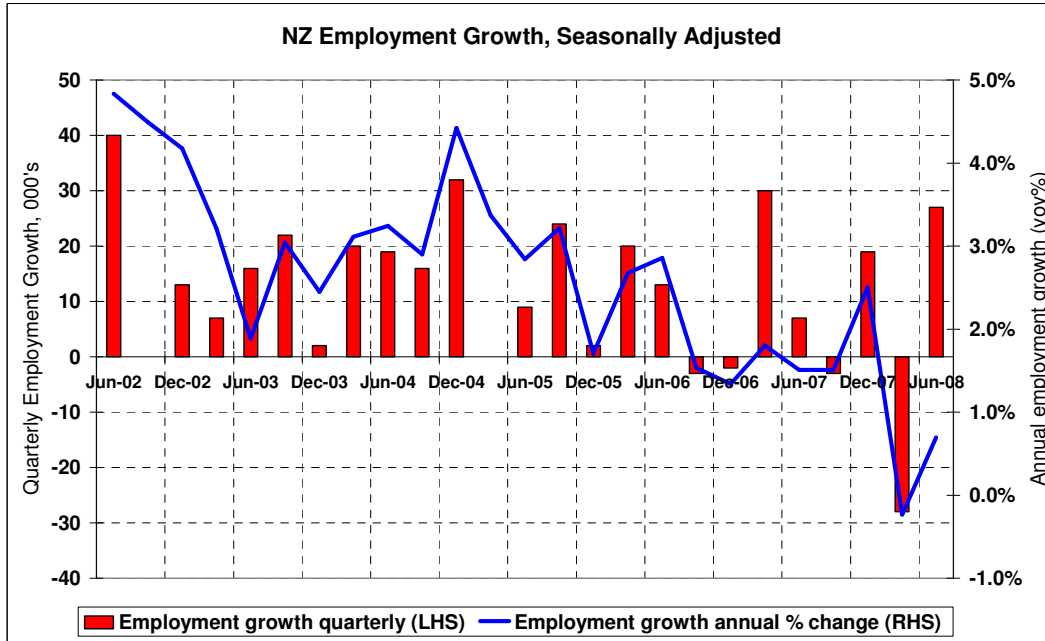


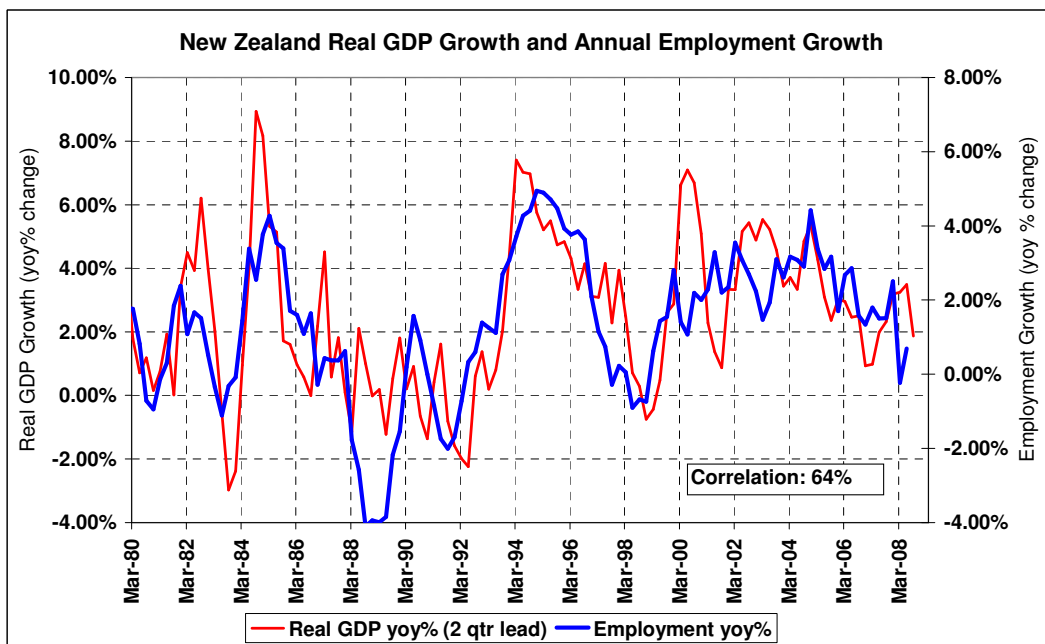
NZ Employment Trends Analysis Q2/08

7th August 2008

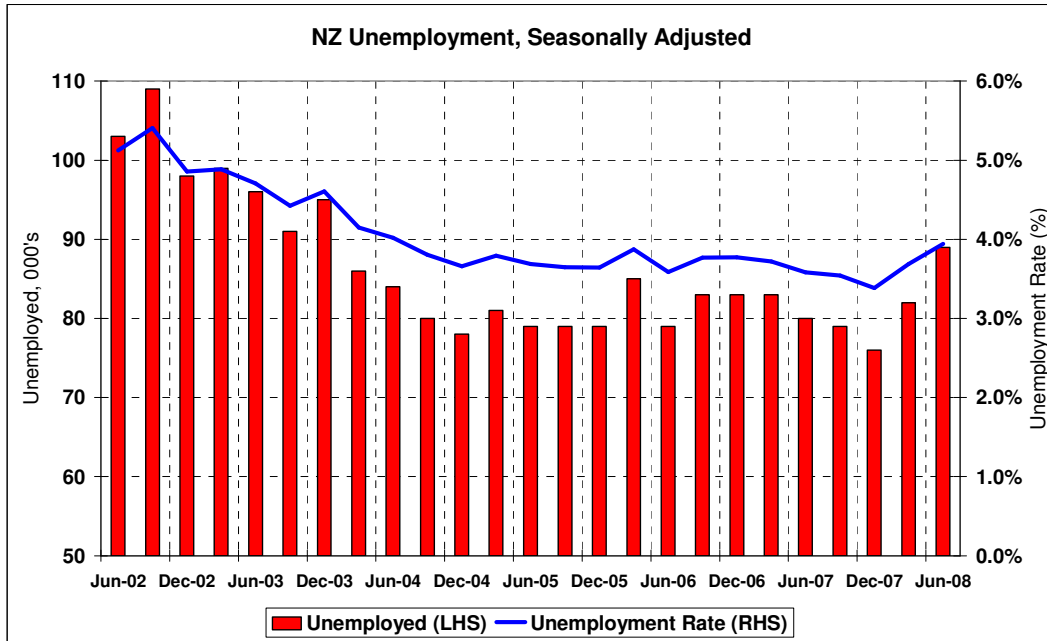
New Zealand employment growth was stronger than expected increasing by 1.2%qoq in Q2/08 reversing the 1.3%qoq decrease in Q1/08 (seasonally adjusted).



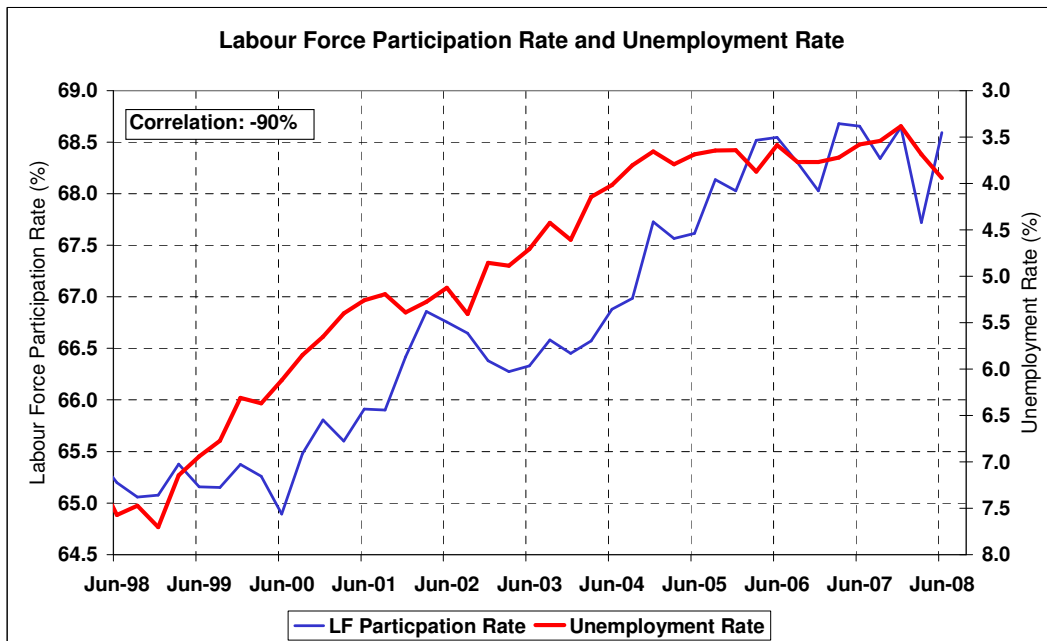
Employment growth at +0.7%yoy to June 2008 has weakened earlier and to a greater extent than would be expected