

Hot in the city

2014Q2 Westpac McDermott Miller Employment Confidence Index: 109.9

- New Zealanders' confidence about the labour market rose further in June, to its highest level since the recession.
- Perceptions about the availability of jobs continue to improve, suggesting that the recent strong growth in employment can be sustained.
- Confidence is highest among the main centres, with Auckland overtaking Canterbury in the latest survey. However, confidence is positive on balance in almost every region.

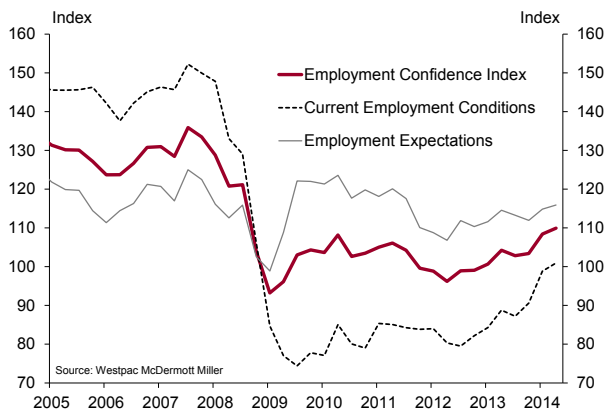
The Westpac McDermott Miller Employment Confidence Index rose from 108.4 to 109.9 in the June quarter, a fresh post-recession high. This was less emphatic than the five-point increase in the March quarter, and the details were more mixed this time, but the survey still points to a continuation of the recent strong growth in employment.

The regional breakdown of the index provided some interesting details. Canterbury has obviously been a star performer over the last two years, given the amount of work generated by the post-earthquake reconstruction. But we've noted in recent surveys that the rest of the country is starting to close the gap – and in the June quarter survey, Auckland has overtaken Canterbury as the most confident region. Furthermore, Auckland is the only region where confidence is above its historic average (the survey is now ten years old, and more or less covers a complete economic cycle). With Wellington also showing more signs of life recently, that means the three main centres have been the three biggest improvers over the last couple of years.

Before leaping to any conclusions about regional disparities, however, we need to keep the starting points in mind. Auckland's unemployment rate rose by more than the rest of the country during the recession, and has been slow to improve since then. Given that Auckland accounts for about a third of the nation's workforce, we should welcome any evidence that the region is no longer underperforming. Canterbury's strength is a necessary part of the rebuild effort, and Wellington is just starting to overcome the blow of government austerity in recent years. Moreover, employment confidence was on the net positive side in all but one region in June, making this the most consistently positive survey in the last three years.

The labour market tends to be a lagging facet of the economic cycle; while GDP has been gradually accelerating for a few years now, it's only more recently that we've seen a substantial pickup in employment – up 3.8% in the year to March, according to the Household Labour Force Survey. So it's not unusual to see a further lift in employment confidence at a time when other indicators such as business and

Employment confidence index



| | Mar-14 | Jun-14 | Change |
|--------------------------------------|--------------|--------------|------------|
| Employment Confidence Index | 108.4 | 109.9 | 1.5 |
| Present Conditions Index | 98.8 | 100.9 | 2.1 |
| Employment Expectations Index | 114.8 | 115.9 | 1.1 |
| Current job opportunities | -32.0 | -26.5 | 5.5 |
| Expected job opportunities | -3.4 | -4.1 | -0.7 |
| Past earnings growth | 29.6 | 28.4 | -1.2 |
| Expected earnings growth | 31.1 | 34.2 | 3.1 |
| Own job security | 16.8 | 17.6 | 0.8 |

consumer confidence have softened a little. Indeed, while our view is that we may have already passed the peak rate of growth for the economy more generally, employment growth could remain strong for a while longer.

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.

Further details about the individual questions are in the charts on page 3. The survey took place over the period 1-10 June, with a sample size of 1,565.

The June quarter survey recorded net increases for three questions and small net decreases for two questions. The main contributor was an improvement in perceptions of current job opportunities, which has typically been the biggest source of variation in the survey.

- The net percentage of people saying that jobs are easy rather than hard to get rose by 5.5 points to -26.5%, the least negative reading since December 2008. This is the measure that correlates most closely with the unemployment rate, and is consistent with our forecast for unemployment to head down from its current 6% level to around 5.5% by year-end.
- Perceptions of job opportunities a year from now fell slightly to a net -4%. This measure has been more or less flat over the last year.
- The net percentage reporting higher earnings over the last year fell slightly, after seven straight quarters of gains.
- The percentage expecting earnings to increase over the next year rose to a net 34%, the highest since December 2012.
- Perceived job security edged up a point to 18% and is now at its highest since September 2009.

