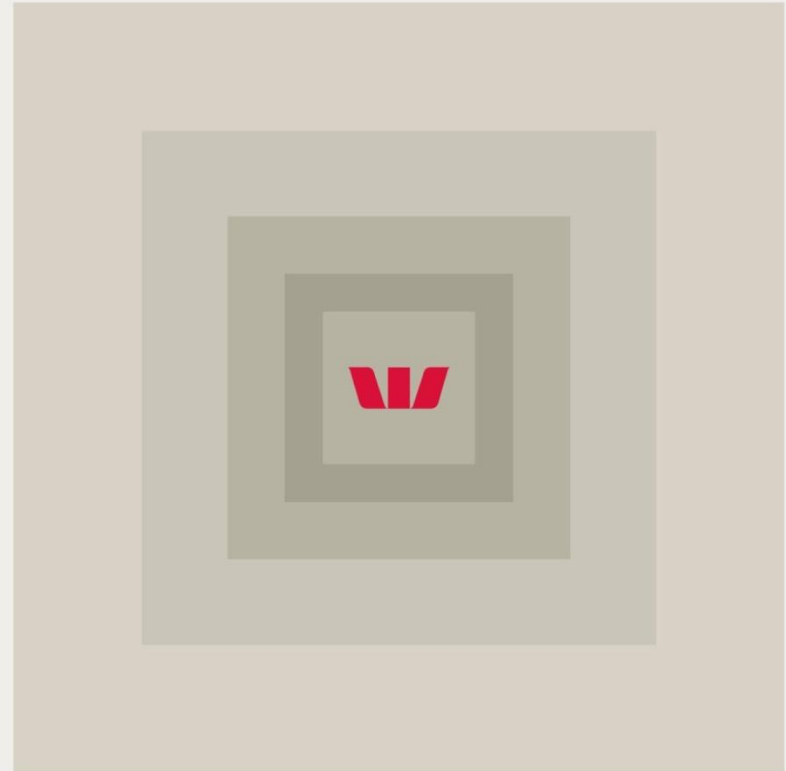


# Westpac Melbourne Institute Consumer Sentiment

Unemployment expectations  
chart pack.

**January 2015**



# Westpac – Melbourne Institute

## *Consumer unemployment expectations*

- The Westpac-Melbourne Institute Unemployment Expectations Index fell 5½% in Jan following a 4½% lift in Dec, a 2.7% rise in Nov, and a –3.9% fall in Oct. Recall that a lower (higher) reading from the index indicates reduced (increased) concern around the labour market (**Chart 6**).
- In trend terms, the index rose 0.5% in Jan from a 0.4% rise in Dec (revised from +1.6%) and a 1.1% rise in Nov. Last month it looked as if the worm had turned with a trend deterioration in expectations. This still holds in Jan 2015, but only just.
- In the year to Jan, unemployment expectations are down 1.1%. Compare this to the 5.3%yr rise to Dec 2014 and 5.5%yr to Nov. The most recent trend deterioration in expectations had suggested that household were becoming more nervous again about the employment outlook. As 2015 starts, we are getting signs that households may be getting a little more positive about the labour market.

# Westpac-Melbourne Institute

## *Consumer unemployment expectations (cont)*

- During 2014, there was only a small rise in the unemployment rate of 0.2% to 6.1% well under what the level of unemployment expectations had been suggesting ([Chart 7](#)). Remember the question is about the change in unemployment so the level of the index should be compared to the change in the unemployment rate
- Compare this to the change in the employment to population ratio, which is immune to any changes in the participation ratio. Through the year to Dec, the employment/pop ratio was flat thus generating a pop in the annual change in employ/pop ratio in [Chart 8](#). This has divergence to unemployment expectations has happened before and can last for a number of months. But in the end, the change in employment to pop ratio tends to correct to unemployment expectations.
- Overall, in Jan households continue to believe that current pace of employment growth is not robust enough.

# Westpac-Melbourne Institute

## *Consumer unemployment expectations (cont)*

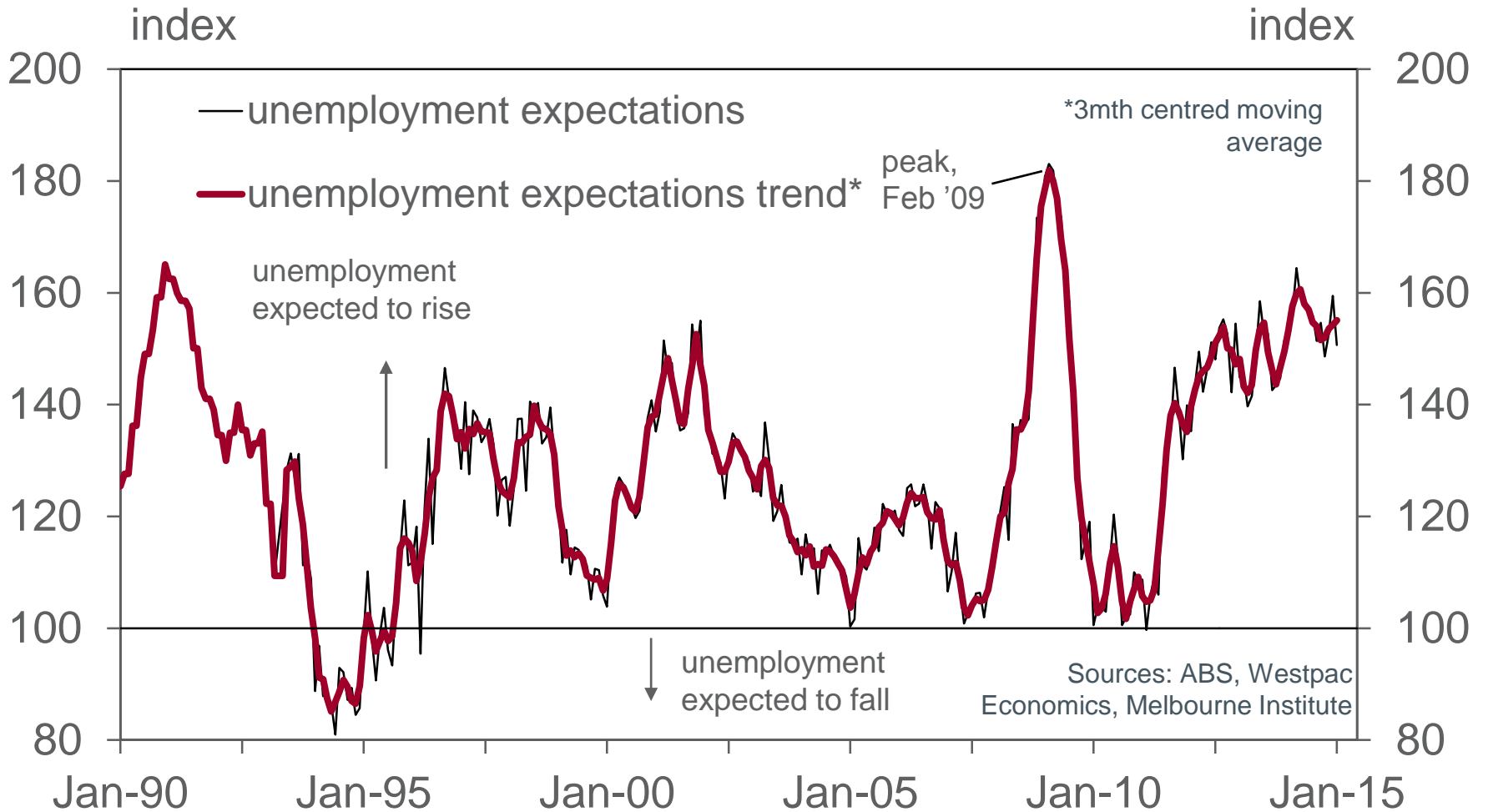
- Since mid-2013 growth in hours worked in the Labour Force Survey have been running well ahead of expectations. Hours worked eased in Jan, but they were still well above what expectations would suggest ([Chart 11](#)). Hours worked have eased in NSW ([Chart 12](#)) and Vic ([Chart 13](#)) but appear to have overshot to the downside in Qld ([Chart 14](#)). We are watching to see how large the correction will be in WA ([Chart 15](#)) and SA ([Chart 16](#)).
- Unemployment expectations do diverge by city & state, WA is the most unsure with expectations are deteriorating quite rapidly in that state. NSW, Vic and Qld all are about the same relative to their long-run average ([Chart 23](#)).
- It is worth noting that those employed as labourers/operators have seen the largest deterioration in expectations while sales/clerical employees appear to be the most optimistic ([Chart 18](#)). We also observe that the deterioration has been in urban households.

