Consumer expectations

Unemployment expectation chart pack.

October 2013

Westpac

Westpac-Melbourne Institute

Consumer unemployment expectations

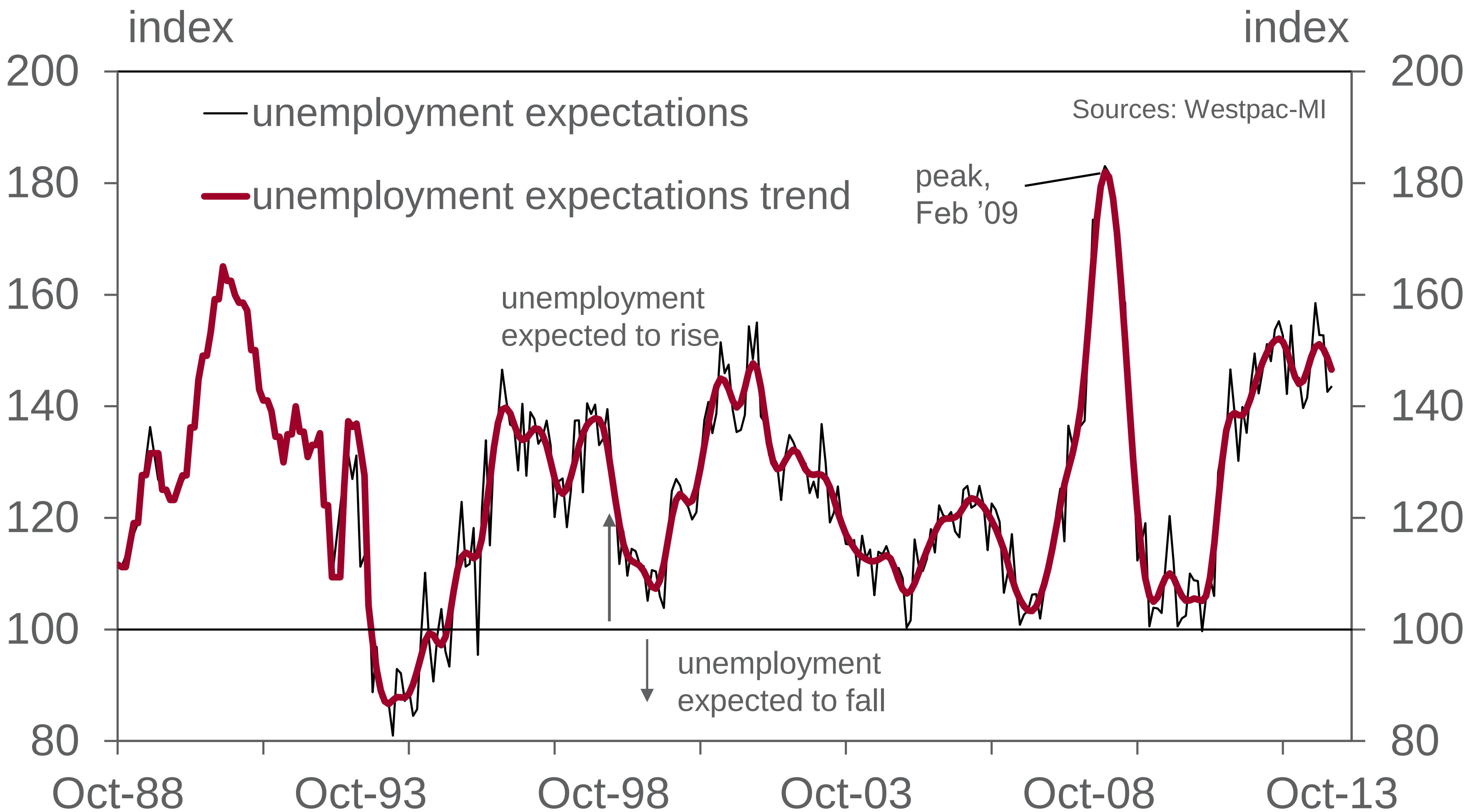
- The unemployment expectations index rose just 0.6% in Oct, which you would consider to be broadly flat following the 6.6% fall in Sep. Sep was the largest monthly improvement (a fall in the index suggests consumers are not expecting unemployment to rise as much as they were) since the 6.9% fall in Nov 2012.
- Through the year to Sep, the index is down 6.0%. There has been a clear turnaround or peaking of the index; the pace was –8.2%yr in Sep, –0.7%yr in Aug compared to a 3.2%yr pace in Jul.
- The trend in the index has shifted with the MI reporting a 2.2% fall in Oct following on from a 1.1% fall in Sep and a 1.4% fall in Aug.
- Nevertheless, the trend is still some 13% higher that it long-run average. So despite the improvement, the index is still pointing near term weak weakness in full-time employment and total hours worked.

Westpac-Melbourne Institute

Consumer unemployment expectations (cont)

- **It is interesting to compare to the results post the 1996 election. Back in March 96, unemployment expectations fell 23pts only to bounce 26pts in April. Following the Sep 13 election, expectations fell a more modest 10pts but bounced just 1pt in Oct.**
- **In summary, expectations rose 3pts over the two months following the 1996 election but have fallen 9pts in the two months following the 2013 election.**
- **The improvement following the 2013 election has come via managers & professionals (–14pts) and paraprofessionals & trades (–18pts). Sales & clerical (+3pts) and labourers & operators (1pt) have been broadly flat. Sales & clerical is the only group currently exhibiting a trend rise in expectations.**
- **Just as surprising has been the improvement in expectations in the mining states. WA is still the most pessimistic but it has improved while Qld is now only slightly more pessimistic than NSW.**

Labour market concerns have leveled out…



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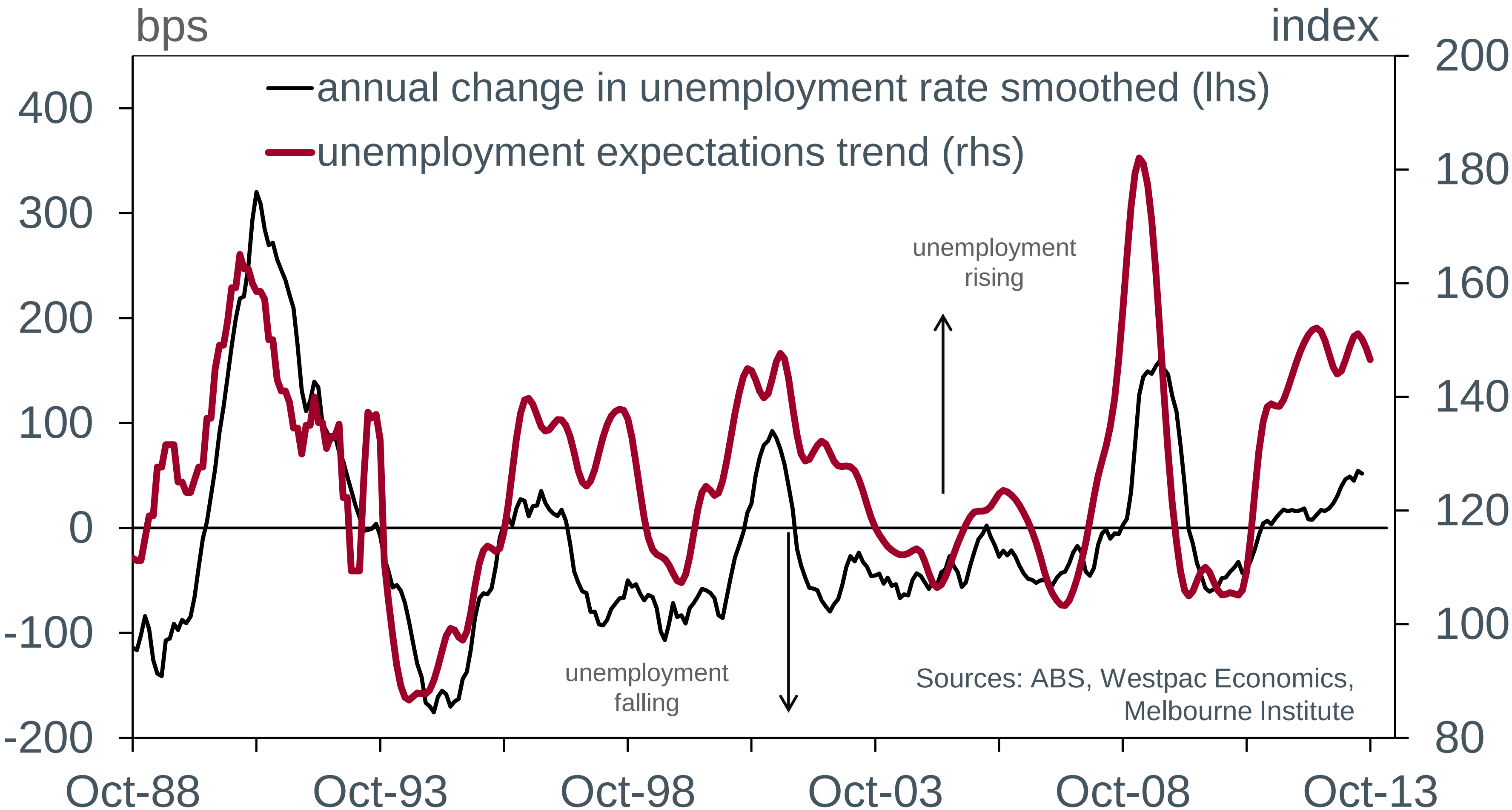
…but still pointing to rising unemployment…



