

NZ Institute of Economic Research (Inc)  
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# Consensus Forecasts

## NZIER *Consensus Forecasts* still point to a slowing economy over the next two years

The latest NZIER *Consensus Forecasts* show expectations for a general slowing in the New Zealand economy over the next two years, with forecasts for annual average growth in GDP of 1.2 percent in the years ending March 2024 and March 2025. Worth noting is the upward revision in forecast GDP growth for 2024 from 0.4 percent in the previous forecast, which largely reflects the better-than-expected GDP increase of 0.9 percent over the June quarter. Nonetheless, the revised forecasts still point to a period of fairly subdued growth ahead before picking up to 2.4 percent in 2026. Higher interest rates are expected to continue to dampen demand, driving a slowing in economic activity over the coming years. Over the longer term, the strong migration-led population growth will underpin activity across a range of sectors.

Forecasts of household spending have been revised higher for 2024. However, with over half of mortgages due for repricing within 12 months, households will likely become more cautious about discretionary spending as they face much higher mortgage repayments. The increased expectations for interest rates staying high for longer are likely weighing on the residential investment outlook for the longer term. On the upside, the migration-led population growth should support a recovery in retail spending and residential construction demand beyond 2025.

Export growth forecasts have been revised lower from 2024 to 2026. Despite the slight recovery in global dairy prices in recent months, food commodity prices are easing more broadly. The subdued global demand, especially from China, continues to restrain the growth outlook for New Zealand exports over the coming years.

The inflation outlook is broadly unchanged. Annual CPI inflation is forecast to ease to 4.3 percent in 2024 before decreasing to 2.5 percent in 2025. However, the strong net migration inflows remain the key upside risk to inflation.

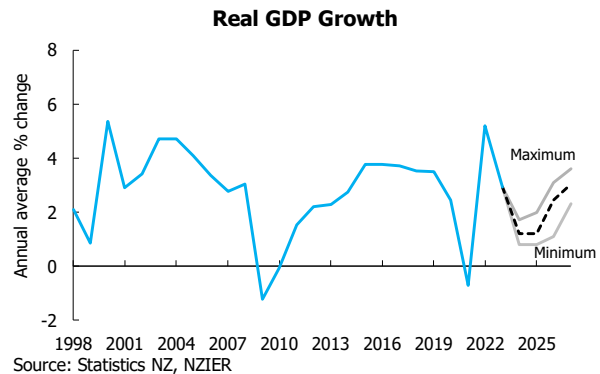
**Figure 1 Slowing in GDP growth is still expected for 2024 and 2025**



## Forecasts still point to a period of subdued GDP growth ahead

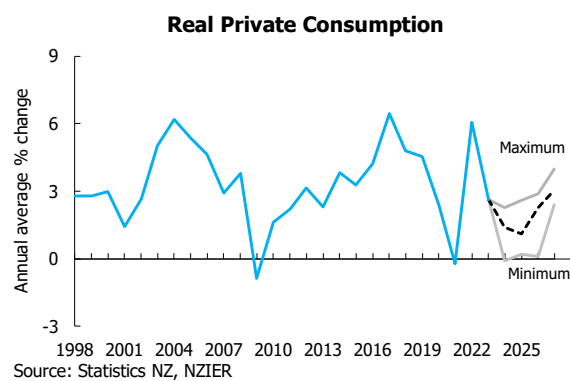
Consensus Forecasts for GDP growth have been revised higher to 1.2 percent for the year ending March 2024. Overall, forecasts still point to a slowing in growth in 2024 and 2025.

The 0.9 increase in GDP over the June quarter drives much of the upward revision for the growth outlook for the year to March 2024. Over the longer term, the migration-led population growth should support demand across a range of sectors.



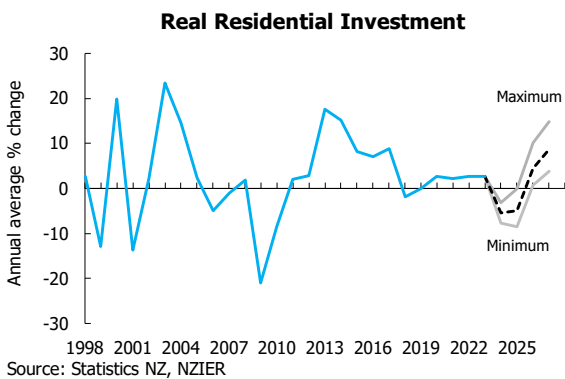
## Forecast household spending for 2024 revised higher

Forecasts of household spending have been revised higher for 2024, but expectations are still of a slowing in spending. This upward revision reflects the zero change in retail sales volume between the June and September quarters. However, with over half of mortgages in New Zealand due for repricing within the next 12 months, households will be more cautious about discretionary spending.