# Westpac-Melbourne Institute

## *Consumer unemployment expectations (cont)*

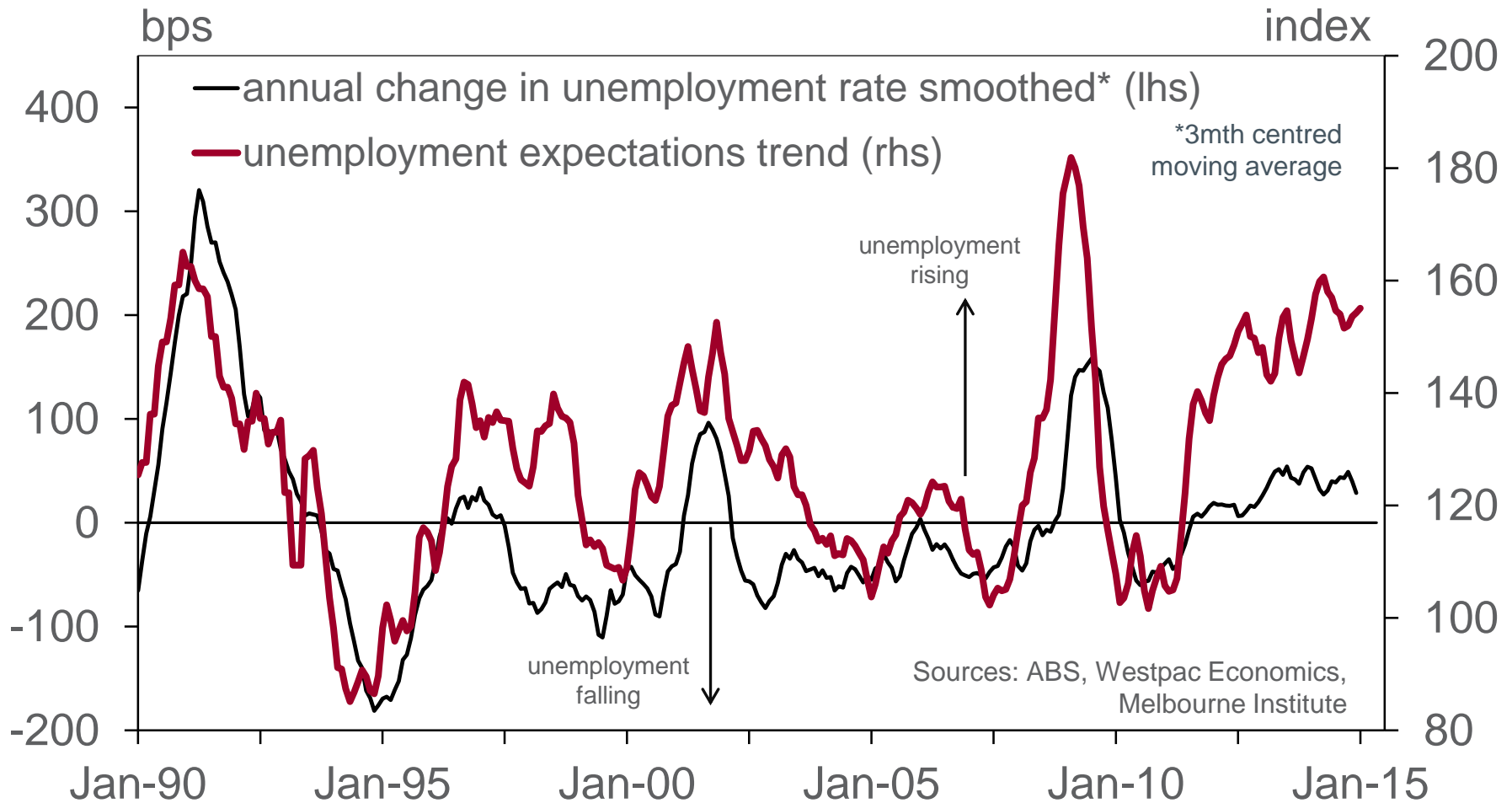
- The level of unemployment expectations remains high and, for now at least, the trend is rising which presents a disinflationary force on the economy. But what we have found is that it is the change in expectations, rather than the level, that is the more important guide to any possible change to the stance of monetary policy. The recent trend deterioration in expectations suggests that the possibility of a rate cut in early 2015 is much greater than some may think ([Chart 26](#)).

