

The Inflation Outlook

Monetary Policy Review, July 2026

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

The decision – OCR increased to 2.50%

- The Committee agreed by consensus
- The decision is consistent with returning inflation to 2% while avoiding unnecessary economic volatility
- Future OCR decisions will depend on incoming data, pricing behaviour and demand

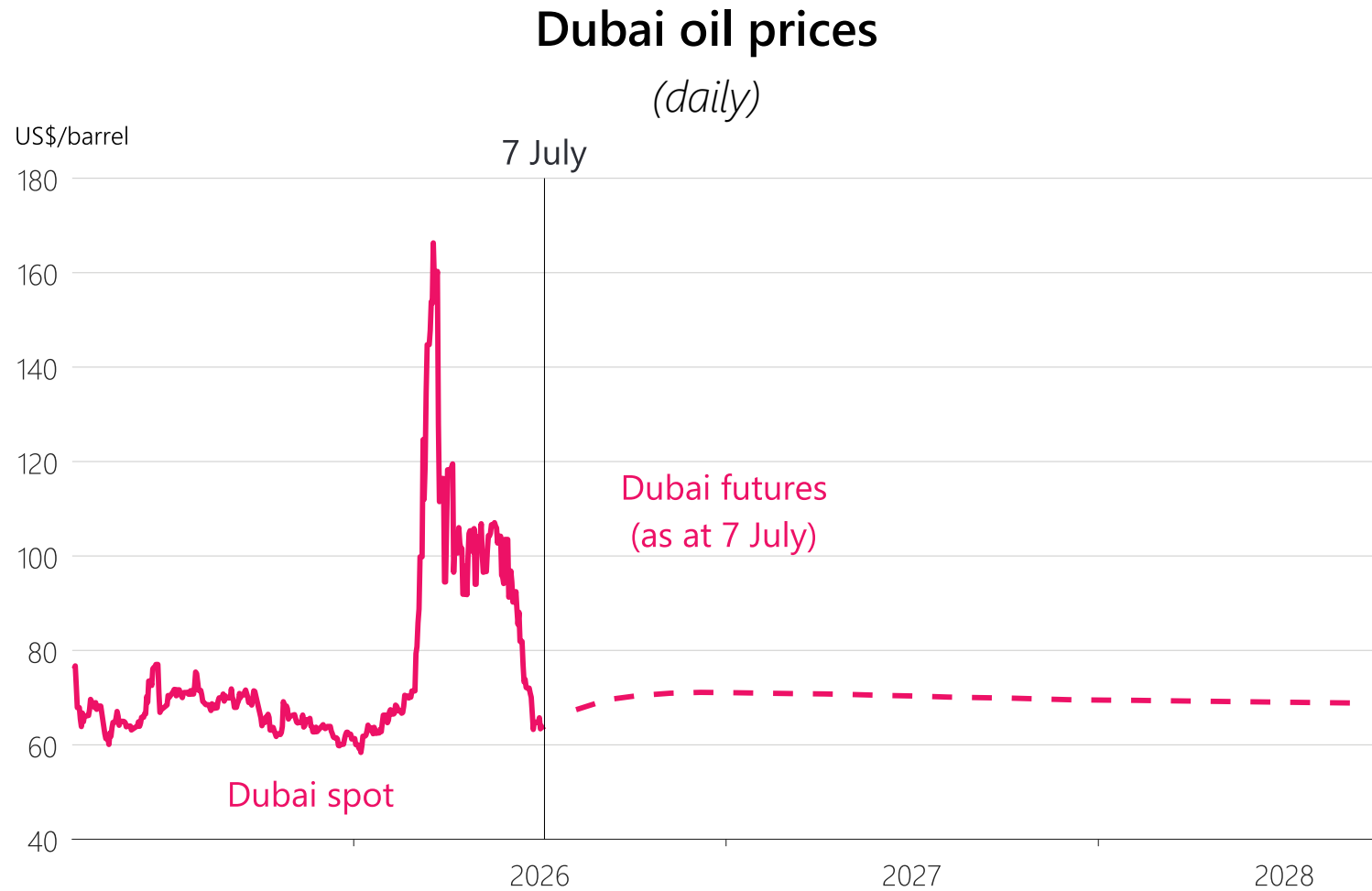


The decision – OCR increased to 2.50%

- The Committee agreed by consensus
- Some further reduction in monetary stimulus is likely to be required
- But the timing is highly uncertain
- Future OCR decisions will depend on incoming data, pricing behaviour and demand



