Survey shows majority of New Zealanders struggling financially

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Research published this week shows 55 percent of New Zealanders are struggling with their financial situation—up 17 percent compared with February 2021.

Out of those surveyed, 51 percent said they are "starting to sink" or are "treading water" and a further 3.5 percent are "sinking badly." The survey found 61 percent of women, 60 percent of M?ori and 58 percent of Pacific Islands peoples were struggling. Those aged 18-34, i.e., young wage earners, were also more likely to experience financial stress.

The research was commissioned by Te Ara Ahunga Ora Retirement Commission and carried out by consultancy The Research Agency (TRA). It surveyed 4,000 people over 18 years old and was nationally representative of New Zealand based on age, gender and region.

A full-frontal assault on living standards is underway, with persistently high inflation, currently 6 percent and at that level or higher for seven quarters. Household living costs surged 7.2 percent in the 12 months to June, according to Statistics NZ—with higher costs for working people driven by interest rates which rose by 28.8 percent and food prices up 13.2 percent.

One woman, Elizabeth, told *Stuff* that in 2018 she and her family, which includes six children, were spending $360 a week on rent in the regional city of Whang?rei. Now they are spending $720, taking up most of her partner's salary. "We live on bare basics and usually if a big unexpected payment comes up it comes out of grocery money," she said, citing $200 for a recent school camp.

Budget advisors report that more "middle income" households are struggling. Anne told *Stuff* she works part-time in administration and her partner is a port worker. Together, they make about $120,000 a year, but lately "things have got tough." Mortgage payments have gone up by $1,550 a month so food has been cut "and luxuries like Sky, Netflix, Spotify, since power, rates and insurance have increased too."

Making matters worse, on Monday the Labour government scrapped all remaining COVID-19 public health measures, including financial support for businesses and self-employed people for COVID-related leave. Half-price public transport was recently ended, along with a 15-month fuel excise tax cut, pushing petrol back up to $3 per litre.

The intractable financial plight facing working people is the product of deliberate class policies. On Wednesday the Reserve Bank (RBNZ) delivered a Monetary Policy Statement which left the official cash rate (OCR) "on hold" at 5.5 percent—but warned the rate would need to remain "restrictive" for the foreseeable future, with the likelihood of a further hike in the fourth quarter.

The RBNZ told a parliamentary committee last November that it was deliberately engineering a recession. In May, the central bank raised the official cash rate by 25 basis points to 5.5 percent, the latest in 12 consecutive rate rises since October 2021.

The bank forecasts the economy will enter a "double-dip" recession in the third quarter following the recession from October 2022 to March 2023. RBNZ head Adrian Orr outlined a "double-edged risk" to the economy, with persistent inflation and a sharper slowdown looming. Headline inflation and inflation "expectations" had declined but "measures of core inflation remain too high."

House prices, already among the highest in the OECD in Auckland, are expected to again rise sharply.

Compared to the central bank's previous forecast of a 0.4 percent increase, it now expects prices to rise by 3.2 percent by September 2024 and 9.5 percent to the end of 2025.

As is the case internationally, the ruling elite is responding to the economic crisis, triggered by the pandemic and worsened by the US-NATO war with Russia in Ukraine, by imposing the full burden on the working class. The RBNZ will continue with high interest rates as long as necessary to increase unemployment and beat back a developing movement in the working class for substantial wage increases.

The Labour-led government used the COVID pandemic to transfer tens of billions of dollars to big business, in the form of tax relief, direct bailouts and so-called wage subsidies. During 2020–21, the RBNZ printed $53.5 billion ($US34 billion) to buy up government bonds from the commercial banks, boosting their profits to record levels and contributing to rampant inflation.

The working class is now confronted with an escalating class war agenda to pay for the bailouts.

Job advertisements in July declined for the fourth consecutive month and were 25.8 percent lower than a year earlier, indicating a sharp "cooling" in the labour market. Unemployment has been under 4 percent for over two years, dipping to a 3.2 percent low, but in the June quarter it jumped back to 3.6 percent. Auckland job ads are running at lower levels than before COVID hit.

The parasitic financial sector has benefited enormously from the government's policies. The four major retail banks made a record $NZ7.18 billion in 2022, a net profit after tax that was $1 billion higher than the year prior and equated to $1 million an hour, according to KPMG. The banks are more profitable than the electricity sector, the supermarkets, and the construction companies put together.

In an attempt to quash growing outrage over the banks' predatory practices, which includes clamping down on credit availability while raising mortgage, credit card and other loan rates, the government last week directed the Commerce Commission to conduct an inquiry. Unconcerned, the Banking Association welcomed the inquiry and hoped "it will ease concerns about competition and innovation in the sector."

The emerging movement by the working class for better wages and against austerity is being met with open hostility in the business and media elite. Statistics NZ recently revealed that median weekly earnings were up 7.1 percent in the year to June, the second largest increase since 1998, but still barely above the current official inflation figure. The Labour Cost Index, however, which takes account of all wages paid, only increased 4.3 percent—well below inflation.

This was too much for Tauranga Chamber of Commerce chief executive Matt Cowley, who told Newstalk ZB on August 16: "it's a win for wage earners—but it's tough for employers." He falsely claimed "persistent" wage increases "feed the inflation spiral which impacts everyone."

Prominent right-wing talkback host Mike Hosking, one the country's highest paid media figures, fulminated that the wage increases are "inflationary," "aren't healthy" and "come at a cost." In fact there is clear evidence that profit gouging, not wage increases, is the main driver of inflation internationally.

The ruling class and crisis-ridden Labour-led government are depending on the trade unions to suppress workers' struggles. The NZ Nurses' Organisation and Post-Primary Teachers' Association recently cancelled industrial action and pushed through below-inflation pay deals affecting tens of thousands of nurses and teachers. The teachers' settlement was imposed at the direction of a state arbitration panel which ruled they should get a 14.5 percent pay rise over three years—that is, a pay cut.

Global conditions, including the escalating war in the Ukraine, will intensify economic pressures. Concerns are growing about the impact on commodity prices of a slowdown in China, which accounts for over a quarter of NZ's exports. Dairy prices slumped by 7.4 percent at last week's Global Dairy Trade auction, led by a 10.9 percent fall in whole milk powder to $US2,548 a tonne, its lowest point in almost five years.