Economic Update

Westpac Jobs Index

Prepared by: Justin Smirk
Senior Economist
Westpac Economics

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Westpac’s Jobs Index

A systematic review of the job indicators in the business surveys

- This is the first update of the Westpac Jobs Index for 2016 and it continues to paint a picture of a robust labour market.
- There are many business surveys out there and most have questions that are applicable to the labour market. To generate a broad and deep labour market indicator, Westpac compiles all the relevant indicators from these surveys into the proprietary Westpac Jobs Index.
- At 51.4 the Jobs Index in Mar is back recent high on Dec 2015. The recent low was 49.3 on Jun 2015. Remember, the Index is set so the long run average equals 50 but the index has to drop below 45 before it is associated with negative annual employment growth rates.
- Readers will remember that from Sep 2015 to Nov 2015 the pace of employment growth accelerated to almost 3%yr while the Jobs Index was suggesting that employment growth should be closer to 1¾%yr. At the time we argued that such surges (and following ebbs) in employment are not unusual and as such we thought that employment growth would fall back towards the Index sometime in the first half of 2016.

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- This has happened with the pace of employment growth slowing to 2% in Feb 2016 with the ABS reporting total employment contracting an average of 2.2k per month in the three months to Feb.
- So where to next? In Mar the Job Index reading 51.4 is pointing to employment growth holding around 2%yr out to the end of the Sep quarter. But given the recent surge to almost 3%yr, we would also expect to see some near term underperformance in the way of statistical give back.
- Of note in the components of the index this month;

1. The AIGoup surveys remain very volatile and the Feb dip to 48.8 was only partially corrected in Mar to 50.1. The recent peak was 53.4 in Aug 2015.
2. At 51.1 the NAB monthly employment indicator has been broadly flat since Nov 2015.
3. The Westpac-ACCI composite index firmed to 50.9 in Mar, the highest reading since May 2011.

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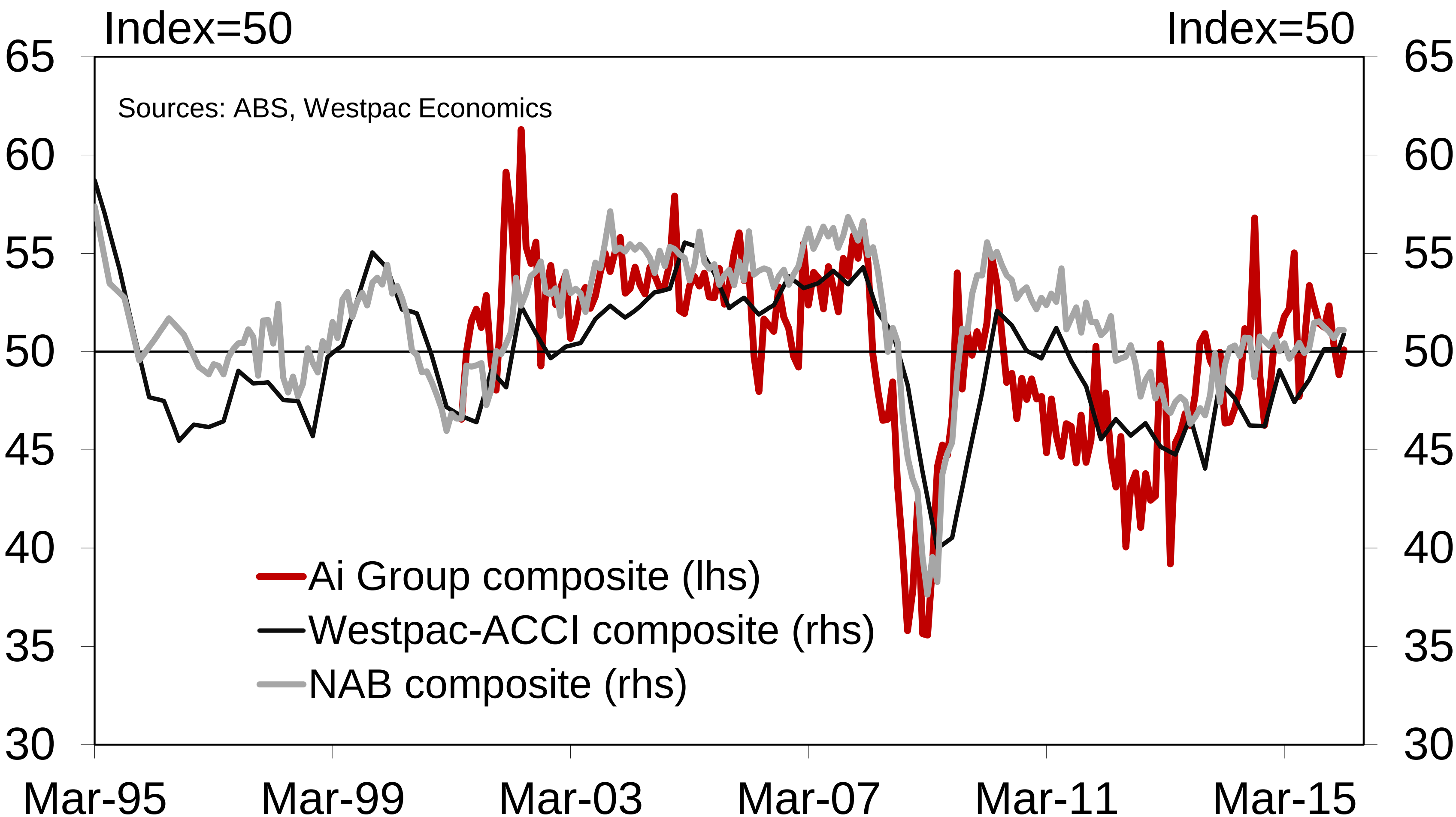
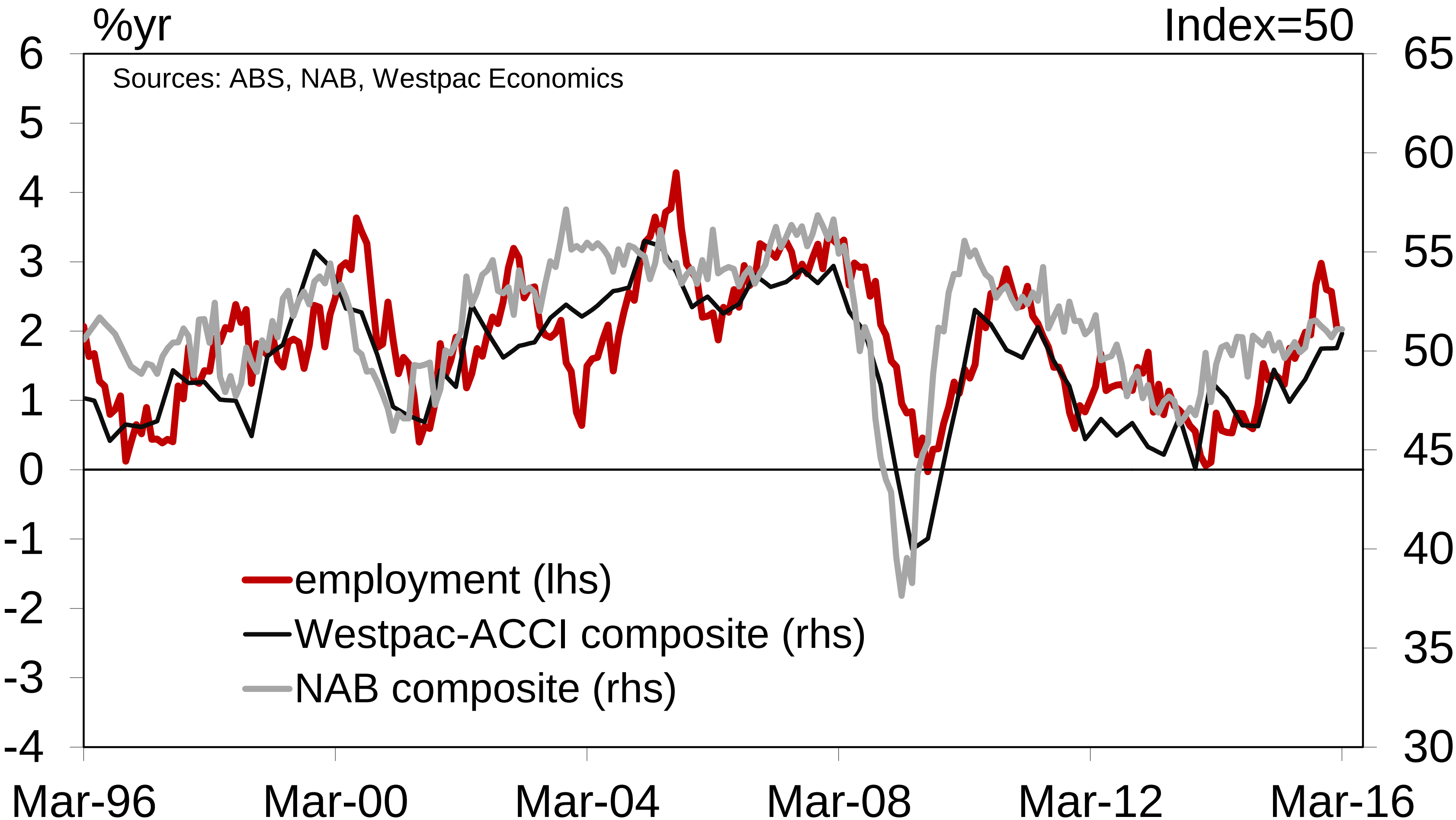
- The trend improvement in the Jobs Index we have seen since early 2014 has been matched by a trend improvement in the Westpac-Melbourne Institute Unemployment Expectations. But Expectations have deteriorated a touch since so far in 2016 and this is something we are watching closely. In the past, Unemployment Expectations have given us heads up on potential turning points in the Jobs Index. While it is early days yet, and the current deterioration in Expectations may just be normal volatility, the recent deterioration in the ABS Labour Force Survey of job losses suggests we should not dismiss this out of hand.

