

Research Rural Wrap

9 October 2025

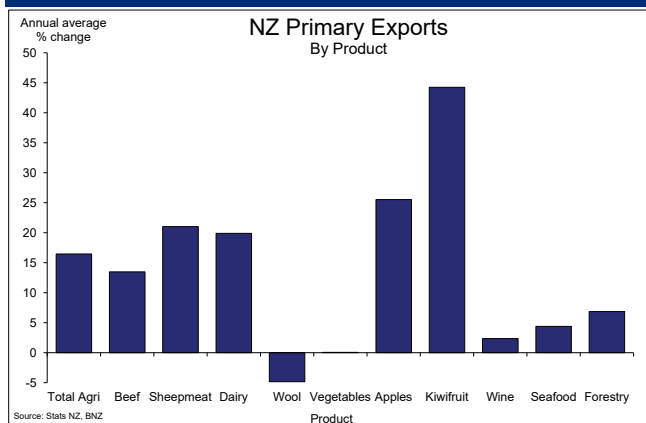
Export incomes to support activity

- **Primary sector export returns up significantly**
- **Driven by dairy, meat, and kiwifruit**
- **More signs of higher agricultural income being spent**
- **Farmer investment intentions positive**
- **This will support economic activity**

Primary sector export returns have been stellar over the past year. Major sectors like dairy, beef, lamb, and kiwifruit have seen significant gains. While not every sector has enjoyed strong gains, the sector heavy weights have driven overall agricultural exports to \$53.0b in the year to August 2025, some \$7.5b higher than a year earlier.

Dairy dominates the dollar value increase given its size, with a lift of \$4.2b. On a percent change basis, total agriculture exports are up 16.5%. Kiwifruit and apples have shown the largest percentage increases over this period.

Some big gains



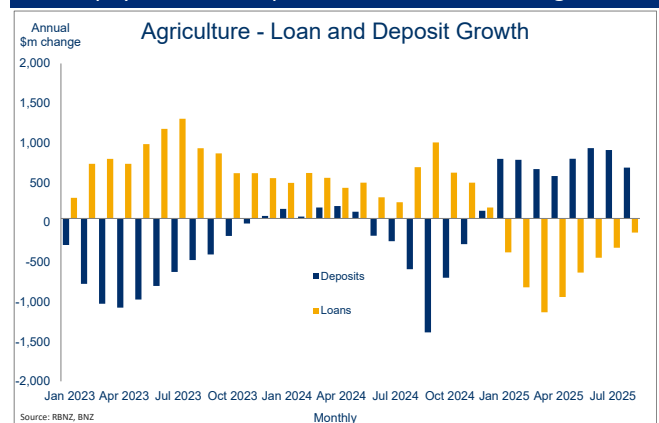
Higher agriculture sector export revenue has facilitated a range of options including paying down debt and rebuilding buffers. At one point earlier this year, agriculture lending was 1.8% lower than a year earlier and agriculture deposits were 10.7% higher than a year ago.

More recently, agriculture lending and deposit comparisons to the previous year have narrowed. The latest figures to the end of August show agriculture lending now close to the previous year and the annual rate of deposit accumulation slowing.

There will always be people doing a range of different things such that there are many flows making up the total

numbers. However, the aggregate agriculture borrowing and deposit figures suggest a general movement toward spending and investing a bigger proportion of current income. Previously a bigger share was going to debt repayment or accumulating deposits.

