

# New Zealand Market Update: Q1 2025

February 2025

**Welcome to our first 2025 newsletter covering key commercial developments in New Zealand. The mood is cautiously optimistic, with inflation at 2.2% for the year ended December 2024 and interest rates predicted to fall further in 2025.**

By late 2024, business confidence was at its highest since 2021, although that could be because all the pessimists had migrated, with a record 128,000 long term departures in the year to November. Business liquidations hit a 10-year high, and unemployment is the highest since 2020 and is expected to rise to a 10-year high by mid-2025.

Nevertheless, New Zealand ended 2024 strongly with the Government announcing a ground-breaking free-trade deal with the Gulf Cooperation Council, gaining duty free access for 99% of New Zealand goods over the next 10 years. Currently, all eyes are on the United States, waiting to see whether New Zealand will face tariffs on its approximately \$8bn of annual exports.

## Major Deals

M&A activity is taking time to pick up, with deals remaining stubbornly difficult to execute. However, it is hoped that lower interest rates and a weaker New Zealand dollar will make investments more appealing to international investors. Key 2024 deals include:

- Spark New Zealand sold its remaining stake in mobile towers business Connexa to global investment group CDPQ for \$314m.
- [Auckland Council](#) sold its remaining stake in Auckland International Airport for \$1.31 billion.
- Icehouse Ventures raised \$122 million for a growth fund designed to supercharge 20 mature, high-growth New Zealand tech companies.
- Auror, the New Zealand-based software company which assists retailers in reporting and preventing theft, raised \$82m from a Series C round.
- Auckland International Airport's \$200 million Retail Offer closed oversubscribed.
- [The Commerce Commission](#) deferred its decision on Contact Energy's proposed \$2.3 billion takeover of Manawa Energy to 31 March.

## Government

The message from the Government is very clearly that New Zealand is open for business. In mid-October, the Government announced a [change in approach to foreign investment \(and the Overseas Investment Act\)](#). The starting point, when considering an inbound deal, is now that investment can proceed unless there is an identified risk to New Zealand's national interests. It remains to be seen how this statement will translate into regulatory changes.

Alongside this change in approach, [the Government is creating a new Crown Entity](#) to serve as a one-stop shop for foreign direct investment, with a focus on attracting international capital and infrastructure investment. Finally, [the Government is relaxing](#) visitor visa requirements so that tourists can work remotely while visiting.

The Government continues to cut red tape with [changes to IPO listing requirements](#) and a [review of New Zealand's competition rules](#) to ensure they keep pace with market developments. In addition, the Government hopes to unlock some of the \$1.1 billion in KiwiSaver accounts for the benefit of New Zealand's capital market by making it easier for KiwiSaver providers to invest in private assets, particularly infrastructure.

There was a rush of legislation introduced towards the end of 2024, as the Government sped up its programme of change:

- [The Fast-Track Approvals Act 2024 passed](#) which provides a streamlined decision-making process to facilitate the delivery of infrastructure and development.
- [The Gene Technology Bill](#) passed its first reading. It will end New Zealand's near 30-year ban on gene technology outside the lab and is based on Australia's Gene Technology Act 2000.
- [The Offshore Renewable Energy Bill](#) passed its first reading. It will create a new regulatory regime that will enable construction of offshore wind generation.

## Infrastructure

The Government released a [refreshed Public Private Partnership \(PPP\) framework](#) that provides a blueprint to the market outlining how it will approach future PPP transactions. Cabinet also agreed to an ambitious [new Funding and Financing Framework](#) to help the Crown make smarter, more informed funding and financing decisions.

## Energy

The energy sector remains a key focus for the Government as it tries to balance energy security with its climate goals. Low summer rainfall is raising concerns that New Zealand could be in for another year of electricity price volatility, with gas supply likely to stay below demand. Notable developments include:

- [The Bill to reverse the 2018 ban](#) on new petroleum exploration did not pass before Christmas as planned, due to conflict over post-decommissioning obligations.
- [The Government is drafting an Energy Efficiency and Conservation Amendment Bill](#) to support electricity demand flexibility and manage peak demand, with implementation expected by 2026.
- [The Government has released the terms of reference for the electricity market review](#) examining whether the current market supports economic growth and access to reliable and affordable electricity.



## Courts

Q4 saw some significant court decisions, with a BNZ victory in its [debanking case against the Gloriavale Christian community](#) for breach of BNZ's human rights policy and the [Supreme Court granting Uber leave to appeal](#) the decision that Uber drivers are employees. [In 2025, we're expecting to see](#) a growth in class actions and funded litigation, continuing high levels of regulatory enforcement, and an escalation in both regulatory and private greenwashing actions.



## Conclusion

Despite high business confidence and keen investors, we are expecting a volatile year for New Zealand's capital markets. The economy is heading in the right direction, but further interest rate cuts would provide a much-needed boost after a challenging 2024.

We see growing opportunities in key sectors like energy and infrastructure, and New Zealand tech companies remain sought after, while increased restructuring and liquidations offer strategic entry points for investors.

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