Reserve Bank of New Zealand
Te Pūtea Matua

ECONOMIC OUTLOOK

November 2025

Disclaimer

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

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

- Spare capacity in the New Zealand economy is reducing inflationary pressure. High export prices are supporting the primary sector but industries reliant on domestic demand have struggled.
- Significant OCR reductions are supporting demand, which will contribute to spare capacity being absorbed over time. The labour market is weak, but will strengthen as growth recovers.
- Global growth has so far proven more resilient to higher tariffs than expected, partly because of strong investment in AI-related activity.
- CPI inflation was 3 percent in the September 2025 quarter, driven by higher tradables inflation. Non-tradables inflation and core inflation continue to decrease. We expect inflation to settle near the 2% mid-point of the MPC's 1-3% target range in the middle of next year.
- The Committee voted to reduce the OCR by 25 basis points to 2.25 percent. Future moves in the OCR will depend on how the outlook for medium-term inflation and the economy evolve.

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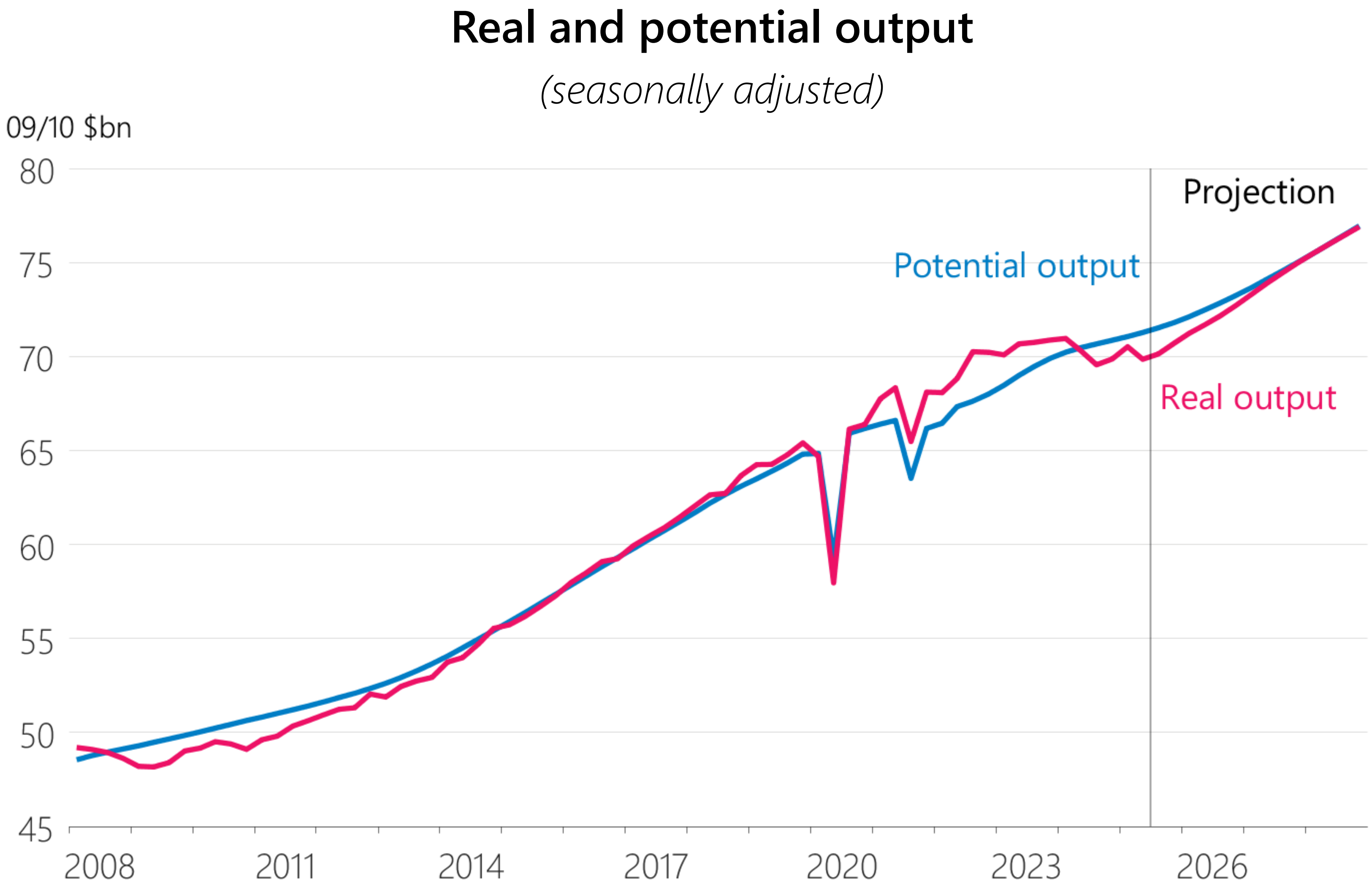
HIGH PRIMARY SECTOR INCOMES ARE SUPPORTING THE ECONOMY, BUT INDUSTRIES RELIANT ON DOMESTIC DEMAND HAVE STRUGGLED.

Economic activity has been weak, but is expected to recover from the end of this year

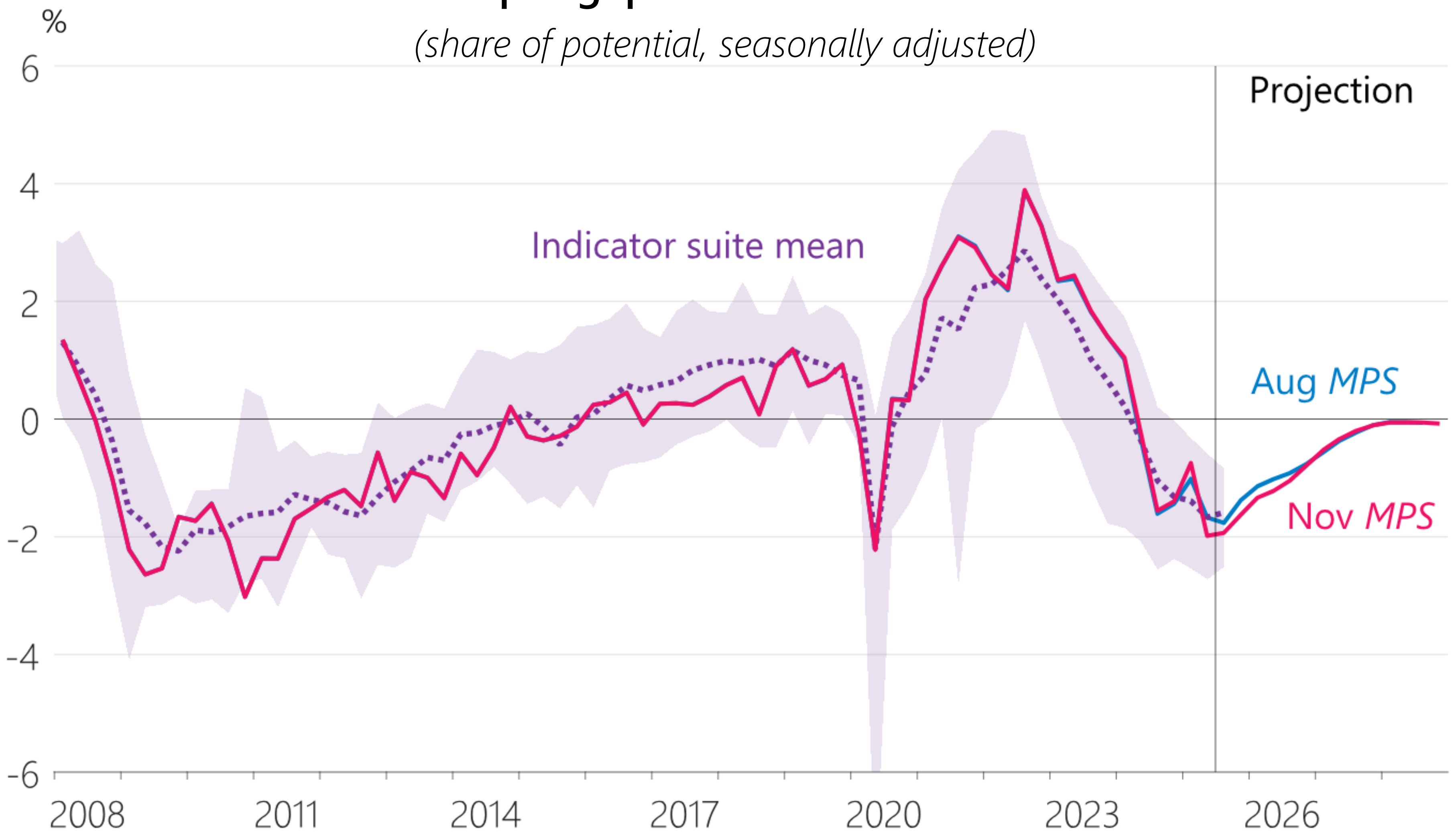


Source: Stats NZ, RBNZ estimates.

There continues to be significant spare capacity in the New Zealand economy

Output gap and indicator suite

(share of potential, seasonally adjusted)

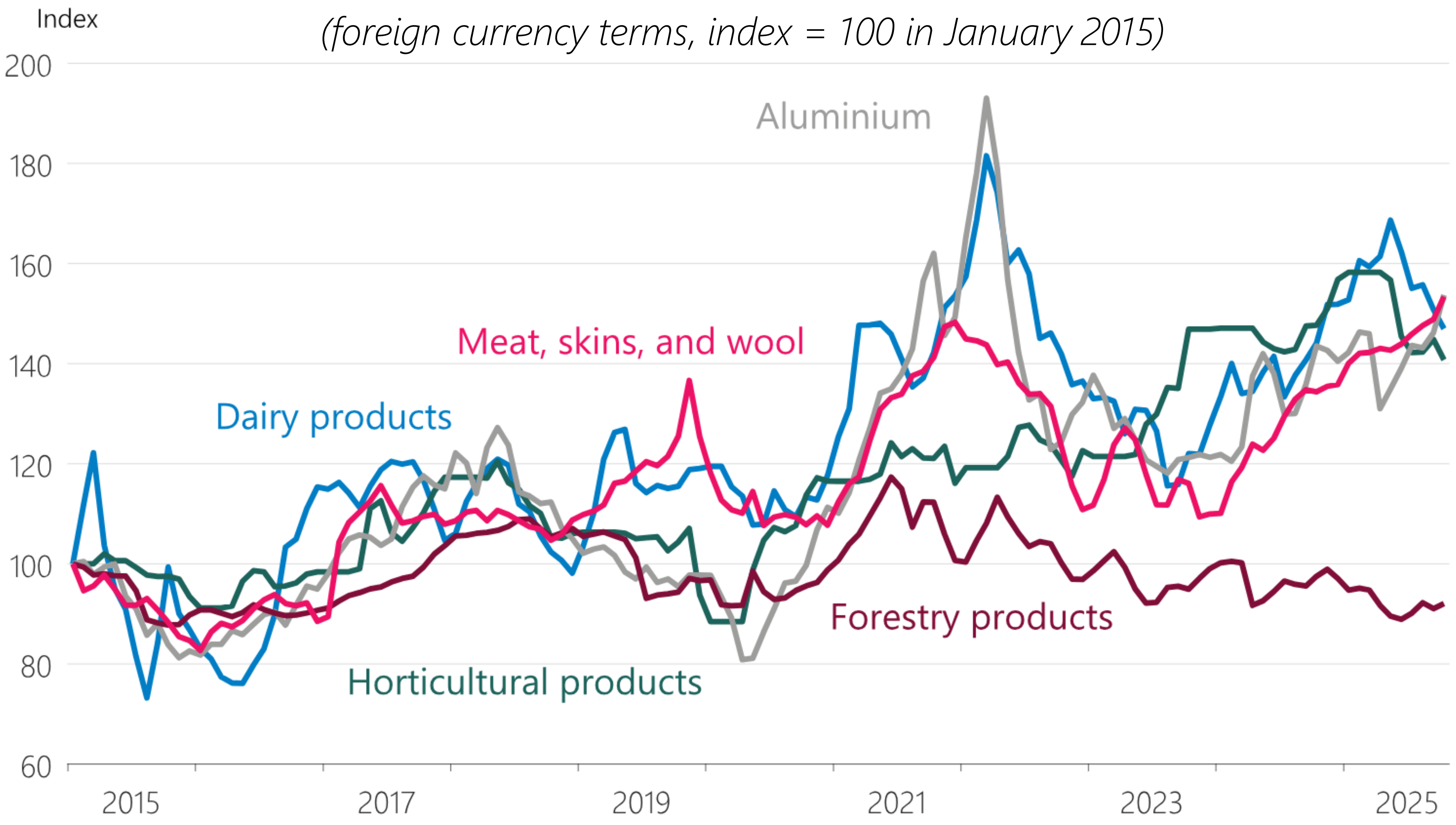


Source: Stats NZ, NZIER, MBIE, RBNZ estimates.

