

Sunny side up

Westpac McDermott Miller Employment Confidence Index, March 2016

- Employment confidence improved further in the March quarter, and now sits a little above its five year average.
- The survey paints a picture of workers becoming increasingly positive about current labour market conditions, but more cautiously optimistic about prospects moving forward.
- Employment confidence rose in most regions this quarter. However, a rural/urban divide is becoming increasingly apparent as workers in urban centres have become noticeably more upbeat about employment prospects compared to their rural counterparts.

Workers have started 2016 with a spring in their step. The Westpac McDermott Miller Employment Confidence Index rose 3.3 points in the March quarter to 104.8, as workers have become more confident about both their future and, in particular, their current employment conditions. Though still not back to the heights reached in 2014, the Employment Confidence Index is now back above its 5 year average.

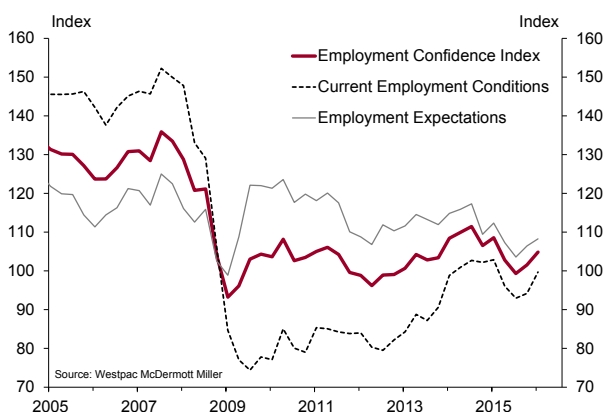
The improvement in employment confidence we've seen over the last couple of quarters is broadly consistent with other data on the labour market. Firms are reporting that it has become more difficult to find skilled and unskilled labour, job adverts have picked up, and Statistics New Zealand's new experimental jobs indicator series (which uses tax data) shows a steady increase in jobs numbers. This is in contrast to the growth profile implied by the Household Labour Force Survey which has been more stop start. For now, demand for workers is at least keeping pace with rapid population growth, if not managing to outpace it.

One of the most notable improvements in the March survey was the big lift in the proportion of people who reported they were earning more than this time a year ago. At first glance, this could be a sign that a relatively buoyant labour market is starting to put some (modest) upward pressure on wages. However, the LCI shows that the size of those increases has been shrinking in recent times, in line with the low rate of inflation.

And while respondents were noticeably more positive when reporting on how their earnings had fared over the last year, they're not quite as convinced this improvement will be sustained. There was a more modest improvement in the expected earnings growth index in the March quarter, leaving this measure only a little way north of the record low it reached in September last year.

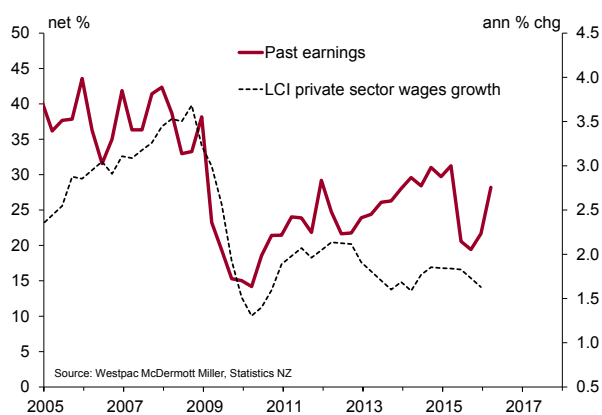
What's more, despite reporting a general improvement in labour market conditions, workers are still pretty cautious about their own job security going forward. One factor which might be keeping optimism in check are the challenges facing the dairy sector. Certainly this came through loud and clear in our recent Regional Confidence survey.

