

# Economic Bulletin

October-November 2024

## Economic Bulletin

**October/November 2024**

Welcome to the October/November 2024 Economic Bulletin. In our monthly feature we look at the current state of the labour market, how it has changed since 2022, and how it compares to the experience of the 2008–09 recession. This provides some indications of what may lie ahead for workers over the next couple of years. It also highlights the need for active government intervention to help people stay connected to work and support the growth of good jobs.

In our main data updates, we breakdown how wages have been doing, current employment and labour market participation levels, social welfare numbers, consumer inflation, and household living costs inflation. We also provide our regular monthly updates on prices, migration, trade, and consumer and business confidence. Finally, we summarise the latest Crown accounts.

For breakdowns of the latest GDP and balance of payments data, please see the [August/September Bulletin](#).

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

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## Key data for trade unionists

### Key economic indicators – September quarter 2024 (annual % change)

Consumer prices	Household living costs	Average wages	Unemployment rate	Official cash rate
2.2%	3.8%	3.9%	4.8%	4.75%

### Annual wage growth – September quarter 2024

	Nominal	Real (consumer inflation)	Real (h.h. living costs)
All sectors – average ordinary time hourly wages	3.9%	1.7%	0.1%
Public sector	5.1%	2.9%	1.3%
Private sector	3.2%	1.0%	-0.6%
Female	5.5%	3.3%	1.7%
Male	2.7%	0.5%	-1.1%

Source: Stats NZ. Real (consumer inflation) is deflated by consumer inflation. Real (h.h. living costs) is deflated by household living-costs inflation. Household living-costs inflation includes interest costs, so provides a fuller picture of the change in the cost of living compared to consumer inflation.

### Annual inflation forecasts

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

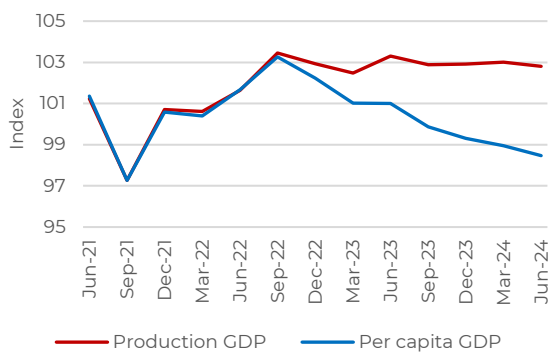
## The labour market picture

This note looks at the current state of the labour market, how it has changed since 2022, and how it compares to the experience of the 2008–09 recession. This provides some indications of what may lie ahead for workers over the next couple of years. It also highlights the need for active government intervention to help people stay connected to work and support the growth of good jobs.

Over the past two years, high interest rates have eaten into households' disposable incomes and cut into the operating margins for many businesses. This has caused consumer spending and business investment to fall. (Interest rates increased due to global dynamics and because the Reserve Bank deliberately hiked the Official Cash Rate to reduce inflation.)

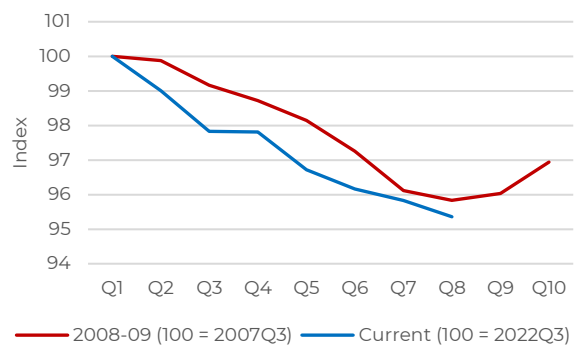
On the headline measure of GDP, economic activity has contracted, but not cratered. But on a per capita measure, the decline in economic activity has been severe – deeper even than the recession brought on by the Great Financial Crisis (GFC) of 2008–09. While per capita GDP fell a total of 5.2% from peak to trough during the GFC, it is estimated to have fallen 5.6% since September 2022 – and may fall further yet. This difference between the headline measure of GDP and the per capita measure is largely the product of very high net immigration since 2022. Essentially, a rapidly rising population has supported economic activity. However, this too is coming to an end – net immigration levels have been slowing through 2024.

**Figure 1:** Production GDP and GDP per capita growth.



Source: Stats NZ.

**Figure 2:** GDP per capita decline, quarters from peak to trough.



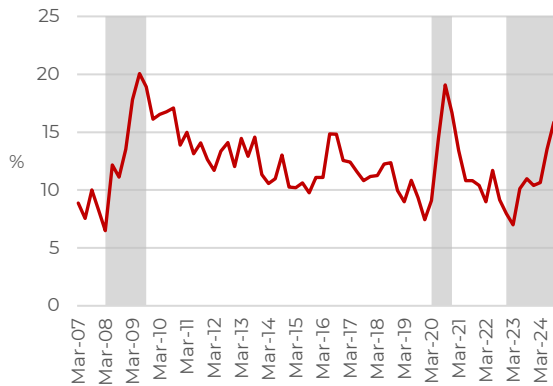
Source: Stats NZ.

As expected, the jobs market has weakened considerably over this period. Unemployment and underutilization (a broad measure of “labour market slack” that captures unemployment, underemployment, and the potential labour force) have both steadily increased since 2022. Redundancies and business closures are rising, and there are increasingly [large numbers of people](#) competing for a [smaller number of jobs](#). On an annual basis, the number of persons employed fell for the first time since 2012 (see Figure 4).

From its pre-recession low of 3.3%, unemployment has increased by almost 50% over the past two years, to 4.8%. This is far higher than the 4% average we’ve seen over the past five years.

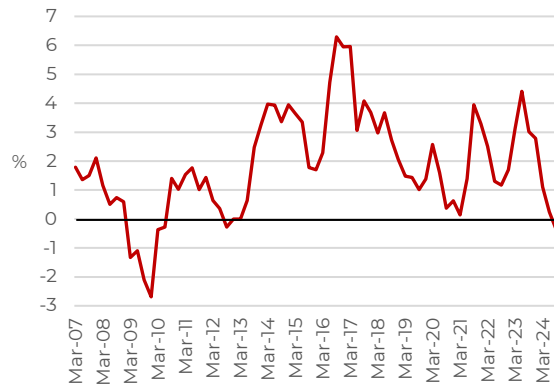
Unemployment is expected to continue to rise through the rest of this year and into 2025 – the latest forecasts from the commercial banks have it peaking between 5.5–5.7%. Meanwhile, underutilization has also increased, up from a pre-recession low of 9% to 11.6% in September 2024.

**Figure 3:** Percentage of unemployed who left previous job because of being made redundant/laid off/business closed.



Source: Stats NZ. Shaded areas represent recessions.