Supply-side disruption has eased and crude oil prices have fallen



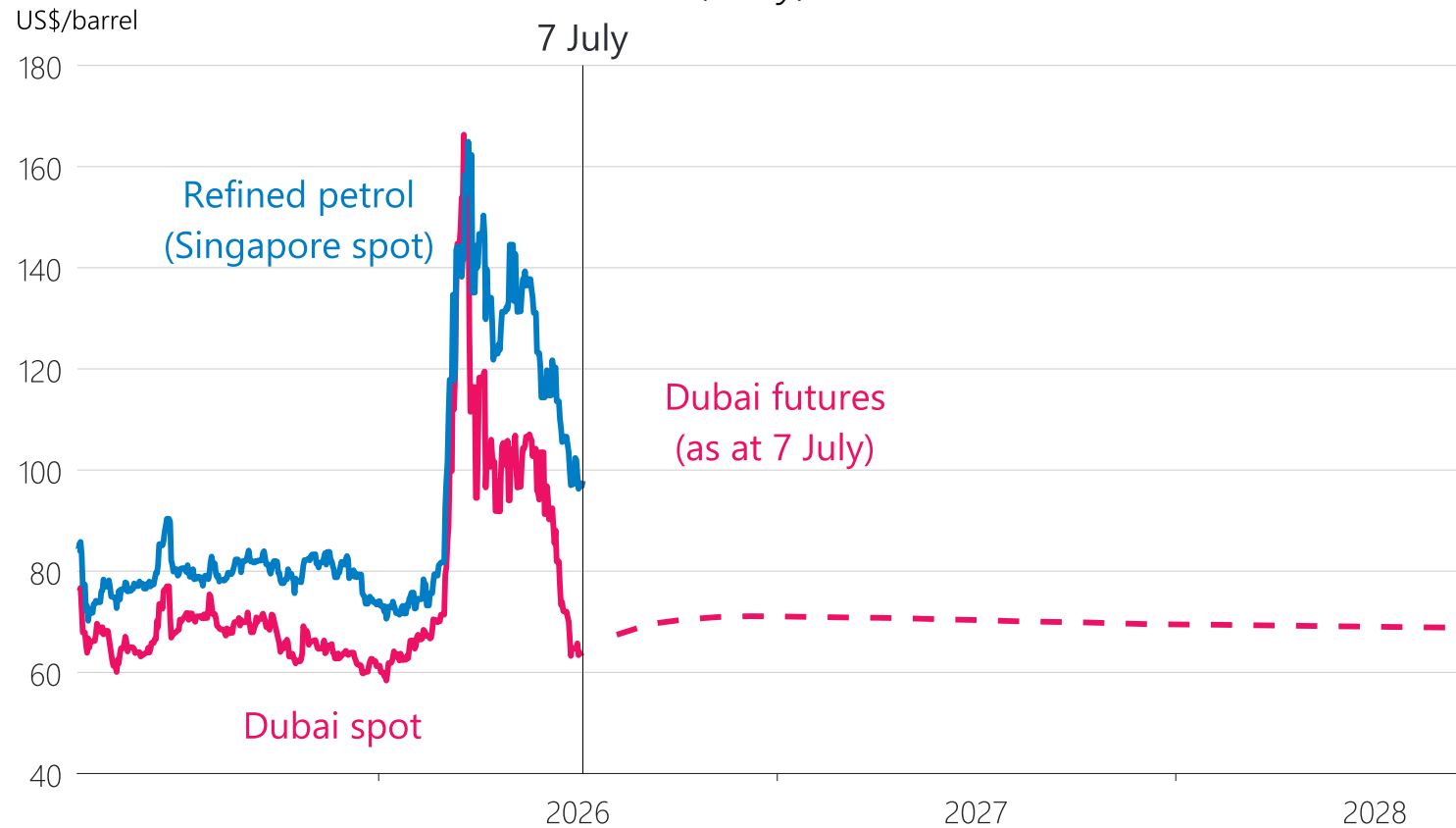
Source: Bloomberg, LSEG.



Refined petrol prices have fallen but remain above pre-conflict levels

Dubai oil and refined petrol prices

(daily)



Source: Bloomberg, LSEG.



