

Confidence bounce a 30-year high

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Consumer confidence has enjoyed its biggest bounce in more than 30 years on the back of the Reserve Bank keeping interest rates on hold and the Gillard Government resolving its impasse with the nation's largest miners.

The Westpac-Melbourne Institute measure of consumer sentiment lifted by 11.1 per cent in July from June.

Westpac chief economist Bill Evans said while an improvement was expected, after a large fall in June, the size of the bounce was extraordinary.

"We were surprised at the vigour of the bounce back," he said.

"We saw a comparable surge in confidence in 2009 when households realised that Australia had avoided recession but at that time the Index was recovering from a much lower level.

"This is the strongest monthly increase in the index from a base above the 100 level since records began in the mid-1970s."

Mr Evans said the return of confidence added to the case for a further interest rate rise.

The Reserve Bank board next meets on August 3, after official inflation readings are released on July 28.

"We expect it to be sufficiently high to trigger a rate hike at the August meeting," Mr Evans said.

The June reading had been affected by doubts over whether the Reserve would keep rates on hold while the then Rudd Government was in the middle of the argument over the resource super profits tax.

Confidence was up amongst all groups and components of the index, with the feeling of family finances compared to a year ago rising by 17.2 per cent.

Expectations for family finances in a year's time rose 7.3 per cent, while there was a similar increase on the question of whether it is a good time to buy a major household item.

The single largest change measured was among coalition voters with their confidence levels up almost 20 per cent. While Labor voter confidence was up only 3.9 per cent, they remain substantially more upbeat than their coalition counterparts.

Sentiment among metropolitan people rose more by than 12 per cent and stands 7.8 per cent higher than a year ago, while non-metropolitan confidence was up by 9.6 per cent although it stands 4.1 per cent lower than a year ago.