Brightening

ANZ Research

Sharon Zollner | Chief Economist | sharon.zollner@anz.com

December 2025

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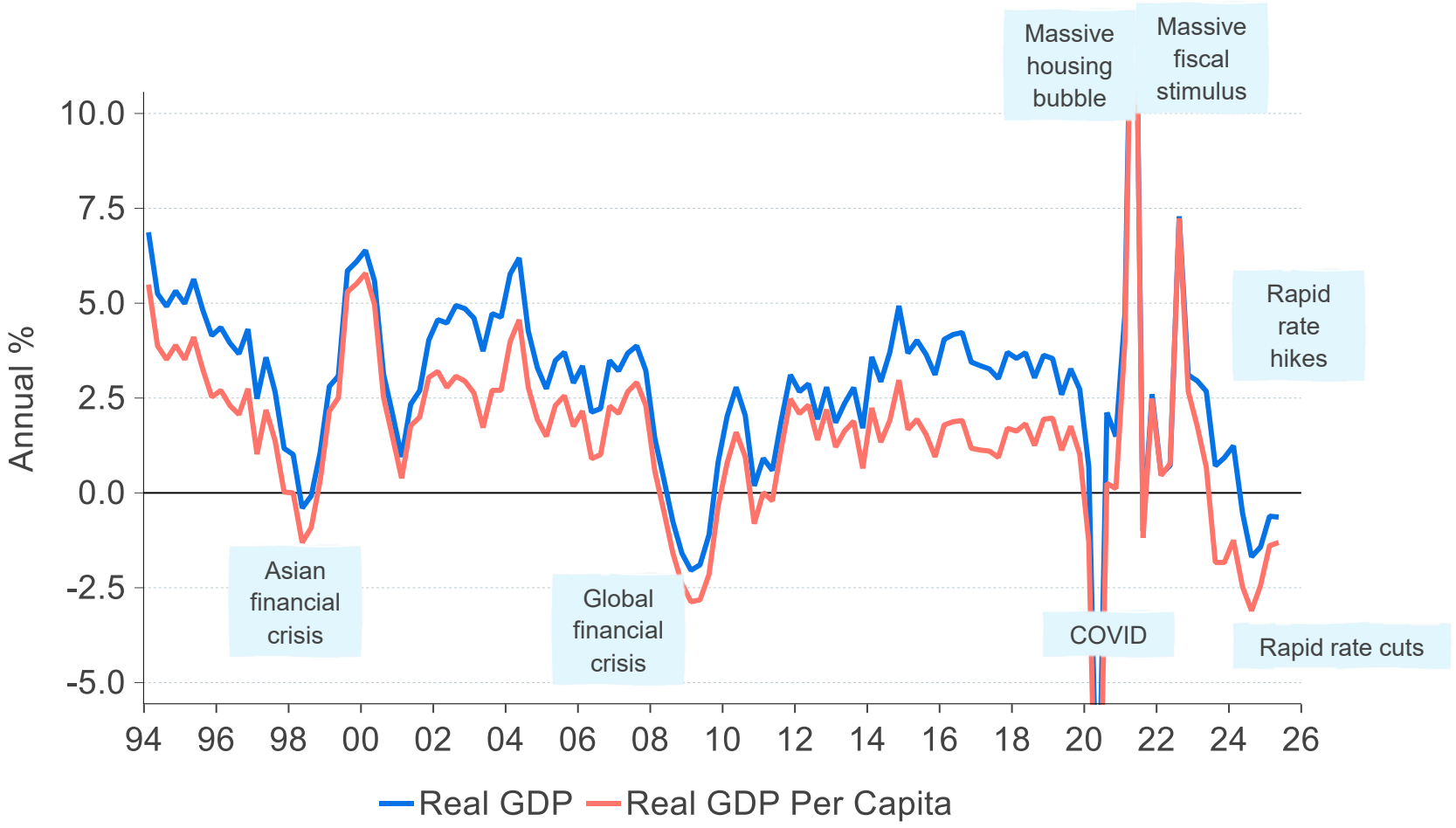
Annual GDP growth



Source: Stats NZ, Macrobond, ANZ Research

Boom

Bust

Recover

But look what this slowdown has achieved!

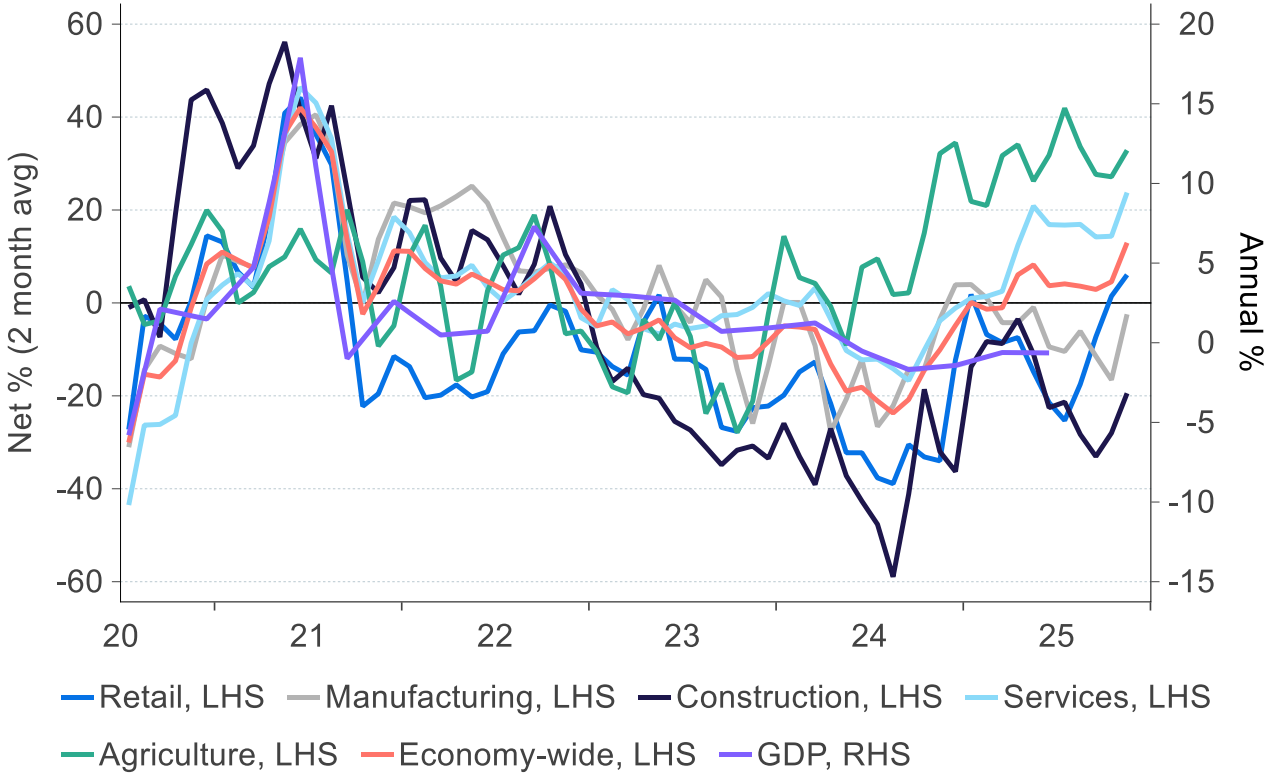
- CPI inflation has fallen from 7.3% to under 3%
- Current account deficit has shrunk from 9% of GDP to under 4%
- Household debt is back where it was pre-COVID as % of GDP.
- Corporate debt is the lowest in 20 years as % of GDP.
- Real house prices are back where they were before the bubble

- Of course there's a lot that's not fixed structurally: the level of government debt, productivity, infrastructure deficit, energy issues…
- We haven't renovated the house but we've done a lot of housework.

ANZBO experienced activity

Broad-based recovery

- The economy lost momentum in Q2 but has recovered in a broad-based fashion subsequently.
- For construction and manufacturing, there are still more firms saying they are less busy than a year ago than are saying they're busier.
- However, the agriculture sector has been leading the charge: good prices, a strong dairy production season, and a low NZD.

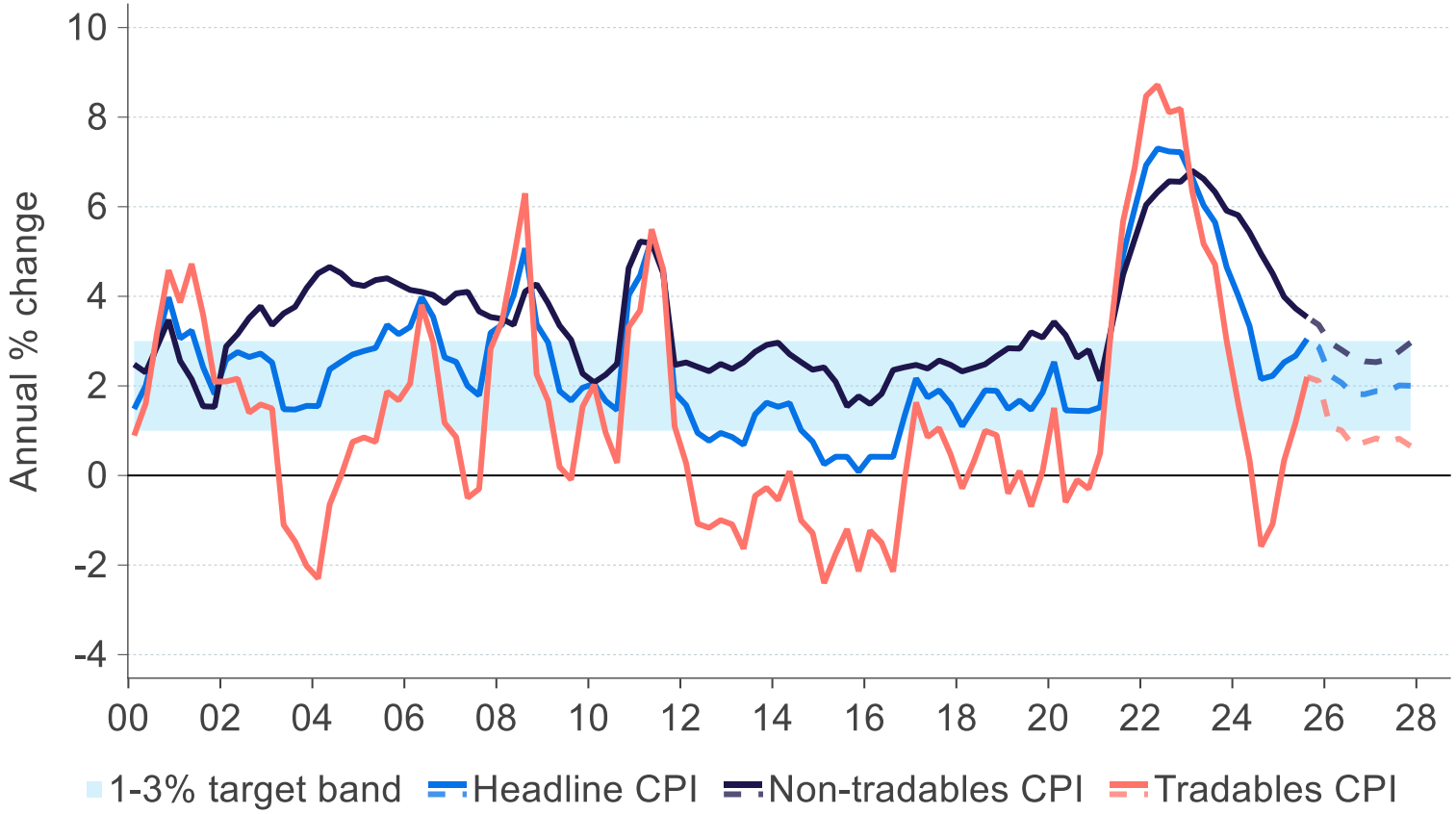


Source: Stats NZ, Macrobond, ANZ Research

CPI inflation

Bouncing around the top

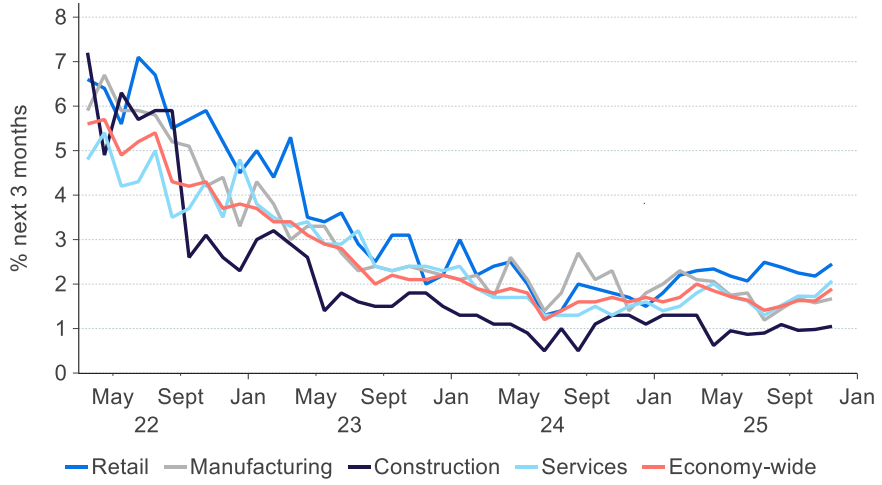
- The buck stops with non-tradable inflation.
- It reflects where the economy has been, so is set to be benign.
- Tradable inflation is more volatile and not as persistent.
- But there's an awkward near-term bump in headline inflation.