# Expectations trend continues to rise...

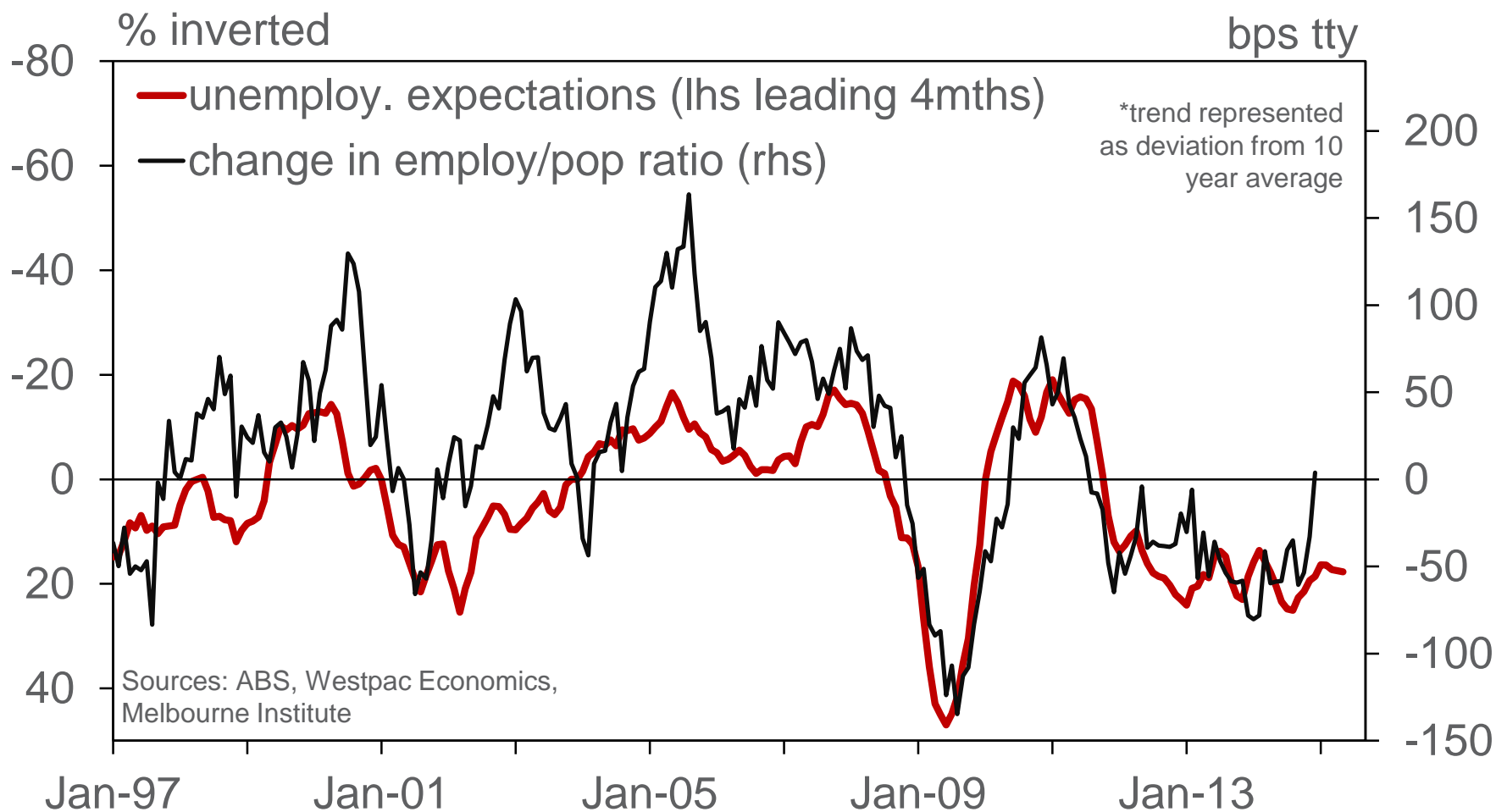


Sources: ABS, Westpac Economics, Melbourne Institute

# ...suggesting upside risks to unemployment.

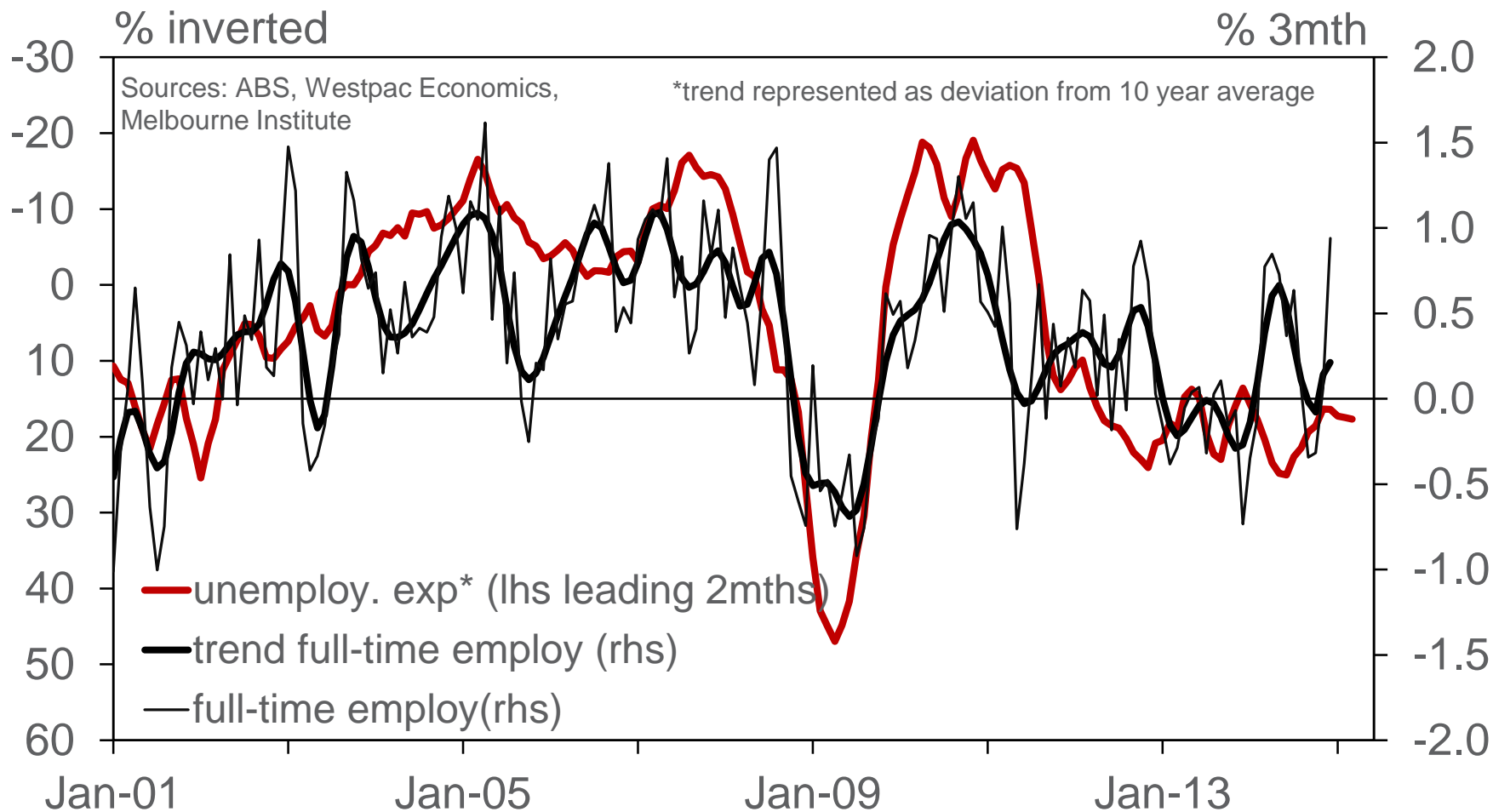