High export prices and a lower exchange rate have supported the rural economy

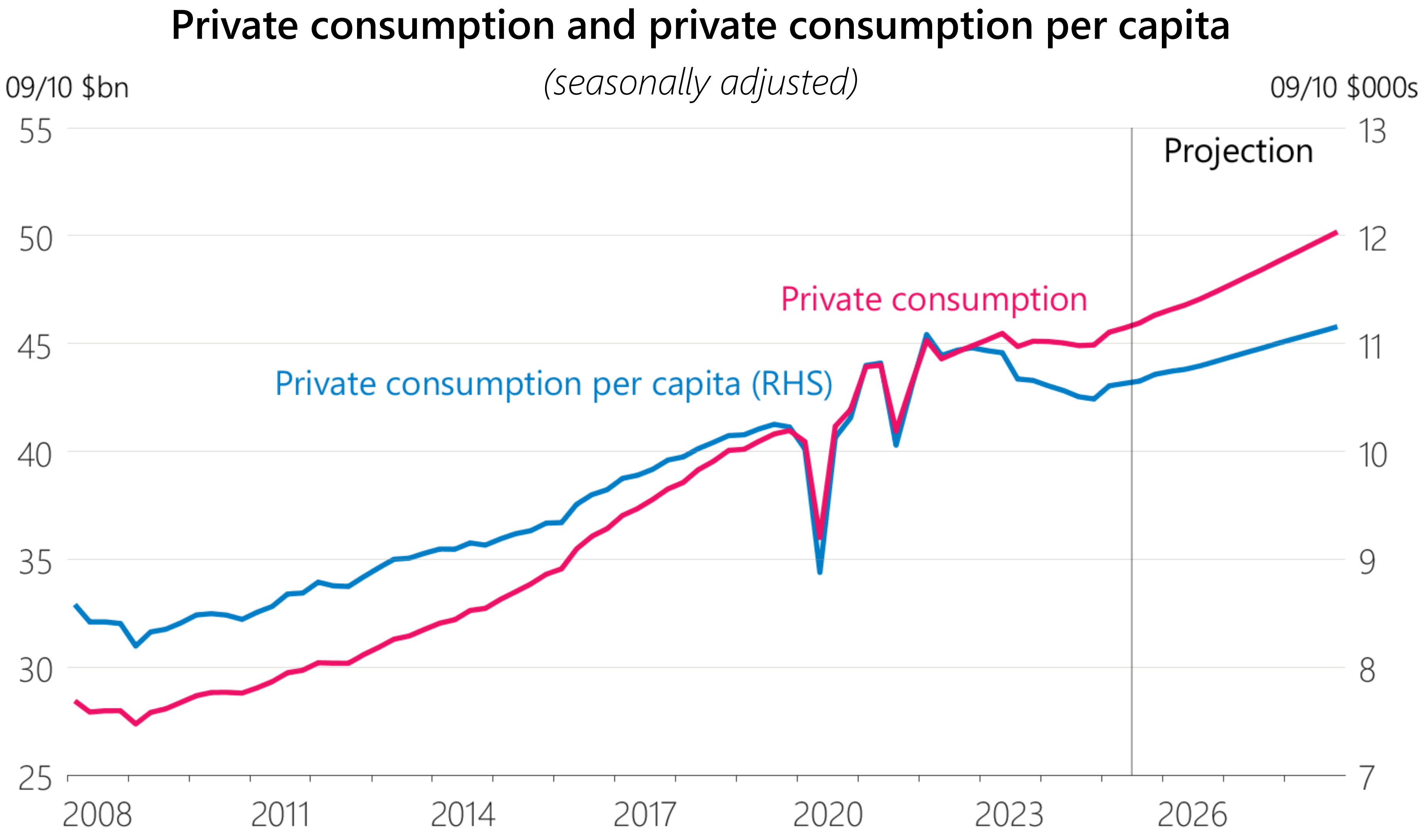
World commodity price index

(foreign currency terms, index = 100 in January 2015)



Source: ANZ.

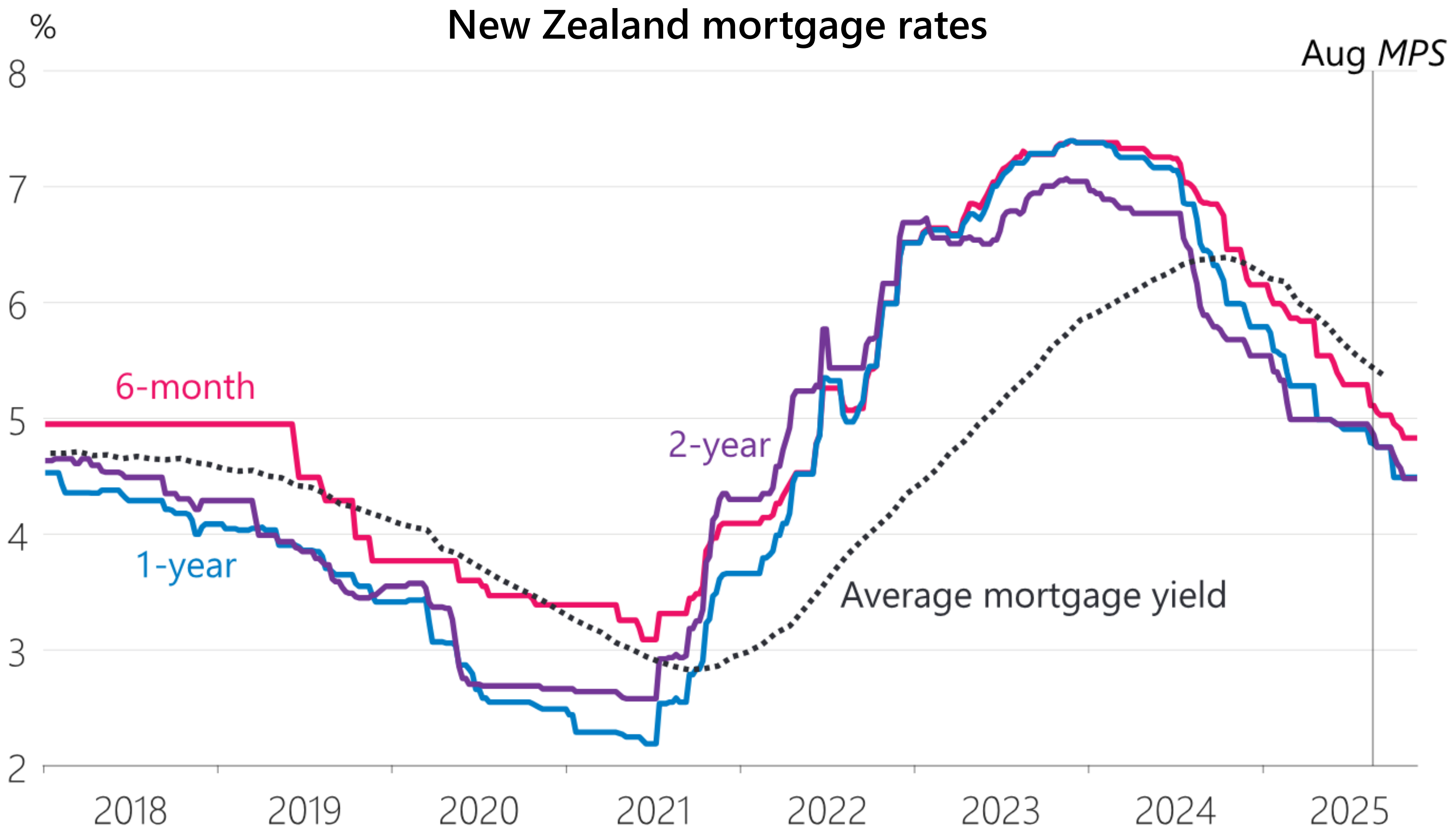
Household spending is growing at a subdued pace



Source: Stats NZ, RBNZ estimates.

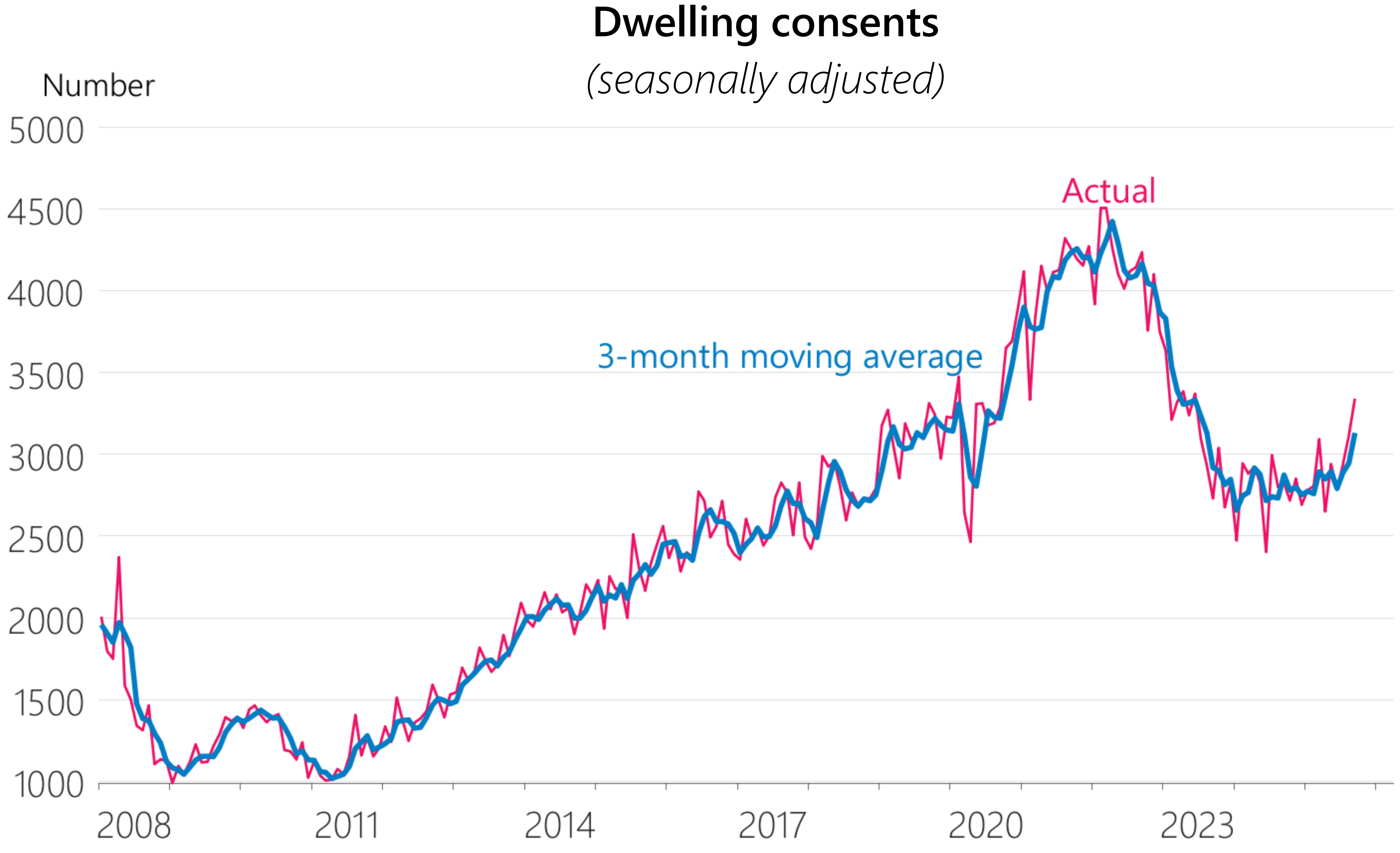
DECLINES IN INTEREST RATES SINCE LAST YEAR ARE SUPPORTING ECONOMIC ACTIVITY.

