



# ECONOMIC BULLETIN

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



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### Light at the end of the tunnel

- Employment confidence rose by 2.4 points to 91.6 in the December quarter, reversing the previous quarter’s fall.
- Perceptions about job availability improved this quarter, though they remain weak in outright terms.
- The survey joins a handful of indicators that point to some stabilisation in the labour market as the effects of lower interest rates gradually take hold.
- We expect the unemployment rate to rise above 5% this year, but there are growing reasons to believe that it may not go much beyond that.

#### Employment confidence indices

	Dec-24	Sep-24	Change
Employment Confidence Index	91.6	89.2	2.4
Current Employment Conditions Index	82.8	79.1	3.7
Employment Expectations Index	97.5	96.0	1.5
Current job opportunities	-44.0	-50.4	6.4
Expected job opportunities	-20.7	-24.9	4.2
Past earnings growth	9.5	8.5	1.0
Expected earnings growth	19.4	19.3	0.1
Own job security	-6.3	-6.5	0.2

#### Employment Confidence Index



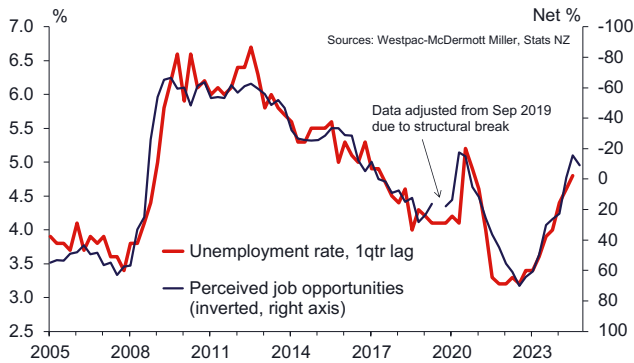
The Westpac-McDermott Miller Employment Confidence Index rose to 91.6 in the December quarter. That reverses the fall that we saw in the September quarter, though it remains close to its lowest levels since the 2020 Covid lockdown. A reading below 100 indicates that more New Zealanders are pessimistic about the state of the labour market than are optimistic.

The main driver in the December quarter was an improvement in people’s perceptions about the availability of jobs. The current opportunities measure lifted from -50 to -44 – still very soft compared to history,

but this was the first improvement we've seen on this measure in over two years.

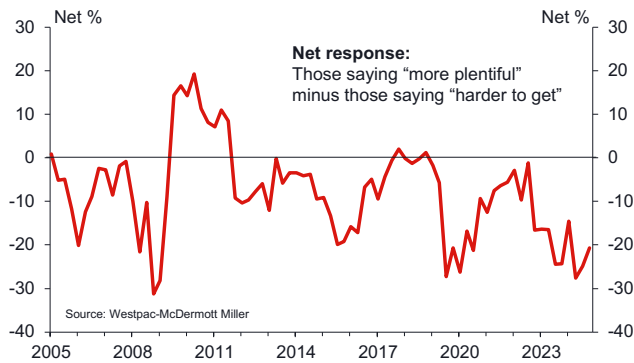
This measure has had a close relationship with the unemployment rate over time (aside from a structural break in 2019, as a result of improvements to the confidence survey). The latest reading is still consistent with the unemployment rate reaching 5% in the near future, but offers some hope that it may not reach much beyond that.

### Current job opportunities vs unemployment rate



There was a similarly modest rise in people's expectations about job opportunities a year from now. While this expectations measure doesn't have a strong correspondence with actual labour market outcomes, nonetheless it shows that people are at least becoming a little more confident that the worst has passed.

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



The employment confidence survey joins a handful of indicators that have pointed to some stabilisation in the jobs market recently:

- The Monthly Employment Indicator showed a 0.3% increase in filled jobs in November. While we suspect this will be revised down a little in subsequent reports, it still marks a change after seven straight months of job losses.
- Job advertisements (only available up to November) appear to have bottomed out in recent months, following a sharp fall between mid-2022 and mid-2024. That said, there is no evidence yet of a pickup in hiring – the number of ads is at its lowest since 2013.