Source: Stats NZ, Macrobond, ANZ Research

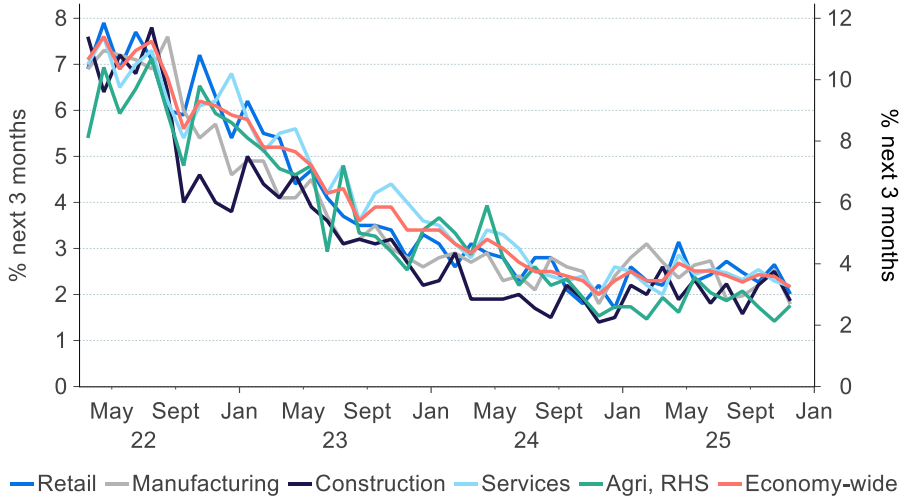
Overall ANZBO inflation signals are encouraging

Pricing intentions



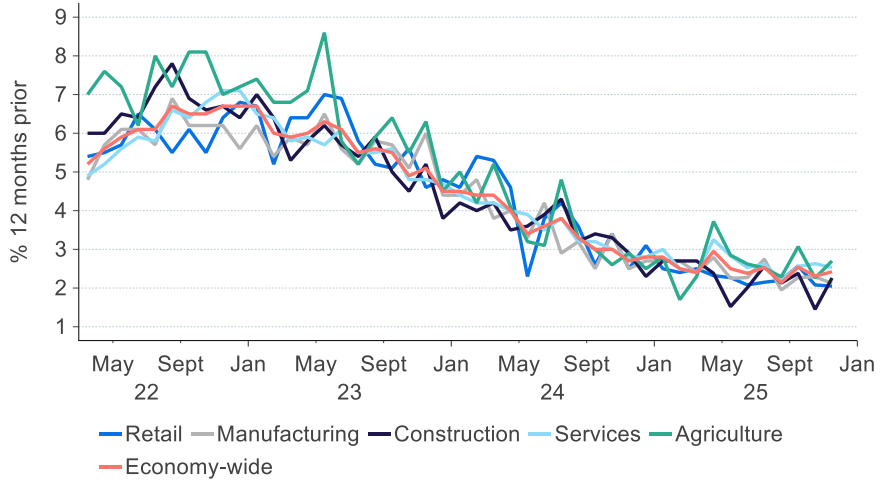
Source: Macrobonc, ANZ Research

Cost expectations



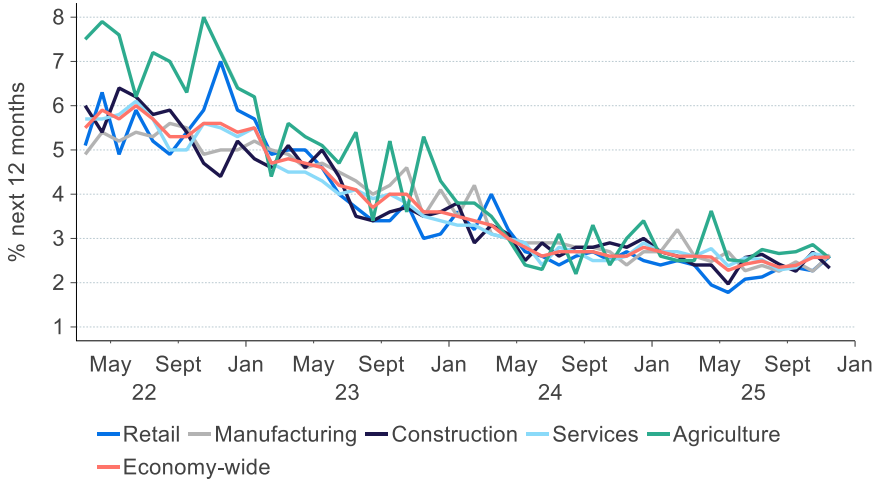
Source: ANZ Research

Wage settlements



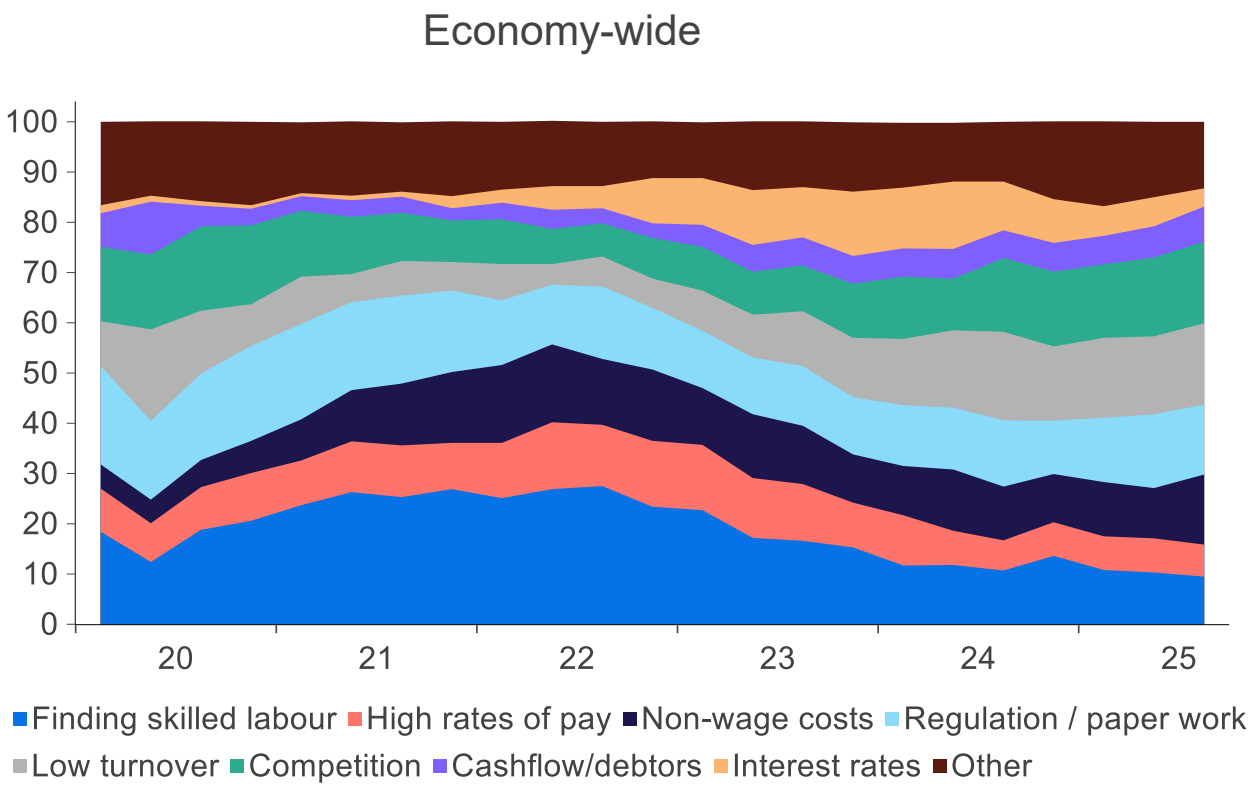
Source: ANZ Research

Wage-setting intentions

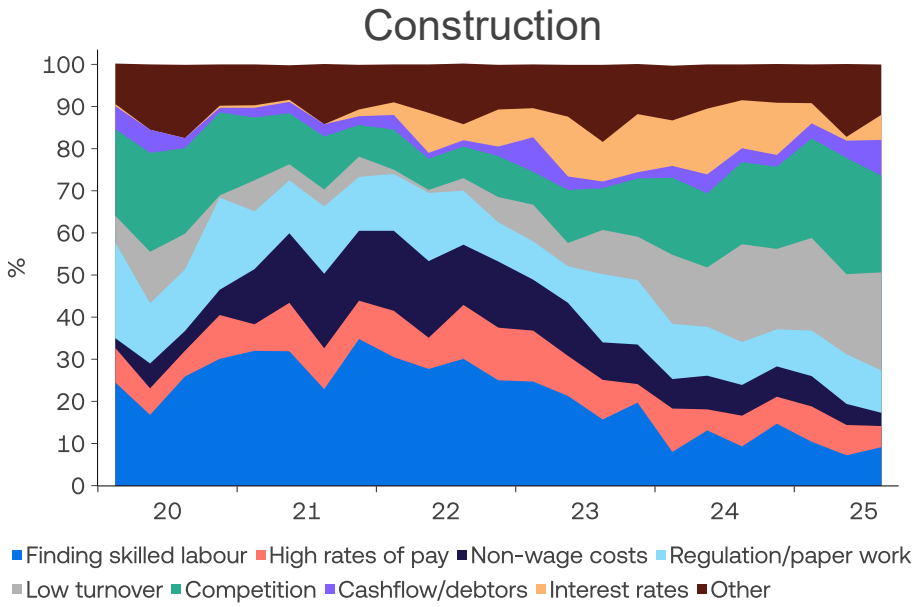


Source: ANZ Research

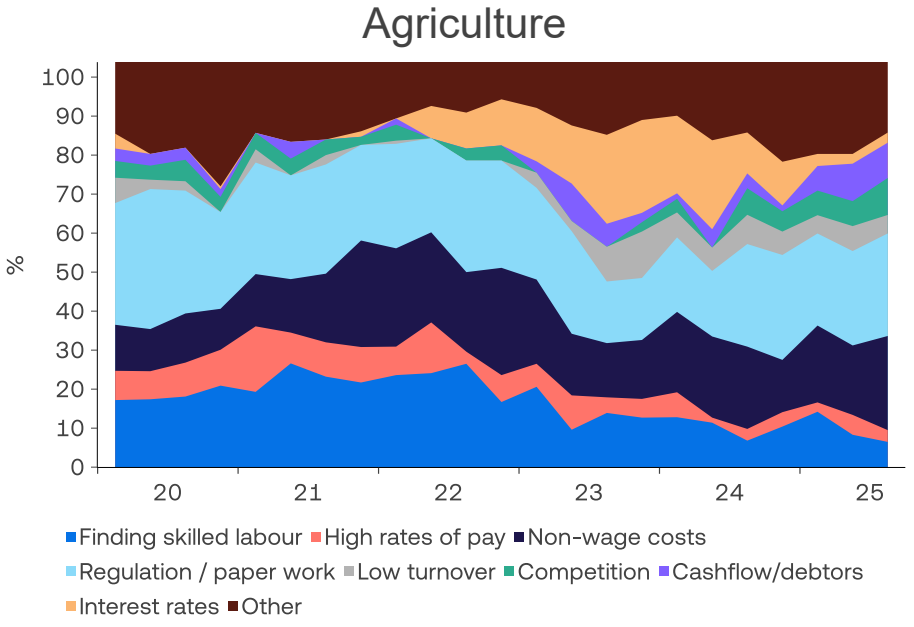
Firms' biggest reported problems



Source: ANZ Research



Source: ANZ Research

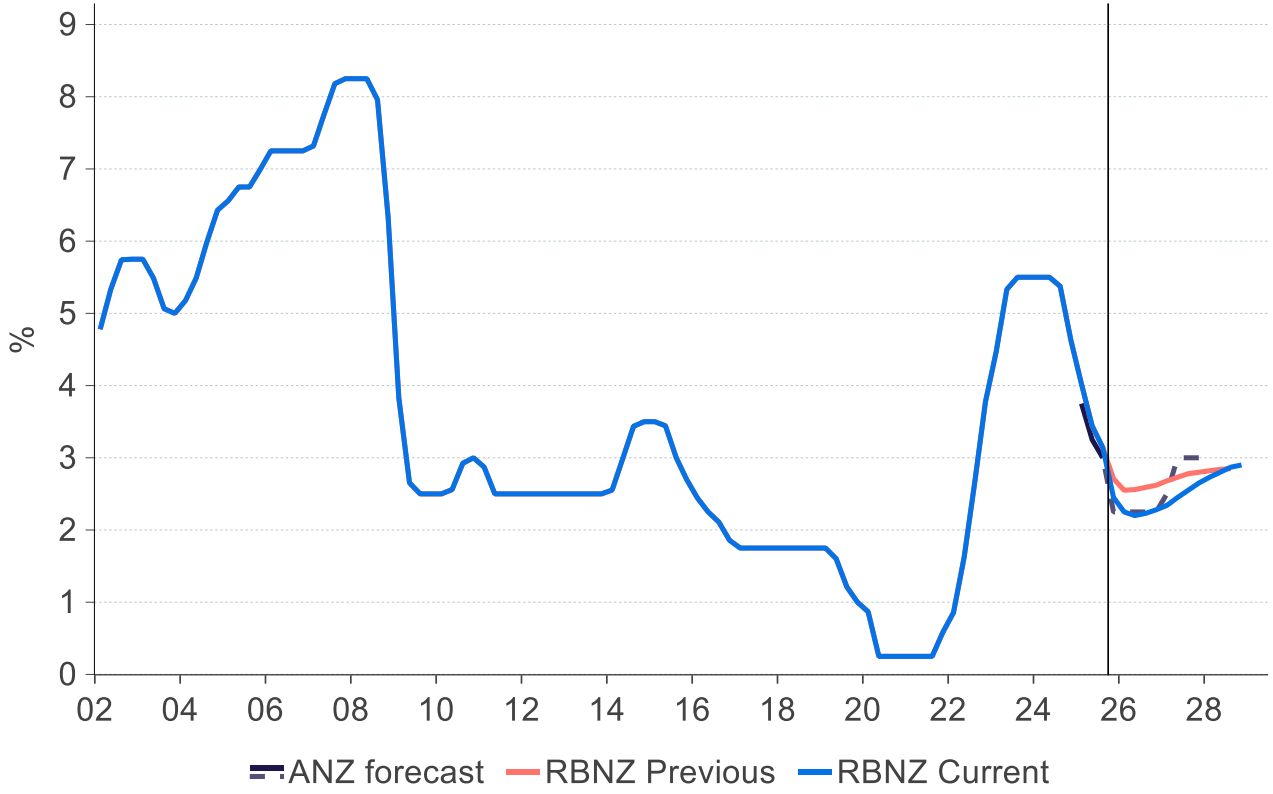


Source: ANZ Research

OCR forecast

Wait and see

- At 2.25%, we expect this is the low for the OCR.
- We have pencilled in hikes from early 2027.



Source: RBNZ, Macrobond, ANZ Research

Sudden change in OCR expectations drives a sharp turn in swaps

Source: Bloomberg, Macrobond, ANZ Research

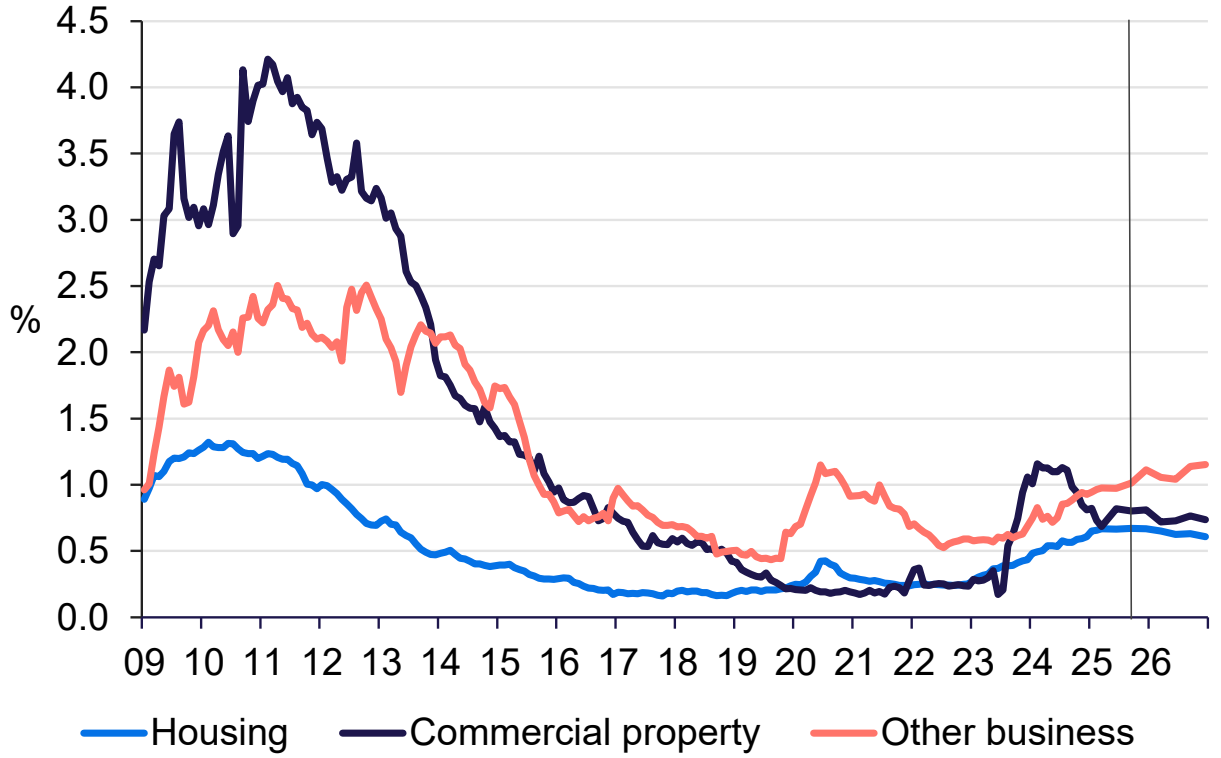
And the NZD

Source: Bloomberg, Macrobond, ANZ Research

Non-performing loans are not unusually high

A rise was to be expected

- Bad loans have risen, but not to an unusual extent.
- The big increase in debt during COVID was in the public sector, not households and businesses.
- The private sector (including banks!) has a relatively clean slate for growth.

