

Kia ora Members,

The New Zealand economy is showing encouraging signs of recovery as we move out of a period of low growth and high inflation. Both the Reserve Bank of New Zealand (RBNZ) and The Treasury now anticipate a gradual strengthening in growth over the coming year and beyond, offering a more stable environment for businesses across sectors – including dentistry. For practices and suppliers, this improving outlook may support renewed confidence in investment, staffing, and patient service delivery.

Key Developments

Inflation: Annual consumer price index (CPI) inflation recently measured at 2.7 %, placing it within the RBNZ’s 1-3 % target band - an important milestone for reducing cost pressures felt across clinics and suppliers.

Interest Rates: The RBNZ has reduced the Official Cash Rate (OCR) by 25 basis points to 3.0 % - a three-year low - marking a shift from tightening to easing monetary policy. Lower borrowing costs may benefit practices considering financing equipment upgrades or expansions. Forecasts suggest further cuts may follow.

Growth: After a contraction in Q₂ 2025, indicators are showing tentative improvement. Growth is expected to remain modest but recover gradually, led by exports. A more stable economy typically flows through to patient demand and treatment uptake.

Labour Market: Rising unemployment (around 5.2 %) points to a weaker jobs market. For dental practices, this may ease staffing pressures but could also influence patient spending patterns.

Business Confidence: Easing inflation and interest rates are generally supportive of renewed investment, including in healthcare and dental services.

Outlook and Challenges

Positive Trajectory: The recovery is underway but will build gradually. Inflation is expected to drift back toward the 2 % mid-point by 2026.

Policy Lags: The impact of lower interest rates will take time to flow through to households and businesses, meaning conditions may remain uneven in the short term.

Global Uncertainty: Tariffs and trade shifts still pose risks. These can influence the supply chain for dental equipment and consumables, particularly where products are imported.

Government Support: Budget 2025 signalled restrained spending, but targeted initiatives may still provide opportunities for investment in health infrastructure and services.

What This Means for the Dental Industry

For our sector, this gradual recovery provides:

- **More Predictable Costs:** With inflation easing, practices and suppliers can plan budgets with more confidence.
- **Improved Access to Finance:** Lower borrowing costs may support reinvestment in equipment, training, and technology upgrades.
- **A Cautious but Positive Outlook:** Conditions are improving, though patience will be needed as benefits spread unevenly across the economy.

We’ll continue to monitor developments closely and keep you updated on how wider economic shifts may affect dental practices, suppliers, and the industry as a whole.

Many thanks,

New Zealand Dental Industry Group