New Zealand Market Update: Q2 2025

SIMPSON GRIERSON

May 2025

Welcome to our Q2 newsletter covering key commercial developments in New Zealand.

Economic signals remain mixed

The official cash rate has dropped to 3.5%, providing welcome interest rate relief for businesses and consumers. However, with inflation back to 2.5%, further cuts aren't guaranteed. Unemployment and business liquidations continue to trend upwards, and both consumer and business confidence slipped in the March quarter.

On a more positive note, goods exports rose by 19% ($1.2 billion) in the year to March 2025, outpacing the 12% rise in imports. Strong global dairy prices have also helped support export earnings and contributed to New Zealand's economic recovery.

Exporters are keeping a close eye on US tariff developments, but New Zealand has so far avoided the worst, with a 10% tariff.

Global uncertainty hasn't deterred domestic investors, with share trading volumes up and a five-month high for the New Zealand dollar against the US dollar - welcome news for outbound travellers, if not for exporters.

Major Deals

Lower interest rates and inflation mean the foot is off the brake for M&A, but activity has been slow to pick up.

There are early signs of renewed capital markets activity, with Fonterra weighing an IPO of its consumer brands business and the Government exploring a potential Kiwibank IPO.

Key Q1 deals include:

- Rayonier selling its 77% stake in a New Zealand forestry joint venture to The Rohatyn Group for NZ$1.24 billion (USD $710 million), exiting the NZ market after 36 years to focus on US opportunities.
- Ebos successfully completed a $217 million placement as part of its $270 million capital raise, which includes the acquisition of SVS Veterinary Supplies for $115 million.
- Bain Capital sold its 19.9% shareholding in Tower via a block trade agreement with Forsyth Barr and Goldman Sachs for a fixed price of $1.30, with a total consideration of $88.7 million.
- Retirement village operator Ryman Healthcare completed a $1 billion capital raise to pay down debt and reduce gearing.

Government reform

The Government has announced significant reforms to the foreign investment regime, expected to be implemented before the end of 2025. The current regime is based on an underlying presumption that it is a privilege to own sensitive assets in New Zealand. The proposed reforms reverse this presumption and seek to deal with investments in 3 categories:

- Investments involving farmland, residential land, or fishing quota will remain subject to the existing consent regime.
- Investments which would currently require consent and involve an interest in a strategically important business or a foreign government acquisition of more than 25% of an asset will undergo a mandatory national interest assessment to consider whether the benefits of the application outweigh the risks.
- All other investments will only require consent if an initial 15 business day review identifies national security risks. If so, the application will go through the consolidated assessment process.

The Government is also planning sweeping reforms to the Resource Management Act with a stronger focus on private property owners' right to develop their property and a separate act focusing on management of natural resources.

Infrastructure

The Government is planning to introduce a bill by mid-2025 to overhaul the Public Works Act, which gives the Crown power to acquire land from private landowners for public works. The changes should simplify the land acquisition process, speeding up infrastructure development in New Zealand.

The Government hosted its inaugural Infrastructure Summit in March, bringing together local and international investors managing a combined $6 trillion in assets, and is hoping that investors will be interested in the $204 billion worth of infrastructure projects in the National Infrastructure Pipeline.

The Government is planning to update the Infrastructure Funding and Financing Act to make it easier for councils and developers to access private capital and will introduce new agencies to assist infrastructure investors and financiers.

Energy

According to the Ministry for the Environment, climate change is already impacting New Zealand's economy and electricity infrastructure, with extreme weather events causing floods, fires, and power cuts, and changing rainfall and reduced snowmelt putting hydro generation at risk. These pressures are accelerating the need to bring more renewable generation online.

To strengthen the electricity market, the Energy Competition Task Force has been consulting on how to support greater use of Power Purchase Agreements, which help businesses secure stable energy prices and reduce exposure to market volatility, and on how to increase access to hedging contracts, which are vital to helping independent retailers and generators remain financially viable.

In the short term, wholesale electricity prices are expected to be high again this winter, due to low hydro lake levels and a tight gas supply.

Genesis Energy is confident it will have enough coal to run all three Rankine units at Huntly this winter. While this will help security of supply, it won't help New Zealand meet its climate goals, which could be even more challenging now that Parliamentary Commissioner for the Environment Simon Upton has recommended phasing out forestry carbon credits for fossil fuel emissions in New Zealand's Emissions Trading Scheme.

However, a strong pipeline of renewable energy projects and sustained investor interest have New Zealand well positioned to significantly expand its renewable electricity generation in the medium term.

Conclusion

Like many countries, New Zealand's economy is reflecting the effects of global uncertainty, including tariffs and the risk of a broader slowdown. However, New Zealand's relatively low interest rates and inflation, and stable government, make it a resilient and attractive destination for global capital amid global market uncertainties.

Once markets stabilise, we expect growing international interest, particularly in infrastructure projects, renewable energy, and data centre developments.

For those exploring opportunities in New Zealand, our updated Investing in Aotearoa New Zealand guide provides practical insights for international investors looking to enter the New Zealand market.

James Hawes
Partner
Auckland
P +64 9 977 5448
M +64 21 826 994

Andrew Matthews
Partner
Auckland
P +64 9 977 5402
M +64 21 420 072

Don Holborow
Partner
Wellington
P +64 4 924 3423
M +64 29 9 924 3423

Anastasiya Gamble
Partner
Auckland
P +64 9 977 5121
M +64 21 750 205

Michael Pollard
Partner
Auckland
P +64 9 977 5432
M +64 21 400 852

Andrew Harkness
Partner
Auckland
P +64 9 977 5008
M +64 21 770 770

Edward Norman
Partner
Wellington
P +64 4 924 3575
M +64 21 225 9283