NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

CTU Monthly Economic Bulletin

No. 169 (June 2015)

Information Section p.5

Commentary

Peter Conway – economist, unionist, colleague, friend

Peter Conway died on 9 June after a serious depressive illness. He was CTU economist before me, and he was my boss and colleague as CTU Secretary. He also founded the *CTU Monthly Economic Bulletin*. So I'm taking this opportunity to remember him as an economist – but also as more than that, because he was never "just an economist". This touches on only some of his contributions, but hopefully a fuller appreciation of his work will be written. I've been helped for some of the details by the eulogy Ross Wilson read at Peter's funeral. Doubtless Peter would say that many of the ideas I attribute to him were not just his but the CTU's and the union movement's. Maybe, but he was able to put them together coherently and make them real.

Peter came to formal economics relatively late in his career, though he had been thinking about it and practicing it for much longer through his union work and wider involvement in political, international and social justice issues. I knew him and his wife Liz Riddiford when they were in Christchurch in the late 1970s/early 1980s. We were involved in anti-apartheid actions, opposing new powers for the SIS, debating what was needed for a strong and independent New Zealand economy and society, and he was working for the Clothing Workers Union. One of my strongest memories is about the music he was always involved in, but I also remember his clear mind, principles and analysis. I largely lost contact with him until the 2000s but Ross relates how Peter's work in the Distribution Workers Federation and National Distribution Union is remembered for his meticulous research for bargaining, great tactical and strategic sense, compassion, conscientiousness and solidarity. Those were tough times, with employers often ruthlessly using their powers under the Employment Contracts Act (ECA) – assisted by official acquiescence – to freeze out unions and limit their ability to function.

In 1996 Peter took over from Liz in looking after the home and children, and took the opportunity to study. He finished his BA and with the help of a scholarship entered a MA in Economics at Massey University from he graduated in 1999. This was no small feat while looking after a family and continuing to work part time, but it was the formal basis for him to work as an economist, even though he had been thinking, researching and living "economics" for many years.

Always on task, his thesis was on "Wage bargaining theory, decentralisation, the Employment Contracts Act, and the supermarket sector". The heart of its findings were later published as a paper in the Department of Labour's *Labour Market Bulletin* as "An 'unlucky generation'? The wages of supermarket workers post-ECA". It found "a significant fall in wages for supermarket checkout operators in the period after the introduction of ECA. Reduction in wages is strongest among new generations of workers." It looked at possible explanations in theory and in practice.

In 1999, shortly after Ross had been elected President of the CTU and the year the Labour-led Government was elected, Peter became Economist and Policy Director of the CTU, replacing Peter Harris who was appointed an economic adviser to the Minister of Finance, Michael Cullen.

As Economist and Policy Director, Peter covered a huge range of issues. The Labour-led Government involved the union movement in many of its programmes and Peter sat on boards and advisory committees (such as the Workplace Productivity Reference Group and the Board of New Zealand Trade and Enterprise) as well as writing submissions on legislation and other developments. Ross said "he did an exceptionally good job. He enjoyed being a labour economist and his credibility and reputation grew as he engaged with the Government bureaucracy, and political and business leaders. I think we all appreciated his ability to explain economic issues in a simple and convincing way through the media." He told me a number of times how much he enjoyed the job of economist, hinting that he somewhat regretted leaving it to take on the duties of Secretary.

In February 2000 he wrote the first issue of this *Economic Bulletin*, introducing it with words that are as true now as they were then: "Several times a day, we hear an announcement of 'and now the latest from the money markets'. This preoccupation with the financial sector has tended to have a crowding out effect on other relevant statistics. Of course, the financial statistics are changing every day so there is some justification for such frequent updates. But in the interest of balance, the CTU will produce a monthly bulletin on 'the latest from the labour market'." He produced 101 issues before handing it on.

Looking back at some of his writing and speeches there are recurring themes of ideas and ways of thinking. He was a leader in the New Zealand union movement in grappling with the need to raise productivity in order to raise wages. This was not a naïve neoclassical "wages will only rise if productivity rises" argument. It recognised the basis of increased productivity as a means to improving living standards but that connection was no simple mechanical matter. It required workers' involvement in the way their workplace was managed in order to contribute their skills and knowledge to improving efficiency. It required union involvement because this was not about individuals "performing better" but about a change in the way work was done, in performance as a group. That in turn required changes in the way unions worked – a challenge to many unions. And it was not automatic that higher wages would follow from higher productivity: that required organisation and bargaining through unions, or the already apparent gap between productivity and wage growth would only widen. In 2006 he received an Industrial Relations Foundation Grant to travel to the USA, UK, France and Ireland to meet academics, researchers, practitioners and union colleagues. He produced a 57 page report (Liz says it was mostly written on the flight home) which is notable for its thoroughness and balance. Peter continued his involvement in programmes to raise productivity (to the degree the Governments of the day would allow) right through to his tenure as Secretary, persuading a sceptical Minister of Finance in the current Government to part with some funding. Peter's approach was holistic, always considering social, distributional and sustainability issues as well as conventional economic concepts, challenging (not least to unions) and balanced. He was very disappointed that under the present Government the holistic, workplace based approach to productivity was largely lost in favour of a narrower ideological view.

