



# ECONOMIC BULLETIN

Preview of RBNZ February 2026  
Monetary Policy Statement  
(Wednesday 18 February, NZT 2pm).

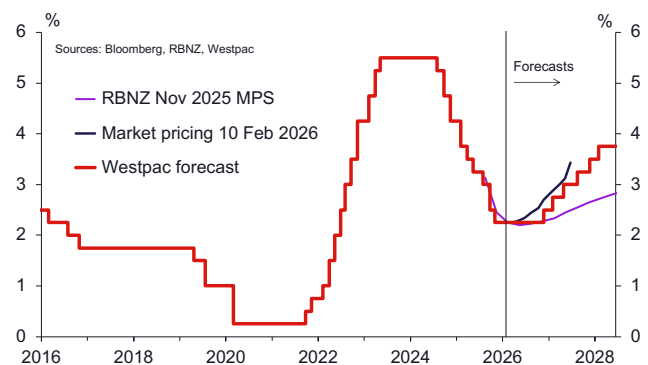


11 Feb 2026 | Kelly Eckhold, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

## The RBNZ likely won't scare the horses

- We expect the OCR to remain at 2.25% at the RBNZ's February policy meeting.
- The RBNZ is likely to bring forward their projected first OCR hike to December, which implies only a small increase in their December quarter average OCR forecast.
- The RBNZ will acknowledge the stronger economy and more supportive global backdrop and note that inflation is too high.
- Ongoing excess capacity, tighter financial conditions, and declining food and fuel price inflation will see the RBNZ's inflation forecasts head "towards 2%" negating the need to quickly return the OCR to more neutral levels.
- We see the RBNZ revising up their June 2027 OCR forecast by 40-50bp to around 2.85-3% from the 2.45% projected back in November.
- We don't think the RBNZ will be trying to scare the horses into pushing for an earlier start to tightening than markets have already priced. Hence the RBNZ is more likely to opt for more dovish messaging than more hawkish messaging.

Official Cash Rate forecasts



### RBNZ decision and communication.

We expect the RBNZ to leave the OCR unchanged at 2.25% at its February policy meeting. However, the accompanying projections will bring forward the expected timing of OCR hikes, consistent with a first hike in late 2026 – most likely the December *Monetary Policy Statement*. This would generate an average OCR over the December 2026 quarter of around 2.3 - 2.35 %.

We see the RBNZ's OCR forecast track being revised up by around 40-50 basis points at the 18-month ahead horizon. This would lift the June 2027 OCR forecast to around 2.85-3%. We don't think the RBNZ will raise their terminal OCR forecast above 3%, hence these changes will just bring forward the tightening cycle previously forecast.

We don't think the RBNZ will be aiming to scare the horses into pricing an earlier start to the tightening cycle than markets have already priced. They will be aiming to signal a strong chance of a December hike, and a follow up hike in February 2027, but not much more than that.

Key communications messages will likely include:

*The economy was stronger in the second half of 2025 than expected and momentum has continued into early 2026.*

At the October and November meetings in 2025 the RBNZ cut rates aggressively into stimulatory territory, reflecting concerns that excess capacity was becoming too large and that it was taking too long for the economy to respond to past interest rate reductions. The news since then has been unequivocally more positive and the RBNZ's current estimate of excess capacity is likely smaller. Growth in Q3 2025 was much stronger than thought and some upgrade to the near-term GDP profile seems likely.

*Inflation was unexpectedly robust in late 2025, is too high, but should subside in 2026.*

The RBNZ are likely to say that current inflation is too high given that it is outside of the 1-3% target range. The RBNZ's near term inflation forecasts will be revised up reflecting that forecasting miss but are still likely to show inflation heading "towards 2%" reflecting weaker food and petrol price inflation over 2026 and a stronger exchange rate.

*The global economic backdrop is more positive – albeit with risks remaining.*

Consensus forecasts for global GDP growth have been increased noticeably since November 2025. Forecasts from major international agencies reflect a stronger global outlook as well. The RBNZ will acknowledge this better news while continuing to express reservations about geopolitical risks and trade policy uncertainty.