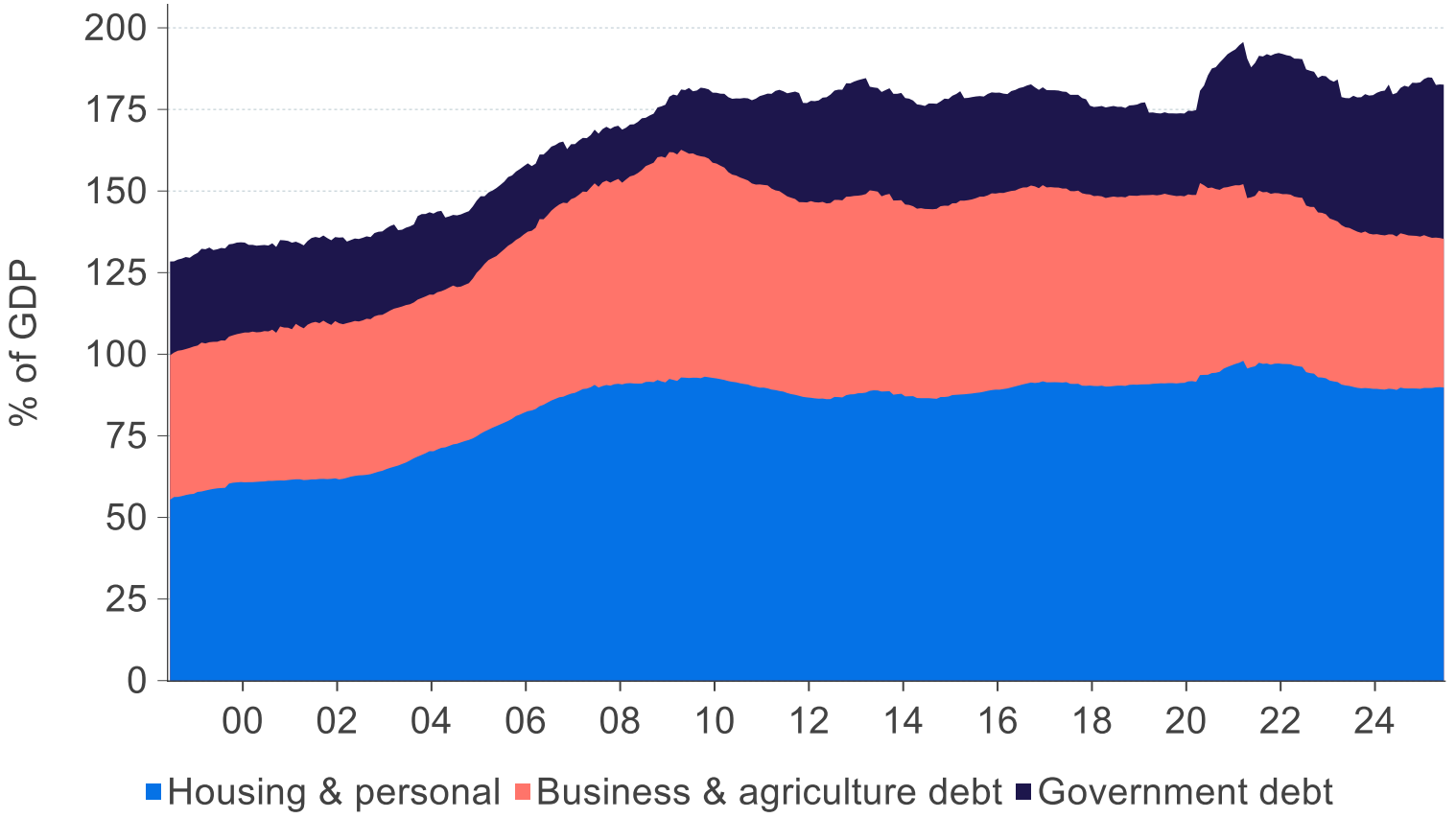


Source: RBNZ (banks' forecasts)

Remarkably stable

Silver linings

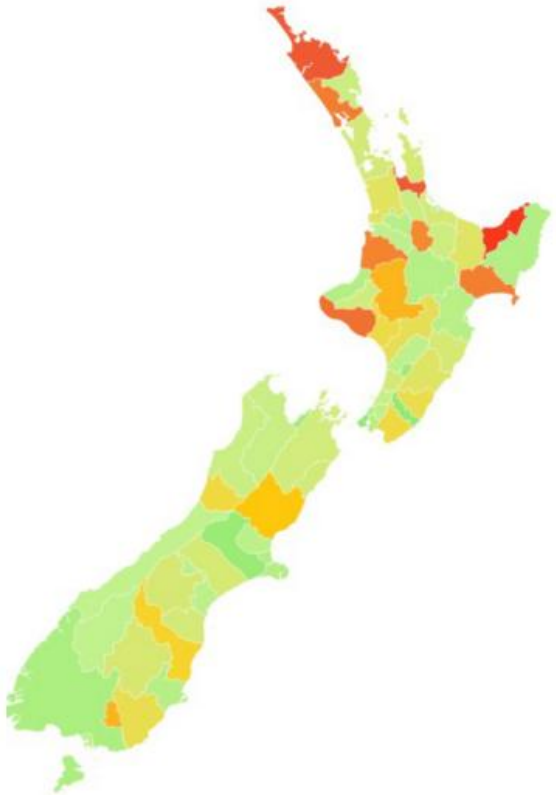
- Given the crazy housing boom, we've done well to come out the other side with the household debt to income ratio no worse than pre-COVID.
- Even if high nominal income growth mostly isn't 'real', it has its upsides in terms of inflating away debt.
- But Government debt is still much larger than pre-COVID.



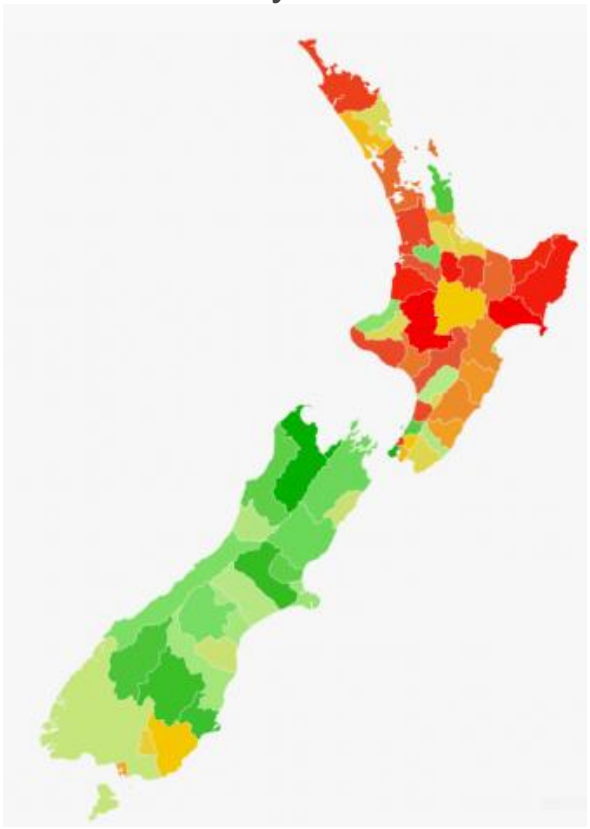
Source: RBNZ, Stats NZ, Macrobond, ANZ Research

Consumer arrears are improving

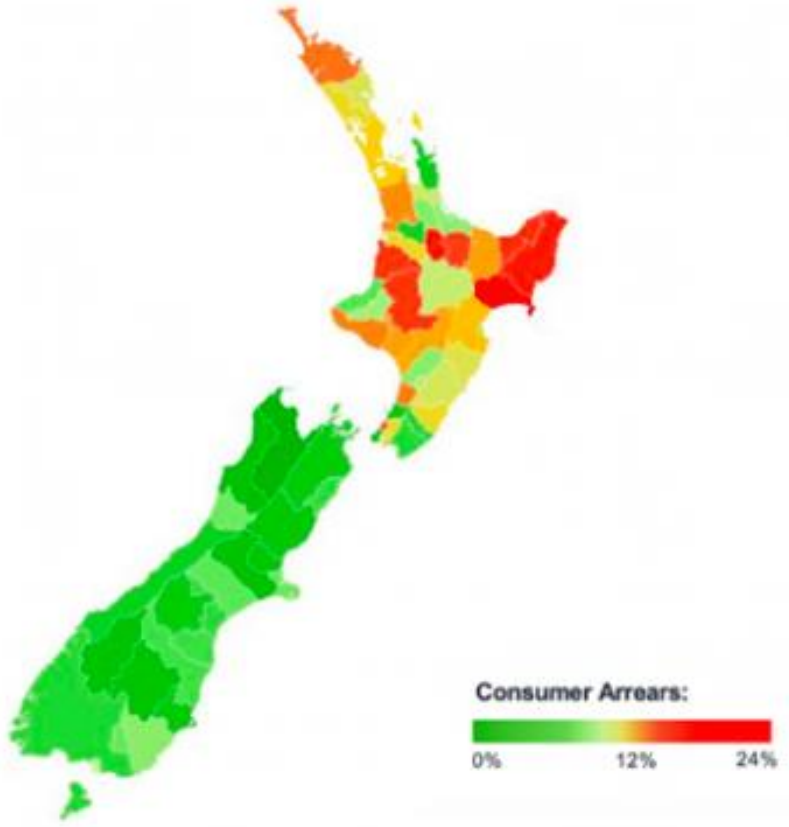
September 2023



February 2025



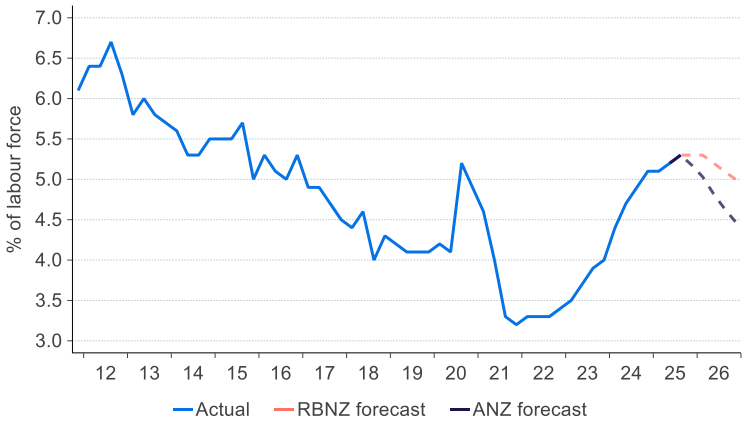
October 2025



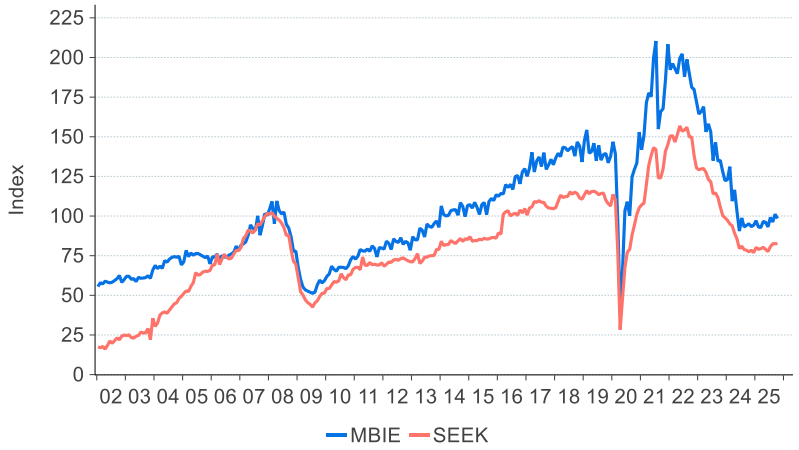
Source: Centrix

- The South Island is benefiting from the strength in the agriculture sector, population growth in Christchurch, and the tourism recovery. Poorer regions in the North Island are feeling it.

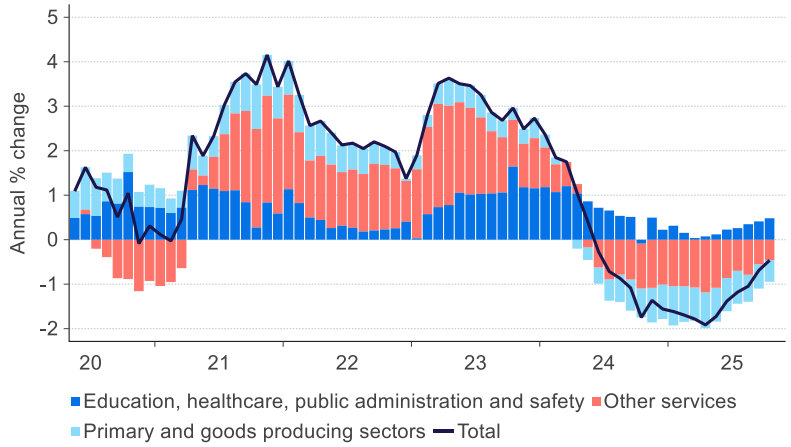
The labour market



Source: RBNZ, Stats NZ, Macrobond, ANZ Research



Source: SEEK, Macrobond, ANZ Research



Source: Stats NZ, Macrobond, ANZ Research

Unemployment

At 5.3% we estimate the unemployment rate is at its peak. But how fast it will fall is very uncertain.

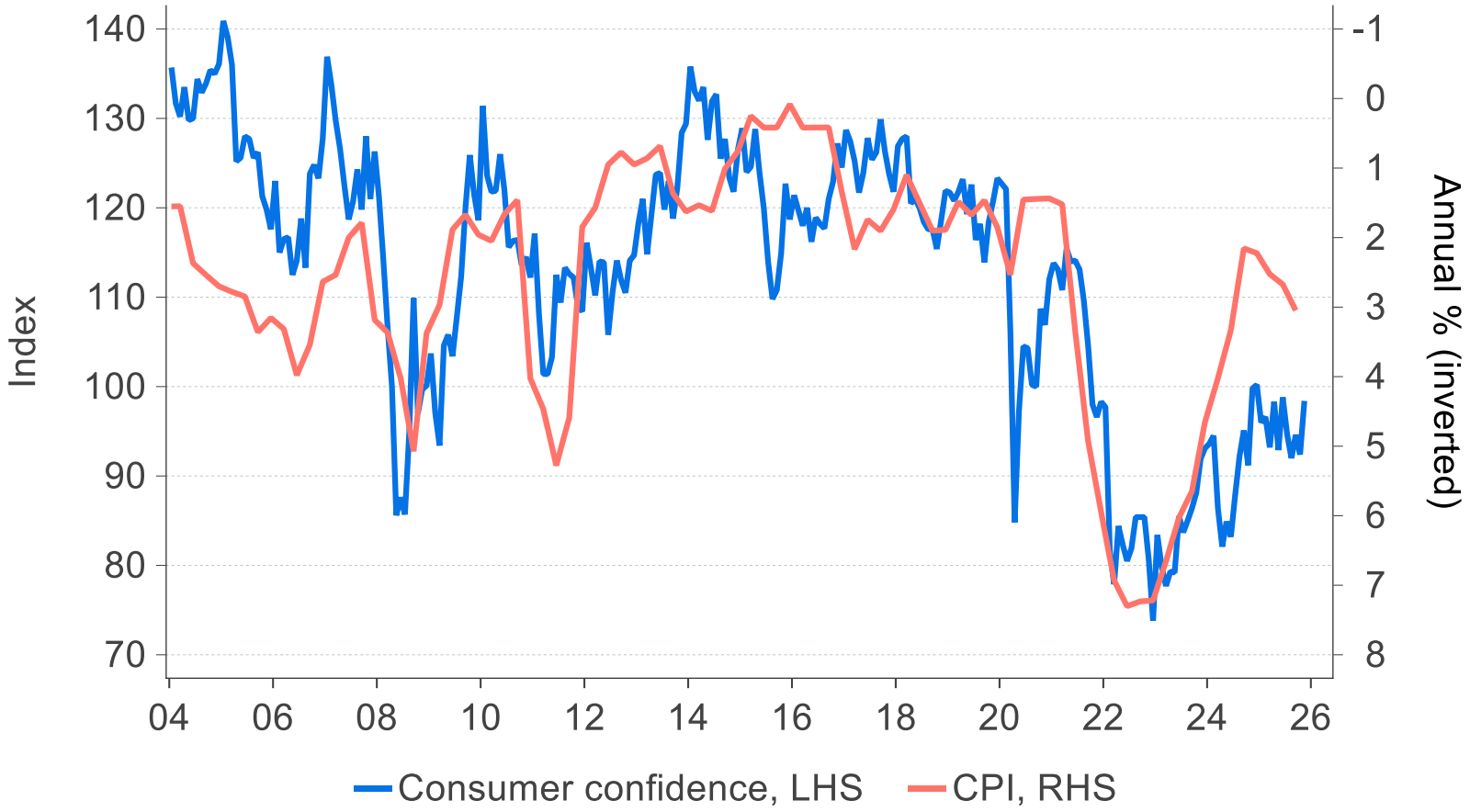
Job ads

Have turned higher off low levels.

