NZCTU
Te Kauae Kaimahi

Economic Bulletin

August 2025

NCZTU Economic Bulletin

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Welcome to the August 2025 Economic Bulletin. In the feature article we examine Inland Revenue's draft report on tax options for an ageing population. Unless there are changes to taxation, an ageing population will squeeze the government's accounts from two sides. On the revenue side, it will mean proportionally fewer working-age people are providing tax revenue to the government. On the expenditure side, it will mean a growing superannuation and healthcare bill. Inland Revenue's briefing discusses the pros and cons of different tax options that can be used to help address this. We take a close look at three in particular: a comprehensive capital gains tax, an inheritance tax, and increases to the GST rate.

In our regular updates, we cover the quarterly data releases on wages, employment, social welfare, and consumer inflation. We also provide the regular monthly analysis of the performance and confidence indexes. For the most recent GDP figures and government accounts, see the June/July Bulletin.

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Key data for trade unionists

Economic indicators – June quarter 2025

CONSUMER INFLATION	H.H. LIVING COSTS INFLATION	AVE HOURLY WAGE GROWTH	UNEMPLOYMENT	OFFICIAL CASH RATE
2.7%	*n/a*	4.5%	5.2%	3.25%

Annual wage growth – June quarter 2025

	NOMINAL	REAL (CONSUMER INFLATION)	REAL (H.H. LIVING COSTS)
All sectors – average ordinary time hourly wages	4.5%	1.8%	*n/a*
Public sector	3.8%	1.1%	*n/a*
Private sector	4.6%	1.9%	*n/a*
Female	5.0%	2.3%	*n/a*
Male	4.1%	1.4%	*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 June 2025 quarter household living-costs inflation report was cancelled.

Annual consumer inflation forecasts

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

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

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Job market indicators

	JUNE 2025	JUNE 2024	5-YEAR AVE	VS 2024	VS 5-YEAR AVE
Unemployment	**5.2%**	4.6%	4.1%	↑ +0.6pp	↑ +1.1pp
Female unemployment	**5.5%**	4.7%	4.4%	↑ +0.8pp	↑ +1.1pp
Male unemployment	**5.0%**	4.5%	3.9%	↑ +0.5pp	↑ +1.1pp
Māori unemployment[1]	**9.9%**	8.7%	8.2%	↑ +1.2pp	↑ +1.7pp
Pasifika unemployment[1]	**10.9%**	8.0%	8.0%	↑ +2.9pp	↑ +2.9pp
Youth unemployment[1]	**14.7%**	12.9%	11.9%	↑ +1.8pp	↑ +2.8pp
Underutilisation[2]	**12.8%**	11.9%	10.8%	↑ +1.1pp	↑ +1.9pp
Female underutilisation	**14.7%**	13.8%	12.8%	↑ +0.9pp	↑ +1.9pp
Male underutilisation	**11.0%**	10.0%	8.9%	↑ +1.0pp	↑ +2.1pp
Māori underutilisation[1]	**19.5%**	18.2%	17.5%	↑ +1.3pp	↑ +2.0pp
Pasifika underutilisation[1]	**19.0%**	16.4%	15.8%	↑ +2.6pp	↑ +3.2pp
Reason for leaving last job – redundant/laid off/business closed[1, 3]	**15.3%**	11.3%	11.8%	↑ +4.0pp	↑ +3.5pp
Perceived chance of losing job among those currently employed[1, 4]	**16.4%**	14.5%	15.7%	↑ +1.9pp	↑ +0.7pp
Percentage of working-age population on Jobseekers	**6.6%**	6.1%	6.0%	↑ +0.5pp	↑ +0.6pp
Duration of unemployment, 3-6 months[1]	**21.3%**	18.8%	17.6%	↑ +2.5pp	↑ +3.7pp
Duration of unemployment, 6 months–1 year[1]	**22.5%**	17.2%	18.7%	↑ +5.3pp	↑ +3.8pp
Duration of unemployment, over 1 year[1]	**12.2%**	9.3%	10.5%	↑ +2.9pp	↑ +1.7pp

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.

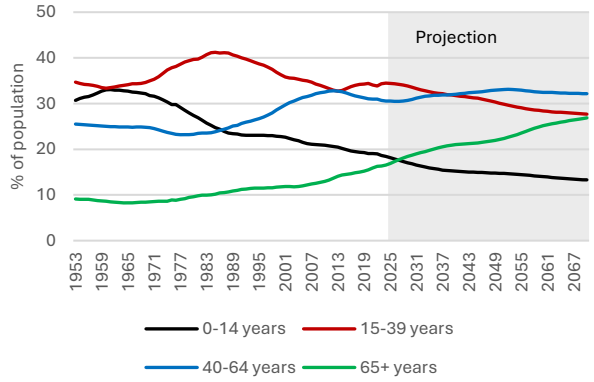
Tax reform for an ageing population

The Inland Revenue has recently put out its draft long-term insights briefing, which considers how best to structure New Zealand's tax system in the context of the growing "fiscal pressures" created by our ageing population.

New Zealand's population has been ageing for some time due to falling birth rates (people having fewer children) and improvements in healthcare and living standards, which means people are living longer – something that should be celebrated as we want people to live longer and healthier lives.

In the 1960s, people 65+ made up around 8.5% of the total population, while children (aged 0–14) made up about 34%. Today, the proportions have almost evened out, with people aged 65+ comprising 16.5% of the population and children only comprising 18.5%. The number of 65+ New Zealanders is projected to overtake the number of children by 2027.

Figure 1: % of total population by age group



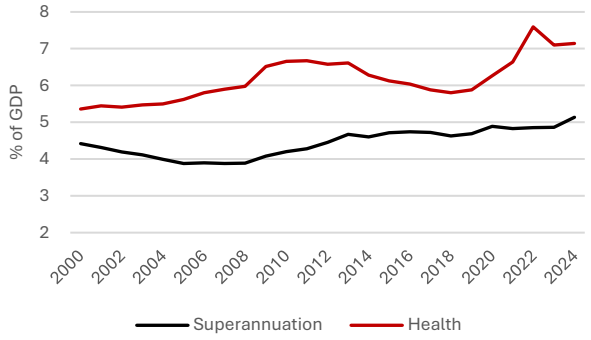
Source: Stats NZ

On current settings, the key to the issue of fiscal sustainability is the ratio of working-age people to those 65+. In the 1960s, the ratio was 7:1. It is currently around 4:1. By 2040 it is projected to be 3:1 and by 2070 it is projected to be close to 2:1.

