

# Measured progress

## 2013Q4 Westpac McDermott Miller Employment Confidence Index: 103.4

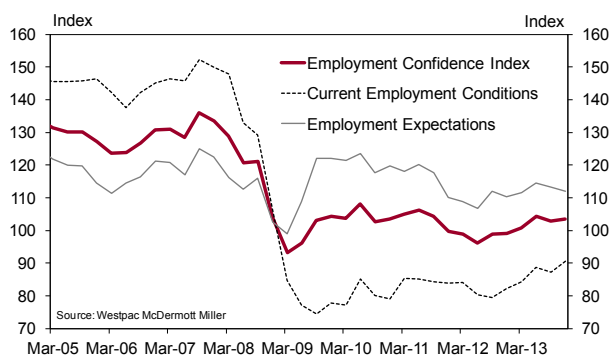
- New Zealanders' employment confidence rose slightly in December, continuing its gradual post-recession upturn.
- Perceived opportunities for jobseekers are improving, though they remain very soft compared to the pre-recession trend.
- Expectations of earnings growth have continued to decline, which may reflect low inflation outturns.
- The lift in employment confidence was concentrated in the main centres, with Canterbury remaining the standout region as the post-quake rebuild progresses.

The Westpac McDermott Miller Employment Confidence Index rose slightly in the December 2013 quarter, to a mildly optimistic 103.4. This is the second-highest reading of the last two years, though it remains at very subdued levels compared to the pre-recession trend. The relatively low level of the index fits with the observation that while the New Zealand economy was gathering a substantial head of steam over 2013 it had yet to reach its full capacity.

Some of the ongoing caution around labour market conditions can be traced to those already in work. Recent earnings growth has been subdued, and expectations for future earnings growth have actually been trending lower in recent years. Low inflation tends to be followed by low wage growth; while inflation is now starting to track higher, the fact that it fell to a 14-year low during 2013 is still likely to have reflected on recent pay negotiations, and could continue to do so into the near future.

Fortunately, there are signs that conditions are gradually improving for jobseekers. The rise in perceived job opportunities in the latest Employment Confidence Index is consistent with a swathe of other indicators: business surveys show that firms' employment intentions are at their highest in years, online job advertisements are up 15% on a year earlier, and the number of people receiving the Jobseeker Support benefit has fallen 5% in the last year. Together, these indicators give us more confidence that the unemployment rate will finally break below its post-recession range of 6-7% over the coming year.

### Employment confidence index



	Sep-13	Dec-13	Change
<b>Employment Confidence Index</b>	<b>102.8</b>	<b>103.4</b>	<b>0.6</b>
<b>Present Conditions Index</b>	<b>87.2</b>	<b>90.6</b>	<b>3.4</b>
<b>Employment Expectations Index</b>	<b>113.3</b>	<b>111.9</b>	<b>-1.3</b>
Current job opportunities	-51.9	-46.9	5.0
Expected job opportunities	-5.8	-3.4	2.4
Past earnings growth	26.3	28.0	1.8
Expected earnings growth	32.6	29.3	-3.3
Own job security	13.0	10.0	-3.0

### Survey details

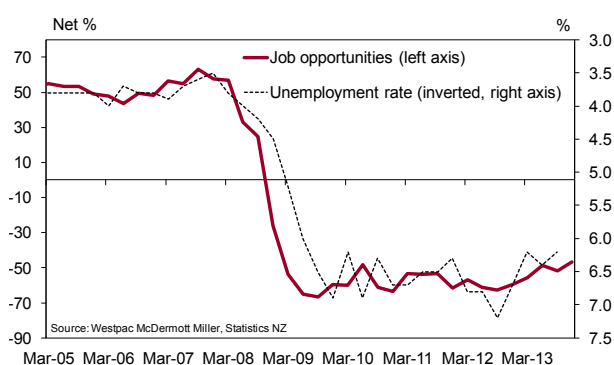
The Westpac McDermott Miller Employment Confidence Index summarises responses to five questions: households' perceptions of current and future job opportunities in New Zealand, their own actual and expected earnings, and expected changes in their own job security. The questions about current job opportunities and earnings are summarised in the Current Employment Conditions Index, while the questions about the year ahead are summarised in the Employment Expectations Index.

