

NZ Institute of Economic Research (Inc)
Media release 16 September 2024

Consensus Forecasts

NZIER *Consensus Forecasts* suggest a sluggish economy for the coming year

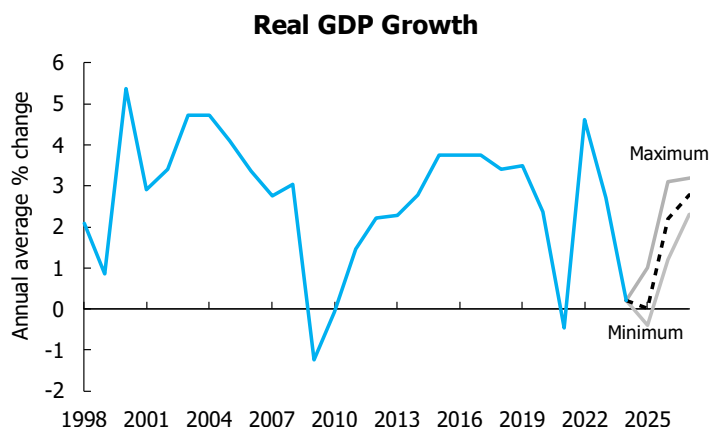
The latest NZIER *Consensus Forecasts* show a further downward revision to the growth outlook for the years ending March 2025 through to March 2027. Forecasts of annual average GDP growth point to zero percent growth in the year to March 2025 before picking up to 2.2 percent in 2026. These revisions reflect expectations for sluggish economic growth over the coming year. Recent data, such as NZIER's *Quarterly Survey of Business Opinion* measures of business confidence and firms' own trading activity also suggest a deteriorating growth outlook for the coming year. Beyond 2025, lower interest rates are expected support a recovery in economic activity.

Forecasts for household spending also suggest a deteriorating outlook for the coming year, with the annual average growth revised lower from 0.5 percent to 0.2 percent for 2025. Households have cut back sharply on discretionary spending as they face increased mortgage repayments. On top of this is the uncertainty over household income due to a slack labour market, and this is expected to weigh on household spending over the coming year. The residential investment outlook for 2025 was slightly less negative than the previous forecasts, but growth forecasts for the subsequent years were revised lower. While it is expected that lower interest rates should support a renewed interest in residential investment over the coming years, some of this will be offset by the uncertainty over mortgage serviceability given the softer labour market.

The export growth outlook was revised lower for 2025 through to 2027. The earlier interest rate increases by major central banks have dampened demand globally, which also means softer demand for New Zealand's exports. The uncertainty over a recovery in China's demand continues to weigh on the export growth outlook.

The inflation outlook has been revised lower for both 2025 and 2026, with forecasts pointing to an annual CPI inflation of 2.3 percent by March 2025 and staying near the 2 percent inflation target mid-point in the subsequent years. The revised forecasts point to expectations for annual CPI inflation becoming anchored over the coming years.

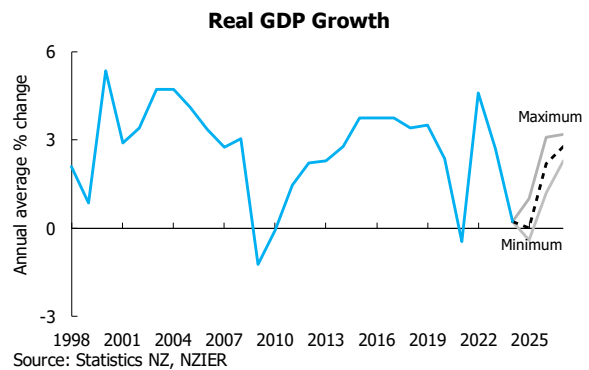
Figure 1 Revised GDP forecasts point to zero average growth in 2025



