

# Labour Market Statistics – 2021Q4

2 February 2022



This is not personal advice nor financial advice about any product or service. It does not take into account your financial situation or goals. Please refer to the Important Notice.



## Contact

Finn Robinson or Sharon Zollner for more details.

## Data summary

		Latest
<b>Labour market</b>		
HLFS unemployment rate (sa)		3.2%
HLFS participation rate (sa)		71.1%
HLFS employment (sa)	q/q	0.1%
HLFS employment	y/y	3.7%
HLFS hours worked (sa)	q/q	7.6%
<b>Wages</b>		
LCI private sector wages (ex-overtime)	q/q	0.7%
LCI private sector wages (ex-overtime)	y/y	2.8%
QES private sector hourly earnings (ex-overtime)	q/q	1.4%
QES private sector hourly earnings (ex-overtime)	y/y	4.1%
QES total gross earnings	y/y	10.6%

## Another record low

### Bottom line

- We haven't seen a labour market this tight during the inflation-targeting era. The unemployment rate fell to 3.2% – a new record low in the Household Labour Force Survey, which started in 1986. The data points to further tightening in the labour market ahead, even though employment came in below our expectations, with employment rising just 0.1% q/q (4.7% y/y). Participation dropped slightly to 71.1% from its previous record high of 71.2%.
- Wages are rising, with labour costs up 0.7% q/q (2.8% y/y) and average hourly earnings up 1.4% q/q (4.1% y/y) in Q4. Both prints were solid for a December quarter, especially hourly earnings. But wage growth still has a way to go to keep up with inflation running at nearly 6% (and **expected to peak** at 6.4% in Q1).
- Like inflation, the labour market has continued to drift beyond the RBNZ's target. And as workers use their newfound bargaining power to demand larger-than-usual wage rises to compensate for surging inflation, that is likely to exacerbate the rise in domestic inflation pressures over 2022. The RBNZ has a **job to do** to get on top of rising inflation – and we think that entails hiking the OCR all the way to 3% in April 2023, assuming no downside risks eventuate.

### The view

We haven't seen a labour market this tight in the 'official' macroeconomic data of New Zealand, which begins in 1986. The unemployment rate has fallen to a record low of 3.2% in Q4, from a downwardly revised 3.3% in Q3. That was a touch above our forecast for 3.0%, with lower (but still very high) participation and a small 0.1% q/q lift in employment sending unemployment lower.

Looking at the details, it's clear that the ongoing impact of the Delta outbreak has been a touch more persistent than the monthly indicators suggested. Underemployment lifted to 3.4% of the labour force (3.2% previously), while average hours worked are still down 4.1% y/y. And with the Omicron variant now dominant in New Zealand, it's likely we'll see further volatility in measures of labour utilisation, as worker absenteeism has been very high overseas during the latest Omicron wave.

But overall, the data confirms that the labour market is continuing to tighten, and that's seeing Kiwi firms jostle to hire from the rapidly shrinking pool of domestic applicants. Forward-looking employment indicators from both the **QBSO** and our **Business Outlook** suggest that the demand for labour is unlikely to be satiated while the border remains closed – adding further capacity constraints to an economy that's already battling against COVID disruptions.

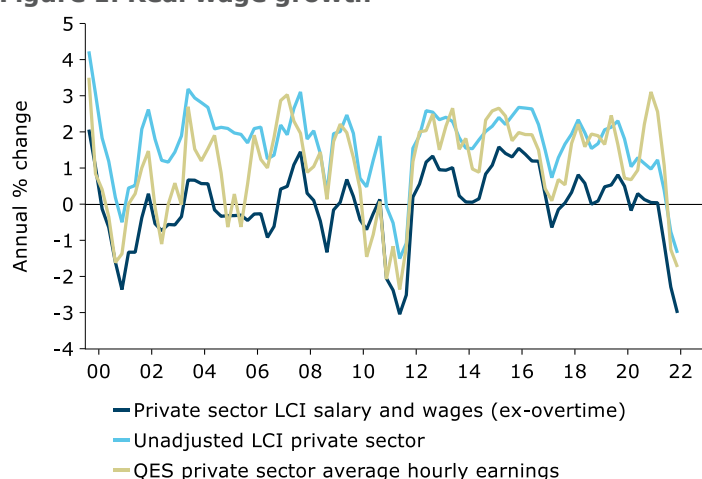
The labour market is now in a considerably stronger place than anyone expected a year ago, and it's pretty clear that both the inflation and employment aspects of the RBNZ's dual mandate are now well beyond target.

