

NZ Institute of Economic Research (Inc)  
Media release 12 June 2023

# Consensus Forecasts

## NZIER *Consensus Forecasts* point to a slowing in growth over the coming years

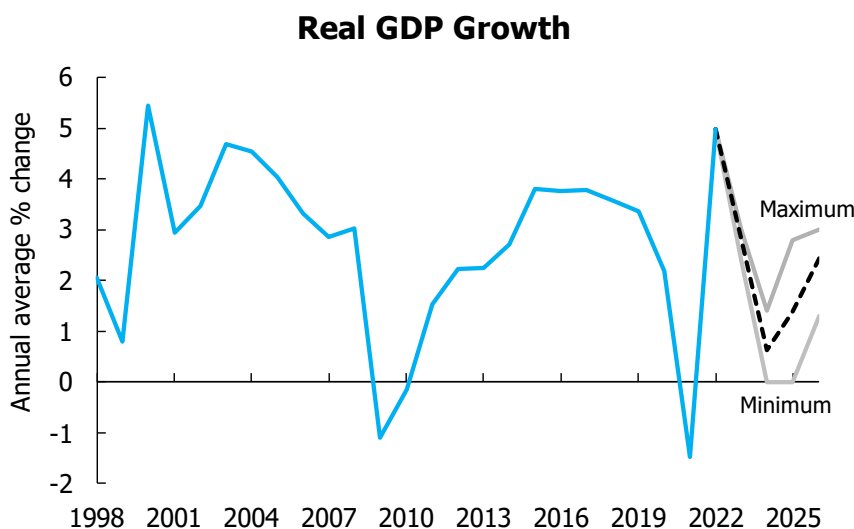
The latest NZIER *Consensus Forecasts* show a downward revision to economic growth for the year to March 2023, followed by a slowing in growth over the subsequent years. Annual average GDP growth is forecast to slow to 0.6 percent in the year to March 2024 before picking up to 1.4 percent in 2025. Although demand in the New Zealand economy remained resilient for most of 2022, recent developments point to signs of a softening in demand and an easing in capacity pressures. A general slowing in activity is expected over the coming years as the full effects of increases in the Reserve Bank’s Official Cash Rate (OCR) pass through to the broader economy. However, some of this will likely be offset by the post-storm rebuild and increased net migration.

Forecasts of household spending have been revised lower from 2024. With increasingly more households rolling onto much higher mortgage rates over the coming year, further weakening in household consumption is expected. For residential investment, the outlook has improved slightly from 2025. While the recent slowing in dwelling consent issuance points to an easing in the pipeline of residential construction work from late 2023, the post-storm rebuild and increased net migration will offset some of the easing in construction activity.

Disruptions from the severe weather events and the continued softening in dairy exports have weighed on the short-term export outlook. However, export growth forecasts for years beyond 2023 have been revised higher, given the recovery in China’s demand and constrained global supply of food commodities should underpin solid demand for New Zealand exports.

The inflation outlook has been slightly revised down for the year ending March 2025. Annual CPI inflation is forecast to ease to 3.9 percent in 2024 before easing to 2.4 percent in 2025. While the post-storm rebuild and strong net migration pose upside risks to inflation, expectations are still for annual CPI inflation to ease below 3 percent over the coming years.

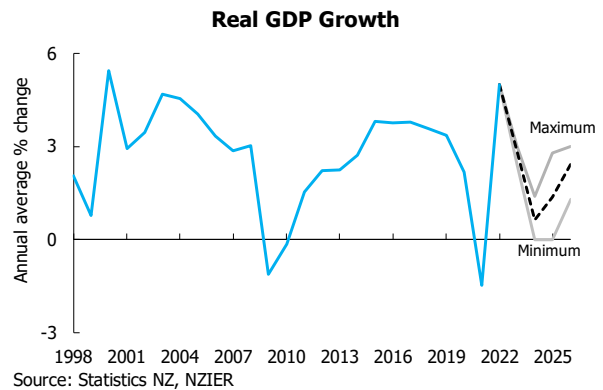
**Figure 1 Slowing in GDP growth expected for the years ahead**