Mortgage rates have declined, improving borrowers' cashflow and encouraging spending



Source: interest.co.nz, RBNZ.

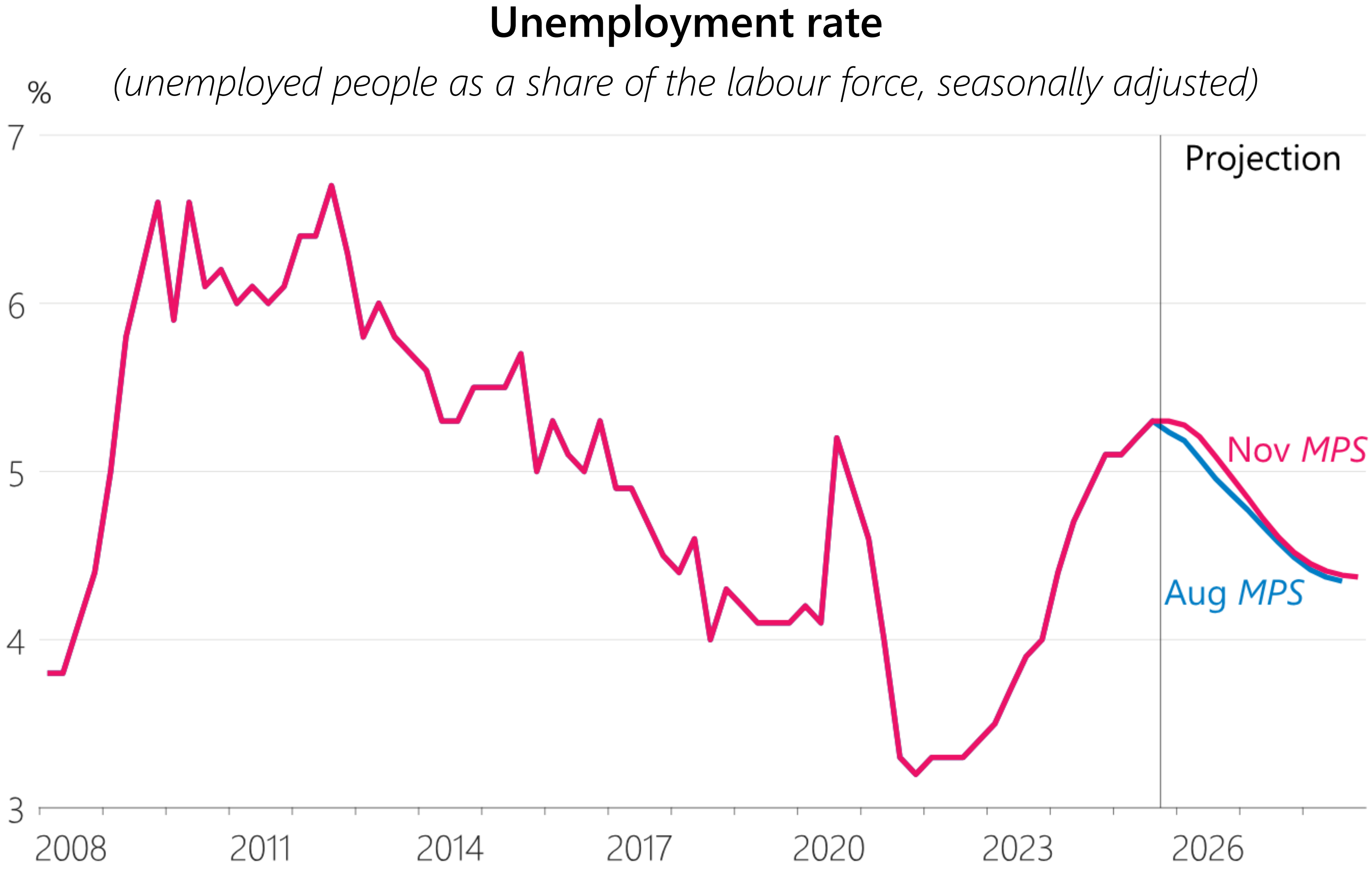
Residential investment is expected to recover from the start of next year



Source: Stats NZ, RBNZ estimates.

THE LABOUR MARKET REMAINS WEAK, BUT IS EXPECTED TO STRENGTHEN AS GROWTH RECOVERS.

The unemployment rate has increased, but is assumed to have peaked



Source: Stats NZ, RBNZ estimates.

The unemployment rate has increased, but is assumed to have peaked

Source: Stats NZ, RBNZ estimates.

Nominal wage growth has continued to ease due to a soft labour market

Source: Stats NZ, RBNZ estimates.

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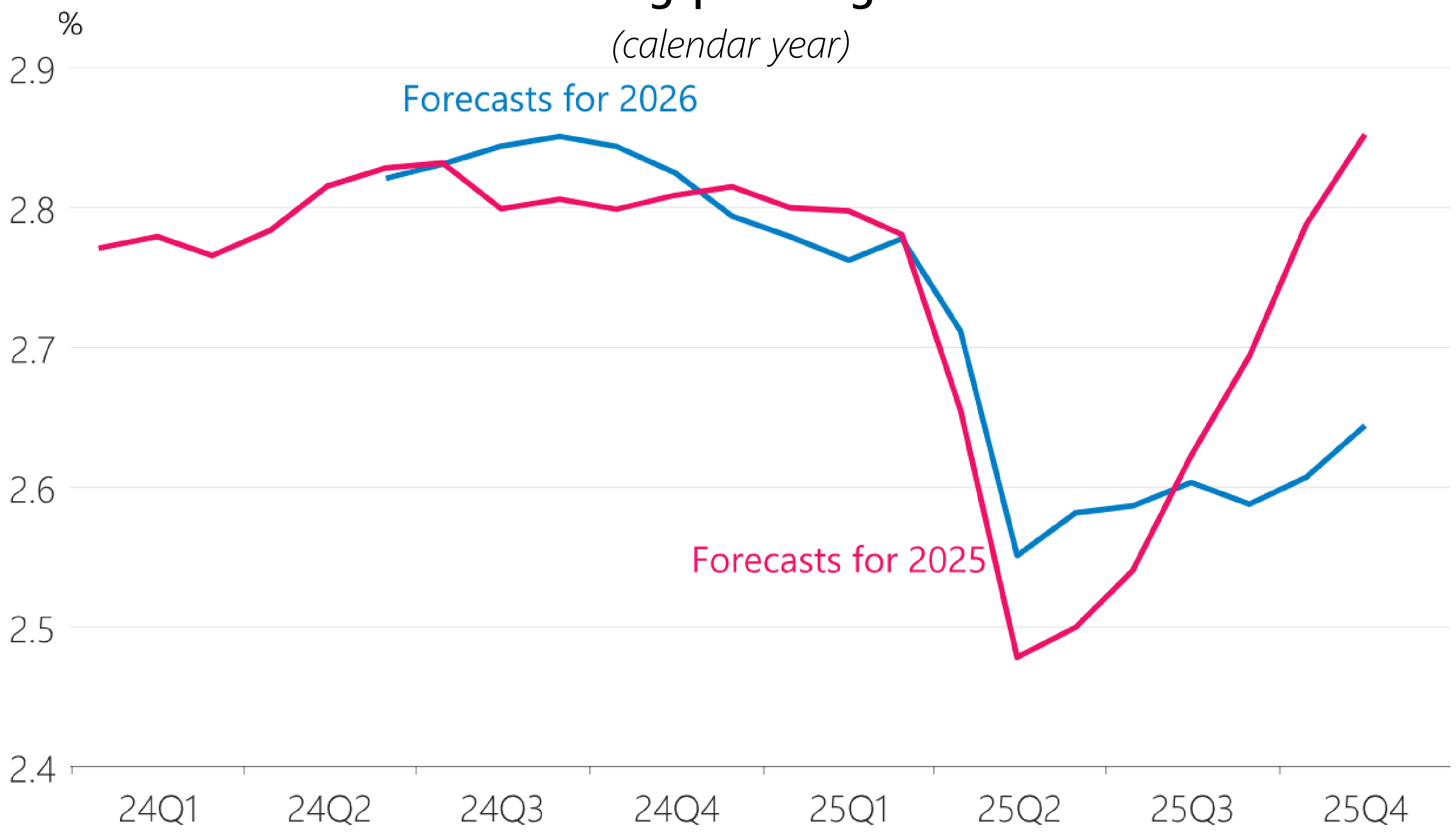
GLOBAL GROWTH HAS BEEN MORE RESILIENT THAN EXPECTED, SUPPORTED BY GROWTH IN AI-RELATED INVESTMENT.

