NZCTU
Te Kauae Kaimahi

Economic Bulletin

October/November 2025

NEW ZEALAND COUNCIL OF TRADE UNIONS
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NCZTU Economic Bulletin

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Welcome to the October/November 2025 Economic Bulletin.

In this month's feature we discuss the class character of New Zealand's inflation policy. Under our current settings, higher unemployment is the price paid for lower inflation. This means that working class people are hurt the most when the Reserve Bank hikes interest rates to reduce inflation. Stability in prices is certainly desirable. But so is the minimisation of unemployment. We need to strike a better balance between these two objectives. This means bringing full employment back onto the economic policy agenda.

In our regular updates, we discuss the September quarter data for employment, wages, union membership, and social welfare. Overall, the job market remains very weak, with little evidence of any recovery. We also discuss the September quarter data for consumer inflation and household living costs inflation. The latter measure shows how unequal the decline in inflation has been over the past year. Annual living costs inflation was only 0.8% for households in the highest expenditure quintile but was 4% for households in the lowest quintile.

As usual, we provide a snapshot of wage and employment data on pages 3 and 4. For analysis of the latest GDP data, please see the September Bulletin.

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NZCTU
Te Kauae Kaimahi

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Key data for trade unionists

Economic indicators and wages – September quarter 2025

CONSUMER INFLATION	LIVING COSTS INFLATION	UNEMPLOYMENT	OFFICIAL CASH RATE
3.0%	2.4%	5.3%	2.5%
AVE HOURLY WAGE GROWTH	**LABOUR COST INDEX**	**MINIMUM WAGE**	**LIVING WAGE**
3.9%	2.1%	$23.50	$28.95

Source: Stats NZ, RBNZ, MBIE, Living Wage Movement

Annual wage growth – September quarter 2025

	NOMINAL	REAL (CONSUMER INFLATION)	REAL (LIVING COSTS)
Average ordinary time hourly wages – all sectors	3.9%	0.9%	1.5%
Private sector	4.1%	1.1%	1.7%
Public sector	3.4%	0.4%	1.0%
Female	3.7%	0.7%	1.3%
Male	4.1%	1.1%	1.7%
Labour cost index – all sectors	2.1%	–0.9%	–0.3%
Private sector	2.1%	–0.9%	–0.3%
Public sector	2.4%	–0.6%	0.0%

Source: Stats NZ

Annual consumer inflation forecasts

YEAR ENDING	RESERVE BANK	TREASURY	AVERAGE
Dec 2025	2.7%	2.3%	2.7%
Mar 2026	2.3%	2.1%	2.3%
Jun 2026	2.2%	2.1%	2.2%
Sep 2026	2.2%	2.1%	2.1%

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

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Job market dashboard

	SEP 2025	SEP 2024	5-YEAR AVE	VS 2024	VS 5-YEAR AVE
Unemployment	**5.3%**	4.8%	4.1%	↑ +0.5pp	↑ +1.2pp
Female unemployment	**5.4%**	4.9%	4.3%	↑ +0.5pp	↑ +1.1pp
Male unemployment	**5.2%**	4.7%	3.9%	↑ +0.5pp	↑ +1.3pp
Māori unemployment[1]	**10.2%**	8.9%	8.3%	↑ +1.3pp	↑ +1.9pp
Pasifika unemployment[1]	**11.4%**	8.5%	8.2%	↑ +2.9pp	↑ +3.2pp
Youth unemployment[1]	**15.3%**	13.4%	11.7%	↑ +2.1pp	↑ +3.6pp
Underutilisation[2]	**12.9%**	11.7%	10.8%	↑ +1.2pp	↑ +2.1pp
Female underutilisation	**14.9%**	13.2%	12.8%	↑ +1.7pp	↑ +2.1pp
Male underutilisation	**11.1%**	10.3%	9.0%	↑ +0.8pp	↑ +2.1pp
Māori underutilisation[1]	**20.0%**	18.5%	17.6%	↑ +1.5pp	↑ +2.4pp
Pasifika underutilisation[1]	**19.8%**	16.7%	15.9%	↑ +3.1pp	↑ +3.9pp
Reason for leaving last job – redundant/laid off/business closed[1, 3]	**15.2%**	12.5%	12.0%	↑ +2.7pp	↑ +3.2pp
Perceived chance of losing job among those currently employed[1, 4]	**16.5%**	15.0%	15.4%	↑ +1.5pp	↑ +1.1pp
Percentage of working-age population on Jobseekers	**6.7%**	6.3%	6.0%	↑ +0.4pp	↑ +0.7pp
Duration of unemployment, 3-6 months[1]	**22.0%**	19.6%	17.7%	↑ +2.4pp	↑ +4.3pp
Duration of unemployment, more than 6 months[1]	**35.8%**	28.2%	29.8%	↑ +7.6pp	↑ +6.0pp

Source: Statistics NZ; MSD.

[1] Annual rolling average.

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

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

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

The inflation–unemployment trade-off

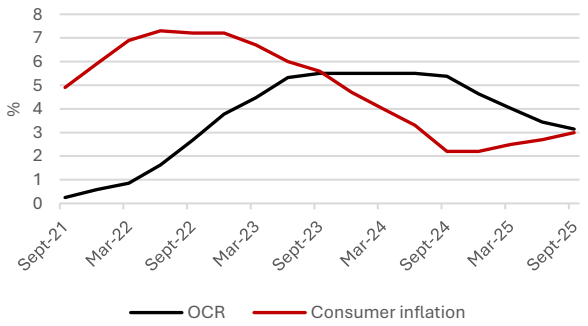
People tend to dislike high inflation, because it can erode their living standards. But survey data indicates that although people dislike inflation (a general rise in the level of prices), they often don't have a very good grasp of how it works or the trade-offs that can be involved in managing it. For example, a recent study by Binetti and co-authors, using data from representative surveys in the US, found that inflation is viewed as "unequivocally negative, rarely associated with positive economic indicators or developments". A similar US study, by Stefanie Stantcheva, found that 70% of respondents believed "inflation indicates a poor state of the economy". Both papers also found that most respondents do not believe there are significant trade-offs involved in reducing inflation. These findings contrast with how economists tend to understand inflation and with the orthodox approach to managing it.

The conventional wisdom in economics is that there is a trade-off between inflation and employment – this is formalized in the famous "Phillips curve". The policy implication of this trade-off is that, once unemployment falls below a certain threshold (a threshold that will be different in different times and places), inflation will be pushed up. This is partly because demand for goods and services can start to outstrip the ability of the economy to supply them. It can also be because, with unemployment low and jobs plentiful, workers are in a stronger position to bargain for higher wages. In this respect, inflation can indeed be associated with positive economic developments: it can be a sign that the economy is running hot and that unemployment is low. The trick, in these circumstances, is to make sure that inflation doesn't spiral out of control.

