



Reserve Bank  
of New Zealand  
Te Pūtea Matua

# Financial Stability Report

May 2026

# This is our first *Report* under the Financial Policy Committee

- Byron Pepper (FPC Chair, RBNZ Board member)
- Anna Breman (Governor, MPC Chair, RBNZ Board member)
- Rodger Finlay (RBNZ Board Chair)
- Grant Spencer (RBNZ Board member)
- Philip Vermeulen (RBNZ Board member)
- Prasanna Gai (external FPC member, MPC member)
- Heidi Richards (external FPC member)



# New Zealand's financial system is resilient amid heightened global risks



## Key points

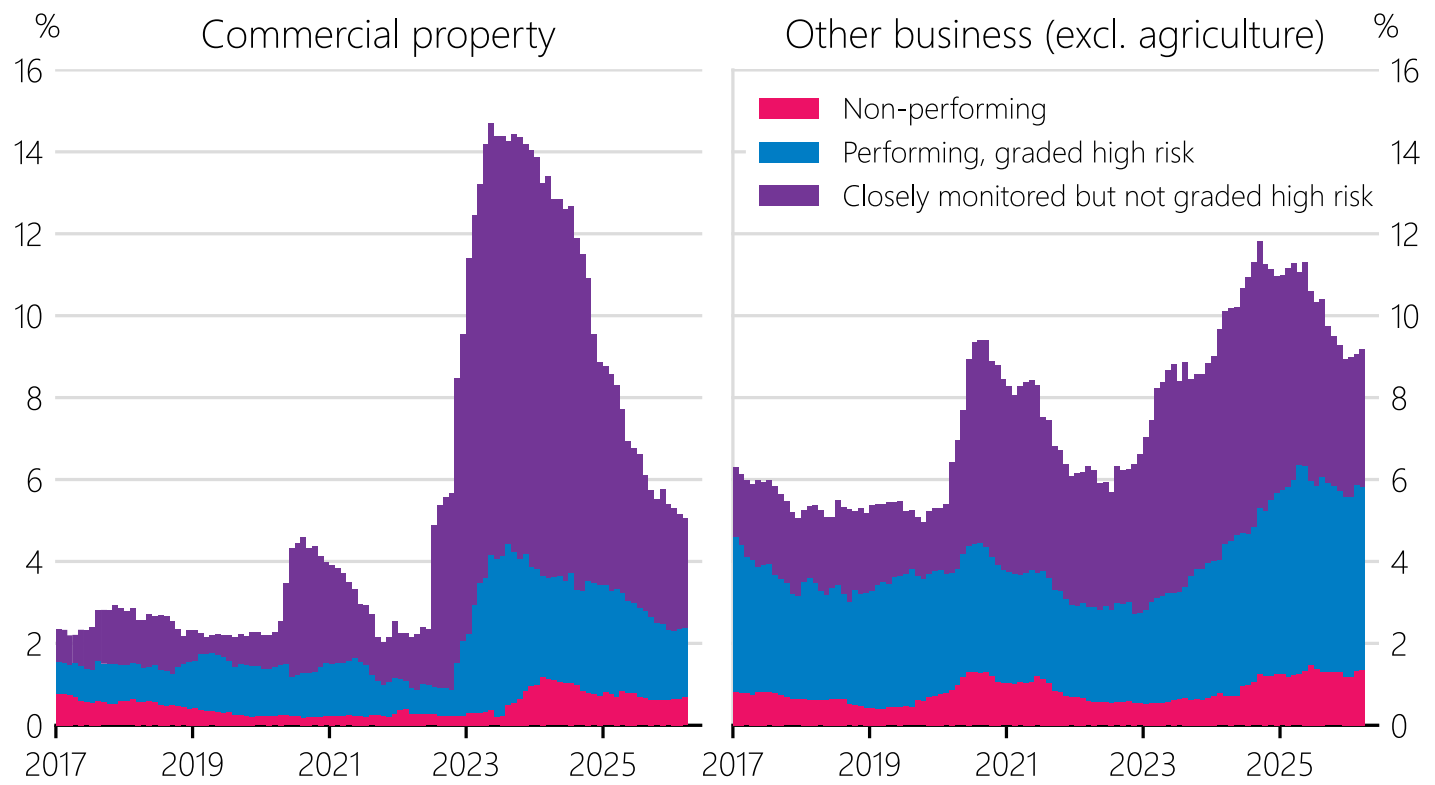
- Global risk environment has worsened over past 6 months as Middle East conflict threatens world energy supply
- Adds to rising global financial stability risks from AI, non-banks and private credit markets
- Current global environment is a reminder of why strong capital and liquidity buffers are so important



