NZCTU
Te Kauae Kaimahi

Economic Bulletin

March / April 2026

NCZTU Economic Bulletin

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Welcome to the March/April 2026 Economic Bulletin.

In this month's feature Craig discusses the upcoming Budget. On its own terms, the government's economic plan isn't working – economic growth is stalled, the cost of living has not been addressed, and the fiscal objectives of the government are getting further out of reach. In this context, the Minister of Finance is in a tight spot. We hope that the Minister reassesses the government's plan and changes course. However, that seems unlikely, and so the Minister might look to play a few tricks that make things look better temporarily. Craig explores what these could be. The NZCTU will be providing its regular annual analysis of the Budget in June, so watch out for that.

In our regular updates, we examine the March 2026 quarter data for employment, wages, union membership, consumer inflation, and household living-costs inflation. We also look at the December 2025 GDP data. There were some small signs of improvement in the job market earlier this year, but it remains very weak. Unfortunately, the US–Israeli attacks on Iran have now thrown further doubt on a recovery.

Craig Renney

Economist and Director of Policy

craigr@nzctu.org.nz

Jack Foster

Policy Analyst

jackf@nzctu.org.nz

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Key data for trade unionists

Economic indicators and wages – March quarter 2026

CONSUMER INFLATION	LIVING COSTS INFLATION	UNEMPLOYMENT RATE	OFFICIAL CASH RATE*
3.1%	2.1%	5.3%	2.25%
AVE HOURLY WAGE GROWTH	LABOUR COST INDEX	MINIMUM WAGE*	LIVING WAGE*
3.1%	2.0%	$23.95	$29.90

Source: Stats NZ, RBNZ, MBIE, Living Wage Movement. * Current rates

Annual wage growth – March quarter 2026

	NOMINAL	REAL (CONSUMER INFLATION)	REAL (LIVING COSTS)
Average ordinary time hourly wages – all sectors	3.1%	0.0%	1.0%
Private sector	3.5%	0.4%	1.4%
Public sector	1.5%	–1.6%	–0.6%
Female	3.8%	0.7%	1.7%
Male	2.5%	–0.6%	0.4%
Labour cost index – all sectors	2.0%	–1.1%	–0.1%
Private sector	2.0%	–1.1%	–0.1%
Public sector	1.7%	–1.4%	–0.4%

Source: Stats NZ

Annual consumer inflation forecasts

YEAR ENDING	RESERVE BANK	TREASURY	AVERAGE
Jun 2026	n/a	n/a	4.4%
Sep 2026	n/a	n/a	4.1%
Dec 2026	n/a	n/a	3.8%
Mar 2027	n/a	n/a	3.1%

Source: ANZ, ASB, BNZ. The Average measure is the average of forecasts from the ANZ, ASB, BNZ. We are not reporting the RBNZ and Treasury forecasts, as these were completed before the war in Iran.

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Job market dashboard

	MAR 2026	MAR 2025	5-YEAR AVE	VS 2025	VS 5-YEAR AVE
Unemployment	**5.3%**	5.1%	4.2%	↑ +0.2pp	↑ +1.1pp
Female unemployment	**5.3%**	5.4%	4.4%	↓ –0.1pp	↑ +0.9pp
Male unemployment	**5.4%**	4.9%	4.1%	↑ +0.5pp	↑ +1.3pp
Māori unemployment[1]	**10.8%**	9.7%	8.5%	↑ +1.1pp	↑ +2.3pp
Pasifika unemployment[1]	**12.1%**	10.0%	8.4%	↑ +2.1pp	↑ +3.7pp
Youth unemployment[1]	**16.0%**	14.3%	12.1%	↑ +1.7pp	↑ +3.9pp
Underutilisation[2]	**12.9%**	12.4%	10.9%	↑ +0.5pp	↑ +2.0pp
Female underutilisation	**14.3%**	14.5%	12.8%	↓ –0.2pp	↑ +1.5pp
Male underutilisation	**11.6%**	10.5%	9.1%	↑ +1.1pp	↑ +2.5pp
Māori underutilisation[1]	**21.2%**	19.2%	17.9%	↑ +1.0pp	↑ +3.3pp
Pasifika underutilisation[1]	**20.8%**	18.2%	16.2%	↑ +2.6pp	↑ +4.6pp
Reason for leaving last job – redundant/laid off/business closed[1, 3]	**14.7%**	14.8%	11.9%	↓ –0.1pp	↑ +2.8pp
Perceived chance of losing job among those currently employed[1, 4]	**16.1%**	16.3%	15.2%	↓ –0.2pp	↑ +0.9pp
Percentage of working-age population on Jobseekers	**6.7%**	6.4%	6.0%	↑ +0.3pp	↑ +0.7pp
Duration of unemployment, 3-6 months[1]	**20.3%**	20.9%	17.5%	↓ –0.6pp	↑ +2.8pp
Duration of unemployment, more than 6 months[1]	**39.8%**	32.9%	30.0%	↑ +6.9pp	↑ +9.8pp

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.

When you are in a corner: Budget 2026

The economic story hasn't worked out as Nicola Willis, the Minister of Finance, had hoped. In 2023, the Minister pushed all her chips in on an economic recovery happening by the time of the next election. The promise was that the economy would be 'back on track', the cost-of-living crisis would be sorted, and the government would be returning an operating surplus in the near future.

Lo and behold, it's coming up to her third and final budget for the term and none of the above has happened. The economy hasn't recovered. The cost of living is still rising rapidly for ordinary New Zealanders. And the return to surplus has been continually pushed out, causing two credit ratings agencies to put the country on notice about a potential downgrade in the future. In addition, the Minister will be getting Treasury reports every fortnight telling her in increasingly loud terms that all is not well. Things were bad to begin with, and 73% of workers either didn't get a pay rise last year, or got one less than inflation, meaning even less economic activity. So, the Minister finds herself in a tight spot for the final budget of the cycle.

