

Economic Bulletin

August-September 2024

Economic Bulletin

August/September 2024

Welcome to the August/September 2024 Economic Bulletin. In our monthly feature we provide an analysis of the gender pay gap in New Zealand for 2024. The mean gender pay gap was 8.9%, which is down from 9.8% in 2023. This meant that, on average, women will be “working for free” compared to men from 28 November 2024. When compared against just Pākehā men, who on average earn more than other ethnic groups, women will start “working for free” on 8 November.

At the current rate of change, the gender pay gap won't be closed until 2055. This is untenable. Government can help to close this gap faster by supporting the settlement of pay equity claims, instituting pay transparency regulations, and lifting the minimum wage to the living wage, among other things.

In our regular content, we examine the GDP data for the June quarter, which shows a continuation of the severe downturn in GDP per capita. On this measure, the current recession is now deeper than that experienced during the financial crisis of 2008–09. We also provide our regular monthly updates on prices, migration, trade, and consumer and business confidence.

For detailed breakdowns of the latest employment, wages, social welfare, consumer inflation, and household living costs data, please see the [July Bulletin](#). The audited financial statements of the government will be covered in the next Bulletin.

As always, please get in touch if you have any feedback or suggestions for areas of future investigation.

Craig Renney

Economist and Director of Policy

craigr@nzctu.org.nz

Jack Foster

Policy Analyst

jackf@nzctu.org.nz

Contents

Key data for trade unionists	3
The gender pay gap in 2024	4
Prices	8
Monthly price indicators.....	8
Central bank interest rates	8
Minimum wage to housing index.....	9
Real estate	10
Economy	11
Gross Domestic Product.....	11
Retail trade.....	12
Balance of payments	13
Overseas merchandise trade.....	14
Consumer and business confidence.....	14
Performance indexes.....	15
Migration	16
Building consents	16

Copyright © New Zealand Council of Trade Unions Te Kauae Kaimahi 2024

ISSN 3021-1891

Key data for trade unionists

Key economic indicators – June quarter 2024 (annual % change)

Inflation	Household living costs	Average wages	Unemployment rate	Official cash rate
3.3%	5.4%	5.0%	4.6%	4.75%

Annual wage growth – June quarter 2024

	Nominal	Real (consumer inflation)	Real (h.h. living costs)
All sectors – average <i>ordinary time</i> hourly wages	5.0%	1.7%	-0.4%
Public sector	7.9%	4.6%	2.5%
Private sector	4.0%	0.7%	-1.4%
Female	6.0%	2.7%	0.6%
Male	4.4%	1.1%	-1.0%
All sectors – average <i>overtime</i> hourly wages	7.3%	4.0%	1.9%
Public sector	10.3%	7.0%	4.9%
Private sector	5.9%	2.6%	0.5%
Female	3.5%	0.2%	-1.9%
Male	8.7%	5.4%	3.3%

Source: Stats NZ. Real (consumer inflation) is deflated by consumers price index year ending June 2024. Real (h.h. living costs) is deflated by household living-costs price index year ending June 2024. The household living-costs price index includes interest costs, so provides a fuller picture of the change in the cost of living compared to the consumers price index.

Annual inflation forecasts

	Reserve Bank	Treasury	Average
Sep 2024	2.3%	2.7%	2.4%
Dec 2024	2.3%	2.5%	2.3%
Mar 2025	2.2%	2.4%	2.1%
Jun 2025	2.3%	2.2%	2.2%

Source: RBNZ, Treasury, ANZ, ASB, BNZ, Westpac. The Average measure is the average of forecasts from the RBNZ, the Treasury, and the commercial banks.

The gender pay gap in 2024

This month's feature sets out the results of the NZCTU's gender pay gap analysis for 2024, using data from the Household Labour Force Survey (HLFS). The gender pay gap covers only the difference in average income between men and women, as data on other genders is not available through the HLFS.

We use the HLFS data to determine the percentage differences between men and women's average earnings. We also use it to determine the date that women start "working for free" relative to men in 2024. The "working for free" date is simply a different way of representing the percentage difference between the average earnings of men and women; it helps us to conceptualise the monetary value of the discrimination being experienced by women in the workforce.

Gender pay discrimination

The gender pay gap is caused by bias and discrimination, both individual and structural. For example:

- Women are often paid less than their male colleagues for doing the same job (a practice that was supposed to have been ended by the Equal Pay Act 1972) and are often passed over for promotion or professional development opportunities due to their gender.
- Occupational segregation means that women are disproportionately concentrated in occupations where salaries are on average lower than in male-dominated ones. Wages are lower in these female-dominated occupations despite the fact that the skills, responsibilities, degrees of effort, and conditions of work are substantively similar to male-dominated occupations. The lower pay in female-heavy occupations thus stems from their historic undervaluing as "women's work".
- Pregnancy and childcare tend to negatively affect the earnings potential of women for the rest of their careers – this is what economists call "wage scarring". Women are far more likely to be the primary caregiver for children and this can mean they are disconnected from paid work for many years. New Zealand's paid parental leave provisions don't easily allow for sharing parental leave between partners, which contributes to the pressure on women to be the primary caregiver for young children. Additionally, payment rates for parental leave are low. Because heterosexual women often earn less than their partner (often due to gender pay discrimination), this further pressures women to be the primary caregiver.
- Related to the above, women are far more likely than men to have to juggle caring responsibilities alongside their paid work – especially caring for children and for elderly parents. This can reduce their ability to work full-time hours in paid employment, or to earn overtime payments. This is the product, in part, of the persistence of old-fashioned social norms.

