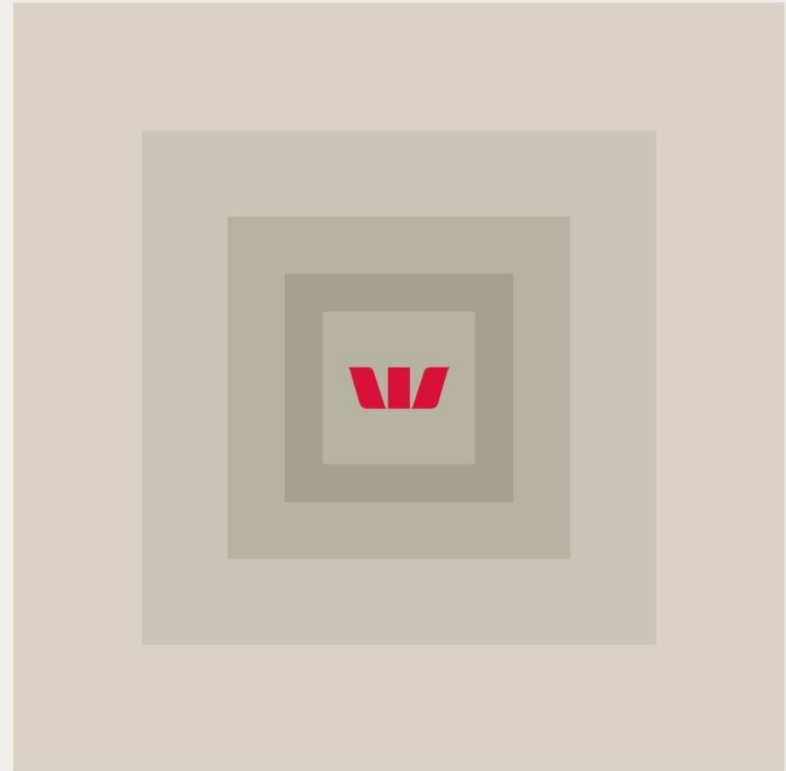


Westpac Melbourne Institute Consumer Sentiment

Unemployment expectations
chart pack.

July 2014



Westpac – Melbourne Institute

Consumer unemployment expectations

- The unemployment expectations index fell slightly in Jul, (–0.3%) following on from a –1.1% fall in Jun. The fourth consecutive decline the index is now down 5.1% in 4mths. The index is up 2.2%/yr, up from –1.2%/yr in Jun due to base effects.
- The index appears to have peaked and the trend has been falling now for three months. This suggests households believe we are passed the worst for the labour market but at 23% above the long run average, the level of the index is historically very high suggesting the labour market is still a long way from being described as robust.
- The level of the index is also consistent with the observation that employment growth continues to underperform relative to population growth. That is, the labour market is still not robust enough to absorb all the new workers which explains the high level of unemployment expectations. It also suggests that hours worked will remain volatile around a soft trend.

Westpac-Melbourne Institute

Consumer unemployment expectations (cont)

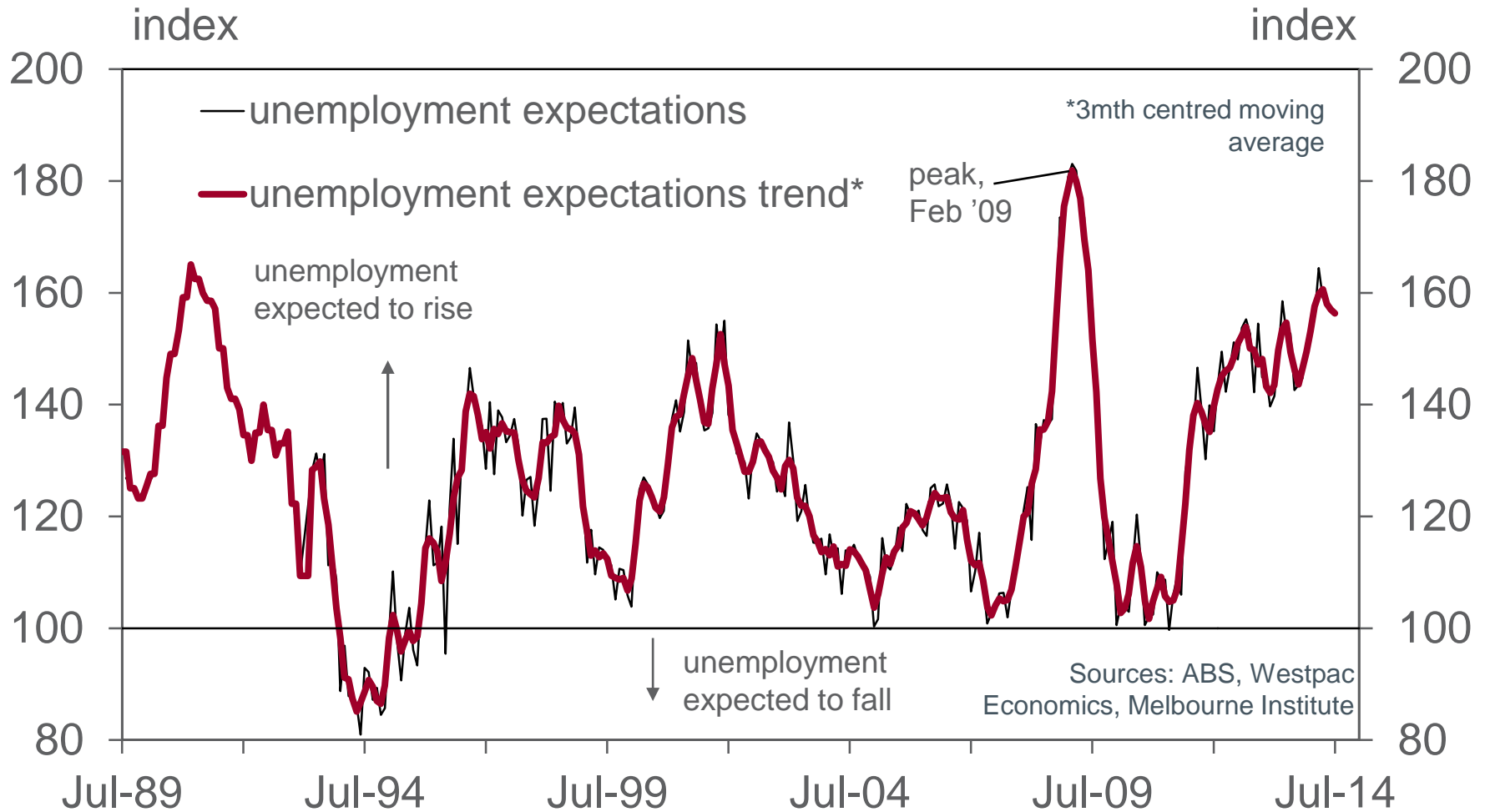
- The results varied across the states. In particular, Vic recorded the largest fall of 5.2%, followed by a 1.6% in Qld. Contrast this with the 4.8% rise in WA while NSW and SA respectively, recorded increases of 0.7% and 1.9%.
- Employment had a brief flurry in the first half of 2014 but expectations did not respond in a meaningful way (charts 8 & 9). This suggests that the flurry was not expected to continue and the recent moderation is likely to continue over the next few months.
- In addition, expectations continue to point to a soft trend in hours worked (charts 10-11). In particular, expectations suggest hours worked can continue to weaken in WA and Qld but they are suggesting hours worked should recover in NSW & Vic. In SA, the decline in hours worked looks to be set to deepen.

Westpac-Melbourne Institute

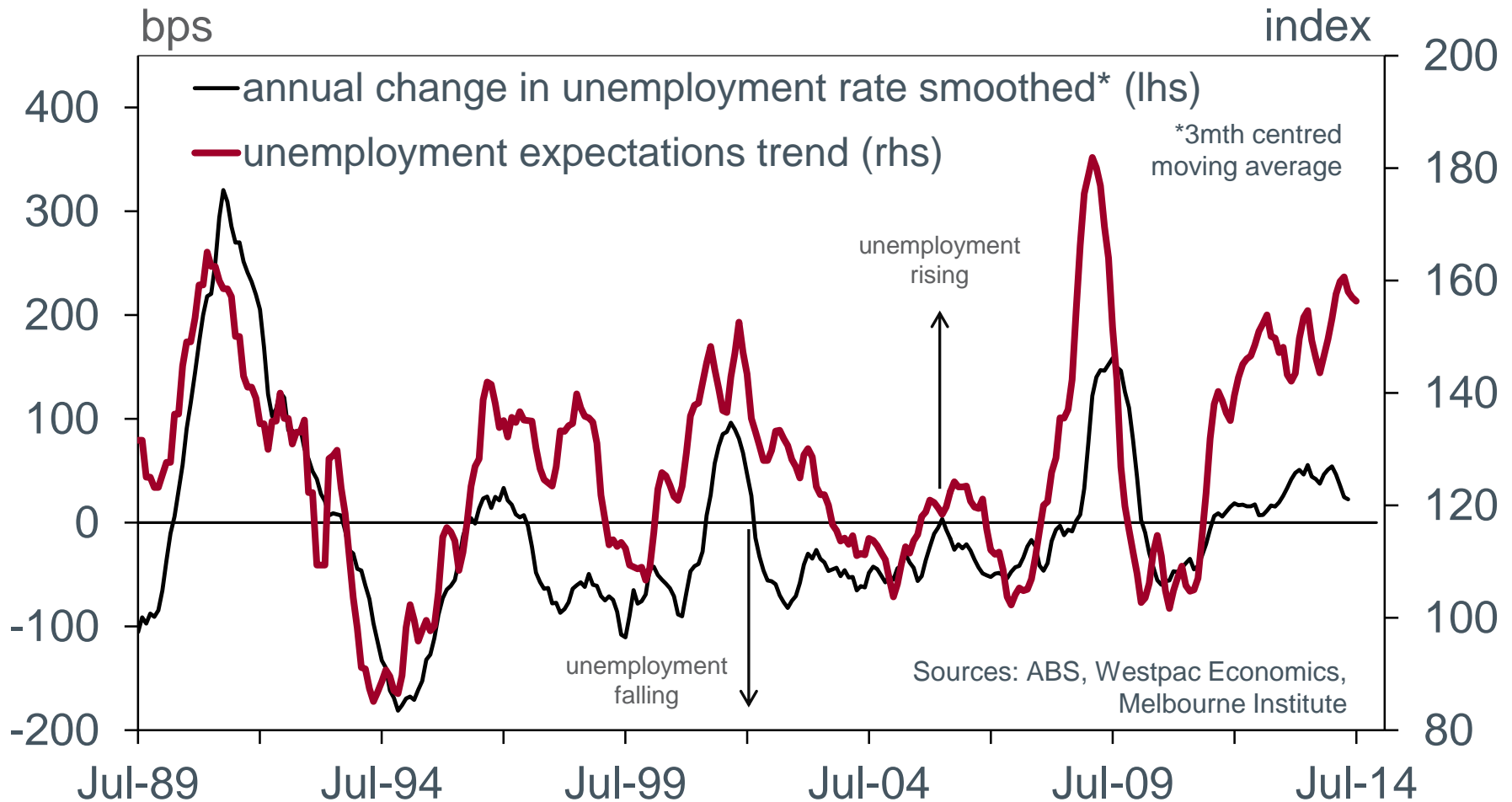
Consumer unemployment expectations (cont)

- Those who are working are more worried about jobs than those who are not (normally they are very similar). Driving this decline has been falling expectation for retirees. Expectations of those unemployed or not working have not fallen as much.
- Sales/clerical and paraprofessionals/trades have the highest unemployment expectations which is interesting when you consider than those with tertiary qualifications are the most worried, those with primary education are the least.
- While the level of the index is still pointing to the possibility of higher unemployment, the rate of change in expectations has eased back meaningfully easing the pressure for further rate cuts.
- Westpac's job index, a composite of the various business surveys, continues to suggest that the labour market is sound and thus unemployment expectations can be expected to ease further.

