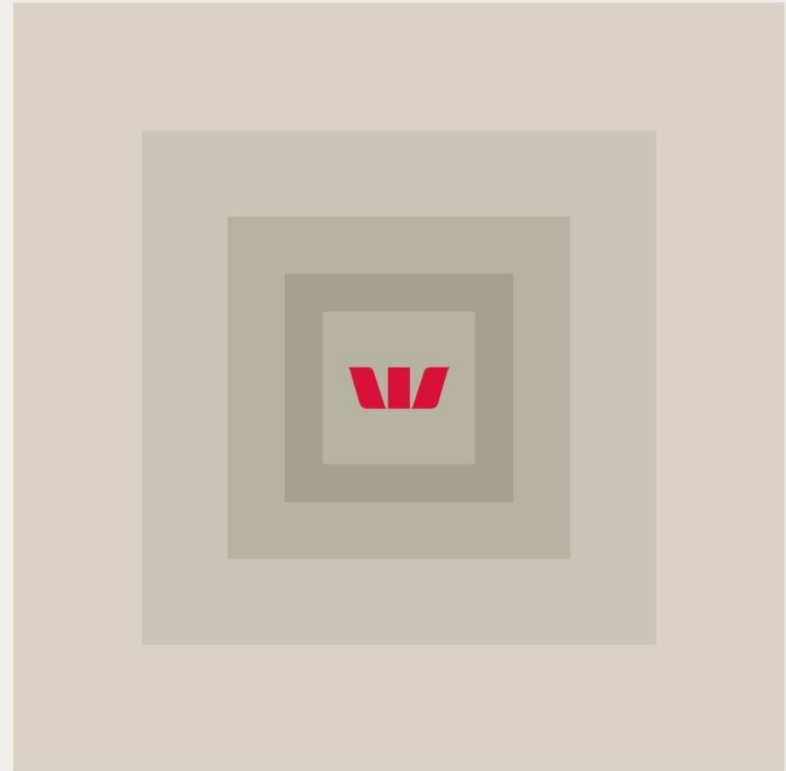


# Westpac Melbourne Institute Consumer Sentiment

Unemployment expectations  
chart pack.

**November 2014**



# Westpac – Melbourne Institute

## *Consumer unemployment expectations*

- The Westpac-Melbourne Institute Unemployment Expectations Index rose 2.7% in Nov, following on from a 3.9% fall in Oct which was the largest monthly fall in just over a year. Recall that a lower (higher) reading from the index indicates reduced (increased) concern around the labour market.
- The index is now 7.2% below the Mar peak. In trend terms, the index fell -0.9% in Nov following on from a 0.3% gain in Oct and a -1.6% fall in Sept. We are seeing a trend improvement in unemployment expectations.
- In the year to Nov, unemployment expectations are 5.5% higher than a year earlier, a moderation from 8.5%yr in Sep. So while the ABS has reported a modest rise in the unemployment, from 6.0% to 6.2% this year, in terms of momentum households suggest we are past the worst and are expecting it to improve from here. We do caution, however, that the apparent trend peaks in 2012 and 2013 ultimately proved to be false, or unsustainable, turning points.

**Institutional  
Bank**

# Westpac-Melbourne Institute

## *Consumer unemployment expectations (cont)*

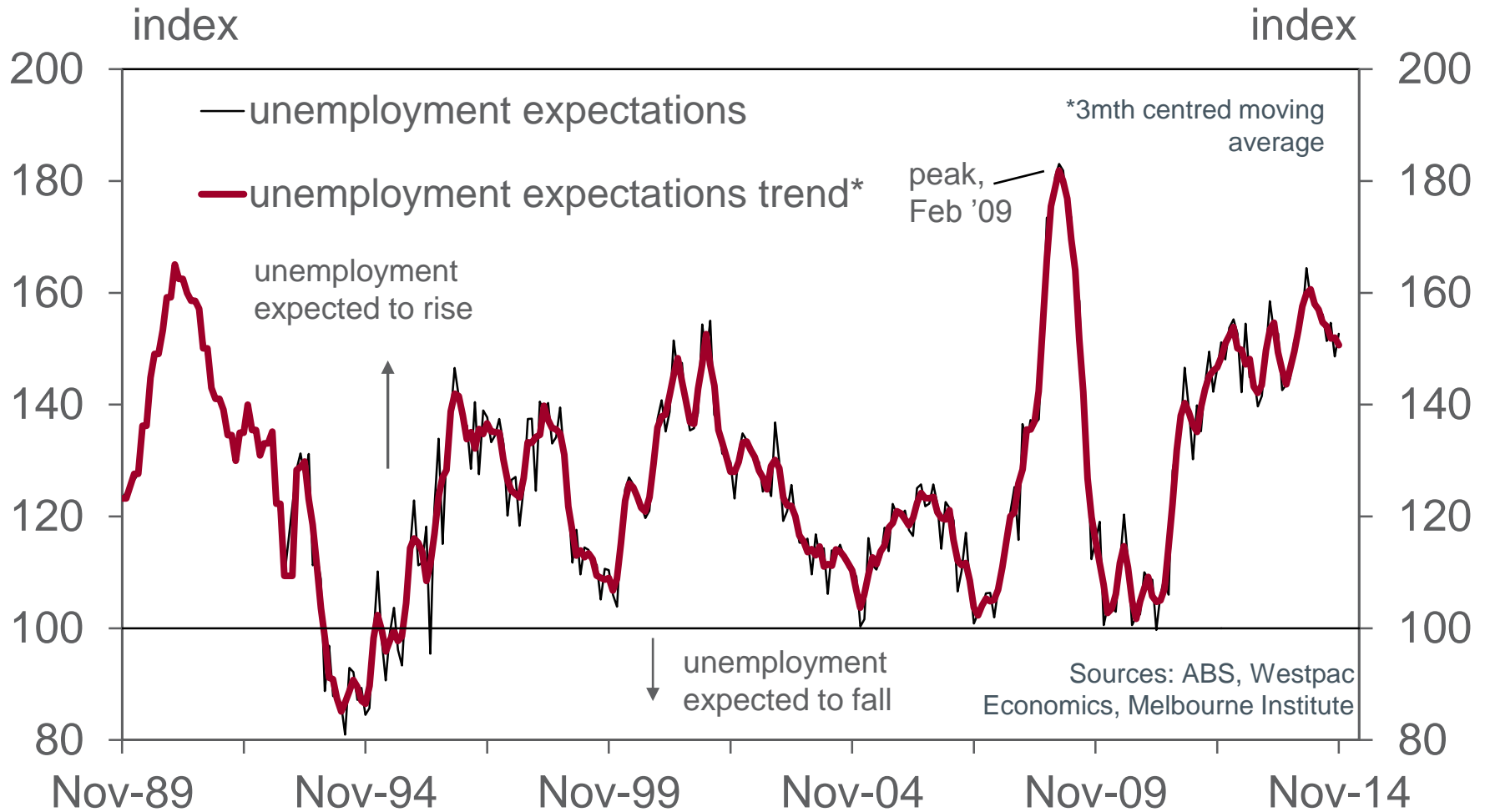
- What is different this time is that the business surveys continue to suggest a modest improvement in labour demand. The survey did dip a touch in Oct but if the positive trend continues to unfold, then this would be a more genuine turning point. As such, this watching the various labour market indicators with some interest.
- This month we take a closer look at unemployment expectations relative to hours worked. Hours worked have been running ahead of what expectations suggest they should be.
- But when you break it down to the state level, and interesting picture emerges. In NSW hours are tracking expectations while in Vic and Qld, the overshoot has been corrected. It is now WA and SA, where hours are significantly running ahead of expectations, where you find the most significant deviation.

# Westpac-Melbourne Institute

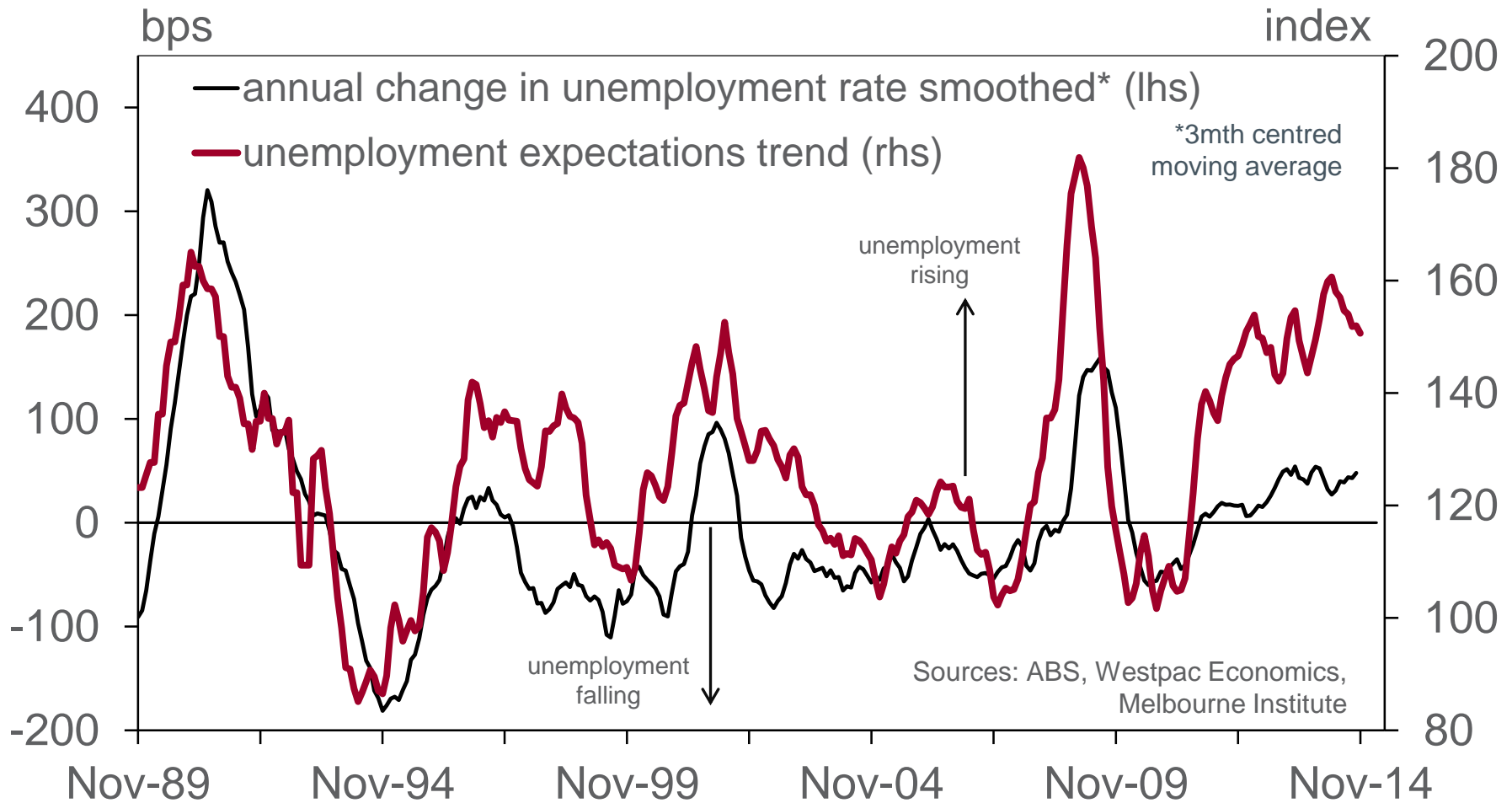
## *Consumer unemployment expectations (cont)*