Closing the gender pay gap should be a top priority for any government. Discrimination imposes clear and unacceptable costs on women at the individual and household level in terms of lost earnings and career development opportunities. But it also has wider social and economic consequences. For example, the failure to fully utilise the talent and skills of the female workforce has the effect of reducing overall labour productivity, which means reduced economic activity. It also means lower

levels of tax revenue for the Crown than would otherwise be the case. And it means higher levels of government expenditure are required on transfer payments such as Working for Families payments.

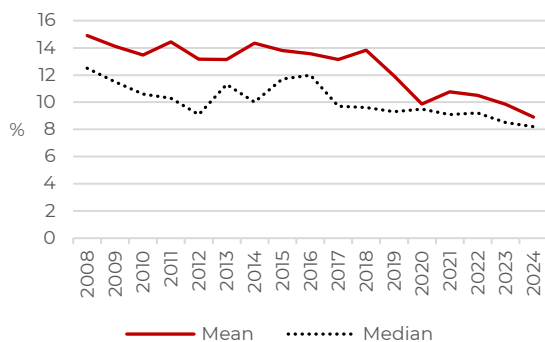
The pay gap in 2024

The median gender pay gap for the year ending June 2024 was 8.2%, down from 8.5% in 2023 (note that this isn't a statistically significant shift, as the change is within the margin of error). The mean gender pay gap was 8.9%, which is down from 9.8% in 2023. Both measures have generally trended down since the mid-2000s, but this decline hasn't been consistent. For example, after a rapid fall in the mean gender pay gap between 2018 and 2020, there was a brief reversal in the year to June 2021.

The remainder of this note focuses on the mean pay gap, as this is the NZCTU's preferred measure. The median measure used by the government calculates the gender pay gap by comparing the median hourly earnings for men and women. The mean measure calculates the gap by calculating the total weekly earnings for men and women and dividing these by the number of full-time equivalents for each gender. The NZCTU prefers the mean measure because it accounts for changes at the high and low ends of the pay scale. It is important that movements at these ends are captured in pay gap analysis because women are disproportionately represented at the low end of the pay scale and men are disproportionately represented at the high end of the pay scale.

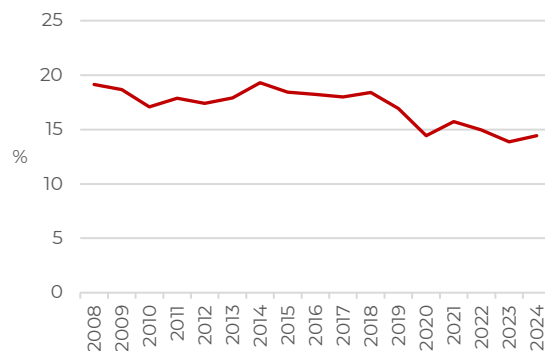
If we compare the overall wages of women with the overall wages of only Pākehā men, then the gender pay gap for 2024 was far higher, at 14.4%. This is because Pākehā men earn, on average, higher wages than other ethnic groups. As Figure 2 shows, progress towards pay parity between women and Pākehā men has been very slow, and the pay gap has increased marginally from 2023.

Figure 1: Mean and median gender pay gap (June years).



Source: NZCTU analysis of Stats NZ data.

Figure 2: Mean pay gap compared to Pākehā men (June years).



Source: NZCTU analysis of Stats NZ data.

On the mean measure, women will start “working for free” compared to men from 28 November 2024. This is two days later than last year – an improvement, but barely. When compared against just Pākehā men, women will start “working for free” on 8 November, which is actually three days *earlier* than in 2023.

Based on the rate of change over the past decade-and-a-half, it will take until 2055 to close the gender pay gap. That would be 83 years since the passing of the Equal Pay Act. Closing the gap between all women and Pākehā men will take until 2067 – a full 95 years since the passing of the Equal Pay Act.

The gender pay gap by ethnicity

If we break the gender pay gap down by ethnicity, we see that non-Pākehā women start to “work for free” even earlier than 28 November. Compared to men, Pasifika women on average start working for free as early as 14 October – 78 days before the end of the year. On average, Māori women start working for free on 1 November – 60 days before the end of the year. And Asian women on average start working for free from 9 November – 52 days before the end of the year.

