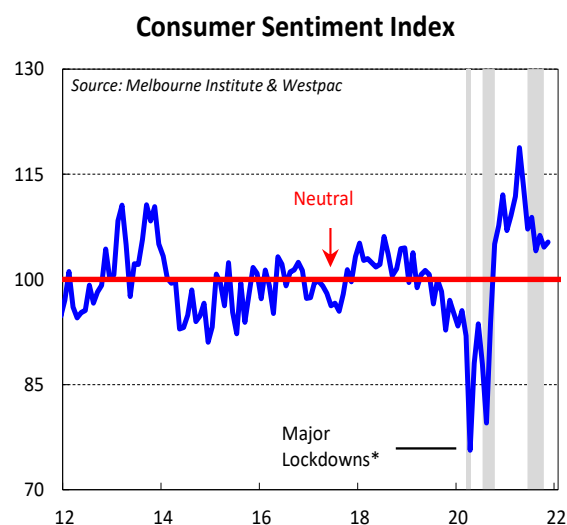


Wednesday, 15 September 2021

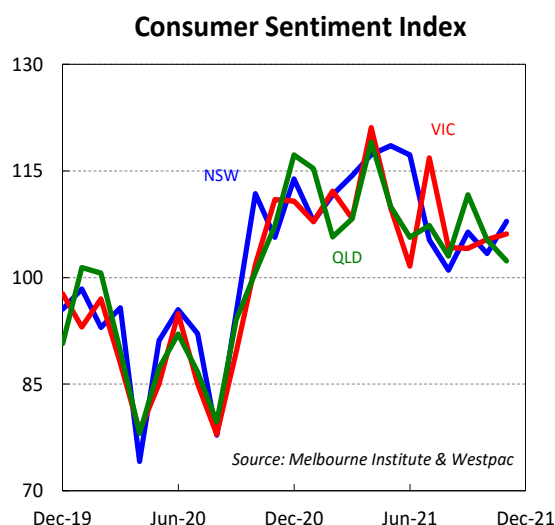
Consumer Sentiment

Confidence Steady as Lockdowns Lift

- Consumer sentiment remained elevated in November, and was largely unchanged from October, following the easing of restrictions in Australia's two largest capital cities in October, and continued progress in the vaccine rollout.
- The Melbourne Institute's monthly consumer sentiment index edged up 0.6% to 105.3 in November, following a decline of 1.5% in October, to hold above the long-run average of 101.3.
- Consumer sentiment has been resilient through the delta lockdowns relative to 2020, supported by solid vaccination rates and roadmaps which have provided a path out of lockdowns. Today's data marks another solid print as businesses gear up for the busy Christmas shopping season.
- The recent shifts from the Reserve Bank which pave the way for earlier rate hikes appear to have created some anxiety amongst respondents with a mortgage. Sentiment amongst this cohort fell 5.2% in the month.
- New South Wales recorded the strongest monthly increase in consumer sentiment, up 4.4%, while sentiment edged up 0.7% in Victoria, likely reflecting that the Sydney lockdown lifted earlier than in Melbourne.
- Robust consumer confidence will support the rebound in spending over the coming months. Consumer spending will lead the recovery as elevated confidence paired with high household savings, booming house prices and pent-up demand drives households to open their wallets.



*National Lockdown 2020, VIC's 2nd lockdown & Delta Lockdowns



Consumer sentiment remained elevated in November, and was largely unchanged from October, following the easing of restrictions in Australia's two largest capital cities in October, and continued progress in the vaccine rollout.

The Melbourne Institute's monthly consumer sentiment index edged up 0.6% to 105.3 in November, following a decline of 1.5% in October and above the long-run average of 101.3. The result comes after lockdowns were lifted in NSW, Victoria and the ACT, and the country reached its 80% double dosed vaccination milestone.

A result above 100 indicates that optimists outweigh pessimists. The index has now been above 100 for 14 consecutive months, despite the challenges placed on the economy by the delta outbreak. This contrasts with the index being below 100 for 4 consecutive months after the end of the national lockdown in May 2020.

In recent weeks, there has been sharp moves in financial markets alongside a growing expectation of earlier rate hikes from the Reserve Bank (RBA). And, sure enough, at the Board meeting earlier this month, the central bank dropped its yield curve target and 2024 guidance, paving the way for earlier rate hikes. Notably, confidence amongst mortgagors point to some anxiety about a rise in rates that was sooner than previously expected, as sentiment amongst respondents with a mortgage fell 5.2%.

House price expectations fell 2.4% in November, however remain well above the long-run average. The time to buy a dwelling index improved in the month, but remains depressed as affordability pressures weigh on prospective buyers.

By sub-index, the increase was led by an improvement in confidence in the economic outlook. Expectations for economic conditions over the next 12 months and 5 years rose 3.3% and 2.6% respectively. The improvement points to growing confidence in the economic recovery, underpinned by solid vaccination rates. Indeed, sentiment among those who are vaccinated or willing to be vaccinated (119.0), remains considerably higher than individuals who are unwilling to receive the vaccine (73.8). The shift in RBA guidance appears to have weighed on expectations for personal finances, with the measures for finances compared to a year ago, and over the next 12 months, both declining.

On the upside, the survey points to confidence in the jobs market as restrictions ease. The unemployment expectations index fell sharply, down 11.1% to 95.3%. A lower reading indicates more consumers expect unemployment to fall than increase.

NSW recorded the strongest monthly increase in consumer sentiment, up 4.4%, while sentiment edged up 0.7% in Victoria, likely reflecting that the Sydney lockdown lifted earlier than in Melbourne. Elsewhere, confidence fell in Queensland (-2.8%), WA (-0.3%) and SA (-5.7%) however, optimists continue to outweigh pessimists in both Queensland and WA.

Outlook

Consumer sentiment remains relatively high considering recent lockdown restrictions resulting from the delta outbreak. High vaccination rates look to be minimising the downside risk of future outbreaks and consumers are confident in the economic recovery.

Robust consumer confidence will support the rebound in spending over the coming months. Consumer spending will lead the recovery as elevated confidence paired with high household savings, booming house prices and pent-up demand drives households to open their wallets.

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