



NEW ZEALAND COUNCIL OF TRADE UNIONS

Te Kauae Kaimahi

CTU Monthly Economic Bulletin

No. 155 (March 2014)

Commentary

Wages and Prices

Summary

What has happened to wages and salaries during the recession triggered by the Global Financial Crisis and under the National government? In this commentary I compare wage and price increases over the period, and look at wages adjusted for price increases or 'real wages'. I also look at a Statistics New Zealand proposal to publish price increases for groups such as low income, wage and salary earner or Māori households. Their research shows that lower income households experience higher inflation than 'average' households.

Looking back to the 2000s, the average hourly ordinary time wage ('average wage') largely kept ahead of CPI inflation. Towards the second half of the decade, wage increases had a burst and the biggest increase of the decade in real terms was in the year to June 2009 when the average wage increased 2.7 percent after inflation. After that, wage increases crashed. Doubtless the 2009 increases were helped by multi-year settlements made before the global financial crisis set in, along with falling inflation. The increase in GST along with other price increases in the year to September 2011 hit the real wage again. The real average wage is now (December 2013) only 1.3 percent higher than it was four and a half years ago in June 2009.

The average wage is a useful statistic but one to be used with caution. About two-thirds of wages are below it. Another survey shows the gap between the middle (median) wage and its estimate of the average wage has been growing, reflecting increasing wage inequality. The New Zealand Incomes Survey shows the median wage has fallen from 88 percent of the average wage in 1998 to 83 percent in 2013.

The Labour Cost Index (LCI) has fallen behind CPI inflation since 2000 and since the beginning of the recession. Again the high inflation of the year 2010-11 knocked it back sharply in real terms and it has not recovered to its previous level.

How have people coped? Those on higher incomes benefited from the 2010 tax cuts. For others it has been by working longer hours. However the Ministry of Social Development's Household Incomes report shows that median household incomes, taking into account household size, fell in real terms by 1.8 percent between 2009 and 2012. Some of these households depend on benefits and other incomes so it is not only a wages story.

Perhaps we should expect smaller wage rises in times of recession because the economy simply cannot afford to pay more? In fact between the years to March 2007 and March 2013, labour productivity rose 9.3 percent, but private sector real wages rose only 3.8 percent, and only 1.4 percent when measured against the prices employers were receiving for their production, showing the affordability of wage increases. New Zealand workers could have expected much better wage rises.

What has happened to wages and salaries during the recession triggered by the Global Financial Crisis? This is also more or less the time of the current National led government. In this commentary I look at a number of different wage measures and compare them to how prices have risen over the same period. Wages adjusted for price increases – the ‘real wage’ – are more meaningful than just raw wages because they show the buying power of wages, so I will focus on real wages.

Price increases are measured by the Consumers Price Index (CPI), which shows the movement of prices for an ‘average’ household. That doesn’t mean it is right for all households – low (and high) income households, those dependent on benefits or superannuation, Māori and Pacific households for example all have different patterns of what they buy, so the mixture of prices they face will be different. Statistics New Zealand is considering publishing price indexes for different population groups, and I finish by sketching what is proposed.

Wages

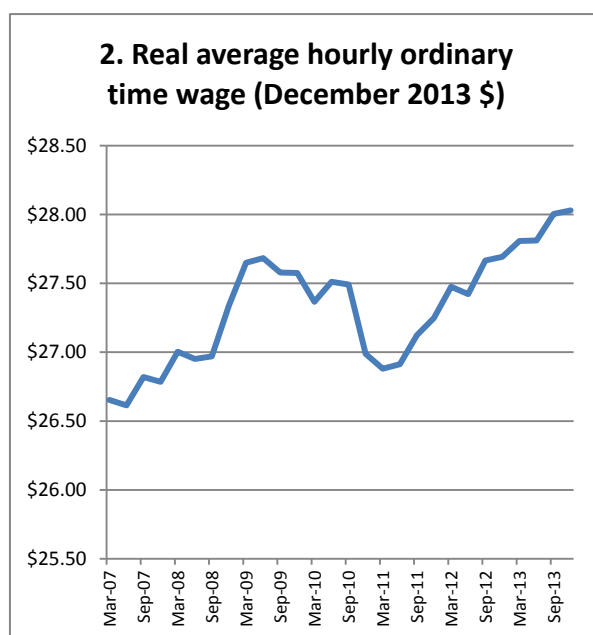
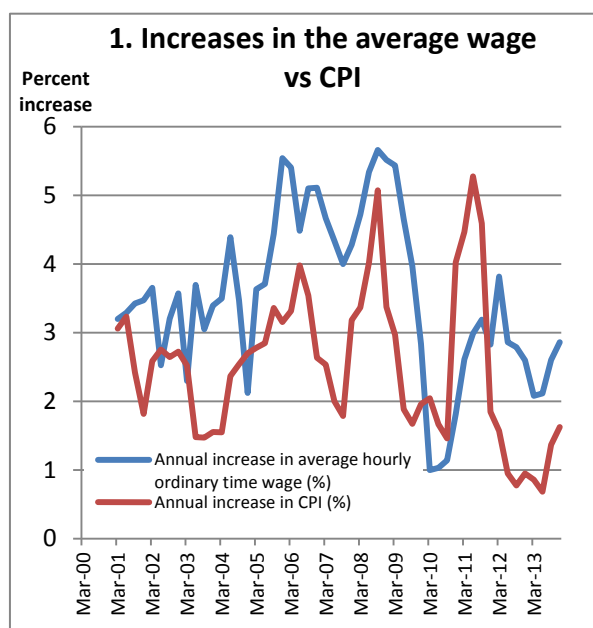
Average wage

