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Information Section p.6

Commentary

Company profits rising, wage shares falling

In June, Statistics New Zealand published data from its annual Annual Enterprise Survey (AES) which shows company profits, wages and salaries paid, and many other details of companies in the commercial economy. It shows a falling share of income going to wage and salary earners, along with increasing company profits which are even stronger when capital gains (the revaluation of their assets) is included.

This survey gives us another look at the share of income that wage and salary earners are receiving, and paints a consistent picture with the share that employees get of income in the whole economy (the 'labour income share'), but provides more details down to subindustry level.

Taking all the industries together, although wages per employee rose, total wages paid fell steeply as a proportion of the income the employees created in them. The wage share fell from 59.1 percent of income to 55.4 percent between 2013 and 2018 before capital gains and losses were counted. If the share had not fallen, average annual wages and salaries would have been $3,900 higher than they actually were. Return on equity rose strongly from 10.6 percent to 12.2 percent. If the wage share had not fallen, the return would still have risen, to 11.2 percent.

The picture is even starker after taking account of capital gains and losses over this period of rapidly rising asset prices. The wage share taking these greater profits into the calculation fell from 60.1 percent of income down to 51.9 percent between 2013 and 2018. If the share had not fallen, average annual wages and salaries would have been $9,100 higher than they actually were. Return on equity rose strongly from 10 percent to 14 percent. If the wage share had not fallen, the return would still have risen, to 11.6 percent.

In the majority of main industrial sectors, the wage share also fell. In Manufacturing, the wage share fell even more sharply than average, from 75 percent to 65 percent before capital gains and losses, equivalent to an annual wage loss of $9,800, and from 80 percent to 66 percent after capital gains and losses, equivalent to an annual wage of loss of $14,300, reflecting the fact that the sector had larger capital losses than gains, particularly in 2013. Return on Equity rose from 13.3 percent to 19.9 percent before capital gains and losses, and from 10 percent to 19.0 percent after. If the wage share had remained the same, return on equity would still have been 14.4 percent (or 10.9 percent, respectively), higher than it was in 2013.

In June, Statistics New Zealand published data from its annual [Annual Enterprise Survey (AES)](#) which shows company profits, wages and salaries paid, and many other details of companies in the commercial economy. It shows a falling share of income going to wage and salary earners, along with increasing company profits which are even stronger when capital gains (the revaluation of their assets) is included.

This survey gives us another look at the share of income that wage and salary earners are receiving, and paints a consistent picture with the share that employees get of income in the whole economy (the 'labour income share'), but provides more details. It is different in that the usual source from which the labour income share is calculated, the National Accounts, includes other income going to owners of capital (assets) including "imputed rent" (the rent home-owners save by living in their own home) and self-employed income. This data enables us to look more directly at perhaps the single most important form of income going to the owners of capital, company profits. Of course, income is going out of companies in other ways to owners of capital, notably interest payments on the companies' debt which reduces profits, but I am not analysing the share of that here. I calculate wage share as total wages and salaries as a proportion of the sum of wages, salaries and profits before income tax.

There are issues with the consistency of data from before 2013 (see the technical note at the end of this commentary) and the latest data is for 2018 (though that is only provisional), so I focus on that period.

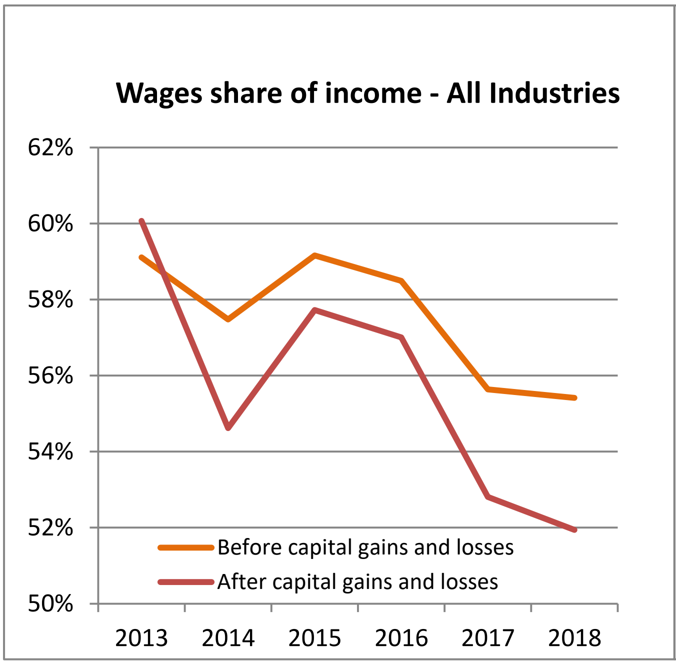
First I look at all industries (which exclude non-profit government-owned operations). Then I have a look at the main subdivisions of industry, each of which has a different picture.

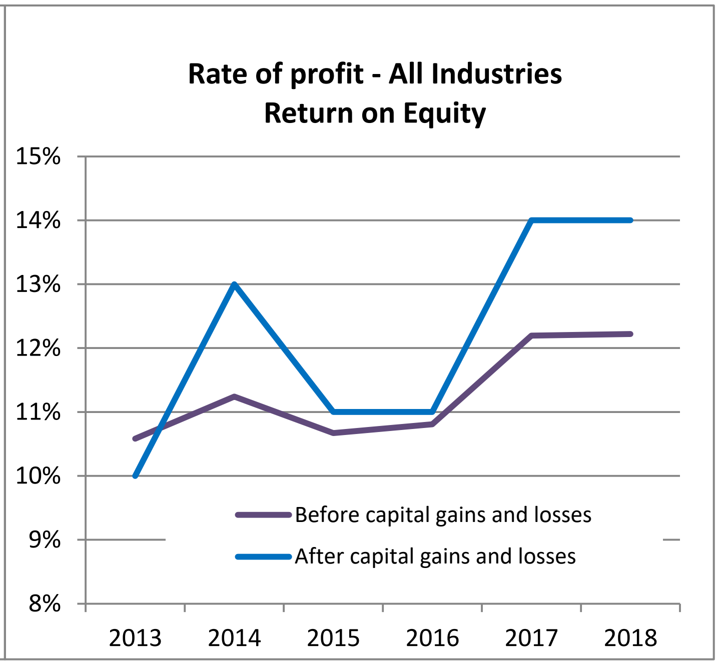
A standard way to compare the profitability of companies between sectors and over time is to look at "Return on equity" which is the ratio of the company's profits to the value of the company to its shareholders at the current valuation of its assets, after debt (liabilities) has been deducted. The profits can be including revaluation of assets, or in other words capital gains (or losses) – called 'surplus before income tax' by Statistics New Zealand – or without them – called 'operating profits before income tax'.

All industries

Taking all the industries together, although wages per employee rose, total wages paid fell steeply as a proportion of the income the employees created in them. As the graphs on the next page show, the wage share fell from 59.1 percent of income to 55.4 percent between 2013 and 2018 before capital gains and losses were counted. If the share had not fallen, average annual wages and salaries would have been $3,900 higher than they actually were. Return on equity rose strongly from 10.6 percent to 12.2 percent. If the wage share had not fallen, the return would still have risen, to 11.2 percent.

The picture is even starker after taking account of capital gains and losses (Statistics New Zealand's standard measure for returns, and preferable in economic terms), over this period of rapidly rising asset prices. The wage share taking these greater profits into the calculation fell from 60.1 percent of income down to 51.9 percent between 2013 and 2018. If the share had not fallen, average annual wages and salaries would have been $9,100 higher than they actually were. Return on equity rose strongly from 10 percent to 14 percent. If the wage share had not fallen, the return would still have risen, to 11.6 percent.

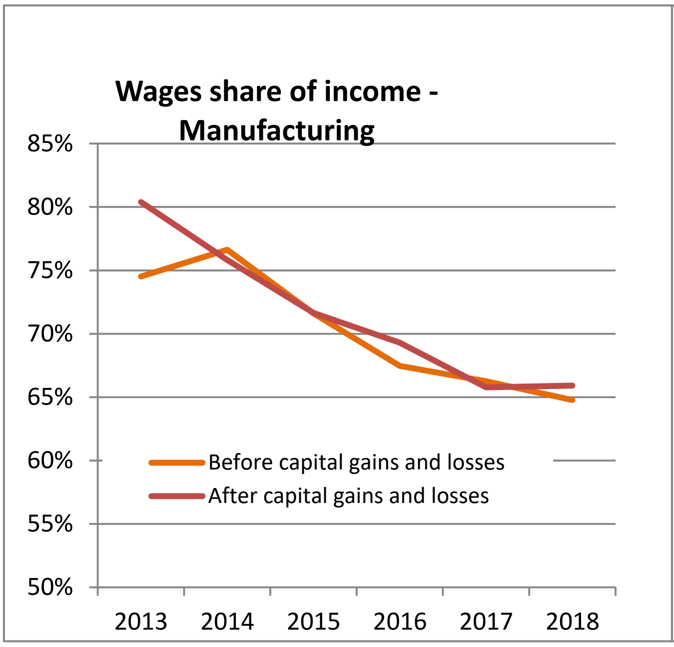


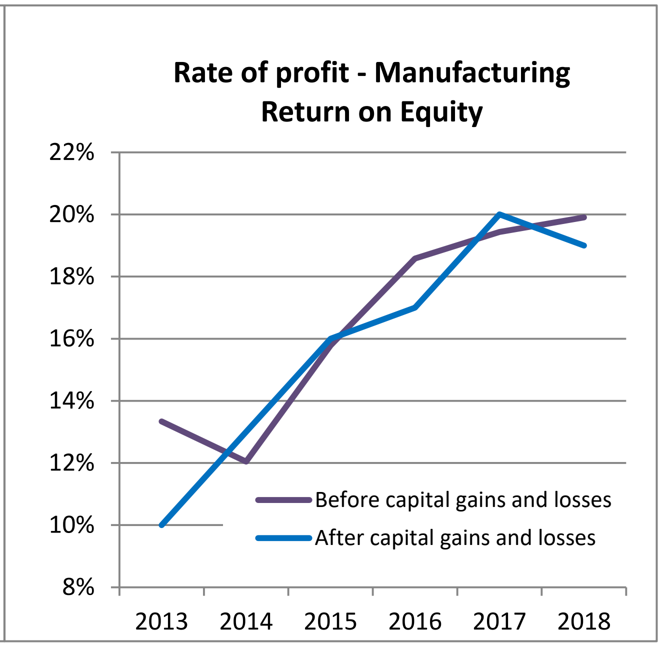


Other industries

The tables below sum up the situation for the other main industrial sectors that are not dominated by non-profit government entities. In the majority of industries, the wage share fell.

