The Red Book

December 2013

Westpac Economics
with the
Institutional
Bank.

December 2013

Contents

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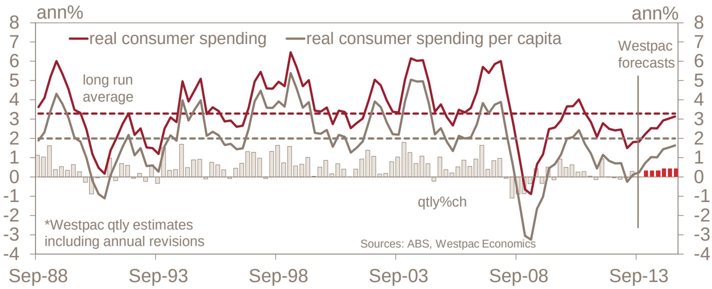
Please note the **Red Book** takes a break over Christmas. The next issue will be published on 14 February 2014

Executive summary

- The **Westpac–Melbourne Institute Index of Consumer Sentiment** fell 4.8% from 110.3 in Nov to 105.0 in Dec.
- The sentiment boost from the election apparent in Sep-Nov has clearly faded with consumer confidence around the economy faltering. Consumers would also have been unnerved by news of job losses at Qantas and Holden.
- Additional questions on news recall show news on 'economic conditions'; 'budget & tax'; 'interest rates' and 'employment' dominated with most items assessed as unfavourable including significant deteriorations vs Sep in most cases.
- Updates on the 'wisest place for savings' question show a further modest decline in those nominating safe options toward riskier ones albeit with 'equities' finding more favour. The mix resulted in a further 2.4pt decline in the **Westpac Risk Aversion Index** – our measure that combined these responses into a single gauge of risk aversion. The Index continues to point to a significant easing in risk aversion since the middle of the year.
- More generally, the survey detail continues to point to a pick up in spending momentum heading into 2014. Our **CSI**± measure, which we favour as a guide to actual spending, recorded a milder 1.5% fall in Dec but continues to point to a pick up in spending growth to over 3%yr.
- The indexes tracking consumer views on 'time to buy a major item' and 'time to buy a vehicle' also recorded milder declines in Dec (–2.3% and –0.7% respectively) and remain well above long run averages. Note that the 'time to buy a vehicle' sub-index will be discontinued in 2014. Research indicates that the 'time to buy a major item' sub-index provides a good proxy for this measure.
- The index tracking views on 'time to buy a dwelling' fell 4.2% in Dec. Although it remains at a high level the 10.5% decline from the Sep peak suggests a sustained shift is underway. The decline was heavily concentrated in NSW where recent dwelling price growth has been particularly strong, suggesting that there is an affordability issue emerging. Consumers expect prices to continue rising with the **Westpac Melbourne Institute House Price Expectations Index** rising a further 1.4% in Dec to a new cycle high.
- The heightened job anxiety that has haunted consumers for most of the past 2yrs returned in Dec. The **Westpac Melbourne Institute Unemployment Expectations Index** rose 4.6% in the month, having now retraced over half of the decline between Jun and Sep. Higher readings mean more consumers expect unemployment to rise in the year ahead, a factor that will continue to weigh on consumer decisions around spending and borrowing.
- The Dec survey also included extra questions on holiday travel plans. The results show just under a third of households expect to travel this year, down slightly on the 34.4% last year but above the low of 30.8% in 2011. State variations were significant although all showed a notable shift away from travelling abroad towards travelling domestically.

Consumer spending: a disappointing year



And so goes another year. For consumers, 2013 will be remembered as a disappointing year. This time last year the expectation was for a gradual pick-up in spending growth. Our forecast and the consensus view at the time was for spending to rise 2.7% for the full 2013 year with through the year growth of 3.1%, a 25bp interest rate cut early in the year helping maintain momentum.

That quickly proved to be a little over-optimistic with the rally in consumer sentiment in late 2012/early 2013 faltering by mid year as the mining downturn started to show more of an impact and a badly received Budget more than offset the boost from an RBA rate cut in May.

The second half was also uneven with a second RBA rate cut in Aug and a clear election-related boost to sentiment unwinding by Dec.

Consumer sentiment finished the year a little firmer: at 105.0 it is in 'cautiously optimistic' territory compared to the 'neutral' 100 reading in Dec last year. Consumer spending is now expected to post growth of just 1.8% for the full year, flat in per capita terms but with through the year growth slightly better at 2.2%.

The Dec **Westpac–Melbourne Institute Consumer survey** detail tells the story clearly. Aside from the mini-cycle in sentiment around the election, consumers are more comfortable around their finances, appear less risk averse and remain positive on 'time to buy' but retain deep-seated concerns around job security.

The **Westpac–Melbourne Institute Unemployment Expectations Index** has shown variations through the year but failed to break out of the 140-150 range. Readings have been a full standard deviation above their long run average – the sort of heightened state of job-loss anxiety that typically inhibits consumers going ahead with 'risky' decisions.

Housing has been a bright spot in 2013 with low rates and the sentiment mix sufficient to overcome job loss fears. But here the Dec survey also shows clear tensions: price expectations remain bullish but views on 'time to buy a dwelling' have pulled back sharply pointing to some cooling in 2014.

On balance we expect a modest pick up in spending growth to 2.8% next year, with two more 25bp rate cuts in the first half required to maintain momentum.