Forecast growth in New Zealand's key trading partners has increased

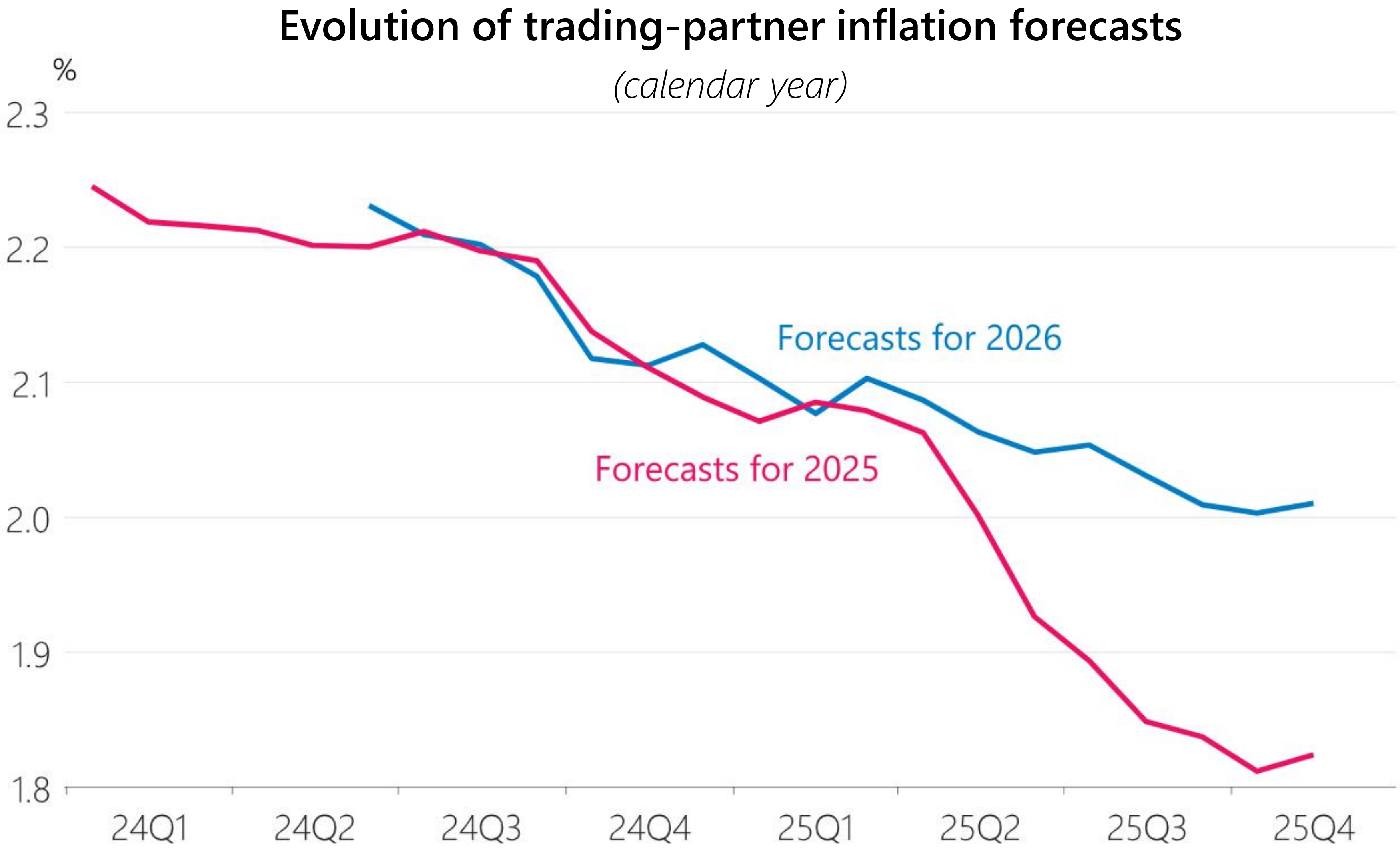
Evolution of trading-partner growth forecasts

(calendar year)



Source: Bloomberg, RBNZ estimates.

Trading partner inflation has declined. While inflation has increased in the US, but by less than expected



Source: Bloomberg, RBNZ estimates.

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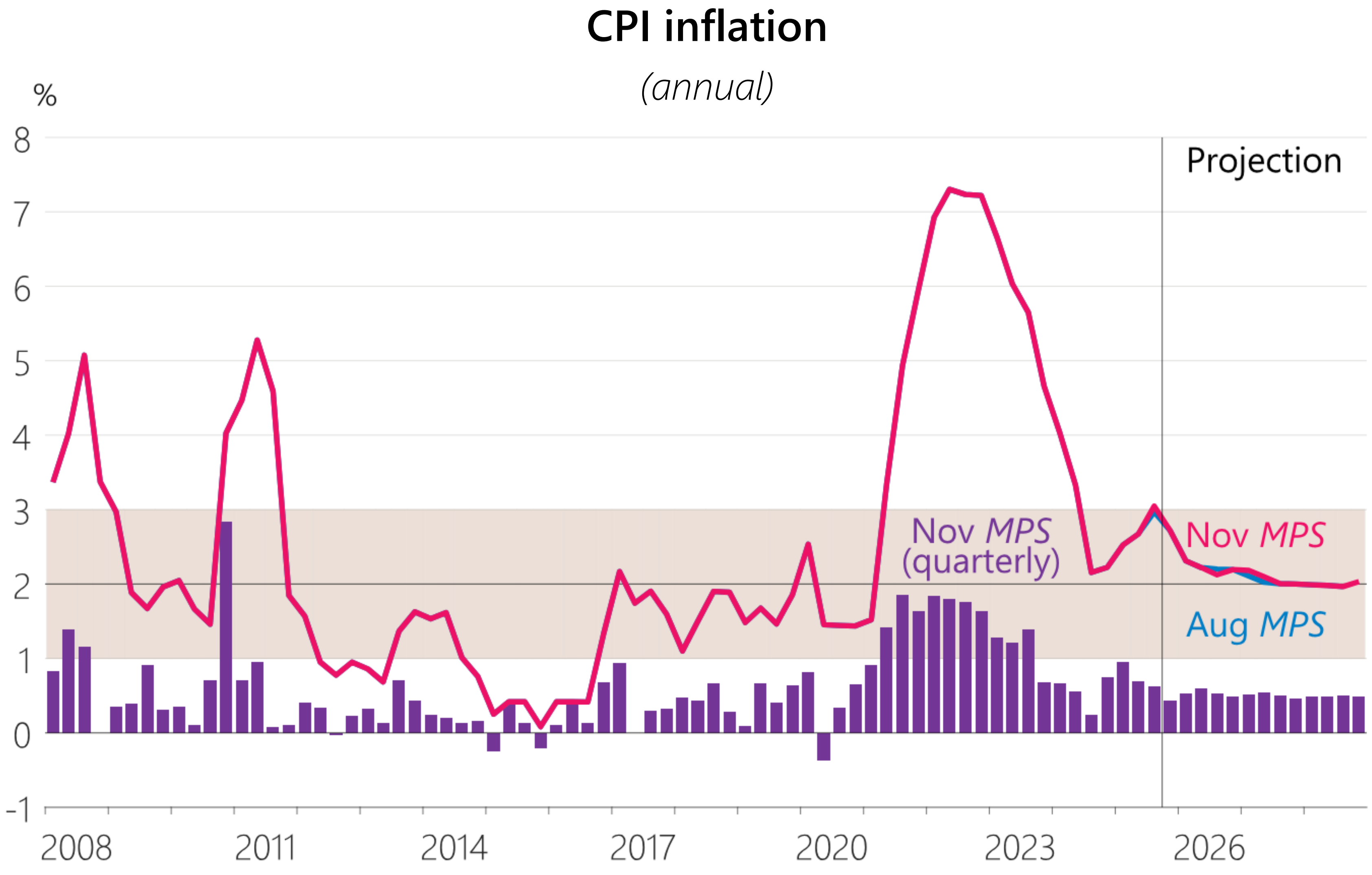
INFLATION HAS INCREASED, BUT WILL FALL TO NEAR THE 2% TARGET MID-POINT IN THE MIDDLE OF 2026.

CPI inflation increased to 3% in the September quarter as expected, but will soon decline

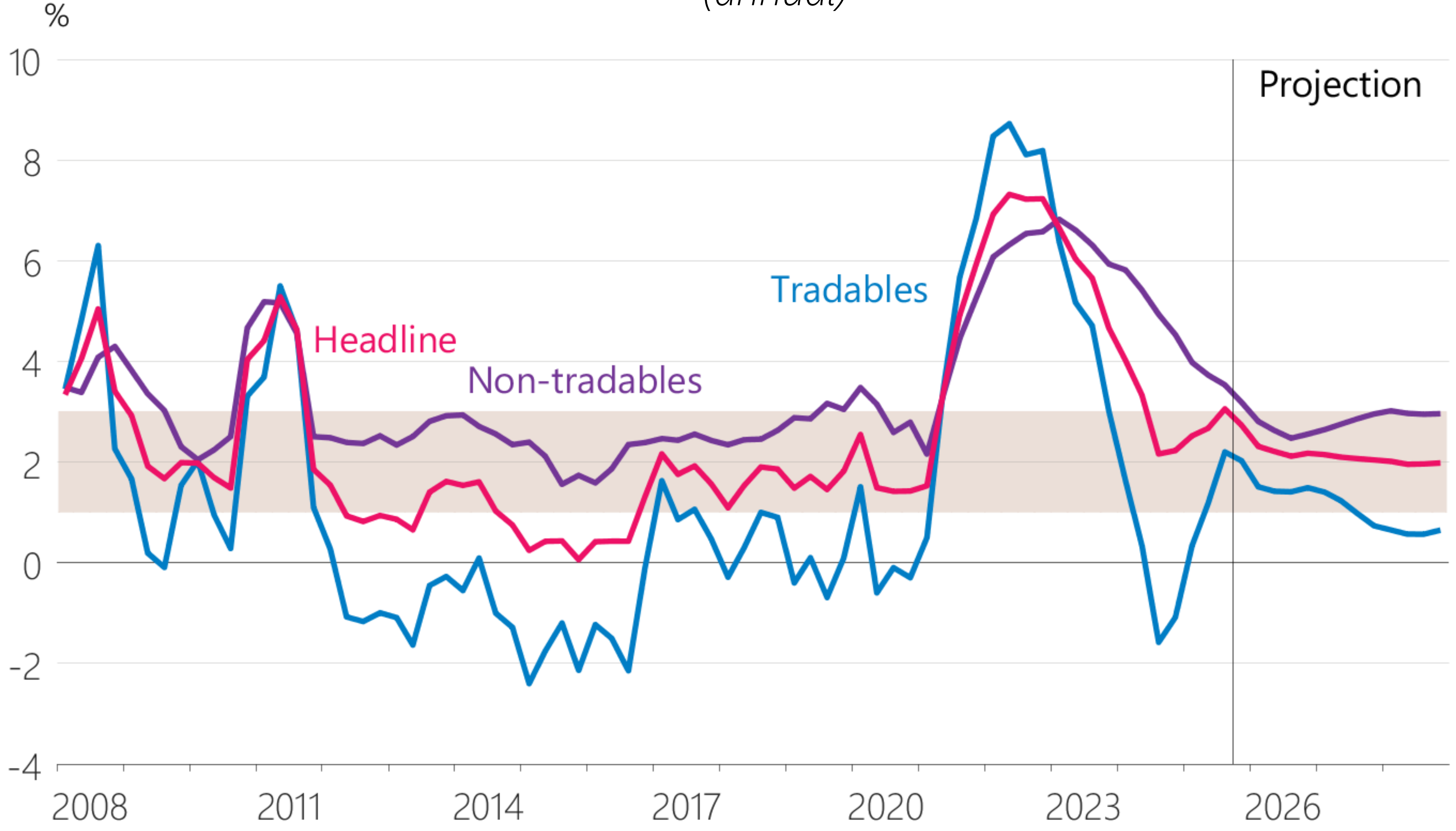


Source: Stats NZ, RBNZ estimates.

