NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

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Information Section p.8

This is the last Bulletin for 2015. The next issue will be published on Friday, 29 January 2016. It's been a roller coaster year for many. So very best wishes to readers for a good break: come back refreshed.

Commentary

Unemployment is still too high

Summary

Unemployment is rising again. It never got below 5.6 percent under this Government despite strong economic growth rates. Just as in the 1990s, it seems that around 6 percent unemployment is the best we can expect from National even though we can do a lot better.

Paradoxically, at least until the September quarter, employment had been growing strongly and participation rates (the proportion of the working age population either in jobs or actively looking for work) have touched record levels. What's going on?

There many factors at work. The population is growing rapidly because of record net inward migration – over 62,000 in the year to October. That pushes up the participation rate without reducing unemployment if job opportunities for locals don't increase fast enough. The government is putting high pressure on beneficiaries to find work, despite the state of the job market, which also raises unemployment.

The fastest rise in participation rates is among the older population who increasingly are working past "retirement". The unemployment rate among young people, where unemployment is most concentrated, is still higher than before the Global Financial Crisis, but the proportion of them not in employment, education or training ('NEET') is largely back to pre-crisis levels. For most other age groups, unemployment rates are still too high.

Employment rates – the proportion of the working age population actually in work – are arguably more meaningful than participation rates, and they don't look so good. But given the variety in hours people work per week, these rates based on head-counts miss important trends. An Hours-Worked Employment Rate is lower than in the 2000s and 1980s suggesting work is being spread around more people rather than that more use is being made of the available labour hours.

Finally, perhaps the much-hyped technological revolution really has hit us, pushing up productivity and destroying jobs? But productivity increases have been slower than pre-Crisis. Other factors such as the high dollar, brakes on government employment, high net immigration, punitive welfare policies and the lack of effective industry policies explain more.

Unemployment is rising again. It has risen every quarter this year after taking account of seasonal effects. It never got below 5.6 percent under this Government despite strong economic growth rates. Just as in the 1990s, it seems that around 6 percent unemployment is the best we can expect from a National Government even though we know we can do a lot better. Paradoxically, at least until the

September quarter, employment has been growing strongly and participation rates (the proportion of the working age population either in jobs or actively looking for work) have touched record levels. What's going on?

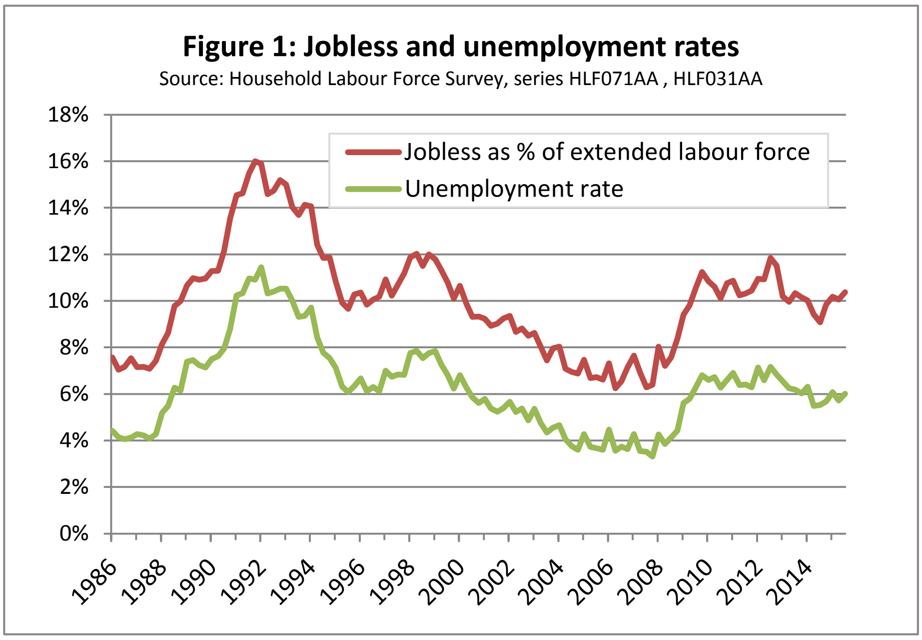
There many factors at work. The population is growing rapidly because of record net inward migration – over 62,000 in the year to October. That might push up the participation rate without reducing unemployment if job opportunities for locals don't increase fast enough. The government is putting high pressure on beneficiaries to find work, despite the state of the job market, which will raise measured unemployment. We looked at immigration and pressures on beneficiaries (and new LEED data out last week on the employment of beneficiaries reinforces that message) in last month's Bulletin.

The fastest rise in participation rates is among the older population who increasingly are working past 'retirement', so there is an age effect – and we also need to look at what is happening to young people, where unemployment is most concentrated. And then it is worth looking at what 'participation rates' really mean. Employment rates – the proportion of the working age population actually in work – are arguably more meaningful, and they don't look so good. But given the variety in hours different people work per week, do rates based on head-counts mean much? And is it really desirable to get as many people working as possible – or is it partly a sign of families in financial stress? Finally, perhaps the much-hyped technological revolution really has hit us, pushing up productivity and destroying jobs?

There isn't room to look at all these factors in detail, and I haven't included regional factors, gender and ethnicity, but here are some thoughts as a starter.

The basics

The unemployment rate rocketed up following the onset in 2008 of the Global Financial Crisis, and has essentially remained high since then, compared to the 3.4 percent low in December 2007 (and under 1 percent prior to the 1980s). There's no doubt we could do much better. We now have 151,000 officially 'unemployed' – that is, available for work and actively looking for work in a number of ways.



But in addition there are other people who are 'jobless': while wanting work they aren't classified as unemployed because they might not be available for work straight away or haven't looked as actively. Some of them are discouraged after looking for a long time. At 269,600 (including the officially 'unemployed') the number of jobless people is 40,000 higher than a year ago and if they all were counted as part of the labour force like the unemployed (as arguably they should be) unemployment would be 10.4 percent. Figure 1 shows that this jobless rate as a proportion of the 'extended' labour force is at heights similar to the late 1990s, and unemployment is not far behind.

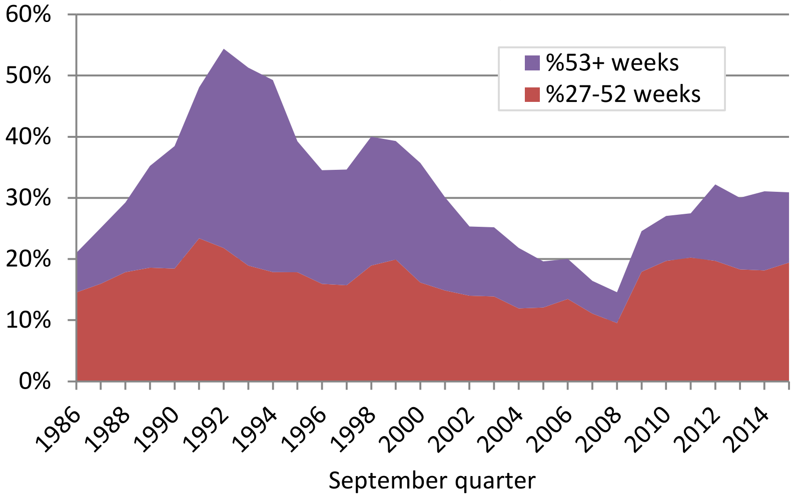
On top of jobless people there are others in part time work who want more hours: 87,200 in the September quarter, down from 92,300 a year before but one in six (17.1 percent) of the 510,000 part timers. Two-thirds (65.0 percent) of them are women, as are 71.5 percent of part-timers.

