

We have provided indicators in four key areas:

1. Indicative estimates of material hardship

We cannot forecast material hardship. As a proxy, we 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 2026 forecast for AHC50 has been used to estimate 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

There has been an increase of around 2,000 children (1%) in benefit-dependent households from Quarter 2 2025 to Quarter 2 2026, to 232,860 children.

3. Key driver of material hardship – Cost of living

The impact of the conflict in the Middle East is further indicated in Quarter 2 2026 data. However, the ongoing nature of the conflict suggests that the breadth of impact on prices across the whole economy are yet to be fully realised.

The cost of living experienced by the average household, as measured by the HLPI, remained elevated in Quarter 2 2026, rising to 3.2% in the 12 months to the June 2026 quarter. Meanwhile, CPI rose 4.1% over the same period.

The HLPI and CPI measures differ largely due to the treatment of housing. CPI captures costs of building a new home, while HLPI captures mortgage interest payments. Interest payments have reduced while the cost to build new homes has increased in the 12 months to the June 2026 quarter.

4. Proxy for hardship – Household Credit Arrears

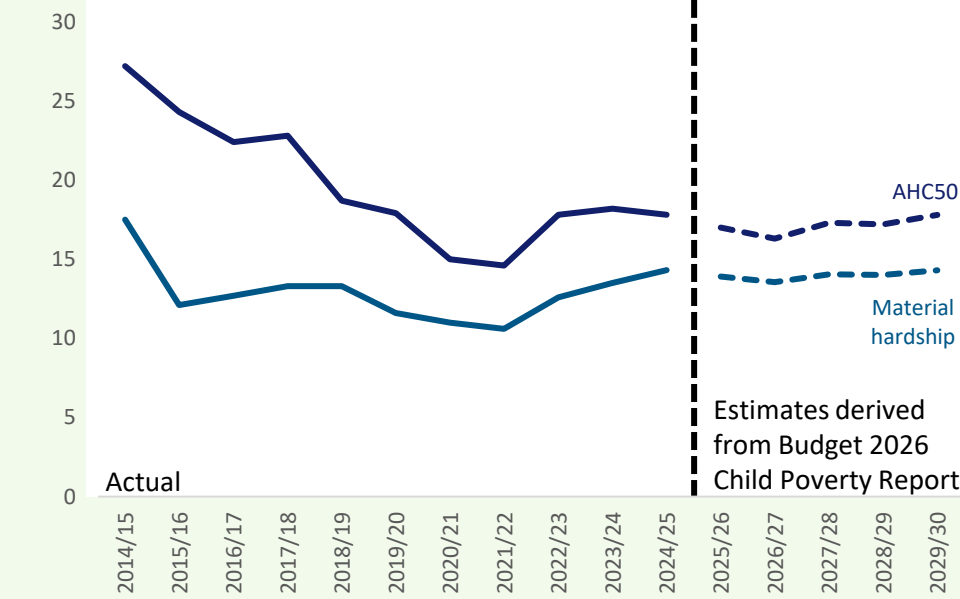
Household credit arrears continue to fall. By the end of Quarter 2 2026, the number of people in arrears was 10.65%, a -1.07 ppt decrease from Q1 figures.

Implications for levels of material hardship

Overall, the mix of indicators suggests that material hardship levels are likely to have remained similar or increased slightly, compared to the previous quarter.

1. Indicative estimate of material hardship

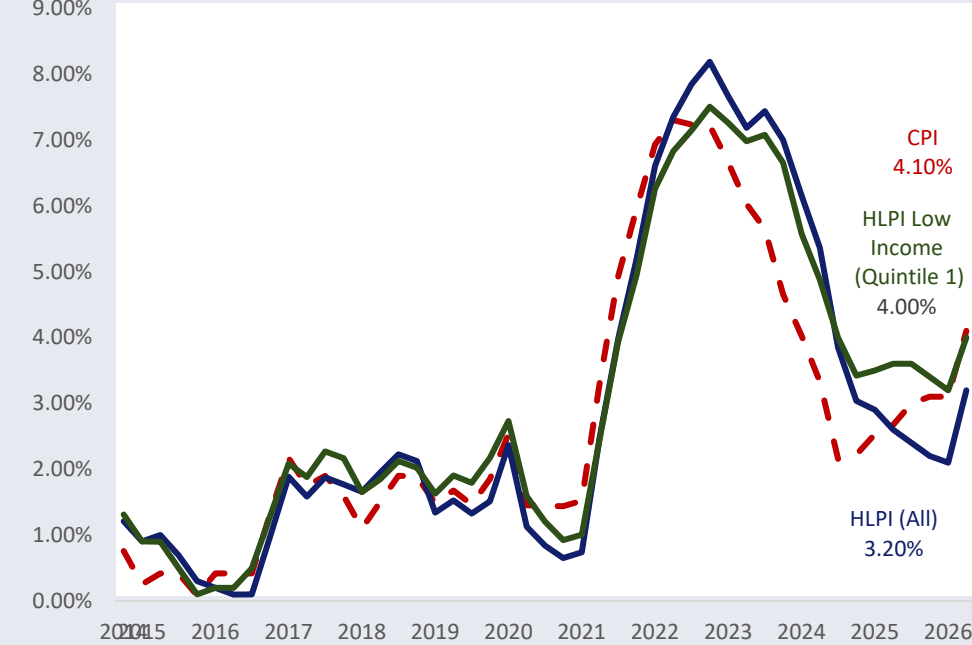
Lead Indicator: Rates and indicative estimates of material hardship



