



WEEKLY ECONOMIC COMMENTARY



8 Sep 2025 | Westpac Economics Team | westpac.co.nz/economics | economics@westpac.co.nz

Reforms that a new RBNZ Governor might consider.

It appears that the appointment process for a new permanent Governor of the RBNZ is well advanced and an announcement might arrive within the next few weeks. With this in mind, last week we thought it was timely to issue a report canvassing some of the **reform opportunities that the incoming Governor may wish to consider** advancing with the Minister of Finance, to increase the transparency and accountability of monetary policy implementation. We also mooted a potential change to the inflation target itself.

Boosting transparency and accountability.

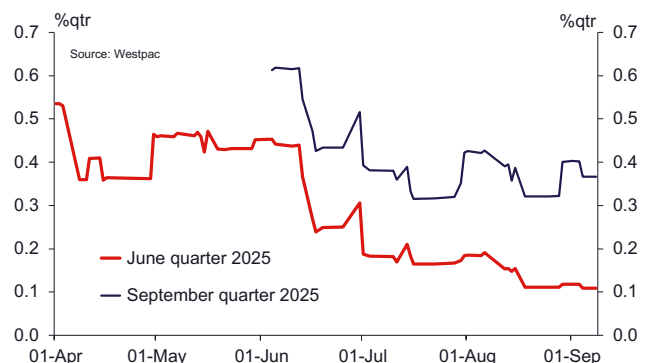
We think there are several reforms that could boost the transparency and accountability of monetary policy implementation.

Introducing regular votes at the MPC: Currently, the RBNZ MPC has held formal votes only on three occasions: May 2023, May 2025 and August 2025. On other occasions, the meeting's Statement of Record has indicated that various options were debated, but a desire to forge and present consensus meant that no formal votes were held. This lack of regular, publicised voting means market participants and the public are often left to infer the preferences and convictions of committee members from sometimes ambiguous meeting summaries. The US Fed, the Bank of England (BoE), the Bank of Japan (BoJ), and Sweden's Riksbank all conduct formal votes – with attribution – at their policy-setting meetings. Norway's Norges Bank also holds votes, though it sometimes withholds disclosure of individual votes. The Bank of Canada, the Reserve Bank of Australia (RBA), and the European Central Bank (ECB) usually do not hold votes, although the RBA did conduct a formal vote at their May 2025 Statement of Monetary Policy meeting.

Key views

	Last 3 months	Next 3 months	Next year
Global economy	→	↘	→
NZ economy	↘	↗	↗
Inflation	↗	↗	↘
2 year swap	↘	→	↗
10 year swap	↘	→	↗
NZD/USD	→	→	↗
NZD/AUD	↘	↘	↘

Westpac GDP nowcasts



Key data and event outlook

Date	Event
16 Sep 25	NZ Selected price indexes, August
17 Sep 25	FOMC meeting (18 Sep NZT)
18 Sep 25	NZ GDP, June quarter
30 Sep 25	RBA Monetary Policy Decision
7 Oct 25	NZ QSBO Business Survey, September quarter
8 Oct 25	RBNZ OCR Review
16 Oct 25	NZ Selected price indexes, September
20 Oct 25	NZ CPI, September quarter
29 Oct 25	FOMC meeting (30 Oct NZT)
4 Nov 25	RBA Monetary Policy Decision

We think regular, publicised votes at every Official Cash Rate (OCR) review would significantly enhance the transparency of the RBNZ's decision-making.

Publicising MPC members' voting choices: While the Governor has noted, as in the August 2025 Monetary Policy Statement press conference, that members are free to "out themselves" if they wish to make their voting choice known, no member has ever chosen to do so. So, a logical extension to regular voting is the public disclosure of which options individual MPC members voted for (the current MPC Charter requires such votes to be unattributed). Currently, the anonymity of committee members' votes may be intended to foster frank debate and shield members from external pressure. However, international experience suggests that publicising individual votes can strengthen institutional credibility and foster more robust policy debate. The Fed and BoE, for instance, have successfully balanced transparency with the protection of individual reputations, and their example underscores the value of openness. By making individual votes public, the RBNZ would give New Zealanders a clearer picture of how monetary policy decisions are reached, who holds minority viewpoints, and how the balance of opinion may shift over time. This would also allow policymakers to be held to account for their decisions and rationales, ultimately strengthening the credibility of the institution.

