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Commentary

Does New Zealand have low wages? Yes.

Summary

It is often said that New Zealand has a low-wage economy in comparison to other high-income countries such as those in their club, the OECD. Business NZ recently disputed that. But there is strong evidence that New Zealand does have low wages.

First, a comparison of the purchasing power of annual average wages for full-time equivalent employees between OECD countries in 2017 shows New Zealand's wages are 19th highest among 35 OECD countries. But we aren't really around the middle of the bunch. Since 1994, new countries have joined the OECD, including Mexico, Chile, and eight from Eastern Europe. All have lower wages than New Zealand. Among the countries which were in the OECD when New Zealand joined, we have 5th lowest wages. In 1990 we were genuinely middle of the bunch at 13th of the 23 countries then members. We have fallen to 5th lowest among them.

Our wages have steadily fallen behind countries like Denmark (9% behind in 1990; 29% behind in 2017) and one of the richest, Switzerland (44% behind in 1990; 53% behind in 2017). The distance our wages are behind Australia went from 20% behind in 1990 to 25% behind in 2017, but would have been closer to 36% behind (where they were in 2013) if Australian wages hadn't fallen with the end of the mining boom and increasingly repressive industrial relations there. All have a history over that period of much stronger collective bargaining than New Zealand.

Second, we can consider how the nation's income is shared. Workers generate income when they work which is shared between the employer in profits and workers in wages (including salaries). Are workers getting a fair share?

The wage share of New Zealand's domestic income fell sharply from the early 1980s and despite a modest rise from 2002 to 2009 is falling again. If the share had been where it was in 1981, New Zealand workers would have averaged \$12,500 per year better off in 2017. Much of the fall can be attributed to laws which decimated unions and collective bargaining, and commercialised and privatised the state. We still have among the weakest collective bargaining in the OECD.

New Zealand workers now receive among the lowest shares of the nation's income in the OECD. In Denmark for example, with much stronger collective bargaining and unionisation supporting a high value economy, the share was similar to New Zealand's in the late 1970s but has stayed there ever since. Yes, New Zealand does have a low wage economy.

Recent OECD research confirms that we will not see improved wages in New Zealand unless we have improved industrial relations laws and practices, including effective industry-wide collective bargaining similar to what is proposed for Fair Pay Agreements. That would ensure that productivity growth and the nation's income are more fairly shared with workers.

It is often said that New Zealand has a low-wage economy in comparison to other high-income countries such as those in their club, the Organisation for Economic Cooperation and Development (OECD). Business NZ recently disputed that. So where does the truth lie? Here I look at some comparisons, and conclude that yes, New Zealand does have low wages, both in comparison to other high income countries and in comparison to the income available in New Zealand.

International comparison

First, we compare wages with other high-income countries.

The OECD, which New Zealand belongs to, is sometimes called the “rich countries club” because it contains virtually all the highest income nations. However that has been changing for some time: since 1994, countries from Eastern Europe including former parts of the Soviet Union have been joining. So have Mexico, Chile and South Korea. All have lower living standards than the great majority of the original club members. So in comparing New Zealand to the high income countries over the years, it is worth bearing in mind that the benchmark has been falling.

This illustrates the care needed in comparisons between countries. In addition, there are various ways that wages could be compared. We are interested in pay rates, so need to remove differences in hours worked between workers and countries. Comparing hourly wages is the best way to do this. Then there is the problem of currency exchange rates and differing cost of living. From a wage and salary earner’s point of view, it is the purchasing power of wages that matters. The closest we can get to comparing that is through “purchasing power parities” which are like exchange rates that adjust for the cost of living. From an employer’s point of view, if they are thinking of offshoring (like a bank shifting its call centre from Australia to New Zealand or vice versa), the exchange rate may be a more relevant comparison.

The OECD publishes “annual average wages” starting in 1990 which meet most of these needs. They use the total wage bill for each country, numbers of employees, and usual weekly hours worked by full and part time employees to arrive at an annual average wage per equivalent full-time employee. This is a close equivalent to comparing hourly rates because it does a similar job of removing differences in hours people work. I adjust these for purchasing power using the OECD’s Purchasing Power Parity series (technical details are in a note at the end of the commentary). Note that this is only an average: it says nothing about the different spreads of wages between low and high wage workers in different countries.

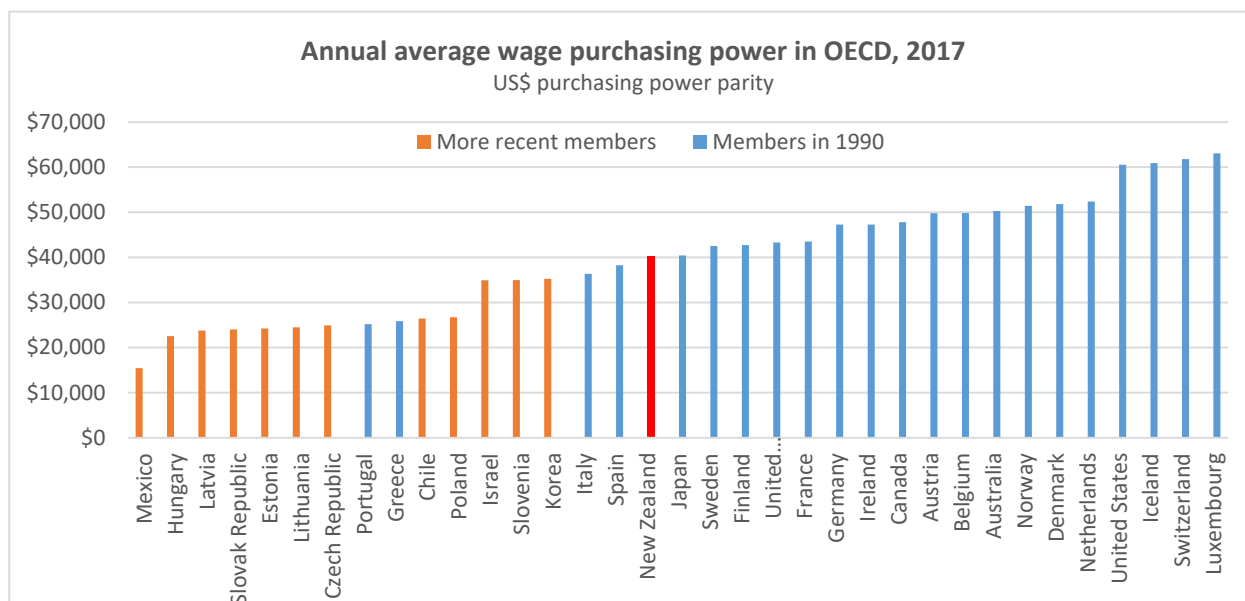
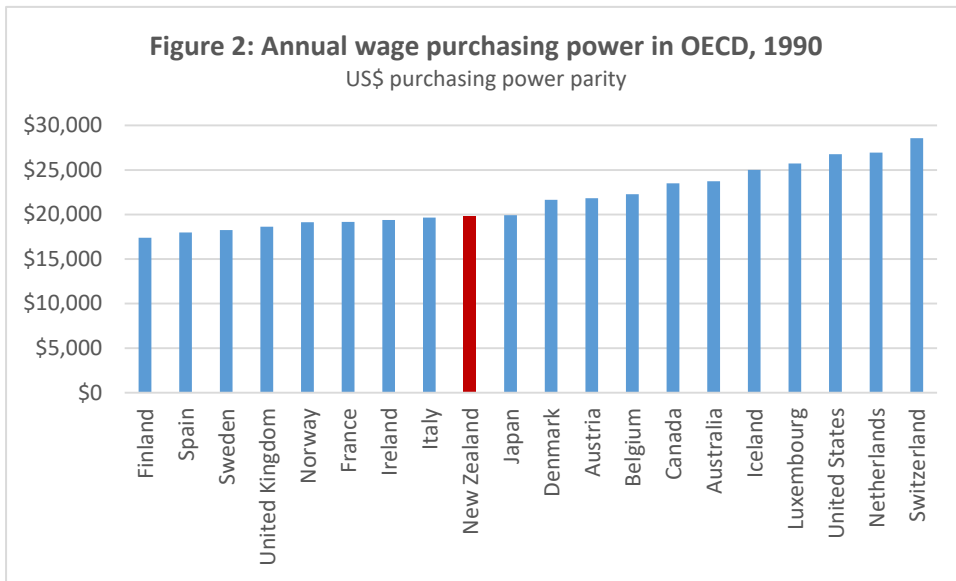


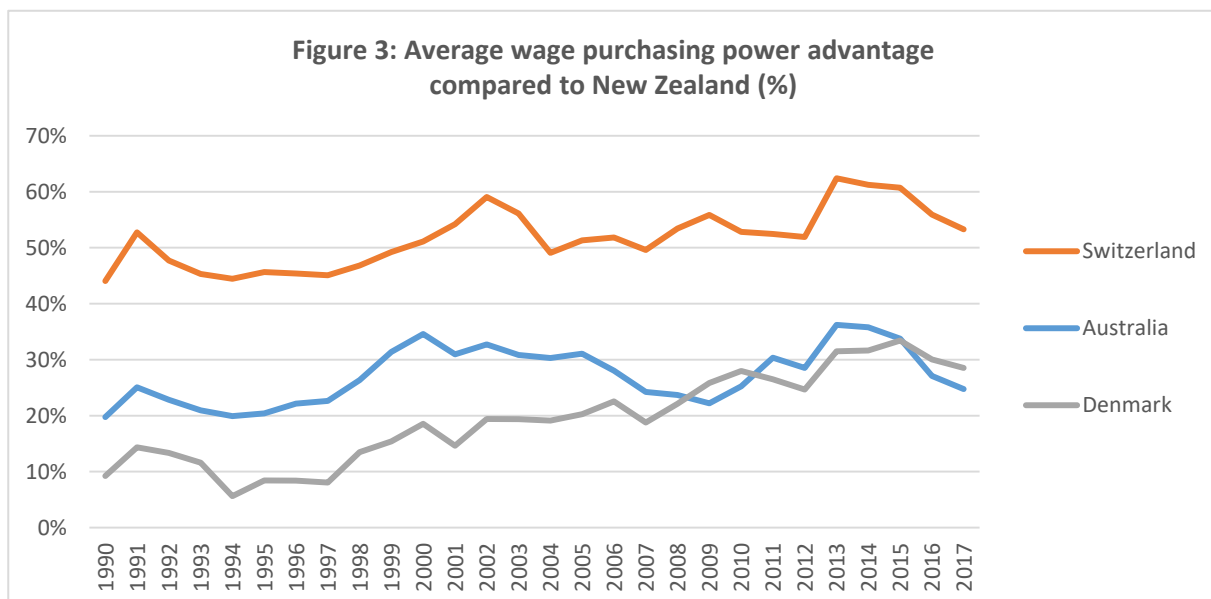
Figure 1 shows New Zealand’s annual average wage compared in purchasing power to the rest of the OECD in 2017 (latest available). As can be seen, New Zealand’s annual wage was 19th highest out of 35 members for which data is available, but fifth lowest among the older standing, richer members. It seems mid-ranked only because lower income members have joined.

