NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

CTU Monthly Economic Bulletin

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Commentary
Wages and salaries by industry

Summary

In the past I have shown how wages rises have failed by a long way over the last 20-25 years to keep up with labour productivity. In this Bulletin, I look at three industry sectors – Agriculture, Forestry and Fishing; Manufacturing; and Finance and Insurance: how their wages fared, and how they compare to other industries. The brief result is that in none of them have real wages kept up with productivity, and that, unsurprisingly there are big differences in wages by sector – but productivity performance seems to have little to do with it.

For the market economy, if the average hourly wage had risen at the same rate as productivity since 1989, it would have been almost $36 in 2013, but instead was approximately $27 in March 2014 dollars. If a wider 'wage' that includes non-wage benefits, Compensation of Employees per hour, had risen at the same rate as labour productivity from 1978 it would have been $40 in the year to March 2013 (in March 2014 dollars). Instead it was approximately $31.

Wages for employees in Agriculture, Forestry and Fishing are among the lowest in the economy: Compensation of Employees per hour was $18.89 in the year to March 2011. There is only one sector lower: Accommodation and Food Services with Compensation of Employees per hour at $18.13. So our premier export sector pays some of the worst wages. If its wages had risen at the same rate as its strong productivity growth, they would average $33.10 in 2011 (in March 2013 dollars) but instead they were $17.59.

In Manufacturing, Compensation of Employees per hour was $29.78 in the year to March 2011, a little below the average for all industries of $30.52. The average hourly wage including overtime averaged $24.18 for that year, also a little below the average wage for all industries (not including Agriculture and Fishing) of $25.76. Real wages have not grown fast in the sector, being only 28 percent ahead of 1978 by 2011. Compensation of Employees per hour would have been $35.17 in the year to March 2011 if it had kept up with productivity but was $29.52.

The Finance and Insurance sector has the second highest average wage of all the sectors, with Compensation of Employees per hour of $49.17 in the year to March 2011 compared to Mining with $54.77. The average hourly wage including overtime averaged $35.49 and the big difference compared to Compensation of Employees per hour points to very large non-wage benefits going to some in the industry. While its Compensation of Employees per hour may look high already, it would be $72.82 in the year to March 2011 if it had kept up with the strong productivity growth in the industry.

In the past I have shown how wages rises have failed by a long way over the last 20-25 years to keep up with labour productivity. This is in the parts of the economy where productivity has been measured by Statistics New Zealand (the "measured sector", which is most of the economy subject to market prices, has productivity measurements going back to 1996; the "former measured sector", which excludes many of the service sectors goes back to 1978[*]). In this Bulletin, I look at three industry sectors – Agriculture, Forestry and Fishing; Manufacturing; and Finance and Insurance: how their wages fared, and how they compare to other industries. The brief result is that in none of them have real wages kept up with productivity, and that, unsurprisingly there are big differences in wages by sector – but productivity performance seems to have little to do with it.

There are 18 top level sectors in the standard industrial classification (treating Manufacturing as a single sector). Each tells a different story. If readers are interested I could look at other industries in future Bulletins.

I look at each in terms of its real wages, mainly in March 2013 dollar terms. I do it in two ways. From the worker's point of view, the real value of his or her wage is what it will buy, which means we look at it after taking account of ('deflating by') consumer prices – the familiar CPI. This is sometimes called the 'consumer wage'. From the employer's point of view, the real cost of the wages it pays is related to the prices of the goods and services being produced – in a sense, the affordability of those wages to the employer. These prices are tracked in the Producer Price Index for Outputs (PPI(O)) and real wages taking account of that are sometimes called 'producer wages', and are the most meaningful ones to compare with productivity. If the prices the employer receives go up, then wages become more affordable – the 'real' value of them goes down from the employer's point of view – and vice versa.

Which wage measure should we use? It would be good to be able to use a median (middle) wage because it is more like a 'typical' wage that workers receive. But the ones that are available don't go back very far, so we have to use average wages (and about two-thirds of workers earn less than the average wage).

As well as the usually quoted average wage (which comes from Statistics New Zealand's Quarterly Employment Survey or QES) I've calculated another hourly wage. Statistics New Zealand produces New Zealand's National Accounts, which measure the economic activities of the entire country. Part of this is 'Compensation of Employees', which is the total that employers pay in wages, salaries or in kind to their employees. It includes things like employer contributions to superannuation savings, and also ACC employer levies. So it is a wider wage measure which more fully reflects the cost to employers and the benefits to employees. It's available by industry as well as the full economy. I've obtained the numbers of hours employees work per year from Statistics New Zealand for most industries (they calculate them for their productivity statistics, and I've extended them using the QES where possible, but they are not available for all industries over all the years we'd like). Dividing Compensation of Employees by the hours worked gives an average 'Compensation of Employees per hour' wage. Unfortunately these statistics are way behind – the most recent are for the year to March 2013 and the industry ones are only to March 2011. But many of them go back much further than the usual average wage (to 1978 compared to 1989). Also, Agriculture is covered, which is missing from the usual average wage – so it is a relatively rare glimpse at average wages paid in the Agriculture, Forestry and Fishing sector.

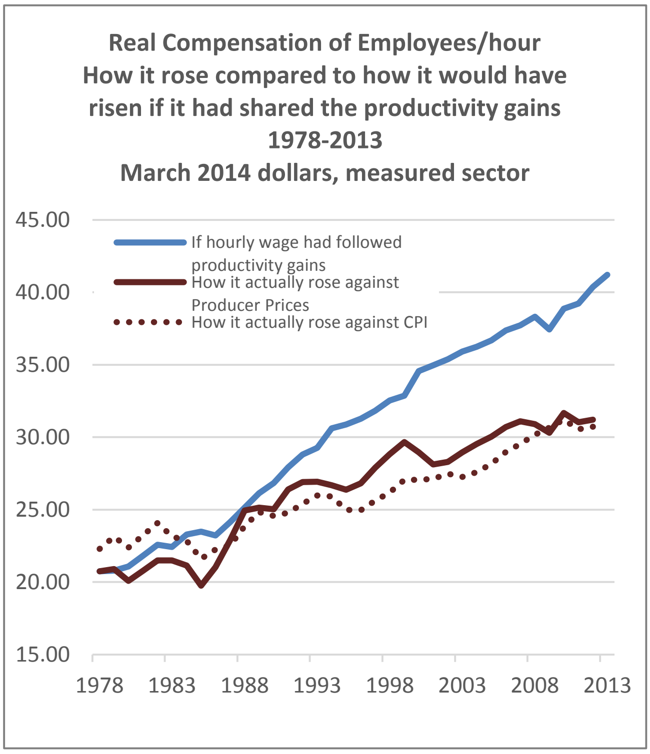
Compensation of Employees as a proportion of all the income generated by the economy (which theoretically is equal to GDP) is the 'Labour Share'. The remainder is the income share going to owners