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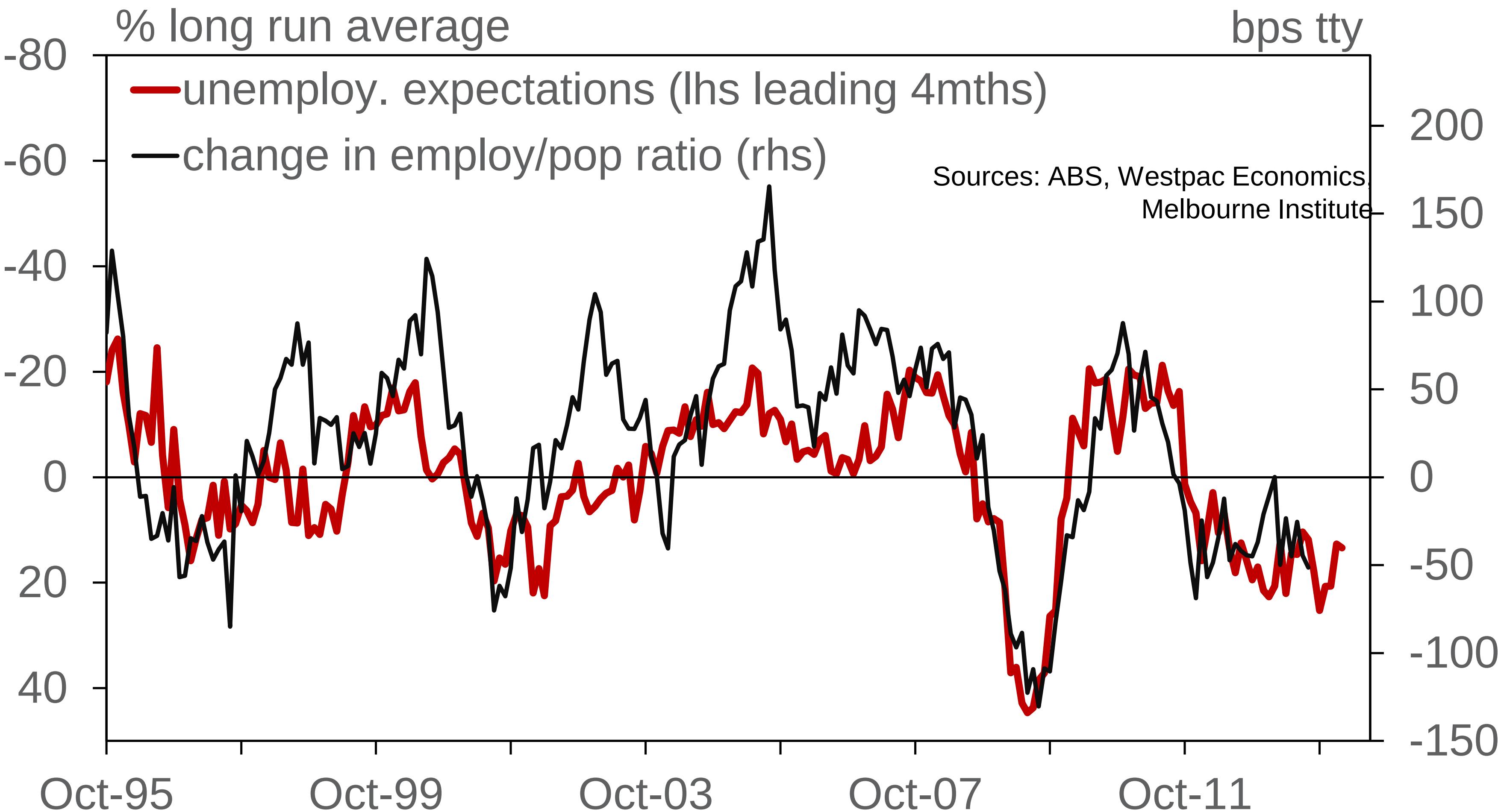
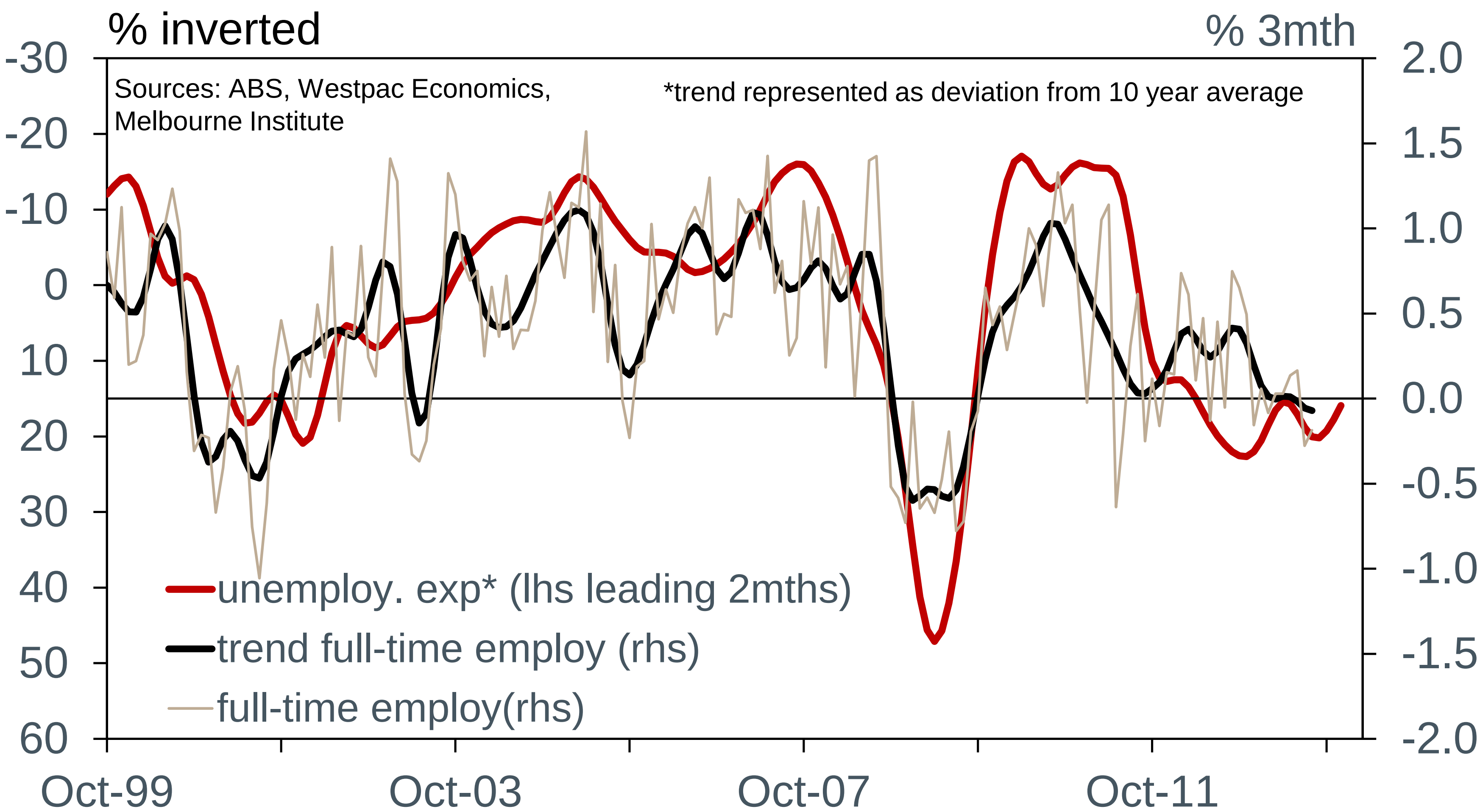
...as employment lags population growth...



...& full-time employment remains soft...



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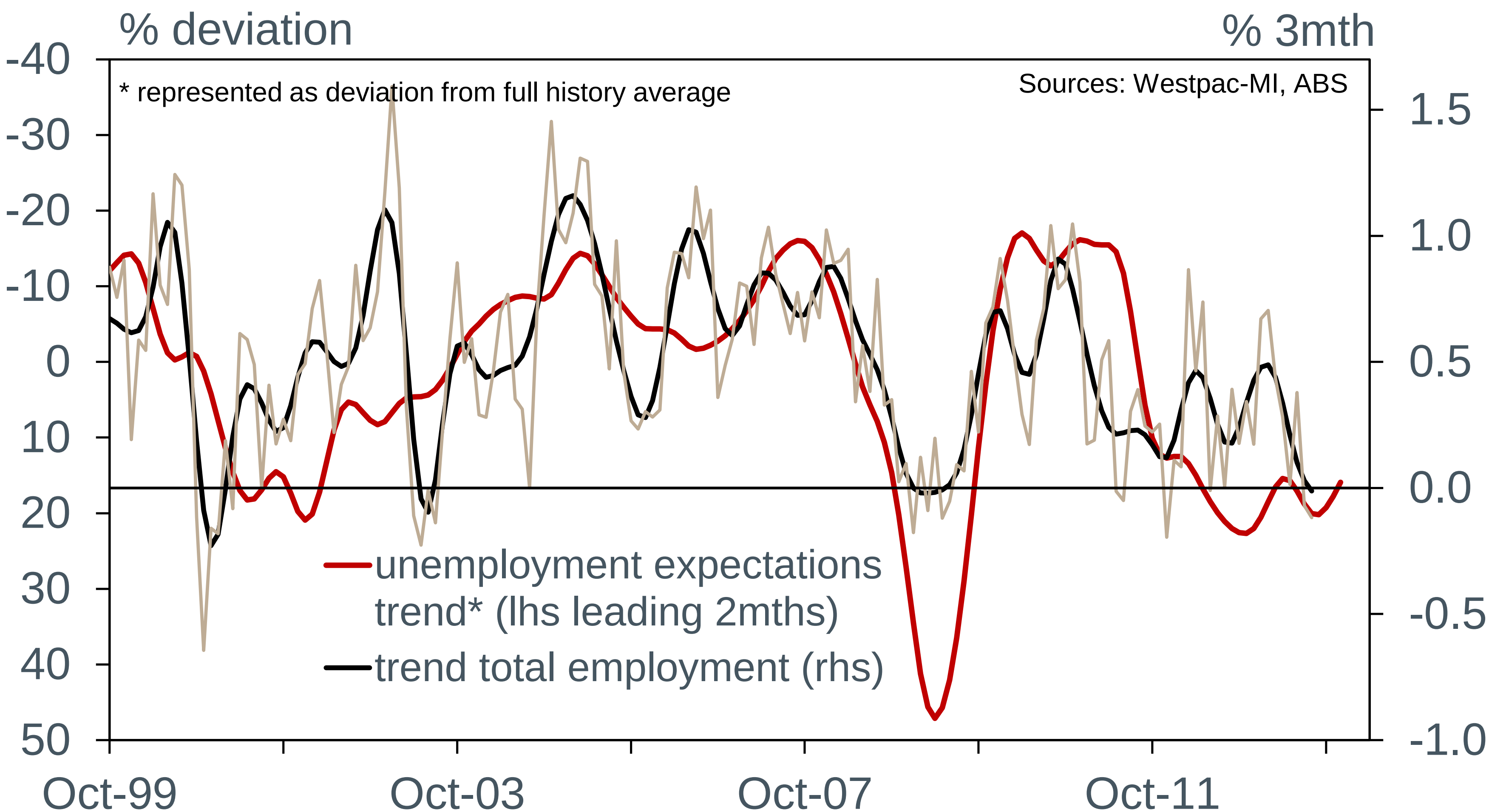
...holding back the overall labour market.