The trend has peaked and is easing back...



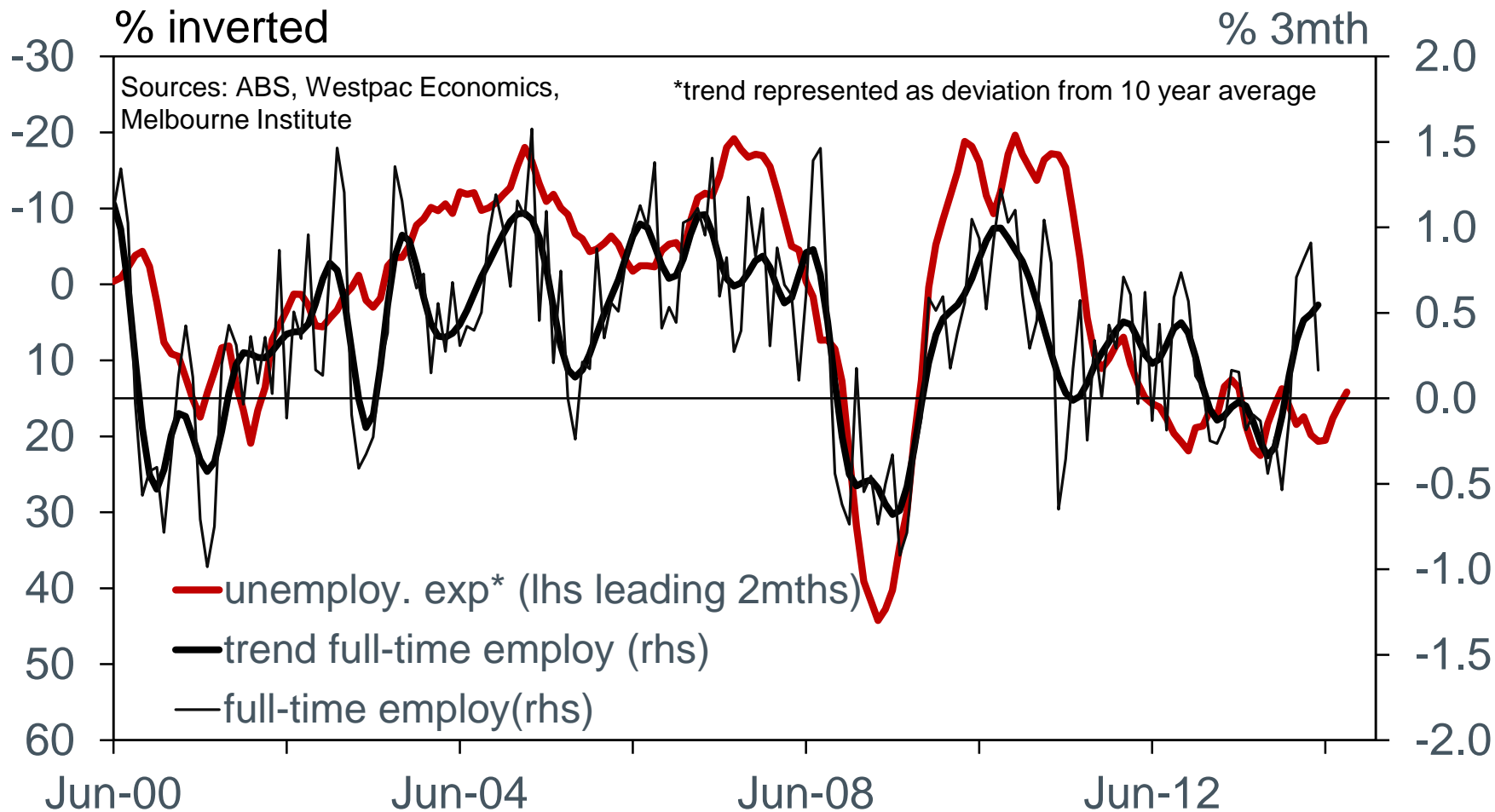
...but unemployment is better than expected...



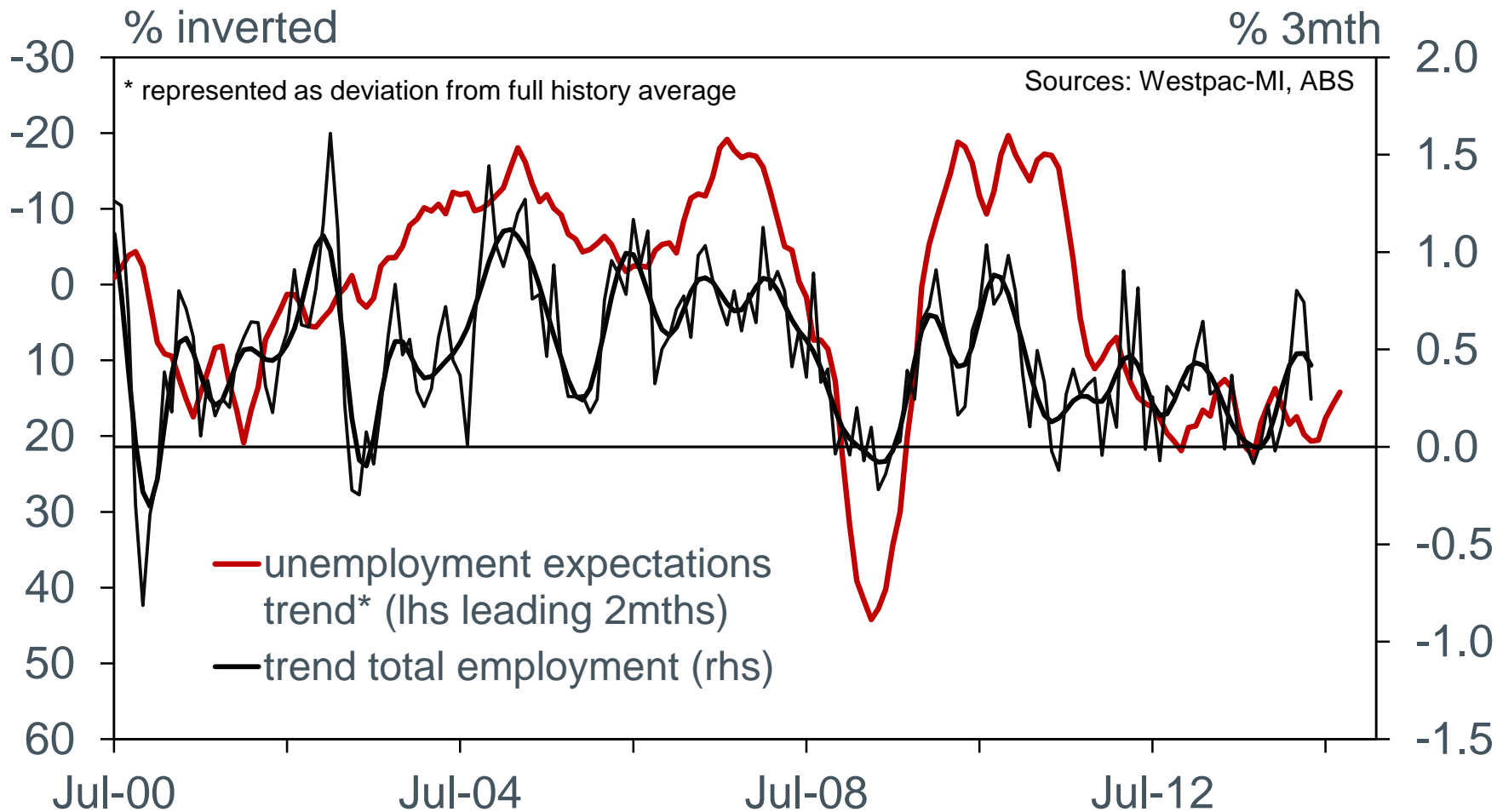
...while employment still lags population growth...



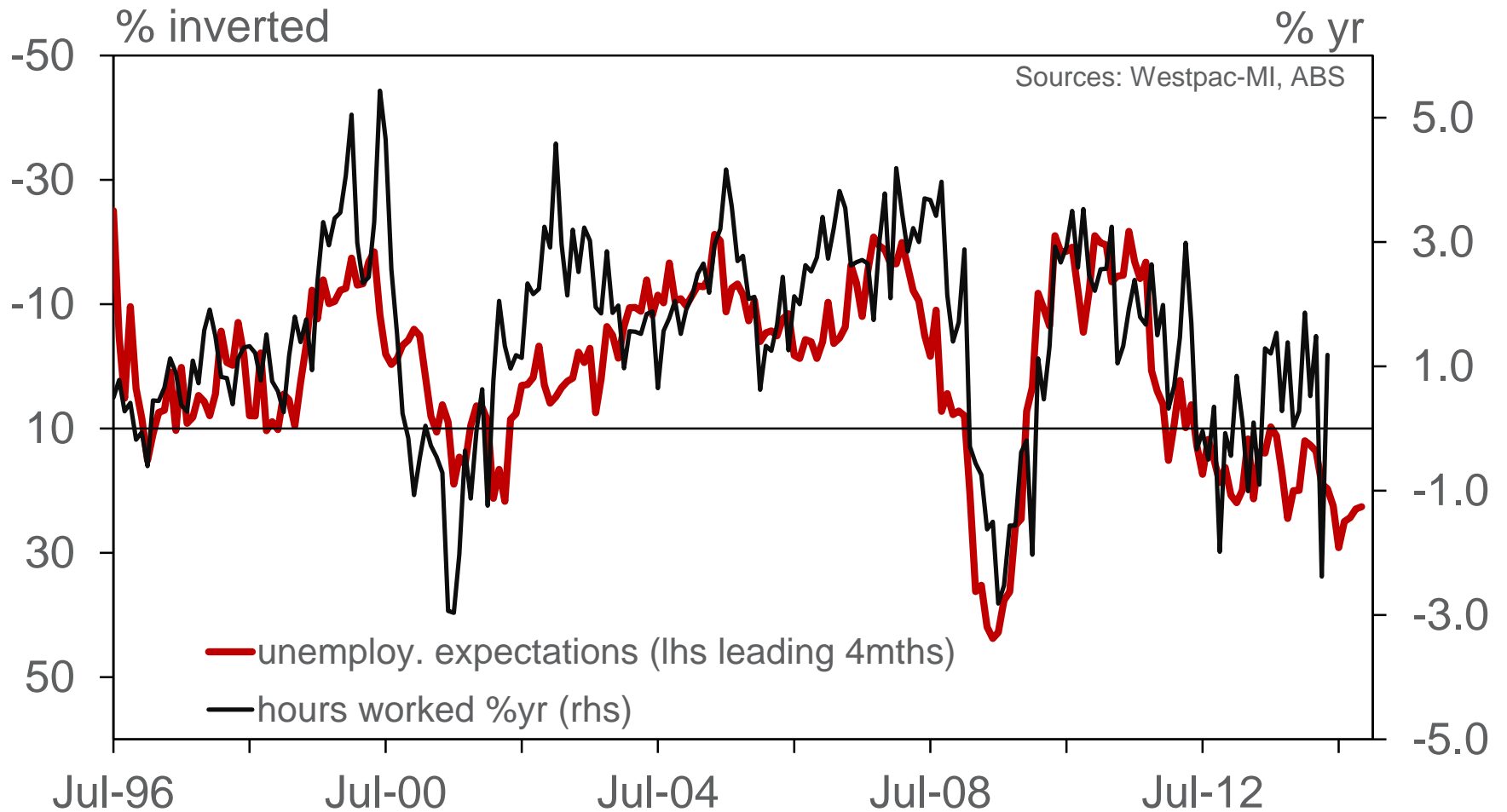
...but full-time employment leapt in early 2014...



