



# WEEKLY ECONOMIC COMMENTARY



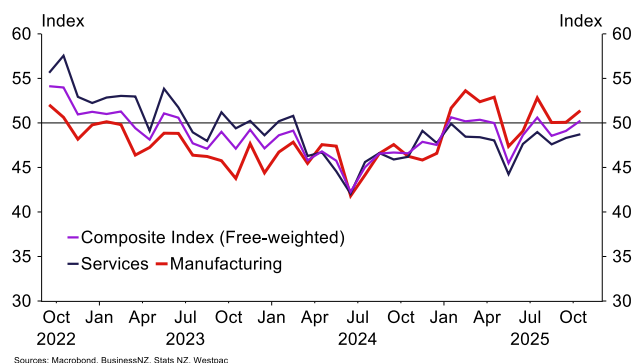
24 Nov 2025 | Westpac Economics Team | [westpac.co.nz/economics](https://westpac.co.nz/economics) | [economics@westpac.co.nz](mailto:economics@westpac.co.nz)

## Does the RBNZ feel the need to boost the run-rate?

Economic data continue to be mixed ahead of the last RBNZ interest rate meeting of 2025 later this week. Generally, the economic data seems to point to the RBNZ delivering a 25bp cut to 2.25%. But the pessimists on the MPC may want a 2% OCR to support the economy through the Christmas break. That shouldn't be ruled out.

The highlight of the New Zealand calendar this week will be the final RBNZ interest rate meeting of 2025 – which is also the final meeting that Governor Hawkesby will be involved in. Financial markets have settled on the expectation that **the RBNZ will deliver a 25bp cut to 2.25%** and we concur with that assessment as a central scenario. Beyond the 25bp cut, we expect the RBNZ to signal a conditional easing bias for early 2026 and the RBNZ's OCR projections to be revised down by around 30-35 basis points compared to their August projections. This would leave the low point in the RBNZ's projections at around 2.20% in the first half of 2026. Some move higher in the OCR should be evident in the RBNZ's projections through 2026 and 2027.

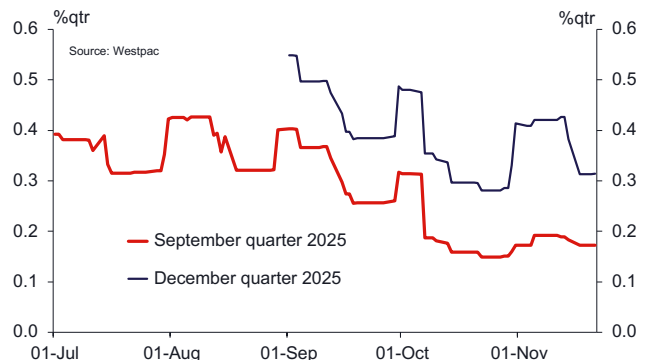
### Manufacturing and Services sector PMIs



### 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

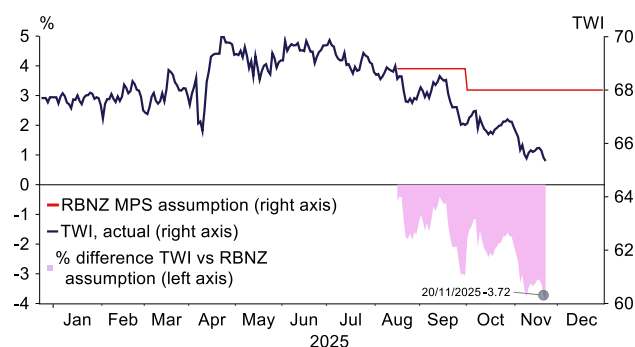


### Key data and event outlook

Date	Event
26 Nov 25	RBNZ OCR Review & Monetary Policy Statement
4 Dec 25	NZ Government accounts (4 months to October)
9 Dec 25	RBA Monetary Policy Decision
10 Dec 25	FOMC meeting (11 Dec NZT)
16 Dec 25	NZ Selected price indexes, November
16 Dec 25	Half Year Economic and Fiscal Update (HYEFU)
18 Dec 25	NZ GDP, September quarter
13 Jan 26 (tbc)	NZ QSBO Business Survey, December quarter
16 Jan 26	NZ Selected price indexes, December
22 Jan 26	NZ Government accounts (5 months to November)