Despite the existence of this trade-off, the orthodoxy today is that inflation should be prioritised above all else. The task of ensuring low and stable inflation is entrusted to central banks, which adjust monetary policy (the management of interest rates) with the intention of keeping inflation within a certain range. In New Zealand, the Reserve Bank's specific target is "future annual inflation between 1 and 3 percent over the medium term, with a focus on keeping future inflation near the 2 percent mid-point". This is similar to other developed economies.

The upshot is that, under the current legislative settings, the Reserve Bank is required to keep inflation within that target range of 1–3% over the medium term, regardless of what unemployment is doing. If maintaining inflation within the target range requires unemployment to rise, so be it.

Figure 1: Official Cash Rate and consumer inflation



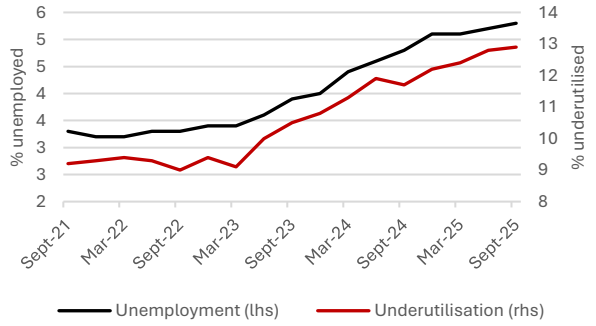
Source: Stats NZ

We have seen this dynamic in action in recent years. Inflation rose strongly in 2021 and 2022, driven to a large extent by global factors – for example, the COVID supply chain breakdowns and later the spiking oil and commodity prices caused by the war in Ukraine. In response, the Reserve Bank began increasing the Official Cash Rate in late-2021, with the intention of slowing the economy, driving unemployment higher, and thereby lowering inflation. This same approach was widespread across the world. This attempt to bring inflation down has driven unemployment up significantly and is a major reason why the job market is so weak now. Today around 67,000 more people are unemployed than they were in the pre-recession low of 2021.

As we have covered in previous Bulletins, monetary policy has limited ability to influence inflation that is driven by international factors (like supply chain jams and oil price spikes). In this context, monetary policy has had to work extra hard to try and drive down the areas of inflation that it can have an impact on in the domestic economy. As the economists Joseph Stiglitz and Ira Regmi noted, this can mean administering "a cure worse than the disease". This is indeed what has

happened in New Zealand. Because of the approach taken to reducing inflation, we now have the highest number of people unemployed in New Zealand since 1994.

Figure 2: Unemployment and underutilisation



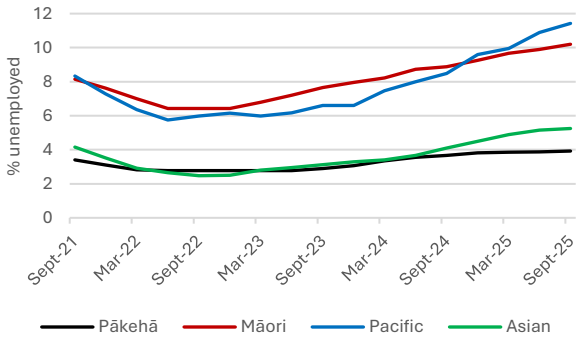
Source: Stats NZ

In situations like this, other tools are more appropriate or should at least be used as complements. Tools proposed by leading economists include price controls on certain systemically important goods and services (for example, energy), windfall taxes and anti-trust reforms to address monopolistic price-gouging, and, over the longer-term, working to improve the productive capacity of the economy, so that inflationary pressures are less likely to develop in the first place.

The class character of inflation management

Not only is low inflation prioritized over low unemployment in economic policy, but those who are lower down the income scale tend to bear the brunt of the disinflationary burden. This is because people in lower-income jobs are more likely to be precariously attached to the labour market. When economic conditions sour precarious jobs are the first to go. This has an ethnic and gender dimension to it, with Māori, Pasifika, and women all over-represented in precarious jobs and more likely to enter unemployment during a recession. For example, since the onset of the downturn in late-2022 Māori unemployment has increased from 6.4% to 10.2% and Pasifika unemployment has increased from 6% to 11.4% (these are annual averages). Further data on the deteriorating labour market situation can be found in the job market dashboard (p. 4) and regular updates (p. 9).

Figure 3: Unemployment rate by ethnicity



Source: Stats NZ. Annual rolling averages.

As the economists Olivier Blanchard and Lawrence Summers demonstrated back in 1986, unemployment can have enduring negative impacts for people and the economy at large. Those who lose their jobs during a downturn can experience a life-long reduction in their earnings or become permanently unemployable, dropping out of the labour market entirely. Unemployment can also have long-lasting effects on people's emotional and mental wellbeing, not least because of the importance of employment in conferring recognition and respect, and the attendant stigma associated with unemployment. A consistent finding in the research is that while both inflation and unemployment reduce happiness and wellbeing, unemployment is worse.

Even though unemployment tends to have a more pronounced negative impact on wellbeing than inflation does, it's unclear which one of these issues people believe is most important for government to prioritise. Some studies, such as those from Binetti et al and Stantcheva find that people, on average, rank inflation higher than unemployment in terms of importance. But this finding is contested. Other survey research, from Europe and Latin America, finds that people, on average, dislike unemployment more than inflation and therefore place a higher priority on low unemployment than they do on low inflation. (There are many caveats to be found in this research, including the influence of question design and the time and place in which a survey is conducted.)

Despite this ambiguity, a relatively widespread finding is that socio-economic status influences people's

inflation–unemployment preferences. In short, those who are poorer are consistently more likely to be more concerned by unemployment than by inflation; some studies indicate that the same is true for younger and left-leaning voters. This is logical, given that lower-income groups are more likely to experience unemployment (or the threat thereof). By contrast, higher-income groups are less likely to be worried about job security and are also more likely to have savings and investments that are eroded by inflation.

The upshot of all this is that the way in which inflation is managed has a class character – simply put, working class people bear the brunt of the pain when the Reserve Bank hikes interest rates.

Striking a better balance

Currently, low inflation is treated as the primary objective for macroeconomic policy, with policymakers prepared to sacrifice employment to achieve it. By contrast, full employment has been all but abandoned as an objective in New Zealand. Price stability is certainly desirable. But so too is the minimisation of unemployment. We need to strike a better balance.

