

Programmed Quarterly Labour Market Insights

NEW ZEALAND FEB 2022



KEY TAKEAWAYS



Unemployment rate
hits record low



Jobs growth extends
across industries
and regions



Omicron wave likely
to hit supply chains,
distribution



Inflationary wage
pressure likely
to intensify



Hiring challenges
grow

Steering through Omicron

New Zealand is about to head into largely uncharted economic waters as its exceptionally strong jobs market steers its way through the emerging Omicron phase of the pandemic.

One of the most remarkable recent features of the country's economic performance has been its accelerating jobs growth in the face of COVID disruption.

The latest figures from Statistics NZ show that the unemployment rate fell to a record low 3.2% in the December quarter, down from a revised 3.3% in the September quarter.

There were an additional 3,000 people employed in the December quarter – 5,000 more men and 2,000 fewer women. Employment growth remains a healthy 3.7% over the year.

Unemployment rate, by sex, seasonally adjusted, December 2007–December 2021 quarters



A sustained jobs surge

The ANZ’s Monthly Employment Indicator also shows the extraordinary jobs growth that prevailed through the final months of 2021.

As at the end of November, firms had posted 10 months straight of jobs growth. In fact, jobs growth accelerated in November, up 0.4% month-on-month and 4.3% over the year.

Annual growth in filled jobs and employment



Source: Stats NZ, Macrobond, ANZ Research

The data shows that New Zealand's economy and the labour market in particular has weathered the second phase of the lockdown better than the first.

The December quarter data from Statistics NZ shows that the labour market recovery over the past 12 months has been broad-based – extending across industries and regions.

Over the course of the year, the largest changes in the number of filled jobs were:

Construction

up 8.3% (15,430 jobs)

Professional, scientific, and technical services

up 8.5% (14,792 jobs)

Health care and social assistance

up 5.7% (14,123 jobs)

Retail trade

up 4.9% (10,692 jobs)

Public administration and safety

up 5.9% (8,681 jobs)

By region, the largest changes in the number of filled jobs over the course of the year were in:

Auckland

up 4.2% (32,039 jobs)

Canterbury

up 3.8% (11,046 jobs)

Waikato

up 4.7% (10,141 jobs)

Wellington

up 3.3% (8,283 jobs)

Bay of Plenty

up 3.9% (5,380 jobs)



Wage pressure set to grow

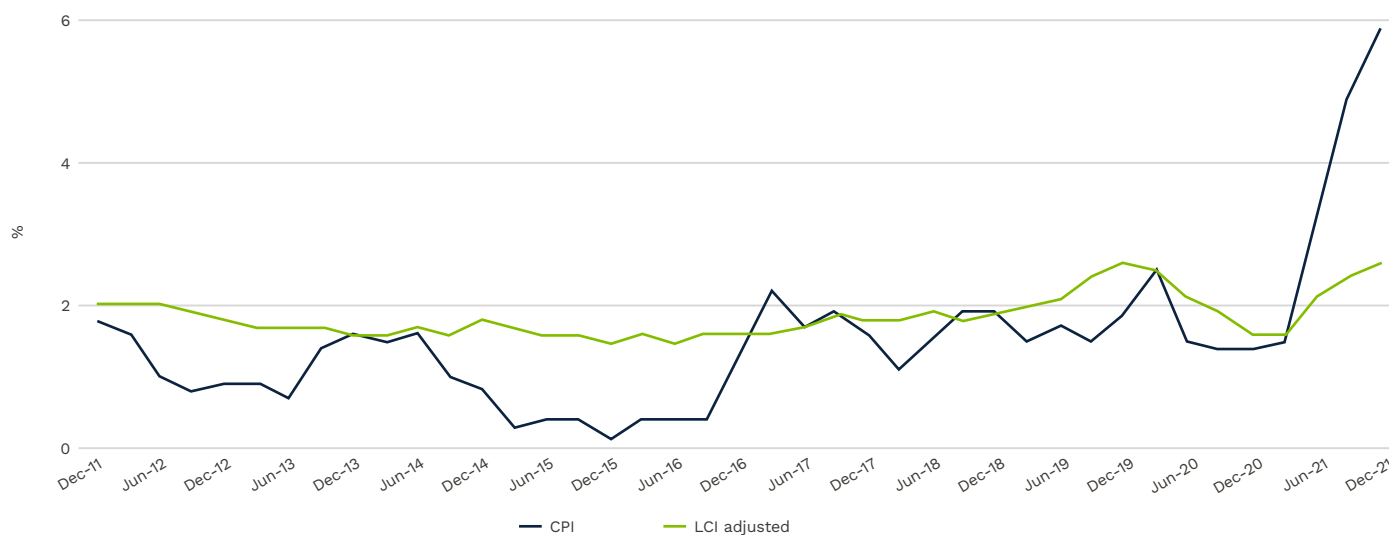
All the evidence points to a tightening jobs market, with robust employment growth in spite of the COVID disruption. Reflecting the more challenging hiring conditions, SEEK reports that the number of applications per job ad is down 39% over the past two years.

One of the most watched features will be on the wages front, particularly in light of the most recent annual inflation rate which climbed to 5.9% in the December quarter.

The Statistics NZ measure of wage inflation, the labour cost index (LCI), rose by a moderate 2.6% in the year to the December quarter, while average ordinary time hourly earnings rose 3.8%.

However, average hourly earnings in the private sector increased 4.1% over the year, pointing to the emergence of wage pressures, particularly in areas such as construction.

LCI and CPI, annual percent change, December 2011–December 2021 quarters



LCI – labour cost index – all salary and wage rates | CPI – consumers price index – all groups



The outlook

The question is how the buoyant jobs market and broader economic activity will be impacted as the more virulent Omicron strain inevitably spreads across the workforce and the community.

One guide is the Australian experience, notably in the eastern states, where Omicron is widespread. The evidence points to significant disruption to supply chains and logistics, shortages of some products, price increases and absenteeism, causing significant challenges for industry.

On a more positive note, the overall economic impact in Australia appears less severe than with the Delta strain, and the worst of the supply constraints have started to ease as the peak of the wave has passed.

There is no question that NZ businesses remain wary. The ANZ Business Outlook Index fell to -23.2 in December 2021 from -16.4 a month earlier, marking its seventh straight month of negative reading.

It's also very likely that the Reserve Bank of New Zealand will see this latest jobs data, in conjunction with the inflation surge, as reason to pull the trigger on another rate hike.

The next few months will present businesses with more challenges – but perhaps nothing more daunting than they've weathered so far.

Analysis completed on behalf of Programmed from sources including Statistics NZ, Labour Market Statistics, SEEK New Zealand Employment Reports, ANZ Monthly Employment Indicator and the Reserve Bank of New Zealand.