Based on the Budget 2026 Treasury forecasts for AHC50 (fixed line) and the historic relationship between AHC50 and material hardship, we would expect material hardship to remain steady over the forecast period.

3. Key driver - Cost of living

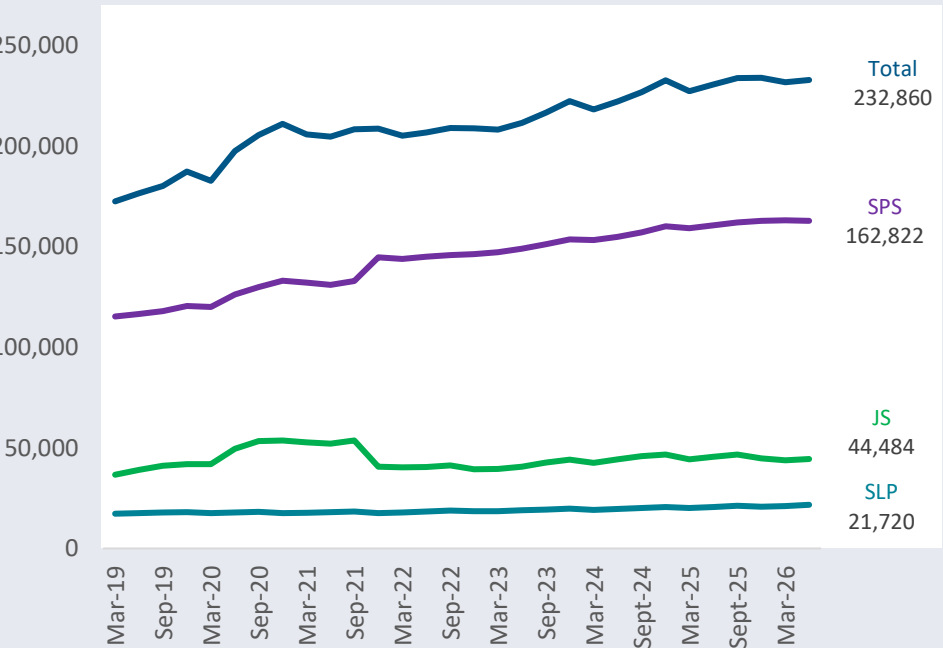
Lead Indicator: Household Living Price Index: Low income



The cost of living experienced by the average New Zealand household on the HLPI measure increased 3.2 percent in the 12 months to the June 2026 quarter. For low - income households HLPI rose 4.0 percent. Meanwhile, CPI rose 4.1 percent over the same period. Consistent with the previous 2026 quarter, further reductions in mortgage interest payments have contributed to the HLPI rate being lower than the overall inflation rate measured by CPI.

