LABOUR MARKET CHARTPACK

5 Aug 2026

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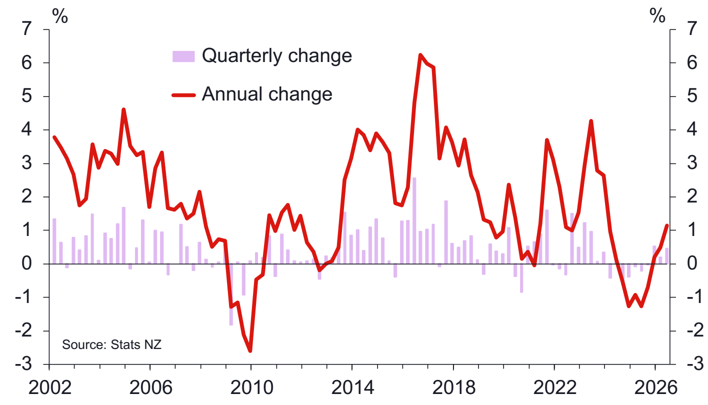
Key points – June quarter 2026

- The June quarter surveys pointed to soft labour market conditions overall, but with some surprises in the details.
- The unemployment rate rose to 5.6% from an upwardly-revised 5.4% in the March quarter. This was higher than we and the market were expecting, and was the highest reading since September 2015. The broader underutilisation rate also rose, from 12.9 to 13.8%.
- The number of people employed rose by 0.5% for the quarter, stronger than what was suggested by the Monthly Employment Indicator. However, this was accompanied by an even larger rise in the participation rate from 70.4% to 70.7%.
- Large co-movements in these measures are typically an indicator of sampling error in the survey, and indeed there is other evidence that labour demand was not as strong as these figures suggest. In these circumstances we generally recommend focusing on the unemployment rate, which is less vulnerable to sampling error (though not immune).
- We continue to characterise this as a “low-fire, low-hire” labour market. The rate of job losses actually remains below average, as firms have looked to hold on to workers to the extent that they can. But the flipside is that they have been slow to return to hiring even as activity picks up again. The result is that, for those who find themselves out of work, it's harder to get in (or get back in) than it has been for decades.
- The Labour Cost Index rose by 0.6% for the quarter, leaving annual growth steady at 2.0%. There is a growing tendency to cite cost-of-living adjustments as the main reason for pay increases, but at the same time there is less emphasis on retaining or attracting workers.
- For the RBNZ, the messages from these surveys are mixed. The RBNZ looks at a suite of labour market indicators, but they believe the measures with the most information content are: the unemployment rate (weaker), the vacancy rate (slightly weaker), and the QSBO measure of labour as a constraint on growth (slightly stronger). Overall there is little to suggest that the economy is running any stronger than what they assumed in their May *Monetary Policy Statement* forecasts.

