ANZ Research

# Preview: NZ GDP and BoP – Q1 2025

10 June 2025

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**Data summary**

| | Previous Q4 2024 | Q1 2025 Exp ANZ | RBNZ |
|---|---|---|---|
| **GDP** | | | |
| Quarterly % change | 0.7% | 0.7% | 0.4% |
| Annual % change | -1.1% | -0.8% | -1.1% |
| Annual average % change | -0.5% | -1.0% | -1.1% |
| **Balance of Payments** | | | |
| Current account ($m, actual) | -7,037 | -2,363 | N/A |
| Current account ($m, sa) | -5,910 | -5,329 | -3,560 |
| Annual CAB ($bn) | -26.4 | -24.9 | -22.9 |
| % of GDP | -6.2% | -5.8% | -5.3% |

## On the mend

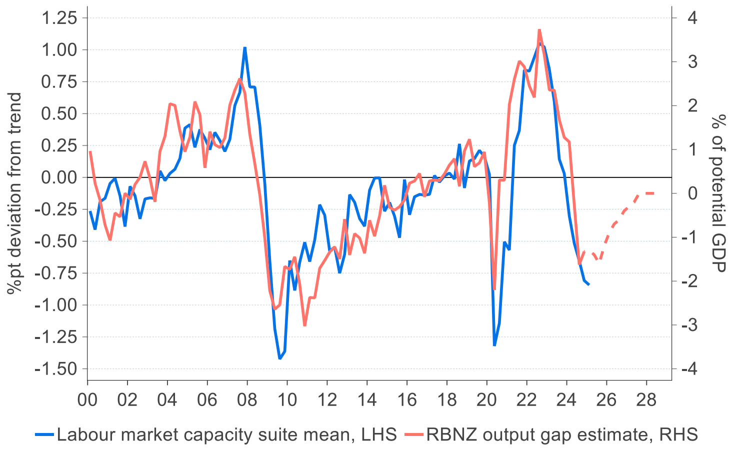
- We expect the New Zealand economy expanded 0.7% q/q in Q1, a little above our preliminary forecast of 0.6% q/q and the RBNZ's May Monetary Policy Statement (MPS) forecast of 0.4% q/q. Given volatility in the GDP data, our forecast carries a large degree of uncertainty (in both directions).
- The annual current account deficit is expected to narrow 0.4%pts to 5.8% of GDP, aided by stronger export returns and still-subdued goods imports.
- The RBNZ has made it clear that a 25bp cut at the July meeting is not a done deal and that decisions will be data dependent. Our forecast track still has a 25bp cut in July, but a Q1 GDP growth outturn above the RBNZ's May MPS forecast would increase the risk of a pause. However, the economy is operating with considerable spare capacity, keeping core inflation restrained, and it will take a period of elevated growth to get things back to par. We expect that this, along with the murky global growth outlook, will indeed see the OCR headed further downwards as the RBNZ is projecting – if not in July, then shortly after.

### The big picture

The Q1 Balance of Payments and GDP data will be released at 10:45am next Wednesday and Thursday, respectively. We expect the Q1 GDP data to show growth of 0.7% q/q, matching Q4's 0.7% increase.

At the May MPS, the RBNZ forecast 0.4% growth in Q1 GDP, with faster growth pencilled in from Q4 2025. A Q1 GDP reading above 0.4% (as we expect) would increase the risk of a pause in the easing cycle at the July meeting, as it could signal stronger underlying economic momentum. However, the details will matter. And in the bigger picture, the economy is still estimated to be operating with considerable spare capacity after a deep slide over the last few years (figure 1). That means it would take a period of elevated growth to bring about renewed upward pressure on core inflation. Growth of 0.7% q/q is above the RBNZ's estimate of potential GDP growth (0.4% q/q), indicating the economy is now absorbing spare capacity, but in a relatively gradual fashion.

**Figure 1. ANZ labour market capacity suite and RBNZ output gap**




Source: Stats NZ, RBNZ, NZIER, Macrobond, ANZ Research

It's worth noting that these GDP data are – as always – dated, covering a period before Trump's 2 April "Liberation Day" tariffs rattled global confidence. In July the RBNZ will weigh the GDP data alongside timelier data including the Selected Price Indicators, the ANZ Business Outlook, and the NZIER Quarterly Survey of Business Opinion. We judge that if the Committee on balance decides to wait and see in July, they will deliver 25bp of the 40bp easing they are forecasting in August.

