NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

CTU Monthly Economic Bulletin

No. 152 (November 2013)

This is the last Bulletin for 2013. The next issue will be on 31 January 2014. Season's greetings to all readers, and best wishes for a good break.

Commentary

Climate justice

Summary

The time and the science are well past debating whether human-driven climate change is occurring. In the absence of effective action, the outcomes described by the latest expert projections are frightening.

What would an economy look like that begins to address these growing problems? The approach taken by the union movement internationally is to ensure there is a 'just transition'.

Firstly, like the fight against racist apartheid and nuclear weapons, we have a moral duty to contribute to addressing climate change. Secondly, we cannot escape the consequences: if other countries address the problem we cannot credibly maintain a 'clean green' image without joining the effort. If climate change is not addressed, we will feel the effects in numerous ways. But thirdly the changes can be seen as an economic and social opportunity.

Changes will be forced on New Zealand's economy whether we like it or not. Our challenge is to make sure that these changes are not a repeat of the socially disastrous experience of the 1980s and 1990s but become a catalyst for a return to a fairer society. The burden must not be borne by working people, their families, and the most vulnerable people in society.

The response to climate and other environmental challenges inescapably requires a larger role for the state. We cannot deal with the national and international impacts as individuals. But government is also vital in ensuring that the pain and the gain are fairly spread. It is also an opportunity for working people to gain a greater say in their workplaces and society.

There will inevitably be changes in New Zealand's economy. Left to 'the market', the prospect of food shortages and rising food prices would lead to even greater dependency on commodity exports with little value added to them, doing little to provide good jobs and higher wages. Government therefore needs to take a strategic approach to ensure the changes to the economy increase the value being created, pay good wages and help to diversify and increase exports in ways that are consistent with 'greening' the economy. There are now several reports suggesting directions such a strategy could take.

Though individual ideas can be debated, it is clear that a deliberate strategy is needed and government involvement crucial. We must ensure that principles of fairness, participation and the rebuilding of our social systems are an integral part of the process of 'just transition'.

If that happens, we could end up with something much better than where we started.

The time and the science are well past debating whether human-driven climate change is occurring. The latest report of the international Intergovernmental Panel on Climate Change (IPCC) released in October[1] states:

> Warming of the climate system is unequivocal, and since the 1950s, many of the observed changes are unprecedented over decades to millennia. The atmosphere and ocean have warmed, the amounts of snow and ice have diminished, sea level has risen, and the concentrations of greenhouse gases have increased.

More frequent hot days, increasing floods ('heavy precipitation events'), and rising sea levels are all likely or very likely to occur and to be caused or exacerbated by human actions. Maintaining an average global temperature rise below the 2 degree 'danger' threshold is looking increasingly difficult because of the lack of action internationally. And the judgements by this large panel of internationally recognised experts are likely to be underplayed rather than overplayed because the panel operates on a consensus basis that requires all government-nominated representatives to agree on the final text.

Leaks from an IPCC report due next year[2] say consequences include rising food prices due to falling or unreliable crop yields, particularly affecting the poorest people in the world in the tropics, but affecting all of us through rising prices. Increasing production in higher latitudes will not offset falling yields in the rest of the world with "agricultural production falling by as much as 2 percent each decade for the rest of this century".

Artic ice caps are melting even faster than expected, threatening species and an even more rapid rise in sea levels, which is in turn threatening coastal communities and small island nations (and in a cruel twist, making Artic oil exploration more attractive).

There is much more, including possibly a few benefits (such as faster growing forests, and possibly faster growing crops in our part of the world) but overall the projected outcome in the absence of effective action is frightening.

New Zealand's policies to reduce carbon use are in almost complete disarray. The Emissions Trading Scheme (ETS) which was supposed to be the cornerstone of our efforts has been so weakened by changes the Government has made and by the 'importing' of dubious low-cost carbon credits which remove any incentive to reduce emissions, that it will have minimal impact. The Sustainability Council of New Zealand estimates from cabinet papers released to it under the Official Information Act that there is a 33 percent gap in the wrong direction between the government's own modest target and New Zealand's expected performance between 2013 and 2020.[3]

On top of climate change there are also many other threats to New Zealand's environment and native species as a result of the way our economy is being allowed to develop. The recent report of the Parliamentary Commissioner for the Environment on water quality, land use and pollution is another wake-up call. It found a direct relationship between the intensification of dairying and pollution of our lakes and rivers through "particularly difficult to control nitrogen".[4]

What would an economy look like that begins to address these growing problems? The Government's approach is to say New Zealand contributes a tiny amount to global warming and making an adequate contribution to dealing with it would come at too high a cost. We'll be a follower and not a leader – which is equivalent to saying we will do almost nothing.

Another approach is being advocated by the union movement internationally, alongside many environmental groups. It is known as ensuring there is a 'just transition' to the new reality.

Firstly we have a moral duty to contribute to addressing climate change. The argument 'we can't make a difference' applied just as much to our opposition to racist apartheid in South Africa, to nuclear weaponry, and to the war in Vietnam. Instead the union movement saw its active involvement as support for fellow workers, justice and equity. That is just as true with climate change.

