Westpac Melbourne Institute Consumer Sentiment

Unemployment expectations chart pack.

February 2014

Westpac

Westpac – Melbourne Institute

Consumer unemployment expectations

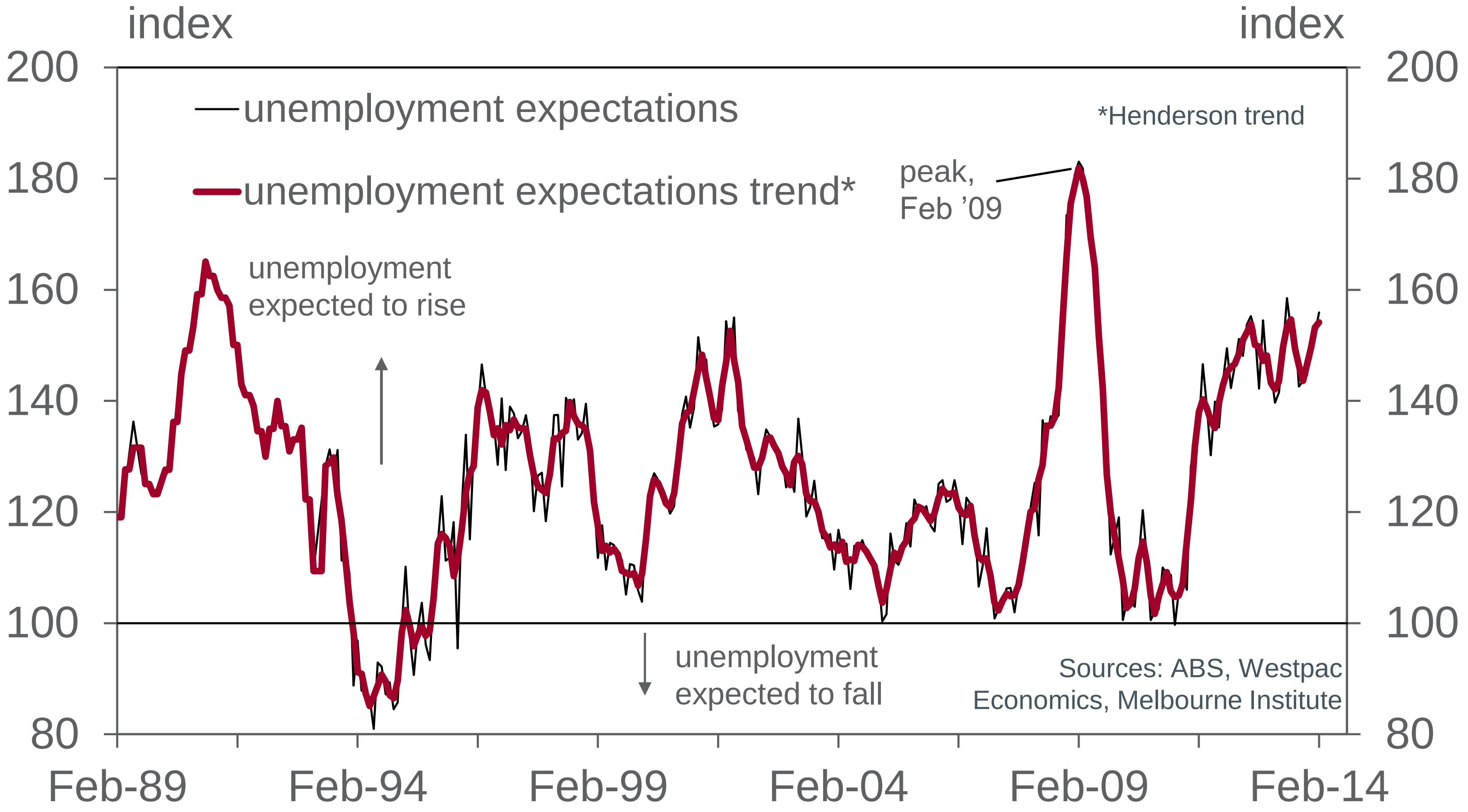
- The unemployment expectations index rose 2.3% in Feb following a flat print in Jan (+0.7%) and a 4.6% rise in Dec. The index is now just 1.6% lower than where it was in Jun which had been looking like being a cyclical peak. The index has deteriorated since Sep (a rise in the index suggests consumers are expecting unemployment to rise more than they had been) rising 9.3%.
- This has resulted in a turnaround in the annual pace from –8.2% in Sep to 7.5% in Feb. Unemployment expectations are decidedly less upbeat than they were just three months ago.
- The trend series also highlights a cyclical triple top. The 154.1 print is not far of the 154.7 print in July and the 153.9 print in Sep 2012. These are the three worst prints for unemployment expectations since the post GFC surge.
- Households are clearly nervous about jobs again. Recent press on Holden, SPC, Qantas and now Toyota would not have helped.

Westpac-Melbourne Institute

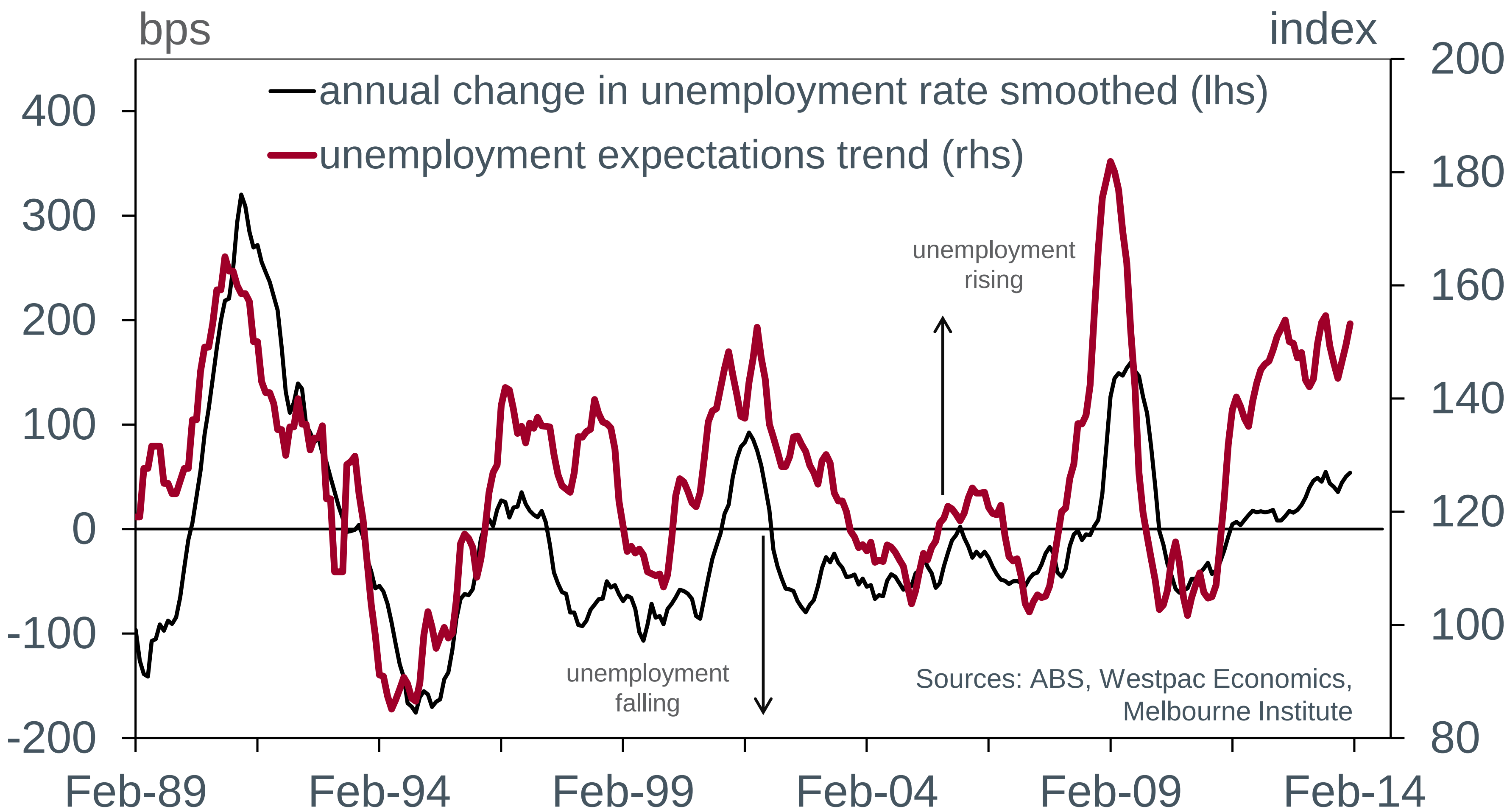
Consumer unemployment expectations (cont)