**Figure 4:** Annual % change in persons employed (seasonally adjusted series).

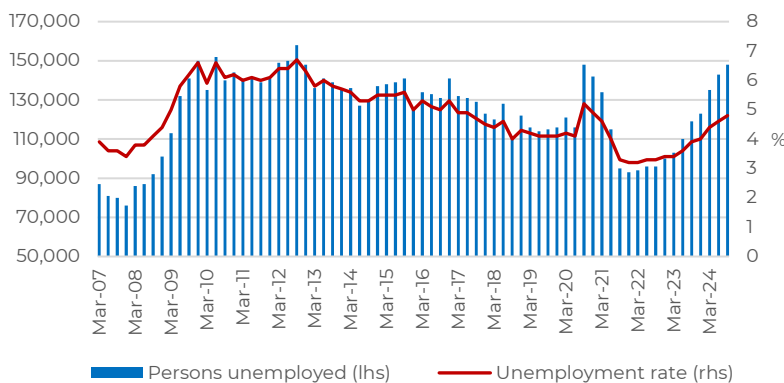


Source: Stats NZ.

Although this is a significant weakening of the labour market, unemployment and underutilization have risen at a notably slower rate than during the GFC recession. During that earlier recession, unemployment almost doubled in the space of just two years, increasing from a low of 3.4% at the end of 2007 to 6.6% in December 2009. The underutilization rate also rose rapidly, from 9.2% to 15%. Those underemployed (i.e., who wanted to work more hours than they were able to get) have increased 61%.

Given the severity of the current downturn, it is somewhat surprising that the unemployment rate has not risen faster over the past two years. One important dynamic that may have helped keep the unemployment relatively lower is the record number of people leaving the country in search of greener pastures. For the year ending September 2024, there was an estimated net outflow of almost 55,000 New Zealanders, many of whom moved to Australia. In this respect, Australia has been acting as a safety valve for New Zealand workers facing a difficult jobs market at home.

**Figure 5:** Unemployment, 2007–24.

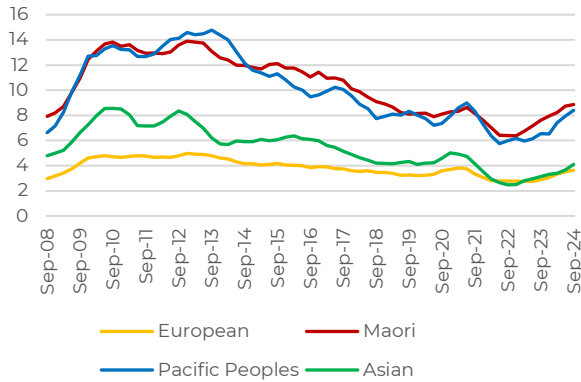


Source: Stats NZ.

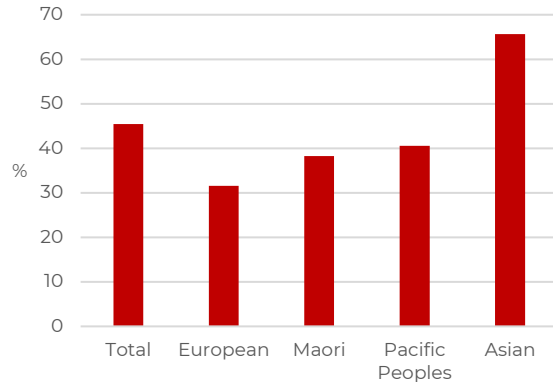
Historically, Māori and Pasifika workers have fared worse during economic downturns. This is in part because Māori and Pasifika workers are disproportionately represented in precarious jobs that are more likely to disappear in a recession. During the GFC recession, Māori and Pasifika workers were particularly hard hit, as shown in Figure 6. This pattern is also evident in the current downturn, though the pace of increase has been slower. Since the onset of the recession in late-2022, the Māori unemployment rate has risen from 6.4% to 8.9%; the Pasifika unemployment rate has risen from 6% to

8.4%; and the Asian unemployment rate has risen from 2.8% to 4.1%. By contrast, the Pākehā unemployment rate has increased from 2.5% to 3.7%.

**Figure 6:** Unemployment rate by ethnicity, 2008–24.



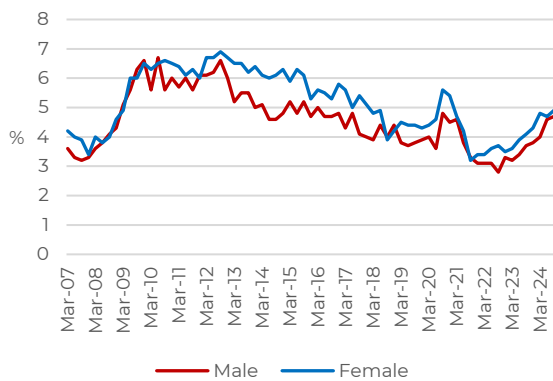
**Figure 7:** Increase in unemployment rate, Sep 2022 to Sep 2024.



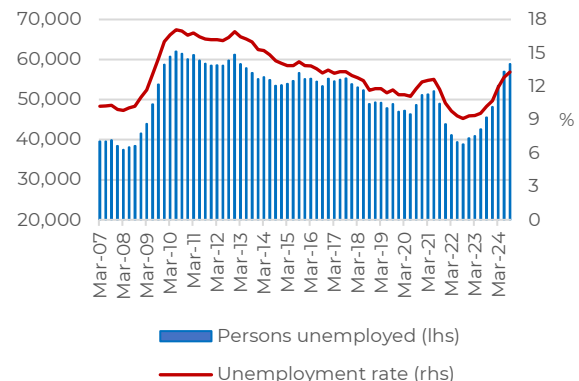
Source: Stats NZ. Because the margins of error on unemployment rates by ethnicity are relatively high, we use rolling annual averages, which provides a more reliable estimate.

Female and male unemployment rates have remained relatively close so far in this recession. Female unemployment started at a slightly higher rate at the onset of the recession in late-2022 but has risen at a slower pace than male unemployment. All up, since September 2022, female unemployment has risen to 4.9%, while male unemployment has risen to 4.7%. The trend observed in the 2010s, when the economy was slowly recovering from the GFC recession, was that female unemployment remained stuck at a higher level than male unemployment.

**Figure 8:** Unemployment rate by sex, 2007–24.



**Figure 9:** Youth unemployment (15–24-year-olds), 2007–24.



Source: Stats NZ.

Source: Stats NZ.

Youth unemployment has also notably increased. Unemployment for 15–24-year-olds has risen a whopping 52% since September 2022. The monthly employment indicators for the same period show that there were 30,000 fewer filled jobs for people aged 15–24. Young people are finding it difficult both to access work and to stay in work. As a result, increasing numbers of young New Zealanders are choosing to opt out of the labour market altogether. The number of 15–24-year-olds who are not in employment, education, or training (the NEET rate) is estimated to be 83,150 (on the annual rolling average measure). This is up 9,400 people since September 2022, or 13%. It is possible that the return to high levels of outward migration for young New Zealanders has helped to limit the rise in the NEET rate. Over 24,000 young New Zealanders were estimated to have left the country in the past year.

