



*Source: Reserve Bank of New Zealand*

*26 November 2025*

**Christian Hawkesby**

Governor

**Transcript**

**Karen Silk:**

Small change to the running order today as this is Christian's final monetary policy meeting and speaking on behalf of the monetary policy committee, we would like to acknowledge Christian's outstanding contribution to this Committee and as Chair over recent months. This is Christian's 49<sup>th</sup> meeting, so not quite half a tonne, but by anyone's standards it's been a good innings and one where he has always played with a straight bat. So on behalf of all of us, we thank you for your contribution, Christian, and your service to New Zealand.

**Christian Hawkesby:**

Thank you Karen. We are having a competition for how many cricket analogies we can get and Karen's off the mark very quickly, so thank you for your kind words Karen, really do appreciate it. So kia ora koutou katoa, nau mai haere mai, welcome to our Auckland offices. Thank you for joining us online. Thank you for those who have been able to join us in person, particularly those who have travelled to be here today. Within a week of moving into these offices, we were unexpectedly outed from our Wellington premises due to a disturbance isolated asbestos disturbance. So we are very fortunate to be able to be here today and able to use this space as part of our business continuity response. I also want to acknowledge the members of the Monetary Policy Committee here today in the front row, particularly Hayley Gourley who is a new member and it's her first monetary policy statement.

Welcome Hayley. We were here this week to complete our deliberations, make our decision, finalise this document here with the cricket analogy running right to the front page and we are holding our first press conference here and webcast here in Tāmaki Makaurau Auckland. So a real warm welcome to you all. So to today's decision, the MPC voted to reduce the Official Cash Rate by 25 basis points to 2.25%. Annual CPI and inflation increased to 3% in the September quarter. However, the spare capacity in the economy inflation is expected to fall to around 2% by the middle of next year. Economic activity was weak over the middle of this



year but is now picking up lower interest rates are encouraging household spending, the labour market is stabilising and the exchange rate has fallen supporting exporters earnings.

Global economic growth has benefited from strong AI related investment but is expected to slow next year as trade barriers weigh on activity. In our view, risks to the New Zealand inflation outlook are balanced. Greater caution by 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, future moves and the Official Cash Rate will depend on how the outlook evolves. Finally, as you're aware, it's not new for the monetary policy to vote as previously. We won't be disclosing the votes today, but I can assure you that the discussion was very thorough and constructive. As always, happy to take your questions. I've got Paul and Karen here obviously with me if you direct them to me I can farm them out as appropriate.

### **Media questions**

#### **Media:**

Thank you. Matthew Brockett from Bloomberg is the easing cycle over?

#### **Christian Hawkesby:**

So we have published a central projection for the official cash rate that would be consistent with the Official Cash Rate being on hold through the course of 2026 and one where we feel the risks are balanced around that central view. We think it puts the committee in a really strong position into next year, have the time to see how the economy evolves. As always things play out differently, shocks occur and so the committee's in a great position to navigate that.

#### **Media:**

But is it more likely than not that today's cut was the last in this cycle?

#### **Christian Hawkesby:**

You'll notice that in the track has a very slight downward tilt. I think it's got a low point of 2.2% and that's just a nod to the likelihood that if the OCR was to change over the next 3 to 6 months, it might be more likely to go down than up and then further out in that projection chances are more likely to go up than down, but balanced around that.



**Media:**

Okay, and can I just ask,

**Christian Hawkesby:**

So only time will tell is the answer.

**Media:**

Just on the economic outlook. You've been disappointed in the past on growth and I just wonder if you could pinpoint specifically what you are seeing now that gives you confidence in this that we are in an economic recovery.

**Christian Hawkesby:**

Yeah, so the first thing I'd say is that since the August monetary policy statement, we've obviously had the Q2 GDP number released, which was a large negative number that the team have worked through that in quite a lot of detail and see a lot of one-off factors in there, some statistical quirks, some seasonal factors, some supply side sort of constraints. So we think that that activity was not as weak as that headline number suggested, although it was on the weak side. What we're seeing now is economic indicators picking up right through the course of high frequency indicators that we monitor and I've summarised in our Kiwi GDP indicator that we update frequently, but we're seeing it through consumer spending picking up. We're seeing signs of the labour market stabilising and turning employment, picking up hours worked, picking up a whole host of small indicators that collectively give us that confidence that we're not waiting for a recovery. It's happening right now through Q3 and Q4.