- **In addition, the index trend is 20% higher that it 10 year average. This is consistent with the observation that employment growth is underperforming relative to population growth. As such, the employment to population ratio is likely to push lower.**
- **A surge in worries by paraprofessional/trade & sales/clerical have brought these sectors more in line with the rest. Labourers are marginally less worried than the rest but men are now more worried than females. Those not working/unemployed are marginally more worried than those who are working which may be consistent with tenants being more worried than other types of residential status.**
- **The smaller cities are now more worried than Sydney or Melbourne as unemployment expectation surge to near cycle highs in WA and those in Qld are now starting to get more worried.**

A triple top on labour market concerns…



…pointing to upside risks for unemployment…



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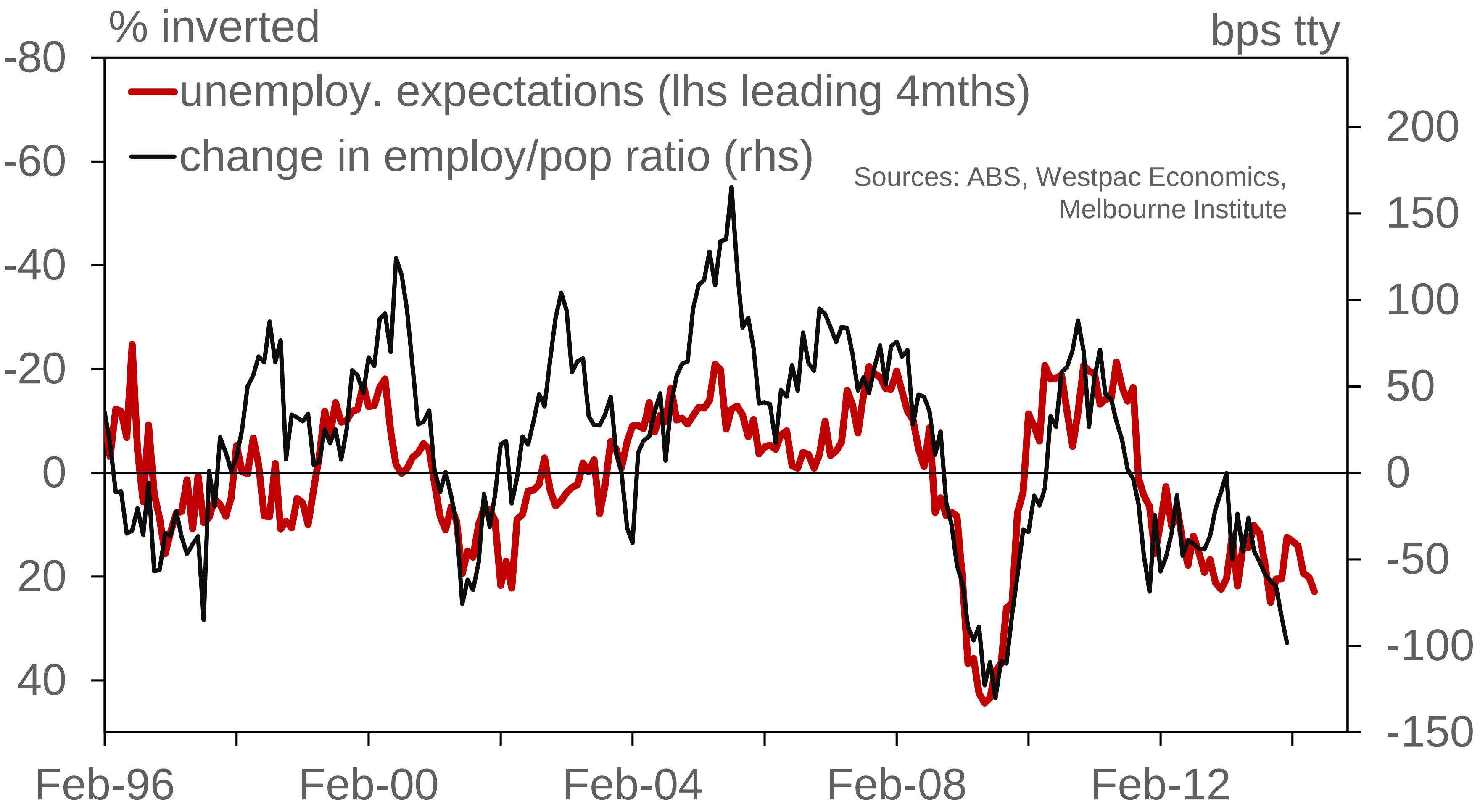
...as employment lags population growth...



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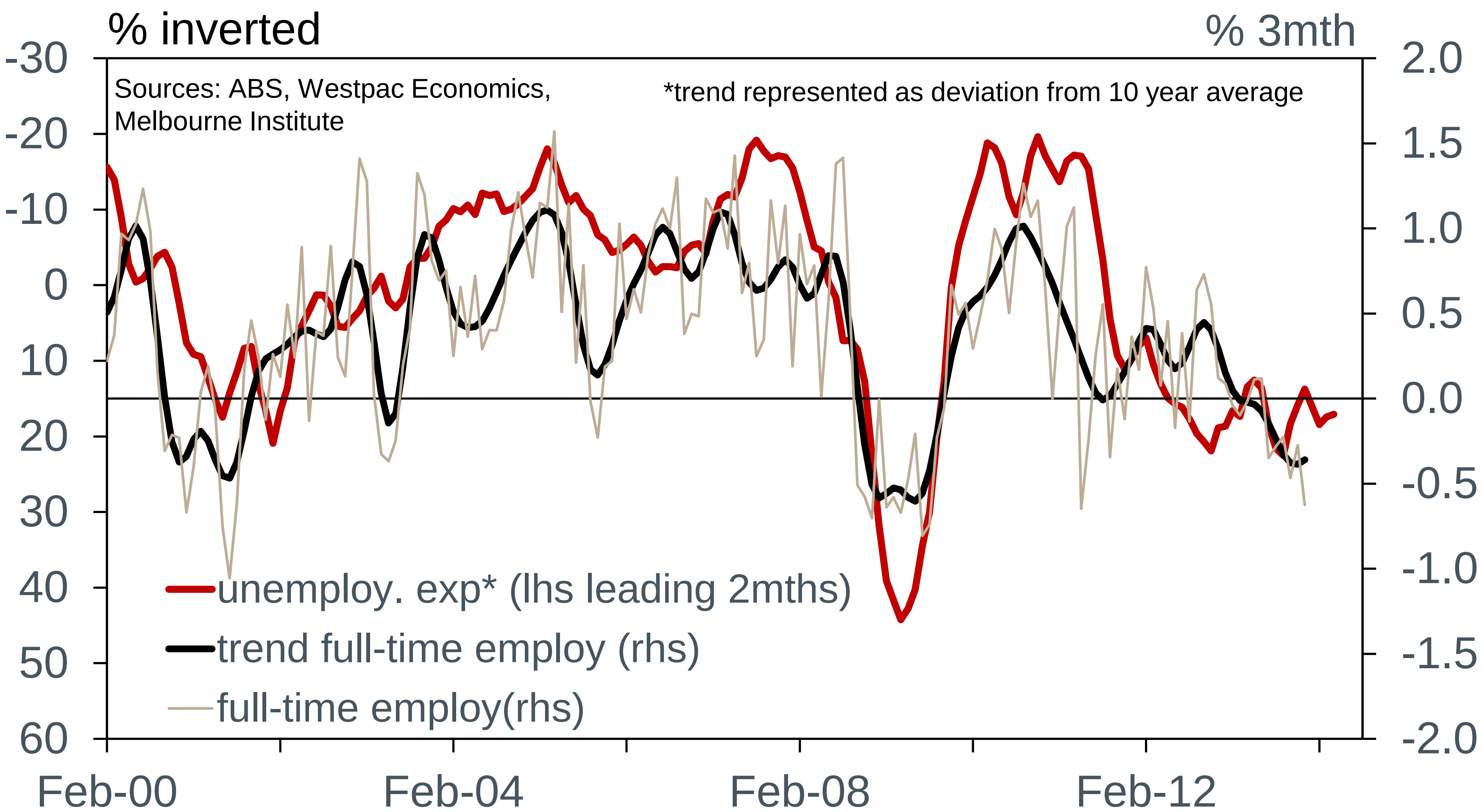
...and full-time employment contracts...



