

Tortoise meets hare

Westpac McDermott Miller Employment Confidence Index, September 2014

- New Zealanders’ confidence about the labour market rose again in September, continuing its gradual recovery since the recession.
- Perceptions were positive on balance across all regions, with Canterbury recording a particularly large improvement as the rebuild continues to ramp up.
- The labour market tends to lag the broader cycle, so it’s not unusual to see a further lift in employment confidence at a time when other indicators are suggesting that economic growth has passed its peak.

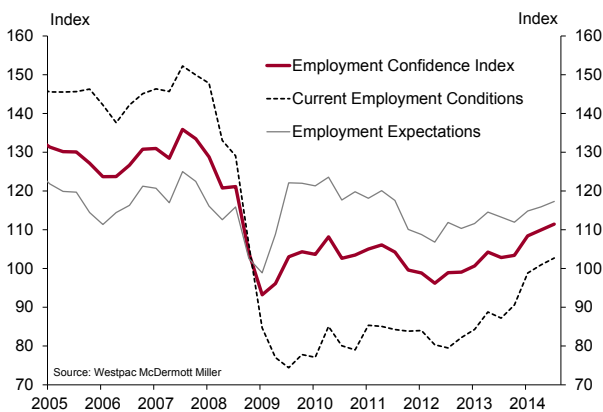
The Westpac McDermott Miller Employment Confidence Index rose from 109.9 to 111.5 in the September quarter, continuing its steady rise over the last two years. The index is now at its highest since September 2008, though it remains well short of its pre-recession levels.

The lift in confidence over the latest quarter was spread thinly but widely, with small net gains in all of the survey questions. Confidence rose in eight of the 11 regions, and was largely consistent across the demographic breakdowns.

The rise in employment confidence might seem to go against the recent run of play, with other confidence surveys falling over the September quarter – including the Westpac-McDermott Miller consumer and regional confidence surveys, held at the same time as this survey. However, we don’t see these messages as contradictory. The labour market typically lags the broader economic cycle, and it’s only in the last year or so that we’ve seen a marked lift in employment growth. And nothing breeds confidence like results.

Consequently, we wouldn’t be surprised if sentiment towards the jobs market remains positive for a while longer, even as a range of indicators support our view that the economy’s rate of growth has already passed its peak. As for wage growth, this tends to lag the economic cycle even more so than hiring. The employment confidence survey suggests that pay increases are becoming more common, but official figures show that up until the June quarter at least, the average size of those increases remained very modest.

Employment confidence index



	Jun-14	Sep-14	Change
Employment Confidence Index	109.9	111.5	1.6
Present Conditions Index	100.9	102.7	1.8
Employment Expectations Index	115.9	117.3	1.4
Current job opportunities	-26.5	-25.6	0.9
Expected job opportunities	-4.1	-3.7	0.4
Past earnings growth	28.4	31.0	2.6
Expected earnings growth	34.2	37.8	3.6
Own job security	17.6	17.9	0.3

Survey details

The September quarter survey produced small gains on all five measures:

- The net percentage of people saying that jobs are easy rather than hard to get rose from -27% to -26%, the least negative reading since December 2008. This series has the closest correspondence with unemployment, and the latest reading is in line with our expectation for a further small drop in the unemployment rate from 5.6% to 5.5% in the September quarter.

- Perceptions of job opportunities a year from now were marginally stronger at a net -4%. However, this measure has been more or less flat over the last five quarters.
- The net percentage reporting higher earnings over the last year rose from 28% to 31%. This series has risen in eight of the last nine quarters, and is now also at its highest since December 2008. While pay increases may be becoming more widespread, official data suggests that the size of the average increase has slowed over the last two years, reflecting the subdued rate of inflation.
- The net percentage expecting earnings to increase over the next year saw the biggest increase out of the five survey questions, rising from a net 34% to 38%. This is now at its highest since December 2010.
- Perceived job security rose slightly to 18%, effectively remaining at a five-year high.

Employment confidence rose in eight regions and fell in three, with all of the regions back in net positive territory. Canterbury claimed the top spot again, having been temporarily overtaken by Auckland in the June survey. The net number of Cantabrians reporting a pay increase in the last year was the highest in the survey's ten-year history, and wage expectations and perceived job security were also substantially stronger than three months ago. However, current and expected job opportunities were a touch softer.

