ECONOMIC BULLETIN

Preview of September quarter GDP (18 December, 10:45am).

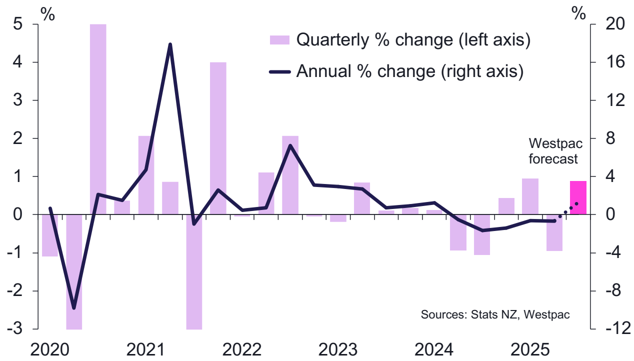
11 Dec 2025 | **Michael Gordon**, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

Riding the GDP rollercoaster

- **We expect a 0.9% rise in GDP for the September quarter, an upgrade from our previous forecast of 0.6%.**
- **This is substantially stronger than what much of the high-frequency data has been signalling in recent months. But more recent sectoral releases, including today's business financial data, have shown surprisingly strong gains in several areas.**
- **If our forecast is correct, this would mark a continuation of the unusually high volatility in GDP that we've seen in recent times.**
- **Future data revisions may soften some of this volatility, giving a clearer picture of the underlying trend in the economy.**
- **Indeed, we expect that the annual revisions included in next week's release will remove some of the excess seasonality that was introduced into the data this time last year.**
- **Our forecast is now well above the 0.4% that the Reserve Bank expected in its November policy review. If the result is in line with our view, it could exacerbate the recent surge in longer-term interest rates as the market has begun to speculate about the timing of OCR hikes.**

	Jun-25 actual	Sep-25 Westpac f/c	Sep-25 RBNZ f/c
Quarterly % chg	-0.9	0.9	0.4
Annual % chg	-0.6	1.3	0.8

Quarterly GDP growth



Next Thursday's GDP report is set to end the year on an encouraging note, with growth over the September quarter shaping up stronger than appeared to be the case even a few weeks ago. After the final set of business indicators that were released today, we've revised up our forecast to a 0.9% increase for the quarter, from 0.6% previously (and 0.4% at the time of our October *Economic Overview*).

If we're right, this will be a substantially stronger result than the general pulse of the data has been suggesting over the last few months (though with hindsight you could argue that it was foreshadowed by the strong lift in hours worked in the labour surveys). Admittedly it does come after a shocking 0.9% fall in the June quarter – but that in turn came after a 0.9% rise in the March quarter. This degree of volatility in quarterly GDP is unusual even by New Zealand's standards, and we'll see how much of it survives future rounds of data revisions.

This would also be a substantially stronger result than the 0.4% rise that the Reserve Bank assumed in its November *Monetary Policy Statement*, suggesting that the economy is working through its excess capacity faster than expected. While the RBNZ themselves may take this in their stride, it comes at a time when financial markets are already falling over themselves to price in a switch to OCR hikes next year.

For our part we think it's early days to be considering pulling forward the date for when the tightening cycle begins (noting we have a December start to the tightening cycle, whereas for the RBNZ this is a 2027 affair). We think it would pay for the RBNZ to provide some guidance on its thinking during the long summer break between policy meetings.

Forecast details

Our forecast of a 0.9% rise in the production measure of GDP reflects solid contributions across a number of sectors. The highlights include:

Agriculture: Milk collections were up 2.5% in seasonally adjusted terms, reaching a new quarterly record as farmers sought to boost production to take advantage of the high farmgate milk price.

Non-food manufacturing: Activity was mixed across sub-groups. Tiwai Point (aluminium) and Methanex (methanol) ramped up their output, having previously been constrained by energy shortages, but sales of wood products and machinery fell. There was also a build-up of stocks of machinery, implying that production was stronger than sales.

Electricity: Full hydro lakes meant both a strong lift in total generation, and a switch away from higher-cost thermal generation, lifting the sector's value-added.

