

MNI RBNZ Review - Feb 2026

Meeting Date: Wednesday 18 Feb 2026

Link To Statement: https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/publications/monetary-policy-statements/2026/feb-180226/mps_report_feb2026.pdf

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MNI POV (Point Of View): On Hold, End 2026 Hike Possible

The RBNZ left rates on hold, as widely expected. The accompanying statement and updated forecast profile, particularly in terms of the OCR track, were not as hawkish as market pricing. Notably the RBNZ projection for the Q4 OCR (average) is 2.38% against a pre market pricing outcome of around 2.64% (for year end) per OIS markets.

- We noted in our preview that we would be surprised if the RBNZ had a more hawkish outlook relative to market pricing to end 2026 - hence today's decision/update is a meaningful downside surprise to pre-meeting outcome market pricing. The RBNZ appears to share the market view that the next move in rates is higher, but is pushing back on the markets timing around when the tightening cycle is likely to commence.
- The RBNZ marginally nudged its OCR profile higher versus the Nov 2025 projections. 2.26% average for Q2 this year (prior 2.20%), 2.28% for Q3 (2.23% prior) and 2.38% for Q4 (2.28% prior). It has a 2.6% projection for Q2 2027, then rising to 3.0% by Q3 2028.
- The statement expressed confidence in inflation returning to target: "Significant excess capacity, modest wage growth, and core inflation within the target band provides confidence that inflation will return to the midpoint of the target band."
- While noting on the outlook: "If the economy evolves as expected, monetary policy is likely to remain accommodative for some time. The Committee will continue to assess incoming data carefully. As the recovery strengthens and inflation falls sustainably towards the target midpoint, monetary policy settings will gradually normalise."

RBNZ Governor Breman also gave her first press conference as Governor. Breman stated that the updated OCR projections don't reflect a full rate hike for Q4 (i.e. given the updated outlook for the economy the RBNZ is not yet confident enough in the outlook that it will hike before year end). Breman still added that a hike before year end is a possibility.

- Breman stated that with excess capacity, economic growth can be stronger in the near term without generating inflation pressures. She said that policy can stay accommodative before gradually tightening. A hike won't be delivered until the central bank sees stronger growth and firmer core inflation pressures.
- The RBNZ also isn't expecting a fast rise in house prices, which is a departure from previous cycles (when rates were cut aggressively). They noted that household spending will be more reliant on labour incomes. This was a risk in terms of the outlook from a broader growth standpoint (i.e. that stronger consumption spending is needed to deliver to economic recovery).

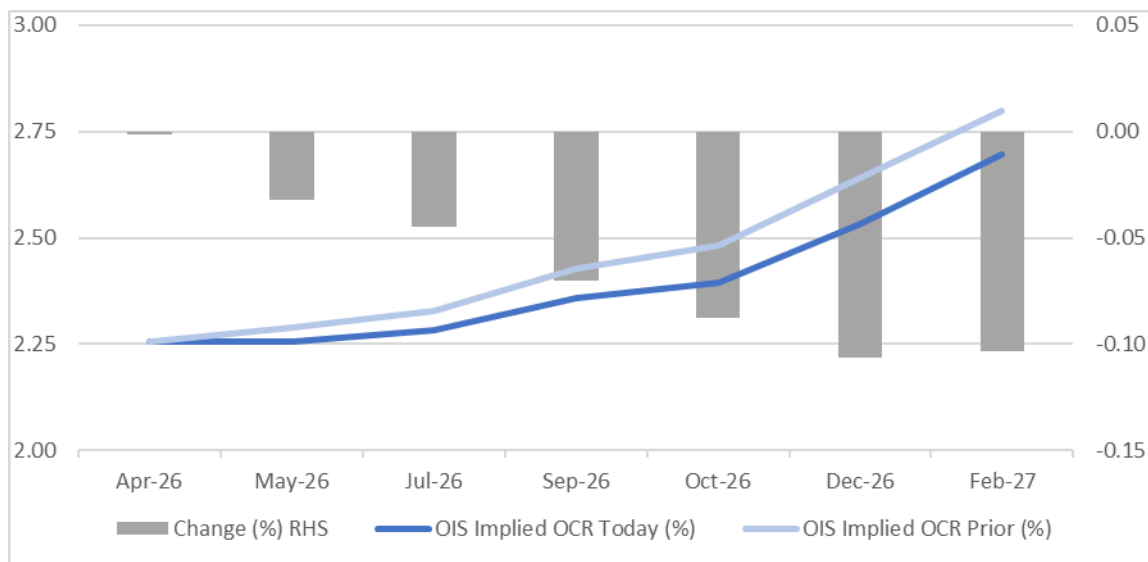
- The RBNZ officials noted they are seeing some signs of a broadening economic recovery (business investment, residential investment etc), but it is early days for these trends.
- The central bank also stated that the hawkish market reaction to the Nov 2025 MPS was not reflective of the underlying outlook that the RBNZ had (included for the OCR track it presented then).
- The RBNZ also plans to shift to 8 policy meetings next year, from the current 7. The shift to a monthly CPI will help with this shift. Governor Breman noted more details would be available on this soon.

