

More jobs, but what about wages?

Westpac McDermott Miller Employment Confidence Index, September 2017

27 September 2017

- New Zealanders have become increasingly upbeat about their employment prospects.
- However, they remain concerned about earnings growth. In fact, the number of workers who expect to receive a pay increase over the coming year is languishing at the sort of lows we saw during the financial crisis.
- The results were no surprise – the same dichotomy between employment gains and wage pain has been seen in the official statistics.

New Zealanders have become more upbeat about their employment prospects. That was reflected in the latest Westpac McDermott Miller Employment Confidence Index, which rose to a level of 113.8 in September (up from 113.4 in June). This is the highest level of employment confidence that we've seen since 2008, before the New Zealand economy felt the full brunt of the global financial crisis.

But while workers are more upbeat about the availability of jobs, they clearly still have some concerns about the labour market. In particular, there is a lot of nervousness about what's happening to wages and salaries.

Job opportunities continue to improve...

New Zealander workers are reporting that job opportunities have continued to rise in recent months, building on the solid gains we've seen over the past few years. And looking forward to the coming year, they expect that the jobs market will continue to strengthen.

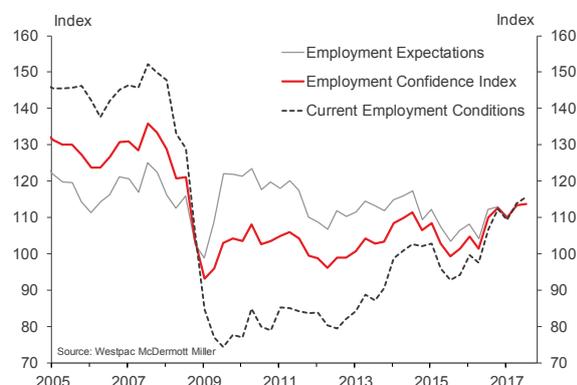
Underpinning this rise in confidence about the jobs environment has been firmness in economic activity. New Zealand is in its seventh year of continued expansion. This has resulted in increasing demand for workers, and has seen the unemployment rate falling to 4.8% - its lowest level in nine years.

Solid levels of confidence in the jobs environment have been seen in all regions, and across all age and income groups.

Employment Confidence Indices

	Sep-17	Jun-17	Change
Employment Confidence Index	113.8	113.4	0.4
Present Conditions Index	115.7	113.9	1.9
Employment Expectations Index	112.6	113.1	-0.6
Current job opportunities	1.7	-0.1	1.8
Expected job opportunities	-0.5	-4.3	3.8
Past earnings growth	29.8	27.8	1.9
Expected earnings growth	25.3	28.4	-3.2
Own job security	12.9	15.3	-2.3

Employment confidence index



Workers' confidence around job opportunities and job security



...but the outlook for earnings remains weak

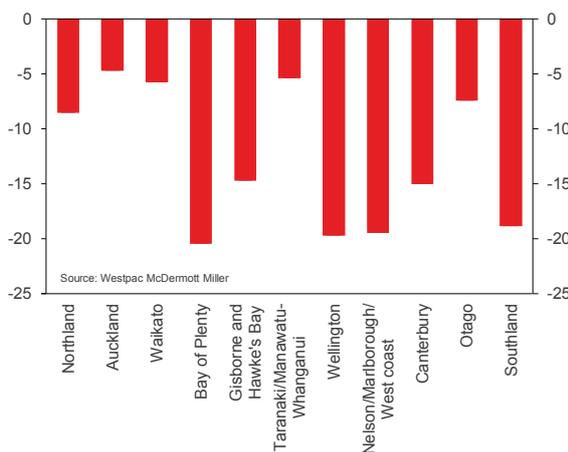
Although workers may be feeling more confident about job opportunities, when it comes to the outlook for earnings, sentiment is really in the dumps. Increasing numbers of workers are telling us that they don't expect any change in their earnings from work over the coming year. In fact, the number of workers who expect to receive a pay increase over the coming year is languishing at the sort of lows we saw during the financial crisis.

