



PREVIEW: RBNZ Announcement due Wednesday 26th November at 01:00GMT/20:00EST

- RBNZ is widely expected to cut the OCR by 25bps to 2.25% on Wednesday.
- RBNZ delivered a jumbo 50bps cut at the last meeting in October, which was said to be a finely balanced decision.
- Data and rhetoric have been mixed, while participants will also be eyeing the statement and the latest OCR projections.

OVERVIEW: RBNZ will conduct its latest policy meeting on Wednesday where the central bank is widely expected to cut the Official Cash Rate as a recent Reuters poll showed 32 out of 36 economists expect the RBNZ to cut the OCR by 25bps to 2.25% from the current 2.50% level, while one economist expects a 50bps cut and the remaining three anticipate a hold. Money markets are fully pricing a cut with around an 89% likelihood the OCR will be reduced by 25bps and an 11% chance for a greater 50bps cut.

RBNZ DELIVERED A JUMBO CUT AT THE LAST MEETING: The RBNZ delivered a jumbo cut of 50bps at its last meeting in October to lower the OCR to 2.50% vs mixed views between a 25bps or 50bps cut, while it kept the door open for more rate cuts as it stated that the committee remained open to further reductions in the OCR as required for inflation to settle sustainably near the 2% target mid-point in the medium term. RBNZ also stated that higher near-term inflation could prove to be more persistent, and with spare capacity in the economy, inflation is expected to return to around the 2% target midpoint over the first half of 2026, but noted there are upside and downside risks to the inflation outlook in New Zealand and that economic activity through the middle of 2025 was weak. Furthermore, the minutes revealed that the committee discussed the options of reducing the OCR by 25bps or by 50bps at the meeting, as well as stated that the case for reducing the OCR by 50bps emphasised prolonged spare capacity and the associated downside risk to medium-term activity and inflation.

RHETORIC AND DATA SINCE THE LAST MEETING SUPPORTS A 'BALANCED' APPROACH: Shortly following the last meeting, RBNZ Chief Economist Conway said that the 50bps rate cut was a very finely balanced decision and it is a bit nerve-wracking with inflation at the top of the band, but noted that excess capacity gives them confidence inflation will come down. The latest key data releases have also been mixed as Jobs Growth QQ for Q3 was flat at 0.0% vs. Exp. 0.1% (Prev. -0.1%) and the Unemployment Rate rose to 5.3% vs. Exp. 5.3% (Prev. 5.2%) despite a surprise fall in the Participation Rate to 70.3% vs. Exp. 70.5% (Prev. 70.5%), which supports the case for additional cuts. Conversely, consumer inflation accelerated in Q3 with CPI QQ at 1.0% vs. Exp. 1.0% (Prev. 0.5%) and YY at 3.0% vs. Exp. 3.0% (Prev. 2.7%), which is at the top end of the RBNZ's medium-term target and therefore suggests less room for the central bank to manoeuvre.

ANNOUNCEMENT: The announcement is scheduled for Wednesday at 01:00GMT/20:00EST, and aside from the rate decision, participants will also be eyeing the monetary policy statement and OCR projections for clues on future policy, considering that a recent poll showed the majority anticipate the central bank to pause on rates throughout 2016. Furthermore, RBNZ Governor Hawkesby will deliver a post-meeting press conference, which will begin an hour after the rate decision, in what will be his final meeting as Governor before departing when incoming Governor Dr Breman takes over the helm on December 1st.

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