NZCTU
Te Kauae Kaimahi

Economic Bulletin

September / October 2026



NEW ZEALAND COUNCIL OF TRADE UNIONS
union.org.nz

NZCTU Economic Bulletin

September / October 2026

Welcome to the September/October 2026 Economic Bulletin.

Our feature article examines employment outcomes for young workers over the past three years. The deterioration of the job market since 2023 has been particularly hard on younger people, with youth unemployment and NEET rates increasing rapidly. We dig beneath the headline numbers to look at both the cyclical and longer-term trends in these rates. Of particular concern is the decade-long increase in the rate of 'economically unengaged' young people – those who are not in employment or education, are not actively seeking work, and are not caring for others. Currently, there are around 42,000 young people who are economically unengaged. The next government must make re-engaging this cohort a priority.

Our regular updates cover the September 2026 quarter data for employment, wages, welfare, and inflation. Labour market outcomes were even worse than expected this quarter. Unemployment increased to 5.7%, real wages fell on all measures, and the number of people in long-term unemployment (6 months or more) continued to grow alarmingly. This is all further evidence of how important it is that we get a change of government this election.

If you haven't seen them already, you might want to check out our recent reports on how the labour market and real wages have changed over the last three years. We also recommend a recent report from the Australian Council of Trade Unions, which shows that the Reserve Bank and the National-led Government's approaches to managing inflation have led to far worse employment outcomes in New Zealand than Australia, and for no tangible gain. These reports can be found below:

- NZCTU, *Three Years of Pain: The State of the Labour Market, 2023–26*, September 2026.
- NZCTU, *Real Wages and the Cost of Living, 2023–26*, October 2026.
- ACTU, *A Tale of Two Strategies*, November 2026.

Jack Foster

Policy Analyst

jackf@nzctu.org.nz

NZCTU
Te Kauae Kaimahi

Contents

Key data for trade unionists 4

Economic indicators and wages – September quarter 2026 4

Annual wage growth – September quarter 2026 4

Annual consumer inflation forecasts – latest available 4

Labour market dashboard – September 2026 quarter 5

Youth employment and education: cyclical and structural problems 7

Employment and labour market 11

Unemployment and underutilisation 11

Welfare 12

Union density and collective agreement coverage 12

Migration 12

Wages 13

Prices 15

Consumer inflation 15

Household living costs 15

Official cash rate 16

Economic activity and other indicators 17

Gross domestic product 17

Retail trade 17

Performance indexes 18

Consumer confidence 18

Government accounts 19

Copyright © New Zealand Council of Trade Unions Te Kauae Kaimahi 2026

ISSN 3021-1891

Authorised by New Zealand Council of Trade Unions - Te Kauae Kaimahi, PO Box 6645, Wellington 6141

NZCTU
Te Kauae Kaimahi

Key data for trade unionists

Economic indicators and wages – September quarter 2026

CONSUMER INFLATION	LIVING COSTS INFLATION	UNEMPLOYMENT RATE	OFFICIAL CASH RATE*
3.7%	3.0%	5.7%	2.75%
AVE HOURLY WAGE GROWTH	LABOUR COST INDEX	MINIMUM WAGE*	LIVING WAGE*
2.9%	2.1%	$23.95	$29.90

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

Annual wage growth – September quarter 2026

	NOMINAL	REAL (CONSUMER INFLATION)	REAL (LIVING COSTS)
Average ordinary time hourly wages – all sectors	2.9%	–0.8%	–0.1%
Private sector	2.6%	–1.1%	–0.4%
Public sector	3.6%	–0.1%	0.6%
Labour cost index – all sectors	2.1%	–1.6%	–0.9%
Private sector	2.1%	–1.6%	–0.9%
Public sector	1.9%	–1.8%	–1.1%
Labour cost index unadjusted – all sectors	2.9%	–0.8%	–0.1%

Source: Stats NZ

Annual consumer inflation forecasts – latest available

YEAR ENDING	RESERVE BANK	TREASURY	AVERAGE
Dec 2026	3.9%	3.5%	4.1%
Mar 2027	3.7%	3.0%	3.8%
Jun 2027	2.6%	1.9%	2.7%
Sep 2027	2.4%	1.8%	2.6%

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

NZCTU
Te Kauae Kaimahi

Labour market dashboard – September 2026 quarter

	SEP 2026	SEP 2025	5-YEAR AVE	VS 2025	VS 5-YEAR AVE
Unemployment	**5.7%**	5.3%	4.4%	↑ +0.4pp	↑ +1.3pp
Male unemployment	**5.6%**	5.2%	4.3%	↑ +0.4pp	↑ +1.3pp
Female unemployment	**5.7%**	5.3%	4.6%	↑ +0.4pp	↑ +1.1pp
Māori unemployment[1]	**11.1%**	10.2%	8.8%	↑ +0.9pp	↑ +2.3pp
Pasifika unemployment[1]	**11.8%**	11.4%	8.9%	↑ +0.4pp	↑ +2.9pp
Youth unemployment[1]	**17.0%**	15.3%	12.5%	↑ +1.9pp	↑ +4.4pp
NEET rate[1]	**13.9%**	13.3%	12.4%	↑ +0.6pp	↑ +1.5pp
Underutilisation[2]	**13.8%**	12.9%	11.3%	↑ +0.9pp	↑ +2.5pp
Male underutilisation	**12.4%**	11.1%	9.6%	↑ +1.3pp	↑ +2.8pp
Female underutilisation	**15.3%**	14.8%	13.1%	↑ +0.5pp	↑ +2.2pp
Māori underutilisation[1]	**22.3%**	20.0%	18.5%	↑ +2.3pp	↑ +3.8pp
Pasifika underutilisation[1]	**21.5%**	19.8%	17.0%	↑ +1.7pp	↑ +4.5pp
Reason for leaving last job – redundant/laid off/business closed[1, 3]	**15.0%**	15.2%	12.0%	↓ –0.2pp	↑ +3.0pp
Perceived chance of losing job among those currently employed[1, 4]	**15.8%**	16.5%	15.2%	↓ –0.7pp	↑ +0.6pp
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]	**43.1%**	35.7%	32.3%	↑ +7.4pp	↑ +10.8pp

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 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.