Debt repayment and deposit accumulation slowing



This fits with a few farm spending indicators showing growth from a year ago. In the three months to August 2025 compared to the same period in 2024:

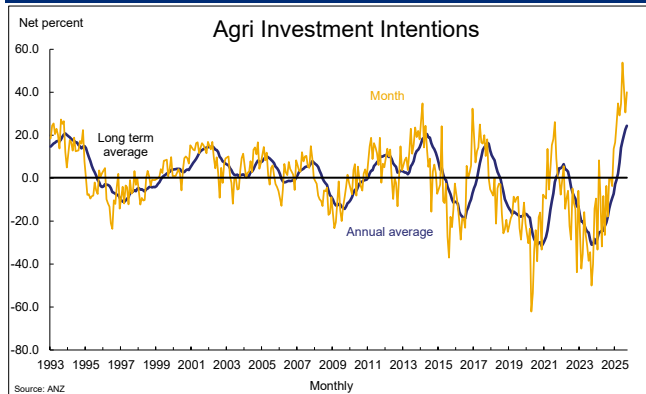
- Tractor registrations are up 11%.
- Total farm building consents are up 6%.
- Rural property sale numbers are up 38%.
- Fertiliser import tonnage is up 10%.

It is important to recognise that this growth is off a low base. None of these indicators are at levels that would be considered outright strong. However, it is also important to acknowledge that increases are occurring.

There would seem a good chance of further gains ahead given broadly favourable currency levels, generally lower interest rates than a year ago, and positive farmer confidence and investment intentions.

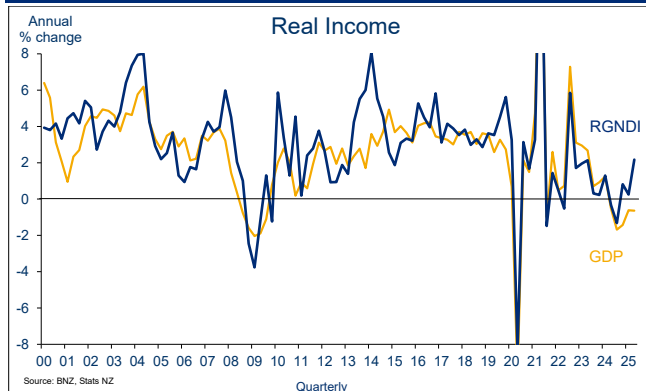
More movement toward agriculture spending and investment will increasingly add more support to general economic activity. The economy can do with that judging by the recently released weak GDP figures for the second quarter of the year.

Positive investment intentions



In fact, a broader measure of income than real GDP already shows the strong influence of higher primary sector export returns. Real gross national disposable income (RGNDI) includes the direct income effect of a higher terms of trade (that is the ratio of export prices to import prices), whereas real GDP does not. RGNDI rose 2.2% in the year to June 2025. It is a heck of a lot higher than the 0.6% drop in real GDP over the same period.

Higher real income



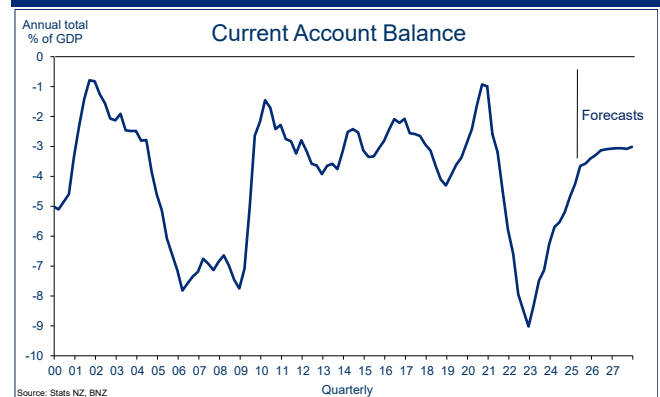
As a bigger portion of that income flow is allocated to spending, it will add more support to activity. Judging by the indicators above, it looks like that is underway.

Smaller external deficit

Primary sector export revenue and indicators of saving to date have played a material part in narrowing the nation's external deficit. The annual current account deficit in the year to June 2025 was 3.7% of GDP compared to 5.5% a year earlier. It is much smaller deficit than its peak at 9.0% of GDP in the year to December 2022. Such things might not excite many people, but it is likely to be viewed favourably by international rating agencies.

General economic conditions have been very challenging in NZ for some years. If there is a silver lining, it is that activity taking place now looks much more sustainable than it did from an external accounts point of view.