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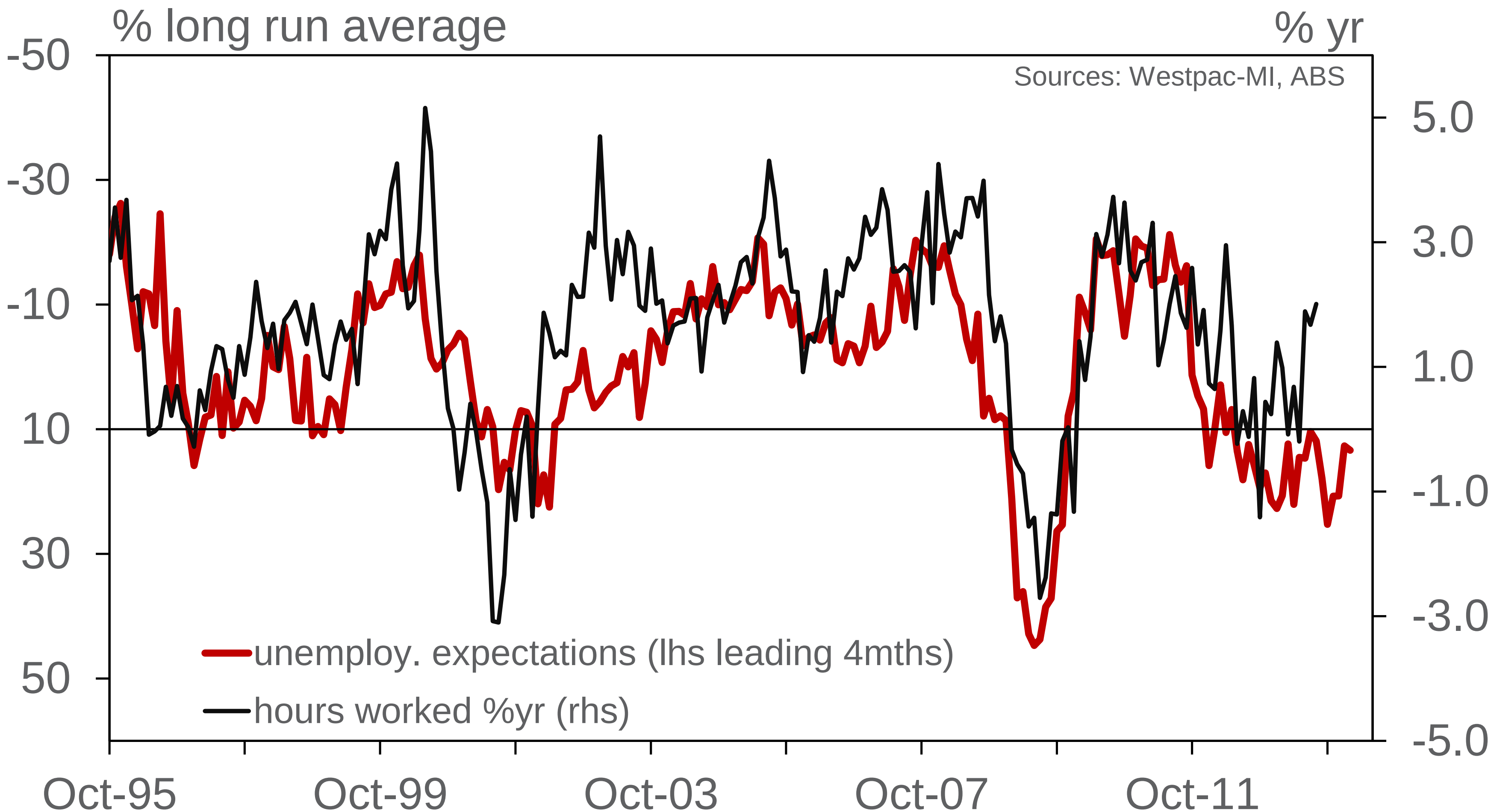
Hours worked have surged...



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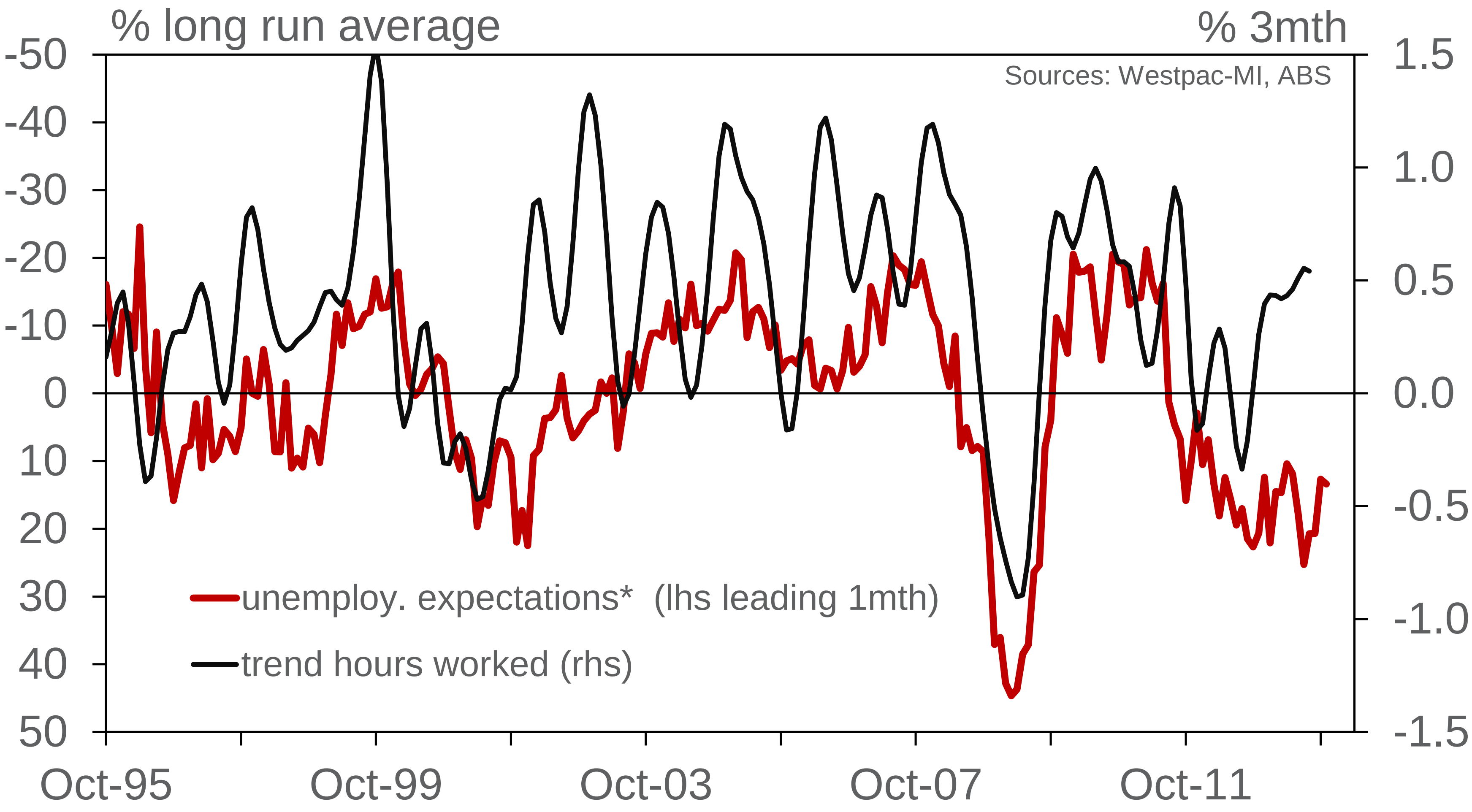
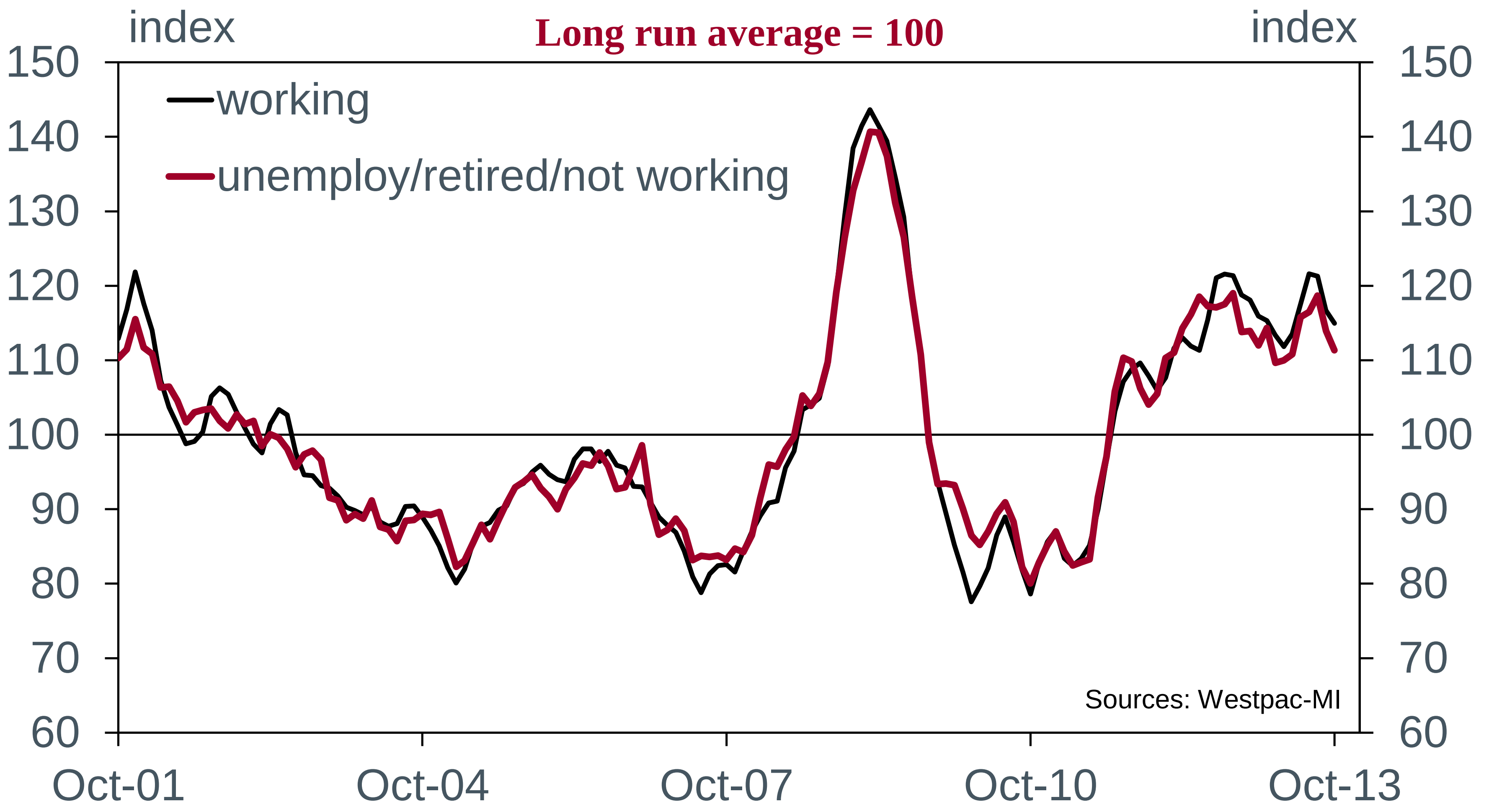
...which looks odd compared to expectations.



