

Labour Market Statistics – Q1 2026

6 May 2026

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Data summary – Q1 2026

		Latest	RBNZ
Labour market			
HLFS unemployment rate (sa)		5.3%	5.3%
HLFS participation rate (sa)		70.4%	70.5%
HLFS employment (sa)	q/q	0.2%	0.4%
HLFS employment	y/y	0.4%	0.7%
Wages – LCI			
Private sector wages (all salary and wage rates)	q/q	0.4%	0.4%
Private sector wages (all salary and wage rates)	y/y	2.0%	1.9%
Wages – QES			
Private sector hourly earnings (ordinary time)	q/q	0.2%	N/A
Private sector hourly earnings (ordinary time)	y/y	3.5%	3.5%

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Looking into the rear-view mirror

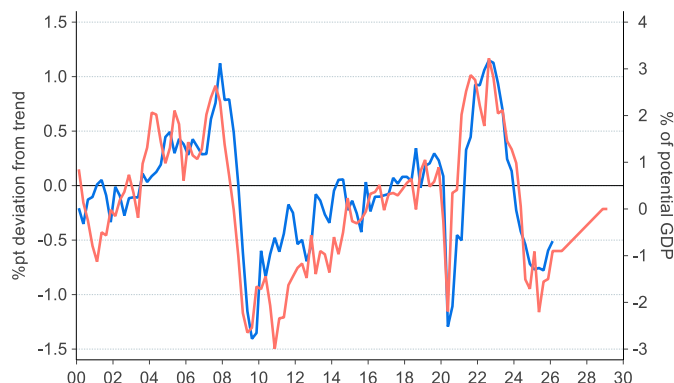
Summary: The labour market was recovering before the oil shock

- The unemployment rate fell 0.1 ppt to 5.3% in Q1, as growth in employment outpaced labour supply. This was a touch lower than our forecast of 5.4% but bang on the RBNZ's February MPS forecast.
- However, the details do not suggest stronger momentum in labour demand than the RBNZ expected. Employment growth of 0.2% q/q was weaker than the RBNZ's February forecast, while the participation rate came in slightly lower.
- Wage growth was stable, contained at a level consistent with CPI inflation around 2%, and broadly in line with the RBNZ's February forecast.
- Employment, hours worked, and paid hours all expanded in the quarter and landed in the ballpark of our Q1 GDP forecast of +0.8% q/q.
- Today's data are very much a look in the rear-view mirror given the oil shock has now shifted the outlook. While the headline unemployment rate suggests the labour market was marginally tighter than we expected, it was in line with the RBNZ's February MPS forecast. We don't see any implications in today's data for our OCR call that monetary policy normalisation will kick off in July.

Big picture and monetary policy implications

Today's data were never expected to provide any insight into the impact of the oil shock on momentum in the labour market, but they do at least provide a starting point facing into it. And on that front, allowing for typical volatility in the HLFS, the signal from today's data is broadly consistent with our and the RBNZ's assessment of the labour market before conflict in the Middle East erupted: it was weak, but a recovery was underway – the latter eroding disinflationary spare capacity in the labour market.

Figure 1. ANZ labour market capacity suite mean vs RBNZ output gap



— ANZ labour market capacity suite mean, LHS — RBNZ output gap estimate, RHS
 Source: Stats NZ, RBNZ, NZIER, Macrobond, ANZ Research

However, the outlook has shifted meaningfully over the past couple of months. Both households and businesses appear to be behaving more cautiously, reflecting heightened economic uncertainty and the squeeze that higher costs are placing on balance sheets. Employment intentions in our Business Outlook turned negative in April, job advertisements have begun to soften, and there is no clear end in sight to the conflict in the Middle East. Taken together, these developments suggest there is scope for the unemployment rate to drift higher from here. We will update our labour market outlook in Friday's Data Wrap, banking today's small starting point surprise.

