



NZ labour market chartpack

November 2025

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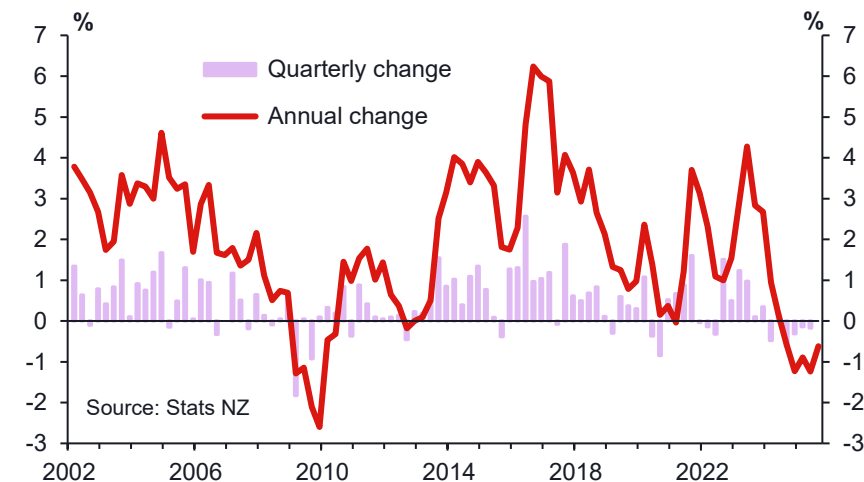
KEY POINTS – SEPTEMBER QUARTER 2025

- The Q3 labour market surveys were generally as subdued as we were expecting.
- Employment was flat, matching the signal from the Monthly Employment Indicator (which has picked up in the last couple of months, but tends to be revised down from its initial release).
- The unemployment rate ticked up from 5.2% to 5.3%, its highest level since 2016.
- One unexpected result was a rise in hours worked – an encouraging signal for quarterly GDP, though this measure tends to be volatile.
- Annual wage inflation has moderated to the low 2's, with pay increases becoming smaller and less widespread.
- The results were almost entirely in line with the RBNZ's August *MPS* forecasts. There are some early signs of the economy stabilising, but the existing degree of spare capacity will leave the RBNZ comfortable that inflation will ease back towards 2% next year.
- This was the last major data release ahead of the 26 November *MPS*. In October the RBNZ signalled that it was open to further reductions (perhaps plural), so another cut in November is highly likely.
- However, the labour market surveys provide little encouragement for a larger 50bp move. We continue to expect a 25bp cut, taking the OCR to a 2.25% low for this cycle.

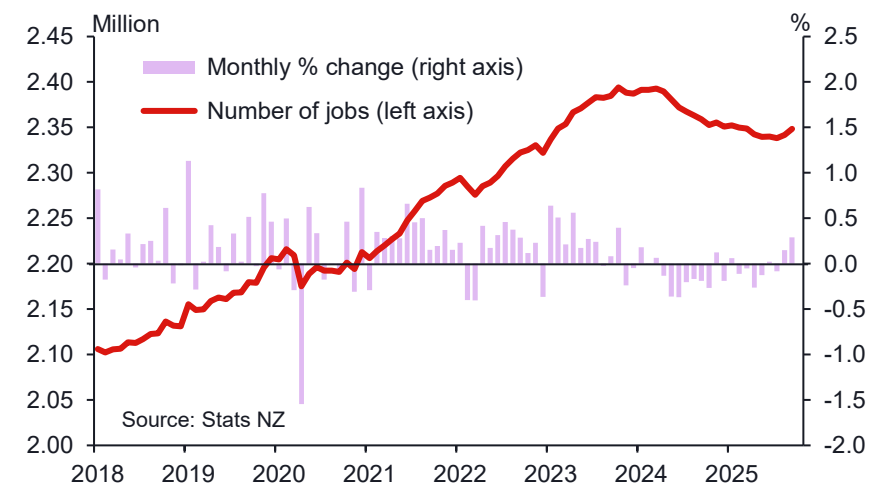
EMPLOYMENT

- The number of people employed was unchanged in the September quarter, according to the Household Labour Force Survey (HLFS). Employment is down 0.6% compared to a year ago.
- The HLFS result was in line with what was signalled by the Monthly Employment Indicator (MEI), a comprehensive measure of filled jobs based on income tax data. There are some conceptual differences between the two measures, but any large divergences are most likely to be due to sampling error in the HLFS.
- Note that the MEI tends to be overstated on the initial release, then revised down in subsequent releases. Hence, while the MEI appears to have picked up in the last couple of months, we suspect this will eventually be revised to around flat – though still an improvement on the declining trend since mid-2024.
- The firm-oriented Quarterly Employment Survey (QES) recorded a 0.8% rise in filled jobs and a 1.3% rise in hours paid. As with the HLFS, this survey can be volatile from quarter to quarter.