Those working a smidge more more worried



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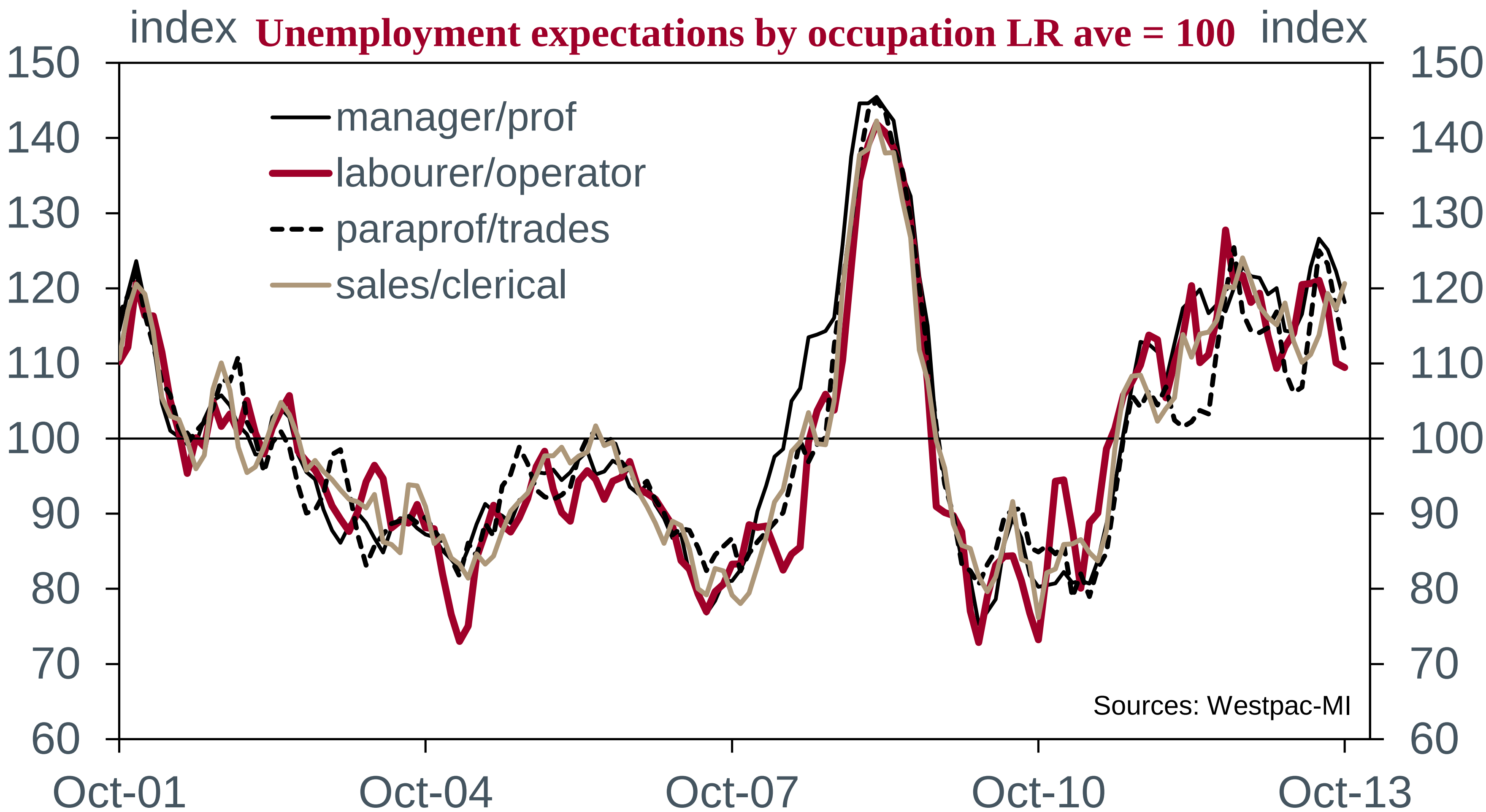
Sales & clerical in a trend lift in expectations



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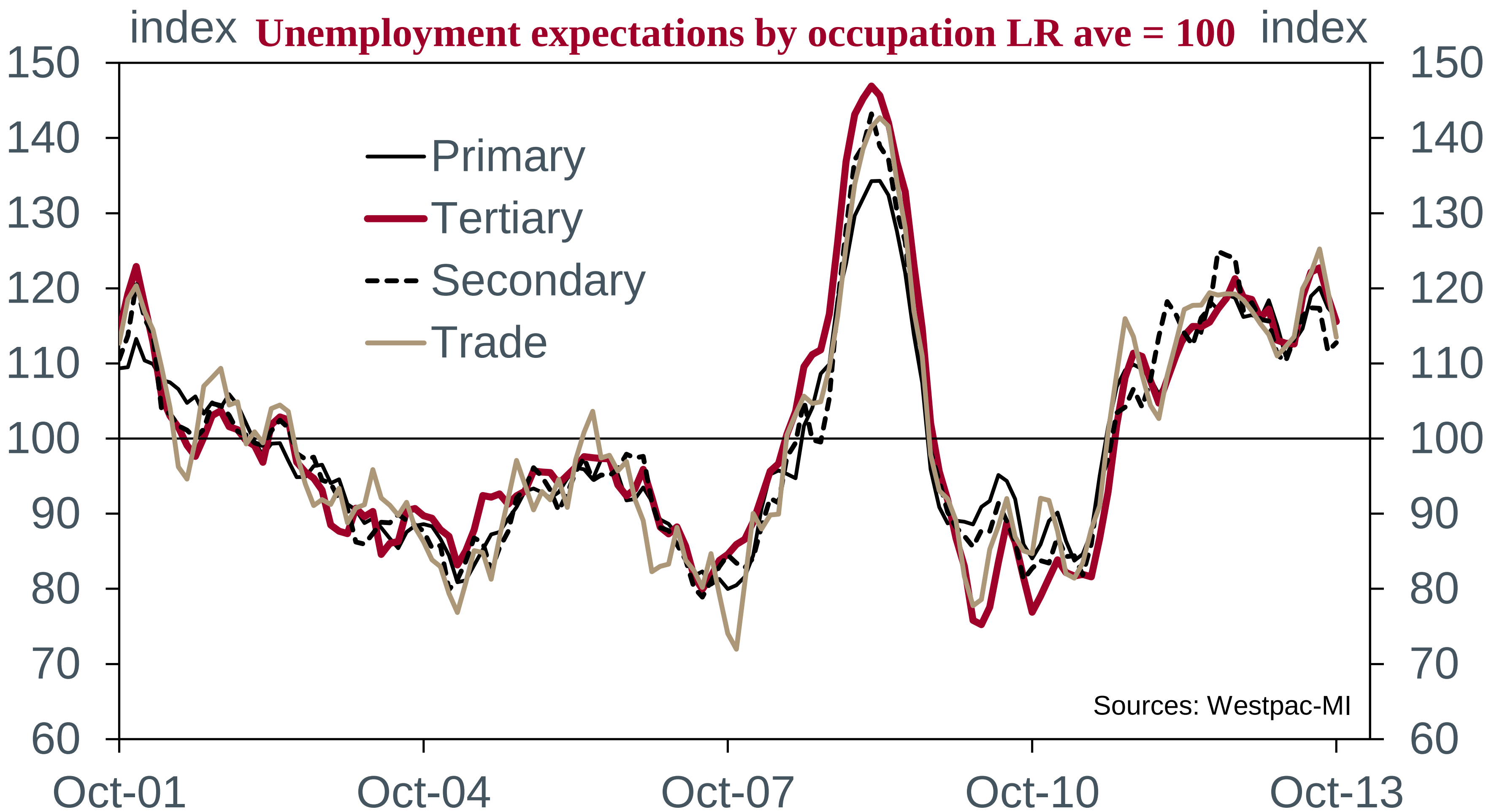
Point change in index following elections:

The improvement was more sustained this time

	Manager & professional	Paraprof & trades	Sales & clerical	Labourer & operator
Following the election				
Mar-96	-23	-1	-15	-20
Sep-13	-10	-13	-1	2
Then one month later				
Apr-96	21	13	22	31
Oct-13	-4	-6	3	-1
Sum of change over two months				
1996	-2	12	7	10
2013	-14	-18	3	1

Convergence by sector…



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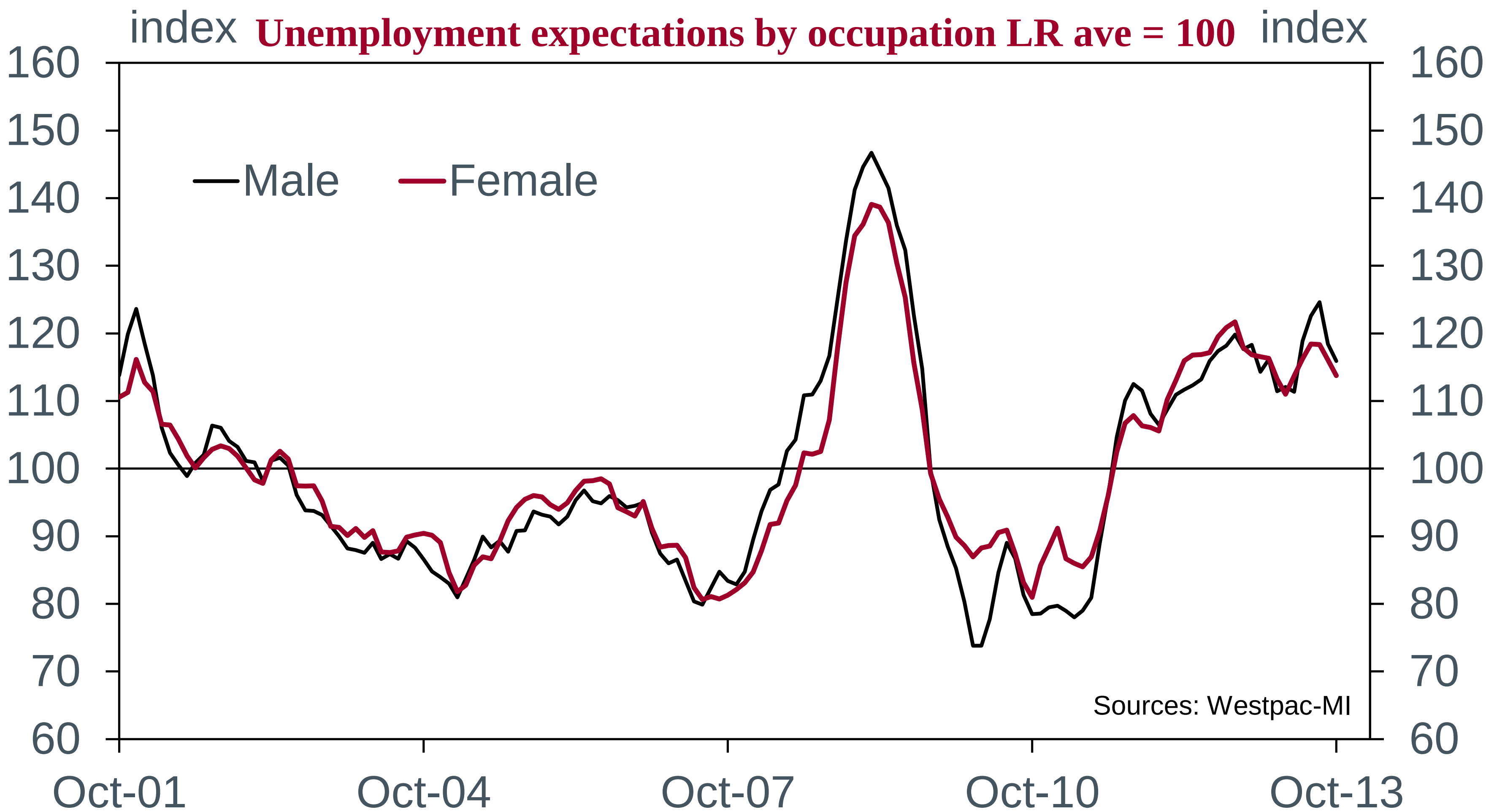
…and by gender.