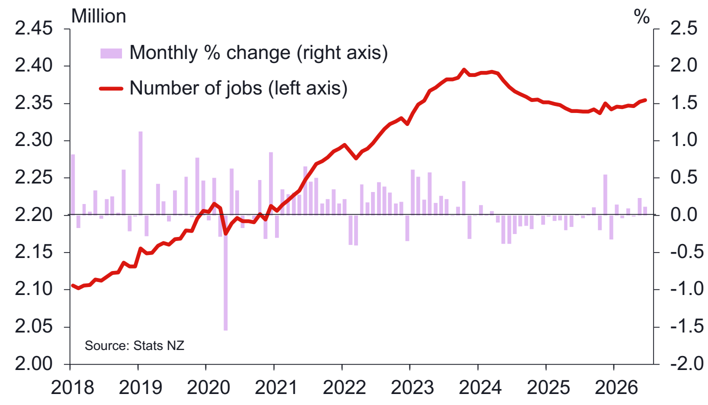
Employment

- The number of people employed rose by 0.5% in the June quarter, according to the Household Labour Force Survey (HLFS). Employment was up by 1.2% compared to a year ago.
- The result was stronger than what was suggested by the Monthly Employment Indicator (MEI), a comprehensive measure that is drawn from income tax data. While there are some differences in coverage for these two measures, any significant divergence between the two is most likely to reflect sampling error in the HLFS.
- In contrast, the employer-focused Quarterly Employment Survey (QES) showed a 0.4% fall in filled jobs and a 0.3% fall in hours paid. The survey is of course subject to sampling error as well.
- Taking an average of these measures would suggest near-zero growth in employment over the June quarter. This would be in line with our forecast of very soft growth in economic activity over the quarter. In addition, the seasonal distortions in the GDP figures mean that the reported GDP result (due on 17 September) will likely be a negative outcome.

HLFS number of people employed



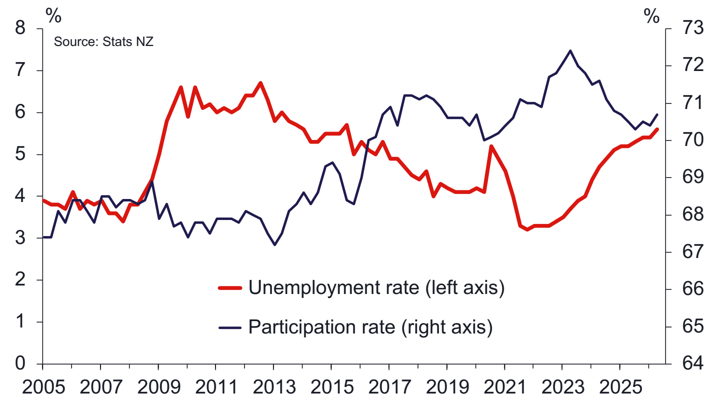
Monthly Employment Indicator filled jobs



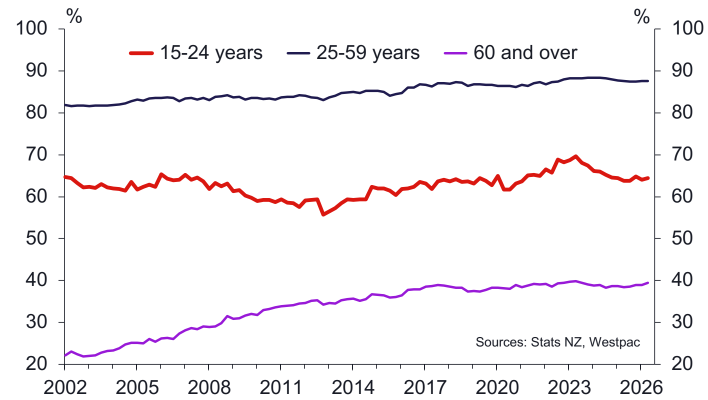
Labour force participation

- The surprising rise in HLFS employment was accompanied by a relatively large rise in the participation rate from 70.4% to 70.7%.
- Large co-movements in these two measures are not unusual, and again are typically a sign of sampling error in the survey. In these circumstances we recommend focusing on the unemployment rate, which is less vulnerable to sampling error (see next page).
- Looking through the quarterly volatility, participation has picked up in recent quarters as the economy has started to regain momentum. This has been driven by two age groups in particular: teens and over-60s.
- In the latter case, this reflects the fact that people have a growing propensity to work beyond the NZ Super age (as there is no penalty for doing so). This age group is also making up an increasing share of the population. It's unclear to what extent this can be considered an increase in the pool of available workers: older workers tend to have low mobility between jobs, and if they find themselves out of work are more likely to leave the labour force altogether.
- For teens, participation has picked up over the last year after a fall through 2024-25. However, while more of them are searching for work, they're not finding it – a reflection of the "low-fire, low-hire" jobs market (see next page). The teen unemployment rate is close to a record high going back to 1986.