Key business surveys for employment

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



How the indexes compare to employment



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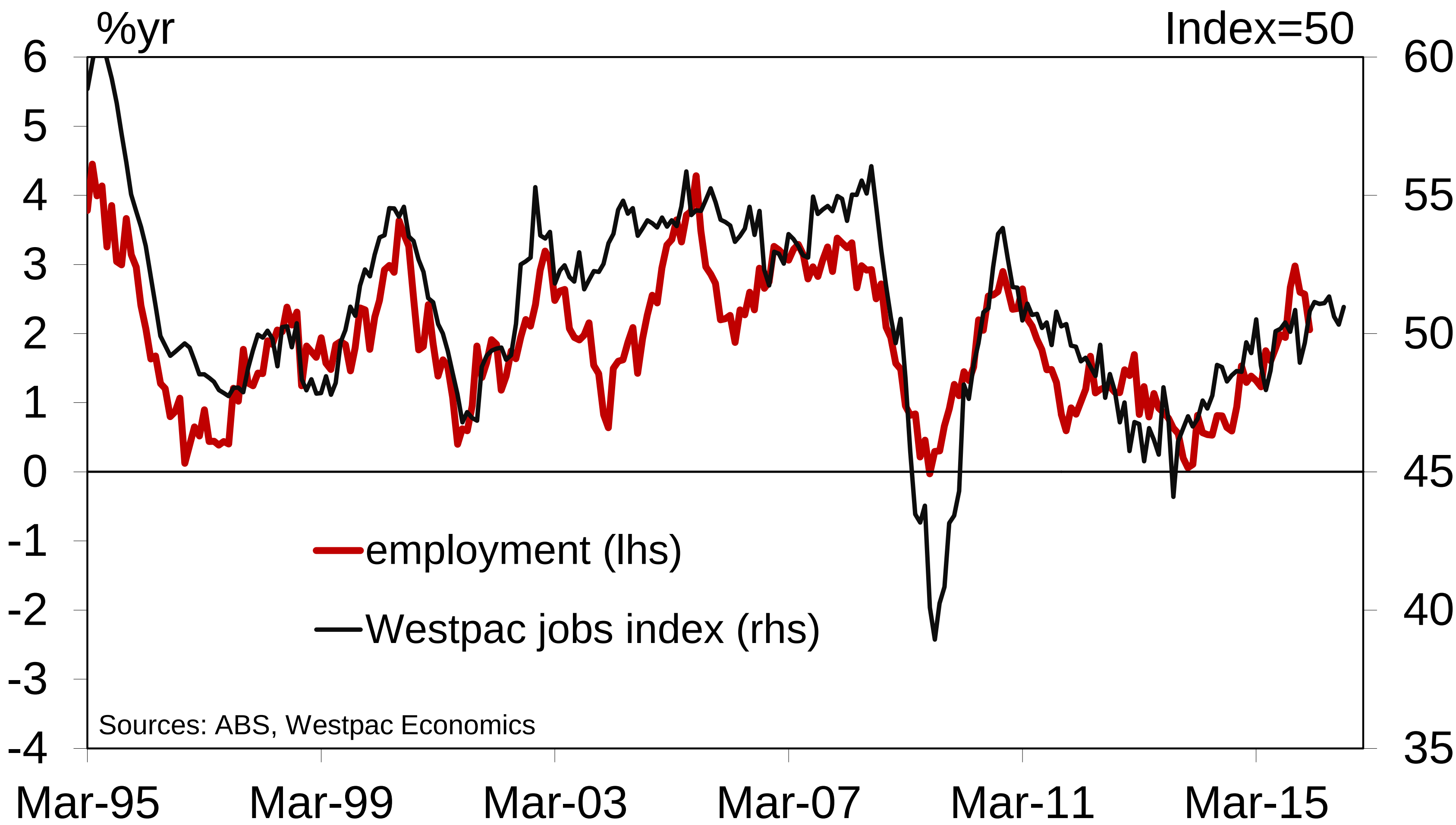
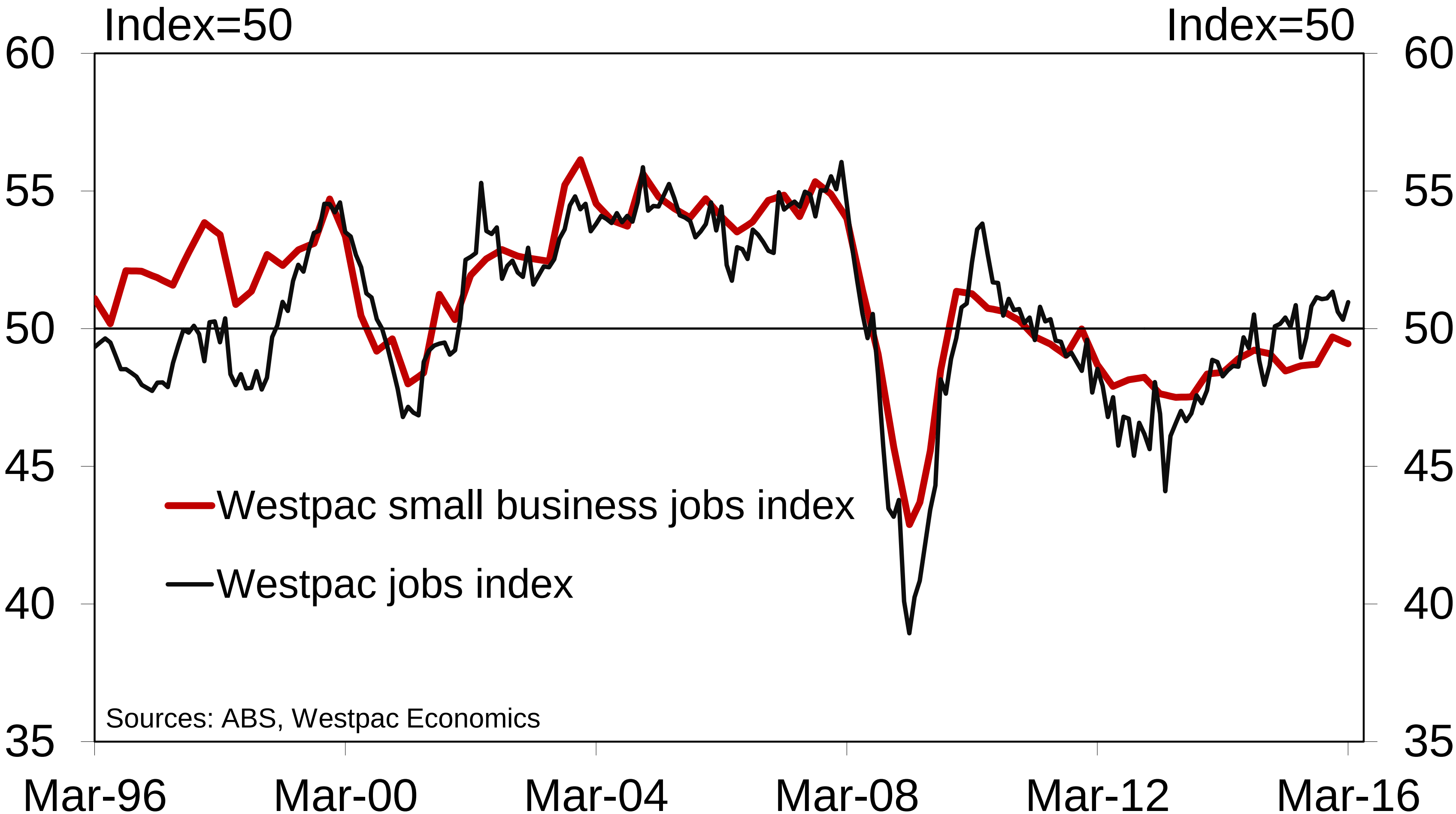
Westpac jobs index

