



THE UNIVERSITY OF
MELBOURNE

Westpac – Melbourne Institute Survey of Consumer Sentiment

Monthly Report

June 2009



MELBOURNE INSTITUTE
of Applied Economic and Social Research

 **estpac**

Institutional Bank

Westpac – Melbourne Institute Consumer Sentiment Index June 2009

Table 1: Consumer Sentiment Index

	Jun 2007	Jun 2008	May 2009	Jun 2009	% change on May 2009	% change on Jun 2008
Seasonally Adjusted*	121.5	84.7	88.8	100.1	12.7	18.1
Trend**	122.1	84.5	93.9	94.4	0.6	11.7

See footnote below for discussion on the seasonal adjustment process.

Consumer sentiment index hits the 100 mark

The Westpac – Melbourne Institute Consumer Sentiment Index increased by 12.7 per cent to 100.1 in June 2009 from 88.8 in May, hitting the 100 mark after 16 months below 100. Consumer sentiment in Australia is now evenly divided between optimists and pessimists.

...with large improvements in the component indices about future economic conditions

Four of the five component indices improved in June (see Table 2) with significant improvements of 37.0 per cent and 20.2 per cent recorded by the two indices about economic conditions in the next 12 months and next 5 years respectively. The two component indices about family finances (for next 12 months and vs a year ago) also increased by 11.1 per cent and 8.1 per cent respectively. The component index reflecting good or bad time to buy household items fell slightly by 1.6 per cent. Overall, the current conditions index rose by 2.2 per cent and the expectations index increased by 20.7 per cent.

Increases in consumer sentiment were recorded in all groups disaggregated by demographic characteristics (see Table 3).

This month's survey was conducted in the week when the March quarter National Accounts showed that Australia has avoided a "technical" recession (defined as two consecutive quarters of negative growth). The top 'news recall' in June was 'economic conditions' (see Table 5), while the news heard index improved for all topics except for 'budget & taxation' and 'inflation'.

Chart 1: Consumer Sentiment Index

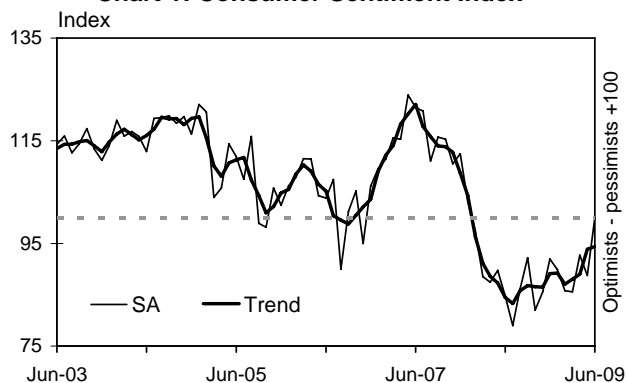
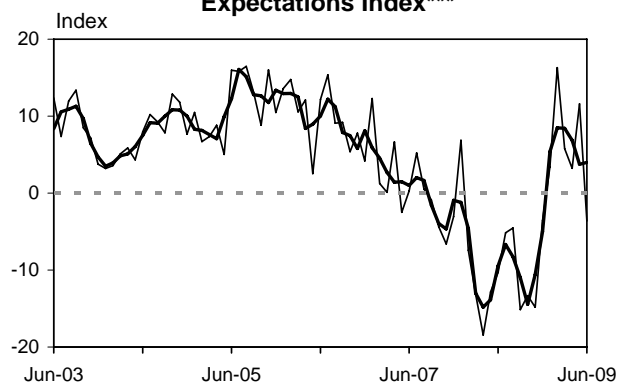


Chart 2: Current Conditions Index minus Expectations Index***



* In June 2006 we moved to reporting seasonally unadjusted series after we conducted a series of tests on the data which indicated no statistical evidence of seasonality. However, further research showed that the January monthly changes were, in general, significantly larger than the average monthly changes for the rest of the year. Consequently, we have adopted a new methodology to filter the raw data for the regular large monthly movements in January. This new filtered series is our new seasonally-adjusted (SA) CSI.

