WESTPAC RBNZ CLIENT PULSE SURVEY

31 August 2026

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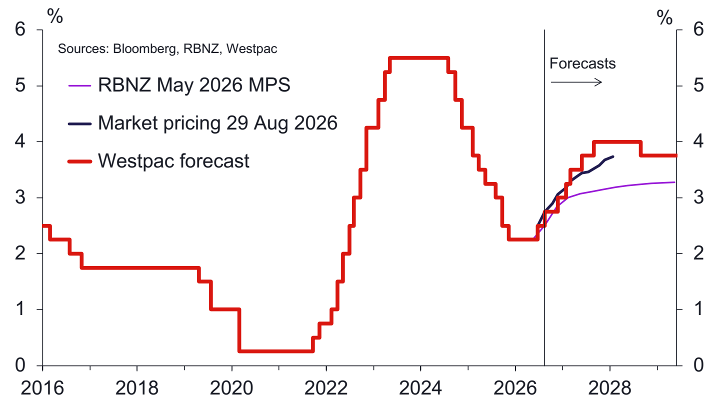
Westpac RBNZ Client Pulse Survey

Key take-outs.

- Our August Westpac Client Pulse survey of 92 clients showed that around 79% expect a 25bp lift in the OCR at this week's policy meeting. Most expect the RBNZ's MPC to reach this decision by consensus.
- Around 64% of client expect the RBNZ to project a year-end OCR of 3%. The distribution of views around 3% was symmetric.
- While 55% of clients also expect a year-end OCR of 3%, views were skewed to the downside with 31% of clients expecting an OCR of 2.75% or lower.
- Clients view inflation-related data as the likely source of upside risk to the OCR. Activity-related data is seen as the most likely source of downside risk.
- The modal two-year ahead expectation of inflation is 2.5%. Around that, expectations are skewed higher, but slightly less so than in our May survey.
- Clients expect the NZ dollar to slightly appreciate by year-end. A narrow majority expect Brent crude to fall below $80/bbl over the next year.
- Around half of clients think that restoring the RBNZ's dual inflation and employment mandate would lead to a lower peak in the OCR this cycle.
- Around 54% of clients believe that the clarity and consistency of the RBNZ's communications has been either "good" or "excellent" this year.

Official Cash Rate forecasts



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What will the RBNZ do at its September meeting?

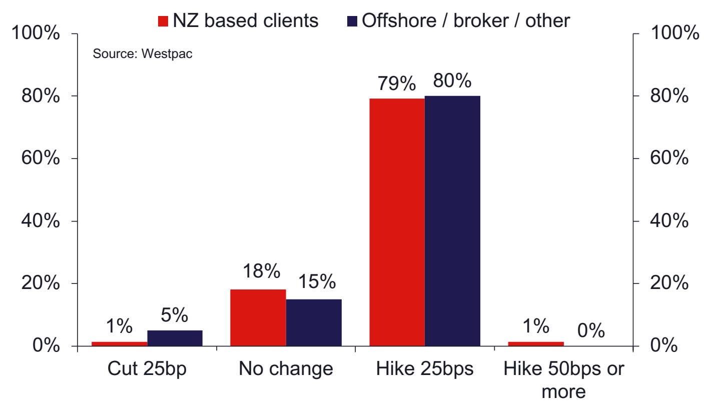
RBNZ expected to lift the OCR this week.

- A significant majority (79%) of clients expect the RBNZ to raise the OCR by 25bps at this week's policy meeting. This is broadly in line with market pricing, which implies about a 90% chance of a 25bp hike.
- Around 17% of clients expect the RBNZ to leave the OCR unchanged.
- Very few clients expect either a cut in the OCR or a 50bps hike.
- Policy expectations are very similar across domestic and offshore clients.