Zero GDP growth in 2025

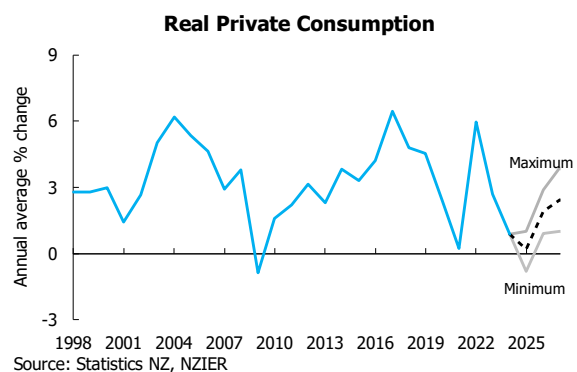
Consensus Forecasts for GDP growth have been reduced for the years ending March 2025 through to March 2027. The revised forecasts suggest zero GDP growth in 2025 before picking up to 2.2 percent in 2026.

These revisions reflect expectations for sluggish growth over the coming year, given the slowing in economic activity shown in the recent data and business surveys. Beyond 2025, lower interest rates should support a recovery in growth.



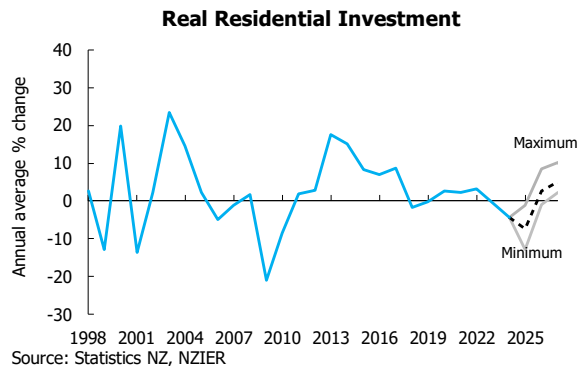
Household spending growth revised down

Revised forecasts point to a 0.2 percent increase in household spending in 2025 – down from 0.5 percent in the previous forecast. Households have cut back sharply on discretionary spending as they face increased mortgage repayments. There is also uncertainty over income due to a slack labour market, which is expected to continue to weigh on household spending over the coming year.



Improved residential investment outlook for 2025

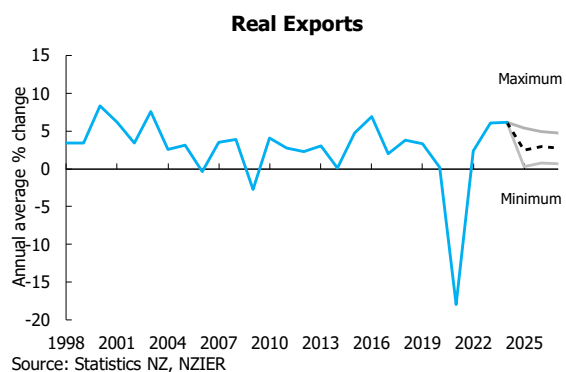
The overall investment outlook for 2025 has slightly improved but revised lower for 2026 and 2027, similar to the residential investment outlook. The revised forecasts reflect expectations that interest rate decreases will support a renewed interest in residential investment, although some of this may be tempered by the softening labour market over the coming years.



Export growth revised lower

The export growth outlook was revised lower for 2025 through to 2027. The earlier interest rate increases by major central banks have dampened demand globally, which means softer demand for New Zealand's exports. Uncertainty over the recovery in China's demand continues to weigh on the export growth outlook.

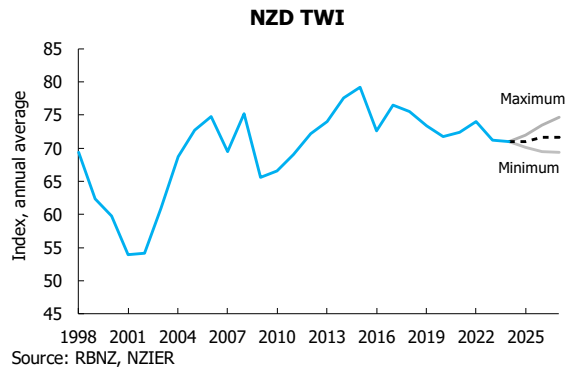
The import growth outlook points to a 1.5 percent growth for 2025, which is a turnaround from the 0.9 percent fall in previous forecasts. This reflects expectations for a pick-up in imports over the coming year, given the strong growth seen in July.



