

We have provided indicators in four key areas:

1. Indicative estimates of material hardship

We can produce indicative estimates of future levels of material hardship from projections of AHC50(fixed line) rates, based on the historic relationship between AHC50 and material hardship. AHC50 and material hardship rates have tended to move together, and the Budget 25 forecast for AHC50 has been used to estimate current material hardship levels.

The period of economic shocks and wider challenges, including the COVID-19 pandemic, may have impacted this relationship. We will observe any change and impact in the relationship over time, as more data is produced.

2. Key driver of material hardship- Benefit receipt and parental employment

The current number of children in benefit-receiving households is an increase of around 9,000 children (around 4%) from Quarter 1 2024. However there's been a decrease of around 5,000 children (-2%) in benefit-receiving households since Quarter 4 2024.

3. Key driver of material hardship- Cost of living

Inflation increased slightly on the CPI measure from December 2024 to March 2025. The HLPI measure is not available for Quarter 1 2025.

4. Proxy for hardship – Household Credit Arrears

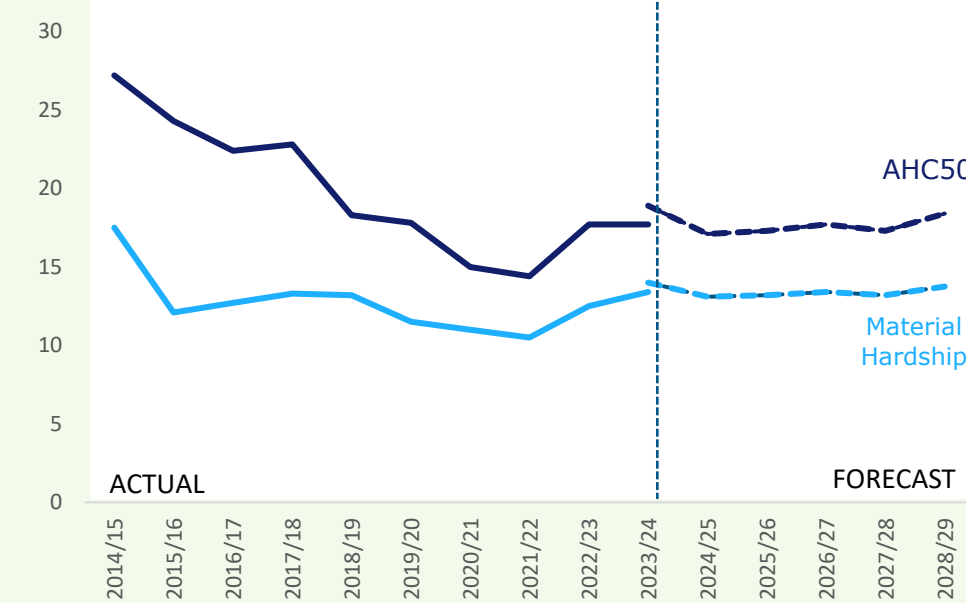
Household credit arrears rose slightly from Q4 2024 to Q1 2025.

Implications for levels of material hardship

The mix of indicators suggests that material hardship levels are likely to remain the same.

1. Indicative estimate of material hardship

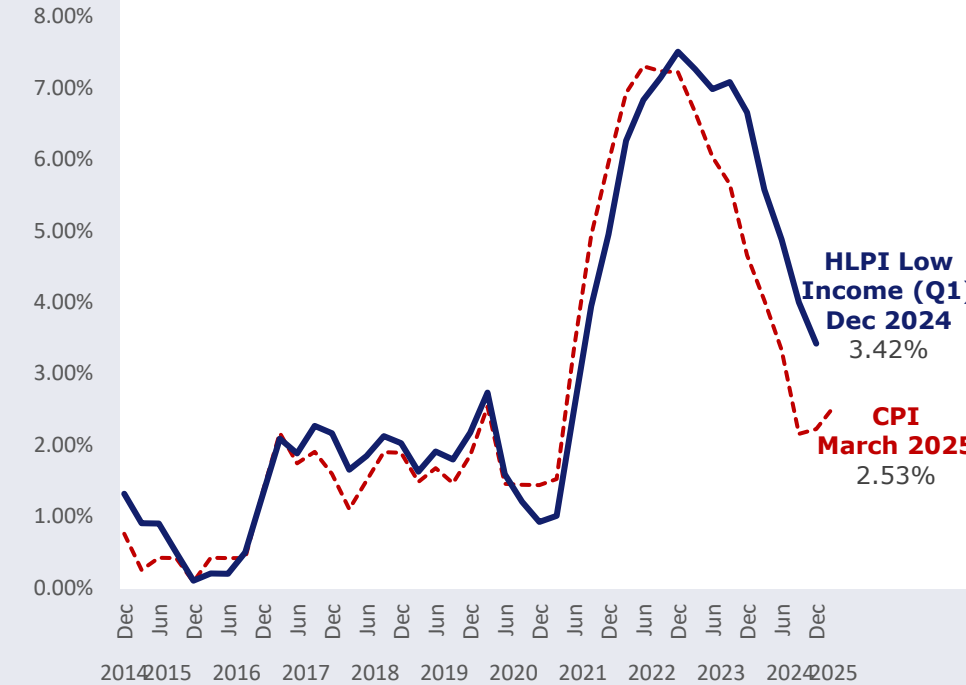
Lead Indicator: Rates and indicative estimates of material hardship



Based on the Budget 25 Treasury forecasts for AHC50(fixed line) and the historic relationship between AHC50 and material hardship, we would expect material hardship to remain steady before beginning to increase at the end of the forecast period.