## Outlook points to a slowing in GDP growth

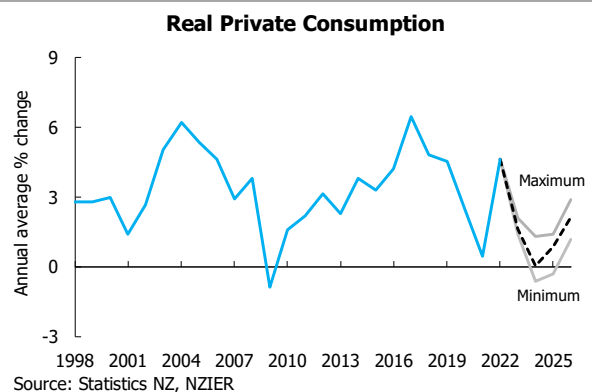
Consensus Forecasts for GDP growth have been revised down to 2.8 percent for the year to March 2023. Although forecasts for the subsequent years have been revised higher, they still point to a general slowing in growth.

The weaker starting point reflects the downside risk from disruptions of the severe weather events earlier this year. Beyond 2023, the post-storm rebuild and strong recovery in net migration will underpin demand, which should offset some of the slowing in activity in the economy.



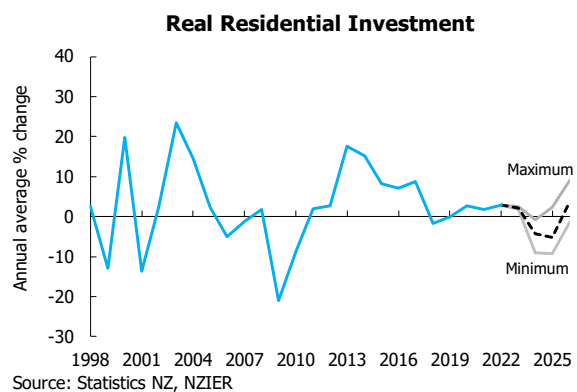
## Weaker household spending from 2024

Forecasts of household spending have been revised lower from 2024. The economy is already showing signs that households are now saving more despite the ongoing escalation in living costs. The appetite for big-ticket spending has also reduced. With a substantial proportion of households rolling onto much higher mortgage rates over the coming year, this will further restrain household spending.



## Residential investment outlook improved from 2025

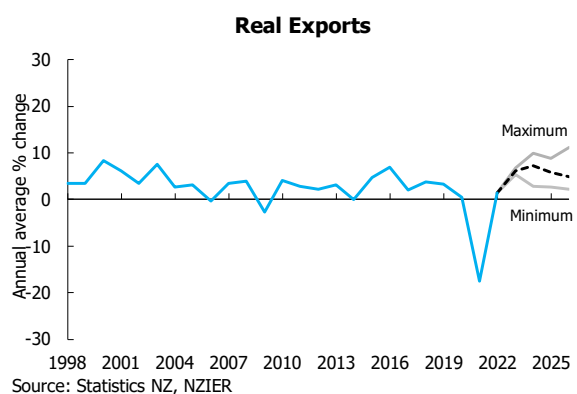
The overall investment outlook has been revised lower through to 2025 but improved for 2026. For residential investment, the outlook for 2025 and 2026 has also improved. While the recent slowing in dwelling consent issuance points to an easing in the residential construction pipeline from late 2023, the post-storm rebuild will likely offset some of this. The strong recovery in net migration will also add to housing demand over the coming years.



## Short-term export growth revised down

Disruptions from the severe weather events and the continued softening in dairy exports due to weaker global economic conditions have weighed on the short-term export outlook. Beyond 2023 has been revised up, reflecting expectations that the recovery in China's demand and constrained global food supply will underpin export growth.

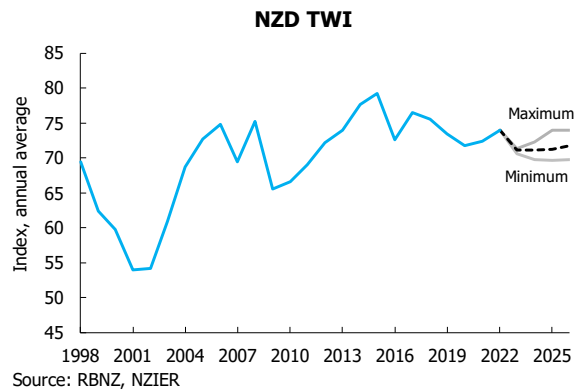
Forecasts for import growth have been revised lower for 2025 and 2026, reflecting weaker domestic spending.



