

Economic Bulletin

July / August 2026

NEW ZEALAND COUNCIL OF TRADE UNIONS
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NZCTU Economic Bulletin

July / August 2026

Welcome to the July/August 2026 Economic Bulletin.

In this edition's feature we look back at how real wages have performed from mid-2021 to the most recent data released for mid-2026, a period of five years. This data shows that the average worker's income has either stagnated or gone backwards over the past five years. In other words, the average worker's standard of living has either not improved or has actually fallen.

Our regular updates cover the June 2026 quarter data for employment, wages, union membership, consumer inflation, and household living-costs inflation.

This data shows that the labour market has continued to worsen. The price shock and uncertainty caused by the Iran war is clearly not helping things, with unemployment and underutilisation both rising significantly compared to the March quarter. The unemployment rate is now at its highest level since 2015, and more people are now unemployed than at any time since the early 1990s.

There are few signs of "green shoots" coming through in the job market at this stage. If the Reserve Bank continues with its plans to raise interest rates through the rest of the year, and the government continues its do-nothing approach, it will only get more difficult for people to find jobs and secure fair wages.

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Key data for trade unionists

Economic indicators and wages – June quarter 2026

CONSUMER INFLATION	LIVING COSTS INFLATION	UNEMPLOYMENT RATE	OFFICIAL CASH RATE*
4.1%	3.2%	5.6%	2.5%
AVE HOURLY WAGE GROWTH	LABOUR COST INDEX	MINIMUM WAGE*	LIVING WAGE*
2.8%	2.0%	\$23.95	\$28.95

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

Annual wage growth – June quarter 2026

	NOMINAL	REAL (CONSUMER INFLATION)	REAL (LIVING COSTS)
Average ordinary time hourly wages – all sectors	2.8%	–1.3%	–0.4%
Private sector	3.0%	–1.1%	–0.2%
Public sector	2.2%	–1.7%	–1.0%
Labour cost index – all sectors	2.0%	–2.1%	–1.2%
Private sector	2.0%	–2.1%	–1.2%
Public sector	1.7%	–2.4%	–1.5%

Source: Stats NZ

Annual consumer inflation forecasts – latest available

YEAR ENDING	RESERVE BANK	TREASURY	AVERAGE
Sep 2026	4.3%	3.7%	3.9%
Dec 2026	4.1%	3.2%	3.7%
Mar 2027	3.7%	2.7%	3.2%
Jun 2027	2.4%	1.6%	2.1%

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

Labour market dashboard – June 2026 quarter

	JUN 2026	JUN 2025	5-YEAR AVE	VS 2025	VS 5-YEAR AVE
Unemployment	5.6%	5.2%	4.3%	↑ +0.4pp	↑ +1.3pp
Male unemployment	5.7%	5.0%	4.2%	↑ +0.7pp	↑ +1.5pp
Female unemployment	5.5%	5.5%	4.5%	—	↑ +1.0pp
Māori unemployment ¹	11.0%	9.9%	8.6%	↑ +1.1pp	↑ +2.4pp
Pasifika unemployment ¹	12.0%	10.9%	8.6%	↑ +1.1pp	↑ +3.4pp
Youth unemployment ¹	16.6%	14.7%	12.2%	↑ +1.9pp	↑ +4.4pp
Underutilisation ²	13.8%	12.8%	11.0%	↑ +1.0pp	↑ +2.8pp
Male underutilisation	12.4%	11.0%	9.3%	↑ +1.4pp	↑ +3.1pp
Female underutilisation	15.3%	14.7%	12.9%	↑ +0.6pp	↑ +3.4pp
Māori underutilisation ¹	22.0%	19.5%	18.1%	↑ +2.5pp	↑ +3.9pp
Pasifika underutilisation ¹	21.3%	19.1%	16.6%	↑ +2.2pp	↑ +4.7pp
Reason for leaving last job – redundant/laid off/business closed ^{1, 3}	14.8%	15.3%	11.9%	↓ -0.5pp	↑ +2.9pp
Perceived chance of losing job among those currently employed ^{1, 4}	16.0%	16.4%	15.2%	↓ -0.4pp	↑ +0.8pp
Percentage of working-age population on Jobseekers	6.8%	6.7%	6.1%	↑ +0.1pp	↑ +0.7pp
Duration of unemployment, more than 6 months ^{1, 5}	40.9%	34.7%	30.6%	↑ +6.2pp	↑ +10.3pp

Source: Statistics NZ; MSD

¹ Annual average.

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

⁵ Percentage of total unemployed who have been unemployed for 6+ months.

Figure 1: Unemployment rate (%)



Figure 2: Underutilisation rate (%)



Figure 3: Seasonally adjusted filled jobs (thousands)

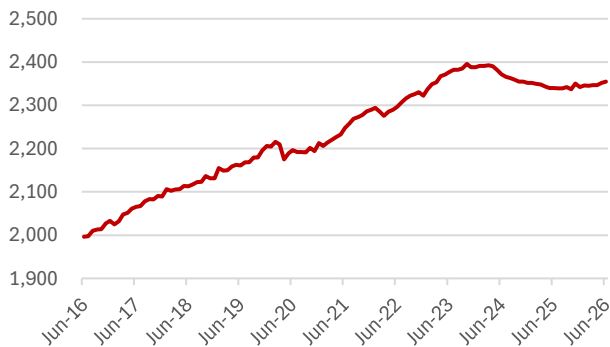


Figure 4: NEET rate, 15–24-year-olds (%)

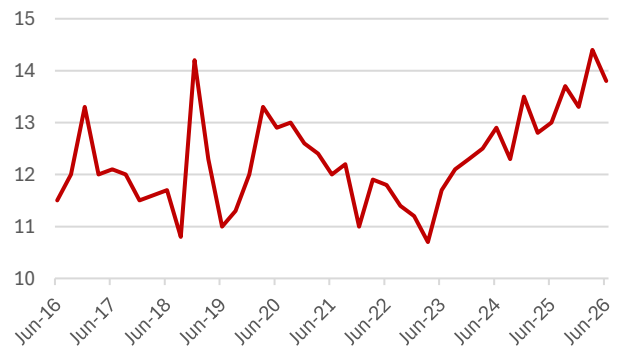


Figure 5: People unemployed for 6+ months (thousands)

