

Westpac economists pare back their economic growth forecasts and now see annual GDP growth of just 2.4% through the first half of this year, however, they reckon house price growth could be even stronger than they previously forecast

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Westpac economists have taken the pruning shears to their economic growth forecasts and now see GDP growth of just 0.4% (down from previous pick of 0.6%) for the 2019 June quarter.

This would give annual GDP growth of just 2.4%, which the economists, in their **Weekly Commentary**, note would be "not much faster than the rate of population growth over the past year".

The Westpac economists have been reviewing their forecasts following release last week of the NZ Institute of Economic Research's **latest Quarterly Survey of Business Opinion (QSBO)**, which showed that business confidence has plunged to its lowest level in 10 years, and indications are that annual economic growth could slow to below 2% in the second half of this year.

The Westpac economists say latest economic developments have "reinforced our expectation that the [Reserve Bank] will cut the cash rate to 1.25% at the August policy meeting".

With mortgage rates having already reduced this year and with the RBNZ moving into an easing mode, the Westpac economists have **previously forecast that house price growth may rise to 7% next year**.

And with the latest developments, the economists are even more convinced about this particular forecast.