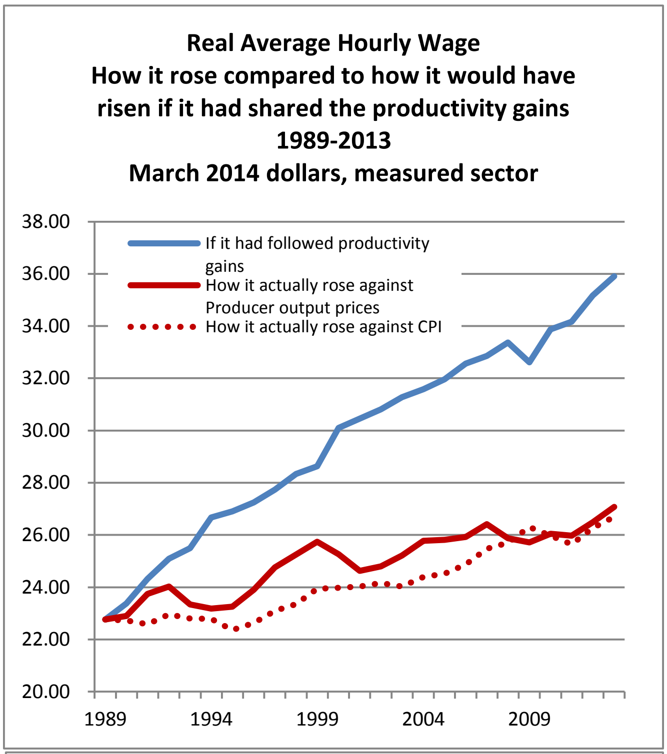
[*] I use the former measured sector productivity series as an approximation to extend the measured sector series back to 1978.

of capital, or the Capital Share. A falling Labour Share usually also indicates that wages are falling behind increasing labour productivity (which I'll just call 'productivity'), and a rising Labour Share suggests wages are rising faster than productivity. We'll use Labour Shares to illustrate each sector.

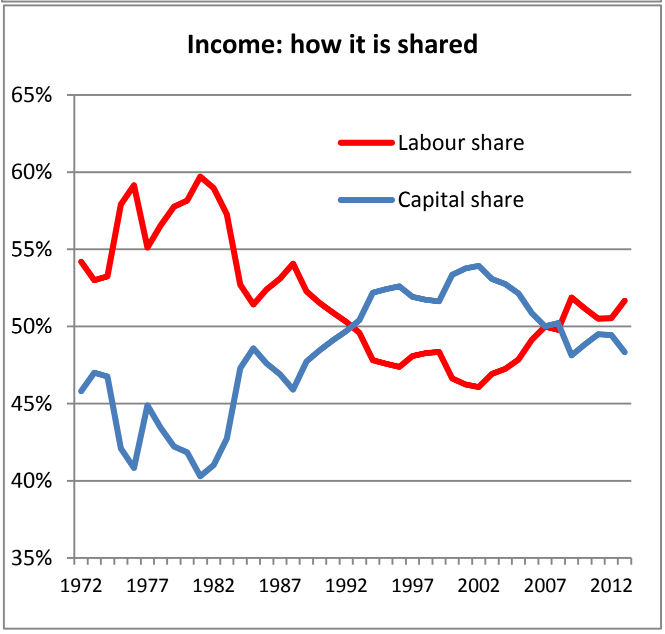
The market economy

So to start with, here are graphs of wages and productivity for the measured sector (essentially, the market economy), shown against the real average wage going from 1989 and Compensation of Employees per hour from 1978. (These are updated to 2013 for the first time.)





If Compensation of Employees per hour had risen at the same rate as labour productivity from 1978 it would have been $40.37 in March 2013 (in March 2014 dollars). Instead it was $31.21 (producer wage) or $30.72 (consumer wage). Notice that the real wage fell behind productivity growth between 1978 and 1985, then had almost caught up in about 1988, only to fall well behind for the remaining time.

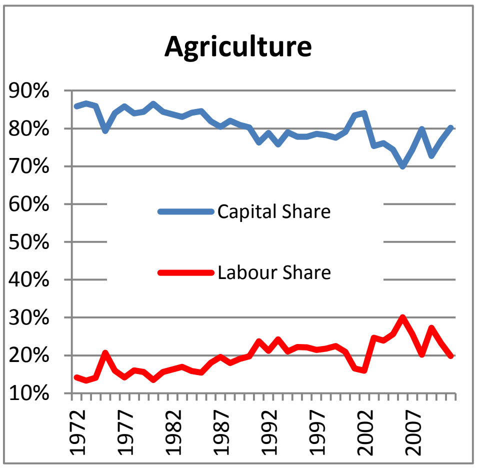


If the usual (QES) average hourly wage had risen at the same rate as productivity since 1989, it would have been $35.91 in 2013, but instead was $27.08 (producer wage) or $26.70 (consumer wage) in March 2014 dollars. Producer prices rose at a similar rate to consumer prices over the 1989-2013 period, but a bit slower from 1978.

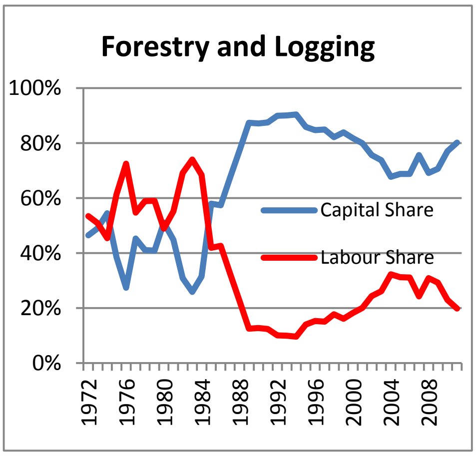
You'll notice that the Compensation of Employees per hour wage measure is significantly higher than the standard average wage measure because it includes those other non-wage benefits. So for the whole economy in the year to March 2012 it was $31.47 while the average hourly wage including overtime averaged $26.60 for that year.

The Labour Share for the whole economy fell steeply from about 60 percent in the 1980s to 46 percent in 2002, and then rose to its present level of around 50 percent – well below its 1980s level and well below almost all other OECD countries: economist Thomas Piketty says 60-70 percent is typical for developed economies. However wages only kept up with productivity for a brief period during the 2000s, ending about 2009, despite the rising or level Labour Share.

