

NZ Institute of Economic Research (Inc)
16 June 2025

Consensus Forecasts

NZIER *Consensus Forecasts* suggest a gradual recovery in the New Zealand economy over the coming year

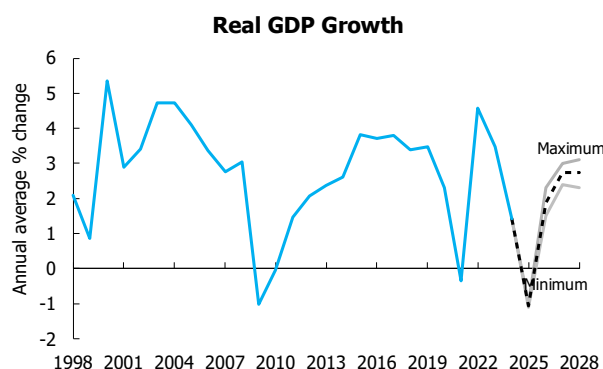
The latest NZIER *Consensus Forecasts* show a downward revision to the near-term growth outlook relative to the previous release of *Consensus Forecasts*. Annual average growth in GDP is forecast to contract by 1.1 percent in the year to March 2025 before picking up to 1.9 percent in the following year. Following the contraction in the June and September quarters of 2024, recovery in the New Zealand economy has been fragile. Expectations are for the recovery in activity to continue at a gradual pace over the coming year. Over the longer term, lower interest rates are expected to support a pick-up in growth.

Forecasts of household spending are broadly unchanged relative to the March 2025 release of *Consensus Forecasts*. The soft labour market is driving continued caution amongst households. With over half of mortgages due for repricing within the next six months, many households will face further relief in the form of reduced mortgage repayments. This is expected to support a continued recovery in discretionary spending over the coming years. The near-term residential investment outlook has been revised lower, reflecting expectations for continued weakness in residential construction demand over the coming year. This is broadly in line with the architects' work in their own office measure in the NZIER *Quarterly Survey of Business Opinion* (QSBO), which indicates a reduced pipeline of housing construction work over the coming year.

The export growth outlook has been revised higher for the years ending March 2025 and March 2026 but lower beyond that. Over the past few months, exports of food commodities have been buoyed by robust global demand and constrained global supply, which are expected to underpin near-term export growth. However, the US tariff announcements and concerns about global growth weigh on the export growth outlook beyond 2026.

The inflation outlook for the years beyond 2025 remained broadly unchanged. The recent pick-up in Consumers Price Index inflation in the March quarter largely reflects increased costs of imported goods and rising global prices of food commodities. However, inflation is expected to become anchored around the Reserve Bank of New Zealand's (RBNZ) inflation target mid-point of 2 percent over the coming years as capacity pressures in the New Zealand economy continue to ease.

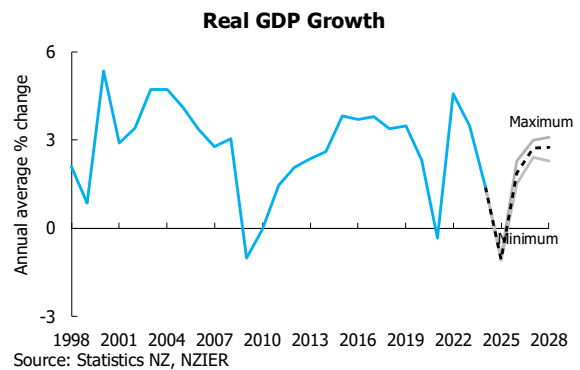
Figure 1 GDP forecast to contract in 2025 and gradually recover in 2026



Near-term GDP outlook revised lower

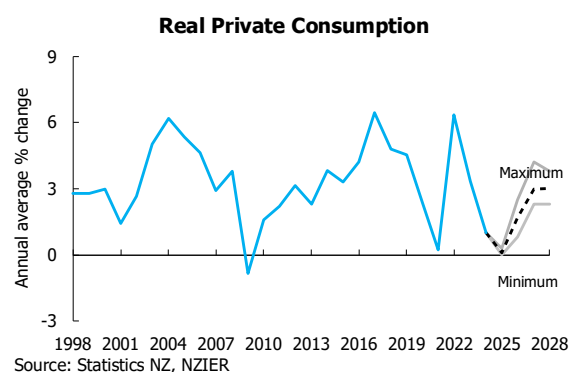
Consensus Forecasts for GDP growth were revised lower for the coming year, with a 1.1 percent decline in the year to March 2025, before picking up to 1.9 percent in the following year.