Enhancing information on the range of Committee views: Another area ripe for reform is the communication of the diversity of views among MPC members regarding the balance of risks around the RBNZ's forecasts. The MPC process already collects views from members on the extent of risk – both upside and downside – perceived ahead of final discussions and again after the decision is made. But we think the RBNZ could usefully go further. For example, the material published quarterly by the Fed, including histograms capturing meeting participants' sense of the balance of risk around key forecast variables, provides valuable information not conveyed in the baseline forecast. Publishing some of this information would be valuable. It would enable markets and the public to identify the most salient areas of perceived risk around the forecasts, enhancing their ability to anticipate changes in the MPC's thinking and reducing the likelihood of unexpected policy shifts. Changes to the MPC Charter may be required to facilitate these kinds of disclosures.

Press conferences to follow every MPC meeting: At present, the RBNZ only holds press conferences when a Monetary Policy Statement (MPS) is produced. This is out of step with many central banks, including the Fed, the ECB, the BoJ and the RBA, which hold press conferences following every policy decision. Additional press conferences at the inter-MPS meetings would add to the transparency of monetary policy, providing interested observers with additional information about the factors driving the Bank's decisions and additional opportunities

for the media to hold the RBNZ to account on behalf of the New Zealand public.

Increasing opportunities for MPC member speeches:

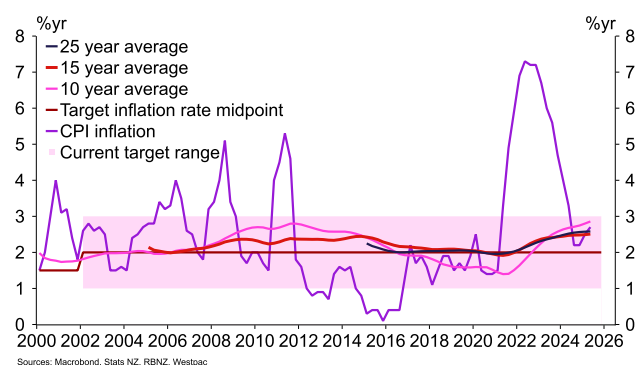
Currently, there is limited visibility regarding the views of external (non-RBNZ) MPC members on the economic outlook and the priorities for monetary policy. To further boost transparency, there is significant value in hearing more regularly from these members, as their perspectives can illuminate the range of thinking within the MPC and highlight key issues for markets and the public. Encouraging more frequent speeches by MPC members would enhance transparency and allow for a broader exchange of ideas. Of course, there may be practical considerations: some members might require additional analytical support or paid hours to prepare speeches, particularly if their other professional obligations are significant.

Expanding the number of OCR reviews: The scheduling of OCR reviews is an active issue, with the MoF having signalled a desire to shorten the lengthy gap between the current November and February meetings. Expanding the number of OCR reviews in the annual schedule would reduce this gap and allow for a more consistent flow of information and decision-making. Ideally, the MPS's would revert to the March, June, September, and December cadence, with Monetary Policy Reviews fitted in between these meetings. The RBNZ has already announced OCR review dates up to mid-2026, so any changes to the schedule could be implemented relatively quickly and communicated well in advance.

Revisiting the policy target.

A more contentious question the incoming Governor could consider is whether to revisit the RBNZ's inflation target. Over the past two decades, the RBNZ has struggled to consistently achieve its target. Inflation has averaged around 2.6% over the last 25 years – although CPI inflation has been above and below 2% around 50% of the time.

