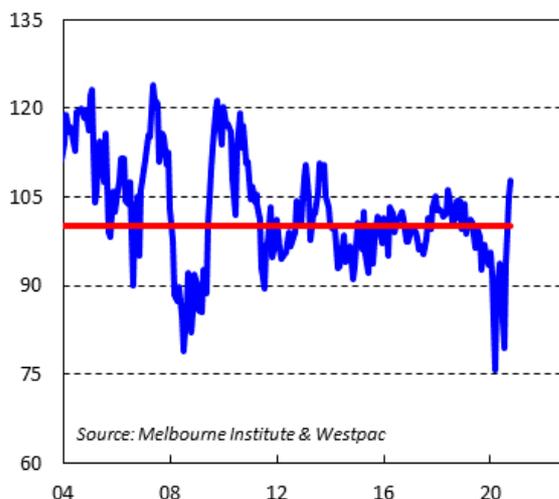


Wednesday, 11 November 2020

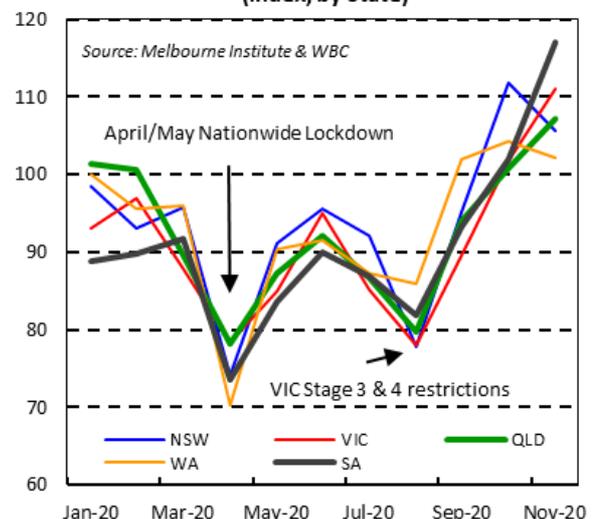
## Consumer Sentiment Consumers Turn More Confident

- Consumer sentiment rose 2.5% in November after sharp increases in September (18.0%) and October (11.9%). This result suggests consumers are becoming more optimistic, despite the ongoing pandemic. Indeed, the index is now above the pre-pandemic level.
- The possible reasons behind this result are the easing of restrictions across Victoria and the reopening of the NSW-Victoria border. The fall in mortgage rates, following the monetary stimulus package announced by the Reserve Bank of Australia (RBA) last Tuesday, could also have contributed.
- Among the States, South Australia (SA) saw the largest increase. Consumer sentiment soared 14.7% in SA, the highest increase in nearly 5 years. Victoria (9.0%) and Queensland (6.5%) were also more optimistic. However, sentiment fell by 5.5% in NSW and 2.2% in Western Australia.
- Consumers remain optimistic about the housing market. The 'time to buy a dwelling' sub-index rose 8.0% in November, after a 10.6% rise in October. This result highlights the significant recovery in confidence around the housing market.
- We are cautiously optimistic about the near-term outlook for consumer sentiment, although important headwinds remain. On the upside, recent RBA stimulus, Victoria's second round of easing restrictions and the positive news on Pfizer's/BioNTech vaccine could boost sentiment. On the downside, uncertainties around a depressed labour market, slow population growth and the prospect of the withdrawal of fiscal support measures next year could lead to softer results.

Consumer Sentiment Index



Consumer Sentiment  
(index, by State)



The Westpac - Melbourne Institute consumer sentiment index rose 2.5% in November after sharp increases in September (18.0%) and October (11.9%). This result suggests consumers are becoming more optimistic, despite the ongoing pandemic. Indeed, the index is now above the pre-pandemic level.

The possible reasons behind this result are the easing of restrictions across Victoria and the reopening of the NSW-Victoria border. The fall in mortgage rates, following the monetary stimulus package announced by the Reserve Bank of Australia (RBA) last Tuesday, could also have contributed.

Among the States, South Australia saw the largest increase. Consumer sentiment climbed 14.7% to 117.0 in SA. South Australians have not been this optimistic since August 2010. We believe SA's relatively strong economic recovery was an important contributor. Moreover, the announcement of further border openings in the first week of November and the anticipation of the SA State Budget could be behind SA's strong reading.

Victoria (9.0%) and Queensland (6.5%) were also more optimistic with readings of 111.0 and 107.3, respectively. However, sentiment fell by 5.5% in NSW to 105.7 and 2.2% in Western Australia to 102.1.

The components of the national sentiment index showed mixed results.

Consumers were optimistic about the housing market. The 'time to buy a dwelling' sub-index rose 8.0% in November, after a 10.6% rise in October. The index is at its highest level since November 2013 and highlights the significant resurgence in confidence around the housing market. Results were notably strong in NSW (9.4%) and Queensland (11.7%) but also encouraging in Victoria (5.2%).

In contrast, the survey brought concerning news on labour market conditions. The sub-index for unemployment expectations rose 6.2%, indicating that more respondents expect to see a higher unemployment rate going forward.

## **Outlook**

We are cautiously optimistic about the near-term outlook for consumer confidence, although there are important headwinds remaining.

The survey period for the November figure (first week of the month) did not capture some important events. Victoria's second round of easing restrictions and the positive news on Pfizer's/BioNTech vaccine could boost sentiment going forward.

Moreover, several State Budgets will be released later this month and they are expected to bring further economic stimulus. South Australia released its Budget yesterday and announced important measures that should support business and consumer confidence for December.

Despite these positive signs, some factors are expected to weaken confidence. Uncertainties around a depressed labour market, slow population growth and the prospect of the withdrawal of fiscal support measures next year could lead to softer results.

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