Material Hardship lead indicators dashboard

Quarter 1 2026

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 4,000 children (2%) in benefit-dependent households from Quarter 1 2025 to Quarter 1 2026, to 231,900 children.

3. Key driver of material hardship – Cost of living

The impact of the recent conflict in the Middle East is reflected for the first time in data for Quarter 1 2026. As the impact occurred towards the end of the quarter, the impact may not be fully represented in the data.

The cost of living remained elevated in Quarter 1 2026.

The cost of living for the average New Zealand household increased 2.1 percent in the 12 months to the March 2026 quarter. CPI inflation increased 3.1 percent over the same time period.

The HLPI and CPI measures moved in different directions over 2025, due to the different treatment of households and the trends around different housing-related costs.

4. Proxy for hardship – Household Credit Arrears

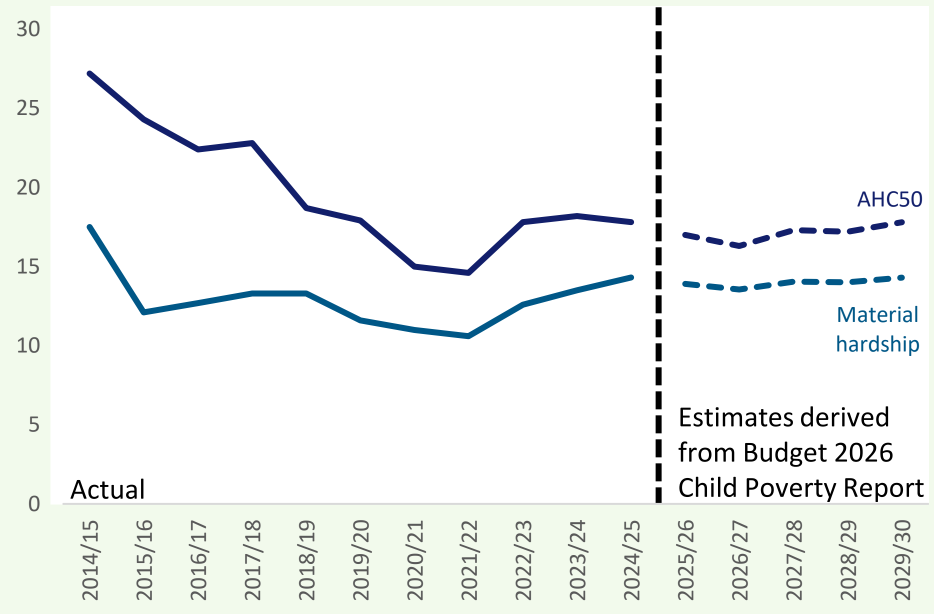
Household credit arrears fell from Quarter 4 2025 to Quarter 1 2026. Arrears remain high, relative to previous years, but are showing signs of improvement.

Implications for levels of material hardship

Overall, the mix of indicators suggest that pressures on families, and levels of material hardship, are likely to be similar to the previous quarter.

1. Indicative estimate of material hardship

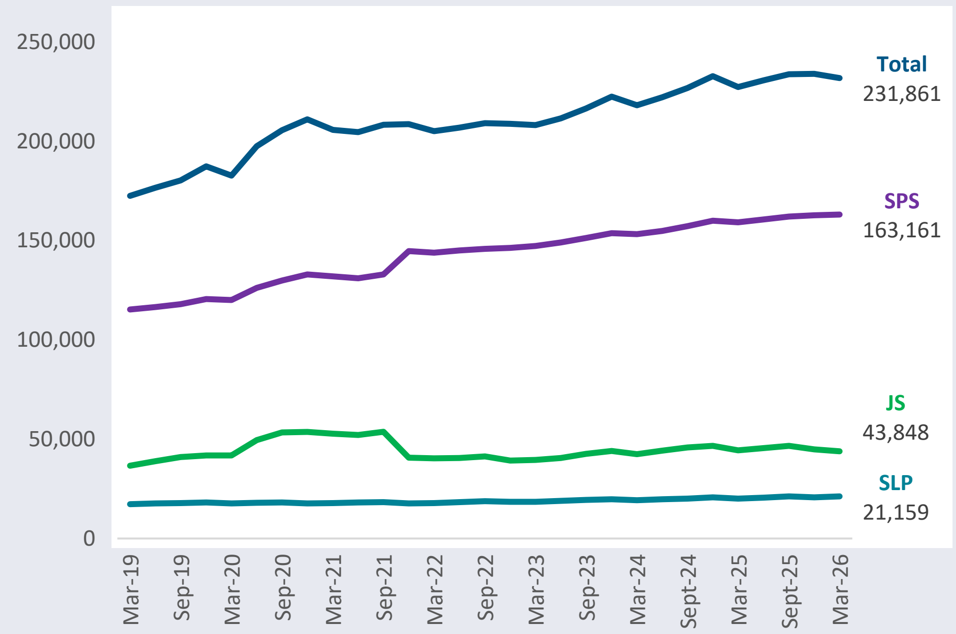
Lead Indicator: Rates and indicative estimates of material hardship



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.

