



Slow progress

Westpac McDermott Miller Employment Confidence Index, March 2018

29 March 2018



- The Westpac McDermott Miller Employment Confidence Index rose two points in March to 115.9, its highest level since 2008.
- Perceptions of earnings growth and job security strengthened over the last quarter. However, job opportunities were seen to be a bit thinner on the ground.
- Earnings growth has yet to show a clear upward trend, even as the labour market has tightened in recent years.

Employment Confidence Indices

	Mar-18	Dec-17	Change
Employment Confidence Index	115.9	113.9	2.0
Present Conditions Index	119.2	117.9	1.3
Employment Expectations Index	113.7	111.2	2.5
Current job opportunities	7.6	9.0	-1.4
Expected job opportunities	-0.1	2.1	-2.2
Past earnings growth	30.8	26.8	4.0
Expected earnings growth	30.0	24.3	5.7
Own job security	11.3	7.3	4.0

The Westpac-McDermott Miller Employment Confidence Index continued its gradual climb in the March quarter, rising two points to 115.9. That marks another new high point since late 2008, when the Global Financial Crisis was in full swing.

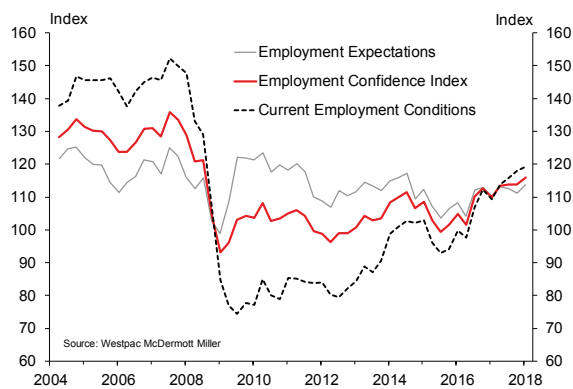
The gradual rise in employment confidence in recent years mirrors the pace of improvement in the broader economy. Unemployment was initially slow to respond to the post-GFC recovery, but has since fallen back to what most estimates would suggest is a sustainable rate over the long run. That's not to say that it can't go even lower from here, just that further gains are more likely to come at the cost of higher inflation.

While the overall improvement in the latest survey is encouraging, the details sound a note of caution. The gains this quarter were in the earnings and job security questions, which are only put to those respondents who are currently in work. In contrast, perceptions of job opportunities (which covers all respondents, both in and out of work) have worsened since last quarter.

Business confidence fell sharply in the wake of last year's election. We're on alert of any signs that this is translating into firms' hiring and investment decisions. The fall in perceived job prospects in the March quarter is not large enough to be cause for concern. But it does suggest that the unemployment rate may struggle to push much lower in the near term.

Perceptions of past and future earnings growth both reached their highest levels in three years, albeit by a small margin. However, there has been no clear upward trend in these measures in the years since the financial crisis, despite the steady tightening in the labour market in that time.

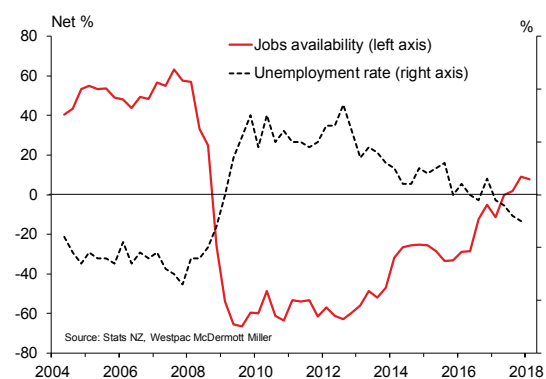
Employment confidence index



Employment confidence: regional breakdown

Region	Mar-18	Dec-17	Change
Northland	111.4	120.5	-9.1
Auckland	118.7	114.1	4.6
Waikato	114.4	111.3	3.1
Bay of Plenty	122.6	112.0	10.6
Gisborne/Hawkes Bay	109.7	109.7	0.0
Taranaki/Manawatu-Whanganui	113.6	105.6	8.0
Wellington	115.3	113.3	2.0
Nelson/Marlborough/Westland	107.2	118.9	-11.7
Canterbury	107.3	113.5	-6.2
Otago	121.8	112.0	9.8
Southland	123.9	106.9	17.0

Jobs availability and the unemployment rate



In the December survey, we noted a strong rise in expected earnings for the lowest-income households, perhaps due to optimism about the new Government's policies around minimum wages, fair pay agreements and the like. However, in March the rise in confidence was limited to those in the higher income brackets (households earning \$70k a year or more).

There was a great deal of variation in confidence across the regions. The biggest change was in Southland, leaping from one of the least confident to the most confident in the last three months. There were also strong gains in the Bay of Plenty and Otago. Each of these regions also saw a strong lift in consumer confidence this quarter.

The biggest drop was in the Nelson/Marlborough/West Coast regions, a result that was matched by our consumer confidence and regional economic confidence surveys. This part of the country was hit hard by a series of extreme storm events, including ex-tropical cyclones Fehi and Gita, which caused widespread disruption and damage.

There was also a sharp drop in confidence in Northland – surprising perhaps for a region that expects to be in line for a fair share of regional development spending under the new Government. That said, the decline was largely in the backward-looking components of the survey.