The Minister has four options here:

1. Admit the government's approach isn't working, learn lessons, and adjust course.
2. Pretend everything is fine.
3. Buy time by playing some tricks in the budget.
4. Resign, and give someone else a go.

Options 1 and 4 have not been used much by this government – especially when it comes to economic policy. Option 2 has been used to breaking point. The problem is that the public no longer believes the government when it comes to the economy, as indicated in recent polling. So, it seems a reasonable bet that the Minister might turn to option 3 to try and make the public believe that things are getting better.

With this in mind, in this note we set out a couple of ways that the Minister could attempt to 'cheat' at Budget 2026. By 'cheating', we mean taking decisions that make the budget numbers look better, without actually solving any of the underlying problems. We flag these here as things to watch out for in Budget 2026.

Cheating in the budget is hard, but not impossible. The forecasts are produced independently by the Treasury and are produced consistently. The rules around financial reporting are set by international accounting standards, and New Zealand has been consistent in applying them. Our accounts are open and largely transparent.

One area where you can cheat, however, is in the assumptions that you can use to build your budget, for example in the operating allowance. Under New Zealand's fiscal framework, all new operational spending in a budget is set through a thing called the operating allowance; this is currently pencilled in at $2.4 billion a year. Every year an additional $2.4 billion of new spending takes places – it looks like this:

Table 1: Budget 26 operating allowances

			$2.4bn
		$2.4bn	$2.4bn
	$2.4bn	$2.4bn	$2.4bn
$2.4bn	$2.4bn	$2.4bn	$2.4bn
Budget 26/27	**Budget 27/28**	**Budget 28/29**	**Budget 29/30**

As you can see, the spending compounds – so that over the four-year forecast period, there is $24 billion of new spending. As Minister of Finance, you have total control over this number, as it's an assumption for planning purposes. So, if you were to say, 'I am going to cut the future allowance to $1 billion', it wouldn't impact spending today, but it would make your books look better over the four-year forecast period – by a total of $8.4 billion. This allows you to get into surplus sooner. It looks like this:

Table 2: Revised Budget 26 operating allowances

				$1bn
			$1bn	$1bn
		$1bn	$1bn	$1bn
	$2.4bn	$2.4bn	$2.4bn	$2.4bn
	Budget 26/27	**Budget 27/28**	**Budget 28/29**	**Budget 29/30**
Savings	**$0**	**$1.4bn**	**$2.8bn**	**$4.2bn**

The trick here is that you never actually plan on sticking to those numbers in the real world. The next budget is after an election, and after another coalition agreement. If you win, you can claim that you were forced to spend more than you wanted to. If you lose, you create a booby-trap for an incoming Minister who now needs to solve the problem you have created. Meanwhile, public services continue to be underfunded and the economy suffers.

Let's do another trick – this time with cuts (savings). More cuts can be promised in the form of 'efficiency drives' in public agencies. These are a staple of governments with budgets under pressure. Only the trick here is that you claim the savings today, but the work to achieve them will be delivered by departmental chief executives after the budget. Ministries simply get less cash to do the things that are needed.

This was essentially the playbook for the then National opposition in 2023. Their fiscal plan relied upon 6.5% cuts across public services – with no details as to where the savings would actually come from. When in government, the Minister of Finance simply passed responsibility for making those savings to departments themselves.

The Treasury doesn't normally allow savings that have yet to be made into budget documents, but this is a guideline rather than a hard rule. It could simply discount the proposed savings by a factor on the assumption that not all savings will be found. It could also be induced to be more generous if the overall budgets of departments were actually cut at a global level, and then some flexibility was provided about how they were to be achieved.

That also has the happy outcome (for the government) that the decisions on what to cut aren't made directly by Ministers. Departments will make the call, and Ministers simply have to agree. At select committees and in public conversation, Ministers can say they have agreed to cuts on 'official advice', that they 'trust the department to get this right', and that they will be 'closely monitoring' the impact. Meanwhile, the books look better temporarily, which is the key goal on budget day.

A more contentious way in which you can cheat is by promising to sell things but not being clear on what it is you are going to sell. For example, you could claim a new revenue stream in the future budget, with the details to be worked out via a process that will be completed after the election. Assets will be sold, but the exact nature of the assets to be sold will be made clear later.

This creates cash. You can use that cash to pay down debt, or to replace existing borrowing. This is the basis on which Bill English set up the 'Future Investment Fund'. That saw $4.7bn of revenue generated by the partial sale of the electricity gentailers, and it was used to pay for things we were going to build anyway. That meant lower capital spending, less borrowing, and a smaller state (the partial sale of the gentailers has also caused other problems, as we detail here).

The government has already discussed the partial sale of Chorus, the company responsible for much of the high-speed internet infrastructure in New Zealand. Other assets could be in the mix. Not being clear about what could be sold allows all of the partners in government to rule out the things they want to protect, while still having a body of money from any potential sales in the future.

Again, the Treasury would normally prevent you from putting any asset sales money in the books before they are actually sold. But there is nothing preventing the Minister of Finance from just cutting the future capital spending allowance now and saying that the gap in the future will be filled with asset sales revenue.

Finally, you can make the Budget look better by taking the money out of someone else's pocket. For example, you could announce a freeze in public sector wages and in welfare payments. Again, the point is not that this is a good idea, nor that it would lead to good outcomes. The point is that it appears to improve the books in the short term.

Every year, welfare payments rise in line with annual consumer inflation – this is called a baseline update. Inflation is currently 3.1% (and rising) and we were projected to spend $46 billion on welfare in 2026.

Cancelling that rise would mean $1.4 billion a year in savings for the government, which is $5.6 billion across four years. Total Crown personnel expenses were forecast to be $40.5 billion in 2026 (this includes teachers, nurses, doctors, and all other public services), so scrapping any inflation-level pay rises would save $1.3 billion a year, which is $5.2 billion across four years.