Secondly, we cannot escape the consequences. Climate change will either be addressed internationally or force massive changes on economies and societies throughout the world. If countries address it, we cannot credibly maintain a 'clean green' image for marketing purposes (or our own self-respect) without joining the effort. If we want to maintain the economic benefits of this 'branding' there is also a cost. There are some things we cannot do and some things we cannot omit to do if we want the 'brand' to be credible.

If climate change is not addressed, Pacific Island nations will be among the most affected. We will see an increasing movement of people from them to New Zealand and other countries, and increased insecurity and relative impoverishment of their remaining inhabitants. Refugee problems will grow internationally, demanding a humane response. If the rest of the world is switching away from carbon dependent transport and production methods we will have little choice but to do so too because we buy so much of that equipment from overseas, and rely on markets that will be more demanding in these matters. Rising food prices will benefit some in New Zealand but be an increased cost to the majority, increasing even further the inequality in New Zealand if nothing is done to counter it. Some jobs will be lost and others created – again with the risk of burdens being shared unequally.

But thirdly the changes can be seen as an economic and social opportunity.

Changes will be forced on New Zealand's economy whether we like it or not. Our challenge is to make sure that these changes are not a repeat of the experience of the 1980s and 1990s, but instead become a catalyst for a return to a fairer society. The huge and unquestionably human-made restructuring created by opening the economy and the neoliberal 'more market, less government' response led to almost all the benefits of what growth there was going to a very few and the majority maintaining their incomes only by working harder. We saw rapid growth in inequality and poverty, and the destruction of decent jobs and break-up of communities. We cannot allow this to be repeated as climate-driven changes to the economy make themselves felt. The burden must not be borne by working people, their families, and the most vulnerable people in society.

The response to climate and other environmental challenges inescapably requires a larger role for the state. Climate change is a global problem perhaps more than any other humanity has seen. We cannot deal with the international impacts as individuals. Nationally, the economy's response will lead down inadequate and inequitable roads unless the government is involved. The state has an important role to play in its own functions – ensuring schools, hospitals and other buildings reduce their use of carbon-intensive energy; ensuring our educational system is capable of training people for the new skills that are needed and, with our research institutions, is able to carry out the needed research; increasing emergency response capabilities; and much more. Central and local government are also vital in their regulatory role to ensure building and land use standards meet the changing needs, and particularly to put in place, monitor and enforce counter measures such as carbon taxes, regulatory requirements to reduce carbon use, and encouragement of carbon 'storage' such as through permanent forestry. Government has an important role in supporting the 'greening' of industry.

They also have a responsibility to ensure the infrastructure and rules are in place to enable changes such as greater use of public transport and rail, and the shift of transport from oil to electricity.

But government is also vital in ensuring that the pain and the gain are fairly spread. That includes employment laws that ensure fair distribution of the income the economy generates; a taxation system that penalises inefficient or damaging resource use but encourages productive use of resources and ensures that the cost is borne by those that can afford it; active labour market policies that spread the burden of job losses rather than penalising those who suffer them; social security that ensures that the changes do not further exacerbate the poverty of many beneficiaries; and housing regulation and provision that provides affordable, sound, insulated and healthy housing suited to the changes in our climate. This is an opportunity to fight for reducing inequalities and against worsening them.

It is also an opportunity for working people to have a greater say in their workplaces and society. They need to be able to take a role in determining how the 'transition' occurs in jobs and communities. Employers can benefit from the knowledge that workers have of their own working environment to reduce energy use. But involvement should be wider to include participation in the implementation of environmental regulation, and being represented when environmental issues are addressed in workplaces and at an industry sector level. Some union movements are advocating the establishment of 'environment reps' like health and safety representatives and learning representatives – akin to a development of the Union Climate Action programme that some affiliates have been involved in. US unions are advocating at least two years notification of site closures or job reductions to give workers and communities time to prepare, and a fund to develop alternative technologies and jobs for displaced workers. There need to be active programmes and opportunities for workers to retrain to take advantage of changes in skills required or to find a job if firms close.

There will inevitably be changes in New Zealand's economy. Left to 'the market', the prospect of food shortages and rising food prices would lead to even greater dependency on commodity exports with little value added to them, doing little to provide good jobs and higher wages. Whether we like it or not, there will be increasing resistance to the use of coal unless some breakthrough is found in 'carbon capture and storage' to permanently and safely remove the carbon from the environment. We already have growing recycling industries – but they also demonstrate that not all 'green' jobs are good jobs.

Government therefore needs to take a strategic approach to ensure the changes to the economy increase the value being created, pay good wages and help to diversify and increase exports in ways that are consistent with 'greening' the economy. Some areas are obvious and are already an aspect of public policy but need greater resources. Increasing use of public transport and rail is one.

There are now several reports suggesting the directions such a strategy could take.

In August 2012, the WWF commissioned BERL Economics[5] to look at the potential low carbon growth opportunities for the Southern Region as a substitute for increased lignite mining. BERL found that building on existing strengths in forestry, engineering, education and horticulture would add jobs and value to the regional economy.