**Paul Conway:**

Also note the depreciation in the exchange rate, which is supporting earnings in the export sector.

**Karen Silk:**

And the fact now that we've cut 325 basis points and it takes time for that to work through and it will and we believe monetary policy is working, we are very confident about that and it will continue to work its way through over the next 12 months.



**Media:**

Governor, Jason Walls from 1 News here. I was wondering if you might be able to go into a little bit of detail about your forecast and your projections for house prices over the next 12 months or even beyond that.

**Christian Hawkesby:**

So our forecast for house prices is for a moderate increase through time and that's because house prices are a little bit above our measure of sustainable house prices and so we think that they'll grow roughly in line with income growth over the next few years and that that's a good place to be in. It's a world of a sustainable outlook where house prices are near sustainable and we're expecting them to continue on in that path. Monetary policy, as Karen mentioned, we've done a lot of work, we're conscious that works through many different channels. The wealth effect through house prices hasn't been a strong channel this time around but many others have including the cashflow channel of just the lowering and mortgage rates and the like that we've seen in the exchange rate channel that Paul mentioned is one that's working very strongly at the moment. Those different channels will work at different speeds at different times, but we have confidence that in totality they're giving us the support for the recovery. We need to have inflation well on our target.

**Media:**

Yeah, and do you see the current rate as it stands at the moment as stimulatory?

**Christian Hawkesby:**

So we've talked before about neutral interest rates, so neutral interest rates are ones which are neither restrictive or stimulatory in the long run. We've talked about that range of three and a half to two and a half percent is where we roughly think things are. There's a box in the document which shows how we've updated those. They're still roughly in that zone. We now have the official cash rate at 2.25%, which is south of that range and one where we do think it's supportive and stimulatory and part of that story of why it is that we think we'll see the uptick in activity from here and one that gives us a lot of flexibility to go to lift the rate or lower the rate from here, which is also a good position to be in.



**Media:**

Zane Small from 3 News. Can you describe how much better you think the economy will perform next year?

**Christian Hawkesby:**

So it's been a challenging year this year in the sense of we started lowering interest rates and we saw a pickup in activity actually through Q4 the previous year and into the beginning of this year that was put on hold through global developments in part given the trade wars, increases in tariffs, increases in policy uncertainty that we've seen globally that created environment where consumers and businesses were cautious. We feel like we're coming out the other end of that now. A lot of that is starting to be resolved. We feel like some of the action that we have taken, including the 50 basis point cut in October was designed to mitigate that risk of households and businesses being excessively cautious. We are looking forward into next year we want to be in a position where the Reserve Bank and monetary policy is off the front pages. Bring back boring, let everything else drive the economy and we can sit in the backseat.

**Media:**

So you think it is fair to say that we probably won't see any further drops to the cash rate?

**Christian Hawkesby:**

We retain full optionality. Every meeting is a new meeting, every option is always on the table and not ruled out, but our central projection is one, showing confidence that that's the central view and we've got lots of flexibility around it.

**Media:**

Giles Beckford from Radio New Zealand, you have in the past commented on the slow transmission of the easing cycle through to real activity household spending businesses. Does this document suggest that whatever were the have eased and you expect that transmission of lower rates will be more quickly felt and more effectively felt?



**Christian Hawkesby:**

We've always talked about an awareness that the monetary transmission lags along and variable and that's always the case and what's putting us in a more confident position now is partly the passage of time that the work that we started doing around the middle of next last year has really had time to kick in and work through all those different channels. Some of the disturbances that have happened along the way have now come and worked their way through as well. We're seeing the transmission mechanism work in the sense of the changes in the official cash rate flowing through to wholesale interest rates, mortgage interest rates, business interest rates, and then through into confidence and activity. So we are seeing the transmission work and we have confidence that monetary policy does work so it will keep flowing through in the way it does.

