

MNI RBNZ Preview - Feb 2026

Meeting Date: Wednesday 18 Feb 2026

Statement Release Time: 14:00 NZDT / 01:00 BST

Press Conference Time: 15:00 NZDT / 02:00 BST

Link To Statements: <https://www.rbnz.govt.nz/monetary-policy/monetary-policy-decisions>

Link To Last MPS: <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/monetary-policy-statements/2025/nov-261125/monetary-policy-statement-november-2025.pdf>

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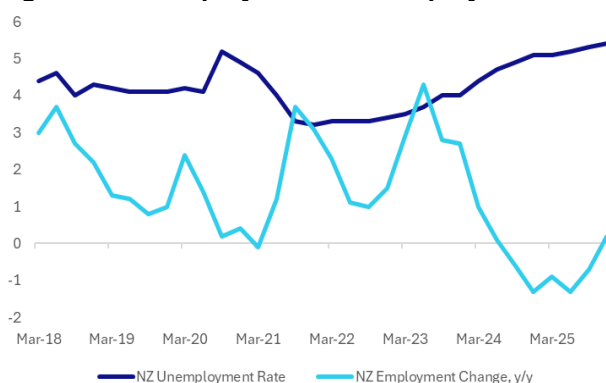
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MNI POV (Point Of View): On Hold, Hike Timing Key Focus

At tomorrow’s RBNZ meeting the central bank is widely expected to keep rates on hold. The Bloomberg survey of sell-side economists shows all 22 economists see the policy rate being held at 2.25%. Our strong bias is also for no change tomorrow. If realized, this will leave the focus firmly on the outlook, particular on the RBNZ’s new OCR path. The other focus point will be gauging new RBNZ Governor Breman’s tone, as this will be her first rate setting meeting in charge. She will give a press conference 1 hour after the policy decision is released.

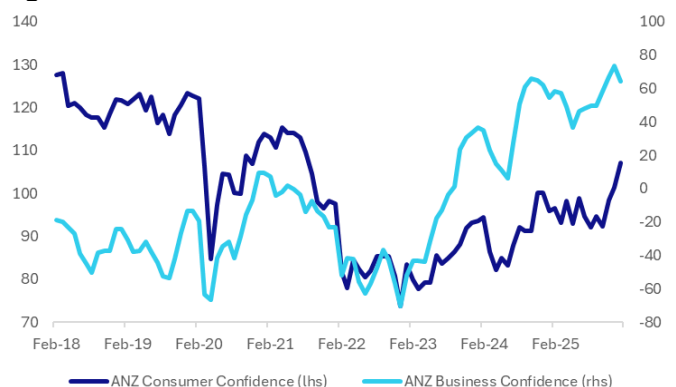
Since the last policy decision in November, outcomes on GDP growth and inflation have been above the RBNZ projections made at that meeting. Q3 GDP growth rose 1.1%q/q, against a 0.4% projection from the RBNZ. Q4 inflation rose 0.6%q/q and 3.1%/y for the headline measure, while the RBNZ projection was 0.2%q/q and 2.7%/y respectively. This is generally pushing market expectations that the next RBNZ move will need to be a hike, albeit uncertainty resting on when the first move may unfold.

Figure 1: NZ Employment & Unemployment Rate



Source: Bloomberg Finance L.P./MNI

Figure 2: NZ ANZ Consumer & Business Confidence



Source: ANZ/Bloomberg Finance L.P./MNI

On the growth backdrop, the chart on the right hand side above, plots NZ business and consumer confidence (from ANZ). Both measures are either just off recent cycle highs, or continue to track firmer. This is consistent with other survey measures, like PMIs, which suggests the Q3 GDP backdrop was not a flash in the pan and that better growth momentum likely continued into Q4 and the early parts of 2026.

On the labour market, the improved economy is starting to show up in terms of better jobs growth, see the left hand panel chart above. However, it is coming from a low base and the unemployment rate, at 5.4%, is at highs back to 2015. This may give the RBNZ confidence that it still has time to assess how quickly spare capacity is being eroded before raising rates.