Further details about the individual questions are in the charts on the last page. The survey took place over the period 1-10 December, with a sample size of 1,569.

The assessment of current conditions improved for the fourth time in five quarters, to be at its highest since December 2008 – though it remains well below the levels seen prior to the recession. The improvement in current conditions was partly offset by a softening in expectations for the coming year, in particular around earnings and job security.

- The net percentage of people saying that jobs are easy rather than hard to get rose by five points to -4.7%. This was the least negative reading since December 2008. This measure has been a useful leading indicator of the unemployment rate, and supports our view that the unemployment rate should nudge a bit lower in the December quarter, from its previous outturn of 6.2%.
- Expectations of job opportunities over the coming year rose slightly to -3%, which is the average level over the ten-year history of this survey.
- The net percentage reporting higher earnings rose for the sixth quarter in a row, and was the second-highest since 2008. While this measure captures the prevalence of pay increases, the official Labour Cost Index suggests that the average size of those increases has actually been declining over the last year.
- The net percentage expecting earnings to increase over the next year fell to 29%, the lowest since June 2012.
- Expected job security eased slightly in the December quarter, though it remains higher than at the same time a year ago.

### Reported job opportunities and unemployment



### Employment Confidence by Region

Region	Sep-13	Dec-13	Change
Northland	104.2	99.0	-5.2
Auckland	101.8	103.3	1.6
Waikato	107.4	96.3	-11.1
Bay of Plenty	100.3	110.8	10.5
Gisborne/Hawkes Bay	99.1	94.5	-4.6
Taranaki/Manawatu	97.1	99.8	2.7
Wellington	96.3	104.0	7.7
Nelson/Marlborough/Westland	107.0	103.3	-3.7
Canterbury	113.1	115.0	1.9
Otago	99.0	96.2	-2.8
Southland	105.6	96.1	-9.6

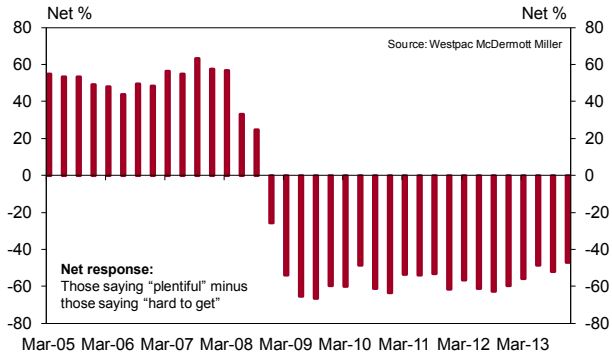
The overall lift in employment confidence was not widespread geographically, with gains in the three main centres but declines in most rural regions. That's more or less consistent with the recent trends in the Household Labour Force Survey, where unemployment rates in the three main cities were consistently falling over 2013 (even in Wellington), whereas unemployment in some rural regions has remained stubbornly high or even risen further.

Canterbury remains the most confident region (and the only one where the assessment of current conditions was net positive), an ongoing product of the post-earthquake rebuild. More surprisingly, the next most upbeat regions were the Bay of Plenty and Wellington, the latter bouncing back from being the most pessimistic region in September. In the case of the former, signs that the kiwifruit industry is finding ways to combat the PSA vine disease could be a factor; at the least it might explain why all of the improvement was in expectations rather than current conditions.