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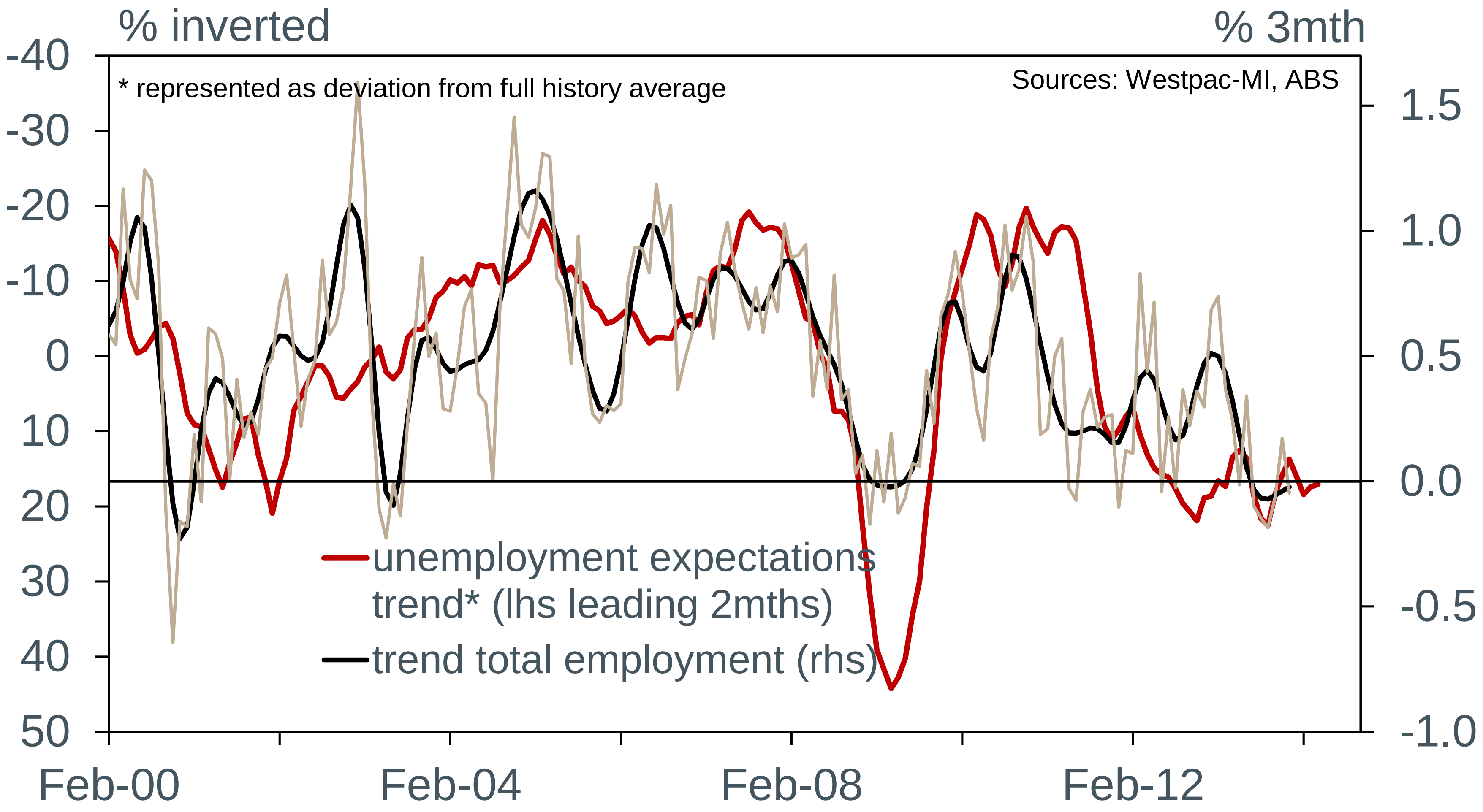
...remaining a drag on total employment.



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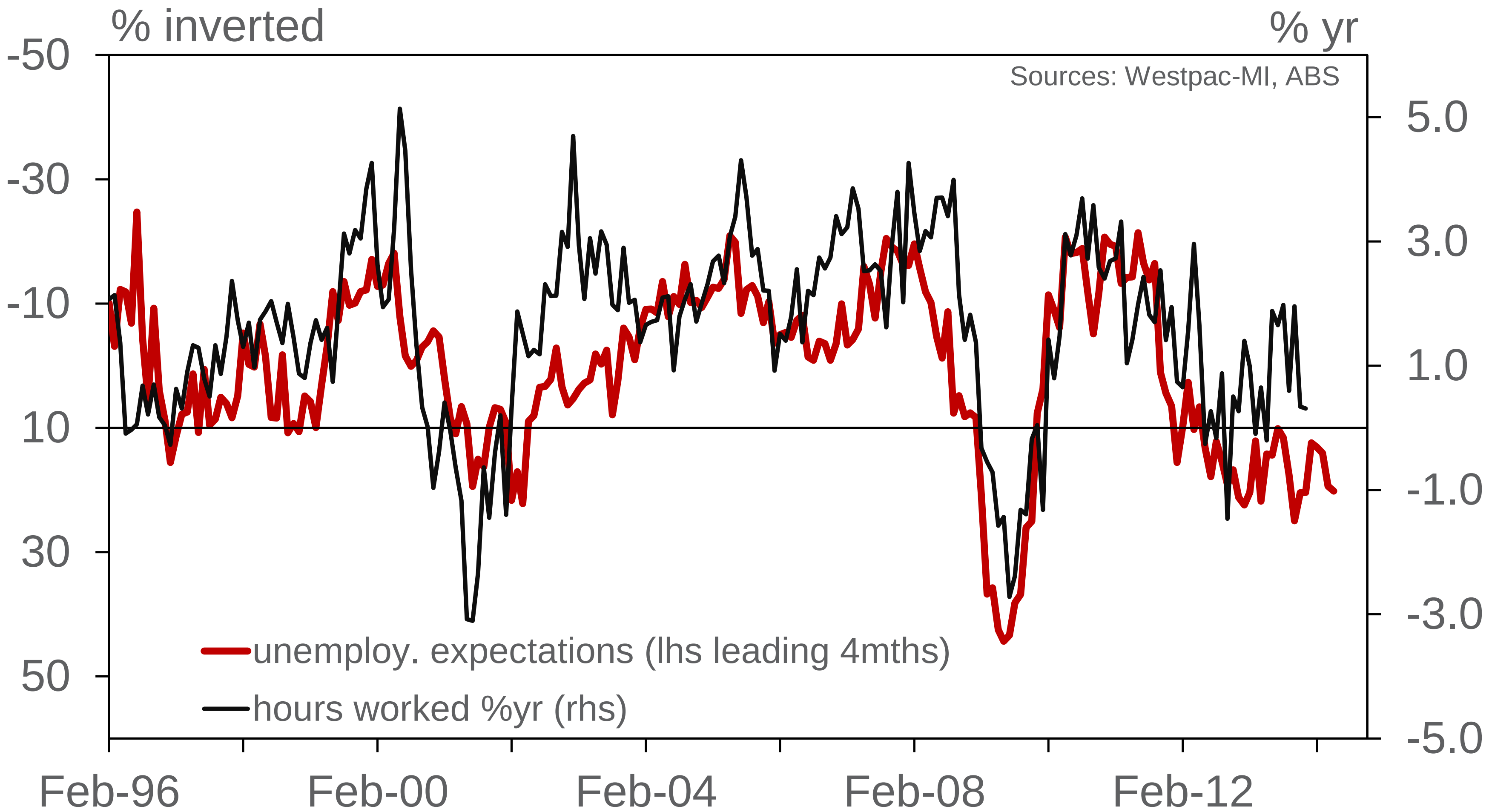
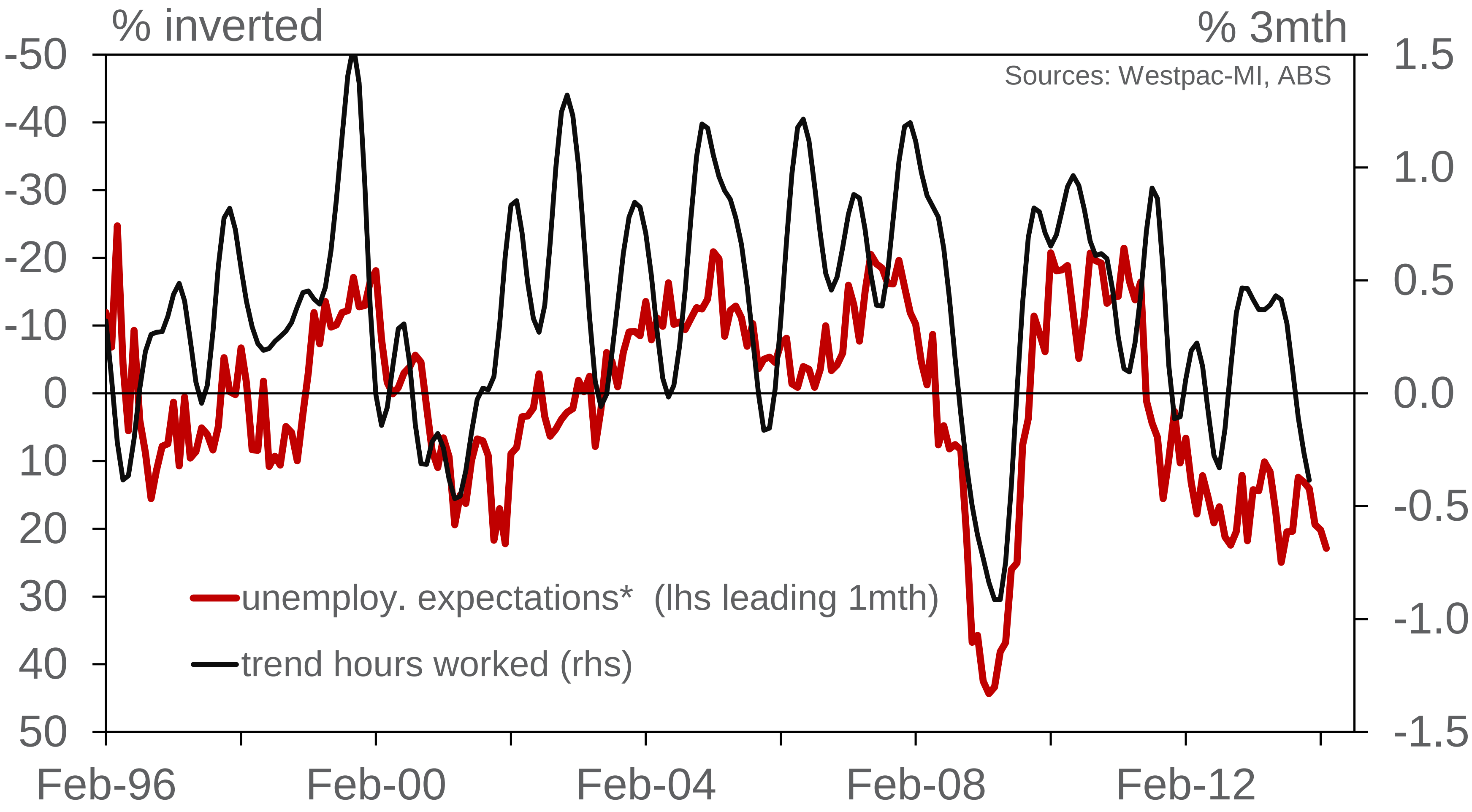
Employers have preferred to lift hours worked…



