



NEW ZEALAND COUNCIL OF TRADE UNIONS

*Te Kauae Kaimahi*

# CTU Monthly Economic Bulletin

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## *Commentary*

### **The union landscape**

#### **Summary**

Where are New Zealand unions strongest and where are they weakest? While we often focus on the fall in overall union density (the proportion of wage and salary earners who are union members), underlying that is a very uneven spread of union membership. It's important to understand this 'landscape' of unionism in New Zealand if we are to strengthen membership and collective bargaining.

Looking at how union membership is made up by industry, in 2013 the public sector – health, education, and core public services – constituted almost two-thirds (62.5%) of union members. Among the other 'market sector' industries, manufacturing had one in eight union members (over 47,000 members or 12.9% of all unionists) and Transport, postal and warehousing almost 34,000 members, or 9.3%. History shows how patterns of union membership have changed.

While union density is high in the public sector, there are also quite respectable highs in some market sector industries. The standouts are Transport, postal and warehousing which had 35% unionisation in 2013, and Mining at 31%. But Manufacturing (at 21%) and Electricity, gas and water (18%) were at least around the overall average density – which includes the public sector – of 19%.

Most unionists are now women. In 2013, 58% of union members or 212,000 people, were female, which meant that 23% of female employees were in unions, but only 16% of male employees (154,000 union members). The proportion of women rose over the last decade. Union density has followed that, with male union density falling from 20% in 2004 to 16% in 2013, while female union density rose and fell, ending up close to where it started at 23%.

The proportion of union members in the public sector has risen steadily. Private sector union membership is only 2,752 higher than it was in 2000 (though it rose to a peak in 2006 and has fallen over 30,000 since then) while public sector union membership is 44,165 higher than it was in 2000, again with rises and a more recent fall.

While we don't have data on union membership by firm size, we do have some data for collective bargaining. As might be expected, the incidence of collective employment agreements is higher in larger firms, with 46% reporting that at least some of their employees are covered by a collective. The proportion falls steeply with firm size, though if smaller firms do have coverage it is more likely to cover most of the employees in the firm.

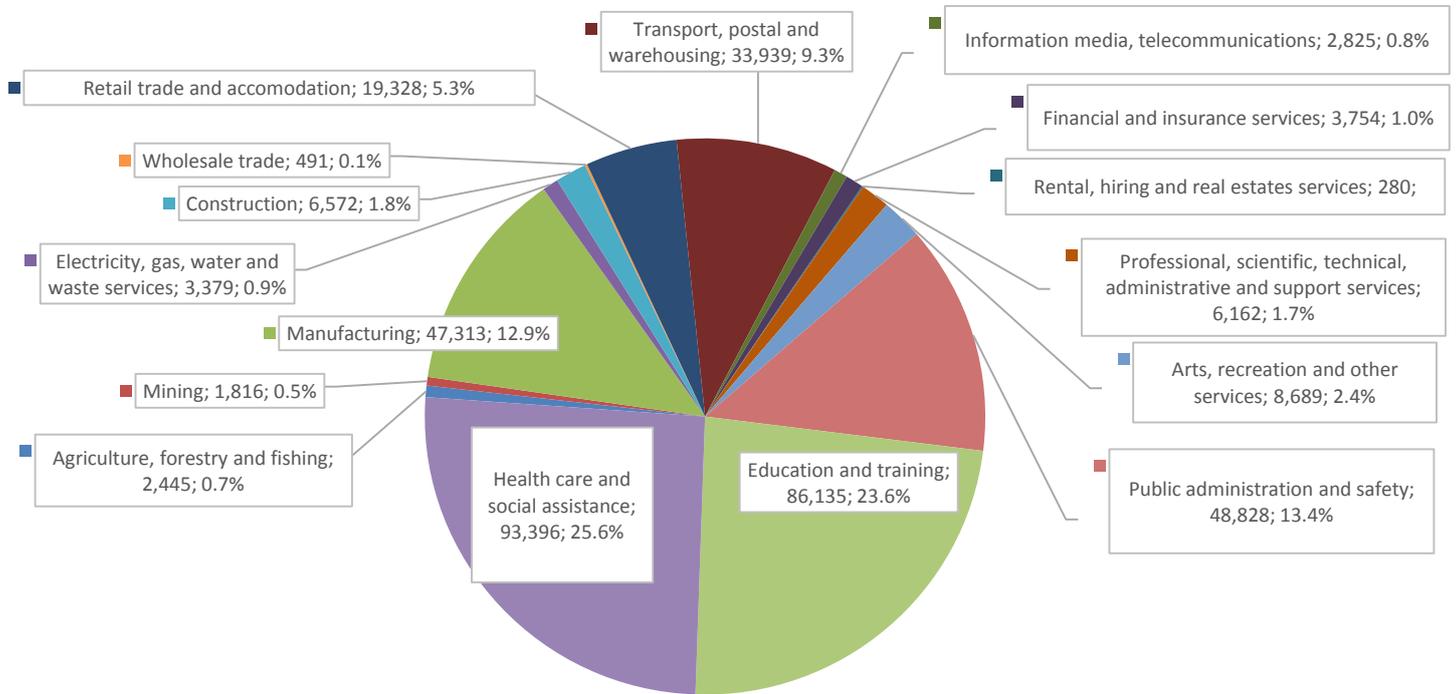
Where are New Zealand unions strongest and where are they weakest? While we often focus on the fall in overall union density (the proportion of wage and salary earners who are union members), underlying that is a very uneven spread of union membership. It's important to understand this 'landscape' of unionism in New Zealand if we are to strengthen membership and collective bargaining.

It is well known that union density is still high in the public sector, but it turns out that there are some quite respectable highs in some ‘market sector’ industries. The standouts are Transport, postal and warehousing which had 35% unionisation in 2013, and Mining at 31%. But Manufacturing (at 21%) and Electricity, gas and water (18%) were at least around the overall average density – which includes the public sector – of 19%. While we don’t have data on union membership by firm size, we do have some for collective bargaining. As might be expected, the incidence of collective employment agreements is higher in larger firms, and with over half of union members being women (58%), union density is considerably higher for women than men.

Most of the data for this (unless I say otherwise) come from the annual surveys of unions carried out by the Centre for Labour, Employment and Work (CLEW) at Victoria University<sup>1</sup> who have kindly shared their latest data with me. They fill some gaps from the annual returns to the Registrar of Unions<sup>2</sup>, which is another source, though with less detail publicly available. The CLEW data is at December each year (the most recent is for 2013) while the official data is at March (most recent is 2014). The data is obviously only as accurate as the unions who fill in the returns to CLEW or MBIE make it. So it is worth taking some trouble over those returns, for the accuracy of our own information!