3. Key driver- Cost of living

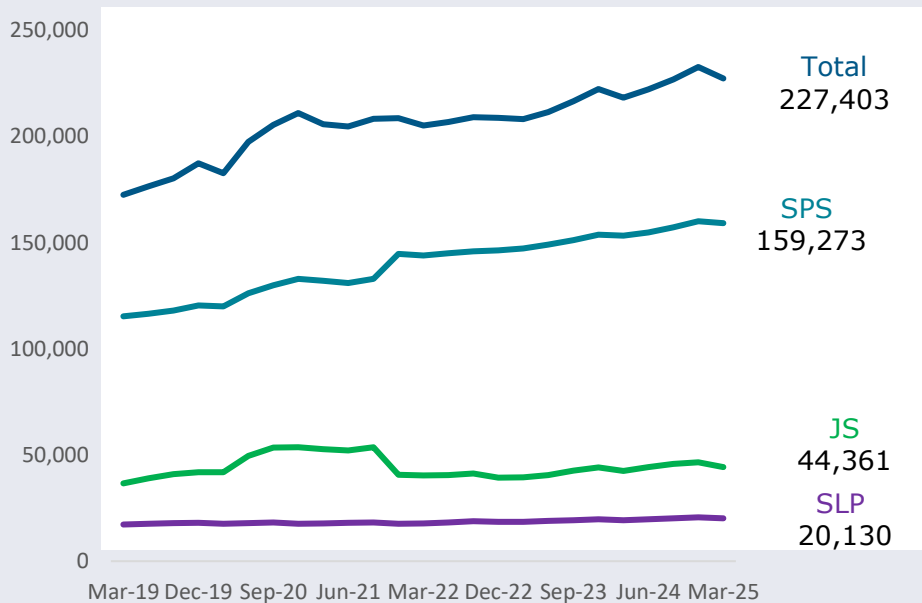
Lead Indicator: Household Living Price Index: Low income



After peaking in 2022, annual increases in the cost of living slowed in 2024. Inflation increased slightly on the CPI measure from December 2024 to March 2025.

2. Key driver- Benefit receipt and employment for parents

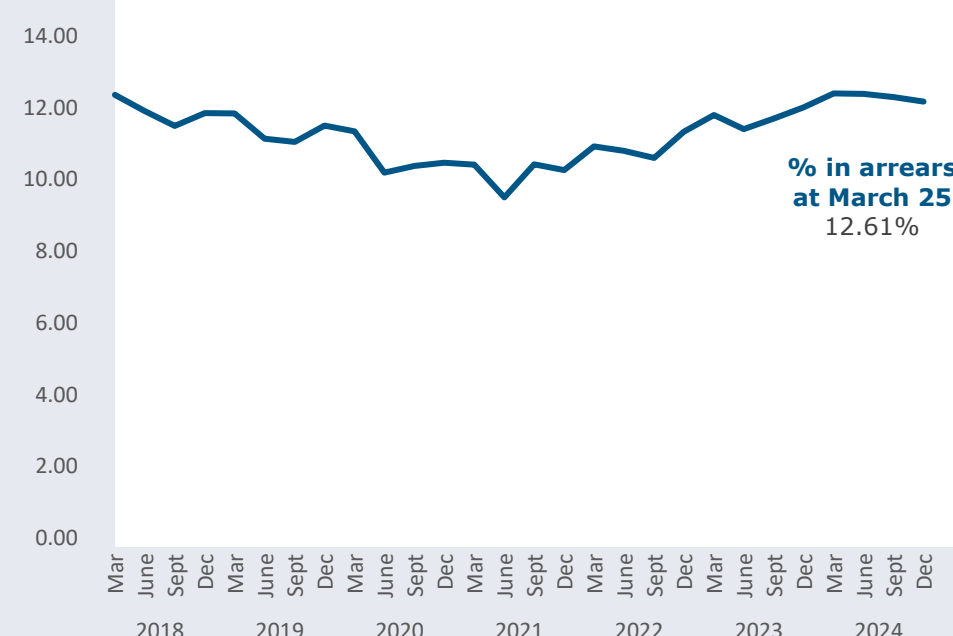
Lead Indicator: Children in Benefit-Dependent Families



The number of children in benefit-dependent families fell between Quarter 4 2024 and Quarter 1 2025.