**Media:**

Does that mean you could have got here quicker if you've been more aggressive and more timely in your easing

**Christian Hawkesby:**

At every meeting? We are assessing the information that we have in front of us at the time and the outlook that we assess at the time and that view evolves through so we're constantly responding to the different information and shocks that come along. I won't get into the hindsight, could we go faster or slower? The thing that we are focused on is the future, which is being in a position where we have inflation at the middle of the target range out in that medium term horizon.

**Paul Conway:**

Just to chip in on that, Giles. Another way to think about it, as the governor said, the economy was recovering quite nicely at the end of last year and into early this year and essentially the recovery got derailed by, well the imposition of tariffs and a great deal of uncertainty around the global economic environment and tariffs have been applied. They're a bit lower than they were originally broadcast to be and the global economy has been pretty resilient in the face of those tariffs and uncertainty measures have come down quite nicely. So we think with the easing that we've done, the recovery is going to get back on track from Q3 into next year.



**Karen Silk:**

The other thing just to keep in mind is what our mandate is and our mandate's about inflation and headline inflation is still at the top end of the bank at this point in time and our job is to have it sustainably back towards that midpoint of the target. So when we are making our calls, we are not sitting there and putting the recovery of an economy as our first point of call. Our first point of call is what's the effect on medium term inflation?

Media: Hi Lucy from Reuters. I'm just interested, I mean you've talked about the global uncertainty impacting the economy this year. How much of a risk is it going forward given the world that we are living in?

**Christian Hawkesby:**

That's a great question. It's a risk that never goes away. I think that as a monetary policy committee member, we are programmed to worry about the global outlook. As I mentioned, we see the risks balanced on the upside and the downside around our central view domestically. We've talked about there being potential for greater caution from households and businesses against the fact that monetary policy could transmit much stronger and faster. On the domestic side, we are conscious that one of the reasons that the trade wars haven't been felt as strongly as we had anticipated is that there has been this AI investment boom that you've seen through actual business investment, particularly out of the US we've got a sheer market that's pricing in a high amount of earnings from the AI productivity improvements. So there's a risk that doesn't eventuate markets get disappointed on the upside. We are a bit worried about inflation risks globally from fiscal dynamics, from the erosion of central bank independence internationally and what that might mean for the global inflation outlook and how that plays out here in New Zealand.

**Media:**

Do you have to think about how low you go now and make sure that there's space to go further if things go south globally?

**Christian Hawkesby:**

It's something that we've, I'm sure we've done the research, Paul, I'll pass on to Paul in a moment, but my memory of the research is you get into the right position as soon as you can. So if you're holding things up your sleeve, you're actually better off to get there straight away. That will get inflation going in the right direction that you need and we've got a long way



before we reach the lower bound from where we are at the moment. So that wasn't a large part of the discussion this time around Paul, what's the research say?

**Paul Conway:**

Yeah, well exactly that Governor, you can't set monetary policy on the basis that something big might happen in the future, but as you become more confident that that is going to happen, then you kind of bring it into your central track and adjust rates accordingly. And as the Governor said, there's some real risks out there for sure, the AI investment disappoints and the kind of institutional stuff around central bank independence and fiscal dynamics, but they are not in a central track, but if they happen we think we're in a good place to deal with it as it rolls through the New Zealand economy.

**Media:**

Speaking of keeping things up your sleeve, would you advise now is good time for homeowners to fix their interest rates for the next 5 years?

**Christian Hawkesby:**

I'd suggest they speak to a qualified financial advisor.

**Paul Conway:**

It's not us.

**Christian Hawkesby:**

I'm not licenced.

**Media:**

Governor, John Wicks from New Zealand Herald. Given the hawkishness of the statement today, how likely is it you think fixed mortgage rates will go up sooner rather than later?