The consumer mood: deflated

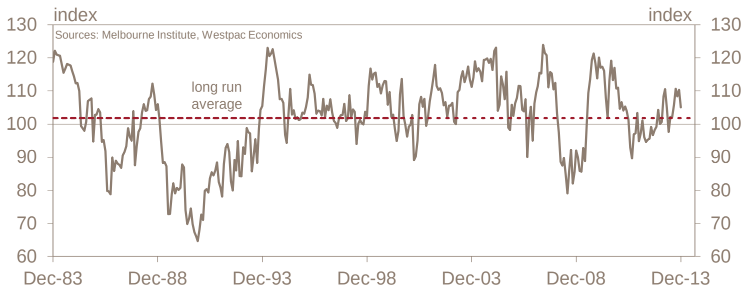
– The **Westpac Melbourne Institute Index of Consumer Sentiment** fell 4.8% from 110.3 in Nov to 105.0 in Dec, the lowest read since Jul and 4.3% below the average over the last 3mths.

– The sentiment boost from the election has clearly faded. Sentiment is 0.6% below its pre-election level in Aug. More specifically, consumer confidence in the economy has faltered. The sub-indexes tracking consumer views on the economic outlook over the next 12mths and 5yrs are both down over 10% from their average reads over the last 3mths. The pattern is broadly similar to previous elections, albeit complicated by the RBA's Aug rate cut.

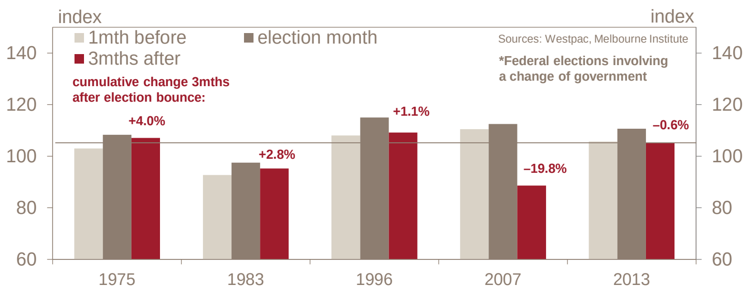
– The results were more mixed around family finances. The sub-index tracking assessments of 'finances vs a year ago' fell 7.8% but the sub-index tracking expectations for 'finances over the next 12mths' rose 3.9% (though coming off a steep 7.4% fall last month). The sub-index tracking views on 'time to buy a major item' dipped 2.3% but remains at a high level overall.

– The Mar, Jun, Sep and Dec surveys include extra questions on consumers' news recall. Items on 'economic conditions'; 'budget & tax'; 'interest rates' and 'employment' were again the most recalled in Dec, and assessed as unfavourable, with sharp deteriorations vs Sep in most cases.

1. Consumer sentiment: election boost ends



2. Consumer sentiment: before and after elections



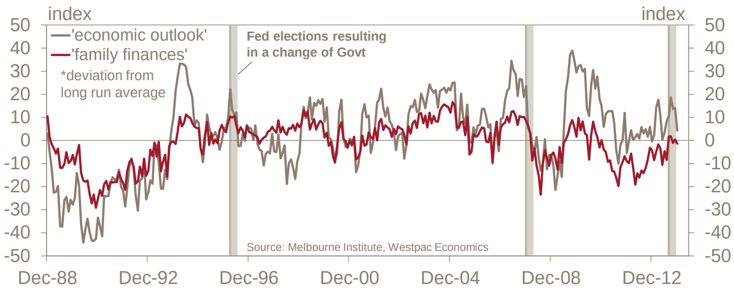
– Aside from the post-election come-down, sentiment would also likely have been unnerved by news of job losses at Qantas and Holden, and on interest rates. Although the RBA kept official rates on hold in Dec, 3yr fixed mortgage rates have risen 20bps since Sep. Notably, news recall on 'interest rates' swung from favourable to unfavourable between Sep and Dec.

– The sub-group detail showed the biggest sentiment falls were amongst those in lower-skilled occupations, on lower incomes, the 'middle-aged' and those living in non-metro areas. All of these groups recorded sentiment falls of 10% or more.

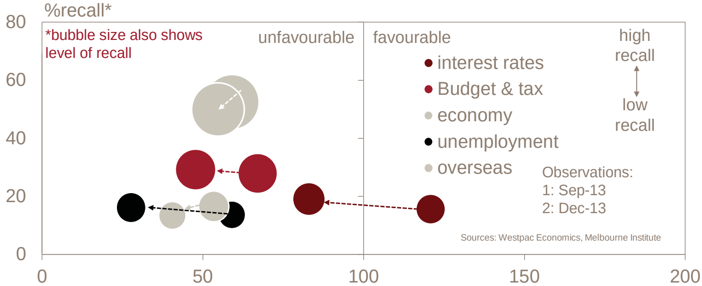
– The Dec survey showed continued positive reads on 'time to buy a major item' and 'time to buy a car' with responses on the 'wisest place for savings' also showing a further slight easing in risk aversion between Sep and Dec (see p15).

– There were some notable shifts around housing and jobs however. A sharp fall in the 'time to buy a dwelling' index, despite continued upbeat views on house prices, suggests affordability is becoming an issue for potential buyers, especially in NSW (see p13-14). At the same time, a rise in unemployment expectations points to a ratcheting higher in consumers' already heightened job loss fears.

3. Consumer sentiment: economy and finances



4. News recall and perception: selected topics



Sentiment indicators: spending

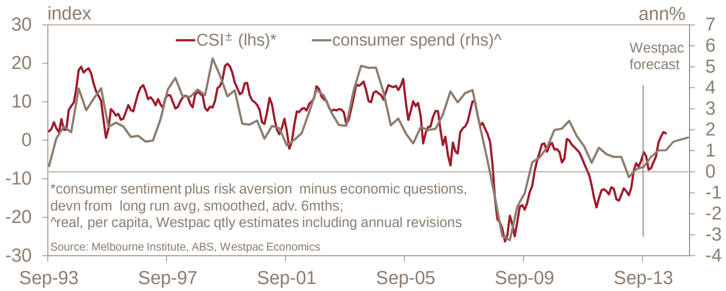
– Our **CSI±** composite recorded a much milder 1.5% fall in Dec compared to the 4.8% decline in sentiment overall. **CSI±** combines sub-indexes tracking views on 'family finances' and 'time to buy a major item' with the **Westpac Risk Aversion Index** and provides a good guide to spending with a lag of about 6mths.