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

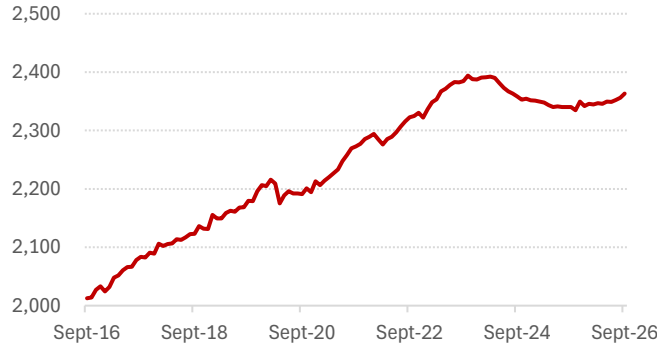
Unemployment rate (%)



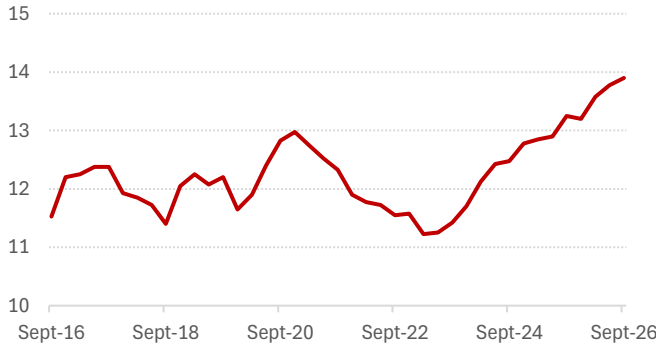
Underutilisation rate (%)



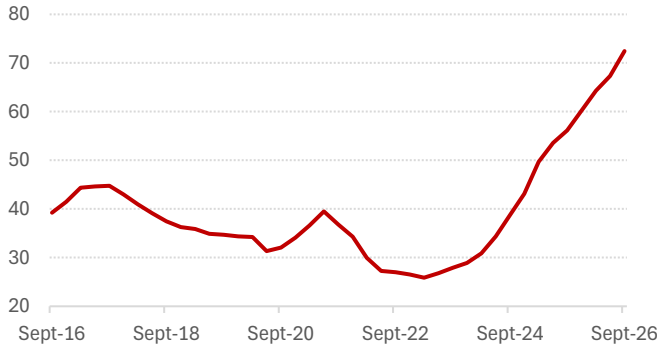
Seasonally adjusted filled jobs (thousands)



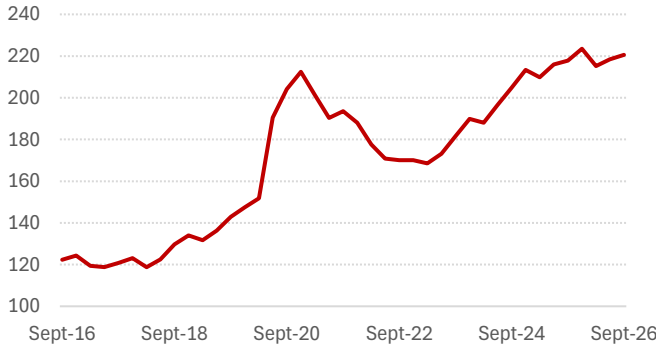
NEET rate, 15–24-year-olds (%)



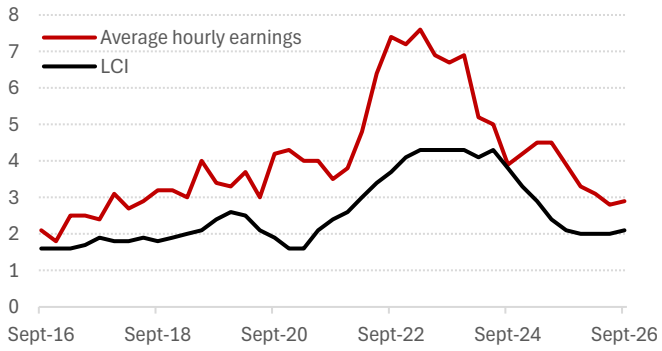
People unemployed for 6+ months (thousands)



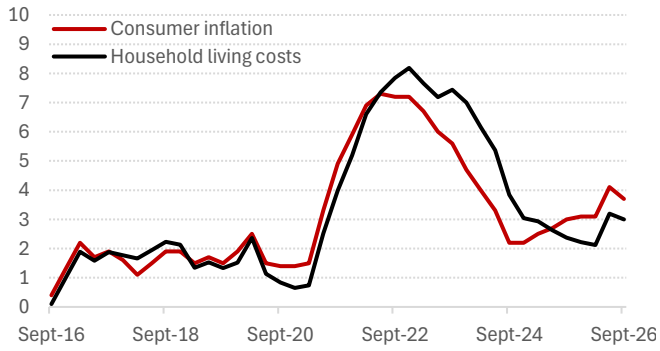
Jobseeker Support recipients (thousands)



Annual growth in wages and labour costs (%)



Annual inflation rate (%)



Source: Stats NZ; MSD

Youth employment and education: cyclical and structural problems

The deterioration of the job market since 2023 has been particularly hard on younger people. Jobs have dried up in industries like hospitality and retail, which are youth-heavy, and young jobseekers are having to compete with more experienced ones for the few jobs that are available. Compared to three years ago, there are 31,000 fewer filled jobs for 15–19-year-olds and 13,500 fewer for 20–24-year-olds (annual averages). This has driven the youth unemployment and NEET (not in employment, education, or training) rates sharply upwards.

We covered this issue at a high level in the May/June Bulletin. In this note, we dig beneath the headline numbers to look at some of the longer-term trends in youth unemployment and NEET rates.

Unemployment

Measured by the unemployment rate, the situation for workers aged 15–24 has been very similar to the financial crisis recession of 2009–10. Then, the youth unemployment rate increased from a pre-crisis low of 9.8% to a peak of 17.1%, an overall increase of 7.3 points. In the current downturn, the jump hasn't been as fast, but has now been of a greater magnitude. Youth unemployment has moved from a low of 9.1% to its current level of 17%, an overall increase of 7.9 points.