The revisions to the near-term growth outlook reflect expectations that the New Zealand economy will recover at a gradual pace over the coming year. Over the longer term, lower interest rates are expected to support a pick-up in growth.



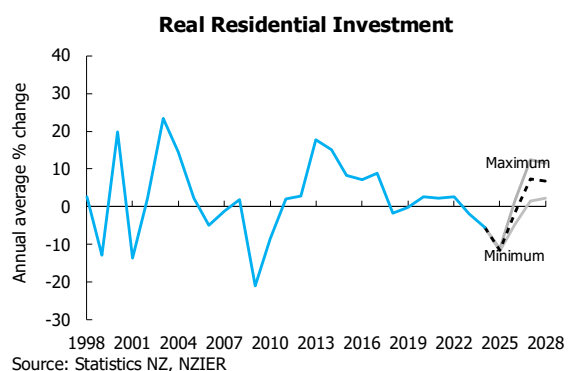
Household spending outlook is broadly unchanged

Forecast household spending growth is broadly unchanged. So far, recovery in household spending has been modest as the soft labour market is driving continued caution amongst households. With over half of mortgages due for repricing within the next six months, many households will face further relief in the form of reduced mortgage repayments. This is expected to support a continued recovery in household spending.



Weaker near-term investment outlook

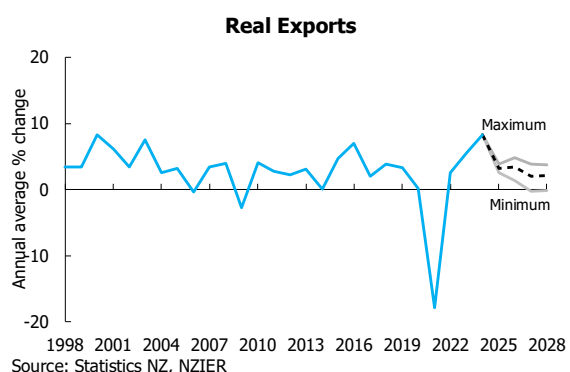
The overall investment outlook for the coming year has been revised downward, driven by a downward revision in the residential investment outlook. Stats NZ dwelling consent issuance data points to a patchy recovery in residential construction demand. NZIER QSBO architects' work in their own office measure suggests a weak pipeline of residential construction over the coming year. Beyond that, lower interest rates are expected to support a recovery in residential investment.



Export growth revised lower for 2027

Forecast export growth has been revised higher for 2025 and 2026 but lower for 2027. Robust global demand and constrained global supply of food commodities are expected to underpin near-term export growth. The US tariff announcements, along with concerns about global growth, weigh on the export growth outlook beyond 2026.

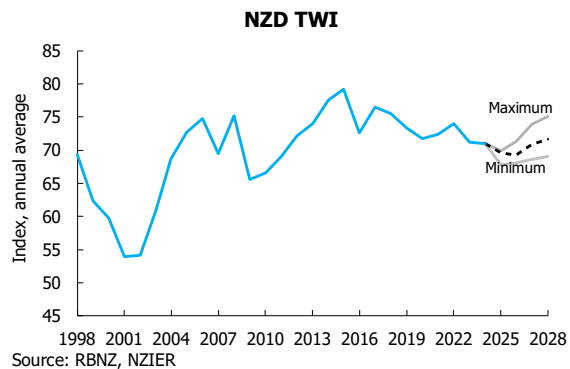
The import growth outlook has been revised lower for 2026 and 2027, reflecting expectations for a more gradual recovery in domestic demand.



