

NZ Institute of Economic Research (Inc)  
17 March 2025

# Consensus Forecasts

## NZIER *Consensus Forecasts* suggest a contraction in the New Zealand economy in the year ending March 2025

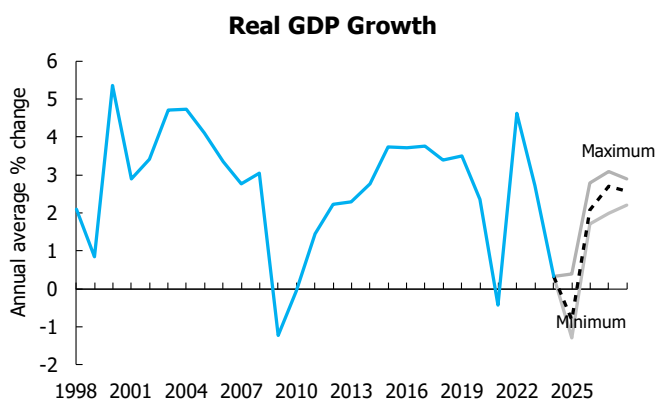
The latest NZIER *Consensus Forecasts* show a downward revision to the near-term growth outlook relative to the previous release of *Consensus Forecasts*, with annual average growth of -0.8 percent in the year to March 2025, before picking up to 2.1 percent in the following year. The revised GDP growth forecast for 2025 reflects Stats NZ's recent revision of historic GDP data, which pointed to a contraction in the New Zealand economy during the June and September quarters of 2024. Beyond 2025, lower interest rates are expected to drive a recovery in economic growth.

Forecasts of household spending have been revised lower. With about 55 percent of mortgages due for repricing within the coming six months, many households will face further reductions in their mortgage repayments at the next repricing of their mortgages. While this should support a recovery in discretionary spending over the coming years, this recovery is expected to be tempered by the soft labour market and slowing net migration. The residential investment outlook has been revised lower for the coming year but higher for the subsequent years. This reflects expectations for a recovery in residential construction demand over the longer term despite the weak demand over the coming year. This expectation is in line with the architects' work in their own office measure in the NZIER *Quarterly Survey of Business Opinion (QSBO)*, which shows an increased pipeline of housing construction work in the next 12 to 24 months.

The export growth outlook has been revised higher for the year ending March 2025 but lower for years beyond that. While the combination of robust global demand and reduced global production of commodities has underpinned strong export growth in recent months, there are expectations for an easing in this growth over the coming years, given the increased trade tensions are weighing on global economic growth.

Forecast annual CPI inflation has been revised higher for the year ending March 2025 to 2.3 percent. This reflects expectations of the recent depreciation in the New Zealand dollar to push up prices of imported goods in the near term. Overall, the inflation outlook reflects the view that inflation will be anchored around the 2 percent inflation target mid-point over the coming years.

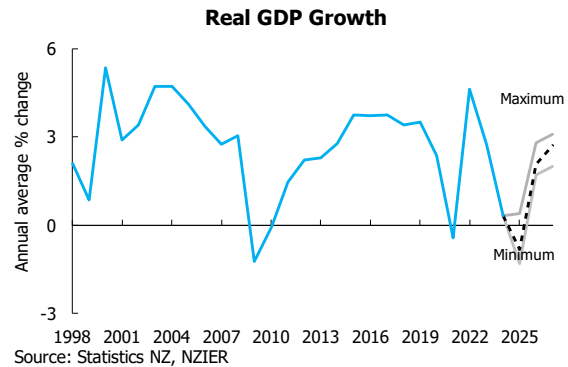
**Figure 1 Revised forecasts point to a contraction in GDP in 2025**



## Negative GDP growth the near term

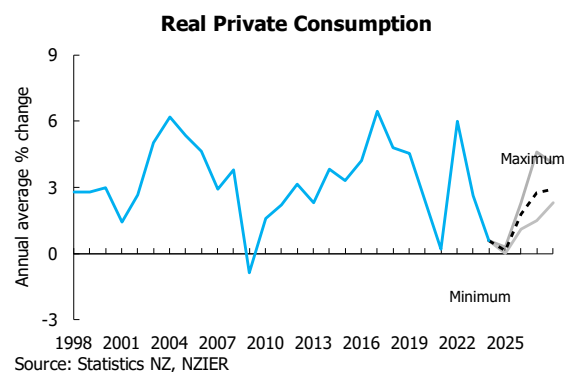
*Consensus Forecasts* for GDP growth has revised lower for the coming year, with a 0.8 percent decline in the year ending March 2025, before picking up to 2.1 percent in the following year.

