Eco-Pulse

7 May 2026

Hard labour – a look under the hood of the jobs market

- **Unemployment rate falls to 5.3% in the first quarter**
- **But a rummage through the broader numbers highlights a still soggy jobs market**
- **Turnover is slow, more work is wanted, and the average duration of unemployment has lengthened**
- **The weakness skews young, and north**
- **Our forecasts have employment growth continuing, but not by enough to prevent updrift in the unemployment rate**

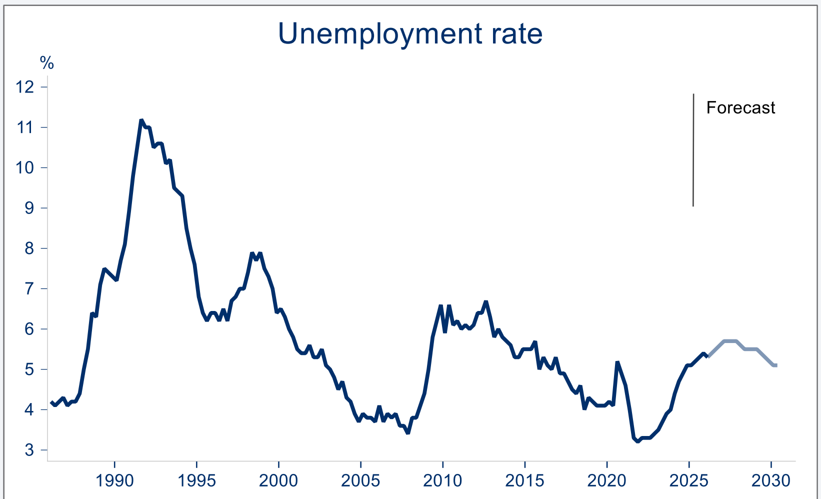
Chart 1: Unemployment falls, but…

Stats reported a small fall in the unemployment rate yesterday, to 5.3% in the March quarter.

That we didn't get the expected increase was welcome. But we're obliged to flag a few caveats:

- these numbers predate the fuel price shock
- the details were far from strong (read on!)
- we expect some further uplift in the unemployment rate this year

Rather than fixate entirely on the latest numbers, what follows is a rummage through the data highlighting (we think) some noteworthy trends in the labour market.



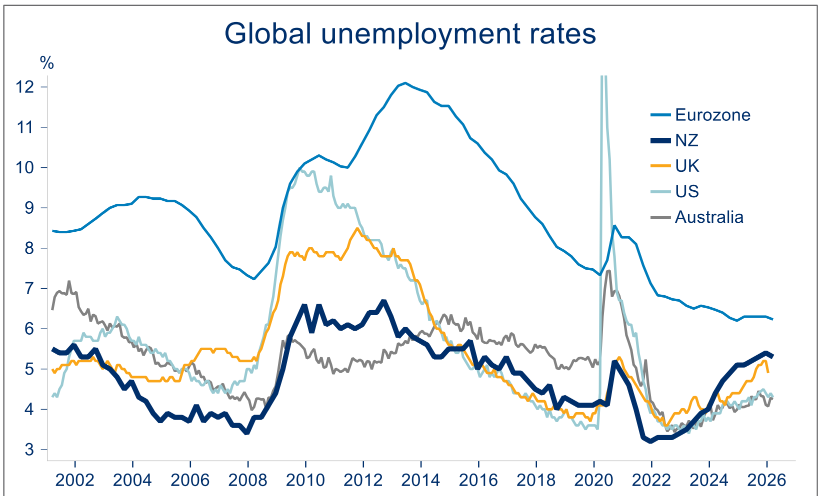
Source: BNZ, Statistics New Zealand, Macrobond, Account in-house

Chart 2: Global context

Zooming out a little shows the adjustment in NZ's labour market has been more abrupt than many of our global peers.

From a lower starting point, the NZ unemployment rate has reached higher levels than the US, UK, and Australia over the past four years. The normally large gap to Europe has narrowed.

