Past performance is not a reliable indicator of future performance. The forecasts given above are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The results ultimately achieved may differ substantially from these forecasts.
of 120. NSW and Victoria have shown particularly sharp deterioration, down 12% and 14% respectively since August.

In contrast, the Westpac-Melbourne Institute Index of House Price Expectations Index posted a further 5.9% rise in October following the 3.9% rise in September to be up a spectacular 54.4% since May.

Not surprisingly, the state detail on price expectations is the mirror image of the picture from assessments of ‘time to buy’ with the biggest gains over the last two months again coming in NSW (+12.5%) and Vic (+16.6%). More consumers nationally now expect prices to rise than fall – the first ‘net positive’ consensus since mid-2018.

The Reserve Bank Board next meets on November 5. Westpac expects the Board will decide to keep the cash rate on hold. Despite this unexpected plunge in the Index the Board is likely to take some time to assess the impact of the three rate cuts before deciding to move again. As we discussed in this report, they will also be alerted to the impact that reductions in the cash rate to well below historical lows may be having on consumers’ assessments of the economy.

In particular, the signals around how consumers are assessing their own finances are worthy of detailed consideration before the Board embarks on its next move.

Westpac expects that next move will be a further cut in the cash rate to 0.5% in February next year although a case can be made for an earlier cut in December depending on developments in the labour market and the global economy.

While we expect the Bank will also be studying various types of unconventional monetary policy measures it is to be hoped that the signals from this survey highlight the possible unintended consequences that may result from the option of resorting to negative interest rates.

Bill Evans, Chief Economist

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**Consumer Sentiment – October 2019**

<table>
<thead>
<tr>
<th>Index</th>
<th>avg*</th>
<th>Oct 2017</th>
<th>Oct 2018</th>
<th>Sep 2019</th>
<th>Oct 2019</th>
<th>%mth</th>
<th>%yr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Sentiment Index</td>
<td>101.5</td>
<td>101.4</td>
<td>101.5</td>
<td>98.2</td>
<td>92.8</td>
<td>-5.5</td>
<td>-8.6</td>
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<tr>
<td>Family finances vs a year ago</td>
<td>89.4</td>
<td>83.7</td>
<td>87.4</td>
<td>84.3</td>
<td>80.2</td>
<td>-4.9</td>
<td>-8.2</td>
</tr>
<tr>
<td>Family finances next 12mths</td>
<td>107.6</td>
<td>102.4</td>
<td>102.8</td>
<td>96.9</td>
<td>93.3</td>
<td>-3.7</td>
<td>-9.3</td>
</tr>
<tr>
<td>Economic conditions next 12mths</td>
<td>91.0</td>
<td>102.6</td>
<td>102.5</td>
<td>92.6</td>
<td>87.1</td>
<td>-6.0</td>
<td>-15.1</td>
</tr>
<tr>
<td>Economic conditions next 5yrs</td>
<td>91.3</td>
<td>95.2</td>
<td>94.9</td>
<td>97.8</td>
<td>88.9</td>
<td>-9.1</td>
<td>-6.4</td>
</tr>
<tr>
<td>Time to buy a major household item</td>
<td>127.2</td>
<td>122.8</td>
<td>119.8</td>
<td>119.6</td>
<td>114.5</td>
<td>-4.2</td>
<td>-4.4</td>
</tr>
<tr>
<td>Time to buy a dwelling</td>
<td>119.7</td>
<td>95.1</td>
<td>102.6</td>
<td>123.3</td>
<td>116.6</td>
<td>-5.4</td>
<td>13.7</td>
</tr>
<tr>
<td>Unemployment Expectations Index</td>
<td>130.0</td>
<td>129.2</td>
<td>122.8</td>
<td>133.6</td>
<td>131.8</td>
<td>-1.3</td>
<td>7.3</td>
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<tr>
<td>House Price Expectations Index</td>
<td>125.5</td>
<td>140.5</td>
<td>101.4</td>
<td>130.3</td>
<td>138.0</td>
<td>5.9</td>
<td>36.1</td>
</tr>
</tbody>
</table>

Source: Westpac-Melbourne Institute

*avg over full history of the survey, all indexes except ‘time to buy a dwelling’, ‘unemployment expectations’ and ‘house price expectations’ are seasonally adjusted

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Survey interviews are conducted by OZINFO Research on the telephone using trained interviewers. Telephone numbers and the household respondent are selected at random. This latest survey is based on 1200 adults aged 18 years and over, across Australia. It was conducted in the week from 30 September to 3 October 2019. The data have been weighted to reflect Australia’s population distribution. Copyright at all times remains with the Melbourne Institute of Applied Economic and Social Research.
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