Inflation target vs average inflation



This historical record suggests that the 2% midpoint target has been challenging to meet – mainly because

inflation has tended to rise further above the 2% mid-point compared to periods when it has been lower than 2%. Public expectations of inflation tend to be above the target, and often higher than measured inflation itself. While New Zealand's target falls within the norms of advanced economies, it is worth noting that Australia's target is specified around a midpoint of 2.5%. Aligning the target with historical outcomes and regional norms could be sensible.

A 2.5% inflation target (perhaps expressed as a 2-3% range, to align with the RBA's target) might better match New Zealand's historical capacity to deliver price stability and bring expectations closer to reality. Now that inflation is within the 1-3% target range, a change would be easier to justify and implement. Such an adjustment would require changes to the MPC's Remit and as such require endorsement by the MoF. Raising the mid-point of the inflation target would need to be matched with increased focus on the MPC to ensure the future average inflation rate doesn't drift higher with the target midpoint.

Last week's key data.

Last week's limited dataflow was mostly second tier. Dwelling consents rebounded in July and so remain in an 18-month long sideways trend. The volume of building construction activity fell 1.8%q/q in Q2, only slightly weaker than we were expecting, led by a decline in residential building following a surprising increase in Q1. News from the housing market suggested that buyers retain the upper hand, with Cotality reporting a further modest decline in house prices in August (to a two-year low). International trade data confirmed a solid lift in the terms of trade in Q2, but also a 4%q/q decline in export volumes following a similar-sized increase in Q1. The latest GDT dairy auction resulted in a 4% decline in overall prices and about a 5% decline in the key milk powder products. We have been anticipating some further decline in prices from the highs seen around the turn of the year and so the latest outcome remains consistent with our forecast payout to farmers for this season. Finally, and perhaps of greatest interest, was the revision to historical import data that came with this week's trade release. We discuss this further in this week's *Chart of the week*.

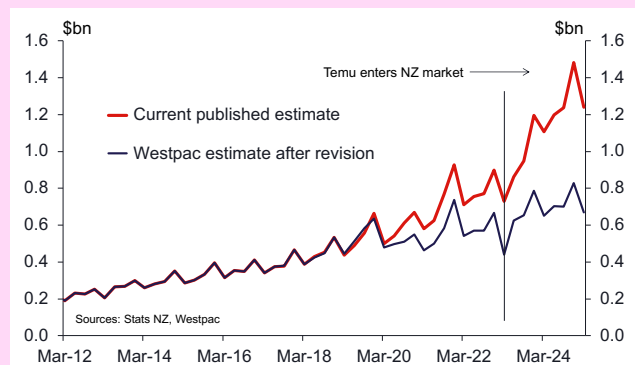
Kelly Eckhold, Chief Economist

Chart of the week.

Last week Stats NZ published international trade data for the June quarter. Aside from the confirmation that the terms of trade had improved, a notable feature of that report was some large revisions to historical data, especially to estimates of the value of imports of low value goods (goods valued at less than \$1,000, excluding GST). Stats NZ now think that the growth recorded in recent years, especially since the arrival of Temu to New Zealand in 2023, has been overstated. Indeed, the figures revised last week imply that low value imports in the March 2025 quarter were just over half as large as estimated previously. This is because Stats NZ previous methodology, largely based on the volume of parcels arriving in New Zealand, didn't factor the decline in the average value of those parcels.

These revisions will have implications for the Balance of Payments and National Accounts releases later this month. On its own, the reduction in imports will lower the annual current account deficit by around 0.5ppts of GDP (it stood at 5.7% of GDP in the March quarter). Positive revisions to net exports of services (of much smaller magnitude) will push in the same direction, while impending annual benchmark revisions to investment income flows could go in either direction. With household consumption to be revised down by the same magnitude as imports, there will be no impact on GDP but recent growth in household spending will be revised downwards. At the margin this may play to the RBNZ's narrative concerning weakness in the household sector.

