

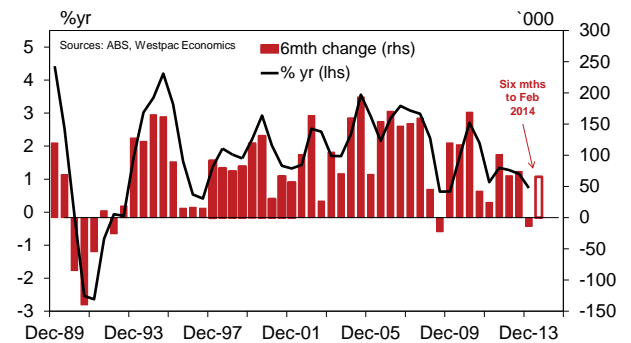
19 March 2014

Employment leading indicators chart pack

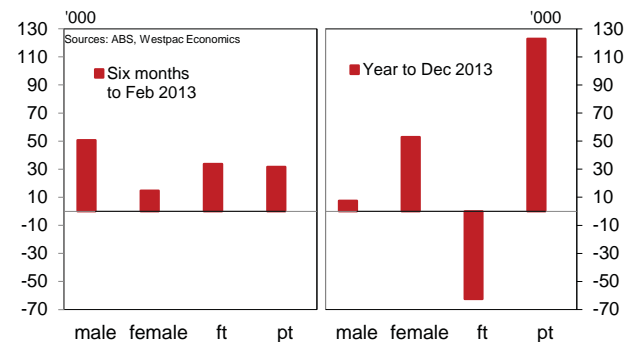
A cyclical improvement is likely to continue through the first half of 2014

- While one month does not make a trend, in Feb total employment rose 47.3k rise – full-time employment rose 80.5k, male employment +51k – was much stronger than expected and break the soft patch through 2013H2. In fact, in the six months to Feb total employment has lifted 65.4k, full-time employment is up 33.7k and male employment has risen 50.6k.
- Compare this to the 13.8k fall in employment in the six months to Dec 2013, full-time employment was down 53.2k and male employment had fallen 18.9k. We are interested in male employment as has tended to be more cyclical being linked to the industries such as mining, construction, manufacturing, transport and wholesale.
- Given this shift in momentum in employment we thought it was timely to release a chart pack of our suite of leading indicators. This includes the various business surveys, consumer unemployment expectations, job ads and Westpac's outlook for non-mining investment, domestic demand and household demand.
- The first set is based on the various business surveys that are released. We compile the employment indicators from the surveys – questions on employment (actual & expected), overtime worked (actual and expected) –to generate composite employment indicators. By using as many surveys as possible we hope to create a deep (covers many firms) and broad (covers many sectors) employment indicator as possible. Westpac's Jobs Index lifted to 48.6 in Feb from 48.3 in Jan and a recent low of 44.4 in Apr 2013.
- The Westpac-Melbourne Institute Unemployment Expectations Index provides an insight not only on household perception of the labour market but it is also a real time indicator of the strength of the labour market. Unemployment Expectations rose 5.5% in Mar; up 8.6% so far in 2014 and 17.7% higher in 12 months. But the recent lift in the Westpac Jobs Index, if it flows through to a lift in employment, should translate into an improvement in unemployment expectations.
- Job advertisements rose 5.1% in Feb, the strongest monthly rise since the 11.1% mth print in Feb 2010. The robust Feb rise breaks a long down trend with job ads falling in 21 of the 23 months leading up to Feb. Job ads are now down just 4.8%yr (they troughed at -18.8%yr in Jun 2013). Ads are, however, still at a historic low level and 21% below the Feb 2012 print. The business surveys suggest the recent upturn is likely to be sustained.
- Westpac focuses on household demand (household consumption plus dwelling investment) as a key lead indicator of employment turning points - it suggests a more positive Q1 compared to Q4.
- Justin Smirk, Senior Economist, ph (61-2) 8254 9336