**Christian Hawkesby:**

So we are conscious that there has been some further easing price into the yield curve and wholesale interest rates, so we're expecting to see a little bit of volatility in markets in response to our decision. So there's an awareness of that. In terms of the overall monetary conditions, we think that our decision today will support where overall monetary conditions have got to when you look at the combination of wholesale interest rates, mortgage rates, the exchange rate, and that'll put us in a good position to achieve our mandate.

**Karen Silk:**

It also depends on banks. I mean banks are the ones that make the choice on this, not us, and they take a number of factors into account when they do that. They look at their own funding position and where that's at. They've certainly got plenty of firepower there to be able to lend more. It's not, there's no credit supply issue here in the New Zealand market, so each bank's funding position will be one of the determinants as to what they do with interest rates from here.

**Media:**

In light of that, how frustrated are you with banks?

**Karen Silk:**

Yeah, so again, that comes back to obviously to a number of factors, but what I would say is that where we see if you like the markup on home loan rates today, it's back to those historic levels that the historic average levels that banks have had in that position. Now whether they can go further than that is ultimately their choice. That's not something that we can direct but competition in a low credit growth environment, I would be expecting that competition for those home loans as they roll over and go onto new rates. That competition will be healthy in this market. There's certainly the capacity for it.

**Media:**

Bernard Hickey for the Kaka. Governor, could you talk about administered inflation. Figure 2.14 is a cracker. Would you have been able to lower the official cash rate by more if the government and councils had not pushed up administered inflation to nearly 3 times the average over the long run?



**Christian Hawkesby:**

I'm going to pass in a moment to Paul to speak to that particular box. I mean the way that I think about it is different parts of the economy are more or less sensitive to monetary policy and the economic cycle and so some things are very sensitive to interest rates and you see things move very quickly in response to our actions. Other things are very slow moving and so they fit things like council rates and the like a very slow moving and what we've seen is really the echo of the high inflation when headline inflation was 7%. We are still seeing the echo of that through other bits of the economy where prices have been slow to adjust and adjust adjusting through now. And so we are seeing that that's sort of part of what goes into the mix to where overall inflation is. We think that that's kind of coming out the other end now and will be part of a story where things are coming back to a more sustainable path for non tradables inflation. But Paul, how would you describe it?

**Paul Conway:**

Yeah, so as the Governor said Bernard, there's bits in the CPI that are less sensitive to interest rates. Administrative prices are one of those bits. I will make the point that those prices, if you look at that graph, didn't go up much over the COVID period. So we think there's a bit of catch up going on there and also they have come off a little bit in the last quarter compared to what they were in the middle of the year. And as to your question, it just sort of maths. If you take the things out of the CPI basket that went up quite strongly. Then overall inflation is a bit lower, meaning sort of less inflation pressures, less persistence and lower interest rates. I actually made that point in my last speech about administered prices or the fact that fiscal support from COVID was slow to come out of the system we're definitely getting there now, which meant that interest rates were higher than they otherwise would've been over that period. That's a slightly different period than what you're referring to now, but the same maths applies for sure.

**Media:**

Could you argue though that that administered inflation is due to a structural choice that the government is making to essentially stop using its own balance sheet and discourage councils from using their balance sheets and not helping them and essentially paying for capital costs by increasing consumer prices and what is in effect a capital cost increase is being turned into a consumer price increase in a way that the Reserve Bank Act and the way it excludes capital costs from the consumer price index has caused a problem there. That means you can't look through it.



**Christian Hawkesby:**

There's a lot in that question. I'm not sure if all three of us have a go at it, but ultimately lots of moving parts. But what matters to us is whether all that stuff that you've described really spills over into higher inflation expectations, more persistent inflation and an environment where it's harder to get overall inflation back to 2%. So the proof in the pudding I think will be whether inflation expectations are stubbornly high because of those sort of things that you are describing net everything else that's going on. I would say through the course of this year, the committee has started off the year quite anxious about inflation expectations. With the headline inflation getting close to 3% in this decision, we're actually feeling more comfortable going forward because we've seen a headline get to three. We're quite confident that it's going to be around 2.7 and lowering towards 2% by the middle of next year. So it's something that goes in the mix but we see it in totality for the whole economy.