# The economy had been recovering prior to the Middle East conflict

Figure 1.5

Business lending by risk grade and performance



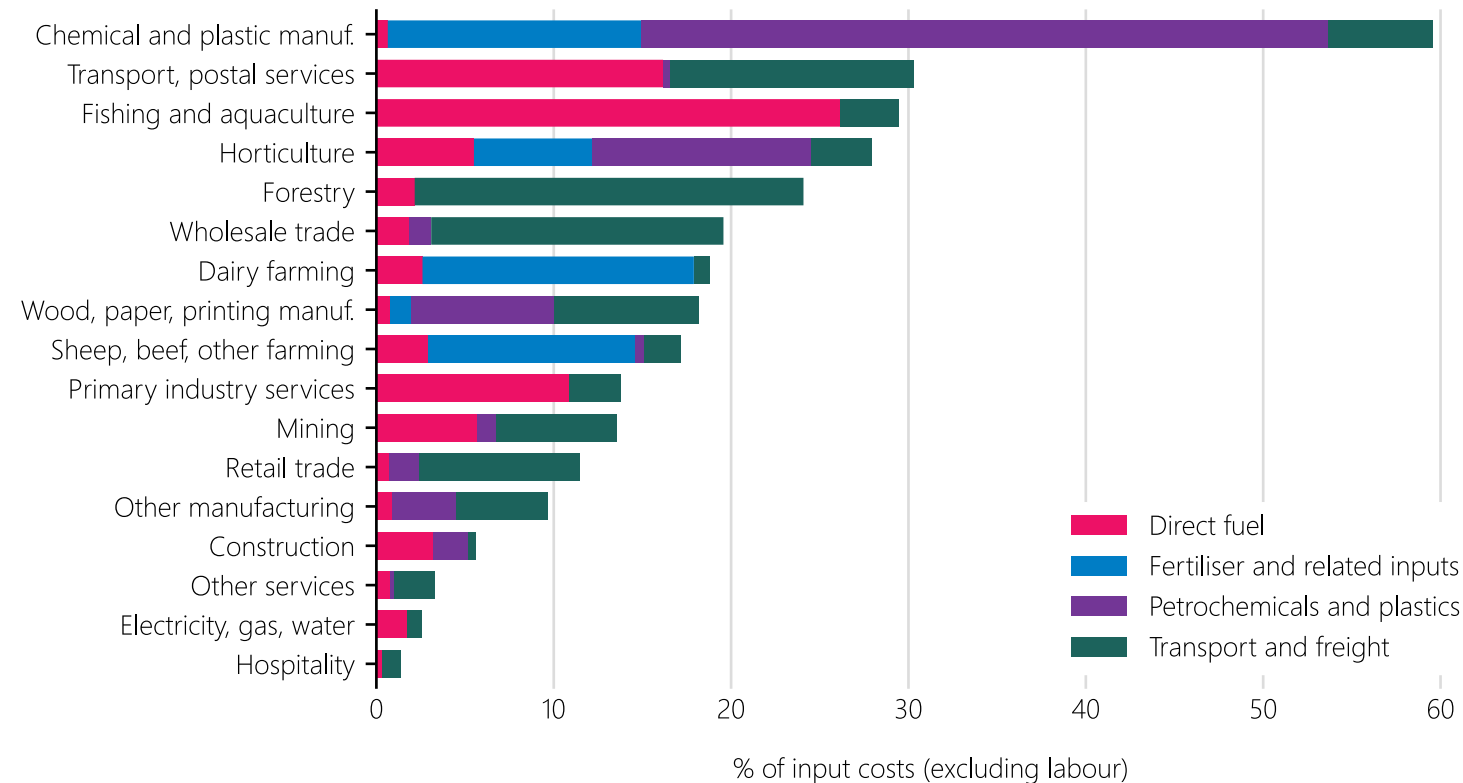
Source: RBNZ Asset Quality survey



# High energy prices are raising business costs, and will slow the economic recovery

Figure 1.3

Share of business input costs directly exposed to the Middle East conflict