## Further softening in the residential investment outlook

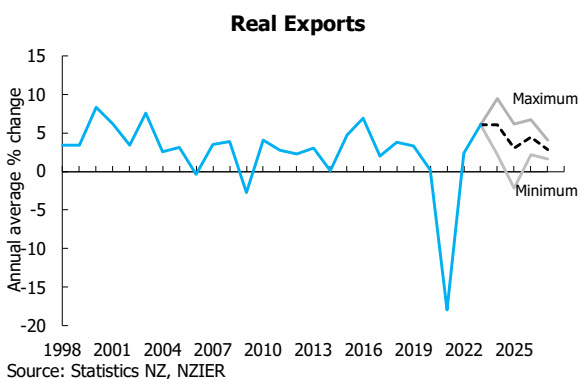
The overall investment outlook points to declines in 2024 and 2025. For residential investment, forecasts for years through to 2026 have been further revised down. Both dwelling consent issuance and the NZIER QSBO's architects' work in their own office point to a weaker pipeline of residential construction work over the short term. The increased expectations of interest rates staying high for longer also weigh on the residential investment outlook over the coming years.



## Further decline in export growth outlook

The export growth outlook has further declined for the years leading up to 2026. Despite a slight improvement in global dairy prices in recent months, food commodity prices are easing more broadly. The subdued global demand, particularly from China, continues to weigh on the export growth outlook over the coming years.

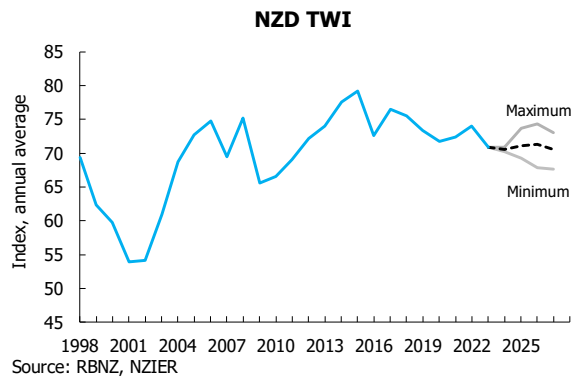
The import growth outlook has been revised lower, given expectations of weaker domestic spending.



## NZD revised lower through to 2027

Forecasts of NZD TWI have been revised lower across the projection period. The loosening in the labour market and continued easing in annual CPI inflation drive increased expectations that the Reserve Bank will not lift the OCR beyond 5.50 percent any time soon. This weighs on the yield attractiveness of the NZD.

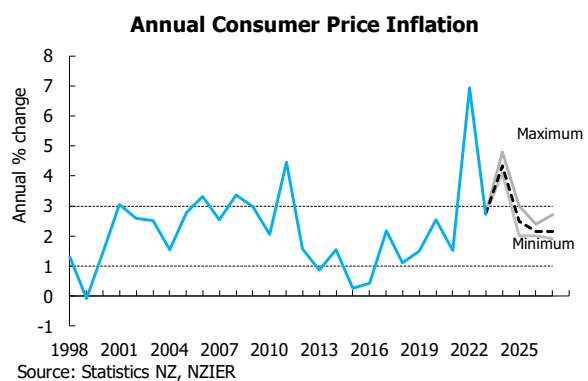
The NZD is expected to track between 70.5 and 71.3 on the TWI across the projection period.



