ECONOMIC OVERVIEW

Running rough.

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CONTENTS AND AUTHORS

Kelly Eckhold, Chief Economist

T +64 9 348 9382 | **M** +64 21 786 758
E kelly.eckhold@westpac.co.nz
X @kellyenz

Michael Gordon, Senior Economist

T +64 9 336 5670 | **M** +64 21 749 506
E michael.gordon@westpac.co.nz

Satish Ranchhod, Senior Economist

T +64 9 336 5668 | **M** +64 21 710 852
E satish.ranchhod@westpac.co.nz

Darren Gibbs, Senior Economist

T +64 9 367 3368 | **M** +64 21 794 292
E darren.gibbs@westpac.co.nz

Paul Clark, Industry Economist

T +64 9 336 5656 | **M** +64 21 713 704
E paul.clark@westpac.co.nz

A NOTE FROM KELLY

Running rough.

The business environment has remained challenging in 2025, defying expectations of a steady improvement in economic growth. It now looks like GDP will grow by around 1.2% in 2025 compared to our previous expectation of 2.4%.

We retain confidence that consistent above-trend growth will return in 2026 as interest rates are now at relatively low levels, commodity prices remain robust, and inflation is much better controlled than for most of the last 3-5 years.

In the short term, businesses, sectors and regions more directly tied to the primary sector will continue to enjoy better times. It's likely the first fruits of the Government's Investment Boost policy will be borne there given cash flows are stronger in those sectors.

Further forward, we expect the strength in the economy to broaden and strengthen as a result of falls in borrowing costs. Better labour market conditions should help bolster consumer confidence and spending, which in turn should help firms translate optimism of better times into more investment and hiring in the here and now. Activity in urban areas and the services sector should strengthen as a result.

Inflation is currently still a bit high, but the factors that drove inflation up in 2025 shouldn't have the same impact in 2026. Commodity prices, for example, are unlikely to boost food prices as significantly and cyclically sensitive elements of the CPI are already responding to the excess capacity in the economy. Hence it's likely inflation will head back towards (but perhaps not below) 2% by late 2026.

Interest rates will fall towards 2% from here, but the key question is for how long will the OCR need to remain at such low levels? The exchange rate is likely to languish while interest rates remain low and growth modest.

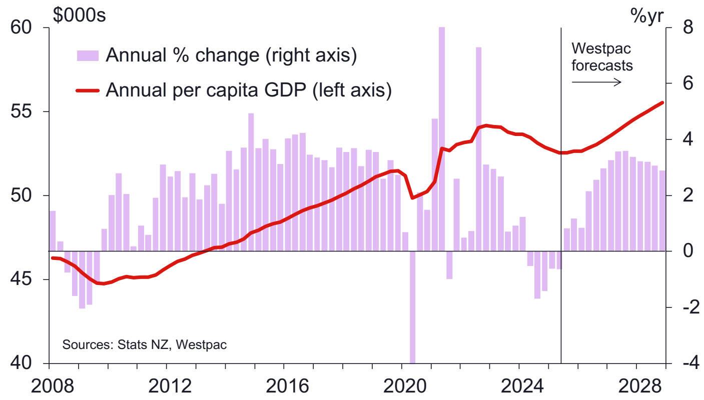
OVERVIEW

> "The drivers of a recovery are in place, but the pace of growth is still expected to remain moderate."

Getting ready for a gear shift.

- After grinding its gears through much of 2025, the New Zealand economy should improve over the year ahead. GDP growth is forecast to rise from 1.2% this year to 3.0% in 2026.
- The RBNZ has now cut the OCR by 300bps to 2.50%, with a further 25bp cut expected in November. While the passthrough of lower interest rates to households has been gradual to date, increasing numbers of borrowers are now rolling onto lower rates. That will continue through 2026, resulting in large reductions in their borrowing costs.
- Falling interest rates, firm commodity export earnings and a weaker NZ dollar will all support the recovery. Even so, growth is expected to remain moderate in the near term. Continued financial pressures, a soft labour market and lingering uncertainty are weighing on household and business spending.
- Conditions are also likely to remain mixed across the country. Regions with a large agricultural backbone continue to outshine urban centres, with strength in commodity export earnings boosting incomes and spending.
- Unemployment is forecast to peak at 5.4% later this year, before easing below 5% in 2026.
- Inflation has risen to 3%. However, with domestic demand still subdued, it is expected to return towards the middle of the RBNZ's target band.

GDP



Key economic forecasts*

	2024	2025f	2026f	2027f
GDP growth (% year)	-1.4	1.2	3.0	3.4
Inflation (% year end)	2.2	2.9	2.3	2.1
Unemployment rate (%)	5.1	5.4	4.9	4.3
House prices (% year end)	-1.0	1.1	5.4	5.1
Official Cash Rate (%)	4.25	2.25	2.50	3.50

* Growth rates are December quarters compared to same quarter previous year.

RECENT ECONOMIC DEVELOPMENTS

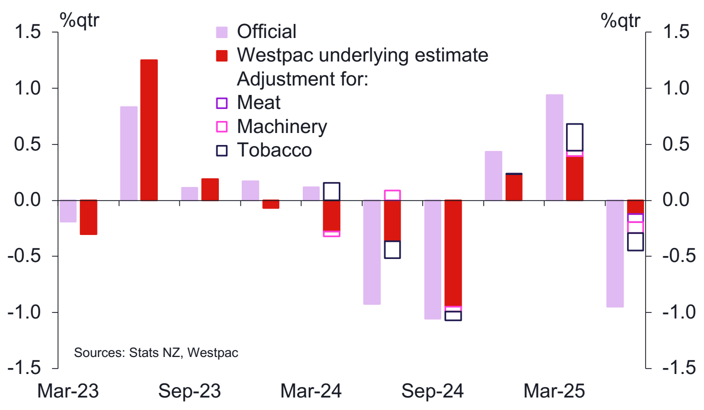
> "The mid-year downturn was overstated, but still disappointing as the economy should have been gaining momentum."

Sagging in the middle, with some parts holding up better than others.

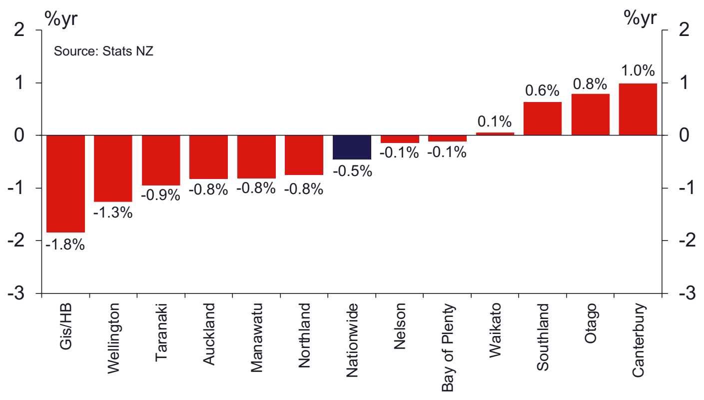
- The economy entered a soft patch through the middle of this year, though not to the same degree that we saw in mid-2024. Consumer spending failed to build on its earlier gains, and businesses have remained cautious about hiring and investment decisions. The uncertain global trade environment may have also been a headwind in recent months.
- June quarter GDP fell by 0.9%, following a 0.9% rise in the March quarter. Seasonal and timing issues mean that these figures overstate the extent of the downturn.[1] Even so, this was still a disappointingly soft outcome at a time when we'd expect the economy to be gaining momentum from lower interest rates.
- The weaker overall economy hides clear distinctions in regional performance that reflect the strength in rural incomes. Employment has lifted in the South Island over the last year, while falling in the North; similarly house prices and retail spending are stronger in the South. Ongoing pressure on household finances and related low levels of confidence are continuing to weigh on spending in urban areas.
- Recent data suggests a return to modest growth in the second half of the year. Even so, we've revised down our GDP forecasts to 0.4% for Q3 and 0.8% for Q4 (with the latter being overstated due to seasonal issues).

