

MNI RBNZ Preview – August 2025

Meeting Date: Wednesday, 20 August 2025

Statement Release Time: 14:00 NZST/03:00 BST

Press Conference Time: 15:00 NZST/04:00 BST

Link To Statement: <https://www.rbnz.govt.nz/monetary-policy/official-cash-rate-decisions>

Link To MPS: <https://www.rbnz.govt.nz/monetary-policy/monetary-policy-statement>

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MNI POV (Point Of View): Rate Cut, Focus On OCR Path

The RBNZ meets on Wednesday August 30 and is likely to cut rates 25bp to 3.0%, the mid-point of its estimated "neutral" range. While it paused at the July meeting, it was with a clear easing bias if "medium-term inflation pressures continue to ease as projected". The economy has developed broadly as it expected in May, with excess capacity persisting, when it had another 25bp of easing factored into its OCR path. With measures of core inflation within the 1-3% target band, inflation expectations steady, wage pressures moderating and activity remaining subdued, the MPC is likely to determine that this further easing is needed. This is almost unanimously expected with only JP Morgan forecasting that the MPC will continue to pause (see [p. 10](#)).

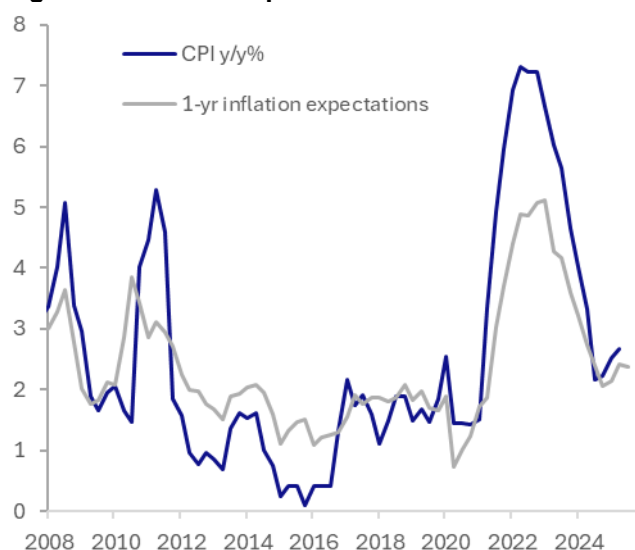
With the cut widely forecast, attention will be on the revised RBNZ outlook and tone of the statement and press conference. The focus is likely to be on the projected OCR path and whether it is revised lower suggesting further easing towards stimulatory territory as excess capacity in the labour market increased in Q2, global growth is still expected to slow and both could put downward pressure on underlying inflation. However, in the July statement the MPC suggested little change as "medium-term inflation pressures" are easing "in line with the Committee's central projections". In May, the OCR troughs around 2.85%, while not a forecast, it still keeps open the possibility of going below 3%. With Governor Hawkesby's term currently ending in early October, although it can be extended for another 3 months, the RBNZ may not want to signal too much regarding future policy moves.

With the focus on the medium-term, the 2026 and beyond inflation forecasts will be the important ones and should remain around the 2% band mid-point. The bank expects increased US protectionism to be a demand shock for NZ and thus disinflationary over the medium-term. The RBNZ said in June, "inflation is expected to increase further in the June and September quarters", thus H2 2025 is likely to be revised higher from the May forecasts of 2.7% and 2.4% respectively, but the pickup is likely to be temporary. If our assumption is incorrect that inflation is still expected to be around 2% in the updated projections, then there would also be a shift in the RBNZ's OCR path.

Q2 headline CPI rose 0.5% q/q and 2.7% y/y in line with the RBNZ's quarterly May expectation while the domestically-driven non-tradeables rose 0.7% q/q easing to 3.7% y/y from 4%, as it also forecast (see [MNI Inflation Low Enough For August Cut](#)). Its factor sector model measure of core moderated 0.1pp to 2.8%, the lowest since Q2 2021, and underlying non-tradeables was 4% y/y, the lowest in almost 4 years (see [MNI RBNZ Core Inflation Measure Moderates Slightly](#)). Inflation expectations staying anchored despite the near-term increase in inflation is important to the MPC and its Q3 survey showed they were stable within the target band one and two years ahead (see [MNI Steady Inflation Expectations, August Cut Likely](#)). In line with the last RBNZ statement, July price data showed a pickup in inflation with food, accommodation, fuel and power posting solid monthly increases.

