



Looking for a new job?

Westpac McDermott Miller Employment Confidence Index, December 2017

16 January 2018



Employment Confidence Indices

	Dec-17	Sep-17	Change
Employment Confidence Index	113.9	113.8	0.1
Present Conditions Index	117.9	115.7	2.2
Employment Expectations Index	111.2	112.6	-1.4
Current job opportunities	9.0	1.7	7.3
Expected job opportunities	2.1	-0.5	2.6
Past earnings growth	26.8	29.8	-3.0
Expected earnings growth	24.3	25.3	-1.0
Own job security	7.3	12.9	-5.7

Employment confidence index



- The Westpac McDermott Miller Employment Confidence Index rose 0.1 points in December to 113.9.
- New Zealand workers are reporting that jobs availability is the best it's been in nearly a decade, and they expect that it will continue to improve over the coming year.
- Despite this improved jobs outlook, most households remain pessimistic about their chances of getting a pay rise in 2018.
- The exception is those households earning less than \$30,000 per year, who are the most optimistic they have been about the chances of a pay rise in seven years.

Job prospects improving...

The festive season is over and hopefully your hangover has faded, because it's time to go back to work.

As the new year gets underway, it seems that New Zealand households are actually feeling pretty upbeat about their employment prospects. The Westpac McDermott Miller Employment Confidence Index rose slightly to a level of 113.9 at the close of 2017. That builds on the run of gains we saw over the past year, and takes employment confidence to the highest level we've seen in close to a decade.

Underlying this rise in confidence has been firm economic growth in recent years and related increases in the demand for labour. In fact, workers are reporting that jobs availability is the best it's been since 2008, before the economy felt the full brunt of the global financial crisis. It's a

message that we're hearing across the country and income groups. Furthermore, most households expect that job opportunities will continue to improve over the coming year.

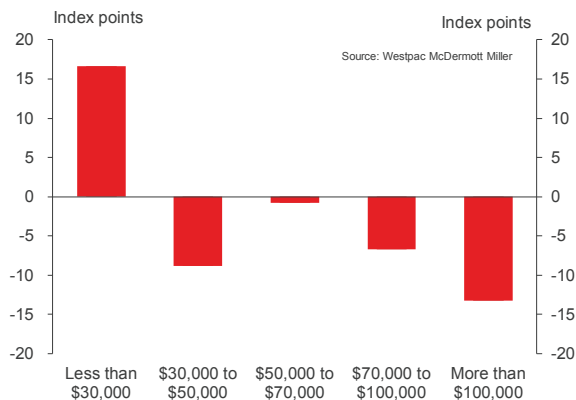
Jobs availability and the unemployment rate



...but earnings growth still lagging behind

Even though workers are feeling more upbeat about the chances of finding a job, they're still very pessimistic about their chances of getting a pay rise over 2018. In fact, the number of workers who told us that they expect to receive a pay rise over the coming year has fallen for a third consecutive quarter and is languishing at the sort of lows we saw during the financial crisis.

Compared to average, how many workers expect their earnings to increase over the coming year?



This nervousness about earnings growth is widespread, and is particularly acute in regions such as Gisborne/Hawke's Bay and Canterbury. It's also evident across most income groups. However, there is one notable exception.

Households who earn less than \$30,000 per annum have become notably more upbeat about the earnings outlook. The number of households in this income bracket reporting that they received a pay increase over the past twelve months has risen sharply since the start of last year. In addition, households in this group are the most optimistic they have been about their chances of receiving a pay rise since 2011. In part, this lift in expectations for earnings will be related to the ongoing strengthening in employment

prospects over the past year, with the unemployment rate dropping to a nine year low over 2017. It's also likely that many of these households are set to benefit from planned increases in the minimum wage over the coming years.