Monthly filled jobs

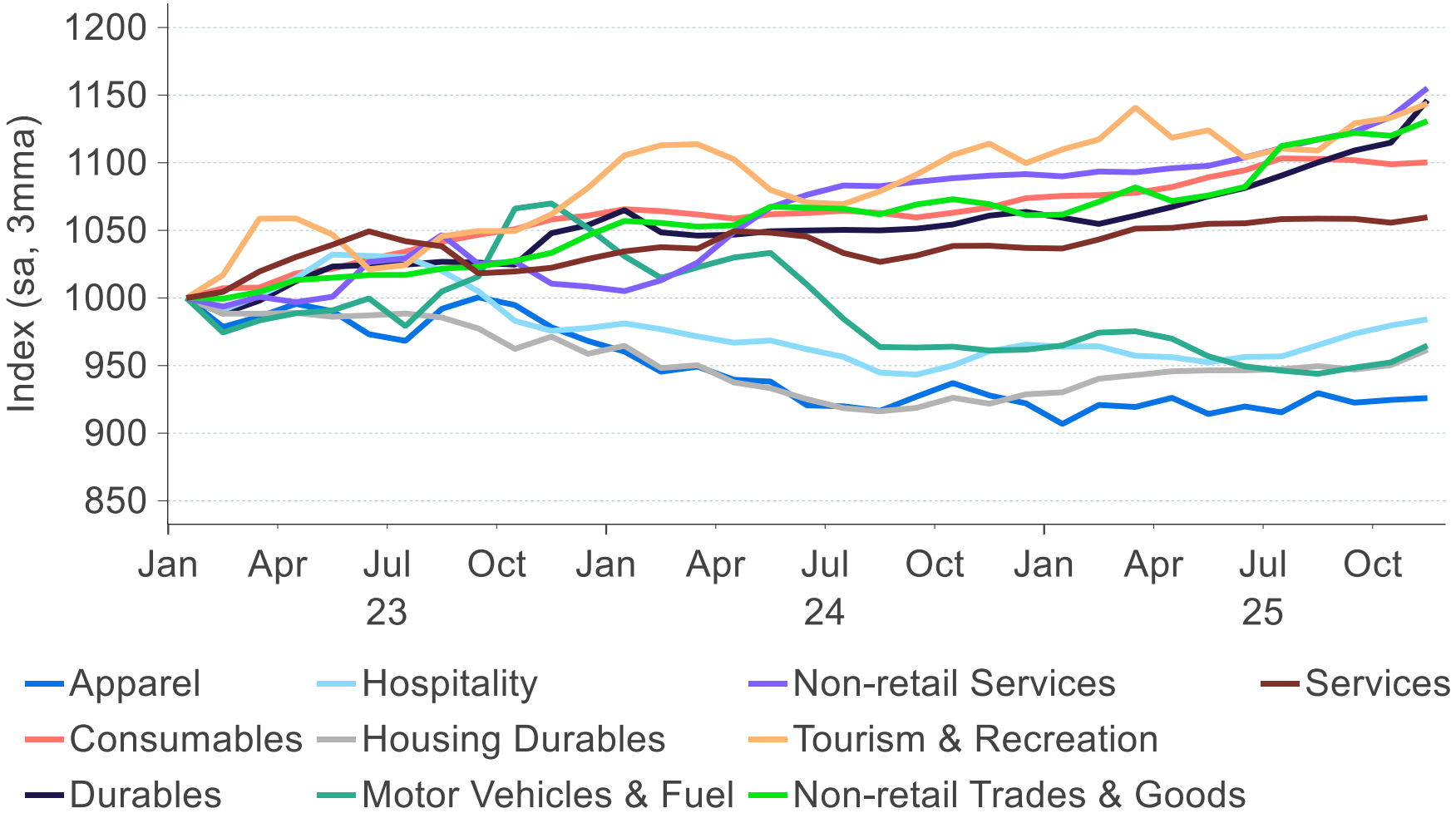
Still well down versus a year ago but declines are easing.

Don’t underestimate how much people hate inflation



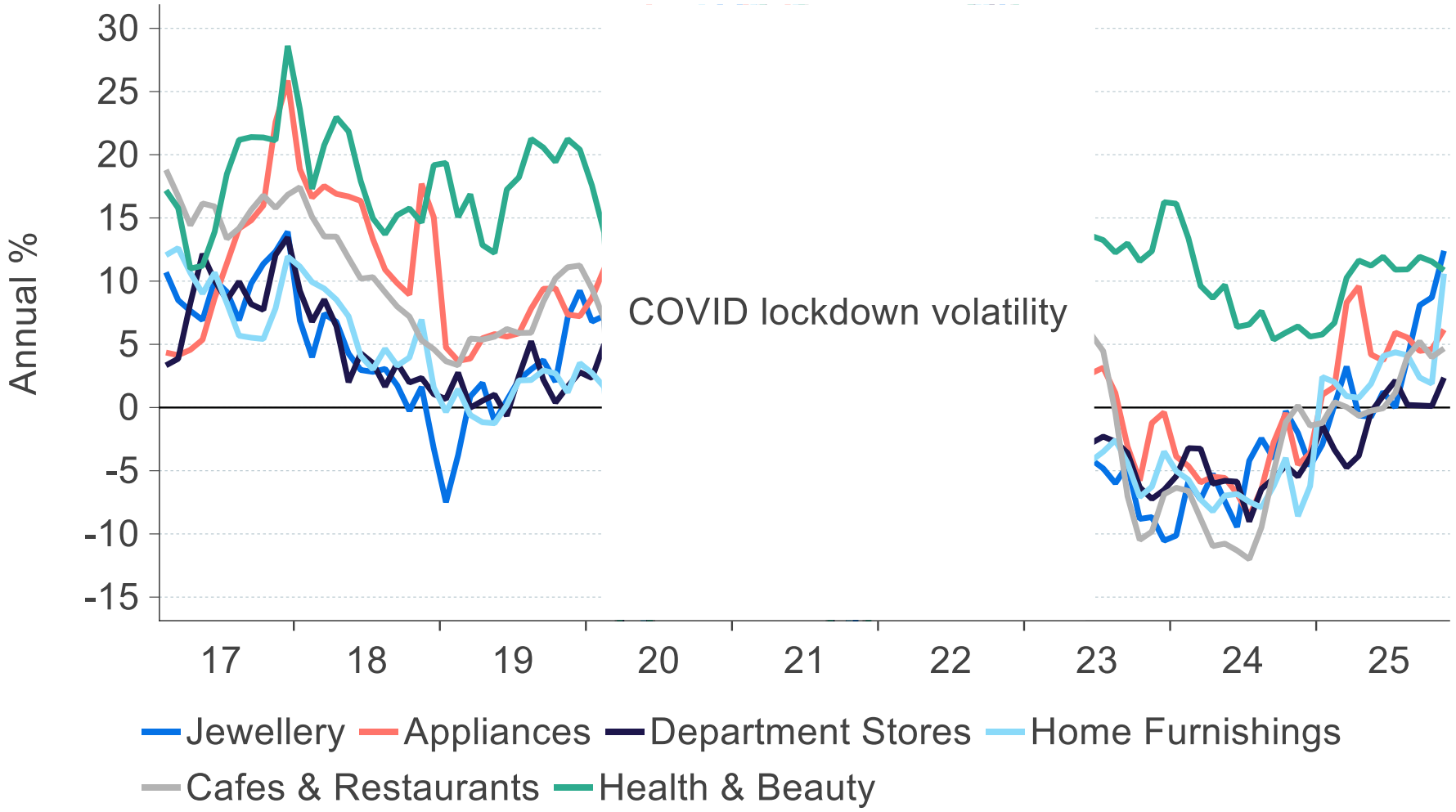
Source: Stats NZ, Roy Morgan, Macrobond, ANZ Research

ANZ card spending data



Source: ANZ Research

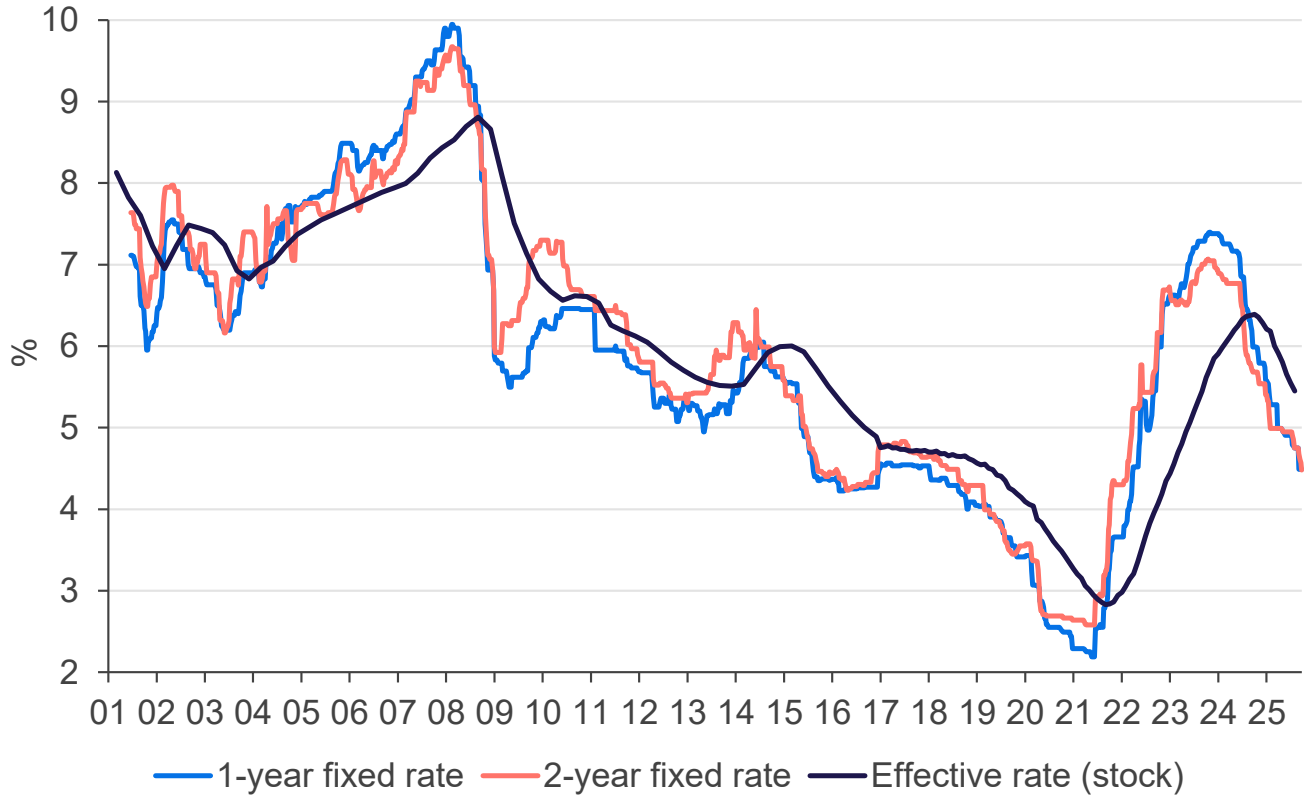
Discretionary spending



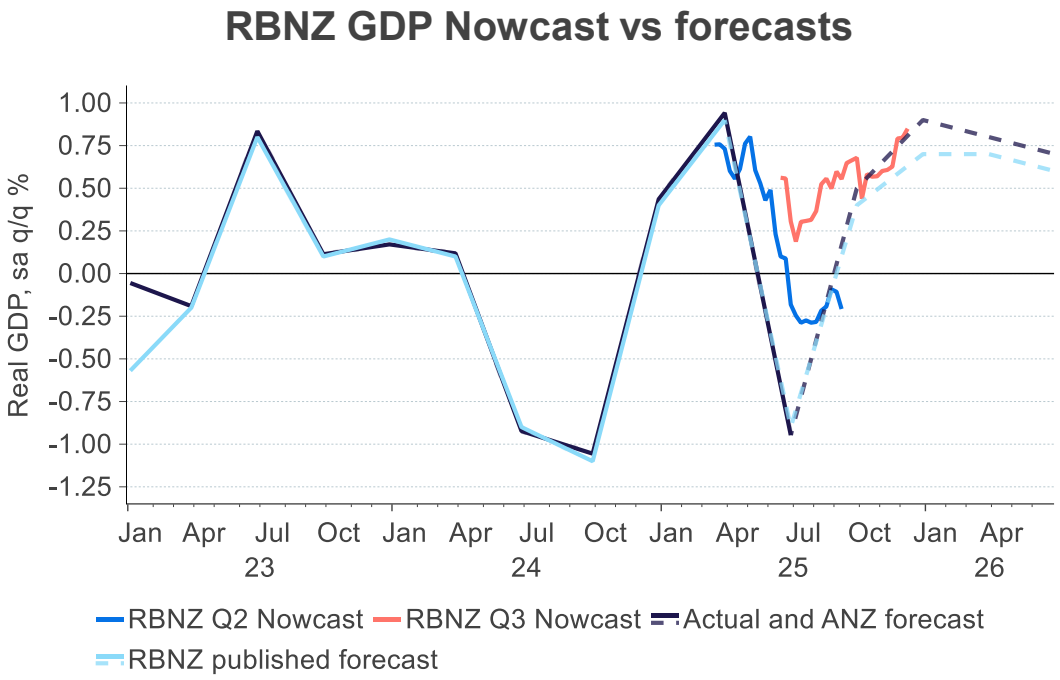
Source: ANZ Research

Mortgage relief

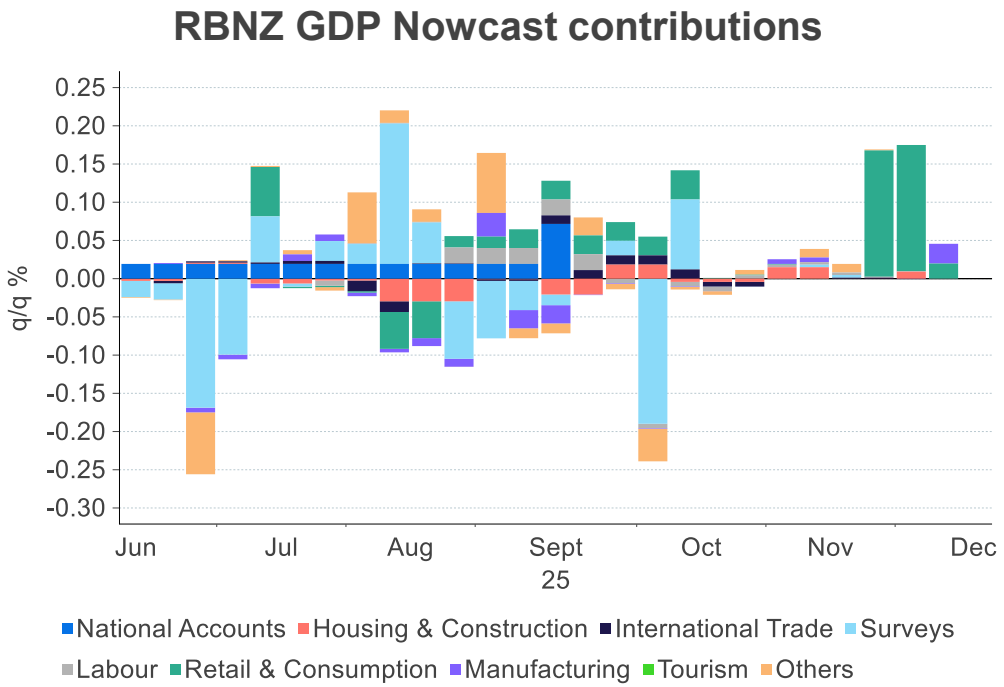
- Households have done well fixing shorter to be able to take advantage of lower rates.
- But it's still painfully slow.
- Prior easing is still feeding through.