...but that faded as well in 2013Q4.



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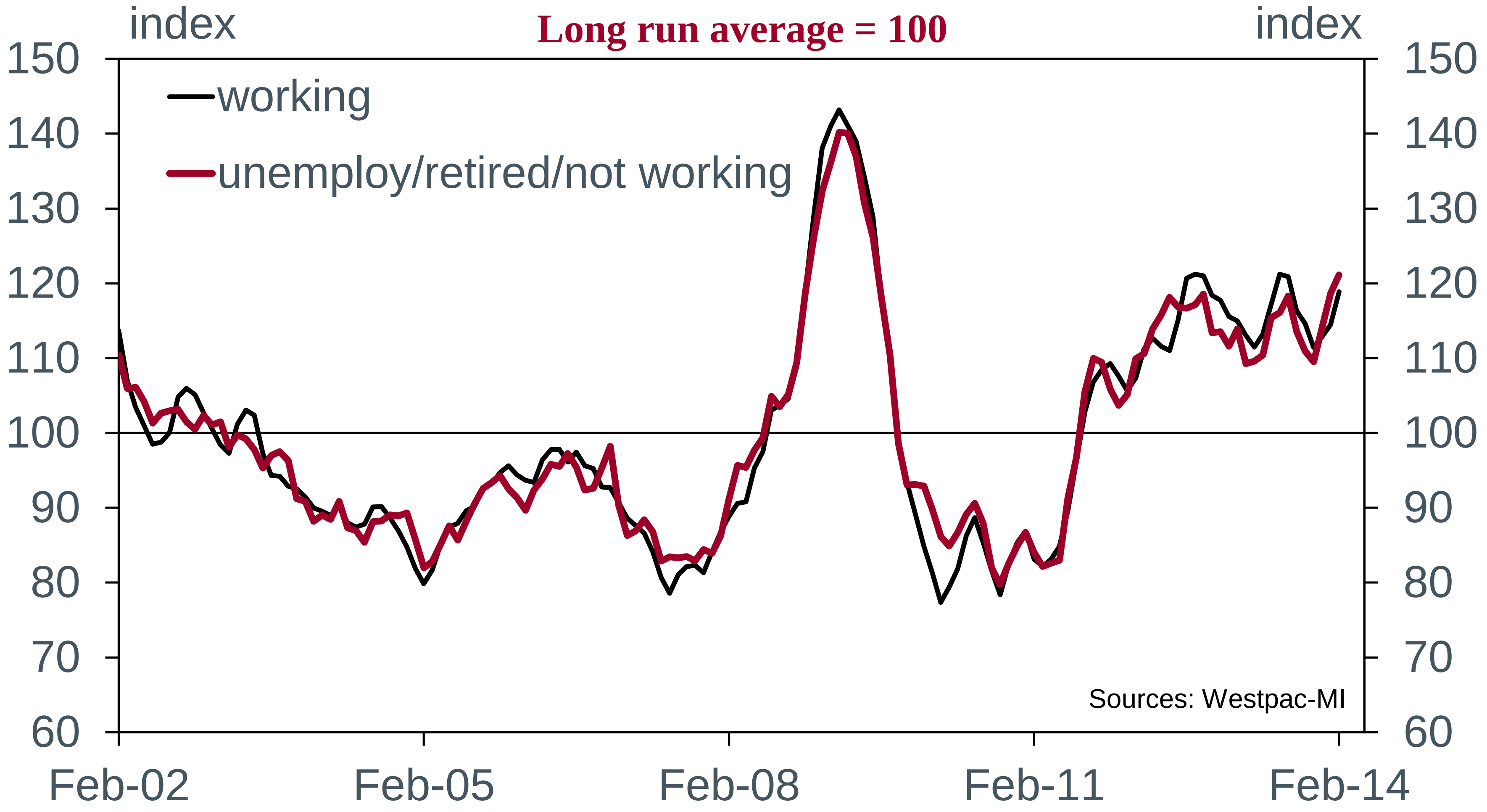
Unemployed remain a touch more worried