In Manufacturing, the wage share fell even more sharply than average, from 75 percent to 65 percent before capital gains and losses, equivalent to an annual wage loss of $9,800, and from 80 percent to 66 percent after capital gains and losses, equivalent to an annual wage of loss of $14,300, reflecting the fact that the sector had larger capital losses than gains, particularly in 2013. Return on Equity rose from 13.3 percent to 19.9 percent before capital gains and losses, and from 10 percent to 19.0 percent after. If the wage share had remained the same, return on equity would still have been 14.4 percent (or 10.9 percent, respectively), higher than it was in 2013.





	Wage share					
	Before capital gains and losses			After capital gains and losses		
	2013	2018	Wage loss	2013	2018	Wage loss
Agriculture, Forestry and Fishing	51%	49%	$2,200	54%	39%	$17,900
Mining	22%	22%	-$1,600	28%	23%	$30,100
Manufacturing	75%	65%	$9,800	80%	66%	$14,300
Electricity, Gas, Water and Waste Services	27%	38%	-$23,300	30%	30%	-$800
Construction	78%	74%	$3,800	79%	75%	$4,400
Wholesale Trade	66%	62%	$4,600	68%	63%	$5,500
Retail Trade and Accommodation	78%	76%	$900	78%	76%	$1,000
Transport, Postal and Warehousing	71%	68%	$3,200	74%	67%	$7,500
Information Media and Telecommunications	73%	67%	$6,700	74%	76%	-$2,000
Financial and Insurance Services	22%	17%	$29,900	24%	14%	$70,000
Rental, Hiring and Real Estate Services	22%	22%	-$1,500	19%	17%	$8,600
Professional, Scientific and Technical Services	65%	73%	-$11,300	66%	76%	-$12,800
Administrative and Support Services	82%	80%	$600	84%	82%	$900
Arts and Recreation Services	57%	58%	-$600	55%	58%	-$1,800
Other Services	78%	78%	-$400	73%	73%	$100
All Industries	**59%**	**55%**	**$3,900**	**60%**	**52%**	**$9,100**

	Profits: Return on Equity					
	Before capital gains and losses			After capital gains and losses		
	2013	2018	*	2013	2018	*
Agriculture, Forestry and Fishing	5.9%	6.9%	6.6%	5.0%	10.0%	7.5%
Mining	39.5%	55.9%	56.1%	28.0%	54.0%	50.2%
Manufacturing	13.3%	19.9%	14.4%	10.0%	19.0%	10.9%
Electricity, Gas, Water and Waste Services	9.2%	6.3%	7.4%	8.0%	9.0%	9.0%
Construction	31.3%	37.3%	31.9%	29.0%	36.0%	29.8%
Wholesale Trade	22.3%	24.7%	22.1%	21.0%	24.0%	20.8%
Retail Trade and Accommodation	23.9%	26.6%	24.4%	23.0%	26.0%	23.6%
Transport, Postal and Warehousing	11.9%	12.1%	10.9%	10.0%	13.0%	10.1%
Information Media and Telecommunications	10.3%	13.8%	11.2%	10.0%	9.0%	9.8%
Financial and Insurance Services	8.9%	11.0%	10.3%	8.0%	14.0%	12.4%
Rental, Hiring and Real Estate Services	7.2%	7.2%	7.3%	9.0%	10.0%	9.8%
Professional, Scientific and Technical Services	27.1%	20.7%	27.4%	26.0%	18.0%	25.8%
Administrative and Support Services	26.1%	22.4%	20.8%	23.0%	21.0%	18.5%
Arts and Recreation Services	14.9%	13.0%	13.3%	16.0%	13.0%	13.8%
Other Services	9.3%	8.7%	8.9%	12.0%	11.0%	10.9%
All Industries	**10.6%**	**12.2%**	**11.2%**	**10.0%**	**14.0%**	**11.6%**

* Return on equity If wage share were unchanged from 2013

In the great majority of cases where the wage share fell, if it had not fallen the profit rate would still have risen, though not as much as it has (compare the "*" columns in the second table with the 2013 values).

The wage share rose in a minority of cases, mainly in sectors where the employees have relatively high bargaining power such as Mining (high union coverage) and Professional, Scientific and Technical Services. In Arts and Recreation Services and Other Services, there was a small rise, but it was essentially static.

However some of the industries, including Agriculture, Forestry and Fishing, Mining and Electricity, Gas, Water and Waste Services have very variable profitability over the years, and so the changes in shares are not particularly meaningful. Electricity, Gas, Water and Waste Services for example almost doubled its profits before capital gains and losses in 2017 (and more than doubled its 2016 profits after capital gains and losses). It is also highly capital intensive so wages are a relatively small part of its costs.

Agriculture, Forestry and Fishing shows a surprisingly high wage share at around 50% (highly affected by capital gains and losses) compared to around 30 percent in the National Accounts. This may be because the AES excludes some very small operations and the wages and salaries may include some working proprietors (such as farmers) who pay themselves a regular wage. Treatment of interest payments may also be a factor. Rental, Hiring and Real Estate Services also has a very low wage share because it is dominated by self-employed operators. In both cases the wage share is more subject to variations from year to year than other industries. Financial and Insurance Services also appears very low (the National Accounts show it to be around 45 percent but falling) and this may be because the sector has complex company structures that multiply the apparent profits when they are summed into sectors: Statistics New Zealand does not consolidate the transactions that occur within a sector. Some of the fall in wage share in this sector is likely due to its constantly increasing automation and requiring customers to carry out functions previously performed by staff.

Profit rates appear huge in Construction (at around 30 percent return on equity), despite news items about failing construction companies. I have asked for more information from Statistics New Zealand but it may reflect the high activity in the industry leading to high profitability but also creating a feeding frenzy where companies over-extend themselves. Profit rates also show as being high in Mining (but very variable) and in Professional, Scientific and Technical Services. Perhaps surprisingly they are also high in Administrative and Support Services and Retail Trade and Accommodation, though the latter is consistent with the analysis of Retail in last month's Bulletin.

Bill Rosenberg

Technical note: The AES surveys "economically significant enterprises" (484,946 "kind-of-activity units" in 2018), so very small enterprises are not represented. It mainly uses tax data, but also surveys some companies, covering businesses with balance dates between 1 October and 30 September. Since 2015 it has excluded "non-market government units", and this affects mainly Public Order, Safety and Regulatory Services; Education and Training; and Health Care and Social Assistance (not included in the above analysis). It has a small effect on Arts, Recreation and Other Services, which include "Heritage and Artistic Activities" (and unions); and Professional, Scientific, Technical, Administrative and Support Services. The survey still covers private not-for-profit organisations such as charities.

What I have termed capital gains and losses is "non-operating" expenses and income in the AES. These are predominantly revaluations and gains and losses on the sale of assets (including currency), but also include bad debt recovery, insurance claims received, subvention receipts and payments, and gains on "extraordinary transactions". Insurance claims in the 2016 Kaikoura earthquake do not appear to have created a significant "blip" in non-operating income, and their effect would be negligible by 2018 for the 2013 to 2018 comparisons made above.

A single business may include a variety of "kinds of activity", and these are split out for the purpose of the analysis. For example a supermarket chain may be split into retail, wholesale, administrative and perhaps financial "activity units", which are classified into different industries. The results can be affected by restructuring of companies. For example, if two divisions within a company are amalgamated, the flows between the divisions would no longer be recorded in the survey as they will become internal transactions, and vice versa if a company splits into divisions.

See Statistics New Zealand's DataInfo+ site for more information.