## Inflation outlook is broadly unchanged

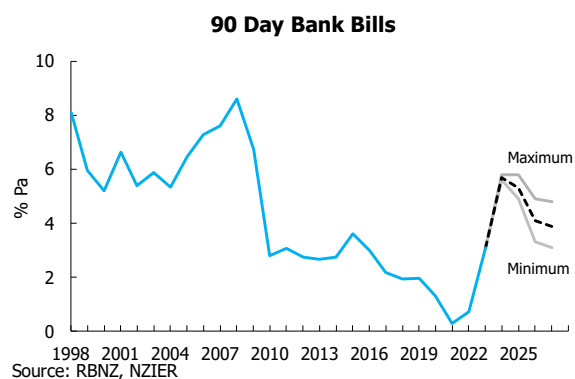
Forecasts for annual CPI inflation are broadly unchanged. Inflation is expected to return to within the Reserve Bank's 1 to 3 percent inflation target band in the year ending March 2025.

The annual CPI inflation of 5.6 percent for the September quarter points to a continued easing in inflation pressures in the economy. While the RBNZ Survey of Expectations shows a decline in inflation expectations, the strong net migration inflows remain the key upside risk to inflation.



## Higher interest rate expectations

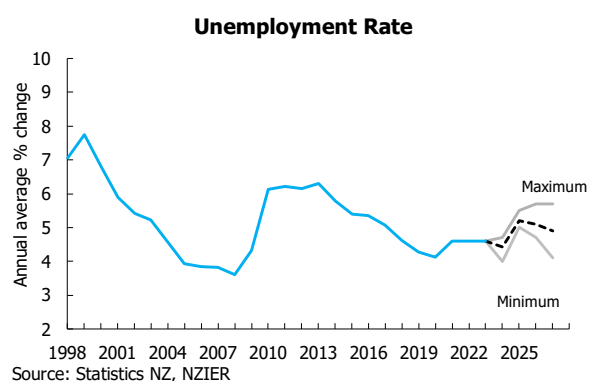
Forecasts for interest rates have been revised higher across the forecast horizon. This reflects increased expectations of interest rates staying high for longer. While the Reserve Bank has been keeping the OCR on hold at 5.50 percent, the hawkish tone in its November Monetary Policy Statement left the door open for further increases. With annual CPI inflation still well above the inflation target band, interest rates will need to remain restrictive for a sustained period.



## Wage growth outlook revised higher

Wage growth forecasts have been revised higher for the years 2024 to 2026. The robust wage growth, as shown by Stats NZ's Labour Cost Index and average hourly earnings, continue to underpin the wage growth outlook for the coming years.

Meanwhile, forecasts for the unemployment rate are broadly unchanged and the short-term outlook for employment has been revised lower. Overall, these reflect increased expectations for a loosening in the labour market over the coming year.



