



NEW ZEALAND COUNCIL OF TRADE UNIONS

*Te Kauae Kaimahi*

# CTU Monthly Economic Bulletin

No. 191 (July 2017)

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## *Commentary*

### **Fighting fake facts**

#### **Summary**

The heat of the general election campaign is rising so I suppose it is the time that you'd expect more than usual numbers of fake facts to be tossed around. You'd also hope that there would be more than the usual journalistic checking of them. Here's a check of a couple of fake facts to help both them and you.

#### **"An economy producing 10,000 new jobs a month"**

How many times have you heard Bill English say that?

It's not true. You can get there if you grab onto the usual seasonal increase in employment in December – but then you have to explain relatively poor employment growth in other quarters. Adjusting for seasonal effects, on average 9,700 more people were employed per month over the March quarter. That's the closest it gets. On average 7,300 more people were employed per month over the last year, and 5,700 over the last two years taking into account changes in the Household Labour Force Survey. Don't forget also that the working age population grew by 8,200 a month over the last year and 7,800 per month over the last two years.

#### **"A 30,000 reduction in migration right now will stall the economy"**

That's Bill English too.

This is nonsense.

Actually Treasury in effect modelled something like this last year. Its Half Year Economic and Fiscal Update (HYEFU) published in December had net immigration falling by 30,000 from 69,800 in September 2016 to 39,780 in September 2018 – not much more than a year away now. Did they think that the economy would stall? Nope, Treasury forecast 3.5 percent annual average GDP growth in the year to June 2018 and 2.9 percent the following year. There were other things going on too, so these numbers aren't solely a result of changes in net immigration, and Treasury is hardly perfect in its forecasts but there was no "stall". After all, we've had net immigration well below these levels for all of New Zealand's history.

This doesn't mean we can cut back immigration as if there is no tomorrow. There is a continuing need for the right skills in the right places if they truly cannot be provided by New Zealanders. On the other hand, it should not be used to give employers a free pass to avoid training people and to avoid the pay rises that tell trainees that the training was worth it. It should not be a free pass to avoid raising pay and conditions to attract locals to jobs.

The heat of the general election campaign is rising so I suppose it is the time that you'd expect more than usual numbers of fake facts to be tossed around. You'd also hope that there would be more than

the usual journalistic checking of them. Here's a check of a couple of fake facts to help both them and you, dear reader.

### **“An economy producing 10,000 new jobs a month”**

How many times have you heard Bill English say that? Here's one:

<https://www.stuff.co.nz/national/politics/95031527/Government-backdown-on-immigration-changes>

It's not true. You can get there if you grab onto the usual seasonal increase in employment in December – but then you have to explain relatively poor employment growth in other quarters. Adjusting for seasonal effects, on average 9,700 more people were employed per month over the March quarter. That's the closest it gets. On average 7,300 more people were employed per month over the last year, and 5,700 over the last two years taking into account changes in the Household Labour Force Survey. Don't forget also that the working age population grew by 8,200 a month over the last year and 7,800 per month over the last two years.

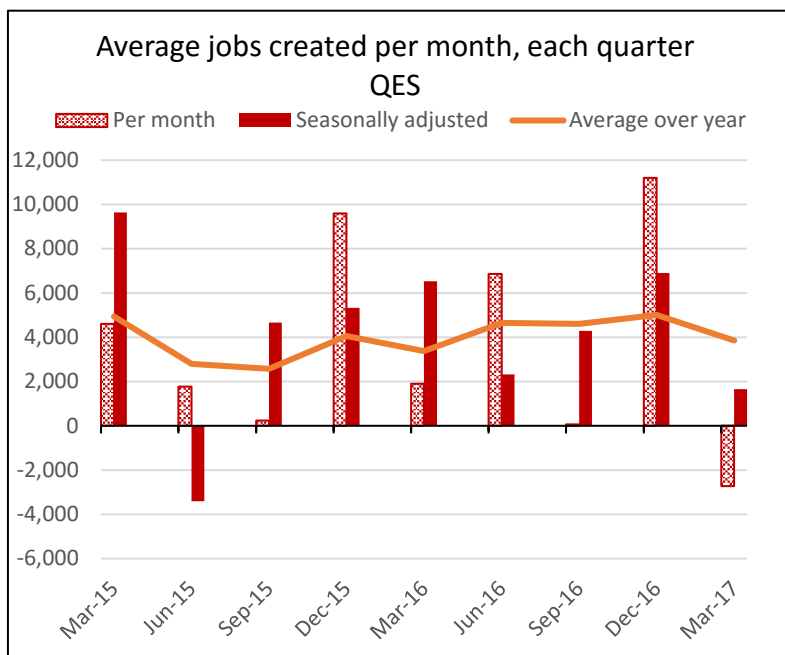
Here's the detail:

There are two main up to date official sources of jobs data from Statistics New Zealand. One is the Quarterly Employment Survey (QES) which doesn't include some industries (notably agriculture) nor many small businesses and self-employed people because it surveys only larger employers. But it does give data on “jobs” (remembering that one person can have more than one job). The other is the Household Labour Force Survey (HLFS) which covers all industries and businesses because it surveys households rather than employers. It gives data on *employment* rather than jobs – the number of people who are in paid work (or working for nothing in a family business) at least one hour a week. But you could confuse that with jobs. So let's look at both. I went back further just to be sure, in case the PM was engaging in nostalgia, but it doesn't improve his case. To avoid clutter I'll just show you the last two years.

The graph on the right shows what the QES finds.

The shaded vertical bars show the average monthly increase in jobs each quarter (i.e. averaged over three months). Gosh, in the December 2016 quarter, it went over 10,000 – 11,200 to be precise. But it did that back in December 2015 too, and looking back there is a strong seasonal effect – could that be students finding holiday jobs plus Christmas plus the peak tourism season?

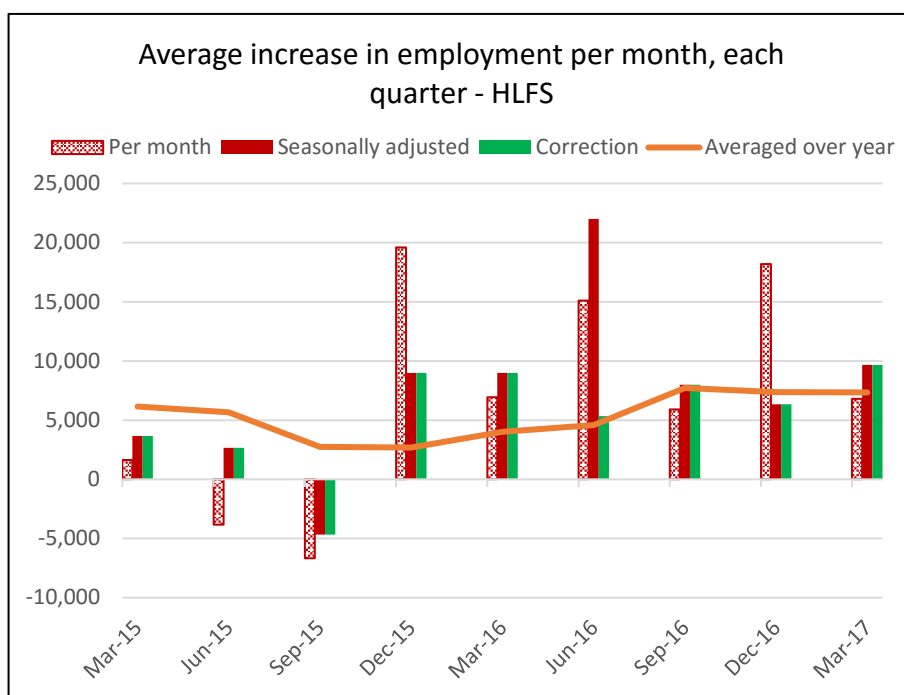
Whoops, in the March quarter the number of jobs actually *fell* by 2700 per month. That's not an economy producing 10,000 jobs a month, surely? No, it's students going back to tertiary study, tourism running down, post-Christmas blues etc.



