NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

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Commentary

The wage gap with Australia: no improvement

Summary

Remember back in the 2008 election, the National Party set itself a target of wage parity with Australia by 2025? I looked at it two years ago when Bill English was talking about the wage gap as an advantage which would attract businesses to New Zealand. With Australia now not doing as well economically as it was (not helped by an austerity-minded, politically inept Government), this would have been the most likely time for the New Zealand Government to claim the wage gap is closing. Net migration to Australia has greatly reduced since then. But is that because the wage gap has closed? Or because jobs are getting harder to find in Australia?

It seems it is much more about employment. The wage gap is not closing, and in fact is still rising. Various measures of the hourly wage, adjusted for its purchasing power on either side of the Tasman, show a similar pattern: the gap fell between about 2005 and 2008 and then began to rise again. It has re-opened to be as bad as it ever was.

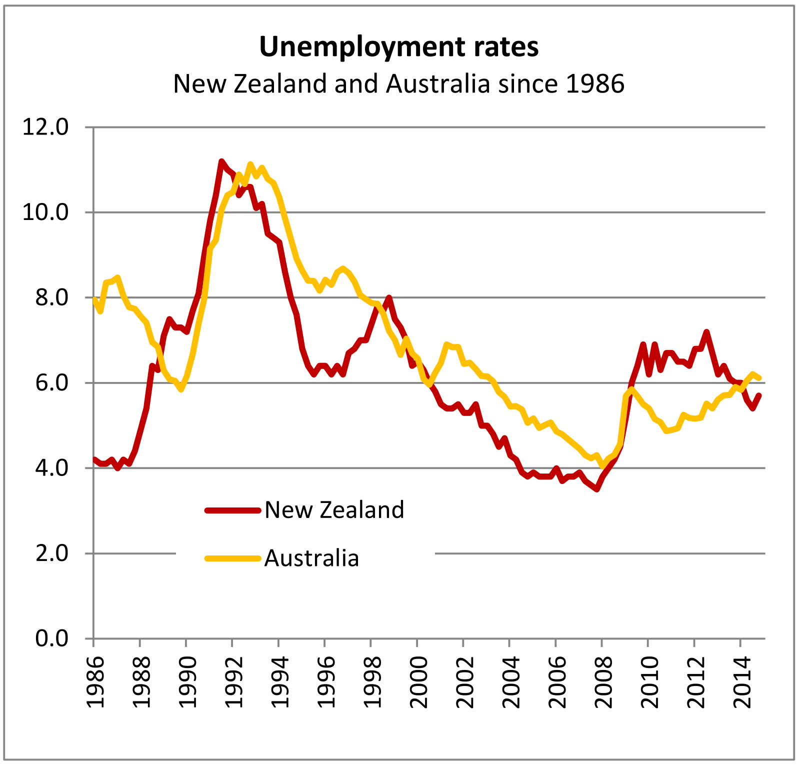
On one measure, the average hourly wage (including overtime), the wage gap was between 5% and 10% during the 1990s, rose to 22% in 2005, then fell to 11% in 2008. By the end of 2010 it was back to 22% and was still at 21% at the end of 2014.

That doesn't take into account "benefits" in addition to wages such as the 9.5% contribution that Australian employers are required to make to their employees' superannuation. On a measure including that, the pattern is similar to the average hourly wage but the gap is much bigger. It rose more or less steadily through the 1990s to a 45% peak in 2005. It fell to 34% in the year ending March 2009 and then began to rise again. By the year to March 2014 the gap was 42%.

So far we have measured purchasing power from an employee's viewpoint – the prices of goods and services a household buys. From an employer's viewpoint (which is the viewpoint Bill English took) things look somewhat different. For Australian businesses thinking about setting up shop in New Zealand, the gap hasn't increased to the same degree as for workers. For Australian businesses operating mainly in the domestic market thinking about using New Zealand to offshore parts of their operations such as call centres, things looked very rosy when the New Zealand dollar was relatively weak compared to the Australian dollar, but it is now strengthening, making even these operations less attractive.

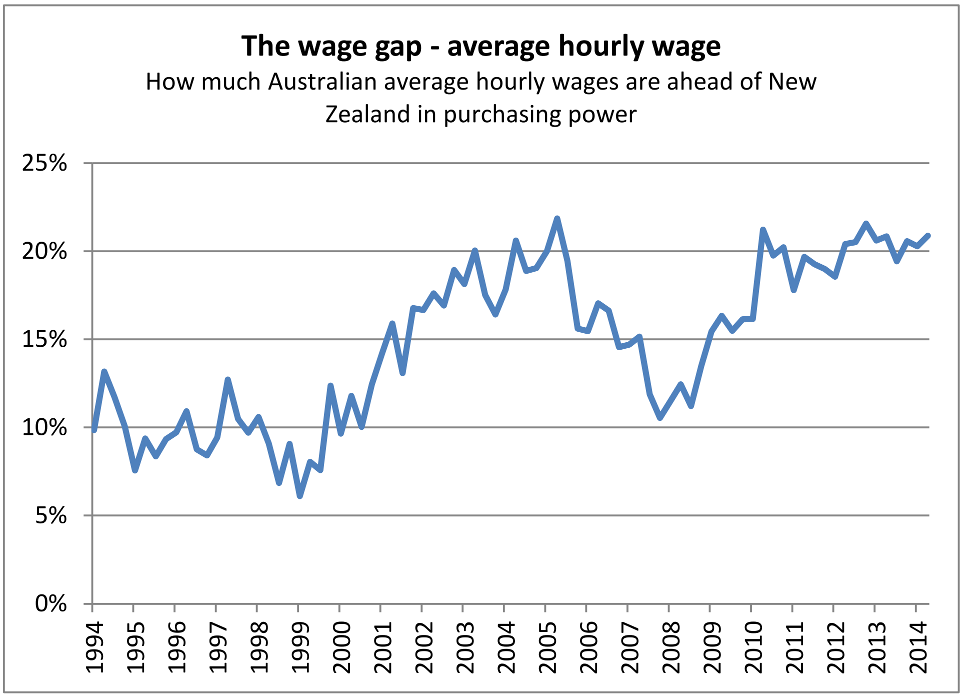
Remember back in the 2008 election, the National Party set itself a target of wage parity with Australia by 2025? I looked at it two years ago when Bill English was talking about the wage gap as an advantage which would attract businesses to New Zealand. With Australia now not doing as well economically as it was (not helped by an austerity-minded, politically inept Government), this would have been the most likely time for the New Zealand Government to claim the wage gap is closing. Certainly, migration flows have changed since then. Net departures to Australia (the difference between departures and arrivals) have fallen from around 3,000 a month in mid-2013 to just a few hundred a month now. But is that because the wage gap has closed? Or because jobs are getting harder to find in Australia?

