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I am elected member on the Bay of Plenty Regional Council but any comments regarding local government are my personal views. I also sit on several boards as a director or trustee. Official positions of the Council or those boards will be noted as such and otherwise opinions are to be taken as my own personal views. Some content may be included in this newsletter written by others and don't necessarily reflect my own views. This newsletter is authorised by R Scott PO Box 13596, Tauranga 3141

*"A higher rate of urgency does not imply ever-present panic, anxiety, or fear. It means a state in which complacency is virtually absent." — John P. Kotter, world renowned expert on change management.*

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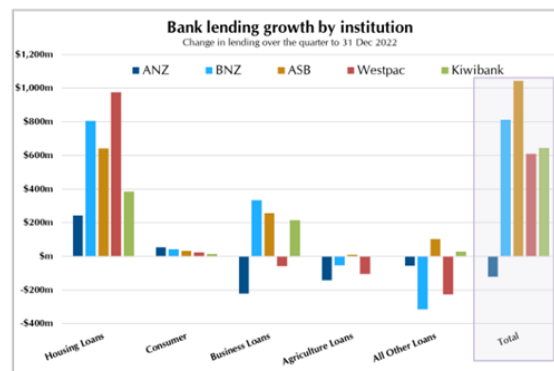
- Economic News for strategic planning
- Report on my six months on Council
- A map of minimum wage rates around the world
- Regular statistics feature

## Economic News

In my last newsletter I introduced the subject of economics. It's about how people behave when they want to make a choice.

Economics doesn't have to be about money. It can be about political choices, holiday choices, whether to have a family etc. Whenever you have to give up something to gain something else you are making an economic decision.

Of course, in modern society money is the means of exchange by which we measure whether we have the resources to make those choices.



Source: Bancorp

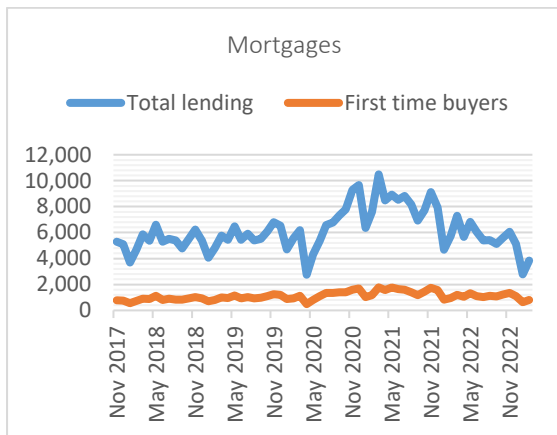
The Reserve Bank has taken aim at our money by raising the Official Cash Rate (OCR) by a hefty 0.5%. The effect is that the interest rates on your borrowings will increase.

Banks had "priced in" an expectation of 0.25% rise so expect an extra 0.25% added to mortgages and business loans. Our statistics table on page 7 shows that the Business Indicator Rate at ANZ went from 12.25% to 12.95% this month. That is an extra third on top of what businesses were paying just two years ago.

Already business lending has slowed dramatically. In fact, lending to agricultural serves has reversed. Why?

Because the farming sector is under pressure and does not feel confident. Of the seven Global Dairy Trading events this year, only one has been in positive territory. This is bad for New Zealand.

Meanwhile lending on mortgages has also plummeted. The latest figures indicate that lending is lower than at the height of the pandemic. First Home Buyers are leaving the market as interest rates bite.



Source: Reserve bank of New Zealand

As interest rates climb, the effect on the **housing market** has been immense, with new research finding New Zealand's property sales have slumped to the lowest in nearly 40 years.

Figures from CoreLogic show 60,859 properties were sold in the year to February 2023 - the lowest 12-month total since October 1983. This is a 32.7 percent drop from the previous year.

In the month of February alone, 4100 deals were done - down 33.1 percent from the same month last year. That is the lowest in any February since at least 1981.

CoreLogic found indications first-home buyers could be beginning to retreat from the market.