2. Key driver - Benefit receipt and employment for parents

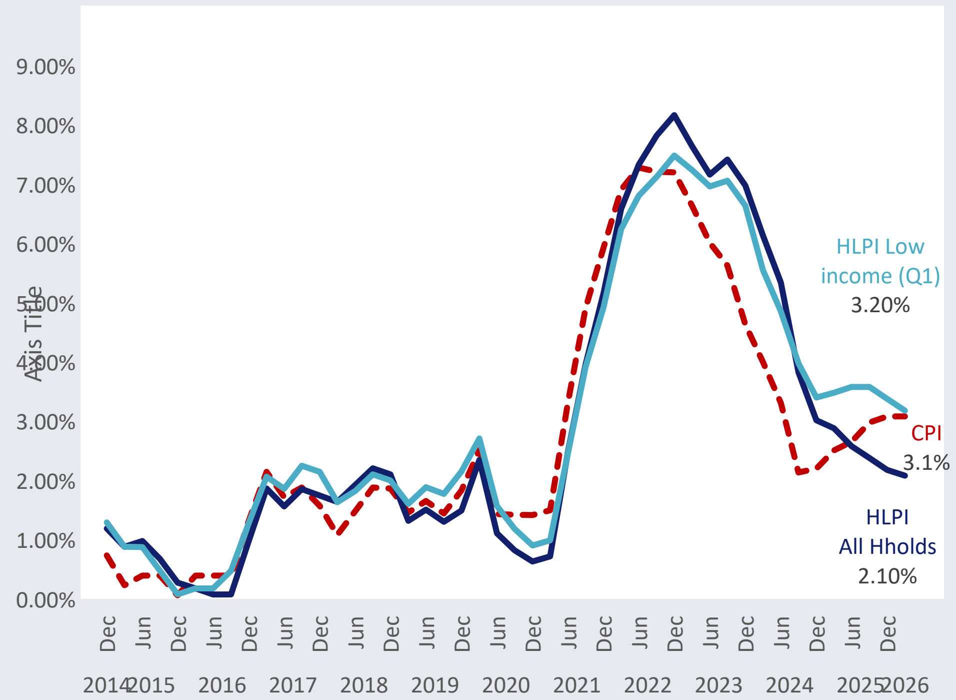
Lead Indicator: Children in benefit-dependent families



The number of children in benefit-dependent families fell from Quarter 4 2025 to Quarter 1 2026.

3. Key driver - Cost of living

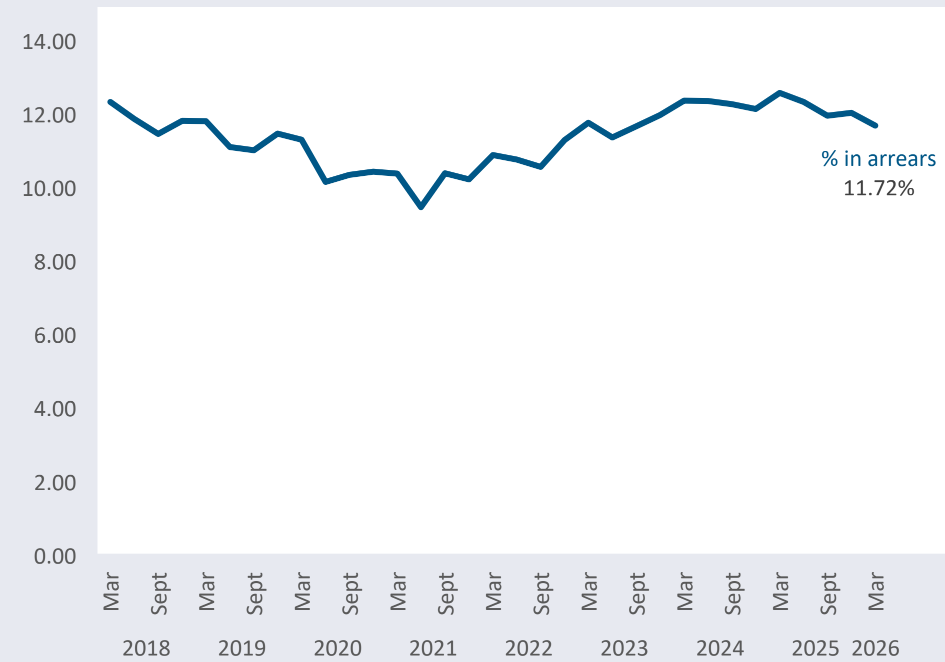
Lead Indicator: Household Living Price Index: Low income



The cost of living for the average New Zealand household increased 2.1 percent in the 12 months to the March 2026 quarter, with increases being higher for low - income households at 3.2 percent. Consistent with Quarters 3 and 4 2025, a fall in interest payments was the main contributor keeping the cost of living as measured by HLPI lower than the overall inflation rate measured by CPI.