So what could bringing full employment back on the policy agenda mean? William Beveridge's famous 1944 report for the British government, *Full Employment in a Free Society*, still provides a useful touchstone. Beveridge defined full employment not as a situation in which everyone is employed every single day of their working lives – for this simply isn't feasible – but as a situation in which "unemployment is reduced to short intervals of standing by, with the certainty that very soon one will be wanted in one's old job again, or will be wanted in a new job that is within one's powers". Or, as he puts it more simply in another part of the report, full employment "means more vacant jobs than unemployed [people]".

Such a definition then needs to be translated into a practical objective for policymakers. This could take the form of a target, similar to how inflation is targeted. For example, Beveridge recommended that policymakers should aim to achieve "the reduction of unemployment to no more than 3 per cent". This choice of 3 per cent was based on his analysis of what the level of "frictional" unemployment could realistically be at the time. Frictional unemployment refers to short-term unemployment associated with normal change in the economy (some firms closing and others opening, for example). The idea is that people who experience unemployment only do so for a short period of time and are supported through the process by unemployment insurance. What an appropriate numerical target might be is ultimately dependent on time and place – we are not necessarily recommending 3% as an appropriate rate.

From there, the challenge is to determine how to achieve this target. This, it should be said, is a very complex task. As Dennis Rose, a New Zealand economist, notes, "Full employment requires action on many fronts". For example, it would require a change in how we use fiscal policy and likely a job guarantee of some sort. It would mean the government actively taking a role in driving industrial development in some parts and regions of the economy. It would mean improving the delivery of vocational education and working to coordinate this with industrial policy. It would require significant improvements in the welfare system, both through lifting benefit rates and instituting social unemployment insurance. And it would require targeted action for people who are disadvantaged and are disconnected from the labour market. The NZCTU has put forward many of these policies as part of its Reimagining Aotearoa project.

The previous Labour government had been taking some small steps in this direction. However, when it came to power the National-led coalition rapidly put New Zealand into reverse gear and has more than erased the progress that was made. So advocating for full employment today also means swimming against the tide, and it is quite a strong tide. To this end, it helps to recall that full employment was, once, a widely agreed objective in New Zealand that policymakers sought to deliver. In this sense it is not a radical fancy, but an objective that we can, as a society, choose to once again prioritise.

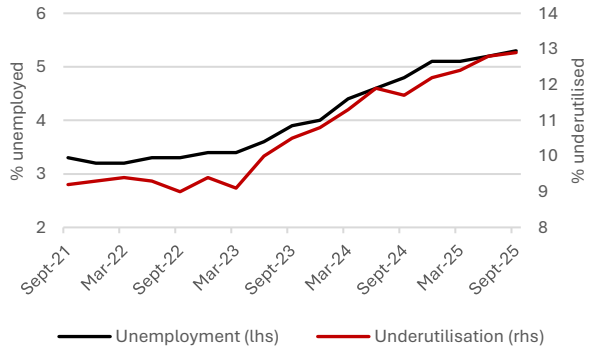
Employment

The labour market has continued to worsen. Compared to the previous quarter, the unemployment rate increased marginally to 5.3% in September 2025. This is up 2 percentage points since the onset of the economic downturn in late-2022 and well above the average of the past five years, which was 4.1%.

The underutilisation rate – which paints a broader picture of labour market conditions because it accounts for the unemployed, underemployed, and potential labour force – also ticked up marginally, to 12.9%. As with the unemployment rate, this is significantly above its pre-recession low of 9% and above the average of the past five years, which was 10.8%.

On a seasonally adjusted basis, approximately 160,000 people were unemployed in the September 2025 quarter. This is the largest number of people unemployed since 1994. A further 138,000 people were underemployed (wanted more hours than they could get). A total of 406,000 people were estimated to be underutilised – this is the highest number of people underutilised since this measure has been used.

Figure 4: Unemployment and underutilisation rates



Source: Stats NZ

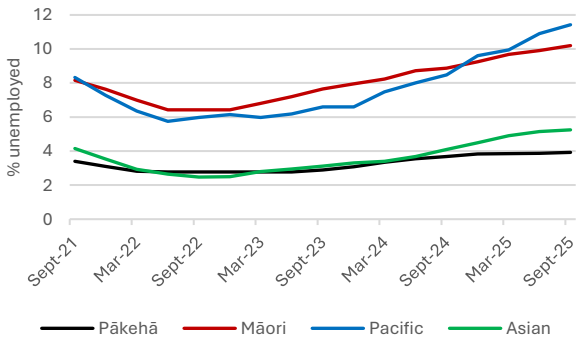
Both the labour force participation and employment rates continued to fall, down to 66.6% and 70.3% respectively in the September quarter. This indicates that more people are dropping out of the labour market because of the lack of jobs. Further illustrating the weakness in the job market, there were 1.3 million fewer hours worked compared to the same time last year (a decline of 1.4%).

Compared to the previous quarter, the female unemployment rate fell 0.1 percentage points to 5.4% but the male unemployment rate increased 0.2 percentage points to 5.2%. The underutilisation rate for female workers rose 0.2 percentage points to 14.9% and the male underutilisation rate rose 0.1pp to 11.1%.

Statistics NZ does not provide seasonally adjusted figures for unemployment rates by ethnicity, so we use annual average comparisons instead (this helps smooth out unreliable movements in the data). Compared to the same time last year:

- For Pākehā workers, unemployment increased 0.2pp to 3.9% and underutilisation increased 0.7pp to 11.1%.
- For Māori workers, unemployment increased 1.3pp to 10.2% and underutilisation increased 1.5pp to 20%.
- For Pasifika workers, unemployment increased 3.0pp to 11.4% and underutilisation increased 3.1pp to 19.8%.
- For Asian workers, unemployment increased 1.2pp to 5.3% and underutilisation increased 1.7pp to 12.4%.

Figure 5: Unemployment rate by ethnicity



Source: Stats NZ. Rolling annual average

Māori and Pasifika workers tend to be the worst affected during recessions, because they are more likely to be in precarious jobs. Asian workers have also fared comparatively poorly during this downturn, with both unemployment and underutilisation increasing notably faster than Pākehā over the past year. This is illustrated in Figure 5.

By region, unemployment was highest in the top of the North Island, with Northland at 6.1% and Auckland and Waikato at 6% respectively. The lowest rate of unemployment recorded was in Otago, at 2.8%. (These figures are annual averages.)