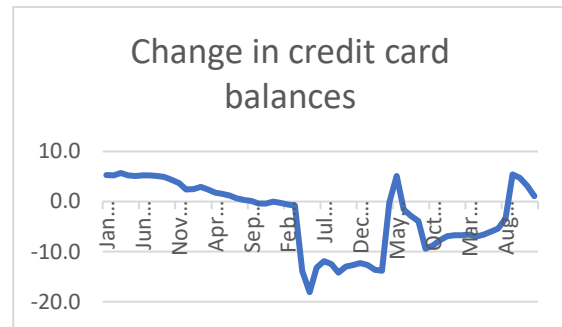
These are the people who drive a lot of consumer spending as they do up their first home and buy furniture for the first time. That translates into lower spending on manufactured goods which translates into lower spending on investment which translates into lower employment in the future.

You can see evidence of lower investment in the graph above showing slower lending growth for business loans.

When people stop spending, businesses find it tough. This is the reason that the Reserve Bank raised interest rates: because it will dampen demand and reduce inflationary pressures.

## WHAT IS HAPPENING TO CONSUMER SPENDING?

The following graphs paint a picture of consumers battenning down the hatches. Credit card debt is related to retail spending in particular. Almost \$1 billion has been knocked off credit card balances in the last two years. Households general debt levels increased (as house prices skyrocketed) but even that is also returning to more historic average levels.

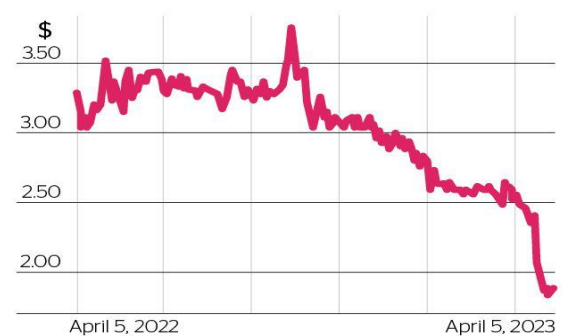


Source: Reserve bank of New Zealand

When even The Warehouse is feeling the pinch one has to wonder whether anyone is spending.

This week they announced that they will be cutting 340 jobs. The Warehouse is the place you go to when you can't afford more expensive things. If spending has stopped there, then more up-market firms will definitely be feeling the pinch.

## The Warehouse



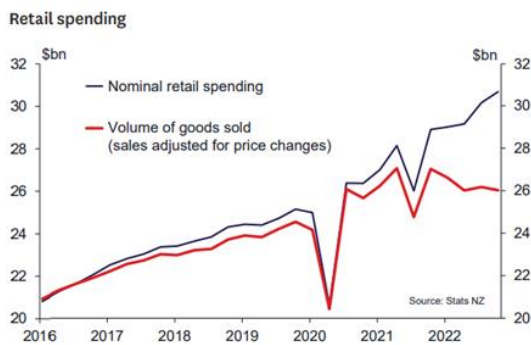
Source: Bloomberg / Herald Network graphic

## INFLATION

"For every consumer who is better off financially now compared with a year ago, there are more than two that are worse off" according to Westpac.

Much of that might be because of the rate that inflation is "taxing" your income. Inflation this high is beyond the living memory of most of the workforce today.

They are spending more but getting less as the following chart demonstrates.



In "food on the Table" terms the table below from the New Zealand Herald shows how prices have risen.

### Change in food prices: February 2023

Search the table to find the change in the price of the 155 food items tracked by Stats NZ

Food item	Feb 2022	Feb 2023	Annual change	Jan 2008-Feb 2023
Tomatoes, 1kg	\$4.68	\$10.14	117%	
Avocado, 1kg	\$6.77	\$11.32	67%	
Pumpkin, 1kg	\$3.61	\$5.51	53%	
Eggs, dozen	\$5.15	\$7.84	52%	
Potatoes, 1kg	\$2.40	\$3.54	48%	
Grapes, green or red	\$10.19	\$14.99	47%	
Kumara, 1kg	\$4.33	\$6.12	41%	
Apricots, dried, 100g	\$2.11	\$2.95	40%	
Peas - frozen (supermarket only), 1kg	\$2.59	\$3.43	32%	
Onions, 1kg	\$2.89	\$3.78	31%	

For business owners who need to price their product months head of sales this uncertainty makes investment decisions even more difficult.