- Unemployment expectations by state are converging except in Qld where they have been stickier and are now relatively higher than the others.
- Expectations of sales & clerical employees have improved the most since their May peak while we have seen a large jump in expectations since Aug for those with primary education.
- The level of unemployment expectations are still very high which remains a disinflationary force on the economy. But what we have found is that it is the change in expectations, rather than the level, that is more important guide to any possible changes in the stance of monetary policy. The recent trend improvement in expectations is consistent with rates remaining on hold.

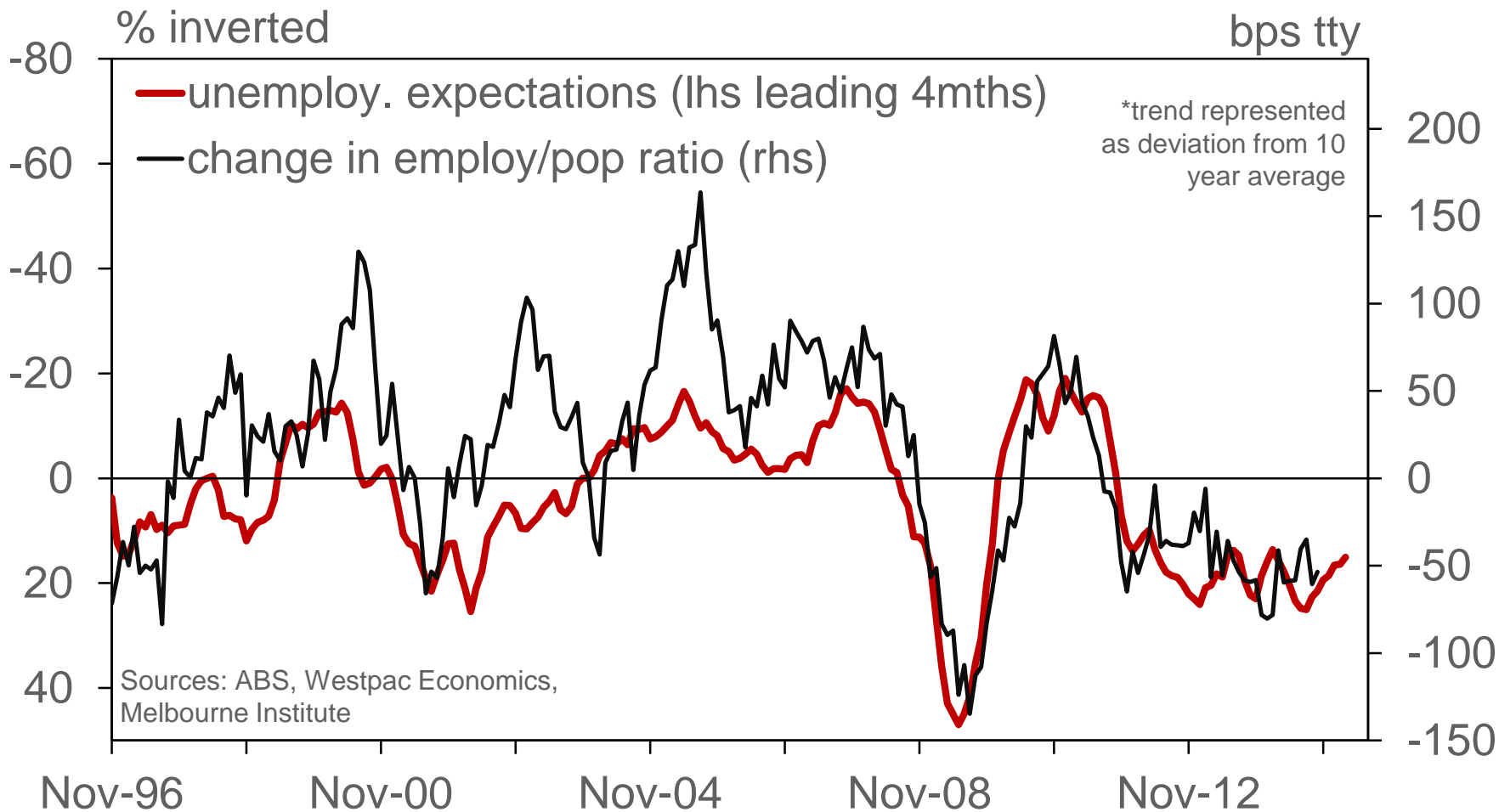
# A further decline in expectations ...



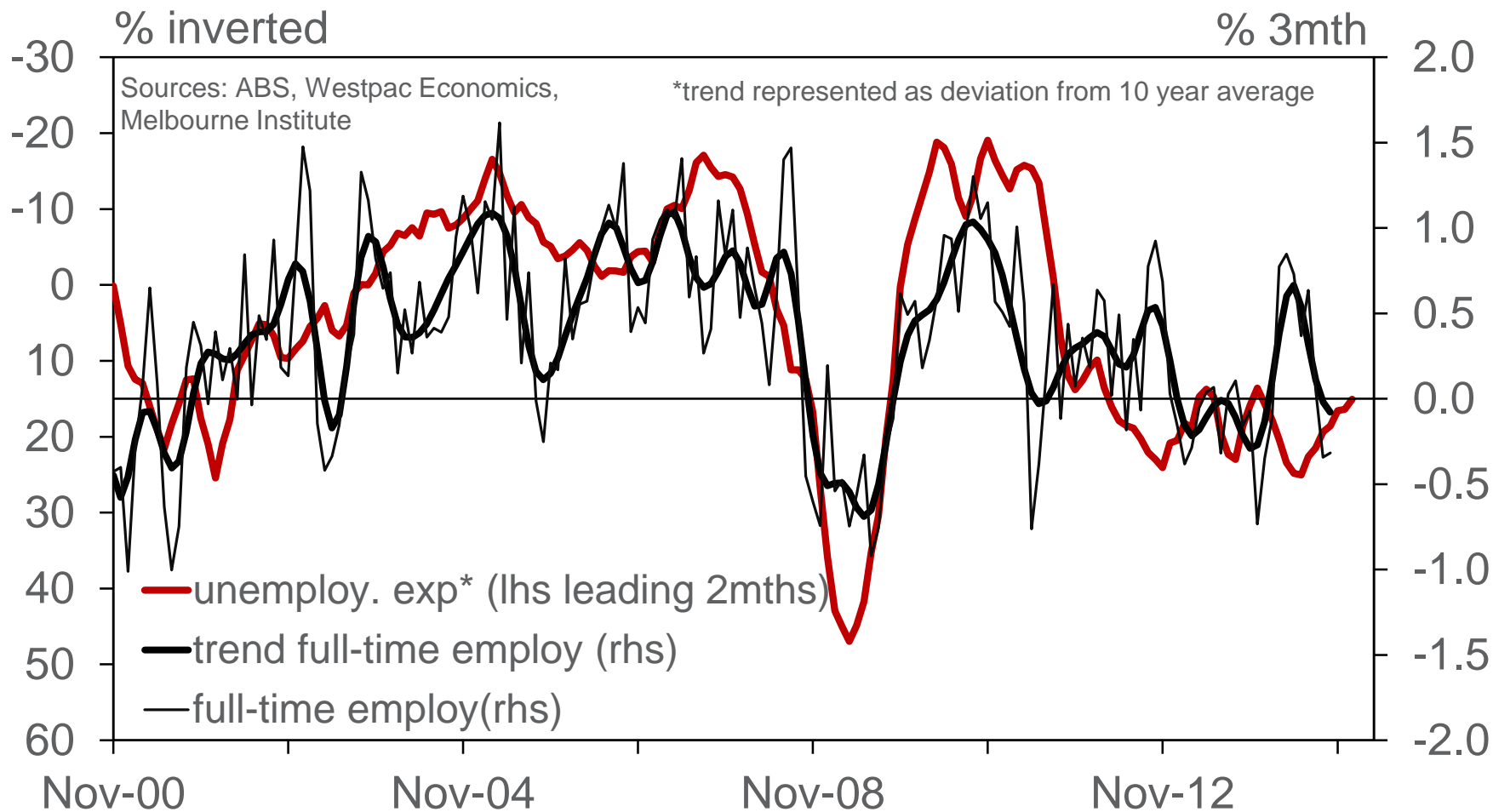
# ...but the level remains very high.



