

NZ Institute of Economic Research (Inc)
16 December 2024

Consensus Forecasts

NZIER *Consensus Forecasts* suggest that activity in the New Zealand economy remains soft in the near term

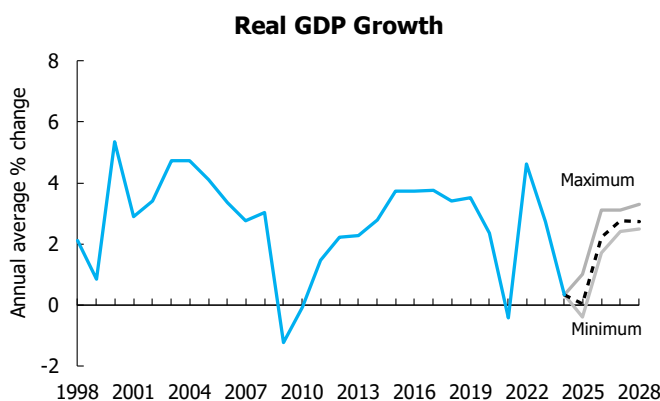
The latest NZIER *Consensus Forecasts* show that the economic growth outlook remains broadly unchanged relative to the previous release of *Consensus Forecasts*. GDP forecasts continue to suggest sluggish growth in the year to March 2025 before picking up to 2.2 percent in the following year. These reflect the expectations that activity in the New Zealand economy will remain soft in the near term. BusinessNZ’s PMI and PSI measures of manufacturing and services sector performance and NZIER’s *Quarterly Survey of Business Opinion* measure of firms’ domestic trading activity also point to continued weak activity in the economy. Beyond 2025, lower interest rates are expected to drive a pick-up in growth.

Forecasts of household spending have been revised higher. More households in recent months have been fixing their mortgages at shorter fixed terms in anticipation that interest rates will decrease. With over half of the New Zealand mortgage book due for repricing within the coming six months, many households will roll onto lower mortgage rates and face reduced mortgage repayments. This, along with the income tax cuts, is expected to support a recovery in discretionary household spending over the coming years. Similarly, the residential investment growth outlook has been revised higher, reflecting the expectations that lower interest rates should support a recovery in residential investment over the coming years.

The export growth outlook for the years beyond 2025 has been revised higher. This reflects the expectations that the continued strengthening in commodity prices, especially dairy, and the constrained global supply of food commodities should underpin New Zealand’s export growth over the coming years. Although the new US Government’s trade policy setting may present a downside risk to New Zealand’s export demand, this may be offset by the potential recovery in China’s demand with its new economic stimulus package in place.

Forecast annual CPI inflation has been revised lower for the year ending March 2025 to 2.1 percent. The revised inflation outlook reflects the view that annual CPI inflation is now contained back to within the RBNZ’s 1 to 3 percent inflation target band and is expected to be anchored around the 2 percent inflation target mid-point over the coming years.

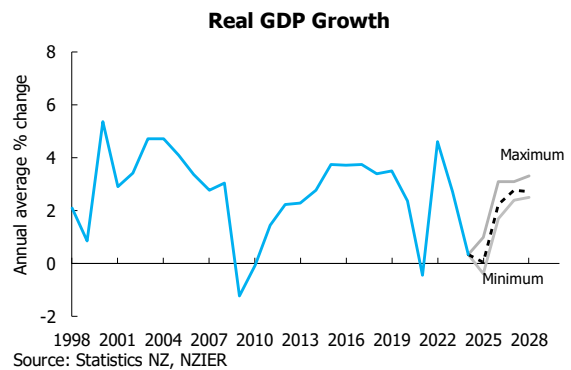
Figure 1 The economic growth outlook remains broadly unchanged