We don't think the data alone will get the MPC to a track that's 50 basis points or lower than presented in August, as the data has not fallen all to one side. Recent weeks have seen some firm manufacturing PMI data, but a still weak services sector PSI. The most important weaker indicator in recent months was June quarter GDP, which **RBNZ Chief Economist Paul Conway described in an interview to Bloomberg** as "raising the possibility of a more prolonged period of excess capacity." Conway also indicated that he saw the 50bp cut in October as "offsetting" that weakness. Otherwise, the data seem consistent with continued below-trend growth, implying the RBNZ will continue to take a cautious view consistent with their nowcasts. On the inflation front **we revised down slightly our forecast for the Q4 CPI** in response to the softness in rents and some other areas. However, the exchange rate is noticeably weaker and will push prices higher in 2026. The RBNZ might also note the improved global economic outlook and reduced agricultural sector tariffs as helping to reduce the uncertainty that the MPC has worried about.

**NZ TWI vs RBNZ projections**



So, on balance the data likely points to just a 25bp cut, but how about strategy? The data can only take the RBNZ so far and the fog is dense – if only because **New Zealand's key economic statistics (such as GDP)** have significant shortcomings. External MPC member Gai has discussed **the case for incorporating uncertainty impacts on policy strategy** in an effort to boost the economy more effectively. He has also discussed **techniques for combating uncertainty** in a follow-up speech in recent weeks. Gai's comments make a case for taking aggressive action and by using scenario analysis to illustrate the data dependency in future policy. We think it's very likely we see some scenarios in the Monetary Policy Statement to illustrate some quite different policy paths in 2026.

On being aggressive, the choice is akin to the different batting approaches of two of New Zealand's finest test batsmen: Glenn Turner and Brendon McCullum. Is the best approach to take a Glenn Turner-esque methodical risk-averse approach, or the Brendon McCullum swashbuckling strategy and get down the wicket and play a big shot? For the RBNZ MPC we think the key question is

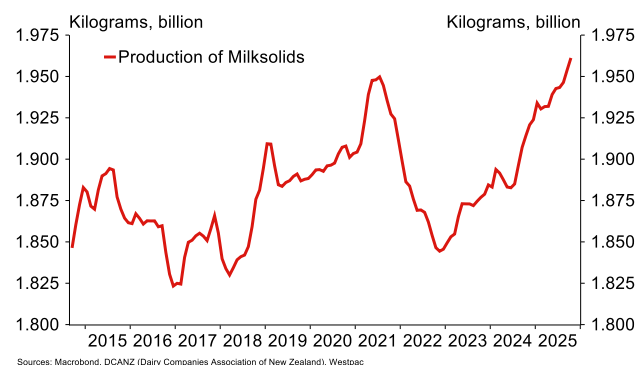
"Does the RBNZ think they will need to come back to cut rates more in 2026?" If so, then the case for coming down the pitch and cutting 50bp now will look compelling.

So, we can see that depending on how individual MPC members view the risks and the appropriate strategy, there could be potential for a split in views that we will be looking for in the statement of record. We expect the MPC to be debating between a 25 and 50bp cut at this meeting. A vote may be required if individuals have quite different ideas on the appropriate policy strategy.

While we see a 25bp cut and perhaps another 5bp of easing in the RBNZ OCR track as a central scenario, other outcomes are possible. A hawkish scenario, with a 5% probability, would see a 25bp cut and a flat OCR profile from here, suggesting the easing cycle is likely over outside of further negative shocks. A more dovish scenario (with a 25% probability) is a 50bp cut and projections of a flat to falling OCR profile through 2026. This latter dovish outcome would be the MPC seeing the recovery in growth as unconvincing and significant excess capacity driving inflation quickly to 2% and then lower. The implied easing bias would still be data-dependent, with the larger OCR cut marketed as helping to balance the risks that growth doesn't broaden through the summer trading period, thus keeping the RBNZ ahead of the curve.

Finally, there is potential for some evolution in the MPC's communication approach around individual members' views. The drums are beating for some changes in this area – and we note the Bank of England has just begun including short statements from each MPC member on their votes and views of the outlook. Innovation in this area would be in line with the approach the Swedish Riksbank already takes and is now mainstream globally. There's an opportunity for the RBNZ to get in front of the debate here and include more of this sort of detail in the Statement of Record – we look forward to that.