Peter had a deep interest in education, particularly vocational and "lifelong" education. But this was always in a wider context. For example in a 2006 speech to an Institute of Technology and Polytechnics

(ITPNZ) conference he brought in themes of the broader transformative purposes of education, productivity, high-quality, high-skill, high-wage workplaces, economic development, industry strategies, partnership between employers, Industry Training Organisations, unions and Tertiary Education Organisations, the needs of young Māori workers, workplace culture and organisation of work, low pay, decent work, and market failures (particularly the failure of employers to develop skills). Similar themes recur in subsequent submissions he wrote on Tertiary Education Strategies, on Language, Literacy and Numeracy, and on changes to industry training and skill development.

Peter was also instrumental in the CTU in 2007 adopting a Climate Change policy which again was challenging to some affiliates, particularly those in industries directly affected. Framed around the urgent need for a collective response to the threat to the planet and the harm it causes to workers and their families, it also called for "just transition" including assistance to those on low incomes and worker and union involvement to ensure that workers are not disadvantaged in employment or other costs. It saw a role for workers in making their workplaces more energy efficient, including education and training for these purposes. It recognised some industries would be hard hit and needed special provision, including consideration of the risk of "energy leakage" where overseas firms had a competitive advantage by not being required to take emissions into account. It gave guarded support to emission trading or a carbon tax, but said much more was needed: market solutions were not enough.

I was in touch with him on and off during the 2000s, often on international trade and investment issues, in which he took a strong interest including membership of a government advisory committee, submission writing and protests. During those years, the CTU's policy was evolving towards "policy coherence": consistency of these international economic policies with its domestic economic, social and environmental objectives.

When the National-led Government took power in 2008, the CTU tried to maintain a working relationship and positive role, proposing policies to counter the Global Financial Crisis which was threatening high levels of economic disruption and unemployment. In October 2008, the CTU had released a paper written by Peter called "Short Term Stimulus for Long Term Gain" with principles and concrete proposals for an effective and humane response which also took our social and economic development forward. Peter and Helen Kelly took an active role in the post-election Job Summit and Peter compiled a 23 page paper containing a large range of practical initiatives which could avoid high unemployment and income loss, be fiscally sustainable, but acknowledge changing government directions. Unfortunately the attempt at positive engagement was in the end unsuccessful, cut short by the Government's attacks on rights of working people such as 90-day trials.

Peter's most recent substantial piece of work – there were many others – was the research he initiated and directed on insecure work. The result was the publication "Under Pressure". Several CTU staff and external researchers collaborated to manage this project and write the report, putting us all (including Peter) "under pressure", but it is a valuable piece of work. Peter himself contributed to several parts, but notably compiled the list of 70 recommendations in 20 different areas as to "what can be done". It was typical of his work – relevant, focussed on workers' needs with a wide social and economic view, and always bringing forward feasible alternatives as well as well-informed critique.

Ross said Peter used to say to him that he was "soft on people but hard on issues". I saw that frequently in meetings with Ministers and officials, in the many interviews he gave and in his management and work. Journalists say he always had something worthwhile for them to quote. That was because he prepared meticulously, understood what made a good interview and understood deeply what he was talking about. Since his death, I have had contact from economists on the other side of the political and economic fence acknowledging his wisdom, decency, thoughtfulness and respect for people.

As Secretary of the CTU, Peter had to face up to some hard management issues, but he did so and carried through difficult decisions with humanity. He was a demanding boss – sometimes frustratingly to the last full stop – but he made the same demands and more on himself, always available, always thinking about what would carry the movement and working people forward – perhaps in the end to his own cost. But I always felt supported. He knew my job and let me run in it while giving me the professional support it requires. He helped make it for me too, the best job I ever had.

Not long before he became seriously ill in April 2014, Peter had announced his decision to step down as Secretary in December 2014 (10 months before the end of his elected term). He wasn't sure exactly what he'd do once he had left, but he would continue to work in the areas he had so much experience in. Having made that decision, he looked happier and more relaxed than he had in a long time. It is a tragedy for New Zealand and New Zealand workers that he was unable to carry out his plans. But he and the Labour movement deserve to be proud of his unstinting and insightful contributions to thinking, practice and action.

