

# March 2026 Quarter Labour Market Preview

29 April 2026

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## March 2026 Quarter

	Exp	RBNZ	Prev
<b>Labour Market</b>			
Unemployment rate (% sa)	5.4%	5.3%	5.4%
Participation rate (% sa)	70.5%	70.5%	70.5%
Employment q/q (sa)	0.3%	0.4%	0.5%
Employment y/y	0.6%	0.7%	0.2%
<b>Wages – LCI</b>			
Private sector wages (all salary and wage rates) q/q	0.4%	0.4%	0.5%
Private sector wages (all salary and wage rates) y/y	2.0%	1.9%	2.0%
<b>Wages – QES</b>			
Private sector hourly earnings (ordinary time) q/q	0.7%	N/A	0.7%
Private sector hourly earnings (ordinary time) y/y	4.0%	3.5%	3.5%

## A reflection of past economic conditions

### Summary

- We expect the unemployment rate to hold steady at 5.4% in Q1. This is marginally lower than our prior forecast of 5.5%, reflecting a 0.1ppt upgrade to our employment growth forecast to 0.3% q/q.
- The Q1 labour market data will largely reflect economic conditions that pre-date the oil shock.
- The RBNZ did not provide an updated labour market forecast at the April Monetary Policy Review, but the slow-moving nature of the labour market (and the typical volatility in the HLFs) means their February MPS forecast of 5.3% remains within the realm of possibility.
- Any change to their outlook in the May MPS is likely to have more meaningful monetary policy implications than the Q1 starting point.

### The view

The Q1 Labour Market Statistics will be released 10:45am, Wednesday 6 May. We have pencilled in no change in the unemployment rate of 5.4% in Q1, with modest employment growth of 0.3% q/q matching labour force growth – the latter reflecting a stable participation rate (70.5%) and a small increase in the working-age population.

Employment growth appears to have held onto a little more momentum in the month of March than previously anticipated. We have therefore revised our quarterly employment forecast up by 0.1ppt to 0.3% q/q.

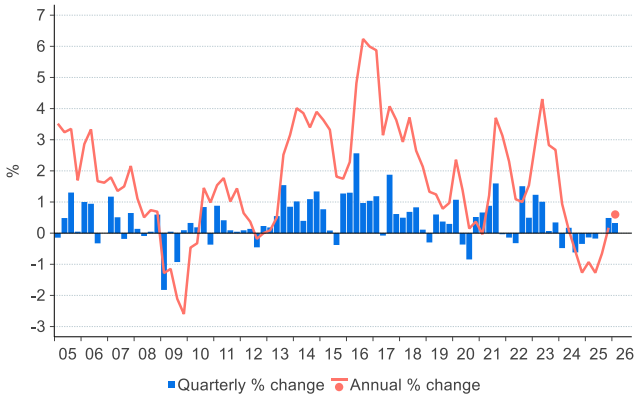
It is not uncommon for the participation rate to respond more quickly to a shock than employment does. If there were to be 0.1ppt decline in the participation rate (instead of our forecast for no change), this, combined with our expectations for the other components, would see the unemployment rate print at 5.2%. If that were to occur, we would be more inclined to attribute it to timing effects rather than underlying strength in the labour market.

Alongside employment, we may get some signal around the risks to our Q1 GDP forecast of 0.8% q/q from hours paid and hours worked. However, it is likely to be too early to see any material impacts of the oil shock in the Q1 labour market data. The labour market is often one of the last parts of the economy to respond to changing economic conditions, and momentum was looking positive over the first two months of the quarter (and possibly into a good portion of the third). And as we've seen in the high-frequency data, there could be some industries, such as manufacturing and transport, running a little hotter than otherwise in the near term as firms do what they can to get ahead of potential transport and supply disruptions.