When compared just to Pākehā men, the gaps are even wider. On average, Pasifika women start working for free on 27 September – 95 days before the end of the year. Māori women on average start working for free on 14 October – 78 days before the end of the year. And Asian women on average start working for free from 21 October – 71 days before the end of the year.

Compared to men, Pākehā women start working for free on 11 December 2024, but against only Pākehā men, they start working for free on 20 November. However, Pākehā women are on average paid more than men from non-Pākehā ethnicities. They are paid 3.8% more than Asian men, 6.2% more than Māori men, and 15.8% more than Pasifika men.

Table 1: Date at which women start “working for free” relative to men, 2024.

	Female, all ethnicities	Female, European	Female, Māori	Female, Pacific	Female, Asian
Male, all ethnicities	28 Nov	11 Dec	1 Nov	14 Oct	9 Nov
Male, European	8 Nov	20 Nov	14 Oct	27 Sep	21 Oct

Source: NZCTU calculations from Stats NZ data.

Missing wages

We can also estimate the total missing wages for women, compared to men. The gap between mean male and female wages is 8.9%, or \$3.73 an hour. For a full-time worker (at 40 hours a week) this represents \$149.20 a week, or \$7,758 a year (before tax). If we multiply this out by the estimated 928,000 full-time equivalent female workers, women collectively missed out on \$7.2 billion in wages in the year to June 2024 (before tax).

This is simply the first-round effect and doesn’t account for secondary factors. For example, the lower average wages received by women means that their Kiwisaver contributions are likely to be lower, which means lower retirement savings (or savings for a first-home deposit) overall.

If women were paid the \$7.2 billion in missing wages this would also have a positive overall effect on economic development. This is because these missing wages would be disproportionately going to those on the lowest incomes, who are far more likely to spend that income locally and quickly, thereby increasing overall demand in the economy.

Finally, this underpayment represents a loss of potential revenue for the Crown. According to the [OECD](#), the average tax take from a single person without children in New Zealand is 21.1% of their income. If we use that as a proxy for the marginal tax rate that would be paid on this missing income, we can estimate that the Crown is missing out on \$1.5 billion per year in income tax. The consequences of the underpayment extend to welfare payments as well. Higher wages for women would mean lower Working for Families payments, lower Accommodation Supplement payments, and lower levels of

other supplementary benefits. That is revenue that could be used to deliver public services, or to reduce the Crown's borrowing.

Conclusion

The gender pay gap remains significant in New Zealand. There are no good reasons for this pay gap to exist; instead, it reflects a significant degree of discrimination in the labour market. Recent policy announcements, such as the [disestablishment](#) of the Pay Equity Taskforce and ending work on pay transparency regulations will likely make it harder to close this gap.

It is also likely that the current economic downturn, which is causing unemployment to rise, will hamper progress on closing the pay gap. Previous recessions in New Zealand have seen female unemployment rise faster and further than male unemployment. Job cuts in the public sector (where female workers make up a larger proportion of the overall workforce) will potentially compound this. Together, these factors may reduce women's wage bargaining power, making it harder to close the gender pay gap and achieve pay parity.

Based on the current rate of change, the gender pay gap may not be closed until 2055. This is clearly untenable. Action needs to be taken today to close this gap as quickly as possible. Government can do this by supporting the settlement of pay equity claims, instituting pay transparency regulations, and lifting the minimum wage to the living wage, among other things.

Prices

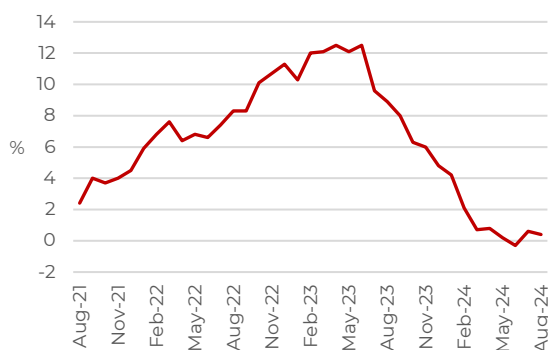
Monthly price indicators

Food price inflation continues to be relatively flat. Overall food prices rose 0.4% in the year to August. The price of fruit and vegetables fell 12.2% for the year, the price of meat, poultry, and fish rose 0.2%, and the price of grocery food rose 2.4%.

Compared to August 2023, rents increased 4.3% on the stock measure, which covers all tenancies.

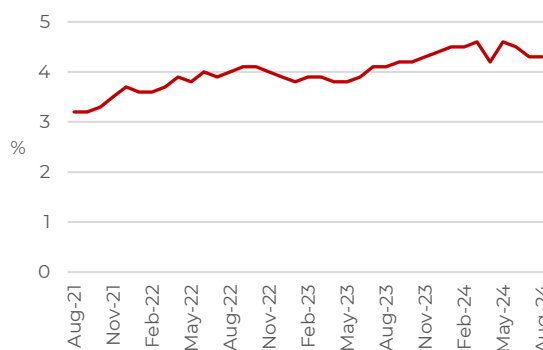
In transport, the price of petrol fell 8.1% compared to the same time last year and the price of diesel fell 9.2%. For the week ending 4 October 2024, [MBIE's](#) fuel-price monitoring had regular petrol at \$2.66 per litre and diesel at \$1.92 per litre. Oil is currently trading around US\$74 per barrel on the West Texas Intermediate, which is a leading indicator of price pressures in New Zealand. This is down from earlier in the year.