To emphasise the point, Figure 2 shows the situation at the start of the series in 1990, when there were only 23 members. Three are omitted because data is not available: Greece, Portugal and Germany. Only Germany would have been higher than New Zealand. New Zealand was then 12th out of the 20 rich members (and probably 13th out of the 23).



Over the years since 1990, New Zealand has deteriorated from 13th to 19th, with most of the fall occurring in the 1990s. It deteriorated by five positions to 17th in 1991, then improved again for a few years but worsened between 1997 and 2000 to its current position of 19th where it has stayed, give or take a position, until 2017. In 1990, New Zealand’s average wage was worth 69% of the highest in the OECD (then Switzerland), and by 2017 was 64% of the highest (Luxembourg).

How do New Zealand wages compare with Australia? Figure 3 shows (in blue) how far Australia’s annual



average wages have been ahead of New Zealand annual wages in purchasing power. While it deregulated, privatised and opened its economy in some similar ways to New Zealand during the 1980s and 1990s, it retained a stronger system of industry-wide collective bargaining through an underpinning structure of awards (replaced in 2010 by “modern awards” covering over 100 industries and occupations) which provided a floor of pay and conditions in each industry. The figure also shows comparisons with Denmark, with a similar size population, also with an agricultural history but which has diversified into high value production and has maintained strong unions and collective bargaining, and Switzerland, which has been consistently near the top of the OECD.

As the figure shows, the wages of Denmark’s workers have steadily moved ahead of New Zealand in purchasing power since 1990: from around 10% ahead to around 30% in 2017. Swiss workers have maintained an advantage rising from around 45% to 55%.

The comparison with Australia is familiar, and similar to previous comparisons I have made with different data (see *Bulletins* [148 in July 2013](#) and [166 in March 2015](#)). It shows a 20% advantage to Australian workers in the 1990s (more than in my previous comparisons), rising sharply to over 30% in the late 1990s before reducing to 2009. The gap then rose to its highest point of 36% in 2013 before declining to 25% in 2017. This latest decline is less about New Zealand wages doing well than Australian wages doing badly, with the downturn in the mining industry, weakening of employment protections and repressive actions against the union movement. The real annual average wage in Australia *fell* between 2013 and 2017 at an average rate of 0.3% a year, while the New Zealand real annual wage rose at 1.6% a year – not as fast as the average 2.1% from 2000-2009, but certainly faster than Australia’s. Between 2009 and 2013, the Australian Government’s management of the Global Financial Crisis was much better than New Zealand’s and real annual wages rose at 1.6% per year on average while New Zealand’s rose only 0.4% per year.

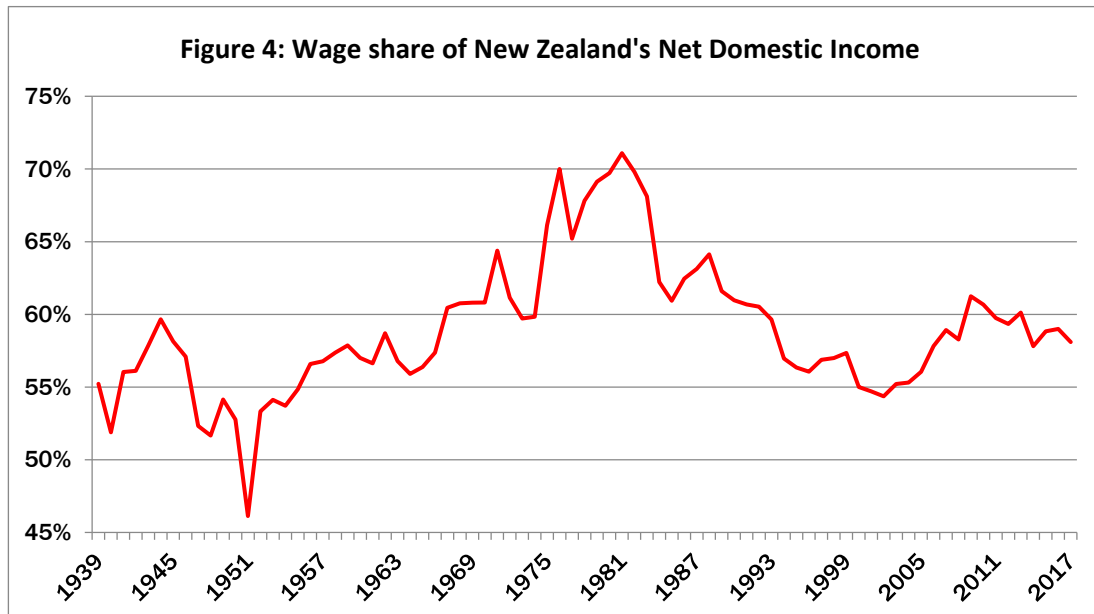
At home: wages’ share of income

As well as international comparisons we can consider how the nation’s income is shared. When they work, workers generate income which is shared between the employer in ‘operating surplus’ or profits and workers in wages (including salaries). Are workers getting a fair share?

As I have previously documented (e.g. *Bulletin* [190 in June 2017](#))¹, and as Figure 4 shows, the wage share of New Zealand’s net domestic income fell sharply from the early 1980s. After accounting for depreciation², the wage share peaked at 71% of domestic income in 1981 but it collapsed in the face of repressive employment legislation and a wage freeze. It then continued to fall until 2002 in the face of commercialisation and privatisation of the state, deregulated industrial relations under the Employment Contracts Act, halving union membership rates and crippling effective collective bargaining, slashing of the welfare system and high unemployment. A partial restoration of collective bargaining through the Employment Relations Act 2000, low unemployment and strong rises in the minimum wage contributed to a rise in the wage share until 2009 since when it has fallen again. While falling company profits as a

¹ These results including Figures 4 and 5 come from the paper Rosenberg, B. (2017). A brief history of labour’s share of income in New Zealand 1939-2016. In G. Anderson (Ed.), *Transforming Workplace Relations*. Wellington, New Zealand: Victoria University Press. Available, with technical appendix, at https://www.researchgate.net/publication/317868928_A_brief_history_of_labour%27s_share_of_income_in_New_Zealand_1939-2016

² In the National Accounts (which provide the data for these calculations) depreciation is called “consumption of fixed capital” which is wider than the accounting concept, including destruction of machinery, buildings etc in natural disasters. Gross Domestic Income less consumption of fixed capital gives Net Domestic Income.



result of the Global Financial Crisis contributed to a peak in 2009, weakening of the Employment Relations Act and higher unemployment under the previous Government meant that by the year to March 2017 the wages share was down to 58% of net domestic income.

This general picture is true whether looking at the full economy (as in Figure 4) or only the market economy.

If the wage share had remained at 71%, the average wage and salary earner in 2017 would have been \$12,500 better off per year. Each percentage point of wage share is worth approximately \$1,000 per worker per year.

A previous calculation of this shortfall, \$11,500 (see <https://www.union.org.nz/workers-out-of-pocket-11500-a-year-as-a-result-of-decades-of-poor-government-policy/>), was based on the share of *Gross Domestic Income*, which includes consumption of fixed capital but is the more usual comparison made, in contrast to *Net Domestic Income* used here. While *GDI* is the usual comparison made, perhaps because of lack of required data, in economic terms it is preferable to deduct consumption of fixed capital because this represents a part of income required to replace worn out or damaged assets required for production. It is therefore not available for distribution to owners of capital and workers.

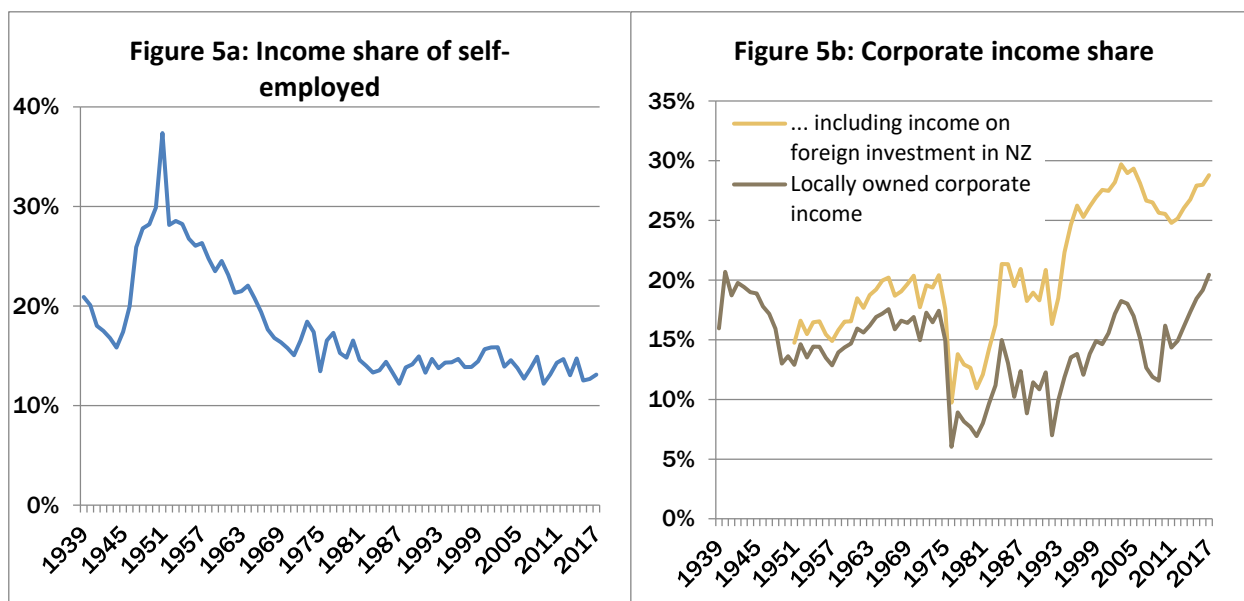
Who benefited from this fall? Figures 5a and 5b tell the story. It was not the self-employed: their share of income has steadily fallen since 1951, partly because they became wage and salary earners or corporatised their businesses (a contributor to the rise in wage share during the 1960s and 1970s). After accounting for a notional income to home owners equivalent to the rent payments they are avoiding, the remaining portion of the nation's income goes primarily to the owners of corporates, both locally and foreign owned.

