ANZ Research

Labour Market Statistics – Q2 2026

5 August 2026

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Contact
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Data summary – Q2 2026

		Latest	RBNZ
Labour market			
HLFS unemployment rate (sa)		5.6%	5.4%
HLFS participation rate (sa)		70.7%	70.3%
HLFS employment (sa)	q/q	0.5%	0.1%
HLFS employment	y/y	1.2%	0.7%
Wages – LCI			
Private sector wages (all salary and wage rates)	q/q	0.7%	0.6%
Private sector wages (all salary and wage rates)	y/y	2.0%	1.9%
Wages – QES			
Private sector hourly earnings (ordinary time)	q/q	1.4%	N/A
Private sector hourly earnings (ordinary time)	y/y	3.0%	2.8%

Confused by acronyms or jargon? See a glossary here.

Recovery yet to show in the labour market

- The unemployment rate rose 0.2 ppt to 5.6% in Q2, a little higher than our forecast (5.5%) and the RBNZ's forecast (5.4%).
- The details also show spare capacity persisting in the labour market, as anticipated. Labour supply was stronger than expected because of a stronger participation rate, while indicators of labour demand were mixed: employment grew more than expected, but hours worked and hours paid both fell, consistent with our Q2 GDP forecast of -0.2% q/q.
- Wage growth was little changed, and near to our and the RBNZ's forecasts given typical quarterly volatility. Wage growth is at a level consistent with CPI inflation around 2%.
- We don't see any implications in today's data for our forecast for 25bp OCR hikes at each of the next two RBNZ meetings. Timelier data in recent months suggests this soft patch was temporary, and we expect labour demand to return to an improving path over the second half of the year.

Big picture and monetary policy implications

As expected, today's data showed a soft labour market with considerable spare capacity and a pause in the tentative improvement that had been building before oil prices surged in February. The unemployment rate lifted to 5.6% in Q2, from an upwardly revised 5.4% the previous quarter (initially reported as 5.3%). This was reinforced by a sizable increase in the underemployment rate from 12.9% to 13.8%, which provides a broader signal on spare capacity.

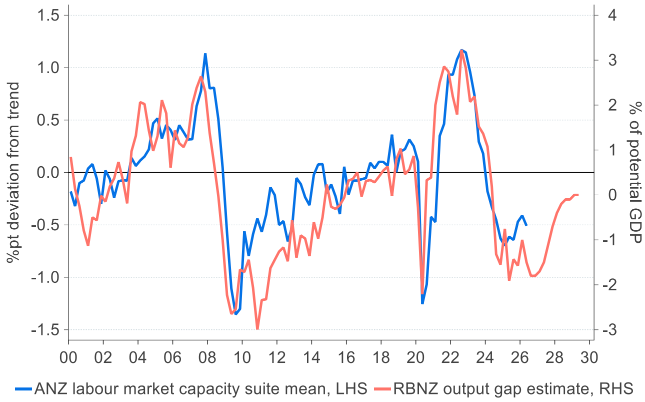
The increase in the unemployment rate came despite stronger employment than expected, and was due to stronger-than-expected labour supply on several fronts. The participation rate increased 0.3ppt to 70.7% (versus our expectation of a 0.1ppt decrease), showing that a higher share of the workforce is actively looking for work. The working age population also grew marginally faster than expected (0.4% q/q vs our expectation of 0.3% q/q). In addition, the figures showed an increase in the number of people underemployed (working part time but wanting more hours) and available potential jobseekers (who want work but aren't actively looking).

The increase in employment in the Household Labour Force Survey was stronger than expected, at 0.5% q/q (vs ANZ's forecast of flat and the RBNZs forecast of 0.1% q/q). That absorbed some, but not all, of the growth in labour supply. However, other details of today's data cast doubt on the idea that labour demand is stronger than previously expected. The QES measure of jobs filled fell 0.4% q/q, and hours worked and hours paid both fell in the quarter. The collective signal in the data is that labour demand was subdued in Q2 on the whole, which suggests that the tentative improvement in labour demand seen in the previous few quarters faded in the quarter. That's not a surprise given the increase in uncertainty after fuel prices surged. Timelier data in recent months suggests this soft patch was temporary, and we expect labour demand to return to an improving path over the second half of the year.

Wage growth remains subdued and close to our and the RBNZ's expectations. 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 upward pressure on the OCR.

The signal from today's data is consistent with our and the RBNZ's assessment that the labour market isn't a source of CPI inflation pressures, even as other parts of the CPI basket such as fuel prices are more problematic. Our labour market capacity indicator suite suggests that the output gap is little changed from Q1 and at a disinflationary level (Figure 1). Today's data will be reassuring for the RBNZ after some QSBO indicators suggested that there was less spare capacity than they had been assuming.