Bill Rosenberg

Information

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

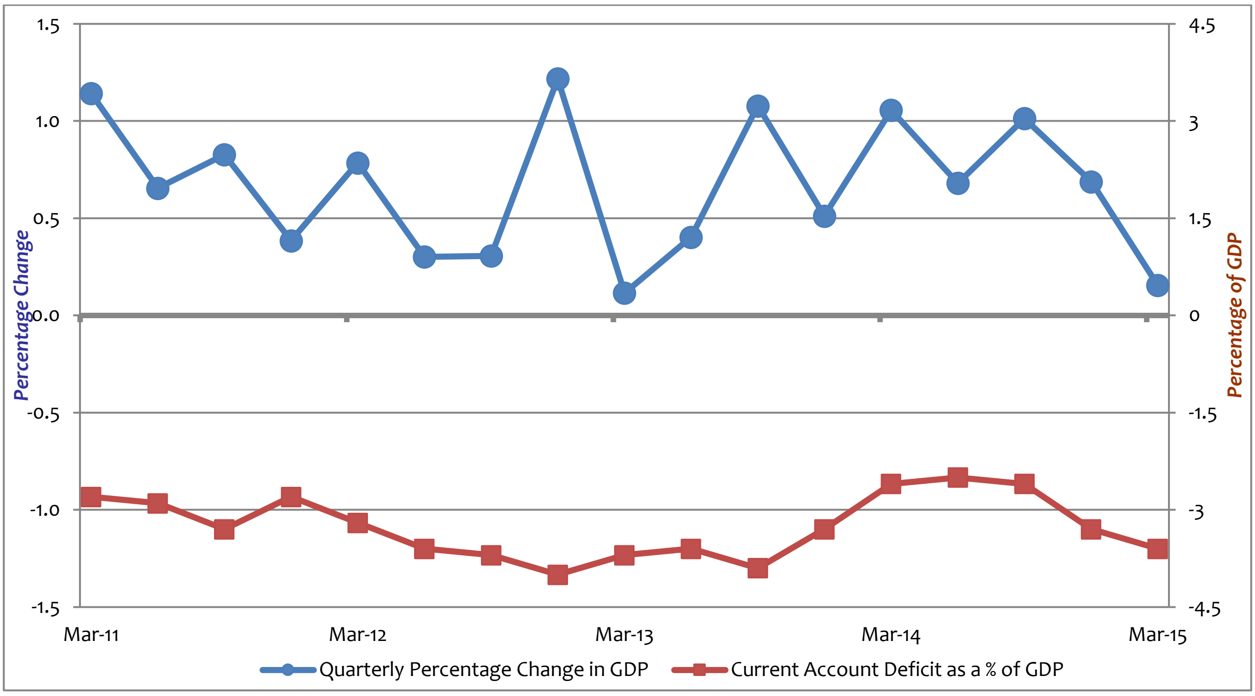
Forecast

★ This NZIER forecast was released on 15 June 2015.

Annual Percentage Change (March Year)	**2014-15**	**2015-16**	**2016-17**	**2017-18**
GDP	3.2	2.8	2.7	2.4
CPI	0.1	1.6	1.9	2.0
Private Sector average wage	2.4	2.6	3.0	3.0
Employment	3.2	2.3	1.8	1.1
Unemployment rate	5.8	5.5	5.2	5.3

Actuals in red.

Economy



★ Growth in New Zealand's economy slowed in the March 2015 quarter, with [Gross Domestic Product] rising by 0.2 percent, compared to quarterly increases of 0.7 percent in December 2014 (revised down from 0.8 percent), 1.0 percent in September, 0.7 percent in June, and 1.1 percent in March 2014. The slow growth in the quarter, much lower than expected by Treasury and other forecasters, was mainly due to a fall in activity in agriculture (down 2.3 percent) due to lower milk production. Growth for the year ended March 2015 was 3.2 percent while the March quarter was 2.6 percent up on the same quarter in 2014. However GDP per person is barely increasing by some measures: it fell 0.4 percent in the quarter in real terms, though it rose 0.5 percent in dollar terms. Real gross national disposable income per capita, which takes into account the income that goes overseas in interest and dividends to overseas investors and the falling prices for some of our main exports, rose 0.6 percent having fallen 1.1 percent in the previous quarter and 0.3 percent in the three months before that. Growth in GDP per capita is flat lining at a level around the lowest it was during the 2000s before the Global Financial Crisis hit, separating from GDP growth due to the strong population growth driven by high net immigration. The largest quarterly rises by industry were in Arts and recreation services (up 5.9 percent), Administrative and support services (up 3.9 percent), Wood and paper products manufacturing (up 2.3 percent), Textile, leather, clothing, and footwear manufacturing (up 2.8 percent) and Accommodation and food services (up 2.7 percent). Construction was up 2.5 percent after a fall in the previous three months. There were significant falls in Printing (down 8.5 percent), Mining (down 7.8 percent), Furniture and other manufacturing (down 3.9 percent), Information media and telecommunications (down 2.8 percent), as well as Agriculture. Manufacturing was down 0.3 percent overall, with its largest sector, Food, beverage, and tobacco manufacturing, down 1.6 percent. The result was that Primary Industries fell 2.9 percent, Goods producing industries (which includes Construction) rose 0.6 percent and Service industries rose 0.7 percent. Over the year (comparing March quarters), all industries expanded except Forestry and Logging (down 2.5 percent), Textile, leather, clothing, and footwear manufacturing (down 1.2 percent), and Printing (down 1.4 percent). Non-metallic mineral product manufacturing (up 11.0 percent) and Construction (up 10.2 percent) led the expansion. Household consumption expenditure rose 0.7 percent in real terms in the quarter and 3.6 percent from the March 2014 quarter. Expenditure on non-durable goods (such as groceries) rose 0.6 percent in real terms during the quarter and rose 2.0 percent during the year while durables (such as appliances) boomed at 3.1 percent growth in the quarter and 8.7 percent growth over the year. Business investment fell 2.8 percent in the quarter but rose 4.6 percent from the previous March quarter. There were falls in expenditure on Construction other than buildings (down 6.7 percent) and Land improvements (down 0.5 percent), while expenditure on Residential buildings increased strongly at 12.3 percent and Non-residential buildings at 13.1 percent.

★ New Zealand recorded a [Current Account] deficit of $1.8 billion for the March 2015 quarter in seasonally adjusted terms ($3.2 billion actual), compared to a $2.5 billion deficit in the December 2014 quarter. There was another deficit, though small, in the goods trade ($90 million, seasonally adjusted, following a $403 million deficit in the December quarter) and a surplus of $604 million ($225 million in December) in goods and services, while the deficit on income (mainly payments to overseas investors) fell to $2.4 billion from $2.8 billion. For the year to March 2015, the current account deficit was $8.6 billion or 3.6 percent of GDP compared to a $7.8 billion deficit in the year to December (3.3 percent of GDP). The deficit on investment income was $9.9 billion.