Post-Meeting RBNZ Dated OIS Pricing

RBNZ-dated OIS pricing is little changed today but remains softer across meetings versus yesterday's pre-RBNZ decision levels.

- As it stands, pricing is 2-11bps softer for meetings beyond April.
- The market has 29bps of tightening priced by year-end versus 39bps prior to yesterday's decision.
- Notably, market pricing remains 12-22bps firmer than levels seen prior to November's RBNZ decision.

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



Source: Bloomberg Finance LP / MNI

RBNZ Feb 2026 Meeting Statement

A significant easing in monetary policy since August 2024 is supporting a recovery in economic activity. Annual consumers price inflation increased to 3.1 percent in the December 2025 quarter, slightly above the Monetary Policy Committee's 1 to 3 percent target range. The Committee is confident, however, that with significant excess capacity in the economy, inflation will fall to around the mid-point of the target range over the next 12 months.

Headline inflation is expected to fall to near the mid-point of the target band

The Committee noted that headline inflation is most likely returning to the target band in the March 2026 quarter. Recent increases in inflation have been driven by higher tradables inflation, partly due to larger increases in volatile items such as food, international airfares, and overseas accommodation. Tradables inflation is expected to fall back over the next 12 months due to relatively stable import prices and some support from the recent appreciation in the New Zealand dollar.

Inflation has also been held up by some components of non-tradables inflation that are less sensitive to monetary policy, particularly administered prices. These are prices that are set or heavily influenced by central or local government. Inflation in these components has been due to a lagged response to previous high inflation and a range of structural factors. The Committee expects there to be less inflation in some administered prices over the coming year, such as electricity lines fees, university fees and vehicle licensing fees.

Components of the non-tradables basket that are sensitive to monetary policy have declined to around historic average levels. Measures of core inflation have remained stable, albeit mostly above the target midpoint. Rates of wage inflation remain consistent with inflation trending back towards 2 percent.

The Committee emphasised the importance that higher near-term inflation not become embedded in longer-run expectations. Inflation expectations for professional forecasters and business leaders increased slightly across all tenors, but long-term expectations remain close to the target mid-point. Inflation expectations of households have continued to decline from elevated levels.

Significant spare capacity remains

The Committee noted that there is still significant spare capacity in the economy. The output gap is estimated to be -1.5 percent of potential GDP in the December 2025 quarter.

Spare capacity in the labour market is substantial but stabilising. While the unemployment rate increased to 5.4 percent, key measures of employment strengthened over the December quarter. The labour market is expected to continue to strengthen as the nascent recovery in economic activity broadens through 2026.

Continued spare capacity, subdued wage growth and measures of core inflation within the target band provide the Committee with confidence that the conditions are in place to return and sustain inflation at 2 percent over the medium term.

Economic activity is now recovering

Economic activity began recovering over the second half of last year in response to strong export prices and supportive monetary policy settings. GDP increased by 1.1 percent in the September quarter, after falling 1.0 percent in the June quarter. The Committee noted that measured GDP data has been more volatile than usual, in part due to a range of temporary factors and measurement issues.