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

| aapc, March years                                  | Dec-2023 survey |         |         |         | Sep-2023 survey |         |         |         |
|--|-----------------|---------|---------|---------|-----------------|---------|---------|---------|
|  | 2023/24         | 2024/25 | 2025/26 | 2026/27 | 2023/24         | 2024/25 | 2025/26 | 2026/27 |
| GDP  | 1.2 ↑           | 1.2 ↑   | 2.4 ↓   | 3.0 ↑   | 0.4             | 1.1     | 2.7     | 2.8     |
| Private consumption                                | 1.4 ↑           | 1.1 ↑   | 2.3 →   | 3.1 ↑   | 0.8             | 1.0     | 2.3     | 2.8     |
| Public consumption                                 | 0.0 ↑           | -1.1 ↓  | 0.5 ↓   | 1.9 ↑   | -1.2            | -0.6    | 0.8     | 1.5     |
| Fixed investment:                                  |                 |         |         |         | 0.0             | 0.0     | 0.0     | 0.0     |
| Residential  | -5.4 ↓          | -5.0 ↓  | 4.4 ↓   | 8.6 ↑   | -5.0            | -4.8    | 4.6     | 6.5     |
| Other  | 2.2 ↑           | -1.1 ↓  | 2.8 →   | 4.7 ↑   | 1.6             | -0.1    | 2.8     | 4.2     |
| Total  | 0.2 ↑           | -2.0 ↓  | 3.1 ↓   | 5.6 ↑   | 0.0             | -1.1    | 3.2     | 4.6     |
| Exports, goods & services                          | 6.0 ↓           | 3.0 ↓   | 4.4 ↓   | 2.9 →   | 6.7             | 3.4     | 4.5     | 2.9     |
| Imports, goods & services                          | -1.2 ↓          | 0.4 ↓   | 2.8 ↑   | 3.4 ↑   | 1.1             | 0.7     | 2.6     | 3.2     |
| Consumer price index (apc)                         | 4.3 →           | 2.5 ↑   | 2.1 ↓   | 2.1 ↑   | 4.3             | 2.4     | 2.2     | 2.0     |
| New Zealand TWI (avg yr to Mar)                    | 70.6 ↓          | 71.1 ↓  | 71.3 ↓  | 70.5 ↓  | 70.8            | 71.6    | 71.8    | 71.6    |
| 90 day bank bill (avg yr to Mar)                   | 5.7 ↑           | 5.3 ↑   | 4.1 ↑   | 3.9 ↑   | 5.6             | 5.0     | 4.0     | 3.8     |
| 10 year govt bond (avg yr to Mar)                  | 4.9 ↑           | 4.8 ↑   | 4.4 →   | 4.4 ↑   | 4.7             | 4.5     | 4.4     | 4.3     |
| Current account balance (NZ\$b; Mar yr)            | -26.7 ↑         | -23.4 ↑ | -18.3 ↑ | -15.3 ↑ | -29.3           | -25.2   | -21.0   | -20.1   |
| Employment   | 0.8 ↓           | 0.7 →   | 1.6 →   | 1.6 ↑   | 1.1             | 0.7     | 1.6     | 1.5     |
| Unemployment (% of labour force)                   | 4.4 →           | 5.2 →   | 5.1 ↑   | 4.9 →   | 4.4             | 5.2     | 5.0     | 4.9     |
| Wages (private sector avg hourly earnings)         | 7.1 ↑           | 4.8 ↑   | 3.7 ↑   | 2.7 →   | 6.7             | 4.7     | 3.5     | 2.7     |
| Government operating balance (NZ\$b, September yr) | -11.5 ↓         | -6.7 ↓  | -2.0 ↓  | 1.1 ↓   | -10.2           | -6.3    | -1.3    | 1.4     |