So in all there are 356,800 people wanting more work, or 13.7 percent of the extended labour force.

Figure 2: Long term unemployment

Percent of unemployed people over six months out of work

Source: Household Labour Force Survey, series HLF076AA

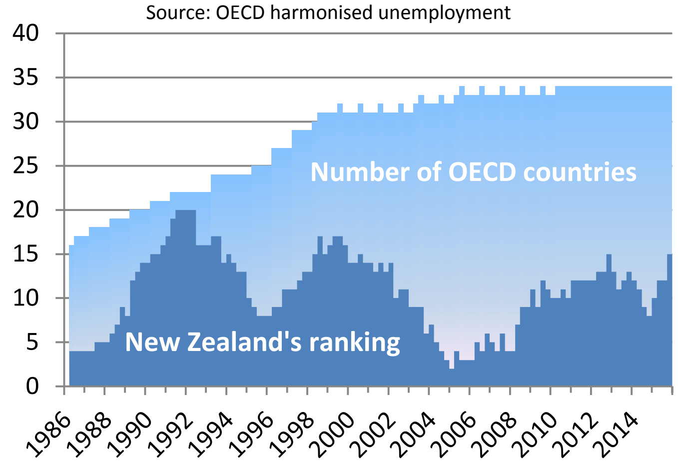


The unemployment problem is worrying in another way: how long people stay unemployed. There aren't statistics for how long people remain jobless, but Figure 2 shows the situation for the unemployed. The proportion of people unemployed for more than 6 months rose sharply in late 2008 and has been stuck at levels approaching those in the 1990s – almost one in three (30.9 percent in September). If unemployed people were on reasonable incomes while looking for work, with training, relocation and other assistance to find a job that suits their skills and experience, this would not necessarily be a worry. It could mean they are taking time to finding better jobs. But MSD has moved resources from helping the unemployed to putting pressure on sole parents to return to work. Under these circumstances, the longer people are out of work, the harder it is to find a job.

International comparisons

Figure 3: New Zealand's unemployment rate ranking in the OECD (1 = best)

Source: OECD harmonised unemployment



With economic growth rates still among the highest in the rich countries club, the OECD, New Zealand should have among the lowest unemployment. As New Zealand's ranking in the OECD shows (Figure 3), that's not the case. We're in the middle at 15th – with a higher unemployment rate than countries that were much worse affected by the Global Financial Crisis such as Iceland, the US and the UK. Again, we've had a much better ranking during the 2000s (3rd in 2005). Our unemployment rate is now neck-and-neck with Australia (currently 6.2 percent) having been worse between June 2009 and March 2014. This is not typical. Since 1986, New Zealand has had a lower rate than Australia two-thirds of the time. The Australian government managed the Global Financial Crisis much better, never going into recession.

Engagement in the labour force: participation, employment, hours worked

Some economists, commentators and politicians dismiss concerns about the high unemployment rate and the unfavourable comparisons with other countries. Some don't think these numbers of people needing work are a worry. Others claim that because participation rates are high you'd somehow expect higher unemployment. The logic is somewhat strained: it says that more people are actively seeking work despite knowing it's hard to find a job, pushing up the participation rate (which includes unemployed people). They assume that higher participation rates are always better, outweighing the negative effects of unemployment.

While there is certainly nothing wrong in wanting to find paid work, high participation rates are not always a good sign. For example, if they are due to women feeling they have the freedom to find a job if they want to, they are positive; if they are due to families being under financial pressure then they are negative. People can have fulfilling lives without work, such as raising a family or enjoying retirement, as long as they are financially secure. High participation rates may mean that people are being forced to look for work because of their financial circumstances or because they are being pushed off a benefit. The work they find may be low quality – low paid, insecure, unsuitable hours, poor conditions or few prospects. High participation rates suit employers because it gives them a larger labour force to choose from. It does not necessarily mean happier people.

Figure 4: Proportion of households with dependent children with both parents in paid work

Source: Household Labour Force Survey, series HLF185AA

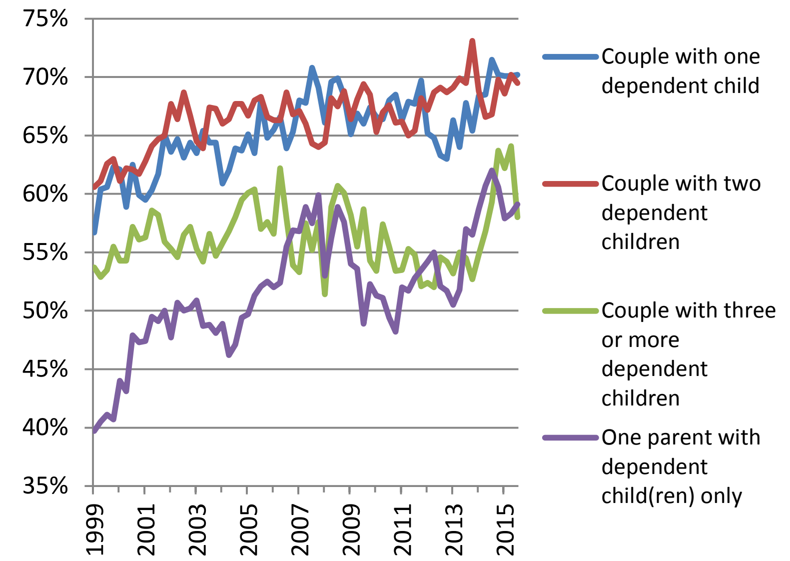


Figure 4 shows a continuing increase in the proportion of households with dependent children where both parents or the sole parent were in paid work (as distinct from unpaid work looking after a family!). For couples, between 1999 and 2015 there was a 8 to 10 percentage point increase in the average proportion of households in which both parents were in paid work – rising from approximately 60 percent to 70 percent for one and two child families, and from 54 percent to 62 percent for larger families. The rise was much larger for single parents: 18.5 percentage points, from 40.5 percent to 59 percent. There was an increase from about 2004, when unemployment was falling to low levels. The rate fell off from about late 2007, followed by a sharp pick up from about 2012 (though around 2011 for single parents). It is a very mixed picture of availability of work, of the introduction (and later restriction) of subsidised child care, of pressure on some from social welfare policies, and financial pressures.

But in any case we should look beyond participation rates, the proportion of the working age population either in jobs or actively looking for work.

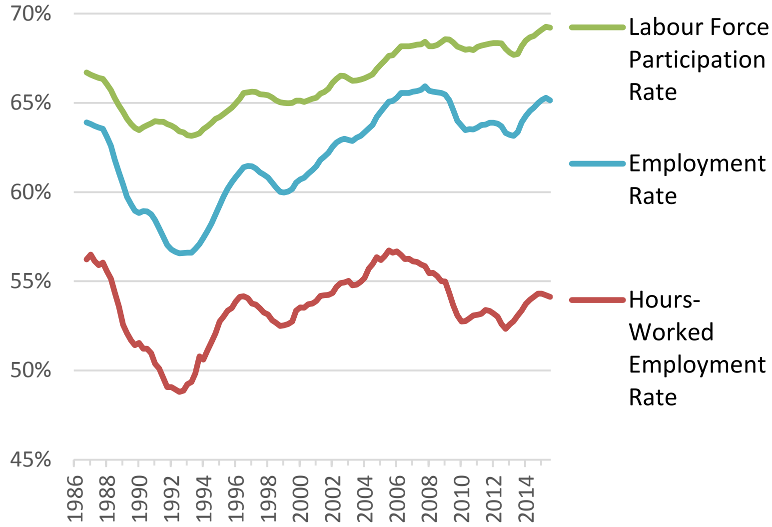
The employment rate – proportion of the working age population actually in jobs – tells us more about outcomes rather than the size of the 'army of labour' wanting jobs. Whereas the participation rate is the same as its previous September peak in 2008 of 68.2 percent, the employment rate's September peak was 65.5 percent in 2007, compared to 64.1 percent in September this year. But both of these are head counts. They take no account of people working different hours, whether part time or well over 40 hours a week.