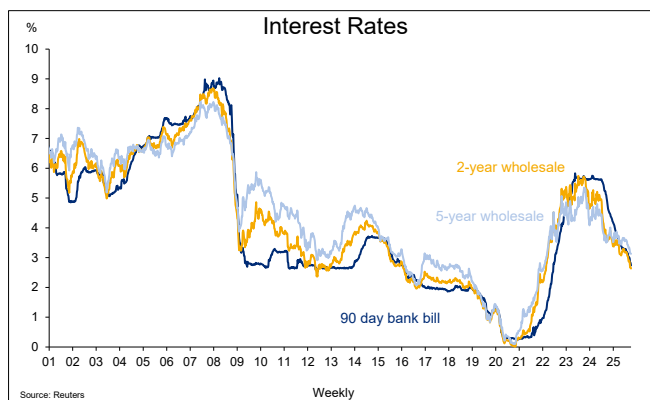
Smaller external deficit



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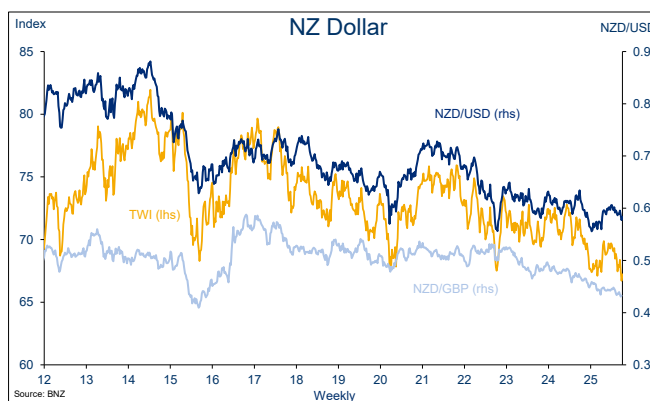
Key Macro Drivers for Commodity Producers

Interest Rates



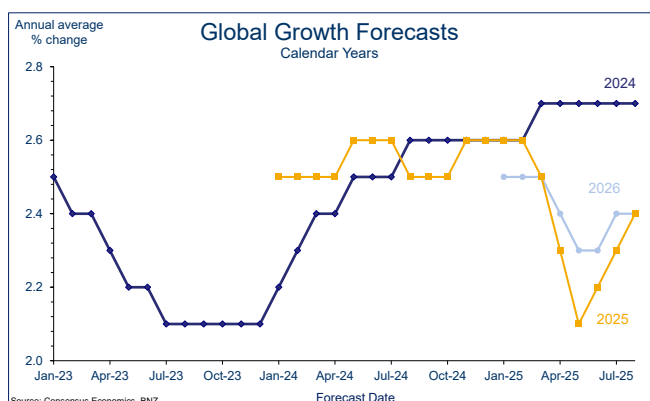
In October, the Reserve Bank of New Zealand (RBNZ) cut the Official Cash Rate (OCR) by 50bps to 2.50%. Analyst polls were divided between a 25 or 50bp cut. On the day, the RBNZ decided on the latter to help firm up NZ's economic recovery. In the accompanying record of meeting, the RBNZ noted they remain open to further reductions in the OCR. Following the 50bp cut, we continue to see a final 25bp cut in November which would take the OCR to a low of 2.25%. In the US, a series of weak labour market reports set the scene for the Federal Reserve to restart its easing cycle, recently cutting for the first time in 2025 by 25 basis points. Elsewhere, the European Central Bank and Reserve Bank of Australia held rates unchanged and suggested a neutral policy outlook.

Foreign Exchange



The New Zealand dollar (NZD) was a clear underperformer in September, falling to 0.58 in the wake of a 0.9% q/q contraction in Q2 GDP. The release was much weaker than the market expected, resulting in lower wholesale interest rates and currency. While global equity markets continued their record-breaking run, elevated risk appetite did not support the NZD. Recent US data were convincingly stronger than expected and suggest the economy continues to grow at a decent pace. We have tempered our confidence in the pace of the USD's projected decline and revised down our year-end target for the NZD.