In November 2012 the largely corporate-backed non-profit group, Pure Advantage[6] launched a report written by economists at Auckland University and consultancy VividEconomics, "Green growth:

opportunities for New Zealand". It identified 21 actions New Zealand could take to realise opportunities offered by the changes taking place in response to climate change and environmental degradation. In summary it concluded that:

1. A green economy may improve wellbeing; these improvements can occur in diverse ways, and not all policies that improve wellbeing raise Gross Domestic Product over the short term;
2. New Zealand could benefit from global green investment patterns in two main ways: by exporting to nations investing in green assets and technology and by importing both new technologies and ideas to craft more world-leading policies at home;
3. The economic opportunities are potentially large;
4. Not all global opportunities in the green economy translate into large export opportunities for New Zealand;
5. The potential green growth export opportunities for New Zealand include sustainable agricultural products and services, geothermal energy, biotechnology, and forestry, including second-generation biofuels. In the domestic economy, opportunities include improvements in building and transport energy efficiency and electricity grid technology; and
6. These opportunities generally require action from both industry and government, however there are steps which businesses and industries can take unilaterally.

Though many of the actions were only calls for further investigation and it was difficult to see how they worked together from a strategic perspective, a number of areas were in common with the next report.

In February 2013 Greenpeace published a report "The Future is Here: New jobs, new prosperity and a new clean economy"[7] which outlined a strategy for getting to 100 percent renewable electricity by 2025, virtually oil free road transport within 22 years, and reducing carbon emissions by 94 percent on 2009 levels. It would create 5,000 additional jobs in the electricity and heating sector by 2030, and many more elsewhere. The strategy was based on a report from the Institute of Technical Thermodynamics of the German Aerospace Centre which modelled New Zealand's energy system and identified economic opportunities in moving towards 100 percent renewable energy supply. It noted that successful government action in other countries required a mix of policies besides direct investment including carbon pricing, direct financial incentives for clean technology such as feed-in tariffs encouraging alternative and small-scale electricity generation, energy efficiency incentives, renewable energy and energy efficiency standards for buildings and products, and pollution reduction targets. The opportunities it identified were in transport, geothermal energy, ocean energy (wave and tidal generation), and moving to 100 percent renewable energy for electricity generation including hydro, geothermal, wind, ocean, solar and biomass generation. Transport included much greater use of largely electricity powered public transport (both road and rail), greater use of electric and hybrid small vehicles for private and commercial use, and New Zealand-produced wood-based liquid fuels replacing diesel for larger vehicles and industrial use. This would greatly reduce oil imports and create 27,000 jobs in bioenergy alone.

Though individual ideas can be debated, the clear message is that a deliberate strategy is needed and that government involvement is crucial. We need to add that principles of fairness, participation and the rebuilding of our social systems must be an integral part of the process of 'just transition'.

If that happens, we could end up with something much better than where we started.

If you want inspiration on these ideas, read Canadian activist-author Naomi Klein's address to UNIFOR, the union created from the merger of the Canadian Autoworkers and the Canadian Energy and Paper Workers Union. An excellent source of ideas is "Working on Change: the union movement and climate change" commissioned by the Green Alliance with support from the TUC and Unison in the UK.

Bill Rosenberg

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[1] "Climate Change 2013: The Physical Science Basis. Summary for Policymakers", Intergovernmental Panel on Climate Change, October 2013, available at http://www.ipcc.ch/.

[2] "Climate Change Seen Posing Risk to Food Supplies", by Justin Gillis, *New York Times*, 1 November 2013, available at http://www.nytimes.com/2013/11/02/science/earth/science-panel-warns-of-risks-to-food-supply-from-climate-change.html?_r=0, and "Leaked IPCC report links climate change to global food scarcity", by Emma Bryce, *Guardian*, 7 November 2013, available at http://www.theguardian.com/environment/world-on-a-plate/2013/nov/07/climate-change-environment-food-security-ipcc-emissions-united-nations-global-warming.

[3] "33% Gap Between Emissions Target and Performance", Sustainability Council of New Zealand, media statement 22 October 2013.

[4] See http://www.pce.parliament.nz/media/media-releases/large-scale-change-in-land-use-putting-pressure-on-water-quality-environment-commissioner.

[5] "A view to the south: potential low carbon growth opportunities for the southern region economy", by Ganesh Nana and Fiona Stokes, BERL Economics, August 2012, ref #5268.

[6] See http://www.pureadvantage.org/.

[7] Available at http://www.greenpeace.org/new-zealand/en/campaigns/climate-change/The-Future-is-Here/.