A composite of the various business surveys employment indicators

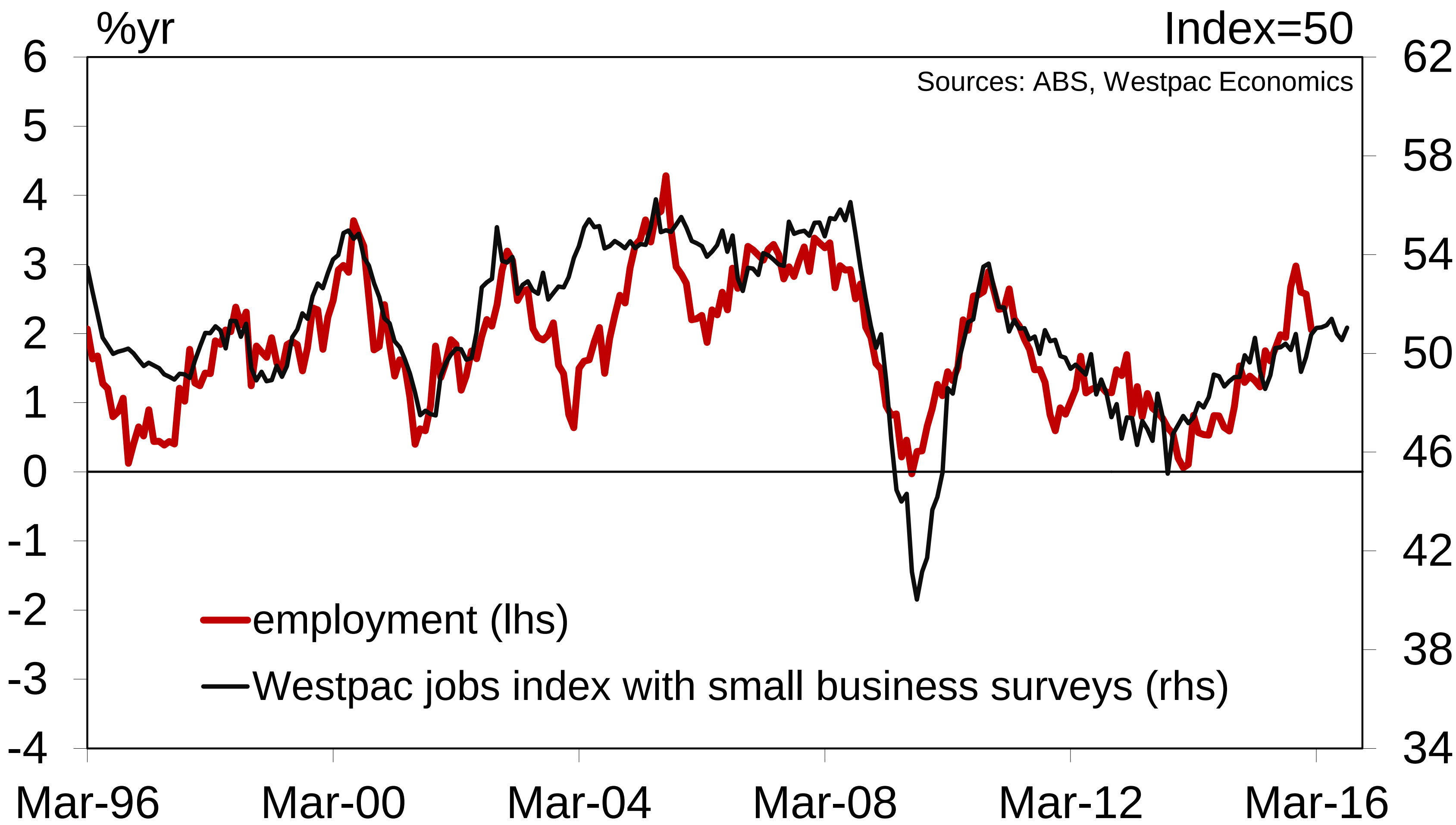


Small business surveys vs. the rest

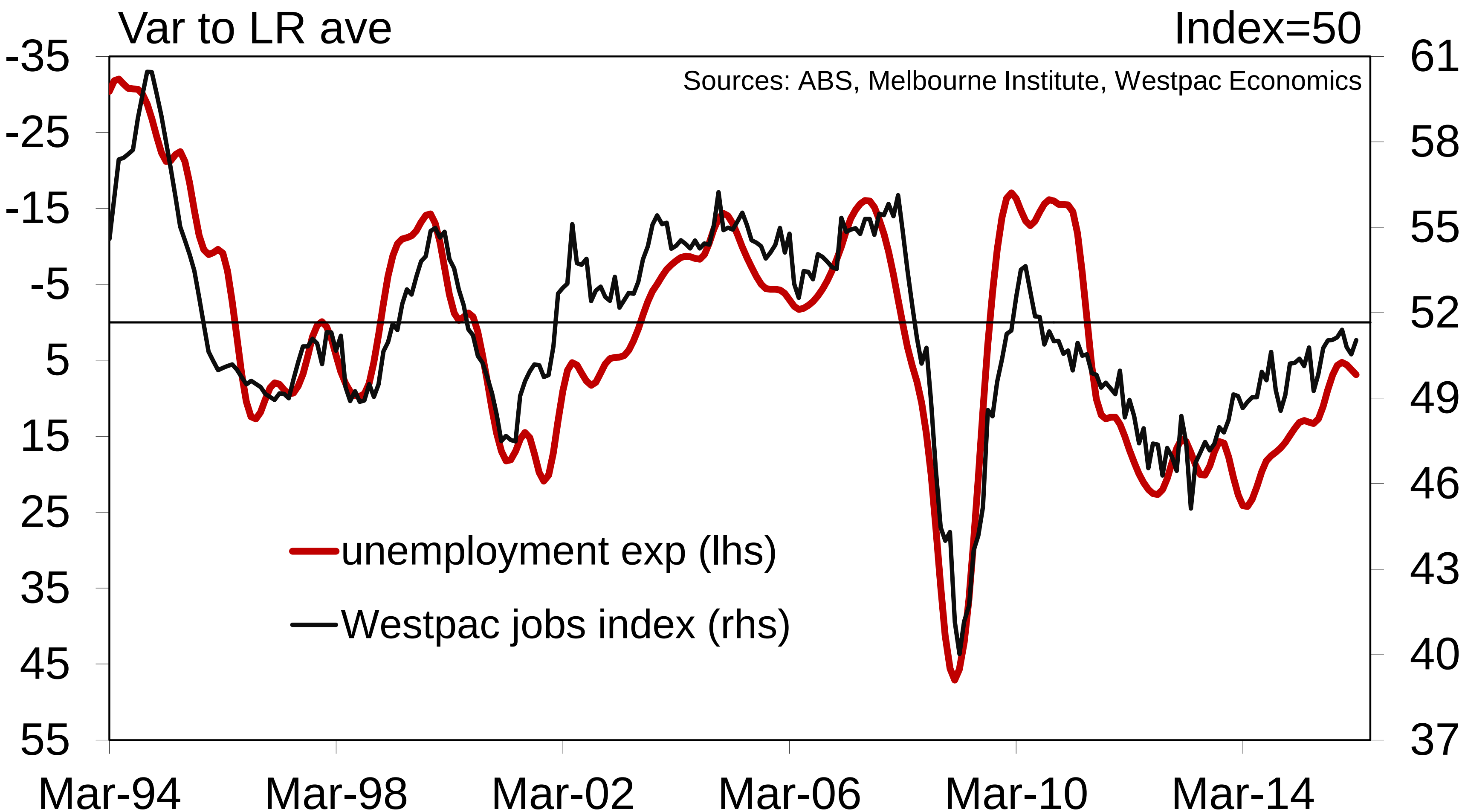


Westpac jobs index – with small business survey

