Labour Market Statistics – Q2 2025

6 August 2025

Contact
Miles Workman for more details.

Data summary – Q2 2025

		Latest	RBNZ
Labour market			
HLFS unemployment rate (sa)		5.2%	5.2%
HLFS participation rate (sa)		70.5%	70.8%
HLFS employment (sa)	q/q	-0.1%	0.2%
HLFS employment	y/y	-0.9%	-0.6%
Wages – LCI			
Private sector wages (all salary and wage rates)	q/q	0.6%	0.6%
Private sector wages (all salary and wage rates)	y/y	2.3%	2.3%
Wages – QES			
Private sector hourly earnings (ordinary time)	q/q	1.9%	N/A
Private sector hourly earnings (ordinary time)	y/y	4.6%	3.8%

Confused by acronyms or jargon? See a glossary here.

Update subscription preferences at www.research.anz.com

Listen to our daily podcast

Labour demand on the skids

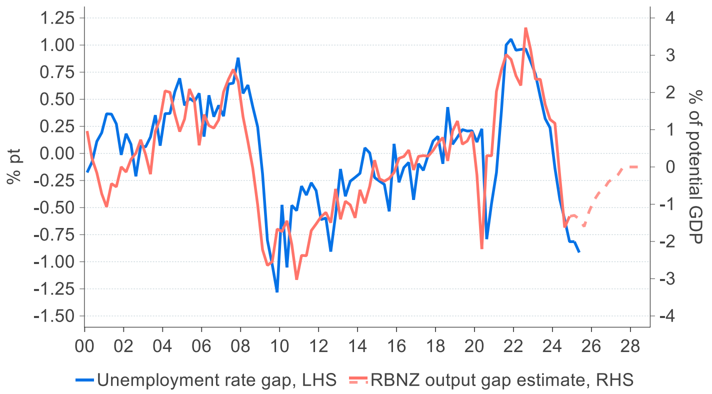
Summary

- The unemployment rate lifted 0.1% pts to 5.2% in Q2, as stable labour supply met a small contraction in labour demand. This was marginally lower than our expectation of 5.3% but in line with the May MPS forecast. A relatively sharp rise in the underutilisation rate suggests overall slack in the labour market has opened up a little more than the headline unemployment rate implies.
- Employment contracted 0.1% q/q, as we expected and weaker than the May MPS forecast of +0.2%, with a lower participation rate preventing the unemployment rate from rising more. Lower labour force participation suggests discouraged worker effects remain prevalent due to the weak economic backdrop.
- Private sector wage growth was mixed. The Labour Cost Index slowed in line with our and the RBNZ's forecast, but the relatively volatile QES measure was stronger than expected. The loose labour market suggests wage growth has further to slow.
- All in all, the Q2 labour market data suggest the economy continues to operate with a considerable degree of disinflationary excess capacity. This data, combined with the recent softening in the high-frequency data, and the possibility that firms could start to shed hoarded labour over the back half of this year (although there was no evidence of that in today's data), means we think the RBNZ will over time start putting more weight on downside medium-term inflation risks.
- Today's data certainly don't present any roadblocks to an OCR cut in August.

Overview and monetary policy implications

The Q2 labour market data landed very close to the May MPS forecast, with some of the accompanying data sending mixed signals. Private sector QES wage growth (which can be rather volatile) was surprisingly strong, but a relatively sharp rise in the underutilisation rate suggests there's more disinflationary spare capacity out there than the headline unemployment rate implies.

Figure 1. Unemployment rate gap vs RBNZ output gap



Source: Stats NZ, RBNZ, Macrobond, ANZ Research

Meanwhile, hours paid and hours worked continue to contract at a faster pace than overall employment. That suggests two things: that demand for goods and services continues to lag the supply available, and that firms are holding onto workers in anticipation of a recovery. We're cognisant of the risks to the labour market (and inflation) outlook should the recovery not arrive with the gusto firms have been expecting, resulting in a shedding of hoarded labour. But that's not a story for today.

