NZCTU
Te Kauae Kaimahi

Economic Bulletin

June/July 2025

NEW ZEALAND COUNCIL OF TRADE UNIONS
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NCZTU Economic Bulletin

June/July 2025

Welcome to the June/July 2025 Economic Bulletin. We have two feature articles in this edition. In the first, Morgan James-Tresidder, the new pay equity lead at the NZCTU, sets out why pay equity is such a critical tool for advancing working women's interests, and outlines how unions are fighting back against the government's retrograde changes to the pay equity legislation earlier this year.

In the second article, we examine the Infrastructure Commission's draft National Infrastructure Plan, which was released in June. The draft plan sets out the Commission's recommendations for how we can sustainably fund infrastructure in the context of our large infrastructure deficit and an ageing population. One thing we are concerned about here is the Commission's proposal to transition to a fully user-pays system for "network infrastructure" such as roads, rail, telecommunications, and energy. User-pays models tend to be regressive (the poor have to pay proportionally more than the rich), and risk turning public infrastructure into a market service that is dependant on one's ability to pay.

In our regular updates, we cover the quarterly data releases on GDP growth and the balance of payments. We also provide the regular monthly analysis of migration, performance indexes, employment, consumer, and business confidence, and the government accounts.

We've also expanded the "key data for trade unionists" section, adding a table that summarises the current state of the jobs market, and how key indicators compare to the same time one year ago and the five year average.

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Key data for trade unionists

Economic indicators – March quarter 2025

CONSUMER INFLATION	H.H. LIVING COSTS INFLATION	AVE HOURLY WAGE GROWTH	UNEMPLOYMENT	OFFICIAL CASH RATE
2.6%	*n/a*	4.5%	5.1%	3.25%

The consumer inflation figure was updated by Statistics NZ from 2.5% to 2.6% to correct an error. However, the official consumer price inflation statistic is still being reported as 2.5% until the next quarterly update.

Annual wage growth – March quarter 2025

	NOMINAL	REAL (CONSUMER INFLATION)	REAL (H.H. LIVING COSTS)
All sectors – average ordinary time hourly wages	4.5%	1.9%	*n/a*
Public sector	6.6%	4.0%	*n/a*
Private sector	3.8%	1.2%	*n/a*
Female	4.6%	2.0%	*n/a*
Male	4.5%	1.9%	*n/a*

Source: Stats NZ. Real (consumer inflation) is deflated by consumer inflation. Real (h.h. living costs) is deflated by household living-costs inflation. This measure includes interest payment costs, so provides a fuller picture of the change in the cost of living compared to consumer inflation. The March 2025 quarter household living-costs inflation report was cancelled.

Annual consumer inflation forecasts

	RESERVE BANK	TREASURY	AVERAGE
Jun 2025	2.6%	2.2%	2.7%
Sep 2025	2.7%	2.5%	2.8%
Dec 2025	2.4%	2.3%	2.6%
Mar 2026	1.9%	2.1%	2.3%

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

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Job market indicators

	MARCH 2025	MARCH 2024	5-YEAR AVE	VS 2024	VS 5-YEAR
Unemployment	**5.1%**	4.4%	4.1%	↑ +0.7pp	↑ +1.0pp
Female unemployment	**5.3%**	4.8%	4.3%	↑ +0.5pp	↑ +1.0pp
Male unemployment	**4.9%**	4.0%	3.9%	↑ +0.9pp	↑ +1.0pp
Māori unemployment[1]	**9.7%**	8.2%	8.0%	↑ +1.5pp	↑ +1.7pp
Pasifika unemployment[1]	**10.0%**	7.5%	7.7%	↑ +2.5pp	↑ +2.3pp
Youth unemployment[1]	**14.3%**	12.0%	11.6%	↑ +2.3pp	↑ +2.7pp
Underutilisation[2]	**12.7%**	11.6%	10.8%	↑ +1.1pp	↑ +1.9pp
Female underutilisation	**14.9%**	13.8%	12.9%	↑ +1.1pp	↑ +2.0pp
Male underutilisation	**10.6%**	9.5%	8.9%	↑ +1.1pp	↑ +1.7pp
Māori underutilisation[1]	**19.2%**	17.6%	17.4%	↑ +1.6pp	↑ +1.8pp
Pasifika underutilisation[1]	**18.1%**	15.5%	15.4%	↑ +2.6pp	↑ +2.7pp
Reason for leaving last job – redundant/laid off/business closed[1, 3]	**14.8%**	10.5%	11.6%	↑ +4.3pp	↑ +3.2pp
Perceived chance of losing job among those currently employed[1, 4]	**16.3%**	13.7%	16.1%	↑ +2.6pp	↑ +0.2pp
Percentage of working-age population on Jobseekers	**6.4%**	5.9%	6.0%	↑ +0.5pp	↑ +0.4pp
Duration of unemployment, 3-6 months[1]	**20.9%**	17.5%	17.2%	↑ +3.4pp	↑ +3.7pp
Duration of unemployment, 6 months–1 year[1]	**21.8%**	16.5%	18.3%	↑ +5.3pp	↑ +3.5pp
Duration of unemployment, over 1 year[1]	**11.1%**	9.0%	10.1%	↑ +2.1pp	↑ +1.0pp

Source: Statistics NZ; MBIE; MSD.