Figure 3: Annual food price inflation.



Source: Stats NZ.

Figure 4: Annual rent price inflation.



Source: Stats NZ.

Table 2: Monthly price indicators, August 2024.

	Monthly % change	Annual % change
Food	0.2	0.4
Fruit and vegetables	-0.8	-12.2
Meat, poultry, fish	1.3	0.2
Groceries	0.6	2.4
Rent (stock)	0.3	4.3
Rent (flow)	-0.1	1.4
Petrol	-1.7	-8.1
Domestic air travel	-0.8	-8.5
International air travel	-2.0	-7.2
Domestic accommodation	-5.3	-9.8

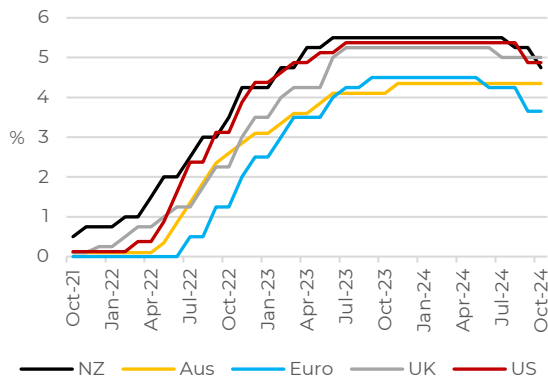
Source: Stats NZ.

Central bank interest rates

In August, the Reserve Bank cut the [Official Cash Rate](#) (OCR) 25 basis points to 5.25%. This was accompanied by the issuance of a dramatically revised OCR track (see Figure 6). The bank then cut the OCR a further 50 basis points on 9 October, citing weak domestic and global economic activity and slowing inflation. The [bank](#) expects that the New Zealand labour market will continue to worsen, and notes that “weak house price growth, lower levels of net immigration, and ongoing fiscal consolidation

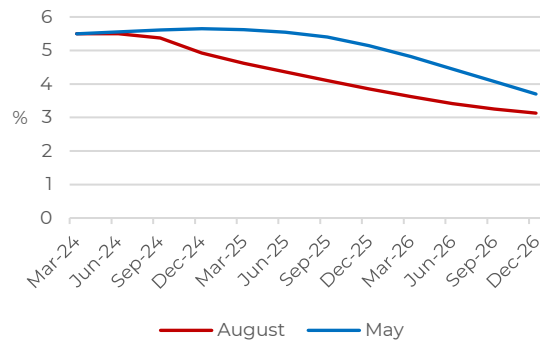
from spending restraint, are expected to constrain aggregate demand growth". These cuts to the OCR, and the revision in the bank's forecasts, have led to a reduction in mortgage rates, which should continue to fall as the OCR is reduced further. Major central banks around the world have also begun to cut their interest rates in recent months.

Figure 5: Central bank interest rates.



Source: RBNZ, BIS.

Figure 6: The Reserve Bank's OCR forecast, August vs May 2024.



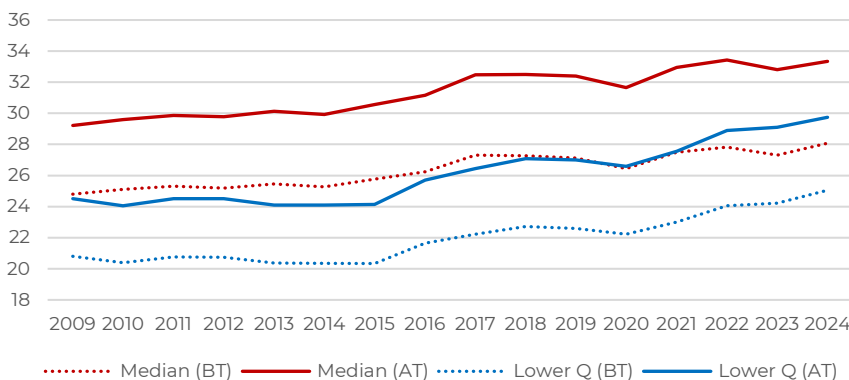
Source: RBNZ.

Minimum wage to housing index

Minimum wage workers are now spending more of their weekly wage, on average, to pay for rent than one year ago. The rent-to-minimum-wage index for the April 2024 quarter (the latest available data) shows that a minimum wage worker needs to work 33.3 hours a week just to cover the median rent (up half an hour from April 2023), or 29.7 hours to cover lower quartile rent (also up half an hour).