Forecast GDP growth broadly unchanged

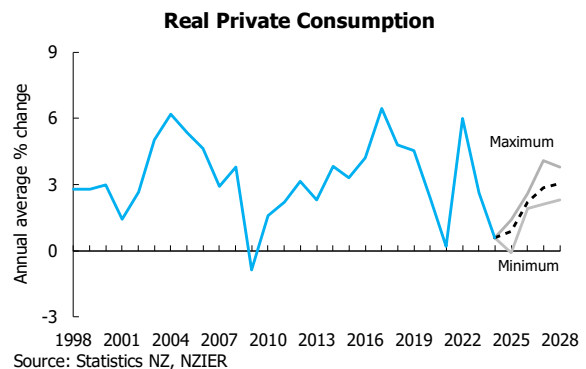
Consensus Forecasts for GDP growth show little change in the growth outlook relative to the previous forecasts. The forecasts continue to suggest sluggish growth in the year ending March 2025 before picking up to 2.2 percent in 2026.

These forecasts reflect the expectations that activity in the New Zealand economy will remain soft in the near term. Beyond 2025, lower interest rates should drive a recovery in economic growth.



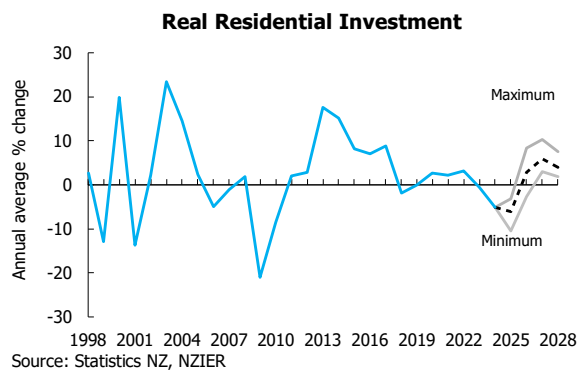
Household spending growth revised higher

The outlook for household spending growth has been revised higher. With over half of mortgages due for repricing within the next six months, many households will roll onto lower mortgage rates and face reduced mortgage repayments. This, along with the income tax cuts, is expected to support a recovery in discretionary household spending over the coming years.



The investment outlook improved

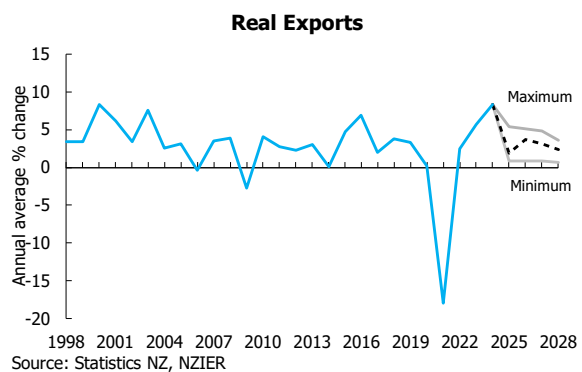
The overall investment outlook has improved since the previous *Consensus Forecasts*. The residential investment growth outlook has been revised higher, reflecting the expectations that the interest rate declines will support a recovery in residential investment over the coming years. The NZIER QSBO architects' work in their own office also points to an increase in the pipeline of residential construction work beyond the coming year.



The export growth outlook beyond 2025 revised higher

The export growth outlook has been revised lower for 2025 but higher for the subsequent years. The former reflects the lower starting point, given the declines in export volumes in recent quarters. The continued strengthening in commodity prices, especially dairy, and the constrained global supply, are expected to underpin export growth over the coming years.

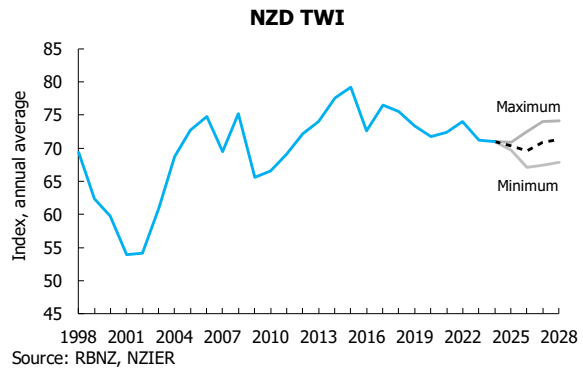
The import growth outlook beyond 2025 has also been revised higher. This reflects expectations for a recovery in domestic demand over the coming years as interest rates decrease.



