

WESTPAC MCDERMOTT MILLER EMPLOYMENT CONFIDENCE

29 March 2023



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Getting by, not getting ahead.

- Employment confidence rose by 1.5 points to 109.5 in the March quarter.
- Perceptions about the jobs market remain firmly positive on balance.
- But there are signs that it's not quite as overheated as it once was.
- Confidence about earnings remains subdued, as wage growth continues to be eaten up by the rising cost of living.

Employment confidence indices

	Mar-23	Dec-22	Change
Employment Confidence Index	109.5	108.0	1.5
Present Conditions Index	120.1	121.1	-1.0
Employment Expectations Index	102.4	99.2	3.2
Current job opportunities	25.6	29.4	-3.8
Expected job opportunities	-16.4	-16.6	0.2
Past earnings growth	14.7	12.8	1.9
Expected earnings growth	23.2	16.1	7.1
Own job security	0.5	-1.9	2.4

Employment Confidence Index



The Westpac-McDermott Miller Employment Confidence Index rose by 1.5 points to 109.5 in the March quarter. That was a fairly modest lift following a 7-point drop in the December quarter.

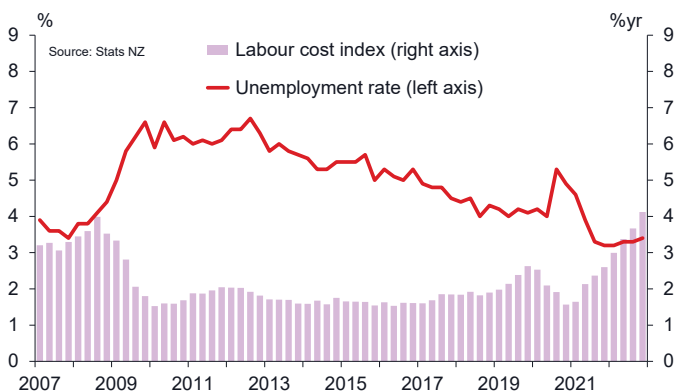
In contrast to the plunge in consumer confidence in recent surveys, people's feelings about the jobs market remain firmly on the positive side. And understandably so: the unemployment rate remains close to a multi-decade low, businesses are still fighting to find more workers, and they are increasingly willing to pay up to attract or retain them.

But there are some signs that we've passed the point of 'peak overheating'. Notably, people's perceptions about current job opportunities fell for the second time in a row this quarter. This measure has tended to be a useful lead indicator of the unemployment rate, which has already ticked up to 3.4% from a record low of 3.2% last year. The survey result is consistent with our view that we'll see a further rise in unemployment in coming quarters – albeit not a very rapid one, and perhaps more a matter of employment falling behind the pace of population growth, rather than outright job losses.

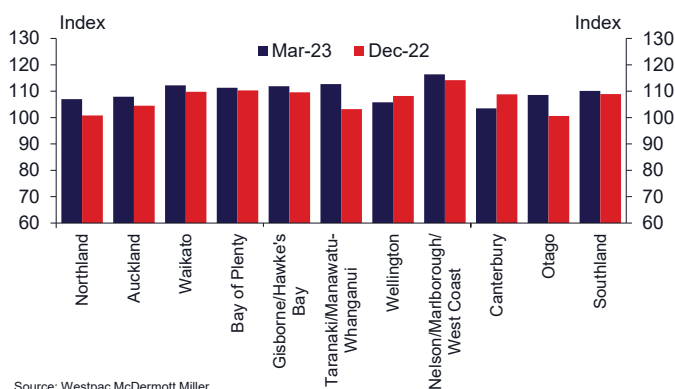
Perceptions about job opportunities in the year ahead were about flat in March, following a sharp drop in December. That's come at a time when both the Reserve Bank and private forecasters (including us) have been giving starker warnings that the fight against inflation is likely to result in recession.

Past and expected earnings growth both picked up in the March quarter. However, they have remained within their recent ranges, and are relatively low compared to history. As we've noted before, it may be that households are responding to this on an inflation-adjusted basis. Average pay rates are now rising faster than they have in decades, but that's only been enough to keep pace with inflation; few households will feel like they're getting ahead.

Labour market indicators



Employment confidence by region



Confidence was higher in most regions – interestingly, even in cyclone-ravaged Gisborne and Hawke's Bay. Perceptions about future job opportunities were the main driver for these regions. While the cyclone has been immensely disruptive to people's lives and livelihoods, the recovery process will also generate a significant amount of work in the year ahead.