The revised forecast GDP growth for 2025 reflects Stats NZ's recent revision of historic GDP data, which pointed to a contraction in the New Zealand economy during the June and September quarters of 2024. Beyond 2025, it is expected that lower interest rates will support a recovery.



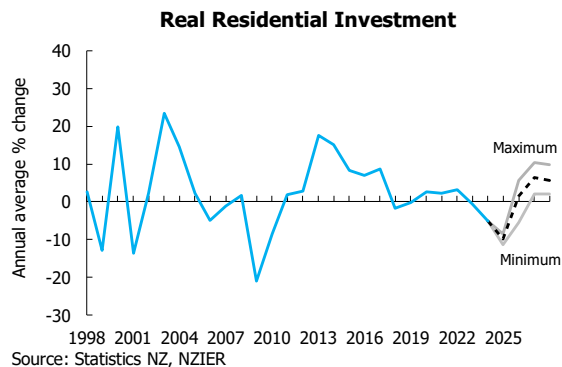
## Household spending growth revised lower

Forecast household spending growth has been revised lower. Many households will face further reductions in their mortgage repayments at the next repricing of their mortgages, which is expected to support a recovery in discretionary household spending. However, there is also the view that this recovery is tempered by the soft labour market and slowing net migration.



## Investment outlook revised lower for the coming year

Both the overall investment and residential investment outlook have been revised lower for the coming year but higher for the years beyond. Stats NZ's dwelling consent issuance data points to weak residential construction demand over the coming year. Beyond that, lower interest rates are expected to support a recovery in residential investment. NZIER's QSBO architects' work in their own office measure suggests an increased pipeline of housing construction work over the longer term.



## Export growth outlook revised lower

Forecast export growth has been revised higher for 2025 but lower for the coming years. The strong global demand and reduced global supply have supported the recent strong export growth. Beyond 2025, this growth is expected to be weighed by slowing global growth due to increased trade tensions.

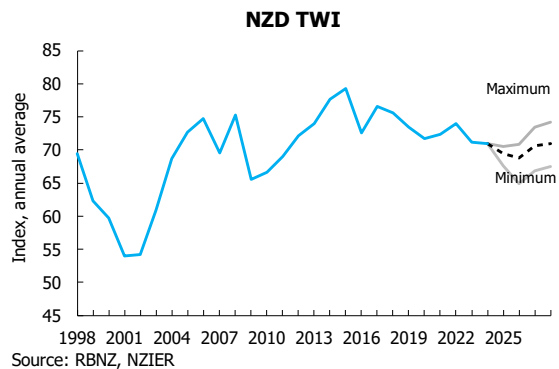
The import growth outlook has been revised lower for the coming year, reflecting expectations for a more gradual recovery in domestic demand.



## Forecast NZD exchange rate revised lower

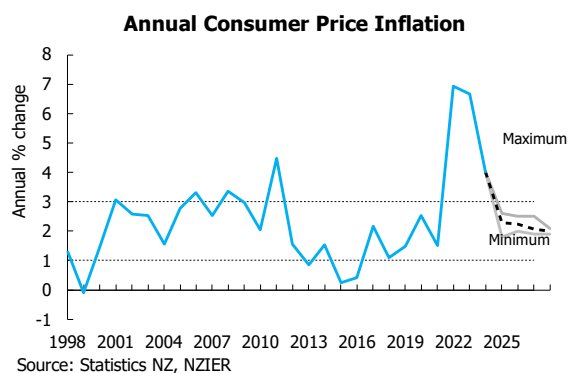
Forecasts of NZD TWI have been revised lower across the forecast period. The Reserve Bank of New Zealand (RBNZ) has cut the OCR in rapid succession since August. In the February meeting, the RBNZ indicated further OCR cuts in 2025. This is weighing on the yield attractiveness of the NZD.

The NZD TWI is expected to track between 68.8 and 70.9 across the forecast period.