– Even with the Dec dip, **CSI±** is still pointing to a significant improvement in spending momentum. The Index has been much weaker than headline sentiment in recent years due to weak reads on family finances and persistently high risk aversion. The main driver of the lift since Jun has been an easing in risk aversion.

– Latest readings are consistent with an acceleration in per capita spending growth to around 1.8%yr by mid-2014. Assuming population growth of about 1.5%yr, that would see total spending growth of 3.3%yr.

– As mentioned, **CSI±** tends to pick up shifts about 6mths ahead. That means the next few months should start to confirm if a pick up in spending is coming through. So far, the signs are not great with only a modest acceleration in retail sales and a weak update on total consumer spending in the Q3 national accounts. We remain comfortable with our view of a more restrained acceleration in spending into 2014.

5. CSI± vs total consumer spending



6. CSI± vs retail sales

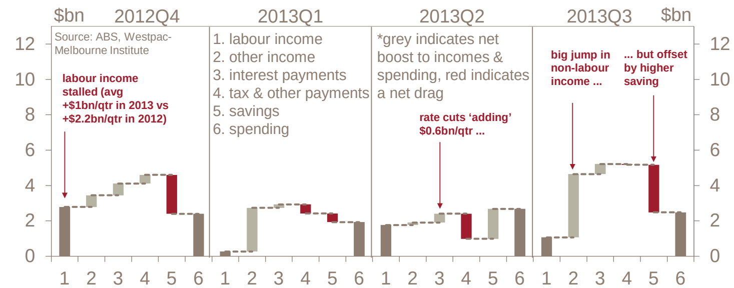
– Consumer spending rose just 0.4% in Q3, well below our expectation of a 0.7% gain. Annual growth held at just 1.8%, basically flat in per capita terms. Adding to the disappointment, the soft spending numbers came despite a solid rise in real household disposable income (1.3%qtr, 2.7%yr). Consumers clearly prioritised saving over spending with the household savings ratio jumping from 10.2% in Q2 to 11.1% in Q3.

– The main downside surprise in Q3 was weaker than expected fuel and consumer services spends with goods posting a modest rise as expected. Spending on 'cyclical' items remained weak (annualised per capita trend –1%yr).

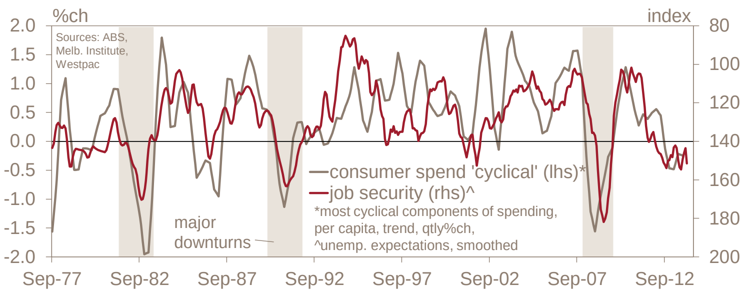
– More timely monthly retail and business surveys suggest a modest pick-up in momentum heading into Q4. Retail sales rose 0.5% in Oct, following gains of 0.9% in Sep and 0.5% in Aug, lifting 3mth growth from flat in Jul to 1.4% in Oct. Trend sales are rising at a 5.5% annualised pace, near the long run average for retail. Both the NAB and AiG business surveys also suggest some improvement in conditions for consumer-related sectors, albeit from a weak starting point.

– Against this, our composite indicator of cyclical spending, which draws on parts of retail and other spending data, is holding flat at relatively weak levels.

7. Household income and spending change decomposed



8. Composite indicator of cyclical spending



Special topic: Holiday travel plans

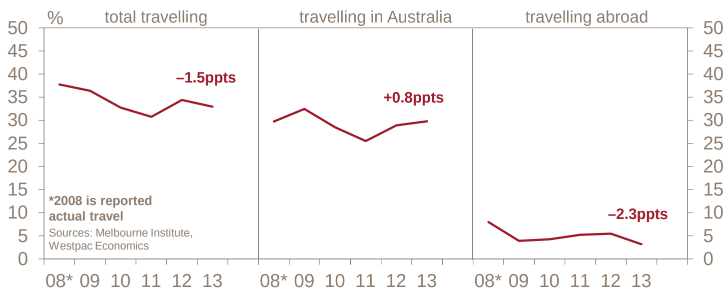
– The Dec survey included our annual questions on holiday travel plans. The results show just under a third of households expect to travel these holidays, down slightly on the 34.4% planning to travel this time last year. That is above the low of 30.8% in 2011 but well below the 36.4% reading in 2009.

– The detail shows some interesting variations in where people intend to go. The 1.5ppt decline in the proportion planning a trip is entirely due to a reduction in those planning to go abroad (–2.3ppts to just 3.2%, the lowest reading since we began surveying in 2008) with a 0.8ppt increase in those planning trips within Australia.

– While the lower AUD may have played a part in this shift back towards travelling domestically, this may also reflect some belt tightening by consumers on discretionary spending.

– State variations are significant. Consumers in NSW were much more inclined to travel this year than in previous surveys with over 40% planning a trip in 2013. Consumers in Qld and SA were at the other end of the spectrum with 25% and 21% respectively travelling this year versus 37% and 39% respectively of those surveyed this time last year. WA showed a different pattern again with 26% planning to travel up from 22% last year but well below the 39% recorded in 2009.