1 In our research note **GDP insights, October 2025** we detail the cause of the recent seasonality in GDP, along with some one-offs that detracted from growth in the June quarter.

Quarterly GDP with Westpac adjustments



Filled jobs growth, year to September



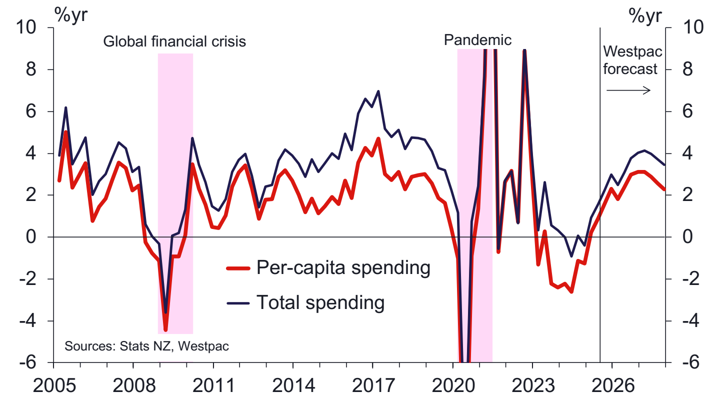
HOUSEHOLDS

> "Over the next year 75% of all fixed-rate mortgages will come up for repricing, with most of that in the next six months."

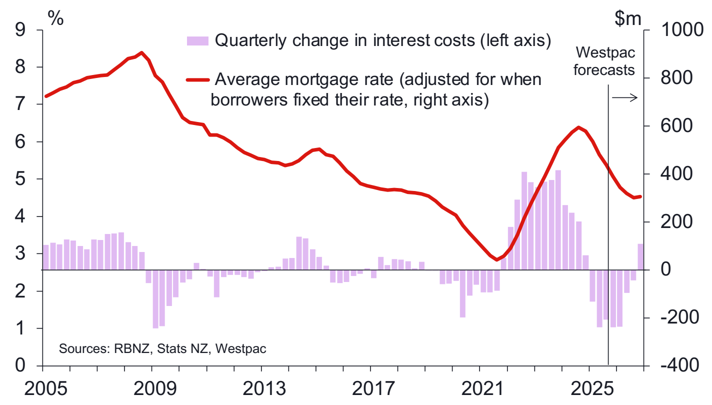
Big reductions in mortgage rates to boost disposable incomes.

- Household spending has turned higher in recent months. However, the recovery has been gradual and is likely to remain so in the near term.
- Spending growth has been dampened by weakness in the labour market and earnings growth, as well as continued increases in the cost of essentials, like food and electricity. Consumer confidence remains at low levels.
- But while consumers remain cautious for now, spending is set to strengthen over the year ahead. The RBNZ has cut the OCR by 300bps to date, and mortgage costs have reduced significantly. Compared to this time last year, one-year fixed mortgage rates are around 150bps lower, while two-year fixed mortgage rates are around 250bps lower than in 2023.
- With around 90% of mortgage lending fixed for a period, the passthrough of mortgage rate reductions has been gradual to date. However, increasing numbers of borrowers are now rolling onto much lower interest rates. Over the next year 75% of all fixed rate mortgages will come up for repricing, with most of that coming in the next six months.
- Not all of the fall in borrowing costs will be spent: some will be saved, and some households will pay down their mortgages faster. In addition, some of those interest rate savings will be offset by the continued increases in living costs. And savers will see their earnings on investments decline.

Household spending growth



Household spending on interest costs



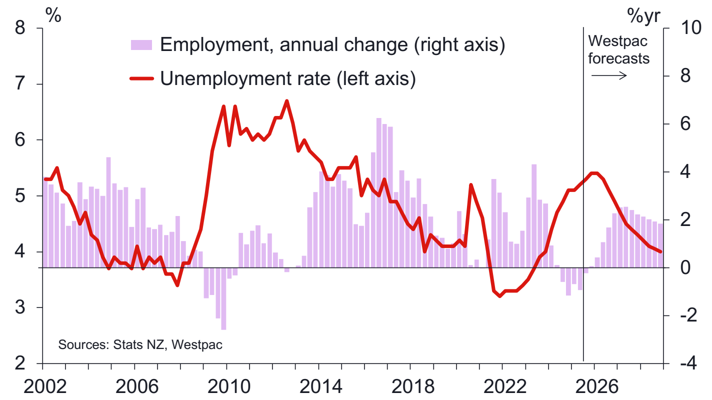
LABOUR AND MIGRATION

"The jobs market is steadying, but in the context of a growing population, more growth is needed before we see a peak in the unemployment rate."

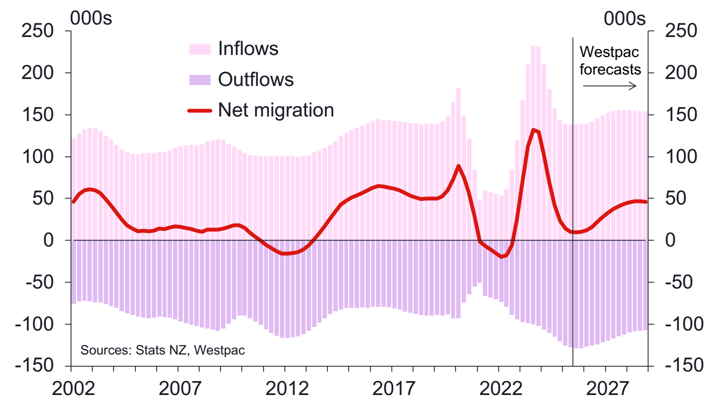
Job market steadying, employment and migration to pick up in 2026.

- The labour market remains soft but appears to be finding a floor. The number of filled jobs has been flat lately, after having seen renewed declines earlier in the year. Job advertisements have started to pick up in recent months, though they remain well below pre-Covid levels. Employers overall report little difficulty in finding unskilled workers, but there are some pockets where skilled workers have been in shorter supply.
- Flat employment levels against a still-growing population suggest that the unemployment rate has a bit further to rise. We expect it to reach 5.4% by the end of this year – a slightly higher peak than in our August forecasts, reflecting the downgrade to our GDP outlook for this year. We should then see it decline over 2026 and 2027 as the economy enters a phase of above-trend growth.
- Net migration has slowed to around 10,000 people over the last year, with downward revisions leaving us with a lower starting point than previously thought. Departures of New Zealanders remain high, reflecting stronger job prospects elsewhere, but we expect these relative fortunes to shift as the local economy regains momentum. We forecast net inflows to rise to 27,500 people over the coming year, albeit with an initial surge in arrivals under the Parent Boost Visa masking a slow improvement in the underlying trends.

Employment growth and unemployment rate



Migration flows, annual total



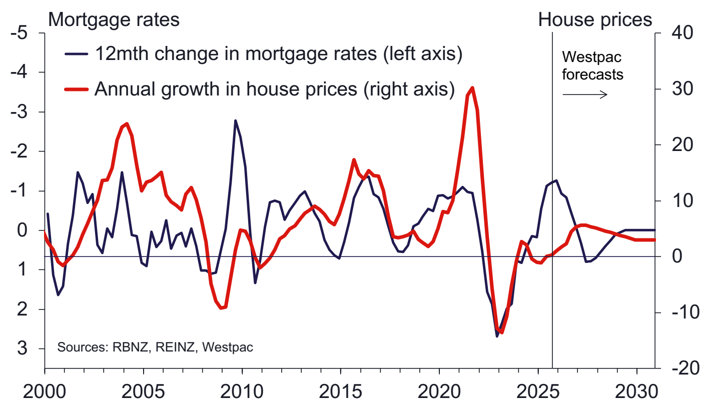
HOUSING

> "Moderate house price increases are expected in 2026 as lower interest rates and an improving economy gradually lift demand relative to supply."

