

## MNI RBNZ Preview – July 2025

**Meeting Date:** Wednesday, 9 July 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>

### CONTENTS

- **Page 1-2:** MNI POV (Point of View): Likely On Hold
- **Page 3:** RBNZ-Dates OIS Pricing
- **Page 4-6:** RBNZ May 2025 Monetary Policy Meeting Record Summary
- **Page 7:** RBNZ May 2025 Monetary Policy Statement – Key Forecast Variables
- **Page 8:** MNI RBNZ WATCH:
- **Page 9-10:** Sell-Side Analyst Views

### MNI POV (Point Of View): Likely On Hold

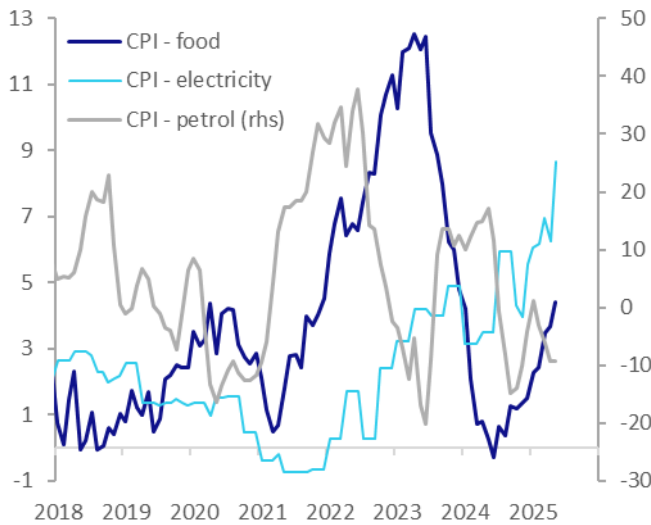
The sell-side consensus is for the RBNZ to remain on hold tomorrow, which is also consistent with market pricing (see below for more details). There are some sell-side forecasters looking for a rate cut tomorrow, whilst most of those who see the RBNZ on hold, see risks of further cuts as we progress through 2025. For this meeting, our own bias is for the central bank to hold policy rates steady.

Recent inflation outcomes arguably provide the strongest signal that the RBNZ should hold pat at tomorrow's policy meeting outcome. The chart below, on the left hand panel, points to rising inflation pressures, albeit in categories that can also reverse reasonably quickly and are often not associated with core underlying price trends. Still, the RBNZ will be mindful of such trends, particularly given the degree to which the central bank has also eased since that started the easing cycle. Indeed at the last policy meeting, it noted that the policy arte was getting into the neutral zone.

Further on the inflation front was a tick up in inflation expectations for Q2. We are coming off a low base (just up from 2%), but the central bank may want to see Q3 trends (this data gets released on Aug 7) before drawing further conclusions as to whether trends are shifting or not. The policy meeting following the July outcome will be held on August 20. Note we get Q2 CPI data before then on July 21.

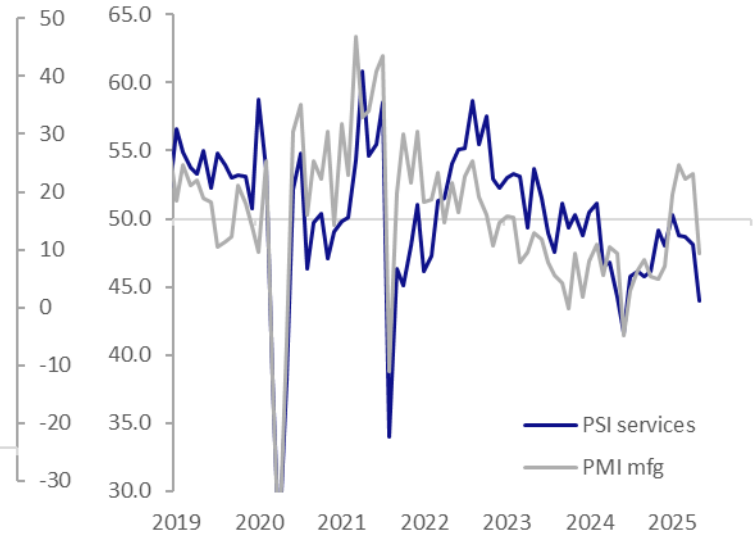
In contrast, growth indicators are still arguing for easier policy settings. The BNZ manufacturing and services PMI readings lost considerable ground as Q2 has unfolded, see the chart below (the right hand panel). This raises questions around the extent of any economic bounce NZ may see, and that further monetary policy support is likely to be needed to drive a further improvement in the growth outlook.