Information

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

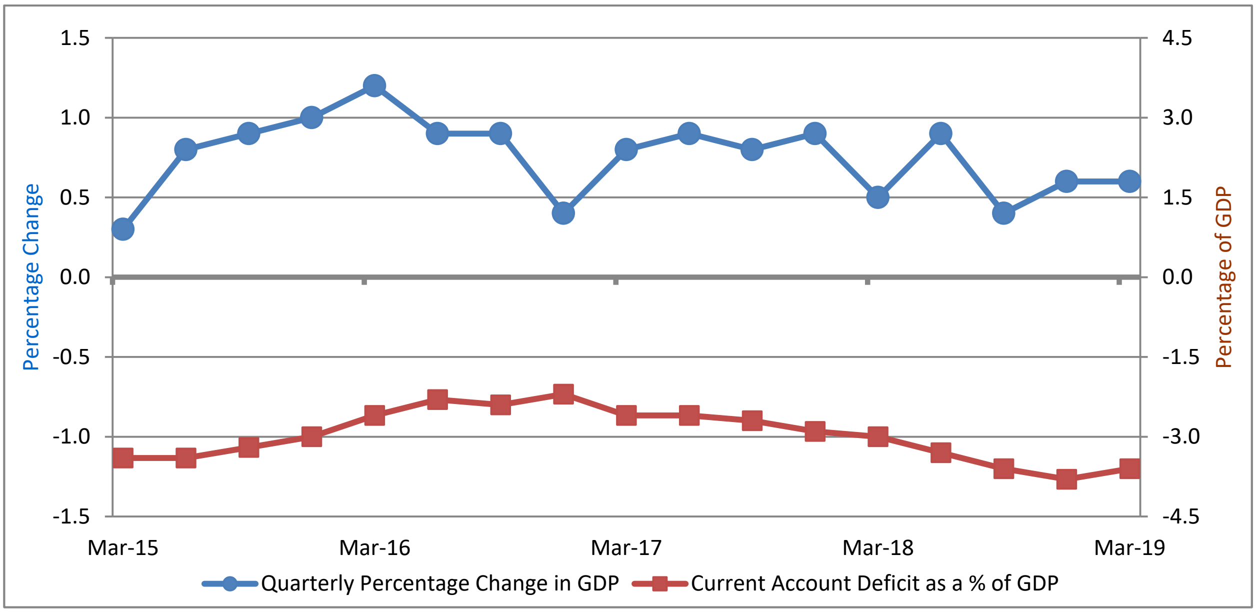
Thanks to Nick Henry who assisted in updating this section.

Forecast

- This NZIER consensus forecast was released on 17 June 2019.

Annual Percentage Change (March Year)	2019/20	2020/21	2021/22
GDP	2.5	2.9	2.6
CPI	2.0	1.9	2.0
Private Sector average hourly wage	3.4	3.2	3.2
Employment	1.7	1.6	1.5
Unemployment rate (% of labour force)	4.2	4.1	4.0

Economy



- Growth in New Zealand's measured economy in the three months to March 2019 was moderate, with Gross Domestic Product rising by 0.6 percent, the same as the 0.6 percent in the previous quarter, and up from 0.4 percent in the June quarter. Average growth for the year ended March 2019 was 2.5 percent (and 2.7 percent compared to the same quarter last year). Growth in GDP per person continues to be weak with a rapidly growing population: GDP growth per person was just 0.1 percent in the March quarter seasonally adjusted, down from a 0.2 percent increase in the December quarter, but up 0.9 percent over the previous year. GDP per person has been increasing at far below the rate in the 2000s when GDP per person was increasing at an average 2.4 percent a year. Since 2011 it has averaged 1.5 percent per year. Real gross national disposable income per capita, which takes into account the income that goes to overseas investors, transfers (such as insurance claims) and the change in prices for our exports and imports, rose 0.1 percent over the quarter and rose 0.6 percent over the year.

- I estimate that **labour productivity**, measured by production per hour worked in the economy, stayed almost still, growing 0.1 percent in the year to March compared to the same period a year ago, continuing weak labour productivity growth which is bad for future wage growth. It fell 4.2 percent in the quarter, seasonally adjusted.
- **Business investment** rose by 1.9 percent compared to the previous quarter, with a 8.0 percent fall in investment in Transport equipment and a 6.4 percent fall in Other Construction investment offset by strong rises in Non-residential buildings (up 9.9 percent). Investment in Land improvements fell 1.0 percent, in Intangible fixed assets fell 0.5 percent and Plant, and in Machinery and equipment fell 0.6 percent. Investment in Residential buildings was up 2.7 percent. All investment spending tends to be very variable from quarter to quarter, and can be significantly affected by a single large purchase such as an aircraft, so single quarter changes do not necessarily indicate trends. Comparing the year to March with the previous full year, growth in total investment including housing (Gross Fixed Capital Formation) was 2.5 percent but Business investment grew only 2.1 percent, down from 6.4 percent the previous year, driven by Non-residential buildings (up 7.2 percent), Plant, machinery, and equipment (up 2.6 percent) and Intangible fixed assets (up 2.3 percent) offset by falls in Other construction (down 3.9 percent) and Land improvements (down 1.1 percent) while investment in Transport equipment was unchanged. Residential buildings investment was up 3.5 percent.
- **Household consumption** expenditure grew 0.5 percent in the March quarter in real terms, after a 1.0 percent increase in December and increases of around 1.0 percent in quarters before that apart from a 0.3 percent increase in the March 2018 quarter. Purchases of durable goods (like electrical equipment and furniture) rose 1.4 percent, of non-durable goods (like food and groceries) rose 0.4 percent, and of services rose 0.3 percent. It rose a strong 3.5 percent over the same quarter in the previous year and 3.3 percent comparing the full year to March with the previous year when growth in spending was led by a 3.7 percent increase in purchases of services, followed by a 3.6 percent increase in durable goods purchases and 2.1 percent increase in no-durable goods.
- Inflation in the economy as a whole, shown by the **GDP deflator** (a price index for expenditure on the economy's production, largely reflecting the revenue employers are getting for their products) rose 1.4 percent compared to the same quarter the previous year, and rose 0.4 percent in the most recent quarter.
- **By industry**, the largest contributors to growth in the latest quarter were Construction (up 3.7 percent), Mining (up 9.6 percent), Manufacturing (up 1.4 percent), Health care and social assistance (up 1.7 percent) and Transport, postal and warehousing (up 1.2 percent). The largest fall in activity was in Agriculture, forestry, and fishing (down 2.3 percent). There were also contractions in

Information media and telecommunications (down 0.6 percent), Retail trade and accommodation (down 0.5 percent) and Rental, hiring, and real estate services (down 0.2 percent). Year-on-year, the biggest rises were in Transport, postal and warehousing (up 5.1 percent), Public administration and safety (up 4.5 percent), Wholesale trade (up 3.7 percent), Retail trade and accommodation (up 3.5 percent), Health and Social assistance (up 3.4 percent), Financial and insurance services (up 3.3 percent) and Agriculture, forestry and fishing (up 3.2 percent); only Mining contracted (down 5.9 percent).

- New Zealand recorded a Current Account deficit of $2.6 billion in seasonally adjusted terms for the March 2019 quarter, following a $2.7 billion deficit for the previous quarter. There was a deficit in goods trade ($1.1 billion, seasonally adjusted) following a $1.15 billion deficit in the previous quarter, with deficits in all quarters back to September 2014. There was a seasonally adjusted deficit of $87 million in goods and services (up from the $60 million deficit in the previous quarter) including a $1.0 billion surplus in services, while the deficit on primary income (mainly payments to overseas investors) was down a little to $2.4 billion from $2.6 billion (seasonal adjustment not available). For the year to March 2019, the current account deficit was $10.6 billion or 3.6 percent of GDP, down from the $11.2 billion deficit in the year to December (3.8 percent of GDP). The deficit on investment income was $10.2 billion for the year.

- The country's Net International Liabilities were $164.4 billion at the end of March 2019, down from $168.4 billion at the end of the previous quarter but significantly up from $156.2 billion a year before. The March liabilities were equivalent to 55.5 percent of GDP, down from the previous quarter (57.4 percent) and up from 54.8 percent a year before. Gross international liabilities were equivalent to 146.4 percent of GDP, compared to 145.9 percent in the previous quarter and 143.1 percent a year before. Net international liabilities would take 1.96 years of goods and services exports to pay off, down from 1.99 years a year before. However, gross liabilities at $433.6 billion would take 5.17 years of goods and services exports to pay off. The fall in net liabilities over the quarter was mainly due to rises in the net valuation of net financial derivatives which rose $3.2 billion. Without the valuation changes, the net liabilities would have been $169.1 billion. New Zealand's international debt was $295.7 billion (other than shares; equivalent to 99.8 percent of GDP), of which 30.2 percent is due within 12 months, compared to $145.4 billion in financial assets (49.1 percent of GDP), leaving a net debt of $150.2 billion (50.7 percent of GDP). Of the net debt, $3.6 billion was owed by the government including the Reserve Bank, and $119.1 billion by the banks (40.2 percent of GDP), which owed $163.5 billion gross.

- In international trade in services, exports amounted to $25.2 billion in the year to March 2019, of which over half ($16.0 billion) was Travel and another $3.3 billion was Transportation. Services imports were valued at $20.7 billion, leaving a surplus on services of $4.5 billion for the year. The largest areas of imported services were $4.9 billion in Transportation, $6.7 billion in Travel, $1.6 billion in Insurance and pension services, $0.5 billion in Financial Services, $1.3 billion in Charges for the use of intellectual property (such as franchises, trademark licensing and royalties), $1.3 billion in Telecommunication, computer, and information services (mainly computer services), and $3.5 billion in a variety of Other business services.