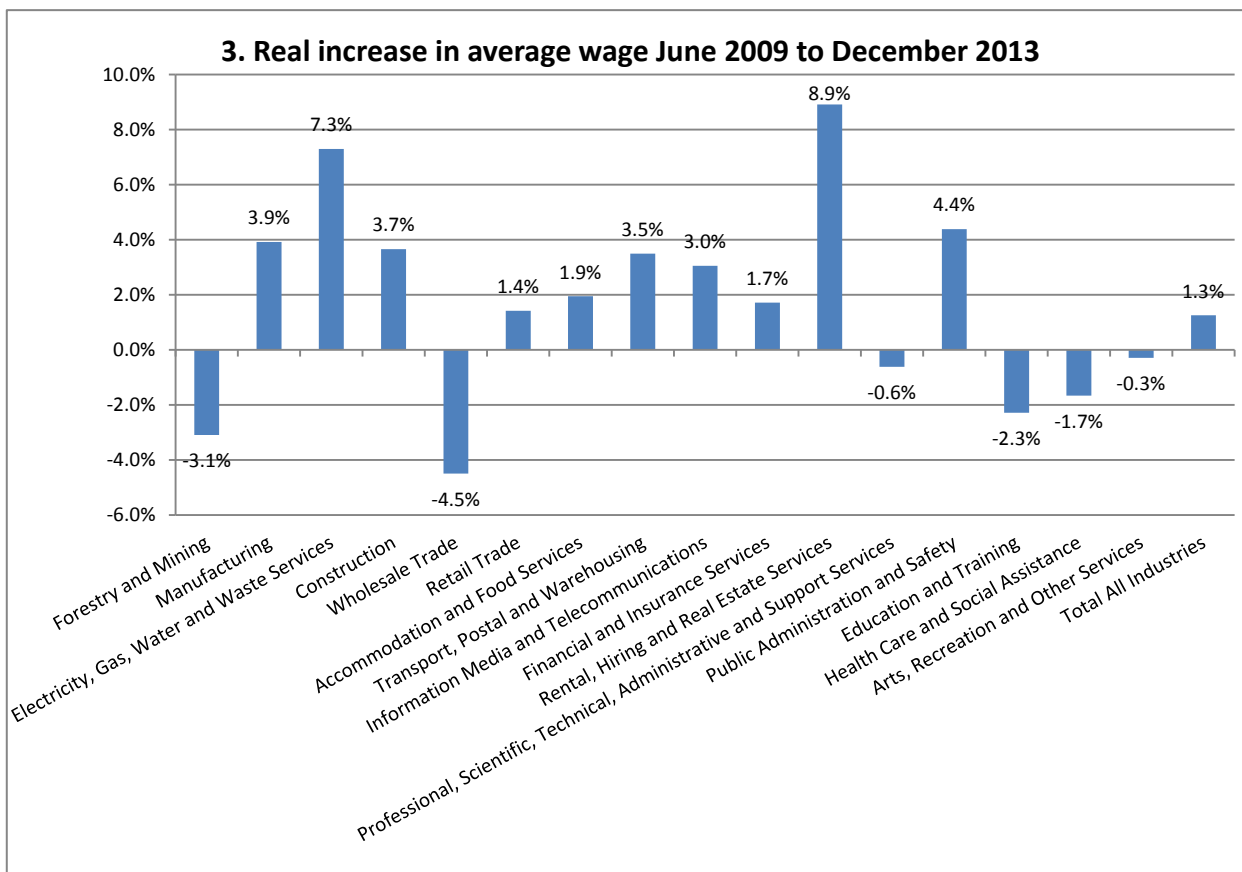
Looking back to the 2000s, the average hourly ordinary time wage (I’ll just call it the ‘average wage’) largely kept ahead of CPI inflation as the first graph shows. Towards the second half of the decade, wage increases had a burst and the biggest increase of the decade in real terms was in the year to June 2009 when the average wage increased 2.7 percent after inflation. After that, wage increases crashed. Doubtless the 2009 increase was helped by multi-year settlements made before the global financial crisis set in, along with falling inflation. The increase in GST and other price increases in the year to September 2011 hit the real wage again as the second graph shows.

The result is that the real average wage is now (December 2013) only 1.3 percent higher than it was four and a half years ago in June 2009. For men it was a bit more – 1.9 percent – but for women a bit less – 0.6 percent. That meant that the gender pay gap in the average wage, which had been falling, rose over that period. In June 2009, the male average wage was 13.7 percent greater than the average wage for females. In December 2013 it was 15.2 percent greater.

This has looked only at the ordinary time wage, but even including overtime the picture doesn’t look much different.

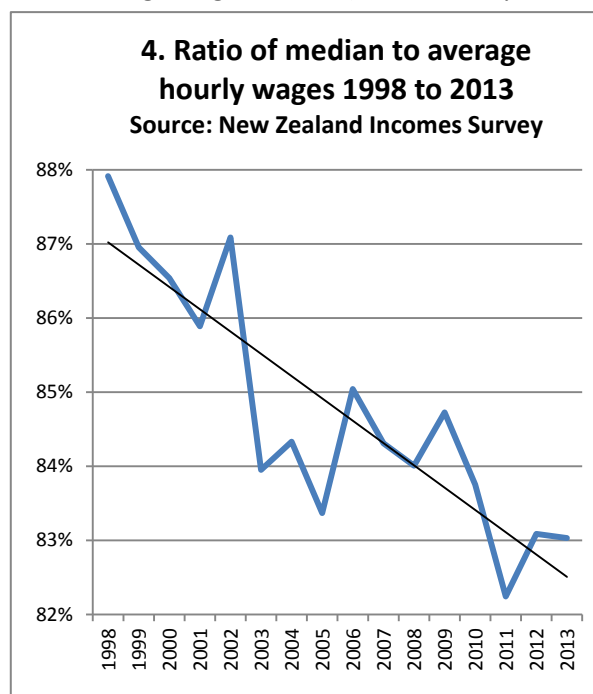
Graph 3 shows increases in the real average wage for each of the industries it is measured for, over the period June 2009 to December 2013.





The rise in the average wage is not the same as the average rise in wages. About two-thirds of wages are below the average wage. Though the survey giving the usual average wage statistic (the Quarterly Employment Survey) does not show how wages are distributed, another survey shows the difference between the middle (median) wage and its measure of the average wage has been growing, reflecting increasing wage inequality. The New Zealand Incomes Survey shows the median wage has fallen from 88 percent of the average wage in 1998 to 83 percent in 2013 (see the fourth graph).

Because the average wage in the Quarterly Employment Survey is calculated by simply adding up the total wage bill (excluding many small businesses and a few industries, notably agriculture and fishing) it can go up if low wage earners lose their jobs, and down when a low wage industry (like retail or tourism) grows. A change in the average wage therefore doesn't necessarily mean that any wage has risen or fallen.



Labour Cost Index

The design of the Labour Cost Index (LCI) avoids the average wage's problem of the changing make-up of the working population. It surveys all industries and adjusts as they change. However it is designed as

a cost index from the viewpoint of employers. It follows specific jobs (chosen by employers) and takes out any changes in pay that recognise the 'quality' of the person doing the job, such as changes in their performance, experience or qualifications. It is described as measuring labour costs "for a fixed quantity and quality of labour". As workers know however, what an employer might regard as a description of the job may cover only part of what is actually required. In fact the person in the job contributes to the job in ways that the employer may never recognise, and the job may change despite the job description staying practically the same (such as when a bus driver is required to drive a larger bus and begin to use electronic ticketing). Like other wage measures the LCI needs to be used with care.

