

NEW ZEALAND ECONOMICS

HOUSEHOLD LABOUR FORCE SURVEY – 2016Q2

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CONTRIBUTORS

Philip Borkin

Senior Economist

Telephone: +64 9 357 4065

E-mail: philip.borkin@anz.com

SOLID, BUT WITH HUGE CAVEATS

BOTTOM LINE

- We were expecting a reasonable overall signal from the Q2 HLFS, with solid labour demand growth being broadly matched by equally solid labour supply growth, leaving the unemployment rate largely unchanged. In the end, that does look to be the main takeaway (the unemployment dipped slightly to 5.1%), although there are plenty of caveats.
- Due to methodological changes, many of today's figures need to be taken with a grain of salt (particularly the surge in employment). Statistics NZ have cautioned against quarterly comparisons. In fact, in many ways they look meaningless.
- Because of the issues with data quality, we are inclined to just look through the results of today's survey and stick with our prior premise that the labour market is in decent shape and the unemployment rate is trending lower. Spare capacity is being absorbed, but only gradually, and that is contributing to modest wage growth. We think the RBNZ will also take little from today's data.

KEY POINTS

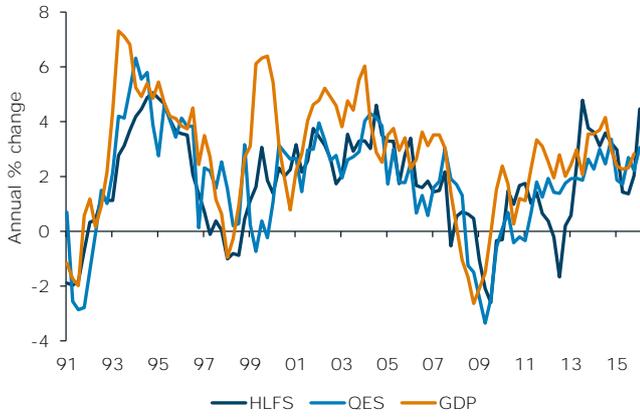
- **Today's (delayed) data incorporates methodological changes** by Statistics NZ in the way it measures "actively seeking work" (internet job searching has been reclassified as passive, as opposed to active, searching). As an earlier discussion paper showed, these changes have reduced the number of people classified as both unemployed and participating in the labour force. Statistics NZ also now believe that other changes (in the way the questionnaire categorises employment especially) have resulted in a series break (upwards) in employment.
- **At face value, employment was exceptionally strong**, growing 2.4% q/q in Q2. However, Statistics NZ are unable to untangle the impact of survey change impact from the "real" growth. **As a result, this data should be taken with a grain of salt.** Hours worked growth was also strong, rising 2.5% q/q, although again affected by survey changes. The magnitudes should be ignored, but the data is not completely at odds with other indicators pointing to a decent labour demand backdrop.
- While Statistics NZ also released regional and sectoral breakdowns of employment, we are hesitant to comment on them given survey changes.
- **Labour supply growth was also strong in the quarter.** The working age population grew 0.9% q/q (2.5% y/y), and together with a 0.9%pt increase in the participation rate to 69.7%, the labour force grew a strong 2.3% q/q (4.0% y/y). This resulted in the unemployment rate ticking down by 0.1%pt to 5.1%.
- As part of the changes made to the HLFS, **new underutilisation measures have been released** (which we welcome). They showed the underutilisation rate at 12.7%, down from 13.8% in Q1 and 13.2% 12 months prior. The underutilisation rate is a better measure of labour market slack as it includes official unemployed, people who are employed who want more hours, and those who want are job but are not currently available or looking. At face value it suggests labour market slack remains, but that it is gradually reducing.

DATA SUMMARY

	Latest
HLFS unemployment rate (sa)	5.1%
HLFS participation rate (sa)	69.7%
HLFS employment (sa) q/q	2.4%
HLFS employment y/y	4.5%
HLFS hours worked (sa) q/q	2.5%

HLFS 2016Q2

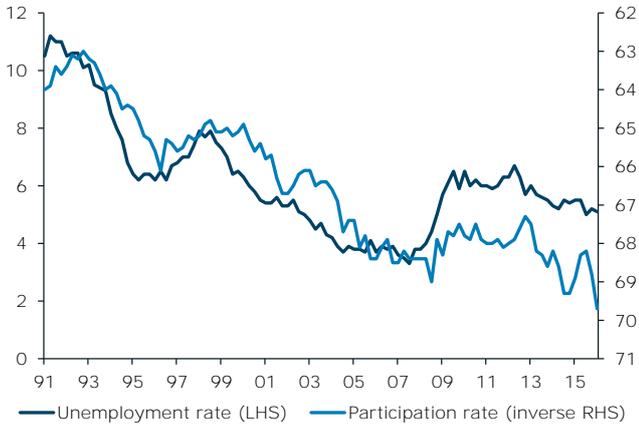
EMPLOYMENT AND EMPLOYMENT GROWTH



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UNEMPLOYMENT AND PARTICIPATION RATE



UNEMPLOYMENT RATE AND DIFFICULTY FINDING LABOUR



Source: ANZ, Statistics NZ, NZIER

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