Unless there are changes to taxation or spending rules, these trends will squeeze the government's accounts from two sides. On the revenue side, it will mean proportionally fewer working-age people are providing tax revenue to the government (an important caveat here is that people are increasingly working past retirement age and are therefore continuing to contribute significantly to the tax base.) On the expenditure side, it will mean a growing superannuation and healthcare bill.

Healthcare and superannuation are the top two expenses for government. For the 2023/24 fiscal year, health expenditure was 7.1% of GDP and accounted for 21.6% of overall core Crown expenditure. Superannuation expenditure was 5.1% of GDP and accounted for 15.5% of core Crown expenditure.[1] These numbers have grown slowly but steadily over recent decades, as shown in Figure 2 (the bump in healthcare spending in 2020–22 was due to COVID).

Figure 2: Super and health spending as % of GDP



Source: Treasury

Both areas of expenditure are expected to rise over the coming decades, with Treasury projecting gross superannuation costs will rise to 6.6% of GDP and health expenditure will rise to 8.6% of GDP by the mid-2040s (although the ageing population is only expected to account for a third of the increase in health costs).

There are, of course, lots of variables that could change here. The birth "replacement rate" – the number of births per woman needed to maintain a stable population – is 2.1. According to Statistics NZ, in the year ending December 2024, the birth rate was 1.56. Statistics NZ expects the birth rate to stabilise at this level over the coming decades; however, it could fall

[1] The NZ Super GDP figure is on a gross basis. After correcting for the tax government gets back from NZ Super, net expenditure was 4.3% of GDP.

further still, which would accelerate the ageing of the population. Given that falling birthrates are an international phenomenon, it seems less likely that the birthrate will increase over the next couple of decades.

Migration can partially offset the effects of a low birth rate. In recent decades, more people have migrated to New Zealand than have left, and this has been a key driver of population and economic growth. Migrants tend to be relatively young and therefore slow the ageing of the population; however, migration can't fully offset the effects of a below-replacement birth rate.

The IRD briefing examines different tax choices the government could make to address the fiscal challenge of an ageing population. Its overarching advice is that the best long-term tax structure is a maintenance of the current income tax base and consumption tax (GST) that can be adjusted up or down to accommodate changing revenue needs and the distributional objectives of different governments – in other words, the advice is broadly to maintain the status quo.

The briefing does, however, make a quietly compelling case for introducing a comprehensive capital gains tax, as this would both plug a major gap in the income tax system (we don't currently tax income earned through capital gains, be that from financial assets like shares or property assets like rental housing) and provide a meaningful level of additional revenue. The other major focus of the briefing is on the potential virtues and pitfalls of increasing GST to raise revenue.

In the rest of this note, we look at each of these issues, as well as the potential value of inheritance tax. But first, let's recap on what the New Zealand tax system looks like.

New Zealand's tax system in comparison

The bulk of tax revenue in New Zealand comes from income tax and the goods and services tax (GST). In the 2023/24 fiscal year, income tax on individuals – which includes taxes on wages, savings, trust income, and Māori authority income – made up 53.2% of core Crown tax revenue, while income tax on companies made up a further 16.2%. GST made up 24.4% and other indirect taxes provided the remaining 6.2%.

New Zealand is close to the OECD average in terms of the level of tax revenue collected compared to the overall size of the economy – the "tax-to-GDP ratio". On 2023 figures, New Zealand general government tax revenue (which includes council rates) was 34% of GDP; this put us close to the OECD average of 33.9%, but behind the OECD median of 34.6%.

The composition of tax revenue is a bit different from the OECD average. We raise more revenue through income and consumption taxes than the OECD average. We also raise a higher proportion of revenue from taxes on property (council rates). However, we are relative outliers in not properly taxing capital gains, and we also have lower (or non-existent) individual wealth, inheritance, estate and gift, social security, and financial transaction taxes than the OECD average.

New Zealand's labour (wage) income tax settings are progressive in the sense that you pay more tax as you move up the income ladder (topping out at 39% for each dollar earned over $180,000 per year). However, the tax system overall is not particularly progressive. Although higher-income households pay a higher dollar amount of tax than lower-income households, they do not necessarily pay a higher proportion of their overall income in tax – what is called the "effective tax rate". Two important factors here are the regressive nature of GST and the fact that we don't tax capital gains properly – we discuss both issues further in the next section. We therefore rely quite heavily on the welfare transfer system to redistribute wealth from higher-income to lower-income households.

Labour income tax has been almost continuously cut over the past three decades. Government has reduced labour tax rates or adjusted thresholds a total of 8 times since the mid-1990s. By contrast, there has only been two times in which tax increases have been passed, with these limited to the introduction of a 39% threshold at the top of the income scale, once in 2000 and once in 2021. (The table on page 10 provides more detail on these changes.)

There have also been progressive cuts to the company tax rate, which was 33% in the 1990s before being cut to 30% in 2008 by the fifth Labour government. It was then cut to its current level of 28% in 2010, this time by the fifth National government.

By contrast, GST – which is a regressive tax – has been increased several times over this period: it was first introduced at 10% in 1986, before being lifted to 12.5% in 1989 and then lifted again to 15% in 2010.

Possible ways forward

IRD considers the pros and cons of a host of changes that could be made to generate more revenue without changing the fundamental structure of the tax system too much. This ranges from consideration of tweaking existing taxes such as the company tax rate or GST settings, to introducing new taxes such as a comprehensive capital gains tax or a wealth tax. In this section, we discuss three tax options we think are particularly significant: capital gains tax, inheritance tax, and adjustments to GST.

Capital gains tax

The New Zealand tax regime is often praised as being "broad based" – in that it covers most sources of income – and, because of this, for being "low rate". However, there is a glaring gap in our income tax system. As IRD notes, "a major way in which the base of New Zealand's income tax is narrower than that of most other OECD countries is that New Zealand only taxes a limited set of capital gains" (p. 72). This not only means that government foregoes revenue, but that the progressivity of the tax system is reduced.

To the first issue, the Tax Working Group report from 2019 projected that a comprehensive capital gains tax (set at the marginal tax rate of the individual who is being taxed) would raise approximately 1.2% of GDP in tax revenue once it had been in place for 10 years (see pp. 64–65). Although political discussions on CGT tend to obsessively focus on residential property, this only accounted for around a third of the total revenue the Tax Working Group projected the CGT would raise. Almost half the total revenue was expected to come from the sale of commercial property and shares in companies.

