

NZ Institute of Economic Research (Inc)
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Consensus Forecasts

NZIER *Consensus Forecasts* point to a deteriorated growth outlook for the coming year

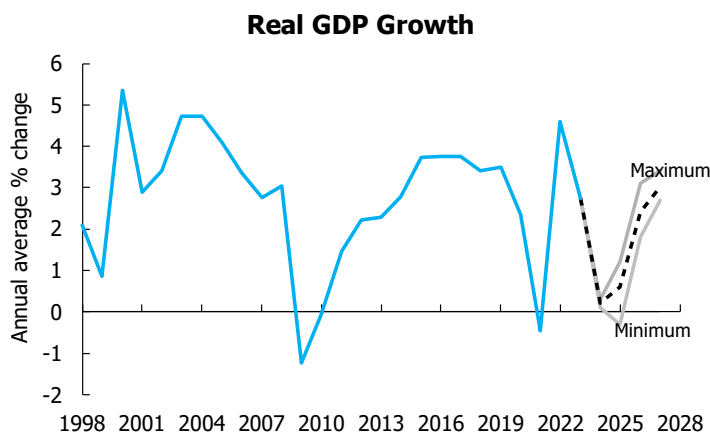
The latest NZIER *Consensus Forecasts* show a further downward revision to the growth outlook for the coming year. Forecasts of annual average GDP growth for the years ending March 2024 and March 2025 have been revised lower to 0.2 percent and 0.6 percent, respectively. The revisions suggest a further weakening in the growth outlook for the coming year, given the New Zealand GDP has already declined for two quarters in a row. The dampening effects of higher interest rates on demand are expected to continue to drive a slowing across the New Zealand economy. Over the longer term, the migration-led population growth is expected to support a recovery in demand.

Forecast household spending stays weak at an annual average growth of 0.5 percent for 2025. Retail spending has trended down over the past year as households reduced their discretionary spending in the face of higher mortgage repayments. The continued repricing onto higher fixed-term mortgage rates for around 60 percent of mortgages and the slowing in the labour market are expected to restrain household spending over the coming year. The outlook for residential investment has been revised markedly lower for 2025. This reflects a continued weakening in the near-term pipeline of residential construction work, as indicated by both Stats NZ’s dwelling consent issuance and the NZIER *Quarterly Survey of Business Opinion* (QSBO) architects’ work in their own office. Beyond 2025, with interest rates expected to fall, the migration-led population growth is expected to support a recovery in construction demand.

The export growth outlook has been revised lower for 2025 and 2026. Higher interest rates are dampening demand around the world. The uncertainty over a recovery in China’s demand and ongoing geopolitical tensions weigh on the outlook for export demand over the next two years.

The inflation outlook for 2025 has been revised higher, with annual CPI inflation expected to fall to 2.6 percent in 2025 before decreasing further to 2.1 percent in 2026. The upward revision in forecast inflation for the coming year reflects the upside risks from domestic inflation pressures remaining elevated.

Figure 1 Revised GDP growth points to a deteriorated outlook for 2025



The GDP growth outlook for 2025 further weakened

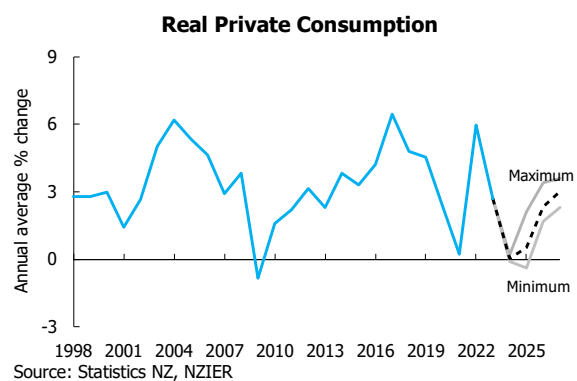
Consensus Forecasts for GDP growth have been revised down further to 0.2 percent and 0.6 percent for the years ending March 2024 and March 2025, respectively.