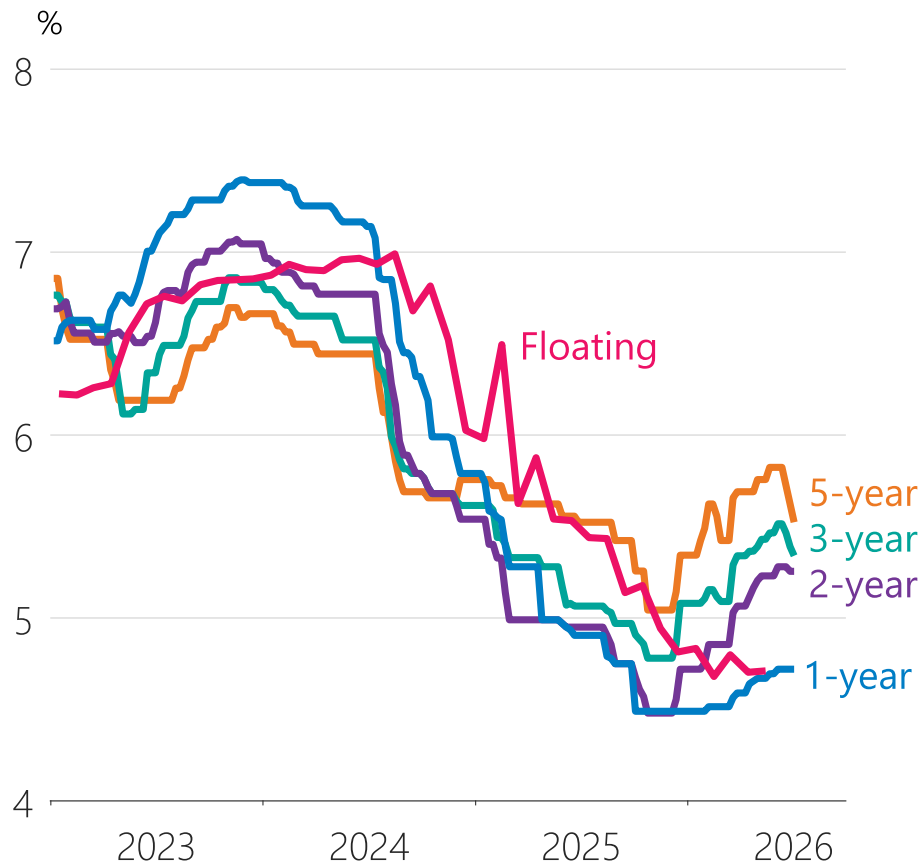
Global conditions have changed since the onset of the Middle East conflict

- Global economic growth has been more resilient than expected
- Global inflation is increasing
- Market-implied policy rates remain materially higher than prior to the Middle East conflict



Domestic financial conditions have eased

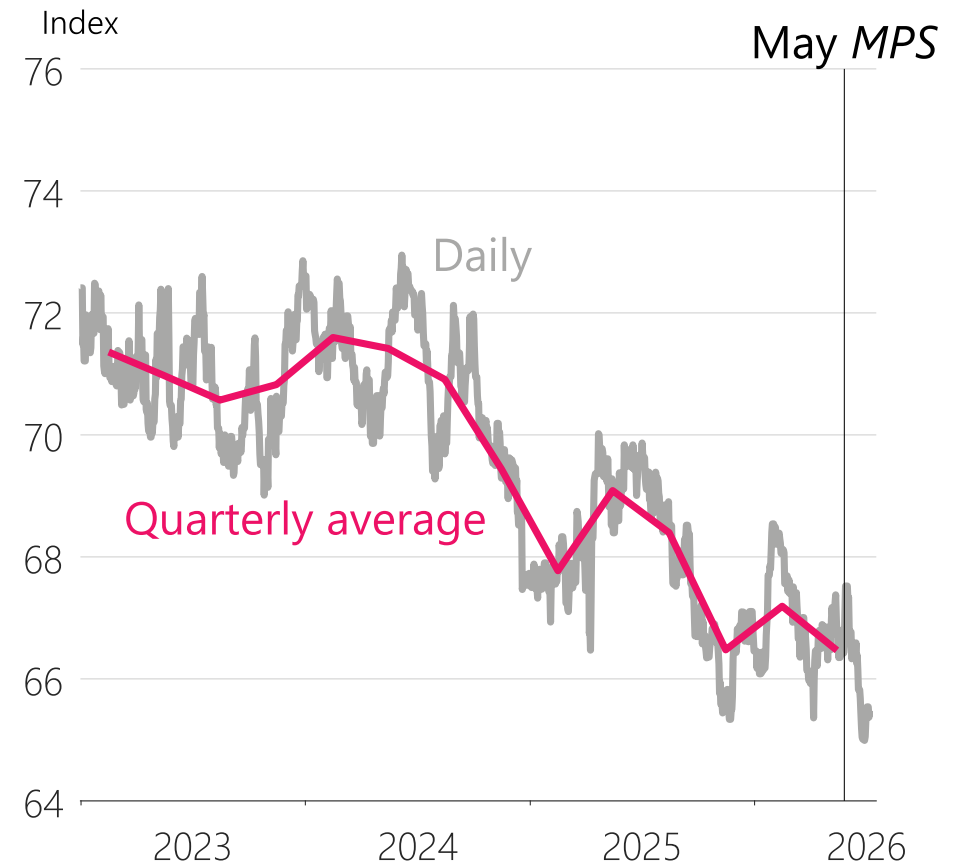
Mortgage interest rates



Source: interest.co.nz, RBNZ estimates.