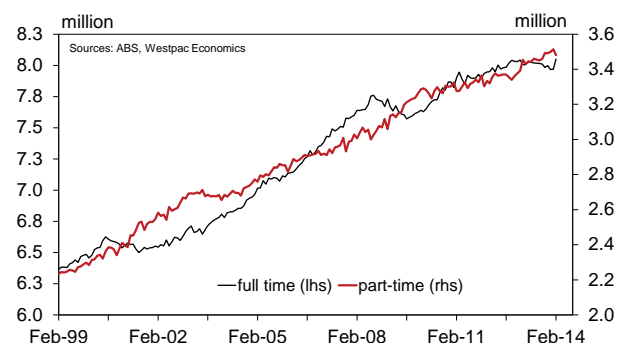
Total employment has lifted in last six months



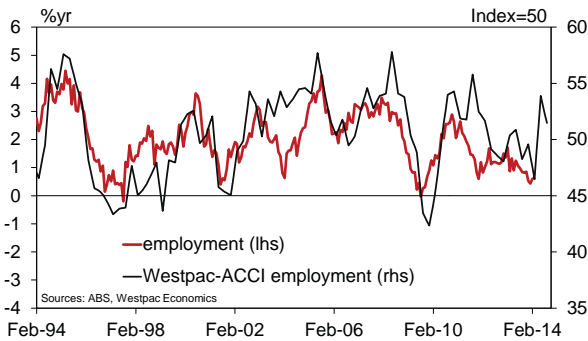
A swing back to male employment has started