This revision reflects the lower starting point of the December 2023 quarter GDP, but also points to a deterioration in the growth outlook for the coming year. The impact of higher interest rates continues to gain traction across the New Zealand economy.



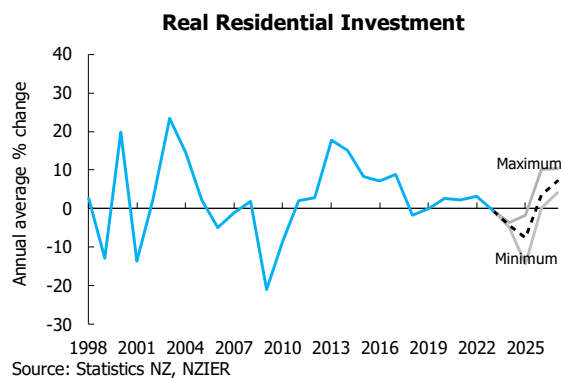
Subdued household spending for 2025

Forecast household spending growth has been revised lower to zero for 2024 and stays weak at 0.5 percent for 2025. Retail spending has trended lower as many households reduced discretionary spending in the face of higher mortgage repayments. The continued repricing onto higher fixed-term mortgage rates and the slowing in the labour market are expected to restrain household spending over the coming year.



Much weaker residential investment outlook for 2025

The overall investment outlook points to declines 2025. For residential investment, forecasts have been revised lower, with a much weaker outlook for 2025. Both Stats NZ's dwelling consent issuance and the NZIER QSBO's architects' work in their own office point to a continued weakening in the near-term pipeline of residential construction work. Beyond 2025, this pipeline is expected to recover, given the strong migration-led population growth.



Export growth revised lower for 2025 and 2026

The export growth outlook was revised lower for 2025 and 2026. Higher interest rates are driving a slowing in global growth, and thus demand for New Zealand exports. The uncertainty over a recovery in China's demand and ongoing geopolitical tensions weigh on the outlook for the next two years.

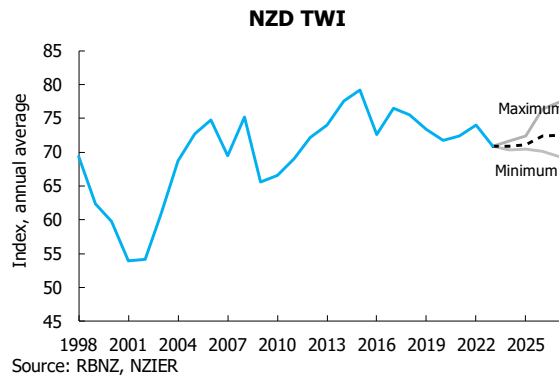
The import growth outlook continues to suggest declines in 2024 and 2025, reflecting expectations of weak domestic spending over the coming year.



NZD revised lower for 2025

Forecasts of NZD TWI have been revised lower for 2025. The Reserve Bank of New Zealand (RBNZ), in its May Monetary Policy Statement, signalled that the OCR would remain restrictive for even longer. However, the weak NZD and slowing New Zealand economy over the past year are weighing on expectations of yield attractiveness of the NZD for the coming year.

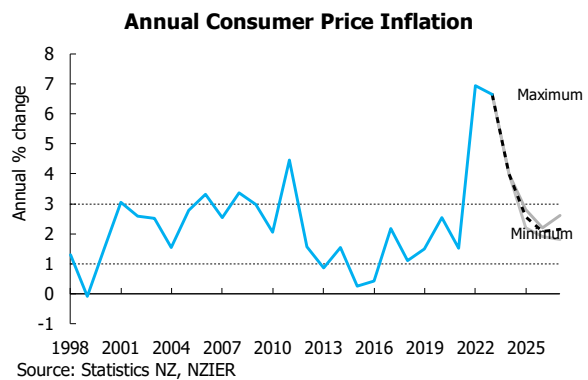
The NZD TWI is expected to track between 70.9 and 72.5 across the forecast period.



