

Economic Bulletin

January / February 2026

NCZTU Economic Bulletin

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Welcome to the January/February 2026 Economic Bulletin.

In this month's feature we take stock of where the labour market is at. Although the headline unemployment rate has not risen as far or fast as during previous major recessions, the labour market has weakened dramatically in the past three years. One area of particular concern is the increase in longer-term unemployment that we have seen. The longer people spend out of a job the more financially, emotionally, and socially damaging unemployment can be. Long periods of unemployment tend to make it harder to transition back into employment and increase the risk of permanent disconnection from the labour market. The government needs to get serious about this issue.

In our regular updates, we examine the December 2025 quarter data for employment, wages, union membership, consumer inflation, and household living costs inflation. Although there are signs that the economy may start to pick up in 2026, the job market remains very weak. The only meaningful economic recovery will be one that delivers broad-based employment growth in 2026.

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 [December 2025 Bulletin](#).

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Key data for trade unionists

Economic indicators and wages – December quarter 2025

CONSUMER INFLATION	LIVING COSTS INFLATION	UNEMPLOYMENT RATE	OFFICIAL CASH RATE
3.1%	2.2%	5.4%	2.25%
AVE HOURLY WAGE GROWTH	LABOUR COST INDEX	MINIMUM WAGE	LIVING WAGE
3.3%	2.0%	\$23.50	\$28.95

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

Annual wage growth – December quarter 2025

	NOMINAL	REAL (CONSUMER INFLATION)	REAL (LIVING COSTS)
Average ordinary time hourly wages – all sectors	3.3%	0.2%	1.1%
Private sector	3.5%	0.4%	1.3%
Public sector	2.9%	-0.2%	0.7%
Female	3.8%	0.7%	1.6%
Male	2.9%	-0.2%	0.7%
Labour cost index – all sectors	2.0%	-1.1%	-0.2%
Private sector	2.1%	-1.0%	-0.1%
Public sector	2.2%	-0.9%	0.0%

Source: Stats NZ

Annual consumer inflation forecasts

YEAR ENDING	RESERVE BANK	TREASURY	AVERAGE
Mar 2026	2.8%	2.5%	2.7%
Jun 2026	2.7%	2.4%	2.6%
Sep 2026	2.5%	2.3%	2.5%
Dec 2026	2.3%	2.3%	2.3%

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

	DEC 2025	DEC 2024	5-YEAR AVE	VS 2024	VS 5-YEAR AVE
Unemployment	5.4%	5.1%	4.2%	↑ +0.3pp	↑ +1.2pp
Female unemployment	5.6%	5.3%	4.4%	↑ +0.3pp	↑ +1.2pp
Male unemployment	5.3%	4.9%	4.0%	↑ +0.4pp	↑ +1.3pp
Māori unemployment ¹	10.6%	9.3%	8.4%	↑ +1.3pp	↑ +2.2pp
Pasifika unemployment ¹	11.9%	9.6%	8.3%	↑ +2.3pp	↑ +3.6pp
Youth unemployment ¹	15.6%	14.1%	11.9%	↑ +1.5pp	↑ +3.7pp
Underutilisation ²	13.0%	12.2%	10.8%	↑ +0.8pp	↑ +2.2pp
Female underutilisation	14.9%	13.9%	12.8%	↑ +1.0pp	↑ +2.1pp
Male underutilisation	11.1%	10.7%	9.0%	↑ +0.4pp	↑ +2.1pp
Māori underutilisation ¹	20.6%	18.8%	17.7%	↑ +1.8pp	↑ +2.9pp
Pasifika underutilisation ¹	20.6%	17.8%	16.1%	↑ +2.8pp	↑ +4.5pp
Reason for leaving last job – redundant/laid off/business closed ^{1, 3}	15.3%	13.7%	12.0%	↑ +1.6pp	↑ +3.3pp
Perceived chance of losing job among those currently employed ^{1, 4}	16.3%	15.8%	15.3%	↑ +0.5pp	↑ +1.0pp
Percentage of working-age population on Jobseekers	6.9%	6.5%	6.1%	↑ +0.4pp	↑ +0.8pp
Duration of unemployment, 3-6 months ¹	21.6%	20.2%	17.6%	↑ +1.4pp	↑ +4.0pp
Duration of unemployment, more than 6 months ¹	37.7%	29.7%	30.3%	↑ +8.0pp	↑ +7.4pp

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 actively seeking work but want a job).

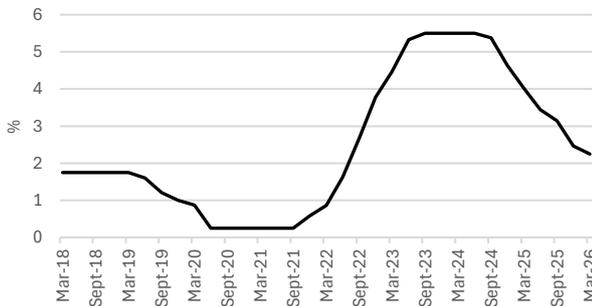
³ Percentage of unemployed people who left their last job because they were made redundant, laid off, or the business closed.

⁴ This is a measure of 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.

Long-term unemployment is a rising problem

The New Zealand labour market has significantly weakened over the past three years. This began, gently at first, in late 2022. The deterioration continued through 2023 and picked up pace in 2024. The central cause of the decline has likely been the monetary policy response to inflation, with the Reserve Bank hiking the Official Cash Rate to a peak of 5.5% in 2023. This has caused consumer spending to contract and business investment to stall, both of which have negative impacts for hiring. But this situation has been exacerbated by the National-led government’s decisions, which have included large public sector layoffs, a failure to intervene in the energy market – guaranteeing the loss of some manufacturing plants and jobs – and an unwillingness to provide counter-cyclical support to the economy during the downturn.