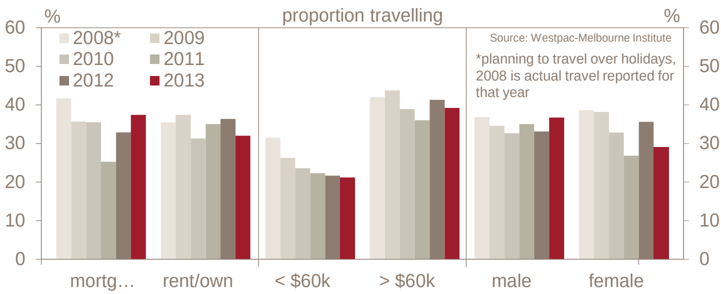
9. Christmas travel intentions



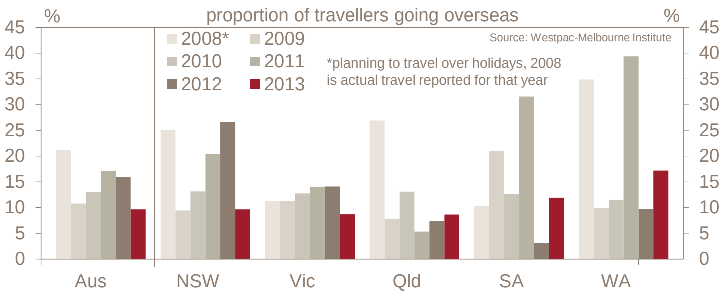
10. Christmas travel plans by state

- The state picture is different again for overseas travel. Whereas nationally just under 1 in 10 of those planning to travel are looking to head offshore, over 1 in every 6 WA consumers planning travel are going abroad. This likely reflects both the higher proportion of the population born overseas (37% vs 30% nationally) and the state's remoteness.
- Consumers in Vic and Qld were the least inclined to travel abroad. The propensity for travellers to go abroad is down sharply vs last year in all states except Qld. The ABS estimates that in the full 2011-12 year, 1 in every 13 overnight trips by an Australian was abroad.
- Other sub-group detail shows households with a mortgage are more travel-inclined than they were a year ago – another sign that pressures are easing across interest rate sensitive households. Those renting or who own their own home outright are less inclined to travel.
- Not surprisingly, those with higher incomes are more likely to be planning travel. Detailed spending data from the ABS shows holiday expenditure is a key discretionary item that gets cut when consumers are 'financially stressed'. Interestingly though, about the same proportion of high and low income travellers plan to go abroad.

11. Christmas travel plans: selected groups



12. Planned and actual travel: %overseas



Sentiment indicators: durables, cars

– The sub-index tracking views on 'time to buy a major item' slipped 2.3% in Dec but at 139.5 remains a solid 11pts above its long run average.

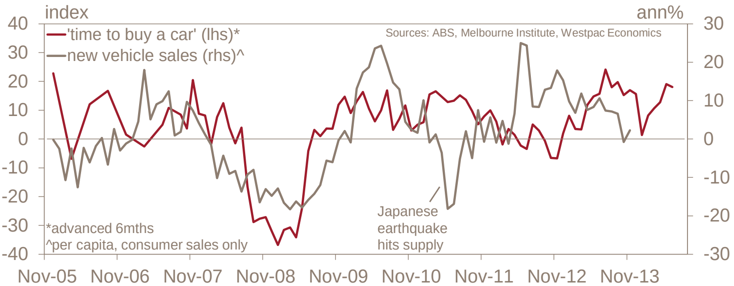
– For most of the last 3yrs we have mused repeatedly over the disconnect between strong readings on 'time to buy a major item' and weak actual spending on major durables. We put the gap down to positive perceptions of affordability – low interest credit, and low prices due in part to the high AUD – but a reluctance to actually spend. The gap may be narrowing a little: per capita spending on furniture, appliances, recreational goods and small renovations rose in the 6mths to Sep, the first such rise since 2011.

– The sub-index tracking views on 'time to buy a car' edged 0.7% lower in Dec but remains at a very strong level by historical standards, 18pts above the long run average.

– The national accounts showed flat consumer spending on vehicles in Q3 with annual growth slowing to 1.7%. Monthly sales figures show consumer purchases of new vehicles down 2.8% in Oct but back up 2.7% in Nov. Recent gains on 'time to buy a car' may not see sales lift until well into 2014. Note that this sub-index is being discontinued. We will endeavour to use the 'time to buy a major item' sub-index as a proxy for vehicle purchase attitudes going forward.

13. 'Time to buy a major item' vs household goods retail

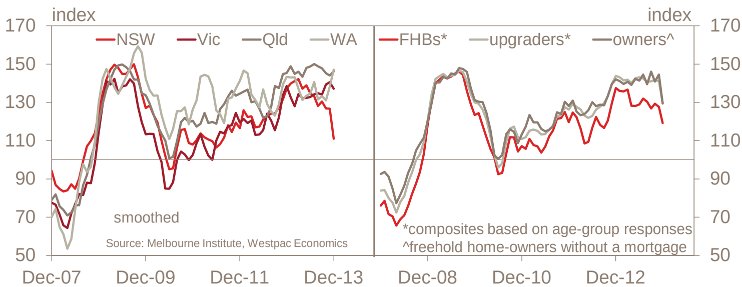
14. 'Time to buy a car' vs new vehicle sales



