June 2026 Quarter Labour Market Preview

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June 2026 Quarter

	Exp	RBNZ	Prev
Labour Market			
Unemployment rate (%, sa)	5.5%	5.4%	5.3%
Participation rate (%, sa)	70.3%	70.3%	70.4%
Employment q/q (sa)	0.0%	0.1%	0.1%
Employment y/y	0.6%	0.7%	0.4%
Wages – LCI			
Private sector wages (all salary and wage rates) q/q	0.6%	0.6%	0.4%
Private sector wages (all salary and wage rates) y/y	1.9%	1.9%	2.0%
Wages – QES			
Private sector hourly earnings (ordinary time) q/q	1.1%	N/A	0.2%
Private sector hourly earnings (ordinary time) y/y	2.8%	2.8%	3.5%

Pressing pause

Summary

- We expect the unemployment rate to lift 0.2 ppt to 5.5% in Q2, after some firms hit the pause button in the wake of heightened global uncertainty and oil price shock.
- Employment is expected to be unchanged (0.0% q/q). We expect a 0.1ppt dip in the participation rate (to 70.3%) and modest growth in the working-age population.
- For the RBNZ, these data are expected to confirm that the labour market is unlikely to become a renewed source of accelerating CPI inflation pressure any time soon. But that doesn't mean the Monetary Policy Committee can relax about other potential drivers of inflation.

The view

The Q2 Labour Market Statistics will be released 10:45am, Wednesday 5 August. We have pencilled in a small rise in the unemployment rate to 5.5% as flat employment meets modest growth in the labour force – the latter reflecting a modest increase in the working-age population (+0.3% q/q) that is partially offset by a slightly lower participation rate (down 0.1 ppt to 70.3%).

Compared to our previous forecast, we have upgraded employment growth from -0.1% q/q to 0.0% q/q following the June filled jobs release, which after only a very mild tweak to our working-age population forecast has not moved the dial on our expectation for the unemployment rate.

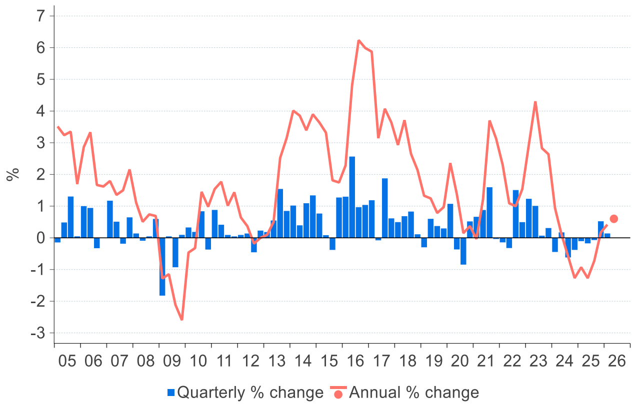
Hours worked, which have been recovering from low levels over the past few quarters, could provide another clue to the state of underlying demand. Firms typically reduce available hours during a downturn before resorting to layoffs, particularly when they expect any weakness to be temporary.

Turning to wages, we expect ongoing slack in the labour market to keep wage pressures contained, with annual wage growth measured by the LCI slowing 0.1ppt to 1.9%. The relatively volatile QES measure of private sector wages is expected to slow 0.7 ppts to 2.8% y/y, as the surprisingly strong Q2 2025 1.9% q/q read drops out of the annual calculation.

Overall, the Q2 data are expected to paint a relatively soft picture of the labour market, with firms having pressed the pause button in response to the oil price shock and heightened global uncertainty.

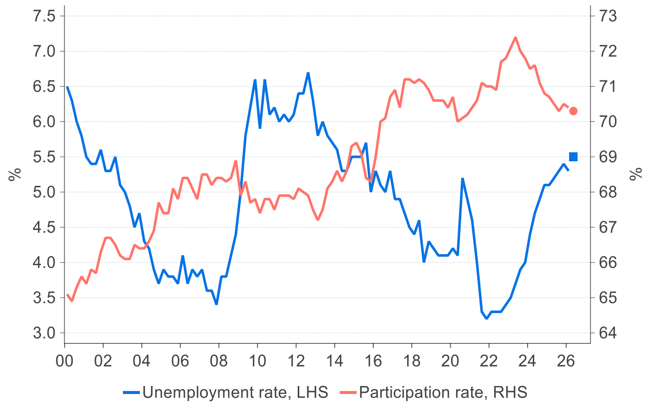
For the RBNZ, this suggests that the labour market is unlikely to become a renewed source of accelerating CPI inflation pressures any time soon. Indeed, with firms grappling with compressed margins and cautious consumers in the wake of the fuel price shock, it would be somewhat surprising to see labour costs rise alongside non-labour costs (such as fuel costs). While contained wage growth is not good news for households facing acute cost-of-living pressures, it does mean that wage-price spiral risks are mitigated, reducing the likelihood that the RBNZ will need to lift the OCR into outright restrictive territory (that is, well beyond 3%). This disinflationary slack in the labour market also helps explain why market expectations for rate hikes in New Zealand are relatively contained compared with some economies, including Australia.

Figure 1. HLFS employment growth



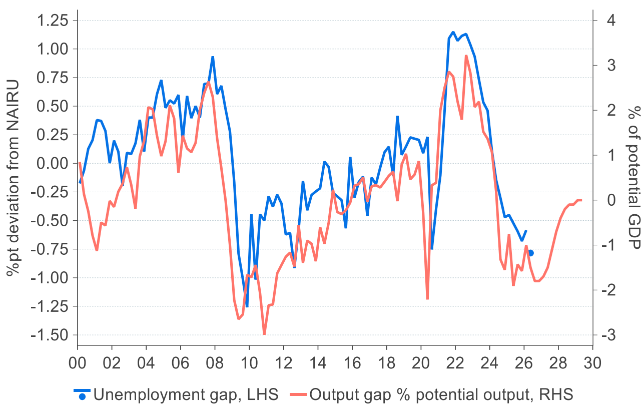
Source: Stats NZ, Macrobond, ANZ Research

Figure 2. Unemployment and participation rate



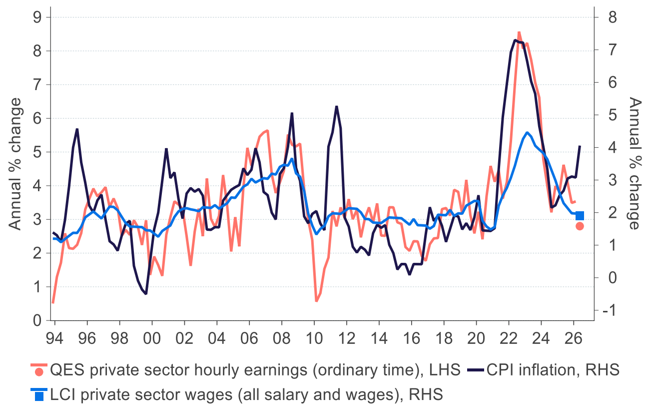
Source: Stats NZ, Macrobond, ANZ Research

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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