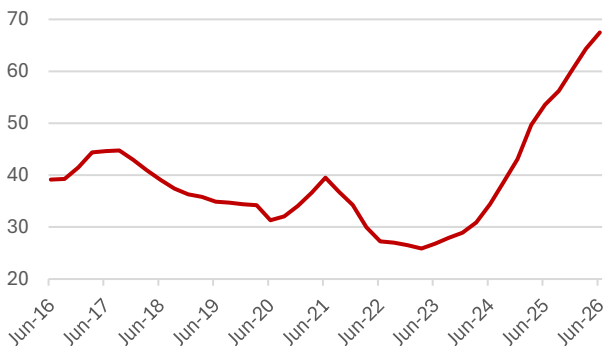


Figure 6: Jobseeker Support recipients (thousands)



Figure 7: Annual growth in wages and labour costs (%)

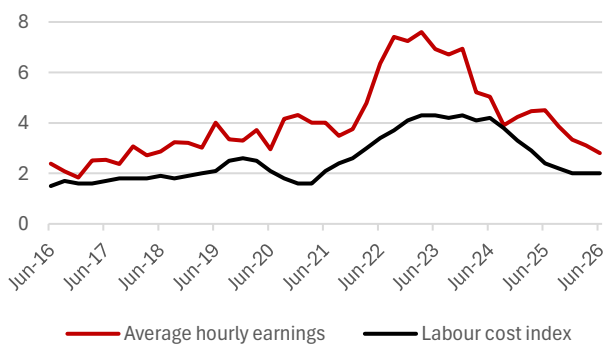
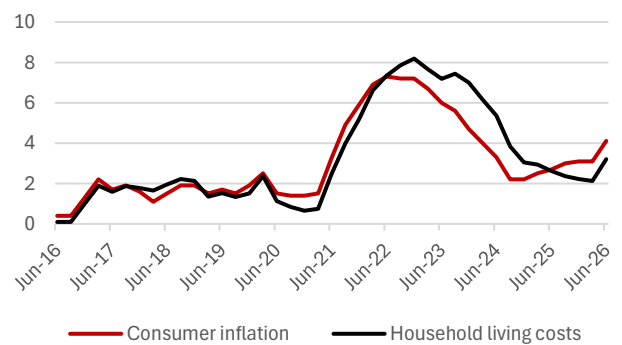


Figure 8: Annual inflation rate (%)



Source: Stats NZ

Real wages since 2021

The [OECD Employment Outlook for 2026](#) was released last month and included a chart that compared real wage growth (wages adjusted for consumer inflation) across OECD countries since 2021. In the chart, New Zealand was one of the worst performing countries, with real wages reported to have declined by over 6% since the beginning of 2021 to the beginning of 2026. Some people criticised the chart as misleading, as it included different measurements of real wages. Although the measure it used for New Zealand (the Labour Cost Index) is comparable to the measure used for some other countries (including Australia), it is not comparable for many others. It could therefore be misinterpreted to be showing that New Zealand had performed comparatively worse than it had over recent years.

However, while the OECD's chart could be misinterpreted, it is true that real wages have taken a hammering in New Zealand over the past five years. In this note, we take a look at how real wages have tracked across eight different measures (summarised in Table 1). We track them from mid-2021 to the most recent data released for mid-2026. This data shows that the average worker's income has either stagnated or gone backwards over the past five years.

Before getting into the numbers, we provide a quick breakdown of the different wage measures used. This is a bit technical, but it's important for understanding the strengths and limitations of each measure, as none of them are perfect.

Real wage measures

To calculate real wages, we can draw on three statistical series produced by Stats NZ:

- The Labour Cost Index adjusted series (LCI).
- The Labour Cost Index unadjusted series (LCI unadjusted).
- Average ordinary time hourly earnings from the Quarterly Employment Survey.

The LCI measure is a price index, much like the Consumers Price Index (which is used to calculate

general inflation for consumers). The LCI tracks changes in the cost of a [“fixed quantity and quality of labour input”](#). This means it tracks what the employer needs to pay in order to employ a person in the exact same job from period to period. This means that the LCI measures the change in pay rates for the same job due to variables like the cost of living, attracting and maintaining staff, and collective agreements. But it strips out changes in pay rates that are due to quantity – such as more hours worked – or quality – such as improved productivity or changes in the nature of the job.

The LCI unadjusted measure is also a price index, but it includes quality changes within jobs. As [Stats NZ explains](#), this means that it captures pay rate changes due to factors like “the performance of the individual employee, change in qualifications, responsibility or experience of employees filling surveyed positions, and the effect of different employees replacing incumbent employees in surveyed positions at lower or higher rates are all regarded as a quality change within the occupation being tracked”. It also incorporates pay changes due to service increments, which are common in collective agreements. Because it incorporates (most) quality changes, the LCI unadjusted increases at a faster rate than the LCI.

The third measure, average ordinary time hourly earnings, is a wage level, rather than an index. It is produced by calculating total ordinary time pay for a reference week and dividing this by the total paid hours recorded for that week. This means that it gives us the average dollar rate that is being paid across the New Zealand workforce (or sections thereof) at a point in time – for example, the average ordinary time hourly earnings for June 2026 was \$44.62. This measure provides a better sense of the actual pay received across the workforce. However, because it incorporates compositional change in the workforce, it also has some important limitations. For example, during a recession, in which unemployment is rising quickly in low-wage industries, the average wage might increase. But this wouldn't be because lots of people were receiving pay rises; it would be because there were fewer low-wage jobs in the economy, which would shift the average

wage higher. Alternatively, if there was rapid job creation in low-wage industries, this would have the opposite effect, pulling the average wage down.

Finally, in this note we also measure real wages for those on the minimum wage. This only tells us about a subset of the workforce. However, because many people are paid close to the minimum wage in certain industries, increases in the minimum wage effectively set the basis for those peoples' pay. This means that changes to the real minimum wage give us an important insight into whether the living standards of some of the lowest paid workers in the country are rising or falling.¹

To calculate real wages, we need to adjust ("deflate", in economist jargon) the increase in the index or wage level for the increase in inflation. At the NZCTU we like to use two measures to do this:

- The Consumers Price Index (CPI).
- The Household Living-costs Price Index (HLPI).