Southland continued to make its way up the ranks, with a five-point gain in September making it the second-most positive region. Anecdotally, the region has been strengthening its links to the Christchurch rebuild. There was also a sizeable lift in confidence in the Waikato and Bay of Plenty, although lately the results from these two regions have been choppy from one quarter to the next. Compared to a year ago, confidence is higher in the Bay of Plenty but lower in the Waikato.

Other breakdowns of the survey reinforce the sense that the lift in confidence was fairly widespread. Confidence was up for both men and women, and for all age groups (especially for youth). It rose for those on low and high incomes, but was down slightly for those in the middle income brackets.

Survey description

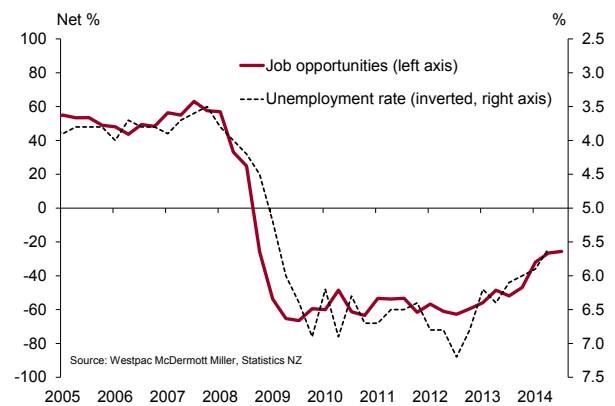
The Westpac McDermott Miller Employment Confidence Index summarises responses to five questions: households' perceptions of current and future job opportunities in New Zealand, their own actual and expected earnings, and expected changes in their own job security. The questions about current job opportunities 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 1-12 September, with a sample size of 1,555.

Michael Gordon
Senior Economist

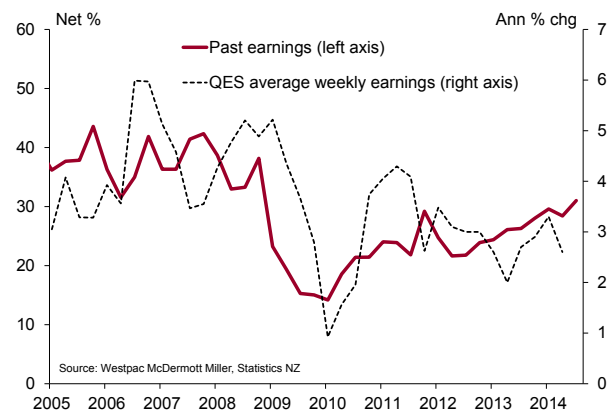
Employment Confidence by region

Region	Jun-14	Sep-14	Change
Northland	102.1	102.7	0.6
Auckland	117.3	114.4	-2.9
Waikato	98.0	105.7	7.7
Bay of Plenty	103.1	113.3	10.2
Gisborne/Hawkes Bay	103.7	104.7	1.0
Taranaki/Manawatu	105.5	104.4	-1.1
Wellington	110.0	110.3	0.3
Nelson/Marlborough/Westland	102.5	101.9	-0.6
Canterbury	115.0	122.8	7.8
Otago	102.5	103.3	0.8
Southland	110.3	115.5	5.2

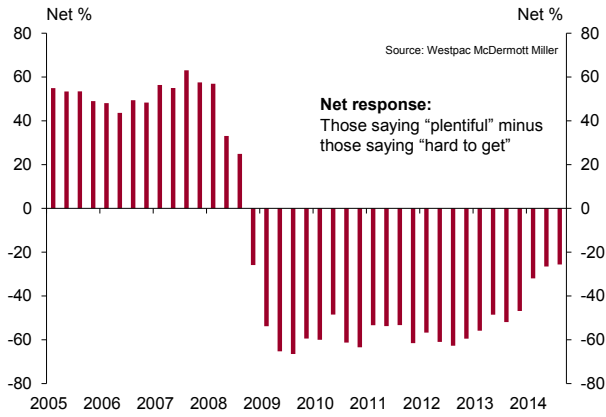
Reported job opportunities and unemployment