## Weaker NZD for 2024 to 2026

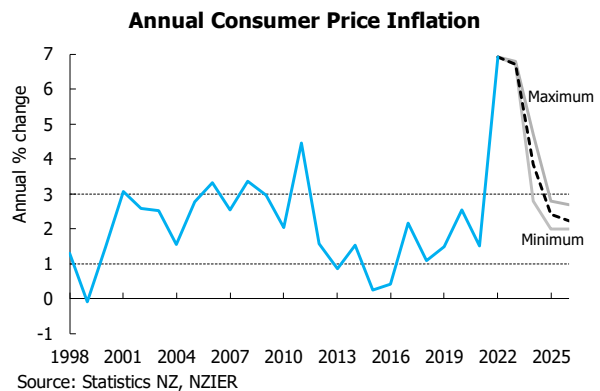
Although near-term expectations for NZD TWI remain unchanged, forecasts for the subsequent years have been revised lower. In the May *Monetary Policy Statement*, the Reserve Bank has indicated that it will take a pause in OCR increases beyond May. With other central banks indicating further interest rate increases, this reduces the yield attractiveness of NZD-denominated assets, which has weighed on demand for the NZD.

The NZD is expected to track between 71.1 and 71.8 on the TWI over the years 2024 to 2026.



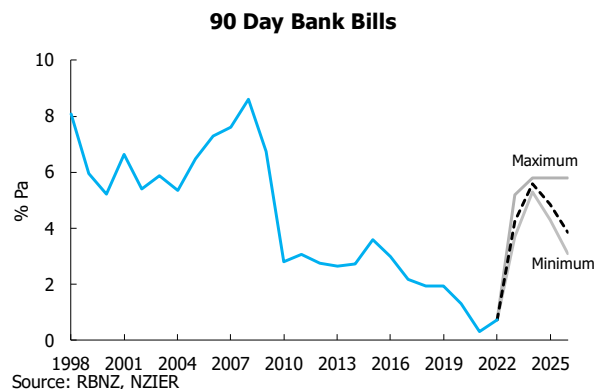
## Inflation revised slightly lower for 2025

Forecasts of annual CPI inflation have been revised slightly lower for the year ending March 2025. While the post-storm rebuild and increased net migration pose upside risks to inflation, expectations are still for annual CPI inflation to ease below 3 percent over the coming years. Recent developments suggest that inflation in New Zealand has started to turn a corner, and capacity pressures are broadly easing.



## Uplift in interest rate outlook

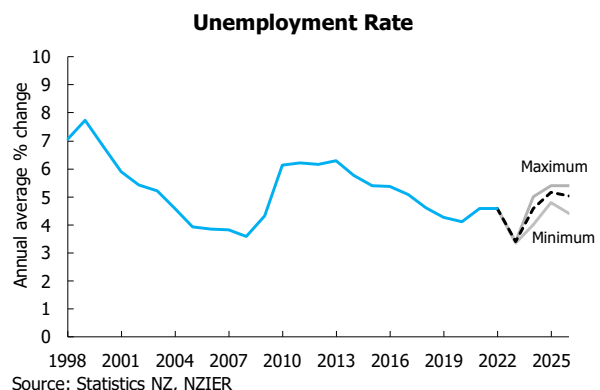
Forecasts for interest rates have been revised higher across the projection horizon. This reflects increased interest rate expectations, despite the Reserve Bank indicating a pause in OCR increases beyond May. Markets are expecting further interest rate increases by the Reserve Bank are necessary for mitigating the potential inflation pressures from strong net migration and the less-contractionary-than-expected Budget 2023.



## Higher wage growth for 2023 and 2024

Wage growth forecasts have been revised up for 2023 and 2024. The recent record high figure for annual wage inflation has driven up expectations for wage growth in 2023 and the coming year.

Meanwhile, the outlook for the unemployment rate remains unchanged for 2023 to 2025. The latest record-high employment rate has contributed to higher employment growth expectations through to 2025.