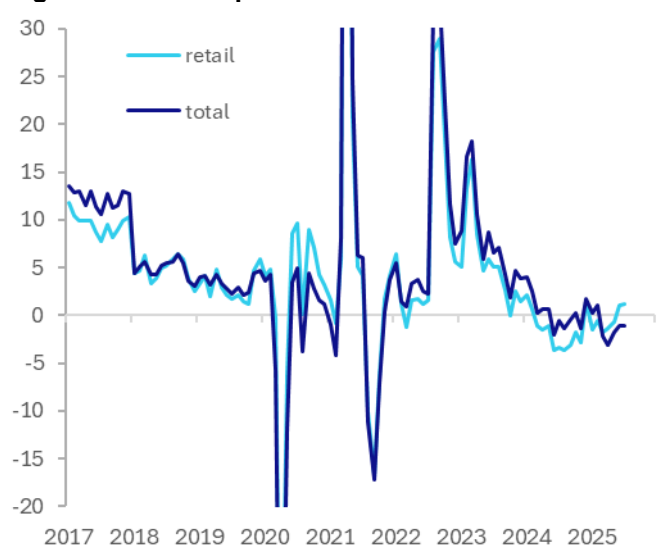
While the Q2 unemployment rate and private wages printed in line with the RBNZ's May forecasts, employment was weaker (see [MNI Q2 Labour Data Expected To Be Weaker Than RBNZ May Forecasts](#)). This and generally subdued activity data may drive a downward revision to its view of labour market conditions in general and thus result in lower wage inflation expectations too. Q1 GDP was stronger than the RBNZ expected but Q2 was probably weaker leaving H1 close to expectations. Even if the growth path is revised down, it is still likely to show it picking up as significant monetary easing to date continues to feed through to the economy.

Figure 1: Inflation expectations stable



Source: Source: MNI – Market News/Refinitiv/ABS

Figure 2: Consumption remains subdued



Source: MNI – Market News/ABS/Bloomberg

Activity data have been subdued. While card expenditure growth is off its lows the total in July was still down 1% y/y while retail was up just 1.2% y/y (see [MNI Gradual Recovery In Retail Card Spending](#)). The July manufacturing PMI rose to 52.8, the first above 50 print since April, but services remained below at 48.9, the sixth consecutive monthly contraction. July ANZ business confidence and activity outlook were below Q4 2024 and Q1 2025 levels as was consumer confidence (see [MNI ANZ Business Survey Signals Continued Lacklustre Recovery](#)).

Strong merchandise exports supported the economy in Q1 with values up 11% q/q helped by shipments of primary products and front loading ahead of US tariff deadlines. However, they were down 3.7% q/q in Q2 and that trend could likely continue over H2 2025 (see [MNI Q2 Exports Fall As Shipments To US Normalise](#)). The RBNZ expects slower global growth to weigh on NZ exports as well as the payback for elevated Q1 shipments to the US. As NZ runs a small trade surplus with the US, it will face 15% import duties unlike Australia's 10%, who has a deficit. This may impact NZ exports in the immediate future, but it is well positioned to redirect to other markets.

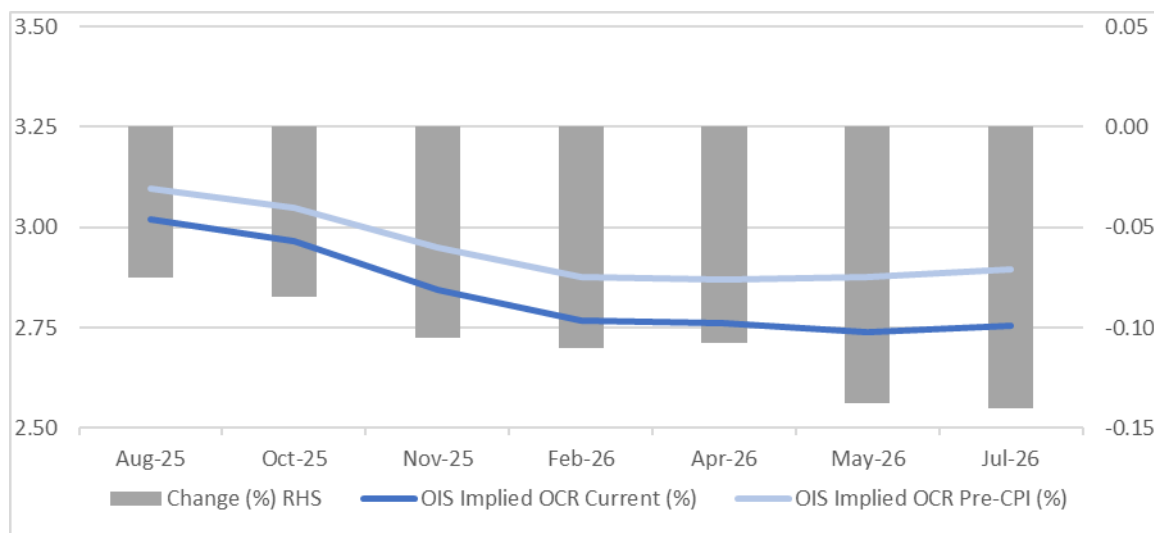
With an August rate cut almost unanimously expected, the focus will be on the RBNZ's updated OCR and inflation paths. This and the statement language will also signal whether it has retained its easing bias after the decision. It seems unlikely to signal that it is expecting to ease below the bottom of its 2.5-3.5% estimated "neutral" range, but this will be monitored closely. It will remain data dependent though to ensure that the economy continues to develop generally as it expects. There will be two filled jobs & consumer/business confidence, one monthly price indices & PSI/PMI prints as well as Q2 GDP on 18 September before the next decision on October 8. The final one of 2025 is November 26 which includes an updated outlook and may be also a new governor.