Figure 1: Monthly CPIs y/y%



Source: Source: MNI – Market News/Statistics NZ

Figure 2: BNZ indices signal weak growth



Source: MNI – Market News/BNZ

The RBNZ is likely to be a little more comfortable with the offshore backdrop compared to its last policy meeting. Whilst the tariff threat remains, the US-China truce appears to be holding for now and global recessions fears have subsided to a degree. NZ's terms of trade remain elevated, but recent dairy auction results show some softening as we progressed through Q2.

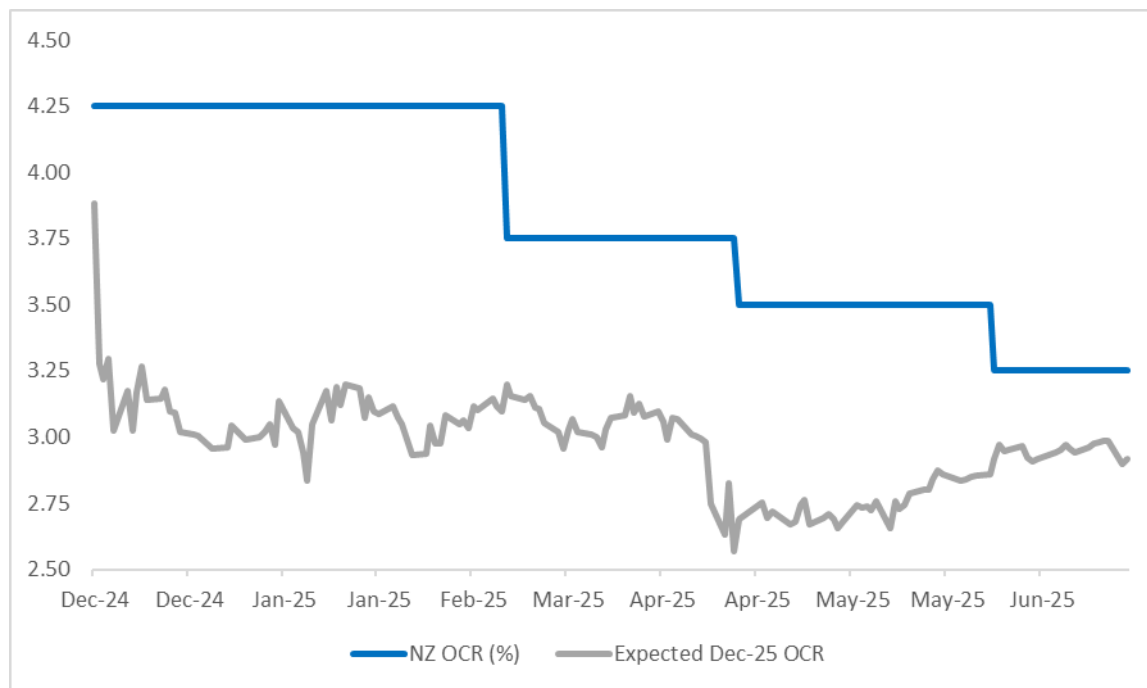
The central bank is likely to be comfortable to preserve policy space at this juncture and assess upcoming inflation trends. It is likely to leave the door ajar for further policy support given headwinds to domestic growth.