The increase in inflation was due to higher tradables inflation

Headline, tradables, and non-tradables inflation

(annual)

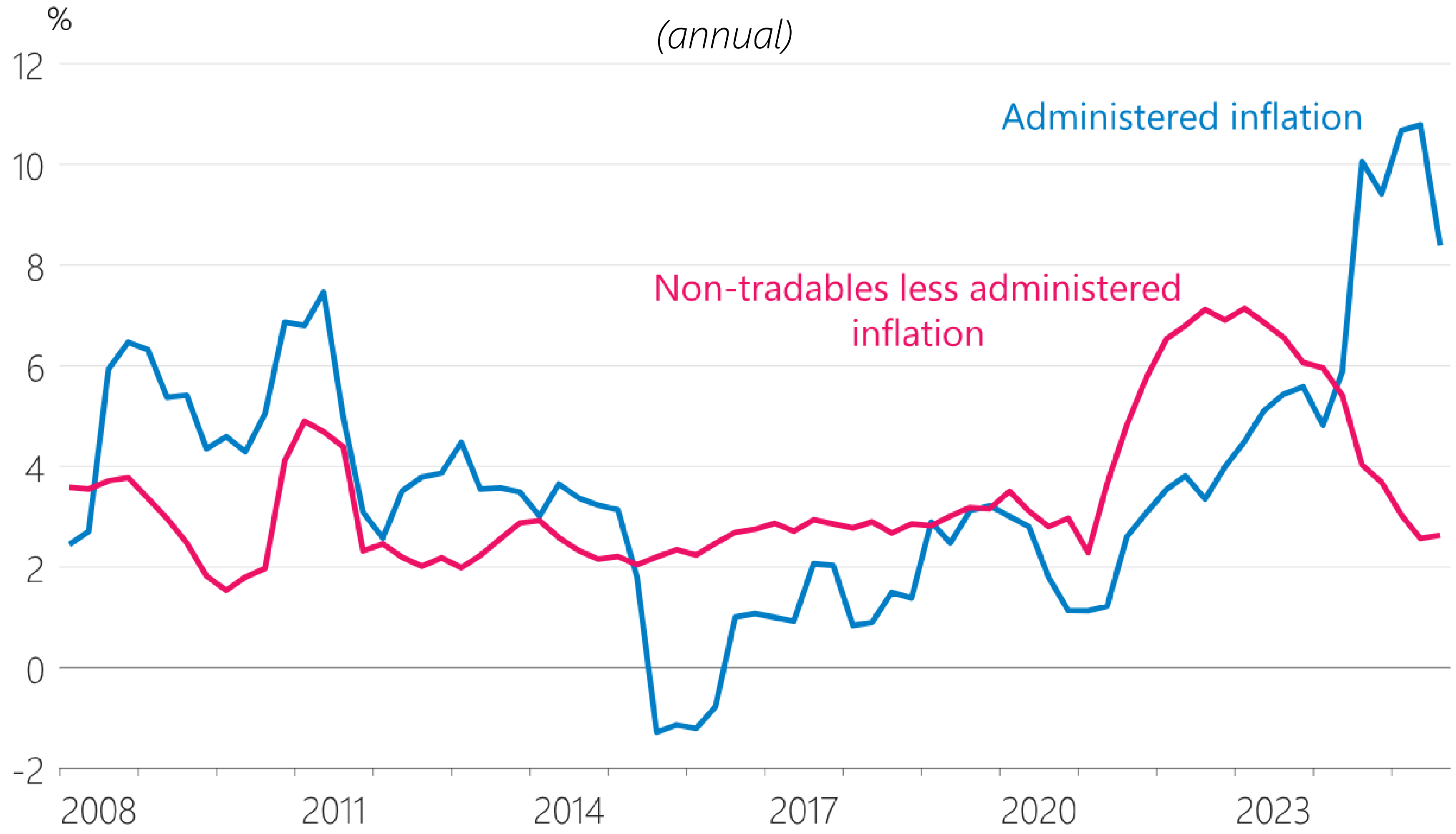


Source: Stats NZ, RBNZ estimates.

Administered price inflation continues to contribute significantly to non-tradables inflation

Composition of non-tradables inflation

(annual)

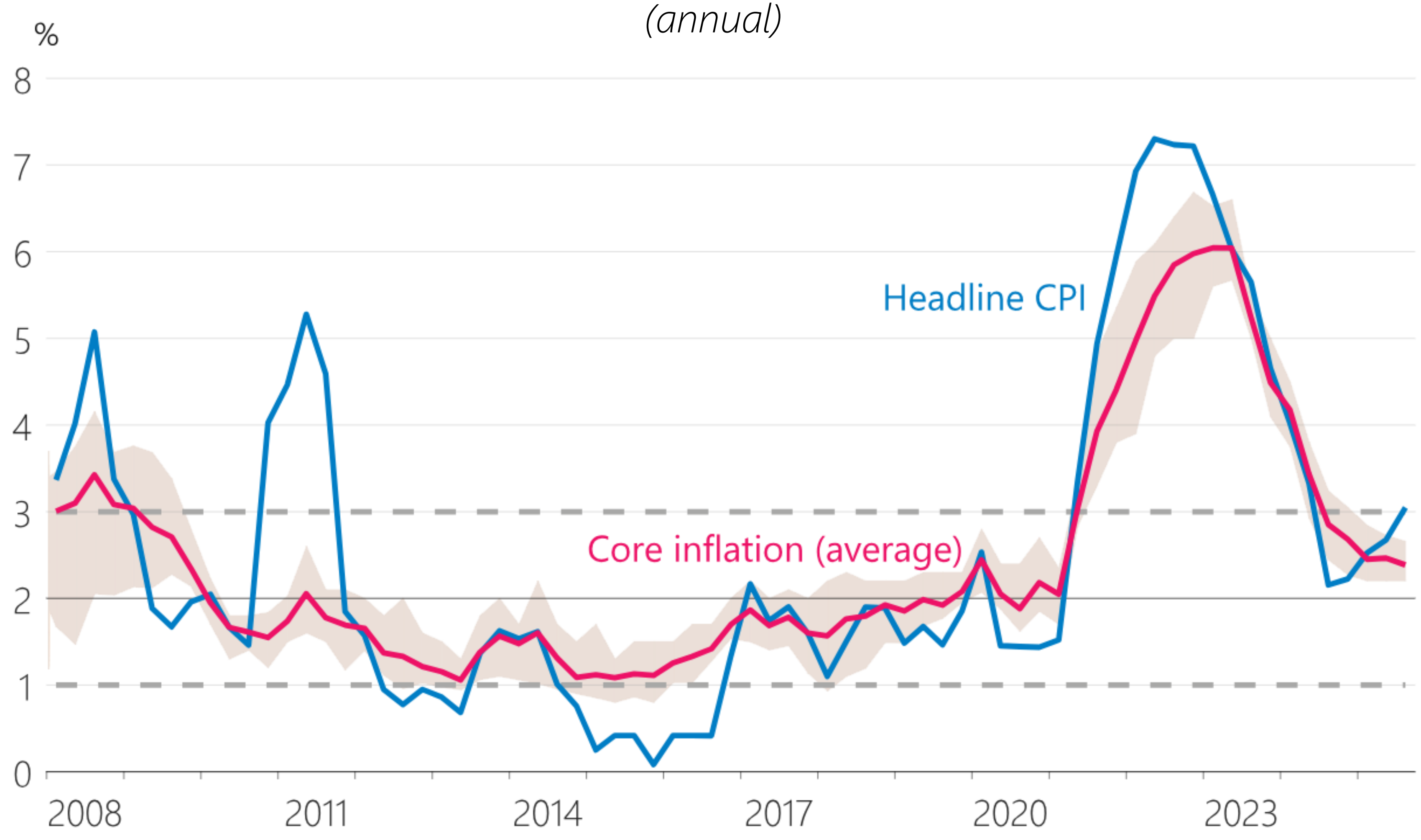


Source: Stats NZ.

Core inflation measures are approaching 2%

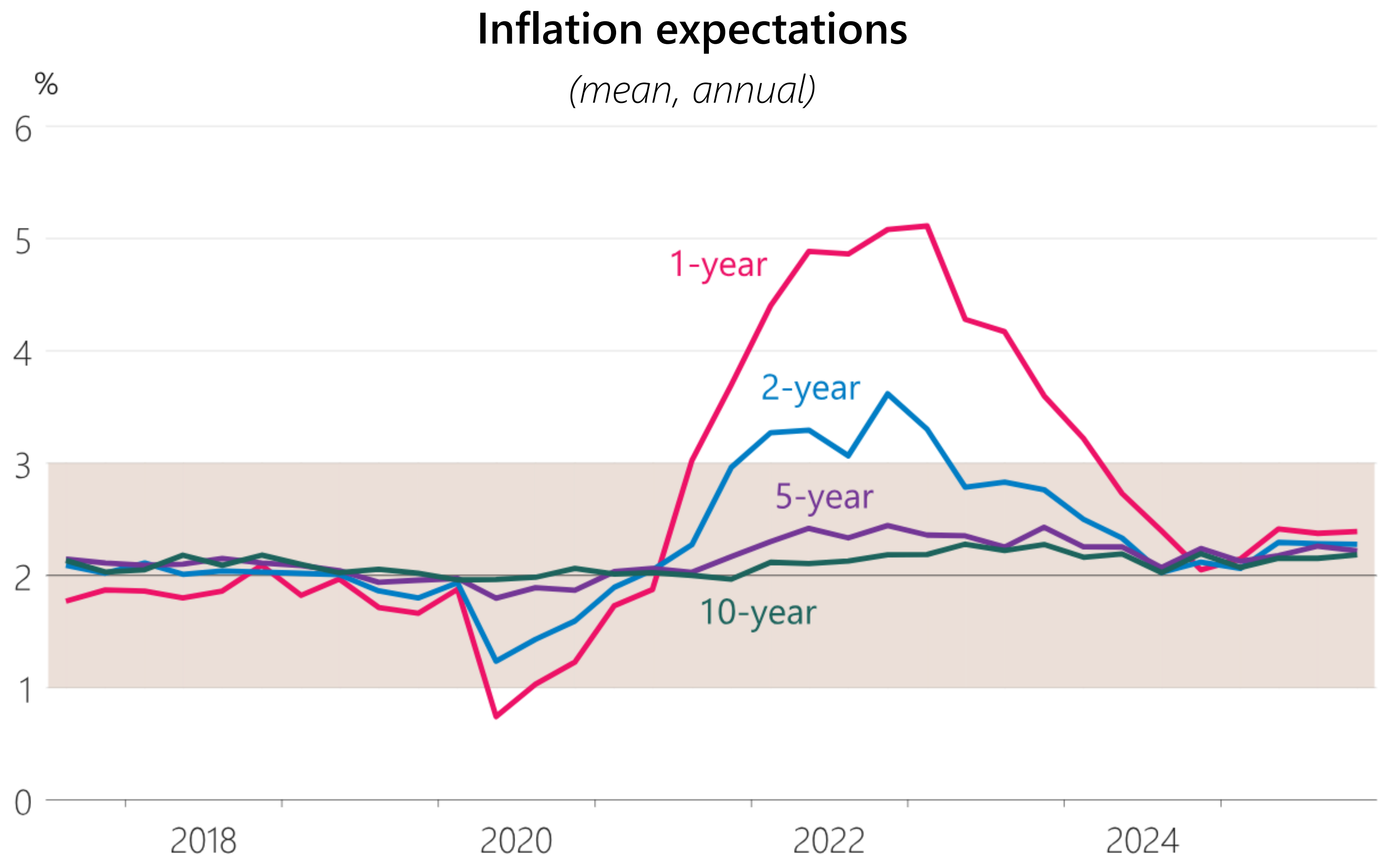
Headline and core inflation measures

(annual)



Source: Stats NZ, RBNZ estimates.

Inflation expectations have remained stable



Source: RBNZ.

