



ECONOMIC BULLETIN

RBNZ July 2025 Monetary Policy Review.

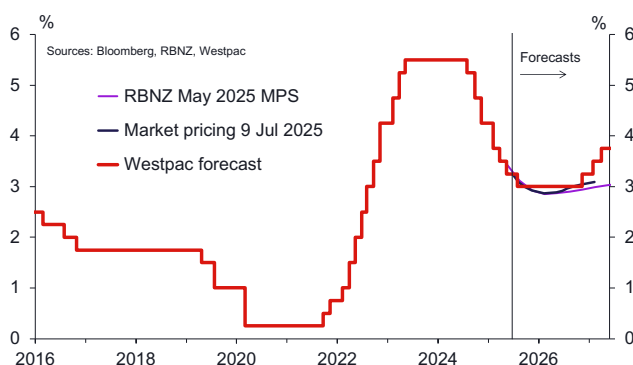


9 Jul 2025 | **Kelly Eckhold**, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

OCR left at 3.25%, as expected.

- As widely expected, the RBNZ left the OCR at 3.25%.
- No vote was required although there remains a split in views among MPC members.
- The Bank's commentary suggests a presumption that the OCR will be cut in August subject to data evolving as it expects.
- Data on core inflation pressures and inflation expectations are likely to be key in making or breaking the case for an August cut.
- Westpac continues to expect a final 25bp cut at the August MPS meeting.

Official Cash Rate forecasts



As had seemed likely given the RBNZ's commentary at the May Monetary Policy Statement (MPS), and as close to fully priced by markets, the RBNZ today announced that it had decided to leave the OCR at 3.25%. The decision was reached by consensus with no vote taken.

More importantly, regarding the outlook for policy at future meetings, we think that the RBNZ's commentary indicates a reasonably strong presumption that the OCR will be cut at the August meeting.

The general view of the Monetary Policy Committee (MPC) is that the economic and inflation outlook remains broadly like that presented in the May MPS. Near-term inflation pressures seem a touch stronger than seen in May, but the RBNZ's medium-term view remains one where mid-target inflation remains the most likely prospect by early 2026.

Risks remain but don't seem much difference in magnitude or balance compared to the RBNZ's thoughts back in May. Hence there remains a sense that one to two more 25bp cuts is still high in the minds of the MPC. Perhaps the hawks would see the risks as being in the zero to one cut range where the doves might see at least one, perhaps two 25bp cuts to occur by early next year.

Westpac expects a 25bp rate cut on 20 August, but not guaranteed.

Looking ahead, data that might be most likely to derail the August easing would be signs of continued strong core inflation as well as rising inflation expectations indicators (first half of August). It's also possible that the recent weakness seen in high frequency activity indicators doesn't persist in the July and August reads that will be available before the 20 August meeting. Finally, the MPC remains concerned about the potential for global risks to spill over to New Zealand. Should evidence continue to

accumulate that these risks are reducing (the MPC seems not to recognise any reduction in global risks right now) then that might point in the direction of holding the OCR unchanged in August.

On balance though, the 25bp cut in August looks like the best bet for now (perhaps a 70% probability). Hence, we are not changing our forecast for one final cut at the August MPS to 3%.

Notable quotes from the RBNZ.

Of note, in the press statement and record of meeting the RBNZ stated the following:

“The Committee discussed the options of cutting the OCR by 25 basis points to 3 percent or keeping the OCR on hold at 3.25 percent at this meeting.”

“The case for lowering the OCR at this meeting highlighted weak near-term growth momentum and the risk of prolonged weakness in economic activity from excess caution by households and businesses in the face of economic uncertainty.”

“The case for keeping the OCR on hold at this meeting highlighted the elevated level of uncertainty, and the benefits of waiting until August in light of near-term inflation risks.”

“The economic outlook remains highly uncertain. Further data on the speed of New Zealand’s economic recovery, the persistence of inflation, and the impacts of tariffs will influence the future path of the Official Cash Rate”.