Forecast inflation revised higher for 2025

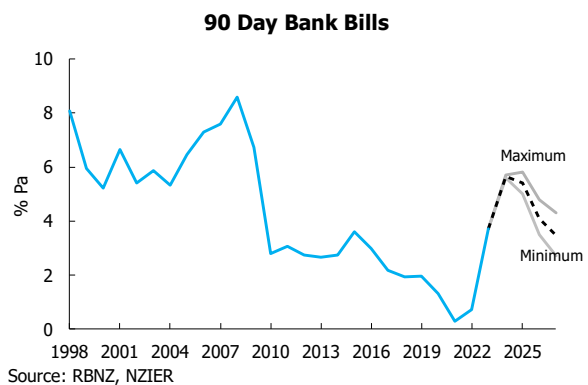
The outlook for inflation was revised higher from 2.4 percent to 2.6 percent for 2025. Nonetheless, this still points to expectations for inflation returning to RBNZ's 1 to 3 percent inflation target band by March 2025.

The annual CPI inflation continued to ease to 4.0 percent in the year to March 2024. However, non-tradeable inflation remained elevated at 5.8 percent. The uncertainty over this sticky non-tradeable inflation drives the upward revision in the inflation outlook for the coming year.



Interest rate outlook broadly unchanged

No revision was made to forecast interest rates for 2025 and 2026. The RBNZ signalled its intention to keep the OCR at 5.50 percent for even longer, given the elevated non-tradeable inflation. However, markets are still expecting an easing in interest rates in the first half of 2025, given the need to balance upside risks to inflation with the deteriorating growth outlook.



Softened outlook for wage growth

Wage growth forecasts for 2025 and 2026 have been revised lower. Meanwhile, the outlook for the unemployment rate is broadly unchanged. Overall, these reflect expectations for a continued softening in labour market conditions.

The forecasts are in line with the RBNZ's *Survey of Expectations*, which shows a continued easing in wage growth expectations and expectations of the unemployment rate trending up.

