

# Australian consumers: wage outlook subdued

## Only 56% expect base wage to rise over the next 12 months; 41% expect no change

- The March *Westpac-Melbourne Institute Consumer Sentiment* survey included an extra question asking about expectations for base wage and salaries over the next 12 months. The results suggest a relatively subdued outlook.
- The survey found 56% of consumers expect their base wages to rise over the next year, 41% expect them to stay the same and 4% expect a decline. Some 29% of consumers expect a wage rise of zero to 4% while a significant proportion, 14%, expect a wage increase of over 8%.
- Consumers in the resource states are notably more upbeat about wage prospects, particularly in WA where 63% expect a rise and over a third expect an increase of over 4%. Qld had the highest proportion expecting wage gains of over 8% (18% of responses). SA had the highest proportion expecting wage declines (6%).
- Those in younger age groups had a more optimistic view than those in older groups. 18-24 year olds were the most upbeat with both the highest proportion expecting wage rises of over 8% and the lowest expecting declines (zero). Those in the 45-49 and 65+ categories were the most subdued with the former group having the highest proportion of respondents expecting wage declines (8%). To some extent this may reflect the pattern of career progression and possibly those moving out of the education system and embarking on their working careers.
- Those in higher income groups also tended to be more optimistic about their wage outlook. Those earning \$91-100kpa had the highest proportion (70%) expecting wages to rise but those earning over \$100kpa had the highest proportion (35%) expecting a rise of over 8%. Less than half of the respondents earning under \$40kpa expect their base wages to rise over the next 12 months.
- It is possible to estimate a 'trimmed mean' of consumers' wage expectations by excluding extreme responses (the top category and same proportion of responses from the bottom of ranges). In March, this estimated trimmed mean wage expectation was 3.4%/yr. Although it's not clear how comparable this is to actual wage data, it does seem to make some sense. According to the ABS labour cost index, wages rose just 2.9%/yr in 2009 and have averaged growth of 3.9%/yr over the last five years. Westpac Economics is forecasting this measure of wages to rise 3.3% in 2010.
- As this is the first time we have asked consumers about their wage outlook there is no history to benchmark against, making it difficult to tell whether the results are bullish or bearish. However, at 45%, the proportion of consumers expecting either no change or a decline in wages seems high to us and suggests expectations are subdued.

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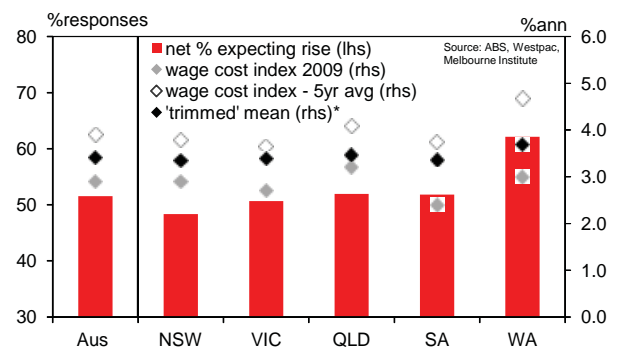
Consumer wage expectations – March 2010\*

	Rise >8%	% responses expecting:			Fall	net % exp rise
	Rise 4-8%	Rise 0-4%	No change			
Aus	14.0	12.5	29.0	40.5	4.0	51.6
NSW	16.0	7.4	29.2	43.3	4.2	48.3
Vic	9.0	18.5	26.7	42.2	3.6	50.6
Qld	18.0	12.3	26.0	39.4	4.3	52.0
SA	12.0	7.3	38.9	35.4	6.4	51.8
WA	13.9	20.6	2.7.9	37.1	0.4	62.1

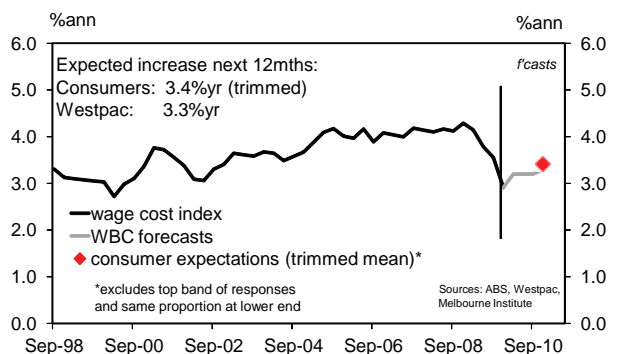
\*Figures exclude those reporting "no opinion".