Forecast NZD exchange rate revised higher

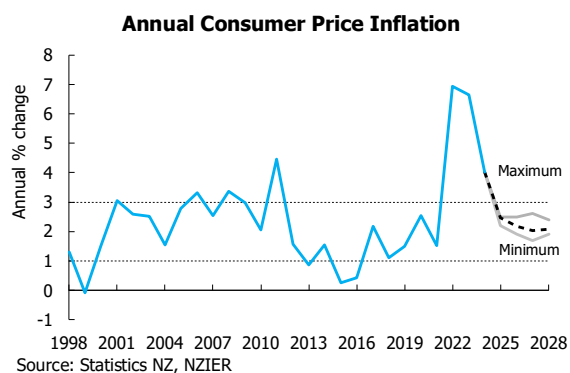
NZD TWI has been revised higher across the forecast period. Although the RBNZ continued to cut the OCR, the increased market volatility since the US tariff announcements have weighed on the yield attractiveness of USD-dominated assets relative to NZD-dominated assets.

The NZD TWI is expected to track between 69.6 and 71.6 across the forecast period.



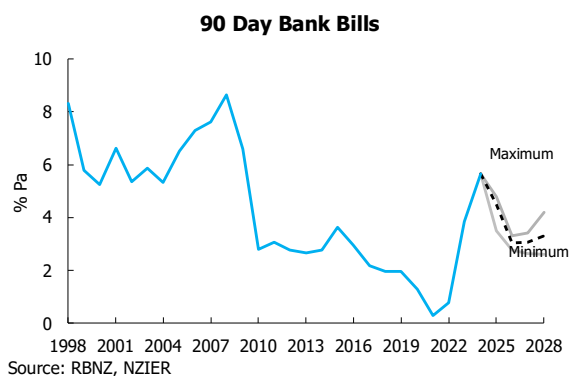
Inflation outlook broadly unchanged

Forecast annual CPI inflation for the years beyond 2025 was broadly unchanged. The recent pick-up in CPI inflation in the March quarter largely reflects increased costs of imported goods and rising global prices of food commodities. However, inflation is still expected to become anchored around the RBNZ's inflation target midpoint of 2 percent over the coming years as capacity pressures in the New Zealand economy continue to ease.



Forecast interest rate revised lower for the coming years

Forecast interest rates have been revised lower for the years beyond 2025. In the May Monetary Policy Statement, while the RBNZ expressed caution over future OCR moves amid heightened global uncertainty, it has revised its projected OCR track lower, recognising the potential downside risks to the interest rate outlook. In line with this, *Consensus Forecasts* have also revised interest rate forecasts lower for the coming years.



Forecast unemployment rate remains broadly similar

The wage growth outlook has been revised lower for 2026 but higher for 2027. Meanwhile, the forecast unemployment rate remains broadly unchanged.

The forecasts reflect expectations of continued slack in the NZ economy, which is expected to drive further slowing in wage growth over the coming year. Beyond that, recovery in economic activity is expected to support an improvement in labour market conditions over the longer term.