The broadest indictor based on business surveys



Expectations are tipping over; a warning sign?



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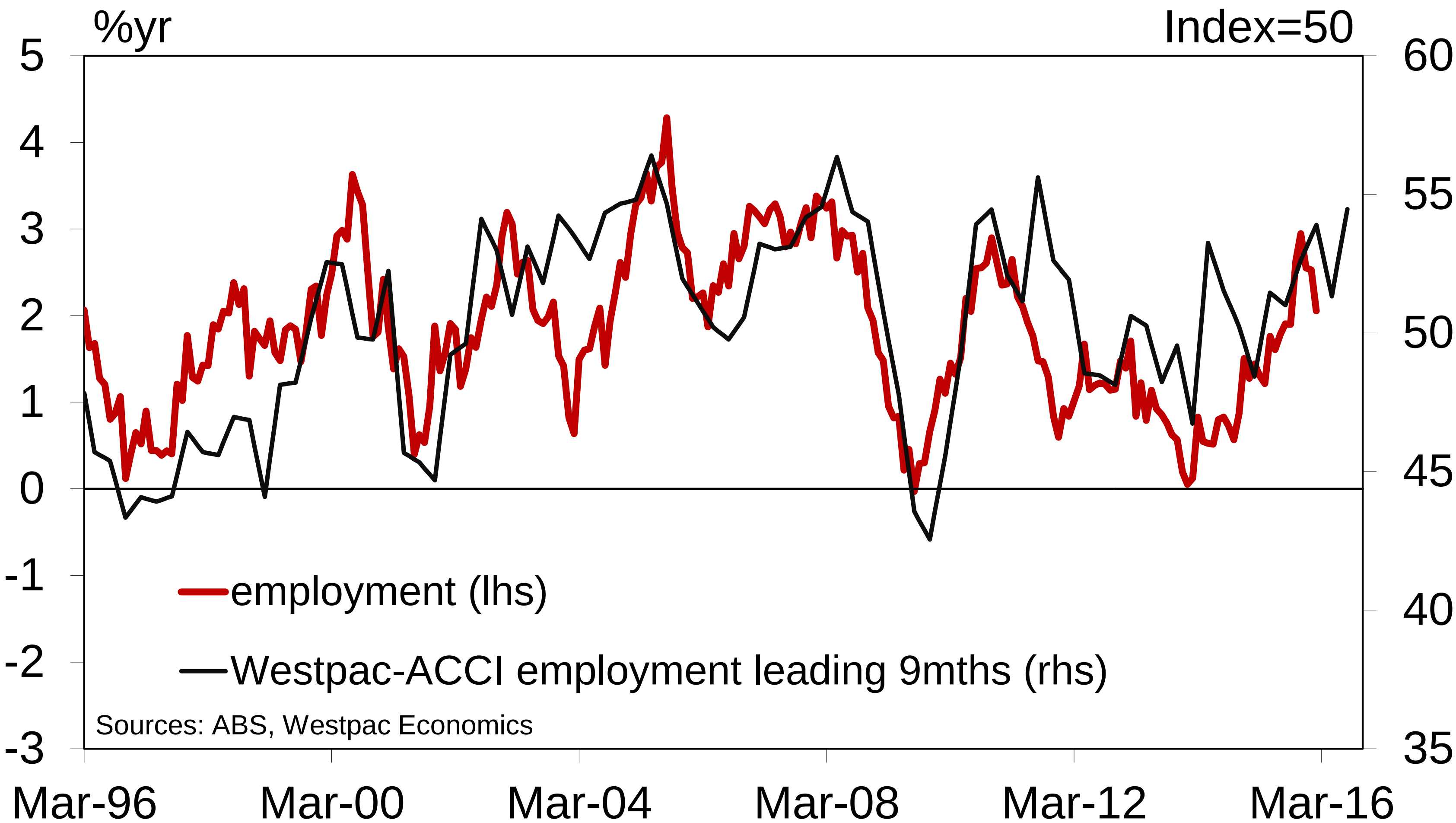
Westpac's Jobs Index