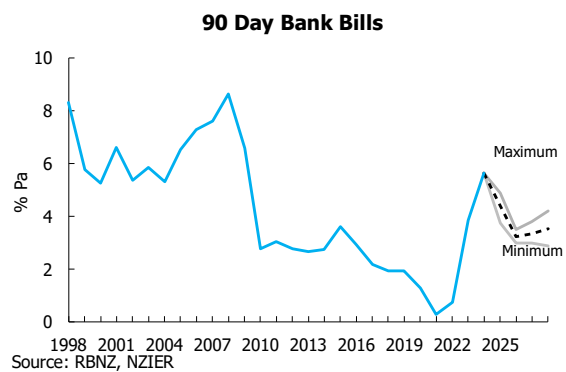
## Near-term inflation outlook revised higher

Forecast annual CPI inflation has been revised higher to 2.3 percent for the year ending March 2025. This reflects expectations for the lower NZD to push up prices of imported goods in the near term. Beyond that, the inflation outlook remains broadly unchanged. This reflects the view that inflation will be anchored around the 2 percent inflation target mid-point over the coming years, which is consistent with the inflation expectations in the RBNZ *Survey of Expectations*.



## The interest rate outlook revised lower through to 2027

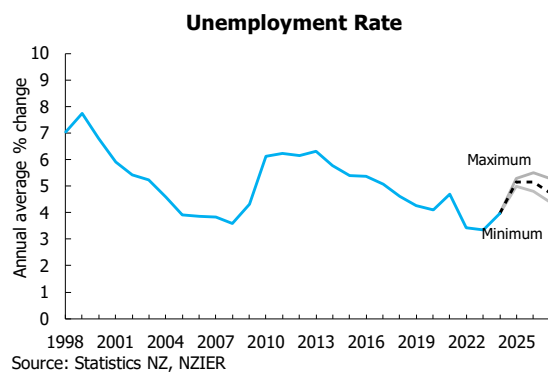
Forecast interest rates have been revised lower for years through to 2027. Since August, the RBNZ has cut the OCR by 175 basis points. In the February meeting, the RBNZ indicated further monetary policy easing in 2025, with its OCR outlook revised lower. In line with this, *Consensus Forecasts* have revised interest rate forecasts, reflecting expectations of more rapid interest rate cuts.



## Forecast unemployment rate remains broadly similar

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

The forecasts reflect expectations of a soft labour market, with a more gradual easing in wage growth over the coming year, given it tends to lag economic activity. This is broadly consistent with the gradual easing in wage growth in the RBNZ *Survey of Expectations*.



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

aapc, March years	Mar-2025 survey				Dec-2024 survey			
	2024/25	2025/26	2026/27	2027/28	2024/25	2025/26	2026/27	2027/28
GDP	-0.8 ↓	2.1 ↓	2.7 ↓	2.6 ↓	0.0	2.2	2.8	2.7
Private consumption	0.1 ↓	1.8 ↓	2.8 ↓	2.9 ↓	0.9	2.2	2.9	3.1
Public consumption	-1.4 ↓	-0.3 ↑	0.3 ↓	0.8 ↓	-1.0	-0.7	1.2	2.1
Fixed investment:								
Residential	-9.8 ↓	1.5 ↓	6.5 ↑	5.6 ↑	-6.1	2.8	6.0	3.9
Other	-3.0 ↓	0.9 ↓	4.9 ↑	4.2 ↑	-1.6	2.1	4.5	3.9
Total	-4.7 ↓	0.7 ↓	5.2 ↑	4.5 ↑	-2.8	2.4	4.8	3.9
Exports, goods & services	2.1 ↑	3.2 ↓	2.8 ↓	2.2 ↓	1.9	3.7	3.1	2.4
Imports, goods & services	0.7 ↓	2.2 ↓	3.9 ↑	3.2 ↓	0.9	2.9	3.8	3.3
Consumer price index (apc)	2.3 ↑	2.2 ↑	2.1 ⇒	2.0 ↓	2.1	2.1	2.1	2.1
New Zealand TWI (avg yr to Mar)	69.4 ↓	68.8 ↓	70.6 ↓	70.9 ↓	70.3	69.6	70.9	71.3
90 day bank bill (avg yr to Mar)	4.4 ↓	3.3 ↓	3.3 ↓	3.5 ⇒	4.6	3.5	3.5	3.5
10 year govt bond (avg yr to Mar)	4.5 ↑	4.4 ⇒	4.3 ⇒	4.1 ↓	4.4	4.4	4.3	4.5
Current account balance (NZ\$b; Mar yr)	-22.5 ↑	-16.8 ↑	-17.8 ↑	-18.6 ↑	-23.7	-19.9	-20.3	-21.2
Employment	-0.4 ↓	1.4 ↓	1.9 ⇒	1.6 ↑	-0.3	1.5	1.9	1.5
Unemployment (% of labour force)	5.2 ↓	5.2 ↑	4.7 ⇒	4.6 ↓	5.3	5.1	4.7	4.7
Wages (private sector avg hourly earnings)	3.7 ↑	3.3 ↑	2.7 ↓	3.1 ↑	3.4	2.8	3.0	2.9
Government operating balance (NZ\$b, September yr)	-15.3 ↓	-13.6 ↓	-7.3 ↓	-3.5 ↓	-13.9	-9.4	-4.3	-0.4