RBNZ-Dated OIS Pricing

RBNZ-dated OIS pricing is slightly firmer across meetings ahead of tomorrow's RBNZ Policy Decision.

- 23bps of easing is priced for tomorrow's meeting, with a cumulative 41bps by November 2025.
- Notably, pricing is 8-14bps softer across meetings versus late July's pre-CPI levels.
- NZ CPI rose less than economists expected in Q2. Headline CPI rose 0.5% q/q 2.7% y/y (estimate +0.6% and 2.8%). Tradeables rose 0.3% q/q, less than forecast, while non-tradeables were in line at 0.7% q/q.

Figure 1: RBNZ Dated OIS Current vs. Pre-CPI (%)



Source: Bloomberg Finance LP / MNI

RBNZ July 2025 Monetary Policy Review Announcement

The Monetary Policy Committee today agreed to hold the Official Cash Rate at 3.25 percent.

Annual consumers price inflation will likely increase towards the top of the Monetary Policy Committee's 1 to 3 percent target band over mid-2025. However, with spare productive capacity in the economy and declining domestic inflation pressures, headline inflation is expected to remain in the band and return to around 2 percent by early 2026.

Elevated export prices and lower interest rates are supporting a recovery in the New Zealand economy. However, heightened global policy uncertainty and tariffs are expected to reduce global economic growth. This will likely slow the pace of New Zealand's economic recovery, reducing inflation pressures.

The economic outlook remains highly uncertain. Further data on the speed of New Zealand's economic recovery, the persistence of inflation, and the impacts of tariffs will influence the future path of the Official Cash Rate. If medium-term inflation pressures continue to ease as projected, the Committee expects to lower the Official Cash Rate further.

Summary Record of Meeting – July 2025

Annual consumers price index inflation remains within the Monetary Policy Committee's 1 to 3 percent target band. While inflation is expected to approach the top of the target band in Q2 and Q3 of 2025, spare productive capacity and declining core inflation are consistent with headline inflation returning to the midpoint over the medium term. The Committee noted that the outlook for medium-term inflation pressures in New Zealand has evolved broadly in line with the May MPS projections. The pace of recovery in domestic consumption and investment remains weak, reflecting heightened caution in the face of global policy shocks and uncertainty. But strong export prices and recent monetary policy easing are expected to support the economic recovery.

Global economic growth is expected to weaken

Global growth is expected to slow over the second half of 2025, reflecting the uncertain consequences of trade protectionism. However, the Committee noted that fiscal expansion in the euro area, the US, and China may counter some of the downside risks.

On balance, increased protectionism is expected to result in less inflationary pressure for New Zealand. While tariffs are likely to be inflationary in the US, forecasts for inflation in China and emerging Asia have been lowered recently, partly reflecting an appreciation in some Asian currencies.

The Committee discussed recent developments in global financial markets. Weaker investor sentiment for US dollar assets has contributed to rising term premia in the bond market and depreciation of the US dollar. Rising term premia in the US, and global fiscal expansion, have contributed to higher long-term bond yields in other advanced economies.

Domestic financial conditions have continued to ease

The Committee noted that, despite global factors, domestic financial conditions are evolving broadly as expected. Mortgage and deposit interest rates have continued to decline, reflecting a lower OCR, strong bank liquidity, and soft credit growth. The average interest rate on the stock of mortgages is expected to continue to decline in coming quarters as more mortgage holders refix at lower one to two year fixed-term interest rates. Close to half the stock of mortgages is due to reprice during the September and December 2025 quarters.

Domestic economic activity is expected to gradually recover

In aggregate, GDP growth over the December and March quarters was stronger than expected, reflecting a pick-up in household consumption and business investment. But higher frequency indicators suggest weaker than expected growth in April and May. Taken together, this suggests the current level of economic activity is broadly consistent with the Committee's judgement in May. Overall, there remains significant spare capacity in the New Zealand economy. Higher export prices and monetary policy easing should contribute to a gradual recovery in economic activity.

Inflation is expected to rise towards the top of the target band in mid-2025

Annual consumers price index inflation increased to 2.5 percent in the March 2025 quarter. Inflation is expected to increase further in the June and September quarters, towards the top of the MPC's inflation target band. The near-term increase in inflation is due to a pick-up in food prices and elevated administered price increases. Inflation is expected to fall over late 2025 and return to around the mid-point of the target band by early 2026, as significant spare capacity in the economy further reduces domestic inflation pressures.

Risks to the global outlook remain elevated

The Committee discussed several key risks around the economic outlook. There remains significant uncertainty about global tariff policy, and how this will affect the global economy. As outlined in the alternative scenarios in the May MPS, recently announced tariffs could result in higher or lower medium-term inflation pressure for New Zealand than assumed in the central scenario. The costs of trade could increase by more than assumed as global supply chains adapt to trade barriers, increasing inflationary pressure. Conversely, policy uncertainty could lower global investment, and trade diversion could lower import prices by more than currently assumed, lowering inflation pressure.

