Reserve Bank
of New Zealand
Te Pūtea Matua

The Economic Outlook

Monetary Policy *Statement*, September 2026

This presentation represents the view of the Monetary Policy Committee (MPC), not of any individual member.

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The Monetary Policy *Statement* at a glance

- The Reserve Bank's Monetary Policy *Statement* (MPS) provides a quarterly picture of the New Zealand economy and where we think it is heading next.
- It sets out how the MPC has set monetary policy and how it plans to do so in the future.

Overview

- Inflation in New Zealand and overseas has increased due to the Middle East conflict.
- Economic activity in New Zealand is recovering, although the conflict has caused a delay. The recovery is expected to broaden across the economy.
- Conditional on our central forecast for global oil prices, we project inflation to remain elevated in the near term.
- Spare capacity in the labour market is projected to persist, which will limit wage growth.
- Inflation is projected to return to within the target band in the first half of 2027, before settling near 2 percent.
- On 2nd September, the Monetary Policy Committee agreed by consensus to increase the OCR by 25 basis points to 2.75%.

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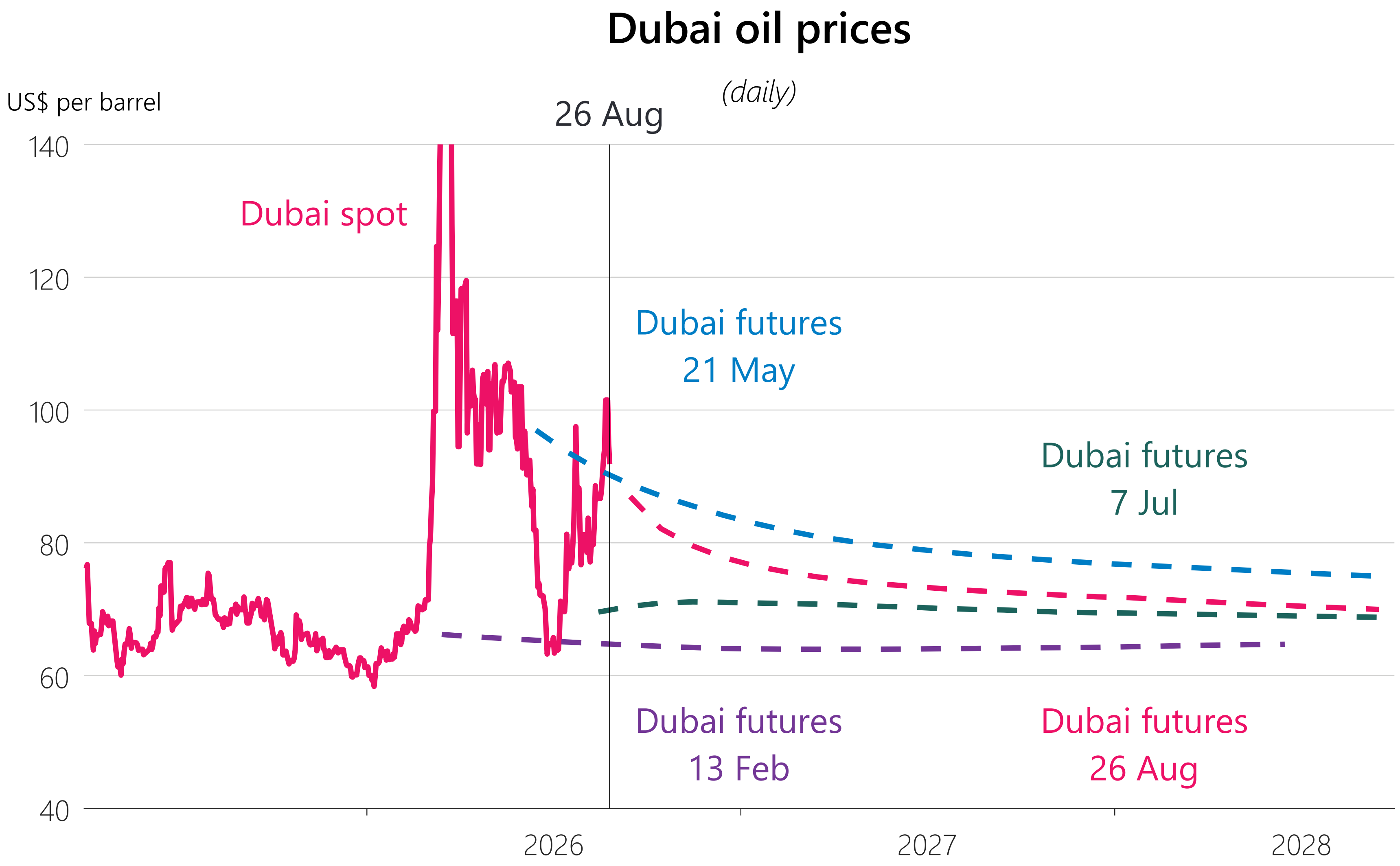
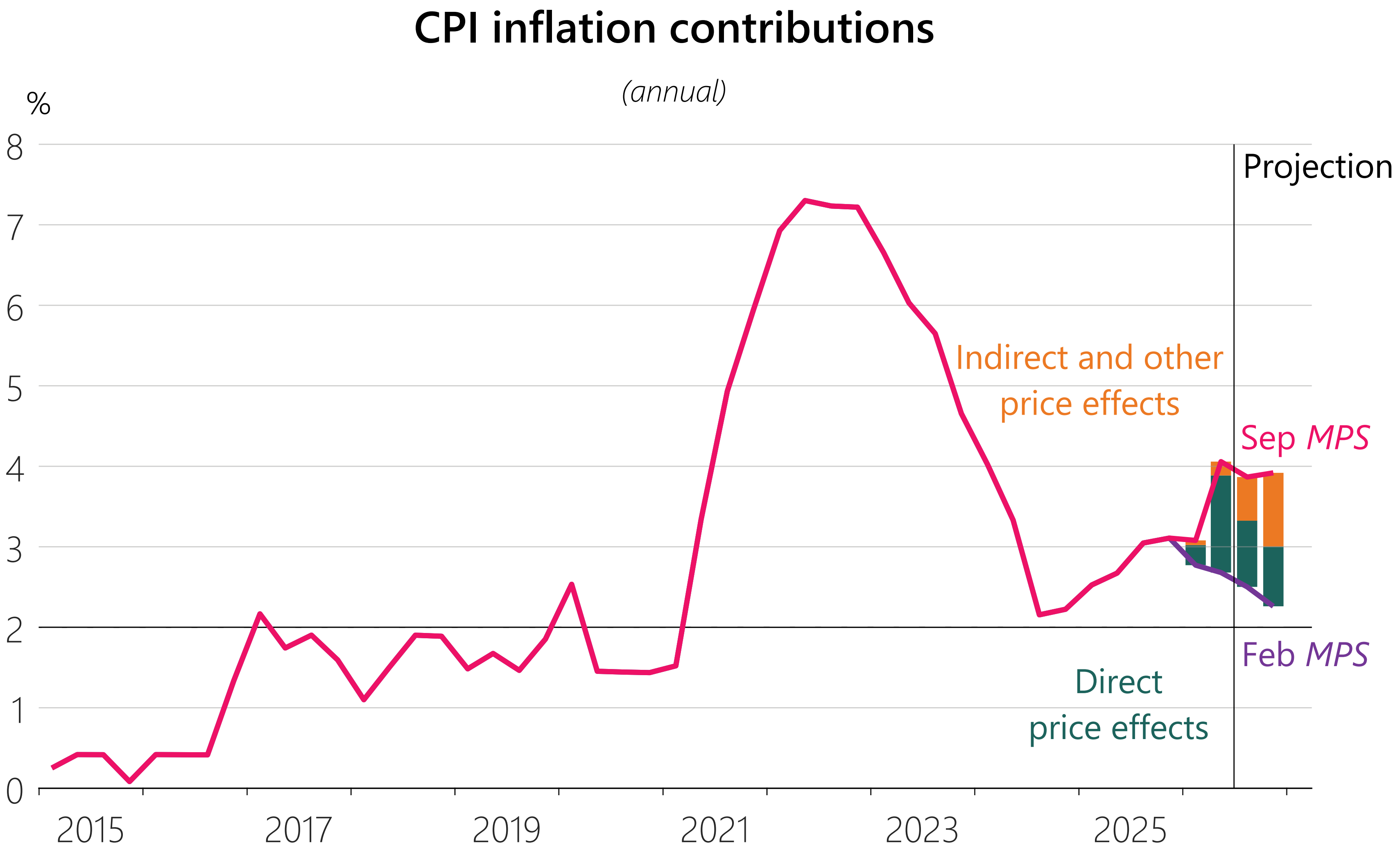
INFLATION IS EXPECTED TO RETURN TO TARGET IN 2027.

Conflict in the Middle East has led to significantly higher oil prices



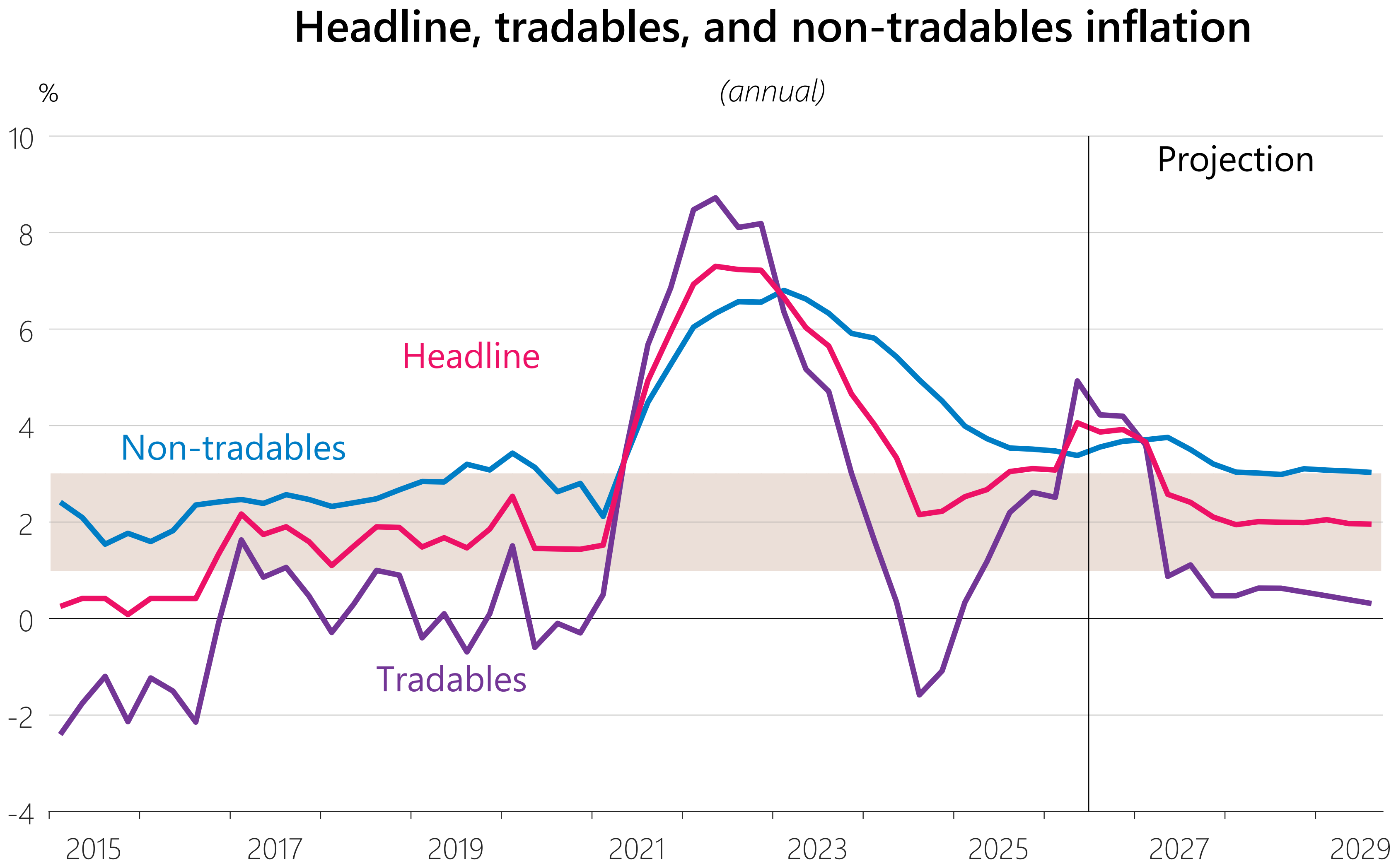
Source: Bloomberg, LSEG.