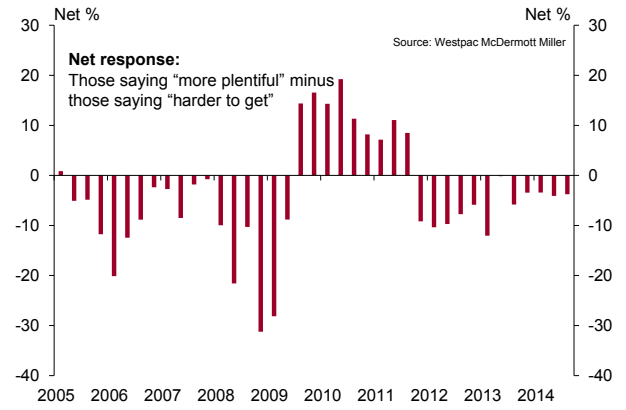
Reported earnings and wage inflation



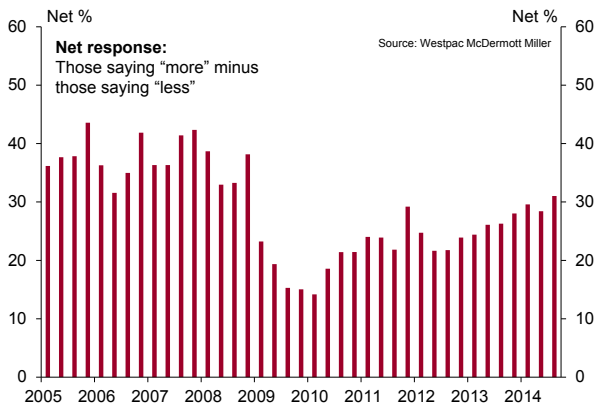
Do you think jobs are plentiful or hard to get in NZ?



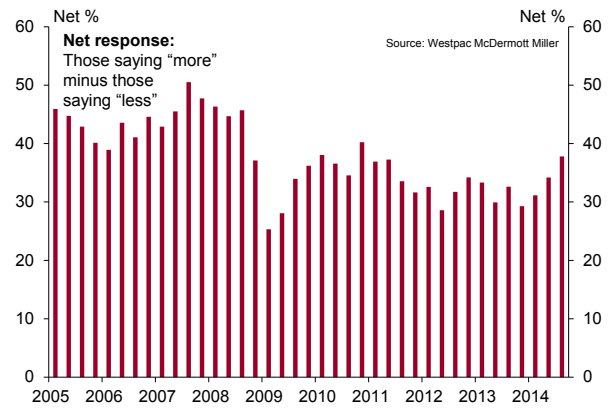
Job opportunities in NZ in a year's time



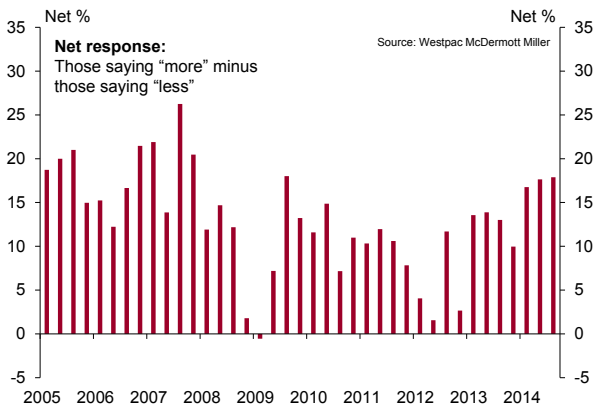
Earnings in paid work compared to last year



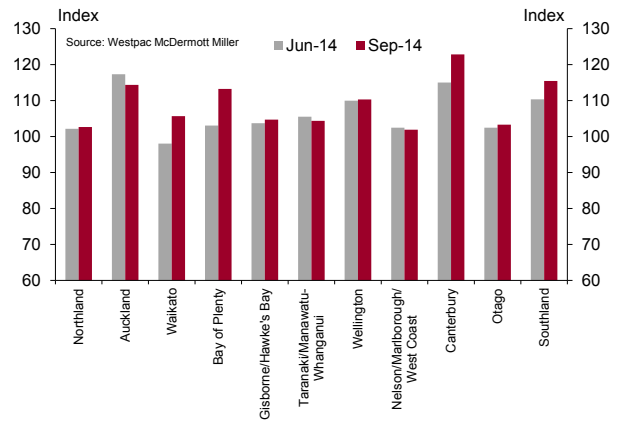
Earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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