The Committee noted the risk that large economic policy shifts overseas, and concerns about sovereign risk, could result in additional financial market volatility and increased bond yields. Conflict in the Middle East and Ukraine has contributed to volatility and heightened uncertainty around global energy prices. A re-escalation in conflict would present upside risk to energy prices. However, increased oil supply from OPEC could mitigate this risk.

The domestic economic outlook remains uncertain

The Committee noted uncertainty about the speed with which the domestic economy would continue recovering. Some members highlighted that prolonged economic uncertainty might induce further precautionary behaviour by households and firms. Such actions risk becoming mutually reinforcing and weigh on aggregate demand, slowing the economic recovery. The recent weaker than expected higher frequency indicators could be consistent with this.

In contrast, other members emphasised stronger household consumption and business investment in the March quarter, along with higher surveyed investment intentions in the June quarter, as possible signals of a recovery in interest rate sensitive parts of the economy.

The Committee noted that there were upside and downside risks to the medium-term outlook for inflation. With higher inflation expected in the near term, some members underlined a risk that this could lead to more persistently elevated price- and wage-setting behaviour. Members also discussed the risk that administered price inflation could remain high for a prolonged period. However, other members emphasised the large negative output gap, moderate wage inflation and job insecurity, and continued weakness in house prices. Together with the broad-money-to-nominal-GDP ratio being well below its pre-pandemic trend, this could provide confidence that inflationary pressures remain contained.

The Committee agreed to hold the OCR at 3.25 percent

The Committee discussed the options of cutting the OCR by 25 basis points to 3 percent or keeping the OCR on hold at 3.25 percent at this meeting.

The case for lowering the OCR at this meeting highlighted weak near-term growth momentum and the risk of prolonged weakness in economic activity from excess caution by households and businesses in the face of economic uncertainty. This could lead to downward pressure on medium-term inflation. Some members emphasised that further monetary easing in July would provide a guardrail to ensure the recovery of economic activity, whilst being consistent with price stability.

The case for keeping the OCR on hold at this meeting highlighted the elevated level of uncertainty, and the benefits of waiting until August in light of near-term inflation risks. Some members emphasised that waiting would allow the Committee to assess whether weakness in the domestic economy persists, and how inflation and inflation expectations evolve. It would also allow more time to observe developments in the global economy.

On Wednesday 9 July, the Committee reached consensus to hold the OCR at 3.25 percent.

Subject to medium-term inflation pressures continuing to ease in line with the Committee's central projections, the Committee expects to lower the Official Cash Rate further, broadly consistent with the projection outlined in May.

RBNZ May 2025 MPS – Key Forecast Variables

Key forecast variables

		GDP growth Quarterly	CPI inflation Quarterly	CPI inflation Annual	Unemployment rate	TWI	OCR
2023	Mar	-0.1	1.2	6.7	3.4	71.3	4.5
	Jun	0.8	1.1	6.0	3.6	71.0	5.3
	Sep	0.0	1.8	5.6	3.9	70.6	5.5
	Dec	0.2	0.5	4.7	4.0	70.8	5.5
2024	Mar	0.4	0.6	4.0	4.4	71.6	5.5
	Jun	-1.1	0.4	3.3	4.6	71.4	5.5
	Sep	-1.1	0.6	2.2	4.8	70.9	5.4
	Dec	0.6	0.5	2.2	5.1	69.5	4.6
2025	Mar	0.4	0.9	2.5	5.1	67.8	4.0
	Jun	0.3	0.5	2.6	5.2	69.0	3.4
	Sep	0.2	0.8	2.7	5.2	69.0	3.1
	Dec	0.9	0.2	2.4	5.1	69.0	2.9
2026	Mar	0.8	0.5	1.9	5.0	69.0	2.9
	Jun	0.7	0.5	1.9	4.9	69.0	2.9
	Sep	0.7	0.9	2.1	4.8	69.0	2.9
	Dec	0.7	0.3	2.1	4.7	69.0	2.9
2027	Mar	0.7	0.5	2.2	4.6	69.0	3.0
	Jun	0.8	0.4	2.1	4.5	69.0	3.0
	Sep	0.7	0.9	2.1	4.4	69.0	3.1
	Dec	0.7	0.2	2.0	4.4	69.0	3.1
2028	Mar	0.6	0.5	2.0	4.3	69.0	3.1
	Jun	0.6	0.4	2.0	4.3	69.0	3.1

Source: RBNZ

MNI RBNZ WATCH: MPC Likely To Cut 25bp To 3%

MELBOURNE - The Reserve Bank of New Zealand is likely to cut the Official Cash Rate by 25 basis points to 3% next Wednesday, as unemployment rises and economic growth remains sluggish.