Annual CPI inflation is projected to remain elevated in the near term



Source: Stats NZ, RBNZ estimates.

Annual CPI inflation is projected to return to near the 2 percent target mid-point next year

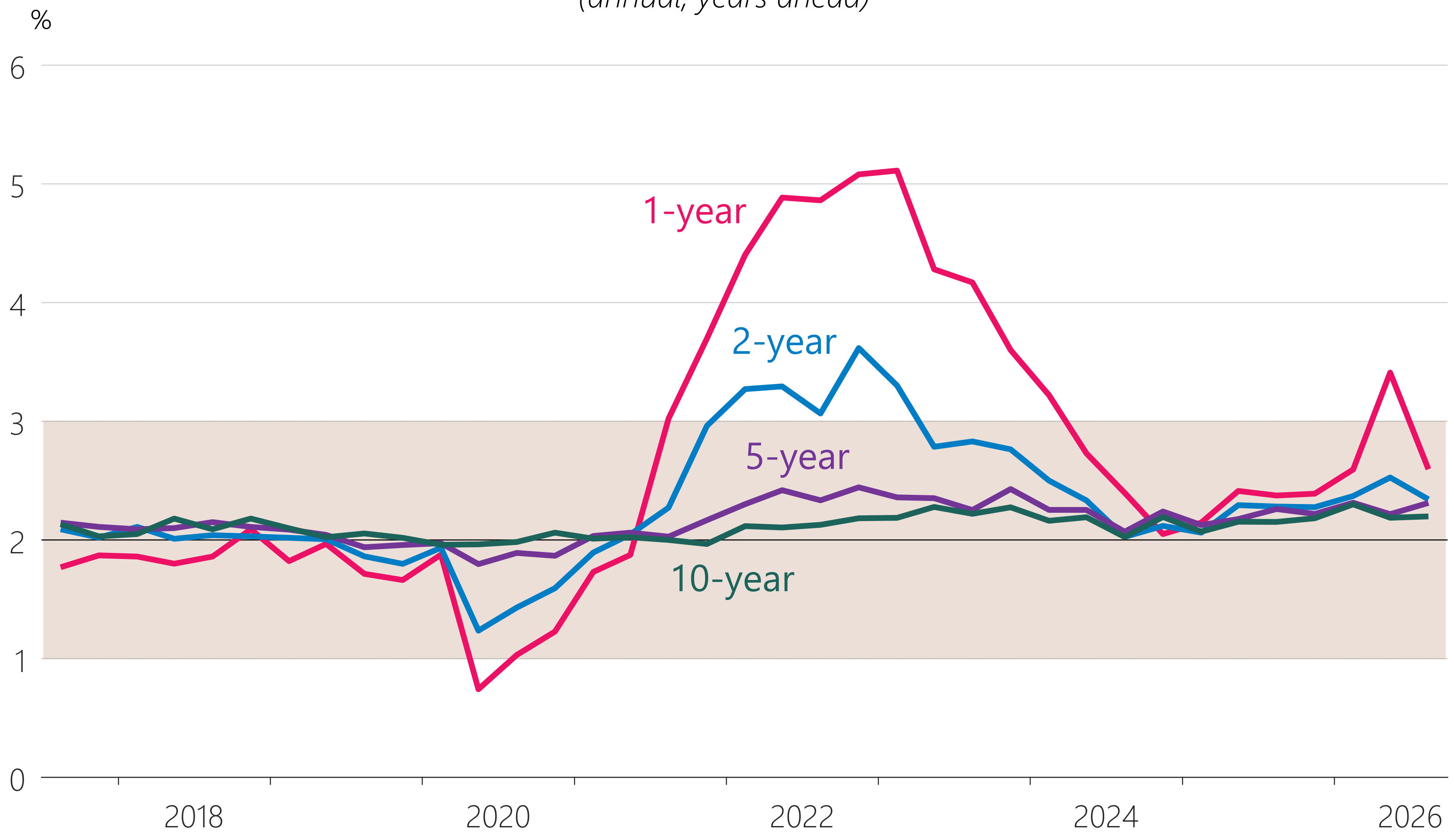


Source: Stats NZ, RBNZ estimates.

Inflation expectations have declined

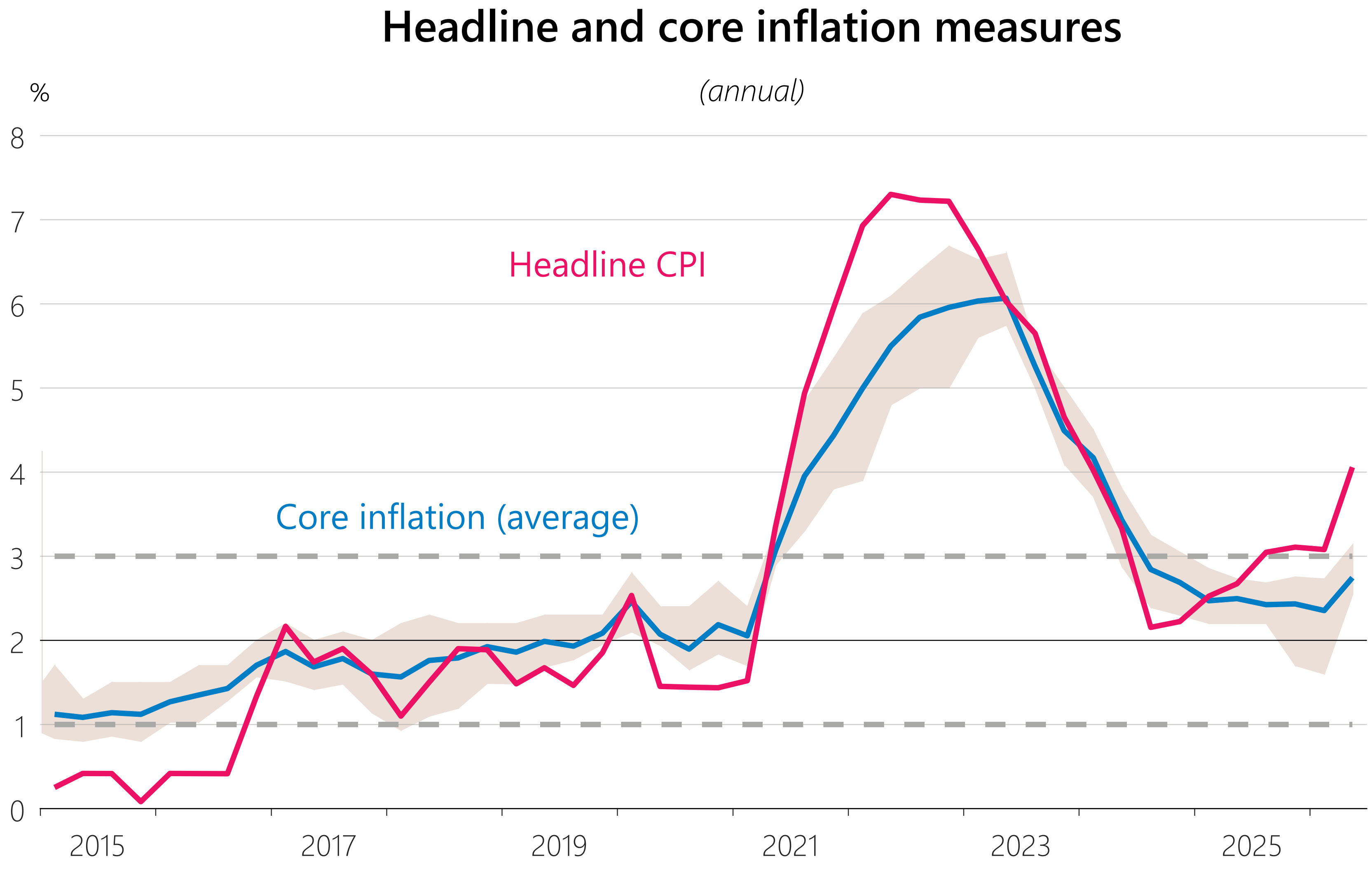
Inflation expectations of professional forecasters and business leaders

(annual, years ahead)



Source: RBNZ Survey of Expectations.

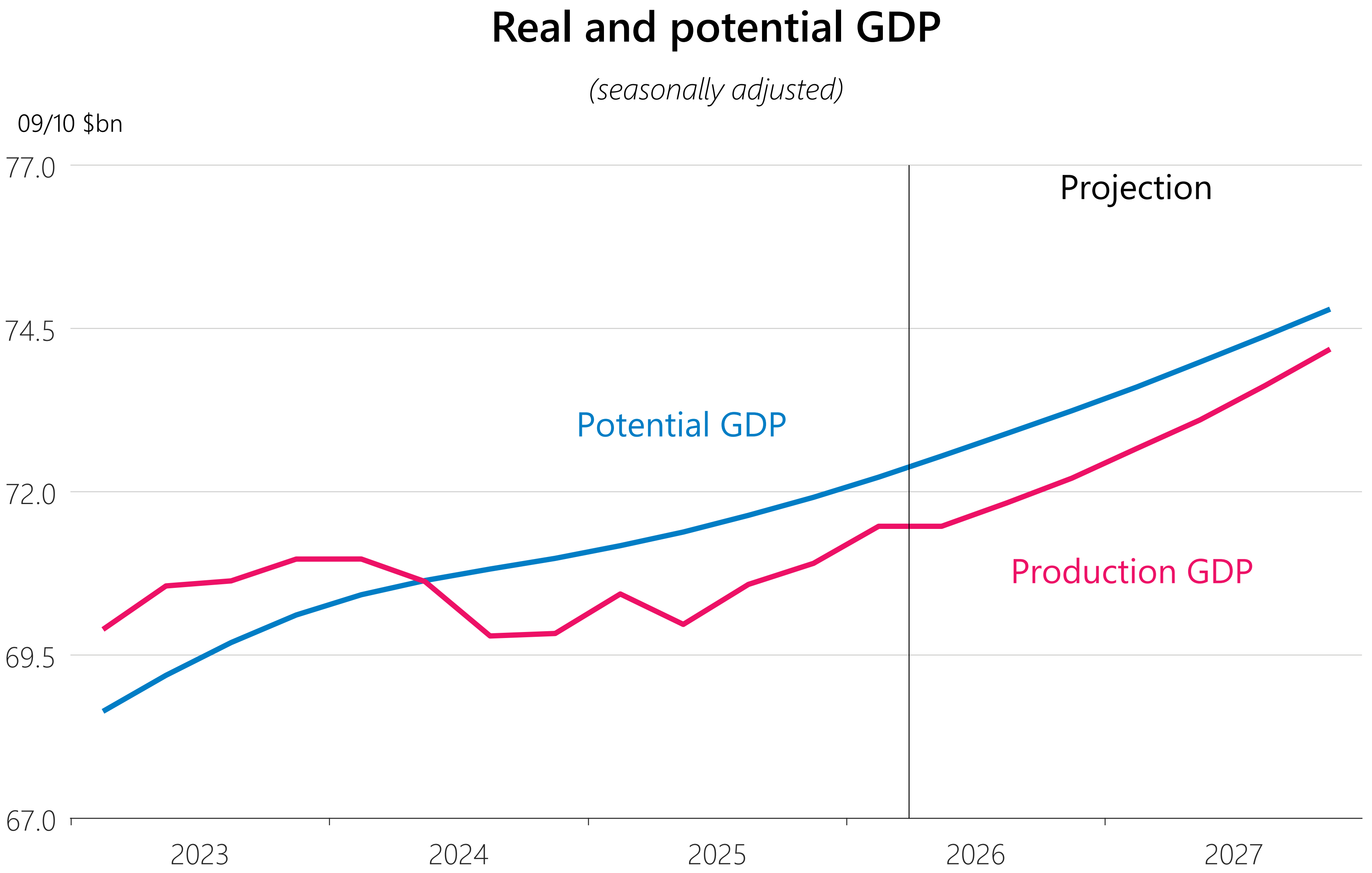
Measures of core inflation have increased, but most remain within the target range



Source: Stats NZ, RBNZ estimates.