given Real GDP growth of 3.5%yoy to December 2007 (i.e. applying a 2 quarter lead). This is despite the sharp reported increase in employment in Q2/08 in reversing the sharp fall seen in Q1/08.



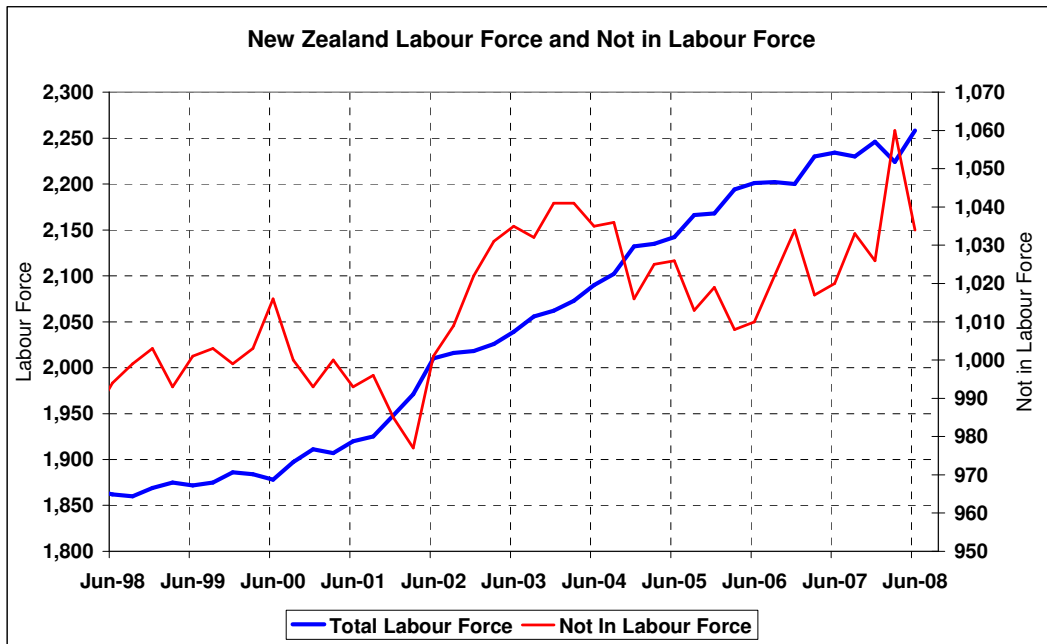
The number of unemployed increased quite sharply to 89,000 in June 2008 (that is not typical for the June season) and the unemployment rate increased to 3.9%. The last time the unemployment was higher than current levels was June 2004.



