

# Household disposable incomes

While New Zealand has, on average, comparatively good levels of disposable income this is eroded by increasing levels of debt, and rising costs of living. Disposable income is also unequally distributed, with significant numbers experiencing in-work poverty or having precarious incomes. Increasing pressure on incomes may lead to reduced participation in sport and recreation activities.

## What we're seeing

### Improving disposable incomes

Average household disposable incomes in NZ have been increasing. This is due to rising wages, and low levels of unemployment. Disposable income increased even after housing costs have been accounted for. The change in disposable income varies between regions, and growth in disposable income has been greatest for the more affluent.<sup>1</sup> We rank above average in the OECD's disposable income index.<sup>2</sup>

### Household debt is increasing

Between 2018 and 2021 household debt increased by 29%. Most of this is due to increased property debt.<sup>3</sup> Other contributions to household debt include credit cards, and student loans.

### The soaring cost of living

A recent survey found that one in four New Zealanders have struggled to make ends meet at least once a month. Food banks are also continuing to struggle with demand.<sup>4</sup> NZ is one of the more expensive countries to live.<sup>5</sup>

### Material living standards haven't improved for all

In terms of housing costs, material living standards haven't improved over the last decade. Housing costs for the poorest 20% in NZ are about twice the average,<sup>6</sup> and rent has been increasing at a greater rate than other living costs.<sup>7</sup> House prices and other living costs have risen much more than wage growth recently.<sup>8</sup> While house prices are starting to fall, rising interest rates counteract this, and rents aren't falling. Wealth remains unevenly distributed. The top 10% of NZ households have 50% of total household net worth in NZ.<sup>9</sup>

### The in-work poor

Another recent study found that 7% of Kiwi working households were classed as living in poverty for at least one month in the year. The in-work poverty rate hasn't changed for a decade.<sup>10</sup>

### Insecure income, employment

It has also been estimated that one in six households, and 30% of working age Māori, have insecure employment and income. They have no financial reserves to weather rising costs or job losses, and can quickly shift to relying on food parcels, living in motels, and sleeping in cars.<sup>11,12</sup>

### "Middle class reset"

While in Asia a rapidly growing middle class is providing a surge in consumerism, in the west spending patterns are changing. This has been called a middle class reset, with those in the west moving toward less conspicuous consumption, and seeking out discounts and budget options.<sup>13</sup> However, the baby boomer generation in NZ makes up about one third of the country's disposable income spending. Pre-pandemic travel was a key spend for them, along with fitness and mobility.<sup>14</sup> This is likely to continue as the world opens up again.

## Potential implications

### Create

- Sport and recreation organisations that are attractive to more diverse economic circumstances and needs

### Relate

- Improve social cohesion and mobility through sport and recreation opportunities

### Consume

- Reduced consumption due to high cost of living
- Increased discretion on spending

### Degrade

- Social mobility reduced due to inequalities
- Participation in sport and recreation declines due to costs

### Connect

- Brain drain due to better economic opportunities overseas
- Improve social connections through sport & recreation

### Define

- What makes sport & recreation a must have not a nice to have spending option?

### More information (links)

<sup>1</sup> [Household income and housing-cost statistics](#)

<sup>2</sup> [OECD Better Life Index](#)

<sup>3</sup> [Mortgages and other real estate loans drive household debt up](#)

<sup>4</sup> [Soaring cost of living hits many New Zealanders hard, study shows](#)

<sup>5</sup> [Cost of living rankings by country](#)

<sup>6</sup> [Housing costs crippling for poorest households](#)

<sup>7</sup> [Rent and food prices surge](#)

<sup>8</sup> [Housing affordability is only getting worse](#)

<sup>9</sup> [Distribution of wealth across NZ households remains unchanged](#)

<sup>10</sup> [In-work poverty in NZ](#)

<sup>11</sup> [Precariat Māori households today](#)

<sup>12</sup> [Who are NZ's precariat?](#)

<sup>13</sup> [Middle Class Reset](#)

<sup>14</sup> [Boomers 'represent one-third of NZ's disposable income spending'](#)