New Zealand dollar trade-weighted index

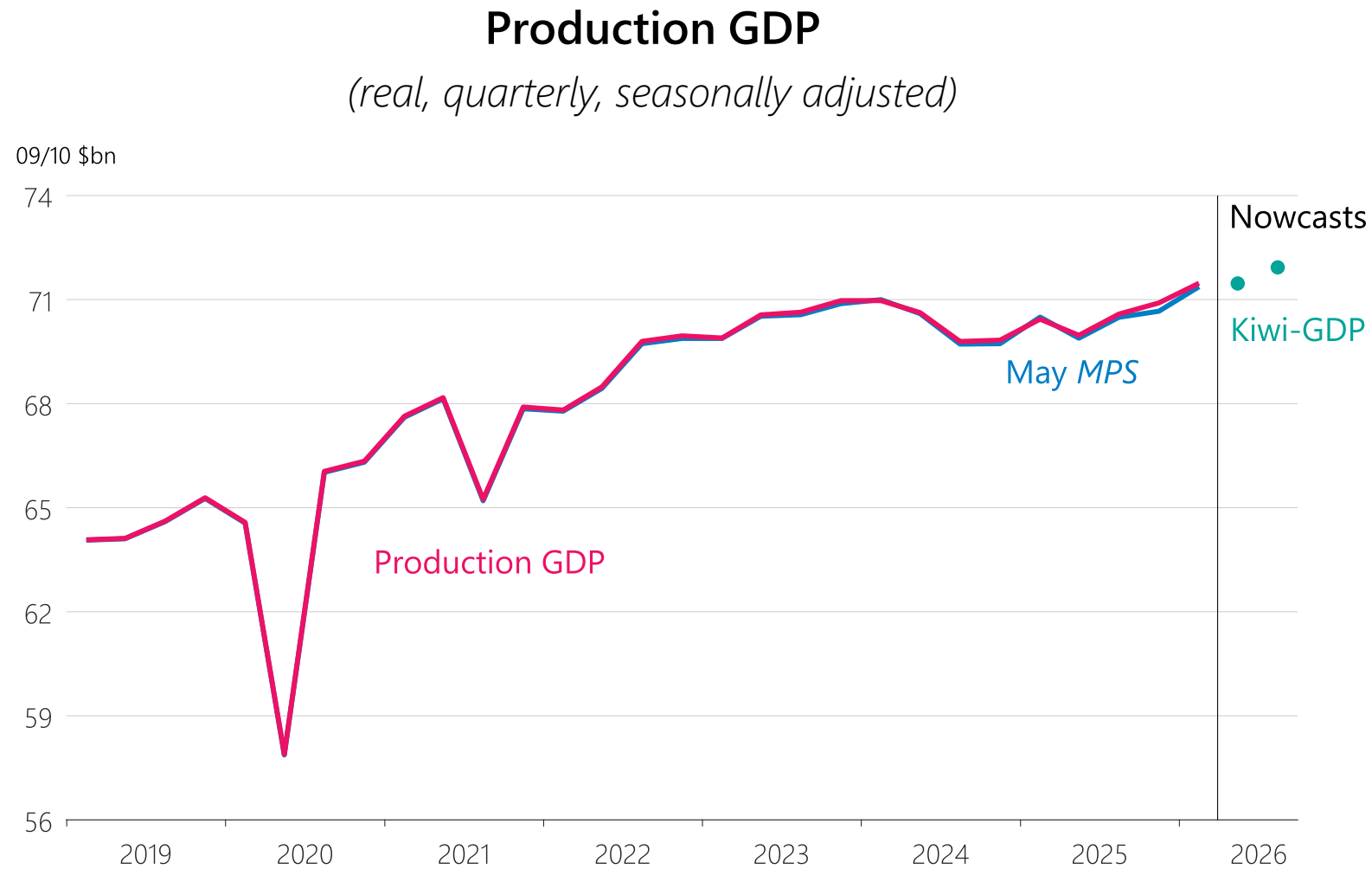
(nominal)



Source: RBNZ.



