

WESTPAC MCDERMOTT MILLER EMPLOYMENT CONFIDENCE

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Jobs market downturn underway.

- Employment confidence fell by 7.4 points to 98.3 in the September quarter. This is the first time since March 2021 that households have held a negative view about the labour market.
- The decline was mainly due to a drop in perceptions regarding the availability of jobs, which often provides a useful lead on the direction of the unemployment rate.
- While the jobs market remains tight, the unemployment rate has risen from its record lows, with growth in demand for labour insufficient to soak up new entrants to the labour force.
- Notwithstanding elevated wage growth, respondents' confidence about earnings growth remains subdued, perhaps because wage increases are barely keeping pace with inflation.

Employment confidence indices

	Sep-23	Jun-23	Change
Employment Confidence Index	98.3	105.6	-7.4
Current Employment Conditions Index	100.0	112.2	-12.2
Employment Expectations Index	97.1	101.3	-4.2
Current job opportunities	-4.7	14.6	-19.3
Expected job opportunities	-24.4	-16.5	-7.9
Past earnings growth	4.7	9.8	-5.1
Expected earnings growth	17.0	20.0	-2.9
Own job security	-1.3	0.4	-1.7

Employment Confidence Index



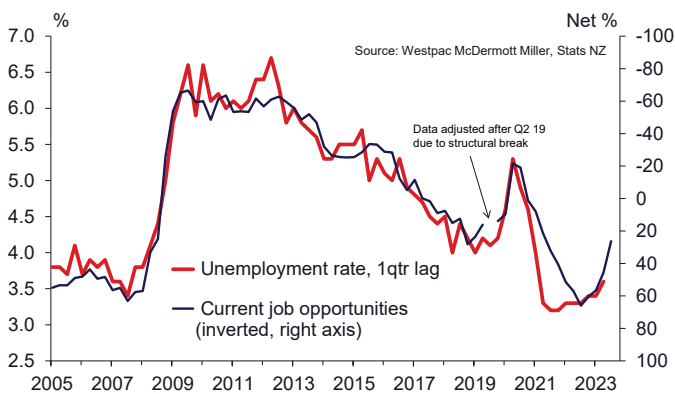
New Zealanders no longer remain optimistic about the state of the labour market. The Westpac-McDermott Miller Employment Confidence Index fell 7.4 points in the September quarter, dropping to 98.3 (a level below 100 signals that there are more

New Zealanders who are pessimistic about the state of the labour market than those who are optimistic). This is the first time since March 2021 that households have held a negative view about conditions in the labour market, and the lowest reading for the index since December 2020.

The biggest contributor to the fall in confidence has been perceptions about current job opportunities, which sank by a further 19.3 points in September to -4.7. In part this may reflect a reduction in the rate of growth of new job opportunities, as suggested by job vacancy data and hiring intentions indicators in business surveys. However, it probably also reflects increased competition for those opportunities since the re-opening of the international borders. Indeed, in recent months, data published by Seek has indicated that the ratio of job applicants to job vacancies has increased to a record high.

Importantly, perceptions about current job opportunities has traditionally given a good steer on the direction of the unemployment rate. The latest reading suggests that we're likely to see a further rise in the unemployment rate over the rest of this year, from its still-low current level of 3.6%. This is consistent with what is suggested by other indicators that we follow. It is also consistent with the downturn in broader economic conditions that we highlighted in our recent *Economic Overview*.

Current job opportunities vs unemployment rate



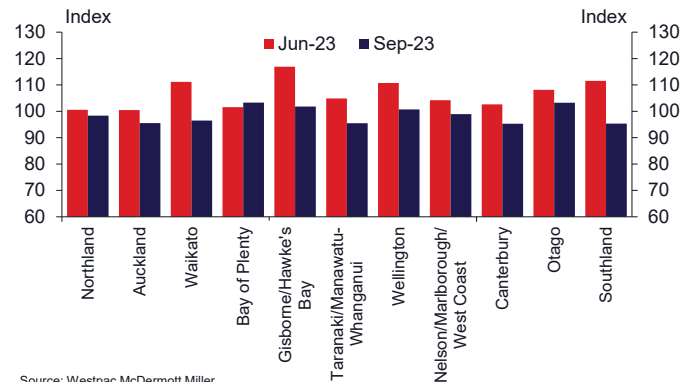
Interestingly, despite the weaker tone of the survey overall, it did not point to a marked decline in respondents' sense of their personal job security. Only a small net proportion of respondents considered that their job would become less secure over the coming year, which is broadly in line with that reported in recent surveys and still more positive than the fears that were held in the early days of the pandemic. That said, historically respondents have tended not to perceive their own jobs to be at risk, even when the unemployment rate has been trending sharply higher.

Elsewhere in the survey, fewer households reported a rise in their earnings over the last year – indeed the least since December 2020 – and expectations of an increase in the coming year were also down a little. Both these measures are sitting at historically low levels, even as the official data has shown a strong pickup in household earnings growth over the past year. Our best explanation remains that people are viewing their situation in inflation-adjusted terms. Those respondents that have been able to secure a cost-of-living pay increase probably still feel that they are not getting ahead. Indeed, last week's

June quarter GDP report pointed to a decline in real gross national disposable income over the past year when measured in per capita terms.

The survey results pointed to a decline in employment confidence across all regions aside from the Bay of Plenty, with the largest declines occurring in regions that had been relatively optimistic in the June quarter. The major population centres of Auckland and Canterbury are now amongst the most pessimistic regions. Perceptions about current job opportunities were down across all regions but especially so in Auckland. The latter may reflect especially intense competition for jobs from new migrants.

