

# An about face

## Westpac McDermott Miller Employment Confidence Index, June 2016

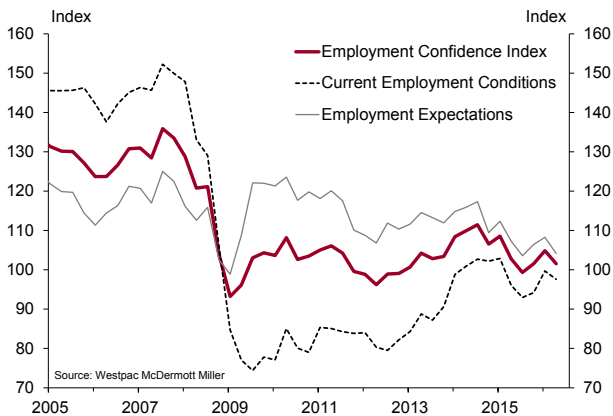
- Employment confidence fell in the June quarter, reversing gains made earlier in the year. It remains at below average levels.
- Workers’ perceptions of their own job security have deteriorated particularly sharply, driving a decline in Employment Expectations component of the Index.
- Confidence fell in most regions this quarter with the biggest declines in Gisborne/Hawke’s Bay. The Waikato and Taranaki/Manuwatu-Whanganui regions were the notable exceptions, reporting a rise in confidence this quarter.

The June quarter Westpac McDermott Miller Employment Confidence survey saw workers make something of an about face when it comes to their view of labour market conditions. After perking up noticeably earlier in the year, the latest survey took a more pessimistic tone. Employment confidence fell 3.3 points, returning to its December level and remaining below its 5 year average.

The decline in employment confidence was led by the Expectations component of the index which fell 4.1 points to 104.2. Driving this result was a particularly sharp decline in workers’ perceptions of their own job security, which fell to its lowest level since late 2012. Interestingly, while workers were more apprehensive about their own job security, their view on current job opportunities was unchanged from last quarter.

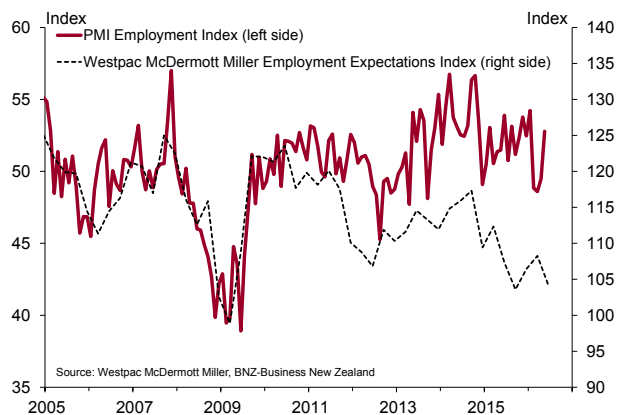
June’s broad-based decline in employment confidence is perhaps a little surprising when considered against a range of other labour market indicators. The employment components of monthly business confidence surveys (including the PMI and PSI) have improved in recent months. Job ads and vacancy measures have continued to trend higher. And there was very strong jobs growth in the most recent official employment statistics.

### Employment confidence index



	Mar-16	Jun-16	Change
<b>Employment Confidence Index</b>	<b>104.8</b>	<b>101.5</b>	<b>-3.3</b>
<b>Present Conditions Index</b>	<b>99.7</b>	<b>97.6</b>	<b>-2.1</b>
<b>Employment Expectations Index</b>	<b>108.3</b>	<b>104.2</b>	<b>-4.1</b>
Current job opportunities	-28.8	-28.4	0.4
Expected job opportunities	-15.8	-17.1	-1.3
Past earnings growth	28.2	23.6	-4.6
Expected earnings growth	27.8	24.4	-3.4
Own job security	12.8	5.3	-7.5

### PMI and Westpac McDermott Miller Employment Expectations Index



One interpretation of today’s outturn is that it reflects the distinctly different way workers and businesses are faring in the current economic environment. Over the last couple of

years headline GDP growth has been bolstered by very strong net migration and population growth. More people add to demand for goods and services of all persuasions. For firms, strong population growth has clear advantages. Restaurants will see more bookings, cinemas will sell more tickets, more people will be buying cars or doing their weekly shop at the supermarket – the list goes on. That’s been leading to firms hiring more people.

