Review: NZ GDP – Q1 2026

18 June 2026

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Data summary

	Latest	Previous	RBNZ
Quarterly % change	0.8%	0.5%	1.0%
Annual % change	1.5%	1.5%	1.2%
Annual average % change	0.8%	0.2%	0.7%

A good start to the year

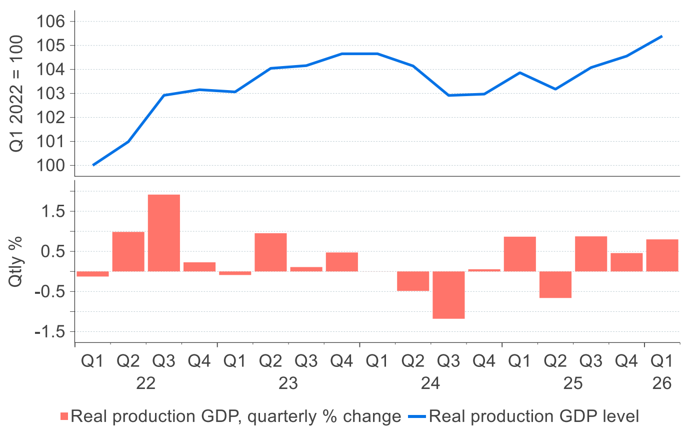
- The New Zealand economy expanded 0.8% q/q in Q1 2026, in line with the median market forecast of 0.8% q/q but slightly below our and the RBNZ's forecasts of 1.0% q/q.
- Although quarterly growth came in below our forecast, this was more than offset by upward revisions over the past year that show moderate growth from the middle of last year. Q4 2025 was revised up from 0.2% q/q to 0.5% q/q. Revisions mean that annual growth was 1.5%, beating our forecast (1.3% y/y), the RBNZ's forecast (1.2% y/y), and the market median forecast (1.0% y/y).
- This data largely pre-dates the conflict in the Middle East. High-frequency indicators suggest the economy stalled after the conflict broke out, but if oil prices stay down where they are now, there are good odds of the recovery resuming.
- Today's GDP data won't materially shift the RBNZ's thinking. Considering the quarterly outturn and revisions together, it largely matched their forecast, and global developments are the main factor right now for the inflation outlook. On balance, we still think the RBNZ will hike 25bp in July, though easing oil prices mean it is no longer a slam dunk.

The big picture and monetary policy implications

Today's data showed that the moderate economic recovery seen over the second half of 2025 continued into Q1 2026, demonstrating that the economy was on an improving path until the conflict in the Middle East broke out.

Production GDP increased 0.8% q/q in Q1, in line with the median market forecast and just below our and the RBNZ's May MPS forecasts of 1.0% q/q. The downside surprise to our forecast was more than offset by upward revisions. Growth in Q4 2025 was revised up from 0.2% q/q to 0.5% q/q, and revisions further back netted out, leaving the level of GDP 0.3% higher in Q4 2025 than previously estimated.

Figure 1. GDP level and quarterly % change



Source: Stats NZ, Macrobond, ANZ Research

Revisions mean that annual growth in the year to March 2026 was 1.5% y/y, beating our top-of-market pick of 1.3% y/y and putting it slightly above the forecasts of the RBNZ's May MPS (1.2% y/y) and the market median (1.0% y/y). Revisions were due largely to higher construction and agriculture activity than previously estimated.

The details showed a composition of growth much as we had expected. There was continued growth in services and a bounce in manufacturing. Construction was a key area of weakness, though was not quite as weak as we had expected, and estimated activity in this sector in previous quarters was revised up.

The balancing item contributed 0.3ppts to quarterly growth, slightly lower than our expectation of 0.4ppts and contributing to the downside surprise vs our forecast. This item captures growth beyond what is identifiable in individual industries. While we think it is more likely than not to represent genuine growth, it tends to be subject to revision regarding to which quarter it ultimately gets allocated.

The expenditure GDP cut grew 1.0% q/q (2.1% y/y), supported by growth in both private and government consumption in the quarter.

The GDP data are – as always – dated, and the Q1 data covers a period far enough in the past that it was largely unimpacted by the conflict between the US and Iran. There was a marked slowdown in the high-frequency indicators over April and May. Summarising these, the RBNZ's Kiwi-GDP nowcast estimate for Q2 GDP growth has fallen to -0.2% q/q.

However, following Monday's Memorandum of Understanding between the US and Iran, oil prices have fallen most of the way back to where they were before the conflict. Some of the high-frequency data pulse had already been improving over recent weeks, such as card spending, business confidence and consumer confidence. Fuel prices easing from their peak had probably helped, with people potentially concluding that global uncertainty wasn't so bad as to justify further delaying plans. There is considerable uncertainty about the speed at which things will get back on track, but if oil prices stay at current lower levels, then the base case has to be that the economic stall seen since March is replaced by renewed forward momentum.