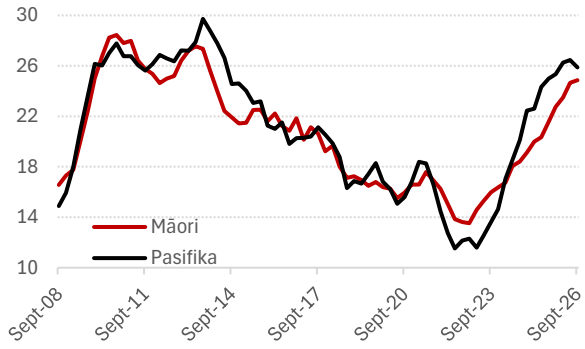
Figure 1: Youth unemployment rate, 2005–26



Source: Stats NZ

Young Māori and Pasifika workers have been impacted badly: unemployment rates have effectively doubled for these groups, to 24.9% and 25.9% respectively. By gender, young men have fared slightly worse than young women, with unemployment rising to 17.6% for males 16.3% for females.

Figure 2: Youth unemployment rate by ethnicity, 2008–26



Source: Stats NZ

As Figure 1 shows, it took over a decade for the youth unemployment rate to fall back to its pre-financial crisis level. Such lags are typical products of recessions. However, the situation in the 2010s was exacerbated by the fifth National government's economic policy decisions – its relatively austere fiscal policy and its failure to actively support job creation. Ensuring this mistake is not repeated over the next decade must be a priority for the next government.

NEETs

From a long-term perspective, the category of even greater concern is young people (aged 15–24) who are not in employment, education, or training – those classified as 'NEET'. If jobs are hard to come by for younger workers, they need to be able to access and enter tertiary education or training of some sort. This enables them to develop skills that will improve their ability to find good work in the future. For those in the NEET category, this isn't happening. Economists get worried about this because being disconnected from both work and education at this young age can have life-long negative impacts on employability and earnings.

Overall, the NEET rate has moved steadily up over the last three years, from a low of 11.2% to its current level of 13.9%. This is a significant increase, though not one that has gotten many headlines.

Stats NZ breaks NEETs into two separate age categories: 15–19-year-olds and 20–24-year-olds. The NEET rate for the first category has only increased about 1 percentage point over the past three years. However, most 15–19-year-olds are still in secondary school, so excluding this cohort from the data gives us a better picture of those who have (theoretically at least) entered the labour market. On this adjusted measure, the NEET rate for 15–19-year-olds is much higher, and has increased from 20.7% to 24.4% over the past three years (see Figure 4).

Figure 3: NEET rate, 2005–26

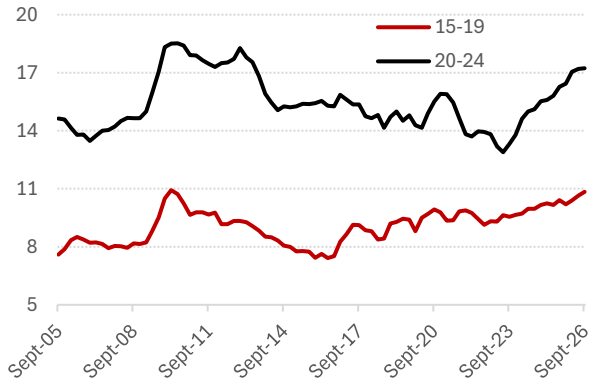
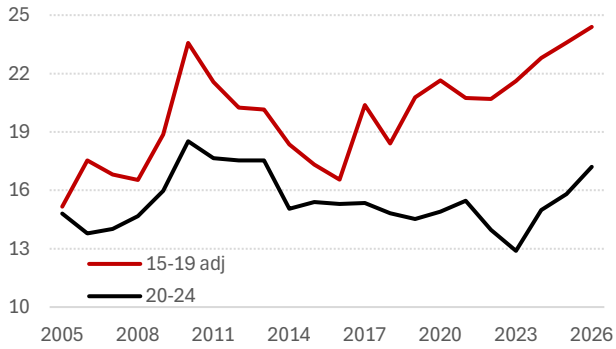


Figure 4: NEET rate adjusted, 2005–26 (June years)



Sources: Stats NZ, Education Counts. The Education Counts data provides the school roll as at 1 July each year. 15–18-year-old school students are subtracted from the June quarter employment statistics to produce the 15–19-year-old adjusted category.

For 20–24-year-olds the increase in the NEET rate has been notably steeper, increasing over 5 percentage points to 17.2%. That means that almost 1 in 5 people aged 20–24 were not in paid employment or education in the September quarter of this year.

Stats NZ also divides the NEET cohort into three activity categories, which are useful for getting a sense of what is driving changes in the NEET rate over time. The activity categories are:

1. Those who are unemployed and not in education, but are actively seeking work.
2. Those who are not in the labour force (i.e., are not in employment or education and are not actively seeking work) because they are caring for others.
3. Those who are not in the labour force and are not caring for others – for brevity we will call this third category the 'economically unengaged'.

Looking at these three categories, we can see that the rise in the NEET rate since 2023 is mostly a cyclical story (see Figures 5 and 6 overleaf). That is, most of the increase in the NEET rate has been driven by rising numbers of people who are unemployed and actively looking for work (category 1). This reflects the economic downturn and the fact that there aren't enough jobs being created right now.

This has in turn largely been driven by monetary policy decisions (the Reserve Bank hiking interest rates too high) and fiscal policy decisions (the National-led government cutting public services and cancelling important infrastructure projects), as discussed in our election report on the labour market.

The National-led government has also made a number of smaller policy decisions that have made life harder for young people seeking to go into education or training. In 2024 the government removed fees-free tertiary education for first year students, shifting this to the final year instead. Then, in 2026 it announced it was scrapping the fees free programme entirely. The government also reduced the scope of the Apprenticeship Boost programme in 2024. Previously, the programme made payments to employers of first- and second-year apprentices, which acted as an incentive for employers to take on, and keep, apprentices. The National-led government cut the programme back so that only first-year apprentices were funded. This has likely contributed to the sharp decline in apprenticeship rates over recent years. Finally, the government embarked on another round of structural reform in the vocational education sector by disestablishing Te Pūkenga. This has caused huge disruption for learners and may have also contributed to the rising NEET rate.