Lifting



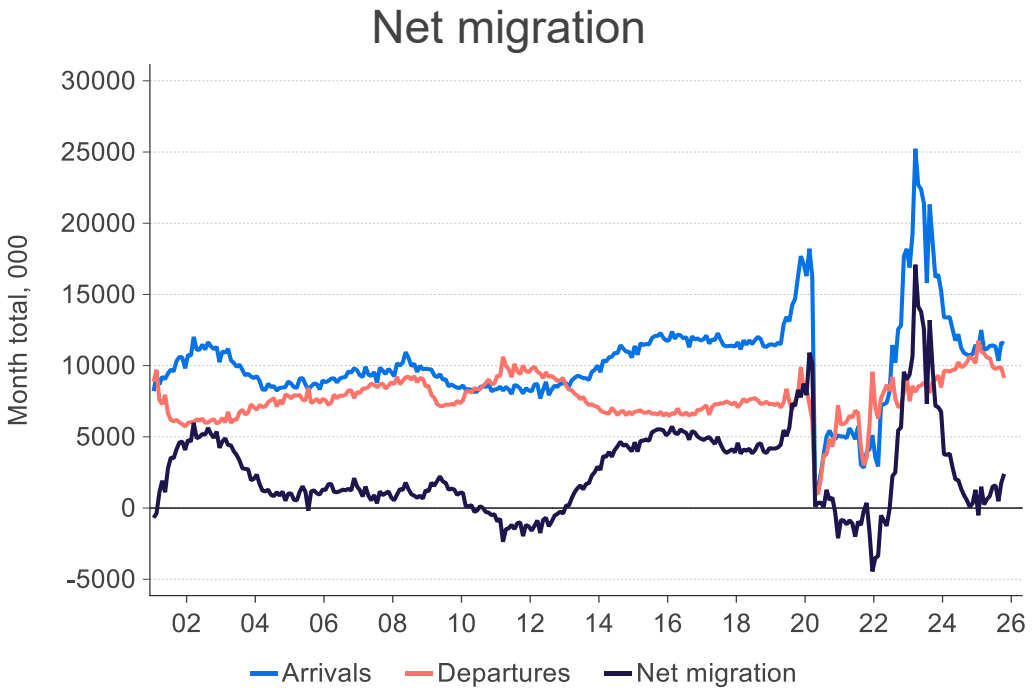
Source: RBNZ, Stats NZ, Macrobond, ANZ Research



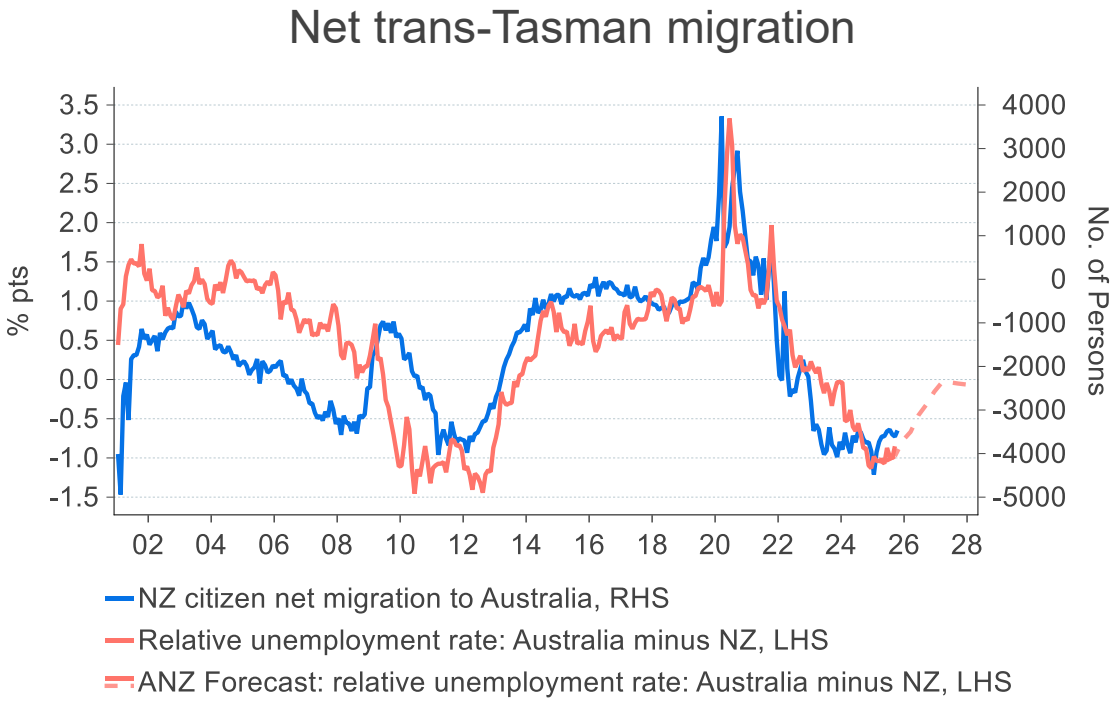
Source: RBNZ

- Q1 GDP was good, but a wide range of indicators rolled over in Q2, particularly surveys. Q3 is looking much better.
- The RBNZ is now done cutting.

Net migration



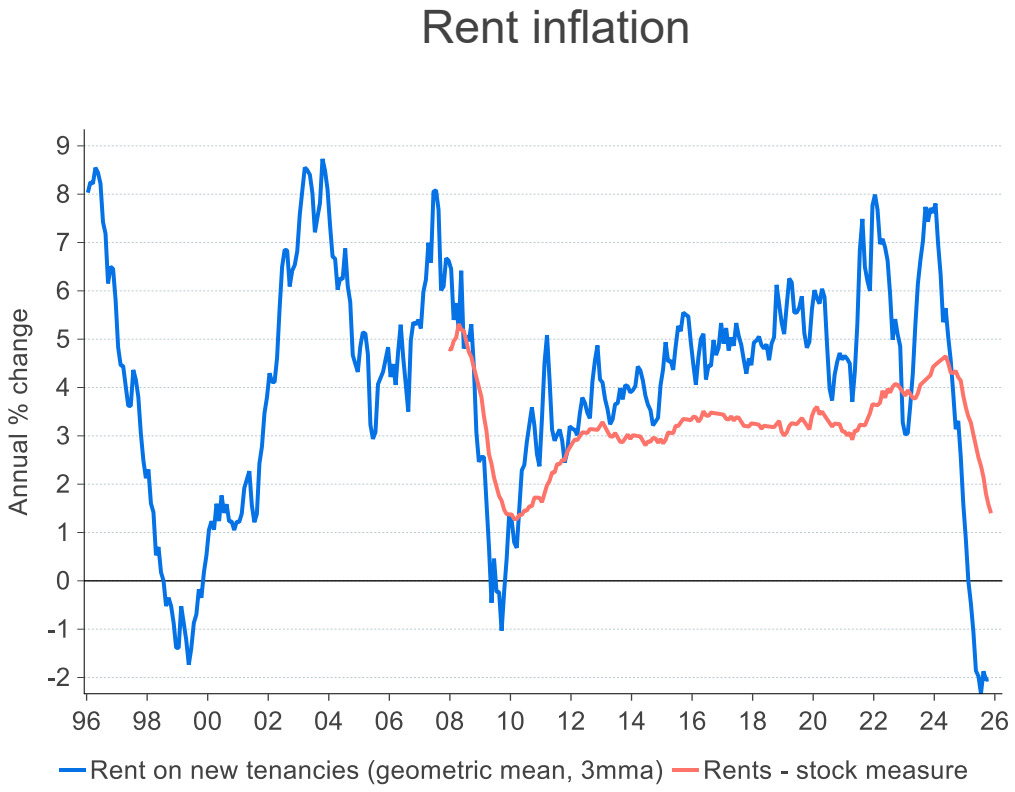
Source: Stats NZ, Macrobond, ANZ Research

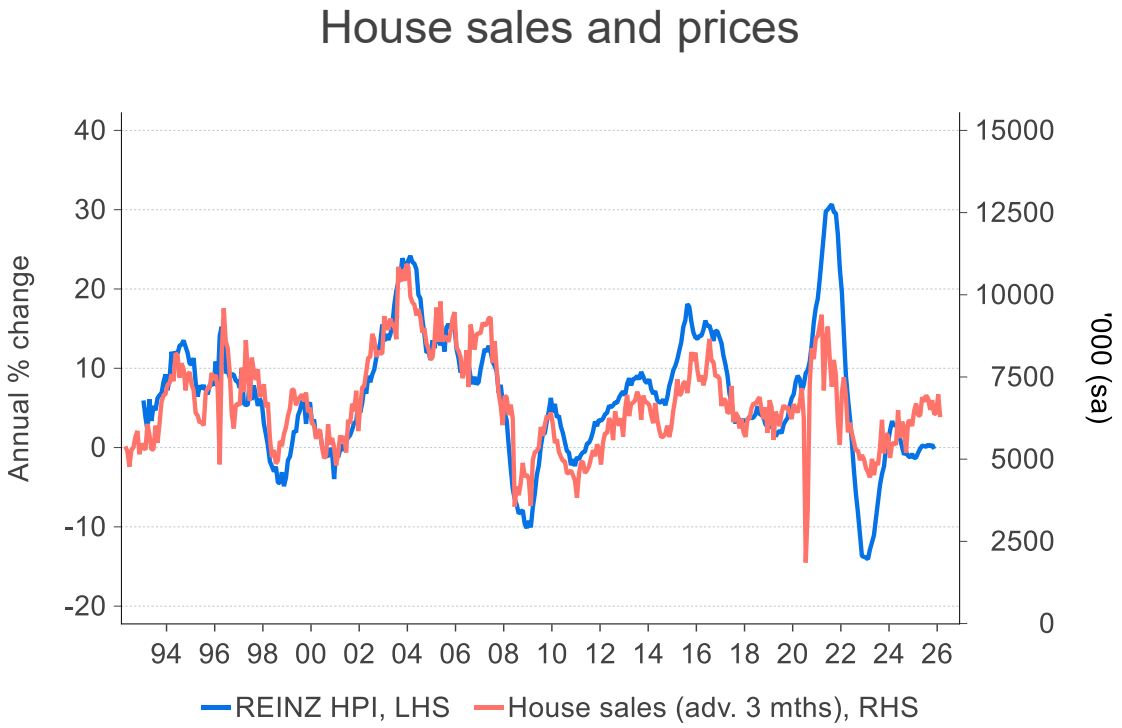


Source: ABS, Stats NZ, Macrobond, ANZ Research

- Net migration boosts labour supply but also economic demand (most notably for housing). It has dropped sharply as arrivals ease and departures lift.
- The recent immigration wave skewed low-skilled and young. High departures mean pockets of skill shortages persist. The relative state of the two labour markets explains the high net emigration to Australia currently.

Housing market: sales lifting, rents falling

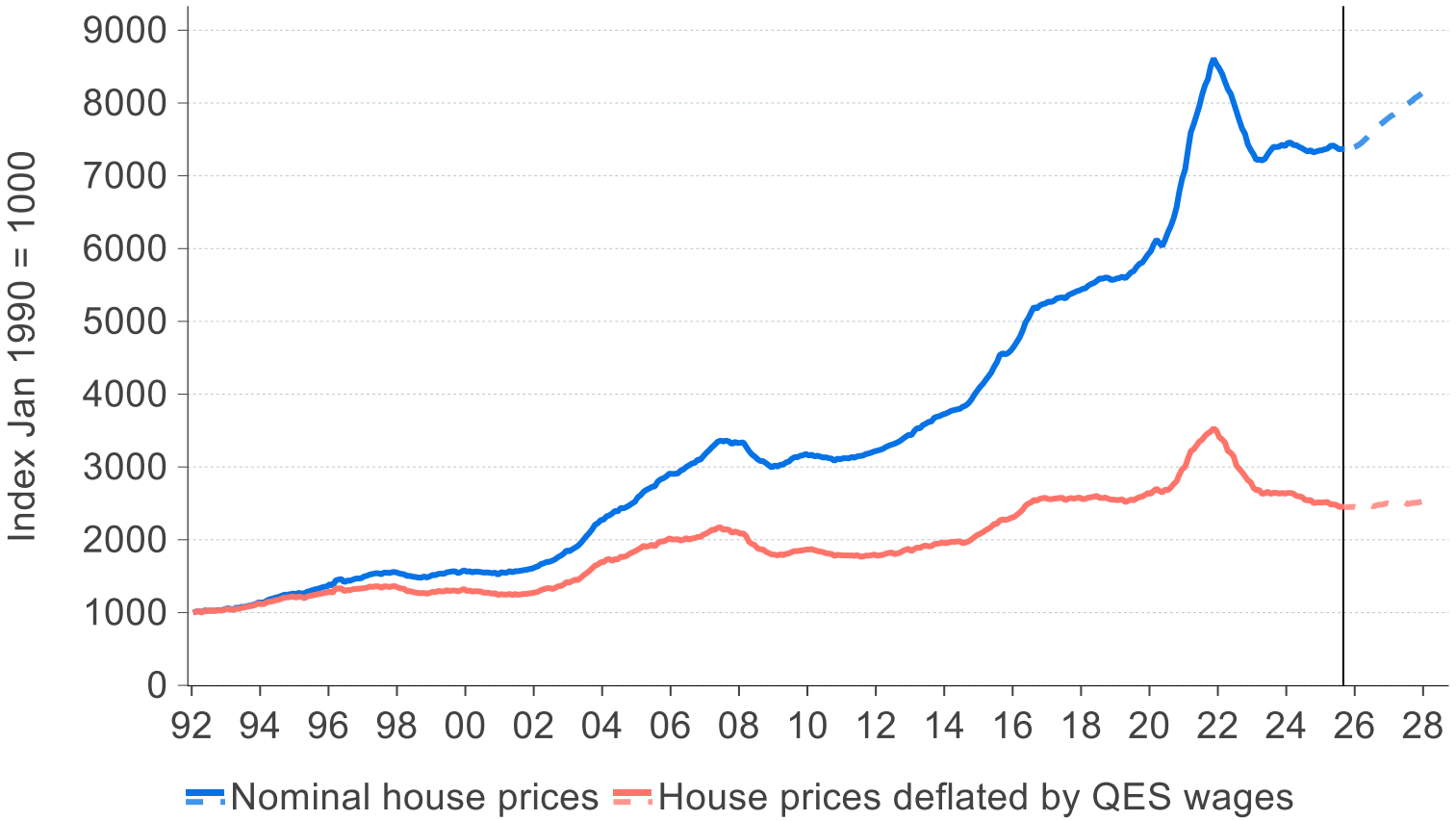




Source: REINZ, Macrobond, ANZ Research

- New rents are falling. House sales are rising but still low; house prices are flat.
- We are forecasting house prices to end the year up 0.5-1.0%, then rise 5% next year, with the action in the second half of the year.