HLFS number of people employed



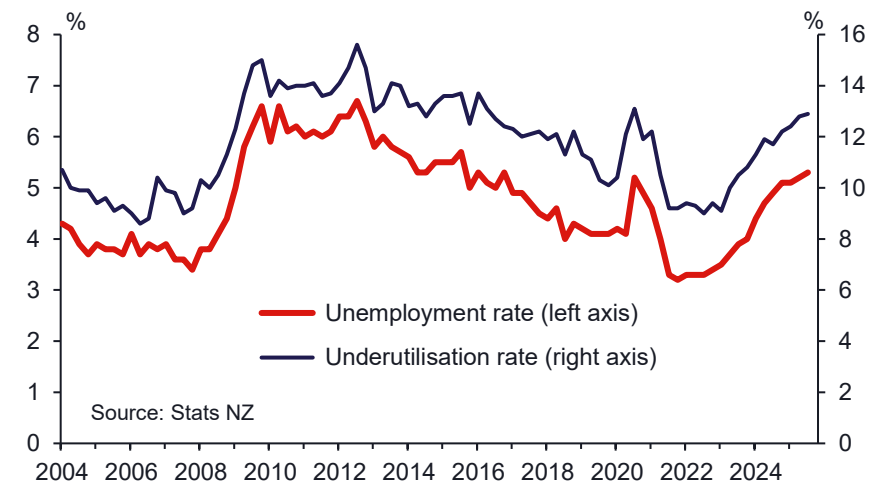
Monthly Employment Indicator filled jobs



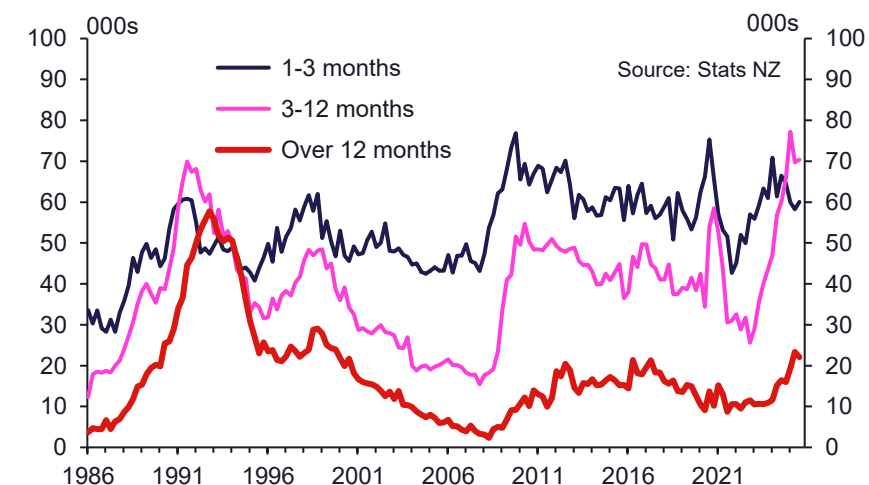
UNEMPLOYMENT

- The unemployment rate rose from 5.2% to 5.3% in the September quarter. This is the highest rate since December 2016.
- The broader underutilisation measure (which includes discouraged jobseekers and part-time workers wanting more hours) saw a similar modest rise to 12.9%.
- Flat employment was not sufficient to absorb the growth in the adult population (up 0.3% for the quarter). The result was a rise in both the number of unemployed (actively seeking work) and the number of people leaving the labour force.
- The rise in unemployment over the last couple of years has not been characterised by a sharp rise in layoffs, but a marked rise in medium-term and even longer-term unemployment. Businesses have tried to hold on to workers to the extent that they can, but the slow pace of hiring means that once you're out of work, it's harder to get back in again.