This increase in the index is the result of the government's decision to lift the minimum wage by only 2% in April, which was below the level of rental and consumer inflation. Compared to April 2023, the median rent for a three-bedroom house increased 4.8% to \$650 (up \$30), while lower quartile rent increased 5.5% to \$580 (also up \$30). Over this same period, the minimum wage only increased 2%, from \$22.70 to \$23.15.

Figure 7: Hours worked to pay rent on minimum wage, before tax (BT) and after tax (AT).



Source: Employment New Zealand; Tenancy Services; NZCTU calculations.

Note: This index tracks how many hours a minimum wage worker needs to work to pay the rent. We calculate this for the median and lower quartile (cheapest) rents for a three-bedroom house. After-tax rates are calculated using the paye.net.nz calculator. After-tax rates for years prior to 2018 are calculated using 2018/19 tax rates.

Real estate

The housing market has continued to weaken. As of August 2024, the [REINZ](#) house price index was down 0.8% from the same time last year, and down 16.7% from its late-2021 peak. The national median house price in August 2024 was \$765,000. The monthly indicators show a widespread decline in house prices across the country. The Wellington and Auckland markets have seen particularly large falls, as shown in the table below. With the OCR coming down and mortgage rates falling, house prices may stabilise over the next year. However, this will also to an extent depend on how long the economic downturn persists.

Table 3: REINZ house price index, percentage change, August 2024.

	3 months	1 year	5 years*	From peak
National	-0.9	0.8	5.0	-16.7
National excl. Auckland	-0.6	0.3	6.2	-12.6
Auckland	-1.0	-2.8	3.2	-22.8
Wellington	-2.3	-1.5	3.5	-24.6
Canterbury	-0.1	1.8	8.4	-5.6

* Compound annual growth rate

Source: REINZ.

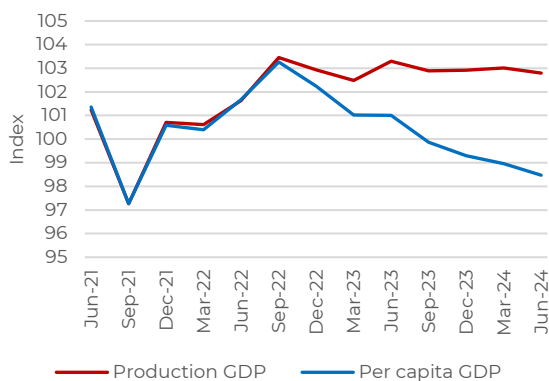
Economy

Gross Domestic Product

Overall, GDP was estimated to have fallen 0.2% compared to the March 2024 quarter, and 0.2% in the year to June 2024. On a per capita level, GDP fell 0.5% compared to the March quarter and 2.7% for the year. In total, GDP per capita has now fallen 4.6% from its September 2022 peak. This indicates the severity of the current economic downturn, which is comparable to that experienced during and after the financial crisis of 2008–09, as shown in Figure 9. The difference between the relatively shallow downturn in headline GDP compared to the steep fall in per capita GDP over the past two years is largely because of strong migration-driven population growth.

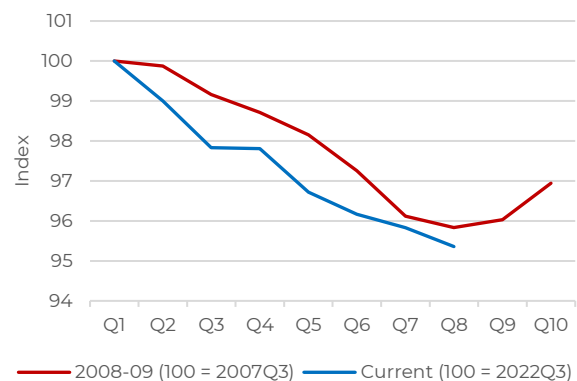
This economic downturn has largely been “policy driven”: it is the result, above all, of the pressure that has been placed on households and businesses by the Reserve Bank’s interest rate policy. It has likely been exacerbated by the government’s cuts to public expenditure, particularly in infrastructure investment and public service employment. High energy prices and rising council rates, among other pressures, have also reduced many households’ discretionary income and squeezed some businesses.

Figure 8: Production GDP and GDP per capita growth.



Source: Stats NZ.

Figure 9: GDP per capita decline, quarters from peak to trough.



Source: Stats NZ.

On a quarterly basis, the primary sector was estimated to have contracted 1.6%, the service industries were estimated to be flat, and goods-producing industries were estimated to have grown 0.7%. Annually, it is the goods-producing industries which have experienced the largest downturn, shrinking 3.2%. By contrast, primary industries shrank 0.3% and the services industries grew 0.7% overall. A full breakdown of the quarterly and annual movements by industry is provided in Table 5 overleaf.

Table 4: Expenditure on GDP, quarterly percentage change.