# Employment lagging population growth ...

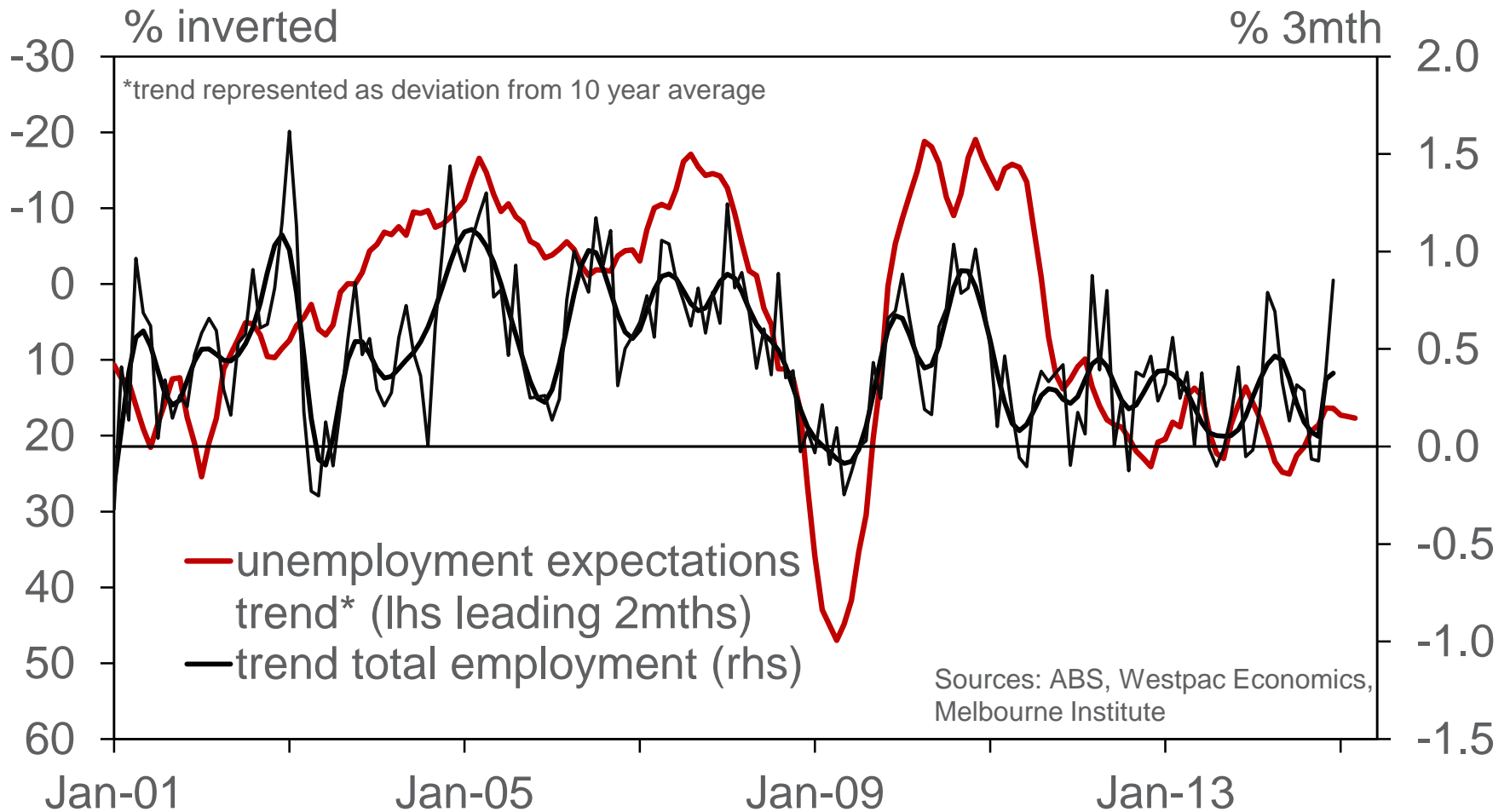




# ... as full-time employment eased back ...



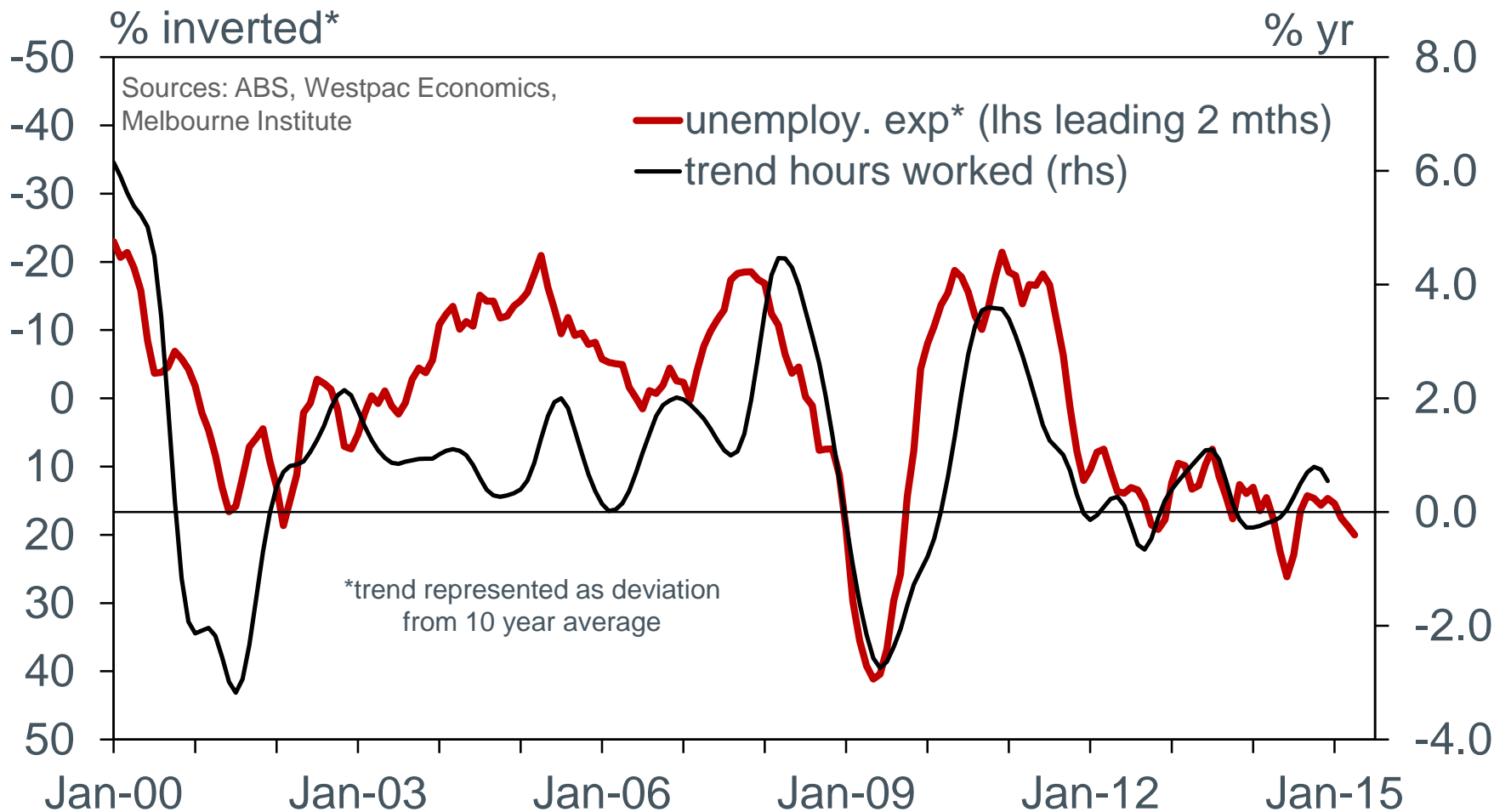
# ...and expectations turn over.



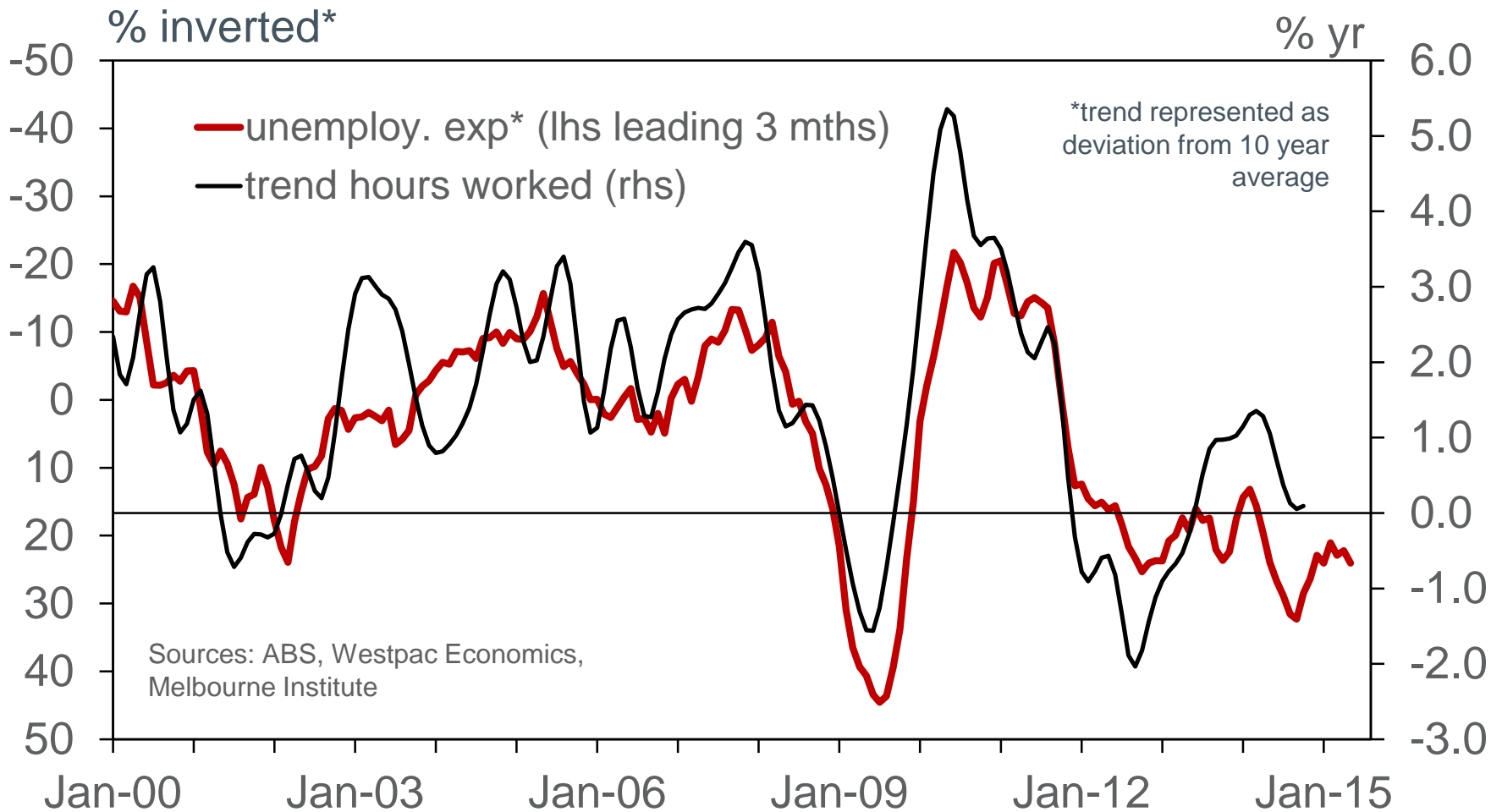
# Hours worked running ahead of expectations



