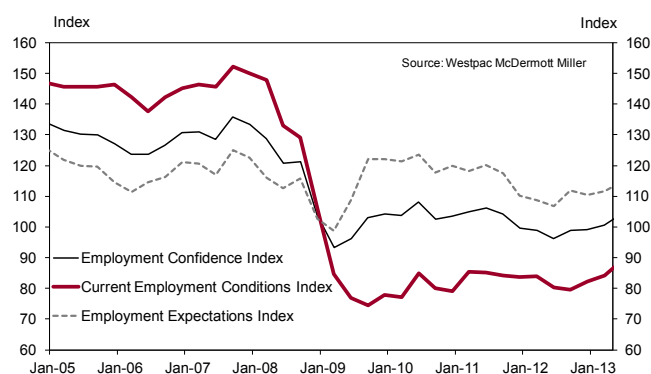


Keep on climbing

2013Q2 Westpac McDermott Miller Employment Confidence Index: 104.2

- **New Zealanders' employment confidence continues to improve.**
- **However perceived job opportunities and reported wage growth remain subdued by pre-2009 standards.**
- **Employment confidence continues to be relatively strong in Canterbury, but the gap has narrowed.**

Employment Confidence Index



The Westpac McDermott Miller Employment Confidence Index has risen for the fourth quarter in a row, to a cautiously optimistic 104.2. The last time it sat at that level was in September 2011.

An improvement in employment confidence isn't surprising - after all the official employment statistics released in May showed New Zealand's unemployment rate falling to the lowest level in nearly three years. However the official data can be volatile. This survey doesn't suggest that the labour market is off to the races - a slow uphill climb is a better characterisation.

In particular, while perceived job opportunities and the net percentage of people reporting wage increases have picked up, they remain very low by pre-recession standards. What's more, wage expectations have eased back for a second quarter in a row (perhaps a reflection of very low recent inflation). As such today's survey won't make the RBNZ feel more inclined to begin raising interest rates any time soon.

For some time now, the survey has painted a picture of a 'two-speed' labour market, with reported job opportunities and wage growth noticeably higher in Canterbury than in other parts of New Zealand (though even in Canterbury, they haven't recovered to pre-2009 levels). That continues to be the case, but there are signs of the gap narrowing: employment confidence has slipped a little in Canterbury but picked up in most other regions (indeed, Canterbury has now been bumped to second place by

the Waikato, where employment confidence has resurged as drought fears have eased).

Survey details

Employment Confidence Indices

| | Mar-13 | Jun-13 | Change |
|--------------------------------------------|--------------|--------------|------------|
| Employment Confidence Index | 100.7 | 104.2 | 3.6 |
| Current Employment Conditions Index | 84.3 | 88.8 | 4.5 |
| Employment Expectations Index | 111.6 | 114.5 | 2.9 |
| Current job opportunities | -55.9 | -48.6 | 7.3 |
| Expected job opportunities | -12.1 | -0.2 | 11.9 |
| Past earnings growth | 24.4 | 26.1 | 1.7 |
| Expected earnings growth | 33.3 | 29.9 | -3.4 |
| Own job security | 13.6 | 13.9 | 0.3 |

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, whereas the questions about the year ahead are summarised in the Employment Expectations Index.

Further details about the individual questions are in the charts on the last page. The survey took place over the period 1-10 June, with a sample size of 1568.

The biggest improvement was in current and expected job opportunities, but there were also modest increases in reported wage growth and job security. Expected wage growth slipped back.

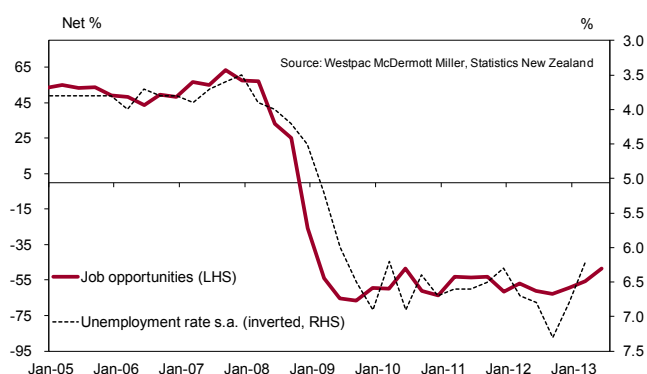
- The net percentage of people saying that jobs are easy, rather than hard to get, is steadily picking up (at -49%, it's now the highest since mid-2010). However this is still well below pre-recession levels (the last time respondents were upbeat on balance was in September 2008).

