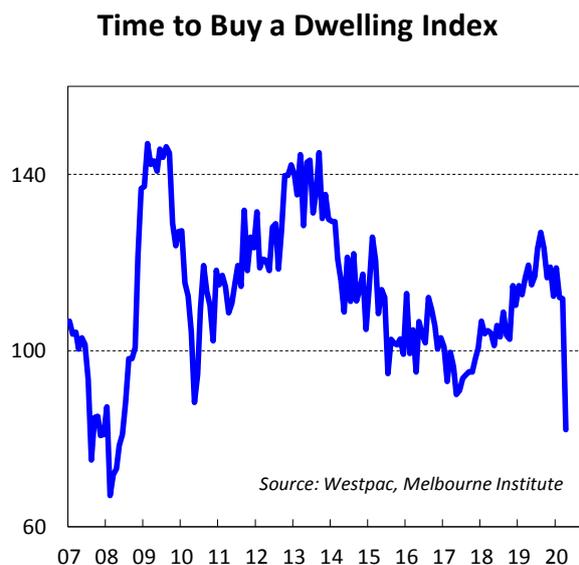
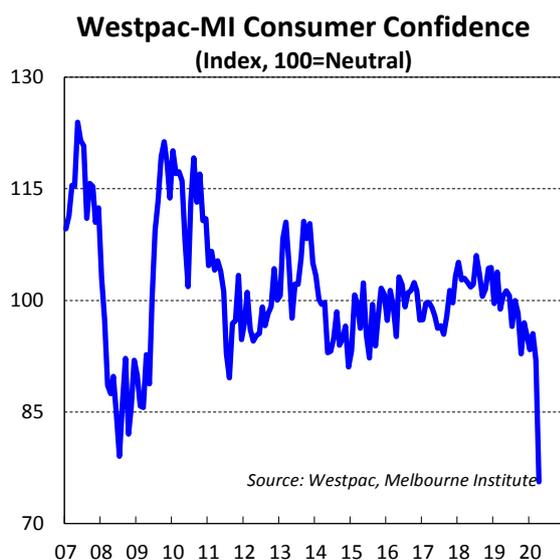


Wednesday, 15 April 2020

# Consumer Confidence

## Coronavirus Infects Sentiment

- The Westpac-Melbourne Institute consumer sentiment index recorded the largest monthly decline in its 47-year history in April.
- Consumer sentiment fell 17.7% to 75.6 in April from 91.9 in March.
- The dramatic fall highlights the uncertainty facing households. It reflects the rapid acceleration of the coronavirus pandemic and associated containment measures aimed at controlling its spread.
- April's survey included special questions around employment and working arrangements. They provided a stark warning for the labour market. Of those that were employed in March, 7% reported losing their job over the past month. A further 14% said that they had been temporarily stood down without pay.
- Expectations for the housing market also deteriorated significantly. The time to buy a dwelling index fell 26.6% to 82.1 in April. The index is above its GFC low but points to a marked downward shift in sentiment towards transacting in the property market nonetheless.
- The prevalence of negative responses to questions around employment and spending suggest that the downturn in demand is likely to be deep. Consumer confidence is likely to remain under pressure while the coronavirus pandemic continues.



The Westpac-Melbourne Institute consumer sentiment index recorded the largest monthly decline in its 47-year history in April. The dramatic fall highlights the uncertainty facing households. It reflects the rapid acceleration of the coronavirus pandemic and associated containment measures aimed at controlling its spread.

The headline index of consumer sentiment declined 17.7% to 75.6 in April from 91.9 in March. Consumers turned more pessimistic in all sections of the survey, including their views on near-term economic growth, spending, employment and the housing market.

Confidence is weaker than the lows of the GFC (which fell as low as 82.0), but sits slightly above the early 1990s recession (64.6) and just above the recession of the early 1980s (75.5). A major point of difference between the current health crisis and previous economic downturns is that the index declined to its lows over many months as conditions deteriorated. The sharp plunge in confidence indicates that consumer demand has been hit swiftly and hard.

Household spending was already lacklustre before April's survey as consumers have grappled with low wages growth and high household debt. The confidence index has been below the 100 neutral level for 10 consecutive months.

Special questions around employment and working arrangements included in April's survey issue a stark warning for the labour market. Of those that were employed in March, 7% reported losing their job over the past month. A further 14% said that they had been temporarily stood down without pay. These results add to signs of a sharp loss of jobs and a significant rise in the unemployment rate.

Expectations for the housing market also deteriorated significantly. The time to buy a dwelling index fell 26.6% to 82.1 in April. The time to buy a dwelling index remains above its GFC low of 67.1, but nonetheless points to a marked downward shift in sentiment towards transacting in the property market. House price expectations plunged by 50.8% to 69.7 indicating a sharp decline in those expecting prices to increase.

## **Outlook**

The unprecedented measures to stem the spread of the coronavirus have had a material impact on consumer sentiment. The prevalence of negative responses to questions around employment and spending suggest that the downturn in demand is likely to be deep. Consumer confidence is likely to remain under pressure while the coronavirus pandemic continues.

**Nelson Aston, Economist**  
Ph: 02-8254-1316

## Contact Listing

### Chief Economist

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

### Senior Economist

Janu Chan  
chanj@banksa.com.au  
(02) 8253 0898

### Economist

Nelson Aston  
nelson.aston@banksa.com.au  
(02) 8254 1316

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