Figure 5: NEET rate by category, 15–19-year-olds, 2005–26

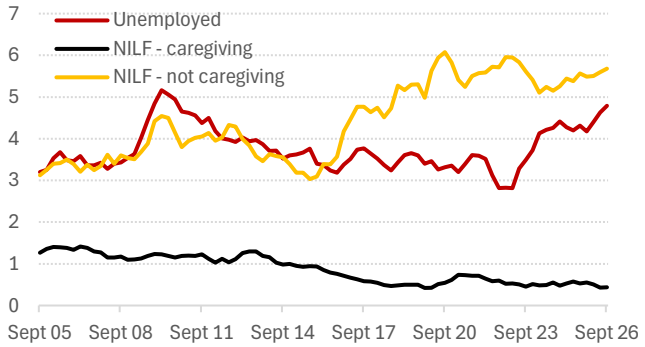
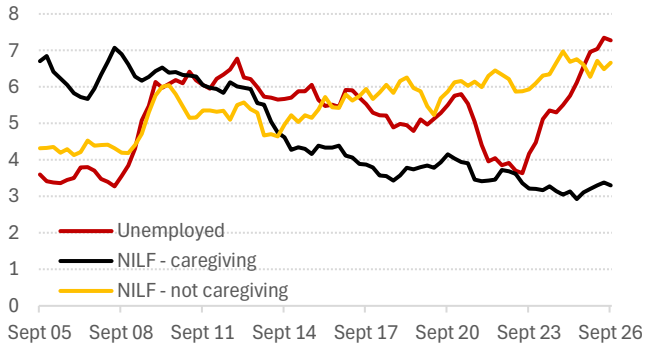


Figure 6: NEET rate by category, 20–24-year-olds, 2005–26



Source: Stats NZ

The second category of NEET, by contrast, has been steadily falling since the early 2000s, moving from 3.9% of the working-age population in 2005 to 1.8% today. This is explained by falling birth rates and the fact that people are on average waiting until they are older before having children.

The third category, the economically unengaged, is arguably the area of most concern. We have seen a steady, long-term increase in this category, from 3.7% of the working-age population in 2005 to 6% in 2026.

For those aged 15–19, the economically unengaged rate started increasing noticeably from 2016. This timing coincides with the redesign of the survey from which this data is generated. The redesign made the definition of 'actively seeking work' stricter, and this possibly contributed to the increase in the number of 15–19-year-olds who were recorded as economically unengaged. However, this increase in the economically unengaged rate continued steadily into 2020, which suggests other dynamics have also contributed. All up, the economically unengaged rate for 15–19-year-olds has risen from 3% in 2015 to 5.7% in 2026.

For those aged 20–24, the economically unengaged rate has been slowly but steadily rising since 2014. In 2014 it was 4.6% of the working-age population and it has moved up to 6.7% today. It does not appear that the 2016 change to the definition of actively seeking work made any difference for this age bracket.

In people terms, this means there were around 20,000 people aged 15–19 and around 22,000 people aged 20–24 who were economically unengaged in the September quarter of this year. This is a substantial cohort of young people who are not in work and are not developing crucial employment skills that enable them to find and maintain good work throughout their lives.

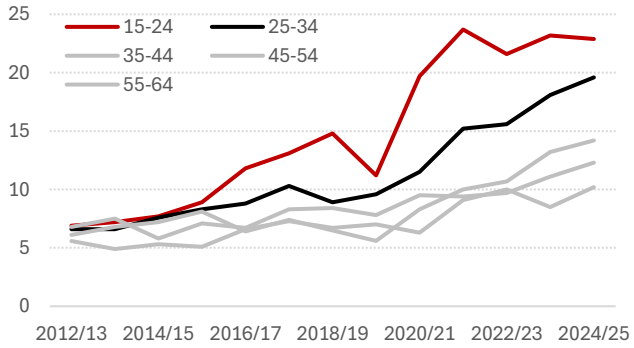
It's not possible to determine what the causes of this increase in the economically inactive rate has been without more detailed research. On the face of it the increase from the mid-2010s is a little strange, because the labour market was generally improving over that period, albeit relatively slowly. The Reserve Bank did increase interest rates through 2014 (which is widely viewed as a policy mistake). Because young people are more exposed to the negative impacts of interest rate increases than older workers, it's possible that the Reserve Bank's actions made it harder for young people to find jobs through the latter half of the 2010s, causing more young people to fall into the economically inactive category over this period.

But we probably also need to look beyond economic explanations to get a grasp on this issue. Rising NEET rates have also been observed in other countries. The issue has recently received a lot of attention in the UK, for example, with a high-profile report on NEETs published earlier this year by former Labour MP Alan Milburn. The Milburn report, and other research in the UK, points to declining mental health among younger people as one of the most important drivers of rising NEET rates.

In turn, studies have linked declining mental health among the young to factors such as increased economic deprivation – particularly insecure housing – the pernicious effects of smartphones and social media, the worsening quality of sleep among young people, and the declining availability of support services for younger

people (largely because of the austerity drive in the UK during the 2010s).

Figure 7: Percentage of people reporting high or very high psychological distress, 2012–25



Source: Ministry of Health

Declining mental health among the young may well be contributing to the problem in New Zealand. The mental health of younger New Zealanders has rapidly deteriorated over the last decade. The annual health survey records a very sharp rise in the proportion of people aged 15–24 reporting high or very high psychological distress since about 2015 (see Figure 7). This measure spiked massively during Covid and has not come back down since. Psychological distress has also risen for other age groups over this period, most notably for 25–34-year-olds.

The increase in psychological distress among the young coincides with the rising rate of economically unengaged youth over the past decade. However, dedicated research needs to be done to determine whether these factors are indeed linked.

In any case, the data clearly tells us there is a slower-burning, structural story in NEET rates that needs to be addressed. Economically unengaged young people are at far greater risk of poor employment and wage outcomes over the course of their lives. The next government must therefore prioritise addressing this issue to ensure that we don't leave a generation of young people behind.

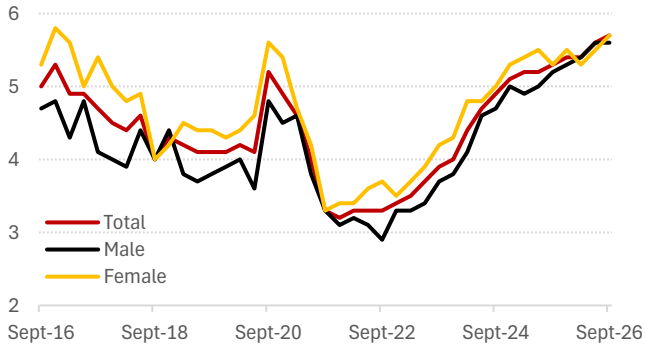
Employment and labour market

Labour market outcomes were even worse than expected in the September 2026 quarter. Unemployment increased to 5.7%, real wages fell on all measures, the employment rate fell to 66.4%, and the labour force participation rate fell to 70.4%. The number of people in long-term unemployment (6 months or more) continued to grow alarmingly. For detailed coverage of recent labour market conditions see our election report *Three Years of Pain*.