★ Overseas Merchandise Trade for the month of June 2019 saw exports of goods rise in value by 2.8 percent from the same month last year while imports fell 10 percent. This contributed to a trade surplus for the month of $365 million or 7.3 percent of exports. There was a trade deficit for the year of $4.9 billion or 8.3 percent of exports. In seasonally adjusted terms, exports rose 0.6 percent or $129 million over the month (after a 3.6 percent increase the previous month), despite decreases in the values of each of the high-level categories of exports reported, except for Aluminium (up 7.5 percent or $8 million, not seasonally adjusted) and Mechanical machinery and equipment (up 5.3 percent or $8 million), including significant falls in Dairy exports (down 8.5 percent or $113 million), Wine (down 8.5 percent or $14 million), Seafood (down 7.6 percent or $13 million), Fruit (down 6.5 percent or $18 million) and Meat (down 2.3 percent or $15 million). Seasonally adjusted imports fell 4.0 percent or $215 million on the previous month, leaving a trade deficit of $20 million following a $266 million deficit in the previous month. The decrease in imports was led by Petroleum (down 34.4 percent or $258 million, not seasonally adjusted), Mechanical machinery and equipment (down 12.6 percent or $97 million, not seasonally adjusted), Textiles (down 13.2 percent or $30 million), Plastics (down 11.4 percent or $22 million) and Optical, Medical and Measuring Equipment (down 4.0 percent or $7million) offset by Electrical machinery and equipment (up 5.2 percent or $22 million). In the year to June, 26.4 percent of New Zealand's exports went to China, 15.0 percent to Australia, 9.5 percent to the US, and 62.5 percent went to the top six countries buying New Zealand exports. This compares with 22.8 percent going to China in the previous year, and 60.2 percent going to the top six destinations. Over the same period, 20.1 percent of New Zealand's imports came from China (compared to 19.0 percent in the previous year), 11.5 percent from Australia, 10.0 percent from the US, and 58.4 percent from the top six countries selling to New Zealand, compared to 57.0 percent a year before. There were trade surpluses with China ($2.71 billion) and Australia ($1.48 billion) but deficits with most other major trading partners.

- The Retail Trade Survey for the three months to March 2019 showed retail sales rose 3.3 percent by volume and 3.7 percent by value compared with the same quarter a year ago. They rose 0.7 percent by volume and 0.2 percent by value in the quarter, seasonally adjusted. The fastest rises by seasonally adjusted value over the quarter were in Non-store and commission-based retailing (which includes online sales - up 7.0 percent), Furniture, floor coverings, houseware, textiles (up 3.1 percent), Department Stores (up 2.9 percent), Liquor (up 2.8 percent), Hardware, building, and garden supplies (up 2.8 percent), Specialised Food (up 2.4 percent), and Recreational Goods (up 2.3 percent), offset by decreases in Pharmaceutical and other store-based retailing (down 8.5 percent), Fuel (down 2.8 percent), Electrical and electronic goods (down 2.2 percent), and Accommodation (down 1.1 percent). By far the largest category, Supermarket and grocery stores, rose 1.1 percent.

- ★ The Performance of Manufacturing Index for June 2019 was 51.3, up from 50.4 in the previous month. The employment sub-index was at 48.0, down from 48.5 in the previous month.

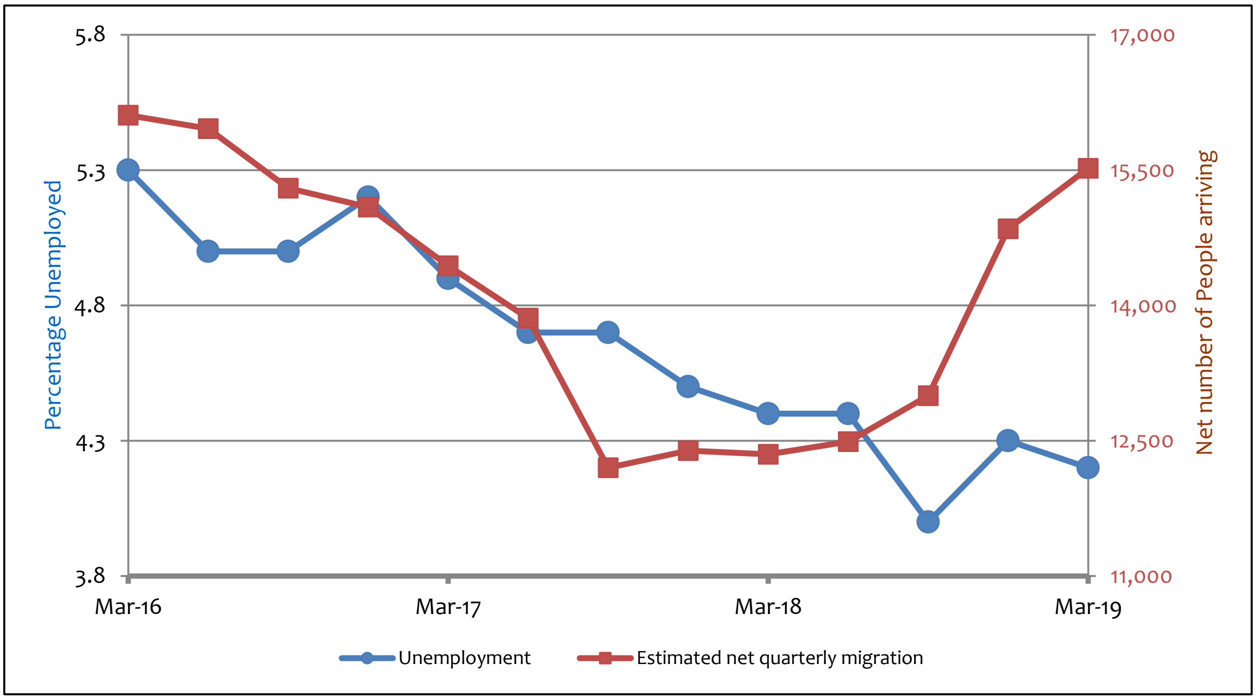
- ★ The Performance of Services Index for June 2019 was 52.7, down from 53.5 the previous month. The employment sub-index was 50.9, up from 50.6 the previous month.

For these indexes, a figure under 50 indicates falling activity, above 50 indicates growing activity. Previous figures are often revised and may differ from those in a previous Bulletin.

- On 26 June 2019, the Reserve Bank kept the Official Cash Rate (OCR) unchanged at 1.5 percent, maintaining the record low level set in May 2019. The 26 June release indicated that further lowering of the OCR may be needed in future to respond to "a weaker global economic outlook and risk of ongoing subdued domestic growth". The Reserve Bank noted slowing domestic growth, with strong growth in construction offset by slowing growth in service industries. "Softer house prices and subdued business sentiment continue to dampen domestic spending" but "We expect low interest rates and increased government spending to support a lift in economic growth and employment." The meeting of the Monetary Policy Committee repeated its previous opinion that "employment is broadly at its maximum sustainable level", but also noted that "subdued wage growth" is not responding to "capacity pressure in the labour market": "The members discussed the subdued nominal wage growth in the private sector and the apparent disconnect from indicators of capacity pressure in the labour market. The Committee discussed the possibility of this relationship re-establishing. Conversely, the continuing absence of wage pressure could indicate that there is still spare capacity in the labour market. Some members also noted that reduced migrant inflows could see wage pressure increase in some sectors." The next OCR announcement is on 7 August and will include a Monetary Policy Statement.

★ According to REINZ, over the year to June the national median house price rose $25,000 or 4.5 percent to $585,000 and REINZ's house price index rose 1.7 percent. (The house price index adjusts for the type of house, such as its size and land area, and seasonal price patterns.) Over the month, the median price rose 0.8 percent seasonally adjusted while the house price index rose 0.3 percent. In Auckland over the year the median price was steady at $850,000 while the house price index fell 3.5 percent. Over the month, Auckland's median price was up 0.4 percent seasonally adjusted, and the house price index rose 0.1% percent. Excluding Auckland, over the year the national median price rose $25,000 to $485,000 or 5.4 percent while the house price index rose 6.5 percent. Over the month the median price excluding Auckland was down 0.3 percent seasonally adjusted, and the house price index was up 0.4 percent. There were record median prices in Tasman (up 12.4 percent over the year to $642,000) and Manawatu/Wanganui (up 23.3 percent over the year to $370,000). Median prices rose over the year in 12 of REINZ's 16 regions, with the fastest rise being in Manawatu/Wanganui followed by Southland (up 14.5 percent to $285,000). Median prices fell only in Marlborough (down 1.1 percent to $435,000) and were steady in Auckland, Waikato and West Coast. Seasonally adjusted median prices also fell over the month in 6 of 16 regions, with the steepest fall in Gisborne (down 19.5 percent), followed by Waikato (down 2.2 percent), while prices rose over the month by the highest rate in Taranaki (up 6.0 percent) followed by Northalnd (up 4.9 percent), Tasman (up 4.8 percent) and Manawatu/Wanganui (up 4.5 percent). Sales fell in 12 of the 16 regions over the month, seasonally adjusted, while over the year, sales fell in 10 of the regions, with a national fall of 3.8 percent and falls of 26.8 percent in Hawkes Bay and 24.9 percent in Taranaki.

Employment



The December 2018 Household Labour Force Survey, from which the employment statistics below are derived, was affected by adjustments that make many of the changes in this quarter "unrealistic" according to Statistics New Zealand. The adjustments were due to additional questions asked with for the 2018 Survey of Working Life (last run in 2012). Statistics New Zealand advises as follows:

> Some seasonally adjusted employed and "Not In the Labour Force" (NILF) series … (eg the number of people employed, broken down by age; underemployment; and youth not in employment, education, and training series)… may show unrealistic movements this quarter. We recommend users exercise caution when considering the latest data and focus on longer-term trends. In addition, all actual employed and NILF series, including all age, ethnicity, industry, occupation, and regional breakdowns, should be used with caution.

For further details see https://www.stats.govt.nz/information-releases/labour-market-statistics-december-2018-quarter which also provides a link to a full list of affected series in HLFS data collection in DataInfo+.

The change to migration collection methods which has led to significant differences in estimates of permanent and long term migration (see below) are not yet reflected in these employment statistics. It is expected to be a year before they will be, and at that time may lead to further revisions.