Source: NZIER

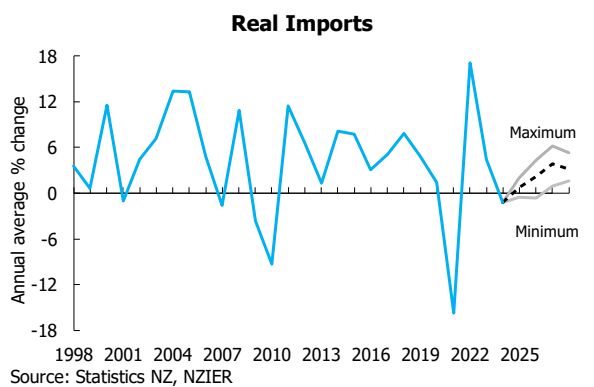
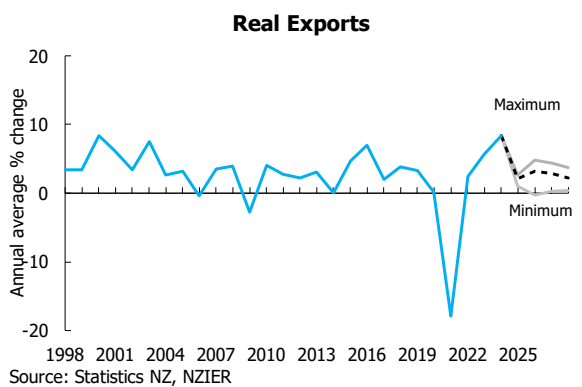
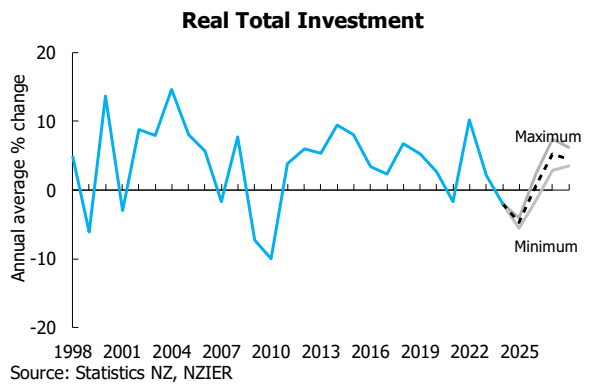
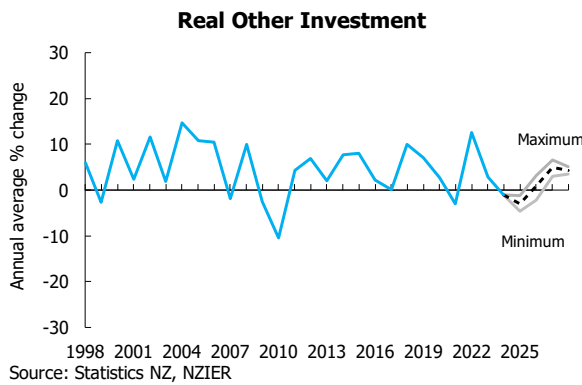
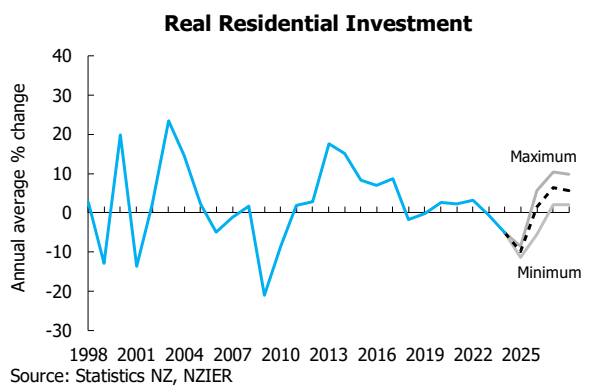
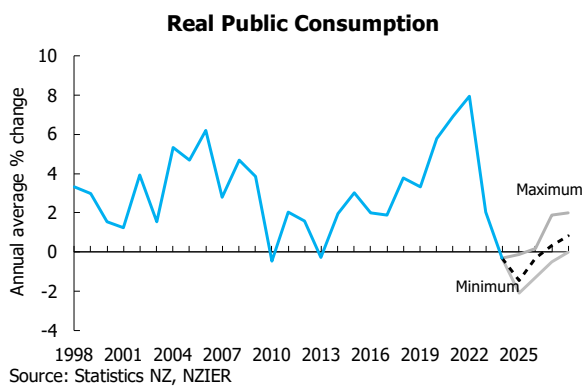
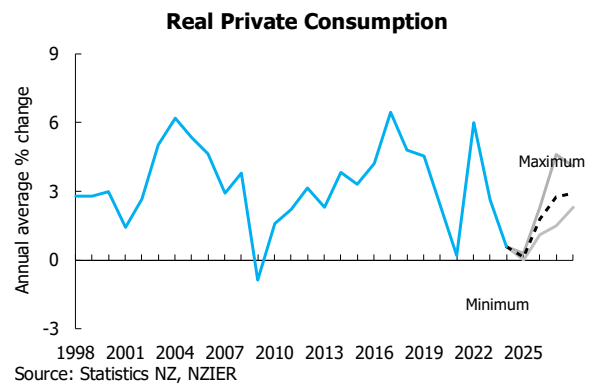
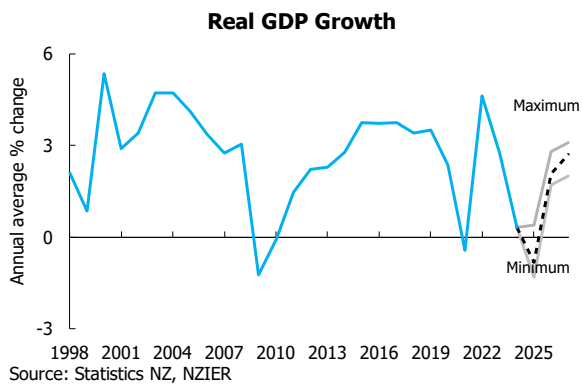
**Table 2 Breakdown of the forecasts**