Unemployment and underutilisation

Unemployment continued to increase, reaching a new peak of 5.7%, the highest level since 2015. Female unemployment increased 0.2 points to 5.7% and male unemployment remained steady at 5.6%.

Figure 8: Unemployment rates, 2016–26



Source: Stats NZ

The overall underutilisation rate remained unchanged, at 13.8%. Female underutilisation increased 0.1 points to 15.3% and male underutilisation was stable at 12.4%. Underutilisation paints a broader picture of labour market conditions as it accounts for the unemployed, underemployed, and potential labour force.

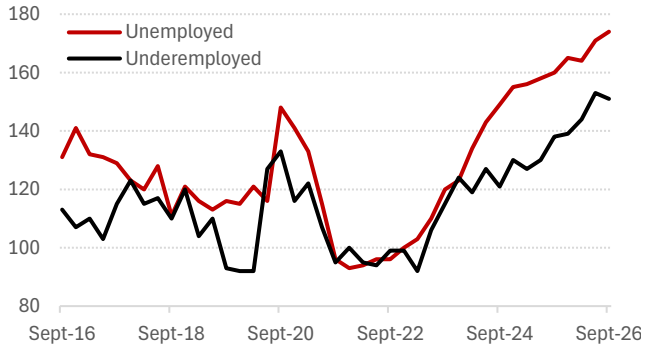
For unemployment and underutilisation statistics by ethnicity we use annual average comparisons:

- For Māori workers, unemployment increased from 10.2% to 11.1% and underutilisation from 20% to 22.3%.
- For European/Pākehā workers, unemployment increased from 3.9% to 4.4% and underutilisation from 11.1% to 11.8%.
- For Pasifika workers, unemployment increased from 11.4% to 11.8% and underutilisation from 19.8% to 21.5%.
- For Asian workers, unemployment fell from 5.3% to 4.8% but underutilisation increased from 12.4% to 12.6%.

Over the past year the youth unemployment rate increased from 15.3% to 17% and the NEET rate from 13.3% to 13.9% (these figures are annual averages). Youth employment outcomes are covered in more detail in this edition's feature article.

On a seasonally adjusted basis, approximately 174,000 people were unemployed in the September quarter, the highest number of people unemployed since 1993. A further 151,000 people were estimated to be underemployed (wanted more hours than they could get), and a total of 438,000 people were estimated to be underutilised.

Figure 9: People unemployed and underemployed (thousands)



Source: Stats NZ

Because of the extremely poor state of the labour market, people are staying unemployed for much 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 56,000 to 72,450 (annual averages). The rise in long-term unemployment has been dramatic during the National-led government's term of office. Overall, it has increased 159% since September 2023. And those who have been unemployed for 6+ months comprise now 43% of total unemployed, up from 28.8% in September 2023. Long-term unemployment can have devastating financial and psychological effects on affected families. The steep

growth in long-term unemployment remains one of the most concerning aspects of the current economic situation and is a damning indictment of the National-led government.

By region, unemployment continues to be highest at the top of the North Island and in Wellington. The South Island is faring much better by comparison and the unemployment rate has fallen notably in Christchurch in the past year.

Table 1: Unemployment rate by region, Sep years

	SEP 26	SEP 25
Northland	**6.8%**	6.1%
Auckland	**6.5%**	6.0%
Waikato	**5.7%**	6.0%
Bay of Plenty	**5.8%**	5.2%
Gisborne/Hawke's Bay	**5.2%**	4.6%
Taranaki	**4.5%**	4.4%
Manawatū/Whanganui	**5.4%**	4.7%
Wellington	**5.5%**	4.6%
Tasman/Nelson/Marl/West Coast	**4.2%**	3.5%
Canterbury	**4.1%**	4.8%
Otago	**3.2%**	2.8%
Southland	**4.6%**	5.0%

Source: Stats NZ. Annual averages

Welfare

The number of people receiving benefit payments continues to grow. At the end of September 2026, 417,369 people were receiving a main benefit, up 1.7% compared to the previous year. This means 12.9% of the working-age population were receiving a main benefit – just over 1 in 8 people. The rising unemployment and underutilisation rates are largely driving this increase.

Of those receiving a main benefit: 121,416 people were receiving Jobseeker Support – Work Ready, up 0.1% annually; and 99,192 people were receiving Jobseeker Support – Health Condition or Disability, up 2.8%. 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 5.7% in September 2023 when the labour market was still relatively strong. Overall, Jobseeker Support recipients have increased by 21.5% over the past three years.

Union density and collective agreement coverage

According to Stat NZ data, there were an estimated 466,000 union members in the September 2026 quarter and union density (union members as a percentage of total employees) was estimated at 19.7%. This is down slightly from 20.6% 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 is essentially unchanged from the previous year. (These figures are annual averages.)

Migration

Net migration continues to be weak by historical standards but has risen off its 2025 low. For the year ending August 2026, there were an estimated 134,600 migrant arrivals (up 6% from the previous year) and 114,100 departures (down 3% from the previous year). This produced an estimated net migration gain of 20,500 people.

New Zealand citizens continue to leave the country in very high numbers. An estimated 64,800 New Zealand citizens departed the country in the year to May, with the net outflow being around 38,200 people.

Wages

We report on three wage measures below:

- *Labour Cost Index (LCI):* a price index that measures the change in what employers pay for the same job and same hours of work from one period to the next.
- *LCI unadjusted:* a version of the LCI that incorporates pay changes from a broader range of factors such as promotions, service increments, and staff turnover. It provides a better indication of change in actual wages received by workers.
- *Average ordinary time hourly earnings:* this is a price level, which divides total ordinary time pay by total hours in a reference week. This provides an indication of the average hourly rate paid across the workforce.