NZD revised lower

Forecasts of NZD TWI have been revised lower through to 2027. The Reserve Bank of New Zealand (RBNZ) lowered the OCR in the August *Monetary Policy Statement* (MPS), which was a significant shift from its hawkish stance in the May MPS. This and the deteriorating outlook for the New Zealand economy are weighing on expectations of yield attractiveness of the NZD.

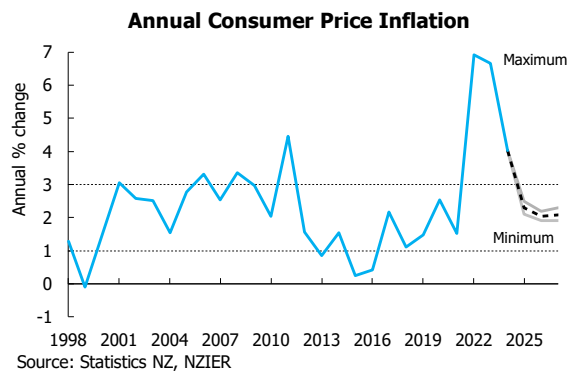
The NZD TWI is expected to track between 71.0 and 71.6 across the forecast period.



Forecast CPI inflation revised lower for 2025 and 2026

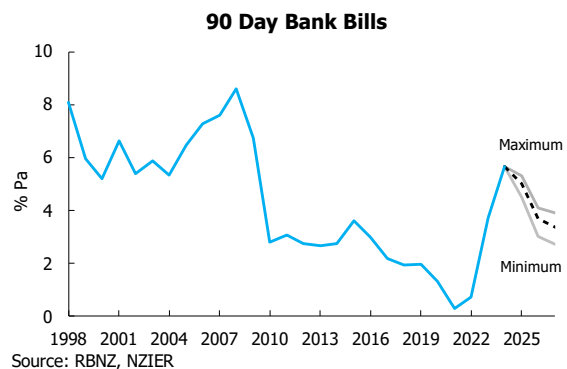
The inflation outlook has been revised lower for the coming two years, with forecasts pointing to an annual CPI inflation of 2.3 percent by March 2025 and staying around the 2 percent inflation target mid-point in the subsequent years.

The revised forecasts reflect expectations that annual CPI inflation will become anchored over the coming years. These are also in line with the 1-year-ahead and 2-year-ahead inflation expectations shown in the latest RBNZ *Survey of Expectations*.



The interest rate outlook revised lower

Forecasts of interest rates have been revised lower through to 2027. The RBNZ cut the OCR by 25 basis points in the August MPS, much earlier than it indicated in the May MPS. The cut reflected its increased concerns over the slowing economy and its increased confidence that CPI inflation will become anchored. The revised forecasts reflect expectations for a continued easing in interest rates over the coming years.



Forecasts point to softer wage growth

Wage growth forecasts have been revised lower. Meanwhile, the outlook for the unemployment rate for years 2025 and 2026 has been revised up slightly. Overall, these forecasts reflect expectations for a softening labour market.

This is consistent with the latest RBNZ *Survey of Expectations*, which showed a continued easing in wage growth expectations and an increase in unemployment rate expectations.