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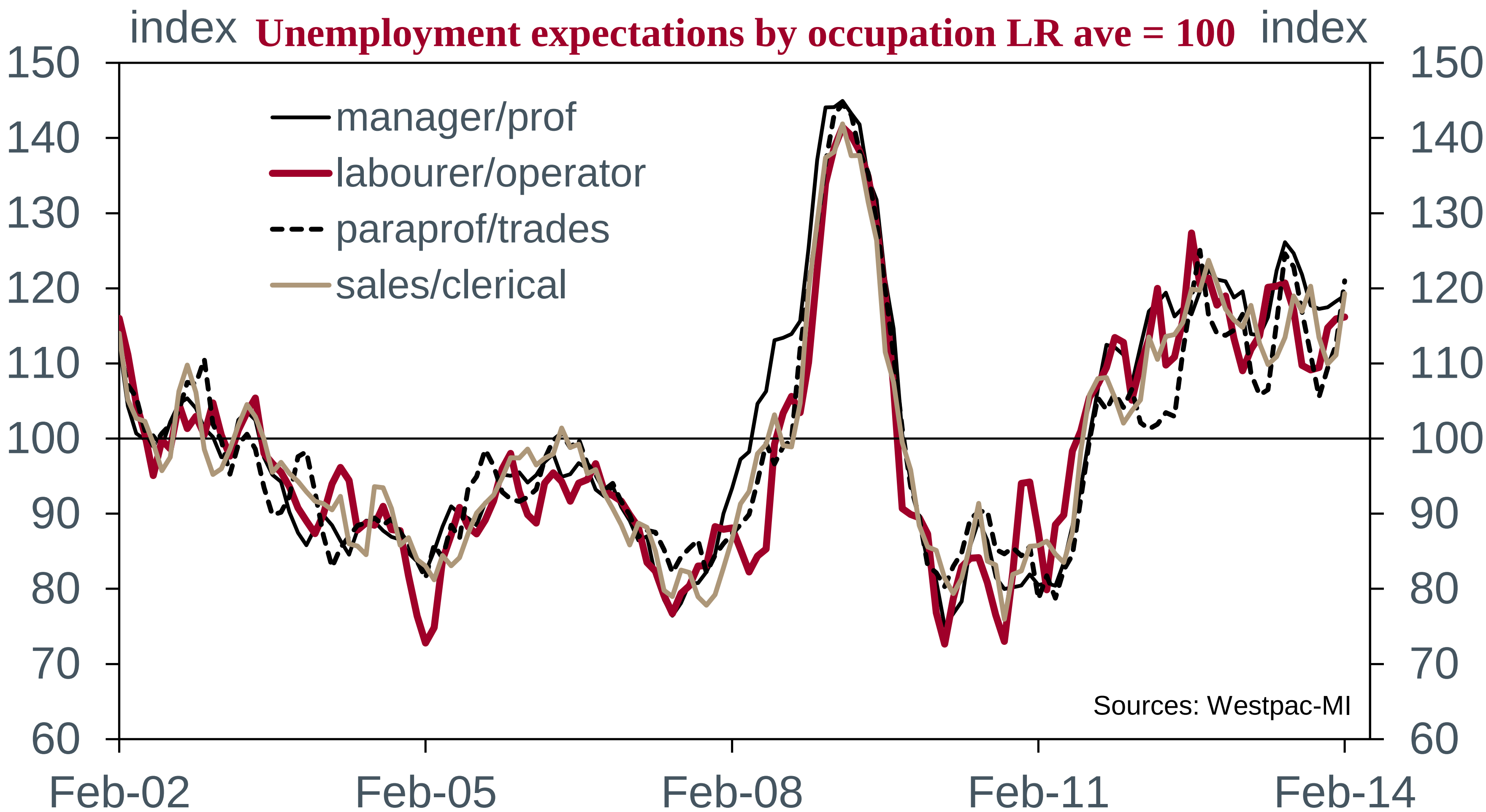
Big rise in paraprof/trade & sales/clerical…



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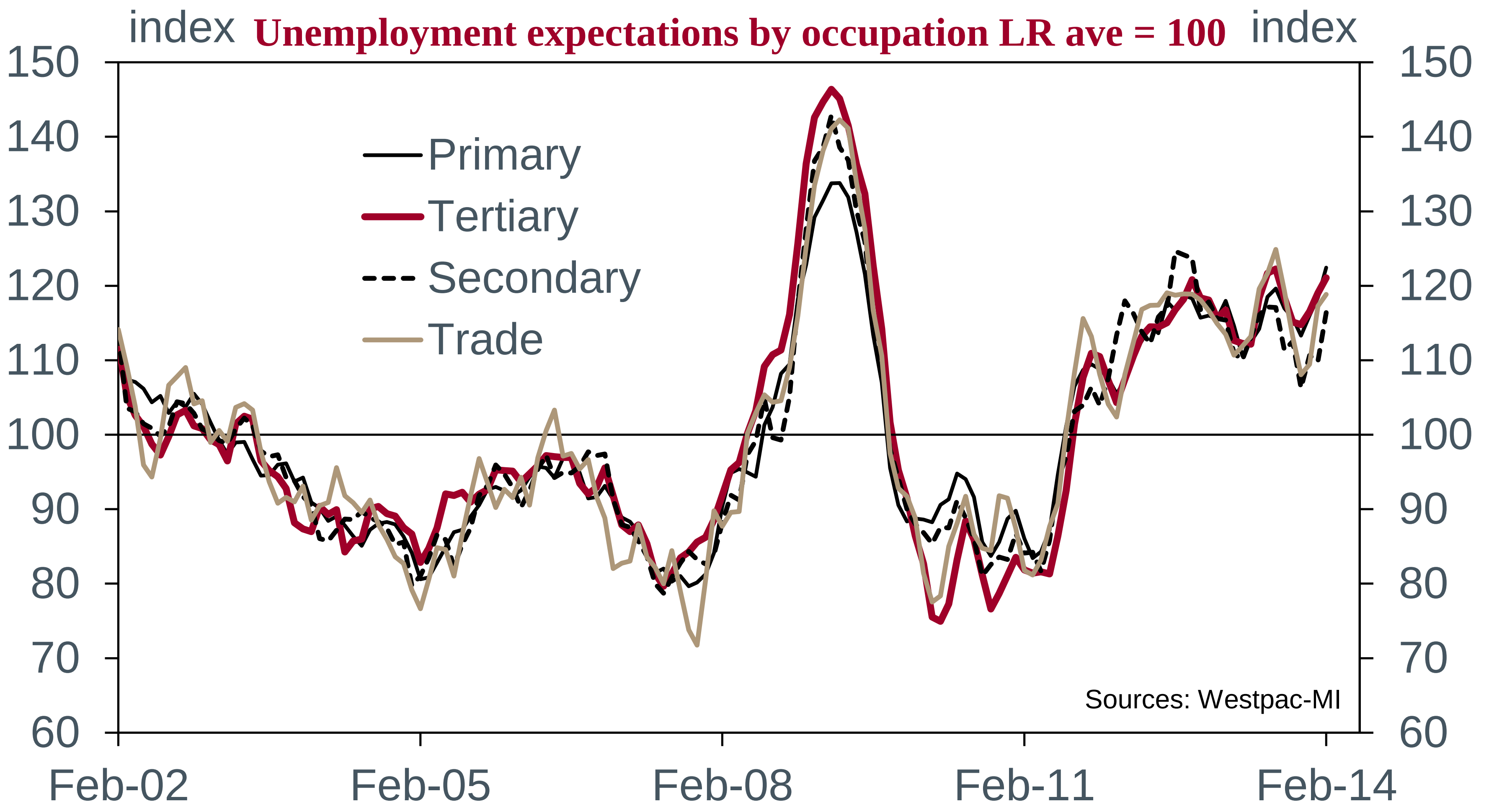
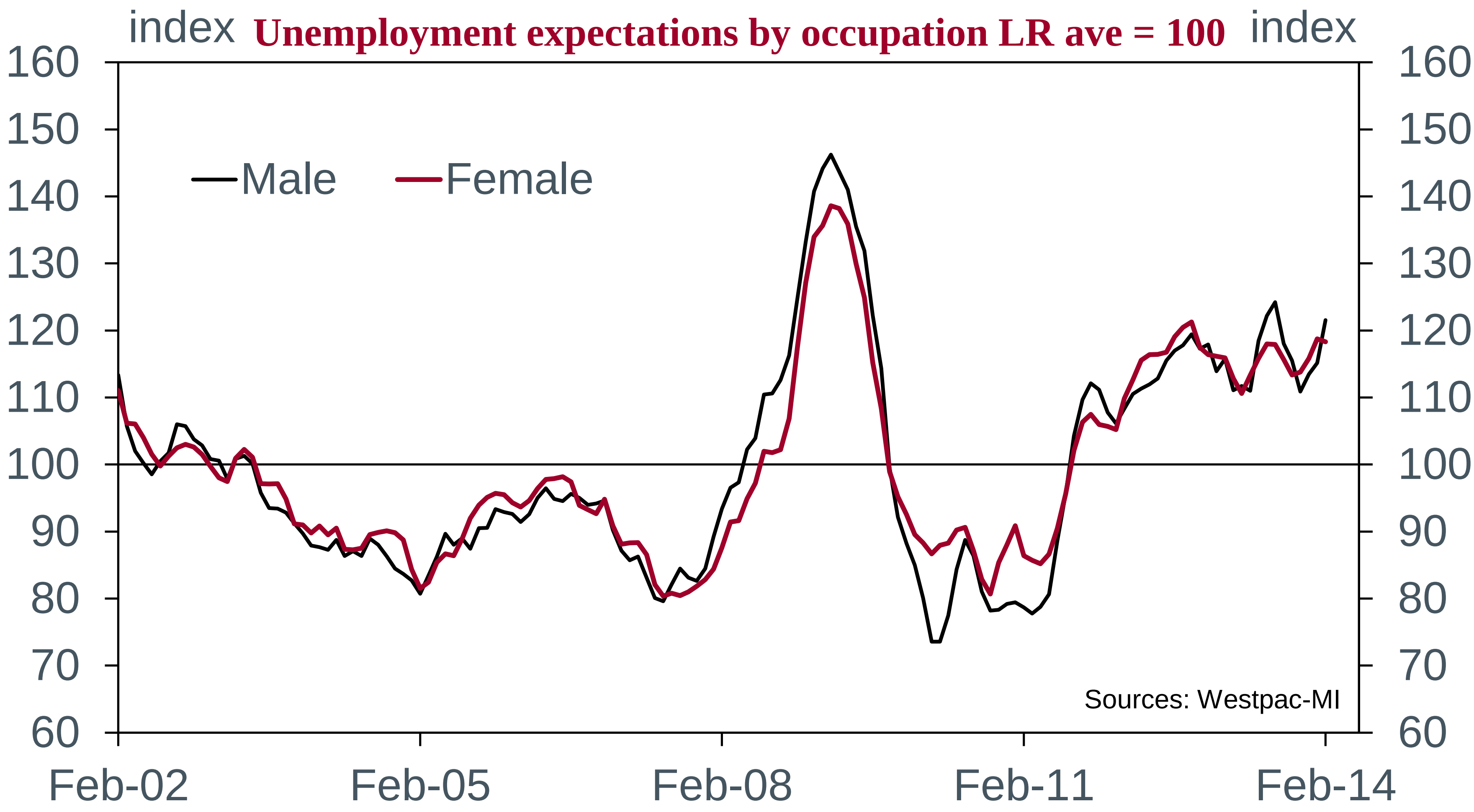
…so worries now uniform across sectors…



