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Molesworth & Featherston In The Loop

POLITICS AND ECONOMICS

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Economy

Mild side

The economy has been doing better than expected, Treasury has told ministers in its latest monthly economic update.

But the figures are still modest - Treasury says growth in the year to March 2007 will come in at around 1.5 percent, only a tick better than the one percent growth forecast in the Budget.

Better news is in the composition of the improvement. Treasury expects the current account deficit in the current three months (July-September) to be much reduced from its horrendous levels because dairy exports are up strongly. This was an improvement Treasury expected would come later this year. Meanwhile, imports are weak. Expect the economy to grow half a percent in this three months, and possibly more.

The current slowdown "appears to be relatively mild compared with New Zealand's historical experience," Treasury concludes.

Meanwhile forecasters at the NZ Institute of Economic Research say growth will reach its low point in the year to next March and won't pick up much the year after. The forecast has improved compared to its last pick, in June, although NZIER now thinks we'll do worse next year than it had previously believed. It thinks the labour market is slowing and unemployment will increase to five percent of the labour force over the next two years.

On the other hand Westpac thinks manufacturers could be in for a pleasant surprise. While manufacturers are glum about falling profitability as a result weak domestic demand, strong international competition and rising costs, there are some positive balancing sweeteners: The lower dollar and reasonable world economic growth.

Westpac says manufacturing profit margins are closely related to the value of our dollar relative to the Aussie dollar - and since our dollar is down on the Australian, profit margins are likely to be getting better.

"One gets the feeling that manufacturers are in for a pleasant surprise - with margins turning out to be higher than currently expected," Westpac concludes.

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Weekend update

Are 'employment intention' surveys of business much use?

Treasury (and everyone else) struggled to explain the strong improvement in employment this year - unemployment low, labour force participation very high, hours worked up, earnings up, skills shortages down. The increase came despite surveys of employer intentions that pointed to the opposite result on virtually every score.

Treasury hammered the quality of the data in business surveys.

The surveys don't weight for the size of firms surveyed or industries, and start-ups are not in the figures (while businesses that are closing are included). Treasury also notes the public sector has swelled but it's not surveyed.

Falling concerns about skills shortages might be explained by 'sharp increases' in labour force participation - the proportion of the potential workforce in jobs is up from 67.7 percent to 68.8, even while immigration has boosted the overall size of the workforce. Some of the strongest increases have been among 50-somethings.

Mole Poll has National rolling over the top ... but still struggling to form an administration!

Heaps of new data from 3 News TNS and Roy Morgan this week, and it is a fascinating cliffhanger result. Assuming as usual the Maori Party holds four seats, it is a 122 seat House with overhang seats for Jim Anderton and the Maori Party.

| | Percent Seats | |
|---------------|---------------|----|
| National | 43.12 | 55 |
| Labour | 40.65 | 51 |
| Greens | 6.37 | 8 |
| NZ First | 3.30 | 0 |
| Maori | 2.53 | 4 |
| United Future | 1.60 | 2 |
| Act | 1.16 | 1 |
| Progressive | 0.24 | 1 |

In the Field

Manukau city councillor William Sio is emerging as the leader in the hunt to find a replacement Labour candidate in Mangere. The well-connected Sio is a former organiser with the Service and Food Workers' Union, is about to become the party's Pacific Islands vice-president, and is well respected for his work with gangs in Otara. Other names being dropped include Field supporter James Papalii and EPMU organiser Efu Koka, president of the CTU's Komiti Pasifika, a candidate in the last Manukau City Council election and a former Fisher and Paykel worker. And yes of course they are all PI – Labour can't possibly consider anyone who is not if it wants to maintain the loyalty of its local activists.

Will Tim have a tilt in Christchurch?

Christchurch Central MP Tim Barnett is becoming more interested in a new career as Mayor of the southern metropolis – although maintains he will take a tilt at the title only if incumbent Garry Moore decides to split from the Left and run as an independent.

Progressive dispute

Last week we asked whether Laila Harré and the NDU were prepared for what they were getting into in going to war against Australasia's largest retailer, Woolworths, which now owns New Zealand's Progressive supermarkets chain. But now we're asking the same question of the Aussies.

In locking out workers at the three supermarket distribution centres and refusing to let them back to work until they give up on their claim for a national collective agreement, management might have just handed the union the platform it needed to gain the moral high ground.

While the dispute was perceived as being about money, there was little reason for the wider union movement to get involved. But the company has made it ideological and has thus laid down a challenge that unions can't afford to ignore.

Unions both here and across the Tasman now throwing their weight behind the NDU and the Progressive workers. The NZ Council of Trade Unions is calling the leaders of affiliated unions to an emergency meeting on Friday, and the Australian unions are contributing with cold hard cash. Expect the dispute to become one of the defining industrial stoushes of recent times.

And who told Progressive that having big bad Aussies trying to starve vulnerable New Zealand workers into submission was good PR?

Media tattle

This week's editions of the NZ Herald's specialist pages (IT, Primary Focus, Media and Marketing, Small Business etc) – were the last. From next week the specialist columns are history, with the freelancers who supply the copy being told their services are no longer required. Stories from these areas will take their luck in the run of the paper.

We hope there will be a more positive outcome to discussions over the future of the Herald library. The company is considering reducing library staff (and therefore the extent of the Herald archives).

We have a fair amount of sympathy for TVNZ news boss Bill Ralston's plight after he emptied his extensive vocabulary of curses down the line to a Herald on Sunday reporter. Apart from the questionable newsworthiness of the tribulations of one of Mr Ralston's cousins, what sort of whimperish behaviour sees a journalist complain about a bit of blue language from an angry interviewee? We could fill pages with such tales, much to everyone's ennui. That the state broadcaster has taken disciplinary action against the news chief with some mongrel is bad enough. Thank goodness, they did not use the incident to tip him out on his ear. Imagine the golden handshake for someone sacked for his reaction over a personal issue with no bearing on the broadcaster!

New Zealand Magazines has rather carelessly lost its fourth circulation manager in two years. The well-regarded Mark Lenaerts is looking for "new challenges" after finding the workload at NZ Mags to be more challenge than he wanted.

Lois Watson is leaving her job as night chief reporter at The Press to pursue a career in PR and contract writing.

And the best media story of the week was uncovered by the Spare Room blog of Ana Samways (the Herald's sideswipe columnist). She outed Telecom's Ferrit website posting fake consumer reviews. The website was clumsy about it - there were a slew of reviews for an obviously over-priced \$500 toaster (how many web-consumers splurge like that on a toaster), while regular toasters had no reviews at all. Once sprung the company tried to toss the scam as a light-hearted jest. Not really. If advertising agencies or PR firms were involved they breached their own code of practice. The tactic almost certainly breaches the Fair Trading Act and making stuff so you can take money off people can even be an offence.

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