Figure 1: Official Cash Rate, 2018–26



Source: RBNZ

In this note, we look at how far the labour market has declined since the pre-recession peak. We focus particular attention on the increase in long-term unemployment (which we define here as people unemployed for more than 6 months). We also put these numbers in recent historical context by comparing them to the two other major recessions of recent decades: the early 1990s recession and the post-financial crisis recession of 2008–09 (we leave aside the comparatively small recession of 1997–98).

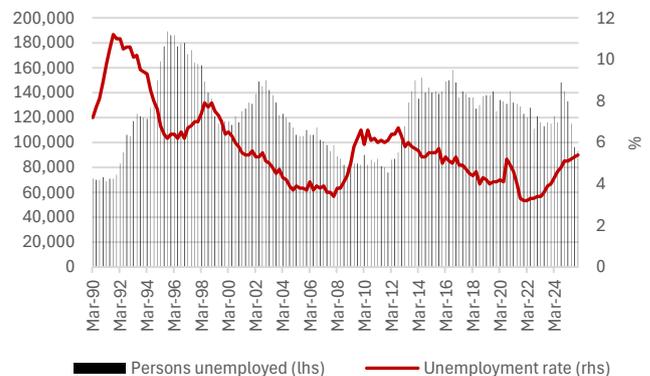
The precise starting points of downturns in the labour market are fuzzy. We take 1990Q1 as the pre-recession high point for the early 1990s recession; 2007Q4 for the post-financial crisis recession; and 2022Q3 for the post-Covid recession. The starting point of the deteriorating

labour market in the early 1990s is particularly fuzzy because two things were happening at once during that time: (1) the New Zealand economy was experiencing a wrenching structural reform, during which unemployment had been steadily rising, especially since the late-1980s; and (2) it was experiencing a policy-driven recession courtesy of Ruth Richardson making sweeping budget cuts (high global interest rates were also weighing on economic activity).

Unemployment

Unemployment reached a low of 3.2% in late 2021, a significant achievement. By the third quarter of 2022 – which we mark as the pre-recession economic peak – it was 3.3%. Since then, unemployment has risen slowly but steadily to 5.4% in the December 2025 quarter (the latest available data). By contrast, in the early 1990s, unemployment jumped from a pre-recession low of 7.2% to a high of 11.2% in 1991. And in the post-financial crisis recession, it went from a low of 3.4% to a high of 6.7% in 2012. However, the relatively (by recent historical standards) low unemployment rate that has been recorded so far is a touch flattering.

Figure 2: Unemployment, 1990–25



Source: Stats NZ

First off, it’s useful to set the unemployment rate in the context of the actual numbers of unemployed people. Using seasonally adjusted figures, there were around 165,000 people unemployed in the December 2025 quarter, an increase of 72% from the start of the recession. By contrast, the peak reached during the previous downturns discussed here was 189,000 unemployed people in 1991, an increase of 59%, and 158,000 unemployed people in 2012, an increase of

108%. So although the unemployment rate is lower than those earlier recessions, because the labour force has grown over the past three decades, the absolute number of people unemployed is relatively high by historical standards. This is important because the number of people matters at least as much as the rate of unemployment when it comes to assessing its social cost.

We also need to look at other indicators to develop a more complete picture of the strength of the labour market. These include underutilisation, duration of unemployment, and outward migration (this is far from an exhaustive list – others are covered in our regular data updates from page 8 onwards).

Underutilisation

The underutilisation rate, which paints a broader picture of labour market conditions because it accounts for the unemployed, underemployed, and potential labour force, has risen from a pre-recession low of 9% to 13% in the December 2025 quarter. Around 271,000 people were estimated to be underutilised in the September 2022 quarter and this has risen to 409,000 people, an increase of 51%. The recession following the financial crisis saw underutilisation increase from 9.2% to a high of 15.6%. In absolute numbers underutilisation rose from 214,000 people pre-recession to 385,000 people in 2012, an increase of 80%. (Data on underutilisation is not available for the early '90s recession.) So the underutilisation rate has not risen as far or fast as during the post-financial crisis recession, but the absolute number of persons underutilised is larger now than it was then.

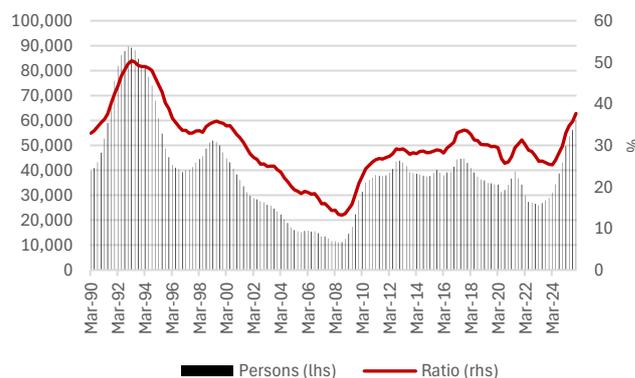
Long-term unemployment

Another important indicator of labour market conditions is the long-term unemployment level (defined here as people unemployed for 6 months or longer). This has risen alarmingly over the past three years. In September 2022 there were around 27,000 people estimated to have been unemployed for 6 months or longer; by December 2025 this had risen to around 60,300 people, an increase of 123% (these figures are annual averages). Not only are more people in long-term unemployment,

the ratio of people in longer-term unemployment as a percentage of overall unemployment has increased. Pre-recession, in 2022, 29% of unemployed people had been unemployed for 6 months or longer. This has now risen to 38%.

During the early '90s recession, the number of long-term unemployed rose from around 39,000 people in early 1990 to almost 90,000 by the middle of 1992, an increase of 131%. The ratio of longer-term unemployed to total unemployed rose from 33% to 50% during this same period. In the post-financial crisis recession, the number of long-term unemployed people rose from a pre-recession low of around 12,000 to a high of almost 44,000 in 2012, a gigantic increase of 267%. The ratio of longer-term unemployed to total unemployed rose from 14% to 29% during this same period.