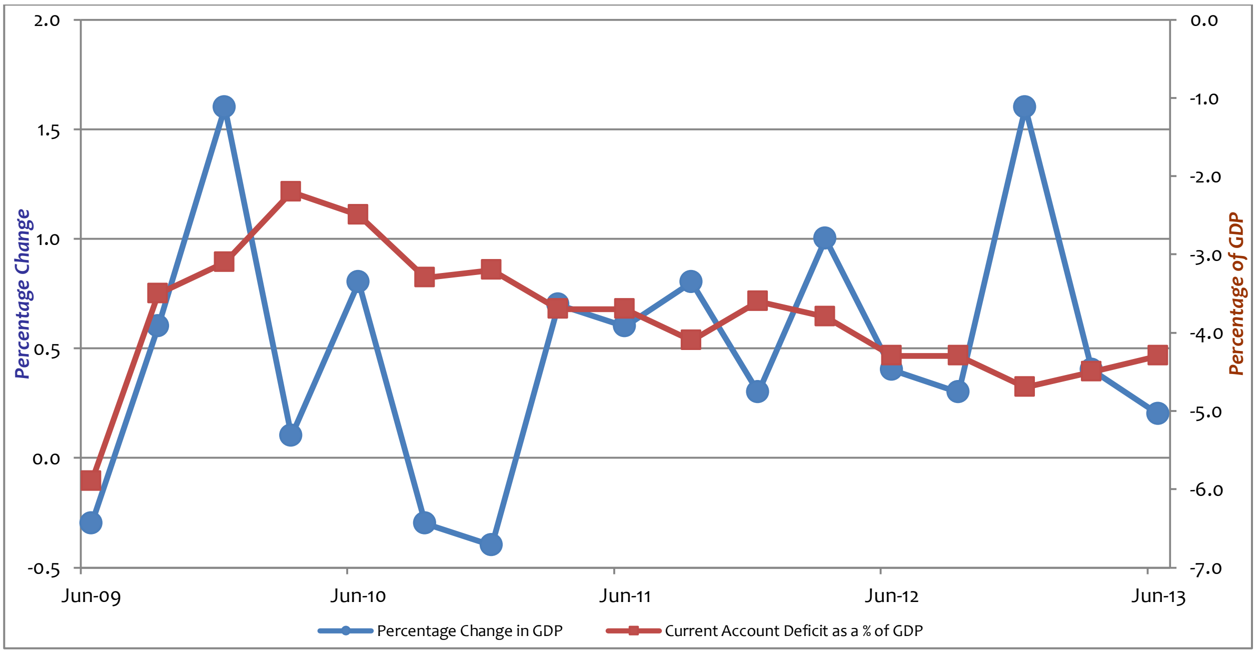
Forecast

- This NZIER forecast was released on 16 September 2013.

Annual Percentage Change (March Year)	2013-14	2014-15	2015-16
GDP	2.6	3.0	2.3
CPI	1.7	2.2	2.4
Private Sector Wages	2.6	3.1	3.2
Employment	2.1	2.0	1.2
Unemployment rate	6.0	5.5	5.3

A ★ indicates information that has been updated since the last bulletin.

Economy



- Growth in New Zealand's economy slowed further in the June 2013 quarter, with Gross Domestic Product growth at 0.2 percent, affected by the drought, compared to quarterly increases of 0.4 percent in March and 1.6 percent in December (both revised up 0.1 percentage point). Growth for the year ended March 2013 was 2.7 percent. The largest quarterly rises by industry were in Construction (2.3 percent), Retail Trade and Accommodation (2.1 percent) and Professional, scientific, technical, administration, and support (2.6 percent). However, Agriculture, forestry and fishing fell 4.8 percent and Electricity, gas, water, and waste services fell 2.4 percent. Manufacturing fell 0.1 percent in the quarter, but excluding Food, beverage and tobacco manufacturing which fell 3.8 percent, it rose by about 2 percent. The result was that Primary Industries fell 3.7 percent, Goods producing industries rose 0.2 percent and Service industries rose 1.0 percent. Over the year though, Agriculture, forestry and fishing rose 6.5

percent, Mining 4.5 percent, Construction 10.8 percent, Retail trade and accommodation 3.1 percent, Professional, scientific, technical, administration, and support 3.4 percent, and Health care and social assistance 3.6 percent. The only falls over the year were Electricity, gas, water, and waste services (3.4 percent), Information media and telecommunications (1.1 percent) and Arts, recreation, and other services (1.1 percent). Over the year, Manufacturing rose 1.6 percent, again boosted by the Food sector though with strong growth also in Textiles, leather, clothing, and footwear (rising 10.9 percent), and Non-metallic mineral product manufacturing (up 8.3 percent). Printing fell 10.2 percent over the year. Household consumption expenditure rose a strong 1.5 percent in the quarter and 2.2 percent in the year. Expenditure on non-durable goods (such as groceries) did not grow during the quarter, while durables grew a strong 4.0 percent, a similar pattern to that for the year where non-durables rose 0.8 percent while durables rose 5.1 percent. Business investment reversed from the last quarter, rising a strong 5.7 percent in the quarter and 4.2 percent for the year.

- New Zealand recorded a Current Account deficit of $2.2 billion for the June 2013 quarter in seasonally adjusted terms, $0.15 billion more than the revised March quarter deficit of $2.0 billion. The increase was driven by reduced exports of goods mainly to falling quantities of dairy and meat exports due to the drought, partly offset by a fall in profits going to foreign owned companies. For the year to June 2013 the deficit was a lower $9.1 billion of 4.3 percent of GDP compared to the revised $9.5 billion in the year to March. That is similar to the deficit on income (virtually all investment income) of $8.8 billion. Annual statistics for the year to March 2013, released this month show that banks are the main driver of the income account. In that year, banks accounted for $6.8 billion of the $9.5 billion deficit on income which in that year was almost equal to the total current account deficit. Banks therefore accounted for 71 percent of the current account deficit and the increase in New Zealand's international liabilities. They sent $7.1 billion overseas and received $0.3 billion in income.