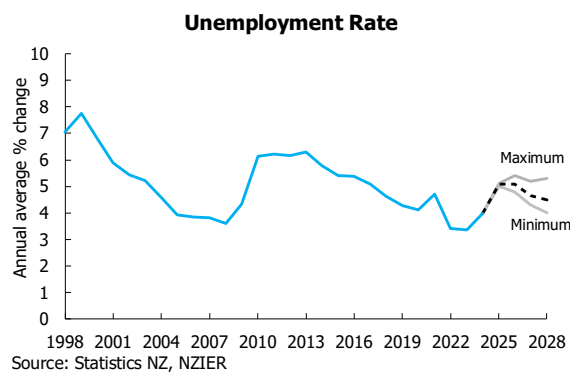


Table 1 Latest *Consensus Forecasts* compared to previous

aapc, March years	Jun-2025 survey				Mar-2025 survey			
	2024/25	2025/26	2026/27	2027/28	2024/25	2025/26	2026/27	2027/28
GDP	-1.1 ↓	1.9 ↓	2.7 →	2.7 ↑	-0.8	2.1	2.7	2.6
Private consumption	0.1 →	1.7 ↓	3.0 ↑	3.0 ↑	0.1	1.8	2.8	2.9
Public consumption	-0.9 ↑	0.0 ↑	0.2 ↓	1.1 ↑	-1.4	-0.3	0.3	0.8
Fixed investment:								
Residential	-11.5 ↓	-1.8 ↓	7.3 ↑	6.9 ↑	-9.8	1.5	6.5	5.6
Other	-2.7 ↑	0.5 ↓	4.7 ↓	4.4 ↑	-3.0	0.9	4.9	4.2
Total	-4.8 ↓	-0.2 ↓	5.2 →	4.9 ↑	-4.7	0.7	5.2	4.5
Exports, goods & services	3.2 ↑	3.5 ↑	2.0 ↓	2.2 →	2.1	3.2	2.8	2.2
Imports, goods & services	2.1 ↑	1.6 ↓	3.3 ↓	3.2 →	0.7	2.2	3.9	3.2
Consumer price index (apc)	2.5 ↑	2.2 →	2.0 ↓	2.1 ↑	2.3	2.2	2.1	2.0
New Zealand TWI (avg yr to Mar)	69.6 ↑	69.3 ↑	70.9 ↑	71.6 ↑	69.4	68.8	70.6	70.9
90 day bank bill (avg yr to Mar)	4.5 ↑	3.0 ↓	3.1 ↓	3.3 ↓	4.4	3.3	3.3	3.5
10 year govt bond (avg yr to Mar)	4.5 →	4.3 ↓	4.3 →	4.4 ↑	4.5	4.4	4.3	4.1
Current account balance (NZ\$b; Mar yr)	-23.3 ↓	-14.2 ↑	-16.5 ↑	-17.8 ↑	-22.5	-16.8	-17.8	-18.6
Employment	-0.7 ↓	1.4 →	2.0 ↑	1.7 ↑	-0.4	1.4	1.9	1.6
Unemployment (% of labour force)	5.1 ↓	5.1 ↓	4.7 →	4.5 ↓	5.2	5.2	4.7	4.6
Wages (private sector avg hourly earnings)	3.8 ↑	3.1 ↓	3.1 ↑	3.0 ↓	3.7	3.3	2.7	3.1
Government operating balance (NZ\$b, September yr)	-15.5 ↓	-15.3 ↓	-11.4 ↓	-6.7 ↓	-15.3	-13.6	-7.3	-3.5

Source: NZIER

Table 2 Breakdown of the forecasts

qpc, quarters	Mar-25 f			Jun-25 f			Sep-25 f		
	Low	Mean	High	Low	Mean	High	Low	Mean	High
GDP (seasonally adjusted, qpc)	0.4	0.5	0.7	0.3	0.5	0.7	0.2	0.5	0.8
	Jun-25 f			Sep-25 f			Dec-25 f		
CPI (qpc)	0.3	0.5	0.6	0.6	0.8	0.9	0.2	0.4	0.7