**Trend for the latest month is based on 2-month moving average while the rest are based on 3-month centred moving average.

***The difference between these two indices provides an indication of consumers' perception of the state of the economy now and in the future. A positive (negative) value implies that consumers view current conditions more (less) favorably compared to the future.

Table 2: Consumer Sentiment Index – component questions (SA)

	June 2007	June 2008	May 2009	June 2009	% change on May 2009	% change on June 2008
Family finances vs a year ago	102.3	67.8	76.3	82.4	8.1	21.5
Family finances next 12 months	121.4	99.9	102.5	113.8	11.1	13.9
Economic conditions next 12 months	132.6	74.4	62.2	85.2	37.0	14.5
Economic conditions next 5 years	110.0	92.3	87.8	105.5	20.2	14.3
Good or bad time to buy major h'hold items	141.0	89.2	115.2	113.4	-1.6	27.0
Current Conditions Index*	121.6	78.5	95.7	97.9	2.2	24.6
Expectations Index**	121.4	88.8	84.1	101.5	20.7	14.2

Percentage who reported that they were optimistic minus the percentage who reported that they were pessimistic plus 100.

*Average of the two component indices that relate to current conditions.

**Average of the three component indices that relate to expected conditions.

Table 3: Consumer Sentiment Index – by demographic characteristics (SA)

		June 2007	June 2008	May 2009	June 2009	% change on May 2009	% change on June 2008
Gender	Male	127.6	91.7	94.2	102.2	8.5	11.5
	Female	115.7	78.1	83.4	98.0	17.4	25.5
By age	18-24	124.7	111.3	96.5	103.7	7.4	-6.9
	25-44	123.0	83.1	90.3	102.0	12.9	22.8
	Over 45	119.4	79.6	85.7	97.5	13.9	22.6
By home ownership	Tenant	123.2	89.0	92.6	107.6	16.1	20.8
	Mortgagee	121.0	80.1	87.9	101.1	15.1	26.2
	Wholly owned	122.3	85.8	88.1	95.1	7.9	10.8
By Fed. voting intention	Coalition	136.3	76.4	79.7	94.9	19.1	24.3
	ALP	116.2	95.9	97.8	104.3	6.7	8.8
By occupation	Manager/prof.	129.7	85.4	87.1	101.1	16.1	18.4
	Paraprof./trades	118.4	78.9	96.7	97.0	0.3	22.9
	Sales/clerical	122.0	94.1	84.4	109.0	29.1	15.8
	Lab./operator	110.9	83.9	92.3	97.2	5.3	15.8
	Not working	118.2	83.7	87.5	97.7	11.8	16.7
By household income p.a.	Up to \$20K	107.5	85.9	86.1	106.1	23.3	23.5
	\$20 to \$40K	110.7	79.3	85.1	96.0	12.8	21.1
	\$40 to \$60K	118.2	77.6	93.6	96.2	2.8	24.0
	Over \$60K	129.8	88.6	90.1	101.9	13.2	15.0
By area	Metropolitan	123.1	88.5	89.6	101.0	12.6	14.1
	Non- Metro.	119.6	77.9	87.5	98.7	12.7	26.6