Turning to the details of the release:

- Employment was up 0.1% q/q (3.7% y/y) in Q4, versus 1.9% q/q (3.8% y/y) previously. The rise in employment was considerably weaker than the signals from the [monthly filled jobs data](#), which showed a 0.7% q/q gain in filled jobs, but such discrepancies aren't uncommon, given they're measuring slightly different concepts.
- The participation rate remained very high at 71.1% – a touch below its 71.2% record high in Q3, possibly reflecting the ongoing impact of the Delta outbreak. COVID remains a risk to participation – we could easily see a [significant drop](#) as Omicron spreads throughout the community. That would only increase the pressure in the labour market, by reducing the supply of labour at a time where demand seems insatiable.
- Wage growth has increased again, with private sector average hourly earnings up 1.4% q/q (4.1% y/y) and labour costs rising 0.7% q/q (2.8% y/y) in Q4. A larger share of workers are now getting larger wage rises, with 20% of roles receiving a 5% or higher annual wage rise – similar to 2007. Wages are still lagging behind the [nearly 6% increase](#) in consumer prices in the year to December, and private sector real hourly earnings are down 1.7% y/y (figure 1). But wages don't stay low in a labour market this tight – we expect a significant lift in wage growth over 2022.
- Measures of underutilisation were mixed, reflecting the ongoing impact of the Delta outbreak on how much people are actually working. Underemployment ticked up to 3.4% of the labour force (3.2% previously), while the unemployment rate dropped to a record low of 3.2%. The overall underutilisation rate was steady at 9.2% (a post-GFC low). Average hours worked have retraced some of their lockdown-induced decline, but are still down 4.1% y/y.

One might wonder if 3.2% unemployment is as good as it gets for the labour market. But unless the wheels abruptly fall off, it's looking like we'll see a further tightening over coming months – and could see the unemployment rate with a 2-handle in no time at all. Labour demand is still well in excess of supply, and with the border remaining closed, there's no real prospect of a significant rise in labour supply just yet. And even when the border does open, there will be a queue to get out, as well as one to get in.

**Figure 1. Real wage growth**



Source: Stats NZ, Macrobond, ANZ Research

---

## RBNZ implications

This is a highly inflationary set of labour market data. There's a real risk the tight labour market will exacerbate underlying inflation pressures – which are [already too high](#)).

The only options firms have to fill vacancies at this point are poaching staff from other firms (through higher pay – that's inflationary), or luring economically inactive people into the labour force with higher pay and/or better conditions (again, good news for them, but also inflationary). And with COVID continuing to negatively impact productivity, firms will likely end up paying higher wage bills for less output per worker. That feeds into higher consumer prices, since firms can't absorb shrinking margins indefinitely. And if consumer prices are rising strongly, workers will then leverage their increased bargaining power to secure larger wage rises. It's a self-reinforcing inflation cycle, where every adjustment is entirely justified and only reasonable, but one where potentially no one ends up any better off in real terms.

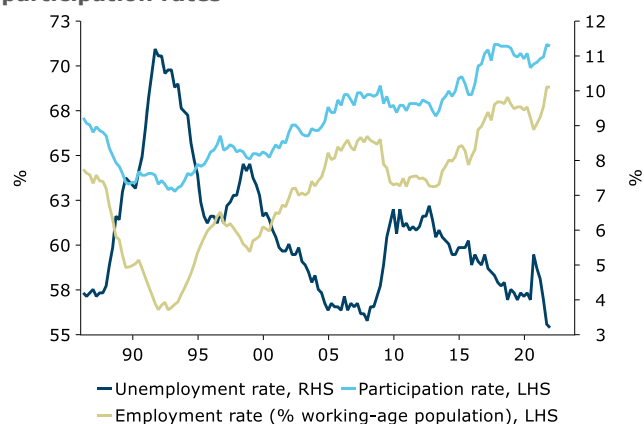
And then there's the Omicron wildcard. With COVID case numbers on the rise over the past few days, the big question is: what will it do to the economy? If we get a proportionately similar-sized outbreak to what we've seen in the UK, US, and Australia, then we can expect a few months of supply-chain chaos, which will only add to what's already a highly inflationary environment. More importantly, though, we could see a [significant drop in participation](#) as older workers, who have been key drivers of stronger participation in recent decades, may prioritise minimising their health risks and drop out of the labour force, at least for a time. Lower participation in the US has contributed to [significant rises](#) in employment costs for firms as the 'great resignation' weighs on labour supply.

With so much domestically generated inflation likely to come from the labour market over 2022, the RBNZ will need to act to get ahead of the potential wage-price spiral that could develop. And we think that will require [interest rate hikes at every meeting](#) until the OCR reaches 3% in April 2023. It will be a difficult balancing act though, as risks to economic growth are very much to the downside, with the housing market slowing, consumer and business confidence looking soft, and another round of COVID disruption imminent. There's plenty that could knock the economy off course over the next year. That speaks to the RBNZ continuing with 25bp hikes, rather than double-headers, in order to preserve optionality should downside risks require a pause in, or even reversal of, OCR hikes.

