

# Employment confidence suffers minor dent

2010Q1 Westpac McDermott Miller Employment Confidence Index: 103.6

- **Employment confidence registered a very small decline in the March 2010 quarter, as perceptions around both current and future conditions eased.**
- **The Current Conditions Index continues to provide sober reading on the labour market. Certainly, based on these survey results, it seems unlikely that employment growth resumed in the March 2010 quarter.**
- **Nevertheless, employees remain staunch in their view that labour market conditions will improve over the coming year. We agree.**

Employment confidence registered only a small decline in the March 2010 quarter, the Index falling 0.7 points, from 104.3 to 103.6. It seems that employees have been largely unmoved by the recent softer tone of economic data. An index above 100 indicates there are more optimists than pessimists, while a number below 100 indicates that pessimists outnumber optimists. The survey was conducted between 1-15 March.

Indeed, employees assess current employment conditions as broadly the same as that in the December 2009 quarter. A net 60% of respondents said jobs are hard to get (up from a net 59.4% in December), while a net 14.2% said they were earning more than a year ago (from a net 15%). As a result, the Current Conditions Index fell only slightly from 77.8 in the December quarter to 77.1 in the March quarter. However, at these levels there is little doubt that the lingering effects of the 2008-09 recession continue to weigh heavily on the NZ labour market. By implication, it seems unlikely that jobs growth returned in the March 2010 quarter. That is consistent with our current thinking – our forecast is for flat employment growth in the quarter.

But despite the weakness in the here and now, employee optimism around future conditions was only marginally dented this quarter. A net 14.3% of respondents said they expect job opportunities to be plentiful this time next year, down from 16.6% in the December quarter (which was a record high for the survey). Perceived job security over the coming year also fell during the quarter, from a net 13.2% in December to a net 11.6% currently. However, largely offsetting these declines was



## Employment Confidence Indices

	Mar-10	Dec-09	change
Employment Confidence Index	103.6	104.3	-0.7
Present Conditions Index	77.1	77.8	-0.7
Employment Expectations Index	121.3	122.0	-0.7

a lift in earnings expectations with a net 38.1% of respondents saying they expect to be earning more next year, up from a net 36.2% in December. As a result, the Employment Expectations Index was broadly unchanged at 121.3 through the quarter, not far off the record high of 125.1 reached in December 2004.

## Regional and demographic breakdown

Employment confidence declined in six of the 11 regions covered by the survey this quarter, the biggest falls being amongst employees in Southland and Canterbury. Interestingly, confidence was the highest in these two regions in the December 2009 quarter, so the declines bring confidence back to around the nationwide average (i.e. still in optimistic territory).

The Bay of Plenty (BoP) region is the most optimistic, with the Index at 109.6. However, that ranking masks a sharp decline in the Current Conditions index over the quarter, with BoP employees rating current conditions as the second toughest across the country. Nevertheless, they are the most optimistic about the future by a large margin, with the Expectations Index at 134.1 (Auckland being next highest at 126.6).

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Northland employees continue to rate overall employment conditions as the toughest across the country, which is not surprising given the high unemployment rate in this region (at 9.2% in the December quarter).

In terms of demographics, confidence was up amongst female employees, but declined amongst males. However, we note that males remain more optimistic overall. By age group, the biggest decline in confidence this quarter was amongst employees in the 50+ age group, while a small decline was also registered amongst employees in the 30-49 age group. Meanwhile, confidence rose amongst those in the 18-29 age group, despite this younger group taking the brunt of the decline in unemployment over the past year. Finally, in terms of income group, confidence increased the most amongst lower income employees, but overall they remain less confident than those on middle or upper incomes.

