

WESTPAC MCDERMOTT MILLER EMPLOYMENT CONFIDENCE

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Jobs plentiful now, but the outlook dims.

- The Employment Confidence Index fell 5 points to 108.5 in June, giving back most of the gains made in March.
- Perceived job opportunities remain the strongest aspect of the survey, with job vacancies continuing to set new highs.
- But perceptions about earnings and job security have softened.
- Employment confidence remains in positive territory, in contrast to the plunge in consumer confidence to a record low.
- Taken together, these results suggest that living costs rather than earnings are the greater worry for households.

Employment confidence indices

	Jun-22	Mar-22	Change
Employment Confidence Index	108.5	113.5	-5.0
Present Conditions Index	117.4	118.0	-0.6
Employment Expectations Index	102.6	110.4	-7.8
Current job opportunities	25.9	20.4	5.5
Expected job opportunities	-9.7	-2.9	-6.8
Past earnings growth	8.9	15.7	-6.8
Expected earnings growth	19.3	23.1	-3.8
Own job security	-1.9	11.1	-13.0

The Westpac McDermott Miller Employment Confidence Index fell by 5 points in June, the first fall that we've seen since the initial Covid shock in 2020. However, confidence about labour market conditions remains on the positive side, with more optimism than pessimism about both current and future conditions.

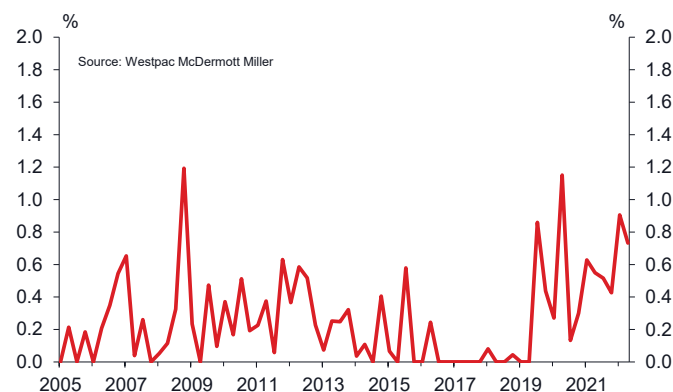
This is in stark contrast to the consumer confidence results we released earlier this week, which fell to the lowest in the history of the survey going back to 1988. Taken together, these results reinforce that it's living costs rather than earnings that are the biggest concern for people at the moment. The surge in inflation, and the prospect of high mortgage interest payments, are increasingly putting a squeeze on households' budgets.

Perceptions about current job opportunities remain the strong point of the index, and the only component to record a rise in the June quarter. That's an accurate reflection of how tight the labour market is at the moment. Job advertisements reached

a fresh record high in May and are now about 50% higher than their pre-Covid levels. Employers are increasingly struggling to find workers, and the reopening of the international border has raised concerns about retaining younger workers who have been raring to do their OEs for the past couple of years.

Interestingly, the survey question on expected earnings includes an option for people who say they expect to be working overseas a year from now. Those responses have picked up this year, though they were down slightly in June compared to March. At 0.7% of respondents, it's not as small a number as it might sound – scaling it up to the size of the working-age population, that's equivalent to nearly 30,000 people. But it's not quite as dramatic as some of the recent forecasts of an exodus of workers. We'll keep an eye out for any meaningful change in this in future surveys.

% expecting to be working overseas next year

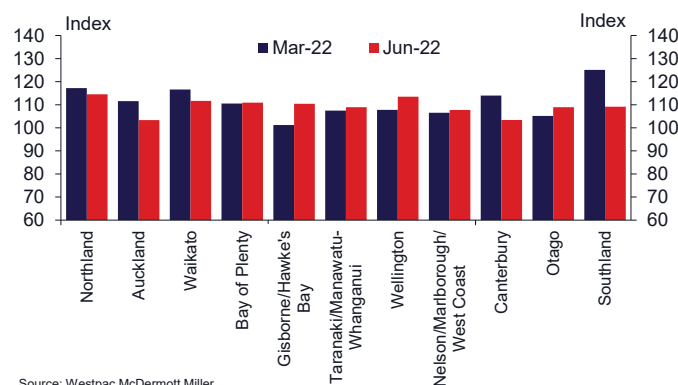


In contrast to the rise in current job opportunities, perceptions about job security fell in June, as did expectations about the number of job opportunities a year from now. That does suggest that the recent talk about recession risks is also playing on the minds of at least some respondents. (For what it's worth, these declines were seen almost entirely among men.)

Past and expected earnings growth were lower in June, giving back the gains they made in March. These measures have struggled to mount much of a recovery so far, and they remain below their pre-Covid levels. While we have seen some lift and broadening of wage growth in the official statistics, it hasn't come close to matching the surge in the cost of living over the past year.

The fall in employment confidence wasn't consistent across the regions. In fact, there were almost as many regions where employment confidence rose as there were ones where it fell. But for the most part there seems to have been a degree of convergence in views. Gisborne/Hawke's Bay and Wellington rebounded after an unusual drop in the previous quarter, while Auckland and Southland gave back their previous large gains. Otago is the only region that has sustained a rise in confidence over the last couple of quarters, which may reflect the region (particularly Queenstown-Lakes) gearing up for the return of overseas tourists.