So let's be fair and not cherry-pick the quarters that suit us: Statistics New Zealand help with that by seasonally adjusting the series – the solid vertical bars in the graph. Do any of those go over 10,000? Hmm, there's one that almost gets there back in March 2015 (9,600 actually), and the last time it went over 10,000 was back in September 2005. In fact on average, according to the QES, job creation is around 4,000-5,000 a month – see the orange line on the graph. No joy for the Government here.

Perhaps the HLFS will give them the right answer? See the next graph. Again the average monthly increase in each quarter is a shaded bar. We see the same seasonal December pattern. And yes it did go well over 10,000 in both the last two Decembers. It's stronger than the QES shows because not only are there students finding employment, Christmas, and tourism but there are the seasonal agriculture and horticulture jobs on top of that which the QES missed.

But oh dear, in the March quarter, only 6,800 more people found employment per month. That's not 10,000. Perhaps we should adjust for seasonal factors again: the solid red bars. Great, it actually takes the March quarter employment increase almost up to 10,000 – it's at 9,700 per month. But December wasn't such a great quarter after all – only 6,300 more employed after taking account of the seasonal factors.



But wait – look at red bar in the June 2016 quarter! It's way up at a 22,000 increase. Isn't that proof we're on a new road of employment growth? Well no, sorry. That month, Statistics New Zealand changed the way they did their Household Labour Force Survey. Their staff recently estimated that the change in the survey method alone (not real improvements in the economy) was responsible for the appearance of an additional 50,000 people in employment<sup>1</sup>. The green bar shows what it looks like if we take those off. On average over the last two to three years according to the HLFS, employment creation has averaged between 3,000 and 7,000 – see the orange line on the graph. It's good that it has been rising, but still no joy for the Government here.

<sup>1</sup> See Anand-Kumar, V., Penny, R., & Gordon, M. (2017). *Investigation on the impact of the 2016 redevelopment on the Household Labour Force time series*. Wellington, New Zealand: Statistics New Zealand. Retrieved from <http://on-cue.co.nz/Vinyak%20Anand-Kumar.pdf>. They estimated that the change created a level shift upwards in the number employed of 29,000 males and 21,000 females. This was their preferred estimate: they calculated a 95 percent confidence interval of between 7,000 and 50,000 males and zero and 42,000 females.

Indeed, employment growth is barely keeping up with the rapid growth in the working age population which increased by 8,200 people per month over the year to March, and 7,800 a month over the last two years. The employment growth is not enough to make the urgent reduction needed in official unemployment (132,000 people seasonally adjusted) plus the other 208,000 who want jobs or more hours but are excluded from the official definition of “unemployed”. Let alone good, secure jobs with future career prospects that pay living wages.

An economy producing 10,000 new jobs a month? No. At best, just occasionally.

**“A 30,000 reduction in migration right now will stall the economy”**

Here’s Bill English saying this (he probably meant net immigration):

<https://www.stuff.co.nz/national/politics/93587892/Labour-unveils-plans-to-stop-foreign-students-backdoor-immigration-rort>

This is nonsense.

Actually Treasury in effect modelled something like this last year. Its Half Year Economic and Fiscal Update (HYEFU) published in December had net immigration falling by 30,000 from 69,800 in September 2016 to 39,780 in September 2018 – not much more than a year away now. Did they think that the economy would stall? Nope, Treasury forecast 3.5 percent annual average GDP growth in the year to June 2018 and 2.9 percent the following year. There were other things going on too of course, so these numbers aren’t solely a result of changes in net immigration, and Treasury is hardly perfect in its forecasts but there was no “stall”.

This doesn’t mean we can cut back immigration as if there is no tomorrow. There is a continuing need for the right skills in the right places if they truly cannot be provided by New Zealanders. On the other hand, it should not be used to give employers a free pass to avoid training people and to avoid the pay rises that tell trainees that the training was worth it. It should not be a free pass to avoid raising pay and conditions to attract New Zealand residents to jobs.

Reducing net immigration by 30,000 from its current level of 72,300 would still leave it at over 40,000 a year – a level that is well above our historical average (Treasury thinks the long term trend is 15,000 a year). There are valid questions to be asked as to whether the economy has the capacity to create the housing and public facilities and services needed to welcome this number of people every year. It is circular logic to say “we need more immigration to build the facilities to provide for more immigration”. The new migrants have needs too. Only if the lift in immigration produces a more than proportional lift in production and income are we ahead economically. With New Zealand’s poor productivity record, the prospects for this are not good.

It is nonsense to say that a reduction of net immigration by 30,000 would stall the economy.

**Bill Rosenberg**

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

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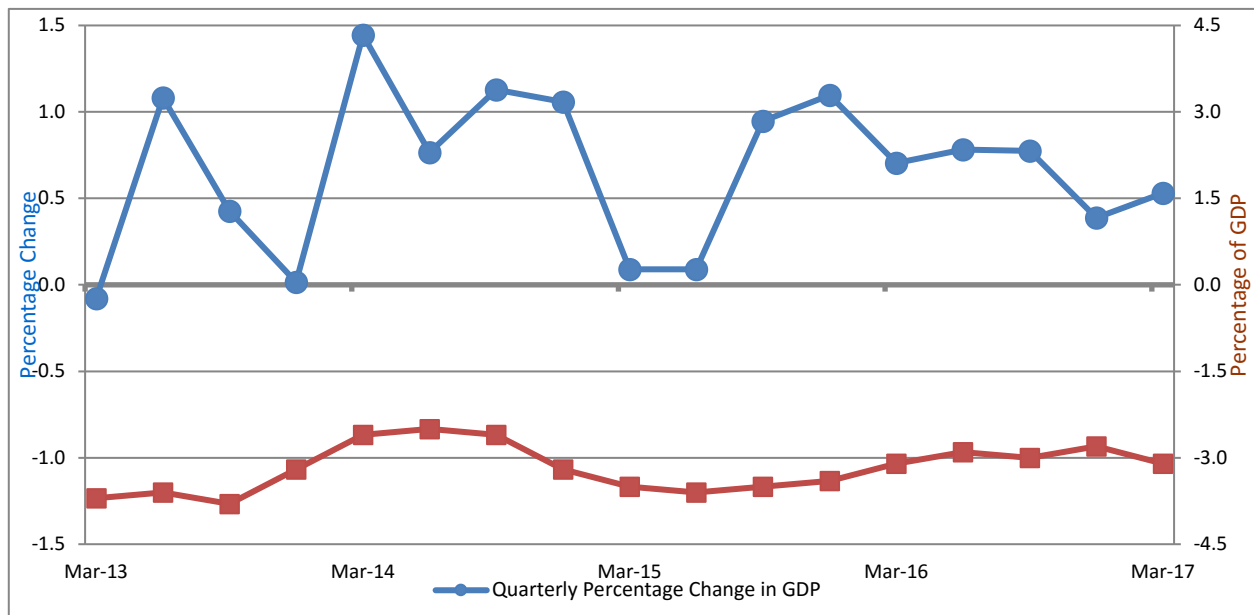
## Forecast

- This [NZIER consensus forecast](#) was released on 12 June 2017.

