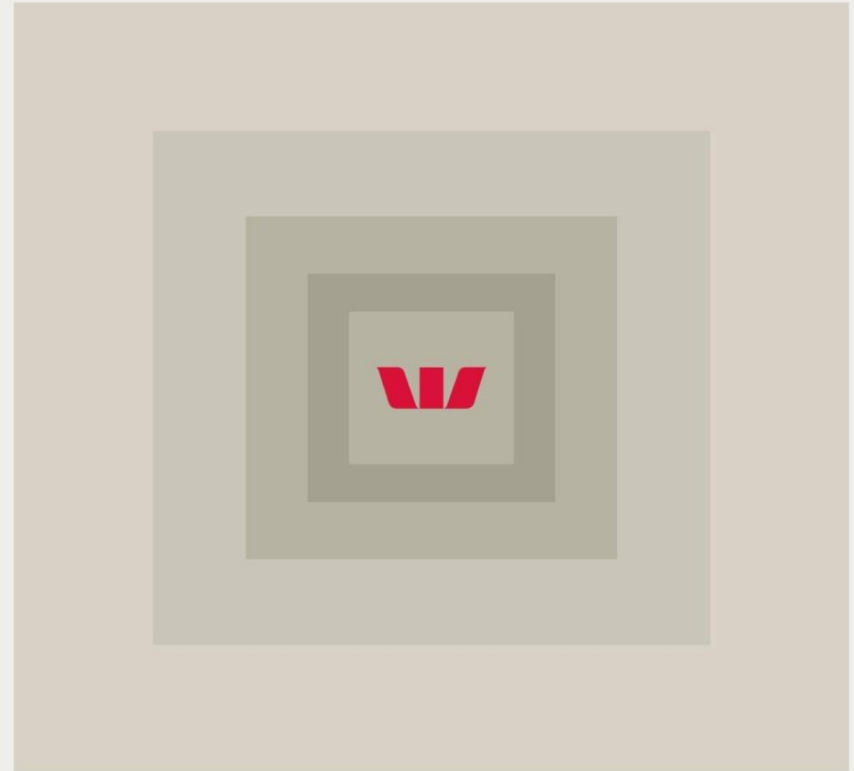


Economic Update

Westpac Jobs Index

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February 23rd, 2015



Westpac's Jobs Index

A systematic review of the job indicators in the business surveys

- There are many business surveys out there and most have questions, in some shape or form, that are applicable to the labour market. To generate the broadest and deepest labour market indicator possible, Westpac compiles all the relevant indicators from these surveys into the proprietary Westpac Jobs Index.
- The Index continued to improve in Jan, at 50.1 from 49.3 in Dec and 48.7 in Nov. The index is set so the long run average equals 50. The Index had been on a general firming trend since the low of 45.1 in Apr 2013 till it peaked at 50.9 in Sep 14. The Dec & Jan lift has taken it back within a whisker of that reading.
- The Index correctly highlighted some upside momentum in the labour market through late 2014, up to around a 2%yr pace by end 2014. It was also suggesting the pace could ease after a solid start in early 2015.
- The bump up in annual growth in total employment in the Dec Labour Force Survey to 1.9%yr is consistent with the Jobs Index. According to the Index the pace of employment growth could moderate through the first quarter of 2015 but it is likely to strengthen back to just under 2%yr by end of the second quarter.