## **Avoiding long-term damage**

Whatever level unemployment does end up rising to over the next year, it is unlikely to return to its pre-recession level quickly without government intervention. The post-GFC experience was that unemployment stayed stubbornly high for almost a decade. It wasn't until the beginning of 2017 that the unemployment rate fell below 5%, and not until 2021 that it returned to its pre-GFC low. Māori, Pasifika, female, and young workers were particularly impacted. In 2014, when Prime Minister Key was talking up New Zealand's supposed "rockstar economy", Māori unemployment was averaging 12%, Pasifika unemployment was averaging 12.7%, and female unemployment was averaging 6.1%.

Policy decisions contributed to the poor labour market outcomes of the 2010s. The Reserve Bank ran an overly restrictive monetary policy through part of that decade, and the National-led government reduced public investment. Unhelpful policy decisions have also contributed to the current recession. It now looks like the Reserve Bank hiked the OCR too high and kept it high for too long; and the current government has set out an austere fiscal policy, which is exacerbating the slowdown. Government policy has also made it more difficult for young people to access training. Budget 2024 cut apprenticeship support, shifted from first year to last year free tuition, and allowed a 6% increase in tuition fees.

One of the most damaging things about recessions is the scarring effects they have for households, communities, and across the broader economy. People who lose their jobs often experience wage scarring – lost income in the time they are unemployed and, in some cases, because of having to accept a new job on lower wages. At the household level, job losses can also contribute to poorer long-term health outcomes. Young people entering the labour market for the first time can be permanently disadvantaged from starting their working lives during a downturn.

At the macroeconomic level, higher unemployment means that the economy is not operating at potential – this means we miss out on opportunities for growth and the creation of good jobs. Higher unemployment also reduces workers' bargaining power, particularly those workers already in precarious and low-paid jobs. The implicit threat of unemployment that some workers experience acts as a strong disciplinary device for the boss. This means lower real wage gains over time for workers.

In this context, the government should be focused on minimising further job losses and providing support to those who have found themselves unemployed or facing a more difficult entry into the labour market. In the short term, government should rethink its pro-cyclical fiscal position, which is prolonging the economic downturn. It also needs to develop a plan for supporting those workers who are being hardest hit by the recession, and risk being left behind once the recovery begins.

Over the longer term, the aim should be to upgrade New Zealand's labour market institutions. Perhaps the biggest priority here is the implementation of a social insurance scheme. This kind of scheme – which was being developed by the previous government and is commonplace in other OECD countries – provides newly unemployed workers with a guaranteed income to help them while they search for new work, or while they retrain. This enables workers to look for a job that matches their skills and aspirations, rather than having to take the first work they can find so that they can pay the bills. Instituting a social insurance scheme would go a long way to reducing the stress associated with job loss and job insecurity, and in delivering just transitions for workers affected not just by economic downturns such as we are currently experiencing, but also structural change.

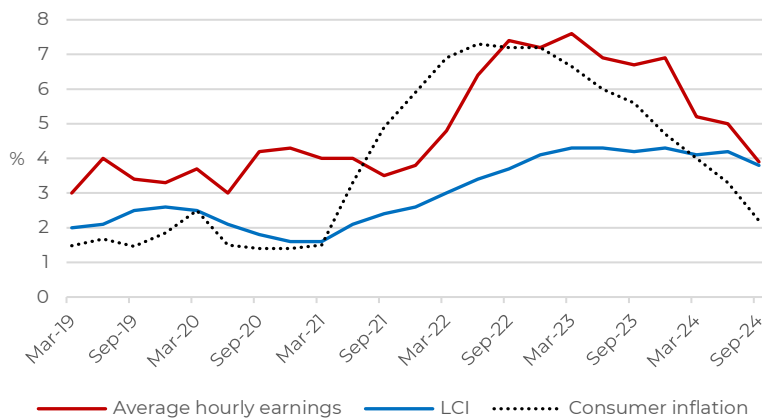


## Wages

With unemployment rising and the economy cooling, nominal wage growth has continued to slow. Average ordinary time hourly earnings grew by 3.9% in the year to September 2024. They increased 5.1% in the public sector, to \$49.59, and 3.2% in the private sector, to \$39.96. Average hourly earnings increased 5.5% for women, to \$39.94, and 2.7% for men, to \$43.76.

The labour cost index (LCI), which measures the price for a fixed quality and quantity of labour – i.e., how much an employer must pay for the same skills and hours of labour each year, rather than the income received by workers – increased 3.8% annually, which is down from the previous quarter. This measure covers all salary and wage rates and includes overtime.

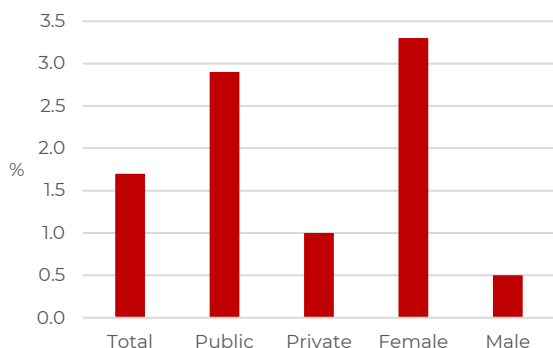
**Figure 10:** Annual growth in wages and labour costs.



Source: Stats NZ.

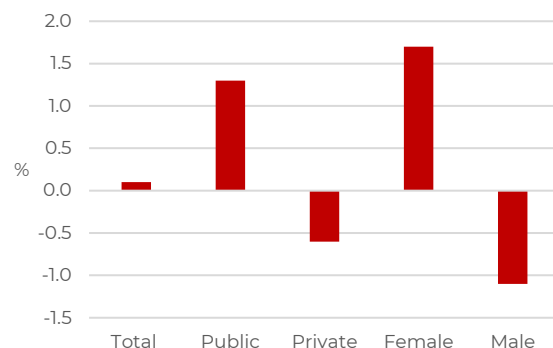
To calculate real wage growth, we use two measures: (i) nominal wage growth minus inflation as calculated by the consumers price index (CPI); and (ii) nominal wage growth minus inflation as calculated by the household living-costs price index (HLPI). The latter measure provides a more accurate picture of changes in the cost of living as it includes interest payment costs, such as on mortgages. Consumer inflation was 2.2% in the year to September 2024, while household living-costs inflation was 3.8% – both down significantly from the previous quarter.

**Figure 11:** Annual real wage growth, Sep 2024 (CPI deflated).



Source: Stats NZ.

**Figure 12:** Annual real wage growth, Sep 2024 (HLPI deflated).



Source: Stats NZ.

When deflated by consumer inflation, average hourly earnings grew 1.7% for the year to September 2024 – which is above the pre-COVID average of real wages growing 1% per annum. When deflated by

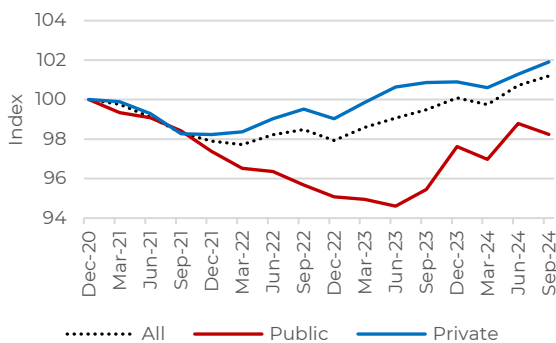
household living-costs inflation, however, wages only increased 0.1% – which is well below the pre-COVID average of 1%.