*Financial conditions have tightened – especially via a higher exchange rate.*

The New Zealand dollar has fared much better since November and now is around 3% higher than the RBNZ assumed in the November forecasts. Long term interest rates are also higher than the RBNZ would have assumed given the significant repricing of OCR expectations that has occurred since November. The RBNZ is likely to acknowledge these developments noting they provide an offset to the stronger activity and inflation data received since November.

*Transparency arrangements might not change this time.*

We expect the MPC to move towards greater transparency on individual members' views on the outlook for the OCR eventually. But we don't expect large changes this time around. We may see some expanded discussion of the pros and cons of moving the OCR up earlier versus later in the Statement of Record, without those views being attributed to particular members.

## Scenarios.

Aside from our baseline scenario, we think the following more hawkish and dovish scenarios need to be considered.

A more hawkish possibility is the RBNZ signalling a high probability to a September tightening (we ascribe a 10% probability to such an outcome). While this is in line with market pricing, the implication would be that earlier meetings may also be 'live' should activity and inflation come in stronger than expected. The hawkish scenario could see that 25bp hike almost fully incorporated into the September quarter OCR profile, lifting it close to 2.5%, followed by another 25bp hike in the December and February meetings. The commentary could focus on the much better economic performance seen in the second half of 2025 that implies that the insurance taken after August 2025 is now likely unneeded. The RBNZ would be foreshadowing returning the OCR to their neutral range of 3-3.5% by early 2027. Markets might then see a chance of faster action, either via an earlier start (for example July or even May) or consecutive hikes from September (which would be foreshadowed in the May meeting). We doubt the RBNZ will have sufficient confidence to go this route as of now – especially given the election this year and the prospect that it will be hard politically to sell the election period tightening cycle without rock solid evidence.

A more dovish scenario (30 percent probability) is the RBNZ shows perhaps just a 50/50 chance of a single OCR increase in December. This would be justified by the inflation forecast profile heading below 2.5% over 2026, thus satisfying the criterion of the OCR heading "towards 2%". A full 25bp OCR increase could be in the forecast profile for the February 2027 meeting and an OCR at 2.75% by mid-2027.

## Appendix: Key developments since the November Monetary Policy Statement.

**Activity:** The September quarter GDP report exceeded the RBNZ's expectations, with the economy now estimated to have reversed the revised 1.0%q/q contraction recorded in the June quarter. The implication is a smaller output gap than the Bank had estimated for the September 2025 quarter. Some upgrade of the RBNZ's short-term growth forecasts (0.7% for each of the December and March quarters) seems consistent with the data flow in recent months. Although it's possible the RBNZ may be content with those previous forecasts if the RBNZ's GDP 'nowcasts' carry a lot of weight (0.5% for Q4 and 0.8% for Q1 2026).

**Labour market:** The unemployment rate edged up to 5.4% in the December quarter, 0.1ppt higher than the RBNZ's forecast, while private sector labour costs rose a subdued 0.5%q/q, in line with the RBNZ's forecast. Employment growth, at least as measured by the household survey, was slightly higher than the RBNZ had

forecast, but was insufficient to keep pace with growth in the labour force. We don't think these data would have shifted the dial for the RBNZ very much.

**Sentiment indicators:** The NZIER's December quarter QSBO business survey reported a widespread lift in reported and expected activity, while the ANZ's monthly business survey continues to report high levels of confidence and above-average hiring and investment intentions. Encouragingly, the most recent ANZ consumer confidence survey also reported a third consecutive lift in sentiment, which now sits at the highest level seen since 2001. These data would be the key drivers behind an increase in the short-term growth outlook.