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

aapc, March years	Jun-2023 survey				Mar-2023 survey			
	2022/23	2023/24	2024/25	2025/26	2022/23	2023/24	2024/25	2025/26
GDP	2.8 ↓	0.6 ↑	1.4 ↑	2.4 ↑	3.4	0.3	1.0	2.3
Private consumption	1.6 ↑	0.0 ↓	0.9 ↓	2.1 ↓	1.2	0.5	1.3	2.6
Public consumption	2.0 ↓	-1.0 ↑	-0.3 ↑	1.0 ↑	2.6	-1.7	-1.1	0.7
Fixed investment:								
Residential	2.2 ↓	-4.3 ↓	-5.2 ↑	3.9 ↑	5.0	-3.7	-6.5	-0.3
Other	2.4 ↓	-0.5 ↓	0.1 ↓	3.2 ↓	3.7	0.1	0.8	3.5
Total	2.3 ↓	-1.4 ↓	-1.1 ↓	3.3 ↑	4.0	-1.0	-0.9	2.7
Exports, goods & services	6.1 ↓	7.3 ↑	5.8 ↑	4.9 ↑	8.0	6.4	4.2	4.7
Imports, goods & services	4.3 ↑	1.9 ↑	0.8 ↓	3.0 ↓	1.6	1.5	1.5	3.3
Consumer price index (apc)	6.7 ↓	3.9 ⇒	2.4 ↓	2.2 ⇒	7.0	3.9	2.5	2.2
New Zealand TWI (avg yr to Mar)	71.1 ⇒	71.1 ↓	71.2 ↓	71.8 ↓	71.1	71.4	71.8	71.9
90 day bank bill (avg yr to Mar)	4.3 ↑	5.6 ↑	4.9 ↑	3.8 ↑	4.1	5.3	4.4	3.4
10 year govt bond (avg yr to Mar)	4.1 ↓	4.4 ⇒	4.3 ↑	4.2 ↑	4.2	4.4	4.2	4.1
Current account balance (NZ\$b; Mar yr)	-32.5 ↓	-28.6 ↓	-21.6 ↑	-18.5 ↑	-28.7	-26.6	-23.2	-21.8
Employment	2.3 ↑	0.4 ↑	0.9 ↑	1.6 ⇒	1.5	-0.4	0.8	1.6
Unemployment (% of labour force)	3.4 ⇒	4.6 ⇒	5.2 ⇒	5.0 ↓	3.4	4.6	5.2	5.1
Wages (private sector avg hourly earnings)	8.0 ↑	6.9 ↑	5.0 ⇒	3.8 ⇒	7.9	6.5	5.0	3.8
Government operating balance (NZ\$b, September yr)	-6.9 ↓	-7.6 ↓	-4.8 ↓	-1.2 ↓	-5.0	-4.5	0.8	5.1