Public sector workers experienced strong real wage growth this past year, of 2.9% when deflated by consumer inflation and 1.3% when deflated by household living-costs inflation. This likely reflects the conclusion of collective bargaining rounds. It should also be set against the very large decline in real wages that public sector workers experienced compared to private sector workers through 2021 and 2022. When deflated by consumer inflation, private sector real wages grew 1%; however, when deflated by household living-costs inflation, they fell 0.6%.

Male workers on average experienced a 0.5% increase in real wages when deflated by consumer inflation, but a real wage cut of 1.1% when deflated by household living-costs inflation. Female workers saw strong real wage growth on both measures, with wages deflated by consumer inflation rising 3.3% and wages deflated by household living-costs inflation rising 1.7%. This comparatively strong wage growth likely reflects the concentration of female workers in the health care and education sectors, which have seen very strong wage growth in the past year (see Table 1). However, it is important to remember that female wages are starting from a lower base as well – men continue to be paid more, on average, than women.

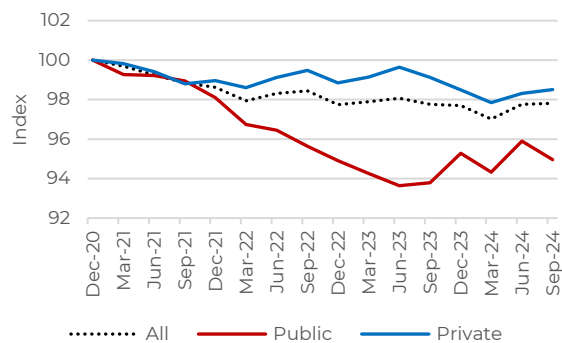
Figures 13 through 16 provide a longer view of how real wages have fared over the past four years. Real wages peaked in December 2020, before falling rapidly due to the unexpected inflation in 2021. On average, public sector wages fell steadily until June 2023, before starting to catch back up. However, they are still 1.8% below their 2020 level when deflated by consumer inflation and a full 5% below their 2020 level when deflated by household living costs.

**Figure 13:** Real wage index by sector (CPI deflated).



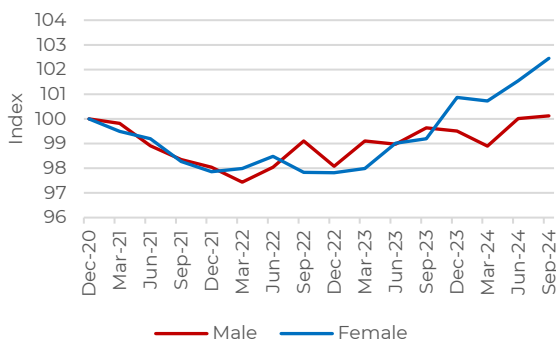
Source: Stats NZ. Dec 2020 = 100.

**Figure 14:** Real wage index by sector (HLPI deflated).



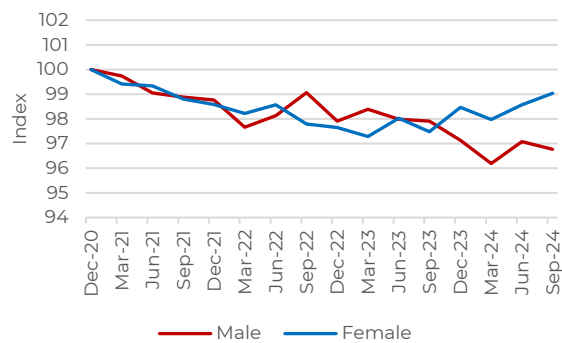
Source: Stats NZ. Dec 2020 = 100.

**Figure 15:** Real wage index by sex (CPI deflated).



Source: Stats NZ. Dec 2020 = 100.

**Figure 16:** Real wage index by sex (HLPI deflated).



Source: Stats NZ. Dec 2020 = 100.

Private sector wages did not experience such a sharp decline, and began growing again in late-2021, as shown in Figures 13 and 14. However, growth in real wages has been slower in the private sector since 2023, reflecting the cooling labour market and still elevated household living costs. Compared to December 2020, private sector wages deflated by consumer inflation have grown 1.9%, but when deflated by household living-costs inflation, they have fallen 1.5%.

By gender, women have experienced better real wage growth than men over the past four years, though on average continue to receive a lower wage than men. Deflated by consumer inflation, average wages for women have grown 2.5% since December 2020. When deflated by household living-costs inflation they have fallen less than 1%. By contrast, when deflated by consumer inflation, average wages for men have only grown 0.1%. When deflated by household living-costs inflation they have fallen 3.2%.

**Table 1:** Annual average wage growth to September 2024 (%).

	Nominal	Real	
		CPI deflated	HLPI deflated
<b>All sectors (average hourly wages)</b>	<b>3.9</b>	<b>1.7</b>	<b>0.1</b>
Public sector	5.1	2.9	1.3
Private sector	3.2	1.0	-0.6
Female	5.5	3.3	1.7
Male	2.7	0.5	-1.1
<b>All industries (average total hourly earnings)</b>	<b>4.0</b>	<b>1.8</b>	<b>0.2</b>
Health care and social assistance	7.9	5.7	4.1
Forestry and mining	6.2	4.0	2.4
Education and training	5.7	3.5	1.9
Information media, and telecommunications	4.9	2.7	1.1
Public administration and safety	4.1	1.9	0.3
Arts, recreation, and other services	4.1	1.9	0.3
Transport, postal, and warehousing	4.0	1.8	0.2
Retail trade	3.9	1.7	0.1
Finance and insurance services	3.9	1.7	0.1
Electricity, gas, water, and waste services	3.4	1.2	-0.4
Construction	3.3	1.1	-0.5
Wholesale trade	2.4	0.2	-1.4
Rental, hiring, and real estate services	2.3	0.1	-1.5
Manufacturing	2.1	-0.1	-1.7
Prof, sci, tech, admin, and support services	1.7	-0.5	-2.1
Accommodation and food services	1.2	-1.0	-2.6

Source: Stats NZ. CPI is consumers price index. HLPI is household living-costs price index.

By industry, average total hourly earnings (which are calculated by dividing total gross earnings by total paid hours) increased 4% annually. The largest increases were in healthcare, up 7.9%, forestry and mining, up 6.2%, education and training, up 5.7%, and information media and telecommunications, up 4.9%. As Table 1 shows, when deflated by CPI, most industries that Stats NZ reports on experienced real wage growth. However, when deflated by the HLPI, just over half of the industry groupings experienced real wage growth.

We expect that nominal wage growth will continue to slow over the rest of the year and into 2025, because of higher unemployment. What happens with real wages will be in part determined by how stable consumer inflation stays now that it is back near 2%, and how fast and far interest rates come down.