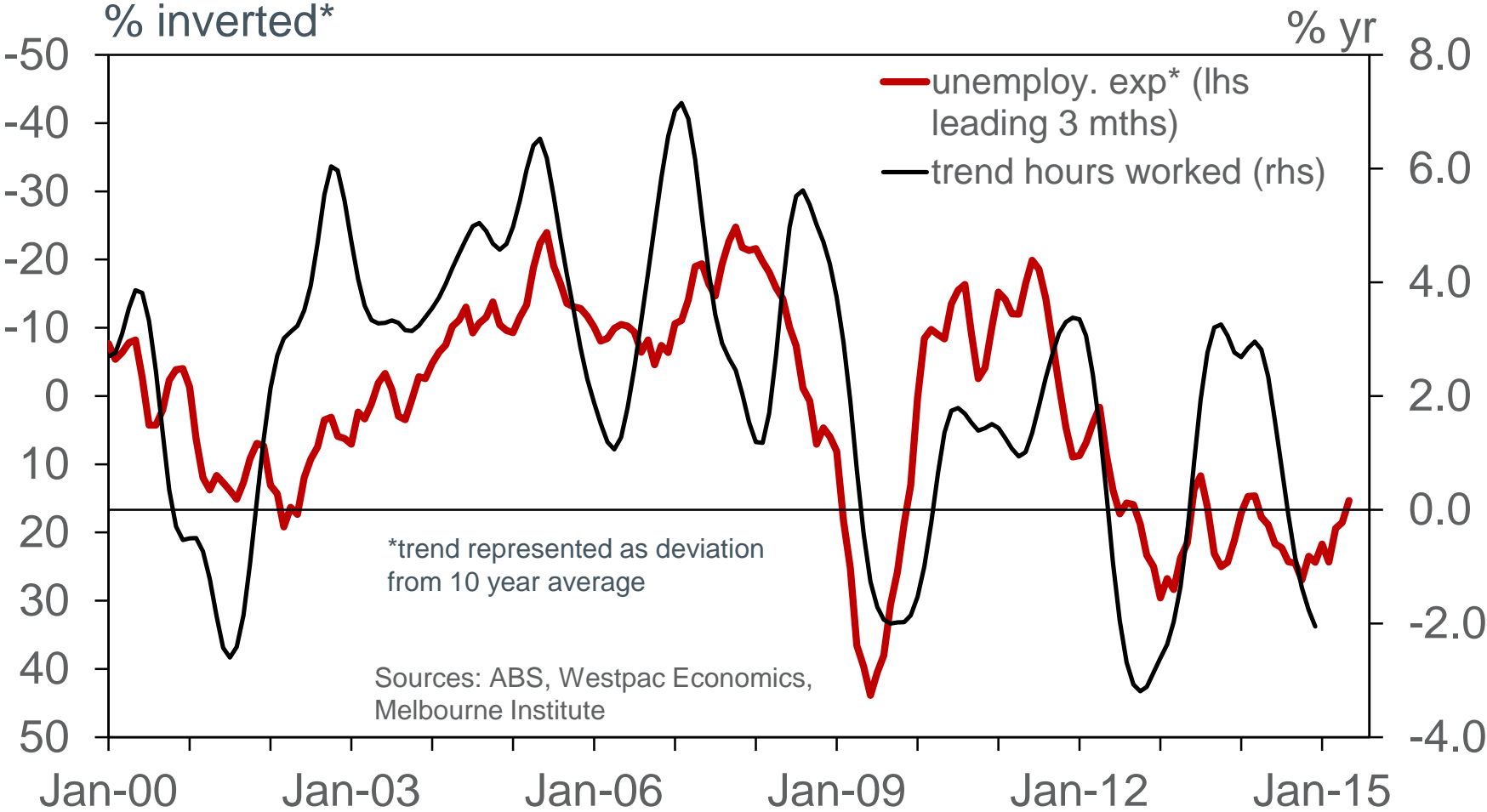
# NSW hours worked set to moderate



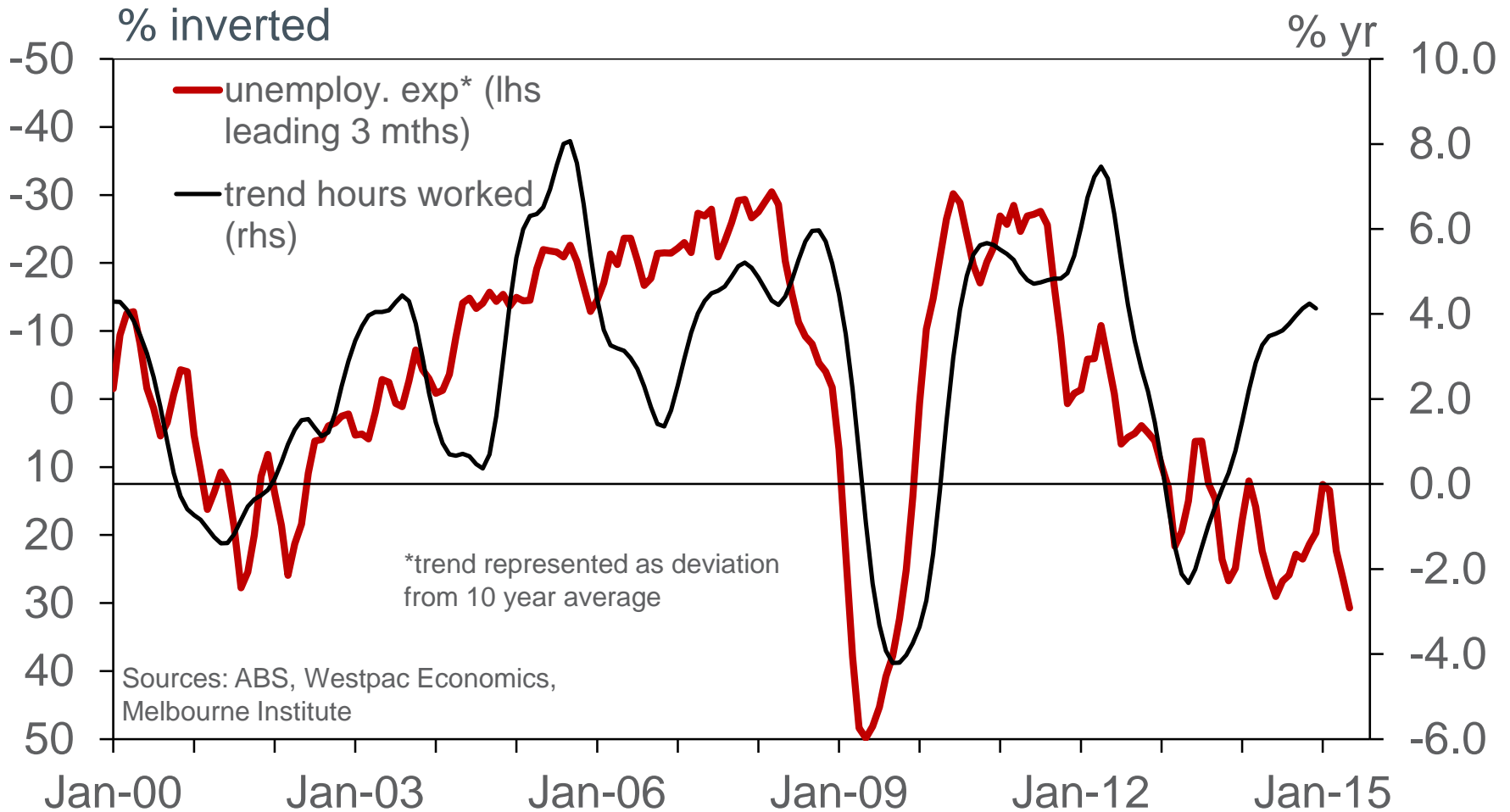
# Vic hours corrected to weak expectations



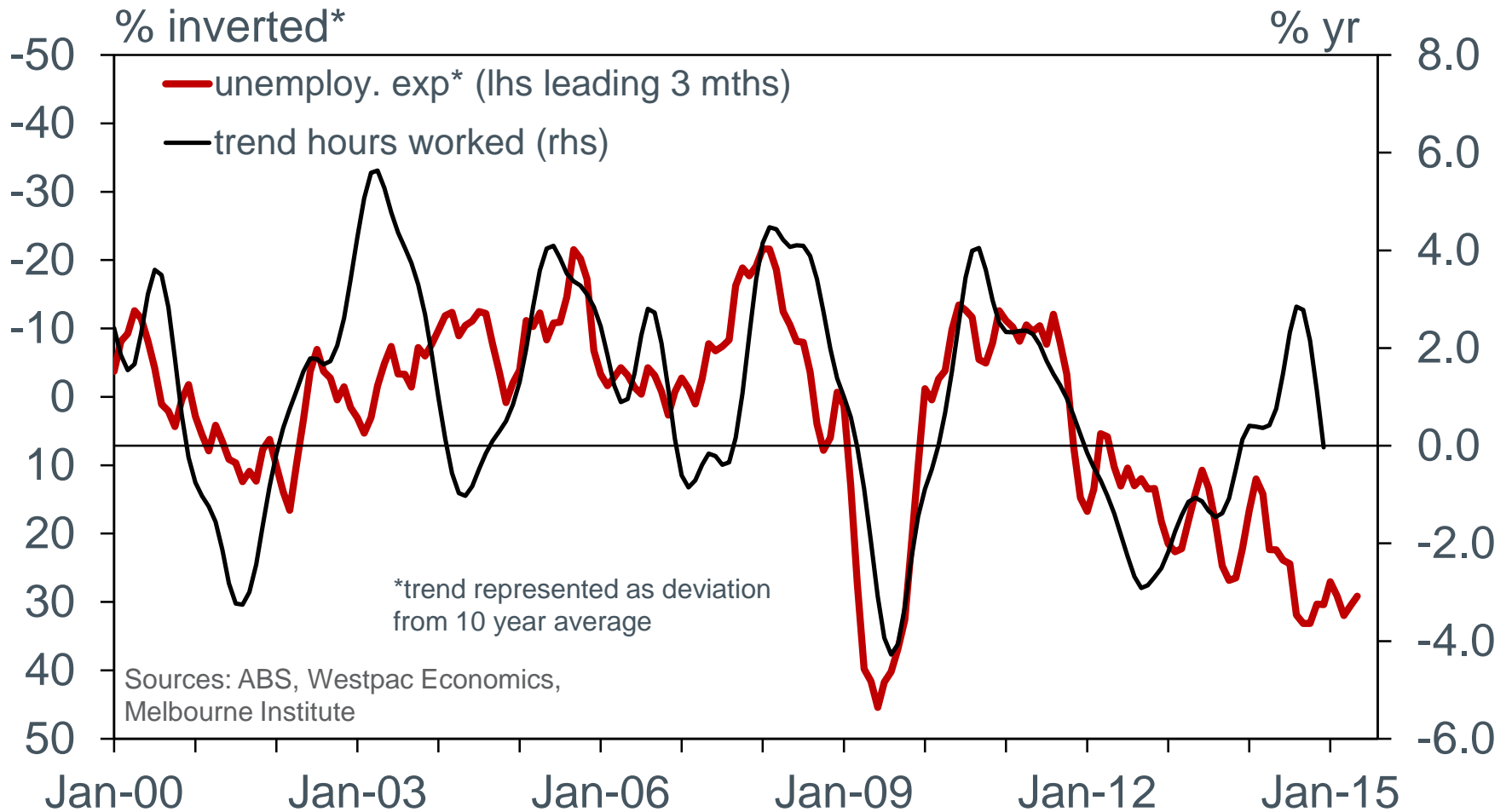
# Qld hours worked fell back to expectations