Unemployment and participation rates



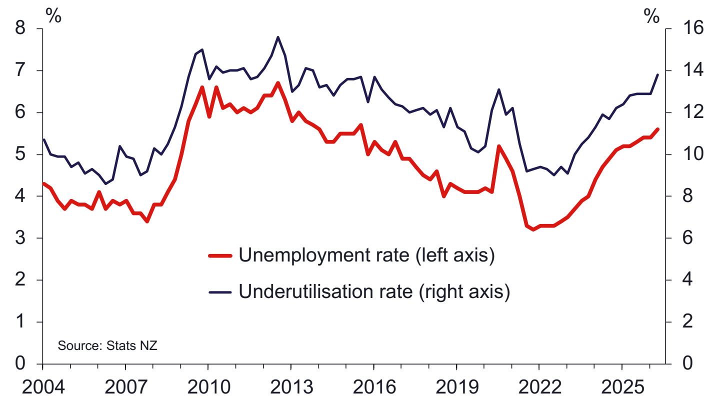
Participation by age group



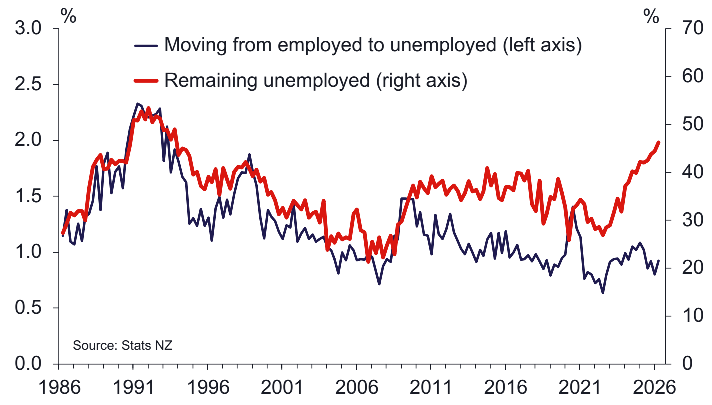
Unemployment

- The unemployment rate rose from 5.4% to 5.6% in the June quarter. This was the highest rate since September 2015.
- The March quarter was revised up from a previously reported 5.3%. This was solely due to an update of the seasonal adjustment factors (the previous result was already on the margin between 5.3% and 5.4%).
- The broader underutilisation measure, which includes discouraged jobseekers and part-time workers wanting more hours, rose sharply from 12.9% to 13.8%. This measure had been stable in recent quarters even as the unemployment rate had risen.
- The underutilisation rate is typically both higher and more volatile than the unemployment rate, but both measures are telling broadly the same story of labour market weakness, reaching levels last seen around 2015.
- We would continue to characterise this as a "low-fire, low-hire" labour market. The rate of job losses actually remains below average, as firms looked to hold on to workers through the slowdown. But the flipside is that the need to hire is currently low even as activity picks up again (see next page). The result is that for those who find themselves out of work, it's harder to get in (or get back in) than it has been for decades.

Unemployment and underutilisation rates



Labour force status transition rates



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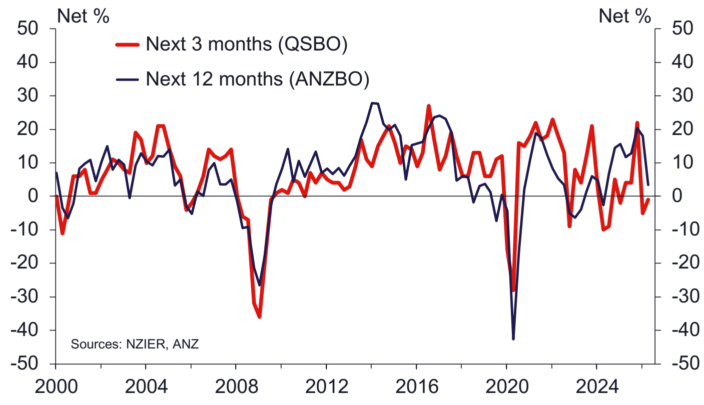
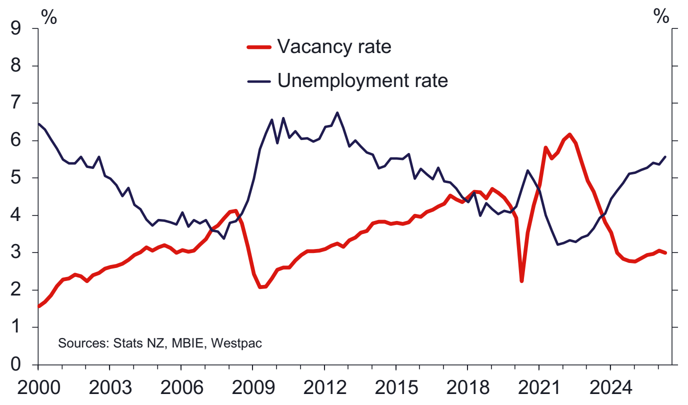
Hiring

