

Review: NZ GDP – Q3 2025

18 December 2025

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Data summary

	Latest	Previous	RBNZ
Quarterly % change	1.1%	-1.0%	0.4%
Annual % change	1.3%	-1.1%	0.8%
Annual average % change	-0.5%	-1.1%	-0.5%

Ending the year on a better note

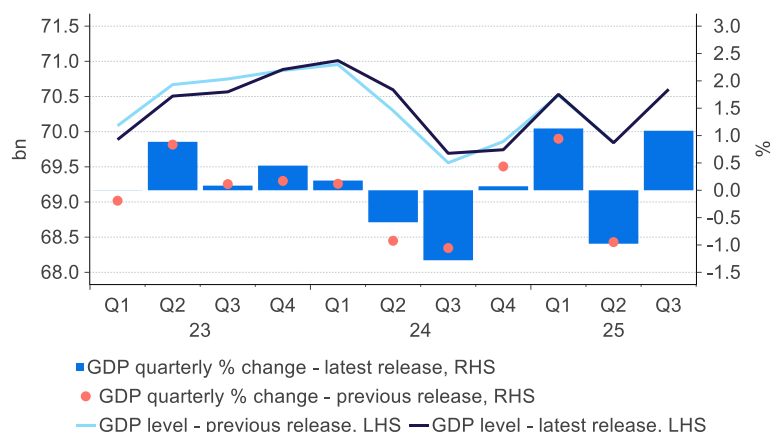
- The New Zealand economy expanded 1.1% q/q in Q3. Viewed together with a -0.1% downward revision to Q2 (from -0.9% to -1.0% q/q), today's release is in line with our expectation of a 1.0% q/q increase. Quarterly growth was much stronger than the RBNZ's November MPS forecast of 0.4% q/q.
- Historical revisions have not materially changed the profile of GDP, which continues to show a deep economic slump since 2024 with high quarter-to-quarter volatility. For the RBNZ, the main takeout will be the upside surprise to Q3 growth, which will have absorbed a portion of the spare capacity in the economy.
- Given recent quarter-to-quarter volatility, our take is that about half the strength in Q3 is signal while the rest is noise. We suspect the RBNZ will view it much the same way.
- The RBNZ sees the OCR staying at its current level for some time – a message reinforced by the Governor's comments earlier this week – and it will take more than today's GDP data to materially shift that view. The RBNZ will assess GDP in the context of wider measures of capacity pressures and activity, which have been improving, but not uniformly.

The big picture and monetary policy implications

Today's GDP data showed the economy improving through Q3 from a low base, and continued high quarterly volatility in the GDP data. Production GDP increased 1.1% q/q in Q3, and the previous quarter was revised down slightly from -0.9% q/q to -1.0% q/q. Viewed together, this is in line with our expectation of a 1.0% q/q increase. It is stronger than the RBNZ's forecast of 0.4% q/q and the final estimate of 0.85% q/q from their [Kiwi-GDP nowcast model](#). GDP growth was 1.3% y/y, just below our expectation of 1.4% y/y. Expenditure GDP showed similar growth to the production cut, growing 1.3% q/q and 1.8% y/y.

Historical revisions haven't changed the picture of the economic cycle greatly, which is what matters for capacity and inflation pressures (figure 1). The level of GDP is still 0.6% below its peak 18 months ago despite ongoing growth in the economy's potential since then. The main surprise in the data for the RBNZ today will be quarterly growth in Q3 exceeding their expectations.

Figure 1. Production GDP and revisions since last quarter's release



Source: Stats NZ, Macrobond, ANZ Research

Growth in Q3 reflected a combination of a bounce-back from temporary weakness in Q2 and an upturn in the economic cycle. Manufacturing and construction partially bounced back from their weakness in Q2, while some cyclical services industries, such as retail and wholesale trade and professional services, showed growth.

At face value, the upside surprise to the RBNZ's MPS GDP growth forecast suggests the output gap is now a little narrower than the Committee had assumed, which would at the margin reduce their assessment of how disinflationary the current state of the economy is. However, the RBNZ's estimates of the output gap are based on a wider suite of metrics than just GDP, and their Q3 estimate of -1.9% implied considerable spare capacity, of which the upside surprise today will have absorbed only a small portion. More generally, our take is that about half the strength in Q3 is signal, while the rest is noise. We suspect the RBNZ will view it much the same way.

The GDP data are – as always – dated, and we will be closely watching the collective signal from timelier indicators of activity and capacity pressures. These have continued to improve through the latter part of 2025, but not uniformly. Our Business Outlook survey has shown a marked improvement, as has card spending. However, the Business NZ-BNZ Performance of Services index has stayed subdued, and the housing market has remained soft. The NZIER's Quarterly Survey of Business Opinion to be released in January will be a key release for gauging capacity pressures and activity.

