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## RBA Rate Cuts Lift Australian Consumer Sentiment

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— Categories: Economics

Australia's consumer confidence reached its highest level in three and a half years in August, supported by interest rate cuts and an improved economic outlook, according to the latest Westpac-Melbourne Institute survey.

The Consumer Sentiment Index rose to 98.5 in August, up from 93.1 in July. The increase followed a third interest rate reduction by the Reserve Bank of Australia (RBA) this year, bringing the cash rate down by a total of 75 basis points since January.

Westpac said sentiment improved across all major components of the index. Household views on personal finances strengthened, with the “family finances, next 12 months” sub-index climbing 5.4 percent to 106.8. The measure of whether it is a good time to buy major household items rose 4.2 percent to 101.7, supported by steady wage growth and moderating inflation.

Confidence in the national economy also improved. The “economic outlook, next 12 months” index jumped 7.6 percent to 101.2, while the

five-year outlook gained 5.4 percent to 98.4. Analysts noted that reduced trade uncertainty, after the United States decided against new tariffs on Australian goods, also helped underpin optimism.

Housing market sentiment recorded strong gains. The “time to buy a dwelling” index surged 10.5 percent to a four-year high of 97.8.

Expectations for house prices also remained firm, with the Westpac Index of House Price Expectations rising 0.9 percent to 164.2.

Consumers appeared less concerned about job security. The Unemployment Expectations Index fell 2.4 percent to 125.6 in August, while the Mortgage Rate Expectations Index edged up to 83.6.

Matthew Hassan, Westpac’s head of Australian macro forecasting, said the RBA is likely to hold rates steady at its September meeting before considering another 25 basis point cut in November. He noted that easing borrowing costs have been a key driver of confidence throughout 2023.

Although the headline index remains just below the neutral level of 100, August marked the strongest consumer confidence reading since 2020. Economists say the improvement suggests households are responding positively to monetary policy support and a more stable economic environment.