

A slow uphill climb

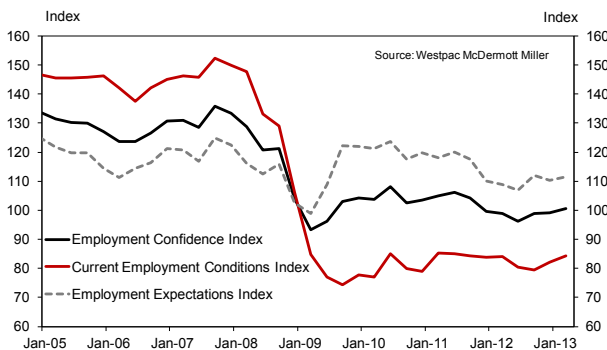
2013Q1 Westpac McDermott Miller Employment Confidence Index: 100.7

- Employment confidence rose slightly, for the fourth time in a row.
- Households' perceptions of current job opportunities and their own job security improved.
- However, the level of employment confidence remains weak, with wide regional disparities.

Employment Confidence Indices

| | Dec-12 | Mar-13 | Change |
|-------------------------------------|--------|--------|--------|
| Employment Confidence Index | 99.1 | 100.7 | 1.6 |
| Current Employment Conditions Index | 82.2 | 84.3 | 2.1 |
| Employment Expectations Index | 110.3 | 111.6 | 1.3 |

Figure 1: Employment Confidence Index



Households' employment confidence has improved for the fourth time in a row. The Westpac McDermott Miller Employment Confidence Index now sits at 100.7 – the first time it has been in optimistic territory since September 2011.

In 2012 this survey gave advance warning of the deterioration in the labour market. The fact that sentiment is now once again on a modest uptrend suggests we could see the jobs market firming a little this year as economic growth continues to pick up. Still, there is a long way to go. Employment confidence is still well below where it was before the 2008/2009 recession. The survey also continues to suggest fairly subdued wage growth.

Within that overall picture we also continue to see big regional disparities that mirror the increasingly two-speed pattern of New Zealand's economic growth. In particular, employment confidence is much higher in Canterbury than anywhere else. While employment confidence has also rebounded into cautious optimism in Auckland, elsewhere pessimists continue to outnumber optimists.

Figure 2: Reported job opportunities and unemployment

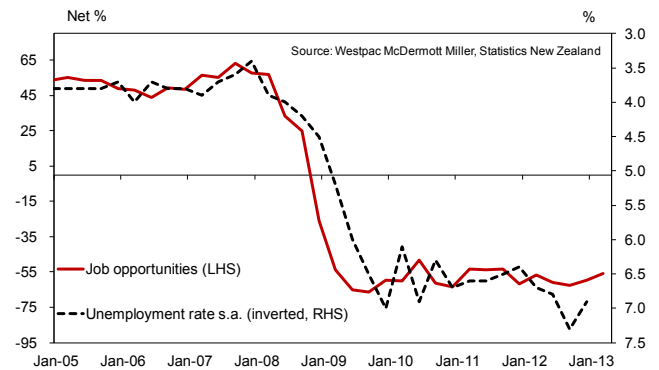
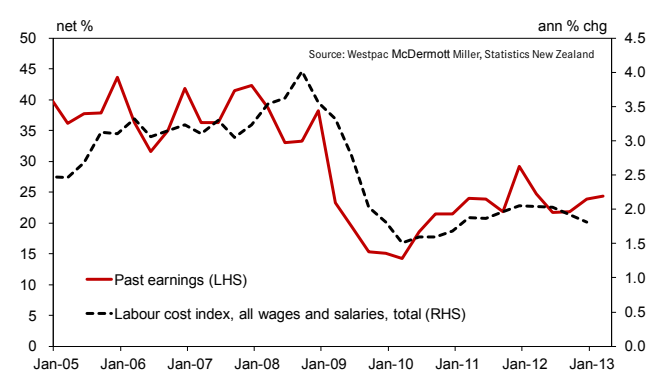


Figure 3: Reported earnings and wage inflation



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, whereas the questions about the year ahead are summarised in the Employment Expectations Index.

Further details about the individual questions are in the charts on the last page. The survey took place over the period 1-10 March, with a sample size of 1582.