- Business confidence surveys were showing a strong lift in hiring intentions by the end of 2025, in keeping with the overall improving mood about the economic outlook. However, the uncertainty generated by the Iran conflict and the sharp rise in fuel costs has dragged business confidence lower again.
- Job advertisements were up around 7% in the June quarter compared to a year ago. That said, the level is still some way below pre-Covid levels and well below what we'd associate with a 'strong' labour market, where advertisements will reflect a high degree of churn as well as new job creation.
- After a solid lift in job advertisements in the March quarter, they fell back a little in the June quarter. With the labour force growing at the same time, the result was a modest fall in the vacancy rate, one of the RBNZ's preferred measures of labour market tightness.
- We estimate that there are around 1.8 people unemployed for every job vacancy, a ratio that is largely unchanged compared to a year ago.

Business employment intentions



Job vacancies as a % of the labour force



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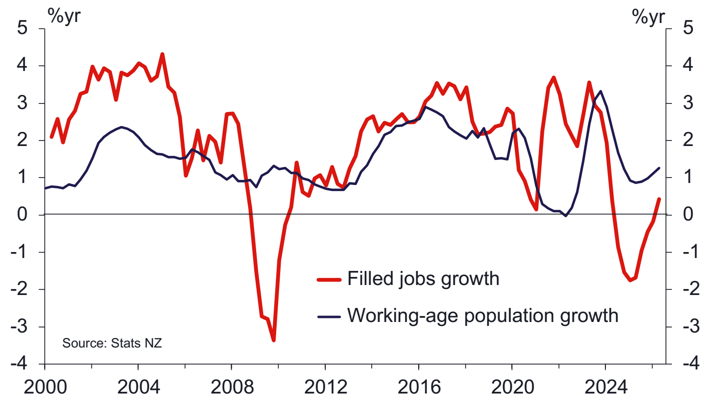
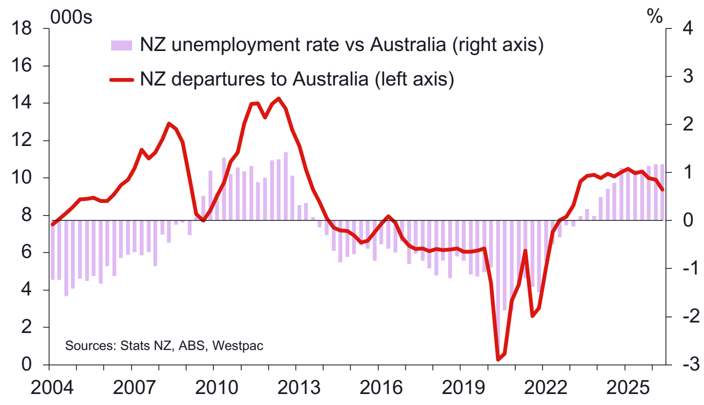
Population and migration

- The working-age population has grown by around 1.2% over the last year, compared to a peak of 3.3% growth over 2023. Jobs growth (based on the MEI) is still lagging behind population growth on an annual basis.
- The pool of potential workers is generally becoming older, with the Baby Boomers increasingly reaching pension age and beyond, and with migrant arrivals tending to be an older cohort than we saw pre-Covid – more in their 30s and 40s than their 20s.
- Net migration flows have started to pick up from their lows since late 2025. Departures of New Zealanders have come down from their highs, though they remain above pre-Covid levels, as the relative appeal of the Australian jobs market has narrowed.
- Foreign arrivals have picked up to some degree, although the growth appears to have been mostly driven by the Parent Boost Visa rather than work visas.