## Market implications

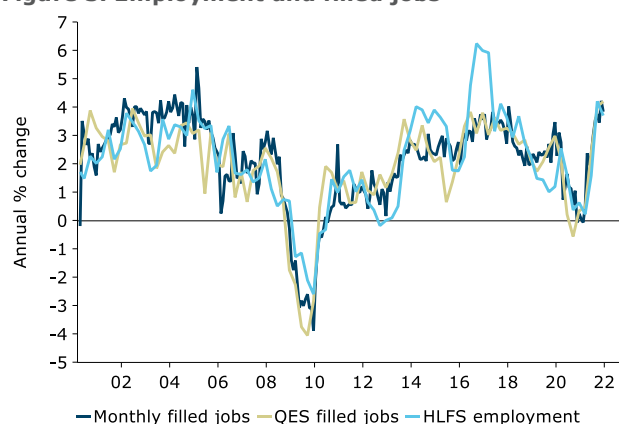
Once the dust settles, we think markets will judge today's data to still be very robust. While it wasn't quite as strong as we expected (we were pencilling in stronger employment and a 3.0% unemployment rate), we were at the "top" of market and the data still represent a tightening compared to Q3, and compared to the RBNZ's forecast. The unemployment rate is also, after all, at a new record low. Going into today's data, markets were already pricing in roughly one in three odds that we'd see a 50bp, rather than 25bp hike, at this month's RBNZ meeting. We still expect a 25bp hike, and market expectations have come back a touch, and are now pricing in "just" one in five odds of a 50bp hike. But it's hard to envisage markets completely discounting the possibility of a 50-pointer given this incremental tightening in the jobs market. In short, we think this will ease fears of a 50-pointer, but not eliminate them. The NZD dipped a touch on the data, but as with the rates reaction, the move was small and more of a correction than a full-blown reassessment.

**Figure 2. Unemployment, employment, and participation rates**



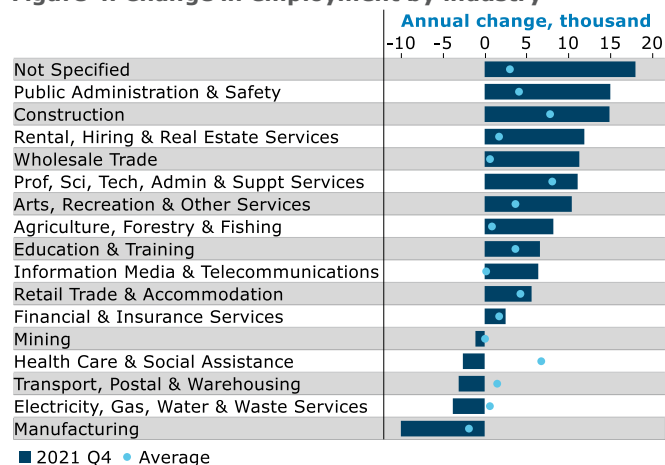
Source: Stats NZ, Macrobond, ANZ Research

**Figure 3. Employment and filled jobs**



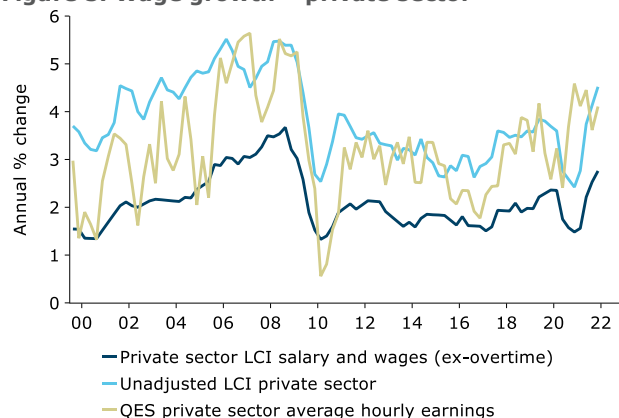
Source: Stats NZ, Macrobond, ANZ Research

**Figure 4. Change in employment by industry**



Source: Stats NZ, ANZ Research

**Figure 5. Wage growth – private sector**



Source: Stats NZ, Macrobond, ANZ Research



## Contact us

---

### Meet the team

We welcome your questions and feedback. Click [here](#) for more information about our team.



**Sharon Zollner**  
Chief Economist

Follow Sharon on Twitter  
@sharon\_zollner

Telephone: +64 27 664 3554  
Email: [sharon.zollner@anz.com](mailto:sharon.zollner@anz.com)

General enquiries:  
[research@anz.com](mailto:research@anz.com)

Follow ANZ Research  
@ANZ\_Research (global)



**David Croy**  
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022  
Email: [david.croy@anz.com](mailto:david.croy@anz.com)



**Susan Kilsby**  
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 633 469  
Email: [susan.kilsby@anz.com](mailto:susan.kilsby@anz.com)



**Miles Workman**  
Senior Economist

Macroeconomic forecast co-ordinator, fiscal policy, economic risk assessment and credit developments.

