

NZ Institute of Economic Research (Inc)  
Media release 18 March 2024

# Consensus Forecasts

## NZIER *Consensus Forecasts* show weak growth for the year ending March 2025

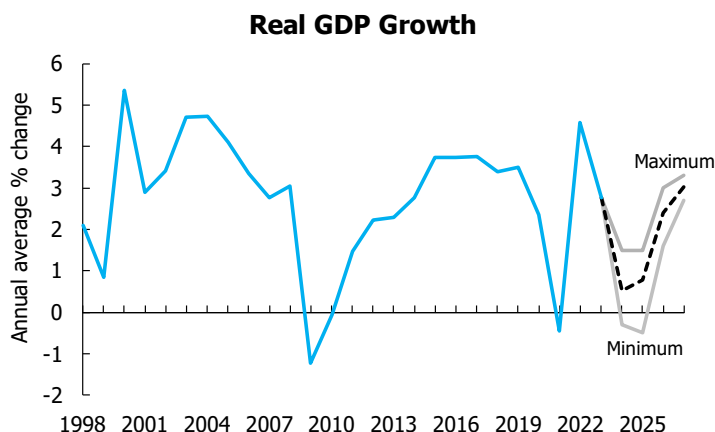
The latest NZIER *Consensus Forecasts* show a downward revision to the growth for the coming year. Annual average GDP growth for the year ending March 2024 has been revised down to 0.5 percent and remains weak at 0.8 percent for the year ending March 2025. This weaker outlook for GDP growth has been driven by the 0.3 percent decline in GDP over the September quarter of 2023. The dampening effects of higher interest rates on the New Zealand economy have become increasingly evident. The transmission of the increases in the Official Cash Rate (OCR) are expected to drive a continued slowing in demand over the coming year. Over the longer term, the increased migration-led population growth is expected to support a recovery in economic activity.

Forecasts of household spending have been revised much lower for 2024 and 2025. Despite the strong net migration inflows, retail sales have been weak over the past year. A further slowing in household spending is expected, given that around 56 percent of mortgages are due for repricing within 12 months. For residential investment, the outlook has been revised lower for 2025. Both Stats NZ's dwelling consent issuance and the NZIER *Quarterly Survey of Business Opinion's* (QSBO's) architects' work in their own office point to a slowing in short-term residential construction demand for the coming year. However, the migration-led population growth should underpin a recovery beyond 2025.

Export growth forecasts have been revised lower for 2024 but higher for 2025. Higher interest rates have weighed on global growth and, in turn, demand for New Zealand exports. Global economic conditions are expected to improve over the coming year, and this should support a pick-up in export demand.

The inflation outlook is broadly unchanged. Annual CPI inflation is forecast to ease to 4.2 percent in 2024 before decreasing to 2.4 percent in 2025. However, the strong net migration inflows remain the key upside risk to inflation. The ongoing tensions in the Red Sea may also present an upside risk for tradeable inflation as it increases global shipping costs.

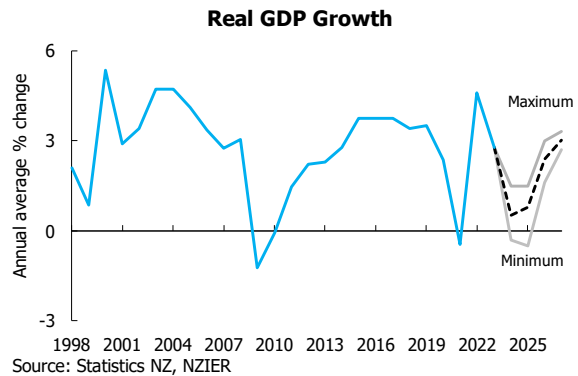
**Figure 1 GDP growth remains weak for the year ending March 2025**



## Weaker GDP growth outlook for 2025

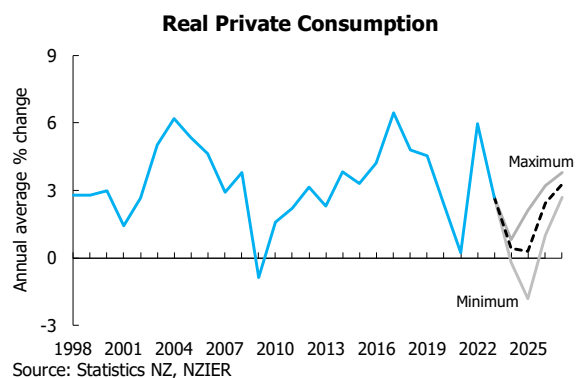
Consensus Forecasts for GDP growth have been revised lower to 0.5 percent and 0.8 percent for the years ending March 2024 and March 2025, respectively.