You would of course buy a huge fight with this, but you might not care. Indeed, you might think that it makes you look like you are being tough. Such a decision would constitute a huge wealth transfer from people, often on very low incomes, to the government. It would likely cause economic pain in the form of reduced demand, and fiscal pain as you have to unwind the policy at some point, or if the courts find it illegal in some way. And above all it would be incredibly socially destructive, forcing some people into poverty. But that is for the future to worry about.

Writing budgets is hard, but in writing a budget you show what you really support. As Joe Biden famously said, ‘Don't tell me what you value, show me your budget, and I’ll tell you what you value’. At Budget 2026, the government will have to make difficult decisions because its economic plan hasn’t worked. The decisions the government makes will demonstrate its values. If the government cheats, it’s simply deferring having to make those decisions until a later date.

At this Budget, the CTU will be looking closely at the decisions being made, and we will report on what it really means for working people, their whanau, and communities. We hope that the government does too.

Craig Renney

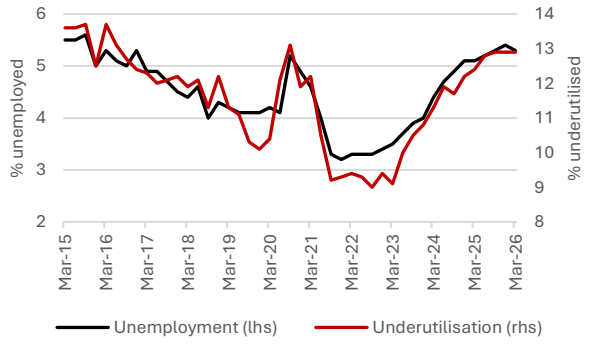
Economist and Director of Policy

Employment and labour market

The unemployment rate fell 0.1 percentage points in the March 2026 quarter to 5.3%. The underutilisation rate, which paints a broader picture of labour market conditions because it accounts for the unemployed, underemployed, and potential labour force, remained steady at 12.9%. Excluding the brief Covid spike, unemployment and underutilisation are both around their highest level in a decade.

On a seasonally adjusted basis, approximately 163,000 people were unemployed. A further 143,000 people were estimated to be underemployed (wanted more hours than they could get), and a total of 406,000 people were estimated to be underutilised – the second-highest number since this measure has been used (behind only the December 2025 quarter).

Figure 1: Unemployment and underutilisation rates (%)



Source: Stats NZ

Compared to the December 2025 quarter, the seasonally adjusted female unemployment rate fell 0.2 percentage points to 5.3% and the male unemployment rate increased 0.1pp to 5.4% – its highest level since 2013 (excluding the 2020 lockdown). The underutilisation rate for female workers fell 0.5pp to 14.3%, while the male underutilisation rate increased 0.5pp to 11.6%. For men underutilisation is at its highest level (excluding the 2020 lockdown) since 2012.

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 4.1% and underutilisation increased 0.6pp to 11.3%.
- For Māori workers, unemployment increased 1.1pp to 10.8% and underutilisation increased 2.0pp to 21.2%.
- For Pasifika workers, unemployment increased 2.1pp to 12.1% and underutilisation increased 2.6pp to 20.8%.
- For Asian workers, unemployment was unchanged at 4.9% and underutilisation increased 0.6pp to 12.5%.

By region, unemployment continues to be highest at the top of the North Island, with Northland at 5.5% (although this is down from the previous year), Auckland at 6.3%, and Waikato 5.7% (these figures are annual averages). Unemployment is also above 5% in Wellington. Compared to three years ago, the unemployment rate has skyrocketed in Auckland and Wellington, up 85% and 73% respectively.

Table 3: Unemployment rate by region, March years

	MAR 25	MAR 26
Northland	6.1%	5.5%
Auckland	5.4%	6.3%
Waikato	5.7%	5.7%
Bay of Plenty	5.5%	5.7%
Gisborne/Hawke's Bay	4.1%	4.8%
Taranaki	4.5%	4.2%
Manawatū/Whanganui	4.6%	4.7%
Wellington	4.7%	5.2%
Tasman/Nelson/Marl/West Coast	3.8%	4.0%
Canterbury	4.7%	4.5%
Otago	3.0%	2.9%
Southland	5.9%	4.4%

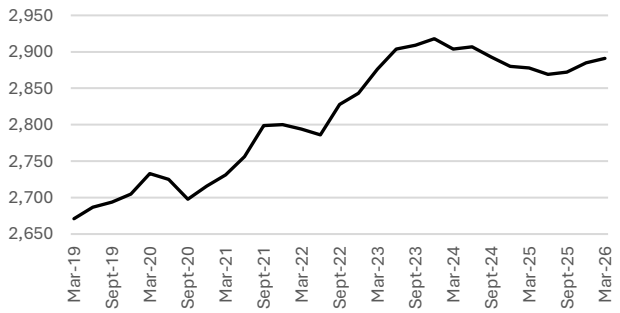
Source: Stats NZ. Annual averages

The seasonally adjusted NEET rate (youth not in employment, education, or training) increased, up 1.1pp to 14.4% compared to the previous quarter and up 1.5pp compared to a year ago. This means more than 90,000 young people were not in employment, education, or training in the March 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.

Both the labour force participation and employment rates both fell 0.1pp in the March quarter to 70.4% and 66.7% respectively.

The number of employed persons has continued to grow, which is a positive sign. On a seasonally adjusted basis, it increased 0.2% compared to the December 2025 quarter, marking its third straight quarter of growth. However, as shown in Figure 2, it is still well below the peak reached in 2023. Seasonally adjusted filled jobs also continued to grow in recent months, but are still well below the 2023 peak, as shown in Figure 3.

