

# Economic Bulletin

September 2025

NEW ZEALAND COUNCIL OF TRADE UNIONS  
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## **NCZTU Economic Bulletin**

**September 2025**

Welcome to the September 2025 Economic Bulletin.

With local elections underway across the country, rates are a particularly hot topic. Minister Watts (Local Government) [claims](#) that councils have “lacked fiscal discipline”, and this has contributed to the rapid increase in rates in recent years. The government’s argument is that councils have been spending money on [“nice to haves”](#) – though exactly what they think falls into this category is unclear – at the expense of the basics of roads, water, waste, and other core services.

In our feature article, we fact check Minister Watts’s claims and find them wanting. What the data suggest is that the biggest driver of rates inflation is the rising cost of delivering basic infrastructure – the very infrastructure the government has scolded councils for supposedly neglecting. Roads, water supply, sewerage systems, community buildings: these have all become significantly more expensive to build and maintain over recent years. Historic underinvestment in this infrastructure is likely adding to this fiscal pressure – when old, neglected pipes begin to burst they are very expensive to repair.

In our regular updates, we cover the quarterly data release on GDP. The New Zealand economy experienced a sharp contraction in the June 2025 quarter. Once again, the return to growth has been postponed. The ongoing recession has now been deeper and lasted longer than that following the global financial crisis of 2008.

We also provide updates on the balance of payments data, the monthly inflation data, and the most recent performance and confidence indexes. As usual, we provide a snapshot of wage and employment data on pages 3 and 4. For more detailed analysis of the latest wage, employment, social welfare data, and consumer inflation data, please see the [August Bulletin](#).

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## Key data for trade unionists

### Economic indicators – June quarter 2025

CONSUMER INFLATION	LIVING COSTS INFLATION	AVE HOUR WAGE GROWTH	LABOUR COST INDEX	UNEMPLOYMENT	OFFICIAL CASH RATE
2.7%	n/a	4.5%	2.4%	5.2%	3.0%

### Annual wage growth – June quarter 2025

	NOMINAL	REAL (CONSUMER INFLATION)	REAL (H.H. LIVING COSTS)
Average ordinary time hourly wages – all sectors	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
Labour cost index – all sectors	2.4%	–0.3%	n/a
Public sector	2.8%	0.1%	n/a
Private sector	2.3%	–0.4%	n/a

Source: Stats NZ. Real (consumer inflation) is nominal wage growth deflated by the consumers price index. Real (h.h. living costs) is nominal wage growth deflated by the household living-costs price index, which provides a fuller picture of the change in the cost of living. The June 2025 quarter household living-costs price indexes report was cancelled.

### Annual consumer inflation forecasts

	RESERVE BANK	TREASURY	AVERAGE
Sep 2025	3.0%	2.5%	2.9%
Dec 2025	2.7%	2.3%	2.7%
Mar 2026	2.3%	2.1%	2.2%
Jun 2026	2.2%	2.2%	2.2%

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

## Job market indicators

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

Source: Statistics NZ; MSD.

<sup>1</sup> Rolling annual average.

<sup>2</sup> 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 actively seeking work but want a job).

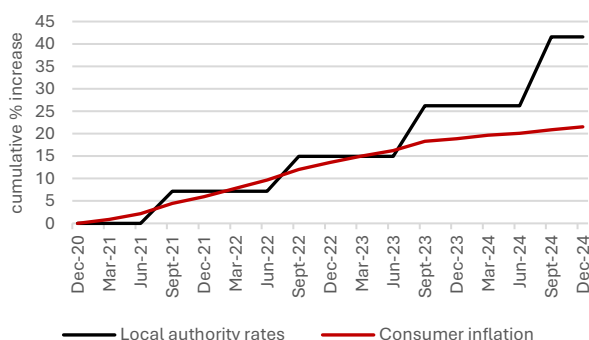
<sup>3</sup> Percentage of unemployed people who left their last job because they were made redundant, laid off, or the business closed.

<sup>4</sup> This is a measure of perceived 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.

## What's driving council rates up?

With local elections underway across the country, rates are a particularly hot topic. Rising council rates have contributed to the cost-of-living difficulties of recent years. From December 2020 to 2024, the cost of local authority rates and payments (as measured in the consumers price index) increased nearly 42%. By contrast, overall consumer prices only increased 22%. This is nothing new – rates have been increasing faster than general inflation for decades. But the big hikes in 2023 and 2024 were particularly painful for households and businesses.

**Figure 1:** Local authority rates inflation and consumer inflation, cumulative percentage increase 2020-24



Source: Stats NZ

Minister Watts (Local Government) [claims](#) that councils have “lacked fiscal discipline” in recent years, and this has contributed to the rapid increase in rates. The government’s argument is that councils have been spending money on “[nice to haves](#)” – though exactly what they think falls into this category is unclear. Councils need to give up on these “[expensive extras](#)”, the government argues, and refocus on delivering “the basics” of roads, water, waste, and other core services.

To this end, Minister Watts is reforming the [Local Government Act](#) to, among other things, [narrow councils’ purpose](#). Rather than supporting “the social, economic, environmental, and cultural well-being of communities in the present and for the future” (the current wording of the Act), councils shall be required to focus on delivering “good-quality local infrastructure,

local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses” (the Key government made exactly the same amendment in 2012, which was later reversed by the Ardern government – there’s a pattern here). Minister Watts has [also announced](#) he is looking to introduce a rates capping system in 2026. This would place restrictions on how much councils can increase rates each year.

