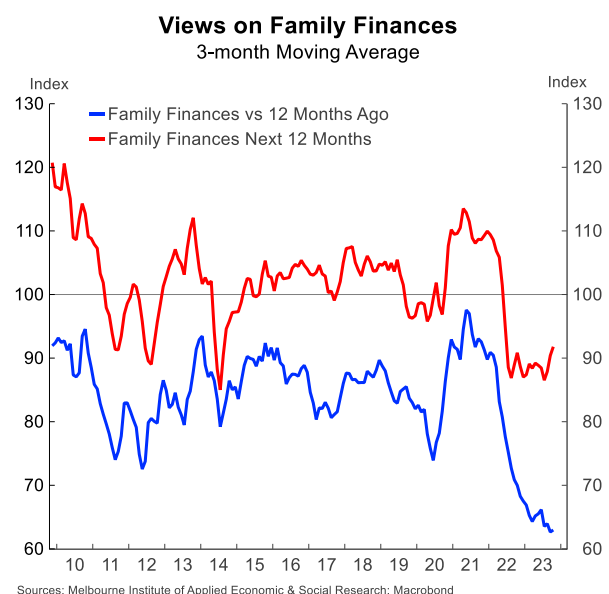
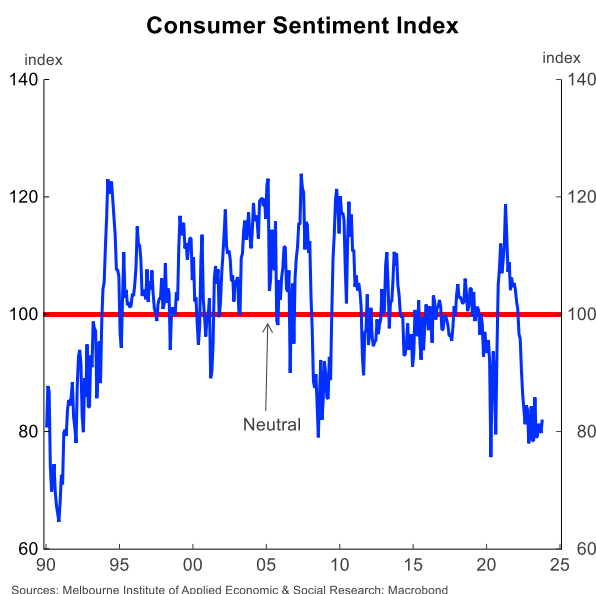




Tuesday, 10 October 2023

Consumer Sentiment Bumpy Near the Bottom

- The Westpac-Melbourne Institute consumer confidence index rose 2.9% in October to 82.0 - the strongest reading since January. Despite the bounce, confidence remains deeply entrenched in pessimistic territory.
- Sentiment has been bumpy month-to-month since finding a floor in November last year. October's result was no different, meaning the monthly pickup is unlikely to reflect a sustained turnaround in household spirits.
- Looking at the detail, a stabilisation in households' assessments of their current and future finances helped underpin the aggregate improvement. However, both measures remain notably weak.
- The labour market continues to be a bedrock for households, offsetting weakness elsewhere. This leaves confidence susceptible to retesting cycle lows if the labour market deteriorates more quickly than expected.
- While we have probably seen a bottom, it's unlikely that the mood among households will improve materially anytime soon. A successful return to the Reserve Bank's (RBA) inflation target and relief on interest rates are likely necessary for a sustained rise in sentiment.
- The pessimistic mood and prolonged squeeze on household budgets points to further weakness in consumption over the coming quarters. The ongoing rollover of fixed rate mortgages onto much higher variable rates is likely to compound this pressure.



Jameson Coombs, Economist

Ph: +61 401 102 789

Contact Listing

Chief Economist

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

Senior Economist

Jarek Kowcza
Jarek.kowcza@bankofmelbourne.com.au
0481 476 436

Senior Economist

Pat Bustamante
pat.bustamante@bankofmelbourne.com.au
0468 571 786

Economist

Jameson Coombs
jameson.coombs@bankofmelbourne.com.au
0401 102 789

The Detail

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