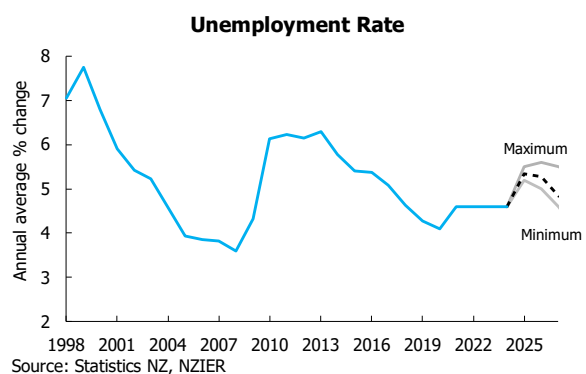


Table 1 Latest *Consensus Forecasts* compared to previous

aapc, March years	Sep-2024 survey				Jun-2024 survey		
	2024/25	2025/26	2026/27	2027/28	2024/25	2025/26	2026/27
GDP	0.0 ↓	2.2 ↓	2.8 ↓	2.8	0.6	2.4	3.0
Private consumption	0.2 ↓	1.9 ↓	2.5 ↓	2.2	0.5	2.3	3.0
Public consumption	-2.2 ↓	-0.8 ⇒	0.4 ↓	1.6	-2.0	-0.8	0.8
Fixed investment:							
Residential	-7.3 ↑	2.7 ↓	5.1 ↓	3.1	-7.7	3.5	7.2
Other	-2.4 ↑	2.5 ↓	3.7 ↓	3.4	-2.9	3.4	4.6
Total	-3.6 ↑	2.8 ↓	4.1 ↓	3.4	-4.1	3.7	5.2
Exports, goods & services	2.5 ↓	3.0 ↓	2.7 ↓	1.9	3.2	3.7	3.2
Imports, goods & services	1.5 ↑	1.8 ↓	2.6 ↓	2.5	-0.9	2.8	3.4
Consumer price index (apc)	2.3 ↓	2.0 ↓	2.1 ⇒	2.1	2.6	2.1	2.1
New Zealand TWI (avg yr to Mar)	71.0 ↓	71.7 ↓	71.6 ↓	71.6	71.1	72.4	72.5
90 day bank bill (avg yr to Mar)	5.0 ↓	3.7 ↓	3.4 ↓	3.4	5.4	4.1	3.5
10 year govt bond (avg yr to Mar)	4.4 ↓	4.2 ↓	4.2 ↓	4.1	4.7	4.4	4.3
Current account balance (NZ\$b; Mar yr)	-23.3 ↓	-19.7 ↑	-18.6 ↑	-20.3	-21.3	-19.9	-19.0
Employment	0.4 ↓	1.6 ⇒	2.0 ⇒	1.8	0.5	1.6	2.0
Unemployment (% of labour force)	5.3 ↑	5.3 ↑	4.8 ↓	4.8	5.2	5.2	4.9
Wages (private sector avg hourly earnings)	3.4 ↓	2.9 ↓	2.9 ↓	2.9	3.7	3.3	3.0
Government operating balance (NZ\$b, September yr)	-11.8 ↓	-8.7 ↓	-3.6 ↓	-0.5	-10.5	-6.6	-2.1

