

Labour Market Statistics – Q4 2024

5 February 2025

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Data summary – Q4 2024

		Latest	RBNZ
Labour market			
HLFS unemployment rate (sa)		5.1%	5.1%
HLFS participation rate (sa)		71.0%	71.1%
HLFS employment (sa) q/q		-0.1%	-0.3%
HLFS employment y/y		-1.1%	-1.0%
Wages – LCI			
Private sector wages (all salary and wage rates) q/q		0.6%	0.5%
Private sector wages (all salary and wage rates) y/y		3.0%	2.8%
Wages – QES			
Private sector hourly earnings (ordinary time) q/q		1.3%	N/A
Private sector hourly earnings (ordinary time) y/y		4.0%	2.8%

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As expected

Bottom line

- The Q4 labour market data were broadly as expected. The unemployment rate lifted from 4.8% to 5.1%, as employment contracted 0.1% q/q and the participation rate fell 0.1%pts to 71.0%.
- The underlying details of the release highlight that the labour market is operating with a large degree of excess capacity, and measures of wage growth remain on a path to levels consistent with inflation near the RBNZ's 2% target midpoint.
- Today's data all but locks in a 50bps OCR cut at the RBNZ's next meeting on 19 February. Thereafter, we continue to forecast a further 25bp cut in April, with the balance of the Q4 labour market and CPI inflation data, and the Q3 GDP data tilting the risks toward the OCR ultimately falling below our current forecast of a 3.5% trough.

Overview and monetary policy implications

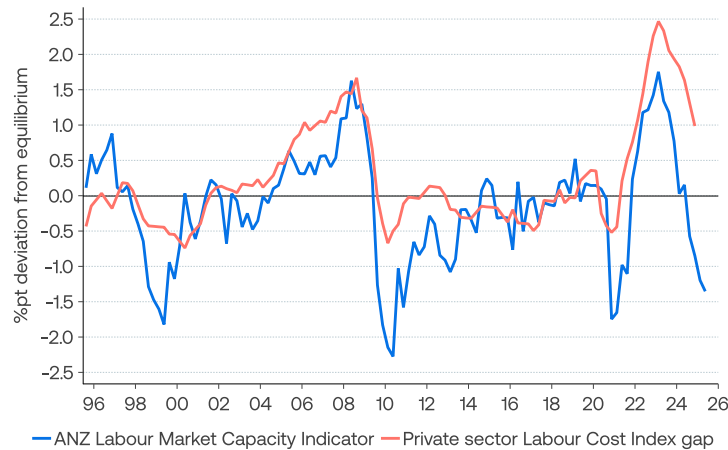
The Q4 labour market data were broadly in line with our and the RBNZ's expectations and don't stand in the way of the RBNZ delivering another 50bp cut at the upcoming meeting on 19 February, as signalled. The unemployment rate rose further, while other indicators suggest spare capacity is continuing to emerge. Wage growth generally cooled and appears to be cemented on a path to levels consistent with headline inflation at the 2% target midpoint, as foreshadowed by our Business Outlook survey.

The labour market tends to lag the broader economic cycle, meaning the themes that played out in the release today certainly weren't a surprise. The labour market is continuing to adjust to the past slowdown in the economy. But with a recovery in activity now underway, the focus has shifted to how quickly the labour market will respond. On that front, there isn't anything in these data to suggest the labour market is on a radically different path to RBNZ expectations.

While employment contracted again in Q4 (-0.1% q/q), the past two months have delivered modest growth in monthly filled jobs, while employment intentions in our Business Outlook Survey and in NZIER's Quarterly Survey of Business Opinion have returned to positive territory. Meanwhile, job vacancies are bucking the trend and remain in decline. Taken together, these indicators point to a stabilisation in the labour market in the first half of this year, consistent with the RBNZ's November forecast.

The degree of spare labour market capacity that already exists is sufficient to return underlying inflation to near the RBNZ's 2% target midpoint. While the recovery in labour market conditions typically lags the broader economy, the RBNZ will want to see a stabilisation and subsequent recovery in the near term. The pace and extent of the recovery over coming quarters remains key to the RBNZ's policy assessment, though the risks are currently tilted to the RBNZ ultimately taking the OCR lower than our current forecast of a 3.5% trough later this year. Whatever the ultimate endpoint, the RBNZ is likely to be more cautious in reducing the OCR as it approaches a neutral setting, given evidence that a recovery in the economy is underway, while upside structural inflation risks have not gone away.