Chart 3: Changes in Consumer Sentiment and Retail Sales Growth*

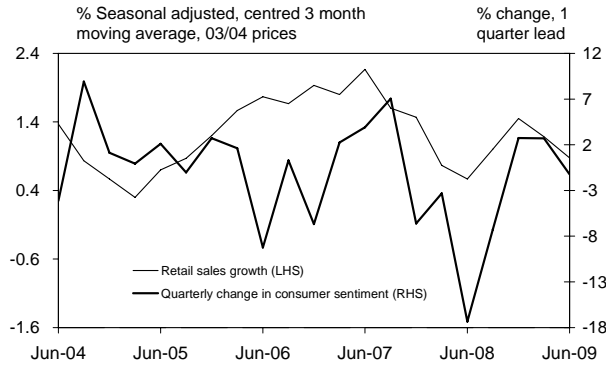


Chart 4a: Family Finances Last 12 Months

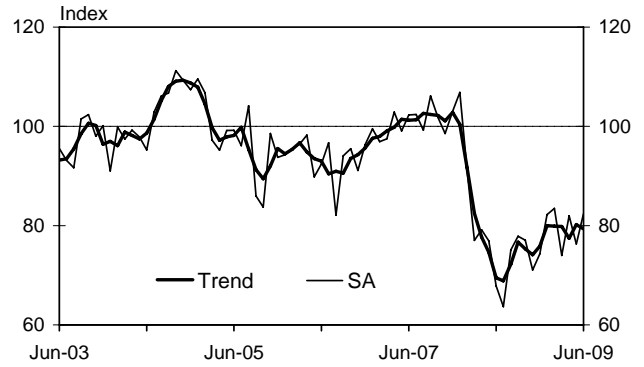


Chart 4b: Family Finances Next 12 Months

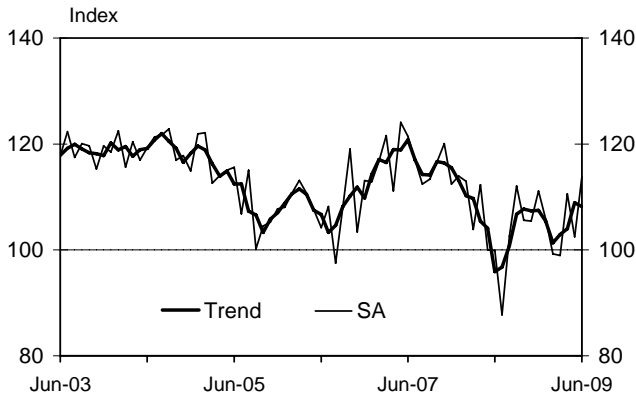


Chart 4c: Economic Conditions Next 12 Months

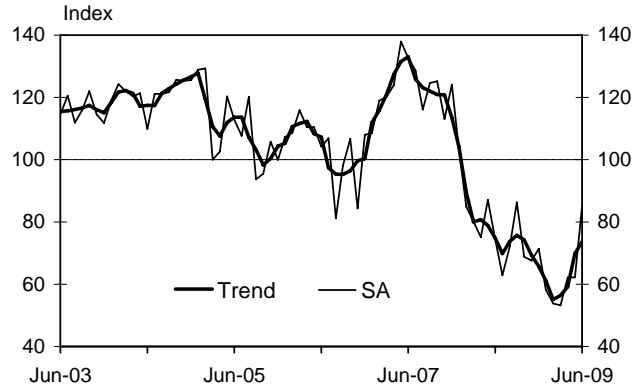


Chart 4d: Economic Conditions Next 5 Years

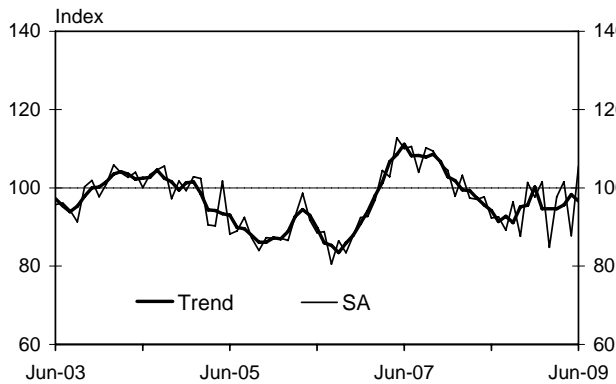
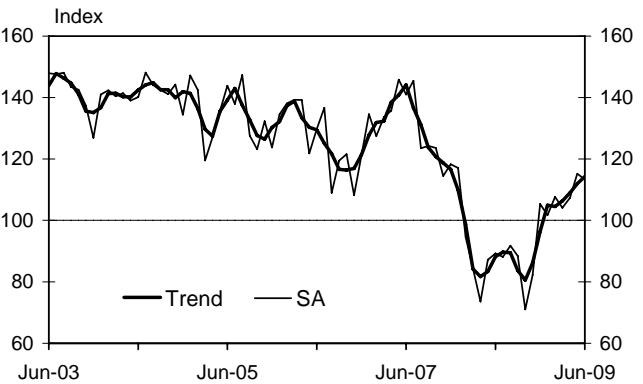


