



# ECONOMIC BULLETIN

## RBNZ April 2026 Monetary Policy Review and change of call.

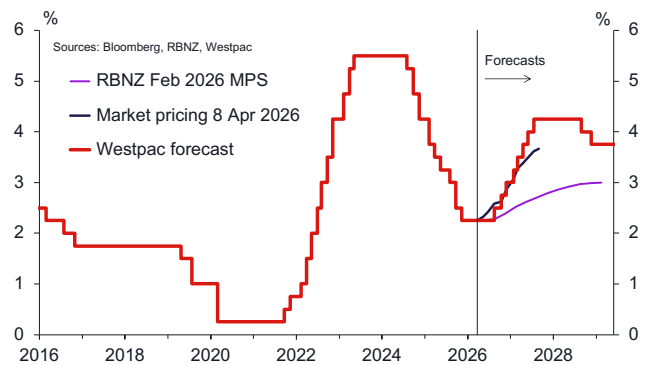


8 Apr 2026 | Kelly Eckhold, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

### RBNZ to tighten in September

- As widely expected, the RBNZ retained the OCR at 2.25%. There was no vote, with the decision reached by consensus.
- The commentary was hawkish as concerns of rising second-round inflation pressures were quite prominent.
- The MPC debated the options of an earlier vs later beginning to interest rate normalisation. Interest rate cuts were not discussed.
- An earlier start was described as May or July. A hike was discussed as an option today, but the Governor said that the MPC was not close to hiking at this meeting.
- The RBNZ's short-term inflation forecast is now 4.2%/y/y in June 2026 – higher than before, but close to our 4.1% forecast.
- We have pulled forward our forecast for the first OCR hike from the RBNZ to September (previously December).
- The balance of risks is towards an earlier start to hikes than September, should evidence of second-round inflation impacts accumulate.

Official Cash Rate forecasts



### OCR retained at 2.25% but coupled with a hawkish outlook.

The RBNZ kept the OCR unchanged at 2.25% as expected. There was no vote, with the decision reached by consensus. However, the Bank's commentary adopted a more hawkish tone than expected. There was no discussion of needing to cut the OCR despite acknowledging that, at least in the short term, there would be greater excess capacity than previously thought. Rather, the debate was between:

- a "pre-emptive response to medium-term inflation pressures could guard against the risk of inflation expectations becoming unanchored"; or
- a gradual increase in the OCR towards "more neutral levels" to reduce the risk of "reacting to higher near-term inflation and accentuating weakness in the real economy and labour market".

In the press conference the Governor noted that the MPC discussed the possibility of raising the OCR at this meeting, but there had been "no strong advocate" for doing so.

We interpret the more gradual path as being something akin to the late 2026 lift-off date that we have been forecasting, and that the RBNZ largely had in mind at the February meeting. A pre-emptive response likely implies something faster that begins by September but could come sooner than that, should evidence of second-round inflation impacts begin to accumulate. Indeed, the Governor indicated that the pre-emptive approach could have been a tightening in May or July. More dovish members were uncomfortable with the risks of that.

Key evidence that the RBNZ seeks seems to be in the form of anecdotal evidence on pricing and wage setting behaviour combined with higher frequency evidence on price setting, costs and inflation expectations coming from monthly surveys. We think it likely that at least some evidence along these lines will accumulate given the broad-based cost shock that the economy is facing. As a result, an earlier than December beginning to the tightening cycle looks much more likely now.

Hence, we are bringing forward our existing 25bp per meeting tightening profile to begin in September. The OCR will thus end 2026 at 3% and reach the previously expected 4.25% peak earlier, in September 2027. Easing is forecast to begin a year later in September 2028 with the neutral OCR reestablished in December 2028.

An earlier start than September should not be ruled out. And given it's likely easier to explain the tightening profile in a Monetary Policy Statement meeting than the bias is likely for an earlier move to come in May versus July. The key question is: will sufficient evidence of second-round inflation impacts have accumulated by then? We think that's still an open question at this point.

