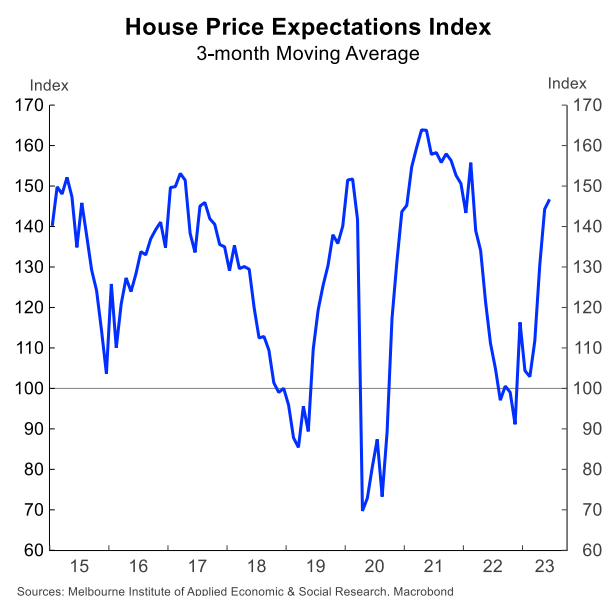
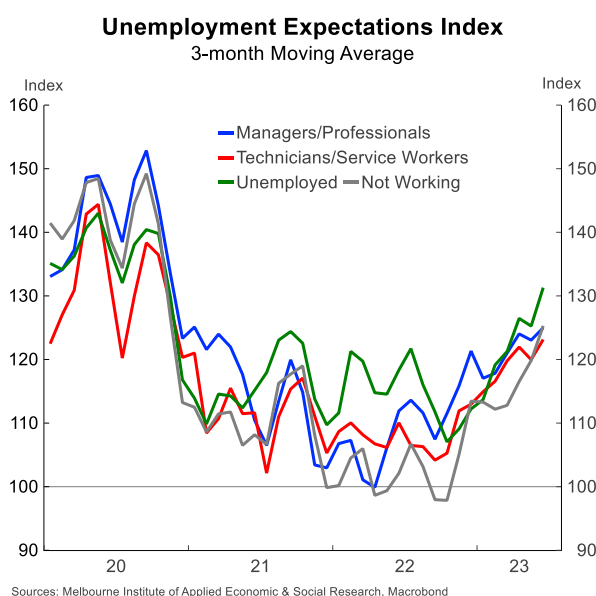


Consumer Sentiment Signalling A Jobs Market Turning Point

- Sentiment remains entrenched at 'recessionary lows.' The consumer sentiment index was 79.2 index in June, broadly unchanged from the 79.0 points recorded in May.
- Consumers have signalled that labour market conditions have started to turn. The Unemployment Expectations Index deteriorated (or increased) by 6.6% over June. For the first time this hiking cycle (since May 2022), the fall was larger than the deterioration that would be explained by seasonality. Managers and service workers, and those without jobs (unemployed and not in the labour force) were most pessimistic about the jobs outlook.
- In a worrying sign, consumers expect conditions to deteriorate further before improving. Family Finances and the Economic Outlook over the next year remained very weak at 84.0 and 77.2, respectively. This is to be expected given four in five consumers surveyed after the Reserve Bank's (RBA) June meeting expect further rate hikes this year.
- In a feature unique to this cycle, consumers continue to expect house prices to increase, while also expecting further rate hikes. The House Price Index increased by 1.7% over June, to be at 146.7 points - well above the long run average of 125.8 points. Price gains are expected to be particularly strong in WA and NSW.
- Consumer sentiment has been at recessionary lows for much of the last year. However, only more recently have we seen this pessimism translate into weaker spending. This is likely to continue and may very well intensify if consumers become worried about job security.



Pat Bustamante, Senior Economist

Ph: +61 468 571 786

Contact Listing

Chief Economist

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

Senior Economist

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

Senior Economist

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

Economist

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

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