Employment and working-age population



Migration by New Zealanders to Australia



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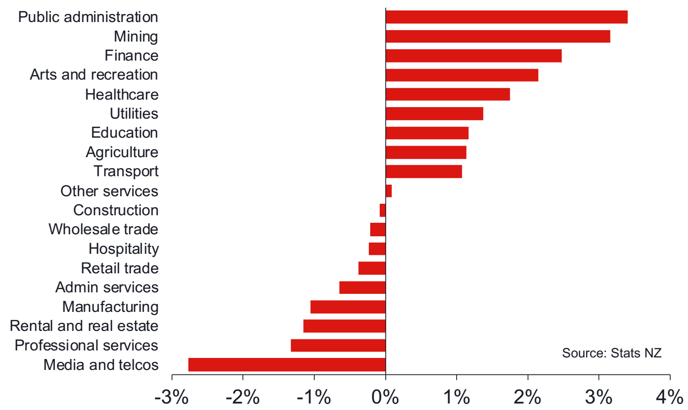
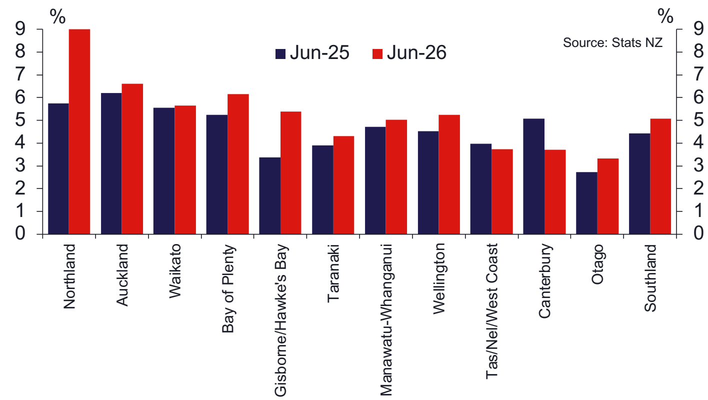
Sectoral and regional trends

- Jobs growth has been relatively strong in government-connected sectors such as healthcare and education, as well as in local and central government administration. Sectors with connections to international tourism, such as transport and recreational services, have also seen solid growth.
- Construction and manufacturing sector employment have fallen substantially since late 2023, though there are signs that they have bottomed out in recent months.
- Employment trends have generally been more positive in the South Island than the North, which likely reflects the greater influence of the agricultural sector – while not a large employer in itself, farmers have benefited from high export prices and their spending has flowed into other sectors.
- The rate of unemployment has been broadly steady across the South Island over the last year, compared to the rise in the North Island. That said, the rise in unemployment over the June quarter was shared across most regions. (We suspect that the steep rise in Northland is a rogue reading, which can happen every now and then, especially in regions with small populations.)