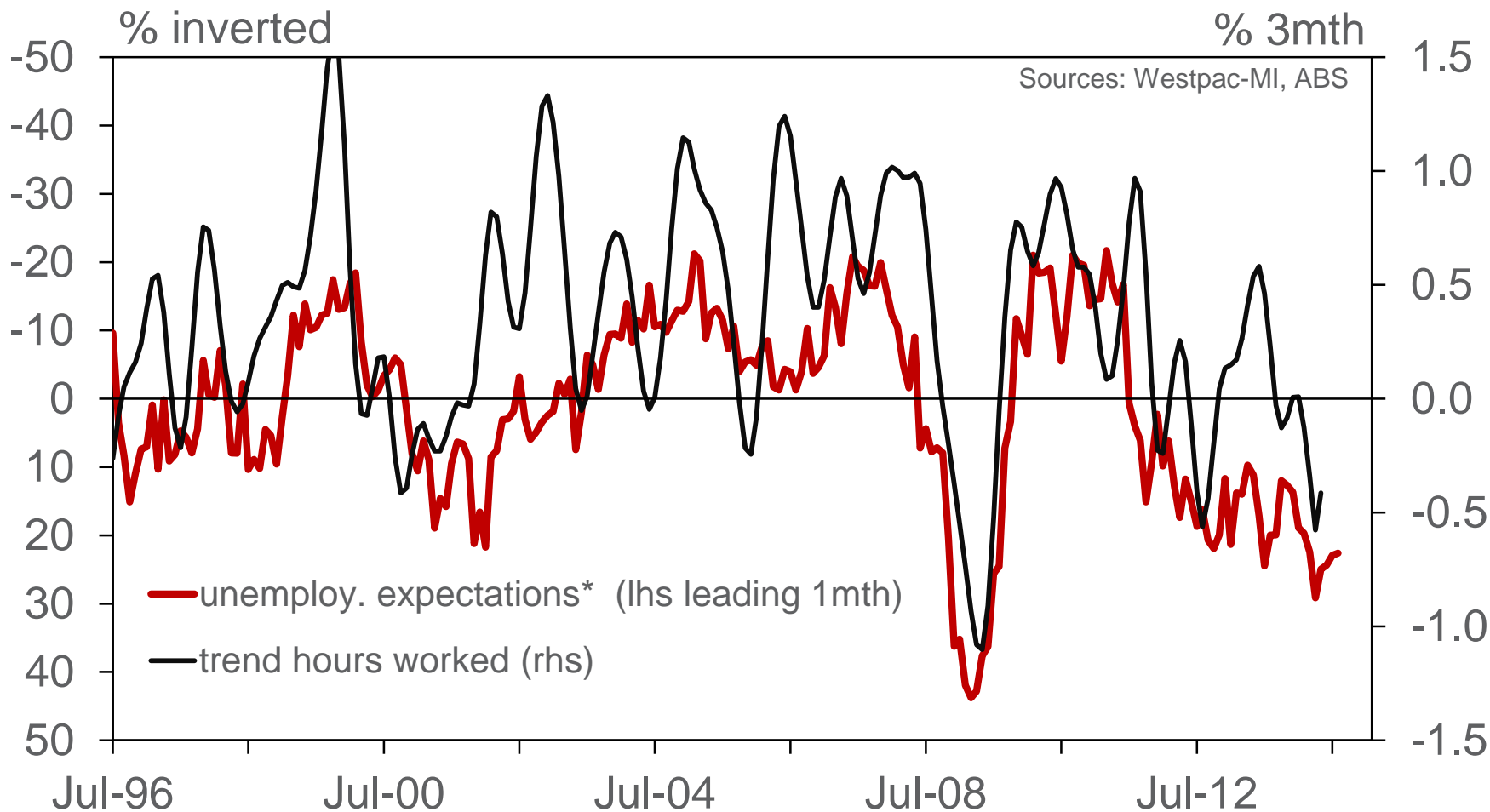
...leading a recovery in total employment.



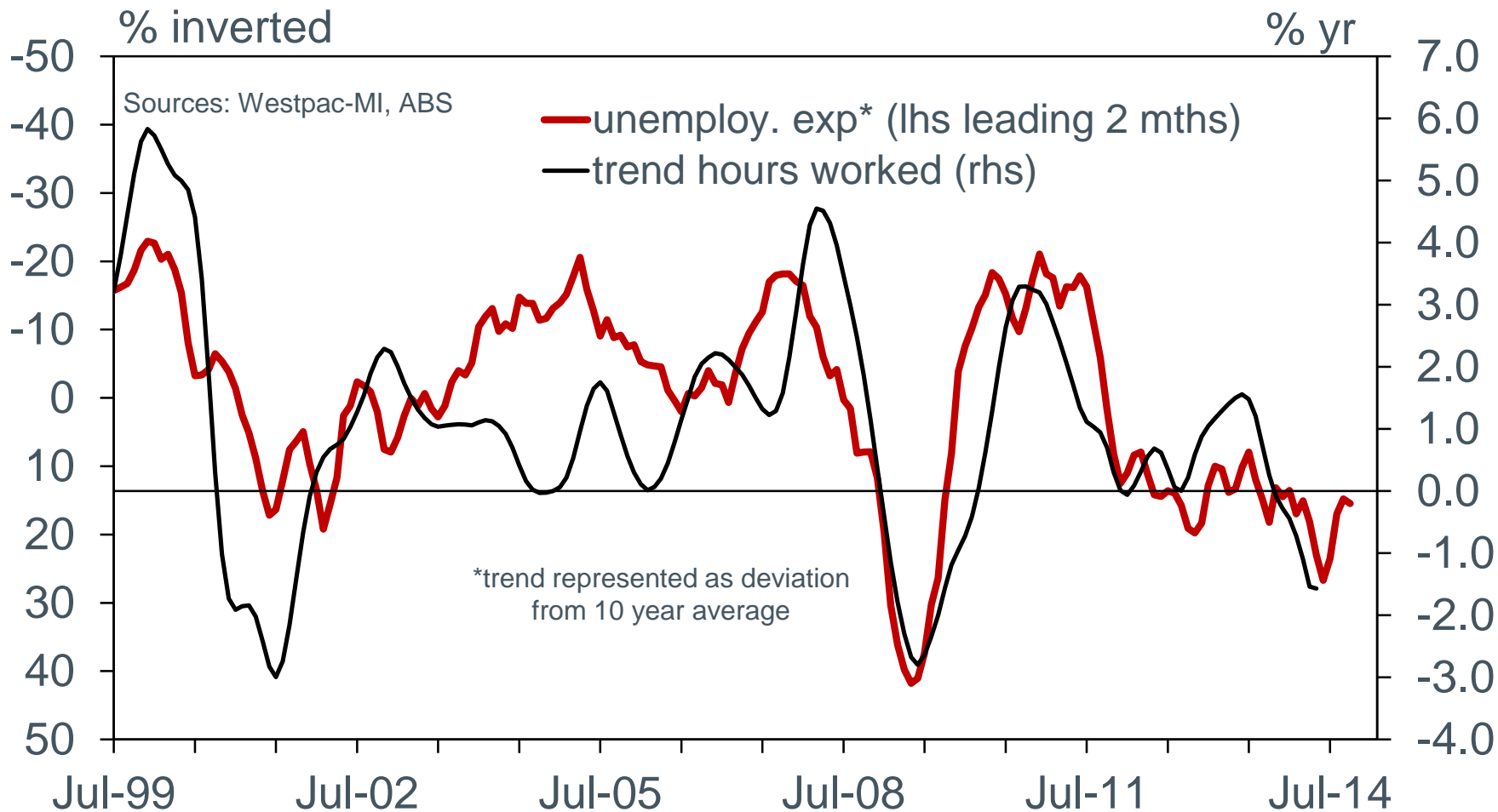
Hours worked collapsed as expectations weakened...