The CPI measures price changes from quarter to quarter for a fixed "basket" of goods and services that the average consumer would purchase. This gives us a useful measure of the increase in the cost of living. However, because it excludes the cost of interest payments from the calculation, it doesn't provide us with the whole picture.

The HLPI provides a fuller picture of changes in the cost of living as it includes interest payment costs, such as on mortgages. The HLPI series also provides us with cost-of-living inflation for different household types. A key finding from the HLPI series is that poorer households experience more rapid increases in the cost of living. From 2009–26 living costs have increased 8.7% more for households in the lowest income quintile than they have for households in the highest income quintile. We don't have the data to be able to provide real wage estimates for different household types, but this difference between the inflation rates of lower- and higher-income households is worth bearing in mind.

¹ A caveat here is that some minimum-wage earners are in households that nevertheless have reasonably high incomes – for example,

Putting all this together we have eight metrics, as shown in Table 1.

Table 1: Real wage measures

Wage measure	Deflator
LCI	CPI
	HLPI
LCI unadjusted	CPI
	HLPI
Ave hourly earnings	CPI
	HLPI
Minimum wage	CPI
	HLPI

Why the cost of living has increased so rapidly

The first shock to real wages came in 2021, with the largely unexpected bump in inflation. This price shock was international, primarily caused by Covid-induced supply chain problems. This shock was exacerbated by the Russian invasion of Ukraine in early 2022, which caused oil and some other commodities to spike in price. Highly stimulatory monetary and fiscal policy around the world added to inflationary pressures but were not the principal cause.

Although the inflationary shock was subsiding by 2023, because the Reserve Bank hiked the Official Cash Rate from 0.25% to 5.5%, peoples' mortgage costs (and other debt costs) shot up. This meant that broader cost-of-living challenges continued to increase. In 2026 we have been dealing with another inflationary shock, due to American and Israeli attacks on Iran and the ensuing spike in oil prices.

Against this backdrop of international shocks, New Zealand has also been experiencing price pressures in areas like electricity, council rates, and insurance. Household energy costs have increased 35.5% since mid-2021; council rates and payments have increased 52.6%; and insurance has increased 33.9%. These price increases are being driven by more New Zealand-specific problems, such as a lack of generation capacity in the electricity system, our infrastructure deficit, and

because their spouse has a higher-earning job, or because the minimum-wage earner is a teenager still living at home.

the increasing frequency of climate-change-related storms.

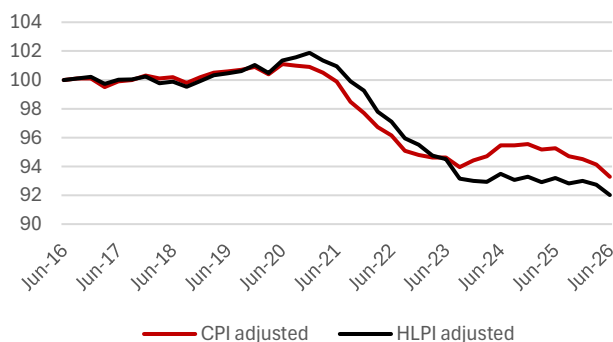
All up, since the middle of 2021 to the middle of 2026, consumer price inflation has risen 25.6% and household living-costs inflation has risen 28.4%. From a worker's perspective, what matters is whether wages have kept up with these rising costs. So let's now turn to our real wage measures.

Real wages from 2021–26

Labour Cost Index

On the LCI measure real wages started declining from mid-2021 and only briefly shifted into positive territory in 2024, before falling back again. All up, from 2021–26 real wages as measured by the LCI have fallen about 6.6% (CPI adjusted) or 8.7% (HLPI adjusted).

Figure 1: LCI real growth index, 2016–26



Source: Stats NZ. 100 = 2016Q2

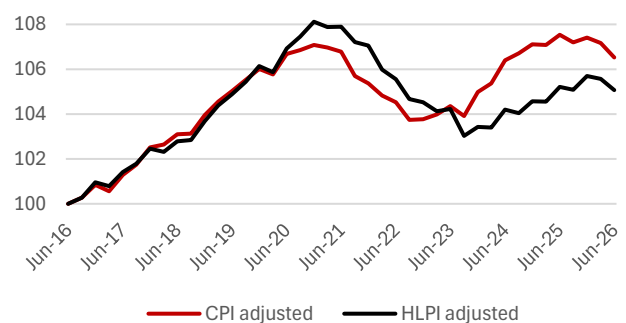
Let's look at a fictional example to get a sense of what this means in actual dollar terms. Riki is a bank teller who was earning \$55,000 per year in June 2021. Since then, he has only received wage increases in line with the LCI. By June 2026 his annual salary had increased to \$64,506. However, to keep up with consumer inflation over this period, his annual salary needed to have increased to \$69,080; and to keep pace with household living-costs inflation it needed to have increased to \$70,622. So depending on what deflator we use, Riki's income is now either \$4,574 or \$6,116 below where it needs to be just to maintain the same standard of living he had in 2021.

Labour Cost Index unadjusted

As measured by the LCI unadjusted, real wages also started declining in mid-2021 but did not fall as far. They moved back into growth in mid-2023 on the CPI-adjusted measure and mid-2024 on the HLPI-adjusted measure. All up, from 2021–26 real wages as measured by the LCI unadjusted have fallen about 0.4% (CPI adjusted) or 2.5% (HLPI adjusted).

An example in dollar terms: if Sally, working as a senior hotel chef, was earning \$70,000 per annum in 2021, and received pay increases each year in line with the LCI unadjusted, she would now be earning \$87,609. But to maintain pace with consumer inflation she would need to be earning \$87,920 (so she is short \$311), and to maintain pace with household living costs she would need to be earning \$89,882 (so she is short \$2,273).