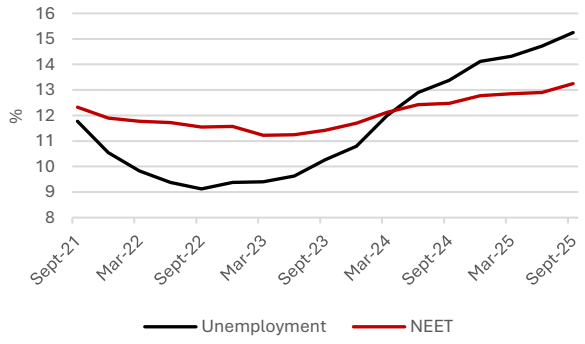
Table 1: Unemployment rate by region, September years

	SEP 24	SEP 25
Northland	6.7%	6.3%
Auckland	5.2%	6.1%
Waikato	5.0%	6.1%
Bay of Plenty	5.2%	5.0%
Gisborne/Hawke's Bay	3.4%	5.9%
Taranaki	4.0%	4.3%
Manawatū/Whanganui	4.0%	3.9%
Wellington	4.2%	4.3%
Tasman/Nelson/Marl/West Coast	4.4%	3.2%
Canterbury	4.8%	4.7%
Otago	3.1%	2.5%
Southland	5.4%	3.7%

Source: Stats NZ. Annual averages.

Compared to the previous year, the youth unemployment rate (those aged 15–24) has increased 1.9pp to 15.3%. The NEET rate (people aged 15–24 who are not in employment, education, or training) has also increased. Compared to the previous year it has risen 0.8pp to 13.2%. In real terms this represents approximately 90,000 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.

Figure 6: Youth unemployment and NEET rate



Source: Stats NZ

Compared to the September 2024 quarter, the number of employed persons has fallen 0.6% overall. This decline is also borne out in the monthly filled jobs data, which has fallen 0.4% compared to the same time last year. Jobs in manufacturing and construction have been particularly hard hit. Compared to the same time last year, actual filled manufacturing jobs have fallen by 3,800 and actual filled construction jobs have fallen by almost 9,000. Compared to the same time in 2023, just a couple of months before the coalition government came to power, manufacturing jobs have fallen around 10,850 and construction jobs have fallen around 18,750.

Figure 7: Annual change in persons employed

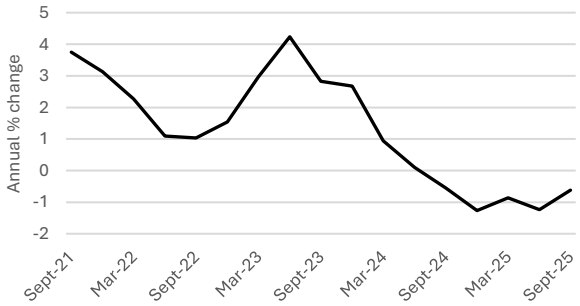


Figure 8: Annual change in filled jobs, seasonally adjusted

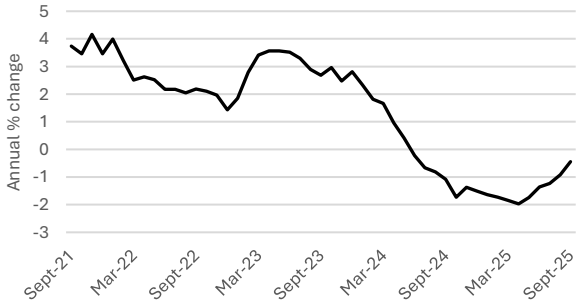
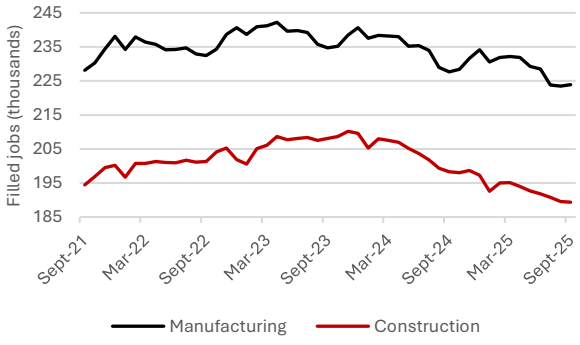


Figure 9: Actual filled jobs (thousands)



Source: Stats NZ

In perhaps the only positive sign in the labour market, job advertisements appear to be growing again, though are still deeply below their pre-recession levels. In the year to the September 2025 quarter, online job advertisements grew 3.5%. However, in Northland,

Auckland, Gisborne/Hawke's Bay and Manawatū/Whanganui/Taranaki job ads are down compared to the same time last year, indicating no signs of recovery in those regions. Table 2 provides a detailed breakdown.

Because of the weakness of the jobs market, people are staying unemployed for longer. Compared to the same time last year, the percentage of persons unemployed who have been out of work for 3–6 months has increased from 19.6% to 22%, while those who have been out of work for more than 6 months has increased from 28.2% to 35.8%. Compared to September 2023, several months before the coalition government came in, the proportion of unemployed persons who have been out of work for more than 6 months has increased 40.7%. Long-term unemployment is deeply damaging both financially and emotionally. Alarm bells should be ringing for government here – it needs to start taking this issue seriously.

During the period of economic weakness since late-2022, New Zealand has consistently fallen down the OECD rankings by unemployment rate. In September 2022, which was the pre-recession peak in economic activity, we were ranked 6th equal, with an unemployment rate of 3.3%. By the time the coalition government took office we were ranked 14th. We are now ranked 18th equal.

Finally, Net migration continues to be very low. For the year ending August 2025, there were an estimated 138,600 migrant arrivals (down 16% from the previous year) and an estimated 127,900 departures (up 13% from the previous year). This produced an estimated net migration gain of just 10,600 people for the year, which is well down from the net gain of 51,600 the year prior and significantly below the pre-COVID norm.

New Zealand citizens continue to leave the country in extremely high numbers, reflecting the weak economic conditions here. All up, an estimated 73,900 New Zealand citizens departed the country in the year to August, with the net outflow being 47,900 people. These are both records. This high level of outward migration (people leaving New Zealand) is consistent with the economic downturn here and the weak labour market. A similar dynamic was observed in the years immediately after the Global Financial Crisis, when departures rose and net migration went negative for a time.