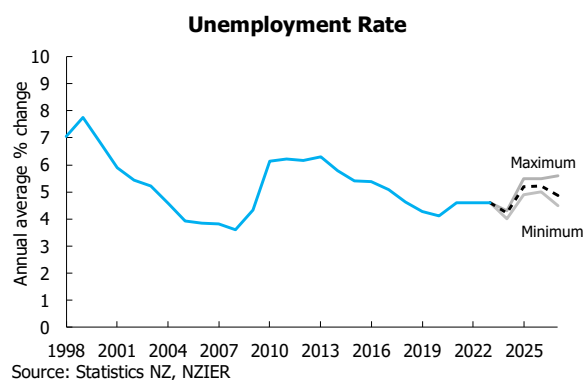


Table 1 Latest *Consensus Forecasts* compared to previous

aapc, March years	Jun-2024 survey				Mar-2024 survey			
	2023/24	2024/25	2025/26	2026/27	2023/24	2024/25	2025/26	2026/27
GDP	0.2 ↓	0.6 ↓	2.4 ⇒	3.0 ⇒	0.5	0.8	2.4	3.0
Private consumption	0.0 ↓	0.5 ↑	2.3 ↓	3.0 ↓	0.4	0.3	2.4	3.3
Public consumption	0.0 ↑	-2.0 ↓	-0.8 ↓	0.8 ↓	-0.2	-1.8	-0.3	1.2
Fixed investment:								
Residential	-4.4 ↓	-7.7 ↓	3.5 ↓	7.2 ↓	-4.1	-5.3	4.4	7.9
Other	-1.3 ↓	-2.9 ↓	3.4 ↑	4.6 ↓	-1.0	-2.1	2.7	4.7
Total	-2.1 ↓	-4.1 ↓	3.7 ↑	5.2 ↓	-1.8	-2.8	3.1	5.4
Exports, goods & services	6.7 ↑	3.2 ↓	3.7 ↓	3.2 ↑	4.6	3.4	4.1	3.1
Imports, goods & services	-2.3 ↓	-0.9 ↑	2.8 ↑	3.4 ↓	-1.2	-1.4	2.6	4.0
Consumer price index (apc)	4.0 ↓	2.6 ↑	2.1 ⇒	2.1 ⇒	4.2	2.4	2.1	2.1
New Zealand TWI (avg yr to Mar)	70.9 ⇒	71.1 ↓	72.4 ↑	72.5 ↑	70.9	71.9	72.2	70.9
90 day bank bill (avg yr to Mar)	5.6 ↓	5.4 ⇒	4.1 ⇒	3.5 ↓	5.7	5.4	4.1	3.9
10 year govt bond (avg yr to Mar)	4.7 ↓	4.7 ⇒	4.4 ⇒	4.3 ↓	4.8	4.7	4.4	4.6
Current account balance (NZ\$b; Mar yr)	-25.8 ↓	-21.3 ↓	-19.9 ↓	-19.0 ↓	-22.8	-17.9	-14.8	-15.3
Employment	1.3 ↓	0.5 ↓	1.6 ⇒	2.0 ↑	1.6	0.6	1.6	1.8
Unemployment (% of labour force)	4.2 ⇒	5.2 ↑	5.2 ↑	4.9 ↑	4.2	5.1	5.1	4.8
Wages (private sector avg hourly earnings)	6.5 ↓	3.7 ↓	3.3 ↓	3.0 ⇒	6.8	4.5	3.7	3.0
Government operating balance (NZ\$b, September yr)	-10.4 ↓	-10.5 ↓	-6.6 ↓	-2.1 ↓	-9.8	-6.6	-3.4	-0.5