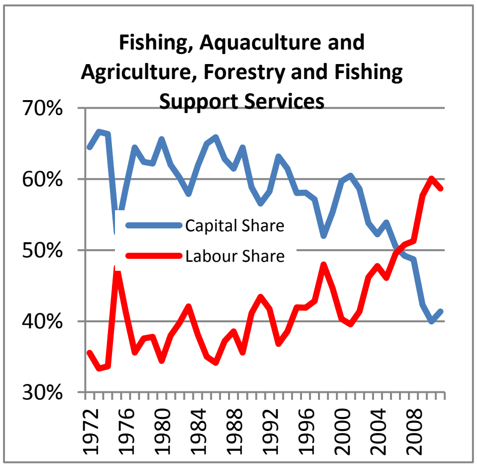
Agriculture, Forestry and Fishing



It turns out that wages for Agriculture, Forestry and Fishing (measured by Compensation of Employees per hour – the average wage is not measured for Agriculture and Fishing) are among the lowest in the economy: $18.89 in the year to March 2011. There is only one sector lower: Accommodation and Food Services with Compensation of Employees per hour at $18.13. The sector is dominated by Agriculture: Forestry makes up about 10 percent of its hours; I don't have hours for Fishing but it is unlikely to make much of a dent. So our premier export sector pays some of the worst wages.

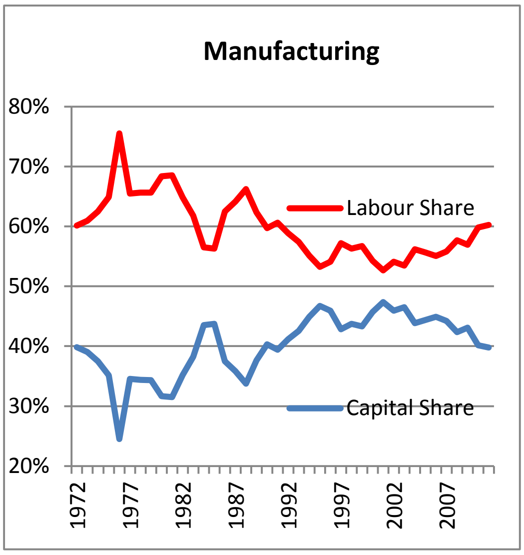


It is an unusual sector in that a much larger proportion of the hours worked are by 'working proprietors' (which include self-employed people) – mainly farmers, but also contractors and other small businesses in various forms – compared to other sectors. The main exception is Rental, Hiring, and Real Estate Services and in both cases about 45 percent of hours are worked by working proprietors. In 1978, the proportion for Agriculture, Forestry and Fishing was 59 percent and it peaked at 66 percent in 1994 (see graph below). That is one reason why the Labour Share is so low (around 20 percent), but the low wages are likely to be another.



The labour share has risen slowly in Agriculture but peaked in 2006 and is falling again. In Forestry and Logging the labour share fell dramatically between 1984 and 1989 as a result of sharp falls in employment and contracting out of work as part of the corporatisation and privatisation of the industry. It has risen slowly since then but began to fall again from 2004. Fishing, Aquaculture and support services to the sector has the unusual picture of a strongly rising labour share.

However real wages have in fact fallen well behind productivity growth for the sector as a whole. The consumer wage in the sector (i.e. the real wage relative to CPI) rose 53 percent between 1978 and 2011. The producer wage (i.e. relative to producer prices in the sector) rose only 35 percent. Productivity rose a huge 154 percent, third best after Information Media and Telecommunication (which rose 522 percent) and Transport, Postal and Warehousing (216 percent). If agriculture sector producer wages had risen at the same rate as productivity, they would average $33.10 in 2011 (in March 2013 dollars) but instead were $17.59. It is little wonder farmers find it hard to attract people to work for them.

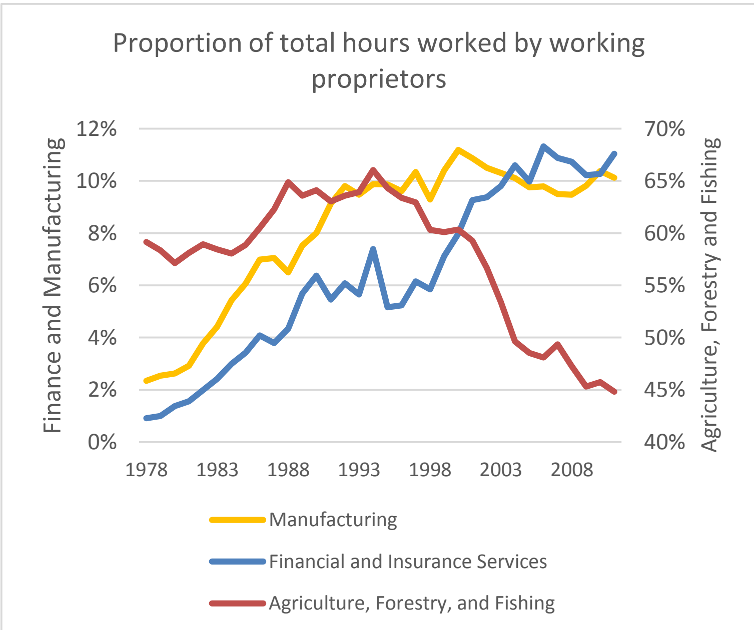


Manufacturing

Average wages in Manufacturing were $29.78 in Compensation of Employees per hour in the year to March 2011, a little below the average for all industries of $30.52. The QES average hourly wage including overtime averaged $24.18 for that year, also a little below the average wage for all industries (not including Agriculture and Fishing) of $25.76. There is of course a lot of variety in manufacturing, but I don't have space to go into any detail. Working proprietors work only about 10 percent of its hours, but that is up from 2 percent in 1978 although the increase largely took place between then and 1992 (see graph below).

The path of the labour share has been like that for the economy as a whole: it fell from 76 percent in 1976, peaked again in 1981 (69 percent) and 1988 (66 percent) but then declined steeply to a trough of 53 percent in 2001. It has since risen to around 60 percent but is still well below the 1970s and 80s. However it is different from the whole economy in that the labour share has been greater than the capital share for the entire period since 1972.

In real terms, wages have not risen fast in manufacturing. Looking again at Compensation of Employees per hour, the consumer wage was $30.51 in March 2011 (in March 2013 dollars), only 28 percent ahead of where it was in 1978. It rose only 2 percent between 1978 and 1990, a weak 8 percent between 1990 and 2000, but 17 percent between 2000 and 2011 (though it fell between 2010 and 2011). The producer wage however rose 43 percent between 1978 and 2011, indicating slower rising prices for manufactured products. Most of the increase occurred between 1978 and 2010 with only a slow rise in the producer wage of 3 percent from 2000-2011.