This question is about nationwide job opportunities, and people's responses may have been influenced by a much more upbeat Household Labour Force Survey. However we suspect people base their responses on a wider set of information, including their own experience. Last year perceived job opportunities didn't weaken nearly as much as the rise in the official unemployment rate might have suggested; the latest increase in perceived job opportunities has been correspondingly modest.

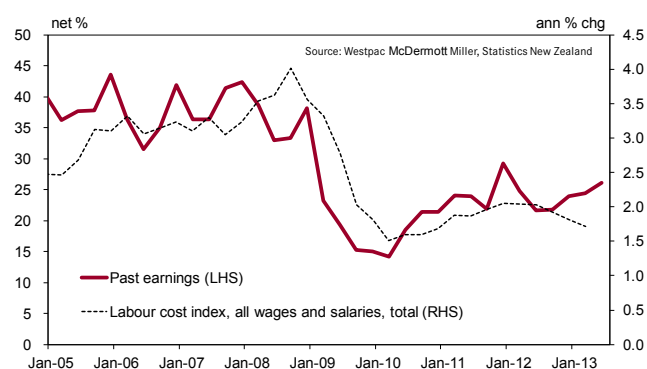
- Expectations for job opportunities over the coming year have picked up sharply, perhaps in part due to subsiding drought fears. Pessimists now only barely outnumber optimists, the best result since September 2011.

- The net percentage reporting rising earnings has risen for the fourth quarter in a row, and is now the highest since December 2011. However, reported earnings growth remains low by pre-2009 standards. What's more, the net percentage expecting earnings to rise over the coming year has slipped back for the second quarter in a row.
- Own job security rose a touch after rebounding three months ago. People are modestly optimistic for their own job security – as, indeed, they have been for most of the time since 2009. That's in line with other evidence that what's been holding the New Zealand labour market recovery back in the last couple of years hasn't been job losses, but employers' reluctance to hire.

Reported job opportunities and unemployment



Reported earnings and wage inflation



Regional and demographic breakdown

Employment confidence rose in most regions of New Zealand. Indeed, the only two regions where employment confidence slipped back were Canterbury and Auckland, which were lone beacons of optimism three months ago. That suggests the labour market recovery may be broadening outside these two centres. Six out of 11 regions are now optimistic on balance (confidence above 100). Easing fears around the North Island drought and surging global dairy prices may have played a role in some regions – the biggest lift in employment confidence was in the Waikato. However, there was no major North Island/South Island split, and the biggest improvement was in smaller centres (rather than rural regions).

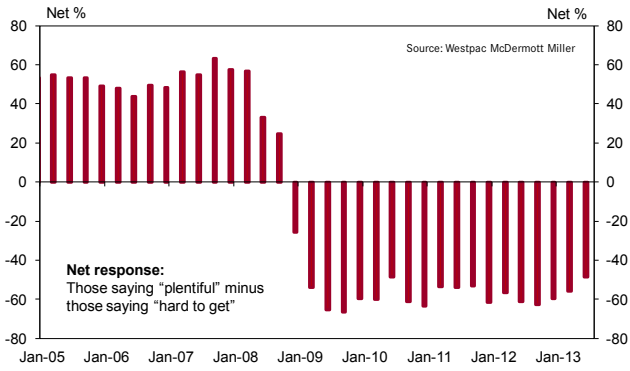
Employment confidence by region

| | Mar-13 | Jun-13 | Change |
|-----------------------------|--------|--------|--------|
| Northland | 94.5 | 95.0 | 0.4 |
| Auckland | 104.1 | 104.0 | -0.2 |
| Waikato | 96.2 | 114.2 | 17.9 |
| Bay of Plenty | 93.9 | 103.0 | 9.1 |
| Gisborne/Hawkes Bay | 95.8 | 99.9 | 4.1 |
| Taranaki/Manawatu | 96.3 | 99.8 | 3.4 |
| Wellington | 97.4 | 100.0 | 2.6 |
| Nelson/Marlborough/Westland | 98.3 | 104.4 | 6.1 |
| Canterbury | 113.6 | 110.6 | -3.0 |
| Otago | 88.8 | 102.1 | 13.3 |
| Southland | 95.2 | 98.4 | 3.2 |