**Paul Conway:**

I'll just add because I can't help it. The solution to this one is state sector productivity. If we're producing more for less than more constrained budgets don't necessarily have to mean higher prices for government services.

**Media:**

Okay. Could you say if the Reserve Bank has advised the government that administered price inflation is too high and that it needs to come down in your, not just your written advice but your spoken advice.

**Christian Hawkesby:**

We've been very transparent about the impact of administered price inflation on CPI inflation and we've shared, obviously shared, we talked about it in the last monetary policy statement, it's in this monetary policy statement. We share that with the minister of finance and treasury staff and the likes. So there's an awareness there. It's not our role to provide advice on that. That topic will stick to our knitting. Sorry I'm mixing my metaphors. I'm really trying to get back to cricket.



**Paul Conway:**

It's meant to be cricket question. It's kind of like the fiscal stuff. We just take it as a given and respond accordingly.

**Media:**

Governor, I was just sorry. I was just wondering if you could just be slightly more explicit on your expectations on what today's decision is going to do for fixed term mortgage rates. There is already some concern that I'm seeing about the fact that today's statement was a little bit more hawkish than some were expecting. So I was just wondering if you might be able to elaborate on your expectations.

**Christian Hawkesby:**

I think as Karen's already outlined, that commercial decisions made by the banks, it's a competitive market. They will take a number of factors into account. Our expectation was one where our decision today would keep overall monetary conditions roughly where they are, of which fixed term mortgages rates are one part of that mixture.

**Karen Silk:**

Yeah, we're comfortable with where they are today.

**Christian Hawkesby:**

And we think where they are today as part of the stimulatory environment that we are creating for the recovery.

**Media:**

Do you think that bank, and you might not be able to answer this.

**Christian Hawkesby:**

But we're not going to direct banks where to set their rates.



**Media:**

I mean are you able to provide a view on whether or not you think that banks are passing on cuts fast enough or to the degree to which you think is acceptable?

**Christian Hawkesby:**

I think Karen's already covered that with your margin story.

**Karen Silk:**

Yeah, I mean as we've pointed out, there've been periods where, and we've been very explicit when there have been periods where mortgage markups have been well above the historic averages. What we're saying is they are back to those levels now when you compare them relative to wholesale rates. So that is that particular point in time whether I would suggest that the margins are healthy and there is room, as I said, there's capacity there for a competitive environment to bring them lower.

**Media:**

Could I ask about that monetary policy transmission and whether it's asymmetric, ie seems to you get a lot more bang for your buck when you put up interest rates so to speak than when you cut them because of the wealth effect in that when house prices fall, it has a much more powerful effect than when house prices don't rise and your forecasting basically flat real house prices for the next three or four years. So where is the growth stimulus going to come from if you don't have house prices rising?

**Christian Hawkesby:**

I think we're back to that explanation around there being many different channels by which monetary policy transmits through and it doesn't always transmit through at the same speed in different times, but you have that confidence that there are so many different channels that will work its way through in time. I remember when I first started as seven years on the monetary policy committee, when I first started I was told by people I talked to in the market the official cash rate was at 1.75%. We'd run out, we were pushing on a string monetary policy didn't work, lowering interest rates didn't have an effect. Then lo and behold we cut interest rates in response to the COVID shock and it was very powerful. So we're still of the view that



monetary policy works, that it's powerful, it's started to work so far, we're confident it's going to work into next year and that's part of what's underpinning the recovery.

**Paul Conway:**

I just want to add to that, even if we have had improvements on the supply side of the housing market and I think it's too early to call a sort of structural change in the housing market, but there are some indications that might've happened. Changes in zoning laws in Auckland over the years may mean that we are getting housing supply. Residential investment is becoming more responsive to changes in demand for houses and if that is the case then we're less likely to see volatility in house prices and more likely to see changes in demand come through in terms of changes in residential investment. So the transmission channel is still working, it's just working in a different way and that's just through the housing market as the governor was saying, there's plenty of other transmission channels that monetary policy works through and let me just end by saying interest rates. It's a fundamental deep structural variable in the economy if changing interest rates doesn't affect economic behaviour in the way that monetary policy is based on. Well that's infeasible to me to my thinking.