We expect annual wage growth to remain contained around recent levels. As with the Q1 core CPI inflation measures, signals from wage momentum will provide some insight into inflation persistence risks, but only as a starting point, given they reflect past economic conditions. Nonetheless, with CPI inflation poised to accelerate sharply, the RBNZ would be concerned if the Q1 wage data were to suggest wage costs are becoming a renewed source of CPI inflation pressure.

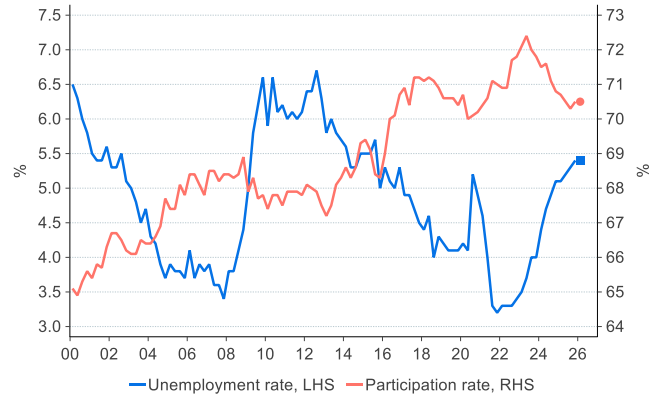
Overall, the Q1 labour market data are expected to show that the economy entered the oil shock with a considerable degree of disinflationary slack in the labour market. While that is by no means good news, it does limit the risk of labour costs re-emerging as a source of CPI inflation pressure in the near term. In turn, this should mean that when the RBNZ does begin hiking the OCR, it only needs to “normalise” monetary settings rather than push interest rates into outright contractionary territory. As a first pass, that would imply an OCR peak of around 3%. That said, there are plenty of scenarios in which the peak could be higher (or lower) than this.

**Figure 1. HLFS employment growth**



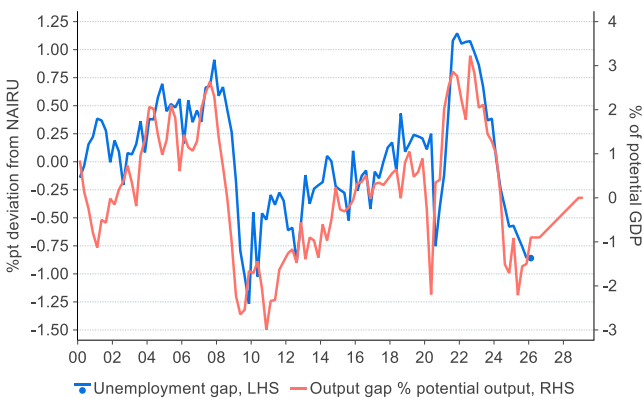
Source: Stats NZ, Macrobond, ANZ Research

**Figure 2. Unemployment and participation rate**



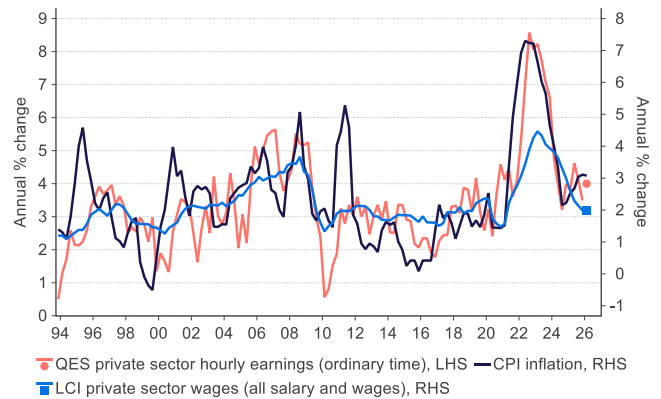
Source: Stats NZ, Macrobond, ANZ Research

**Figure 3. Unemployment gap vs RBNZ output gap**



Source: Stats NZ, NZIER, BusinessNZ, Macrobond, ANZ Research

**Figure 4. Wage growth**



Source: Stats NZ, Macrobond, ANZ Research

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Last updated: 18 June 2025

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