4. Proxy for hardship and financial strain

Lead Indicator: Household credit arrears (Centrix)

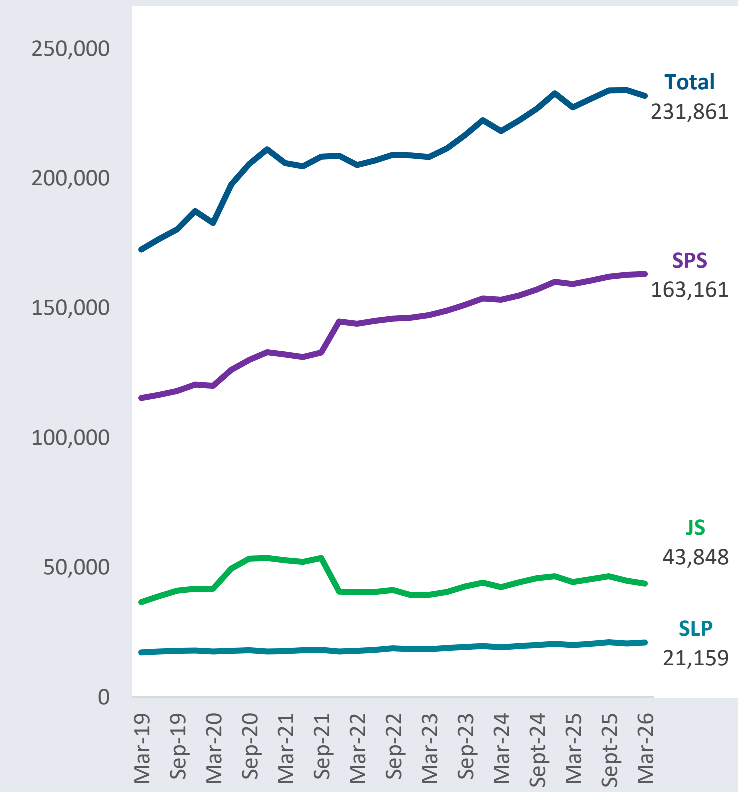


The number of people behind on their credit payments has been rising since 2021, likely due to cost-of-living pressures. Consumer arrears decreased from Quarter 4 2025 to Quarter 1 2026. The percentage of households in arrears and the number of households behind on payments have improved, compared to Quarter 1 2025.

Lead indicator in context: children in benefit-dependent families

Quarter 1 2026

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



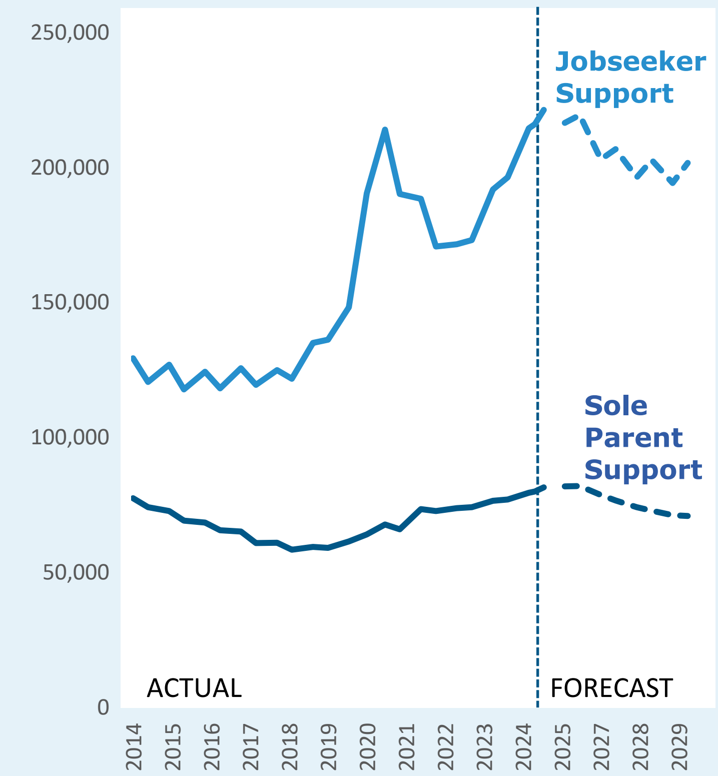
The number of children in benefit-dependent families rose over 2025

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 231,900 children in March 2026 (63,000 children, or 37%). The increase has been mainly driven by growth in the number of children of SPS recipients.

The number of children fell by around 2,000 children (-1%) from December 2025 to March 2026, following a similar seasonal dip that has been observed over other years.