# Employment lagging population growth ...

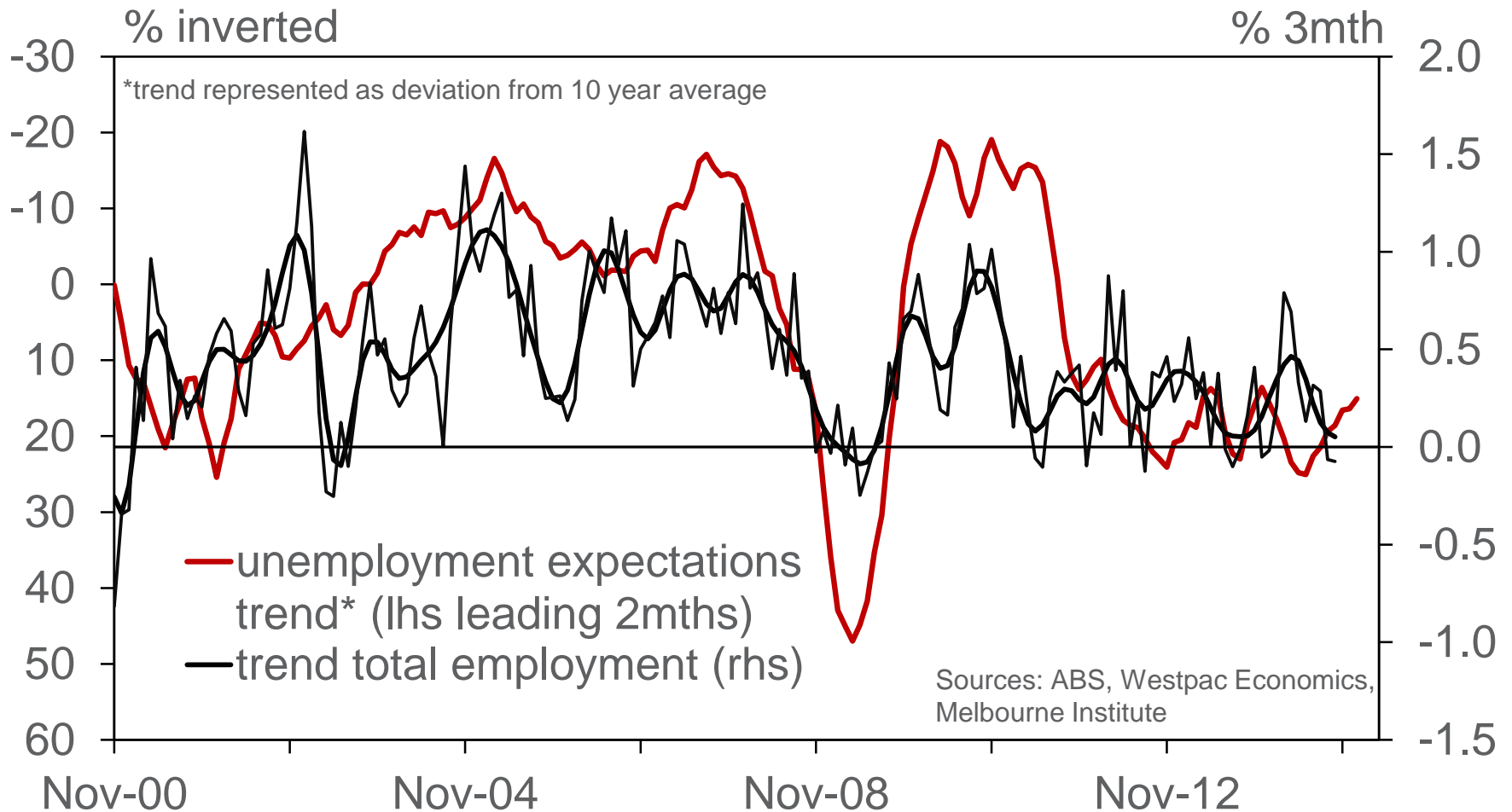


# ... as full-time employment eased back ...





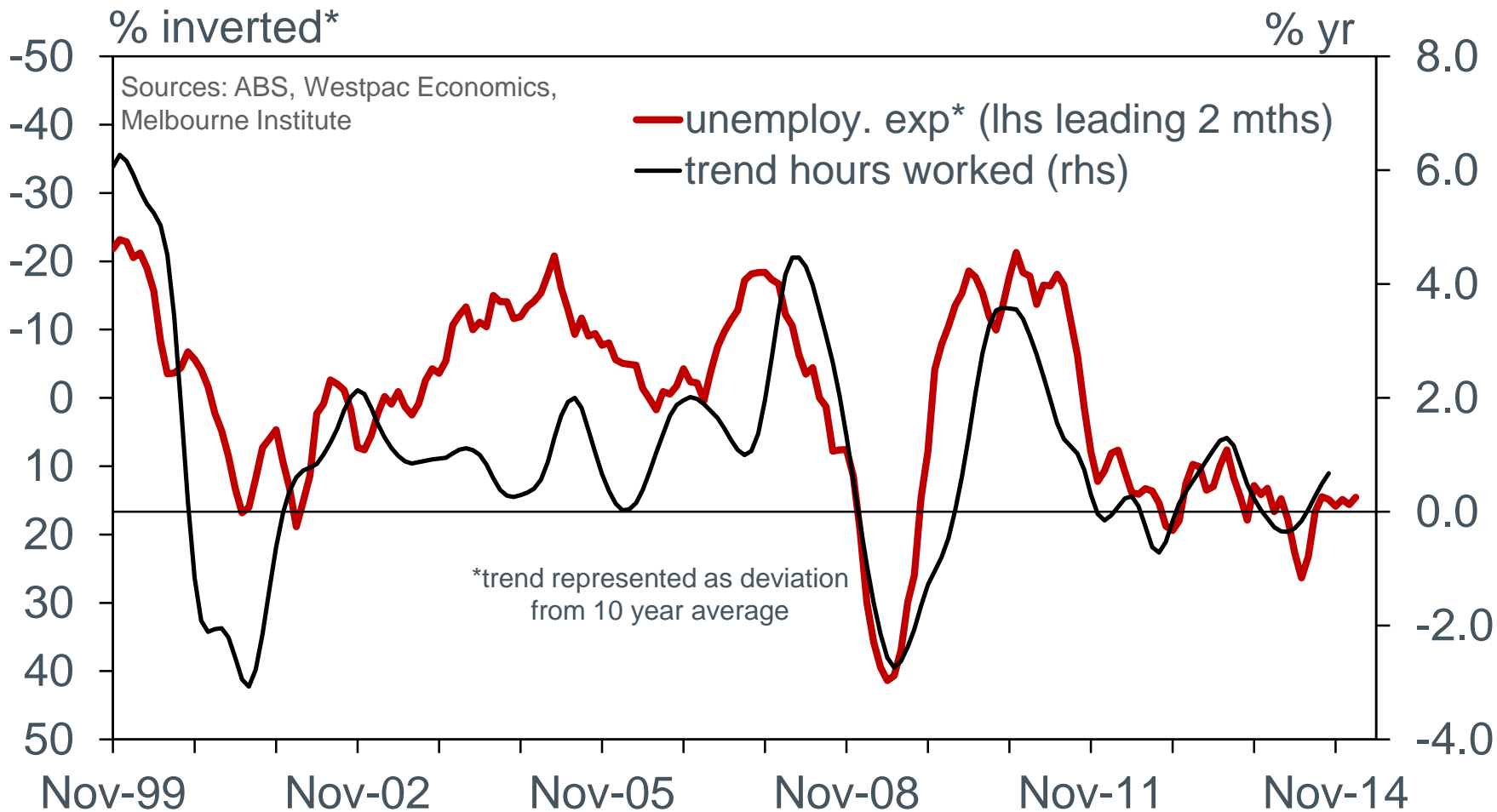
# ...& expectations continue to improve.



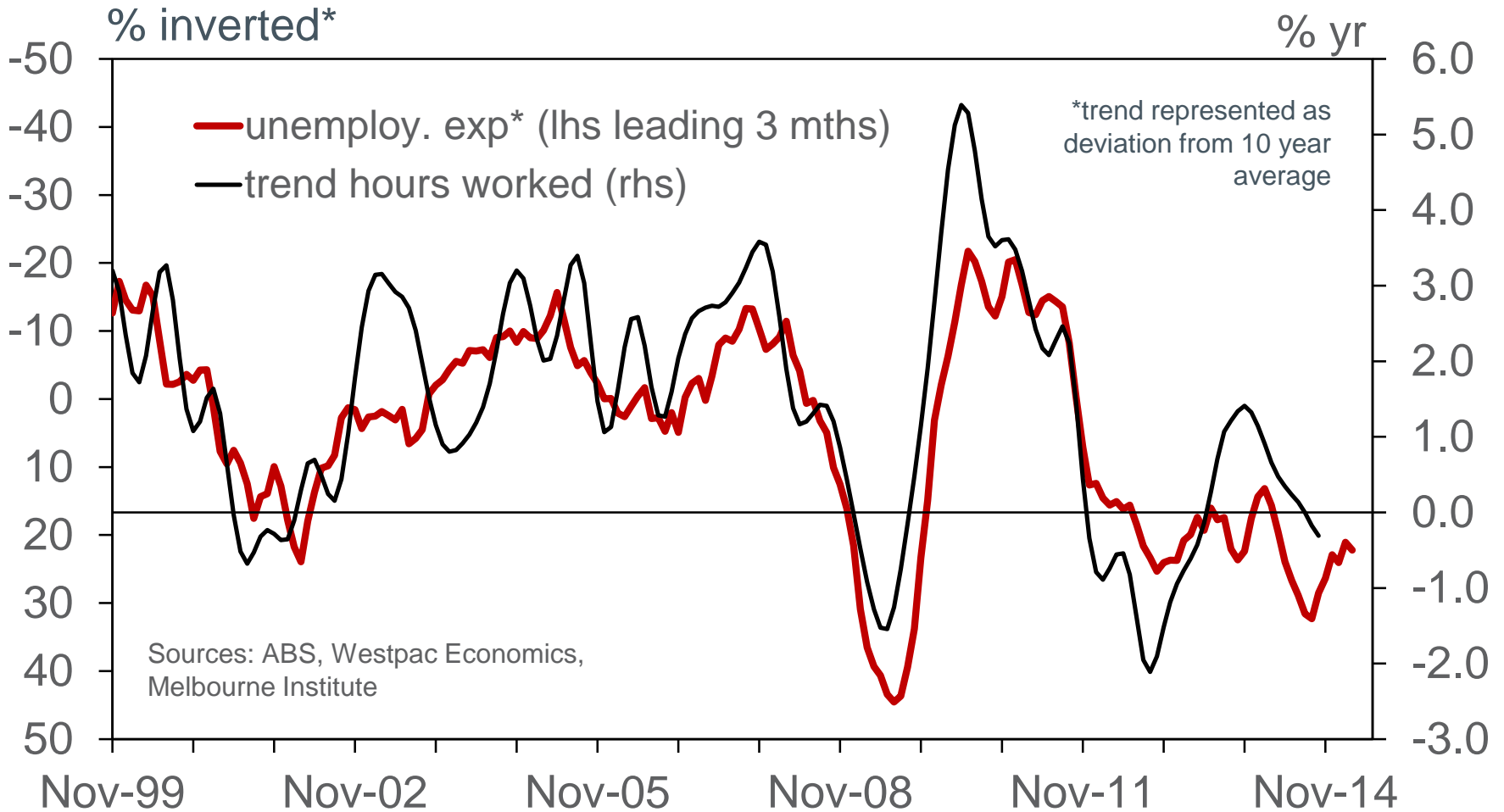
# Hours worked running ahead of expectations