Source: NZIER

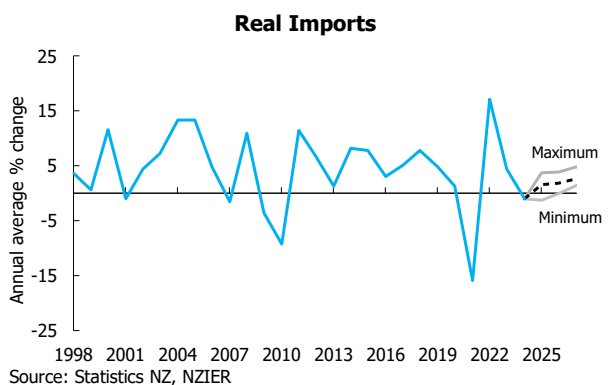
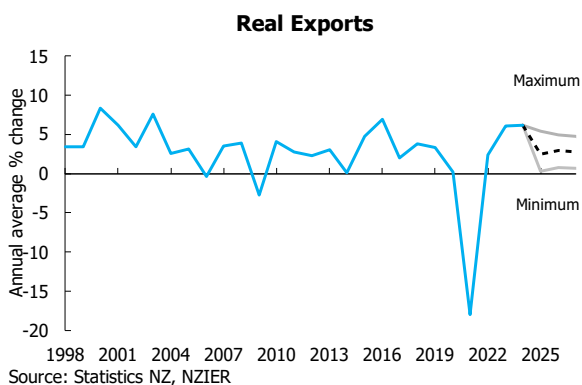
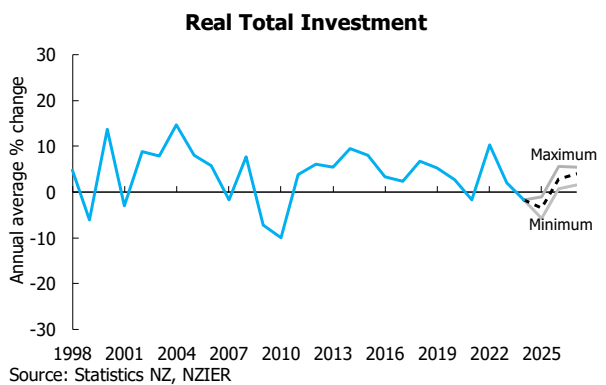
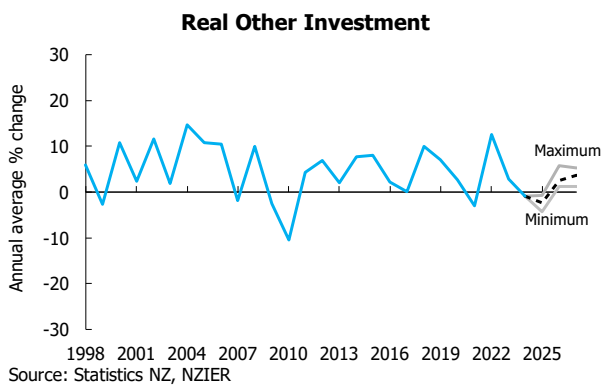
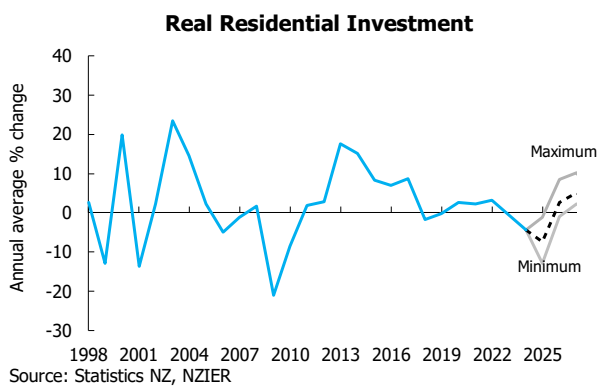
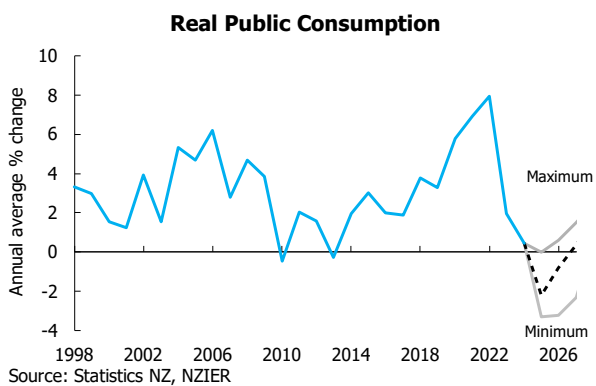
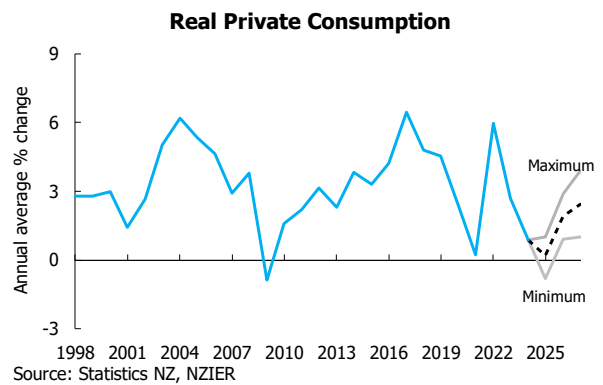
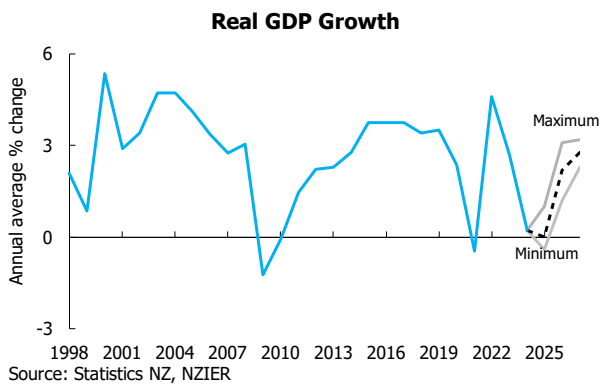
Table 2 Breakdown of the forecasts