They have been the principal beneficiaries of the falling share of income of wage and salary earners.

New Zealand's wage share fell sharply but is it a low share by international standards? The answer is yes. Figure 6 compares New Zealand's wage share to the median in the OECD and to Denmark¹.

Two features are important. Firstly, the rise in New Zealand's labour share in the 1960s and 1970s was not unusual internationally. Contributing factors were the move of many self-employed people into wage and salary employment (often out of agriculture) and the oil crisis of the 1970s which cut deeply into company

¹ Note that this compares the wage share to *Gross Domestic Income* which includes consumption of fixed capital (see box), because the AMECO database does not enable calculation of *Net Domestic Income*.

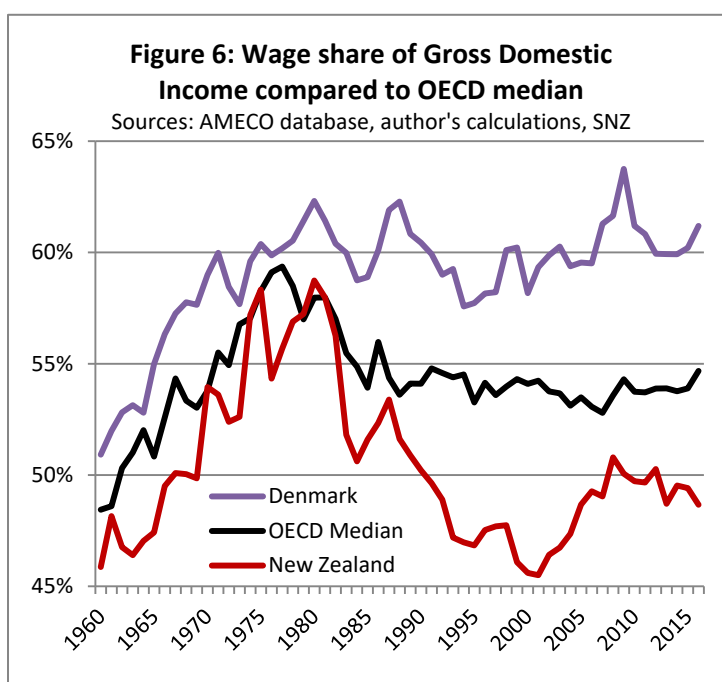


profits in OECD countries. Secondly, New Zealand’s wage share fell much more steeply than most and remains far below its peak and well below the OECD median. It is lower still compared to Denmark, a highly productive, high value economy with high levels of union membership and collective bargaining providing good wages and quality of life to its people. Denmark’s wage share has remained at similar levels to the 1970s peak.

The wage share of income has another interpretation: it is approximately equal to the real wage cost to employers of a unit volume of production, called the ‘real unit labour cost’. Low wage share therefore implies employers have low labour costs – yet another way of saying New Zealand has low wages.

In conclusion

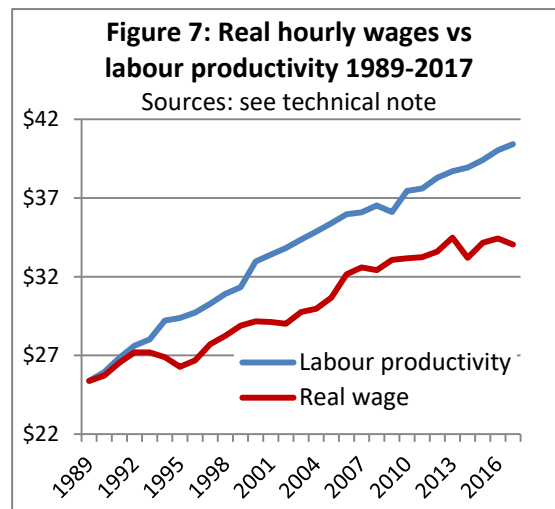
I have emphasised the influence of collective bargaining and good industrial relations legislation in maintaining higher wages. Obviously other factors are also at work: labour productivity – how much is produced per hour worked – is also a



factor for example and the weak productivity performance of New Zealand employers is well known. But in New Zealand, real wages have not kept up with even that weak productivity growth as Figure 7 shows for the period since 1989.

Good wage growth also requires fair rules and practices to overcome the imbalance in bargaining power between workers and employers: the internationally recognised way to achieve that is effective collective bargaining. The International Labour Organisation has recognised that for a century, and has written it into binding international conventions which New Zealand has signed. After decades of opposing good employment law, and recommending its repeal, the OECD and International Monetary Fund (IMF),

particularly as a result of the excesses of inequality highlighted by the Global Financial Crisis and subsequent political developments, are now advocating stronger collective bargaining (OECD) and producing research supporting it (OECD and IMF). For example the OECD in its flagship *2018 Employment Outlook* devoted a chapter to how different forms of collective bargaining “contribute to better balance, inclusiveness and flexibility in the labour market”. Good practice included coordination of bargaining (in contrast to the individual agreements dictated by employers and firm-level collective bargaining that dominate in New Zealand) and “extension” of collective bargaining which applies to whole industries, similar to what is proposed for Fair Pay Agreements. Its conclusions are based on a wealth of research by academics and its own staff.



In a 2015 working paper, IMF researchers concluded that deunionisation, dramatic in New Zealand from the late 1980s, “is associated with the rise of income inequality in our sample of advanced economies [20 including New Zealand], notably at the top of the income distribution. Our key findings are that the decline in unionization is related to the rise of top income shares and less redistribution”.¹ Another research paper published this month found poor employment protection (such as 90 day trials) was an important factor in the falling wage share of income because it reduced employees’ bargaining power.

In 2013 New Zealand had the sixth lowest collective bargaining coverage in the OECD. What we have is weakened by being largely firm level, uncoordinated with no “floor” other than the economy-wide minimum wage. We are not going to see improved wages in New Zealand until we have improved industrial relations laws and practices, including effective industry-wide collective bargaining. That would ensure that productivity growth and the nation’s income are more fairly shared with workers.

Bill Rosenberg

Technical note: OECD annual wage series data is at https://stats.oecd.org/Index.aspx?DatasetCode=AV_AN_WAGE. To compare countries, current price wages are converted using corresponding US dollar Purchasing Power Parities for private consumption expenditures at https://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE4. Figure 6 uses the AMECO database, produced by the European Commission and available at <http://tinyurl.com/ycyxn199>. Wage shares are calculated from AMECO series UWCD (Compensation of Employees) and UOGD (Operating Surplus) for countries other than New Zealand, and from Statistics New Zealand’s National Accounts, InfoShare series SNE087AA for New Zealand. Income shares are at factor prices, excluding taxes on production (such as GST) less subsidies. In Figure 7, labour productivity is from Statistics New Zealand’s InfoShare series PRD019AA for the ‘measured’ (market) sector from 1996, extrapolated back to 1989 using their ‘former measured sector’ series PRD014AA. The wage measure is Compensation of Employees divided by hours paid for the measured sector, calculated from series SNE089AA and data provided by Statistics NZ respectively, deflated by the GDP Deflator for the measured sector. 2017 is estimated using the increase in the Quarterly Employment Survey average total hourly wage and the GDP Expenditure Deflator.

¹ Jaumotte, F., & Buitron, C. O. (2015). *Inequality and Labor Market Institutions* (Staff Discussion Note No. SDN 15/14). Washington DC, USA: International Monetary Fund. Available at <http://www.imf.org/external/pubs/cat/longres.aspx?sk=42987>; and Ciminelli, G., Duval, R. A., & Furceri, D. (2018). *Employment Protection Deregulation and Labor Shares in Advanced Economies* (Working Paper No. WP18/186). Washington DC, USA: International Monetary Fund. Available at <http://www.imf.org/en/Publications/WP/Issues/2018/08/16/Employment-Protection-Deregulation-and-Labor-Shares-in-Advanced-Economies-46074>.

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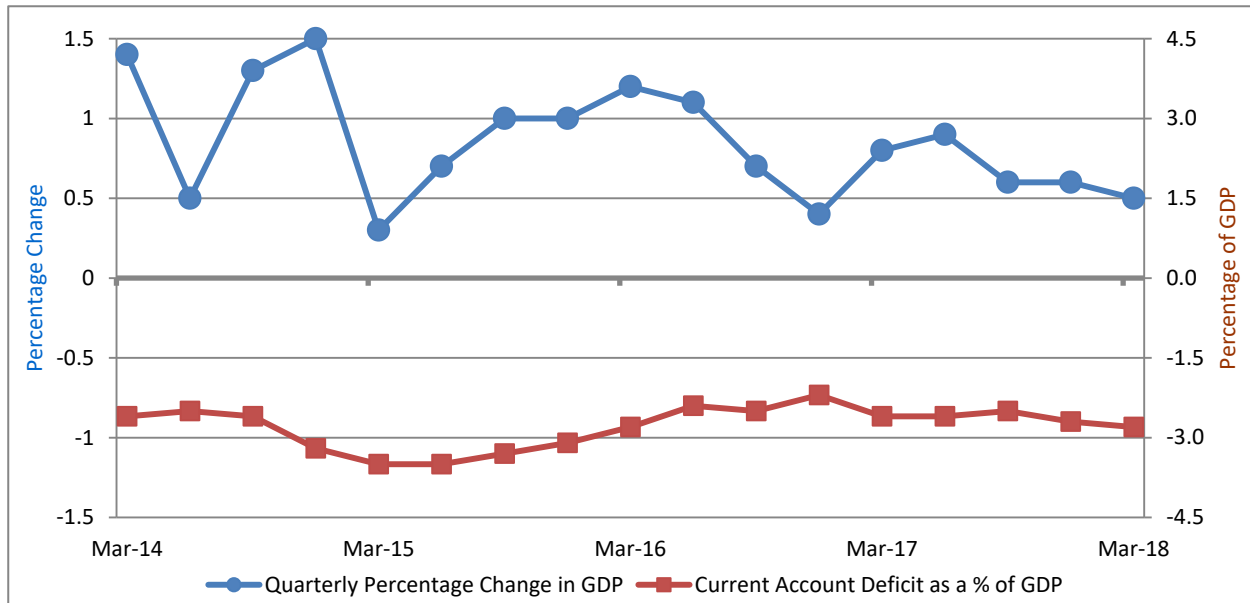
A ★ indicates information that has been updated since the last bulletin.