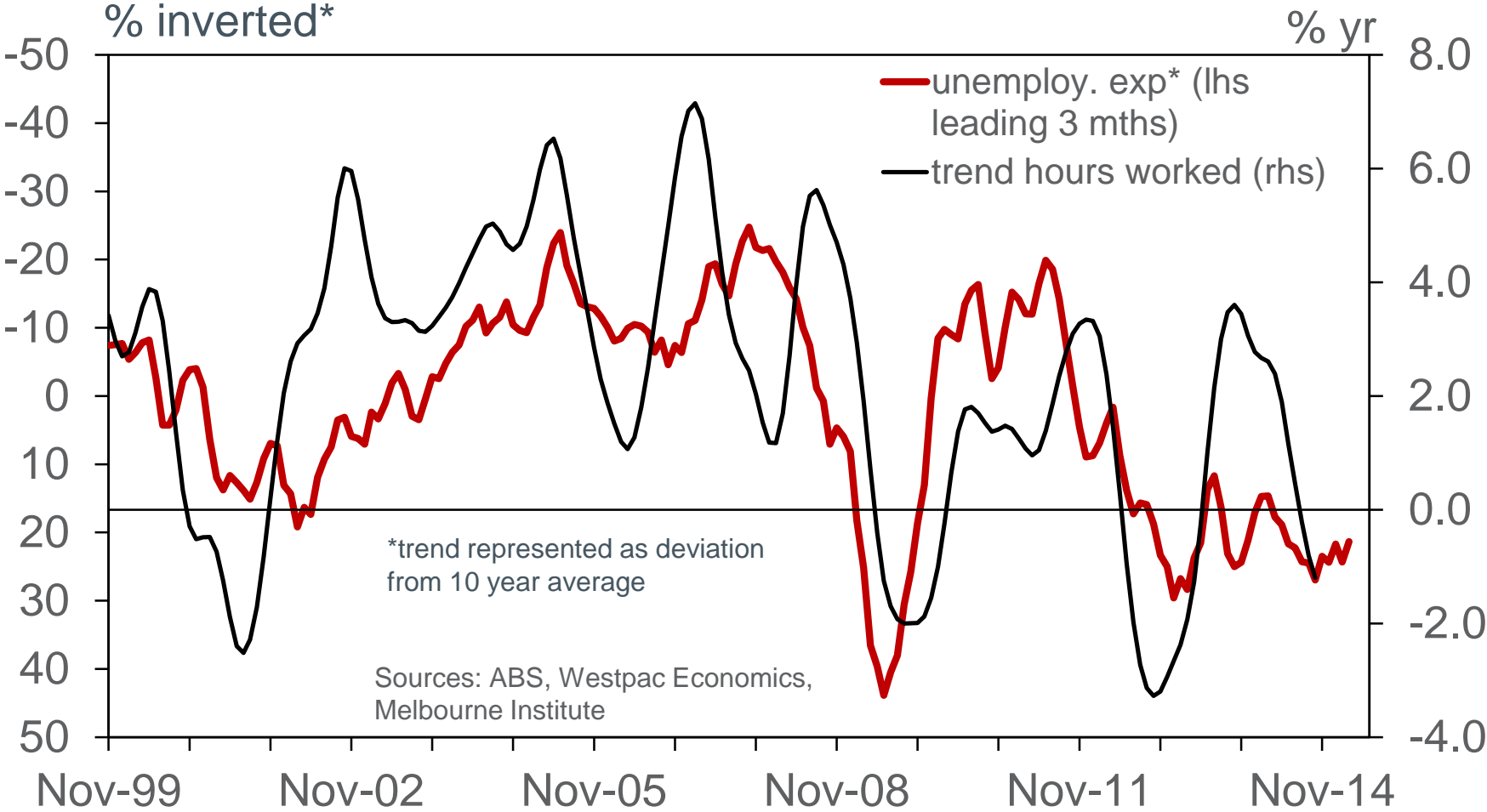
# NSW hours worked & expectations steady