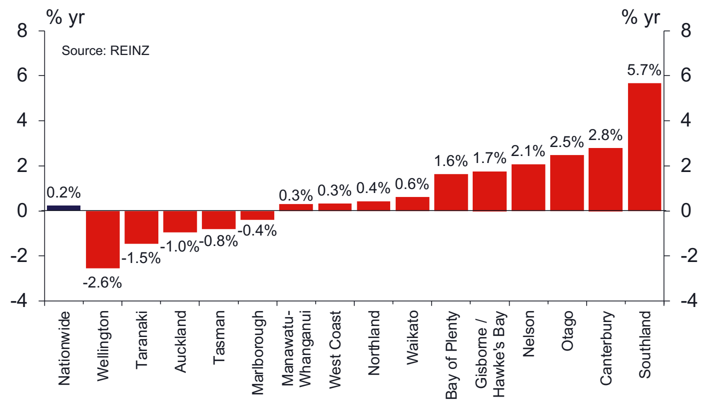
Cautious optimism for 2026.

- Recent months have seen the housing market go sideways as still-ample supply has comfortably accommodated moderate demand. Houses are selling slightly more quickly, but selling times remain above long-term averages.
- Investors have been increasingly more active in the market and are the strongest growing segment in terms of the volume of credit drawn down. Low mortgage interest rates are supporting some categories of investor, although very weak rents in some centres are a challenge for some.
- Housing markets are significantly stronger in regions with stronger population and income growth. House price trends in the South Island stand out nationally, while trends in the major urban areas of Wellington and Auckland remain weak.
- The ingredients are in place for a stronger housing market in 2026. Mortgage rates are low and are enabling many lower income purchasers to enter the market. The RBNZ has slightly eased macroprudential settings, which will allow more lower income/wealth purchasers to buy houses.
- Notwithstanding these positive factors, we are taking a conservative approach and forecast just 5.4% house price growth nationally in 2026. Weak population growth and a gradual recovery in the labour market may push against low interest rates, at least for a while.

House prices and mortgage rates



House price growth by region (12 months to September)



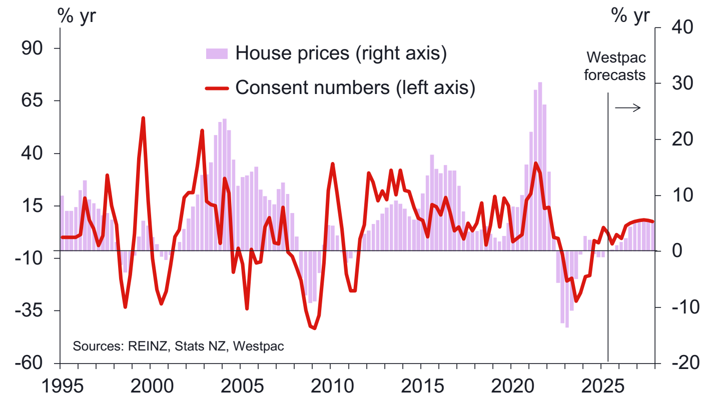
RESIDENTIAL CONSTRUCTION

> "Ongoing construction has helped erode the shortages of housing that built up over the past decade."

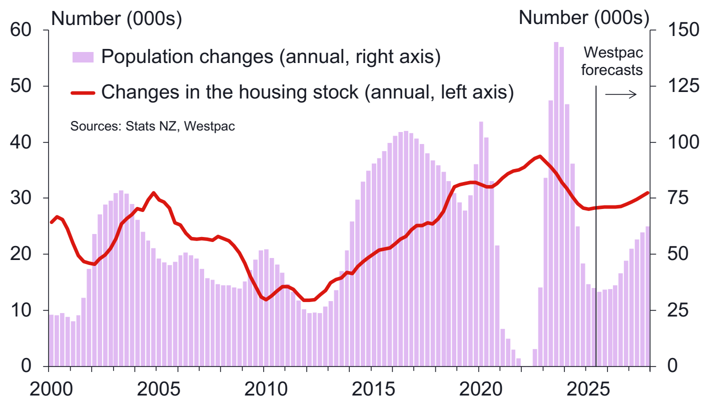
Conditions have stabilised, but an upturn is still a way off.

- After falling nearly 25% since 2022, a floor in residential building has been reached. Building levels remained broadly steady through the first half of the year. We've also seen a stabilisation in planned work, with the annual number of new dwellings being consented holding around 34,000 for the past year.
- Building activity is likely to remain subdued at least through the first half of next year. Given the lack of forward momentum in the housing market, developers are still cautious about bringing new projects to market for now.
- Home building is expected to begin turning higher from mid-2026 as the impact of the large falls in interest rates over the past year help to support a firming in house prices and economic conditions more generally.
- However, the anticipated recovery is expected to be gradual and we are likely to see a return to more 'normal' levels of activity, rather than the boom times seen in the wake of the pandemic.
- Recent years have seen a significant increase in the number of homes available per head of population. While the country doesn't have an oversupply of housing, the shortages that supported house price increases and new building activity in previous years have been eroded. The lift in housing supply has been seen across the country. However, it's notable that for every 1000 people, Auckland still has around 60 fewer homes than other parts of the country.

House prices and dwelling consents



Home building and population changes



BUSINESS INVESTMENT

> "Despite the uncertain environment, there are signs of business investment coming out of hibernation."

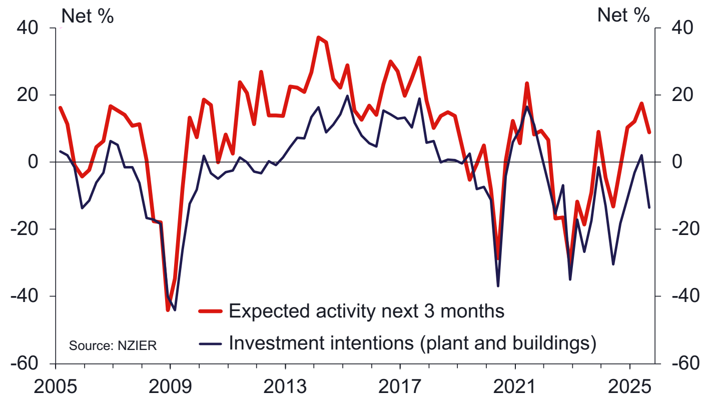
Softer business sentiment belies an uptick in investment activity.

- Business surveys show that firms remain optimistic about a pickup in activity in the months ahead. However, stated investment intentions have softened, and are lower now than they were before the announcement of the Government's Investment Boost policy accelerated depreciation scheme in the May Budget.
- Despite the uncertain environment, there are signs that business investment is coming out of hibernation. Commercial vehicle registrations and imports of plant and machinery are both running about 10% higher than a year ago. Some of the latter in particular will reflect investment decisions that were made before the Budget announcement.
- We expect a further pickup in investment, initially led by sectors linked to agriculture, with confidence running high on the back of strong export prices.

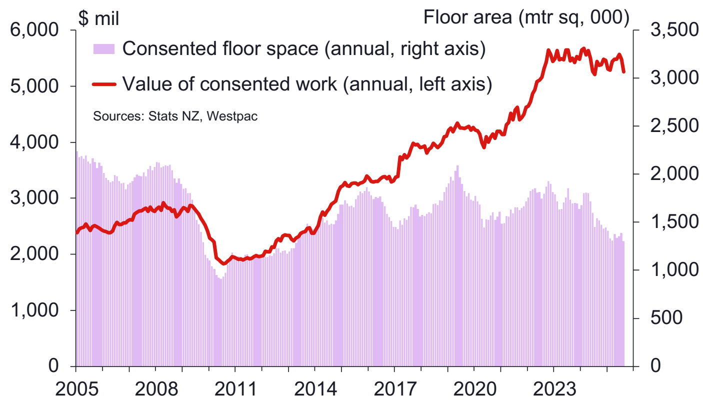
Commercial building to remain sluggish while the recovery finds its legs.

- Commercial building activity has dropped back over the past year. Weakness in economic conditions has been weighing on occupier demand, with a lift in vacancy rates across all sectors and related downward pressure on rents.
- Lower interest rates will help to support a lift in development activity over time. However, gains are likely to be gradual, with developers cautious about bringing larger projects to market until the recovery is entrenched.