Economic growth is expected to recover in the near term

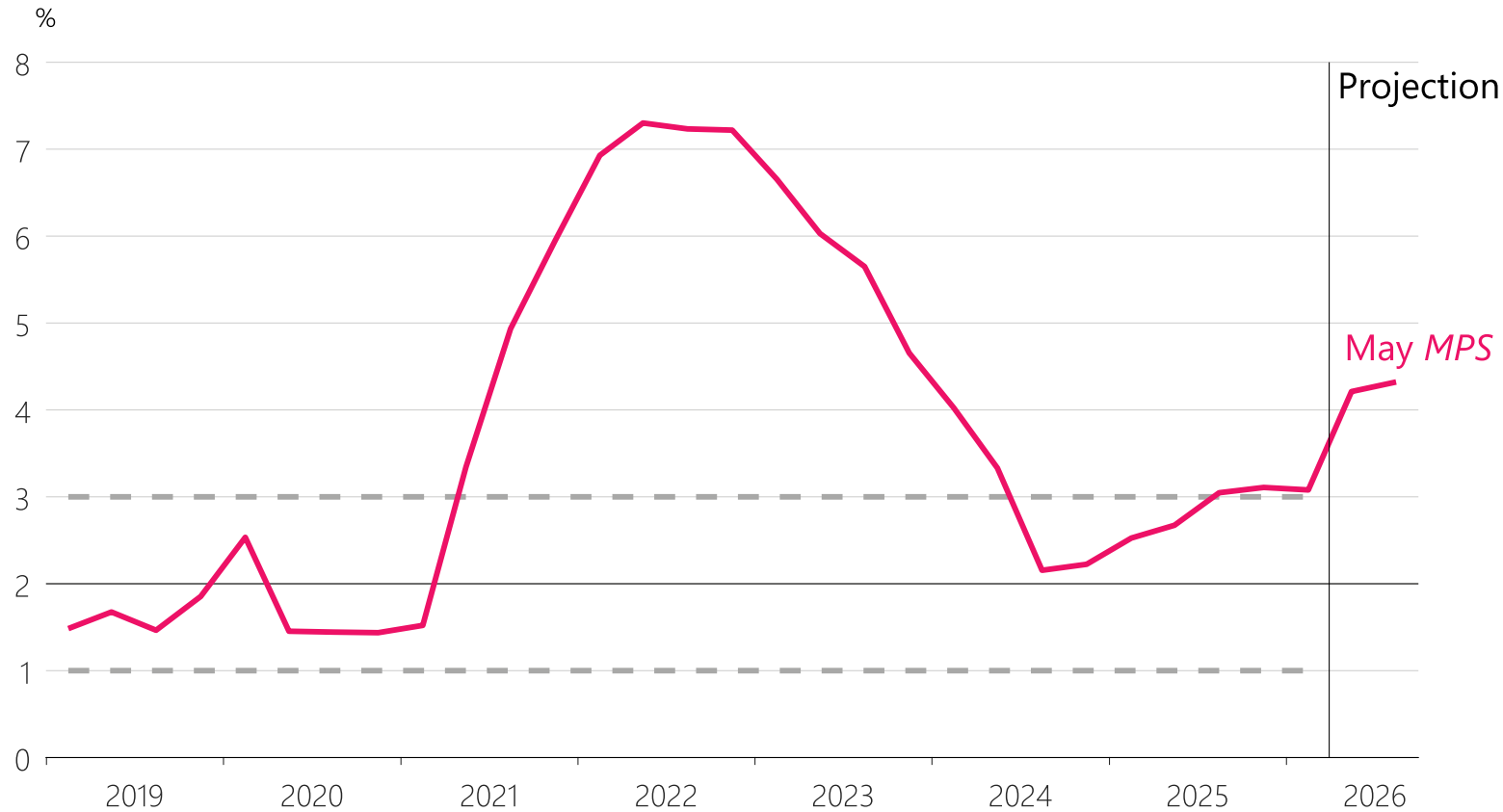


Source: Stats NZ, RBNZ estimates.



In the May MPS, inflation was expected to peak at 4.3% in Q3...

