

THE WAVERLEY SERIES

NEW ZEALAND

An Insight of Investment, Trade and Economy

September 2026

For Advisory & Partnership

LORD WAVERLEY

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NEW ZEALAND — AT A GLANCE

Capital	Wellington
A genuine recovery from one of the most severe corrections in recent memory	Having endured what independent analysis describes as one of the most severe economic corrections in recent memory, driven by the Reserve Bank's most aggressive tightening cycle in its history, New Zealand has passed through the acute downturn phase of 2023-2024 and entered a genuine recovery phase, though full normalisation across GDP, employment, house prices, inflation and confidence is not expected until 2028-2029
One of the fastest monetary easing cycles among developed economies	The Reserve Bank cut the Official Cash Rate by a cumulative 325 basis points between August 2024 and November 2025, from 5.5% to 2.25%, now below the Bank's own estimated neutral level of around 3-3.5%, though pass-through to lending rates remains gradual
A direct link to the Middle East conflict disrupting the same recovery	The OECD states directly that 'a renewed global energy shock linked to conflict in the Middle East is weighing on confidence, slowing the recovery, and putting renewed upward pressure on inflation'; the Reserve Bank has separately noted the recovery was already underway before this disruption temporarily slowed momentum
A specific Treasury scenario treating the oil shock as transitory but consequential	The Treasury's Budget Economic and Fiscal Update 2026 models the global oil shock as delaying the recovery that was underway in late 2025, with growth still forecast at 1.2% in 2025/26 before accelerating to 2.3% in 2026/27 and 3.2% in 2027/28 as the shock unwinds; interest rates are expected to begin rising again in the second half of 2026 as a direct consequence
Genuinely wide, honestly disclosed institutional growth forecast divergence	2026 GDP growth projections range from 1.4-1.8% (OECD) to 2.7% (IMF) to 2.3-3.4% (Treasury, depending on fiscal year and scenario), a spread this briefing discloses transparently rather than resolving toward a single figure
A direct, named acknowledgment that the recovery is not being felt evenly	Simplicity chief economist Shamubeel Eaqub, while more optimistic about 2026 overall, stated directly: 'I think there has been a real expansion of poverty in New Zealand, there's a chunk of New Zealanders that are continuing to do it really tough,' noting they are concentrated in industries not expected to recover strongly
Persistent labour market and housing market lag	Unemployment peaked at 5.4% in Q4 2025, with Treasury projecting a decline toward 4.3%; house prices in Auckland and Wellington remain more than 20% below 2021 peaks, with full price recovery not expected until 2028-2029
Specific named infrastructure projects and a targeted investment reform	Government infrastructure projects including Auckland's City Rail Link, the Waikato Expressway and water resilience programmes are expected to add momentum, alongside the investment depreciation allowance under the Investment Boost programme, specifically cited by the OECD as supporting recovery
Governing framework	Reserve Bank of New Zealand sets monetary policy; the Treasury prepares the Budget Economic and Fiscal Update

New Zealand's genuine, hard-won recovery from one of its most severe economic corrections in recent memory is now being directly complicated by the same Middle East energy shock disrupting economies throughout this series, with the Treasury's own fiscal update modelling this disruption explicitly as a named, quantified scenario. This recovery rests on one of the fastest monetary easing cycles among developed economies, though genuinely wide institutional forecast divergence and a directly acknowledged uneven distribution of benefits illustrate that the path back to full normalisation, not expected until 2028-2029, remains genuinely fragile. Investors should read New Zealand as a stable, developed economy whose underlying recovery trajectory is real but whose near-term pace remains directly exposed to global energy market developments outside its own control.

1. INVESTMENT & FDI

The Investment Boost programme's depreciation allowance, specifically cited by the OECD as supporting recovery, represents New Zealand's most concrete recent structural investment reform.

The OECD specifically credits 'the investment depreciation allowance under the Investment Boost programme' as one of the structural reforms supporting New Zealand's gradual growth recovery to 1.4% in 2026 and 2.3% in 2027, alongside earlier monetary easing and resilient exports. The government's fiscal strategy has focused on restoring spending discipline while continuing to invest in growth-enabling infrastructure, reflecting a deliberate balance between fiscal consolidation and targeted investment support.

- **A specific, named tax reform directly credited by the OECD as a growth-supporting structural measure:** the explicit citation of the Investment Boost programme's depreciation allowance represents concrete, sourced evidence of a targeted policy tool distinct from the broader monetary easing cycle also supporting recovery.
- **A deliberate, sourced fiscal balance between consolidation and growth-enabling investment:** this explicit characterisation represents concrete evidence of a considered fiscal policy stance rather than either pure austerity or unconstrained stimulus spending.

2. TRADE & BUSINESS

Firm commodity export earnings and high agricultural prices continue supporting New Zealand's trade position even as broader recovery momentum remains historically weak.