**Housing market:** Since recovering from very low levels in 2024 and early 2025, helped by the rapidity of the RBNZ's initial policy easing, house sales have largely tracked sideways at levels that remain slightly below average (allowing for growth in the housing stock). Listing levels remain elevated at decade-highs, especially in the main urban areas, supported by reasonable levels of building activity at a time of slow population growth. In aggregate, house prices have continued to track sideways, with growth in some regional centres offset by slight declines in Auckland and Wellington. The RBNZ had low expectations for house prices in late 2025 and we doubt recent data has changed that view much.

**Global developments:** Global economic data from New Zealand's key trading partners has generally met or exceeded expectations, leading to a further rise in consensus forecasts for growth on a trade-weighted basis. It seems likely that the RBNZ will also revise up its estimates of recent and near-term prospects for trading partner growth.

**Inflation:** Headline inflation rose to 3.1% in the year to December, well above the RBNZ's forecast for a rise of 2.7%. While some of that surprise was due to prices for volatile items like food and fuel, core inflation was also firmer than expected. Notably, the decline in core inflation seen over the past year has been arrested, with most measures lingering in the upper part of the RBNZ's target band.

**Inflation expectations:** As we've moved into 2026, we've seen a lift in some measures of inflation expectations, as well as gauges of businesses' cost and pricing intentions.

**Commodity prices:** Average export prices in the September quarter were slightly lower than the RBNZ had estimated (the flipside of export volumes being stronger than estimated). Since then, after initially declining following the November *MPS*, dairy product prices have rebounded to exceed November *MPS* levels. Meanwhile, beef and sheep meat prices have remained elevated, as have prices for horticultural products.

**Financial conditions:** Financial conditions have tightened since the time of the RBNZ's November *MPS*. The TWI

is tracking around 3% above the flat 66.0 assumption that underpinned the November projections, which will have some direct impact on the RBNZ's near-term inflation forecasts and activity projections. Meanwhile, term interest rates have also moved higher, with both the 2-year and 5-year swap rates rising around 50bps. The lift in swap rates has led to some lift in the mid- and longer-term mortgage rates (the special 2-year mortgage rate has increased by around 40bps since October).

**Fiscal policy:** The Government has indicated that new discretionary spending in Budget 2026 will be in line with previous guidance (i.e. an operating allowance of \$2.4bn and a capital allowance of \$3.5bn).

# Contact

**Westpac Economics Team** | [westpac.co.nz/economics](https://westpac.co.nz/economics) | [economics@westpac.co.nz](mailto:economics@westpac.co.nz)



Connect with us

**Kelly Eckhold**, Chief Economist | +64 9 348 9382 | +64 21 786 758 | [kelly.eckhold@westpac.co.nz](mailto:kelly.eckhold@westpac.co.nz)

**Satish Ranchhod**, Senior Economist | +64 9 336 5668 | +64 21 710 852 | [satish.ranchhod@westpac.co.nz](mailto:satish.ranchhod@westpac.co.nz)

**Darren Gibbs**, Senior Economist | +64 9 367 3368 | +64 21 794 292 | [darren.gibbs@westpac.co.nz](mailto:darren.gibbs@westpac.co.nz)

**Michael Gordon**, Senior Economist | +64 9 336 5670 | +64 21 749 506 | [michael.gordon@westpac.co.nz](mailto:michael.gordon@westpac.co.nz)

**Paul Clark**, Industry Economist | +64 9 336 5656 | +64 21 713 704 | [paul.clark@westpac.co.nz](mailto: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

©2026 Westpac Banking Corporation ABN 33 007 457 141 (including where acting under any of its Westpac, St George, Bank of Melbourne or BankSA brands, collectively, “Westpac”). References to the “Westpac Group” are to Westpac and its subsidiaries and includes the directors, employees and representatives of Westpac and its subsidiaries.

### Things you should know.

We respect your privacy: You can view the [New Zealand Privacy Policy](#) here, or the Australian [Group Privacy Statement](#) here. Each time someone visits our site, data is captured so that we can accurately evaluate the quality of our content and make improvements for you. We may at times use technology to capture data about you to help us to better understand you and your needs, including potentially for the purposes of assessing your individual reading habits and interests to allow us to provide suggestions regarding other reading material which may be suitable for you.