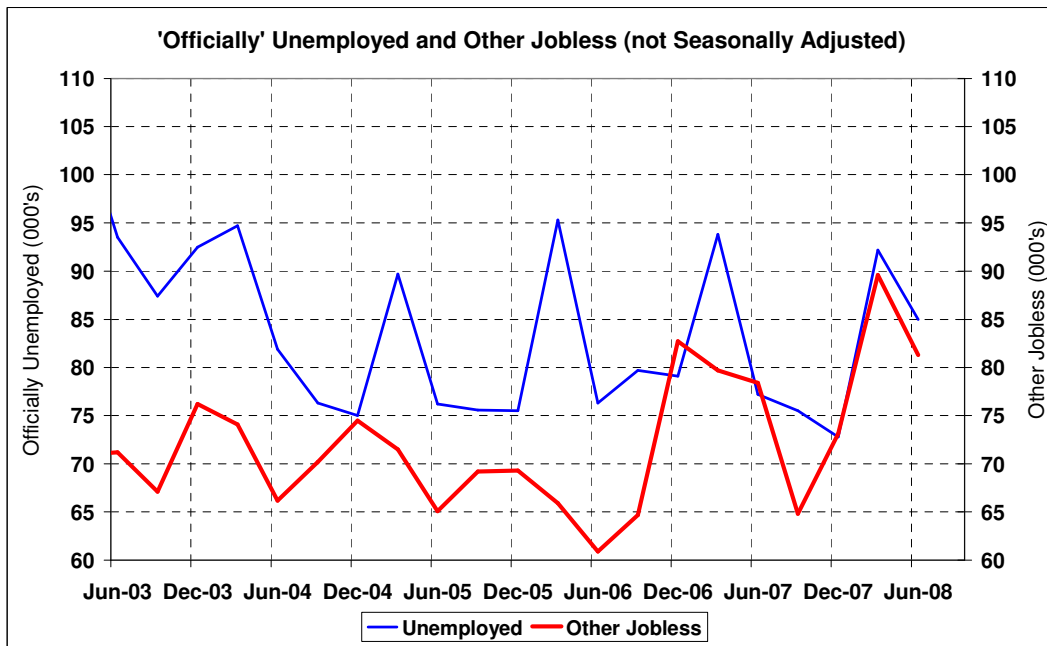
The **Participation Rate** increased sharply in the latest quarter with more people being available for work, but not all of these people managing to find jobs as evidenced by the increase in the unemployment rate (inverted scale). The sharp increase in the participation rate in Q2 follows an equally sharp fall in Q1.



The Labour Force increased and those Not in Labour Force decreased sharply in Q2/08.