This downward revision reflects the lower starting point of GDP for the September 2023 quarter. The dampening effects of higher interest rates on the New Zealand economy are now more apparent. Over the longer term, the migration-led population growth should support a recovery in activity.



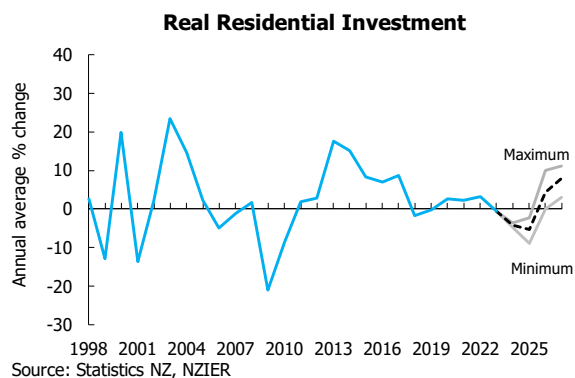
## Weak household spending growth expected in the near term

Forecast household spending has been revised lower to below 1 percent for 2024 and 2025. This downward revision reflects the weak retail sales in the December 2023 quarter and expectations for a further slowing in household spending as many households face further increases in their mortgage repayments as they refix their mortgage rates over the coming 12 months.



## Further easing in residential investment outlook for 2025

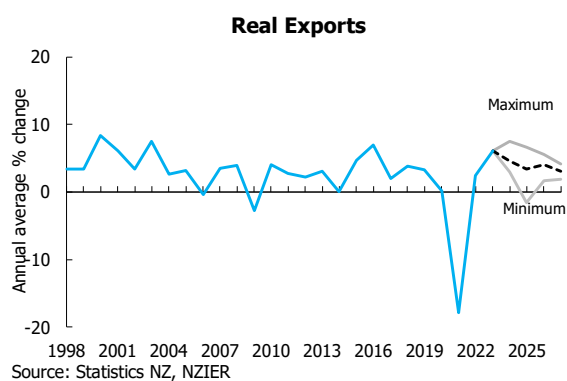
The overall investment outlook points to declines in 2024 and 2025. For residential investment, forecasts for 2025 have been revised down further. Both dwelling consent issuance and the NZIER QSBO's architects' work in their own office point to a slowing in the pipeline of residential construction. Beyond that, a recovery in residential investment is expected as the migration-led population growth underpins stronger demand for new housing.



## Improved export growth outlook for 2025

The export growth outlook has further eased for 2024. Higher interest rates are weighing on global growth and, in turn, demand for New Zealand exports, especially demand from China. Forecasts for 2025 have been revised higher, reflecting expectations for improved global economic conditions over the coming year.

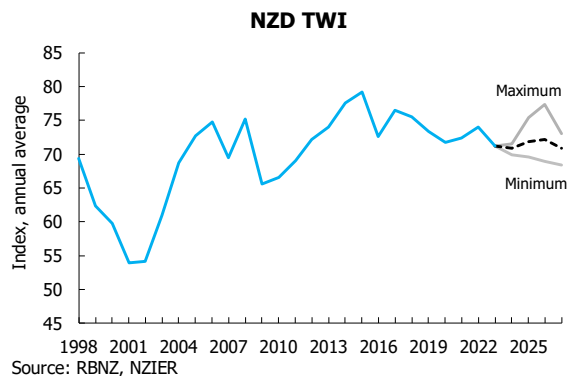
The import growth outlook has been revised lower for 2024 and 2025, reflecting expectations of weaker domestic spending.