We disagree with these reforms for several reasons, which you can find in our [submission](#). The issue we focus on in this note is that there is little evidence supporting the claim that spending money on “nice to haves” is the real problem at hand. No doubt there have been some poor spending decisions made across local government in recent years. With nearly 80 local and regional councils across the country it would be astounding if there hasn’t been.

But what the data suggest is that the biggest driver of rates inflation is the rising cost of delivering basic infrastructure – the very infrastructure the government has scolded councils for supposedly neglecting.<sup>1</sup> Roads, water supply, sewerage systems, community buildings: these have all become significantly more expensive to build and maintain over recent years. Historic underinvestment in this infrastructure is likely adding to this fiscal pressure – when old, neglected pipes begin to burst they are very expensive to repair.

### How much have rates increased?

It’s useful to clarify how much rates have increased across the country. Table 1 shows the yearly increase in rates *revenue* per capita for Auckland Council and the other “large metro councils” for 2022–2024 (June years). This measure isn’t equivalent to the increases experienced by the households and businesses in these areas but is a decent proxy.

On a nominal basis, rates revenues have risen steeply in most of our main cities. In Auckland, rates revenue

<sup>1</sup> We have scores of councils, ranging in size from the Auckland supercity to rural districts with tiny populations. Each council faces a different set of challenges, and the depth and quality of their financial

reporting varies. In this note we therefore use the high-level data provided by Statistics NZ and the Department of Internal Affairs, and we focus mainly on the big metropolitan areas.



increased 7.2% from 2021 to 2022, 7.4% from 2022 to 2023, and 11.5% from 2023 to 2024 (we don't yet have data for the 2025 year). The average nominal increase for the other large metro councils was 9.9%, 7.6%, and 10.2%.

These are big numbers. However, it's important to remember this was a period of high inflation and that record immigration in 2023 meant some regions experienced very strong population growth. Auckland's population grew 3.6% in the year to June 2023, Hamilton's grew 3.8%, Christchurch's grew 2.6%, and Queenstown Lakes' grew a whopping 8%.

**Table 1:** Annual change in real per capita rates revenue, selected councils and council groupings (year ending June)

	2021/22	2022/23	2023/24
Auckland	0.5%	-2.2%	5.4%
Hamilton	4.1%	-4.0%	0.6%
Wellington	9.7%	1.5%	9.4%
Christchurch	-0.4%	-2.1%	3.8%
Large metro average	3.9%	-0.2%	5.3%
Unitary group average	-1.9%	1.5%	4.7%
Small metro/large provincial average	1.1%	-0.2%	4.4%
Small provincial/rural average	-0.4%	1.2%	4.2%

Source: Statistics NZ. Large metro average excludes Auckland

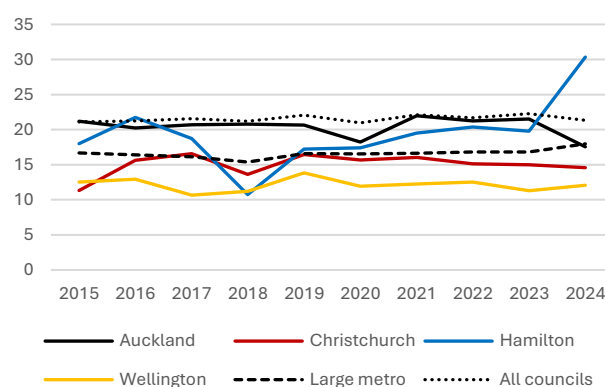
It's therefore useful to look at how much rates revenue has changed on a real per capita basis – that is, how much revenue has increased (or fallen) when adjusted for general inflation and population change. On this measure, the increases to rates revenue have been more modest. The average annual increase for the large metro centres (excluding Auckland) for the year ending June 2022 was 3.9%; for the year ending June 2023 average rates revenue actually fell 0.2%; and for the year ending June 2024 average rates revenue rose 5.3%.

Of course, the fact that real per capita rates increases aren't as large as the nominal figures is cold comfort to households already struggling with the cost of living. The big nominal increases are what homeowners and businesses must pay in their annual rates update. But it's useful to have this context.

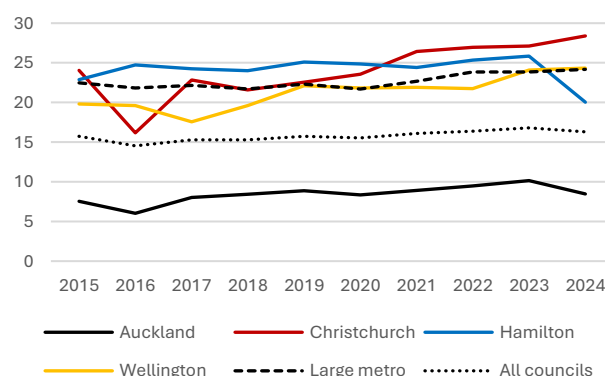
## What are councils spending their money on?