Unemployment and underutilisation rates



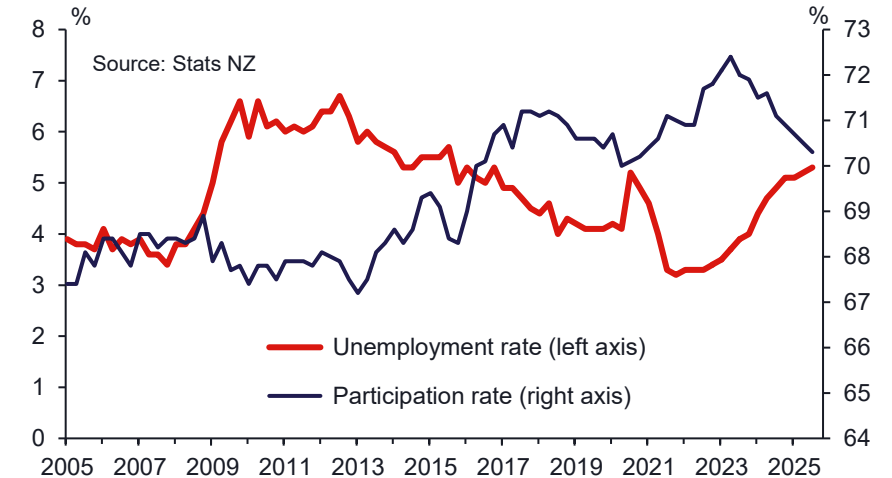
Unemployment by duration



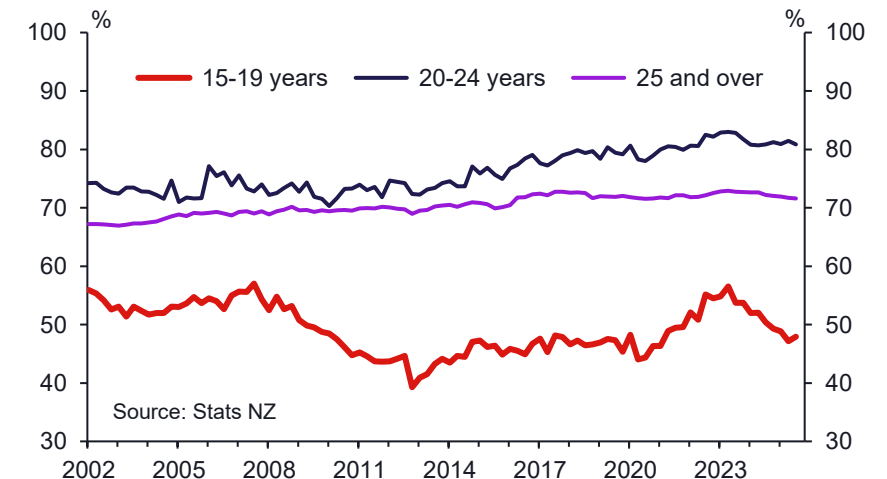
LABOUR FORCE PARTICIPATION

- The participation rate fell from 70.5% to 70.3% in the September quarter, a slightly larger fall than we expected. This is the lowest rate since December 2020.
- Participation reached a peak of 72.4% in mid-2023, when the economy was running hot and severe labour shortages prompted employers to cast their nets wider. That included a sharp rise in the hiring of teenagers (though sometimes at the expense of enrolments in education).
- As the economy cooled, this group also saw the largest drop in participation over the last couple of years, and is now back to around pre-Covid levels. The number of young people in education has picked up again.
- Over the longer term, labour force participation faces a tug of war between an aging workforce (more than 20% of the working-age population is aged 65+) and an increasing tendency for people to continue working for longer.