Suppose we assume that each working age person has 40 hours per week "capacity" to work. This is somewhat arbitrary, but so is the assumption that we should count every working age person equally when calculating the standard rates of workforce engagement. Then the number of hours available to the economy per week is 40 times the working age population. We'll call the proportion of those hours which are actually worked the "Hours-Worked Employment Rate". It is like the employment rate, but takes account of the fact that different people work different hours, and adds up hours rather than bodies.

This shows a quite different picture. Figure 5 compares these rates.

Figure 5: Rates of engagement in the labour force

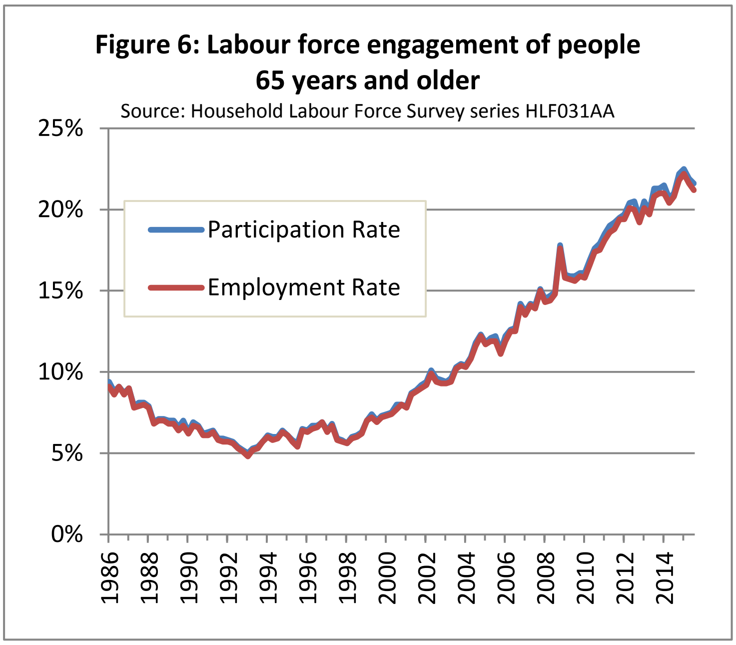
Running annual averages. Source: Household Labour Force Survey, series HLF100AA, HLF031AA



The participation rate has risen more-or-less steadily since it collapsed at the depth of the neoliberal experiment in the 1980s and early 1990s. The employment rate has been much more bumpy and is below its 2000s peak. However when hours worked are factored in, there is no rising trend – just variations which can largely be explained by the ups and downs of the economy. At 55.0 percent in September, It is considerably lower than it was in September 1986 (58.5 percent) and its 58.6 percent peak around in September 2005. Most of the fall since the 1980s can be attributed to people on average working shorter hours. This is almost entirely due to the self-employed (who are also a falling proportion of the labour force) reducing their hours from 42.6 hours per week in 1986 to 33.4 hours per week in 2014. Employee hours remained steady: they were 33.7 hours per week in 1986 and 33.6 hours per week in 2014. But there are large variations along the way with the ups and downs of the economy.

Overall however, it seems the increase in participation rate has been much more about redistributing the hours worked among more people rather than increasing the utilisation of hours available in the working age population. In recent years, people have lost hours worked while partipation rates continued to rise. Other countries show quite different patterns of hours-worked employment rates, some European countries having rising participation rates but falling hours-worked employment rates, probably reflecting shorter working weeks.

The effects of age



There has been a strong increase in the participation rate of people aged 65 and older (see Figure 6) which is at over four times its low in the early 1990s. There has also been a strong increase in participation in all age groups above 45 and for 25-34 year olds though they were hit hard by the Global Financial Crisis. For age groups between 35 and 44, participation has been relatively flat, but with a sharp increase since 2012, perhaps reflecting net immigration in this age range.

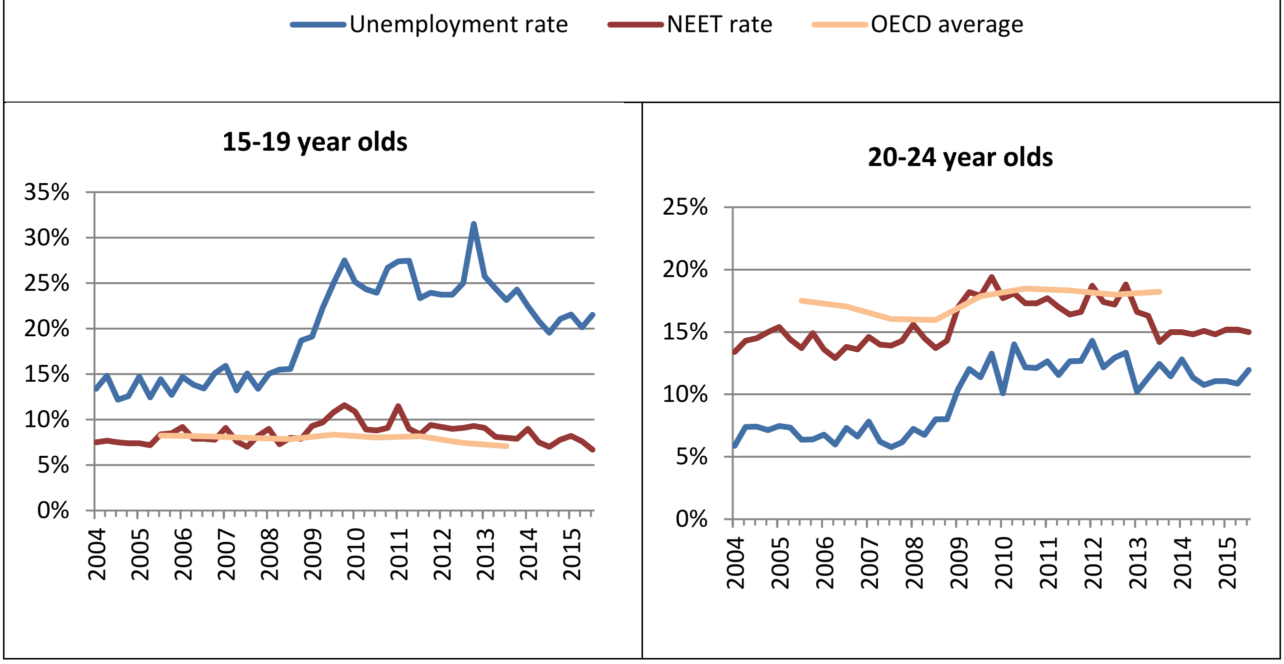
Unemployment is almost non-existent in the 65-plus age groups (probably because if they lose their jobs, many don't need to actively look for another one) – as shown by the almost identical path of the participation and employment rates. However in September unemployment was at 4.7 percent for 55-59 year olds, 5.0 percent for 30-34 year olds and 7.2 percent for 25-29 year olds. So while the focus on unemployment is understandably on the 15-19 and 20-24 year old age groups, there is still worrying levels of unemployment throughout the peak working age groups.