Relatively sturdier offshore labour markets have been a key factor behind heightened migration departures out of NZ in the past few years. There are some signs this might be changing though (see chart 10 for example).



Source: Macrobond

Chart 3: Still hiring, but not enough

An expected drift up in unemployment this year need not entail a return to the aggregate job losses we saw over 2024 and early 2025.

Indeed, our forecasts have employment growth continuing. It's just that we don't think this growth will be firm enough to offset growth in the supply of labour. Especially now that migration is lifting population growth again.

To see the unemployment rate fall, the pace of hiring needs to be sufficient to soak up some of the capacity that exists. The delayed economic recovery means this now looks like a 2027 story. The moving parts are many and subject to change!

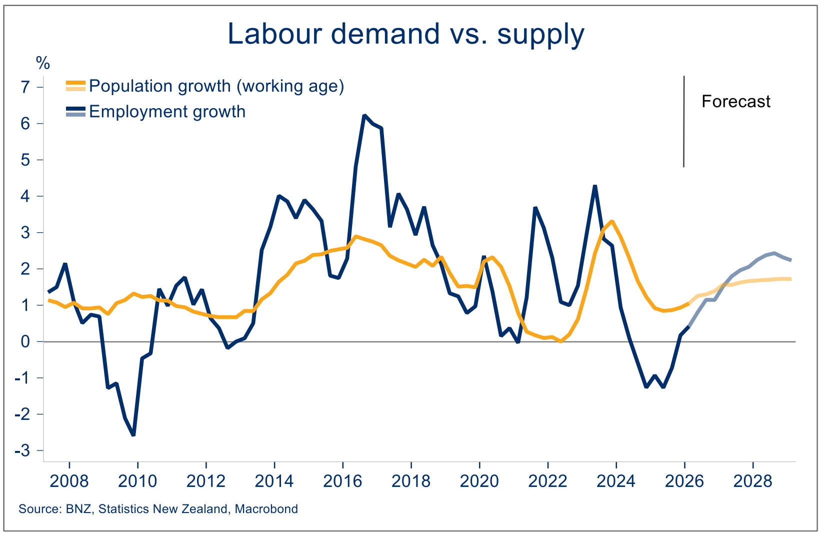


Chart 4: Turnover slow and low

The generally soggy hiring environment shows up in data tracking the flow of people in and out of the various labour market categories.

The proportion of those previously employed becoming unemployed remains very low. But the proportions moving *into* employment from being either unemployed or outside the labour force have been falling.

In short, it's a low turnover environment – low job cuts, low job gains.

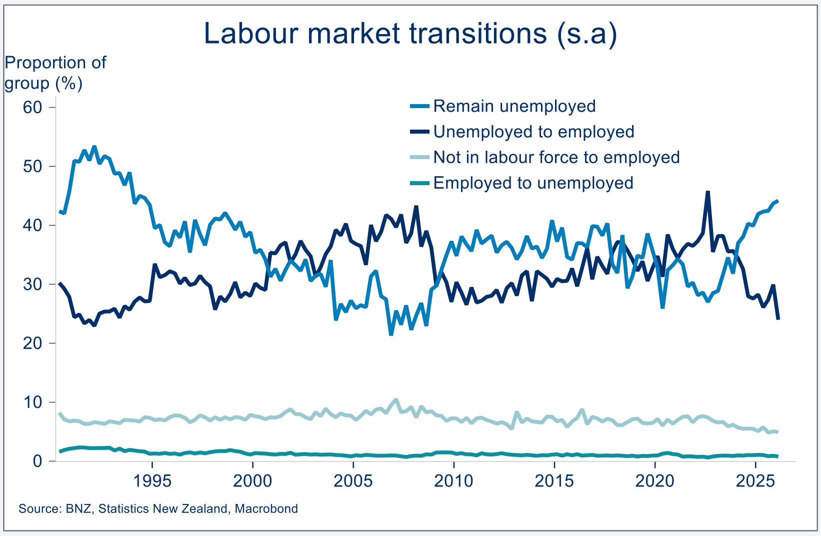


Chart 5: More hours, but more work wanted

Parsing a wider suite of labour market metrics highlights some of the other symptoms of a sluggish jobs market.