### By Industry

The pie chart below shows the make-up of union membership by industry. For each industry it shows the number of union members in December 2013 and the percentage it has of total union membership of 365,416. The dominance of the public sector is obvious – health, education, and core public services (Public administration and safety) constitute almost two-thirds (62.5%) of union members. The other



**Union membership in 2013**  
Numbers, and proportion of total membership

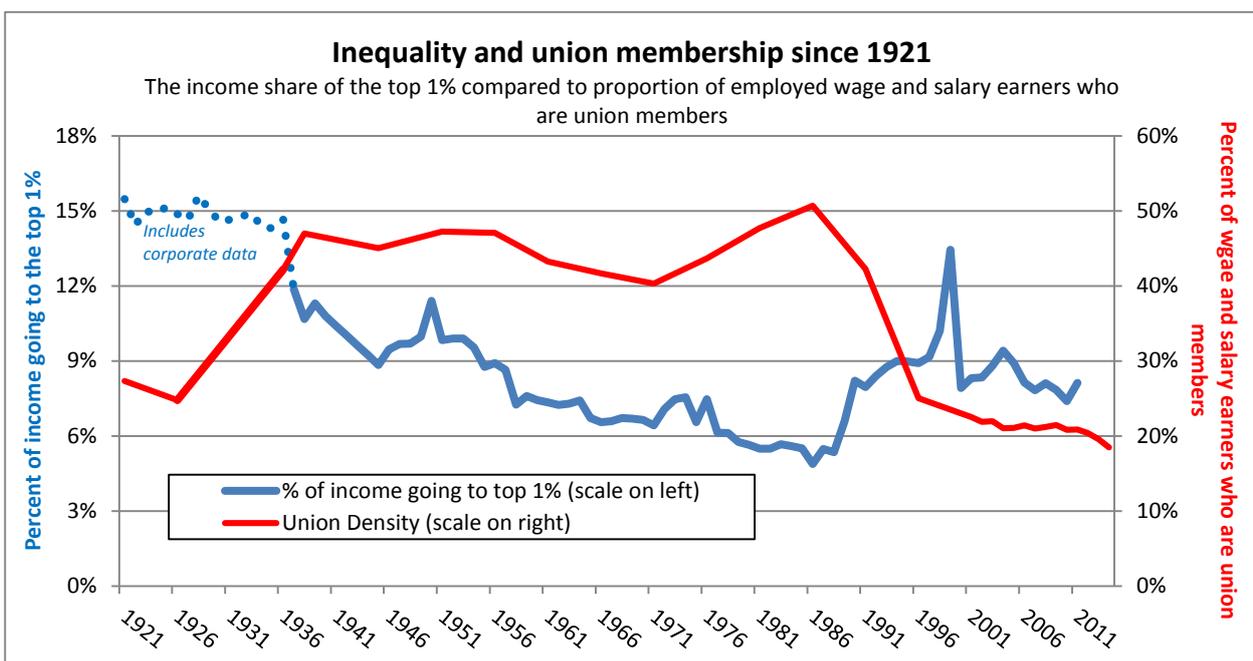
<sup>1</sup> See <http://www.victoria.ac.nz/som/clew/news>

<sup>2</sup> Available on the MBIE website at <http://www.societies.govt.nz/cms/registered-unions/annual-return-membership-reports>.

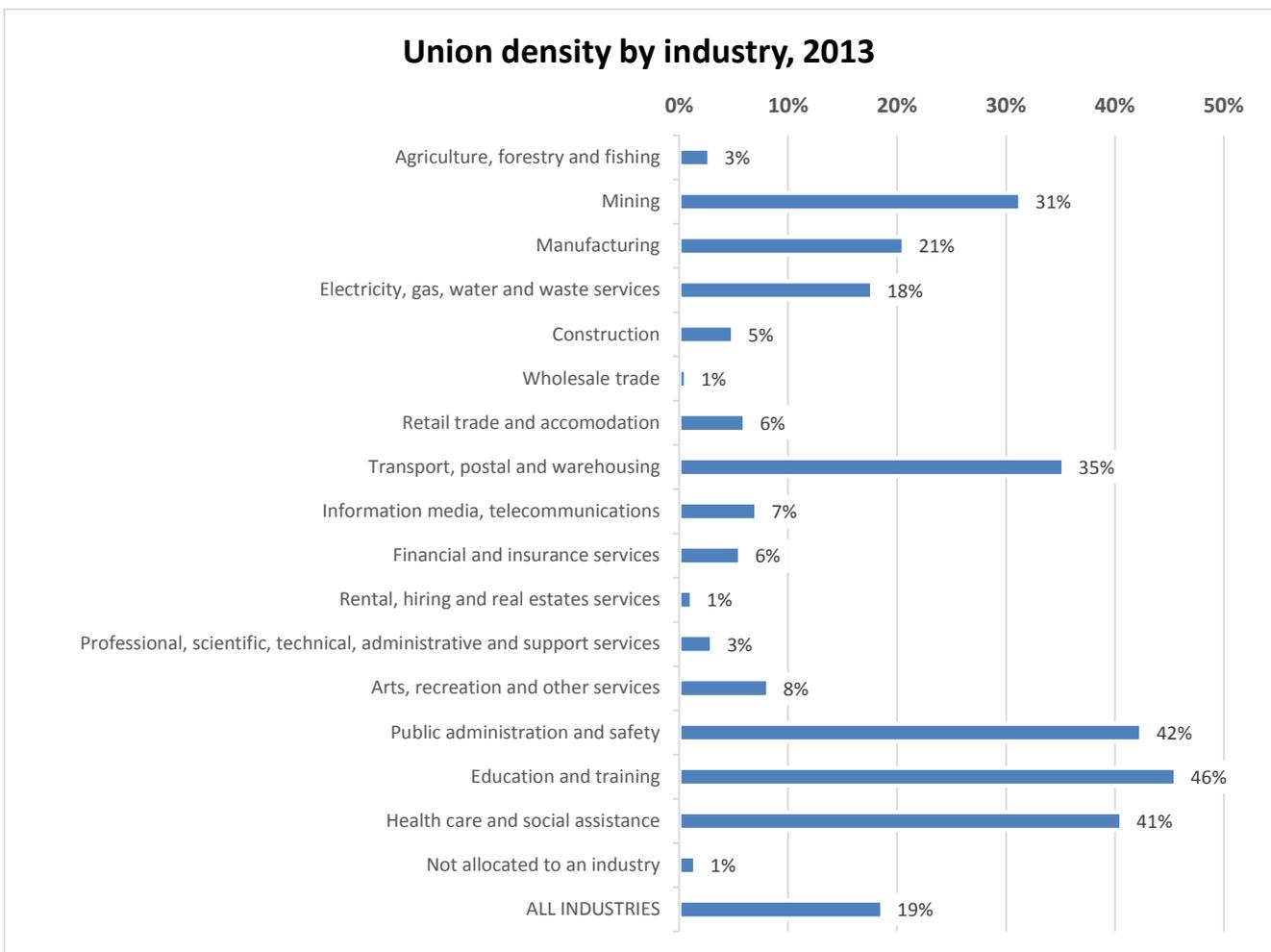
industries are mainly privately owned but include ‘market sector’ firms owned by local or central government such as airports, ports, the Post Office, Kiwibank and electricity companies. Standouts are manufacturing, with one in eight union members (over 47,000 members or 12.9% of all unionists) and Transport, postal and warehousing (almost 34,000 members, 9.3%).

Some historical comparisons: according to the 1979 New Zealand Official Yearbook, in 1977 35% of the 473,432 registered union membership (which largely excluded state services) was in Manufacturing, 9% was in Construction, 8% was in Road and rail transport (and 0.4% in air transport), 3% in shipping and stevedoring, 15% in Finance, insurance, real estate etc, and 18% in Wholesale and retail trade, including hotels, restaurants, etc. Registered union density in 1976 was 44%. While industry classifications for earlier years are difficult to compare with current classifications, Official Yearbooks show 9% to 10% of union membership was in Construction from the 1940s to the 1960s, 10% to 12% in land transport, 4% to 5% in water transport and 6% to 8% in Accommodation, meals, and personal service.