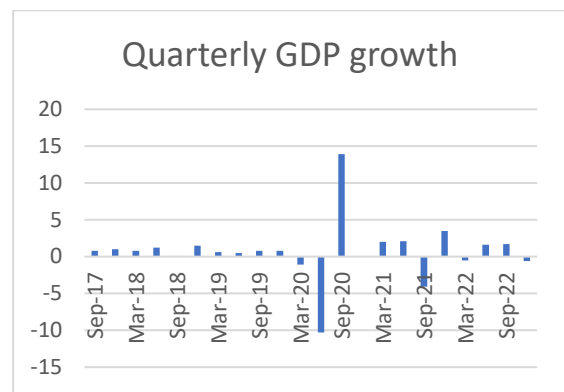
Watch for more businesses to close. First construction companies followed quickly by hospitality businesses as the discretionary dollar vanishes. Just this week Scarbro went into liquidation with the loss of 60 jobs.

Others to announce job cuts include SKY TV (170 jobs), Mediaworks (at Today FM), and XERO (800 jobs).

Many businesses have pivoted to e-commerce in recent years but according to Retail NZ chief executive Greg Harford "We've definitely seen a shift away from some of those ecommerce orders and back into in-store purchasing."

According to NZ Post, December's online spending was \$480m, down 23 percent from December 2021 and 7 percent below 2020. Consumers were spending \$2.07 less each transaction.

## THE BIG PICTURE = GDP



Typically, GDP grows in a range between 0.5% and 1.5% a quarter. Then covid hit and GDP contracted by over 10% between March and June 2020. After the lockdown GDP recovered and the economy grew by 13% the next quarter. Then it fell a bit. Then it rose a bit and it looked like things were stabilising. then the sugar rush that was the Governments covid response kicked in – a year later than planned.

Like an inexperienced driver, the government has swerved one way, then the next, losing control of the vehicle. The latest numbers show a 0.6% fall in GDP.

## WHY DOES THIS MATTER? YOUR STRATEGY

GDP measures the economic activity in the country. Growth of the economy is important because it allows us to live more luxurious lives. By luxury think about life without your phone, without your running shoes and without asthma inhalers.

"Luxury" also means being able to support the less fortunate in society either through charitable giving, be benefits or by supporting people directly

e.g., by helping them find work, providing support with a disability etc.

Growth gives people the incentive to think of new ideas, try them out and bring them to the market.

Well off economies can afford to protect the environment. Poor economies have more urgent things to think about.

If our economy starts to shrink, then we must make decisions about what to spend money on.

If the economy continues to shrink your customers will reconsider their spending habits. Where do you fit in their list of priorities?

If you rely on government funding whether as a social service or a consultant, you might find that funding is tighter.

### ***What are your plans for living on less revenue in highly inflationary times?***

Already this government is turfing out many of their “nice to have’s” because the resources are just not there. A range of policies traversing climate, human rights, health, employment rights, and climate change have been canned or stalled.

Local Government is in the same position. Rotorua Council is reported as having to consider service cuts.

[NZME Rotorua Council cuts](#)

**Is the Government expecting tax collection to fall? We will find out in the budget next month.**

## **Six Months In**

I was elected to the Bay of Plenty Regional Council in October 2022. It’s been a very busy job getting up to speed, understanding how the system works and meeting many people who are affected by the decisions we make at Council.

I had some clear goals when I was standing so how are things going? I welcome your feedback.

*Making decisions based on science and evidence rather than an ideological wish list.*

A fair amount of science is undertaken in the Council labs and the facilities are impressive. Staff test air quality, water quality and more and this work feeds into decision making processes. Councillors have the evidence available to make science-backed decisions.

Therefore it is surprising about the level of metaphysical practices.

*Encouraging community participation with open and transparent decision making.*

The annual plan will not be consulted on but that is because the Long-Term Plan will shortly go out for consultation later this year, and we are keen to get full engagement on that process rather than over-consult. The Annual Plan is in line with the Long-Term Plan that the Council went to the community with three years ago.