## Employment

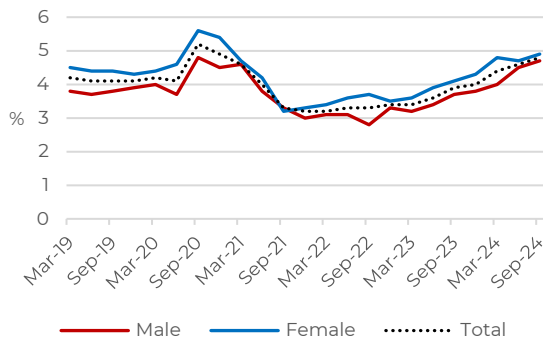
Unemployment has continued to increase, up from 4.6% to 4.8% in the September quarter. It has now risen 1.5 percentage points since the onset of the economic downturn in late-2022. The unemployment rate is now well above the average of the past five years, which was 4%. The underutilization rate – which accounts for the unemployed, underemployed, and the potential labour force – fell 0.2 percentage points from last quarter, to 11.6%.

On a seasonally adjusted basis, this means approximately 148,000 people were unemployed in the September 2024 quarter, and a further 121,000 people were underemployed. Compared to the pre-recession low in September 2022, an additional 52,000 people are unemployed and an additional 22,000 people are underemployed.

On a quarterly basis, both the labour force participation and employment rates fell, down to 71.2% and 67.8% respectively. This indicates that more people are dropping out of the labour market. Compared to the same time last year, the labour force participation rate has fallen 0.9 percentage points, while the employment rate has fallen 1.5 percentage points.

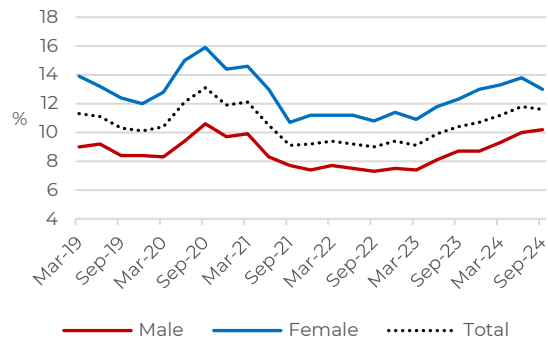
The female unemployment rate increased from 4.7% to 4.9% and the male unemployment rate increased from 4.6% to 4.7%. By contrast, underutilization for female workers fell from 13.8% to 13%, while male underutilization rose from 10% to 10.2%. One year ago, female unemployment was 4.1% and underutilization was 12.3%; male unemployment was 3.7% and underutilization was 8.6%.

**Figure 17:** Unemployment rate by sex.



Source: Stats NZ.

**Figure 18:** Underutilization rate by sex.



Source: Stats NZ.

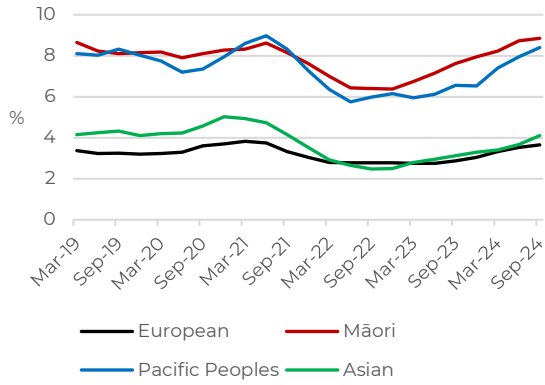
Stats NZ does not provide seasonally adjusted figures for employment rates by ethnicity, so we use annual average comparisons instead:

- For Pākehā, unemployment increased from 2.9% to 3.7% and underutilization increased from 8.9% to 10.3% for the year to September 2024.
- For Māori, unemployment increased from 7.6% to 8.9% and underutilization increased from 16.4% to 18.4%.
- For Pasifika, unemployment increased from 6.6% to 8.4% and underutilization increased from 14% to 16.6%.
- For Asian workers, unemployment increased from 3.1% to 4.1% and underutilization increased from 8.2% to 10.7%.

The NEET rate (people aged 15–24 who are not in employment, education, or training) for the year ending September 2024 was 12.4%, which is up 1.1 percentage points from the previous year. In real

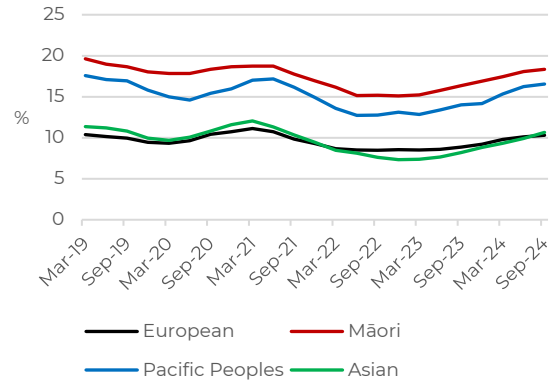
terms this represents approximately 83,200 young people who are not in employment, education, or training.

**Figure 19:** Unemployment rate by ethnicity.



Source: Stats NZ.

**Figure 20:** Underutilization rate by ethnicity.



Source: Stats NZ.

## Social welfare

At the end of September 2024, 391,224 people were receiving a main benefit, which is up 8% compared to the same time last year. The ongoing recession and rising unemployment are driving this increase.

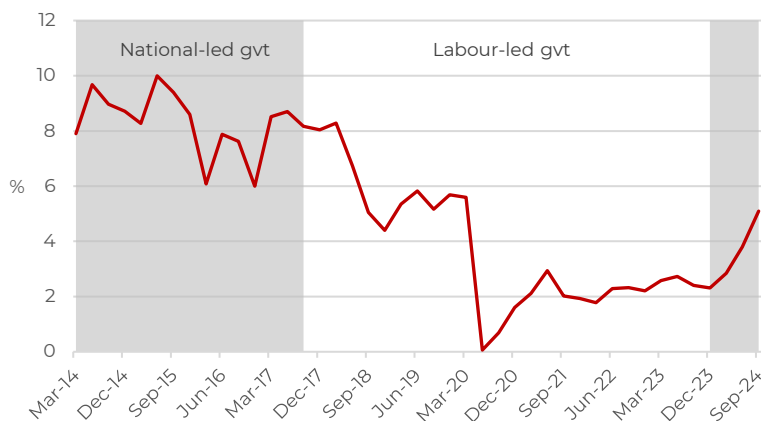
Of those receiving a main benefit:

- 116,904 people were receiving Jobseeker Support – Work Ready, up 11.8% annually.
- 87,861 people were receiving Jobseeker Support – Health Condition or Disability, up 14.3%.
- 103,824 people were receiving the Supported Living Payment, up 2.4%.
- 78,027 were receiving Sole Parent Support (SPS), up 4%.

The proportion of the working-age population receiving Jobseeker was 6.3%, which is up 0.6 percentage points from 2023.