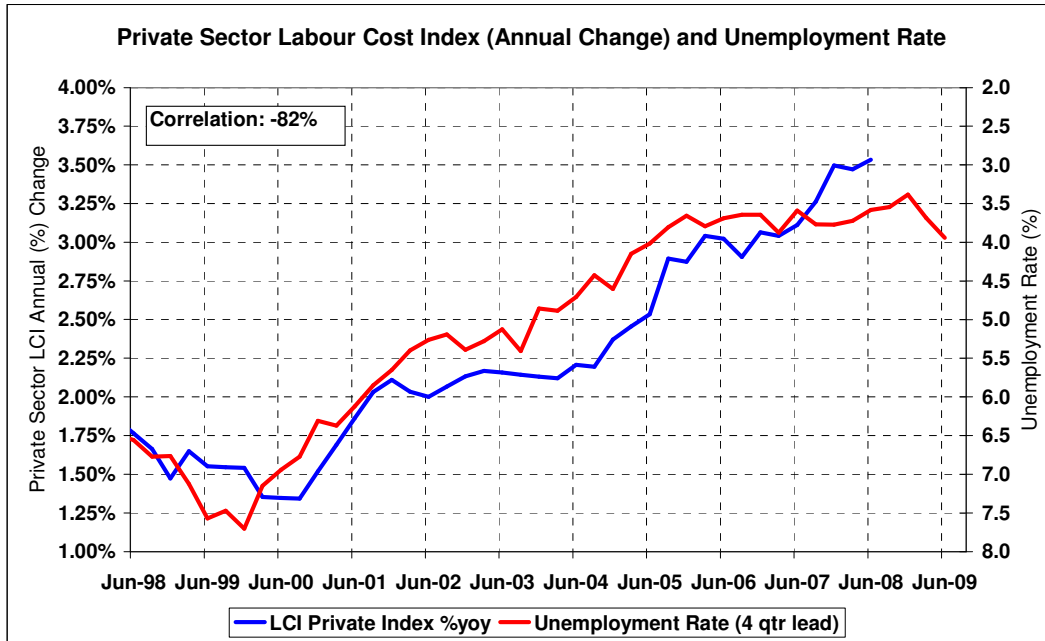


'Other jobless'¹ (not seasonally adjusted) decreased in Q2/08 similar to the decrease in unemployed (not seasonally adjusted) as is typical for this time of year, although these series have not decreased to the same extent as would usually occur in June.



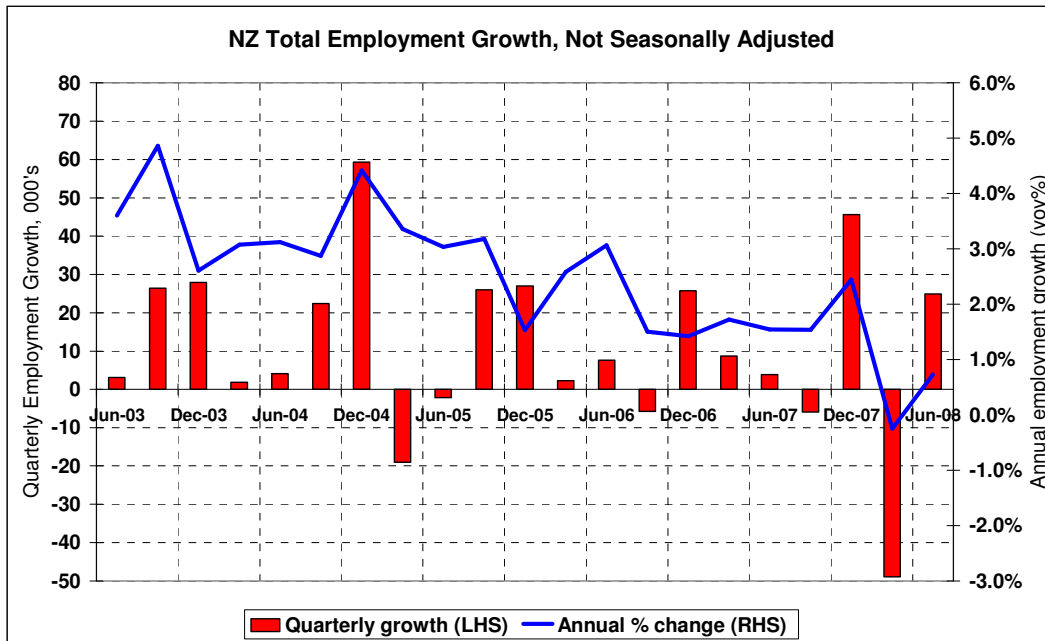
¹ Other jobless includes 1) available for work but not actively seeking work – in turn broken into a) newspaper only, b) discouraged (lack skills) and c) other. Other jobless also includes 2) actively seeking work but not available to work.

Tentative evidence of rising unemployment (inverted scale below) and the RBNZ expectation of further rises in unemployment to come over coming quarters/years is expected to result in reduced wage inflation pressures over this time.



Actual Employment Growth (i.e. not seasonally adjusted) – for industry comparisons

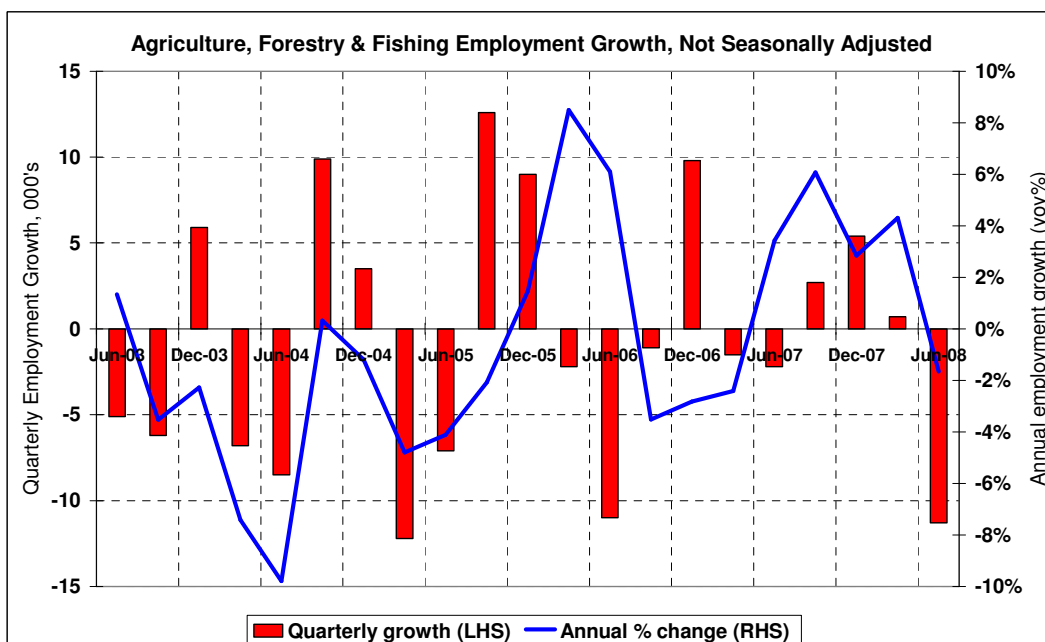
Employment growth increased by 25k in Q2/08, following a 49k decrease in Q1/08.