Next, let's look at whether it's credible to suggest councils have been drifting from their core responsibilities – spending too much on “nice to haves” rather than “the basics”. In its new Bill, the government [defines](#) a council's “core services” as covering network infrastructure (e.g., roads and pipes), public transport, waste management, civil defence, and libraries, museums, reserves, and other recreational facilities. There are also the key regulatory functions of councils, such as issuing building consents, but these aren't mentioned on the government's list.

**Figure 2:** Percentage of total operating expenditure on roading and transport, 2015-24



**Figure 3:** Percentage of total operating expenditure on water supply and wastewater, 2015-24

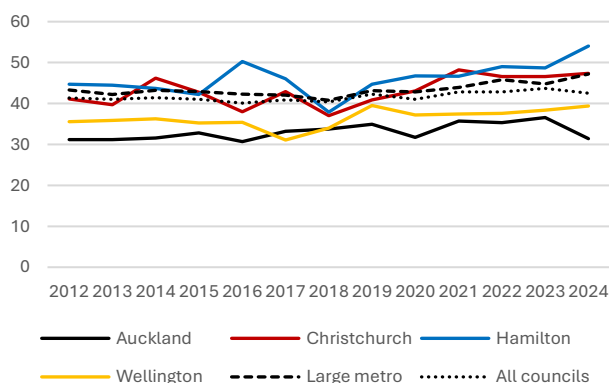


Source: Stats NZ

According to the Statistics NZ data, the proportion of council operating expenditure on these areas has been remarkably stable over the past decade. As one might expect, given the age of our water systems, water supply and wastewater expenditure has tracked up slightly as proportion of total expenditure in recent years. The proportion of expenditure on solid waste has also

increased slightly, while roading and transportation expenditure has been more-or-less steady.

**Figure 4:** Percentage of total operating expenditure on roading and transportation, water supply and wastewater, and solid waste/refuse, 2015-24



Source: Stats NZ

Other major areas of spending, such as on culture, recreation and sport, and planning and regulation, have seen only small fluctuations across the large metro councils during this period. If excessive spending on “nice to haves” was the problem, then we would expect the proportion of operating expenditure that goes towards these core services to fall. This isn’t visible in the data.

**Table 2:** Percentage of total capital expenditure by category, council groupings, 2024

	ROADS	THREE WATERS	OTHER*
Auckland	23.1%	40.7%	36.2%
Large metro average	32.7%	34.1%	32.6%
Unitary group average	36.3%	28.7%	27.3%
Small metro/large provincial average	32.9%	38.4%	28.7%
Small provincial/rural average	39.6%	37.0%	22.1%

Source: Department of Internal Affairs. \*Covers all other capital expenditure. Note that the data above excludes expenditure on flood protection, which is mainly regional council responsibility, so rows may not round to 100%.

We can also look at what councils’ capital expenditure is going towards. The data we have for 2024 (unfortunately, we don’t have time series data) indicates that most councils spent more than two thirds of their capital investment that year on roading or three waters infrastructure – “the basics”. Unhelpfully, the DIA’s reporting lumps everything else (except for flood

protection, which is mostly the job of regional councils) into the category of “other” – a [category that captures](#) many areas of council activity considered core by the current government, such as libraries, sports grounds, solid waste management facilities, and so on.

Capital expenditure is by nature lumpy – the proportion that goes towards roading, water infrastructure, or libraries, for example, will shift around a fair bit each year depending on what projects a council has underway. We therefore wouldn’t want to draw firm conclusions from just one year’s data. Nevertheless, the 2024 data indicates that most capital investment that year went towards core infrastructure. It is likely that increases to capital expenditure in recent years have been driven by roading and water and waste infrastructure rather than by discretionary “nice to haves”.

So neither the operating nor capital expenditure data suggest councils have drifted away from “the basic” services trumpeted by the coalition government. As we mentioned above, this doesn’t discount the possibility that some councils have made poor spending decisions. But it certainly does cast doubt on the government’s narrative that “nice to haves” (whatever they mean by that) are being prioritised at the expense of “the basics”.

### What is driving rates up?

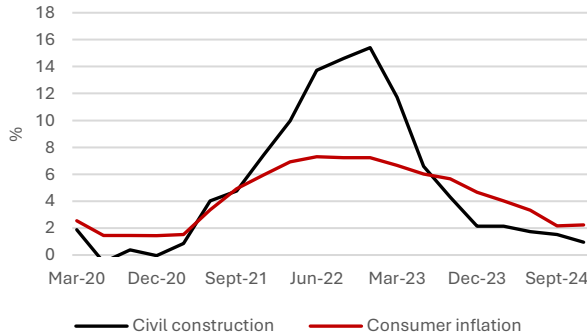
Local government is responsible for around a quarter of New Zealand’s [infrastructure portfolio](#) (measured by dollar value), with this concentrated in roading, water, waste services, some social housing, and buildings like libraries and sports facilities. From 2020 to 2024, the cost of building this infrastructure really ballooned. Overall civil construction costs increased 28%. The cost of constructing roads increased 26%, the cost of bridges 36%, the cost of drainage and sewerage 32%, the cost of water supply systems 29%, and the cost of non-residential buildings (e.g., libraries and conference centres) 28%.

One of the annoying things about inflation is that as it moderates – as the rate of change declines – prices don’t tend to go back to where they were before. So



while the rate of inflation for these kinds of infrastructure has come back down to normal levels, they remain significantly more expensive than they were prior to the inflationary shock.