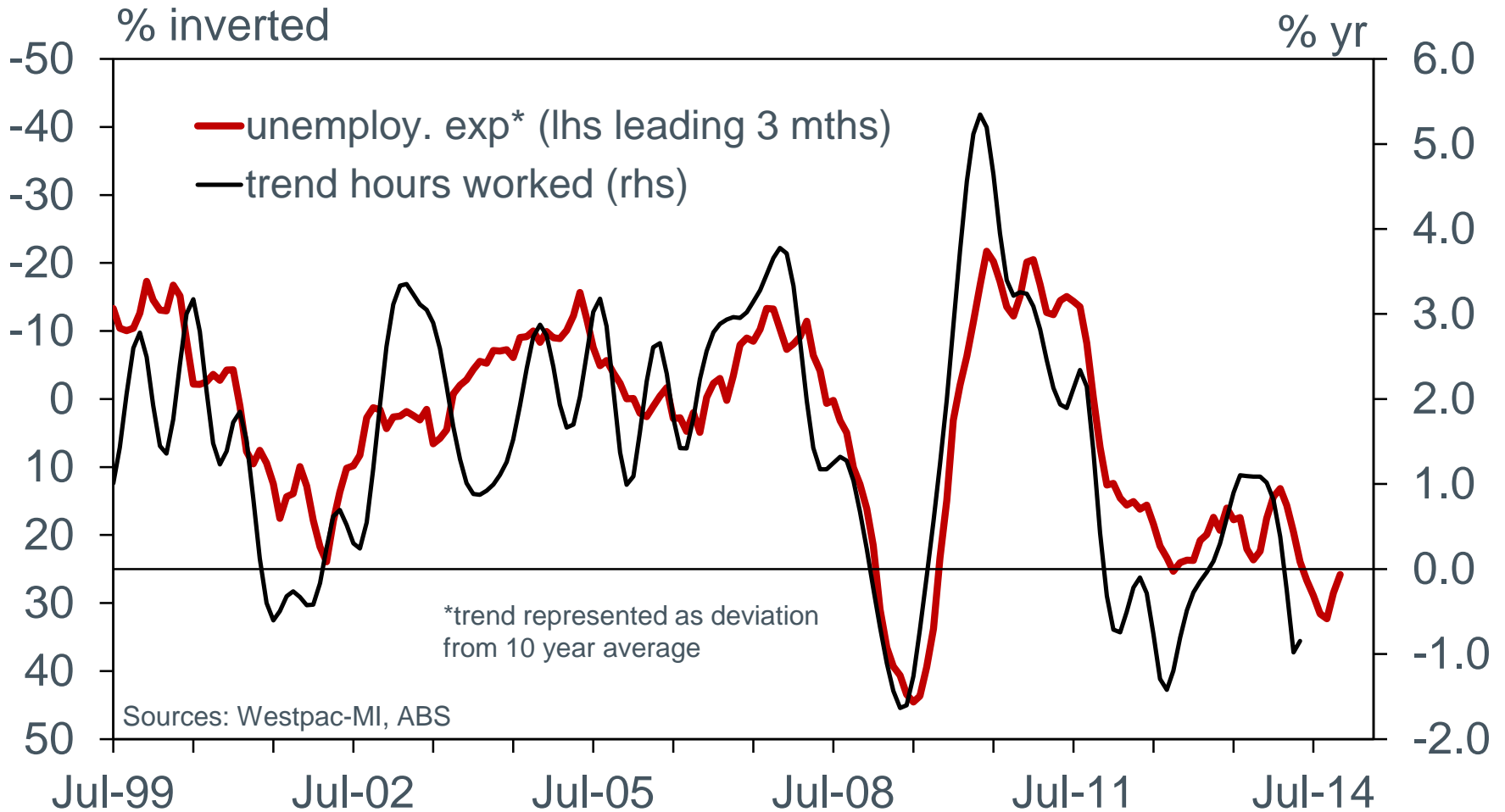
...and hours should remain weak for now.



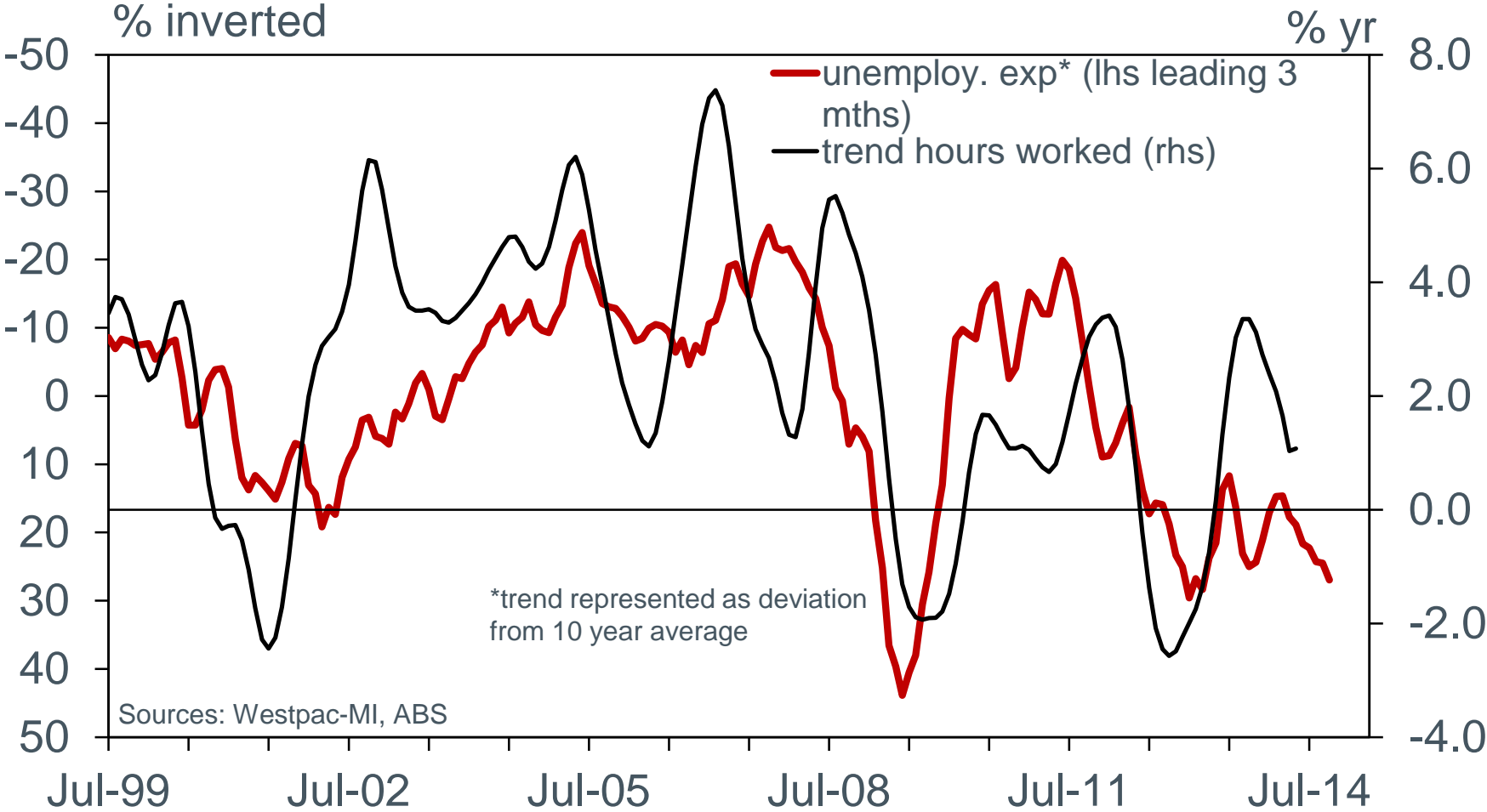
NSW hours worked fell as expect. suggested



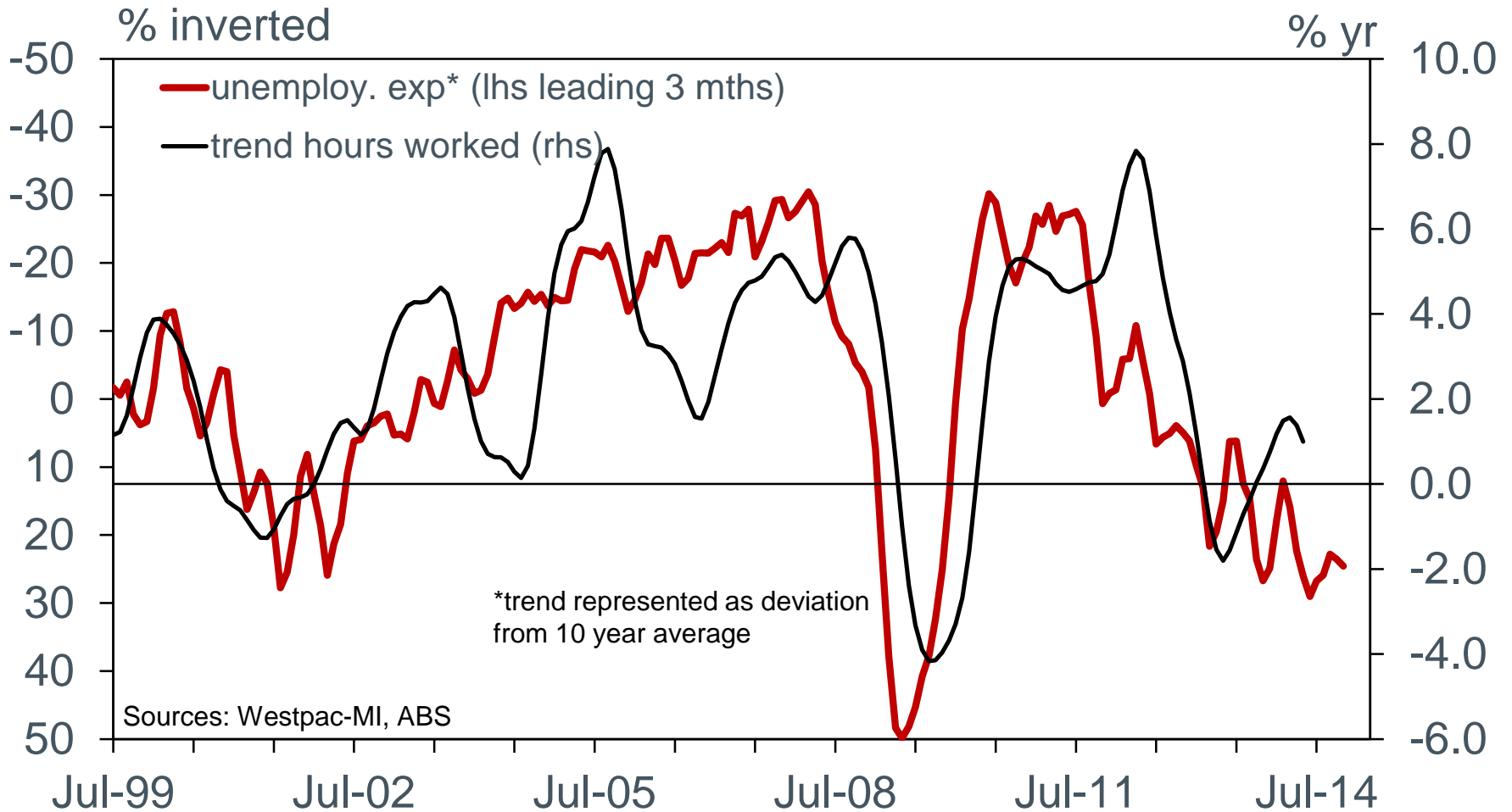
Vic expectations weak, hours collapsed



Old hours worked falling back to expect.