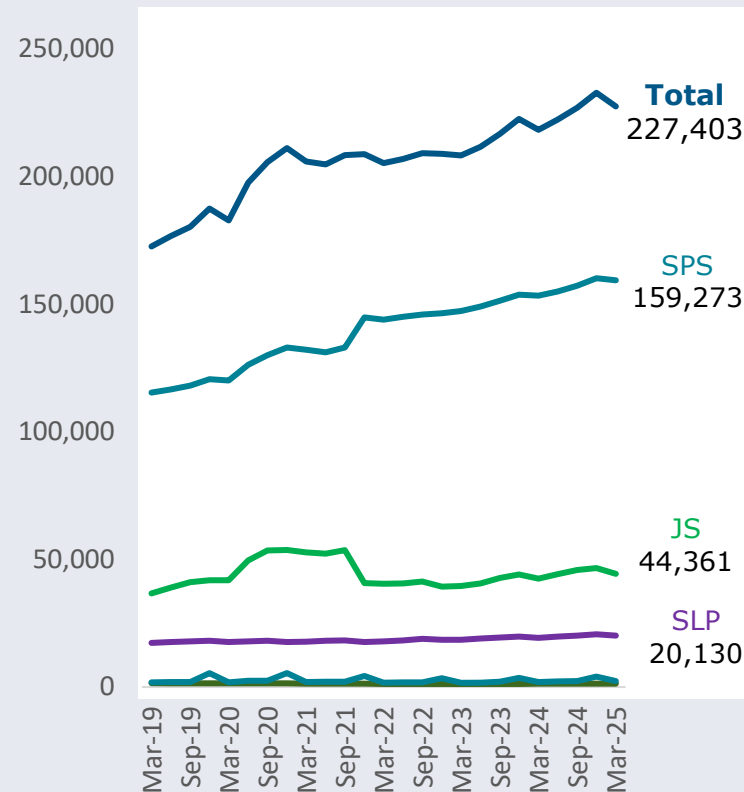
4. Proxy for hardship and financial strain

Lead Indicator: Household Credit Arrears (Centrix)



The number of people behind on their credit payments has been rising since 2021, likely due to cost-of-living pressures. Arrears rose slightly from Q4 2024 to Q1 2025, in line with seasonal patterns.

2. Lead indicator: children in benefit-dependent families (MSD)



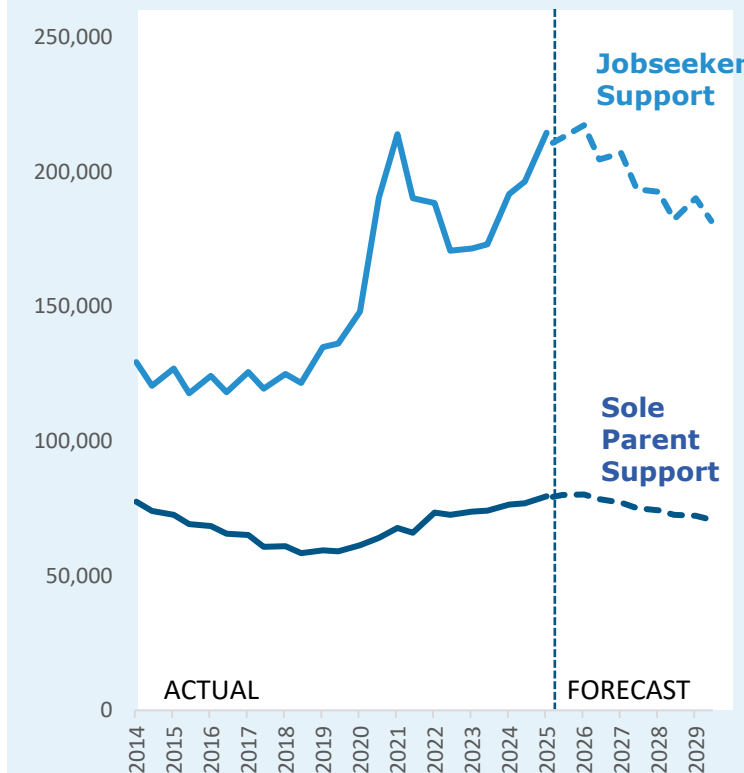
The number of children in benefit-dependent families fell between December 2024 and March 2025

Up until 2018, the number of children steadily fell, reducing from 213,000 in July 2013 to 168,000 in April 2018, a decrease of 45,000 children, or 21%.

Over the past six years, the number of children has increased steadily, rising from 168,000 children in April 2018 to 233,000 children in December 2024 (64,000 children, or 38%). The increase has been mainly driven by growth in the number of children of SPS recipients.

The number of children fell by around 5,000 children (-2%) from December 2024 to March 2025, following a similar seasonal dip that has been observed over other years.