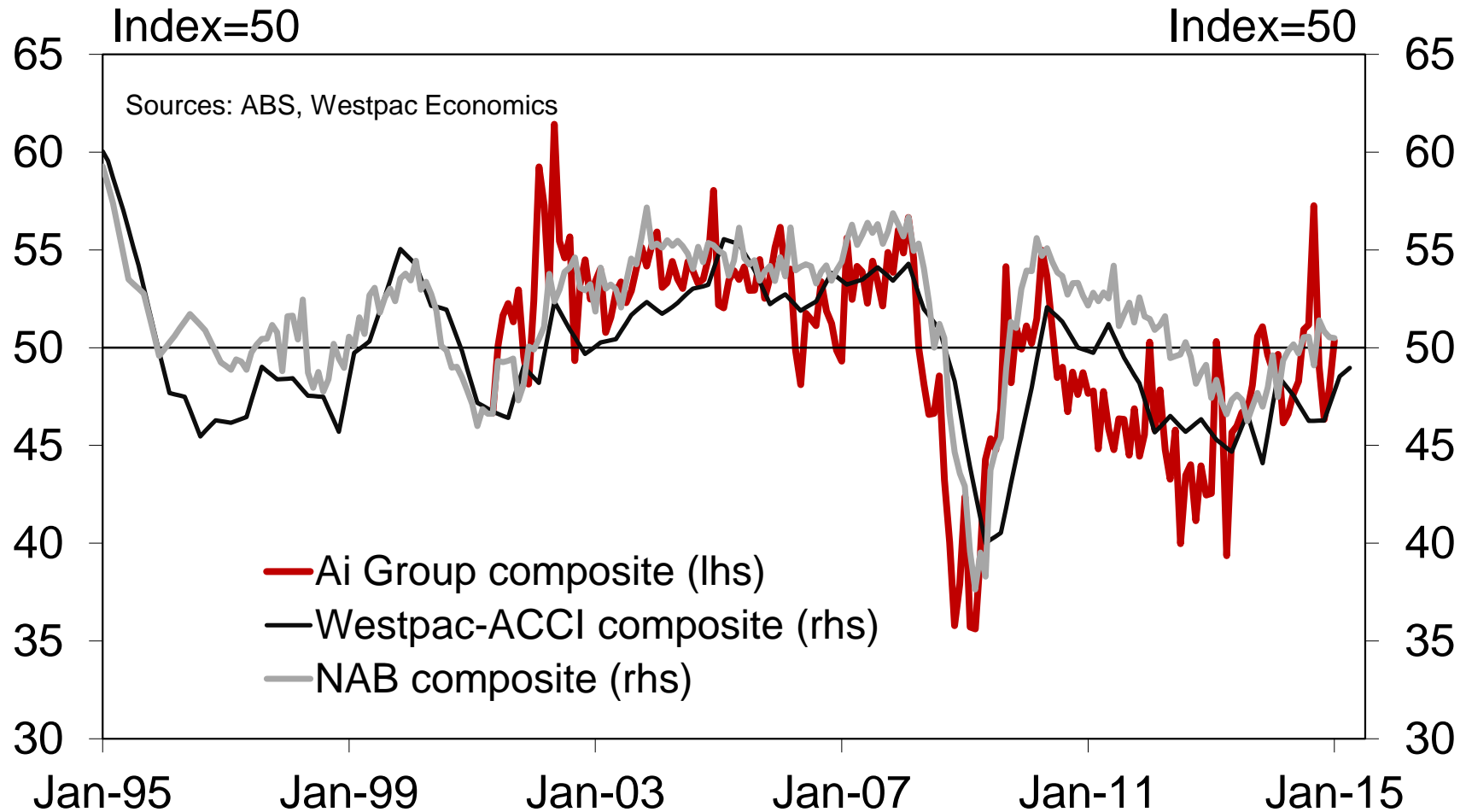
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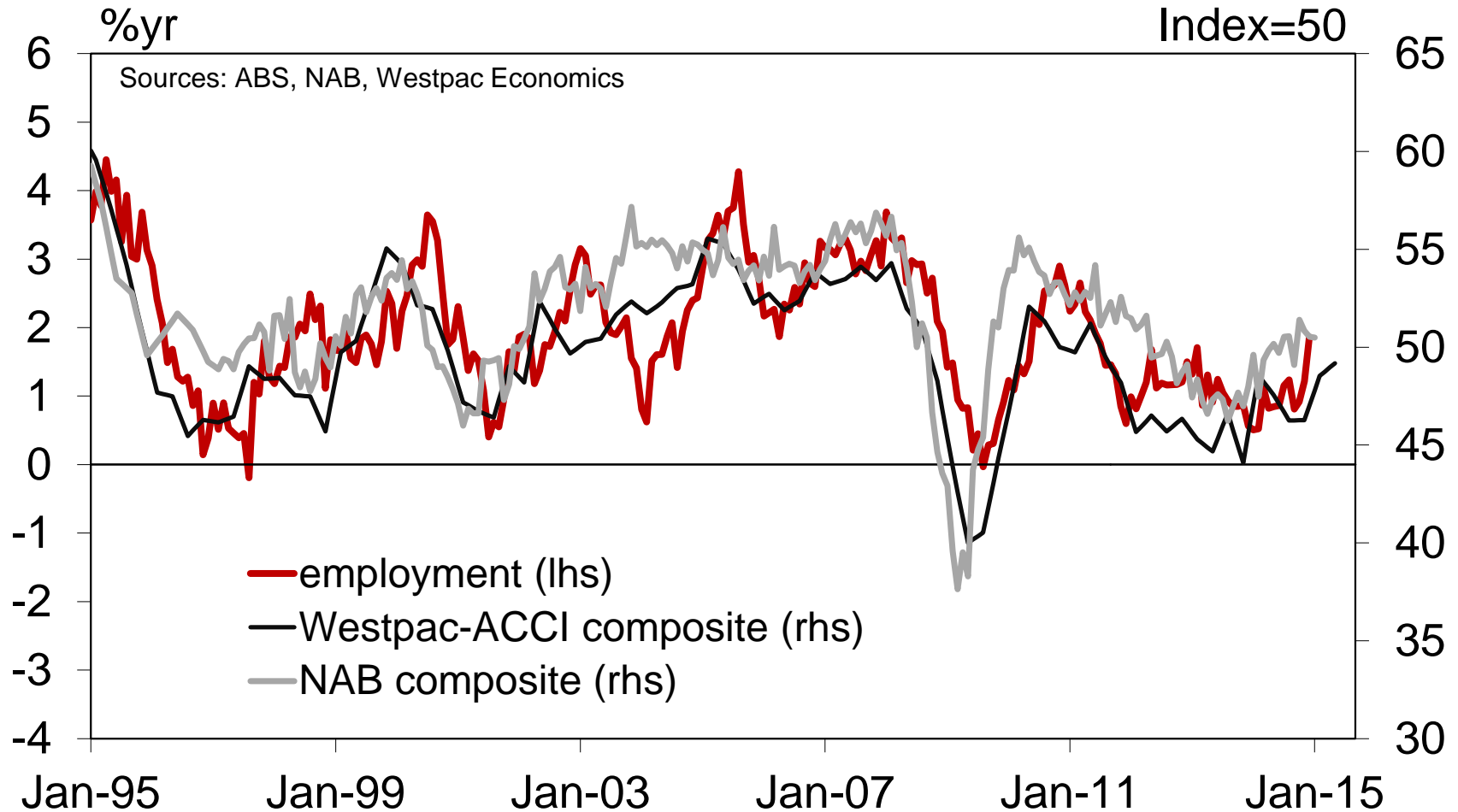
- There are two key points in this month's update.
 1. The AIGoup PCI Construction Index has been a significant source of volatility in the over index of late. It helped to boost the index from Mar to Sep then softening of the index in the last few months of 2014. Westpac's seasonally adjusted AiGoup Jobs Index went from 47.6 in Mar to a Sep peak of 57.3 before falling back to 46.3 by Nov. The weakness was short lived and the Index was back at 50.3 in Jan 2015.
 2. In our Small Business Index most of the components are quarterly and overall, the index is quite stable compared to the other business survey labour market questions. The Index is currently 49.4, compared to a recent low of 48.0 in Mar 2014 and an average of 48.8 through 2014.
- The improvement in the Jobs Index does match the trend improvement in Unemployment Expectations. However, Unemployment Expectations continue to be more negative on the labour market than other indicators suggesting that the current pace of hiring is still insufficient to quell household employment fears.

