

# WESTPAC MCDERMOTT MILLER EMPLOYMENT CONFIDENCE

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## Looming worries about recession.

- The Employment Confidence Index fell to 108 in December, after having reached a post-pandemic high in September.
- Perceptions about future job opportunities were notably softer, with households taking heed of the growing warnings of recession this year.
- Earnings growth is still seen as subdued, perhaps reflecting a sense among many households that they aren't getting ahead of the rising cost of living.
- The degree to which the heat comes out of the jobs market will be a crucial indicator for the Reserve Bank in the year ahead.

Employment confidence indices

	Dec-22	Sep-22	Change
Employment Confidence Index	108.0	115.2	-7.2
Present Conditions Index	121.1	124.8	-3.7
Employment Expectations Index	99.2	108.8	-9.6
Current job opportunities	29.4	35.0	-5.6
Expected job opportunities	-16.6	-1.1	-15.5
Past earnings growth	12.8	14.6	-1.8
Expected earnings growth	16.1	19.3	-3.2
Own job security	-1.9	8.3	-10.2

Employment Confidence Index



The Westpac-McDermott Miller Employment Confidence Index fell by 7.2 points to a level of 108.0 in the December quarter. People's perceptions about the current state of the labour

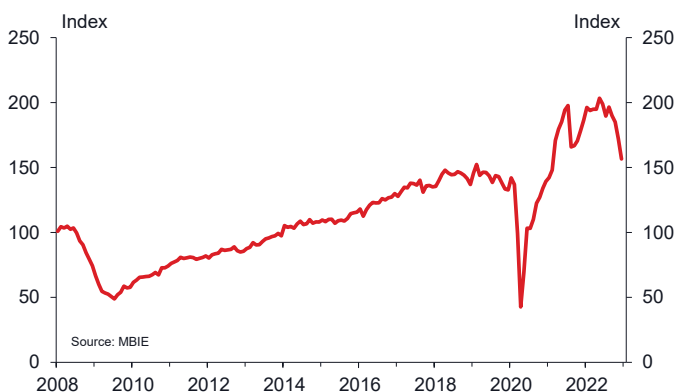
market were only modestly weaker, and remain at a high level. However, the outlook for the year ahead has markedly softened.

Perceptions about current job opportunities edged down in December after reaching a 14-year high in the previous quarter. That's still a pretty strong result – more consistent with the unemployment rate bottoming out in the low 3's, rather than a sign that it's heading higher.

However, expectations about job opportunities in the year ahead fell sharply, making the biggest contribution to the fall in the overall index. That suggests that people are taking heed of the growing warnings about a recession this year.

Those concerns about shrinking job opportunities seem to be warranted. Job advertisements have dropped sharply in the last few months, back towards more like pre-Covid levels. It's possible that the rate of decline has been overstated – with our international borders reopening, employers are once again able to fill some positions by bringing in migrant workers rather than having to advertise locally. Nevertheless, this is precisely the kind of indicator that we've been watching to gauge whether monetary policy is having its intended effects. Taking the heat out of the mad scramble for workers is crucial to breaking the cycle of wage and price inflation.

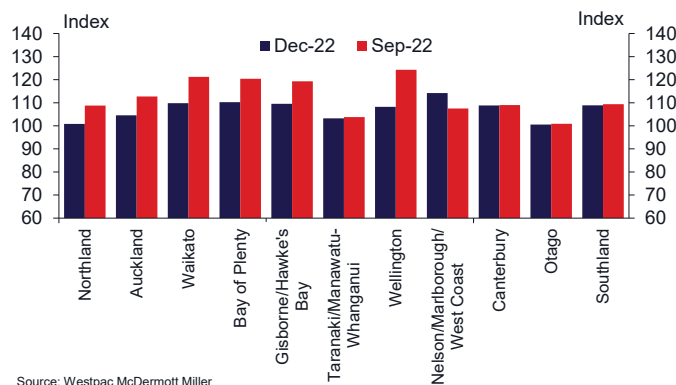
#### Online job advertisements



Households were more downbeat on both current and expected earnings growth in December, and both of these measures remain well below their pre-Covid levels. This remains something of a puzzle given the clear evidence of an acceleration in wage growth over the last year. Our best guess is that people are viewing these questions on a 'real', or inflation-adjusted basis: with the rising cost of living (and sharply rising repayments for those with a mortgage), few households will feel like they're getting ahead in this environment.

The softening in employment confidence was fairly widespread across ages and income groups. The only notable distinction was by geography – confidence was down markedly in the North Island, but steady in the South. Even then there was no consistent driver, with some regions seeing a drop in job opportunities, while others were more worried about earnings. The big fall in Wellington came after a particularly sharp rise in September.

