

It could have been worse

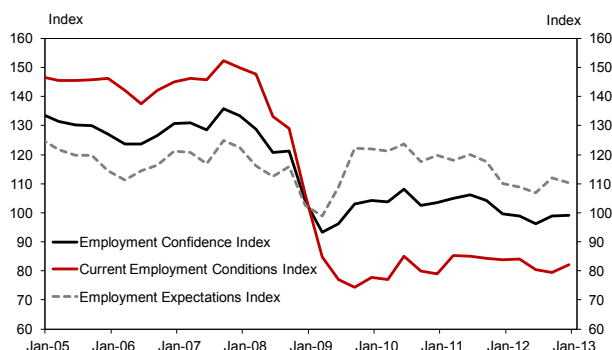
2012Q4 Westpac McDermott Miller Employment Confidence Index: 99.1

- **Employment confidence inched up a little, despite recent reports of job cuts and rising unemployment.**
- **However, people's assessment of their own job security fell back sharply.**
- **Canterbury remains the one bright spot in what is overall still a fairly gloomy report.**

Employment Confidence Indices

	Sep-12	Dec-12	Change
Employment Confidence Index	98.9	99.1	0.1
Current Employment Conditions Index	79.5	82.2	2.7
Employment Expectations Index	111.9	110.3	-1.6

Figure 1: Employment Confidence Index



Employment confidence remains weak. The Westpac McDermott Miller Employment Confidence Index was essentially unchanged in the latest December survey, rising by a whisker to 99.1, from 98.9 in September. This is the fifth consecutive quarter that the index has been in pessimistic (sub-100) territory.

It was a bit of a surprise to us that employment confidence didn't fall further, given the grim jobs-related news that hit the headlines in the last few months. Not only were there various reports of job cuts in the manufacturing sector, but in November Stats NZ reported the unemployment rate shooting up to 7.3%, the highest level since the late 1990s.

One way in which the bad news may have affected the survey is through people's assessment of their own job security: after picking up encouragingly in the September survey, it has now fallen back to the low levels seen earlier last year.

However, the fall in job security hasn't obviously dented consumer confidence, which (as we reported back in December) actually rose sharply in the quarter. It may be that low interest rates, rising house prices in Auckland, and low prices (helped by the high exchange rate) dominated job worries.

Wage growth has also held up better than might have been expected in a weak labour market. Households' reported earnings growth suggests wage inflation continued to truck along close to 2% in the December quarter (figure 3). One reason why high unemployment hasn't led to lower wage inflation may be that the labour market is currently unusually two-speed, with jobs in specific regions or with specific skill sets in high demand while job opportunities elsewhere are scarce. In any case, a clear regional split comes through in today's survey: Canterbury households are now fairly confident about employment prospects (the most since the first flush of post-quake optimism back in mid-2011), whereas pessimism predominates elsewhere.

Figure 2: Reported job opportunities and unemployment

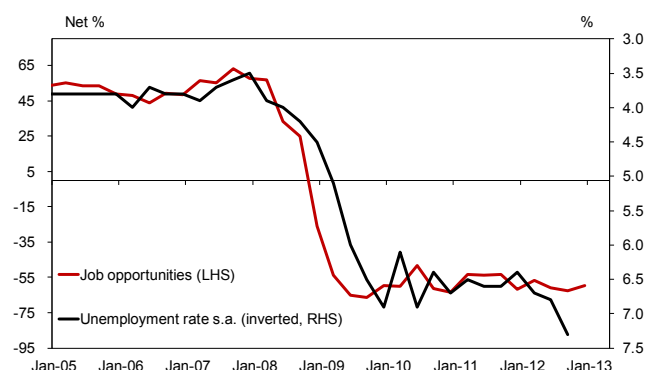
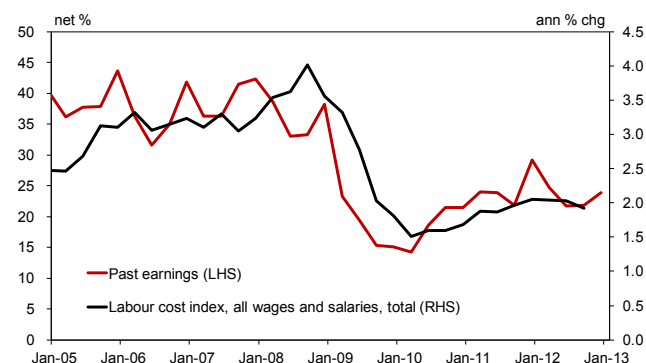


Figure 3: Expected job opportunities - Canterbury and nationwide



Survey details

The Westpac McDermott Miller Employment Confidence Index summarizes responses to five questions: on households' perceptions of current and future job opportunities in New Zealand, on their own actual and expected earnings, and on expected changes in their own job security. The questions about current job opportunities and earnings are summarized in the Current Employment Conditions Index, whereas the questions about the year ahead are summarized 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 December, with a sample size of 1577.