## RBNZ-Dated OIS Pricing

RBNZ dated OIS pricing is little changed across meetings today, ahead of tomorrow's RBNZ Policy Decision.

- 3bps of easing is priced for this week's meeting, with a cumulative 32bps by November 2025.
- Notably, pricing is 9-15bps firmer across 2025 meetings compared to pre-RBNZ decision levels on May 28.

**Figure 1: RBNZ Official Rate Profile Vs. Expected Dec-25 Level**



Source: Bloomberg Finance L.P./MNI

## RBNZ May 2025 Monetary Policy Review Announcement

Annual consumers price index (CPI) inflation remains within the Monetary Policy Committee's 1 to 3 percent target band. While measures of inflation expectations have increased, core inflation and spare productive capacity in the economy are consistent with inflation returning to the target mid-point over the medium term. Elevated export prices and recent reductions in the OCR are expected to support a modest pace of growth in the New Zealand economy, even as increased global tariffs are expected to slow global economic growth.

### Higher global tariffs and policy uncertainty are expected to lower global growth

The Committee noted that projections for global economic activity have weakened since the February Statement, reflecting the shift towards protectionist policies in some major economies. There have been downward revisions to economic growth projections for China and the US, reflecting the scale of tariff increases between these two countries.

The Committee noted that, in addition to the direct effect of higher tariffs, increased policy uncertainty in the international economy is likely to weigh on global investment and consumption. As well as uncertainty about tariff retaliation, it was unclear how countries would respond with fiscal and monetary policies. For example, it is possible that China could respond to weaker economic activity with a sizeable fiscal stimulus. US fiscal policy could place strains on the sustainability of its public debt. More generally, the uncertain trajectory of geoeconomic fragmentation and the decline in the quality of macroeconomic institutional arrangements were likely to result in precautionary behaviour by firms and households. In aggregate, economic growth in New Zealand's main trading partners is expected to remain below potential over 2025.

Headline inflation within New Zealand's trading partner economies has fallen over the past year. Projections for inflation for most of our trading partners have been revised down in recent quarters. The main exception is the US, where higher tariffs are expected to increase inflationary pressure.

### The New Zealand economy is starting to recover, after contracting over the middle of 2024

The Committee noted that spare productive capacity remains in the New Zealand economy. This is projected to dissipate over the medium term as the economy recovers. Elevated export commodity prices and lower interest rates are supporting overall economic activity in the New Zealand economy. The Committee noted that the full economic effects of cuts in the OCR since August 2024 are yet to be fully realised.

The Committee discussed conditions in New Zealand's labour market. Nominal wage growth is slowing, while firms report that it is easier to find workers. Employment growth is currently modest but expected to increase from the second half of the year in line with the broader economic recovery.

The announced increase in US tariffs will lower global demand for New Zealand's exports, particularly from Asia, constraining domestic growth. Heightened global policy uncertainty is expected to weigh on business investment and consumption in New Zealand.

On balance, the Committee expects the increase in global tariffs to result in less inflationary pressure in the New Zealand economy. However, as discussed below, there is significant uncertainty about this assessment, depending on whether the impact of tariffs proves to be predominantly demand- or supply-side in nature. The domestic monetary policy response will focus on the medium-term implications for inflation.

Domestic fiscal policy is assessed as being broadly neutral from a medium-term inflation perspective, relative to February Statement projections. The change announced in Budget 2025 enabling businesses to bring forward depreciation allowances is assumed to increase investment activity. However, the inflationary consequences of this policy are assumed to be offset by an announced reduction in government spending.

**Annual CPI inflation is expected to remain in the target band, and converge to the mid-point**

The Committee discussed domestic inflationary pressure. New Zealand's annual CPI inflation increased to 2.5 percent in the March 2025 quarter, largely in line with previous projections. Most annual core inflation measures continued to decline in the March 2025 quarter, and all are now within the target band for headline CPI inflation.