Annual Percentage Change (March Year)	2017-18	2018-19	2019-20
GDP	3.1	3.3	2.7
CPI	1.5	2.0	2.1
Private Sector average hourly wage	2.1	3.0	3.0
Employment	2.4	2.1	1.6
Unemployment rate (% of labour force)	4.7	4.6	4.6

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## Economy



- Growth in New Zealand's economy was below expectations in the three months to March 2017, with [Gross Domestic Product](#) rising by 0.5 percent, compared to 0.4 percent in the December quarter and 0.8 percent in both the June and September quarters too. This is the second consecutive quarter in which GDP growth has been below forecasters' expectations and is well below Treasury's 1.1 percent forecast in the Budget. If this pattern continues it could affect the viability of the Government's tax reductions and spending. Average growth for the year ended March 2017 was 3.0 percent (and 2.5 percent increase between March quarters compared to Treasury's 3.1 percent forecast, though its average growth forecast was closer to actual, also at 3.1 percent). However GDP is not keeping up with the rapidly growing population: GDP per person fell 0.1 percent in the March quarter, though it rose 0.9 percent over the 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, fell by 0.9 percent over the quarter after rising by an exceptionally strong 1.8 percent (revised down from 2.3 percent) during the December quarter. It rose 1.8 percent over the year to March. I estimate<sup>1</sup> that production per hour worked in the economy fell by 1.4 percent in the year to March compared to the same period a year ago indicating falling productivity which is bad for future wage growth. However it rose 1.1 percent in the March quarter after five consecutive quarters of falls. Business investment growth in the three months (2.3 percent) was strong following (revised down) 1.9 percent in the December quarter, and 3.7 percent over the year. Investment in housing fell 1.6 percent following only 0.1 percent growth in the previous quarter. However it grew 10.2 percent year on year. Household consumption growth strengthened to 1.3 percent in the March quarter in real terms, after rising only 0.4 percent in the previous quarter, and rose a strong 4.7 percent for the year. Inflation in the economy as a whole is higher than CPI with the GDP deflator (a price index

<sup>1</sup> Because of the changes to the Household Labour Force Survey, there is a break in the hours-worked series in June. I estimated the increase for June using the historical relationship with hours paid from the more limited Quarterly Employment Survey.

for expenditure on the economy's production) rising 1.2 percent in the March quarter and 1.8 percent (revised) in the December quarter, with a total rise of 2.5 percent for the year.

- By industry, the largest contributors to growth in the latest quarter were Agriculture, forestry, and fishing (up 2.8 percent), Manufacturing (up 1.0 percent), Electricity, gas, water, and waste services (up 2.1 percent), Retail trade and accommodation (up 1.8 percent), Public Administration and Safety (up 1.6 percent), Health care and social assistance (up 1.6 percent) and Wholesale trade (up 1.4 percent). They were offset by falls in Construction (down 2.1 percent) and Transport, postal and warehousing (down 2.0 percent). Over the year to March, the biggest rises were in Construction (up 9.3 percent), Arts, recreation, and other services (up 6.8 percent), Retail trade and accommodation (up 5.4 percent), Health care and social assistance (up 5.3 percent), and Professional, scientific, technical, administration, and support (up 4.7 percent). However Agriculture, forestry, and fishing was down 1.1 percent over the year, Mining was down 10.5 percent and Information media and telecommunications down 0.2 percent.
- New Zealand recorded a [Current Account](#) deficit of \$2.8 billion in seasonally adjusted terms for the March 2017 quarter (but an actual surplus of \$244 million) following a revised \$1.7 billion deficit for the December 2016 quarter. There was another deficit in the goods trade (\$1.2 billion, seasonally adjusted, the highest since June 2008) following a \$795 million deficit in the December quarter, with deficits in all quarters back to September 2014). There was a seasonally adjusted deficit of \$198 million in goods and services (compared to a \$386 million surplus in December), the first such deficit since March 2012, while the deficit on primary income (mainly payments to overseas investors) deteriorated to \$2.3 billion from \$2.1 billion in December (seasonal adjustment not available). For the year to March 2017, the current account deficit was \$8.1 billion or 3.1 percent of GDP compared to a \$7.2 billion deficit in the year to December (2.8 percent of GDP). The deficit on investment income was \$8.5 billion for the year.
- The country's [Net International Liabilities](#) were \$154.8 billion at the end of March 2017, down from a revised \$157.5 billion at the end of December and from \$159.0 billion a year before. The March net liabilities were equivalent to 58.5 percent of GDP, compared to a revised 60.4 percent in December and 63.4 percent a year before. They would take 2.19 years of goods and services exports to pay off, down from 2.27 years a year before. The fall in net liabilities was due to \$4.6 billion in valuation changes (mainly in market price valuations) reducing liabilities, offset by a \$2.0 billion net inflow of investment, increasing liabilities. Without the valuation changes, the net liabilities would have been \$159.5 billion. Statistics New Zealand explains the net inflow of investment as follows: "There was a \$4.7 billion withdrawal of New Zealand's other investment assets held overseas. This included New Zealand banks withdrawing \$2.8 billion of currency and deposits from overseas, while increasing their other investment liabilities such as loans from overseas by \$2.5 billion. These are inflows of investment as in both cases money is flowing into New Zealand. Banks settling debt securities saw our portfolio investment liabilities decrease by \$3.4 billion. Portfolio investment abroad increased by \$1.3 billion, mainly due to increases in equity and debt securities by fund managers. These are outflows of investment as both transactions involve money leaving New Zealand." New Zealand's international debt was \$286.5 billion (108.2 percent of GDP), of which 31.1 percent is due within 12 months, compared to \$139.9 billion in financial assets (other than shares; 52.8 percent of GDP), leaving a net debt of \$146.6 billion (55.4 percent of GDP). Of the net debt, \$5.8 billion was owed by the government including the Reserve Bank (equivalent to 2.2 percent of GDP and down from \$6.4 billion in December) and \$110.3 billion by

the banks (41.7 percent of GDP), which owed \$155.8 billion gross. Total insurance claims made on overseas reinsurers from the Canterbury earthquakes are estimated at \$20.2 billion, and at 31 March 2017, \$19.7 billion of these claims had been settled, leaving \$516 million outstanding. For the Kaikōura earthquakes, out of an estimated \$814 million of claims, \$19 million had been settled leaving \$795 million outstanding.

★ [Overseas Merchandise Trade](#) for the month of June saw exports of goods rise 10.7 percent from the same month last year while imports rose 7.7 percent. This created a trade surplus for the month of \$242 million or 5.1 percent of exports. There was a trade deficit for the year of \$3.7 billion or 7.3 percent of exports, worse than the 6.8 percent deficit in the year to the same month in 2016. In seasonally adjusted terms, exports rose 3.3 percent or \$142 million over the month (compared to a 6.8 percent fall the previous month) led by rises in Dairy products (up 11.6 percent or \$139 million), Crude oil (up 164.6 percent or \$22 million, not seasonally adjusted, after a steep fall of 84.7 percent the previous month), Wine (up 10.6 percent or \$14 million), Mechanical Machinery and Equipment (up 8.9 percent or \$11 million), Electrical Machinery and Equipment (up 5.7 percent or \$5 million), and Logs and wood products (up 2.0 percent or \$8 million), offset by falls in Meat (down 2.7 percent or \$15 million), Fruit (down 6.4 percent or \$14 million), Seafood (down 10.1 percent or \$14 million) and Aluminium (down 2.4 percent or \$2 million, not seasonally adjusted). Seasonally adjusted imports fell 3.0 percent or \$142 million over the previous month, creating a trade deficit of \$104 million compared to a \$387 million deficit in the previous month. The imports were led by falls in Petroleum and products (not seasonally adjusted, down 40.5 percent or \$264 million following a 63.7 percent rise in the previous month), Textiles and textile articles (down 6.4 percent or \$189 million, not seasonally adjusted), and Electrical machinery and equipment (down 4.8 percent or \$20 million), offset by rises in Mechanical machinery and equipment (up 3.2 percent or \$20 million, not seasonally adjusted), Plastic and plastic articles (up 1.3 percent or \$2 million) and Optical, medical, and measuring equipment (up 1.0 percent or \$1 million).