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



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

Weighing up near-term inflation risks and signs of improved growth momentum against the spare capacity persisting in the economy, we remain comfortable with our OCR call for 25bp hikes at each of the next two RBNZ meetings.

The details

- The unemployment rate increased 0.2ppt to 5.6% (s.a.), with the previous quarter's unemployment rate revised up from 5.3% to 5.4%. HLFS employment growth and labour force growth were both stronger than expected. HLFS employment rose 0.5% (vs our expectation of flat) but that failed to keep pace with a 0.7% q/q increase in the labour force. Underpinning the latter, the participation rate rose 0.3ppt to 70.7% (against our expectation of a 0.1ppt fall) and the working-age population grew 0.4% q/q (against our expectation of a 0.3% q/q increase).
- Providing a broader read on untapped capacity in the labour market, the underutilisation rate increased sharply from 12.9% to 13.8%. 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 – aka 'discouraged workers'), and unavailable jobseekers (can't start work now, but will be able to within a month). The quarterly increase was driven by an increase in underemployment and available potential jobseekers. Overall, these broader measures are consistent with the signal from the headline unemployment rate that spare capacity in the labour market increased in Q2.
- The increase in HLFS employment was not corroborated by the QES filled jobs measure, which fell 0.4% q/q (s.a.), to be up just 0.4% y/y. That was weaker than the signal from the monthly jobs data.
- Paid hours fell 0.3% q/q (to be up 0.6% y/y), and hours worked fell 0.1% q/q (to be up 2.8% y/y). This is consistent with our forecast for a small 0.2% q/q contraction in Q2 GDP.

Turning to wages:

- The private sector Labour Cost Index (including overtime, and adjusted for productivity) rose 0.7% q/q, with annual growth unchanged at 2.0% y/y.
- The unadjusted private sector Labour Cost Index, which accounts for changes in workforce composition, was also unchanged at 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.

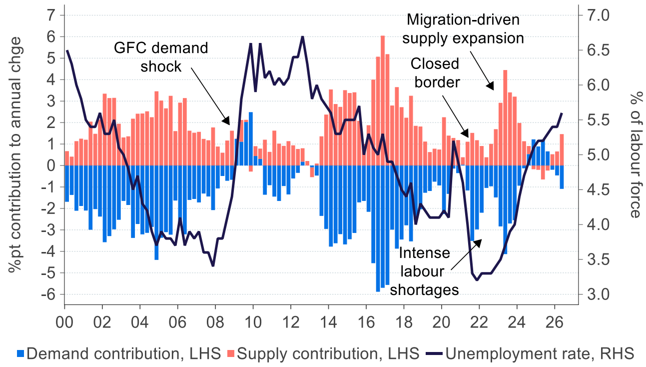
- Private sector average hourly earnings (ordinary time) rose 1.4% q/q. However, annual growth eased to 3.0% y/y as a surprisingly large 1.9% q/q increase in Q2 last year dropped out of the annual calculation. This measure is volatile and in the ballpark of our and the RBNZ's expectations.

Market reaction

Markets read the data as mildly dovish, focusing on the rise in the unemployment rate and measures of spare capacity rather than the stronger than expected quarterly employment print. However, the reaction was reasonably contained, with the 2yr swap rate down around 2bp half an hour after the data was released, and the Kiwi down around 20bp.

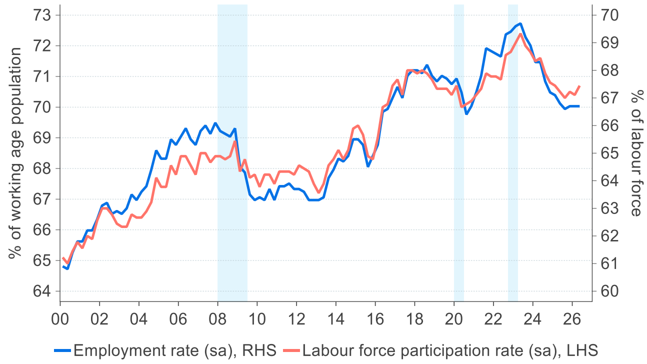
The labour market in charts

The unemployment rate increased…



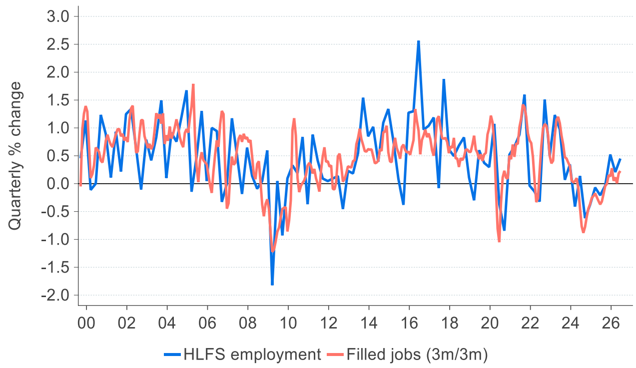
Source: Stats NZ, Macrobond, ANZ Research