Nervousness about earnings growth is widespread, and is particularly acute in regions such as the Bay of Plenty, Wellington, Southland, and Nelson/Marlborough. It's also evident across all income groups.

Proportion of workers who expect to be earning more in paid work next year



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



In part, these concerns about future earnings growth are likely to be a reflection of the very muted wage growth we've seen in recent years. Despite continued economic growth and increases in employment, wages are still only growing by around 1.7% per annum. That's not much different from the lows that we saw during the financial crisis.

And while nominal wage growth has remained muted, consumer price inflation has picked up. After lingering below 1% for much of the past few years, consumer price

inflation is now running at 1.7% per annum. This means that the limited pay rises many workers have received have only just been keeping pace with changes in the cost of living. And for those workers who didn't receive a pay rise (and even for some that did), their spending power may be going backwards.

Regional breakdown

Labour market confidence is strongest in Auckland, and it is at firm levels in the Waikato, Bay of Plenty and Canterbury. However, it remains low in Wellington.

Employment confidence: regional breakdown

Region	Sep-17	Jun-17	Change
Northland	110.0	106.8	3.2
Auckland	119.8	117.2	2.6
Waikato	114.9	121.0	-6.1
Bay of Plenty	109.8	113.6	-3.8
Gisborne/Hawke's Bay	105.7	111.0	-5.3
Taranaki/Manawatu-Whanganui	111.4	107.7	3.8
Wellington	102.8	102.8	0.0
Nelson/Marlborough/West Coast	104.7	113.9	-9.2
Canterbury	115.2	113.9	1.3
Otago	108.9	103.6	5.3
Southland	115.4	110.3	5.1

Looking into the detail of the September confidence survey, we did see some interesting changes this quarter.

Confidence has continued to rise in Auckland. This is the heart of the nation's services sector, and employment in the region rose by more than 4% over the past year. Solid growth in job opportunities is helping to boost sentiment in the region.

September also saw strong increases in employment confidence in both Otago and Southland. These regions have benefited from the record tourist season (especially Queenstown), and improvements in commodity export prices. Workers in these regions have highlighted increased job opportunities and improved job security.

There was a modest rise in employment confidence in Canterbury. Although post-earthquake reconstruction work has been gradually winding back, economic activity is becoming more broad-based. This includes growth in the services and manufacturing sectors.

At the other end of the spectrum, confidence in labour market conditions has taken a hit in a number of rural regions, including the Waikato, the Bay of Plenty, Gisborne/Hawke's Bay, and Nelson. Workers in a number of these regions are highlighting significant concerns around earnings growth. Similarly our recent Regional Economic Confidence Survey showed that households' confidence in the economic outlook for these regions has been falling. Uncertainty around the outcome of September's general election may have been a contributing factor.

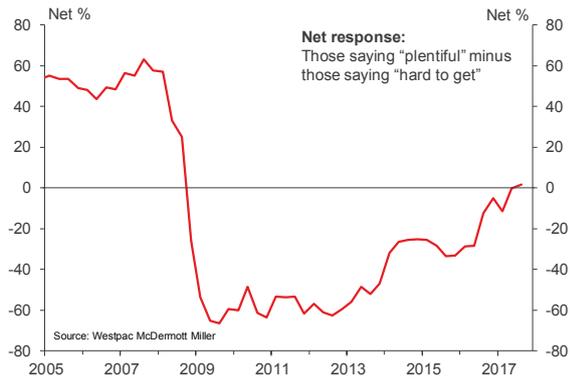
Survey description

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 – 10 September 2017. The sample size was 1553.