Source: NZIER

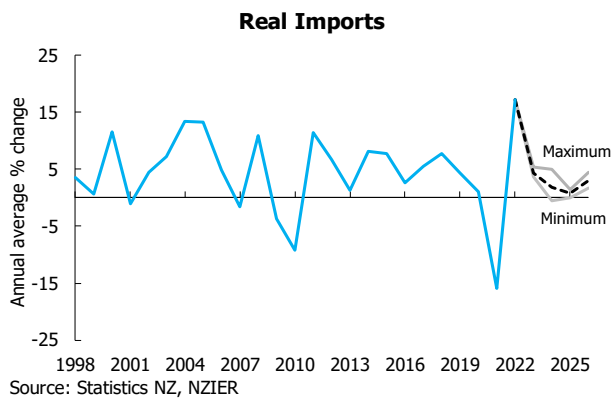
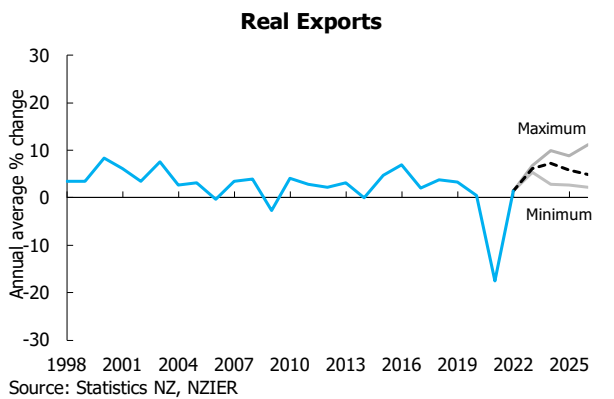
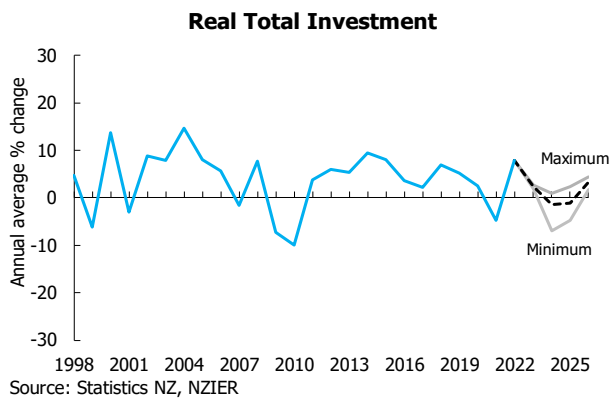
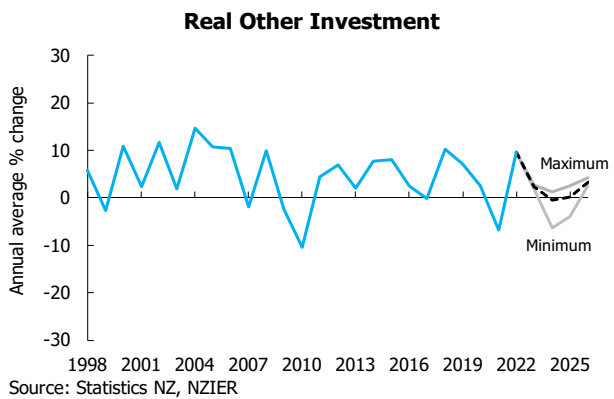
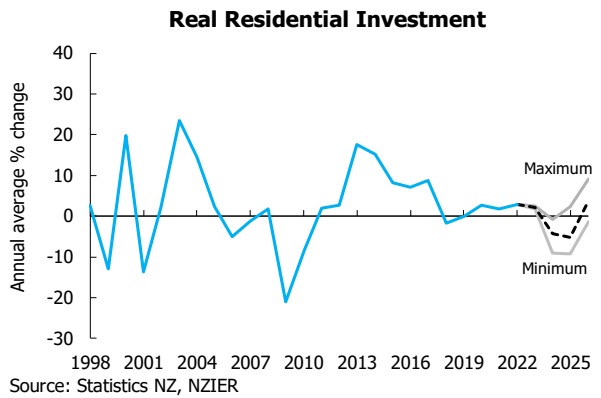
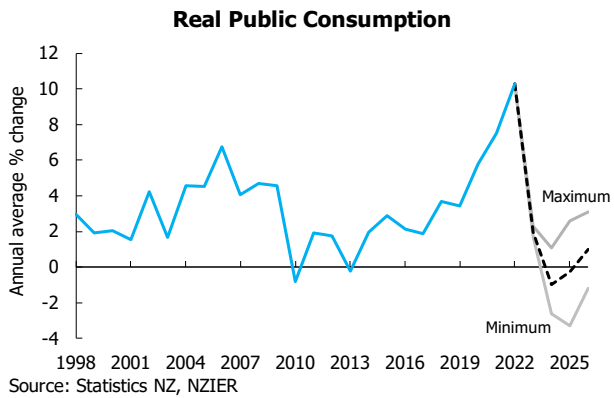
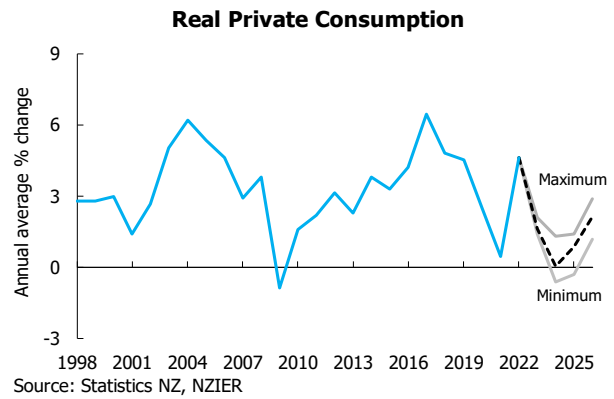
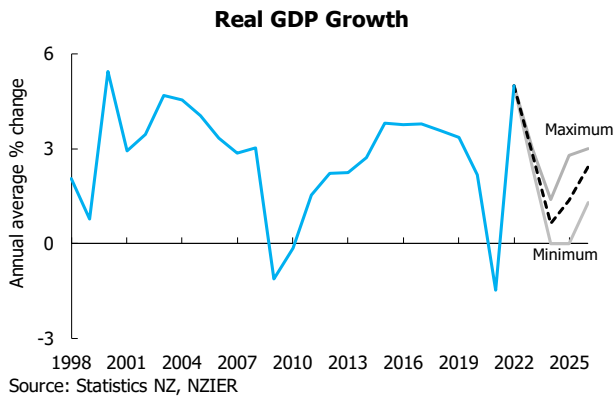
**Table 2 Breakdown of the forecasts**