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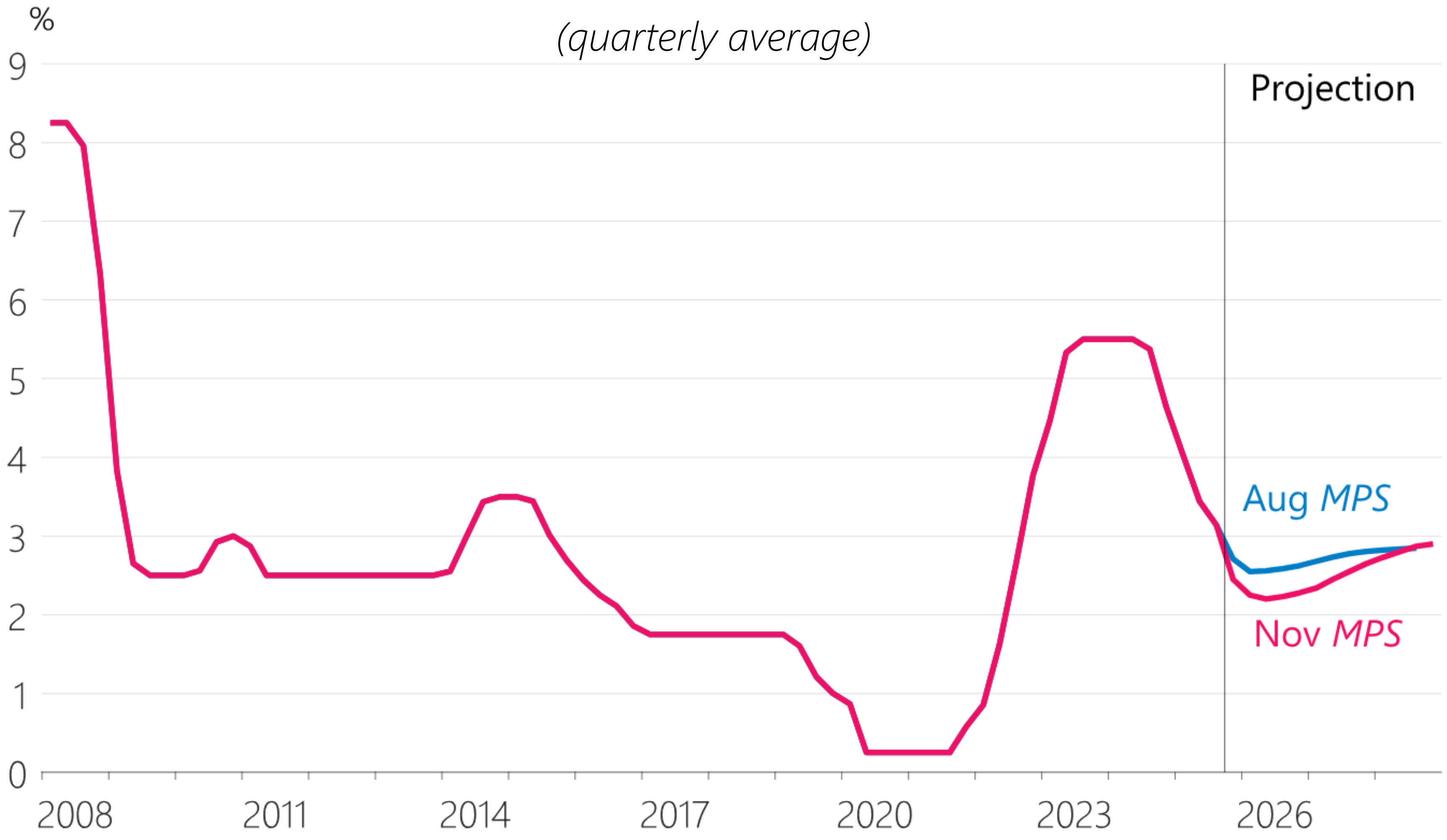
THE OCR WAS REDUCED TO 2.25%.

Future moves in the OCR will depend on how the outlook for medium-term inflation and the economy evolve.

Official Cash Rate

(quarterly average)



Source: RBNZ estimates.

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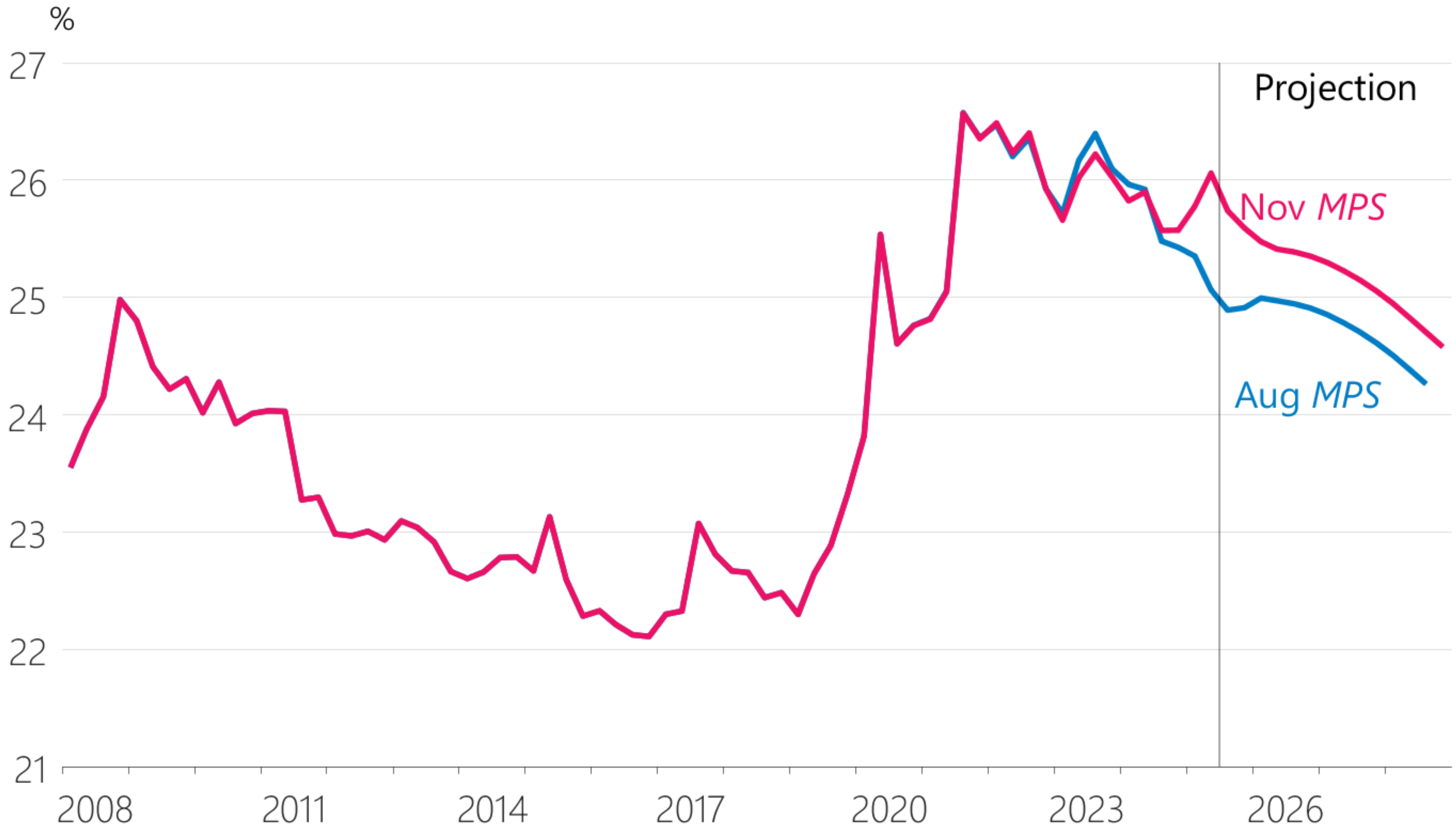
APPENDIX.

Government consumption and investment

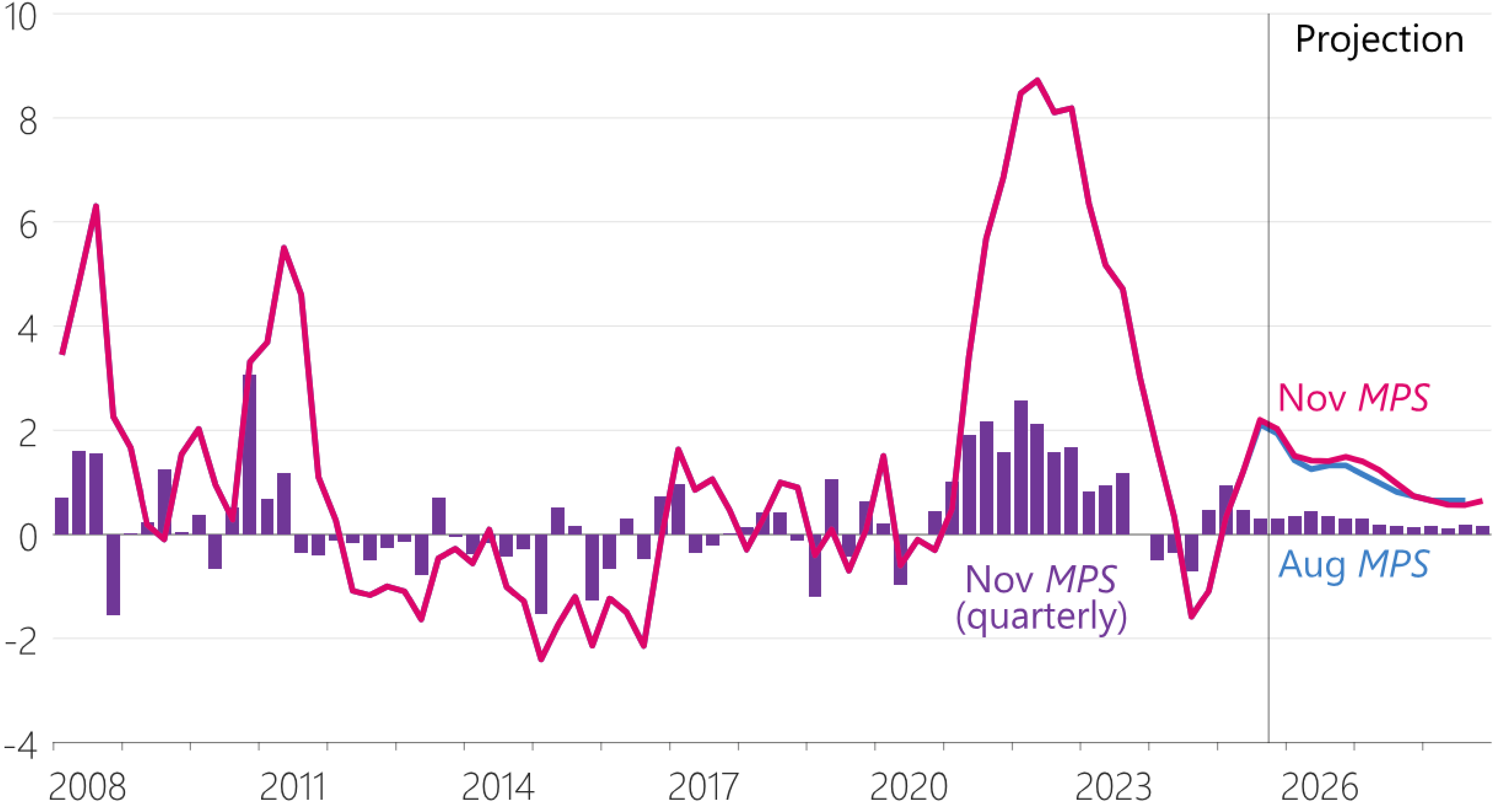
(seasonally adjusted, share of potential GDP)



Source: Stats NZ, RBNZ estimates.