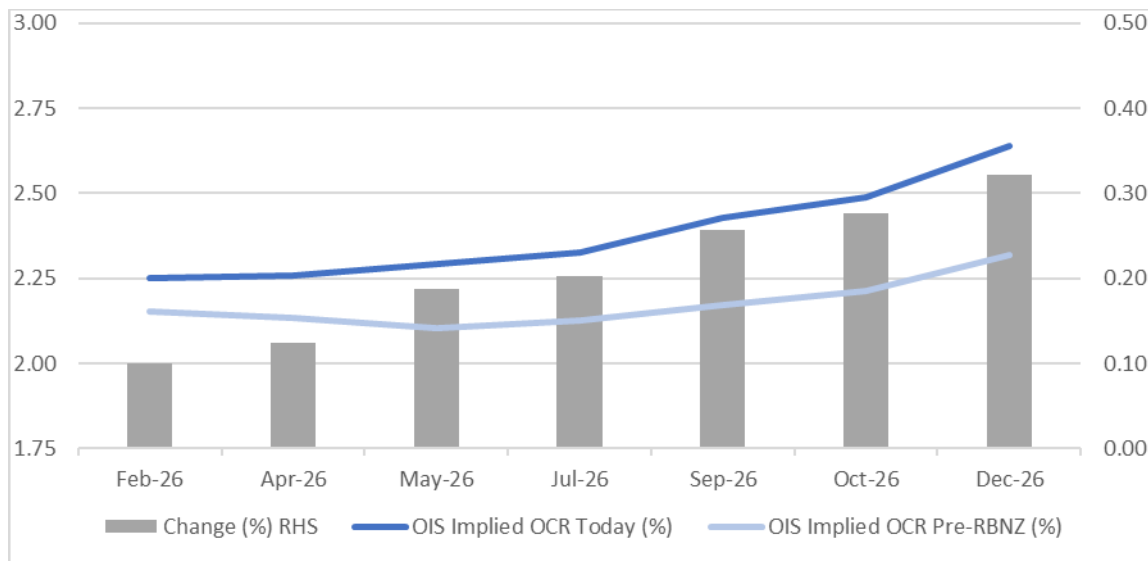
The RBNZ will also likely be cautious around sounding too hawkish around the outlook, which the market will likely judge via the implied OCR outlook path. We would be surprised if the OCR path is more hawkish than current market pricing, which implies a policy rate near 2.65% by year's end (versus the current rate of 2.25%). The NZD TWI is up over 4% from Nov 2025 lows, while local rates have also risen. A further material tightening of financial conditions could put the economic recovery in jeopardy. This is also where Breman's tone is likely to be watched closely in terms of keeping the policy outlook flexible.

Pre-Meeting RBNZ Dated OIS Pricing

RBNZ-dated OIS pricing is slightly firmer across meetings after today's price data and ahead of tomorrow's RBNZ Policy Decision.

- For Jan, NZ food prices surged 2.5% m/m, the strongest rise monthly rise since Jan 2022. Jan does tend to be a strong month for m/m rises, with Jan 2025 seeing a 1.9% m/m gain in food prices. In y/y terms, food prices are up 4.6%, versus 4.0% in Dec, but this is still below 2025 highs of 5.0%. Outside of food, other monthly price change updates were close to flat or down on Dec outcomes.
- No tightening is priced for tomorrow's meeting, but December 2026 assigns 39bps.
- Notably, market pricing is 10-32bps firmer than levels seen prior to November's RBNZ decision.

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



Source: Bloomberg Finance LP / MNI

RBNZ Nov 2025 Meeting Statement

Annual consumers price inflation increased to 3 percent in the September quarter. However, with spare capacity in the economy, inflation is expected to fall to around 2 percent by mid-2026.

Economic activity was weak over mid-2025 but is picking up. Lower interest rates are encouraging household spending, and the labour market is stabilising. The exchange rate has fallen, supporting exporters' incomes. Global economic growth has benefited from strong AI-related investment but is expected to slow in 2026 as trade barriers weigh on activity.

Risks to the inflation outlook are balanced. Greater caution on the part of households and businesses could slow the pace of New Zealand's economic recovery. Alternatively, the recovery could be faster and stronger than expected if domestic demand proves more responsive to lower interest rates.

The Committee voted to reduce the OCR by 25 basis points to 2.25 percent. Future moves in the OCR will depend on how the outlook for medium-term inflation and the economy evolve.

Summary record of meeting – November 2025

Annual consumers price inflation increased to 3 percent in the September quarter, the top of the Monetary Policy Committee's 1 to 3 percent target band. Significant spare capacity remains in the economy and inflation is expected to fall to around 2 percent by mid-2026. The significant reduction in the OCR since August 2024 is expected to support a recovery in economic activity.