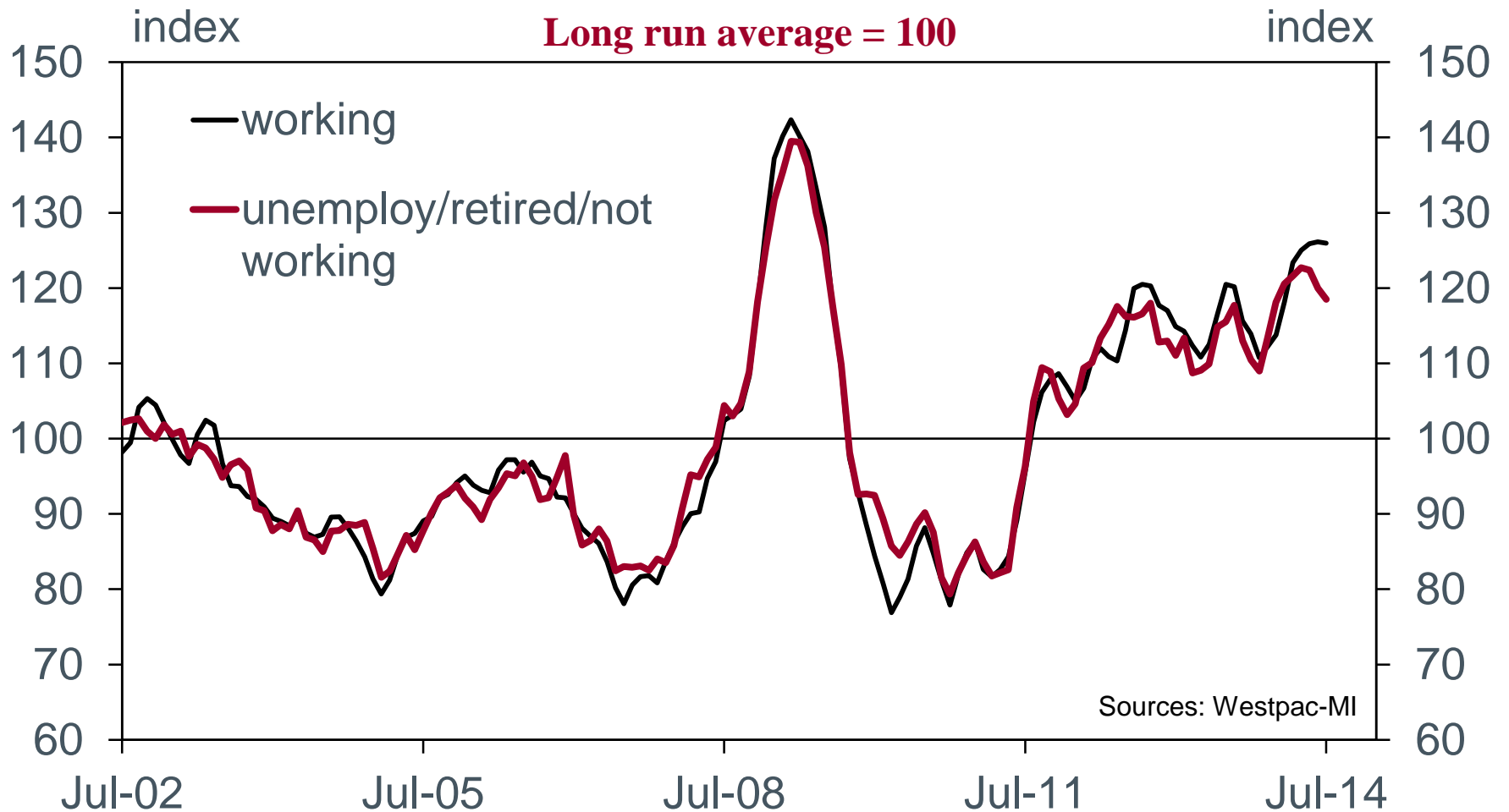
WA expectations point to fading hours worked



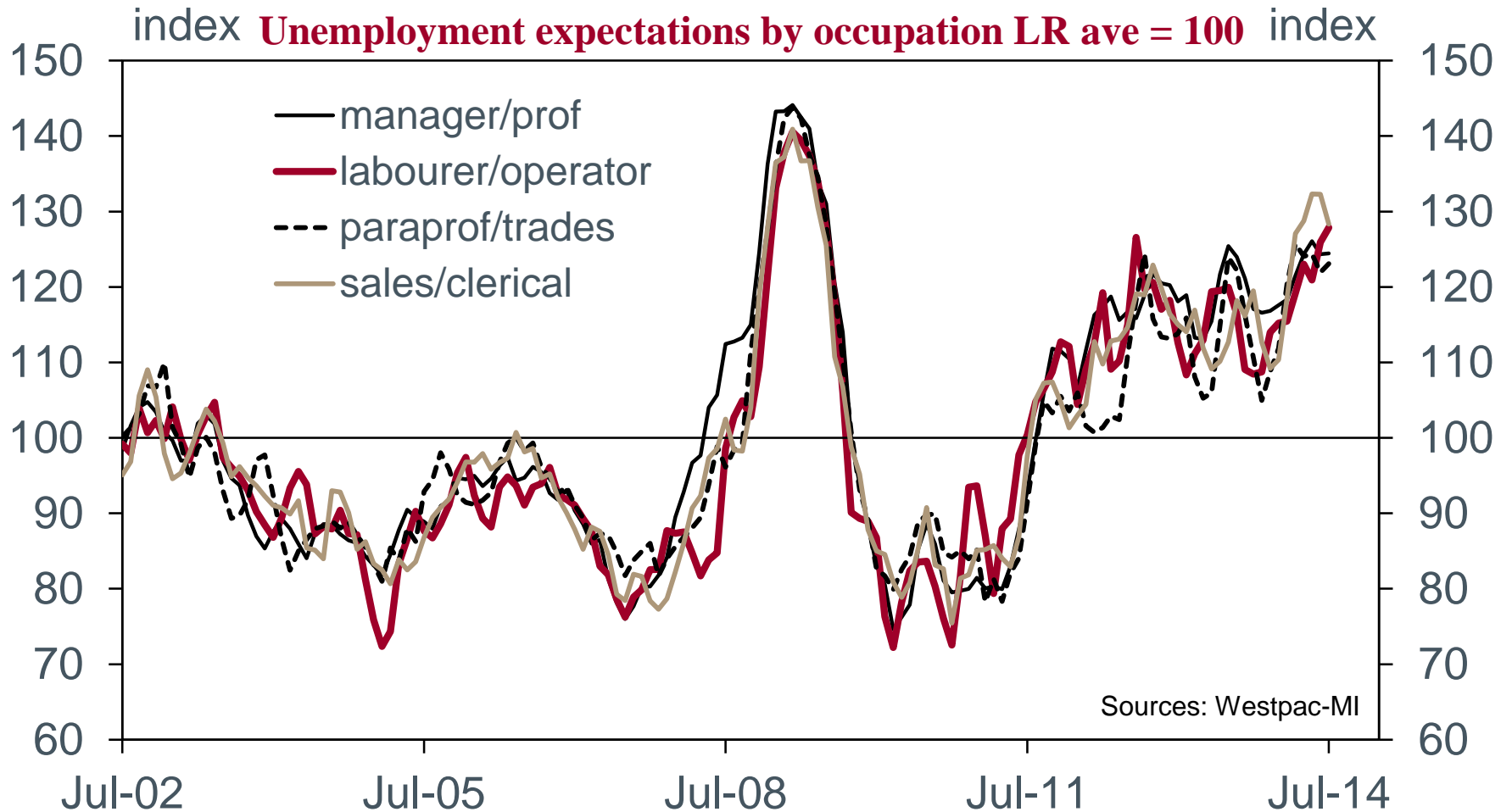
SA expect. weakening, hours trending down