★ The country's Net International Liabilities were $153.5 billion at the end of March 2015 (64.2 percent of GDP) down from $154.6 billion (65.0 percent of GDP) at the end of December 2014, and up from $150.1 billion (65.5 percent of GDP) in March 2014. The fall in net liabilities in the quarter was due to changes in the market valuation of assets and liabilities, partly offset by a $2.0 billion inflow of investment. Without the market value changes, the net liabilities would have been $152.6 billion. Assets rose in value from $198.0 billion to $213.6 billion partly because of exchange rate and valuation changes ($9.8 billion) and partly due to financial flows ($5.8 billion). Liabilities rose from $352.6 billion to $367.2 billion with financial inflows accounting for $3.8 billion and valuation changes $10.8 billion (but only $0.7 billion of this was due to exchange rate changes). New Zealand's international debt was $271.8 billion (113.7 percent of GDP), of which 38.6 percent is due within 12 months, compared to $128.7 billion in financial assets (other than shares; 53.8 percent of GDP), leaving a net debt of $143.1 billion. Of the net debt, $10.1 billion was owed by the government (equivalent to 4.2 percent of GDP and down from $12.3 billion in December 2014) and $102.3 billion by the banks (42.8 percent of GDP), which owed $57.7 billion to related parties. Total insurance claims owed by overseas reinsurers from the Canterbury earthquakes are estimated at $20.2 billion, and at 31 March 2015, $16.4 billion of these claims had been settled, leaving $3.8 billion outstanding.

★ Overseas Merchandise Trade for the month of May saw exports of goods fall 4.7 percent from the same month last year while imports fell 7.0 percent. This created a trade surplus for the month of $350 million or 8.0 percent of exports, compared with an average surplus of 8.6 percent for May over the previous five years. In seasonally adjusted terms, exports rose 3.9 percent or $157 million over the month (compared to a 2.3 percent fall the previous month) influenced by rises in value in Meat (up 8.5 percent or $41 million), Fruit (1.3 percent or $2 million), Seafood (up 8.9 percent or $10 million), Wine (up 9.5 percent or $12 million) and Electrical machinery and equipment (up 13.8 percent or $11 million), but offset by falls in Logs, wood and wood articles (down 8.2 percent or $23 million), Crude oil (down 32.2 percent or $27 million, not seasonally adjusted), Mechanical machinery and equipment (down 2.8 percent or $4 million) and Aluminium products (down 3.5 percent or $3 million, not seasonally adjusted). Dairy products rose only 0.3 percent or $3 million. Seasonally adjusted imports rose more slowly at 0.4 percent or $35 million over the previous month, creating a trade surplus of $35 million compared to a $104 million deficit in the previous month. Among top imports were rises in Petroleum and products (up 27.9 percent or $118 million), Electrical machinery and equipment (up 1.1 percent or $4 million), and Textiles and textile articles (up 1.1 percent or $2 million) but falls in Plastic and plastic articles (down 4.7 percent or $7 million), and Optical, medical, and measuring equipment (down 4.8 percent or $6 million). Exports to China fell 28.9 percent in the year to May and fell 4.8 percent to Australia, which is the top destination. Exports to Australia were $8,545 million in the year to May, compared to $8,245 million to China (down from $11,595 million the previous year). Our top six export destinations accounted for 58.6 percent of our exports in the year (of which China accounts for 17.0 percent and Australia 17.6 percent), compared to 60.4 percent in the previous year (China 22.7 percent, Australia 17.6 percent). However China remains top importer with $9,150 million of imports in the year to May compared to Australia at number two with $6,288 million and the trade balance with China has moved from a $3,139 million surplus in the year to May 2014 to a deficit of $905 million in the year to May 2015, a turnaround of $4.0 billion. Imports from China rose 8.2 percent in the year to May, and rose 2.9 percent from Australia, and in the month imports from China rose 10.9

percent while imports from Australia rose 3.8 percent compared to the same month in the previous year.

- ★ The Performance of Manufacturing Index[1] for May 2015 was 51.5, a small fall from 51.7 in April. The employment sub-index was at 51.3, a small rise from 51.2 in April.

- ★ The Performance of Services Index[1] for May 2015 was 58.0, a rise from 56.5 in April. The employment sub-index rose to 56.3 from 53.9 in April.

- The Retail Trade Survey for the three months to March 2015 showed retail sales rose 2.7 by volume (the largest percentage increase since December 2006) and 1.7 percent by value (a record increase since the series began in September 2003) compared with the December 2014 quarter, seasonally adjusted. By volume, the largest positive contributors to the increase were Electrical and electronic goods, Hardware, building and garden supplies, Supermarket and grocery stores, Accommodation, Department Stores, Food and beverage services, and Non-store and commission retailing (which includes internet purchases). Sales volumes rose in all sectors.