This estimate needs an update but can be considered reasonably reliable, given it is broadly in line with the revenue raised in other jurisdictions via CGTs. For example, IRD reports that CGTs brought in revenue equivalent to between 1–6% of GDP in the US, UK, Australia, and Canada over the two decades to 2020. This wide range is partly because revenue from CGT is very volatile, as it is tied to asset prices that fluctuate with economic conditions.

The second issue – the negative impact on progressivity – is most dramatically illustrated by the extreme disparity in effective tax rates between ordinary Kiwis and the top 0.1%. Research published in 2023 found that the richest 311 families in New Zealand only pay an effective tax rate of 9.5%. That is, only 9.5% of their total income is spent on tax. This compares to an effective tax rate of 20.4% for the median-income household (see Table 5, Treasury report). So "middle New Zealand" pays twice as much tax, in proportional terms, than the very wealthiest New Zealanders. One of the main reasons for this huge difference is that the wealthiest households earn 80% of their income from capital gains.

A comprehensive CGT would therefore help to address two problems at once. By closing a gap in the income tax base, it would provide government with additional revenue to meet the fiscal pressures of an ageing population. At the same time, it would help to rebalance the tax system so that the wealthy are paying their fair share.

The only significant downside to a CGT is that it can, in certain circumstances, incentivise people to hold onto assets for longer than they otherwise would. This can mean that capital is not always reallocated to where it would be most productive. But not having a CGT can also mean that capital is misallocated, because it can incentivise people to invest in non-productive assets such as housing. This is currently the case in New Zealand, where the lack of a CGT incentivises people to invest money in residential property as a means of building wealth.

Inheritance tax

An inheritance tax is levied on wealth when it is transferred to the recipient upon the donor's death, or on the donor's estate before it is transferred (an "estate tax"). Gift levies, which as the name suggests tax wealth transferred as a gift, are an important complement, as they help prevent the avoidance of inheritance tax – otherwise many donors would transfer their wealth before they die.

Unlike most OECD countries, New Zealand does not have an inheritance tax. But this wasn't always the case. For the latter part of the 19th century and almost the entirety of the 20th, we had both an estate tax and a gift duty. The fourth National government scrapped the estate tax in 1993, and the fifth National government scrapped the gift duty in 2011.

The case for an inheritance tax has several dimensions. The most important reason why it might be desirable is that it helps to mitigate – though by no means eliminate – wealth inequality. This becomes especially important in the context of an ageing population.

We are now amid what some commentators are calling the "Great Wealth Transfer" – a period in which the post-WW2 generation is transferring its wealth to their Gen X and Millennial heirs. This wealth transfer will likely compound existing wealth inequalities – a lucky portion of the younger generations will receive windfalls over the next decade or two, while those without wealthy parents won't.

The other main case for inheritance tax is a fiscal one: of those OECD countries who have them, the revenue raised by inheritance tax ranges from 0.1–0.7% of GDP. IRD notes that these revenues can be expected to increase as the population ages. So an inheritance tax could provide meaningful additional revenue for the government to help deal with the pressures of an ageing population.

There is also an intergenerational equity argument to be made here: because the older population cohorts are net beneficiaries of the fiscal resources put into health and superannuation, an inheritance tax would help ensure they are contributing to the maintenance of this system.

As for downsides of inheritance taxes, the most notable one identified by IRD is that they can be a disincentive for people to save (the idea being that it makes more sense to spend your money while you have it, rather than leaving it to be taxed when you die). However, OECD research finds these negative effects on savings are only small, and are less significant than wealth taxes (small annual taxes on people's net wealth, which usually kick in above a certain threshold of wealth).

The OECD also notes there is a good case for exempting small inheritances from taxation – most easily achieved by a tax-free threshold – especially when these inheritances go to the deceased person's spouse or children. This not only reduces the administrative burden, but more importantly supports equity because small inheritances are found to have an equalising effect – for a person lower down the income scale a small inheritance can be a very meaningful injection of cash. Large inheritances, by contrast, tend to reinforce wealth inequality. Politically, a tax exemption threshold may also make an inheritance tax more palatable – a valuable note for any New Zealand politicians interested in reinstating such a tax here.

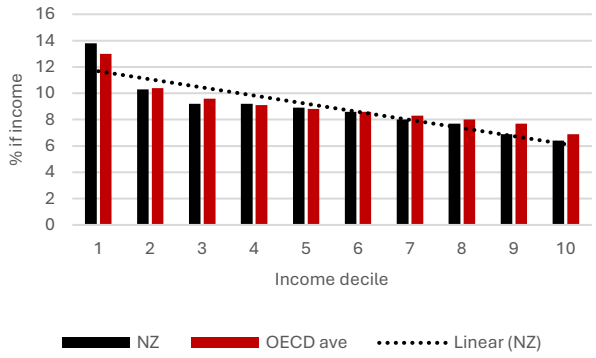
Goods and services tax

IRD recommends that increases to GST could be used as an effective revenue-raising mechanism to help address fiscal pressures of an ageing population. As we noted above, GST currently accounts for around a quarter of the total tax take. It is applied to virtually all goods and services in New Zealand, which means it's an effective revenue source for government and is relatively simple to administer.

However, because it's a flat rate, it is regressive. People lower down the income scale tend to pay a higher proportion of their overall income in GST than people higher up the income scale. As shown in Figure 3, people in the lowest income decile in New Zealand pay around 13.8% of their income in GST. This falls steadily as one moves up the income deciles, with those at the top only paying 6.4% of their income in GST.

This means that increasing the GST rate to address fiscal pressures would likely have highly undesirable distributional impacts. Because those at the lower end of the income distribution spend most of their money on must haves, an increase in GST could have the effect of forcing these households to cut back on purchasing essentials. By contrast, it would only incentivise higher-income households to cut back on luxuries – if at all.

Figure 3: Average value-added tax as % of income



Source: OECD

IRD explores two ways to counter this negative distributional impact: (1) exempting certain essential goods and services from GST; or (2) using welfare transfers as an offset (it can also be offset to a degree via increases to benefits). Of the two options discussed by IRD, the latter is vastly preferable.

Readers will recall that GST exemptions were features of the campaigns of both Labour and Te Pāti Māori in the 2023 election. Labour promised to get rid of GST on fruit and vegetables, while Te Pāti Māori ran on the more expansive promise of removing GST from all food.