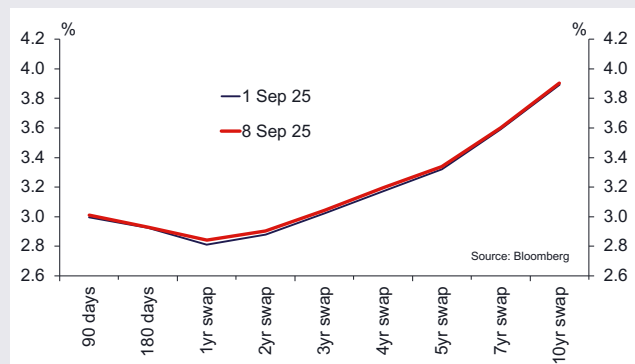
Low value imports, per quarter



Fixed versus floating for mortgages.

The RBNZ has signalled the likelihood of further rate cuts and we're forecasting the cash rate to bottom at 2.5% later this year. Most fixed-term mortgage rates are now under 5%, reflecting the recent falls in wholesale rates. Very short-term mortgage rates may fall slightly if the RBNZ cuts the OCR again, but they remain above current longer term fixed rates. At current rates, fixing for longer periods of two to three years looks attractive.

NZ interest rates



Global wrap

North America.

Non-farm payrolls disappointed again in August, with a rise of just 22k against an average market forecast of 75k. The previous two months were revised down by 21k (turning the June result slightly negative). A sharp drop in net migration into the US means that the 'breakeven' level for jobs growth relative to population growth has fallen substantially compared to previous years. Even so, these results point to a softening labour market, as demonstrated by the rise in the unemployment rate to 4.3%, the highest reading since late 2021. The August CPI (Thursday night) is expected to see a further uptick on an annual basis as the passthrough from tariffs becomes more apparent. However, the Fed is likely to look through this and deliver a rate cut at its 18 September review.

Asia-Pacific.

Australian GDP rose 0.6% in the June quarter, lifting the annual growth rate to 1.8%. The details suggest that the economy is successfully pivoting back to growth led by private sector demand, as public sector demand retreats from its highs. Household spending was the main driver, up 0.9%qtr and 2.0%yr, supported by continued gains in wages, moderating inflation, shrinking interest bills and tax relief. Residential investment rose 0.4% for the quarter to be up 4.8% in annual terms. There remains a healthy pipeline of consented projects to work through; conditions are becoming more supportive as cost pressures ease and homebuyer sentiment strengthens. The latest Cotality data showcased another solid gain for house prices in August, up 0.8% (3.6%yr), highlighting the positive impetus that rate cuts have provided.

Japan's Prime Minister Ishiba resigned over the weekend, following a parliamentary election in July where his coalition failed to secure a majority. Ishiba was regarded as fiscally conservative; his successor may be more inclined to borrow and spend at a time when government debt is already high and core inflation is rising again.

Europe.

The flash estimate of euro zone inflation printed at 2.1%yr in August, the sixth consecutive read within 0.2ppts of the ECB's 2% target, while the unemployment rate remained at historic lows in July, printing at 6.2%. Both results were in line with market forecasts. The ECB is universally expected to keep its policy rate on hold again at this week's meeting (Thursday night). In the UK, monthly GDP for July (Friday night) is expected to be flat, following a 0.4% bounce in June.

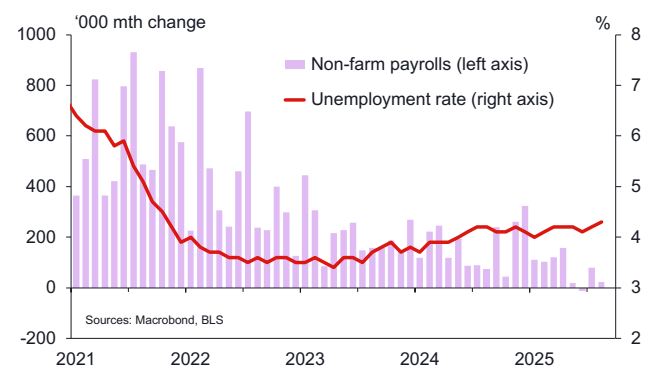
Trading partner real GDP (calendar years)