**Rolling annual total of New Zealand Milksolids production**

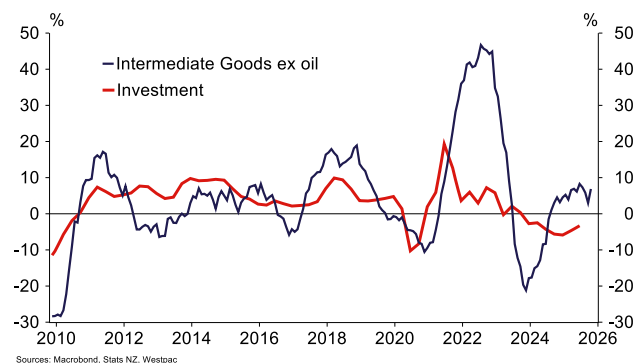


Other notable data last week includes the report on dairy production for October. These data showed dairy farmers continue to really milk it. Production has increased to a record high as farmers are working hard to optimise production volumes amid ongoing strong export prices.

This increased supply is weighing on prices. We saw another significant fall in dairy prices in the GDT auction where whole milk powder fell 1.9% and the broader GDT index fell 3%. These price trends add to the downside risks to our \$10/ kg forecast for the current season. We have those forecasts under review.

October trade data also showed a pickup in imports of intermediate goods, along with a lift in capital imports which points to firming investment appetites.

#### Imports of intermediate goods ex oil vs investment, y/y %



Finally, in the last few weeks we have been presenting our Economic Overview around the country and asking clients about their assessments of the outlook for the business environment, house prices and the labour market. These surveys indicate that most businesses retain a cautious outlook.

We notice that there are not yet strong signs of a pickup in hiring. Most firms seem happy with their current workforces or plan to use what they have more intensively.

#### How many staff do clients expect to have by mid 2026



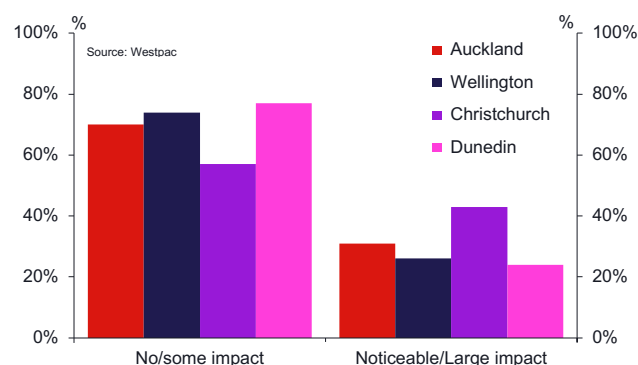
House prices are expected to rise, but at a moderate rate. Sentiment seemed stronger in the South Island consistent with 2025 trends.

#### Expectations for house prices in 2026 by region



And political risk does seem on the minds of businesses, although at this stage people don't see next year's election as a showstopper.

#### How much impact will next year's election have?

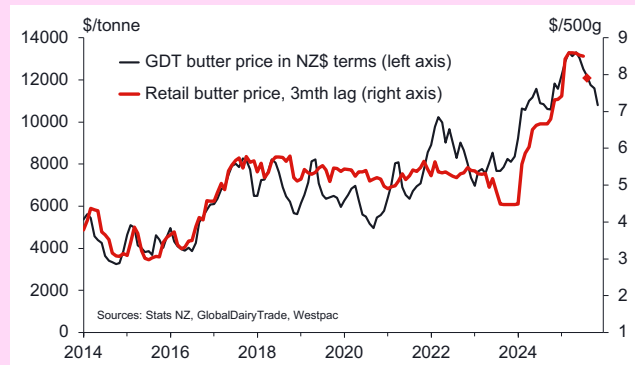


**Kelly Eckhold**, Chief Economist

## Chart of the week.

Dairy prices have fallen at the last seven GlobalDairyTrade auctions, with fats products such as butter leading the fall. We've previously noted that retail butter prices in New Zealand tend to follow the world price reasonably closely – with a lag of a few months – given that the same product can be sold either here or offshore. Last week's selected monthly prices release showed little movement in butter prices up to October, holding at \$8.50 for a 500g block. However, current pricing online is now around \$7.90, right in line with where our chart suggests that prices should be at this point. Further price falls seem likely in the next few months – though bearing in mind that world butter prices are still at the higher end of their historic range.