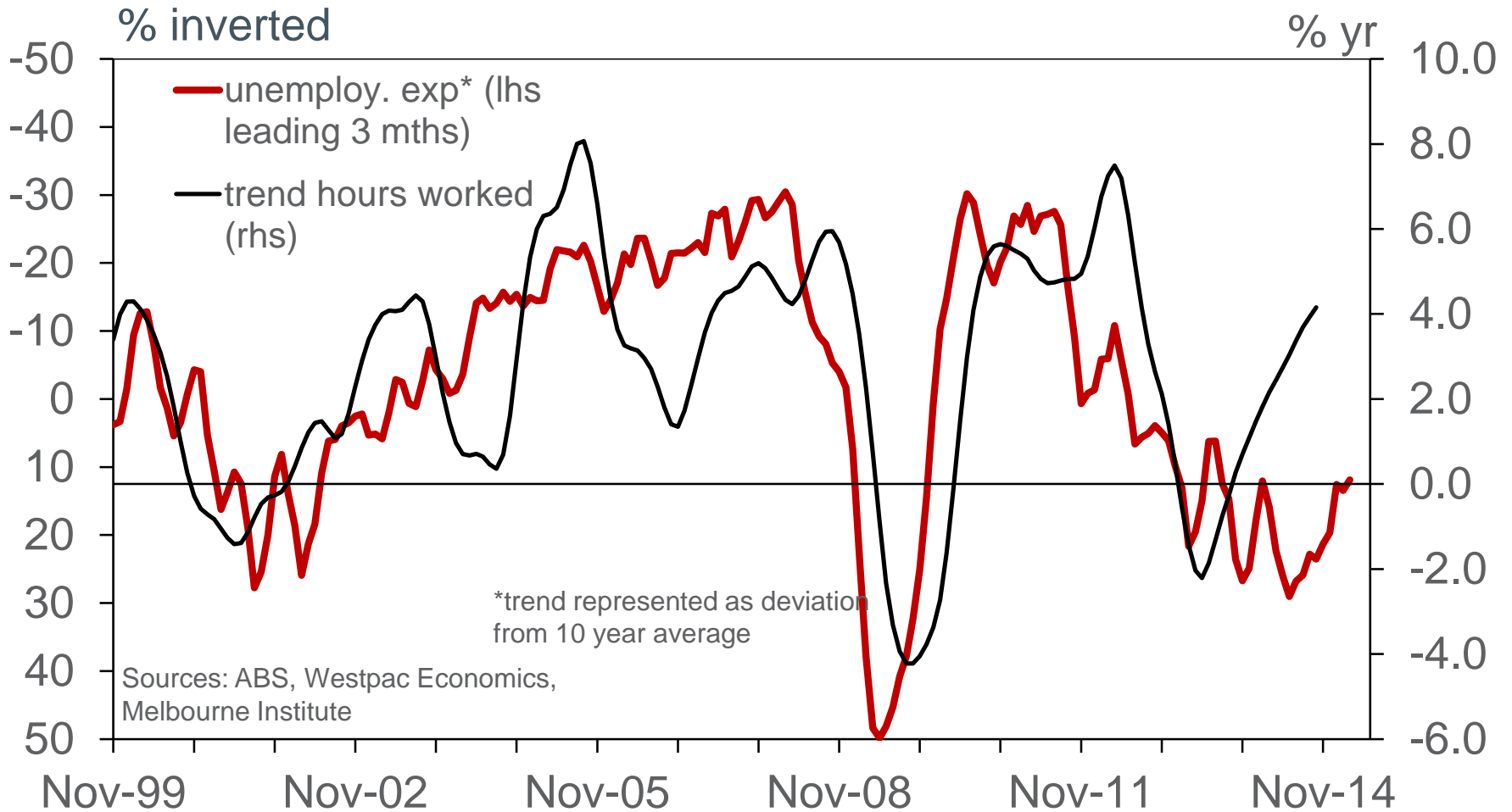
# Vic expectations weak hours corrected



# Qld hours worked fell back to expectations



# WA hours worked running ahead of expectations



# SA expectations weak but hours solid

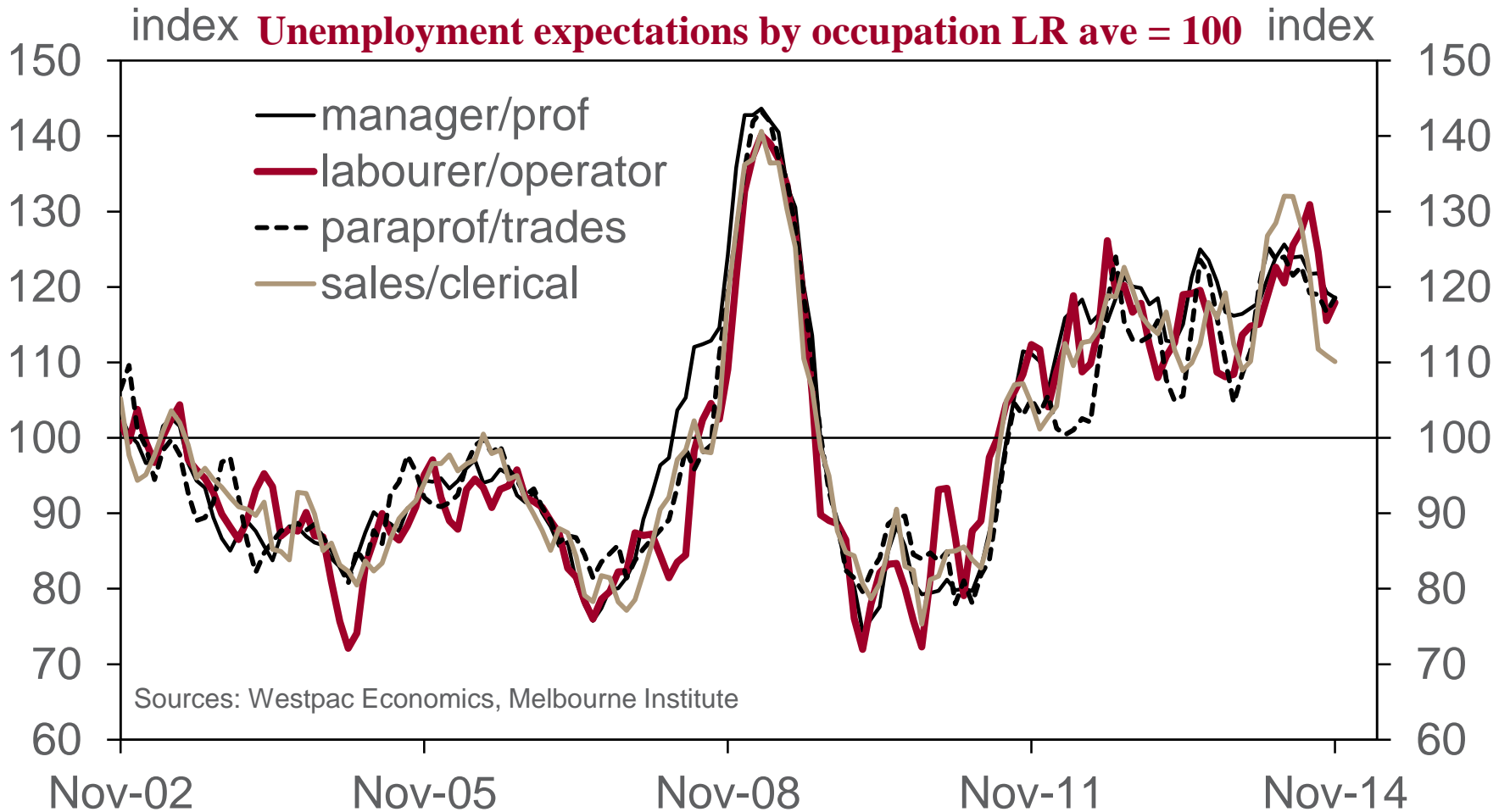


# Expectations of workers more solid

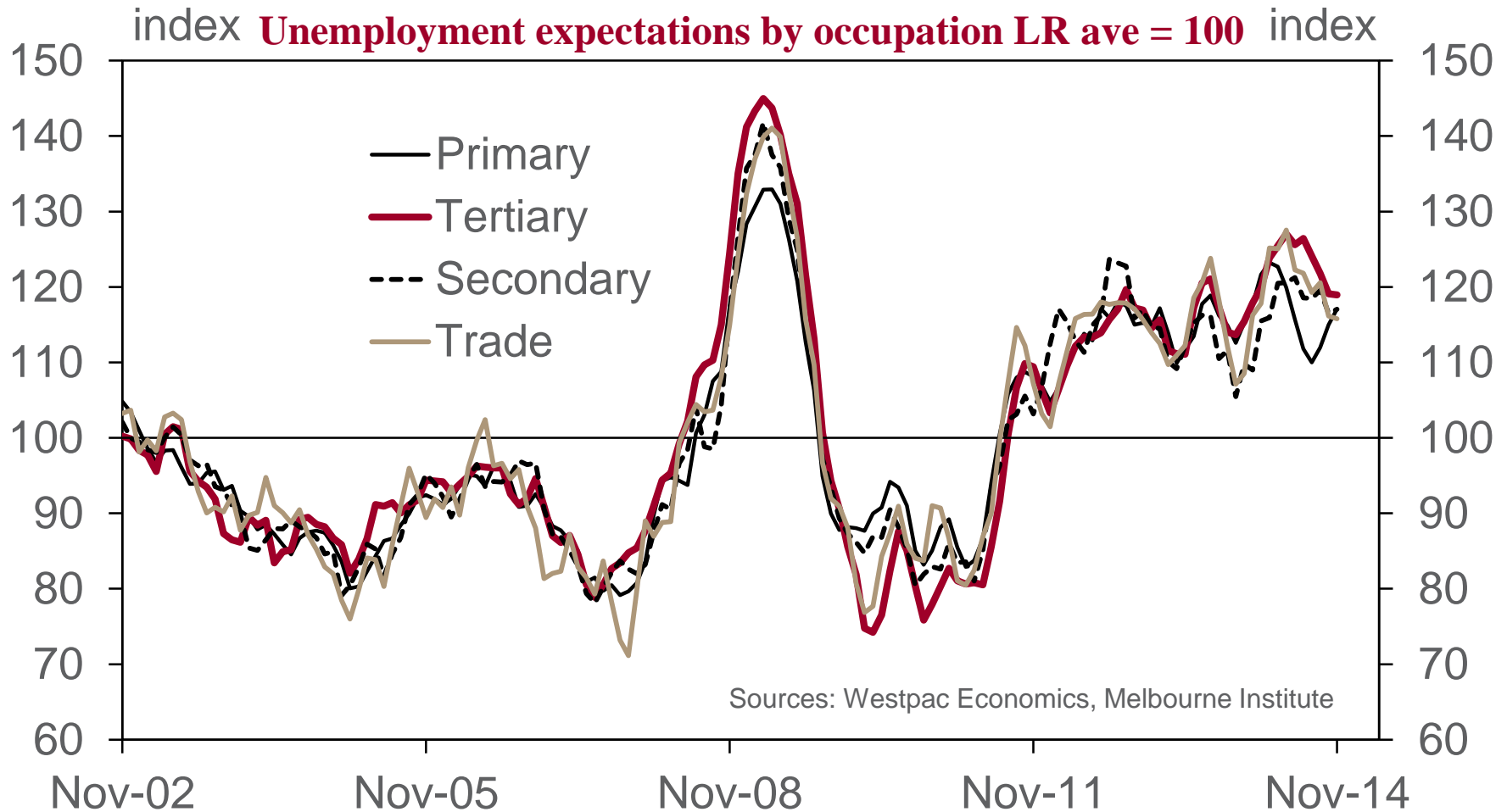




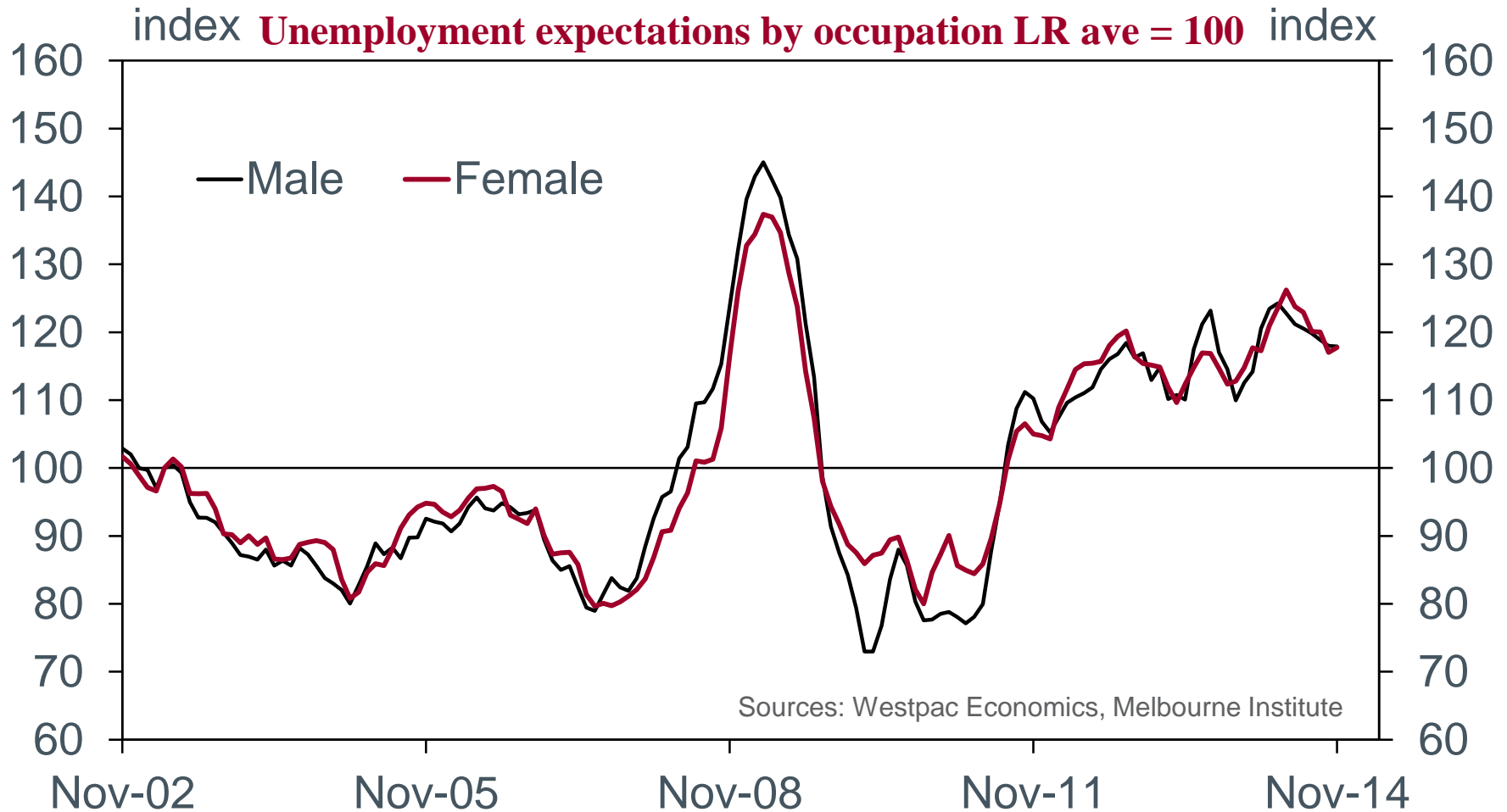
# Sales/clerical most improved, rest not far behind



