

WESTPAC MCDERMOTT MILLER EMPLOYMENT CONFIDENCE

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Show me the money.

- The Employment Confidence Index rose to 115.2 in September, setting a new post-pandemic high.
- Perceived job opportunities remain the strongest aspect of the survey, pointing to ongoing tightness in the jobs market.
- However, there's still not much to see in terms of reported or expected earnings growth.
- This may reflect a feeling among many households that they're running to stand still as the cost of living has soared.

Employment confidence indices

	Sep-22	Jun-22	Change
Employment Confidence Index	115.2	108.5	6.7
Present Conditions Index	124.8	117.4	7.4
Employment Expectations Index	108.8	102.6	6.2
Current job opportunities	35.0	25.9	9.1
Expected job opportunities	-1.1	-9.7	8.6
Past earnings growth	14.6	8.9	5.7
Expected earnings growth	19.3	19.3	0.0
Own job security	8.3	-1.9	10.2

Employment Confidence Index



New Zealanders' perceptions about the labour market improved in September, more than reversing their dip in June. The Westpac-McDermott Miller Employment Confidence Index rose to 115.2 this quarter, taking it to its highest level since June 2019.

Despite the strength in employment confidence, there continues to be a stark divide in terms of what's driving it. Kiwis are very upbeat about the range of job opportunities, but they're still not reporting much movement on pay rates. The share of households reporting higher earnings rose in the September quarter, but remained well below pre-pandemic levels, and expected earnings growth held at close to its lowest levels in the history of the survey.

That seems to stand in contrast with the official labour market figures, where there is now clear evidence that the tight jobs market is putting upward pressure on wage growth. Median weekly wages and salaries, probably the best measure of what workers are actually getting in hand, were up a whopping 8.8% over the year to June.

Of course, this has happened at the same time that the cost of living has soared. Consumer prices rose by 7.3% in the year to June, and households with mortgages have been refinancing at substantially higher interest rates than they did one or two years ago. We can't be sure whether people are responding to the survey with their real (inflation-adjusted) earnings in mind, but it would certainly explain why so many households feel like they're not getting ahead.

Perceptions about job opportunities continue to be the strongest aspect of the employment confidence index. In particular, current opportunities have risen continuously since the end of the 2020 Covid lockdown, and the current reading is the highest since March 2008, just before the Global Financial Crisis fully took hold.

In the past, this measure has been a reasonably good leading indicator of the unemployment rate. But the two have diverged a bit in the last few quarters: job openings have continued to rise, while the unemployment rate has stalled and has even risen slightly (albeit from a record low level). This reinforces the sense that the labour market has hit the wall: job openings are increasingly about churn within existing roles, with little in the way of outright growth in employment.

The other notable contributor to the September result was a jump in perceived job security. However, this was effectively a reversal of the drop seen in the previous quarter.

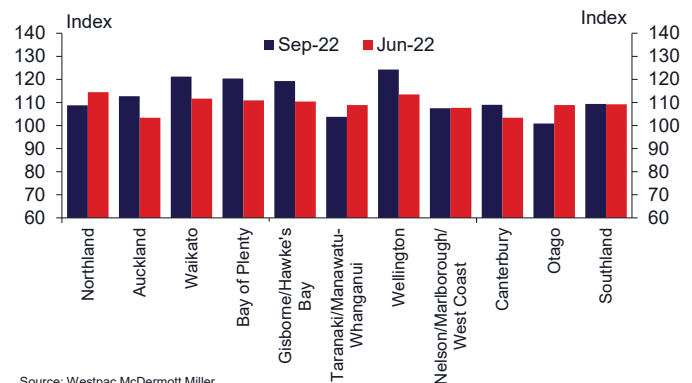
As we saw in the consumer confidence survey, the lift in employment confidence was particularly concentrated among younger respondents, who were more upbeat on every measure. At the same time, confidence was stronger among the middle to high income brackets, while it was actually weaker for those in lower income brackets.

By region, the results largely matched the consumer confidence survey, with strong gains in Auckland, the Waikato and Wellington. Wellington leapt into the top ranking for the September quarter, scoring particularly strongly on the earnings measures. The Wellington jobs market is notably tight, with one of the lowest unemployment rates in the country at around 2.7%.

Otago, one of the big improvers in previous quarters, fell sharply to the bottom of the rankings. Earnings and job security were particularly weak. That's surprising given that

the Queenstown area in particular has stood out in terms of the anecdotes of labour shortages, as the flow of overseas tourists has resumed in recent months.