Of total Jobseeker recipients, 58% had been receiving the benefit for one year or more. This proportion has remained relatively consistent over the past five years. Many of these long-term welfare recipients may be in work, just at levels of income so low that they still qualify for a benefit.

**Figure 21:** Benefit sanctions as percentage of total Jobseeker and Sole Parent Support recipients.



Source: MSD.

There were 14,409 benefit sanctions issued in the September quarter – more than double the same time last year. Of these sanctions, 65% were for recipients ‘not attending appointments’, 26% were for ‘failing to prepare for work’, and 8% were for ‘failing to participate in work’.

As Figure 21 shows, benefit sanctions have been rising precipitously since the National-led government took power. Sanctions hovered around 8% of total Jobseeker and SPS recipients under the previous National government before falling over the course of the Ardern-led Labour government to settle around 2%. (The Ardern government suspended the use of sanctions during the early COVID period, due to the extraordinary nature of the lockdowns.) As of September 2024, sanctions have risen to 5.1% of total Jobseeker and SPS recipients.

During the September 2024 quarter, there were 572,871 hardship assistance payments worth a total of \$203 million. The overall number of hardship assistance payments is down 10% compared to a year ago and the total value of payments is down over 21%.

## Prices

### Consumer inflation

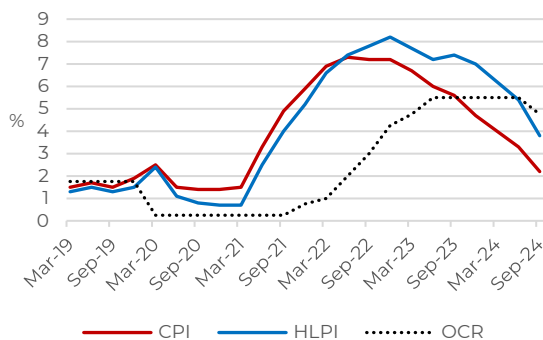
The pace of consumer inflation fell sharply in the September quarter. Quarterly inflation was 0.6%, and annual inflation was 2.2%, which is close to the Reserve Bank's target. Around the world, the rate of inflation has slowed significantly. On the latest data, annual inflation was 2.8% in Australia, 1.6% in Canada, 2% in the Euro Area, 1.7% in the United Kingdom, and 2.4% in the United States.

Tradeable inflation (goods and services that are imported or are exposed to international competition) has fallen particularly quickly. Annual tradeable inflation was -1.6% for the year ending September 2024. Non-tradeable inflation (goods and services that do not face foreign competition) was 4.9%, which is well-down from its 2023 high of 6.8% but remains above historical norms.

The largest contributors to the quarterly inflation figure were property rates and related services, up 11.9%; food, up 1.3%; and property rents, up 13.2%. On the other side of the equation, the price of petrol fell 6.5% and the price of early childhood education fell 22.8%.

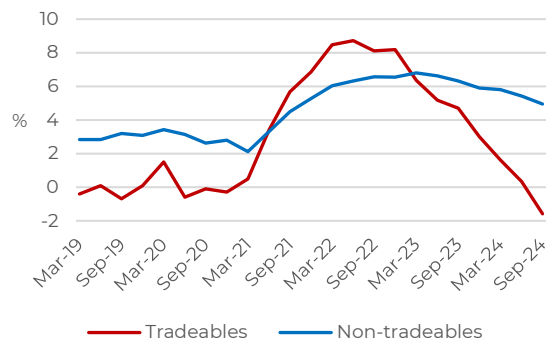
Annually, the largest contributors to consumer inflation were property rentals, up 4.5% (as expected, the landlord tax cuts haven't done anything to reduce the cost of renting); property rates and related services, up 12%; insurance, up 12.9%; and alcohol and tobacco, up 6.3%. The price of petrol has fallen 8% for the year, while the price of vehicles has fallen 7.3%.

**Figure 22:** Annual rate of inflation.



Source: Stats NZ.

**Figure 23:** Annual rate of tradeable and non-tradeable inflation.



Source: Stats NZ.

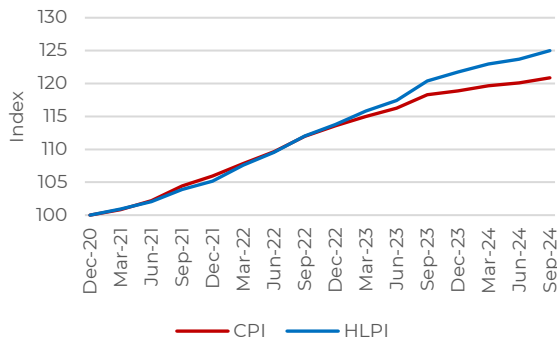
Although inflation is now back within the Reserve Bank's target band, and household living-costs inflation has also fallen quickly, it is unlikely that households will feel any better off. As Figure 24 shows, overall, consumer goods and services have increased 21% in price since the end of 2020. Household living costs – a measure which also includes interest payment costs – have increased 25%.

As we've discussed in previous Bulletins, the drivers of inflation continue to be services that the Reserve Bank has limited ability to influence using the Official Cash Rate (OCR) – namely, insurance, rent, and council rates. As Figure 25 shows, from December 2020 to September 2024 the price of insurance has increased 38%, the price of renting has increased 19%, and council rates have increased 41%. Meanwhile, interest rate costs – such as on a mortgage – have more than doubled.

With the economy now in a very poor state, it is expected that the Reserve Bank will cut the OCR again later this month, somewhere between 25 and 75 basis points. This will eventually lead to lower interest rate costs for homeowners, as they roll onto new fixed-rate mortgages. It should also reduce the cost of borrowing for businesses. Our view is that the Reserve Bank raised interest rates too high and kept

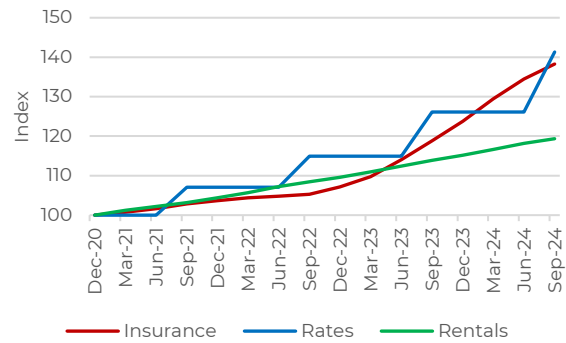
them high for too long. Combined with the reckless cuts of the current government, this has caused the New Zealand economy to crash down hard.

**Figure 24:** Consumer and household living costs inflation index.



Source: Stats NZ. Dec 2020 = 100.

**Figure 25:** Insurance, rates, and rental cost inflation index.



Source: Stats NZ. Dec 2020 = 100.

### Household living costs

The household living-costs price indexes (HLPI) detail changes in the cost of living for different household groups. The HLPI provides a more accurate picture of the changes in the cost of living than the CPI does because it includes interest payments that households make on debt such as mortgages.