Contextual trends: working age benefits – actual and forecast (MSD)

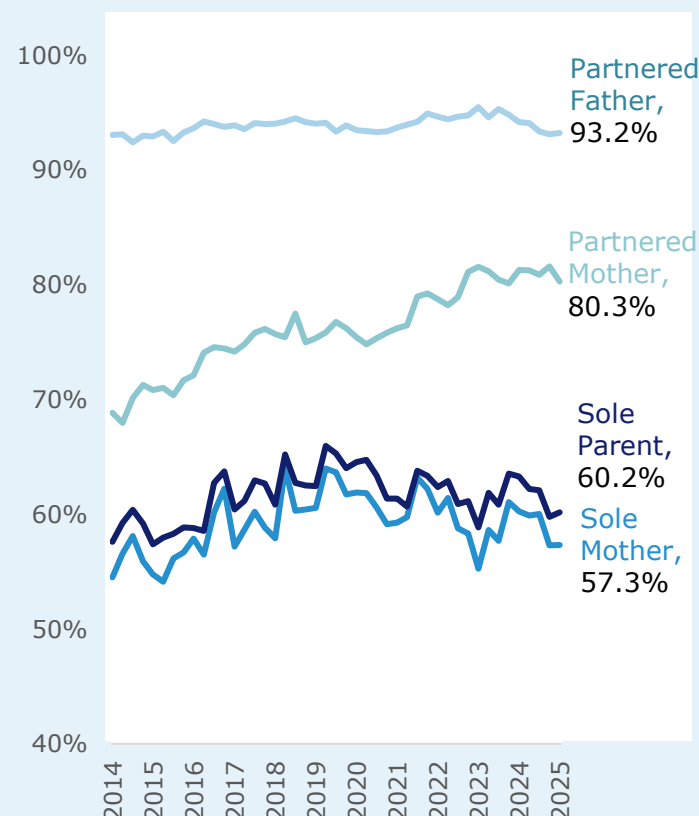


According to the most recent forecasts, Sole Parent Support is expected to see a small rise followed by a fall

Given most children in benefit-dependent households are in sole parent families, the most relevant forecasts are Sole Parent Support numbers. At BEFU 25, MSD forecast Sole Parent Support receipt to rise slightly to 80,200 in January 2026, before falling to 75,000 by July 2027 (-7%).

A smaller group of children in benefit-dependent households have parents receiving JSS (either couples or sole parents with older children). At BEFU 25, the number of people receiving JSS is expected to continue rising and peak at around 217,900 in December 2025. The number of people receiving JSS is forecast to decrease to around 181,800 in June 2029.

Contextual trends: Employment rates for parents (Stats NZ)



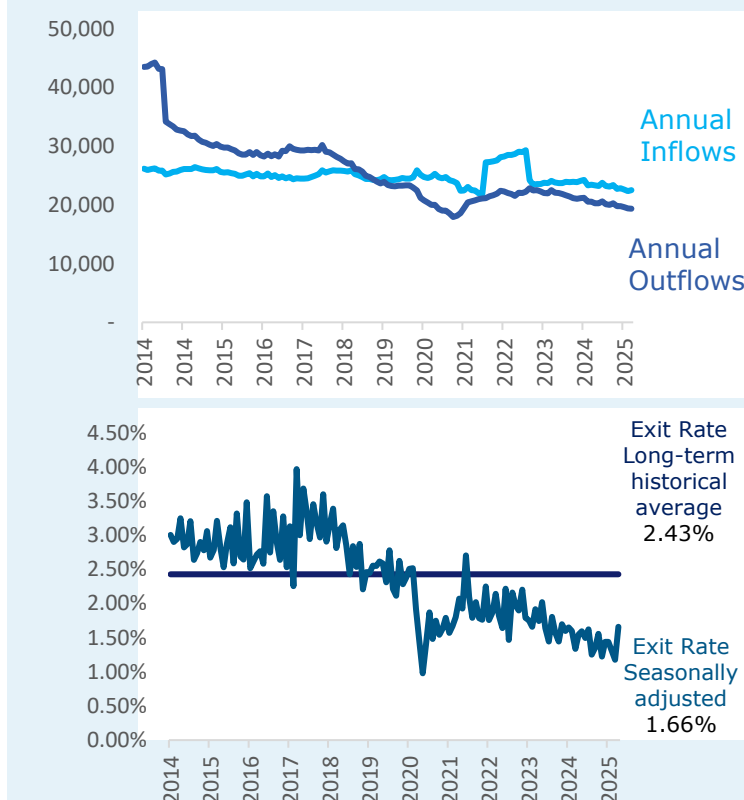
While employment rates for partnered mothers have continued to steadily improve, rates for sole parents have fluctuated

Over the past decade, employment for couples improved. Partnered mother employment rates rose from around 70% over 2015 to around 80% over 2024 and early 2025, while rates for partnered fathers have remained broadly stable.

Prior to 2019, rates of employment for sole parents had been steadily improving, rising from around 58% in September 2015 to around 65% in September 2019, in line with reducing SPS numbers.

Between 2019 and 2025, rates of employment for sole parents and sole mothers have fluctuated, with a downwards trend. This reflects wider employment trends for all groups. Some of the shorter-term variation may relate to the sample size for the HLFS rather than actual trends.