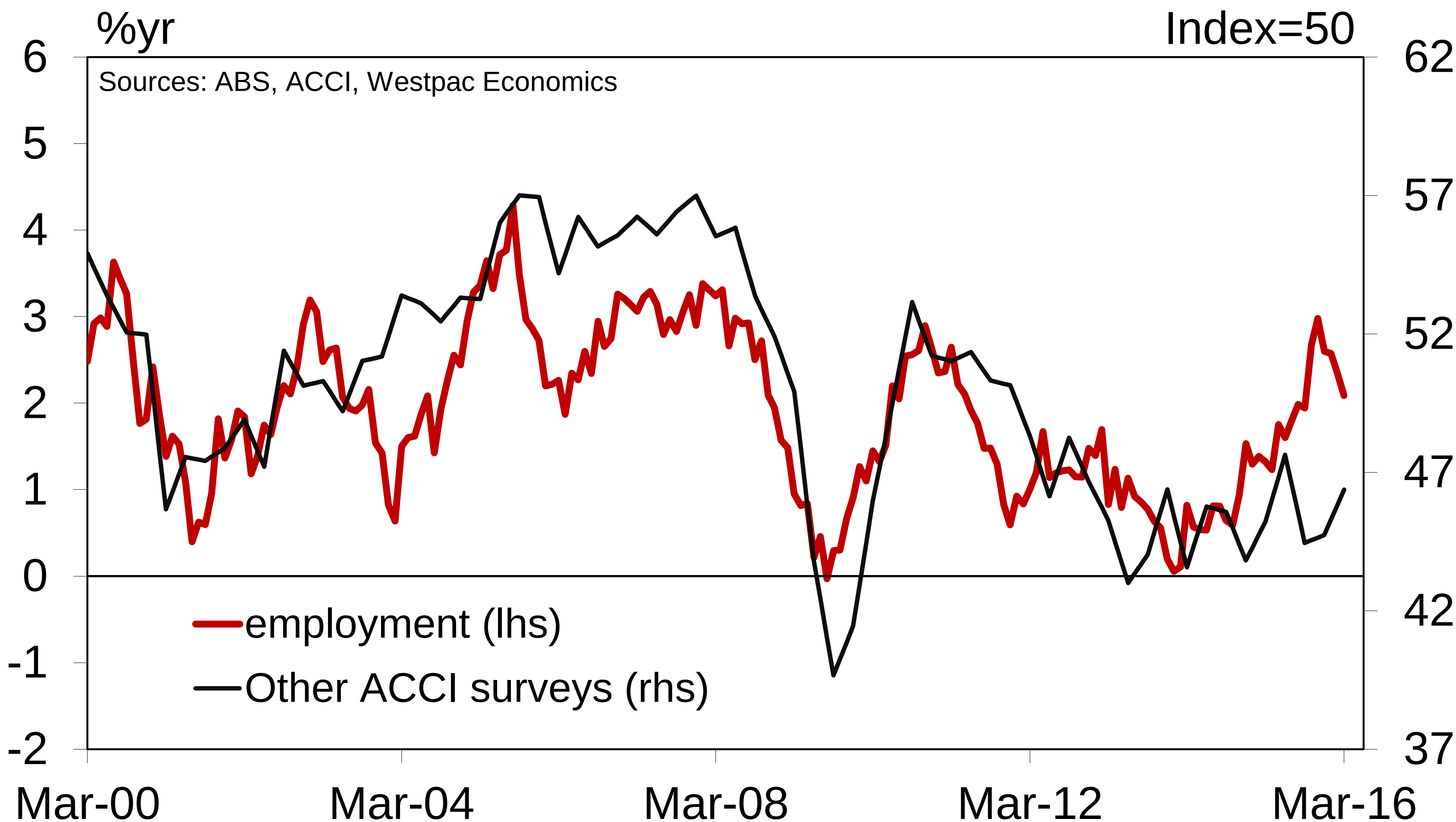
A breakdown of the various survey results