	Sep 23	Dec 23	Mar 24	Jun 24
Household consumption	-1.1	0.4	0.5	0.4
Non-durables	-0.2	-0.6	0.4	1.4
Durables	-3.9	-0.2	-2.9	-3.7
Services	0.0	0.4	0.5	0.6
Central government	-0.7	-0.9	0.2	0.8
Business investment	-4.4	0.6	-0.4	1.1
Gross fixed capital formation	-3.0	-0.4	-0.5	0.2
Total expenditure on GDP	-0.6	0.3	0.3	0.0

Source: Stats NZ.

Expenditure on GDP was flat in the June 2024 quarter. Household expenditure on durables continued to fall sharply, which indicates household budgets are under considerable pressure. However, central government expenditure increased moderately, as did business investment and gross fixed capital formation, which represents something of a turnaround.

Table 5: Gross domestic product by industry, June 2024.

	Quarterly % change	Annual % change
Agriculture, forestry, and fishing	-1.4	-0.2
Mining	-3.7	-2.0
Manufacturing	1.9	-4.3
Electricity, gas, water, and waste services	0.0	0.7
Construction	-0.4	-3.5
Wholesale trade	-1.3	-4.9
Retail trade and accommodation	-1.3	-3.2
Transport, postal, and warehousing	-0.2	-4.4
Information media and telecommunications	0.5	2.2
Financial and insurance services	1.0	1.9
Rental, hiring, and real estate services	0.2	4.0
Prof, scientific, technical, admin, and support	0.0	-1.2
Public administration and safety	0.1	4.7
Education and training	0.1	2.4
Health care and social assistance	0.5	2.4
Arts, recreation, and other services	0.0	2.0
Gross domestic product	-0.2	-0.2

Source: Stats NZ. GDP is real production measure.

Retail trade

Consistent with the poor GDP data, consumer spending fell in the June 2024 quarter. Measured in 2010 prices, the total volume of seasonally adjusted sales – a measure which strips out seasonal fluctuations and the effect of inflation – was \$24.5 billion, down 1.2% from the March 2024 quarter and down 3.6% from the same time one year ago. Falling retail sales volumes indicates that higher interest rates are eating up a larger proportion of household budgets, draining demand out of the economy.

Figure 10: Annual percentage change in retail sales volumes, June 2024.



Source: Stats NZ.

On a quarterly basis, retail sales volumes fell in all categories except for supermarkets, specialised food, and pharmaceutical and other store-based retailing. Of the major categories, the largest declines were in accommodation, down 6%; electrical and electronic goods, down 5%; recreational goods, down 4.2%; and clothing and footwear, down 3.2%.

Compared to the same quarter of the previous year, retail sales volumes fell in all categories except for supermarkets, specialised food, and pharmaceutical and other store-based retailing. Spending fell in all the major discretionary categories, down 4% on department stores, 5.2% on furniture and houseware, 6.1% on hardware and garden supplies, 6.8% on recreational goods, and 8.2% on electrical and electronic goods.

Balance of payments

The June 2024 figures show that New Zealand’s current account deficit is largely unchanged from the previous quarter. The seasonally adjusted quarterly current account deficit was estimated to have increased \$269 million to \$7.2 billion. The current account deficit for the year ended June 2024 was estimated to be \$27.8 billion, or 6.7% of GDP.

On an annual basis goods imports exceeded goods exports by \$11 billion (up from \$10.8 billion the previous quarter); services imports exceeded services exports by \$1.3 billion (down from \$1.6 billion the previous quarter); and primary income outflow exceeded primary income inflow by \$14.5 billion (up from \$14.3 billion the previous quarter).

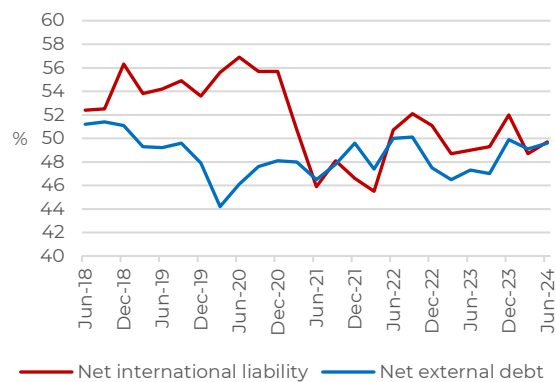
These deficits show that the total cost of imports into New Zealand exceeds the total earnings from New Zealand exports, and that more profits, interest payments, and dividends (i.e., ‘primary income’) are flowing out of the country to overseas investors than New Zealand residents are earning from their foreign investments.

Figure 11: Current account deficit as % of GDP.



Source: Stats NZ.

Figure 12: Net international liability and external debt as % of GDP.



Source: Stats NZ.

For the year ended June 2024, New Zealand’s net international investment position was -\$205.3 billion, or 49.7% of GDP. This net liability is up \$6 billion from the previous quarter. This position shows the value of financial claims held by New Zealand residents on non-residents against the financial liabilities of New Zealand residents to non-residents.