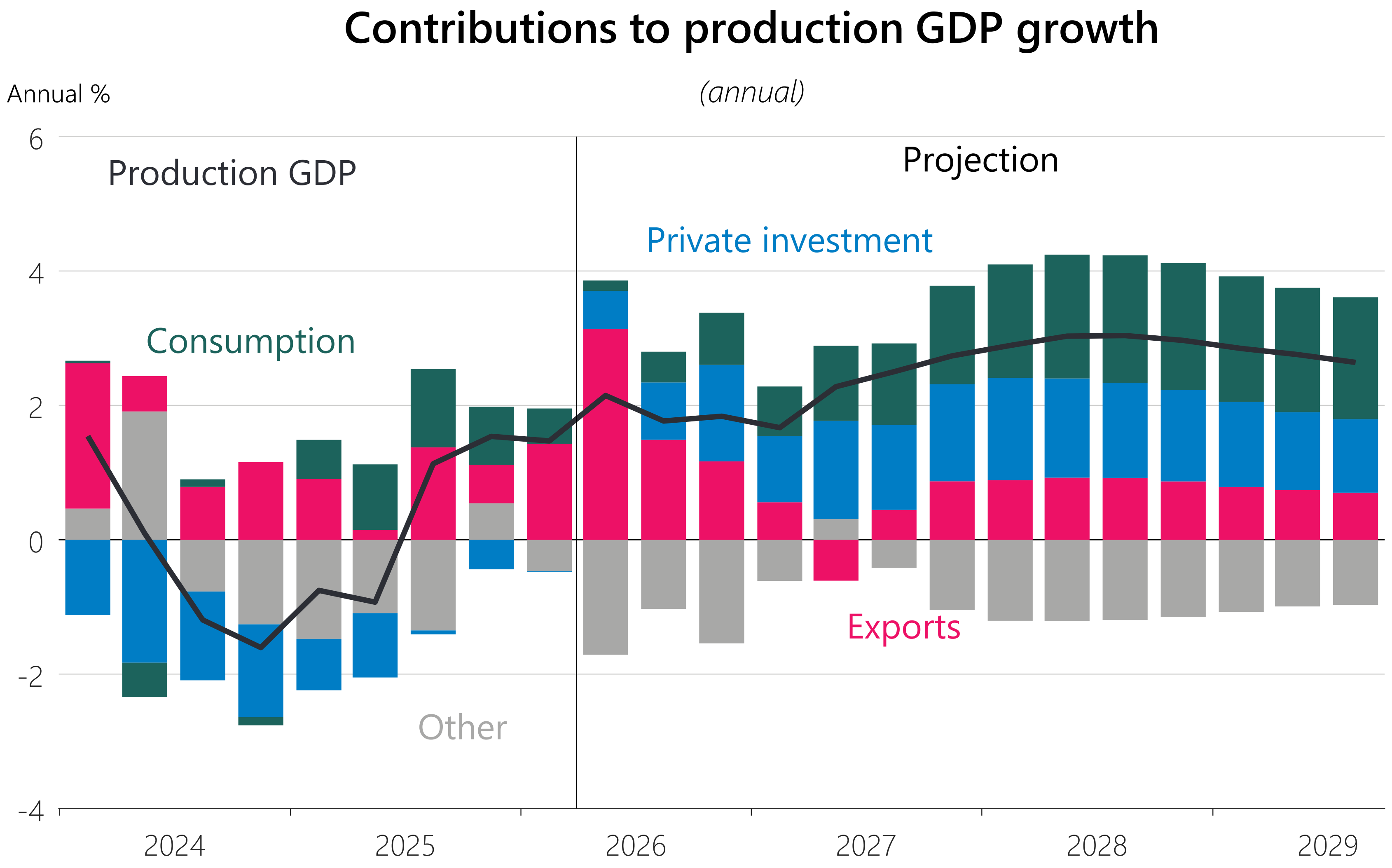
THE NEW ZEALAND ECONOMY IS RECOVERING.

The Middle East conflict has delayed the recovery



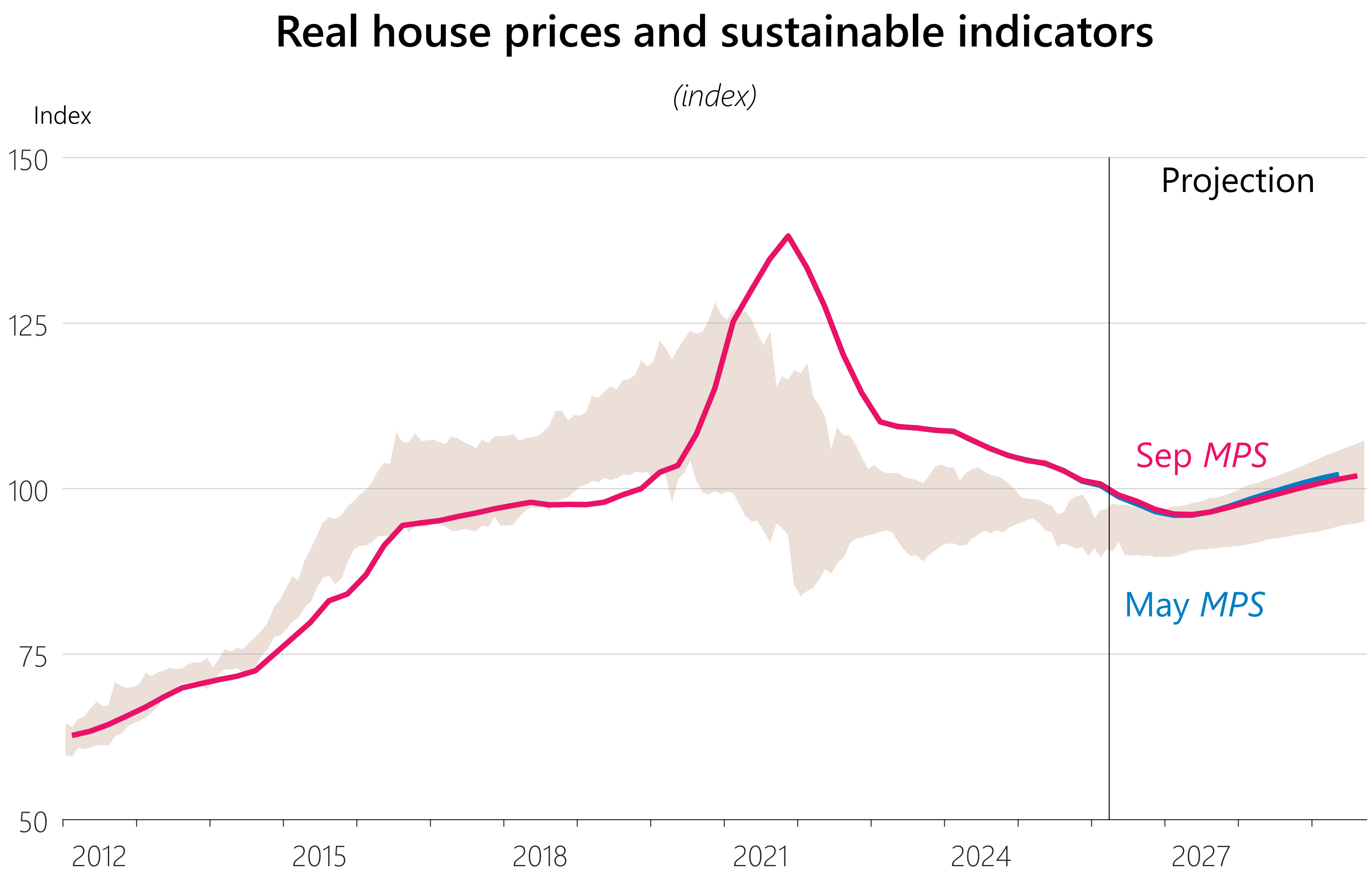
Source: Stats NZ, RBNZ estimates.

Strength in exports is supporting the recovery



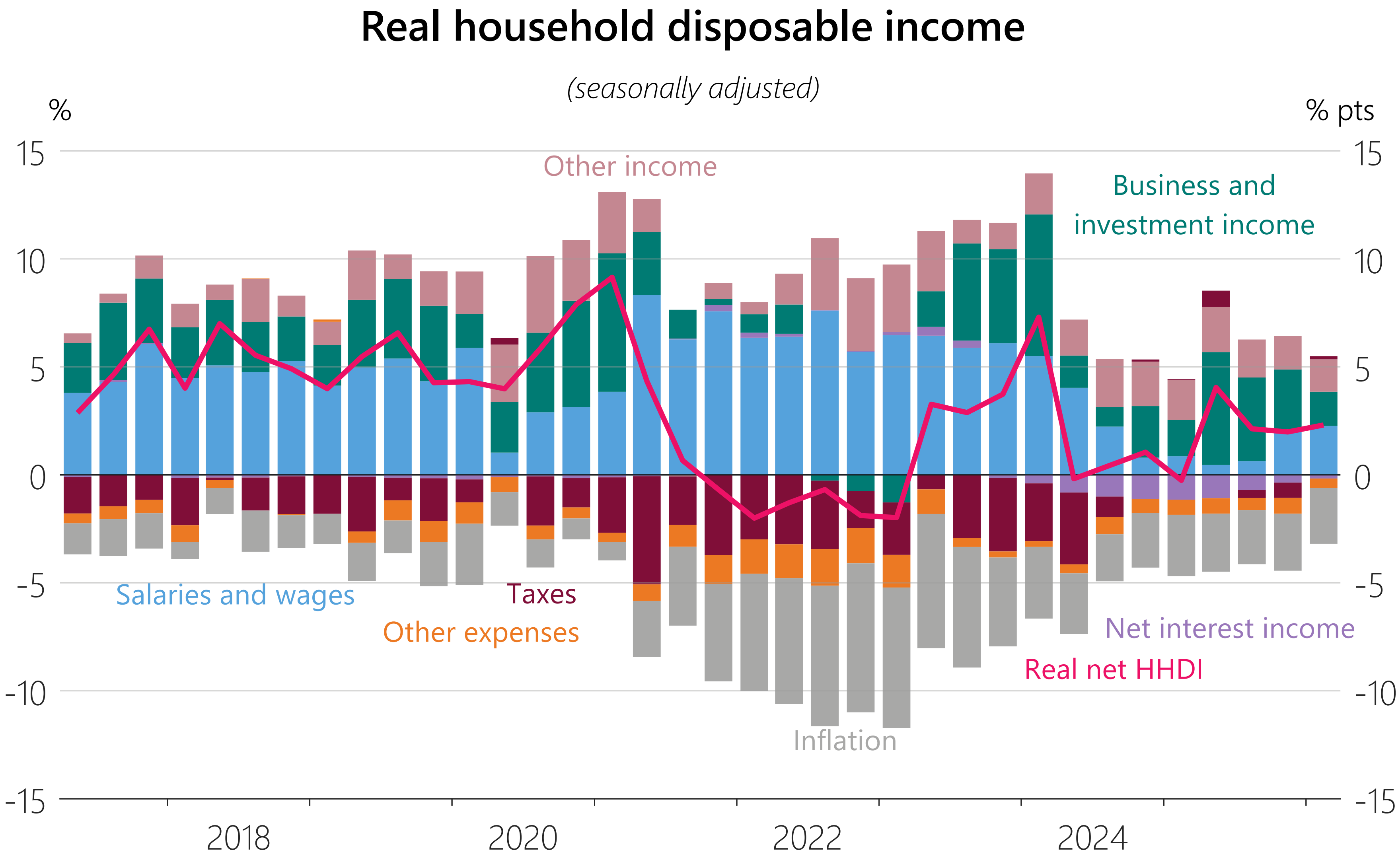
Source: Stats NZ, RBNZ estimates.