Source: Stats NZ, RBNZ estimates

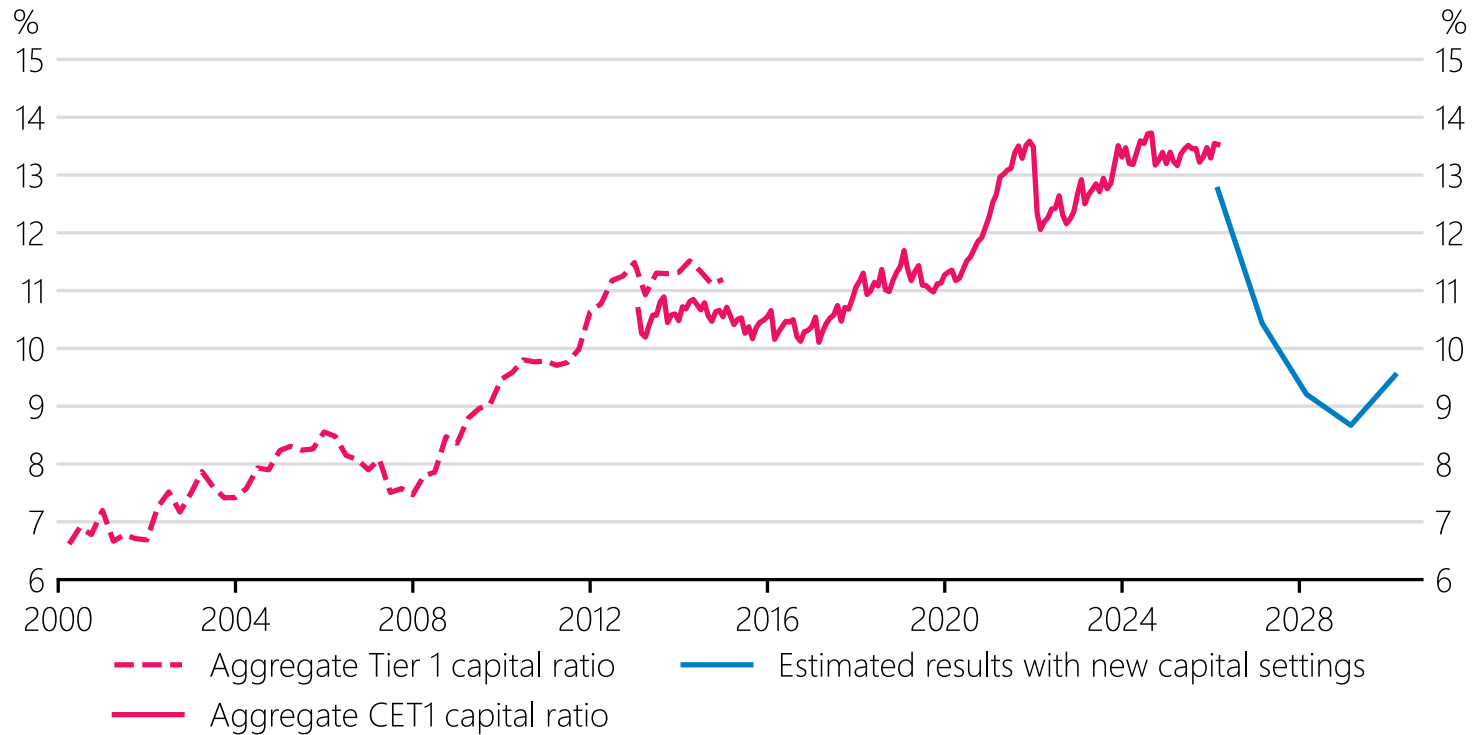
Note: Based on input cost weightings from the Producer Price Index



# New Zealand's banks remain resilient to severe stress test scenarios

Figure 1.9

2025 stress test results with the new capital settings  
(CET1 ratios, share of risk-weighted assets)



