

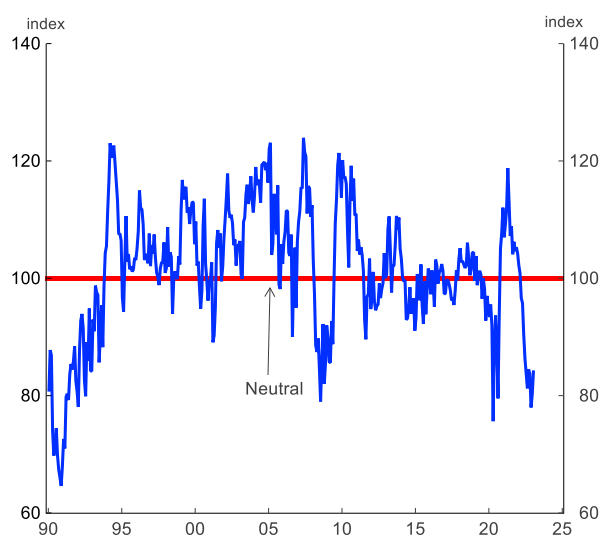
Tuesday, 17 January 2023

Consumer Sentiment

Sentiment Starts 2023 On a Positive Note

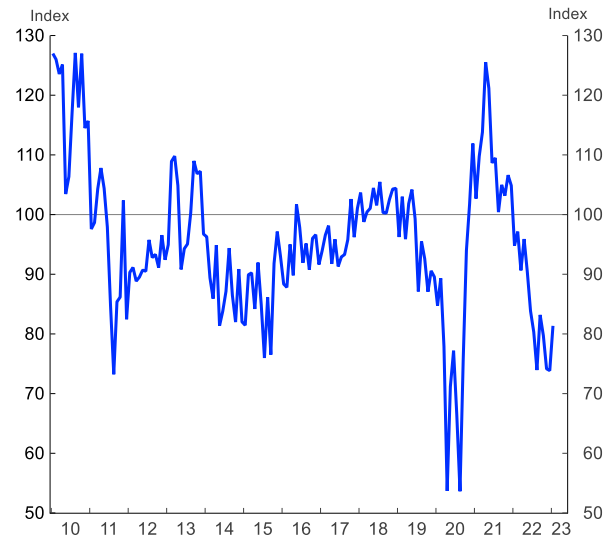
- Consumer sentiment started 2023 on a positive note, rising to 84.3 in January, an increase of 5.0% in the month. This followed a reading of 80.3 in December.
- Sentiment rose to its highest level since September but remained deeply pessimistic. In fact, pessimists continued to outnumber optimists in all states and across all sub-indices. Additionally, this was only the second consecutive monthly increase in almost two years.
- Encouragingly, consumers are becoming less pessimistic about the future. Views around the economic outlook and family finances over the next 12 months improved. The economic conditions, next 12 months sub-index jumped by 10.2% in the month, to 81.4. The expectations sub-index also rose by 6.3%, to 89.1.
- The labour market remains incredibly tight. This was echoed in the sentiment survey. The unemployment expectations index fell by 8.4% in the month, to 108.0. This indicates that fewer people expect the unemployment rate to increase over the next 12 months.
- While some improvement has been evident over recent months, the mood among consumers remains persistently downbeat as higher interest rates, elevated cost-of-living pressures, and a more pessimistic economic outlook have weighed on confidence.
- Weak consumer sentiment is expected to flow through to a slowdown in household spending. However, this is taking time as spending has been supported by a tight labour market, an unleashing of pent-up demand and robust household savings. These factors are expected to wane as we move through 2023.

Consumer Sentiment Index



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

Economic Conditions Next 12 Months



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

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