Figure 2: LCI unadjusted real growth index, 2016–26



Source: Stats NZ. 100 = 2016Q2

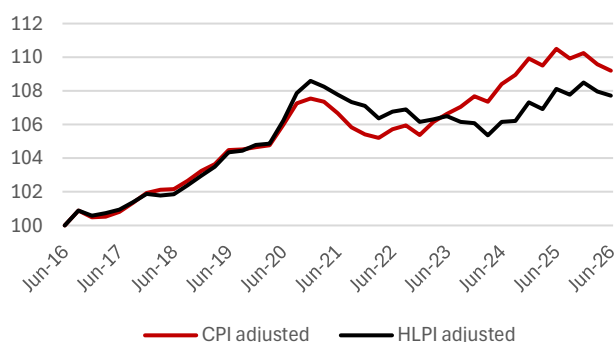
Average ordinary time hourly earnings

Real wages have performed best on the average hourly earnings metric. On the CPI-adjusted measure they declined for a year but then returned to growth from mid-2022; however, growth has been weak in recent quarters and has now dipped back into negative territory due to the oil-price shock. On the HLPI-adjusted measure, real wages remained negative until mid-2024 and have also now fallen back into negative territory in the most recent quarter. Cumulatively, real wages on this metric have increased 2.2% from 2021–26 when deflated by CPI but have stagnated when deflated by HLPI.

For an example in dollar terms: someone earning the average hourly wage in June 2021 (of \$34.76) would have

had an annual income of \$72,301. If their wages increased perfectly in line with the average wage, to reach \$44.62 an hour, they would now be earning \$92,810 annually. This is \$2,000 more than they needed to maintain pace with consumer inflation (meaning they have seen their purchasing power increase on this measure), but it is \$27 less than they needed to maintain pace with household living-costs inflation.

Figure 3: Average ordinary time hourly earnings real growth index, 2016–26



Source: Stats NZ. 100 = 2016Q2

Minimum wage

According to [research from Motu](#), in 2020 around 190,000 people were minimum wage earners. Changes in the minimum wage directly affect these workers, but also workers who are paid close to the minimum wage.

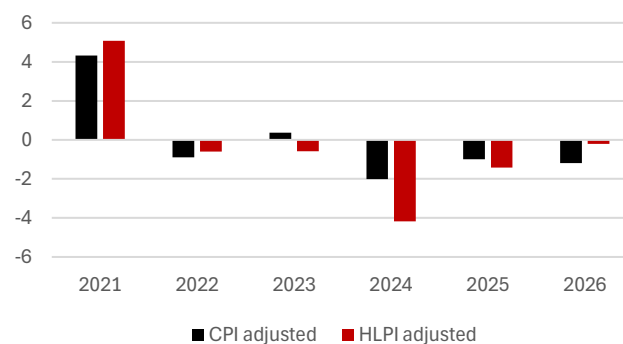
The minimum wage is particularly relevant to young workers. In 2020, around 57% of 16–17-year-olds in employment were on or below the minimum wage; the ratio was 43% for 18–19-year-olds and 21% for 20–24-year-olds. As Motu argues, minimum wages have “de facto become a teenage wage setting policy” in New Zealand. Workers aged 24–65-years are less likely to be on the minimum wage, with a ratio of only 5.6% on or below it. However, because they make up the bulk of the workforce, they account for almost half of total minimum wage earners.

The ratios lift significantly if we use a measure that captures people earning very close to the minimum wage. The Motu researchers do this by calculating the number of people who are earning below the level of the following year’s minimum wage. To illustrate: in 2020 the minimum wage was \$18.90 and in 2021 it increased to \$20. So in 2020, all people earning under \$20 per hour

would be captured by this “close to the minimum wage” measure of Motu’s. On this measure the ratios lift to 73.6% of 16–17-year-olds, 63.9% of 18–19-year-olds, 36.5% of 20–24-year-olds, and 9.8% of 25–64-year-olds.

As noted, in April 2021 the minimum wage moved from \$18.90 to \$20, a strong real increase of 4.3% on the CPI-adjusted measure and 5.1% on the HLPI-adjusted measure (note that we are calculating real increases in the minimum wage based on March quarter inflation). Since 2021, the minimum wage has moved from \$20 to \$23.95 per hour in 2026. But this has not been nearly enough to keep up with rising prices. All up, from 2021–26 the minimum wage has fallen 4.5% CPI-adjusted terms and 6.5% in HLPI-adjusted terms.

Figure 4: Real minimum wage increases, 2021–26 (March years)



Source: MBIE; Stats NZ

To illustrate in dollar terms: Robb, a cleaner who earns minimum wage, was earning an annual salary of \$41,600 in 2021. In 2026, in the same job and still on the minimum wage, he is now earning \$49,816 a year. But to keep up with consumer inflation Robb’s annual wage would need to have increased to \$52,156, and to keep up with household living costs it would need to have increased to \$53,279. So, depending on which measure used, Robb is earning between \$2,340 and \$3,463 less than he needs to just to maintain his 2021 standard of living.

Conclusion

The past five years have been hard for working people. Determining exactly what has happened to real wages depends on what metrics are used. But it’s clear that real wages have generally not kept up with the cost of living. Only one of our eight metrics has seen real wage

growth since 2021. The other seven have seen either stagnation or real term declines. This means living standards will have fallen for many workers over the past five years.

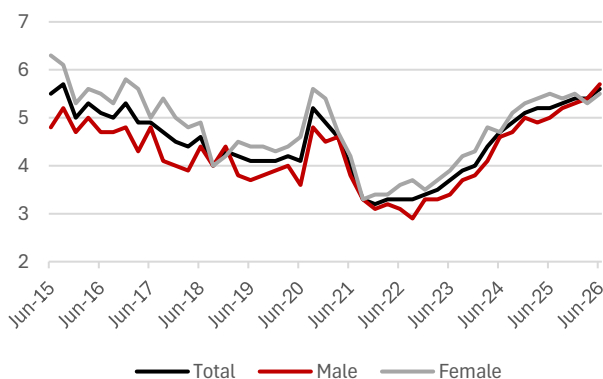
The policy implications of this are complex. But it's clear that the government needs to take urgent action to support the labour market, reduce the cost of living, and lift real wages. The NZCTU will be releasing a Briefing to the Incoming Government next month, which will detail the changes we think need to be made to support real wage growth and rising living standards over the next parliamentary term.