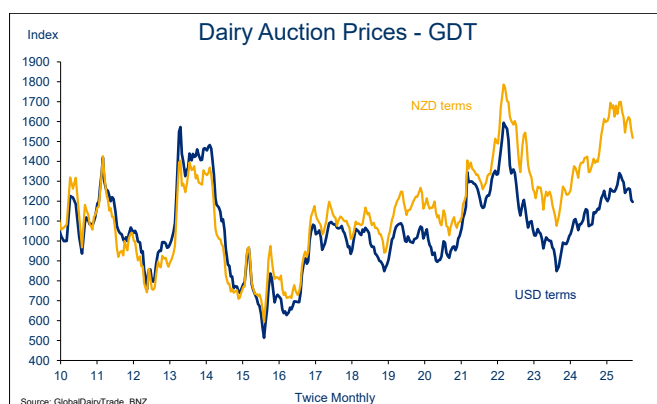
Global Growth



Global growth forecasts for this year have continued to nudge back upwards. In September, the OECD revised up its 2025 global growth forecasts. They cited more resilient than expected economic activity in the first half of 2025, especially in emerging markets and the US. This has provided a better backdrop for primary product prices than was anticipated a few months back. US Q2 GDP data was revised up to an annualised 3.8%, driven by an upward revision to consumer spending. China activity data were weaker than expected in August. However, the backdrop has some thinking it will encourage further stimulus measures by the government to support China's economy.

Key Commodities

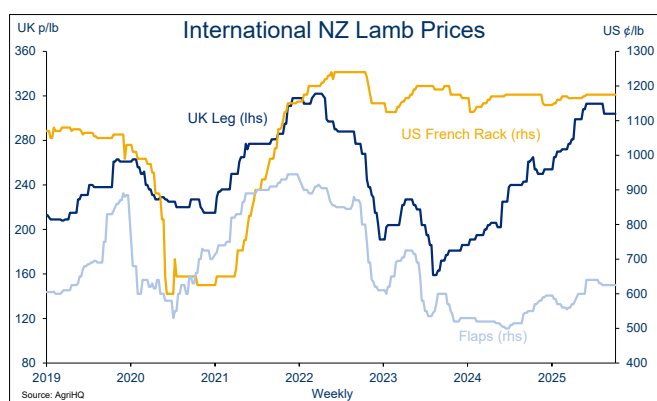
Dairy



Dairy prices eased 1.6% at the latest auction, according to the GDT Price Index. It adds to the recent downtrend with prices now 12.2% down from their peak in May. Global dairy prices are still 1.3% higher than a year ago, or 9.9% in New Zealand dollar terms courtesy of a lower NZD. The new milking season has started well with industry collections up 4.2% y/y for the first 3 months. More NZ milk (and more milk from North America) appears to be putting some downward pressure on global prices. Seasonality suggests some further weakness in dairy product prices near term, before mild improvement. We see the outlook for milk prices to farmers remaining strong this season.

	Current	Month ago	Year ago	Next 12 months
Whole milk powder (US \$/t)	3780	3800	3580	➔

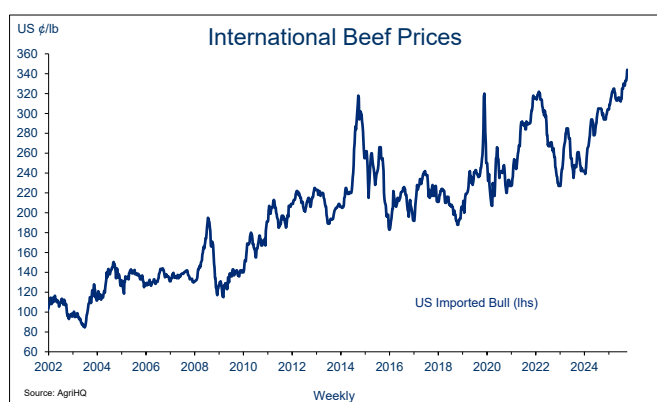
Lamb



Global lamb prices remain elevated. Some exporters have noted less demand from the EU and UK, as warmer weather typically reduces consumption. As exporters navigate the usual seasonal trends, the general picture remains positive. Domestically, strong pricing and the weaker New Zealand dollar are supporting confidence. We expect the new season's average lamb prices to be above the past season's average assuming global prices do not fall too far from current levels.