It seems it is much more about employment. The wage gap is not closing, and in fact is still rising (though more slowly than the steep rise in the years following the 2008 election). If we are willing to put aside concerns about the quality of the jobs here, employment is rising more quickly on this side of the Tasman at 3.5% in the year to December 2014 compared to 1.3% in Australia in the year to February. While the unemployment rate at 5.7% of the labour force is much too high for an economy that is now growing almost as fast as under Bill English's predecessors when unemployment went as low as 3.5%, it is now lower than Australia's 6.3%, breaking the longest recorded spell in recent history of Australia having lower unemployment than New Zealand.



The wage gap

I describe the different ways I've looked at the wage gap below, but various measures of the hourly wage, adjusted for its purchasing power on either side of the Tasman, show a similar pattern: the gap fell between about 2005 and 2008 and then began to rise again. On one of the most straightforward measures (see the graph to the right), it returned to the 2005 peak in 2011 and has bounced around that level since then. So in short, the gap has re-opened to be as bad as it ever was.



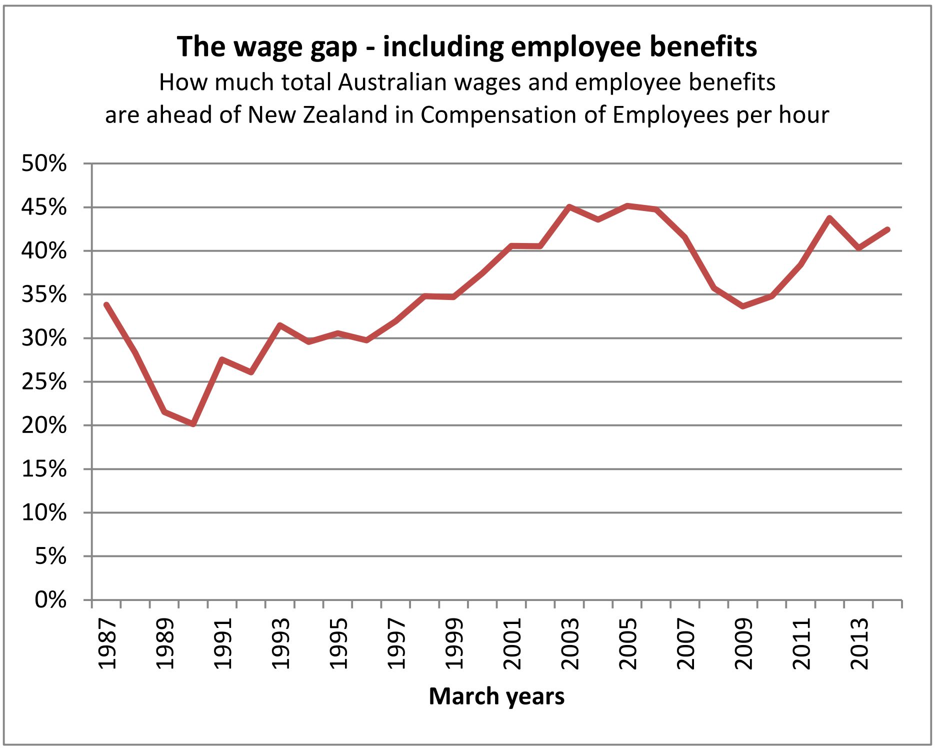
To explain the graph: it shows how much

higher the average hourly wage (including overtime) is in Australia, after adjusting it for the purchasing power of the dollar in each country. To adjust for purchasing power, I use a "Purchasing Power Parity" series from the OECD which is for "private consumption", which is the best OECD measure available for comparing the costs a family faces in the two countries. The average hourly wage for New Zealand is the usual one from the Quarterly Employment Survey (which excludes agriculture and fishing) but I explain the technical detail for the Australian counterpart at the end of the commentary. The comparison is only from 1994 because that is when the current Australian series starts.

So the gap was between 5% and 10% during the 1990s, rose to 22% in 2005, then fell to 11% in 2008. By the end of 2010 it was back to 22% and it was still at 21% at the end of 2014. Its highest points were at 22% in December 2005 and June 2013.

This is just using the raw wage figures. Most wages in Australia attract an additional compulsory employer superannuation contribution, currently set at 9.5%, which is not available to most New Zealand workers. Many here do get the Kiwisaver employer contribution (a minimum of 3% if they are contributing to the scheme) but it is a much lower contribution that fewer workers receive. That increases the gap considerably: disregarding Kiwisaver, it takes the gap to 32% instead of 21%.