Key business surveys for employment

Composites of various employment related questions with 50=the long run average

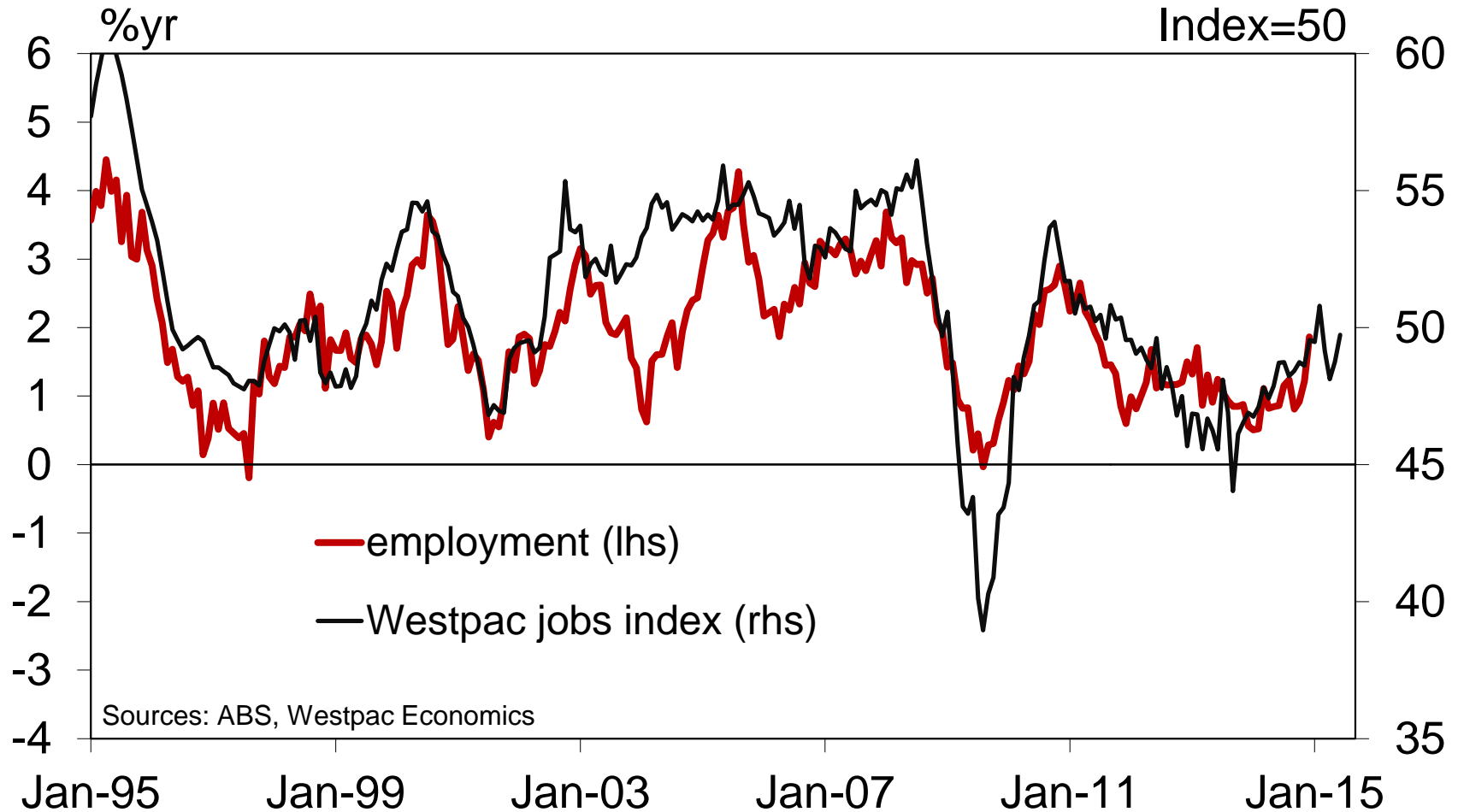


How the indexes compare to employment

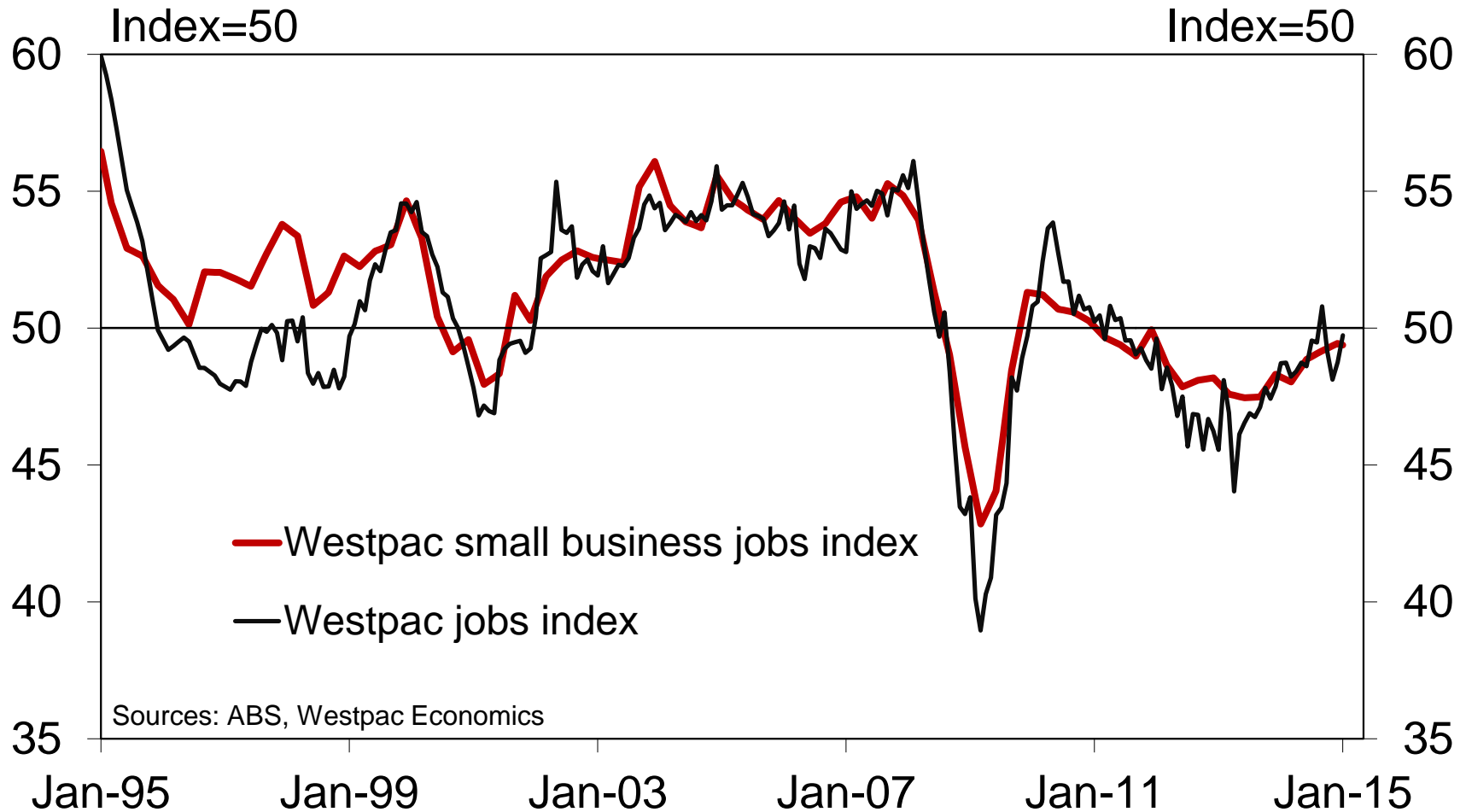


Westpac jobs index

A composite of the various business surveys employment indicators

