

# Research Economy Watch

12 March 2026

## Q4, 2025 GDP preview

- We see 0.3% for Q4 GDP growth
- Softer than RBNZ projections
- Services and tourism positive, construction negative
- Manufacturing near flat
- Fragile recovery underway prior to mayhem overseas

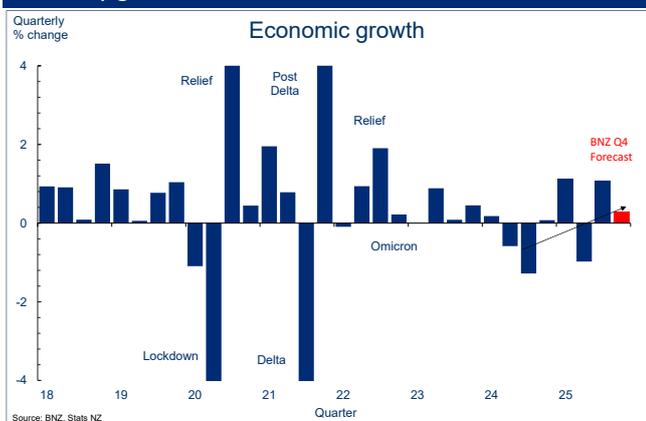
We have been increasingly wary of the fragility of the economy's recovery. Acknowledging recent events in the Middle East, we focus here on what next Thursday's Q4 GDP figures may show. On that, our wariness was further heightened after last week's disappointingly weak building work put in place figures.

Today's business financial and energy data look net positive for growth helping keep the balance of indicators up, but not strongly so. These figures weren't quite firm enough to offset the building work data, but they did mitigate some of the downside risk we had flagged.

We finalise our estimate for Q4 GDP growth at 0.3% q/q. It isn't particularly strong, but it would be the second consecutive quarter of growth and support our thinking that a modest economic recovery was getting underway in the latter part of 2025.

If we are right then Q4 GDP will be softer than the 0.5% that the RBNZ projected in its February MPS.

### Quarterly growth rollercoaster



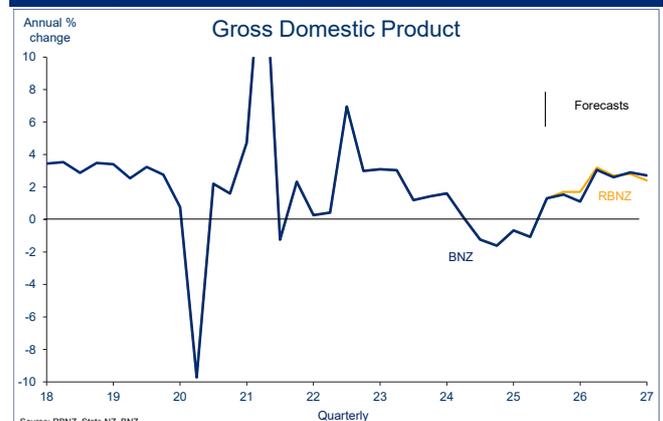
This would add to a theme of growth indicators looking softer than the RBNZ expected, while inflation indicators are looking higher than the Bank projected. And, of course,

all this is before the recent mayhem in the Middle East erupted, which is likely to reinforce the theme further. It presents a difficult balance for the Bank to assess from a policy perspective.

It looks like the rollercoaster of quarterly outcomes is set to continue. GDP growth always felt like it would be slower in Q4 than Q3's 1.1%. But we never believed the strength of Q3 as an indicator of trend and suggested care in interpreting Q4's outcome relative to Q3. After all the past five quarters reported GDP growth outcomes have been -1.3%, 0.1%, 1.1%, -1.0%, and 1.1%.

Annual comparisons provide some guidance to the underlying picture. A 0.3% lift in the quarter would see GDP around 1.5% higher than a year earlier. That annual pace would be marginally faster than the 1.3% recorded in Q3 (in the absence of any material revisions).