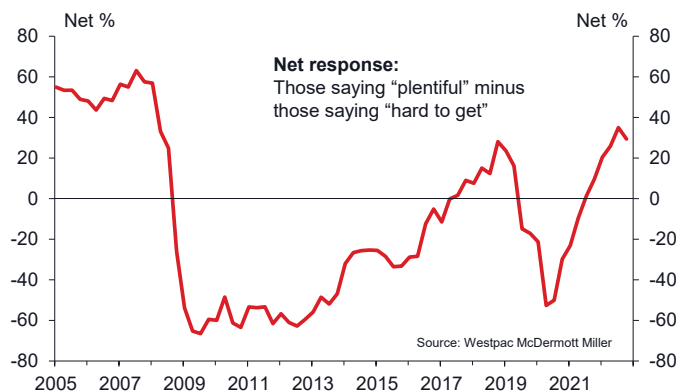
#### Employment confidence by region



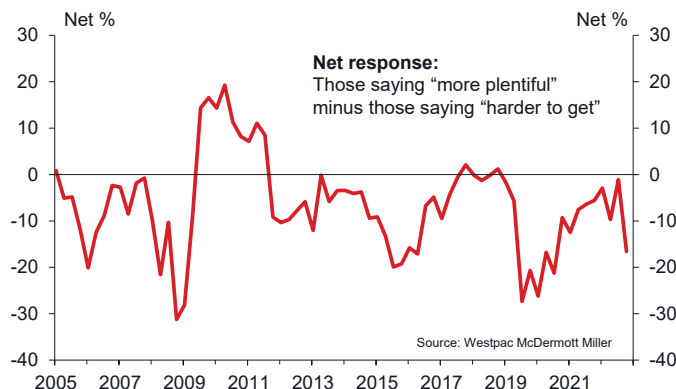
### Survey details.

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 December 2022. The sample size was 1,559.

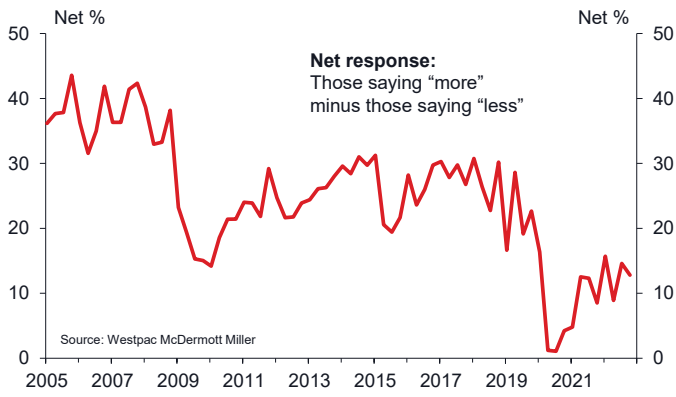
#### Do you think jobs are plentiful or hard to get in NZ?



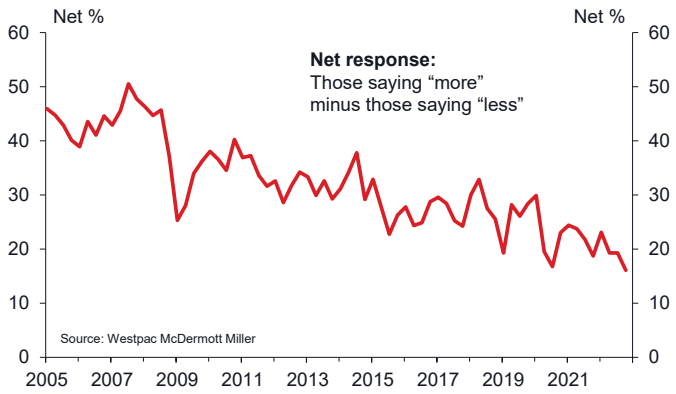
#### Job opportunities in NZ in a year's time



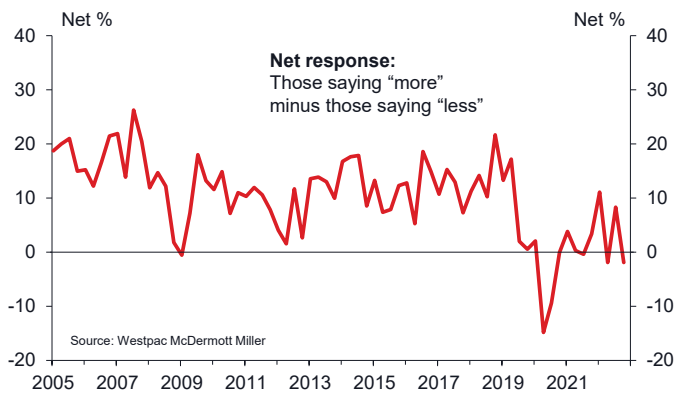
### Earnings in paid work compared to last year



### Earnings in paid work this time next year



### Personal job security over the coming year



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