qpc, quarters	Mar-23 f			Jun-23 f			Sep-23 f					
	Low	Mean	High	Low	Mean	High	Low	Mean	High			
GDP (seasonally adjusted, qpc)	-0.2	0.1	0.3	-0.2	0.2	1.0	-0.3	0.1	0.5			
CPI (qpc)	Jun-23 f			Sep-23 f			Dec-23 f					
	0.7	1.0	1.1	0.8	1.6	2.0	0.4	0.6	0.8			
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	2.4	2.8	3.0	0.0	0.6	1.4	0.0	1.4	2.8	1.3	2.4	3.0
Private consumption	1.4	1.6	2.1	-0.6	0.0	1.3	-0.3	0.9	1.4	1.2	2.1	2.9
Public consumption	1.7	2.0	2.3	-2.6	-1.0	1.1	-3.3	-0.3	2.6	-1.2	1.0	3.1
Fixed investment												
- Residential	1.7	2.2	2.6	-9.0	-4.3	-0.7	-9.2	-5.2	2.3	-1.3	3.9	9.2
- Other	1.8	2.4	2.7	-6.4	-0.5	1.3	-4.0	0.1	2.5	2.6	3.2	4.3
- Total	1.9	2.3	2.6	-7.0	-1.4	0.9	-4.7	-1.1	2.3	1.7	3.3	4.4
Exports, goods and services	5.3	6.1	6.7	2.9	7.3	9.9	2.6	5.8	8.8	2.2	4.9	11.2
Imports, goods and services	3.7	4.3	5.4	-0.5	1.9	5.0	0.0	0.8	1.4	1.7	3.0	4.5
Consumer price index (apc)	6.7	6.7	6.8	2.8	3.9	4.7	2.0	2.4	2.8	2.0	2.2	2.7
New Zealand TWI (avg yr to Mar)	70.6	71.1	71.3	69.8	71.1	72.3	69.7	71.2	74.0	69.8	71.8	74.0
90 day bank bill (avg yr to Mar)	3.7	4.3	5.2	5.3	5.6	5.8	4.3	4.9	5.8	3.1	3.8	5.8
10 year government stock (avg yr to Mar)	4.0	4.1	4.3	4.0	4.4	5.3	3.7	4.3	5.6	3.5	4.2	5.7
Current account balance (NZ\$b; Mar yr)	-35.1	-32.5	-28.9	-36.1	-28.6	-21.4	-28.6	-21.6	-13.6	-22.9	-18.5	-12.4
Employment	1.4	2.3	2.5	-0.9	0.4	1.2	0.0	0.9	1.7	1.0	1.6	2.0
Unemployment rate (% of labour force)	3.4	3.4	3.4	4.0	4.6	5.0	4.8	5.2	5.4	4.4	5.0	5.4
Wages (private sector avg hourly earnings)	7.9	8.0	8.0	6.2	6.9	7.3	4.4	5.0	6.6	2.8	3.8	5.7
Government operating balance (NZ\$m, December yr)	-7.8	-6.9	-5.1	-11.5	-7.6	-3.4	-9.1	-4.8	-2.2	-6.4	-1.2	2.3

