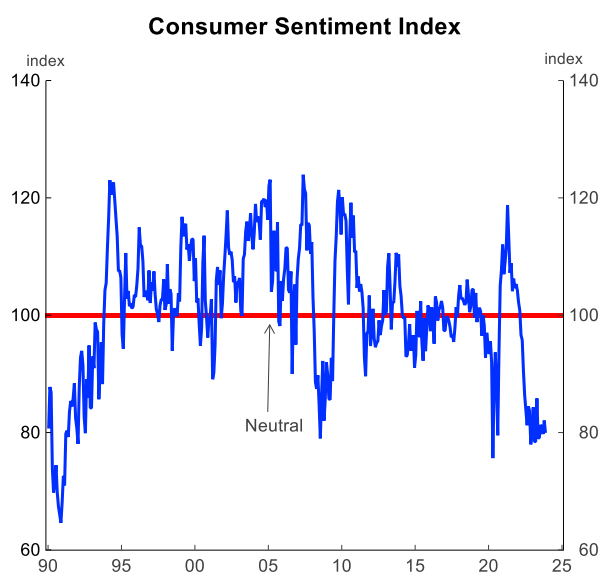


Tuesday, 14 November 2023

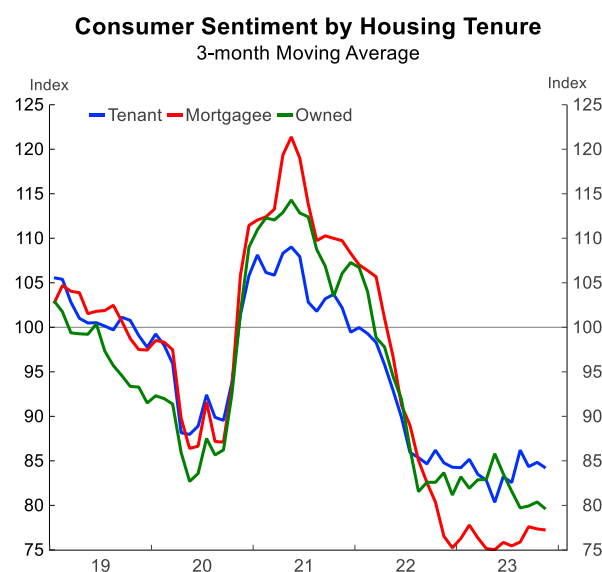
Consumer Sentiment

Rate Hike Another Blow to Households

- The Westpac-Melbourne Institute consumer confidence index fell 2.6% in November to 79.9 – from 82.0 in October. The move largely unwound the small improvement in October, leaving the index deeply entrenched in pessimistic territory.
- The fall follows a 25-basis-point hike in the cash rate from the Reserve Bank (RBA) in November to 4.35%. The hike dashed hopes that interest rates had peaked after a four month pause prior to the November meeting.
- Unsurprisingly, the increase in the cash rate dented confidence the most for those with a mortgage. Views on family finances over the next 12 months dropped by 7.3%, no doubt reflecting concerns over higher mortgage repayments.
- Views on the labour market deteriorated. However, this remains around the long-run average and strong employment conditions continue to be a key support for households.
- Weak sentiment points to risks around consumer spending heading into the Christmas period, particularly at a per capita level. September quarter retail sales data showed per capita spending plunging at the fastest pace on record, while aggregate spending is being held up by strong population growth.
- A material recovery in consumer sentiment remains some time away. More progress on inflation and a clearer view on the interest rate outlook will likely be necessary prerequisites for a material uplift in confidence.



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



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