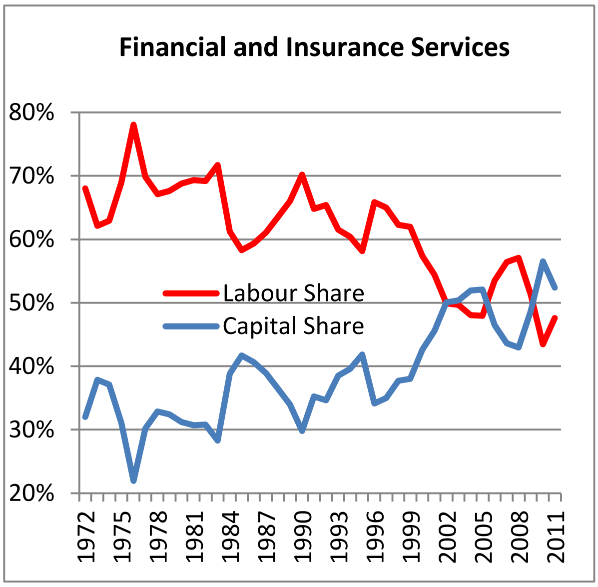


Labour productivity rose 71 percent between 1978 and 2011, well ahead of producer or consumer real wages. Compensation of Employees per hour would have been $35.17 in the year to March 2011 if it had kept up with productivity rather than the $29.52 producer wage. From 1978 to 1990, the producer wage rose 21 percent compared to a 24 percent increase in productivity; from

1990 to 2000 it rose 15 percent compared to a 19 percent increase in productivity; and from 2000 to 2011, it rose just 3 percent compared to a 16 percent rise in productivity.

Financial and Insurance Services

The Finance and Insurance sector has the second highest average wage of all the sectors, with Compensation of Employees per hour of $49.17 compared to Mining with $54.77. Finance shows a very large difference between the usual Quarterly Employment Survey average hourly wage including overtime, which averaged $35.49 in the year to March 2011 and the $49.17 in Compensation of Employees per hour which was 39 percent higher. It suggests there are very large non-wage benefits going to some in the industry. Median hourly wages in the industry were $27.62 in June 2011 according to the New Zealand Income Survey, and certainly many bank staff are not well paid. FIRST Union recently published data showing CEOs receiving 77 to 120 times the lowest paid bank workers. Like Manufacturing, only about 10 percent of hours worked in the sector are by working proprietors, the rest by employees, and that has risen from 1 percent in 1978 (see graph above).



According to Statistics New Zealand measurements, productivity in the sector has grown hugely: by 145 percent between 1978 and 2011. Real wages have grown strongly – but nowhere enough to match productivity growth: by 109 percent (consumer wage) or 66 percent (producer wage, indicating rapidly rising prices for financial products). Partly as a result, the Labour Share of the sector has fallen throughout the period since the 1970s – from almost 80 percent to under 50 percent in 2011. However it will also have been affected by the major technological changes in the sector with reductions in branches and increased capital intensity through use of computer and other electronic processing and communications systems.

The sector has grown rapidly, virtually doubling as a proportion of the economy from 2.9 percent in 1972 to 5.6 percent in 2011 – but profits (Gross Operating Surplus) as a proportion of all those in the economy trebled from 1.9 percent to 5.9 percent while Compensation of Employees rose relatively slowly – from 3.5 percent of all such income in 1972 to 5.2 percent in 2011.

While the industry's Compensation of Employees per hour may look high already, it would be even higher if it had risen at the same rate as labour productivity growth since 1978: the producer wage would be $72.82 in the year to March 2011 instead of $49.51 (March 2013 dollars).

Bill Rosenberg

Forecast

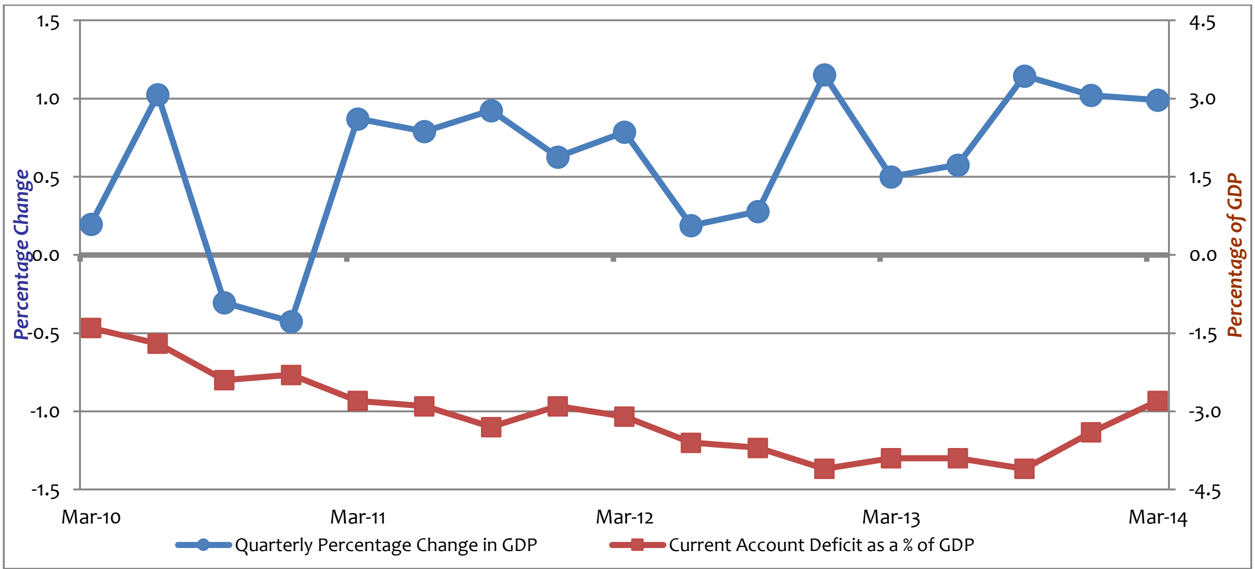
★ This NZIER forecast was released on 16 June 2014.

Annual Percentage Change (March Year)	**2013-14**	**2014-15**	**2015-16**	**2016-17**
GDP	3.3	3.8	2.8	2.1
CPI	1.5	2.0	2.4	2.4
Private Sector average wage	2.8	3.1	3.5	3.3
Employment	3.7	2.3	1.6	1.0
Unemployment rate	6.0	5.3	5.1	5.2

Actuals are in red.