● The [Retail Trade Survey](#) for the three months to March 2017 showed retail sales rose 4.6 percent by volume and 6.7 percent by value compared with the same quarter a year ago. They rose 1.5 percent by volume and 2.6 percent by value in the quarter, seasonally adjusted. The fastest rises by seasonally adjusted value over the quarter were in Non-store and commission retailing (which includes internet purchases) which was up 9.6 percent, Fuel (up 6.5 percent), Motor vehicles and parts (up 5.9 percent) and Food and beverage services (up 4.0 percent). There were falls in Recreational Goods (down 0.8 percent), Department Stores (down 0.5 percent), Supermarket and grocery stores (down 0.2 percent) and Specialised food (down 0.1 percent). Supermarket and grocery stores, easily the largest single sector, fell 0.2 percent by value and 2.0 percent by volume.

★ The [Performance of Manufacturing Index](#) for June 2017 was 56.2, a fall from 58.2 in the previous month. The employment sub-index was at 49.5, a sharp fall from 55.0 in the previous month and below 50 for the first since last November.

★ The [Performance of Services Index](#) for June 2017 was 58.6, a slight fall from 58.8 the previous month. The employment sub-index was 54.2, down from 54.4 in the previous month.

*For these two 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.*

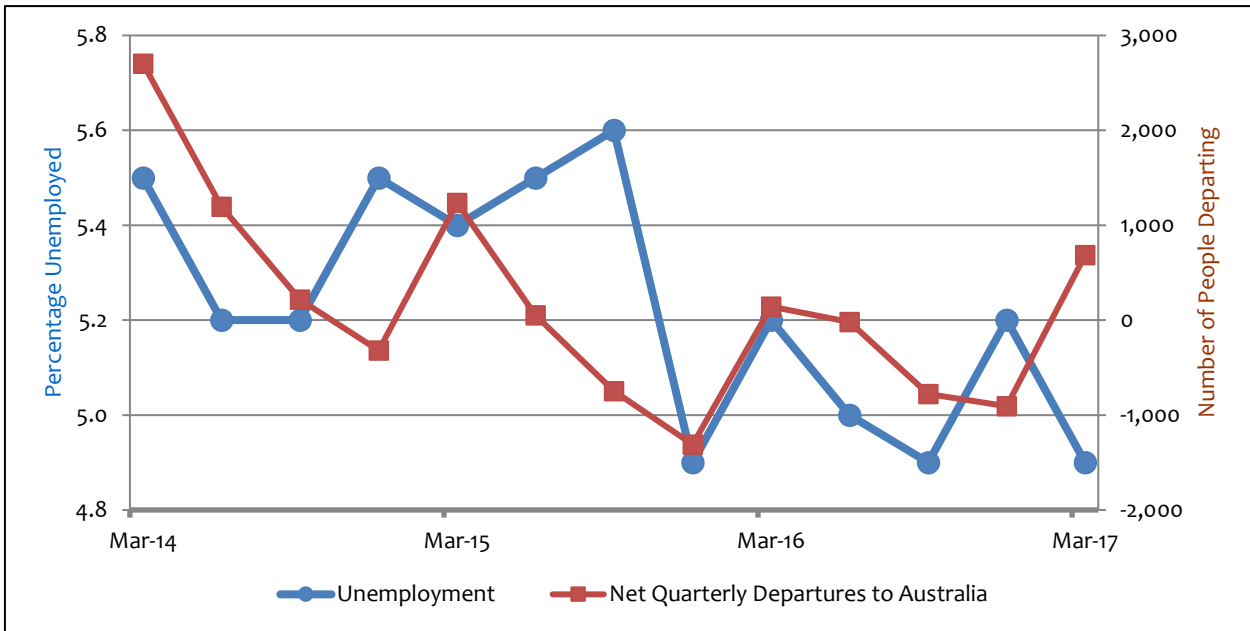
● On 22 June 2017 the Reserve Bank left the [Official Cash Rate \(OCR\)](#) at its record low of 1.75 percent. It indicated, as it has for some time, that the rate is likely to be in place for a considerable



time unless there were unforeseen events: “Monetary policy will remain accommodative for a considerable period. Numerous uncertainties remain and policy may need to adjust accordingly”. After a pause in the last statement it returned to expressing concerns about the international situation: “Global economic growth has increased and become more broad-based. However, major challenges remain with on-going surplus capacity and extensive political uncertainty.” It also returned to expressing concerns about the exchange rate. The trade-weighted exchange rate (that is a combination of exchange rates with New Zealand’s main trading partners, weighted by our trade with them) which had fallen at the time of the last statement “has increased by around 3 percent since May, partly in response to higher export prices. A lower New Zealand dollar would help rebalance the growth outlook towards the tradables sector.” Economic growth in New Zealand in the March quarter was weaker than expected, but “the growth outlook remains positive, supported by accommodative monetary policy, strong population growth, and high terms of trade. Recent changes announced in Budget 2017 should support the outlook for growth.” The Bank considered that house price rises had “moderated further”, partly due to its loan-to-value ratio restrictions and tighter lending conditions, and thought that the moderation would continue but there was a risk that price rises resume because house building wasn’t keeping up with demand. As it said last time, it considered inflation would be brought to 2 percent “in the medium term”. The [next OCR announcement](#) will be on 10 August 2017.

★ According to [REINZ](#), over the year to June the national median house price rose \$29,000 or 5.8 percent to \$529,000 and REINZ’s house price index rose 2.8 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 fell 0.2 percent seasonally adjusted while the house price index fell 0.3 percent. In Auckland, over the year, the median price rose 2.5 percent or \$20,500 to \$850,500 while the house price index fell 0.6 percent. Over the month the median price rose 1.0 percent seasonally adjusted, and the house price index fell 0.5 percent. Excluding Auckland, over the year the national median price rose \$44,000 to \$431,000 or 11.4 percent while the house price index rose 9.2 percent. Over the month the median price was up 0.6 percent on the previous month seasonally adjusted, and the house price index was up 0.1 percent. Three regions had record median prices: Bay of Plenty (\$555,000, up 14.2 percent over the year), Manawatu/Wanganui (\$280,000, up 19.1 percent), and Nelson-Marlborough-Tasman (\$486,000, up 20.0 percent). Median prices fell in 6 of the 14 regions over the month, seasonally adjusted, and sales fell in all but two of the regions. Over the year, sales fell sharply in all regions, averaging a 26.3 percent fall.