- According to the Household Labour Force Survey (HLFS) the seasonally adjusted **unemployment** rate in the March 2019 quarter fell to 4.2 percent or 116,000 people, compared to 4.3 percent three months before (120,000 people). If it were the 3.3 percent it was in December 2007, 24,000 more people would have jobs. The seasonally adjusted female unemployment rate rose to 4.5 percent from 4.2 percent three months before, higher than for men (3.9 percent) whose unemployment rate fell from 4.4 percent. Māori unemployment fell from 9.6 percent a year before to 8.6 percent in March 2019, while Pacific people's unemployment rose from 8.3 percent to 9.0 percent over the year. Compared to OECD unemployment rates, New Zealand remained at 14th equal lowest (out of 35 countries). New Zealand's employment rate for 15-64 year olds fell from 3rd to 6th highest for the OECD at 77.4 percent.

- **Youth unemployment** for 15-19 year olds was 20.5 percent in March 2019, down from 22.4 percent three months before, and from 19.0 percent a year before. (These and the other statistics for the whole youth population are seasonally adjusted, but those for Māori and for Pacific Peoples are not; small differences may not be statistically significant. *Take particular note of the warning in the box above.)* For Māori 15-19 year olds in March 2019, the unemployment rate was 25.3 percent, down from 25.7 percent a year before. For 15-19 year old Pacific Peoples it was 30.3 percent, up from 16.9 percent a year before. For 20-24 year olds, youth unemployment was 7.9 percent, down from 8.2 percent three months before, and down from 8.2 percent a year before. For Māori 20-24 year olds the unemployment rate was 11.5 percent, down from 12.9 percent a year before. For 20-24 year old Pacific Peoples it was 10.8 percent, down from 14.2 percent a year before. The proportion of 15-19 year olds "not in employment, education, or training" (the NEET rate) was 10.1 percent, down from 11.3 percent three months before and up from 9.8 percent a year before. For Māori 15-19 year olds the rate was 15.9 percent, down from 16.4 percent a year before and for Pacific Peoples it was 13.4 percent, down from 14.1 percent a year before. For 20-24 year olds the NEET rate was 16.0 percent, down from 16.4 percent three months before and up from 14.8 percent a year before. For Māori 20-24 year olds the NEET rate was 26.7 percent, down from 26.8 percent a year before, and for Pacific Peoples it was 23.6 percent, down from 24.7 percent a year before. For the whole 15-24 year old group, unemployment was higher for those in education (14.6 percent) than those not in education (11.1 percent). There were 88,000 people aged 15-24 years who were not in employment, education, or training (NEET), seasonally adjusted, down from 94,000 three months before, and up from 84,000 a year before.

- By **region**, in March 2019, in the North Island, Northland had the worst regional unemployment rate at 7.1 percent, up from 5.8 percent a year before, and Manawatu/Wanganui was next at 6.5 percent unemployment compared to 6.4 percent a year before. All other North Island regions had unemployment rates at or under 5.5 percent, with Wellington the lowest at 3.7 percent (down from 4.8 percent a year before) and all but Northland, Manawatu/Wanganui, Gisborne (5.4 percent up from 5.1 percent) and Taranaki (5.5 up from 5.1) with lower rates than a year before. All South Island regions had unemployment at or below 4 percent with average unemployment among the South Island regions being 3.5 percent compared to 5.2 percent in the North Island. In Tasman/Nelson/Marlborough/ West Coast unemployment was 3.3 percent, down from 3.6 percent a year before, in Canterbury it was 4.0 percent, up from 3.5 percent a year before, in Otago it was 3.3 percent, down from 4.7 percent a year before, and in Southland 3.4 percent, up from 2.9 percent a year before.

- There were 33,700 unemployed people in December 2018 who had been **out of work for more than 6 months** compared to 35,800 a year before. This is 27.4 percent of the unemployed compared to 28.1 percent a year before, but is still at a much higher level than the mid-2000s. Those out of work for more than a year are 11.1 percent of the unemployed compared to 12.7 percent a year before.

After rising until 2016, the proportion of long-term unemployed appears to have peaked and is moving downward.

- The unemployed were not the only people looking for work: "**underutilisation**" includes the officially unemployed as above, people looking for work who are not immediately available or have not looked for work sufficiently actively to be classed as officially unemployed, plus people in part time work who want more hours ("underemployed"). In the March 2019 quarter there were a total of 324,000 people looking for work classed as "underutilised", or 11.3 percent of the labour force extended to include these people, in seasonally adjusted terms. Of them, 102,000 were underemployed, 116,000 were officially unemployed, and 106,000 were additional jobless people looking for work. The 11.6 percent underutilisation rate is down on the previous quarter (seasonally adjusted 12.1 percent) and down from 11.9 percent a year before. It is higher for women at 13.7 percent than for men (9.0 percent).
- The number recorded as **employed** fell by 4,000 over the three months to March 2019 (seasonally adjusted). It rose by 38,000 over the year. The employment rate fell to 67.5 percent over the three months from 67.8 percent. It was 62.8 percent for women and 72.3 percent for men. The participation rate (the proportion of the working age population – those aged 15 years and over – either in jobs or officially unemployed) was slightly down at 70.4 percent compared to 70.9 percent three months before.
- **By industry**, the actual increase in employment of 20,600 in the three months to the March 2019 quarter (not seasonally adjusted) was made up of both gains and losses. The largest gains were of 20,600 in Professional, scientific, technical, administrative, and support services, 5,900 in Financial and insurance services, and 4,200 in Rental, hiring, and real estate services. The largest losses were 5,200 in Education and Training, 3,500 in Transport, postal and warehousing, and 3,000 in Retail trade, accommodation and food services. Over the year, the biggest contributors to the 38,200 additional jobs were 21,500 in Professional, scientific, technical, administrative, and support services, 6,200 in Health care and social assistance and 6,000 in Financial and insurance services. The largest losses were 16,500 in Education, 13,900 in Manufacturing, and 5,000 in Construction.
- In the March 2019 quarter, total **union membership** was estimated at 404,500, a 0.7 percent fall from 407,300 in the previous quarter and down 0.9 percent from 408,200 a year before. The membership is 18.7 percent of employees compared to 18.8 percent three months before and 19.1 percent a year before. Women make up 58.6 percent of the membership compared to being 49.6 percent of all employees. As a result, the proportion of female employees who are in unions is higher than for males: 22.0 percent compared to 15.3 percent. The rate of membership for women workers was up 0.9 percent over the year, compared to a decrease for men of 3.3 percent, with one factor being the impact of pay equity settlements. The membership changes were not evenly spread across age groups: the membership of 15-24 year olds fell 6.5 percent in the year but rose 10.5 percent in the quarter, 25-34 year olds rose 11.1 percent in the year but fell 3.4 percent in the quarter, 35-44 year olds rose 6.3 percent in the year but fell 0.5 percent in the quarter, 45-54 year olds fell 12.1 percent in the year and 1.3 percent in the quarter, 55-64 year olds fell 2.3 percent in the year and 1.6 percent in the quarter, and 65+ year olds rose 0.8 percent in the year and 2.4 percent in the quarter. Union membership growth mainly came from Public Administration and Safety, which increased 5,300 or 10 percent over the year, and Retail Trade up 2,400 or 14 percent. , Agriculture Forestry and Fishing shows as more than doubling from 1,900 to 4,700 over the year, but with such small numbers

it is not yet clear whether this is a real trend or just statistical variation. Education and training fell 5,300 or 6 percent, and Health Care and Social Assistance fell 1,800 or 2 percent while Manufacturing shows as falling sharply by 10,600 or 22 percent over the year to 39,300, which again is likely to be in part statistical variation. There was a mixture of rises and falls in other industries, but they are unlikely to be statistically meaningful. There may be seasonal variations in union membership which are not yet apparent, so quarterly comparisons may not represent annual trends.

- In the March 2019 quarter, total **collective employment agreement** coverage was estimated at 406,500 employees, which makes 18.7 percent of employees who said their employment agreement was a collective compared to 19.1 percent three months before and 19.0 percent (406,200) a year before. An estimated 69.5 percent (1,507,700) said they were on an individual agreement compared to 69.3 percent three months before and 68.1 percent a year before, and 5.2 percent or 112,300 said they had no agreement (which is illegal), compared to 5.5 percent three months before and 6.3 percent a year before. A further 6.5 percent of employees didn't know what kind of employment agreement they had. Coverage by collective agreement was 15.9 percent for men and 21.6 percent for women. All age groups except 45-54 year olds and 55-64 year olds rose in membership of collective agreements over the year, and those age groups plus the over 65s fell during the quarter. Those aged 15-24 rose 1.3 percent in the year and 0.9 percent in the quarter, 25-34 years rose 12.5 percent in the year and 0.7 percent in the quarter, 35-44 year olds rose 7.7 percent in the year and 1.1 percent in the quarter, 45-54 year olds fell 9.6 percent in the year and 2.6 percent in the quarter, 55-64 year olds fell 6.8 percent in the year and 6.3 percent in the quarter, and members aged 65+ rose 1.3 percent in the year but fell 4.4 percent in the quarter. Over the year, density rose for all age groups under 45 years, but fell for all age groups over 45. By industry, collective membership grew over the year by 4,100 or 8 percent in Public Administration and Safety, and by 2,700 or 11 percent in Retail Services. Education fell 2,800 or 3 percent, Health Care and Social Assistance fell 3,400 or 4 percent, and Manufacturing shows as falling by 8,000 or 17 percent. Other industries had a mix of increases and decreases (though they are unlikely to be statistically significant).