Telephone: +64 21 661 792  
Email: [miles.workman@anz.com](mailto:miles.workman@anz.com)



**Finn Robinson**  
Economist

Macroeconomic forecasting, economic developments, labour market dynamics, inflation and monetary policy.

Telephone: +64 21 629 553  
Email: [finn.robinson@anz.com](mailto:finn.robinson@anz.com)



**Kyle Uerata**  
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894  
Email: [kyle.uerata@anz.com](mailto:kyle.uerata@anz.com)



**Natalie Denne**  
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 253 6808  
Email: [natalie.denne@anz.com](mailto:natalie.denne@anz.com)





## Important notice

---

Last updated: 15 October 2021

**This document is intended for ANZ's Institutional, Markets and Private Banking clients. It should not be forwarded, copied or distributed. The opinions and research contained in this document are (a) not personal advice nor financial advice about any product or service; (b) provided for information only; and (c) intended to be general in nature and does not take into account your financial situation or goals.**

This document may be restricted by law in certain jurisdictions. Persons who receive this document must inform themselves about and observe all relevant restrictions.

**Disclaimer for all jurisdictions:** This document is prepared and distributed in your country/region by either: Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**); or its relevant subsidiary or branch (each, an **Affiliate**), as appropriate or as set out below.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing contained within is intended to be an invitation, solicitation or offer by ANZ to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ would be subject to additional licensing or registration requirements. Further, the products and services mentioned in this document may not be available in all countries.

ANZ in no way provides any financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate, ANZ does not represent or warrant the accuracy or completeness of the information. Further, ANZ does not accept any responsibility to inform you of any matter that subsequently comes to its notice, which may affect the accuracy of the information in this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

ANZ does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Past performance is not necessarily an indicator of future performance. The products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (Liability) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise out of or in connection with this document to the extent permissible under relevant law. Please note, the contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ and its Affiliates may have an interest in the subject matter of this document. They may receive fees from customers for dealing in the products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in the products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ's policies on conflicts of interest and ANZ maintains appropriate information barriers to control the flow of information between businesses within it and its Affiliates.

Your ANZ point of contact can assist with any questions about this document including for further information on these disclosures of interest.

**Country/region specific information:** Unless stated otherwise, this document is distributed by Australia and New Zealand Banking Group Limited (**ANZ**).

**Australia.** ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please or request from your ANZ point of contact.

**Brazil, Brunei, India, Japan, Kuwait, Malaysia, Switzerland, Taiwan.** This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

**Cambodia.** The information contained in this document is confidential and is provided solely for your use upon your request. This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

**Chile.** You understand and agree that ANZ Banking Group Limited is not regulated by Chilean Authorities and that the provision of ANZ Research is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

**European Economic Area (EEA): United Kingdom.** ANZ is authorised in the United Kingdom by the Prudential Regulation Authority (**PRA**) and is subject to regulation by the Financial Conduct Authority (**FCA**) and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited ANZ solely for the information of persons who would come within the FCA definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (**PRA**) and the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

**Fiji.** For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

**Hong Kong.** This publication is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this publication have not been reviewed by any regulatory authority in Hong Kong.



## Important notice

**India.** If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

**Myanmar.** This publication is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This publication is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

**New Zealand.** This material is for information purposes only and is not financial advice about any product or service. We recommend seeking financial advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.

**Oman.** ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently ANZ is not regulated by either the Central Bank of Oman or Oman's Capital Market Authority. The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

**People's Republic of China (PRC).** This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. Accordingly, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

**Qatar.** This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (**QCB**), the Qatar Financial Centre (**QFC**) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (**Qatar**); or

- authorised or licensed for distribution in Qatar,

and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC. The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

**Singapore.** This document is distributed in Singapore by the Singapore branch of ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act Cap. 289 of Singapore). ANZ is licensed in Singapore under the Banking Act Cap. 19 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act Cap. 100 of Singapore. In respect of any matters arising from, or in connection with, the distribution of this publication in Singapore, please speak to your usual ANZ contact in Singapore.

**United Arab Emirates (UAE).** This document is distributed in the UAE or the Dubai International Financial Centre (**DIFC**) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (DIFCML) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

**United States.** Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (**ANZ SI**) which is a member of the Financial Regulatory Authority (**FINRA**) ([www.finra.org](http://www.finra.org)) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use this website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use this website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts: Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is an FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

**Vietnam.** This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.

This document has been prepared by ANZ Bank New Zealand Limited, Level 26, 23-29 Albert Street, Auckland 1010, New Zealand, Ph 64 9 357 4094, e-mail [nzeconomics@anz.com](mailto:nzeconomics@anz.com), <http://www.anz.co.nz>