Annual CPI inflation is projected to increase to 2.7 percent in Q3 2025, then return to near the 2 percent target mid-point from 2026. The near-term increase in headline inflation includes higher food and electricity price inflation.

Non-tradables inflation is expected to continue to decline, consistent with spare productive capacity in the economy. Annual tradables inflation is projected to remain around 1 percent over the medium term, reflecting below average global growth and falling inflation within our trading partners.

**The financial system remains stable**

The Committee noted that most wholesale interest rates have fallen since the February Statement, resulting in lower mortgage and term deposit rates. 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 fixed-term interest rates. Close to half the stock of mortgages is due to reprice during the June and September 2025 quarters.

The Committee was briefed on financial system stability. While non-performing loans in the housing and small business sectors have increased in line with the past contraction in the economy, the banking system remains well capitalised and in a strong financial position to support customers. The Committee agreed that there is currently no material trade-off between meeting inflation objectives and maintaining financial system stability.

The Committee was briefed on the status of the Large Scale Asset Purchase programme. The Committee noted there has been increased volatility in domestic wholesale interest rates, reflecting increased global policy uncertainty. Despite this volatility, wholesale interest rate markets continue to function, without impeding monetary policy transmission.

**Risks around the economic outlook are heightened**

The Committee discussed several key risks around the central projection. Measures of business and household inflation expectations have increased. The Committee discussed whether this increase reflected factors like higher food prices and current reporting on the inflationary effect of tariffs in the US. The projections assume that medium-term inflation expectations remain consistent with the target midpoint. Some Committee members emphasised the risk that these increases reflect a more generalised and persistent increase in inflation expectations.

The Committee discussed the medium-term outlook for import prices. Members noted that a less productive global economy, against a background of deglobalisation, presents an upside risk to the current import price projection.

The Committee noted downside risks to the outlook for export prices. This reflects a weaker global growth outlook and the potential for a quicker international supply response to high prices from global meat and dairy producers.

The Committee noted the risk that large economic policy shifts in overseas economies could lead to additional volatility in financial markets. For example, concerns about US debt sustainability could lead to increased bond yields or declines in global asset prices.

**There are alternative scenarios for the domestic outlook**

In addition to the uncertain scale and duration of tariff policies, it is unclear how these will transmit to the New Zealand economy. Some members emphasised that the costs of trade could increase more than currently assumed, as global supply chains adapt to trade barriers and geoeconomic fragmentation. This could result in greater domestic medium-term inflationary pressure than in the central projection. Other members emphasised that



policy uncertainty could lower global investment, and trade diversion could lower import prices by more than currently assumed. This could, instead, lower medium-term inflationary pressure relative to the central projection.

Two scenarios in the May Statement highlight how the realisation of these risks could affect the outlook for the domestic economy. These scenarios represent just two of many paths the economy may take as higher tariffs and uncertainty transmit through the system. They are intended to broadly highlight the trade-offs and considerations facing the Committee should these risks eventuate.

The Committee noted that, in practice, a broad range of factors contribute to its monetary policy decisions. Its response to any of these risks would depend on economic conditions at the time, the outlook for inflationary pressure, and its secondary objectives of avoiding unnecessary instability in the economy and having regard to financial system stability.

### **The Committee voted to reduce the OCR to 3.25 percent**

The Committee agreed on the projected central path for the OCR.

The Committee discussed the options of keeping the OCR on hold at 3.50 percent or reducing it to 3.25 percent. The case for lowering the OCR to 3.25 percent highlighted that CPI inflation is in the target range and there is significant spare capacity in the economy. Measures of core inflation and wage inflation have continued to decline. In addition, there is a weaker outlook for domestic activity and inflationary pressure relative to the February Statement, because of international developments. Some members also emphasised that non-tradable inflation was currently being boosted by administered prices. Given these factors, a 25 basis point decline in the OCR was seen as consistent with medium-term price stability.