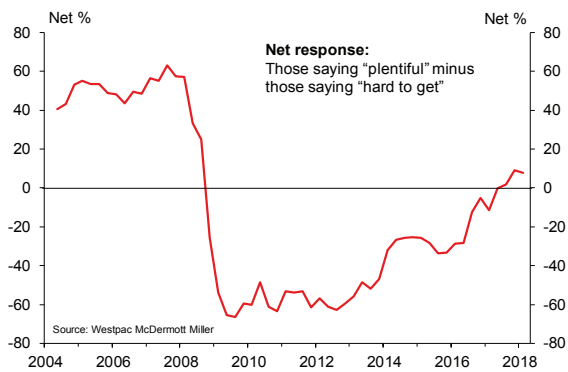
Employment confidence continued to fall in Canterbury. The post-earthquake rebuild is winding down, and unemployment in the region has risen from its lows in the last couple of years.

Survey description

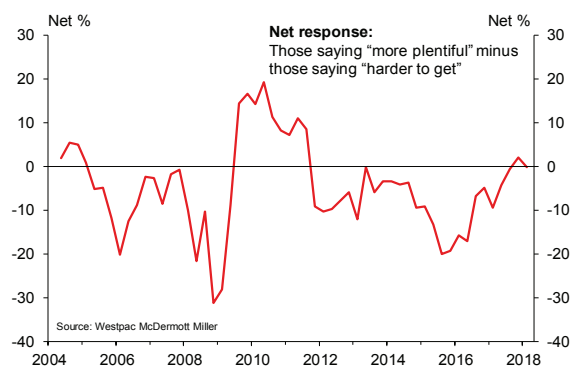
The Westpac McDermott Miller Employment Confidence Index summarises responses to five questions: households' perceptions of current and future job opportunities in New Zealand, their own actual and expected earnings, and expected changes in their own job security. The questions about current job opportunities 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 – 15 March 2018. The sample size was 1552.

Michael Gordon
Senior Economist

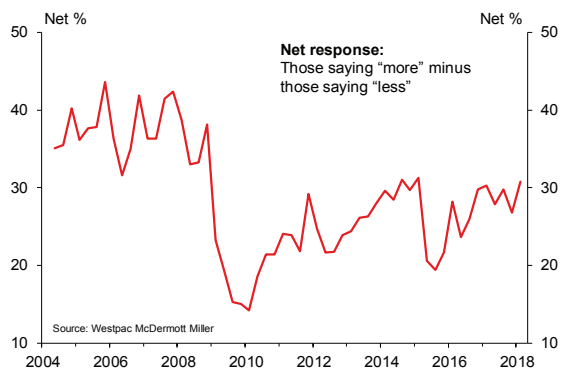
Do you think jobs are plentiful or hard to get in NZ?



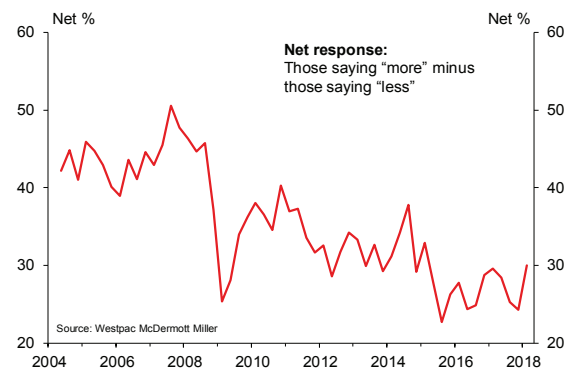
Job opportunities in NZ in a year's time



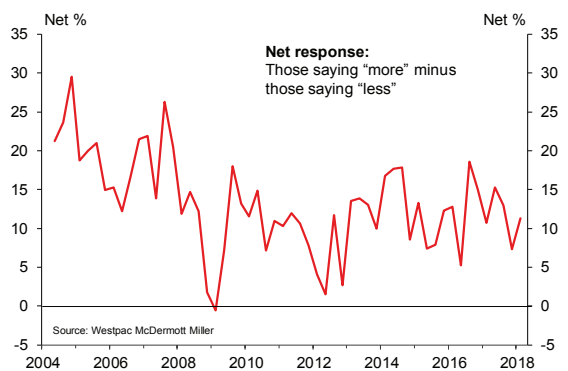
Earnings in paid work compared to last year



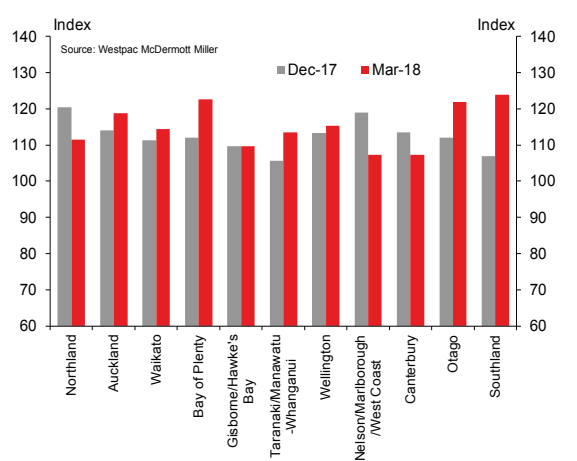
Earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



Contact the Westpac economics team

Dominick Stephens, Chief Economist +64 9 336 5671

Michael Gordon, Senior Economist +64 9 336 5670

Satish Ranchhod, Senior Economist +64 9 336 5668

Anne Boniface, Senior Economist +64 9 336 5669

Paul Clark, Industry Economist +64 9 336 5656

Any questions email: economics@westpac.co.nz

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