Real house prices have been declining, weighing on household wealth



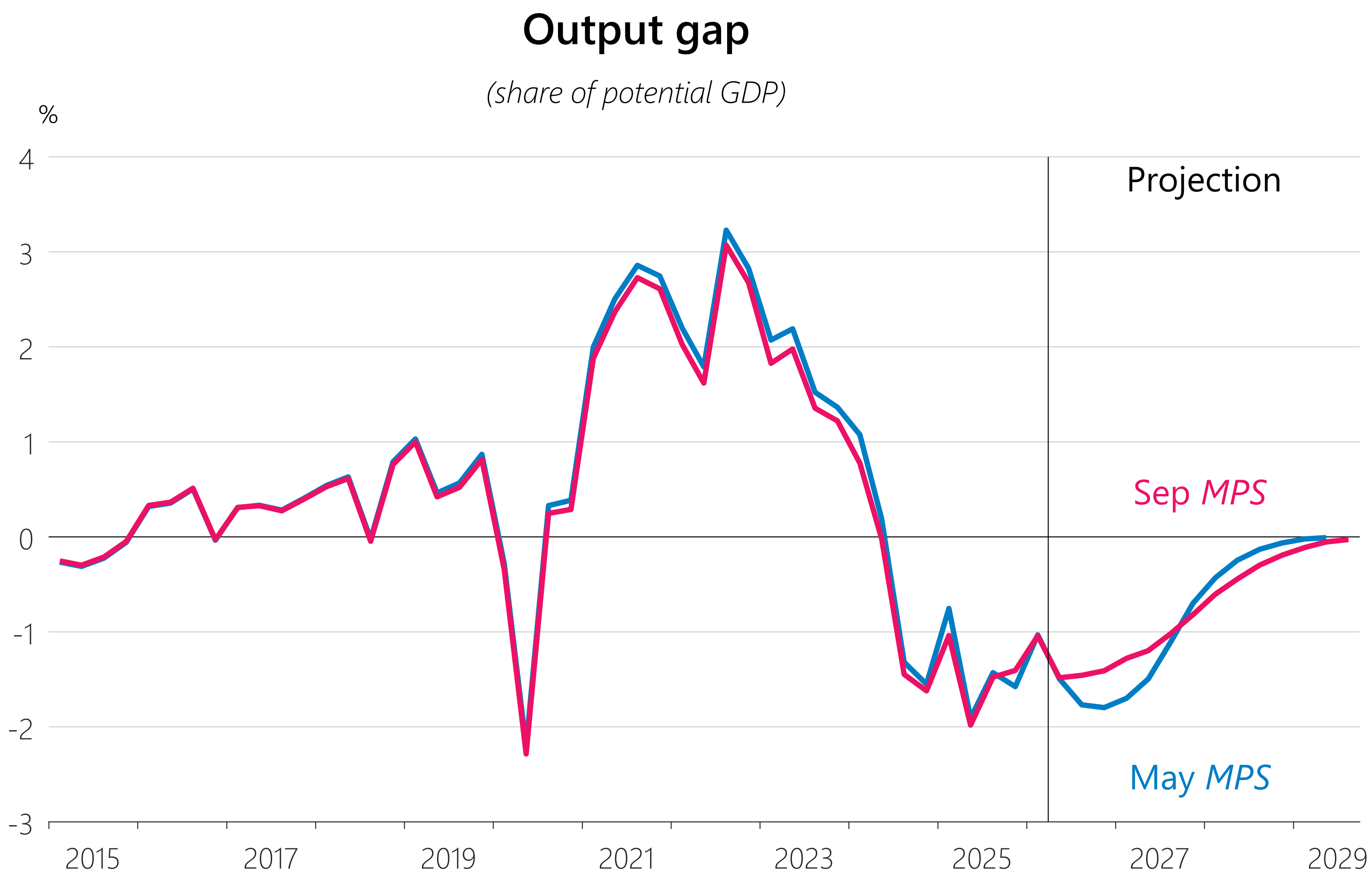
Source: Cotality, RBNZ estimates.

Real household income growth has been weak



Source: Stats NZ, RBNZ estimates.

Spare capacity in the economy is likely to persist



Source: Stats NZ, RBNZ estimates.

SPARE CAPACITY IN THE LABOUR MARKET IS LIMITING WAGE GROWTH.

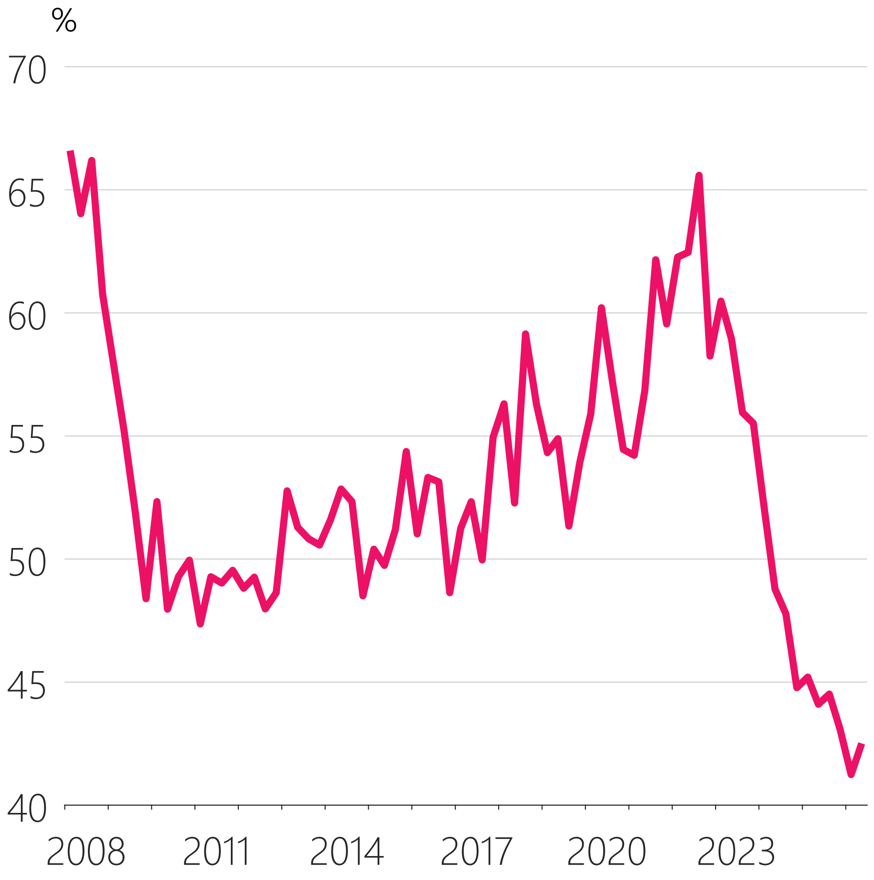
The unemployment rate is projected to decrease

Source: Stats NZ, RBNZ estimates.

Firms are hiring less but retaining staff they currently have

Job finding rate

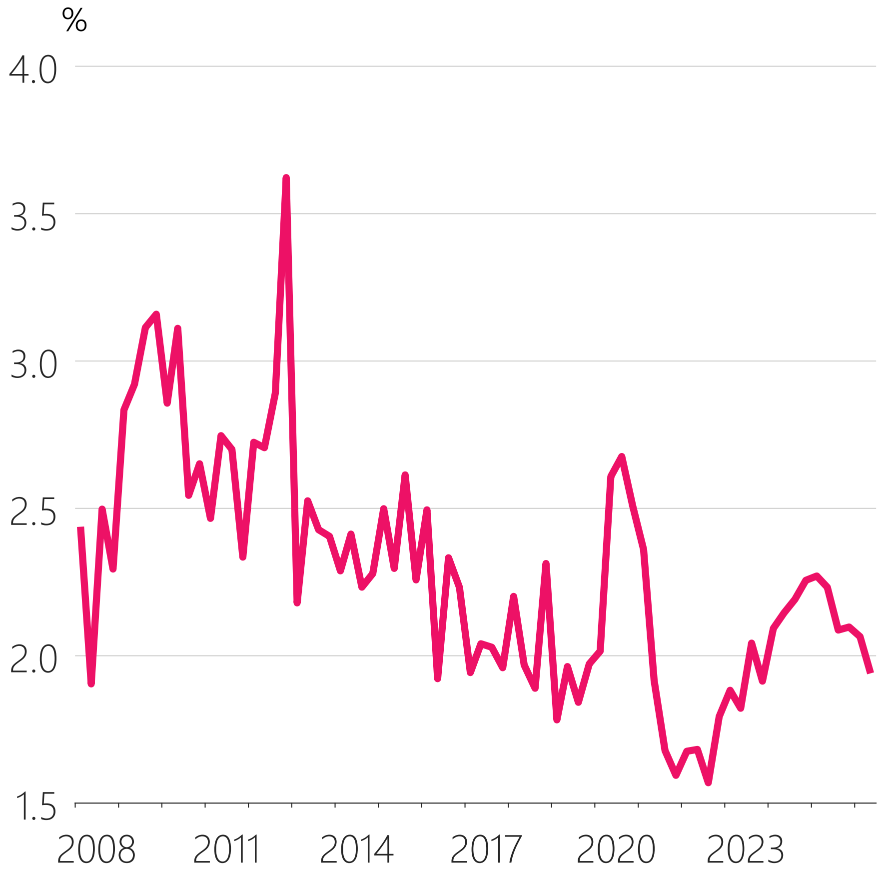
(seasonally adjusted, share of unemployed)



Source: Stats NZ, RBNZ estimates.

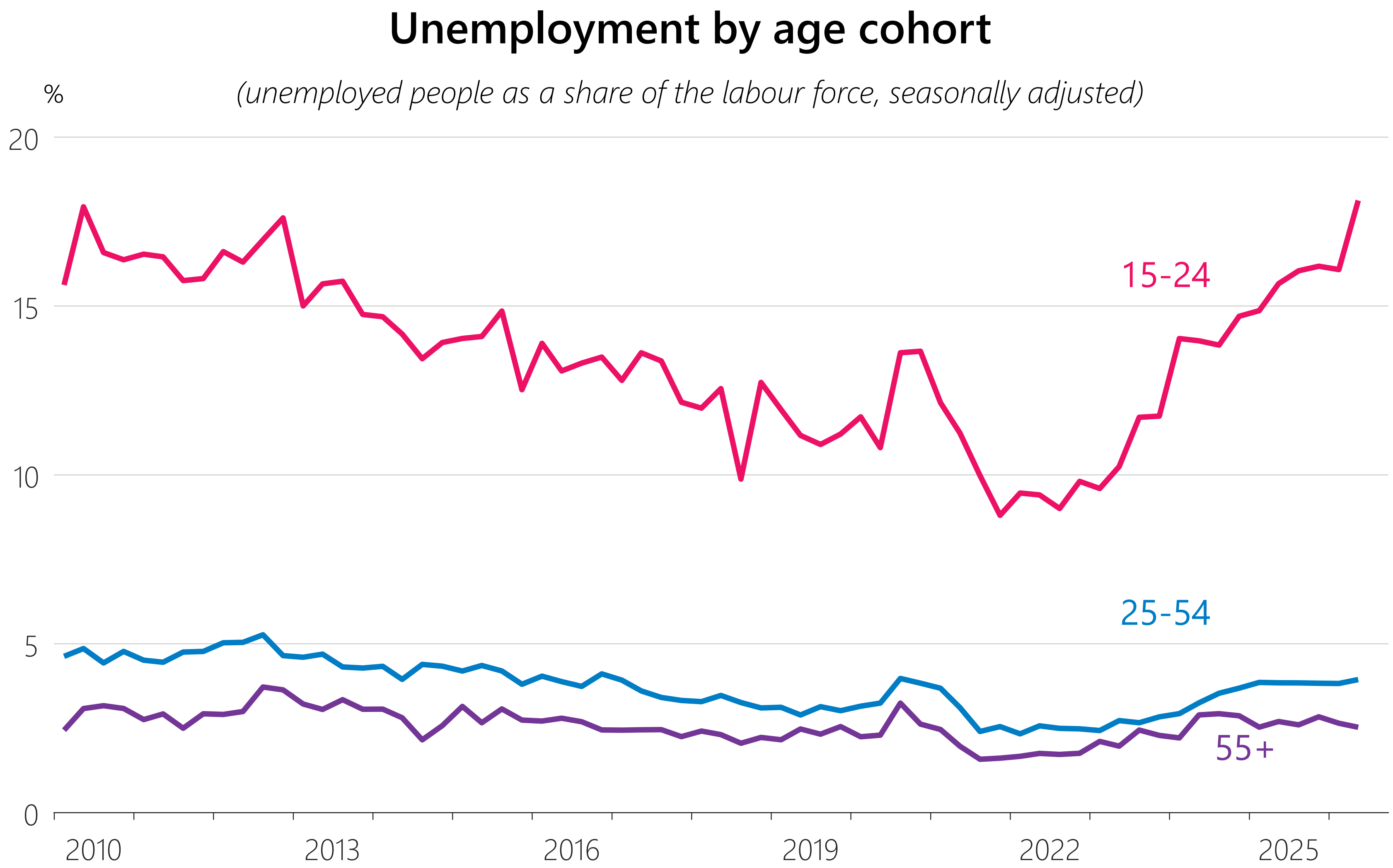
Job separation rate

(seasonally adjusted, share of employed)



Source: Stats NZ, RBNZ estimates.

