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## Data summary

		Latest
<b>Labour market</b>		
HLFS unemployment rate (sa)		4.2%
HLFS participation rate (sa)		70.4%
HLFS employment (sa)	q/q	0.7%
HLFS employment (sa)	y/y	1.6%
HLFS hours worked (sa)	q/q	0.8%
QES filled jobs (sa)	q/q	1.0%
QES filled jobs (sa)	y/y	1.9%
QES paid hours (sa)	q/q	0.6%
<b>Wages</b>		
LCI private sector wages (ex-overtime)	q/q	0.3%
LCI private sector wages (ex-overtime)	y/y	2.4%
QES private sector hourly earnings	q/q	1.4%
QES private sector hourly earnings	y/y	3.3%
QES private sector gross earnings	y/y	5.5%

## Standing idle

### Bottom line

- The unemployment rate moved broadly sideways in Q1, with the current lockdown not evident in the data – yet. This reflects measurement issues and the fact that the data is now out of date.
- We know that economic activity, employment and wages have (and will be) significantly affected by the current crisis and lockdown. We are making good progress to opening up the economy. But job losses are inevitable.

### Key points

Today's Q1 labour market statistics give an indication of conditions before the COVID-19 crisis escalated and lockdown took effect. Response rates for the household survey (HLFS) were insufficient to see the early impact of the lockdown in the data. And the business survey (QES) pre-dated the lockdown. But even if early effects were evident, it would have been out of date regardless, with the economic situation evolving rapidly.

For the record, the data showed that:

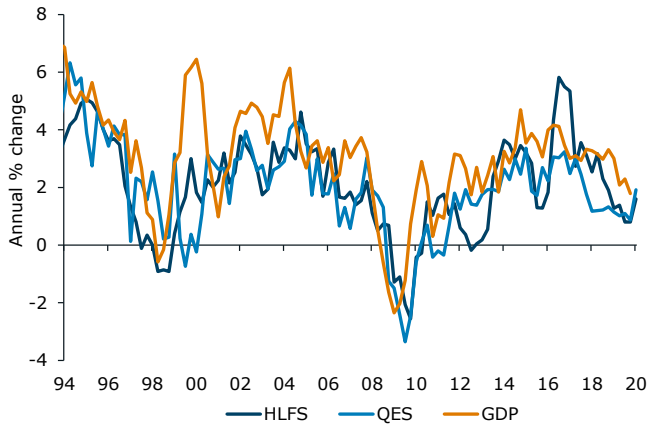
- The unemployment rate ticked up from 4% to 4.2%, but the trend was stable at 4.1%. The underutilisation rate lifted 0.4%pts to 10.4%.
- The participation rate ticked up 0.3%pts to 70.4. Employment rose 0.7% q/q (1.6% y/y). QES filled jobs rose 1% q/q to be up 1.9% y/y.
- QES total weekly paid hours (which tends to track GDP growth) grew 0.6% q/q (1.9% y/y). HLFS hours worked grew 0.8% q/q (0.1% y/y).
- Wages were on the softer side. Our preferred measure of wages – the private sector Labour Cost Index – increased 0.3% q/q, with annual growth 2.4%.
- Public sector wage growth grew 0.5% q/q (3.2% y/y). The all-sector LCI rose 0.3% q/q (2.5% y/y).
- The unadjusted private sector LCI rose 0.5% q/q (3.6% y/y).<sup>1</sup>
- QES private sector average (ordinary time) hourly earnings can be thrown around by compositional changes and tend to be very volatile, but for the record rose 1.4% q/q (3.3% y/y).

Although these data paint a positive picture, the reality is that lives and livelihoods are being significantly affected by the COVID-19 crisis, and the labour market is deteriorating. Demand is weak and firms' ability to operate is being impaired, with some workers idle. This is putting pressure on firm cash flow, even with support from Government through the likes of the wage subsidy scheme. And in some cases, job losses have been seen and wages have been cut.

Unfortunately there is more of this to come. The Q2 data may still be affected by measurement issues. But a trend deterioration is expected to become evident in time, with the unemployment rate rising rapidly and wages under downward pressure. We talked about the labour market outlook in our last [ANZ Weekly Focus](#) and today's data do not change that outlook. The deteriorating picture will galvanise the Government and RBNZ, with more fiscal initiatives expected to be announced as part of the [Budget](#) next week and QE expected to be roughly doubled at the MPS.

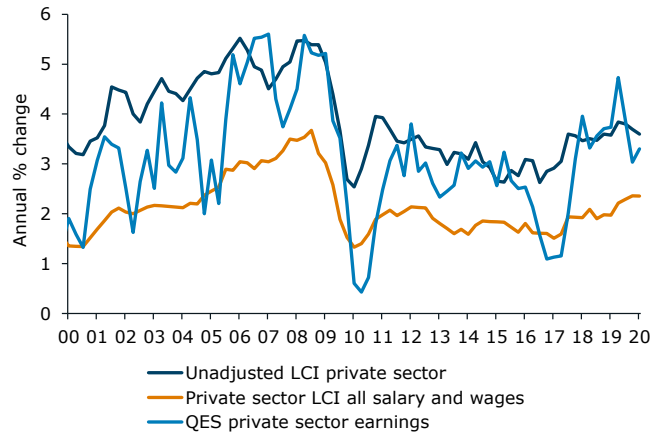
<sup>1</sup> The unadjusted LCI does not adjust for productivity improvements within a given occupation but does adjust for improvements that arise from changes in the composition of the workforce. The adjusted LCI takes into account both. QES average hourly earnings adjust for neither.

**Figure 1. Employment and GDP growth**



Source: Statistics NZ

**Figure 2. Wage growth – private sector**





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