

Westpac McDermott Miller Employment Confidence.

24 September 2021



Employment Confidence Index rose 1.8pts in September.

- The Employment Confidence Index rose 1.8 points to 105.7 in September, despite the latest Covid-19 lockdown.
- Perceptions about current job opportunities have risen further, as employers continue to grapple with skill shortages.
- In contrast, current and expected earnings growth were little changed. It may be that the greater upward pressure on pay rates still lies ahead of us.
- Confidence was mixed across the country, with a solid gain in Auckland despite the tighter lockdown, but a hit to some of the more tourism-heavy regions.

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Employment confidence indices

	Sep-21	Jun-21	Change
Employment Confidence Index	105.7	103.9	1.8
Present Conditions Index	106.8	101.5	5.3
Employment Expectations Index	105.0	105.5	-0.5
Current job opportunities	1.3	-9.5	10.8
Expected job opportunities	-6.4	-7.6	1.2
Past earnings growth	12.3	12.5	-0.2
Expected earnings growth	21.8	23.8	-2.0
Own job security	-0.4	0.3	-0.7

The dialling up of Covid Alert Levels has done little to dent optimism about the jobs market. The Westpac McDermott Miller Employment Confidence Index rose by 1.8 points in September, building on the strong 4.4 point rise in June. The result was again driven by a lift in perceived job opportunities, with more mixed results in terms of earnings and job security.

As we've noted before, we need to be careful about comparing the index to history – a change in the surveying method in September 2019 may have led to a step-change in the responses to some of the questions. What we can say confidently, though, is that perceptions about the labour market are stronger now than they were before the pandemic began. That follows strong gains in economic activity over the past year and a related lift in the demand for workers. Today's result also suggests that most New Zealanders expect activity and the demand for staff will bounce back over the coming months.

Perceptions about current job opportunities rose strongly in September, with the balance of households now seeing jobs as plentiful. We've seen a similar trend in job advertisements, which have been running high over the course of this year



– and even in the current lockdown, they’ve only dropped back to around their pre-pandemic levels. Employers are aware that the issues around skill shortages will return as the country emerges

Perceptions of job opportunities and job ads



This survey question has tended to be a useful leading indicator of unemployment. The latest result supports our view that the unemployment will drop below 4% in the coming quarters, into what the Reserve Bank is likely to regard as ‘unsustainably’ low territory.

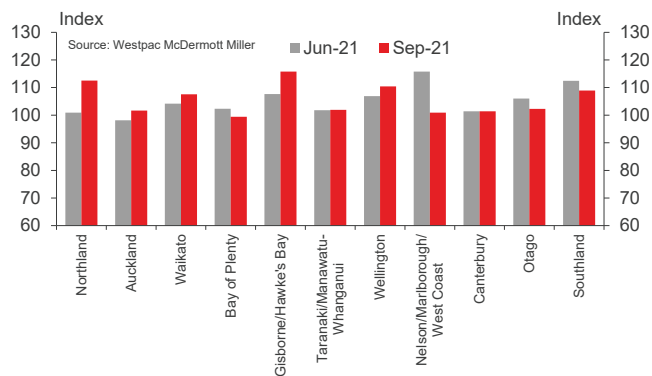
In contrast, there was little change in terms of current and expected earnings growth. That said, given that this survey was conducted during a lockdown, the lack of movement is noteworthy in itself.

On this front, the June quarter survey had left us questioning the degree of tightness in the labour market, given the lack of evidence that pay rates were being bid up. Subsequent data has shed a bit more light on this: wage growth did pick up in the June quarter, but at most that represented a catch-up after the softness in previous quarters. As a result, the Labour Cost Index was up 2.1% in the year to June, still below its pre-pandemic high of 2.6%. Wage inflation tends to be a laggard in the economic cycle, and it may be that the greater pressure on wages still lies ahead of us.

The results across the country were mixed, with six regions reporting an increase in confidence and four seeing a decline. Auckland actually saw a slightly larger increase than the national average, despite being under tighter Covid restrictions during the survey period. Gisborne/Hawke’s Bay and Northland saw the strongest gains, although in the latter case that followed a surprisingly large drop in the June quarter.

Confidence fell sharply in Nelson, Marlborough and the West Coast, and to a smaller degree in Otago, unwinding the strong gains seen in June. Those movements may reflect the short-lived trans-Tasman travel bubble, with Australian tourists having been an important source of jobs in these regions before the pandemic.

Employment confidence by region



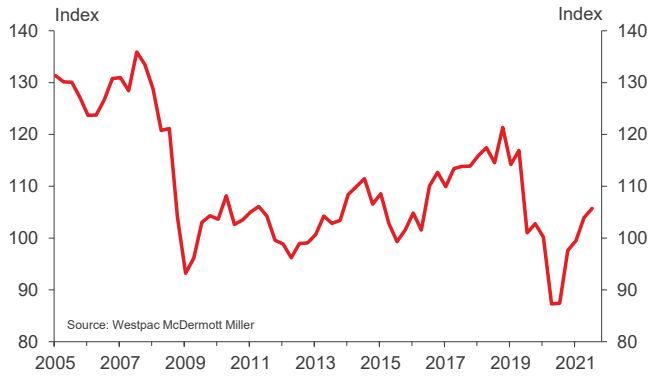
Confidence rose for those in the lowest- and highest-paying jobs, though not among those in the middle income brackets. That may reflect the impact of the border closure and the near-halt in migration: in lower-paying jobs where migrant workers were more prominent, and in specialist roles where the required skills are in short supply within New Zealand.