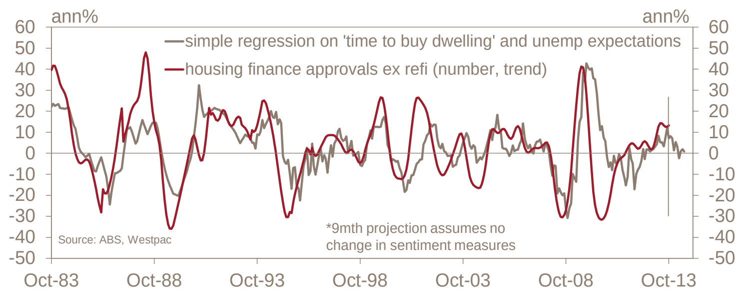
Sentiment indicators: housing

- The Dec survey brought mixed news on housing. The index tracking views on 'time to buy a dwelling' fell 4.2% in the month. Although it remains at a high level overall (6pts above the long run average), the Dec fall marks a 10.5% cumulative decline from the Sep peak and suggests a sustained shift is underway.
- The 'mixed' part of the news is that the decline is heavily concentrated in NSW and consumers' views on the outlook for house prices remain very upbeat (see p14). With interest rates firmly on hold and the Sydney housing market showing particularly strong price gains, the response suggests deteriorating affordability is the issue.
- The state detail showed a 13% plunge in NSW which is down 22.9%yr. Within NSW, consumers in Sydney registered an even sharper 14.5%mth, 32.5%yr fall taking the city-specific 'time to buy a dwelling' index to 'net negative' territory below 100 for the first time since Mar 2012 (when the mortgage rate was at 7.4% vs 5.95% currently). Other states showed more resilience with consumers in WA showing a sharp increase.
- There is little doubt that rising prices are behind the divergence with Sydney dwelling prices set to finish the year up 14.5% vs a 6.2% gain across the rest of Australia. Our model of finance approvals suggests the mix will see growth stall.

15. Time to buy a dwelling' by state



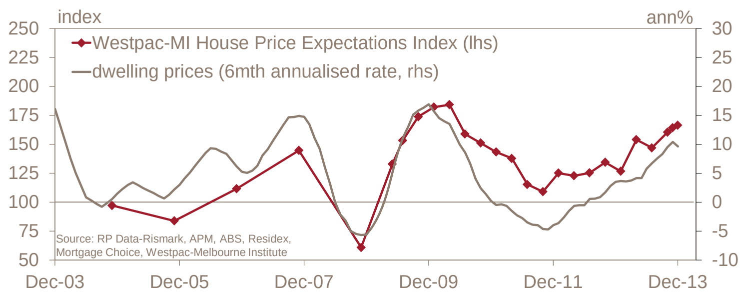
16. Model of housing finance approvals



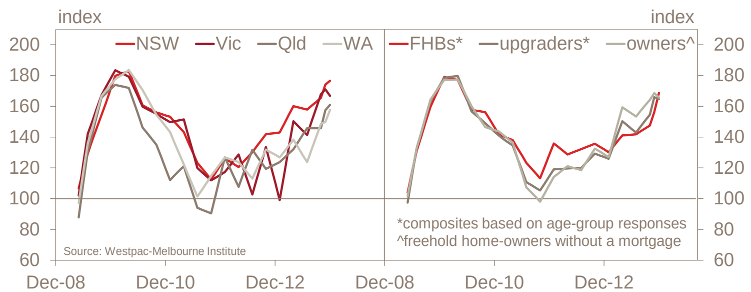
Sentiment indicators: house prices

- The **Westpac-Melbourne Institute Consumer House Price Expectations Index** rose 1.4% to 166.5 in Dec from 164.2 in Nov, marking a new cycle high. Note that the Index is now updated monthly but was updated on a 3mthly basis up until Oct.
- Nationally, 74.1% of consumers expect prices to rise in the next 12mths, up from 73.8% in Nov, 20.1% expect no change (vs 20.4% in Nov) and 5.8% expect a decline (unchanged from Nov). There were also some notable shifts in those expecting double digit price gains (13.9% in Dec vs 12.1% in Nov) and those expecting double-digit price falls (0.9% in Dec vs 0.3% in Nov).
- Price growth has accelerated sharply since mid-year with prices rising at a 12% annualised pace nationally over H2 and closer to 20% in the Sydney market. NSW consumers have had stronger house price expectations over the last year although the gap has narrowed, suggesting there may be doubts creeping in about the extent to which strong gains can be sustained.
- The big movers in terms of house price expectations have been Qld and WA which have both seen 10% and 27% gains since Jul. In the case of WA there has also been a surge in the proportion of consumers expecting a return to double-digit price growth to 21.8%.

17. House prices: actual vs expected



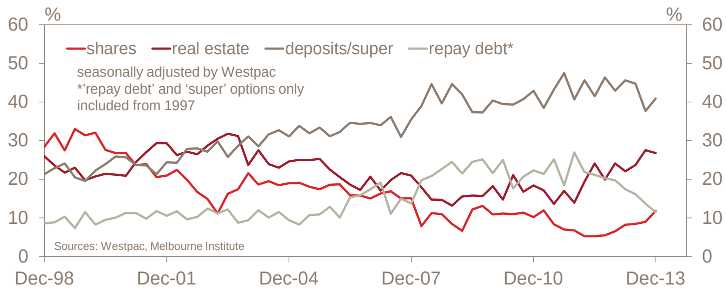
18. House price expectations by state, buyer group