All in all, these data are consistent with a cut in August, with the deterioration in the underutilisation rate potentially causing the RBNZ to tweak their expectation for pipeline inflation pressures lower.

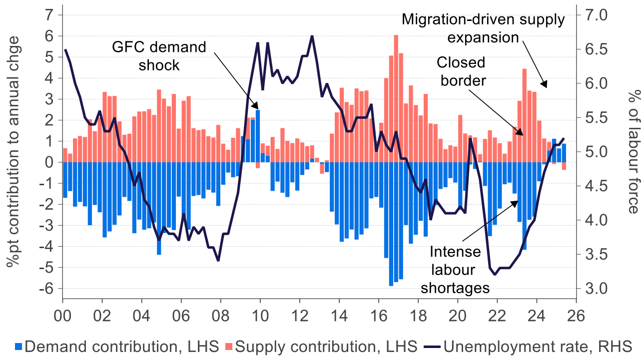
The details

- The unemployment rate lifted 0.1% pts to 5.2% (s.a.), as a 0.1% contraction in employment met a stable labour force (the participation rate fell 0.2%pts to 70.5% but offsetting that, the working age population rose 0.3% q/q).
- QES filled jobs also contracted 0.1% q/q, to be down 1.2% y/y (sa).
- Providing a broader read on untapped capacity in the labour market, the underutilisation rate rose 0.4%pts to 12.8%. This measure includes those working part time but wanting more hours (i.e. underemployed), available potential jobseekers (want work, but aren't actively looking – a.k.a. 'discouraged workers'), and unavailable jobseekers (can't start work now, but will be able to within a month). The rise in the underutilisation rate was driven largely by available potential jobseekers, suggesting strong discouraged worker effects remain in play. Meanwhile, the underemployment rate was stable at 4.4%. Overall, these data are consistent with the signal from the unemployment rate that spare capacity in the labour market continues to emerge.
- Turning to wages:
  - The private sector Labour Cost Index (including overtime, and adjusted for productivity) rose 0.6% q/q, with annual growth slowing 0.3% pts to 2.3% y/y. That was in line with our and the RBNZ's forecasts.
  - The unadjusted private sector Labour Cost Index, which accounts for changes in workforce composition, eased 0.2%pts to 3.5% y/y. In other detail, the overall proportion of workers (all sectors) receiving wage increases in the past year fell 2%pts to 57%, and the proportion of wage increases that were in excess of 5% eased 5%pts to 12%, well down from the peak of 40% seen in mid-2023.
  - Private sector average hourly earnings (ordinary time) rose sharply, up 1.9% q/q. That saw the annual rate accelerate from 3.8% to 4.6%, well above our and the RBNZ's forecasts of 3.3% and 3.8% y/y respectively.
  - Public sector average hourly earnings (ordinary time) fell 0.4% q/q, in the first quarterly contraction since March 2020. That saw annual growth slow from a whopping 6.6% in Q1 to 3.8% y/y. At face value, these data suggest upwards pressure from past public sector pay agreements (which spanned multiple years) are now giving way to broader fiscal consolidation pressures.
  - Lastly, paid hours fell 0.5% q/q (-1.7% y/y) and hours worked fell 1% q/q (down 2.6% y/y). Both show a much faster pace of contraction than overall employment and filled jobs, suggesting firms continue to cling on to workers in the face of weak demand (during an economic downturn, businesses tend to reduce hours worked before resorting to layoffs). A glass-half-full interpretation is that firms are still anticipating better times ahead and therefore don't want to let good staff go. But with economic momentum showing signs of stalling, and firms' balance sheet stresses starting to bite, we question how much longer firms will be able to hold out.

All in all, the Q2 labour market data were a little mixed versus our expectation. The acceleration in the relatively volatile QES wages could be interpreted hawkishly, but the relatively sharp rise in the underutilisation rate suggests spare capacity in the labour market is opening up at a faster pace than the headline unemployment rate implies. We'd characterise today's data as "mildly dovish" relative to the May MPS forecast.