Employment and labour market

The labour market continued to worsen in the June 2026 quarter. The price shock and uncertainty caused by the Iran war is clearly not helping things, with unemployment and underutilisation both rising significantly compared to the March quarter. Wage growth has fallen in real terms, as discussed above. There are few signs of “green shoots” coming through in the labour market at this stage. If the Reserve Bank continues with its plans to raise interest rates through the rest of the year, and the government continues its do-nothing approach, it will only get more difficult for people to find jobs and secure fair wages.

The unemployment rate increased from 5.4% to 5.6% and the underutilisation rate – which paints a broader picture of labour market conditions because it accounts for the unemployed, underemployed, and potential labour force – jumped from 12.9% to 13.8%. Unemployment and underutilisation are both at their highest level since 2015.

Figure 5: Unemployment rates (%)



Source: Stats NZ

Approximately 171,000 people were unemployed in the June quarter, the highest number of people unemployed since the early 1990s. As Figure 7 shows, the number of people unemployed has almost doubled since 2022.

A further 154,000 people were estimated to be underemployed (wanted more hours than they could get), and a total of 440,000 people were estimated to be underutilised, by far the highest number since this began to be measured in 2004.

Because of the ongoing weakness of the labour market, people are staying unemployed for longer. Compared to the same time last year, the number of people who have been out of work for more than 6 months has increased from 53,600 to 67,500 (annual average). This measure has increased 152% since June 2022 and is now at its highest level since the early 1990s. Long-term unemployment can have devastating financial and psychological effects on affected families. The steep growth in long-term unemployment is one of the most concerning aspects of the current economic situation.

Figure 6: Underutilisation rates (%)

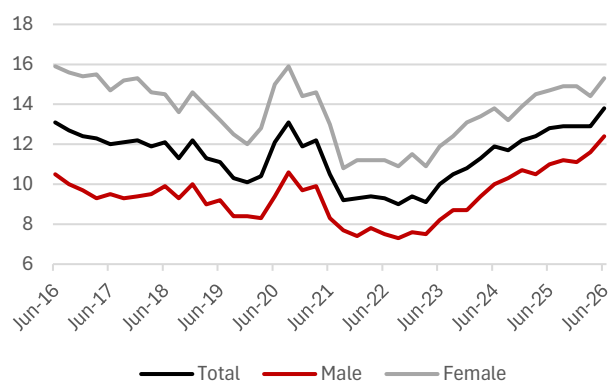


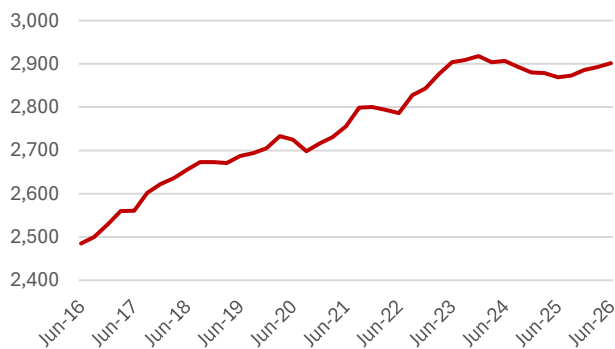
Figure 7: People unemployed



Source: Stats NZ

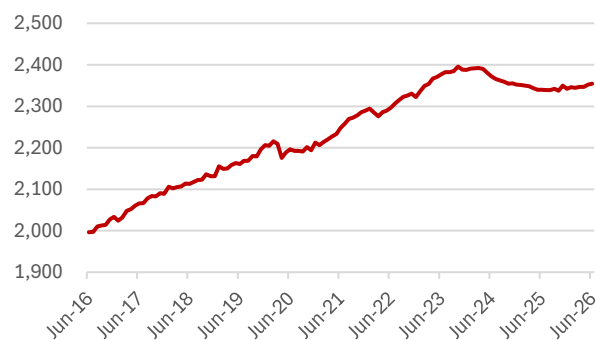
Both the labour force participation and employment rates increased marginally from the March quarter, up to 70.7% and 66.7% respectively. The number of employed persons has continued to grow, which is a positive sign. On a seasonally adjusted basis, it increased 0.3% compared to the March quarter, marking its fourth consecutive quarter of growth. However, it is still some way off the peak reached in 2023. Likewise, seasonally adjusted filled jobs also continued to grow in recent months but are still well below the 2023 peak.

Figure 8: Seasonally adjusted persons employed (thousands)



Source: Stats NZ

Figure 9: Seasonally adjusted filled jobs (thousands)



Source: Stats NZ

The other positive sign is that job advertisements continued to grow for the fourth consecutive quarter. Compared to the June 2025 quarter, [online job advertisements](#) grew 7%. Job ads grew in all regions of the country, except Gisborne/Hawke's Bay. However, ads remain well below their pre-recession levels. Table 3 provides a detailed breakdown of the job ads data.

Gender

Compared to the previous quarter the female unemployment rate increased from 5.3% to 5.5% and the male unemployment rate from 5.4% to 5.7%. The underutilisation rate for female workers rose sharply from 14.4% to 15.3% and for males increased from 11.6% to 12.4%.

Ethnicity

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 from 3.9% to 4.2% and underutilisation from 10.9% to 11.5%.
- For Māori workers, unemployment increased from 9.9% to 11% and underutilisation from 19.5% to 22%.
- For Pasifika workers, unemployment increased from 10.9% to 12% and underutilisation from 19.1% to 21.3%.
- For Asian workers, unemployment fell from 5.2% to 4.9% but underutilisation increased from 12.2% to 12.6%.

Region

By region, unemployment continues to be highest at the top of the North Island. Northland and Auckland are both at 6.4%, Waikato 5.7%, and Bay of Plenty 5.9%. Unemployment is also above 5% in Wellington and Gisborne/Hawke's Bay. Compared to June 2023, the unemployment rate has skyrocketed in Auckland and Wellington, up 86% and 78% respectively. (All regional figures are annual averages.)