2A. Contextual trends: working age benefits – actual and forecast (MSD)

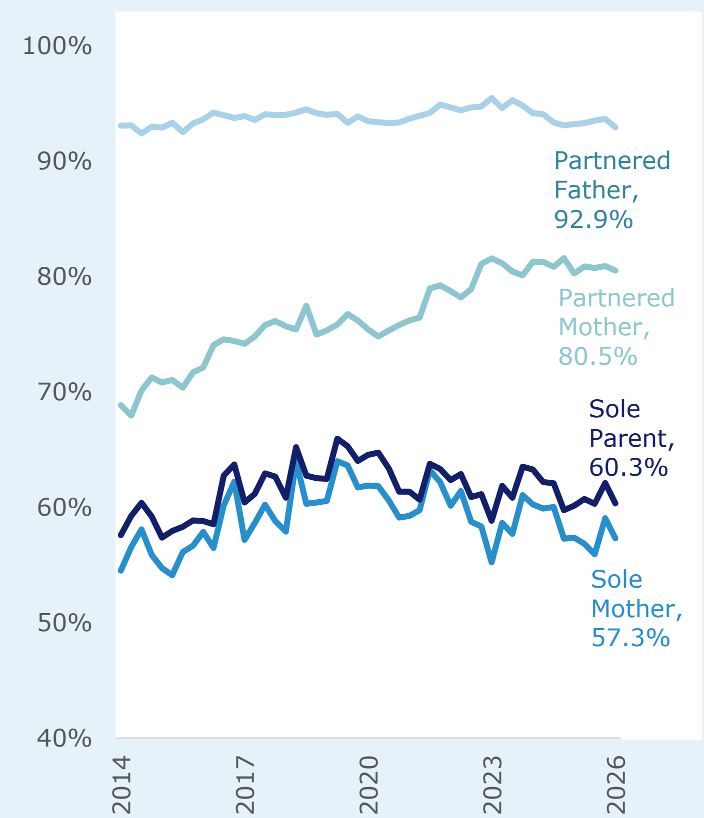


According to the most recent forecasts, Sole Parent Support is expected to see a fall

Given most children in benefit-dependent households are in sole parent families, the most relevant forecast is Sole Parent Support numbers. At BEFU 2026, MSD forecast Sole Parent Support (SPS) receipt to fall from early 2027 to around 70,000 by June 2030.

A smaller group of children in benefit-dependent households have parents receiving Jobseeker Support (JSS) (either couples or sole parents with older children). At BEFU 2026, the number of people receiving JSS is expected to remain around current levels over 2026. The number of people receiving JSS is forecast to decrease to around 194,000 in June 2030.

2B. Contextual trends: Employment rates for parents (Stats NZ)



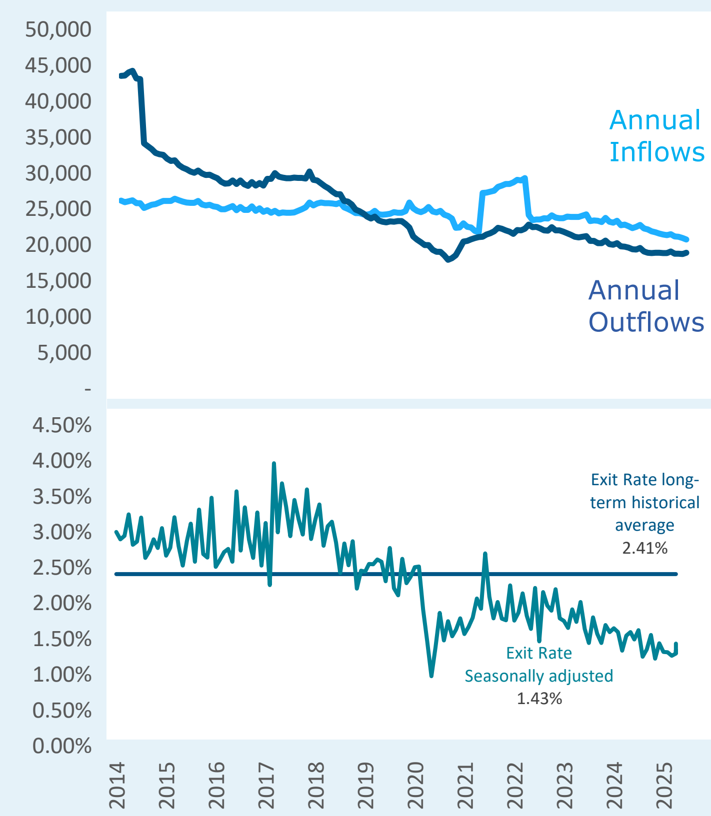
While employment rates for partnered mothers have continued to steadily improve, rates for sole parents have fluctuated

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 2026, rates of employment for sole parents and sole mothers have fluctuated, with a downwards trend, to 60.3% and 57.3%. This reflects wider employment trends for all groups. Some of the variation over time may relate to the sample size for the Household Labour Force Survey (HLFS) rather than actual trends.

2C. 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.