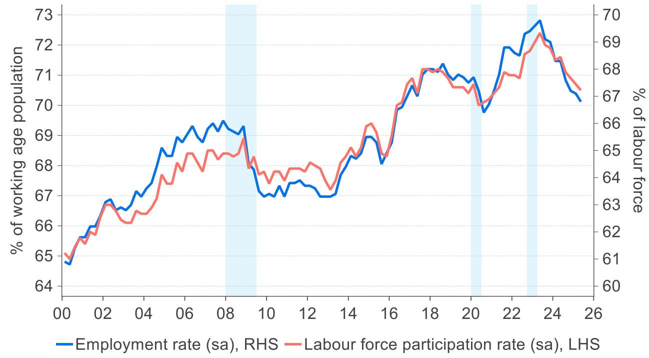
The labour market in charts

Unemployment increased with weak labour demand



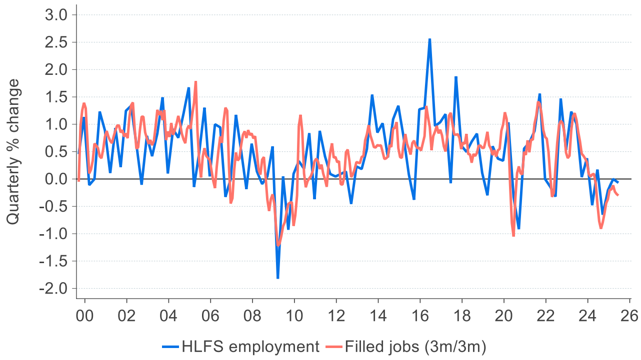
Source: Stats NZ, Macrobond, ANZ Research

The participation rate continued to decline



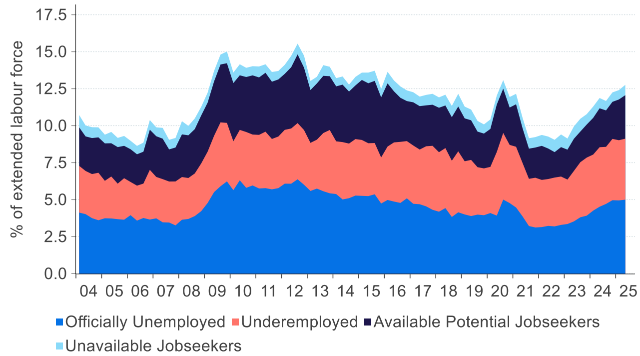
Source: Stats NZ, Macrobond, ANZ Research

HLFS employment fell, consistent with the signal from the monthly employment indicator



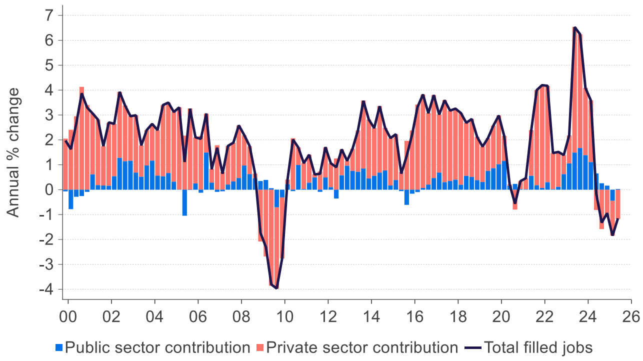
Source: Stats NZ, Macrobond, ANZ Research

The underutilisation rose with growing numbers of available potential jobseekers



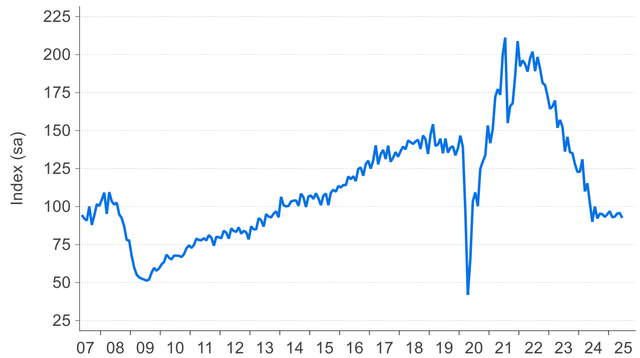
Source: Stats NZ, Macrobond, ANZ Research