Average hours worked have lifted over the past few quarters, a sign activity was getting on the front foot before the Iran conflict.

But a rising share of people would still like more work – a rising *under*employment rate – and the part time share of employment has continued to nudge higher.

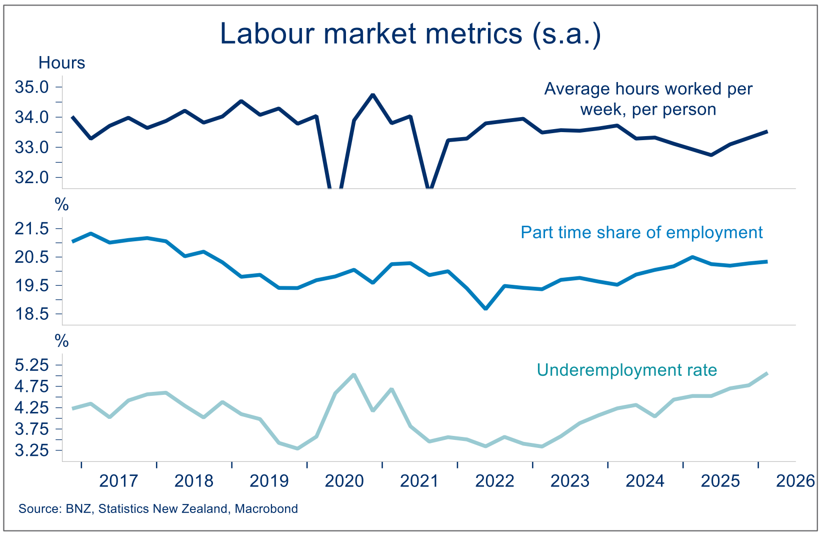


Chart 6: Longer periods out of work

The average duration of unemployment has lengthened over the past couple of years as labour market weakness has dragged on.

Numbers unemployed for six months or longer are now the largest share of total unemployment at 47% of the total.

It's a broadly similar breakdown to the period of unemployment we saw back in the mid-90s.

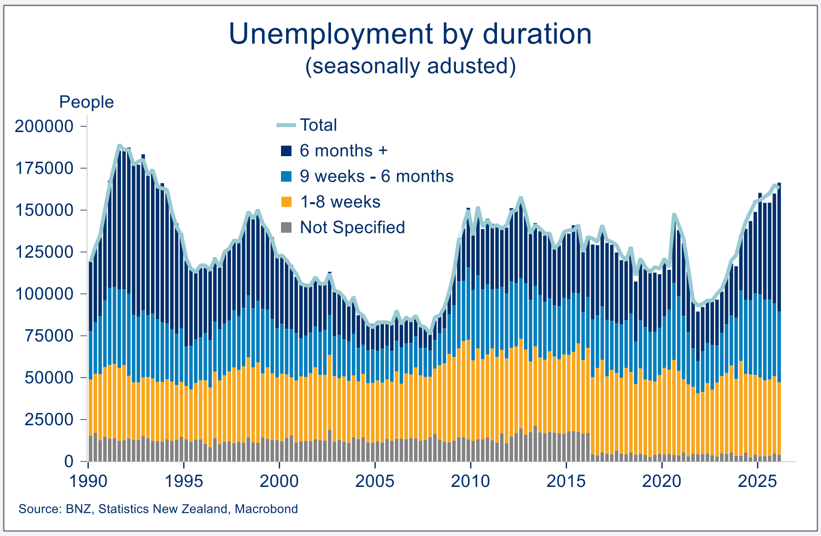


Chart 7: Breaking it down by age, region

The regional and age breakdown of the lift in unemployment skews young, and north.