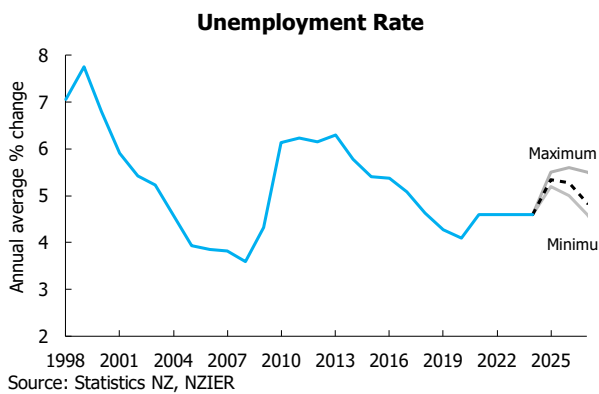
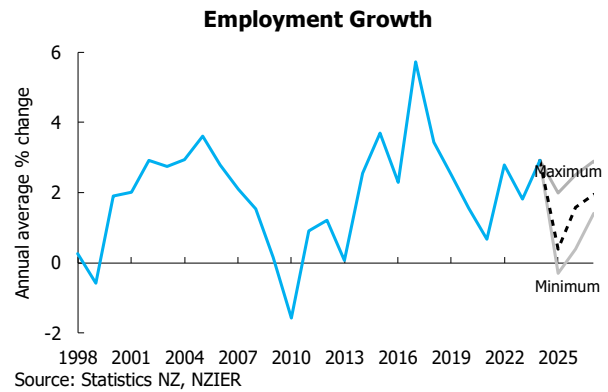
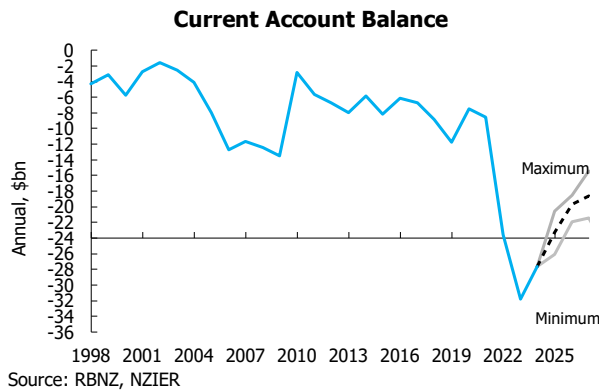
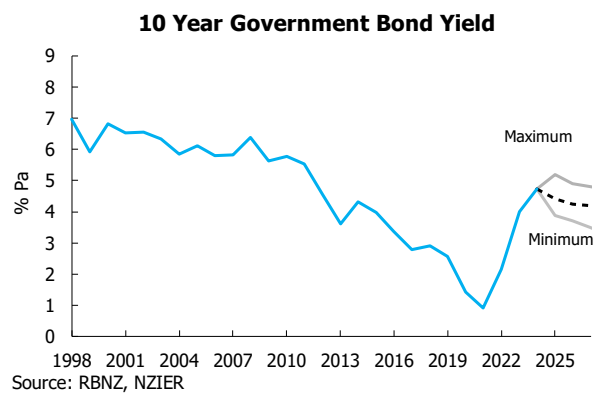
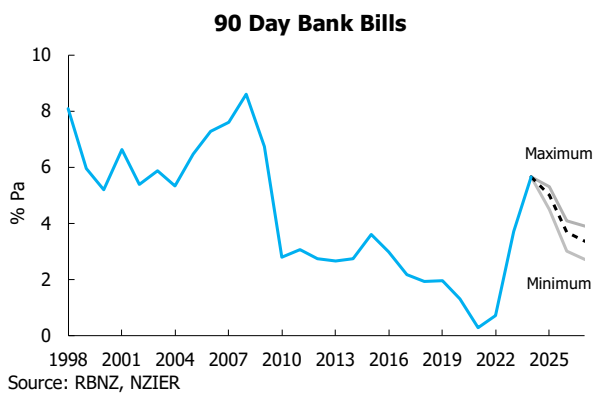
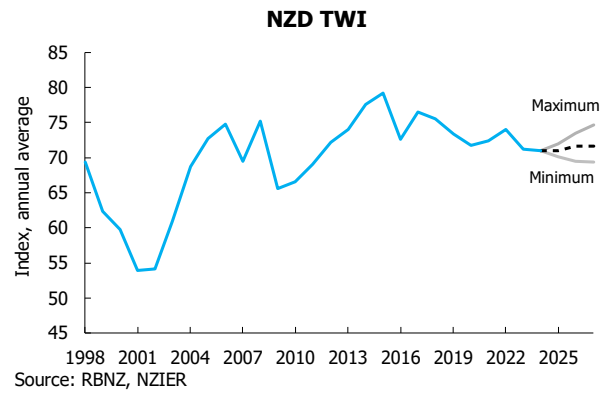
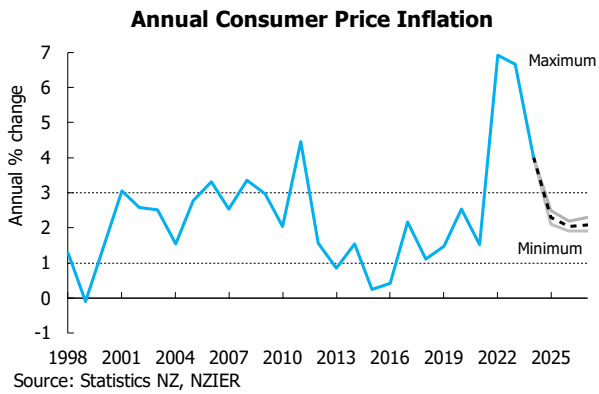
qpc, quarters	Jun-24 f			Sep-24 f			Dec-24 f					
	Low	Mean	High	Low	Mean	High	Low	Mean	High			
GDP (seasonally adjusted, qpc)	-0.5	-0.3	0.2	-0.3	0.0	0.5	0.1	0.3	0.6			
	Sep-24			Dec-24 f			Mar-25 f					
CPI (qpc)	0.7	1.0	1.6	0.2	0.4	0.6	0.3	0.5	0.5			
aapc, March years	2024/2025 f			2025/2026 f			2026/2027 f			2027/2028 f		
	Low	Mean	High	Low	Mean	High	Low	Mean	High	Low	Mean	High
GDP	-0.4	0.0	1.0	1.2	2.2	3.1	2.3	2.8	3.2	2.4	2.8	3.3
Private consumption	-0.8	0.2	1.0	0.9	1.9	2.9	1.0	2.5	3.9	0.8	2.2	3.2
Public consumption	-3.3	-2.2	0.0	-3.2	-0.8	0.6	-2.3	0.4	1.5	0.6	1.6	2.5
Fixed investment												
- Residential	-12.9	-7.3	-1.2	-0.9	2.7	8.6	2.2	5.1	10.3	1.7	3.1	4.3
- Other	-4.3	-2.4	-0.8	1.3	2.5	5.7	1.3	3.7	5.3	0.9	3.4	5.4