QES employment fell, driven by private sector jobs



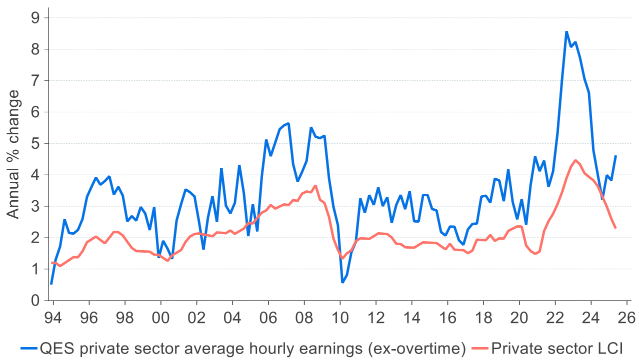
Source: Stats NZ, Macrobond, ANZ Research

Job ads continue to move sideways



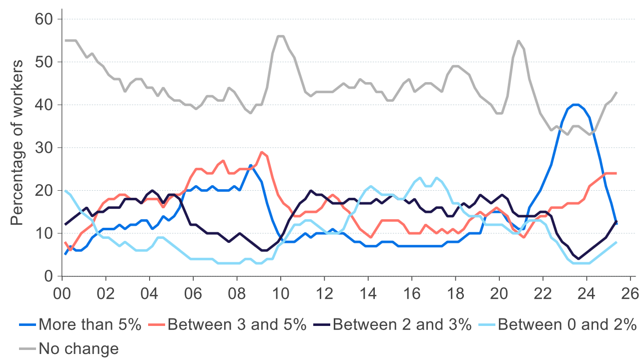
Source: MBIE, Macrobond, ANZ Research

The volatile QES wages measure has ticked up, while growth in LCI wages has continued to decline



Source: Stats NZ, Macrobond, ANZ Research

The share of workers receiving large pay rises fell further



Source: Stats NZ, Macrobond, ANZ Research

Meet the team

We welcome your questions and feedback. Click here for more information about our team.

Sharon Zollner
Chief Economist, New Zealand

Telephone: +64 9 357 4094
Email: sharon.zollner@anz.com

General enquiries:
research@anz.com

Update your subscription
www.research.anz.com

David Croy
Senior Strategist

Market developments, interest rates, FX, unconventional monetary policy, liaison with market participants.

Telephone: +64 4 576 1022
Email: david.croy@anz.com

Matthew Dilly
Agricultural Economist

Primary industry developments and outlook, structural change and regulation, liaison with industry.

Telephone: +64 21 221 6939
Email: matthew.dilly@anz.com

Miles Workman
Senior Economist

Macroeconomic forecast co-ordinator, economic developments, labour market dynamics, inflation, fiscal and monetary policy.

Telephone: +64 21 661 792
Email: miles.workman@anz.com

Matthew Galt
Senior Economist

Macroeconomic forecasting, economic developments, GDP, housing and credit dynamics.

Telephone: +64 21 633 469
Email: matthew.galt@anz.com

Kyle Uerata
Economic Statistician

Economic statistics, ANZ proprietary data (including ANZ Business Outlook), data capability and infrastructure.

Telephone: +64 21 633 894
Email: kyle.uerata@anz.com

Natalie Denne
PA / Desktop Publisher

Business management, general enquiries, mailing lists, publications, chief economist's diary.