…and males now a touch more worried...



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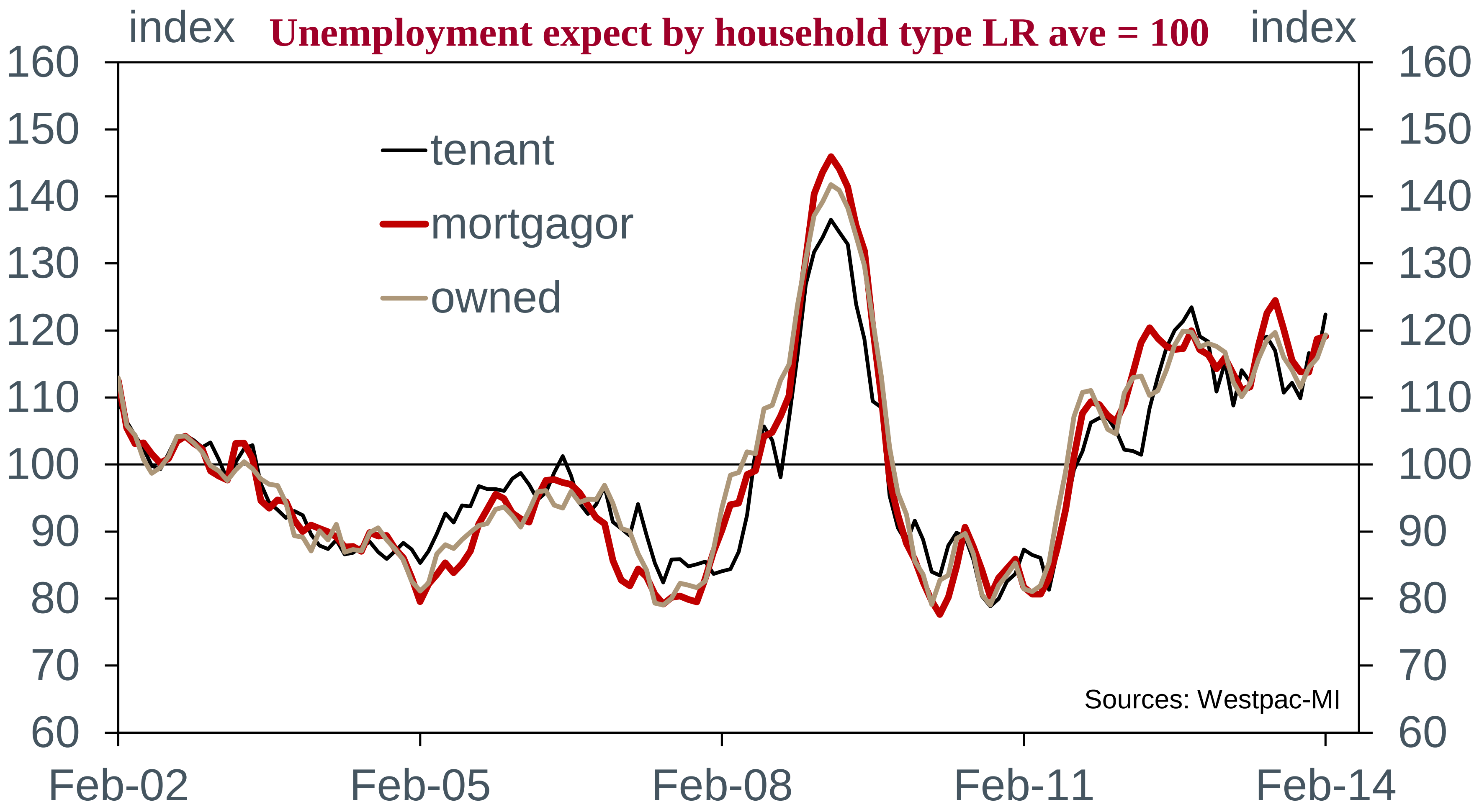
…and tenants are the most worried.



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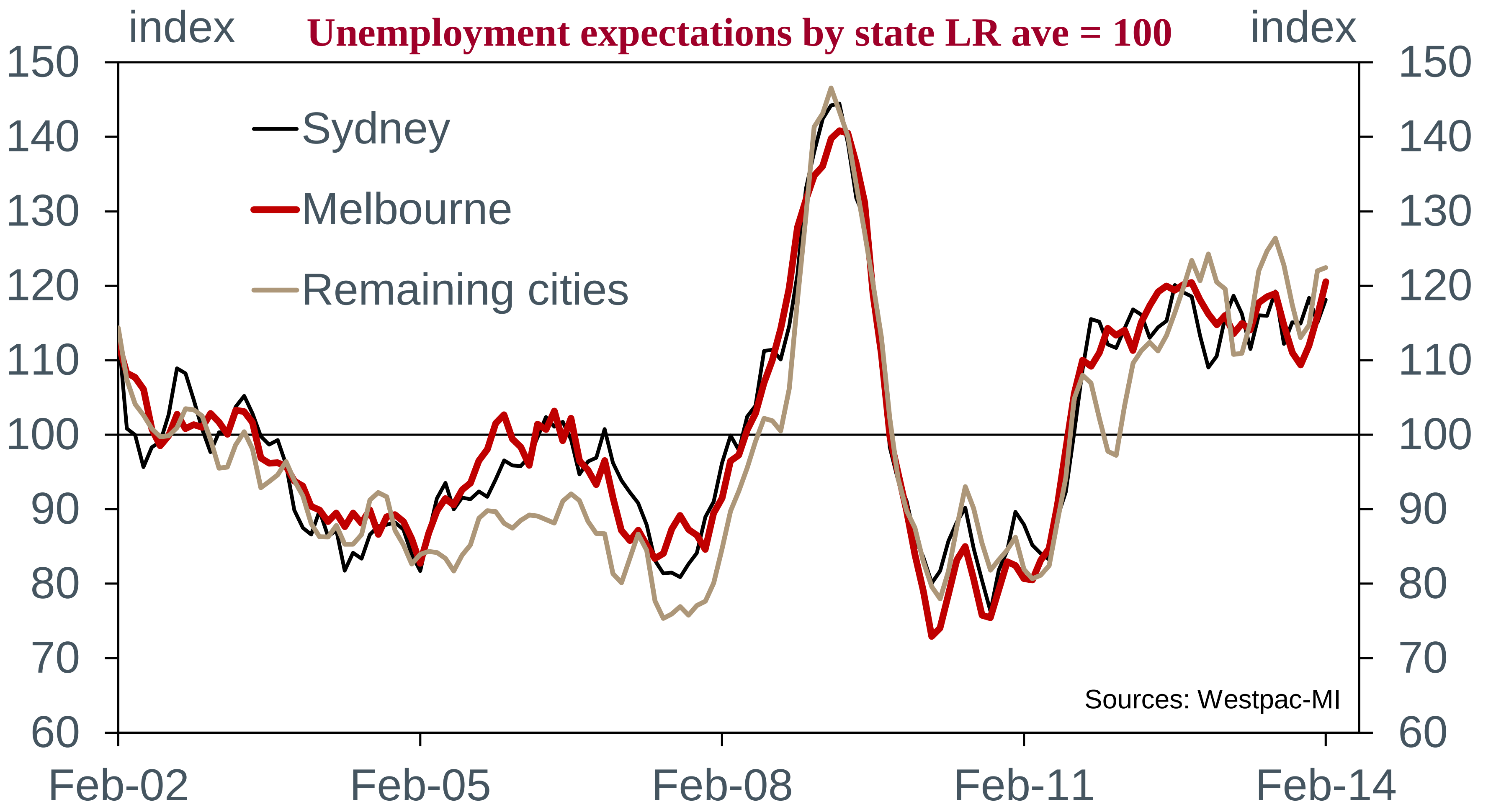
The smaller cities are more worried...