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

Economy



★ Growth in New Zealand's economy continued to increase strongly in the March 2014 quarter, with Gross Domestic Product growing at 1.0 percent, compared to quarterly increases of 1.0 percent in December (revised up from 0.9 percent) and 1.1 percent in September (a further revision down from an original 1.4 percent) 0.6 percent in June and 0.5 percent in March 2013. Growth for the year ended March 2013 was 3.3. The March 2014 quarter was 3.8 percent up on the same quarter in 2013. The largest quarterly rises by industry were in Construction (up 12.5 percent and accounting for 80 percent of the growth in the quarter), Mining (6.3 percent), Electricity, gas, water, and waste services (up 1.6 percent), and Retail trade and accommodation (1.4 percent). However Wholesale Trade fell 1.5 percent. Manufacturing was static having grown strongly in the last two quarters but contracting in the two before that. The result was that Primary Industries rose 2.0 percent, Goods producing industries (which includes Construction) rose 4.0 percent and Service industries rose 0.3 percent. Over the year though (comparing March years), all industries expanded, led by Construction (12.0 percent), Health care and social assistance (4.9 percent), Financial and insurance services (4.7 percent) and Retail trade and accommodation (4.4 percent).

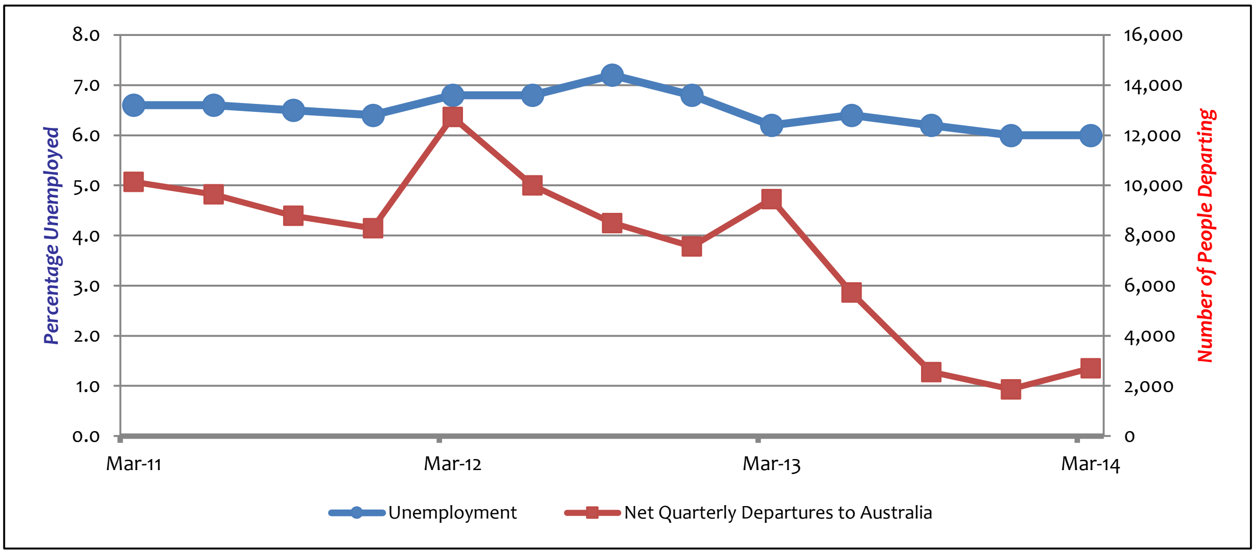
Agriculture, forestry and fishing rose 3.0 percent. All most all manufacturing industries expanded production over the year, the only exception being Textile, leather, clothing, and footwear manufacturing which contracted by 2.7 percent. Food, beverage, and tobacco manufacturing rose a weak 0.5 percent but Wood and paper products manufacturing rose 3.0 percent, Printing 3.1 percent, Petroleum, chemical, polymer, and rubber product manufacturing 6.6 percent, Non-metallic mineral product manufacturing 9.4 percent, Metal product manufacturing 2.4 percent, Transport equipment, machinery and equipment manufacturing 0.3 percent, and Furniture and other manufacturing 8.3 percent. Household consumption expenditure did not rise in real terms in the quarter but rose 3.4 percent in the year. Expenditure on non-durable goods (such as groceries) rose 0.4 percent in real terms during the quarter and rose only 0.8 percent during the year while durables rose 1.8 percent in the quarter and boomed at 8.6 percent over the year. Business investment fell 1.5 percent in the quarter mainly due to a 18.2 percent fall in Intangible fixed assets and a 8.6 percent fall in Plant, machinery, and equipment, while Residential Buildings rose 11.6 percent, Non-resident buildings 17.5 percent and Transport Equipment 5.8 percent.

- New Zealand recorded a Current Account deficit of $0.6 billion for the March 2014 quarter in seasonally adjusted terms, compared to a 0.9 billion deficit in the December quarter. The improvement was driven by a surplus on goods trade of $2.2 billion while the deficit on income and transfers rose to $2.8 billion. For the year to March 2014, the deficit was $6.3 billion or 2.8 percent of GDP compared to a revised $7.6 billion deficit in the year to December 2013. The deficit on income of $9.9 billion was virtually all investment income ($9.7 billion deficit), outflows of which are steadily rising while inflows are near to static.
- The country's Net International Liabilities were $147.9 billion at the end of March 2014 (65.3 percent of GDP) down from a revised $146.9 billion (66.4 percent of GDP) at the end of December 2013, and from the $151.2 billion (71.4 percent GDP) in March 2013. The fall in net liabilities in the quarter was due mainly to net financial derivative valuation changes and market price changes. There was a net inward financial flow of $1.3 billion. Of the net liabilities, $8.8 billion was owed by the government (equivalent to 3.9 percent of GDP) and $100.3 billion by the banks (44.3 percent of GDP). Total insurance claims owed by overseas reinsurers from all Canterbury earthquakes are estimated at $19.1 billion, and at 31 March 2014, $14.2 billion of these claims had been settled, leaving $4.8 billion outstanding. Without these, net international liabilities would have been $152.8 billion or 67.4 percent of GDP. New Zealand's gross international liabilities were $328.1 billion in March, against $180.1 billion in overseas assets.
- Overseas Merchandise Trade for the month of May saw exports of goods rising 13.0 percent from the previous year while imports rose 7.0 percent, creating a trade surplus for the month of $285 million or 6.2 percent of exports. In seasonally adjusted terms, exports rose 0.5 percent or $20 million over the month (compared to a 6.9 percent fall the previous month) influenced by rises in exports of Crude oil and Seafood and a small rise in dairy exports, but offset by significant falls in Meat, Logs and other wood products, Mechanical machinery and equipment, Fruit, and Aluminium. Seasonally adjusted imports fell rose 2.9 percent or $118 million, creating a trade surplus of $22 million which is below the $122 million in the previous month. Exports to China rose 52.8 percent in the year to May and fell 6.4 percent to Australia. Our top six export destinations accounted for 61.0 percent of our exports in the year (of which China accounts for 23.0 percent), compared to 60.3 percent in the previous year (China 16.8 percent). Imports from China rose 9.0 percent in the

same period, and fell 12.5 percent from Australia. Elaborately transformed manufactured goods have fallen to 11.8 percent of exports from 13.4 percent in the March 2013 quarter, and from 16.0 percent in March 2008.