Unemployment and participation rates



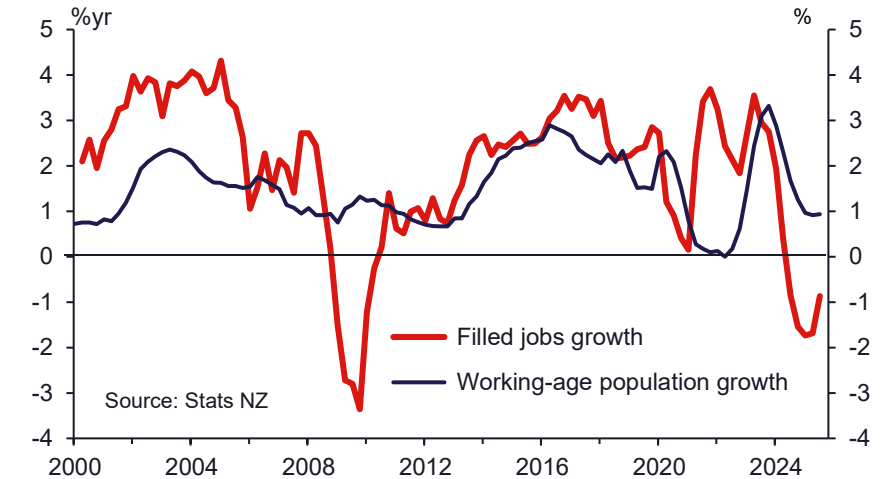
Participation by age group



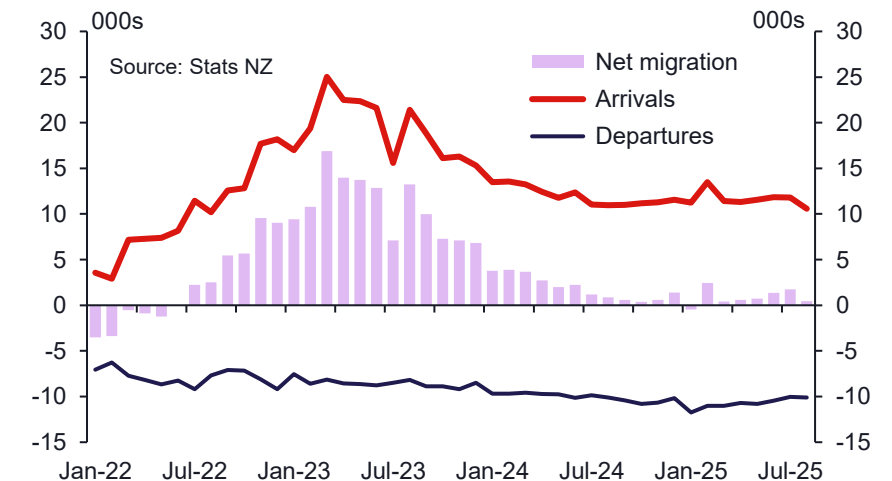
POPULATION AND MIGRATION

- The working-age population grew by 0.9% in the year to September, compared to a peak of 3.3% growth over 2023. While the number of jobs has started to stabilise in recent months, this has been insufficient to absorb the growth in the population, resulting in a further rise in the unemployment rate.
- The pool of potential workers is generally becoming older, with the Baby Boomers increasingly reaching pension age, and with migrant arrivals tending to be an older cohort than we saw pre-Covid – more in their 30's-40's than their 20's.
- Net migration has slowed significantly over the last year or so, though the balance remains slightly positive. Outflows of New Zealanders remain high, partly reflecting stronger job prospects in Australia and elsewhere. Inflows of foreign workers have slowed substantially from the surge seen in 2022-23 after the border was reopened, but they are still running above pre-Covid levels.