The youth unemployment rate tends to be higher and more cyclical than other age cohorts. It hit a 13-year high in Q1. The highest unemployment rate amongst the other cohorts last quarter was the 4.4% (s.a.) recorded amongst 25–39-year-olds.

The North Island, and Auckland and Wellington in particular, continues to experience higher than average unemployment. Canterbury (4.2%) and Otago (3.2%) occupy the lower end of the regional range, although both experienced an uptick in Q1.

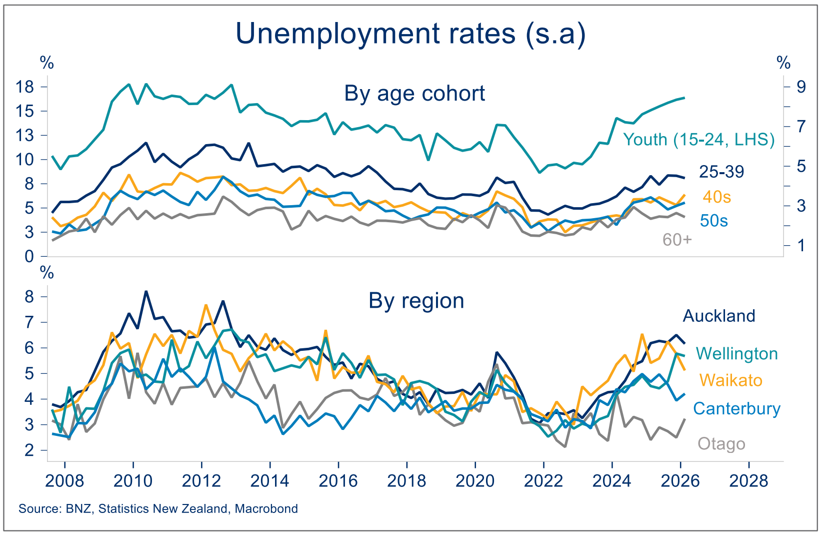


Chart 8: Sectoral differences

A look at jobs growth down sectoral lines shows a roughly even split of sectors adding or reducing jobs over the past 12 months to March.

The public admin, mining, transport/logistics, ag/forestry, and arts & rec sectors all recorded filled jobs growth of 2% or more in the past year.

The media/telecoms and rental/real estate categories experienced the largest percentage declines. But in raw number terms, the construction and manufacturing sectors have experienced the largest filled job declines of the past year, at 2,900 and 3,500 respectively.

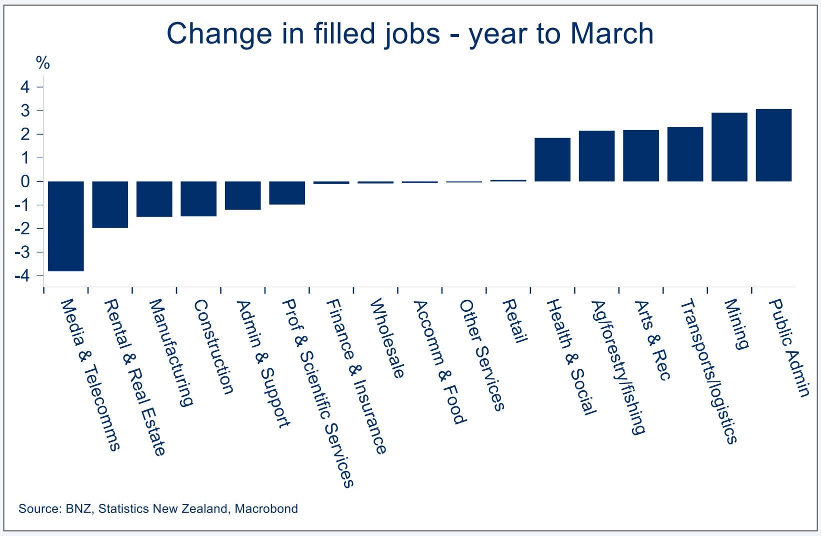


Chart 9: Cooling wage growth

The various wage growth measures for Q1 were either flat or slowed further. That's unhelpful for purchasing power given our inflation forecasts have it hovering near 4% for most of the next year.