“Subject to medium-term inflation pressures continuing to ease in line with the Committee’s central projections, the Committee expects to lower the Official Cash Rate further, broadly consistent with the projection outlined in May.”

“While inflation is expected to approach the top of the target band in Q2 and Q3 of 2025, spare productive capacity and declining core inflation are consistent with headline inflation returning to the midpoint over the medium term. The Committee noted that the outlook for medium-term inflation pressures in New Zealand has evolved broadly in line with the May MPS projections.”

“The Committee noted that there were upside and downside risks to the medium-term outlook for inflation. With higher inflation expected in the near term, some members underlined a risk that this could lead to more persistently elevated price- and wage-setting behaviour....However, other members emphasised the large negative output gap, moderate wage inflation and job insecurity, and continued weakness in house prices.”

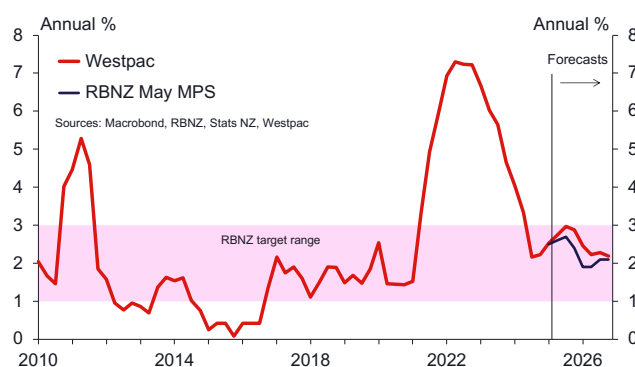
There was little reaction in either interest rate markets or the NZ dollar, suggesting that the RBNZ’s commentary largely met expectations.

Key things to watch ahead.

Looking ahead to the 20 August MPS, the key domestic economic indicators to watch are:

- The **Q2 CPI** (released 21 July) and **July Selected Prices** (15 August). We currently expect the CPI to rise 0.6%q/q in Q2, compared to the RBNZ’s May forecast of 0.5%q/q.
- The **Q2 labour market surveys** (released 6 August). We currently expect that the unemployment rate will rise 0.2ppts to 5.3%, compared to the RBNZ’s May forecast of 5.2%, with filled jobs data suggesting that employment will likely disappoint the RBNZ’s forecast of 0.2%q/q.
- The **Q3 RBNZ Survey of Expectations** (released 7 August) and **Q3 RBNZ Survey of Business Expectations** (released 18 August), with a particular emphasis on the inflation expectations measures in these surveys following a lift in Q2.

Consumer price inflation



In addition to these major quarterly releases, we expect the RBNZ will pay close attention to the developments in the BusinessNZ PMIs, consumer spending, housing market and migration (reports for June released in mid-July and for July in mid-August). The various activity and inflation indicators contained in the ANZ business and consumer confidence surveys (released late July) will also be of interest.

Aside from domestic economic data, developments in US tariff policy and any clarity regarding how this is impacting the outlook for trading partner growth and inflation will also have an impact on the RBNZ’s deliberations at the August meeting. Movements in prices for New Zealand’s key commodity exports will be important in gauging the extent to which less favourable international conditions are beginning to impact the economy.

CONTACT

Westpac Economics Team | westpac.co.nz/economics | economics@westpac.co.nz

Kelly Eckhold, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

Satish Ranchhod, Senior Economist | +64 9 336 5668 | +64 21 710 852 | satish.ranchhod@westpac.co.nz

Darren Gibbs, Senior Economist | +64 9 367 3368 | +64 21 794 292 | darren.gibbs@westpac.co.nz

Michael Gordon, Senior Economist | +64 9 336 5670 | +64 21 749 506 | michael.gordon@westpac.co.nz

Paul Clark, Industry Economist | +64 9 336 5656 | +64 21 713 704 | paul.clark@westpac.co.nz

Past performance is not a reliable indicator of future performance. The forecasts given in this document are predictive in character. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

DISCLAIMER

Things you should know.