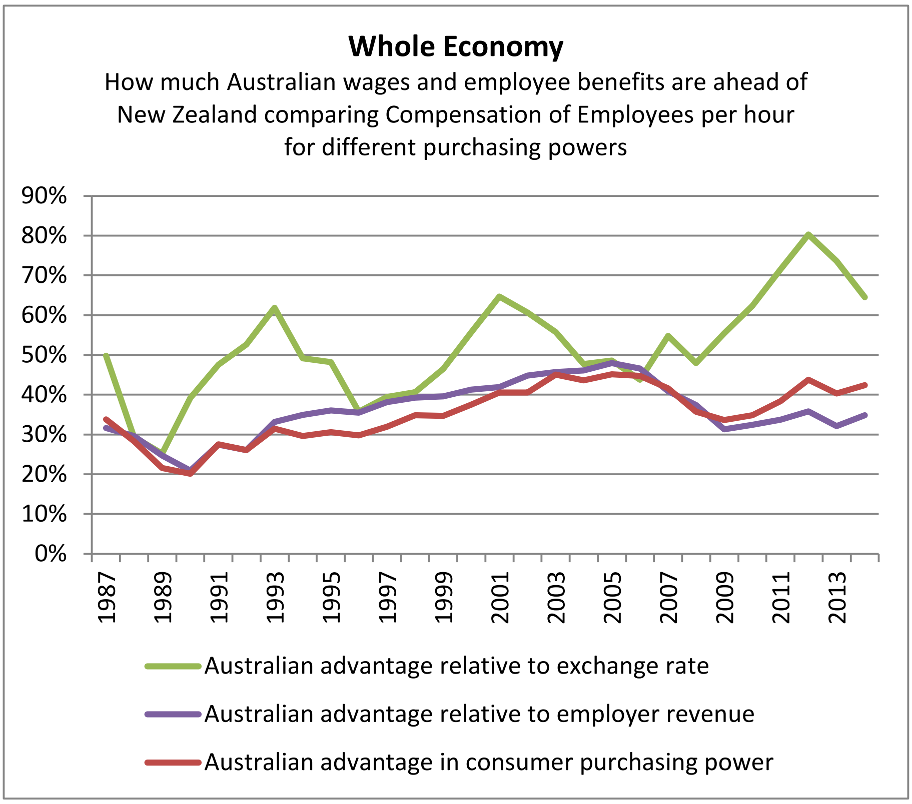
But it would be better to look at all such "benefits" in addition to wages. There are no statistical measures available that are designed for that, but a reasonable approach is to use "Compensation of Employees" which measures income to employees in the National Accounts, and is part of the income measure of GDP. Dividing it by hours worked gives an hourly rate which includes not only wages but employer superannuation contributions, medical insurance premiums, ACC levies (and their Australian counterparts) and similar payments by employers to the benefit of their employees. Unfortunately it is only an annual measure and the latest available comparison is for the year to March 2014. The graph to the right shows the result, going back to 1987. Because the measure is for the year to March, it is actually better to think of points on the line as being for the previous year (e.g. the year to March 2014 is mainly for 2013). Like the previous graph, it is adjusted for purchasing power.



Though the pattern is similar to the average hourly wage, the gap is much bigger: it peaked at 45% in 2005, and in the year to March 2014 was 42%. Because it goes back further, we can see a longer trajectory. It fell precipitously in the late 1980s (possibly due to the sharp rise in wages in New Zealand following the wage freeze in the early 1980s) but then rose more or less steadily through the 1990s to its 45% peak. It fell to 34% in the year ending March 2009 and then began to rise again, with a temporary fall in the year to March 2013.

There are other wage measures that could be used. One used by the Government for example is an average weekly wage. Its problem is that it rises if people work longer hours (and vice versa) so it mixes up wage rates with the availability of hours and people's willingness or need to work them. A reducing gap on this measure could just show that New Zealanders are being forced to work longer hours to make ends meet. One such measure, the average weekly wage for all employees (counting both part time and full time workers) shows a gap that peaks at 30% in 2005, a fall to 16% in early 2009, and then a rise to 25% in late 2010 where it levels off. There is a slight fall since June 2013, which could be accounted for by the more ready availability of work in New Zealand.

Different purchasing powers



So far we have measured purchasing power from an employee's viewpoint. There are two ways to measure it from an employer's viewpoint, which is the viewpoint Bill English took.

The OECD produces a Purchasing Power Parity series for GDP which can be thought of as measuring the average revenue (sales less costs of sales) to firms from their production in each country. So it gives a comparison of how an employer would see the costs of labour in the two countries relative to its revenue. It is relevant for an employer thinking of moving an operation across the Tasman. As the above graph shows, this measure (the purple line) shows the gap falling to around 2008 and then staying reasonably flat, with only a gentle increase in the gap. So from that point of view, employers will not be seeing New Zealand labour costs as much more attractive than in 2008.

We could also compare wages on the basis of the exchange rate between the Australia and New Zealand dollars. That doesn't take into account costs of business or the prices received in each country, but it is relevant for example to a telecommunications firm in Australia thinking of moving a call centre to New Zealand to service its Australian customers: it will face Australian costs for its operations other than call centres and receive Australian prices for its products, but pay New Zealand labour costs after taking account of the exchange rate. On that basis the gap is much greater (the green line in the graph), standing at 65% in the year to March 2014, though falling. As the exchange rate with Australia has risen since then (the New Zealand dollar is strengthening), that gap will be falling further.

So it seems that since 2008, the gap has got significantly worse for wage and salary earners, reversing gains made from the mid-2000s, but it hasn't done much to encourage Australian employers to move to New Zealand other than perhaps for some offshoring of call centres serving their home market. Even for them, the high exchange rate will make it look less attractive.

Bill Rosenberg

Technical note

This uses an improved average wage measure for Australia compared to that used in 2013. The only hourly wage measure the Australian Bureau of Statistics (ABS) publishes is one that appears every two years and applies only to non-managerial employees. I therefore constructed an average hourly wage including overtime by using the Labour Force survey (series 6291.0.55.003, Table E05) to calculate the average hours worked per week for employees in industries covered by the ABS Average Weekly Earnings statistics. Average weekly earnings including overtime for all employees was divided by these hours worked to obtain the hourly wage. Compensation of Employees per hour is calculated by dividing the Compensation of Employees aggregate for the whole economy by the number of hours worked by employees. Number of hours paid would more closely reflect costs to employers, but hours worked more closely reflects what the employer actually receives for its money. Only the latter is available. For ABS the series is 6291.0.55.003, Table 13, A63037C. Statistics New Zealand does not publish hours worked for employees only so the national series was obtained by special request. Purchasing Power Parities (PPPs) were obtained from the annual OECD series. The private consumption PPP series was interpolated using CPI from Australia and New Zealand to give a quarterly series, and the 2014 values were calculated using a September 2014 Comparative Price Level, also from the OECD. Annual exchange rates used the OECD series, and quarterly exchange rates were obtained from the Reserve Bank of New Zealand. For Compensation of Employees per hour, the PPP or exchange for the previous year was used (for example 2013 for the March 2014 value).