…as the participation rate rose



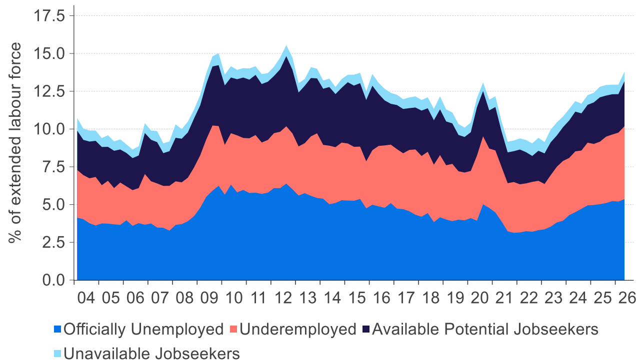
Source: Stats NZ, Macrobond, ANZ Research

HLFS employment growth was positive



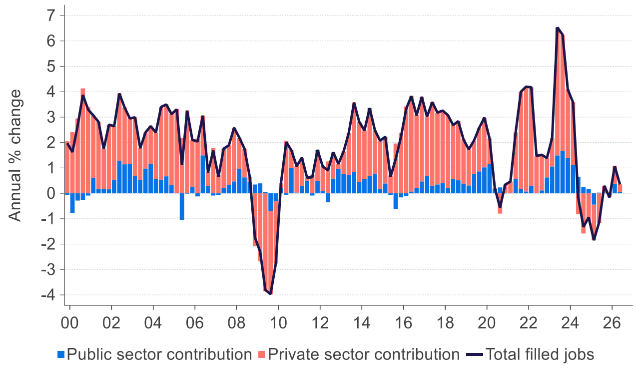
Source: Stats NZ, Macrobond, ANZ Research

But there was a sizable increase in underutilsation



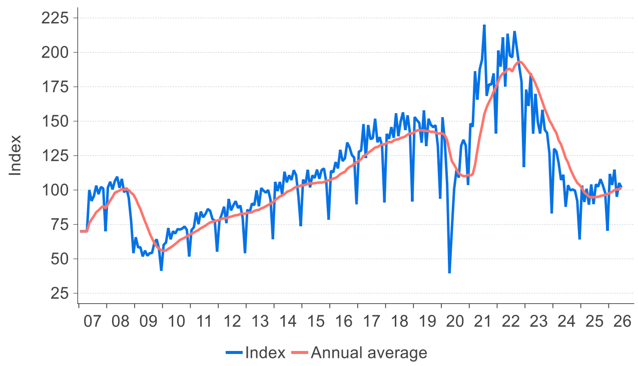
Source: Stats NZ, Macrobond, ANZ Research

Employment growth was weaker in the QES measure



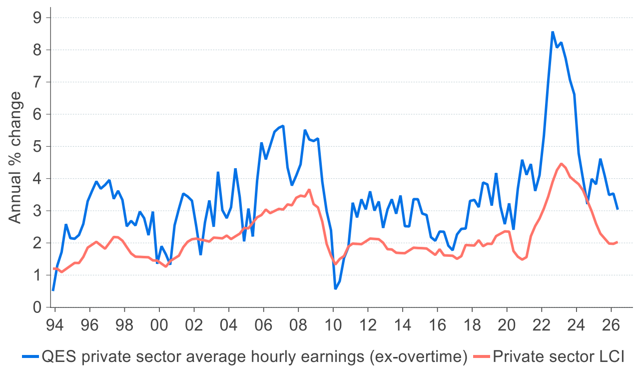
Source: Stats NZ, Macrobond, ANZ Research

Job ads remain just off their lows



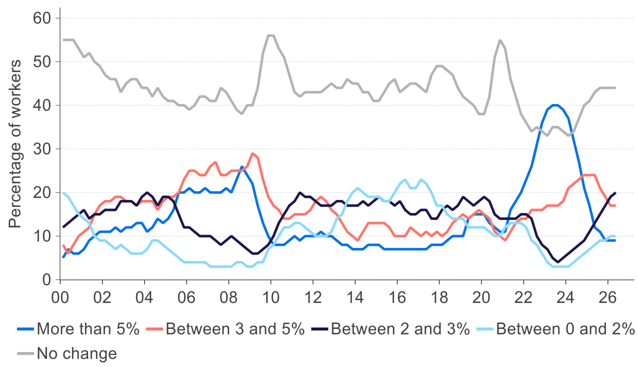
Source: MBIE, Macrobond, ANZ Research

Wage inflation was contained



Source: Stats NZ, Macrobond, ANZ Research

The share of workers receiving large pay rises was stable



Source: Stats NZ, Macrobond, ANZ Research

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