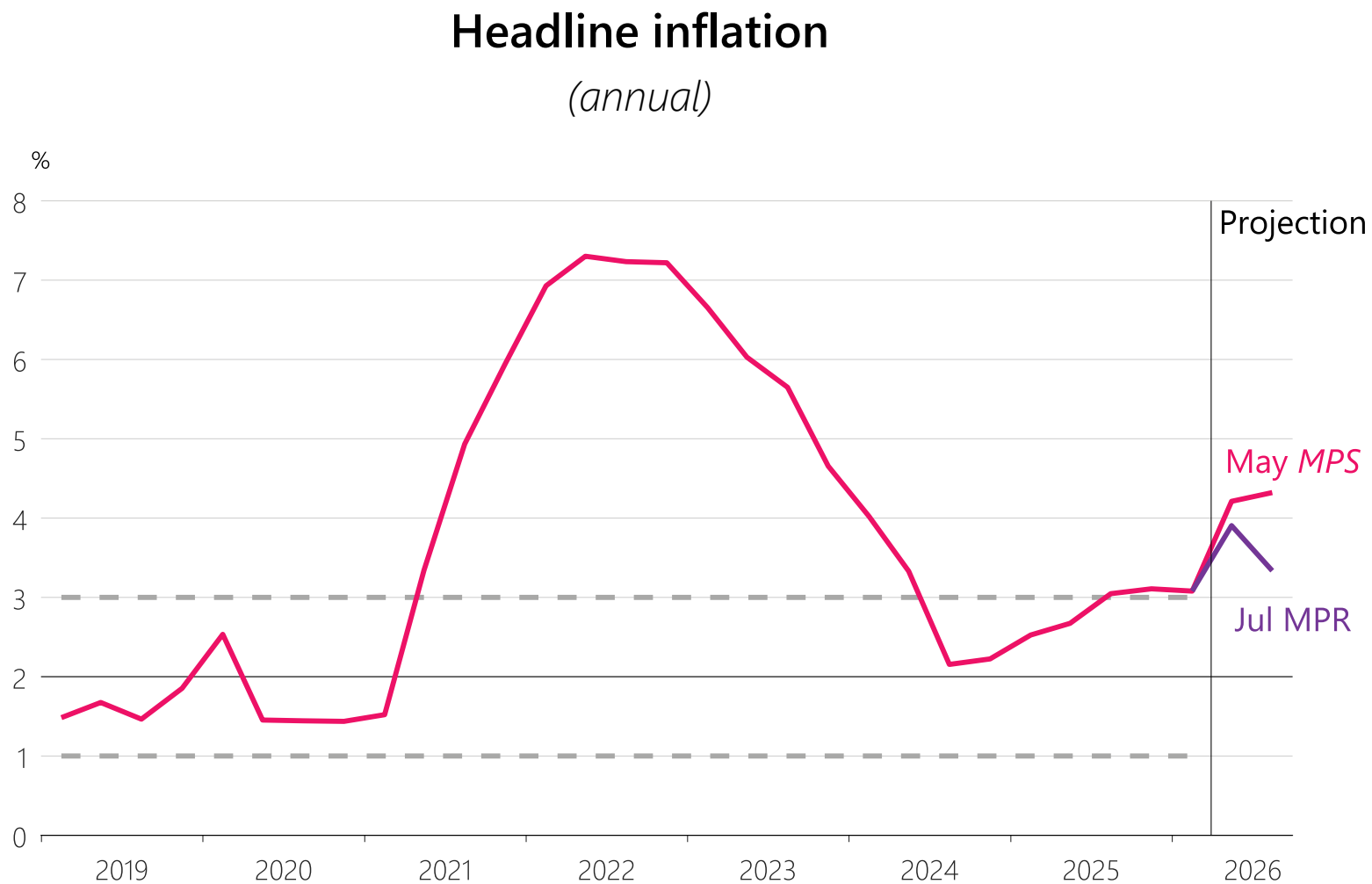
Headline inflation
(annual)



Source: Stats NZ, RBNZ estimates.