- Households' assessment of current and future job opportunities improved slightly, but remains very downbeat: a net 60% of households said that jobs are hard to get (down from 63% in September) and a net 6% said they expect them to get worse in the coming year, down from 8% three months ago.
- Households' own job security fell back sharply, with just 3% on balance now expecting their employment conditions to become more secure over the year ahead, down from 12% in the previous survey.
- The balance of households reporting actual and expected increases in their labour earnings also improved slightly: a net 24% said their labour earnings had increased over the past year (up from 22% the previous quarter) and a net 34% expected earnings to rise over the year ahead. Earnings expectations have ticked up for two quarters now but are still a fair distance away from pre-2009 levels (when a net 40%+ of respondents routinely expected their earnings to rise).

Regional and demographic breakdown

Employment confidence in Canterbury has risen for the third quarter in a row and the region is now the only one in the country where employment optimists clearly predominate. Canterbury leads the pack on perceived job opportunities (a net 23% say jobs are hard to get, not great but the best result since December 2008), on expected job opportunities (a net 12% expect them to improve) and on job security (a net 14% expect it to improve, down from 21% three months ago but still higher than anywhere else). Canterbury is no longer such a stand-out on past or expected earnings growth, but responses in the region remain above the national average.

Wellington was the one other region where employment confidence was optimistic (though only barely). A Hobbit effect may have helped, but there were some signs that confidence in the region may have turned a corner: Wellington was the only region to see expected job security improve from three months ago (for the second quarter in a row), and it also had the highest expectations for wage increases over the coming year (a net 42%, the most since March 2010).

Elsewhere, pessimists outnumber optimists. There were particularly big declines in job security and earnings expectations in Northland, Auckland and Bay of Plenty. Employment confidence also fell in the South Island (ex Canterbury) on the back of declines in perceived current job opportunities and earnings.

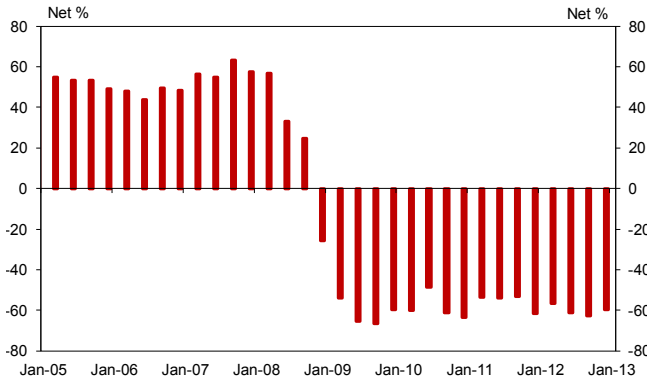
Employment Confidence by region

Region	Dec-11	Sep-12	Dec-12
Northland	94.0	94.0	96.3
Auckland	101.7	100.8	96.9
Waikato	96.9	89.8	95.8
Bay of Plenty	94.1	97.6	92.5
Gisborne/Hawke's Bay	98.7	91.1	96.0
Taranaki/Manawatu-Wanganui	91.4	89.8	97.6
Wellington	95.5	98.5	101.1
Nelson/Marlborough/West Coast	98.3	100.6	96.7
Canterbury	108.6	110.9	113.5
Otago	96.8	97.9	94.4
Southland	111.7	101.6	97.5

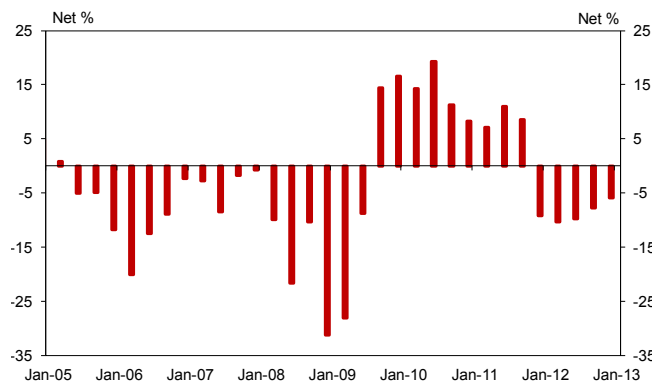
The survey also shows a clear income and age split. While higher-income households are modestly upbeat on jobs (employment confidence at 102), lower-income households have taken a further plunge into pessimism (confidence at 76, with 78% saying that jobs are currently hard to get). And whereas employment confidence has improved among the young (who are now the most upbeat since March 2011, with confidence at 114), older respondents are the most pessimistic they have been in the history of the survey (confidence level 87). Meanwhile the gender gap that opened up since the recession, with males more confident than females, has widened: male confidence has improved for a second quarter in a row (to 102) whereas female confidence slipped back to 95 from 96 three months ago.