## Employment



- According to the [Household Labour Force Survey \(HLFS\)](#) the **unemployment** rate in the March 2017 quarter fell to 4.9 percent or 132,000 people, compared to 5.2 percent in December 2016 (138,000 people), seasonally adjusted. It is half as much again than the 3.3 percent it was in December 2007, which would mean 44,000 more people would have jobs. The seasonally adjusted female unemployment rate at 5.7 percent in March was higher than for men (4.2 percent), and while female unemployment was unchanged compared to the previous quarter, male unemployment fell from 4.9 percent. Māori unemployment fell from 12.2 percent in March 2016 to 10.4 percent in March 2017, and Pacific people's unemployment rose from 9.8 percent to 11.0 percent over the year. Compared to OECD unemployment rates, New Zealand had 13<sup>th</sup> lowest (out of 35 countries), the same as in December.
- Youth unemployment** for 15-19 year olds was 20.4 percent in March, down from 21.9 percent in December 2016, and equal to the 21.9 percent in March 2016 (these and the other statistics for the whole youth population are seasonally adjusted, but those for Māori and for Pacific Peoples are not). For Māori 15-19 year olds in March 2017 the unemployment rate was 21.2 percent, a sharp decline from 34.2 percent a year before. For 15-19 year old Pacific Peoples it was 32.8 percent, similar to the 33.1 percent it was a year before. For 20-24 year olds youth unemployment was 8.7 percent, down from 9.4 percent in December and 9.5 percent a year before. For Māori 20-24 year olds in March 2017 the unemployment rate was 13.4 percent, lower than the 16.2 percent a year before. For 20-24 year old Pacific Peoples it was 13.0 percent, similar to the 12.7 percent it was a year before. The proportion of 15-19 year olds "not in employment, education, or training" (the NEET rate) for 15-19 year olds was 10.5 percent, up from 9.6 percent in December and 8.8 percent a year before. For Māori 15-19 year olds in March 2017 the rate was 16.8 percent, compared to 17.3 percent a year before and for Pacific Peoples it was 17.1 percent, up from 13.8 percent a year before. For 20-24 year olds the NEET rate was 14.9 percent, down from 17.1 percent in December and 15.9 percent a year before. For Māori 20-24 year olds in March the rate was 26.6 percent and for Pacific Peoples it was 22.3 percent. For the whole 15-24 year old group, unemployment was higher for those in education (14.9 percent) than those not in education (11.7 percent). There were

86,000 people aged 15-24 years who were not in employment, education, or training (NEET), down from 90,000 in December but up from 82,000 a year before.

- By **region**, in the North Island, unemployment rates rose compared to a year ago in two out of the eight regions but only in Bay of Plenty was the rise statistically significant (that is, for the other regions the error in the estimates of unemployment means it cannot be ruled out that the rises were in fact zero). In the North Island, Northland has the worst unemployment rate at 8.0 percent while Gisborne/Hawke's Bay and Bay of Plenty are tied for second at 7.6 percent at 4.9 percent. The change in Bay of Plenty from one of the best to one of the worst is steep: from 4.7 percent in March 2016 to 7.6 percent in March 2017. Auckland is at 5.0 percent (down from 6.1 percent a year before) and Wellington 5.1 percent (down from 5.9 percent a year before). The South Island looks better with Tasman/Nelson/Marlborough/West Coast at 2.8 percent showing a statistically significant improvement from 5.1 percent a year before, Otago at 4.4 percent (the same as a year before) and Southland at 4.7 percent (4.6 percent a year before). However Canterbury at 4.0 percent has a statistically significant deterioration from 2.7 percent a year before.
- There are 44,500 unemployed people who have been **out of work for more than 6 months**. This is apparently a large increase from the 32,100 a year before but a change in the survey question could have contributed to this. This is 32.0 percent of the unemployed compared to 22.9 percent a year before, a level that has not been previously reached in a March quarter since 1999. Those out of work for more than a year are 14.0 percent of the unemployed compared to 10.3 percent a year before (again possibly affected by the changed survey question), the highest in a March quarter since 2002.
- 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 quarter there were a total of 346,700 people looking for work classed as "underutilised", or 12.5 percent of the labour force extended to include these people. Of them, 109,600 were underemployed, 139,100 were officially unemployed, and 98,000 were additional jobless people looking for work (these figures are not seasonally adjusted). The 12.5 percent underutilisation rate is lower than the 13.8 percent a year before but considerably higher than in September 2007 when it was 8.8 percent. It is higher for women at 15.9 percent than for men (9.3 percent). Excluding the officially unemployed, the underutilisation rate is 7.5 percent.
- The number recorded as **employed** rose by 29,000 between the December 2016 and March 2017 quarters (seasonally adjusted). The recorded employment rate rose from 66.8 percent to 67.1 percent over the three months. It was 61.6 percent for women and 73.0 percent for men. Similarly the participation rate (the proportion of the working age population either in jobs or officially unemployed) rose from 70.5 percent to 70.6 percent, all in seasonally adjusted terms.
- **By industry**, the increase in employment of 20,100 since the December 2016 quarter was made up of both gains and losses. The biggest gains were of 18,900 in Manufacturing, 6,900 in Professional, scientific, technical, administrative, and support services, and 4,400 in both Transport, postal, and warehousing and Rental, hiring, and real estate services. The largest falls were of 9,800 in Retail trade, accommodation and food services, and 4,000 in Arts, recreation, and other services. These are not seasonally adjusted.