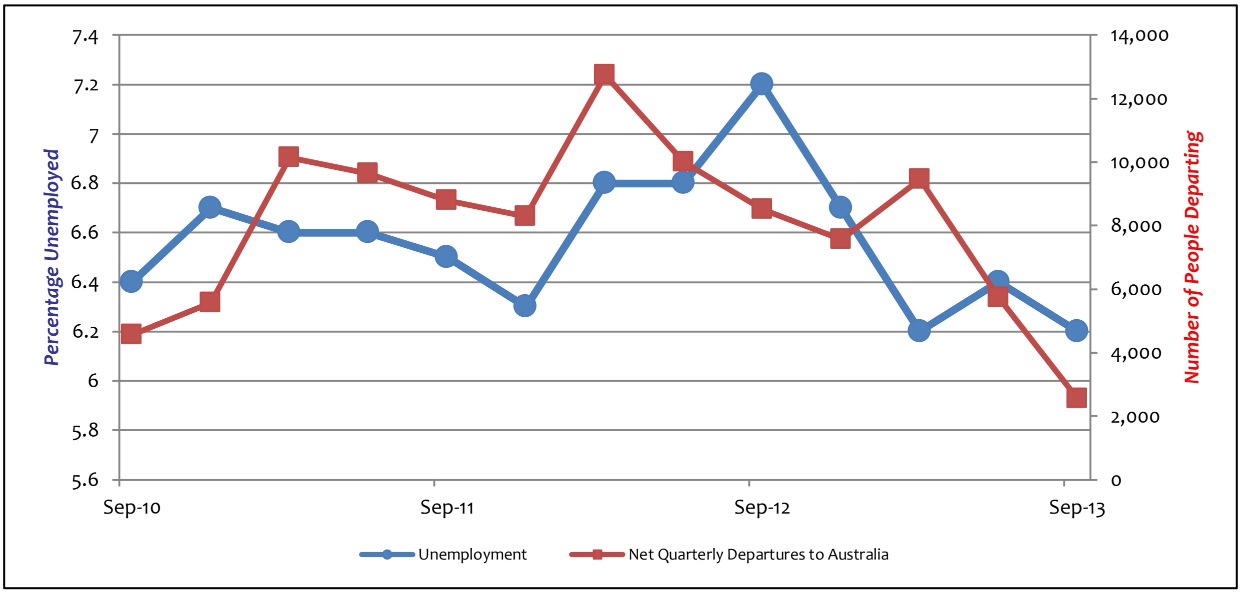
- Annual current account statistics for the year to March 2013, released in September, show that banks accounted for 71.4 percent of the current account deficit in that year, because they generate 45.3 percent of the outward flow of funds but only 5.3 percent of the inward flow. The figure was 75.8 percent in the year to March 2012 and 63.8 percent in 2011.

- The country's Net International Liabilities were $151.3 billion at the end of June 2013 (71.1 percent of GDP) down from $151.6 billion (71.8 percent GDP) at the end of March due to rising overseas share prices, but down as a proportion of GDP from the $149.8 billion (71.9 percent GDP) in June 2012. Of this, $7.8 billion was owed by the government (equivalent to 3.7 percent of GDP) and $108.3 billion by the banks (50.9 percent of GDP). Total insurance claims owed by overseas reinsurers from all Canterbury earthquakes have been re-estimated at $18.7 billion (up from $18.6 billion estimated in March), and at 30 June 2013, $10.5 billion of these claims had been settled, leaving $8.1 billion outstanding. Without these, net international liabilities would have been $159.4 billion or 74.9 percent of GDP. New Zealand's gross international liabilities were $330.9 billion in March, against $179.6 billion in overseas assets. Of those liabilities, 50.9% ($167.7 billion) are in the financial sector, with the next largest sector being manufacturing with 7.2 percent ($23.8 billion). Over a third of the investment is from Australia ($110.0 billion) with the next biggest from the U.K. ($52.9 billion) and the US ($38.8 billion).