Nominal and real house prices



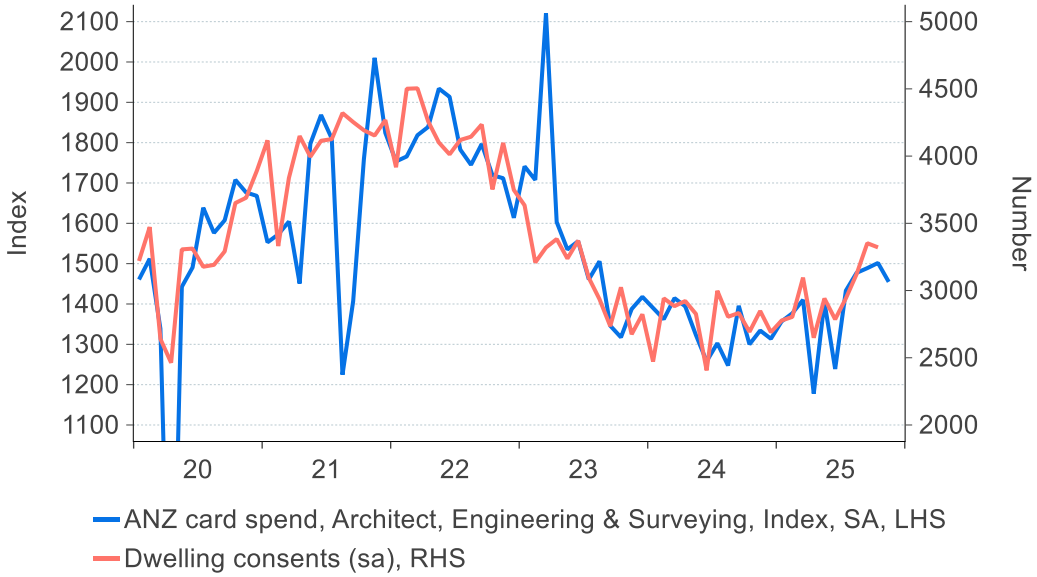
Source: REINZ, Stats NZ, Macrobond, ANZ Research

Building consents lifting

Looking up

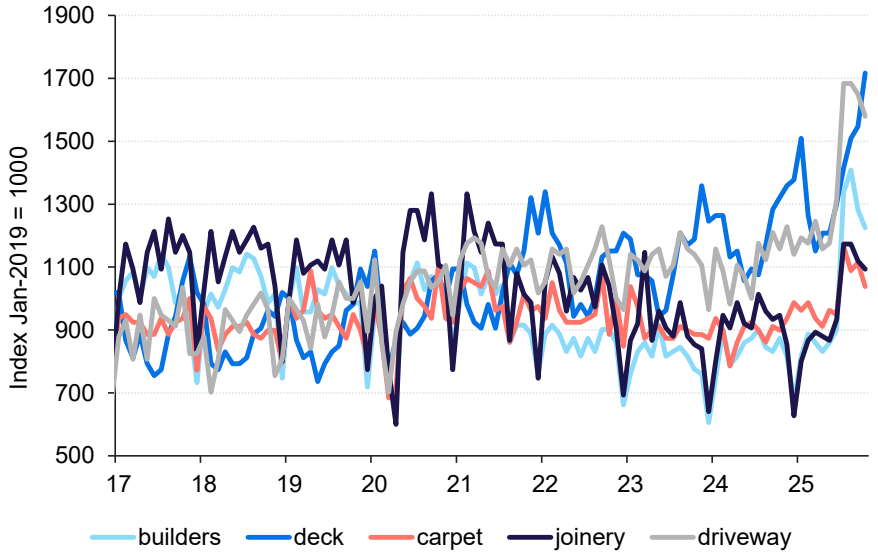
- Still difficult to build a house for less than you can sell it for.
- But residential building consents are lifting.
- Card spend at architects is turning higher, interest in renovations and building has picked up strongly.

Card spend at architects vs dwelling consents

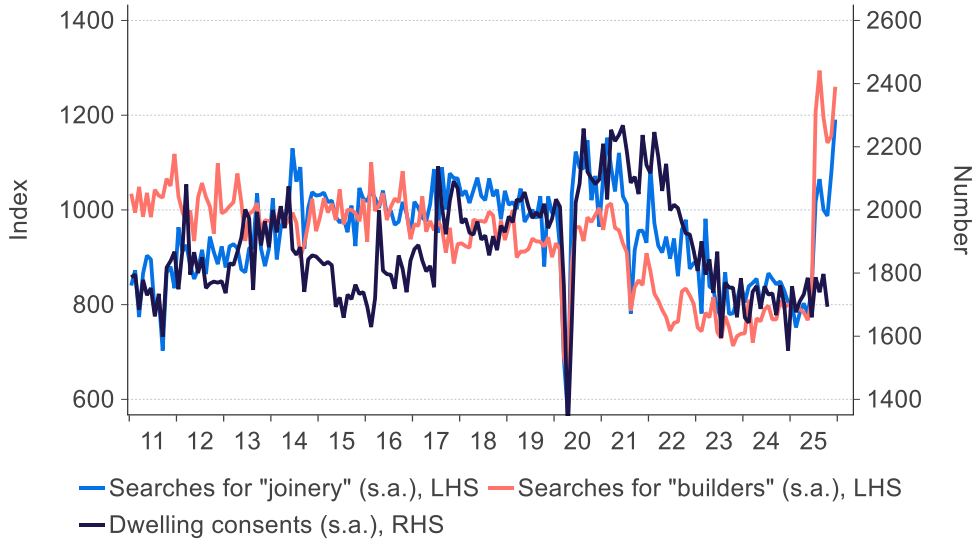


Source: Stats NZ, Macrobond, ANZ Research

Google searches for renovation terms

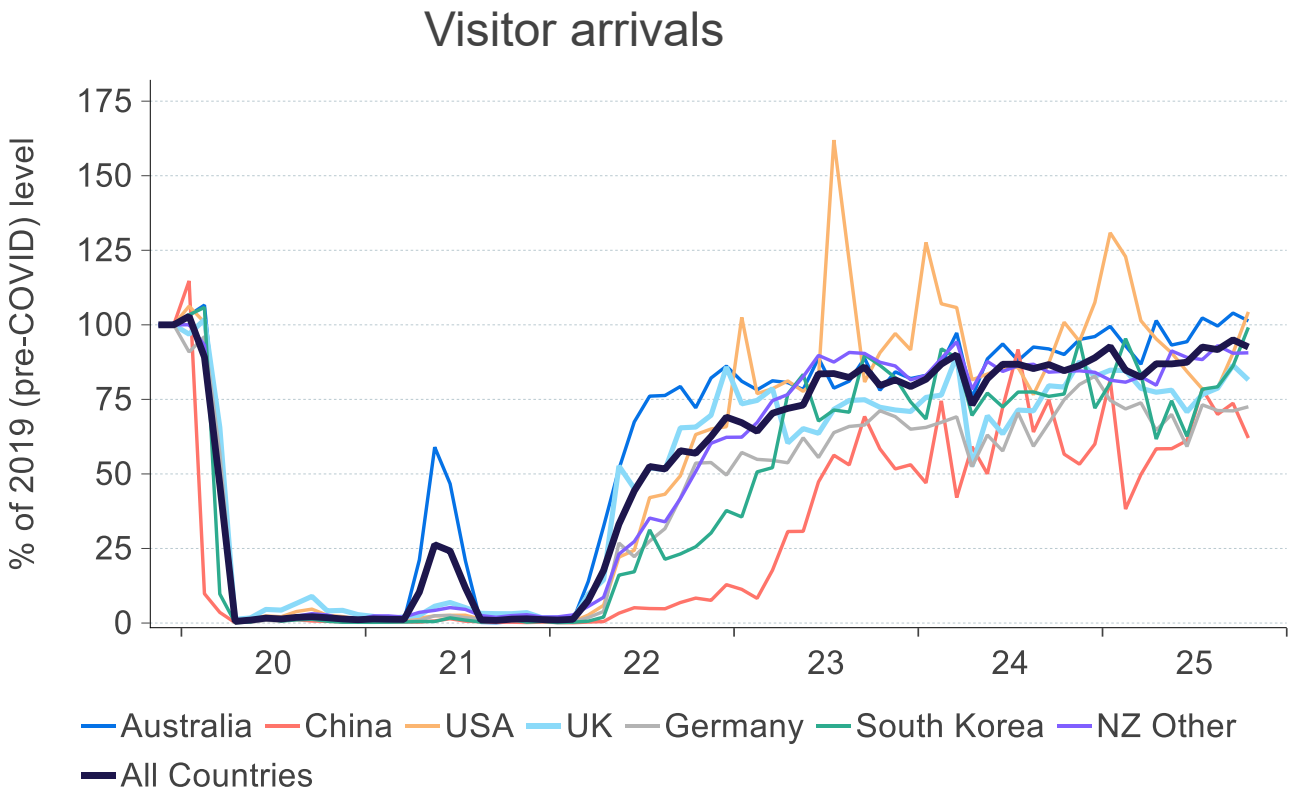


Google searches 'joinery', 'builders' & dwelling consents



Source: Stats NZ, Google, Macrobond, ANZ Research

Paying our way in the world?

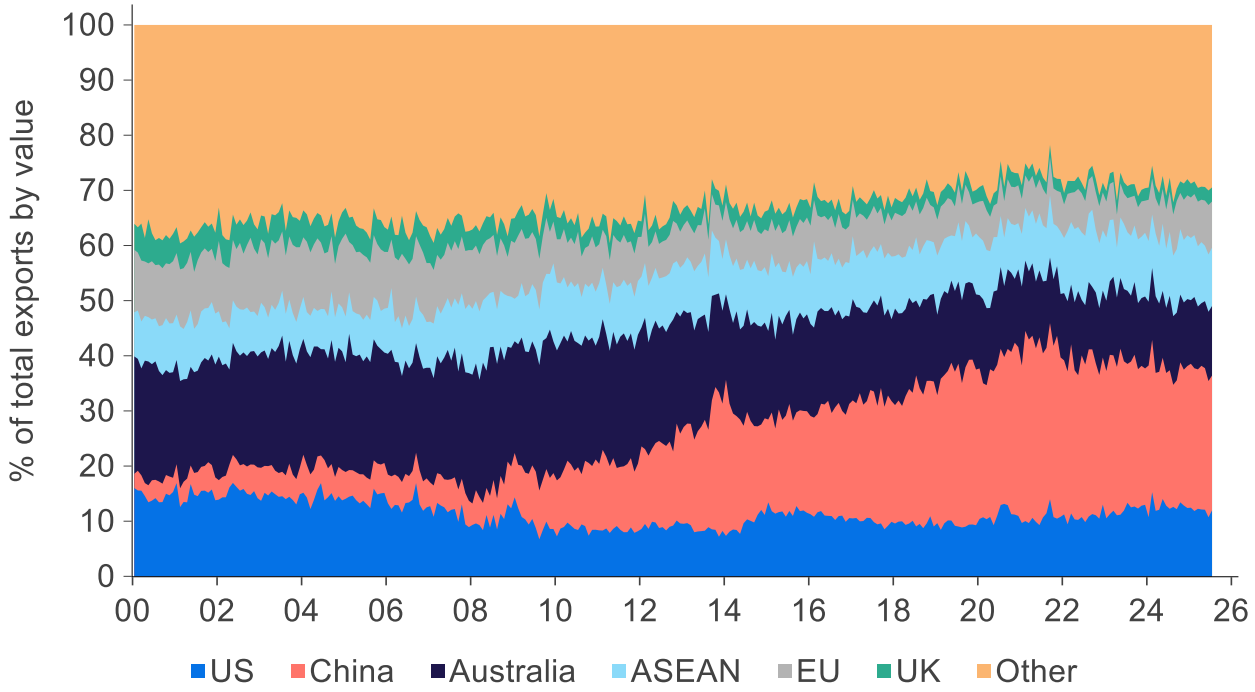


Source: Stats NZ, ABS, Macrobond, ANZ Research

- The tourism recovery has been incomplete, with arrivals from China particularly low.
- However, more recently, tourist numbers have lifted back to 95% of pre-COVID arrivals.

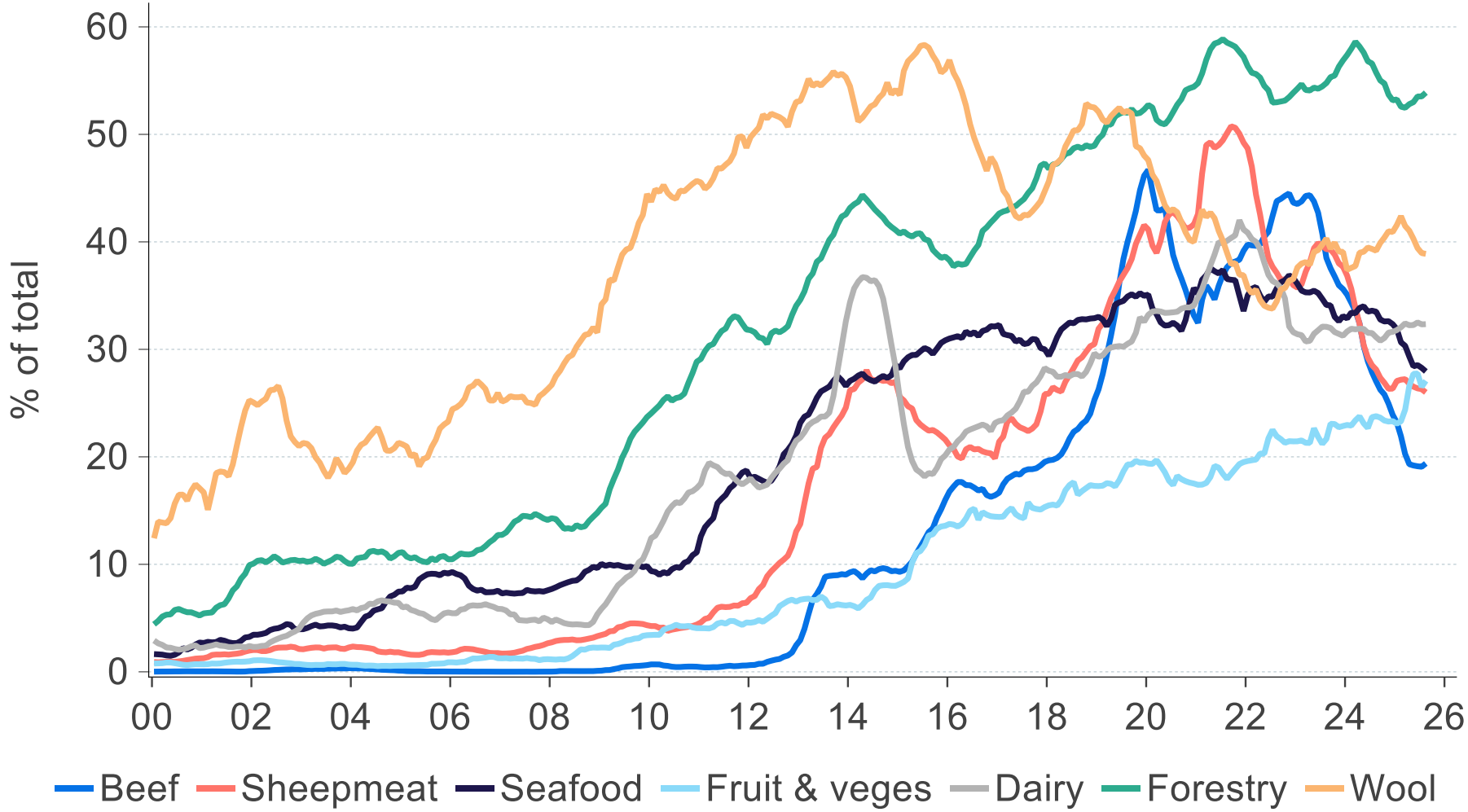
Direct hit manageable for NZ

- The US is New Zealand's second-largest goods export market, but accounts for only around 13%. Main exports: beef, dairy, wine.
- Indirect impacts via China and global growth more generally are likely to be more significant for the NZ economic outlook.
- In November, Trump suspended tariffs on many foods, including beef and kiwifruit.