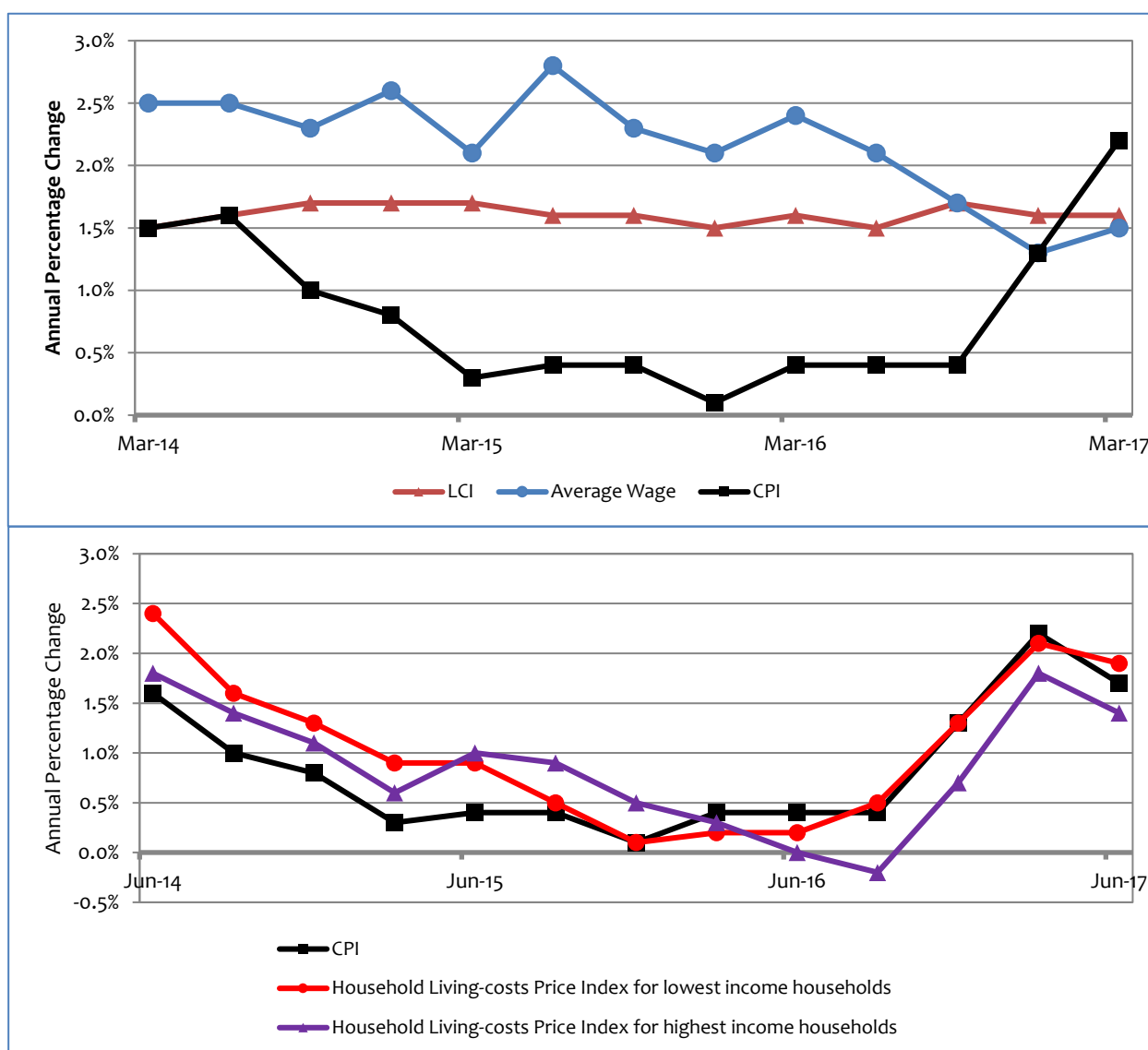
- In the March 2017 quarter, total **union membership** was estimated at 375,400, a 0.7 percent fall from 377,900 in the December quarter and down from 379,300 in the June quarter. The membership is 18.1 percent of employees (or slightly higher if those who didn't know were discounted) compared to 18.3 percent in the December quarter and 19.1 percent in the June quarter. Women make up 56.5 percent of the membership compared to 48.9 percent of all employees. As a result, the proportion of women employees who are in unions is higher than for men – 21.0 percent compared to 15.4 percent. There may be seasonal variations in union membership which are not yet apparent, so quarterly comparisons may not represent annual trends. Regarding coverage by a **collective employment agreement**, 18.7 percent of employees (387,800, which is larger than the estimated number of union members) said their employment agreement was a collective in March compared to 19.2 percent in December and 20.6 percent (410,300) in June; 66.4 percent (1,373,400) said it was an individual agreement compared to 65.9 percent in December and 62.9 percent in June, and 7.4 percent or 153,900 said they had no agreement (which is illegal), compared to 7.8 percent in December and 8.6 percent in June. While the proportion has fallen slightly, there is still a large number that flout the law. A further 7.4 percent of employees didn't know what kind of employment agreement they had. Coverage by collective agreement was 16.1 percent for men and 21.5 percent for women. Again, these figures could be affected by seasonal variations in numbers.
- By **employment relationship**, in the March 2017 quarter, 90.0 percent of employees (1,862,800) reported they were permanent, 4.9 percent casual (102,100), 2.5 percent fixed term (51,100), 1.5 percent seasonal (31,700), and 0.3 percent employed through a “temporary agency” (7,200). The proportion reporting they were permanent was up from 89.3 percent (1,840,300) in December 2016 and 88.7 percent (1,762,900) in June. Women were slightly less likely to be permanent employees: 89.2 percent of women were permanent compared to 90.8 percent of men. Instead, women were more likely to be casual (5.4 percent of them compared to 4.5 percent of men) or fixed term (3.0 percent of women compared to 1.9 percent of men). However somewhat more men were in seasonal work than women – 1.7 percent of men (17,900) compared to 1.5 percent of women (13,800). Of the temp agency employees, 3,400 were men and 3,800 women. Women made up 48.9 percent of employees. 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.
- By **duration of employment (job tenure)**, in the March 2017 quarter, 22.8 percent of those in the labour force (including the self-employed) had been in their jobs for less than a year. Another 33.0 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 17.2 percent had been in their job for at least five but less than ten years, and 25.6 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, 27.6 percent of men had been in their jobs for more than 10 years, but only 23.4 percent of women. Age is a significant factor: 53.0 percent people aged 15 to 24 had been in their jobs for less than a year, and 29.8 percent of 25-34 year olds, but only 12.8 percent of 45-54 year olds and 10.6 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 2017 there were 118,776 working age people on the Jobseeker benefit, 822 more than a year before but a fall of 629 from 119,405 in March. At June 2017, 63,029 were classified as ‘Work Ready’, and 55,747 were classified

as 'Health Condition or Disability'. A total of 276,331 were on 'main' benefits, 3,846 fewer than a year before, mainly due to 4,791 fewer on Sole Parent Support, and 1,905 fewer than March, mainly because of 1,581 fewer on Sole Parent Support. Of the 49,147 benefits cancelled during the three months to June, 20,540 or 41.8 percent of the people obtained work, 10.8 percent transferred to another benefit and 5.3 percent became full time students.

★ [Job Vacancies Online](#) for June 2017 showed the seasonally adjusted number of job vacancies fell by 0.8 percent in the month and rose 9.8 percent over the same month a year previously, in seasonally adjusted terms. Over the year, vacancies in Auckland rose 7.2 percent, Wellington rose 6.3 percent, the rest of the North Island rose 13.9 percent, Canterbury rose 6.9 percent and the rest of the South Island rose 28.5 percent. Over the month, vacancies fell in three of the five regions: in Auckland they fell by 2.0 percent, the rest of the North Island (other than Wellington) by 0.8 percent, and Canterbury by 1.4 percent. However they rose during the month in Wellington by 0.7 percent and in the rest of the South Island by 2.6 percent. By industry, the fastest annual increases were in Construction and engineering (up 18.9 percent), Hospitality and tourism (up 10.2 percent) and Sales, retail, marketing & advertising (up 5.5 percent) but vacancies fell 6.8 percent in Education and training, and 11.7 percent in IT (Information Technology). Over the month, all fell except Accounting, HR, legal and admin (up 0.6 percent) and IT (up 1.4 percent) with the largest fall in Education and training (down 18.9 percent), but also Construction and engineering (down 1.8 percent), Healthcare and medical (down 1.9 percent), and Sales, retail, marketing and advertising (down 1.9 percent). By occupation, all categories rose over the year, the fastest rises being for Machinery Drivers (up 37.3 percent), Labourers (up 22.8 percent), Sales (up 15.7 percent) and Technicians and Trades workers (up 9.0 percent). Over the month, vacancies fell in four of the eight occupational groups, led by Community and Personal Services (down 6.3 percent) and Professionals (down 3.0 percent) while the largest rises were for Labourers (up 3.7 percent) and Machinery Drivers (up 2.8 percent).

★ [International Travel and Migration](#) statistics showed 11,500 permanent and long-term arrivals to New Zealand in June 2017 and 5,150 departures in seasonally adjusted terms, a net gain of 6,350. There was a record actual net gain of 72,305 migrants in the year to June, "a new record high" according to Statistics New Zealand. Net migration to Australia in the year to June was 560 arrivals, with 24,881 departures and 25,441 arrivals. However there was a net loss of 4,678 New Zealand citizens to Australia over the year and a net loss of 1,284 to all countries. For the month, there was a seasonally adjusted net gain from Australia of zero, compared to a gain of 280 a year before. It was made up of a loss of 460 New Zealand citizens balanced by a gain of 470 citizens of other countries. In June, 13.5 percent of the arrivals had residence visas, 16.6 percent student visas, 35.9 percent work visas, and 5.2 percent visitors. A further 28.4 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 March 2017 and increased 1.6 percent in the year, behind the 2.2 percent increase in the CPI. The LCI increased 0.3 percent in the public sector and 0.4 percent in the private sector in the three months to March. Over the year it rose 1.7 percent in the public sector and 1.5 percent in the private sector. During the year, 44 percent of jobs surveyed did not receive a pay rise, and 47 percent of private sector jobs got no rise. For the 56 percent of those jobs surveyed which received an increase in their salary or wage rate during the year, the median increase was 2.1 percent and the average increase was 3.0 percent. For those jobs that received increases, the median increase in the public sector was 2.0 percent and in the private sector 2.3 percent; the average increase in the public sector was 2.5 percent and in the private sector 3.1 percent. We estimate that over the year, jobs on collective employment agreements were 2.1 times as likely to get a pay rise as those which were not, and are more likely to get a pay rise of any size ranging from less than 2 percent to 5 percent but are 30 percent less likely to get one of more than 5 percent. Only 47 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 99 percent of those on a collective got a pay rise. In the construction industry, salary and ordinary time wage rates in Canterbury went back to falling

behind the rest of the country after a brief spurt in December: they rose 0.0 percent in Canterbury in March, but 0.7 percent in the rest of the country. Over the year to March, wage rates also rose faster in the rest of the country: 1.3 percent in Canterbury compared to 2.0 percent elsewhere. For those getting a rise, Canterbury wage rates rose 4.0 percent in the year compared to 3.6 percent elsewhere.