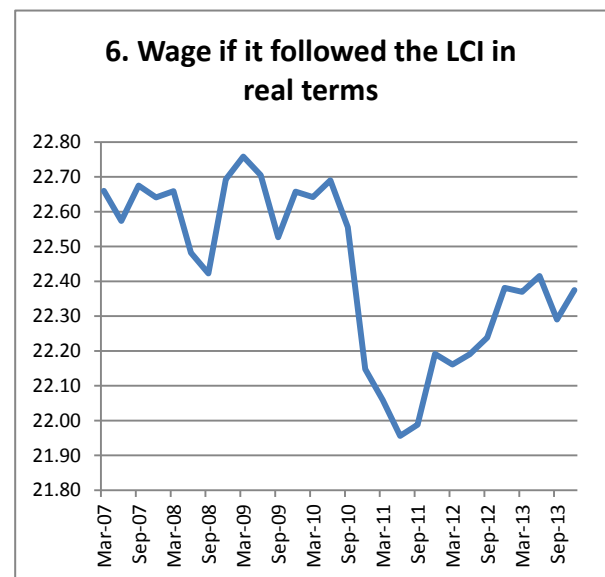
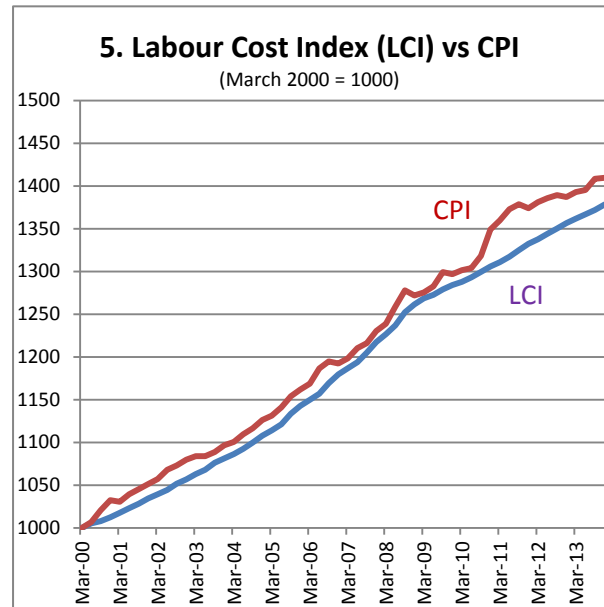
The LCI has been measured since 1992 and in general has more or less followed CPI inflation, or fallen slightly behind it. It has done so since 2000 as graph 5 shows. Again the high inflation of the year 2010 knocked it back in real terms, though the hit started in June 2010, before the GST rise. Graph 6 shows the result. It charts what would happen to a wage equal to the March 2007 average wage if it changed at the same rate as the LCI in real terms. After a sharp fall in 2010, it has not recovered its previous level.

How have people coped?

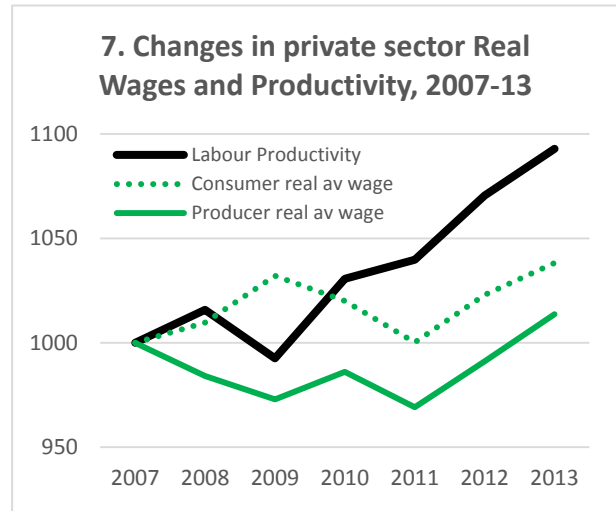
The picture we see is of wages that have barely risen or even fallen in real terms over this period. How have people coped? Those on higher incomes benefited from the 2010 tax cuts. For others it has been by working longer hours. The average weekly ordinary time wage rose 3.5 percent in real terms between June 2009 and December 2013 – slightly more than the 1.3 percent increase in the real average wage. Because it takes into account hours worked as well as the wage rate, it suggests people have worked more hours.

However the Ministry of Social Development's Household Incomes report shows that median household incomes, taking into account household size, fell in real terms by 1.8 percent between 2009 and 2012 (latest available) before housing costs and 0.8 percent after housing costs. Some of these households depend on benefits and other incomes so it is not only a wages story.

Finally, perhaps we should expect smaller wage rises, or even falling real wages in times of recession because the economy simply cannot afford to pay more? If a struggling economy had led to falling labour productivity as a result of production falling faster than hours worked, that might have some logic. Labour productivity did fall in the year to March 2009 according to the most recent Statistics New



Zealand figures, but as graph 7 shows, that was the only year it did so. Between the year to March 2007 – before the recession started – and the year to March 2013 (the most recent productivity data available), labour productivity rose 9.3 percent, but private sector real wages rose only 3.8 percent (the “consumer real average wage” in the graph), and only 1.4 percent when measured against the prices employers were receiving for their production (the “producer real average wage” in the graph), showing the affordability of wage increases.



Between the March 2009 and March 2013 years, labour productivity rose 10.1 percent while private sector real wages rose only 0.6 percent and only 4.2 percent against product prices. There may have been a few increases in additional costs to employers such as ACC levies and employer Kiwisaver contributions, but these are most unlikely to have been enough to make up the difference. New Zealand workers could have expected much better wage increases.

Prices

As mentioned, the Consumers Price Index shows the movement of prices for an ‘average’ household. That doesn’t mean it is right for all households, and people have often told me that, particularly for low income families, it doesn’t seem to reflect the reality they see with rising prices. Obviously, every household has different needs such as the number and age of children, tastes, location and so on. So a price index can never represent everyone, but we could do better by having different indexes for different population groups. Each would represent the goods and services the group buys, mainly using information from the three-yearly Household Economic Survey of household expenditure.

Statistics New Zealand recently consulted on whether there would be support for price indexes for different population groups. The groups being considered are by income (dividing households into five ‘quintile’ groups from lowest income to highest), ethnicity (Māori, Pacific, European, Asian, or perhaps non-Māori), wage and salary earners, and recipients of different types of benefits. Not all will necessarily be produced, but we strongly [supported](#) indexes by household income (ideally, ‘equivalised’ household incomes – that is, adjusted for household size), and supported the others to a lesser extent. As an example of the differences between them, Statistics New Zealand shows that in June 2011, 26.8 percent of the expenditure of the lowest income fifth of households was on housing and household utilities (such as electricity) while for the highest income fifth it was only 14.8 percent of their spending.