## NZD revised higher across forecast period

Forecasts of NZD TWI have been revised higher over the whole projection period. The Reserve Bank of New Zealand (RBNZ) reiterated in its February Monetary Policy Statement that the OCR needs to remain restrictive. Expectations for New Zealand interest rates staying high for a sustained period have underpinned the yield attractiveness of the NZD.

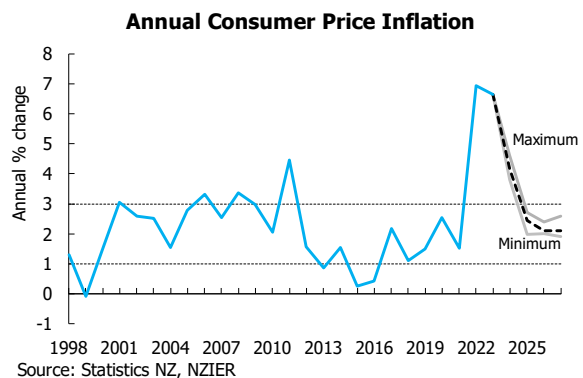
The NZD TWI is expected to track between 70.9 and 72.2 across the forecast period.



## Inflation outlook is broadly unchanged

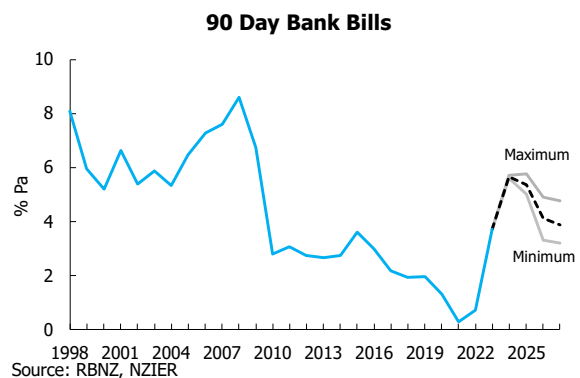
The outlook for inflation is broadly unchanged. Inflation is expected to return to RBNZ's 1 to 3 percent inflation target band in the year ending March 2025.

The annual CPI inflation of 4.7 percent in the December quarter points to a continued easing in inflation pressures in the New Zealand economy. The NZIER QSBO shows a decline in the proportion of firms reporting higher costs and in raising prices, which supports expectations of further easing in CPI inflation.



## Interest rate outlook unchanged

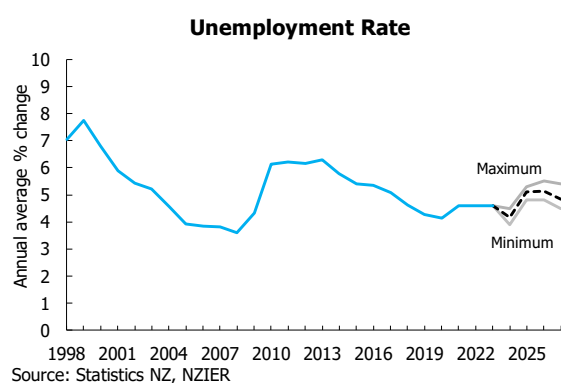
Forecasts for interest rates are also broadly unchanged. This reflects the expectations for interest rate cuts being unlikely any time soon, given the RBNZ reiterated that its intention to keep the OCR at 5.50 percent and its need to stay at a restrictive level for a sustained period. With annual CPI inflation still well above the inflation target band, interest rates will need to remain restrictive.



## Lower wage growth expectations for 2025

Wage growth forecasts have been revised lower for 2024 and 2025. The continued easing in labour shortages has driven expectations for a slowing in wage growth over the coming year.

Meanwhile, the outlook for the unemployment rate for the coming years is broadly unchanged. The RBNZ Survey of Expectations points to continued expectations for the unemployment rate to track higher and wage growth to ease.