[1] Rolling annual average.

[2] Underutilisation provides a more complete picture of the strength of the jobs market than the unemployment rate. It includes those who are unemployed (out of work and actively seeking a job), underemployed (in work but want more hours than are available), and the "potential labour force" (those who are either actively seeking work but not able to start immediately, or who are not activley seeking work but want a job).

[3] Percentage of unemployed people who left their last job because they were made redundant, laid off, or the business closed.

[4] This is a measure of percieved job security. It is the sum of those who report it is "almost certain/high chance" and "medium chance" they will lose their main job in the next 12 months.

The ongoing battle for pay equity

The work that (mostly) women do is crucial – it is crucial for our communities and crucial to the economic development of our country. Historically, though, women have not been fairly remunerated for this work. The fight for pay equity seeks to change that.

New Zealand's pay equity journey began over four decades ago. In 1972, the Equal Pay Act sought to eliminate discrimination in pay rates between men and women for the same or substantially similar work. However, it wasn't until the 1980s that attention shifted to pay equity – the principle that women and men should be paid the same for different jobs that are of equal value. The 1986 Royal Commission on Social Policy recommended strong legislative action, and a Pay Equity Act was briefly enacted in 1990 – only to be repealed by the incoming National Government later that year.

There are news articles from 1990 that you could copy and paste into today's context. Hard won gains were ripped away with no thought to the people impacted or to the many economic benefits of lifting the incomes of lower-paid workers.

Ensuring that people are paid fairly for work of equal value can boost productivity, strengthen household incomes, and address long-standing structural inequalities that hold back both individuals and the wider economy.

The undervaluation of female-dominated workforces has had decades-long ripple effects, reducing the earning power of households and contributing to gendered poverty in later life, particularly for Māori and Pacific women. In May this year, the most important lever we had to address this was, once again, demolished by a National-led government.

I started my career in early childhood education and my experience as a kaiako helped shape my commitment to equity and sparked my journey into union activism. It has been an interesting journey that led me to working in pay equity, desperately searching for a magic bullet to help people understand how consequential the mahi of early childhood teachers is. I naively thought that, given the amount of research outlining the importance of early childhood education, we wouldn't be too far away from seeing this work paid fairly. As it turns out, you can have countless piles of research on the value of women's work, and you will still inevitably come up against the inherently patriarchal ideals of "market value".

I have worked on many pay equity claims, across divergent industries, helping to build relationships between employers and unions for the goal of paying women what they're worth. I see this as a starting point: through pay equity we begin to chip away at the idea of "market value" – the idea that the market determines what people should be paid; this allows us to ask what is actually valuable to us in a modern society, and what kinds of work are necessary to deliver this.

The work of teachers, nurses, midwives, care and support workers, and all the other workers covered by the 33 extinguished claims is not only valuable, it's essential to a healthy society. The current government's solution for low-paid workers is to suggest that they get better paying jobs, and they are in Australia. They seem to forget that the overall effect of this will be that we will have no one left to do this essential mahi.

The concept of "market value" is exactly what got us into this position in the first place. Care work is not valued by the market, not least because much of it is unseen and uncounted – the unseen labour that is done across our households has never been considered as something that is of value to our economy. It is well overdue for this to change.

The economic case for pay equity is clear, but economic rationality alone has never been enough. It is collective action, organised union power, and the voices of women across generations that will carry this movement forward.

And that is exactly what we have seen since the gutting of our world-leading legislation. On 23 July we will be handing over our petition to protect pay equity. We are aiming to get 100,000 signatures by then, so please do sign and share: https://www.together.org.nz/fbt_for_pay_equity

On 26 May Marilyn Waring announced she was convening the People's Select Committee on Pay Equity with a group of former MPs from across the political spectrum. On 11 August the People's Select Committee will begin their oral hearings and they are welcoming submissions up until 31 July: https://www.payequity.org.nz/make-a-submission

We'll also be announcing further actions across the country in the coming months to make sure that this government knows that their actions will not be forgotten. We have worked hard to get this far, and the women of New Zealand have no intention of giving up now. We know how valuable our work is. We will organise, we will campaign, we will build our power, and we will win.

Morgan James-Tresidder (she/her)

Pay Equity Lead, NZCTU

Questions of quantity and quality in New Zealand's infrastructure

New Zealand has a large "infrastructure deficit" – a gap between the built environment we have and the built environment we need. Research for the Infrastructure Commission estimated this deficit was approximately $83 billion by 2020 (this figure excludes housing, which adds another $21 billion to the deficit). In other words, there was about $83 billion worth of infrastructure that we should have built (or maintained) by 2020 but didn't.