Industry Analysis

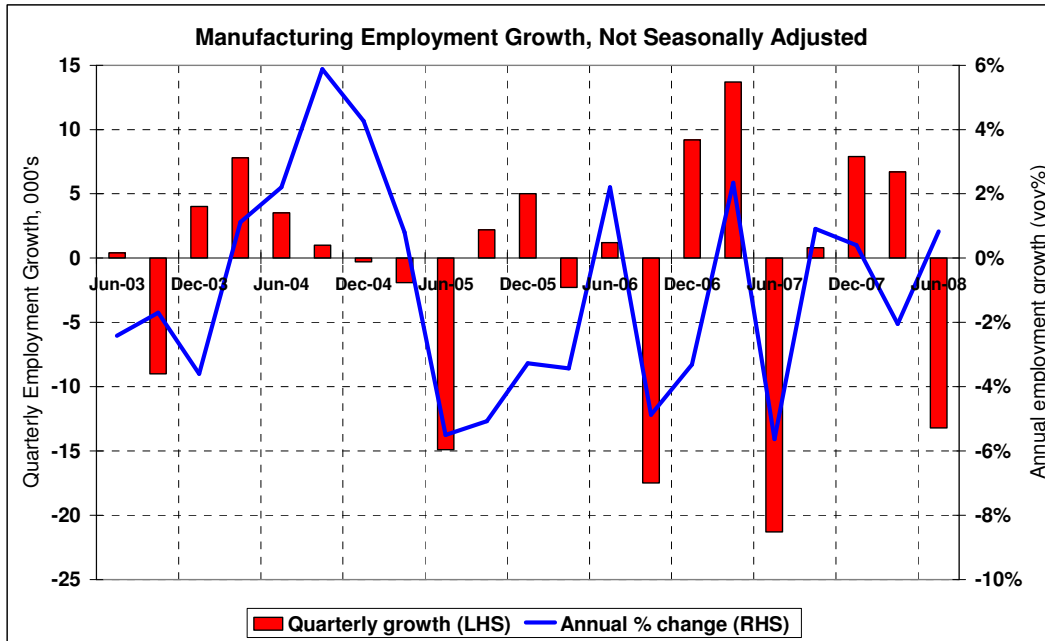
Agriculture, Forestry & Fishing

There were **11k jobs lost** in Agriculture, Forestry & Fishing in Q2/08, following +1k jobs gained in Q1/08. Agriculture, Forestry & Fishing jobs growth has turned negative in annual terms at -1.7%.



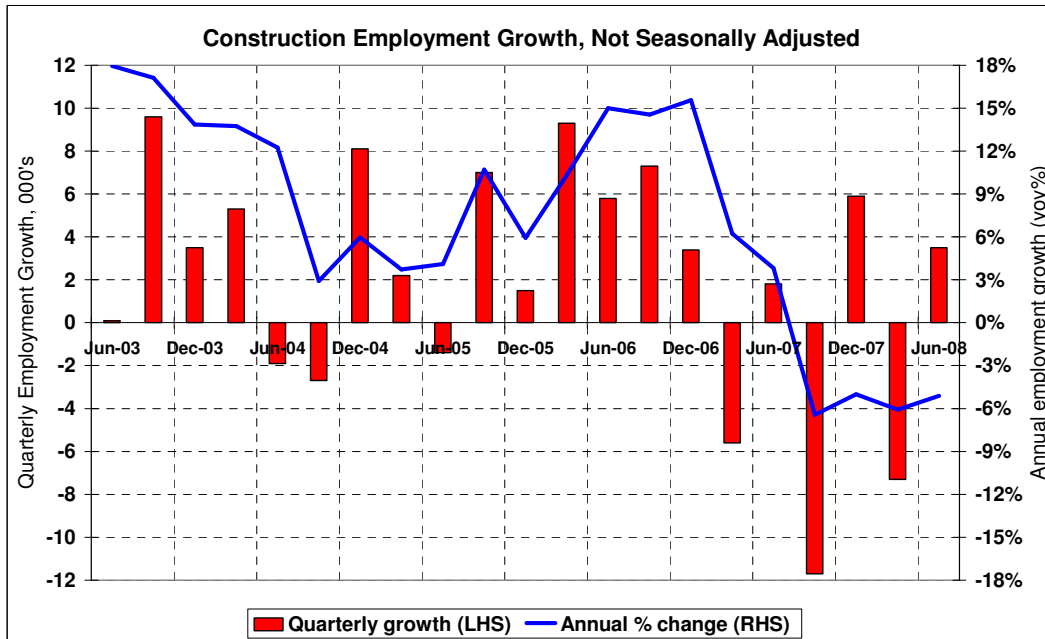
Manufacturing

There were **13k jobs lost** in Manufacturing in Q2/08, following 7k jobs gained in Q1/08. Manufacturing jobs growth has turned positive again in annual terms at 0.8%.