	Annual average % change			
	2024	2025	2026	2027
Australia	1.0	1.6	2.1	2.4
China	5.0	5.0	4.6	4.5
United States	2.6	1.7	1.0	1.5
Japan	0.1	0.8	0.8	0.8
East Asia ex China	4.3	3.6	3.8	4.0
India	6.5	6.3	6.4	6.3
Euro Zone	0.9	1.2	1.1	1.5
United Kingdom	1.1	1.3	1.3	1.5
NZ trading partners	2.9	2.7	2.6	2.8
World	3.3	3.1	3.0	3.2

Australian & US interest rate outlook

	5 Sep	Sep-25	Dec-25	Dec-26
Australia				
Cash	3.60	3.60	3.35	2.85
90 Day BBSW	3.58	3.55	3.30	2.95
3 Year Swap	3.40	3.35	3.45	3.85
3 Year Bond	3.48	3.40	3.50	3.90
10 Year Bond	4.35	4.25	4.30	4.60
10 Year Spread to US (bps)	19	-10	-10	-15
US				
Fed Funds	4.375	4.125	3.875	3.875
US 10 Year Bond	4.16	4.35	4.40	4.75

US non-farm payrolls and unemployment rate



Australian GDP growth



Financial markets wrap

Foreign exchange.

NZD/USD spent the past two weeks recovering from 0.5800 to 0.5920, mainly due to the US dollar remaining under downward pressure. Concerns about Fed independence and expectations of further Fed easing have remained intact, the latter strengthened by Friday's weak US payrolls data.

There will be more important US data to watch this week, with Thursday's CPI inflation report at the fore. NZ data will be second tier, but still worth watching, with GDP partials, retail sales, and PMIs on tap.

NZD/USD could rise slightly further this week, to 0.5950. Above that, 0.6000 should provide resistance. Longer term, over the next 1-2 months, we remain slightly bearish, seeing potential for 0.5800 to be retested as the RBNZ's projected rate cuts occur (they have not yet been fully priced).

NZD/AUD's large decline since April looks mature, and while there's scope for a final thrust lower to the 0.8900 area multi-week, a corrective bounce to around 0.9100 is warranted during the next few months. The main driver has been the contrasting stances of the RBA and RBNZ – the former measured, the latter more emphatic, but these are now largely priced in.

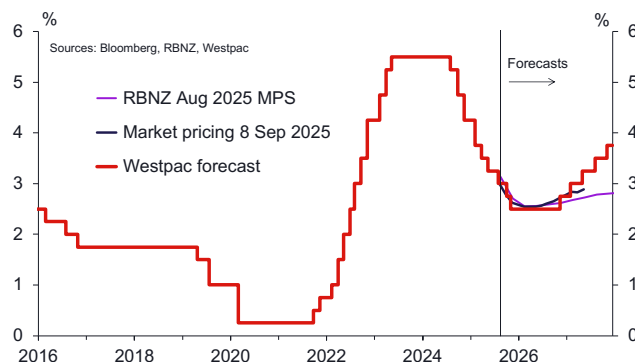
Interest rates.

The downward trend in the NZ 2yr swap rate, which started in 2023 likely has only slightly further to run. The cycle low so far is 2.85%, and it could extend to 2.80% during the weeks ahead because the October and November meetings are not yet fully priced, despite the RBNZ forecasting a 25bp cut at each of those meetings.

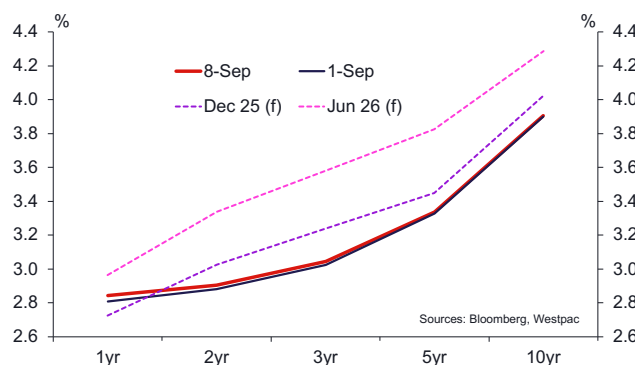
OIS prices imply an 85% chance of a rate cut at the next meeting in October, and a 70% chance at the November meeting. Although the OIS market does price a 2.50% OCR low, it's not until May 2026. Thus, we see potential for short maturity rates to drift lower.