In considering the merits of holding the OCR unchanged at 3.50 percent for this meeting, some members noted that this would allow the Committee to better assess whether increased economic policy uncertainty was having a noticeable impact on household and firm behaviour. An unchanged OCR could also further consolidate inflation expectations around the target mid-point, and guard against the risk of higher-than expected inflation from the supplyside effects of increased tariffs.

On Wednesday 28 May, the Committee took the decision to vote on the two options. By a majority of 5 votes to 1, the Committee agreed to decrease the OCR by 25 basis points from 3.50 percent to 3.25 percent.

Inflation is within the target band, and the Committee is well placed to respond to both domestic and international developments to maintain price stability over the medium term.

## RBNZ May 2025 MPS – Key Forecast Variables

### Key forecast variables

		GDP growth Quarterly	CPI inflation Quarterly	CPI inflation Annual	Unemployment rate	TWI	OCR
<b>2023</b>	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
<b>2024</b>	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
<b>2025</b>	Mar	<b>0.4</b>	0.9	2.5	5.1	67.8	4.0
	Jun	<b>0.3</b>	<b>0.5</b>	<b>2.6</b>	<b>5.2</b>	<b>69.0</b>	<b>3.4</b>
	Sep	<b>0.2</b>	<b>0.8</b>	<b>2.7</b>	<b>5.2</b>	<b>69.0</b>	<b>3.1</b>
	Dec	<b>0.9</b>	<b>0.2</b>	<b>2.4</b>	<b>5.1</b>	<b>69.0</b>	<b>2.9</b>
<b>2026</b>	Mar	<b>0.8</b>	<b>0.5</b>	<b>1.9</b>	<b>5.0</b>	<b>69.0</b>	<b>2.9</b>
	Jun	<b>0.7</b>	<b>0.5</b>	<b>1.9</b>	<b>4.9</b>	<b>69.0</b>	<b>2.9</b>
	Sep	<b>0.7</b>	<b>0.9</b>	<b>2.1</b>	<b>4.8</b>	<b>69.0</b>	<b>2.9</b>
	Dec	<b>0.7</b>	<b>0.3</b>	<b>2.1</b>	<b>4.7</b>	<b>69.0</b>	<b>2.9</b>
<b>2027</b>	Mar	<b>0.7</b>	<b>0.5</b>	<b>2.2</b>	<b>4.6</b>	<b>69.0</b>	<b>3.0</b>
	Jun	<b>0.8</b>	<b>0.4</b>	<b>2.1</b>	<b>4.5</b>	<b>69.0</b>	<b>3.0</b>
	Sep	<b>0.7</b>	<b>0.9</b>	<b>2.1</b>	<b>4.4</b>	<b>69.0</b>	<b>3.1</b>
	Dec	<b>0.7</b>	<b>0.2</b>	<b>2.0</b>	<b>4.4</b>	<b>69.0</b>	<b>3.1</b>
<b>2028</b>	Mar	<b>0.6</b>	<b>0.5</b>	<b>2.0</b>	<b>4.3</b>	<b>69.0</b>	<b>3.1</b>
	Jun	<b>0.6</b>	<b>0.4</b>	<b>2.0</b>	<b>4.3</b>	<b>69.0</b>	<b>3.1</b>

Source: RBNZ

## MNI RBNZ WATCH: OCR To Hold, Split Vote Likely

By Daniel O'Leary  
Jul 4, 2025

MELBOURNE - The Reserve Bank of New Zealand's Monetary Policy Committee is expected to hold the Official Cash Rate at 3.25% when it meets next Wednesday, though another split vote appears likely as policymakers weigh both domestic and international headwinds.

The RBNZ has now cut a cumulative 225 basis points across six consecutive meetings since August 2024. With the OCR approaching the upper bound of the Bank's estimate of the neutral rate, the MPC is expected to pause and assess how current settings are influencing economic activity.