Westpac Institutional Bank is a division of Westpac Banking Corporation ABN 33 007 457 141 ("Westpac").

Disclaimer.

This material contains general commentary, and market colour. The material does not constitute investment advice. Certain types of transactions, including those involving futures, options and high yield securities give rise to substantial risk and are not suitable for all investors. We recommend that you seek your own independent legal or financial advice before proceeding with any investment decision. This information has been prepared without taking account of your objectives, financial situation or needs. This material may contain material provided by third parties. While such material is published with the necessary permission none of Westpac or its related entities accepts any responsibility for the accuracy or completeness of any such material. Although we have made every effort to ensure the information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of the information, or otherwise endorses it in any way. Except where contrary to law, Westpac and its related entities intend by this notice to exclude liability for the information. The information is subject to change without notice and none of Westpac or its related entities is under any obligation to update the information or correct any inaccuracy which may become apparent at a later date. The information contained in this material does not constitute an offer, a solicitation of an offer, or an inducement to subscribe for, purchase or sell any financial instrument or to enter a legally binding contract. Past performance is not a reliable indicator of future performance. Whilst every effort has been taken to ensure that the assumptions on which the forecasts are based are reasonable, the forecasts may be affected by incorrect assumptions or by known or unknown risks and uncertainties. The ultimate outcomes may differ substantially from these forecasts.

Country disclosures.

Australia: Westpac holds an Australian Financial Services Licence (No. 233714). This material is provided to you solely for your own use and in your capacity as a wholesale client of Westpac.

New Zealand: In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac or Westpac New Zealand Limited ("WNZL"). Any product or service made available by WNZL does not represent an offer from Westpac or any of its subsidiaries (other than WNZL). Neither Westpac nor its other subsidiaries guarantee or otherwise support the performance of WNZL in respect of any such product. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at the internet address www.westpac.co.nz.

China, Hong Kong, Singapore and India: This material has been prepared and issued for distribution in Singapore to institutional investors, accredited investors and expert investors (as defined in the applicable Singapore laws and regulations) only. Recipients in Singapore of this material should contact Westpac Singapore Branch in respect of any matters arising from, or in connection with, this material. Westpac Singapore Branch holds a wholesale banking licence and is subject to supervision by the Monetary Authority of Singapore. Westpac Hong Kong Branch holds a banking licence and is subject to supervision by the Hong Kong Monetary Authority. Westpac Hong Kong branch also holds a license issued by the Hong Kong Securities and Futures Commission (SFC) for Type 1 and Type 4 regulated activities. This material is intended only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. Westpac Shanghai and Beijing Branches hold banking licenses and are subject to supervision by the China Banking and Insurance Regulatory Commission (CBIRC). Westpac Mumbai Branch holds a banking license from Reserve Bank of India (RBI) and subject to regulation and supervision by the RBI.

UK: The contents of this communication, which have been prepared by and are the sole responsibility of Westpac Banking Corporation London and Westpac Europe Limited. Westpac (a) has its principal place of business in the United Kingdom at Camomile Court, 23 Camomile Street, London EC3A 7LL, and is registered at Cardiff in the UK (as Branch No. BR00106), and (b) authorised and regulated by the Australian Prudential Regulation Authority in Australia. Westpac is authorised in the United Kingdom by the Prudential Regulation Authority. Westpac is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. Details about the extent of our regulation by the Prudential Regulation Authority are available from us on request. Westpac Europe Limited is a company registered in England (number 05660023) and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

This communication is being made only to and is directed at (a) persons who have professional experience in matters relating to investments who fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (b) high net worth entities, and other persons to whom it may otherwise lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this communication or any of its contents. The investments to which this communication relates are only available to and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such investments will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely upon this communication or any of its contents. In the same way, the information contained in this communication is intended for "eligible counterparties" and "professional clients" as defined by the rules of the Financial Conduct Authority and is not intended for "retail clients". With this in mind, Westpac expressly prohibits you from passing on the information in this communication to any third party. In particular this communication and, in each case, any copies thereof may not be taken, transmitted or distributed, directly or indirectly into any restricted jurisdiction. This communication is made in compliance with the Market Abuse Regulation (Regulation(EU) 596/2014).