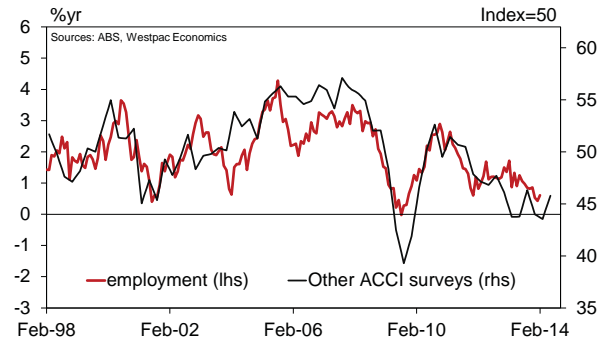
Full-time jobs finally lift



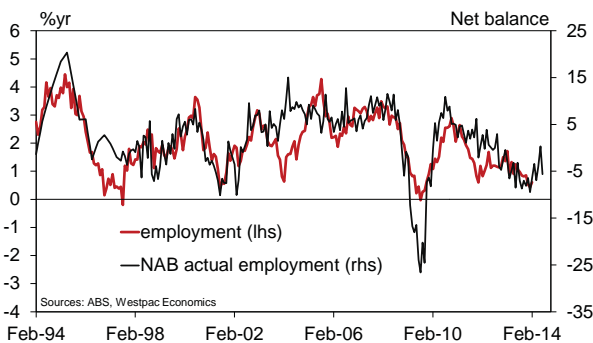
The long running Westpac-ACCI index



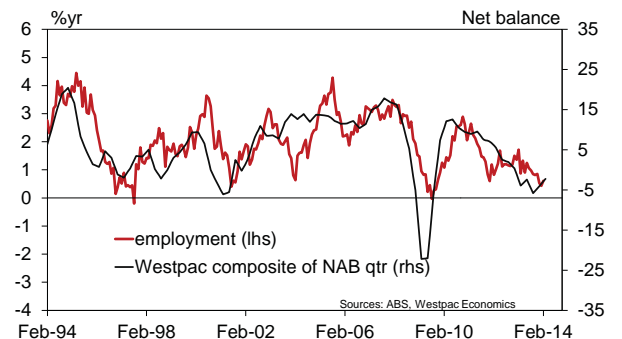
Other ACCI surveys as a composite



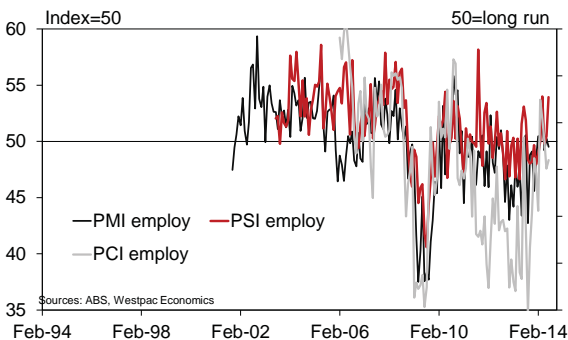
NAB actual employment question



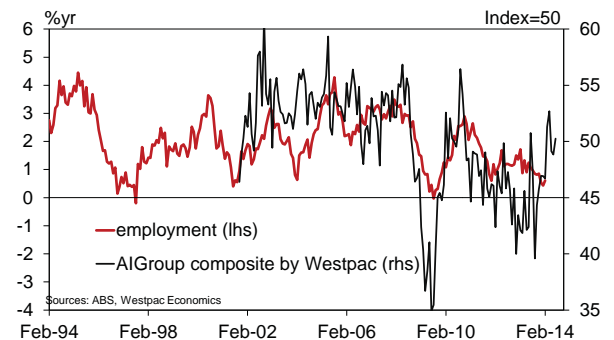
NAB quarterly employment questions



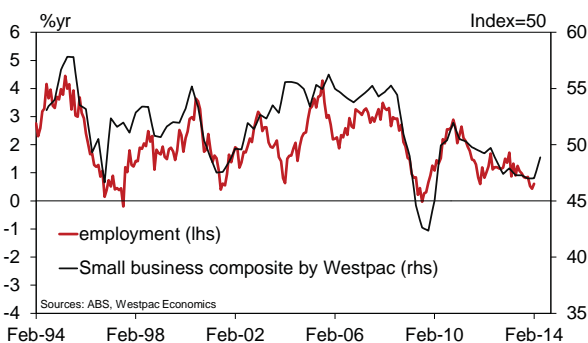
The AIGroup surveys are extremely noisy



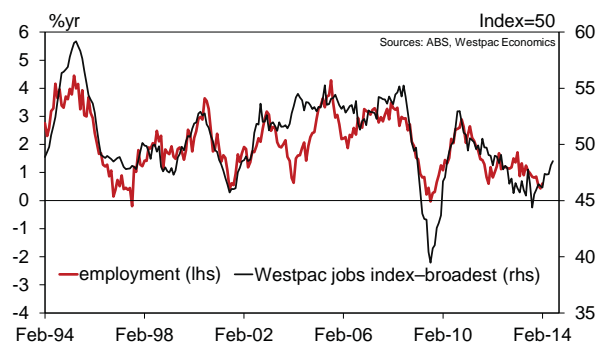
Westpac's composite of AIGroup is a bit better



