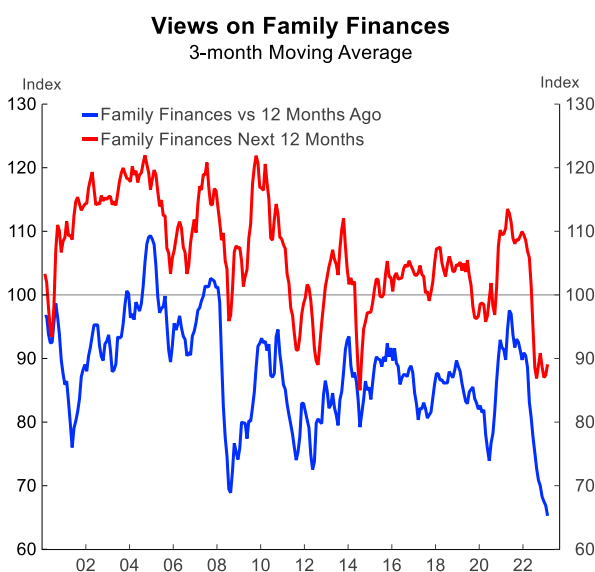
Consumer Sentiment

Aggressive RBA Spooks Households

- Consumer sentiment tumbled 6.9% in February to 78.5. This was only marginally above the cyclical low of 78.0 struck in November. To find a lower reading, you would need to go back to the depths of the pandemic or all the way back to the 1990's recession.
- A rebound in optimism through the summer break has come to an abrupt end. The December quarter inflation report, which showed prices rising at their fastest pace in almost 33 years, and the Reserve Bank's (RBA) renewed resolve to tackle inflation likely prompted the sour mood as hopes of a potential pause in interest rate hikes were dashed.
- The detail reflects this. Views on household finances relative to a year ago deteriorated sharply as pressure on household budgets builds. Adding to the sombre spirit, households do not expect a reprieve anytime soon. Future expectations for family finances also declined materially, while 53% of respondents expect a further 1% increase in the cash rate.
- The 'time to buy a major household item' sub-index, a proxy for spending intentions, deteriorated considerably to 78.0, the fourth lowest on record. Similarly, housing market sentiment tumbled to its lowest level since 2008 – back when the cash rate reached 7.25%.
- The weakness in household finances serves as a clear sign that budgets are being stretched under the weight of rising rates and the elevated cost-of-living. As a result, spending is likely to taper off sharply this year. Sizeable savings buffers will provide some resilience. However, not all will benefit as savings are more concentrated among older and wealthier households.



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



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

Jameson Coombs, Economist
Ph: +61 401 102 789

Contact Listing

Chief Economist

Besa Deda
dedab@banksa.com.au
(02) 8254 3251

Senior Economist

Jarek Kowcza
Jarek.kowcza@banksa.com.au
0481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@banksa.com.au
0468 571 786

Economist

Jameson Coombs
jameson.coombs@banksa.com.au
0401 102 789

The information contained in this report (.the Information.) is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom BankSA has a contract to supply Information, the supply of the Information is made under that contract and BankSA's agreed terms of supply apply. BankSA does not represent or guarantee that the Information is accurate or free from errors or omissions and BankSA disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to BankSA products and details are available. BankSA or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. BankSA owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of BankSA.

Any unauthorized use or dissemination is prohibited. Neither BankSA- A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.