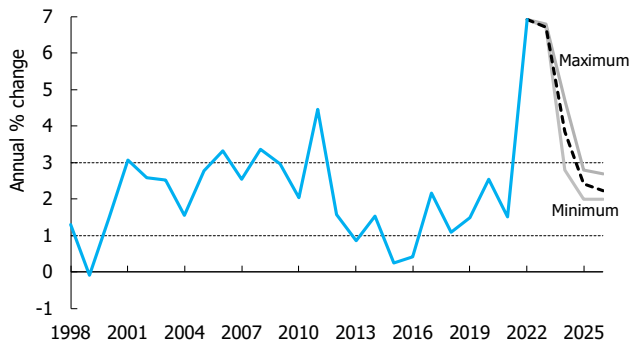
Notes: aapc = annual average percent change, apc = annual percent change, qpc = quarterly percent change  
 These results show only means; standard deviations are available on request

Source: NZIER

## Summary charts

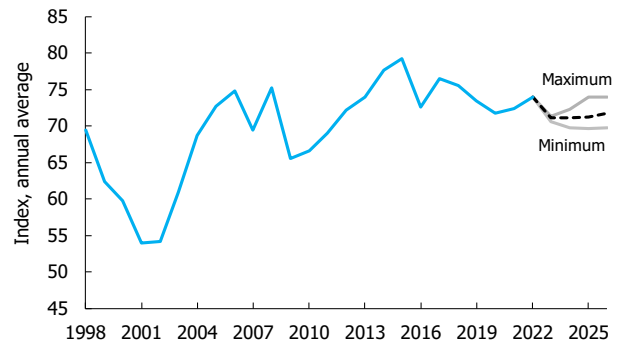


**Annual Consumer Price Inflation**



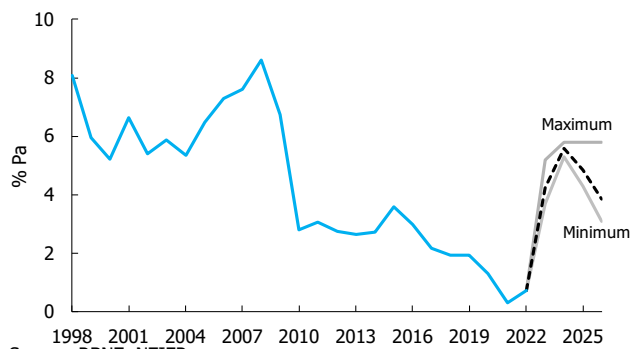
Source: Statistics NZ, NZIER

**NZD TWI**



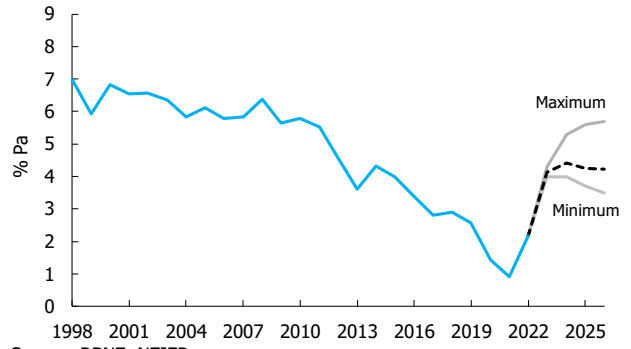
Source: RBNZ, NZIER

**90 Day Bank Bills**



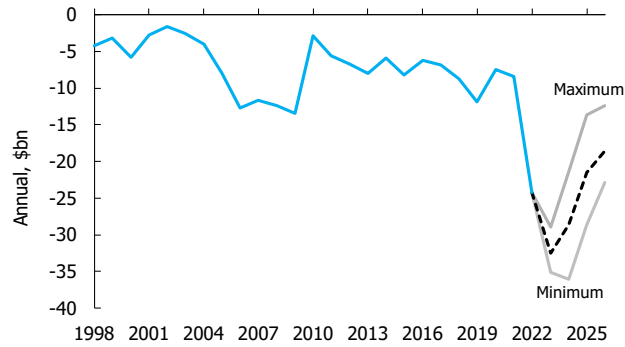
Source: RBNZ, NZIER