*Ensuring civil defence readiness for earthquakes, tsunamis, floods and other natural disasters.*

I have been appointed to the Regional Emergency Management Committee as an alternate rep for the Council. There was a near miss with Cyclone Gabrielle passing us by. The Committee has put in place plans to review our readiness. I am particularly keen that we have a back up plan should mobile phone and other digital services be interrupted in an emergency.

*Encourage and reward landowners who improve their environmental management including waste management.*

Targeted rates are an excellent way to achieve this and there are some innovative programmes I am learning about.

*Protecting our waterways to ensure water is available and free from pollutants.*

This is core business and much of the Council’s work goes into keeping waterways pollution free. What is really impressive is the huge number of volunteers who take responsibility for their part of the region and get out on beaches and streams to clean up after others.

*Planning transport for how people need to move around rather than forcing behaviour changes.*

This is a big job. There are those who want to force us onto public transport by making roads inconvenient to use.

The council has designed a refreshed transport route plan which is available for feedback now. Go to:

<https://www.participate.boprc.govt.nz/busrefresh>



Improved air quality especially in our industrial areas such as at the Mount.

A work in progress. I have taken the time to meet with some of the players in the Mount Air Shed to get an understanding of what it's like on the ground.

In conclusion, I am still learning the ropes a bit but there are certainly opportunities to make a difference which, in the end, is why you put me here.

## NEWS TO NOTICE

### Ukraine – Russia

Putin is subject to an arrest warrant for war crimes. Poland wants to send fighter jets to help Ukraine - and even Denmark is considering it. Syria has pledged support to Russia. A US drone is downed by Russian fighters. *How close to a world war are we and who is prepared for it?*

[polands-decision-to-send-warplanes-puts-pressure-on-kyivs-allies](#)

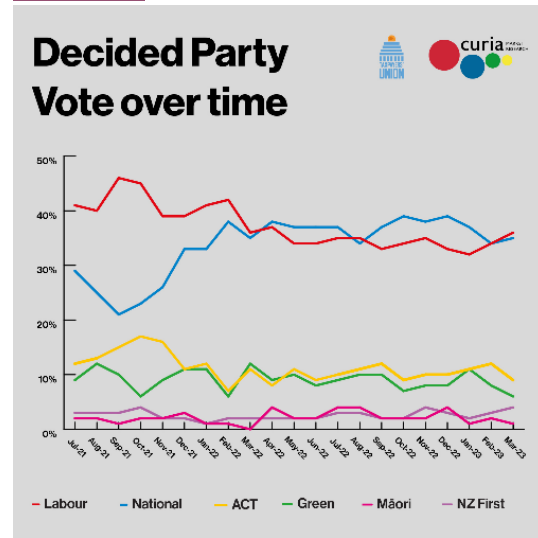
Meanwhile Russia is the new President of the UN Security Council!

[Russia takes presidency of UN](#)

## Politics

Labour takes lead over National while Hipkins's popularity rises. This was before the Nash fiasco.

### Political poll

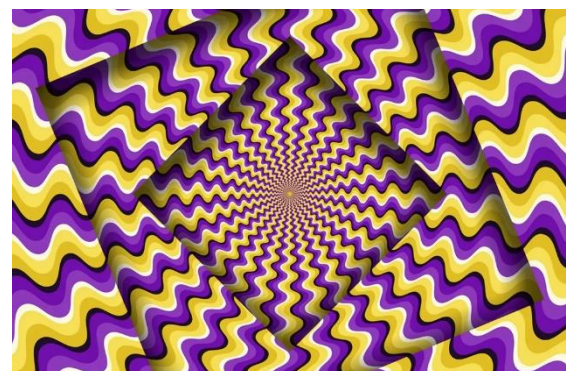


### Fake News

Can you believe everything you see and hear? This image is NOT moving.

As you look around the image, the various layers seem to move. But if we stare hard at the centre, that movement seems to slow down, and even stop.

This is called *illusory motion*, and it's just one of the many ways in which **your brain is lying to you**. So how good are you at spotting when you are being misled?