- By **employment relationship**, in the March 2019 quarter, 91.0 percent of employees (1,973,400) reported they were permanent, 4.6 percent casual (100,500), 2.4 percent fixed term (51,300), 1.0 percent seasonal (20,800), and 0.4 percent employed through a "temporary agency" (9,100). The proportion reporting they were permanent was up from 89.7 percent (1,942,200) three months before and from 90.2 percent (1,930,500) a year before. Women were slightly less likely to be permanent employees: 90.1 percent of women were permanent compared to 91.9 percent of men. Instead, women were more likely to be casual (5.3 percent of them compared to 4.0 percent of men) or fixed term (2.7 percent of women compared to 2.0 percent of men). However more men were in seasonal work than women – 1.2 percent of men compared to 0.7 percent of women. Of the temp agency employees, 3,200 were men and 5,900 women. Employment relationships may have seasonal variations, so we should be cautious about seeing trends in quarterly comparisons. In addition, small differences may not be statistically significant. However, over the almost three years this data has been available the number and proportion of fixed term employees measured by this survey has fallen, starting in June 2016 with 63,600 and in March 2019 down to 51,300 though there was a sharp upturn in the last quarter of 2018. The number of Temporary Agency employees has increased in the same period from 6,600 to 9,100, but this has been a bumpy road so it is too early to say there is a trend.

- By **duration of employment (job tenure)**, in the March 2019 quarter, 23.4 percent of those in the labour force (including the self-employed) had been in their jobs for less than a year. Another 33.7 percent had been in their job for at least a year but less than five years, so a majority had been in their jobs less than five years. A further 16.2 percent had been in their job for at least five but less than ten years, and 25.1 percent had been in their jobs for 10 years or more. Women appeared to be somewhat more likely to have been in their jobs for a shorter time than men. For example, 26.8 percent of men had been in their jobs for more than 10 years, but only 23.3 percent of women. Age is a significant factor as would be expected: 55.6 percent of people aged 15 to 24 had been in their jobs for less than a year, and 28.8 percent of 25-34 year olds, but only 14.7 percent of 45-54 year olds and 9.3 percent of 55-64 year olds. Small differences may not be statistically significant.

★ The Ministry of Social Development reports that at the end of June 2019 there were 136,233 working age people on the Jobseeker benefit, 13,720 more than a year before and 4,513 more than three months before. At that time, 75,323 were classified as 'Work Ready', and 60,910 were classified as 'Health Condition or Disability'. A total of 291,969 were on 'main' benefits, 14,559 more than a year before, with numbers of all other than those on Jobseeker Support relatively stable: Sole Parent Support benefits were up 705, Supported Living Payments were up 214 and Other Main Benefits were down 80. There were 5,519 more on main benefits than three months earlier. Of the 43,532 benefits cancelled during the three months to June, 17,832 or 41.0 percent of the people obtained work, 12.6 percent transferred to another benefit and 4.1 percent became full time students. A further 2,325 (5.3 percent) left on their 52 week reapplication or annual review and 2.5 percent were cancelled for failed obligations. A total of 11,400 suffered sanctions (down 6.6 percent on a year before), the majority (10,210 or 90 percent) on a Jobseeker benefit. Of the people sanctioned, 46.4 percent were Māori, though only 36.4 percent of working-age benefit recipients were Māori.

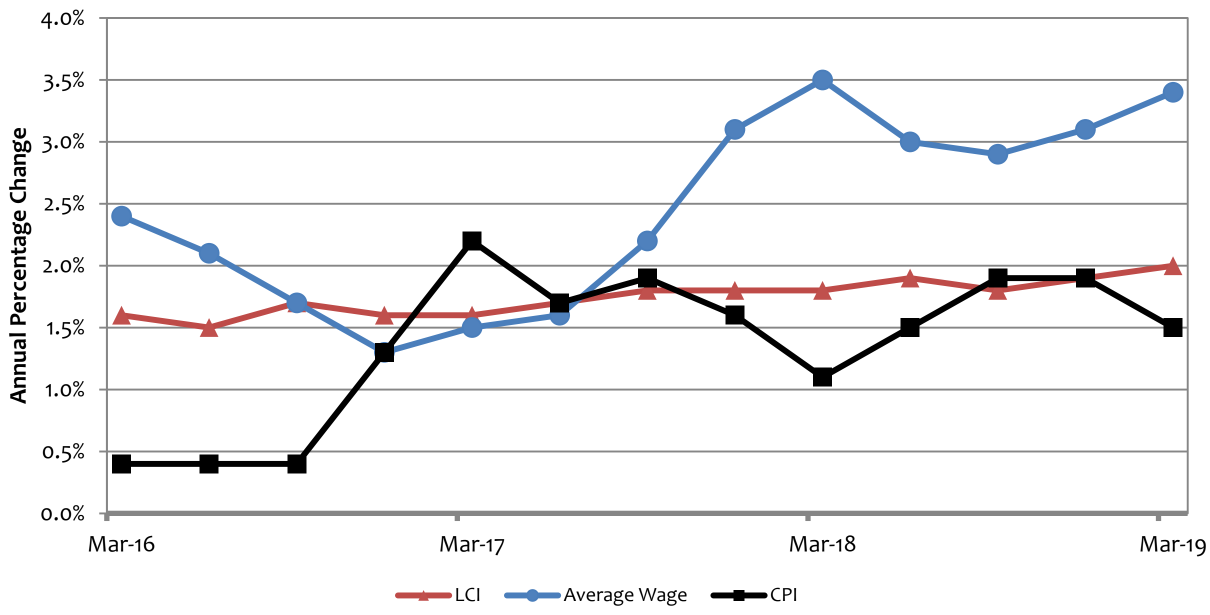
★ In International Migration, there were a provisionally estimated 12,050 permanent and long-term arrivals to New Zealand in May 2019 and 7,810 departures in seasonally adjusted terms, a net gain of 4,240 which was an increase on the (revised) 3,890 estimated for the previous month. There was a seasonally adjusted net loss of 930 New Zealand citizens, compared to a loss of 830 the previous month, and a net gain of 5,170 other citizens, compared to 4,720 the month before. There was an estimated actual net gain of 50,541 migrants in the year to May, up from 49,903 in the year to May 2018. In May, 10.2 percent of the arrivals had residence visas, 12.6 percent student visas, 25.4 percent work visas, and 21.1 percent visitors. A further 29.8 percent were New Zealand or Australian citizens.

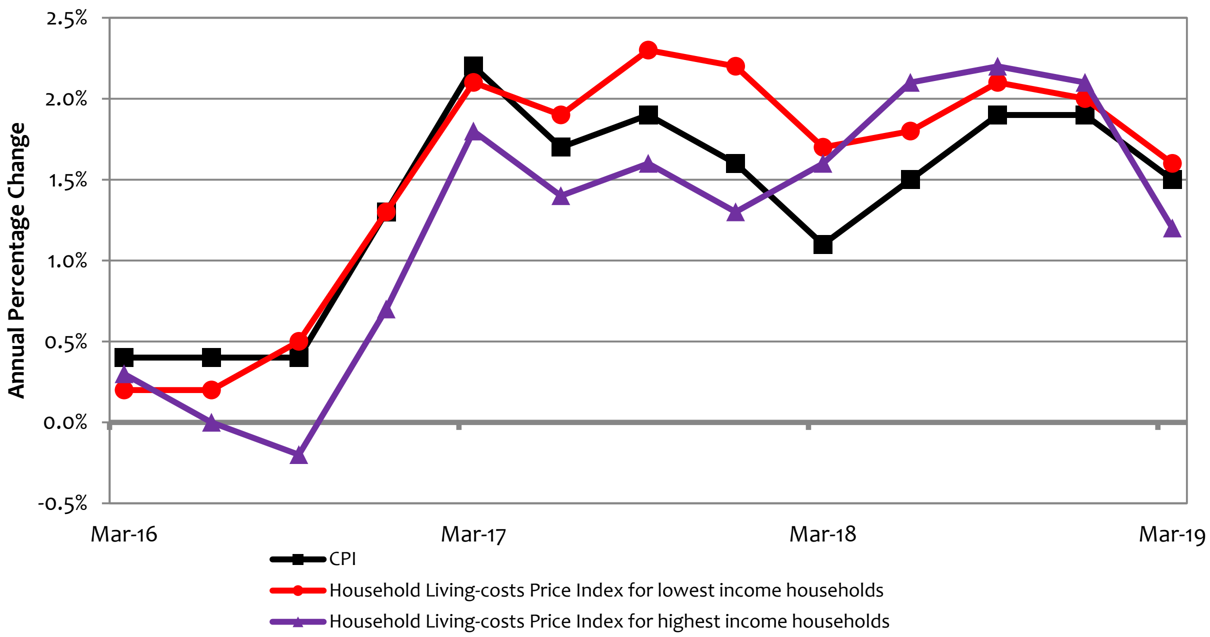
In November 2018, there was a significant change in how migration has been estimated by Statistics New Zealand. It changed from being based on intentions shown on arrival and departure cards to being based on whether they stay in New Zealand (or abroad, respectively) for at least 12 of the next 16 months. Recent data is therefore provisional for 17 months.