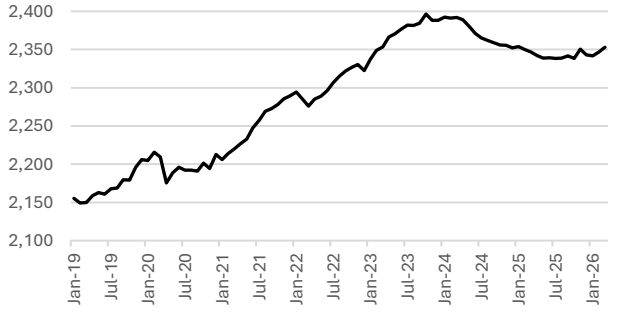
Figure 2: Seasonally adjusted persons employed (thousands)



Source: Stats NZ

The other positive sign is that job advertisements continued to grow for another quarter. In the year to the March 2026 quarter, online job advertisements grew 11.8%. Encouragingly, job ads grew in all regions of the country, and Auckland, which has been hit hardest by the recession, saw its first growth in job ads since September 2022. Job ads remain well below the pre-recession peak, however. Table 4, overleaf, provides a detailed breakdown of the job ads data.

Figure 3: 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 32.9% to 39.8%, or from 49,700 people to 64,300 people (annual averages). The number of unemployed people who have been out of work for more than 6 months has increased 149% since the pre-recession low and is now at its highest level since 1995. Long-term unemployment can cause devastating social and psychological outcomes for affected families. The steep growth in long-term unemployment is one of the most concerning aspects of the current economic situation.

The number of people receiving benefit payments remains high. At the end of March 2026, 409,575 people were receiving a main benefit, up 2.9% compared to the previous year. This means 12.7% of the working-age population were receiving a main benefit – just under 1 in 8 people. The rising unemployment and underutilisation rates are driving this increase.

Of those receiving a main benefit: 118,359 people were receiving Jobseeker Support – Work Ready, up 0.8% annually; and 96,852 people were receiving Jobseeker Support – Health Condition or Disability, up 4.8%. The proportion of the working-age population receiving Jobseeker support was 6.7%, which is up from 6.5% one year ago and up from 5.4% in March 2023.

Net migration continues to be quite low by historical standards but has begun to rise again, due to a slowing of departures. For the year ending February 2026, there were an estimated 136,200 migrant arrivals (down 1% from the previous year) and an estimated 111,100 departures (down 8% from the previous year). This produced an estimated net migration gain of 25,200 people.

New Zealand citizens continue to leave the country in very high numbers, but it appears that the exodus has peaked. All up, an estimated 62,700 New Zealand citizens departed the country in the year to February, with the net outflow being around 36,400 people. The slowing of this outflow 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.

Table 4: Annual change in online job vacancies, March 2026

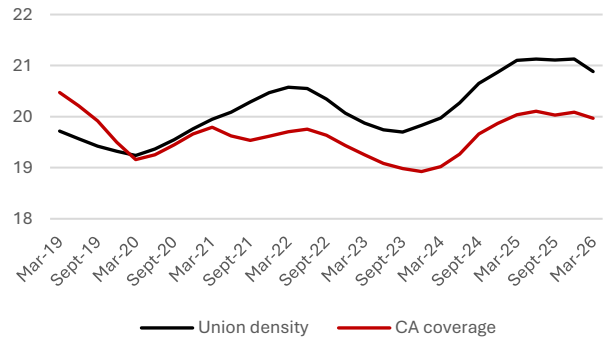
REGION	CHANGE	INDUSTRY	CHANGE	OCCUPATION	CHANGE
Canterbury	19%	Construction	22%	Sales	27%
Manawatū/Whanganui/ Taranaki	18%	Primary	21%	Machinery operators & drivers	20%
Otago/Southland	16%	Health care	19%	Labourers	15%
Bay of Plenty	16%	IT	12%	Technicians & trades	14%
Northland	14%	Sales	12%	Professionals	9%
Waikato	13%	Manufacturing	11%	Clerical & administration	9%
Nelson/Tasman/ Marlborough/West Coast	13%	Business services	6%	Managers	6%
Gisborne/Hawke's Bay	13%	Hospitality	2%	Community & personal services	3%
Wellington	12%	Education	–7%		
Auckland	5%				

Source: MBIE

Union membership

There were an estimated 476,650 union members in the March 2026 quarter and union density (union members as a percentage of total employees) was estimated at 20.9%, essentially unchanged since the previous year. The number of workers covered by a collective agreement was estimated to be 20% of those stating what their employment agreement was, which again is 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 4: Union density and collective agreement coverage, % of employees



Source: Stats NZ. Annual rolling averages

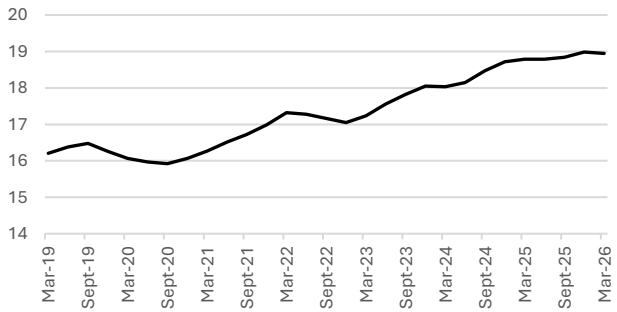
Since the early 2000s, when the gender balance was roughly 50–50, women have accounted for the majority of union membership. In the March quarter, an estimated 293,525 women were union members compared to an estimated 183,100 men. This means women made up around 61.6% of the overall membership in that period. (Data on gender diverse members is not collected.) Union density is estimated to be around 25.6% for women and 16.1% 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 March quarter, union density among Māori workers was estimated to be 23.3% (steady from the previous year) and among Pasifika workers to be 24.4% (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 20.6% (steady from the previous year) and for Asian workers to be 18.8% (also steady).

Older workers are more likely to be union members. Only 8.9% of workers aged 15–24 were unionised and 18.9% of workers aged 25–34. For workers aged 35–44, union density was 20.5%; for workers aged 45–54 density was 24.2%; for workers aged 55–64 density was 26.9%; and for workers aged 65+ density was 26.3%. Encouragingly, though, density in the younger cohort has been rising steadily over recent years, as shown in Figure 5.