Westpac's composite of the small bus surveys

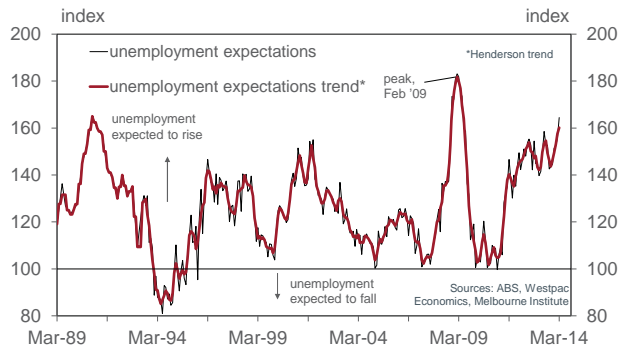


Westpac jobs index suggests the nadir has passed

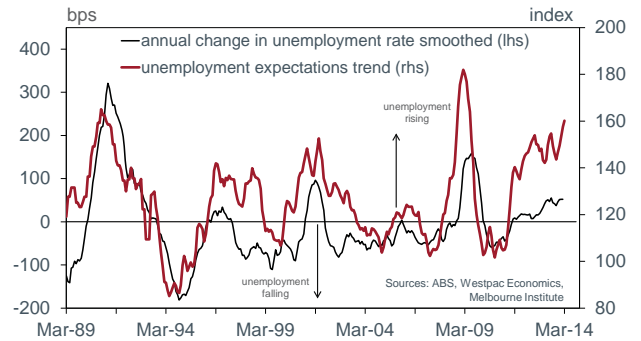


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A triple top on labour market concerns...



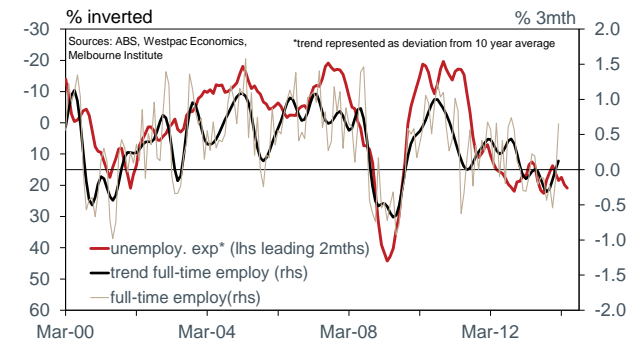
...pointing to upside risks for unemployment...



...as employment lags population growth...



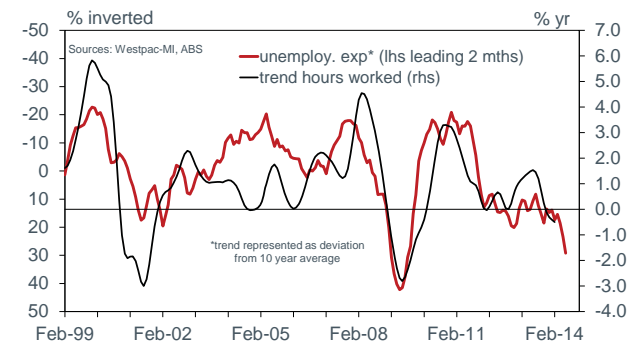
...but full-time employment has leapt in 2014...



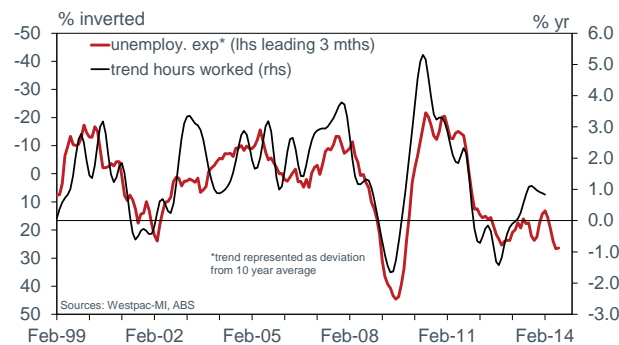
...& employers lift hours worked.