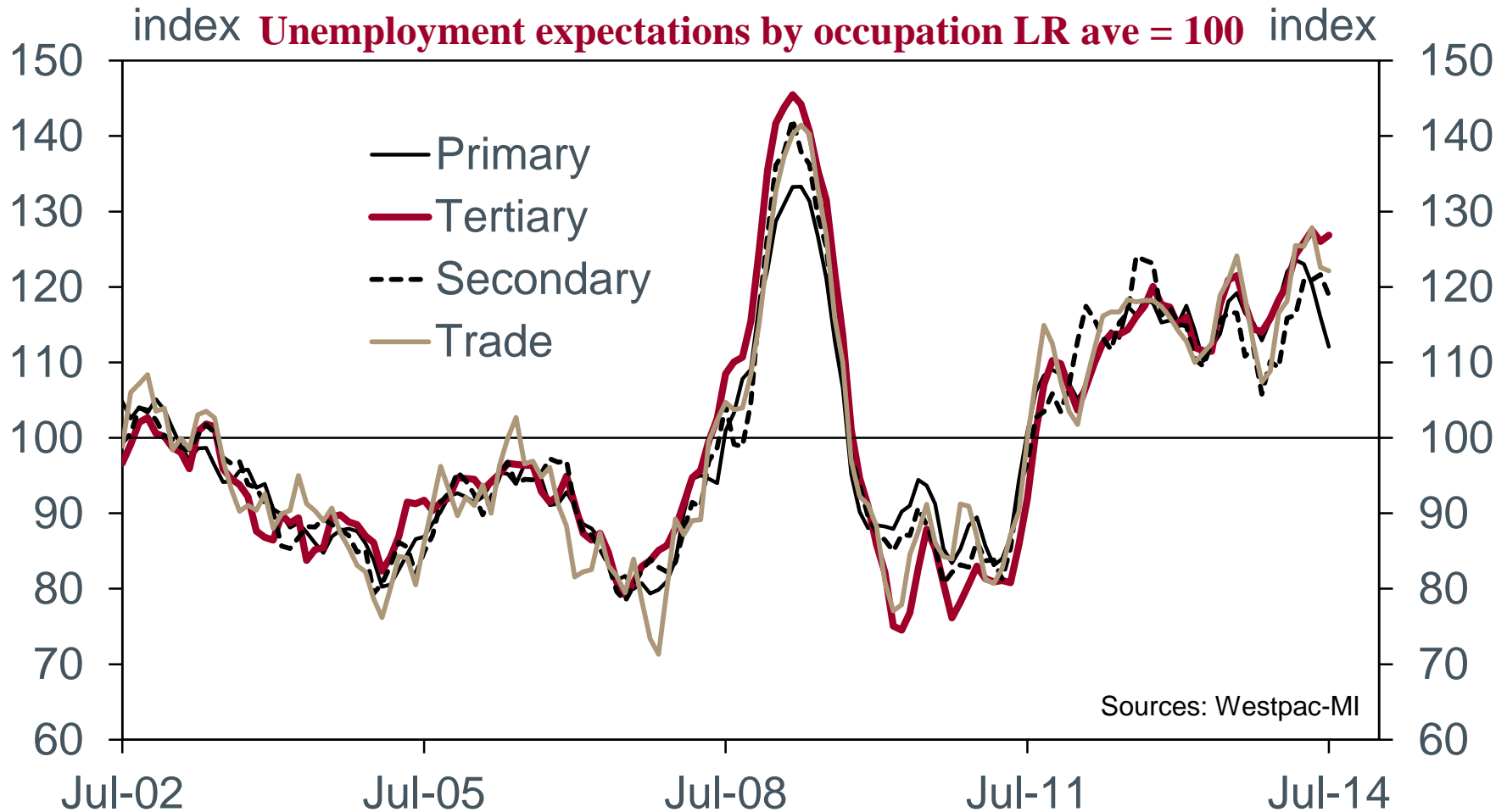
Those working slightly more worried



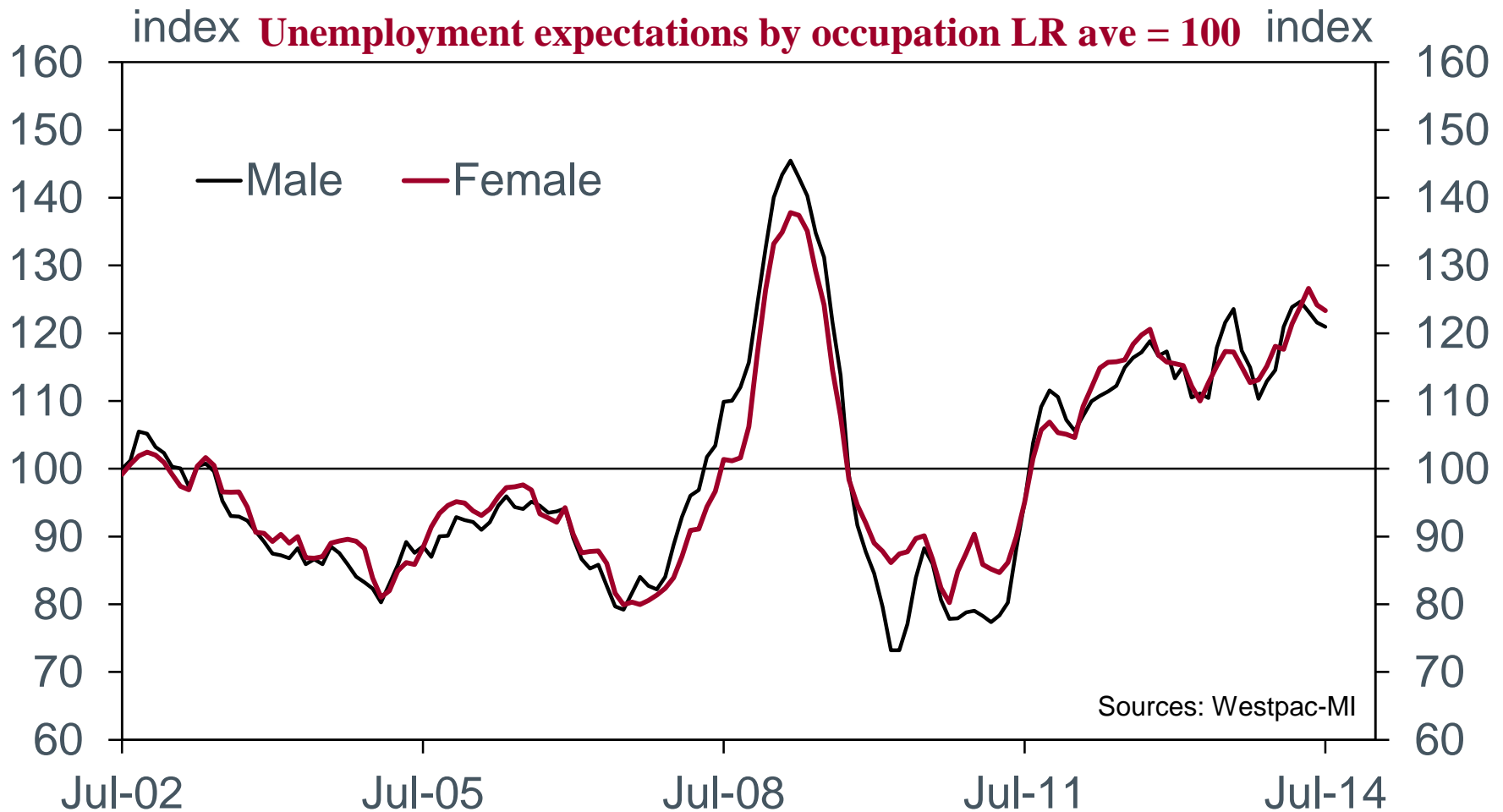
Sales/clerical significantly more worried...



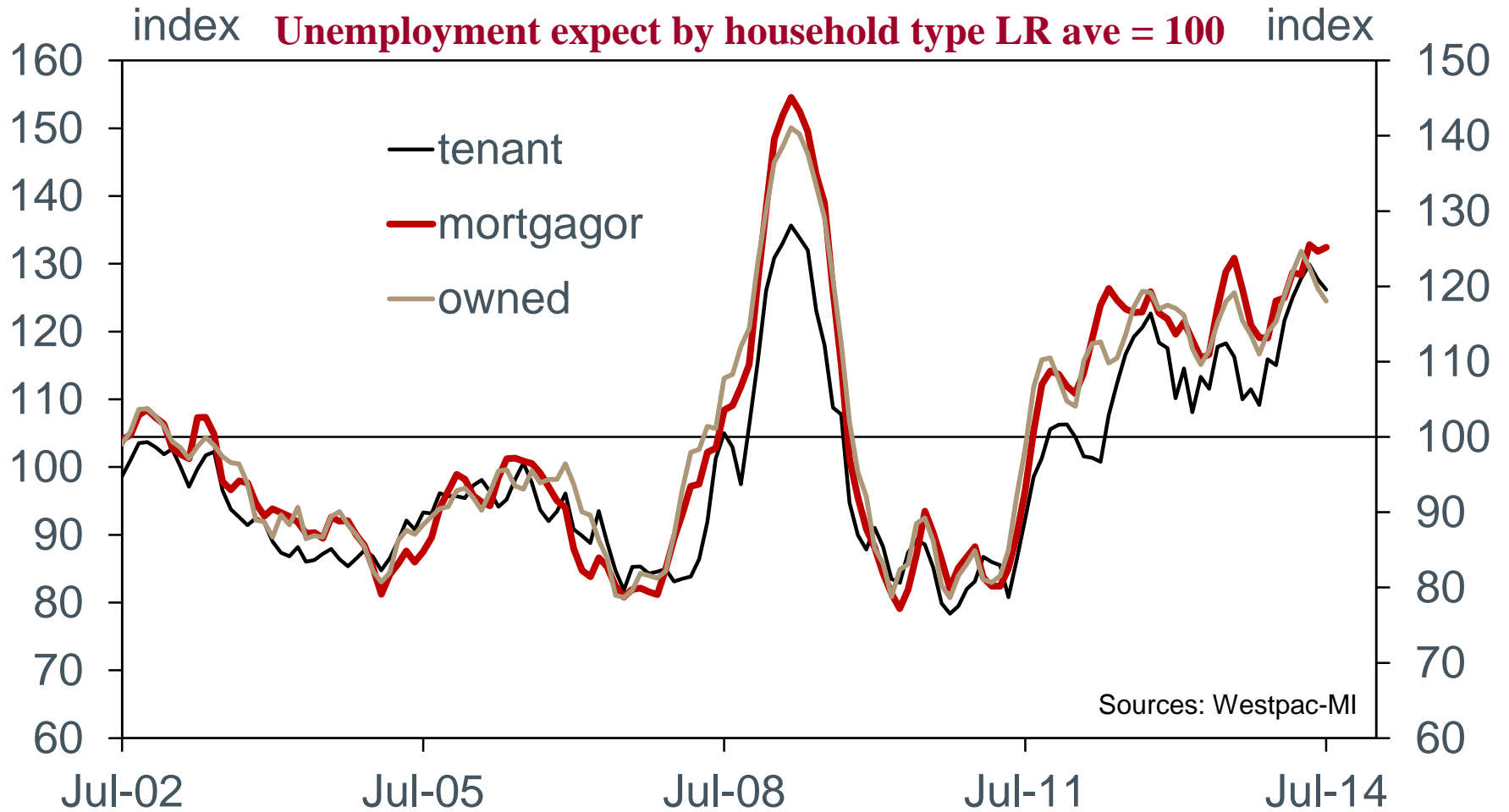
...as are those with tertiary qualifications...



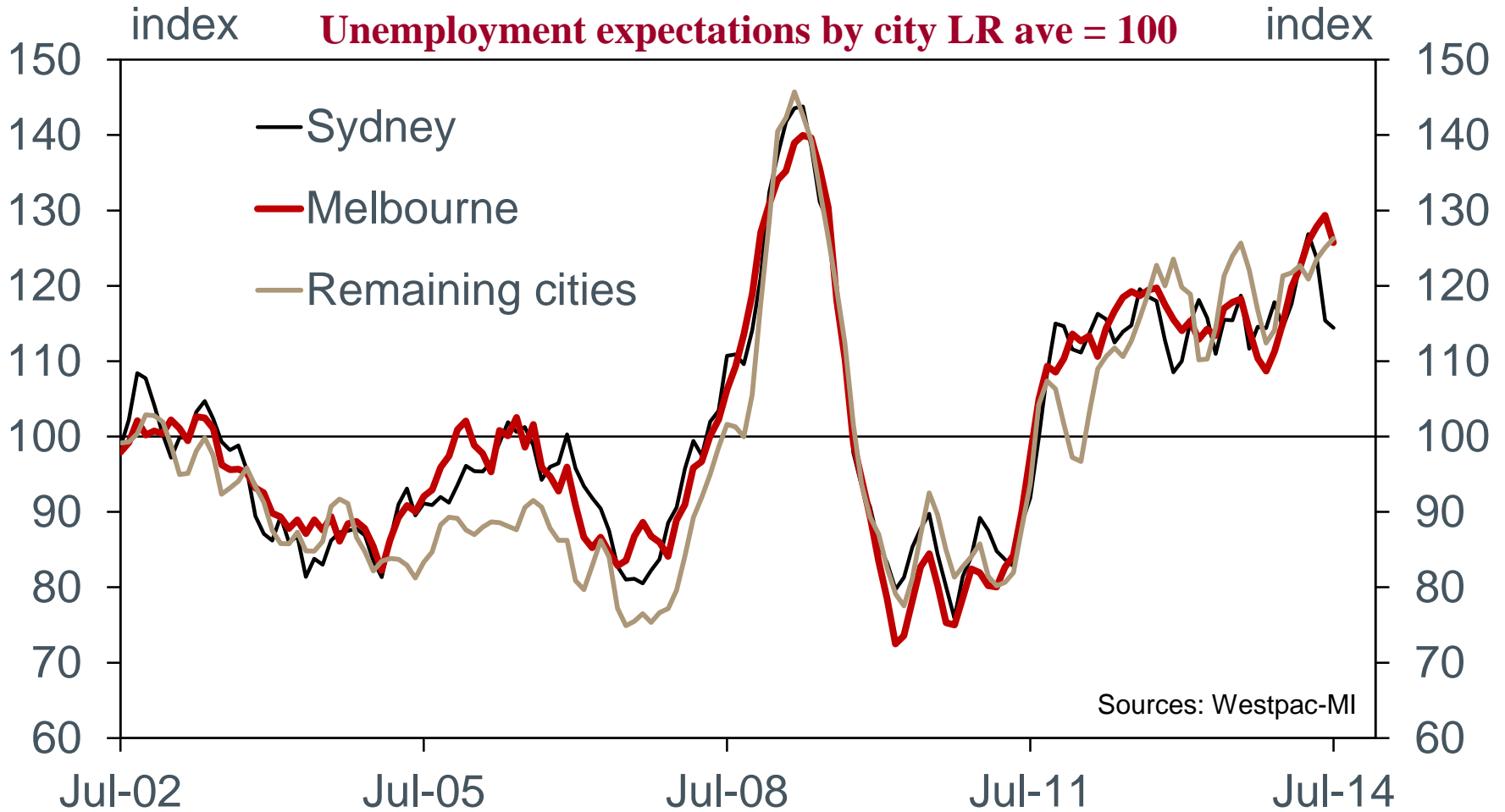
...and women are more concerned than men.