To calculate real wages, we adjust ('deflate', in economist jargon) the increase in the index or wage level for the increase in inflation. We use two deflators:

- *Consumers Price Index (CPI):* the most commonly used measure. The CPI increased 3.7% for the year to September 2026.
- *Household Living-costs Price Index (HLPI):* a more accurate measure of living-costs inflation experienced by households as it includes the cost of interest payments. The HLPI increased 3% for the year to September 2026.

Data for the September quarter show the LCI increased 2.1% annually. The LCI increased 2.1% in the private sector and 1.9% in the public sector. This is lower than consumer price inflation and household living-costs inflation, meaning the LCI fell in real terms (see Figure 10).

The LCI records the proportion of workers who received a pay rise. Overall, 44% of workers did not receive a pay rise at all this past year; 30% received a rise of less than 3%; 17% received a rise of between 3–5%; and 9% received a rise over 5%. That means at three-quarters of workers experienced real wage cuts on the LCI measure this past year.

On the LCI unadjusted measure, annual wage inflation was 3% overall, and 2.9% in the private sector. This means wages have also gone backwards in real terms on this measure (see Figure 11).

The average ordinary time hourly wage was $44.62, which was up 2.9% from the previous year. In the private sector it was $42.58, up 2.6%. In the public sector it was $53.14, up 3.6%. The average hourly wage for females was $42.95, up 3.7% annually. For males it was $46.53, up 2.2% annually. All these measures therefore saw real wage declines once adjusted for consumer inflation (see Figure 12).

Figure 10: Annual real wage growth, labour cost index

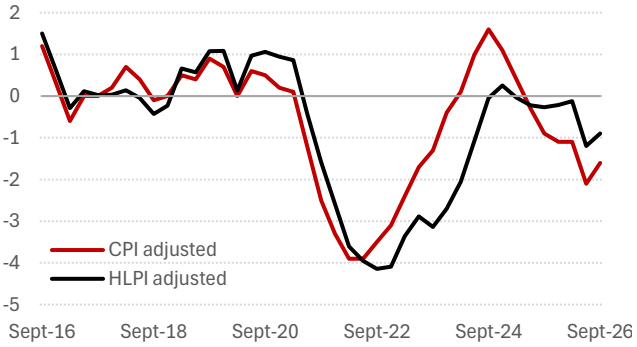


Figure 11: Annual real wage growth, labour cost index unadjusted

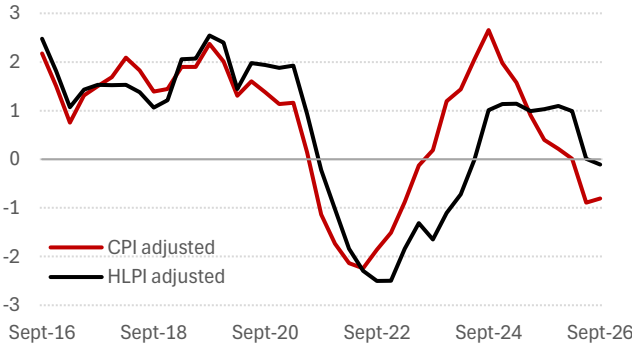
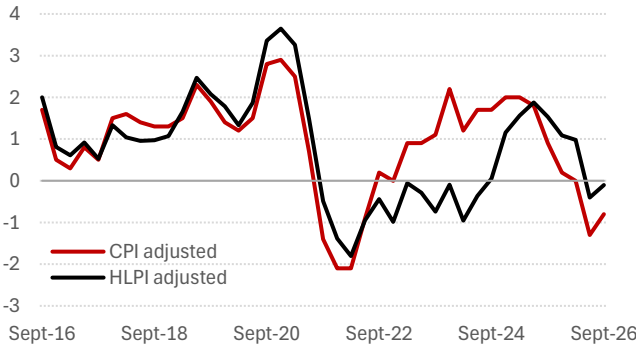


Figure 12: Annual real wage growth, average ordinary time hourly earnings



Source: Stats NZ

Average total hourly earnings by industry rose 2.9% in nominal terms for the year. The largest increases were in forestry and mining, healthcare and social assistance, and wholesale trade. Nominal wages fell in information media and telecommunications. A full breakdown of nominal wage rates and movements by industry is provided in Table 2.

Table 2: Average total hourly earnings by industry, year to September 2026

	AVE TOTAL HOURLY EARNINGS ($)	ANNUAL INCREASE
Forestry and mining	49.10	6.1%
Manufacturing	41.91	3.1%
Electricity, gas, water, and waste services	55.01	3.8%
Construction	42.34	2.9%
Wholesale trade	45.09	4.2%
Retail trade	33.89	0.0%
Accommodation and food services	31.17	3.4%
Transport, postal, and warehousing	42.28	3.8%
Information media and telecommunications	55.21	–1.3%
Finance and insurance services	65.38	3.3%
Rental, hiring, and real estate services	43.48	3.3%
Prof, sci, tech, admin, and support services	50.33	1.7%
Public administration and safety	51.40	2.3%
Education and training	46.30	2.1%
Health care and social assistance	48.52	5.4%
Arts, recreation, and other services	39.05	1.9%
Total	44.95	2.9%

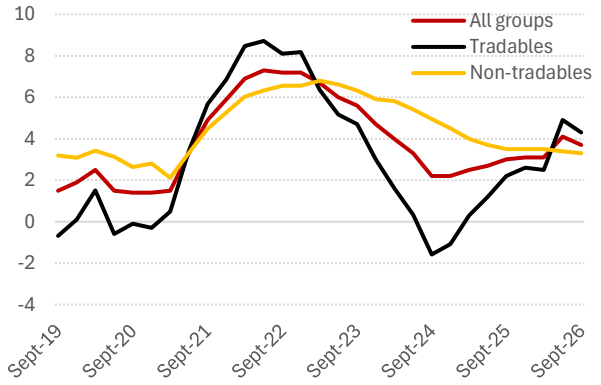
Source: Stats NZ

Prices

Consumer inflation

Annual consumer inflation was 3.7% for the year ending September 2026, down slightly from 4.1% the previous quarter. This slight reduction is due to the temporary decline in oil prices during parts of the September quarter. However, with the Iran war still unresolved oil prices remain high and many forecasters expect the December quarter inflation to be above 4%.