Unemployment is elevated for younger cohorts

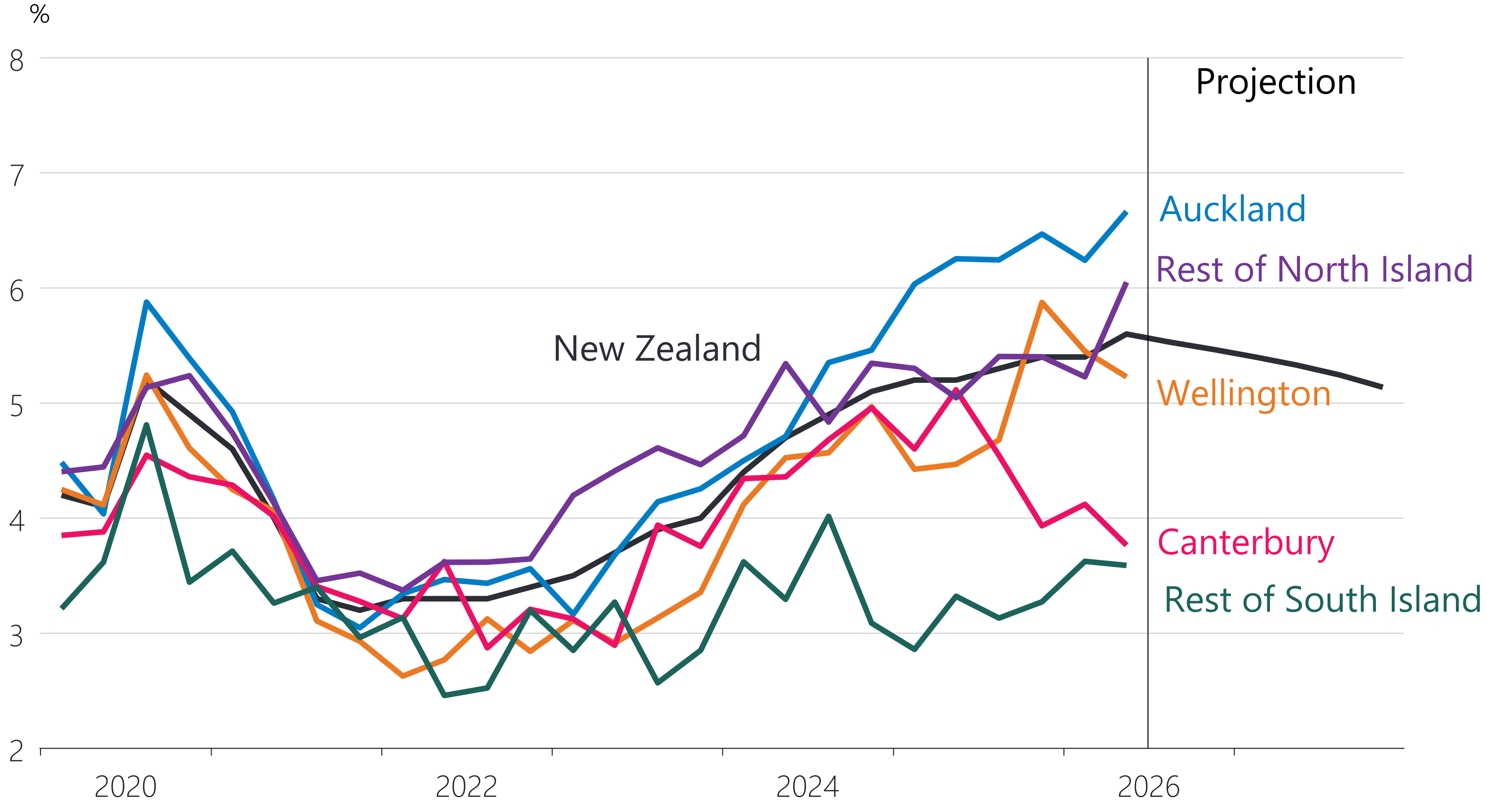


Source: Stats NZ, RBNZ estimates.

Unemployment rates are higher in the North Island than in the South Island

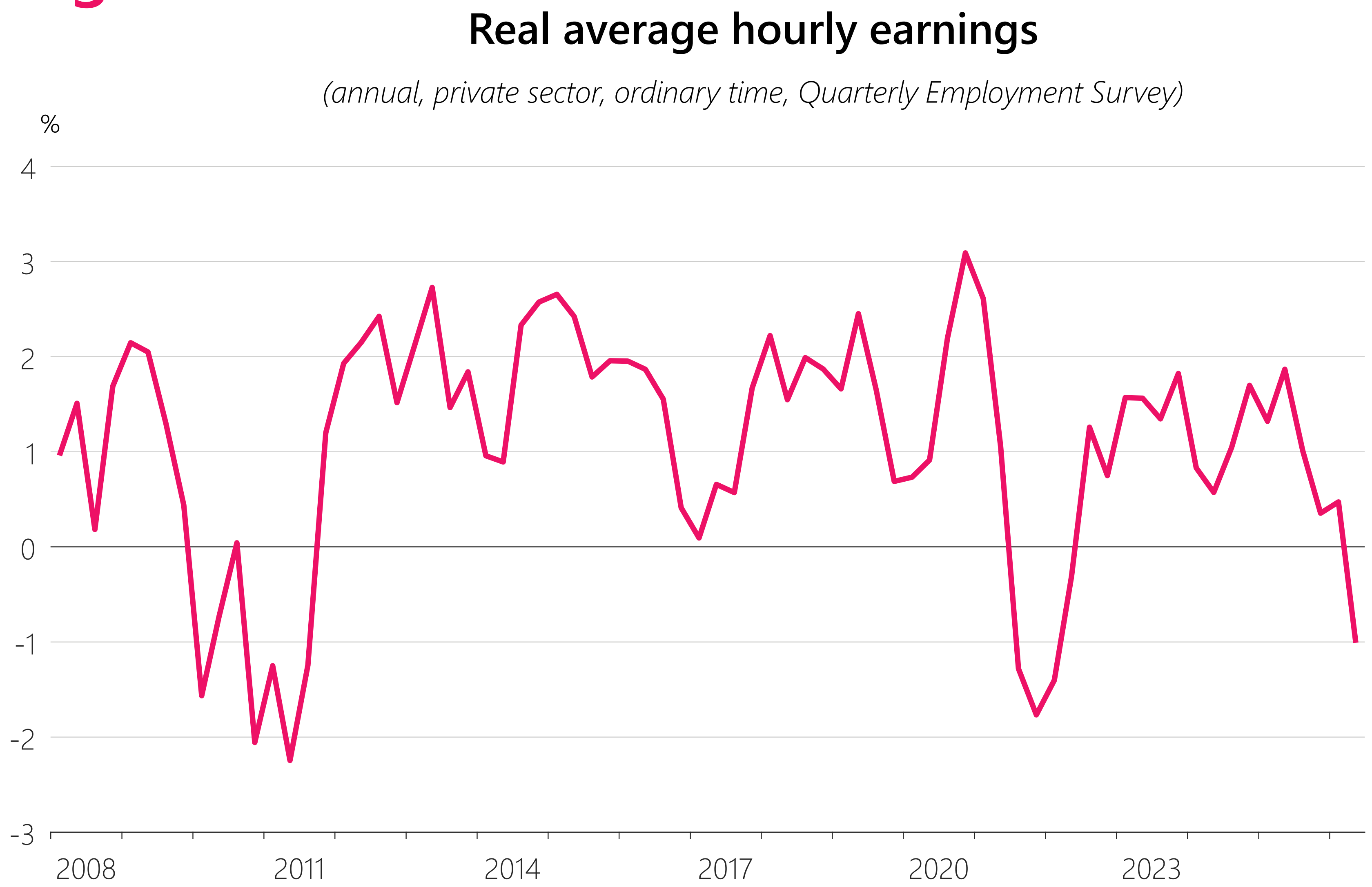
Unemployment by region

(unemployed people as a share of the labour force, seasonally adjusted)



Source: Stats NZ, RBNZ estimates.

Real average hourly earnings growth has turned negative



Source: Stats NZ, RBNZ estimates.

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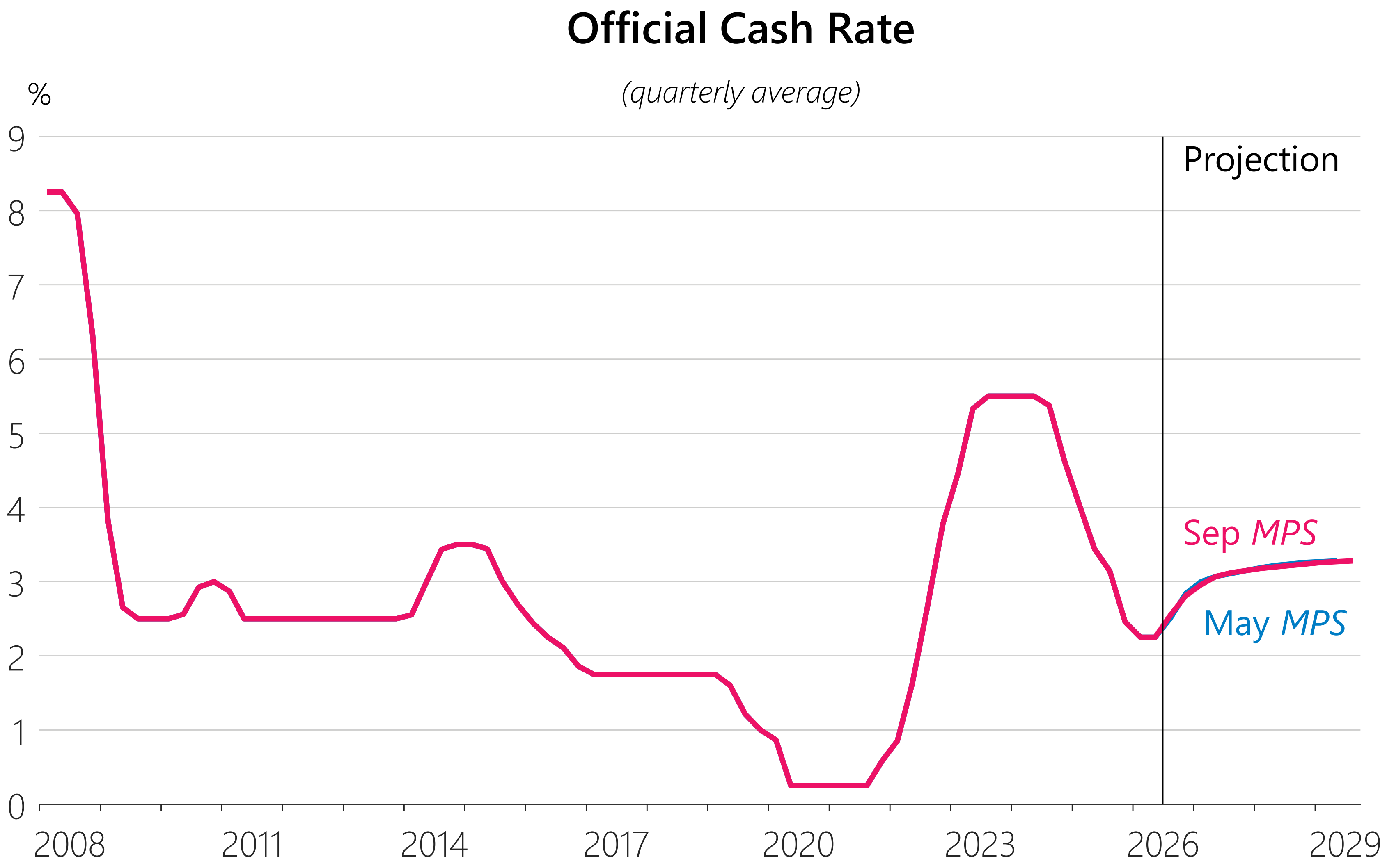
OCR INCREASED TO 2.75%.