Employment and working-age population



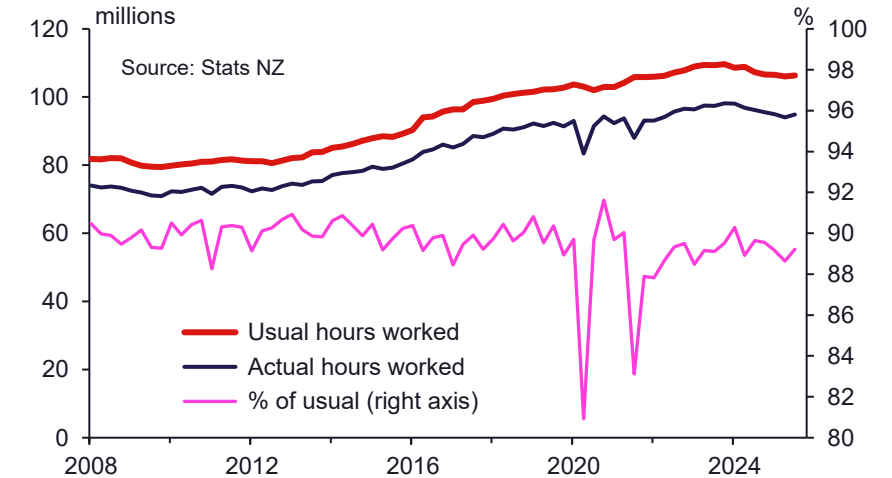
Monthly migration flows



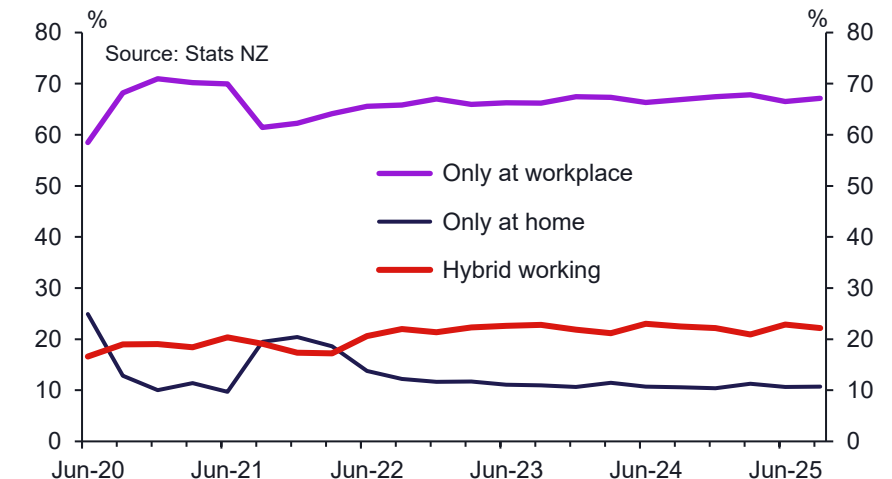
WORK CONDITIONS

- The HLFS recorded a 0.9% increase in the number of hours worked, a positive indication for economic activity over the quarter. However, respondents' usual hours rose by a more modest 0.2%, indicating that the rise in hours worked was largely due to people working closer to their regular hours (perhaps due to fewer holidays, sick leave etc).
- Trends in hybrid working have been largely unchanged since 2022 when Covid restrictions were lifted. Around two-thirds of employees work solely outside the home, with around 22% having some form of hybrid working arrangement. (This question was only added to the survey in 2020 in response to the Covid lockdown.)
- Around 20% of employees work part-time – a share that has increased slightly in the last couple of years, but has been trending down over the longer term. Around 7% of employees work multiple jobs, a share that has been steady over time. More commonly this is self-employment ('side hustles') rather than paid work.

Usual vs actual hours worked



Share of employment by work location



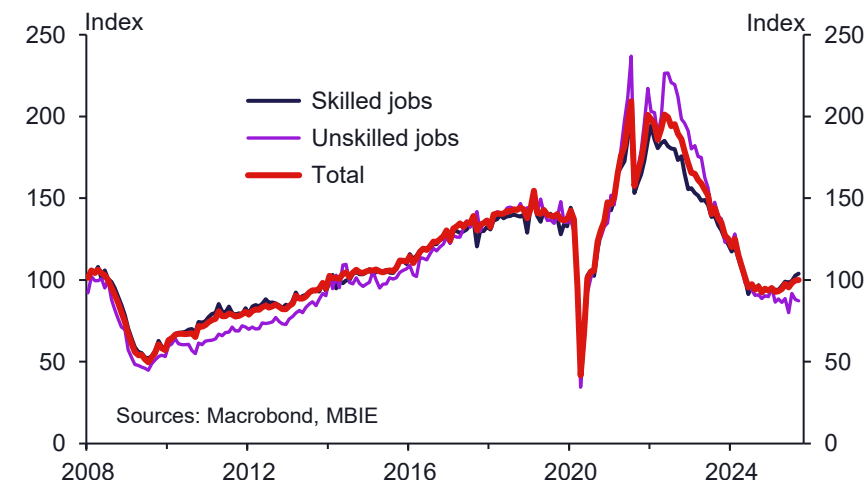
HIRING

- Business confidence surveys have generally remained optimistic about the months ahead, though while still reporting that current conditions have fallen short of what was hoped for. Hiring intentions for the next quarter are modestly positive on balance; expectations for the year ahead have been above-average over 2025.
- Job advertisements have started to tick up from their lows in recent months. However, they remain well below what we saw in the pre-Covid years. At current levels, it's likely that job advertisements largely reflect staff turnover rather than new job creation; we would need to see them rise substantially further to be consistent with a lift in overall employment.
- Ads for skilled roles have seen more of an upturn than for unskilled roles so far. In part this will reflect sectoral trends, with sectors such as construction and manufacturing remaining in decline, while government-connected sectors such as health and education are on the rise.