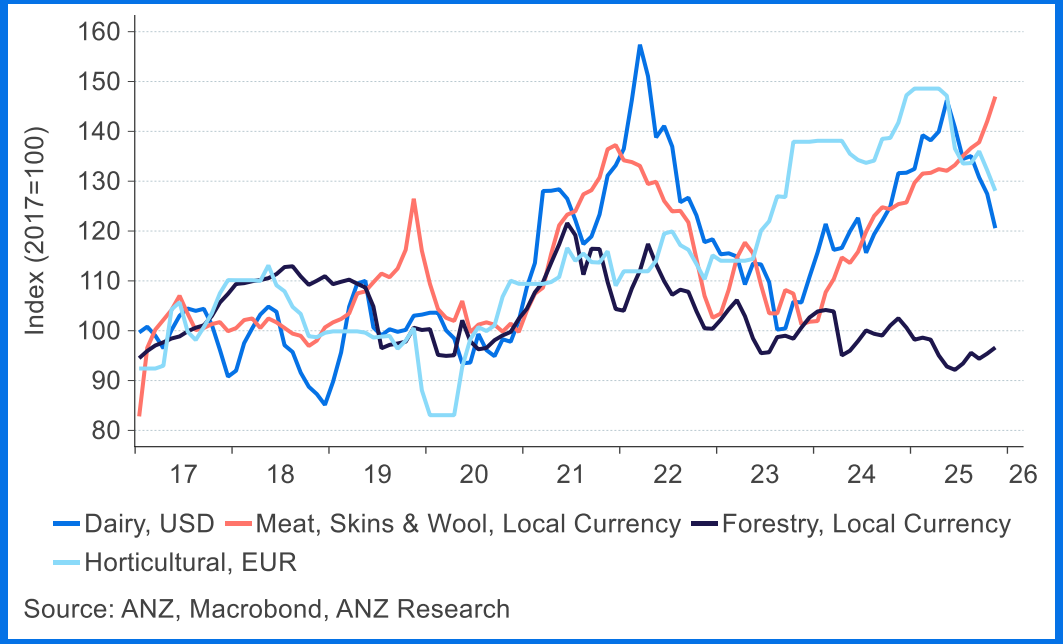
Source: Stats NZ, Macrobond, ANZ Research

NZ’s exposure to China is high



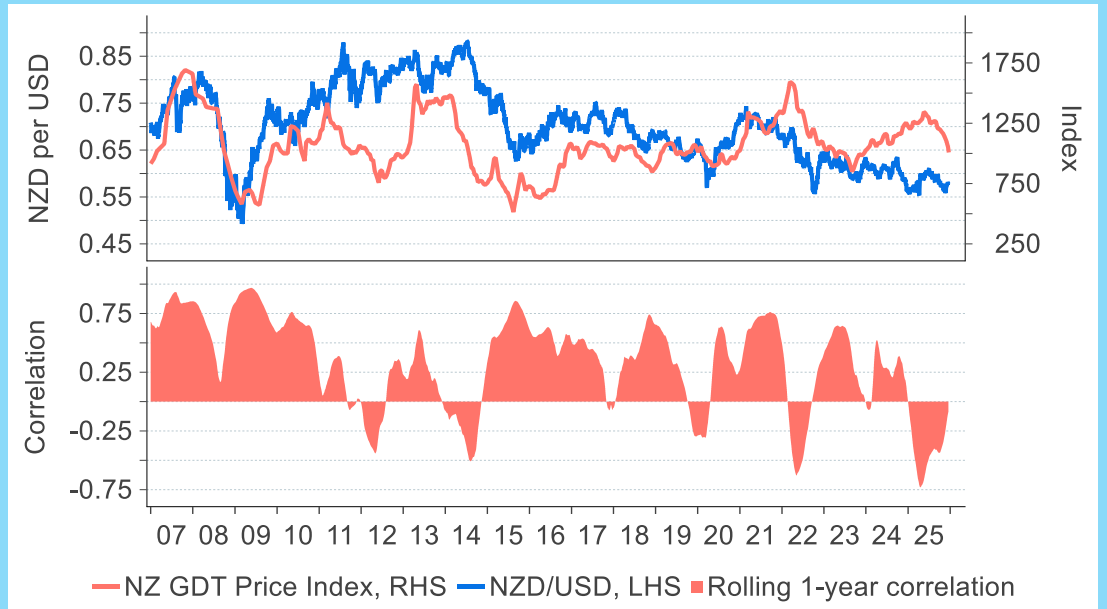
Source: Stats NZ, Macrobond, ANZ Research

New Zealand’s commodity prices: meat and dairy diverging



Source: ANZ, Macrobond, ANZ Research

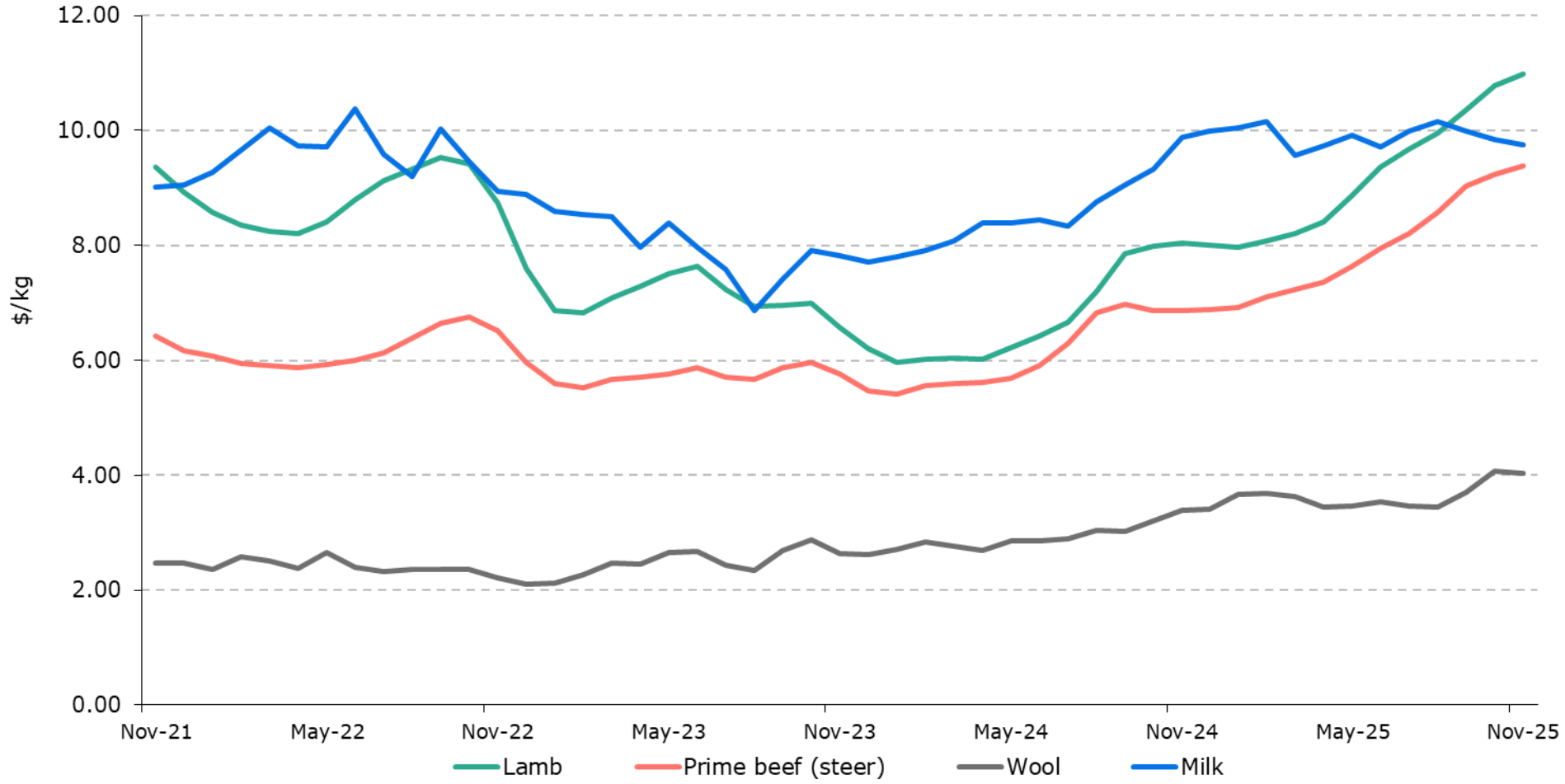
Dairy and meat prices have done very well despite global ructions.



Source: Global Dairy Trade, Bloomberg, Macrobond, ANZ Research

The NZD didn’t lift with commodity prices. We are forecasting a milk price forecast of $9.65 this season.

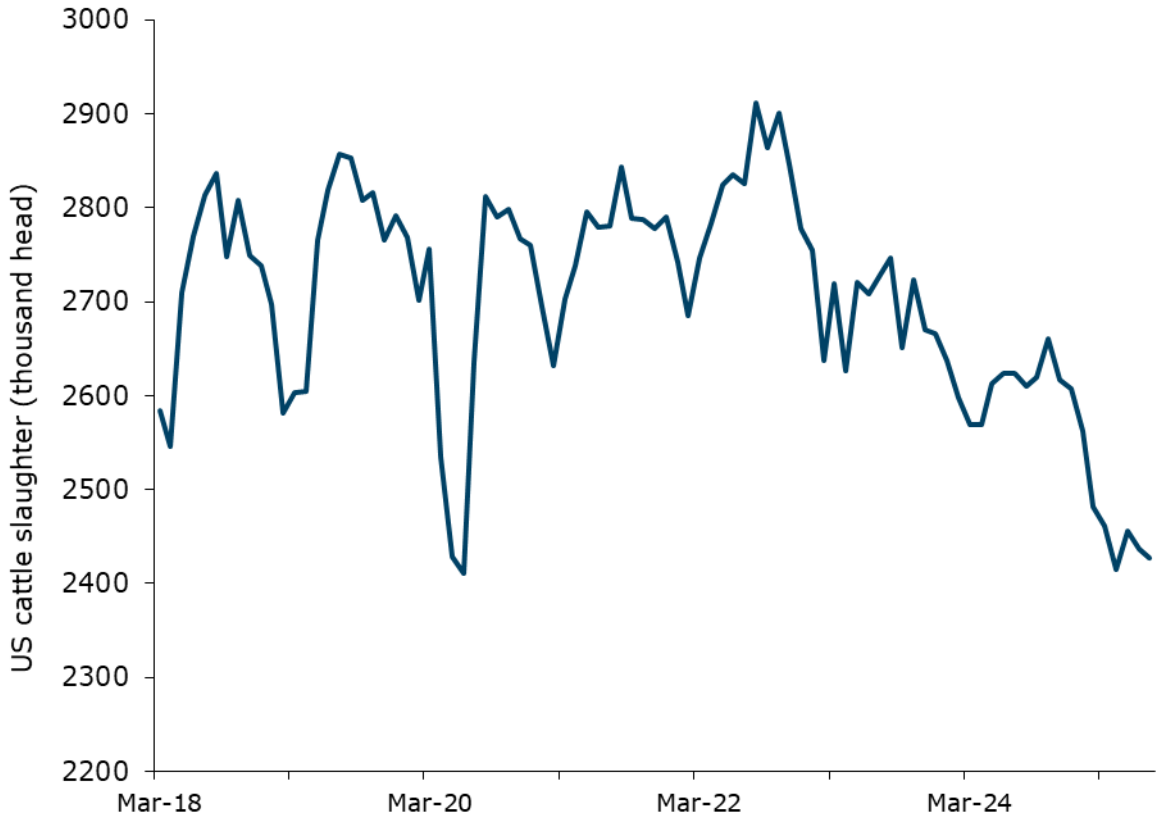
Livestock prices rising sharply



Source: NZX, AgriHQ, Wool Impact, ANZ Research

US livestock production down

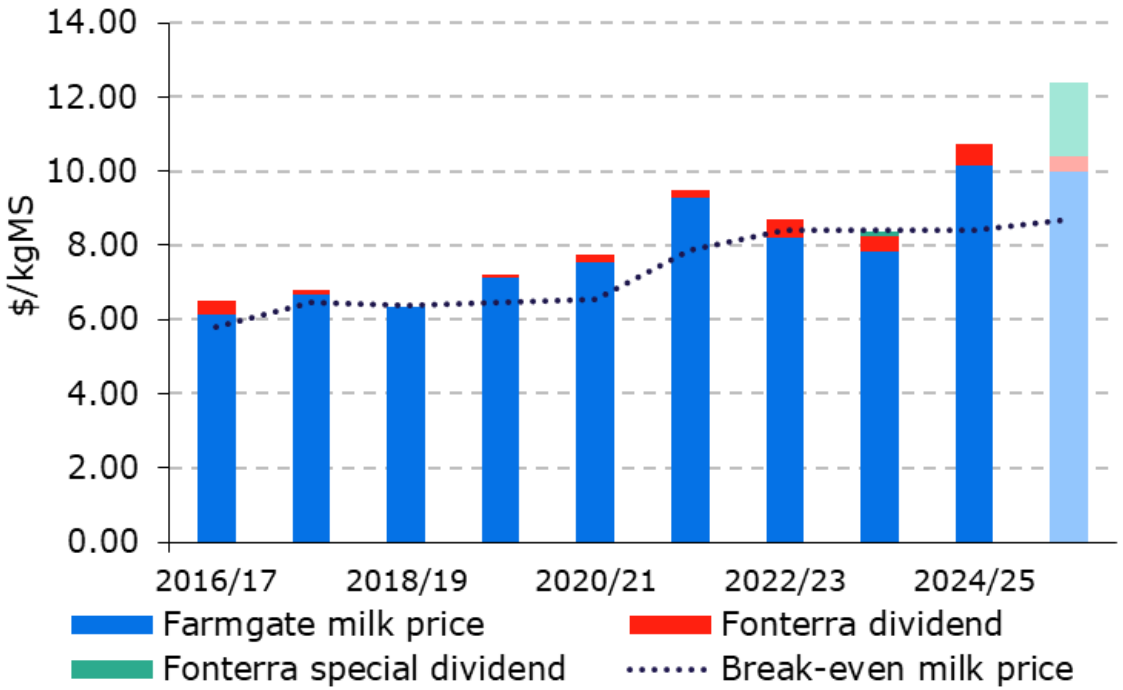
- US cattle population the lowest since 1951
- US cattle slaughter down 8.6% past two years
  - Demand still strong
  - Cow slaughter down 24%
- The US needs to import the type of beef New Zealand makes (lean bull and cow beef)