OCR increased to 2.75%



Source: RBNZ estimates.

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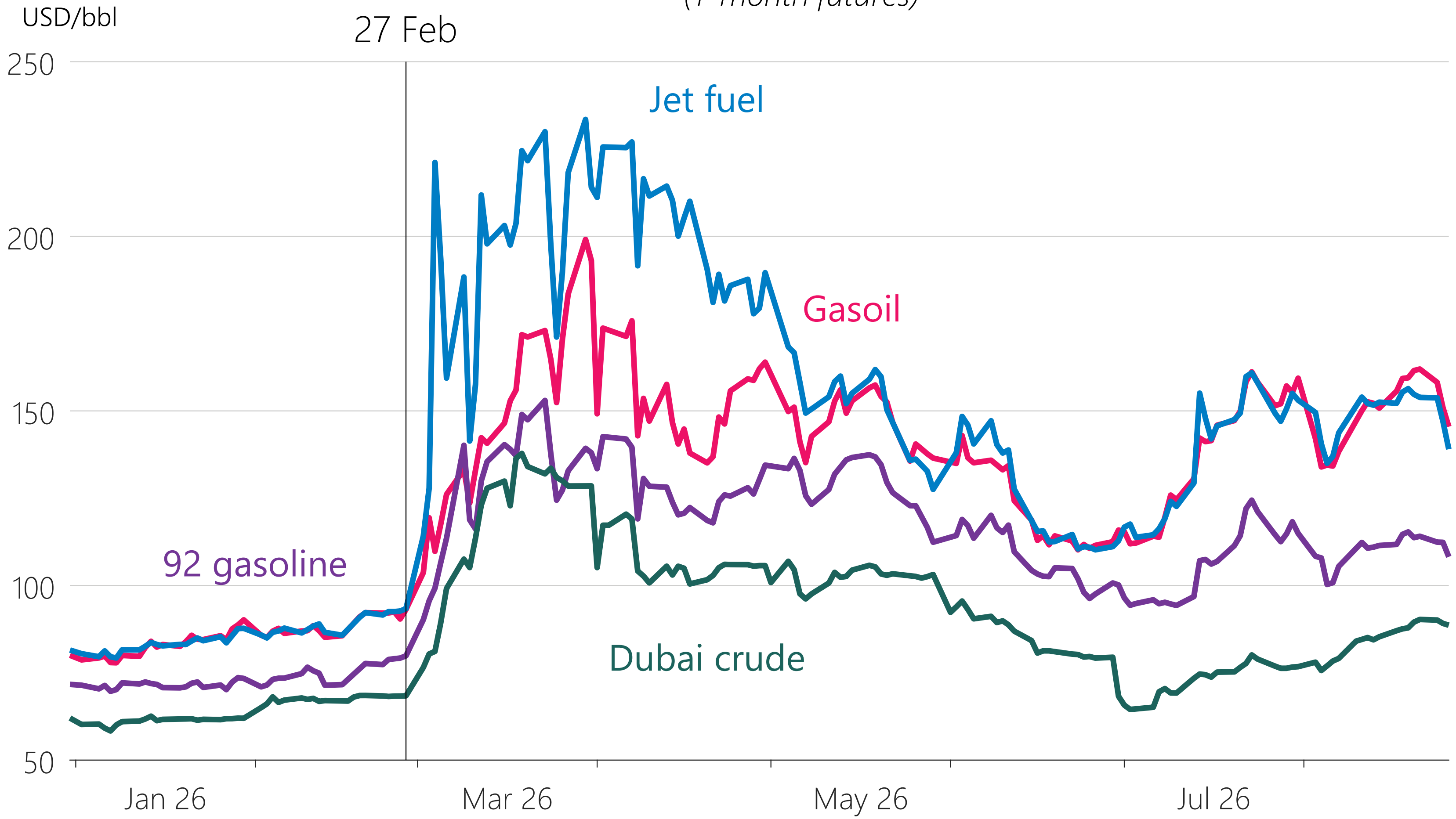
APPENDIX.

Refined fuel prices have increased by more than crude oil prices

Oil and Singapore refined product prices

(1-month futures)

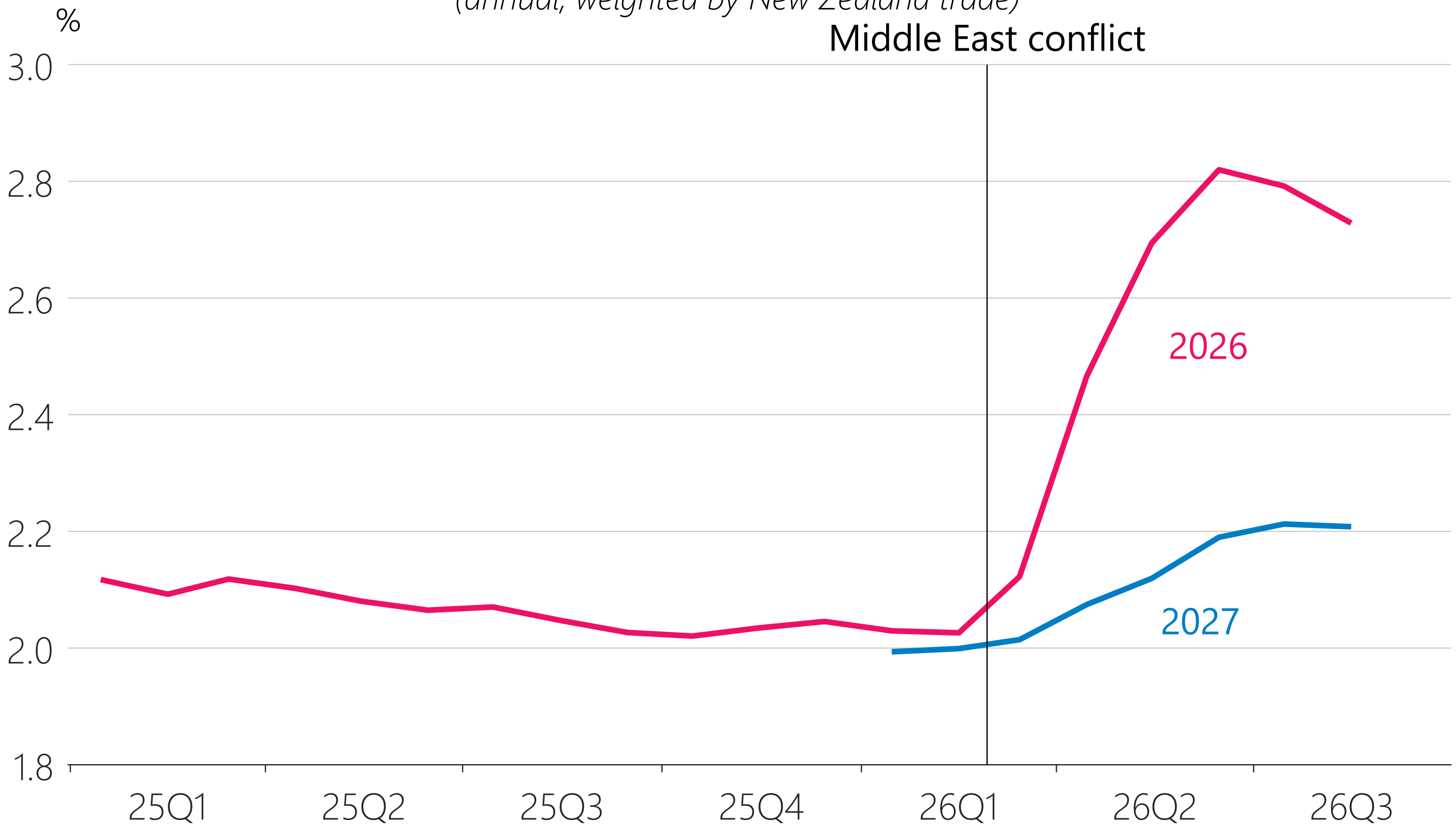


Source: Bloomberg.

Trading-partner inflation has increased, reflecting higher global energy prices

Consensus forecasts for global CPI inflation

(annual, weighted by New Zealand trade)

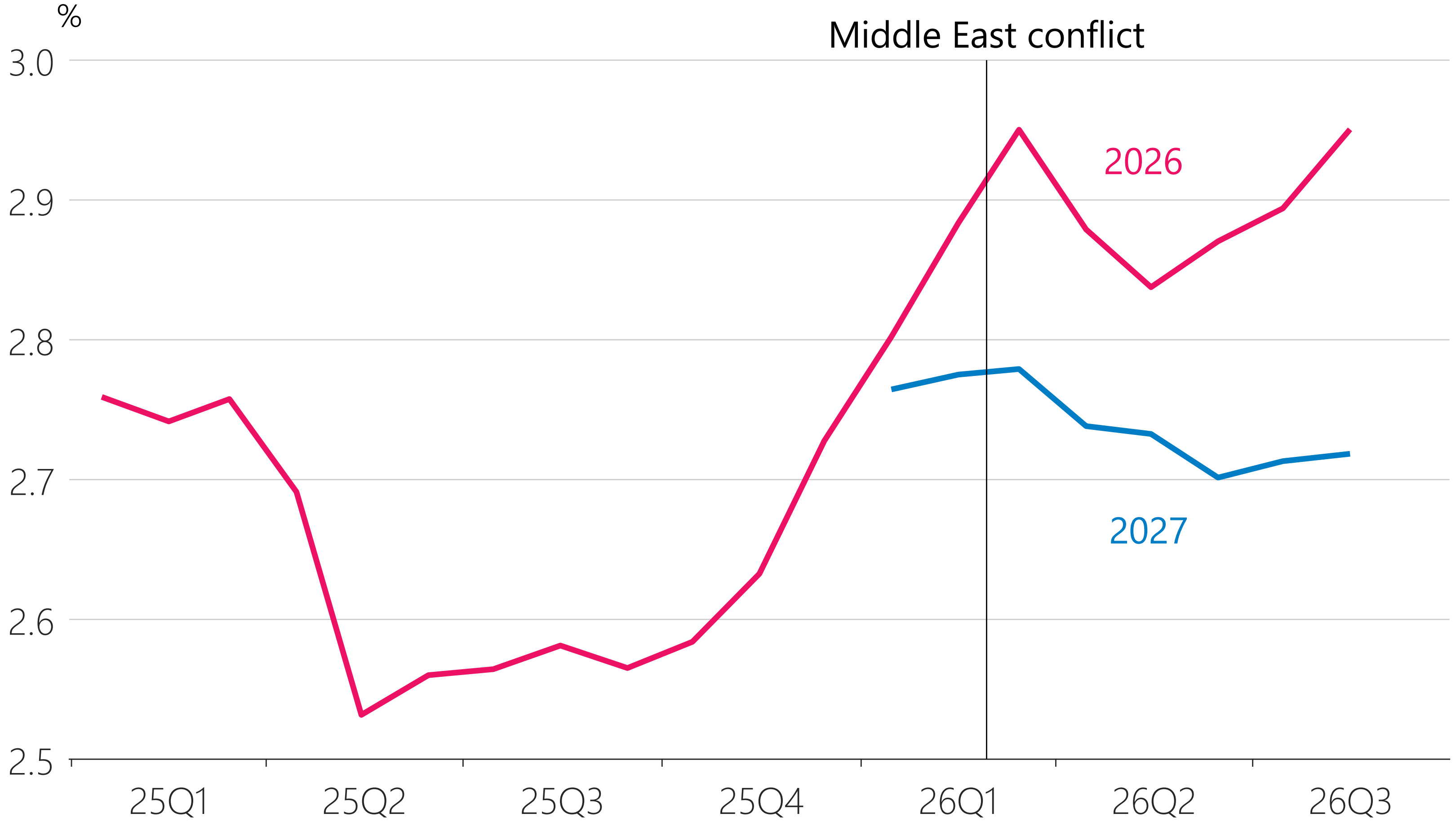


Source: Stats NZ, Haver Analytics, Bloomberg, RBNZ estimates.