Business employment intentions



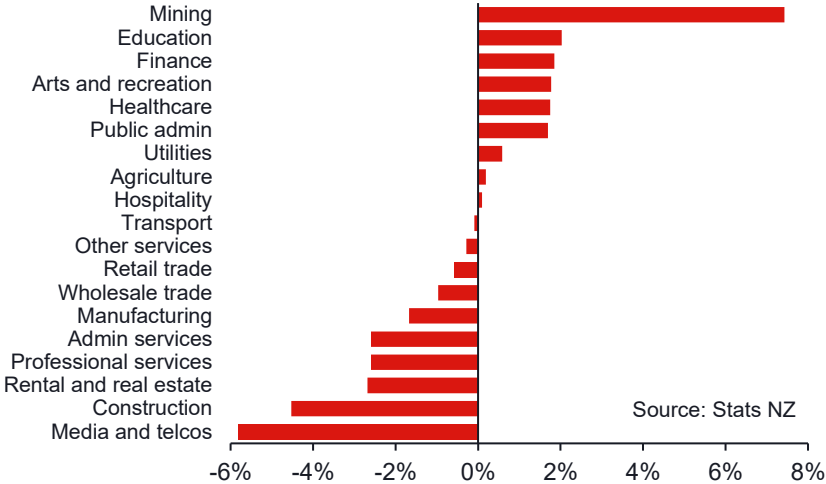
Job advertisements



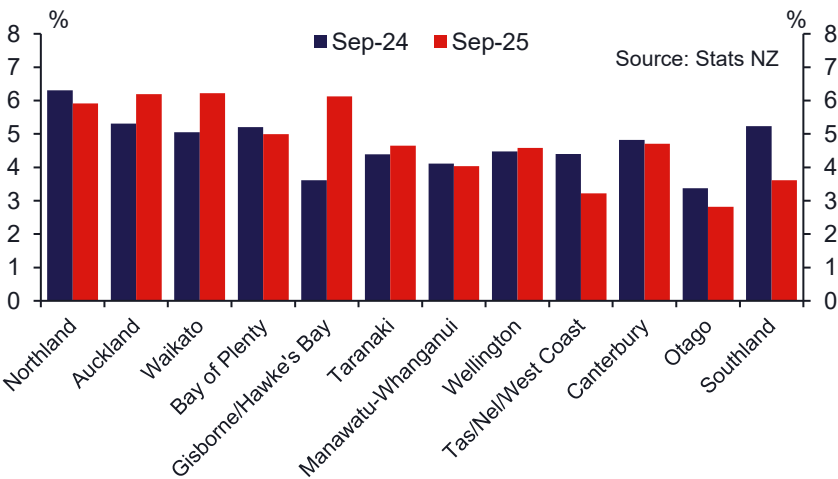
SECTORAL AND REGIONAL TRENDS

- Job growth has been strongest in government-connected sectors such as healthcare and education, as well as in local and central government administration. Mining has seen the fastest rate of growth, but this sector is small and not very labour-intensive.
- We've seen ongoing declines in employment since late 2023 in manufacturing and construction – two highly cyclical industries. There has also been a marked fall in professional, scientific and technical services, after a strong run-up during the post-Covid boom.
- 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.
- Notably, the rate of unemployment has actually fallen across the South Island over the last year, compared to the rise in the North Island (and hence the national average).