The cost of living for all household groups increased 3.8% in the year ending September 2024. This continues the decline in household living-costs inflation since the peak of 8.2% in December 2022, when interest rate increases started to bite. The quarterly increase in household living costs was 1%, up from 0.6% recorded in the previous quarter.

Annually, living costs increased 4% for households in the lowest-income quintile, 3.9% for Māori households, 3.8% for beneficiary households, and 3.9% for superannuitants. Households in the highest-income quintile only experienced a 3.7% increase in living costs. This is consistent with the long-run trend that shows lower-income households typically experience higher living-costs inflation than high-income households. Since 2008, living costs have increased 56% for the lowest-income quintile compared to only 46% for the highest-income quintile.

### Monthly price indicators

Table 2 breaks down the rate of inflation for October 2024 for some of the key goods and services that we get more high-frequency price updates on.

**Table 2:** Monthly price indicators, Oct 2024.

	% change compared to previous month	% change compared to Sep 23
Food	-0.9	1.2
Fruit and vegetables	-4.1	-8.9
Meat, poultry, fish	-0.2	1.8
Groceries	-0.9	2.5
Rent (stock measure)	0.2	4.2
Petrol	0.0	-13.9
Domestic air transport	2.6	2.4
Domestic accommodation	5.9	-8.3

Source: Stats NZ.



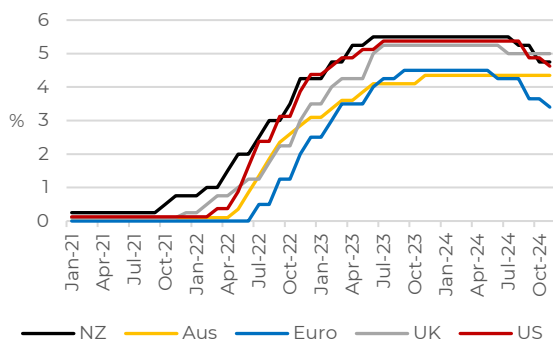
### Petrol and oil prices

For the week ending 8 November 2024, [MBIE's](#) fuel-price monitoring had regular petrol at \$2.73 per litre and diesel at \$2.00 per litre – both are up slightly from last month. As of 13 November, oil was trading around US\$68 per barrel on the West Texas Intermediate, which is a leading indicator of price pressures in New Zealand; this is down from last month.

### Central bank interest rates

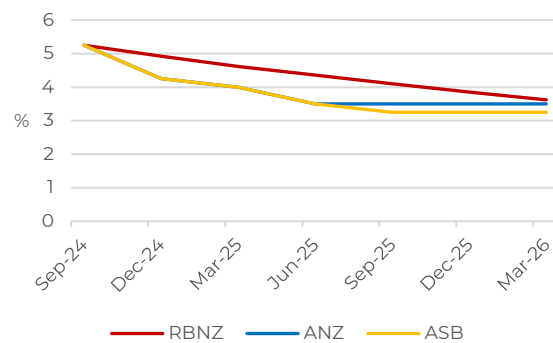
The [Official Cash Rate](#) (OCR) remains at 4.75%, but a further cut of between 25 and 75 basis points is expected on 27 November. These cuts to the OCR have led to a reduction in mortgage rates, which should continue to fall as the OCR is reduced further. Major central banks around the world have also begun to cut their interest rates in recent months. Figure 27 shows the latest forecasts for OCR.

**Figure 26:** Central bank interest rates.



Source: RBNZ, BIS.

**Figure 27:** OCR forecasts.



Source: RBNZ.

### Real estate

The housing market remains weak. As of September 2024, the [REINZ](#) house price index was down 0.4% from the same time last year, and down 15.8% from its late-2021 peak. Wellington has been hardest hit, with the house price index falling over 24% from its 2021 peak. It is expected that the reduction in interest rates should stimulate more activity in the housing market in 2025, possibly driving house prices higher again. However, because interest rates will probably remain higher than they were in the COVID years, it is unlikely we will see a return of the rapid house price inflation we experienced in 2020 and 2021.

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

	3 months	1 year	5 years*	From peak
National	0.8	-0.4	4.9	-15.8
Auckland	1.4	-2.0	3.2	-21.4
Wellington	-0.8	-2.2	3.4	-24.2
Canterbury	1.2	2.8	8.3	-5.0

\* Compound annual growth rate

Source: REINZ.

## Economy

### Trade

In the year to September 2024, the value of goods exports and imports were both down compared to the previous year. Total good exports were valued at \$69.4 billion, down 1.2% from the previous year. Total goods imports were valued at \$78.5 billion, down 8.4% from the previous year. This produced an annual goods trade deficit of \$9.1 billion.

As shown in Table 5, the decline in imports has been significant and broad-based. Of the 41 import categories that Stats NZ reports on, all but 11 are down compared to the previous year. This reflects the weak economic conditions in New Zealand, with households pulling back on spending and businesses on investment.

On the export side, recovery here may be threatened by the re-election of Donald Trump. He has suggested putting tariffs of up to 20% on goods imported to the United States. This would reduce the level of New Zealand exports to the United States, which were valued at almost \$9 billion in the year to September 2024. However, it remains to be seen whether the incoming Trump administration will implement this policy, which would likely have inflationary effects in the US.

**Table 4:** Main goods exports by value, year ending September 2024.

	\$ millions	% change from previous year
Milk powder, butter and cheese	19,160	-5.3
Meat and edible offal	8,416	-3.3
Logs, wood, and wood articles	4,740	-1.2
Fruit	4,575	24.7
Preparations of milk, cereals, flour, and starch	2,612	5.7
Mechanical machinery and equipment	2,479	4.4
Wine	2,066	-9.6
Fish, crustaceans, and molluscs	1,974	1.7
Electrical machinery and equipment	1,536	2.0
Aluminium and aluminium articles	1,530	-2.3

Source: Stats NZ.

**Table 5:** Main goods imports by value, year ending September 2024.

	\$ millions	% change from previous year
Petroleum and products	11,212	-0.5
Mechanical machinery and equipment	10,716	-6.9
Vehicles, parts, and accessories	9,209	-23.1
Electrical machinery and equipment	7,043	-7.0
Textiles and textile articles	3,082	-7.0
Optical, medical, and measuring equipment	2,767	0.8
Plastic and plastic articles	2,590	-5.0
Pharmaceutical products	2,335	-4.9
Aircraft and parts	1,677	-15.6
Iron and steel, and articles	1,570	-23.6

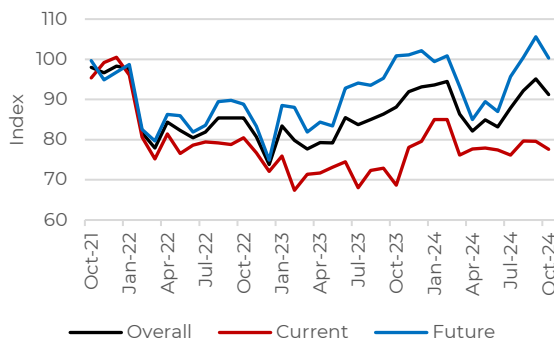
Source: Stats NZ.