- 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



Other ACCI surveys as a composite



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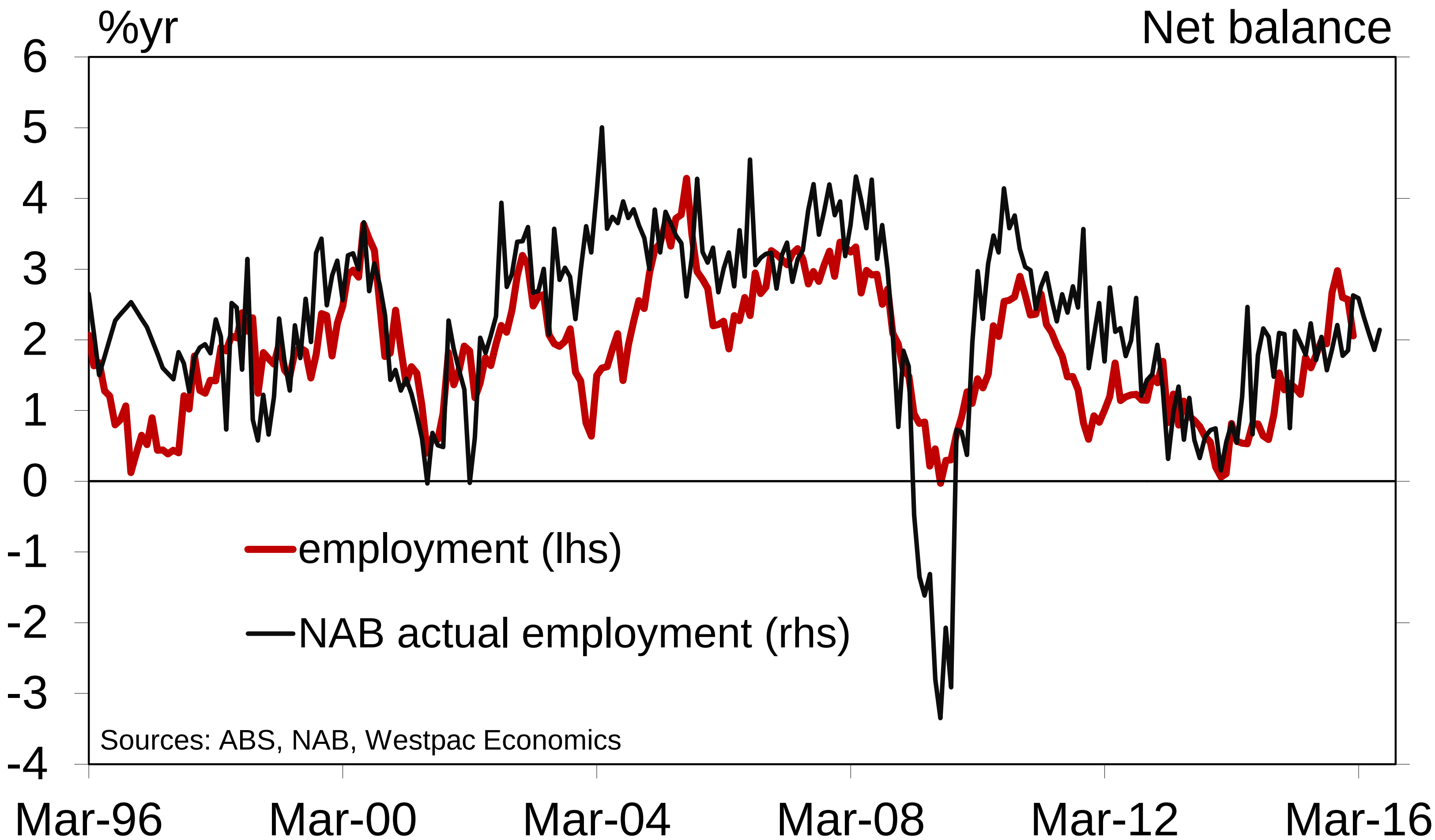
Employment question from the monthly NAB