Source: NZIER

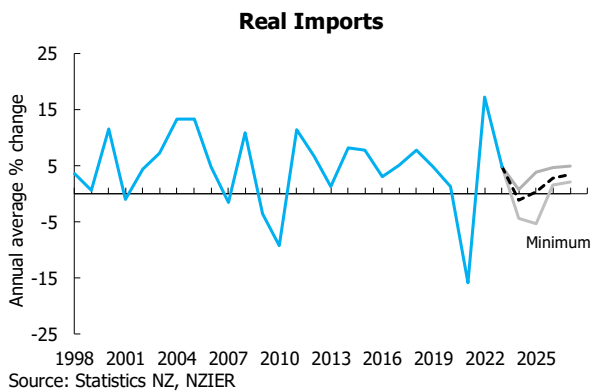
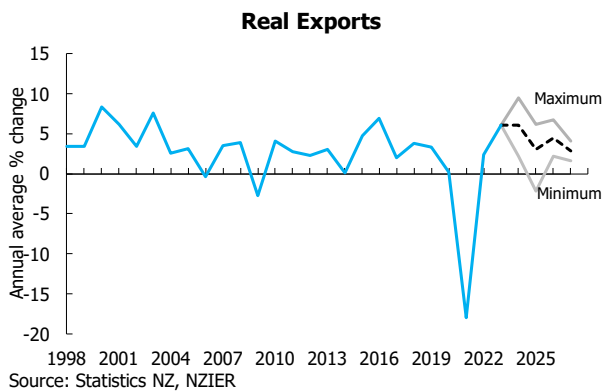
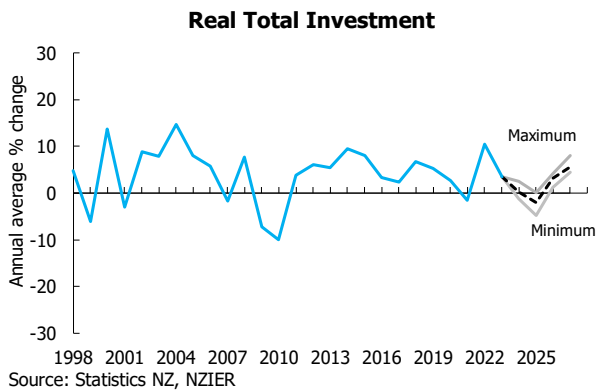
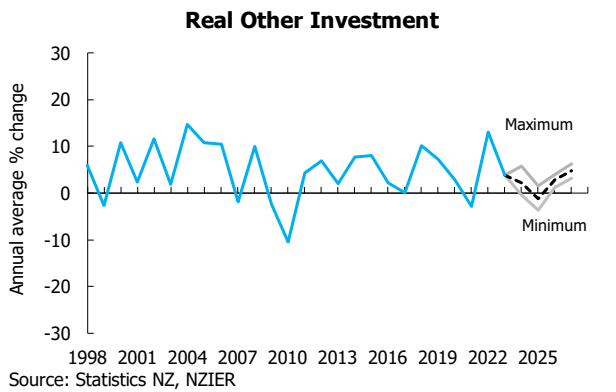
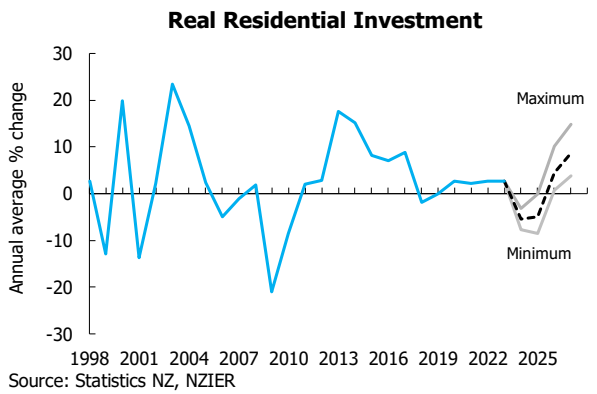
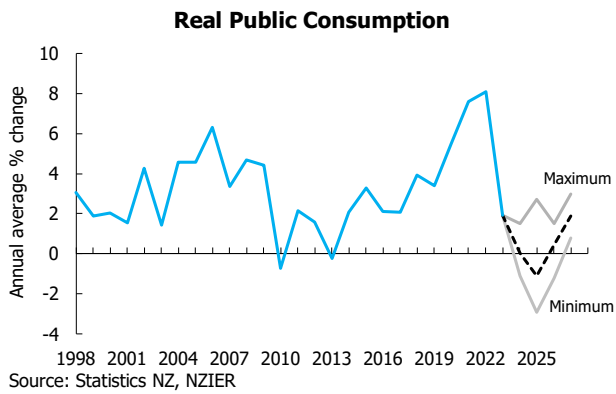
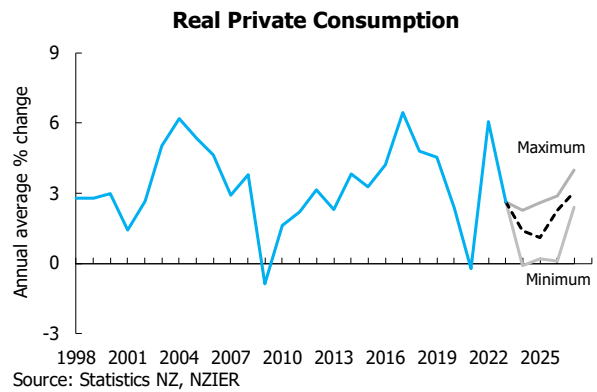
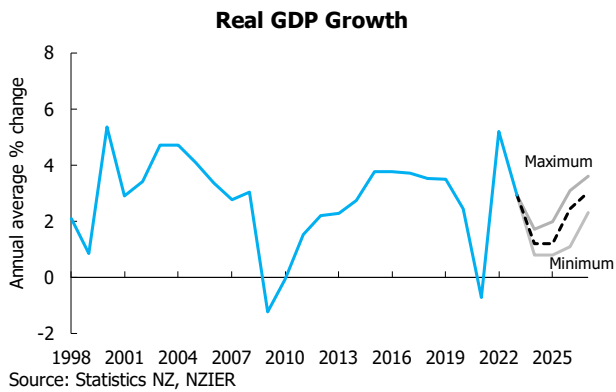
**Table 2 Breakdown of the forecasts**