... but may have peaked at 3.9% in Q2



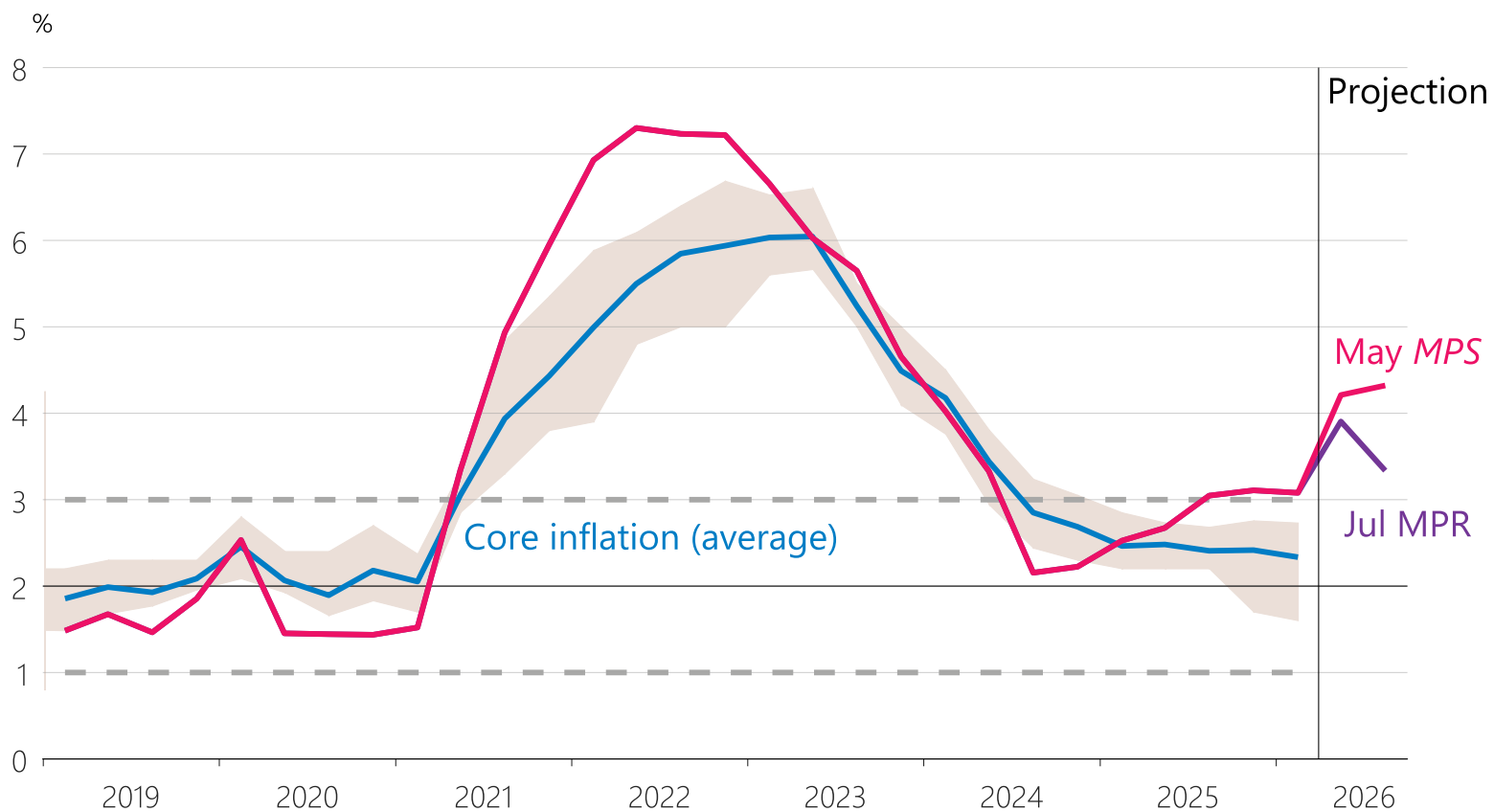
Source: Stats NZ, RBNZ estimates.



Our focus is on sustained low and stable inflation

Headline and core inflation

(annual)



Source: Stats NZ, RBNZ estimates.