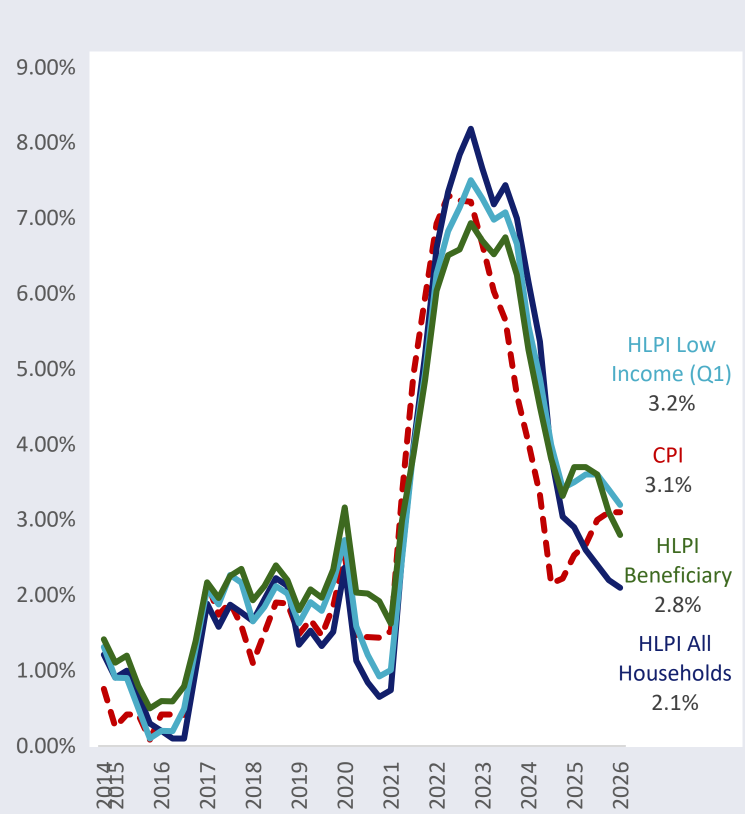
Up until late-2018, the seasonally adjusted exit rate from SPS was above the long-term average, which likely partly reflects welfare reforms (strengthening work expectations, 12-monthly reapplications requirements) and positive economic conditions.

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, which has slightly declined.

Lead indicator in context: the cost of living

Quarter 1 2026

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



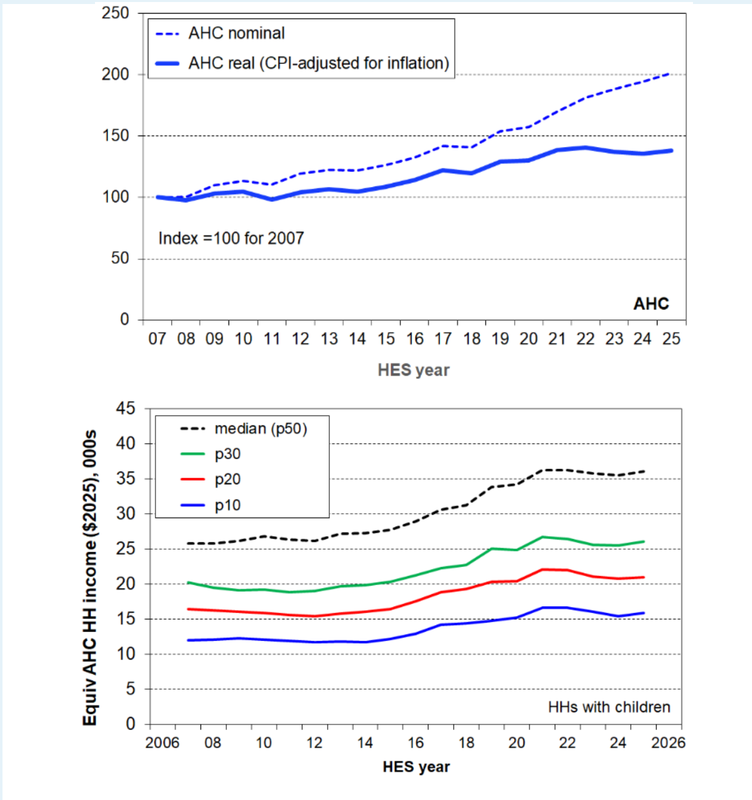
The cost of living has remained elevated over 2025, with higher increases in CPI in Quarter 1 2026

The cost of living rose sharply between 2021 and 2023 on multiple measures. Annual headline CPI inflation reaching a peak of 7.3% in June 2022. The HLPI index, which enables us to look at cost changes for different groups and factor in mortgage payments, saw higher increases, which peaked in December 2022.

From 2022 to mid 2024, CPI and HLPI inflation have increased at slower rates.

CPI inflation has continued to increase at elevated rates from September 2025 to March 2026, at 3.1%. Inflation has also remained elevated, particularly for low-income and beneficiary households on the HLPI measures, over 2024 and 2025. The speed of increases for low-income and beneficiary households has been slowing since September 2025, reflecting the different housing cost contributors.