Today's GDP data won't materially shift the RBNZ's thinking. The trend in GDP was close to their forecast and global developments are the main factor right now for the inflation outlook. As we discussed in a note yesterday, lower oil prices mean that a hike in July is no longer the slam dunk that it was. However, we think there are enough factors at play to tip them over the line to a hike. Most important of these is the low starting point for the OCR, with today's data confirming that the recovery was better established than thought prior to the oil shock, suggesting less need for monetary stimulus. In addition, a hike is still largely expected, oil prices remain unpredictable, some pricing indicators were looking worrisome prior to the shock, and the growth outlook is now improving.

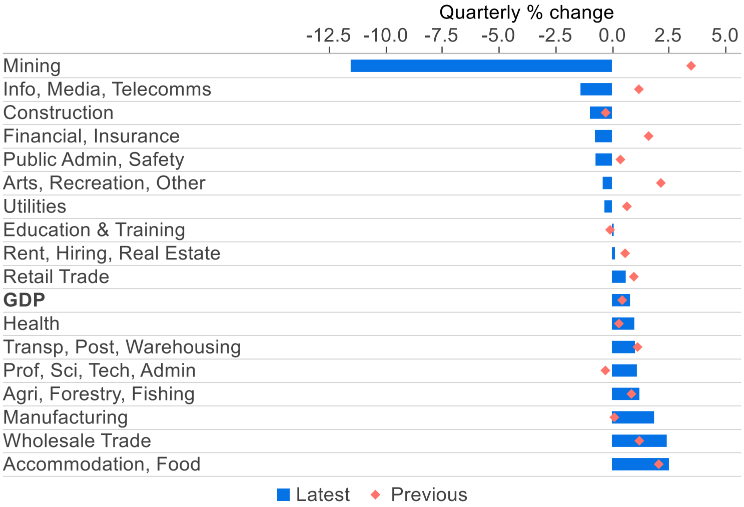
The details

Breaking down the 0.8% q/q increase in production GDP:

- **Services industries** grew 0.5% q/q, below our forecast of 0.7% q/q. The downside surprise was due to small misses across a range of industries, including telecommunications, financial services, professional services, public administration, and arts, recreation and other services.
- **Manufacturing** (around 8% of GDP) grew 1.9% q/q, just above our forecast of 1.5%. Food and non-food manufacturing both showed solid growth.
- **Construction** (around 6% of GDP) contracted 1.0% q/q, a slightly smaller fall than our forecast of a 1.4% q/q decline.
- **Utilities** (around 2.5% of GDP) fell 0.3% q/q, close to expectations.
- **Primary industries** (around 6% of GDP) contracted 0.5% q/q, close to our forecast of a 0.3% contraction, driven by weakness in mining and forestry.
- **The unallocated tax component** (around 7.5% of GDP) grew by 2.2% q/q, a little stronger than our forecast of 1.7% q/q growth.

- The seasonal adjustment **balancing item** added a substantial 0.3ppts to headline quarterly GDP growth beyond the aggregation of the industries listed above. It does represent genuine growth, but might be subject to revision in terms of which quarter this growth ultimately ends up in. The seasonal pattern in the balancing item continues to have a negative contribution in Q2 of around -0.3ppts, the same as in the last GDP release. But the -0.1ppt contributions to Q3 and Q4 shown in the previous vintage of GDP have been revised to be close to zero.

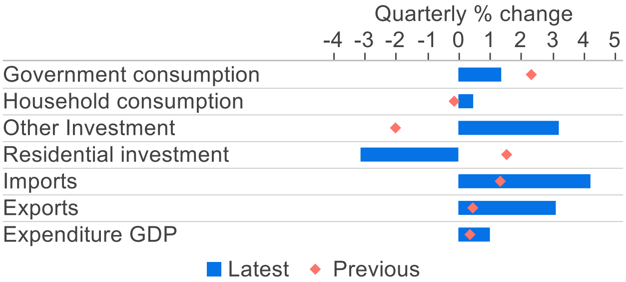
Figure 2. Quarterly change in GDP by industry



Source: Stats NZ, Macrobond, ANZ Research

GDP grew 1.0% q/q in the expenditure measure, matching the RBNZ's forecast. We prefer production GDP as a gauge of economic momentum, but the expenditure measure shows a similar picture of a gradual economic recovery. A decent quarterly outturn along with upward revisions took annual growth to 2.1% y/y. Domestic demand drove quarterly growth in Q1. Private consumption grew 0.5%, a little below the RBNZ's forecast of 0.8% q/q, while government consumption grew a solid 1.5% q/q. Business investment grew 3.7% q/q, consistent with the RBNZ's expectations of solid growth. Residential investment was a key area of weakness, falling 3.3% q/q, considerably below the RBNZ's forecast of 5.0% q/q growth and consistent with the weakness in construction seen in the production cut. Net exports made a small negative contribution to growth.

Figure 3. Expenditure GDP components



Source: Stats NZ, Macrobond, ANZ Research

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