Growth in New Zealand's trading partners has been resilient in the face of the Middle East conflict

Consensus forecasts for global GDP growth

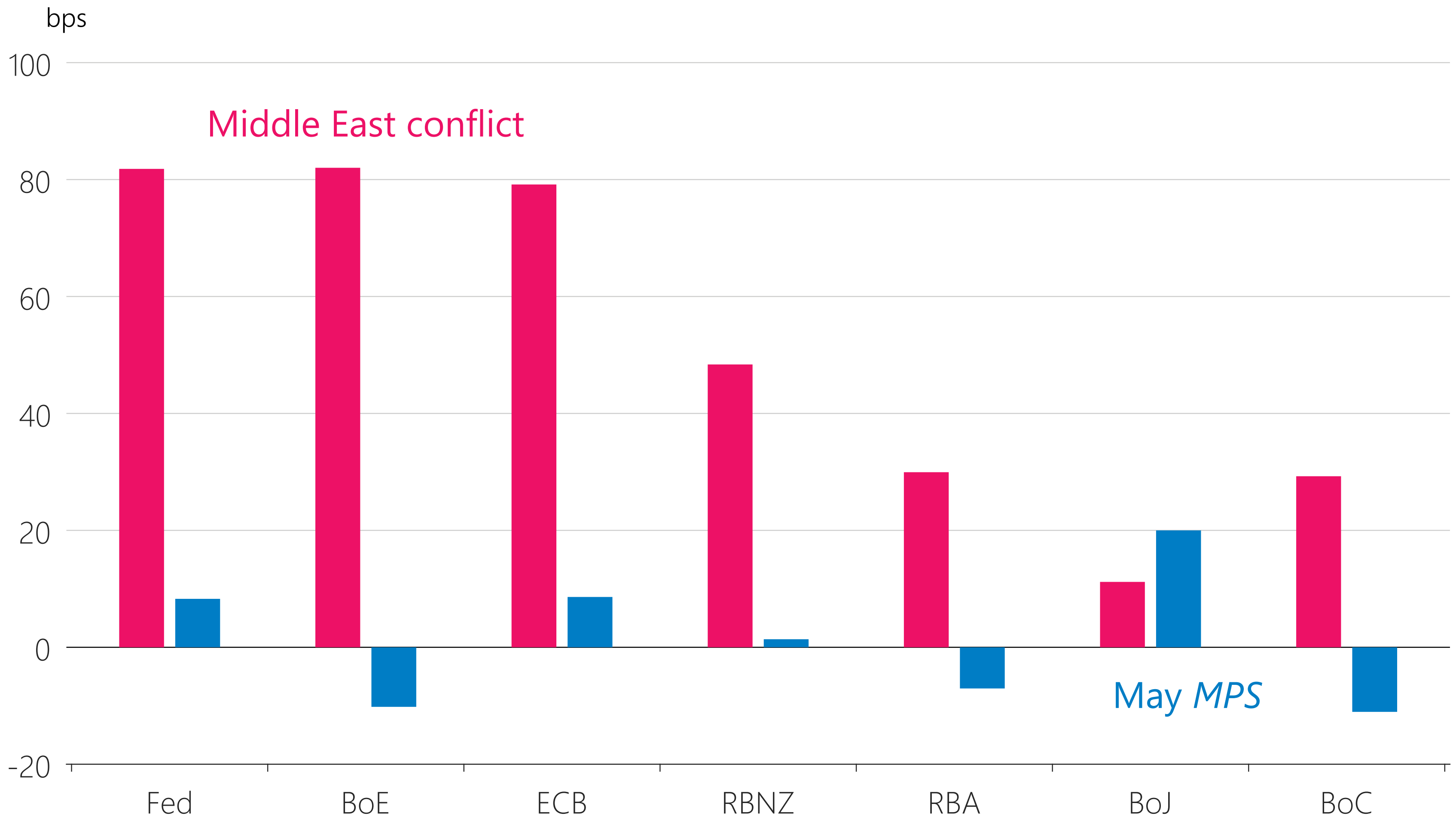
(annual, weighted by New Zealand trade)



Source: Stats NZ, Haver Analytics, Bloomberg, RBNZ estimates.

Market participants have revised up expectations for policy rates since the conflict began

Change in market-implied policy rate expectations for the end of 2026

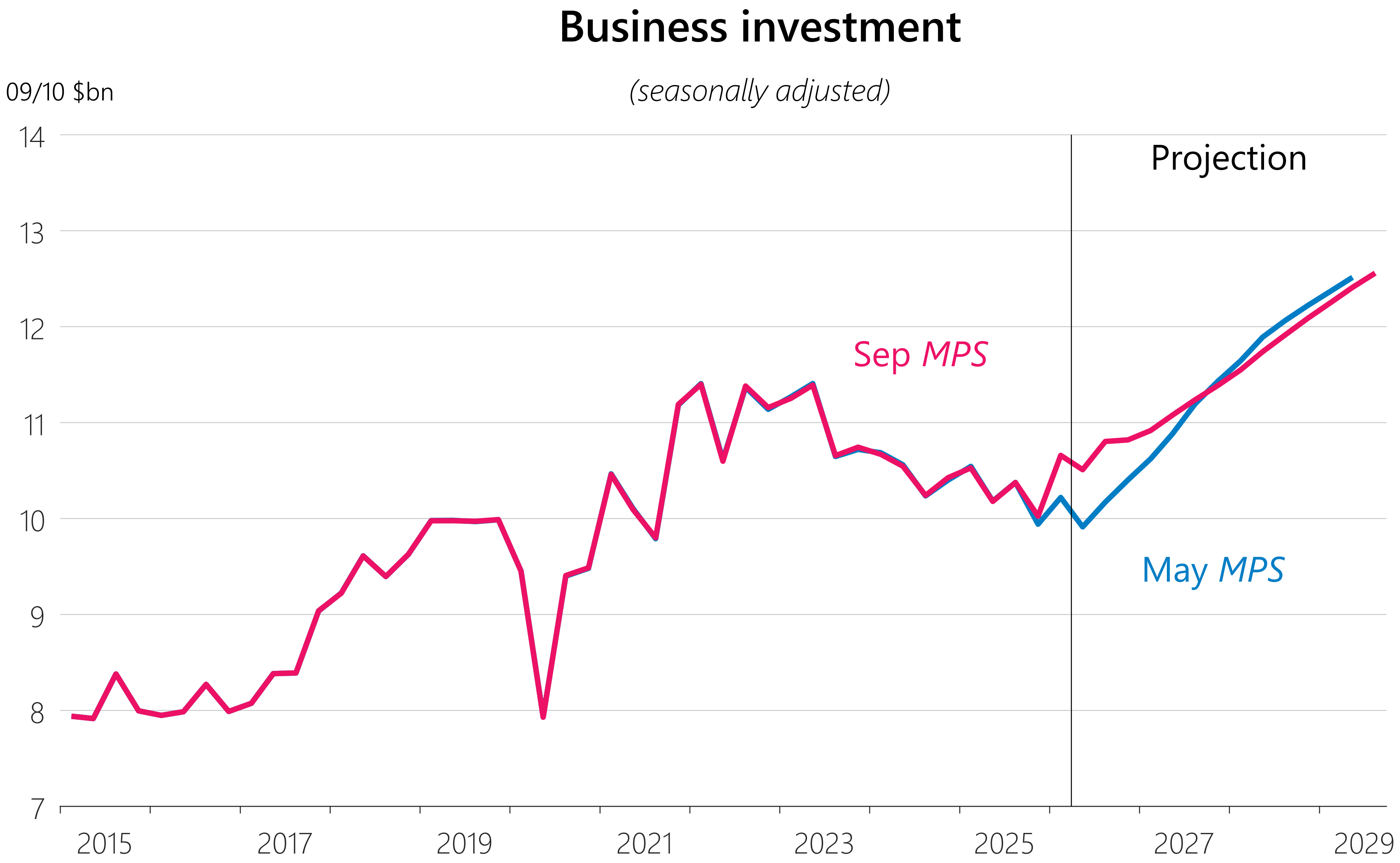


Source: Bloomberg.

Prices for some of New Zealand's commodity exports have been elevated

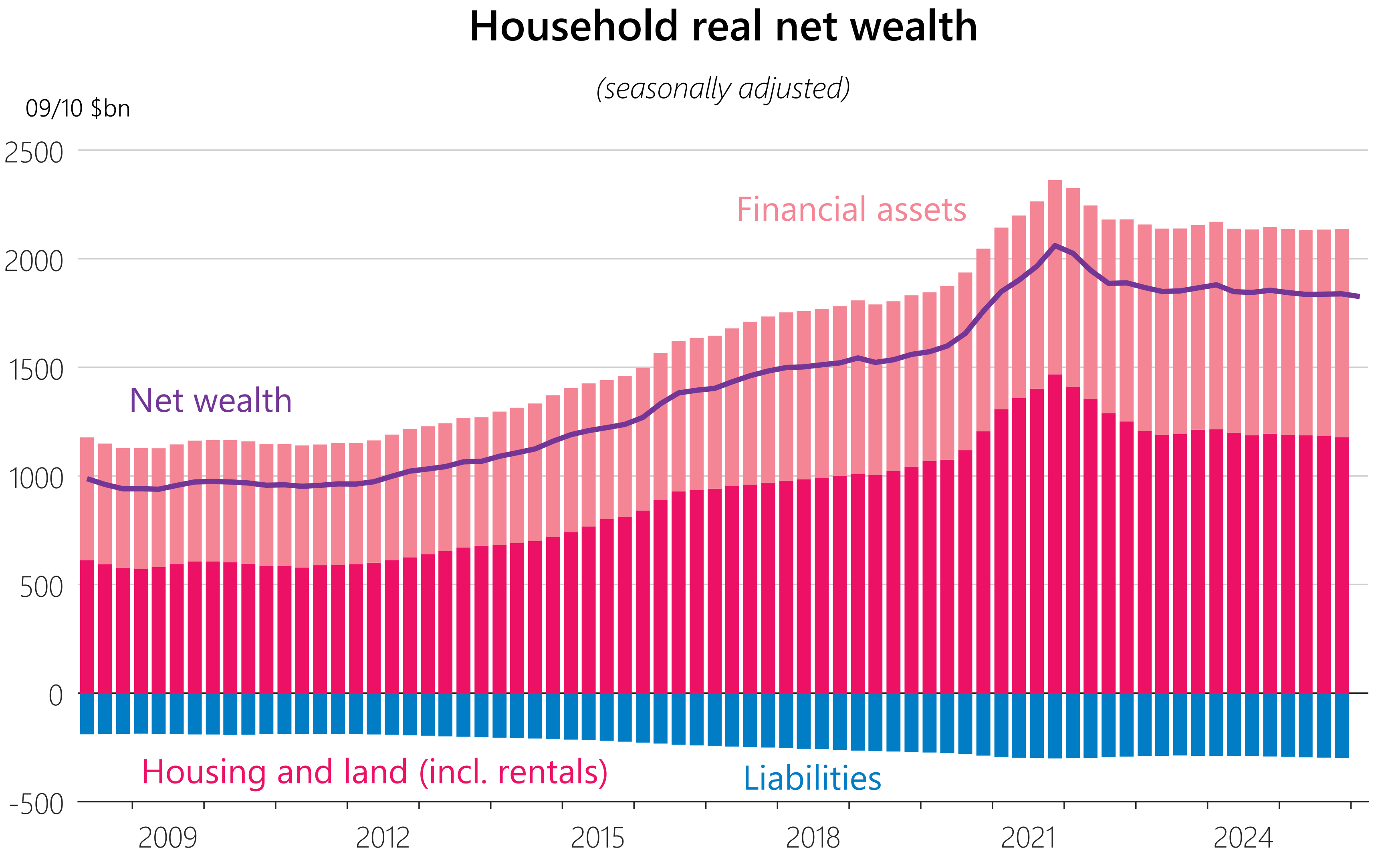
Source: Stats NZ, RBNZ estimates.