Chart 4e: Time to Buy Major Household Items



*Source: Original Retail Sales deflated by the Consumer Price Index - ABS Catalogue No. 8501.0, *Retail Trade: Australia* and ABS Catalogue No. 6401.0, *Consumer Price Index: Australia*.

Chart 5: Current Conditions Index

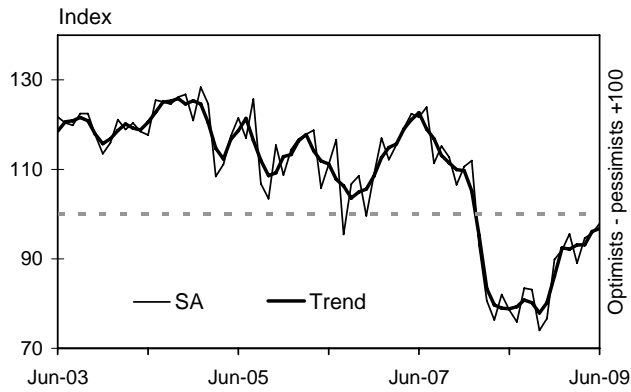


Chart 6: Expectations Index

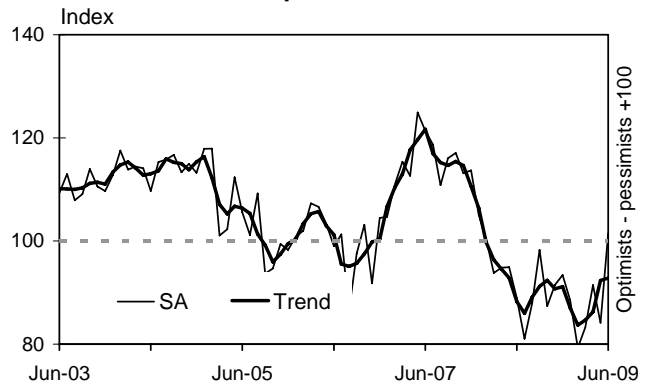


Chart 7a: Consumer Sentiment by Home Ownership (SA)

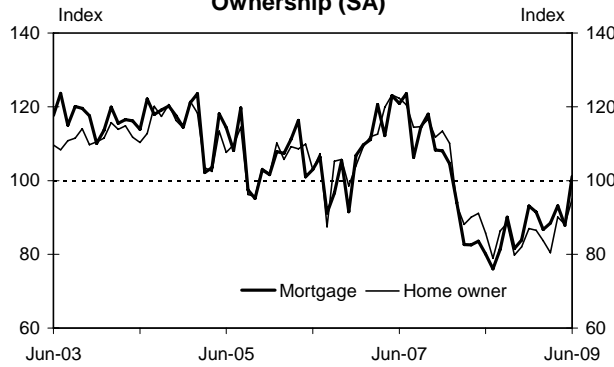


Chart 7b: Consumer Sentiment by Income Group (SA)