Revised 8 April 2015

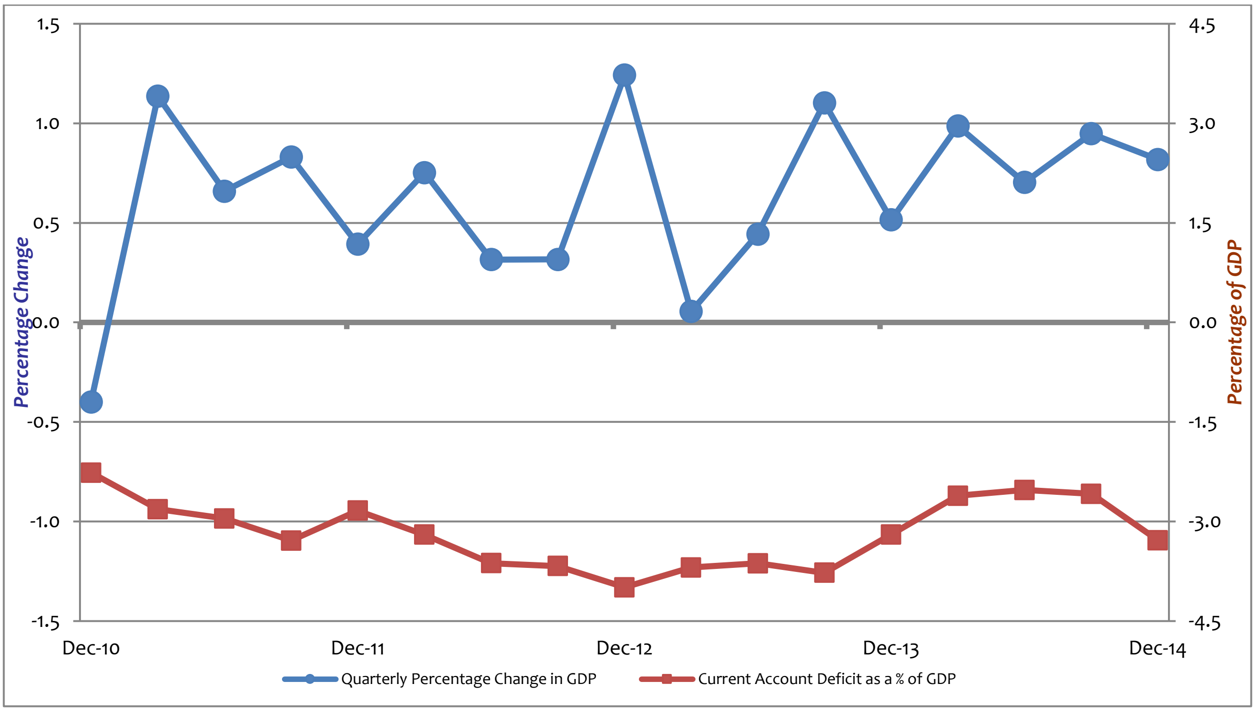
Forecast

★ This [NZIER forecast]() was released on 16 March 2015.

Annual Percentage Change (March Year)	**2014-15**	**2015-16**	**2016-17**	**2017-18**
GDP	3.3	2.9	2.8	2.4
CPI	0.5	1.6	2.0	2.1
Private Sector average wage	3.0	3.3	3.4	3.3
Employment	2.9	2.1	1.4	0.9
Unemployment rate	5.5	5.4	5.0	5.1

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

Economy



★ Growth in New Zealand's economy continued in the December 2014 quarter, with [Gross Domestic Product]() rising by 0.8 percent, compared to quarterly increases of 0.9 percent in September, 0.7 percent in June, 1.0 percent in March and 0.5 percent in December 2013, revised downwards. Growth for the year ended December 2014 was 3.3 percent. The December 2014 quarter was 3.5 percent up on the same quarter in 2013. However GDP per person is barely increasing by some measures: it fell 0.1 percent in the quarter in dollar terms, though it rose 0.3 percent in volume terms. So production per person is increasing but falling prices mean it is not showing as increased spending. 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, fell 1.0 percent. The largest quarterly rises by industry were in "Furniture and other manufacturing" (up 8.2 percent after six months of falling production), Printing (up 6.5

percent after nine months of falling production), Petroleum, chemical, polymer, and rubber product manufacturing (up 5.4 percent), Fishing, aquaculture and primary industry support services (up 4.9 percent), and Accommodation and Food Services (up. 3.4 percent). Manufacturing rose 1.0 percent and its largest subsector, Food, beverage and tobacco manufacturing rose 1.5 percent. There were significant falls in Wood and paper products manufacturing (down 5.2 percent), Textile, leather, clothing, and footwear manufacturing (down 4.6 percent), Electricity, gas, water, and waste services (down 2.5 percent), Metal product manufacturing (down 2.5 percent) and "Other services" (down 1.8 percent). The result was that Primary Industries fell 0.3 percent, Goods producing industries (which includes Construction) rose 0.3 percent and Service industries rose 0.8 percent. Over the year (comparing December quarters), all industries expanded except Forestry and Logging (down 0.8 percent), Food, beverage, and tobacco manufacturing (down 0.8 percent), Textile, leather, clothing, and footwear manufacturing (down 3.5 percent), Printing (down 3.3 percent), Electricity, gas, water, and waste services (down 2.2 percent), and "Other Services" (down 0.1 percent). Construction led the expansion, rising 11.7 percent over the year followed by Non-metallic mineral product manufacturing (up10.3 percent), Accommodation and food services (up 10.3 percent), Fishing, aquaculture and primary industry support services (up 9.2 percent), Petroleum, chemical, polymer, and rubber product manufacturing (up 9.1 percent), Mining (up 5.6 percent), and Retail Trade (up 5.5 percent). Household consumption expenditure rose 0.6 percent in real terms in the quarter and 3.7 percent from the December 2013 quarter. Expenditure on non-durable goods (such as groceries) fell 0.2 percent in real terms during the quarter and rose 2.2 percent during the year while durables (such as appliances) rose 1.0 percent in the quarter and boomed at 8.2 percent growth over the year. Business investment fell 0.9 percent in the quarter but rose 4.6 percent from the previous December quarter. There were falls in Transport equipment (down 6.1 percent), Non-residential buildings (down 4.2 percent) and Other Construction (down 1.5 percent), while Residential buildings increased strongly at 5.2 percent.