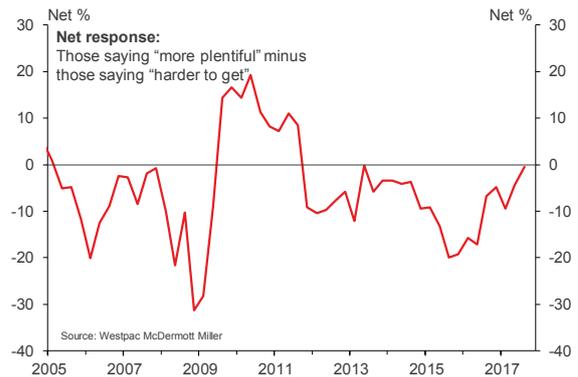
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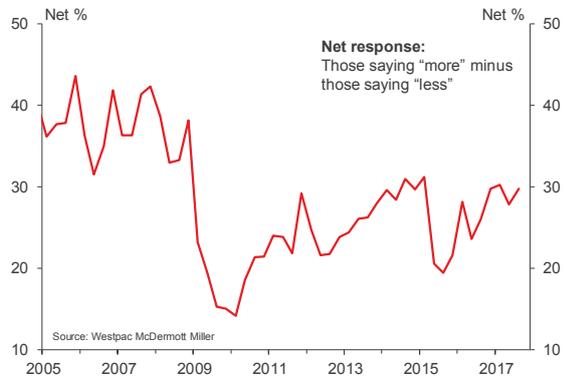
Do you think jobs are plentiful or hard to get in NZ?



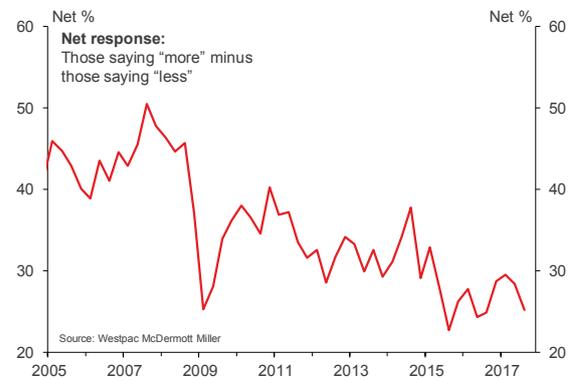
Job opportunities in NZ in a year's time



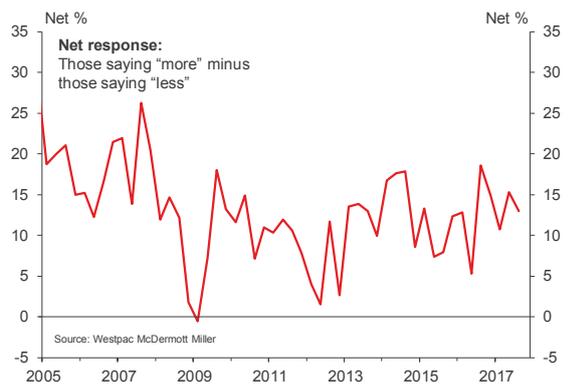
Earnings in paid work compared to last year



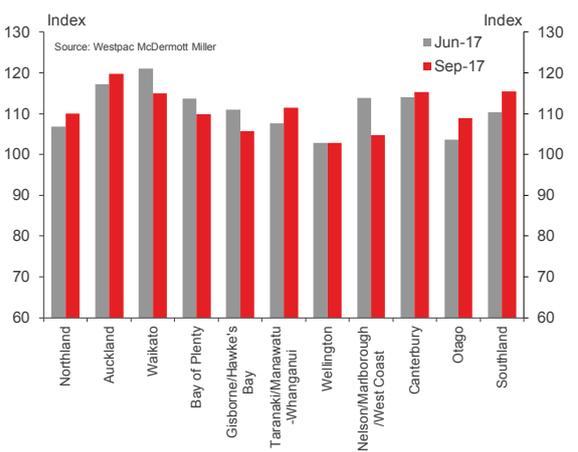
Earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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