



ECONOMIC BULLETIN

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



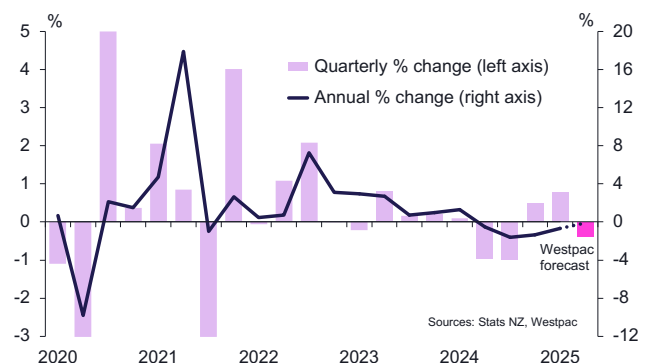
10 Sep 2025 | Michael Gordon, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

Highest to lowest

- We expect a 0.4% fall in GDP for the June quarter, following a 0.8% rise in the March quarter.
- While there is evidence that the economy has lost some momentum since the start of the year, we caution that the GDP figures are likely to overstate the case.
- A seasonal distortion in the GDP calculations, which we've discussed in previous releases, is expected to detract 0.5ppts from growth in the June quarter. This is a timing issue that will also lead December quarter growth to be overstated.
- There were also some 'lumpy' factors in the March quarter that are likely to be partially or fully reversed this time.
- Beyond these factors, we expect to see a mixed performance over the quarter, with favourable conditions for the agricultural sector and a modest impact on households from lower mortgage rates.
- Our forecast is similar to the -0.3% that the Reserve Bank had factored into its forecasts at its most recent policy review.

	Mar-25 actual	Jun-25 Westpac f/c	Jun-25 RBNZ f/c
Quarterly % chg	0.8	-0.4	-0.3
Annual % chg	-0.7	-0.1	0

Quarterly GDP growth

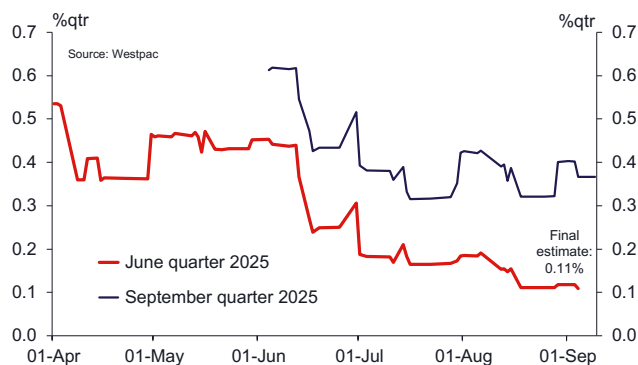


We've revised down our June quarter GDP forecast to a 0.4% decline, compared to our previous pick of a flat outturn. The final indicators released yesterday showed that some of the factors that boosted growth in the March quarter have been reversed, and to a greater degree than we had factored in. We've also made a larger allowance for the seasonal distortion to quarterly GDP that has been apparent in recent releases.

Our forecast is similar to the 0.3% fall that the Reserve Bank had factored into its August *Monetary Policy Statement* forecasts, which seems to have provided much of the basis for signalling further OCR cuts by the end of this year. As such, we don't expect a negative GDP outturn to spur the market to price in more than the further 50bps of easing that the RBNZ has already signalled.

There is ample evidence that the New Zealand economy has lost some momentum again in recent months, after a surprisingly strong 0.8% lift in March quarter GDP. Our GDP Nowcast model has settled at 0.1% growth for the June quarter, coming down from earlier estimates of around 0.4% as more information about the economy has rolled in.

Westpac GDP nowcasts



However, we expect that next week's release will overstate the degree of softening in the economy. Firstly, the single biggest contributor to our -0.4% forecast actually stems from a technical issue in how GDP is calculated, which leads to a gap between overall GDP and the sum of its parts. This gap has been unusually variable in recent times – we estimate that it currently detracts around 0.5 percentage points from growth in June quarters (and adds about the same amount to growth in December quarters). That implies a 'true' picture of closer to +0.1%.