**Table 1 Latest *Consensus Forecasts* compared to previous**

aapc, March years	Mar-2024 survey				Dec-2023 survey			
	2023/24	2024/25	2025/26	2026/27	2023/24	2024/25	2025/26	2026/27
GDP	0.5 ↓	0.8 ↓	2.4 ⇒	3.0 ⇒	1.2	1.2	2.4	3.0
Private consumption	0.4 ↓	0.3 ↓	2.4 ↑	3.3 ↑	1.4	1.1	2.3	3.1
Public consumption	-0.2 ↓	-1.8 ↓	-0.3 ↓	1.2 ↓	0.0	-1.1	0.5	1.9
Fixed investment:								
Residential	-4.1 ↑	-5.3 ↓	4.4 ⇒	7.9 ↓	-5.4	-5.0	4.4	8.6
Other	-1.0 ↓	-2.1 ↓	2.7 ↓	4.7 ⇒	2.2	-1.1	2.8	4.7
Total	-1.8 ↓	-2.8 ↓	3.1 ⇒	5.4 ↓	0.2	-2.0	3.1	5.6
Exports, goods & services	4.6 ↓	3.4 ↑	4.1 ↓	3.1 ↑	6.0	3.0	4.4	2.9
Imports, goods & services	-1.2 ⇒	-1.4 ↓	2.6 ↓	4.0 ↑	-1.2	0.4	2.8	3.4
Consumer price index (apc)	4.2 ↓	2.4 ↓	2.1 ⇒	2.1 ⇒	4.3	2.5	2.1	2.1
New Zealand TWI (avg yr to Mar)	70.9 ↑	71.9 ↑	72.2 ↑	70.9 ↑	70.6	71.1	71.3	70.5
90 day bank bill (avg yr to Mar)	5.7 ⇒	5.4 ↑	4.1 ⇒	3.9 ⇒	5.7	5.3	4.1	3.9
10 year govt bond (avg yr to Mar)	4.8 ↓	4.7 ↓	4.4 ⇒	4.6 ↑	4.9	4.8	4.4	4.4
Current account balance (NZ\$b; Mar yr)	-22.8 ↑	-17.9 ↑	-14.8 ↑	-15.3 ⇒	-26.7	-23.4	-18.3	-15.3
Employment	1.6 ↑	0.6 ↓	1.6 ⇒	1.8 ↑	0.8	0.7	1.6	1.6
Unemployment (% of labour force)	4.2 ↓	5.1 ↓	5.1 ⇒	4.8 ↓	4.4	5.2	5.1	4.9
Wages (private sector avg hourly earnings)	6.8 ↓	4.5 ↓	3.7 ⇒	3.0 ↑	7.1	4.8	3.7	2.7
Government operating balance (NZ\$b, September yr)	-9.8 ↑	-6.6 ↑	-3.4 ↓	-0.5 ↓	-11.5	-6.7	-2.0	1.1

