

Research Economy Watch

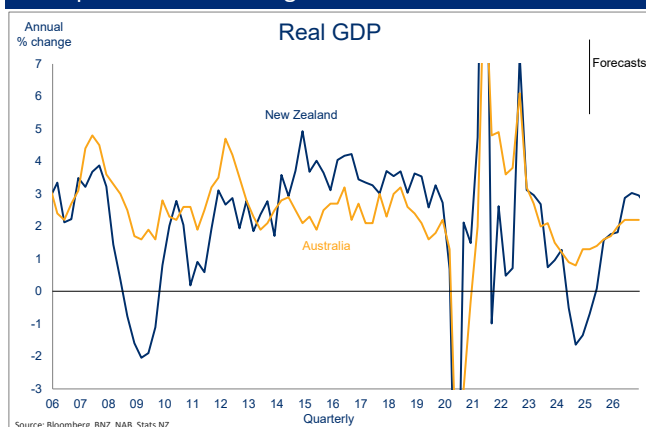
13 August 2025

Relative growth drives Aussie migration

- **NZ labour market softer than Australia**
- **Sharper rise in unemployment**
- **Fewer job vacancies**
- **Wage growth more subdued**
- **Recent Trans-Tasman migration not unique**

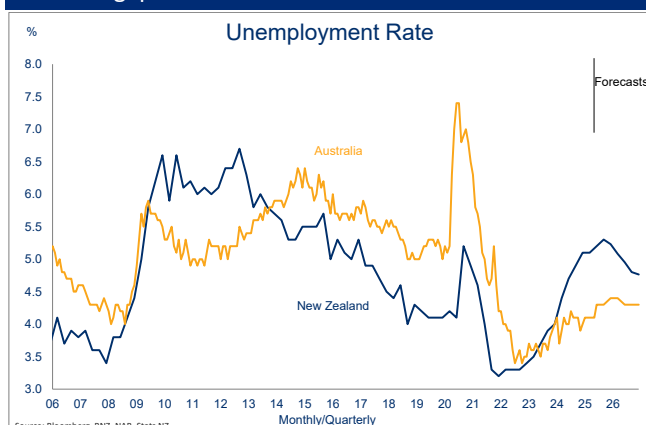
Following a period of underperformance, we expect economic growth in New Zealand and Australia to soon converge.

Underperformance ending



Unfortunately, the same cannot be said for the labour market. New Zealand has experienced a much sharper economic downturn the last two years compared to our Australian neighbours. Given the usual lag to employment, this downturn continues to drive relatively weaker labour market conditions.

Mind the gap

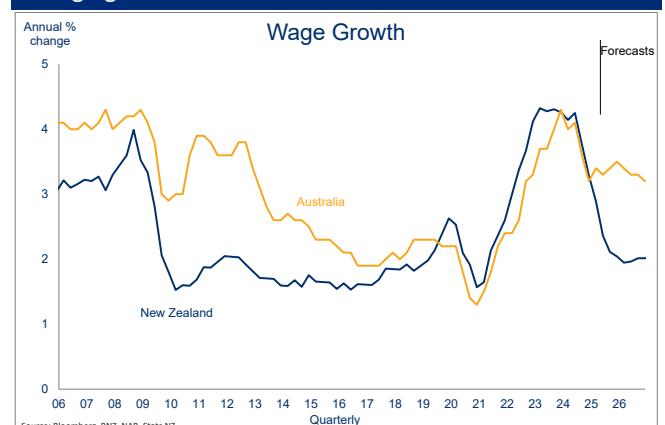


Official Q2 statistics showed another lift in New Zealand's unemployment rate to 5.2%, its highest level since 2020. Across the Tasman, the rise in the unemployment rate to 4.3% has been much gentler. We expect both countries to tick up again near-term, but more concerning, for the unemployment rate in New Zealand to linger above 5% for around another year.

Persistent labour market weakness is not the good news that many will be hoping for. While work conditions in both countries remain challenging, most indicators point to a relatively softer labour market in New Zealand. For example, job ads have declined 51% from their peak, compared to 37% in Australia. Fewer vacancies and a higher number of applications per job ad suggest that competition for work is fiercer in New Zealand.

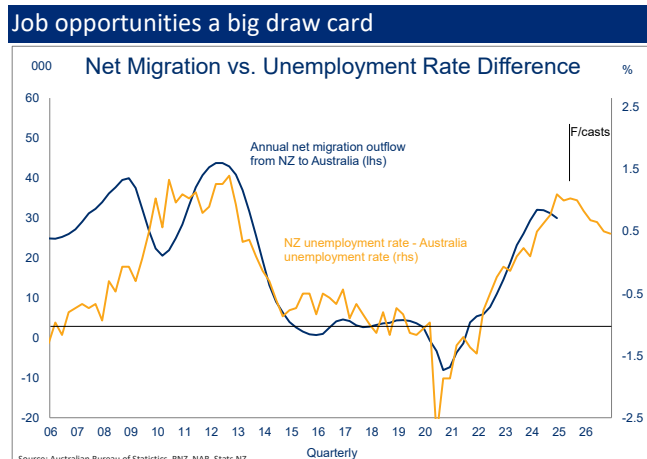
Not surprisingly, a weakening labour market is dampening wages. New Zealand annual Labour Cost Index inflation fell sharply to 2.3% in Q2. In contrast, our colleagues at NAB forecast annual Wage Price Index inflation of 3.3% in Q2. We expect this divergence to continue, reflecting relatively more resilience in the Australian labour market.

Diverging



With more vacancies and higher wages, ongoing net migration from New Zealand to Australia should not surprise. The net migration outflow lifted to 30,000 in 2024 (the latest available figures). For context, this is enough people to fill Forsyth Barr Stadium. However, the pull to Australia has always been large. Contrary to popular opinion, what we are seeing now is not unique. Similar

outflows were recorded between 2008 and 2014 when New Zealand also substantially underperformed the Australian economy. Hopefully, as growth converges normal transmission will resume and talk of the great outflow will moderate. Perhaps there are the first signs in the data already with the net outflow seemingly peaked.



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