Source: NZIER

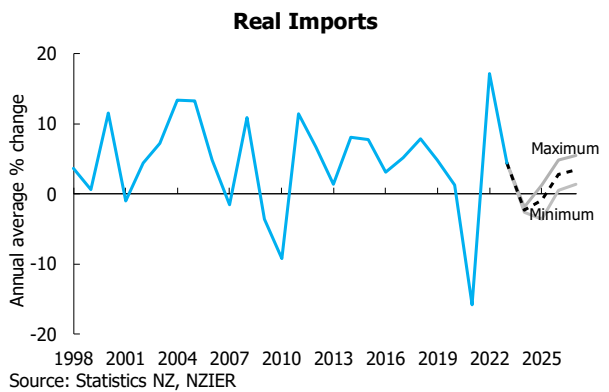
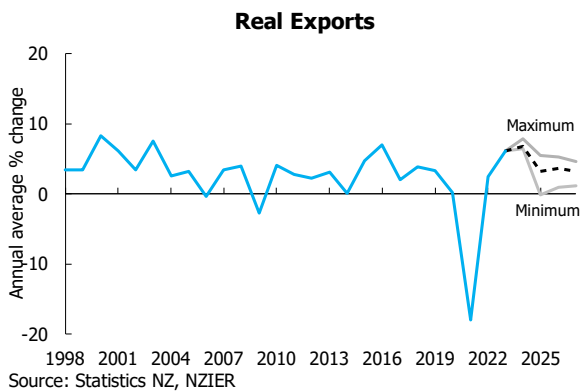
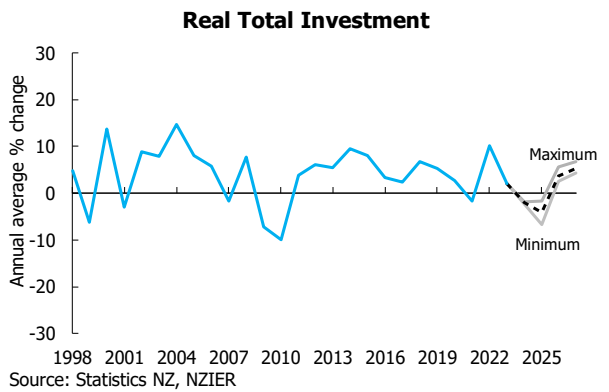
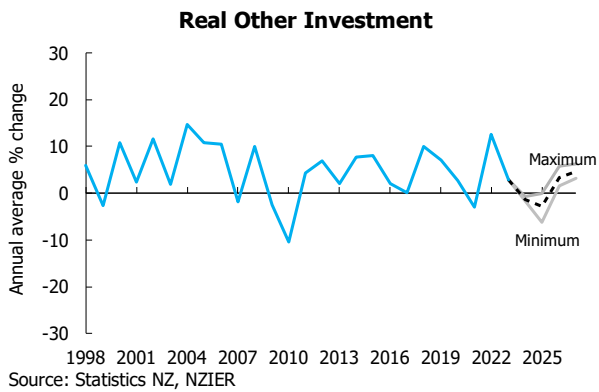
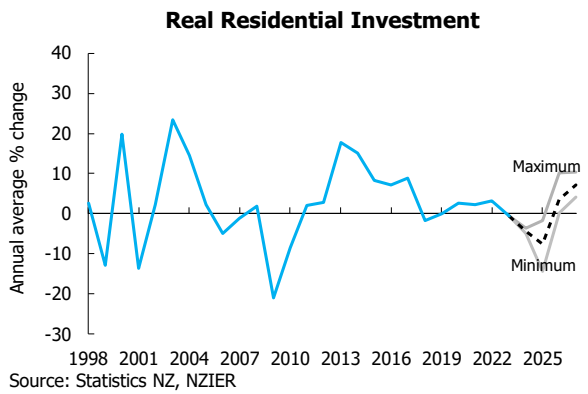
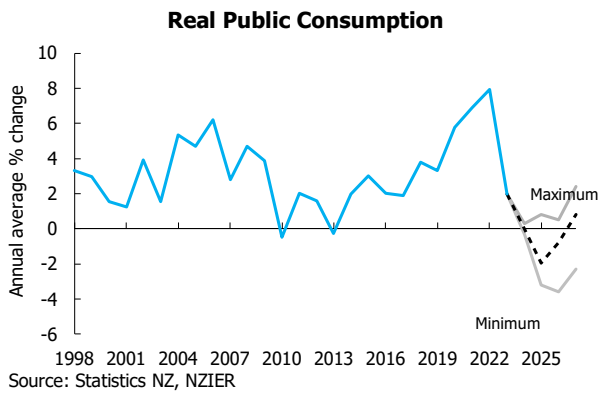
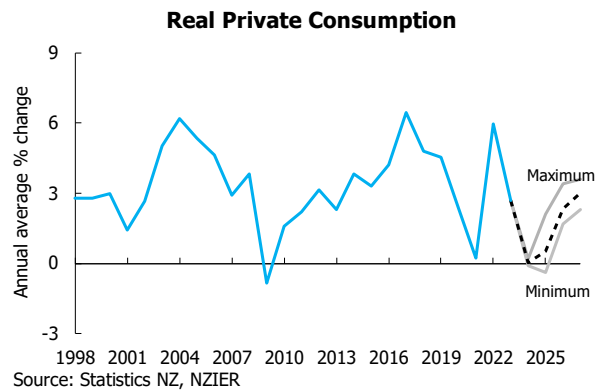
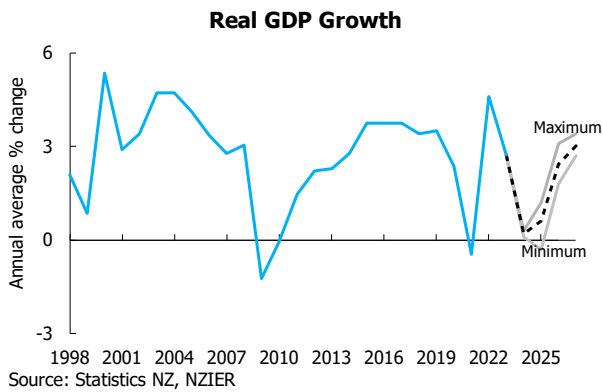
Table 2 Breakdown of the forecasts