Strong performance of many exporting sectors has supported a recovery in business investment



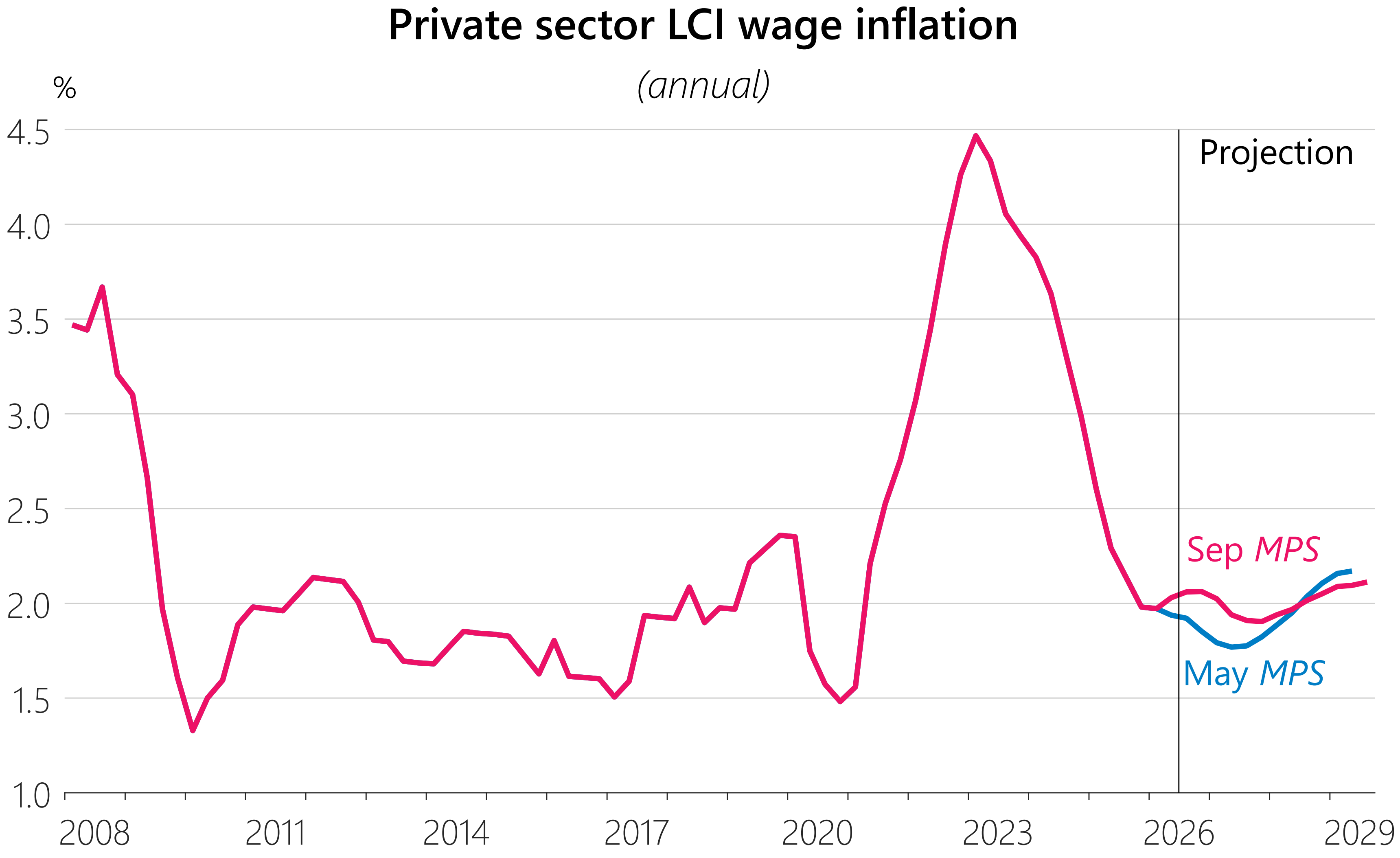
Source: Stats NZ, RBNZ estimates.

Declining real household wealth has weighed on consumption recently



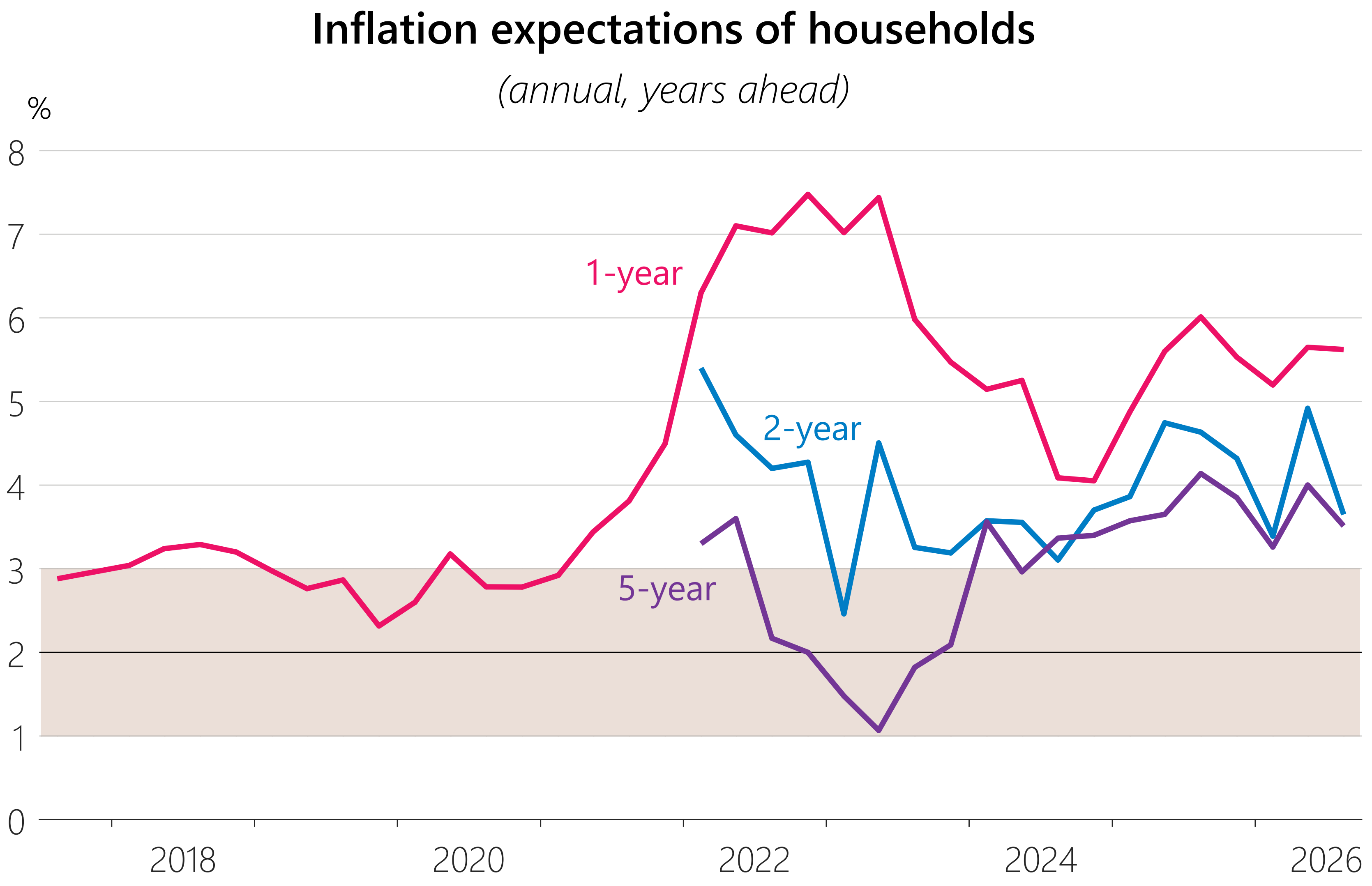
Source: Stats NZ, RBNZ estimates.

Spare capacity in the labour market is limiting wage growth



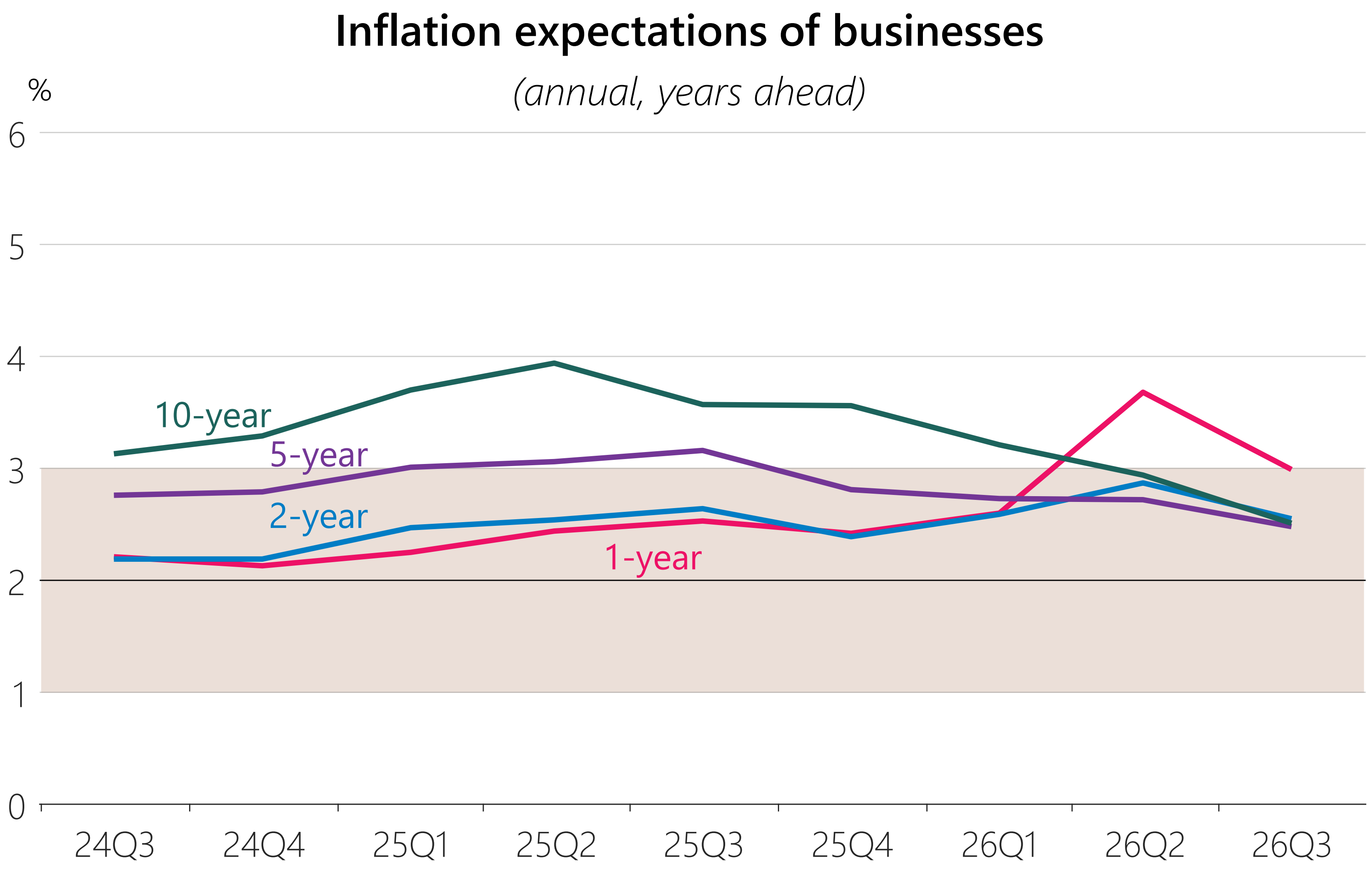
Source: Stats NZ, RBNZ estimates.

Household inflation expectations have eased at longer horizons



Source: RBNZ.

Business inflation expectations have eased



Source: RBNZ.