There are signs that the recovery is broadening across the economy, although the September quarter GDP likely overstates the true level of momentum in the economy. Residential and business investment both increased from low levels, and measures of investment intentions and building consent issuance have all increased. More timely measures of economic activity such as the QSBO, PMI, and PSI suggest that growth has been maintained in 2025Q4 and 2026Q1.

The economic recovery has been uneven across sectors and regions. Stronger activity has been observed in the rural economy and in the primary sector. Consumer spending has been constrained by low growth in employment income and the negative effect of falling real house prices on household wealth.

House prices have continued to edge downwards despite lower mortgage rates and a modest pick-up in housing market activity. This possibly reflects weak population growth and elevated long-term interest rates. House price growth is expected to gradually increase over 2026 and then grow at around the rate of household income growth over the medium term.

Household consumption is projected to increase over the medium term as past reductions in the Official Cash Rate (OCR) continue to support demand. The Committee noted that labour market conditions are likely to become more important relative to house prices in influencing consumption.

Government expenditure is assumed to grow at a subdued pace over the medium term, consistent with the Half Year Economic and Fiscal Update 2025 projections.

Domestic financial conditions have tightened since November

The New Zealand dollar Trade Weighted Index has appreciated, reflecting higher domestic interest rates and a weakening US dollar. Wholesale interest rates beyond 12 months have increased due to higher global interest rates and investor expectations of future increases in the OCR. Banks have passed these increases through to fixed-term mortgage rates.

The flow of mortgage borrowing priced in the 1–2-year terms increased substantially since November. While the average mortgage rate has declined to 5.1 percent, further downward adjustments are expected to be less than assumed in November.

Global growth has been resilient but risks remain high

The Committee noted that the global economy was more resilient than expected in 2025. Tariffs have had less impact on global growth than previously expected, while strong investment in artificial intelligence technology has supported exports from our trading partners in Asia. Expansionary fiscal policy has also supported growth in a number of economies. The Committee continues to expect trade barriers to present a headwind to growth, with trading partner growth expected to weaken slightly over 2026.

On a trade-weighted basis, global inflation has declined, but there has been significant divergence across countries. Tariff policies have increased inflation pressure in some economies such as the US, but these have been offset by disinflationary pressure in China and the broader Asia region.

Geopolitical developments over recent months have led to continued high economic uncertainty and financial market volatility. The US dollar has declined, while the prices of oil and precious metals have risen, along with sovereign bond term premia.

The domestic financial system remains stable

The Committee was briefed on financial system stability. Measures of domestic financial stress have eased as lower interest rates reduce debt servicing pressures. Non-performing housing loans have also declined, and banks expect further reductions in housing and commercial property impairments over 2026. The Committee agreed that there is currently no material trade-off between meeting its inflation objectives and maintaining financial system stability.

Risks to the outlook for inflation are balanced

There are upside and downside risks to the near-term outlook for inflation. The Committee noted the contribution that administered price inflation had played in recent inflation outturns and the risk that this could remain high for longer than currently assumed. Conversely, the Committee discussed the risk that volatile components of tradable inflation could fall more rapidly.

The Committee discussed the risks around firms' price-setting behaviour. While weak demand has constrained the ability of firms to pass on higher costs, the Committee noted the risk that changing price setting behaviour could result in higher inflation. In this context the Committee also discussed the risk that the output gap could be smaller than currently estimated, accentuating the risk that firms raise prices as demand improves. This could lead to more persistence in domestically generated inflation pressure that would require tighter monetary policy than otherwise.

Members noted risks regarding the speed of the economic recovery. The Committee noted the risk that household spending could be slower to recover than currently assumed, particularly if house price growth remains subdued. This could lead to households continuing to maintain higher levels of precautionary saving. Conversely members noted a risk that higher export incomes and the return of capital to dairy farmers from the sale of Fonterra's consumer brands business could spur higher investment and consumer spending by farmers.

The global outlook is uncertain

The Committee noted that the global economic outlook continues to be highly uncertain. In the near-term, key uncertainties relate to the direction of global trade policy, market valuations of artificial intelligence investment and geopolitical tensions. Downside risks remain to growth in China as policy makers attempt to maintain growth targets in the face of weak domestic demand. Continued excess capacity and subdued demand in China could create greater disinflationary pressure. Over the longer term, the Committee noted risks associated with unsustainable fiscal dynamics in several countries. This could put ongoing pressure on central bank independence and create conditions for more persistent global inflation. This could lead to higher long-term global real interest rates and create risks to global financial stability.