Employment confidence by region



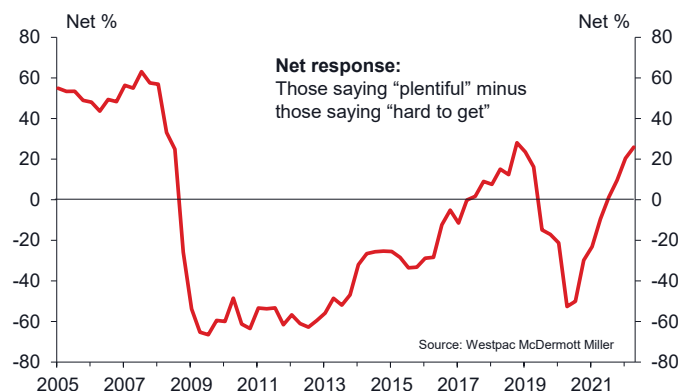
Survey details.

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, while the questions about the year ahead are summarised in the Employment Expectations Index. The survey took place over the period 1-14 June 2022. The sample size was 1,559.

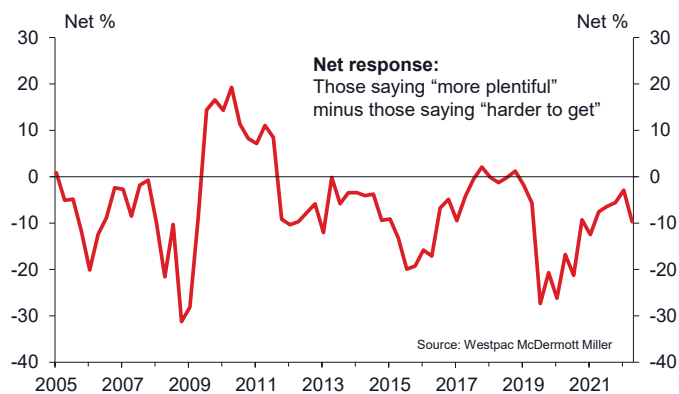
Employment Confidence Index



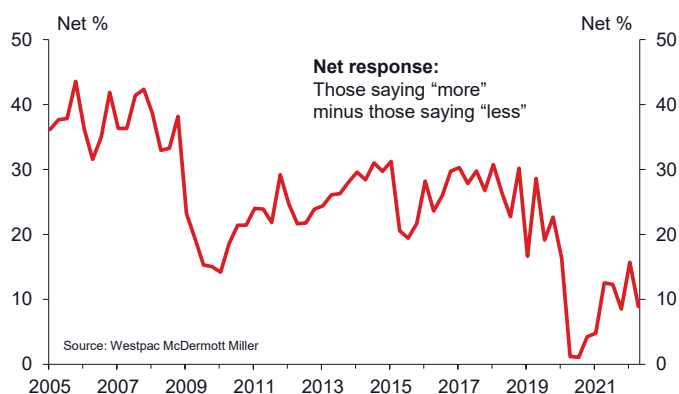
Do you think jobs are plentiful or hard to get in NZ?



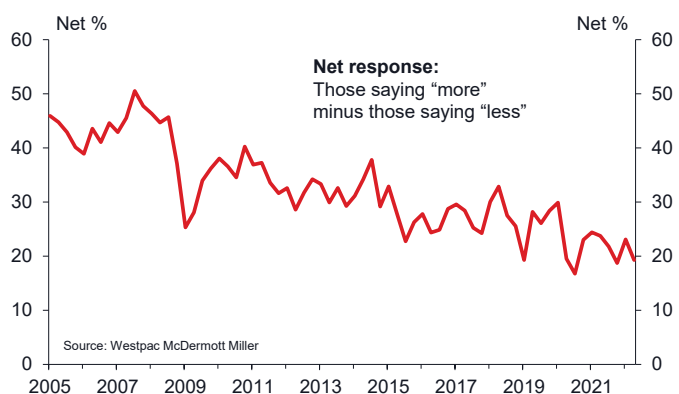
Job opportunities in NZ in a year's time



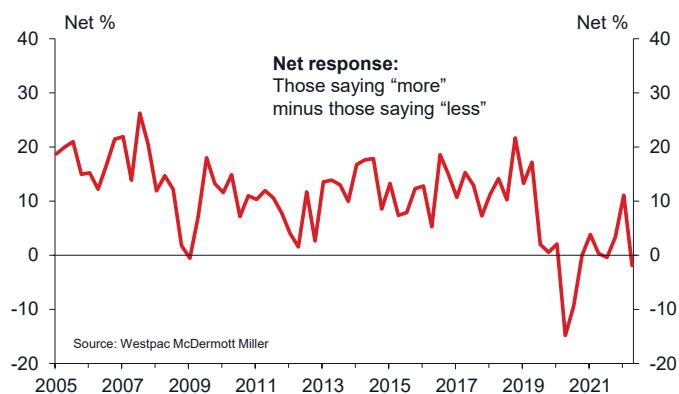
Earnings in paid work compared to last year



Earnings in paid work this time next year



Personal job security over the coming year



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