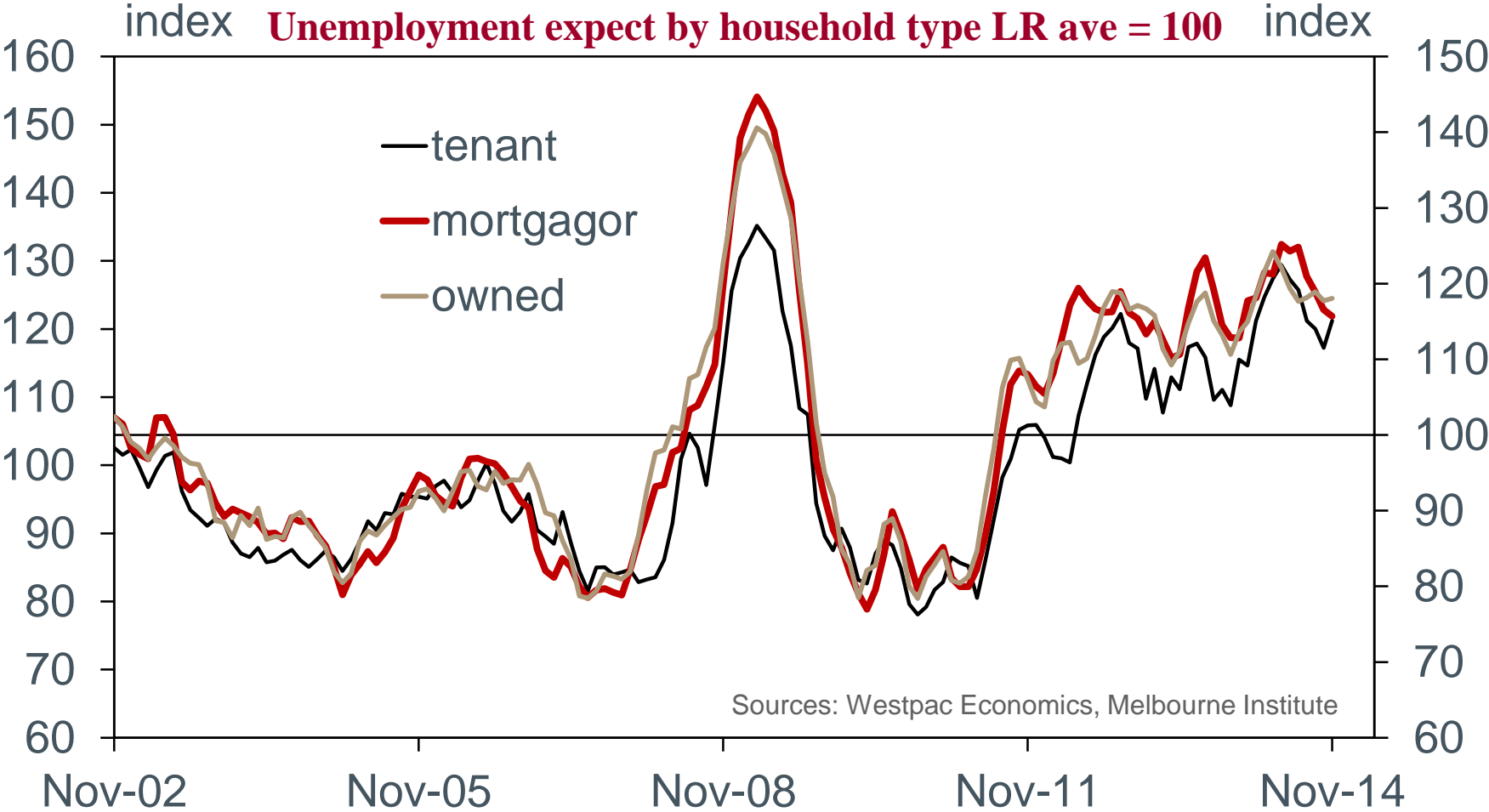
# Those with primary education getting worried



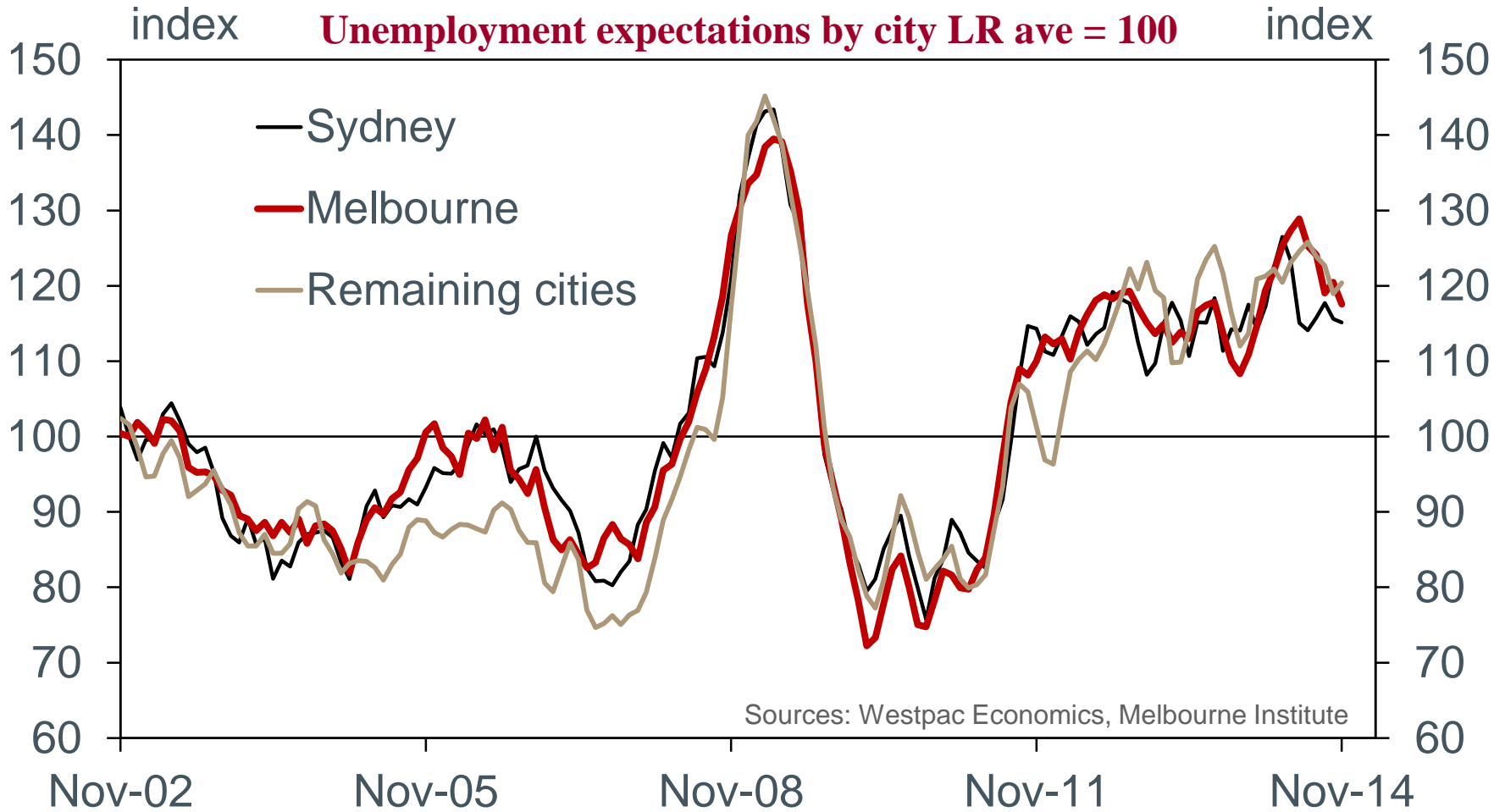
# 'Gender gap' on expectations has closed