★ New Zealand recorded a Current Account deficit of $2.6 billion for the December 2014 quarter in seasonally adjusted terms ($3.2 billion actual), compared to a $2.4 billion deficit in the September quarter. There was another deficit in the goods trade ($458 million, seasonally adjusted, following a $356 million deficit in the September quarter) while the deficit on income (mainly payments to overseas investors) rose to $2.6 billion from $2.5 billion. For the year to December 2014, the current account deficit was $7.8 billion or 3.3 percent of GDP compared to a $6.1 billion deficit in the year to September. The deficit on investment income was $10.1 billion, which is rising because of increased outward flows of income on foreign investment in New Zealand.

★ The country's Net International Liabilities were $153.9 billion at the end of December 2014 (64.7 percent of GDP) up from $152.0 billion (64.2 percent of GDP) at the end of September, and $145.1 billion (64.4 percent of GDP) in December 2013. The rise in net liabilities in the quarter was due mainly to net financial inflows of $3.7 billion, but was partly offset by changes in the market valuation of assets and liabilities. Without the market value changes, the net liabilities would have been $155.7 billion. Assets fell in value from $200.0 billion to $198.9 billion mainly because of exchange rate and valuation changes; financial flows accounted for only $423 million of the $1.5 billion fall. Liabilities rose only $449 million to $352.8 billion with financial inflows largely cancelled out by valuation changes. New Zealand's international debt was $261.6 billion (109.9 percent of GDP), compared to $117.9 billion in financial assets (other than shares; 49.5 percent of GDP), leaving a net debt of $143.7 billion. Of the net debt, $12.4 billion was owed by the government (equivalent to 5.2 percent of GDP) and $99.5 billion by the banks (41.8 percent of GDP), which owed $57.9 billion to related parties. Total insurance claims owed by overseas reinsurers from the Canterbury earthquakes are estimated at $20.2 billion, and at 31 December 2014, $15.8 billion of these claims had been settled, leaving $4.4 billion outstanding.

- ★ Overseas Merchandise Trade for the month of February saw exports of goods fall 13.4 percent from the same month last year while imports rose 3.7 percent. This created a trade surplus for the month of $50 million or 1.3 percent of exports. In seasonally adjusted terms, exports fell 3.2 percent or $129 million over the month (compared to a 2.4 percent rise the previous month) influenced by rises in Logs, wood and wood articles (up 23.1 percent), Crude Oil (up 118.0 percent, not seasonally adjusted) and Aluminium products (up 5.2 percent, not seasonally adjusted), but dominated by falls in dairy products (down 10.4 percent), Meat (down 3.5 percent), Fruit (down 24.9 percent), Wine (down 13.5 percent) and Electrical machinery and equipment (down 8.7 percent). Seasonally adjusted imports rose 5.8 percent or $235 million over the previous month, creating a trade deficit of $376 million compared to a $14 million deficit in the previous month. Imports grew in all the leading categories except Mechanical machinery and equipment (down 1.5 percent), rising fastest in Textiles (up 23.3 percent), Petroleum and products (up 18.6 percent) and Electrical machinery and equipment (up 9.9 percent). Exports to China fell 11.4 percent in the year to January and fell 3.4 percent to Australia. Exports to China fell 18.4 percent between the month of February 2015 and the same month in the previous year while exports to Australia fell 4.1 percent. Our top six export destinations accounted for 58.7 percent of our exports in the year (of which China accounts for 18.2 percent), compared to 60.7 percent in the previous year (China 22.1 percent). Imports from China rose 7.1 percent in the year to February, and rose 0.6 percent from Australia, but in the month imports from China rose 24.1 percent while imports from Australia rose 20.4 percent compared to the same month in the previous year.

- ★ The Performance of Manufacturing Index[1] for February 2015 was 55.9 a steep rise from 50.7 in January, but lower than the 57.3 in December. The employment sub-index was at 52.5, a rise from 51.0 in January but still below its recent peak of 56.9 in October.

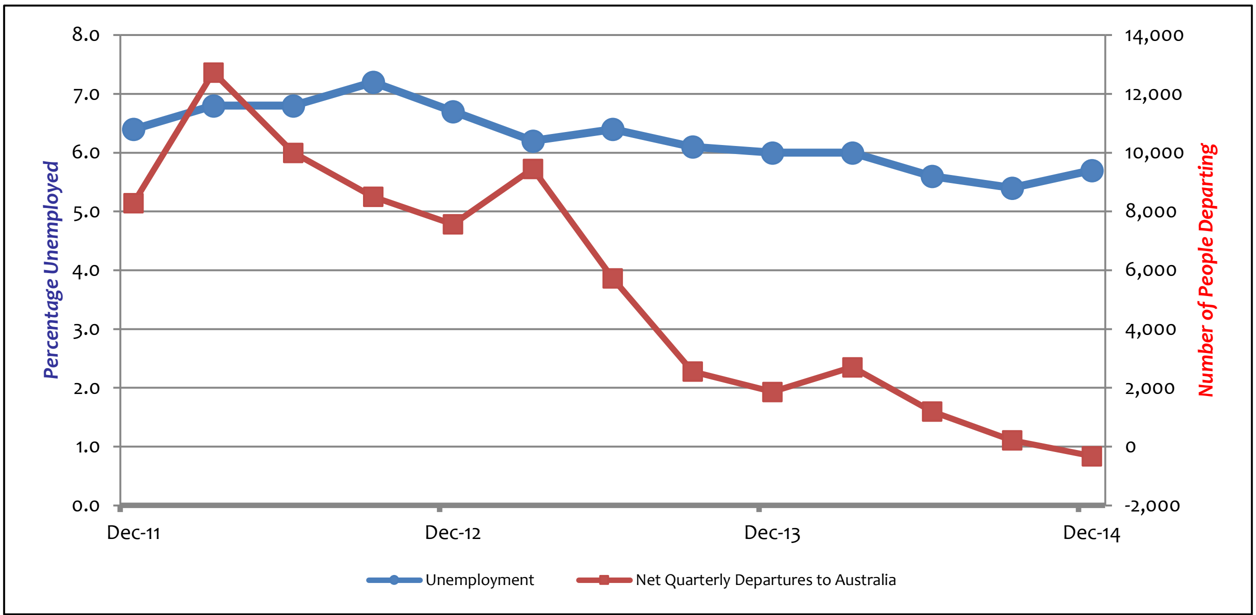
- ★ The Performance of Services Index[1] for February 2015 was 55.6, a fall from 57.8 in January. The employment sub-index fell to 52.7 from 54.8 in January.