Annual inflation is at the top of the target band but expected to moderate

The Committee noted that both core and non-tradables inflation have continued to decline. Annual tradables inflation increased in September due to petrol prices and high food inflation but is expected to decline over the medium term. Annual headline CPI inflation increased due to higher tradables inflation along with high inflation in household energy costs and local council rates. As these dissipate, this will support headline CPI inflation returning to near the 2 percent mid-point of the target range in mid-2026.

Household inflation expectations have fallen but remain high relative to recent history. The inflation expectations of professional forecasters and business leaders have remained stable at slightly above the 2 percent target midpoint.

The economic recovery stalled in the June quarter

Committee members considered how US tariff policy announcements and broader geoeconomic uncertainty disrupted New Zealand's nascent economic recovery. Greater uncertainty likely led to increased precautionary behaviour by households and businesses, dampening consumption and investment.

However, while measured GDP declined by 0.9 percent in the June quarter, this likely overstates the weakness in the economy through this period. The Committee noted that an unusually large seasonal balancing item contributed to the weakness in the headline figure. This is expected to be reversed over the next few data releases.

Some industry-specific factors may also have constrained supply. For example, high milk prices and unfavourable weather conditions likely contributed to higher livestock retention and lower meat production in the first half of 2025. Limited access to domestic energy sources and higher energy prices are likely to have weighed on manufacturing more generally.

Significant spare capacity remains

The Committee discussed the balance between supply capacity and demand. In addition to short-run factors, the economy's medium-term supply capacity has been reduced by weak growth in productivity and the working age population. Estimates suggest that annual potential output growth is currently around 1.5 percent.

Weak economic activity has resulted in significant spare capacity opening in the economy since mid-2024. Unemployment and measures of labour underutilisation have increased, and firms are reporting that it is now relatively easy to find workers. While job losses are not high compared to past economic downturns, job vacancies and job transitions have been low, so it has been relatively difficult for unemployed people to transition back to work.

Economic conditions have been variable across different sectors and regions of the economy. High prices for New Zealand's commodity exports have lifted incomes in the rural economy. This has supported economic activity in rural areas, although debt reduction by farmers has meant measures of on-farm investment have not yet increased to the extent seen in previous commodity price cycles. The level of economic activity remains low in industries reliant on domestic demand.

Financial conditions have eased and the financial system remains stable

The Committee discussed the easing in domestic financial conditions that has occurred. Wholesale interest rates have declined and the New Zealand dollar Trade Weighted Index has depreciated since August. Cuts to the OCR have reduced borrowing costs and mortgage rates. The average yield on mortgages has fallen to 5.4 percent. With close to 40 percent of fixed rate mortgages due to reprice over the December and March quarters, the average mortgage yield is expected to fall further to 4.7 percent by September 2026 based on current market pricing.

Measures of domestic financial stress have eased as lower interest rates reduce debt servicing pressures. Early arrears, which provide an early indicator of impaired lending, have declined. Non-performing housing loans have also declined, and banks expect further reductions in housing and commercial property impairments over 2026. Non-performing loans in the business sector remain elevated, although at lower levels than in previous downturns.

Economic activity is recovering

Committee members discussed an improvement in near-term indicators of economic activity from their lows in the June quarter, suggesting a return to modest GDP growth in the September quarter. Feedback from recent business visits also suggest that, while activity remains weak, demand has stabilised.

The Committee noted that there are also some early signs of stabilisation in labour demand, with job vacancies and total hours worked increasing in the September quarter. This is expected to broaden into a wider improvement in labour market conditions over coming quarters, which will support household confidence and spending.

Relative weakness in the labour market over the past two years has contributed to higher outward migration from New Zealand, particularly to Australia. Regional disparities in housing and labour markets have also likely encouraged higher internal migration. Outward migration is expected to reduce as the New Zealand economy and labour market recovers, with net migration expected to increase towards long-run trends.