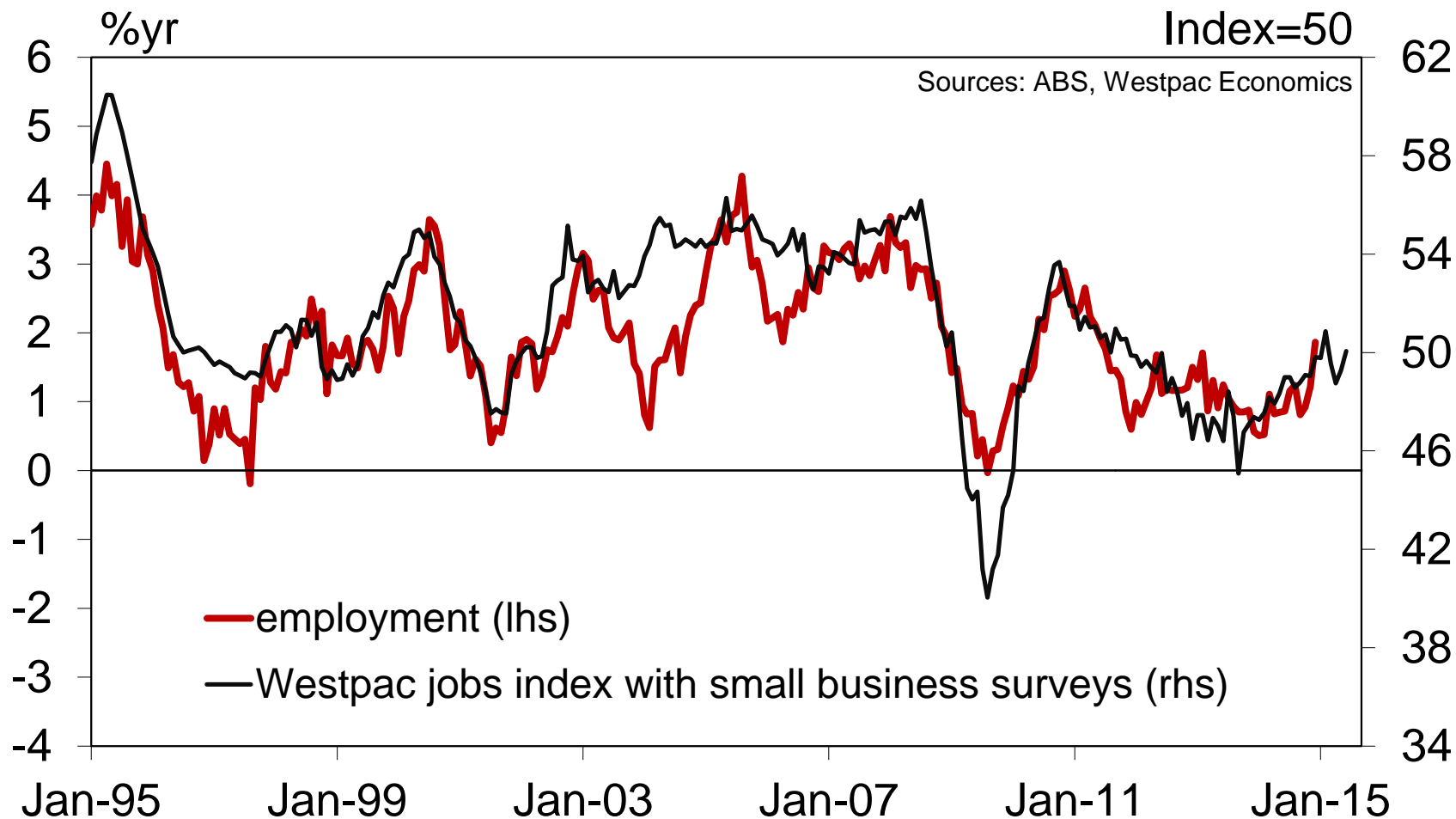


Small business surveys vs. the rest

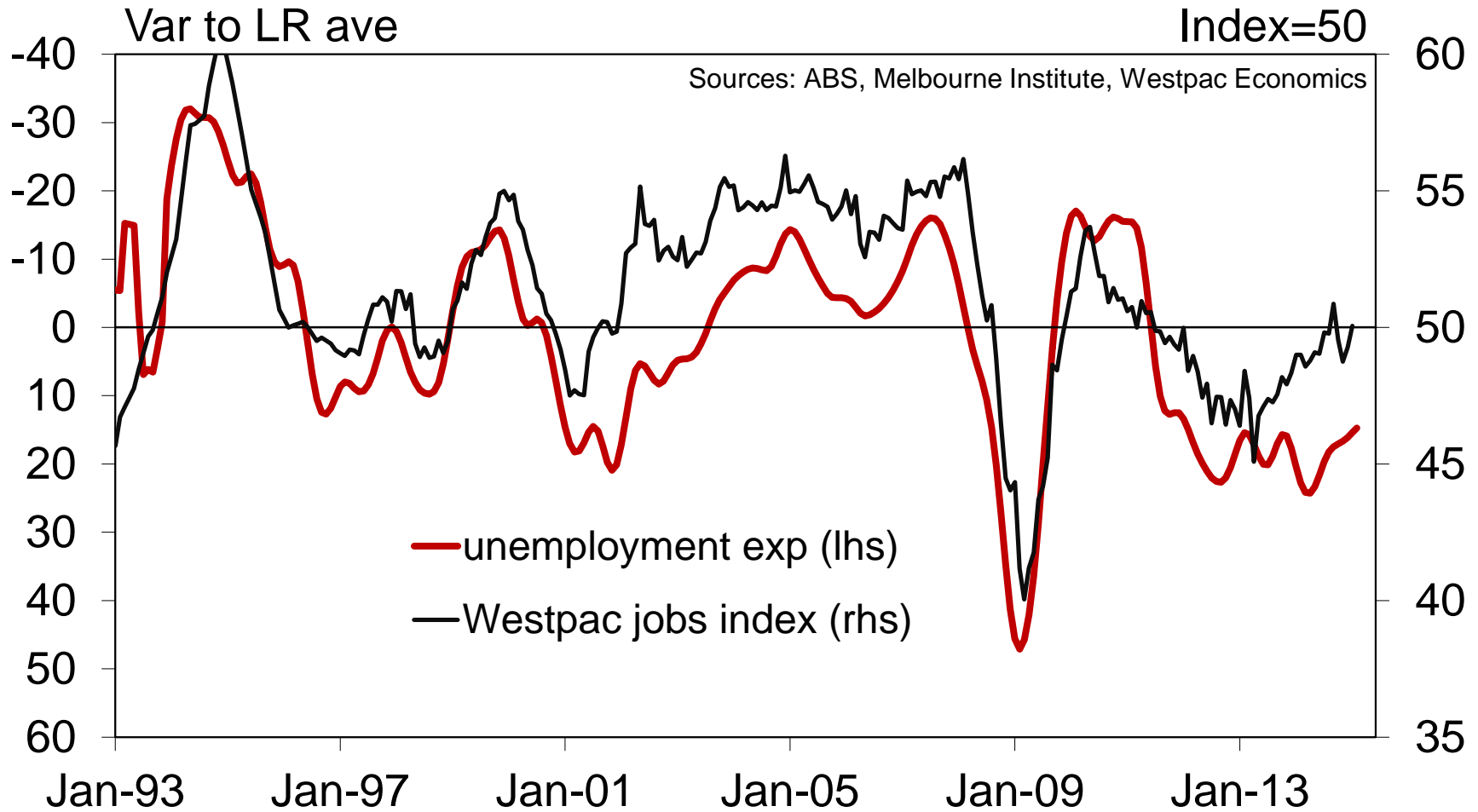


Westpac jobs index – with small business survey

The broadest indicator based on business surveys



Expectations are lagging the Jobs Index

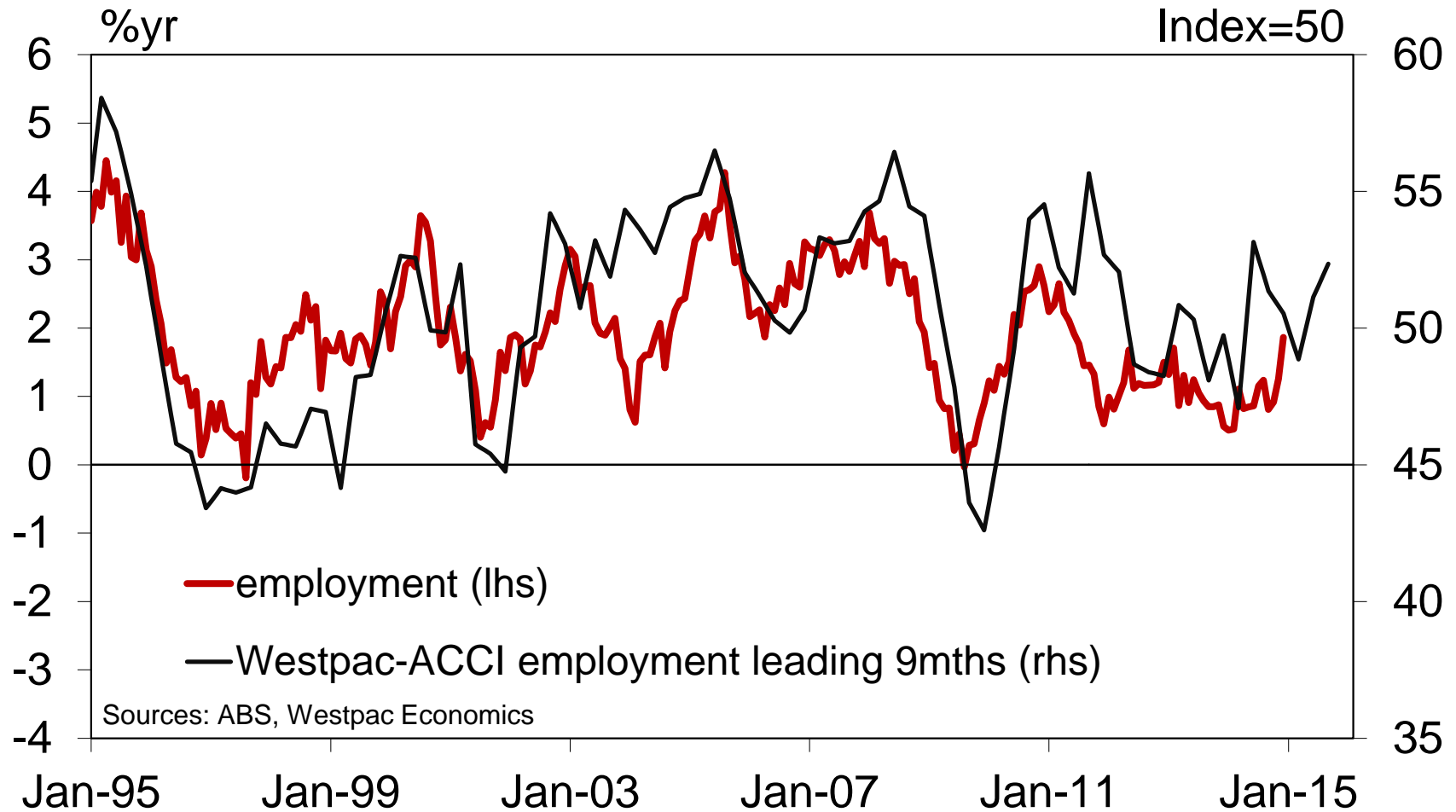


Westpac's Jobs Index

A breakdown of the various survey results