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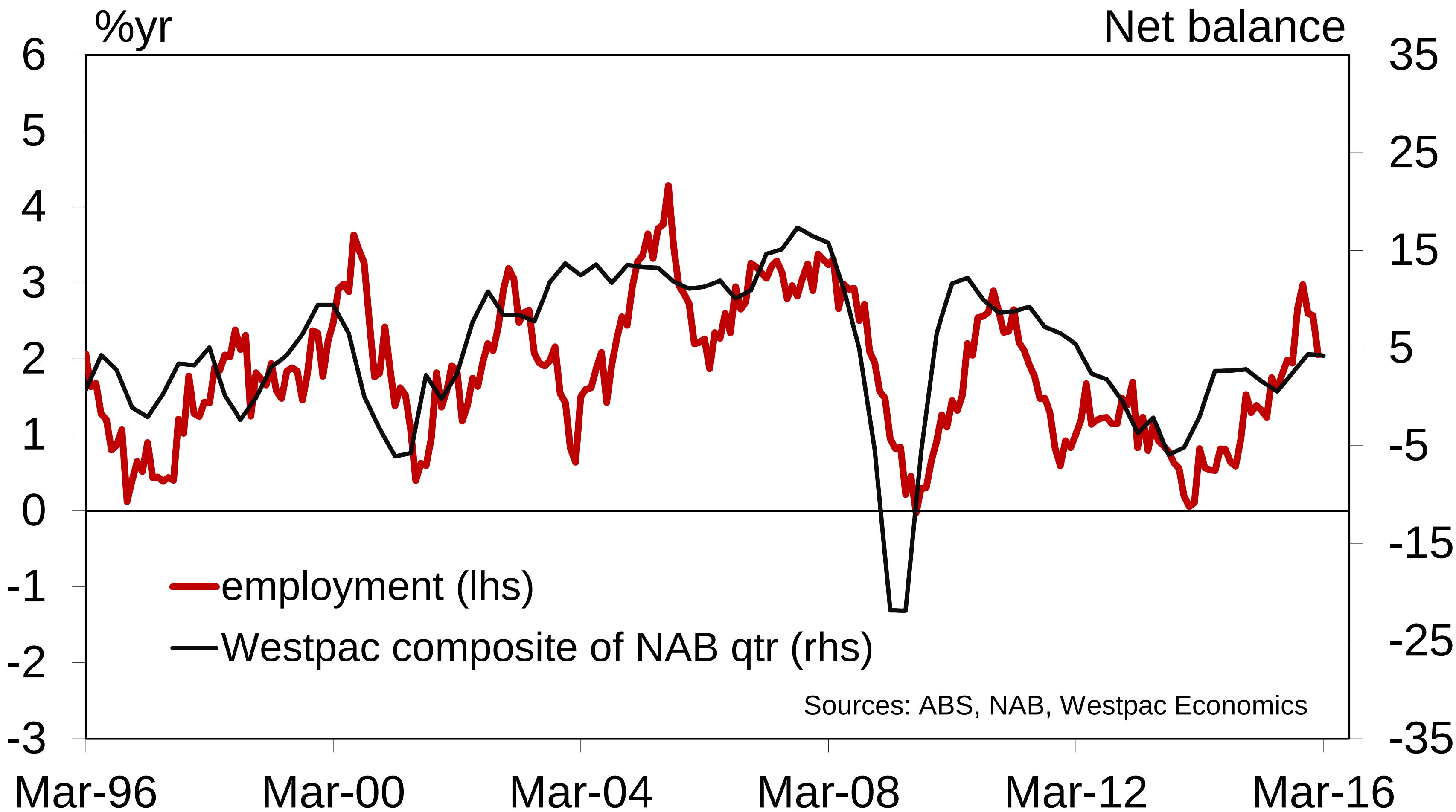
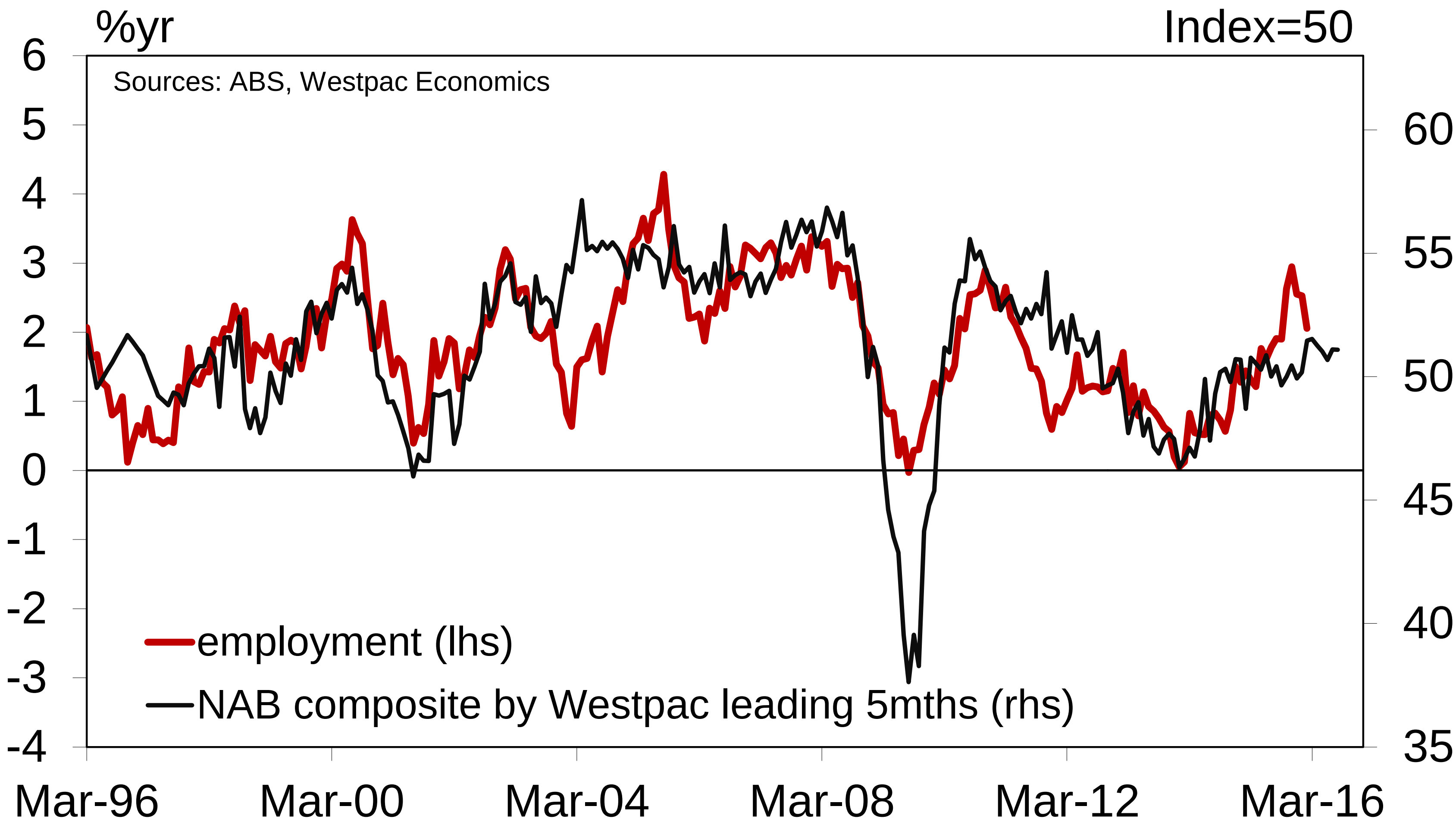
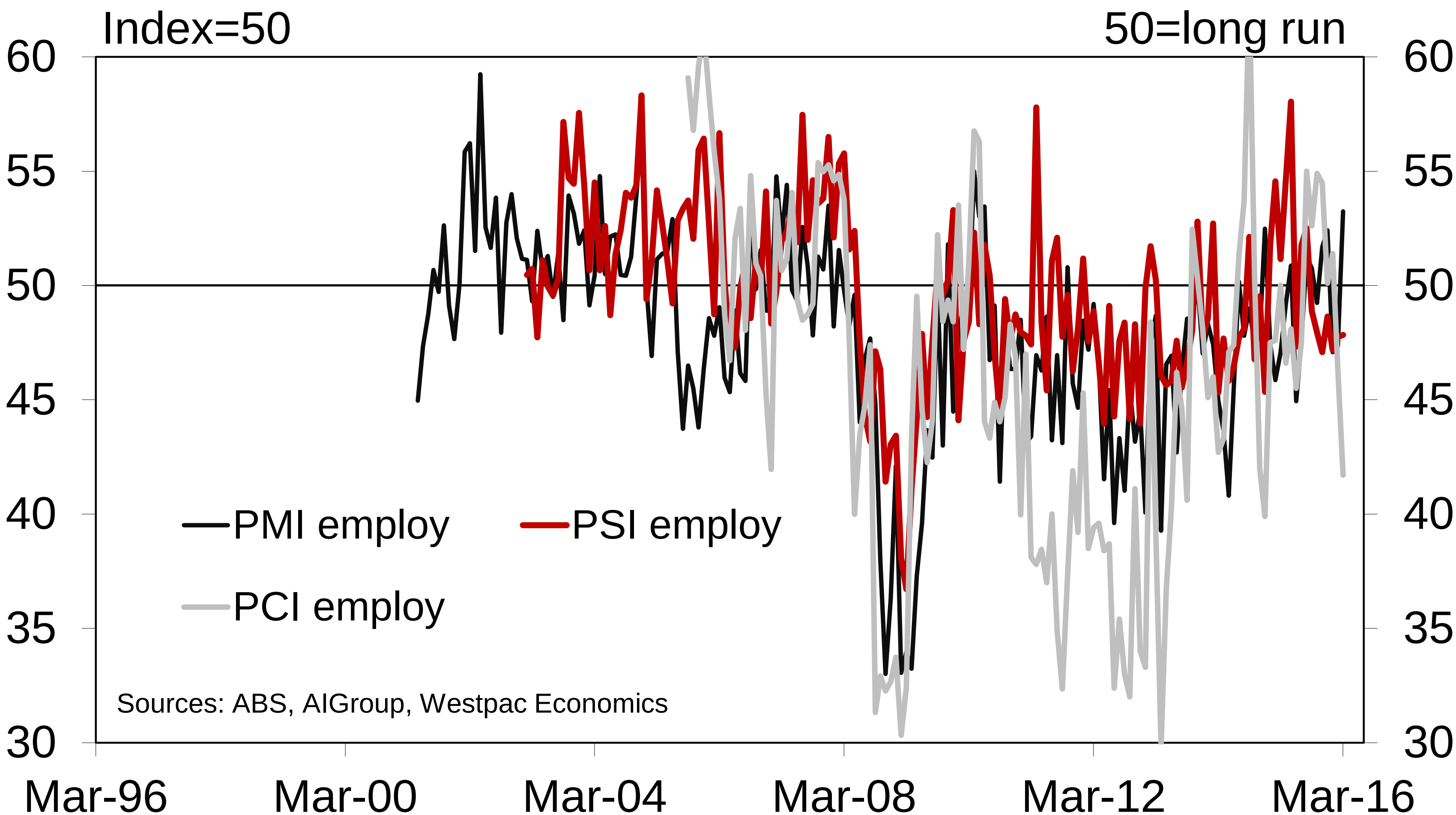
NAB quarterly employment questions