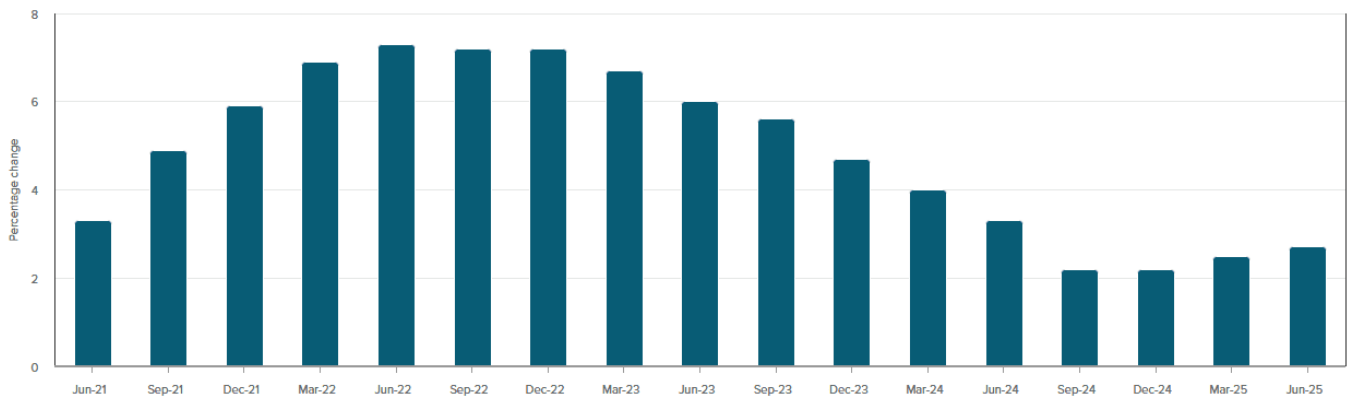
A quarter-point move would bring the OCR to its lowest level since September 2022 and take cumulative easing to 250bp over the past 12 months. Next week's meeting follows July's decision to hold the cash rate steady, when the Monetary Policy Committee signalled further cuts ahead should medium-term inflation continue to ease in line with forecasts. (See [MNI RBNZ WATCH: MPC Holds, Eyes August Cut](#))

Markets assign a 90% probability to a cut next week and expect the OCR at 2.6% by Q2.

DOMESTIC DATA

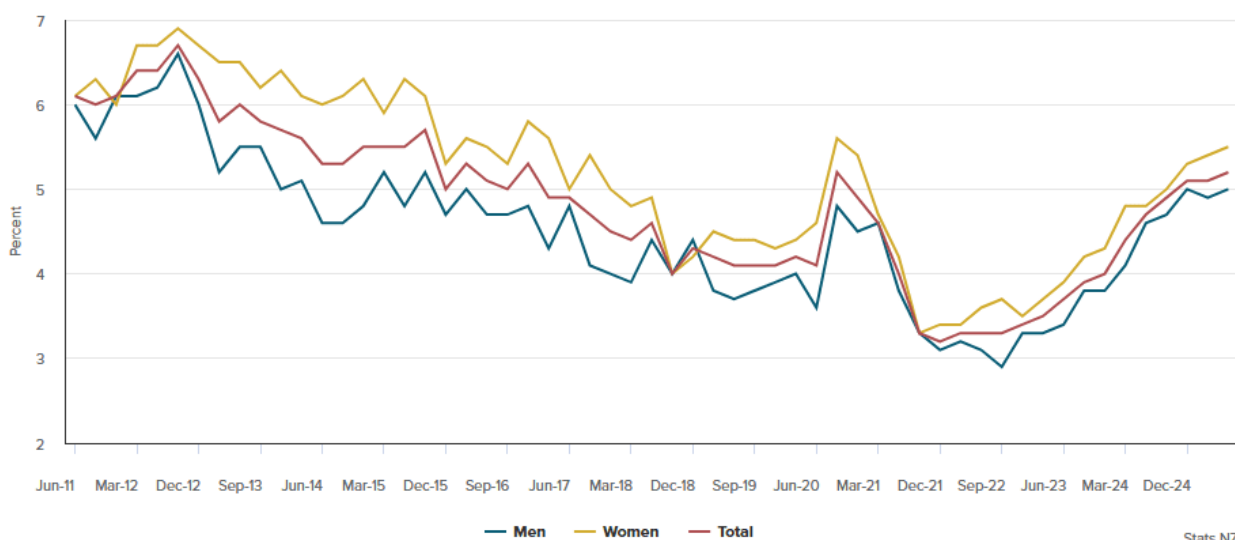
[June quarter inflation](#) was 2.7% y/y, close to the RBNZ's 2.6% May forecast, while household and business inflation expectations have remained largely stable. One-year-ahead expectations fell to 2.37% from 2.41% and two-year-ahead to 2.28% from 2.29%, [RBNZ data showed](#) earlier in the month. Five-year expectations rose to 2.26% from 2.18%, while the 10-year view held at 2.15%. Respondents on average expect the OCR to fall to 3.02% by end-Q3 2025 and to 2.86% by end-Q2 2026.

