

Movin' on up

Westpac McDermott Miller Employment Confidence Index, June 2017

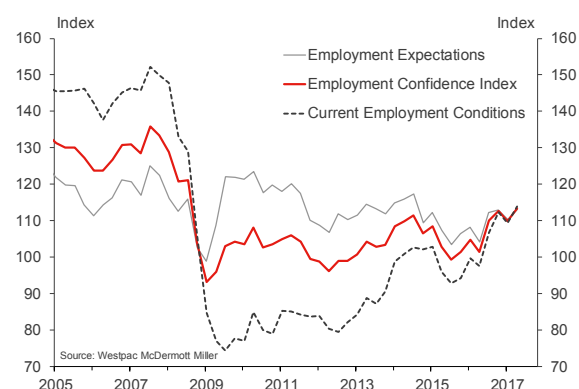
30 June 2017

- New Zealand workers have become more upbeat about the state of the labour market, reporting improved job security as well as increases in job openings.
- But while the jobs market is looking firmer, workers remain downbeat with regards to the outlook for earnings.

Employment Confidence Indices

	Jun-17	Mar-17	Change
Employment Confidence Index	113.4	109.9	3.5
Present Conditions Index	113.9	109.4	4.5
Employment Expectations Index	113.1	110.3	2.8
Current job opportunities	-0.1	-11.5	11.4
Expected job opportunities	-4.3	-9.5	5.2
Past earnings growth	27.8	30.3	-2.5
Expected earnings growth	28.4	29.6	-1.2
Own job security	15.3	10.7	4.6

Employment confidence index



Continuing economic growth driving improved labour market confidence

New Zealand workers have become increasingly upbeat about the state of the labour market. That was reflected in the June Westpac McDermott Miller Employment Confidence Index, which rose to a level of 113.4 (up from 109.9 in March). Confidence in the state of the labour market hasn't been this strong since 2008, before the global economy was struck by the financial crisis.

Strengthening employment confidence has come on the back of continuing economic growth in recent years and the related increases in the demand for labour. Workers have reported strong gains in the number of available jobs in recent years. They are also reporting increased job security, and that they expect job openings to continue growing over the coming year.

Employment confidence remains strongest among those earning more than \$70,000 per annum. However, confidence has been firming among all income groups over the past year.

The North-South divide

The trend increase in employment confidence over the past few years has been widespread. However, we saw some notable differences across the country in the June quarter.

June's increase in employment confidence was concentrated in the North Island, with larger gains in areas like the Waikato (now the most optimistic region in the country) and Bay of Plenty. Some of this will reflect improved conditions in export industries, including dairy. On top of this, many regions in the North Island are seeing growing demand in the labour-intensive construction sector, as well as strengthening conditions in service sectors more generally. Such gains have not been limited to Auckland.

Workers in the South Island are also reporting increased job availability, but the improvement has been more moderate. In addition, those in the South Island are less optimistic

about job security over the coming year. But it's important to put this in context. June's softening in confidence in regions like Canterbury and Otago follows solid gains over the past year, and still leaves employment confidence at firm levels. Looking at economic conditions more generally, things are looking good for economic growth and employment in the southern regions. As well as improved agricultural export earnings, many regions are seeing continuing house price gains. The strong tourist season is also boosting demand.

Employment confidence: regional breakdown

Region	Jun-17	Mar-17	Change
Northland	106.8	112.9	-6.1
Auckland	117.2	111.7	5.5
Waikato	121.0	106.3	14.7
Bay of Plenty	113.6	107.2	6.4
Gisborne/Hawkes Bay	111.0	108.2	2.8
Taranaki/Manawatu-Whanganui	107.7	104.0	3.7
Wellington	102.8	101.2	1.6
Nelson/Marlborough/West Coast	113.9	111.1	2.8
Canterbury	113.9	118.0	-4.1
Otago	103.6	109.8	-6.2
Southland	110.3	111.3	-1.0

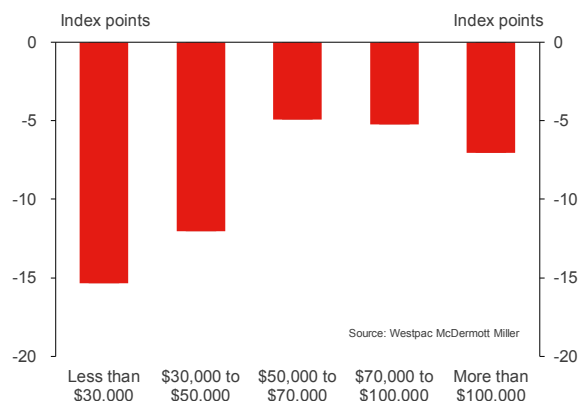
Lingering concerns around wage growth

Despite the improved outlook for jobs, workers are downbeat about the outlook for earnings. Only low numbers of workers expect to see an increase in their earnings over the coming year. Earnings expectations are noticeably lower among those earning less than \$50,000 per annum, but they are below average across all income groups.

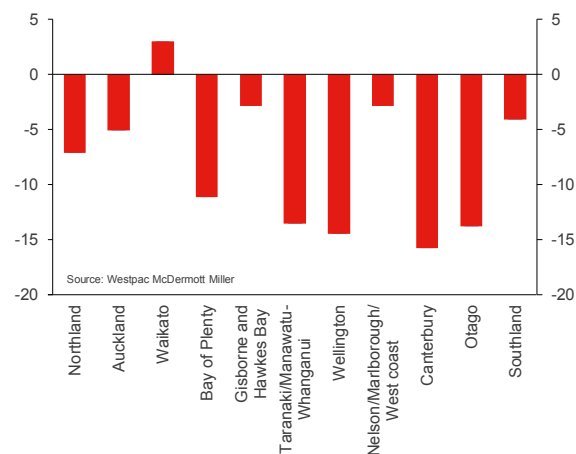
Earnings expectations are especially soft in Wellington and Canterbury. In both of these cases, this may be due to specific reasons - in Wellington, uncertainty around the outlook for the public sector ahead of September's election may be playing a role, while Canterbury's economy is continuing to transition away from rebuild-led growth. However, earning expectations remain below average in nearly all parts of the economy. The exception is Waikato, where conditions more generally have strengthened over the past year.