Telephone: +64 21 221 7438
Email: natalie.denne@anz.com

Important Notice

Last updated: 17 June 2025

This document (in the form of text, image, video or audio) is intended for ANZ Group's Institutional, Markets, Private Bank and Premier Banking clients. It should not be forwarded, copied or distributed. The opinions and research contained in it are (a) not personal financial advice; (b) provided for information only; and (c) general in nature and do not take into account your financial situation or goals.

This document may be restricted by law in certain jurisdictions. Recipients must observe all relevant restrictions.

Disclaimer for all jurisdictions: This document is prepared and distributed in your country/region by Australia and New Zealand Banking Group Limited (ABN11 005 357 522) (**ANZ**), a company incorporated in Australia or (if otherwise stated), by its subsidiary or branch (herein collectively referred to as **ANZ Group**). The views expressed in it are those of ANZ Research, an independent research team of Australia and New Zealand Banking Group Limited.

This document is distributed on the basis that it is only for the information of the specified recipient or permitted user of the relevant website (**recipients**).

This document is solely for informational purposes and nothing in it is intended to be an invitation, solicitation or offer by ANZ Group to sell, or buy, receive or provide any product or service, or to participate in a particular trading strategy.

Distribution of this document to you is only as may be permissible by the laws of your jurisdiction, and is not directed to or intended for distribution or use by recipients resident or located in jurisdictions where its use or distribution would be contrary to those laws or regulations, or in jurisdictions where ANZ Group would be subject to additional licensing or registration requirements. Further, any products and services mentioned in this document may not be available in all countries.

ANZ Group in no way provides any personal financial, legal, taxation or investment advice to you in connection with any product or service discussed in this document. Before making any investment decision, recipients should seek independent financial, legal, tax and other relevant advice having regard to their particular circumstances.

Whilst care has been taken in the preparation of this document and the information contained within is believed to be accurate and made on reasonable grounds on the date it was published, ANZ Group does not represent or warrant the accuracy or completeness of the information. Further, ANZ Group does not accept any responsibility to inform you of any matter that subsequently comes to its notice which may affect the accuracy of the information in this document.

This document may contain forward looking statements or opinions including statements regarding our intent, belief or current expectations regarding economic and market conditions, financial instruments and credit markets. Words such as 'forecast', 'anticipate', 'likely', 'unlikely', 'believe', 'expect', 'may', 'probability', 'risk', 'will', 'seek', 'would', 'could', 'should' and similar expressions, are intended to identify forward-looking statements or opinions. Such statements are usually predictive in character, subject to assumptions that may prove inaccurate or unknown risks and uncertainties, and should not be relied upon when making investment decisions. Past performance is not a reliable indicator of future performance. ANZ does not accept any responsibility to inform you of any revisions to these forward-looking statements to reflect events or circumstances occurring after the date of this document.

Preparation of this document and the opinions expressed in it may involve material elements of subjective judgement and analysis. Unless specifically stated otherwise: they are current on the date of this document and are subject to change without notice; and, all price information is indicative only. Any opinions expressed in this document are subject to change at any time without notice.

This document may contain climate-related statements, such as climate-related risks and opportunities, goals and ambitions, scenarios and projections. Where present, such content is subject to significant uncertainty and risk, and may ultimately prove to be incorrect, inaccurate or incomplete.

ANZ Group does not guarantee the performance of any product mentioned in this document. All investments entail a risk and may result in both profits and losses. Any products and services described in this document may not be suitable for all investors, and transacting in these products or services may be considered risky.

ANZ Group expressly disclaims any responsibility and shall not be liable for any loss, damage, claim, liability, proceedings, cost or expense (**Liability**) arising directly or indirectly and whether in tort (including negligence), contract, equity or otherwise (including infringement of any third party rights) out of or in connection with this document and your use of it to the extent permissible under relevant law. The contents of this document have not been reviewed by any regulatory body or authority in any jurisdiction.