- ★ The Performance of Manufacturing Index[1] for May 2014 was 52.7, a fall from a revised 54.4 in April and 58.3 in March. The employment sub-index was at 53.8, down from 54.3 in April and 56.0 in March.
- ★ The Performance of Services Index[1] for May 2014 was 54.2, a fall from 58.5 in April and 58.2 in March. The employment sub-index fell to 52.4 from 53.2 in April and 54.2 in March.
- ○ The Retail Trade Survey for the three months to March 2014 showed retail sales rose 0.7 by volume and by value in the quarter compared with the December 2013 quarter, seasonally adjusted. By volume, the largest positive contributors to the increase were Specialised food, Liquor, Department stores, Hardware, building and garden supplies, Electrical and electronic goods. Pharmaceutical and other store-based retailing, Accommodation, Food and beverage services, and Motor vehicles and parts. Supermarkets and Grocery stores; Furniture, floor coverings, houseware, textiles; and Fuel were the largest negative contributions.
- ★ On 12 June 2014 the Reserve Bank raised the Official Cash Rate (OCR) to 3.25 percent from 3.00 percent. Despite some speculation that the Bank might pause in its anticipated interest rises during the year, it showed no sign of this in its announcement, saying “Inflationary pressures are expected to increase. In this environment, it is important that inflation expectations remain contained and that interest rates return to a more neutral level. The speed and extent to which the OCR will need to rise will depend on future economic and financial data, and its implications for inflationary pressures.” The next review will be announced on 24 July.
- ★ The REINZ Housing Price Index fell 1.2 percent in the month of May 2014. Auckland fell 3.1 percent, Christchurch 2.3 percent and Wellington 4.8 percent. The index was up 6.5 percent compared to May 2013. For the year, Auckland prices rose 9.4 percent, Christchurch rose 9.0 percent and Wellington rose 1.1 percent. The national median house price fell $2,250 (0.5 percent) from $432,250 in April to $430,000 in May. It is $38,000 or 9.7 percent higher than a year ago with median prices rising in seven regions. Auckland accounted for 66 percent of the increase, Canterbury/Westland 20 percent and Waikato/Bay of Plenty 7 percent. The three regions accounted for 93 percent of the increase in median prices. There were 980 or 25.0 percent fewer sales under $400,000 compared to May 2013, but a rise of 68 to 475 in the $1 million plus range and 27 fewer (to 1,379) in the $600,000 to $999,999 range. Sales under $400,000 accounted for 44.7 percent of sales in May 2014 but 50.8 percent in May 2013.

Employment

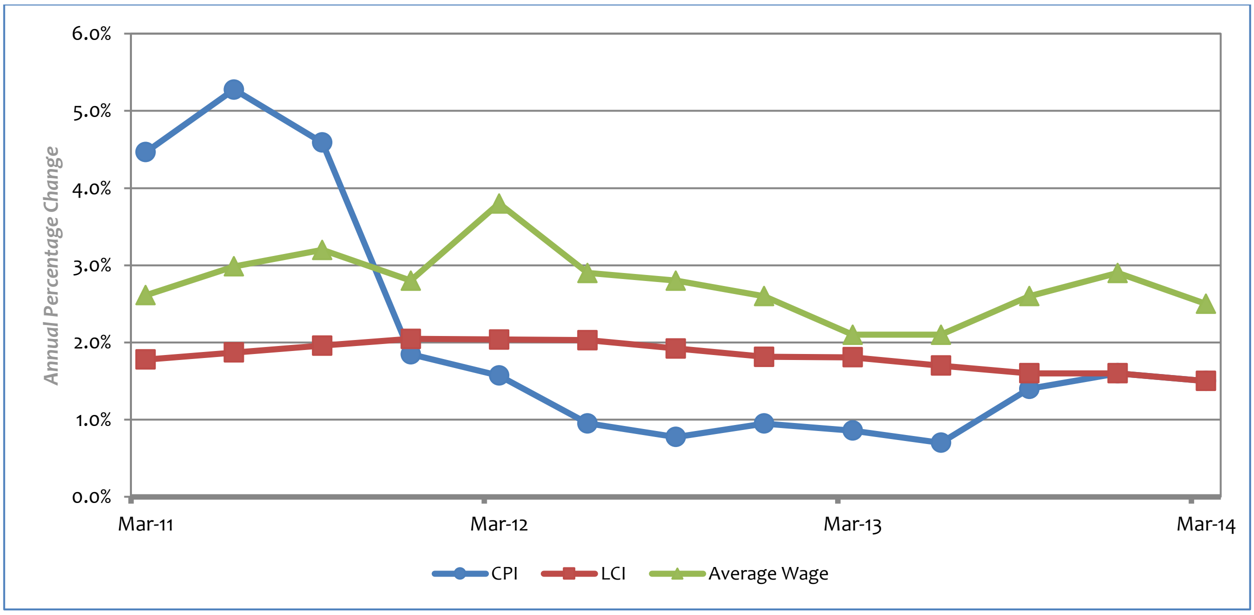


- According to the Household Labour Force Survey the unemployment rate in the March 2014 quarter remained at 6.0 percent, the same as it was in the December 2013 quarter. Seasonally adjusted female unemployment at 6.4 percent was higher than for men (5.6 percent). The unemployment rate in Canterbury was 3.3 percent, down from 4.3 percent in March 2013. There were 147,000 people unemployed and the number of jobless people (which includes those discouraged from seeking employment) was 254,100, 3,000 higher than the 251,400 a year before. There were 95,800 people seeking additional hours, a sharp increase from 83,300 a year previously. Māori unemployment fell from 13.9 percent in March 2013 to 13.2 percent and Pacific unemployment fell from 15.2 percent in March 2013 to 13.0 percent. The labour force participation rate at 69.3 percent is up 0.4 percentage points from the previous quarter and up 1.3 percentage points for the year. There are 38,400 unemployed people who have been out of work for more than 6 months (down from 44,600 in December 2013 and down from 40,900 in March 2013), and as a proportion of the unemployed they have fallen from 26.3 percent to 24.9 percent over the year. Compared to OECD unemployment rates, New Zealand has risen from 12th position in December 2013 to 11th (out of 34 countries).

