



Earnings up, jobs down

Westpac McDermott Miller Employment Confidence Index, June 2019

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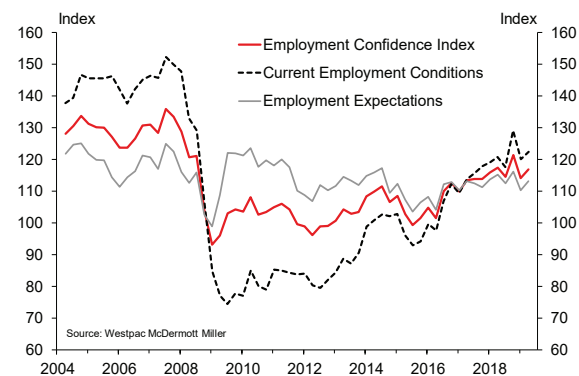


- The Employment Confidence Index rose modestly in the June quarter, but the underlying details were soft.
- Perceptions about job opportunities were down for a second straight quarter. This suggests that the unemployment rate could deteriorate in the near term.
- Workers' views on past and future earnings growth rebounded from an unusually sharp fall in the previous quarter.
- However, perceptions of earnings remain within recent ranges, with no sign of a break higher even as the labour market has tightened.

Employment confidence indices

	Jun-19	Mar-19	Change
Employment Confidence Index	116.9	114.2	2.7
Present Conditions Index	122.4	120.1	2.3
Employment Expectations Index	113.2	110.3	2.9
Current job opportunities	16.2	23.5	-7.3
Expected job opportunities	-5.7	-1.8	-3.9
Past earnings growth	28.6	16.6	12.0
Expected earnings growth	28.2	19.3	8.9
Own job security	17.2	13.3	3.9

Employment confidence index



The Westpac McDermott Miller Employment Confidence Index rose modestly in the June quarter. However, the details reveal a soft underbelly to the survey. The rise was largely driven by a bounce in earnings growth, which recovered from an unusually sharp drop in the previous quarter. Meanwhile, perceived job opportunities fell further, adding to the recent signs of a softening in the labour market.

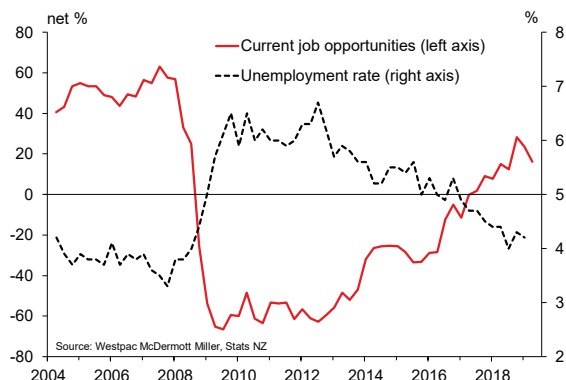
Households' perceptions of current job opportunities fell for the second straight quarter. This measure tends to correspond quite closely with the official unemployment rate, and it suggests that the long-running improvement in unemployment – down to 4.2% in the March quarter – could soon stall.

That's not out of whack with our own forecasts. We've been expecting unemployment to tick up slightly in the near term, reflecting the slowdown in economic growth to date, before regaining its positive momentum next year.

And it's important to note that the Reserve Bank – which is now tasked with 'supporting maximum sustainable employment' as well as maintaining low inflation – has similarly braced itself for some near-term softness.

However, there is a risk that conditions could deteriorate further than expected. Low business confidence continues to weigh on firms' hiring intentions, and online job advertisements are now lower than they were a year ago, after several years of strong growth.

Jobs availability and the unemployment



The drop in perceived job opportunities was by no means universal – it actually rose strongly for the under-30 age group, while falling for older workers. We noted a similar split in our Consumer Confidence survey last week, with confidence among the under-30s reaching a five-year high. We suggested that improving housing affordability was a driver behind this; it appears that perceptions of better job prospects were also a factor.

Current and expected earnings growth rose sharply in the June quarter survey. However, that was largely the reversal of an inexplicably steep drop in the March quarter. Both measures remain within the ranges that they've held for the last several years, with no sign that households have perceived a pick-up in wage growth even as the labour market has tightened.

The rise in current earnings growth was consistent across age and income groups. However, expected earnings growth a year ahead was down sharply for the under-30 age group, and for those earning less than \$30k per year.

Those respondents who are currently in work were more optimistic about their own job security in the June quarter. Although this measure is volatile, it does appear to have been trending higher over the last few years.