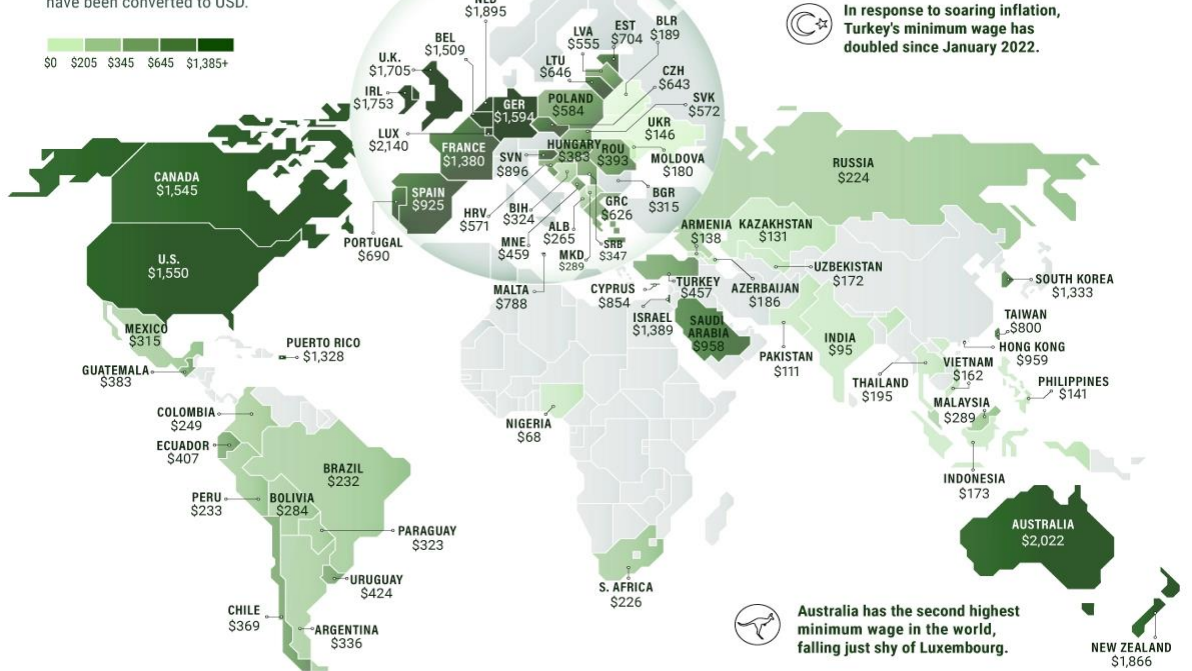
## MINIMUM WAGES AROUND THE WORLD

The map below shows how the minimum wage in New Zealand compares with rates around the world. Since this map was created, the New Zealand minimum wage has been increased to \$22.70 per hour which is the equivalent of US\$2141 a month after tax and ACC. This compares to the second highest in Luxembourg (US\$2140).

# Minimum Wage Around the World

Recent analysis from Picodi shows how the minimum wage varies across 67 countries, as of January 2023.

These values represent the monthly minimum wage a full-time worker would receive. All figures are net of taxes and have been converted to USD.



Source: Picodi, U.S. Department of Labor  
 Research + Writing: Marcus Lu | Design: Sam Parker

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## Statistics of Interest

These statistics are provided as thought starters for your strategic plans.