Intuitively, this would seem to be a problem of underinvestment. This is true, but only to an extent. New Zealand underinvested in infrastructure during the market reforms of the 1980s and 1990s. However, on the Commission's analysis, investment recovered to acceptable levels in the 2000s – though, crucially, did not make up the shortfall.

In recent decades, New Zealand appears to have spent *more* on infrastructure than most other wealthy countries. According to the Commission's draft *National Infrastructure Plan*, released in June this year, between 2010–19 "public capital investment" in New Zealand averaged 5.4% of GDP on infrastructure per year (this measure includes both central and local government investment and includes some non-infrastructure spending). This is a high level of investment by international standards, putting us in the top 10% of the OECD.

Despite this high level of investment, on the Commission's analysis New Zealand ranks in the bottom 10% of OECD countries in terms of the efficiency of our infrastructure investment. The Commission therefore argues that the problem is not only about the quantity of investment, but also the quality. Basically, we have been building lower-quality infrastructure than other countries who spend similar amounts – let's call this the "efficiency deficit".

What's driving the efficiency deficit?

Unfortunately, New Zealand has some major natural disadvantages when it comes to building infrastructure.

First, we are a small population spread out over quite a large land mass. This means we struggle to achieve the economies of scale that are possible among larger and denser populations.

Second, we have a challenging geography. Much of our terrain is quite rugged, which adds to the cost of building transport and communication networks. We are also far away from other markets, which can make it expensive to get the skills and materials needed to build modern infrastructure.

Third, we are highly exposed to natural disasters, which means we need to spend a fair amount of money on rebuilding and repairing damaged infrastructure (think the repair bills for the Christchurch earthquakes, the Auckland floods, and Cyclone Gabrielle). We also need to invest in upgrading existing infrastructure so that it can cope with earthquakes and extreme weather.

But according to the Commission, New Zealand also makes some unforced errors that contribute to the efficiency deficit. Importantly, we have continually deferred investing in the boring-but-critical work of maintaining and renewing existing infrastructure – most notably, perhaps, our water systems. This deferral just means a larger bill when the pipes inevitably start to burst.

Another unforced error may be our very complex land-use zoning system. New Zealand has 1,175 land-use zones spread over 68 territorial authorities. The Commission compares this unfavourably to Japan, which only has 13 land-use zones, despite a larger land mass and a population 23 times the size of our own. This likely increases the cost and difficulty of consenting infrastructure and, in some cases, poorly coordinated zoning can restrict the development necessary to get the most out of new infrastructure (for example, a new rail link may be undermined by restrictive housing zoning near the train stations).

Other notable problems identified by the Commission are the long-standing failure of parliament to agree on a pipeline of basic infrastructure that is beyond politics; poor coordination across government on the delivery of infrastructure; a failure to sufficiently develop and

maintain a skilled infrastructure workforce; and lacklustre governance capacities when it comes to developing business cases for investment, overseeing project delivery, and learning from experience. This all adds up to a stop–start system of development, which is inefficient. (An issue not covered by the Commission in its report, but which may add to our problems, is the cultural aversion of New Zealanders to urban densification. This means our cities tend to sprawl out, rather than up, which may also add to the cost of infrastructure.)

The Commission recommends a range of reforms to address the efficiency deficit. The most notable are:

- The government's fiscal strategy should be informed by infrastructure investment and the Infrastructure Commission's advice on long-term needs. As the NZCTU sets out in *Aotearoa Reimagined*, this could be accomplished by requiring government to publish a national infrastructure assessment at the annual Budget, setting out our infrastructure needs and how these will be met.
- Establish stable infrastructure funding and a pipeline of projects to prevent the inefficiencies of stop–start development. This would work best if the major political parties could agree on a set of infrastructure commitments that are beyond politics.
- Require central government agencies to publish and report on long-term asset management plans, to ensure sufficient investment in maintenance and renewals.
- Ensure that spatial planning (such as land-use zoning) is informed by, and aligned with, infrastructure investment and long-term needs.
- Workforce planning should be aligned to infrastructure investment and long-term needs. The infrastructure workforce needs to grow over time and there is an opportunity to bring more women into these roles (the workforce is currently only 11% female).
- Improve the capacity of the public sector to develop business cases for new infrastructure, manage performance reporting, and to learn from completed projects. (The NZCTU has advocated for the establishment of a central government agency, along the lines of a Ministry of Green Works, that is tasked with delivering the pipeline of infrastructure work. This would help to improve coordination across government.)
- Match funding tools to asset type – in particular, user-pays funding should be used for "network infrastructure" and tax funding should be used for "social infrastructure" (more on this below).

Future challenges

According to the Commission, then, there is lots of work to do to improve the quality of our infrastructure investment. But let's return to the question of quantity. The Commission expects we will need to spend between 5–7% of GDP on infrastructure every year over the next three decades. In dollar terms, this will mean increasing annual investment from the current figure of around $20 billion to over $30 billion by 2050 (valued in 2023 dollars). Around 60% of this investment will need to go into maintaining and replacing existing infrastructure as it ages.