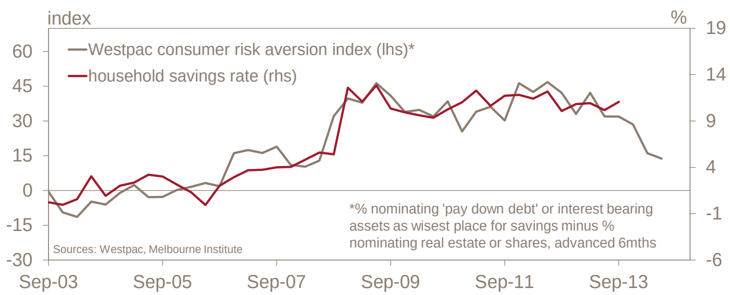
Sentiment indicators: risk aversion

- The Dec survey included an update of questions on the 'wisest place for savings' used to construct the **Westpac Consumer Risk Aversion Index**. The results show a further modest easing in risk aversion but with 'equities' finding more favour vs 'real estate'.
- The proportion of respondents favouring 'pay down debt' declined a further 2.4pts between Sep and Dec to 11.3%, the lowest reading since Jun 2007. The proportion favouring 'real estate' edged down 0.9pts with the swing favouring equities (up 2.8pts to 11.6%, eclipsing 'pay down debt for the first time since Dec 2007) and bank deposits (up 3.3pts to 34.9%).
- The mix was marginally less risk averse, the net effect producing a 2.4pt decline in the **Westpac Consumer Risk Aversion Index** to 13.7, down 18.3pts for the year and the lowest reading since Dec 2007.
- The Index has been a useful guide to household savings behaviour in the past, particularly during the swing towards intense risk aversion in 2007-09. It remains to be seen if the decline in recent quarters leads to a relaxation in savings rates (in the past it has tended to show up with a 2qtr lag). The Q3 national accounts showed no sign of this whatsoever with the savings rate instead rising from 10.2% to 11.1% in Q3.

17. Consumers: 'wisest place for savings'



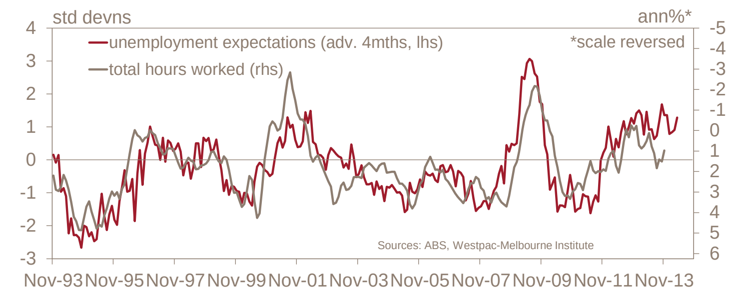
18. Westpac Consumer Risk Aversion Index



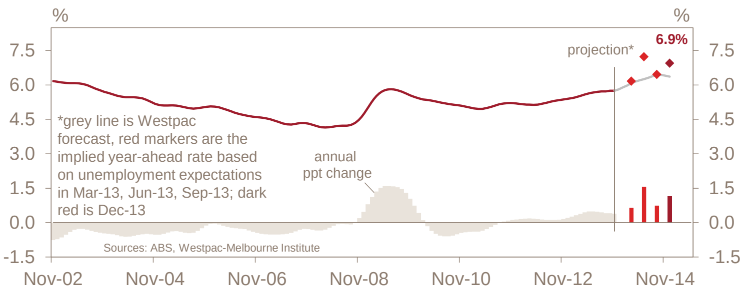
Sentiment indicators: job security

- The **Westpac-Melbourne Institute Unemployment Expectations Index** rose 4.6% in Dec following a 0.9% rise in Nov and a 0.6% rise in Oct (higher readings mean more consumers expect unemployment to increase over the next year). The index has retraced over half of the decline between the Jun and Sep, a decline that had suggested a trend improvement from what looked to be a cyclical peak in Jun.
- The heightened job anxiety that has haunted consumers for most of the 2yrs is back. Recent news on Holden and Qantas would not have helped (note GM's decision to close its Australian operations came a week after the survey closed).
- Labour markets have been mixed in recent months. Total employment rose 25k between Aug and Nov but the unemployment rate nudged up from 5.7% to 5.8% with the employment to population ratio holding at a weak level.
- Hours worked showed a surprising burst in the 3mths to Aug but have stalled since. The Unemployment Expectations Index is consistent with a ½–¾% decline in hours worked in coming months and a 1ppt rise in the unemployment rate by Dec 2014. We expect a slightly milder 0.7ppt rise to 6.5%. Declining labour participation has dampened the effect of weak employment on unemployment rates recently.

19. Unemployment expecations vs hours worked



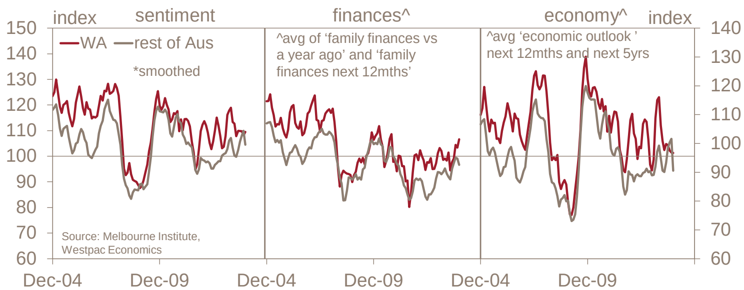
20. Unemployment rate: implied expectation