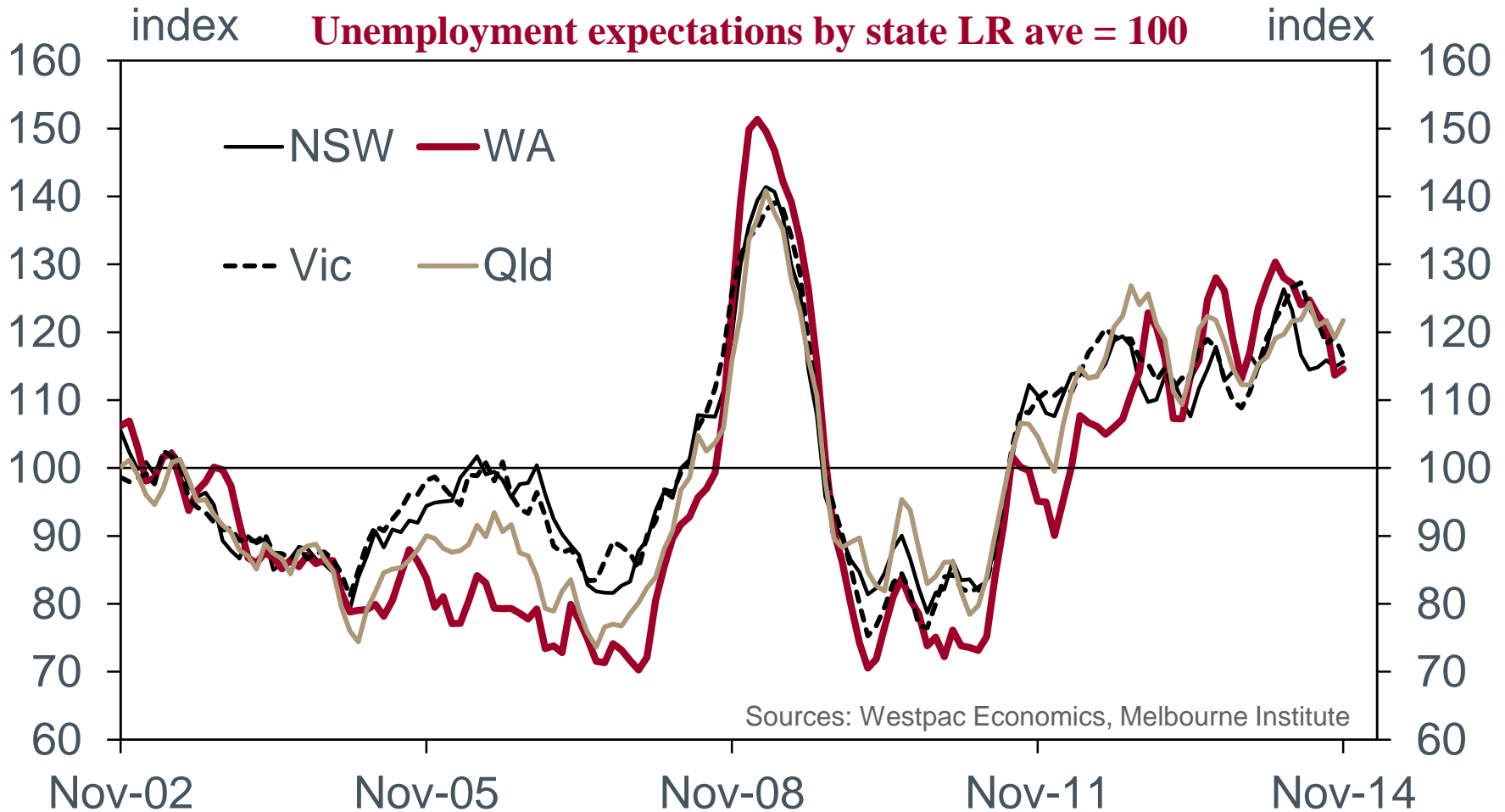
# Outright home owners most worried



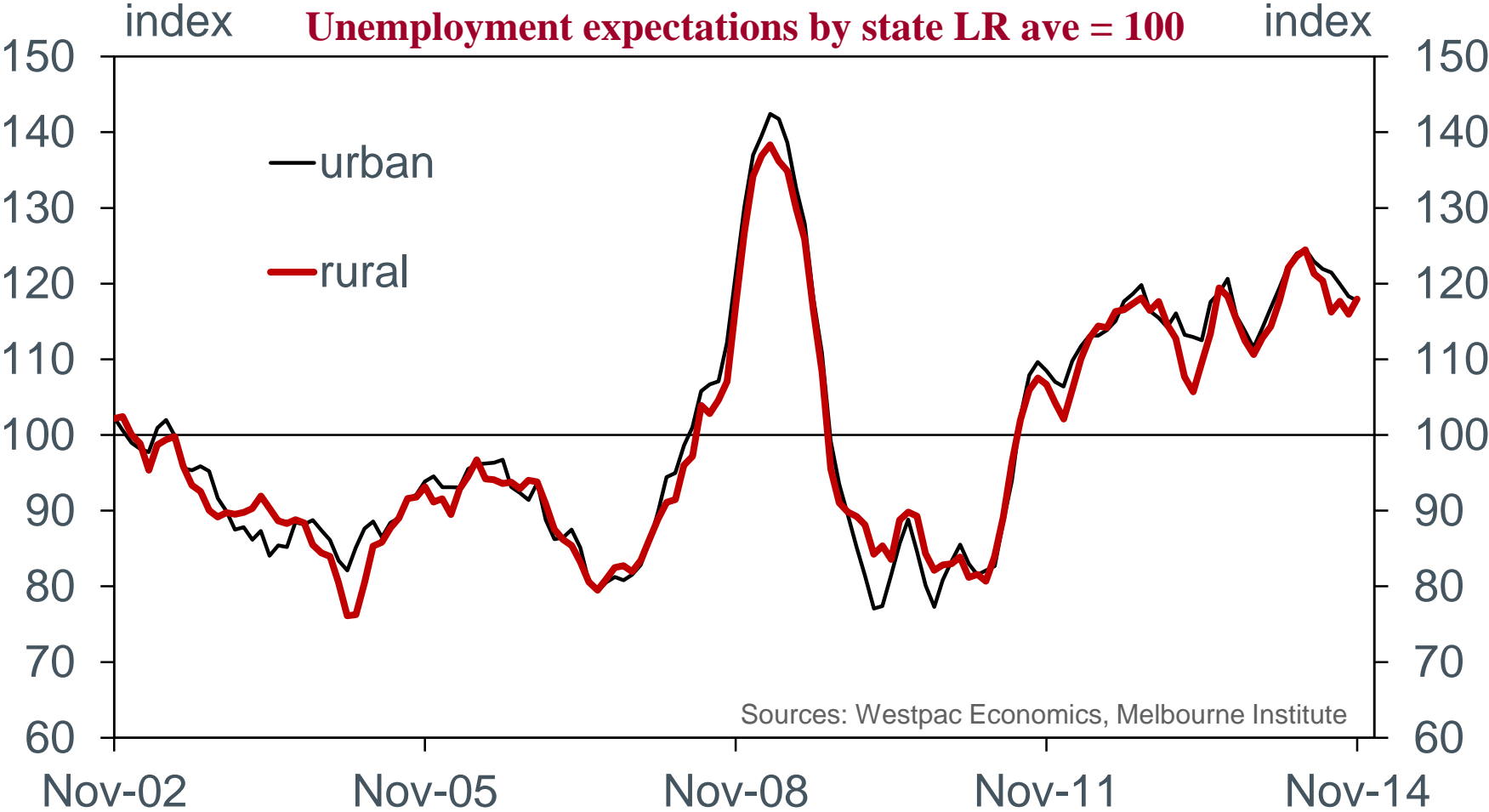
# Sydneysiders are slightly more optimistic



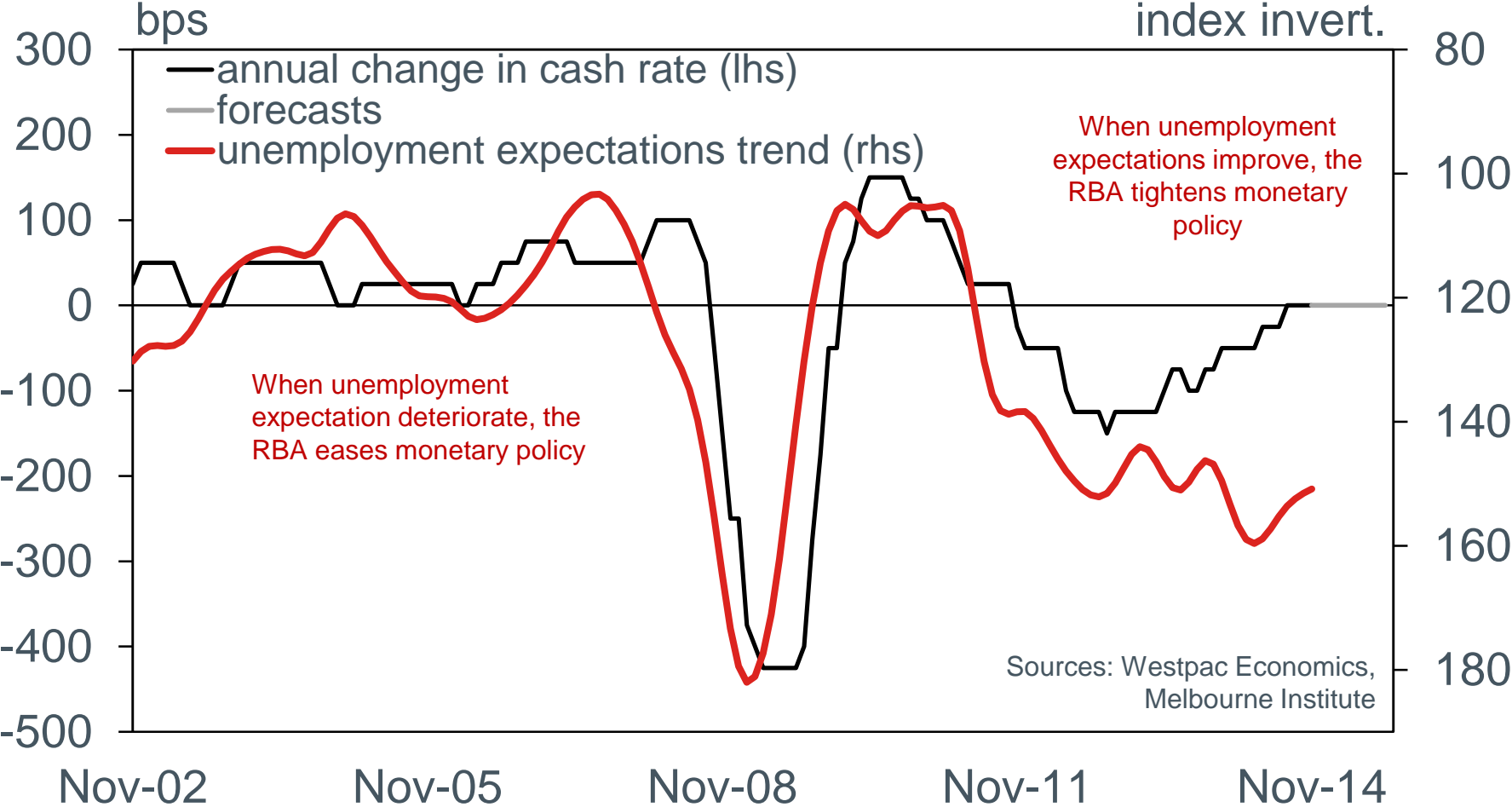
# ...& Queenslanders are the most worried.