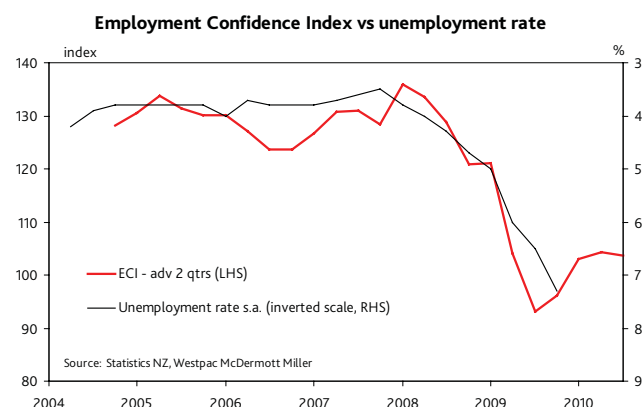
**Employment Confidence Data**

Region	Index		
	Mar-09	Dec-09	Mar-10
Northland	87.6	98.4	93.7
Auckland	93.6	104.9	106.4
Waikato	96.1	100.2	99.0
Bay of Plenty	81.1	109.3	109.6
Gisborne/Hawkes Bay	94.7	98.5	98.5
Taranaki/Manawatu	93.4	100.8	95.0
Wellington	91.5	102.3	107.7
Nelson/Marlborough/Westland	96.4	103.8	101.0
Canterbury	96.9	110.0	103.8
Otago	95.6	104.9	107.8
Southland	90.9	110.9	102.5

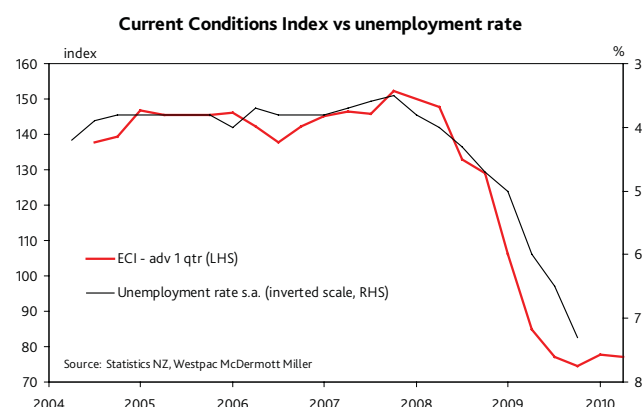
**Implications**

The Employment Confidence Index is not widely followed by the market given the relatively short time series available. As such, we do not expect today's results will be market moving. Nevertheless, the survey data provide important insights into labour market conditions and, with more time, the signs are that the Indices will prove to be valuable labour market indicators.

Indeed, charting the headline Employment Confidence Index against the seasonally adjusted unemployment rate reveals a striking relationship. Despite the short time the survey has been running, the headline confidence index picked the upturn in the unemployment rate through 2008-09 with reasonable precision – and with around a 6-month lead. More importantly, based on current levels, the Index suggests that the labour market is at, or at least near, a turning point.

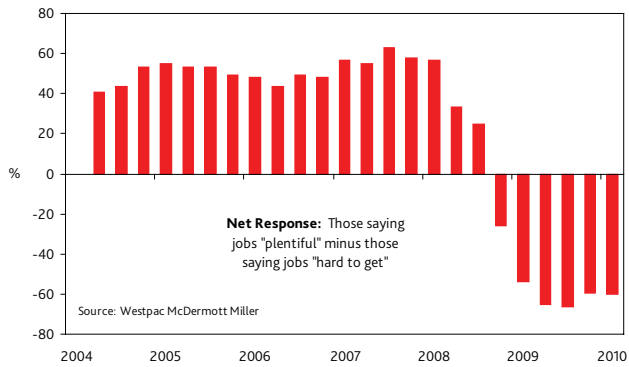


That said, we also found a strong relationship between the Current Conditions Index and the seasonally adjusted unemployment rate – the lead time being closer to three months. However, the inference from this relationship is that there may be more upside to come on the unemployment rate. Unfortunately, only time will tell which Index proves to be the more reliable indicator.

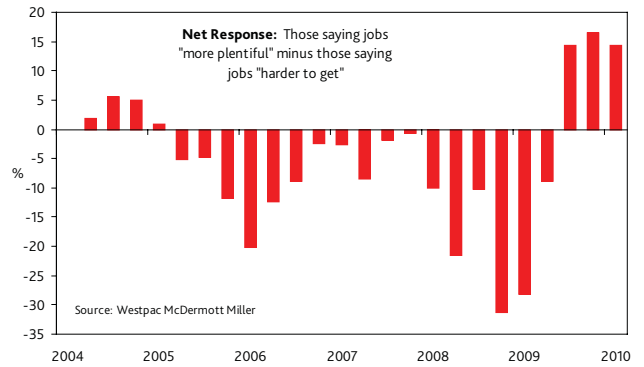


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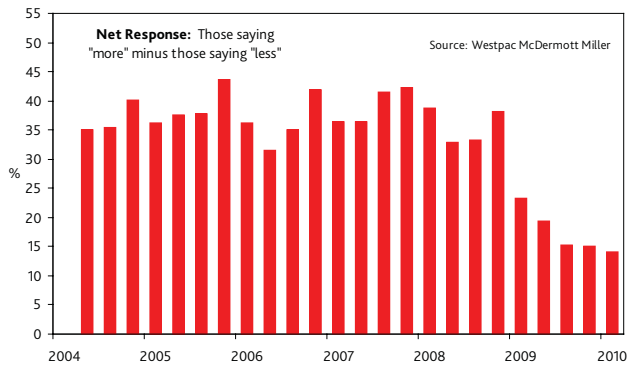
Do you think jobs are plentiful or hard to get?