However, as at the May meeting, which resulted in a 5-1 vote, debate is likely to centre on the economy's underlying weakness, the persistently negative output gap, and the potential benefits of waiting before making what could be an inevitable further cut. (See [MNI RBNZ WATCH: 5-1 Vote Drives 25bp Cut To 3.25%](#))

Markets are assigning just a 13.1% probability to a rate cut next week, but expect the OCR to reach 2.9% by November, consistent with the Bank's May projections. That implies at least one more reduction before year-end.

### MIXED DOMESTIC DATA

[First-quarter GDP](#) growth surprised to the upside at 0.8% q/q, stronger than assumptions in the May Monetary Policy Statement. This may indicate a less negative output gap than the Bank's last -1.3% estimate, reflecting a slightly more resilient economy

Improved business sentiment in the Q2 [Quarterly Survey of Business Opinion](#) adds to the evidence of modest momentum, giving the RBNZ breathing room to monitor developments abroad – particularly the U.S. administration's actions after the July 9 tariff deadline. However, the survey also showed real activity and demand remaining weak.

May's [Selected Price Index](#) pointed to modest upside risk for near-term inflation, supporting the Bank's forecast for CPI inflation to rise to 2.7% in Q3 – above the 2% midpoint of its 1-3% target range.

Meanwhile, both the [PSI](#) and [PMI](#) posted contractions in May, suggesting renewed weakness, especially in the manufacturing sector – fuel for doves on the MPC who remain concerned about slowing domestic demand.

### GLOBAL UNCERTAINTY

Complicating next week's decision is its timing – just hours ahead of the July 9 tariff deadline set by the U.S. administration. This makes it difficult for the committee to weigh external risks with confidence.

Chief Economist Paul Conway has acknowledged the heightened uncertainty facing the Bank in the months ahead. (See [MNI INTERVIEW: RBNZ's Uncertainty To Persist-Chief Economist](#)) At the May meeting, the lone dissenting member voted to hold, preferring more time to see whether elevated inflation and inflation expectations would settle before easing further.

Looking ahead, the MPC will likely prefer to see greater clarity on U.S. trade policy and its implications for global growth before weighing another cut at its Aug 20 meeting.



## Sell-Side Analyst Views

### **ANZ (Unchanged)**

- “It’ll be a close-run thing in our opinion, but on balance we now think the RBNZ will keep the OCR unchanged at 3.25% next week, awaiting more inflation evidence. Data since the May MPS has clearly suggested a meaningful loss in economic momentum, but near-term CPI signals have been mixed, with upside risks from the Selected Price Indexes countering some downside risks suggested by the QSBO. Overall, we see the net dataflow since May as dovish, easily justifying a cut next week. Indeed, we think the RBNZ should cut. However, with headline inflation looking likely to sit near the top of the target band in the near term, and some RBNZ committee members concerned about “a more generalised and persistent increase in inflation expectations”, on balance we think the Committee will decide it is prudent and low-cost to wait for more data on inflation and inflation expectations.”

### **ASB (Unchanged)**

- “We expect the RBNZ to hold the OCR in July. With the OCR near estimates of neutral levels, and the RBNZ tilting towards more data dependence, the threshold to deliver further policy support has likely risen. Near-term inflation looks firmer than the RBNZ’s May MPS assumption. The RBNZ will need to be confident that the current short-term inflation spike proves to be temporary. We changed our year-end OCR call to 3.0%, with a 25bp cut likely delivered in August. However, this view remains highly conditional on the economic outlook and global developments – both of which are incredibly uncertain at present.”

### **BNY (25bp Cut)**

- “The RBNZ is expected to cut the cash rate by 25bp to 3.00%, continuing its easing cycle that began in August 2024. Since then, the central bank has reduced the OCR by 225bp from a peak of 5.50%. The May 2025 rate cut to 3.25% was the sixth consecutive reduction, reflecting concerns over subdued economic growth and global uncertainties, including trade tensions. Inflation remains within the 1–3% target range, providing the RBNZ with room to maneuver. However, the central bank has signaled a cautious approach moving forward, emphasizing data-dependence and the need to monitor both domestic and international developments. Markets anticipate at least one more rate cut this year, with the OCR potentially falling below 3% in early 2026.”