The NZ yield curve steepened further last week, partly due to the dovish RBNZ and partly due to the US steepening trend. The 2-10yr swap curve reached 106bp but has retraced slightly to 100bp currently. While the curve is likely to remain steep in the near term, especially if markets fully price the next two RBNZ meetings, our longer-term expectation is for a flattening trend to start by year end in anticipation of the next RBNZ cycle.

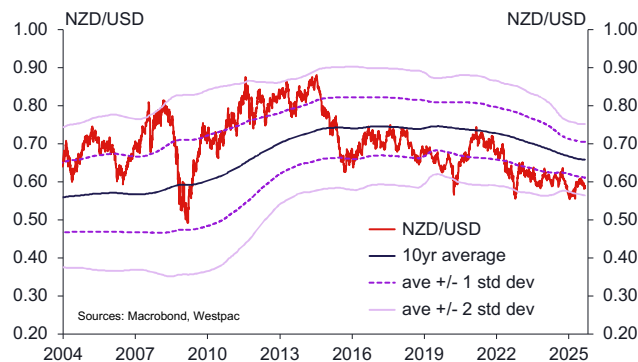
Official Cash Rate forecasts



Swap rates



NZD/USD vs rolling 10yr average



FX recent developments

	Historical data				F'cast
	Spot	3mth range	5yr range	5yr avg	Dec-25
USD	0.589	0.581-0.609	0.553-0.743	0.636	0.61
AUD	0.899	0.897-0.930	0.873-0.971	0.923	0.90
EUR	0.503	0.500-0.529	0.500-0.637	0.574	0.52
GBP	0.437	0.433-0.448	0.431-0.535	0.493	0.45
JPY	87.3	85.9-88.9	68.9-98.6	84.1	87.7

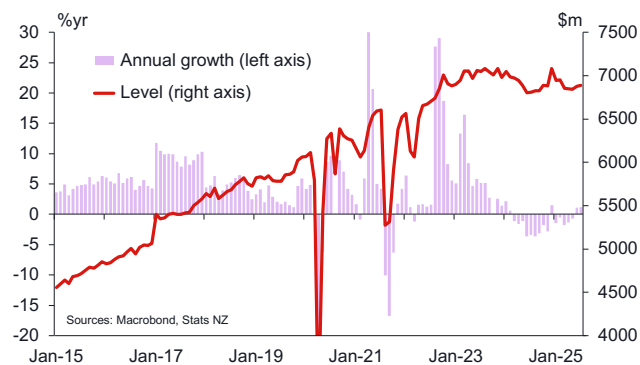
The week ahead

Aug Retail Card Spending

Sep 12, last: +0.2%, Westpac f/c: +0.3%

Retail spending rose 0.2% in July, mainly due to increased spending on groceries. However, rather than reflecting an increase in demand, much of that rise likely reflects the large price increases in recent months. Looking at discretionary categories (like furnishings and hospitality), spending levels have essentially been flat for the past four months. We're forecasting a 0.3% rise in retail spending in August, with continued increases in food prices again a key factor underpinning the increase in spending. However, with rising costs for essentials, spending in discretionary areas is expected to remain modest.