The Commission notes that several structural trends may make it harder for New Zealand to fund infrastructure over this period. The first major trend is our ageing population. As the Commission notes, in 1960, the ratio of working-age people to people over 65 years of age was 7:1. Today it is 4:1. On current estimates, by the mid-2030s it will be 3:1 and by 2070 it will be 2:1. This means that we will have proportionally fewer working-age people – who form the bulk of the tax base – to fund the infrastructure we need to build. At the same time, the superannuation bill will eat up a larger and larger chunk of the government's budget. An ageing population in effect squeezes the government budget in a pincer.

The other major trend is that of climate change. This has two main dimensions. First, investment in decarbonisation needs to be scaled up if New Zealand is to do its part in the global battle to address climate change. Above all this means more investment in renewable generation and expansion of the electricity

grid (for example, to accommodate electrification of private vehicles). Second, we need to make our infrastructure more resilient to extreme weather events and rising sea levels. We can also expect to be footing a growing repair bill from more frequent severe weather.

These trends also mean the composition of our infrastructure spend is likely to shift over time. Most notably, an ageing population will require more new hospitals relative to new schools, and decarbonisation will require increased investment in electricity generation and supply. Table 1 overleaf breaks down the Commission's guidance on how the composition of infrastructure spending may change over the next 30 years, and how different kinds of infrastructure should be funded.

Unsurprisingly, then, the question of affordability looms large in the Commission's advice. Infrastructure is often debt-financed (with this debt paid for over time by tax revenue, rates, or user fees). There is probably some room to increase the use of debt-financing, so long as this goes towards necessary infrastructure. Realistically, though, we can't debt-finance our way out of the structural challenges of an ageing population and climate change. To sustainably fund infrastructure investment over the long run, we need to look at the potential revenue streams available.

To this end, the Commission's main recommendation is that infrastructure that can directly pay for itself – i.e., that can directly earn money after it has been built – should be user-funded. What the Commission calls "network infrastructure" – infrastructure that "get[s] things or people from place to place" like roads, electricity, and water – is particularly amendable to a user-pays model. Roads can be tolled, electricity and broadband line charges can be levied, and water can be metred.

By contrast, what the Commission calls "social infrastructure", such as hospitals, schools, public housing, the justice system, and local parks, should remain funded by the tax base and/or council rates. These pieces of infrastructure provide crucial services that are not guaranteed by the private market at socially acceptable levels. This infrastructure also provides a wide range of benefits to both users and non-users. And free education and healthcare are foundations of the welfare state that is deep in New Zealand's cultural bones. For these reasons, user-pays funding is inappropriate for social infrastructure.

We are not necessarily opposed to user-pays models for some infrastructure projects. But we are wary of a wholesale turn to user-pays for network infrastructure, especially for fundamental services such as water. The main issue is that user-pays models typically have regressive distributional consequences. For example, if water becomes metred, then poorer households end up paying a larger proportion of their income on water than wealthier households (this is already the case with electricity and gas). In turn, poorer households can be forced to reduce their water usage, whereas wealthier households are not. Likewise, user-pays can also mean that network infrastructure is more likely to get built in wealthier areas, or that the quality of the infrastructure will substantially vary depending on how wealthy a region is.

Lower-income households already pay a higher share of their income towards funding infrastructure. The Commission's guidance would see this dynamic continue. Under the Commission's modelling, the lowest income quintile in the country (the poorest 20% of households) would be contributing around 1.7% of their annual income to fund infrastructure development while the highest income quintile (the richest 20% of households) would only be contributing 0.3%.

In addition to these issues, user-pays models also risk de-democratising infrastructure over the long run. Rather than being a public service that is equally available to all, regardless of income, user-pays infrastructure becomes more like a market service that is dependent on one's ability to pay. This is particularly problematic for essential services such as energy and water, which people literally depend on to live.

The Commission's advice is somewhat sensitive to these issues. It notes that not every piece of network infrastructure needs to fully "pay its own way", as this is not realistic. Cross-subsidisation should occur – for example, more densely populated areas should help to

pay for network infrastructure in less densely populated areas. The Commission's argument is that the network *as a whole* should cover its own costs of construction and maintenance. It's crucial that this advice is heeded by government if it adopts more user-pays models in the future. However, this would still leave unaddressed the challenge of delivering equitable outcomes for lower-income households.

The Commission argues that turning to a fully user-pays model for network infrastructure will free up public money for social infrastructure – which, as noted above, is not amenable to user-pays. But other options also exist that are not canvassed by the Commission.

The most obvious one is tax. New Zealand currently has a very unbalanced tax system. Wage earners do the heavy lifting, while the owners of capital pay less than their fair share. The lack of a comprehensive capital gains tax (which makes New Zealand an international outlier) also skews investment incentives in undesirable ways. It incentivises New Zealanders to invest in housing rather than productive assets like new businesses.