**Figure 5:** Annual civil construction and consumer inflation, 2020-24



Source: Stats NZ

If we look back further, we see that the cost of some of this infrastructure has been rising at a faster rate than consumer inflation for some time. Over the past decade, overall civil construction costs have risen 42% while consumer inflation has only risen 34%. The cost of building water supply systems has increased 51%, drainage and sewerage systems 57%, and non-residential buildings 63%.

In addition to the rising costs of building and maintaining core infrastructure, debt-servicing costs have increased in recent years as the Reserve Bank has hiked interest rates. The effect of this is varied, as different councils have different debt levels and structures. But for some councils, debt servicing has increased significantly. For example, Wellington City Council's net interest expense (the interest it pays less the interest it earns) as a percent of rates revenue increased from 7% in 2020/21 to 12% in 2023/24. In other words, Wellington City Council was spending 7% of its rates revenue on debt servicing in 2020/21 and this had gone up to 12% in 2023/24. That will be further squeezing its budget.

Looking to the future, the fiscal pressures associated with infrastructure are only going to increase. As we discussed in the [June/July Bulletin](#), New Zealand underinvested in much of our core infrastructure in the 1990s. This means we essentially stored up liabilities for the future, and these liabilities are now coming due. The

challenge of adapting local infrastructure to climate change will add even more pressure in the near future.

There is also the cross-government challenge of improving the efficiency of our infrastructure investment – getting better value for money – through more rigorous maintenance, better project management, and the establishment of a long-term infrastructure plan and pipeline (we discussed these issues in the [June/July Bulletin](#)).

This is to say that the “back-to-basics” narrative of the government looks like misdirection to us. Rather than addressing the big structural problem of rising infrastructure costs, the government is trying to capitalise on voter frustration with rising rates by scapegoating local government for the cost-of-living crisis. Indeed, the coalition government actively made the infrastructure problem worse for councils by tearing up the Three Waters legislation. This would have shifted liabilities for water infrastructure off councils' balance sheets, thus relieving some of the fiscal pressure they're under.

It is unsustainable for rates to continue increasing as rapidly as they have in recent years. From an economic perspective, this would continue to further stress households already struggling with the cost of living. From a political perspective, it would make local politics even more toxic.

But a more serious policy response is required than that offered by the coalition government. Getting serious about rates means getting serious about the cost pressures that councils are facing. Rather than changing the legislation to narrow councils' purpose and capping rates, councils [need assistance](#) in delivering basic infrastructure.

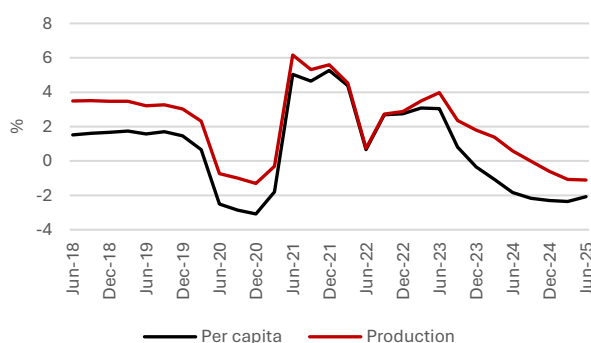
As part of our [Aotearoa Reimagined](#) policy proposals, the NZCTU is therefore calling for the development of a central-local government accord that clearly delineates the responsibilities of central and local government and how funding will be found to deliver local government responsibilities. We believe this accord should be developed through close collaboration between local and central government to ensure it is fit for purpose

and enables effective democratic structures at the local level. In addition, it would be beneficial to stop the chopping and changing of the Local Government Act every time there is a new government. The major parties should instead work together to develop a bi-partisan consensus, in consultation with local government, on the role of local government.

## Economic growth

The New Zealand economy was estimated to have contracted 0.9% in the June 2025 quarter. The magnitude of this drop took economists by surprise and is a further indicator of how deep the economic hole has been getting. On an annual basis, headline GDP was estimated to have fallen 1.1%, while GDP per capita was estimated to have fallen 2.1%.

**Figure 6:** Annual GDP growth rate



Source: Stats NZ

On a quarterly basis, the services sector (which makes up nearly three-quarters of GDP) was estimated to have remained flat, after recording 0.4% growth the previous quarter. The goods-producing sector (which makes up around one fifth of GDP) was estimated to have fallen by 2.3%, more than reversing the progress made the previous quarter (1.6% growth). Finally, the primary sector (which makes up almost 6% of GDP) was estimated to have contracted 0.7%, reversing the 0.6% growth recorded in the previous quarter.

Annually, the services sector was estimated to have stagnated, with performance mixed across the different industries. The goods-producing sector was estimated to have contracted by 5% on an annual basis, with construction leading the way and shrinking 9.4%. The primary sector was estimated to have grown a modest 0.5%, with this led by 2% growth in agriculture, forestry, and fishing. A full breakdown of the quarterly and annual movements by industry is provided in Table 4.

Household consumption expenditure was estimated to have increased 0.4%, off the back of a 1.4% increase the previous quarter. This was driven by increased spending on durable goods, up 1.6%. This is a potential source of

optimism in the data as it may indicate people are beginning to feel more confident buying expensive items. Non-resident expenditure (tourism) fell 0.9%, off the back of a 11.9% fall the previous quarter. Central government expenditure fell 0.1% and local government expenditure increased 1.3%. Business investment fell 1% on a quarterly basis. This was driven by a 5.4% decline in investment in transport equipment and a 1.4% decline in investment in plant, machinery, and equipment.