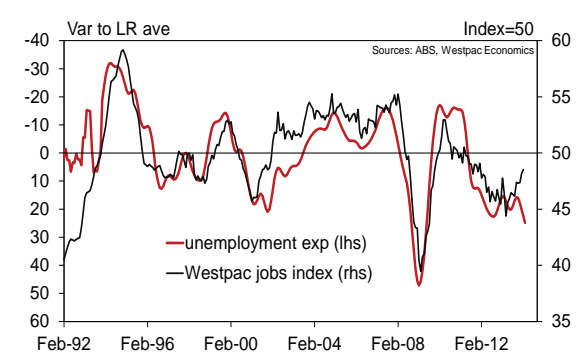
NSW hours worked falling back



Vic expectations are very weak

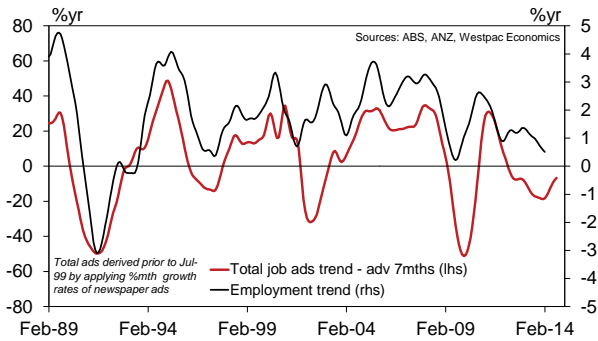


Jobs index vs. unemployment expectations

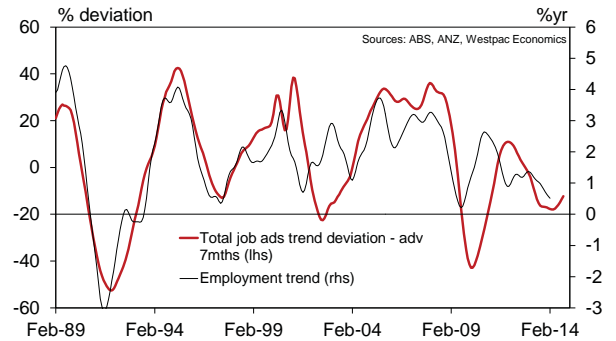


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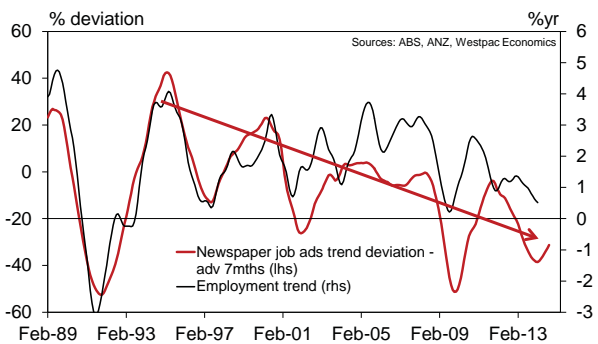
Job adds have been much softer than employment



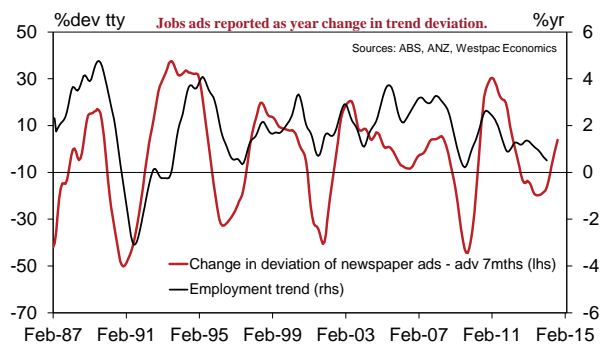
And a cyclical upswing may be forming



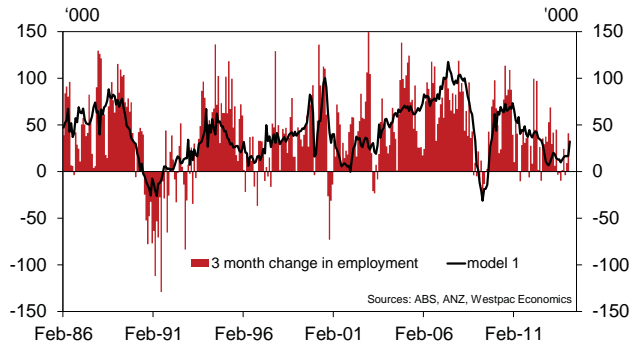
Newspaper remain in a long downtrend...