Figure 3: Persons unemployed 6 months or longer and ratio of persons unemployed 6 months or longer to total unemployment



Source: Stats NZ. Annual rolling averages

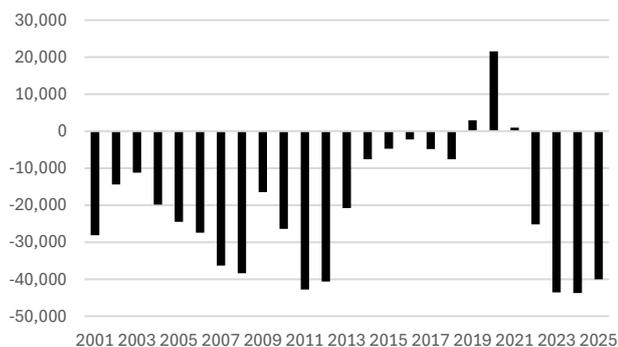
One thing that jumps out from these numbers is that the ratio of longer-term unemployed trended steadily down after the early 1990s recession to reach a low in 2007 – as shown in Figure 3. By contrast, after spiking during the post-financial crisis recession, long-term unemployment stayed elevated through the 2010s and into the Covid period. It appears that New Zealand has now baked in a structural level of long-term unemployment – tackling this should be a priority for lawmakers.

Outward migration

There is a long-standing history in New Zealand, going back at least as far as the “Long Depression” of the late

19th century, of workers crossing the ditch to Australia when the economy is tanking at home. Consistent with this trend, we have seen a surge in outward migration by New Zealand citizens, many of whom have moved to Australia, over the past three years. There was a net loss of more than 40,000 New Zealand citizens recorded in each of 2023, 2024, and 2025. Some of this is probably attributable to the unusual migration patterns that were observed from 2019 to 2021, where more NZ citizens returned home than left, mostly because of Covid. So one could argue there was some pent-up demand, particularly among younger cohorts, to leave New Zealand. But the poor state of the labour market will also be an important factor driving this exodus.

Figure 4: Net loss or gain of NZ citizens, 2001–25 (Dec years)



Source: Stats NZ

Migration data by citizenship is difficult to find for the 1990s (please let us know if you have any sources to point us towards), so we are unable to provide a comparison with the early '90s recession. However, as Figure 4 shows, the post-financial crisis recession looks to have driven New Zealanders offshore, with the net migration loss rising to almost 43,000 NZ citizens in 2011 and 41,000 in 2012. However, as Figure 4 shows net outward migration had been generally high throughout the 2000s. Given the low rate of unemployment achieved during the mid-2000s, this is somewhat surprising.

Importantly, the big net outflow of citizens over the past three years has likely had the effect of making the unemployment figures look better than they otherwise would. It means that some people who would otherwise be unemployed or underemployed have simply left the country.

Conclusion

Although the headline unemployment rate has not risen as far or fast as in some previous major recessions, the labour market has weakened dramatically in the past three years. One area of particular concern is the increase in longer-term unemployment that we have seen. The longer people spend out of a job the more financially, emotionally, and socially damaging unemployment tends to be. Long periods of unemployment make it harder to transition back into employment and increase the risk of permanent disconnection from the labour market.

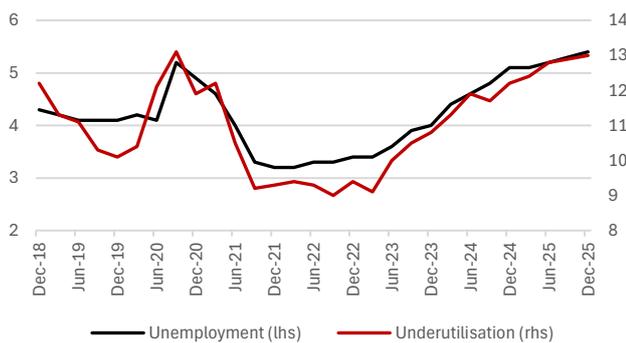
The government needs to get serious about this issue. Although there are no easy fixes here, starting points include stopping any further public sector cuts and increasing resourcing into active labour market programmes. Sector-specific actions should also be considered, such as supporting the construction sector to get back on its feet by expanding state housing provision. Over the longer term, a plan of action is needed to reduce the structural level of long-term unemployment we seem to have baked into the New Zealand economy. This will require a coordinated approach across fiscal, industrial, social welfare, and education policy, as we discussed in the [Oct/Nov 2025 Bulletin](#).

Employment and labour market

The unemployment rate increased marginally in the December 2025 quarter to 5.4%, its highest level since 2015. Likewise, the underutilisation rate, which paints a broader picture of labour market conditions because it accounts for the unemployed, underemployed, and potential labour force, ticked up to 13% – its highest level since early 2016.

On a seasonally adjusted basis, approximately 165,000 people were unemployed in the December quarter. This is the largest number of people unemployed since 1994. A further 139,000 people were estimated to be underemployed (wanted more hours than they could get), and a total of 409,000 people were estimated to be underutilised – the highest number since this measure has been used.

Figure 5: Unemployment and underutilisation rates (%)



Source: Stats NZ

Compared to the September 2025 quarter, the seasonally adjusted female unemployment rate rose 0.2 percentage points to 5.6% and the male unemployment rate increased 0.1pp to 5.3%. For women, this is the highest that unemployment has been since 2017 (setting aside a short-lived spike during the 2020 lockdown); for men it is the highest rate of unemployment since 2013. The underutilisation rate for female workers was unchanged at 14.9%, while the male underutilisation rate fell 0.1pp to 11.1%. For women, underutilisation is at its highest level (excluding the 2020 lockdown) since 2017; for men, it is at its highest level since 2016.

Statistics NZ doesn't 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 European/Pākehā workers, unemployment increased 0.2pp to 4.0% and underutilisation increased 0.6pp to 11.2%.
- For Māori workers, unemployment increased 1.3pp to 10.6% and underutilisation increased 1.8pp to 20.6%.
- For Pasifika workers, unemployment increased 2.3pp to 11.9% and underutilisation increased 2.8pp to 20.6%.
- For Asian workers, unemployment increased 0.6pp to 5.1% and underutilisation increased 1.2pp to 12.5%.