Source: NZIER

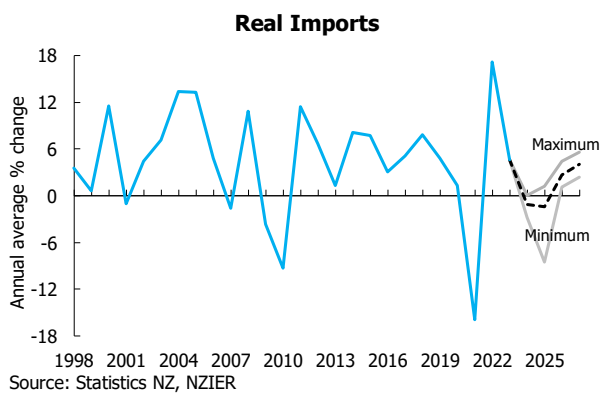
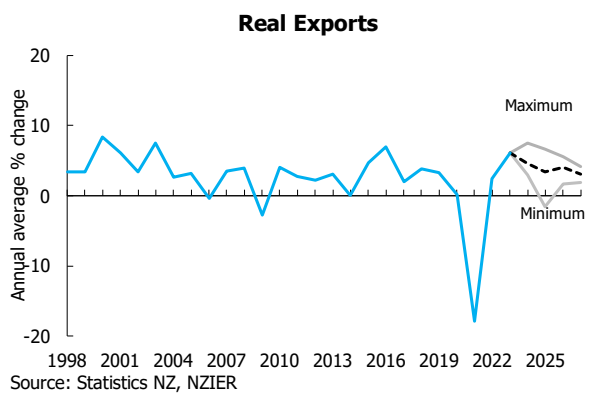
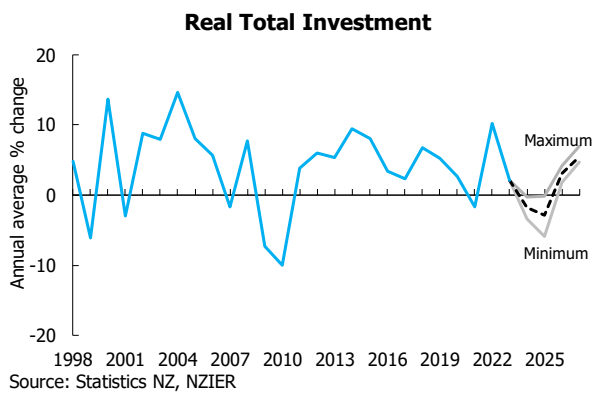
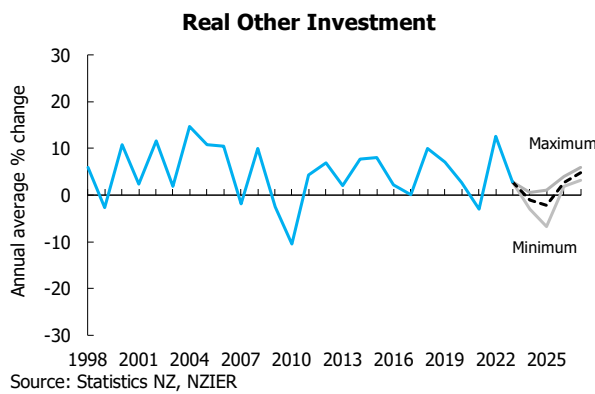
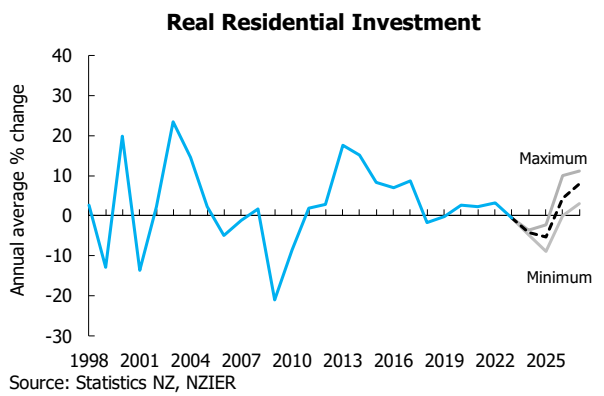
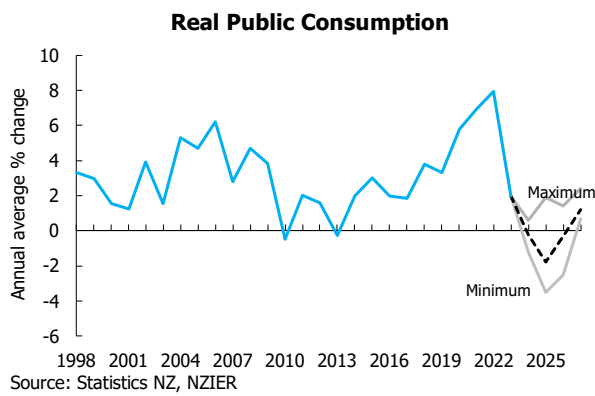
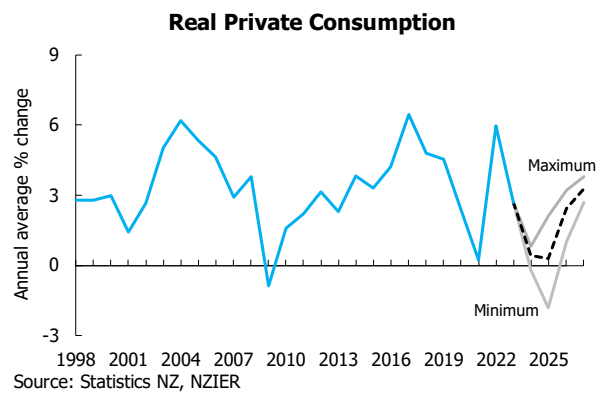
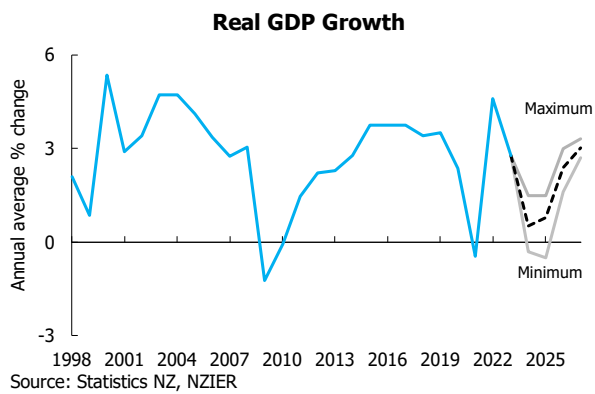
**Table 2 Breakdown of the forecasts**