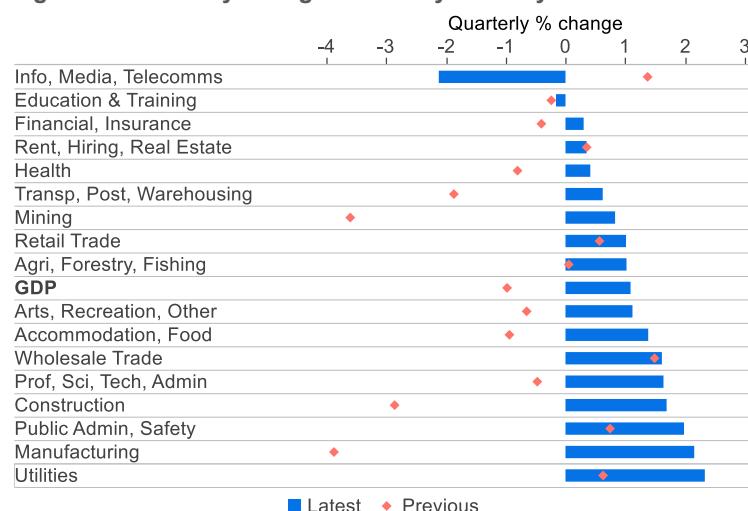
Overall, today's GDP data will give the RBNZ confidence that the economy is turning upwards, but the RBNZ has been careful not to put too much weight on a single GDP print, given volatility. The Monetary Policy Committee sees the OCR staying at its current level for some time (a message reinforced by the Governor's public comments earlier this week), and it will take more than today's GDP data to materially shift the RBNZ's view.

The details

Breaking down the 1.1% q/q increase in production GDP:

- **Services industries** grew 0.8% q/q, in line with our forecast. There were small offsetting surprises to different industries within this. Outperforming our expectations were rental, hiring and real estate services and public administration. This was offset by moderate underperformance in information, media and telecommunications, professional services, and health care.
- **Goods-producing industries** grew 2.0% q/q, very close to our forecast of 2.1% q/q growth. Construction and manufacturing have partially bounced back from their falls last quarter, but remain at low levels after a steep decline from their post-COVID peaks.
- **Primary industries** grew 1.0%, just above our forecast of 0.7% growth. Each of the industries within this slightly outperformed our expectations.
- **The unallocated tax component** increased by 2.6% q/q, above our forecast of 1.0% q/q growth and contributing 0.2%pts to growth (vs 0.1%pts expected). This component tends to move with the economic cycle. Offsetting this, the **balancing item** was slightly weaker than forecast, contributing -0.1%pts to growth vs zero expected.

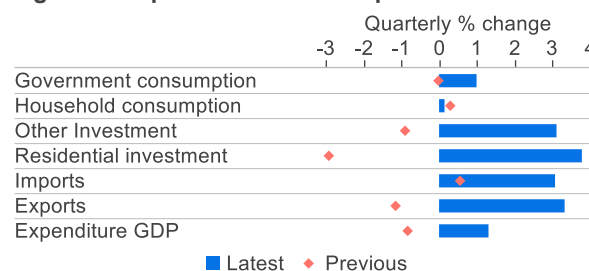
Figure 2. Quarterly change in GDP by industry



Source: Stats NZ, Macrobond, ANZ Research

GDP also grew 1.3% q/q in the expenditure cut, much stronger than the RBNZ's forecast of 0.5% q/q. The previous quarter was revised marginally higher, from -0.9% q/q to -0.8% q/q. Private consumption grew 0.1%, well below the RBNZ's forecast of 0.5% q/q, but growth in other components offset this. Public consumption was up 1.3% q/q. Residential investment increased 3.8% q/q (vs. an RBNZ forecast of -0.6% q/q). Business investment increased 3.6% q/q. Net exports supported expenditure GDP slightly as a 3.3% increase in exports outpaced a 2.5% increase in imports, together adding 0.1%pts to quarterly GDP growth. We prefer production GDP as a gauge of economic momentum, but the messages coming out of the expenditure cut were similar.

Figure 3. Expenditure GDP components



Source: Stats NZ, Macrobond, ANZ Research

Market reaction

Markets went into the data expecting a strong result, and that's what we got; consequently, markets barely reacted. If anything, we have seen a touch of relief, with the NZD about 5bp lower and the two-year swap rate down 2bp to 2.995%. While this data was much stronger than the RBNZ MPS forecast of +0.4% q/q, given the lack of upward revisions to Q2, progressive upgrades to the RBNZ's Kiwi-GDP Nowcast over recent weeks and, in recent days, higher analyst picks, our assessment going into the data was that something very strong would have been needed to perturb markets.

Meet the team

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