ANZ Group may have an interest in the subject matter of this document. They may receive fees from customers for dealing in any products or services described in this document, and their staff and introducers of business may share in such fees or remuneration that may be influenced by total sales, at all times received and/or apportioned in accordance with local regulatory requirements. Further, they or their customers may have or have had interests or long or short positions in any products or services described in this document, and may at any time make purchases and/or sales in them as principal or agent, as well as act (or have acted) as a market maker in such products. This document is published in accordance with ANZ Group's policies on conflicts of interest and ANZ Group maintains appropriate information barriers to control the flow of information between businesses within the group.

Your ANZ Group point of contact can assist with any questions about this document including for further information on these disclosures of interest.

Australia. ANZ holds an Australian Financial Services licence no. 234527. For a copy of ANZ's Financial Services Guide please click here or request from your ANZ point of contact.

Brazil. This document is distributed on a cross border basis and only following request by the recipient. No securities are being offered or sold in Brazil under this document, and no securities have been and will not be registered with the Securities Commission - CVM.

Brunei, Japan, Kuwait, Malaysia, Switzerland, Taiwan. This document is distributed in each of these jurisdictions by ANZ on a cross-border basis.

Cambodia. The information contained in this document is confidential and is provided solely for your use upon your request. This does not constitute or form part of an offer or solicitation of any offer to engage services, nor should it or any part of it form the basis of, or be relied in any connection with, any contract or commitment whatsoever. ANZ does not have a licence to undertake banking operations or securities business or similar business, in Cambodia. By requesting financial services from ANZ, you agree, represent and warrant that you are engaging our services wholly outside of Cambodia and subject to the laws of the contract governing the terms of our engagement.

Canada. This document is provided for general information purposes only. It is intended solely for use by institutional or otherwise sophisticated clients and prospective clients, and is not intended for retail investors or the general public. It is not tailored to the needs and circumstances of any recipient, nor is it intended as an offer or solicitation to purchase or sell any security or financial instrument or to employ any specific investment strategy. If you are not an institutional client, prospective institutional client, or a permitted client (as defined under Canadian securities law), you should not rely on or act upon the information contained herein.

Chile. You understand and agree that ANZ is not regulated by Chilean Authorities and that the provision of this document is not subject to any Chilean supervision and is not guaranteed by any regulatory or governmental agency in Chile.

Fiji. For Fiji regulatory purposes, this document and any views and recommendations are not to be deemed as investment advice. Fiji investors must seek licensed professional advice should they wish to make any investment in relation to this document.

Hong Kong. This document is issued or distributed in Hong Kong by the Hong Kong branch of ANZ, which is registered at the Hong Kong Monetary Authority to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities. The contents of this document have not been reviewed by any regulatory authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

India. If this document is received in India, only you (the specified recipient) may print it provided that before doing so, you specify on it your name and place of printing.

Israel. ANZ is not a holder of a licence granted in Israel pursuant to the Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 1995 ("Investment Advice Law") and does not hold the insurance coverage required of a licensee pursuant to the Investment Advice Law. This publication has been prepared exclusively for Qualified Clients as such term is defined in the First Schedule to the Investment Advice Law. As a prerequisite to the receipt of a copy of this publication a recipient will be required to provide confirmation and evidence that it is a Qualified Client. Nothing in this publication should be considered Investment Advice or Investment Marketing as defined in the Investment Advice Law. Recipients are encouraged to seek competent investment advice from a locally licensed investment adviser prior to making any investment.

Macau. Click here to read the disclaimer for all jurisdictions in Mandarin. 澳门. 点击此处阅读所有司法管辖区的免责声明的中文版。

Myanmar. This document is intended to be general and part of ANZ's customer service and marketing activities when implementing its functions as a licensed bank. This document is not Securities Investment Advice (as that term is defined in the Myanmar Securities Transaction Law 2013).

New Zealand. This document is distributed in New Zealand by ANZ Bank New Zealand Limited. The material is for information purposes only and is not financial advice about any product or service. We recommend you seek advice about your financial situation and goals before acquiring or disposing of (or not acquiring or disposing of) a financial product.

