

New Zealand economic update

Labour force

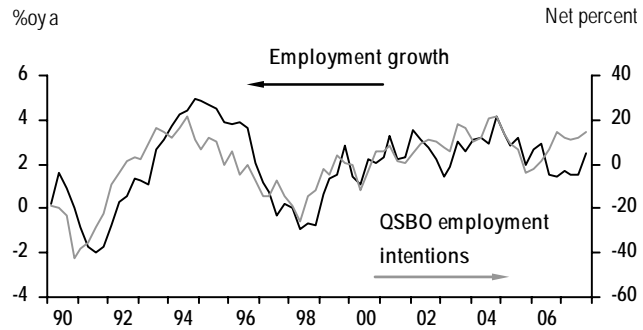
Employment growth surged in 4Q, taking the unemployment rate to a record low 3.4%

New Zealand's labour force survey showed a massive 1.1%q/q (23,000 workers) spike in employment over the fourth quarter (JPMorgan 0.4%q/q, consensus 0.3%q/q). The annual rate of employment growth is now running at 2.5%, up from 1.5% in 3Q, and is tracking closer to the QSBO employment intentions series (see chart). The unemployment rate dropped from 3.5% to 3.4%, the lowest level since the series began in 1986. The participation rate rose to 68.8% from 68.3%, the highest level ever recorded.

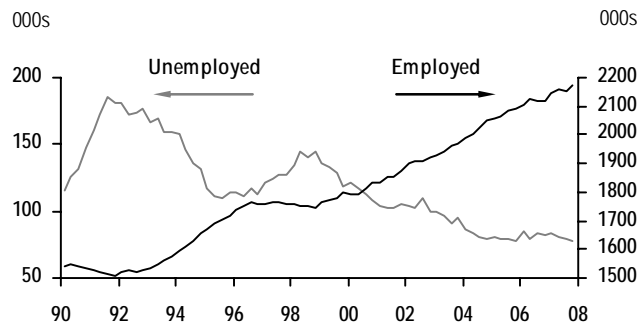
The surge in employment over the fourth quarter was particularly impressive given it was entirely made up of full-time jobs (up 1.6%q/q), whereas part time jobs actually fell 0.2%q/q. Hours worked also rebounded strongly, rising 0.8%q/q, after a 0.2% fall in 3Q.

Today's strong labour survey, which follows an acceleration in wages growth reported in Tuesday's labour cost report, all but eliminates the possibility of an RBNZ rate cut in coming quarters. New Zealand's labour market remains incredibly tight, and strengthens the consumers' ability to weather the storm of elevated interest rates and high oil prices. The strength of the labour market, coupled with rising wages growth, will underpin the RBNZ's inflationary concerns. That said, with domestic consumption growth slowing, employment growth is likely to cool, and the unemployment rate (especially in housing and retail) is likely to drift higher in the second half of the year. While the likelihood of an RBNZ ease has all but diminished, the hurdle for another rate hike remains very high given the turn in the housing market and growing uncertainty around developments offshore, particularly in the US.

New Zealand: employment and employment intentions



New Zealand: employed and unemployed



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