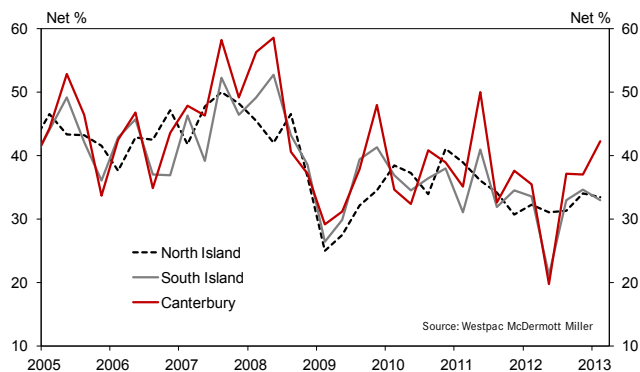
- Households' perceptions of current job opportunities have improved for the second quarter a row and are now the highest since September 2011. However they remain very downbeat, with a net 56% still saying jobs are hard to get.

- There was also a slight lift in households' reported earnings. A net 24% said their labour earnings had increased over the past year, the highest since March last year.
- Households' expectations were more mixed (though the Employment Expectations Index rose on balance). A net 12% of households now expect job opportunities to deteriorate over the year ahead, up from 6% three months ago and the most pessimistic they have been since early 2009. However there was also a big rebound in their perceived own job security, to the highest since June 2010. Earnings expectations dipped slightly but remain the second highest since September 2011.

Survey breakdowns

Employment confidence saw little change in most regions. Canterbury (up by a hair's breadth at 113.6) remains the most upbeat region by far – though it's still below its post-earthquake highs in mid-2011. The region leads the pack on all categories of the survey except perceived job security (where it sits just behind Southland). Notably, reported and expected earnings in Canterbury are surging ahead of the rest of the country, in line with other recent evidence showing a sharp lift in cost pressures in the region (figure 4).

Figure 4: Expected earnings: Canterbury and nationwide



The only other region where employment confidence is in positive territory (above 100) is Auckland, where the index has rebounded sharply from three months ago. There was a particularly big lift in Aucklanders' perception of job opportunities, to the highest level since mid-2010. In other regions pessimists continue to outnumber optimists.

In contrast to last week's Regional Economic Confidence survey, we saw no clear signs of drought impact on employment confidence. Most parts of the country have become more pessimistic about future job opportunities – a possible sign that they're worried about the impact of drought on the wider economy. But people in most regions – including the rural North Island – also feel more positive about their own job prospects than three months ago.

Employment Confidence by region

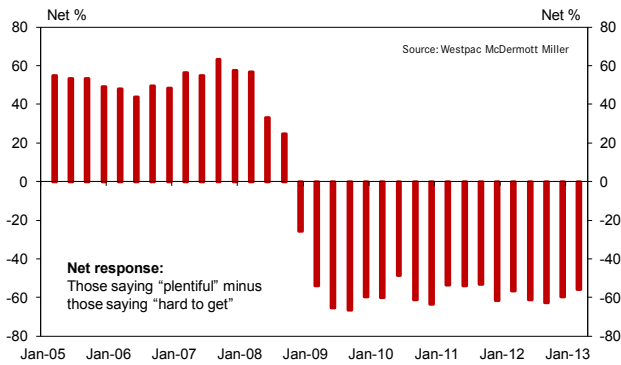
| Region | Dec-12 | Mar-13 | Change |
|-------------------------------|--------|--------|--------|
| Northland | 96.3 | 94.5 | -1.7 |
| Auckland | 96.9 | 104.1 | 7.3 |
| Waikato | 95.8 | 96.2 | 0.4 |
| Bay of Plenty | 92.5 | 93.9 | 1.4 |
| Gisborne/Hawke's Bay | 96.0 | 95.8 | -0.2 |
| Taranaki/Manawatu-Whanganui | 97.6 | 96.3 | -1.2 |
| Wellington | 101.1 | 97.4 | -3.7 |
| Nelson/Marlborough/West Coast | 96.7 | 98.3 | 1.5 |
| Canterbury | 113.5 | 113.6 | 0.1 |
| Otago | 94.4 | 88.8 | -5.6 |
| Southland | 97.5 | 95.2 | -2.3 |

The recent improvement in employment confidence has been concentrated among males – female employment confidence remains significantly weaker than in mid-2011. This isn't surprising: the unemployment rate has been rising for females but not for males. This may reflect the relatively good performance of the construction sector lately, which employs far more males than females.