By region, unemployment continues to be highest at the top of the North Island, with Northland at 5.7%, Auckland at 6.3%, and Waikato 5.8% (these figures are annual averages). Since the government took office in the December 2023 quarter, unemployment has increased markedly in the main centres, up 65% in Auckland, 56% in Wellington, and 34% in Canterbury.

Table 1: Unemployment rate by region, December years

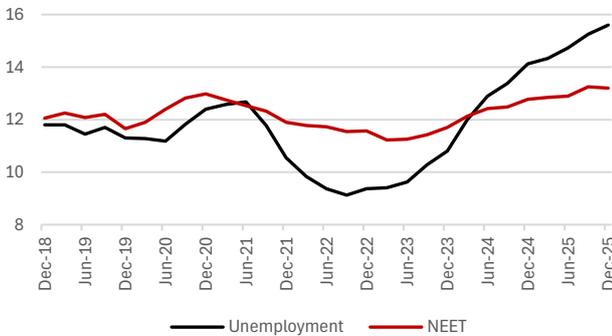
	DEC 24	DEC 25
Northland	5.9%	5.7%
Auckland	5.0%	6.3%
Waikato	5.7%	5.8%
Bay of Plenty	5.2%	5.4%
Gisborne/Hawke's Bay	3.9%	5.0%
Taranaki	4.1%	4.5%
Manawatū/Whanganui	4.5%	4.7%
Wellington	4.5%	4.9%
Tasman/Nelson/Marl/West Coast	3.6%	3.9%
Canterbury	4.6%	4.6%
Otago	3.5%	2.6%
Southland	5.6%	4.2%

Source: Stats NZ. Annual averages

Compared to the previous year, the youth unemployment rate (those aged 15–24) increased 1.5pp to 15.6%. The NEET rate (youth not in employment, education, or training) also increased, up 0.4pp to 13.2%. In real terms this represents almost 90,000 young people who were not in employment, education, or training in the December 2025 quarter. 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 (%)

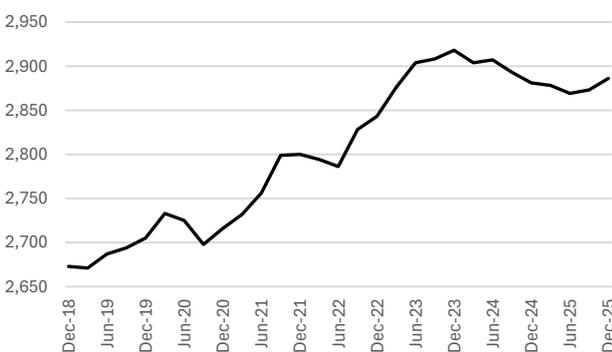


Source: Stats NZ

There were some signs of that labour market conditions may start to improve in 2026, however. Both the labour force participation and employment rates ticked up slightly in the December quarter. Participation rose 0.2 percentage points to 70.5% and employment rose 0.1pp to 66.7%. The number of hours worked also rose compared to the previous year, up 0.7 million (0.7%).

The number of employed persons has also started to grow again, up 0.5% from the previous quarter on a seasonally adjusted basis. However, it is still well off the peak it reached in December 2023, as shown in Figure 7. Seasonally adjusted filled jobs also grew slightly in the last two months of 2025, but is still well down from the previous peak, as shown in Figure 8.

Figure 7: Seasonally adjusted persons employed (thousands)



Source: Stats NZ

The other positive sign is that job advertisements continued to grow for another quarter. In the year to the December 2025 quarter, [online job advertisements](#) grew

6.4%. However, in Northland, Auckland, and Gisborne/Hawke’s Bay job ads remained either flat or down compared to the previous year. Additionally, the growth we have seen in needs to be set in the context of how far job ads have fallen from the pre-recession peak. Compared to three years ago, job ads remain between 27–71% down across all regions. Table 2, overleaf, provides a detailed breakdown of the job ads data.

Figure 8: Seasonally adjusted filled jobs (thousands)



Source: Stats NZ

Because of the ongoing weakness of the labour 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 more than 6 months has increased from 29.8% to 37.7%, or from 43,100 people to 60,300 people (annual averages). The number of unemployed people who have been out of work for more than 6 months has increased 123% since the pre-recession low in late-2022 and is now at its highest level since 1995.

The number of people receiving benefit payments has continued to rise. At the end of December 2025, 427,236 people were receiving a main benefit, up 4.3% compared to the previous year. This means 13.2% of the working-age population were receiving a main benefit. The rising unemployment and underutilisation rates are driving this increase. Of those receiving a main benefit: 124,875 people were receiving Jobseeker Support – Work Ready, up 3.7% annually; and 96,468 people were receiving Jobseeker Support – Health Condition or Disability, up 6.2%. The proportion of the working-age population receiving Jobseeker support was 6.9%, which is up from 6.5% one year ago. (Due to some data system issues at MSD, we are unable to provide more

detailed analysis of the December quarter’s social welfare statistics.)

Net migration continues to be very low. For the year ending December 2025, there were an estimated 138,400 migrant arrivals (down 6% from the previous year) and an estimated 119,800 departures (up 1% from the previous year). This produced an estimated net migration gain of 14,200 people, which is significantly below the pre-COVID norm, though not as bad as during the post-2008 downturn when net migration turned negative for several years. The number of departures appears to have stopped increasing in recent months and the number of arrivals has stopped declining.

New Zealand citizens continue to leave the country in very high numbers, reflecting the weak economic conditions here. All up, an estimated 66,300 New Zealand citizens departed the country in the year to December, with the net outflow being around 40,000 people. This is down from the records set earlier in 2025, which may indicate that most of the people who both want to leave and can leave relatively easily (i.e., young workers and those without children) have already done so – in other words, New Zealand may be running out of people who can easily up sticks and move in search of better job opportunities.