NZD revised lower

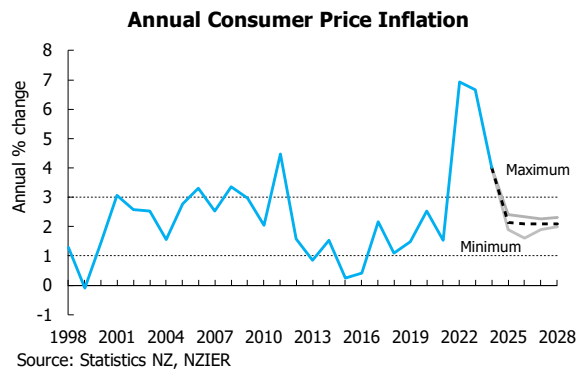
Forecasts of NZD TWI have been revised lower through to 2028. The Reserve Bank of New Zealand (RBNZ) delivered two 50-basis point cuts in October and November. In the November *Monetary Policy Statement (MPS)*, the RBNZ signalled further OCR cuts of at least 100 basis points over the coming years. This is weighing on the yield attractiveness of the NZD.

The NZD TWI is expected to track between 69.6 and 71.3 across the forecast period.



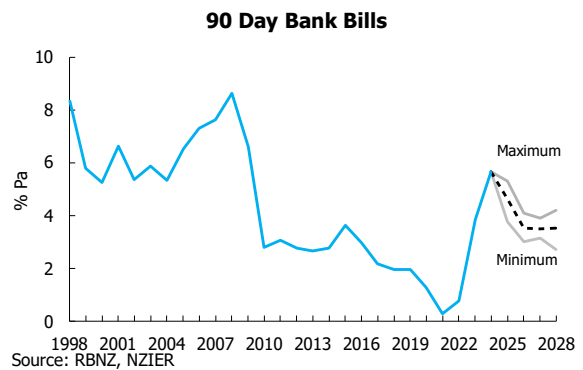
Forecast CPI inflation revised lower for 2025

Forecast annual CPI inflation has been revised lower to 2.1 percent for the year ending March 2025. The inflation outlook reflects the view that inflation is now contained within the RBNZ's 1 to 3 percent inflation target band and is expected to be anchored around the 2 percent inflation target mid-point over the coming years. These are in line with the 1-year-ahead and 2-year-ahead inflation expectations shown in the RBNZ *Survey of Expectations*.



The interest rate outlook revised lower for 2025 and 2026

Forecasts of interest rates have been revised lower for 2025 and 2026. The RBNZ continued with its monetary policy easing in October and November. The revised forecasts reflect the expectations that the RBNZ will continue to reduce the OCR over the coming years, as signalled in its November MPS projections.



Forecast wage growth and unemployment rate remain broadly similar

The wage growth outlook is broadly similar to the previous forecasts. Meanwhile, the forecast unemployment rate for the year ending 2026 has been revised lower slightly.

The forecasts reflect expectations of a soft labour market over the coming years, which are consistent with what the RBNZ *Survey of Expectations* showed.