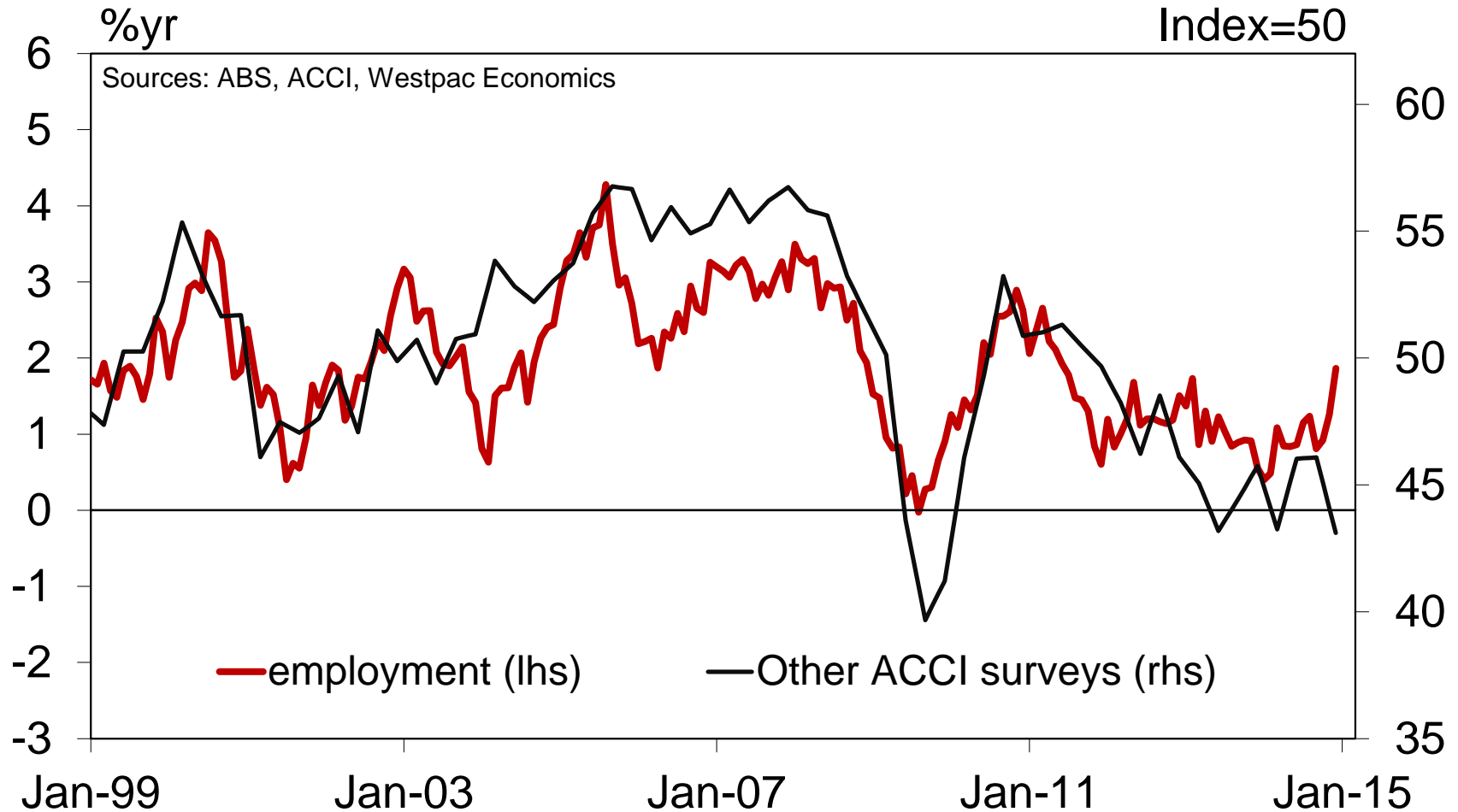
- The Westpac–ACCI survey and other ACCI business surveys.
- NAB employment actual and Westpac's composite of the various employment questions from the NAB business surveys.
- The AIGroup surveys and the Westpac composite of those surveys.
- Westpac's composite of the various small business surveys.