2. Key driver - Benefit receipt and employment for parents

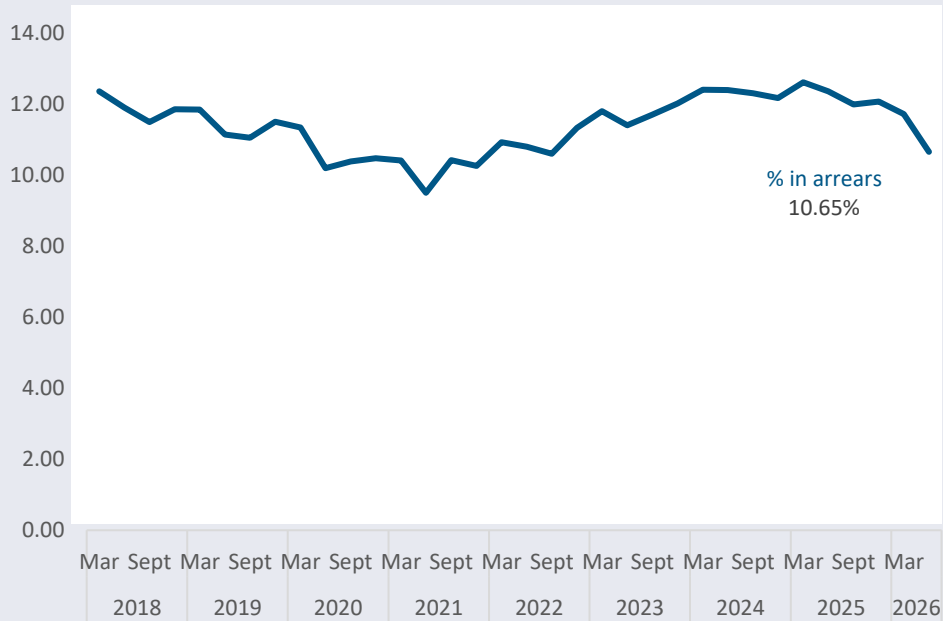
Lead Indicator: Children in benefit-dependent families



The number of children in benefit-dependent families rose from Quarter 1 2026 to Quarter 2 2026.

4. Proxy for hardship and financial strain

Lead Indicator: Household credit arrears (Centrix)

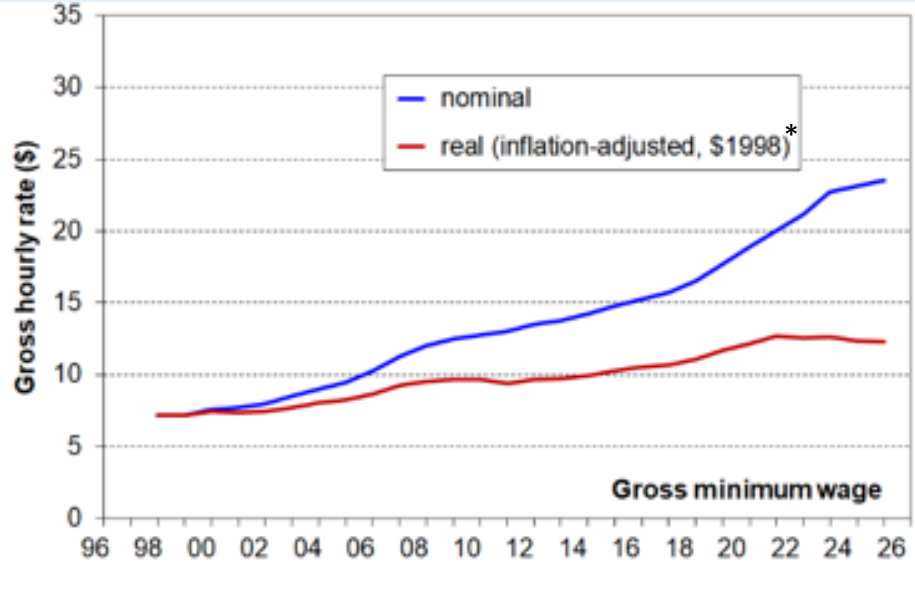


As at June 2026, 10.65% of households are in credit arrears. This is a -1.07 ppt reduction from the previous quarter and a -1.71 ppt reduction compared to Quarter 2 2025 (12.36%). Consumer credit demand has dropped to 7.3% this quarter suggesting households are taking a more cautious approach to borrowing. The link between credit arrears and material hardship is related to several factors, including borrower demographics, debt type and context.

