



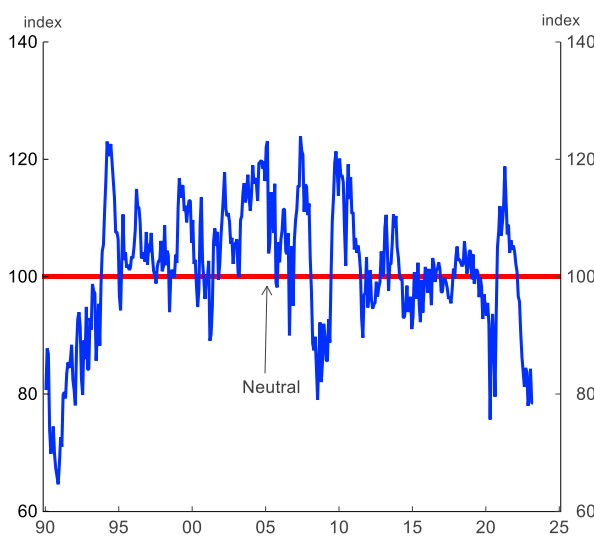
Tuesday, 14 March 2023



Consumer Sentiment Possible Pause Unable to Lift Sentiment

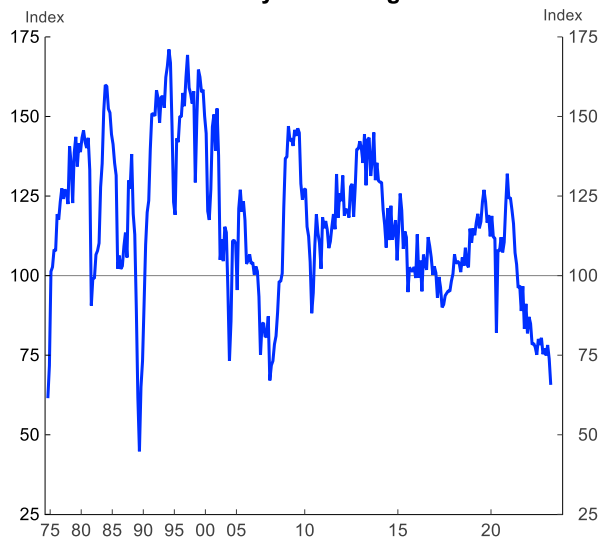
- Consumer sentiment remained at recessionary levels in March, unchanged from February at 78.5. There have now been three readings below 80 over the past five months. The last time we saw a cluster of readings below 80 was during the 1990s recession.
- In March, the Reserve Bank (RBA) hiked by 25 basis points. However, the RBA opened the door to a pause in April as recent economic data was weaker than expected. This dovish shift wasn't enough to lift sentiment, and the weaker data likely limited any optimism.
- The sub-indices were mixed. Near-term views (i.e. family finances and economic conditions over the next 12 months) declined, while the 'time to buy a major household item' index dropped to its lowest level since the GFC. Views on family finances over the last 12 months improved and consumers were more optimistic about the longer-term economic outlook.
- The housing market landscape remains complicated as affordability is stretched. The 'time to buy a dwelling' sub-index dropped to 65.7 – its lowest since 1989, when interest rates were at 17%. Despite this, house price expectations rose by 8.6% (to 111.7), following a moderation in the pace of price falls and a slight lift in Sydney prices in February.
- Sentiment remains incredibly weak as inflation, cash rate hikes, and a slowing economy weigh on households. The disconnect between sentiment and spending is likely to continue to narrow, albeit through a slowdown in spending, rather than a material lift in sentiment.

Consumer Sentiment Index



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

Time to Buy a Dwelling Index



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

Jarek Kowcza, Senior Economist
Ph: +61 481 476 436

Contact Listing

Chief Economist

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

Senior Economist

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

Senior Economist

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

Economist

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

The Detail

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 Bank of Melbourne has a contract to supply Information, the supply of the Information is made under that contract and Bank of Melbourne’s agreed terms of supply apply. Bank of Melbourne does not represent or guarantee that the Information is accurate or free from errors or omissions and Bank of Melbourne 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 Bank of Melbourne products and details are available. Bank of Melbourne 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. Bank of Melbourne owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of Bank of Melbourne.

Any unauthorised use or dissemination is prohibited. Neither Bank of Melbourne- 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.
