Economic downturn hits New Zealand

A New Zealand correspondent
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The New Zealand economy has slid further into decline, according to government figures released last week. The Gross Domestic Product contracted by 0.9 percent in the March quarter, far worse than have been predicted by forecasters, including the Reserve Bank and the Treasury. The battered New Zealand dollar immediately declined by one cent to US50.79 cents.

Reserve Bank governor Don Brash conceded that the country now faces its most serious economic crisis since the 'oil shocks' of the mid-1970s, when a lengthy recession accompanied the international rise in oil prices. An overseas market analyst warned that the 'external shock' from the Asian monetary collapse could well be the worst for 70 years.

A slight fall in the annual current account deficit -- $7.2 billion as compared to a predicted $7.9 billion -- was greeted with a sigh of relief in the financial media. But New Zealand's trade deficit, which has grown each of the last three years, now amounts to 7 percent of GDP, the highest level of any industrialised country in the world.

The National Party-NZ First coalition government has limply claimed that the country was not yet formally in recession, and was in a good position to ride out the Asian crisis. Prime Minister Jenny Shipley has ruled out any intervention to prop up the declining dollar.

For more than a decade New Zealand has been held up around the world as a model of the 'economic restructuring' demanded by international finance capital. But sections of big business in New Zealand are increasingly alarmed at the extent of the crisis.

The Labour Opposition introduced a motion of no confidence into parliament last week, maintaining that differences between Prime Minister Shipley and her deputy, Finance Minister and NZ First leader Winston Peters, over proposed reductions in the fiscal surplus, amounted to a lack of 'leadership' over the impact of the economic crisis. Labour is just as responsible for the social devastation facing the working class as the conservative parties. Between 1984 and 1990, Labour governments began the 'economic restructuring,' continued under the Nationals.

The working class is bearing the brunt of the downturn. Unemployment rose to 7.1 percent during the quarter, the highest in four years. Consumer spending has fallen dramatically, indicating a continuing decline in the standard of living of working class households.

Rural areas have been hard hit, with primary sector production, the mainstay of the country's economy, contracting by 6.4 percent. The fall accounts for 40 percent of the overall drop in the GDP.

A new round of cutbacks to jobs is already underway. Four clothing companies in the lower North Island have announced they are closing, with the loss of 130 jobs in Masterton, Hawera, Marton and Wellington. The first three are small rural towns, where the retrenchments will have a huge local impact.

Last week, New Zealand's largest remaining car assembly plant, the Mitsubishi Motors factory at Porirua near Wellington, closed after having been run down over the past 12 months. Further closures have already been announced at the Nissan Wiri plant in South Auckland and the Honda and Toyota plants in Nelson and Thames. The result will be the loss of 1,500 jobs, with another 4,300 jobs expected to go in car parts manufacturing.

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