Filled jobs by sector, annual % change



Regional unemployment rates



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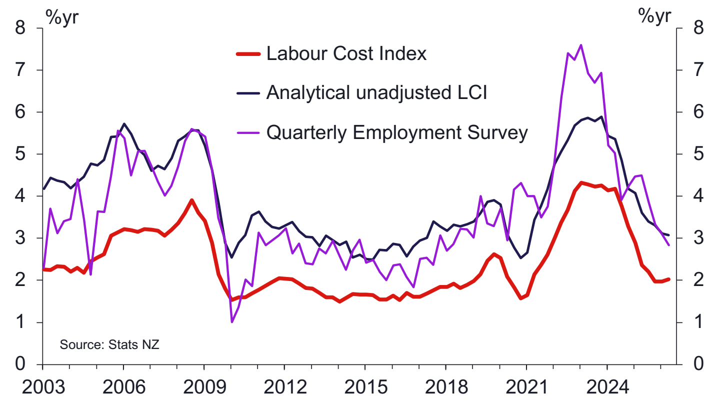
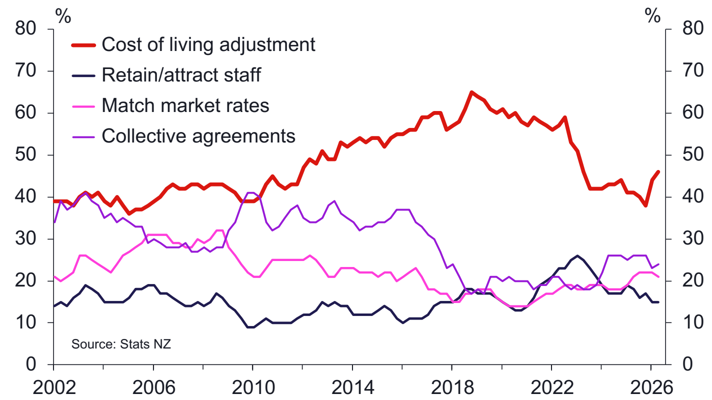
Wages

- The Labour Cost Index (LCI) rose by 0.6% in the June quarter. Annual growth remained at 2.0%, the lowest since March 2021. Private sector wages rose by 0.7% for the quarter (2.0% annual), while the private sector saw a more subdued 0.4% rise (1.7% annual).
- The distribution of pay rates has returned to pre-Covid trends. Only 44% of roles saw a pay rise over the last year; of those roles that did see an increase, the average size has converged on the 2-3% range.
- There has been a pickup in the proportion of firms reporting cost-of-living adjustments as the main reason for pay increases. However, fewer are citing the need to retain or attract staff. In other words, there has been a shift in the justification for pay rises, rather than an overall increase in wage pressures.
- The LCI is not a measure of what workers actually receive – it reflects the cost to businesses for a given unit of labour – and hence shouldn't be compared to the inflation rate. A more suitable measure is the analytical unadjusted LCI, which includes pay rises that are related to productivity gains. This measure was steady at 3.1% on an annual basis, also the lowest since March 2021.
- Another measure, the QES average hourly earnings, slowed from 3.1% to 2.8% in the year to June, after having picked up briefly in 2025. This measure is not adjusted for the composition of jobs and is more volatile than the LCI.

Measures of wage growth



Reasons given for pay increase



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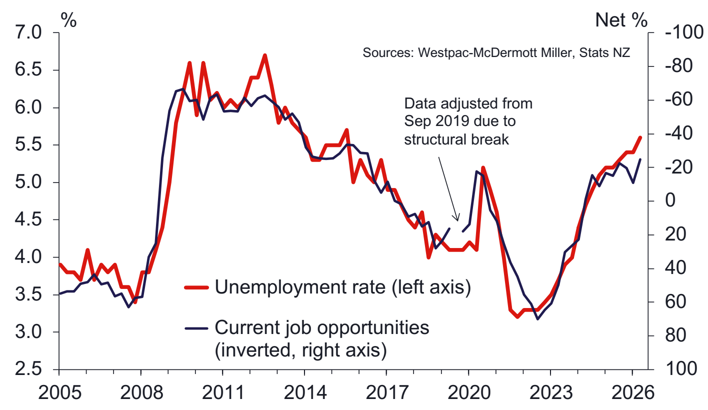
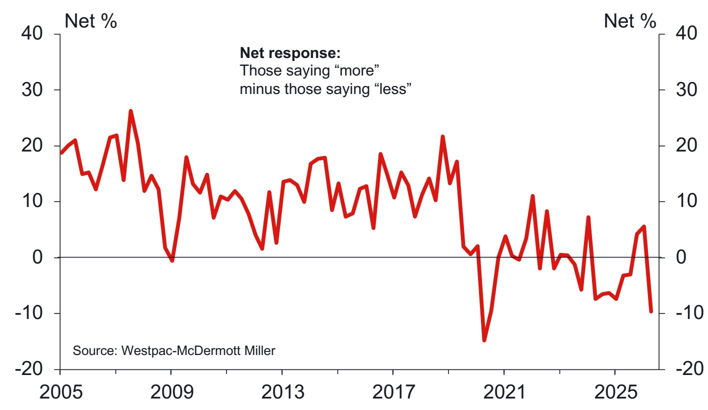
Employment confidence