It's not entirely clear why this technical factor has had such an impact lately. Stats NZ notes that there has been an increase in the weighting of GDP for some sectors that have very strong seasonal patterns, such as dairy manufacturing (which falls to minimal levels in the winter months). This in turn has imparted a stronger seasonal pattern to total GDP, which the adjustment process hasn't caught up with yet. This effect should be ironed out over the longer term, but in the meantime it's something that we have to contend with in the quarterly releases.

The best way to deal with this issue is to focus on year-on-year changes in GDP. We expect the annual growth rate to lift to -0.1% for the June quarter, compared to -0.7% in March. That suggests an economy that is stabilising after a marked downturn in the middle part of last year, but is lacking any significant upward momentum just yet.

The second reason we're expecting a decline for the June quarter is that much of the growth in the March quarter appeared to be lumpy and narrowly focused, and yesterday's batch of data confirmed that this has since been partially or fully reversed. The most prominent case is in non-food manufacturing, which saw a 4.4% jump last quarter – well out of proportion with what the monthly manufacturing PMI would have suggested, for instance.

The latest manufacturing sector data shows that this jump has since reversed and was quite likely to be survey 'noise' in the first place.

The other major contributor to the March quarter was a reported 2.7% rise in professional services – at a time when employment in this sector was falling. The latest Business Financial Data shows that this was partially, but not fully, unwound in the June quarter.

Setting aside these 'payback' moves, our June quarter forecast suggests a mixed performance across sectors, with slightly more gains than declines. On the positive side, we expect a solid lift in agricultural output, led by stronger than usual milk collections for this time of year. A record farmgate milk price is giving farmers an incentive to maximise their production.

Retail spending proved to be stronger than we expected with a modest rise in the June quarter, and this appears to have flowed through into more wholesaling activity as well. Falling mortgage rates led to higher lending growth and a lift in house sales in seasonally adjusted terms.

We're also expecting gains in healthcare and personal services, based on the employment indicators for these sectors. That said, we don't have a high level of confidence in these estimates, as the indicators that we have only provide a loose fit to GDP.

On the downside, we're expecting a fall in food manufacturing, in particular a sharp drop in meat processing. However, this isn't a bad news story: with beef and lamb prices soaring, it appears that farmers were holding back stock to allow them to put on more weight, in order to maximise their returns. The weekly slaughter statistics suggests that there has been a significant catch-up since June, which in turn should provide a significant boost to GDP growth in the September quarter.

The construction sector resumed its prolonged slowdown in the June quarter, after a surprise 0.5% lift in March. While building consents have stabilised over the last year, the pipeline of approved work is continuing to run down from its post-Covid highs. Other likely negatives include forestry (albeit coming off a 6% jump in the March quarter), mining (declining oil and gas extraction) and transport (as overseas visitor numbers eased compared to the strong summer period).

June quarter 2025 GDP forecast



Confidence key: ● High ● Mid ● Low

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.

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ("Westpac").

Disclaimer.

This material contains general commentary, and market colour. The material does not constitute investment 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 has been prepared without taking account of your objectives, financial situation or needs. This material 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 the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material 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 a legally binding contract. Past performance is not a reliable indicator of future performance. 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.

Country disclosures.

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a wholesale client of Westpac.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("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. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

China, Hong Kong, Singapore and India: 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 in Singapore of this material 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. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

UK: The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. BR00106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the Prudential Regulation Authority. Westpac is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (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. The investments to which this communication relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon 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". With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

Investment recommendations disclosure.

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.

Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation.

Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution.

Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

- (i) Chinese Wall/Cell arrangements;
- (ii) physical separation of various Business/Support Units;
- (iii) and well defined wall/cell crossing procedures;
- (iv) a "need to know" policy;
- (v) documented and well defined procedures for dealing with conflicts of interest;
- (vi) steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

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. 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"). 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. 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. All disclaimers set out with respect to Westpac apply equally to WCM.

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 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.