GST exemptions are not uncommon in other jurisdictions; however, IRD points out several big downsides in its briefing. Let's stick with the example of food to illustrate these. First, although low-income households would benefit proportionally more from a GST exemption on food, higher-income households would benefit more in absolute dollar terms (for the simple reason that they have more money to spend). In this respect, an exemption on food is progressive, but very poorly targeted. On IRD's analysis, people in the lowest income decile would save around $30 per week on GST if food was exempted, whereas people in the top income decile would save around $76 per week. So while it would relieve pressure on low-income earners, it would also mean the Crown foregoes tax revenue from higher-income earners who can more than afford to pay.

Second, it can be surprisingly difficult to draw neat boundaries around what should and shouldn't be exempted. For example, there are a range of food stuffs that don't intuitively make sense to exempt – should high-end protein powder be exempted, should chocolate? What about mixed products, such as gift baskets? This might sound unnecessarily nit-picky, but these challenges can make GST exemptions very time-consuming and costly to administer.

Finally, exempting certain goods or services from GST doesn't automatically mean the savings get passed to consumers. Because of the lack of competition in our supermarket industry, Woolworths and Foodstuffs will not necessarily be incentivised to pass the full savings of a GST exemption on. Instead, they can tacitly coordinate to keep the pricing elevated and simply enjoy an increased profit margin. In this respect, taking GST off food would constitute a transfer of wealth from New Zealand taxpayers to the supermarket duopoly.

Tax credits are a better option to address the regressive impacts of GST. This is because tax credits can be targeted to ensure all the benefits flow to those who need them most. Tax credits are used in several other countries to offset the regressive impacts of consumption taxes. Canada, for example, has a GST credit system, in which low-income households receive a quarterly payment that partially offsets the GST they pay. Singapore and Thailand have similar systems.

IRD's analysis therefore implies that any future increase to GST should be offset by targeted tax credits to low-income households. To illustrate, the briefing considers a scenario where GST is increased from its current rate of 15% to 18%. In the 2022/23 tax year, this would have generated an additional $5.5 billion in tax revenue for government. To offset the negative distributional impacts, IRD considers a scenario in which the bottom 26% of families by income are provided with a full reimbursement of this additional GST cost, which is estimated to be $650 per household per year. Fully compensating this group would only cost around $0.4

billion, meaning that the net revenue gain from the increase to GST would be $5.1 billion.

However, an additional downside of increasing GST is that it would provide a significant one-off shock to consumer inflation. Another $0.6 billion would therefore be eaten up by the cost of adjusting benefits and NZ Superannuation for inflation. When this is taken into account, the remaining revenue raised by the increase would be $4.5 billion.

A weakness in this analysis is that IRD's modelling doesn't account for behavioural changes from consumers. If GST increases, households may change their consumption choices somewhat – for example, they may look to buy cheaper goods or decline to purchase others altogether. So these numbers aren't perfect but do provide a useful illustration.

Conclusion

In our view, the case for introducing a comprehensive capital gains tax is crystal clear. It would close a notable gap in our income tax system, providing an additional revenue source to help the government deal with the pressures of an ageing population (among other things). Equally important, it would help to rebalance the tax system by ensuring that wealthier New Zealanders – and particularly the very wealthy – pay their fair share. These same reasons apply to the reintroduction of inheritance tax.

We are not supportive of increasing the GST rate, given it is a regressive tax. If it was increased for some reason, the IRD's analysis highlights how essential it would be to offset the negative distributional consequences – with the best mechanism for this likely being a tax credit system. However, there is a risk that tax credits to offset the regressive effects of GST would be cancelled by government at some point. Even if we weren't to increase GST in the future, IRD's analysis indicates that tax credits are a better option than exemptions (for example on food) to address cost-of-living issues for lower-income households. Political parties who want to improve the progressivity of GST would therefore do well to read IRD's briefing.

Table 1: Labour income tax brackets and rates, 1989–2025

Year	Change	Bracket $	Rate	Bracket $	Rate	Bracket $	Rate	Bracket $	Rate	Bracket $	Rate
1989–96		0–9,500	15%	9,501–30,875	28%	30,876+	33%				
1996–97	– (NAT)	0–9,500	15%	9,501–34,200	26.25%	34,201+	33%				
1997–98	– (NAT)	0–9,500	15%	9,501–34,200	24%	34,201+	33%				
1998–99	– (NAT)	0–9,500	15%	9,501–34,200	21.75%	34,201–38,000	24%	38,001+	33%		
1999–00	– (NAT)	0–9,500	15%	9,501–38,000	21%	38,001+	33%				
2000–08	+ (LAB)	0–9,500	15%	9,501–38000	21%	38,001–60,000	33%	60,001+	39%		
2008–09	– (LAB)	0–14,000	12.5%	14,001–40,000	21%	40,001–70,000	33%	70,001+	39%		
2009–10	– (NAT)	0–14,000	12.5%	14,001–48,000	21%	48,001–70,000	33%	70,001+	38%		
2010–21	– (NAT)	0–14,000	10.5%	14,001–48,000	17.5%	48,001–70,000	30%	70,001+	33%		
2021–24	+ (LAB)	0–14,000	10.5%	14,001–48,000	17.5%	48,001–70,000	30%	70,001–180,000	33%	180,001+	39%
2024–current	– (NAT)	0–15,600	10.5%	15,601–53,500	17.5%	53,501–78,100	30%	78,101–180,000	33%	180,001+	39%

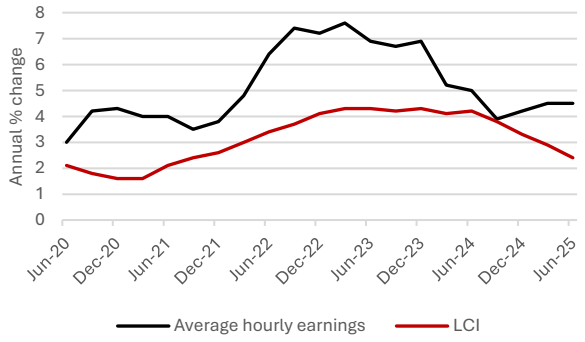
Source: OECD

Wages

The labour cost index (LCI), which measures the price for a fixed quality and quantity of labour – how much an employer must pay to maintain the same skills and hours of labour year to year – increased 2.4% annually; this is lower than consumer price inflation for the same period, which was 2.7%. The LCI increased 2.3% in the private sector and 2.8% in the public sector.

These averages mask significant differences across the labour market, with 51% of workers either not receiving a pay rise at all or getting one of less than 2% (well below inflation); 13% received a rise of between 2–3%; 24% received a pay rise of between 3–5%; and 12% received a pay rise over 5%.