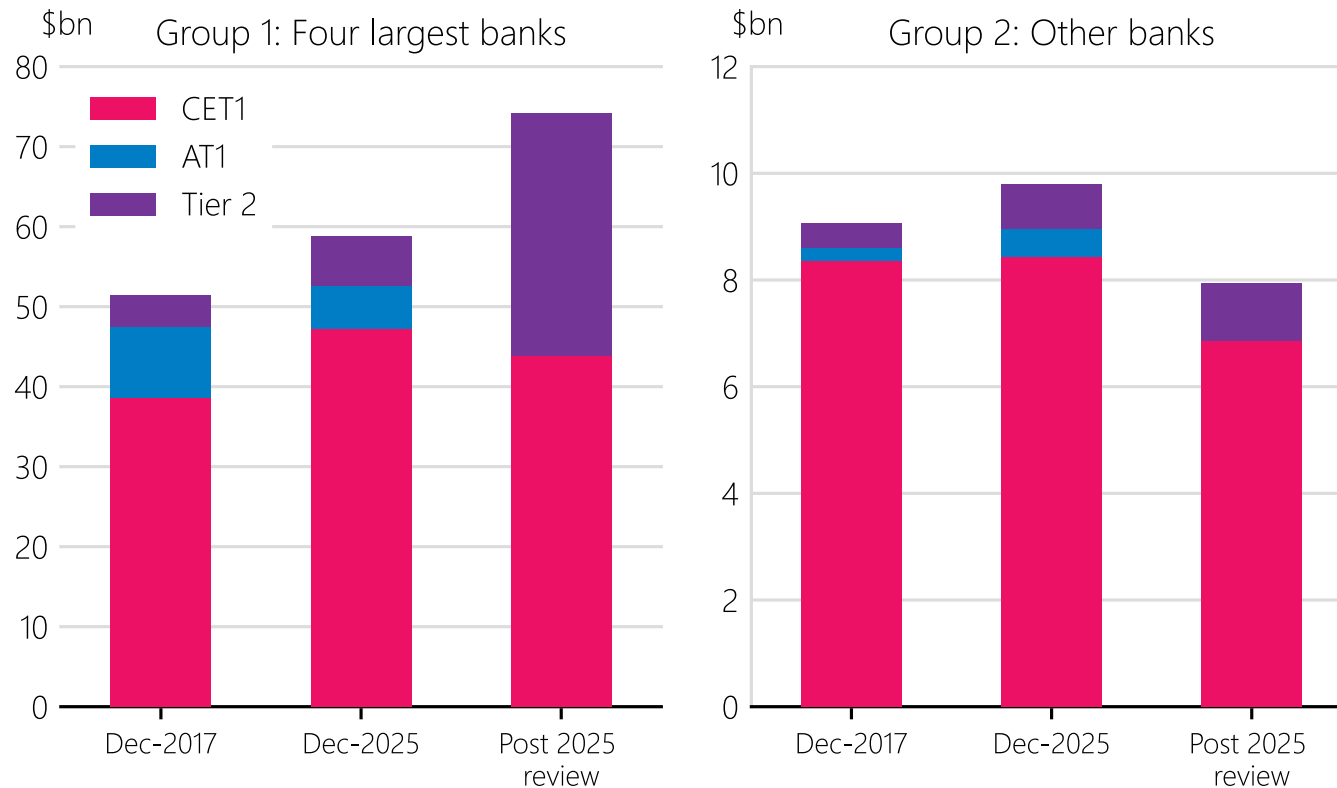
Source: RBNZ Capital Adequacy survey, RBNZ estimates