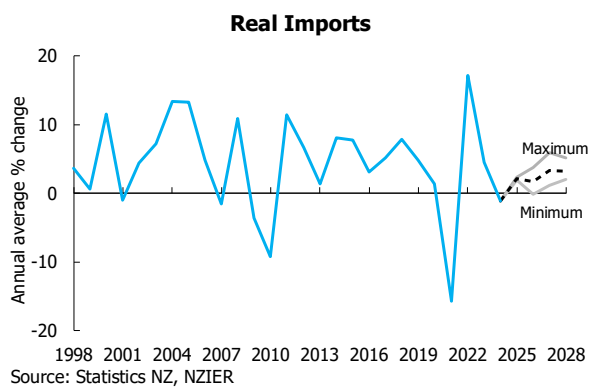
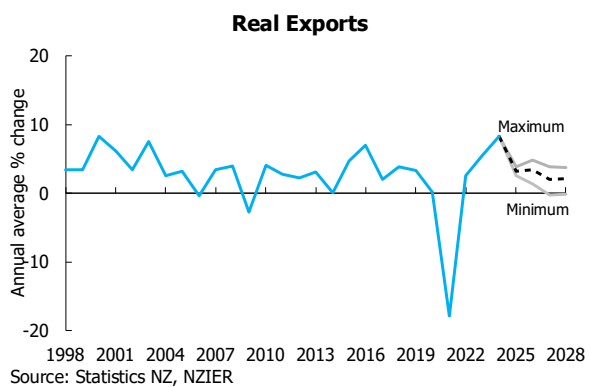
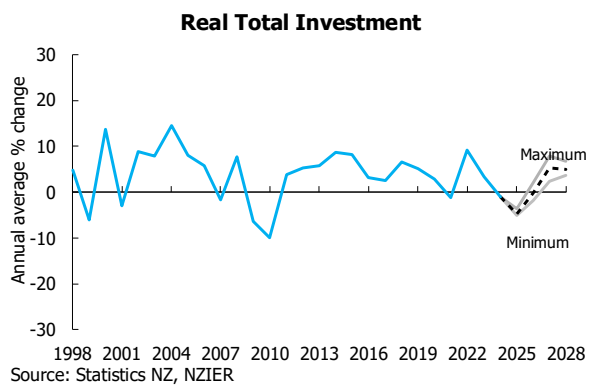
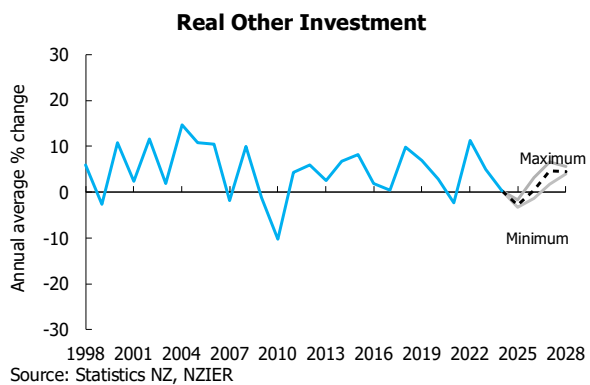
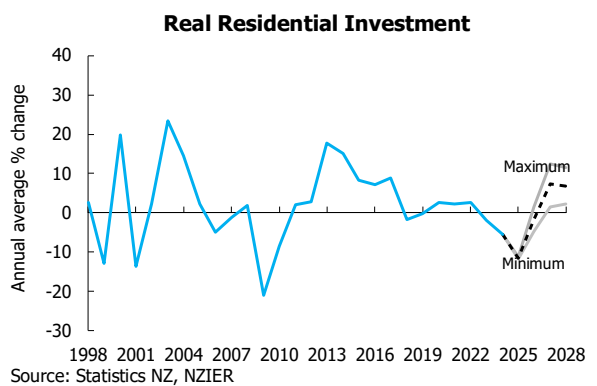
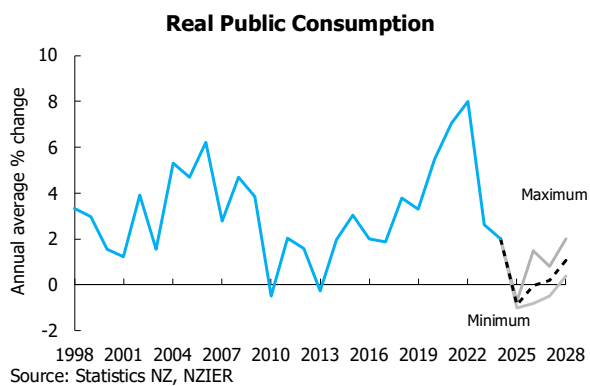
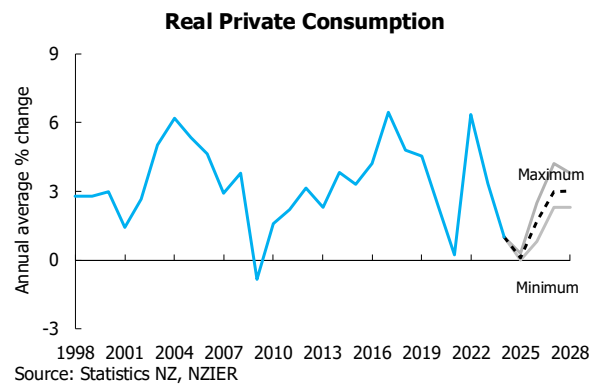
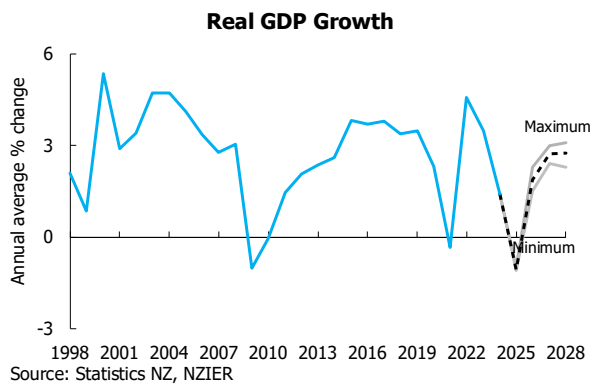
aapc, March years	2024/2025 f			2025/2026 f			2026/2027 f			2027/2028 f		
	Low	Mean	High	Low	Mean	High	Low	Mean	High	Low	Mean	High
GDP	-1.1	-1.1	-1.0	1.5	1.9	2.3	2.4	2.7	3.0	2.3	2.7	3.1
Private consumption	0.0	0.1	0.3	0.8	1.7	2.5	2.3	3.0	4.2	2.3	3.0	3.8
Public consumption	-1.0	-0.9	-0.7	-0.8	0.0	1.5	-0.5	0.2	0.8	0.4	1.1	2.0
Fixed investment												
- Residential	-11.8	-11.5	-11.1	-4.7	-1.8	1.4	1.5	7.3	12.5	2.2	6.9	11.5
- Other	-3.3	-2.7	-1.7	-1.3	0.5	3.1	1.8	4.7	6.6	4.0	4.4	5.6
- Total	-5.1	-4.8	-3.7	-1.8	-0.2	2.1	2.3	5.2	7.8	3.7	4.9	6.8
Exports, goods and services	2.6	3.2	3.9	1.4	3.5	4.8	-0.3	2.0	3.9	-0.2	2.2	3.7