Table 2: Unemployment rate by region, March years

	MAR 25	MAR 26
Northland	6.4%	6.2%
Auckland	6.4%	5.8%
Waikato	5.7%	5.7%
Bay of Plenty	5.9%	5.2%
Gisborne/Hawke's Bay	5.3%	4.0%
Taranaki	4.3%	4.3%
Manawatū/Whanganui	4.8%	4.7%
Wellington	5.3%	4.6%
Tasman/Nelson/Marl/West Coast	4.0%	3.8%
Canterbury	4.1%	4.9%
Otago	3.0%	3.0%
Southland	4.5%	5.0%

Source: Stats NZ. Annual averages

Youth

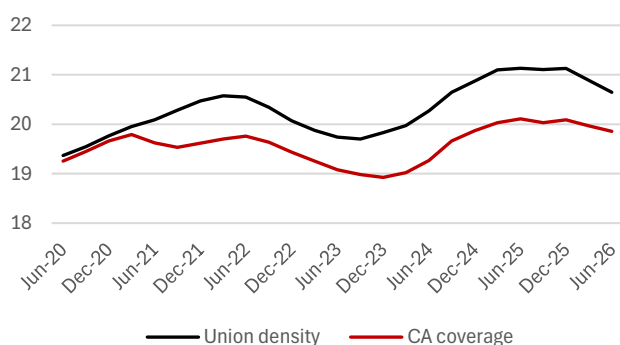
The seasonally adjusted NEET rate (youth not in employment, education, or training) fell slightly compared to the previous quarter, to 13.8%; however, it is up from 13% one year ago. This means almost 95,000

young people were not in employment, education, or training in the June 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.

Union density and collective agreement coverage

According to Statistics NZ's data, there were an estimated 472,500 union members in the June 2026 quarter and union density (union members as a percentage of total employees) was estimated at 20.6%, down fractionally from the previous year. The number of workers covered by a collective agreement was estimated to be 19.9% of those stating what their employment agreement was, which again is also fractionally down 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 10: Union density and CA coverage, % of employees



Source: Stats NZ. Annual rolling averages

Welfare

The number of people receiving [benefit payments](#) continues to grow. At the end of June 2026, 413,691 people were receiving a main benefit, up 1.9% compared to the previous year. This means 12.8% of the working-age population were receiving a main benefit – just over 1 in 8 people. The rising unemployment and underutilisation rates are driving this increase.

Of those receiving a main benefit: 120,300 people were receiving Jobseeker Support – Work Ready, down 0.4% annually; and 98,181 people were receiving Jobseeker Support – Health Condition or Disability, up 3.2%. It is possible that some recipients of Work Ready have shifted onto Health Condition or Disability. The proportion of the working-age population receiving Jobseeker support was 6.8%, which is up from 6.7% one year ago and up from 5.5% in June 2023 when the labour market was still relatively strong.

Migration

Net migration continues to be weak by historical standards but has risen off its 2025 low. For the year ending May 2026, there were an estimated 130,700 migrant arrivals (up 0.1% from the previous year) and an estimated 111,900 departures (down 7% from the previous year). This produced an estimated net migration gain of 18,800 people.

New Zealand citizens continue to leave the country in very high numbers. An estimated 63,000 New Zealand citizens departed the country in the year to May, with the net outflow being around 36,800 people.

Table 3: Annual change in online job vacancies, June 2026

REGION	CHANGE	INDUSTRY	CHANGE	OCCUPATION	CHANGE
Canterbury	18%	Manufacturing	19%	Machinery operators & drivers	20%
Manawatū/Whanganui/Taranaki	12%	Construction	14%	Sales	15%
Otago/Southland	12%	Primary	9%	Labourers	9%
Wellington	10%	Sales	8%	Technicians & trades	8%
Waikato	9%	IT	8%	Clerical & administration	7%
Nelson/Tasman/Marlborough/West Coast	6%	Health care	3%	Professionals	5%
Bay of Plenty	6%	Business services	2%	Managers	5%
Northland	4%	Education	-7%	Community & personal services	0%
Auckland	2%	Hospitality	-9%		
Gisborne/Hawke's Bay	-1%				

Source: MBIE

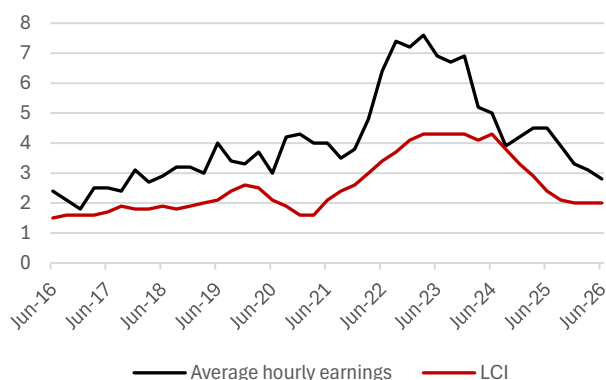
Wages

A detailed analysis of real wage movements since 2020 is provided in this month's feature article. Here, we break down annual wage movements for the June 2026 quarter.

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 4.1%, and lower than household living-costs inflation, which was 3.2%. The LCI increased 2% in the private sector and 1.7% in the public sector.

These averages mask significant differences across the labour market: 44% of workers did not receive a pay rise at all; 30% received a rise of less than 3%; 17% received a rise of between 3–5%, and 9% received a rise over 5%. So at least three-quarters of workers experienced real wage cuts on the LCI measure this past year.

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



Source: Stats NZ

The average hourly wage for ordinary-time work was \$44.62, which was up 2.8% from the previous year. In the private sector, the average hourly wage was \$42.46, up 3% annually. In the public sector it was \$52.59, up 2.2% annually. The average hourly wage for females was \$42.69, up 3.3% annually. For males it was \$46.33, up 2.4% annually.

When deflated by consumer inflation, average ordinary time hourly earnings fell 1.3% in the year to June 2026. In the private sector real wages fell 1.1% while in the public sector they fell 1.7%. Average real wages fell 0.8% for female workers and 1.7% for male workers.

When deflated by household living costs, real wages did not fall as far. This is because the Household Living-cost Price Index came in lower than consumer inflation due to the decline in the cost of mortgage payments relative to last year (this has primarily benefited higher-income households, while lower-income households experience more rapid living-cost inflation). On this measure, average hourly earnings fell 0.4% for the year to March. Private sector real wages fell 0.2% and public sector real wages fell 1.0%. For female workers, average wages increased 0.1% but for male workers they fell 0.8%.

