



# ECONOMIC BULLETIN

## Westpac McDermott Miller Employment Confidence, September quarter 2024.



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### No light on the horizon yet

- Employment confidence fell by 2.2 points to 89.2 in the September quarter, leaving it near its pandemic-era lows.
- Job availability is seen to have deteriorated further, as the New Zealand economy has continued its drawn-out slowdown.
- Responses on other aspects of the labour market were more mixed.
- While falling interest rates may have boosted consumer and business confidence in other respects, households are taking a realistic view of how long this will take to flow through into better job prospects.

Employment confidence indices

	Sep-24	Jun-24	Change
Employment Confidence Index	89.2	91.4	-2.2
Current Employment Conditions Index	79.1	87.2	-8.1
Employment Expectations Index	96.0	94.3	1.7
Current job opportunities	-50.4	-36.1	-14.3
Expected job opportunities	-24.9	-27.6	2.7
Past earnings growth	8.5	10.4	-1.9
Expected earnings growth	19.3	17.8	1.5
Own job security	-6.5	-7.4	0.9

Employment Confidence Index

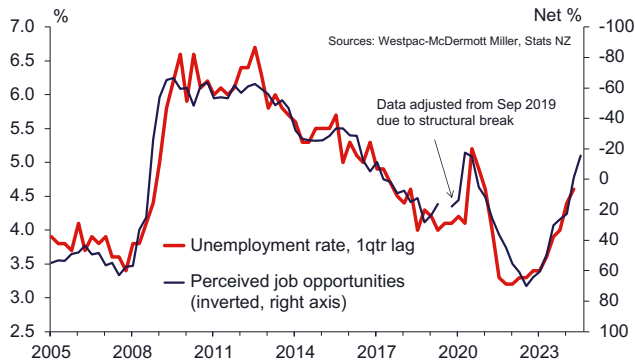


The Westpac-McDermott Miller Employment Confidence Index fell further to 89.2 in the September quarter survey, leaving it close to the lows seen in 2020 when the country was in the midst of the Covid pandemic. A reading below 100 indicates that more New Zealanders are pessimistic about the state of the labour market than are optimistic.

While last week’s Consumer Confidence Index showed that New Zealand households are feeling a little more hopeful about their prospects now that interest rates have started to fall, that sentiment didn’t extend to the state of the jobs market.

As was the case in 2020, the biggest factor behind the weakness in employment confidence was the perception that jobs have become much harder to find. This measure is of particular interest to us as it's had a close relationship with the unemployment rate over time (aside from a structural break in 2019, as a result of improvements to the confidence survey). The latest results suggest that the unemployment rate has continued to rise at a faster pace over the last year; we expect it to reach 5% for the September quarter.

### Current job opportunities vs unemployment rate



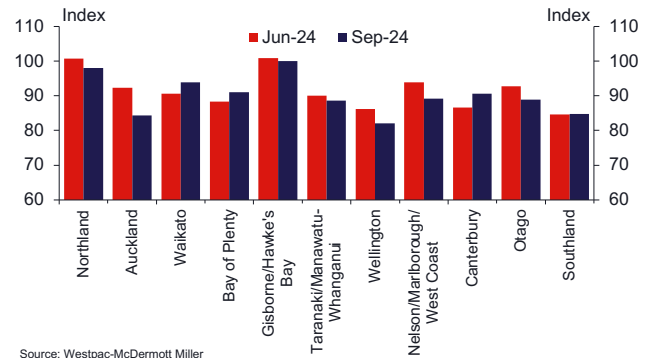
Households also remained downbeat on the outlook for job opportunities a year from now, although that measure did tick slightly higher in the September survey. That outlook is probably a fair reflection of how the labour market tends to lag the broader cycle. We're now two years into an economic slowdown, and while job vacancies have been falling for some time, it's only in the last few months that we've seen outright job losses. Similarly, it's likely that it will take some time for lower interest rates to work their way through the economy, and for businesses to find themselves back in the position of needing to find more workers.