Future growth in house prices is expected to be moderate

Members discussed that house prices, in aggregate, have remained stable to date despite lower mortgage interest rates and a modest pick-up in housing market activity. Stable house prices could reflect weak population growth and elevated long-term interest rates. Supply side reforms in the housing market, such as less restrictive zoning laws, may also be moderating the extent to which increases in housing demand contribute to house price inflation. The Committee assessed that upcoming reductions in mortgage loan-to-value ratio requirements are unlikely to have a material effect on house prices, especially with debt-to-income restrictions now in place. House price growth is expected to be moderate over the projection period, broadly in line with growth in nominal incomes.

Global growth has been resilient but is expected to slow

Members noted that tariffs have had less impact on the global economy than initially expected, reflecting the imposition of lower tariff rates than originally envisaged, inventory management, and adjustments in global supply chains. Global growth has also been supported by higher investment in artificial intelligence technology, particularly

in the US, which has boosted exports from Asia. Higher demand for exports has supported economic growth in China, despite weakness in domestic demand.

Global growth is expected to slow modestly in 2026. This reflects an anticipated weakening in global export demand as the pace of AI investment slows. The Committee still expects trade barriers to weigh on global economic activity and to have a modest disinflationary effect on New Zealand.

Risks to the outlook for inflation are balanced

The Committee discussed the risk that price setting behaviour by businesses may become more sensitive to upside inflation surprises, given recent high inflation and inflation expectations remaining above the target mid-point. Spare capacity in the economy has reduced business profit margins and some restoration in margins is expected as demand improves. This restoration in margins could occur more rapidly than anticipated, which would pose an upside inflation risk.

Members noted there are risks around the speed of the recovery. Some members highlighted the risk that continued caution on the part of households and businesses could further slow the recovery in domestic demand, which could see inflation fall below the target midpoint. Conversely, other members highlighted the possibility of a faster recovery if house prices and household spending increase more quickly than assumed given lower mortgage rates, leading to more persistence in medium-term inflation pressures. Members also discussed the possibility of a stronger increase in on-farm investment stemming from high export commodity prices and the expected return of capital to dairy farmers in 2026 from the sale of Fonterra's consumer brands business.

The Committee discussed risks to the global outlook. Investment in AI technologies has been a significant driver of global growth and equity returns over the past year. Uncertainty remains around the returns from AI adoption. There is a risk of a more significant correction in equity markets and reduced investment if heightened investor expectations are not met.

Inflation remains high in several advanced economies. Global policy uncertainty also remains high. The Committee noted downside risks to growth in China, as policy makers attempt to maintain growth in the face of weak domestic demand and an increasingly fragmented global trading environment. The Committee also noted uncertainty about US economic policy, and the associated risk of higher US inflation.

The Committee discussed the risk that unsustainable fiscal dynamics and increased politicisation of central banks globally could create the conditions for higher and more persistent inflation.

The Committee voted to lower the OCR to 2.25 percent

The Committee discussed the options of holding the OCR at 2.5 percent and lowering the OCR to 2.25 percent, noting low tolerance for prolonging the return of inflation to the target mid-point.

The case for holding the OCR emphasised the considerable reduction in the OCR to date, which is still working its way through the economy. Economic indicators are recovering, and economic activity is expected to strengthen through 2026. Particular emphasis was placed on the upside risks to inflation and output. Leaving the OCR unchanged at this meeting would provide the optionality to lower the OCR in the future if required.

The case for a further reduction in the OCR emphasised significant excess capacity in the economy. This provides confidence that medium-term inflation will return to, and remain around, the target midpoint. The economic recovery is at an early stage, and the inflation outlook provides scope to place more emphasis on avoiding unnecessary volatility in output and employment. With this context, retention of the easing in overall monetary conditions delivered to date would support an enduring recovery in economic activity.

The Committee discussed how to balance the achievement of their inflation mandate with the need to avoid unnecessary instability in output, employment, interest rates and the exchange rate.

On Wednesday 26 November the Committee voted by 5 to 1 to reduce the OCR by 25 basis points to 2.25 percent. The Committee noted that a reduction in the OCR would help to underpin consumer and business confidence and lean against the risk that the economy recovers more slowly than needed to meet the inflation objective. Future moves in the OCR will depend on how the outlook for medium-term inflation and the economy evolves.