Figure 5: Union density, 25-34 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 5, overleaf, breaks down membership and density in industries that are estimated to have over 5,000 union members. Compared to the March 2025 quarter, membership was estimated to have grown in retail trade (up 14.1%), accommodation and food services (up 11.3%), financial and insurance services (up. 7.5%), professional, scientific, and technical services (up 15.8%), education

(up 1.1%) and arts and recreation services (up 40.4%). Membership is estimated to have fallen in health care and social assistance (down 9.6%), public administration and safety (down 8.9%), manufacturing (down 8.9%), and construction (down 4.1%). Note that there are large margins of error in these estimates, particularly for the smaller industries, so this data should be treated as indicative only.

Table 5: Union members and density, selected industries, March 2026

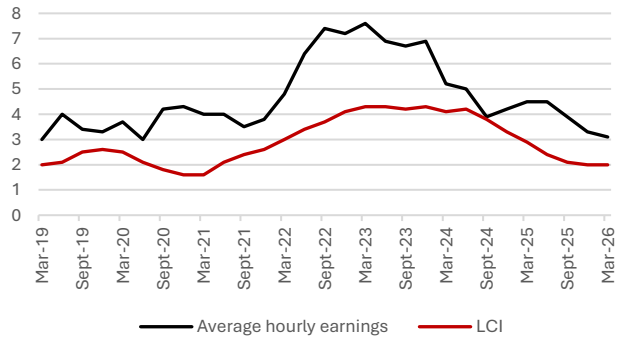
INDUSTRY	MEMBERS	DENSITY
Healthcare & social assistance	114,675	44.2%
Education & training	91,500	44.6%
Public admin & safety	90,700	50.0%
Manufacturing	35,175	16.7%
Transport, postal, warehousing	25,525	25.5%
Retail trade	24,025	11.7%
Prof, sci & technical services	13,950	7.8%
Construction	11,125	5.7%
Arts & recreation services	9,650	21.2%
Accommodation & food services	9,625	7.3%
Financial & insurance services	8,575	9.1%

Source: Stats NZ. Annual averages

Wages

For the year ending March 2026, 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 2.1%. The LCI increased 2% in the private sector and 1.7% 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 29% receiving a rise of less than inflation. Meanwhile, 17% received a pay rise of between 3–5%, and 9% received a rise over 5%.

Figure 6: Annual growth in wages and labour costs (%)



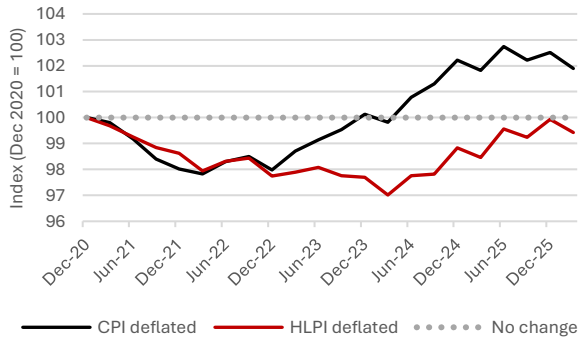
Source: Stats NZ

The average hourly wage for ordinary-time work was $44.12, which was up 3.1% from the previous year. In the private sector, the average hourly wage was $41.89, up 3.5% annually. In the public sector it was $52.45, up 1.5% annually. The average hourly wage for females was $42.21, up 3.8% annually. For males it was $45.82, up 2.5% 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 saw no growth for the year to March 2026. In the private sector real wages grew 0.4% while in the public sector they fell 1.6%. Average real wages grew 0.7% for female workers and fell 0.6% 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% for the year to March. The average increase in the private sector was 1.4%, although the public sector saw a decline of 0.6%. On average, real wage growth was 1.7% for female workers and 0.4% for male workers.

Figure 7: Real wage growth index, 2020–25



Source: Stats NZ; NZCTU calculations

Figure 7 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 1.9% higher than they were in December 2020. But on the household living-costs measure they are still 0.6% lower – in other words, households are on average slightly worse off than they were five years ago.

Finally, Average total hourly earnings by industry rose 3.2% annually. The largest increases were in finance and insurance services and arts, recreation, and other services, both up 5.1% annually. A full breakdown is provided in Table 6.

Table 6: Average total hourly earnings by industry, year to March 2026

	AVE TOTAL HOURLY EARNINGS ($)	ANNUAL INCREASE
Forestry and mining	46.34	0.9%
Manufacturing	40.66	3.0%
Electricity, gas, water, and waste services	54.19	4.1%
Construction	41.70	3.6%
Wholesale trade	44.24	4.7%
Retail trade	33.30	2.2%
Accommodation and food services	30.67	3.0%
Transport, postal, and warehousing	41.14	2.0%
Information media and telecommunications	55.81	0.8%
Finance and insurance services	64.00	5.1%
Rental, hiring, and real estate services	41.17	1.3%
Prof, sci, tech, admin, and support services	49.85	2.7%
Public administration and safety	51.75	3.0%
Education and training	45.34	1.0%
Health care and social assistance	48.41	4.1%
Arts, recreation, and other services	39.11	5.1%
Total	44.20	3.2%

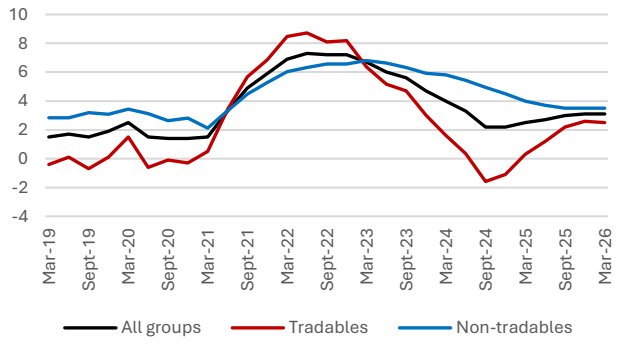
Source: Stats NZ

Prices

Consumer inflation

Annual consumer inflation was 3.1% for the year ending March 2026, which is unchanged from the previous quarter. This is above the Reserve Bank's target range of 1–3%. This figure doesn't incorporate the full effects of the fuel-price surge, which is expected to drive inflation higher over the rest of the year. The Reserve Bank's next interest rate decision is on 27 May, where it will also release its updated economic forecasts. Following that, the Treasury will release its Budget forecasts on 28 May. The consensus at this stage among the private banks is that the annual inflation rate will rise to over 4% in the June and September quarters before trending back down. Of course, there is an especially high degree of uncertainty in economic forecasts at the moment, and much will depend on how long the conflict in Iran continues.