Stats' headline Labour Cost Index – a wage inflation proxy – recorded annual growth of 2.0% in the 12 months to March.

A look at the distribution of that figure showed the vast majority of workers (73%) receiving a sub-3% increase, and 44% receiving no change.

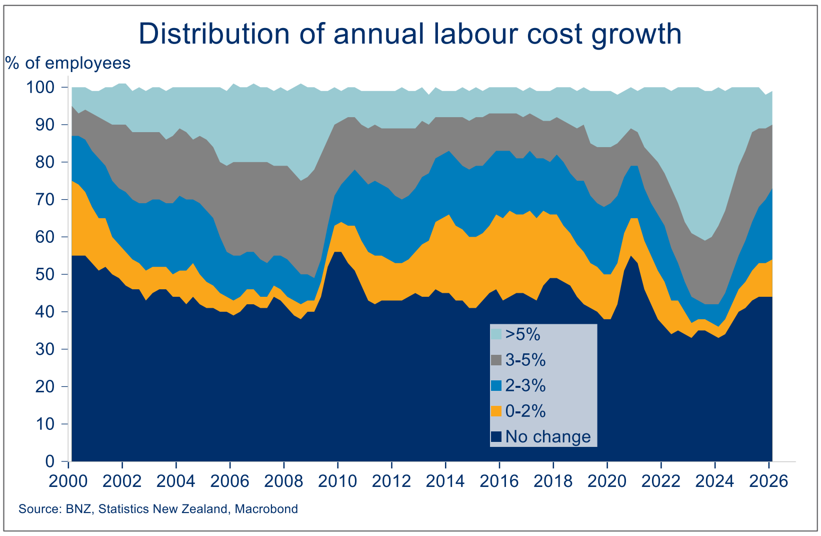
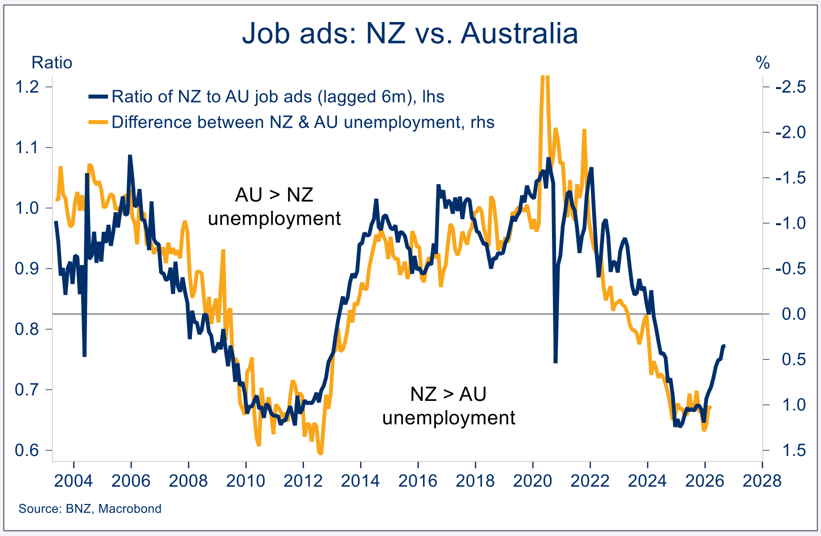


Chart 10: Oz's relative appeal dimming?

Prior to March, the number of advertised job vacancies had increased for eight straight months – a positive sign for future jobs growth. However, the gains petered out in March via a 0.7% fall (s.a).

It's still the case though that the trend in job ads across the ditch remains a little flatter.

The ratio of NZ to AU job ads has thus continued to nudge higher. It suggests that the antipodean labour market relativities that have heavily favoured Australia in recent years may soon tilt back towards NZ.



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