Tradables inflation

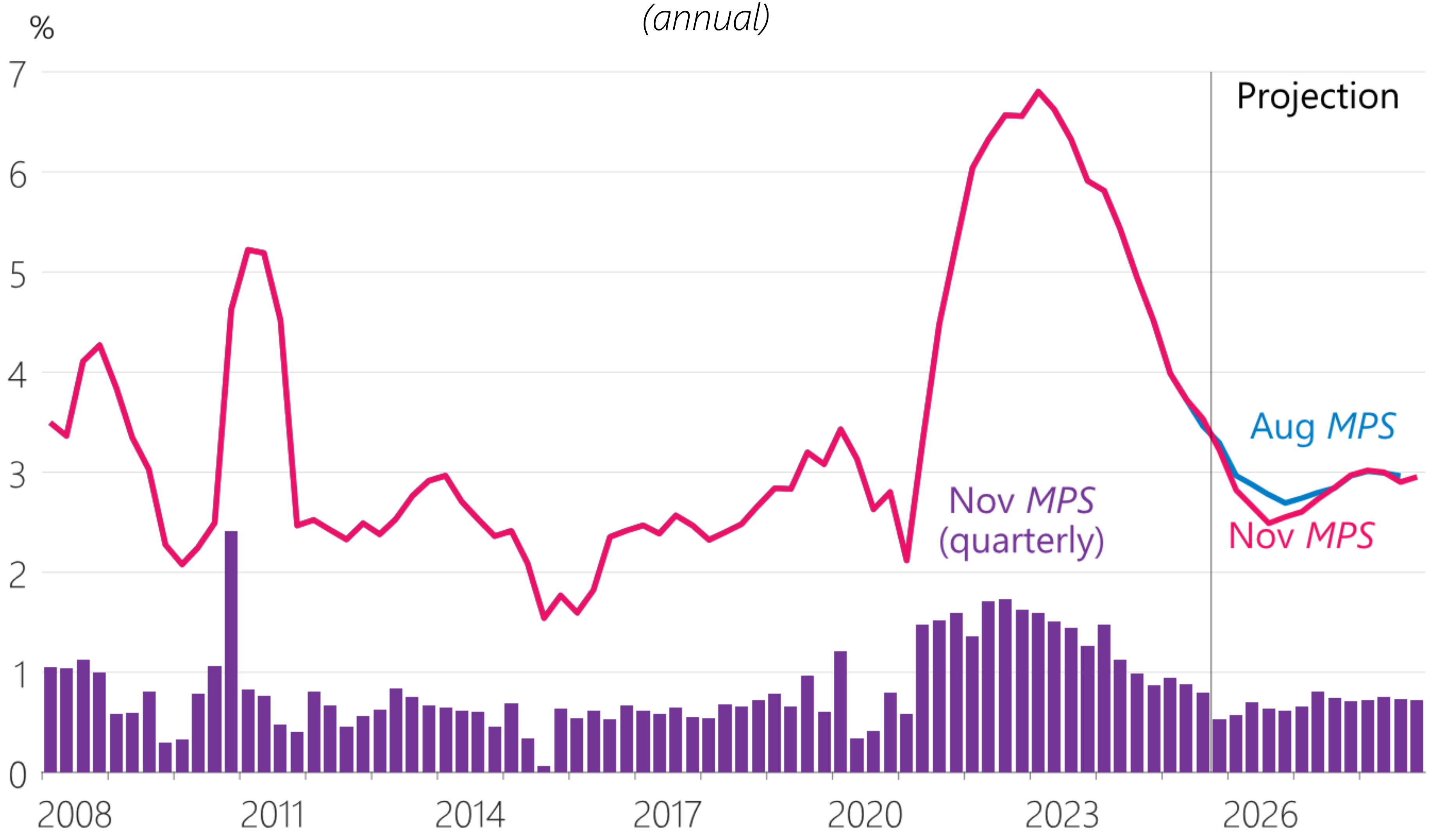
(annual)



Source: Stats NZ, RBNZ estimates.

Non-tradables inflation

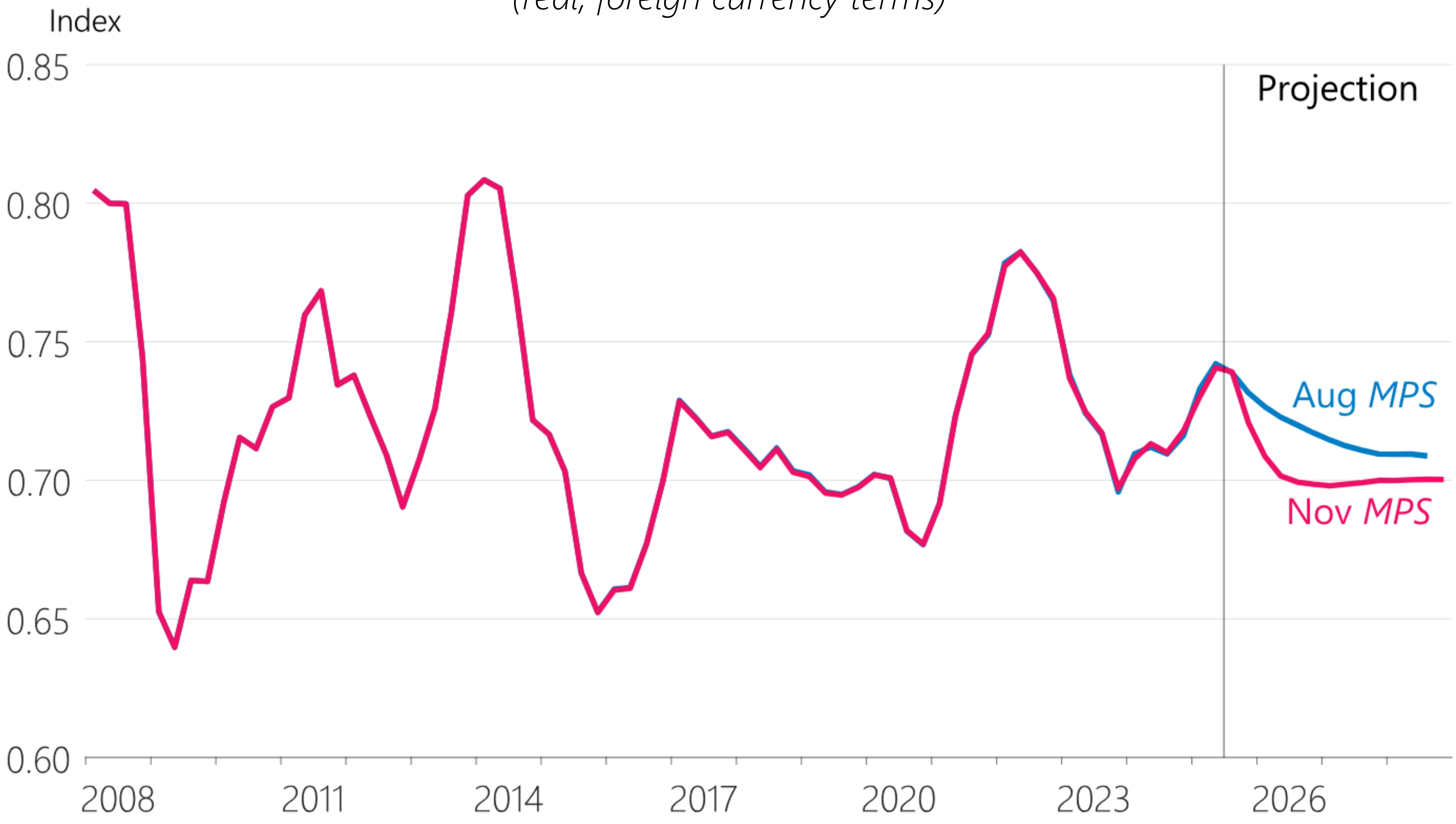
(annual)



Source: Stats NZ, RBNZ estimates.

New Zealand export prices

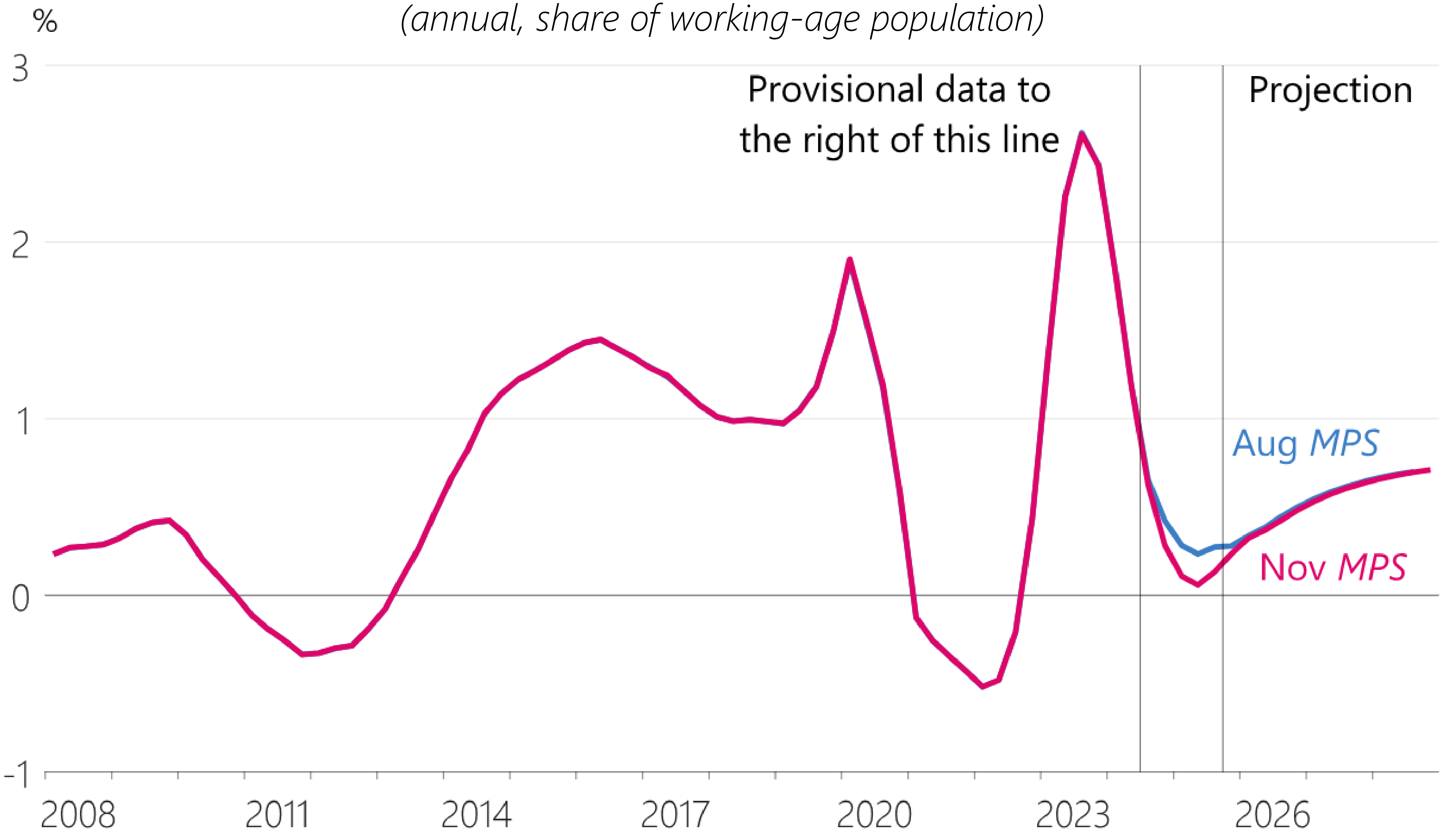
(real, foreign currency terms)



Source: Stats NZ, RBNZ estimates.