Figure 8: Annual CPI inflation (%)



Source: Stats NZ

In the year to March 2026 inflationary pressure was coming from two main sources. The first was tradeable inflation (goods and services that are imported or exposed to international competition), which steadily ticked up through the year, to 2.5% by the March 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, and a moderation of food-price inflation. The resurgence of tradeable inflation has been partly driven by high prices for food exports. For example, fruit rose 10% in price, vegetables rose 4.9%, and meat and poultry rose 8.6%. The Reserve Bank can do little to reduce food-price inflation, as this is driven in large part by international demand for exports. As noted above, rising fuel prices are not fully incorporated in the March 2026 inflation figures but will be a major component of the June data.

Annual non-tradable inflation (goods and services that do not face foreign competition) remains stuck at 3.5%. 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. The difficulty is that the main drivers of non-tradeable inflation are prices that the Reserve Bank doesn't have much influence over. The two key areas here are household energy prices, which rose 12.6% annually, and council rates, which rose 8.2%. (Meanwhile, medical out-patient services (GPs) are up 4.5% annually.) These prices are relatively immune to the Reserve Bank's monetary policy as 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 clothing (up 1.7%), footwear (down 0.5%) furniture and furnishings (up 1%), carpets and floorcoverings (down 0.5%), household appliances (down 0.9%), house and garden tools (down 3.9%), minor recreational equipment (down 0.8%), and books (down 1.9%) have either risen moderately in price or fallen in price relative to the previous year. This indicates that household spending power remains weak. To entice people into buying these more discretionary items, retailers may be reducing their prices.

It's important to note that inflationary pressures are not unique to New Zealand. Most other advanced economies are experiencing similar levels of inflation to us at present. On the latest data, annual inflation was 4.6% in Australia, 2.4% in Canada, 3% in the Euro Area, 3.3% in the United Kingdom, and 3.3% in the United

States. It is likely that inflation will climb higher across the world as a result of the Iran war.

Table 7 summarises the rate of inflation for the month of March 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 the surge in petrol and diesel prices, up 13.9% and 36.9% annually (these figures will be even higher when the April data is released). As of 1 May 2026, regular petrol was retailing at $3.26 per litre and diesel at $3.33 per litre.

Table 7: Monthly inflation indicators, March 2026

	PREVIOUS MONTH	PREVIOUS YEAR
Food	–0.6%	3.4%
Fruit & veg	–2.9%	6.4%
Meat, poultry, fish	–0.1%	7.3%
Groceries	–0.8%	1.2%
Rent (stock measure)	0.0%	0.7%
Electricity	0.7%	13.1%
Gas	0.8%	11.7%
Petrol	18.6%	13.9%
Diesel	42.6%	36.9%
Domestic air transport	–14.4%	–7.3%
Domestic accommodation	–4.9%	6.0%

Source: Stats NZ

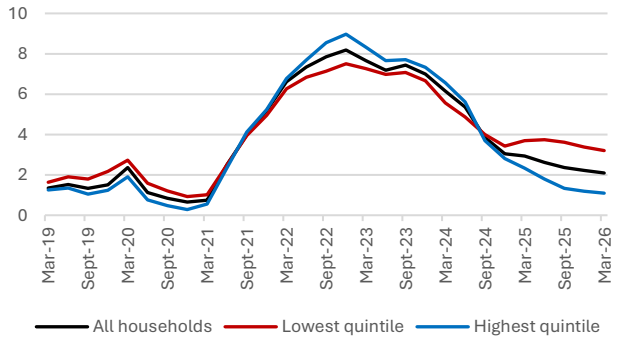
Household living costs

Annual household living costs inflation for the "all households" category fell slightly to 2.1% in the March 2026 quarter. The rate of inflation on this measure has trended steadily 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 cut the Official Cash Rate from late-2024, the cost of servicing mortgages (and other debts) has declined. However, interest payments are still significantly more expensive than they were in 2021.

Importantly, the decline in household living-costs inflation has been extremely uneven. For households on low incomes, living-costs inflation remains very high, whereas for people on higher incomes, it has moderated rapidly. Annual living-costs inflation was only 1.1% for households in the highest income quintile but was 3.2% for households in the lowest quintile. It was similarly high for beneficiaries (2.8%) 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 (from expensive mortgages) 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 9: Annual household living-costs inflation (%), selected income quintiles



Source: Stats NZ

Those with the least are therefore bearing the brunt of ongoing price rises in essential goods and 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 three years.

Official cash rate

The Official Cash Rate (OCR) remains at 2.25%. Although inflation was just above the top of the Reserve Bank's target band prior to the Iran war, it was expecting this to be transitory. There is now the question of how

the bank reacts to the price pressures created by the war. Although monetary policy can do little to address the pressures created by surging petrol, diesel, and jet fuel prices, the bank will likely feel compelled to raise interest rates if inflation remains outside its target band for much longer. The next OCR decision and full set of economic forecasts from the bank is due on 27 May.

Real estate

The housing market remains weak across the North Island, but relatively strong in the South Island. The REINZ house price index for March 2026 shows that house prices fell everywhere in the north except for Bay of Plenty and Taranaki. By contrast, they grew across the south, with Otago posting a new high. This likely reflects the two-speed nature of the economy, with activity and employment stronger in the South Island, partly due to high export earnings for agriculture. The South Island also had a more moderate house price boom in 2020 and 2021, compared to the North Island. Table 6 breaks down the movements in the country's main centres.