Unemployed 15-19 year olds and 20-24 years olds each make up about 20 percent of the unemployed. For 20-24 year olds that has been fairly consistent back to 1986, but 15-19 year olds peaked at 34 percent of the unemployed in Sept 2007, falling back since then. Clearly the number of young people who are unemployed is a worry, but they also have the option of education, more so than for older age groups. The participation rate of young people is relatively low because many are still at school or in tertiary education, and not looking actively for a job nor available to take one. The participation rate for 15-19 year olds in September was 44.3 percent. It was higher in the previous December and March quarters at 45-50 percent but still well below the 82 to 86 percent range for ages from 25 to 59. The 20-24 year olds are in between at around 75 percent, many of them either in work or needing work to get through tertiary education.

It is therefore important to look at the proportion of young people who are not only not in work but also not in education or training – the NEET (Not in Employment, Education or Training) rate. As Figure 7 shows, this has not fluctuated nearly as much as unemployment and is back at the levels before the Global Financial Crisis, while young people's unemployment rates are still well above the pre-crisis levels. For 15-19 years olds, the NEET rate was around the OECD average before the Crisis, and is now somewhat above the average. For 20-24 year olds, it was below the OECD average before the crisis, reached the average and then retreated back to pre-crisis levels. There is good news and bad news here: too many are unemployed, but young people do choose to improve their education when employment opportunities get rough.

Can the persistent high unemployment be blamed on the continuing high youth unemployment? Is it really just a 'youth problem'? No. As Figure 8 shows, the unemployment rate for people 25 and over at

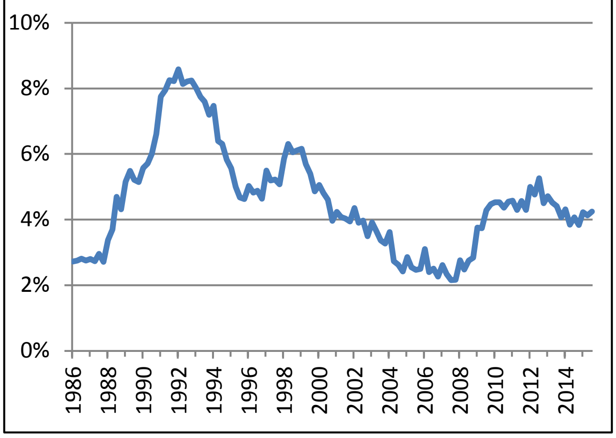
Figure 7: NEET and unemployment rates
Source: Household Labour Force Survey, series HLF153AA



4.2 percent in September is twice the rate seen during the 2000s – 2.2 percent in 2007. It shows the same pattern of rises and falls as does unemployment for the whole labour force.

Productivity

Figure 8: Unemployment Rate for people over 25
Source: HLFS, series HLF031AA



Finally, could the high unemployment be the result of the much-hyped technological revolution really starting to hit us, pushing up labour productivity, reducing the need for labour and destroying jobs? The trouble with that theory (as it has been all along, here and in other countries) is that productivity growth is ho-hum. According to Statistics New Zealand's productivity series for the market economy, labour productivity grew on average by just 1.0 percent per year between 2008 and 2014. Between 1996 and 2008 it grew at average 1.8 percent. If we look at the whole economy including government and other 'non-market' production, and calculate labour productivity as output per usual hour worked, it rose only 0.7 percent per year on average between 2008 and 2015. There could well be some technology effects, such as in the fall in employment in Wholesale trade, and certainly in the Information, media and telecommunications sector, but more analysis is needed to dig down and find out what is going on.

The high dollar, brakes on government employment, the Canterbury earthquake rebuild, punitive welfare policies, high net immigration, housing shortages in Auckland and the lack of effective industry policies to develop good new jobs explain more of what is happening than new technology.

Bill Rosenberg

Information

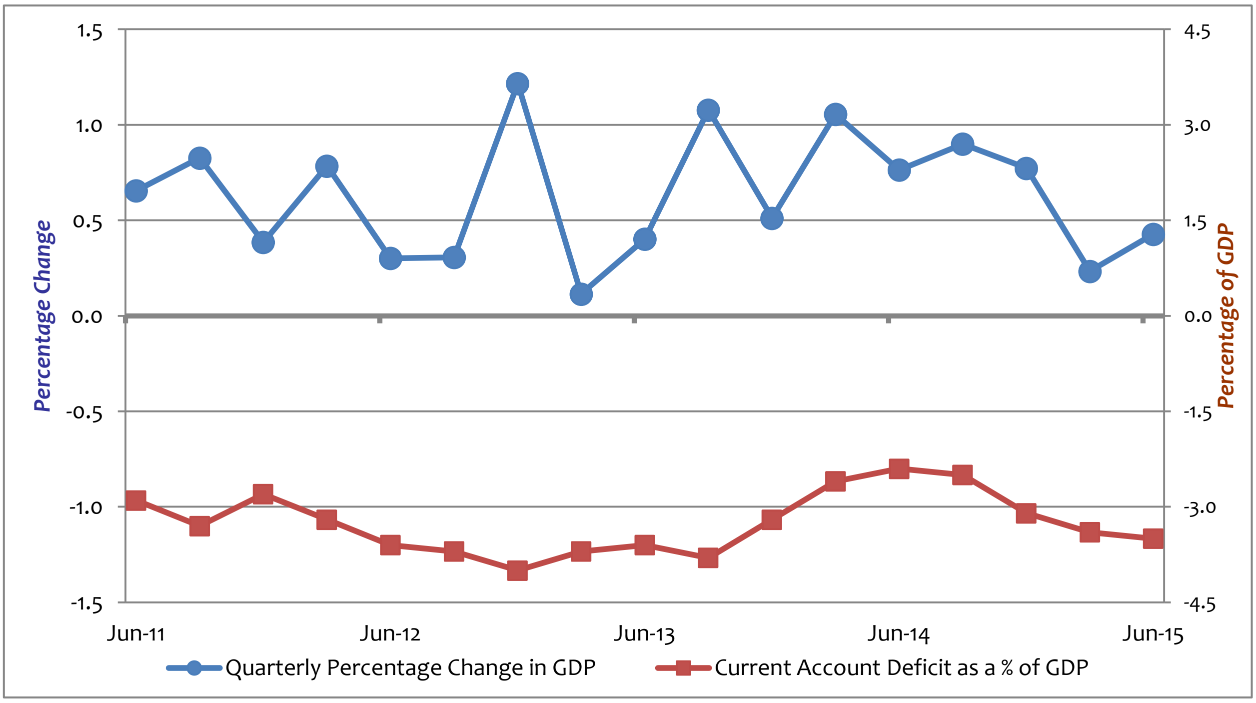
A ★ indicates information that has been updated since the last bulletin.

Forecast

- This NZIER forecast was released on 14 September 2015.