The earnings measures in the survey were mixed. Past growth in earnings slipped for a second quarter, consistent with the easing in wage growth that we're increasingly seeing in the official figures (at least for the private sector). Expected earnings growth rose slightly, but it remains at an historically low level.

Confidence fell in seven regions and rose in four. Notably, the biggest fall was seen in Auckland, and while Wellington remains the most downbeat region, Auckland is now not far behind. This is a useful reminder that although the public sector cutbacks have been widely reported, their experience has not been unique. It's sectors such as construction, manufacturing and retail that have seen the most significant job losses to date.

On the positive side, there was a lift in employment confidence in Waikato, the Bay of Plenty and Canterbury. While jobs were still seen as harder to come by in these regions, workers were more optimistic about future earnings growth and job security.

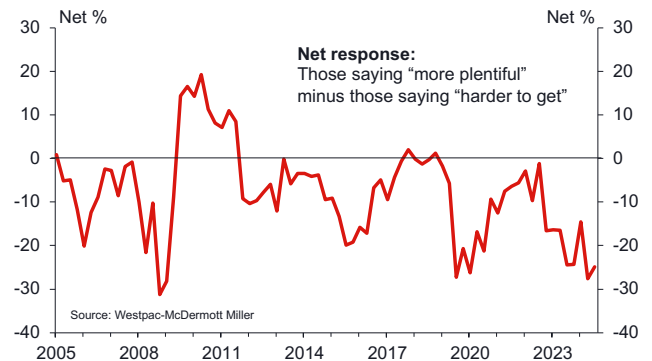
### Employment confidence by region



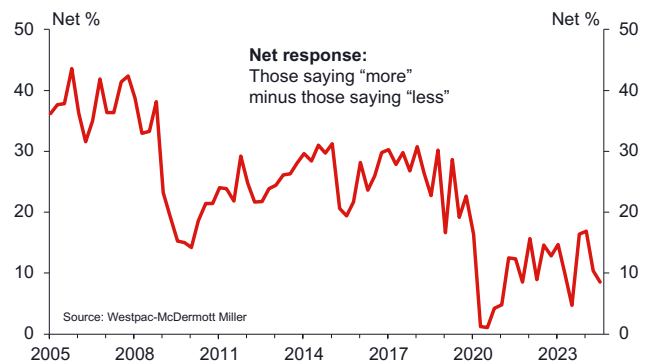
### Survey details.

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 1-11 September 2024.

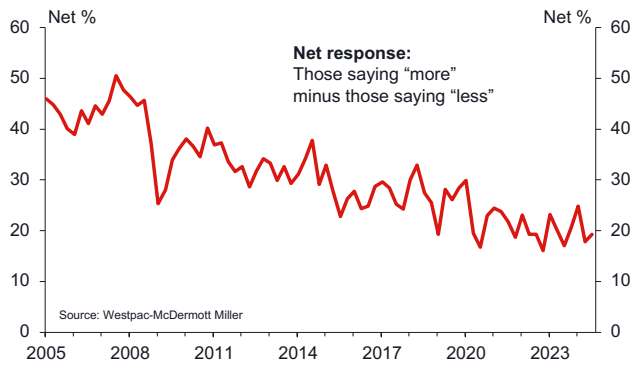
### Job opportunities in NZ in a year's time



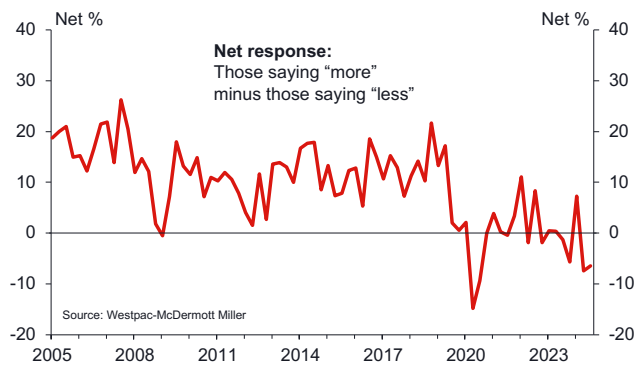
### Earnings in paid work compared to last year



### Earnings in paid work this time next year



### Personal job security over the coming year



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