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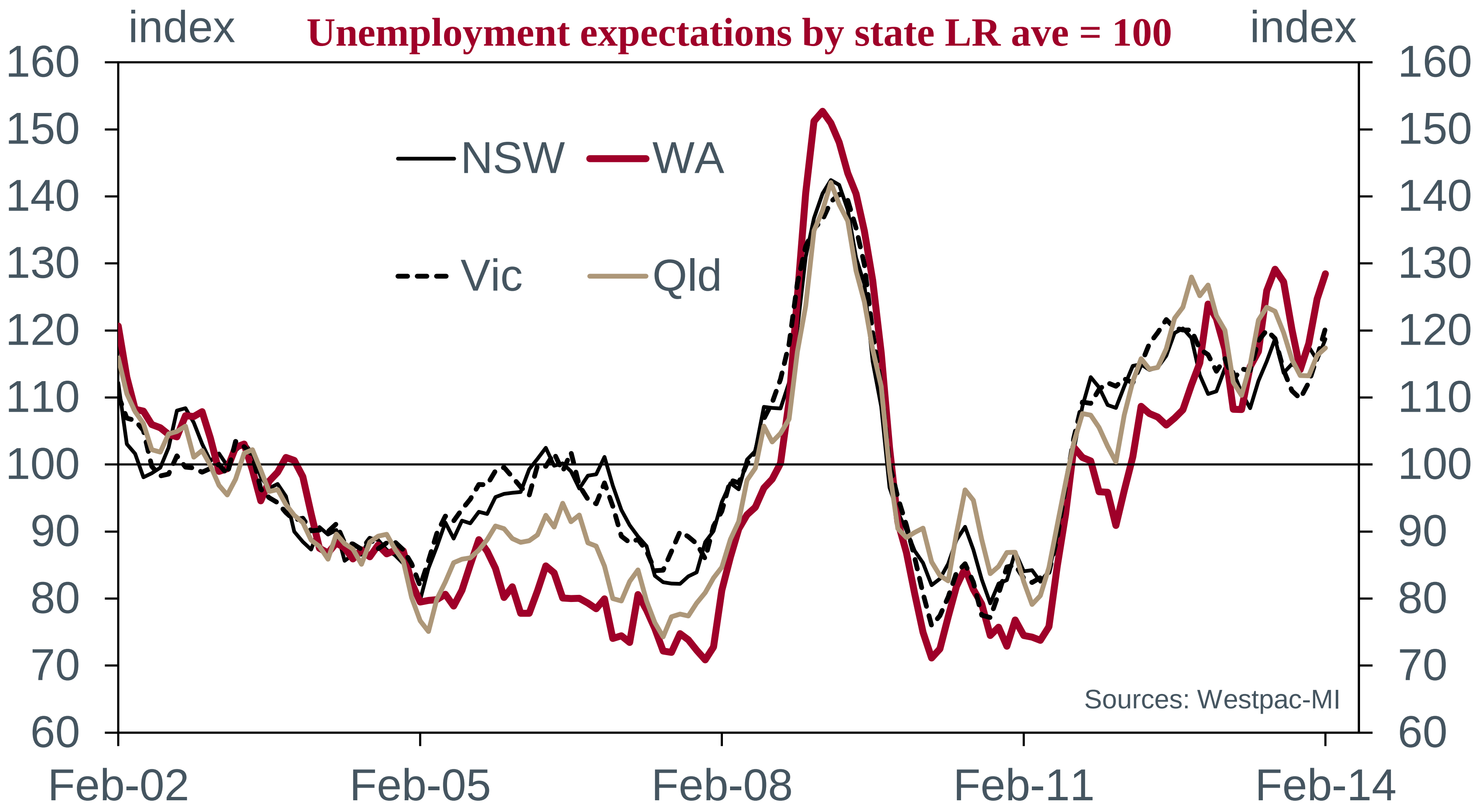
…as WA gets more worried & Qld turns…



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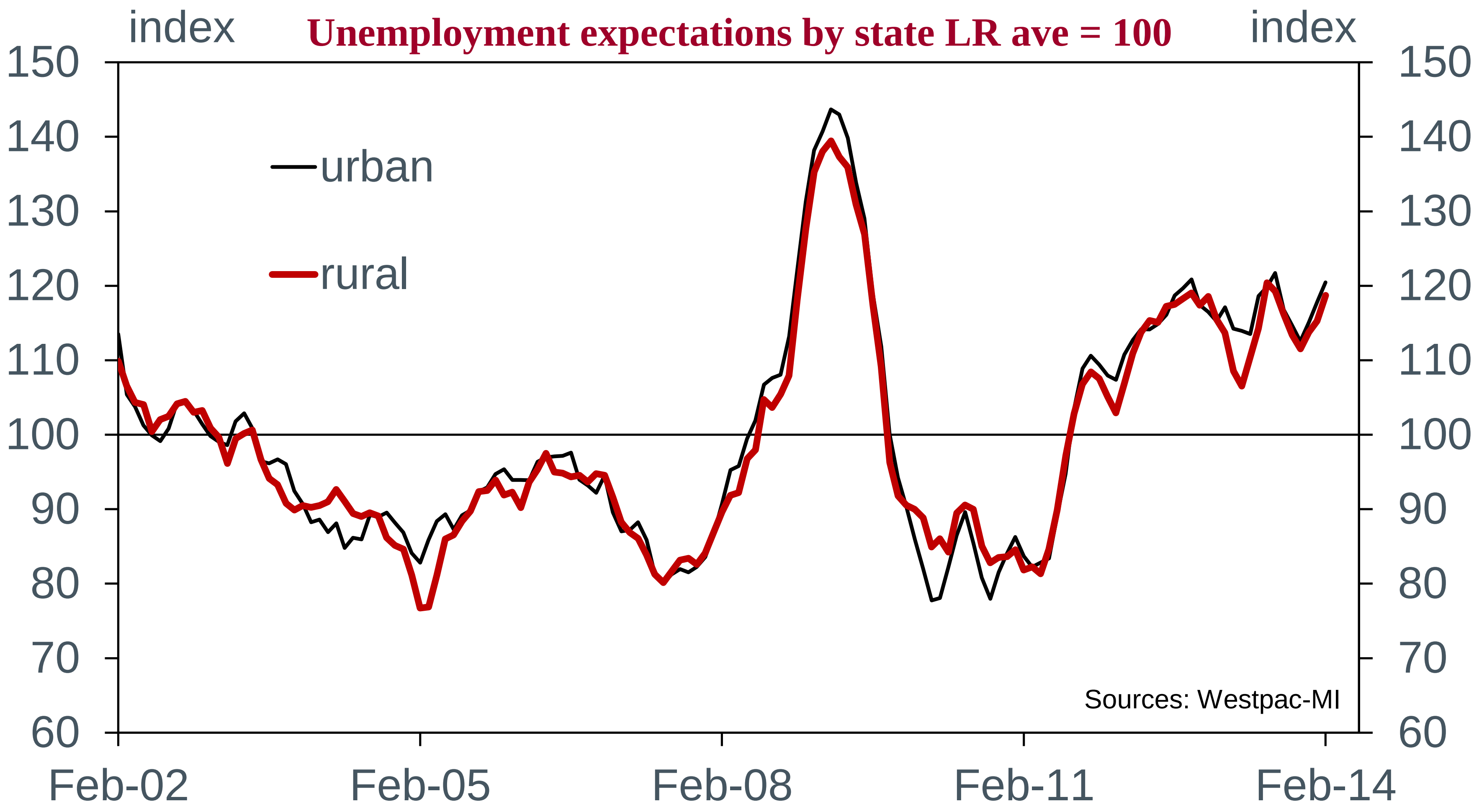
…& urban slightly more worried than rural.