Annual Percentage Change (March Year)	**2015-16**	**2016-17**	**2017-18**	**2018-19**
GDP	2.5	2.6	2.6	2.1
CPI	1.5	1.9	1.9	1.8
Private Sector average wage	2.9	2.9	2.9	2.7
Employment	1.7	1.7	1.5	1.5
Unemployment rate	5.9	5.8	5.6	5.5

Economy



- Growth in New Zealand's economy was again slow in the June 2015 quarter, with Gross Domestic Product rising by 0.4 percent, compared to quarterly increase of 0.2 in March which was a significant fall from 0.8 percent in December 2014. The growth was slower than expected by Treasury and other forecasters leading to predictions of rising unemployment. It was mainly due to a fall in activity in Manufacturing (down 0.4 percent, all sectors falling except Food processing), the Wholesale trade (down 1.1 percent), Transport, postal and warehousing (down 1.8 percent), and Arts, recreation and other services (down 1.7 percent). Public administration and safety was also down 0.4 percent in the quarter. Output from Agriculture, forestry and fishing rose 2.0 percent but many producers in the sector have to face falling prices for their products. Growth for the year ended June 2015 was 3.0 percent. However GDP is barely keeping up with the rapidly growing population: GDP per person stood still in the June quarter having fallen 0.3 percent in the March quarter. Though GDP grew 0.4 percent in the June quarter, population was estimated to have grown by 0.5 percent over the same period. However real gross national disposable income per capita, which takes into account the income that goes overseas in interest and dividends to overseas investors and the falling prices for some of our main exports, rose 0.4 percent having risen 0.5 percent in the previous quarter and fallen 1.1 percent in the December 2014 quarter. Growth in GDP per capita is flat lining at a level around the lowest it was during the 2000s before the Global Financial Crisis hit, separating from GDP growth due to the strong population growth driven by high net immigration. Output per hour worked in the economy grew only 0.4 percent in the year to June, indicating weak productivity growth. Primary Industries rose 2.1 percent in the quarter, Goods producing industries (which include Construction) rose 0.4 percent and Service industries rose 0.5 percent. Comparing the year to June to the previous year, all industries expanded. Retail trade and accommodation (up 6.5 percent) led, with Financial and insurance services up 3.9 percent, Information media and telecommunications up 3.5 percent, Health care and social assistance also up 3.5 percent, Mining up 3.3 percent, and Public administration and safety up 3.1 percent. Slowest growing were Wholesale trade and Transport, postal and warehousing (both up 0.6 percent), and Education and Training (up 0.8 percent). Household consumption expenditure rose 0.9 percent in real terms in the quarter and annually rose 3.1 percent from the June 2014 year. Expenditure on non-durable goods (such as groceries) rose 0.4 percent in real terms during the quarter and rose 1.8 percent during the year while durables (such as appliances) grew faster at 0.7 percent growth in the quarter (but much slower than the 2.1 percent in the previous quarter) and 8.1 percent growth over the year. Business investment rose 2.2 percent in the quarter after a fall of 2.7 percent in the previous quarter and rose 4.5 percent year on year.

- New Zealand recorded a Current Account deficit of $2.1 billion for the June 2015 quarter in seasonally adjusted terms ($1.2 billion actual), compared to a $1.6 billion deficit in the March quarter. There was another deficit in the goods trade ($621 million, seasonally adjusted, following a $104 million deficit in the March quarter) and a surplus of $287 million ($691 million in March) in goods and services, while the deficit on income (mainly payments to overseas investors) stayed steady at $2.4 billion compared to $2.3 billion in March. For the year to June 2015, the current account deficit was $8.3 billion or 3.5 percent of GDP compared to a $8.1 billion deficit in the year to March (3.4 percent of GDP). The deficit on investment income was $9.2 billion.

- The country's Net International Liabilities were $149.7 billion at the end of June 2015 (62.2 percent of GDP) down from $152.2 billion (63.9 percent of GDP) at the end of March, and from $150.7 billion (64.4 percent of GDP) in June 2014. The fall in net liabilities in the quarter was largely due to rises in the net market valuation of assets and liabilities, partly offset by falls due to exchange rate changes and financial derivative valuation changes. There was zero net inflow of investment. Without the market value changes, the net liabilities would have been $152.2 billion. Assets rose in value from $213.9 billion to $232.9 billion mainly because of exchange rate and valuation changes ($17.5 billion) along with financial flows of $1.5 billion. Liabilities rose from $366.1 billion to $382.6 billion with financial inflows accounting for $1.4 billion and net valuation changes $15.0 billion ($8.7 billion of which was due to exchange rate changes and $8.2 billion due to financial derivative valuation changes). New Zealand's international debt was $286.6 billion (119.1 percent of GDP), of which 32.9 percent is due within 12 months, compared to $143.1 billion in financial assets (other than shares; 59.5 percent of GDP), leaving a net debt of $143.5 billion (59.4 percent of GDP). Of the net debt, $6.5 billion was owed by the government including the Reserve Bank (equivalent to 2.7 percent of GDP and down from $10.1 billion in March) and $105.8 billion by the banks (44.0 percent of GDP), which owed $62.3 billion to related parties. Total insurance claims owed by overseas reinsurers from the Canterbury earthquakes are estimated at $20.2 billion, and at 30 June 2015, $16.9 billion of these claims had been settled, leaving $3.3 billion outstanding.

★ Overseas Merchandise Trade for the month of October saw exports of goods fall 4.5 percent from the same month last year while imports fell 2.2 percent. This created a trade deficit for the month of $1.0 billion or 25.2 percent of exports. In seasonally adjusted terms, exports fell 0.6 percent or $26 million over the month (compared to a 9.1 percent fall the previous month) led by falls in Logs, wood and wood articles (down 9.3 percent or $28 million), Dairy (down 3.0 percent or $27 million), Meat (down 3.5 percent or $23 million) and Mechanical machinery and equipment (down 12.2 percent or $29 million) but offset by a rise in Fruit (up 14.1 percent or $26 million). Seasonally adjusted imports rose 0.2 percent or $8 million over the previous month, creating a trade deficit of $445 million compared to a $411 million deficit in the previous month. Imports rose in Petroleum and products (up 15.1 percent or $54 million) and Mechanical machinery and equipment (2.5 percent or $17 million), but fell in Electrical machinery and equipment (down 10.3 percent or $42 million). Our top six export destinations accounted for 58.8 percent of our exports in the year (of which China accounts for 17.2 percent and Australia 17.1 percent), compared to 59.9 percent in the previous year (China 21.5 percent, Australia 17.5 percent). China is easily top source of imports with $10,077 million of imports in the year compared to Australia at number two with $6,285 million and the trade balance with China has moved from a $2,414 million surplus in the 2014 year to a deficit of $1,664 million in the 2015 year, a turnaround of $4.1 billion. Imports from China rose 18.6 percent in the year, and rose 2.2 percent from Australia. In the month, imports from China rose 12.2 percent while imports from Australia rose 5.2 percent compared to the same month in the previous year.

★ The Performance of Manufacturing Index[1] for October 2015 was 53.3, a fall from 55.0 in the previous month. The employment sub-index was at 52.4, a rise from 51.1 in the previous month.

★ The Performance of Services Index[1] for October 2015 was 56.2, a fall from 59.0 in the previous month. The employment sub-index fell to 52.7 from 53.6 in the previous month.

★ The Retail Trade Survey for the three months to September 2015 showed retail sales rose 5.7 percent by volume and 4.8 percent by value compared with the September 2014 quarter. They rose 1.6 percent by volume and 1.4 percent by value in the quarter, seasonally adjusted. By value, the largest positive contributors to the increase in the quarter were Non-store and commission retailing (which includes internet purchases) which was up 7.4 percent, Electrical and electronic goods (up 5.4 percent) and Motor vehicles and parts (also up 5.4 percent). The largest fall was Recreational goods (down 6.1 percent). Supermarket and grocery stores, the largest single sector, rose only 0.1 percent by value and 0.7 percent by volume.