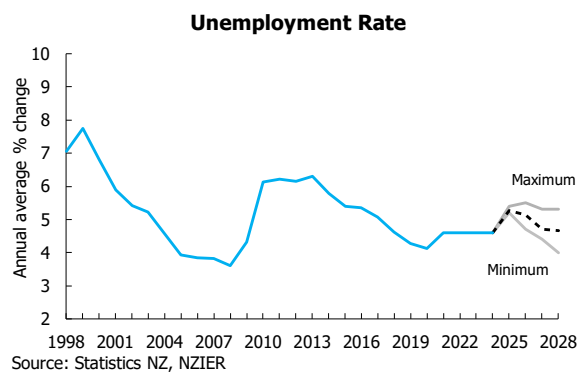


Table 1 Latest *Consensus Forecasts* compared to previous

aapc, March years	Dec-2024 survey				Sep-2024 survey			
	2024/25	2025/26	2026/27	2027/28	2024/25	2025/26	2026/27	2027/28
GDP	0.0 ➡	2.2 ➡	2.8 ➡	2.7 ↓	0.0	2.2	2.8	2.8
Private consumption	0.9 ↑	2.2 ↑	2.9 ↑	3.1 ↑	0.2	1.9	2.5	2.2
Public consumption	-1.0 ↑	-0.7 ↑	1.2 ↑	2.1 ↑	-2.2	-0.8	0.4	1.6
Fixed investment:					0.0	0.0	0.0	0.0
Residential	-6.1 ↑	2.8 ↑	6.0 ↑	3.9 ↑	-7.3	2.7	5.1	3.1
Other	-1.6 ↑	2.1 ↓	4.5 ↑	3.9 ↑	-2.4	2.5	3.7	3.4
Total	-2.8 ↑	2.4 ↓	4.8 ↑	3.9 ↑	-3.6	2.8	4.1	3.4
Exports, goods & services	1.9 ↓	3.7 ↑	3.1 ↑	2.4 ↑	2.5	3.0	2.7	1.9
Imports, goods & services	0.9 ↓	2.9 ↑	3.8 ↑	3.3 ↑	1.5	1.8	2.6	2.5
Consumer price index (apc)	2.1 ↓	2.1 ↑	2.1 ➡	2.1 ➡	2.3	2.0	2.1	2.1
New Zealand TWI (avg yr to Mar)	70.3 ↓	69.6 ↓	70.9 ↓	71.3 ↓	71.0	71.7	71.6	71.6
90 day bank bill (avg yr to Mar)	4.6 ↓	3.5 ↓	3.5 ↑	3.5 ↑	5.0	3.7	3.4	3.4
10 year govt bond (avg yr to Mar)	4.4 ➡	4.4 ↑	4.3 ↑	4.5 ↑	4.4	4.2	4.2	4.1
Current account balance (NZ\$b; Mar yr)	-23.7 ↓	-19.9 ↓	-20.3 ↓	-21.2 ↓	-23.3	-19.7	-18.6	-20.3
Employment	-0.3 ↓	1.5 ↓	1.9 ↓	1.5 ↓	0.4	1.6	2.0	1.8
Unemployment (% of labour force)	5.3 ➡	5.1 ↓	4.7 ↓	4.7 ↓	5.3	5.3	4.8	4.8
Wages (private sector avg hourly earnings)	3.4 ➡	2.8 ↓	3.0 ↑	2.9 ➡	3.4	2.9	2.9	2.9
Government operating balance (NZ\$b, September yr)	-13.9 ↓	-9.4 ↓	-4.3 ↓	-0.4 ↑	-11.8	-8.7	-3.6	-0.5

