

Research Economy Watch

27 November 2025

Retail rips, businesses optimistic

- **Retail sales surge higher**
- **Recovering some lost ground**
- **Another positive signal for Q3 GDP**
- **Business optimism lifts to 11-year high**
- **All supports our economic recovery view**

Real Retail Sales, seasonally adjusted		
September quarter 2025	Qtly % chg	Ann % chg
Non-durables	-0.7	-0.1
Durables (ex-auto)	3.1	8.1
Services (ex-auto)	0.4	3.3
Ex-auto	1.2	4.1
Vehicles	7.2	9.2
Fuel	-2.0	-2.7
Total	1.9	4.5

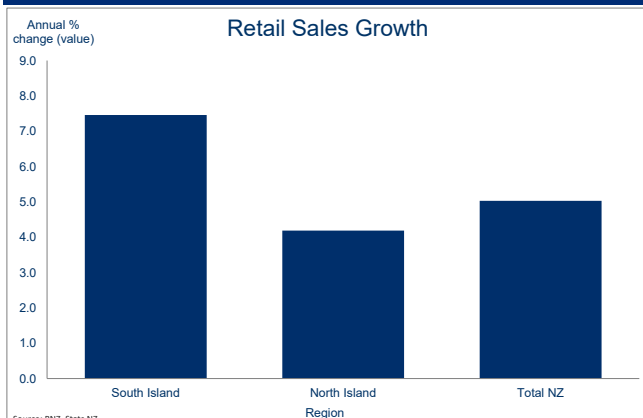
Source: Stats NZ, BNZ

Today's economic data support our view that NZ's economic recovery is well underway. After a lengthy period of weakness any pickup in activity will take time before it feels better, but evidence of a decent improvement is accumulating.

Q3 retail sales growth figures were very strong and business confidence rose to an 11-year high.

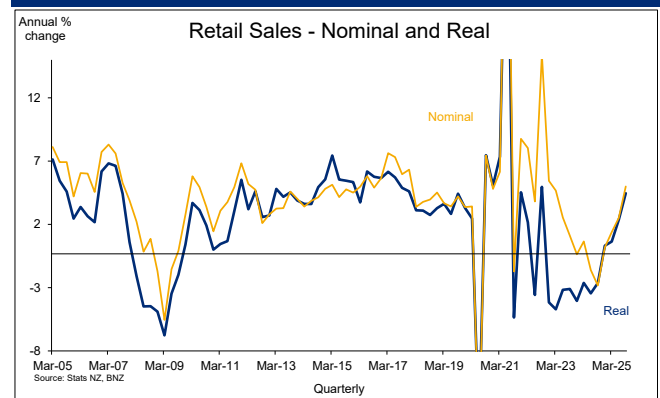
The value of retail sales was 5.0% higher in Q3 compared to a year ago. It is the strongest annual growth in three years. South Island sales growth of 7.5% continues to outpace North Island sales growth at 4.2%.

South outpacing North



Adjusting for retail price inflation shows sales volumes rose 4.5% on a year ago. This included a very strong seasonally adjusted 1.9% gain in Q3, completing four quarters of expansion.

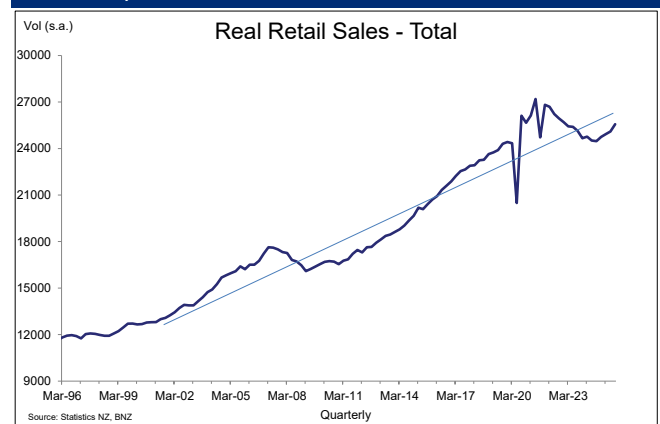
More sales



The latter is exceptionally strong quarterly growth. One must go back four years and a bounce out of a covid-related-lockdown to see quarterly growth of that degree.