- On 29 October 2015 the Reserve Bank left the Official Cash Rate (OCR) unchanged at 2.75 percent but signalled that there could be further reductions. His statement noted slow global economic growth and inflation and ongoing uncertainty about central bank interest rates around the world. Domestically the economy is mixed with the low dairy prices "weighing on domestic farm incomes" but growth in the services and construction sectors "driven by net immigration, tourism and low interest rates". The Bank was unsure whether the recent rise in dairy prices would be sustained. Rapid house price rises in Auckland pose a risk to financial stability. They expect CPI inflation to rise to "well within the target range" (of 1 to 3 percent) by early 2016, but the rising exchange rate could act against this, leading to lower interest rates, which "seem likely" in any case. The next OCR review will be announced on 10 December 2015 and will include a Monetary Policy Statement.

- ★ According to REINZ, the national median house price rose $30,000 or 7.0 percent to $460,000 in October 2015 compared to a year before but down 5.1 percent on the previous month. The Auckland median price rose 16.8 percent or $107,750 over the year, from $640,000 to $748,250 but down $22,500 or 3.0 percent on the previous month. Excluding Auckland the national median price was at a record $370,000, up 8.4 percent compared to a year before and up 1.4 percent compared to the previous month. There were 212 or 7 percent more sales under $400,000 compared to the same month a year ago taking the number to 4,186, a rise of 293 (57 percent) to 804 in the $1 million plus range and 445 more (32 percent) to 1,817 in the $600,000 to $999,999 range. Sales under $400,000 accounted for 40.6 percent of sales in October 2015 but 45.0 percent in the same month a year before.

Employment

★ According to the Household Labour Force Survey the unemployment rate in the September 2015 quarter was 6.0 percent or 151,000 people, compared to 5.9 percent in June(148,000 people), seasonally adjusted. It has risen every quarter since September 2014. It is also 6.0 percent actual (not seasonally adjusted) or 148,800 people, up 14,300 from 134,500 or 5.5 percent a year before. Including the unemployed, there were 269,600 people jobless, up 40,100 from 229,500 a year before, and there were 87,200 part-timers who wanted more work, down 5,100 from a year before. Seasonally adjusted female unemployment at 6.6 percent was considerably higher than for men (5.6 percent), though female unemployment was almost static (from 6.7 percent in the June quarter) while males' rose from 5.2 percent. Māori unemployment rose from 12.4 percent in September 2014 to 12.9 percent, and Pacific people's unemployment rose from 12.0 percent to 13.1 percent over the year. The labour force participation rate at 68.6 percent is down from 69.3 percent in June and 68.8 percent a year before. There are 46,000 unemployed people who have been out of work for more than 6 months (up from 41,800 a year before), and they are 30.9 percent of the unemployed compared to 31.1 percent a year before. Those out of work for more than a year is at 11.5 percent of the unemployed compared to 12.9 percent a year before. Compared to OECD unemployment rates, New Zealand is 15th lowest (out of 34 countries), worsening from 12th equal in June.

★ In the North Island, only Taranaki (5.1 percent) has unemployment below the 6.0 percent average for the country (not seasonally adjusted), and Northland, with 8.2 percent unemployment (down from 8.7 percent a year before), Gisborne/Hawkes Bay with 7.9 percent (7.1 percent a year before), and Manawatu-Whanganui with 7.0 percent (7.0 percent a year before) are particularly hard hit. Taranaki's unemployment fell sharply from 7.3 percent unemployment in the previous quarter though still up from 4.6 percent a year ago. Auckland's unemployment rate was 6.2 percent (compared to 6.1 percent a year before). The South Island looks considerably better, though Tasman/Nelson/Marlborough/West Coast at 5.7 percent is considerably higher than the 3.6

percent of a year before. Canterbury at 3.9 percent, Otago at 4.2 percent and Southland at 5.6 percent, are all higher than a year ago. The unemployment rate outside Canterbury is 6.3 percent.

- By industry, over the year almost two-thirds of the increase in employment came from Construction (62.5 percent or 20,500 workers out of a 32,800 increase), followed by Retail trade, and accommodation, and food service (43.6 percent or 14,300 people), Health care and social assistance (25.9 percent or 8,500 people), Manufacturing (24.1 percent or 7,900 people) and Education and training (23.8 percent or 7,800 people). However this was offset by falls led by Public safety and administration (down 6,800 workers) and Wholesale trade (down 5,300 workers).

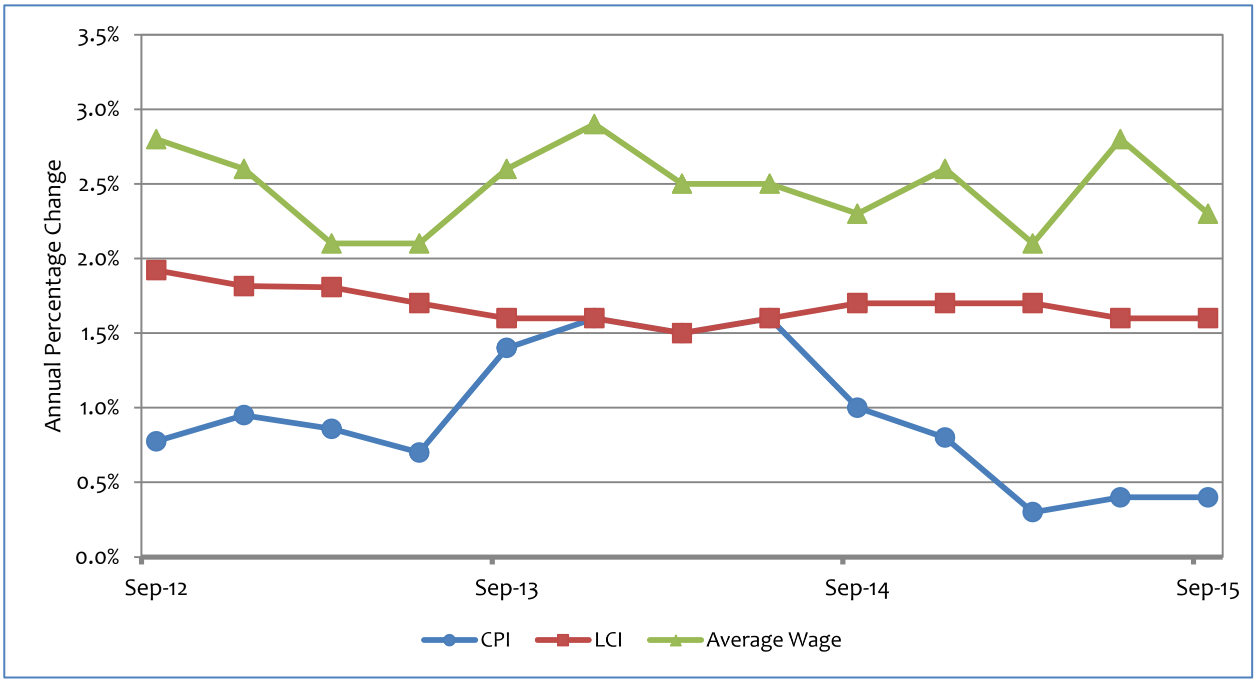
- Youth unemployment for 15-19 years was 21.5 percent, up from 20.1 percent in June and 19.6 percent a year before; for 20-24 year olds it was 12.0 percent, up from 11.0 percent in June and 10.7 percent a year before, all in seasonally adjusted terms. The not in employment, education, or training (NEET) rate for 15-19 year olds was 6.7 percent, down from 7.6 percent in June and 7.0 percent a year before while for 20-24 year olds it was 15.0 percent, down from 15.2 percent in June and 15.1 percent a year before. For the whole 15-24 year old group, unemployment was higher for those in education (16.5 percent) than those not in education (15.4 percent). There were 72,000 people aged 15-24 years who were not in employment, education, or training (NEET).