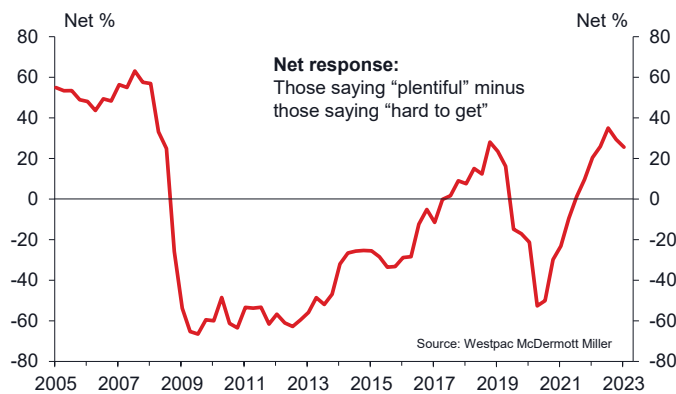
The Nelson/Marlborough/West Coast regions remained the most upbeat parts of the country, while Otago saw the biggest lift in confidence for the quarter. Both of these areas have seen a strong lift in jobs growth since the border was reopened and overseas tourists began to return in large numbers.

Wellington and Canterbury were the only two regions (albeit large ones) to buck the trend. Wellington was marked by a fall in past earnings growth and job security, while Canterbury was down on most of the survey questions.

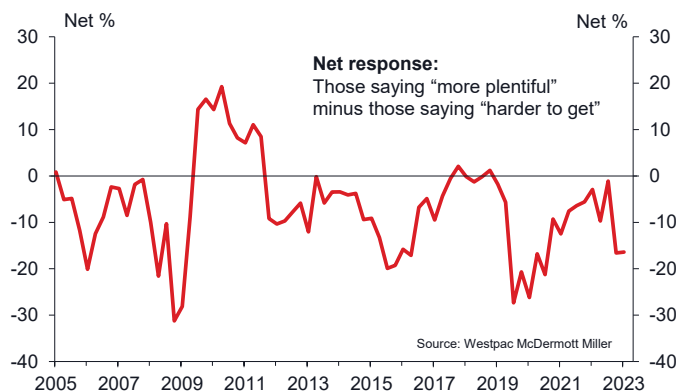
Survey details.

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 1-14 March 2023. The sample size was 1,559.

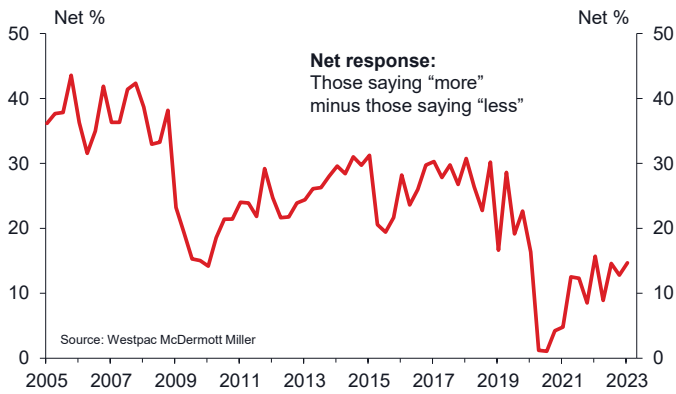
Do you think jobs are plentiful or hard to get in NZ?



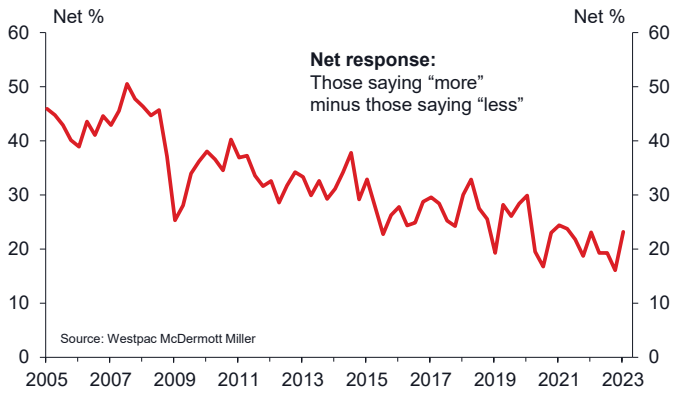
Job opportunities in NZ in a year's time



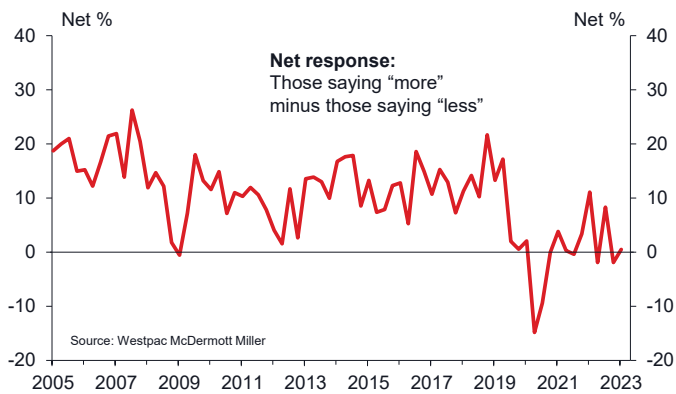
Earnings in paid work compared to last year



Earnings in paid work this time next year



Personal job security over the coming year



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