**Table 3:** Expenditure on GDP, June 2025

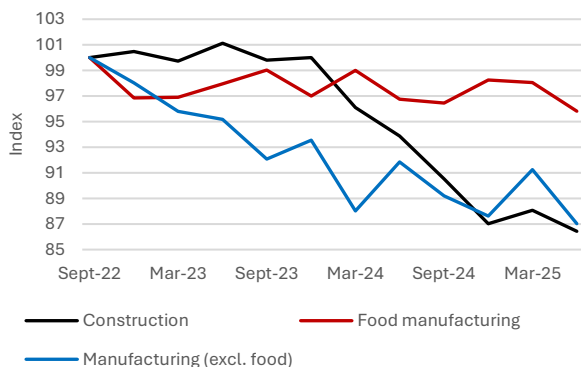
	MAR-25 QUARTER	JUN-25 QUARTER	ANNUAL AVE CHANGE, YE JUN-25
Household consumption	1.4%	0.4%	0.6%
Central govt consumption	1.8%	-0.1%	0.1%
Local govt consumption	-0.7%	1.3%	4.3%
Gross fixed capital formation	1.5%	-1.1%	-4.6%
Gross capital formation	-0.8%	0.3%	-5.0%
Exports less imports	0.5%	0.6%	1.9%
Expenditure on GDP	1.2%	-0.9%	-0.6%

Source: Stats NZ. YE = year ended.

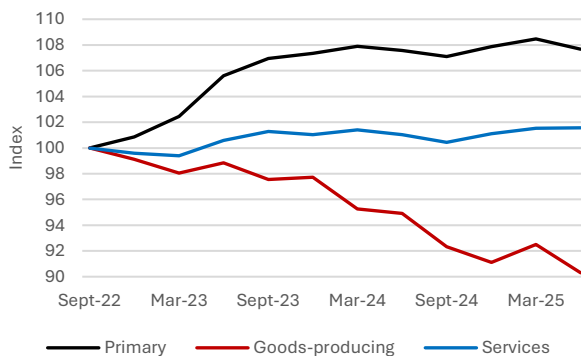
Looking back to the start of the recession, we see it's the goods-producing sector that has borne the brunt of the pain. Cumulatively, this sector has shrunk by 10% since the pre-recession peak in September 2022. Construction has fallen 13.5% overall. Manufacturing has fallen 9% overall, and when food manufacturing (which has likely been supported somewhat by strong commodity exports) is excluded, it has fallen 13%.

The services sector has been relatively stagnant overall and is currently estimated to be 1.6% bigger than it was in September 2022. However, this headline figure conceals poor performance in a number of service industries. Wholesale trade, retail trade, accommodation and food services, transport, postal, and warehousing, information media and telecommunications, and professional, scientific, and technical services – all these industries are smaller than they were prior to the onset of the recession.

**Figure 7:** GDP growth index, selected goods-producing industries, 2022–25



**Figure 8:** GDP growth index, broad sectors, 2022–25



Source: Stats NZ. 100 = 2022Q3.

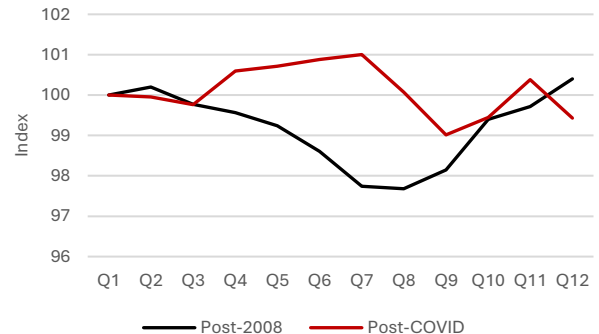
By contrast, the primary sector has grown 7.7% overall. This has been led by agriculture, which has grown almost 14%. Forestry and logging has grown 6.3% and fishing, aquaculture, and related support services has grown 1.5%. By contrast the mining industry (which is quite volatile) has shrunk a cumulative 12.5%.

The current recession has now lasted longer than that following the financial crash of 2008. Figure 9 shows headline GDP growth on a cumulative basis from the onset of recession until 11 quarters later. In the 2008 recession the economy had returned to its pre-recession size by the end of the period. By contrast, the economy remains 0.5% smaller today than it was in September 2022, when the current downturn began.

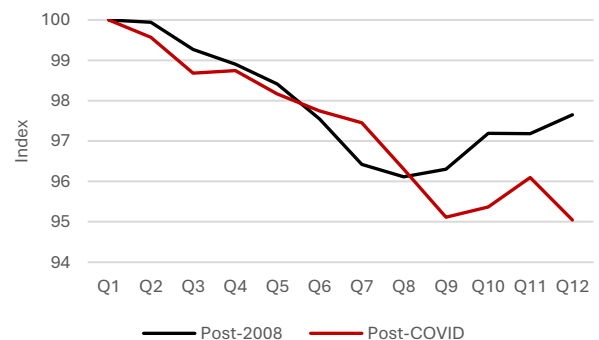
Figure 10 shows the much more dramatic fall in per capita GDP during these two recessions. During the post-2008 recession, GDP per capita fell 3.7% before bottoming out. It began growing again by the ninth quarter. In the current recession, we are yet to see a bottoming out. On a per capita basis, the New Zealand

economy is now a full 5% smaller than it was in September 2022.