Employment confidence: regional breakdown

Region	Dec-17	Sep-17	Change
Northland	120.5	110.0	10.5
Auckland	114.1	119.8	-5.7
Waikato	111.3	114.9	-3.6
Bay of Plenty	112.0	109.8	2.2
Gisborne/Hawkes Bay	109.7	105.7	4.0
Taranaki/Manawatu-Whanganui	105.6	111.4	-5.9
Wellington	113.3	102.8	10.5
Nelson/Marlborough/Westland	118.9	104.7	14.2
Canterbury	113.5	115.2	-1.7
Otago	112.0	108.9	3.1
Southland	106.9	115.4	-8.4

While overall confidence about the state of labour market has improved, we are seeing some notable differences across the country, with confidence rising in six regions but falling in five.

- December saw labour market confidence rising strongly in **Northland**, with households in the region now the most upbeat in the country. Like other regions, Northland has seen continued jobs growth, supported by positive conditions in the construction, manufacturing and forestry sectors. But in contrast to many other regions, a relatively large proportion of households in Northland told us that their incomes have increased over the past year. Households in the region are also more upbeat about the prospects for their earnings over the coming year.
- Confidence in the labour market has also lifted in the **Nelson/Marlborough/Westland** region. Favourable demand conditions in sectors like hospitality, construction and horticulture have seen continued strong demand for workers. And with the region's unemployment rate now at very low levels, it's no surprise that households in the region are reporting that they are feeling more secure about their employment prospects.
- Labour market confidence has risen in **Wellington**, with unemployment down and job opportunities in the region continuing to rise. There's also been a lift in the number of Wellingtonians who expect to receive a pay rise over the coming year. The possible expansion of the public services following the change in government is likely to have given sentiment in the region a boost.
- Labour market confidence in **Auckland** has fallen back, though it remains around average levels. Our largest city has seen a sharp slowdown in the housing market, and this is likely to be weighing on confidence about the economic outlook more generally. Consistent with this, a growing numbers of Aucklanders have told us that they're concerned about their job security.

- Labour market confidence has slipped in **Canterbury**. The earthquakes in 2010 and 2011 have had a long lasting impact on the region, both in terms of their human impact and the effect on economic conditions. Reconstruction in the wake of those devastating events initially drove large increases in employment, especially in construction. Now, with the peak of the rebuild passed, the economy is gradually transitioning to a new normal. The level of economic activity remains strong, and those in the region are telling us that there are currently a large number of job opportunities. However, the pace of economic growth has slowed and unemployment has risen (though it remains very low). In addition, the drivers of growth are continuing to shift away from construction, and towards sectors such as manufacturing and services. This transition will continue for some time yet, and households in the region are nervous about what this will mean for their job security and the availability of jobs over the coming year.
- At the other end of the spectrum, confidence about the state of the labour market has fallen sharply in **Southland**, with households in the region now the most pessimistic in the country. Unemployment in Southland rose over 2017, and parts of the agricultural sector are facing challenging conditions. These developments have seen households in the region becoming increasingly nervous about their employment prospects.
- Softer conditions in the primary sector are also likely to have dampened employment confidence in **Taranaki/Manawatu-Whanganui**, with households in the regions reporting low levels of job security.

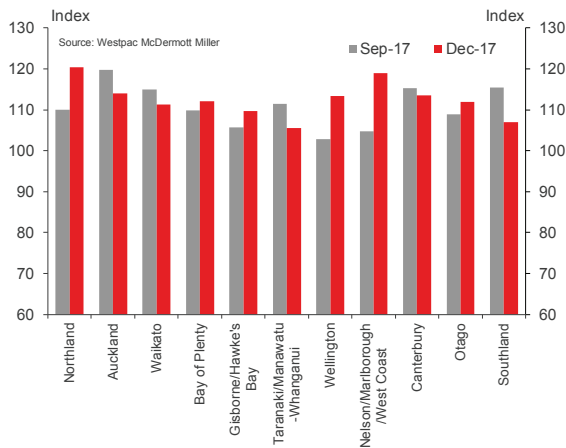
Survey description

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 – 10 December 2017. The sample size was 1555.