Employment confidence rose in seven regions and fell in four. Confidence was net positive in all but one region. The outlier was the Waikato, which switched from being the top region just three months ago to dead last today. Perhaps a lower dairy payout for the new season may have been on respondents' minds. But surveyed confidence in this region has swung between triumph and disaster so many times in recent years that we're reluctant to set much of a story around it.

Confidence rose in the Auckland region, with improved perceptions of both job opportunities and earnings growth. While the Canterbury region also saw a lift in perceived job opportunities, the earnings measures actually slowed, and are now lower than the national average. This may suggest that the region is now finding it easier to attract the workers needed for the quake rebuild.

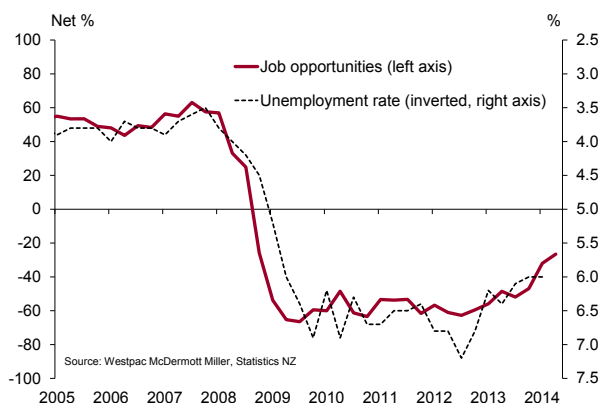
Southland was the third-most confident region in the June quarter, with strong gains in job opportunities and expected earnings. Anecdotally at least, the region has been strengthening its links to the Christchurch rebuild.

Wellington saw a further lift in confidence in June, having been the least confident region just three quarters ago. This is consistent with a range of activity indicators that suggest the region has started to emerge from its long economic torpor in recent months.

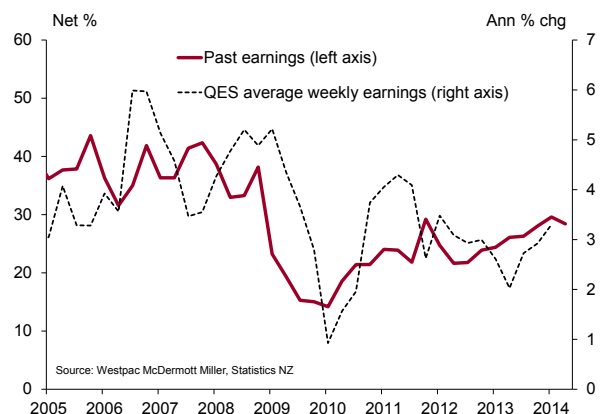
Employment Confidence by region

| Region | Mar-14 | Jun-14 | Change |
|-----------------------------|--------|--------|--------|
| Northland | 102.0 | 102.1 | 0.1 |
| Auckland | 113.1 | 117.3 | 4.2 |
| Waikato | 115.2 | 98.0 | -17.1 |
| Bay of Plenty | 96.1 | 103.1 | 7.0 |
| Gisborne/Hawkes Bay | 104.2 | 103.7 | -0.5 |
| Taranaki/Manawatu | 97.8 | 105.5 | 7.8 |
| Wellington | 104.4 | 110.0 | 5.5 |
| Nelson/Marlborough/Westland | 106.5 | 102.5 | -4.1 |
| Canterbury | 114.0 | 115.0 | 1.0 |
| Otago | 103.2 | 102.5 | -0.8 |
| Southland | 103.8 | 110.3 | 6.6 |