# We're adjusting banks' capital settings, supporting proportionality and efficiency

Figure 1.8

Deposit-taker capital before and after the 2025 review



Source: RBNZ *Capital Adequacy survey*, RBNZ estimates



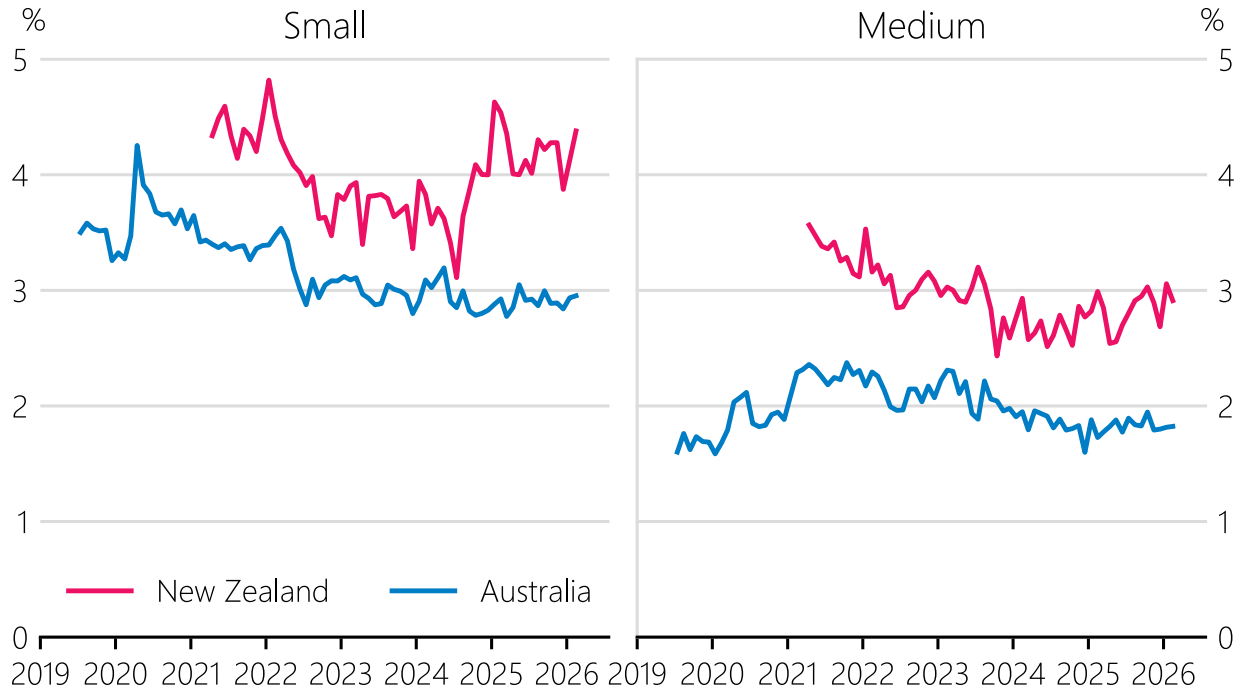
# Enhanced pricing transparency could improve small- and mid-sized firms' access to finance



Special Topic

Figure 2.7

Spread between business lending rates and 90-day bank bill rate, by country and firm size (percentage points)



Source: RBA, RBNZ New Credit Flows survey



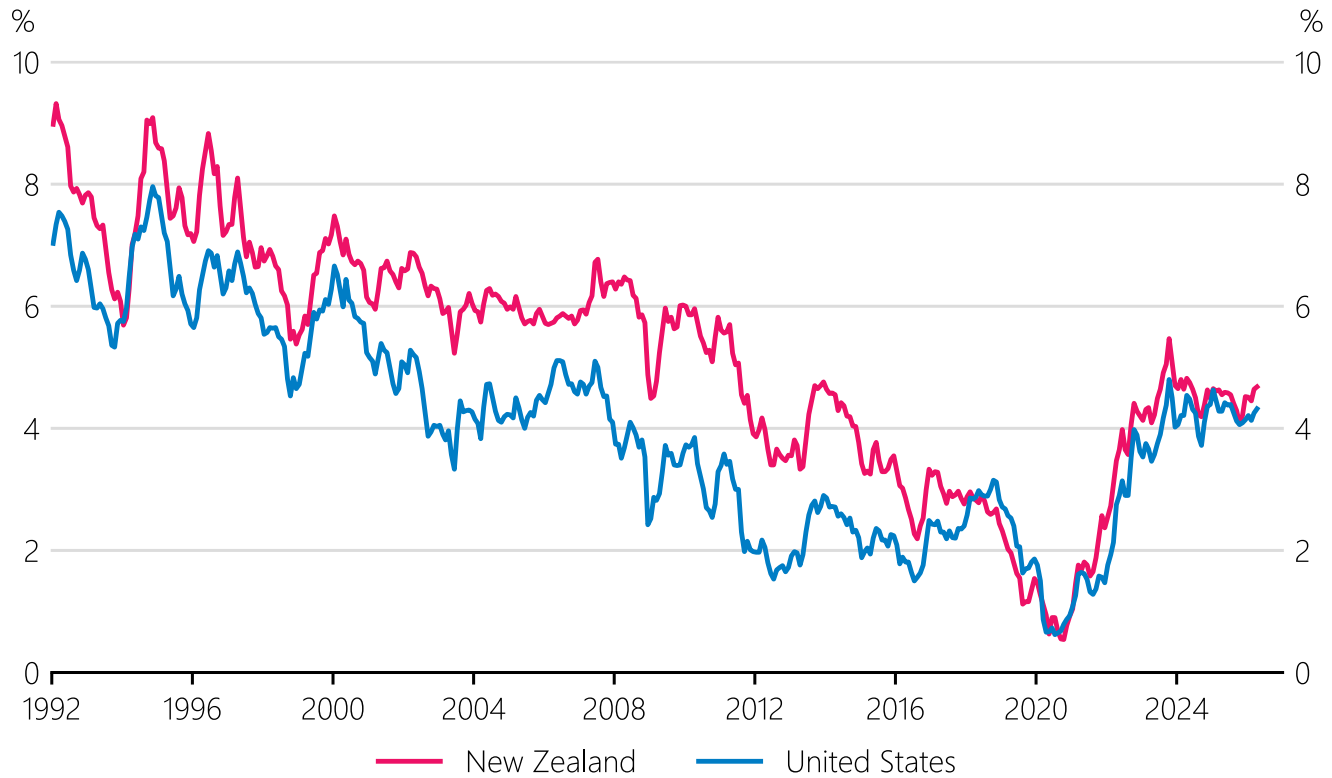
# Worsening global fiscal outlooks could create funding volatility, raise borrowing costs