The CPI will continue to be published; these additional indexes will have a different name. They would resolve some other matters. The most important is that the CPI doesn’t include interest payments, but the new indexes would. The Reserve Bank doesn’t like interest rates being in the CPI because it would mean that when interest rates go up, the CPI would rise, meaning the Bank would have to raise interest rates, increasing CPI ... and so on in an endless cycle. But their absence means an important part of households’ real costs is not represented, and any CPI-related income adjustments are incomplete. There are also important issues as to how the costs of home ownership are accounted for. I am not entirely satisfied by what is proposed, but this is a longstanding problem. They will be using a different

framework for their calculations – a ‘payment-based’ framework instead of the CPI’s ‘acquisition-based’ framework. I can explain to anyone interested. There is more detail [here](#)¹.

The effects of the different indexes are interesting (and there is more detail available in the web pages noted). The shaded third column in the following table from Statistics New Zealand’s consultation document shows how each index measures the average annual increase in prices between June 2008 and September 2012. Firstly, if the ‘payment-based’ framework was applied to all households it would have shown an average increase of 1.65 percent per year instead of the 2.35 percent recorded by the CPI. A big part of the difference is probably because the CPI does not include interest, and interest rates have been falling over this period. It may also be because of a difference in treatment of the costs of home ownership. Secondly, as many would expect, the lowest income households (Quintile 1) experienced the highest inflation – 2.55 percent per year compared to 1.33 percent for the highest income group (Quintile 5). Māori households experienced a higher increase than other households but not as much higher (at 1.75 percent) as might be expected. Perhaps surprisingly, Wage and Salary Earners experienced price increases somewhere between Quintile 4 and Quintile 5, so the group is not representative of low income households. Beneficiaries unsurprisingly experienced higher inflation than all but the lowest two income groups.

Average annual percent change in prices June 2008 to September 2012 by population subgroup

Group	Population subgroup	Payment-based framework	Absolute sampling error*	Survey sample size
		Annual percent change in prices	Percentage points	Households
All households	<i>Current acquisition-based framework</i>	2.35	0.03	3,126
	<i>Proposed payment-based framework</i>	1.65	0.04	3,126
Ethnic	Asian	1.32	0.31	255
	European	1.66	0.05	2,607
	Māori	1.75	0.23	476
	Non-Māori	1.63	0.05	2,650
	Pacific people	1.48	0.44	187
Government transfer recipient	Beneficiary	2.10	0.26	559
	Main beneficiary	2.21	0.30	370
	Superannuitant	2.87	0.12	663
	Superannuitant and beneficiary	2.43	0.15	1,098
Income	Quintile 1	2.55	0.16	627
	Quintile 2	2.21	0.19	622
	Quintile 3	1.56	0.23	630
	Quintile 4	1.51	0.15	628
	Quintile 5	1.33	0.17	619
Income source	Wage and salary earner	1.44	0.08	1,839

* due to index weight estimation

The table also shows in column 4 the sampling errors for the different groups, indicating how reliable these figures are. For example the current CPI annual increase at 2.35 percent actually lies between 2.32 and 2.38 percent (plus or minus 0.03 percentage points). The estimates are not very reliable for the smaller groups (sample size is shown in column 5) particularly for Pacific and Asian households. It may not be worthwhile creating indexes for these groups, though Statistics New Zealand are also considering work to improve the size and design of the Household Economic Survey on which these are based. That should improve the picture somewhat.

Bill Rosenberg

¹ http://www.stats.govt.nz/browse_for_stats/economic_indicators/CPI_inflation/feedback-2013-cpi-review-advisory-committee.aspx. See also http://www.stats.govt.nz/browse_for_stats/economic_indicators/CPI_inflation/2013-cpi-review-advisory-committee.aspx

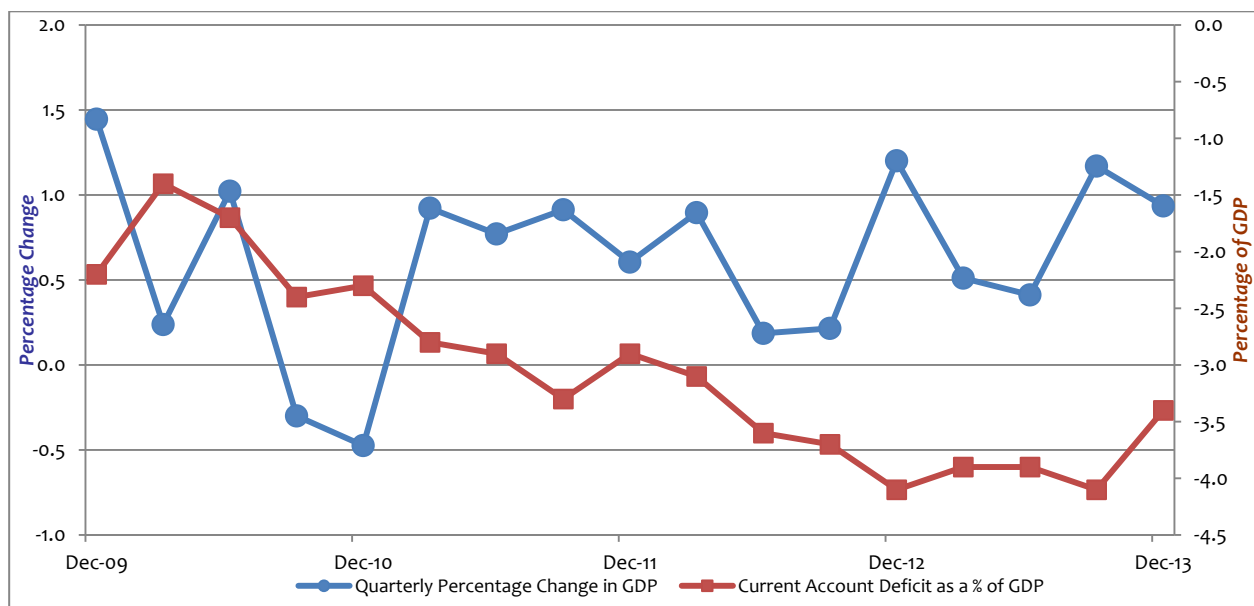
Forecast

★ This [NZIER forecast](#) was released on 17 March 2014.