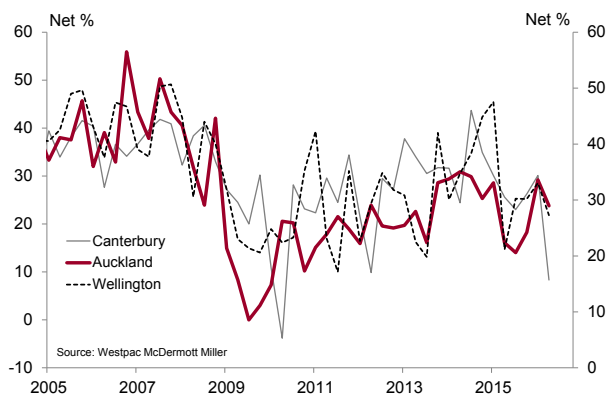
In contrast, individual households have been finding things a lot tougher. Per capita GDP growth has been very weak, slowing to close to 0.4% in annual terms in the March quarter. In other words, while the size of the New Zealand economic “pie” has been increasing, an individual worker’s slice of that pie has hardly grown at all. In the labour market, strong population growth has ensured that a growing pool of workers is available. This is clearly a positive for firms looking for staff, but a challenge for workers who may face stiffer competition in the labour market.

Strong growth in the labour force has also been one factor keeping a lid on wage pressure. In June, workers were more pessimistic about both their earnings growth over the last year and the outlook for earnings going forward, with both at below average levels.

## Regional Trends

Canterbury was once again the region reporting the highest employment confidence in the country – just squeaking in ahead of the Bay of Plenty. While the rebuild is clearly still playing an important role in the Canterbury region, the level of reconstruction activity has plateaued in recent months. This is starting to be reflected in expectations of slower wage growth. There was a sharp decline in reported wage growth over the last 12 months in the June quarter.

### Earnings growth over the last year



Interestingly, the regions that saw a notable improvement in employment confidence this quarter were the Waikato and Taranaki/Manuwatu-Whanganui. On the face of it, that’s quite surprising given the importance of the dairy industry in these regions. And while developments in the dairy industry have probably not got markedly worse over the last three months, neither have they taken a significantly more positive turn. Fonterra recently announced its opening season payout forecast of \$4.25, which was below the expectations of most (and below our own \$4.60 milk price forecast). But perhaps this quarter’s regional employment confidence results reinforce the message that it’s not just about dairying in the regions. Areas like the Waikato are benefitting from strong house price growth, growing construction activity and the booming tourism sector. In turn, this may be boosting job prospects in the region.

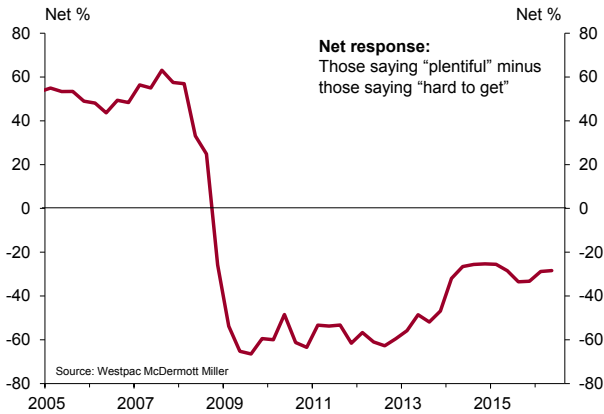
This quarter, the least confident region in the country by some margin was Gisborne/Hawke’s Bay, where the Employment Confidence Index plunged almost 19 points. Workers were markedly more pessimistic about both current employment conditions and expected employment conditions. Again, this was a surprising result given the positive developments in some key industries within the region. We will be watching future developments with interest.