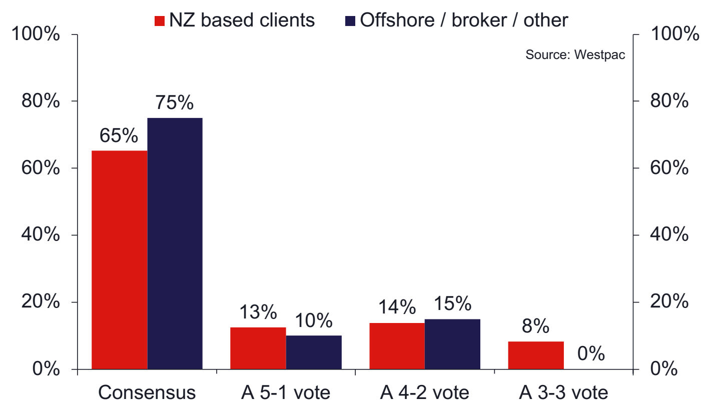
Most expect the decision to be reached by consensus.

- Most clients expect the Monetary Policy Committee's decision to be made by consensus i.e., without a formal vote.
- Indeed, of those expecting a 25bps hike, 73% expect a consensus decision with most of the remainder expecting either a 5-1 or 4-2 vote in favour.
- By contrast, of those expecting no change in the OCR, 56% expect this decision to be reached after a vote, including the possibility that this could be a 3-3 vote (in this event the Governor would cast the deciding vote).
- Again, views were similar across domestic and offshore clients.

What will the RBNZ do this week?



How will the Committee reach its decision?



RBNZ policy expectations, end of 2026

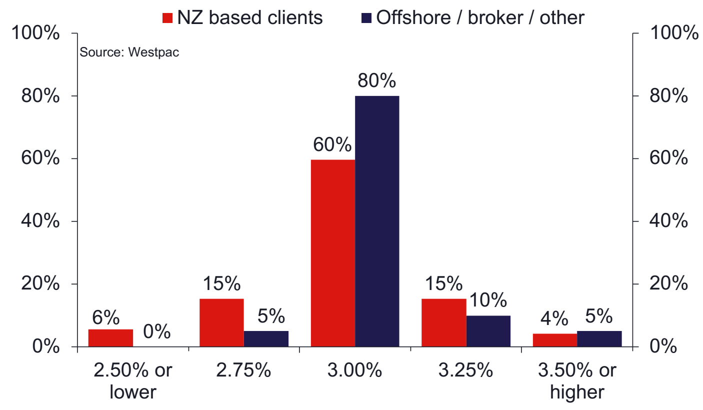
The majority expect the RBNZ to project a 3% OCR at year end.

- In its May Monetary Policy Statement, the RBNZ projected an OCR of 2.84% on average over the December quarter, implying a 3% OCR at year-end. This was 25bps higher than clients modal expectation in our May survey.
- A majority of clients (64%) expect the RBNZ's updated September projection to remain consistent with the 3% endpoint projected in May. For the remainder, views were symmetrically distributed around 3%, with small numbers seeing the OCR as high as 3.5% or as low as 2.5%.
- Offshore-based clients were more likely to expect the RBNZ to project a 3% OCR than were NZ-based clients.

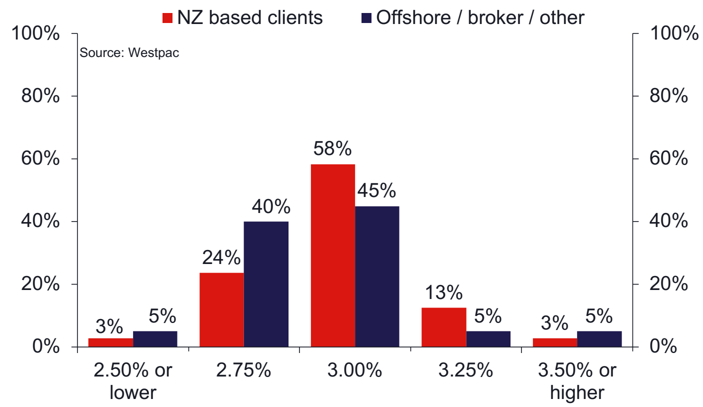
Views as to what the RBNZ will actually deliver are skewed slightly lower.

- A smaller majority (55%) of clients expect the RBNZ to actually raise the OCR to 3% by year end.
- For the remainder, views were skewed lower, with 31% expecting the OCR to be 2.75% or lower whereas just 14% expect the OCR to be 3.25% or higher.
- The skew was especially pronounced for offshore-based clients, with 45% expecting an OCR of 2.75% or lower at year end, compared with 26% of NZ-based clients. Note these skews were also present in the May survey.