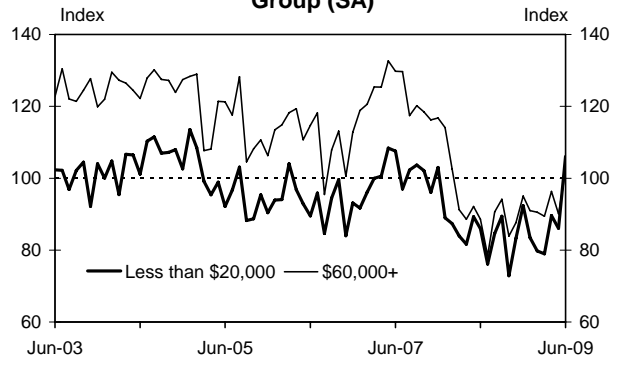


Chart 7c: Consumer Sentiment by Area (SA)

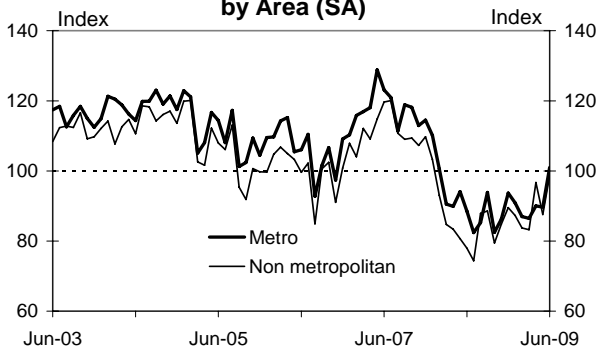


Chart 7d: Consumer Sentiment by Voting Intention (SA)

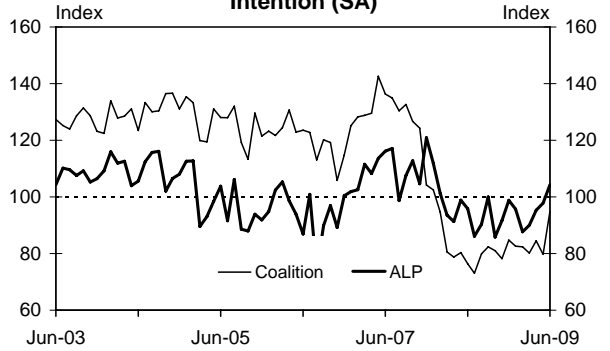
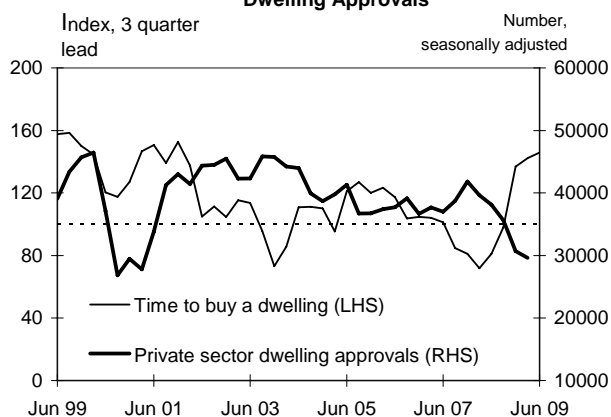
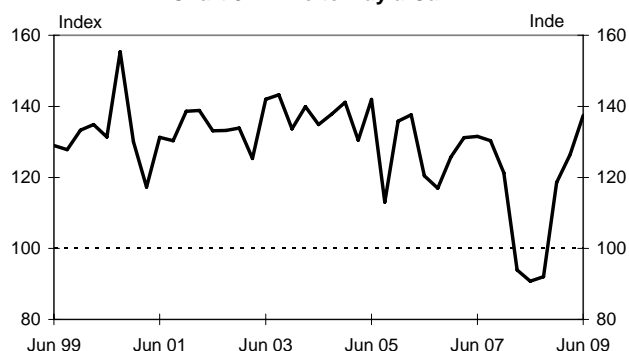


Table 4: Time to buy a Dwelling and Car Indices

	Jun 2007	Jun 2008	Mar 2009	Jun 2009	% change on Mar 2009	% change on Jun 2008
Time to Buy a Dwelling Index	101.4	81.0	142.3	145.8	2.5	80.0
Time to Buy a Car Index	131.6	90.8	126.4	137.4	8.7	51.4