Source: Westpac-Melbourne Institute

### Consumer expectations for wages

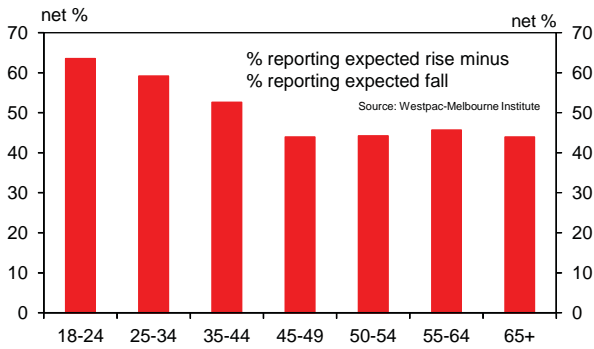


### Wage expectations

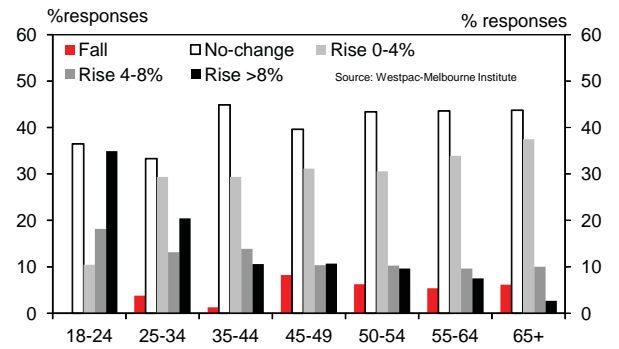


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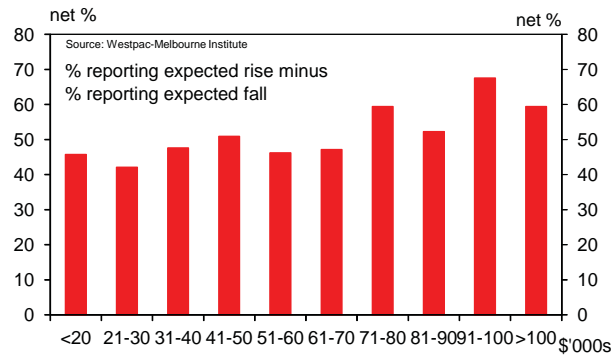
### Wage expectations by age group



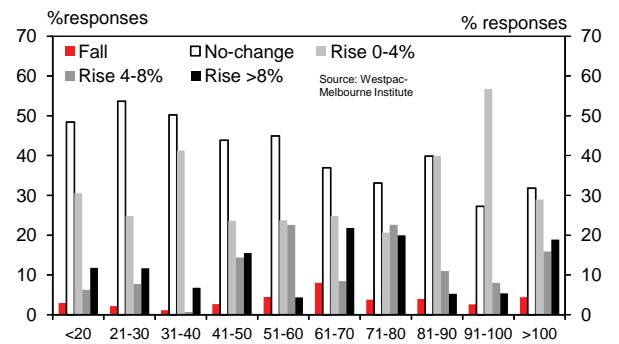
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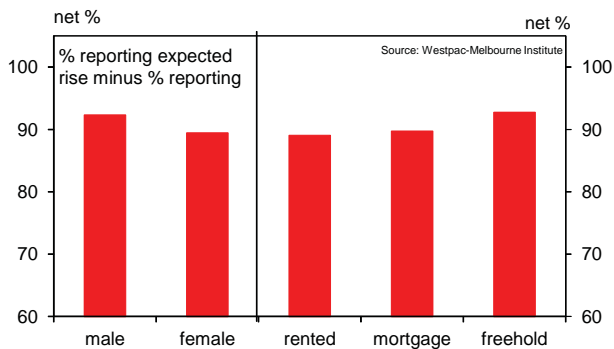
### Wage expectations by income



### Wage expectations by income



### Wage expectations: selected groups



### CSI: family finances next 12mths