qpc, quarters	Dec-24 f			Mar-25 f			Jun-25 f					
	Low	Mean	High	Low	Mean	High	Low	Mean	High			
GDP (seasonally adjusted, qpc)	0.2	0.4	0.5	0.3	0.5	0.6	0.5	0.6	0.8			
CPI (qpc)	Mar-25 f			Jun-25 f			Sep-25 f					
	0.4	0.7	1.0	0.3	0.5	0.6	0.6	0.8	1.0			
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	-1.3	-0.8	0.4	1.7	2.1	2.8	2.0	2.7	3.1	2.2	2.6	2.9
Private consumption	0.0	0.1	0.3	1.1	1.8	2.3	1.5	2.8	4.6	2.3	2.9	4.1
Public consumption	-2.1	-1.4	-0.1	-1.3	-0.3	0.2	-0.5	0.3	1.9	0.0	0.8	2.0
Fixed investment												
- Residential	-11.3	-9.8	-8.5	-5.5	1.5	5.6	2.0	6.5	10.4	2.1	5.6	9.9
- Other	-4.6	-3.0	-1.2	-2.2	0.9	3.1	3.0	4.9	6.6	3.5	4.2	5.1
- Total	-5.6	-4.7	-4.0	-1.4	0.7	2.4	2.9	5.2	7.4	3.5	4.5	6.2
Exports, goods and services	1.0	2.1	2.6	-0.3	3.2	4.8	0.3	2.8	4.4	0.4	2.2	3.7
Imports, goods and services	-0.5	0.7	2.0	-0.6	2.2	4.3	0.9	3.9	6.2	1.6	3.2	5.3
Consumer price index (apc)	1.8	2.3	2.6	2.0	2.2	2.5	1.9	2.1	2.5	1.9	2.0	2.1
New Zealand TWI (avg yr to Mar)	67.6	69.4	70.5	64.9	68.8	70.8	66.8	70.6	73.4	67.5	70.9	74.2
90 day bank bill (avg yr to Mar)	3.8	4.4	4.9	3.0	3.3	3.5	3.0	3.3	3.8	2.9	3.5	4.2
10 year government stock (avg yr to Mar)	4.1	4.5	4.6	4.2	4.4	4.9	3.8	4.3	5.0	2.4	4.1	5.0
Current account balance (NZ\$b; Mar yr)	-24.3	-22.5	-20.6	-19.1	-16.8	-15.1	-19.9	-17.8	-15.9	-20.4	-18.6	-17.3
Employment	-0.6	-0.4	0.0	0.8	1.4	2.0	1.4	1.9	2.3	1.0	1.6	1.9
Unemployment rate (% of labour force)	5.0	5.2	5.3	4.8	5.2	5.5	4.4	4.7	5.3	4.0	4.6	5.3
Wages (private sector avg hourly earnings)	3.1	3.7	4.0	2.2	3.3	4.1	1.8	2.7	3.5	2.1	3.1	3.5
Government operating balance (NZ\$m, December yr)	-17.3	-15.3	-13.0	-16.2	-13.6	-10.5	-9.4	-7.3	-4.3	-5.7	-3.5	-0.5