Chart 8: Time to Buy a Dwelling and Dwelling Approvals***Chart 9 : Time to Buy a Car****Table 5: News Heard Indices – by topic**

	News Recall Level**			News Heard Index***		
	Jun 2008	Mar 2009	Jun 2009	Jun 2008	Mar 2009	Jun 2009
Politics	3.0	3.6	3.8	45.9	65.8	85.8
Budget & Taxation	15.2	19.9	22.1	60.2	71.4	66.3
Inflation	61.8	8.3	6.2	17.7	43.2	39.2
Employment	4.5	24.9	18.4	59.8	12.0	22.7
Interest rates	56.4	35.0	23.9	32.2	73.4	96.5
Australian Dollar	8.3	3.4	1.9	77.6	32.9	135.4
Economic conditions	36.9	82.7	77.5	44.5	34.9	70.7
International conditions	21.9	25.2	19.2	45.7	30.0	51.8

**Proportion of respondents recalling each news topic.

***Percentage who reported that the news was favourable minus percentage unfavourable plus 100.

*Source: ABS Catalogue No. 8731.0, *Building Approvals: Australia*.

Chart 10a: News Recall Level - June 2008

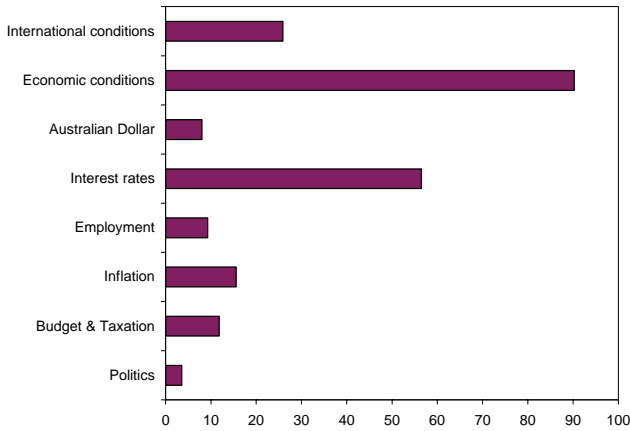


Chart 10b: News Heard Index

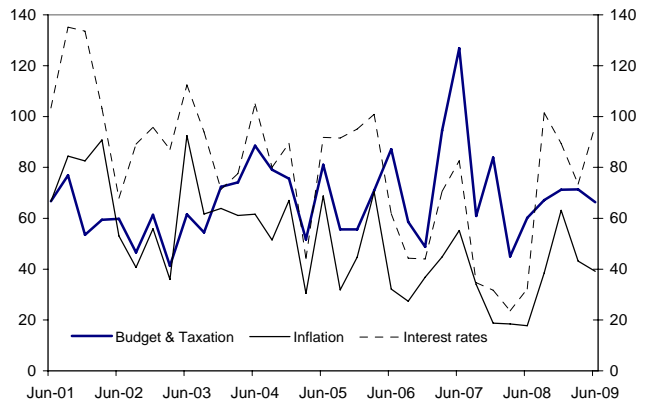


Chart 10c: News Recall Level - September 2008

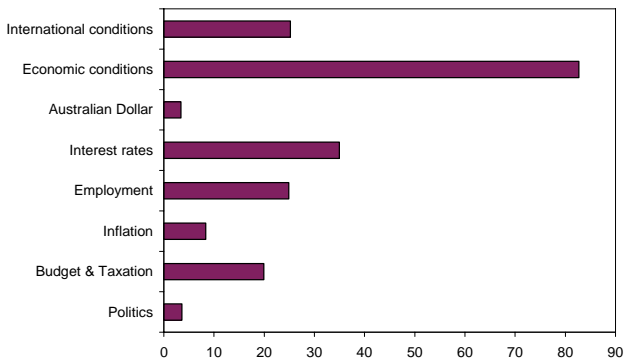


Chart 10d: News Heard Index