Annual Percentage Change (March Year)	2013-14	2014-15	2015-16	2016-17
GDP	2.9	3.6	2.8	2.0
CPI	1.5	2.1	2.4	2.4
Private Sector average wage	2.7	3.1	3.4	3.3
Employment	2.7	2.4	1.4	0.8
Unemployment rate	5.9	5.4	5.1	5.2

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

Economy



★ Growth in New Zealand's economy continued to increase strongly in the December 2013 quarter, with [Gross Domestic Product](#) growing at 0.9 percent, compared to quarterly increases of 1.2 percent in September (revised down from 1.4 percent) 0.4 percent in June and 0.5 percent in March. Growth for the year ended December 2013 was 2.7 percent, only 0.1 percentage point higher than that in the year to September. The December 2013 quarter was 3.1 percent up on the same quarter in 2012 (down from the increase between September quarters of 3.3 percent). The largest quarterly rises by industry were in Mining (up 9.5 percent), Electricity, gas, water, and waste services (up 3.8 percent), and Wholesale Trade (up 3.2 percent). However, there were falls led by Professional, scientific, technical, administration, and support (down 2.1 percent), and Agriculture, forestry, and fishing (down 2.0 percent). Manufacturing rose a healthy 2.1 percent but Construction was surprisingly weak with a 0.4 percent rise. The result was that Primary Industries rose 0.3 percent, Goods producing industries rose 1.8 percent and Service industries rose 0.3 percent. Over the year though (comparing the December quarters), all industries expanded, led by Mining (10.5

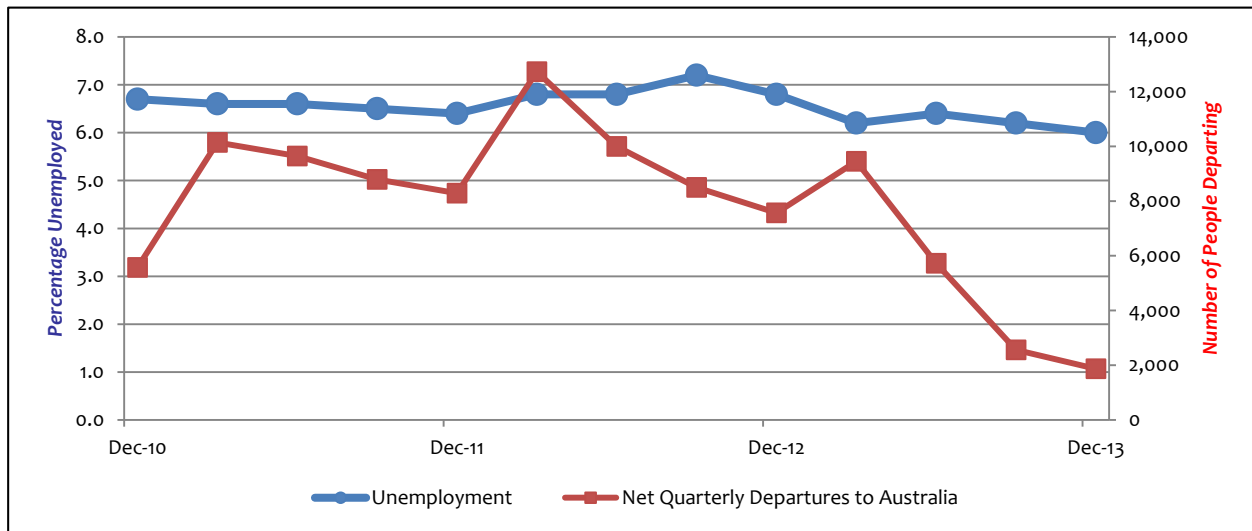
percent), Construction (7.6 percent), Health care and social assistance (5.5 percent), Wholesale Trade (3.8 percent), Retail trade and accommodation (3.8 percent), Financial and insurance services (3.7 percent), and Manufacturing (3.4 percent). Agriculture, forestry and fishing rose only 1.9 percent. All most all manufacturing industries expanded production over the year, the only exception being Textile, leather, clothing, and footwear manufacturing which contracted by 8.7 percent. Food, beverage, and tobacco manufacturing rose a relatively weak 1.9 percent (matching agriculture, forestry and fishing which drives much of it) but Wood and paper products manufacturing rose 3.1 percent, Printing 14.5 percent, Petroleum, chemical, polymer, and rubber product manufacturing 4.5 percent, Non-metallic mineral product manufacturing 8.7 percent, Metal product manufacturing 1.3 percent, Transport equipment, machinery and equipment manufacturing 4.9 percent, and Furniture and other manufacturing 11.5 percent. Household consumption expenditure rose a strong 1.3 percent in real terms in the quarter and 3.7 percent in the year. Expenditure on non-durable goods (such as groceries) rose 0.2 percent in real terms during the quarter and rose only 0.9 percent during the year while durables rose a strong 2.6 percent in the quarter and boomed at 8.9 percent over the year. Business investment rose just 0.9 percent in the quarter (though Plant, machinery, and equipment rose 19.7 percent) and despite it growing a strong 9.3 percent in the year, this was less than Treasury forecasts.

- ★ New Zealand recorded a [Current Account](#) deficit of \$0.8 billion for the December 2013 quarter in seasonally adjusted terms, \$1.7 billion less than the September quarter deficit of \$2.6 billion. The improvement was driven by a surplus on goods trade of \$1.8 billion while the deficit on income and transfers rose to \$2.7 billion. For the year to December 2013 the deficit was \$7.5 billion or 4.1 percent of GDP compared to a revised \$8.2 billion in the year to June. The deficit on income of \$9.4 billion was virtually all investment income, outflows of which are steadily rising while inflows are near to static.
- ★ The country's [Net International Liabilities](#) were \$147.6 billion at the end of December 2013 (66.6 percent of GDP) down from a revised \$149.5 billion (69.2 percent GDP) at the end of June, and from the \$152.8 billion (72.6 percent GDP) in December 2012. The fall in net liabilities in the quarter was due mainly to rising overseas prices of shares and other securities (worth \$2.9 billion) and revaluation of derivatives (\$1.0 billion) but also included a net outflow of investment from New Zealand of \$0.9 billion. Of the net liabilities, \$11.2 billion was owed by the government (equivalent to 5.0 percent of GDP) and \$101.3 billion by the banks (46.3 percent of GDP). Total insurance claims owed by overseas reinsurers from all Canterbury earthquakes are estimated at \$19.0 billion, and at 31 December 2013, \$13.0 billion of these claims had been settled, leaving \$5.9 billion outstanding. Without these, net international liabilities would have been \$153.5 billion or 69.3 percent of GDP. New Zealand's gross international liabilities were \$325.0 billion in December, against \$177.5 billion in overseas assets.
- ★ [Overseas Merchandise Trade](#) for the month of February 2014 saw exports of goods rising 17.0 percent while imports rose 8.0 percent from the previous year, creating a trade surplus for the month of \$818 million. In seasonally adjusted terms, exports rose 4.0 percent or \$117 million over the month influenced by large rises in exports of dairy products, crude oil, fruit and aluminium, though offset by falls in exports of mechanical and electrical machinery and equipment, and seafood. Seasonally adjusted imports rose 2.8 percent or \$114 million, creating a trade surplus of \$425 million, higher than the \$363 million in January. The largest increase in imports was of