qpc, quarters	Mar-24 f			Jun-24 f			Sep-24 f					
	Low	Mean	High	Low	Mean	High	Low	Mean	High			
GDP (seasonally adjusted, qpc)	-0.1	0.1	0.2	-0.2	0.1	0.2	-0.2	0.2	0.5			
CPI (qpc)	Jun-24 f			Sep-24 f			Dec-24 f					
	0.5	0.7	0.8	0.8	1.1	1.3	0.3	0.4	0.5			
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	0.1	0.2	0.3	-0.3	0.6	1.2	1.8	2.4	3.1	2.7	3.0	3.4
Private consumption	-0.1	0.0	0.2	-0.4	0.5	2.1	1.7	2.3	3.4	2.3	3.0	3.6
Public consumption	-0.3	0.0	0.3	-3.2	-2.0	0.8	-3.6	-0.8	0.5	-2.3	0.8	2.4
Fixed investment												
- Residential	-4.9	-4.4	-3.7	-14.3	-7.7	-1.7	0.2	3.5	10.1	4.1	7.2	10.3
- Other	-1.7	-1.3	-0.7	-6.2	-2.9	-0.1	1.5	3.4	5.7	3.2	4.6	6.3
- Total	-2.4	-2.1	-1.8	-6.7	-4.1	-1.7	2.5	3.7	5.6	4.3	5.2	6.8
Exports, goods and services	6.4	6.7	7.9	-0.2	3.2	5.5	0.9	3.7	5.2	1.1	3.2	4.6
Imports, goods and services	-2.6	-2.3	-1.9	-3.6	-0.9	1.3	0.5	2.8	4.8	1.4	3.4	5.5
Consumer price index (apc)	4.0	4.0	4.0	2.2	2.6	2.8	1.9	2.1	2.2	1.8	2.1	2.6
New Zealand TWI (avg yr to Mar)	70.4	70.9	71.6	70.5	71.1	72.4	70.1	72.4	76.4	69.4	72.5	77.3
90 day bank bill (avg yr to Mar)	5.6	5.6	5.7	5.0	5.4	5.8	3.5	4.1	4.8	2.7	3.5	4.3
10 year government stock (avg yr to Mar)	4.5	4.7	4.7	4.5	4.7	5.5	4.0	4.4	5.3	3.7	4.3	5.1
Current account balance (NZ\$b; Mar yr)	-26.9	-25.8	-24.2	-26.0	-21.3	-16.4	-23.5	-19.9	-16.6	-22.1	-19.0	-16.6
Employment	1.3	1.3	1.3	-0.5	0.5	1.6	1.0	1.6	2.5	1.5	2.0	2.7
Unemployment rate (% of labour force)	4.0	4.2	4.3	4.9	5.2	5.5	5.0	5.2	5.5	4.5	4.9	5.6
Wages (private sector avg hourly earnings)	6.5	6.5	6.5	3.3	3.7	4.0	2.5	3.3	4.3	2.0	3.0	4.1
Government operating balance (NZ\$m, December yr)	-11.1	-10.4	-8.4	-13.4	-10.5	-6.9	-8.5	-6.6	-4.2	-3.1	-2.1	-0.9