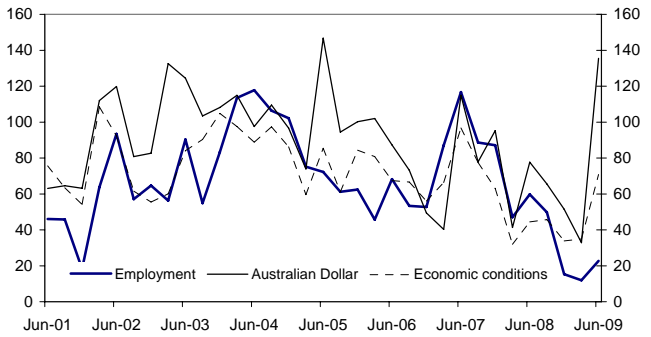


Chart 10e: News Recall Level - December 2008

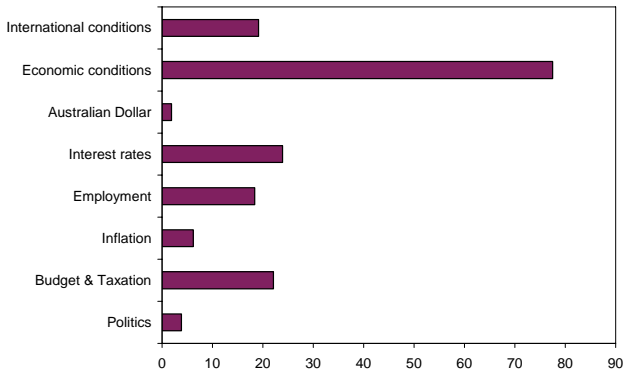


Chart 10f: News Heard Index

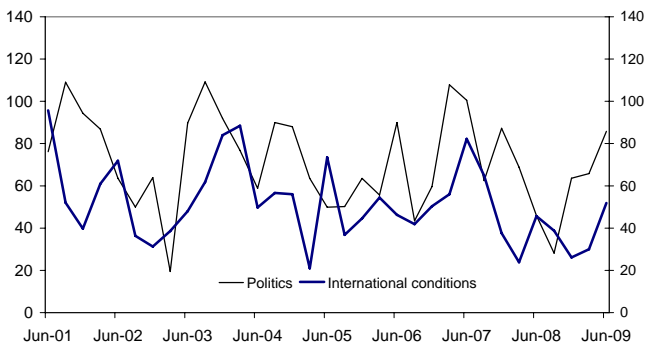


Table 6: Wisest place for savings (per cent of respondents)

	Jun 2007	Jun 2008	Mar 2009	Jun 2009	% change on Mar 2009	% change on Jun 2008
Banks	19.2	29.7	32.8	27.1	-5.7	-2.6
Building societies	1.2	2.3	1.5	2.0	0.4	-0.3
Bonds	1.1	3.0	1.1	1.1	0.1	-1.9
Shares	17.0	11.3	6.7	12.3	5.6	1.0
Real estates	19.7	14.7	15.0	16.1	1.2	1.4
Credit union	1.4	1.6	1.4	1.5	0.1	-0.1
Cash management trust	1.6	1.9	1.3	1.0	-0.4	-0.9
Pay debt	11.0	20.3	23.4	23.2	-0.3	2.9
Superannuation	12.4	6.4	2.9	4.9	2.0	-1.5
Spend it	6.3	3.8	7.7	6.3	-1.4	2.5
Other	7.9	4.0	4.8	4.2	-0.6	0.2
Don't know	1.2	1.1	1.4	0.4	-1.0	-0.7
Total	100	100	100	100	0	0

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For information on the data contained in the report contact the Melbourne Institute, The University of Melbourne, on (03) 8344 2196.

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Stratified by gender, age and location.