Table 2: Annual change in online job vacancies, September 2025

REGION	CHANGE	INDUSTRY	CHANGE	OCCUPATION	CHANGE
Otago/Southland	16%	IT	10%	Managers	16%
Canterbury	12%	Construction	10%	Technicians & trades	12%
Wellington	9%	Hospitality	7%	Community & personal services	5%
Nelson/Tasman/ Marlborough/West Coast	6%	Health care	4%	Professionals	0%
Waikato	4%	Primary	3%	Clerical & admin	–1%
Bay of Plenty	4%	Business services	1%	Labourers	–1%
Gisborne/Hawke's Bay	–3%	Manufacturing	0%	Machinery operators & drivers	–2%
Manawatū/Whanganui/ Taranaki	–3%	Sales	–1%	Sales	–11%
Auckland	–4%	Education	–13%		
Northland	–7%				

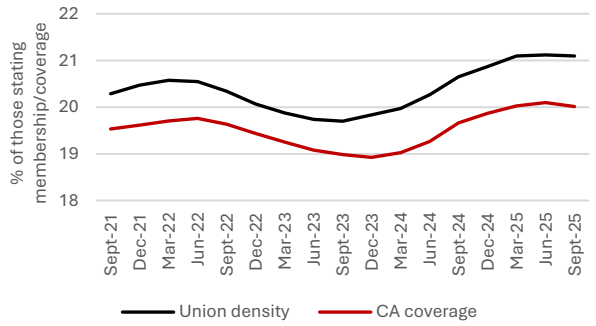
Source: MBIE

Union membership

There were an estimated 481,400 union members in the September 2025 quarter and union density (union members as a percentage of employees) was 21.1%. This is up 0.5 percentage points from September 2024. These figures are estimates and should not be taken as exact – they come from the Household Labour Force Survey and are the best data available. (All figures discussed in this section are annual averages, which is necessary to smooth out unreliable movements in the estimates from quarter to quarter.)

The number of workers covered by a collective agreement was estimated to be 20% of those stating what their employment agreement was. This is up 0.3 percentage points from the same time last year. CA coverage has fluctuated around this level over recent years.

Figure 10: Union density and collective agreement coverage



Source: Stats NZ. Annual rolling averages.

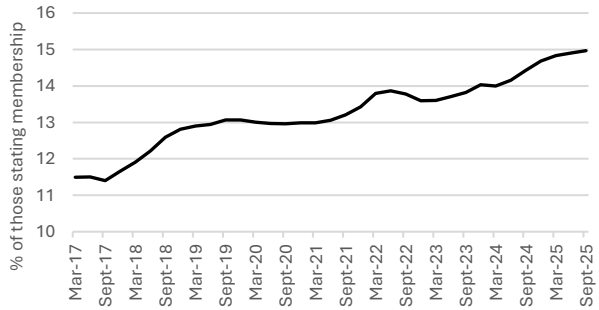
Since the early 2000s, when the gender balance was roughly 50–50, women have made up most of the union membership. In September 2025, an estimated 296,500 women were union members compared to an estimated 184,900 men. This means women made up around 61.6% of the overall membership in that period. (Data on gender diverse members is not collected.) Union density is estimated to be around 26.1% for women and 16.2% 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 roughly equal for men and women, but women make up 80% of the workforce. The reverse is true in male-dominated industries like manufacturing and transport, postal, and warehousing.

Māori and Pasifika workers are more likely to be unionised than Pākehā and Asian workers. As of September 2025, union density among Māori workers was estimated to be 23.2% (unchanged from last year) and among Pasifika workers to be 25.4% (down slightly from last year). For Pākehā workers – a category which also includes MELAA and other ethnicities – it was estimated to be 20.9% (up slightly from last year) and for Asian workers to be 19.1% (up from last year).

Older workers are more likely to be union members. Among workers aged 55+, density was around 27.3% (down 0.9pp from last year). This compares to 22.6% for workers aged 35–54 (up 0.9pp) and 15% for workers aged 15–34 (up 0.5pp). However, density among the younger cohort has been rising steadily over recent years, which is encouraging.

Figure 11: Union density, 15-34 year olds



Source: Stats NZ. Annual rolling averages.

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, overleaf, breaks down membership and density in industries that are estimated to have over 5,000 union members. Compared to the September 2024 quarter, membership fell slightly in health care and social assistance (down 3.3%) but increased in public administration and safety (up 2.1%) and education and training (up 8.2%).

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

INDUSTRY	MEMBERS	DENSITY
Healthcare & social assistance	120,700	45.2%
Public admin & safety	96,825	50.5%
Education & training	93,875	45.6%
Manufacturing	37,650	18.0%
Transport, postal, warehousing	25,200	25.6%
Retail trade	21,725	10.6%
Prof, sci & technical services	12,025	6.7%
Construction	11,475	5.8%
Financial & insurance services	8,275	9.2%
Arts & recreation services	7,700	17.5%

Source: Stats NZ. Annual averages.

Social welfare

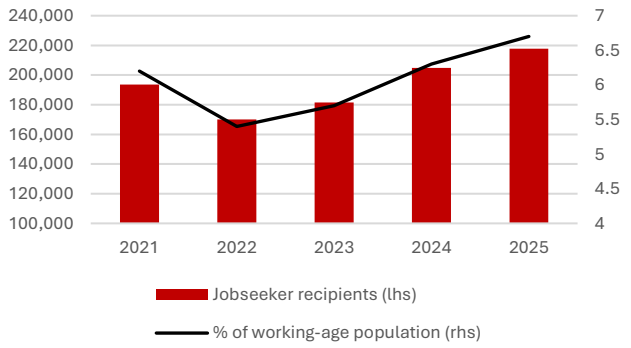
The number of people receiving benefit payments has continued to rise. At the end of September 2025, 410,328 people were receiving a main benefit, up 4.9% compared to the previous year. The rising unemployment and underutilisation rates, caused by ongoing economic weakness and a poor job market, are driving this increase.

Of those receiving a main benefit:

- 121,350 people were receiving Jobseeker Support – Work Ready, up 3.8% annually.
- 96,468 people were receiving Jobseeker Support – Health Condition or Disability, up 9.8%.
- 106,890 people were receiving the Supported Living Payment, up 3.0%.
- 80,568 people were receiving Sole Parent Support, up 3.3%.

The proportion of the working-age population receiving Jobseeker support was 6.7%. This is up from 6.3% one year ago and 5.5% during the pre-recession low of September 2022.

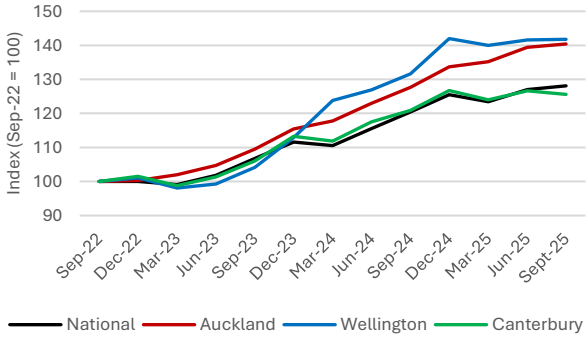
Figure 12: Jobseeker recipients, September quarters



Source: MSD

Overall, since the 2022 low, Jobseeker numbers have increased 28.1%. Auckland and Wellington have seen the largest increases, with Auckland increasing 40.4% and Wellington 41.7%. (These centres still have a lower proportion of working-age people on Jobseekers than many smaller regions with less dynamic job markets.) Since the election, the number of people on Jobseekers in Wellington has risen particularly fast, up 25.6%.