# WA hours worked running ahead of expectations



# SA expectations weak but hours solid

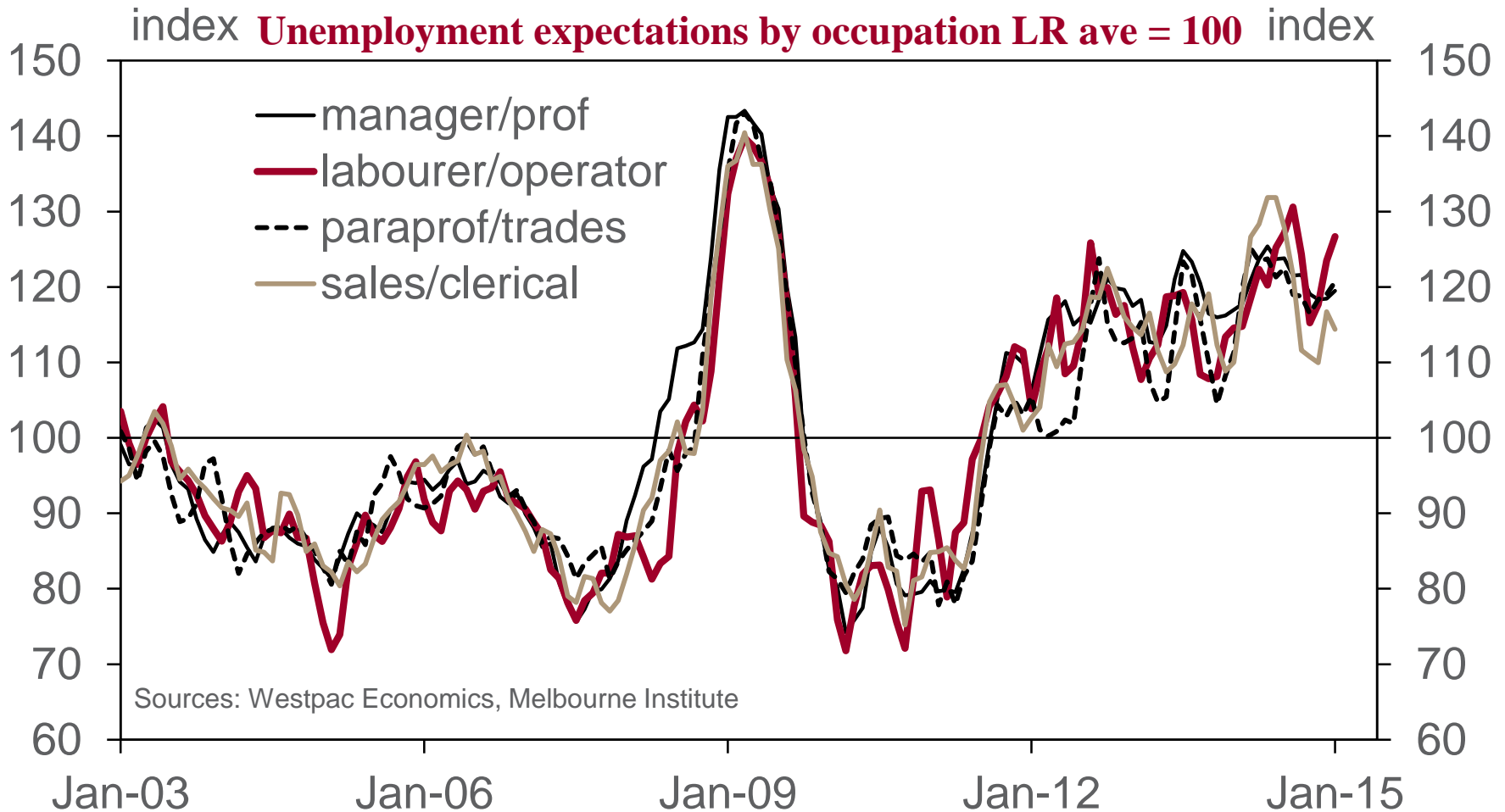




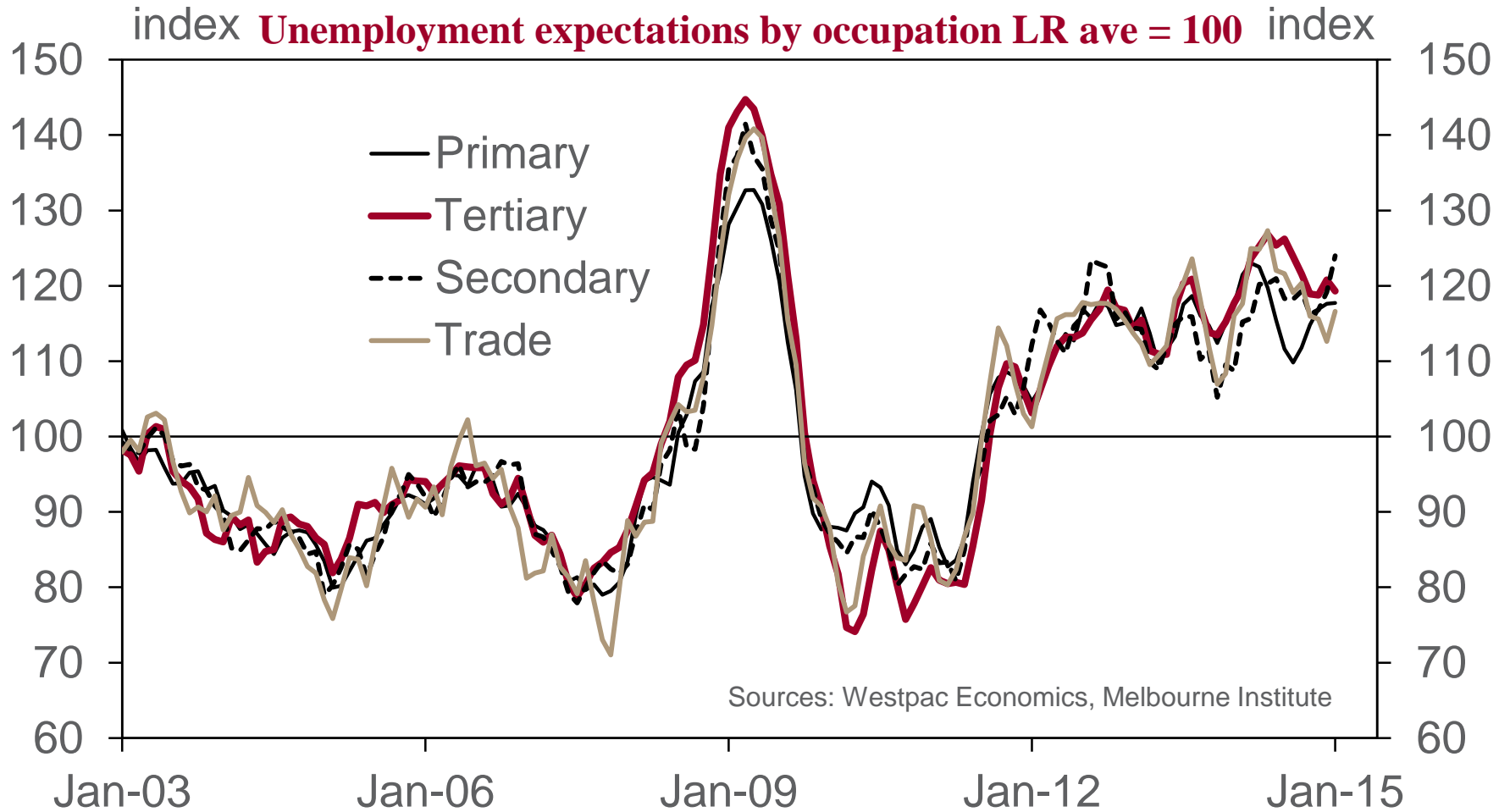
# Expectations of workers more solid



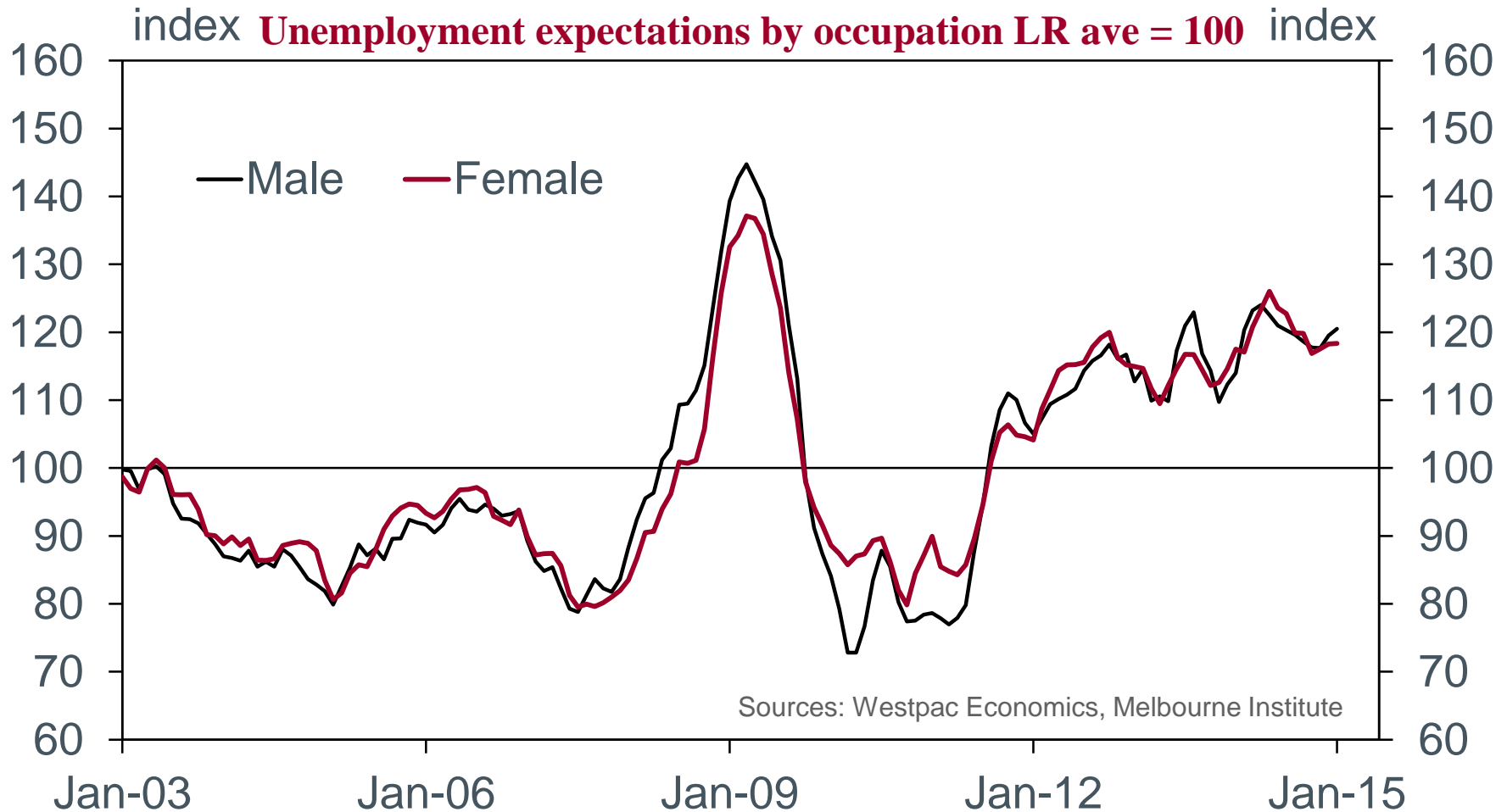
# Sales/clerical most optimistic, labourers not so



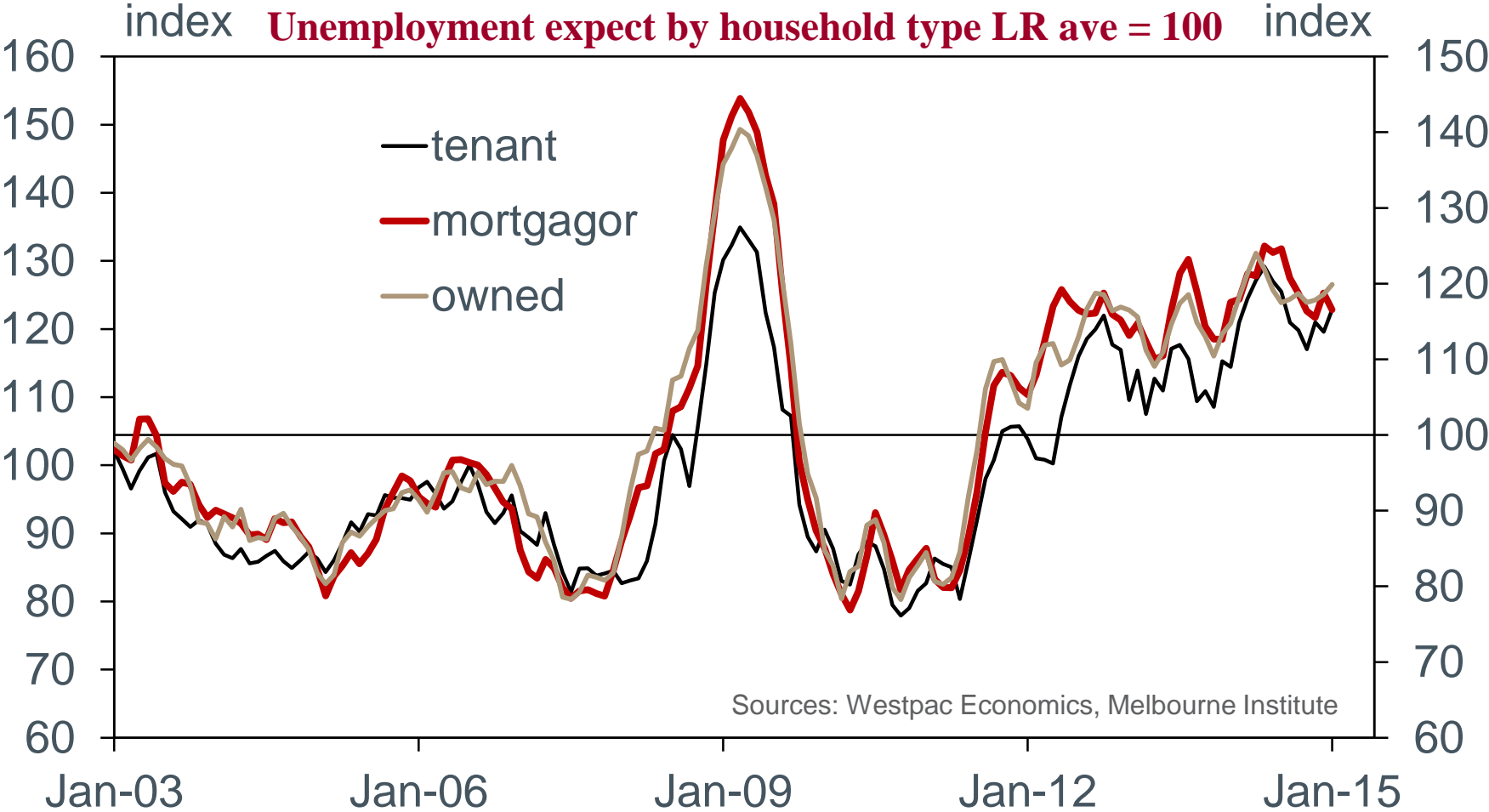
# Those with secondary education most worried



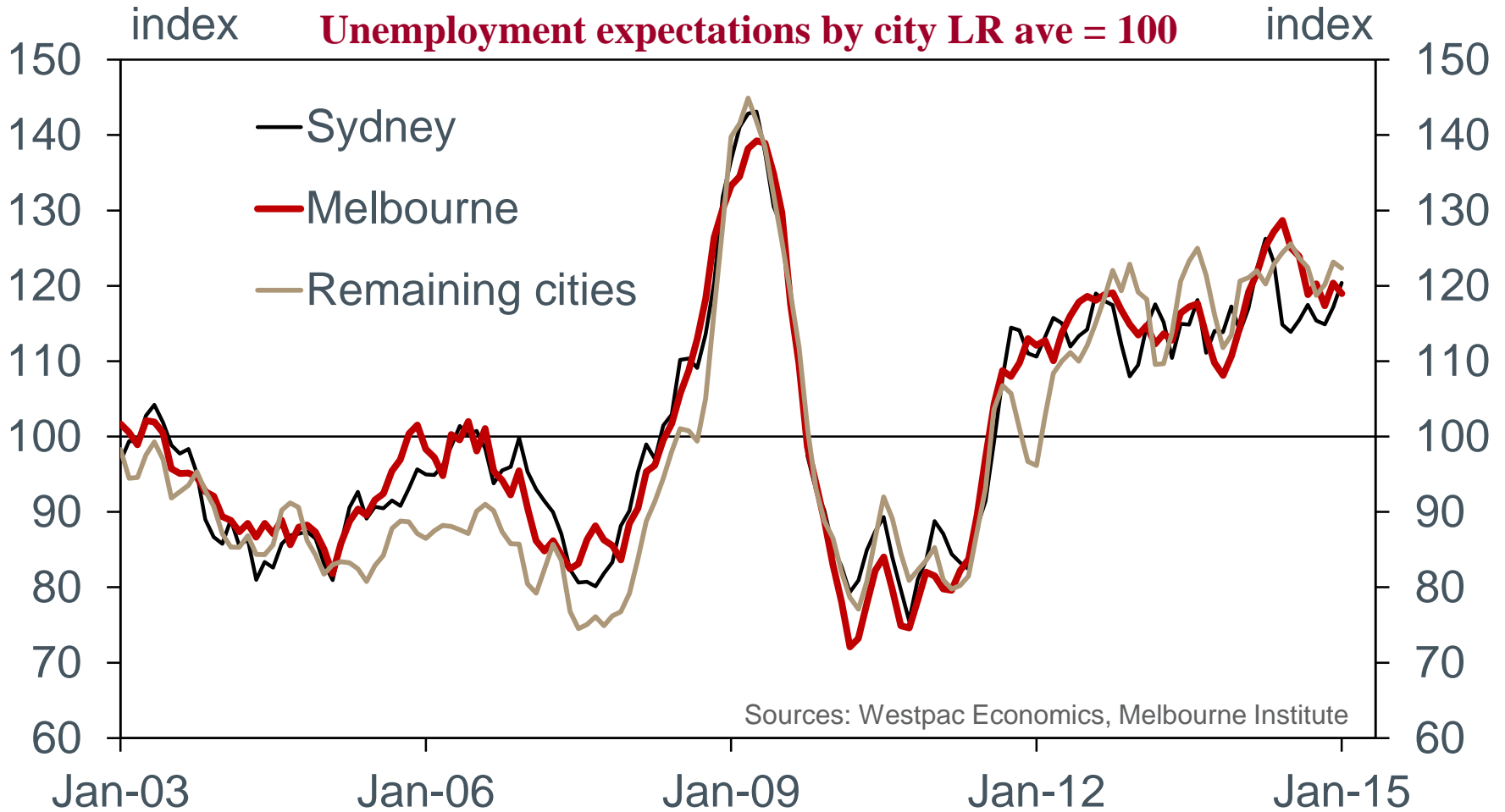
# 'Gender gap' on expectations has closed



