Living costs soar in New Zealand

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Official figures show inflation in New Zealand hit 4.5 percent for the year to March, pushed up by higher petrol, food and cigarette prices. The soaring cost of living, which has far outstripped wage increases, is part of a global trend and one aspect of the austerity measures being inflicted on working people in the wake of the international financial crisis.

Inflation is now at its highest annual rate since September 2008, when it was just above 5 percent. Almost half the rise was due to the increase in the Goods and Services Tax (GST) from 12.5 to 15 percent, which was imposed by the conservative National-led government last October, alongside income tax cuts favouring the wealthy. Economists expect annual inflation to reach 5.5 percent in the June quarter, the highest in two decades.

Prime Minister John Key dismissively stated that higher prices were "just a fact we have to live with at the moment". Inflation, he claimed, was "entirely due to oil and tobacco increases" and that international oil prices were outside the government's control.

Petrol was up almost 10 percent in the three months to March, with fuel prices peaking at $2.19 a litre. Highlighting the ongoing assault on family budgets, basic household items stand out on the list of escalating prices. For the year to March, food went up 4.8 percent, with staples such as milk and dairy products leading the way. Alcoholic beverages jumped 11.4 percent. Petrol increased 17.1 percent for the year while overall transport costs were up 8.2 percent. Housing and household utilities rose 4.0 percent. Cigarette and tobacco prices rose 26.1 percent, following two increases in excise duty on cigarettes and tobacco.

Steven Toplis, head of research at the Bank of New Zealand, said the movement in prices was likely to have a substantial impact on consumers, as rises were "heavily weighted towards the goods and services that we can't really avoid," such as fuel and food. "When the price of BMWs and plasma TVs goes up, we just don't buy them. When the price of petrol and milk goes up, it's much harder to get around," Toplis noted.

The costs of basic services are also rising. Early childhood education fees leapt 11.7 percent in the year on the back of funding changes which cut government subsidies. Overall education costs for the three months to March were up 6.6 percent on the same period last year. Universities and other tertiary institutions have been forced to raise student fees because of government funding restrictions.

More than 40 comments were posted by the on-line edition of the *Dominion Post* following the release of the figures, providing a glimpse of the anger among ordinary people over their inability to cope.

One writer, Dave, commented: "By the time we have paid the mortgage, the outrageous electricity bill, the outrageous rates bill, the outrageous fuel bill, the outrageous insurance costs and so on—on top of all our taxes—we do not have much left for enjoying life... It is not meant to be so hard."

Annette wrote that she had cut out basic foodstuffs, including those produced in New Zealand. "The cost of insurance, sport fees, school uniforms, petrol, electricity, rates etc. etc. have all gone up—BUT the one thing that hasn't is WAGES! My husband and I are earning the same as we did 5 years ago," she wrote. "The likes of the MPs, CEOs etc. wouldn't even have to think twice about bills—only because they earn indecent amounts of money!"

Claire wrote: "Food here is terribly over-priced and continuing to rise whilst wages stay the same and government cutbacks are forcing more and more people out of work through 'restructuring'. In NZ it seems profiteering is alive and well and lining the pockets of the rich whilst ordinary people cannot even afford to buy milk for their children."

Complaints from consumer groups to the Commerce Commission have alleged that the transnational dairy corporation Fonterra is artificially inflating milk prices, forcing the commission to announce a preliminary investigation of the domestic market. Fonterra chief executive Andrew Ferrier promptly denounced the move. He claimed New Zealand would be committing "collective suicide" if the government agreed to regulate the domestic milk price.

"Every aspect of our international trade policies is around free markets," Ferrier declared. "It is everything we have been lobbying against for 30 years." Fonterra is New Zealand's biggest company by revenue and the world's leading dairy exporter. It attributes rising domestic prices to high international dairy prices, which have soared as a result of global demand and speculation in commodity markets.

While the "free market" pushes up prices on essential goods, it is forcing wages in the opposite direction. The last annual increase in wages was only 1.7 percent, well below the inflation rate. Finance Minister Bill English told a business leadership conference in early April that low wages—30 percent on average below those in neighbouring Australia—were a "fact of life" and would attract investment. Prime Minister Key backed his finance minister, noting that lower wages were one of the reasons Canon had recently decided to set up a call centre in Auckland.

The social desperation confronting broad layers of working people is above all an indictment of the Labour Party and the unions. From 1984 to 1990, a Labour government carried out a far-reaching free market restructuring of the economy, which led to the destruction of thousands of jobs and a sharp fall in living standards. The GST was introduced by Labour in 1986. In government again from 1999 to 2008, Labour pursued a pro-business agenda and presided over steadily widening social inequality.

While the Labour Party today makes occasional criticisms of the Key government's policies, it is in fundamental agreement with slashing working class conditions to protect the competitiveness of New Zealand-based companies. Current Labour leader Phil Goff has ruled out rescinding the recent GST increase if the party regained power.

The unions, meanwhile, have presided over the steep decline in wages by suppressing industrial action and smothering opposition to government attacks on working conditions and basic rights. For close to three decades, the New Zealand Council of Trade Unions and its affiliates have pursued the corporatist agenda of a "social partnership" with the employers and the government. They have accommodated to and imposed demands for productivity and competitiveness, and collaborated in the wholesale decimation of manufacturing jobs.

Strike action in New Zealand has been on a long-term decline since the 1970s, and the suppression of workers' resistance has become the most glaring feature of the assault on the social position of the working class. Figures published in the *National Business Review* on April 21 showed that for the whole of 2010 there were only 17 work stoppages, involving just 6,394 workers—the lowest number since the NZ Statistics series began in 1986.

A further round of budget and job cuts has been foreshadowed, beginning with an announcement by New Zealand Post, a state-owned enterprise, that it was making a $40 million loss on its store network, and would close Post Shops and Kiwibank outlets and lay off staff. This month's national budget is expected to see deep spending cuts to public services as the Key government uses the damage caused by the recent Christchurch earthquake as a justification to further rein in spending.