Consumers price index, annual percentage change, June 2021–June 2025 quarters



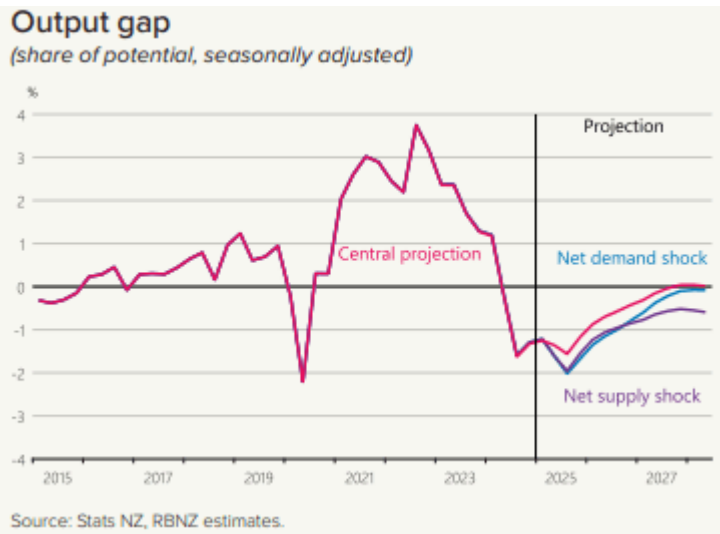
[While the unemployment rate rose to 5.2%](#) in Q2, in line with the RBNZ's forecast, employment grew below expectations at just 0.1%. Monthly filled jobs and vacancies data suggest momentum remains weak, indicating the RBNZ may need to revise up its May forecast for the jobless rate to peak at current levels.

Unemployment rate by sex, seasonally adjusted, June 2011–June 2025 quarters



Stats NZ

The RBNZ's updated forecasts in the August Monetary Policy Statement, to be released alongside the decision, will also focus attention on its output gap estimates, which it described as "significantly negative" in May. (See chart)



JUMBO EXPECTATIONS

The committee could discuss a 50bp cut next week as unemployment rises and the economy continues to stall, but will likely opt for a quarter-point move, Michael Reddell, independent economic commentator and former RBNZ special adviser, told MNI this week. (See [MNI INTERVIEW: RBNZ To Cut 25bp, Eye 50bp Move - Reddell](#)) Weak productivity and a widening output gap are putting downward pressure on core inflation, Reddell said. "That gives me confidence that core inflation really can only head down from here," he added.

Sell-Side Analyst Views

ASB (-25bp): “We expect the RBNZ to cut the OCR by 25bp to 3.00% on August 20. This is consistent with the policy guidance that the RBNZ signalled back in the May MPS, that has held up remarkably well in the time since then.

- An easing bias is expected to be maintained. While NZ data has evolved in line with RBNZ expectations, the case for lower OCR settings has strengthened. The outlook is incredibly uncertain, but growth headwinds remain and are likely to translate into weaker medium-term inflation.
- We suspect the RBNZ will tweak their economic forecasts lower. With few tailwinds evident and fiscal buffers needing to be restored, more of the onus of policy support will fall on the OCR. We suspect that the RBNZ are likely to tread carefully given caution over the inflation outlook, pronounced uncertainty and as the full impacts of 225bps of OCR cuts are yet to impact the NZ economy.
- We haven’t blinked quite yet regarding our OCR call (3% OCR floor), as it looks prudent to digest the RBNZ’s August MPS first. Nonetheless, we suspect that the case is building for a period of supportive OCR settings to jump-start the NZ economy. Every OCR decision before the end of the year looks to be effectively “live” and there is an increased likelihood of an OCR below 3% before year end.”

Bank of America (-25bp): “We expect the RBNZ will cut by 25bps to 3.0% in response to weak domestic growth momentum and a fragile labor market, while global growth headwinds also support further easing. Inflation is rising but was slightly softer than expected in 2Q, and medium-term inflation risks skew to the downside.”

BNZ (-25bp): “In its July Monetary Policy Review the RBNZ stated that “If medium-term inflation pressures continue to ease as projected, the Committee expects to lower the Official Cash Rate further”. In our opinion this condition has been satisfied meaning a 25-basis point cut to 3.0%” on August 20.

- “In our opinion, one more nudge to 2.75% is a minimum requirement. But will the RBNZ go so far as to bake this in the cake, or will they prefer to appear ambivalent with a focus on the data prints ahead?”
- Our expectation is that the Bank will print a rate track not dissimilar to what it printed back in May, namely with a decent chance of a cut to 2.75%. We can see the argument for taking a more cautious approach especially if the Committee feels it does not want to push an incoming new Governor into a corner.
- Equally, an admission that even more work than a 2.75% low might be required is plausible. While 2.75% is our central forecast for the low, we think the odds of 2.5% are marginally higher than a 3.0% stall.”
- “We still think near term inflation will be higher than the Reserve Bank assumed when it put together its May MPS. But, equally, we believe the upswing will be transitory and the medium-term outlook for inflation is probably even weaker than the Bank had assumed.”
- “The pace of commodity price inflation is falling, and we expect more easing in the months ahead.”
- “We expect the New Zealand dollar to begin appreciating as the US economy slows and New Zealand’s relative interest rate settings look more appealing to investors. This will put further downward pressure on tradables goods prices. Weak demand for these goods will also help the disinflationary process.”