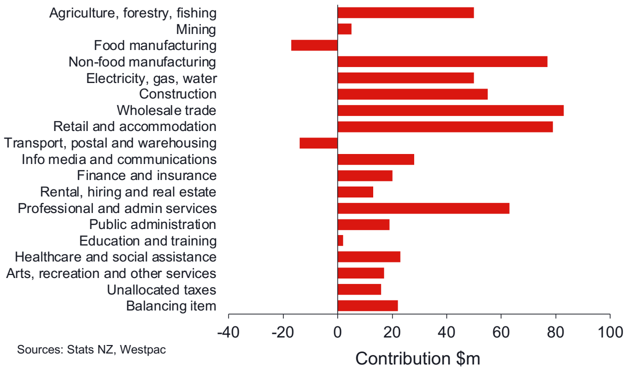
Construction: Residential building work rose 2.8% for the quarter, outweighing a further decline in non-residential work.

Wholesale trade: Today's business financial data showed a surprisingly strong lift in this sector. There was a particularly strong rise in vehicle wholesaling, something that was also apparent in the retail trade survey last month, but there were gains across other sub-groups as well.

Retail and accommodation: The 1.9% rise in sales volumes was much stronger than expected. Lower mortgage rates are putting more money back in households' pockets, and overseas tourist arrivals were stronger over the quarter.

Professional services: Another area where today's business financial data showed a surprisingly strong lift in activity. This is a large and varied sector, but with little in the way of advance indicators, and on its own was responsible for most of the upgrade to our overall GDP forecast.

GDP growth forecasts by sector



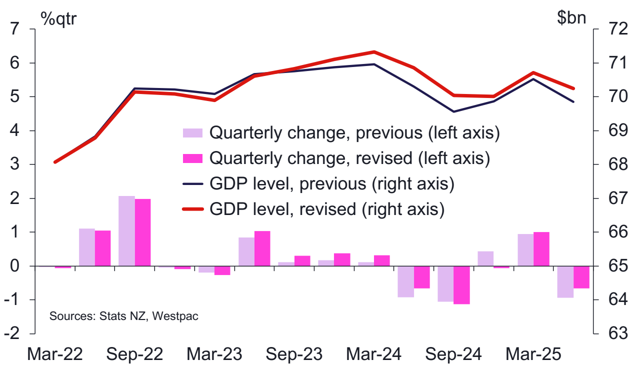
We haven't identified many negatives for the quarter, although many service sectors are set for modest growth at best. The one sector that's turned out weaker than we expected is food manufacturing. We knew that dairy production was up for the quarter, and that meat processing would rebound after farmers had held stock back on the farm during the June quarter. But there was a surprisingly sharp drop in fruit processing, both in sales and stocks.

We also expect the transport sector to be on the softer side. However, this is an area where the impact of the Covid lockdown and the border closure is still making it difficult to identify the seasonal pattern in the data. While tourist arrivals were up for the quarter, this hasn't been a reliable indicator for transport sector GDP in recent years.

Data revisions

The September quarter release is also when Stats NZ applies its most substantial revisions to the GDP history. Stats NZ has signalled the impact of some of these revisions, though there are others that won't be revealed until the day. The chart below shows our estimates of how these revisions will alter the quarterly profile of GDP (assuming that annual revisions spread evenly across the four quarters).

Indicative revisions to GDP



The first significant revision is the annual benchmarking exercise, as the quarterly figures are aligned with more complete but less timely annual data sources. The net effect will be a lift of around 0.4% in the level of GDP, with small downward revisions for the March 2023 year but larger upward revisions over the March 2024 and March 2025 years. There's no particular part of the economy driving these changes – they reflect the balance of some quite large upward revisions (construction, transport, media and communications, education) and some quite sizeable downward ones (agriculture, utilities, arts and recreation).

The scale of these revisions is broadly in line with history. Over the long run, GDP growth has more often than not been revised up from what was first reported, by an average of about 0.5% a year. It's unclear why these revisions are persistently in one direction, though we think it may stem from an initial undercount of the effects of population growth.