| qpc, quarters                                     | Sep-23 f    |       |       | Dec-23 f    |       |       | Mar-24 f    |       |       |             |       |      |
|---|-------------|-------|-------|-------------|-------|-------|-------------|-------|-------|-------------|-------|------|
|   | Low         | Mean  | High  | Low         | Mean  | High  | Low         | Mean  | High  |             |       |      |
| GDP (seasonally adjusted, qpc)                    | -0.1        | 0.2   | 0.6   | -0.2        | 0.1   | 0.5   | -0.4        | 0.2   | 0.6   |             |       |      |
| CPI (qpc)   | Dec-23 f    |       |       | Mar-24 f    |       |       | Jun-24 f    |       |       |             |       |      |
|   | Low         | Mean  | High  | Low         | Mean  | High  | Low         | Mean  | High  |             |       |      |
|   | 0.6         | 0.8   | 1.8   | 0.4         | 0.7   | 1.0   | 0.2         | 0.6   | 0.9   |             |       |      |
| aapc, March years                                 | 2023/2024 f |       |       | 2024/2025 f |       |       | 2025/2026 f |       |       | 2026/2027 f |       |      |
|   | Low         | Mean  | High  | Low         | Mean  | High  | Low         | Mean  | High  | Low         | Mean  | High |
| GDP   | 0.8         | 1.2   | 1.7   | 0.8         | 1.2   | 2.0   | 1.1         | 2.4   | 3.1   | 2.3         | 3.0   | 3.6  |
| Private consumption                               | -0.1        | 1.4   | 2.3   | 0.2         | 1.1   | 2.6   | 0.1         | 2.3   | 2.9   | 2.4         | 3.1   | 4.0  |
| Public consumption                                | -1.1        | 0.0   | 1.5   | -2.9        | -1.1  | 2.7   | -1.2        | 0.5   | 1.5   | 0.8         | 1.9   | 3.0  |
| Fixed investment                                  |             |       |       |             |       |       |             |       |       |             |       |      |
| - Residential                                     | -7.7        | -5.4  | -3.1  | -8.5        | -5.0  | -0.2  | 0.8         | 4.4   | 10.2  | 3.8         | 8.6   | 14.9 |
| - Other   | -0.4        | 2.2   | 5.8   | -3.7        | -1.1  | 1.6   | 1.3         | 2.8   | 4.0   | 3.1         | 4.7   | 6.2  |
| - Total   | -1.2        | 0.2   | 2.5   | -4.7        | -2.0  | 0.1   | 1.2         | 3.1   | 4.2   | 4.4         | 5.6   | 8.0  |
| Exports, goods and services                       | 2.1         | 6.0   | 9.5   | -2.2        | 3.0   | 6.2   | 2.2         | 4.4   | 6.7   | 1.6         | 2.9   | 4.1  |
| Imports, goods and services                       | -4.4        | -1.2  | 0.8   | -5.3        | 0.4   | 3.9   | 1.5         | 2.8   | 4.6   | 2.1         | 3.4   | 4.9  |
| Consumer price index (apc)                        | 4.1         | 4.3   | 4.8   | 2.0         | 2.5   | 3.0   | 2.0         | 2.1   | 2.4   | 1.9         | 2.1   | 2.7  |
| New Zealand TWI (avg yr to Mar)                   | 70.2        | 70.6  | 70.9  | 69.3        | 71.1  | 73.7  | 67.9        | 71.3  | 74.3  | 67.6        | 70.5  | 73.1 |
| 90 day bank bill (avg yr to Mar)                  | 5.6         | 5.7   | 5.8   | 4.9         | 5.3   | 5.8   | 3.3         | 4.1   | 4.9   | 3.1         | 3.9   | 4.8  |
| 10 year government stock (avg yr to Mar)          | 4.6         | 4.9   | 5.2   | 4.2         | 4.8   | 5.6   | 3.9         | 4.4   | 5.4   | 3.8         | 4.4   | 5.3  |
| Current account balance (NZ\$b; Mar yr)           | -28.0       | -26.7 | -24.8 | -25.6       | -23.4 | -20.7 | -21.1       | -18.3 | -13.3 | -21.0       | -15.3 | -8.6 |
| Employment  | 0.2         | 0.8   | 1.1   | 0.1         | 0.7   | 1.6   | 0.9         | 1.6   | 2.4   | 0.9         | 1.6   | 1.9  |
| Unemployment rate (% of labour force)             | 4.0         | 4.4   | 4.7   | 5.0         | 5.2   | 5.5   | 4.7         | 5.1   | 5.7   | 4.1         | 4.9   | 5.7  |
| Wages (private sector avg hourly earnings)        | 6.9         | 7.1   | 7.5   | 4.4         | 4.8   | 5.4   | 2.9         | 3.7   | 5.2   | 2.2         | 2.7   | 3.3  |
| Government operating balance (NZ\$m, December yr) | -12.5       | -11.5 | -10.7 | -7.3        | -6.7  | -6.2  | -3.6        | -2.0  | -1.1  | -0.5        | 1.1   | 2.1  |