Imports, goods and services	1.9	2.1	2.3	-0.1	1.6	3.7	1.1	3.3	5.9	2.0	3.2	5.1
Consumer price index (apc)	2.2	2.5	2.5	1.9	2.2	2.5	1.7	2.0	2.6	1.9	2.1	2.4
New Zealand TWI (avg yr to Mar)	67.8	69.6	69.9	68.1	69.3	71.3	68.6	70.9	73.9	69.0	71.6	75.1
90 day bank bill (avg yr to Mar)	3.5	4.5	4.8	2.8	3.0	3.3	2.6	3.1	3.4	2.6	3.3	4.2
10 year government stock (avg yr to Mar)	4.1	4.5	4.6	3.6	4.3	4.7	3.6	4.3	4.9	4.0	4.4	5.0
Current account balance (NZ\$b; Mar yr)	-24.7	-23.3	-20.9	-18.6	-14.2	-10.2	-21.1	-16.5	-13.3	-21.1	-17.8	-15.5
Employment	-0.7	-0.7	-0.6	0.8	1.4	1.9	1.2	2.0	2.4	0.8	1.7	2.1
Unemployment rate (% of labour force)	5.0	5.1	5.1	4.8	5.1	5.4	4.3	4.7	5.2	4.0	4.5	5.3
Wages (private sector avg hourly earnings)	3.7	3.8	3.8	2.9	3.1	3.4	1.8	3.1	3.6	1.9	3.0	3.4
Government operating balance (NZ\$m, December yr)	-16.2	-15.5	-14.7	-15.6	-15.3	-15.0	-11.8	-11.4	-11.1	-6.7	-6.7	-6.6