Figure 4: Annual growth in wages and labour costs



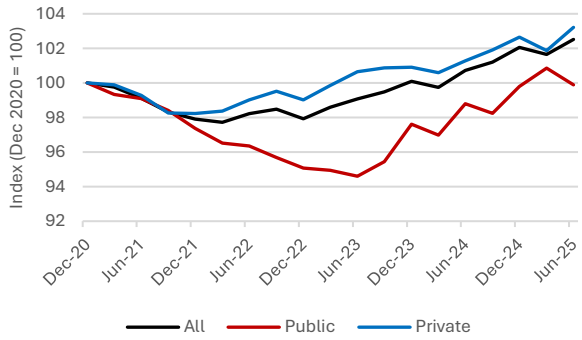
Source: Stats NZ

Average ordinary time hourly earnings – which captures the average increase in actual income received by workers – grew by 4.5% in the year to June 2025 (same as the previous quarter). Growth was 4.6% in the private sector with the average hourly wage up to $41.21. Growth was 3.8% in the public sector, with the average hourly wage up to $51.44. Average hourly earnings increased 5% for women, to $41.31, and 4.1% for men, to $45.23.

To calculate real wage growth, we use two measures: (1) nominal growth in ordinary time hourly earnings minus consumer price inflation; and (2) nominal growth in ordinary time hourly earnings minus household living-cost inflation. 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. Stats NZ has had to cancel the release of the household living-cost inflation date the previous two quarters, so we can't provide calculations on this measure.

When deflated by consumer inflation, average hourly earnings grew 1.8% for the year to June 2025 – so there was real wage growth on this measure. Public sector workers experienced average real wage growth of 1.1%. Private sector real wages grew 1.9%. On average, real wage growth was 2.3% for female workers and 1.4% for male workers. It's important to read these figures alongside the LCI data discussed earlier. It's also important to consider that this real wage growth is largely catch-up growth for many workers, who saw their real incomes decline over 2021 and 2022.

Figure 5: Real wage index by sector (CPI deflated)



Source: Stats NZ

Figure 5 provides a snapshot of average real wages by sector since the beginning of the inflationary surge in 2021. Real wages peaked in December 2020, before falling rapidly due to the unexpected inflation in 2021. Public sector wages fell furthest before stabilising in mid-2023 and beginning a process of rapid catch up. This catch-up appears to have stalled recently, and the public sector average real wage has now dipped back below its pre-COVID level. Private sector real wages didn't fall as far and are above their pre-COVID level. When deflated by CPI, public sector real wages are –0.1% below their 2020 level whereas private sector real wages are 3.2% above their 2020 level.

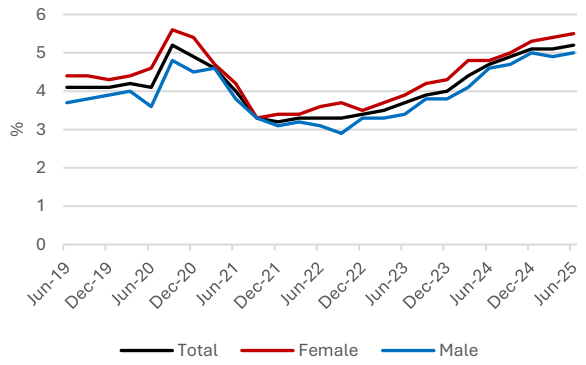
This means that while there has been relatively strong average real wage growth in the past year, many workers are only now beginning to return to their 2020 levels of real income. Many others will not yet have caught back up.

Employment

The unemployment rate increased marginally to 5.2% in the June 2025 quarter. This is up 1.9 percentage points since the onset of the economic downturn in 2022 and well above the average of the past five years, which was 4.1%. The underutilization rate – which paints a broader picture of labour market conditions because it accounts for the unemployed, underemployed, and the potential labour force – rose more significantly, from 12.3% to 12.8%. Further indicating the weakness in the job market, there were 2.5 million fewer hours worked compared to last year.

On a seasonally adjusted basis, approximately 158,000 people were unemployed in the June 2025 quarter, and a further 130,000 people were underemployed (wanted more hours than they could get). A total of 403,000 people were estimated to be underutilized – the first time this measure has crossed the 400,000 threshold.

Figure 6: Unemployment rate



Source: Stats NZ

Both the labour force participation and employment rates continued to fall, down to 66.8% and 70.5% respectively. This indicates that more people are dropping out of the labour market because of the lack of jobs.

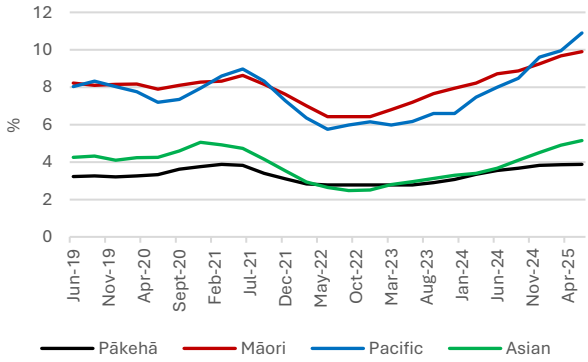
The female unemployment rate increased 0.1 percentage points to 5.5% and the male unemployment rate did the same, moving to 5%. The underutilization rate for female workers rose 0.2 percentage points to 14.7% and the male underutilization rate rose 0.5 percentage points to 11%.

Stats NZ does not provide seasonally adjusted figures for employment rates by ethnicity, so we use annual rolling average comparisons instead (this helps smooth out unreliable movements in the data):

- For Pākehā, unemployment was estimated to have increased from 3.6% to 3.9% and underutilization from 10.2% to 10.9% compared to the same time last year.
- For Māori, unemployment increased from 8.7% to 9.9% and underutilization from 18.2% to 19.5%.
- For Pasifika, unemployment increased from 8% to 10.9% and underutilization from 16.4% to 19.1%.
- For Asian workers, unemployment increased from 3.7% to 5.2% and underutilization from 9.9% to 12.2%.

Māori and Pasifika workers tend to be the worst affected during recessions, because they are more likely to be in precarious jobs. Since the pre-recession low of June 2022, Māori unemployment has increased 3.5 percentage points (pp) and underutilization 4.4pp. Pasifika unemployment has increased 5.2pp (effectively doubling) and underutilization 6.3pp. By contrast, Pākehā unemployment has increased 1.1pp and underutilization 2.3pp. Asian unemployment has increased 2.5pp and underutilization 4.1pp.