Figure 1. ANZ Labour Market Capacity Indicator



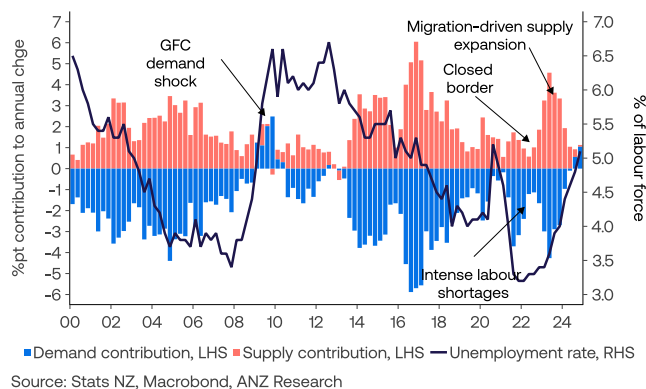
Source: Stats NZ, MBIE, Macrobond, ANZ Research

The details

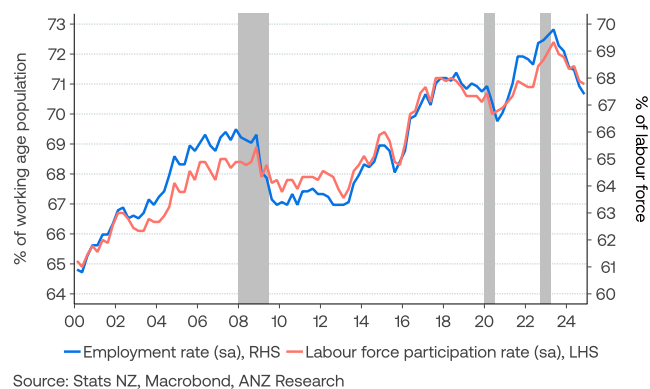
- The unemployment rate rose 0.3%pt to 5.1% (sa), as a 0.1%pt fall in the participation rate to 71.0% was offset by a 0.4% rise in the working-age population and a 0.1% q/q fall in employment. Providing a slightly stronger read on employment than the HLFS measure, QES filled jobs rose 0.1% q/q (sa).
- Providing a broader read on untapped capacity in the labour market, the underutilisation rate rose 0.5%pt to 12.1%. This measure includes those working part time but wanting more hours (underemployed), available potential jobseekers (want work, but aren't actively looking – aka 'discouraged workers'), and unavailable jobseekers (can't start work now, but will be able to within a month). The lift was broad-based across components, with the underemployment rate rising 0.8%pts to 4.8%. Overall, these data are consistent with the signal from the unemployment rate that spare capacity in the labour market continues to emerge.
- Turning to wages:
 - The private sector labour cost index (including overtime, and adjusted for productivity) rose 0.6% q/q, with annual growth slowing 0.3% pts to 3.0% y/y (marginally stronger than our and the RBNZ's forecasts of 2.9% and 2.8% respectively).
 - The unadjusted private sector labour cost index, which accounts for changes in workforce composition, eased 0.6%pts to 3.9% y/y. Meanwhile, the overall proportion of workers (all sectors) receiving wage increases in the past year fell 3%pts to 60%. The proportion of wage increases that were in excess of 5% eased 6%pts to 21%, well down from the peak of 40% in mid 2023.
 - Private sector average hourly earnings (ordinary time) rose 1.3% q/q, much stronger than our expectation of 0.3% q/q. That saw the annual rate reaccelerate to 4.0% from 3.2%, above our and the RBNZ's forecasts of 3.0% and 2.8% y/y respectively. While at face value the forecast miss may look concerning, the QES wage measure is notoriously volatile, and tends to be thrown around by changes in the workforce composition. We would expect the RBNZ to treat this as noise.
 - Public sector average hourly earnings (ordinary time) were up 2.1% q/q, taking annual growth from 5.1% to 4.5%. Past public sector pay agreements (which spanned multiple years) mean public sector wage growth is poised to outpace that of the private sector for a while yet.

The labour market in charts

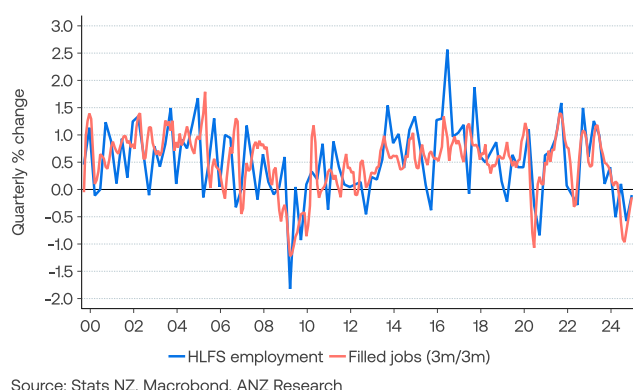
Unemployment lifted as demand for labour weakened