Employment confidence index



	Dec-15	Mar-16	Change
Employment Confidence Index	101.5	104.8	3.3
Present Conditions Index	94.2	99.7	5.5
Employment Expectations Index	106.4	108.3	1.8
Current job opportunities	-33.3	-28.8	4.5
Expected job opportunities	-19.3	-15.8	3.5
Past earnings growth	21.7	28.2	6.5
Expected earnings growth	26.3	27.8	1.5
Own job security	12.3	12.8	0.5

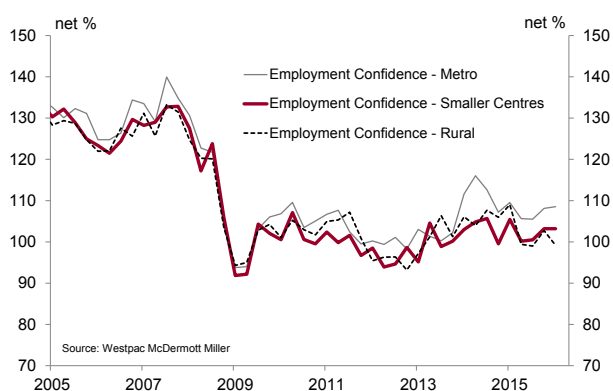
Reported earnings and wage inflation



Today's survey also highlights the yawning gap that has emerged in confidence between workers in metro (urban parts of the Auckland, Wellington and Canterbury regions) and smaller centres and rural locations.

The lift in employment confidence in metro areas has been driven by a sharp improvement in the current employment conditions component of the index. In stark contrast, employment confidence in smaller centres and rural areas has remained fairly static. What's more, workers in rural locations and smaller centres are notably less optimistic about future employment prospects.

Employment confidence index by area



Employment confidence by region

Region	Dec-15	Mar-16	Change
Northland	98.6	103.1	4.4
Auckland	105.9	110.0	4.1
Waikato	93.7	95.5	1.8
Bay of Plenty	96.6	104.9	8.3
Gisborne/Hawke's Bay	97.9	111.4	13.4
Taranaki/Manawatu/Whanganui	101.8	93.3	-8.5
Wellington	97.0	99.3	2.3
Nelson/Marlborough/Westland	101.5	101.2	-0.4
Canterbury	103.7	110.6	6.9
Otago	103.4	104.7	1.3
Southland	101.4	98.7	-2.7

Regional trends

Splitting the results by region, developments are more mixed. Eight out of eleven regions saw an improvement in employment confidence. These included dairying heartlands such as the Waikato and Bay of Plenty. However confidence fell in Southland and Taranaki/Manuwatu-Whanganui which also have an important dairying component.

The surprise front runner in the regional employment confidence league table was Gisborne/Hawke's Bay where respondents reported a sharp improvement in current and potential job opportunities. The mood in this region has been particularly positive of late, on the back of improving house prices, buoyant viticulture and horticulture sectors and signs of a pickup in tourism activity.

Not far behind Gisborne/Hawke's Bay in the employment confidence stakes is Canterbury. Interestingly, while much of the lift in employment confidence in the rest of the country was due to an improvement in current conditions, in Canterbury, the improvement this quarter was mostly down to a lift in expected conditions. Workers in the region have become decidedly more optimistic about future earnings prospects.

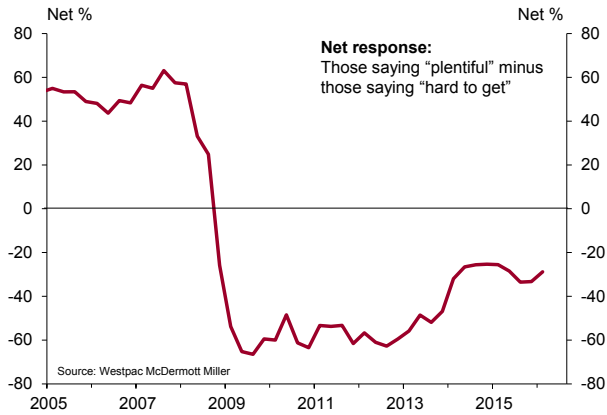
The biggest decline in employment confidence this quarter was recorded in Taranaki/Manuwatu region, leaving the region the least confident about employment prospects in the country. That's despite the region still having one of the lower unemployment rates in the country. The deterioration was almost entirely down to a decline in the expected conditions component of the index where clearly the dual blows of the dairy downturn and falling energy prices are weighing on workers' future job prospects.