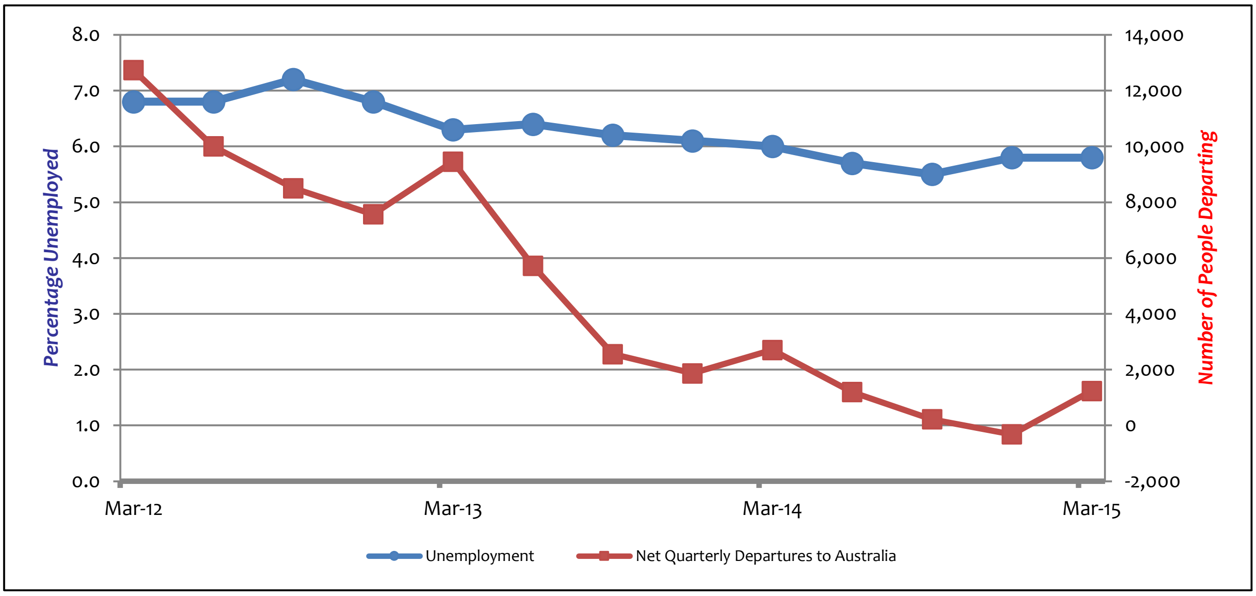
- ★ On 11 June 2015 the Reserve Bank reduced the Official Cash Rate (OCR) by 0.25 percentage points to 3.25 percent and signalled that there could be further change downwards. It said: "Inflation has been low due to falling import prices and the strong growth in the economy's supply potential. Wage inflation and inflation expectations have been subdued. With the fall in commodity prices and the expected weakening in demand, the exchange rate has declined from its recent peak in April, but remains overvalued. A further significant downward adjustment is justified… A reduction in the OCR is appropriate given low inflationary pressures and the expected weakening in demand, and to ensure that medium term inflation converges towards the middle of the target range. We expect further easing may be appropriate. This will depend on the emerging data." The next OCR review will be announced on 23 July 2015.

- ★ According to REINZ, the national median house price rose $30,000 or 7.0 percent to $460,000 in May 2015 compared to a year before. It is $5,000 or 1.1 percent higher than in April. However the Auckland median price rose 20 percent over the year, from $625,000 to $749,000 and excluding Auckland the national median price was $349,000, up $9,000 (2.6 percent) over the year and down $4,000 (1.1 percent) compared to April. There were 294 or 10 percent more sales under $400,000 compared to May 2014, taking the number to 3,233, a rise of 460 (97 percent) to 935 in the $1 million plus range and 447 more (32 percent) to 1,826 in the $600,000 to $999,999 range. Sales under $400,000 accounted for 40.5 percent of sales in May 2015 but 44.7 percent in May 2014. Note that the Housing Price Index which we previously reported is no longer available from REINZ except by subscription.

- ★ Productivity statistics released in June 2015 for the "measured sector" (similar to the market or commercial sector, and 77 percent of the economy) for the year to March 2014 show labour productivity rose 1.4 percent in the year, capital productivity fell 0.3 percent and multifactor productivity (what is unaccounted for by labour or capital) rose 0.6 percent. From 1996 to 2014, Australia's rate of labour productivity growth averaged 2.3 percent a year, considerably higher than the average 1.5 percent increase a year in New Zealand. The 1.4 percent increase in labour productivity in the year to March 2014 means that real wages in the measured sector fell further behind productivity growth that year. The average hourly wage (including overtime) rose only 0.9

percent that year after consumer prices are taken into account (that is, from the point of view of workers' cost of living) and fell an estimated 1.8 percent after producer prices are taken into account (that is, from the point of view of the increase in revenue received by their employers, or what they could afford to pay). So wages fell 0.5 percent or 3.2 percent behind productivity growth depending on how real wages are measured. Since the bottom of the recession in 2009, real wages have fallen behind labour productivity growth by between 5 percent and 6 percent depending on how they are measured.

Employment



- According to the Household Labour Force Survey the unemployment rate in the March 2015 quarter was at 5.8 percent or 146,000 people, from a upward-revised 5.8 percent in December 2014 (143,000 people), seasonally adjusted. It is 6.1 percent actual (not seasonally adjusted) or 152,800 people, down from 6.3 percent a year before. Including the unemployed, there were 267,700 people jobless, and there were 103,600 part-timers who wanted more work. Seasonally adjusted female unemployment at 6.3 percent was higher than for men (5.4 percent), though female unemployment fell and males' rose. Māori unemployment fell from 13.3 percent in March 2014 to 12.6 percent, and Pacific people's unemployment fell from 13.2 percent to 12.5 percent over the year. The labour force participation rate at 69.6 percent is up from 69.4 percent in December 2014 and 69.0 percent a year before. There are 38,900 unemployed people who have been out of work for more than 6 months (unchanged from 38,800 in March 2014), and they are 25.5 percent of the unemployed compared to 25.2 percent a year before. Those out of work for more than a year is at 11.7 percent of the unemployed compared to 11.8 percent a year before. Compared to OECD unemployment rates, New Zealand is 13th equal lowest (out of 34 countries), worsening from 10th in December.