As we propose in our *Aotearoa Reimagined* document, there's an opportunity to kill two birds with one stone here. A comprehensive capital gains tax is desirable as a mechanism for rebalancing the tax system and improving investment incentives. But more pertinent to this article, the revenue raised by a CGT could be ring-fenced for investment in certain kinds of public infrastructure. For example, it could be targeted towards renewing and upgrading our hospital infrastructure. This would free up money for investment in other parts of our infrastructure ecosystem, including the network infrastructure that we want to keep fully publicly accessible.

We need to think carefully about how the cost of that infrastructure is covered. User-pays models are one way forward, but they tend to be regressive and risk de-democratising important parts of our public infrastructure. If we want to have an open and inclusive society, in which all New Zealanders are equally able to participate, then a rebalancing of the tax system is perhaps a better place to start.

Table 1: Capital investment forecast by sector

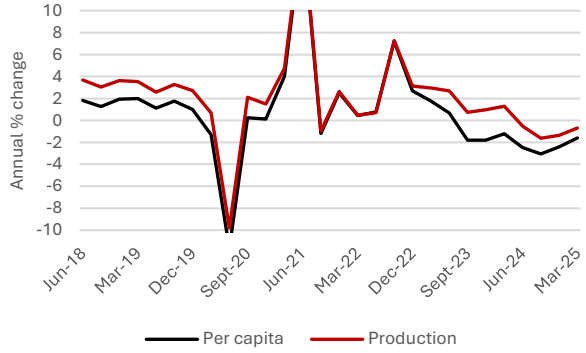
SECTOR	MAIN PROVIDERS	HOW TO FUND	2010–22 INVESTMENT TREND % GDP	2024–54 FORECAST INVESTMENT DEMAND % of GDP	MAIN DRIVERS OF FUTURE INVESTMENT
Land transport	Central & local gvt	User charges & rates	1.2%	0.8%	Decarbonisation, slowing income and population growth
Electricity & gas	Private sector	User charges	0.8%	1.4%	Decarbonisation, renewals
Water & waste	Local gvt	User charges & rates	0.6%	0.4%	Renewals and natural hazards
Telecommunications	Private sector	User charges	0.7%	0.8%	Renewals
Compulsory education	Central gvt	Taxes	0.4%	0.2%	Ageing population
Tertiary education	Central gvt	Taxes & fees	0.6%	0.5%	Ageing population
Hospitals	Central gvt	Taxes	0.2%	0.4%	Ageing population, renewals
Public administration & safety	Central & local gvt	Taxes	0.9%	0.8%	Renewals
Social housing	Central & local gvt	Taxes and rents	0.1%	0.3%	Population growth, catch-up investment

Source: Adapted from Infrastructure Commission, 2025, p. 42.

Economic growth

The New Zealand economy was estimated to have grown by 0.8% in the March 2025 quarter. This came off the back of 0.5% growth in the December 2024 quarter. However, the economy is still 1.1% smaller than it was a year ago; and on a per capita basis it is estimated to be 2.4% smaller than a year ago.

Figure 1: Annual GDP growth rate



Source: Stats NZ

Forecasters expect moderate growth through the rest of the year and into 2026. However, the uncertainty created by Trump's on-again, off-again tariffs may undermine this.

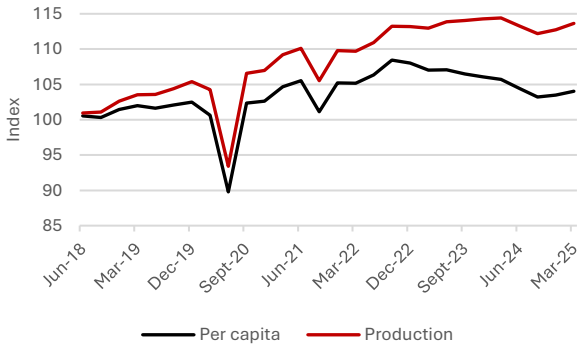
According to the Treasury, headline GDP is not forecast to return to its pre-recession peak until September 2025, while GDP per capita is not forecast to return to its pre-recession peak until September 2027.

Further, although the last two quarters of growth suggest a tepid recovery is underway, both the Treasury and the Reserve Bank expect unemployment to peak in the middle of this year, somewhere between 5.2% and 5.4%. Unemployment is what economists call a "lagging indicator", meaning that changes in economic conditions (both on the up and the down) tend to take a while to feed through into the unemployment rate. So the job market should be expected to remain very weak for the rest of the year.

On a quarterly basis, the services sector (which makes up nearly three-quarters of GDP) was estimated to have grown 0.4%, off the back of 0.6% growth the previous quarter. The goods-producing sector (which makes up around one fifth of GDP) was estimated to have grown by 1.3%, a notable turnaround from the decline of 1.1% registered the previous quarter. Finally, the primary sector (which makes up around 6% of GDP) was estimated to have grown 0.8%, coming off the back of 0.6% growth in the previous quarter.