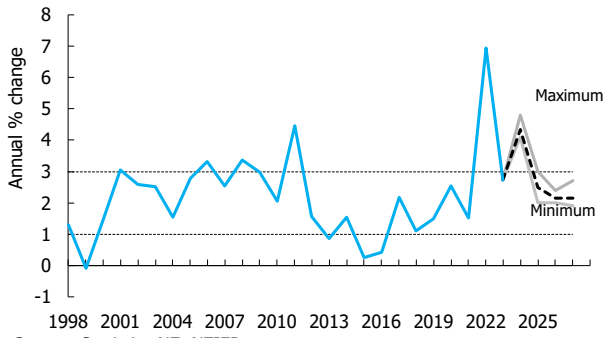
Notes: aapc = annual average percent change, apc = annual percent change, qpc = quarterly percent change  
 These results show only means; standard deviations are available on request

Source: NZIER

## Summary charts

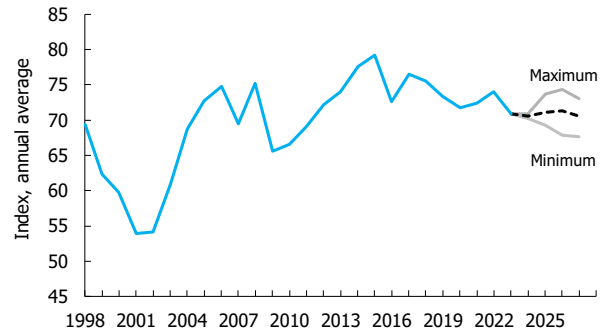


**Annual Consumer Price Inflation**



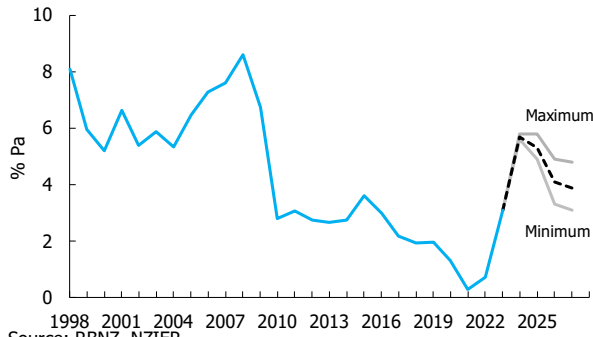
Source: Statistics NZ, NZIER

**NZD TWI**



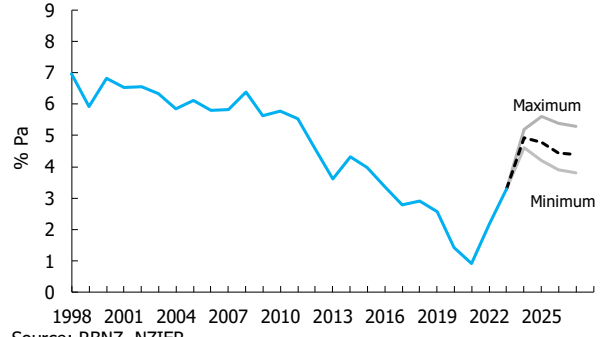
Source: RBNZ, NZIER

**90 Day Bank Bills**



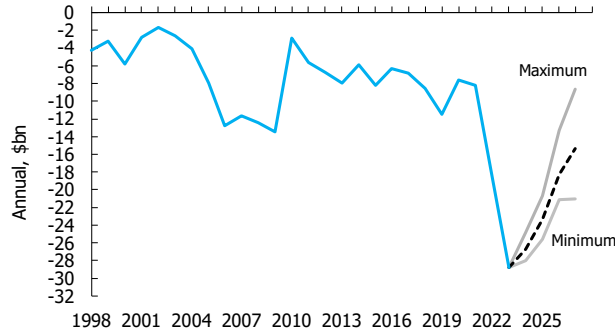
Source: RBNZ, NZIER

