



# ECONOMIC BULLETIN

## Westpac McDermott Miller Employment Confidence, March quarter 2024.



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### Signs of relief

- Employment confidence rose by 4.7 points to 104.4 in the March quarter, the second rise in a row.
- Jobs are still seen as getting harder to find, consistent with our forecast of a further rise in unemployment in the months ahead.
- However, current workers are feeling more confident about their job security, and are becoming more positive about earnings growth as inflation has receded from its highs.

Employment confidence indices

	Mar-24	Dec-23	Change
Employment Confidence Index	104.4	99.7	4.7
Current Employment Conditions Index	102.3	103.9	-1.6
Employment Expectations Index	105.8	96.9	8.9
Current job opportunities	-12.3	-8.6	-3.7
Expected job opportunities	-14.6	-24.3	9.7
Past earnings growth	16.9	16.4	0.5
Expected earnings growth	24.8	20.6	4.2
Own job security	7.3	-5.7	13.0

Employment Confidence Index



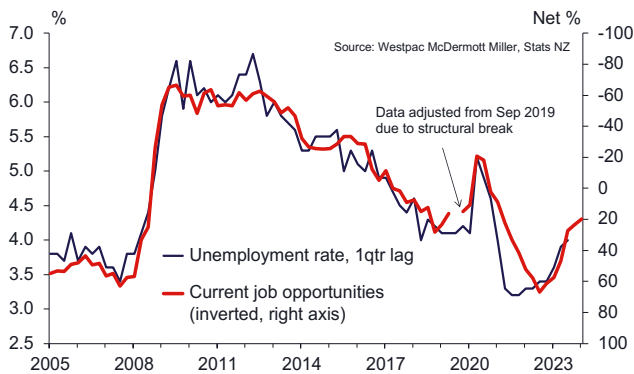
The Westpac McDermott Miller Employment Confidence Index rose by 4.7 points to 104.4 in the March quarter, taking it back into net positive territory after some soft results in the second half of last year. A reading above 100 indicates that more New Zealanders are optimistic about the state of the labour market than are pessimistic.

Sentiment was stronger on most of the survey questions. New Zealanders are expecting better job prospects and security in the year ahead, and are seeing a modest improvement in their earnings.

The exception to this lift in confidence was in people's perceptions about current job opportunities, which have now fallen for six straight quarters. This question is of particular interest to us because it has tended to provide a good early lead on the unemployment rate (notwithstanding a level shift in this measure as a result of improvements to the survey in September 2019).

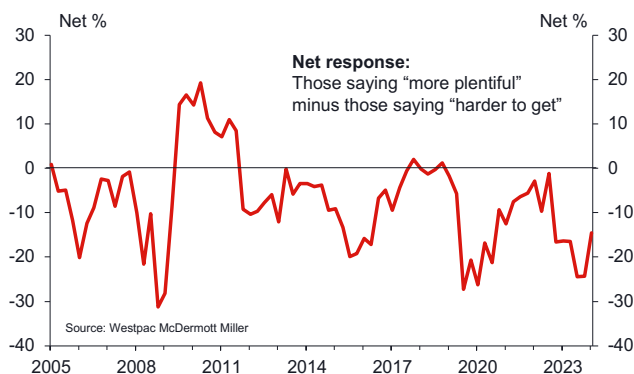
The rise in unemployment to date has been largely by design, as the Reserve Bank has lifted interest rates in order to slow the economy and take the heat out of inflation pressures. That said, it's been a slower process than the RBNZ imagined, with the unemployment rate lifting from a record low of 3.2% in early 2022 to 4.0% at the end of last year – still quite a low level compared to history. The latest employment confidence measure suggests a further, but still gradual, rise in unemployment in the months ahead.

### Current job opportunities vs unemployment rate



Households were more hopeful about the outlook for jobs in a year's time. However, this measure remains in pessimistic territory on balance, suggesting that New Zealanders aren't convinced that the worst has passed in the jobs market yet.