**Figure 9:** Post-2008 recession compared to post-COVID recession, GDP production



**Figure 10:** Post-2008 recession compared to post-COVID recession, GDP per capita



Source: Stats NZ. 100 = 2007Q3 and 2022Q3.

Forecasters expect a return to steady, if not particularly spectacular, growth from the second half of the year and into 2026. However, the forecasts have been consistently wrong over the last year or so, and the return to growth keeps getting postponed. In addition, un- and under-employment are expected to continue to rise over the rest of the year, regardless of whether we see a return to growth.

The government has sought to blame the uncertainty created by Trump's tariffs for the poor GDP data. Our view is that the deeper problem at present is a lack of demand in the economy. Ongoing cost-of-living pressures mean many households simply have less disposable income to spend. Meanwhile, growing insecurity of employment (see the [August Bulletin](#) for analysis of the labour market data) may be causing those who do have disposable income to defer spending it (they may be choosing to pay down debt or grow their rainy-day fund instead). The ongoing weakness in the

housing market is probably further contributing to weak consumer spending, particularly in Auckland and Wellington where house prices are more than 20% below their late-2021 peak. Inward migration, a driver of GDP growth in recent decades, has also been drying up. Finally, although the Official Cash Rate has been cut, it's not yet at a stimulatory level (the Reserve Bank estimates it is around the "neutral rate", whereby it is neither actively constraining nor supporting output). Monetary policy takes a long time to fully work its way through the economy, which means that even when the OCR does get into stimulatory territory, the full effect will be a while coming.

The only real strong point in the economy has been in the primary sector, due to strong demand for key exports like dairy and beef. However, this strength doesn't yet appear to be feeding through to the wider economy (some farmers may just be using the extra cash to pay down debt). Meanwhile, there have been multiple closures of regionally significant manufacturing businesses, leading to hundreds of job losses and

potentially permanent deindustrialization of some areas – some of these closures appear to be driven in part by high energy prices.

It isn't clear that there is a growth engine we can rely on to drive us out of this slump. Traditionally, this is where government needs to step in: when demand is in a funk, the government can use its fiscal power to get the economy going again. One place to start would be ramping up investment in infrastructure maintenance and new housing builds. In the long-run, major public investment is required in these sectors anyway. Bringing some of this investment forward would help to rejuvenate the construction sector, with positive flow on effects for some parts of the manufacturing sector as well. The government also needs to take urgent action in regions affected by the closure of large firms. Measures will need to be bespoke but should generally include support for workers to retrain and, in some cases, may require direct investment in regional development to assist with job creation.

**Table 4:** GDP by industry (production measure), June 2025

	QUARTERLY CHANGE	ANNUAL AVE CHANGE
<b>Primary industries</b>	<b>-0.7%</b>	<b>0.5%</b>
Agriculture, forestry, and fishing	-0.3%	2.0%
Mining	-4.1%	-9.7%
<b>Goods-producing industries</b>	<b>-2.3%</b>	<b>-5.0%</b>
Manufacturing	-3.5%	-1.9%
Electricity, gas, water, and waste services	0.4%	-2.8%
Construction	-1.8%	-9.4%
<b>Service industries</b>	<b>0.0%</b>	<b>0.0%</b>
Wholesale trade	1.4%	-1.9%
Retail trade and accommodation	-0.2%	-0.3%
Transport, postal, and warehousing	-0.6%	-0.2%
Information media and telecommunications	1.8%	-2.3%
Financial and insurance services	-0.5%	0.3%
Rental, hiring, and real estate services	0.7%	3.0%
Business services	-0.4%	-1.5%
Public administration and safety	0.5%	-2.5%
Education and training	0.0%	0.3%
Health care and social assistance	-0.7%	0.9%
Arts, recreation, and other services	-0.8%	-3.8%

Source: Stats NZ

## Prices

### Consumer inflation

Annual consumer inflation was 2.7% in the June 2025 quarter (up from 2.5% the previous quarter). This is nearing 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. See the [August Bulletin](#) for more detail on the quarterly inflation figures.

**Table 5:** Monthly inflation indicators, August 2025

	PREVIOUS MONTH	PREVIOUS YEAR
Food	0.3%	5.0%
Fruit & veg	0.6%	8.9%
Meat, poultry, fish	1.4%	8.1%
Groceries	0.2%	4.7%
Rent (stock measure)	0.1%	2.1%
Electricity*	0.4%	11.4%
Gas*	0.4%	14.5%
Petrol	–0.4%	–2.4%
Diesel	0.5%	–4.0%
Domestic air transport	–4.6%	–8.6%
Domestic accommodation	–3.3%	–2.4%

Source: Stats NZ. \* The electricity and gas figures compare the the August 2025 monthly index to the September 2024 quarterly index.

Table 5 breaks down the rate of inflation for August 2025 for the smaller number of goods and services we get monthly price updates on. Food price inflation has been steadily tracking up since the middle of last year.