Business sentiment



Commercial building



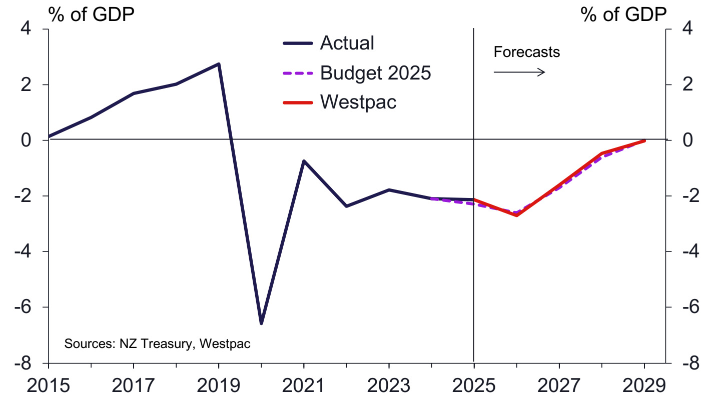
FISCAL

> "Fiscal discipline will be required to achieve balance in the near term. Much harder decisions will be required to keep the books in balance over the long term."

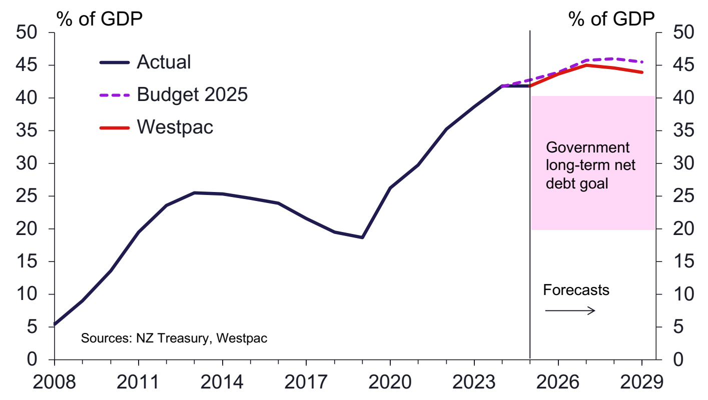
The fiscal outlook remains challenging.

- The final accounts for the '24/25 fiscal year revealed a slightly better position than forecast in Budget 2025, especially in cash terms. However, some of that outcome reflects timing, rather than an underlying improvement in the outlook.
- The first information on how the public finances are tracking in the new '25/26 fiscal year will be released on 6 November. Our forecast for nominal GDP suggests that revenues are likely to fall slightly short of the Budget forecast.
- Thereafter, our forecast of above-trend economic growth from the second half of next year – together with continued strong commodity prices – should result in tax revenues that exceed Budget forecasts from '26/27 onwards.
- We continue to assume that any upside surprise in revenues will be recycled back into the economy (through either greater spending or tax incentives), so that an OBEGALx surplus will be achieved no sooner than '28/29.
- Current polling suggests that the 2026 General Election is likely to be a tight contest. A change of government could result in different priorities for the level of spending, revenue, budget balance and debt.
- Recent Treasury research has rightly highlighted that New Zealand faces significant long-term fiscal challenges due to an aging population. The sooner this issue is addressed by Parliament, the less painful the adjustment will be.

Operating balance (OBEGALx), % of GDP



Net core Crown debt, % of GDP



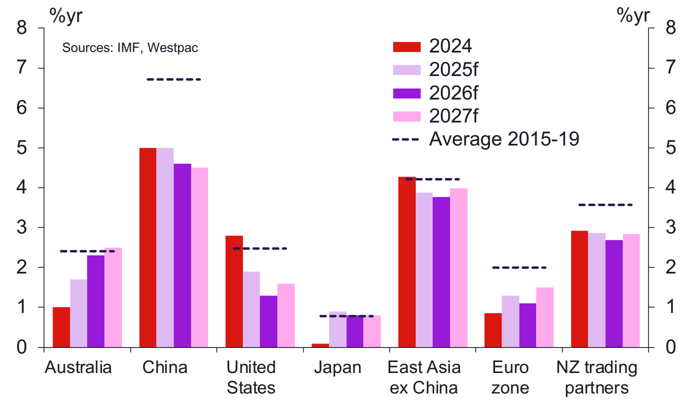
GLOBAL OUTLOOK

> "To date the global economy has remained resilient in the face of the US tariff shock."

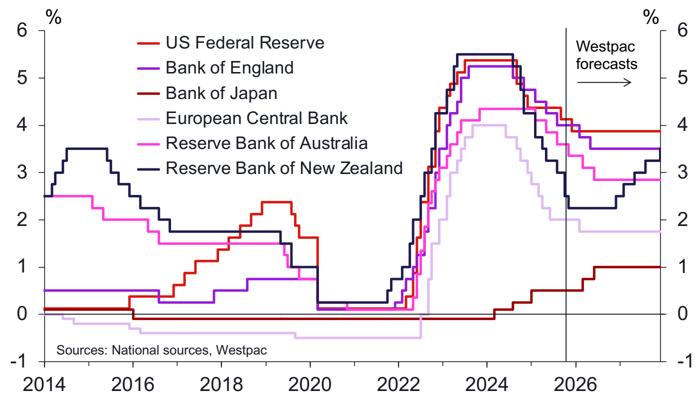
Resilience in the face of the US tariff shock.

- The global economy has remained resilient in the face of US tariff-induced uncertainty, supported by easier monetary settings and strong returns in global asset markets. In trade-weighted terms, we expect New Zealand's key trading partner economies to grow 2.9% this year – slightly higher than forecast previously.
- Looking ahead, we forecast trading partner growth of 2.7% in 2026 and 2.8% in 2027. These growth rates are about 1ppt below the average seen in the years prior to the pandemic.
- In the US, slower growth owes to the expected medium-term impact of tariff policy, as the direct upward impacts on inflation will constrain the Fed's ability to respond to softer economic conditions. A 15% tariff will also make it more challenging to grow New Zealand's exports to the US.
- In China, slower growth reflects deeper structural factors. Importantly, our forecasts for China continue to assume that domestic fiscal and monetary policy is able to successfully mitigate the negative impacts of US tariff policy. Recent data has continued to point to especially weak investment spending.
- The Australian economy has shown signs of strengthening this year. However, with inflation now within the RBA's target range, we expect some further modest easing of monetary policy settings in coming months.

Trading partner growth



Global central bank policy rates



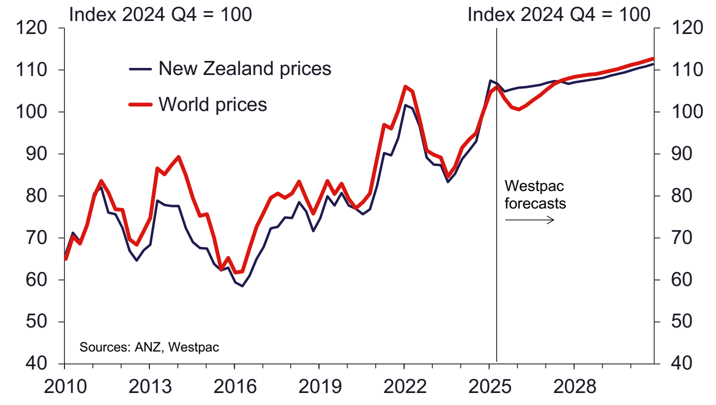
AGRICULTURE

> "Export prices are starting to look a bit stretched, which may slow price gains in coming quarters."