The outlook remains uncertain



- Geopolitics
- AI investment
- Fiscal risks



- Price-setting behaviour
- Speed of recovery
- Weather events



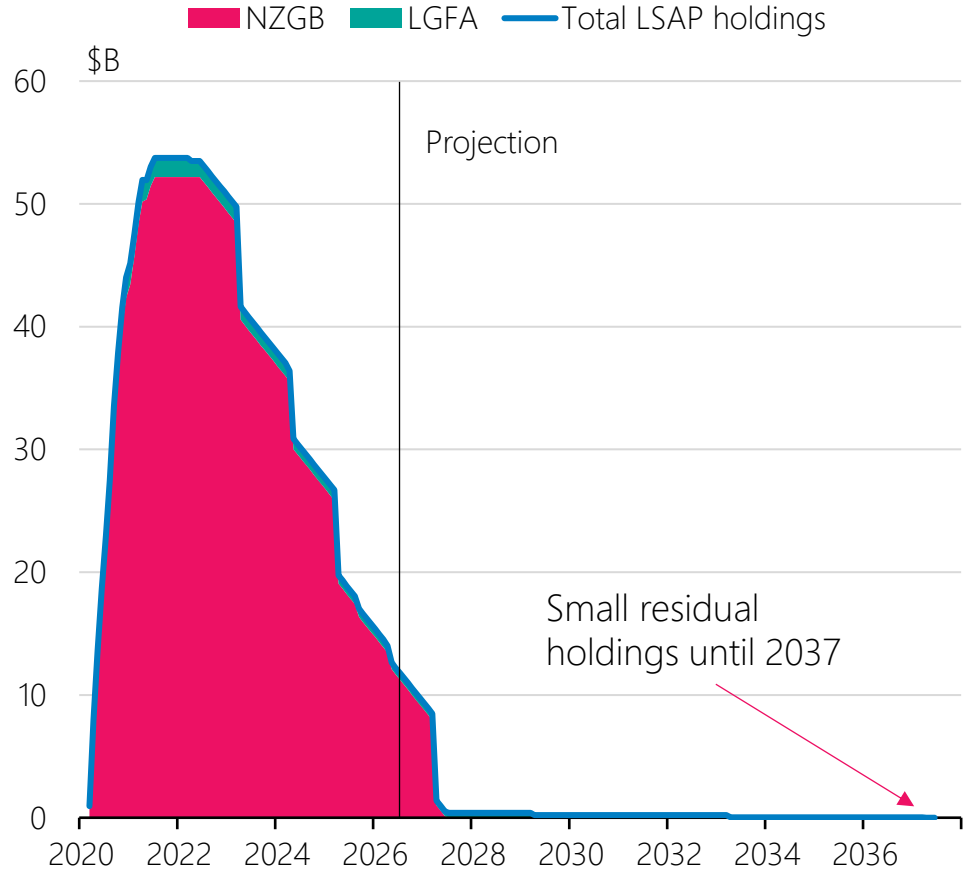
Summary

- The OCR increased to 2.50%
- Inflation above target but has likely peaked
- Growth expected to pick up from now

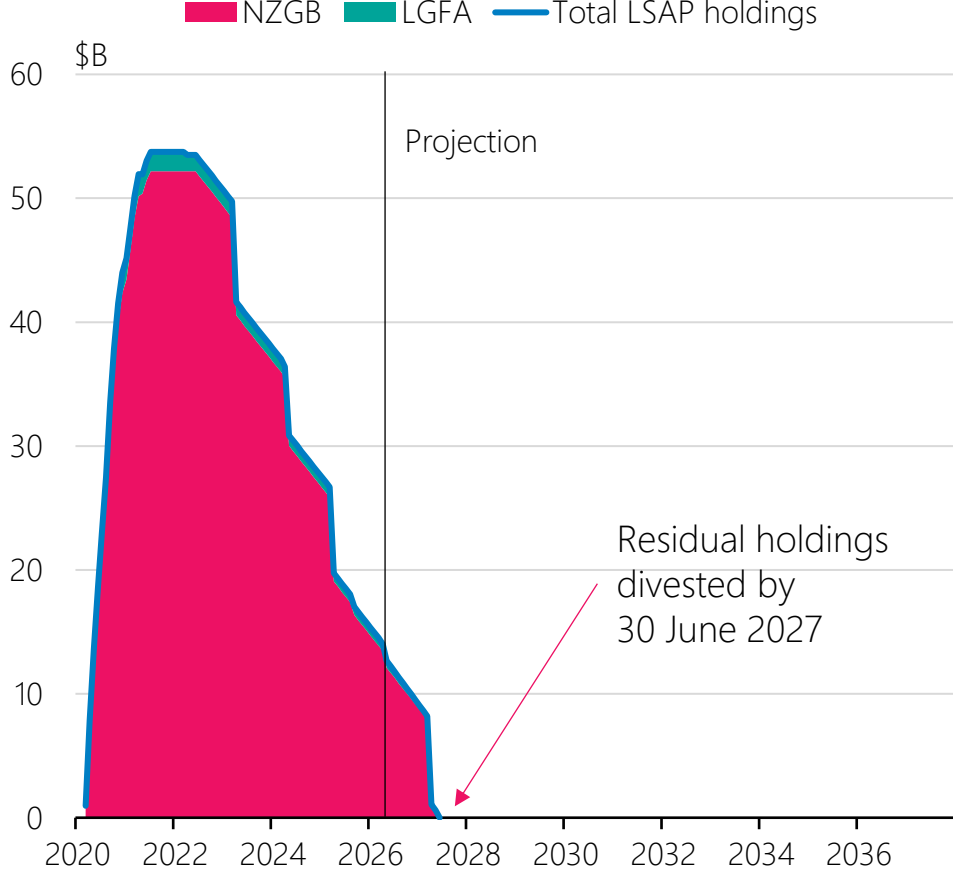


Full divestment of the LSAP holdings by June 2027

LSAP Portfolio - original divestment plan



LSAP Portfolio - updated divestment plan





Reserve Bank
of New Zealand
Te Pūtea Matua