  In the North Island, only Taranaki and Wellington (6.0 percent) have unemployment below the 6.1 percent average for the country (not seasonally adjusted), and Northland, with 9.9 percent unemployment (up from 8.4 percent a year before), Bay of Plenty with 7.8 percent (7.1 percent a year before), Gisborne/Hawkes Bay with 7.3 percent (8.5 percent a year before), and Manawatu-

Whanganui with 7.4 percent (7.9 percent a year before) are particularly hard hit. Auckland's unemployment rate was 6.9 percent (down from 7.3 percent a year before). The South Island looks considerably better, with Tasman/Nelson/Marlborough/West Coast at 4.4 percent, Canterbury at 3.1 percent, Otago at 3.8 percent and Southland at 4.2 percent, all lower than a year before though still higher than March 2008. The unemployment rate outside Canterbury is 6.0 percent.

By industry, over the year almost a third of the increase in employment came from Construction (23,300 workers compared to 73,800 overall), followed by Arts, recreation, and other services, Manufacturing, and Retail and accommodation, which together made up virtually all the increase. There were falls in Wholesale trade, Agriculture, forestry and fishing, Rental and real estate, and Transport, postal and warehousing.

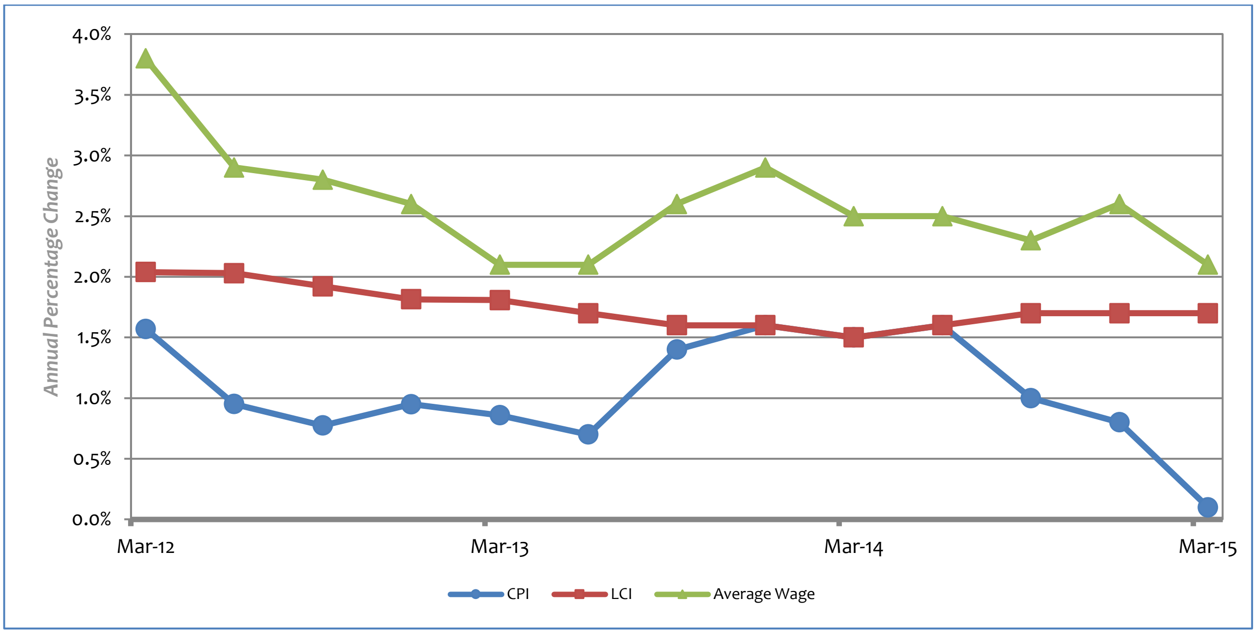
- Youth unemployment for 15-19 years was 21.4 percent, up from 21.1 percent in December but down from 22.7 percent a year before; for 20-24 year olds it was 11.0 percent, down from 11.1 percent in December and 12.8 percent a year before, all in seasonally adjusted terms. The not in employment, education, or training (NEET) rate for 15-19 year olds was 8.2 percent, up from 7.7 percent in December and down from 9.0 percent a year before while for 20-24 year olds it was 15.2 percent, also up from 14.7 percent in December and down from 15.0 percent a year before. Looking at the whole 15-24 year old group, unemployment was higher for those in education (16.5 percent) than those not in education (13.9 percent) and the 27,000 increase in employment over the year was entirely among people not in education, a reversal from the situation a year before when the increase was entirely among those in education. There were 76,000 people aged 15-24 years who were not in employment, education, or training (NEET).

- The Ministry of Social Development reports that at the end of March 2015 there were 116,893 working age people on the Jobseeker benefit, a fall of 7,738 from 124,631 in December 2014 and a fall of 5,060 from March 2014. Of those at March 2015, 63,063 were classified as 'Work Ready', and 53,830 were classified as 'Health Condition or Disability'. A total of 284,260 were on 'main' benefits, 24,885 fewer than December 2014 and 11,060 fewer than March 2014. It was 28,506 more than in March 2008.