### Trend improvement



With so much volatility in the headline figures, it is no surprise to see a lot of variation in the component indicators.

In Q4, indicators suggest primary sector expansion, construction contraction, services growth, and flat manufacturing.

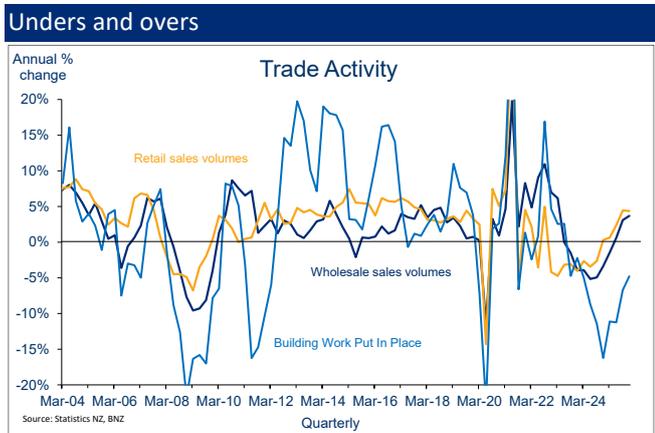
Today's data show manufacturing sales volumes fell 0.5% in Q4. After adjusting for inventory change, we estimate the sector's GDP was broadly flat. This is the net result of declines in food processing, furniture, and wood and paper

products offset by gains elsewhere including in metal and non-metallic mineral product manufacturing.

Construction activity looks to have declined in Q4, although we wonder if more resilient infrastructure activity will mean the dip will not be as much as implied by the declines in residential and non-residential building work.

Today’s energy data revealed a solid lift in total electricity generation as well as a strong share of hydro generation. Both are positive for value-added growth in the utilities sector in Q4.

We anticipate distribution activity rose in the quarter. Today’s wholesale trade sales implied a small quarterly gain in real terms, adding to retail sales volumes that posted a decent lift over the period.



Today’s selected services data looked broadly supportive of GDP expansion in the sector. More property sales and a lift in tourism are part of this. Rental, hiring, and real estate services activity looked especially strong in the quarter. It remains to be seen if industrial action in some service industries dents measured output in the quarter.

We forecast a modest lift in household spending. There was a decent gain in retail sales but this looks to have been bolstered by tourist spending which shows up in exports.

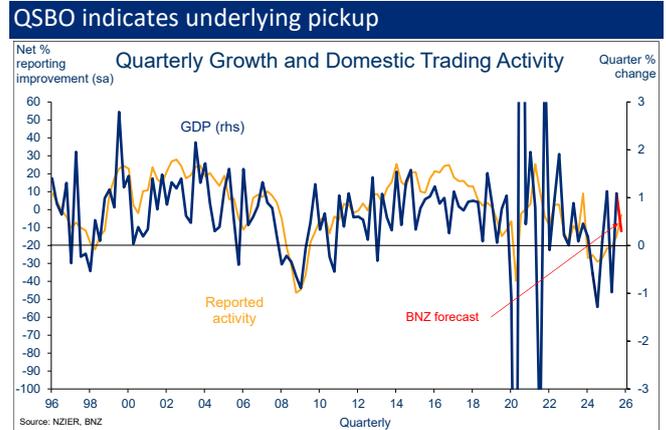
We expect net international trade to be a drag on quarterly growth with imports rising faster than exports. On the export side, we anticipate tourism spending drove a very strong lift in services exports in the quarter, but this was largely offset by a drop in goods exports.

A look from the top-down offers a sense check to our quarterly GDP estimate. A bit like the partial indicators, they are mixed with a positive balance.

QSBO reported activity was on the firmer side and expectations even more so. The combined PMI and PSI activity indicator for Q4 was net positive, but not strongly so. And in the labour market, while employment rose 0.5%

and HLFS hours worked rose 1.0%, QES hours paid fell 0.5%.

All up, net positive albeit with mixed details. That seems like a fair summary of what to expect from next week’s Q4 GDP figures.



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