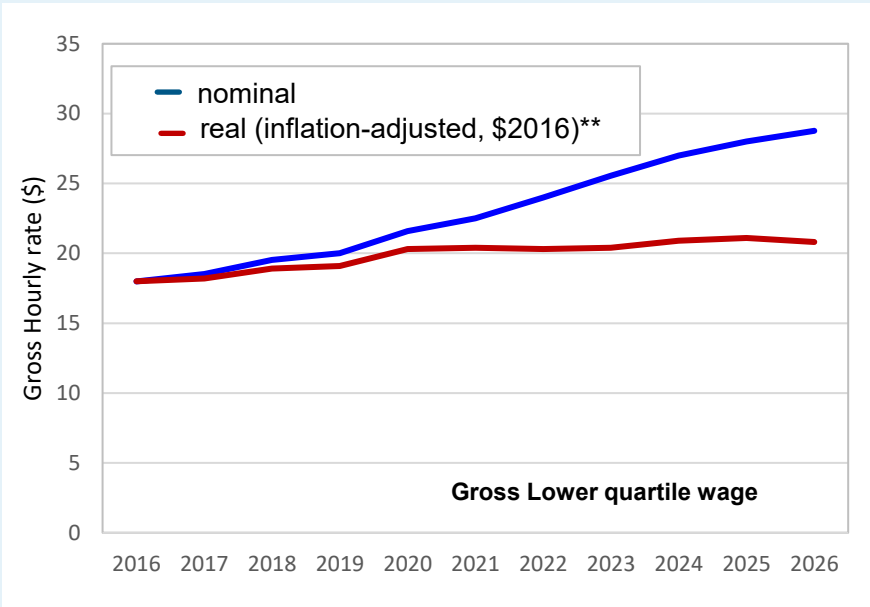
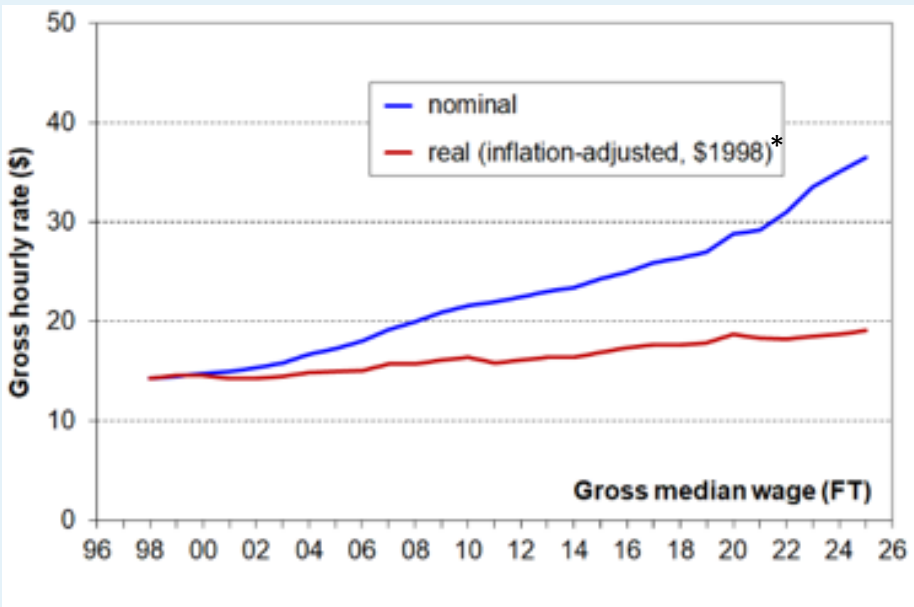
5. Contextual trends - Nominal and Real lower quartile, minimum and median wage growth

While nominal incomes have risen, real lower quartile, minimum and median wage rates have plateaued

Despite increases to nominal minimum wage hourly rates, real (CPI-adjusted) minimum wage hourly rates have flattened in the last 4-5 years. Similarly, real (CPI-adjusted) median wage hourly rates have flattened in that time. The same trend can be observed in real lower quartile wage hourly rates, for which growth has also been relatively flat from about 2020. Factors impacting on trends related to household income are further outlined in MSD’s 2026 Child Poverty in New Zealand report.



* The minimum and median wage data series starts from Q2 1998. Real wages in both the minimum wage (left) and median wage (centre) charts are in \$1998.



**Stats NZ Lower quartile wage time series starts from 2016. Real wages are in \$2016.

5. Contextual trends – Growth in nominal wages compared to the cost of living

Nominal wage growth has mostly outpaced CPI growth, but in 2025/26, CPI growth exceeded nominal wage growth

Nominal wage growth for both lower quartile and median wage had been consistently higher than the cost of living up until 2021.

From 2021/22 to 2023/24 there were periods of high inflation, and instances where the cost of living grew faster than nominal wages.

By 2024/25 wage growth was higher than the cost of living. However, in the 2025/26 year wage growth for both lower quartile (2.75%) and median wages (2.74%) had been eclipsed by Quarter 2 2026 cost of living measures HLPI Quintile 1 (4.0%) and CPI (4.1%).