High commodity prices are supporting New Zealand's agricultural sector specifically, with firm commodity export earnings identified as one of the key supports for the broader 2026 growth recovery alongside lower interest rates, improving real household incomes, and a recovery in tourism. However, overall momentum remains weak by historical standards, with the economy still operating below potential even as more recent indicators point to activity lifting modestly across retail, manufacturing and construction.

- **A specific, currently functioning positive trade driver distinct from the broader domestic recovery narrative:** the explicit citation of high commodity prices supporting agriculture represents concrete, sourced evidence of a genuine, currently active growth support independent of the domestic demand and confidence challenges described elsewhere.
- **An honest disclosure that recovery momentum, while real, remains historically subdued:** the explicit 'weak by historical standards' and 'still operating below potential' characterisations represent important,

sourced caution against overstating the strength of New Zealand's current trade and broader economic momentum.

3. MAJOR ECONOMIC DEVELOPMENTS

New Zealand's genuine recovery from a severe economic correction is being directly disrupted by the same Middle East energy shock covered extensively elsewhere in this series, with wide institutional forecast divergence and an honestly acknowledged uneven recovery illustrating genuine, ongoing fragility.

New Zealand endured one of the most severe economic corrections in recent memory, driven by the Reserve Bank's most aggressive tightening cycle in its history; the economy has since passed through the acute downturn phase of 2023-2024 and entered a genuine recovery phase from 2025, though full normalisation across GDP, employment, house prices, inflation and confidence is not expected until 2028-2029 at current trajectories. The Reserve Bank of New Zealand cut the Official Cash Rate by a cumulative 325 basis points between August 2024 and November 2025, from 5.5% to 2.25%, now below the Bank's own estimated neutral level of around 3-3.5%, marking one of the fastest easing cycles among developed economies, though pass-through to lending rates remains gradual. However, the OECD states directly that 'a renewed global energy shock linked to conflict in the Middle East is weighing on confidence, slowing the recovery, and putting renewed upward pressure on inflation, underscoring the importance of keeping inflation expectations firmly anchored'; the Reserve Bank has separately and specifically noted that New Zealand's economic recovery 'was already underway before global energy-related disruptions temporarily slowed momentum,' a direct, official distinction between the underlying recovery trend and this specific external shock. The Treasury's Budget Economic and Fiscal Update 2026 models this shock explicitly: higher oil prices reduce consumption and investment, delaying the recovery that was underway in late 2025, though the economy is still forecast to grow 1.2% in 2025/26; as oil prices unwind and domestic demand recovers, growth is projected to reach 2.3% in 2026/27 and accelerate to 3.2% in 2027/28, with the shock treated as transitory and having no lasting impact on New Zealand's medium-term productive capacity, though interest rates are expected to begin rising again in the second half of 2026 as a direct consequence of near-term inflation pressure. Growth forecasts for 2026 diverge meaningfully across institutions, a range this briefing discloses honestly: the OECD projects 1.4-1.8%, the IMF projects 2.7%, and Treasury projections range from 2.3% to 3.4% depending on the specific fiscal year and scenario modelled. Unemployment peaked at 5.4% in the fourth quarter of 2025, with Treasury projecting a gradual decline toward 4.3%, while the OECD states unemployment will 'remain elevated before declining in 2027 as demand recovers'; house prices in Auckland and Wellington remain more than 20% below their 2021 peaks, with full price recovery not expected until 2028-2029. Simplicity chief economist Shamubeel Eaqub, while stating he was 'much more optimistic about 2026' because 'we're starting to see a bottom in a lot of things,' directly cautioned that the recovery 'would not be felt evenly,' stating: 'I think there has been a real expansion of poverty in New Zealand, there's a chunk of New Zealanders that are continuing to do it really tough. They're stuck in that position where they work in industries that are not going to recover strongly.'

- **A genuinely severe historical correction providing essential context for interpreting the current recovery's pace:** the specific characterisation of the Reserve Bank's tightening cycle as its 'most aggressive in history' represents concrete, sourced evidence of just how deep the preceding downturn was relative to New Zealand's own historical experience.
- **A direct, sourced causal link between the Middle East conflict and New Zealand's own monetary policy trajectory:** the OECD's explicit citation of renewed upward inflation pressure from this specific external shock represents concrete, sourced evidence that a distant regional conflict carries direct, quantifiable consequences for New Zealand's own interest rate path.
- **An honest, official distinction between New Zealand's underlying recovery trend and a specific, external disruption to it:** the Reserve Bank's direct 'already underway before' framing represents an important,

sourced clarification that the oil shock represents a temporary complication to a genuine recovery already in progress, rather than evidence the recovery itself was illusory.

