



ECONOMIC BULLETIN

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

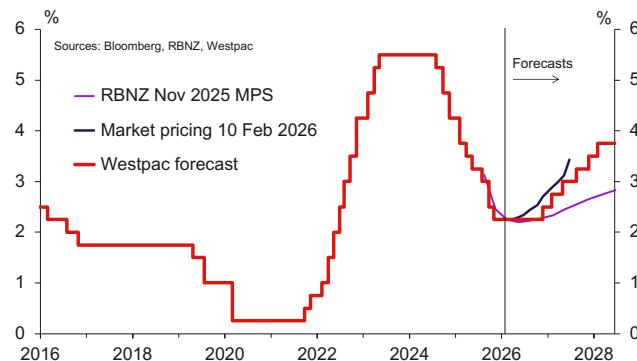


11 Feb 2026 | **Kelly Eckhold**, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

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).

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