New Zealand’s net external debt position was -\$204.9 billion, or 49.6% of GDP. This is also up from the previous quarter. This means that New Zealand is a net debtor to the rest of the world. Over half of this deficit is accounted for by the commercial banks, who collectively recorded a net debt liability of \$120

billion to the rest of the world (unchanged from the previous quarter). General government's net debt liability was \$64 billion (up \$3.8 billion from the previous quarter), while the Reserve Bank recorded a net asset position of \$24 billion (up \$2.6 billion from the previous quarter).

Overseas merchandise trade

In the year to August 2024, the value of goods exports and imports were both down compared to the previous year. Total good exports were valued at \$69.3 billion, down 3% from the previous year. Total goods imports were valued at \$78.6 billion, down 9.6% from the previous year. This produced an annual goods trade deficit of \$9.4 billion, which is down from the deficit of \$9.3 billion recorded in the year ended August 2024.

As shown in Tables 6 and 7, the decline in exports and imports is significant. In particular, imports are down across the board. Of the 41 import categories that Stats NZ reports on, all but eight are down compared to the previous year. This likely reflects the weak economic conditions in New Zealand, with households pulling back on spending and businesses pulling back on investment.

Table 6: Main goods exports by value, year ending August 2024.

	\$ millions	% change from previous year
Milk powder, butter and cheese	19,045	-8.3
Meat and edible offal	8,453	-4.4
Logs, wood, and wood articles	4,728	-2.9
Fruit	4,360	17.0
Preparations of milk, cereals, flour, and starch	2,614	3.3
Mechanical machinery and equipment	2,451	4.6
Wine	2,096	-11.4
Fish, crustaceans, and molluscs	1,981	2.4
Aluminium and aluminium articles	1,555	-1.0
Electrical machinery and equipment	1,541	1.9

Source: Stats NZ.

Table 7: Main goods imports by value, year ending August 2024.

	\$ millions	% change from previous year
Petroleum and products	11,429	-1.0
Mechanical machinery and equipment	10,595	-8.8
Vehicles, parts, and accessories	9,656	-19.1
Electrical machinery and equipment	7,022	-8.2
Textiles and textile articles	3,082	-8.8
Optical, medical, and measuring equipment	2,747	-0.3
Plastic and plastic articles	2,577	-8.0
Pharmaceutical products	2,350	-8.0
Iron and steel, and articles	1,593	-24.6
Food residues, wastes, and fodder	1,529	-11.7

Source: Stats NZ.

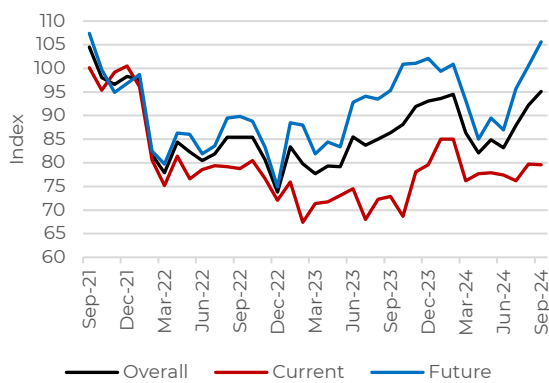
Consumer and business confidence

The ANZ–Roy Morgan [Consumer Confidence Index](#) has been improving since July. In September, it rose a further 3 points to 95.1. Although this is its highest level since the beginning of 2022, it is very low

by historical standards and still reflects a generally pessimistic outlook. A score above 100 on the index demonstrates that consumers have confidence in current and future economic conditions; less than 100, and they are pessimistic. The long-run average of the survey is 114.

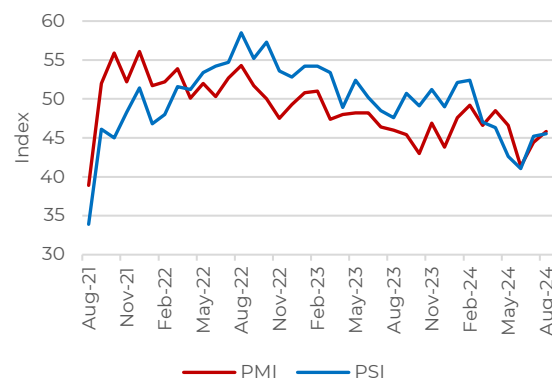
Confidence in future economic conditions rose 5 points to 105.6 and confidence in current economic conditions was unchanged, at 79.6. A net 25% of those surveyed think it is a bad time to buy a major household item. This question is seen as a leading indicator of consumer confidence and future economic activity. A net 16% of those surveyed reported they were worse off financially than one year ago, which is close to the previous survey. In contrast, a net 25% expect to be better off financially by this time next year, which is up 8 points from the previous month. Households' confidence in their future financial position has been steadily rising since April.

Figure 13: ANZ–Roy Morgan Consumer Confidence Index.



Source: ANZ.