3A. Contextual trends: Real median incomes for households with children (MSD)

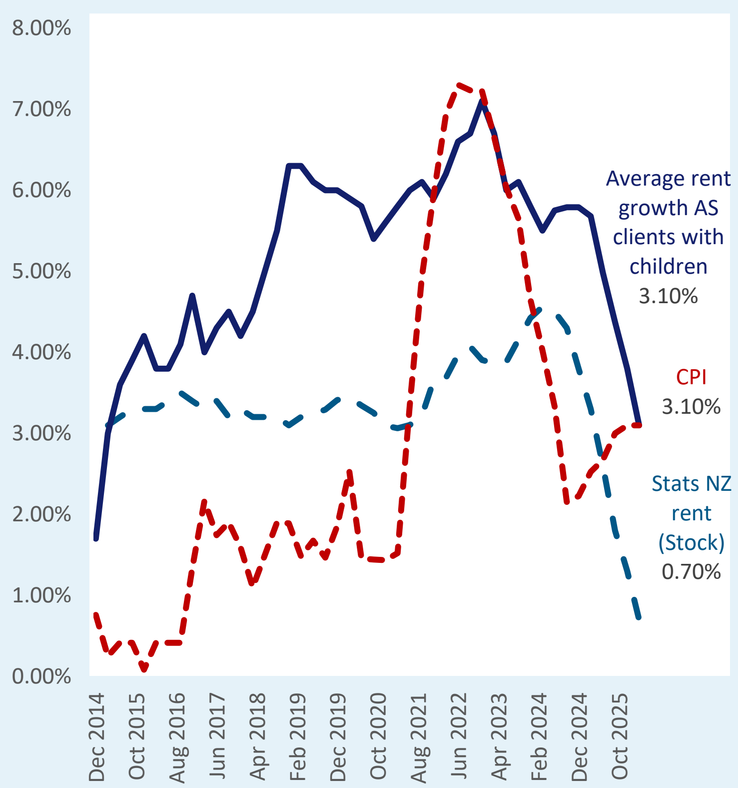


Real median household incomes for households with children have been flat

While nominal incomes have continued to rise over 2021 to 2025, real (inflation-adjusted) incomes have been close to flat for many parts of the income distribution in that period.

For children in low-income households, there has been a clear change from steadily rising real incomes through to 2021, with a net decline for AHC incomes from 2021 to 2025.

3B. Contextual trends: Growth in rents for AS recipients with children (MSD)



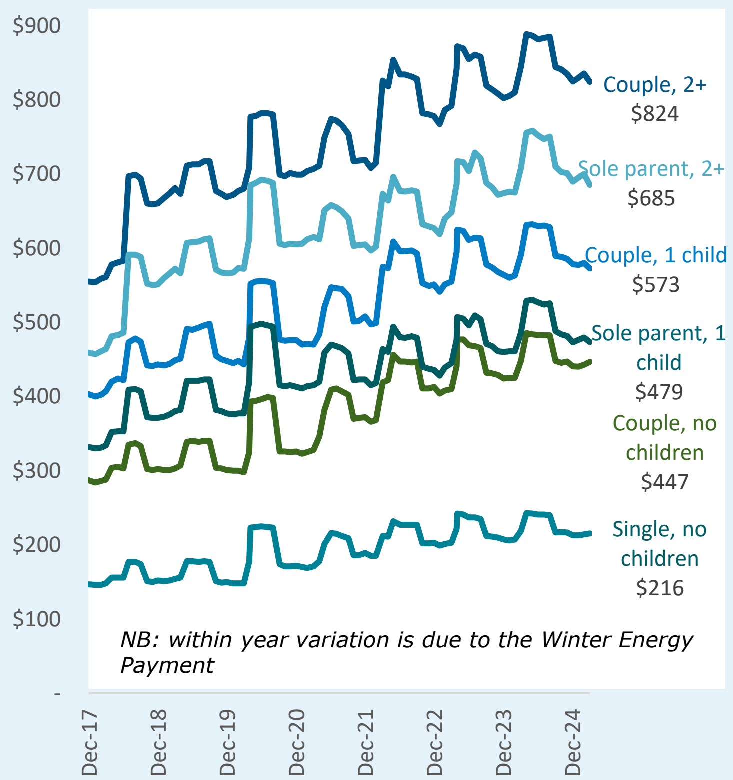
Rents for AS recipients with children have generally grown above inflation but are starting to grow in line with inflation

Rental costs for AS recipients with children have generally increased faster than inflation, growing around 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 remained elevated over 2024.

Increases have been slowing over 2025 and 2026 and have been starting to grow at rates similar to overall CPI inflation. More AS recipients are at the maxima.

Increases have been above the Stats NZ 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% per annum from 2022 to 2024. Increases have slowed over 2025 and the first quarter of 2026, to 0.7% in March 2026.

