



ECONOMIC BULLETIN

Preview of Q3 labour market surveys:
5 November, 10:45am.



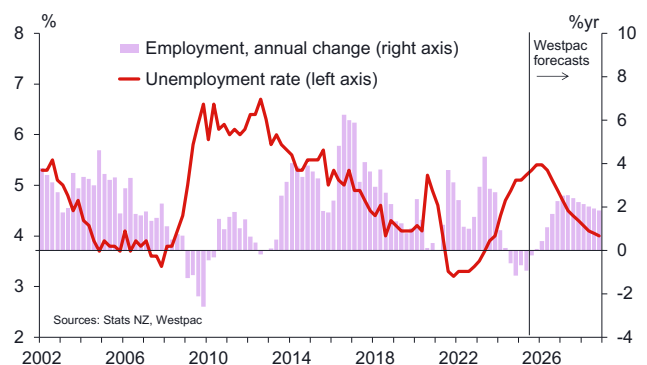
30 Oct 2025 | Michael Gordon, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

Jobs market soft but steady

- We expect the unemployment rate to rise from 5.2% to 5.3% for the September quarter.
- Monthly employment indicators have ticked up a little in recent months, but were around flat on average over the quarter. That's not enough to absorb the growth in the working-age population.
- We expect that falling youth participation will continue to dampen the extent of the rise in the unemployment rate.
- The growing slack in the labour market has seen wage growth drop back to levels that are consistent with 2% overall inflation.
- Our forecasts are in line with what the Reserve Bank expected in its August *Monetary Policy Statement* forecasts.

	Q2 actual	Q3 forecast	
	Quarter	Westpac	RBNZ
Household Labour Force Survey			
Unemployment rate	5.2	5.3	5.3
Employment growth	-0.1	0.0	0.0
Participation rate	70.5	70.4	70.4
Labour Cost Index			
All sectors, ordinary time	0.6	0.5	-
Private sector, ordinary time	0.6	0.5	0.4

Employment growth and unemployment rate



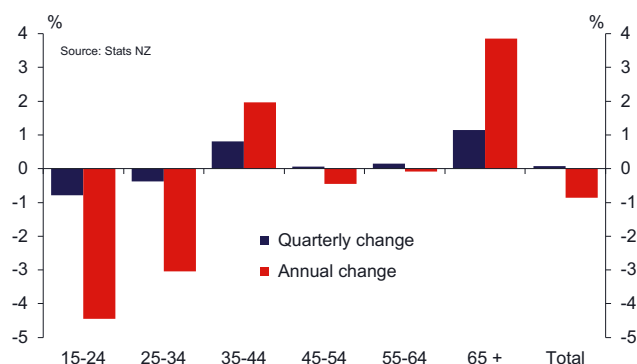
The labour market surveys for the September quarter, released next Wednesday, are again likely to show a subdued picture. While there are some early indications that the job market is stabilising, we expect employment growth to be flat over the quarter. And with the working-age population still on the rise, that points to a further uptick in the unemployment rate. The growing degree of slack in the labour market means that wage pressures will remain contained.

Our forecasts are in line with what the Reserve Bank expected in its August *Monetary Policy Statement*, and

market forecasts are likely to be in the same ballpark. A surprise in either direction could be reasonably important to the RBNZ's assessment of the amount of spare capacity in the economy, given some current concerns about the reliability of the GDP figures for this purpose. The labour market surveys are the most significant data release between now and the November MPS, and along with the RBNZ's various inflation expectations surveys, they will have a bearing on the debate between a 25bp and a 50bp OCR cut (we currently favour a 25bp move).

Turning to the details, we expect employment to be unchanged for the Household Labour Force Survey (HLFS). The Monthly Employment Indicator (MEI), a comprehensive measure based on tax data, has turned higher in the last couple of months, after a renewed decline in the earlier part of the year. However, this measure tends to be overstated on its initial release; once we account for the likely future revisions, it was about flat on average over the September quarter. We've seen a similar uptick in monthly job vacancies, though they remain at a very low level, suggestive of a flattening-off in employment rather than outright growth.

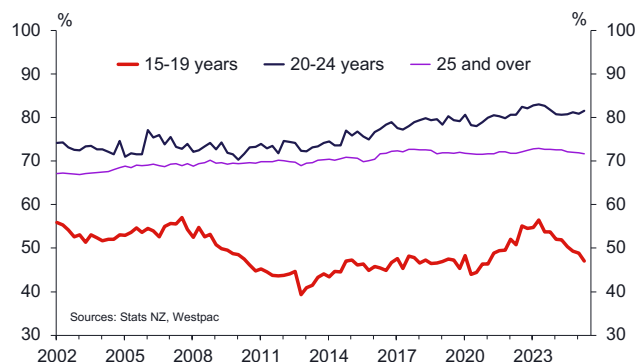
MEI filled jobs by age group



At the same time, the working-age population has continued to grow, up 0.3% in seasonally adjusted terms in the September quarter. With jobs growth being insufficient to absorb the new entrants into the workforce, that implies a rise in the unemployment rate and/or a fall in participation. Our forecast splits the difference – we expect a tick up in the unemployment rate from 5.2% to 5.3%, and a drop in the participation rate from 70.5% to 70.4%.

A lot of the variation in the participation rate in recent years has been driven by teenagers, who were first drawn into the workforce to an unusual degree when the labour market was extremely tight, and have since been the most likely to miss out as labour demand has softened. The MEI shows that youth employment remains the biggest point of weakness, which suggests we're likely to see a further drop in participation among this group as they choose to stay in school for longer rather than entering the ranks of the unemployed.

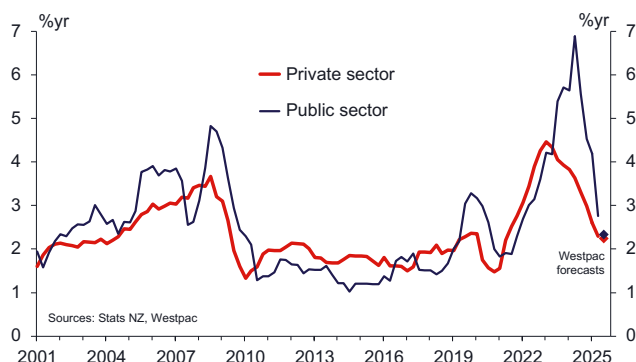
Participation rates by age group



With the degree of slack in the labour market still increasing, wage growth is likely to remain subdued. We expect a 0.4% rise in the Labour Cost Index (LCI) for the September quarter, following a 0.6% rise in the June quarter. While the previous quarter came in higher than we expected, the sectoral breakdown suggested a bigger impact from the annual minimum wage hike than we'd allowed for (especially considering that this year's increase was just 1.5%). There are no particular factors that would affect the September quarter result.

Our forecast would see annual wage growth continue to slow towards around the 2% mark. The large pay settlements in earlier quarters, particularly in the public sector, are now dropping out of the annual calculations. This would support our forecast for CPI inflation to ease back into the low 2's over 2026, particularly among the non-tradable components where labour can make up a large part of their input costs.

Wage growth forecasts



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