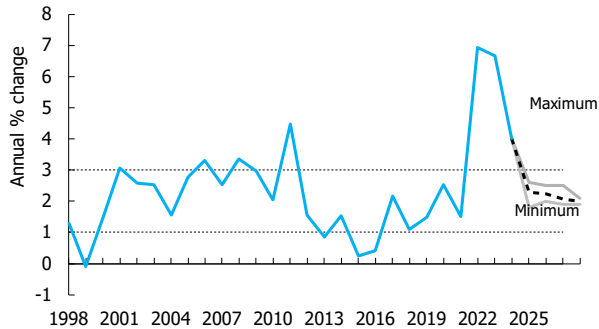
Notes: aapc = annual average percent change, apc = annual percent change, qpc = quarterly percent change  
 These results show only means; standard deviations are available on request

Source: NZIER

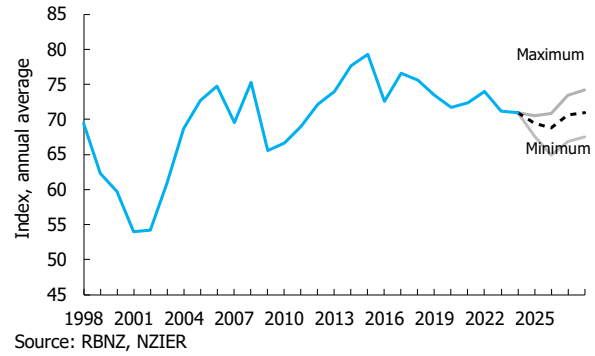
## Summary charts



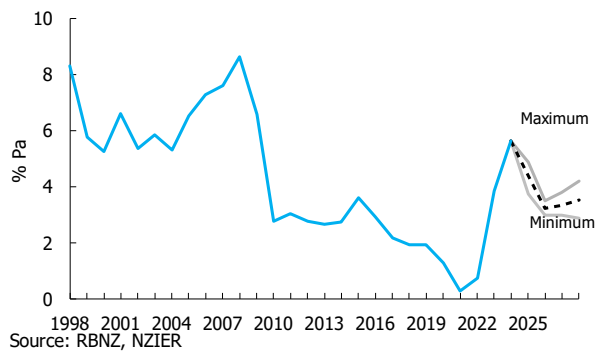
**Annual Consumer Price Inflation**



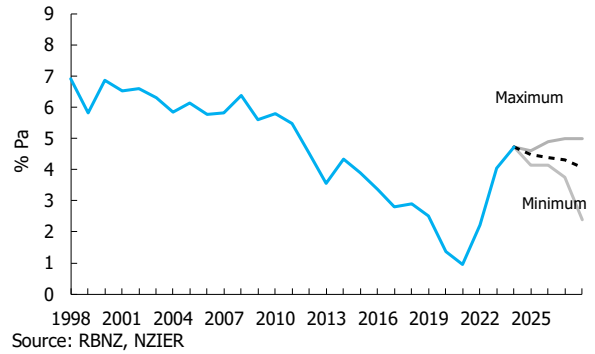
**NZD TWI**



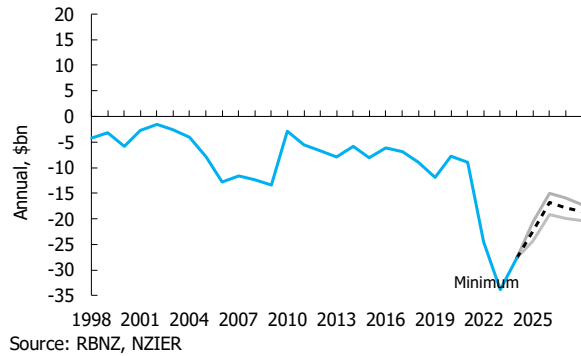
**90 Day Bank Bills**



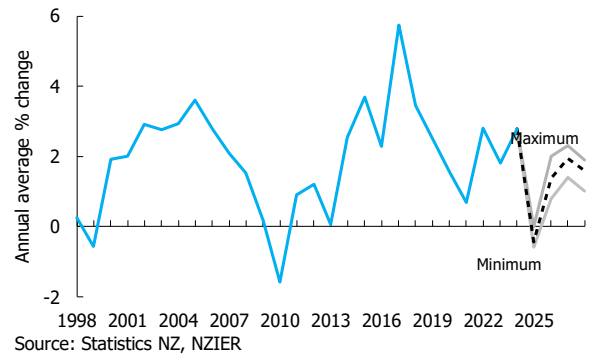