Investment recommendations disclosure.

The material may contain investment recommendations, including information recommending an investment strategy. Reasonable steps have been taken to ensure that the material is presented in a clear, accurate and objective manner. Investment Recommendations for Financial Instruments covered by MAR are made in compliance with Article 20 MAR. Westpac does not apply MAR Investment Recommendation requirements to Spot Foreign Exchange which is out of scope for MAR.

Unless otherwise indicated, there are no planned updates to this Investment Recommendation at the time of publication. Westpac has no obligation to update, modify or amend this Investment Recommendation or to notify the recipients of this Investment Recommendation should any information, including opinion, forecast or estimate set out in this Investment Recommendation change or subsequently become inaccurate.

Westpac will from time to time dispose of and acquire financial instruments of companies covered in this Investment Recommendation as principal and act as a market maker or liquidity provider in such financial instruments.

Westpac does not have any proprietary positions in equity shares of issuers that are the subject of an investment recommendation.

Westpac may have provided investment banking services to the issuer in the course of the past 12 months.

Westpac does not permit any issuer to see or comment on any investment recommendation prior to its completion and distribution.

Individuals who produce investment recommendations are not permitted to undertake any transactions in any financial instruments or derivatives in relation to the issuers covered by the investment recommendations they produce.

Westpac has implemented policies and procedures, which are designed to ensure conflicts of interests are managed consistently and appropriately, and to treat clients fairly.

The following arrangements have been adopted for the avoidance and prevention of conflicts in interests associated with the provision of investment recommendations.

- (i) Chinese Wall/Cell arrangements;
- (ii) physical separation of various Business/Support Units;
- (iii) and well defined wall/cell crossing procedures;
- (iv) a "need to know" policy;
- (v) documented and well defined procedures for dealing with conflicts of interest;
- (vi) steps by Compliance to ensure that the Chinese Wall/Cell arrangements remain effective and that such arrangements are adequately monitored.

U.S: Westpac operates in the United States of America as a federally licensed branch, regulated by the Office of the Comptroller of the Currency. Westpac is also registered with the US Commodity Futures Trading Commission ("CFTC") as a Swap Dealer, but is neither registered as, or affiliated with, a Futures Commission Merchant registered with the US CFTC. Westpac Capital Markets, LLC ("WCM"), a wholly-owned subsidiary of Westpac, is a broker-dealer registered under the U.S. Securities Exchange Act of 1934 ("the Exchange Act") and member of the Financial Industry Regulatory Authority ("FINRA"). This communication is provided for distribution to U.S. institutional investors in reliance on the exemption from registration provided by Rule 15a-6 under the Exchange Act and is not subject to all of the independence and disclosure standards applicable to debt research reports prepared for retail investors in the United States. WCM is the U.S. distributor of this communication and accepts responsibility for the contents of this communication. All disclaimers set out with respect to Westpac apply equally to WCM. If you would like to speak to someone regarding any security mentioned herein, please contact WCM on +1 212 389 1269. All disclaimers set out with respect to Westpac apply equally to WCM.

Investing in any non-U.S. securities or related financial instruments mentioned in this communication may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the SEC in the United States. Information on such non-U.S. securities or related financial instruments may be limited. Non-U.S. companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect in the United States. The value of any investment or income from any securities or related derivative instruments denominated in a currency other than U.S. dollars is subject to exchange rate fluctuations that may have a positive or adverse effect on the value of or income from such securities or related derivative instruments.

The author of this communication is employed by Westpac and is not registered or qualified as a research analyst, representative, or associated person under the rules of FINRA, any other U.S. self-regulatory organisation, or the laws, rules or regulations of any State. Unless otherwise specifically stated, the views expressed herein are solely those of the author and may differ from the information, views or analysis expressed by Westpac and/or its affiliates.