Finally, average total hourly earnings by industry rose 2.9% annually (in nominal terms). The largest increases were in forestry and mining, accommodation and food services, and professional, scientific, technical, administrative, and support services. A full breakdown is provided in Table 5.

Table 4: Average total hourly earnings by industry, year to June 2026

	AVE TOTAL HOURLY EARNINGS (\$)	ANNUAL INCREASE
Forestry and mining	49.19	6.1%
Manufacturing	41.18	2.9%
Electricity, gas, water, and waste services	53.78	3.3%
Construction	42.15	1.2%
Wholesale trade	44.91	4.1%
Retail trade	33.66	0.0%
Accommodation and food services	31.14	4.7%
Transport, postal, and warehousing	41.00	2.1%
Information media and telecommunications	55.55	0.9%
Finance and insurance services	64.32	3.2%
Rental, hiring, and real estate services	42.94	3.9%
Prof, sci, tech, admin, and support services	50.39	4.3%
Public administration and safety	51.32	1.6%
Education and training	45.96	2.1%
Health care and social assistance	48.44	4.2%
Arts, recreation, and other services	39.61	2.0%
Total	44.72	2.9%

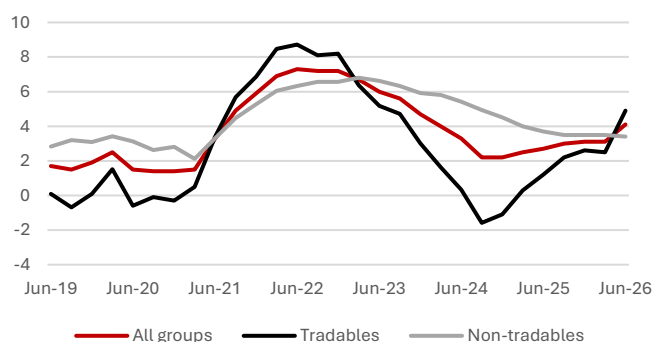
Source: Stats NZ

Prices

Consumer inflation

[Annual consumer inflation](#) was 4.1% for the year ending June 2026, which is up from 3.1% the previous quarter. This increase has been driven in large part by the war in Iran, which has sent oil prices up. The conflict has reignited in recent weeks with the apparent breakdown of the ceasefire agreement. Forecasters are expecting inflation to remain above 3% for the remainder of this year before dropping back into the Reserve Bank’s target range of 1–3% in the second quarter of 2027. Much will depend on how long the conflict in Iran continues.

Figure 12: Annual CPI inflation (%)



Source: Stats NZ

Inflationary pressure has been coming from two main sources. The first is tradeable inflation (goods and services that are imported or exposed to international competition), which has increased from 2.5% to 4.9% per annum. Tradeable inflation has been driven by rising fuel prices. The Reserve Bank cannot do much to influence tradeable inflation – hikes in the Official Cash Rate don’t make oil any cheaper.

Annual non-tradeable inflation (goods and services that do not face foreign competition) ticked down marginally from 3.5% to 3.4%. However, this remains elevated compared to the long-run average of about 2.3%. The main driver of non-tradeable inflation recently has been prices that the Reserve Bank also doesn’t have much influence over. The two key areas here are household energy prices, which rose 11.6% annually, and council rates and related services, which rose 8.3%. Inflation in these areas is 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, inflation is weak or non-existent in many of the consumer goods and services that are sensitive to the Reserve Bank’s monetary policy. These are items like clothing, furniture, household appliances, and so on that are more discretionary purchases and are therefore more sensitive to changes in people’s purchasing power. The lack of inflationary pressure across these items indicates that household spending power remains weak.

Table 5 summarises the rate of inflation for the month of June 2026 for the goods and services that we get [monthly price updates](#) on.

Table 5: Monthly inflation indicators, June 2026

	PREVIOUS MONTH	PREVIOUS YEAR
Food	0.6%	2.5%
Fruit & veg	2.3%	0.1%
Meat, poultry, fish	0.3%	6.2%
Groceries	0.4%	1.9%
Rent (stock measure)	0.1%	0.2%
Electricity	0.4%	10.8%
Gas	0.9%	11.4%
Petrol	-4.2%	23.6%
Diesel	-12.1%	57.1%
Domestic air transport	-4.1%	-2.9%
Domestic accommodation	-0.4%	2.0%

Source: Stats NZ

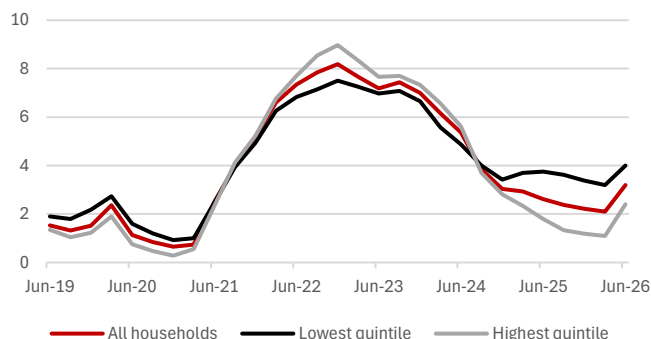
Household living costs

[Annual household living-costs inflation](#) for the “all households” category rose from 2.1% to 3.2% in the June 2026 quarter. Again, this has been driven by the Iran war shock. Living-costs inflation is experienced unevenly. Annual living-costs inflation was only 2.4% for households in the highest income quintile but was 4% for households in the lowest quintile. It was similarly high for beneficiaries (3.7%) and especially high for superannuitants (4.5%).

The difference in experienced inflation between these households is driven by the different consumption baskets of lower versus higher-income households. The smaller your income, the larger the proportion of it must go on essentials. Because inflation is being driven by

rising prices in essential goods and services (fuel, electricity, rates, food), this means it has a bigger proportional impact on lower-income households.

Figure 13: Annual household living-costs inflation (%), selected income quintiles



Source: Stats NZ

Those with the least are therefore bearing the brunt of ongoing price rises and inadequate wage growth. 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) was increased from 2.25% to 2.5% in early July. The Reserve Bank views this as reducing the level of monetary policy stimulus, rather than actively constraining economic activity. The "neutral" OCR – the rate at which it is neither constraining nor promoting growth is assumed to be somewhere around 3%. The Reserve Bank has signalled it expects to move the OCR up towards this neutral level through the rest of the year. The next OCR decision is on 2 September.