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

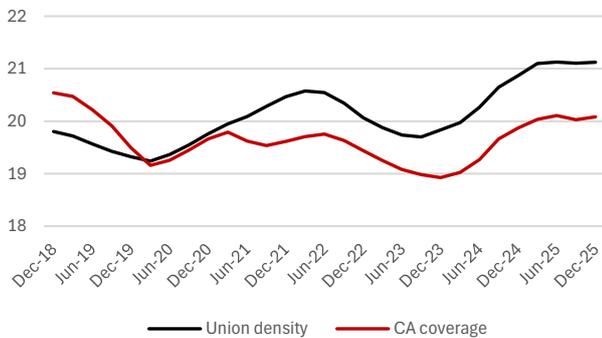
REGION	CHANGE	INDUSTRY	CHANGE	OCCUPATION	CHANGE
Otago/Southland	14%	Primary	17%	Sales	12%
Canterbury	11%	Health care	16%	Technicians & trades	10%
Waikato	10%	IT	13%	Managers	8%
Wellington	9%	Construction	11%	Machinery operators & drivers	7%
Nelson/Tasman/ Marlborough/West Coast	9%	Sales	10%	Labourers	5%
Bay of Plenty	7%	Manufacturing	3%	Clerical & administration	5%
Manawatū/Whanganui/ Taranaki	7%	Business services	3%	Professionals	3%
Northland	0%	Hospitality	0%	Community & personal services	2%
Auckland	-1%	Education	-14%		
Gisborne/Hawke’s Bay	-1%				

Source: MBIE

Union membership

There were an estimated 481,875 union members in the December 2025 quarter and union density (union members as a percentage of total employees) was 21.1%, essentially unchanged since the previous year. The number of workers covered by a collective agreement was estimated to be 20.1% of those stating what their employment agreement was, which again is essentially unchanged from the previous year. (All figures discussed in this section are annual averages, which is necessary to smooth out unreliable movements in the estimates from quarter to quarter.)

Figure 9: Union density and collective agreement coverage, % of employees



Source: Stats NZ. Annual rolling averages

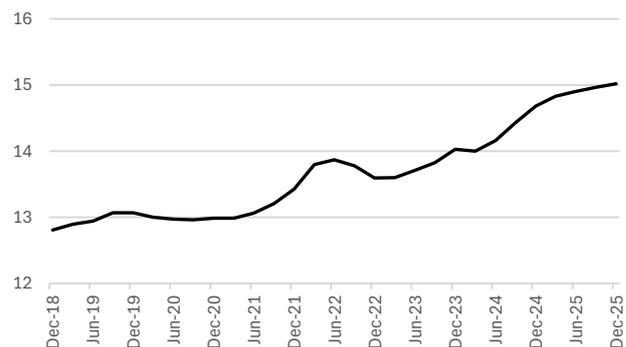
Since the early 2000s, when the gender balance was roughly 50–50, women have accounted for the majority of union membership. In the December 2025 quarter, an estimated 296,425 women were union members compared to an estimated 185,450 men. This means women made up around 61.6% of the overall membership in that period. (Data on gender diverse members is not collected.) Union density is estimated to be around 26% 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. Likewise, in education union density by gender is equal, but women make up 75% 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 European/Pākehā and Asian workers. In the December quarter, union density among Māori workers was estimated to be 23.4% (up slightly from the previous year) and among Pasifika workers to be 25.1% (down from 27% the previous year). For European/Pākehā workers – a category which also includes MELAA and other ethnicities in this data set – it was estimated to be 20.9% (up slightly from the previous year) and for Asian workers to be 19.1% (also up marginally from the previous year).

Older workers are more likely to be union members. Among workers aged 55+, density was 27.1% (down 1.1pp from 2024). This compares to 22.6% for workers aged 35–54 (up 0.7pp) and 15% for workers aged 15–34 (up 0.3pp). Encouragingly, density in the younger cohort has been rising steadily over recent years.

Figure 10: Union density, 15-34 year olds (%)



Source: Stats NZ. Annual rolling average

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 December 2024 quarter, membership was estimated to have fallen in health care and social assistance (down 7%), public administration and safety (down 3.1%), and manufacturing (down 9.6%), but increased in education and training (up 6.1%) and transport, postal, and warehousing (up 0.7%).

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

INDUSTRY	MEMBERS	DENSITY
Healthcare & social assistance	118,150	44.7%
Public admin & safety	94,825	50.3%
Education & training	93,475	45.5%
Manufacturing	36,225	17.3%
Transport, postal, warehousing	25,275	25.7%
Retail trade	23,200	11.3%
Prof, sci & technical services	13,100	7.3%
Construction	11,100	5.7%
Financial & insurance services	8,225	9.0%
Arts & recreation services	8,750	19.7%

Source: Stats NZ. Annual averages

Wages

For the year ending December 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%. This is lower than consumer price inflation for the same period, which was 3.1%, and lower than household living-costs inflation, which was 2.2%. The LCI increased 2% in the private sector and 2.2% 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 26% receiving a rise of less than inflation. Meanwhile, 19% received a pay rise of between 3–5%, and 9% received a rise over 5%.

Figure 11: Annual growth in wages and labour costs (%)



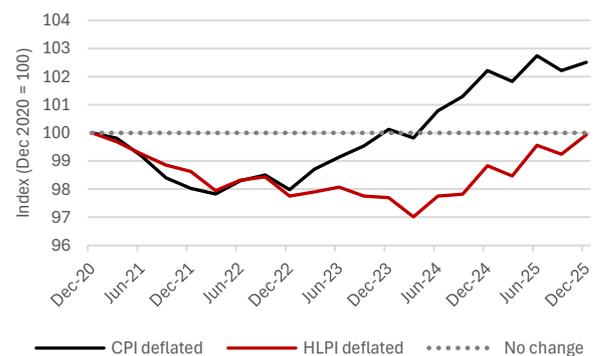
Source: Stats NZ

The average hourly wage for ordinary-time work was \$43.99, which was up 3.3% from the previous year. In the private sector, the average hourly wage was \$41.80, up 3.5% annually. In the public sector it was \$52.12, up 2.9% annually. The average hourly wage for females was \$41.87, up 3.8% annually. For males it was \$45.88, up 2.9% 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. It should be noted that these are broad averages, and actual real wage growth will be quite variable across and within industries and occupation groups.