Westpac's composite of the NAB surveys



The AIGroup surveys are extremely noisy



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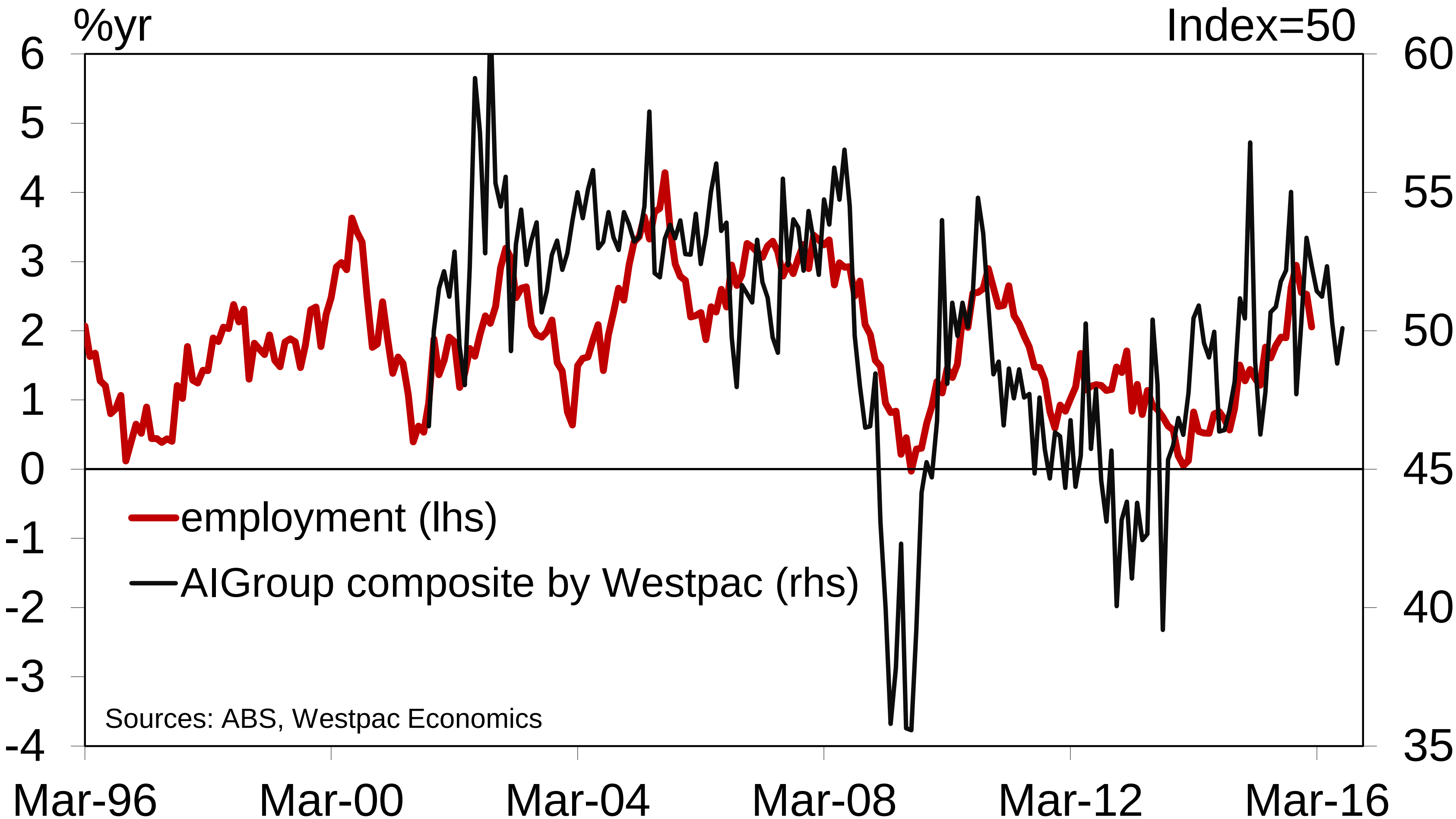
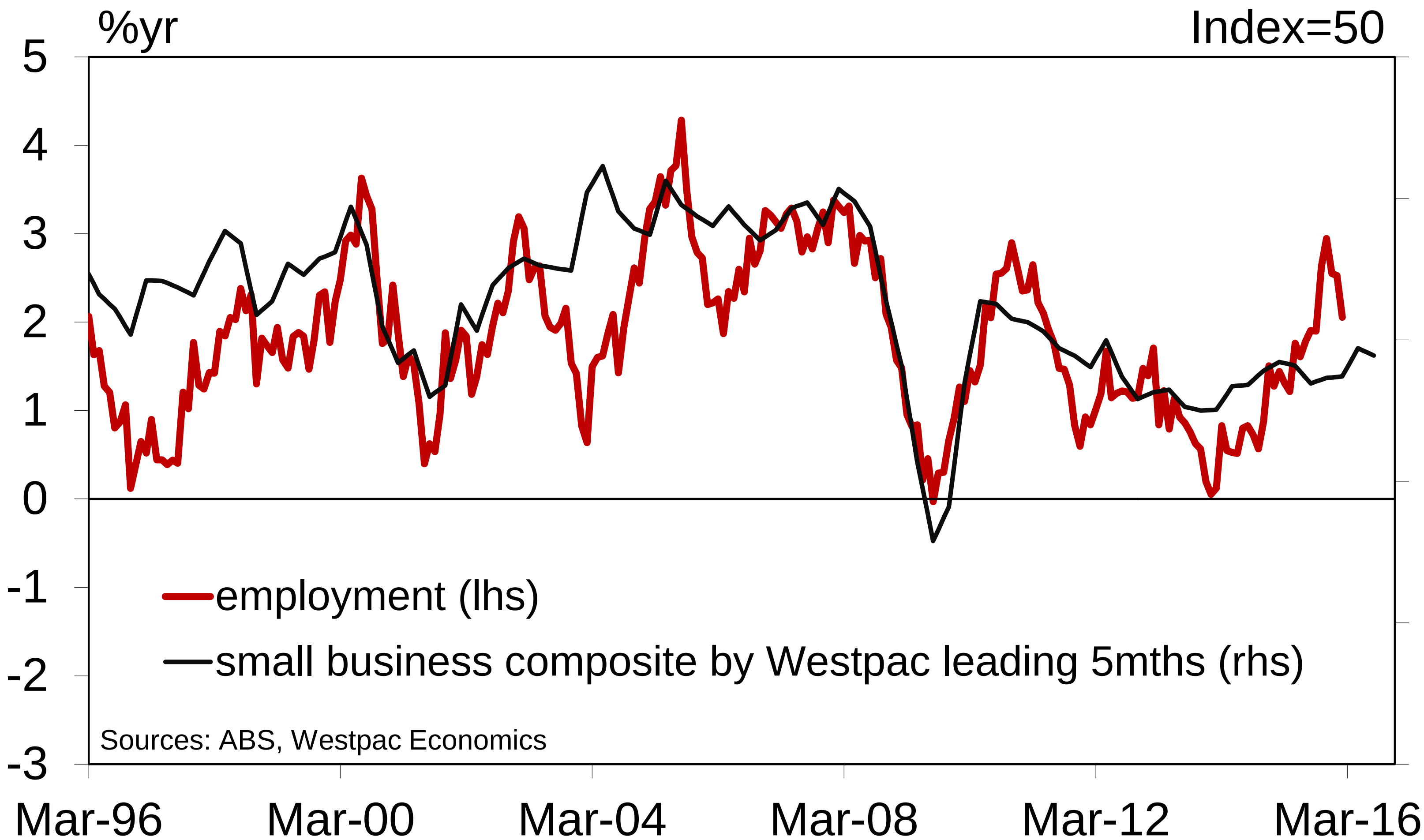
Westpac's composite of AIGroup is a bit better



Westpac's composite of the small bus surveys



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