Petroleum and products, but offset by falls in Mechanical machinery and equipment and Optical, medical, and measuring equipment. Exports to China rose 53.3 percent in the year to February and fell 7.2 percent to Australia. China has been New Zealand's largest export destination and import source for the last year, replacing Australia. Our top six export destinations accounted for 61.4 percent of our exports in the year (of which China accounts for 22.4 percent), compared to 60.1 percent in the previous year (China 15.7 percent). Imports from China rose 6.3 percent in the same period, and fell 12.1 percent from Australia.

- ★ The [Performance of Manufacturing Index](#)¹ for February 2014 was 56.2, a small fall from a revised 56.3 in January and 56.5 in December. The employment sub-index at 54.4, up from 51.2 in January but down from 55.0 in December.
- ★ The [Performance of Services Index](#)¹ for February 2014 was 53.1, a sharp fall from 57.8 in January and 57.4 in December. The employment sub-index also fell, to 53.6 from 55.0 in January and 52.7 in December.
- The [Retail Trade Survey](#) for the three months to December 2013 showed retail sales rose 1.2 percent by volume and 1.2 percent by value in the quarter compared with the September 2013 quarter, seasonally adjusted. By volume, the largest positive contributors to the increase were Clothing, footwear and accessories, Recreational goods, Electrical and electronic goods, Department stores and Pharmaceuticals. Non-store and commission based retailing and Supermarkets and Grocery stores were the largest negative contributions. This was a reversal for both the Clothing and footwear, and the Non-store and commission-based retailing categories.
- ★ On 13 March 2014 the Reserve Bank raised the [Official Cash Rate](#) to 2.75 percent, the first movement since 10 March 2011 when the Bank lowered the rate to 2.50 percent, and the first rise since 10 June and 29 July 2010 when the OCR was raised to 2.75 and then 3.00 percent. The Bank says that "that the OCR will need to rise by about 2 percentage points over the next two years for inflation to settle around target". It is likely 1.00 to 1.25 of those percentage point increases will occur this calendar year. The next review will be announced on 24 April 2014.
- ★ The [REINZ Housing Price Index](#) rose 2.1 percent in the month of February 2014. Auckland rose 7.1 percent to reach a record high, Christchurch rose 1.3 percent, and Wellington rose 5.4 percent. The index was up 8.2 percent compared to February 2013. For the year, Auckland rose 8.4 percent, Christchurch rose 6.8 percent and Wellington rose 4.0 percent. The national median house price rose \$13,000 (3.2 percent) from \$402,000 in January to \$415,000 in February. It is \$33,000 or 8.6 percent higher than a year ago. Auckland accounted for 63 percent of the increase and Canterbury/Westland 16 percent. Together with Waikato/Bay of Plenty which accounted for a further 13 percent, the three regions accounted for 92 percent of the increase in median prices. There were 624 or 17.7 percent fewer sales under \$400,000 compared to February 2013, but a rise of 120 or 40.1 percent in the \$1 million plus range and 98 or 9.2 percent in the 600,000 to \$999,999 range. Under \$400,000 houses accounted for 47.3 percent of sales in February 2014 but 53.1 percent in February 2013.

Employment



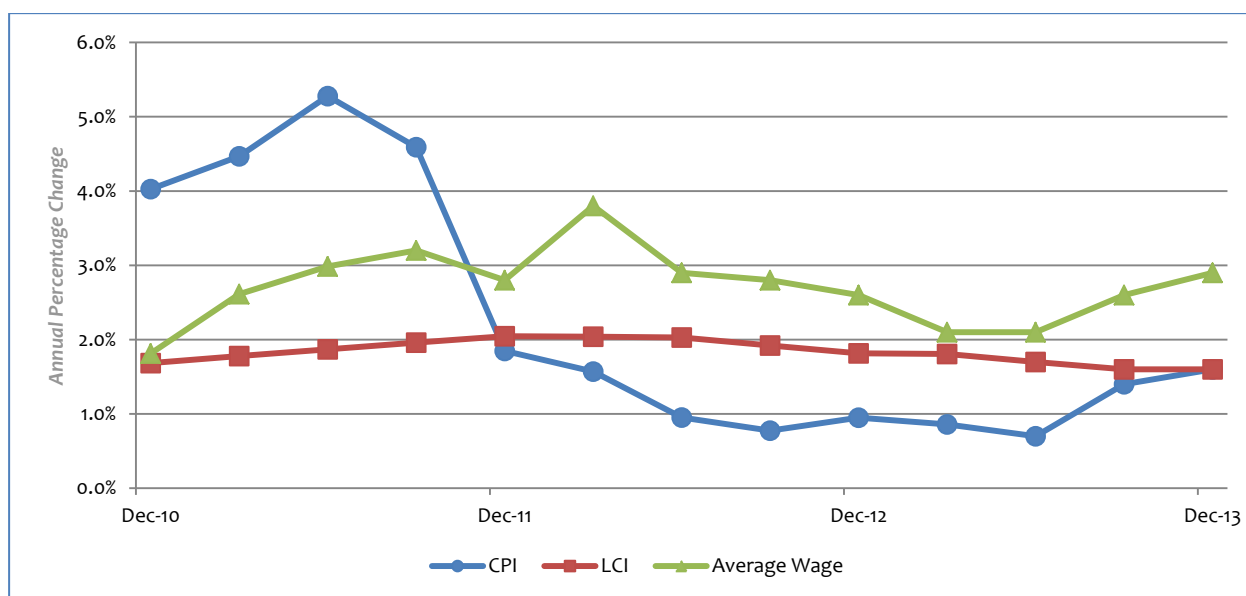
- According to the [Household Labour Force Survey](#) the unemployment rate in the December 2013 quarter fell to 6.0 percent from 6.2 percent in the September 2013 quarter. Seasonally adjusted female unemployment at 6.9 percent was higher than for men (5.2 percent). The unemployment rate in Canterbury was 3.4 percent, down from 4.9 percent in December 2012. There were 147,000 people unemployed and the number of jobless people (which includes those discouraged from seeking employment) was 257,100. There were 122,600 people seeking additional hours, a sharp increase from 95,400 a year previously. Māori unemployment fell from 14.8 percent in December 2012 to 12.8 percent and Pacific unemployment fell from 16.0 percent in December 2012 to 13.7 percent. Statistics New Zealand are now providing seasonally adjusted statistics for youth. Youth unemployment (15-19 year olds) was 24.5 percent, up from 23.3 percent in September 2013 but down from 31.8 percent a year before. It was somewhat higher (at 25.6 percent) among those in education than those not (22.6 percent), but almost all the 17,000 increase in employment over the year was among people in education which increased by 13,000. The unemployment rate among 20-24 year olds was 11.2 percent, down from 12.2 percent in the September 2013 and 12.8 percent a year before, and again most of the employment increase was among those in education. There were 72,000 people aged 15-24 years who were not in employment, education, or training (NEET), which is 11.3 percent of people in that age group, the same as in September and down from 13.9 percent a year before. The labour force participation rate at 68.9 percent is up 0.3 percentage points from the previous quarter and up 0.7 percentage points for the year. There are 44,600 unemployed people who have been out of work for more than 6 months (up from 44,000 in September 2013 and down from 46,100 in December 2012), and as a proportion of the unemployed they have increased from 28.7 percent to 30.7 percent over the year. Compared to OECD unemployment rates, New Zealand has risen from 13th position in September 2013 to 12th (out of 34 countries).
- From July 2013, [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 December 2013 there were 130,225 working age people on the Jobseeker benefit, an increase of 3,755 from September 2013 and a reduction of 7,145 from December 2012. Of those at December 2013, 71,373 were classified as 'Work Ready', and 58,852 were classified as 'Health Condition or Disability'. A total of 321,869 were on 'main' benefits, 17,475 more than September 2013 but 17,226 fewer than December 2012. It was 35,693 more than in December 2008.

