# ECONOMIC BULLETIN

## Preview of December quarter GDP (19 March, 10:45am).

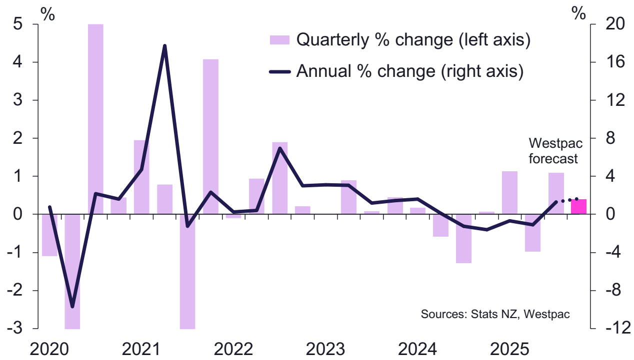
12 Mar 2026 | **Michael Gordon**, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

## Calm between the storms

- **We expect a 0.4% rise in GDP for the December quarter, a small downgrade from our previous forecast of 0.6%.**
- **This would translate to a 1.6% rise in GDP over 2025, marking the first full year of per-capita growth since 2022.**
- **The December quarter result should be a reasonably clean read on the economy's momentum, without the seasonal distortions and other timing issues that have affected previous quarters.**
- **That said, it's a dated read on the state of the economy, and even more so in light of the rapidly evolving events in the Middle East.**

| | Sep-25 actual | Dec-25 Westpac f/c | Dec-25 RBNZ f/c |
|---|---|---|---|
| **Quarterly % chg** | 1.1 | 0.4 | 0.5 |
| **Annual % chg** | 1.3 | 1.6 | 1.7 |

**Quarterly GDP growth**




Given the escalating conflict in the Middle East in the last couple of weeks, next Thursday's report on economic activity over the December quarter is sadly fated to be of little more than historic interest. That said, there is still some value in understanding how much momentum that the New Zealand economy was carrying coming into this global and highly uncertain situation.

We estimate that GDP rose by 0.4% over the December quarter – a small downgrade from our previously published pick of 0.6%, reflecting the final industry data that was released today. That's close to the 0.5% rise that the RBNZ expected in its February *Monetary Policy Statement*, and other market forecasts are likely to be in the same ballpark.

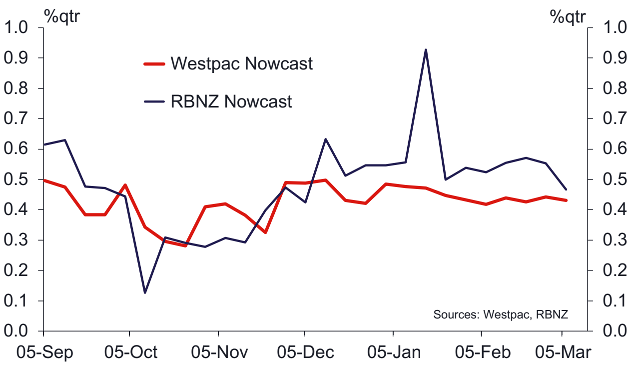
Based on our December quarter estimate, GDP will have ended the year up 1.6% on where it began. This would mark the first year of per-capita growth since

2022 – a point that was perhaps lost amid the volatility in the quarterly data, and in the tone of the mainstream economic commentary throughout much of last year.

As we've detailed before, New Zealand's quarterly GDP figures have been unusually volatile in recent times, due to a mix of seasonal distortions, shifts in the timing of activity between quarters, and plain old noise in the data. We think that the 1.1% rise in the September quarter, and the 1% fall that preceded it, both substantially overstate the case.

In contrast, the December quarter should provide a relatively clean read on the economy's momentum, with no obvious seasonal distortion and only minor timing issues. Our GDP Nowcast model has been consistently tracking at 0.4-0.5% since late November, which seems to be a reasonable assessment of the 'underlying' pace of growth at the time. Higher-frequency economic indicators saw a noticeable improvement in late 2025 and into early 2026, but averaging over quarters means that this upturn is likely to be more prominent in the Q1 GDP report than in Q4.

**December quarter GDP Nowcasts**




## Forecast details.

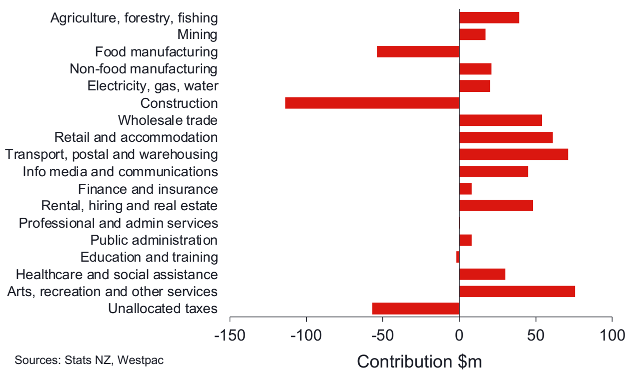
Our forecast of a 0.4% rise in production GDP reflects modest to strong gains across a wide range of sectors, along with a few notable drags. The highlights include:

- **Primary industries**: We expect agriculture to be broadly flat, with milk collections up strongly on last season but having plateaued on a quarterly basis. Forestry, fishing and mining all look to have recorded gains.
- **Tourism-linked sectors**: Including transport, hospitality and recreational services. Overseas visitor numbers are still in the process of recovering towards pre-Covid levels and hence are still experiencing high rates of growth.
- **Wholesale trade**: We expect a rise of 1.5%, similar to the previous quarter. Wholesaling is often a bellwether for the wider economy, given its links to a wide range of other industries.
- **Information, media and telecommunications**: There may be upside risk to our forecast of a 1.6% gain, as this would only partly unwind the 2.1% fall in the last quarter. Industry sales figures were extremely strong for the quarter, but it's unclear how much of this reflects prices rather than volumes.
- **Rental, hiring and real estate**: House sales were up about 4% in seasonally adjusted terms.

The main negatives that we see for the quarter are:

- **Food manufacturing**: Wine production in particular was softer over the quarter.
- **Construction**: While the downturn in residential work appears to be levelling off, non-residential work saw an unusually large 6.5% decline. Non-residential building tends to be quite lumpy in terms of both consenting and when the work actually happens, so we don't think this is a result that will be repeated.
- **Professional services**: The 2.1% rise in the September quarter was surprisingly strong, and now appears to have been an overstatement.
- **Unallocated taxes**: Similar to professional services, the 2.6% jump in the September quarter was probably overstated and we expect a partial unwind. Changes in the timing of tobacco excise collection have increased the volatility of this category in recent years.

**GDP forecasts by sector**



# Contact

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

Connect with us

**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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