

Review: NZ GDP – Q4 2025

19 March 2026

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Data summary

	Latest	Previous	RBNZ
Quarterly % change	0.2%	0.9%	0.5%
Annual % change	1.3%	1.1%	1.7%
Annual average % change	0.2%	-0.6%	0.3%

Moderate growth before the turmoil

- The New Zealand economy expanded 0.2% q/q in Q4 2025. This was in line with our forecast but below the RBNZ's February MPS forecast of 0.5% q/q and the median market forecast of 0.5% q/q.
- The details of the release don't change the headline picture of a mild undershoot of RBNZ and market expectations. Some of the weakness in the December quarter was due to timing and technical factors, which temper the downside surprise. On the other hand, there were small downward revisions that reveal weaker economic momentum than previously estimated (Q3 GDP was previously reported as 1.1% q/q and has been revised to 0.9% q/q).
- Smoothing through the quarterly volatility, the economy showed moderate growth on average over the second half of 2025, if a little weaker than the RBNZ had been assuming.
- Today's GDP data will only have a small impact on the RBNZ's thinking. For them, the forecast miss isn't large enough to prompt a major rethink. However, at the margin, weaker-than-expected GDP gives them a little more latitude to look through the near-term inflationary impact of the oil shock and focus on the potential medium-term implications.

The big picture and monetary policy implications

Given all that's come to pass in the global economy in recent weeks, the Q4 GDP release – referring to a period now 3-5 months in the past – was always going to take a back seat to the global headlines. Still, today's data show that the economy was growing before the conflict in the Middle East broke out, albeit a little slower than the RBNZ had assumed.

Production GDP increased 0.2% q/q in Q4 (noting that at 0.248% q/q unrounded it was very close to rounding to 0.3%). This was in line with our forecast but below the RBNZ's February MPS forecast of 0.5% q/q and the median market forecast of 0.5% q/q. Expenditure GDP was similarly subdued, rising just 0.1% q/q.

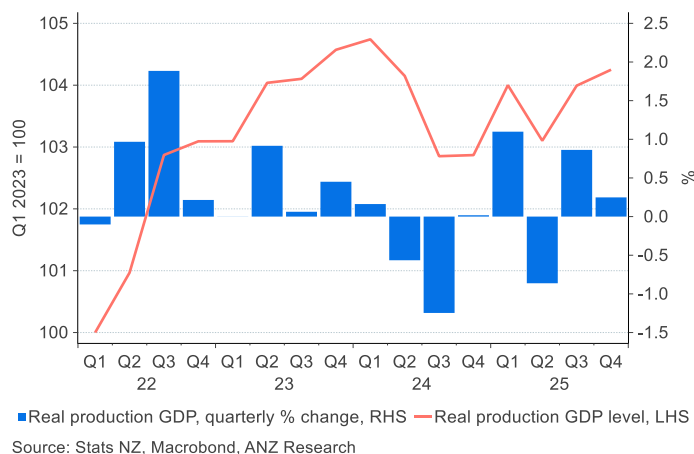
The details of the release don't challenge the picture of a mild undershoot of RBNZ and market expectations.

On the one hand, the industry breakdown suggests a little less weakness in Q4 than the headline figure suggests. Services industry growth – a decent barometer of momentum in the economy – was stronger than we expected at 0.7% q/q (vs our forecast of 0.4% q/q). Private sector services industries drove this strength, rather than government-dominated industries, potentially reflecting growth in international tourism and the pass-through of lower interest rates to household spending. Strength in services was offset by weakness in the balancing item, a technical factor that is hard to interpret.

On the other hand, downward revisions portray a little less momentum in the economy than previously assumed. Q3 production GDP growth was revised down from 1.1% q/q to 0.9% q/q, meaning that annual growth came in at just 1.3% y/y (vs our forecast of 1.5% y/y). Likewise, the expenditure cut showed ongoing sluggishness in private consumption, residential investment and business investment.

Growth in Q4 was a marked step down from the (downwardly revised) 0.9% q/q growth recorded in Q3. However, GDP data has been very volatile recently. Smoothing through this, and considering the wider suite of activity data, the economy travelled broadly sideways over the first half of 2025 before growth picked up in the second half of the year. Average growth over Q3 and Q4 was 0.6% q/q, which exceeds population growth (around 0.2% q/q) but doesn't suggest much spare capacity is being absorbed (the RBNZ's estimate of potential GDP growth is around 0.5% q/q).