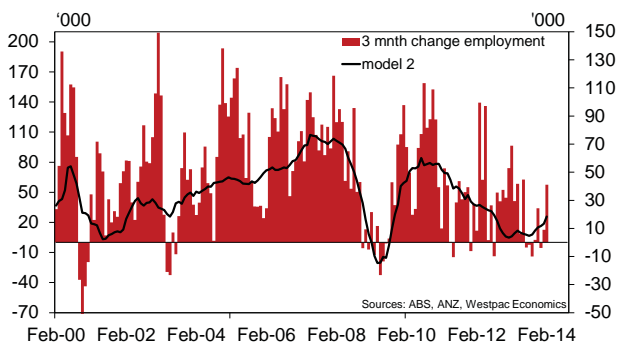
...but the change in pace suggest a turning point.



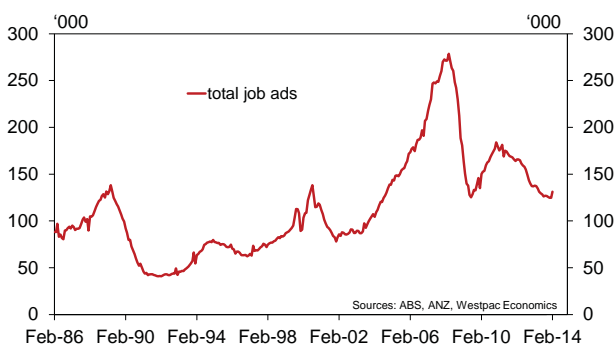
Job ads model suggested a lift in momentum...



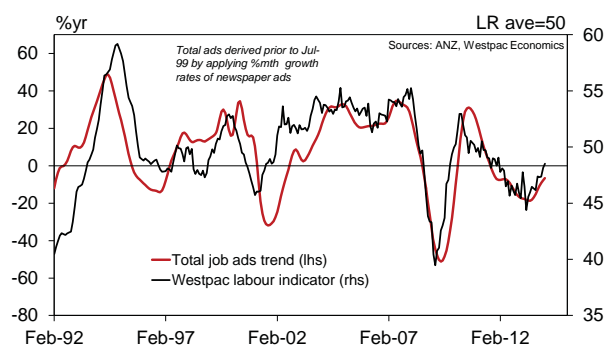
...which we are now seeing in employment.