Special Topic

Figure 2.14

US and New Zealand 10-year government bond yields



Source: Haver Analytics, RBNZ calculations

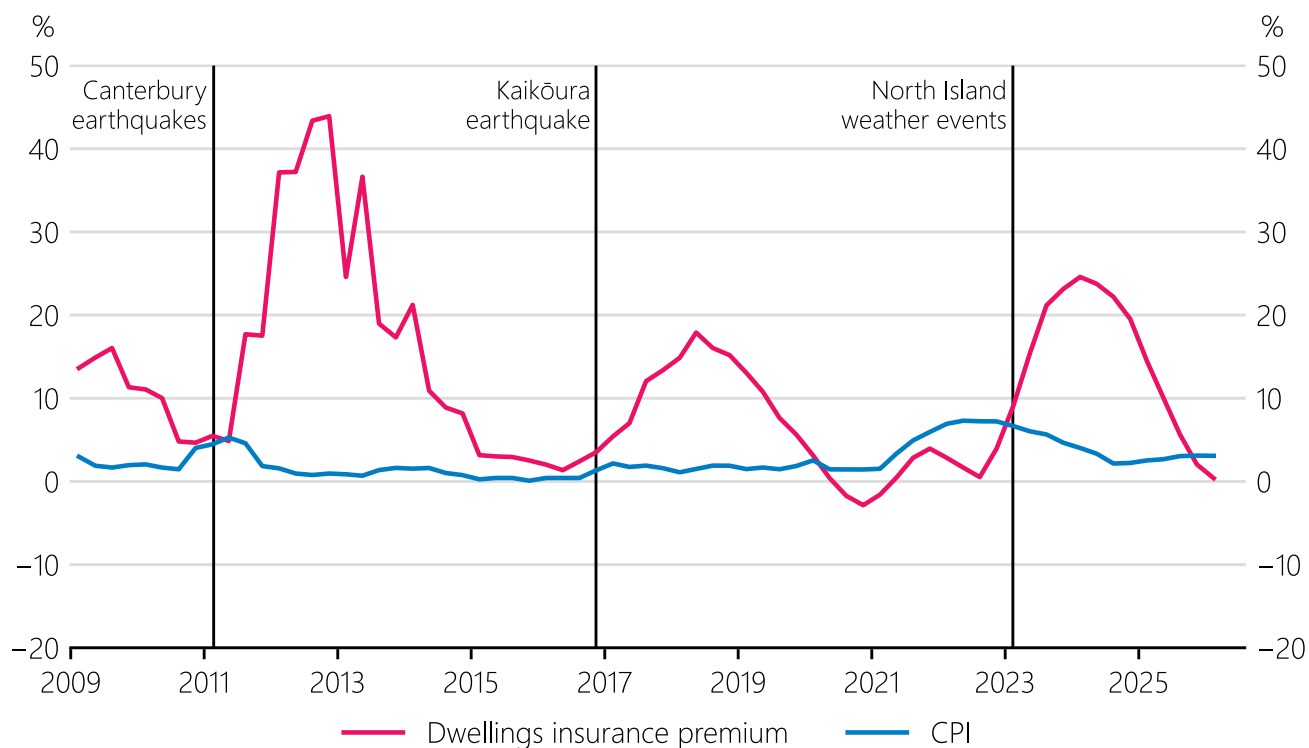


# Insurance affordability may create financial stability risks in the future

Box B

Figure B.1

Dwelling insurance premiums, CPI  
(annual percent change)



Source: Stats NZ, RBNZ calculations



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