

# New Zealand economy in sharp decline

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19 September 2025

New Zealand's gross domestic product (GDP) shrank by 0.9 percent in the second quarter of 2025, according to statistics released on Thursday. The decline was more than twice as big as most economists had predicted.

On an annual basis, economic activity was down 1.1 percent. GDP per capita fell 2.1 percent in the past year and 3.9 percent since June 2023.

The National Party-led government's finance minister Nicola Willis blamed business nervousness, stoked by the Trump administration's plan to impose 15 percent tariffs on New Zealand goods. The economy, however, shrank in three of the last five quarters, which cannot be explained by Trump's tariff announcement in April.

The economic war being waged by US imperialism, as it prepares for all-out war against China, is exacerbating the already severe global economic crisis, triggered by the COVID-19 pandemic. New Zealand, which relies heavily on exports of agricultural products and timber to China, is particularly exposed to the downturn in China.

The value of New Zealand's exports dropped 1.2 percent in the three months to June and 0.4 percent in the previous quarter.

Speaking to Radio NZ (RNZ), Willis also criticised the 2017–2023 Labour Party-led government for “spending like a drunken sailor” and driving up debt. In fact, both the current and the previous government have protected the wealth of the super-rich and imposed the economic crisis on the working class.

In 2020–21, the Labour-Greens government, supported by National and the entire parliament, gave tens of billions of dollars to big business via subsidies, bailouts and tax breaks, while the Reserve Bank printed billions more to prop up the banks.

All of this is being recouped from working people through attacks on public services, including health and

education, mass job losses and wage cuts. The state has deliberately engineered a recession to intensify the exploitation of workers.

The June quarter saw a contraction in 10 out of 16 industries. Manufacturing is down 3.5 percent, construction 1.8 percent, mining 4.1 percent. Retail, agriculture, transport, business and financial services, arts and recreation, healthcare and social assistance all recorded negative growth.

In the past year, there was a staggering 9.4 percent fall in construction activity. Goods production, which makes up one-fifth of the economy, contracted 5 percent while the services sector (nearly three-quarters of the economy) recorded zero growth.

The construction downturn is largely due to government cuts to public housing, under conditions where 2.3 percent of the population are severely housing deprived. Auckland Council estimates the number of people sleeping rough in the city has increased 90 percent in the past year.

Prime Minister Christopher Luxon downplayed the GDP figures, telling the media: “We’re growing now. We’re projected to grow more strongly going into the next quarter.”

Such claims are not credible. Steel Worx Group director Chris Barrett told the *New Zealand Herald*, “every single manager or owner... I’m talking to [is] in critical freefall. Absolutely no business, no opportunities.”

Unemployment has risen sharply from 3.2 percent in 2022 to 5.2 percent (158,000 people). RNZ reports that as of June there were 50,000 fewer jobs than in December 2023, with “16,000 fewer filled jobs in construction, 8700 fewer in manufacturing and 6000 fewer in retail.”

The underutilisation rate is 12.8 percent, meaning 400,000 workers are either unemployed or only employed part-time and seeking more work.

In the first half of the year, 1,270 businesses shut down—a 12 percent increase compared to the same period in 2024, according to RNZ. Auckland, the biggest city, has the highest unemployment in the country at 6.1 percent, with 15,409 job losses in the 12 months to June.

Wellington, the capital, has lost 5,961 jobs, largely due to sweeping public sector layoffs. Recent announcements also include 100 job cuts by Wētā FX, the visual effects company owned by billionaire filmmaker Peter Jackson.

In the past week, timber manufacturer Carter Holt Harvey, owned by multi-billionaire Graeme Hart, announced plans to close its plywood factory in Tokoroa, destroying 120 jobs. The small town is still reeling from the closure this year of OJI Fibre's Kinelith pulp and paper mill, which had employed 150 people.

Carter Holt Harvey also plans to close its Eves Valley sawmill in Nelson, making 142 workers redundant. Sealord's coated-fish factory in Nelson will also shut, eliminating 79 jobs, while Griffin's Snacks is proposing to shut its Proper Crisps factory, sacking 65 people.

While tens of thousands are being thrown out of work, the cost of living continues to soar. Food prices have risen 5 percent in the past year. Milk is up 15 percent, cheese 14.3 percent, bread 9.5 percent, meat 9.4 percent, fruit and vegetables 8.9 percent. The cost of electricity increased 11.4 percent.

Meanwhile, the government has effectively slashed the minimum wage, raising it by only 1.5 percent.

Sections of the ruling elite responded to the GDP announcement by demanding more brutal austerity. The 1990s National government's finance minister Ruth Richardson and the 1980s Labour government's finance minister Roger Douglas (founder of the far-right ACT Party) have lambasted Willis for failing to halt government borrowing and to slash spending on pensions and welfare.

The opposition Labour Party leader Chris Hipkins declared yesterday that the government was “completely out of touch with the day-to-day reality facing New Zealand families” and claimed that Labour would not have made similar cuts to housing, hospitals and other projects.

Hipkins, however, campaigned for public sector

layoffs in the 2023 election, which his party lost by a landslide after overseeing years of rising child poverty, entrenched homelessness and high living costs.

The Labour Party has no real differences with austerity measures. It also agrees with the diversion of billions of dollars from social programs to the military in order to integrate New Zealand into US war plans.

The accelerating social counter-revolution is driving workers to the left and into struggles. Tens of thousands of nurses, doctors and teachers recently held nationwide strikes against low wages and extreme understaffing. These actions, however, have been limited and isolated by the union bureaucracy, which is working with the government to prepare sellout deals.

Workers must develop their struggles not only against the government, but also Labour and its allies—the Greens, Te Pahi Māori, the various pseudo-left groups—all of which prop up capitalism. To break the stranglehold of the pro-capitalist union apparatus, workers must build rank-and-file committees that will unify workers in New Zealand with those in Australia and internationally.

Workers and young people must fight for a socialist solution to the crisis. The wealth of the super-rich must be expropriated and war spending halted, in order to expand schools, hospitals and housing, and put an end to social inequality.



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