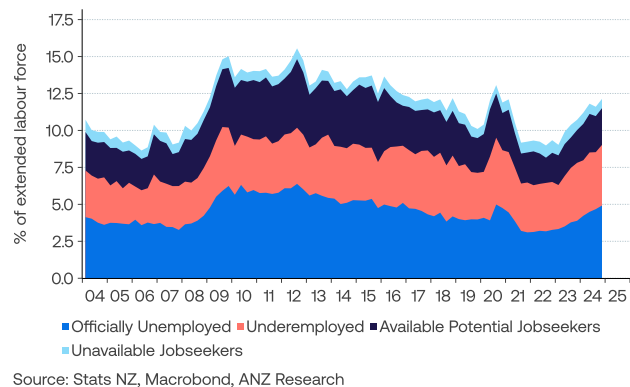
Supply has responded to weak demand



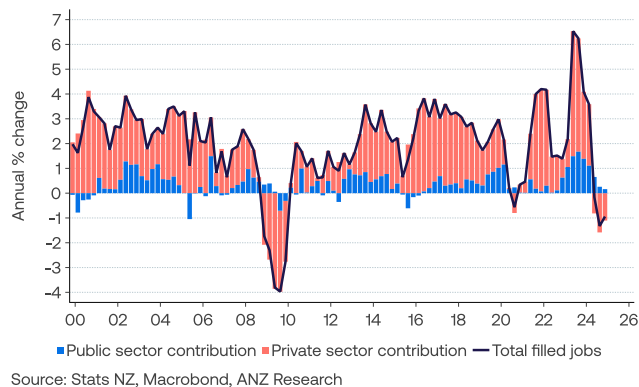
HLFS employment fell, consistent with the signal from the monthly employment indicator



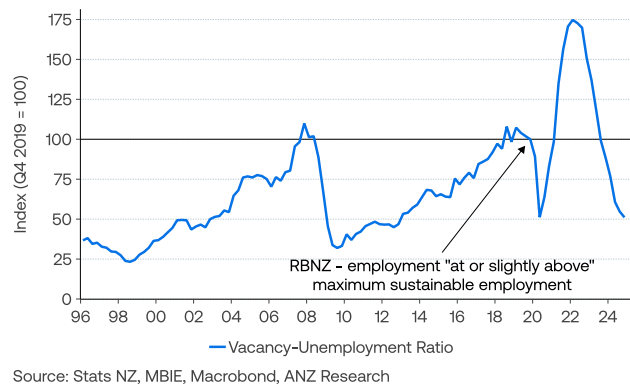
The components of the underutilisation rate show the lift in untapped labour resource is broad-based



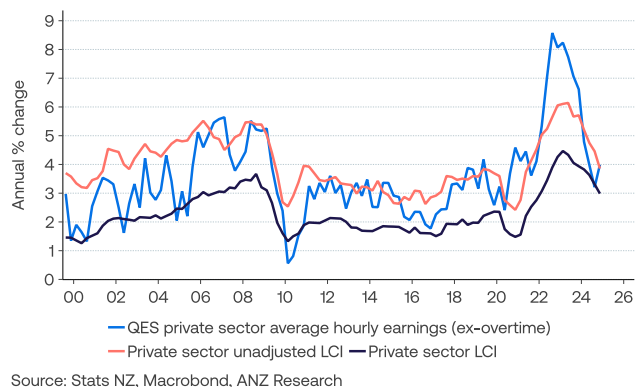
QES public sector employment growth remained positive, partially offsetting the contraction in the private sector



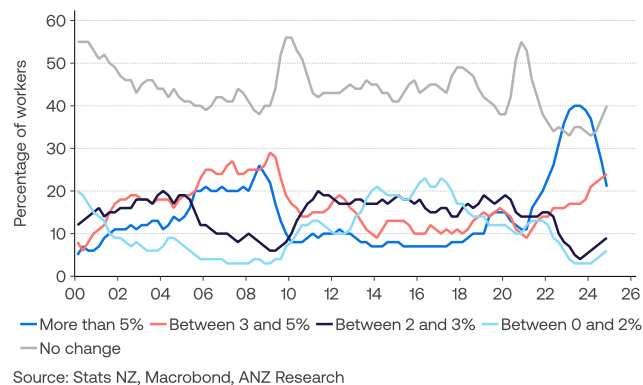
The vacancy-unemployment ratio declined further



Private sector wage growth generally eased



The share of workers receiving large pay rises fell further



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Last updated: 19 November 2024

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