The quarterly expansion in sales volumes was much stronger than market expectations of 0.6% q/q and even above our forecast that was all but the top of the market at +0.8%.

From last year's low

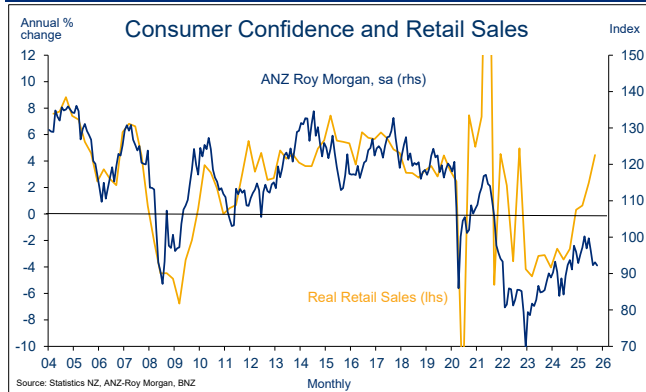


The very strong growth partly reflects its low base. It is easier to get big percentage increases from a smaller base. The level of sales might still be lower than desired and so

growth may not feel as good as it looks. But there is no denying a strong lift in today's figures.

Retail sales volume growth over the past year has been stronger than one might expect given recent persistent weakness in consumer confidence. Another update on consumer confidence is due tomorrow. It is an interesting dynamic that we have seen in some other places around the world. Consumers have been grumpy, smarting from elevated prices following inflation, but are starting to spend again.

Grumpy but spending again

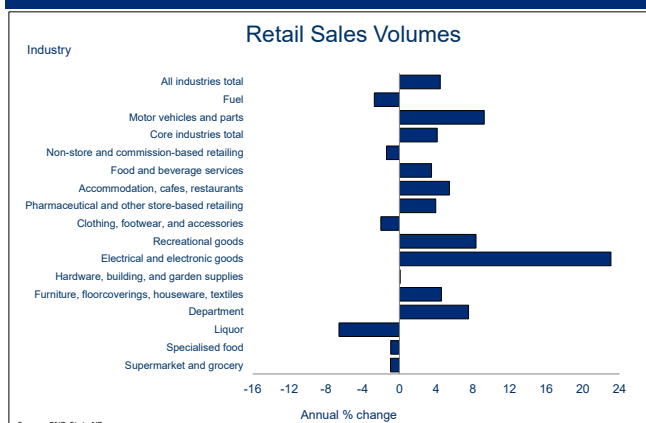


Retail sales are the first true 'GDP partial' indicator for the quarter. We already saw some upside risk to our 0.5% pick for Q3 GDP before today's number. The RBNZ printed 0.4% for Q3 GDP in yesterday's November MPS. The upside risk to the RBNZ's 0.4%, that we discussed yesterday, just got another nudge higher. It supports the case that the monetary easing cycle is done.

Note too that Q2 retail sales volume growth was revised up to 0.7% from 0.5% initially estimated. This adds to the chance that the very weak Q2 GDP result is revised up a little.

There were some very strong increases in some individual components, namely a 9.8% q/q surge in electrical and electronic goods and a 7.2% q/q gain in vehicles. Combined these two components accounted for all the quarterly growth. These components saw the strongest annual sales volume growth amid a wide performance across industries.

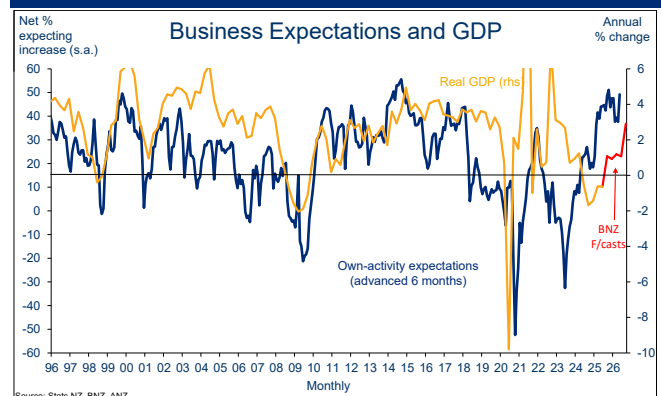
Much variation



That said, there was a pickup in durable spending more generally. Yes, it is off a low base, but a 3.1% quarterly lift puts this component 8.1% above year earlier levels. This would fit with some relief coming through from lower interest rates.