- The Ministry of Social Development reports that at the end of September 2015 there were 120,901 working age people on the Jobseeker benefit, a fall of 2,232 from a year before but a rise of 2,859 from 118,072 in June 2015 (the second quarterly rise). At September 2015, 65,732 were classified as 'Work Ready', and 55,169 were classified as 'Health Condition or Disability'. A total of 287,167 were on 'main' benefits, 7,154 fewer than a year before and 1,818 more than June 2015. It was 17,559 more than in September 2008. Of 43,369 benefits cancelled during the three months to September, 18,593 or 42.9 percent obtained work, 14.1 percent transferred to another benefit and 7.1 percent became full time students.

- Job Vacancies Online for October showed the number of job vacancies rose by 3.8 percent in the month and rose 6.1 percent over the same month a year previously in seasonally adjusted terms. Over the year, vacancies in Auckland rose 13.8 percent, Wellington 2.2 percent, rest of the North Island 5.5 percent, South Island other than Canterbury 9.1 percent, while Canterbury fell 9.3 percent. By industry, the greatest annual increase was in Accounting, HR, legal and administration which rose 11.2 percent and Healthcare and medical which rose 10.0 percent, while at the other end of the scale, Information Technology fell 15.7 percent. By occupation, the greatest rise was in Clerical and Admin (up 15.6 percent over the year) while the lowest rise was for Professionals (up 2.2 percent).

- International Travel and Migration data showed 10,920 permanent and long-term arrivals to New Zealand in October 2015 and 4,710 departures in seasonally adjusted terms, a record net gain of 6,210. There was an actual net gain of 62,477 migrants in the year to October. Net migration to Australia in the year to October was 88 arrivals, the first net gain since the year to November 1991, with 24,882 departures and 24,970 arrivals. However there was still a loss of 5,131 New Zealand citizens. For the month of October, there was a seasonally adjusted net gain from Australia of 200 compared to a loss of 150 a year before. In October, 11.1 percent of the arrivals had residence visas, 18.9 percent student visas, 38.4 percent work visas, and 4.5 percent visitors. A further 26.4 percent were New Zealand or Australian citizens.

Wages and prices



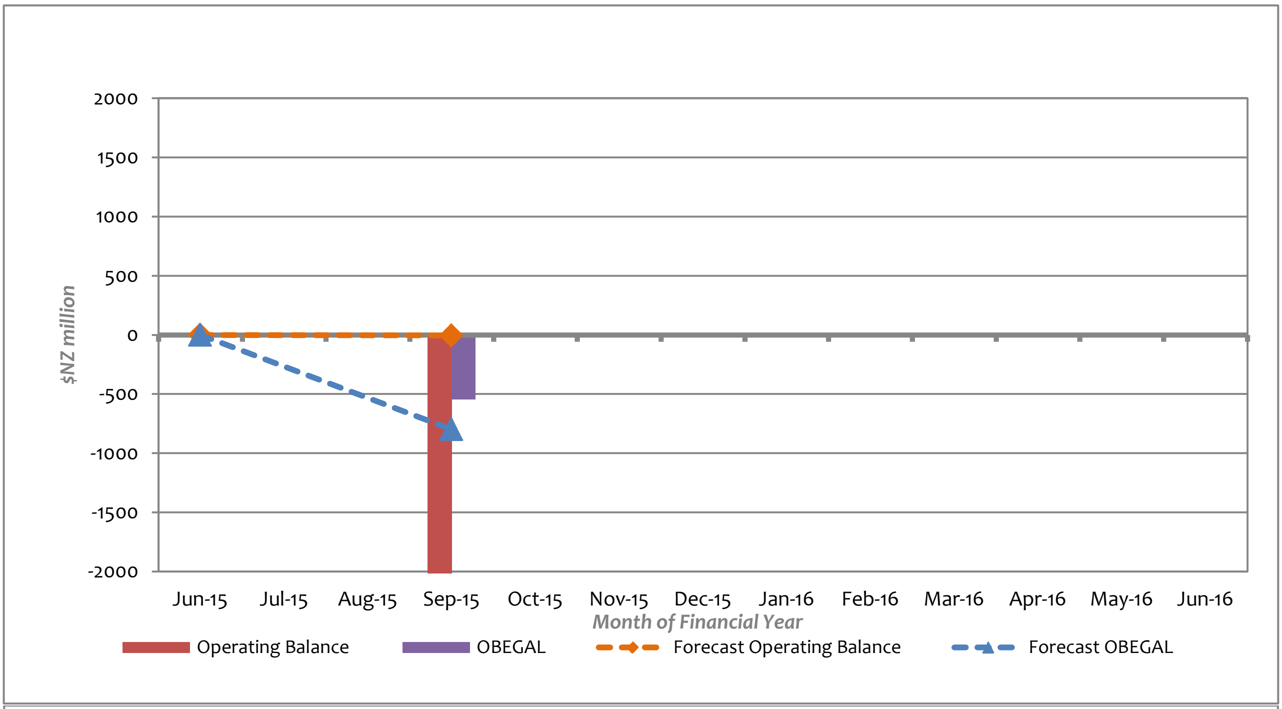
★ The Labour Cost Index (LCI) for salary and ordinary time wage rates rose 0.4 percent in the three months to September 2015. The LCI increased 1.6 percent in the year to September, ahead of the 0.4 percent increase in the CPI. It increased 0.3 percent in the public sector and 0.5 percent in the private sector in the three months to June. Over the year it rose 1.2 percent in the public sector and 1.7 percent in the private sector. During the year, 45 percent of jobs surveyed did not receive a pay rise, and 47 percent did not in the private sector. For the 55 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 3.1 percent. For those jobs that received increases, the median increase in the public sector was 2.0 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 3.3 percent. We estimate that jobs on collective employment agreements were 2.2 times as likely to get a pay rise as those who were not, and are more likely to get a pay rise of any size ranging from less than 2 percent to more than 5 percent. In the construction industry, wage rates in Canterbury are now rising more slowly than in the rest of the country: 0.3 percent in the quarter in Canterbury compared to 0.4 percent in the rest of the country; and over the year to September, 2.0 percent in Canterbury compared to 2.1 percent elsewhere. However for those getting a rise, there is a small advantage in Canterbury: their wage rates rose 4.2 percent compared to 4.0 percent elsewhere.

