

New Zealand Economic Update

Quarterly Employment Survey

- Labour market conditions deteriorated
- Employment contracted 1.7%oya in 1Q
- Average hourly earnings rose

The Quarterly Employment Survey (QES) released in New Zealand this morning indicated that labour market conditions deteriorated in the first three months of the year. From both the previous quarter and the same quarter a year ago, declines were recorded in the number of full-time equivalent employees and jobs filled. Statistics New Zealand reported that employment, measured by the number of full-time equivalent employees, declined 1.7%oya in 1Q, and the number of filled jobs fell 1.1%. Both falls owed mainly to declines in the construction and manufacturing industries, but were not unexpected given the underlying weakness that has plagued the economy since early 2008.

Total average hourly earnings in the private sector rose in the March quarter, increasing 5.0%oya, thanks mainly to increases in property and business services. Public sector average total hourly earnings increased by 4.4%oya, owing mainly to rises in the education, health and community services, and property and business services sectors. Total paid hours tanked 1.9%oya, marking the largest drop since 1992.

	1Q09	%q/q	%oya
Full-time equivalent employees	1.36 million	-2	-1.7
Filled jobs	1.72 million	-2.6	-1.1
SA total paid hours	51.9 million	-0.4	-1.9
SA total gross earnings	\$1,295 million	0.7	3.3
Average total hourly earnings (private sector)	\$23.12	1	5

We expect labour market conditions will ease further and growing job insecurity and redundancies will further curb consumer spending throughout the year. Low business confidence means that most companies have become increasingly reluctant to hire new staff, and many are shedding labour; this, we expect, will help to send the unemployment rate to 7% by year end.

This view was reaffirmed recently following the release of the NZIER survey which showed 36% of firms expected to shed workers in the coming year, the largest percentage since 1991. We expect that data later this week will show the jobless rate jumping from 4.7% to 5.4% in the March quarter.

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