3C. Contextual trends: Real AHC incomes for MSD clients (MSD)



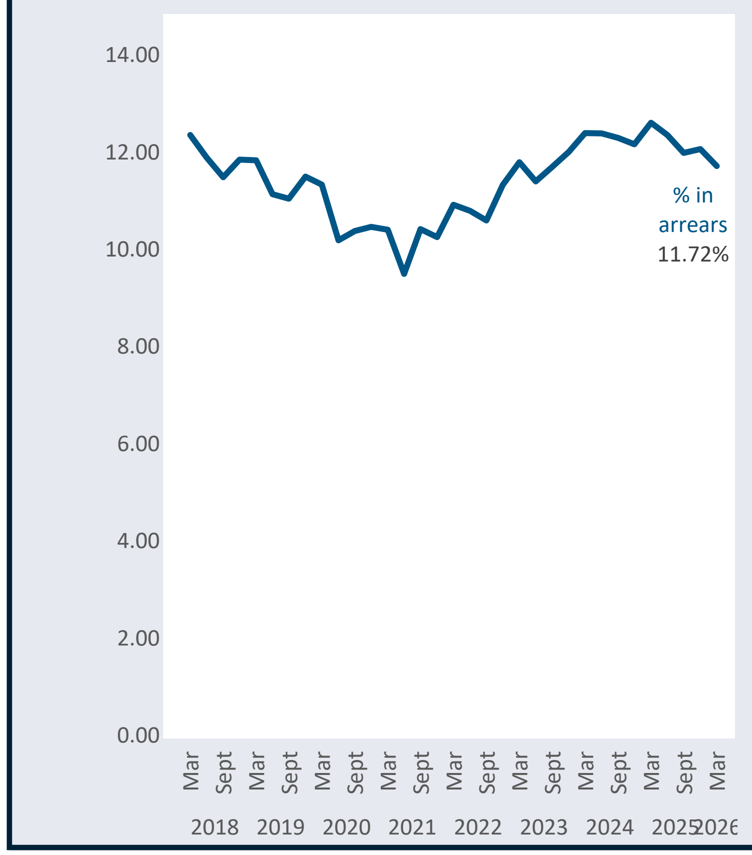
AHC incomes for MSD clients have broadly kept pace with inflation but are beginning to decline

Between 2017 and 2022, AHC 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 Working for Families (WFF).

Between April 2023 and April 2024, average real AHC after incomes increased by 0.3%. 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.

From April 2024 to April 2025, average real AHC incomes declined in real terms, driven by a rise in living costs, including housing costs, over the time period.

4. Contextual trends: Household credit arrears (Centrix)



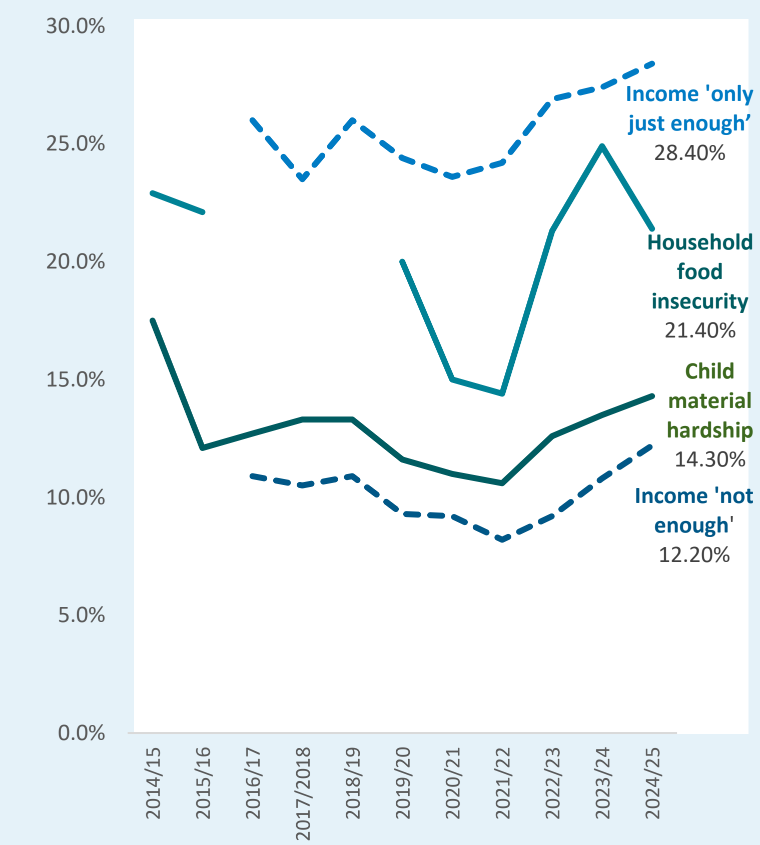
The number of consumers rose over 2023 to 2025, likely reflecting the high cost of living

The proportion of consumers who were behind on their credit payments gradually fell between January 2018 to July 2021. From late 2021, the proportion steadily rose, peaking 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 June 2025, before beginning to decline over late 2025 and early 2026.

This likely reflects both seasonal patterns and changing financial pressure on households.