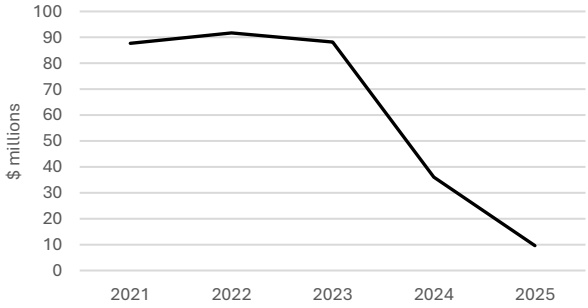
Figure 13: Growth in Jobseeker recipients, index



Source: MSD

There were 563,292 hardship assistance payments worth a total of $178.9 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 September 2023, emergency housing grants totalled $88.2 million. By September 2024 this had fallen to $36 million. For the September 2025 quarter they totalled just $9.6 million. This is a relatively under-reported element of the coalition government's cuts agenda and is likely a big contributor to the rising levels of homelessness around the country.

Figure 14: Value of emergency housing grants, Sep years



Source: MSD

By contrast, the government has significantly ramped up benefit sanctions, despite the glaringly obvious problems in the job market. There was a total of 12,876 sanctions for unfulfilled work obligations during the last quarter. This is down 10.6% from the September 2024 quarter but up 108% from September 2023, just before the new government came in.

Table 4 breaks down the composition of Jobseeker support by gender, ethnicity, and time spent on benefit. A point of concern is that the proportion of people receiving Jobseeker support for more than one year has

increased in the past year. This likely indicates the difficulty of finding work in such a weak economy.

Table 4: Composition of Jobseeker support, % of total

	SEP 24	SEP 25
Male	57.8%	58.0%
Female	41.4%	41.1%
Gender diverse	0.8%	0.9%
Pākehā	48.6%	47.8%
Māori	40.1%	39.9%
Pacific	13.4%	14.2%
Asian	6.3%	6.4%
On Jobseeker one year or less	41.8%	39.9%
On Jobseeker more than one year	58.2%	60.1%

Source: MSD

Table 5 shows the proportion of the working-age population on Jobseeker support by region has gone up in most parts of the country over the past year.

Table 5: % of working-age population on Jobseeker support

REGION	SEP 24	SEP 25
Northland	10.9%	11.4%
Auckland Metro	6.5%	6.9%
Waikato	7.2%	7.4%
Bay of Plenty	8.3%	8.3%
Taranaki	7.3%	7.3%
East Coast	7.1%	7.7%
Central (North Island)	6.6%	7.2%
Wellington	5.5%	5.9%
Nelson	5.7%	5.9%
Canterbury	5.0%	5.0%
Southern	4.0%	4.0%

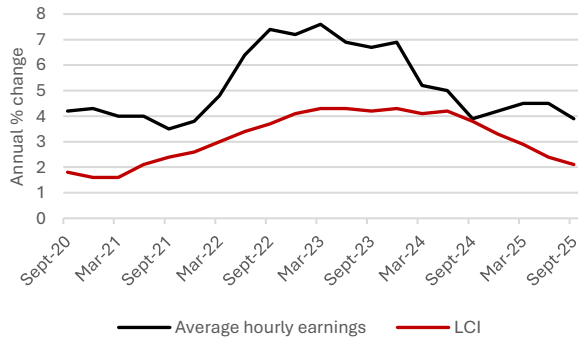
Source: MSD. Nelson includes Tasman and West Coast.

Wages

For the year ending September 2025, 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 2.1%. This is lower than consumer price inflation for the same period, which was 3.0%, and lower than household living-costs inflation, which was 2.4%. The LCI increased 2.1% overall in the private sector and 2.4% overall in the public sector.

These averages mask significant differences across the labour market, with 44% of workers not receiving a pay rise at all and 9% receiving a rise of less than 2%, which is well below inflation. Meanwhile, 15% received a pay rise of between 2–3%; 21% received a rise of between 3–5%; and 11% received a rise over 5%.

Figure 15: Annual growth in wages and labour costs



Source: Stats NZ

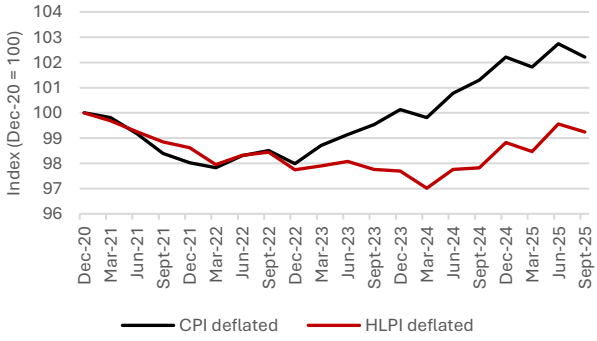
The average hourly wage for ordinary-time work was $43.60, which was up 3.9% from the previous year. In the private sector, the average hourly wage was $41.51, up 4.1% annually. In the public sector it was $51.30, up 3.4% annually. The average hourly wage for females was $41.41, up 3.7% annually. For males it was $45.54, up 4.1% annually.

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.

When deflated by consumer inflation, average hourly earnings grew by 0.9% for the year to September 2025. The average increase in the public sector was just 0.4%, while the average increase in the private sector was 1.1%. On average, real wage growth was 0.7% for female workers and 1.1% for male workers. It's important to read these figures alongside the LCI data discussed earlier – many workers will have received no pay rise or only an increase below inflation. It's also important to consider that this real wage growth is catch-up growth for many workers, who saw their real incomes decline over 2021–23, during the period of high inflation and rising interest rates.

When deflated by household living-costs, real wage growth was slightly stronger. This is because the HLPI came in lower than consumer inflation, reversing the trend of the past couple of years. The more rapid fall in the HLPI has been driven by the decline in the cost of interest payments, as the Reserve Bank has cut the Official Cash Rate. As we discuss below, this has primarily benefited higher-income households. On this measure, average hourly earnings grew by 1.5% for the year to September 2025. The average increase in the public sector was 1% and in the private sector 1.7%. On average, real wage growth was 1.3% for female workers and 1.7% for male workers.