Source: NZIER

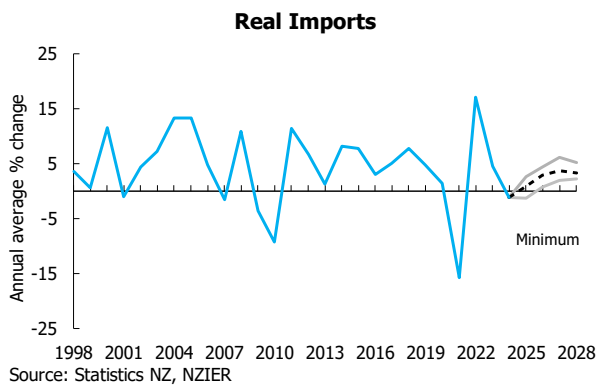
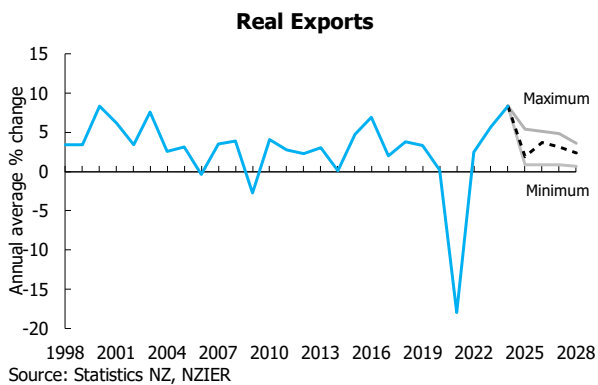
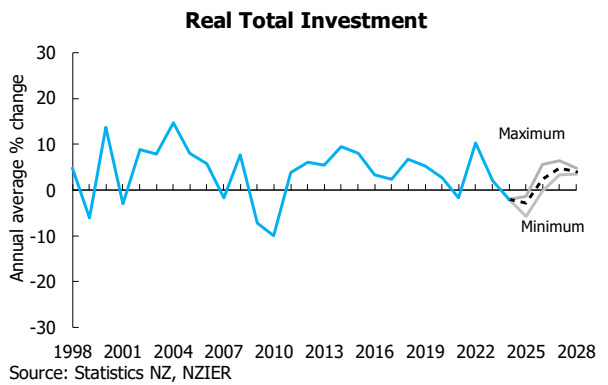
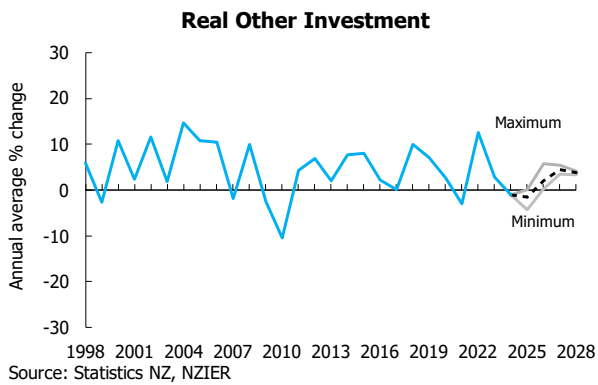
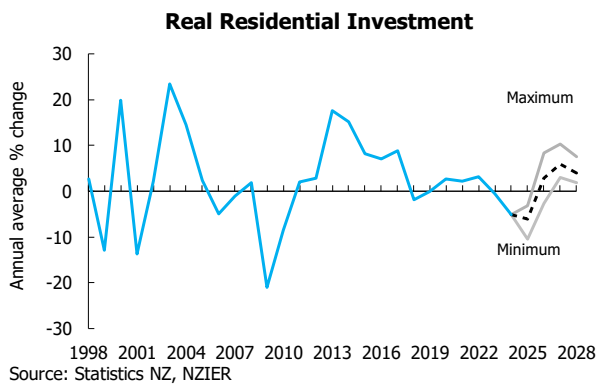
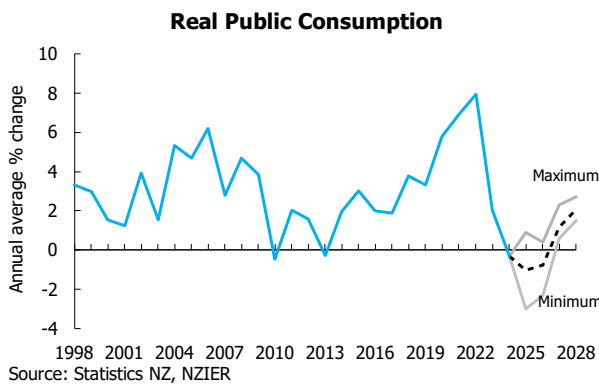
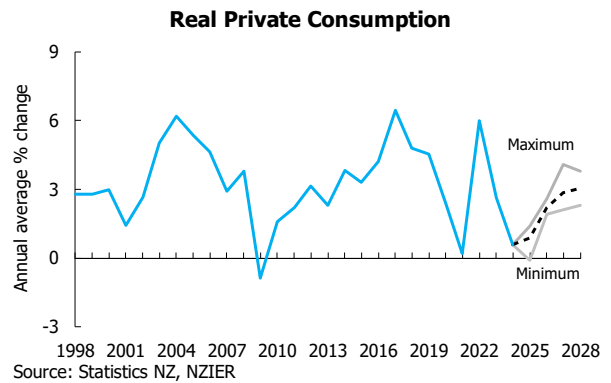
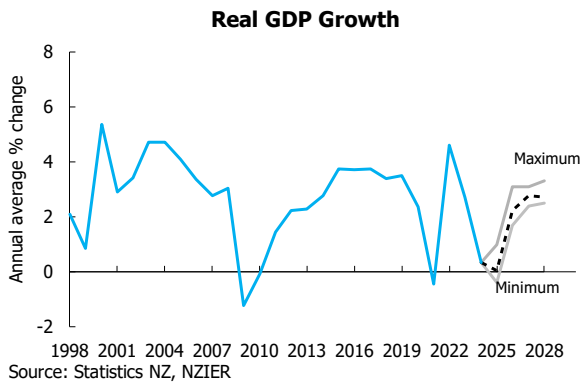
Table 2 Breakdown of the forecasts