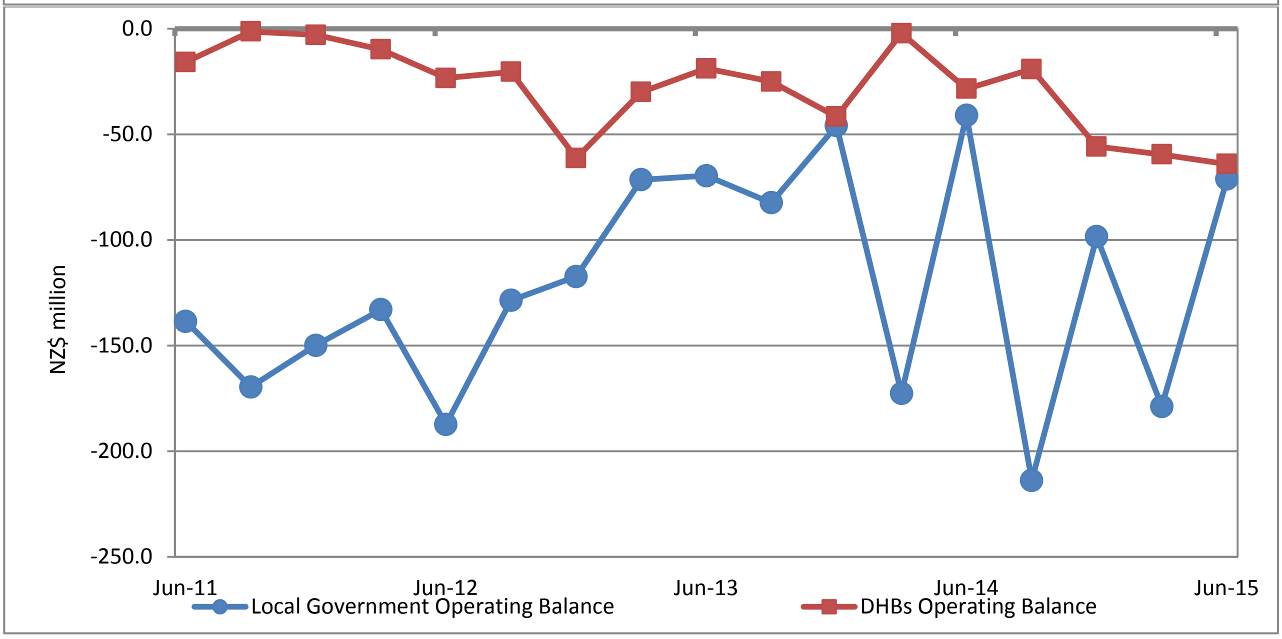
★ The Quarterly Employment Survey for the three months to September 2015 found the average hourly wage for ordinary-time work was $29.29, up 1.0 percent on the previous quarter and up 2.3 percent over the year. The average ordinary-time wage was $27.38 in the private sector (up 0.9 percent in the quarter and up 2.7 percent in the year) and $36.37 in the public sector (up 1.4 percent in the quarter and up 2.0 percent in the year). Female workers (at $27.07) earned 13.2 percent less than male workers (at $31.18) for ordinary time hourly earnings.

- The Consumer Price Index rose 0.3 percent in the September 2015 quarter compared with the June quarter, and increased 0.4 percent for the year to September. For the quarter, Vegetables (up 13.8 percent), Local authority rates and payments (up 5.7 percent), Package holidays (up 7.5 percent), Petrol (up 1.6 percent) and Purchase of new housing (up 1.4 percent) were the largest upward influences. Offsetting them were Grocery food (down 1.4 percent), Milk, cheese and eggs (down 2.9 percent), Medical services (down 2.6 percent), and Telecommunication services (down 0.9 percent). Inflation in Canterbury for the year was 0.1 percent, the second time it has been below the national average since June 2011. It was *negative* 0.1 percent in Wellington and 0.7 percent in Auckland. Housing costs are still hitting particularly hard in Canterbury, rising 2.9 percent for the year, and Auckland, rising 3.9 percent, compared to 1.2 to 2.1 percent elsewhere. Statistics New Zealand is now providing a seasonally adjusted series for the Consumer Price Index and a few of its subindexes. This takes out seasonal variation in prices to assist comparison quarter to quarter. The index rose 0.1 percent from June in seasonally adjusted terms, Food fell 0.2 percent, Clothing and footwear was unchanged, Housing and household utilities rose 0.9 percent, Communications fell 0.8 percent, Recreation and culture rose 0.2 percent, and Education rose 0.9 percent.

- ★ The Food Price Index fell by 1.2 percent in the month of October 2015 (falling 0.5 percent in seasonally adjusted terms). Food prices fell 0.5 percent in the year to October 2015. Compared with September, fruit and vegetable prices fell 5.2 percent (but rose 0.9 percent seasonally adjusted); meat, poultry, and fish prices fell 1.7 percent; grocery food prices fell 0.8 percent (down 0.9 percent seasonally adjusted); non-alcoholic beverages rose 0.2 percent; and restaurant meals and ready-to-eat food prices rose 0.2 percent.

Public Sector





★ According to Treasury's Financial Statements of the Government of New Zealand for the three months ended 30 September 2015, core Crown tax revenue was $101 million or 0.6 percent higher than forecast in the 2015 Budget Economic and Fiscal Update (BEFU). PAYE was 1.7 percent ($107 million) higher than forecast, corporate tax 3.4 percent higher ($72 million), but GST was $76 million (3.4 percent) below forecast due to lower than forecast domestic spending in dollar terms. Core Crown expenses were $34 million (0.2 percent) higher than forecast, due to a budgeting adjustment ("top-down expense adjustment") with actual expenses lower than forecast led by $135 million from IRD with lower bad debt and Working for Families tax credits than forecast. The Operating Balance before Gains and Losses (OBEGAL) was a $545 million deficit, $253 million better than the $798 million deficit forecast, mainly due to lower expenses and higher levy and dividend income in ACC, totalling $214 million. The Operating Balance was a $2,242 million deficit, $2,238 billion worse than expected, the difference being mainly due to net losses on financial instruments in the New Zealand Superannuation Fund of $2.4 billion "due to the high level of volatility experienced in the period". Net debt at 26.1 percent of GDP ($62.8 billion) was $1.9 million lower than the $64.7 billion forecast. Gross debt at $87.3 billion was $3.3 billion above forecast.

- ★ District Health Boards recorded combined deficits of $24.1 million for the three months to September 2015. This is $4.8 million worse than their plans. The Northern region was $0.1 million ahead of plan with a surplus of $7.0 million and three of the four DHBs in surplus, the Midland region was $0.6 million ahead of plan with a combined deficit of $4.5 million and all DHBs in deficit, Central region was $5.8 million behind plan and all DHBs in deficit including Capital and Coast at $6.0 million, for a total $13.9 million, and the Southern Region was $0.2 million ahead of plan with a $12.6 million deficit and four of the five DHBs in deficit including Canterbury at $5.1 million and Southern at $7.9 million. The DHB furthest ahead of plan was Southern by $2.0 million, and MidCentral was furthest behind, by $2.4 million. The Funder arms were in deficit by $4.7 million, and Provider arms in deficit by $19.8 million. Unaudited results for the year to June 2015 showed DHBs in deficit by $64.1 million with the Funder arms in surplus by $169.0 million and the Provider arms in deficit by $231.6 million.

- Local Government recorded a 9.3 percent ($191.2 million) rise in operating income and a 3.7 percent rise in operating expenses ($83.6 million) including a 3.0 percent rise ($15.5 million) in employee costs for the June 2015 quarter compared to March 2015. This resulted in an operating deficit of $71.2 million in the June quarter, compared with a deficit of $178.8 million in the March quarter, and deficits in all the quarters back to March 2008 with the exception of June 2010, all in seasonally adjusted terms. Note that the latest quarter results are provisional and seasonally adjusted figures are revised with each release.

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/economicbulletin174.

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