Source: USDA, ANZ Research

Let the good times roll

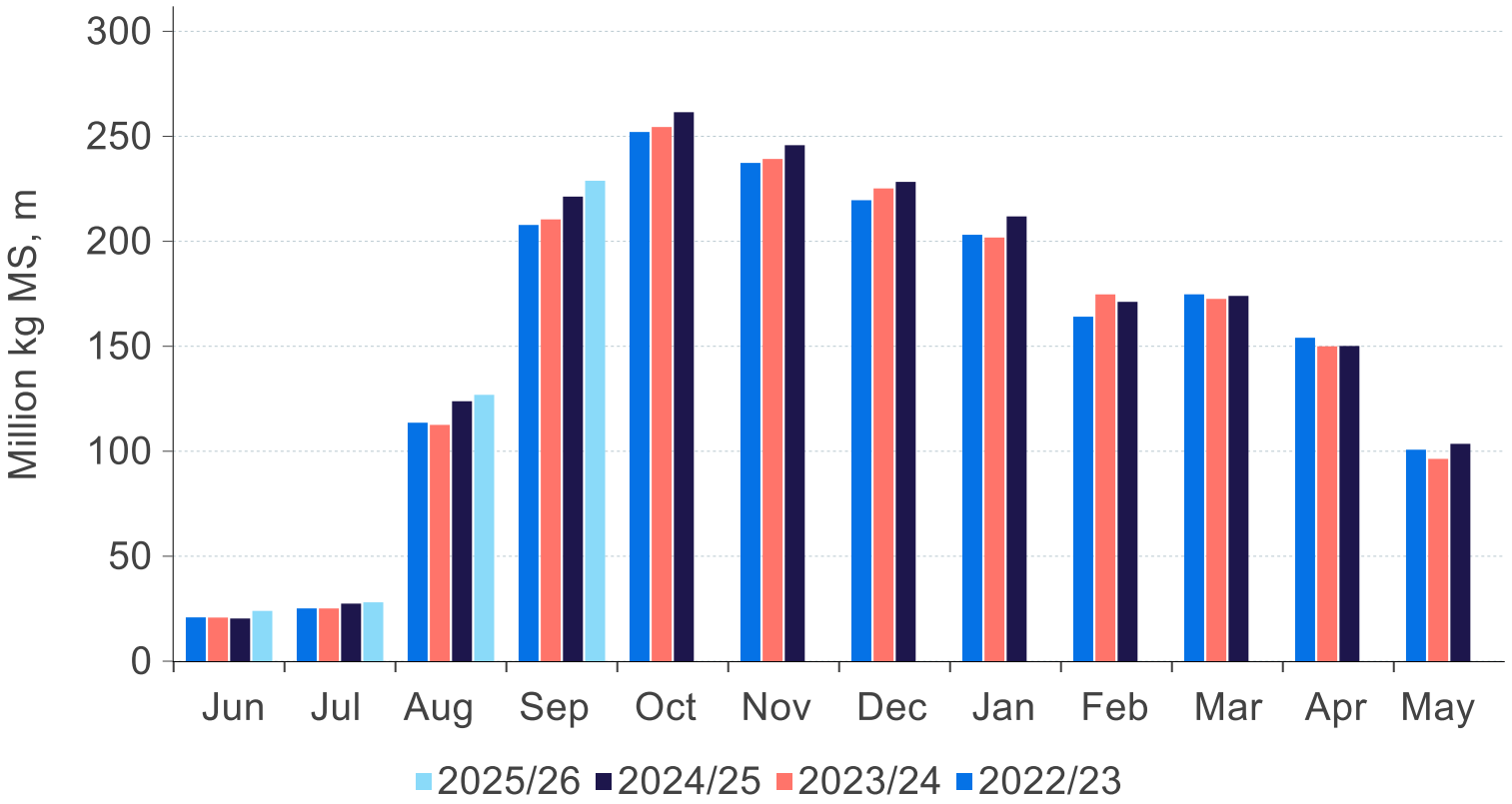
- Dairy farmers having a very good year
- For Fonterra shareholders, dividends improved in recent years
  - Plus $2 capital return if consumer business sale is approved



Source: Fonterra, DairyNZ, ANZ Research

Weather with you

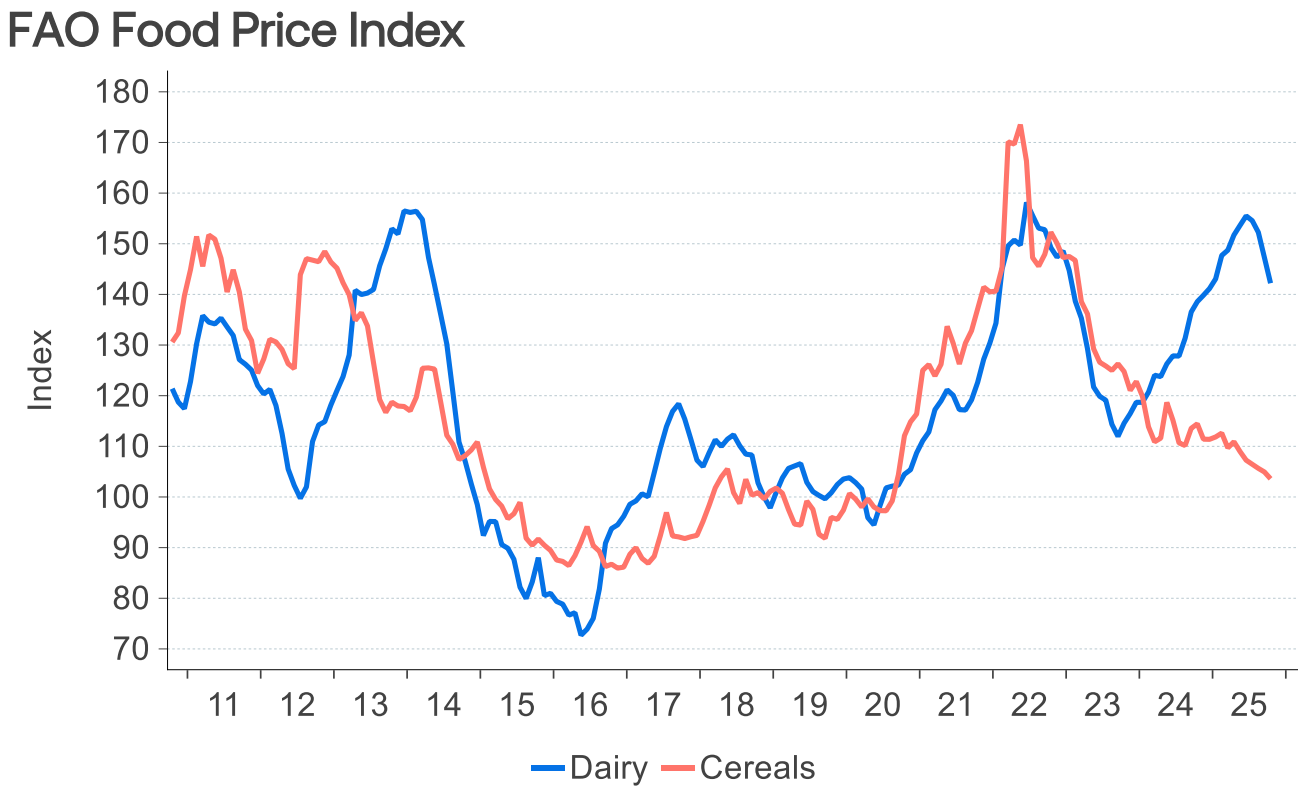
- Up 3.8% season-to-date
- Not just good weather
  - Cow kill was down
  - Repro stats were up
- Forecast for full season 1,984 million kgMS (+2.3%)
- Milk components increasing year over year—underrated trend



Source: DCANZ (Dairy Companies Association of New Zealand), NZX, Macrobond, ANZ Research

We are not alone

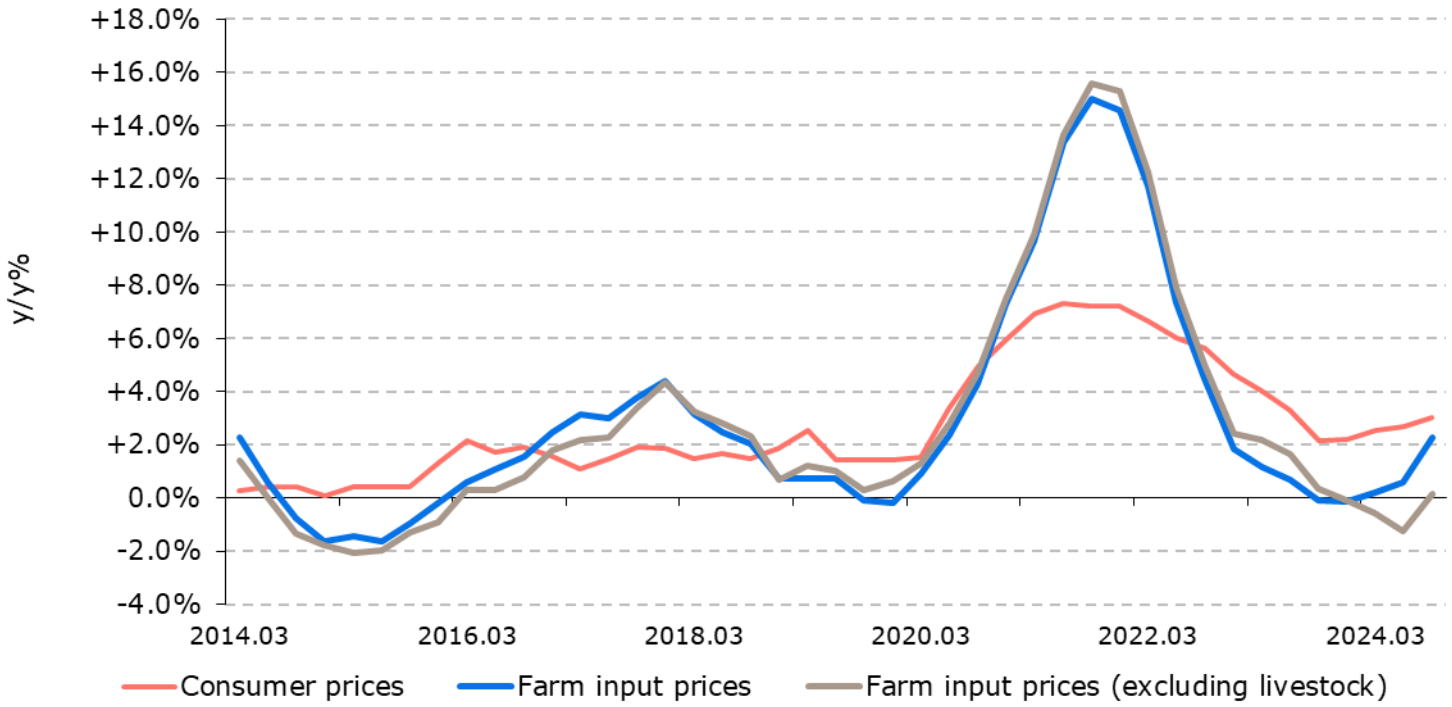
- Uruguay +5.0% for 2025
  - WMP exports up 14% YTD
- Argentina up 11.0% for 2025
  - WMP exports up 11% YTD
- USA +1.7% YTD milk production
  - But +3.7% milkfat YTD
- Europe +0.4% YTD
  - Fat and protein +++
  - Accelerating: +4.3% in September



Source: FAO, Macrobond, ANZ Research

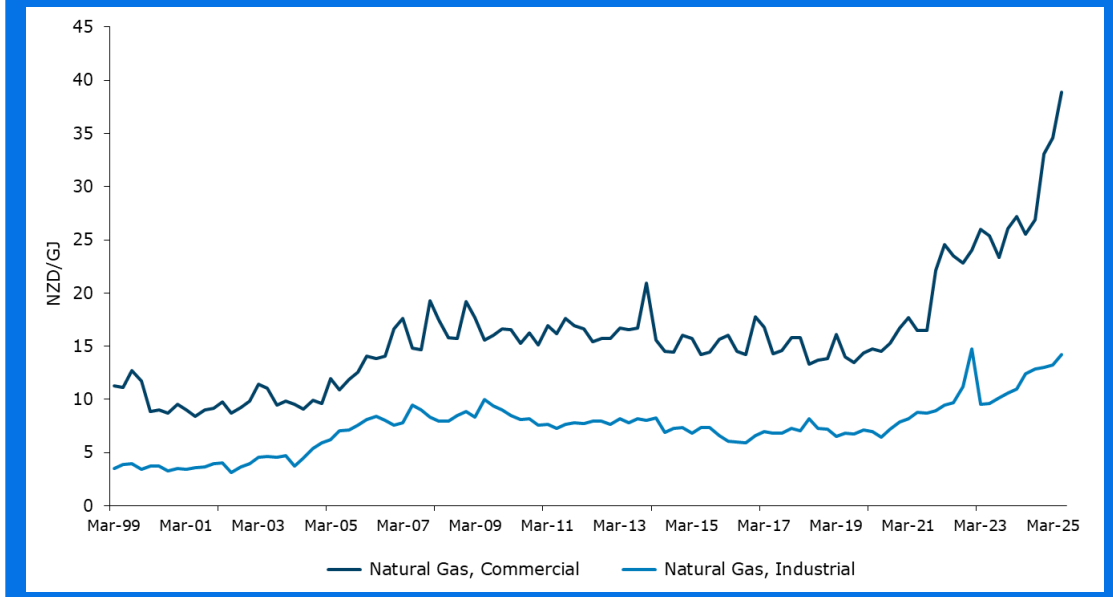
On-farm inflation

- Inflation hit farming harder than consumers in 2022 (Ukraine War)
- But prices are 30% higher for both groups since 2019.
- Higher input prices are here to stay.
  - Electricity, rates, fuel, fertiliser

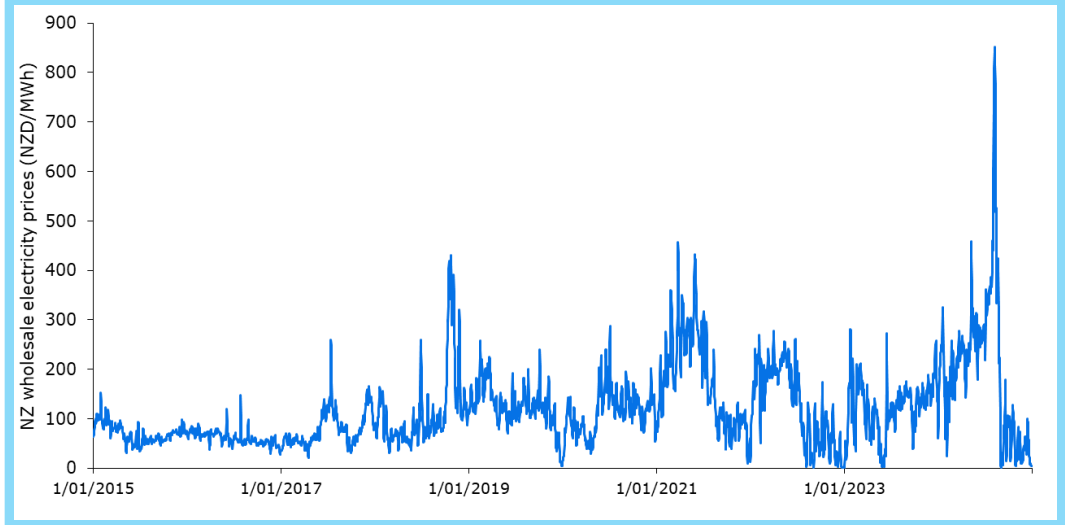


Source: Stats NZ, ANZ Research

Energy



Natural gas prices are on a one-way ticket



Wholesale electricity prices are at the whims of the weather gods

Source: PF Olsen, ANZ Research

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