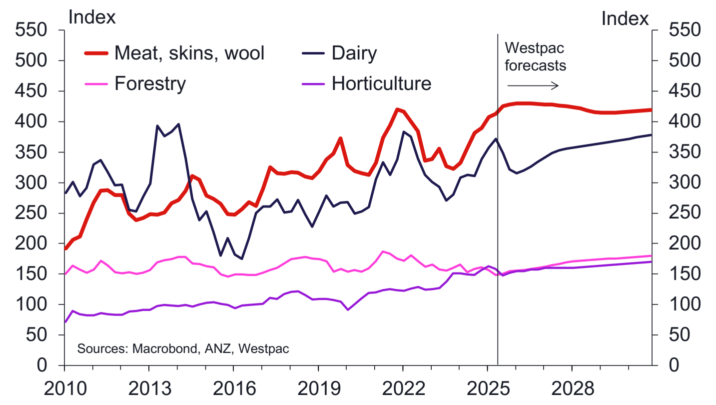
Agricultural export prices to remain elevated.

- We maintain our farmgate milk price forecast of $10.00/kg. This forecast assumes dairy prices will continue to gradually ease over the remainder of the '25/26 season as global production increases.
- By contrast, beef export prices are likely to remain elevated, mainly because of ongoing supply constraints and still-strong demand for high quality proteins, particularly in the US and in Europe. However, with inflation-adjusted export prices sitting at or close to record highs, further gains are likely to be limited.
- Lamb prices should also be well supported, with production in New Zealand and Australia still constrained. However, given the high level of lamb prices relative to historic norms, as well as reports of price resistance in key export markets, there is limited scope for further gains.
- Kiwifruit and apple prices should continue to lift over the coming year, with strong demand underpinning higher prices despite increased production. Management of supply and a strong marketing effort, backed up by ongoing quality improvements, will continue to generate better returns for orchardists.
- Log prices should rise gradually over the coming year. But while low port inventories suggest some upside potential, the fortunes of China's presently moribund property sector and the impact of US tariffs on China's manufactured goods could weigh heavily on prices.

Commodity prices – World and NZ dollar denominated



Commodity prices by category



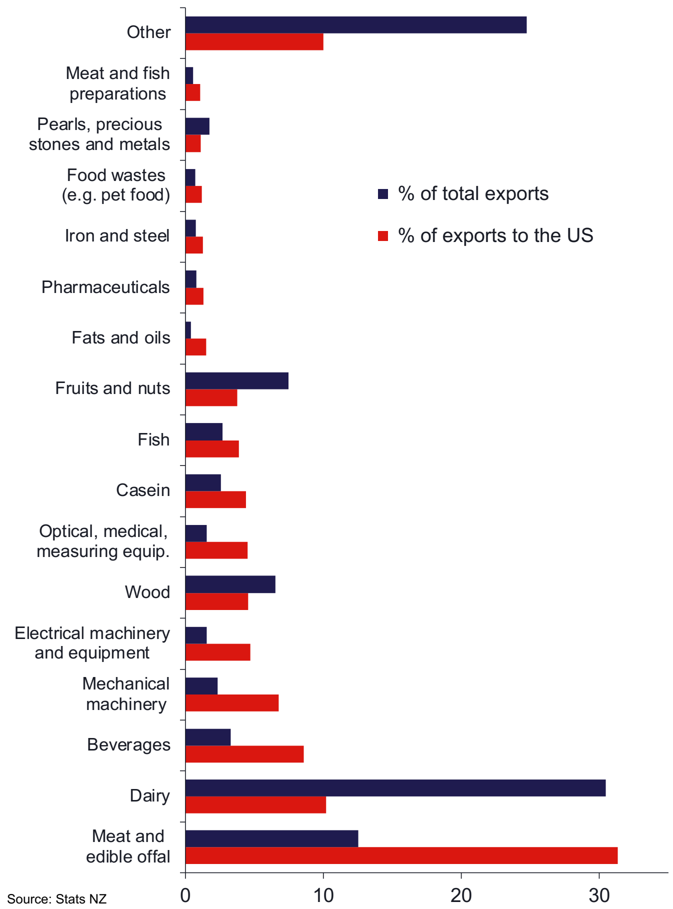
TARIFF UPDATE

> "Most exporters seem to be coping with US tariffs for now as demand remains strong and the weaker NZD is also providing a buffer."

Most NZ exporters are coping with tariffs for now.

- New Zealand's goods exports to the US totalled $9.3bn over the past year – almost 13% of all goods exports. Meat (mostly beef) accounts for nearly a third of all exports to the US. Other key exports include dairy products (mostly whey and casein), wine, mechanical and electrical machinery, wood, fruit and fish.
- Most exports to the US are now subject to a 15% "reciprocal" tariff. This is on top of any pre-existing tariffs. Other exports are covered by new sector-specific tariffs (e.g. those on steel, aluminium and timber).
- At the moment, strong demand – and high commodity prices – are shielding most primary goods exporters from the negative impact of these tariffs. Exporters will likely face more pressure should US market conditions weaken.
- Our discussions with businesses indicate that many exporters have been able to pass some or all of the tariff through to US importers. Some are seeking other opportunities to mitigate the impact of tariffs.
- As the economy recovers and import demand rises, it is possible that New Zealand will run a trade deficit with the US. This would provide an opportunity for the Government to seek a reduction in New Zealand's tariff rate.
- It is also possible that reciprocal tariffs could soon be ruled illegal, at least in their current form, by the US Supreme Court (hearings begin on 5 November).

NZ exports to the US vs total, share by type



Source: Stats NZ

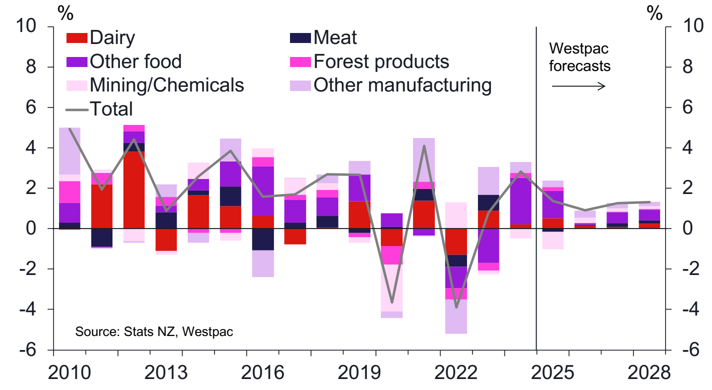
BALANCE OF PAYMENTS

> "The current account deficit has returned to sustainable levels and no longer poses an immediate threat to New Zealand's credit rating."

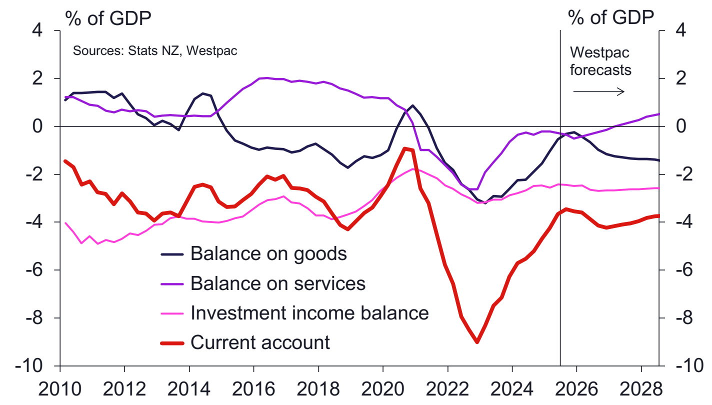
The current account deficit has returned to sustainable levels.

- The annual current account deficit stood at 3.7% of GDP in the June quarter, identical to the average since 2010 and well below the 9% peak seen in 2022.
- The deficit was smaller than we had previously forecast, with Stats NZ announcing a large downward revision to imports of low-value goods and a large upward revision to income earned on residents' foreign asset holdings.
- Around half of the narrowing in the current account deficit since 2022 is due to a smaller trade deficit. This reflects an upswing in the terms of trade – driven by strong primary product export prices – and subdued import demand.
- The services deficit has also narrowed, due to a rebound in tourist arrivals and growth in exports of business services.
- Meanwhile, high returns earned on foreign investments have slightly lowered the investment income deficit.
- In the near term we see only limited scope for the current account deficit to narrow further. With imports likely to strengthen as the recovery gathers pace, we expect the deficit will likely rise modestly next year. Thereafter, the deficit should narrow again as tourist arrivals rise towards pre-pandemic levels.
- At around present levels, the current account deficit no longer poses an immediate threat to New Zealand's credit rating. Rather, the focus of the ratings agencies is now squarely on the Government's fiscal trajectory.