CIBC (-25bp): “The Reserve Bank of New Zealand is widely expected to cut 25 bps again (to 3.00%) after the anticipated pause on July 9th. The Q2 CPI report (from July 21st) indicated further cooling of inflation, to +0.5% q/q (vs consensus +0.6%), giving another “green light” for a quarterly rate cut. The August MPS will also be closely watched for any hints / signals for further easing. The May 2025 MPS projected further cuts to the OCR to lows of 2.85% by Q1 2026. Barring a major dovish revision to the terminal rate forecast, we think the final cut in the RBNZ easing cycle (to 2.75%) will take place at the November 26th meeting.”

Goldman Sachs (-25bp): “We expect the RBNZ to lower the OCR by 25bp to 3.00% given that inflation pressures have softened further and the recovery in growth looks increasingly dubious. In terms of the statement and forward guidance, we expect guidance to shift incrementally dovish and flag that emerging downside risks to growth mean that additional policy easing may be required.”

- “Consistent with this, we expect the updated projections in the Monetary Policy Statement to show a lower OCR track to a trough of around 2.70%, as well as a weaker outlook for both GDP growth and the labour market. We don’t expect major changes to the overall inflation profile, although it’s likely headline inflation will be upgraded slightly in the near-term.”
- “We continue to see a strong case for additional policy support and forecast two more 25bp OCR cuts in November and February, down to a 2.50% terminal rate. We note Christian Hawkesby’s temporary position as Governor is due to expire after the RBNZ’s October meeting.”

- “While headline inflation was marginally above the RBNZ's projections, the acceleration in headline inflation was driven by volatile components, and we note a range of measures of core measures showed sequential disinflation. The RBNZ's own factor model and sector factor model estimates of inflation also decelerated in the quarter, and measures of longer-term inflation expectations remained stable in 3Q2025.”
- “The RBNZ's Kiwi-GDP nowcast for past-quarter 2Q2025 growth remains firmly negative at -0.2%qoq and suggests a widening in the sizeable negative output gap the RBNZ estimates to have opened up in NZ product and labour markets.”

ING (-25bp): “The Reserve Bank of New Zealand will meet on 20 August for the first time since 8 July, when it decided to hold the official cash rate (OCR) at 3.25%. We expect a 25bp cut to 3.0%, in line with pricing, consensus and the RBNZ's own rate projections.

- Market focus will therefore be on new economic and rate projections alongside any updated forward guidance. In May, the RBNZ had signalled a roughly 60% probability of one final cut to 2.75%. We think there is a decent possibility the new rate path will fully incorporate that extra cut, but since markets are fully pricing in 2.75% as a terminal rate, we don't expect that to be read as particularly dovish.
- Our RBNZ call remains unchanged: one cut in August, one cut in November, and that to be the end.”
- “Based on current information, growth probably moderated in the second quarter, but should still come in positive quarter-on-quarter, possibly in the 0.1-0.4% region. That should be roughly in line with the RBNZ expectations, leaving most of the attention on inflation and the jobs market, rather than growth.”

J.P. Morgan (unch): “The RBNZ meets next week and is strongly priced for a 25bp cut, while we maintain an out of consensus call for a hold. Though it is hard to have great conviction given the absence of signal from the leadership to correct the pricing, we also don't see a reason to abandon our prior, given the guidance and how the data have evolved.”

- “We expected the RBNZ to cut sharply in a burst of >200bp of easing starting in August '24, then transition to a period on hold in mid-25, once close to the staff's neutral rate estimate, to allow lags to land in mortgage pricing.
- The pivot to on-hold, of course, assumed that the data would stabilize sufficiently to warrant a period of assessment. Though the magnitude of the recovery isn't clear, it does seem that momentum has turned, and respecting this, RBNZ officials conveyed a neutral bias in May, delivering a first pause in July.
- In doing so, they also highlighted that further pseudo-cuts will be delivered in 2H25 via previous OCR reductions feeding through to mortgage refis. Based on RBNZ data on the profile of mortgage maturities, we expect >50bp of proxy easing through this channel in 2H25.”
- “In July the leadership showed concern that inflation would push towards the top of the target band in 2Q-3Q, and said it only had scope to cut again if “medium-term inflation pressures continue to ease as projected.” This suggests a need to verify the path of the CPI data, distinct from 2024's dovish guidance for example, where the committee flagged it was confident to act on the inflation forecast itself.”

Kiwibank (-25bp): “Will they cut? Yes. Will they signal another cut to come? Yes. Will it be enough? Not quite. There's no doubt that the Kiwi economy needs support. The RBNZ has signalled a 25bp cut to 3% next week. In the May MPS, the OCR track was lowered, again, to 2.85%, signalling a good chance of a move to 2.75%. We expect that track to be lowered, again, to 2.75%, possibly 2.6%. We're nearing an end, but not yet. The weakness in the economy demands stimulus. With all the risks offshore, and the pain still felt onshore, there's a good argument to be made for taking policy into stimulatory territory.”

NZIER (-25bp): “Regarding what the Reserve Bank of New Zealand (RBNZ) should do at the upcoming August Monetary Policy Statement, the NZIER Monetary Policy Shadow Board's view ranged from a 50 basis-point OCR cut to no change. However, the majority recommended a 25 basis-point cut to bring the OCR to 3 percent. This reflects the view that the softness in activity and continued slack in the labour market should provide scope for a modest cut in the OCR now.