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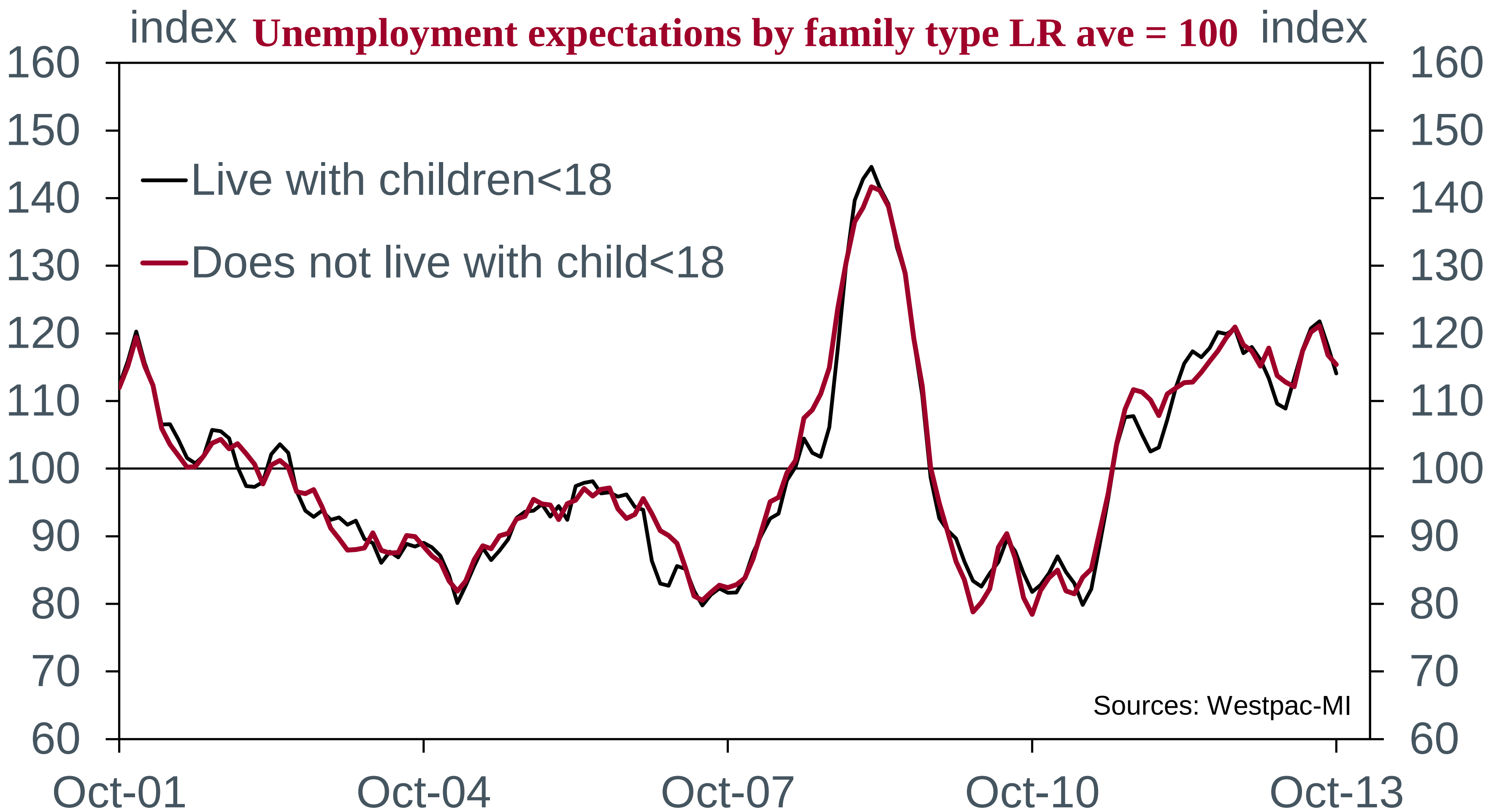
Living with/without children no variance…



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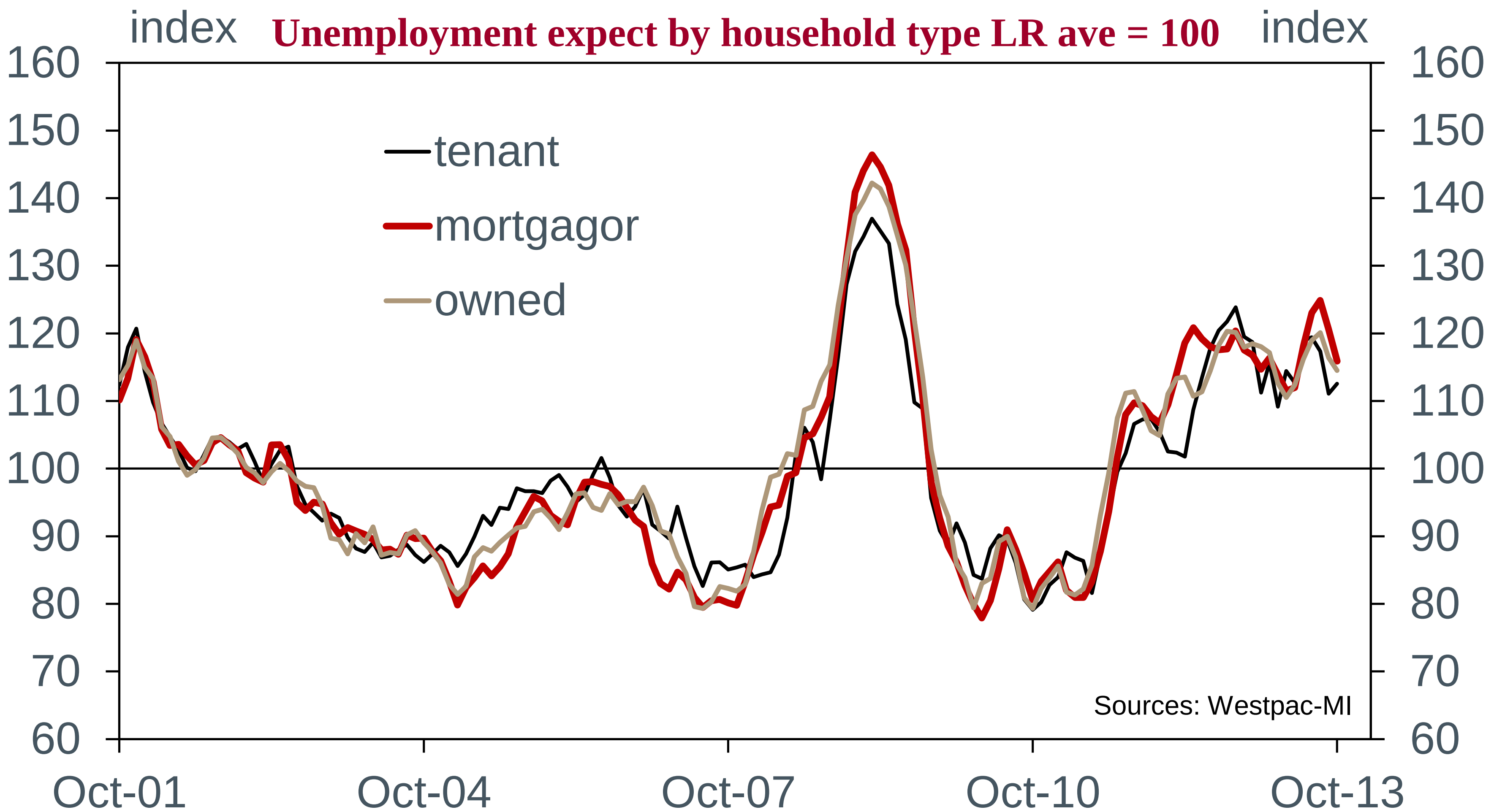
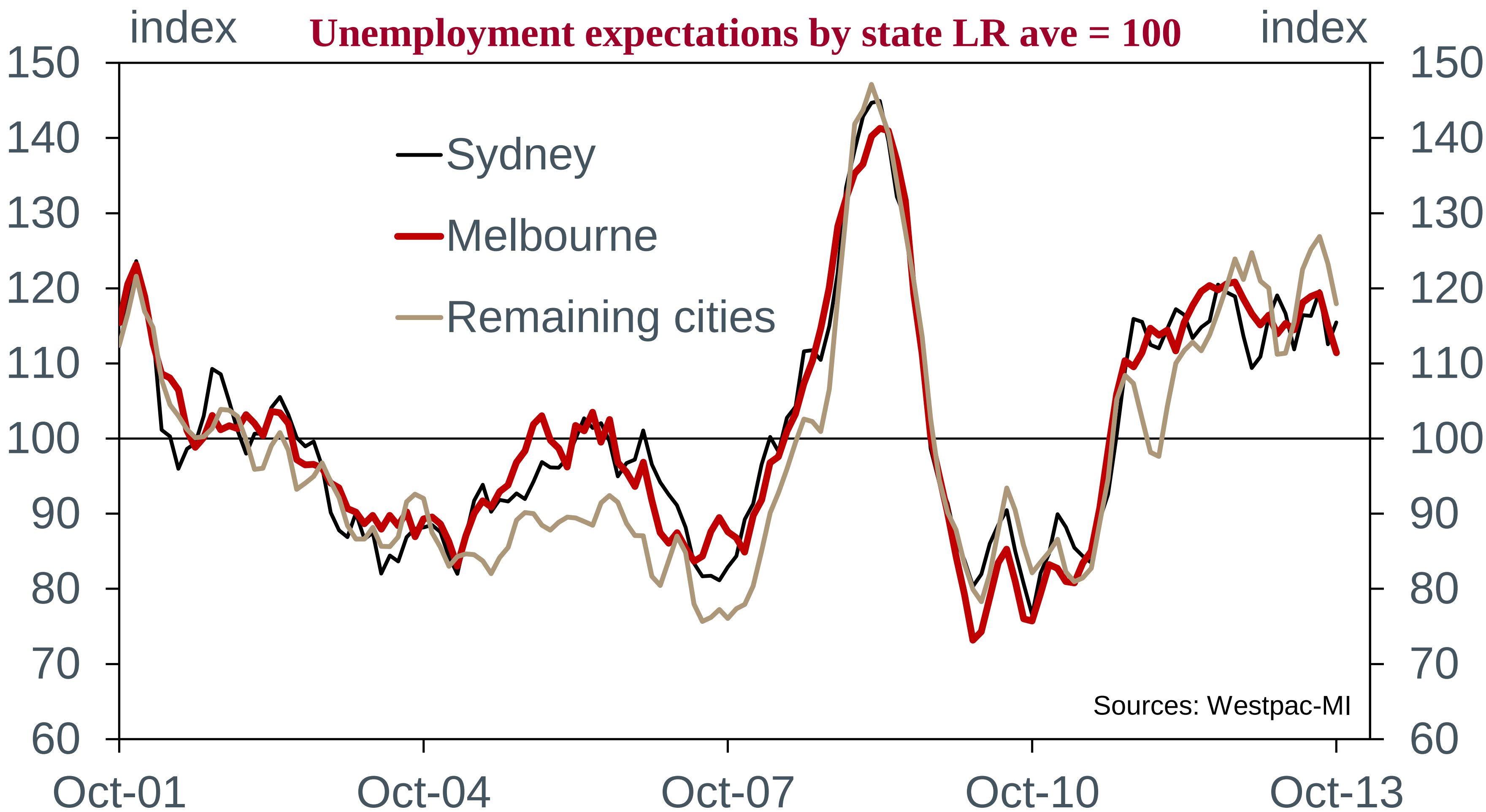
…mortgagors only slightly more pessimistic.