Figure 7: Unemployment rate by ethnicity



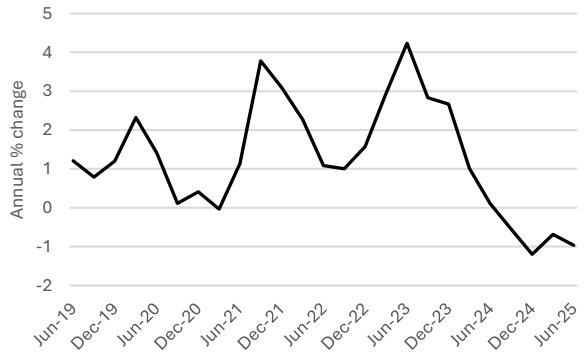
Source: Stats NZ. Rolling annual average

The NEET rate (people aged 15–24 who are not in employment, education, or training) for the year ending June 2025 was 12.9%, which is up 0.5 percentage points from the previous year. In real terms this represents approximately 87,600 young people who are not in employment, education, or training. Being disconnected

from employment and education at this early stage of adulthood can have lifelong negative impacts on people's employability and earning power.

Compared to the June 2024 quarter, the number of employed persons has fallen 0.9% overall. This decline is also borne out in the monthly filled jobs data, which has fallen 1.1% compared to June 2024.

Figure 8: Annual change in persons employed



Source: Stats NZ

Job advertisements are also well down, although it appears that the rate of decline is slowing. Compared to the June 2024 quarter, online job advertisements fell 7.6%. They have fallen for three years now. Job adverts grew annually in health care and primary industries but fell in all others. Job adverts fell across all occupation groups and skill levels, and all regions except for Northland and Otago/Southland where there were marginal increases. Table 2 provides a detailed breakdown.

Because of the weakness of the jobs market, people are staying unemployed for longer. Compared to the pre-recession period, the percentage of persons unemployed for 3 months or less has fallen from 50.7% to 41.3%. By contrast, the percentage of persons unemployed for 3–6 months has increased from 15.3% to 21.3%, and those unemployed for 6 months to 1 year increased from 17.5% to 22.5%. Those unemployed for a year or more has increased from 11% to 12.2%. (These figures are annual rolling averages.)

Figure 9: Annual change filled jobs, seasonally adjusted

Source: Stats NZ

In short, there is no sign of "green shoots" in the job market. Things have gotten steadily worse over the past several years and continue to do so. The government has yet to announce anything resembling a plan for addressing this situation. It is critical that action is taken now if we are to avoid a prolonged period of high unemployment and underutilization.

Table 2: Annual change in online job vacancies to June 2025

REGION	CHANGE	INDUSTRY	CHANGE	OCCUPATION	CHANGE
Northland	2%	Health care	13%	Technicians & trades	–1%
Otago/Southland	1%	Primary	2%	Managers	–3%
Nelson/Tasman/ Marlborough/West Coast	–3%	IT	–5%	Professionals	–4%
Canterbury	–4%	Construction	–7%	Community & personal services	–8%
Wellington	–5%	Hospitality	–9%	Labourers	–15%
Waikato	–6%	Business services	–13%	Clerical & admin	–15%
Bay of Plenty	–7%	Education	–14%	Machinery operators & drivers	–17%
Manawatū/Whanganui/ Taranaki	–8%	Sales	–15%	Sales	–22%
Auckland	–14%	Manufacturing	–19%		
Gisborne/Hawke's Bay	–26%				

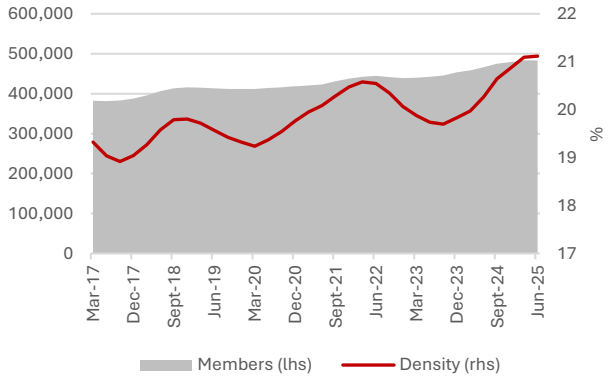
Source: MBIE

Union membership

There were an estimated 483,500 union members in the June 2025 quarter and union density (union members as a percentage of the overall workforce) was around 21%. These figures are estimates and should not be taken as exact – they come from the Household Labour Force Survey, the same survey that measures the unemployment rate, and are the best data available. Both the number of union members and union density has trended gently upwards over recent years, as shown in Figure 10. (All union membership and density figures discussed here are annual rolling averages).

The number of workers covered by a collective agreement was estimated to be around 443,800, or 20.1% of those stating what their employment agreement was. CA coverage has fluctuated around this level over recent years.

Figure 10: Union members and density



Source: Stats NZ. Annual rolling averages.

Since the early 2000s, when the gender balance was roughly 50–50, women have made up most of the union membership. In June 2025, an estimated 299,000 women were union members compared to an estimated 184,500 men. This means women made up roughly 62% of the overall membership in that period. (Data on gender diverse members is not collected.) Union density is estimated to be around 26% for women and 16% for men. The disparity here is largely because women are concentrated in the highly unionised sectors of healthcare and education. In healthcare, union density is effectively equal for men and women – around 46%. However, women make up 80% of the healthcare workforce. Likewise, in education union density is around 45% for men and women, but women make up 75% of the workforce.

Union membership is concentrated in three main industry groupings: health care and social assistance, public administration and safety, and education and training. Density is also relatively strong in mining, manufacturing, transport, postal, and warehousing, and the sub-industry of supermarkets and grocery (which falls under the retail trade grouping). Table 3 breaks down membership and density in industries that are estimated to have over 5,000 union members.

Table 3: Union members and density, selected industries, June 2025

INDUSTRY	MEMBERS	DENSITY
Healthcare & social assistance	124,725	45.8%
Public admin & safety	98,150	50.6%
Education & training	93,175	45.1%
Manufacturing	38,275	18.5%
Transport, postal, warehousing	25,200	25.5%
Retail trade	20,950	10.2%
Prof, sci & technical services	11,925	6.5%
Construction	11,625	5.8%
Financial & insurance services	7,975	8.9%
Arts & recreation services	7,450	16.9%

Source: Stats NZ. Annual rolling averages.