Perceived job opportunities rose across all age groups, although earnings and job security only improved for those over 50. Job opportunities and expected earnings rose more for women than for men.

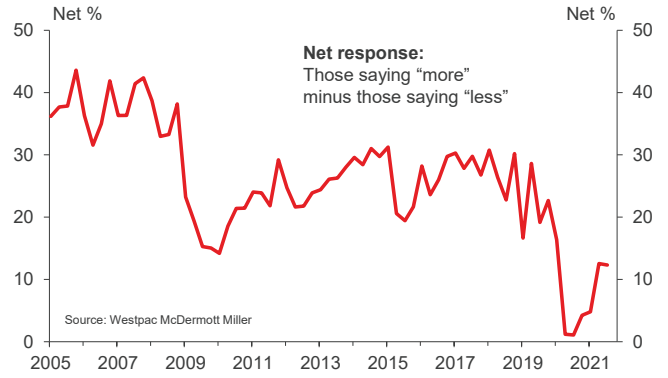
Survey details.

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. The survey took place over the period 1-11 September 2021. The sample size was 1,557.

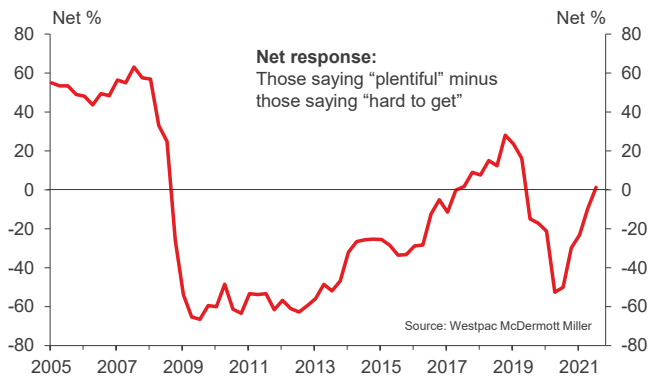
Employment Confidence Index



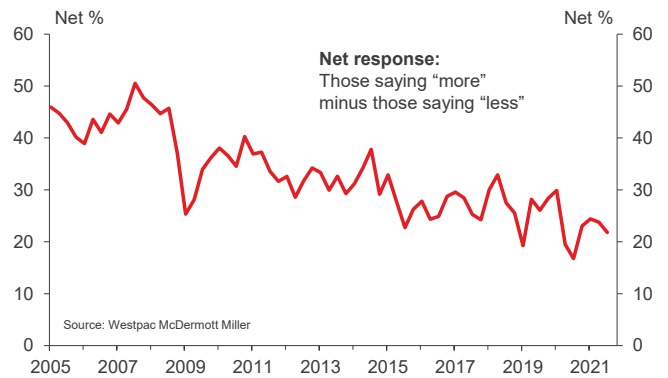
Earnings in paid work compared to last year



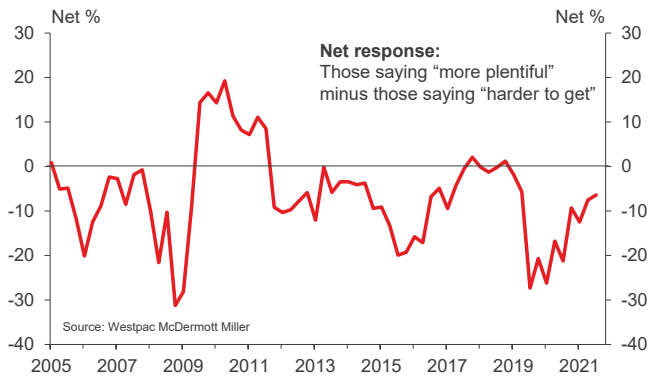
Do you think jobs are plentiful or hard to get in NZ?



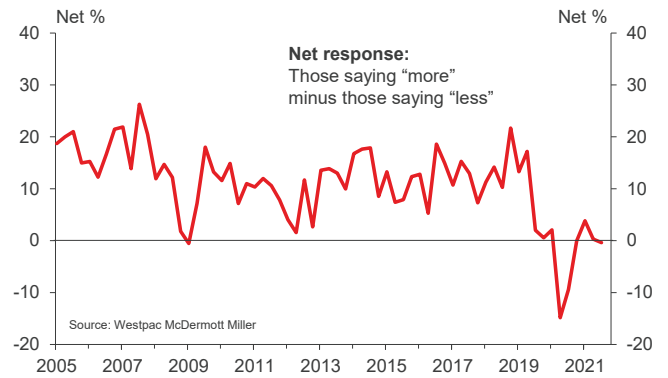
Earnings in paid work this time next year



Job opportunities in NZ in a year's time



Personal job security over the coming year



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