	Current	Month ago	Year ago	Next 12 months
Lamb leg (UK p/lb)	304	304	263	⬇

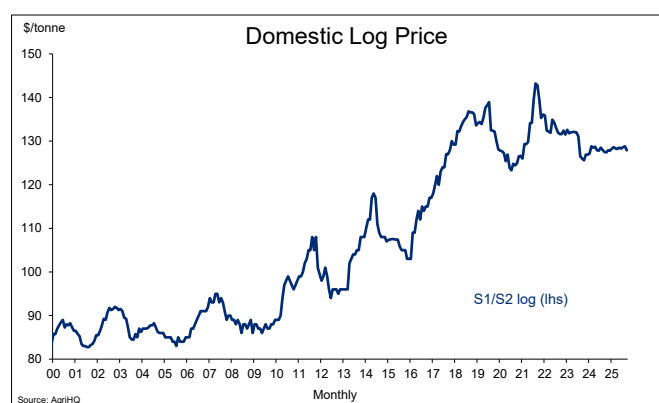
Beef



Global beef prices continue to climb to record heights amid sustained consumer demand and tight supply. Farmer confidence remains elevated and has now been so for an extended period. We expect the new season's average beef price to be around the same record level set in the season just completed. Higher prices will eventually attract more supply, but US herd rebuilding is likely to take time and support prices in the interim. US cow slaughter data indicates further declines in production.

	Current	Month ago	Year ago	Next 12 months
Imported bull (US \$/lb)	344	333	300	➔

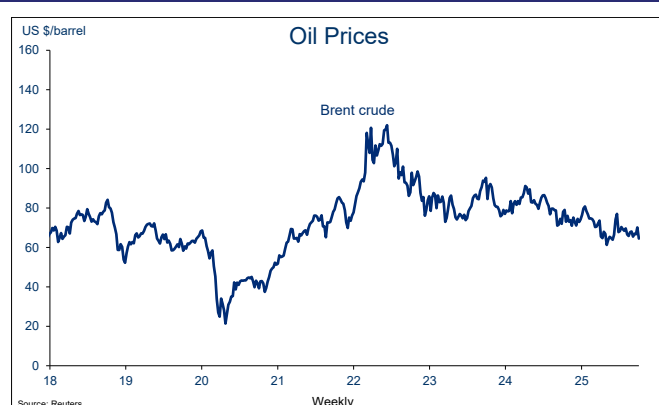
Forestry



New Zealand log prices have been stable of late. Domestic construction activity remains subdued, with 29.1% of firms in the sector reporting less activity than a year ago. Offering some hope has been a recent tick higher in residential building consents, albeit from a low base. Demand from China has increased slightly due to a seasonal lift in construction activity. However, most China activity data continue to point towards a weak growth backdrop. Shipping freight costs have nudged up for logs to China but are likely to be partially offset by the softer NZD.

	Current	Month ago	Year ago	Next 12 months
S1/S2 log price (NZ \$/t)	128	129	128	➔