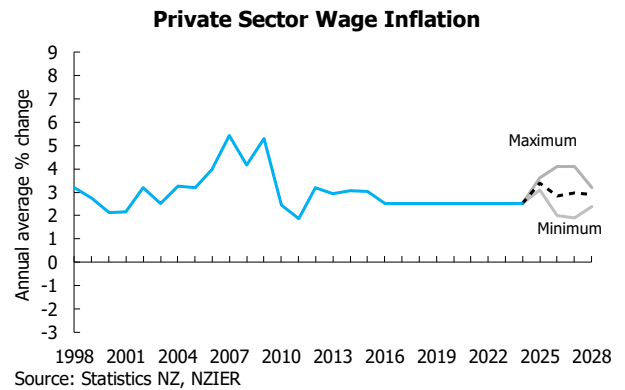
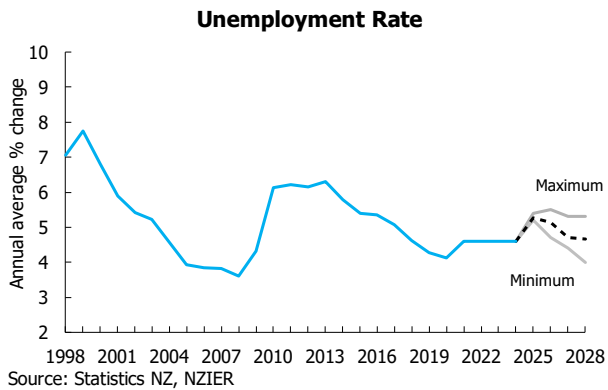
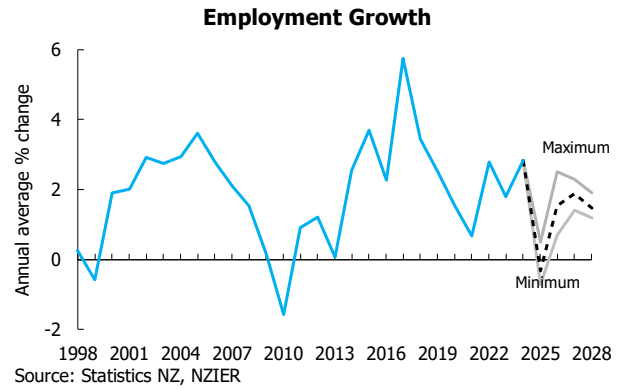
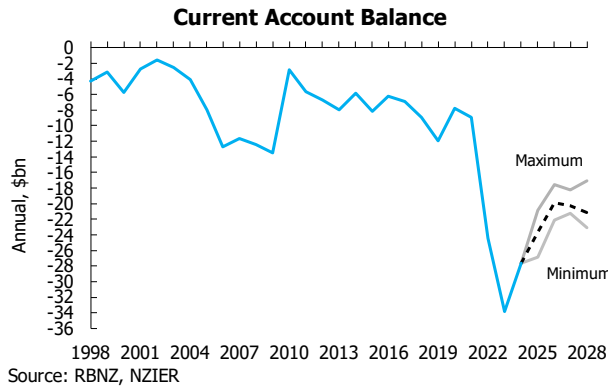
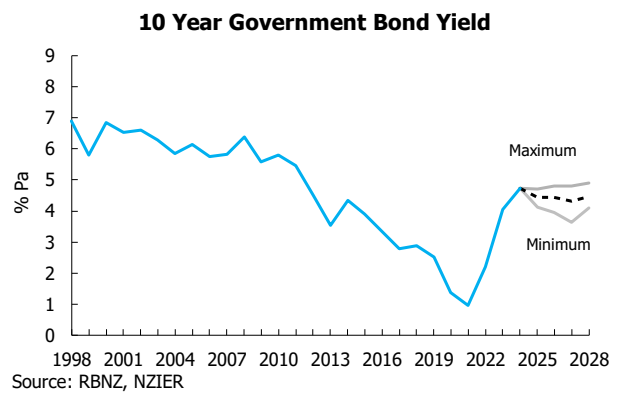
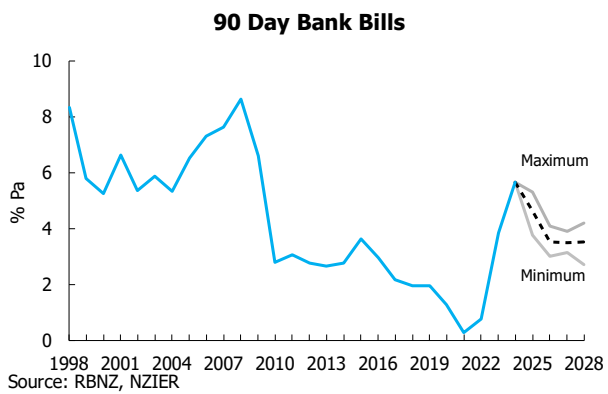
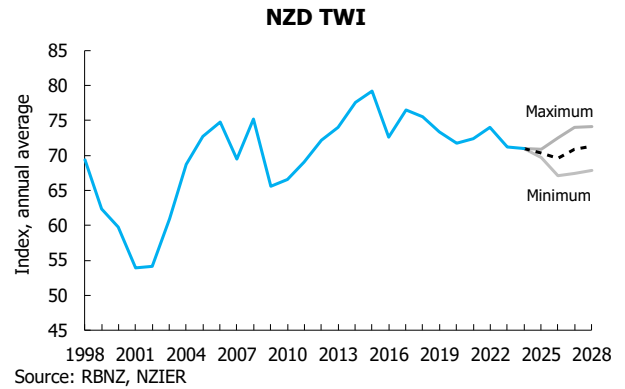
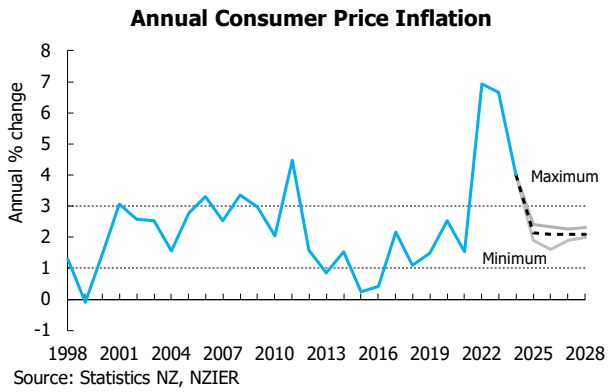
qpc, quarters	Sep-24 f			Dec-24 f			Mar-25 f					
	Low	Mean	High	Low	Mean	High	Low	Mean	High			
GDP (seasonally adjusted, qpc)	-0.5	-0.2	0.5	0.2	0.4	0.6	0.3	0.5	0.8			
CPI (qpc)	Dec-24 f			Mar-25 f			Jun-25 f					
	Low	Mean	High	Low	Mean	High	Low	Mean	High			
	0.3	0.4	0.6	0.4	0.5	0.6	0.2	0.4	0.6			
aapc, 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	-0.4	0.0	1.0	1.7	2.2	3.1	2.4	2.8	3.1	2.5	2.7	3.3
Private consumption	-0.1	0.9	1.4	1.9	2.2	2.6	2.1	2.9	4.1	2.3	3.1	3.8
Public consumption	-3.0	-1.0	0.9	-2.3	-0.7	0.4	0.6	1.2	2.3	1.5	2.1	2.7
Fixed investment												
- Residential	-10.4	-6.1	-3.1	-2.6	2.8	8.3	3.0	6.0	10.3	1.8	3.9	7.5
- Other	-4.3	-1.6	0.1	0.3	2.1	5.7	3.5	4.5	5.5	3.4	3.9	4.1