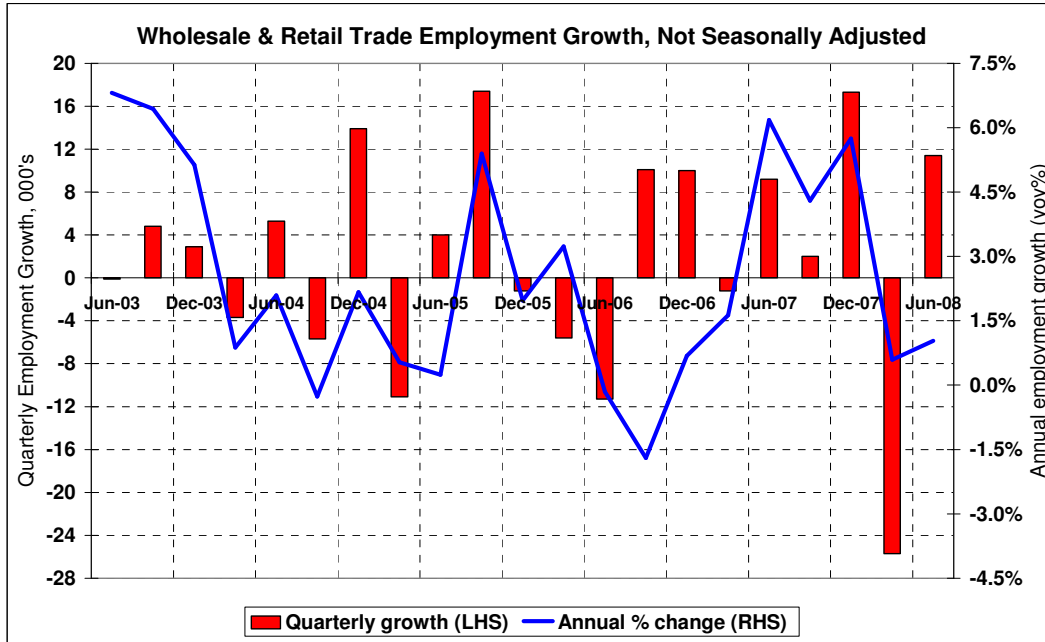
Construction

There were **4k Construction gained** in Q2/08 following 7k jobs being lost in Q1/08. Construction growth has remained negative in annual terms at -5.1%.



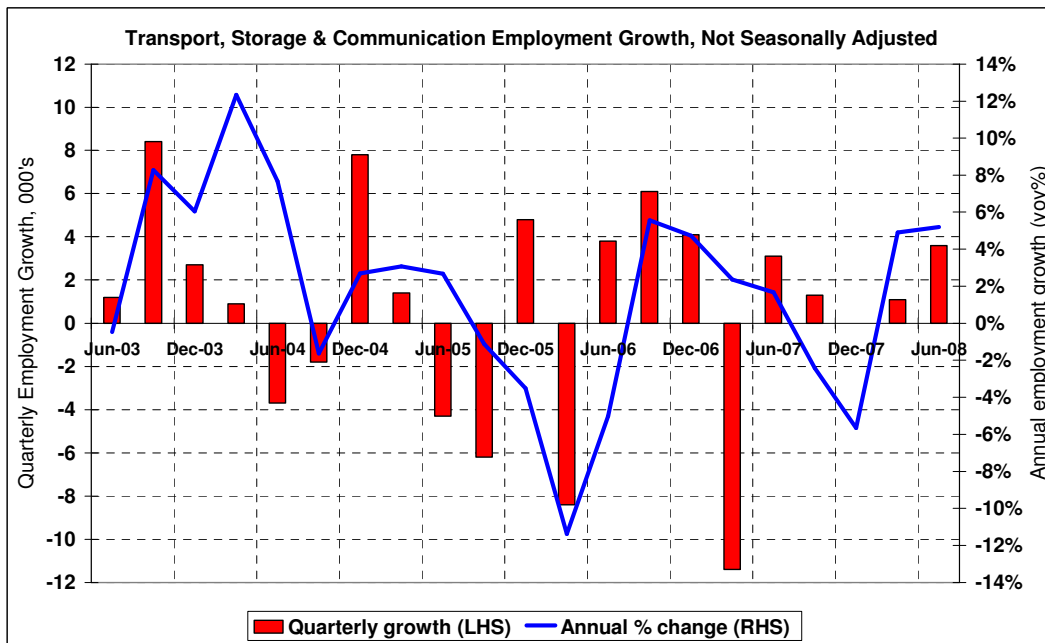
Wholesale and Retail Trade

There were **11k Wholesale and Retail Trade jobs gained** in Q2/08 following -26k jobs lost in Q1/08. Wholesale and Retail Trade annual employment growth has fallen sharply but remains positive at 1.0%yoy.