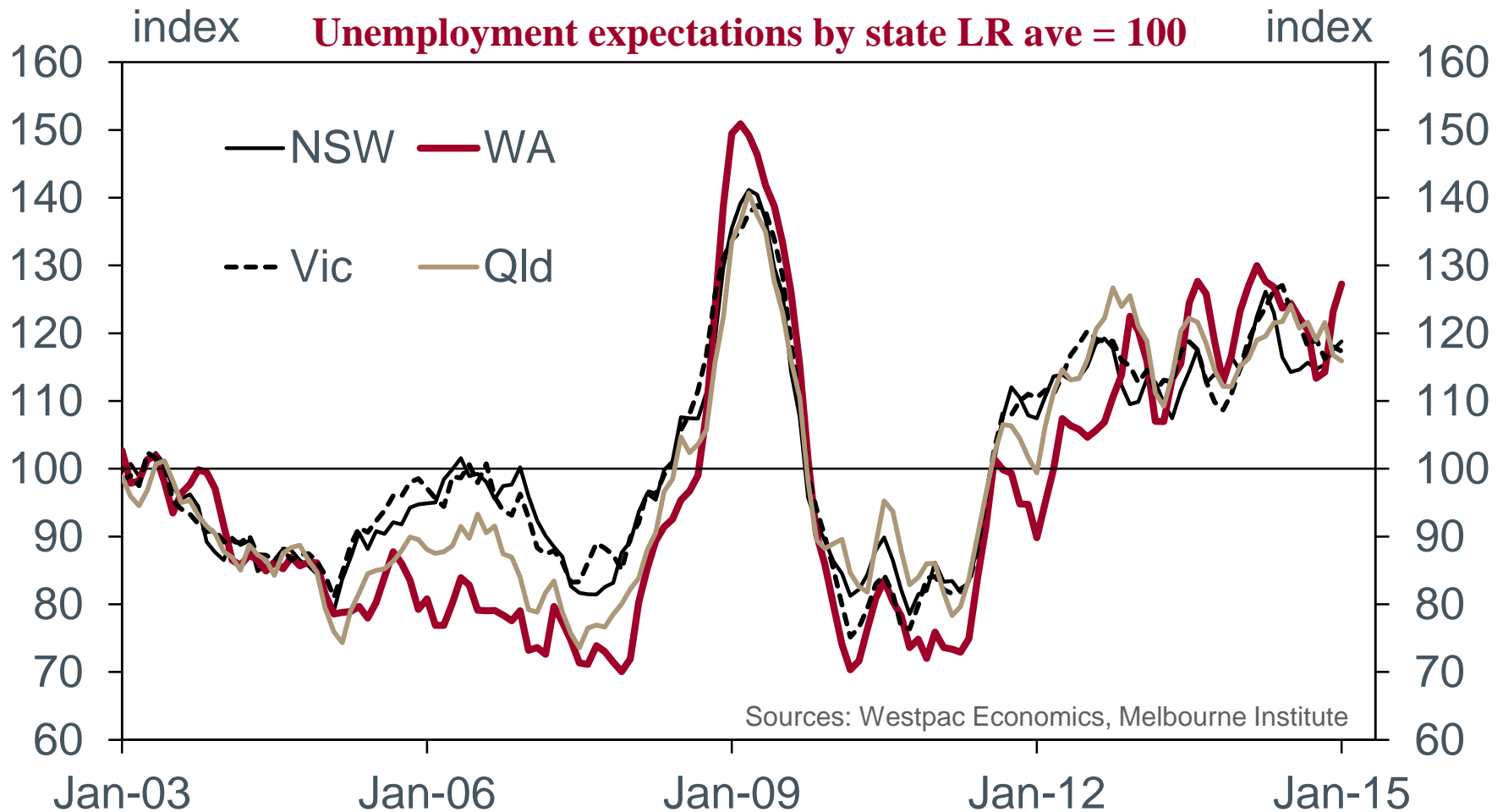
# Outright home owners most worried



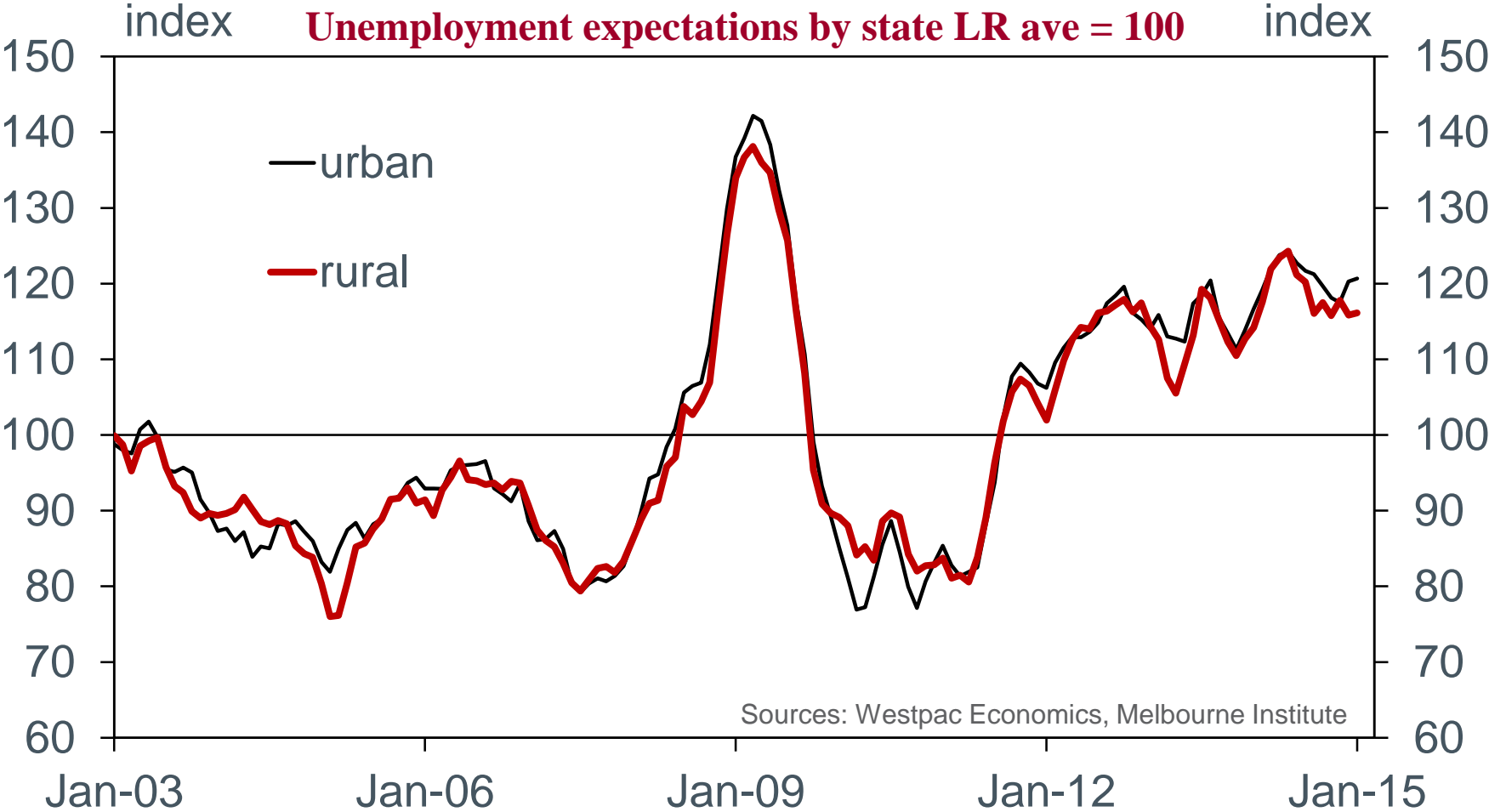
# Sydneysiders are becoming more pessimistic



