

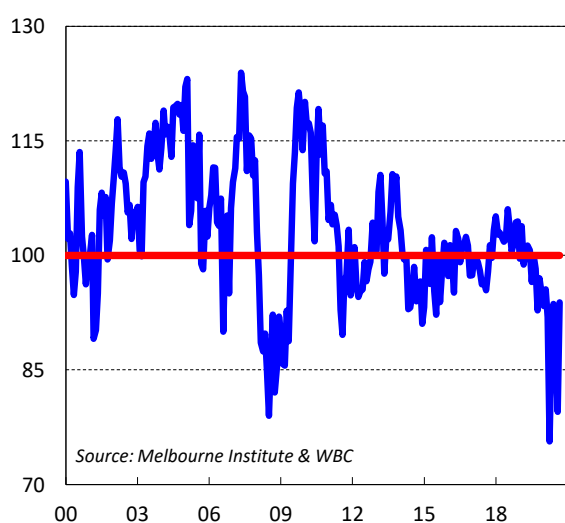
Wednesday, 9 September 2020

Consumer Sentiment

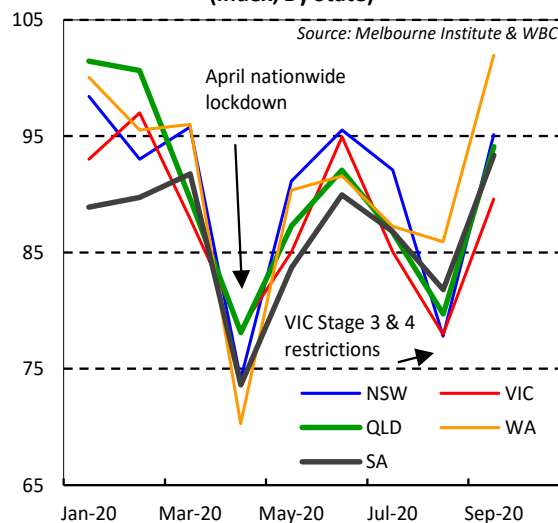
Mood Swings

- There have been large swings in the Westpac-Melbourne Institute consumer sentiment index ever since the pandemic began to deeply affect the country. The mood of consumers has depended heavily on the rate of new COVID-19 infections and social-distancing restrictions imposed to contain the spread.
- Sentiment has once again rebounded in September, now that cases have fallen in Victoria and NSW. NSW has also managed to avoid more stringent restrictions for now with cases remaining well contained. The index lifted from 79.5 in August to 93.9 in September and is the highest since COVID-19 was declared a pandemic by the World Health Organisation in March.
- Sentiment across all States rebounded and was led by a 22.3% gain in NSW from 77.8 to 95.1. Sentiment in Victoria lifted 14.9% to 89.6 in September but was the lowest of all States. Consumers are most optimistic in WA where the sentiment index lifted 18.6% to 101.9.
- The recovery in sentiment in September is encouraging. However, the large swings in consumer sentiment over the past few months suggest that sentiment likely remains fragile. The index remains below 100 and suggests that consumers overall remain pessimistic. Moreover, as developments this year have shown, the pandemic can shift very quickly.

Aust. Consumer Sentiment Index



Consumer Sentiment (Index, By State)



The impact of the COVID-19 has drastically affected all our lives. It, therefore, comes as no surprise that developments regarding COVID-19 are having a major impact on the mood of Australians.

There have been large swings in the Westpac-Melbourne Institute consumer sentiment index ever since the pandemic began to deeply affect the country. Initially, the index fell sharply to an all-time low in April when nationwide lockdown measures were in effect across the country. As cases came down and as restrictions on people's movements were lifted, sentiment rebounded. However, the more recent wave of infections in Victoria and as Stage 3 and Stage 4 restrictions in this State were enforced, sentiment weakened in August.

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The impact of COVID-19 has been reflected in the various State breakdowns. Sentiment across all States rebounded and was led by a 22.3% gain in NSW from 77.8 to 95.1, likely reflecting the containment of cases in Sydney without the need to resort to harsher lockdown measures. Victoria lifted 14.9% to 89.6 in September, but was the lowest of all States. Consumers are most optimistic in Western Australia, where the sentiment index lifted 18.6% to 101.9. Across other States, sentiment in Queensland lifted to 94.1 and in South Australia, sentiment rebounded to 93.3. Consumer sentiment in South Australia was the highest since December 2019.

There was an encouraging lift in all major sub-components of the index in September. Perceptions of family finances improved significantly. Indeed, expectations of family finances over the next 12 months lifted to above 100 at 101.2. Family finances versus a year ago also improved to 87.5. Government assistance has likely had a major impact in supporting incomes for households.

However, consumers still viewed economic conditions in a negative light, particularly over the next year. The index measuring conditions over the next year stood at a low 75.6 in September, while for the next 5 years was higher at 99.8. That being said, both indices were 18.9% and 41.0% higher, respectively, than their readings in August.

Sentiment surrounding the housing market also improved and could suggest stabilising conditions in the housing market. The 'time to buy a dwelling' index increased 3.0% in September. In addition, the Westpac consumer house price expectations index lifted 21.7% in September, although it is still 37% below the average level in the six months prior to COVID-19.

Outlook

An improvement in confidence is always a positive sign for the economic outlook. However, the index is still below the dividing line, which suggests pessimism persists. The volatility in the index over the past few months also highlights how fickle developments regarding COVID-19, and there will remain significant uncertainty for the outlook.

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