Figure 16: Real wage growth, 2020-25



Source: Stats NZ

Figure 16 provides a snapshot of average real wages 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. Although real wage growth started recovering on the consumer inflation-adjusted measure by late-2022, they continued

to fall on the household living-costs-adjusted measure. This is because of the effect of interest rate increases. As the Reserve Bank increased the Official Cash Rate in an attempt to reduce inflation, this drove people's mortgage costs through the roof. On the consumer inflation measure, real wages are now 2.2% higher than they were in December 2020. But on the household living-costs measure, they are still 0.7% lower.

Average total hourly earnings by industry rose 3.9% annually. The largest increase was in retail trade, which saw average earnings up 8.8%, though wages in this industry are low compared to most other industries. A full breakdown is provided in Table 6.

All in all, although there has been some real wage growth in the past year, this needs to be set against the context of rising unemployment, the unevenness of wage increases, and the enduring impacts of cost-of-living challenges, especially for low-income workers.

Table 6: Average total hourly earnings by industry, year to September 2025

	AVE TOTAL HOURLY EARNINGS ($)	ANNUAL INCREASE
Forestry and mining	46.28	1.4%
Manufacturing	40.65	4.1%
Electricity, gas, water, and waste services	53.01	3.3%
Construction	41.15	3.5%
Wholesale trade	43.27	2.2%
Retail trade	33.90	8.8%
Accommodation and food services	30.14	0.2%
Transport, postal, and warehousing	40.73	4.3%
Information media and telecommunications	55.93	6.7%
Finance and insurance services	63.30	6.7%
Rental, hiring, and real estate services	42.08	5.4%
Prof, sci, tech, admin, and support services	49.48	5.1%
Public administration and safety	50.22	3.0%
Education and training	45.36	4.0%
Health care and social assistance	46.03	1.8%
Arts, recreation, and other services	38.33	5.9%
Total	46.28	3.9%

Source: Stats NZ

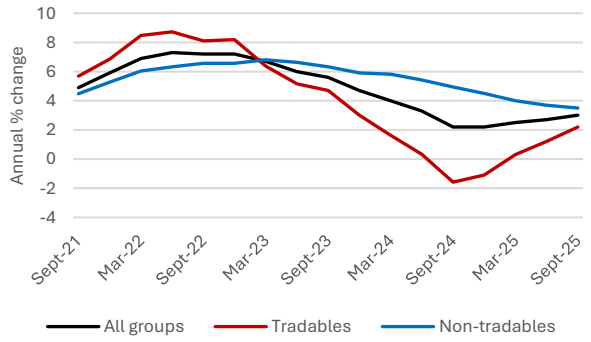
Prices

Consumer inflation

Annual consumer inflation was 3% for the year ending September 2025 (up from 2.7% the previous quarter). This is at the top of the Reserve Bank's target range of 1–3%. However, the Reserve Bank and other forecasters expect this to be transitory and think inflation will moderate through 2026.

The uptick in inflation was driven by tradable inflation (goods and services that are imported or exposed to international competition), which increased from 1.2% to 2.2% on an annual basis. This was driven partly by high prices for food exports. For example, milk, cheese, and eggs increased 10.9% in price and meat and poultry increased 8.3%. Overall food price inflation was 4.6% annually. However, dairy prices have started to come down sharply. This is bad news for exporters but will likely relieve some inflation pressure for New Zealand households.

Figure 17: Annual CPI inflation



Source: Stats NZ

Annual non-tradable inflation (goods and services that do not face foreign competition), which is the measure that the Reserve Bank can influence through its monetary policy, continued to decline, down from 3.7% to 3.5% annually. This reflects the poor state of the domestic economy.

However, non-tradable inflation is being held higher than it otherwise would be due to high inflation in council rates and payments, up 8.8% (see the September Bulletin for our analysis of what's driving council rates up), rentals for housing, up 2.6%, and household energy, up 11.4%. Insurance inflation has started to abate, though was still up 4.1% annually. These services – particularly council rates, household energy, and insurance – are relatively immune to the Reserve Bank's monetary policy. To properly address the cost-of-living problems in New Zealand, the government needs to intervene in these areas – to this end, the NZCTU's proposal for dealing with electricity prices was released in September.

Inflation has risen moderately across the developed economies in recent months. On the latest data, annual inflation was 3.2% in Australia, 2.4% in Canada, 2.2% in the Euro Area, 3.8% in the United Kingdom, and 3% in the United States.

Table 7 breaks down the rate of inflation for September 2025 for the smaller number of goods and services that we get monthly price updates on. These can differ slightly from the quarterly figures, because they are monthly comparisons.

Table 7: Monthly inflation indicators, September 2025

	PREVIOUS MONTH	PREVIOUS YEAR
Food	–0.4%	4.1%
Fruit & veg	–2.5%	5.8%
Meat, poultry, fish	–0.4%	6.4%
Groceries	–0.6%	3.9%
Rent (stock measure)	0.0%	1.8%
Electricity	0.2%	11.6%
Gas	1.4%	17.0%
Petrol	0.9%	1.8%
Diesel	0.9%	2.9%
Domestic air transport	11.0%	2.1%
Domestic accommodation	1.7%	1.9%

Source: Stats NZ.

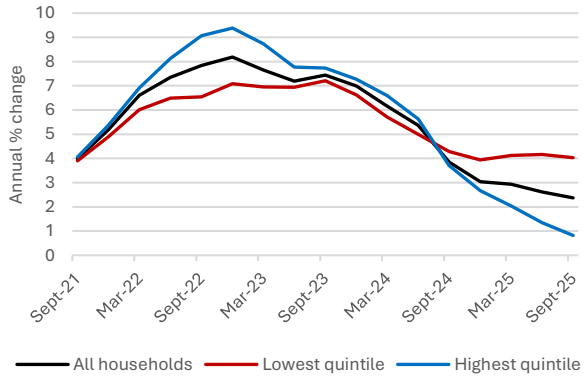
The weekly fuel price data remains relatively stable. For the week ending 31 October 2025, MBIE's fuel-price monitoring had regular petrol at $2.61 per litre and diesel at $1.92 per litre. As of 7 November, oil was trading around US$60 per barrel on the West Texas Intermediate, which is low by recent standards.

Household living costs

Annual household living costs inflation for the "all households" category was 2.4% in the September quarter. It has trended rapidly down since the peak

reached in September 2023. The main reason why it has fallen below the consumer inflation rate is that this measure accounts for the cost of interest payments. Because the Reserve Bank has been cutting the Official Cash Rate, the cost of servicing mortgages (and other debts) has declined.