qpc, quarters	Dec-23 f			Mar-24 f			Jun-24 f					
	Low	Mean	High	Low	Mean	High	Low	Mean	High			
GDP (seasonally adjusted, qpc)	-0.2	0.1	0.4	-0.4	0.1	0.6	-0.3	0.2	0.4			
CPI (qpc)	0.4	0.7	0.8	0.3	0.5	0.7	0.7	1.0	1.2			
aapc, March years	2022/2023 f			2023/2024 f			2024/2025 f			2025/2026 f		
	Low	Mean	High	Low	Mean	High	Low	Mean	High	Low	Mean	High
GDP	-0.3	0.5	1.5	-0.5	0.8	1.5	1.6	2.4	3.0	2.7	3.0	3.3
Private consumption	-0.2	0.4	0.8	-1.8	0.3	2.1	1.0	2.4	3.2	2.7	3.3	3.8
Public consumption	-1.2	-0.2	0.6	-3.5	-1.8	1.9	-2.5	-0.3	1.4	0.7	1.2	2.4
Fixed investment												
- Residential	-4.8	-4.1	-3.5	-8.8	-5.3	-2.2	0.0	4.4	10.1	3.1	7.9	11.1
- Other	-3.0	-1.0	0.6	-6.7	-2.1	1.0	1.9	2.7	3.9	3.1	4.7	5.9
- Total	-3.4	-1.8	-0.3	-5.9	-2.8	-0.2	1.8	3.1	4.2	4.7	5.4	7.0
Exports, goods and services	3.0	4.6	7.5	-1.6	3.4	6.6	1.7	4.1	5.6	1.9	3.1	4.2
Imports, goods and services	-2.8	-1.2	0.1	-8.5	-1.4	1.2	1.1	2.6	4.4	2.3	4.0	5.6
Consumer price index (apc)	3.8	4.2	4.6	2.0	2.4	2.7	2.0	2.1	2.4	1.9	2.1	2.6
New Zealand TWI (avg yr to Mar)	69.9	70.9	71.5	69.6	71.9	75.4	68.9	72.2	77.4	68.4	70.9	73.0
90 day bank bill (avg yr to Mar)	5.6	5.7	5.7	5.0	5.4	5.8	3.3	4.1	4.9	3.2	3.9	4.8
10 year government stock (avg yr to Mar)	4.5	4.8	5.2	4.1	4.7	5.6	3.6	4.4	5.4	4.1	4.6	5.3
Current account balance (NZ\$b; Mar yr)	-27.8	-22.8	-6.8	-23.0	-17.9	-5.7	-19.4	-14.8	-4.6	-18.0	-15.3	-9.7
Employment	1.1	1.6	2.7	0.0	0.6	1.6	1.1	1.6	2.5	1.6	1.8	2.3
Unemployment rate (% of labour force)	3.9	4.2	4.5	4.8	5.1	5.3	4.8	5.1	5.5	4.5	4.8	5.4
Wages (private sector avg hourly earnings)	6.7	6.8	6.9	4.0	4.5	5.3	2.8	3.7	5.2	2.3	3.0	4.2
Government operating balance (NZ\$m, December yr)	-11.9	-9.8	-8.0	-7.6	-6.6	-6.1	-3.8	-3.4	-2.8	-1.8	-0.5	0.1