When deflated by consumer inflation, average hourly earnings grew by 0.2% for the year to December 2025. In the private sector real wages grew 0.4% while in the public sector they fell 0.2%. Average real wages grew 0.7% for female workers and fell 0.2% for male workers. When deflated by household living-costs, real wage growth was slightly stronger. This is because the HLPI came in lower than consumer inflation due to the decline in the cost of mortgage payments. As we discuss in the next section, this has primarily benefited higher-income households. On this measure, average hourly earnings grew by 1.1% for the year to December 2025. The average increase in the private sector was 1.3% and in the public sector 0.7%. On average, real wage growth was 1.6% for female workers and 0.7% for male workers.

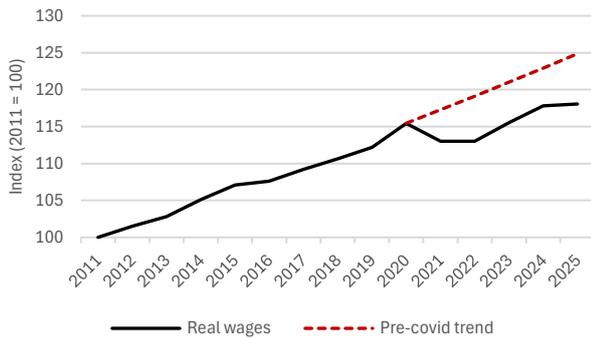
Figure 12: Real wage growth index, 2020–25



Source: Stats NZ; NZCTU calculations

Figure 12 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, it 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 higher. On the consumer inflation measure, average real wages are now 2.5% higher than they were in December 2020. But on the household living-costs measure they are still 0.1% lower – in other words, households are on average no better off than they were five years ago.

Figure 13: Real wage index, CPI measure, 2011–25, Dec years

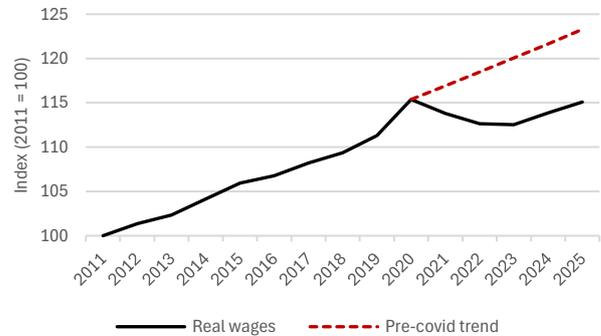


Source: Stats NZ; NZCTU calculations

The stagnation of real wages over this period is made starker if we look at where real wages would be, had the pre-Covid trend of annual real wage growth continued. In the decade from 2011 to 2020, real wages grew on average 1.6% per year using the CPI measure, or 1.3% using the HLPI measure. Had this trend continued from 2021 onwards, real wages would be 5.8% higher than they are now on the CPI measure (Figure 13), or 7.1%

higher than they are now on the HLPI measure (Figure 14).

Figure 14: Real wage index, HLPI measure, 2011–25, Dec years



Source: Stats NZ; NZCTU calculations

Average total hourly earnings by industry rose 3.4% annually. The largest increase was in information media and telecommunications, which saw average earnings rise 6.1%. A full breakdown is provided in Table 4.

Table 4: Average total hourly earnings by industry, year to December 2025

	AVE TOTAL HOURLY EARNINGS (\$)	ANNUAL INCREASE
Forestry and mining	47.23	5.3%
Manufacturing	40.54	3.0%
Electricity, gas, water, and waste services	53.74	4.0%
Construction	41.95	3.0%
Wholesale trade	43.74	3.5%
Retail trade	33.23	4.9%
Accommodation and food services	30.44	1.1%
Transport, postal, and warehousing	41.65	4.8%
Information media and telecommunications	57.58	6.1%
Finance and insurance services	63.36	5.1%
Rental, hiring, and real estate services	41.64	2.4%
Prof, sci, tech, admin, and support services	49.75	3.5%
Public administration and safety	51.52	3.3%
Education and training	45.65	3.5%
Health care and social assistance	47.08	2.0%
Arts, recreation, and other services	38.34	4.8%
Total	44.08	3.4%

Source: Stats NZ

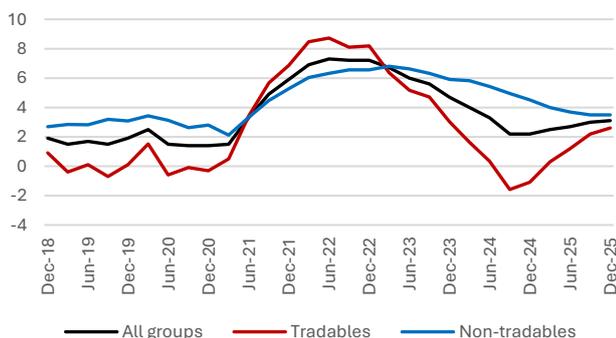
Prices

Consumer inflation

Annual consumer inflation was 3.1% for the year ending December 2025 (up from 3% the previous quarter). This is above the Reserve Bank’s target range of 1–3%. Despite the increased inflationary pressures observed over 2025, the Reserve Bank and other forecasters expect this to be transitory and think inflation will fall back within the target band in the first quarter of 2026 and continue to decline to around 2.3% by the end of the year. As always, this is in part contingent on how the international economic situation evolves.