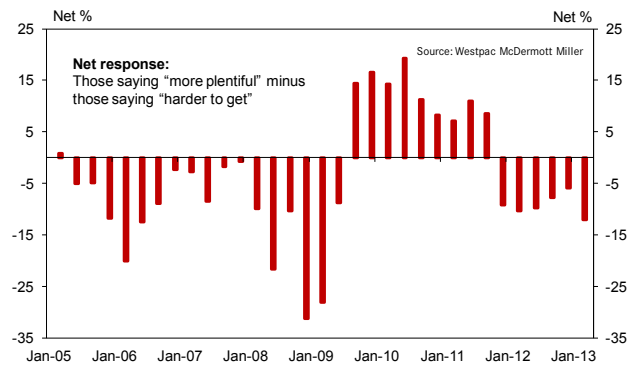
There was little movement of note in the age and income categories. Employment confidence rose for older respondents but fell back for the young – a divergence from recent trends, which had been for confidence to slide among older people but to improve among younger respondents. By income, employment confidence rose most among lower-income households, but confidence in this group has been notably choppy of late and the latest increase only partially makes up ground lost three months ago. Employment confidence remains highest among higher-income households but has improved among middle-income households.

Felix Delbrück
Senior Economist

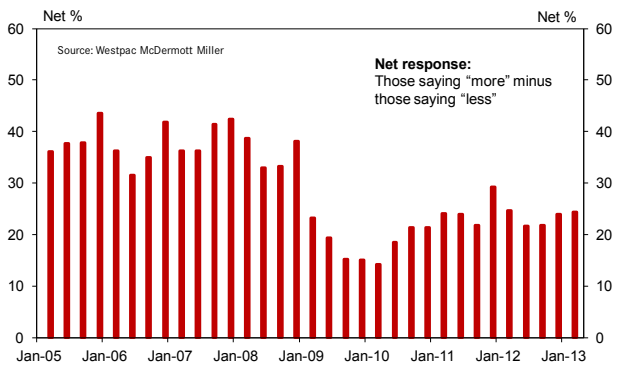
Do you think jobs are plentiful or hard to get?



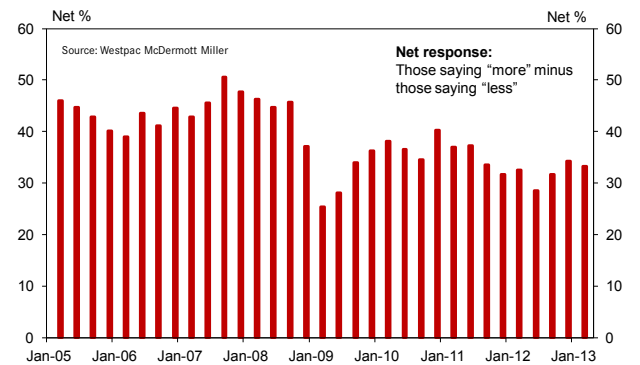
Job opportunities in NZ in a year's time compared to now



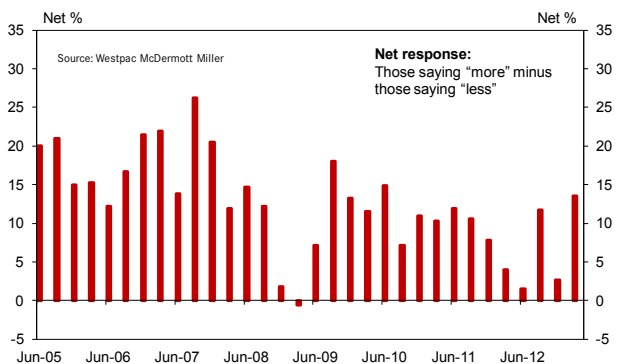
Earnings in paid work now compared to this time last year



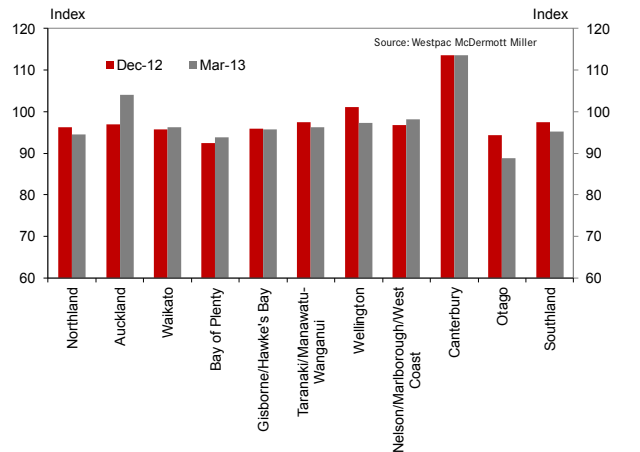
Expected earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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