Returning to 2013, some industries stand out in the union membership statistics partly because they employ a large proportion of workers, not necessarily because there is high union density. Union density indicates the proportion of potential members (wage and salary earners) who are in unions. Overall, union density was 19 percent in 2013 – that is, almost one in five wage and salary earners were union members. Of course not all employees will ever join a union, particularly those in management positions, and it is unfortunately difficult for many in precarious forms of work – short term, insecure – or working a few hours a week, or in a small firm, or their boss is hostile to unions, threatening their job or their prospects. Union density has been falling since the industry restructuring of the late 1980s destroyed many unionised jobs, and the Employment Contracts Act of 1991 accompanied by further industry restructuring, high unemployment and cuts to welfare benefits deliberately weakened unions and undermined employee bargaining power. The historical picture is in the graph below, which I have constructed from New Zealand Official Yearbook data (though it doesn’t include the significant membership of unregistered unions, mainly state sector, prior to the 1980s) and I have included the fall and rise of income inequality, measured by the proportion of income going to the top 1%, for comparison (coming from the World Top Incomes Database).



By industry, union density in December 2013 is shown in the next graph. Aside from the obvious strength in the public sector, which is at over 40% density (43% on average), there is reasonably high union membership in Mining (31%) and Transport, postal and warehousing (35%). However, Manufacturing with 21% density is at least above average (I am unable to break it down in more detail, but food processing is likely to be a strong subsector) and Electricity, gas, water and waste services at 18% is close. A significant proportion of it is publicly owned. At the other extreme, Agriculture, forestry and fishing at 3% density is no surprise, as is Rental, hiring and real estate services at 1%, but it is more surprising that the Wholesale trade at under 1% is so low. Professional, scientific, technical, administrative and support services, which are strongly growing areas of the economy with relatively high proportions of self-employment are at 3%. In the middle are Construction, once a strongly

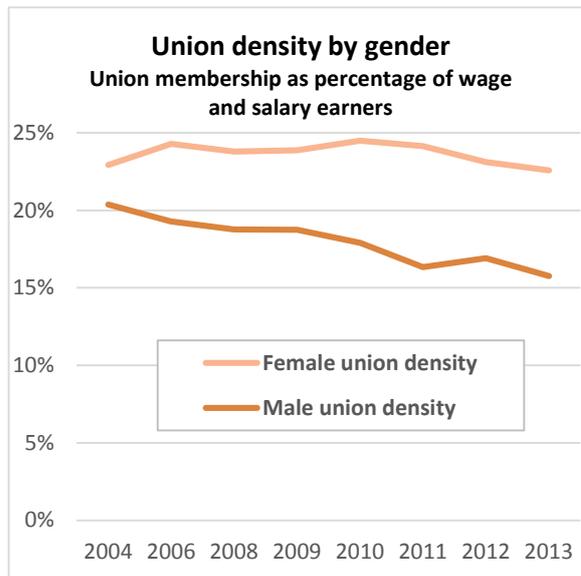
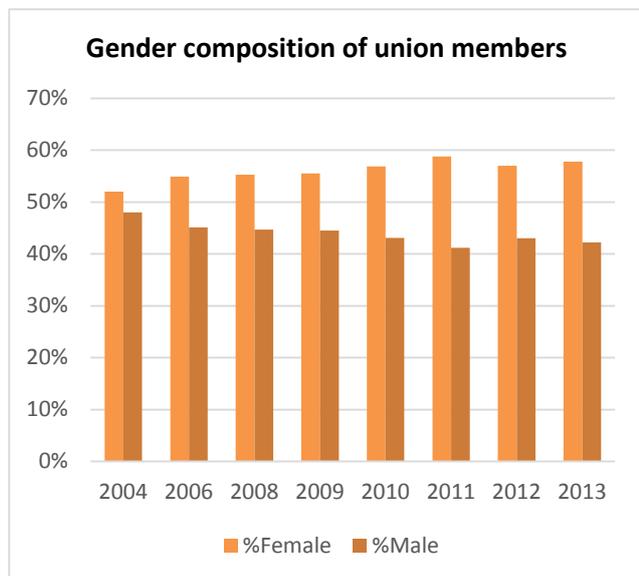


unionised industry but now at only at 5% density, Retail trade and accommodation at 6%, Information media and telecommunications at 7%, Financial and insurance services at 6% and Arts, recreation and other services at 8%.

#### By Gender

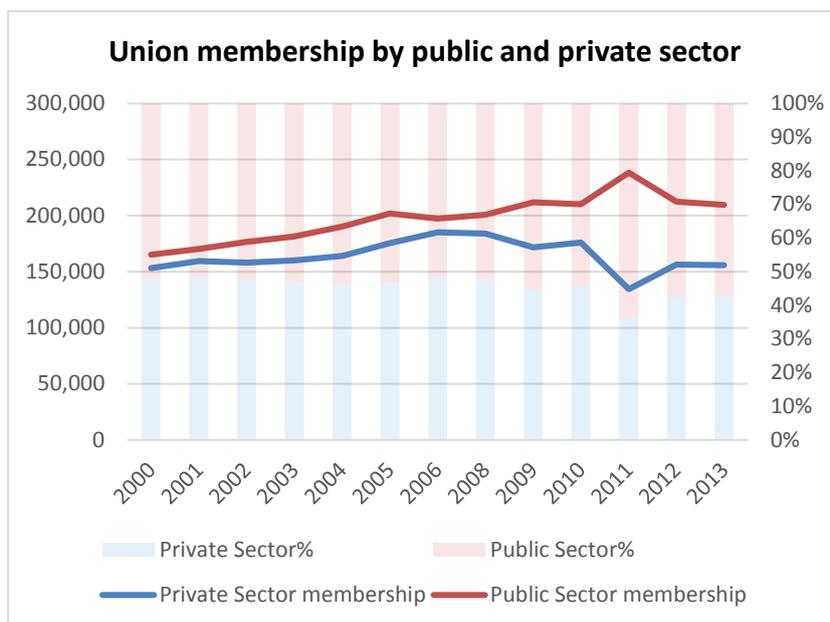
Most unionists are now women. In 2013, 58% of union members or 212,000 people were female, which meant that 23% of female employees were in unions, but only 16% of male employees (154,000 union members). The proportion of women has been rising over the last decade, though it stabilised over the

three years 2011-13. As might be expected, union density has followed that, with male union density falling from 20% in 2004 to 16% in 2013, while female union density rose and fell, ending up close to where it started at 23%.



### By Sector

As we have already seen, the proportion of union members in the public sector has risen steadily. The graph to the right shows the trend between 2000 and 2013. Private sector union membership is only 2,752 higher than it was in 2000 (though it rose to a peak in 2006 and has fallen by over 30,000 since then) while public sector union membership is 44,165 higher than it was in 2000, again with rises and a more recent fall.