Figure 1. GDP level and quarterly % change



Today's GDP data will only have a small impact on the RBNZ's views. For them, the forecast miss isn't large enough to prompt a major rethink. However, at the margin, weaker-than-expected GDP gives them a little more latitude to look through the near-term inflationary impact of the oil shock and focus on the potential medium-term implications. At the February MPS the RBNZ estimated that there was considerable spare capacity in the economy, with an output gap of -1.5% in Q4, and at face value the downside surprise to GDP would imply it is now wider than the RBNZ had assumed. However, we wouldn't want to overplay this given the uncertain outlook means nuance regarding the precise starting point is likely to be swamped.

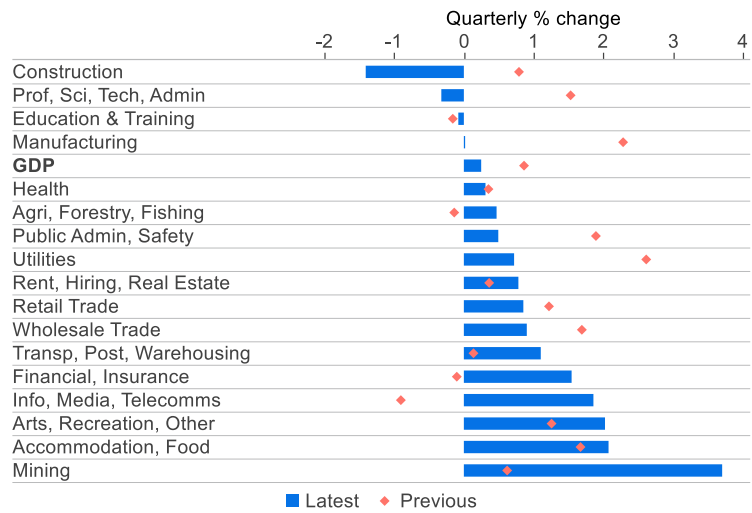
The Middle East conflict is no longer shaping up to be a short, sharp shock, which puts the risks to economic growth this year firmly to the downside. We'll publish updated GDP forecasts that make a first attempt at incorporating the impact of recent global developments in tomorrow's Data Wrap.

The details

Breaking down the 0.2% q/q increase in production GDP:

- **Services industries** grew 0.7% q/q, above our forecast of 0.4% q/q, contributing 0.5ppt to quarterly GDP growth (vs 0.3ppt expected). The upside surprise was driven by stronger-than-expected growth in a range of market-oriented industries such as retail and wholesale trade, information media and telecommunications, and rental, hiring and real estate services.
- **Goods-producing industries contracted** 0.4% q/q, in line with our forecast. Construction drove the decline, as expected, while manufacturing was flat.
- **Primary industries** grew 0.9% q/q, above our forecast of 0.6% growth, with the surprise accounted for by a robust 3.6% q/q increase in mining.
- **The unallocated tax component** contracted by 1.8% q/q, a little weaker than our forecast of 1.3% q/q contraction. Weakness here appears to just be quarterly volatility.
- The main upside surprise was the **balancing item**, which contributed 0.1ppt to quarterly GDP growth vs -0.1ppt expected. This offset the upside surprise to services.

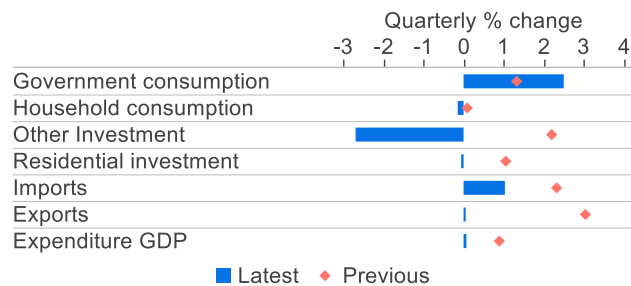
Figure 2. Quarterly change in GDP by industry



Source: Stats NZ, Macrobond, ANZ Research

GDP also grew just 0.1% q/q in the expenditure cut, considerably weaker than the RBNZ's forecast of 0.7% q/q. There was weakness across most components apart from government and inventories. Private consumption grew 0.1%, below the RBNZ's forecast of 0.6% q/q. Residential investment fell 0.1% q/q, compared to the RBNZ's forecast of 2.0% q/q growth. Business investment fell 3.1% q/q. Likewise, exports were weaker than the RBNZ's forecast and imports were stronger. The only components to beat the RBNZ forecast were government consumption (up 2.2% q/q vs the RBNZ's forecast of -0.3% q/q) and inventory accumulation. We prefer production GDP as a gauge of economic momentum, but the expenditure cut shows a similar picture of growth undershooting expectations.

Figure 3. Expenditure GDP components



Source: Stats NZ, Macrobond, ANZ Research

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