- ○ The Retail Trade Survey for the three months to December 2014 showed retail sales rose 1.7 by volume and 1.6 percent by value compared with the September 2014 quarter, seasonally adjusted. By volume, the largest positive contributors to the increase were Food and beverage services, Clothing, footwear and accessories, Electrical and electronic goods, Hardware, building and garden supplies, Non-store and commission retailing (which includes internet purchases), Accommodation and Recreational goods. Supermarket and grocery stores experienced the only significant fall.

- ★ On 12 March 2015 the Reserve Bank left the Official Cash Rate (OCR) at 3.50 percent and signalled that a change was unlikely for some time. The next OCR review will be announced on 30 April 2015.

- ★ The REINZ Housing Price Index rose 0.8 percent in the month of February 2015. Auckland rose 7.3 percent, Christchurch rose 2.8 percent and Wellington rose 2.3 percent. The index was up 6.1 percent compared to the same month a year before. For the year, Auckland prices rose 15.4 percent, Christchurch rose 6.1 percent and Wellington was static. The national median house price rose $4,000 or 0.9 percent compared to January to $430,000. It is $15,000 or 3.6 percent higher than a year ago, but there was no increase over the year in the median price for New Zealand excluding Auckland. There were 173 or 6.0 percent more sales under $400,000 compared to February 2014 (the first time sales in this band have risen for some time), a rise of 162 to 577 in the $1 million plus range and 270 more (to 1,439) in the $600,000 to $999,999 range. Sales under $400,000 accounted for 44.5 percent of sales in February 2015 but 47.3 percent in February 2014.

Employment



- According to the Household Labour Force Survey the unemployment rate in the December 2014 quarter rose to 5.7 percent or 143,000 people, from 5.4 percent in September (135,000 people), seasonally adjusted. Seasonally adjusted female unemployment at 6.5 percent was higher than for men (5.0 percent). In the North Island, only Taranaki (4.8 percent) has unemployment below the average for the country, and Northland, with 8.0 percent unemployment, Gisborne/Hawkes Bay with 7.8 percent, and Manawatu-Whanganui with 9.0 percent are particularly hard hit. However, unemployment fell over the year in all but Gisborne/Hawkes Bay and Manawatu-Whanganui which rose from 7.3 percent and 5.7 percent respectively. The South Island looks considerably better, with only Tasman/Nelson/Marlborough/West Coast above average at 6.1 percent, but that was a rise from 4.2 percent a year before. Canterbury had low unemployment throughout the 2000s and has yet to regain the low levels of 2007 despite the Canterbury rebuild. The unemployment rate in Canterbury was 3.5 percent, a slight rise from 3.4 percent in December 2013 (though not statistically significant). 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 (25,800 workers compared to 81,300 overall), with Public administration and safety, Health care and social assistance, and Arts, recreation, and other services the main other contributors (another 39,800 employed). Wholesale trade, Transport, postal and warehousing, Financial and insurance services, and Rental, hiring and real estate services all reduced employment over the year. There were 256,800 people jobless, including 141,600 people unemployed, and there were 112,800 part-timers who wanted more work. Māori unemployment fell slightly from 12.8 percent in December 2013, and was at 12.0 percent, and Pacific people's unemployment fell from 13.7 percent in December 2013 to 11.2 percent. The labour force participation rate at 69.7 percent is up 0.7 percentage points from the previous quarter and up 0.8 percentage points for the year. There are 40,600 unemployed people who have been out of work for more than 6 months (down from 44,600 in December 2013), and they are 28.7 percent of the unemployed compared to 30.7 percent a year before. Those out of work for more than a year have risen from 10.8 percent of the unemployed to 11.1 percent over the year. Compared to OECD unemployment rates, New Zealand is 10th equal lowest (out of 34 countries), worsening from 9th in September.

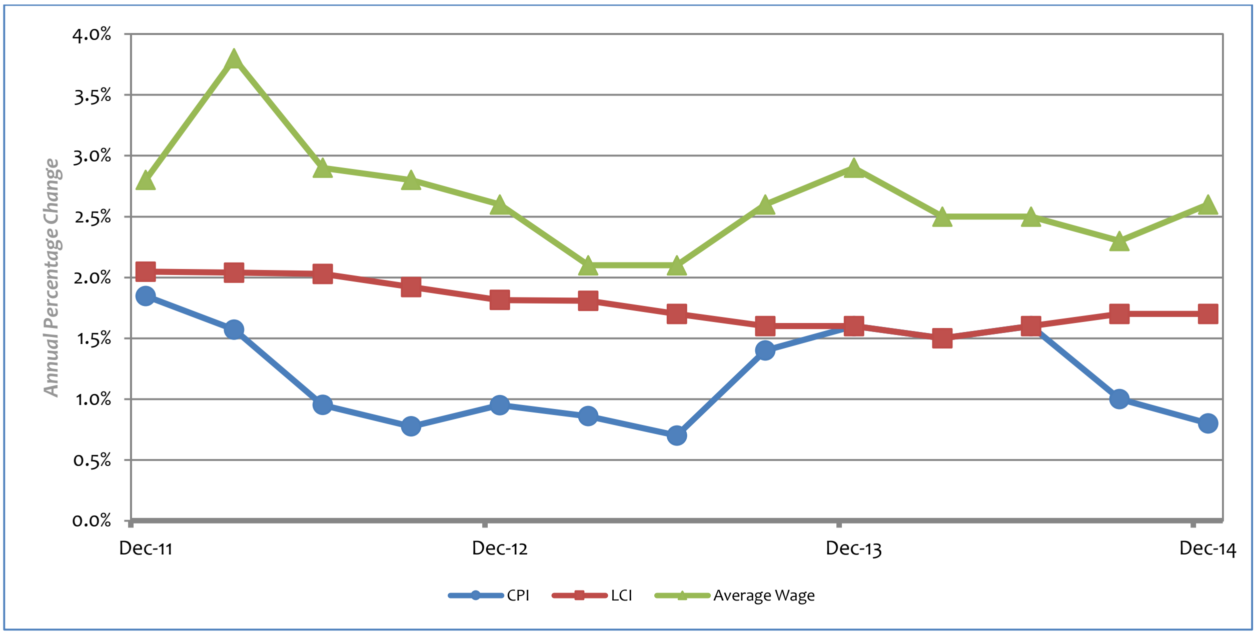
- Youth unemployment for 20-24 year olds was 11.0 percent, up from 10.4 percent in the December quarter and down from 11.2 percent a year before, all in seasonally adjusted terms. The NEET rate was 14.5 percent, down from 14.9 percent in the previous quarter and equal to 14.5 percent a year before. The unemployment rate among 15-19 year olds was 21.1 percent in December, up from 19.5 percent in September and down from 24.5 percent a year before, in seasonally adjusted terms. It was lower for those in education (20.2 percent) than those not (22.6 percent), and the 11,000 increase in employment over the year was almost entirely among people in education (10,000 increase) while those not rose only 1,000. The not in employment, education, or training (NEET) rate rose from 7.2 percent in June to 7.7 percent, though down on a year ago (7.9 percent). There were 72,000 people aged 15-24 years who were not in employment, education, or training (NEET), which is 11.3 percent of people in that age group, the same as in September and a year before.