Figure 14: BNZ–BusinessNZ PMI and PSI.



Source: BusinessNZ.

ANZ's [Business Outlook Survey](#) has also shown improved confidence over the past couple of months. Indeed, the September survey saw business confidence rise 10 points to +61, its highest level in over a decade. This optimism contrasts sharply with businesses reported activity compared to one year ago, which is down significantly. The New Zealand Institute of Economic Research's [Quarterly Survey of Business Opinion](#), published this month, also recorded an increase in business confidence. This exuberance likely reflects the expectation that interest rate cuts will lead to a strong economic rebound, combined with the fact that there is a right-leaning government in power that is perceived to be making “business-friendly” reforms.

Confidence was up across all industries compared with the previous month. In retail, confidence rose 19 points to +75; in manufacturing it rose 22 points to +74; in agriculture it rose 2 points to +50; in construction it rose 16 points to +61; and in services it rose 2 points to +54. The “own activity” outlook was positive across the five sectors, but the “activity vs same month one year ago” was deeply negative in all industries except agriculture. Meanwhile, “employment vs same month one year ago” was deeply negative across all industries.

Performance indexes

The BNZ–BusinessNZ performance of [manufacturing index](#) (PMI) and performance of [services index](#) (PSI) show that economic activity was very weak in these sectors in August. A figure above 50 indicates that activity is generally expanding, while a figure under 50 indicates it is generally declining.

In August 2024, the manufacturing index increased slightly, to 45.8. The PMI has been registering a contraction for over a year now, driven by low demand and low production. All five of the sub-indexes were in contractionary territory.

The PSI was also up marginally in August, at 45.5. As with the PMI, very weak sales activity and new orders are the main driver of this weak result – consumers are continuing to dial back on spending. All five of the sub-indexes were in contractionary territory.

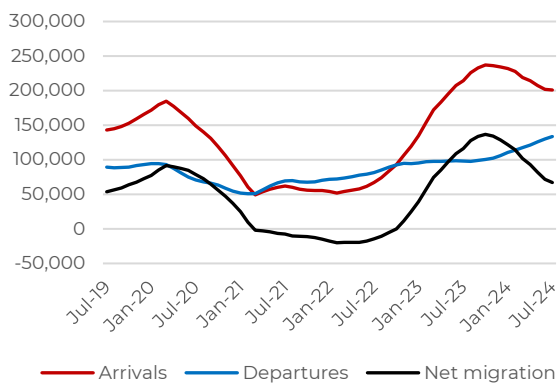
These very weak results for the PMI and the PSI contrast strongly with the optimism expressed by respondents to the ANZ Business Outlook Survey.

Migration

For the year ending July 2024, there were an estimated 200,800 migrant arrivals and an estimated 133,600 migrant departures. This produced an estimated net migration gain of 67,200 people for the year (compared to 116,200 the year prior). Thus, the strong migration-driven population growth New Zealand has recently experienced is moderating. However, it remains high relative to the pre-COVID net migration gain average of 28,000 per year (for the years 2002–2019).

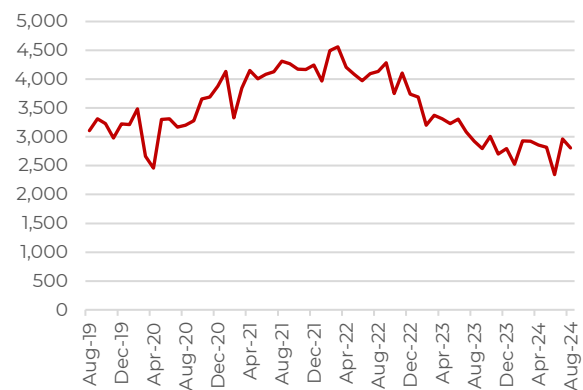
The decline in net immigration in the result of both falling numbers of migrant arrivals and high outflows of New Zealand citizens, many of whom are moving to Australia. All up, an estimated 81,000 New Zealand citizens departed the country in the year to July, while an estimated 25,200 returned, for a net migration outflow of 55,800.

Figure 15: Annual migration flows.



Source: Stats NZ.

Figure 16: Monthly building consents, seasonally adjusted.



Source: Stats NZ.

Building consents

In August 2024, seasonally adjusted residential dwelling consents fell 5% from the previous month. For the year to August 2024, consents fell 20% to 33,632. Building consents are now hovering around their 2017 levels, which is a concern given New Zealand’s chronic housing shortage and growing population. Nationally, consents per 1,000 residents were 6.3, compared with 8.1 the same time one year ago, and well down from the level of 9.9 recorded in 2022. Of the major regions, consents were down 24% annually in Auckland, 26% in the Waikato, 39% in Wellington, and 9% in Canterbury.

The ongoing downswing in construction is being driven by high interest rates, which has increased the cost of borrowing for construction firms. This downturn will likely be forcing skilled tradespeople overseas in search of work. This will make it more difficult to restart the construction sector as interest rates come down.