The level of job ads just above post GFC low

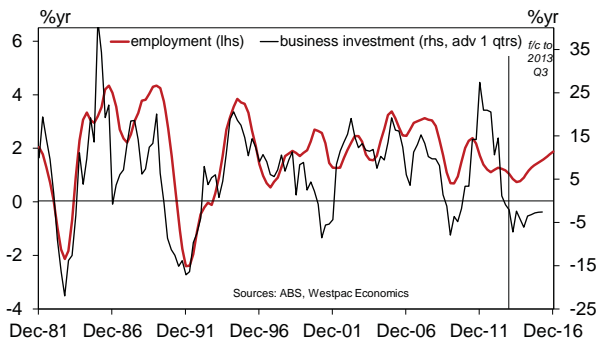


Business surveys also highlight a turning point

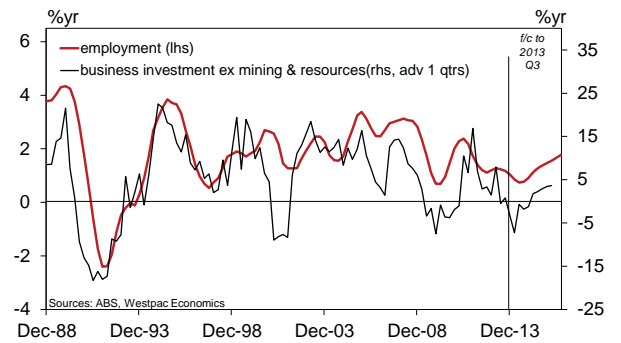


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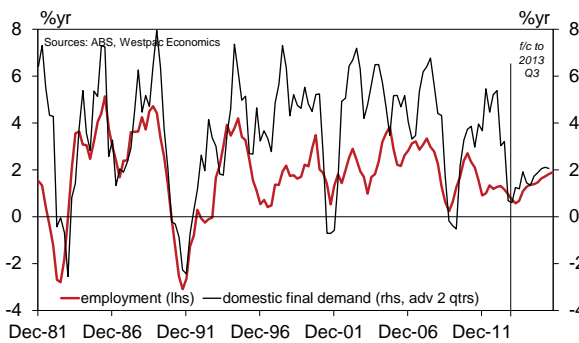
Business investment & employment



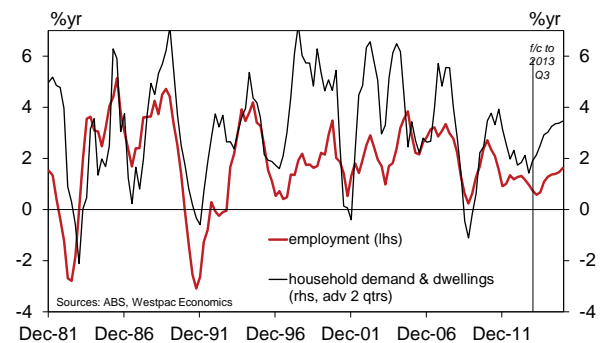
Business investment ex mining & employment



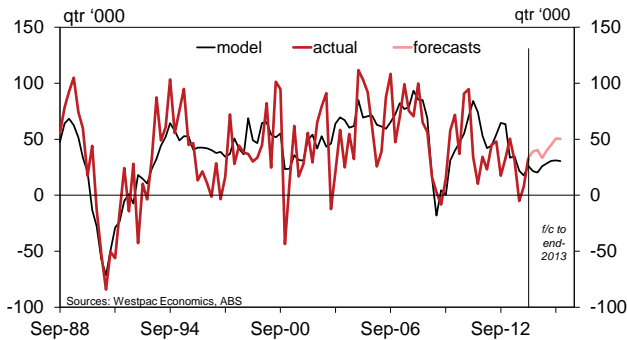
Domestic demand & employment



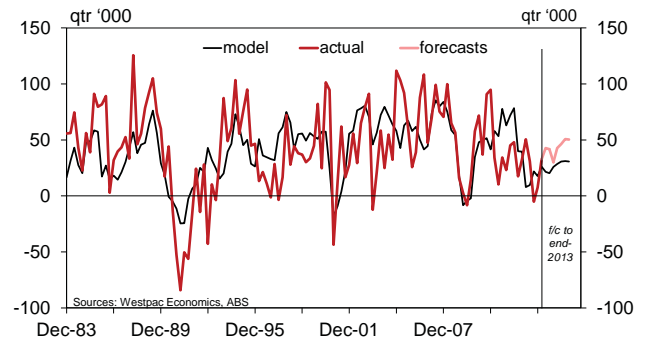
Household demand & employment



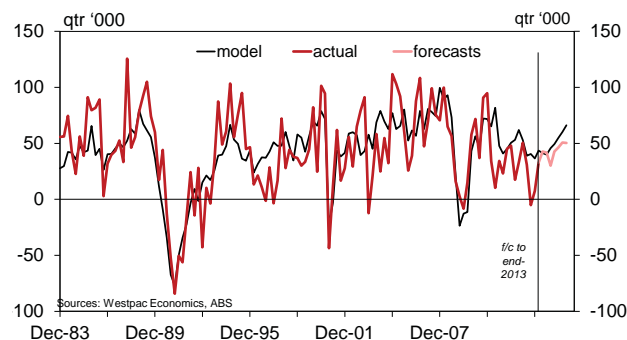
Qtr jobs model based non-mining investment



Qtr jobs model based on domestic demand



Qtr jobs model based on household demand





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