Forecast

- This [NZIER consensus forecast](#) was released on 18 June 2018 (actuals are in red).

Annual Percentage Change (March Year)	2017-18	2018-19	2019-20	2020-21
GDP	2.7	2.9	3.2	2.9
CPI	1.1	1.9	1.8	1.9
Private Sector average hourly wage	4.0	3.0	3.0	2.9
Employment	3.1	2.0	1.6	1.4
Unemployment rate (% of labour force)	4.4	4.3	4.3	4.2

Economy



- Growth in New Zealand's measured economy in the three months to March 2018 was lower than the 0.7 percent Treasury and Reserve Bank forecasts, with [Gross Domestic Product](#) rising by 0.5 percent, down a little from 0.6 percent in the previous quarter. Average growth for the year ended March 2017 was 2.7 percent (and 2.7 percent compared to the same quarter last year). Growth in GDP per person continues to be weak with a rapidly growing population: GDP per person was static in the March quarter (down from 0.1 percent the previous quarter), and up 0.6 percent over the year. GDP per person has been increasing at far below the rate in the 2000s when GDP per person was increasing at an average 2.3 percent a year. Since 2011 it has averaged 1.5 percent per year. Real gross national disposable income per capita, which takes into account the income that goes to overseas investors, transfers (such as insurance claims) and the change in prices for our exports and imports, grew even more weakly: it fell 0.5 percent over the quarter and rose 1.3 percent over the year to March.
- I estimate that labour productivity, measured by production per hour worked in the economy, fell 0.3 percent in the year to March compared to the same period a year ago, continuing weak labour productivity growth which is bad for future wage growth.
- Business investment rose by 0.6 percent compared to the previous quarter, with falls in all types of investment other than Plant, machinery and equipment, which rose 2.1 percent. Year-on-year growth was strong however at 5.5 percent, driven by Plant, machinery and equipment, Intangible fixed assets, and Other construction (i.e. other than buildings). Investment in housing fell 0.2 percent in the quarter following a 0.5 percent and 2.9 percent rise in the previous two quarters. It grew only 0.6 percent year on year. Household consumption did not grow in the March quarter in real terms, after rising 1.2 percent in the previous quarter, and it rose 3.9 percent year-on-year. Inflation in the economy as a whole is considerably higher than CPI, with the GDP deflator (a price index for expenditure on the economy's production, reflecting largely the revenue employers are getting for their products) rising 2.7 percent year-on-year, but fell 0.7 percent in the most recent quarter.

- By industry, the largest contributors to growth in the latest quarter were Manufacturing (up 0.7 percent), Information media and telecommunications (up 2.3 percent), Rental, hiring, and real estate services (up 0.4 percent), Professional, scientific, technical, administrative and support services (up 1.0 percent), and Public administration and safety (up 1.8 percent). There were contractions in Mining (down 0.2 percent), Electricity, gas, water and waste services (down 0.4 percent), and Construction (down 1.0 percent). Year-on-year, the biggest rises were in Retail trade and accommodation (up 5.9 percent), Transport, postal and warehousing (up 5.0 percent), Professional, scientific, technical, administrative and support services (up 4.6 percent), Health care and social assistance (up 4.5 percent), Public Administration and safety (up 4.2 percent), and Wholesale trade (up 4.1 percent). Mining contracted by 2.2 percent.
- New Zealand recorded a [Current Account](#) deficit of \$3.0 billion in seasonally adjusted terms for the March 2018 quarter, the largest since December 2008, following a \$2.0 billion deficit for the previous quarter. There was a deficit in goods trade (\$1.7 billion, seasonally adjusted) following a \$0.5 billion deficit in the previous quarter, with deficits in all quarters back to September 2014. There was a seasonally adjusted deficit of \$0.5 billion in goods and services (compared to a \$0.7 billion surplus in the previous quarter) including a \$1.3 billion surplus in services, while the deficit on primary income (mainly payments to overseas investors) was a slight improvement at a deficit of \$2.5 billion from a \$2.8 billion deficit in the previous quarter (seasonal adjustment not available). For the year to March 2018, the current account deficit was \$7.9 billion or 2.8 percent of GDP compared to a \$7.7 billion deficit in the year to December 2017 (2.7 percent of GDP). The deficit on investment income was \$9.8 billion for the year.
- The country's [Net International Liabilities](#) were \$156.1 billion at the end of March 2018, down from a revised \$156.9 billion at the end of the previous quarter but up from \$157.2 billion a year before. The March net liabilities were equivalent to 54.5 percent of GDP, compared to a revised 55.4 percent in the previous quarter and 56.6 percent a year before. Net international liabilities would take 2.00 years of goods and services exports to pay off, down from 2.18 years a year before. However gross liabilities would take 5.23 years of goods and services exports to pay off. The fall in net liabilities over the quarter was due to a net \$0.9 billion valuation increase offset a little by a \$0.1 billion net outflow of investment. Without the valuation changes, the net liabilities would have been \$156.8 billion. New Zealand's international debt was \$289.0 billion (equivalent to 100.9 percent of GDP), of which 29.9 percent is due within 12 months, compared to \$140.0 billion in financial assets (other than shares; 48.9 percent of GDP), leaving a net debt of \$149.0 billion (52.0 percent of GDP). Of the net debt, \$2.9 billion was owed by the government including the Reserve Bank, and \$110.4 billion by the banks (38.5 percent of GDP), which owed \$152.8 billion gross.
- ★ [Overseas Merchandise Trade](#) for the month of July 2018 saw exports of goods rise in value by 15.8 percent from the same month last year while imports rose 21.3 percent. This contributed to a trade deficit for the month of \$143 million or 2.7 percent of exports, following a \$288 million deficit in June. There was a trade deficit for the year of \$4.4 billion or 7.9 percent of exports, the largest annual deficit since March 2009. In seasonally adjusted terms, exports rose 6.3 percent or \$299 million over the month (compared to a 2.1 percent rise the previous month) with all major categories of exports rising: Dairy (up 10.1 percent or \$250 million), Meat (up 14.0 percent or \$84 million), Logs, wood and wood products (up 19.6 percent or \$81 million), Crude oil (up from zero to \$36 million, not seasonally adjusted), Fruit (up 8.6 percent or \$21 million), Aluminium and aluminium articles (up 19.9

percent or \$19 million, not seasonally adjusted), Seafood (up 10.6 percent or \$14 million), Mechanical machinery and equipment (up 5.9 percent or \$9 million), Wine (up 4.5 percent or \$6 million) and Electrical machinery and equipment (up 3.9 percent or \$3 million). Seasonally adjusted imports fell 0.4 percent or \$20 million over the previous month, leaving a trade deficit of \$347 million following a \$665 million deficit in the previous month. The falling imports were led by Petroleum and products (down 8.2 percent or \$66 million, not seasonally adjusted), while rises were led by Mechanical machinery and equipment (up 5.7 percent or \$41 million), Textiles (up 12.6 percent or \$25 million), Electrical machinery and equipment (up 5.4 percent or \$22 million), Plastic and plastic articles (up 6.5 percent or \$12 million) and Optical, medical, and measuring equipment (up 5.3 percent or \$8 million). In the year to July, 23.0 percent of New Zealand’s exports went to China, 16.1 percent to Australia, 9.5 percent to the US, and 60.0 percent went to the top six countries buying New Zealand exports. This compares with 21.3 percent going to China in the year to July 2017, and 60.2 percent going to the top six destinations. Over the same period, 19.1 percent of New Zealand’s imports came from China (compared to 19.6 percent in the year to July 2017), 11.6 percent from Australia, 10.6 percent from the US, and 58.1 percent from the top six countries selling to New Zealand, compared to 59.9 percent a year before.

★ The [Retail Trade Survey](#) for the three months to June 2018 showed retail sales rose 3.1 percent by volume and 3.8 percent by value compared with the same quarter a year ago. They rose 1.1 percent by volume and 1.3 percent by value in the quarter, seasonally adjusted. The fastest rises by seasonally adjusted value over the quarter were in Recreational goods (up 6.2 percent), Hardware, building and garden supplies (up 4.9 percent), Clothing, footwear and accessories (up 2.7 percent), Food and beverage services (up 2.7 percent) and Department stores (up 2.5 percent). Supermarkets and grocery stores sales (easily the largest single category, with 21.3 percent of sales), fell 0.5 percent. Sales also fell in Electrical and electronic goods (down 1.0 percent, though this reflects price falls rather than falling sales: volume was up 2.0 percent) and Furniture, floor coverings, houseware and textiles (down 0.1 percent).

★ The [Performance of Manufacturing Index](#) for July 2018 was 51.2, a fall from 52.7 in the previous month. The employment sub-index was at 51.2, a rise from 49.2 in the previous month.

★ The [Performance of Services Index](#) for July 2018 was 55.1, a rise from 52.7 the previous month. The employment sub-index was 49.9, down slightly from 50.0 in the previous month.