Employment confidence by region



The survey results were generally fairly similar across age groups and income levels. One difference was that younger people became more optimistic about the likelihood of an increase in their earnings over the coming year. That said, younger people always tend to be more optimistic, reflecting the fact that they tend to be earlier into their career progression and thus more likely to receive a future pay rise.

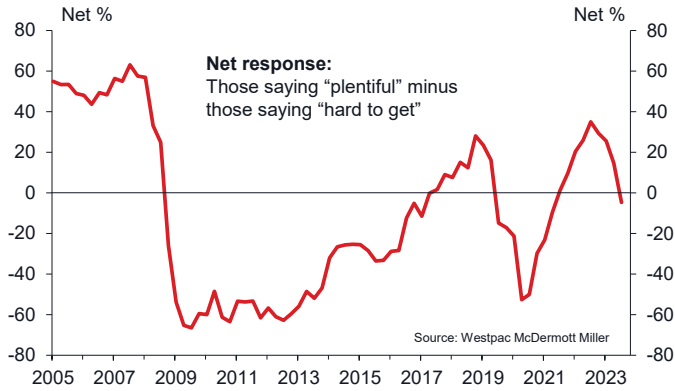
Those on lower incomes were more likely to report a decline in their sense of forward job security, but those on mid-to-higher incomes had noted the largest fall in current job opportunities over the past quarter.

Finally, while both males and females reported reduce employment confidence, the decline in the September quarter was greater for females than males. Moreover, females were more likely to have perceived a decline in current employment opportunities.

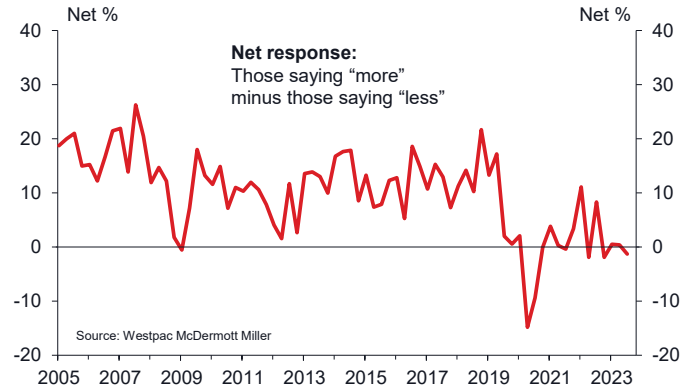
Survey details.

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 1-13 September 2023. The sample size was 1,551.

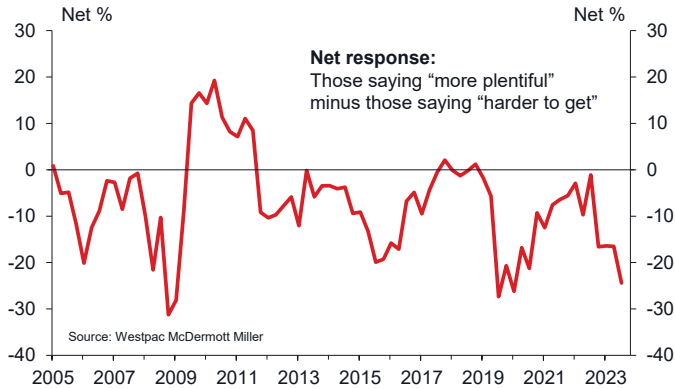
Do you think jobs are plentiful or hard to get in NZ?



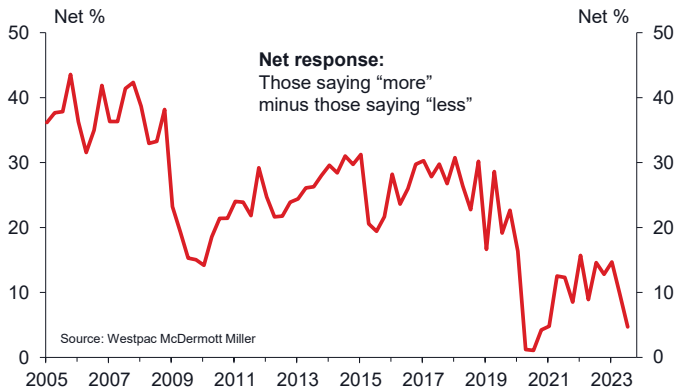
Personal job security over the coming year



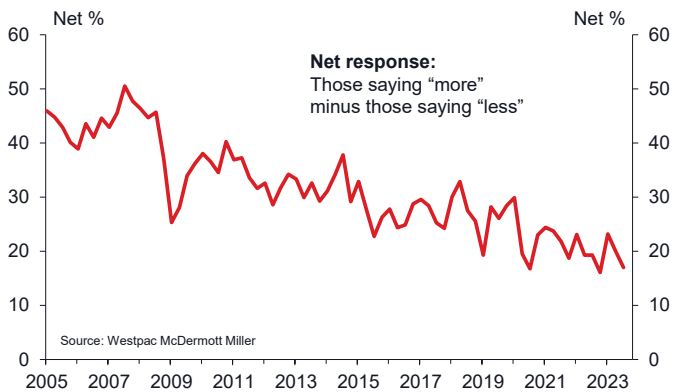
Job opportunities in NZ in a year's time



Earnings in paid work compared to last year



Earnings in paid work this time next year



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