- Overseas Merchandise Trade for the month of October 2013 saw exports of goods rising much faster than imports creating a trade deficit for the month of $168 million, the lowest October deficit since 1996. However in seasonally adjusted terms, exports fell 8.2 percent or $362 million over the month influenced by a fall in crude oil exports (which had risen in September). Seasonally adjusted imports rose 0.1 percent or $2.8 million, creating a trade surplus of $138 million, significantly lower than the $503 million in October. Exports were boosted by milk powder, butter and cheese (up $51 million or 3.9 percent on September) and meat (up $25 million or 5.5 percent). As well as crude oil, fruit and electrical machinery and equipment exports fell. The annual trade deficit was $1.0 billion. The following are in seasonally adjusted terms unless otherwise stated. Exports fell by volume for Crude Oil (79.0 percent – not seasonally adjusted) and Fruit (22.0 percent). All other major categories rose, led by Aluminium (294.6 percent – not seasonally adjusted) and Seafood (9.0 percent) with Meat not far behind on 8.4 percent and Logs and Wood rising 8.2 percent. The picture was very different by value, with all main categories falling in value except Dairy, Meat, Mechanical machinery and equipment (0.6 percent increase) and Aluminium. Imports rose in value in all main categories except Electrical machinery and equipment, with Petroleum products having the greatest rise at 22.2 percent. Exports to China rose 38.5 percent in the year to October and fell 9.4 percent to Australia. Though Australia was New Zealand's largest export destination for the year, China was for the last three months. The fall in exports to Australia will be partly a result of the somewhat slower growth rates in its economy and the higher exchange rate that New Zealand exporters face. Our top six export destinations accounted for 60.7 percent of our exports in the year, compared to 58.7 percent in the previous year. Imports from China rose 4.4 percent in the same period, and fell 7.8 percent from Australia. China is New Zealand's largest source of imports.
- The Performance of Manufacturing Index[1] for October 2013 was 55.7, a rise from 54.2 in September though lower than the 57.0 in August. The employment sub-index at 52.1 was up from 48.5 in September but down from 53.7 in August.
- The Performance of Services Index[1] for October 2013 was 58.2, a rise from 56.4 in September. The employment sub-index rose to 52.8 from 51.5 in September.
- The Retail Trade Survey for the three months to June 2013 showed retail sales rose 1.7 percent by volume and 0.9 percent by value in the quarter compared with the March 2013 quarter, seasonally adjusted. By volume, the largest contributors to the increase were food and beverage services, up 4.5 percent, motor vehicle and parts retailing, up 3.0 percent and department stores, up 5.4 percent. There was a 5.0 percent fall in the fuel retailing industry. By value the largest contributors were food and beverage services, up 4.6 percent ($83 million), hardware, building, and garden supplies, up 4.0 percent ($52 million), accommodation up 3.6 percent, motor vehicle and parts retailing, up 2.0 percent ($47 million), and department stores, up 4.6 percent ($44 million). Supermarket and grocery sales were up by 0.9 percent. Fuel retailing was down 7.5 percent ($150 million) and pharmaceutical sales were down by 3.0 percent.
- On 31 October 2013 the Reserve Bank left the Official Cash Rate unchanged at 2.5 percent. The next review will be announced on 12 December 2013 and will accompany a Monetary Policy Statement.

★ The REINZ Housing Price Index increased 1.6 percent in the month of October 2013 to reach a new record high. Auckland increased 0.9 percent, Christchurch rose 0.9 percent and Wellington rose 3.0 percent. The index was up 9.9 percent compared to October 2012. For the year, Auckland rose 12.6 percent, Christchurch 10.8 percent and Wellington 0.3 percent. The national median house price rose from $400,000 to $407,525 in October 2013, up $7,525 or 1.9 percent from September 2013 and a new record high. It is $27,525 or 7.2 percent higher than a year ago.

Employment



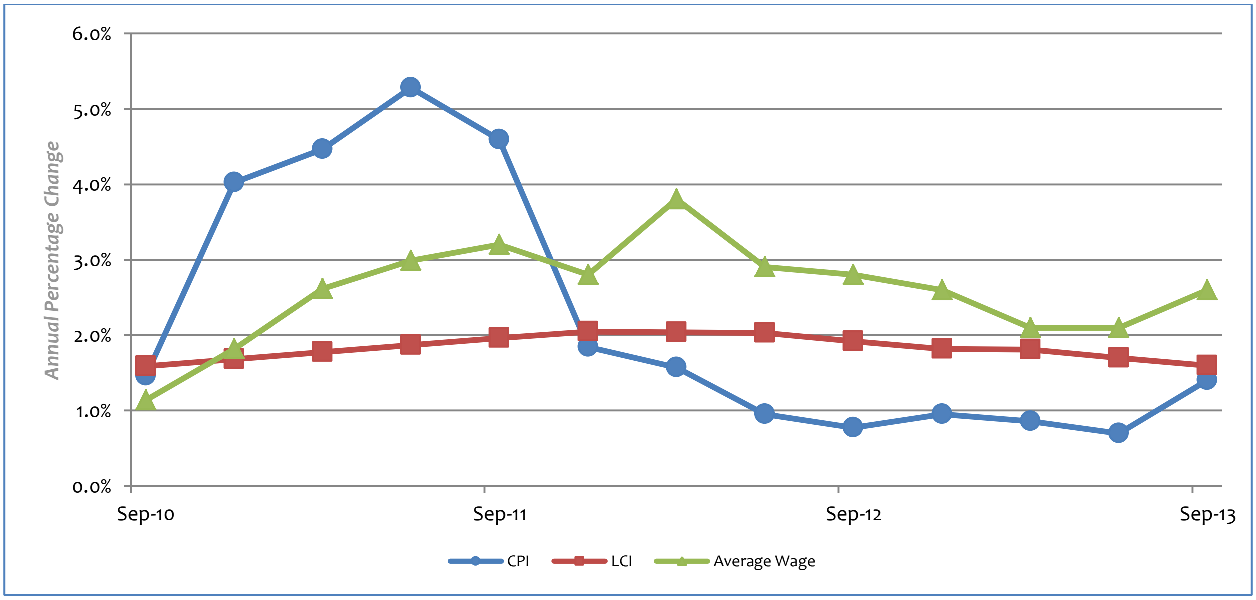
★ According to the Household Labour Force Survey the unemployment rate in the September 2013 quarter fell to 6.2 percent from 6.4 percent in the June 2013 quarter. Seasonally adjusted female unemployment at 6.6 percent was higher than for men (5.8 percent). The unemployment rate in Canterbury was 4.2 percent; down from 5.2 percent in September 2012. There were 150,000 people unemployed and the number of jobless people (which includes those discouraged from seeking employment) was 257,900. There were 72.600 people seeking additional hours. Māori unemployment fell from 15.1 percent in September 2012 to 12.2 percent but Pacific unemployment rose from 15.6 percent in September 2012 to 15.7 percent. Youth unemployment (15-19 year olds) was 23.4 percent, down from 25.5 percent in September 2012, and the unemployment rate among 20-24 year olds was 12.0 percent, down from 12.8 percent in the September 2012 quarter. There were 72,000 people aged 15-24 years who were not in employment, education, or training (NEET), which is 11.4 percent of people in that age group, down from a revised 12.1 percent in the June 2013 quarter or 77,000 people (seasonally adjusted). The labour force participation rate at 68.6 percent is up 0.5 percentage points from the previous quarter and up 0.2 percentage points for the year. There are 44,000 unemployed people who have been out of work for more than 6 months (up from 37,900 in June 2013 and down from 54,500 in September 2012). Compared to OECD unemployment rates, New Zealand has fallen from 12th position in June 2013 to 13th (out of 34 countries).