The slightly elevated level of inflation last year was driven by several factors. First, annual tradable inflation (goods and services that are imported or exposed to international competition) steadily ticked up through the year, to 2.6% by the December quarter. This was a reversal of the very rapid disinflation on this measure through 2023–24, partly because of steep falls in petrol prices during that period. The resurgence of tradeable inflation has been partly driven by high prices for food exports. For example, milk, cheese, and eggs increased 9.8% in price, meat and poultry increased 8.2%, and fruit increased 7.4%. It has also been driven by a depreciation in the NZ exchange rate, which makes imports more expensive.

Figure 15: Annual CPI inflation



Source: Stats NZ

By contrast, 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, trending steadily down until the September quarter to

3.5%, where it remained in the December quarter. In the two decades prior to the Covid shock, non-tradeable inflation ran at an average of 2.3% per annum. So although it has been declining over the past two years non-tradeable inflation remains elevated relative to the long-run trend. Important contributors to this are high inflation in council rates and payments, up 8.8%, rentals for housing, up 1.9%, electricity, up 12.2%, and gas, up 16.2%. Overall insurance inflation has abated, though health insurance jumped 20.3% for the year. Council rates and household energy prices are relatively immune to the Reserve Bank’s monetary policy; they are driven by supply side issues – for council rates, the [significant cost pressures](#) created by the infrastructure deficit, and for energy, the failure to [build out energy supply](#) over the past decade and dwindling natural gas reserves. Government intervention is required to address inflation in these areas.

By contrast, consumer goods that are sensitive to the Reserve Bank’s monetary policy such as furniture and furnishings (down 1.5%), household appliances (down 1%), house and garden tools (down 3%), and audio-visual equipment (down 18.5%) all fell in price relative to the previous year. This indicates that household spending power remains weak; prices are possibly being reduced to try and entice consumers back into the market.

On the latest data, annual inflation was 3.8% in Australia, 2.4% in Canada, 1.7% in the Euro Area, 3.4% in the United Kingdom, and 2.4% in the United States.

Table 5 overleaf summarises the rate of inflation for January 2026 for the smaller number of goods and services that we get monthly price updates on. These can differ from the quarterly figures. The main story here is that food price inflation is surging again, up 4.6% annually. This has been driven by rising prices for fruit (up 9.9%), beef and veal (up 20.3%), bread (up 11.6%), milk (up 5.8%), and cheese (up 7.8%). The rising price of these essential items continues to put pressure on household’s budgets. This may have the effect of constraining an economic recovery, as it means household’s must spend more and more of their income on essentials, leaving them with less discretionary

money. On the other hand, the price of petrol and diesel fell almost 5% compared to January 2025, which is welcome.

Table 5: Monthly inflation indicators, January 2026

	PREVIOUS MONTH	PREVIOUS YEAR
Food	2.5%	4.6%
Fruit & veg	6.7%	6.3%
Meat, poultry, fish	3.2%	8.9%
Groceries	2.3%	4.0%
Rent (stock measure)	0.0%	1.2%
Electricity	0.3%	11.5%
Gas	-0.1%	14.1%
Petrol	-2.4%	-4.8%
Diesel	-3.2%	-4.9%
Domestic air transport	-5.5%	-5.5%
Domestic accommodation	-0.5%	1.5%

Source: Stats NZ

Household living costs

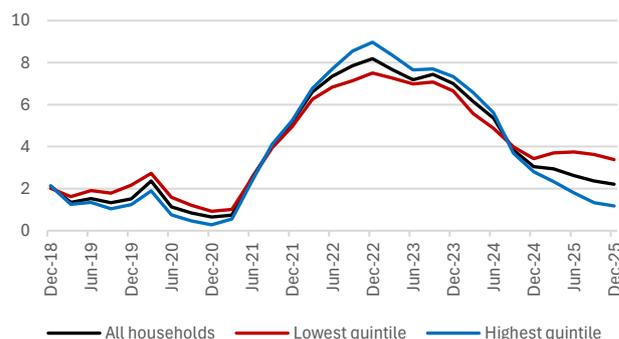
Annual household living costs inflation for the “all households” category fell slightly to 2.2% in the December 2025 quarter. The rate of inflation on this measure has trended rapidly down since the peak reached in September 2023. The main reason why it has now fallen below the consumer inflation rate is that this measure accounts for the cost of interest payments. Because the Reserve Bank has been cutting the Official Cash Rate since late-2024, the cost of servicing mortgages (and other debts) has declined. However, interest payments are still significantly more expensive than they were – up 78% since the third quarter of 2021, when the Reserve Bank started hiking interest rates.

Importantly, 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. Annual living-costs inflation was only 1.2% for households in the highest income quintile but was 3.4% for households in the lowest quintile. It was similarly high for beneficiaries (3.1%) and superannuitants (3.8%).

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 it must go on these essentials.

Figure 16: Annual household living-costs inflation (%), selected income quintiles



Source: Stats NZ

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. 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. It is also further reinforced by the current government’s decision to make real-terms cuts to the minimum wage for the past two years.

Official cash rate

The [Official Cash Rate](#) (OCR) was held at 2.25% on 18 February 2026. Although inflation is at the top of the Reserve Bank’s target band, it expects this to be transitory. The bank adjusted its OCR forecast slightly upwards, indicating it expects to begin slowly raising rates again in late-2026, with the OCR rising to 3% by late-2028.

Real estate

The housing market remains weak across most of the country. The [REINZ](#) house price index for January 2026 shows that, except for Northland, house prices fell on an annual basis across all of the North Island, but grew at 2.8% in Canterbury, 4.7% in Otago, and a whopping 11.9% in Southland (with both Otago and Southland posting new highs for their property markets). This may reflect the two-speed nature of the economy currently, with activity and employment stronger in the South Island, partly due to high export earnings for agriculture. Table 6 breaks down the movements in the country’s main centres. House price growth is expected to remain muted across much of the country in 2026.