- The [Quarterly Employment Survey](#) for the three months to March 2017 found the average hourly wage for ordinary-time work was \$29.90, up 0.5 percent on the previous quarter and up just 1.5 percent over the year. Female workers (at \$27.76) earned 12.4 percent less than male workers (at \$31.68) for ordinary time hourly earnings. The average ordinary-time wage was \$27.82 in the private sector (up 0.3 percent in the quarter and just 1.1 percent in the year) and \$38.81 in the public sector (up 3.1 percent in the quarter and 4.3 percent in the year). In March, average total hourly wages (including overtime) ranged from \$18.90 in Accommodation and food services (a fall from \$19.05 in the previous quarter) and \$21.12 in Retail trade, to \$42.11 in Finance and insurance services, and \$39.76 in Information, media and telecommunications (a fall from \$40.26 in the previous quarter). In Accommodation and food services, 59.4 percent of employee jobs were part time, and in Retail trade, 41.8 percent were part time; 43.7 percent were also part time in Health care and social assistance, 39.3 percent in Arts, recreation and other services, and 27.3 percent in Education and training. Together these five industries made up 67 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 0.0 percent in the June 2017 quarter compared with the March 2017 quarter, and fell 0.1 percent in seasonally adjusted terms. It increased 1.7 percent for the year to June. For the quarter, the largest upward influence was Vegetables (up 19.0 percent), and Food together accounted for 367 percent of the rise. The next largest rises came from Housing and household utilities, which accounted for 580 percent of the rise. All parts of this other than Property rates and related services (which fell 0.1 percent) rose faster than the total rise in CPI. Rents were up 0.4 percent in the three months, new housing up 1.8 percent, property maintenance up 0.9 percent, and household energy up 1.5 percent, mainly due to a 1.5 percent rise in electricity prices. House insurance was up 1.3 percent and contents insurance 0.8 percent. Alcoholic beverages and Tobacco contributed 16 percent of the rise. While transport prices fell 1.3 percent, much of that was due to falling prices of domestic air travel (down 14.5 percent), but petrol prices fell 1.9 percent. Communications fell 1.8 percent, with Telecommunication equipment down 12.5 percent, and Recreation and culture was down 0.7 percent influenced by a 5.4 percent fall in the prices of Audio-visual and computing equipment, an 8.1 percent fall in accommodation services and a 1.4 percent fall in package holiday prices. Newspapers, books, and stationery however rose 3.0 percent. Over the year, Housing and household utilities was easily the biggest driver in the rise, up 3.1 percent and contributing for almost half (44.5 percent) of the increase with new housing up 6.4 percent and all the other components rising faster than overall CPI: Property maintenance (up 2.6 percent), Property rates and services (up 3.2 percent), rents (up 2.1 percent) and Household energy (up 1.8 percent). House insurance was up 7.0 percent, and Real estate services were up 9.5 percent. Professional services were also up 9.4 percent. Not part of the CPI (though in the Household Living Cost Indexes) is Interest, which was still falling in June (down 0.3 percent in the quarter and 6.4 percent over the year). Other major contributors to the annual increase were Food (up 2.0 percent, accounting for almost a quarter or 22.3 percent of the increase), Cigarettes and tobacco (up 9.8 percent, accounting for 16.0 percent of the increase), and petrol which accounted

for a tenth (10.9 percent) of the total, rising 4.5 percent. In seasonally adjusted terms, the CPI fell 0.1 percent from March, Food rose 0.5 percent, Alcoholic beverages and tobacco rose 0.8 percent, Clothing and footwear fell 0.6 percent, Housing and household utilities rose 0.6 percent, Communications fell 1.7 percent, Recreation and culture fell 0.2 percent, and Education rose 0.7 percent. In Auckland prices rose 2.0 percent, Wellington 1.4 percent and they rose 2.1 percent in the North Island other than Auckland and Wellington. Inflation in Canterbury for the year was 0.9 percent and it was 1.4 percent in the rest of the South Island. Auckland's housing costs rose 3.8 percent over the year, the fastest in the country; Wellington's rose 2.7 percent, the North Island (outside Auckland and Wellington) rose 3.2 percent, Canterbury's rose 1.1 percent and rest of the South Island rose 2.6 percent, with the national average movement of 3.1 percent exceeded by Auckland and the rest of the North Island (outside Auckland and Wellington).