- The Ministry of Social Development reports that at the end of December 2014 there were 124,631 working age people on the Jobseeker benefit, a rise of 1,498 from 123,133 in September 2014 and a fall of 5,594 from December 2013. Of those at December 2014, 69,155 were classified as 'Work Ready', and 55,475 were classified as 'Health Condition or Disability'. A total of 309,145 were on 'main' benefits, 14,824 more than September 2014 and 12,724 fewer than December 2013. It was 22,969 more than in December 2008.

- ★ Job Vacancies Online showed a seasonally adjusted fall in skilled job vacancies of 0.4 percent in February after a rise of 1.4 percent in the previous month. All job vacancies fell by 0.4 percent in February, after a rise of 0.2 percent in the previous month. In the year to February, skilled vacancies rose 4.6 percent. All vacancies rose by 4.2 percent.

- ★ International Travel and Migration data showed 9,540 permanent and long-term arrivals to New Zealand in February 2015 and 4,710 departures in seasonally adjusted terms, a net gain of 4,820. There was an actual net gain of 55,121 migrants in the year to February. Net migration to Australia in the year to February was 2,562 departures, with 26,133 departures and 23,571 arrivals. For the month of February, the seasonally adjusted net loss to Australia was 280 compared to 550 a year before. In February, 9.1 percent of the arrivals had residence visas, 39.7 percent student visas, 23.7 percent work visas, and 3.8 percent visitors. 23.2 percent were New Zealand or Australian citizens.