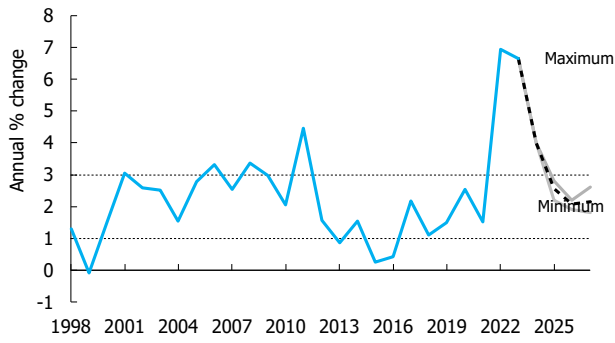
Notes: aapc = annual average percent change, apc = annual percent change, qpc = quarterly percent change
 These results show only means; standard deviations are available on request

Source: NZIER

Summary charts

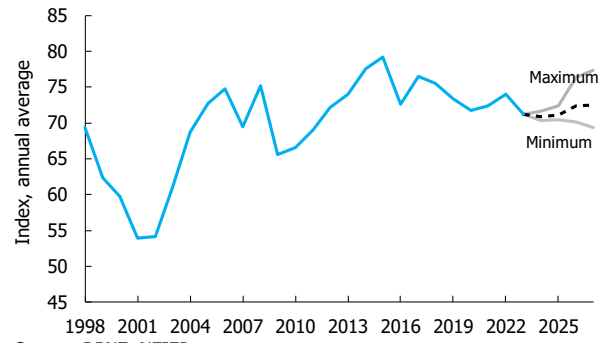


Annual Consumer Price Inflation



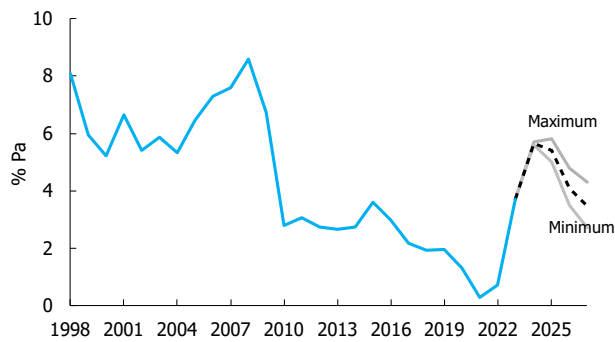
Source: Statistics NZ, NZIER

NZD TWI



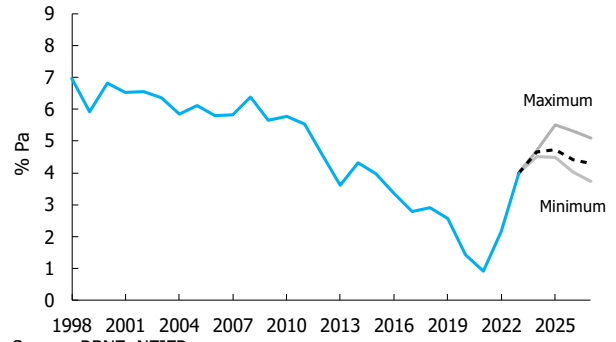
Source: RBNZ, NZIER

90 Day Bank Bills



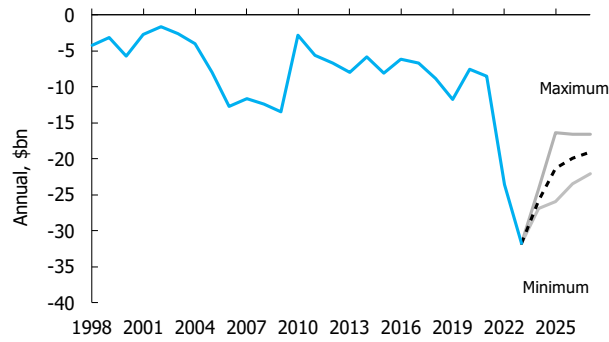
Source: RBNZ, NZIER

