

## Australia economic update

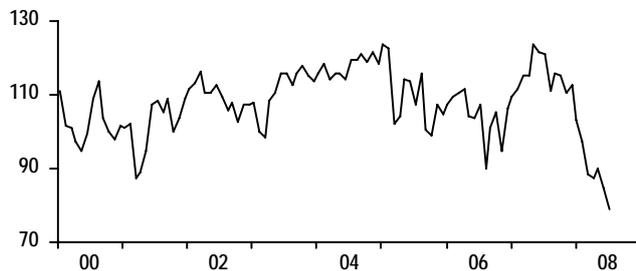
### July consumer sentiment

Consumer confidence slumped 6.7% m/m in July (JPMorgan -2.0%), after falling 5.6% in June. The Westpac-Melbourne Institute's consumer sentiment index fell from 84.7 to 79.0, its lowest level since 1992 and 35% lower than its May 2007 peak. The index reading remains well below the 100 level where the number of optimists equals pessimists.

Sentiment fell in four of the five categories of the index, excluding sentiment toward economic conditions over the next five years (+0.4%). The declines were recorded in sentiment toward family finances a year ago (-6.2%), finances over the year ahead (-12.2%), economic conditions over the next 12 months (-15.5%), and whether now is a good time to buy a major household item (-1.2%).

Australia: Westpac-Melbourne Consumer Sentiment Index

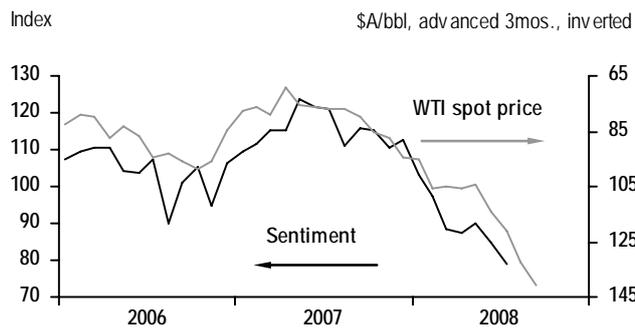
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Despite that the personal income tax cuts were delivered from July 1 and the RBA decided to leave rates steady earlier in the month, most of those surveyed were pessimistic. Ongoing global growth concerns, renewed financial market volatility, softer employment growth, and rising petrol prices dampened sentiment.

In particular, rising petrol prices, up over 3% over the last month, had a significant impact on consumer confidence. Remember that until June, only in September 2005 had there been a larger percentage fall in confidence that wasn't linked to higher mortgage rates. The September 2005 fall in confidence was in response to a 12% spike in petrol prices following Hurricane Katrina. The Westpac-Melbourne Institute pointed out in today's publication that there has been a near 10% fall in consumer confidence over the last three months, a period during which official interest rates have been stable but petrol prices have spiked 15%.

**Australia: consumer sentiment and crude oil price**



**The details:**

- Consumer sentiment fell 6.7% m/m in July, after falling 5.6% in June.
- The consumer sentiment index fell to 79.0 from 84.7, remaining below the 100 level, meaning that pessimists still outweigh optimists.

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