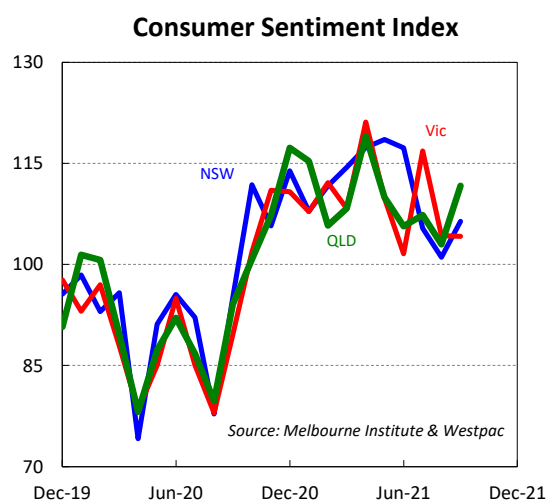
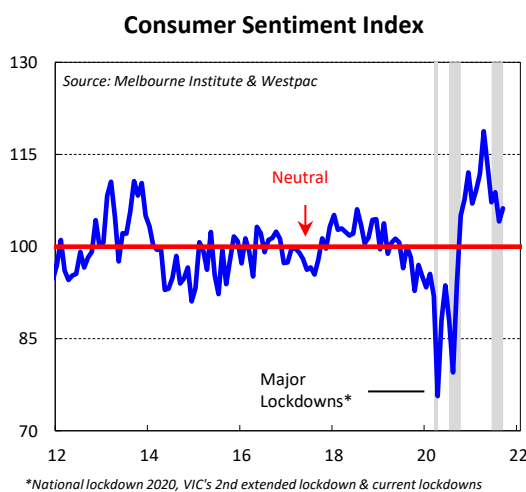


Wednesday, 15 September 2021

Consumer Sentiment

Sentiment Improves as Path Out of Lockdowns Visible

- Consumer sentiment improved in September, as Australia's vaccination rate continued to increase rapidly, giving consumers hope that there is a path out of lockdowns.
- The Melbourne Institute's monthly consumer sentiment index increased by 2.0% to 106.2, to remain above its long-run average. Consumer confidence has been more resilient through this latest round of lockdowns compared to the national lockdown in 2020 and the extended Victorian lockdown in late 2020.
- The improvement in sentiment is supported by the vaccine rollout. People who have had the jab or are planning to get vaccinated are much more confident than those who are unwilling or undecided.
- Sentiment lifted strongly in Queensland (up 8.4%) as the state came out of a lockdown in early August. Sentiment also rose by 5.3% in NSW, undoubtedly helped by the state government announcing its roadmap to easing restrictions. Sentiment also rose in Tasmania.
- Sentiment was down in other states, led by falls in WA (-9.1%) and SA (-4.3%). Sentiment in Victoria, which extended its sixth lockdown, was broadly flat (-0.1%).
- Assuming that there are no further major outbreaks or economic setbacks, consumer sentiment is likely to continue to recover as activity slowly returns to normal. Sentiment will be supported by increasing vaccination rates, low interest rates, fiscal policy support, strong household balance sheets, and the gradual lifting of restrictions.



Consumer sentiment improved in September, as Australia's vaccination rate continued to increase rapidly, giving consumers hope that there is a path out of lockdowns.

The Melbourne Institute's monthly consumer sentiment index increased by 2.0% to 106.2, to remain above its long-run average. Encouragingly, consumer sentiment has remained relatively resilient despite the continuation of lockdowns across NSW, Victoria and the ACT. Consumer sentiment has not fallen as much in these lockdowns compared to the national lockdown in 2020 and the extended Victorian lockdown in late 2020.

A result above 100 indicates that optimists outweigh pessimists. The index has now been above 100 for 12 consecutive months, despite the challenges placed on the economy by the delta outbreak. This contrasts with the index being below 100 for 13 consecutive months from September 2019.

The improvement in sentiment is supported by the vaccine rollout. People who have had the jab or are planning to get vaccinated are much more confident than those who are unwilling or undecided.

By state, sentiment lifted strongly in Queensland (up 8.4%), as the state came out of a lockdown in early August. Sentiment also rose by 5.3% in NSW, undoubtedly helped by the state government announcing its roadmap to easing restrictions once 70% of the eligible population were fully vaccinated. Sentiment also rose in Tasmania by 0.8%.

Sentiment was down in other states, led by falls in WA (-9.1%) and SA (-4.3%). Sentiment in Victoria, which extended its sixth lockdown was broadly flat (-0.1%).

Sentiment remains above 100 across all states, indicating that optimists continue to outweigh pessimists.

Outlook

Consumer sentiment has encouragingly remained relatively resilient during the delta outbreak. Growth in vaccination rates is providing hope that there is a viable path out of lockdowns. Business confidence, while being hit harder than consumer sentiment, has also fared better relative to last year's nationwide lockdown.

These are encouraging signs and suggest that consumers are in a good position to support economic activity once restrictions lift. However, it is likely that the recovery in economic activity once restrictions lift will be more gradual than in the past. States will likely open with high case numbers, potentially impacting consumers' willingness to get back to their usual activities.

Assuming that there are no further major outbreaks or economic setbacks, consumer sentiment is likely to continue to recover. It will be supported by increasing vaccination rates, low interest rates, fiscal policy support, strong household balance sheets, and the gradual lifting of restrictions.

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