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

	3 MONTHS	1 YEAR	FROM PEAK
National	1.1%	0.2%	–14.9%
Auckland	1.7%	–1.2%	–21.8%
Waikato	–0.2%	–0.3%	–12.6%
Wellington	1.3%	–1.8%	–25.9%
Canterbury	2.2%	3.7%	0.0%

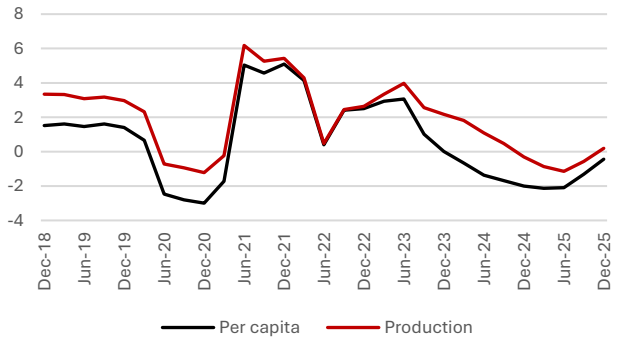
Source: REINZ. Peak is late-2021

Other economic indicators

Economic growth

The New Zealand economy was estimated to have grown by 0.2% in the December 2025 quarter. This was off the back of 0.9% growth in the September quarter. On an annual basis, headline GDP was estimated to have grown 0.2%, the first annual growth recorded since September 2024. However, on a per capita basis, GDP was estimated to have fallen 0.4%.

Figure 10: Annual GDP growth rate (%)



Source: Stats NZ

On a quarterly basis, the services sector (which makes up three-quarters of GDP) was estimated to have grown 0.7%, after recording 0.7% growth the previous quarter. The goods-producing sector (which makes up one fifth of GDP) was estimated to have contracted by 0.4%, following a 1.7% expansion the previous quarter. Finally, the primary sector (which makes up just over 5% of GDP) was estimated to have grown 0.9%, a recovery from the previous quarter's stagnation.

Annually, the services sector was estimated to have grown 1%, with performance mixed across the different industries (some expanding, others contracting). The goods-producing sector, which has been hardest hit during the downturn of the past three years, was estimated to have contracted by 2.9% on an annual basis, with construction shrinking 6.2% and manufacturing shrinking 1.1%. This is reflected in the large declines in filled jobs in these industries over recent years – unfortunately, this will have forced many skilled workers offshore. The primary sector was estimated to have grown a modest 1%, with this led by 1.9% growth in agriculture, forestry, and fishing; this reflects the relatively robust demand for agricultural exports over the past year.

On a quarterly basis, household consumption expenditure was estimated to have fallen 0.1%, which comes off the back of a 0.1% increase the previous quarter. This reflects the ongoing pressure on household budgets and pessimism about economic conditions and job security. Household spending on durable goods (which is a good marker of disposable income) was flat, spending on non-durable goods fell 0.2%, and spending on services fell 0.1%. Growth in non-resident expenditure (tourism) remained strong however, up 10% for the quarter (it grew 11.3% the previous quarter). Central government expenditure increased 2.5% in the quarter. Business investment fell 3.1%, reversing the gains made in the previous quarter. This was driven by reduced expenditure on plant and machinery and transport equipment. Overall, expenditure on GDP increased 0.1% in the December quarter, and was up 0.5% annually.

Table 7: Expenditure on GDP, Dec 2026

	SEP-25 QUARTER	DEC-25 QUARTER	ANNUAL AVE CHANGE, YE DEC-25
Household consumption	0.1%	–0.1%	1.5%
Central govt consumption	1.3%	2.5%	2.2%
Local govt consumption	2.3%	–0.1%	4.5%
Gross fixed capital formation	2.0%	–2.2%	–1.5%
Gross capital formation	1.2%	1.1%	–2.1%
Exports less imports	2.3%	1.0%	3.4%
Expenditure on GDP	0.9%	0.1%	0.5%

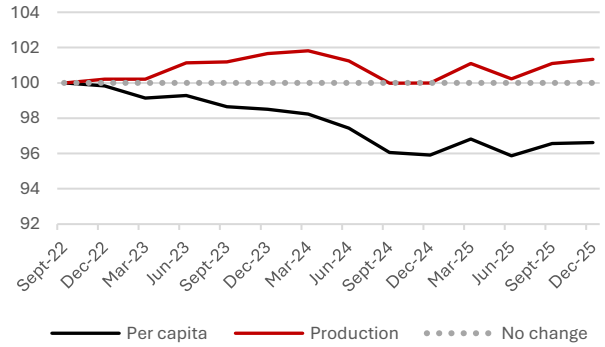
Source: Stats NZ. YE = year ended.

GDP per capita is around 3.4% lower than it was in the pre-recession peak of September 2022 (seasonally adjusted figures). On the headline measure of GDP, the economy has grown about 1.3% since September 2022. This is illustrated in Figure 11.

The only strong point in the economy has been the primary sector, due to robust demand for key exports like dairy and beef. However, this strength doesn't appear to have fed through to the wider economy, except in the South Island. The war in Iran now threatens

to further postpone a return to economic expansion. High petrol and diesel prices will put pressure on household incomes, meaning reduced expenditure elsewhere in the economy. High fuel prices will also eventually feed through into other prices, such as food, which will further stretch household and business budgets. And rising inflation raises the risk of higher interest rates, which would further reduce economic activity.

Figure 11: GDP index since September 2022 (seasonally adjusted)



Source: Stats NZ. 100 = Sep 2022

Balance of payments

The current account deficit for the year ended December 2025 was estimated to be $16.3 billion, or 3.7% of GDP. This is an improvement from the year ending December 2024, when the current account deficit was around $20 billion. This narrowing of the deficit is the result of favourable terms of trade which has increased export revenue, combined with the weakness of the domestic economy, which has limited appetite for imported goods.