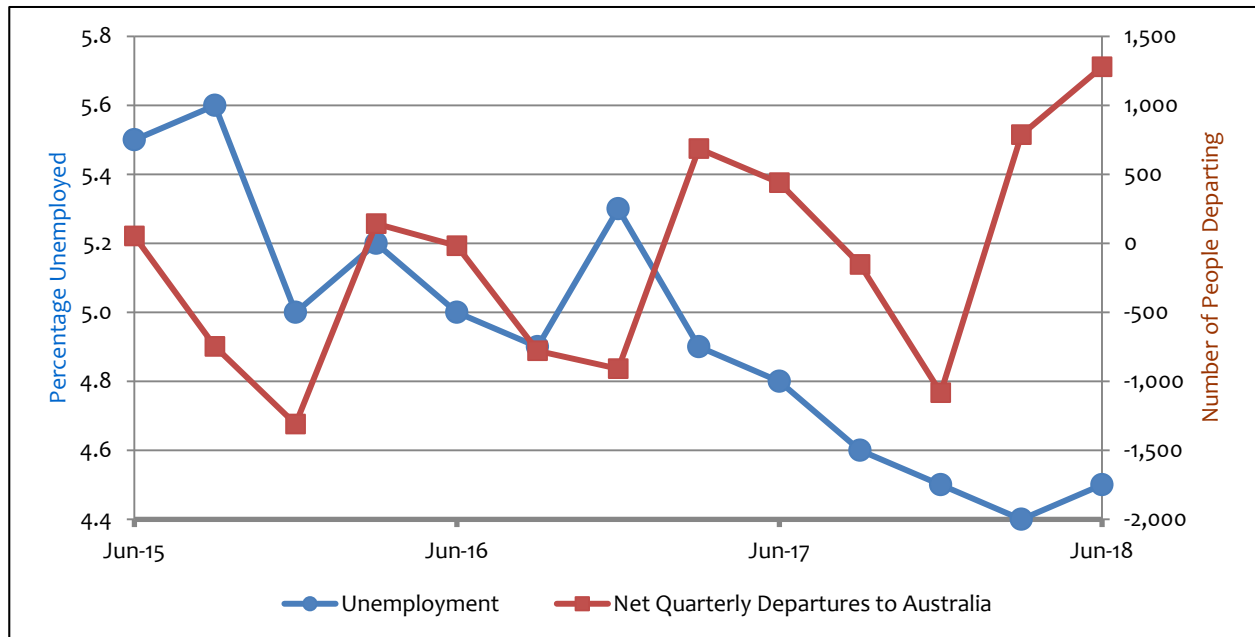
For these indexes, a figure under 50 indicates falling activity, above 50 indicates growing activity. Previous figures are often revised and may differ from those in a previous Bulletin.

★ On 9 August 2018 the Reserve Bank left the [Official Cash Rate \(OCR\)](#) at its record low of 1.75 percent. The Governor announced that the OCR will remain at 1.75 percent “at this level through 2019 and into 2020, longer than we projected in our May *Statement*. The direction of our next OCR move could be up or down.” This is a return to the tone of “for some time to come” in the months before May, when the Bank said only that it would be held “for now”. Though economic growth had “moderated” recently, it was expected to pick up over the rest of the year and throughout 2019. In a positive view of “capacity and labour constraints”, the Bank expected them to “promote business investment, supported by low interest rates”. Demand would also be supported by rising government spending and investment and by “solid” residential construction and spending by households. The Bank considered that “The labour market has tightened over the past year and employment is roughly

around its maximum sustainable level. We expect the unemployment rate to decline modestly from its current level.” It welcomed “early signs of core inflation rising” and expected that “inflation will increase towards 2 percent over the projection period as capacity pressures bite.” However “this path may be bumpy” due to one-off changes in oil prices, a lower exchange rate and the increased fuel tax in Auckland. However they could be wrong: “The recent moderation in growth could last longer. Low business confidence can affect employment and investment decisions. Conversely, there is a chance that inflation could increase faster if cost pressures can pass through into higher prices and impact inflation expectations.” The Governor’s statement concluded: “We will keep the OCR at an expansionary level for a considerable period to contribute to maximising sustainable employment, and maintaining low and stable inflation.” The next OCR announcement will be on 27 September 2018.

★ According to [REINZ](#), over the year to July the national median house price rose \$32,000 or 6.2 percent to \$550,000 and REINZ’s house price index rose 4.9 percent. (The house price index adjusts for the type of house, such as its size and land area, and seasonal price patterns.) Over the month, the median price rose 0.2 percent seasonally adjusted while the house price index rose 0.6 percent. In Auckland over the year the median price was down \$1,000 or 0.1 percent at \$835,000 while the house price index rose 1.6 percent. Over the month, Auckland’s median price rose 0.3 percent seasonally adjusted, and the house price index did not move. Excluding Auckland, over the year the national median price rose \$36,000 to \$455,000 or 8.6 percent while the house price index rose 8.0 percent. Over the month the median price excluding Auckland was up 0.2 percent on the previous month seasonally adjusted, and the house price index rose 1.1 percent. There were record median prices in Northland (up 5.7 percent over the year to \$481,000), Taranaki (up 15.4 percent to \$375,000), Nelson (up 15.2 percent to \$547,000) and Marlborough (up 13.4 percent to \$453,500). Median prices fell over the year only in Auckland (down 0.1 percent). Seasonally adjusted median prices fell over the month in Waikato (down 3.3 percent), Gisborne (down 8.4 percent), Hawke’s Bay (down 0.4 percent), Manawatu/Whanganui (down 0.7 percent), Wellington (down 2.5 percent), Canterbury (down 0.2 percent), and Otago (down 1.3 percent). Sales fell in 11 of REINZ’s 14 regions over the month, seasonally adjusted, while over the year, sales fell in 9 regions, averaging a rise of 0.7 percent.

Employment



- ★ According to the [Household Labour Force Survey \(HLFS\)](#) the **unemployment** rate in the June 2018 quarter rose to 4.5 percent or 124,000 people, compared to 4.4 percent three months before (120,000 people), seasonally adjusted. If it were the 3.3 percent it was in December 2007, 33,000 more people would have jobs. The seasonally adjusted female unemployment rate fell to 4.7 percent from 4.9 percent three months before, but was still considerably higher than for men (4.3 percent) whose unemployment rate rose from 4.0 percent. Māori unemployment fell from 11.0 percent a year before to 8.8 percent in June 2018, while Pacific people’s unemployment fell from 9.1 percent to 8.3 percent over the year. Compared to OECD unemployment rates, New Zealand fell one place from 13th to 14th lowest (out of 35 countries). However New Zealand had the third-highest employment rate at 77.4 percent for 15-64 year olds.
- ★ **Youth unemployment** for 15-19 year olds was 19.7 percent in June, up from 19.0 percent three months before, but down from 20.4 percent a year before (these and the other statistics for the whole youth population are seasonally adjusted, but those for Māori and for Pacific Peoples are not; small differences may not be statistically significant). For Māori 15-19 year olds in June 2018, the unemployment rate was 29.0 percent, down from 34.5 percent a year before. For 15-19 year old Pacific Peoples it was 12.6 percent, down from 22.8 percent a year before. For 20-24 year olds, youth unemployment was 7.7 percent, down from 8.1 percent three months before, and from 8.8 percent a year before. For Māori 20-24 year olds the unemployment rate was 8.3 percent, a sharp fall from 16.6 percent a year before. For 20-24 year old Pacific Peoples it was 12.9 percent, down from 20.1 percent a year before. The proportion of 15-19 year olds “not in employment, education, or training” (the NEET rate) was 7.2 percent, down from 9.9 percent three months before and from 8.9 percent a year before. For Māori 15-19 year olds the rate was 10.6 percent, down from 14.6 percent a year before and for Pacific Peoples it was 6.5 percent, down from 10.9 percent a year before. For 20-24 year olds the NEET rate was 14.1 percent, down from 14.6 percent three months before but up from 13.3 percent a year before. For Māori 20-24 year olds the rate was 20.9 percent, lower than the 25.5 percent a year before, and for Pacific Peoples it was 22.6 percent, down from 26.2 percent a year

before. For the whole 15-24 year old group, unemployment was higher for those in education (14.9 percent) than those not in education (10.1 percent). There were 73,000 people aged 15-24 years who were not in employment, education, or training (NEET), seasonally adjusted, down from 83,000 three months before, and from 75,000 a year before.

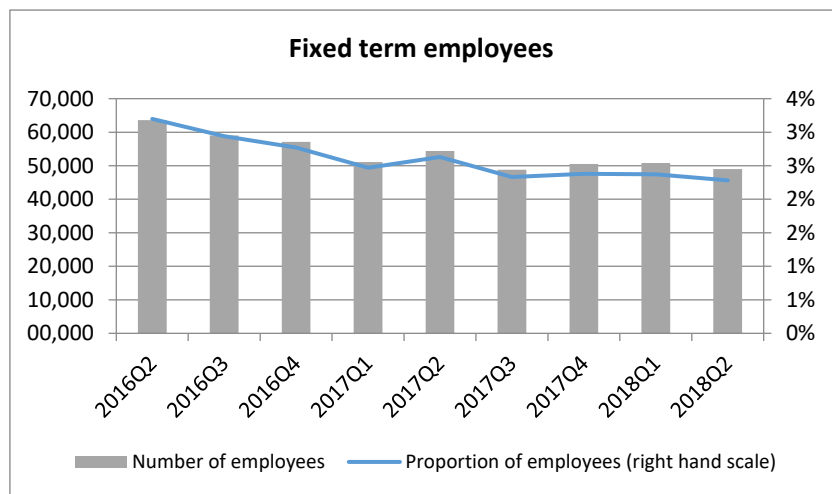
- ★ By **region**, in the North Island, unemployment rates fell compared to a year ago in all of the eight regions except Taranaki (which rose from 5.0 percent to 5.3 percent) and Manawatu-Wanganui (which rose from 4.7 percent to 6.6 percent), which also had the worst national unemployment rate. All other North Island regions had unemployment rates under 5 percent. Auckland's unemployment rate was 4.2 percent, down from 4.5 percent a year before, and with Waikato, the lowest in the North Island. The South Island was more mixed, but it continues to have lower unemployment on average: Tasman/Nelson/Marlborough/West Coast at 4.7 percent was up from 3.8 percent a year before, Canterbury at 4.0 percent was up from 3.8 percent a year before, Otago at 3.4 percent was down from 4.4 percent a year before, and Southland had the country's lowest unemployment rate at 3.0 percent, down from 4.6 percent a year before.
- ★ There were 37,200 unemployed people in June 2018 who had been **out of work for more than 6 months** compared to 44,600 a year before. This is 30.9 percent of the unemployed compared to 36.2 percent a year before, but is still at a much higher level than most of the 2000s. Those out of work for more than a year are 12.5 percent of the unemployed compared to 16.9 percent a year before. The numbers appeared to increase sharply after June 2016, a possible contributor being a change in the survey questions from that date, but numbers are now closer to pre-June 2016, though with a still-rising trend, particularly for those out of work more than 12 months.
- ★ 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 June quarter there were a total of 344,000 people looking for work classed as "underutilised", or 12.0 percent of the labour force extended to include these people. Of them, 117,000 were underemployed, 124,000 were officially unemployed, and 103,000 were additional jobless people looking for work. The 12.0 percent underutilisation rate is up slightly on the previous quarter (seasonally adjusted 11.9 percent) and also 11.9 percent a year before. It is higher for women at 14.3 percent than for men (10.0 percent).
- ★ The number recorded as **employed** rose by 13,000 over the three months to June 2018 (seasonally adjusted). It rose by 94,000 over the year. The employment rate remained at 67.7 percent over the three months. It was 62.8 percent for women and 72.8 percent for men. Similarly the participation rate (the proportion of the working age population, those aged 15 years and over, either in jobs or officially unemployed) changed little from 70.8 percent to 70.9 percent, all in seasonally adjusted terms.
- ★ **By industry**, the actual fall in employment of 2,900 in the three months to the June 2018 quarter (not seasonally adjusted) was made up of both gains and losses. The biggest gains were of 9,200 in Health Care and Social Assistance, 8,300 in Information Media and Telecommunications, and 6,600 in Professional, Scientific, Technical, Administrative and Support Services. These were offset by falls led by 16,100 in Retail Trade and Accommodation, 8,500 in Arts, Recreation and Other Services, and 4,900 in Construction. Over the year, the biggest contributors to the 93,000 additional jobs were