Melbourne more optimistic...



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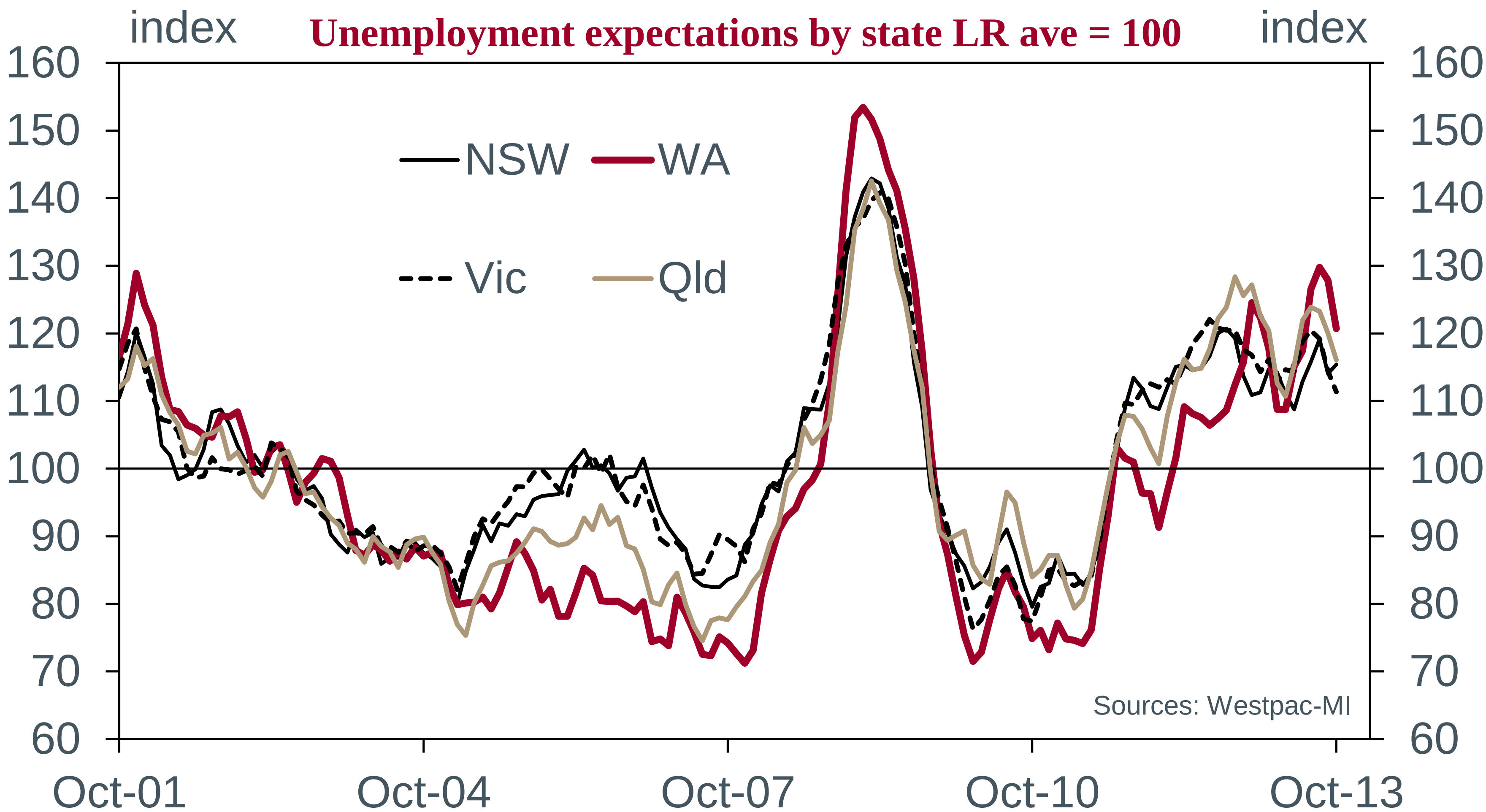
…WA improving but still most pessimistic…



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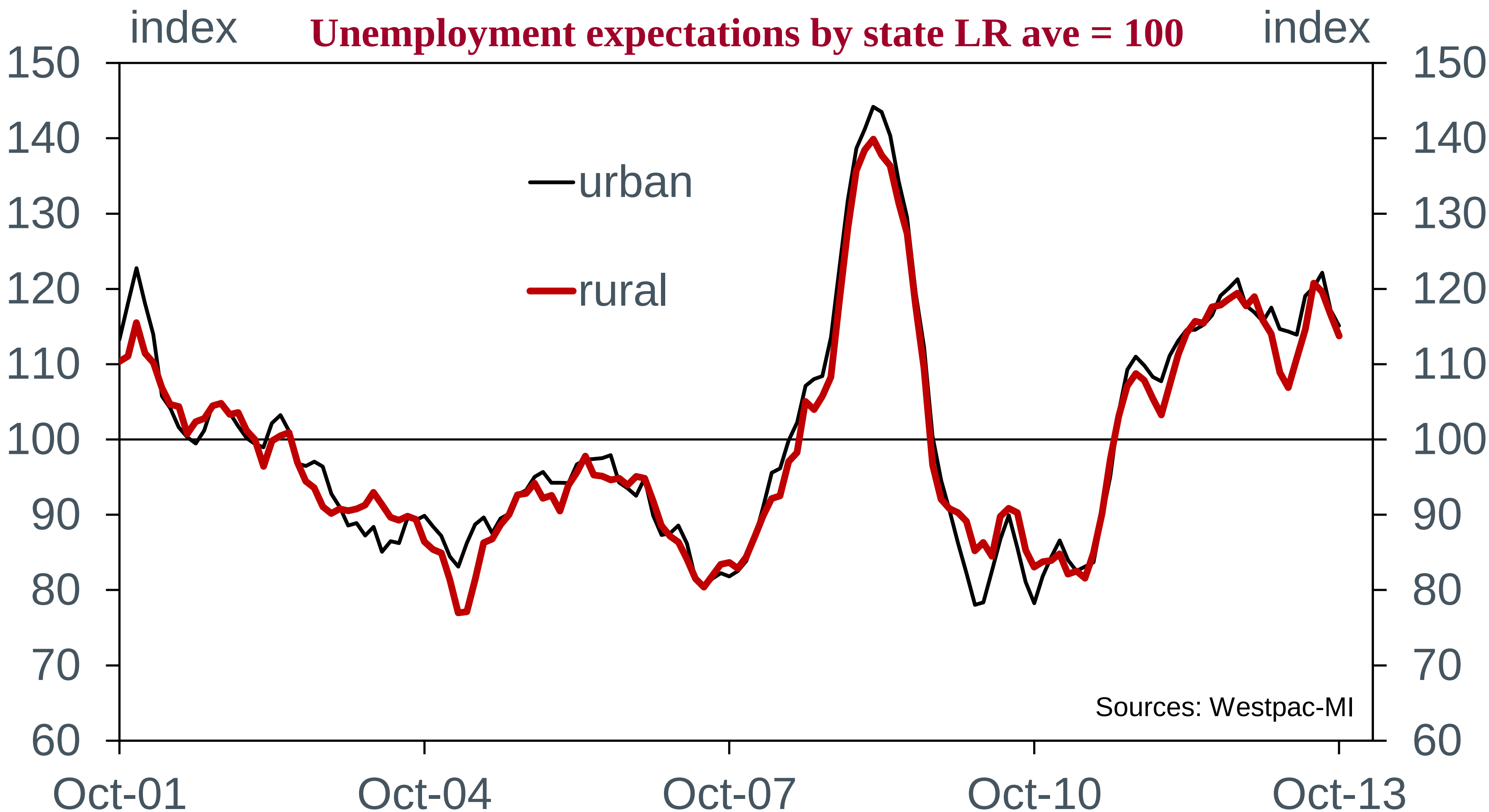
…& rural areas differ little from urban.