The Committee reached consensus to hold the OCR at 2.25 percent

The Committee discussed the monetary conditions required to achieve their medium-term inflation mandate. The Committee agreed that the economic recovery remains nascent, and a premature normalisation of monetary conditions could dampen the recovery and lead inflation to undershoot the target. The Committee also considered the risk that policy remains accommodative for too long, leading inflation to persist above the mid-point of the target range for longer.

Members agreed that the monetary policy stance would need to remain accommodative for some time to support a sustained recovery in economic activity. There is a risk that prolonged caution on the part of households could slow the recovery in consumption activity, particularly in the context of a recent tightening in financial conditions. Members also noted global risks that could slow domestic economic recovery. Significant excess capacity, modest wage growth, and core inflation within the target band provides confidence that inflation will return to the midpoint of the target band.

Members noted the risk of inflation remaining more persistent, given surveys showing somewhat elevated inflation expectations and business pricing intentions. One member supported maintaining the OCR at current levels for now but noted that if economic activity recovers as expected, monetary stimulus could begin to be withdrawn somewhat earlier without compromising the economic recovery. Another member noted that responding too quickly to firms' pricing intentions could reinforce perceptions of strong demand and encourage firms to align on further price increases.

On Wednesday 18 February the Committee reached consensus to hold the OCR at 2.25 percent. The forward OCR path reflects a somewhat stronger economic outlook and balanced risks to inflation. If the economy evolves as expected, monetary policy is likely to remain accommodative for some time. The Committee will continue to assess incoming data carefully. As the recovery strengthens and inflation falls sustainably towards the target midpoint, monetary policy settings will gradually normalise.

Key forecast variables

		GDP growth Quarterly	CPI inflation Quarterly	CPI inflation Annual	Unemployment rate	TWI	OCR
2024	Mar	0.2	0.6	4.0	4.4	71.6	5.5
	Jun	-0.6	0.4	3.3	4.7	71.4	5.5
	Sep	-1.3	0.6	2.2	4.9	70.9	5.4
	Dec	0.1	0.5	2.2	5.1	69.5	4.6
2025	Mar	1.1	0.9	2.5	5.1	67.8	4.0
	Jun	-1.0	0.5	2.7	5.2	69.1	3.4
	Sep	1.1	1.0	3.0	5.3	68.4	3.1
	Dec	0.5	0.6	3.1	5.4	66.4	2.5
2026	Mar	1.1	0.6	2.8	5.3	67.8	2.2
	Jun	0.5	0.4	2.7	5.2	68.0	2.3
	Sep	0.6	0.8	2.5	5.1	68.0	2.3
	Dec	0.6	0.4	2.3	5.0	68.0	2.4
2027	Mar	0.7	0.4	2.1	4.9	68.0	2.5
	Jun	0.7	0.4	2.0	4.8	68.0	2.6
	Sep	0.7	0.8	2.0	4.8	68.0	2.7
	Dec	0.7	0.4	2.0	4.7	68.0	2.8
2028	Mar	0.7	0.4	2.0	4.6	68.0	2.9
	Jun	0.7	0.4	2.0	4.6	68.0	2.9
	Sep	0.7	0.8	2.0	4.5	68.0	3.0
	Dec	0.7	0.4	2.0	4.5	68.0	3.0
2029	Mar	0.7	0.5	2.0	4.4	68.0	3.0

MNI RBNZ Watch: Breman Notes Dec Hike Risk, Weak House Prices

By Daniel O'Leary

Reserve Bank of New Zealand Governor Anna Breman sees the possibility of an end-of-year hike in the Official Cash Rate from its current 2.25% but acknowledged that economic recovery remains in its early stages, with policymakers closely watching how weak house price growth will feed through to household consumption.