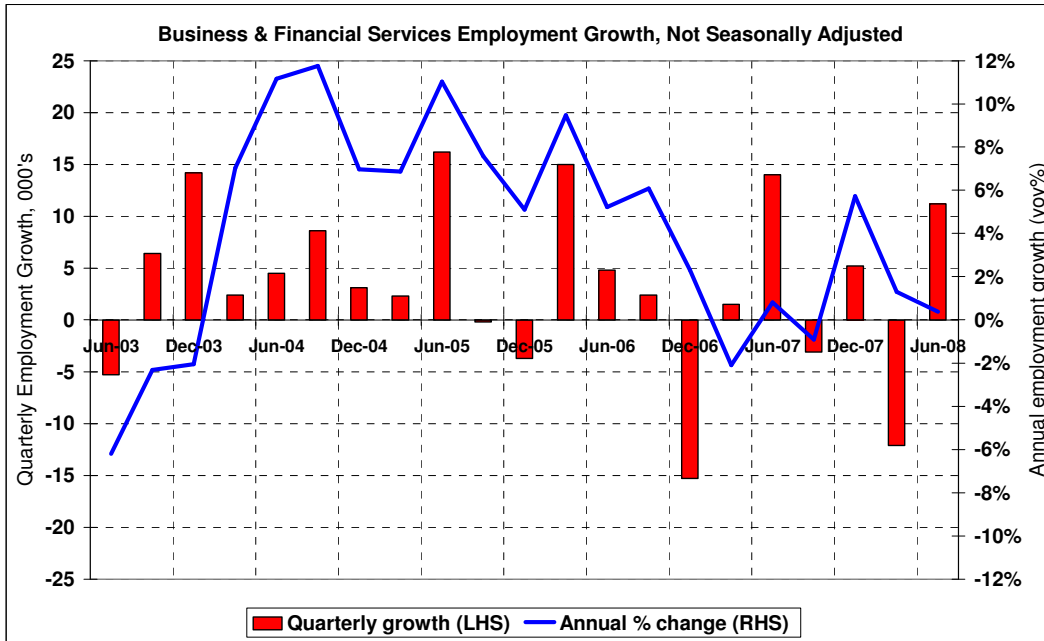
Transport, Storage and Communications

There were **4k Transport, Storage and Communications jobs added** in Q2/08 following 1k jobs gained in Q1/08. Annual growth is presently 5.2%yoy.



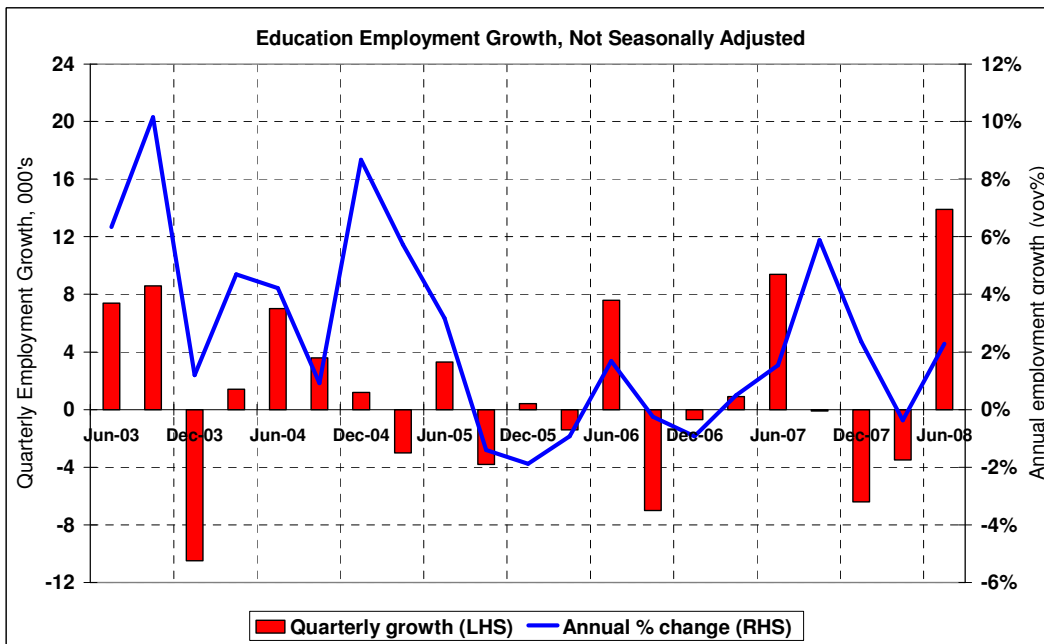
Business and Financial Services

There were **11k jobs gained** in Business and Financial Services in Q2/08 following 11k jobs lost in Q1/08. Annual growth to Q1/08 was +0.4%.