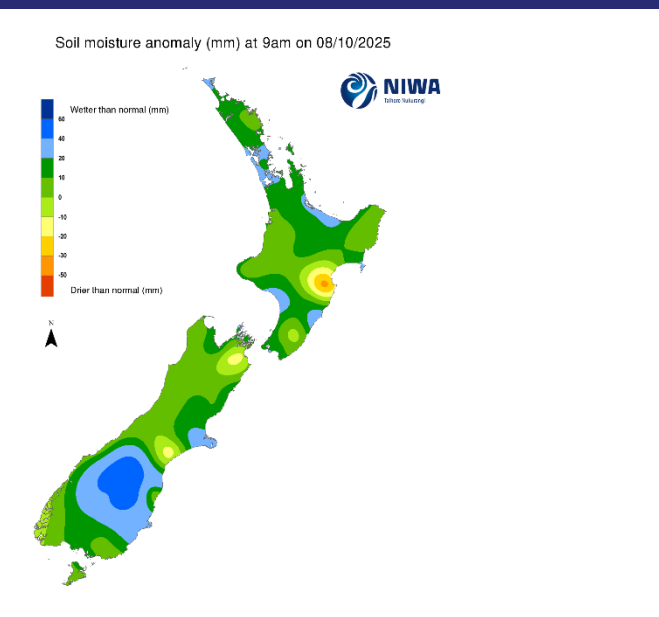
Oil



Brent crude prices declined in early October following reports that OPEC+ will raise oil output again in November and continue with its strategy to build market share. Oil prices fell more than 8%, with Brent crude briefly trading at a four-month low below USD65 per barrel. They have since recovered slightly, as the confirmed lift in output was less than the market expected. If prices remain at current levels, it will put downward pressure on fuel prices at the pump in New Zealand, although a weaker New Zealand dollar is pushing the other way.

	Current	Month ago	Year ago	Next 12 months
Brent crude (US \$/b)	65	66	78	➔

Weather



Soil moisture anomaly maps are slightly wetter than normal for the country at large. The exception is the Hawke's Bay where it is significantly drier than normal. In general, late winter/early spring has been windier and colder than previous years. Earth Sciences New Zealand expect temperatures over the remainder of the year to be above normal for Northland and above or close to normal for the rest of the country. NIWA are forecasting an 85% probability of La Niña conditions prevailing during the October – December. This generally brings more north-easterly winds, which tend to bring a bit more moisture to the north-east of the North Island and less moisture to the south and south-west of the South Island. Neutral or weak La Niña conditions in previous seasons have tended to be associated with positive primary production, although not uniformly across the country.

Quarterly Forecasts

Forecasts as at 9 October 2025

Key Economic Forecasts

Quarterly % change unless otherwise specified

Forecasts

	Dec-24	Mar-25	Jun-25	Sept-25	Dec-25	Mar-26	Jun-26	Sept-26	Dec-26	Mar-27
GDP (production s.a.)	0.4	0.9	-0.9	0.7	0.8	0.8	0.8	0.7	0.6	0.6
Retail trade (real s.a.)	1.0	0.8	0.5	0.8	1.2	1.1	0.9	0.8	0.7	0.7
Current account (ann, % GDP)	-4.7	-4.3	-3.7	-3.6	-3.4	-3.3	-3.1	-3.1	-3.1	-3.1
CPI (q/q)	0.5	0.9	0.5	1.0	0.3	0.5	0.5	0.5	0.3	0.6
Employment	-0.2	0.0	-0.1	0.3	0.6	0.7	0.7	0.6	0.5	0.5
Unemployment rate %	5.1	5.1	5.2	5.3	5.2	5.1	5.0	4.8	4.8	4.7
Pr. avg hourly earnings (ann %)	4.0	3.8	4.6	4.1	3.4	4.1	3.1	3.2	3.4	3.3
Trading partner GDP (ann %)	3.2	3.2	3.0	2.6	2.3	2.4	2.5	2.7	2.9	2.9
CPI (y/y)	2.2	2.5	2.7	3.0	2.8	2.3	2.2	1.7	1.7	1.8
GDP (production s.a., y/y)	-1.4	-0.6	-0.6	1.1	1.5	1.4	3.2	3.2	3.0	2.7

Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	SOFR	US 10 yr	NZ-US
		Bank Bills						3 month		Ten year
2024 Mar	5.50	5.66	4.44	4.68	4.92	4.40	4.45	5.30	4.15	0.53
Jun	5.50	5.63	4.56	4.74	5.01	4.53	4.60	5.35	4.45	0.30
Sep	5.33	5.30	3.96	4.31	4.05	3.80	4.05	5.05	3.95	0.37
Dec	4.42	4.44	4.00	4.47	3.65	3.74	4.10	4.50	4.30	0.19
2025 Mar	3.92	3.84	3.99	4.58	3.47	3.71	4.15	4.30	4.45	0.13
Jun	3.33	3.38	3.85	4.55	3.19	3.57	4.10	4.30	4.35	0.19
Sep	3.08	3.09	3.67	4.42	2.99	3.40	3.95	4.20	4.25	0.17
Forecasts										
Dec	2.25	2.40	3.25	4.35	2.45	2.95	3.90	3.50	4.25	0.10
2026 Mar	2.25	2.40	3.35	4.30	2.60	3.05	3.85	3.45	4.10	0.20
Jun	2.25	2.40	3.50	4.40	2.85	3.25	4.00	3.25	4.00	0.30
Sep	2.25	2.40	3.75	4.40	3.25	3.50	4.00	3.00	4.00	0.40
Dec	2.25	2.55	4.00	4.45	3.65	3.80	4.10	2.95	4.00	0.45

Exchange Rates (End Period)

USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.60	0.66	1.17	1.36	148
Dec-25	0.62	0.68	1.23	1.38	138
Mar-26	0.64	0.71	1.24	1.39	130
Jun-26	0.65	0.72	1.26	1.41	128
Sept-26	0.67	0.73	1.27	1.44	126
Dec-26	0.67	0.73	1.28	1.45	126
Mar-27	0.68	0.74	1.26	1.45	124
Jun-27	0.69	0.75	1.25	1.44	121

NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.90	0.51	0.44	87.9	68.4
Dec-25	0.62	0.91	0.50	0.45	84.6	69.4
Mar-26	0.64	0.90	0.52	0.46	83.2	71.0
Jun-26	0.65	0.90	0.52	0.46	83.2	71.4
Sept-26	0.67	0.92	0.53	0.47	84.4	73.1
Dec-26	0.67	0.92	0.52	0.46	84.4	73.0
Mar-27	0.68	0.92	0.54	0.47	84.3	73.7
Jun-27	0.69	0.92	0.55	0.48	83.5	74.5

