



# ECONOMIC BULLETIN

## Change of OCR forecast.

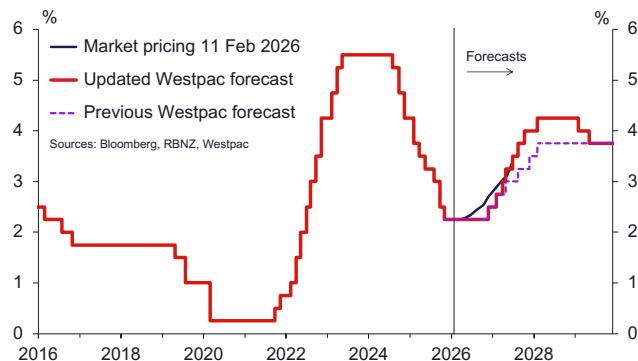


11 Feb 2026 | **Kelly Eckhold**, Chief Economist | +64 9 348 9382 | +64 21 786 758 | kelly.eckhold@westpac.co.nz

## RBNZ to hike more quickly in 2027

- Our first Economic Overview of 2026 includes a revised view on the shape of the RBNZ's tightening cycle.
- We continue with our longstanding view of a first hike in the OCR to 2.50% in December 2026.
- But in 2027 the RBNZ will pick up the pace and tighten at each meeting from February to September 2027. The OCR is expected to reach 4% by end-2027 and peak at 4.25% in early 2028.
- Excess capacity will likely be exhausted by early 2027 implying a need for the RBNZ to return the OCR to neutral levels more quickly in 2027.
- But the RBNZ will take time in 2026 to be sure the recovery takes hold and as headline inflation falls towards 2%.
- Interest rates will remain stimulatory for all of 2026 and early 2027 and will drive a need for modestly restrictive conditions over 2028.
- We continue to assume a neutral OCR of 3.75%. Hence to achieve restrictive levels, the OCR will need to peak at 4.25% in early 2028.

### Official Cash Rate forecasts



### Picking up speed.

Westpac's inaugural 2026 *Economic Overview* will be released early Thursday morning. These forecasts depict an improved economic outlook for 2026 and beyond as the combination of low interest rates, strong commodity returns and a supportive exchange rate drive above trend growth in 2026 and 2027.

It now appears that, if recent growth trends are sustained, excess capacity in the economy will be exhausted more quickly and that the output gap will be closed by early 2027. The unemployment rate should accordingly be noticeably lower and below 5%.

Inflation remains too high but should fall over 2026 as factors that boosted inflation in 2025 – especially higher food and petrol prices – rise more slowly in 2026. But underlying inflation pressures remain persistent and should leave the RBNZ progressively less comfortable in maintaining stimulatory interest rates as 2026 wears on.

We think the prospect of declining headline inflation will give the RBNZ cover to leave the OCR on hold for most of

2026 so they can take the maximum time to assess the strength and durability of the economic recovery. But once they have achieved confidence that above trend growth will endure through 2026, it will be time to act and return the OCR to more neutral levels.

The RBNZ sees the neutral OCR in the 3-3.5% range while Westpac sees a 3.75% neutral OCR. Hence any way you cut it, there will be quite a bit of action required to even achieve neutral levels from December 2026. Fast action will be required given excess capacity should be exhausted by then.

Hence, we have revised up our view of how quickly the RBNZ will lift the OCR over 2027. We expect a standard cycle where the OCR is raised by 25bp at each meeting from February to September 2027, by which time the OCR will have reached our view of the neutral OCR.

From September 2027 we see a slower pace of OCR increases as at this stage policy will be moving into restrictive territory. We think at this point just modestly restrictive interest rates of around 4.25% will be ultimately required to keep inflation close to 2%. We see the OCR remaining at 4.25% over 2028 before returning to a neutral 3.75% setting in 2029.

More details on our new macroeconomic outlook will be available in our February *Economic Overview*, which will be released at 5am Thursday 12 February NZT.



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