## Survey description

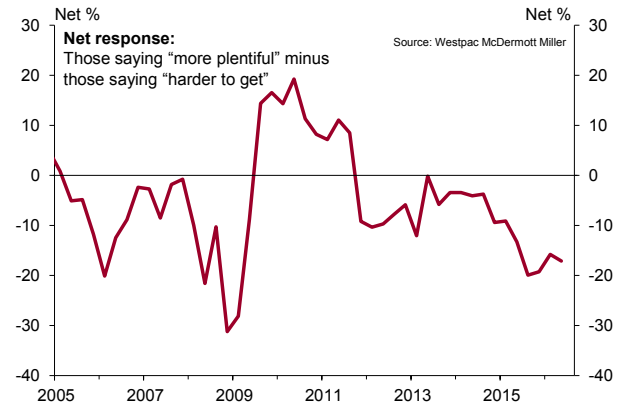
The Westpac McDermott Miller Employment Confidence Index summarises responses to five questions: households’ perceptions of current and future job opportunities in New Zealand, their own actual and expected earnings, and expected changes in their own job security. The questions about current job opportunities 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 – 12 June 2016. The sample size was 1555.

**Anne Boniface**  
Senior Economist

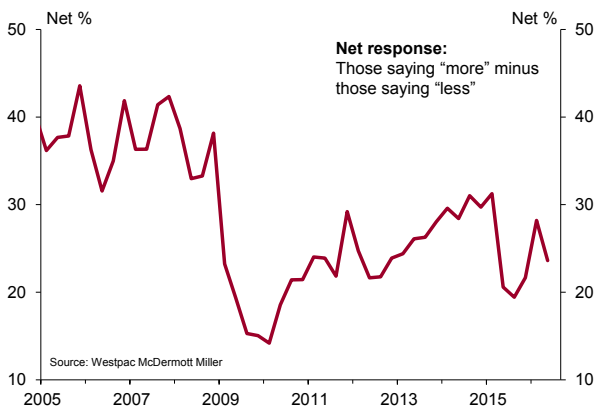
### Do you think jobs are plentiful or hard to get in NZ?



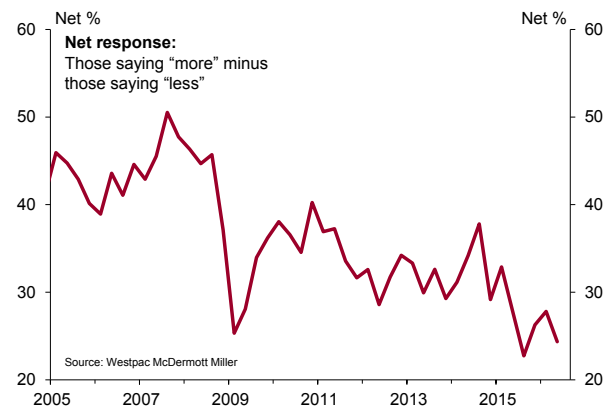
### Job opportunities in NZ in a year's time



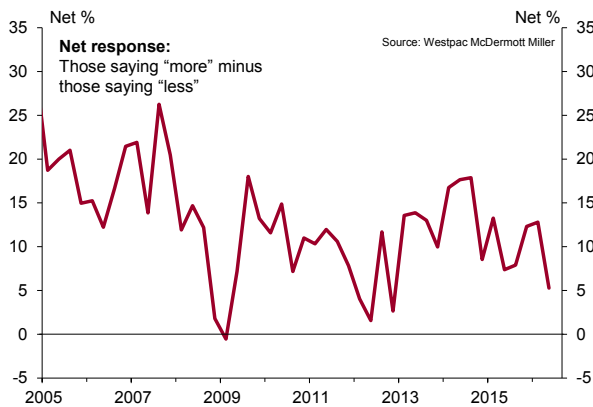
### Earnings in paid work compared to last year



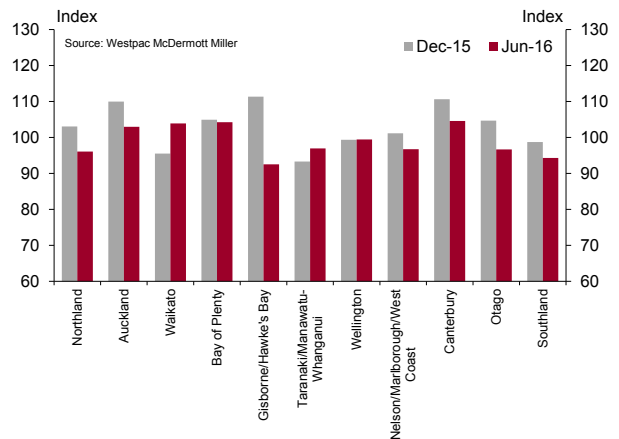
### Earnings in paid work this time next year



### Personal job security over the coming year



### Employment confidence by region



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