- Total	-5.7	-2.8	-1.3	-0.3	2.4	5.6	3.4	4.8	6.4	3.5	3.9	4.8
Exports, goods and services	0.9	1.9	5.4	0.9	3.7	5.1	0.9	3.1	4.8	0.7	2.4	3.6
Imports, goods and services	-1.3	0.9	2.7	0.7	2.9	4.4	1.9	3.8	6.2	2.2	3.3	5.2
Consumer price index (apc)	1.9	2.1	2.4	1.6	2.1	2.3	1.9	2.1	2.3	2.0	2.1	2.3
New Zealand TWI (avg yr to Mar)	69.7	70.3	70.9	67.1	69.6	72.5	67.4	70.9	74.0	67.9	71.3	74.1
90 day bank bill (avg yr to Mar)	3.8	4.6	5.3	3.0	3.5	4.1	3.2	3.5	3.9	2.7	3.5	4.2
10 year government stock (avg yr to Mar)	4.1	4.4	4.7	4.0	4.4	4.8	3.6	4.3	4.8	4.1	4.5	4.9
Current account balance (NZ\$b; Mar yr)	-26.9	-23.7	-20.9	-22.1	-19.9	-17.6	-21.2	-20.3	-18.2	-23.1	-21.2	-17.1
Employment	-0.7	-0.3	0.5	0.7	1.5	2.5	1.4	1.9	2.3	1.2	1.5	1.9
Unemployment rate (% of labour force)	5.2	5.3	5.4	4.7	5.1	5.5	4.4	4.7	5.3	4.0	4.7	5.3
Wages (private sector avg hourly earnings)	3.1	3.4	3.6	2.0	2.8	4.1	1.9	3.0	4.1	2.4	2.9	3.2
Government operating balance (NZ\$m, December yr)	-14.9	-13.9	-12.4	-10.6	-9.4	-8.1	-5.9	-4.3	-3.0	-2.0	-0.4	1.5

