

Input to your Strategy for Adapting to Challenges

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Signs of employment weakness

The monthly surveys I run probably don't get officially incorporated in the Reserve Bank's calculations of where the economy is headed because they haven't been running over a long enough period of time. Instead they would undertake close examination of the information coming through from the likes of the ANZ's Business Outlook Survey and NZIER Quarterly Survey of Opinion which have both been running for decades.

Nonetheless, I reckon I can still glean some interesting things from my surveys beyond the headline measures such as whether real estate agents are seeing more first home buyers or investors, whether banks seem willing to lend more, and whether consumers plan spending more or less on stuff generally.

Specifically, from my monthly Spending Plans Survey we can gain some insights into how the labour market is faring or at least how people are feeling about it. I can supplement those insights with information from my real estate agent survey with NZHL and my Business Survey with Mint Design.

So, let's do that for the labour market and see what sort of picture is coming through. Keep in mind that the Reserve Bank needs to see solid weakness in the labour market before it can be confident that wages growth is going to sustainably pullback from high rates and business cost pressures generally related to labour shortages will ease.

They're having to wait a long time for this information to come through because of the over-stimulus they provided to the economy over 2020-22. By creating economic conditions which pushed the unemployment rate down to 3.2% and caused businesses to express their greatest difficulties ever in finding staff, willingness to lay people off this policy tightening cycle has been low. Businesses have hoarded labour and despite two years of falling retail sales the unemployment rate has only climbed to 4.0% which is where it was back at the end of 2019 when the official cash rate was 1% and not the current 5.5%.

From my Spending Plans Survey we can see that the net proportion of respondents indicating that they are concerned about their jobs and/or work hours has increased over the past couple of

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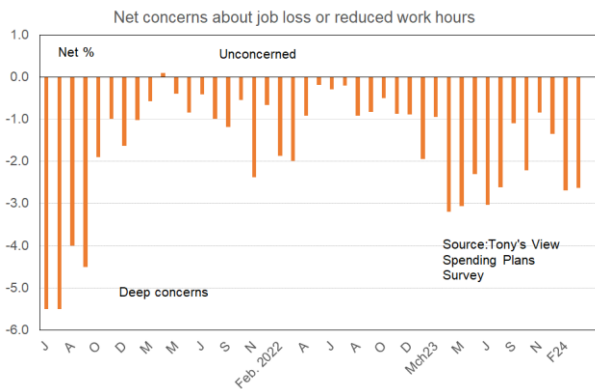
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months. But the level of concern is only back to where it was in the middle of last year and that suggests weak labour market conditions are not really hitting home yet.



From my Business Survey with Mint Design for which this month's results will be out in a few days, we can see that more businesses are saying that it is getting easier to find good staff than say it is getting harder. But following a shift in this measure over the second half of last year you'd be hard-pressed to say that so far this year things are moving solidly in favour of businesses finding it easier and easier to get the staff they want.

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However, the net proportion of people expressing worries about their wages has grown to the highest level since 2020, seen in this next graph. So, the Reserve Bank is getting taction in the labour market but it is early days yet.

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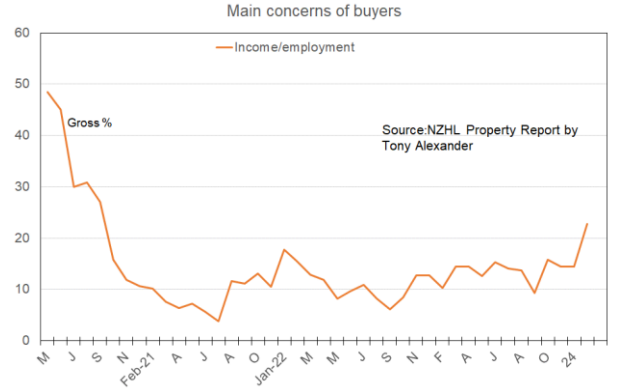
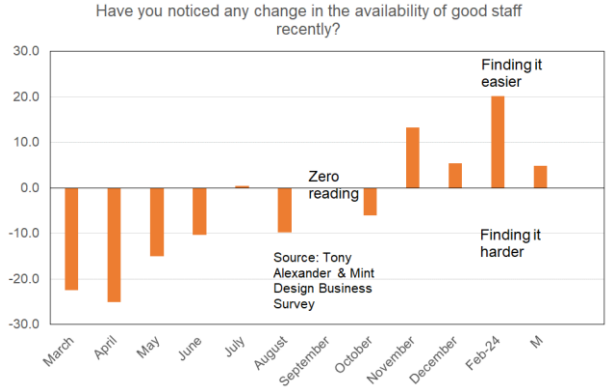


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Finally, from my survey of real estate agents with NZHL we reported a couple of weeks back that the proportion of agents observing that people are worried about their employment has just climbed. A gross 23% of agents now rate this as a buyer concern compared with 14% a month earlier. This is the highest reading since September 2020.

What does this mean? It means that retailers and home sellers have yet to feel the full impact of people worrying about their incomes. All they've been dealing with so far are the effects of higher mortgage interest rates and the ending of the pandemic binge on consumer durables. Worse is set to come.

In case you missed it

This week I released the results of my monthly survey of mortgage brokers sponsored by ortgages.co.nz. Key findings included these.

- Buyer interest in residential property remains but it has eased slightly recently.
- Bit by bit banks are slowly easing their lending criteria.

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- Borrowers overwhelmingly only want to fix their interest rate for a period of one year or less.

mortgages.co.nz & [Tony Alexander Mortgage Advisers Survey - March 2024 - mortgages.co.nz](#)



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If I were a borrower, what would I do?

There have been only minor movements in wholesale interest rates this week and no meaningful changes in bank mortgage rates. Here as is the case offshore, we are all waiting for time to pass, inflation rates to fall, and our central banks to gain confidence that the outlook for inflation is sufficiently low to allow monetary policy to ease.

In that regard noting much new of relevance to the outlook here was learnt this week. Even the economic growth data released this morning don't really count for anything. They show us – subject to revisions – where our economy was at about four months ago on average. In mild recession.

Since then the housing market has somewhat flattened out, consumer sentiment in my monthly measure has worsened, dairy prices have eased a tad, the fiscal outlook has deteriorated, the government has warned of tough times ahead, the outlook for house construction has worsened, and consumer spending data have been bad.

We await the Reserve Bank's next review of monetary policy on April 10.

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