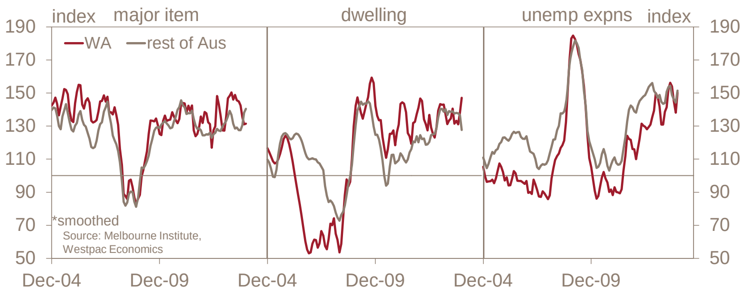
State snapshot: Western Australia

- The last time we profiled Western Australia in our state snapshot, back in Jul, consumer sentiment in the state was coming off early year highs as a round of austerity swept through the mining sector. Consumer assessments of family finances had turned down sharply and unemployment expectations, i.e. job security, had taken a big hit.
- The picture at year end is more stable, both than in Feb-Jul and in comparison to the national readings. Sentiment overall has levelled out close to the national average but notably more settled than in the rest of Australia, with what looks to be a less pronounced election effect.
- WA consumers' views on their family finances have even posted a solid rally over and above that seen nationally, with the combined assessment and forward view at the highest level in several years. That is a little surprising as the WA state economy has clearly softened and the mining slowdown is far from over (for mining investment it has barely begun).
- Views on 'time to buy a dwelling' have also gone strongly against the national trend in WA, the index rising 11% in Nov-Dec compared to the declines across the rest of Australia. Perth's housing market has also shown signs of a revival after an abrupt slowdown in Mar-Nov.

21. Consumer sentiment, finances & economy: WA vs Aus



22. Consumers views on 'time to buy' & jobs: WA vs Aus



Westpac household barometer

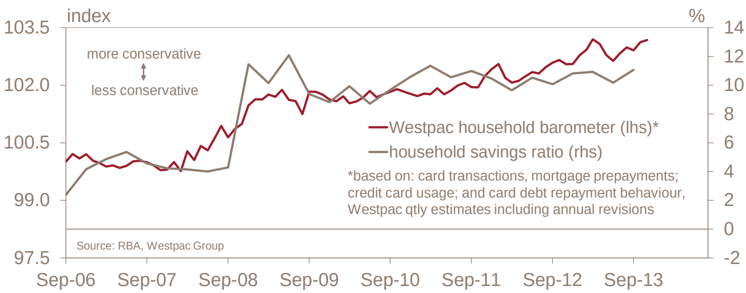
– The **Westpac Household Barometer** draws on a range of data – including system-wide credit and debit card usage from the RBA, and the mortgage repayment behaviour and credit card usage of Westpac customers – to give a broad proxy for consumers' financial behaviour.

– The **Barometer** continued to edge higher in Oct-Nov, nudging up 0.25pts to be back near its Mar peak. The shift implies a more conservative approach to financial behaviour – more prepayment of loans, weak growth in card transactions that are less inclined to be credit funded, and a more disciplined usage of credit in terms of repayments.

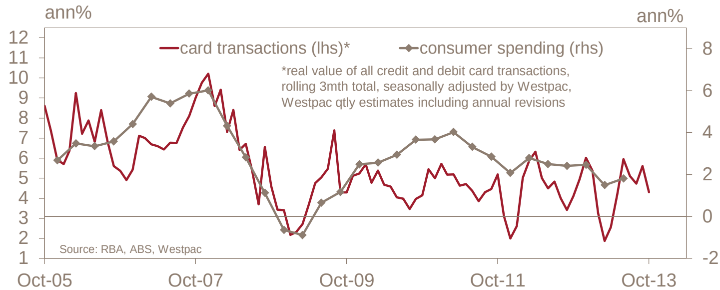
– The conservative shift in the **Barometer** since mid 2013 provides an interesting contra signal to that coming from the **Westpac Consumer Risk Aversion Index**. The observed rise in household savings rates in Q3 suggests the former is telling us about current conditions although whereas the latter may be giving more of a guide to future savings rates.

– The system-wide credit data shows a continued firmer run in transaction flows consistent with a slight pick up in consumer spending. However, the mix of credit vs debit card usage has become more conservative with consumers favouring the later more heavily in since Jun.

23. Westpac household barometer



24. Card transactions: credit vs debit



Economic and financial forecasts

Interest rate forecasts

	Latest (13 Dec)	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15
Cash	2.50	2.25	2.00	2.00	2.00	2.00
90 Day Bill	2.61	2.35	2.10	2.10	2.10	2.10
3 Year Swap	3.14	3.00	2.80	3.00	3.20	3.50
10 Year Bond	4.32	4.00	3.60	3.80	4.00	4.00
10 Year Spread to US (bps)	145	140	120	100	100	110
International						
Fed Funds	0.125	0.125	0.125	0.125	0.125	0.125
US 10 Year Bond	2.87	2.60	2.40	2.80	3.00	2.90
US Fed balance sheet USDtrn	4.04	4.23	4.49	4.74	5.00	5.00
ECB Repo Rate	0.25	0.25	0.25	0.25	0.25	0.50

Exchange rate forecasts

	Latest (13 Dec)	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15
AUD/USD	0.8936	0.92	0.90	0.90	0.88	0.87
NZD/USD	0.8233	0.85	0.84	0.83	0.82	0.80
USD/JPY	103.55	96	95	94	93	94
EUR/USD	1.3748	1.34	1.30	1.30	1.27	1.26
AUD/NZD	1.0854	1.08	1.07	1.08	1.07	1.09

Sources: Bloomberg, Westpac Economics.