10 Year Government Bond Yield



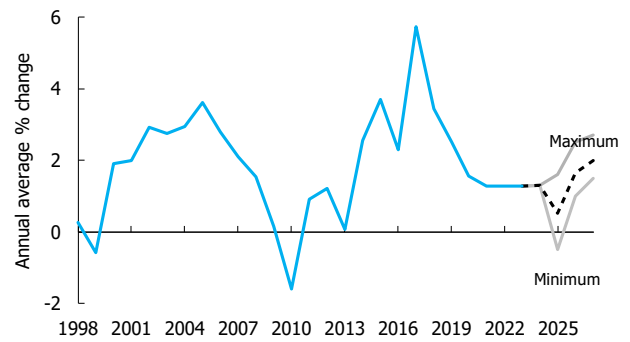
Source: RBNZ, NZIER

Current Account Balance



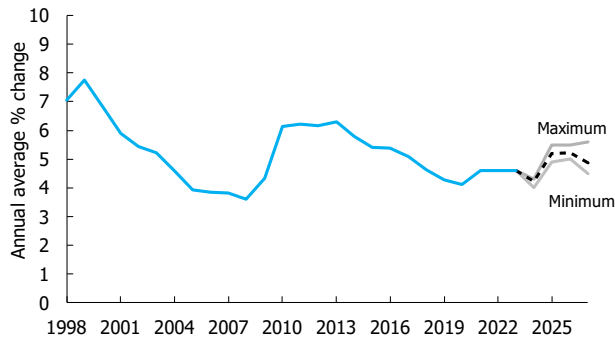
Source: RBNZ, NZIER

Employment Growth



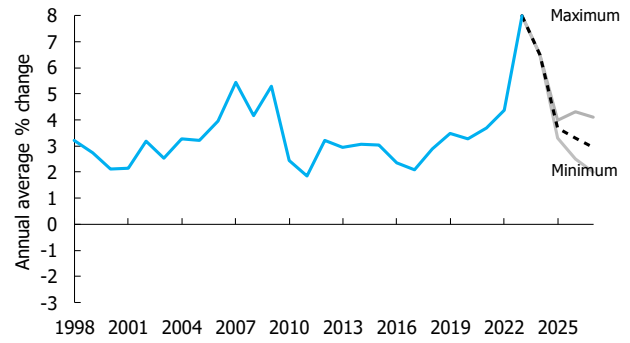
Source: Statistics NZ, NZIER

Unemployment Rate

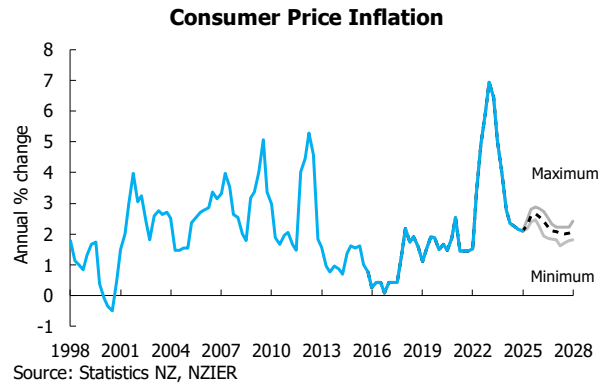
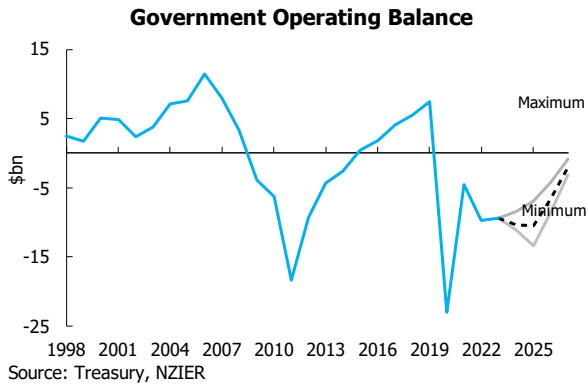


Source: Statistics NZ, NZIER

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

For further information, please contact:

Ting Huang
Senior Economist
027 266 0969
ting.huang@nzier.org.nz