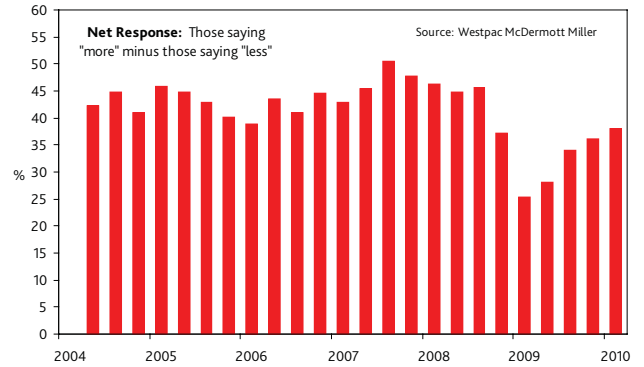
Job opportunities in NZ in a years time compared to now



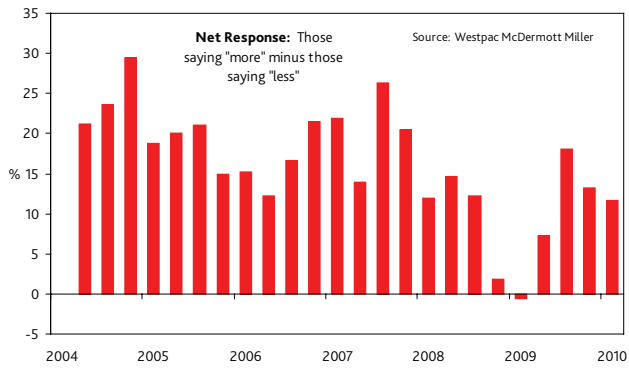
Earnings in paid work now compared to this time last year



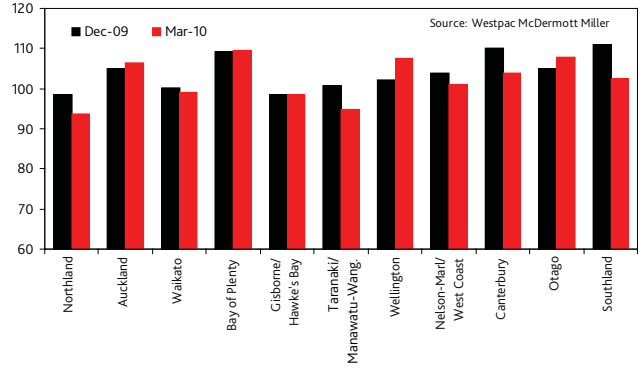
Expected earnings in paid work this time next year



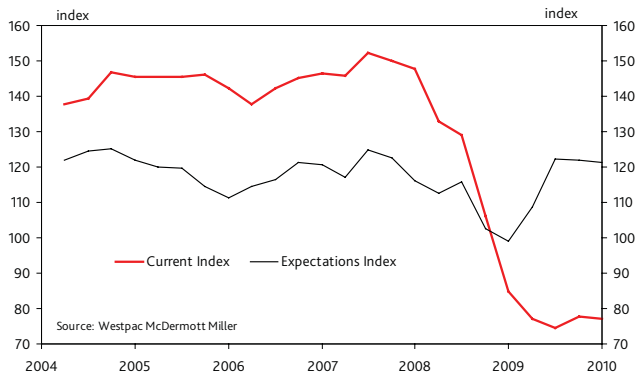
Personal job security over the coming year



Regional Confidence



Employment confidence



Employment Confidence Data

Quarter	Index
Dec-07	133.5
Mar-08	128.8
Jun-08	120.8
Sep-08	121.2
Dec-08	104.0
Mar-09	93.2
Jun-09	96.1
Sep-09	103.0
Dec-09	104.3
Mar-10	103.6