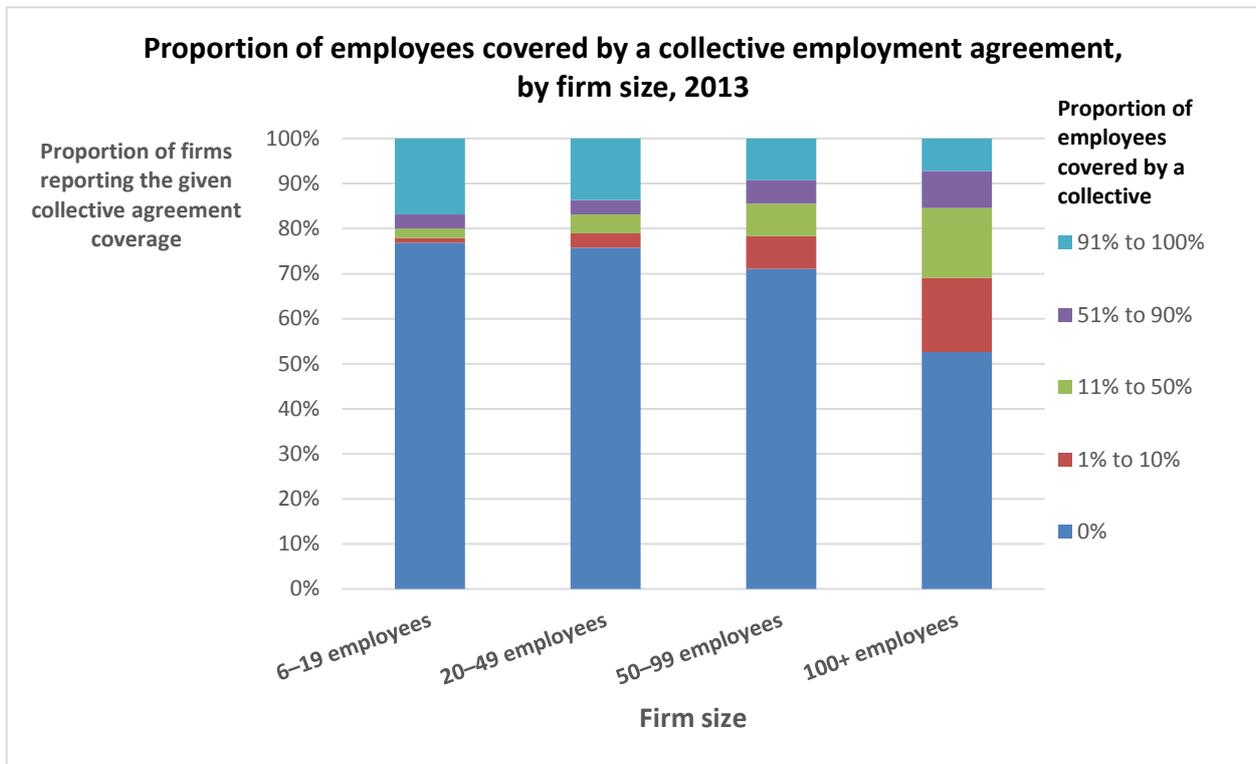
### By company size

While union coverage is not available by firm size, an annual Business Operations Survey carried out by Statistics New Zealand asks about the use of collective employment agreements. Bear in mind that this is employers reporting on what they consider collective agreements, not unions or union members. The last survey was for 2013 and was published in April 2014. It shows the following occurrence of collectives by firm size, showing greater incidence of collective agreements in larger firms. (It gives similar data by industry.)

Of the largest firms (with 100 or more employees) 51% report they have no employees covered by a collective, and 46% report they have at least some covered (some didn't know!). Breaking down the 46%

further, 16% of the large firms reported 10% of their employees or fewer on a collective, 15% reported between 10% and 50% on a collective, 8% reported between 50% and 90% on a collective, and 7% reported over 90% on a collective. The proportion of employees on a collective falls rapidly with firm size. For firms with between 50 and 99 employees, only 28% reported any employees on a collective (though 9% had over 90% on a collective), firms with between 20 and 49 employees reported only 23% on a collective (but over half of these, 13%, reported more than 90% coverage) and the smallest firms surveyed, having 6-19 employees, reported only 22% of their employees on a collective (but almost three-quarters of those, or 16%, had more than 90% coverage).

We can tell only roughly from this what the proportion of employees in collectives is in each firm size, but almost half of large firms have at least some collective coverage, implying some union presence. Smaller firms are much less likely to have coverage by collective agreements, but when they do, it is more likely to cover most employees in the firm.



**Bill Rosenberg**

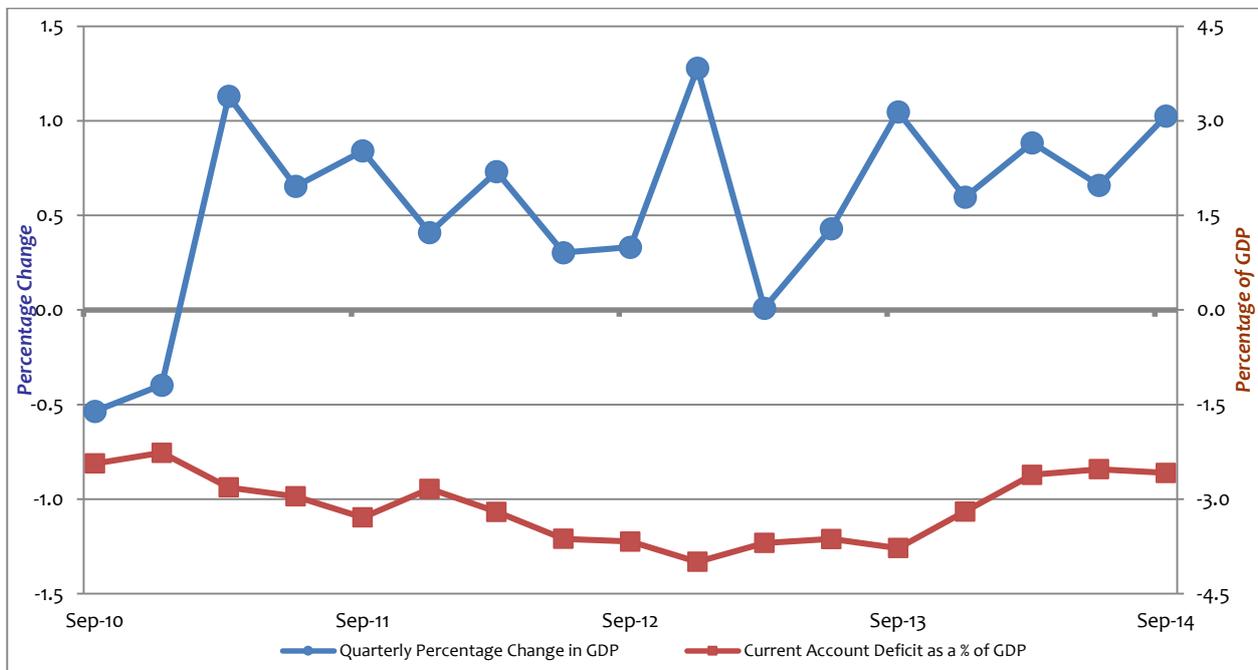
## Forecast

★ This [NZIER forecast](#) was released on 15 December 2014.