Real estate

The housing market remains weak across most of the North Island, but solid in the South Island. The [REINZ](#) house price index for June 2026 shows that, on an annual basis, house prices fell everywhere in the north except for Northland (up 1.8%), Bay of Plenty (up 0.9%), and Taranaki (up 0.5%). By contrast, Canterbury recorded 4.1% growth, Otago 4.3%, and Southland

8.6%. This 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: REINZ house price index, % change, June 2026

	3 MONTHS	1 YEAR	FROM PEAK
National	-2.4%	-0.8%	-16.9%
Auckland	-3.6%	-3.0%	-24.7%
Waikato	-1.5%	-0.4%	-14.1%
Wellington	-4.4%	-4.5%	-29.1%
Canterbury	-0.5%	4.1%	-0.5%

Source: REINZ. Peak is late-2021

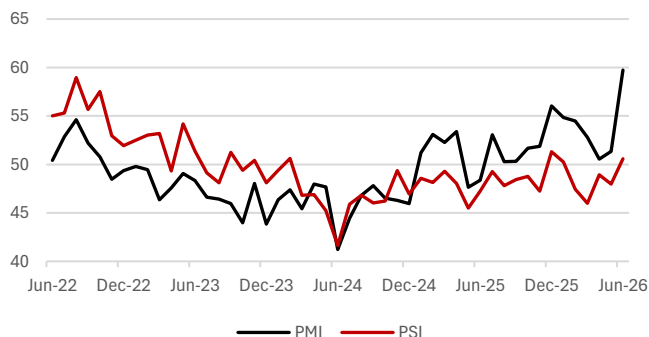
Other economic indicators

Performance indexes

The BNZ–BusinessNZ performance of [manufacturing index](#) (PMI) registered expansion in June, jumping 8 points from the previous month to 59.7. This was likely driven by the ceasefire agreement in Iran (which then fell apart and is now potentially being stitched back together again). The performance of [services index](#) (PSI) also registered expansion at 50.6. The PMI had been in expansion since July last year, indicating a recovery of sorts in the sector. The services sector has struggled more, driven by weak consumer spending caused by ongoing cost-of-living problems. With a few brief exceptions, it has registered contraction almost continuously since March 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 14: BNZ–BusinessNZ Performance indexes



Source: BusinessNZ

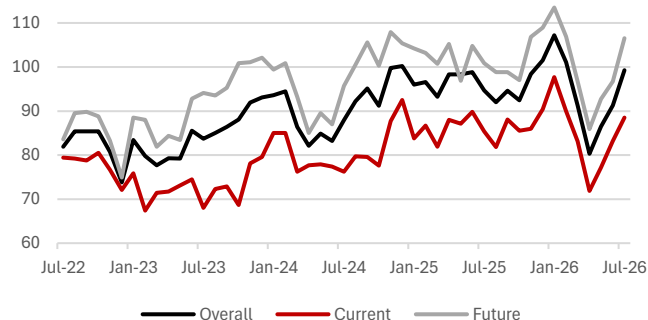
Consumer confidence

The ANZ–Roy Morgan [Consumer Confidence Index](#) lifted 8 points in July to 99.3, which is a major improvement from May and June. However, this lift may prove fleeting due to the resumption of hostilities in Iran. Confidence in current economic conditions rose 5 points to 88.5. Confidence in future economic conditions rose 10 points to 106.5.

A score above 100 on the index indicates consumers on balance have confidence in current and future

economic conditions; less than 100, and they are pessimistic.

Figure 15: ANZ–Roy Morgan Consumer Confidence Index



Source: ANZ

Business confidence

Business confidence as reported by [ANZ](#) rose in June and July, up to +56. Confidence was strongly positive across the five industry groupings – retail, manufacturing, agriculture, construction, and services – that ANZ reports on. “Activity vs same month one year ago” was positive in manufacturing, agriculture, and services, neutral in retail, and weakly negative in construction. “Employment vs same month one year ago” was weakly positive in manufacturing, agriculture, and services, but negative in retail and construction.

ANZ’s survey measures business confidence based on whether respondents think conditions will be better or worse in the future.

Government accounts

For the eleven months ending May 2026, the government accounts were better than had been forecast at the Budget Economic and Fiscal Update (BEFU). Core Crown tax revenue was \$940 million (0.8%) higher than forecast, and core Crown expenses were \$929 million (0.7%) higher than forecast. Higher tax revenue was driven by corporate tax and other individuals' tax revenue coming in above forecast. The OBEGALx (operating balance excluding gains and losses excluding ACC) deficit was \$6.8 billion, which was \$3 billion (30.9%) lower than forecast. On the OBEGAL measure (which includes ACC), the deficit was \$9.5 billion, which was \$3.4 billion (26.3%) lower than

forecast. Net core Crown debt also came in slightly below forecast, at 41.3% of GDP.

Compared to the same time last year, the fiscal position has marginally improved. Core Crown tax revenue grew \$3.8 billion (3.4%), driven by nominal growth in wage taxes, GST, and corporate taxes. Core Crown expenses also grew, up \$3.7 billion (2.9%), due primarily to higher spending on welfare and superannuation (up \$2.4 billion) and health costs (up \$2.1 billion). The OBEGALx deficit shrank by \$1.1 billion (14.2%), while the OBEGAL deficit shrank by \$2.8 billion (22.5%). Net core Crown debt as a percentage of GDP was marginally lower than last year, as shown in Table 7.

Table 7: Interim financial statements of government for the ten months ended 31 May 2026

	MAY 2026 ACTUAL	BEFU FORECAST	MAY 2025 ACTUAL
Core Crown tax revenue (\$bn)	114.9	114.0	111.2
Core Crown revenue (\$bn)	126.6	125.0	122.8
Core Crown expenses (\$bn)	132.4	133.3	128.7
OBEGALx – excluding ACC (\$bn)	–6.8	–9.8	–7.9
OBEGAL (\$bn)	–9.5	–12.9	–12.3
Net core Crown debt (% of GDP)	41.3%	41.9%	41.8%

Source: Treasury. BEFU = Budget Economic and Fiscal Update (published May 2026)