The long running Westpac-ACCI index

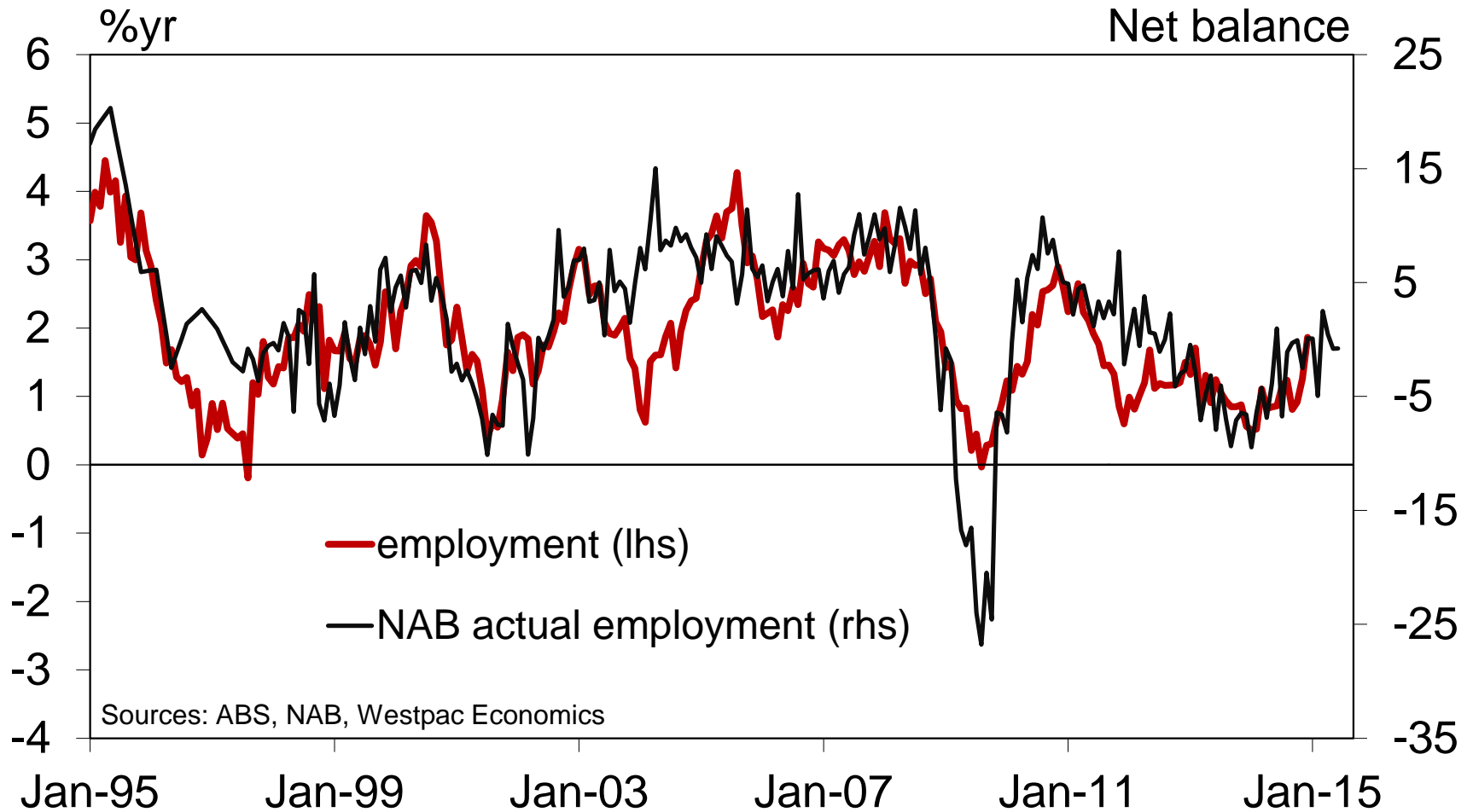


Sources: ABS, Westpac Economics

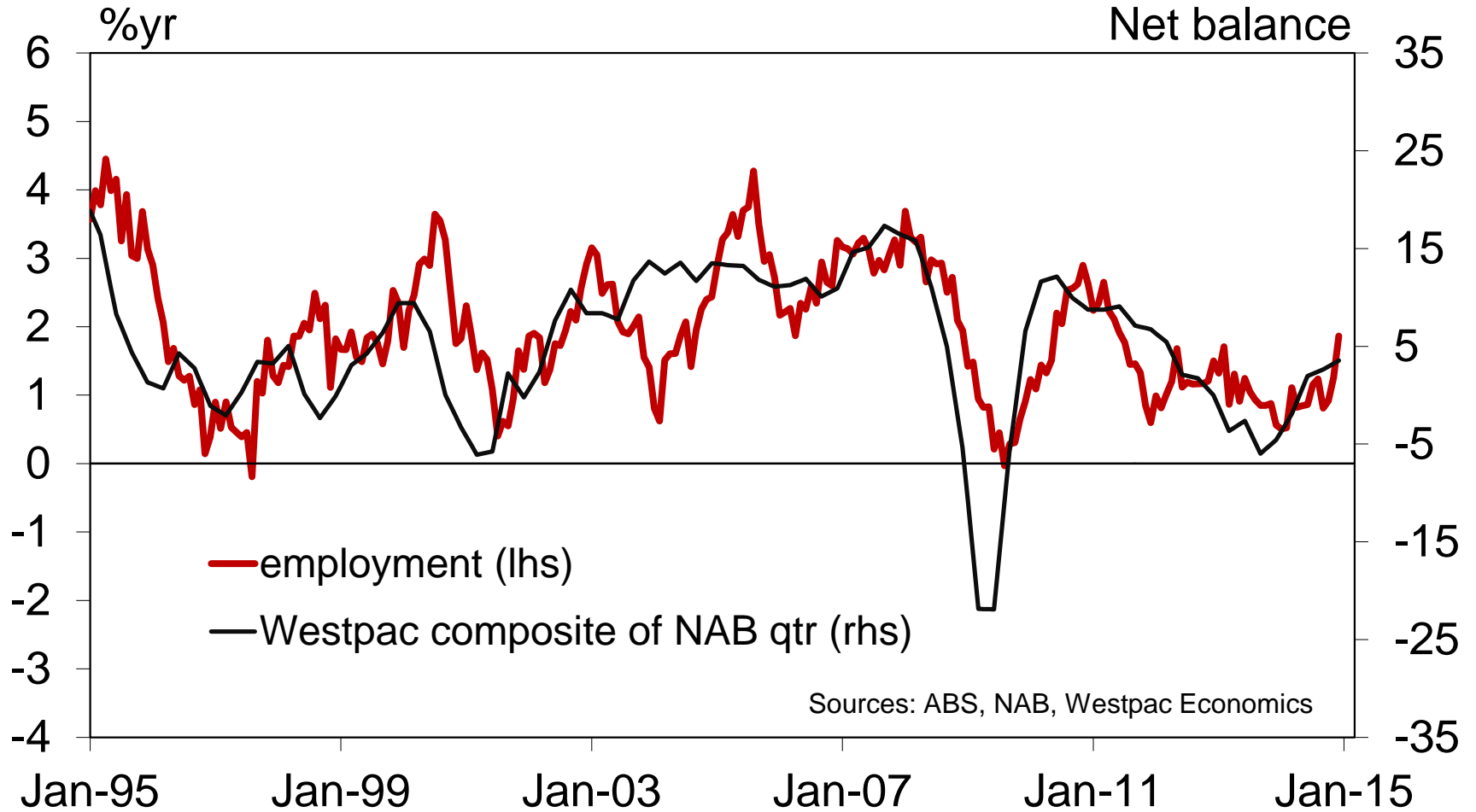
Other ACCI surveys as a composite



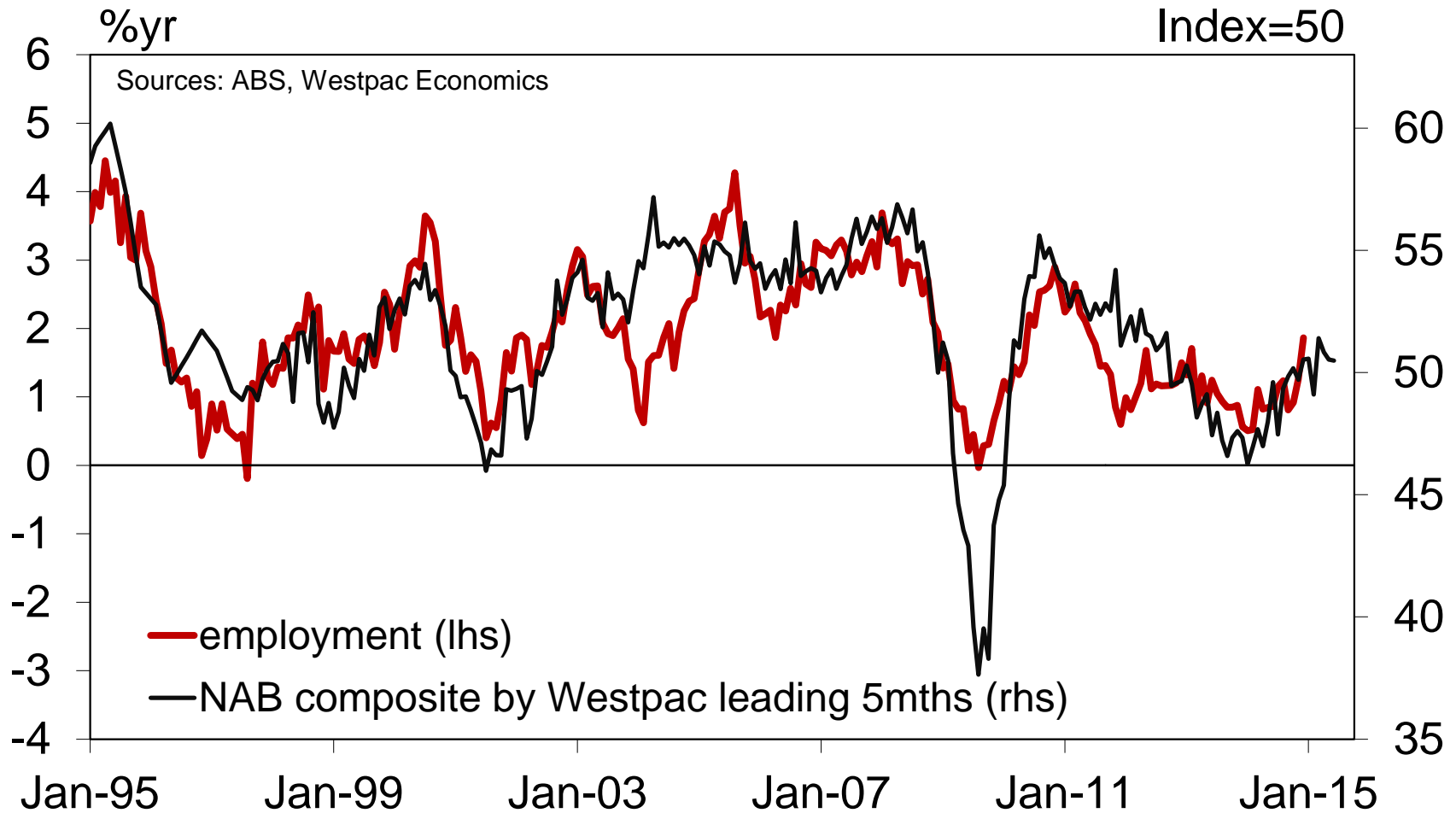
Employment question from the monthly NAB