Key forecast variables

		GDP growth Quarterly	CPI inflation Quarterly	CPI inflation Annual	Unemployment rate	TWI	OCR
2023	Mar	-0.2	1.2	6.7	3.5	71.3	4.5
	Jun	0.8	1.1	6.0	3.7	71.0	5.3
	Sep	0.1	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	0.1	0.6	4.0	4.4	71.6	5.5
	Jun	-0.9	0.4	3.3	4.7	71.4	5.5
	Sep	-1.1	0.6	2.2	4.9	70.9	5.4
	Dec	0.4	0.5	2.2	5.1	69.5	4.6
2025	Mar	0.9	0.9	2.5	5.1	67.8	4.0
	Jun	-0.9	0.5	2.7	5.2	69.1	3.4
	Sep	0.4	1.0	3.0	5.3	68.4	3.1
	Dec	0.7	0.2	2.7	5.3	66.1	2.4
2026	Mar	0.7	0.5	2.3	5.3	66.0	2.2
	Jun	0.6	0.5	2.2	5.2	66.0	2.2
	Sep	0.7	0.9	2.1	5.1	66.0	2.2
	Dec	0.8	0.3	2.2	5.0	66.0	2.3
2027	Mar	0.8	0.5	2.2	4.8	66.0	2.3
	Jun	0.8	0.4	2.1	4.7	66.0	2.5
	Sep	0.7	0.8	2.0	4.6	66.0	2.6
	Dec	0.7	0.3	2.0	4.5	66.0	2.7
2028	Mar	0.7	0.5	2.0	4.5	66.0	2.7
	Jun	0.6	0.4	2.0	4.4	66.0	2.8
	Sep	0.6	0.8	2.0	4.4	66.0	2.9
	Dec	0.6	0.4	2.0	4.4	66.0	2.9

MNI RBNZ Watch: Cautious Hold On Moderate Economic Recovery

By Daniel O’Leary

MELBOURNE - The Reserve Bank of New Zealand is expected to leave the Official Cash Rate at 2.25% when it meets next Wednesday, while maintaining a cautious tone as the economy recovers only moderately and core inflation pressures remain largely contained.

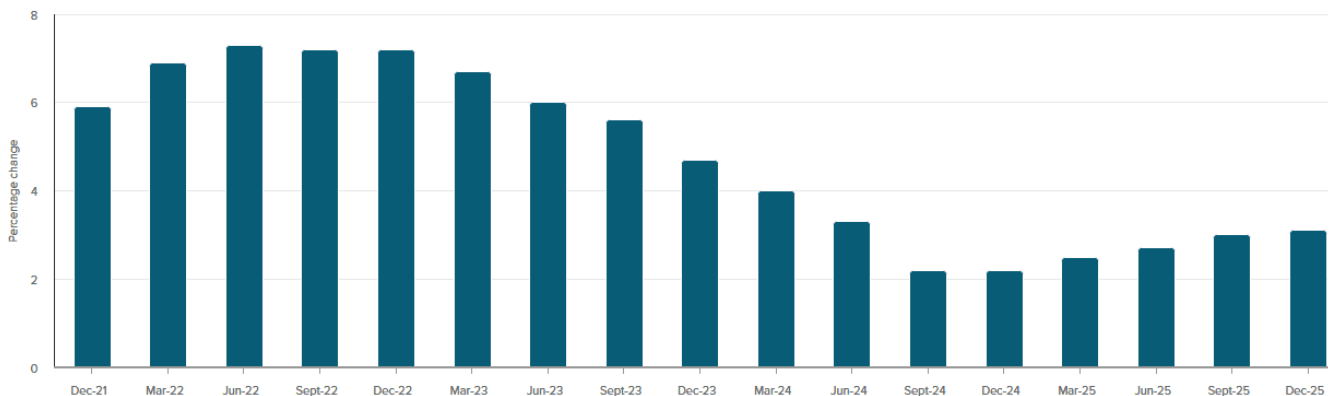
The Monetary Policy Committee cut the OCR 25 basis points in December, after a 50-basis-point reduction in October, bringing cumulative easing since August 2024 to 300 basis points. (See [MNI RBNZ WATCH: Easing Bias Maintained, But 2026 Hold Likely](#)) The October move was aimed at supporting activity at a time of persistent spare capacity and after a 0.9% quarterly GDP contraction in Q2.

Markets see little chance of a near-term move. However, RBNZ overnight index swaps imply a 2.66% OCR by December, with hiking risks weighted to the second half.