**Media:**

Just finally from me again, the transmission through business and farming, I see your discussions with business people Box A, it appears that dairy farmers in particular, but businesses generally, even though interest rates are lower and the farmers are about to see some extra numbers in their accounts don't seem to be interested in investing much and the farmers are repaying debt, what's out there in the appetites of businesses to actually invest if 325 basis points is not doing the trick?

**Christian Hawkesby:**

I'll cover this one. What the research finds is that business investment more generally, households very sensitive to interest rates, household spending, business spending, business investment is more sensitive to economic activity. So businesses need to see the economy recovery, they need to see demand for their goods coming through. That is what's going to give them the confidence to invest, to employ all of those things. And so there's another step in the process, it's not a direct one from interest rates into business investment but is one where we are stepping through and that's one of the steps that is going to flow through over the next course of next year through stronger business investment, stronger labour market as well.



**Paul Conway:**

We've also come through a very challenging economic period, so precautionary behaviour on behalf of firms and households and farms. It is perfectly rational, it's understandable, but monetary policy will have an effect. As I said earlier, it's just that transmission general is changing and morphing all the time, but it's still there.

**Karen Silk:**

And while you might not have seen certainly to date significant new investment if you like on farm, you are certainly seeing deferred repairs and maintenance pick up and that is again normal in terms of the way the cycle works with farm incomes because they are very cyclical as you'll be aware. And in those periods where it's tight, they defer and those periods where the margins start to improve, which is what they've got, they do start to spend on the repairs and maintenance and that is happening.

**Media:**

Just one for you Karen, sorry. 100 basis points is the reduction in the average yield after 325 basis points of OCR cuts, partly because fixed mortgage holders have hoped that interest rates might go a lot lower. So they've taken out short-term fixed mortgages, you've now essentially signalled we are here now this is it. Should people with fixed mortgages give up those hopes that it's going to go much, much lower and therefore they should probably get around to fixing longer?

**Karen Silk:**

Yeah, again, I'm not a licenced financial services advisor, but certainly in our projections we see over the next 12 months at least another 80 basis points coming through and that average yield and that is a reflection that you had still have that proportion of people that are fixing six months in that kind of six month period. So what have we got another 40% of mortgages due for reprice over the next 6 to 9 months. So as a consequence of that, you will continue to see that move lower and if this plays out the way it is playing out set out in our central projection and we see the OCR on hold effectively for that longer period, you will see more people start to move into that 18 month, 2 year kind of bucket and that's what will bring that average yield down.



**Media:**

I'll fix for 3 years then.

**Christian Hawkesby:**

Thank you Bernard.

**Media:**

Governor, why is the job finding rate so low right now? The lowest it's been in 30 years at least. And what message do you have for people who might've been laid off? Because clearly a lot of those who've lost their jobs in recent months or even recent years have not found new jobs.

**Christian Hawkesby:**

So thank you. And for others, what the question is referring to is the special topic and the document, which is in part illustrating that often the unemployment rate is used as a summary measure for the labour market and what the special topic is outlying is that the labour market is much more rich than that summary measure and we look much beyond the unemployment rate to get a gauge of the health of the labour market. A number of those indicators, including the job finding rate, are showing that we have gone through a tough period economically and that's what you'd expect as we come through the bottom of the cycle. It's often the labour market that recovers the last in the cycle and the low job finding rate has been part of one of the many measures that have been weak in the labour market. What we are seeing though is that a diversity of indicators and some things starting to pick up now, we've seen job ads pick up very recently. We've seen hours worked starting to pick up very recently. So some of those labour market indicators are picking up the turn in the economy that we are talking about in which we are looking forward to into 2026.