Felix Delbrück
Senior Economist

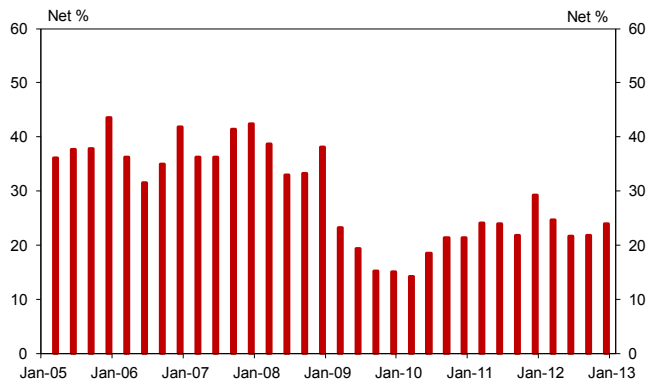
Do you think jobs in NZ are plentiful or hard to get?



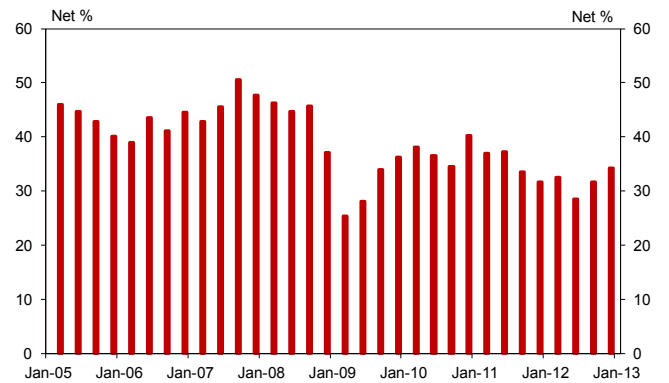
Job opportunities in NZ in a year's time compared to now



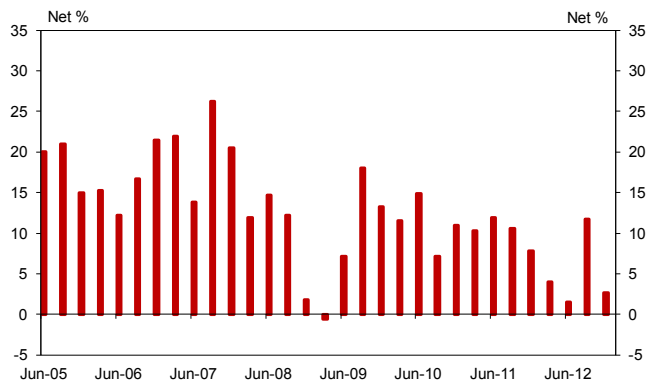
Earnings in paid work now compared to this time last year



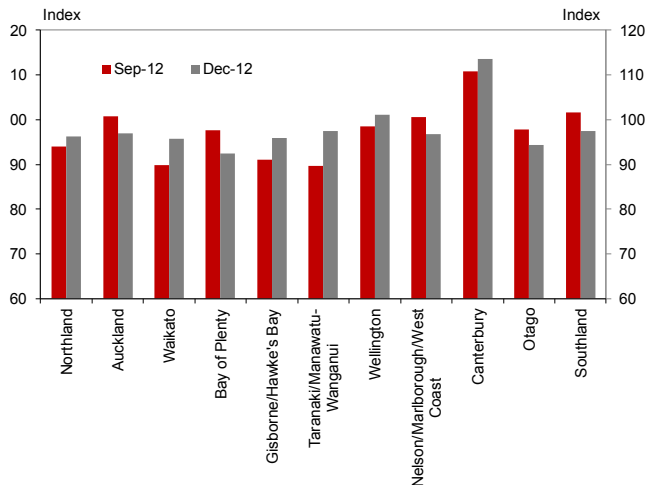
Expected earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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