### Consumer and business confidence

After three straight months of improvement, the ANZ–Roy Morgan [Consumer Confidence Index](#) fell 4 points in October to 91.2. 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.

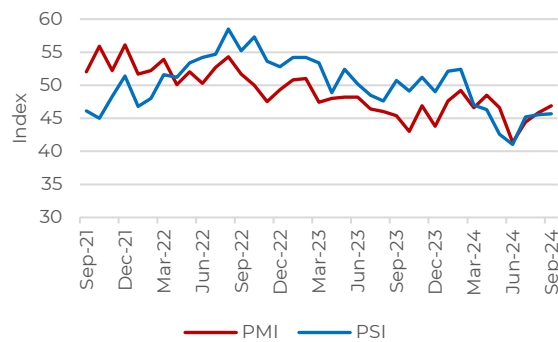
Confidence in future economic conditions fell 5 points to 100.3 and confidence in current economic conditions fell 2 points to 77.6. A net 23% of those surveyed think it is a bad time to buy a major household item. This question is seen as a leading indicator of consumer confidence and future economic activity. A net 22% of those surveyed reported they were worse off financially than one year ago and only a net 14% of people expect to be better off financially by this time next year, which is down 11 points from the previous month.

**Figure 28:** ANZ–Roy Morgan Consumer Confidence Index.



Source: ANZ.

**Figure 29:** BNZ–BusinessNZ PMI and PSI.



Source: BusinessNZ.

In contrast to the gloomy consumer outlook, business confidence has continued to improve according to ANZ’s [Business Outlook Survey](#). The October survey saw business confidence rise a further 4 points to +66, which is its highest level in over a decade.

Confidence is strong across the five industry groupings reported on (retail, manufacturing, agriculture, construction, and services), as is the “own activity” outlook. However, reflecting the recession, “activity vs same month one year ago” is negative in all industries except agriculture; the same goes for “employment vs same month one year ago”.

### Performance indexes

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

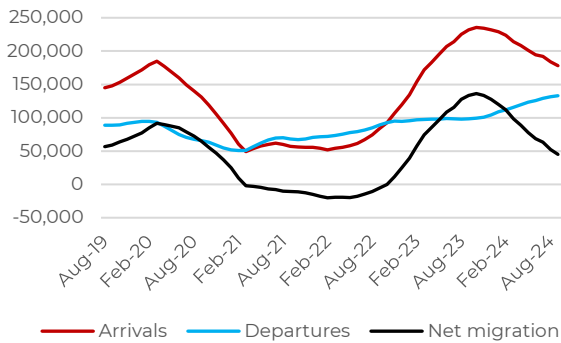
The manufacturing index increased slightly, to 46.9. All five of the sub-indexes were in contractionary territory. The PSI remained essentially unchanged, at 45.7. All five of the sub-indexes were in contractionary territory. For both indexes, weak sales activity and a lack of new orders are the main driver of contraction. This indicates that households are spending less.

### Migration

Inward migration has continued to decline, but departures remain elevated, with many New Zealand citizens leaving the country. For the year ending September 2024, there were an estimated 177,900 migrant arrivals and an estimated 133,000 migrant departures. This produced an estimated net

migration gain of 44,900 people for the year (compared to 133,300 the year prior). All up, an estimated 79,700 New Zealand citizens departed the country in the year to September, while an estimated 24,900 returned, for a net migration outflow of 54,700.

**Figure 30:** Annual migration flows.



Source: Stats NZ.

**Figure 31:** Monthly building consents, seasonally adjusted.



Source: Stats NZ.

### Building consents

In September 2024, seasonally adjusted new residential dwelling consents increased 2.6% from the previous month. For the year to September, consents fell 17% to 33,677 – which is around their 2017 levels. Nationally, consents per 1,000 residents were 6.3, compared with 7.8 the same time last year, and well down from the level of 9.9 recorded in 2022. Of the major regions, consents were down 19% annually in Auckland, 25% in the Waikato, a whopping 40% in Wellington, and only 7% in Canterbury.

With interest rates coming down, it is likely that building consents will slowly start to tick up again. However, this will take time and getting new dwellings constructed may be harder as it is likely that some skilled tradespeople have moved overseas in search of work during the economic downturn.

## Government accounts

The audited [financial statements](#) of government for the year ending June 2024 were released last month. Overall, they show a weakening of the government's fiscal position compared to the previous year (see Table 6). We also have the interim statements for the three months to September 2024 (see Table 7), which show the Crown accounts are slightly weaker than forecast at the Budget in May. The next big fiscal update will be on 17 December, when Treasury releases the Half-Year Economic and Fiscal Update, which includes its forecasts. We will cover that data in the December Economic Bulletin.

For the year ending June 2024, core Crown tax revenue was \$120.6 billion, up \$8.2 billion from 2023. Source deduction revenue (i.e., income tax) increased \$4.9 billion, due to reasonably strong nominal wage growth and some fiscal drag (wage growth pushing earners into higher tax brackets). Other direct taxes increased \$2.8 billion, largely due to higher interest rates on savings, which the Crown taxes. However, corporate tax revenue fell \$1.1 billion compared to last year, which reflects the weaker state of the economy. Overall core Crown revenue was \$133.2 billion, which is \$0.8 billion higher than in 2023.

Core Crown expenses were \$139 billion, which is \$11.4 billion higher than 2023. Expenditure on benefits was \$3.1 billion higher than the previous year, reflecting both higher benefit rates, rising unemployment, and increasing numbers of people receiving NZ Superannuation as our population ages. Interest payments on government debt also rose, up \$2.9 billion on the previous year, reflecting higher borrowing costs and a higher absolute level of debt. Insurance expenses increased \$1.6 billion.

The OBEGAL (operating balance before gains and losses) deficit was \$12.9 billion, up \$3.4 billion from 2023. Finally, the net core Crown debt position was \$173.6 billion, up \$20 billion from the previous year. Table 6 below breaks these figures down as a percentage of GDP.

**Table 6:** Audited government financial statements, year ending 30 June 2024 (% of GDP).

	2023	2024
Core Crown tax revenue	28.5	29.2
Core Crown revenue	31.2	32.2
Total Crown revenue	38.7	40.5
Core Crown expenses	32.3	33.6
Total Crown expenses	41.0	43.6
OBEGAL	-2.4	-3.1
Net core Crown debt	39.3	42.5

Source: Treasury.

For the three months ending September 2024, the government accounts are slightly weaker than was forecast at the Budget in May. Tax revenue is slightly lower than expected, while expenses are slightly higher. The debt level is also higher than forecast, as is the OBEGAL deficit.

**Table 7:** Interim financial statements of government for the three months ended 30 September 2024.

	Actual	BEFU forecast
Core Crown tax revenue (\$m)	28,676	28,767
Core Crown revenue (\$m)	32,312	32,297
Core Crown expenses (\$m)	34,871	34,765
OBEGAL (\$m)	-4,218	-3,549
Net core Crown debt (% of GDP)	43.0%	42.8%

Source: Treasury.