This afternoon's ANZ business survey strengthened further. Business confidence rose to 67.1 in November, an 11-year high. That's helpful. More importantly, firms' own activity expectations pushed up to 53.1 from 44.6 in October and employment intentions nudged up to 18.5 from 15.0. Investment intentions remained positive at 19.9, albeit marginally lower than October's 21.6. It all supports our expectation of further economic recovery ahead.

Growth ahead



We are a bit wary of over extrapolating the pace of change in some of these indicators. This is especially if the lift in retail sales and positivity in business indicators has been built on people's expectation that aggressive monetary policy was going to extend into 2026.

If that was the case, yesterday's RBNZ Monetary Policy Statement that poured cold water on the idea of further easing and a subsequent jump in financial conditions (via higher wholesale interest rates and the NZD) may take some of the edge off in time.

Pricing indicators from the business survey were mixed. Pricing intentions rose to 50.5 from 43.9 while inflation expectations eased to 2.69% from 2.75%. Nothing there to alter our views on CPI inflation. Our pick for Q4 annual CPI inflation is 2.8%, a tick above the RBNZ's 2.7%.

doug_steel@bnz.co.nz

Contact Details

BNZ Research

Stephen Toplis
Head of Research

Doug Steel
Senior Economist

Matt Brunt
Economist

Jason Wong
Senior Markets Strategist

Stuart Ritson
Senior Interest Rate Strategist

Mike Jones
BNZ Chief Economist

Main Offices

Wellington
Level 2, BNZ Place
1 Whitmore St
Private Bag 39806
Wellington Mail Centre
Lower Hutt 5045
New Zealand
Toll Free: 0800 283 269

Auckland
80 Queen Street
Private Bag 92208
Auckland 1142
New Zealand
Toll Free: 0800 283 269

Christchurch
111 Cashel Street
Christchurch 8011
New Zealand
Toll Free: 0800 854 854

This document has been produced by Bank of New Zealand (BNZ). BNZ is a registered bank in New Zealand and is only authorised to offer products and services to customers in New Zealand.

Analyst Disclaimer: The Information accurately reflects the personal views of the author(s) about the securities, issuers and other subject matters discussed, and is based upon sources reasonably believed to be reliable and accurate. The views of the author(s) do not necessarily reflect the views of the NAB Group. No part of the compensation of the author(s) was, is, or will be, directly or indirectly, related to any specific recommendations or views expressed.

BNZ maintains an effective information barrier between the research analysts and its private side operations. Private side functions are physically segregated from the research analysts and have no control over their remuneration or budget. The research functions do not report directly or indirectly to any private side function. The Research analyst might have received help from the issuer subject in the research report.

New Zealand: The information in this publication is provided for general information purposes only, and is a summary based on selective information which may not be complete for your purposes. This publication does not constitute any advice or recommendation with respect to any matter discussed in it, and its contents should not be relied on or used as a basis for entering into any products described in it. Bank of New Zealand recommends recipients seek independent advice prior to acting in relation to any of the matters discussed in this publication.

Any statements as to past performance do not represent future performance, and no statements as to future matters are guaranteed to be accurate or reliable.

Neither Bank of New Zealand nor any person involved in this publication accepts any liability for any loss or damage whatsoever which may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this publication.

USA: If this document is distributed in the United States, such distribution is by nabSecurities, LLC. This document is not intended as an offer or solicitation for the purchase or sale of any securities, financial instrument or product or to provide financial services. It is not the intention of nabSecurities to create legal relations on the basis of information provided herein.