Annual Percentage Change (March Year)	2014-15	2015-16	2016-17	2017-18
GDP	3.3	3.0	2.3	2.1
CPI	1.2	2.1	2.2	2.0
Private Sector average wage	3.1	3.4	3.4	3.3
Employment	2.5	1.9	1.5	0.9
Unemployment rate	5.3	5.1	4.9	5.1

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

## Economy



- Growth in New Zealand's economy increased strongly in the September 2014 quarter, with [Gross Domestic Product](#) growing at 1.0 percent, compared to quarterly increases of 0.7 percent in June, and 0.9 percent in March and 0.6 percent in December 2013, both revised downwards. Growth for the year ended September 2014 was 2.9 percent. The September 2014 quarter was 3.2 percent up on the same quarter in 2013, and growth between the June 2013 and 2014 quarters has been revised down to 3.2 percent. However GDP per person is barely increasing by some measures: it stood still in the quarter in dollar terms, though it rose 0.6 percent in volume terms. So production is increasing but falling prices mean it is not showing as increased spending. The largest quarterly rises by industry were in Mining (up 8.0 percent), Agriculture, Forestry and Fishing (up 5.1 percent), and Information media and telecommunications (up 3.5 percent). Manufacturing rose 2.0 percent. On the other hand, Transport, postal and warehousing fell 2.6 percent, Professional, scientific, technical, administrative and support services fell 2.0 percent, and Construction fell 1.2 percent. The result was that Primary Industries rose 5.8 percent, Goods producing industries (which includes

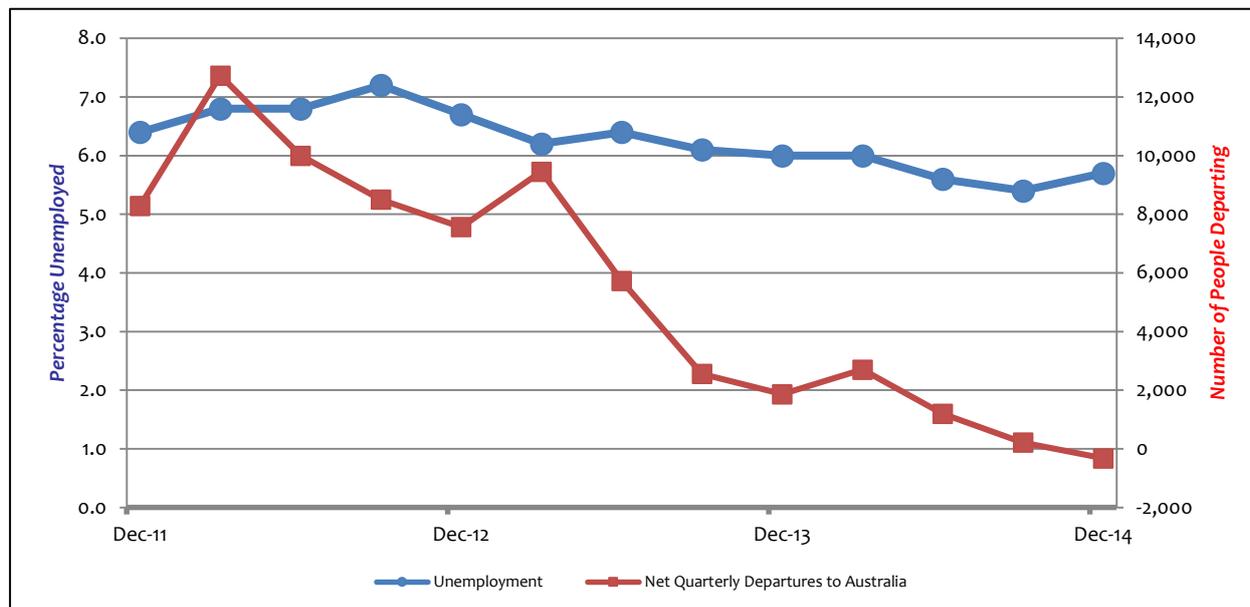
Construction) rose 0.9 percent and Service industries rose 0.3 percent. Over the year though (comparing September quarters), all industries expanded except Forestry and logging (which fell 7.8 percent), Food, beverage, and tobacco manufacturing (down 2.1 percent), Printing (down 2.2 percent), Petroleum, chemical, polymer, and rubber product manufacturing (down 1.3 percent), Furniture and other manufacturing (down 1.4 percent), and Transport, postal, and warehousing (down 0.4 percent). Non-metallic mineral product manufacturing led the expansion, rising 17.0 percent over the year followed by Mining (up 16.7 percent), Transport equipment, machinery and equipment manufacturing (up 8.4 percent), Construction (up 11.5 percent), and Accommodation and food services (up 6.0 percent). Household consumption expenditure rose 1.5 percent in real terms in the quarter and 4.0 percent from the September 2013 quarter. Expenditure on non-durable goods (such as groceries) rose 1.7 percent in real terms during the quarter and 2.7 percent during the year while durables (such as appliances) rose 4.0 percent in the quarter and boomed at 10.0 percent growth over the year. Business investment rose 3.8 percent in the quarter with large increases in Transport equipment (16.1 percent), Plant, machinery and equipment (9.3 percent) and non-residential buildings (4.4 percent). Residential buildings activity was flat.

- New Zealand recorded a [Current Account](#) deficit of \$2.5 billion for the September 2014 quarter in seasonally adjusted terms (\$5.0 billion actual), compared to a \$2.0 billion deficit in the June quarter. The deterioration was driven by move to deficit in the goods trade of \$405 million (compared to \$300 million surplus in June) while the deficit on income and transfers rose to \$2.75 billion from \$2.69 billion. For the year to September 2014, the deficit was \$6.1 billion or 2.6 percent of GDP compared to a \$5.8 billion deficit in the year to June. The deficit on investment income was \$9.9 billion, which is rising because of increased outward flows of income on foreign investment in New Zealand.
- The country's [Net International Liabilities](#) were \$152.3 billion at the end of September 2014 (64.3 percent of GDP) up from \$151.5 billion (64.7 percent of GDP) at the end of June, and \$147.6 billion (67.1 percent of GDP) in September 2013. The rise in net liabilities in the quarter was due mainly to net financial inflows of \$2.1 billion, but was significantly offset by changes in the market valuation of assets and liabilities. Without the market value changes, the net liabilities would have been \$154.7 billion. Assets rose in value from \$186.1 billion to \$200.1 billion almost solely because of exchange rate and valuation changes; financial flows accounted for only \$72 million of the \$13.9 billion increase. All but \$2.2 billion of the \$14.7 billion increase in liabilities (to \$352.3 billion) was due to valuation changes. New Zealand's international debt was \$265.2 billion (112.0 percent of GDP), compared to \$121.1 billion in financial assets (other than shares; 51.2 percent of GDP), leaving a net debt of \$144.1 billion. Of the net debt, \$8.8 billion was owed by the government (equivalent to 3.7 percent of GDP) and \$101.7 billion by the banks (43.0 percent of GDP), which owed \$57 billion to related parties. Total insurance claims owed by overseas reinsurers from the Canterbury earthquakes are estimated at \$19.8 billion, and at 30 September 2014, \$15.3 billion of these claims had been settled, leaving \$4.4 billion outstanding.
- ★ [Overseas Merchandise Trade](#) for the month of January saw exports of goods fall 9.1 percent from the same month last year while imports fell 3.8 percent. This created a trade surplus for the month of \$56 million or 1.5 percent of exports. In seasonally adjusted terms, exports rose 2.7 percent or \$106 million over the month (compared to a 5.5 percent fall the previous month) influenced by rises in Fruit (up 31.0 percent), and Wine (up 13.3 percent) countering falls in Milk Powder, Butter, and Cheese (down 4.5 percent), Crude oil (down 58.7 percent, not seasonally adjusted), Logs and