Notes: aapc = annual average percent change, apc = annual percent change, qpc = quarterly percent change

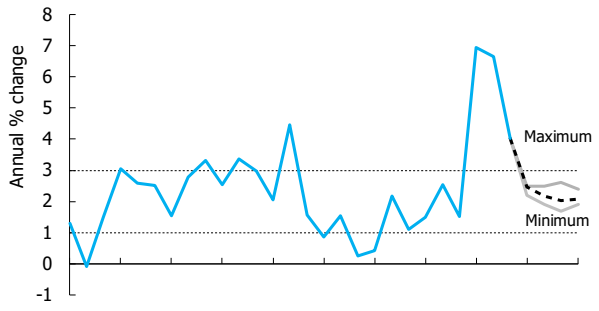
These results show only means; standard deviations are available on request

Source: NZIER

Summary charts

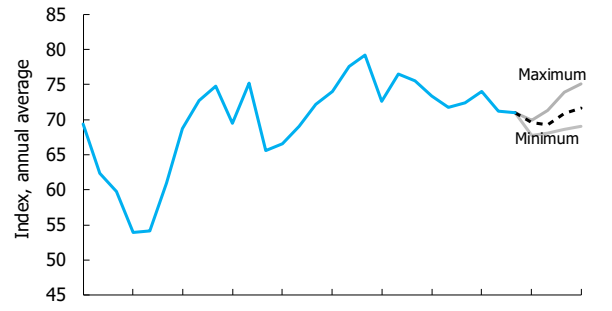


Annual Consumer Price Inflation



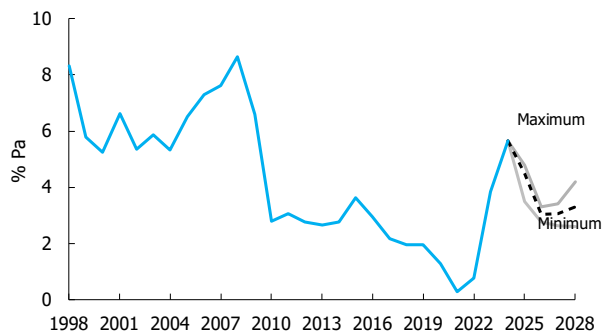
Source: Statistics NZ, NZIER

NZD TWI



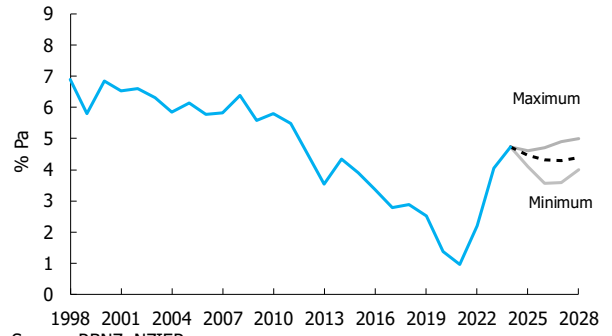
Source: RBNZ, NZIER

90 Day Bank Bills



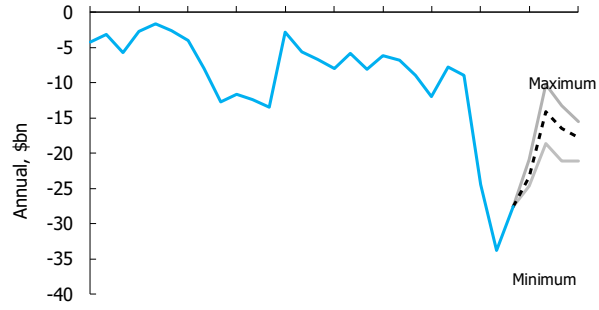
Source: RBNZ, NZIER

10 Year Government Bond Yield



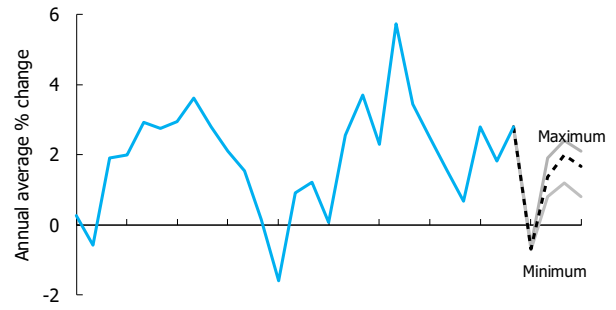