Contextual trends: Sole Parent Support – inflows and outflows (MSD)



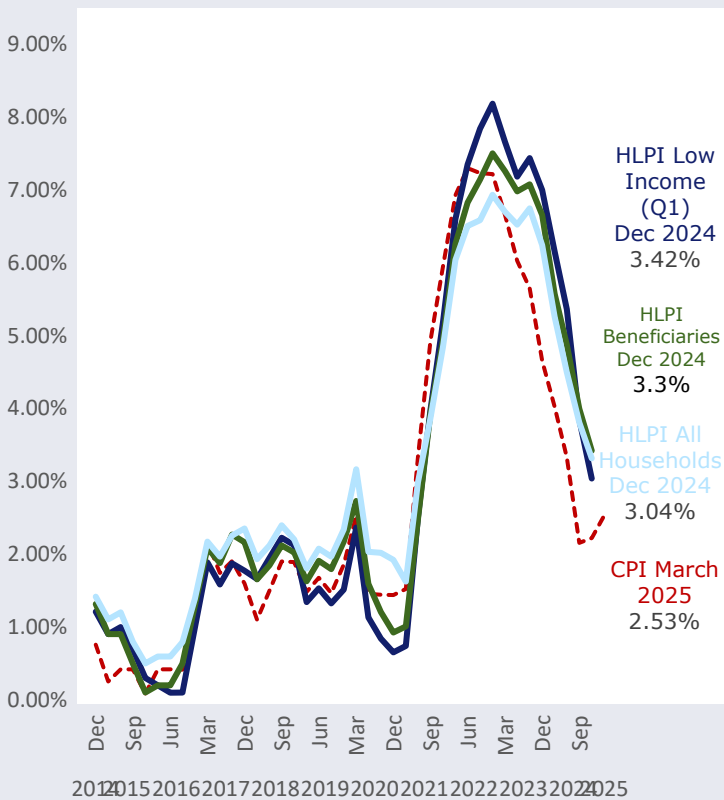
Recent growth in SPS reflects annual inflows outpacing outflows

Since mid-2019, annual inflows to SPS has outpaced annual outflows.

There has been a decline in the rate of SPS clients exiting benefits:

- Up until late-2018, the seasonally adjusted exit rate from SPS was above the long-term average (2.43%), which likely partly reflects welfare reforms (strengthening work expectations, 12-monthly reapplications requirements).
- From late-2018, exit rates remained at around the long-term average until the start of the COVID-19 pandemic. Following this, exit rates have generally remained below the long-term average.

3. Lead indicator: Cost of Living for low-income households (HLPI) (Stats NZ)



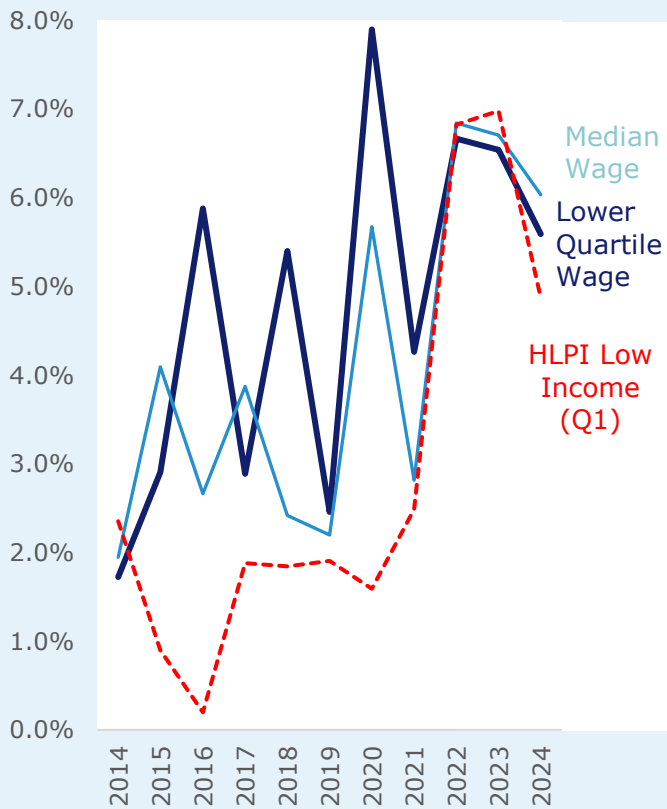
The cost of living rose sharply to a peak in 2022, before declining

Irrespective of the measure used, the cost of living rose sharply between 2021 and 2023. Annual headline CPI inflation reaching a peak of 7.3% in June 2022.

The HLPI index, which enable us to look at cost changes for different groups and factor in mortgage payments, saw higher increases. These peaked in Dec 2022 at 8% for all households, 7.5% for low-income households, and 7.4% for beneficiaries.

Since 2022, CPI inflation has slowed, but growth has remained higher for longer on the HLPI indexes. CPI inflation increased from December 2024 to March 2025.