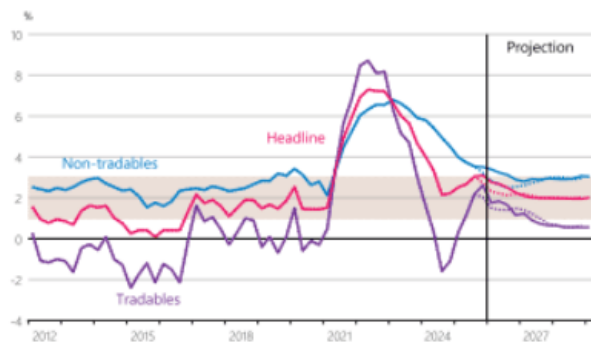
"I think that currently our best forecast is the OCR track, and that indicates that there is a possibility of a rate hike before the end of the year," Breman told reporters following the Monetary Policy Committee's largely-expected decision to hold rates steady, adding that the Bank had not fully priced in such an outcome. (See MNI RBNZ WATCH: Cautious Hold On Moderate Economic Recovery)

Incoming data pointed to a recovery in its early stages, but one which is uneven and likely not felt by most households, she noted. "They're still feeling the high inflation that we had over the past few years. Many businesses are still struggling."

Breman, delivering her first OCR decision since taking on the governorship, stressed the Bank was not planning to tighten policy until stronger inflation pressures and activity data emerge. "We want to keep the OCR on hold to support the recovery while ensuring that inflation falls back to target," she continued.

The market read Breman's comments and the latest Monetary Policy Statement – which showed a slightly firmer OCR projection but a lower CPI outlook – as mildly dovish, with overnight index swaps softening around eight basis points to roughly 31bp of tightening priced by year-end. (See charts)

Figure 5.1
Inflation components
(annual)



Source: Stats NZ, RBNZ estimates.

Note: Dotted lines show the projections from the November Statement. The shaded area represents the MPC's 1 to 3 percent target range for annual CPI inflation over the medium term.

Figure 5.6
OCR
(quarterly average)



Source: RBNZ estimates.

The Bank has held the OCR at 2.25% since its last 25bp cut in October, with 300bp of cumulative easing since the rate peaked in May 2023. (See MNI RBNZ WATCH: Easing Bias Maintained, But 2026 Hold Likely)

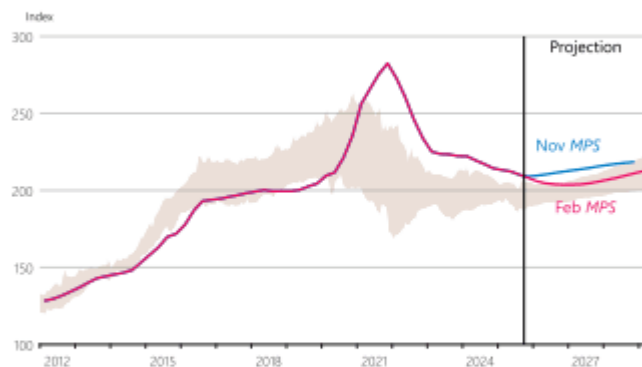
LABOUR, HOUSING & CONSUMPTION

Driving the Bank's caution is a subdued housing market and its implications for spending. Chief Economist Paul Conway said slower house price growth represents a structural shift for the economy, which has historically

relied on housing wealth to drive demand. House prices remain slightly above levels the Bank considers sustainable, underpinning expectations that housing inflation will stay subdued over the coming year.

Figure 5.4

Real house prices and sustainable indicators
(index)



Source: Cotality, RBNZ estimates.

Note: See Brunton (2021), [Measures for assessing the sustainability of house prices in New Zealand](#). The indicator range may be revised from time to time as certain assumptions change, such as neutral interest rates. The indicator range has been projected in line with our projections for wages and population growth. The projection assumes the neutral interest rate remains at its current level.

“That’s a big change for the New Zealand economy, and that’s why we’re highlighting the downside risk to consumption,” Conway said, noting household spending is likely to become more dependent on labour market conditions rather than housing gains.

Conway added that lower interest rates are already helping broaden the recovery across sectors. “We’re seeing growth broadening out of the ag sector, regional New Zealand, into metropolitan centres and manufacturing. Construction is starting to pick up because of lower interest rates.” He noted, however, that the shift away from housing-led demand creates downside risks. “Consumption is a huge part of the economy, and we do need households to stop being as cautious if the recovery is to continue to broaden.”