Earnings growth will be a key area to watch over the coming year. Consumer price inflation has lifted. And while some of the increase in prices may be temporary, if this isn't matched by an increase in wage growth, many households may find their purchasing power being eroded.

Compared to average, how many workers expect their earnings to increase over the coming year? - by income bracket



Compared to average, how many workers expect their earnings to increase over the coming year? - by region



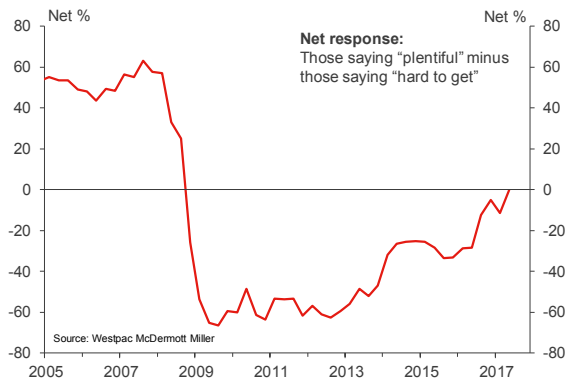
Survey description

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 June 2017. The sample size was 1555.

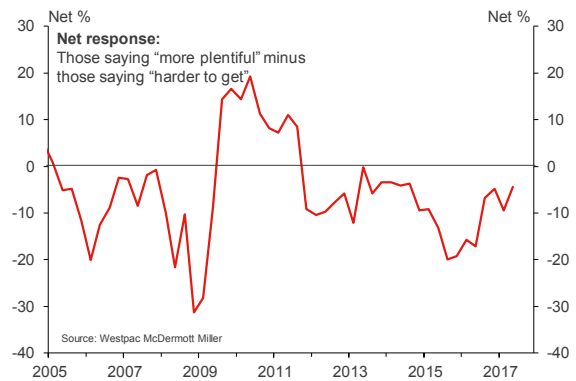
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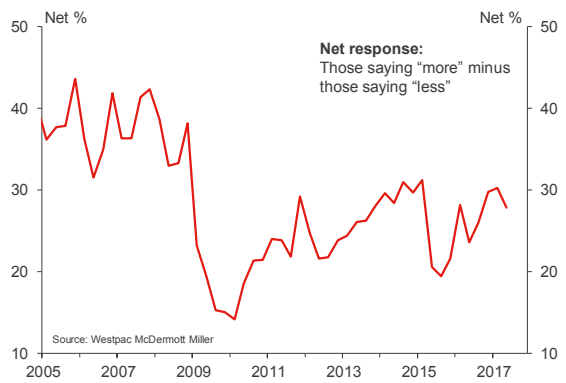
Do you think jobs are plentiful or hard to get in NZ?



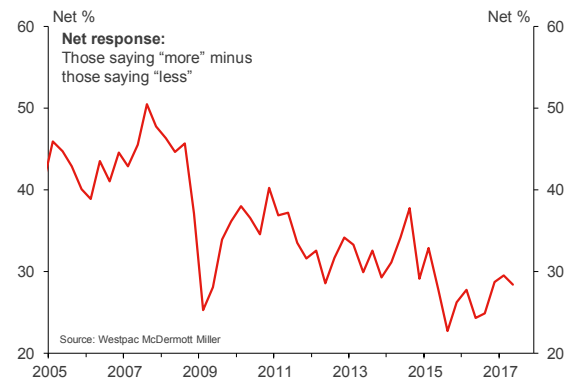
Job opportunities in NZ in a year's time



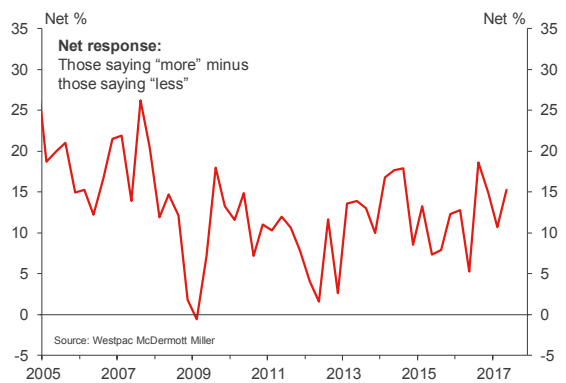
Earnings in paid work compared to last year



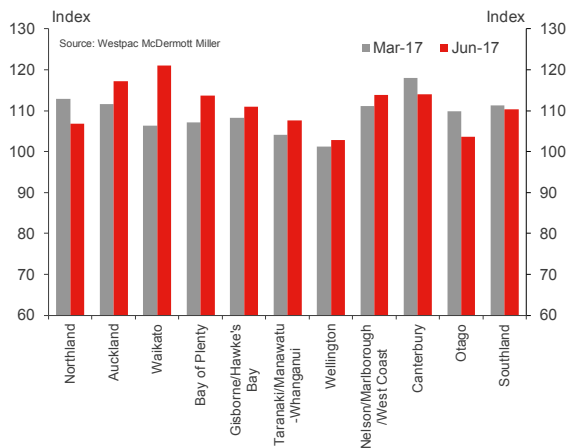
Earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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