Contextual trends: Growth in wages vs living costs (HLPI) (Stats NZ)



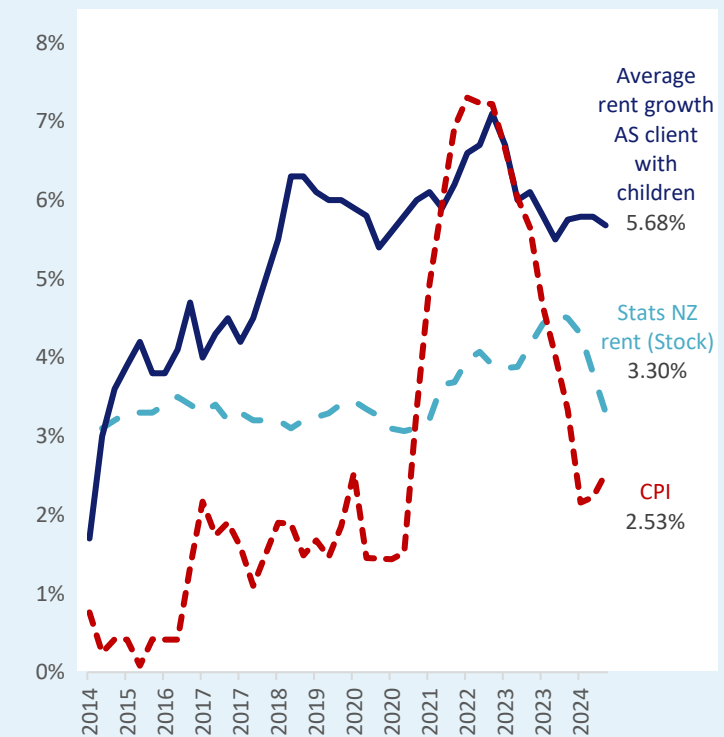
Wage growth mostly outpaced inflation up until 2021, when the increase in the cost of living outpaced that of wages

Nominal wage growth at both the lower quartile and the median was consistently higher than the cost of living up until 2021 (wage growth was generally slightly higher at the lower quartile than at the median).

In 2021/22, wage growth matched the cost of living, and in 2022/23 price growth overtook wages.

In 2023/24, wage growth was once again higher than cost of living increases. Wages grew faster at the median than at the lower quartile.

Contextual trends: Growth in rents for AS recipients with children (MSD)



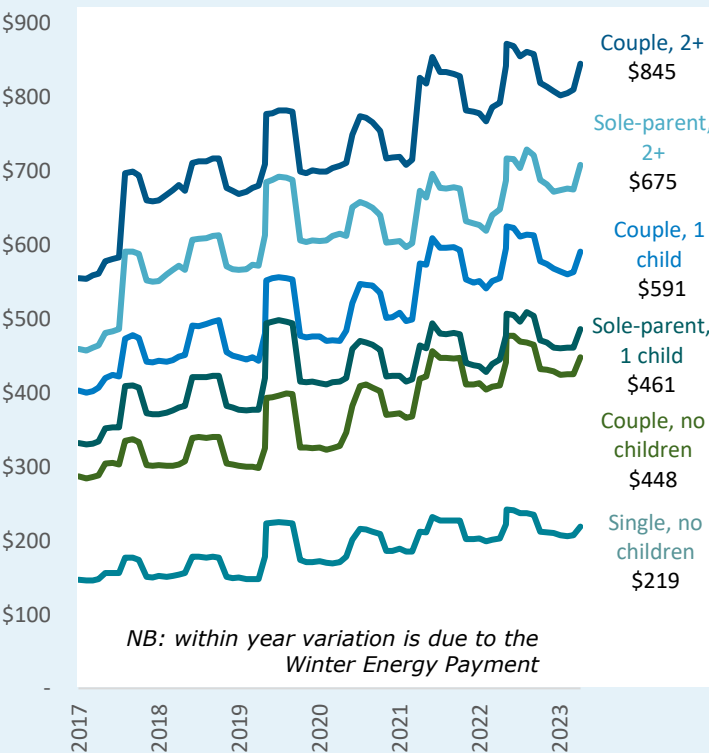
Rents for AS recipients with children have generally grown above inflation, and since 2018 have been increasing around 6% per year

Rental costs for AS recipients with children have generally increased faster than inflation, growing around 4% per year between 2015 and 2017, and 6% per year between 2017 and 2021. Increases reached 7% to match the peak of inflation in 2021 and 2022. Increases returned to 6% in 2023, and have remained around this level in 2024 and the first quarter of 2025. More AS recipients are at the maxima.

These increases have been well above the SNZ figures on monthly rents for all tenancies, which is used in the CPI. These show a steady increase from around 3% annual growth per annum for 2014 to 2021, to around 4% in 2022, 5% in 2023 and 4% in 2024.

There are other measures of rents available, which could provide a different picture of trends.

Contextual trends: Real after-housing-cost (AHC) incomes (MSD)