**10 Year Government Bond Yield**



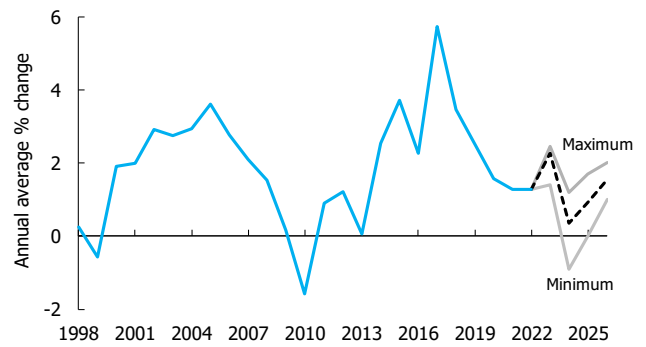
Source: RBNZ, NZIER

**Current Account Balance**



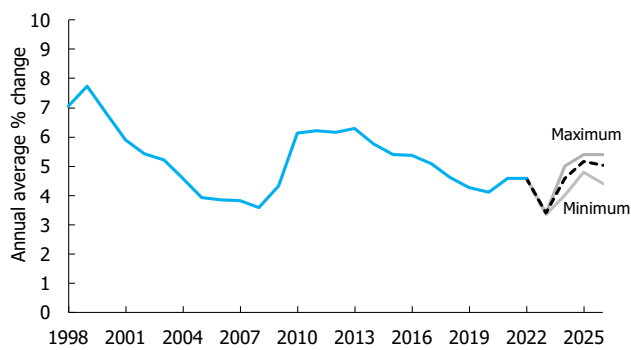
Source: RBNZ, NZIER

**Employment Growth**



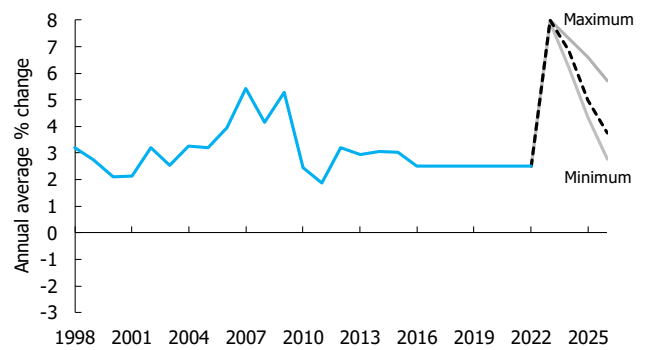
Source: Statistics NZ, NZIER

**Unemployment Rate**



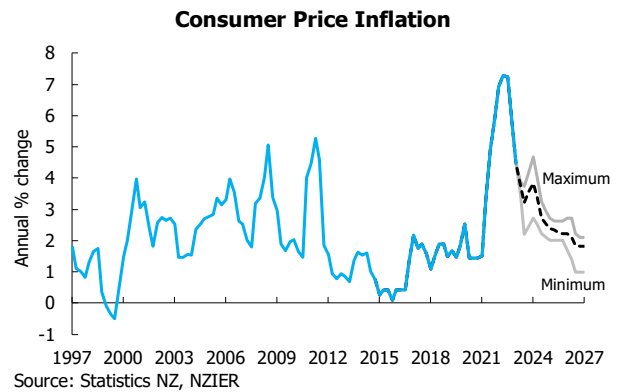
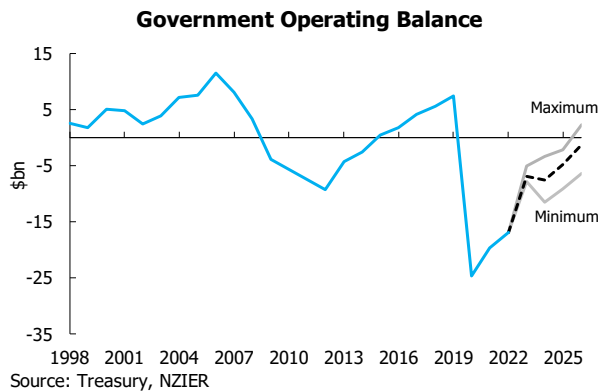
Source: Statistics NZ, NZIER

**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. 2023 refers to the year ended March 2023.*

## 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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