Oman. ANZ neither has a registered business presence nor a representative office in Oman and does not undertake banking business or provide financial services in Oman. Consequently, ANZ is not regulated by either the Central Bank of Oman (CBO) or Oman's Capital Market Authority (CMA). The information contained in this document is for discussion purposes only and neither constitutes an offer of securities in Oman as contemplated by the Commercial Companies Law of Oman (Royal Decree 4/74) or the Capital Market Law of Oman (Royal Decree 80/98), nor does it constitute an offer to sell, or the solicitation of any offer to buy non-Omani securities in Oman as contemplated by Article 139 of the Executive Regulations to the Capital Market Law (issued vide CMA Decision 1/2009). ANZ does not solicit business in Oman and the only circumstances in which ANZ sends information or material describing financial products or financial services to recipients in Oman, is where such information or material has been requested from ANZ and the recipient understands, acknowledges and agrees that this document has not been approved by the CBO, the CMA or any other regulatory body or authority in Oman. ANZ does not market, offer, sell or distribute any financial or investment products or services in Oman and no subscription to any securities, products or financial services may or will be consummated within Oman. Nothing contained in this document is intended to constitute Omani investment, legal, tax, accounting or other professional advice.

People's Republic of China (PRC). This document may be distributed by either ANZ or Australia and New Zealand Bank (China) Company Limited (**ANZ China**). Recipients must comply with all applicable laws and regulations of PRC, including any prohibitions on speculative transactions and CNY/CNH arbitrage trading. If this document is distributed by ANZ or an Affiliate (other than ANZ China), the following statement and the text below is applicable: No action has been taken by ANZ or any affiliate which would permit a public offering of any products or services of such an entity or distribution or re-distribution of this document in the PRC. So, the products and services of such entities are not being offered or sold within the PRC by means of this document or any other document. This document may not be distributed, re-distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations. If and when the material accompanying this document relates to the products and/or services of ANZ China, the following statement and the text below is applicable: This document is distributed by ANZ China in the Mainland of the PRC.

Peru. The information contained in this document has not been, and will not be, registered with or approved by the Peruvian Superintendency of the Securities Market (Superintendencia del Mercado de Valores, **SMV**) or the Lima Stock Exchange (Bolsa de Valores de Lima, **BVL**) or under the Peruvian Securities Market Law (Legislative Decree 6 861), and will not be subject to Peruvian laws applicable to public offerings in Peru. To the extent this information refers to any securities or interests, it should be noted the securities or interests may not be offered or sold in Peru, except if (i) such securities or interests were previously registered with the Peruvian Superintendency of the Securities Market, or (ii) such offering is considered a private offering in Peru under the securities laws and regulation of Peru.

Qatar. This document has not been, and will not be:

- lodged or registered with, or reviewed or approved by, the Qatar Central Bank (QCB), the Qatar Financial Centre (QFC) Authority, QFC Regulatory Authority or any other authority in the State of Qatar (Qatar); or
- authorised or licensed for distribution in Qatar, and the information contained in this document does not, and is not intended to, constitute a public offer or other invitation in respect of securities in Qatar or the QFC.

The financial products or services described in this document have not been, and will not be:

- registered with the QCB, QFC Authority, QFC Regulatory Authority or any other governmental authority in Qatar; or
- authorised or licensed for offering, marketing, issue or sale, directly or indirectly, in Qatar.

Accordingly, the financial products or services described in this document are not being, and will not be, offered, issued or sold in Qatar, and this document is not being, and will not be, distributed in Qatar. The offering, marketing, issue and sale of the financial products or services described in this document and distribution of this document is being made in, and is subject to the laws, regulations and rules of, jurisdictions outside of Qatar and the QFC. Recipients of this document must abide by this restriction and not distribute this document in breach of this restriction. This document is being sent/issued to a limited number of institutional and/or sophisticated investors (i) upon their request and confirmation that they understand the statements above; and (ii) on the condition that it will not be provided to any person other than the original recipient, and is not for general circulation and may not be reproduced or used for any other purpose.