### **CIBC (Unchanged)**

- “We expect the RBNZ meeting to be less eventful, as they remain data dependant with an easing bias. A weak composite PMI reading of 44.3 in May, alongside continued downward revisions to filled jobs suggests growth and labour market weakness in official Q2 numbers. This was countered to some extent by the Q2 NZIER QSBO which suggested that while the current outlook is weak, on a forward looking basis sentiment is picking up. Meanwhile, the monthly selected price index suggests that inflation could be slightly stronger than previously expected in Q2. Overall, this suggests that guidance should remain dependent on the outcome of official Q2 data. We don’t expect a material reaction in NZD/USD to the meeting.”

### **Goldman Sachs (Unchanged)**

- “Looking ahead to the July meeting, we expect the RBNZ to leave the OCR unchanged at 3.25%. While we think the underlying macro data warrants further easing in monetary policy, uncertainty around global tariff developments and recent changes to RBNZ leadership make it more likely that the Monetary Policy Committee will ‘pause to assess’ in the near-term. We don’t expect any material changes to the forward guidance, which we think will remain open-ended and emphasise monetary policy is “well placed to respond to domestic and international developments”. We note there will be no Monetary Policy Statement or press conference this month.  
Our forecast further out is for the RBNZ to deliver 25bp cuts in August, November and February to a terminal rate of 2.50%. We note the RBNZ’s revealed preference over the past 12 months has been to surprise in a dovish direction and expect this to prevail in the medium term. We see the risks to our base case as broadly balanced.”

### **J.P. Morgan (Unchanged)**

- “The RBNZ’s position seems more straightforward. The cycle is in transition, with the OCR now very close to the bank’s neutral rate estimate, after much deeper cuts. We have expected an on-hold period in 2H25.

Acting Governor Hawkesby last meeting said the OCR is in the neutral “zone”. Having “come a long way” the bank will be “talking less about neutral” and does “not have a bias”. We look for an on-hold decision, and maintenance of May’s tone should consolidate the transition to an on-hold period in 2H. The activity data have been recovering and though this is not a forecast meeting, the sense of stabilization should be giving the leadership confidence to take a breath, after a sharp policy adjustment.

May’s statement noted “developments in the international economy” would likely weigh on global growth through trade and uncertainty effects. The committee’s prior expectation was that tariffs would prove to be disinflationary for NZ over the medium term. Both concerns should be slightly reduced in July given the global data to hand and evolution of tariff rates, assisting the on-hold stance. But again the short-form statement of an MPR does not force any specific remarks on magnitudes, so we expect the commentary will continue to mention elevated risks, with policy “well-placed” (near neutral) to respond if needed.”

#### **TD Securities (Unchanged)**

- “After delivering 225bps in easing since Aug’ 24, the RBNZ flagged at the last meeting that it may be time to consider pausing after a rapid pace of cuts. We expect the RBNZ to stay on hold, in line with consensus while OIS is pricing in 3bps of cut. We still expect a cut in Aug as the Bank can make a more informed decision with CPI and labor market data at hand.”

#### **Westpac (Unchanged)**

- “The RBNZ will likely leave the OCR unchanged at its July meeting and take a wait-and-see attitude to the outlook for the OCR. While we expect it to retain the easing bias it showed in its May Monetary Policy Statement communications, we don’t expect that it will give a strong guide on the timing of when it might cut the OCR further. Instead, we expect the RBNZ will give the market room to determine for itself, based on data released up until the August Monetary Policy Statement, whether a cut to 3% will happen in August, be delayed until later in the year, or be cancelled altogether.”

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