DATA POINTS

December-quarter [consumer prices rose 3.1% year-on-year](#), 10bp above expectations, and 0.6% quarter-on-quarter, while core inflation remained roughly 50bp above 2%, according to Stats NZ. The data showed large increases in administered costs, including council rates, electricity, and health insurance. Prices for imported retail goods have also risen, while earlier easing in service-sector inflation has stalled, leaving the core inflation measure above 2%.

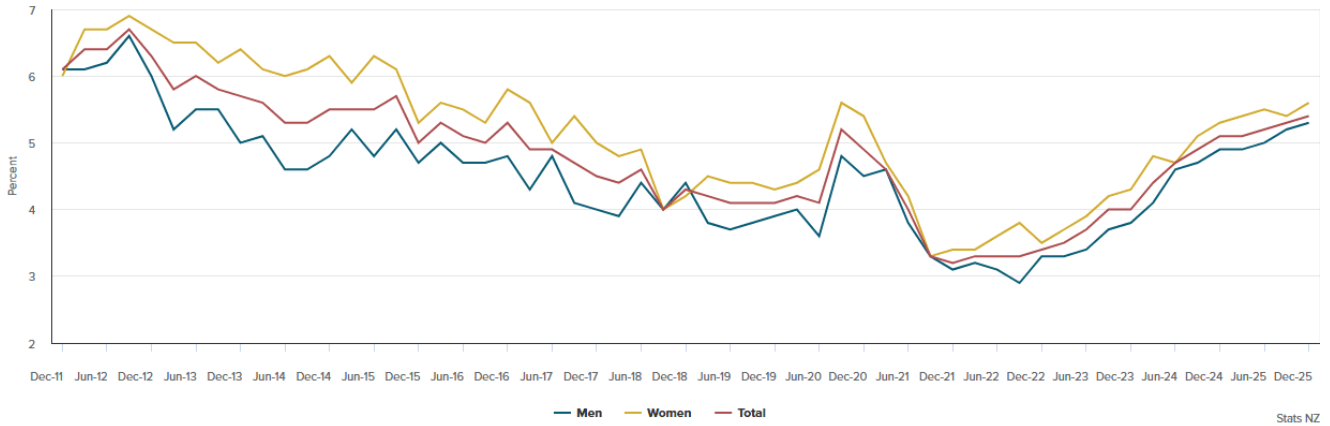
Consumers price index, annual percentage change, December 2021–December 2025 quarters



Stats

[Unemployment](#) edged up to 5.4% in the fourth quarter from 5.3% in Q3, while underutilisation remained steady at 13% and the employment rate rose slightly to 66.7%.

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



Most see signs of only a moderate recovery, that will drive RBNZ caution and keep the OCR at its current level until at least the second half when the economy should gain greater momentum. (See [MNI: RBNZ To Hold, Hikes Not Likely Until H2 -Former Officials](#))

The RBNZ’s hawkish tone late last year, despite the easing bias in its forecasts and December’s cut, pushed fixed-mortgage rates higher, effectively tightening financial conditions, according to former [RBNZ assistant governor John McDermott](#), who noted that this, combined with the stronger New Zealand dollar, would weigh on the recovery. “The economy is still struggling, and there’s a lot of surplus capacity around, so it’s less than clear that the recovery could handle higher mortgage rates,” McDermott told MNI.

The Bank will release an updated set of forecasts within the Monetary Policy Statement, which will likely remove the easing bias in November’s publication, give greater clarity on the neutral rate and show a slightly firmer OCR path.

NEW GOVERNOR

Wednesday’s meeting will also mark the first policy decision and post-decision press conference under the Bank’s new Governor, Anna Breman. While Breman brings extensive policy experience from her former role at the Riksbank, she remains largely an unknown in terms of how she will manage policy and assess the New Zealand economy. The press conference is expected to provide the first clear insight into her stance on both.

Sell-Side Analyst Views

ANZ (Unchanged): “We expect no change in the OCR, leaving it at 2.25% on Wednesday 18 February, accompanied by a higher OCR track that suggests that a rate hike towards the end of the year is seen as a likelihood.

- The data since the RBNZ’s final 25bp cut in November has erred on the hawkish side, though it’s not been one-way traffic. GDP was stronger than the RBNZ expected in Q3 and indicators for Q4 have been solid; CPI inflation unexpectedly lifted to sit outside the target band in Q4 in a broad-based surprise. On the other hand, the housing market and labour market are not looking inflationary, suggesting the medium-term outlook remains on track.
- Relative to current market pricing, the RBNZ’s track is likely to be considerably less aggressive. But we doubt that would be intended nor taken as a slap-down.”