The details

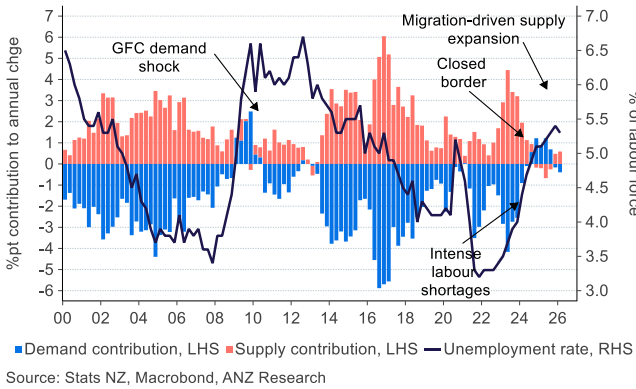
- The unemployment rate ticked down 0.1 ppt to 5.3% (s.a.), as employment growth (+0.2% q/q) slightly outpaced growth in the labour force (+0.1% q/q). Underpinning the latter, the participation rate fell 0.1 ppt to 70.4% and the working-age population grew 0.3% q/q.
- QES filled jobs rose 0.6% q/q (s.a.), to be up 1.1% y/y. That's broadly in line with the signal in the monthly jobs data.
- Providing a broader read on untapped capacity in the labour market, the underutilisation rate was stable at a downwardly revised 12.9% (previous Q4: 13.0%). This measure includes those working part time but wanting more hours (i.e. underemployed), available potential jobseekers (who 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 underemployment rate fell 0.1 ppts to 5.0% from a downwardly revised 5.1% (previous Q4: 5.2%). Overall, these broader measures are consistent with the signal from the headline unemployment rate that spare capacity in the labour market was in the early stages of being absorbed before the oil shock came along.
- Turning to wages:
 - The private sector Labour Cost Index (including overtime, and adjusted for productivity) rose 0.4% q/q, with annual growth stable at 2.0% y/y.
 - The unadjusted private sector Labour Cost Index, which accounts for changes in workforce composition, ticked down 0.1 ppt to 3.2% y/y.
 - In other details, the overall proportion of workers receiving wage increases in the past year was stable at 55% (all sectors). The proportion of wage increases that were in excess of 5% was also stable at 9%, well down from the peak of 40% seen in mid-2023.
 - Private sector average hourly earnings (ordinary time) rose 0.2% q/q. That saw the annual rate unchanged at 3.5%.
 - Public sector average hourly earnings (ordinary time) rose 0.6% q/q. That saw annual growth slow from 2.9% to 1.5%. 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 rose 0.6% q/q (0.8% y/y), following a 0.5% fall in Q4. Hours worked rose 0.8% q/q (+2.2% y/y), its third consecutive quarter of recovery and consistent with our GDP forecast (0.8% q/q).

Conclusion

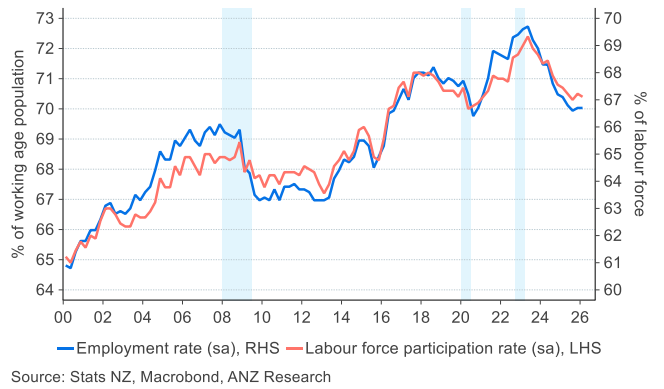
Today's data suggest the labour market was in recovery mode facing into the oil shock. While it was broadly in line with the RBNZ's February forecast, it's important to note that given how much the outlook has changed in recent months, these data reveal very little about the likely path for the labour market from here. Changes to the RBNZ's outlook come the May MPS are likely to have bigger implications for their policy assessment than the small surprises in the factors contributing to the unemployment rate in Q1. We remain comfortable with our OCR call that monetary policy normalisation will kick off in July.

The labour market in charts

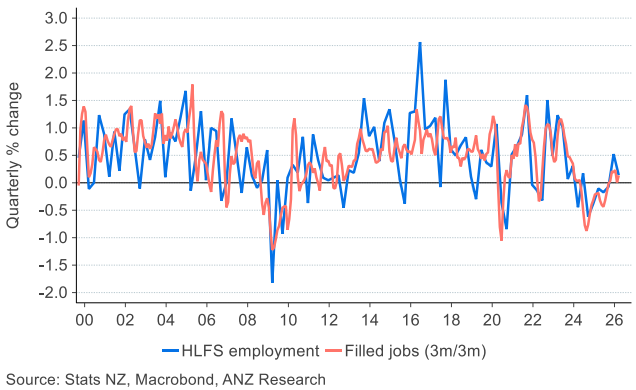
The unemployment decreased slightly...