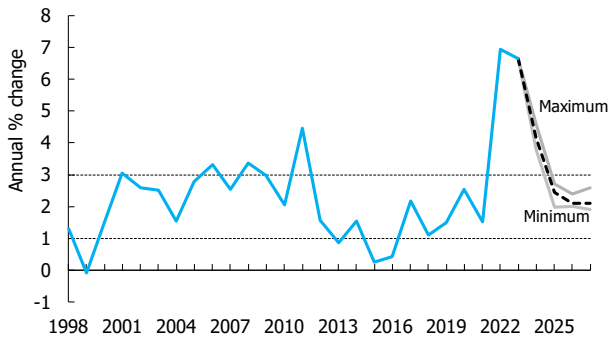
Notes: aapc = annual average percent change, apc = annual percent change, qpc = quarterly percent change  
 These results show only means; standard deviations are available on request

Source: NZIER

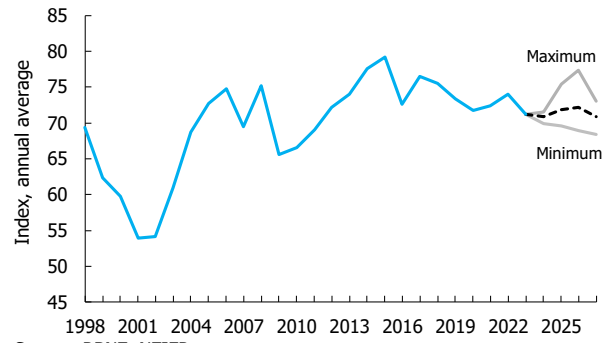
## Summary charts



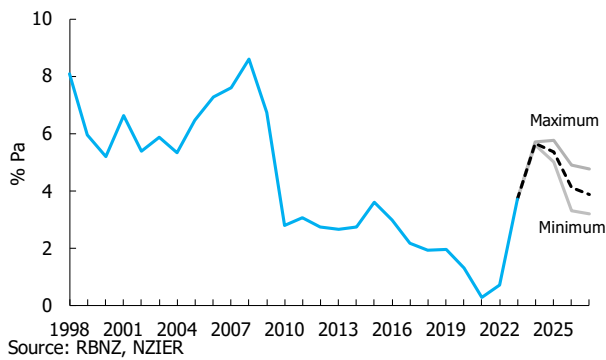
**Annual Consumer Price Inflation**



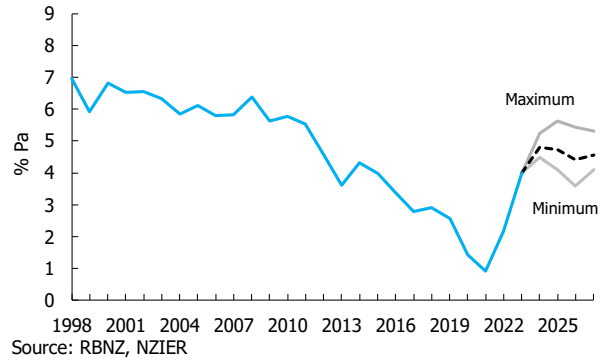
**NZD TWI**



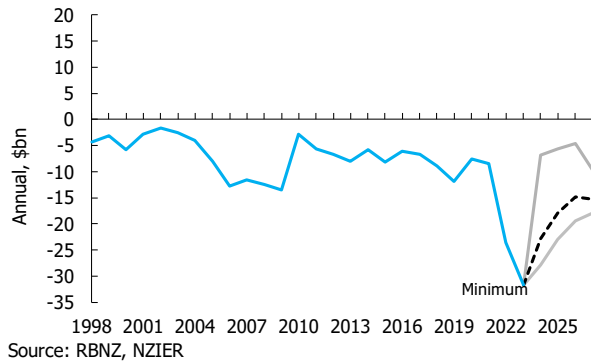
**90 Day Bank Bills**



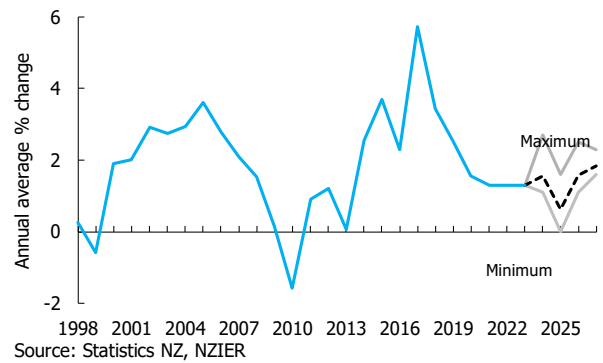
**10 Year Government Bond Yield**



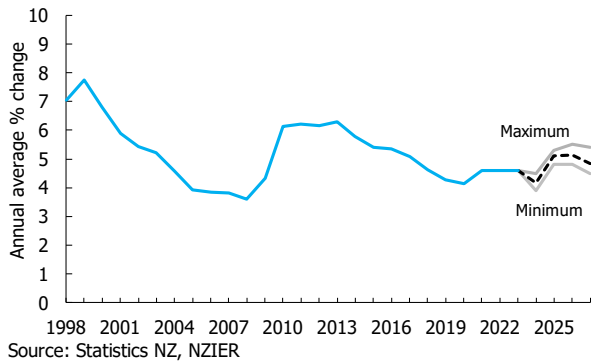
**Current Account Balance**



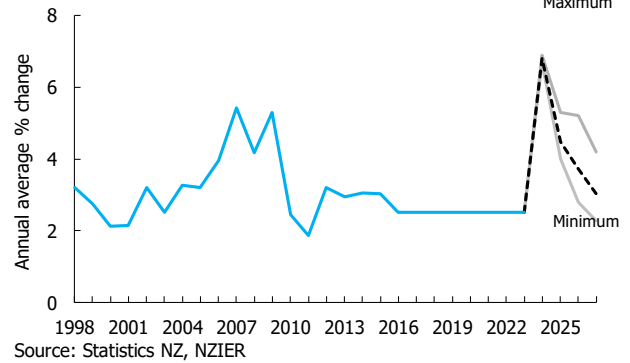