★ Job Vacancies Online showed a seasonally adjusted rise in skilled job vacancies of 0.3 percent in May after a fall of 3.7 percent in the previous month. All job vacancies fell by 0.3 percent in May, after a fall of 3.4 percent in the previous month. In the year to May, skilled vacancies rose 3.3 percent. All vacancies rose by 0.9 percent.

★ International Travel and Migration data showed 9,900 permanent and long-term arrivals to New Zealand in May 2015 and 4,760 departures in seasonally adjusted terms, a net gain of 5,140. There was an actual net gain of 57,822 migrants in the year to May. Net migration to Australia in the year to May was 1,382 departures, with 25,308 departures and 23,926 arrivals. For the month of May, there was a seasonally adjusted net gain from Australia of 130 compared to a loss of 420 a year before. In May, 15.6 percent of the arrivals had residence visas, 15.0 percent student visas, 32.2 percent work visas, and 4.4 percent visitors. A further 32.1 percent were New Zealand or Australian citizens.

Wages and prices



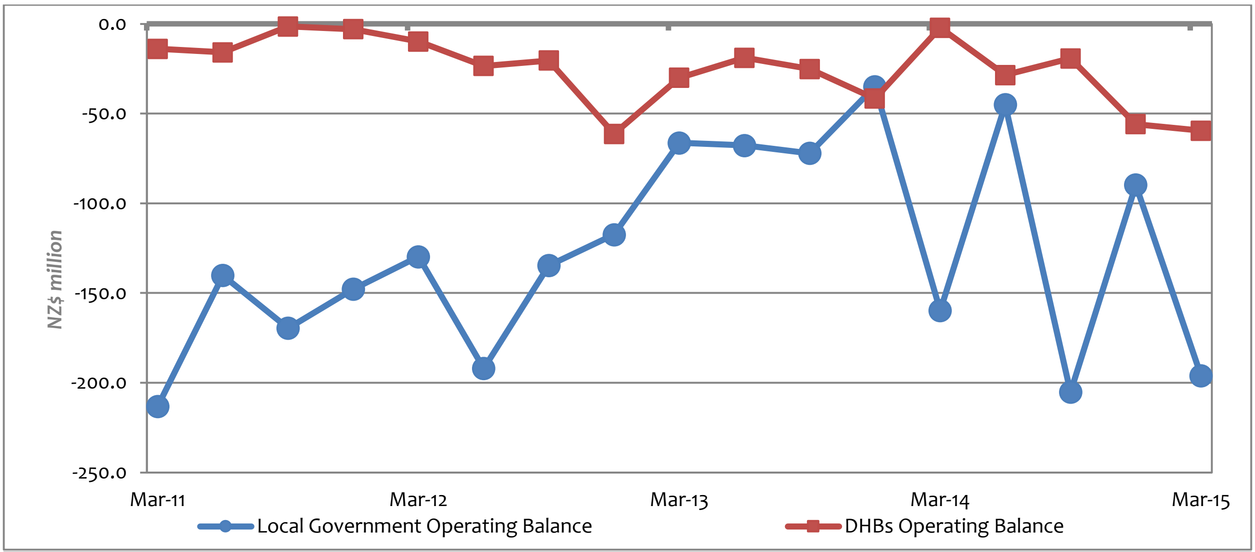
- The Labour Cost Index (LCI) for salary and ordinary time wage rates rose 0.3 percent in the three months to March 2015. The LCI increased 1.7 percent in the year to March, ahead of the 0.1 increase in the CPI. It increased 0.3 percent in the public sector and 0.3 percent in the private sector in the three months to March. Over the year to March it rose 1.2 percent in the public sector and 1.8 percent in the private sector. During the year, 41 percent of jobs surveyed did not receive a pay rise, and 43 percent did not in the private sector. For the 59 percent of those surveyed who received an increase in their salary or wage rate during the year, the median increase was 2.5 percent and the average increase was 3.2 percent. For those jobs that received increases, the median increase in the public sector was 1.9 percent and in the private sector 2.5 percent; the average increase in the public sector was 2.2 percent and in the private sector 3.4 percent. We estimate that jobs on collective employment agreements were 2.0 times as likely to get a pay rise as those who were not.