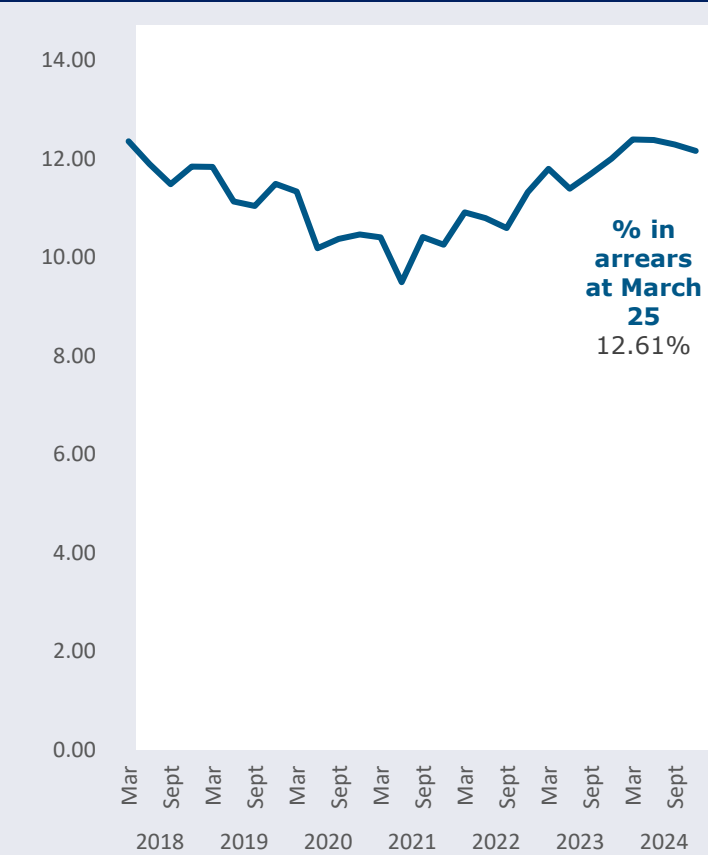


After increasing in real terms up until 2022, incomes for MSD clients have broadly kept pace with inflation

Between 2017 and 2022, after-housing-cost incomes increased in real terms, due to a series of income support changes (Families Package, benefit increases, changes to abatement settings). Since then, incomes have been broadly preserved, primarily due to CPI indexation for benefits and WFF.

Between April 2023 and April 2024, after housing cost incomes increased by 0.3 percent on average, once adjusted for inflation. Sole parents with children saw higher increases of 2.5% (one child) and 3.3% (two children), largely due to the introduction of Child Support Pass On in July 2023.

4. Contextual trends: Household credit arrears (Centrix)

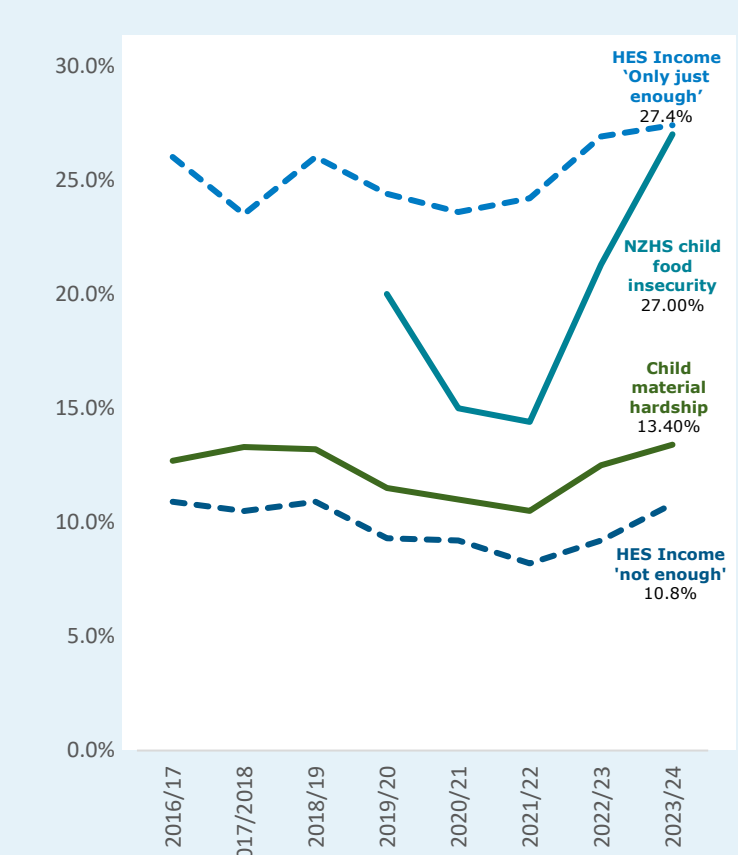


The number of consumers behind on their credit payments declined until late 2021, before steadily rising in 2023 and 2024, likely reflecting the high cost of living

The proportion of consumers who were behind on their credit payments gradually fell between January 2018 to July 2021, from 12.8% to 9.5%. From late 2021, the proportion steadily rose, peaking at 12.4% in March 2024.

From June to December 2024, the number of consumers behind on their credit payments began to fall. The number increased between December 2024 and March 2025. This likely reflects seasonal patterns, but may indicate additional pressure on households.