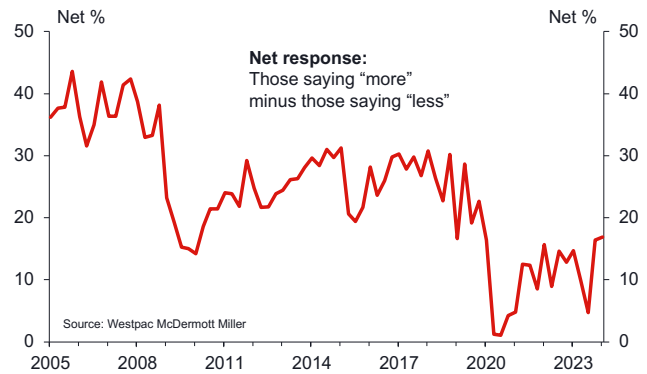
### Job opportunities in NZ in a year's time



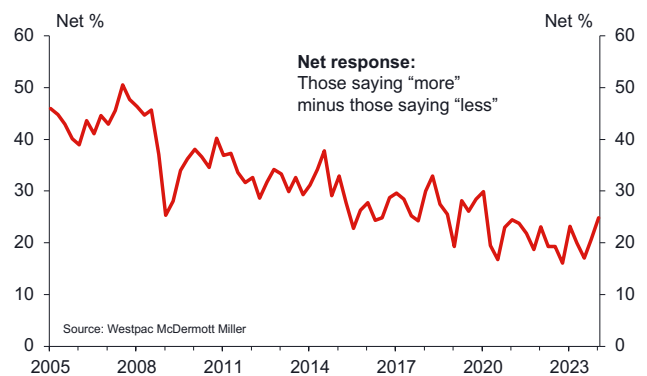
Workers reported a slight lift in earnings growth over the last year, and were more optimistic about a lift in their earnings in the year ahead. Arguably, reported earnings growth is starting to show a small upward trend, having fallen to record low levels since the pandemic. In the past we've suggested that people are responding to this

question in real terms – that is, they've seen the rising cost of living outstripping any rise in their pay rates. Now with some relief coming on the inflation front, more workers are likely to feel that they're getting ahead.

### Earnings in paid work compared to last year

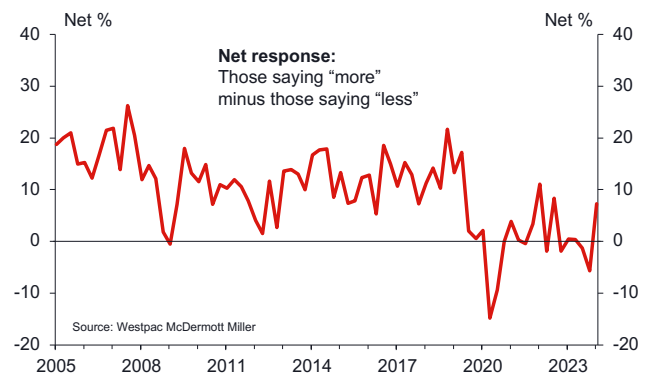


### Earnings in paid work this time next year



Workers' sense of job security improved strongly in March, although that was coming off a notably weak reading in December. This result was repeated across most regions, even in Wellington – though the survey will have pre-dated some of the recent announcements about job cuts in the public sector.

### Personal job security over the coming year

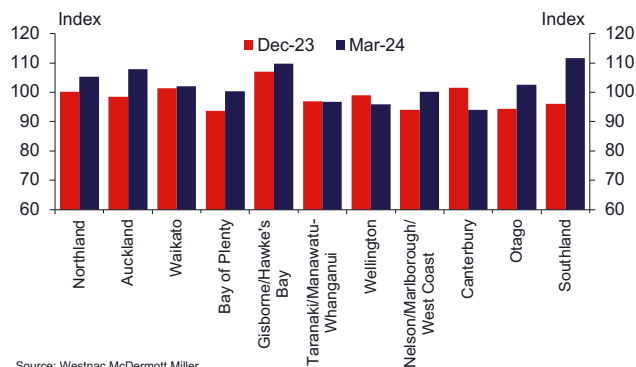


The lift in sentiment was more pronounced among lower-to middle-income households (those earning between \$40,000 and \$100,000 per annum), with a particularly strong rise in future job prospects and security. That's

probably also reflected in the age profile, with younger respondents (under 30) the most confident this time.

Confidence rose in eight regions and fell in three. The biggest gains were seen in Southland and Auckland. Otago and the Bay of Plenty also saw solid gains, though that only partly reversed the falls seen in the previous quarter. While Wellington saw a lift in expected job security, it was down on all of the other measures. Canterbury was weaker on all measures except future job prospects.

**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 1-13 March 2024. The sample size was 1,550.

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