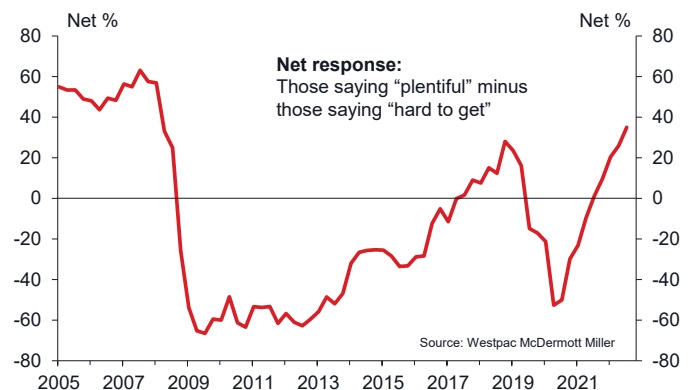
Employment confidence by region



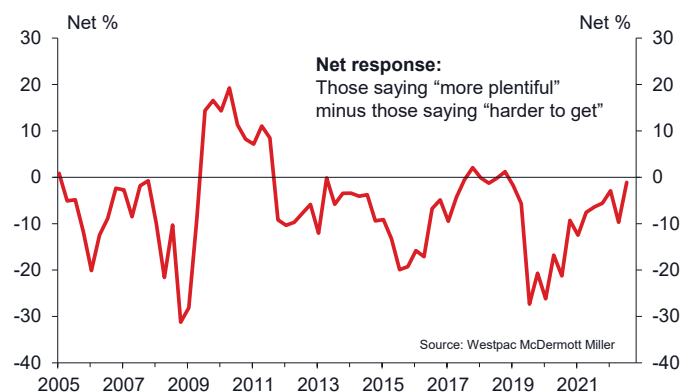
Survey details.

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 1-12 September 2022. The sample size was 1,559.

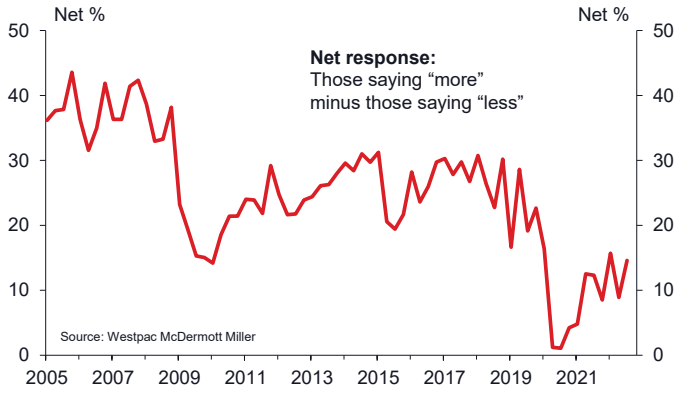
Do you think jobs are plentiful or hard to get in NZ?



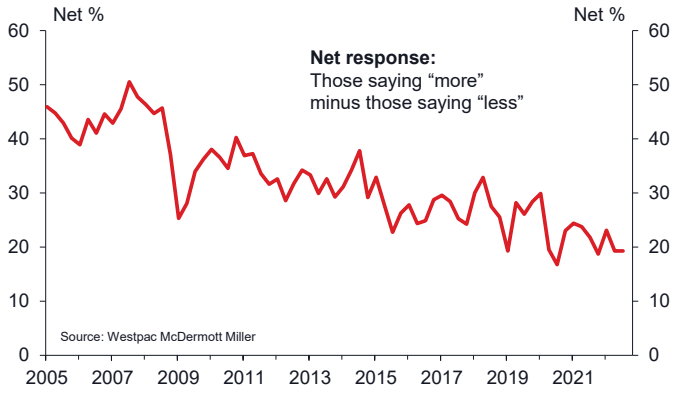
Job opportunities in NZ in a year's time



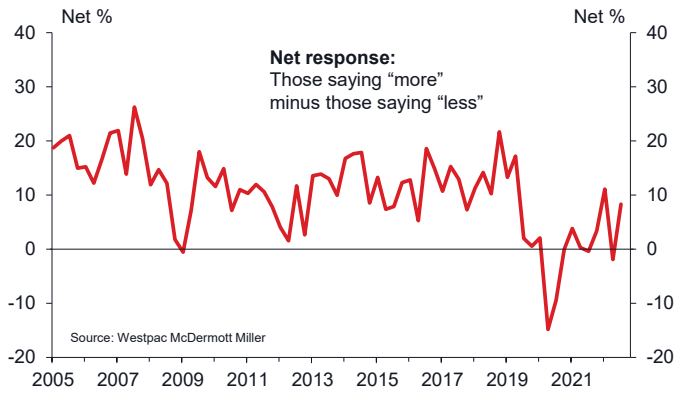
Earnings in paid work compared to last year



Earnings in paid work this time next year



Personal job security over the coming year



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