Sep 2026 Quarter Labour Market Preview

28 October 2026

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September 2026 Quarter

	Exp	RBNZ	Prev
Labour Market			
Unemployment rate (%, sa)	5.6%	5.5%	5.6%
Participation rate (%, sa)	70.7%	70.6%	70.7%
Employment q/q (sa)	0.3%	0.3%	0.5%
Employment y/y	1.5%	1.4%	1.2%
Wages – LCI			
Private sector wages (all salary and wage rates) q/q	0.5%	0.4%	0.7%
Private sector wages (all salary and wage rates) y/y	2.1%	2.1%	2.0%
Wages – QES			
Private sector hourly earnings (ordinary time) q/q	1.3%	N/A	1.4%
Private sector hourly earnings (ordinary time) y/y	3.6%	3.0%	3.3%

Signs of stabilisation

Summary

- We expect the unemployment rate to be unchanged at 5.6% in Q3, and the participation rate to be unchanged at 70.7%.
- Employment is expected to grow by 0.3% q/q, matching growth in the working-age population.
- Average hourly earnings growth over the past year is likely to at best broadly match CPI inflation.
- Given existing inflation pressures from several directions, such as fuel prices, a falling NZD, and rising administered prices, the RBNZ is relying on continued labour market slack to prevent a wage-price spiral pattern from emerging.

The view

The Q3 Labour Market Statistics will be released at 10:45am, Wednesday 4 November. We have pencilled in an unchanged unemployment rate of 5.6%, underpinned by continued modest employment growth matched by growth in the labour force (which is typical when the labour market is near a turning point).

We expect that the labour force participation rate will be unchanged at 70.7%, holding on to the 0.3ppt gain last quarter. Broader measures of labour market slack will also be closely watched, such as the underutilisation rate, which spiked to a 12-year high of 13.8% last quarter.

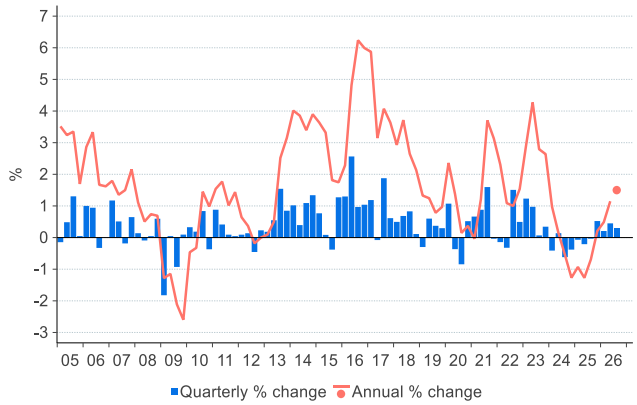
Hours worked and paid declined last quarter as the initial impacts of the fuel price shock weighed on activity. A rebound would be consistent with our expectation for improved quarterly GDP growth in Q3.

Wage inflation appears to have troughed as an increasing number of firms are making cost-of-living adjustments despite ongoing slack in the labour market. We expect annual growth in the Labour Cost Index (LCI) to tick 0.1ppt higher to 2.1% y/y. The LCI doesn't represent what workers actually receive, so it shouldn't be compared to the inflation rate (it is adjusted for productivity growth, such as merit promotions and changes in the mix of jobs in the economy). QES average hourly earnings provides a measure of what workers actually receive, and while it is volatile on a quarter-to-quarter basis, it is likely to at best match the annual pace of CPI inflation of 3.7% y/y. We expect private sector average hourly earnings to rise 3.6% y/y, and total economy average hourly earnings growth (private and public sector) to be slightly lower than this.

Overall, the labour market data is expected to show considerable spare capacity, with enough strength in employment growth to prevent a further rise in the unemployment rate.

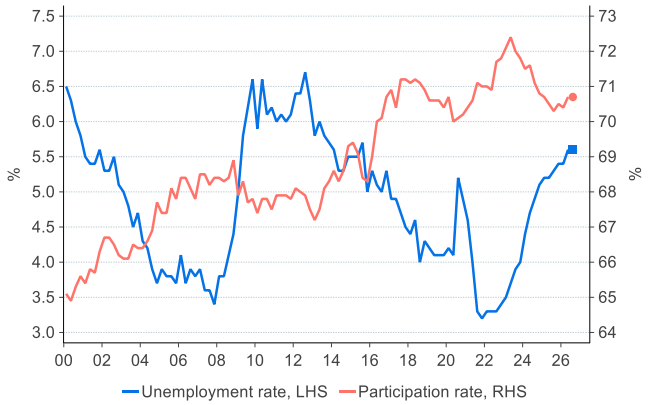
For the RBNZ, anything more than a slight tick up in wage inflation will cause consternation. While contained wage growth is not good news for households facing acute cost-of-living pressures, it does mean that wage-price spiral risks are mitigated. Given inflation pressures from several other directions – such as fuel prices, a falling NZD, and rising administered prices – the RBNZ is relying on ongoing labour market slack to prevent a

Figure 1. HLFS employment growth



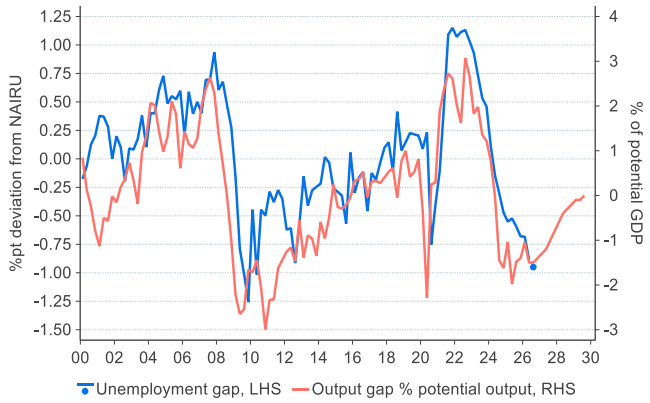
Source: Stats NZ, Macrobond, ANZ Research

Figure 2. Unemployment and participation rate



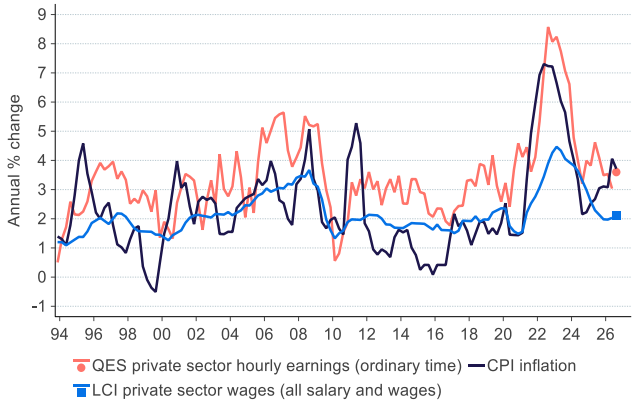
Source: Stats NZ, Macrobond, ANZ Research

Figure 3. Unemployment gap vs RBNZ output gap



Source: Stats NZ, RBNZ, Macrobond, ANZ Research

Figure 4. Wage growth



Source: Stats NZ, Macrobond, ANZ Research

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