wood products (down 10.9 percent), and Aluminium products (down 19.0 percent, not seasonally adjusted). Seasonally adjusted imports fell 8.5 percent or \$378 million, creating a trade surplus of \$27 million compared to a \$455 million deficit in the previous month. Imports grew fastest in Textiles (up 9.8 percent) but fell in all the other leading categories, including Petroleum and products (down 40.3 percent), Mechanical machinery and equipment (down 16.1 percent), Electrical machinery and equipment (down 6.4 percent), Plastic and plastic articles (down 13.4 percent) and Optical, medical and measuring equipment (down 8.5 percent). Exports to China fell 11.4 percent in the year to January and fell 3.4 percent to Australia. Exports to China halved, falling by 51.5 percent between the month of January 2015 and the same month in the previous year while exports to Australia fell 6.2 percent. Our top six export destinations accounted for 59.5 percent of our exports in the year (of which China accounts for 19.0 percent), compared to 61.2 percent in the previous year (China 21.9 percent). Imports from China rose 5.3 percent in the year to January, and fell 1.5 percent from Australia, but in the month imports from China rose 8.3 percent while imports from Australia fell 6.6 percent compared to the same month in the previous year.

- ★ The [Performance of Manufacturing Index](#)<sup>1</sup> for January 2015 was 50.9, a steep fall from 57.1 in December. The employment sub-index was at 51.0, a rise from 49.3 in December but still below the 54.1 in November.
- ★ The [Performance of Services Index](#)<sup>1</sup> for January 2015 was 57.8, a rise from 56.7 in December. The employment sub-index rose to 54.5 from 52.0 in December.
- ★ The [Retail Trade Survey](#) for the three months to December 2014 showed retail sales rose 1.7 by volume and 1.6 percent by value compared with the September 2014 quarter, seasonally adjusted. By volume, the largest positive contributors to the increase were Food and beverage services, Clothing, footwear and accessories, Electrical and electronic goods, Hardware, building and garden supplies, Non-store and commission retailing (which includes internet purchases), Accommodation and Recreational goods. Supermarket and grocery stores experienced the only significant fall.
- On 29 January 2015 the Reserve Bank left the [Official Cash Rate](#) (OCR) at 3.50 percent and signalled that a change was unlikely for some time, with the possibility of a fall as well as a rise. The next OCR review will be announced on 12 March 2015 along with a Monetary Policy Statement.
- ★ The [REINZ Housing Price Index](#) fell 1.0 percent in the month of January 2015. Auckland fell 1.2 percent, Christchurch fell 1.1 percent and Wellington fell 0.6 percent. The index was up 7.5 percent compared to the same month a year before. For the year, Auckland prices rose 15.1 percent, Christchurch rose 4.5 percent and Wellington rose 3.0 percent. The national median house price fell \$24,000 or 5.3 percent compared to December to \$426,000. It is \$24,000 or 6.0 percent higher than a year ago with median prices rising in nine regions. There were 136 or 5.8 percent fewer sales under \$400,000 compared to January 2014, but a rise of 138 to 360 in the \$1 million plus range and 158 more (to 979) in the \$600,000 to \$999,999 range. Sales under \$400,000 accounted for 45.2 percent of sales in January 2015 but 49.3 percent in January 2014.