Māori and Pasifika workers are more likely to be unionised than Pākehā and Asian workers. As of June 2025, union density among Māori workers was estimated to be 23.3% and among Pasifika workers to be 26.2%. For Pākehā workers it was estimated to be 20.9% and for Asian workers to be 18.8%.

Older workers are more likely to be union members. Among workers aged 55+, density was around 28.1%; this compares to 23% for workers aged 35–54 and 15.4% for workers aged 15–34. However, because they make up a larger proportion of the overall labour force, workers in the two younger cohorts form the bulk of overall union membership, as shown in Table 4.

Table 4: Union members by age, June 2025

AGE	MEMBERS	% OF UNION MEMBERSHIP
15–34	136,800	28.3%
35–54	213,800	44.2%
55+	132,800	27.5%

Source: Stats NZ. Annual rolling averages.

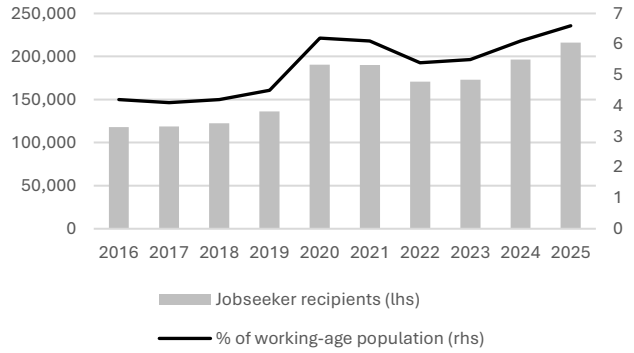
Social welfare

At the end of June 2025, 406,128 people were receiving a main benefit, up 6.6% compared to the previous year. The rising unemployment and underutilisation rates, caused by ongoing economic weakness and a poor job market, are driving this increase.

Of those receiving a main benefit:

- 120,831 people were receiving Jobseeker Support – Work Ready, up 6.1% annually.
- 95,178 people were receiving Jobseeker Support – Health Condition or Disability, up 15.4%.
- 105,642 people were receiving the Supported Living Payment, up 2.4%.
- 79,953 people were receiving Sole Parent Support, up 3.9%.

Figure 11: Jobseeker recipients, June quarters

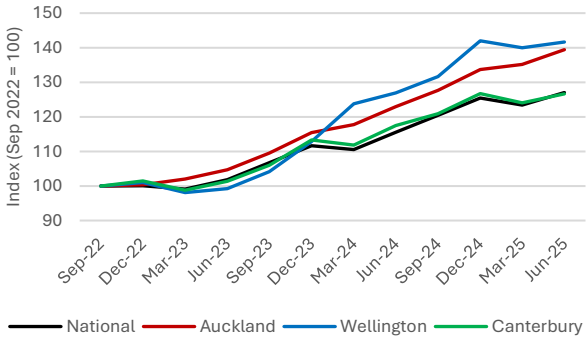


Source: MSD

The proportion of the working-age population receiving Jobseeker support was 6.6%. This is up from 6.1% one year ago. Overall, since the 2022 low, Jobseeker numbers have increased 27%. Auckland and Wellington have seen the largest increases, with Auckland increasing 39% and Wellington 42%. (These centres still have a lower proportion of working-age people on Jobseekers than many smaller regions with less dynamic job markets.)

There were 538,152 hardship assistance payments worth a total of $170 million. Both the number of payments and the total value of payments was down compared to last year. This fall is the product of plummeting emergency housing grants. In June 2023, emergency housing grants totalled $87.6 million. By June 2024 this had fallen to $61.6 million, and by 2025 to just $10.1 million. It's little wonder that homelessness has been shooting up recently. By contrast, there were 13,200 benefit sanctions issued in the June 2025 quarter – up 27% from the previous year and almost double the number of sanctions in 2023.

Figure 12: Growth in Jobseeker recipients, index



Source: MSD

Table 5 breaks down the composition of Jobseeker support by gender, ethnicity, and time spent on benefit. Table 6 shows the proportion of working-age population on Jobseeker support by region.

Table 5: Composition of Jobseeker support – % of total

	JUN-24	JUN-25
Male	57.2%	57.8%
Female	42.0%	41.3%
Gender diverse	0.8%	0.9%
Pākehā	48.8%	48.1%
Māori	40.1%	39.7%
Pacific	13.2%	14.1%
Asian	6.3%	6.4%
On Jobseeker one year or less	41.9%	40.5%
On Jobseeker more than one year	58.1%	59.5%

Source: MSD

Table 6: % of working-age population on Jobseeker support

REGION	JUN-24	JUN-25
Northland	10.5%	11.3%
Auckland Metro	6.3%	6.9%
Waikato	7.0%	7.3%
Bay of Plenty	8.0%	8.1%
Taranaki	7.1%	7.3%
East Coast	6.5%	7.2%
Central (North Island)	6.2%	7.3%
Wellington	5.3%	5.9%
Nelson	5.4%	5.8%
Canterbury	4.8%	5.0%
Southern	3.8%	4.0%

Source: MSD. Nelson includes Tasman and West Coast.

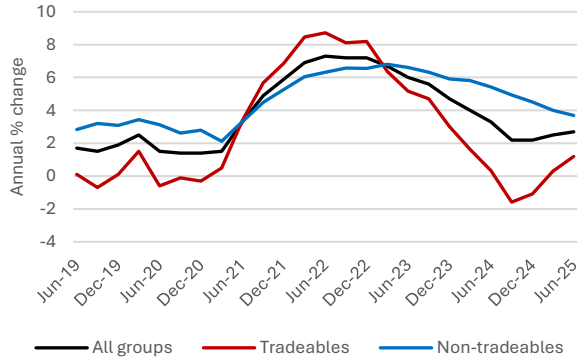
Prices

Consumer inflation

Annual consumer inflation was 2.7% for the year ending June 2025 (up from 2.5% the previous quarter). This is edging towards the upper end of the Reserve Bank's target range of 1–3%. However, the Reserve Bank has indicated that it expects this to be transitory, and that inflation will moderate later this year and into 2026.

The uptick in inflation was driven by tradeable inflation (goods and services that are imported or exposed to international competition), which increased from 0.3% to 1.2% on an annual basis. The two most notable areas of increase were milk, cheese, and eggs, which increased 11.1% in price, and overseas accommodation pre-paid in New Zealand, which increased 9.1% in price. Dairy products have become more expensive due to strong global demand for New Zealand dairy exports.