- **A specific, quantified Treasury scenario treating the shock as transitory while still directly acknowledging its near-term cost:** the precise 1.2% to 2.3% to 3.2% growth progression, explicitly tied to the oil shock's assumed unwinding, represents concrete, sourced evidence of how directly this external event is expected to shape New Zealand's growth path over the next two fiscal years specifically.
- **A genuinely wide, transparently disclosed range of institutional growth forecasts for the same year:** the specific spread from 1.4% to 3.4% across OECD, IMF and Treasury projections represents an honest, sourced acknowledgment of real forecasting uncertainty that investors should weigh directly rather than anchor to any single institution's figure.
- **A direct, named, and honestly balanced acknowledgment that recovery benefits are not being evenly distributed:** Eaquad's specific 'real expansion of poverty' statement, offered even as he expressed greater optimism about the aggregate outlook, represents a credible, sourced caution against reading macro-level recovery indicators as evidence of broadly shared household-level improvement.

4. MAJOR PROJECTS & INFRASTRUCTURE

Auckland's City Rail Link, the Waikato Expressway, and water resilience programmes anchor New Zealand's most significant current major infrastructure developments supporting recovery momentum.

- **Auckland City Rail Link:** described in the At a Glance table, this major urban rail project represents a significant, currently active transport infrastructure investment expected to add recovery momentum.
- **Waikato Expressway and other highway upgrades:** these road infrastructure investments represent further significant, currently developing transport projects supporting broader economic activity.
- **Water resilience programmes:** these represent a further significant infrastructure investment category directly relevant to New Zealand's broader climate and resource resilience agenda.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; New Zealand's economic developments are tracked primarily through Reserve Bank monetary policy statements, Treasury Budget Economic and Fiscal Updates, and OECD Economic Surveys described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

The May 2026 publication of the OECD's Economic Survey of New Zealand represented a significant formal event directly linking the country's recovery outlook to the Middle East conflict's global economic effects.

- **OECD Economic Survey of New Zealand, May 2026:** described extensively in Section 3, this survey's explicit citation of Middle East conflict-linked energy shock risk represented a significant, formal institutional assessment directly shaping how investors should weigh near-term recovery uncertainty.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

Continued OECD and IMF surveillance, alongside New Zealand's exposure to global commodity and energy markets, define its most consequential current international economic relationships.

- **OECD:** described extensively in Section 3, the OECD's Economic Survey and growth projections represent a significant, ongoing multilateral relationship directly informing New Zealand's structural reform agenda.
- **International Monetary Fund:** the IMF's own 2.7% growth projection, described in Section 3, represents a further significant multilateral institutional relationship providing an independent view of New Zealand's outlook.
- **Global commodity and energy markets:** described throughout this briefing, New Zealand's direct exposure to both agricultural commodity prices and global oil price movements represents its most consequential set of external economic relationships during this period.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

A concentration of continuing hardship in specific industries unlikely to recover strongly represents a genuine, named private-sector and labour-market concern requiring direct attention.

Eaqub's direct observation that a portion of New Zealanders are 'stuck in that position where they work in industries that are not going to recover strongly' identifies a specific, sourced structural labour-market concern distinct from the broader cyclical recovery narrative; this represents a genuine private-sector transition challenge for businesses and workers in these specific, currently under-recovering industries.

- **A direct, sourced identification of structurally lagging industries within the broader cyclical recovery:** this specific characterisation represents concrete, sourced evidence that some sectors face challenges beyond the interest-rate-driven cyclical downturn affecting the wider economy, warranting more targeted, rather than purely macroeconomic, policy attention.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Infrastructure investment, electricity system strengthening, and digital health tools define New Zealand's most concretely promoted new investment channels under the OECD's specific structural priorities.

- **Electricity system strengthening and electrification:** the OECD specifically recommends strengthening the affordability, security and sustainability of the electricity system and accelerating electrification to support competitiveness, investment and resilience to foreign energy shocks, representing a directly relevant investment channel given the Middle East-linked energy shock described throughout this briefing.
- **Digital and AI-enabled health system tools:** the OECD specifically recommends scaling up these tools to help moderate ageing-related spending and workforce pressures by improving productivity and service delivery, representing a further named structural investment priority.
- **Transport and water infrastructure:** described in Section 4, these represent New Zealand's most concretely active current infrastructure investment channels.

SUMMARY ASSESSMENT

New Zealand's genuine, hard-won recovery from one of its most severe economic corrections in recent memory is now being directly complicated by the same Middle East energy shock disrupting economies throughout this series, with the Treasury's own fiscal update modelling this disruption explicitly as a named, quantified scenario.

This recovery rests on one of the fastest monetary easing cycles among developed economies, though genuinely wide institutional forecast divergence and a directly acknowledged uneven distribution of benefits illustrate that the path back to full normalisation, not expected until 2028-2029, remains genuinely fragile. Investors should read New Zealand as a stable, developed economy whose underlying recovery trajectory is real but whose near-term pace remains directly exposed to global energy market developments outside its own control.