

WESTPAC MCDERMOTT MILLER EMPLOYMENT CONFIDENCE

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A turning of the tide.

- Employment confidence fell by 3.9 points to 105.6 in the June quarter. This is the lowest level for the index in two years.
- The biggest contributor was a drop in perceptions about the current availability of jobs. This measure often provides a useful lead on the direction of the unemployment rate.
- While the jobs market remains tight, the unemployment rate has risen from its record lows, and the return of migrant workers is helping to alleviate labour shortages.
- Confidence about earnings growth remains subdued, as wage growth continues to be eaten up by the rising cost of living.

Employment confidence indices

	Jun-23	Mar-23	Change
Employment Confidence Index	105.6	109.5	-3.9
Current Employment Conditions Index	112.2	120.1	-7.9
Employment Expectations Index	101.3	102.4	-1.1
Current job opportunities	14.6	25.6	-11.0
Expected job opportunities	-16.5	-16.4	-0.1
Past earnings growth	9.8	14.7	-4.9
Expected earnings growth	20.0	23.2	-3.2
Own job security	0.4	0.5	-0.1

Employment Confidence Index

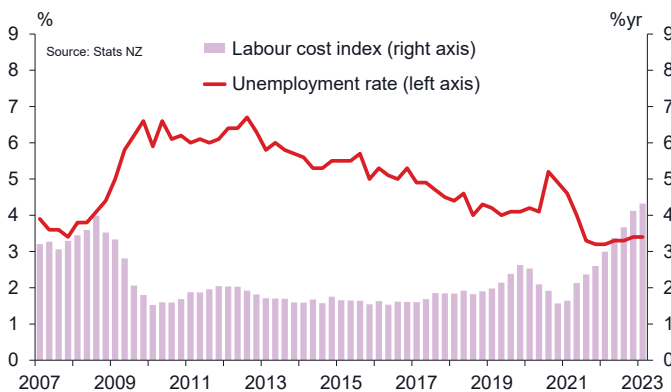


The Westpac-McDermott Miller Employment Confidence Index eased by 3.9 points to 105.6 in the June quarter. This was the lowest reading for the index since June 2021.

New Zealanders remain optimistic on balance about the state of the labour market, in contrast to the slump in consumer confidence over the last year or so. That reinforces our view that weak consumer confidence has been more about the squeeze from the rising cost of living, rather than fears of recession.

That said, the employment confidence survey does provide some signals that the previously red-hot economy has turned a corner. The biggest contributor to the fall in confidence in the June quarter was perceptions about current job opportunities, down by 11 points to 14.6. This measure has traditionally given a good steer on the direction of the unemployment rate, and the latest reading suggests that we're likely to see a further rise in unemployment over the rest of this year, from its still-low current level of 3.4%.

Labour market indicators



Perceptions about the availability of jobs no doubt also reflect the fact that inflows of migrant workers have returned in full force since New Zealand reopened its border last year. Migrants normally have a mixed impact on the labour market, helping to address skill shortages in some areas, but adding to the overall level of demand in the economy. But it appears that, at least for now, migrants are seen as adding more to the supply side on balance, helping to address some of the distortions that had arisen during the border closure. (For instance, more than half of the growth in employment over 2022 was among teenagers, which in many cases will have been at the expense of their education.)

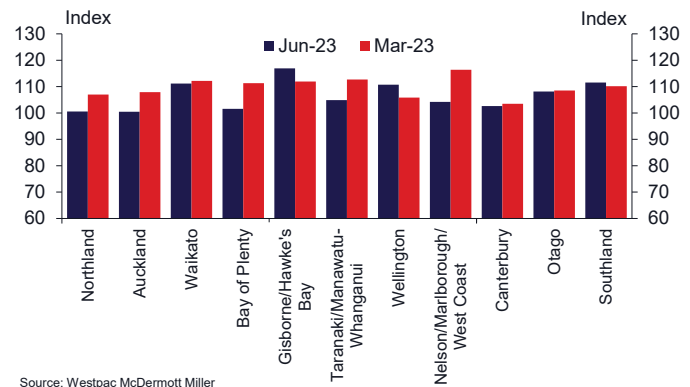
Fewer households reported a rise in their earnings over the last year, and expectations of an increase in the coming year were also down. Moreover, both of these measures have remained at historically low levels since the Covid-19 shock, even as the official data has shown a strong pickup in household earnings growth over the past year. Our best explanation remains that people are viewing their situation in inflation-adjusted terms – even those that have been able to secure a cost-of-living pay increase probably still feel like they're having to run hard just to stand still.

The survey results were fairly similar across age groups and income levels. One notable difference was that lower-income workers were more likely to report a rise in their earnings over the last year (the minimum wage was increased by 7.1% on 1 April).

The results were more mixed across regions, ranging from sharp declines to even some modest gains. Perceptions about current job opportunities were down across all regions; most of the variation was down to differing views on earnings growth and job security.

Surprisingly, the cyclone-ravaged Gisborne and Hawke's Bay regions were top of the table this time, both in terms of the quarterly change and the outright level of confidence. And that wasn't because they were coming off a previously depressed level; confidence was up in the March quarter as well. The rise this time was driven by a sharp lift in reported and expected earnings, rather than a sense that the cyclone recovery will create more job opportunities.