Figure 13: Annual CPI inflation, 2019–26



Source: Stats NZ

Annual tradeable inflation (goods and services that are imported or exposed to international competition), fell back from 4.9% to 4.3%, reflecting the temporary dip in oil prices. Annual non-tradeable inflation (goods and services that do not face foreign competition) also fell slightly, from 3.4% to 3.3%. Non-tradeable inflation has fallen slowly but steadily since 2023.

Tradeable inflation has been driven by rising fuel prices, while non-tradable inflation continues to be driven by household energy prices (up 9.4%), council rates and services (up 6.2%), and other essential household costs such as medical services (up 3%). On the other hand, rent price inflation has been non-existent this past year, which reflects the weakness in the economy and the fact that many young people have left the country. Food price inflation has also been significant, particularly in household staples like bread and milk. We've provided a detailed breakdown of living-costs inflation over the past three years in our election report *Real Wages and the Cost of Living*.

Table 3 summarises the rate of inflation for the month of September 2026 for the goods and services that we get monthly price updates on.

Table 3: Monthly inflation indicators, September 2026

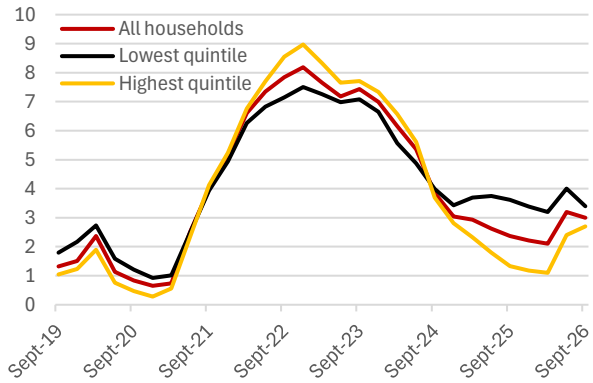
	PREVIOUS MONTH	PREVIOUS YEAR
Food	0.0%	2.4%
Fruit & veg	–2.7%	–1.8%
Meat, poultry, fish	–0.6%	3.2%
Groceries	0.7%	3.0%
Rent (stock measure)	0.1%	0.1%
Electricity	0.6%	9.5%
Gas	1.8%	11.4%
Petrol	6.4%	24.3%
Diesel	7.8%	55.8%
Domestic air transport	9.6%	5.1%
Domestic accommodation	4.2%	2.2%

Source: Stats NZ

Household living costs

Annual household living-costs inflation for the "all households" category fell back marginally from 3.2% to 3% in the September 2026 quarter. Living-costs inflation is experienced unevenly. Annual living-costs inflation was only 2.7% for households in the highest income quintile but was 3.4% for households in the lowest quintile. It was similarly higher for beneficiaries (3.1%) and for superannuitants (4%).

Figure 14: Annual household living-costs inflation, 2019–26



Source: Stats NZ

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 currently 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.

Official cash rate

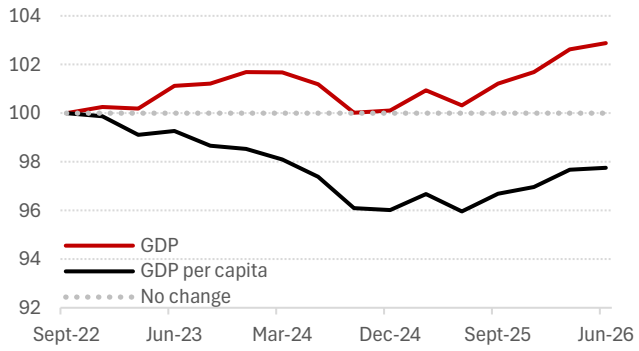
The Official Cash Rate (OCR) was increased from 2.5% to 2.75% in September. The Reserve Bank views this as reducing the level of monetary policy stimulus, rather than actively constraining economic activity. The 'neutral' OCR – the rate at which it is neither constraining nor promoting growth is assumed to be somewhere around 3%. The Reserve Bank has signalled it expects to move the OCR up towards this neutral level by 2027. However, it decided to hold the OCR steady in the monetary policy update on 28 October. The NZCTU argues against further OCR rises, because the labour market is extremely weak and inflation is being driven by international prices that are not responsive to monetary policy.

Economic activity and other indicators

Gross domestic product

GDP was estimated to have grown 0.2% in the June 2026 quarter. This followed a 0.9% increase in the March quarter. Annual average growth was estimated to have been 1.7%. On a per capita basis, quarterly growth was 0.1% and annual growth was 1.1%. As illustrated in Figure 15, GDP per capita is still approximately 2.2% lower than it was in the pre-recession peak of September 2022 (on seasonally adjusted figures). On the headline measure of GDP, the economy has grown about 2.9% since 2022.

Figure 15: GDP index since September 2022 (seasonally adjusted)



Source: Stats NZ. 100 = Sep 2022

On a quarterly basis, the services sector (which makes up three-quarters of GDP) was estimated to have grown 0.2%, following growth of 0.5% the previous quarter. The goods-producing sector (which makes up one fifth of GDP) was estimated to have grown 1.3%, following on from 0.9% growth the previous quarter. The primary sector (which makes up just over 5% of GDP) was estimated to have contracted 0.3%, which follows a contraction of 0.4% in the previous quarter.

Annually, the services sector was estimated to have grown 1.9%, with performance mixed across the different industries. Wholesale trade (up 5.8%), retail trade and accommodation (up 3.5%), public administration and safety (up 2.9%), and business services (up 2.8%) all grew strongly.

The goods-producing sector, which has been hardest hit during the downturn of the past three years, was estimated to have grown by 1% on an annual basis, with construction shrinking 1.1% but manufacturing growing 1.8%. The manufacturing growth suggests the economic downturn may have bottomed out in this industry.

The primary sector was estimated to have grown 0.7% annually, with this led by 1.7% growth in agriculture, forestry, and fishing. The growth in primary industries reflects sustained international demand for agricultural and horticultural exports.

Table 4: Expenditure on GDP, Jun 2026

	MAR-25 QUARTER	JUN-26 QUARTER	ANNUAL AVE CHANGE, YE JUN-26
Household consumption	0.6%	0.1%	1.3%
Central govt consumption	0.8%	–2.0%	4.0%
Local govt consumption	2.1%	0.4%	4.8%
Gross fixed capital formation	2.8%	1.5%	2.3%
Gross capital formation	2.5%	–1.0%	3.7%
Exports less imports	3.3%	–0.8%	6.8%
Expenditure on GDP	1.1%	0.4%	2.2%

Source: Stats NZ. YE = year ended.