- Total	-5.7	-3.6	-1.0	0.8	2.8	5.6	1.5	4.1	5.4	1.2	3.4	4.7
Exports, goods and services	0.3	2.5	5.4	0.8	3.0	4.9	0.7	2.7	4.7	0.4	1.9	3.5
Imports, goods and services	-1.3	1.5	3.7	0.0	1.8	3.8	1.4	2.6	4.8	1.0	2.5	4.1
Consumer price index (apc)	2.1	2.3	2.5	1.9	2.0	2.2	1.9	2.1	2.3	2.0	2.1	2.2
New Zealand TWI (avg yr to Mar)	70.1	71.0	72.0	69.5	71.7	73.5	69.4	71.6	74.7	68.8	71.6	74.5
90 day bank bill (avg yr to Mar)	4.5	5.0	5.3	3.0	3.7	4.1	2.7	3.4	3.9	2.7	3.4	4.0
10 year government stock (avg yr to Mar)	3.9	4.4	5.2	3.7	4.2	4.9	3.5	4.2	4.8	3.2	4.1	4.7
Current account balance (NZ\$b; Mar yr)	-26.1	-23.3	-20.6	-21.9	-19.7	-18.5	-21.4	-18.6	-15.4	-25.4	-20.3	-17.1
Employment	-0.3	0.4	2.0	0.4	1.6	2.5	1.4	2.0	2.9	1.4	1.8	2.2
Unemployment rate (% of labour force)	5.2	5.3	5.5	5.0	5.3	5.6	4.6	4.8	5.5	4.1	4.8	5.3
Wages (private sector avg hourly earnings)	2.9	3.4	3.8	1.8	2.9	4.2	1.8	2.9	4.1	2.4	2.9	3.2
Government operating balance (NZ\$m, December yr)	-14.0	-11.8	-6.5	-13.4	-8.7	-4.0	-8.5	-3.6	-0.5	-3.1	-0.5	1.5