Goods exports – contributions to growth



Current account balance, % of GDP



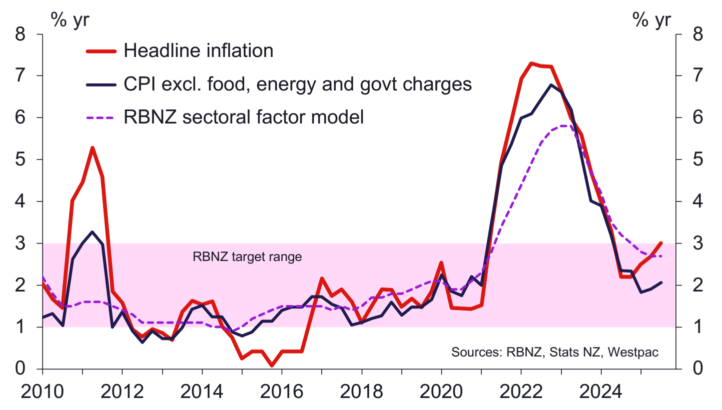
INFLATION

> "With soft prices in discretionary spending areas, we expect inflation will return comfortably inside the RBNZ's target band next year."

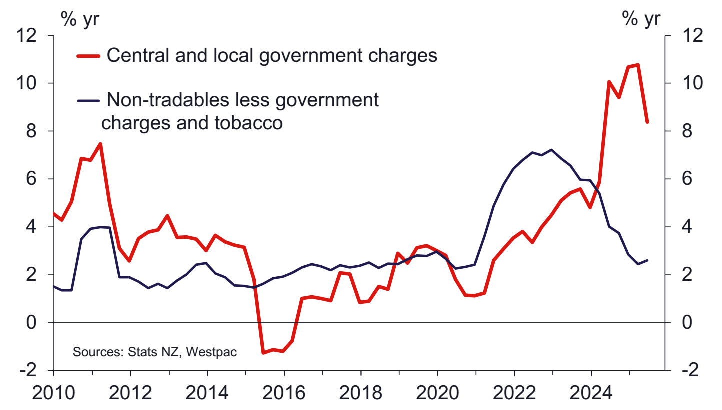
Crunchy on the outside, soft on the inside.

- Inflation rose to 3% in the year to September, up from 2.7% in the year to June and at the top of the RBNZ's target band.
- The recent rise in inflation is mainly due to volatile items like food, as well as increases in regulated prices like council rates and electricity charges. Coming years are likely to see continued large increases in those sorts of regulated costs, which will limit the downside for non-tradables and overall inflation.
- In contrast, inflation in areas related to discretionary spending remains low, while construction cost and housing rent inflation have both fallen to low levels. Consistent with that, core inflation measures have drifted down over the past year, taking them back inside the RBNZ target range.
- Inflation is expected to drop back over the coming year, as some of the recent increase in food price inflation eases.
- While we are likely to see some lift in inflation in areas like housing from their current lows, overall inflation pressures are likely to remain contained over 2026. While growth is picking up, the economy still has a large amount of excess capacity, including higher than normal levels of unemployment. Those factors are limiting increases in prices and wages.

Headline and core inflation



Government charges and other consumer prices



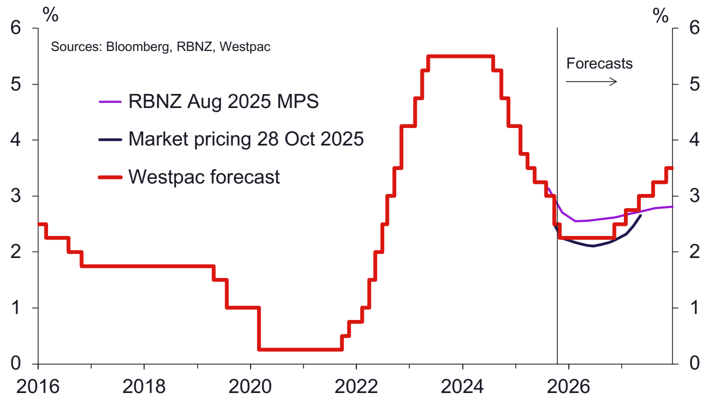
MONETARY POLICY

> "The MPC is likely tossing up between one final 25 or 50 bp cut in November. Their confidence in the near-term growth outlook will be the key deciding factor."

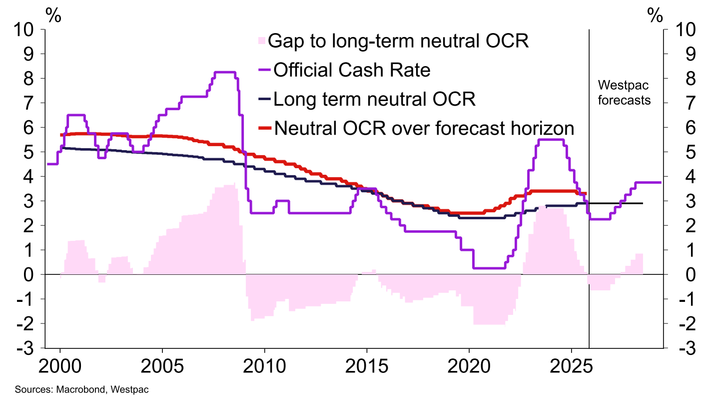
One more big push?

- The RBNZ abruptly pivoted to supporting growth in August and October. The MPC seems comfortable to look through currently high headline inflation and instead is trying to ensure a return to above-trend economic growth in 2026.
- Interest rates have fallen to stimulatory levels. Given time, an OCR in the 2-2.5% range should underwrite a cyclical recovery – absent significant shocks. The weaker exchange rate should assist in boosting export incomes in time.
- Current high headline inflation remains a risk for inflation expectations, which could mean a need for retightening earlier than ideal should the economy begin growing above trend.
- But in the near term such concerns seem manageable, with lingering excess capacity, weak economic growth and incomes stagnant outside the primary sector.
- The RBNZ is more pessimistic than we are about the neutral interest rate. Hence they likely don't consider the OCR to be as stimulatory as we do.
- Given near-term growth looks moderate and still below trend, the MPC is likely tossing up between a 25 or 50 bp cut in November.
- We think the easing cycle should be over in 2025. The extent of the economic response to easing in 2025 will determine when (or if) the OCR rises in 2026.

Official Cash Rate forecasts



The neutral OCR and actual policy stance



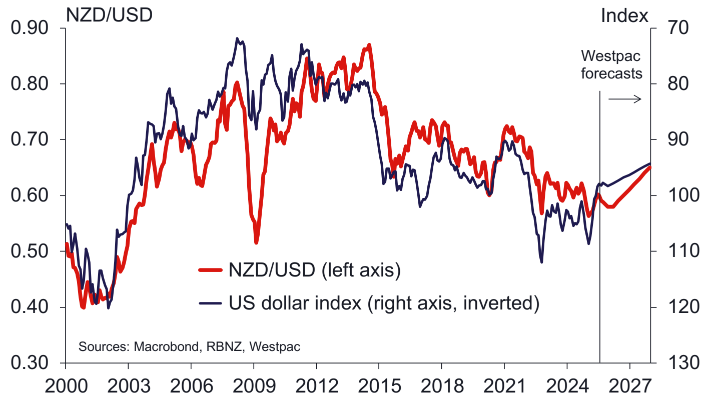
FOREIGN EXCHANGE

> "The NZD may plumb a new lower trading range versus the AUD until it's clear NZ interest rates can return to more neutral levels."