# Urban areas have improved

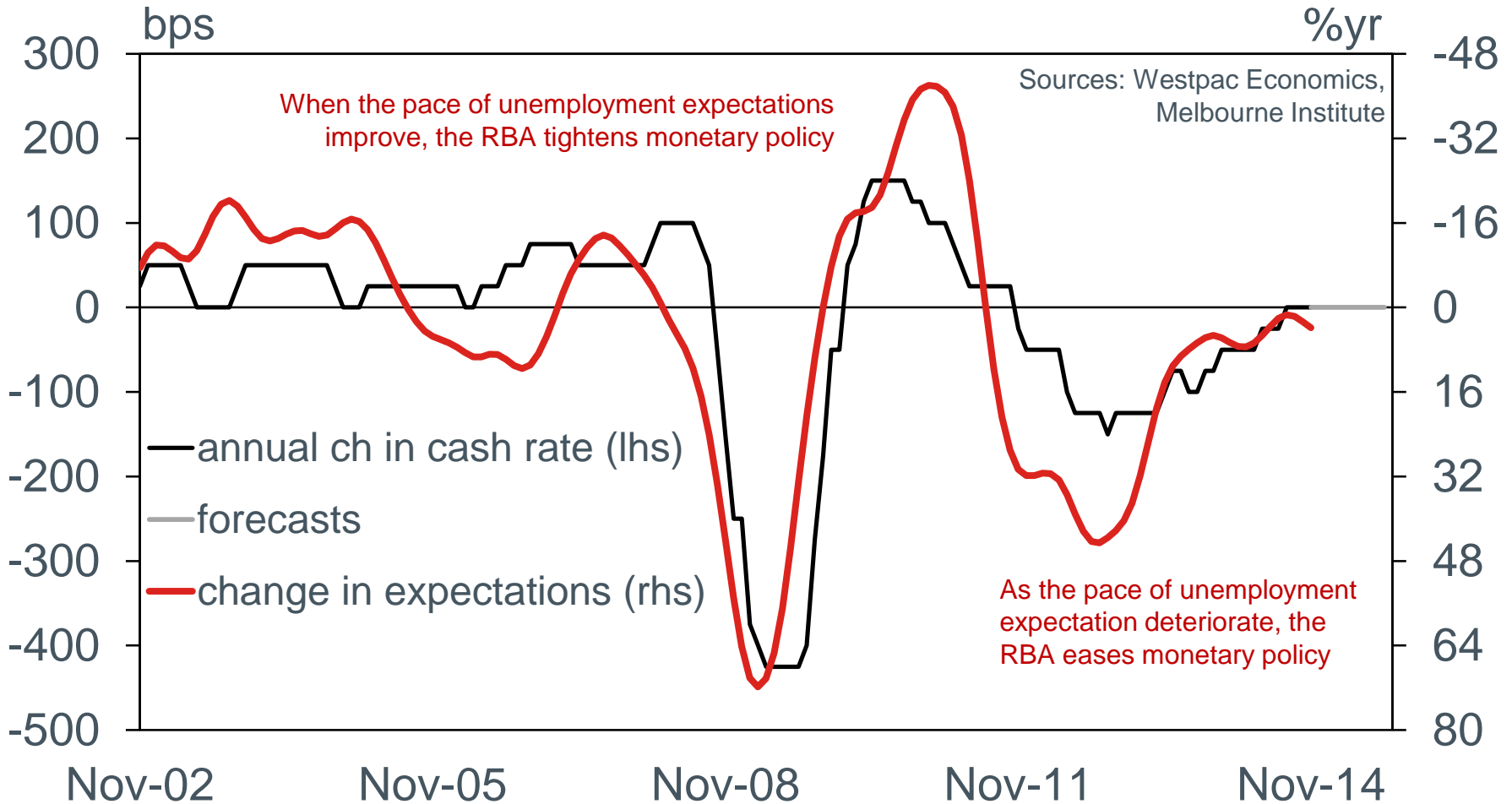


# Job worries continue to point to low rates...

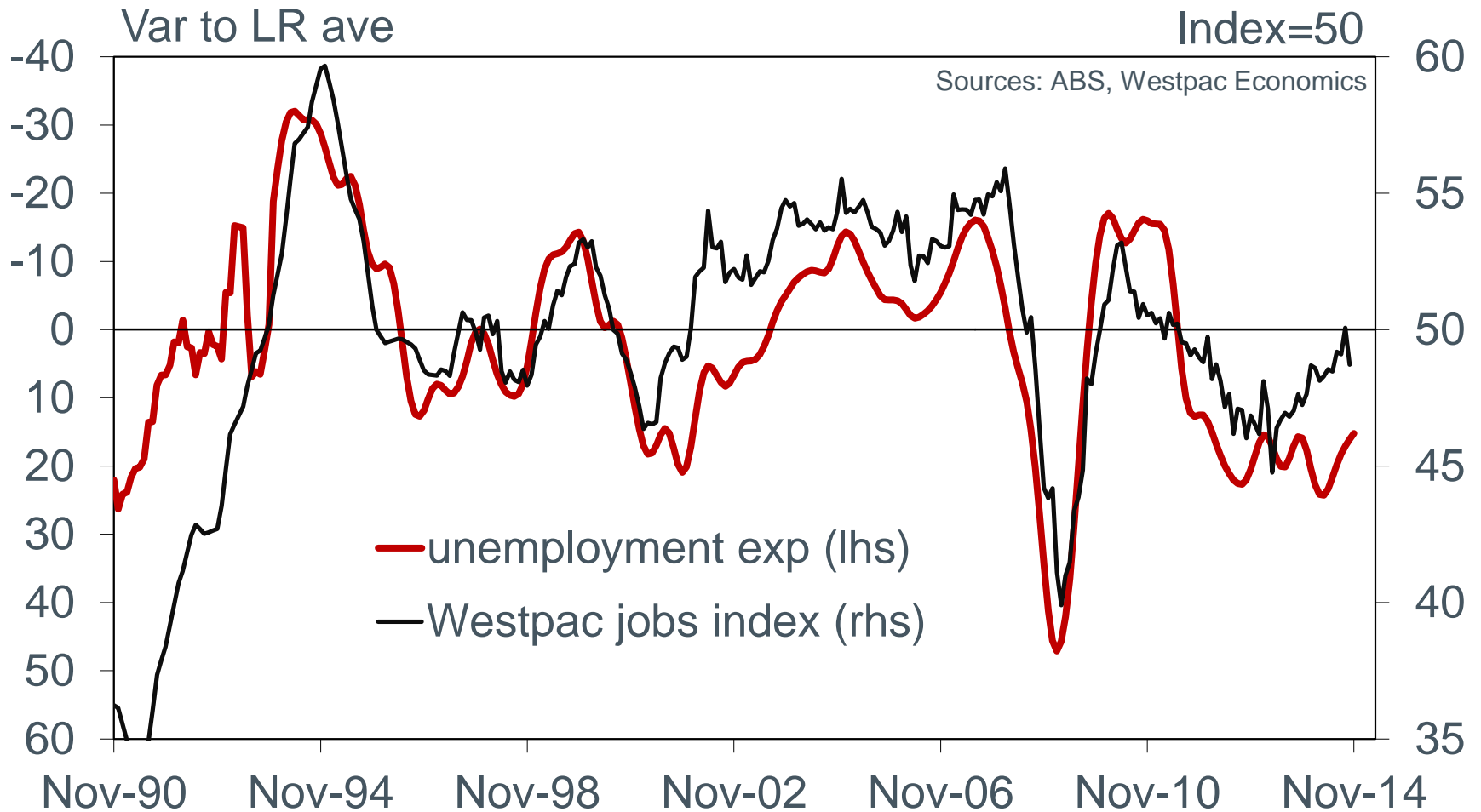




# ...but the pace suggests no rate change.



# The jobs index suggests a turning point



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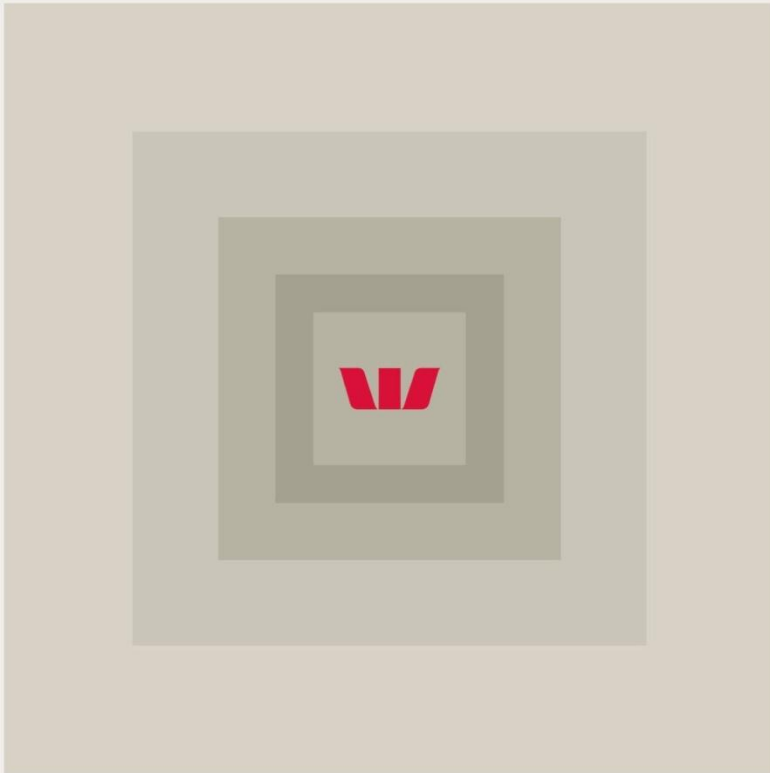
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