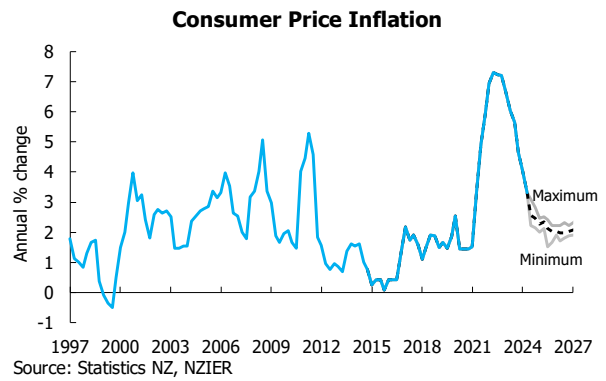
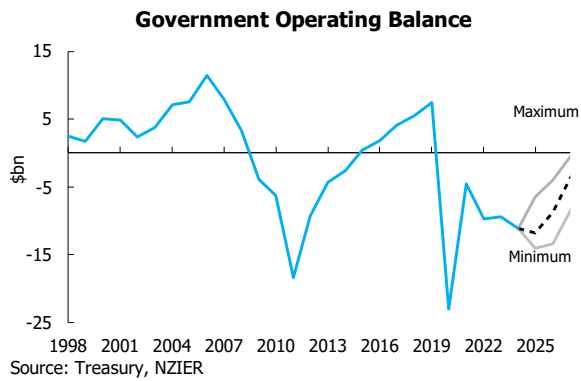
Notes: aapc = annual average percent change, apc = annual percent change, qpc = quarterly percent change
 These results show only means; standard deviations are available on request

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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