Figure 13: Annual CPI inflation



Source: Stats NZ

Annual non-tradeable inflation (goods and services that do not face foreign competition) declined from 4% to 3.7%. Notable contributors were council rates and payments, up 12.2%, rentals for housing, up 3.2%, electricity, up 8.4%, and home insurance, up 10%. These services are relatively immune to the Reserve Bank's monetary policy because they are essential services that people must purchase regardless of economic conditions. So long as inflation in key areas such as this remains unaddressed, the "cost of living crisis" will continue to boil away.

On the latest data, annual inflation was 2.1% in Australia, 1.9% in Canada, 2% in the Euro Area, 3.6% in the United Kingdom, and 2.7% in the United States.

Quarterly, inflation rose 0.5% from March 2025 to June 2025. Notable contributions to quarterly inflation were price increases for vegetables, up 10%; milk, cheese, and eggs, up 2.5%; housing rentals, up 0.8%; electricity, up 4.9%; and cultural services, up 9.5%. On the other side, petrol fell 4.8% in price for the quarter, road passenger transport fell 12.7%, audio-visual equipment fell 23.4%, and domestic accommodation fell 9.2%.

Table 7 breaks down the rate of inflation for June 2025 for the smaller number of goods and services that we get monthly price updates on. These differ slightly from the figures cited above, because they compare the month of June 2024 to the month of June 2025 rather than the June quarter 2024 to the June quarter 2025.

Table 7: Monthly inflation indicators, June 2025

	PREVIOUS MONTH	PREVIOUS YEAR
Food	1.2%	4.6%
Fruit & veg	5.0%	7.6%
Meat, poultry, fish	1.0%	6.4%
Groceries	0.8%	4.7%
Rent (stock measure)	0.1%	2.6%
Electricity*	1.6%	10.4%
Gas*	0.1%	16.4%
Petrol	–0.4%	–5.3%
Diesel	–1.0%	–9.5%
Domestic air transport	1.6%	–1.7%
Domestic accommodation	–0.7%	–5.2%

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

Petrol prices

Fuel prices remain relatively stable. For the week ending 1 August 2025, MBIE's fuel-price monitoring had regular petrol at $2.59 per litre and diesel at $1.87 per litre. As of 7 August, oil was trading at US$65 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 expects to cut the OCR a further 25 basis points later this year, but this is contingent on economic conditions.

Real estate

The housing market remains basically flat for New Zealand as a whole. On a monthly basis, the REINZ house price index fell 0.8% in June, with declines in every region of the country.

On an annual basis, however, the house price index is up 0.3% compared to a year ago. Table 8 breaks down the movements in the main centres of the country.

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.

The Wellington house market is likely to remain particularly weak – this is both because Wellington experienced one of the larger bubbles during 2020–21 and the ongoing economic downturn in the region, due in large part to public sector cuts.

Table 8: REINZ house price index, % change, June 2025

	3 MONTHS	1 YEAR	FROM PEAK
National	–1.4%	0.3%	–16.3%
Auckland	–1.9%	0.2%	–22.3%
Wellington	–1.4%	–2.6%	–25.6%
Canterbury	–0.6%	2.2%	–4.1%

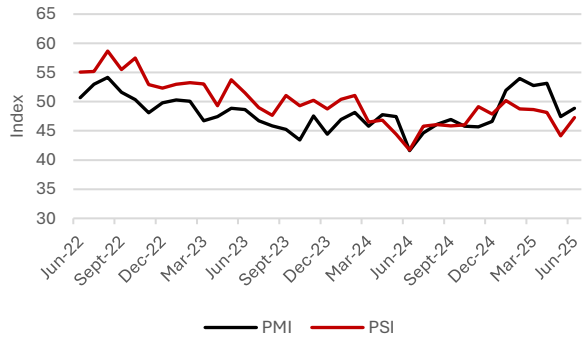
Source: REINZ. Peak is late 2021.

Other economic indicators

Performance indexes

The BNZ–BusinessNZ performance of manufacturing index (PMI) and performance of services index (PSI) both registered contraction in June. 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.

Figure 14: BNZ–BusinessNZ Performance indexes



Source: BusinessNZ

The manufacturing index rose marginally but remained in contraction at 48.8. The key sub-index of production edged up to 48.6 and the employment sub-index increased 2.4 points to 47.9. The services index also increased, up 3.2 points, but remained in contraction at 47.3. The key sub-index of activity/sales increased 4.2 points to 44.5 while the employment sub-index was flat at 47.4.

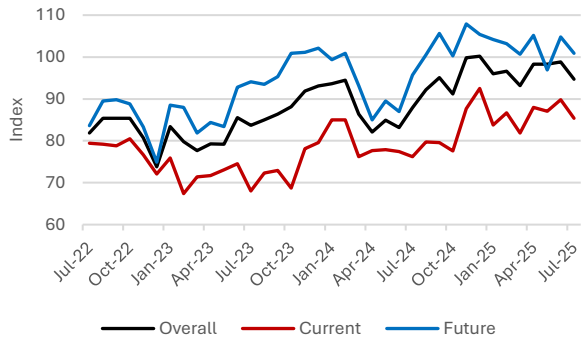
Consumer confidence

The ANZ–Roy Morgan Consumer Confidence Index fell 4 points in July to 94.7. 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.

The only thing keeping the index somewhat near the 100 mark is consumers' expectations that things will get better over the next 12 months. Confidence in future economic conditions was 100.9, but confidence in current conditions was 85.4 – both were down compared to June.

A net 8% of those surveyed thought it was 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 about the same as the previous month.

Figure 15: ANZ–Roy Morgan Consumer Confidence Index



Source: ANZ

Employment confidence

The Westpac–McDermott Miller Employment Confidence Index was 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 felt that employment opportunities were hard to find and were pessimistic about future job opportunities. This pessimism is reflected in the data we discuss on pages 12–13.

Business confidence

In contrast to the gloomy employment and consumer confidence surveys, business confidence was reported to be strong in July. ANZ's Business Outlook Survey saw business confidence rise 2 points in July to +48 (coming off the back of a 9 point increase in June). Confidence was strong across all five industry groupings reported on, as was the "own activity" outlook. In terms of activity compared to the same time last year, the picture remains mixed. Retail, manufacturing, and construction all reported that activity was down compared to last year. However, agriculture and services are both up on last year – with agriculture up significantly. "Employment vs same month one year ago" was negative across the board, and particularly negative in retail.