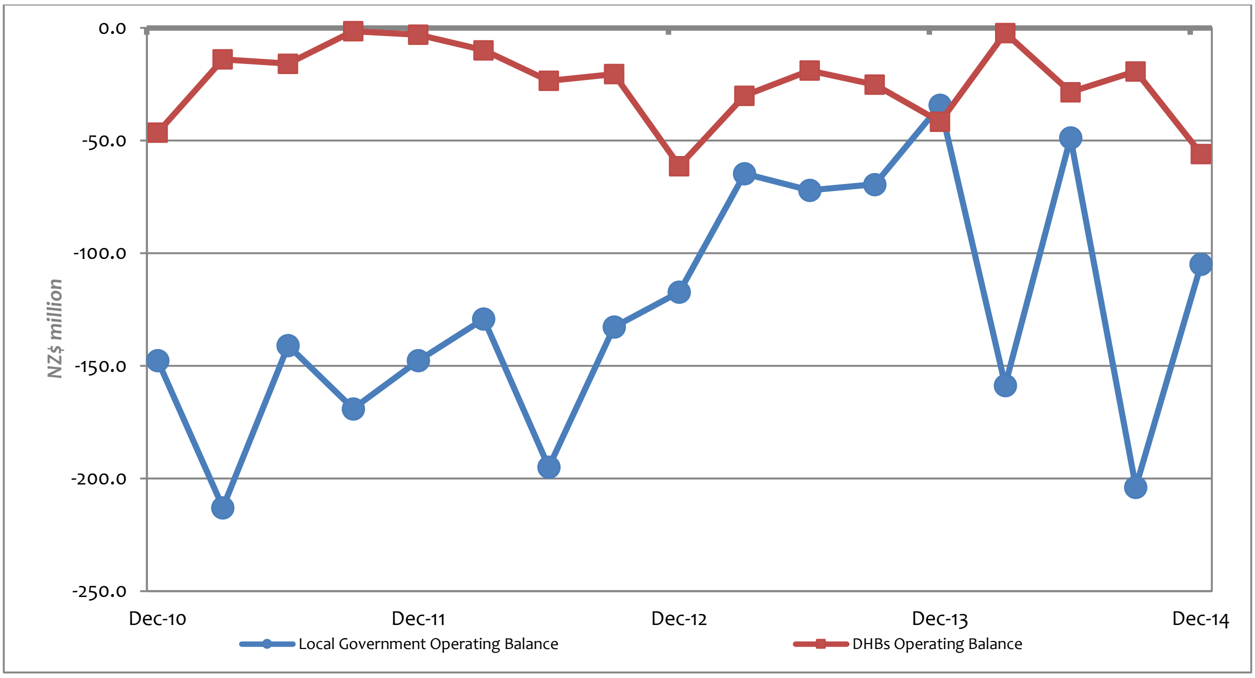
Wages and prices

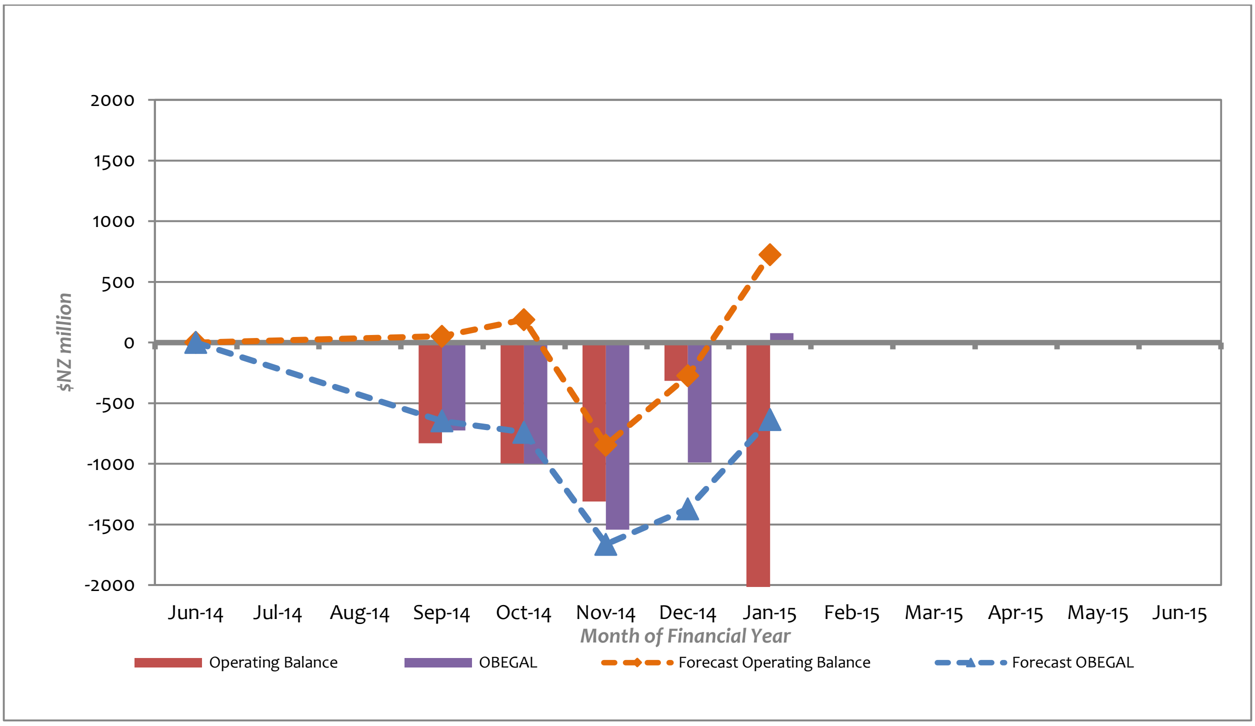


- The Labour Cost Index (LCI) for salary and ordinary time wage rates rose 0.5 percent in the three months to December 2014. The LCI increased 1.7 percent in the year to December, ahead of the 0.8 increase in the CPI. It increased 0.4 percent in the public sector and 0.5 percent in the private sector in the three months to December. Over the year to December it rose 1.1 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 1.8 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 3.5 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 December 2014 found the average hourly wage for ordinary-time work was $28.77, up 0.5 percent on the September quarter and up 2.6 percent over the year. The average ordinary-time wage was $26.77 in the private sector (up 0.4 percent in the quarter and up 3.0 percent in the year) and $35.98 in the public sector (up 0.9 percent in the quarter and up 2.0 percent in the year). Female workers (at $26.58) earned 13.3 percent less than male workers (at $30.64) for ordinary time hourly earnings.
- The Consumer Price Index fell 0.2 percent in the December 2014 quarter compared with the September 2014 quarter driven by falling food and petrol prices, and increased 0.8 percent for the year to December. For the quarter, Housing and household utilities were again the largest influence, rising 0.4 percent. Over the year, 80 percent of the increase came from housing and household utilities which rose 3.2 percent and without which the CPI would have fallen by 0.1 percent. Inflation in Canterbury for the year was 1.2 percent compared with 0.8 percent in Wellington and 0.6 percent in Auckland. Housing costs hit particularly hard in Canterbury, rising 4.8 percent for the year compared to 2.7 to 3.2 percent elsewhere.

★ The Food Price Index fell by 0.7 percent in the month of February 2015, following a 1.3 percent rise in January. Food prices rose 1.5 percent in the year to February 2015. Compared with January, fruit and vegetable prices fell 2.4 percent; meat, poultry, and fish prices fell 1.6 percent; grocery food prices fell 0.6 percent; non-alcoholic beverages rose 1.1 percent; and restaurant meals and ready-to-eat food rose 0.1 percent.

Public Sector





★ According to Treasury's Financial Statements of the Government of New Zealand for the seven months ended 31 January 2015, core Crown tax revenue was $456 million or 1.2 percent higher than forecast in the December 2014 Half Year Economic and Fiscal Update (HYEFU). Main contributors were higher than expected corporate, PAYE and other individuals tax (each around $150 million), offset by GST revenue being lower than forecast by $95 million due to higher than expected refunds to insurers. Net debt at 26.1 percent of GDP ($61.8 billion) was $1,170 million lower than the $63.0 billion forecast. The Operating Balance before Gains and Losses (OBEGAL) was a $77 million surplus, $712 million better than forecast. The Operating Balance was a $2,279 million deficit compared to a forecast surplus of $724 million, the difference being mainly due to unexpected actuarial losses on the ACC liability due to weaker interest rates and lower inflation forecasts. Gross debt at $87.2 billion was $3.6 billion above forecast.

★ District Health Boards recorded combined deficits of $55.9 million for the month to January 2015. This is $14.2 million worse than their plans. The Northern region was $0.3 million ahead of plan with a surplus of $2.4 million and all DHBs in surplus, the Midland region was $4.2 million behind plan with a combined deficit of $15.1 million and all DHBs in deficit, almost half ($7.1 million) due to Waikato, Central region was $3.5 million behind plan and all DHBs in deficit totalling $15.6 million, and the Southern Region was $6.9 million behind plan with a $27.6 million deficit and three of the five DHBs in deficit including Canterbury at $15.6 million and Southern at $14.6 million. The DHB furthest ahead of plan was Nelson Marlborough by $1.6 million, and Southern was furthest behind, by $5.1 million. The funder arms were in surplus by $59.5 million, but Provider arms in deficit by $115.1 million.

★ Local Government recorded a 2.8 percent ($56.2 million) increase in operating income and a 1.9 percent fall in operating expenses ($42.8 million) including an increase of 0.7 percent ($3.5 million) in employee costs for the December 2014 quarter compared to September. This resulted in an operating deficit of $104.8 million in the December quarter, compared with a deficit of $203.8 million in the September quarter, and deficits in all the last 27 quarters back to March 2008 with the exception of June 2010, all in seasonally adjusted terms. Note that the December 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/economicbulletin166.

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