Filled jobs by sector, annual change



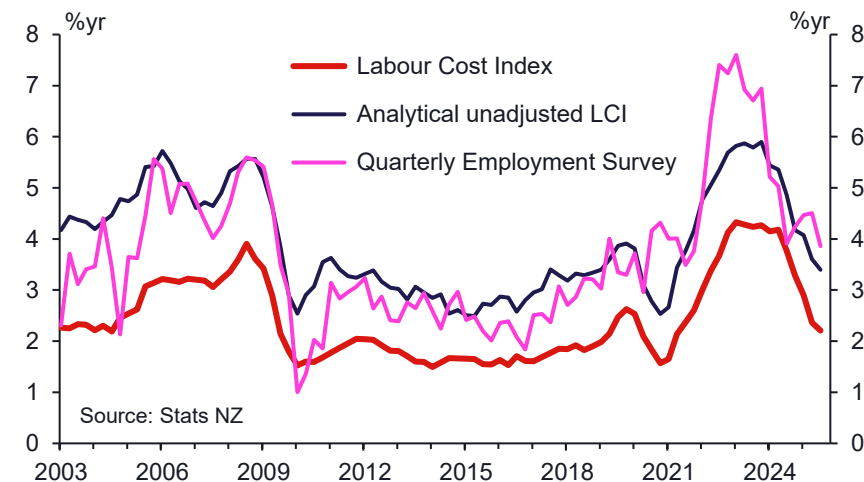
Regional unemployment rates



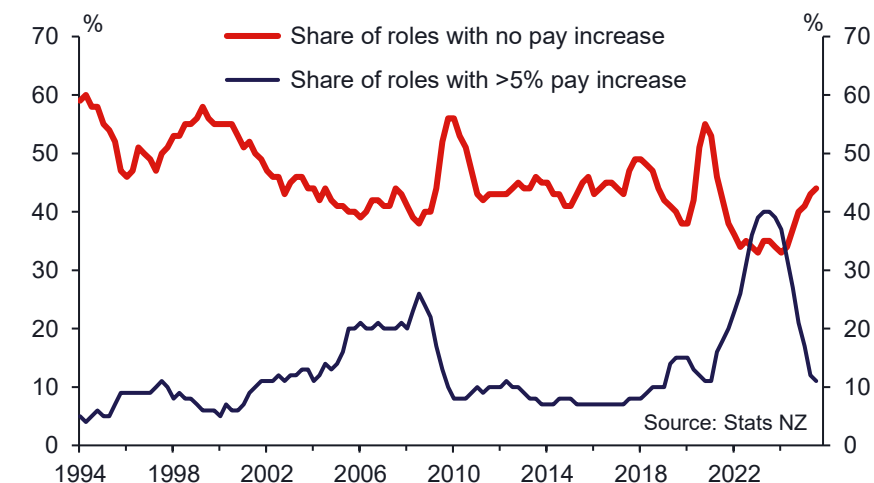
WAGES

- The Labour Cost Index (LCI) rose by 0.5% in the September quarter. The annual growth rate slowed to 2.2%, which is consistent with periods of 2%-ish CPI inflation.
- The distribution of pay rates has returned to pre-Covid trends. Only 44% of roles saw a pay increase over the last year; of those that did see an increase, the average size is converging on the 2-3% range, compared to the 5%+ increases that we saw post-Covid.
- Note that the LCI is not a measure of what workers are actually receiving – 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 unadjusted analytical LCI, which includes pay rises that are related to productivity gains. This measure slowed from 3.6% to 3.4% on an annual basis, the lowest since June 2021.
- Another measure, the QES average hourly earnings, slowed to 3.9% in the year to September, after having picked up in the last two quarters. This measure is not adjusted for the composition of jobs and is more volatile than the LCI.