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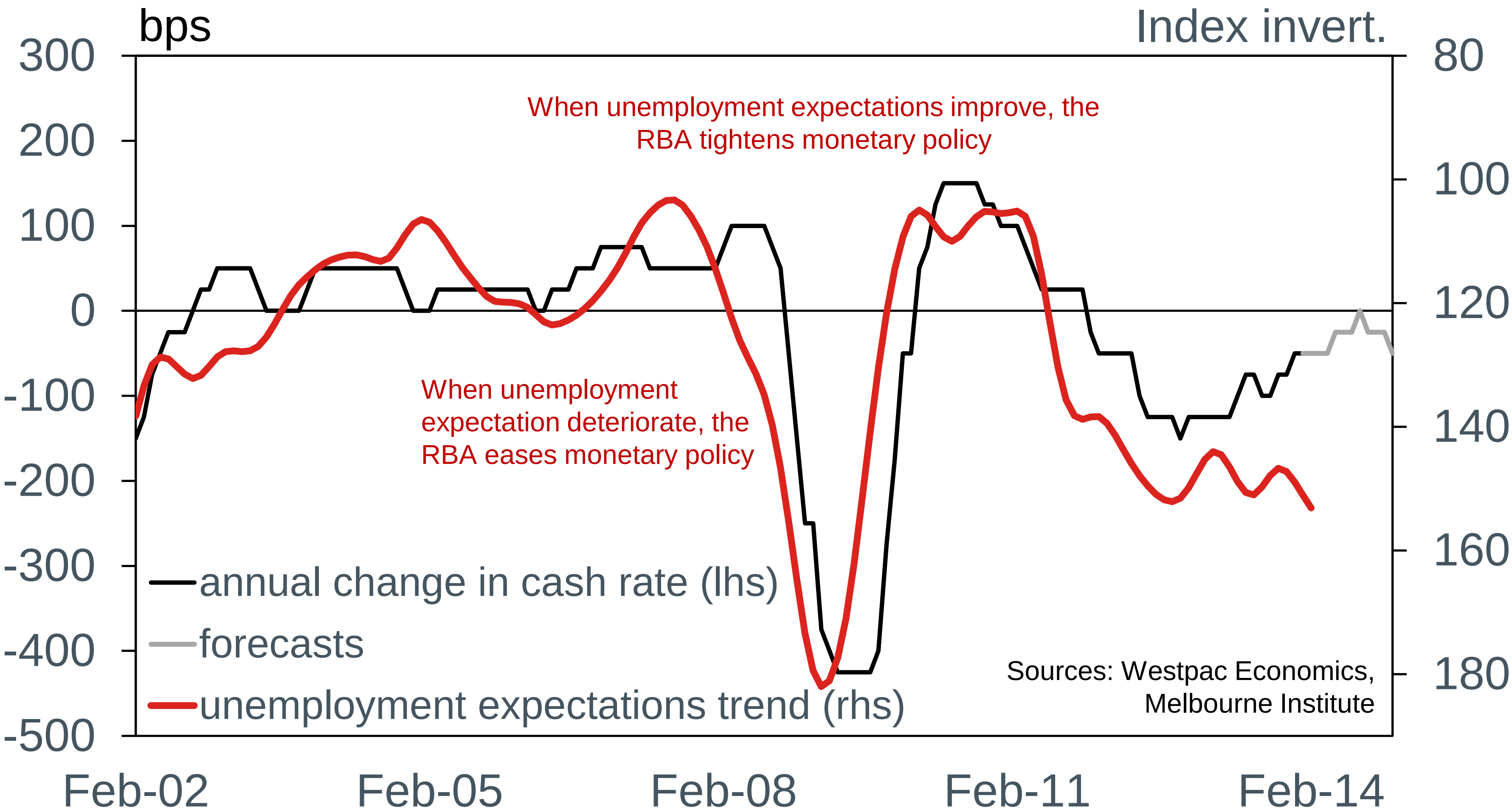
Job worries are key to rate cuts…



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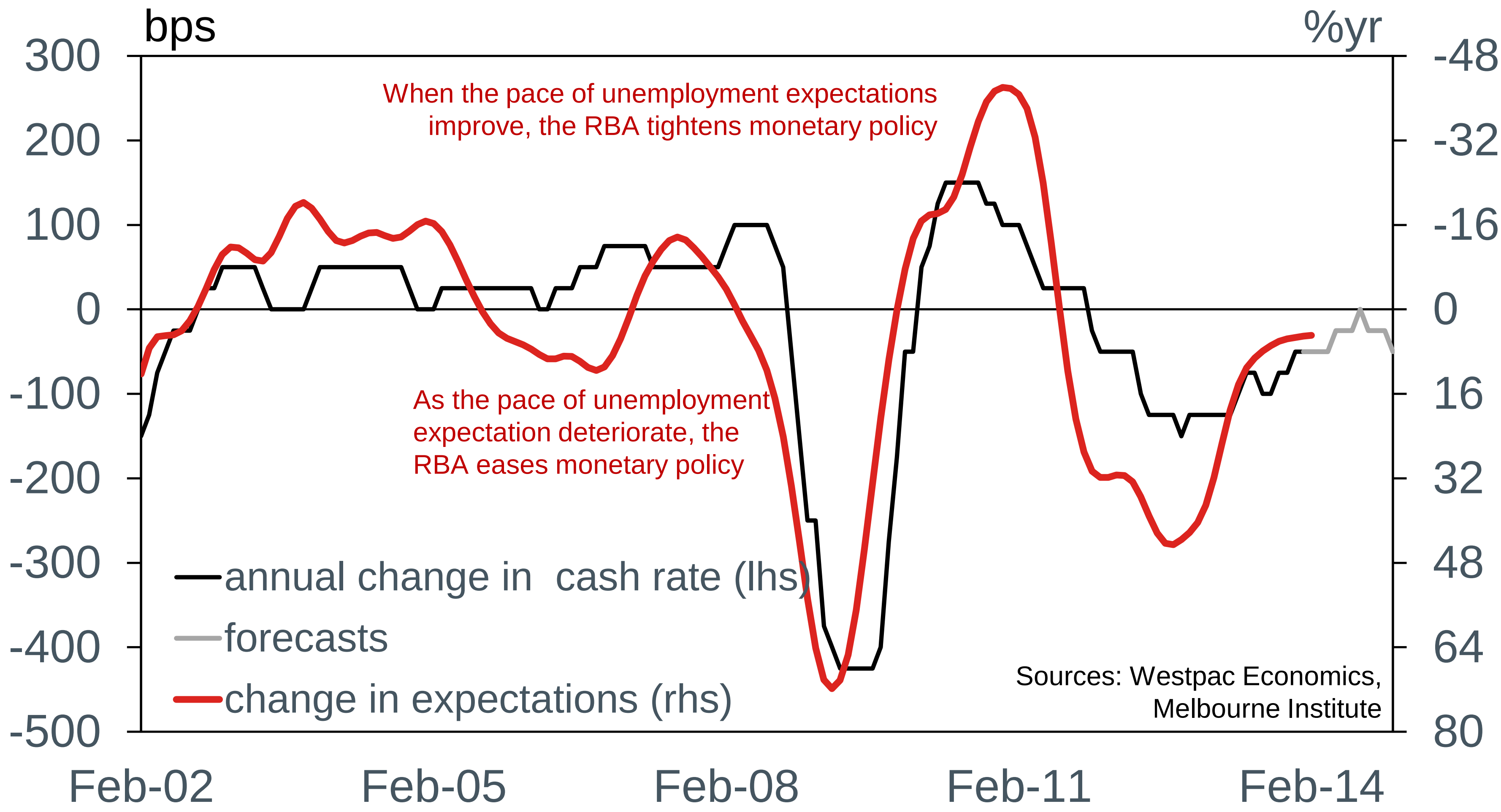
…but the pace of negative pressure has eased.



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