Table 6: REINZ house price index, % change, January 2026

	3 MONTHS	1 YEAR	FROM PEAK
National	-1.2%	-0.7%	-16.2%
Auckland	-2.2%	-2.6%	-23.6%
Waikato	-1.3%	-0.3%	-13.4%
Wellington	-1.1%	-3.5%	-26.9%
Canterbury	-1.1%	2.8%	-2.9%

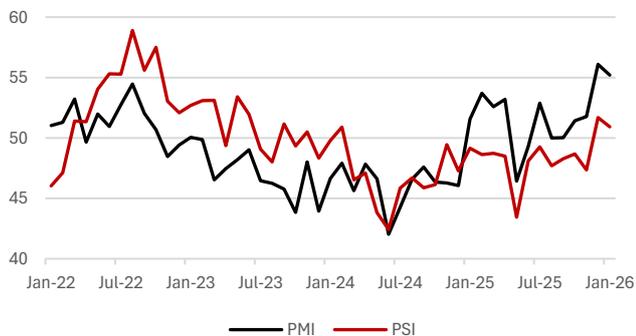
Source: REINZ. Peak is late-2021

Other economic indicators

Performance indexes

The BNZ–BusinessNZ performance of [manufacturing index](#) (PMI) and performance of [services index](#) (PSI) both registered expansion in January, at 55.2 and 50.9 respectively. The PMI has been in expansion since July last year (though expansion in employment has only been occurring since November), and the PSI since December (though employment remains in contraction). These surveys provide indications of whether their sectors are expanding or contracting relative to the previous month. A figure above 50 indicates that activity is generally expanding, while a figure under 50 indicates it is generally declining. The uptick in both the PMI and PSI, together with rising consumer confidence and a stabilisation in persons employed and filled jobs suggest that economic activity is picking up. However, it is too early to say whether these are indications of a genuine “economic recovery” yet.

Figure 17: BNZ–BusinessNZ Performance indexes



Source: BusinessNZ

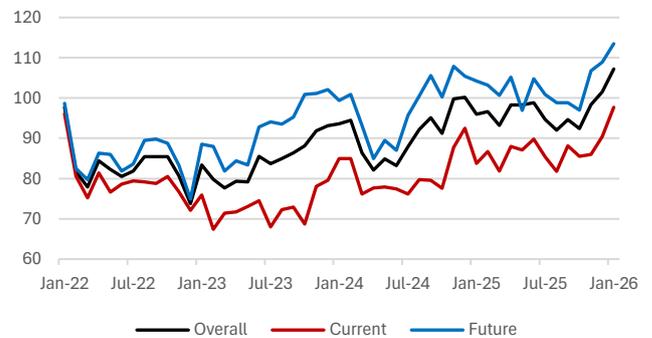
Employment confidence

The Westpac–McDermott Miller [Employment Confidence Index](#) rose slightly in the December 2025 quarter, up 3.9 points to 93.8. Despite this, the index remains 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](#) rose 6.2 points to 107.2 in January, which is its highest level since late-2021. Confidence in current economic conditions remained negative, but rose 7.3 points to 97.7, while confidence in future economic conditions rose 4.6 points to 113.5. This uptick in consumer confidence indicates not that the economy is doing well, but that households are beginning to feel more optimistic about the near future. 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.

Figure 18: ANZ–Roy Morgan Consumer Confidence Index



Source: ANZ

Business confidence

Business confidence as reported by [ANZ](#) remains high, at +64 in January 2026 (down 10 points from the previous month). Confidence remains strongly positive across all five industry groupings – retail, manufacturing, agriculture, construction, services – that ANZ reports on (ANZ’s survey measures business confidence based on whether respondents think conditions will be better or worse in the future). Encouragingly, “Activity vs same month one year ago” was positive across all industry groupings, indicating increased economic activity. “Employment vs same month one year ago” was also positive, though not particularly strong across all industry groupings.

Government accounts

For the six months ending December 2025, the government accounts were close to forecast at the half-year update (HYEFU). Core Crown tax revenue was \$138 million (0.2%) higher than forecast, partly driven by higher-than-forecast “other individual’s” tax and PAYE revenue. Core Crown expenses were below forecast, by \$959 million (1.3%). This was driven by lower-than-anticipated spending in core government services, health, environmental protection, and housing and community development. The OBEGAL (operating balance excluding gains and losses) deficit was \$5.5 billion, which is \$1.6 billion (22%) lower than forecast. The current government’s preferred measure of OBEGALx (which excludes ACC from the calculations), registered a deficit of \$5.2 billion, also \$1.6 billion

(23.6%) lower than forecast. Net core Crown debt also came in below forecast, at 43.5% of GDP.

Compared to the same time last year, the fiscal position has generally worsened. Core Crown tax revenue barely grew, up \$49 million (0.1%). Although PAYE and GST revenue both increased, this was mostly offset by a fall in corporate tax revenue. By contrast, core Crown expenses grew \$2.5 billion (3.7%), due primarily to higher spending on welfare and superannuation (up \$1.3 billion), health costs (up \$1 billion), and transport and communications expenditure (up \$500 million). The OBEGAL deficit grew by \$923 million (20.2%), while the OBEGALx deficit grew by \$1.7 billion (47.4%). Finally, net core Crown debt as a percentage of GDP has fallen 0.4 percentage points since last year.

Table 7: Interim financial statements of government for the six months ended 31 December 2025

	DEC 2025 ACTUAL	HYEFU FORECAST	DEC 2024 ACTUAL
Core Crown tax revenue (\$bn)	60.0	59.9	59.9
Core Crown revenue (\$bn)	66.1	66.2	66.6
Core Crown expenses (\$bn)	71.4	72.4	68.9
OBEGAL (\$bn)	-5.5	-6.8	-3.5
OBEGALx – excluding ACC (\$bn)	-5.2	-7.0	-4.6
Net core Crown debt (% of GDP)	43.5%	44.0%	43.9%

Source: Treasury. HYEFU = Half-year Economic and Fiscal Update (published December 2025)