Lead Indicator: Income not enough (Household Economic Survey) (Stats NZ)



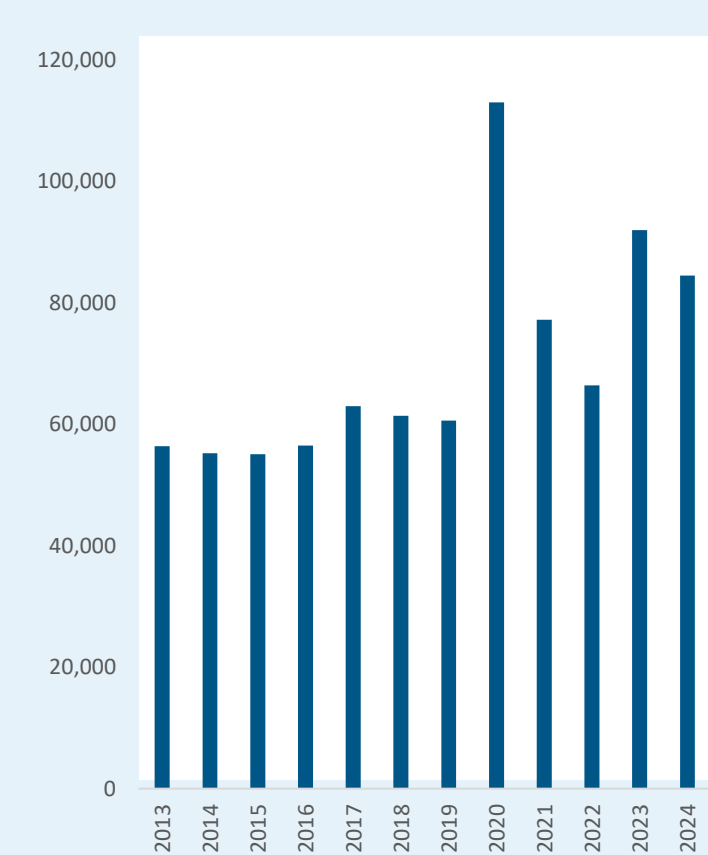
Long-term trends for the income adequacy questions in the HES are broadly consistent with rates of material hardship and food insecurity

The proportion of all households reporting that their income is 'not enough to meet everyday needs' steadily fell from 18% in 2009 to 8% in 2021/22 before rising to 11% in 2023/24.

The proportion reporting 'only just enough' followed the same broad trajectory, rising to 27% in 2023/24.

Rates of material hardship and food security fell throughout the 2010s and early 2020s, before seeing increases from 2022/23.

Contextual trends: Foodbank usage (Salvation Army)

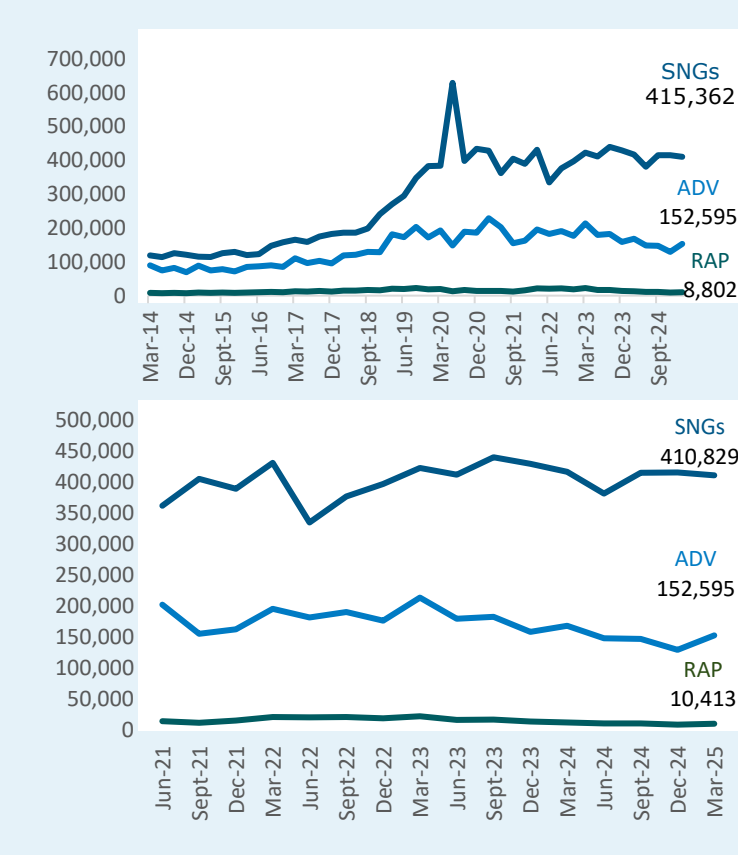


Foodbank usage can reflect both 'supply' and 'demand' factors.

The number of food parcels distributed by the Salvation Army reached record levels in 2020. This reflected both the temporary increase in need associated with the pandemic and the increased funding provided to food providers during that period.

Assistance declined from 2020, before rising again in 2023, reflecting cost of living pressures. Assistance declined again in 2024, with the Salvation Army noting that this reflected constrained supply, rather than reduced demand for assistance.

Contextual trends: Quarterly hardship assistance receipt (MSD)



It is useful to take both a long-term and short-term perspective when monitoring hardship assistance receipt

Receipt of hardship assistance increased significantly between 2016 and 2021 due to range of factors, including operational changes.

There was further usage over the COVID-19 pandemic, with usage then settling back to a similar level as prior to the pandemic.

Usage increased again throughout 2022/23, which likely reflects the increased cost-of-living. Usage has been trending downwards from 2023/24, which may reflect both changes in need and operational factors.

SNG - Special Needs Grants ADV - Advances
RAP - Recoverable Assistance Payment