26,200 in Health Care and Social Assistance, 23,800 in Professional, Scientific, Technical, Administrative and Support Services, 12,200 in Public Administration and Safety, 8,100 in Retail Trade and Accommodation, and 6,600 in each of Construction and Manufacturing, with falls only Wholesale trade (down 6,100) and Arts, Recreation and Other Services (down 4,300).

★ In the June quarter, total **union membership** was estimated at 413,700, a 1.4 percent increase from 408,200 in the previous quarter and up a hefty 11.2 percent from 372,200 a year before. The membership is 19.3 percent of employees compared to 19.1 percent three months before and 18.0 percent a year before. Women make up 58.2 percent of the membership compared to being 49.4 percent of all employees. As a result, the proportion of female employees who are in unions is higher than for males: 22.7 percent compared to 15.9 percent. The increase in numbers was greater for females (up 12.6 percent over the year) than males (up 9.2 percent) so the pay equity settlement is a strong factor (see the industry breakdown below), but not the only one. There were rises in all age groups: 15-24 (up 31.2 percent in the year, 0.4 percent in the quarter), 25-34 (up 12.7 percent in year, 2.9 percent in the quarter), 35-44 (up 6.9 percent in the year, 2.1 percent in the quarter), 45-54 (up 4.7 percent in the year, but down 1.5 percent in the quarter), 55-64 year olds (up 14.0 percent in year, 2.5 percent in the quarter), and 65 years and over (up 14.9 percent in the year and 3.3 percent in the quarter, with female membership rising 41.6 percent in the year while male fell 10.9 percent). By industry, the rises in numbers over the year to June were led by Health Care and Social Assistance (up 14,100 though density fell from 44.2 percent to 42.9 percent), Education and Training (up 10,800, density rising from 42.5 percent to 43.9 percent), Public Administration and Safety (up 4,700, density falling from 36.5 percent to 35.6 percent), and Construction (up 3,400, density rising from 6.7 percent to 7.7 percent). However numbers and density fell by small amounts (probably not statistically significant) in a number of industries. There may be seasonal variations in union membership which are not yet apparent, so quarterly comparisons may not represent annual trends.

★ In the June 2018 quarter, total **collective employment agreement** coverage was estimated at 413,000 employees, which makes 19.2 percent of employees who said their employment agreement was a collective compared to 19.0 percent three months before and 18.2 percent (376,600) a year before. An estimated 68.8 percent (1,477,500) said they were on an individual agreement compared to 68.1 percent three months before and 67.8 percent a year before, and 5.7 percent or 121,600 said they had no agreement (which is illegal), compared to 6.3 percent three months before and 7.6 percent a year before. A further 6.3 percent of employees didn't know what kind of employment agreement they had. Coverage by collective agreement was 16.4 percent for men and 22.1 percent for women. There were rises in all age groups: 15-24 (up 32.9 percent in the year, 8.4 percent in the quarter), 25-34 (up 7.9 percent in year, 3.6 percent in the quarter), 35-44 (up 2.8 percent in the year, 2.1 percent in the quarter), 45-54 (up 4.9 percent in the year, but down 1.6 percent in the quarter), 55-64 year olds (up 10.4 percent in year, 0.3 percent in the quarter), and 65 years and over (up 13.8 percent in the year and 0.4 percent in the quarter). By industry, the largest rise was in Health Care and Social Assistance (up 8,900 for the year, or 11.1 percent), and there were also large rises in Public Administration and Safety (up 6,100 or 13.6 percent), Manufacturing (up 4,800 or 11.4 percent), Education and Training (up 3,500 or 4.4 percent), and Construction (up 3,100 or 22.3 percent). As with union membership, numbers and density fell by small amounts (probably not statistically significant) in a number of industries, the most notable being Accommodation and Food Services (down 1,100 or 8.3 percent) and Financial and Insurance services (down 900 or 11.4 percent).

★ By **employment relationship**, in the June 2018 quarter, 90.9 percent of employees (1,952,900) reported they were permanent, 4.4 percent casual (93,600), 2.3 percent fixed term (49,000), 1.3 percent seasonal (29,000), and 0.5 percent employed through a “temporary agency” (11,600). The proportion reporting they were permanent was up from 90.2 percent (1,930,500) three months before and from 90.6 percent (1,873,000) a year before. Women were slightly less likely to be permanent employees: 89.9 percent of women were permanent compared to 91.9 percent of men. Instead, women were more likely to be casual (4.8 percent of them compared to 3.9 percent of men) or fixed term (3.0 percent of women compared to 1.6 percent of men). However more men were in seasonal work than women – 1.6 percent of men compared to 1.1 percent of women. Of the temp agency employees, 4,800 were men and 11,300 women. Employment relationships may have seasonal variations, so we should be cautious about seeing trends in quarterly comparisons. In addition, small differences may not be statistically significant. However, in the two years this data has been available the number and proportion of fixed term employees measured by this survey has fallen reasonably steadily, starting in June 2016 with 63,600 and in June 2018 down to 49,000. The number of Temporary Agency employees has increased in the same period from 6,600 to 11,600, but this has been a bumpy road so it is too early to say there is a trend.



★ By **duration of employment (job tenure)**, in the June 2018 quarter, 23.3 percent of those in the labour force (including the self-employed) had been in their jobs for less than a year. Another 33.3 percent had been in their job for at least a year but less than five years, so a majority had been in their jobs less than five years. A further 16.5 percent had been in their job for at least five but less than ten years, and 26.1 percent had been in their jobs for 10 years or more. Women appeared to be somewhat more likely to have been in their jobs for a shorter time than men. For example, 27.9 percent of men had been in their jobs for more than 10 years, but only 24.0 percent of women. Age is a significant factor as would be expected: 52.5 percent people aged 15 to 24 had been in their jobs for less than a year, and 30.9 percent of 25-34 year olds, but only 14.8 percent of 45-54 year olds and 9.7 percent of 55-64 year olds. Small differences may not be statistically significant.

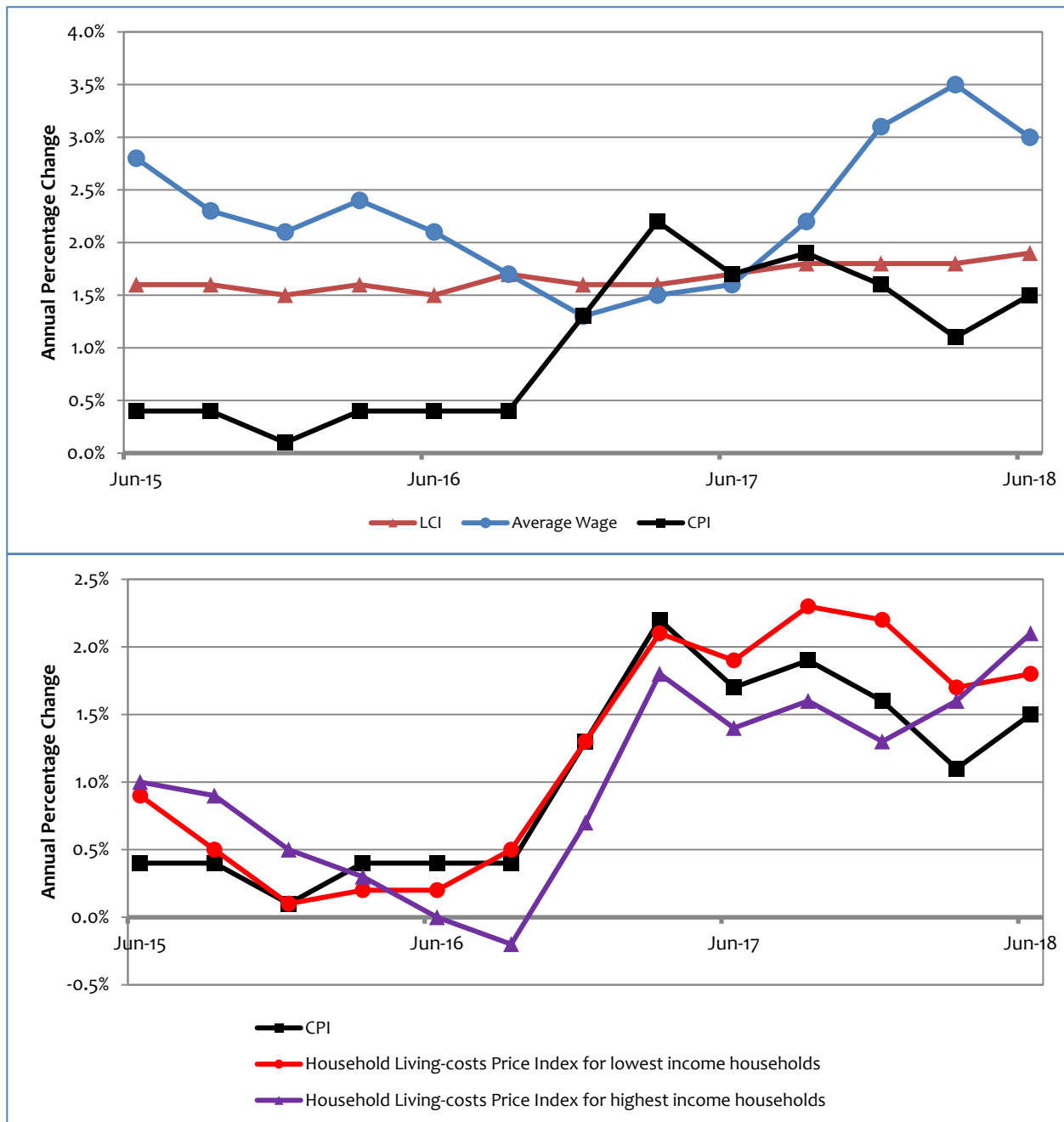
★ The [Ministry of Social Development](#) reports that at the end of June 2018 there were 122,513 working age people on the Jobseeker benefit, 3,758 more than a year before and 3,737 more than three months before. At June, 65,264 were classified as ‘Work Ready’, and 57,249 were classified as ‘Health Condition or Disability’. A total of 277,410 were on ‘main’ benefits, 1,079 more than a year before, with 2,072 fewer on Sole Parent Support partially counteracting the increase in Jobseeker benefits. There were 4,023 more on main benefits than three months earlier, mainly because of the rise in Jobseeker benefits. Of the 44,281 benefits cancelled during the three months to June, 18,668 or 42.2 percent of the people obtained work, 11.8 percent transferred to another benefit and 3.9 percent became full time students. A further 5,219 (5.5 percent) left on their 52 week reapplication