**Employment Growth**

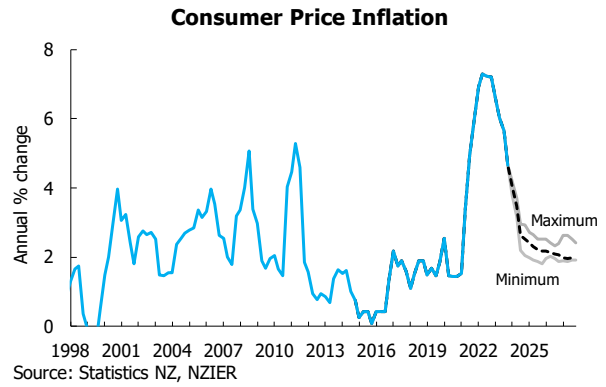
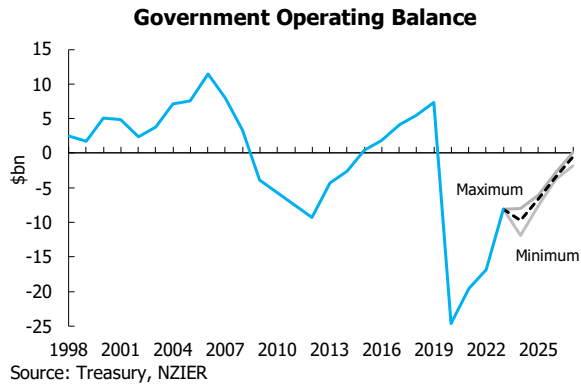


**Unemployment Rate**



**Private Sector Wage Inflation**





*The NZIER Consensus Forecasts are an average of New Zealand economic forecasts compiled from a survey of financial and economic agencies. These are not NZIER's forecasts. The average forecasts do not necessarily represent the views of individual participants. Forecasts are for March years, e.g. 2024 refers to the year ended March 2024.*

## Respondents

ANZ Bank  
ASB Bank  
Bank of New Zealand  
Kiwibank  
New Zealand Institute of Economic Research  
Reserve Bank of New Zealand  
The Treasury  
Westpac

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