

Wednesday, 11 December 2019

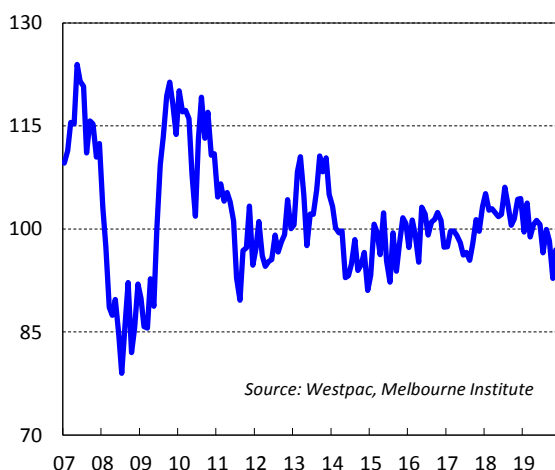


Consumer Confidence

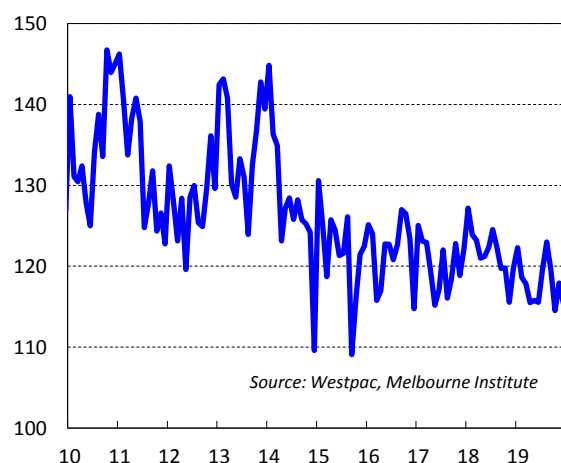
Consumers Remain Wary

- Consumers remained cautious heading into the holiday period, according to the latest Westpac-MI consumer confidence survey.
- The index of consumer sentiment declined 2.0% to 95.1 in December from 97.0 in November. It has now been below the 100 neutral level for six consecutive months and is down 8.9% over the year
- Consumer confidence has reacted negatively to rate cuts from the Reserve Bank (RBA). This suggests that consumers are focussing on the negative outlook for economic growth, and appear to have been spooked by the ultra-low level of interest rates.
- The sub-components of the survey point to the reluctance of consumers to spend. The index measuring time to buy a major household item declined 2.1% in December, leaving it 3.7% down over the year. Weak readings in this index has been consistent with the poor outcome for retail sales at the start of the December quarter.
- The reluctance of consumers to spend in the September quarter was a key factor limiting GDP growth. The weak finish to 2019 in confidence suggests that the RBA's three rate cuts in 2019 are yet to have a meaningful impact on household consumption. We continue to expect that consumer spending will eventually improve, but any recovery is likely to remain muted. We forecast further monetary easing will be required in 2020.

Westpac-MI Consumer Confidence
(Index, 100=Neutral)



Time to Buy a Major Household Item



The latest Westpac-Melbourne Institute Consumer Confidence Survey shows that consumers remained wary in December. Consumer confidence has declined significantly in 2019, despite three rate cuts from the RBA and tax breaks to low- and middle-income households.

The index of consumer sentiment declined 2.0% to 95.1 in December from 97.0 in November. It has now been below the 100 neutral level for six consecutive months and is down 8.9% over the year.

Further detail in the survey suggests that consumers remained hesitant to spend in December. The index measuring time to buy a major household item declined 2.1% in December, leaving it 3.7% down over the year. Households reported worsening family finances compared with a year ago, and downgraded their expectations for how their finances would fare in the year ahead. Both indicators are below the 100 level, signalling that pessimists outnumber optimists.

On the housing market, there was a notable decline in the time to buy a dwelling index, which fell 5.6% to 112.3 in December.

Outlook

The reluctance of consumers to spend in the September quarter was a key factor limiting GDP growth. The weak finish to 2019 in confidence suggests that the RBA's three rate cuts in 2019 are yet to have a meaningful impact on household consumption. We continue to expect that consumer spending will eventually improve, but any recovery is likely to remain muted.

We forecast further monetary easing will be required in 2020. This includes two more cuts to the cash rate, before the RBA is forced to more seriously consider unconventional monetary policy.

Nelson Aston, Economist

Ph: 02-8254-1316

Contact Listing

Chief Economist

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

Senior Economist

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

Economist

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

The information contained in this report ("the Information") is provided for, and is only to be used by, persons in Australia. The information may not comply with the laws of another jurisdiction. The Information is general in nature and does not take into account the particular investment objectives or financial situation of any potential reader. It does not constitute, and should not be relied on as, financial or investment advice or recommendations (expressed or implied) and is not an invitation to take up securities or other financial products or services. No decision should be made on the basis of the Information without first seeking expert financial advice. For persons with whom St.George has a contract to supply Information, the supply of the Information is made under that contract and St.George's agreed terms of supply apply. St.George does not represent or guarantee that the Information is accurate or free from errors or omissions and St.George disclaims any duty of care in relation to the Information and liability for any reliance on investment decisions made using the Information. The Information is subject to change. Terms, conditions and any fees apply to St.George products and details are available. St.George or its officers, agents or employees (including persons involved in preparation of the Information) may have financial interests in the markets discussed in the Information. St.George owns copyright in the information unless otherwise indicated. The Information should not be reproduced, distributed, linked or transmitted without the written consent of St.George.

Any unauthorised use or dissemination is prohibited. Neither St.George Bank - A Division of Westpac Banking Corporation ABN 33 007 457 141 AFSL 233714 ACL 233714, nor any of Westpac's subsidiaries or affiliates shall be liable for the message if altered, changed or falsified.