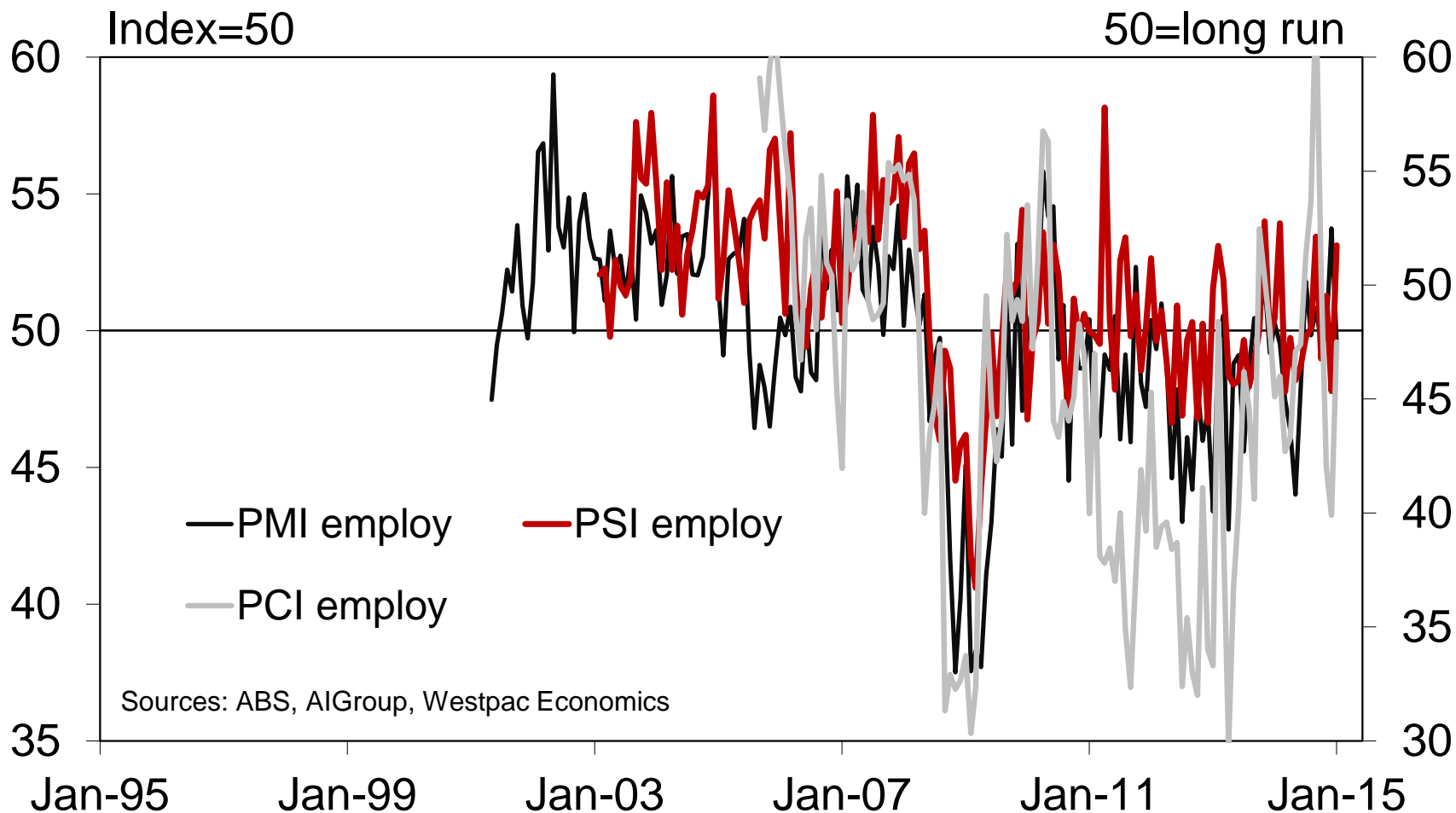
NAB quarterly employment questions



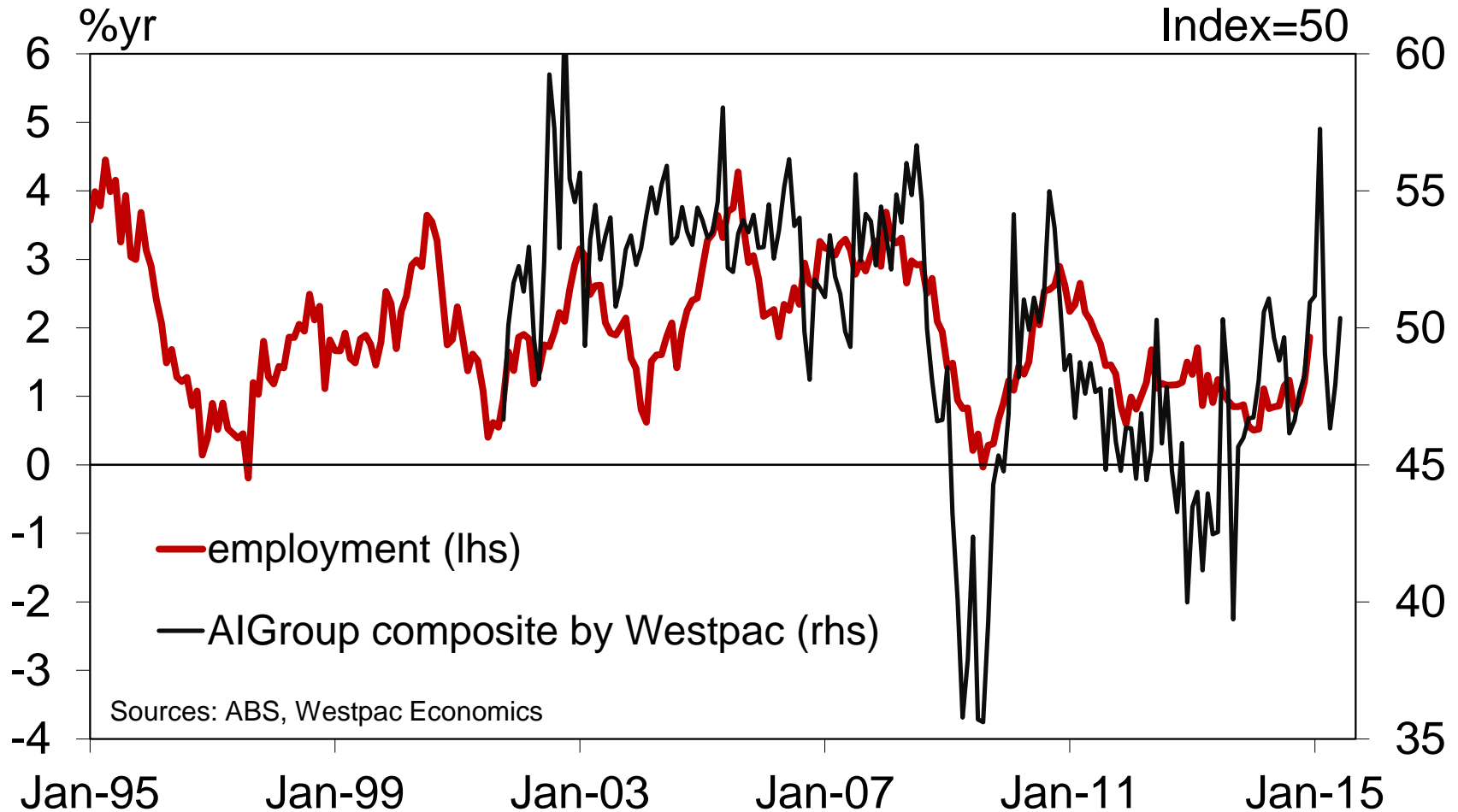
Westpac's composite of the NAB surveys



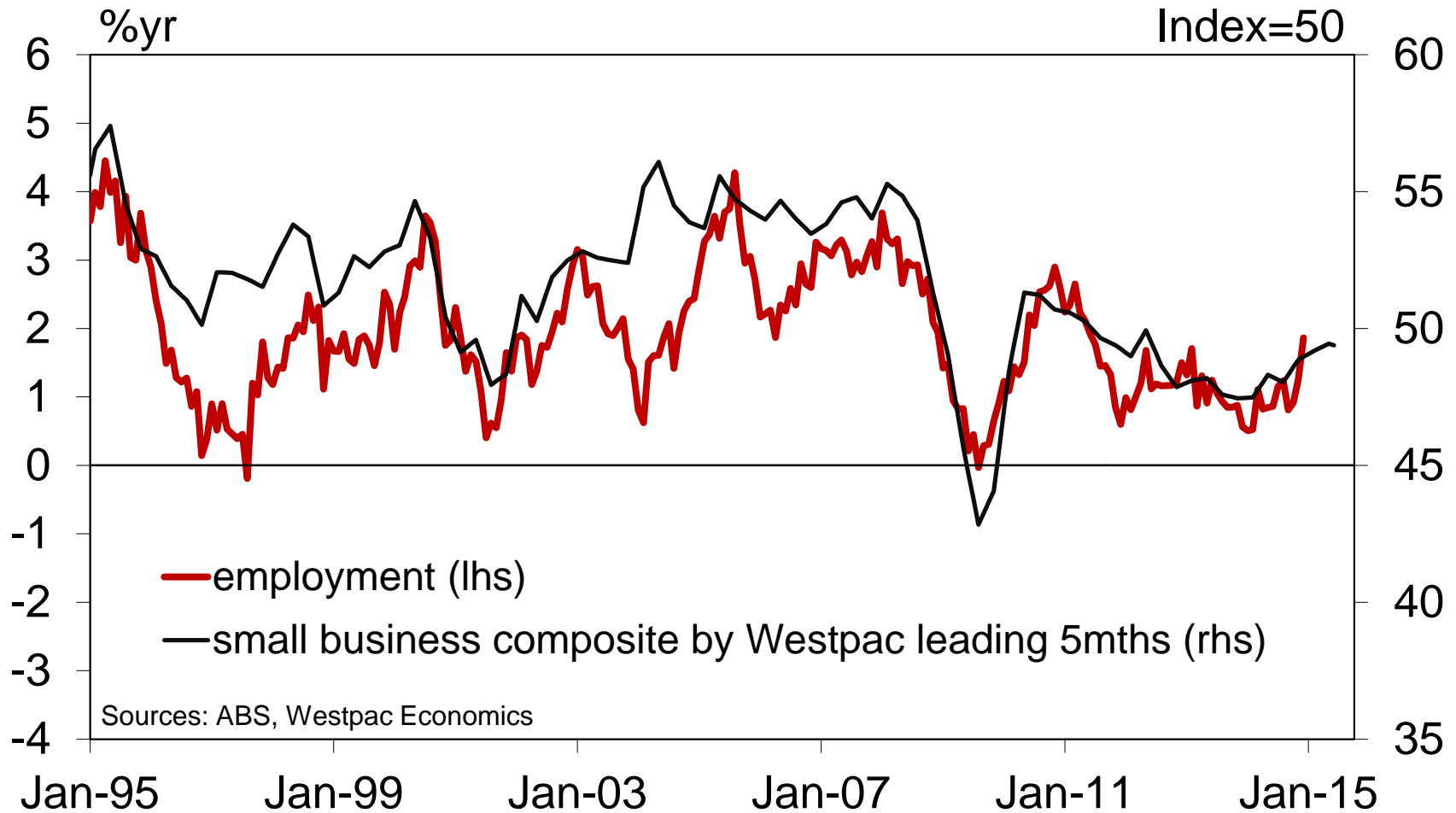
The AIGroup surveys are extremely noisy



