# Cost of living rises in New Zealand

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Annual inflation in New Zealand jumped from 3.1 percent in the March quarter to 4.1 percent in the June quarter, its highest level in more than two years. The increase was mostly driven by higher fuel prices—petrol prices rose by 27.5 percent in the past year and diesel by 71 percent—due to the unprovoked and criminal US-Israeli war against Iran.

Other costs also rose sharply. Electricity prices increased 12 percent and local council rates 8.8 percent. The cost of fruit went up 6 percent, meat 7.5 percent and bread 4.7 percent.

With an election approaching in November, the National Party-led coalition government attempted to deflect responsibility for the cost-of-living crisis. Finance Minister Nicola Willis described the inflation figures as a "Trump spike," telling the media on July 21: "I do not control Donald Trump. I do not control the ayatollahs."

In fact, the New Zealand government supports the imperialist war on Iran, which has killed thousands and disrupted global energy markets, forcing billions of workers internationally to bear the burden through higher costs.

The 2017–2023 Labour Party-led government also bears responsibility. A report released on July 7 found that real wages in New Zealand plunged 6.4 percent between 2021 and the first quarter of 2026—under both the current government and the previous one. This was the biggest drop among OECD countries.

Willis issued a statement declaring that inflation had to be combated by "fiscal discipline" and "restraining government spending." This means deeper austerity measures targeting essential public services. The government has already eliminated thousands of public sector jobs and slashed funding for healthcare, education and social welfare services.

At the same time, Willis claimed the economy will expand by 2.7 percent over the next four years, creating 220,000 jobs. This stands in sharp contrast to current economic conditions: annual gross domestic product growth is currently 0.8 percent.

Unemployment has risen to an 11-year high of 5.6 percent following a wave of job cuts and factory closures. None of the parties in parliament has explained how secure, well-paid employment will be created to reverse this trend.

The real priority of the entire political establishment is defending the interests of New Zealand's financial elite. While working people confront a deepening social crisis, the country's number of billionaires has risen from 18 to 26 in the past year thanks to low wages and an increasing rate of exploitation.

Numerous reports paint a picture of worsening poverty for the working class.

Fincap, a national financial mentors network, revealed last month that welfare beneficiaries spend 8 percent more each week than they receive in income, forcing many into debt.

Fincap dealt with 30,654 low-income clients last year, a 57 percent increase from 2021. The total debt among its clients reached $933 million, an increase of 121 percent over five years. More than half relied on welfare benefits as their principal income, and the median weekly income of its clients also declined, from $765.32 in 2024 to $760.58 last year.

Housing remains the largest expense. Fincap clients spent an average of 38.1 percent of their income on rent and board, 19.5 percent on groceries and 14.2 percent on debt repayments.

A Kiwibank survey published on July 23 painted a similarly bleak picture. Four in ten respondents said they were borrowing to cover everyday living costs. Twenty-eight percent said they could not meet an unexpected $500 expense without selling possessions or going into debt.

DebtFix co-founder Christine Liggins told Radio NZ

(RNZ) that 450,000 people, 10.6 percent of NZ's adult population, are behind in their debt repayments every month.

Older people are being hit particularly hard. Age Concern Auckland told RNZ it had seen a 20 to 30 percent increase in calls for help. The organisation's chief executive Kevin Lamb said many retirees living only on the pension were forced to make "awful decisions [about] whether or not to heat their home or go and buy groceries."

Young people likewise face worsening financial pressure. The unemployment rate for people under 25 years old is 17.3 percent, the highest it has been in three decades.

A Victoria University of Wellington Students' Association survey of 1,238 students released on July 22 found that 38 percent had skipped meals because they could not afford food and 60 percent struggled to afford fresh fruit and vegetables. More than a third of students reported missing classes because they could not afford public transport.

Seventy percent of students were considering moving overseas to find work due to the lack of jobs in New Zealand.

Activities once regarded as normal for working-class families have become unaffordable. RNZ reported last month that Papatoetoe Intermediate School in Auckland was forced to cancel its annual school camp after only 160 of its 750 students could afford to attend. The cost had risen from about $240 per student to more than $350.

Child poverty continues to worsen. The number of children living in material hardship—without access to necessities such as nutritious food, healthcare and warm, safe housing—increased from 143,700 in 2023 to 169,300 or one in seven children in the latest government figures. Conditions are especially severe in working-class areas such as South Auckland, where 28 percent of children live in material hardship and almost one in four households relied on foodbanks during the past year.

Around 40 percent of children whose families live in private rental accommodation while receiving the Accommodation Supplement are in material hardship, as their families spend more than half their income on housing.

The opposition Labour Party and the Greens are attempting to exploit mounting public anger over rising prices while offering no alternative to the government's austerity agenda. Labour suffered a crushing defeat in the 2023 election as it oversaw rising living costs and child poverty and a deepening housing crisis. In 2022 inflation was 7.2 percent, and in the year to April 2023 food prices went up 12.5 percent.

The Council of Trade Unions (NZCTU) acting president Rachel Mackintosh issued a statement which denounced the government for cutting benefits and increasing public housing rents. "Working people desperately need a government that puts money in their pockets," she declared.

Such statements conceal the key role played by the trade union bureaucracy itself in collaborating with governments and employers to suppress workers' struggles and drive down wages. This year several unions imposed major pay-cutting deals on nurses, doctors, other healthcare workers and schoolteachers following strike action last October involving over 100,000 workers.

Whatever the outcome of the November 7 general election, the assault on workers' living standards will continue. Both the National and Labour Parties are committed to doubling military spending and further integrating New Zealand into the ever-expanding world war led by US imperialism. This militarisation will be paid for with deeper cuts to social programs.

The cost-of-living crisis is not the product of temporary policy failures but of a system which subordinates every aspect of economic life to private wealth accumulation. The alternative facing workers is the building of a party based on socialist internationalism, committed to abolishing the capitalist profit system and reorganising society to meet social needs.