TWI Weights

15.6% 18.4% 9.2% 3.9% 5.5%

Source for all tables: Stats NZ, Bloomberg, Reuters, RBNZ, BNZ

Annual Forecasts

Forecasts as at 9 October 2025	March Years					December Years				
	Actuals			Forecasts		Actuals		Forecasts		
	2023	2024	2025	2026	2027	2023	2024	2025	2026	2027
GDP - annual average % change										
Private Consumption	3.4	0.9	-0.1	2.5	2.9	0.9	-0.3	2.1	2.9	2.4
Government Consumption	2.7	1.3	0.3	0.4	-0.4	0.1	0.4	1.3	-0.9	0.4
Total Investment	3.3	-1.1	-5.2	1.1	6.5	-0.4	-5.1	-0.7	6.2	4.3
Stocks - ppts cont'n to growth	0.3	-1.5	0.2	0.6	0.2	-1.3	0.2	0.3	0.4	0.0
GNE	3.7	-1.1	-1.1	2.0	3.3	-1.0	-1.2	1.2	3.2	2.5
Exports	5.7	8.6	3.3	2.4	4.3	11.5	4.7	2.5	4.2	3.7
Imports	4.2	-1.4	1.5	4.1	4.8	-0.7	1.6	2.9	5.2	3.4
Real Expenditure GDP	4.0	1.3	-0.7	1.2	3.0	1.8	-0.4	0.9	2.7	2.5
GDP (production)	3.5	1.4	-1.1	0.8	3.0	1.8	-0.6	0.4	2.7	2.5
GDP - annual % change (q/q)	3.0	1.2	-0.6	1.4	2.7	0.9	-1.4	1.5	3.0	2.4
Output Gap (ann avg, % dev)	2.1	1.1	-0.8	-1.4	-0.3	1.3	-0.4	-1.4	-0.5	-0.1
Nominal Expenditure GDP - \$bn	394	417	432	453	478	412	427	448	472	494
Prices and Employment - annual % change										
CPI	6.7	4.0	2.5	2.3	1.8	4.7	2.2	2.8	1.7	2.1
Employment	2.9	0.9	-0.7	1.5	2.3	2.7	-1.2	0.8	2.5	1.9
Unemployment Rate %	3.5	4.4	5.1	5.1	4.7	4.0	5.1	5.2	4.8	4.7
Wages - ave. hr. ord. time earnings (private sector)	8.2	4.8	3.8	4.1	3.3	6.6	4.0	3.4	3.4	3.2
Productivity (ann av %)	1.4	-1.0	-0.2	0.7	0.6	-1.1	-0.3	0.9	0.5	0.4
Unit Labour Costs (ann av %)	5.5	7.0	4.7	2.9	2.7	7.5	5.1	3.1	2.7	2.8
House Prices (stratified, mth)	-12.8	2.8	-0.6	1.0	4.6	0.6	-0.8	0.8	4.4	4.3
External Balance										
Current Account - \$bn	-32.6	-23.8	-18.3	-15.0	-14.7	-25.8	-20.0	-15.3	-14.6	-14.9
Current Account - % of GDP	-8.3	-5.7	-4.3	-3.3	-3.1	-6.3	-4.7	-3.4	-3.1	-3.0
Government Accounts - June Yr, % of GDP										
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-1.8	-2.1	-2.3	-2.6	-1.7					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	38.7	41.7	42.7	43.9	45.7					
Bond Programme - \$bn (Treasury forecasts)	28.0	39.3	43.0	38.0	36.0					
Bond Programme - % of GDP	7.1	9.4	10.0	8.4	7.5					
Financial Variables ⁽¹⁾										
NZD/USD	0.62	0.61	0.57	0.64	0.68	0.62	0.57	0.62	0.67	0.68
USD/JPY	134	150	149	130	124	144	154	138	126	123
EUR/USD	1.07	1.09	1.08	1.24	1.26	1.09	1.05	1.23	1.28	1.23
NZD/AUD	0.93	0.93	0.91	0.90	0.92	0.93	0.91	0.91	0.92	0.92
NZD/GBP	0.51	0.48	0.44	0.46	0.47	0.49	0.45	0.45	0.46	0.48
NZD/EUR	0.58	0.56	0.53	0.52	0.54	0.57	0.55	0.50	0.52	0.55
NZD/YEN	83.0	91.1	85.4	83.2	84.3	89.5	88.4	84.6	84.4	83.6
TWI	71.0	71.2	67.9	71.0	73.7	72.0	68.5	69.4	73.0	73.9
Overnight Cash Rate (end qtr)	4.75	5.50	3.75	2.25	2.50	5.50	4.25	2.25	2.25	4.00
90-day Bank Bill Rate	5.16	5.64	3.60	2.40	3.05	5.63	4.26	2.40	2.55	4.15
5-year Govt Bond	4.40	4.60	4.00	3.35	4.15	4.50	3.90	3.25	4.00	4.15
10-year Govt Bond	4.35	4.60	4.50	4.30	4.50	4.65	4.45	4.35	4.45	4.60
2-year Swap	5.15	4.91	3.35	2.60	3.90	4.93	3.53	2.45	3.65	4.00
5-year Swap	4.50	4.40	3.65	3.05	4.00	4.43	3.63	2.95	3.80	4.15
US 10-year Bonds	3.65	4.20	4.25	4.10	4.00	4.00	4.40	4.25	4.00	4.00
NZ-US 10-year Spread	0.70	0.40	0.25	0.20	0.50	0.65	0.05	0.10	0.45	0.60
⁽¹⁾ Average for the last month in the quarter										

Source: Statistics NZ, BNZ, RBNZ, NZ Treasury

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