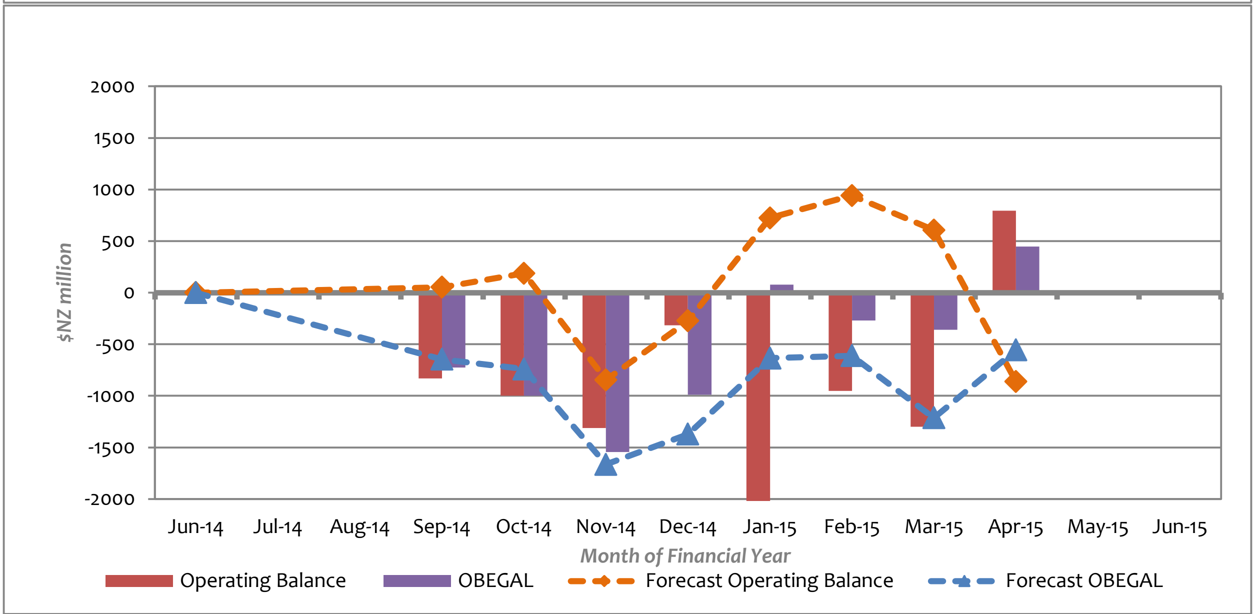
- The Quarterly Employment Survey for the three months to March 2015 found the average hourly wage for ordinary-time work was $28.77, up 0.0 percent on the December 2014 quarter and up 2.1 percent over the year. The average ordinary-time wage was $26.83 in the private sector (up 0.2 percent in the quarter and up 2.6 percent in the year) and $36.25 in the public sector (up 0.8 percent in the quarter and up 1.1 percent in the year). Female workers (at $26.55) earned 13.4 percent less than male workers (at $30.65) for ordinary time hourly earnings.

- The Consumer Price Index fell 0.3 percent in the March 2015 quarter compared with the December 2014 quarter driven by falling petrol prices, and increased 0.1 percent for the year to March. For the quarter, Food (rising 0.9 percent), Alcoholic beverages and tobacco (up 4.7 percent due mainly to rising taxes on them), Housing and household utilities (rising 0.4 percent) and Education (up 3.2 percent) were the largest upward influence. Overpowering them were Clothing and footwear (down 1.2 percent), Household contents and services (down 1.3 percent), Transport (down 5.3 percent, including petrol down 10.6 percent and international air travel, down 14.7 percent), and Recreation and culture (down 1.1 percent). Inflation in Canterbury for the year was 0.7 percent compared with 0.3 percent in Wellington and 0.0 percent in Auckland. Housing costs hit particularly hard in Canterbury, rising 4.1 percent for the year compared to 2.4 to 3.9 percent elsewhere.

★ The Food Price Index rose by 0.4 percent in the month of May 2015, following a 0.3 percent fall in the previous month. Food prices rose 0.8 percent in the year to May 2015. Compared with April, fruit and vegetable prices rose 0.3 percent; meat, poultry, and fish prices rose 1.0 percent; grocery food prices rose 0.1 percent; non-alcoholic beverages rose 0.9 percent; and restaurant meals and ready-to-eat food rose 0.3 percent.

Public Sector





★ According to Treasury's Financial Statements of the Government of New Zealand for the ten months ended 30 April 2015, core Crown tax revenue was $437 million or 0.8 percent higher than forecast in the 2015 Budget Economic and Fiscal Update (BEFU). Main contributors were higher than expected corporate tax ($190 million) and GST ($141 million) due to higher than expected household spending. Core Crown expenses were $420 million (0.7 percent) less than forecast, with the largest contributor being education which was $164 million under forecast. The Operating

Balance before Gains and Losses (OBEGAL) was a $448 million surplus, $1.0 billion better than the $555 million deficit forecast. The Operating Balance was a $795 million surplus, $1.7 billion better than expected, the difference mainly due to actuarial losses on ACC liabilities being $865 million lower than forecast due to higher interest rates. Net debt at 27.0 percent of GDP ($64.2 billion) was $268 million lower than the $64.4 billion forecast. Gross debt at $85.5 billion was $624 million above forecast.

★ District Health Boards recorded combined deficits of $59.5 million for the ten months to April 2015. This is $32.0 million worse than their plans. The Northern region was $0.6 million ahead of plan with a surplus of $6.1 million and all DHBs in surplus, the Midland region was $9.5 million behind plan with a combined deficit of $18.6 million and all DHBs in deficit, almost half ($9.9 million) due to Waikato, Central region was $9.4 million behind plan and all in deficit (though Whanganui only by $1,000) for a total $15.8 million, and the Southern Region was $13.7 million behind plan with a $31.2 million deficit and three of the five DHBs in deficit including Canterbury at $15.4 million and Southern at $18.2 million. The DHB furthest ahead of plan was South Canterbury by $1.0 million, and Southern was furthest behind, by $8.2 million. The funder arms were in surplus by $116.0 million, but Provider arms in deficit by $174.8 million.

★ Local Government recorded a 0.5 percent ($11.4 million) fall in operating income and a 4.3 percent rise in operating expenses ($95.0 million) including a fall of 0.6 percent ($3.0 million) in employee costs for the March 2015 quarter compared to December 2014. This resulted in an operating deficit of $196.1 million in the March quarter, compared with a deficit of $89.7 million in the December 2014 quarter, and deficits in all the last 28 quarters back to March 2008 with the exception of June 2010, all in seasonally adjusted terms. Note that the March quarter results are provisional and many previous figures have been revised.

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/economicbulletin169.

For further information contact Bill Rosenberg.