## Employment

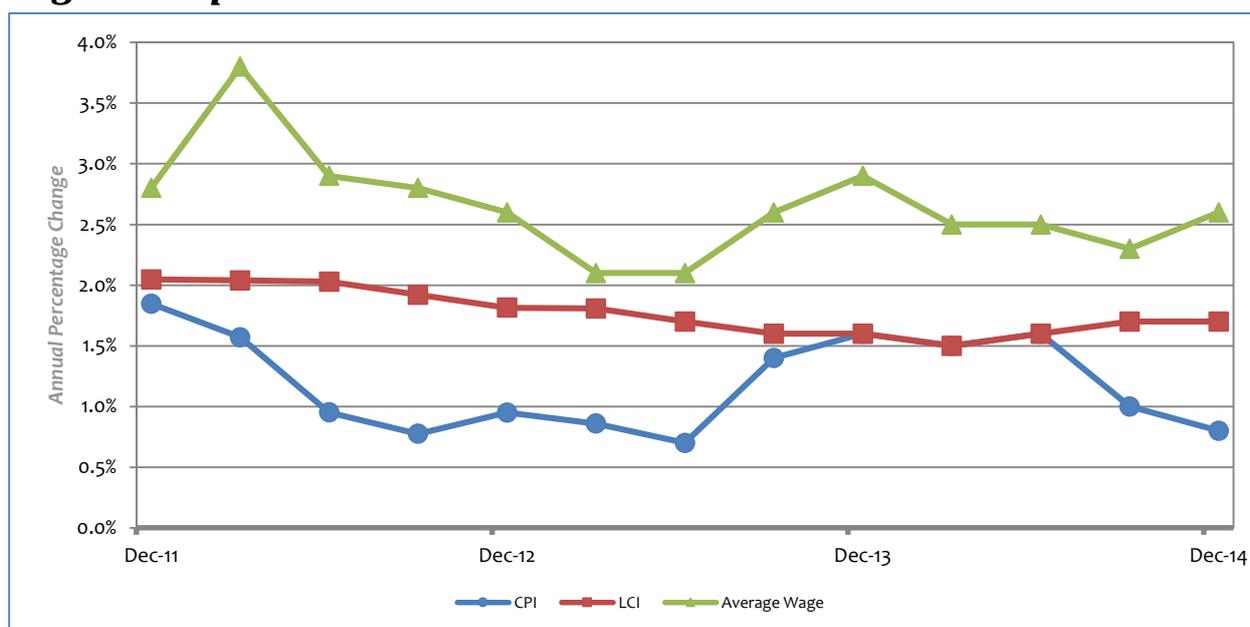


★ According to the [Household Labour Force Survey](#) the unemployment rate in the December 2014 quarter rose to 5.7 percent or 143,000 people, from 5.4 percent in September (135,000 people), seasonally adjusted. Seasonally adjusted female unemployment at 6.5 percent was higher than for men (5.0 percent). In the North Island, only Taranaki (4.8 percent) has unemployment below the average for the country, and Northland, with 8.0 percent unemployment, Gisborne/Hawkes Bay with 7.8 percent, and Manawatu-Whanganui with 9.0 percent are particularly hard hit. However, unemployment fell over the year in all but Gisborne/Hawkes Bay and Manawatu-Whanganui which rose from 7.3 percent and 5.7 percent respectively. The South Island looks considerably better, with only Tasman/Nelson/Marlborough/West Coast above average at 6.1 percent, but that was a rise from 4.2 percent a year before. Canterbury had low unemployment throughout the 2000s and has yet to regain the low levels of 2007 despite the Canterbury rebuild. The unemployment rate in Canterbury was 3.5 percent, a slight rise from 3.4 percent in December 2013 (though not statistically significant). The unemployment rate outside Canterbury is 6.0 percent. By industry, over the year almost a third of the increase in employment came from Construction (25,800 workers compared to 81,300 overall), with Public administration and safety, Health care and social assistance, and Arts, recreation, and other services the main other contributors (another 39,800 employed). Wholesale trade, Transport, postal and warehousing, Financial and insurance services, and Rental, hiring and real estate services all reduced employment over the year. There were 256,800 people jobless, including 141,600 people unemployed, and there were 112,800 part-timers who wanted more work. Māori unemployment fell slightly from 12.8 percent in December 2013, and was at 12.0 percent, and Pacific people's unemployment fell from 13.7 percent in December 2013 to 11.2 percent. The labour force participation rate at 69.7 percent is up 0.7 percentage points from the previous quarter and up 0.8 percentage points for the year. There are 40,600 unemployed people who have been out of work for more than 6 months (down from 44,600 in December 2013), and they are 28.7 percent of the unemployed compared to 30.7 percent a year before. Those out of work for more than a year have risen from 10.8 percent of the unemployed to

11.1 percent over the year. Compared to OECD unemployment rates, New Zealand is 10<sup>th</sup> equal lowest (out of 34 countries), worsening from 9<sup>th</sup> in September.

- ★ Youth unemployment for 20-24 year olds was 11.0 percent, up from 10.4 percent in the December quarter and down from 11.2 percent a year before, all in seasonally adjusted terms. The NEET rate was 14.5 percent, down from 14.9 percent in the previous quarter and equal to 14.5 percent a year before. The unemployment rate among 15-19 year olds was 21.1 percent in December, up from 19.5 percent in September and down from 24.5 percent a year before, in seasonally adjusted terms. It was lower for those in education (20.2 percent) than those not (22.6 percent), and the 11,000 increase in employment over the year was almost entirely among people in education (10,000 increase) while those not rose only 1,000. The not in employment, education, or training (NEET) rate rose from 7.2 percent in June to 7.7 percent, though down on a year ago (7.9 percent). There were 72,000 people aged 15-24 years who were not in employment, education, or training (NEET), which is 11.3 percent of people in that age group, the same as in September and a year before.
- The [Ministry of Social Development](#) reports that at the end of December 2014 there were 124,631 working age people on the Jobseeker benefit, a rise of 1,498 from 123,133 in September 2014 and a fall of 5,594 from December 2013. Of those at December 2014, 69,155 were classified as 'Work Ready', and 55,475 were classified as 'Health Condition or Disability'. A total of 309,145 were on 'main' benefits, 14,824 more than September 2014 and 12,724 fewer than December 2013. It was 22,969 more than in December 2008.
- ★ [Job Vacancies Online](#) showed a seasonally adjusted rise in skilled job vacancies of 1.5 percent in January after a rise of 0.3 percent in the previous month. All job vacancies rose by 0.4 percent in January, after a rise of 0.5 percent in the previous month. In the year to January, skilled vacancies rose 2.0 percent. All vacancies rose by 3.5 percent.
- ★ [International Travel and Migration](#) data showed 10,120 permanent and long-term arrivals to New Zealand in January 2015 and 4,590 departures in seasonally adjusted terms, a net gain of 5,540. There was an actual net gain of 53,797 migrants in the year to January. Net migration to Australia in the year to January was 2,888 departures, with 26,491 departures and 23,603 arrivals. For the month of December, the seasonally adjusted net loss to Australia was 120 compared to 780 a year before. In January, 11% of the arrivals had residence visas, 27% student visas, 26% work visas, and 5% visitors. 31% were New Zealand or Australian citizens.

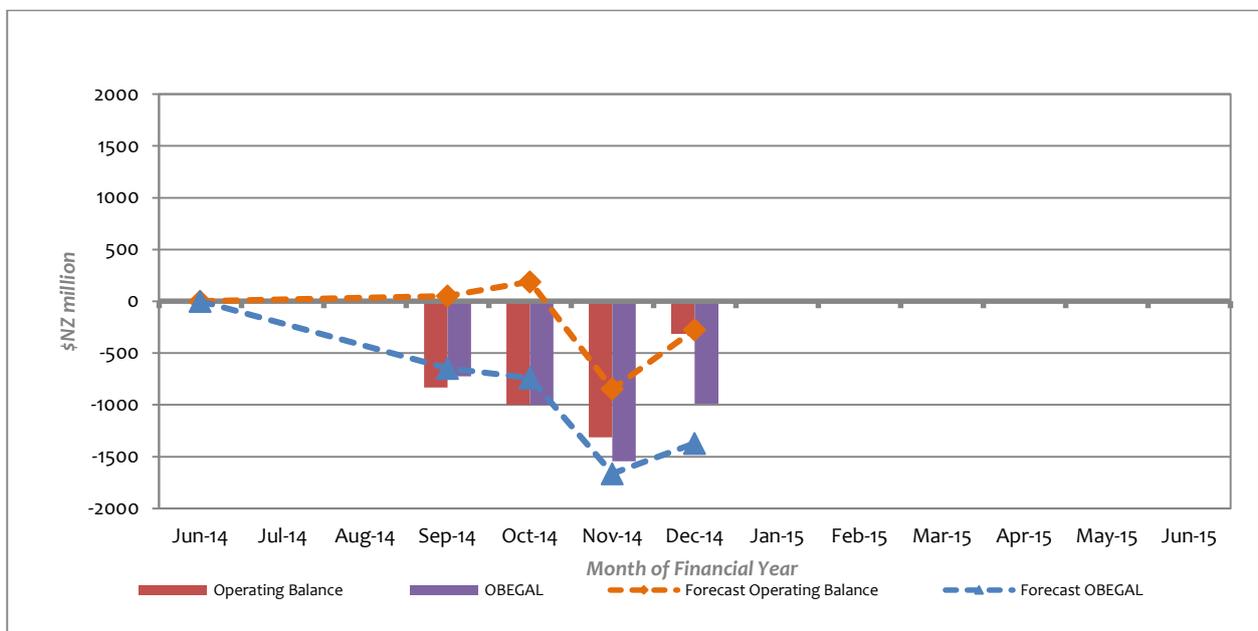
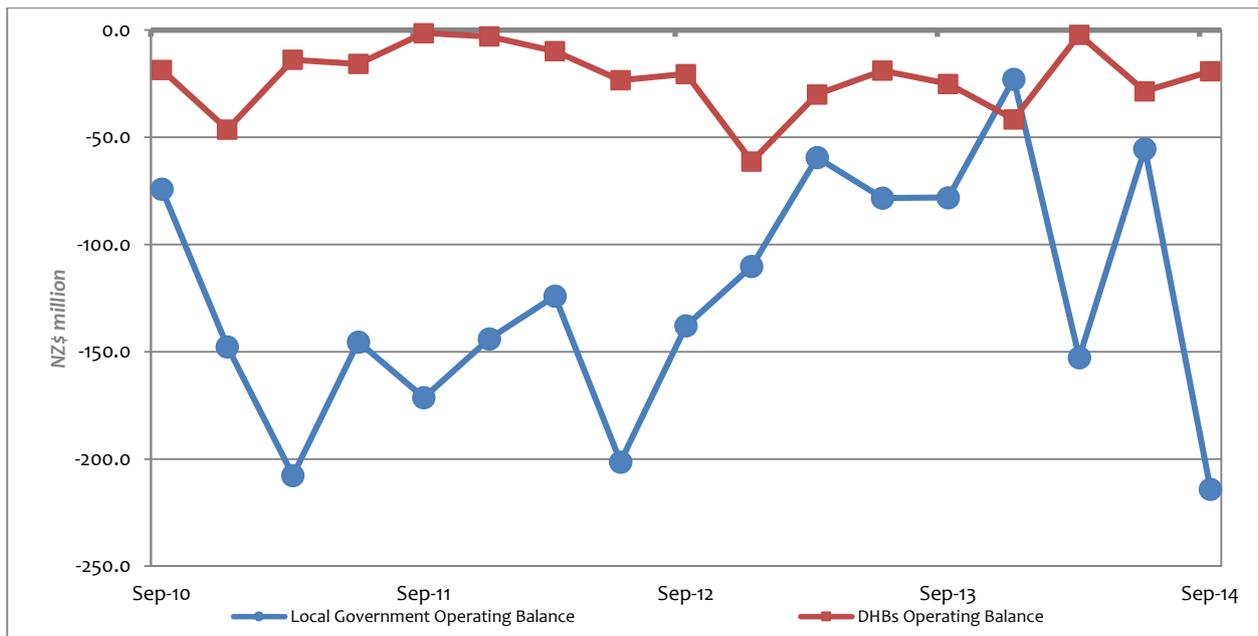
## Wages and prices