This information, unless specifically indicated otherwise, is under copyright of the Westpac Group. None of the material, nor its contents, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party without the prior written permission of the Westpac Group.

### Disclaimer.

This information has been prepared by Westpac and is intended for information purposes only. It is not intended to reflect any recommendation or financial advice and investment decisions should not be based on it. This information 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 into a legally binding contract. To the extent that this information contains any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the 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 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 this information is free from error, none of Westpac or its related entities warrants the accuracy, adequacy or completeness of this information, or otherwise endorses it in any way. Except where contrary to law, Westpac Group intend by this notice to exclude liability for this information. This information is subject to change without notice and none of Westpac or its related entities is under any obligation to update this information or correct any inaccuracy which may become apparent at a later date. This information may contain or incorporate by reference forward looking statements. The words “believe”, “anticipate”, “expect”, “intend”, “plan”, “predict”, “continue”, “assume”, “positioned”, “may”, “will”, “should”, “shall”, “risk” and other similar expressions that are predictions of or indicate



future events and future trends identify forward-looking statements. These forward-looking statements include all matters that are not historical facts. Past performance is not a reliable indicator of future performance, nor are forecasts of future performance. Whilst every effort has been taken to ensure that the assumptions on which any 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 any forecasts.

**Conflicts of Interest:** In the normal course of offering banking products and services to its clients, the Westpac Group may act in several capacities (including issuer, market maker, underwriter, distributor, swap counterparty and calculation agent) simultaneously with respect to a financial instrument, giving rise to potential conflicts of interest which may impact the performance of a financial instrument. The Westpac Group may at any time transact or hold a position (including hedging and trading positions) for its own account or the account of a client in any financial instrument which may impact the performance of that financial instrument.

**Author(s) disclaimer and declaration:** The author(s) confirms that (a) no part of his/her compensation was, is, or will be, directly or indirectly, related to any views or (if applicable) recommendations expressed in this material; (b) this material accurately reflects his/her personal views about the financial products, companies or issuers (if applicable) and is based on sources reasonably believed to be reliable and accurate; (c) to the best of the author's knowledge, they are not in receipt of inside information and this material does not contain inside information; and (d) no other part of the Westpac Group has made any attempt to influence this material.

**Further important information regarding sustainability-related content:** This material may contain statements relating to environmental, social and governance (ESG) topics. These are subject to known and unknown risks, and there are significant uncertainties, limitations, risks and assumptions in the metrics, modelling, data, scenarios, reporting and analysis on which the statements rely. In particular, these areas are rapidly evolving and maturing, and there are variations in approaches and common standards and practice, as well as uncertainty around future related policy and legislation. Some material may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information. There is a risk that the analysis, estimates, judgements, assumptions, views, models, scenarios or projections used may turn out to be incorrect. These risks may cause actual outcomes to differ materially from those expressed or implied. The ESG-related statements in this material do not constitute advice, nor are they guarantees or predictions of future performance, and Westpac gives no representation, warranty or assurance (including as to the quality, accuracy or completeness of the statements). You should seek your own independent advice.

#### **Additional country disclosures:**

**Australia:** Westpac holds an Australian Financial Services Licence (No. 233714). You can access **Westpac's Financial Services Guide** here or request a copy from your Westpac point of contact. To the extent that this information contains

any general advice, it has been prepared without taking into account your objectives, financial situation or needs and before acting on it you should consider the appropriateness of the advice.

**New Zealand:** In New Zealand, Westpac Institutional Bank refers to the brand under which products and services are provided by either Westpac (NZ division) or Westpac New Zealand Limited (company number 1763882), the New Zealand incorporated subsidiary of Westpac ("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. WNZL is not an authorised deposit-taking institution for the purposes of Australian prudential standards. The current disclosure statements for the New Zealand branch of Westpac and WNZL can be obtained at [www.westpac.co.nz](http://www.westpac.co.nz).

**Singapore:** 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 of this material in Singapore 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.