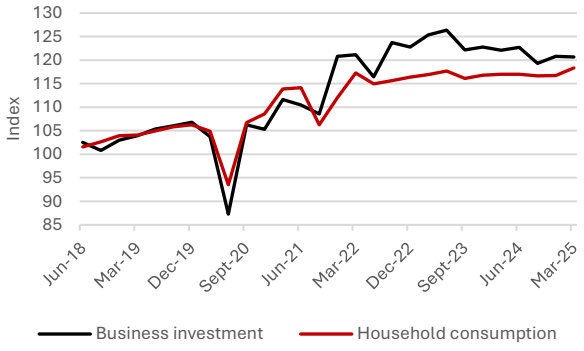
Annually, the services sector was estimated to have shrunk by 0.1%, with performance mixed across the different industries. The goods-producing sector was estimated to have contracted by 4.7% on an annual basis, with construction shrinking 9.3%. By contrast, the primary sector was estimated to have grown 1.6%, with this led by strong growth in agriculture, forestry, and fishing. A full breakdown of the quarterly and annual movements by industry is provided in Table 2 overleaf.

Figure 2: GDP index



Source: Stats NZ. 100 = March 2018

Figure 3: GDP expenditure index, selected measures



Source: Stats NZ. 100 = March 2018

Expenditure on GDP increased 0.9% compared to the December quarter. Household consumption was estimated to have increased 1.4%, driven by increased spending on services and durable goods (a sign that people are beginning to feel more confident buying expensive items). Non-resident expenditure (tourism) fell 12.4%. Central government expenditure increased 1.4% and local government expenditure fell 1%.

Rounding out the picture, business investment fell 0.1% on a quarterly basis. This was driven by a 6% decline in investment in intangible fixed assets (things like software). By contrast, investment in plant, machinery, and equipment increased 4.1%. It will be worth watching these figures over the next year, to see what kind of effect the government's "Investment Boost" policy will have on business investment. This is a tax deduction that businesses can claim on new capital assets they buy. The deduction is equal to 20% of the purchase price of the new assets they purchase. For example, if an agriculture business invests in a new fleet of tractors, it will be able to deduct 20% of the cost of these tractors from its taxable income. We discuss this policy further in our *Workers' Analysis of Budget 2025*.

Table 2: GDP by industry (production measure)

	QUARTERLY CHANGE	ANNUAL AVE CHANGE
Primary industries	0.8%	1.6%
Agriculture, forestry, and fishing	0.8%	3.7%
Mining	1.0%	–11.2%
Goods-producing industries	1.3%	–4.7%
Manufacturing	2.4%	–1.4%
Electricity, gas, water, and waste services	0.0%	–2.4%
Construction	0.5%	–9.3%
Service industries	0.4%	–0.1%
Wholesale trade	–0.5%	–3.6%
Retail trade and accommodation	0.3%	–1.4%
Transport, postal, and warehousing	0.9%	–1.0%
Information media and telecommunications	–0.8%	–2.0%
Financial and insurance services	–0.4%	0.8%
Rental, hiring, and real estate services	–0.1%	3.0%
Business services	2.4%	–2.0%
Public administration and safety	0.1%	–1.8%
Education and training	–0.1%	0.9%
Health care and social assistance	1.4%	2.2%
Arts, recreation, and other services	–1.9%	–2.3%

Source: Stats NZ

Prices

Consumer inflation

Annual consumer inflation was 2.6% for the year ending March 2025 (see the April/May Bulletin for further analysis). Data for the June 2025 quarter will be released later in July.

Table 3 breaks down the rate of inflation for May 2025 for some of the goods and services that we get monthly price updates on.

Table 3: Monthly inflation indicators, May 2024

	PREVIOUS MONTH	PREVIOUS YEAR
Food	0.5%	4.4%
Fruit & veg	3.6%	4.9%
Meat, poultry, fish	1.7%	5.4%
Groceries	–0.7%	5.2%
Rent (stock measure)	0.1%	2.8%
Electricity*	2.3%	8.7%
Gas*	0.7%	15.4%
Petrol	–2.7%	–9.4%
Domestic air transport	–19.8%	–3.7%
Domestic accommodation	–18.3%	–1.5%

Source: Stats NZ. * The electricity and gas figures are taken from the May 2025 monthly index compared to the June 2024 quarterly index.

Petrol prices

Fuel prices have been relatively stable in recent weeks. For the week ending 4 July 2025, MBIE's fuel-price monitoring had regular petrol at $2.62 per litre and diesel at $1.89 per litre.

After moving up in response to the uncertainty created by the brief Israel–Iran war, oil prices have come back down. As of 9 July, oil was trading at US$68 per barrel on the West Texas Intermediate.