Monthly retail card spending

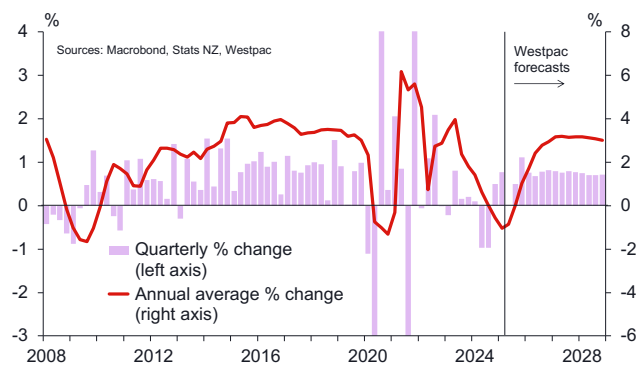


Economic and financial forecasts

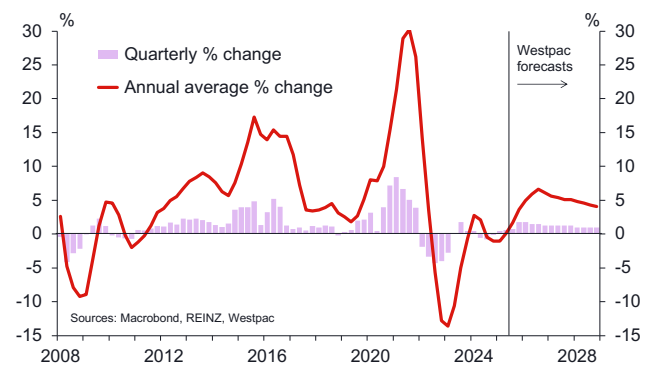
Economic indicators	Quarterly % change				Annual % change			
	Mar-25	Jun-25	Sep-25	Dec-25	2024	2025	2026	2027
GDP (production)	0.8	0.0	0.5	1.1	-1.3	2.4	3.1	3.2
Consumer price index	0.9	0.5	1.1	0.5	2.2	3.1	2.0	2.1
Employment change	0.0	-0.1	0.0	0.2	-1.2	0.2	2.5	1.9
Unemployment rate	5.1	5.2	5.3	5.3	5.1	5.3	4.6	4.2
Labour cost index (all sectors)	0.5	0.6	0.6	0.5	3.3	2.2	2.2	2.2
Current account balance (% of GDP)	-5.7	-5.1	-4.6	-4.5	-6.1	-4.5	-5.0	-4.8
Terms of trade	2.0	4.1	-1.1	-1.9	13.7	3.0	0.9	1.5
House price index	0.4	0.6	0.8	1.8	-1.1	3.6	6.1	5.1

Financial forecasts	End of quarter				End of year			
	Mar-25	Jun-25	Sep-25	Dec-25	2024	2025	2026	2027
OCR	3.75	3.25	3.00	2.50	4.25	2.50	2.75	3.75
90 day bank bill	3.86	3.38	2.80	2.60	4.45	2.60	2.95	3.85
2 year swap	3.46	3.18	2.90	3.00	3.64	3.00	3.70	4.00
5 year swap	3.71	3.56	3.30	3.45	3.73	3.45	4.15	4.25
10 year bond	4.63	4.57	4.40	4.50	4.51	4.50	4.85	4.95
TWI	67.8	69.1	69.1	69.2	69.5	69.2	69.1	68.9
NZD/USD	0.57	0.59	0.60	0.61	0.59	0.61	0.62	0.64
NZD/AUD	0.90	0.93	0.91	0.90	0.91	0.90	0.88	0.88
NZD/EUR	0.54	0.52	0.51	0.52	0.55	0.52	0.52	0.53
NZD/GBP	0.45	0.44	0.45	0.45	0.46	0.45	0.46	0.46