Where will the RBNZ project the OCR at end 2026?



Where will the OCR actually be at end 2026?



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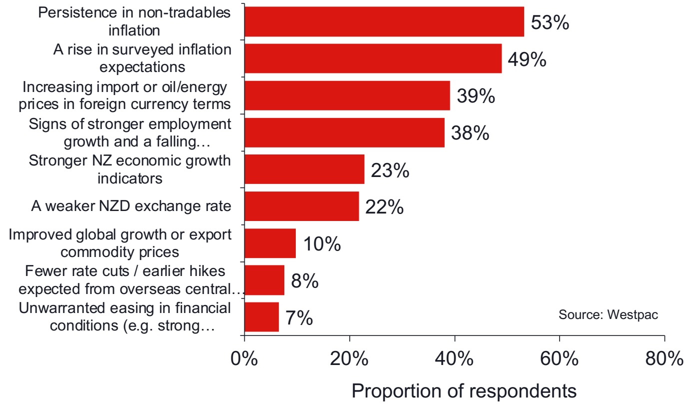
What factors could affect the RBNZ's policy stance?

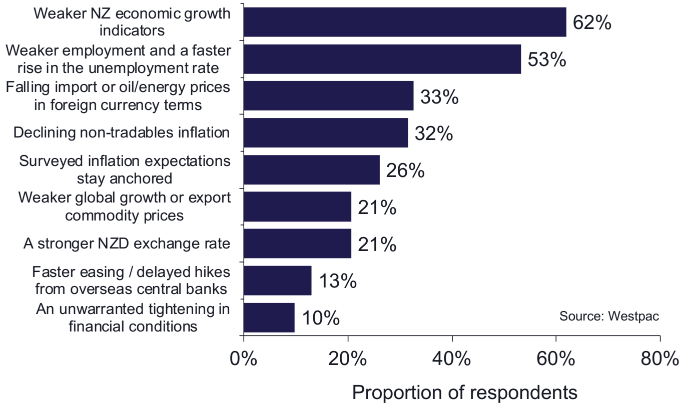
Upside risks seen from inflation indicators; downside risks seen from activity indicators.

- We asked clients to choose up to three risk factors that could cause the RBNZ to tighten by either more or less than currently expected.
- As was the case in our May survey, the factors that were thought most likely to prompt more tightening were signs of greater persistence in non-tradables inflation or a rise in surveyed inflation expectations (the latter was less prominent than in our May survey, however).
- Higher oil prices and stronger domestic growth indicators were also cited by more than a third of all clients. Relatively few respondents considered that the RBNZ's policy stance would be impacted by a more hawkish stance by other central banks or a stronger outlook for global growth or commodity prices.
- As was also the case in our May survey, the factors that were thought most likely to prompt less tightening were centred on activity, including signs of weaker domestic growth or weakness in the labour market.
- The possibility of lower oil prices or weaker non-tradables inflation were also cited by at around a third of respondents as factors that might lead to less policy tightening. Relatively few respondents considered that the RBNZ's policy stance would be impacted by a more dovish stance by other central banks or an unwarranted tightening of financial conditions.

Which factors are most likely to prompt greater RBNZ tightening?



Which factors are most likely to prompt less RBNZ tightening?



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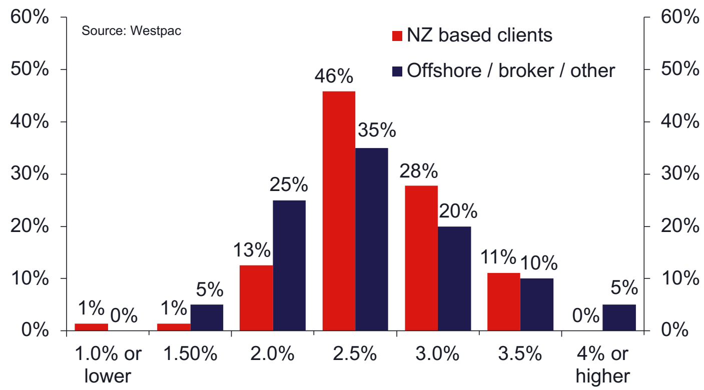
Where will inflation be in two years' time?