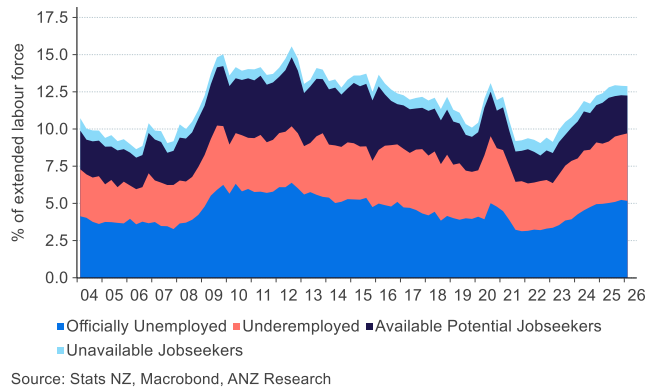
...as the participation rate ticked lower



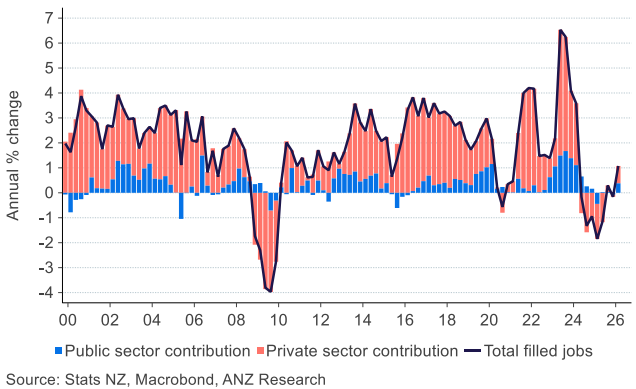
HLFS employment growth remained positive



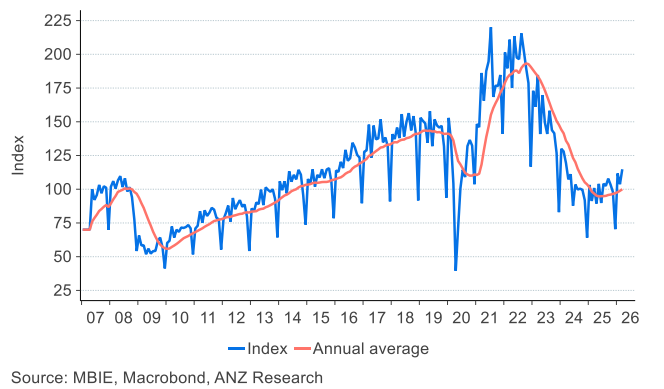
The underutilisation rate was stable at an elevated level



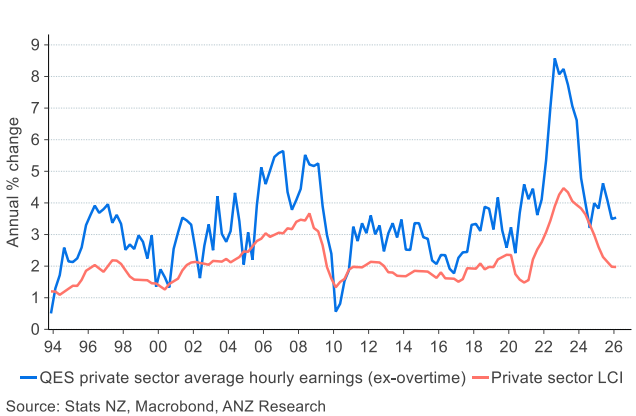
QES employment is on an uptrend



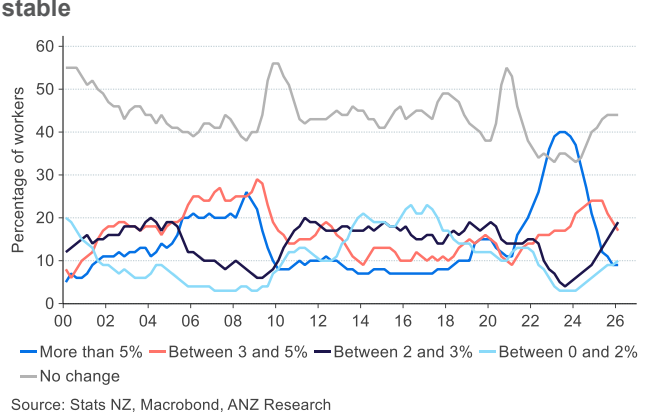
Job ads were recovering before the oil shock



Wage inflation was stable



The share of workers receiving large pay rises was stable



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