		Previous		Latest	Comments
Inflation rate <a href="https://www.stats.govt.nz/indicators/consumers-price-index-cpi">https://www.stats.govt.nz/indicators/consumers-price-index-cpi</a>	Sept 2022	7.2	Dec 2022	7.2	Reserve Bank pedalling hard to kill the inflationary expectations. !4.3% since the last election.
Business lending rate (ANZ) <a href="https://www.interest.co.nz/borrowing/business-base-rates">https://www.interest.co.nz/borrowing/business-base-rates</a>	Jan 2023	12.25	Jan 2023	12.9	Rising after OCR lift. Business will feel this.
Stats NZ business register <a href="https://www.stats.govt.nz/information-releases/employment-indicators-january-2023/">https://www.stats.govt.nz/information-releases/employment-indicators-january-2023/</a>	Jan 2022	564627	Jan 2023	580332	The number of enterprises on the Stats NZ business register (a register of all economically significant enterprises in New Zealand) fell by 1,800 (0.3 percent) to 580,332 in January 2023 from December 2022. There were 3,201 entries within the month, with 4,998 exits.
Bankruptcies for last 12 months <a href="https://www.insolvency.govt.nz/support/about/statistics/insolvency-procedure-statistics/monthly-bankruptcy-figures/">https://www.insolvency.govt.nz/support/about/statistics/insolvency-procedure-statistics/monthly-bankruptcy-figures/</a>	Feb 2022	47	Feb 2023	50	Much lower than the peaks pre-covid (911 to Dec 2020).
Business Confidence ANZ	Mar 2022	-41.9	Mar 2023	-43.3	Very low but better than last month. Will this mean lower investment?
GDP Growth pa <a href="https://www.stats.govt.nz/indicators/gross-domestic-product-gdp">https://www.stats.govt.nz/indicators/gross-domestic-product-gdp</a>	Sept 2022	2.7	Dec 2022	2.4	-0.6% for the quarter. Watch the different sectors. E.g. Transport (-3%) and Arts and recreation (-4%) indicate tighter grip on discretionary spending (see credit card use below).
Number of Paid jobs <a href="https://www.stats.govt.nz/information-releases/business-employment-data-december-2022-quarter/">https://www.stats.govt.nz/information-releases/business-employment-data-december-2022-quarter/</a>	Sept 2022	2189595	Dec 2022	223837	2.0% growth in jobs for the quarter. 1.6% for the year.
Unemployment rate <a href="https://www.stats.govt.nz/indicators/unemployment-rate">https://www.stats.govt.nz/indicators/unemployment-rate</a>	Sept 2022	3.3	Dec 2022	3.4	Men at 2.8% and women at 3.8%.
Underutilisation Rate <a href="https://www.stats.govt.nz/indicators/underutilisation-rate/">https://www.stats.govt.nz/indicators/underutilisation-rate/</a>	Sept 2022	9.0	Dec 2022	9.4	285000 people underutilised i.e. wanting longer hours and/or available for work whether looking or not.
Median weekly earnings - before tax <a href="https://www.stats.govt.nz/topics/labour-market">https://www.stats.govt.nz/topics/labour-market</a> qes-dec22qtr-csv.csv	Dec 2021	\$1211.2	Dec 2022	\$1315.52	\$104.32 a week better off. 8.6% which is ahead of the CPI increase i.e. there are real increases in income.
Tourist Arrivals -Visitors visa + Australians <a href="https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month">https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month</a>	Feb 2022	1987 + 601	Feb 2023	148104+ 76502	Getting closer to normal after covid affect. 90819 Aussies in Feb 2019 and 268807 from the rest of the world.
Work Visas <a href="https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month">https://www.immigration.govt.nz/documents/statistics/statistics-arrivals-by-month</a>	Feb 2022	285	Feb 2023	17863	20861 in Feb 2019. NZ is starting to open up for business again.
Net core Govt debt to GDP <a href="https://www.treasury.govt.nz/publications/financial-statements-government/month-end-financial-statements">https://www.treasury.govt.nz/publications/financial-statements-government/month-end-financial-statements</a>  New measure (Includes core Crown advances, Crown Entity borrowings and the financial assets and borrowings of the NZSF).	Oct 2022	35.9%	Jan 2023	35.8%	Was 31.6% in 2017.
Household debt as % of household income <a href="https://www.rbnz.govt.nz/statistics/key-graphs/key-graph-household-debt">https://www.rbnz.govt.nz/statistics/key-graphs/key-graph-household-debt</a>	Jun 2022	173.0	Sept 2022	171.0	Previous peak was in March 2009 at 180% so households are reducing debt levels.
Credit Card Debt % annual change <a href="https://www.rbnz.govt.nz/statistics/c12">https://www.rbnz.govt.nz/statistics/c12</a>	Nov 2022	3.9 % \$6285 m	Jan 2023	3.1% \$6138 m	Over December credit card use declined by 0.7% and was static in January. Consumers are not spending.