# ...& Sandgropers are the most worried.

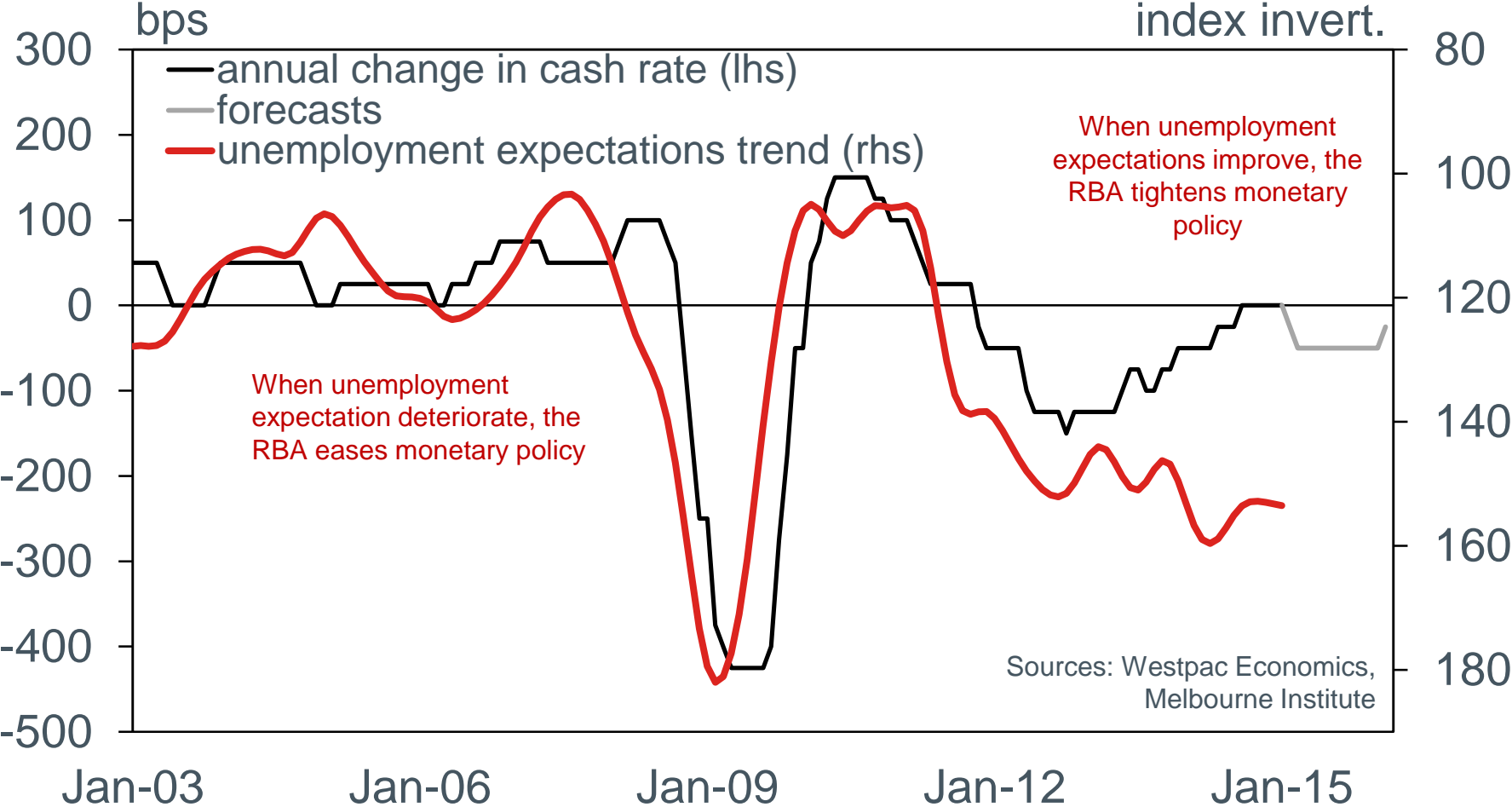


# Urban areas deteriorating while rural holds

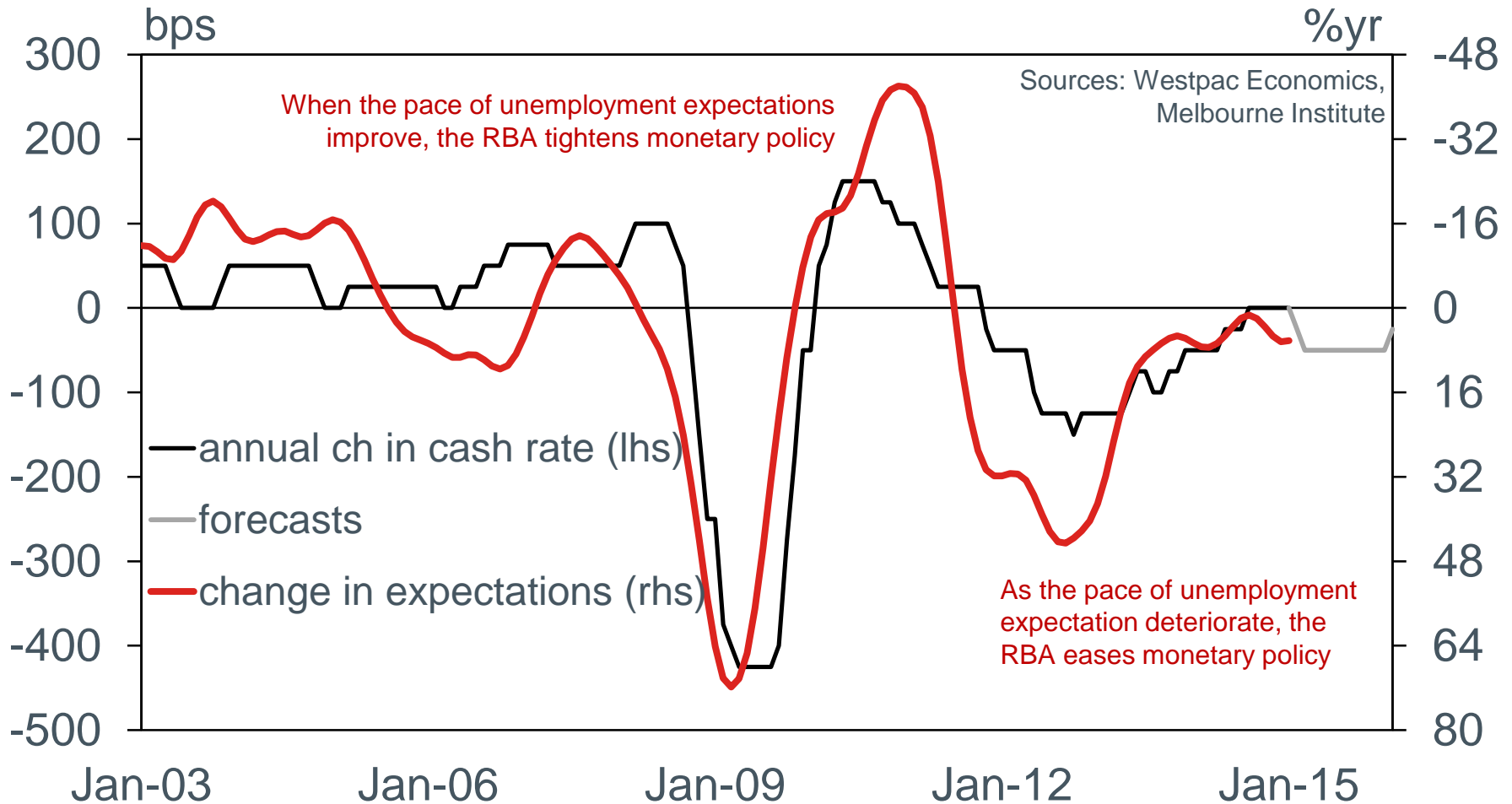




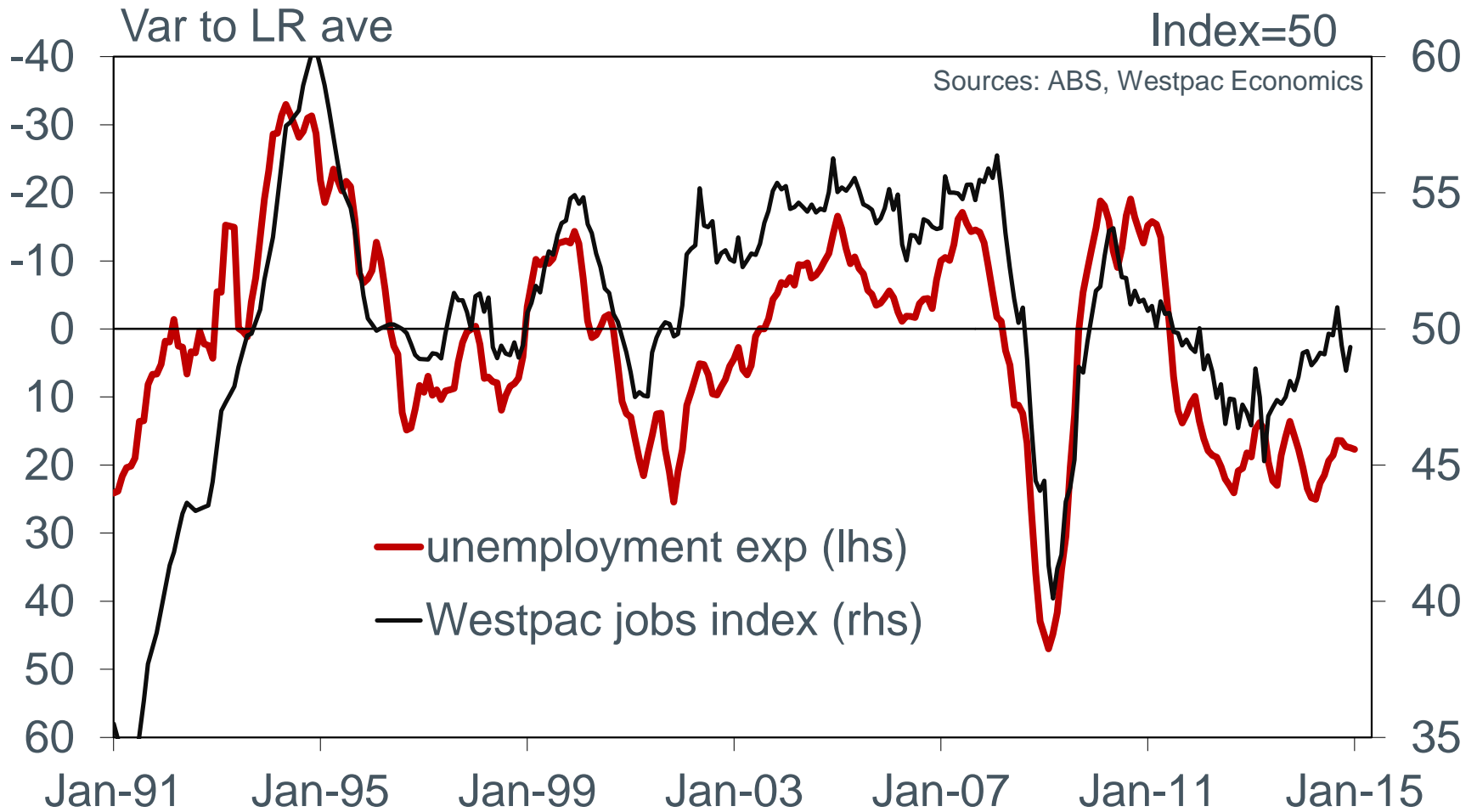
# Job worries continue to point to low rates...



# ...and the pace of change is getting worse.



# Jobs index stalls, expectations deteriorate



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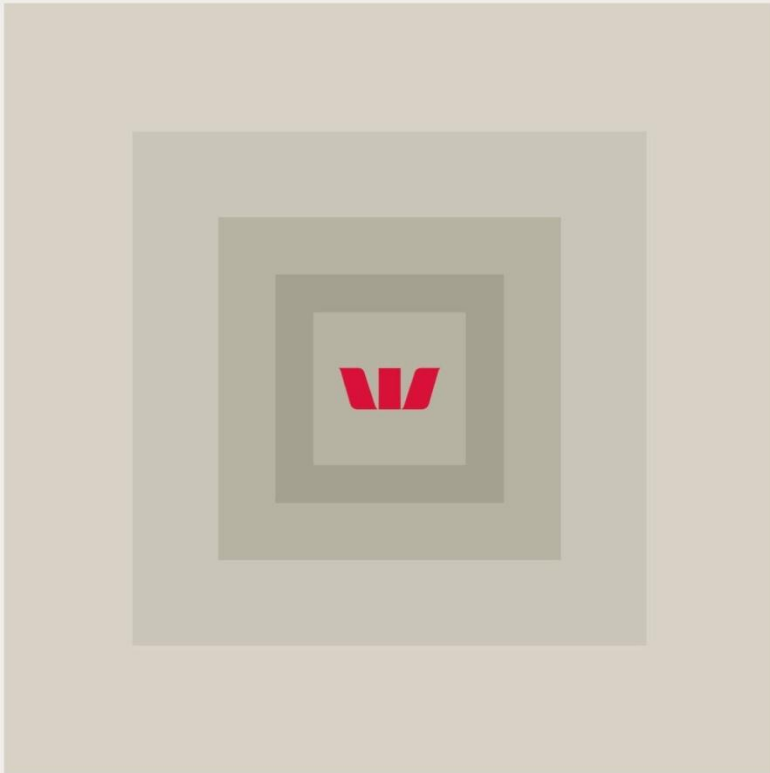
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