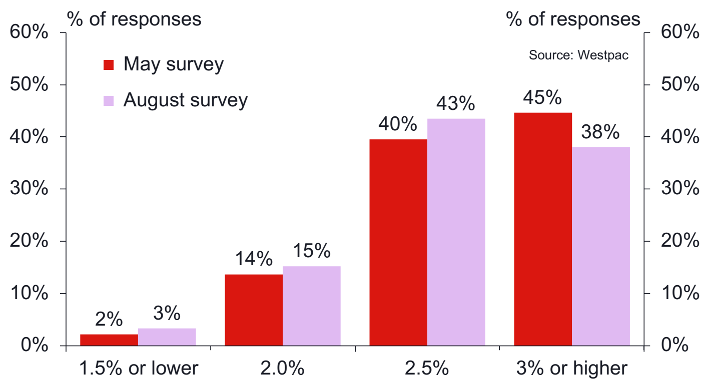
Inflation expectations have declined slightly since May, but remain elevated.

- Clients' expectations of where the inflation rate will be in two years' time – the relevant horizon for monetary policy settings – have moved slightly lower. This may reflect a lower expectation for the oil price (see next page).
- The greatest proportion of clients (43%) said that inflation was likely to be around 2.5% in two years' time. By comparison, 40% of clients held that expectation in our May survey and 49% in our February survey.
- Views around that modal expectation were skewed higher, with around 38% of clients expecting inflation to be 3% or higher, albeit down from 45% in our May survey.
- The upwards skewed was more pronounced for NZ-based clients, with 39% expecting inflation to be 3% or higher. The views off offshore clients were more symmetric around the modal expectation of 2.5%.
- Just 18% of respondents said that they expected inflation to be 2% or lower in 2% years, albeit up from 16% in our May survey.
- There was a moderately positive correlation between clients' inflation expectations and what they expect oil prices to do over the next year. But clients continue to see inflation remaining well above 2% (and close to the long term average inflation rate) despite lower oil prices.

Where will inflation be in two years' time?



How have expectations changed since our last survey?



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Financial market conditions

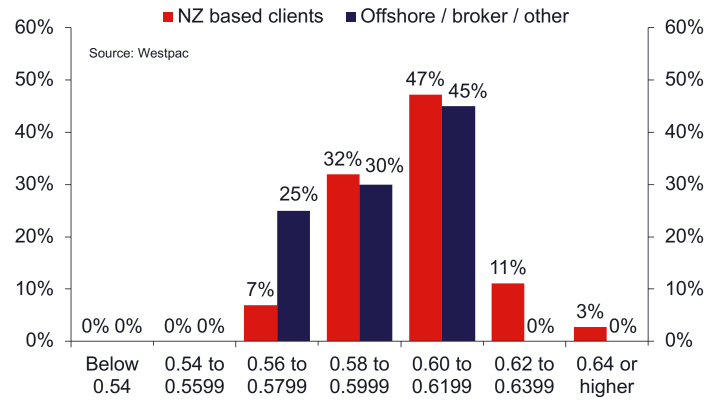
The NZD/USD is expected to rise modestly over the remainder of 2026.

- A majority of clients (58%) expect the NZ dollar (around 0.5950 at the time of the survey) to sit at 0.60c or above at year end. This is a slightly more positive view than expressed in our May survey.
- NZ-based clients tended to be slightly more positive on the NZ dollar than offshore clients, reversing the finding of our May survey.
- Most clients that are less bullish still expect the NZ dollar to remain in its current 0.58-0.60 range. Only 11% of clients expect it to fall below that range.
- Westpac's forecast is for NZ dollar to rise to around 0.60 by the end of 2026, reflecting some further weakness in the US dollar combined with expected policy tightening by the RBNZ.

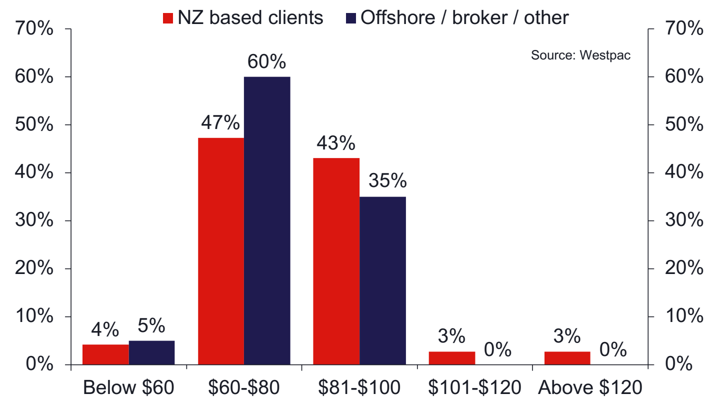
World oil prices mostly expected to moderate over the next year.