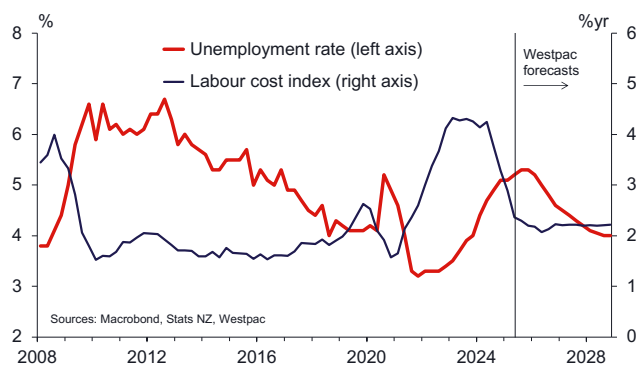
GDP growth



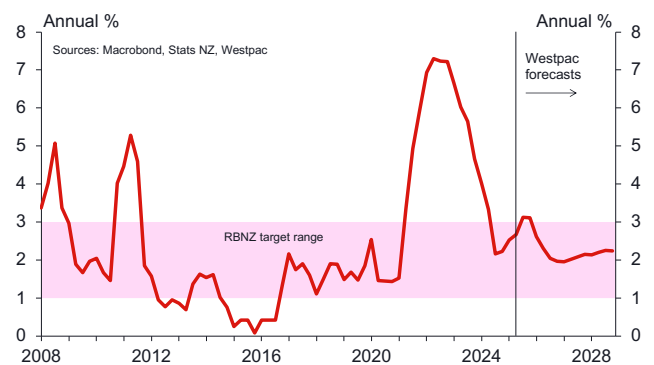
House prices



Unemployment and wage growth



Consumer price inflation



Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
Mon 08					
Jpn	Q2 GDP, %qtr	0.3	0.3	–	Final estimate, likely to confirm the preliminary reading.
	Jul Current Account Balance, ¥bn	2398	2556	–	Volatile series, expected to go back up.
Chn	Aug Trade Balance, US\$bn	98.2	97.5	–	Non-US markets supporting exports.
Eur	Sep Sentix Investor Confidence, index	–3.7	–	–	The latest political and geopolitical developments in focus.
Ger	Jul Industrial Production, %mth	–1.9	–	–	Dropped to the post-pandemic low in June.
US	Jul Consumer Credit, \$bn	7.4	10	–	Fluctuating around a broadly stable trend.
Tue 09					
NZ	Q2 Business Financial Data, \$bn	–	–	–	Final inputs for Q2 GDP.
Aus	Sep Westpac-MI Cons. Sentiment, index	98.5	–	–	May finally bring to an end 42 months of pessimism.
	Aug NAB Business Conditions, index	5	–	–	Bucked the trend moving higher in the last couple months.
US	Aug NFIB Small Business Optimism, index	100.3	–	–	Mood has improved notable since the Liberation Day shock.
Wed 10					
NZ	Jul Net Migration, no.	1670.0	–	–	Holding at low but positive levels.
Chn	Aug PPI, %ann	–3.6	–2.9	–	Strong deflationary pressures relating to overcapacity...
	Aug CPI, %ann	0	–0.3	–	...keeping consumer prices broadly flat.
US	Aug PPI, %mth	0.9	0.3	–	Will be watched closely after a sharp increase in July.
Thu 11					
Aus	Sep MI Consumer Inflation Expectations, %	3.9	–	–	Continues to unwind.
Eur	ECB Policy Decision - Deposit Rate	2	2	–	No change expected, inflation broadly in line with the target.
US	Aug CPI, %mth	0.2	0.3	0.3	Core prices likely to rise 0.3% too, upside risks remain.
	Wkly Initial Jobless Claims, 000s	237	–	–	Consistent with broadly stable labour market conditions.
Fri 12					
NZ	Aug Manufacturing PMI, index	52.8	–	–	Has improved this year though still choppy.
	Aug Retail Card Spending, %mth	0.2	–	0.3	Growth in discretionary spending remains modest.
	Aug MBIE Online Job Ads, %mth	2.6	–	–	Modestly above the cycle low point in recent months.
Aus	RBA Speak	–	–	–	RBA's Jones in a panel discussion at The Regulators conf.
UK	Jul Monthly GDP, %mth	0.4	–	–	Unlikely to maintain growth pace seen in the prior month.
	Jul Trade Balance, £bn	–5015	–	–	Has been quite stable lately.
US	Sep Uni. of Michigan Sentiment survey, index	58.2	59.3	–	At very low levels historically.

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