Figure 18: Annual household living-costs inflation, selected expenditure quintiles



Source: Stats NZ

Importantly, though, the decline in household living costs has been extremely uneven. For households on low incomes, living-costs inflation remains very high, whereas for people on higher incomes, it has declined rapidly. As Figure 18 shows, annual living-costs inflation was only 0.8% for households in the highest expenditure quintile but was 4% for households in the lowest quintile. It was similarly high for beneficiaries (3.4%) and superannuitants (3.9%).

This difference is driven by two main factors. First, the main beneficiaries of the disinflation in interest costs are wealthier households. Interest payments make up a greater proportion of high-expenditure households' living costs than low-expenditure households. The second driver is the ongoing pressure caused by high electricity, food, rent, and council rates inflation. The smaller your income the larger the proportion of your income must go on these essentials.

In short, those with the least are bearing the brunt of ongoing price rises in essential services, while those with more are experiencing a flattening out of living-costs inflation. This adds another dimension to the class politics of our inflation-management regime, discussed in the feature article above. Failure to tackle rising prices in essential goods and services, some of which the Reserve Bank is not equipped to influence, means a continuation of the cost-of-living crisis for those who are already worse off. This is reinforced by lower-income household's greater vulnerability to becoming unemployed due to the Reserve Bank's monetary policy and the government's failure to take mitigating action.

Official cash rate

The Official Cash Rate (OCR) was cut a further 50 basis points on 8 October, to 2.5%. Although inflation is at the top of the Reserve Bank's target band, it expects this to be transitory. In the media statement, the Reserve Bank noted that there was "significant spare capacity in the domestic economy". This is economist-speak for a significant amount of unemployment and under-used capital, or, in plainer English: the economy is in bad shape. This, of course, is partly the result of the Reserve Bank's previous actions. It seems clear to us that the OCR was increased too high and was held high for too long. Forecasters expect another cut in the OCR at the 26 November announcement.

Real estate

The housing market remains weak across much of the country. In REINZ's September report, the median house price rose 1.3% compared to the previous month but was down 1.5% annually. Table 7 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 over the past four years.

Table 9: REINZ house price index, % change, September 2025

	3 MONTHS	1 YEAR	FROM PEAK
National	0.7%	0.2%	–15.7%
Auckland	0.2%	–1.0%	–22.2%
Waikato	1.0%	0.6%	–12.9%
Wellington	–0.5%	–2.6%	–26.1%
Canterbury	1.7%	2.8%	–2.5%

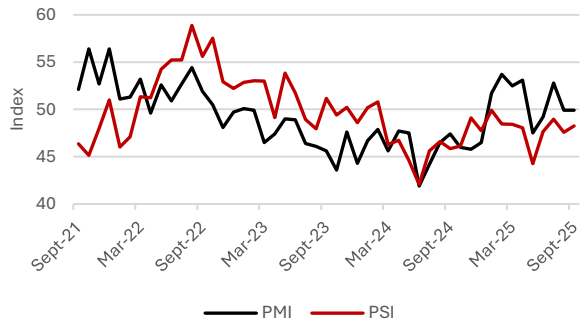
Source: REINZ. Peak is late 2021.

Other economic indicators

Performance indexes

The BNZ–BusinessNZ performance of manufacturing index (PMI) and performance of services index (PSI) both registered contraction in September, at 49.9 and 48.3 respectively. 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 19: BNZ–BusinessNZ Performance indexes



Source: BusinessNZ

Employment confidence

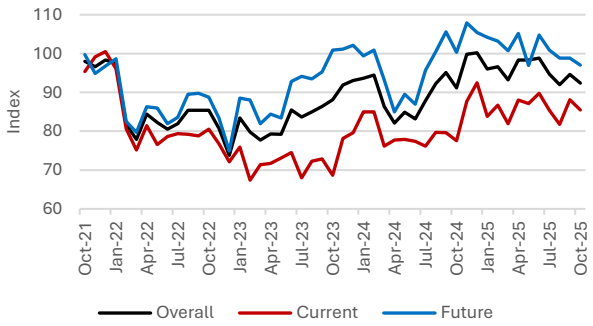
The Westpac–McDermott Miller Employment Confidence Index rose marginally in the September quarter, up 1.1 points to 89.9. This is close to the historic low recorded during the first Covid lockdown in 2020. A score above 100 on the index indicates that households are, on average, optimistic about employment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

Consumer confidence

The ANZ–Roy Morgan Consumer Confidence Index fell marginally in October, to 92.4. Confidence in current economic conditions was negative, at 85.5, as was confidence in future economic conditions, at 97. 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.

The Westpac McDermott Miller Consumer Confidence Index for the September quarter showed similar results, with consumer confidence at 90.9.

Figure 20: ANZ–Roy Morgan Consumer Confidence Index



Source: ANZ

Business confidence

Despite the very poor state of the economy, reported 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 mostly a function 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 manufacturing and agriculture, but weakly positive in construction and services, and strongly positive in retail. Reflecting the weak job market, "Employment vs same month one year ago" was negative in retail, manufacturing, and construction, though up in agriculture and services.

Government accounts

For the 3 months ending September 2025, the government accounts were slightly weaker than forecast at the Budget. Core Crown tax revenue was $471 million (1.6%) lower than forecast, partly driven by weaker-than-expected source deduction revenue (PAYE tax). Meanwhile, core Crown expenses were $51 million (0.1%) higher than forecast.

This produced an OBEGAL (operating balance excluding gains and losses) deficit of $4.1 billion, which is $249 million (6.5% higher than forecast). The current government's preferred measure of OBEGALx (which excludes ACC from the calculations) was almost $500 million (14.3%) higher than forecast. Despite this, net core Crown debt was lower than forecast, at 42.3% of GDP.

Compared to the same time last year, the fiscal position is basically unchanged. Core Crown tax revenue grew 1.5%, while core Crown expenses grew 4.3%, due largely to higher spending on welfare and superannuation, up $700 million, and health costs, up $500 million. The OBEGAL deficit, however, is 3.2% lower than last year, while the OBEGALx deficit is 4.8% higher. Net core Crown debt as a percentage of GDP has remained unchanged compared to last year.

Table 10: Interim financial statements of government for the three months ended 30 September 2025

	SEP 2025 ACTUAL	BEFU FORECAST	SEP 2024 ACTUAL
Core Crown tax revenue ($bn)	29.1	29.6	28.7
Core Crown revenue ($bn)	32.5	33.1	32.3
Core Crown expenses ($bn)	36.4	36.3	34.9
OBEGAL ($bn)	–4.1	–3.8	–4.2
OBEGALx – excluding ACC ($bn)	–4.0	–3.5	–3.8
Net core Crown debt (% of GDP)	42.3%	43.5%	42.3%

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