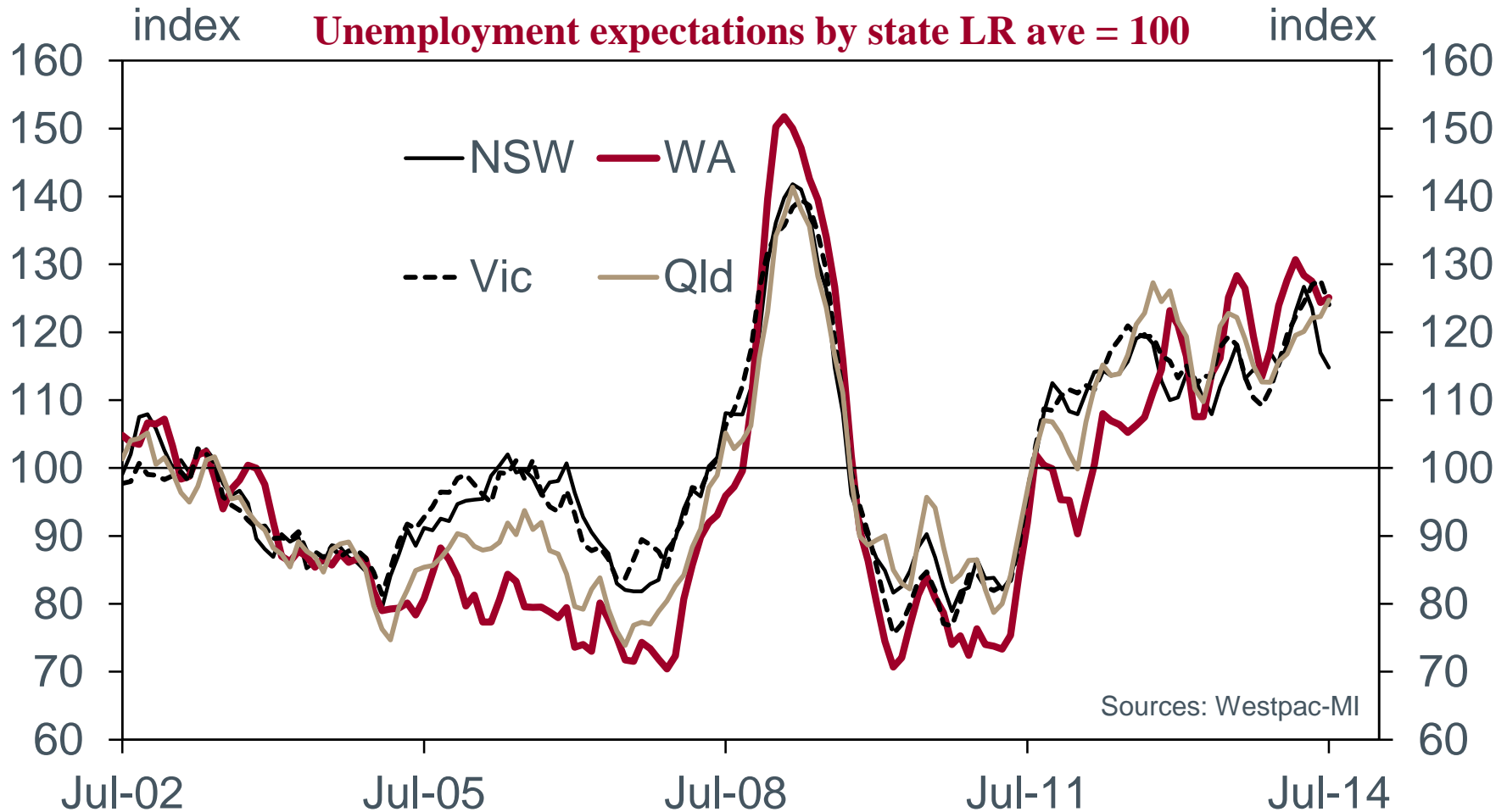
Those with mortgages are most worried



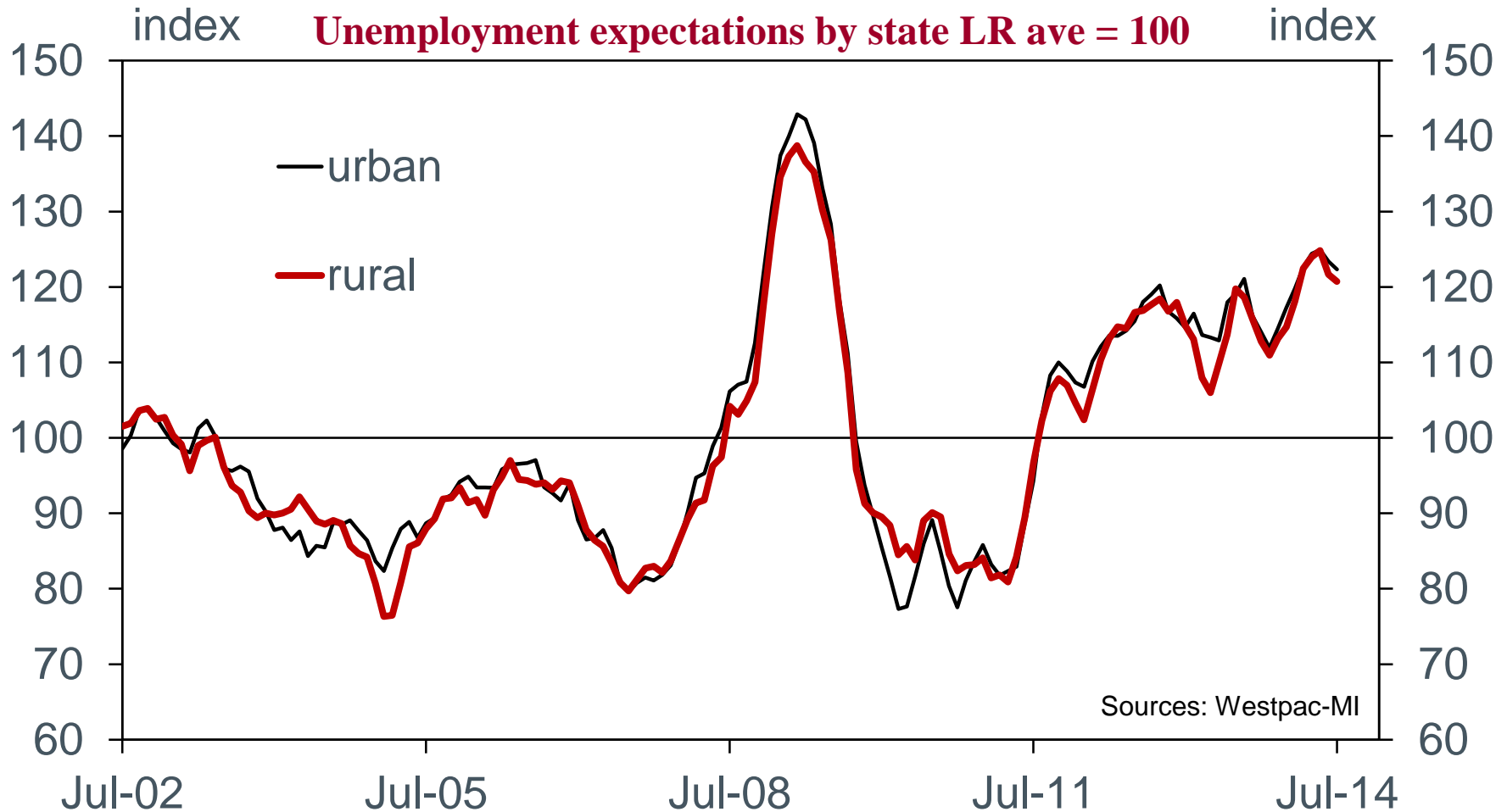
Sydneysiders are the least worried about jobs...



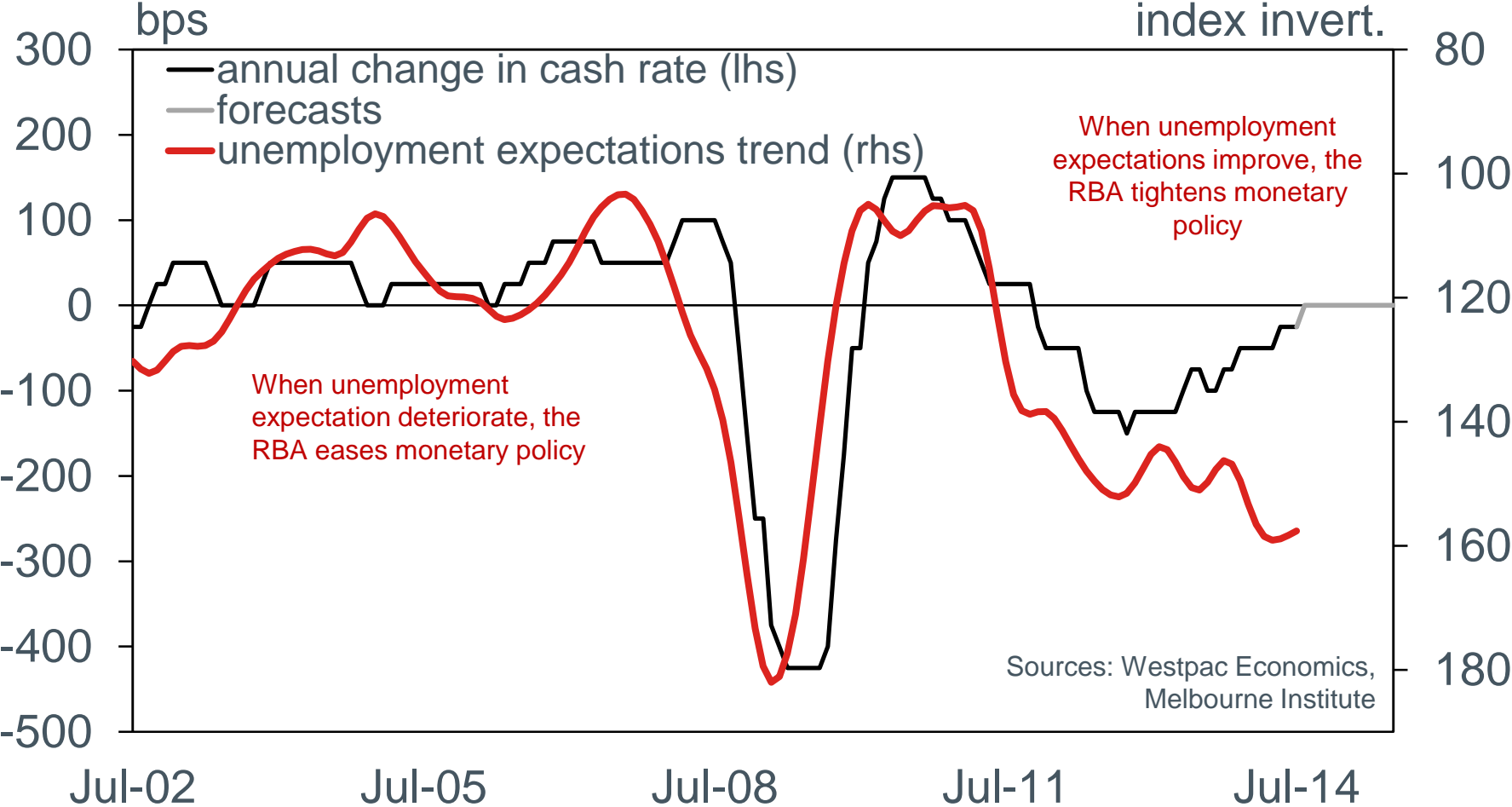
...but by state NSW is the most optimistic...