Official cash rate

The Official Cash Rate (OCR) was cut 25 basis points on 28 May, to 3.25%. On 9 July, the Monetary Policy Committee (MPC) decided to leave the OCR unchanged, noting its concern that inflation was forecast to lift close to the upper-end of the target band of 1–3% over the second half of the year. The MPC flagged that it still expected to cut the OCR by a further 25 basis points later in the year, but this is contingent on how economic conditions evolve.

Real estate

The housing market remains basically flat for New Zealand as a whole. On a monthly basis, the REINZ house price index fell 0.6% in June, with declines in most regions.

Overall, the house price index is up 0.1% compared to a year ago, and down 15.8% from its late-2021 peak.

Auckland and Wellington have experienced the largest declines in house prices, falling 22.3% and 25.3% from their respective peaks.

The reduction in interest rates seems to be having a stabilising effect on the housing market. However, with a very weak economy it seems likely that prices will remain relatively flat for the rest of the year.

Table 4: REINZ house price index, % change, June 2025

	3 MONTHS	1 YEAR	FROM PEAK
National	–1.4%	0.1%	–15.8%
Auckland	–2.2%	0.4%	–22.3%
Wellington	–2.9%	–3.1%	–25.3%
Canterbury	–0.5%	2.0%	–3.5%

Source: REINZ

Other economic indicators

Balance of payments

The current account deficit for the year ended March 2025 was estimated to be $24.7 billion, or 5.7% of GDP. This is down compared to the year ending March 2024, when the current account deficit was 6.6% of GDP.

Figure 4: Current account balance

Source: Stats NZ

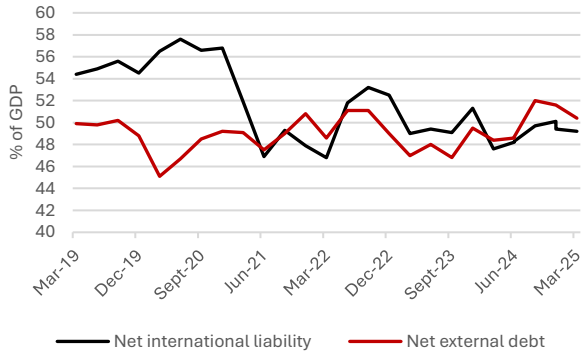
On an annual basis goods imports exceeded goods exports by $6.8 billion (down $4 billion from the previous year); services imports exceeded services exports by $1.5 billion (similar to the previous year); and primary income outflow exceeded primary income inflow by $15.6 billion (up $1.3 billion from the previous year). This narrowing of the current account deficit has been driven by rising exports in both agriculture and tourism, and a fall in goods imports, which likely reflects the sluggish economic conditions in New Zealand.

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 ("primary income") are flowing out of the country to overseas investors than New Zealand residents are earning from their foreign investments.

For the year ended March 2025, New Zealand's net international investment liability was –$212.2 billion, or 49.2% of GDP (this ratio has been broadly stable for the past three years). 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 –$217.3 billion, or 50.4% of GDP (again, this ratio has been broadly stable in recent years). This means that New Zealand is a net debtor to the rest of the world. The majority of this deficit is accounted for by the commercial banks.

Figure 5: Net international liability and external debt



Source: Stats NZ

Migration

Net migration has continued to slow. For the year ending May 2025, there were an estimated 139,400 migrant arrivals (down 26% from the previous year) and an estimated 124,500 departures (up 14% from the previous year). This produced an estimated net migration gain of 14,800 people for the year, way down from the net gain of 80,300 the year prior.

New Zealand citizens continue to leave the country in high numbers, reflecting the weak economic conditions here. All up, an estimated 71,200 New Zealand citizens departed the country in the year to May 2025, with the net outflow being 46,300 people.

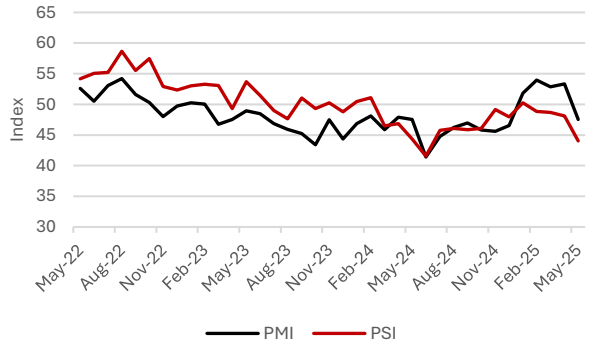
Performance indexes

The BNZ–BusinessNZ performance of manufacturing index (PMI) and performance of services index (PSI) both registered contraction in May. These surveys provide indications of whether their sectors are expanding or contracting relative to the previous month. A figure above 50 indicates that activity is generally expanding, while a figure under 50 indicates it is generally declining.

The manufacturing index fell almost 6 points to 47.5. The key sub-index of production fell 4 points to 48.7 and the employment sub-index fell 9 points to 45.7.

The services index fell 4 points to 44, its lowest level since June 2024. The key sub-index of activity/sales fell almost 7 points to 40.1 and the employment sub-index fell marginally to 47.2.