Net immigration

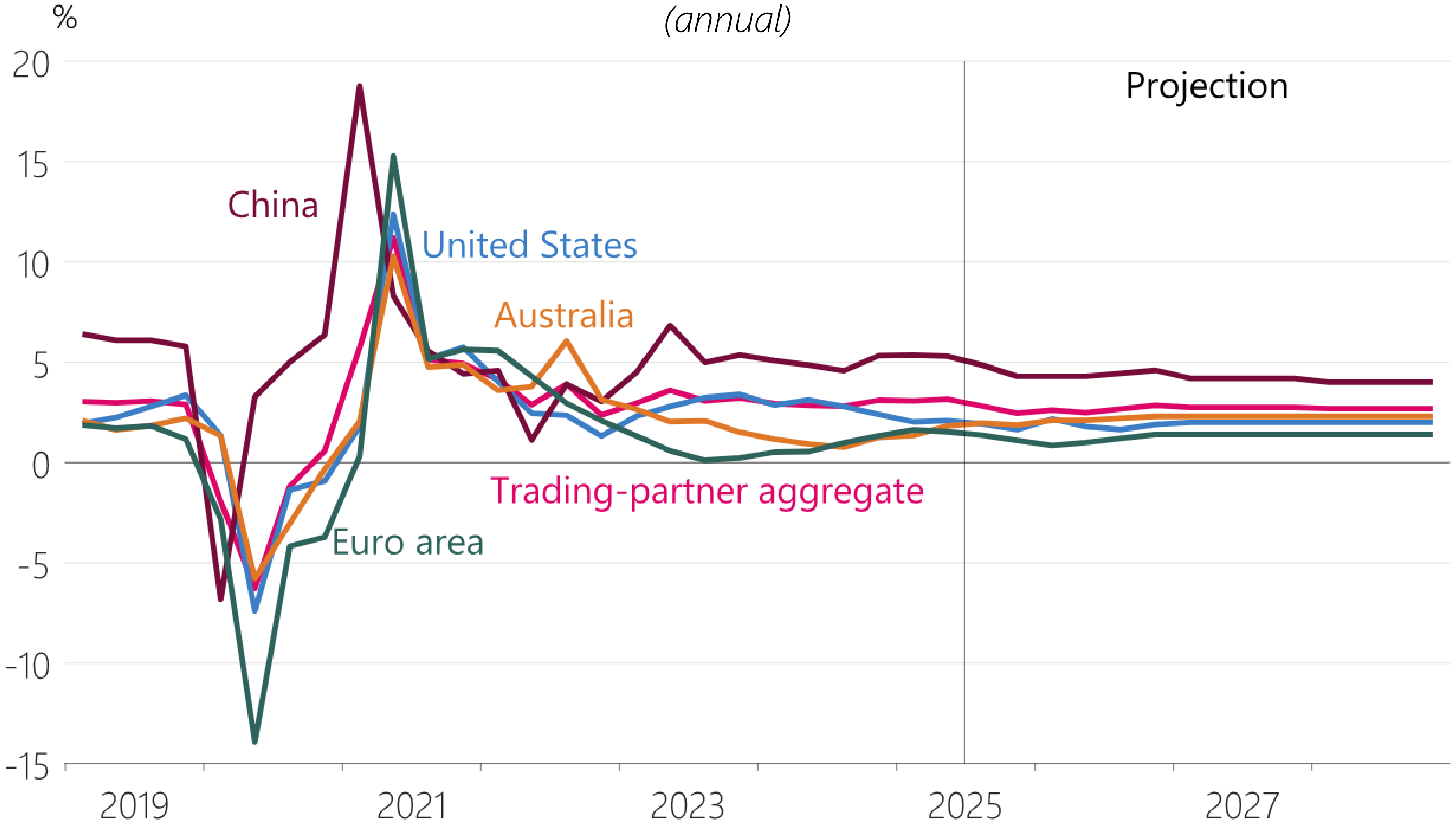
(annual, share of working-age population)



Source: Stats NZ, RBNZ estimates.

Trading-partner GDP growth

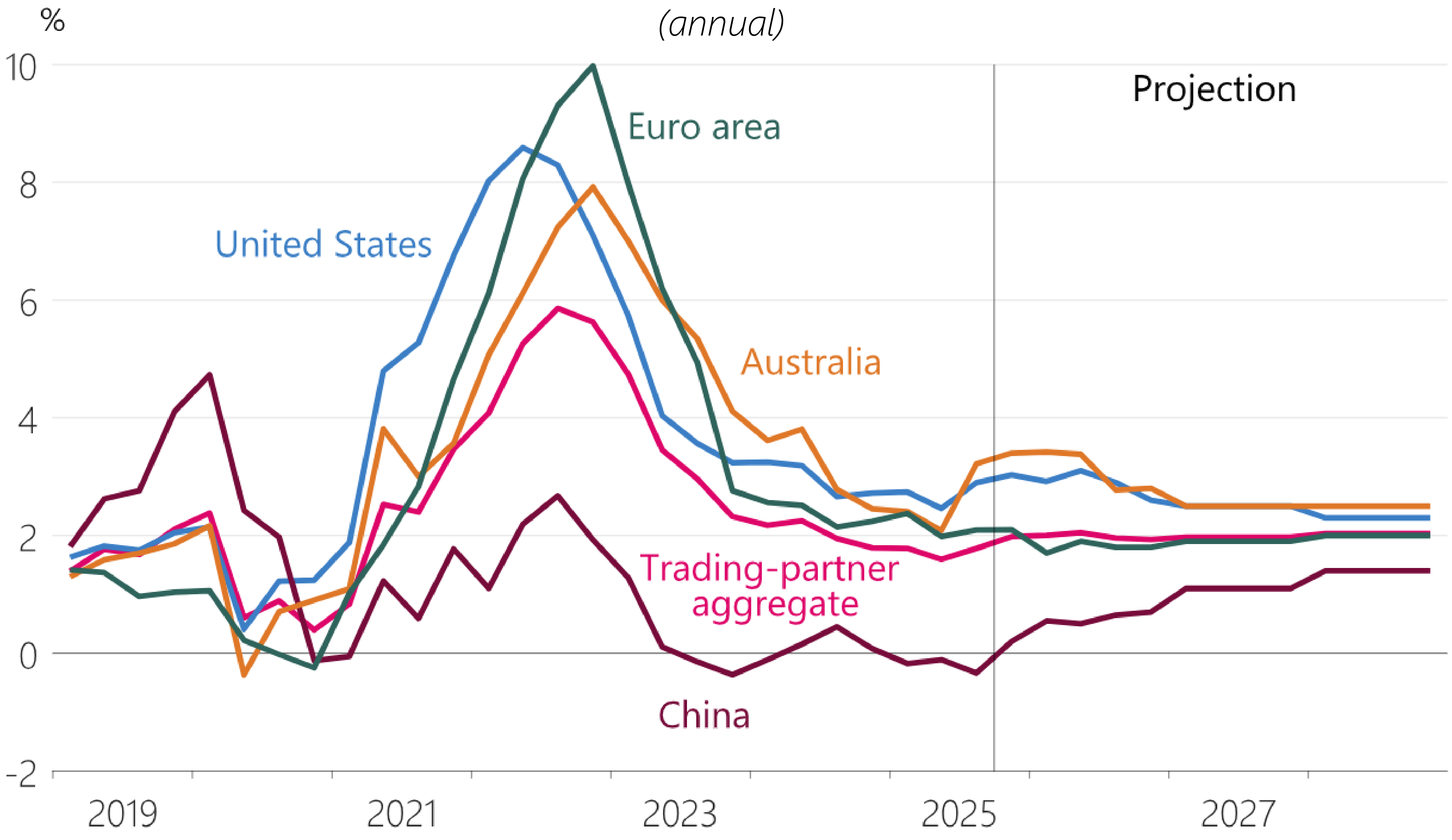
(annual)



Source: Haver Analytics, Bloomberg, Consensus Economics, RBNZ estimates.

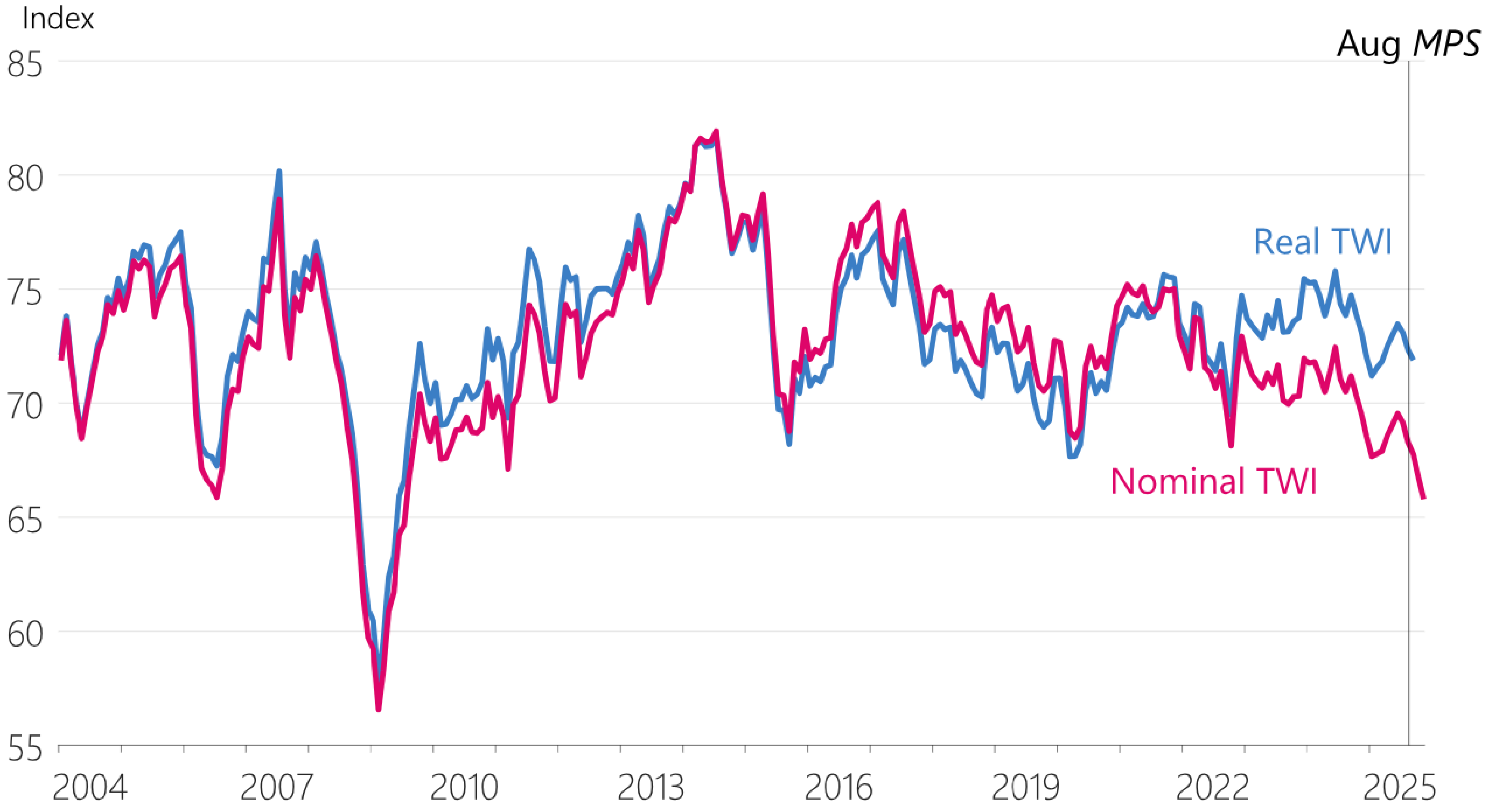
Trading-partner inflation

(annual)



Source: Haver Analytics, Bloomberg, Consensus Economics, RBNZ estimates.

New Zealand dollar trade-weighted index



Source: RBNZ.