★ [Job Vacancies Online](#) showed a seasonally adjusted fall in skilled job vacancies of 2.0 percent in February after a rise of 7.4 percent in January. All job vacancies also fell – by 1.3 percent – in February, after a January 7.0 percent increase. In the year to February, skilled vacancies increased by 16.4 percent. All vacancies increased by 18.1 percent.

★ [International Travel and Migration](#) data showed 8,460 permanent and long-term arrivals to New Zealand in February 2014 and 5,000 departures in seasonally adjusted terms, a net gain of 3,470. There was an actual net gain of 29,022 migrants in the year to February. Net migration to Australia in the year to February was 14,998 departures, with 35,665 departures and 20,667 arrivals. For the month of February, the seasonally adjusted net loss to Australia was 630, compared to 2,410 a year before.

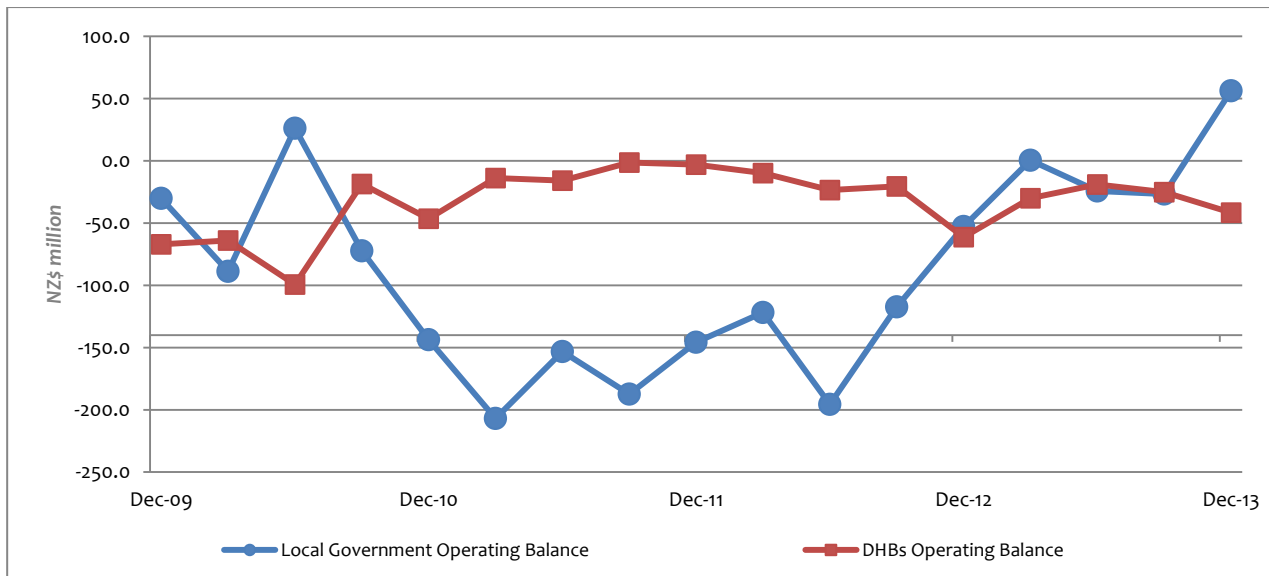
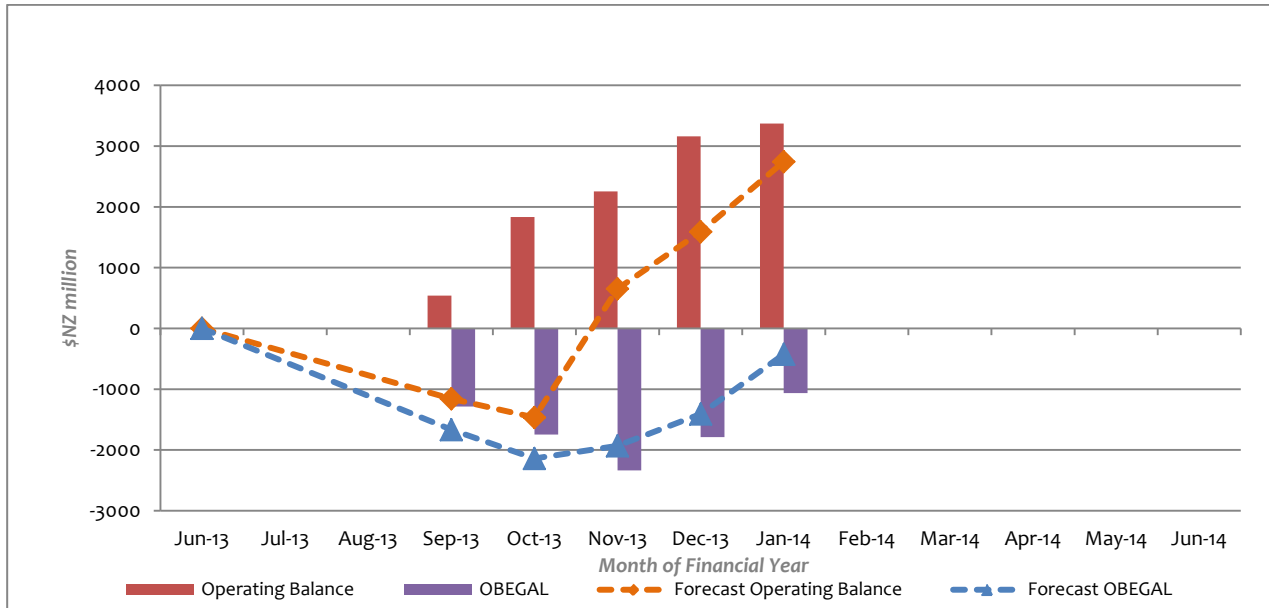
Wages and prices