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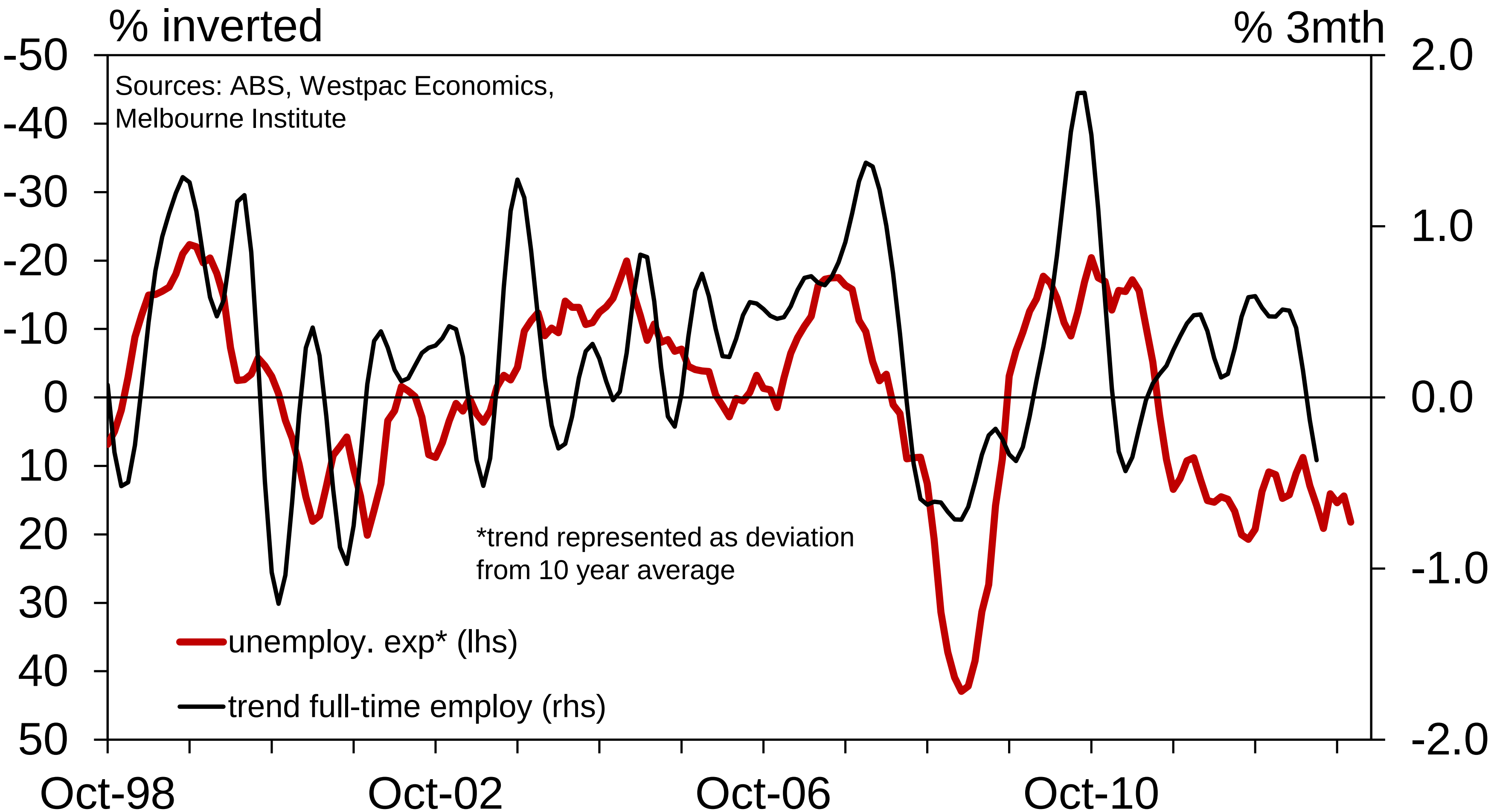
NSW full-time has fallen to expectations



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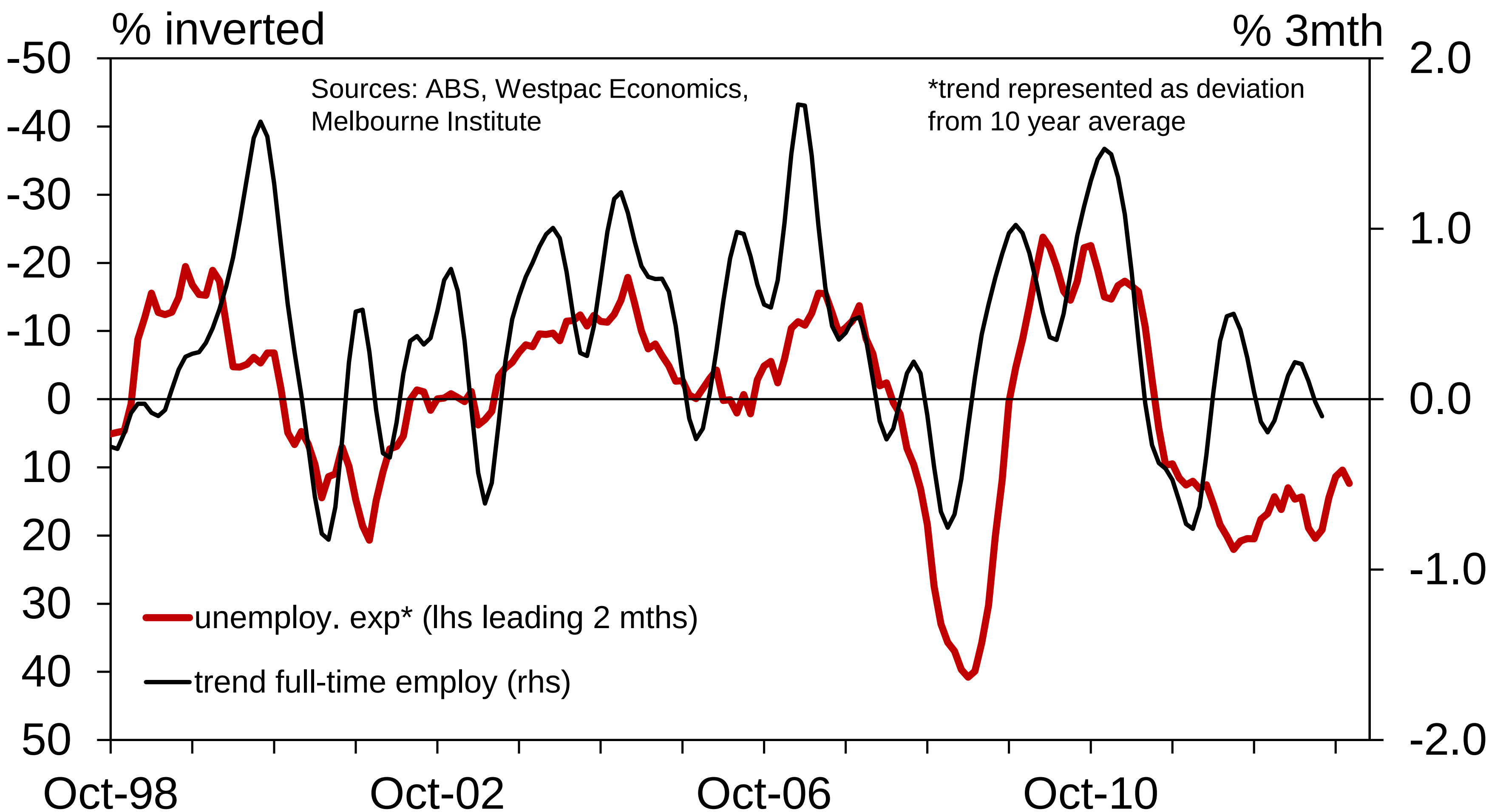
Vic expectations still weaker than employ



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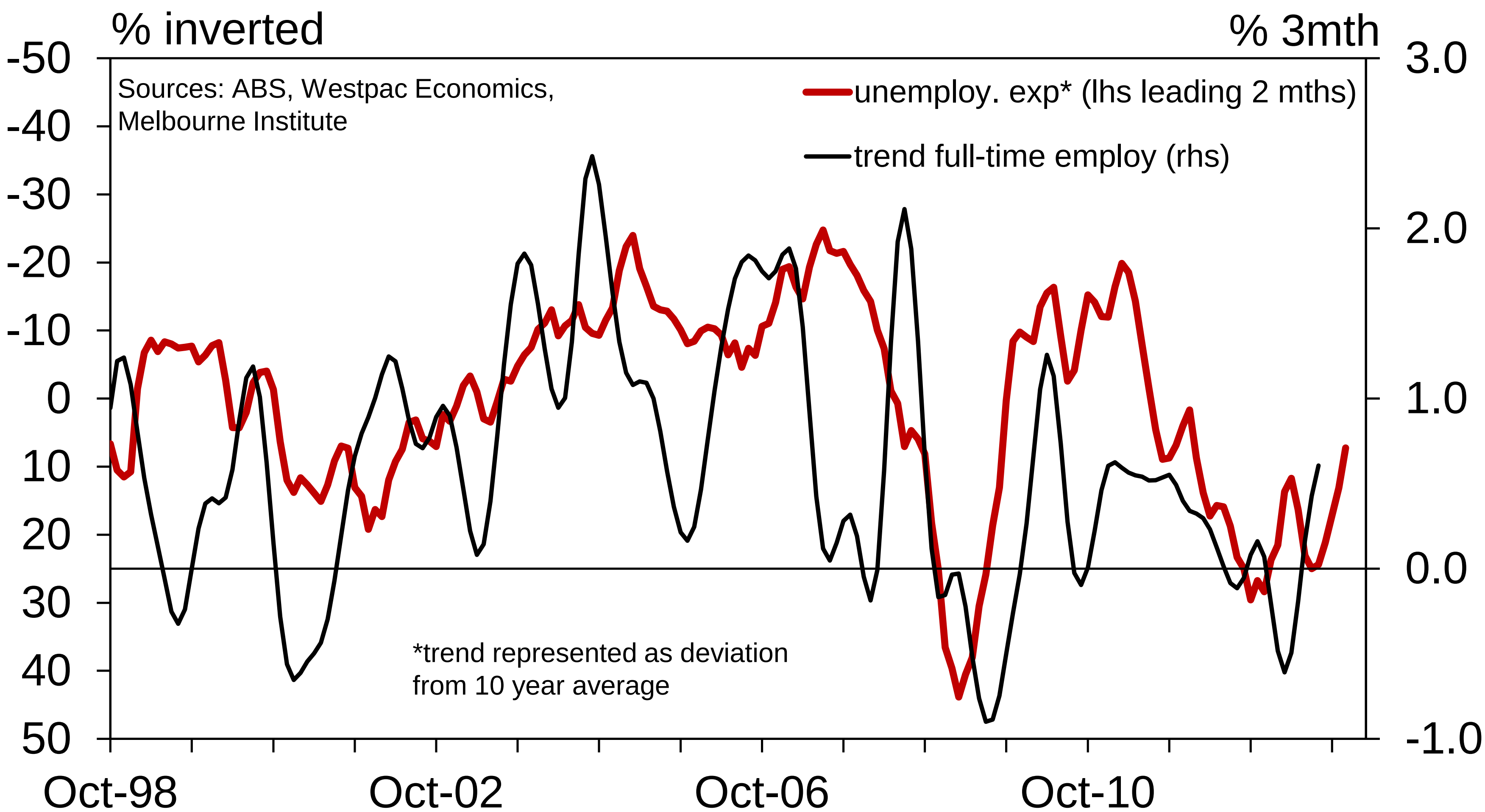
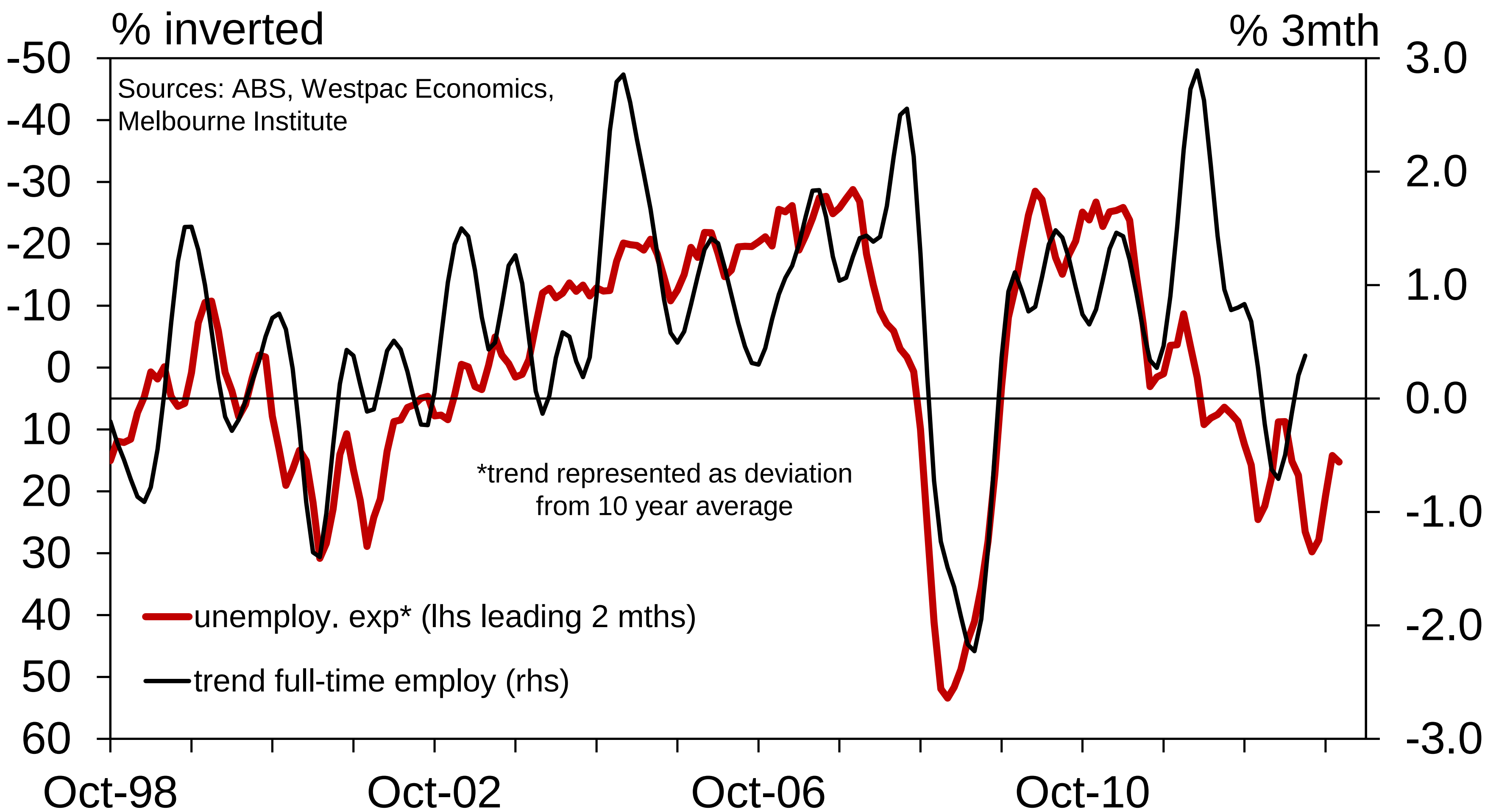
Qld jobs jumped ahead of expectations