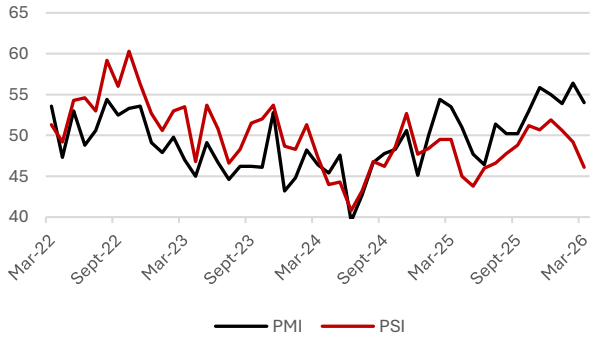
For the year ended December 2025, New Zealand's net international investment liability was $197.2 billion, or 44.3% of GDP, which is the lowest level it has been for several decades (reflecting in part the comparative strength of international share markets compared to New Zealand's). This position shows the value of financial claims held by New Zealand residents on non-residents against the financial liabilities of New Zealand residents to non-residents. New Zealand's net external debt position was –$233.9 billion, or 52.6% of GDP, which is its highest level since 2017. This means that New Zealand is a net debtor to the rest of the world. The majority of this deficit is accounted for by the commercial banks.

Performance indexes

The BNZ–BusinessNZ performance of manufacturing index (PMI) registered expansion in March, at 53.2, while the performance of services index (PSI) registered contraction, at 46. The PMI has been in expansion since July last year (though expansion in employment has only been occurring since November), indicating a recovery of sorts in the sector. However, BusinessNZ reported that the proportion of negative comments made by manufacturers rose markedly in the March survey, due to the uncertainty created by the war in Iran. The same was true of the services index, which had tipped weakly into expansion in October 2025 but fell back into contraction in February 2026. The employment sub-index for services has been registering contraction since November 2023.

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 12: BNZ–BusinessNZ Performance indexes



Source: BusinessNZ

Employment confidence

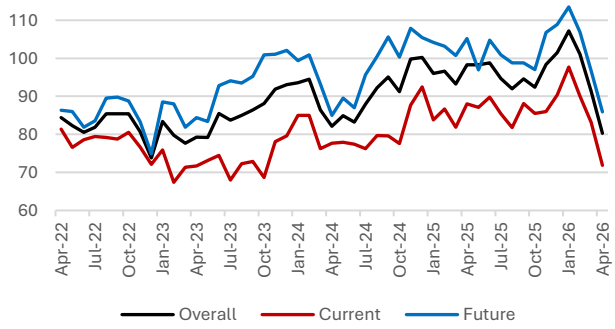
The Westpac–McDermott Miller Employment Confidence Index rose slightly in the March 2026 quarter, up 1.8 points to 95.6. As reported by Westpac, this is its highest reading since early 2024. However, the result still reflects that people are on average pessimistic about the job market. A score above 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 took a massive tumble in April, falling 11 points to 80.3, which is its lowest reading since early 2023. This pessimism is being caused by the war in Iran. Confidence in current economic conditions was truly dismal, falling 11.2 points to 71.9; confidence in future economic conditions also fell, down 10.8 points to 85.9. 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 13: ANZ–Roy Morgan Consumer Confidence Index



Source: ANZ

Business confidence

Consistent with falling consumer confidence, business confidence as reported by ANZ also fell. Again, this has been driven by the war in Iran. Business confidence fell from +32.5 in March to -10.6 in April. Confidence fell across all five industry groupings – retail, manufacturing, agriculture, construction, and 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, though, "Activity vs same month one year ago" was positive across all industry groupings, especially in manufacturing and agriculture, indicating increased economic activity. "Employment vs same month one year ago" was more mixed – it was positive in manufacturing and agriculture, weakly positive in services, but negative in retail and construction.

Government accounts

For the eight months ending February 2026, the government accounts were relatively close to forecast at the half-year update (HYEFU). Core Crown tax revenue was $334 million (0.4%) below forecast, but core Crown expenses were also below forecast, by $1.4 billion (1.5%). This was driven by lower-than-anticipated spending in health, economic and industrial services, housing and community development, and environmental protection. The OBEGAL (operating balance excluding gains and losses) deficit was $7.8 billion, which is $1.9 billion (19.8%) lower than forecast. The current government's preferred measure of OBEGALx (which excludes ACC from the calculations), registered a deficit of $7.2 billion, which was $2.1 billion (22.3%) lower than forecast. Net core Crown debt also came in slightly below forecast, at 42.3% of GDP.

Compared to the same time last year, the fiscal position has generally worsened. Core Crown tax revenue grew only marginally, up $218 million (0.3%). Although PAYE and GST revenue both increased, this was mostly offset by a fall in corporate tax revenue and other direct taxes. Core Crown expenses grew almost $3 billion (3.2%), due primarily to higher spending on welfare and superannuation (up $1.7 billion), health costs (up $1.4 billion), and transport and communications expenditure (up $400 million). The OBEGAL deficit grew by $1.2 billion million (18%), while the OBEGALx deficit grew by $2.2 billion (43.1%). Net core Crown debt as a percentage of GDP has remained effectively unchanged.

Table 8: Interim financial statements of government for the six months ended 28 February 2026

	FEB 2026 ACTUAL	HYEFU FORECAST	FEB 2025 ACTUAL
Core Crown tax revenue ($bn)	80.1	80.5	79.9
Core Crown revenue ($bn)	88.1	88.7	88.5
Core Crown expenses ($bn)	95.2	96.6	92.2
OBEGAL ($bn)	–7.8	–9.7	–6.6
OBEGALx – excluding ACC ($bn)	–7.2	–9.2	–5.0
Net core Crown debt (% of GDP)	42.3%	42.6%	42.4%

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