- ★ The [Labour Cost Index](#) (LCI) for salary and ordinary time wage rates rose 0.5 percent in the three months to December 2014. The LCI increased 1.7 percent in the year to December, ahead of the 0.8 increase in the CPI. It increased 0.4 percent in the public sector and 0.5 percent in the private sector in the three months to December. Over the year to December it rose 1.1 percent in the public sector and 1.8 percent in the private sector. During the year, 41 percent of jobs surveyed did not receive a pay rise, and 43 percent did not in the private sector. For the 59 percent of those surveyed who received an increase in their salary or wage rate during the year, the median increase was 2.5 percent and the average increase was 3.2 percent. For those jobs that received increases, the median increase in the public sector was 1.8 percent and in the private sector 2.5 percent; the average increase in the public sector was 2.2 percent and in the private sector 3.5 percent. We estimate that jobs on collective employment agreements were 2.0 times as likely to get a pay rise as those who were not.
- ★ The [Quarterly Employment Survey](#) for the three months to December 2014 found the average hourly wage for ordinary-time work was \$28.77, up 0.5 percent on the September quarter and up 2.6 percent over the year. The average ordinary-time wage was \$26.77 in the private sector (up 0.4 percent in the quarter and up 3.0 percent in the year) and \$35.98 in the public sector (up 0.9 percent in the quarter and up 2.0 percent in the year). Female workers (at \$26.58) earned 13.3 percent less than male workers (at \$30.64) for ordinary time hourly earnings.
- The [Consumer Price Index](#) fell 0.2 percent in the December 2014 quarter compared with the September 2014 quarter driven by falling food and petrol prices, and increased 0.8 percent for the year to December. For the quarter, Housing and household utilities were again the largest influence, rising 0.4 percent. Over the year, 80 percent of the increase came from housing and household utilities which rose 3.2 percent and without which the CPI would have fallen by 0.1 percent. Inflation in Canterbury for the year was 1.2 percent compared with 0.8 percent in Wellington and 0.6 percent in Auckland. Housing costs hit particularly hard in Canterbury, rising 4.8 percent for the year compared to 2.7 to 3.2 percent elsewhere.

★ The [Food Price Index](#) rose by 1.3 percent in the month of January 2015, following a 0.3 percent rise in December. Food prices rose 1.2 percent in the year to January 2015. Compared with December, fruit and vegetable prices rose 8.3 percent; meat, poultry, and fish prices rose 0.5 percent; grocery food prices rose 0.6 percent; non-alcoholic beverages fell 0.4 percent; and restaurant meals and ready-to-eat food rose 0.1 percent.

## Public Sector



★ According to Treasury's [Financial Statements of the Government of New Zealand](#) for the six months ended 31 December 2014, core Crown tax revenue was \$323 million or 1.0 percent higher than forecast in the December 2014 Half Year Economic and Fiscal Update (HYEFU). Main contributors were GST being above forecast, though this may not persist because domestic consumption could

be weaker than Treasury forecast in the December quarter, and corporate tax was above forecast. Customs and excise duties were also above forecast due to higher imports and production of tobacco products to get in before the 1 January 2015 excise rate increase. Tobacco excise revenue has grown 15% over the year. Expenses were \$90 million (0.3 percent) below forecast. Net debt at 28.1 percent of GDP (\$66.5 billion) was \$672 million higher than the \$65.8 billion forecast. The Operating Balance before Gains and Losses (OBEGAL) was a \$990 million deficit, \$381 million lower (better) than forecast. The Operating Balance was a \$316 million deficit compared to a forecast deficit of \$274 million, the difference being mainly due to unexpected actuarial losses on the ACC liability of \$641 million, offset by University of Canterbury settling its insurance claims, at \$330 million. Gross debt at \$85.5 billion was \$1.5 billion above forecast, "mainly due to an increase in Reserve Bank bills of \$900 million".

- ★ [District Health Boards](#) recorded combined deficits of \$33.9 million for the month to November 2014. This is \$8.1 million worse than their plans. The Northern region was \$0.3 million ahead of plan with a surplus of \$1.8 million dominated by a \$1.7 million surplus at Waitemata, the Midland region was \$2.9 million behind plan with a combined deficit of \$10.9 million and all DHBs in deficit, Central region was \$3.8 million behind plan and all but Capital and Coast in deficit totalling \$6.2 million, and the Southern Region was \$1.7 million behind plan with a \$18.7 million deficit and three of the five DHBs in deficit including Canterbury at \$12.7 million and Southern at \$9.6 million. The DHB furthest ahead of plan was Nelson Marlborough by \$1.5 million, and Southern was furthest behind, by \$2.8 million.
- [Local Government](#) recorded a 3.2 percent (\$66.1 million) fall in operating income and a 4.3 percent rise in operating expenses (\$92.7 million) including an increase of 2.4 percent (\$11.5 million) in employee costs for the September 2014 quarter compared to June. This resulted in an operating deficit of \$214.1 million in the September quarter, compared with a deficit of \$55.3 million in the June quarter, and deficits in all the last 26 quarters back to March 2008 with the exception of June 2010, all in seasonally adjusted terms. Note that the September quarter results are provisional and many previous figures have been revised.

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## Notes

- 1 For the Performance of Manufacturing Index (PMI) and Performance of Services Index (PSI) a figure under 50 shows the sector is contracting; above 50 shows that it is growing. Previous month's figures are often revised and may differ from those published in a previous Bulletin.

*This bulletin is available online at <http://www.union.org.nz/economicbulletin165>.*

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