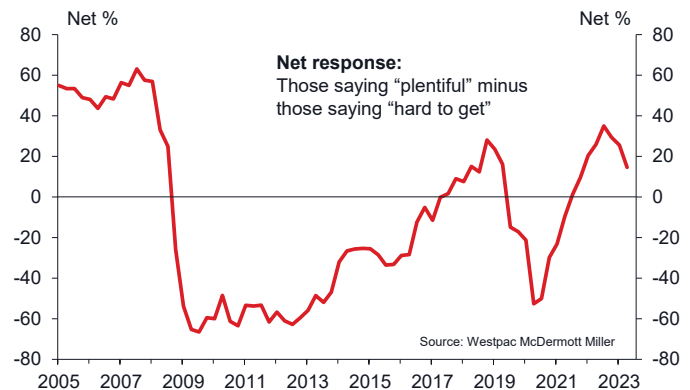
Employment confidence by region



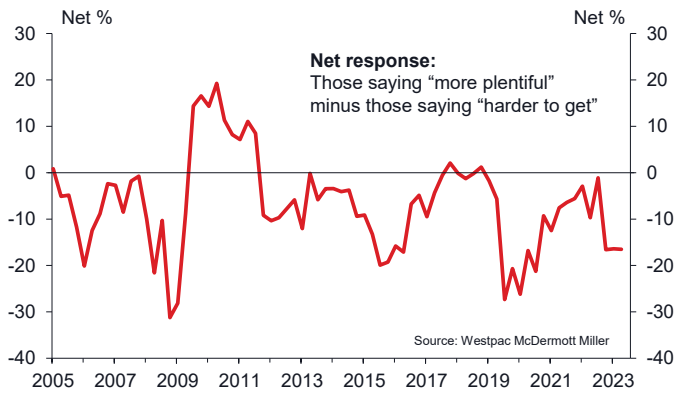
Survey details.

The Westpac-McDermott Miller Employment Confidence Index summarises responses to five questions: households' perceptions of current and future job opportunities in New Zealand, their own actual and expected earnings, and expected changes in their own job security. The questions about current job opportunities and earnings are summarised in the Current Employment Conditions Index, while the questions about the year ahead are summarised in the Employment Expectations Index. The survey took place over the period 1-12 June 2023. The sample size was 1,560.

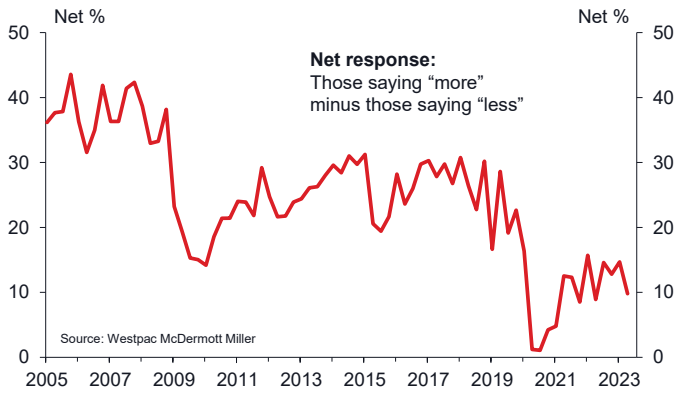
Do you think jobs are plentiful or hard to get in NZ?



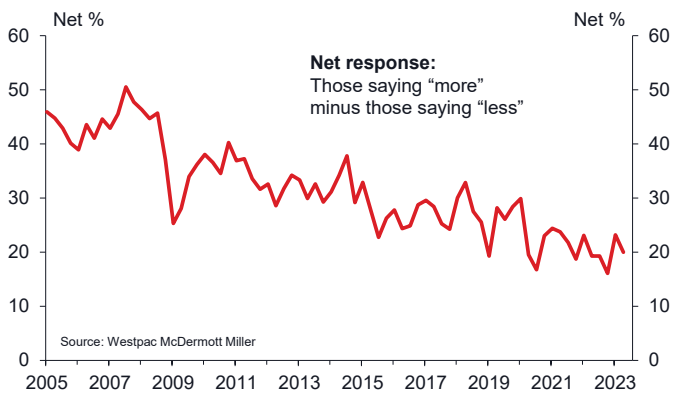
Job opportunities in NZ in a year's time



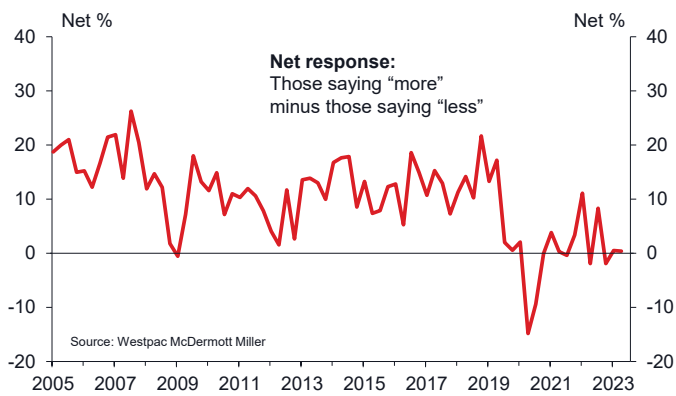
Earnings in paid work compared to last year



Earnings in paid work this time next year



Personal job security over the coming year



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