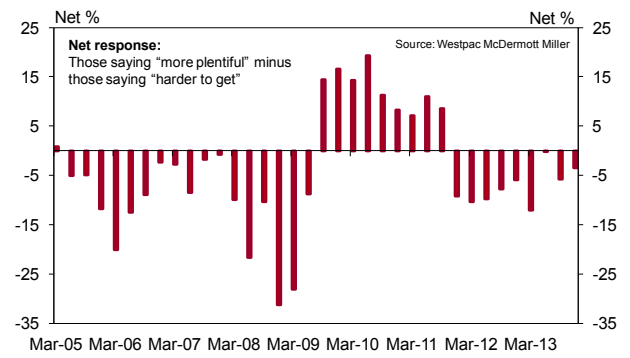
Other details showed that the rise in confidence was concentrated in the middle-income groups (\$30-70k per year), while it softened for those on both low and high incomes. Similarly, confidence rose the most for those aged 30-50, while it fell across the board for the under-30s.

**Michael Gordon**  
Senior Economist

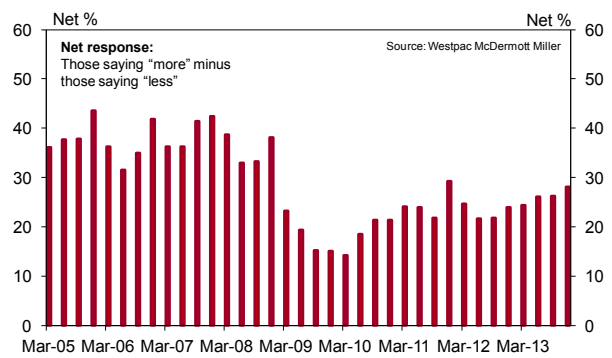
### Do you think jobs are plentiful or hard to get in NZ?



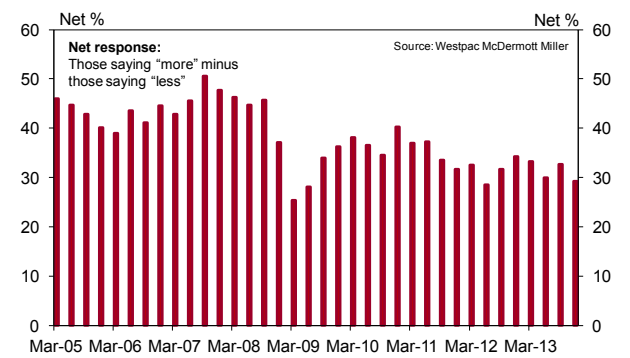
### Job opportunities in NZ in a year's time



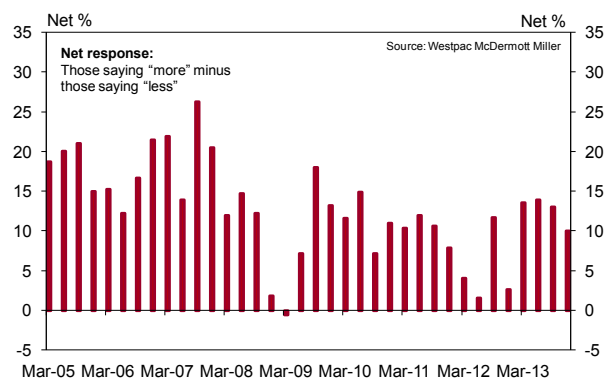
### Earnings in paid work compared to last year



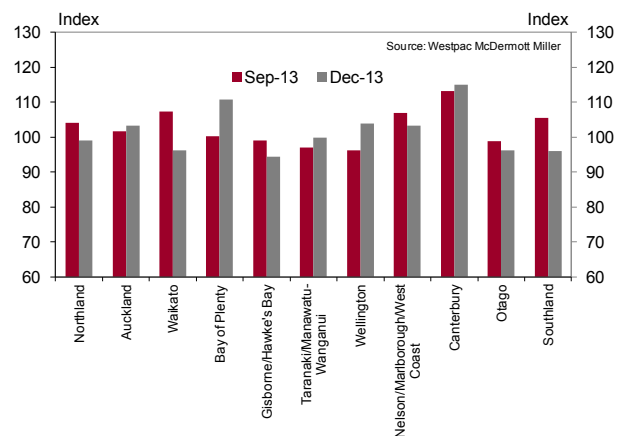
### Earnings in paid work this time next year



### Personal job security over the coming year



### Employment confidence by region



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