- Youth unemployment (15-19 year olds) was 21.9 percent, down from 24.3 percent in December 2013 and from 25.0 percent a year before, in seasonally adjusted terms. It was somewhat lower (at 20.2 percent) among those in education than those not (25.0 percent), but most of the 8,000 increase in employment over the year was among people in education who increased by 5,000. The not in employment, education, or training (NEET) rate rose from 8.0 percent in December to 8.8 percent. The unemployment rate among 20-24 year olds was 12.2 percent, up from 11.2 percent in the December 2013 quarter and 10.0 percent a year before, and almost all of the employment increase over a year ago was among those in education. The NEET rate was 14.6 percent, up from 14.4 percent in the previous quarter. There were 75,000 people aged 15-24 years who were not in employment, education, or training (NEET), which is 11.8 percent of people in that age group, up from 11.3 percent in September and down from 12.6 percent a year before.

- 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 March 2014 there were 121, 953 working age people on the Jobseeker benefit, a fall of 8,272 from 130,225 in December 2013 and a fall of 6,831 from March 2013. Of those at March 2014, 65,908 were classified as ‘Work Ready’, and 56,045 were classified as ‘Health Condition or Disability’. A total of 295,320 were on ‘main’ benefits, 26,549 fewer than December 2013 and 14,826 fewer than March 2013. It was 39,566 more than in March 2008.
- ★ Job Vacancies Online showed a seasonally adjusted fall in skilled job vacancies of 3.8 percent in May after a fall of 5.0 percent in April. All job vacancies also fell – by 2.8 percent – in May, after a fall of 3.8 percent in April. In the year to May, skilled vacancies increased by 1.9 percent. All vacancies increased by 7.6 percent.
- ★ International Travel and Migration data showed 9,100 permanent and long-term arrivals to New Zealand in May 2014 and 5,120 departures in seasonally adjusted terms, a net gain of 3,980. There was an actual net gain of 36,397 migrants in the year to May. Net migration to Australia in the year to April was 9,713 departures, with 31,707 departures and 21,994 arrivals. For the month of May, the seasonally adjusted net loss to Australia was 250 compared to 1,790 a year before.