Source: RBNZ, NZIER

Current Account Balance



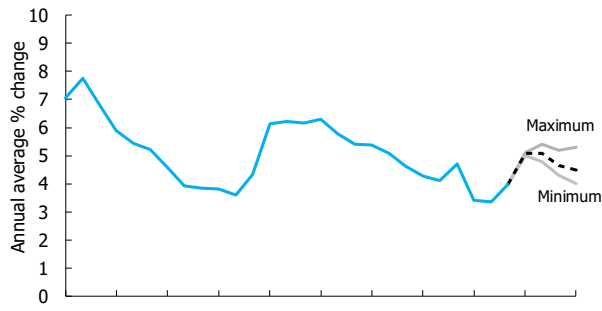
Source: RBNZ, NZIER

Employment Growth



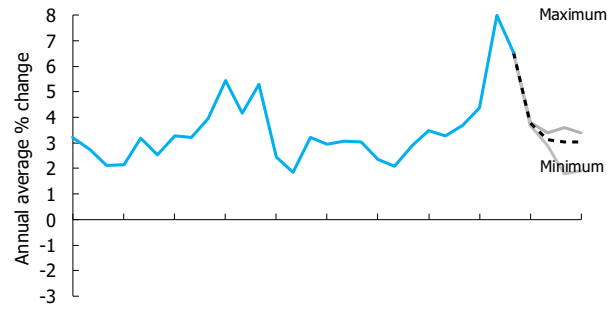
Source: Statistics NZ, NZIER

Unemployment Rate

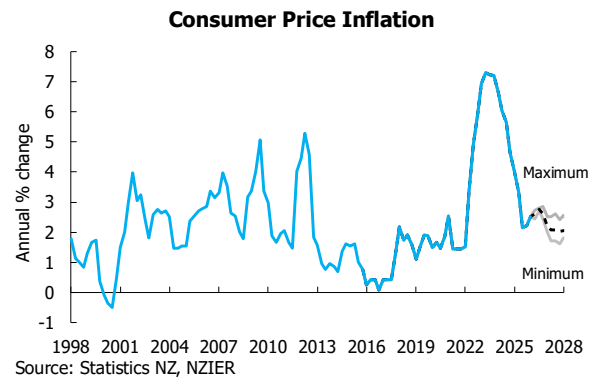
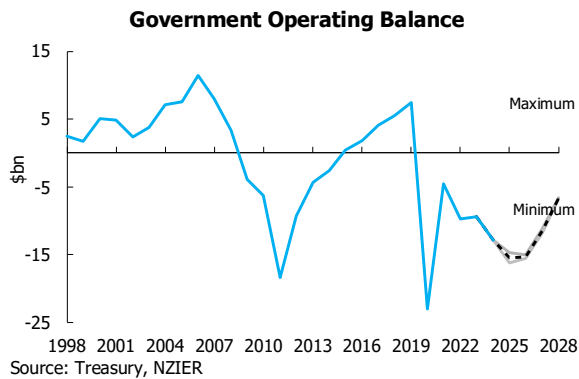


Source: Statistics NZ, NZIER

Private Sector Wage Inflation



Source: Statistics NZ, NZIER



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. 2025 refers to the year ended March 2025.

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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