- Job Vacancies Online for the three months to March 2019 showed the seasonally adjusted number of job vacancies rose by 1.1 percent in the quarter and rose 5.6 percent over the same quarter a year previously. All the following are seasonally adjusted, though it should be borne in mind that many jobs are still filled by word of mouth, social networks and through recruitment agencies rather than the job advertisements surveyed for these statistics. Over the quarter, highly skilled vacancies rose 0.8 percent while semi-skilled vacancies rose 3.1 percent and unskilled vacancies fell 1.8 percent, while over the year, highly skilled vacancies rose 6.7 percent while semi-skilled vacancies rose 4.9 percent and unskilled vacancies rose 4.8 percent. Over the quarter, vacancies in Auckland were up 0.7 percent, Bay of Plenty 3.6 percent, Gisborne/Hawke's Bay 1.7 percent, Marlborough/Nelson-

Tasman/West Coast 1.3 percent, Otago/Southland 1.5 percent, Waikato 0.6 percent, and Wellington 4.7 percent, while vacancies in Canterbury were down 0.6 percent, Manawatu-Whanganui/Taranaki down 0.1 percent, and Northland down 3.5 percent. By industry for the quarter, vacancies rose fastest in IT (up 5.5 percent) and Hospitality (up 3.3 percent), while they fell 6.1 percent in Primary industries and 1.7 percent in Sales. Over the year IT also leads (up 16.1 percent) followed by Health (11.9 percent), Hospitality (5.6 percent) and Education (5.2 percent). By occupation, vacancies for Managers and for Technicians and Trades both rose by 3.0 percent over the quarter, followed by Community and Personal services up by 2.7 percent, while Sales vacancies fell 2.0 percent and Machinery drivers were down 2.3 percent. Over the year, the fastest growing vacancies were for and Community and Personal services (up 9.6 percent), followed by Professionals (up 8.2 percent), Clerical and Administration (up 7.4 percent) and Managers (up 4.9 percent).

Wages and prices





- The [Labour Cost Index]() (LCI) for salary and ordinary time wage rates rose 0.4 percent in the three months to March 2019 and increased 2.0 percent in the year. The annual increase was slightly higher than the 1.5 percent increase in the CPI. The LCI increased 0.5 percent in the public sector and 0.3 percent in the private sector in the three months. Over the year it rose 1.9 percent in the public sector and 2.0 percent in the private sector. Statistics New Zealand reports that "Some collective agreements pushed up annual wage inflation. For example, the nurses' collective agreement, which was signed in early August 2018, continues to push up wages. Other collective agreements in the past year included that for the New Zealand Police, as well as agreements for welfare and social workers.". During the year, 42 percent of jobs surveyed did not receive a pay rise, and 44 percent of private sector jobs got no rise. For the 57 percent of those jobs surveyed which received an increase in their salary or wage rate during the year, the median increase was 2.8 percent and the average increase was 3.8 percent. For those jobs in the public sector that received increases during the year, the median increase was 2.4 percent and in the private sector 2.9 percent; the average increase in the public sector was 3.2 percent and in the private sector 3.9 percent. We estimate that over the year, jobs on collective employment agreements were 1.9 times as likely to get a pay rise as those which were not, and were more likely to get a pay rise of any size ranging from less than 2 percent to over 5 percent. Only 52 percent of jobs that were not on a collective got a pay rise during the year whereas the Centre for Labour, Employment and Work reports that 99 percent of those on a collective stating pay rates got a pay rise in the year to June 2018.

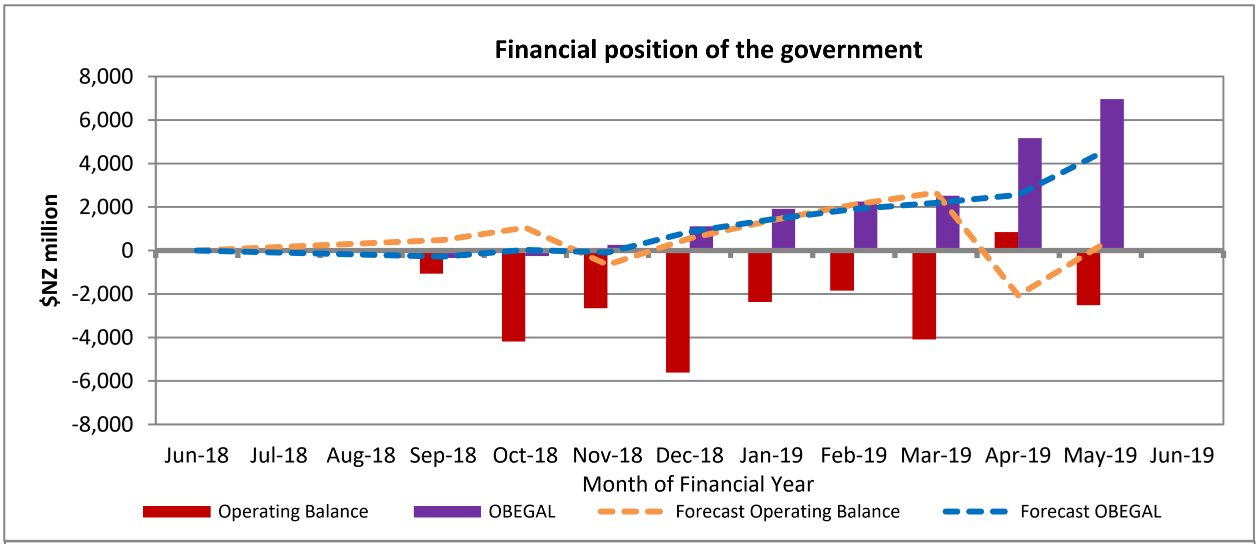
- The Quarterly Employment Survey for the three months to March 2019 found the average hourly wage for ordinary-time work was $32.00, up 1.2 percent on the previous quarter and up 3.4 percent over the year, significantly more than the 1.5 percent rise in the CPI. Female workers (at $29.82) earned 11.9 percent less than male workers (at $33.86) for ordinary time hourly earnings. This pay deficit is the same as it was in March 2018, but has fallen slightly from 12.4 percent two years ago in March 2017. The average ordinary-time wage was $30.00 in the private sector, up 1.1 percent in the quarter and 3.7 percent in the year. In the public sector the average ordinary-time wage was $40.33 which was up 2.0 percent in the quarter and up 2.8 percent in the year. Average total hourly wages (including overtime) ranged from $20.71 in Accommodation and food services and $22.76 in Retail trade, to $45.76 in Finance and insurance services, and $40.91 in Electricity, gas, water and waste services. In Accommodation and food services, 55.1 percent of employee jobs were part time, and in Health care and social assistance 41.6 percent were part time; in Retail trade 39.2 percent were part time; 34.1 percent were also part time in Arts, recreation and other services; 25.5 percent in Education and training; 25.8 percent in Rental, hiring, and real estate services; and 22.5 percent in Professional, scientific, technical, administration and support services. Together these seven industries made up 81.2 percent of all part time work. (However the QES does not include agriculture or fishing and excludes very small businesses.)

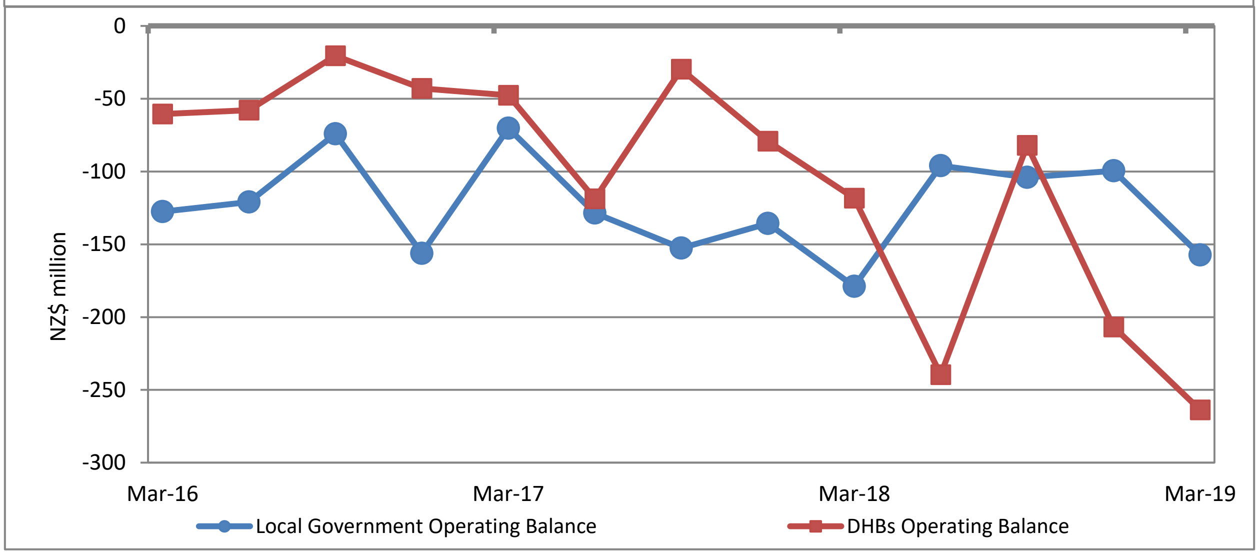
- ★ The Consumer Price Index (CPI) rose 0.6 percent in the June 2019 quarter compared with the March quarter. It rose 0.5 percent in seasonally adjusted terms. It increased 1.7 percent in the year to June, up from 1.5 percent in the year to March. For the quarter, the largest single upward influence was Housing and household utilities which rose 0.7 percent and contributed almost a third of the rise (29.8 percent), most of which came from a 1.0 percent rise in rents (ranging from 0.5 percent in Canterbury to 1.4 percent in Wellington), followed by a 0.7 percent rise in the cost of new housing (this rise was similar in all regions except Canterbury where it only rose 0.4 percent). Next came Food which rose 0.6 percent, contributing 21.0 percent of the overall rise. Household contents and services group was a further significant contributor (19.2 percent of the rise) up a steep 2.5 percent in the quarter, with big price increases for Furniture and furnishings, Household textiles, Appliances, Glassware, tableware and utensils. Transport contributed 16.0 percent of the rise, with petrol rising 5.8 percent but partly offset by price falls in second-hand cars, road passenger transport (13.2 percent down) and domestic air transport (12.9 percent down). There were price falls in Communications (down 1.4 percent), and Recreation and culture (down 0.4 percent due to a 11.5 percent fall in the prices of Domestic accommodation services). Increases in housing costs also came from a further increase of 1.9 percent in both house insurance and contents insurance over the quarter, though mortgage interest rates (not in the CPI) continue to fall – by 1.5 percent (note – not 1.6 percentage points) in the quarter according to Statistics New Zealand. Over the year, Housing and household utilities was by far the largest contributor, responsible for 42.9 percent of the rise, increasing 2.8 percent. Rents rose 2.5 percent, purchase of new housing rose 3.5 percent, property maintenance rose 2.4 percent, property rates and related services rose 4.6 percent, and household energy rose 1.6 percent. In addition, house insurance rose 10.8 percent and contents insurance rose 3.2 percent though mortgage interest fell 4.0 percent. In Food, which rose 1.1 percent overall, the biggest impact was an increase in prices for restaurant and ready-to-eat meals, up by 3.3 percent, followed by grocery food prices, up by 1.6 percent, and the cost of meat, poultry, and fish up by 2.7 percent, while Fruit and vegetables fell 4.8 percent. Rents rose fastest in Wellington (up 3.8 percent for the year) and slowest in Canterbury (up 0.9 percent for the year). In seasonally adjusted terms, CPI showed rose 0.5 percent over the last three months, Food rose 0.3 percent, Alcoholic beverages and tobacco rose 0.9 percent, Clothing and footwear rose 0.4 percent, Housing and household utilities rose 0.6 percent, Communications fell 0.9 percent, Recreation and culture rose 0.3 percent, and Education rose 0.5 percent. Over the year, in Auckland consumer prices rose 1.6 percent, in Wellington they rose 1.4 percent and they rose 1.9 percent in the rest of the North Island. Inflation in Canterbury for the year was 1.4 percent and prices rose 2.0 percent in the rest of the South Island.