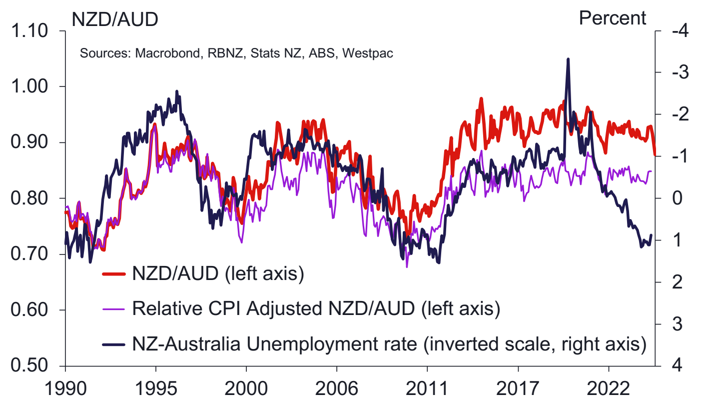
The kiwi might not fly for a while.

- The NZD has been generally weak in 2025. To date the TWI is down 2% this year, and is especially weak versus the Australian dollar, UK pound and euro. The NZD/USD has been volatile and heavily driven by variable, but generally weak, US dollar trends.
- New Zealand's weak economy and associated low interest rates have been a significant driver of broader NZD weakness. This is despite a significant improvement in the current account and resilient export commodity prices, as well as a generally benign global risk environment.
- We continue to expect the US dollar to weaken towards longer-run average levels and so move around 10% lower in coming years. This means our baseline view is for a stable and then gradually rising NZD/USD over time.
- Even so, significant downside risks exist in the near term, as we see domestic interest rates remaining relatively low through most of 2026 as economic growth only gradually improves.
- There may be significant scope for NZD weakness against some key crosses. The NZD/AUD is a good example. We expect New Zealand interest rates to remain low compared to Australia, raising the possibility of the NZD plumbing a lower trading range until it's clear that NZ interest rates can return to more neutral levels.

NZD/USD and US dollar index

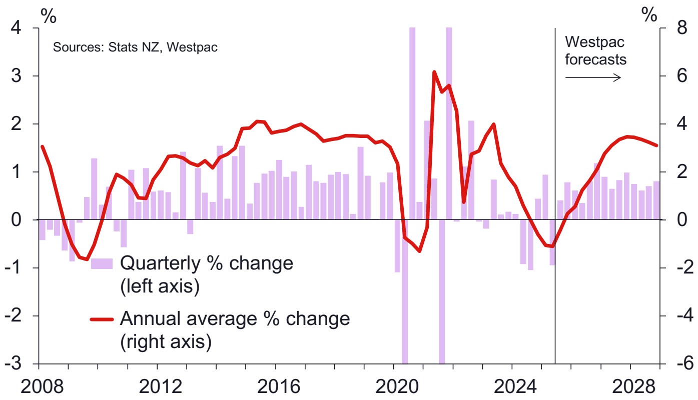


NZD/AUD vs relative unemployment rates

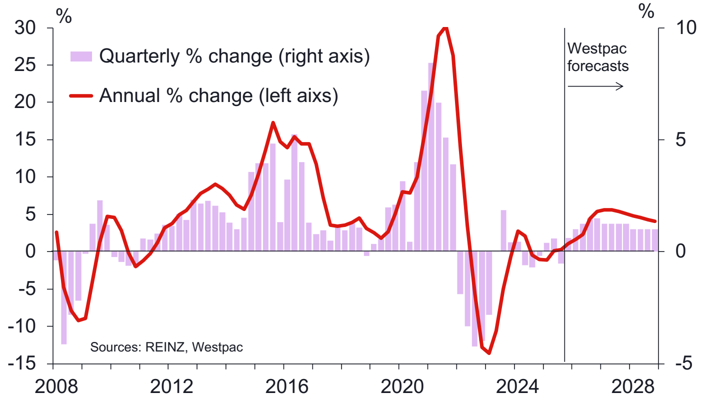


THE ECONOMY IN EIGHT CHARTS

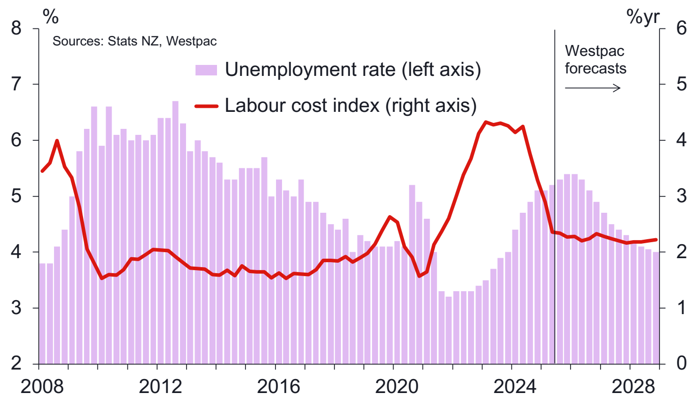
GDP growth



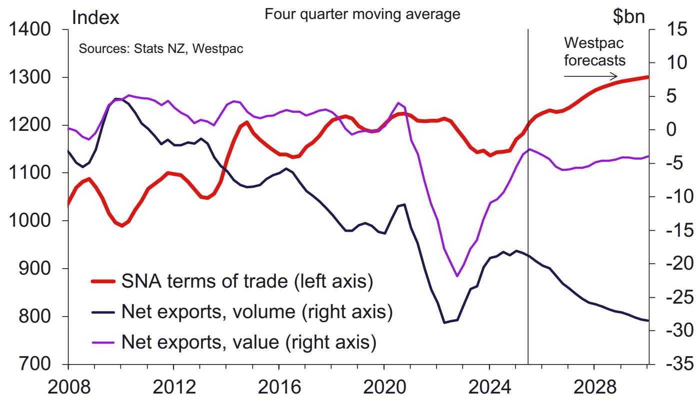
House prices



Unemployment and wage growth

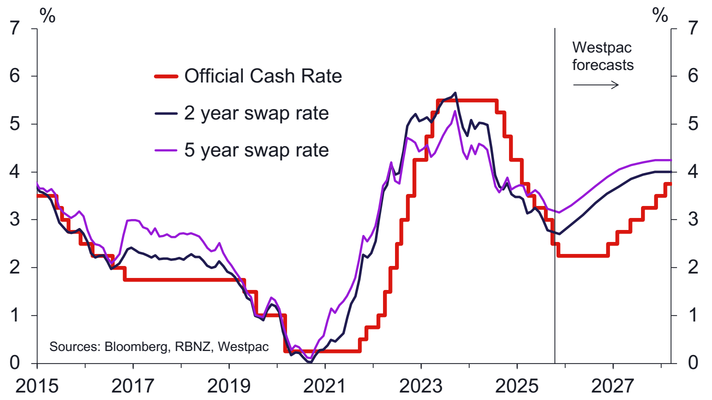


Terms of trade and net exports

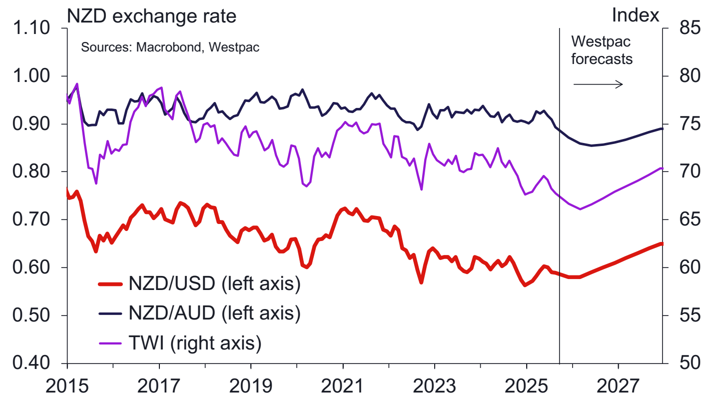


THE ECONOMY IN EIGHT CHARTS CONT.