Westpac's composite of AIGroup is a bit better



Westpac's composite of the small bus surveys



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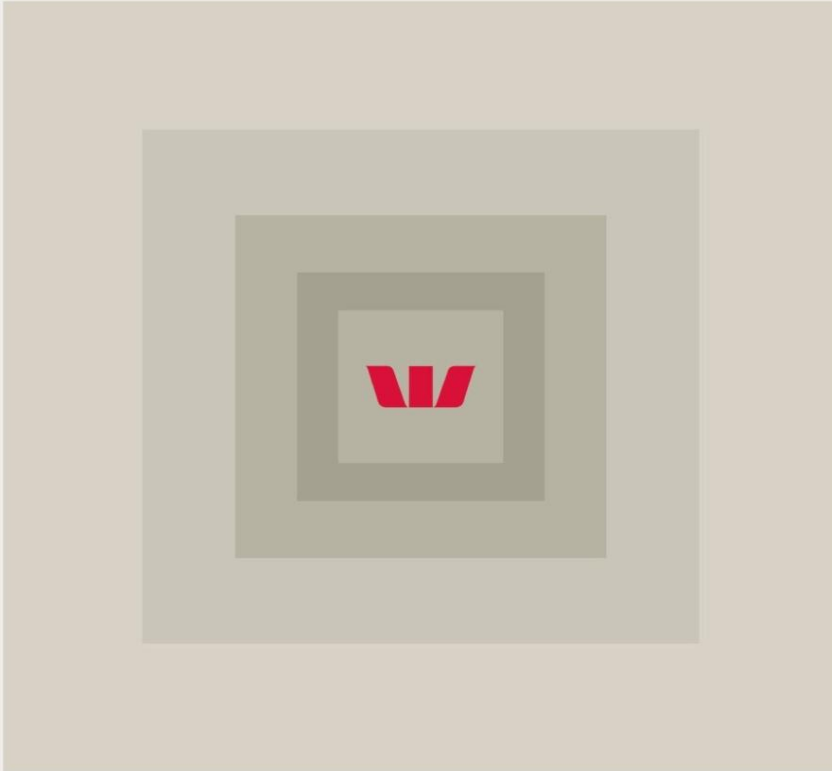
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