Singapore. To the extent that this document contains any statements of opinion and/or recommendations related to an investment product or class of investment product (as defined in the Financial Advisers Act 2001), this document is distributed in Singapore by ANZ solely for the information of "accredited investors", "expert investors" or (as the case may be) "institutional investors" (each term as defined in the Securities and Futures Act 2001 of Singapore). ANZ is licensed in Singapore under the Banking Act 1970 of Singapore and is exempted from holding a financial adviser's licence under Section 23(1)(a) of the Financial Advisers Act 2001 of Singapore. In respect of any matters arising from, or in connection with, the distribution of this document in Singapore, please speak to your usual ANZ contact in Singapore.

United Arab Emirates (UAE). This document is distributed in the UAE or the Dubai International Financial Centre (DIFC) (as applicable) by ANZ. This document does not, and is not intended to constitute: (a) an offer of securities anywhere in the UAE; (b) the carrying on or engagement in banking, financial and/or investment consultation business in the UAE under the rules and regulations made by the Central Bank of the UAE, the Emirates Securities and Commodities Authority or the UAE Ministry of Economy; (c) an offer of securities within the meaning of the Dubai International Financial Centre Markets Law (**DIFCML**) No. 12 of 2004; and (d) a financial promotion, as defined under the DIFCML No. 1 of 200. ANZ DIFC Branch is regulated by the Dubai Financial Services Authority (**DFSA**). The financial products or services described in this document are only available to persons who qualify as "Professional Clients" or "Market Counterparty" in accordance with the provisions of the DFSA rules.

United Kingdom. This document is distributed in the United Kingdom by Australia and New Zealand Banking Group Limited (ANZ) solely for the information of persons who would come within the Financial Conduct Authority (FCA) definition of "eligible counterparty" or "professional client". It is not intended for and must not be distributed to any person who would come within the FCA definition of "retail client". Nothing here excludes or restricts any duty or liability to a customer which ANZ may have under the UK Financial Services and Markets Act 2000 or under the regulatory system as defined in the Rules of the Prudential Regulation Authority (PRA) and the FCA. ANZ considers this document to constitute an Acceptable Minor Non-Monetary Benefits (AMNMB) under the relevant inducement rules of the FCA. ANZ is authorised in the United Kingdom by the PRA and is subject to regulation by the FCA and limited regulation by the PRA. Details about the extent of our regulation by the PRA are available from us on request.

United States. Except where this is a FX-related document, this document is distributed in the United States by ANZ Securities, Inc. (ANZ SI) which is a member of the Financial Regulatory Authority (FINRA) (www.finra.org) and registered with the SEC. ANZSI's address is 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 9160 Fax: +1 212 801 9163). ANZSI accepts responsibility for its content. Information on any securities referred to in this document may be obtained from ANZSI upon request. This document or material is intended for institutional use only – not retail. If you are an institutional customer wishing to effect transactions in any securities referred to in this document you must contact ANZSI, not its affiliates. ANZSI is authorised as a broker-dealer only for institutional customers, not for US Persons (as "US person" is defined in Regulation S under the US Securities Act of 1933, as amended) who are individuals. If you have registered to use our website or have otherwise received this document and are a US Person who is an individual: to avoid loss, you should cease to use our website by unsubscribing or should notify the sender and you should not act on the contents of this document in any way. Non-U.S. analysts may not be associated persons of ANZSI and therefore may not be subject to FINRA Rule 2242 restrictions on communications with the subject company, public appearances and trading securities held by the analysts. Where this is a FX-related document, it is distributed in the United States by ANZ's New York Branch, which is also located at 277 Park Avenue, 31st Floor, New York, NY 10172, USA (Tel: +1 212 801 916 0 Fax: +1 212 801 9163).

Vietnam. This document is distributed in Vietnam by ANZ or ANZ Bank (Vietnam) Limited, a subsidiary of ANZ.