ASB (Unchanged): We expect the RBNZ to hold the Official Cash Rate at 2.25% at the release of next week’s February Monetary Policy Statement. This looks to be a straightforward decision, with the Record of Meeting likely to show a unanimous vote amongst the six MPC members.

Nonetheless, developments since the November MPS point to a higher OCR track than in November. Headline inflation and underlying inflation drivers have generally surprised to the upside, offsetting the tightening in financial conditions. While a 25bp hike will likely be signalled by year end, the RBNZ will want to maintain optionality by emphasising the conditionality of its policy path. It will be interesting to see how Governor Breman characterises the data during her debut against the NZ inflation dragon. Her push for increased transparency may result in MPC members’ views being teased out more in the Record of Meeting and we look forward to more openness as 2026 unfolds.

RBNZ judgement on inflation will be pivotal. In November, the RBNZ banked on excess economic capacity pushing down medium-term inflation towards the target midpoint of 2% CPI inflation. Data since its last published forecasts have surprised the Bank to the upside. It could be timing – or something more fundamental. How the RBNZ addresses this will be key.

Taken collectively, the February 2026 MPS will read less hawkish than market pricing suggests, but it will be a tone shift from the more non-committal November 2025 MPS.”

BNY (Unchanged): “The RBNZ is expected to remain on hold at 2.25%, but as markets have steadily pivoted toward pricing in tightening while inflation remains stubborn. We doubt that there will be any change in language along the lines of the Reserve Bank of Australia (indeed this will be difficult to match anywhere). However, affirming a change in direction could help NZD realize richer valuations, though we expect the path to remain volatile given the nature of New Zealand’s policy cycles. Overall, the currency is also relatively underheld and could become an enticing position on the crosses, which the RBNZ can in turn encourage to limit gains in tradables inflation.”

BNZ (Unchanged): “In summary we think the RBNZ will reach the following conclusions:

- Growth is stronger than anticipated but private consumption is weaker.
- There will be question marks over potential growth but it will be too early to conclude potential is much weaker than previously thought.
- But the starting point for inflation is higher risking a rise in inflation expectations.
- The economy’s evolution is such that the RBNZ can confidently remove the last vestiges of any prospective easing from its rate track.
- Indeed, it will want to strengthen the case for less stimulatory monetary policy while being mindful that it will not want financial markets to price any more tightening than is already the case.
- This is likely to result in an on-hold interest rate decision on the day and a rate track that is only modestly more aggressive than in its November MPS.”

CIBC (Unchanged): “Recent data in New Zealand has shown incremental improvements to the outlook. Although we think there is scope for upward revisions to the February MPS forecasts, we don’t think the RBNZ’s new OCR forecast will match the market’s hawkish expectations. On January 23rd, RBNZ Governor Anna Breman maintained a cautious tone, noting that “we’ve had some new information, some of that data shows a little bit of a stronger economic recovery, but the picture is still mixed.” Breman further added that “I do believe that it will be important to see the labour market data coming out in early February, but then we’ll take that into consideration with lots of other

information.” With the Q4 unemployment data weaker than expected, the February MPS will likely include dovish revisions to the unemployment forecast. The previous MPS assumed steady declines in unemployment for 2026.

Goldman Sachs (unchanged): “Looking ahead to the February decision, we continue to expect the RBNZ to keep the OCR unchanged at 2.25%. While economic activity has improved convincingly, there is still ample spare capacity in the economy – with the RBNZ estimating an output gap close to 2% of potential GDP. Given this, we think the RBNZ will welcome further signs of an ongoing economic recovery without worrying too much about an acceleration in inflation. That said, we note considerable uncertainty in the RBNZ’s reaction function given this meeting will be the first of newly-appointed Governor Dr Anna Breman.

In terms of the updated MPS forecasts, the key change we expect is that the OCR forecasts will be revised upwards to show a faster return to around 3% by mid-2027, representing a 50bp upgrade. On growth, we expect sizeable upgrades in the near term to reflect encouraging activity data and the stronger 3Q2025 starting point, while on inflation we expect 20-30bp upgrades over 2026. We don’t expect material changes to the unemployment rate forecast.”

