ECONOMIC BULLETIN

Preview of the June quarter GDP (17 September, 10:45am).

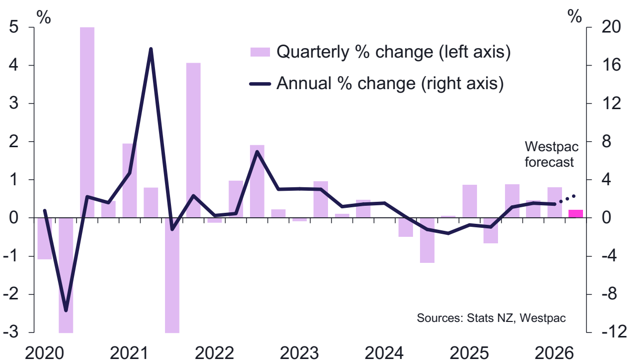
09 Sep 2026 | **Michael Gordon**, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

Dogged persistence

- **We expect a 0.2% rise in GDP for the June quarter. That's an improvement on our earlier forecasts of a small decline, with the New Zealand economy weathering the Middle East oil shock better than we hoped.**
- **Our forecast includes an allowance for seasonal distortions that subtract around 0.3ppts from the reported growth rate, giving an underlying pace of around 0.5%.**
- **Retail spending, particularly on hospitality, was the most visible casualty of the Middle East conflict, as higher fuel prices squeezed household budgets.**
- **But other sectors such as construction, wholesaling and agriculture have continued to benefit from the growth-supportive factors that were already in place: the still-low level of interest rates and strong demand for our key exports.**
- **A 0.2% rise would be stronger than what the RBNZ assumed in its September Monetary Policy Statement. While a stronger GDP result could assuage some committee members' concerns about downside risks to growth, on balance we think they will be more attuned to the upcoming inflation data to decide their next move.**

	Mar-26 actual	Jun-26 Westpac f/c	Jun-26 RBNZ f/c
Quarterly % chg	0.8	0.2	0.0
Annual % chg	1.5	2.4	2.1

GDP forecast



We expect next Thursday's GDP report to show a modest lift in activity over the June quarter. While hardly a blockbuster result, that's a lot better than we hoped for in the early stages of the US-Iran conflict, when we were staring down the barrel of what could have been the biggest global energy shock in history. Instead, the New Zealand economy has done well in shaking off the effects of this shock, helped by still-low interest rates and the ongoing strength in many of our export industries.

We're forecasting a 0.2% rise in GDP for the June quarter. That's an upgrade from our previous estimate of a 0.1% decline, reflecting the stronger than expected sectoral data that was released over the last few days. This would see the annual growth rate accelerate from 1.5% to 2.4%, due to an unusually weak June quarter last year (-0.7%) dropping out of the calculation. Indeed, if realised, this will be the strongest June quarter outcome since 2023.

Note that seasonal distortions continue to affect the GDP data, with a negative impact on June quarters in particular. The effect isn't consistent over time and hence isn't easy to predict, but we estimate that it will subtract around 0.3ppts from growth this time, implying a healthier-looking underlying growth rate of 0.5% for the quarter. That follows a 0.8% rise in the March quarter that itself was probably overstated to the tune of 0.3ppts.

Our forecast is stronger than the flat outturn that the RBNZ expected in last week's Monetary Policy Statement – which didn't have the benefit of the most recent activity data and was otherwise broadly in line with our previous forecast. (The RBNZ will also have made some allowance for seasonal distortions in their forecast.)

Would an upside surprise on GDP have a bearing on the RBNZ's thinking? The policy committee members have emphasised that future OCR decisions will be data-dependent, but they also strongly signalled that they are leaning more towards a wait-and-see at the 28 October review, having already put 50bps of tightening under their belts. A stronger than expected GDP result could certainly assuage some of the committee members' concerns about downside risks to growth, but on balance we suspect the committee will be looking more to the evidence on inflation (such as the NZIER business survey on the 6th of October and the CPI on the 22nd) and emerging evidence of economic momentum through the September quarter and beyond to determine their next move.

Forecast details.

Our forecast of a 0.2% rise in GDP is an upgrade from our previous forecast of -0.1% (which we had revised as low as -0.3% in the initial wake of the Middle East conflict). Yesterday's business financial data, along with last week's building work survey, showed a greater than expected degree of resilience across a range of sectors.

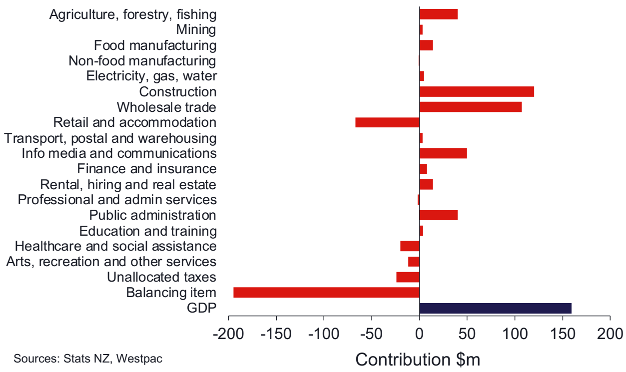
The main positive contributors to our forecast are:

- **Construction:** The June quarter building work survey showed a 4.8% lift in activity, spread across both housing and non-residential work. The survey doesn't cover non-building construction (e.g. infrastructure), where we've assumed a softer result.
- **Wholesale trade:** Yesterday's data pointed to a whopping lift of nearly 3% in volume terms. This would be the fifth straight quarter of very strong growth and would take the annual growth pace above 8%. It's unclear what's driving the scorching rate of growth for this sector, or whether it will survive future data revisions.
- **Agriculture:** Largely reflecting the continued strength in milk production, which was up by 2.3% in seasonally adjusted terms. Milk and meat processing will also have given a boost to the manufacturing sector.

We'd also note some sectors such as non-food manufacturing and professional services, which look to have been about flat for the quarter but better than we anticipated. Both sectors saw very large gains in the March quarter; we weren't sure whether that reflected noise in the data that might be reversed the next time. But the steadiness in the June quarter results suggests that these gains are more likely to have been genuine.

The most notable weak spot in our forecast (aside from the seasonal distortion that's captured in the balancing item) is retail, and specifically accommodation and food services. The sharp rise in fuel prices since March has put pressure on households' budgets, and travel and entertainment appear to be the areas where people have most tightened their belts in response. In contrast, overseas visitor arrivals continued to rise, helping to stabilise the results for tourism-linked sectors such as transport and recreation.

Growth contributions by sector



Sources: Stats NZ, Westpac

On the expenditure measure of GDP, we expect to see modest growth in household spending, a strong lift in business investment, and sharply higher export volumes. However, these will be largely balanced out elsewhere: a high proportion of plant and machinery is imported, and exports significantly outgrew agricultural output, which suggests that it was powered by a run-down of inventories.

We don't usually see major revisions to the GDP history in the June quarter release (the biggest changes come in the September quarter when the annual revisions are applied). However, Stats NZ has made some substantial revisions to the trade data, especially for exports of services, which could affect the mix of activity on the expenditure measure of GDP – that is, a reallocation of spending between New Zealand households and overseas tourists, without necessarily affecting the total.

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