- From July, benefits have been renamed and several are now classified as "Jobseeker" which includes what used to be the unemployment benefit, sickness benefits and some Domestic Purposes benefits. At the end of September 2013 there were 126,470 working age people on the Jobseeker benefit, a decrease of 2,138 from June 2013 and 9,550 from September 2012. Of those at September 2013, 68,605 were classified as 'Work Ready', and 57,865 were classified as 'Health Condition or Disability'. A total of 304,394 were on 'main' benefits, 16,548 less than September 2012 and 34,786 more than in September 2008.

★ Job Vacancies Online shows a seasonally adjusted rise of 1.1 percent in skilled job vacancies in October, following an increase in September. All job vacancies rose 3.2 percent after an increase in September. In the year to October, skilled vacancies increased by 7.6 percent. All vacancies increased by 12.6 percent.

★ International Travel and Migration data showed 8,290 permanent and long-term arrivals to New Zealand in October 2013 and 5,280 departures in seasonally adjusted terms, a net gain of 3,000. There was an actual net gain of 17,490 migrants in the year to October. Net migration to Australia in the year to October was 23,493 departures, with 42,030 departures and 18,537 arrivals. For the month of October, the seasonally adjusted net loss to Australia was 870, compared to 3,000 a year before.

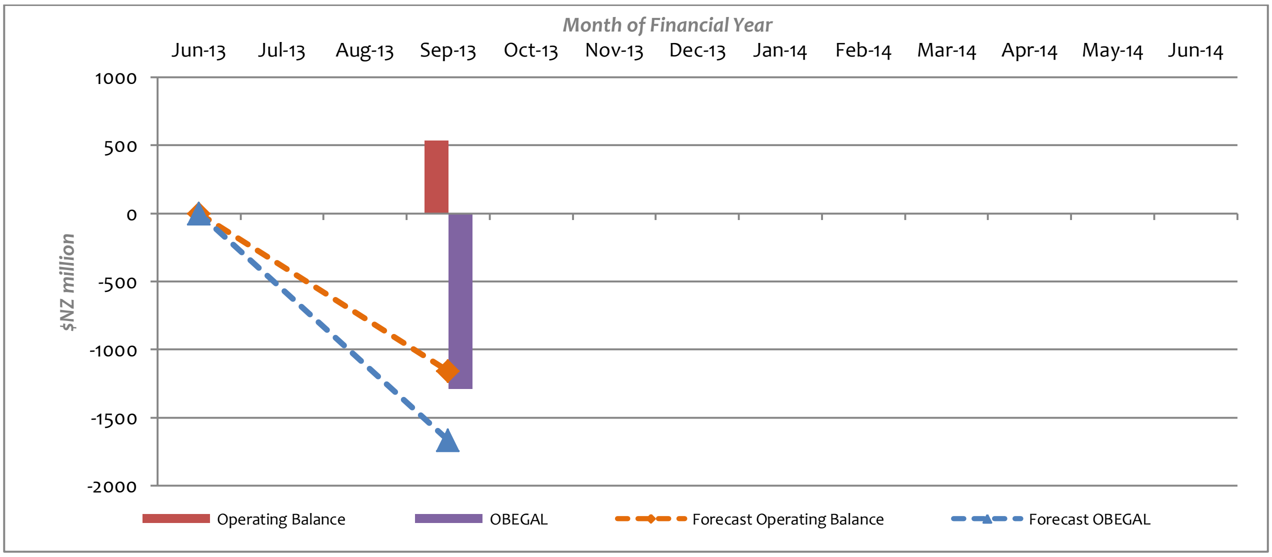
Wages and prices



★ The Labour Cost Index (LCI) for salary and ordinary time wage rates rose 0.4 percent in the three months to September 2013, the same increase as the June quarter. The LCI increased 1.6 percent in the year to September. It increased 0.4 percent in the public sector and 0.4 percent in the private sector in the three months to September. Over the year to September it rose 1.5 percent in the public sector and 1.6 percent in the private sector. For the 54 percent of those surveyed who received an increase in their salary or wage rate during the year, the median increase was 2.5 percent. The average increase was 3.3 percent.