- The [Labour Cost Index](#) (LCI) for salary and ordinary time wage rates rose 0.5 percent in the three months to December 2013, just up a pip on the 0.4 percent in the September quarter. The LCI increased 1.6 percent in the year to December. It increased 0.4 percent in the public sector and 0.6 percent in the private sector in the three months to December. Over the year to December it rose 1.4 percent in the public sector and 1.7 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 2.4 percent. The average increase was 3.1 percent.

- The [Quarterly Employment Survey](#) for the three months to December 2013 found the average hourly wage for ordinary-time work was \$28.03, up 0.2 percent on the September 2013 quarter and up 2.9 percent over the year. The average ordinary-time wage was \$25.98 in the private sector (up 0.3 percent in the quarter and up 3.2 percent in the year) and \$35.27 in the public sector (down 0.2 percent in the quarter and up 1.6 percent in the year). Female workers (at \$25.92) earned 13.2 percent less than male workers (at \$29.85) for ordinary time hourly earnings.
- The [Consumer Price Index](#) rose 0.1 percent in the December 2013 quarter compared with the September quarter and increased 1.6 percent for the year to December. For the quarter, the largest contributor to the increase was international air fares which rose 12 percent, while housing and household utilities rose 0.5 percent. Over the year, nearly half of the increase came from housing and household utilities which rose 3.2 percent. Inflation in Canterbury for the year was 2.4 percent compared with 1.5 percent in the rest of the country. Housing costs hit particularly hard, rising 5.9 percent for the year compared to 2.5 to 3.0 percent elsewhere.
- ★ The [Food Price Index](#) fell by 1.0 percent in the month of February 2014, following a 1.2 percent rise in January. Food prices rose 0.2 percent in the year to February 2014. Compared with January, fruit and vegetable prices fell 5.9 percent; meat, poultry, and fish prices fell 1.9 percent; grocery food prices rose 0.1 percent; non-alcoholic beverages rose 0.7 percent; and restaurant meals and ready-to-eat food fell 0.2 percent.

Public Sector



- ★ According to Treasury’s [Financial Statements of the Government of New Zealand](#) for the seven months to January 2014, core Crown tax revenue was \$876 million or 2.4 percent lower than forecast in the December 2013 Half Year Economic and Fiscal Update (HYEFU), and total core crown revenue was \$892 million or 2.3 percent below forecast. Expenses were \$138 million (0.3 percent) below forecast. Net debt at 27.7 percent of GDP (\$59.9 billion) was \$631 million higher than the forecast \$59.3 billion or 27.4 percent of GDP. The Operating Balance before Gains and Losses (OBEGAL) was a \$1,063 million deficit, \$637 million higher (worse) than forecast. The Operating Balance was a \$3,372 million surplus compared to a forecast surplus of \$2,743 billion. This was mainly because “the New Zealand Superannuation Fund net gains were \$961 million above forecast”. The shortfall in tax revenue consisted of shortfalls across all tax types, including GST (\$354 million) of which a third relates to earthquake funds, a third timing issues and a third “underlying weakness”; corporate tax (\$135 million) which “is largely the result of a few large taxpayers whose provisional tax assessments are not visible to the IRD as a result of being in tax

pooling schemes” but are expected by Treasury to come right by the end of the financial year in June; and PAYE (\$136 million) which Treasury thinks is due to timing issues. Treasury expects to be below budget at year end on “other individuals’ tax” and customs duties from tobacco. There is a delay in the return of earthquake insurance receipts from DHBs to the Ministry of Health. Sale of assets arising from the Deposit Guarantee Scheme has raised \$77 million.

★ [District Health Boards](#) recorded combined deficits of \$34.1 million for the seven months to January 2014. This is \$3.7 million less than the \$37.8 million deficit in their plans. The Northern region was \$1.2 million ahead of plan with surpluses in all four DHBs and only Northland behind plan, the Midland region was \$1.5 million ahead of plan having staged a dramatic turnaround from a combined \$10.8 million deficit in December to a \$2.1 million surplus in January (though Lakes, Tairāwhiti and Taranaki are all behind plan), Central region was \$2.6 million behind plan (with Capital and Coast, Hawke’s Bay and Hutt Valley the largest contributors to the region’s \$18.0 million deficit at \$9.2 million, \$4.5 million and \$3.9 million deficits respectively; the first and last are also well behind plan and all DHBs in the region are in deficit) and the Southern Region was \$3.6 million ahead of plan (\$14.0 million of its \$23.0 million deficit is from Canterbury DHB but it was Southern and West Coast DHBs that were behind plan). The DHB furthest ahead of plan was Nelson Marlborough by \$3.3 million, and Capital and Coast was furthest behind, by \$2.0 million.

★ [Local Government](#) recorded a 0.8 percent rise (\$17.2 million) in operating income and a 3.2 percent fall in operating expenses (at \$65.8 million) including an increase of 0.3 percent (\$1.2 million) in employee costs for the December 2013 quarter compared to September. This resulted in an operating surplus of \$56.3 million in the December quarter, compared with a deficit of \$26.7 million in the September quarter, and deficits in all previous quarters back to June 2010 other than the March 2013 quarter, all in seasonally adjusted terms. Note that the December quarter results are provisional.

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.

This bulletin is available online at <http://www.union.org.nz/economicbulletin155>.

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