Reported job opportunities and unemployment

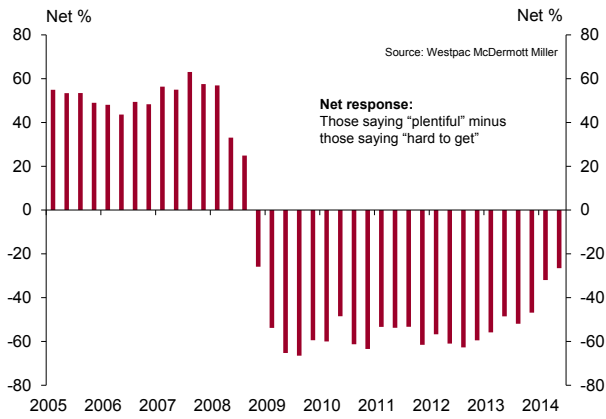


Reported earnings and wage inflation

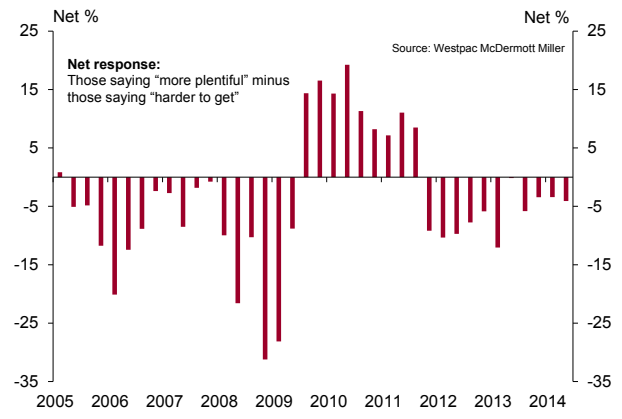


Michael Gordon
Senior Economist

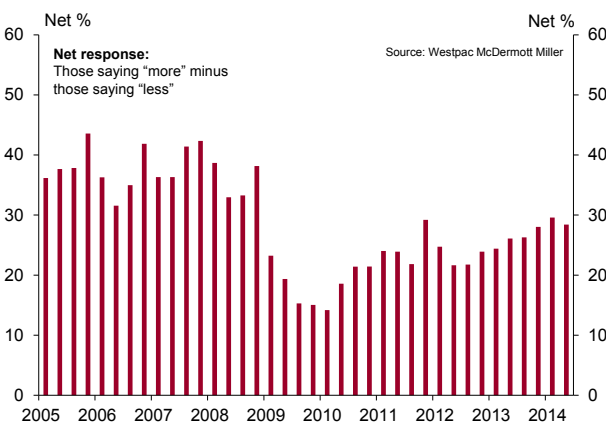
Do you think jobs are plentiful or hard to get in NZ?



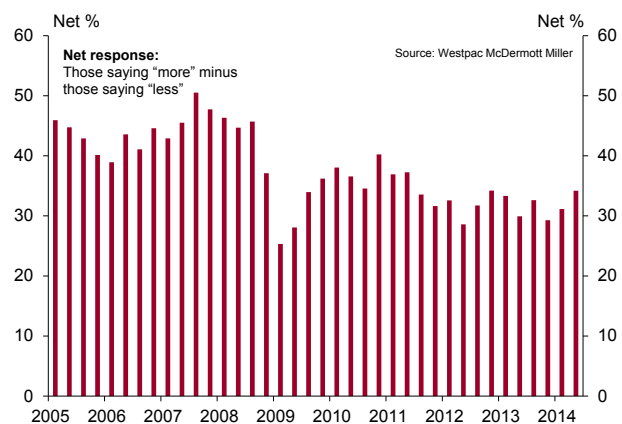
Job opportunities in NZ in a year's time



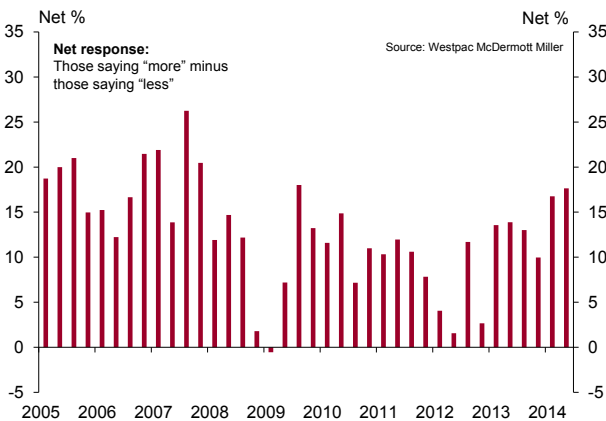
Earnings in paid work compared to last year



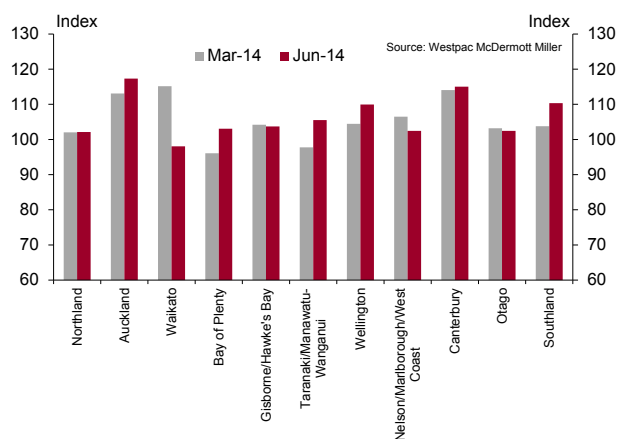
Earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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