**Media:**

Yeah, Rob Stock from The Post. Yeah. Further to that question, in terms of consumer confidence and household's willingness to spend the idea of losing your job, that hasn't been, it's frightening, but the idea of not being able to find a new one, that is when households don't spend and try and build up buffers. This is probably, this is about the lowest since the Asian crisis do we expect that has hit its bottom and do you think that's dragging? I mean you've not seen anything like this in your term?



**Christian Hawkesby:**

I'll get Paul to talk about it in more depth, but just to compliment what you've described, the job loss rate and the job finding rate are at historic lows. So it's been an environment where is again, a little bit of an echo from the COVID and post COVID experience. Businesses have been very hesitant to let staff go because they've experienced difficulties finding skilled non-skilled staff in the past. So they've been less willing to let staff go, but when you don't have a job, it's also been harder to find a job in the recent past as well. So those two things have gone hand in hand to create the particular labour market that we've experienced recently, Paul.

**Paul Conway:**

So yeah, we think of it as a low hire, low fire labour market at the moment. So for unemployed people it is a challenging time to get reemployed. Unfortunately, as the governor said, we see the labour market turning. Unemployment has a sort of overall indicators 5.3. We see it sticking around there into the summer period before gradually reducing next year and job vacancies. There's been some nice numbers coming through on that lately. So it will improve and it will become easier for unemployed people to shift back into employment. I think we are at the low point in the labour market dynamics.

**Media:**

I'm just going back to a slightly different topic, Governor. Early on today you mentioned second quarter growth and effectively said that seemingly very, very bad GDP reading wasn't as bad as May 1st seemed to be. What were the key one-off factors that give you confidence? The quota was not as appalling as it seemed to be.

**Christian Hawkesby:**

Paul, do you want to speak to that decomposition? It's in the document.

**Paul Conway:**

Yeah, and we talked about it at the last MPR as well. So there's seasonal factors in the GDP numbers at the moment. I think the seasonality has been a challenge to deal with coming out the back of COVID. So it's typically the case that Q2 GDP numbers tend to get revised up. Having said that, it was negative 0.9. I think our pick was negative 0.3, it'll move towards that. Although the economy was definitely weak over that mid-year period. We talked about our



recovery getting derailed and that story is going to hold true even when that GDP number is revised. The other aspect about that number from a monetary policy perspective is that there was supply side weakness in the economy at that point as well. So high electricity prices were putting the squeeze on the manufacturing sector. There were sort of weather conditions in the ag sector, which was mean people were holding onto cows, et cetera, et cetera. So some one-off supply side things and really important to make the point, there's nothing that monetary policy can do to address that. We're about the balance between supply and demand in the economy. But having said all of that, the output gap, our best measure of supply pressures in the economy is significantly negative over this year, which is part of the reason why we're so confident that inflation is heading back to 2% in the near term over the next couple of three quarters.

**Christian Hawkesby:**

Okay. I'm sensing that we're good on questions now. I just want to finish on a positive tone, which is one where what does 2026 hold? It is going to be a period where inflation is falling towards our 2% target and one where the economic activity is recovering. That is a really good mix to have. That is a position that many central banks around the world would be very fond of sharing with us. So we are going into the year in a good position. We've got an OCR track, which is going to give the monetary policy committee a lot of optionality going into next year to continue that task of keeping laser focused on medium term inflation at the midpoint of the target. I just want to say thank you for your interest in the monetary policy statement. Thank you for coming here. Thank you for your questions.

Thank you for your trust and confidence in me as a monetary policy committee member over the last 7 years. Before I close, my last act I want to do is acknowledge someone else, which is our manager of forecasting, Rebecca Williams, who is finishing up as manager of forecasting after producing 20 of these things, which is a record 5 years as forecast manager. So that's an absolutely awesome effort, Rebecca, really appreciate being on the journey with you. We also have Evelyn Truong here who is taking on the Forecast Manager role. So I know that the Committee is in very safe hands going into 2026. Thanks again. Kia kaha, kia maia, kia manawanui. Be strong, be brave, be patient, be well, and good luck all. Thank you.