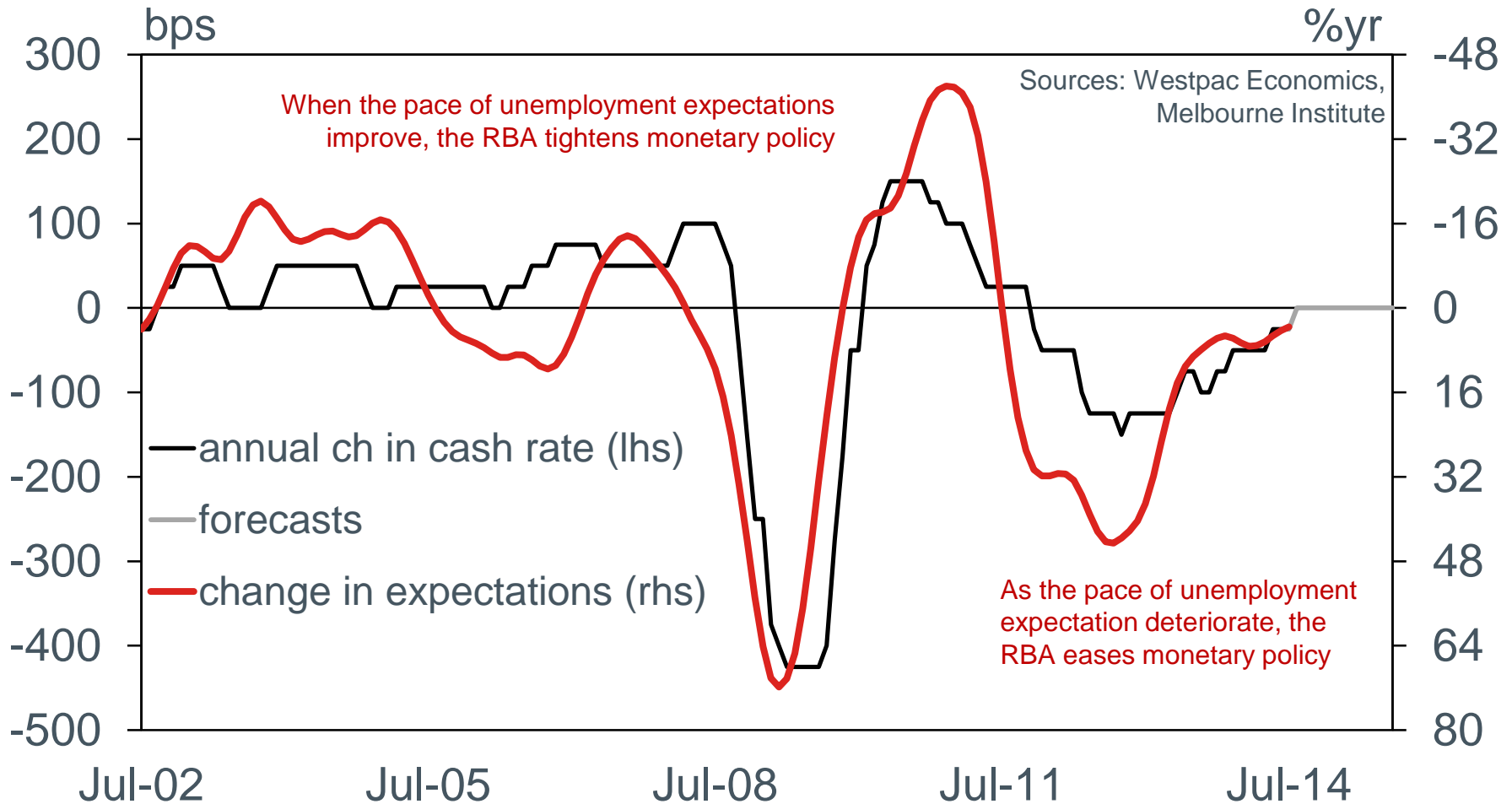
...but it is not a rural vs. urban story.



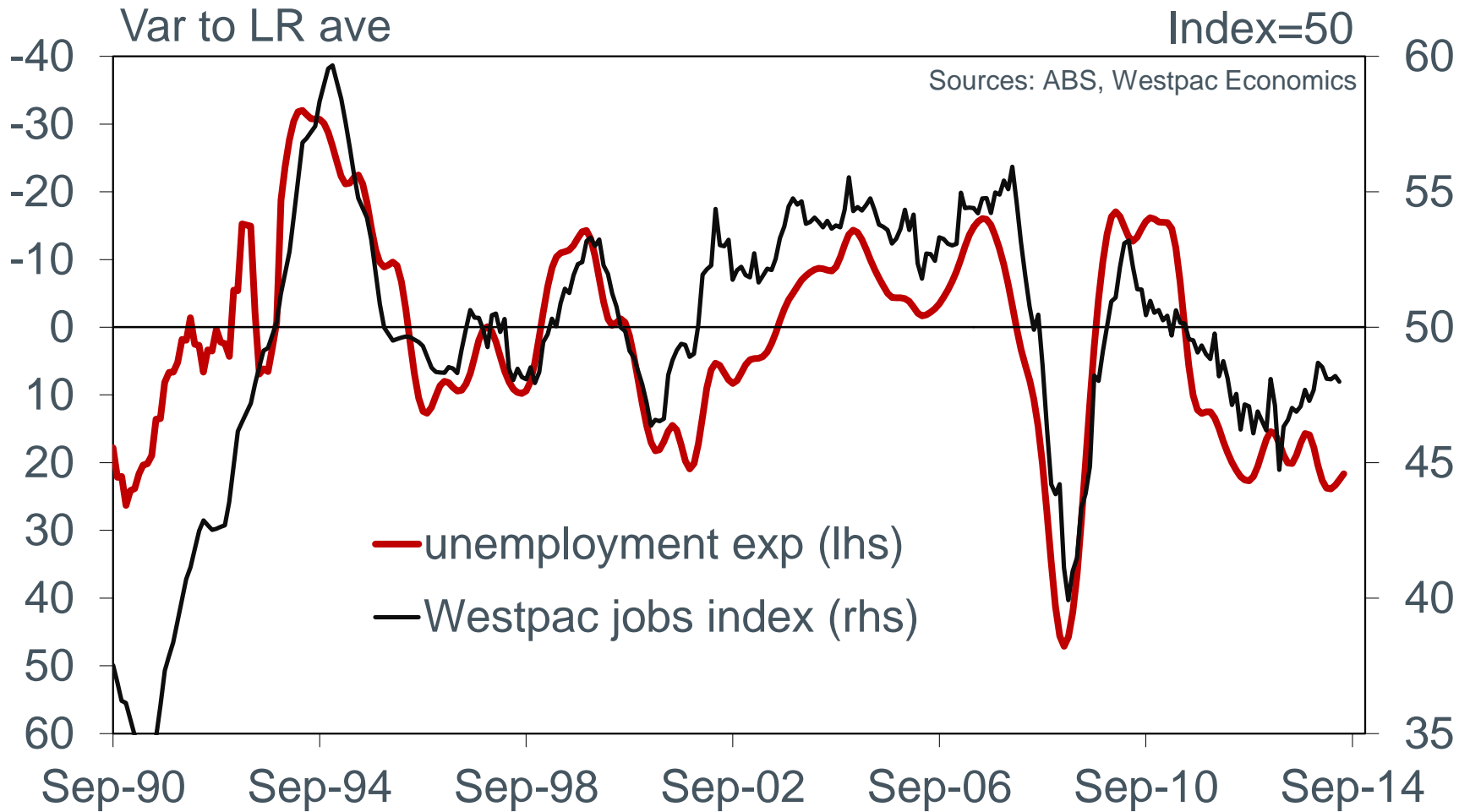
Job worries continue to point to low rates...



...but the pace of change is improving.



Jobs index suggests a turning point for exp.



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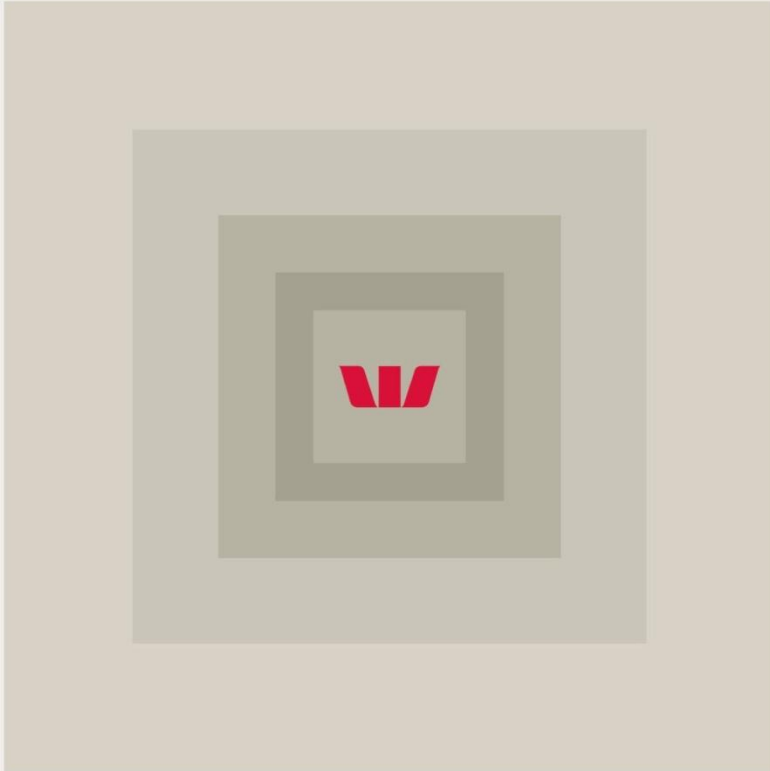
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