MORE TRANSPARENCY, MEETINGS

Breman said the Bank plans to increase transparency around policy deliberations and expand its meeting schedule to eight in 2027, following the introduction of monthly CPI data.

The recent statement reflected differing views on OCR timing but she said consensus decision-making remains the goal. Breman added policymakers will also step up outreach, with speeches and regional visits aimed at both explaining decisions and gathering feedback from businesses and households on economic conditions.

Sell-Side Analyst Views

ANZ: “The Reserve Bank’s decision, tone and OCR forecast were much as we expected today, acknowledging the next move in the OCR is probably up, but not with any sense of urgency. If anything, the Statement perhaps erred a little more on the dovish side, insofar as the published OCR track is a couple of basis points lower than we estimated it would be by the end of the year (2.38% rather than 2.40%), and it terminated up at 3.0% whereas we thought it might end a smidge higher. Today’s Statement was always going to be a balancing act between an awkward inflation starting point, rising pricing intentions, and a better starting point for the economy than expected versus the risk of unnecessarily choking off a recovery that is still quite new and potentially fragile, amidst monetary conditions that have already tightened meaningfully since November.

It is only six weeks until the RBNZ’s next opportunity to express its views, and in that context, it is appropriate that the Committee delivered what is essentially a placeholder Statement. Neither the housing market nor the labour market is looking like they will turn inflationary any time soon – and indeed the housing market data turned softer in January. The bounce in headline inflation is awkward, admittedly, and pricing intentions in our ANZ Business Outlook survey signal that the RBNZ needs to stay alert. But risks are not one-sided, and while a large and increasing majority of firms may say they intend to raise their prices, they may in practice find that very difficult in an economy where many are still cash constrained. No need to scare the horses. As you were.

ASB: As was widely expected the RBNZ held the OCR at 2.25%. The tone of the RBNZ assessment tinged on the dovish side with the Bank cautious on the domestic economic outlook, with a focal point being NZ households and the housing market. As such, the RBNZ have adjudged the view and assess can be patient with gradually removing monetary policy accommodation.

The RBNZ are confident they can deliver 2% by March 2027. We are a bit more wary of this time to target given OCR settings are expected to remain on the expansionary side of neutral for quite a while. There remains a risk of a hawkish RBNZ pivot in the coming months, but the tone of the data will have the final say.

We note that moves in the OCR are heavily conditional on the economic outlook. The ASB economics team expect a 25bp hike by year end and a 3.25% OCR endpoint. Despite today’s relatively dovish RBNZ assessment, the possibility of a higher OCR peak is still on the cards should inflation fail to converge to its 2% target midpoint in a timely manner.”

BNZ (Unchanged): “We thought the RBNZ would hold its cash rate at 2.25% today, remove the previously projected possibility of easing further, and take a cautious approach to projected rate hikes down the track, but still modestly strengthen that outlook. That is exactly what the Bank delivered today. The Bank held its cash rate at 2.25% and noted that if the economy evolves as expected, ‘monetary policy is likely to remain accommodative for some time’. Judging by a relatively flat near term projected rate track, this is a signal that the RBNZ expects the OCR to be held steady over coming meetings.

We see that as a cautious approach. That said, ‘remain accommodative for some time’ is not necessarily the same as remaining on hold for some time given the starting position of the cash rate. We continue to see the first hike in September.”

CIBC: “The RBNZ statement and updated February MPS were more dovish than expected, with the statement language noting that “monetary policy is likely to remain accommodative for some time.” In contrast to the RBA (which hiked in early February), the RBNZ was also more cautious on inflation, noting that “risks to the inflation outlook are balanced.... Domestically, greater caution by households in their spending decisions could slow the pace of New Zealand’s economic recovery, risking inflation falling below the target midpoint.”

The updated February MPS forecasts were also dovish, with the RBNZ now forecasting the Q4 OCR at 2.38%, just 10 bps higher than the November MPS and 13 bps higher than current levels. Although we expected dovish disappointment today, the 13 bps of implied hikes signaled by Q4 in the updated MPS was more dovish than the ~25 bps of forecasted hikes we were expecting.

