

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 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

There has been an increase of around 7,000 children (3%) in benefit-receiving households from Quarter 3 2024, to 233,900 children in Quarter 3 2025. The number of children has increased by around 3,000 children (1%) since Quarter 2 2025.

3. Key driver of material hardship- Cost of living

Increases in the cost of living have fluctuated over 2025, with slower increases on the HLPI measure from Quarter 1 to Quarter 3 2025 and steeper increases on the CPI measure from Quarter 1 to Quarter 3 2025.

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

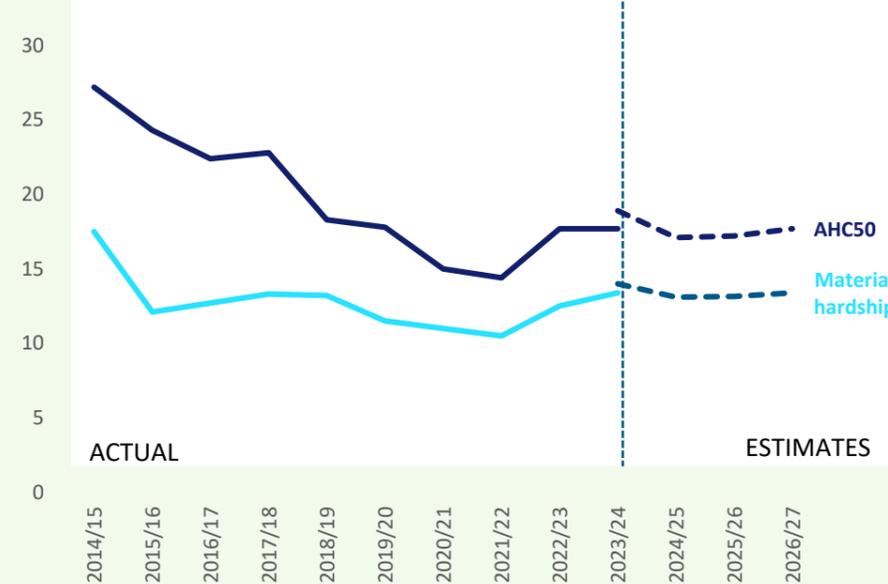
Household credit arrears fell slightly from Quarter 2 2025 to Quarter 3 2025. Arrears remain high, relative to previous years.

Implications for levels of material hardship

Overall, the mix of indicators suggest that pressure on households remains and levels of material hardship are likely to have remained similar from Quarter 2 2025 to Quarter 3 2025.

1. Indicative estimate of material hardship

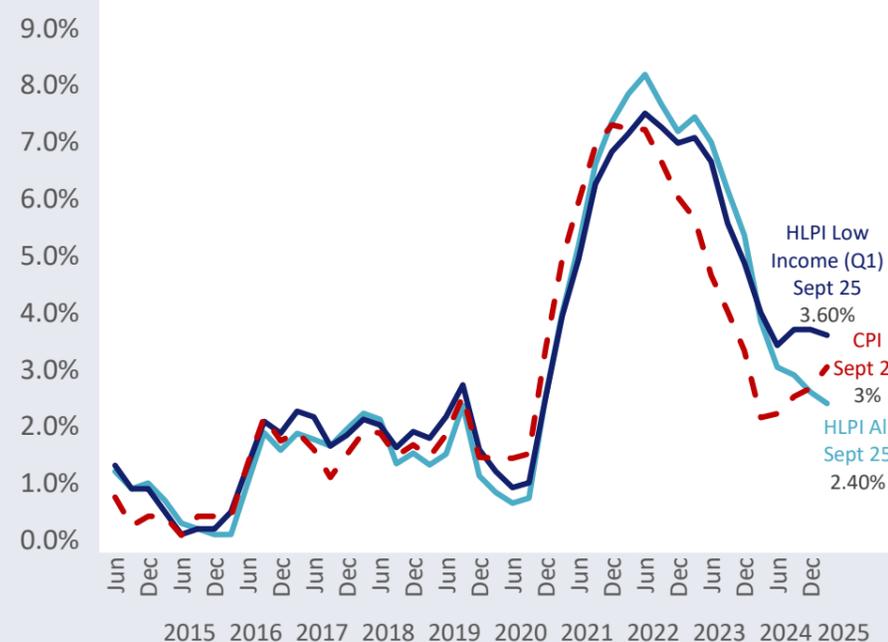
Lead Indicator: Rates and indicative estimates of material hardship