## The details

Turning to the details of the Q1 GDP release, key partial indicators released in advance were, on balance, a little stronger than we had expected and showed a broadening recovery:

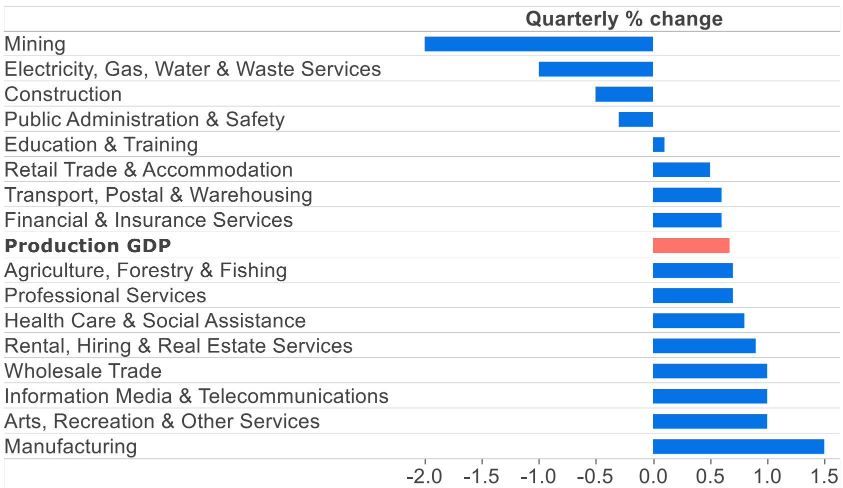
- **Retail trade** volumes rose 0.8% q/q, building on the prior quarter's 1.0% q/q increase.
- The **volume of building work put in place** stabilised in Q1 after six quarters of decline.
- The **quarterly manufacturing survey** showed volumes rose 2.4% q/q in Q1, the largest increase in two and a half years, underpinned by a strong lift in meat and dairy processing and some growth in non-food manufacturing.
- After adjusting for price changes, **wholesale trade** appears to have lifted around 1% q/q, its first increase in two years.

After reviewing these indicators we have increased our forecast for Q1 GDP growth slightly to 0.7% from our preliminary forecast of 0.6%. This would signal an ongoing recovery after the 0.7% q/q expansion in Q4, which in turn followed a sharp 2.1% drop GDP across the two quarters of Q2 and Q3 2024.

We expect growth to be spread widely across industries, though for some industries that's not saying much, given prior weakness, and of course, volatility will have a say. Our production GDP forecast of a 0.7% q/q expansion includes:

- **Services industries** (nearly 70% of GDP) expanding 0.7% q/q (contributing 0.5%pt to headline growth). We expect broad-based growth across most industries, with the main exception being public administration & safety, where ongoing fiscal savings make another decline likely.
- **Goods-producing industries** growing for the first time in over a year with a 0.4% q/q lift (contributing 0.1%pts to headline growth). This is underpinned by growth in manufacturing, a much-reduced pace of decline in construction, and a small retracement in electricity, gas, water and waste services from its large increase last quarter.
- **Primary industries** expanding 0.4%, contributing 0.0%pts to growth (to one decimal place).
- The **unallocated tax component** and the **balancing item** together contributing 0.1%pts to growth (though these components are volatile on a quarterly basis, which could make for a surprise on the day).

**Figure 2. Production GDP industry level forecast**



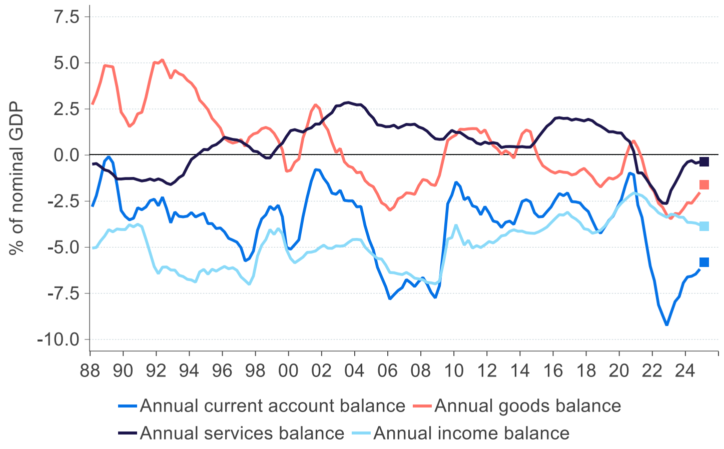

Source: Macrobond, ANZ Research

## Q1 Balance of Payments Preview

Turning to the Balance of Payments, we expect that the annual current account deficit narrowed 0.4%pts to 5.8% of GDP. This largely reflects a reduction in the goods deficit due to strong export prices and volumes, along with restrained imports from still-subdued domestic demand. We expect the services deficit to be unchanged as the recovery in international tourism appears to be stalling. The income deficit is expected to widen a touch.

Overall, the current account deficit continues to move in the right direction, but that in part reflects cyclical weakness in import demand. As domestic demand and imports recover, it will take either ongoing strength in goods exports or a further lift in service exports to keep the current account balance in check.

**Figure 3. Annual current account deficit forecast**




Source: Stats NZ, Macrobond, ANZ Research

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We welcome your questions and feedback. Click [here](#) for more information about our team.

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