Economic and financial forecasts

Australian economic growth forecasts

	2013			2014			
	Q2	Q3	Q4f	Q1f	Q2f	Q3F	Q4f
GDP % qtr	0.7	0.6	0.7	0.6	0.6	0.7	0.7
Annual change	2.4	2.3	2.5	2.6	2.4	2.6	2.6
Unemployment rate %	5.6	5.7	5.8	6.1	6.3	6.4	6.4
CPI % qtr	0.4	1.2	0.4	0.7	0.6	0.8	0.4
Annual change	2.4	2.2	2.3	2.6	2.8	2.5	2.5
CPI underlying % qtr	0.6	0.6	0.7	0.6	0.7	0.5	0.6
ann change	2.4	2.3	2.4	2.5	2.6	2.5	2.4

	Calendar years			
	2012	2013e	2014f	2015f
GDP % ann change	3.6	2.4	2.6	3.0
Unemployment rate %	5.3	5.8	6.4	6.1
CPI % ann change	2.2	2.3	2.5	2.4
CPI underlying % ann change	2.4	2.4	2.4	2.2

Calendar year changes are (1) period average for GDP, employment and unemployment, terms of trade (2) through the year for inflation and wages.
* GDP & component forecasts are reviewed following the release of quarterly national accounts.
** Business investment and government spending adjusted to exclude the effect of private sector purchases of public sector assets.

Consumer data and forecasts

Consumer demand

	2013				2014			
% change	**Q1**	**Q2**	**Q3**	**Q4f**	**Q1f**	**Q2f**	**Q3f**	**Q4f**
Total private consumption*	0.4	0.7	0.4	0.7	0.7	0.7	0.8	0.8
annual chg	1.5	1.8	1.8	2.2	2.5	2.5	2.9	3.0
Real labour income, ann chg	-0.3	-0.2	0.7	0.0	0.7	0.7	1.3	1.9
Real disposable income, ann chg**	0.9	-0.4	2.7	1.9	2.2	3.2	2.7	3.1
Household savings ratio	10.9	10.2	11.1	10.7	10.8	11.1	11.1	11.0
Real retail sales, ann chg	2.5	1.2	2.2	2.7	2.1	3.1	3.4	4.1
Motor vehicle sales ('000s)***	894.5	901.6	806.3	837.6	841.8	850.2	867.2	884.5
annual chg	4.2	3.3	-8.6	-8.3	-5.9	-5.7	7.6	5.6

	Calendar years			
	2011	**2012**	**2013f**	**2014f**
Total private consumption, ann chg*	3.1	2.5	1.8	2.8
Real labour income, ann chg	5.3	3.2	0.0	1.1
Real disposable income, ann chg**	4.5	1.8	1.3	2.8
Household savings ratio, %	11.6	11.1	10.7	11.0
Real retail sales, ann chg	0.8	3.1	2.2	3.2
Motor vehicle sales ('000s)	805.8	881.7	860.0	895.0
annual chg	-2.7	9.4	-2.5	4.1

Notes to pages 20 and 21:
* National accounts definition.
** Labour and non-labour income after tax and interest payments.
*** Passenger vehicles and SUVs, annualised
^ Average over entire history of survey.
^^Seasonally adjusted.
Net % expected rise next 12 months minus % expecting fall (wage expectations is net of % expecting wages to rise and % expecting flat/decline).
Note that questions on mortgage rate, house price and wage expectations have only been surveyed since May 2009.

Consumer data and forecasts

Consumer sentiment

	2013					
% change	avg^	Mar	Apr	May	Jun	Jul
Westpac–MI Consumer Sentiment Index	**101.8**	**110.5**	**104.9**	**97.6**	**102.2**	**102.1**
family finances vs a year ago	89.9	86.8	83.4	76.7	83.2	78.6
family finances next 12 months	108.5	108.2	108.0	100.5	105.9	103.0
economic conditions next 12 months	90.5	109.8	104.9	90.8	94.3	95.1
economic conditions next 5 years	91.0	107.1	98.2	91.4	94.3	103.0
time to buy major household item	128.1	140.8	130.2	128.5	133.3	131.1
time to buy a motor vehicle	122.7	142.5	138.0	139.7	138.4	124.2
time to buy a dwelling	123.4	144.5	128.4	142.7	143.3	131.3
Westpac–MI Consumer Risk Aversion Index^^	**11.7**	**31.8**	**–**	**–**	**28.5**	**–**
CSI±	**103.5**	**101.0**	**97.7**	**94.0**	**98.5**	**97.1**
consumer mortgage rate expectations#	142.0	–	152.0	–	–	145.6
Westpac–MI House Price Expectations Index#	42.5	–	–	–	8.7	–
consumer wage expectations#	-25.9	-27.3	–	–	–	–
Westpac–MI Unemployment Expectations	**128.6**	**139.7**	**141.5**	**149.1**	**158.5**	**152.8**

	2013				
continued	Aug	Sep	Oct	Nov	Dec
Westpac–MI Consumer Sentiment Index	**105.7**	**110.6**	**108.3**	**110.3**	**105.0**
family finances vs a year ago	88.8	87.1	87.7	99.4	91.6
family finances next 12 months	113.0	114.8	108.5	99.9	103.8
economic conditions next 12 months	100.3	109.0	106.8	107.3	96.7
economic conditions next 5 years	102.5	109.8	101.8	102.4	93.5
time to buy major household item	123.9	132.5	136.8	142.8	139.5
time to buy a motor vehicle	130.9	133.4	135.5	141.8	140.8
time to buy a dwelling	136.2	145.0	130.0	135.5	129.8
Westpac–MI Consumer Risk Aversion Index^^	**–**	**16.1**	**–**	**–**	**13.7**
CSI±	**101.4**	**104.6**	**104.4**	**106.9**	**105.3**
consumer mortgage rate expectations#	–	–	159.2	164.2	166.5
Westpac–MI House Price Expectations Index#	17.4	–	–	–	–
consumer wage expectations#	–	–	–	–	–
Westpac–MI Unemployment Expectations	**152.7**	**142.6**	**143.5**	**144.7**	**151.4**

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