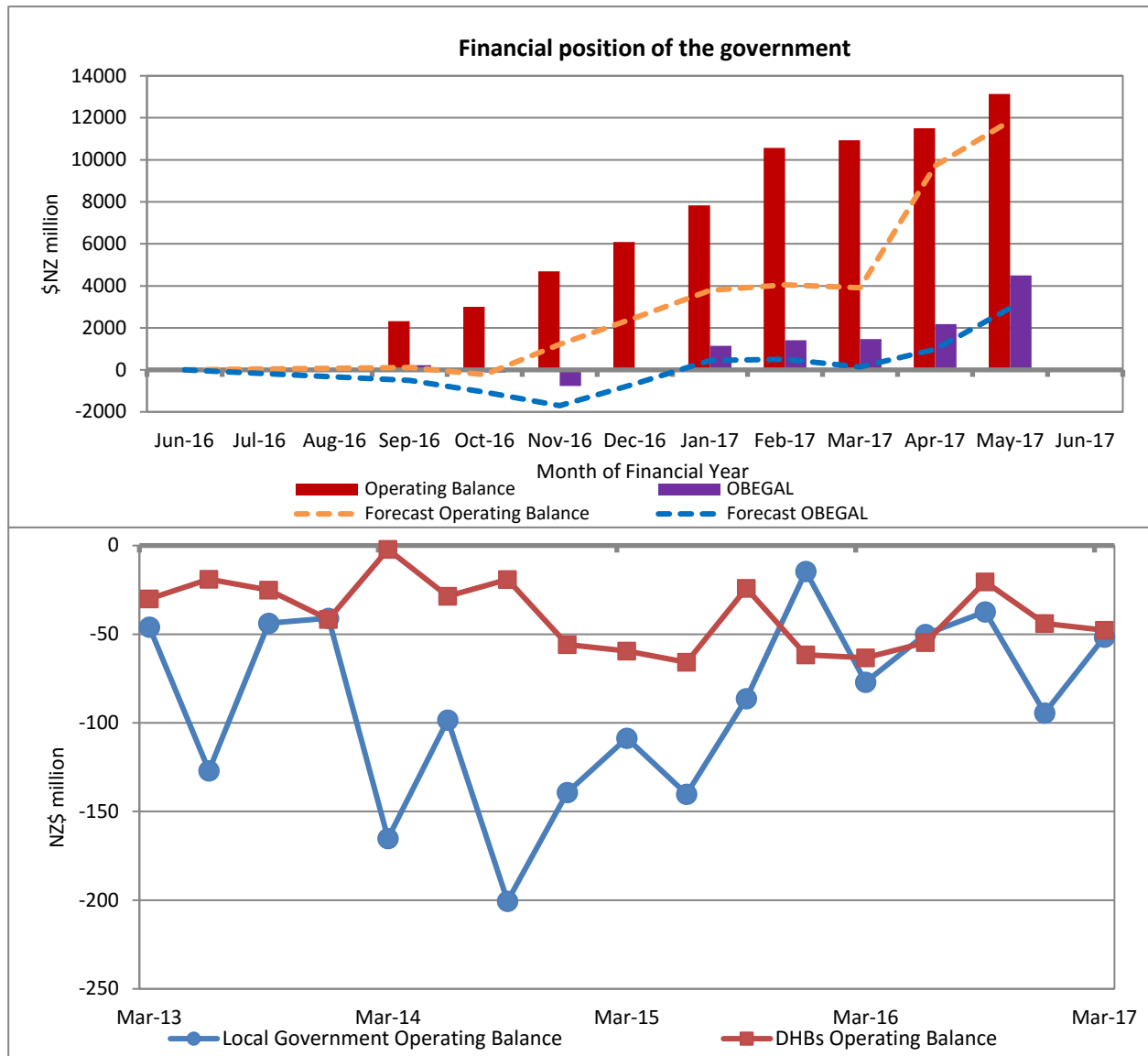
★ The [Household Living-costs Price Indexes](#) (HLPs) for the year to June 2017 again showed lower income households experiencing faster price rises than higher income households because of the differences in what they spend their money on. Prices for the necessities of housing and food dominated the rises while relative luxuries of domestic air travel and electronic goods dominated falls. Over the year, the All households HLPI index rose 1.6 percent, the Beneficiary households index rose 2.0 percent, the Māori households index rose 1.8 percent, and the Superannuitant households index rose 1.7 percent. By income quintile, the index for the lowest income households (quintile 1) rose 1.9 percent, quintile 2 rose 1.8 percent, quintile 3 rose 1.4 percent, quintile 4 rose 1.5 percent, and quintile 5 (the highest incomes) rose 1.4 percent. By expenditure quintile, the index for the lowest expenditure households (quintile 1) rose 2.0 percent, quintile 2 rose 2.8 percent, quintile 3 rose 1.5 percent, quintile 4 rose 1.5 percent, and quintile 5 rose 1.4 percent. Over the June quarter, the All households HLPI index rose 0.1 percent, the Beneficiary households index rose 0.3 percent, the Māori households index rose 0.1 percent, and the Superannuitant households index rose 0.2 percent. By income quintile, over the year the index for the lowest income households (quintile 1) rose 0.2 percent, quintile 2 rose 0.1 percent, quintile 3 rose 0.0 percent, quintile 4 fell 0.1 percent, and quintile 5 fell 0.1 percent. By expenditure quintile, the index for the lowest expenditure households (quintile 1) rose 0.2 percent, quintile 2 rose 0.2 percent, quintile 3 fell 0.1 percent, quintile 4 fell 0.1 percent, and quintile 5 rose 0.0 percent.

*HLPs 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 different types of households. There are fourteen indexes: for "all households", Beneficiary households, Māori households, Superannuitant households, five for households ranked by income (five "income quintiles"), and five for households ranked by expenditure ("expenditure quintiles"). See the commentary in the [November 2016 Bulletin](#) for more detail.*

★ The [Food Price Index](#) rose 0.2 percent in the month of June 2017 (but fell 0.3 percent in seasonally adjusted terms). Food prices rose 3.0 percent in the year to June. Compared with the previous month, fruit and vegetable prices fell 0.4 percent (and fell 6.5 percent seasonally adjusted); meat, poultry, and fish prices rose 1.0 percent; grocery food prices fell 0.3 percent (down 0.3 percent seasonally adjusted); non-alcoholic beverage prices rose 1.8 percent; and restaurant meals and ready-to-eat food prices rose 0.2 percent. (There are no significant seasonal effects for the categories without a seasonal adjustment.)



## Public Sector



★ According to Treasury’s [Financial Statements of the Government of New Zealand](#) for the eleven months to 31 May 2017, core Crown tax revenue was \$1.1 billion (1.6 percent) higher than forecast in the 2017 Budget Economic and Fiscal Update (BEFU 17). Corporate tax was \$688 million (7.4 percent) above forecast and GST was \$245 million (1.4 percent) above forecast. Overall core Crown revenue was \$1.1 billion or 1.5 percent higher than forecast, and \$5.4 billion (7.8 percent) higher than the same period last year. Core Crown expenses were \$345 million (0.5 percent) below forecast, mainly because “impairment of tax receivables [were] less than forecast”. As a result, the Operating Balance before Gains and Losses (OBEGAL) was \$4.5 billion in surplus, \$1.6 billion (52.6 percent) better than forecast. The Operating Balance was a \$13.1 billion surplus, \$1.3 billion more than forecast resulting from “lower than expected actuarial gains (mostly reflecting a lower discount rate used to convert future cash into present day dollars), partially off-set by higher than forecast returns on the Crown’s investment portfolios.” Net debt at 22.4 percent of GDP (\$59.3 billion) was \$1.2 billion lower than forecast. Gross debt at \$87.5 billion (33.0 percent of GDP) was

\$384 million less than forecast. The Crown's net worth in financial terms was \$1.3 billion higher than forecast at \$103.8 billion.

- ★ [District Health Boards](#) had 189 fewer full time equivalent staff than planned at the end of May 2017 (62,750 compared to 62,940 planned). While all categories of staff were affected except Nursing (which was 433 over plan), the largest shortfalls were in Allied Health Personnel (253 short), Medical Personnel (doctors – 156 short), and Management/Administration staff (152 short). Average costs per full time equivalent staff were very close to those planned (\$93,800 compared to \$93,400). The DHBs had accumulated combined deficits of \$86.6 million in the eleven months to May. This is \$39.7 million worse than their plans. The Funder arms were in surplus by \$158.0 million, \$57.9 million more than planned, and Provider arms (largely their hospitals) in deficit by \$245.3 million, \$98.4 million worse than planned. The Northern region was \$8.0 million behind plan with a surplus of \$10.0 million and three of the four DHBs in surplus. The Midland region was \$17.5 million behind plan with a deficit of \$7.9 million and three of the five DHBs in deficit. Central region was \$1.5 million ahead of plan a combined \$24.7 million deficit and four of the six DHBs in deficit. The Southern Region was \$15.8 million behind plan with a \$64.1 million deficit and three of the five DHBs in deficit, with Canterbury showing a \$47.6 million deficit and Southern \$19.0 million. In all, 9 of the 20 DHBs were in surplus but only six ahead of plan. The DHB furthest ahead of plan was Capital and Coast by \$4.7 million, and Canterbury was furthest behind, by \$13.7 million. Capital expenditure across all DHBs was behind plan with \$523.1 million spent out of \$704.7 million planned.
- [Local Government](#) in the March 2017 quarter recorded a 5.6 percent (\$131.3 million) increase in operating income in seasonally adjusted terms and a 3.6 percent rise in operating expenditure (\$88.4 million) including a 3.4 percent rise in employee costs (up \$18.1 million) compared to the December 2016 quarter. This resulted in an operating deficit of \$51.6 million in the March quarter, compared with a deficit of \$94.4 million in the December 2016 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 seasonally adjusted figures are revised with each release.

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## Notes

This bulletin is available online at <http://www.union.org.nz/economicbulletin191>.

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