4A. Lead Indicator: Income not enough (Household Economic Survey) (Stats NZ)



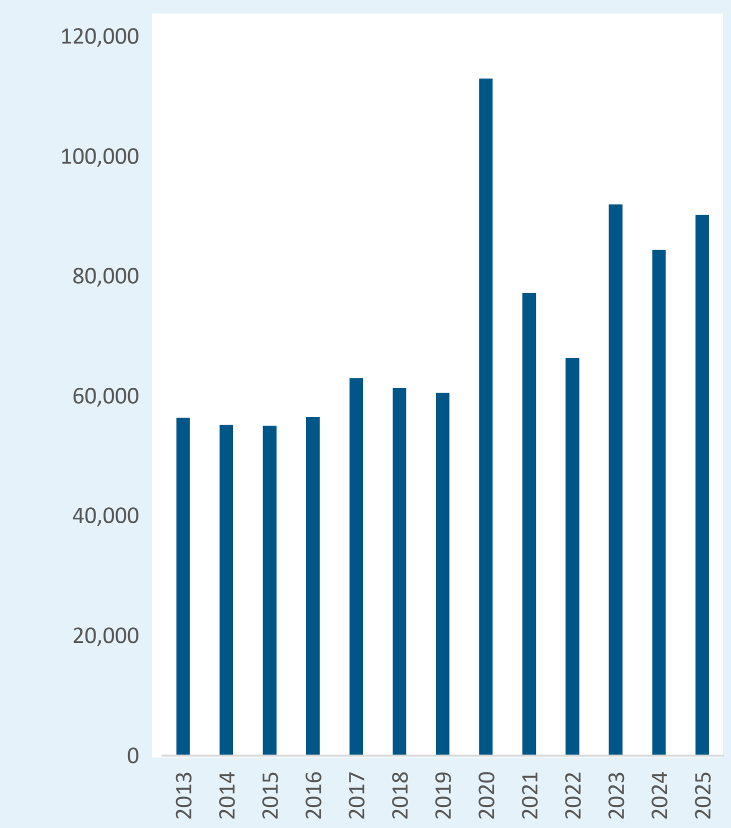
Long-term trends around household self-reported income adequacy are broadly consistent with rates of material hardship and food insecurity

The proportion of all households reporting that their income is 'not enough to meet everyday needs' steadily fell from 18% in 2009 to 8.2% in 2021/22 before rising to 12.2% in 2024/25.

The proportion reporting 'only just enough' followed the same broad trajectory, rising from 24.2% 2021/22 to 28.4% in 2024/25.

Rates of material hardship and food security fell throughout the 2010s and early 2020s. Material hardship has trended upwards over 2022/23 to 2024/25. Household food insecurity saw a steep rise over 2021/22 to 2023/24, before seeing a fall from 2023/24 to 2024/25.

4B. Contextual trends: Foodbank usage (Salvation Army)



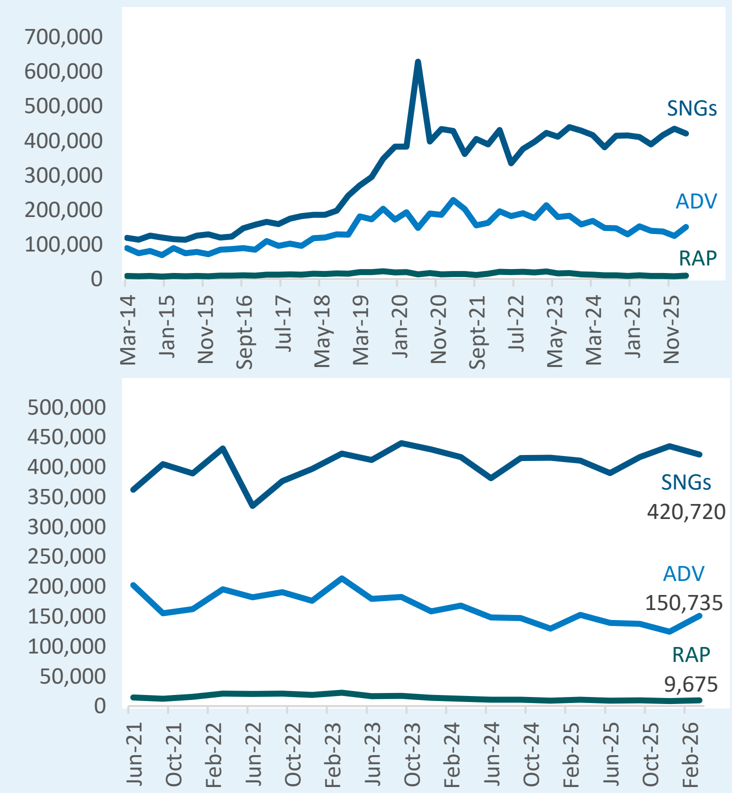
The number of food parcels distributed by the Salvation Army rose in 2025

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

The number of food parcels distributed by the Salvation Army reached record levels in 2020, reflecting 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. Provision rose again in 2025, likely reflecting cost of living pressures.

4C. Contextual trends: Quarterly hardship assistance receipt (MSD)



Hardship assistance has fluctuated

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 a 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, before decreasing over 2023/24.

Usage of SNGs has remained relatively flat over 2024 and 2025, with a small increase in usage in December 2025. Usage of ADV has trended downwards from 2023 to 2025, ahead of an increase in usage in March 2026. Changes in usage are likely to reflect both changes in need and operational factors.

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