★ The Household Living-costs Price Indexes (HLPIs) for the year to June 2019 showed a return to a trend of lower income households facing the highest increases in living costs. The lowest income households experienced a 1.9 percent increase in living costs over the year while the highest income households saw an increase of only 1.2 percent. By expenditure, the lowest spending households had their living costs increase by 2.1 percent over the year while the highest spending households had an increase of 1.0 percent. Over the year, the All-households HLPI rose 1.5 percent, the Beneficiary households index rose 2.1 percent, the Māori households index rose 1.8 percent, and the Superannuitant households index rose 2.1 percent. By income quintile, the index for the lowest income households (quintile 1) rose 1.9 percent, quintile 2 rose 1.7 percent, quintile 3 rose 1.4 percent, quintile 4 rose 1.3 percent, and quintile 5 (the highest income) rose 1.2 percent. Ranking households by expenditure showed a similar pattern, as the costs of the lowest spending quintile (quintile 1) rose by 2.1 percent, quintile 2 rose by 1.9 percent, quintile 3 rose by 1.5 percent, quintile 4 rose by 1.2 percent, and quintile 5 (the highest spending) rose by 1.0 percent. Over the quarter, the All-households HLPI rose by 0.5 percent, the Beneficiary households index rose 0.7 percent, the Māori households index rose 0.6 percent, and the Superannuitant households index rose 0.6 percent. By income quintile, over the quarter the index for the lowest income households (quintile 1) rose 0.7 percent, quintile 2 rose 0.7 percent, quintile 3 rose 0.5 percent, quintile 4 rose 0.5 percent, and quintile 5 rose 0.4 percent. By expenditure quintile, the index for the lowest expenditure households (quintile 1) rose 0.7 percent, quintile 2 rose 0.7 percent, quintile 3 rose 0.5 percent, quintile 4 rose 0.5 percent, and quintile 5 rose 0.3 percent.

HLPIs show price increases like the CPI (above) but are designed to be better at showing the costs faced by households, and to show the different costs faced by fourteen different types of households. See the commentary in the November 2016 Bulletin for more detail. Weights reflecting the proportion of different products bought by households were updated starting from the December 2017 release.

★ The Food Price Index in the month of June 2019 fell 0.7 percent in actual terms and fell 0.7 percent in seasonally adjusted terms. Food prices rose 0.5 percent in the year to June 2019. Compared with the previous month, fruit and vegetable prices fell 2.1 percent (and fell 7.1 percent seasonally adjusted); meat, poultry, and fish fell 0.1 percent; grocery food prices rose 0.7 percent (and were down 0.5 percent seasonally adjusted); non-alcoholic beverage prices fell 1.6 percent; and restaurant meals and ready-to-eat food prices rose 0.5 percent. (There are no significant seasonal effects for the categories without a seasonal adjustment.)





- According to Treasury's Financial Statements of the Government of New Zealand for the eleven months to 31 May, core Crown tax revenue was $2.2 billion (2.8 percent) higher than forecast in the May Budget Economic and Fiscal Update (BEFU 2019). Treasury commented on this large variance saying it is "primarily a result of underlying strength in the tax take and changes in assumptions used to value the Government's long-term liabilities" and is likely to persist to the end of the financial year (30 June). IRD's change to a new system ("START") recognises revenue more smoothly throughout the year, particularly for large corporate taxpayers, and so has made significant changes to the estimates of revenue that Treasury uses. Tax revenue was higher mainly because "other persons tax" (mainly self-employed) was $0.9 billion higher than expected due to higher incomes and the change to the IRD system; corporate tax was $0.7 billion above forecast "owing to stronger-than-forecast taxable corporate profits and higher-than-expected Portfolio Investment Entities profits"; and GST was $0.3 billion above forecast because of changes in IRD's estimating system and "stronger-than-expected residential investment". Overall core Crown revenue was $2.4 billion or 2.8 percent above forecast. Core Crown expenses were $237 million (0.3 percent) below forecast. The resulting $7.0 billion surplus in the Operating Balance before Gains and Losses (OBEGAL) was $2.5 billion more than forecast as a result of the higher than expected tax revenue.. Meanwhile the Operating Balance, a $2.5 billion deficit, was $2.7 billion worse than the forecast $0.2 billion surplus. This was driven by net losses of $9.7 billion “largely due to actuarial losses on the ACC liability, as a result of a change in methodology in the calculation of risk-free discount rates and inflation assumptions. This change in methodology is a result of the three yearly review completed regarding how the Treasury set the risk free discount rates to be used by Government reporting entities in their reporting to the Treasury.” Net core Crown debt at 19.3 percent (below the Government’s 20 percent debt target, worth $57.0 billion) was $1.4 billion lower than forecast. Gross debt at $84.7 billion (28.6 percent of GDP) was $1.3 billion above forecast, but “$0.9 billion of this related to movement in the value of derivatives and $0.5 billion due to unsettled trades were settled in the first week of June 2019. Both of these also impact financial assets, therefore it is neutral on net core Crown debt”. The Crown’s net worth in financial terms was $2.7 billion below forecast at $127.7 billion. Note that the above debt figures are for the Core Crown; total debt was $111.8 billion, $0.1 billion (0.1 percent) below forecast.

- District Health Boards had 606 fewer full time equivalent staff than planned at the end of March 2019 (67,001 compared to 67,607 planned). Only Nursing Personnel had more staff (472) than planned, but these were offset by shortfalls in Medical Personnel (doctors) who were 223 fewer than planned, Allied Health Personnel (501 short), Management/Administration staff (253 short), and Support Personnel (100 short). Average costs per full time equivalent staff were higher than plan ($99,700 compared to $98,200 planned) and the same was true in each of the staff categories. The DHBs had accumulated combined deficits of $263.7 million in the nine months to March 2019. This is $55.8 million worse than their plans, which class a total $341.2 million of the deficits as “structural” over the full year to 30 June 2019. The Funder arms were in surplus by $112.1 million, $51.7 million more than the $60.4 million surplus planned, and Provider arms (largely their hospitals) were in deficit by $379.6 million, $110.6 million worse than planned. The Northern region provider arm was $34.8 million behind plan with a deficit of $95.6 million and all four DHBs in deficit including Auckland with a $51.8 million deficit. The Midland region was $32.2 million behind plan with a deficit of $136.5 million and all of the five DHBs in deficit including Waikato with a deficit of $80.7 million. Central region was $25.5 million behind plan, with a combined $71.6 million deficit and all of the six DHBs in deficit including Capital and Coast with a $26.7 million deficit. The Southern Region was 18.1 million behind plan with a $74.8 million deficit and all five DHBs in deficit, with Canterbury showing a $31.9 million deficit and Southern $28.7 million. Overall, only South Canterbury out of the 20 DHBs was in surplus and only four were ahead of plan. The DHB furthest ahead of plan was Counties Manukau by $6.4 million though with a deficit of $30.4 million, and Auckland was furthest behind, by $13.1 million with a deficit of $9.0 million. Capital expenditure across all DHBs was $200.1 million behind plan with $289.1 million spent out of $489.2 million planned.

- Local Government in the March 2019 quarter recorded a 0.7 percent ($18.5 million) rise in operating income in seasonally adjusted terms and a 2.8 percent rise in operating expenditure ($76.4 million) including a 0.4 percent rise in employee costs (up $2.4 million) compared to the previous quarter. This resulted in an operating deficit of $157.3 million in the quarter, compared with a deficit of $99.5 million in the previous quarter, and deficits in all the quarters back to June 2007 with the exception of June 2010. Note that the latest quarter results are provisional and all are seasonally adjusted figures which are revised with each release.

Notes

This bulletin is available online at http://www.union.org.nz/economicbulletin212. For further information contact Bill Rosenberg.