### **Key quotes from the press release and Record of Meeting were:**

*“The Monetary Policy Committee is focused on ensuring that inflation returns to the 2-percent target midpoint over the medium term. This requires core inflation and wage growth to remain contained and medium- and long-term inflation expectations to remain around 2 percent. If these conditions are not met, decisive and timely increases in the OCR would be required.”*

*“The outlook for medium-term inflation pressures depends on the size and persistence of the inflationary impulse stemming from higher oil prices and the extent to which it is offset by weaker demand in the economy.”*

*“If the increase in near-term inflation is largely temporary, the Committee envisages gradually moving the OCR to more neutral levels as activity recovers and near-term inflationary pressures dissipate. However, any signs of significant second-round inflationary effects or increases in medium-*

*term inflation expectations would require decisive and timely increases in the OCR to re-anchor inflation expectations.”*

*“On the timing of any increase in the OCR, members discussed that a pre-emptive response to medium-term inflation pressures could guard against the risk of inflation expectations becoming unanchored and reduce the extent of second round price increases.”*

*“Conversely, the Committee noted the risk of reacting to higher near-term inflation and accentuating weakness in the real economy and labour market. Members noted that this could cause unnecessary volatility in output and employment if the conflict was resolved in the near term or if the economic outlook weakens by more than currently expected.”*

### **The RBNZ's initial thoughts on the near-term outlook.**

The RBNZ provided updated inflation forecasts for the next two quarters. This is a change from their usual practice of not releasing updates to their forecasts at interim reviews and reflects that recent geopolitical developments have in the RBNZ's words “*materially altered the outlook and the balance of risks for inflation and economic growth*”.

The RBNZ now expects inflation of 3% in the March quarter (previously 2.8%), rising to 4.2% in the June quarter (previously 2.7%). Those updated figures are close to our own forecasts. The RBNZ did not provide forecasts further ahead.

The RBNZ has noted that higher energy costs will push up other prices in the economy. However, longer term impacts on wage and price setting (aka. ‘second round impacts’) are expected to be constrained by weak demand at this stage. This is a key area of uncertainty and one where the RBNZ will be watching closely for signs that longer-term inflation pressures are increasing. Indeed, the RBNZ went on to note that “*any signs of significant second-round inflationary effects or increases in medium-term inflation expectations would require decisive and timely increases in the OCR to re-anchor inflation expectations. The Committee is vigilant to these risks.*”

While the RBNZ did not provide forecasts for other variables, they noted that the conflict and related increases in both operating costs and economic uncertainty will result in weaker activity in the near term. That's very much in line with our own thoughts.

### **Things to watch ahead of the next meeting.**

The RBNZ's next policy review is on 27 May, when it will also publish a full Monetary Policy Statement (MPS) with refreshed forecasts (and probably some

alternative scenarios too considering the current level of uncertainty). How the RBNZ's stance evolves between now and then will depend on the path the Middle East conflict takes; what early indicators and anecdote suggest about the impact of the conflict on activity and inflation, both in New Zealand and abroad; and any developments in financial markets as a result of the conflict or other vulnerabilities triggered by the conflict.

As far as domestic economic indicators are concerned, we think the following are key ones to watch.

- **Q1 CPI** (21 April) and **April Selected Prices** (15 May): These pricing indicators will reveal the initial first-round direct and indirect impacts of the recent surge in fuel prices. They will provide some insight as to how high headline inflation might peak, but not about how long it will remain at elevated levels.
- **Q1 QSBO** (21 April) and **April/May ANZ Business Outlook** (30 April/27 May): Unfortunately, the data-rich QSBO survey was initially in the field very early in the conflict (it is unclear whether a breakdown of early and late responses will be released). Therefore, the ANZ surveys may provide a more up-to-date account of how businesses are responding to the conflict.
- **March/April PMI and PSI surveys** (mid-April/mid-May): These may provide some early insight regarding the likelihood of a contraction in GDP in Q2.
- **Q1 labour market surveys** (6 May): Employment and hours worked data from the HLFS and QES surveys will cast light on what momentum the economy had going into the conflict, while the LCI will cast light on underlying inflation pressures.
- **Budget 2026** (28 May): While the formal unveiling of the Budget comes the day after the release of the MPS, ahead of the Budget the RBNZ's MPC will receive a high-level briefing from the Treasury on what to expect at the macro level. Pre-Budget speeches and policy announcements may reveal more in the public sphere.

In addition to the above, we will be monitoring a range of other high-frequency indicators, such as monthly data on filled jobs, consumer spending, building consents, housing market activity and prices, job ads and consumer confidence. We will also be paying close attention to developments in prices for New Zealand's key export commodities. The RBNZ looks to also be focused on anecdotal evidence of business pricing and wage setting behaviour – although that will be harder to track.

# 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.