**10 Year Government Bond Yield**



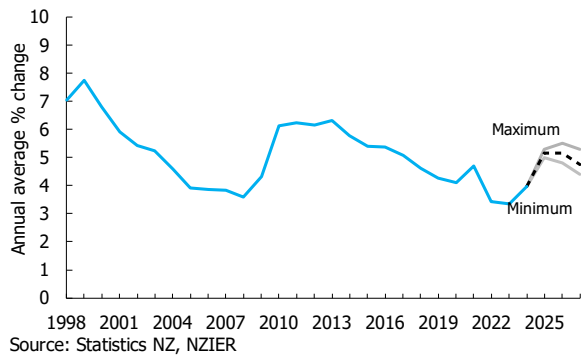
**Current Account Balance**



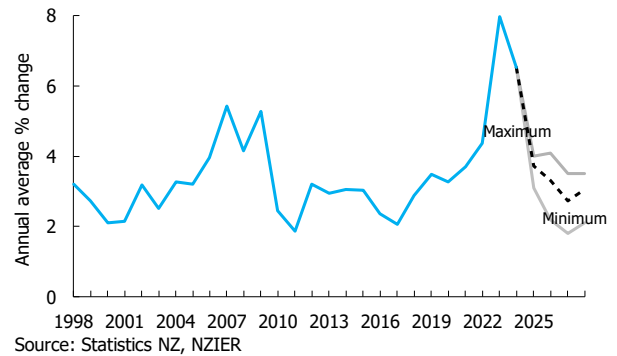
**Employment Growth**



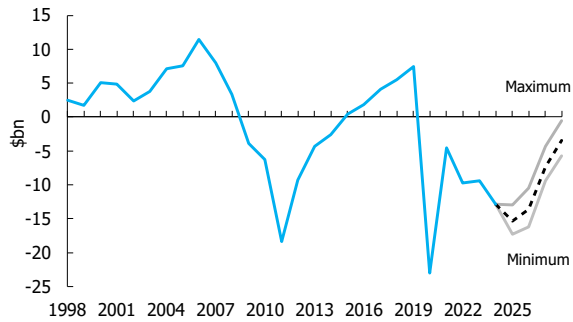
**Unemployment Rate**



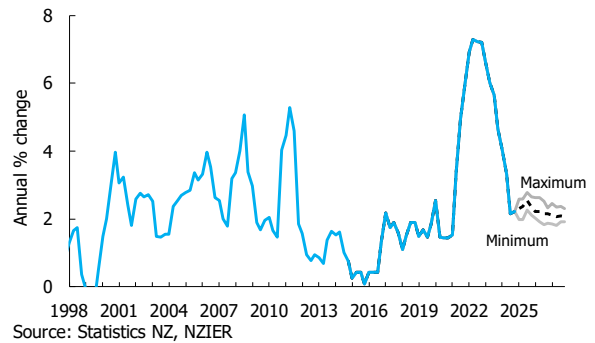
**Private Sector Wage Inflation**



**Government Operating Balance**



**Consumer Price 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. 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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