- The Westpac-McDermott Miller employment confidence survey for the June quarter showed a marked worsening in households' perceptions about the jobs market. The Employment Confidence Index fell by 12.5 points to 83.1, the lowest reading for the survey since it began in September 2004.
- Perceptions about current job opportunities softened in June, consistent with a renewed rise in the unemployment rate.
- Workers' perceptions of their own job security fell sharply, reaching their lowest level since the Covid lockdown. The fall was greatest among young workers, who in turn had seen the greatest improvement in previous quarters.
- The fall in confidence was shared across regions, with the North Island tending to see larger falls than the South Island. This was in keeping with the general tone of economic data in recent months, with stronger conditions in the South Island providing more of a buffer against external shocks.
- The survey was held in early June, just before the US-Iran peace agreement. However, this proved to be a short-lived reprieve, and the fall in world oil prices over June has since been reversed.

Employment confidence and unemployment



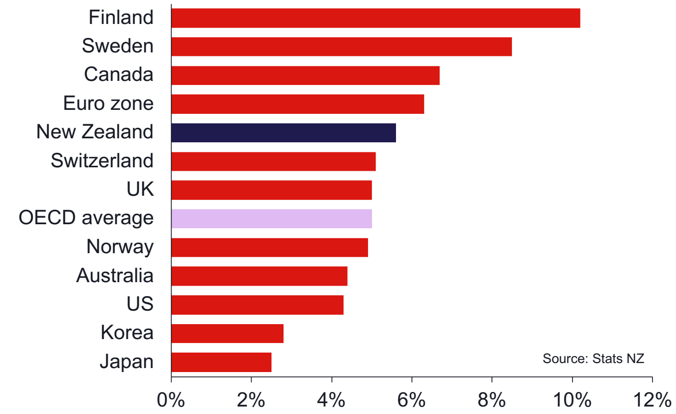
Perceived job security over the coming year



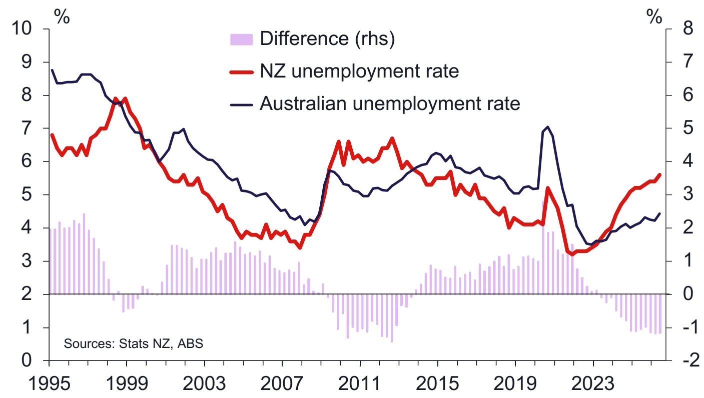
International comparisons

- New Zealand's unemployment rate is the 19th lowest in the OECD (out of 38 countries). We had been ranked 18th over the last year or so.
- Notably, New Zealand's unemployment rate has risen substantially above Australia's, whereas historically it has been lower on average. This shift in relative job opportunities has been a key attractor for New Zealanders over the last couple of years – as it was in the early 2010s when the Australian economy was benefiting from a boom in mining construction.
- New Zealand has the 6th highest employment rate in the OECD (up from 7th last quarter). We tend to have high rates of labour force participation for 15-64 year olds, and particularly high participation for the over-65s, as the lack of means testing for NZ Superannuation means there is no financial disincentive to working beyond pension age.

Selected unemployment rates



NZ vs Australian labour markets



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