- Around 50% of clients expect Brent crude to fall into the $60-$80 per barrel range over the next year (it traded an $86-$93 range while our survey was in the field). A further 4% expect the price to fall below $60 per barrel.
- Most of the remainder (41%) expect Brent crude to remain in a $81-$100 range (compared with more than 50% of clients in our May survey). Only a small number of clients expect the price to sit above $100.

Where will the NZD/USD end 2026?



Price of Brent crude oil a year from now?



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Central bank perceptions

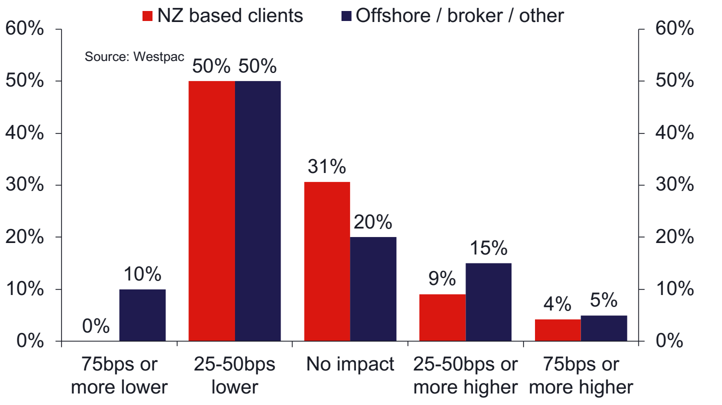
The return of the dual mandate is expected to lower the peak OCR.

- We asked clients whether a return to the RBNZ's previous dual mandate (low inflation and maximum sustainable employment), as proposed by the Labour Party, would have any impact on the expected peak of the OCR this cycle.
- Around 52% of clients said that the peak OCR would be lower, with almost all expecting it to be 25-50bps lower. A further 28% said it would have no impact on the peak OCR. The remainder thought that the peak OCR would be higher.
- This result suggests that a change in government that saw the reintroduction the dual mandate could cause the interest rate curve to move lower, however it is uncertain to what extent markets are already pricing this possibility.

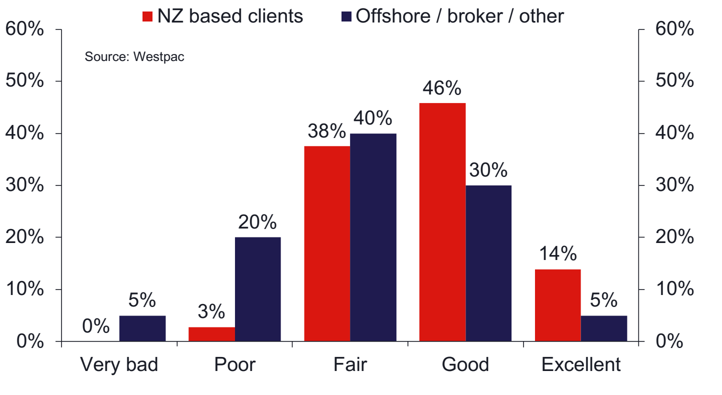
RBNZ clarity and communications mostly viewed favourably.

- We also asked clients to express their view on the clarity and consistency of the RBNZ's communications this year, especially in light of its efforts to increase transparency e.g., by publishing attributed minutes and votes.
- Around 42% of clients rated communications as "good" and a further 12% gave an "excellent" rating. Of the remainder, most assigned our middle rating of "fair" with just 8% viewing communications as "bad" or "poor".
- NZ-based clients were more likely to view the RBNZ's communications favourably, with 25% off offshore clients assigning a "bad" or "poor" rating.

Impact of return to dual mandate on peak OCR this cycle?



Clarity and consistency of the RBNZ's communications this year?



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