ING (unchanged): “The latest RBNZ projections from November 2025 have proved too optimistic on disinflation. Fourth-quarter CPI came in at 3.1% YoY versus the bank’s 2.7% estimate, and non-tradable CPI at 3.5% versus the 3.2% projection. This raises the question of whether the RBNZ cut rates too aggressively last year.

The next few quarterly prints may be a make-or-break moment for NZD. Another hot reading could leave the RBNZ with little choice but to start considering rate hikes later this year. However, the 1Q CPI report is only published on 20 April, and there are two RBNZ meetings before then (18 February and 8 April) that should offer some guidance on the policy path.

We expect two rate hikes to 2.75% in New Zealand this year, starting in either September or October. In our view, this will be driven primarily by sticky headline inflation, which should make clear that the 2025 easing cycle went too far. We also think another hike will be needed in 2027 to bring rates back to the 3.0% neutral level.”

JP Morgan (Unchanged): “An on-hold decision is very likely, though the tone will be important in the first decision under new Governor Breman. Outgoing Governor Hawkesby had ended the easing cycle in November, pushing 2Y swap 70bp higher. The data have since largely vindicated the turn in business/policy cycle over the summer, and we expect a first hike in September. Still, in media comments Dr. Breman has only partially endorsed the recovery, suggesting unemployment would be the true arbiter of the cycle. Last week’s slightly disappointing report then disrupts the momentum and should allow a balanced tone from Breman at the MPS and press conference. The staff forecasts still need to rise materially on both growth and inflation. 3Q GDP landed at 1.1%q/q compared to the staff’s tracking estimate of 0.4%q/q, and the view that inflation will be back near the mid-point by mid-26 is similarly challenged by the 4Q25 result, and tracking for 1Q26. November’s staff OCR path includes hikes from 2Q27. We expect this to come forward but only by a quarter (1Q27), as it is early in the GDP recovery and the exchange rate has been strong.”

Kiwibank (Unchanged): “The RBNZ’s decision, updated forecasts, and OCR track, will dominate Kiwi headlines this week. The cash rate will be left at 2.25%. But that’s not in question. It’s the lift in forecasts, with good news, that will see a lift in the OCR track. How far will they go? Hopefully not too far in signalling a hike this year (which is too early). It’s important to note that we’ve seen a tightening in financial conditions since the RBNZ’s last decision in November. Wholesale rates have lifted, and mortgage rates have lifted. Do we need higher rates? No, not yet. Give it time.

We expect the small chance of a further rate cut, which was embedded in November’s track, to be removed. The economy has shown enough signs of recovery to justify calling time on the easing cycle. And we agree with markets that the next move is up. But it’s the timing of that move that we disagree with (for now).

The RBNZ’s November track had implied the hiking cycle commencing in the second half of 2027. With stickier inflation and better growth, that’s likely to be brought forward. The key question is: by how much? We hope

the RBNZ avoids getting ahead of itself. A refreshed track pointing to an early-2027 lift-off feels appropriate to us. But market traders are much more aggressive, with almost two hikes priced this year. That's too punchy, and premature."

TD (Unchanged): "The focus will be on the OCR profile given signs of green shoots. Historically the RBNZ has begun hiking the cash rate when the output gap is f/c to be positive for two qtrs. However Q4 CPI came in hotter than Bank f/c's and OIS is now fully priced for the first hike at the Oct meeting. At best the RBNZ confirms a Q4'26 hike, otherwise RBNZ signals steady hikes from early '27"

Westpac (Unchanged): "We expect the OCR to remain at 2.25% at the RBNZ's February policy meeting.

- The RBNZ is likely to bring forward their projected first OCR hike to December, which implies only a small increase in their December quarter average OCR forecast.
- The RBNZ will acknowledge the stronger economy and more supportive global backdrop and note that inflation is too high. • Ongoing excess capacity, tighter financial conditions, and declining food and fuel price inflation will see the RBNZ's inflation forecasts head "towards 2%" negating the need to quickly return the OCR to more neutral levels.
- We see the RBNZ revising up their June 2027 OCR forecast by 40-50bp to around 2.85-3% from the 2.45% projected back in November.
- We don't think the RBNZ will be trying to scare the horses into pushing for an earlier start to tightening than markets have already priced. Hence the RBNZ is more likely to opt for more dovish messaging than more hawkish messaging."

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