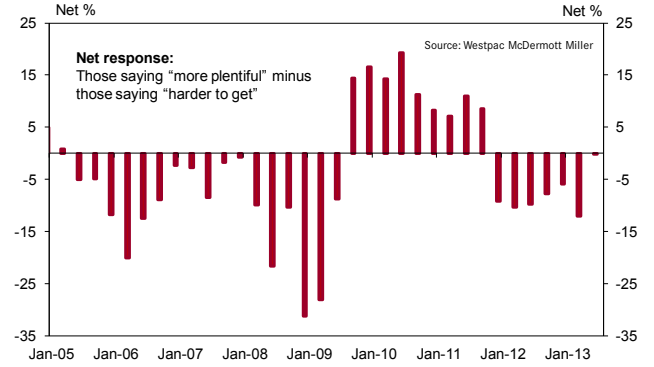
In other breakdowns, male and female employment confidence rose by similar amounts over the past three months, though female confidence continues to lag behind – perhaps reflecting relatively strong growth in construction-related industries of late, which tend to employ more males than females. By age, employment confidence rose most among the young, on the back of a particularly big lift in future job optimism, while the biggest lift by income was in the middle-income group. Again, a pickup in the construction sector (which also tends to benefit domestically-focused manufacturing) may be boosting the employment outlook for lower- and middle-income households.

Felix Delbrück
Senior Economist

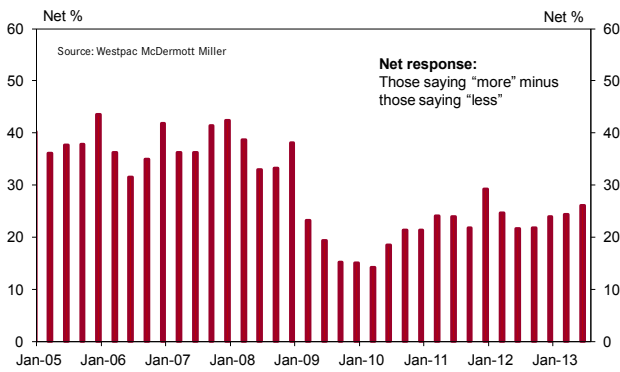
Do you think jobs are plentiful or hard to get in NZ?



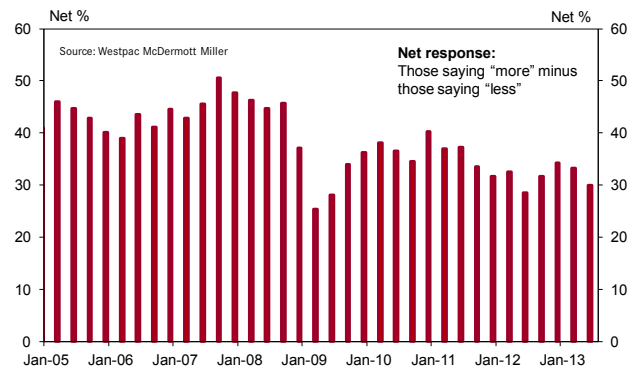
Job opportunities in NZ in a year's time



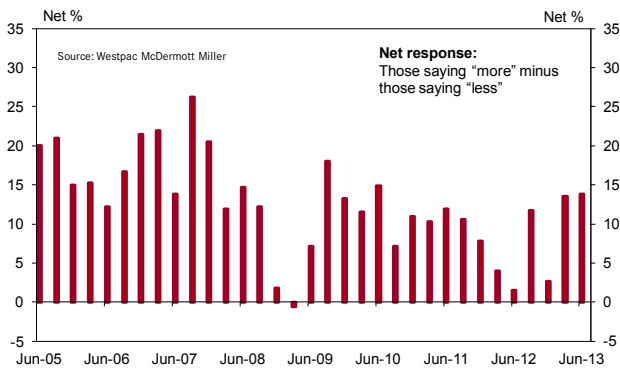
Earnings in paid work compared to last year



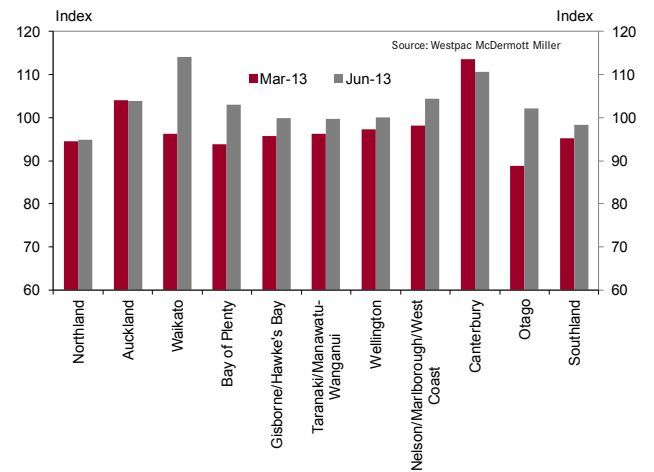
Earnings in paid work this time next year



Personal job security over the coming year



Employment confidence by region



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