On a quarterly basis, household consumption expenditure was effectively stagnant. Household spending on durable goods (which can be a marker of disposable income) increased 1.2%, while spending on non-durable goods fell 0.2% and spending on services was flat. Non-resident expenditure (tourism) also grew, up 3.3% for the quarter. Business investment grew 0.3%, following a strong quarter's growth in March. Expenditure on plant, machinery, and equipment grew 3% and expenditure on intangibles grew 3.7%. Transport equipment expenditure fell 9.2%. Expenditure on residential buildings grew 4.4%.

Overall, the data shows signs that economic activity was becoming stronger in the first half of the year, driven by exports and some recovery in manufacturing. However, the inflationary shock of the Iran war, the ongoing cost-of-living pressures on households, and the extremely weak labour market will all weigh on economic activity going forward.

Retail trade

Retail sales volumes were down in the June 2026 quarter. The total volume of seasonally adjusted sales (a

measure that strips out inflation and seasonal fluctuations in spending) fell 0.5%. However, on the 'core industries' measure, which strips out consumer spending on fuel and motor vehicles and parts, sales increased 0.7%. Consumer spending on fuel fell 13.1%, indicating that people were topping up the car less due to the rising price of petrol and diesel.

Compared to the March 2026 quarter, seasonally adjusted sales volumes in the big categories of expenditure were as follows: flat in supermarkets and grocery; down 1.2% in department stores; up 1.7% in hardware, building, and garden supplies; flat in clothing and footwear; up 9.2% in electrical and electronic goods (which has seen strong spending growth since mid-2024); up 2.2% in pharmaceutical and other store-based retailing; and down 2.8% in food and beverage. Overall, these figures indicate that consumer spending was lifting slightly in the first half of the year.

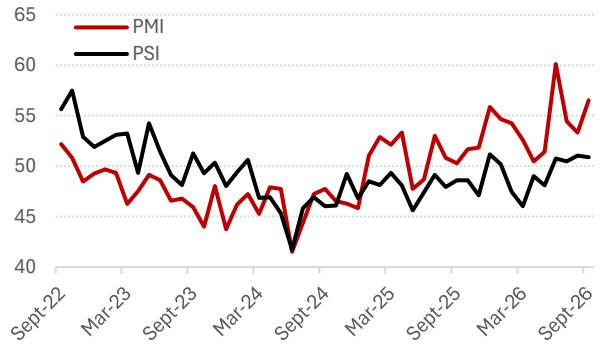
Performance indexes

The BNZ–BusinessNZ performance of manufacturing index (PMI) registered expansion in September, up 3.2 points from the previous month to 56.5. By contrast, the performance of services index (PSI) barely registered expansion, down 0.1 points from the previous month to 50.9.

The PMI had been in expansion since the middle of 2025, indicating a recovery of sorts in the sector. But the services sector has continued to struggle due to weak consumer spending caused by ongoing cost-of-living problems. It has now registered a weak expansion for the past four months, but the employment sub-indicator remains in contraction, which shows that hiring is still down in the services sector.

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 16: BNZ–BusinessNZ Performance Indexes



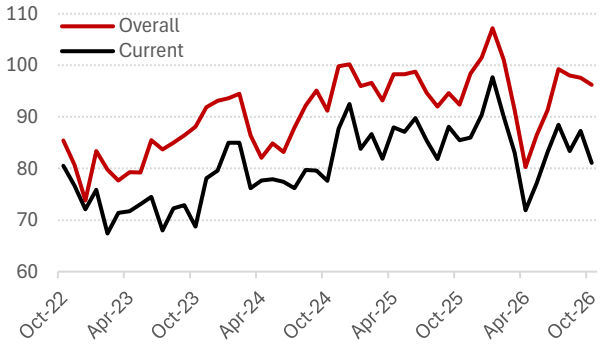
Source: BusinessNZ

Consumer confidence

The ANZ–Roy Morgan Consumer Confidence Index fell 2 points in October to 96.2, which indicates consumers are on balance pessimistic. Confidence in current economic conditions fell over 6 points to 81.1. Confidence in future economic conditions rose just under 2 points to 106.2. The net proportion of households who thought it was a good time to buy a major household item was –17%.

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. As Figure 17 shows, overall consumer confidence has only once nudged into optimistic territory during the past four years.

Figure 17: ANZ–Roy Morgan Consumer Confidence Index



Source: ANZ

Government accounts

For the three months ending September 2026, the government accounts came in close to forecast at the Pre-election Economic and Fiscal Update (PREFU). Core Crown tax revenue was $262 million (0.8%) higher than forecast, and core Crown expenses were $534 million (1.4%) higher than forecast. Higher tax revenue was driven by corporate tax and other individuals' tax revenue coming in above forecast, while GST and wage tax came in below forecast. The OBEGALx (operating balance excluding gains and losses excluding ACC) deficit was $1.3 billion lower than forecast. On the OBEGAL measure (which includes ACC), the deficit was also $1.3 billion lower than forecast. Net core Crown debt was as forecast, at 42.3% of GDP.

Compared to the same time last year, the fiscal position has slightly strengthened. Core Crown tax revenue grew $2.4 billion (8.3%), driven by nominal growth in wage tax, GST, and corporate tax. Core Crown expenses also grew, up $1.1 billion (2.9%), due primarily to higher spending on welfare and superannuation. The OBEGALx deficit shrank by $1.1 billion (28.3%), while the OBEGAL deficit shrank by $1 billion (25%). Net core Crown debt as a percentage of GDP was effectively unchanged.

Table 5: Interim financial statements of government for the three months ended 30 September 2026

	SEP 2026 ACTUAL	PREFU FORECAST	SEP 2025 ACTUAL
Core Crown tax revenue ($bn)	31.5	31.3	29.1
Core Crown revenue ($bn)	35.1	34.6	32.5
Core Crown expenses ($bn)	37.4	37.9	36.4
OBEGALx – excluding ACC ($bn)	–2.8	–4.1	–3.9
OBEGAL ($bn)	–3.0	–4.4	–4.1
Net core Crown debt (% of GDP)	42.3%	42.3%	42.4%

Source: Treasury