- The Quarterly Employment Survey for the three months to September 2013 found the average hourly wage for ordinary-time work was $27.98, up 1.6 percent on the June 2013 quarter and up 2.6 percent over the year. The average ordinary-time wage was $25.91 in the private sector (up 1.6 percent in the quarter and up 2.6 percent in the year) and $35.33 in the public sector (up 1.4 percent in the quarter and up 2.7 percent in the year). Female workers (at $25.82) earned 13.4 percent less than male workers (at $29.83) for ordinary time hourly earnings.
- Household income as measured in the Household Economic Survey for the year to June 2013 was $87,845 on average, with a median of $69,279 (that is, half of households received less than that and half received more). The average rose 5.5 percent over the year and the median 1.5 percent indicating widening inequality. For individuals receiving wages and salaries, the average annual income was $39,479, a 5.0 percent increase from the previous year, and the median income was $35,000, a 4.9 percent increase from the last year. In the June 2013 year, housing costs accounted for 15.4 percent of total household income from regular sources, which was almost unchanged from 15.5 percent in the year to June 2010. This survey includes details of household expenditure which are only collected once every three years. The largest change in the pattern of average weekly household expenditure since the 2010 survey is that transport has risen from 12.9 percent to 14.2 percent of expenditure.
- The Consumer Price Index rose 0.9 percent in the September 2013 quarter compared with the June quarter and increased 1.4 percent for the year to June. For the quarter, the largest contributor to the increase was food which rose 1.7 percent, transport (up 1.9 percent) arising from increased petrol prices, and housing and household utilities (up 0.9 percent) mainly due to higher local authority rates. Inflation in Canterbury for the year was 2.3 percent compared with 1.1 to 1.3 percent in the rest of the country. It was particularly hard hit with housing costs which rose 7.0 percent for the year compared to 2.3 to 3.1 percent elsewhere.
- The Food Price Index fell by 1.0 percent in the month of October 2013, following no change in September. Food prices rose 0.8 percent in the year to October 2013. Compared with September, fruit and vegetable prices fell 8.8 percent; meat, poultry, and fish prices rose 2.0 percent; grocery food prices fell by 0.3 percent; non-alcoholic beverages fell 0.2 percent; and restaurant meals and ready-to-eat food rose 0.2 percent.

Public Sector



- According to Treasury's Financial Statements of the Government of New Zealand for the three months to September 2013, core Crown tax revenue was $155 million ahead of the 2013 Budget forecast and total core crown revenue was $317 million or 2.0 percent ahead of forecast. Expenses were $251 million (1.4 percent) below forecast. Net debt at 28.2 percent of GDP ($60.0 billion) was below the forecast 28.4 percent. The Operating Balance before Gains and Losses (OBEGAL) was a $1.285 billion deficit, $382 million lower than forecast. The Operating Balance was a $539 million surplus compared to a forecast deficit of $1.1 billion. Individuals' tax and GST revenue was up on forecast while revenue from corporate tax was below forecast. Gains on the Crown's investment funds were about $800 million above forecast, particularly from the New Zealand Superannuation Fund, and ACC registered unforecast gains of $812 million due to actuarial gains on its outstanding claims liability as a result of discount rate changes. "Offsetting these higher than forecast gains were $276m of losses in the Emissions Trading Scheme (ETS), mainly as a result of the New Zealand Unit carbon price increasing to NZ$4.40 at 30 September from NZ$0.24 at Budget 2013."

- District Health Boards recorded combined deficits of $25.1 million for the three months to September 2013. This is $4.3 million more than the $20.8 million in their plans. The Northern region was $0.7 million ahead of plan, the Midland region $2.5 million behind plan (mainly due to Waikato DHB being $2.7 million behind plan), Central region was $2.3 million behind plan (with Capital and Coast the largest contributor at $1.9 million behind plan) and the Southern Region was $0.2 million behind plan. The DHB furthest ahead of plan was Nelson Marlborough by $1.0 million. **Note:** the more detailed information on DHB finances which used to be available from Statistics New Zealand is no longer being updated.

- Local Government recorded a 1.4 percent rise ($28 million) in operating income and static operating expenses (at $781 million) including an increase of 2.8% ($13 million) in employee costs for the June 2013 quarter compared to March. This resulted in an operating deficit of

$24.2 million, compared with a revised surplus of $15.9 million in the March quarter, and deficits in all previous quarters back to June 2010, all in seasonally adjusted terms.

Notes

1 For the Performance of Manufacturing Index (PMI) and Performance of Services Index (PSI) a figure under 50 shows the sector is contracting; above 50 shows that it is growing. Previous month's figures are often revised and may differ from those published in a previous Bulletin.

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