Compared to August 2024, food prices were up 5% overall. This was driven by the rising cost of grocery food, particularly milk (up 15%), cheese (up 14%), and eggs (up 10%). It was also driven by the rising cost of fruit and vegetables (up 9%), beef (up 20%), and lamb (up 32%). Perversely, the rising cost of fruit, meat, and dairy reflects high global demand for these goods – New Zealanders end up paying higher prices for home-grown food when demand is strong overseas. Electricity and gas prices have also continued to rise rapidly. On a more positive note, rental price inflation is low, though this is the result of ongoing economic weakness.

Overall, this latest round of price data is concerning. It shows the prices of key non-discretionary goods and

services – food and energy – shooting up. Wages have not been rising at a comparable level. The minimum wage increase for the year beginning April 2025 was only 1.5%. The Labour Cost Index, which measure how much an employer must pay for the same skills and hours of labour year to year, only increased 2.4% in the year to June. And even if we take the broader measure of wage growth – average ordinary time hourly earnings – this only increased 4.5% for the year the June. This means that, on average, working households will be having to spend a greater proportion of their income on the essentials of food and energy. This means less money left over (if any) at the end of the week. Unfortunately, the household living-costs prices indexes for the June quarter were cancelled, so we can't examine how these price increases are affecting different types of households. But it's likely that lower-income households will be feeling the pain of these rising prices the most. This is because they must spend a greater proportion of their income on essential (non-discretionary) goods and services like food and energy.

**Figure 11:** Annual food price inflation, 2021–25



Source: Stats NZ

The weekly fuel price data remains relatively stable. For the week ending 19 September 2025, MBIE's fuel-price monitoring had regular petrol at \$2.60 per litre and diesel at \$1.90 per litre. As of 25 September, oil was trading around US\$65 per barrel on the West Texas Intermediate, which is low by recent standards.

### Official cash rate

The [Official Cash Rate](#) (OCR) was cut 25 basis points on 20 August, to 3.0%. In the Monetary Policy Statement, the Reserve Bank was forecasting a further 50 basis points worth of cuts in the next six months (taking the



OCR to 2.5%). Due to the poorer-than-expected GDP data, economic commentators now expect these cuts will come sooner rather than later. However, this will depend in part on how comfortable the bank is that the recent inflation spike is transitory.

## Real estate

The housing market remains basically flat for New Zealand as a whole. The median house price fell 0.5% annually but rose 1.5% if Auckland is excluded. Table 6 breaks down the movements in the [REINZ](#) house price index for the country's main centres. House prices in Auckland and Wellington have taken bad hammerings.

**Table 6:** REINZ house price index, % change, August 2025

	3 MONTHS	1 YEAR	FROM PEAK
National	-0.9%	0.4%	-16.3%
Auckland	-1.4%	0.0%	-23.0%
Waikato	-1.4%	0.3%	-14.3%
Wellington	-0.5%	-1.1%	-25.6%
Canterbury	0.3%	1.9%	-3.3%

Source: REINZ. Peak is late 2021.

## Other economic indicators

### Retail sales

Retail sales volumes were stronger than expected in the June 2025 quarter. The total volume of seasonally adjusted sales (a measure that strips out inflation) increased 0.5% compared to the March quarter. On the “core industries” measure, which strips out consumer spending on fuel and motor vehicles and parts, they increased 0.7%. Compared to the March quarter, seasonally adjusted sales volume in the big categories of expenditure were as follows: up 1.3% in supermarkets and grocery; up 1% in department stores; down 0.5% in hardware, building, and garden supplies; down 4.3% in clothing and footwear; up 4.6% in electrical and electronic goods; up 1.2% in pharmaceutical and other store-based retailing; and down 0.3% in food and beverage.

Compared to the June 2024 quarter the total volume of actual sales (adjusted for inflation) increased 2.5% for all industries and 1.9% for core industries. Compared to the June 2024 quarter, actual sales volumes in the big categories of expenditure were as follows: down 0.3% in supermarkets and grocery; up 3.1% in department stores; down 2.0% in hardware, building, and garden supplies; down 1.8% in clothing and footwear; up 15.2% in electrical and electronic goods; up 0.3% in pharmaceutical and other store-based retailing; and up 0.2% in food and beverage.

### Balance of payments

The current account deficit for the year ended June 2025 was estimated to be \$16 billion, or 3.7% of GDP. This is a significant improvement from the year ending June 2024, when the current account deficit was 5.5% of GDP. This narrowing of the deficit is the result of favourable terms of trade increasing export revenue, combined with the weakness of the domestic economy, which means households are buying fewer imported goods.

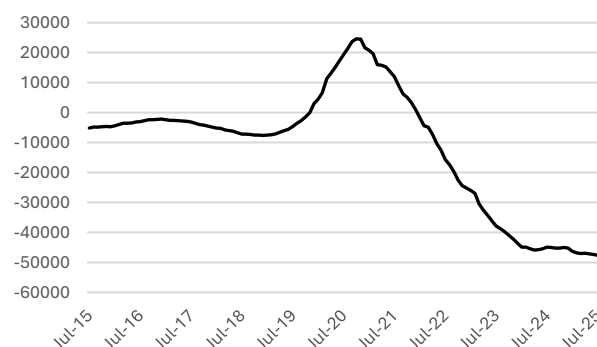
For the year ended June 2025, New Zealand’s net international investment liability was \$203.9 billion, or 46.8% of GDP (this ratio has been broadly stable in

recent 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 –\$217.7 billion, or 49.9% of GDP (this ratio has also 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.