**Fiji:** Unless otherwise specified, the products and services for Westpac Fiji are available from [www.westpac.com.fj](http://www.westpac.com.fj) © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia and registered as a branch in Fiji. The liability of its members is limited.

**Papua New Guinea:** Unless otherwise specified, the products and services for Westpac PNG are available from [www.westpac.com.pg](http://www.westpac.com.pg) © Westpac Banking Corporation ABN 33 007 457 141. This information does not take your personal circumstances into account and before acting on it you should consider the appropriateness of the information for your financial situation. Westpac Banking Corporation ABN 33 007 457 141 is incorporated in NSW Australia. Westpac is represented in Papua New Guinea by Westpac Bank - PNG - Limited. The liability of its members is limited.

**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. The services and products referenced above are not insured by the Federal Deposit Insurance Corporation ("FDIC"). 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"). In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WCM

other than as provided for in certain legal agreements between Westpac and WCM and obligations of WCM do not represent liabilities of Westpac.

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. Transactions by U.S. customers of any securities referenced herein should be effected through WCM. 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. 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 of WCM or any other U.S. broker-dealer 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.

**UK:** The London branch of Westpac is authorised in the United Kingdom by the Prudential Regulation Authority (PRA) and is subject to regulation by the Financial Conduct Authority (FCA) and limited regulation by the PRA (Financial Services Register number: 124586). The London branch of Westpac is registered at Companies House as a branch established in the United Kingdom (Branch No. BR000106). Details about the extent of the regulation of Westpac's London branch by the PRA are available from us on request.

This communication is not being made to or distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, this communication is being made only to and is directed at (a) those persons falling within the definition of Investment Professionals (set out in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order")); (b) those persons falling within the definition of high net worth companies, unincorporated associations etc. (set out in Article 49(2) of the Order); (c) other persons to whom it may lawfully be communicated in accordance with the Order or (d) any persons to whom it may otherwise lawfully be made (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. 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". Westpac expressly prohibits you from passing on the information in this communication to any third party.

**European Economic Area ("EEA"):** This material may be distributed to you by either: (i) Westpac directly, or (ii) Westpac Europe GmbH ("WEG") under a sub-licensing arrangement. WEG has not edited or otherwise modified the content of this material. WEG is authorised in Germany by the Federal Financial Supervision Authority ("BaFin") and subject to its regulation. WEG's supervisory authorities are BaFin and the German Federal Bank ("Deutsche Bundesbank"). WEG is registered with the commercial register ("Handelsregister") of the local court of Frankfurt am Main under registration number HRB 118483. In accordance with APRA's Prudential Standard 222 'Association with Related Entities', Westpac does not stand behind WEG other than as provided for in certain legal agreements (a risk transfer, sub-participation and collateral agreement) between Westpac and WEG and obligations of WEG do not represent liabilities of Westpac. Any product or service made available by WEG does not represent an offer from Westpac or any of its subsidiaries (other than WEG). All disclaimers set out with respect to Westpac apply equally to WEG.

This communication is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

This communication contains general commentary, research, and market colour. The communication does not constitute investment advice. The material may contain an 'investment recommendation' and/or 'information recommending or suggesting an investment', both as defined in Regulation (EU) No 596/2014 (including as applicable in the United Kingdom) ("MAR"). In accordance with the relevant provisions of MAR, reasonable care has been taken to ensure that the material has been objectively presented and that interests or conflicts of interest of the sender concerning the financial instruments to which that information relates have been disclosed.

Investment recommendations must be read alongside the specific disclosure which accompanies them and the **general disclosure** which can be found here. Such disclosure fulfils certain additional information requirements of MAR and associated delegated legislation and by accepting this communication you acknowledge that you are aware of the existence of such additional disclosure and its contents.

To the extent this communication comprises an investment recommendation it is classified as non-independent research. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and therefore constitutes a marketing communication. Further, this communication is not subject to any prohibition on dealing ahead of the dissemination of investment research.