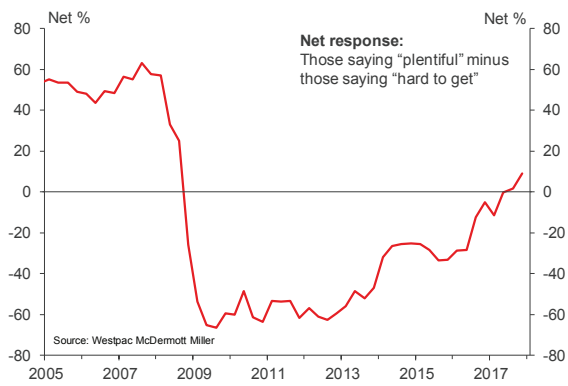
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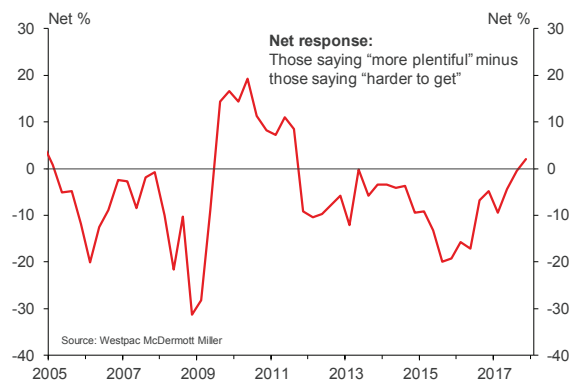
Employment confidence by region



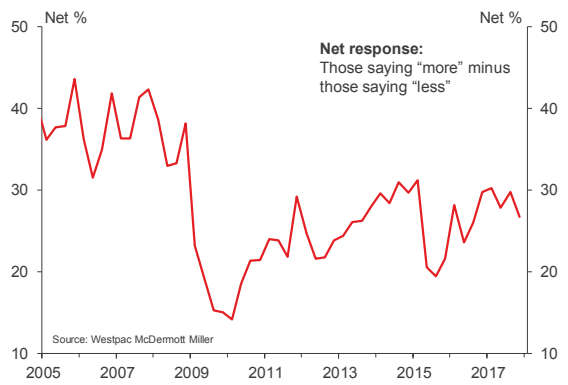
Do you think jobs are plentiful or hard to get in NZ?



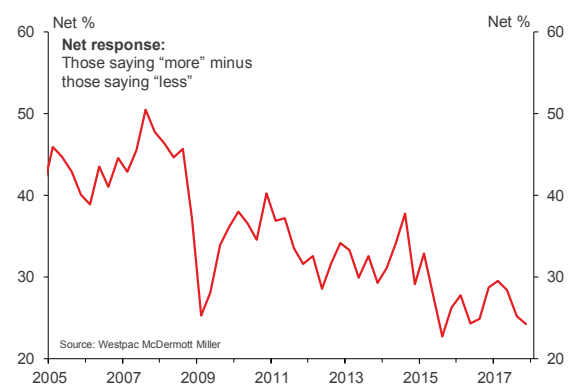
Job opportunities in NZ in a year's time



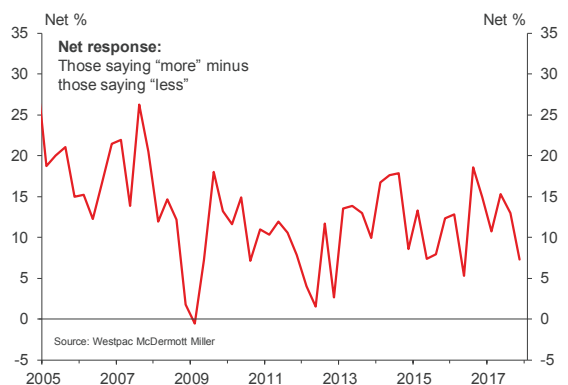
Earnings in paid work compared to last year



Earnings in paid work this time next year



Personal job security over the coming year



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