Figure 6: BNZ–BusinessNZ Performance indexes



Source: BusinessNZ

These numbers show how weak the New Zealand economy remains. Even though interest rates have come down significantly, economic activity is proving very slow to pick up.

Employment confidence

The Westpac–McDermott Miller Employment Confidence Index was essentially flat in the June quarter, at 88.8. A score above 100 on the index indicates that households are, on average, optimistic about employment conditions; less than 100, and they are pessimistic.

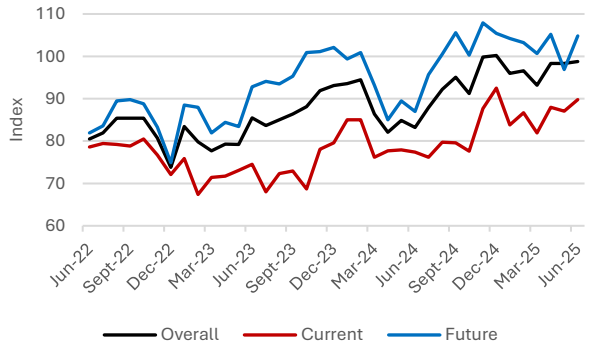
Responders to the survey felt that employment opportunities were hard to find now and were also pessimistic about future job opportunities. This pessimism is reflected in the increase in the number of people who have lost their jobs due to redundancy/business closure in recent quarters and the increase in the length of time people are staying unemployed, and the lack of new job advertisements. We discuss these issues in more detail in the April/May Bulletin.

Consumer confidence

The ANZ–Roy Morgan Consumer Confidence Index increased 6 points in June to 98.8. A score above 100 on the index indicates that consumers have confidence in current and future economic conditions; less than 100, and they are pessimistic.

As Figure 7 shows, confidence has been slowly lifting since the middle of last year. However, it remains very low by historical standards. The main thing driving the lift in the overall index is consumers' expectations that things will get better over the next 12 months. By contrast, confidence in current conditions is extremely low, at 89.8.

Figure 7: ANZ–Roy Morgan Consumer Confidence Index



Source: ANZ

A net 7% of those surveyed think it is a bad time to buy a major household item – a question that is seen as a leading indicator of consumer confidence and future economic activity. This is better than it was the previous month but shows that households are still wary.

Business confidence

In contrast to the gloomy employment and consumer confidence surveys, business confidence remains strong. ANZ's Business Outlook Survey saw business confidence rise 9 points in June to +46. Confidence is strong across all five industry groupings reported on (retail, manufacturing, agriculture, construction, and services), as is the "own activity" outlook.

In terms of activity compared to the same time last year, the picture is mixed. Retail, manufacturing, and construction all reported that activity was down compared to last year. By contrast, agriculture and services are both up on last year. "Employment vs same month one year ago" was negative across the board, and particularly negative in retail, manufacturing, and construction.

Government accounts

For the 11 months ending May 2025, the government accounts were a touch stronger than forecast at the Budget. Core Crown tax revenue was $600 million (0.6%) higher than forecast, mostly due to stronger-than-expected corporate tax revenue (partially offset by weaker-than-expected GST revenue).

Core Crown expenses were $300 million (0.2%) lower than forecast, due to a wide range of minor variances in expected expenditure, the most notable of which were in core government services, housing and community development, and law and order.

This produced an OBEGAL (operating balance excluding gains and losses) deficit of $12.3 billion, which is $200 lower than forecast. The current government's preferred measure of OBEGALx (which excludes ACC from the calculations) was also $200 million lower than forecast.

Net core Crown debt was basically as forecast, at 41.8% of GDP.

Compared to the same time last year, the fiscal position has worsened. Core Crown tax revenue was effectively flat compared to May 2024 (it would usually increase as the economy grows).

Despite revenue being flat, core Crown expenses were $3.6 billion (2.9%) higher than the previous year. This was driven by an increase of $2.8 billion in social security and welfare expenses, mostly due to rising superannuation and unemployment benefit costs. Health costs also rose $700 million while education costs rose $900 million and law and order costs rose $300 million.

The OBEGAL deficit is $4.5 billion (58%) higher than the same time last year, the OBEGALx deficit is $3.6 billion higher (84%), and net core Crown debt has risen from 41.5% of GDP to 41.8%.

Table 5: Interim financial statements of government for the eleven months ended 31 May 2025

	MAY 2025 ACTUAL	BEFU FORECAST	MAY 2024 ACTUAL
Core Crown tax revenue ($bn)	111.2	110.6	111.1
Core Crown revenue ($bn)	122.8	122.3	122.7
Core Crown expenses ($bn)	128.7	128.4	125.1
OBEGAL ($bn)	–12.3	–12.5	–7.7
OBEGALx – excluding ACC ($bn)	–7.9	–8.1	–4.3
Net core Crown debt (% of GDP)	41.8%	41.9%	41.5%

Source: Treasury. BEFU = Budget Economic and Fiscal Update (published May 2025)