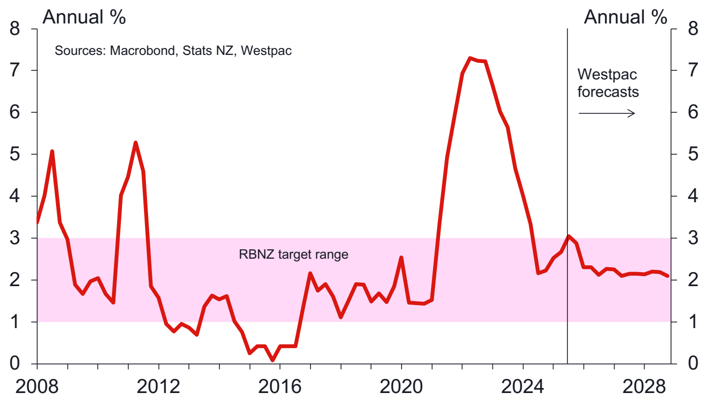
Official Cash Rate, 2-year and 5-year swap rates



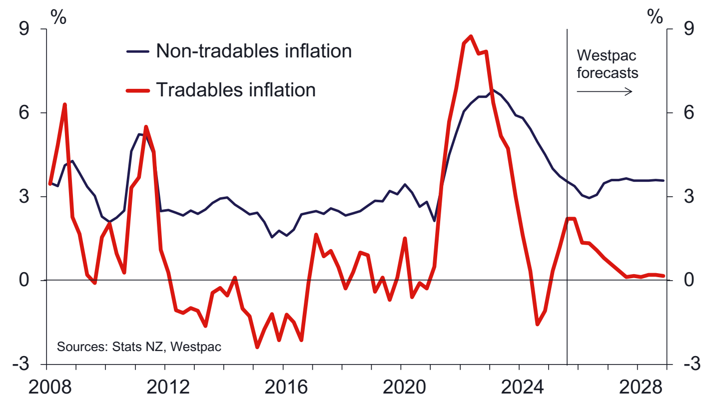
Exchange rates



Consumer price inflation



Inflation components



ECONOMIC AND FINANCIAL FORECASTS

New Zealand forecasts

Economic indicators	Quarterly % change				Annual % change			
	Jun-25	Sep-25	Dec-25	Mar-26	2024	2025	2026	2027
GDP	-0.9	0.4	0.8	0.6	-1.4	1.2	3.0	3.4
GDP (annual average)	-	-	-	-	-0.6	0.3	2.1	3.4
Consumer price index	0.5	1.0	0.4	0.4	2.2	2.9	2.3	2.1
Employment change	-0.1	0.0	0.1	0.4	-1.2	0.1	2.3	2.2
Unemployment rate	5.2	5.3	5.4	5.4	5.1	5.4	4.9	4.3
Labour cost index (all sectors)	0.6	0.6	0.5	0.5	3.3	2.3	2.3	2.2
Current account balance (% of GDP)	-3.7	-3.5	-3.5	-3.6	-4.7	-3.5	-4.2	-4.0
Terms of trade	4.1	1.0	-1.4	0.0	13.7	5.6	1.7	1.9
House price index	0.6	-0.5	0.6	1.0	-1.0	1.1	5.4	5.1
Financial forecasts	**End of quarter**				**End of year**			
	Jun-25	Sep-25	Dec-25	Mar-26	2024	2025	2026	2027
90 day bank bill	3.38	3.10	2.35	2.35	4.45	2.35	2.70	3.70
2 year swap	3.18	2.99	2.70	2.90	3.64	2.70	3.55	4.00
5 year swap	3.56	3.40	3.15	3.30	3.73	3.15	3.90	4.25
10 year bond	4.57	4.42	4.15	4.30	4.50	4.15	4.70	4.95
TWI	69.1	68.4	66.6	66.1	69.5	66.6	67.9	70.4
NZD/USD	0.59	0.59	0.58	0.58	0.59	0.58	0.61	0.65
NZD/AUD	0.93	0.91	0.87	0.86	0.91	0.87	0.86	0.89
NZD/EUR	0.52	0.51	0.49	0.49	0.55	0.49	0.51	0.54
NZD/GBP	0.44	0.44	0.43	0.43	0.46	0.43	0.45	0.47

ECONOMIC AND FINANCIAL FORECASTS CONT.

New Zealand forecasts

Fiscal indicators	June years						
	2023	2024	2025	2026	2027	2028	2029
Core Crown tax revenue ($bn)	123	133	134	139	147	157	167
- % of GDP	32.1	30.7	31.7	30.9	30.5	30.8	31.4
Core Crown spending ($bn)	128	139	142	150	153	159	166
- % of GDP	34.4	31.8	33.1	32.5	33.3	32.1	31.0
OBEGALx (i.e., excluding ACC) ($bn)	-7.2	-8.8	-9.3	-12.2	-7.6	-2.3	-0.1
- % of GDP	-1.8	-2.1	-2.1	-2.7	-1.6	-0.5	0.0
Net core Crown debt ($bn)	155	175	182	197	215	226	234
- % of GDP	38.7	41.8	41.8	43.6	45.0	44.6	43.9

International economic forecasts

Real GDP (calendar years)	Annual average % change					
	2022	2023	2024	2025f	2026f	2027f
Australia	4.1	2.1	1.0	1.7	2.3	2.5
China	3.1	5.4	5.0	5.0	4.6	4.5
United States	2.5	2.9	2.8	1.9	1.3	1.6
Japan	0.9	1.5	0.1	0.9	0.8	0.8
East Asia ex China	4.6	3.3	4.3	3.9	3.8	4.0
India	7.6	9.2	6.5	6.7	6.4	6.3
Euro zone	3.5	0.4	0.9	1.4	1.1	1.5
United Kingdom	4.8	0.4	1.1	1.5	1.1	1.5
NZ trading partners	**3.4**	**3.1**	**2.9**	**2.9**	**2.7**	**2.8**
World	**3.6**	**3.5**	**3.3**	**3.2**	**3.1**	**3.2**

ECONOMIC AND FINANCIAL FORECASTS CONT.

Interest rates and exchange rates

	CPI	Interest rates				Exchange rates							
	Annual %	OCR	90-day bill	2 year swap	5 year swap	USD Index	NZ TWI	NZD/USD	NZD/AUD	NZD/GBP	NZD/EUR	NZD/CNY	NZD/JPY
Sep-25	3.0	3.00	3.10	2.99	3.40	98.0	68.4	0.59	0.91	0.44	0.51	4.25	87.5
Dec-25	2.9	2.25	2.35	2.70	3.15	98.4	66.6	0.58	0.87	0.43	0.49	4.12	88.2
Mar-26	2.3	2.25	2.35	2.90	3.30	97.8	66.1	0.58	0.86	0.43	0.49	4.09	87.6
Jun-26	2.3	2.25	2.35	3.10	3.50	97.3	66.6	0.59	0.86	0.43	0.49	4.13	88.5
Sep-26	2.1	2.25	2.40	3.35	3.70	96.8	67.2	0.60	0.86	0.44	0.50	4.17	89.4
Dec-26	2.3	2.50	2.70	3.55	3.90	96.4	67.9	0.61	0.86	0.45	0.51	4.21	90.0
Mar-27	2.3	2.75	2.95	3.70	4.05	95.9	68.5	0.62	0.87	0.45	0.51	4.22	90.5
Jun-27	2.1	3.00	3.20	3.85	4.15	95.3	69.1	0.63	0.88	0.46	0.52	4.22	90.7
Sep-27	2.2	3.25	3.40	3.95	4.20	94.8	69.7	0.64	0.88	0.46	0.53	4.22	90.9
Dec-27	2.1	3.50	3.70	4.00	4.25	94.3	70.4	0.65	0.89	0.47	0.54	4.23	91.0
Mar-28	2.1	3.75	3.85	4.00	4.25	94.3	70.3	0.65	0.89	0.47	0.54	4.23	91.0
Jun-28	2.2	3.75	3.85	4.00	4.25	94.3	70.3	0.65	0.89	0.47	0.54	4.23	91.0

CONTACT

Westpac Economics Team
westpac.co.nz/economics
Westpac NZ Economics Team LinkedIn
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

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