Wages and prices

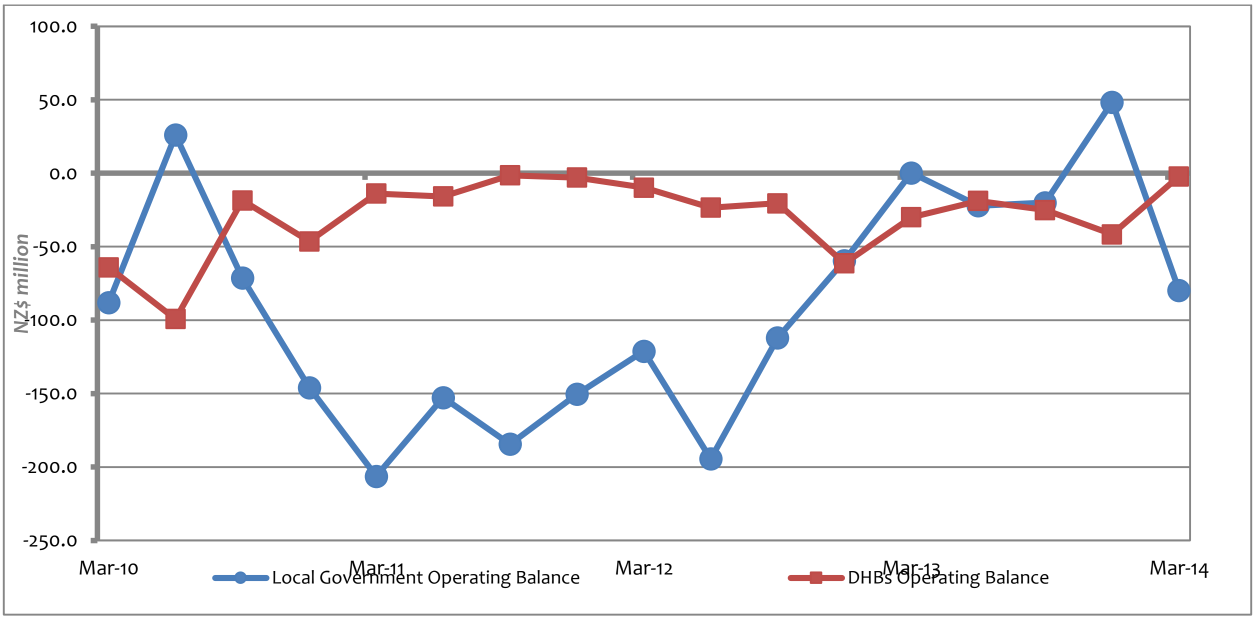


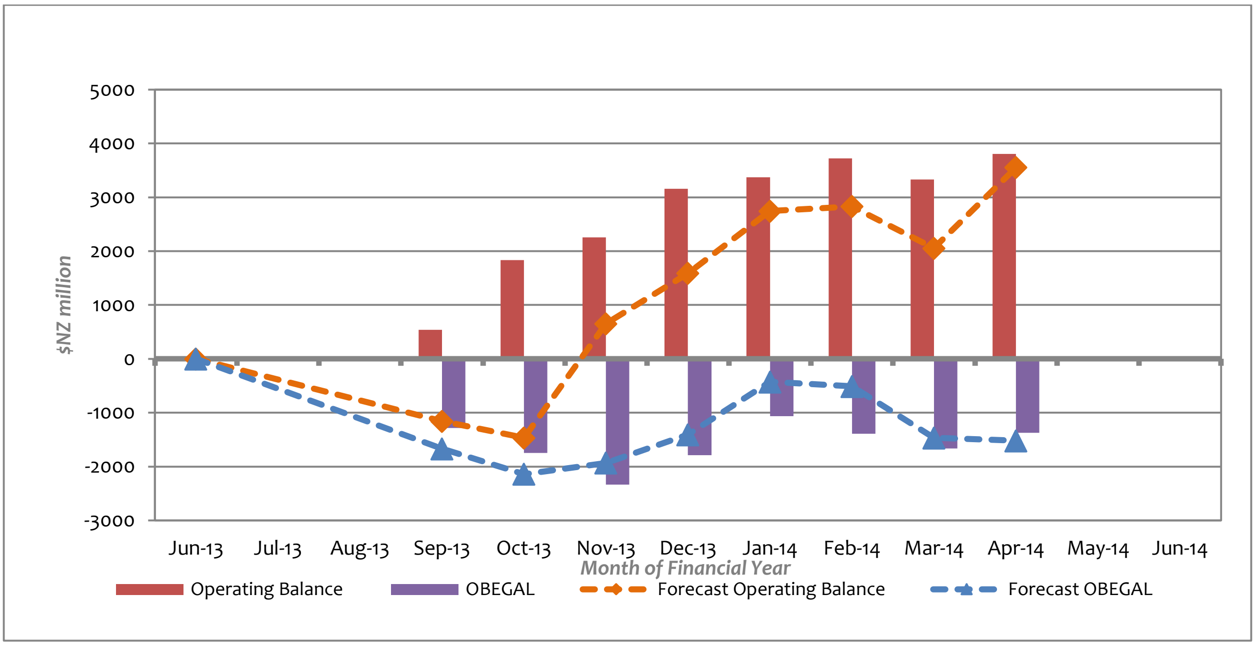
- The Labour Cost Index (LCI) for salary and ordinary time wage rates rose 0.3 percent in the three months to March 2014, down from the 0.5 percent in the December 2013 quarter. The LCI increased 1.5 percent in the year to March. It increased 0.2 percent in the public sector and 0.3 percent in the private sector in the three months to March. Over the year to March it rose 1.2 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 2.3 percent and the average increase was 3.1 percent. The median increase in the public sector was 1.8 percent and in the private sector 2.5 percent.

- The Quarterly Employment Survey for the three months to March 2014 found the average hourly wage for ordinary-time work was $28.18, up 0.5 percent on the December 2013 quarter and up 2.5 percent over the year. The average ordinary-time wage was $26.16 in the private sector (up 0.7 percent in the quarter and up 2.9 percent in the year) and $35.86 in the public sector (up 1.7 percent in the quarter and up 1.8 percent in the year). Female workers (at $26.13) earned 12.6 percent less than male workers (at $29.90) for ordinary time hourly earnings.

- The Consumer Price Index rose 0.3 percent in the March 2014 quarter compared with the December 2013 quarter and increased 1.5 percent for the year to December. For the quarter, Cigarettes and Tobacco were the largest influence, rising 10.2 percent as a result of the increase in tax on them in January. Without them, the index would not have risen at all. Over the year, nearly half of the increase came from housing and household utilities which rose 3.3 percent and without which, the CPI would have risen only 0.9 percent. While prices rose by 0.3 percent on average in the three months to March, housing and household utilities rose at over twice the rate at 0.7 percent. The cost of newly built houses rose 1.2 percent, with Auckland and Canterbury leading the rises, and rents rose 0.6 percent, with people in Canterbury facing rises of 1.9 percent in just three months. Maintenance was up 1.2 percent, energy up 0.4 percent, but rates up only 0.1 percent. These rises don't include mortgage interest costs which started to rise again in the quarter, insurance (up 1.7 percent in the quarter and 5.9 percent in the year), nor the rising prices of existing houses faced by first home buyers. Inflation in Canterbury for the year was 2.2 percent compared with 1.4 percent in the rest of the country (though 1.5 percent in Auckland). Housing costs hit particularly hard, rising 5.4 percent for the year compared to 2.7 to 3.3 percent elsewhere.

- ★ The Food Price Index rose by 0.6 percent in the month of May 2014, following a 0.6 percent rise in April. Food prices rose 1.8 percent in the year to May 2014. Compared with April, fruit and vegetable prices rose 6.9 percent; meat, poultry, and fish prices fell 1.5 percent; grocery food prices fell 0.1 percent; non-alcoholic beverages rose 0.2 percent; and restaurant meals and ready-to-eat food rose 0.1 percent.





★ According to Treasury's Financial Statements of the Government of New Zealand for the ten months to April 2014, core Crown tax revenue was $111 million or 0.2 percent lower than forecast in the May Budget Economic and Fiscal Update (BEFU), and total core Crown revenue was $12 million or 0.0 percent below forecast. Note that this is a relatively new forecast (previous Statements were compared to December forecasts) so it would be expected that variances are small and provide little information. Expenses were $90 million (0.2 percent) below forecast. Net debt at 28.1 percent of GDP ($62.3 billion) was $71 million lower than the forecast $62.3 billion. The Operating Balance before Gains and Losses (OBEGAL) was a $1,371 million deficit, $148 million lower (better) than forecast. The Operating Balance was a $3,806 million surplus compared to a forecast surplus of $3,554 million. This was mainly due to "continuing strength in equity markets" –

rising share prices, but offset by an increase in ACC's insurance liability due to falls in short-term interest rates affecting their discount rate.

- ★ District Health Boards recorded combined deficits of $15.9 million for the nine months to April 2014, up sharply from the $2.2 million in March. However this is $4.8 million less than the $20.7 million deficit in their plans. The Northern region was $0.6 million ahead of plan with surpluses in all four DHBs and all ahead of plan, the Midland region was $4.6 million ahead of plan with a combined surplus of $2.2 million and only Tairawhiti and Taranaki are in deficit and only Tairawhiti is behind plan, Central region was $4.1 million behind plan with only Hawke's Bay and Whanganui ahead of plan and all but Hawke's Bay and MidCentral in deficit led by Capital and Coast with a $10.4 million deficit contributing to a $10.9 million deficit for the region, and the Southern Region was $3.7 million ahead of plan, and $16.4 million of its $17.4 million deficit is from Canterbury, with it, Southern and West Coast DHBs behind plan. The DHB furthest ahead of plan was Nelson Marlborough by $5.4 million, and Capital and Coast was furthest behind, by $3.0 million.
- ★ Local Government recorded a 3.0 percent ($61.7 million) fall in operating income and a 3.3 percent rise in operating expenses ($66.5 million) including an increase of 0.3 percent ($1.6 million) in employee costs for the March 2014 quarter compared to December. This resulted in an operating deficit of $79.8 million in the March quarter, compared with a surplus of $48.4 million in the December quarter, and deficits in 22 of the last 26 quarters back to December 2007, all in seasonally adjusted terms. Note that the March 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/economicbulletin158.

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