- One member viewed that a 50 basis-point OCR cut now could be necessary to support recovery in the New Zealand economy. However, two members considered that the upward trending in near-term inflation warrants caution by the RBNZ in its OCR setting in August.
- Regarding where the OCR should be in a year's time, members' picks of the OCR reflected a wide range of views from no further easing to some further easing in monetary policy required beyond August.”

Rabobank (-25bp): “All but one participant of the Bloomberg survey expects that the RBNZ will cut rates by 25 bps on August 20. There is, however, more uncertainty regarding the pace of the policy movements heading into the October and November meetings given upticks in inflation. Today’s release of the New Zealand food price inflation index shows an acceleration to 5% y/y in July which will strengthen the expectation that headline CPI inflation will move back to the top of the central bank’s 1-3% inflation target. That said weakness in the economy underpins the widely held expectation that the RBNZ will maintain an easing policy bias.”

- “Assuming that the RBNZ delivers the as expected 25 bps rate cut next week, it is likely to be the guidance provided by policymakers rather than the rate cut which has more capacity to move the market.”
- “The rise in New Zealand food price inflation to 5% is clearly an unwelcome development. It is, however, not entirely unexpected. In its July policy statement, the RBNZ warned that on the back of a pick-up in food prices and elevated administered price increases, CPI inflation “is expected to increase further in the June and September quarters, towards the top of the MPC’s inflation target band.” It also forecasts that inflation is expected to fall back in late 2025 and to return to around the mid-point of the target band by early 2026. The reasoning for this is that significant spare capacity in the economy would further reduce domestically generated inflation pressures.”

SEB (-25bp): “The Reserve Bank of New Zealand is broadly expected to deliver a 25-bps cut of the official cash rate to 3.00% on Wednesday. Although inflation accelerated during the last meeting, activity indicators remain soft, and the labour market is loosening. It is likely that the RBNZ will signal a slightly dovish message after the cut.”

TD Securities (-25bp): “With Q2 inflation printing in line with May forecasts, we believe this gives the RBNZ the green light to cut the OCR 25bps to 3% at next week’s Monetary Policy Statement (MPS) meeting on 20 August. The labor market is weaker than the Bank projected in May but forward-looking measures of activity are beginning to pick up. Overall it’s likely the Bank’s GDP and OCR track is likely to show little change vs May. We are not expecting the Bank to make a strong case for taking the OCR below 3% but advocate a data dependent easing bias. We stick to a 3% terminal rate forecast but acknowledge the risks are skewed to the downside.”

Wells Fargo (-25bp): “The Reserve Bank of New Zealand (RBNZ) announces its latest monetary decision next week, amid widespread expectations it will resume its easing cycle with a 25 bps policy rate cut to 3.00%.” “We also view the RBNZ’s dovish outlook and the moderate performance of the NZ economy as consistent with another (and final) 25 bps rate cut in November, to a low of 2.75%.”

- At its last announcement in early July, the RBNZ held rates steady while also indicating that if medium-term inflation pressures continued to ease, it expected to lower the policy rate further. That message was reinforced in subsequent comments from RBNZ Chief Economist Conway, who said higher tariffs were a demand shock for the NZ economy which could reduce medium-term price pressures. He also indicated the Q2 CPI was broadly consistent with the RBNZ’s outlook.
- Incoming economic data, in our view, are also supportive of a RBNZ rate cut next week.”

Westpac (-25bp): “In its July review the RBNZ clearly indicated an easing to 3% was on the cards at the next meeting, assuming the dataflow between May and August went as expected. There’s nothing in the recent dataflow that should deter them from this course of action – even though there may be more debate on the outlook from August. The MPC member who voted for a pause in May had a different view on the timing of cuts and not the quantum in general. Hence, we anticipate a consensus decision this time around.

- The focus will be on the forward outlook. In May, the view was a chance of easing in November – but not a full chance. Something like a 50:50 probability seemed to be in the tea leaves back then. There didn’t seem like a high chance of an October cut barring significantly adverse surprises. The view was that the OCR was on a glide path within the “neutral-ish” zone. There wasn’t much consideration of a move into stimulatory territory – even in the adverse scenario canvassed in the forecasts.
- We don’t think that view will have changed much. Hence if the forward track changes we expect it will be at the absolute margin – and such changes carry no policy information at all.”
- “Could we get commentary raising the risks of a need to move the OCR into clearly stimulatory territory? We don’t think so, as to do so would invite markets to price such moves in quite soon and box the RBNZ in. Such a change in strategy would need to be supported by more substantive changes in the forecasts.”
- “On inflation, we think they will boost their short-term forecasts such that annual inflation is forecast to be close to 3% for the remainder of this year. That December quarter forecast looks particularly low and is a likely candidate for an upward revision, as it otherwise implies a sudden drop in quarterly inflation quite soon. We don’t think the medium-term forecasts will change much. Hence the mantra will be repeated where the MPC will retain confidence that inflation will head back towards 2% in the medium term.”

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