WA expectations on a downward slide



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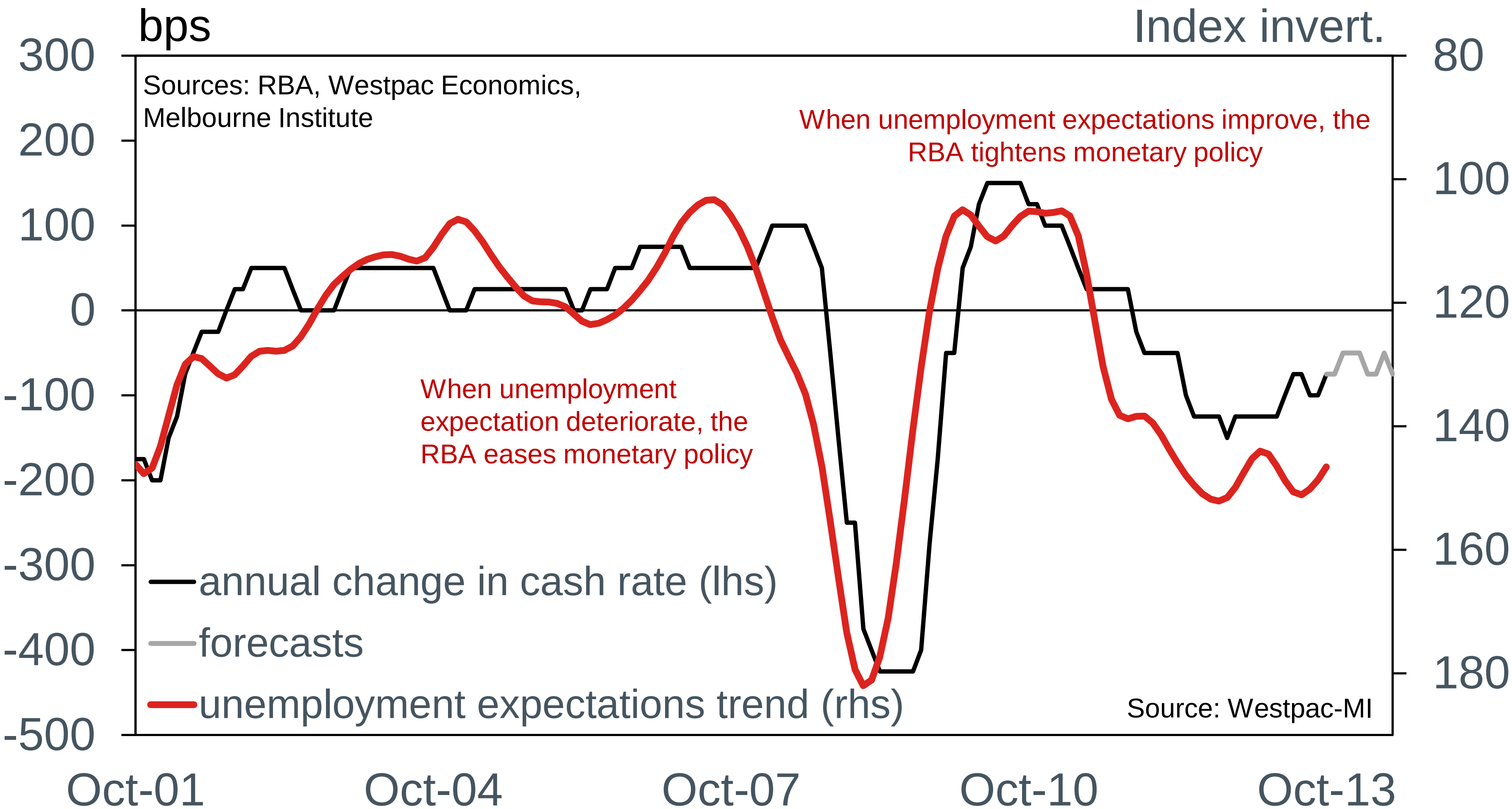
Job worries will keep rate cuts on the table…



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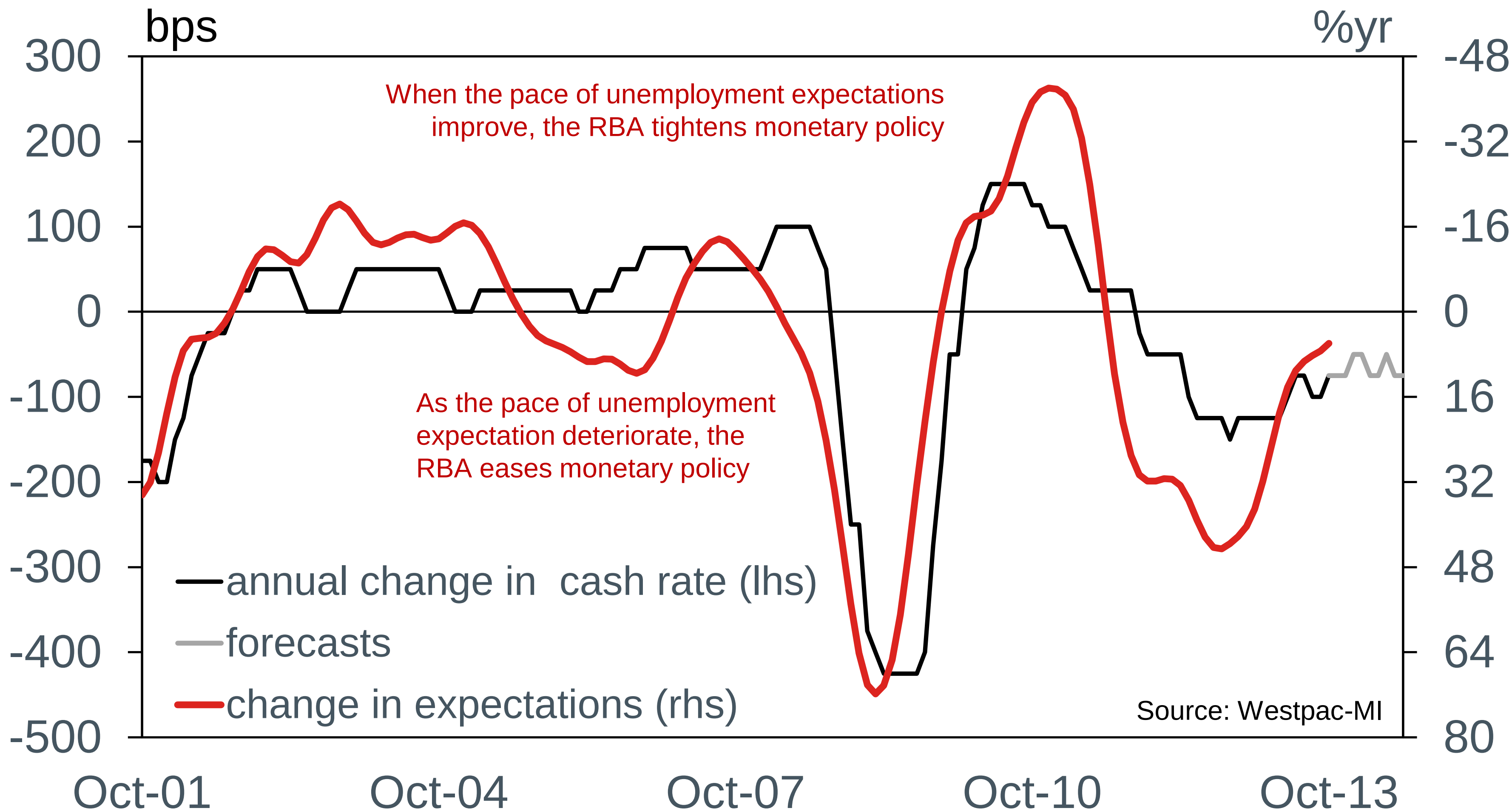
…but the pressure has eased somewhat.



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