In New Zealand, rising inflation, inequality intensify social crisis

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Behind New Zealand's outbreak of the COVID-19 Omicron variant, a slew of new economic figures points to the escalating assault on the social position of the working class by the Labour-Green Party government of Jacinda Ardern.

Statistics NZ (Stats NZ) material posted late last month shows that, as elsewhere around the globe, inflation is rising more sharply than previously predicted. Official inflation at the end of 2021 jumped to 5.9 percent, its highest level since June 1990—up from 4.9 percent in the September quarter.

Inflation is rising globally due to fiscal and monetary policies put in place by central banks, led by the US Federal Reserve, which have pumped trillions of dollars to prop up big business and fill the pockets of speculators. The impact is now being exacerbated by supply chain crises restricting the production and distribution of many essential goods.

ASB bank economist Mark Smith told *Stuff* that inflation would rise above 6 percent in the current quarter, and it no longer looks "transitory." The NZ Reserve Bank earlier forecast a 5.7 percent rise going into this year, and according to Smith clearly had "more work to do" to try to bring it under control.

Annual inflation is nearly triple the Reserve Bank's target midpoint for price stability (between 1 and 3 percent), prompting expectations that it will continue ratcheting up interest rates. Infometrics forecasts the Official Cash Rate (OCR), currently 0.75 percent, will rise by 50 basis points at the bank's February 23 review. The ANZ Bank expects the OCR to be lifted to 3 percent by early next year, its highest since 2015.

The rises will have a devastating effect on homeowners trying to service high mortgages. In December the national average asking price for a property jumped by a quarter year-on-year to reach a new high of $NZ956,150. According to a recent OECD report, house prices have increased more relative to fundamentals—household income and rents—than in most OECD countries. The share of the population under "intense rental stress" is the worst in the OECD.

New Zealand's high inflation rate was partly due to "imported" inflation, with petrol prices increasing 30 percent in the year, according to Stats NZ. However, housing, household utilities and transport were major drivers. Construction prices were up 16 percent annually, while, according to Trade Me, the national median weekly rent rose by $40 last year to $560 a week. The latest food price figures showed their biggest jump in a decade—up 4.5 percent in December 2021 compared with the same time in 2020.

Wage growth was only 2.4 percent, well under half the inflation rate. Some 42 percent of workers did not get a pay rise at all last year, while of those that did, more than 80 percent were below inflation. In a boast that unwittingly exposed its own pivotal role in the onslaught on living standards, the NZ Council of Trade Unions declared the figures made it clear that "workers' wages are not driving the current inflation changes."

The suppression of wages is a product of the conscious policy of the Ardern government, which last year announced a pay freeze across the public sector, buttressed by the trade unions who have dedicated themselves to cancelling strikes and enforcing pay settlements below inflation. The unions are currently running a bogus campaign among low-paid workers, calling for a so-called "Living Wage" which is arbitrarily set at a totally inadequate $22.75 an hour, only marginally above the legal minimum of $20.

Economist Bernard Hickey declared on his *The Kaka* blog that the Stats NZ figures showed that, in responding to the COVID-19 pandemic, the Labour government, supported by the Greens, “presided over policies that accidentally on purpose engineered the biggest transfer of wealth to asset owners from current and future renters in the history of New Zealand.”

According to Hickey, there has been a “stark explosion in inequality” since the onset of COVID-19. The Reserve Bank printed $NZ58 billion to purchase bonds from the commercial banks, while the government handed over $20 billion in cash subsidies to business owners. These policies helped drive up property prices and made the owners of homes and businesses $952 billion richer compared with December 2019.

The government paid a total of $19.95 billion in wage subsidies, resurgence payments and other support packages to businesses which recorded profits totalling $27.16 billion, up by $15.492 billion on the previous 21-month period. Businesses have repaid less than $4 billion of the support money while many, such as Harvey Norman, Kathmandu, and Fulton Hogan handed out large dividends to shareholders.

Renters, wage earners and welfare beneficiaries are the losers. Beneficiaries and the poorest received just an extra $48m in cash grants over 21 months, while debts to the Ministry of Social Development (MSD) rose by $400 million to $1 billion by mid-2021. Last year, 66 percent of people on a benefit owed a debt to MSD. Demand for food parcels at the Auckland City Mission more than doubled to 20,238 in the six months to June 2021 compared to the same six months in 2019.

Meanwhile, Hickey wryly noted, Ardern told Labour MPs assembled at a recent caucus retreat that her government had managed “equity and fairness” with “Labour values” during the COVID crisis and would continue to “manage challenges and change when it comes to climate, housing, poverty, everything we continue to face as a nation.”

In fact, the figures damn the Labour-Green Party government as the most right-wing, pro-business government in New Zealand’s history. Speaking to Radio NZ on January 27, Hickey observed: “a trillion dollars of wealth in less than two years landed in the hands of people who were already wealthy. At the same time as the government last Christmas refused to increase the benefits by $50 because they were worried that it would increase the government debt.”

According to a recent government report, the number of people receiving a main welfare benefit increased from 286,225 in June 2017 to 363,497 in June 2021, with most of the increase coming since March 2020 and largely associated with the COVID-19 pandemic. Welfare payments went to more than half of families with children, and to more than two-thirds of M?ori and Pacific households with children.

There is growing outrage over the deepening poverty crisis. Auckland University academic Susan St John, a spokesperson for the Child Poverty Action Group, wrote on January 17 that progress on child poverty under Labour, even before COVID, was not “the transformative poverty reduction we were promised.” The numbers of children in severe poverty—living in households with less than 40 percent of the median disposable income after housing costs—have barely budged since Labour took office in 2017. This amounts to 160,000 children “drowning without a lifeline,” St John declared.

Ricky Houghton, chief executive of He Korowai Trust, a Kaitaia-based M?ori social service provider, told Radio NZ things have never been so bad for poor people in Northland. “It’s on the verge of civil disobedience,” he said. [The] people who ‘have-not’ will be taking what they need—and food is a basic human right—they will be taking from those that ‘have.’”

The growing anger among the working class at the inability to keep living under such conditions will undoubtedly lead to a radicalisation of consciousness and deepening hostility to the Ardern-led government and entire political establishment, including the trade unions. In New Zealand, as internationally, an explosive upsurge in the class struggle is emerging.