Employment confidence indices by region

Region	Jun-19	Mar-19	Change
Northland	120.4	108.4	12.0
Auckland	117.6	113.2	4.4
Waikato	112.3	103.3	9.0
Bay of Plenty	116.1	125.6	-9.5
Gisborne/Hawke's Bay	118.0	121.4	-3.4
Taranaki/Manawatu-Whanganui	112.7	108.1	4.6
Wellington	114.8	119.2	-4.4
Nelson/Marlborough/West Coast	110.1	113.3	-3.2
Canterbury	123.4	111.9	11.5
Otago	113.2	121.0	-7.8
Southland	113.8	115.4	-1.6

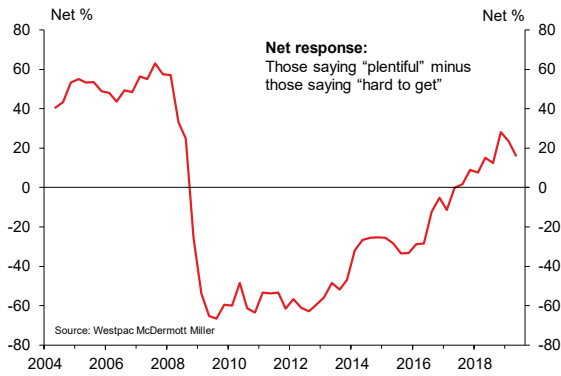
Employment confidence rose in five regions and fell in six. However, there was more consistency in the results than the headline figures suggest. Most regions reported a drop in current job opportunities, with the notable exception of a strong rise in Northland. There was also a small rise in current jobs in Canterbury, although expected future jobs fell sharply.

The variation across regions was mostly down to the earnings questions. A few regions such as Bay of Plenty and Otago saw sharp declines, but these were the regions that bucked the trend in the previous survey, reporting a strong lift in earnings growth. For most regions, perceptions of earnings growth remain within their ranges of the last five years.

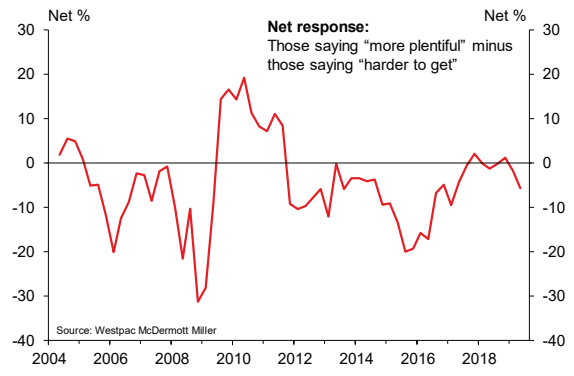
Survey description

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 1-10 June 2019. The sample size was 1,555.

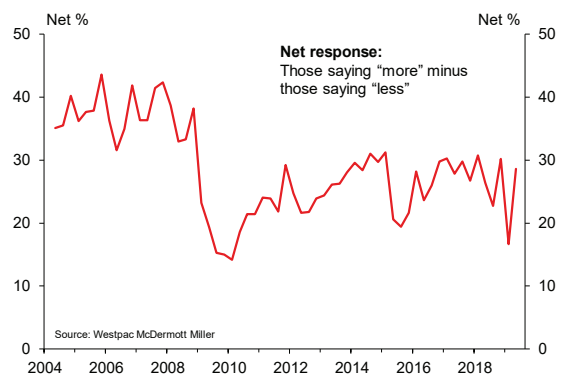
Do you think jobs are plentiful or hard to get in NZ?



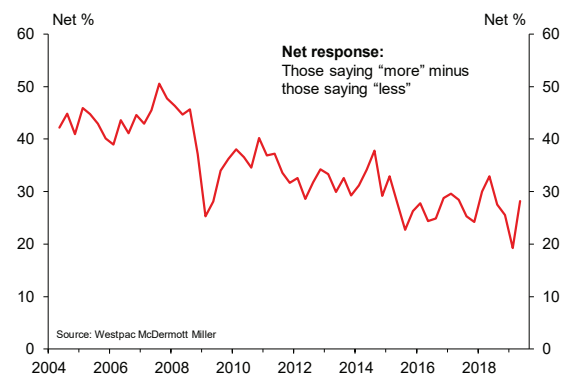
Job opportunities in NZ in a year's time



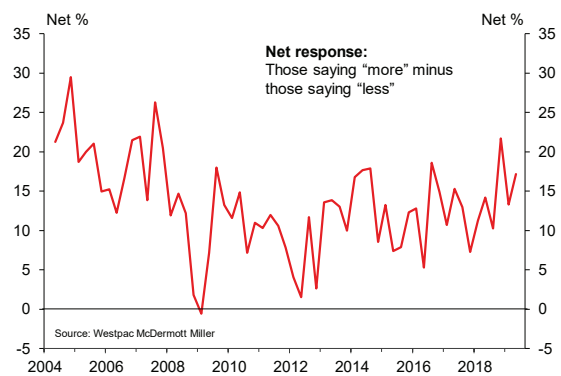
Earnings in paid work compared to last year



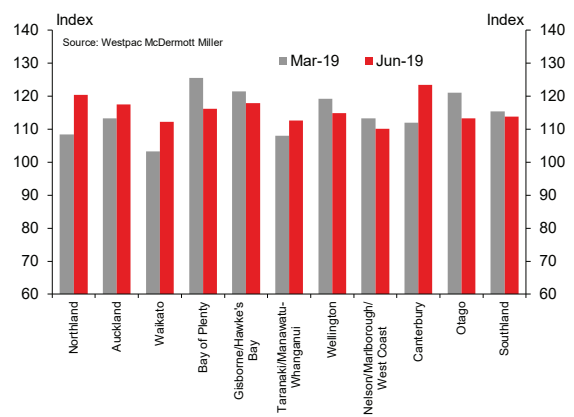
Earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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