The main takeaway from the statement and Feb MPS is that there is no urgency by the RBNZ board to hike, with the line “monetary policy is likely to remain accommodative for some time.” signaling an extended hold. A Q4 hike is possible, but the incoming data will have to improve for the RBNZ to gradually move towards that outlook. On the positive side, the labour market has stabilized and CPI risks are now “balanced”. Based on the new OCR forecasts, the RBNZ still thinks the base case is no change in 2026, but the hike scenario is rising as the data improves.”

Goldman Sachs: “The RBNZ today maintained the Official Cash Rate (OCR) at 2.25%, in line with expectations (GSe/BBG: 2.25%) and pricing in financial markets (+0.3bp). February’s meeting was the first under the leadership of new RBNZ Governor Breman and the decision reflected a ‘consensus’ across the six person Monetary Policy Committee (MPC).

The statement attending the decision presented dovish relative to market pricing for 40bp of OCR tightening in 2026, with the MPC guiding that ‘monetary policy is likely to remain accommodative for some time’ and the RBNZ’s OCR path showing the OCR around its current level (2.25%) before rising 25bp by 1Q2027. Key language also read a little dovish relative to expectations, with the MPC emphasising confidence that ‘inflation will fall to the 2 percent midpoint over the next 12 months’ and caveats to the recent upside surprises to headline inflation (while ‘core inflation stable and firmly within target band’) and GDP growth (the recovery is at an ‘an early stage’). The RBNZ also noted ‘weak’ house price growth, an ‘elevated’ unemployment rate, and still very large output gap (at 1.5% of GDP).

Looking ahead, given the amount of spare capacity in the NZ economy, we expect a strong economic recovery can proceed alongside benign inflationary pressures. We view today’s RBNZ communications as consistent with the first RBNZ rate hike being delayed to 4Q2026.”

Kiwibank: “The RBNZ kept the cash rate on hold at 2.25%. And the messaging was crystal clear. Let the economy recovery. Keep settings accommodative. And if all goes well look to rate hikes at the end of this year, or early next. It’s a big if. But overall, it’s a message that we can get behind.

The Kiwi economic recovery is in the “early stages”. There’s a lot left to do. There’s a lot of time that’s needed to heal. And there’s a lot market participants can do to ease the pressure. Wholesale rates are lower and the currency unmoved. That’s exactly the reaction we were hoping for. And the RBNZ will be happy with that (let’s forget about the last MPS in Nov which was a shambles).

Inflation will fall back to 2%. It remains their forecast, and ours. Ultimately, though we still think that the kiwi economy will need a little more time to be fully mended. And as such retain our view of rate hikes kicking off in 2027.”

TD: “The RBNZ kept the Official Cash Rate (OCR) at 2.25% in a unanimous decision. The Bank’s updated OCR track now pegs the first 25bps hike to later this year or early next year. However there is limited urgency to raise the cash rate thereafter with a follow-up 50bps of hikes over the following 2 years.

Significant excess capacity, subdued wage growth, an economic recovery that is patchy across regions / sectors with inflation expected to decline gradually towards target underwrites the Bank’s patient approach to normalising policy. Further, the Bank does not anticipate lifting the cash rate above neutral over its projection horizon to Q1’29.

We make no changes to our forecast OCR path. We stick with the RBNZ on hold this year, reaffirm our call for 25bps hikes in Q1 and Q2 next year, taking the OCR from 2.25% to 2.75%. We forecast another 25bps hike for 2028. That said, the risk to our and the RBNZ’s forecast is an earlier start and more aggressive policy rate normalisation.”

Westpac: “We continue to expect that there will be no further policy easing this cycle and that the RBNZ will begin to raise the OCR from the December 2026 meeting. The timing of the return of the OCR to higher, more neutral levels will depend on the pace of the eventual recovery and the evolution of inflation.

The MPC seems to feel comfortable that they have time to assess, and the bar to justify OCR “lift-off” remains high. Hence risks of a 2027 start are perhaps a bit higher than we thought before but what’s clear is that risks of a pre-election hike seem low as of now. Much will depend on how economic activity and the labour market evolves over 2026.”

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