Measures of wage growth



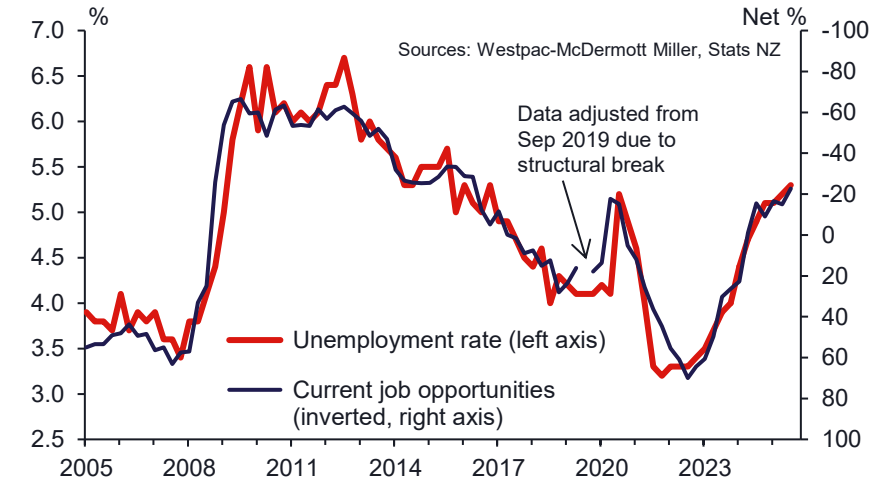
Distribution of labour costs



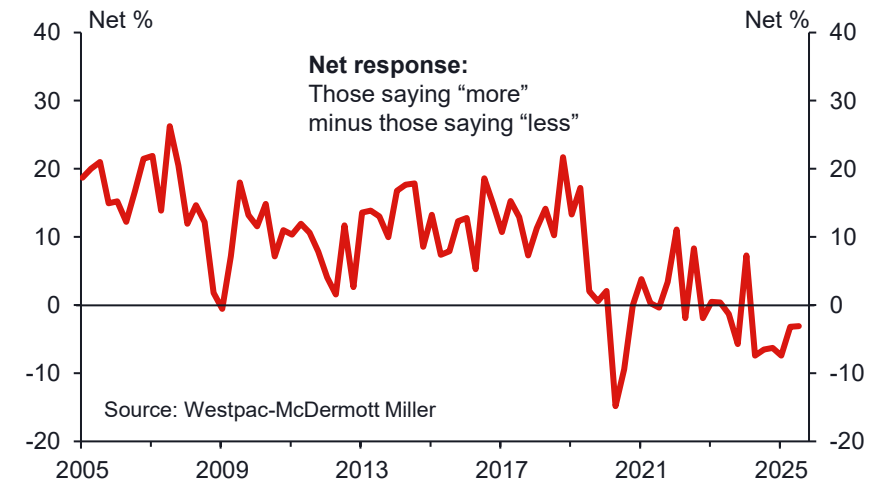
EMPLOYMENT CONFIDENCE

- The Westpac-McDermott Miller employment confidence survey for the September quarter showed that household perceptions about the labour market remain soft. The Employment Confidence Index rose by 1.1 points to 89.9, but has effectively been unchanged over the past year, and remains close to the lows seen after the first Covid lockdown in 2020.
- Perceptions about current job opportunities fell to a new cycle low in September, signalling that a further rise in the unemployment rate was likely. There was also low confidence about improved job opportunities in a year's time.
- Workers' perceptions of their own job security remained low, with particular nervousness among those under 30 and over 50.
- Confidence was generally lowest in Wellington and the surrounding regions. In contrast, there was more resilience among agriculture-focused regions such as Waikato, Bay of Plenty and Southland.

Employment confidence and unemployment



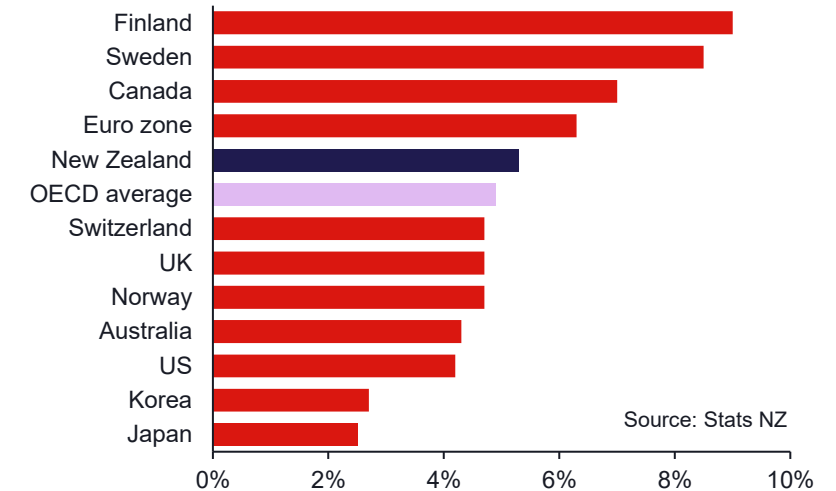
Perceived job security over the coming year



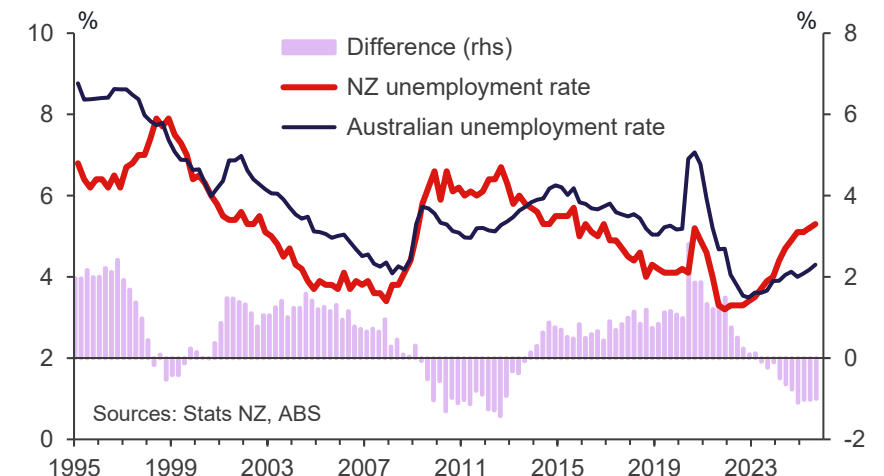
INTERNATIONAL COMPARISONS

- New Zealand's unemployment rate is the 18th lowest in the OECD (out of 38 countries). This ranking is unchanged compared to the same time last year.
- 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 Zealand workers 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 8th highest employment rate in the OECD. We tend to have high rates of labour force participation for 15-64 year olds, and especially high participation for the over-65s, as the lack of means testing for NZ Superannuation means there is no disincentive to keep working beyond pension age.

Selected unemployment rates



NZ vs Australian labour markets



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