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

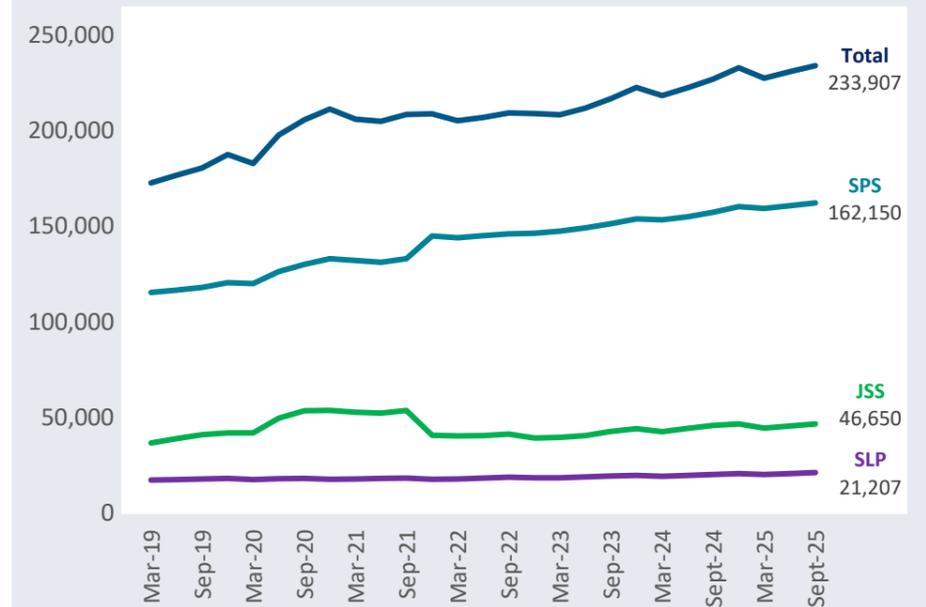
Lead Indicator: Household Living Price Index: Low income



CPI inflation rose to 3% in the 12 months to the September 2025 quarter, following a 2.7% increase in the 12 months to the June 2025 quarter. The rate of inflation was lower on HLPI, with the cost of living rising faster for low-income families. The difference in direction of HLPI and CPI reflects that a decrease in mortgage interest payments contributed to a lesser increase in HLPI, while an increase in the cost of building a new home contributed to a steeper increase in 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 increased between Quarter 2 2025 and Quarter 3 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 fell slightly between Quarter 2 and Quarter 3 2025.

Contextual trends: Household food insecurity (New Zealand Health Survey)

Rates of household food insecurity have fallen slightly

The 2024/25 New Zealand Health Survey (NZHS) found that around 208,000 children (21.4%) lived in households where food ran out “often or sometimes” in the 12 months prior to the survey. This is a statistically significant decrease on the previous year (24.9% in 2023/24), noting the 2023/24 rate was revised by the Ministry of Health as part of the 2024/25 NZHS.

The NZHS data also shows that there were lower rates of children in households reporting that food runs out “sometimes” in 2024/25 (16.4%) compared to 2023/24 (19.3%). The number reporting that food runs out “often”, did not change significantly.

There were no statistically significant changes in the rates of children living in households that use food grants or food banks because of lack of money for food “often or sometimes” in the past year. As food bank usage can reflect both demand and supply factors, including constraints on food banks to increase supply, it can be difficult to interpret trends.

Ongoing rises in the cost of living are likely to have been the main drivers for the recent increases in food insecurity. The decrease in household food insecurity from 2023/24 to 2024/25 may reflect the slowing of these increases.

Data on food security is not available for 2016/17 to 2018/19 as the question was not included in the NZHS for those years.



Contextual trends: Growth in wages compared to living costs (Stats NZ)

Wages have been growing faster than the cost of living in 2024/25

Nominal wage growth at both the lower quartile and the median was consistently higher than the cost of living, up on both the CPI and HLPI measures, until 2021. Wage growth was generally slightly higher at the lower quartile than at the median.

From 2021 to 2024, the cost of living was on par, or outgrew, wage growth, with the cost of living rising faster for low-income households and outgrowing wage growth.

In 2024 and 2025, wage growth was once again higher than cost of living increases. Wages grew faster at the median than at the lower quartile.

The gap between median wage growth and CPI increased from 2023 to 2024, but has shrunk slightly from 2024 to 2025. However the gap between lower quartile wage growth and CPI and HLPI has shrunk over 2024 and 2025, with lower quartile wage growth just above HLPI growth in 2025.