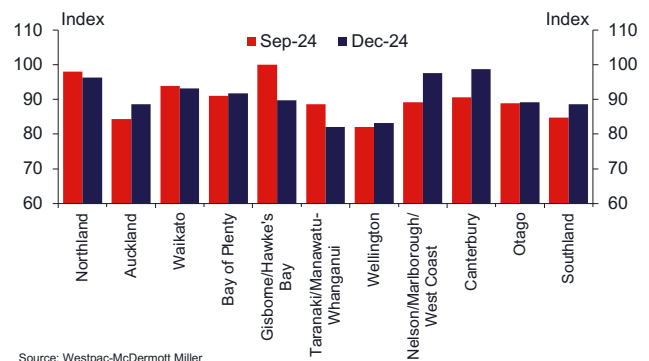
- Both the ANZ and NZIER business confidence surveys have seen hiring intentions turn net positive again in recent months. The key issue is when those stated intentions will turn into action – both surveys have shown further job shedding up to now.

Easier monetary policy has helped to boost confidence across some parts of the economy. But realistically, it will take some time for lower interest rates to have their full effect on demand and activity, and perhaps longer still for businesses to find themselves back in the position of needing to expand their workforce.

There was little change in the other measures of the employment confidence survey. Current and expected earnings growth remained muted, and people's perceptions about their own job security was negative for the third straight quarter.

Confidence rose in seven regions and fell in four. The rise in confidence was more apparent in the main centres, particularly Auckland and Christchurch, which both saw strong gains in perceptions about job availability. Wellington was more subdued, recording only small gains across most measures. Nelson and the West Coast also saw a strong lift in confidence, though this was driven by earnings growth rather than job availability.

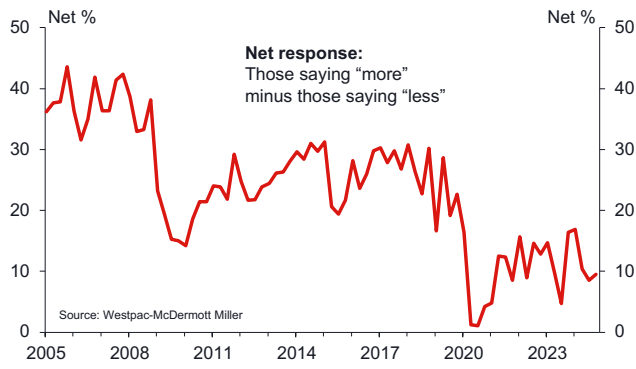
### Employment confidence by region



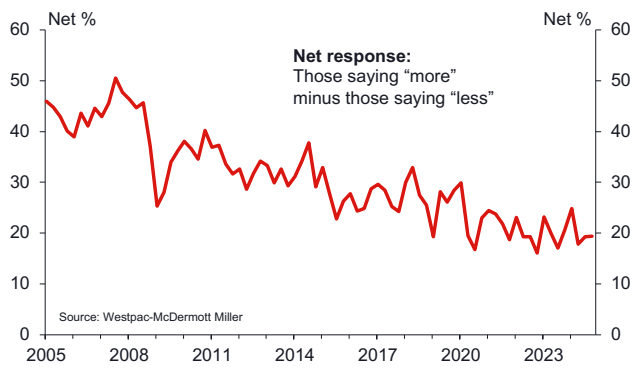
### Survey details.

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 December 2024.

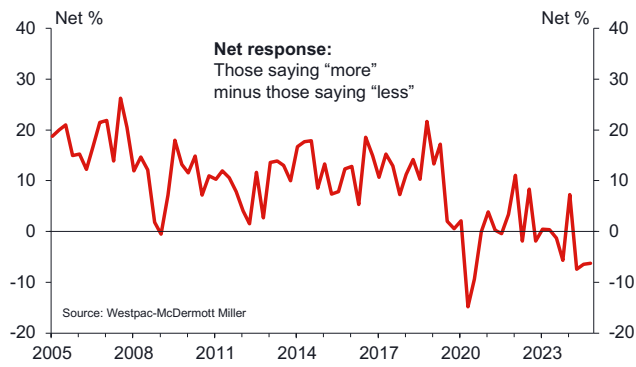
### Earnings in paid work compared to last year



### Earnings in paid work this time next year



### Personal job security over the coming year



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