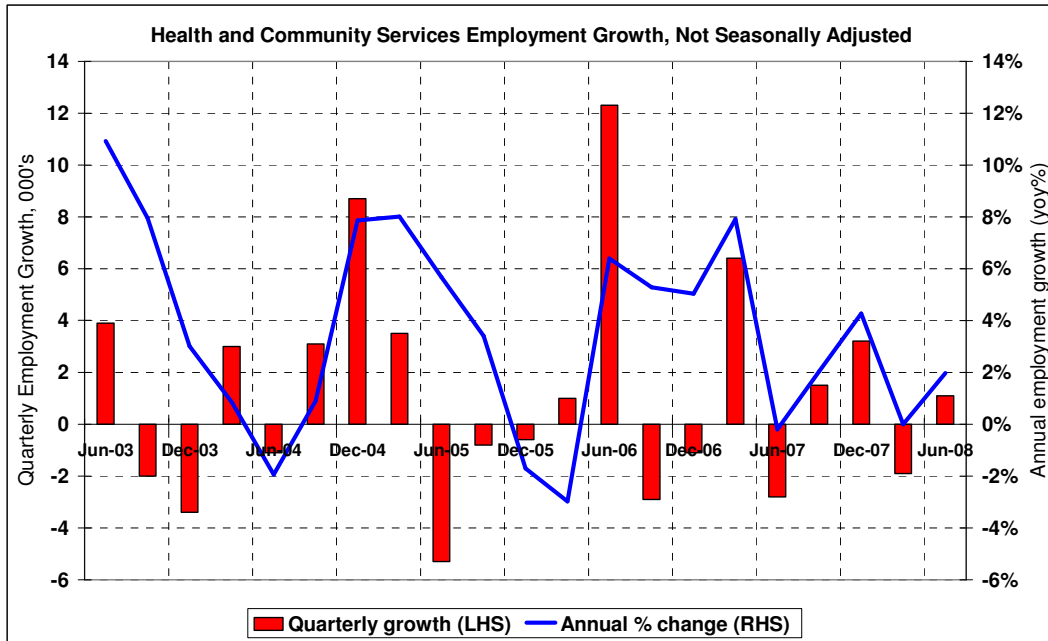
Education

There were **14k education jobs gained** in Q2/08 following 4k jobs lost in Q1/08. Job gains in education are typical for Q2. Annual growth in education jobs is 2.3%/yoy.



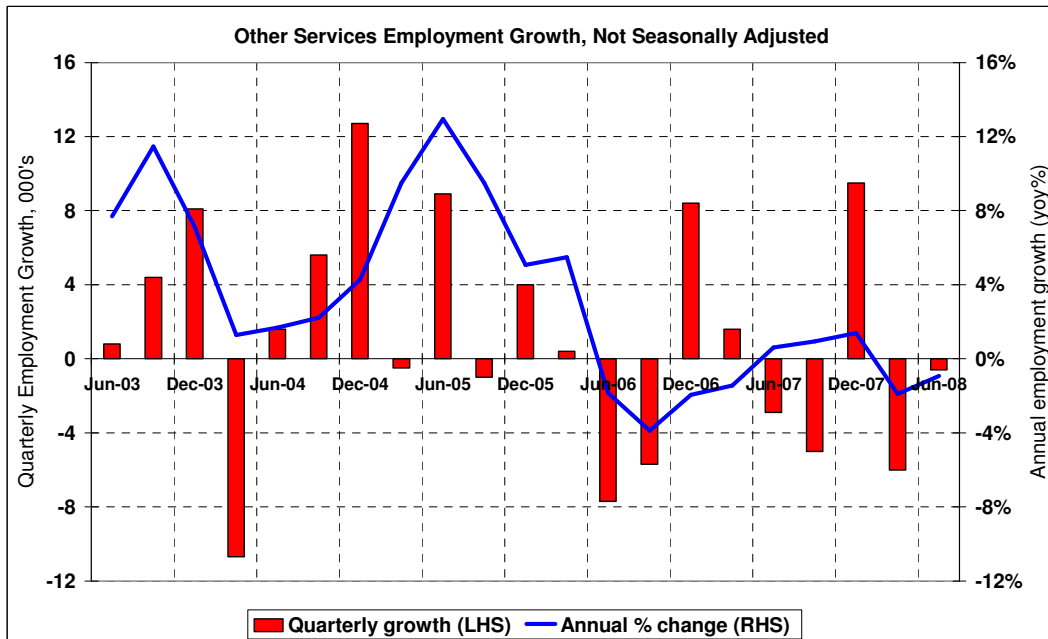
Health and community services

There were **1k jobs added** in Health and community services in Q2/08 following 2k jobs lost in Q1/08. Annual growth in health & community services jobs is 2.0%yoy.



Other Services

Other services **lost 1k jobs** in Q2/08 after losing 6k jobs in Q1/08. Annual growth in other services jobs is negative at -0.9%yoy.



The trend in employment levels are showing some stability in Transport, Storage & Communication and in Health & Community Services and to an extent Education. In Business & Financial Services, Wholesale & Retail Trade and Construction there was some rebound from the previous weakness but with the trend remaining lower (sharply negative for Construction). The sharp falls in Manufacturing and Agriculture are seasonal but the underlying trend is weak / negative.

| Sector (Not Seasonally Adjusted) | Growth last quarter (k) | Growth over last year (k) | Average % growth last 5 years |
|---|-------------------------|---------------------------|--------------------------------------|
| Education | +14k | +4k | 2.4% |
| Wholesale & Retail Trade | +11k | +5k | 2.3% |
| Transport, Storage & Communication | +4k | +6k | 1.8% |
| Business & Financial Services | +11k | +1k | 4.6% |
| Health & Community Services | +1k | +4k | 3.2% |
| Agriculture, Fishing & Forestry | -11k | -3k | -0.6% |
| Other Services | -1k | -2k | 3.1% |
| Manufacturing | -13k | +2k | -0.9% |
| Construction | +4k | -10k | 6.7% |
| TOTAL | +25k | +16k | 2.4% |