Survey description

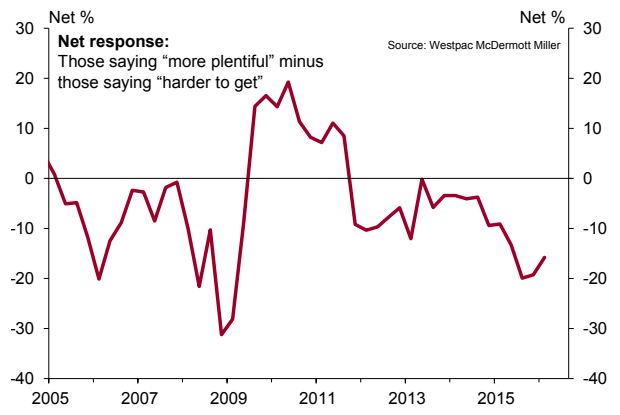
The Westpac McDermott Miller Employment Confidence Index summarises responses to five questions: households' perceptions of current and future job opportunities in New Zealand, their own actual and expected earnings, and expected changes in their own job security. The questions about current job opportunities 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 - 11 March 2016. The sample size was 1554.

Anne Boniface
Senior Economist

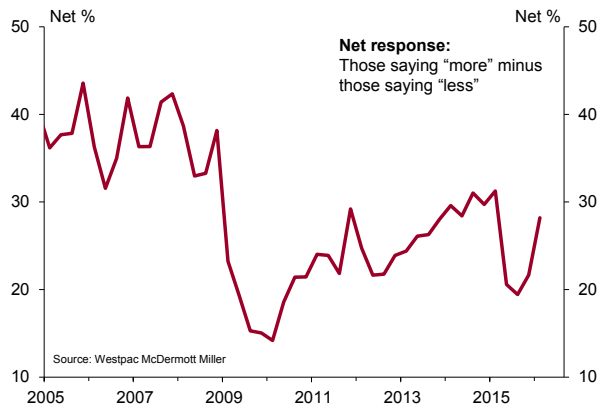
Do you think jobs are plentiful or hard to get in NZ?



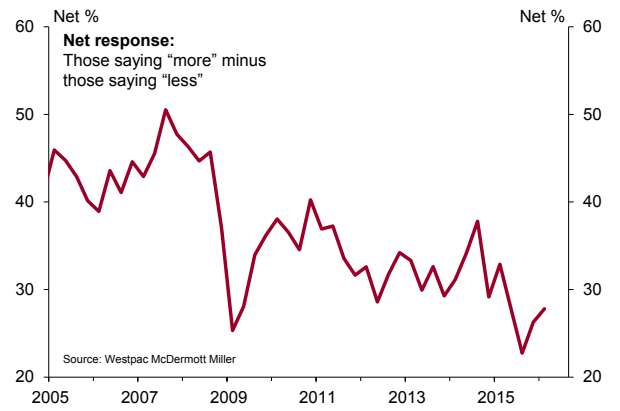
Job opportunities in NZ in a year's time



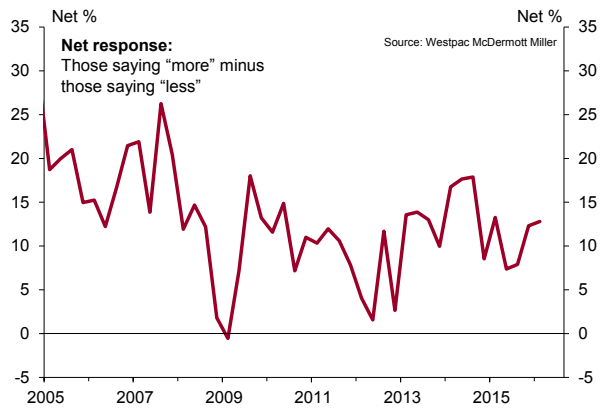
Earnings in paid work compared to last year



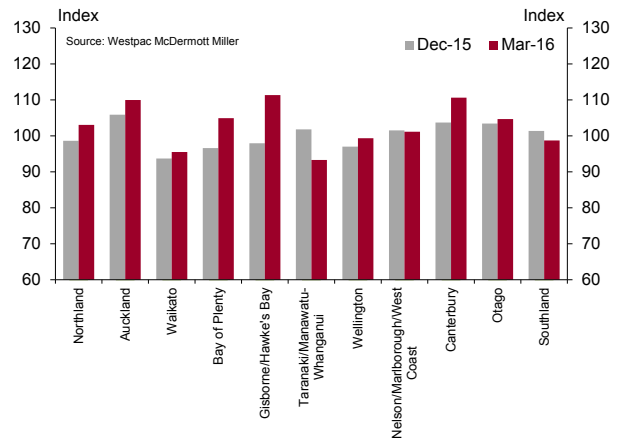
Earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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