The second major change is the introduction of industry weights from the March 2024 year, which will apply to GDP growth from June 2024 onward. In our recent article **GDP Insights: Order and balance**, we showed that the introduction of new industry weights last year had an unusual effect on the GDP calculations, leading to excessive seasonal volatility in the quarterly growth rates for the last few years. Put another way, much of the variation in quarterly GDP has ended up being attributed to the 'balancing item' rather than changes in any particular sector.

Our assessment is that the new weights will unwind some of the excess seasonality that was introduced by last year's revisions. The main reason is a reduction in the weighting for the agricultural sector, which has a very pronounced seasonal pattern. As a result, we expect that GDP growth will be revised up for June quarters, and to a lesser degree for March quarters, while being revised down substantially for December quarters.

As it happens, this goes largely in the direction that would have been achieved by switching to indirect seasonal adjustment, as we advocated for in our GDP Insights article. The difference is that our proposed solution would have seen growth for the March 2025 quarter revised down from the currently reported 0.9% increase – instead, we may see it revised up even further.

We think the argument for switching to indirect seasonal adjustment still stands. While the new industry weights for this year seem to go in a similar direction, that need not have been the case. And if indirect seasonal adjustment had been used, the reported growth figures would have been more stable for the whole time, without having to go through a two-year roundtrip of revisions.

The revisions that we've detailed here are unlikely to have much bearing on the RBNZ's thinking about the economy. The annual benchmarking revisions are modest and date back a couple of years, so they don't tell us much about where the economy currently stands relative to its potential. As for the changes in seasonality, the RBNZ have also been highlighting this issue with the data for some time, so they will likely be pleased but not surprised to see some of it revised away.

Contact

Westpac Economics Team | **westpac.co.nz/economics** | economics@westpac.co.nz

Kelly Eckhold, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

Satish Ranchhod, Senior Economist | +64 9 336 5668 | +64 21 710 852 | satish.ranchhod@westpac.co.nz

Darren Gibbs, Senior Economist | +64 9 367 3368 | +64 21 794 292 | darren.gibbs@westpac.co.nz

Michael Gordon, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

Paul Clark, Industry Economist | +64 9 336 5656 | +64 21 713 704 | paul.clark@westpac.co.nz

Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Disclaimer

Things you should know.

We respect your privacy: You can view the **New Zealand Privacy Policy** here, or the Australian **Group Privacy Statement** here. Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

Disclaimer.

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision.

This information may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from any forecasts.

Conflicts of Interest: In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

Author(s) disclaimer and declaration: The author(s) confirms that (a) no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material; (b) this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate; (c) to the best of the author's knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

Further important information regarding sustainability-related content: This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

Additional country disclosures:

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). You can access **Westpac's Financial Services Guide** here or request a copy from your Westpac point of contact. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at **www.westpac.co.nz**.

Singapore: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients of this material in Singapore should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore.

Fiji: Unless otherwise specified, the products and services for Westpac Fiji are available from **www.westpac.com.fj** © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia and registered as a branch in Fiji. The liability of its members is limited.

Papua New Guinea: Unless otherwise specified, the products and services for Westpac PNG are available from **www.westpac.com.pg** © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia. Westpac is represented in Papua New Guinea by Westpac Bank - PNG - Limited. The liability of its members is limited.

U.S: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). Westpac Capital Markets, LLC ('WCM'), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ('the Exchange Act') and member of the Financial Industry Regulatory Authority ('FINRA'). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person of WCM or any other U.S. broker-dealer under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

UK: The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2)of the Order; (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". Westpac expressly prohibits you from passing on the information in this communication to any third party.

European Economic Area ("EEA"): This material may be distributed to you by either: (i) Westpac directly, or (ii) Westpac Europe GmbH ("WEG") under a sub-licensing arrangement. WEG has not edited or otherwise modified the content of this material. WEG is authorised in Germany by the Federal Financial Supervision Authority ('BaFin') and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ('Deutsche Bundesbank'). WEG is registered with the commercial register ('Handelsregister') of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac. Any product or service made available by WEG does not represent an offer from Westpac or any of its subsidiaries (other than WEG). All disclaimers set out with respect to Westpac apply equally to WEG.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the **general disclosure** which can be found here. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Westpac Banking Corporation.