or annual review. A total of 12,214 suffered sanctions (down 25.9 percent), the majority (10,002) on a Jobseeker benefit. Of the people sanctioned, 45.0 percent were Māori, though only 35.8 percent of working-age benefit recipients were Māori.

★ [Job Vacancies Online](#) for the three months to June 2018 showed the seasonally adjusted number of job vacancies rose by 1.6 percent in the quarter and rose 7.7 percent over the same quarter a year previously. All the following are seasonally adjusted. Over the quarter, skilled vacancies rose 2.0 percent while unskilled vacancies rose 0.9 percent, but over the year, skilled vacancies rose 5.9 percent while unskilled vacancies rose 10.2 percent. Over the quarter, vacancies in Auckland were up 0.3 percent, in Bay of Plenty up 4.2 percent, Canterbury down 0.4 percent, Gisborne/Hawke's Bay up 8.5 percent, Manawatu-Whanganui/Taranaki up 5.5 percent, Marlborough/Nelson-Tasman/West Coast up 3.9 percent, Northland up 3.8 percent, Otago/Southland up 3.2 percent, Waikato up 4.1 percent and Wellington up 4.4 percent. By industry, Accounting was up 2.1 percent, Construction fell 0.2 percent, Education rose 3.1 percent, Health rose 7.8 percent, Hospitality rose 3.0 percent, IT rose 3.0 percent, Manufacturing fell 0.3 percent, Primary rose 2.0 percent, Sales rose 2.2 percent, and Other rose 5.2 percent. By occupation, Manager vacancies rose 1.8 percent, Professionals rose 2.5 percent, Technicians and Trades rose 1.3 percent, Community and Personal Services rose 1.3 percent, Clerical and Administration rose 3.1 percent, Sales rose 1.3 percent, Machinery Drivers did not change, and Labourers rose 0.5 percent.

★ [International Travel and Migration](#) statistics showed 10,600 permanent and long-term arrivals to New Zealand in July 2018 and 5,880 departures in seasonally adjusted terms, a net gain of 4,720 which was down 120 on the previous month. There was a seasonally adjusted net loss to Australia of 370, compared to a loss of 90 a year before. It was made up of a net loss of 780 New Zealand citizens offset by a net gain of 410 citizens of other countries. There was an actual net gain of 63,779 migrants in the year to July, down from 72,402 in the year to July 2017. Net migration from Australia in the year was 1,080 departures, with 25,318 departures and 24,238 arrivals. However there was a net loss of 6,010 New Zealand citizens to Australia over the year and a net gain of 4,930 from citizens of other countries. In July, 8.0 percent of the arrivals had residence visas, 33.9 percent student visas, 28.0 percent work visas, and 5.1 percent visitors. A further 24.4 percent were New Zealand or Australian citizens.

Wages and prices



- ★ The [Labour Cost Index](#) (LCI) for salary and ordinary time wage rates rose 0.5 percent in the three months to June 2018 and increased 1.9 percent in the year. It rose more than the 1.5 percent increase in the CPI and that was helped by the \$0.75 increase in the minimum wage to \$16.50 as from 1 April 2018 and the Care and Support Workers' pay equity increase from 1 July last year. [Statistics New Zealand calculates](#) that if neither of these had occurred, the quarterly increase in June would have been only 0.4 percent and the annual increase only 1.5 percent. The main effect in the June quarter was the minimum wage increase (without which it would have been 0.4 percent), and the main effect in the year to June was the pay equity settlement (without which the annual increase would have been 1.6 percent). Statistics New Zealand says: "Around 3 percent of all wages were influenced at least partly by the minimum wage increase... The impact of the minimum wage change was most noticeable in the retail trade, and accommodation and food services industries, increasing

0.9 and 1.1 percent, respectively, for the June 2018 quarter. It also affected occupations such as clerical and administrative workers, labourers, and sales workers.” The LCI increased 0.2 percent in the public sector and 0.6 percent in the private sector in the three months. Over the year it rose 1.3 percent in the public sector and 2.1 percent in the private sector. Without the minimum wage rise and pay equity settlement, the private sector rises would have been 0.4 percent in the quarter and 1.6 percent over the year. Regarding the lower public sector rise, Statistics New Zealand comments: “Pay negotiations for both nurses and teachers continue, contributing to the weaker wage growth in the public sector for the year to June 2018.” During the year, 48 percent of jobs surveyed did not receive a pay rise, and 49 percent of private sector jobs got no rise. For the 52 percent of those jobs surveyed which received an increase in their salary or wage rate during the year, the median increase was 2.5 percent and the average increase was 3.7 percent. For those jobs in the public sector that received increases, the median increase was 2.0 percent and in the private sector 2.6 percent; the average increase in the public sector was 2.7 percent and in the private sector 4.0 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 were more likely to get a pay rise of any size ranging from less than 2 percent to 5 percent, but somewhat less likely to get one over 5 percent. Only 46 percent of jobs that were not on a collective got a pay rise during the year whereas the Centre for Labour, Employment and Work reports that 99 percent of those on a collective stating pay rates got a pay rise in the year to June 2018.

★ The [Quarterly Employment Survey](#) for the three months to June 2018 found the average hourly wage for ordinary-time work was \$31.0, up just 0.1 percent on the previous quarter and up 3.0 percent over the year, significantly more than the 1.5 percent rise in the CPI. Female workers (at \$28.98) earned 11.4 percent less than male workers (at \$32.71) for ordinary time hourly earnings. This pay deficit has fallen from 13.2 percent two years ago in June 2016. The average ordinary-time wage was \$28.97 in the private sector (up 0.2 percent in the quarter and 3.3 percent in the year). In the public sector the average ordinary-time wage was \$39.04 which was down 0.5 percent in the quarter and up 1.5 percent in the year. There is a regular pattern of the average wage in the public sector falling in the June quarter, going back to 2002. It is not obvious what the reason is; seasonal employment of a large number of low paid workers would have this effect. Average total hourly wages (including overtime) ranged from \$20.06 in Accommodation and food services and \$22.14 in Retail trade, to \$45.00 in Finance and insurance services, and \$40.16 in Information, media and telecommunications. In Accommodation and food services, 57.3 percent of employee jobs were part time, and in Health care and social assistance 43.5 percent were part time; in Retail trade 40.2 percent were part time; 36.9 percent were also part time in Arts, recreation and other services, 26.5 percent in Professional, scientific, technical, administration and support services, and 32.6 percent in Education and training. Together these six industries made up 82.5 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 0.4 percent in the June 2018 quarter compared with the March 2018 quarter. It rose 0.3 percent in seasonally adjusted terms. It increased 1.5 percent for the year to June. For the quarter, the largest single upward influence was Housing and household utilities group (up 0.9 percent due to above-average rises in the costs of new housing, rents and electricity) contributing over half – 59.6 percent – of the rise. Increases in housing costs also came from an increase of 4.0 percent in house insurance and 1.0 percent in contents insurance over the quarter. Next was Alcoholic beverages and tobacco, mainly due to a 3.4 percent increase in the price of beer,

and then Food, driven mainly by a 7.0 percent rise in the prices of vegetables. Petrol rose 3.2 percent and bicycles 3.9 percent but the cost of used cars fell 3.3 percent. Other falls included Domestic air transport (down 12.5 percent), Road passenger transport (down 5.9 percent), Telecommunications equipment (down 9.2 percent), and Audio-visual and computing equipment (down 7.6 percent). Over the year, Housing and household utilities were easily the biggest driver in the rise, up 3.1 percent and contributing over half (51.1 percent) of the CPI increase with new housing up 3.9 percent, rents up 2.5 percent, and all the other subgroups rising faster than overall CPI: Property maintenance up 4.1 percent, Property rates and services up 3.1 percent and Household energy up 2.8 percent. The next largest contributor to the annual CPI rise was Alcoholic beverages and tobacco (up 5.6 percent, making up 27.2 percent of the CPI rise, mainly due to a 10.7 rise in the price of tobacco products resulting from the annual tax increase on them), Transport (up 2.0 percent, making up 19.9 percent of the rise, mainly due to fuel increases), and the Miscellaneous group contributed another 16.4 percent mainly due to insurance rising 5.7 percent (with house insurance up 17.9 percent), but Real estate services, which rose 4.4 percent, contributed too. Rents rose fastest in Wellington (4.2 percent for the year) and slowest in Canterbury (up 0.3 percent for the year) and on average 2.5 percent over the whole country; new house prices rose fastest in the North Island outside Auckland and slowest in Canterbury. Not part of the CPI (though in the Household Living Cost Indexes) is Interest, which was still falling in June (down 0.4 percent in the quarter and 1.2 percent over the year). In seasonally adjusted terms, the CPI rose 0.3 percent over the last three months, Food rose 0.5 percent, Alcoholic beverages and tobacco rose 1.8 percent, Clothing and footwear rose 0.1 percent, Housing and household utilities rose 0.7 percent, Communications fell 1.8 percent, Recreation and culture fell 0.9 percent, and Education rose 0.5 percent. Over the year, in Auckland consumer prices fell 0.5 percent, in Wellington they rose 0.9 percent and they fell 1.1 percent in the North Island other than Auckland and Wellington. Inflation in Canterbury for the year was 1.2 percent and prices rose 1.7 percent in the rest of the South Island.

