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POLITICS AND ECONOMICS

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NOT GLOBAL ENOUGH

A new report from the New Zealand Institute reaffirms we haven't been doing well enough at joining global value chains. Page 1.

ROLLING AVERAGE POLL OF POLLS

It would be a clear Labour-Green government in a 121-seat parliament if an election result now produced the result opinion polls are finding. Page 3.

MEDIA TATTLE

We know you're scrolling to the juicy bits first...political reporters on the move and a bunch more stuff. Oh, and the press gallery party is next week. In case you missed it, we're buying a few drinks for some of our contributors, readers and even the people we write about.

COMMENTS?

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Economy

Thick and thin

Life is good for households, with continuing income growth and spending. But businesses are concerned about future profits as costs rise faster than prices. Those were the messages from Treasury to ministers in its latest economic update.

With the unemployment rate falling 'significantly' even though more people entered the labour force, wage payments grew 7.3 percent over the year to September. Treasury can feel pretty pleased that its picks over the last year accurately tipped the scale of rising household incomes this year (though it was also noting 'quiet confidence' among businesses and hinted at a slowing labour market).

There is another blow to claims the economy is sagging, with Treasury noting "there was significantly more retail spending during the September quarter." It says fatter pay packets explain the greater spend. "Rising prices, especially for oil and its derivatives, explained some of the additional spending, but the volume of goods and services rose too."

The next full forecast, Treasury's 'Half Year Economic and Fiscal Update' (we liked it better when it was a 'DEFU'), will be released on Monday, 19 December.

Reserve Bank

Strong demand - rates up

The Reserve Bank admitted exporters are taking heat from the high dollar and profit margins are falling, but it put up interest rates a quarter of a point on Thursday anyway because

"overall demand continues to outstrip available capacity."

The Bank says strong demand is being driven by household spending, "linked to a still-buoyant housing market. Increasing government spending and continued strong business investment are also boosting total demand. The resulting excess demand, reflected in a growing current account deficit, is continuing to fuel inflation."

Inflation has been headed up even if oil is taken out of the picture.

Though the bank thinks house prices will take a hit in the new

year, it also says they've held up longer than the bank thought they would. If the Bank doesn't see sign of a slowdown, it will increase interest rates again in the new year.

The number of house sales is still high by historical standards, and homes are selling fast. Treasury warned this month "House price inflation has crept up since the middle of the year and is easily outstripping rents and general consumer price increases. Notwithstanding more household income, the rate of house price increases is now becoming difficult to explain."

We have argued for at least two years that, with house prices well ahead of rent fundamentals, irrational over-exuberance is the best explanation. But there are rational explanations for some of the rise of housing. For example, houses have always been heavily tax preferred as an investment, but over the last twenty years almost all distortions have been ironed out of the tax system and only housing remains of the major kinks. So it's no surprise house prices have outperformed other investments over the last decade: It's irrational not to save by owning houses (especially since political reality ensures there will be no change to the tax status of housing). Concerns over widespread low business confidence might be driving investment out of stocks, as well. When every business commentator is saying things are tough, it might not seem rational to put money into domestic equities.

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Who does Santa think has been good this year?

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Weekend update

With less than a third of GDP involved in exports New Zealand is not plugged into the world economy and we cant expect global incomes unless many more of our companies go global, a new report by the New Zealand Institute has found.

There's not much new in the central conclusion. NZ Trade & Enterprise and the Ministry of Economic Development have already identified the urgency of growing New Zealand's international linkages. They've even put in place a suite of programmes to achieve the goal.

But over the last five years while the economy grew much faster than it has in a long time, the Institute says the exported share of GDP actually fell sharply, from 36 percent of GDP to just 29 percent. The average small developed country exports more than half of GDP. While global FDI tripled over the last fifteen years, New Zealand's stock of FDI uniquely reduced, the Institute reports.

The report will increase pressure for a government policy response. But the report is also an implicit criticism of New Zealand's corporate sector: Our national economy is not producing enough global scale businesses, so our shareholders are not receiving the rewards of association with global business partners. A company like Navman, which has been a pioneer in seeking global partnerships, has been criticised in the corporate sector for folding into Brunswick rather than congratulated for deepening its global integration. That's fundamentally an issue of board level expertise and management skill. If the NZ Institute report helps to change attitudes and promote better integration, it will be a valuable document.

It's a 121 seat House with a one seat Maori party overhang. It's also a Labour-Green Government, no question.

One new poll in the data this week . (As usual we have assumed sitting leaders and the four Maori MPs hold their constituencies):

Labour	41.60	53 seats
National	39.61	50
Greens	7.34	9
NZ First	4.53	0
Maori	2.40	4
United Future	1.85	2
Act	1.30	2

Media Tattle

Dominion Post reporter David McLoughlin has quit and is said to be going to David Cunliffe's office as press secretary.

Graham Speden, once Energy Minister Pete Hodgson's press secretary, is giving up the contracting life for a job at the Department of Conservation working with former Radio NZ political editor Al Morrison.

The New Zealand Herald's Helen Tunnah is leaving the Wellington general round for a job in PR with the Ministry of Foreign Affairs and Trade.

TVNZ's political bureau is looking for two reporters now that Mark Sainsbury is leaving (to be replaced as political editor by Guyon Espiner as we have already reported) and Chris Fafoi also heads off overseas.

A packed public gallery of political travellers, in Parliament on Tuesday for the first decent question time for months, was bemused to see a heated, low-decibel, bout of arm-waving between press gallery chair Marie McNicholas and her deputy, TV3 political editor Stephen Parker. It seems the press of cameras now recording Parliament has seen one crew spill over into the press gallery's area, displacing seats that reporters need. We hear from our TV sources that the two press grandees were somewhat at odds over the solution. That's a tricky one. Anyone for a single feed from Parliament's own cameras, then?

We hear Paul Holmes is updating his biography. The first round was quite good. Not sure how much has happened since though.

Auckland University of Technology journalism paper Te Waha Nui has won an award for best student publication in New Zealand, Australia and the Pacific. The 'Ossie' award was from the Journalism Education Association. The newspaper was edited by Nicholas Moody and the course is led by David Robie and Allan Lee.

The International Federation of Journalists says over a hundred journalists and media staff have been killed worldwide in 2005. It's been one of the worst years on record.

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molesworth@molesworthandfeatherston.info

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