**10 Year Government Bond Yield**



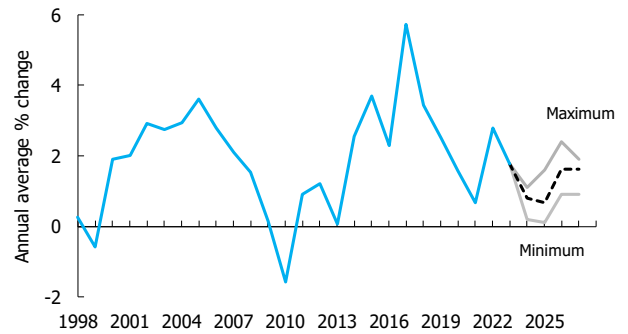
Source: RBNZ, NZIER

**Current Account Balance**



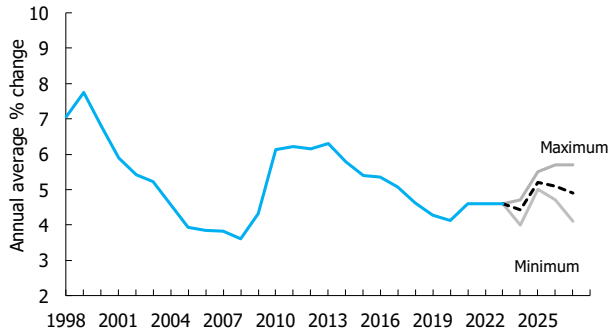
Source: RBNZ, NZIER

**Employment Growth**



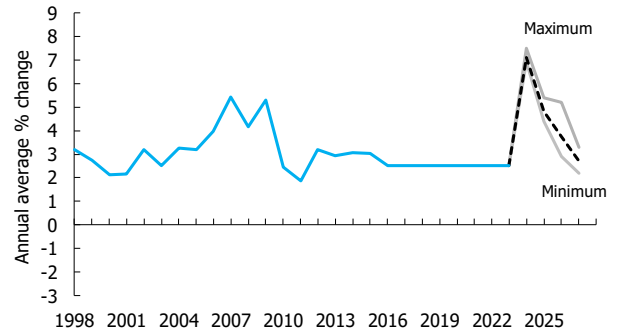
Source: Statistics NZ, NZIER

**Unemployment Rate**

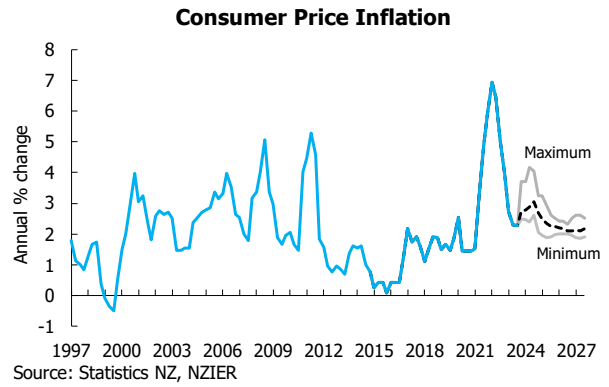
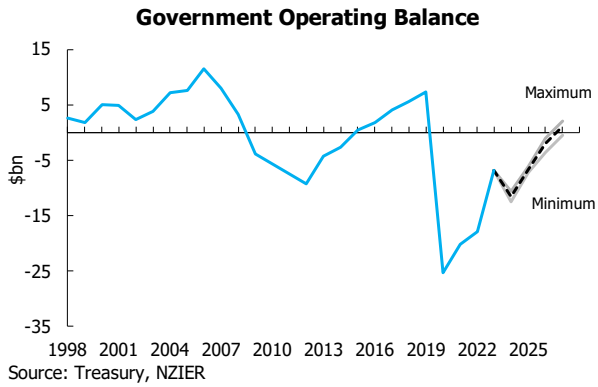


Source: Statistics NZ, NZIER

**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. 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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