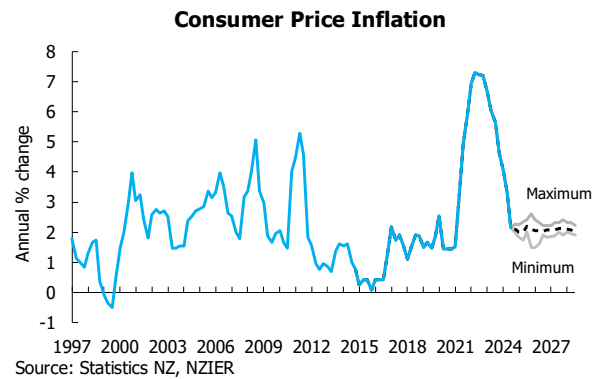
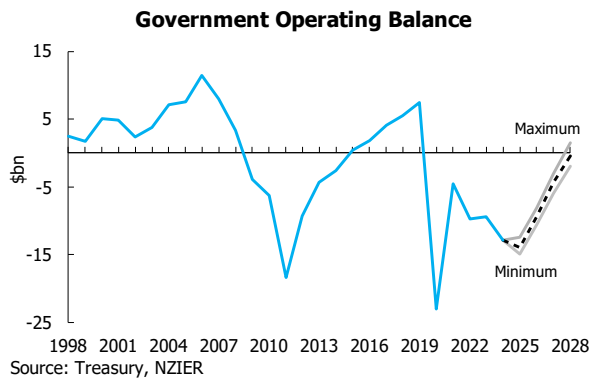
Notes: aapc = annual average percent change, apc = annual percent change, qpc = quarterly percent change
 These results show only means; standard deviations are available on request

Source: NZIER

Summary charts







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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