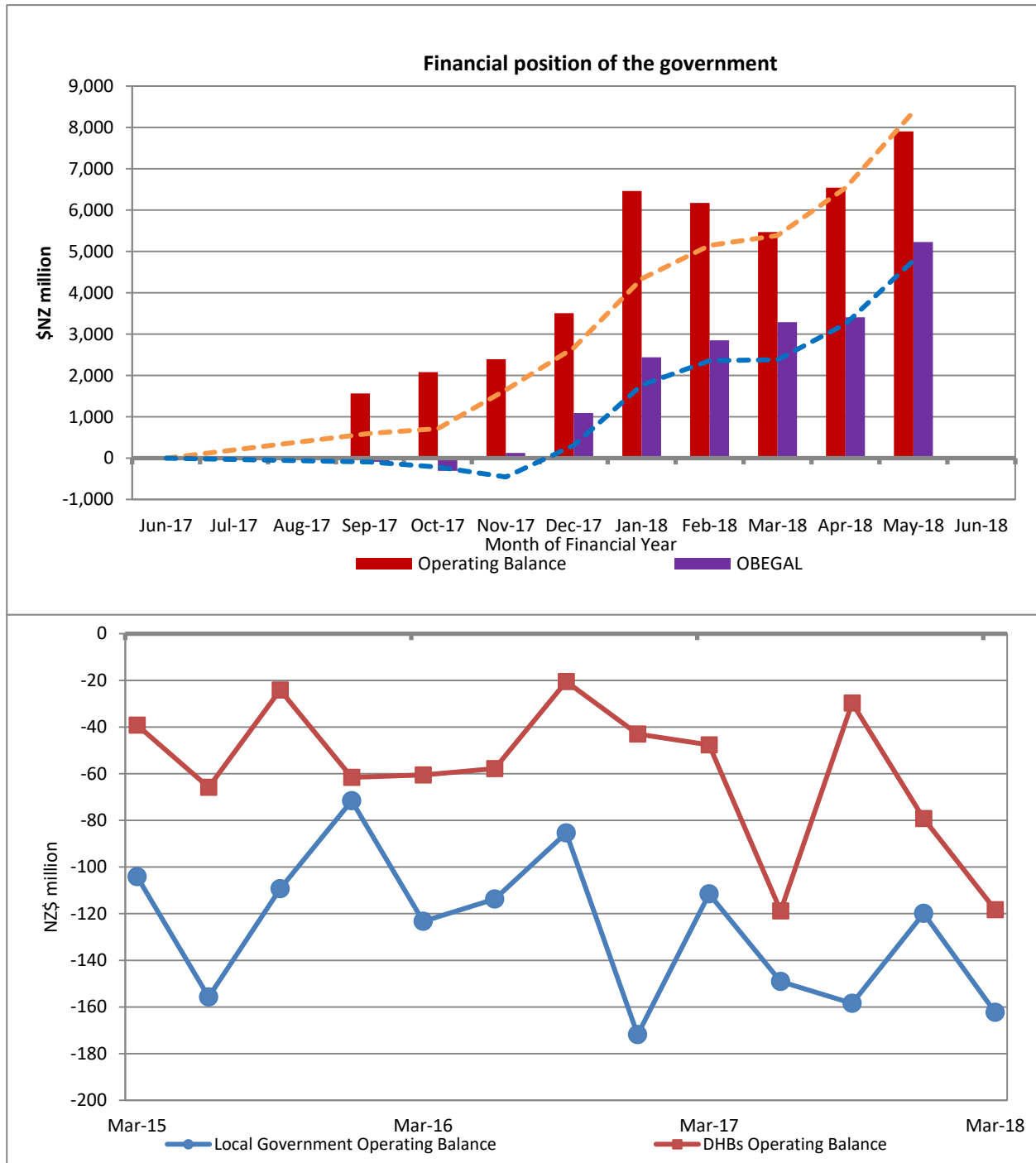
★ The [Household Living-costs Price Indexes](#) (HLPis) for the year to June 2018 unusually showed lower income households experiencing (slightly) slower price rises than higher income households over the year, and in the latest three months. By expenditure, the lowest spending households saw their living costs rise 1.9 percent over the year while prices for the highest spending households rose 1.8 percent. The difference occurs because different households spend their money on different things. For example, prices for the necessities of housing and food dominate low income households' spending: 54.5 percent of the expenditure of the lowest income one-fifth (quintile) of households went on Food and Housing and household utilities in 2018, compared to being only 32.7 percent of the expenditure of the highest income one-fifth. Over the year, the All households HLPI index rose 1.9 percent, the Beneficiary households index rose 2.1 percent, the Māori households index rose 2.1 percent, and the Superannuitant households index rose 1.9 percent. By income quintile, the index for the lowest income households (quintile 1) rose 1.8 percent, quintile 2 rose 1.9 percent, quintile 3 rose 2.0 percent, quintile 4 rose 2.2 percent, and quintile 5 (the highest income) rose 2.1 percent. By expenditure quintile, the index for the lowest expenditure households (quintile 1) rose 1.9 percent, quintile 2 rose 1.9 percent, quintile 3 rose 2.2 percent, quintile 4 rose 1.9 percent, and quintile 5 rose 1.8 percent. Over the June quarter, the All households HLPI index rose 0.4 percent, the Beneficiary households index rose 0.5 percent, the Māori households index rose 0.2 percent, and the Superannuitant

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

households index rose 0.3 percent. By income quintile, over the quarter the index for the lowest income households (quintile 1) rose 0.4 percent, quintile 2 rose 0.4 percent, quintile 3 rose 0.3 percent, quintile 4 rose 0.4 percent, and quintile 5 rose 0.4 percent. By expenditure quintile, the index for the lowest expenditure households (quintile 1) rose 0.3 percent, quintile 2 rose 0.4 percent, quintile 3 rose 0.3 percent, quintile 4 rose 0.4 percent, and quintile 5 rose 0.4 percent.

- ★ The [Food Price Index](#) rose 0.7 percent in the month of July 2018 and rose 0.6 percent in seasonally adjusted terms. Food prices rose 1.1 percent in the year to July 2018. Compared with the previous month, fruit and vegetable prices rose 2.4 percent (and were up 1.6 percent seasonally adjusted); meat, poultry, and fish rose 0.1 percent; grocery food prices rose 0.3 percent (and rose 0.1 percent when seasonally adjusted); non-alcoholic beverage prices rose 1.8 percent; and restaurant meals and ready-to-eat food prices rose 0.4 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 2018, core Crown tax revenue was \$42 million (0.1 percent) higher than forecast in the 2018 Budget Economic and Fiscal Update (BEFU 18). Corporate tax was \$0.2 billion below forecast due to temporary seasonal fluctuations and PAYE deductions were \$0.3 billion ahead of forecast “with recent data releases indicating that the labour market may be a little stronger than was forecast in the 2018 Budget”. Overall core Crown revenue was \$233 million or 0.3 percent higher than forecast with higher than expected interest and dividend income. Core Crown expenses were \$439 million (0.6 percent) below forecast with variations across several departments. The resulting Operating Balance before Gains and Losses (OBEGAL) was \$0.4 billion better than forecast after

taking into account higher than forecast expenses at ACC, leaving the OBEGAL with a \$5.2 billion surplus instead of the \$4.8 billion forecast. The Operating Balance was \$0.5 billion below forecast, due to higher than forecast “losses on non-financial instruments” leaving a \$7.9 billion surplus. Net debt at 20.1 percent of GDP (\$57.5 billion) was \$1.1 billion lower than forecast. Gross debt at \$87.4 billion (30.5 percent of GDP) was \$0.9 billion higher than forecast. The Crown’s net worth in financial terms was \$0.4 billion lower than forecast at \$118.6 billion.

- ★ [District Health Boards](#) had more full time equivalent staff than planned at the end of June 2018 (99 more: 64,611 compared to 64,812 planned) for the first time in many years. Medical Personnel (doctors) were 151 more than planned and Nursing Personnel were 549 more than planned, but these were offset by shortfalls in Allied Health Personnel (382 short), Management/Administration staff (164 short), and Support Personnel (54 short). Average costs per full time equivalent staff were very close to plan (\$96,134 compared to \$95,850) with only Medical Personnel costs under plan. The DHBs had accumulated combined deficits of \$239.5 million in the twelve months to June (an unaudited full year). This is \$96.0 million worse than their plans. The Funder arms were in surplus by \$120.9 million, \$50.9 million more than the \$70.1 million surplus planned, and Provider arms (largely their hospitals) in deficit by \$370.2 million, \$153.4 million worse than planned. The Northern region was \$1.1 million behind plan with a deficit of \$29.6 million and two of the four DHBs in deficit. The Midland region was \$48.7 million behind plan with a deficit of \$67.2 million and all of the five DHBs in deficit including Waikato whose deficit was \$37.5 million. Central region was \$24.1million behind plan, a combined \$54.5 million deficit and all of the six DHBs in deficit. The Southern Region was \$22.0 million behind plan with a \$88.2 million deficit and three of the five DHBs in deficit, with Canterbury showing a \$64.0 million deficit and Southern \$21.4 million. In all, just four of the 20 DHBs were in surplus and five were ahead of plan. The DHB furthest ahead of plan was Capital and Coast by \$2.8 million though with a deficit of \$18.2 million, and Canterbury was furthest behind, by \$10.3 million with a deficit of \$64.0 million. Capital expenditure across all DHBs was \$188.5 million behind plan with \$382.7 million spent out of \$571.2 million planned.
- [Local Government](#) in the March 2018 quarter recorded a 0.6 percent (\$15.2 million) fall in operating income in seasonally adjusted terms and a 1.0 percent rise in operating expenditure (\$27.2 million) including a 3.7 percent rise in employee costs (up \$21.1 million) compared to the previous quarter. This resulted in an operating deficit of \$162.3 million in the quarter, compared with a deficit of \$119.9 million in the previous quarter, and deficits in all the quarters back to June 2007 with the exception of June 2010. Note that the latest quarter results are provisional and all are seasonally adjusted figures which are revised with each release.

Notes

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