### Migration

Net migration looks like it may have bottomed out. For the year ending July 2025, there were an estimated 140,500 migrant arrivals (down 20% from the previous year) and an estimated 127,400 departures (up 14% from the previous year). This produced an estimated net migration gain of 13,100 people for the year, way down from the net gain of 63,600 the year prior.

**Figure 12:** Net migration of NZ citizens, 2015–25



Source: Stats NZ

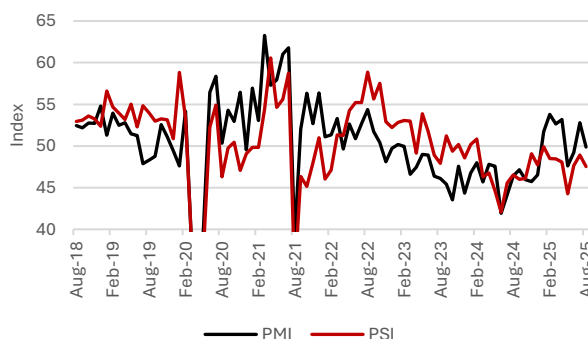
New Zealand citizens continue to leave the country in extremely high numbers, reflecting the weak economic conditions here. All up, an estimated 73,400 New Zealand citizens departed the country in the year to July, with the net outflow being 47,600 people. These were both records.

### Performance indexes

The BNZ–BusinessNZ performance of [manufacturing index](#) (PMI) and performance of [services index](#) (PSI) both registered contraction in August. 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 13:** BNZ–BusinessNZ Performance indexes, 2018–25



Source: BusinessNZ

The manufacturing index fell 2.9 points from the previous month to 49.9. The key sub-index of production fell 6.7 points to 46.6 and the employment sub-index fell 1 point to 49.1. The services index also fell, down 1.4 points for the month to 47.5. The key sub-index of activity/sales fell 1.4 points to 46.2 while the employment sub-index increased 1 point to 48.3. The poor performance of these indexes gives us reason to be sceptical there has been an economic bounce-back in the September 2025 quarter.

### Consumer confidence

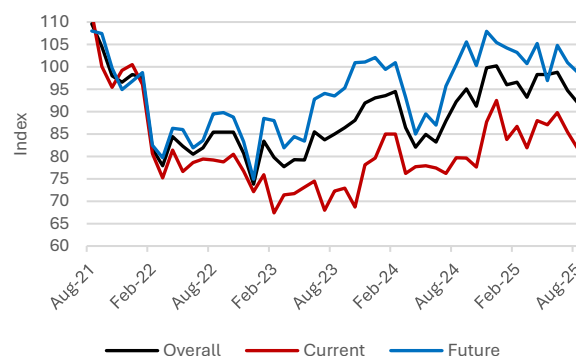
The ANZ–Roy Morgan [Consumer Confidence Index](#) continued to fall back, down a further 3 points in August to 92. A score above 100 on the index indicates that consumers on balance have confidence in current and future economic conditions; less than 100, and they are pessimistic.

A net 12% of those surveyed think it's a bad time to buy a major household item – this is seen as a leading indicator of consumer confidence and future economic activity. However, this conflicts somewhat with the stronger-than-expected retail sales data recorded for the June 2025 quarter (discussed above). Confidence in current economic conditions was a very negative 81.8 while confidence in future economic conditions was 98.8.

The Westpac McDermott Miller [Consumer Confidence Index](#) for the September quarter showed similar results, at 90.9 (effectively unchanged since the June survey).

This is well below the historical average. Confidence in current conditions was 82.2 while confidence in expected conditions was 96.8.

**Figure 14:** ANZ–Roy Morgan Consumer Confidence Index, 2021–25



Source: ANZ

### Employment confidence

The Westpac–McDermott Miller [Employment Confidence Index](#) rose marginally in the September quarter, up 1.1 points to 89.9. This is close to the historic low recorded during the first Covid lockdown in 2020. A score above 100 on the index indicates that households are, on average, optimistic about employment conditions; less than 100, and they are pessimistic.

Confidence in current conditions was 76.3 (basically unchanged since June), while confidence in expected conditions was up 2 points to 99. Westpac reports that “perceptions about job availability [are] at their weakest since the 2020 Covid lockdown”, and most respondents don’t expect much improvement over the next year. Perceptions of job security were also low, with 24% of respondents expecting their job to become less secure in the near future. Westpac reports that confidence is lowest in Northland and the lower North Island, particularly Wellington. By contrast, regions like Waikato, Otago, and Southland are more confident, due to the export boom in dairy and other commodities.

### Business confidence

Business confidence remains high, with confidence positive across all five industry groupings that ANZ reports on in the [Business Outlook Survey](#). This appears

to be a function, at least in part, of how bad economic conditions currently are. ANZ's survey measures business confidence based on whether respondents think conditions will be better or worse in the future. The depth of the current slump means that, mechanically, confidence is higher as many businesses expect things to be somewhat better in 12 months' time.

"Activity vs same month one year ago" was down in retail, manufacturing, and construction, but up in agriculture and services. Reflecting the weak job market, "Employment vs same month one year ago" was negative across all industries except agriculture, which was flat.