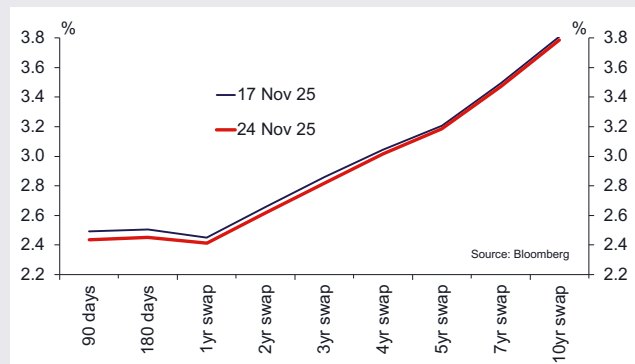
## Butter prices



## Fixed versus floating for mortgages.

The RBNZ has signalled the likelihood of further easing and we're now forecasting the cash rate to bottom at 2.25% later this year. Fixed-term mortgage rates have moved lower in recent weeks and 'special' rates (those for borrowers with at least a 20% deposit) are now under 5%, reflecting the recent falls in wholesale rates. Very short-term mortgage rates will likely fall slightly if the RBNZ cuts the OCR as we expect, 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

## US.

The delayed nonfarm payrolls report for September showed a 119k rise, partly offset by 33k of downward revisions for July and August. The 3-month average is now 62k, the top of the estimated range consistent with labour demand and supply being in balance. The unemployment rate rose from 4.3% to 4.4%, with participation rising by more than jobs. With the next employment report not available until after its 10 December policy meeting, we expect the Fed to remain on hold into year-end. The October FOMC minutes highlighted that participants “saw risks to both sides of the Committee’s dual mandate”, but “many” felt that “downside risks to employment had increased since earlier in the year”. At the time, members expected a further modest softening in the labour market, a view that is consistent with the September result. Fed speakers over the past week noted both the ongoing strength in inflation along with downside risks for the labour market. However, comments from influential member Williams were more supportive of a December rate cut.

## Australia.

The Q3 wage price index printed in line with market expectations, rising by 0.8% for the quarter (3.4%yr). Wage dynamics vary by sector, with private sector wage growth falling to its slowest pace in three years (3.2%yr) while public sector wage growth accelerated (4.3%yr). Outcomes also varied by bargaining stream, with the contribution from individual arrangements trending lower, while enterprise agreements added more. Data releases in the week ahead include the October CPI (Wednesday) – the first full monthly CPI, rather than the partial coverage that has been published to date. We expect a 0.1% rise for the month, which would lift the annual inflation rate from 3.5% to 3.9% due to a soft October 2024 result dropping out. We’ll also see some of the partial indicators for September quarter activity, ahead of the GDP release next week.

## Europe.

UK and euro area inflation both printed in line with market expectations. UK annual inflation eased from 3.8% to 3.6%; while it remains above target, the Bank of England is becoming more confident that the downtrend in inflation will resume. Euro area inflation held steady at 2.1%yr.

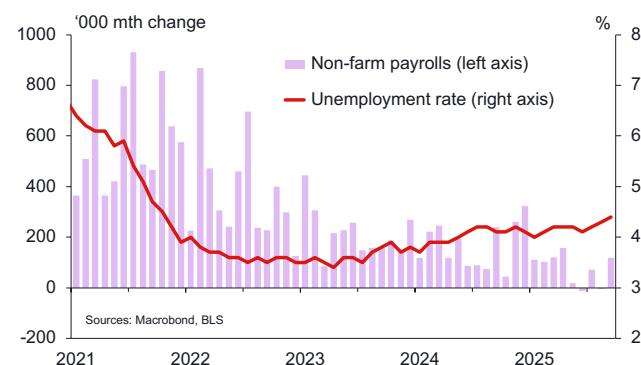
Trading partner real GDP (calendar years)

	Annual average % change			
	2024	2025	2026	2027
Australia	1.0	1.8	2.4	2.5
China	5.0	4.8	4.6	4.5
United States	2.8	1.9	1.3	1.6
Japan	0.1	1.1	0.8	0.8
East Asia ex China	4.3	3.7	3.8	4.0
India	6.5	6.6	6.4	6.3
Euro Zone	0.8	1.4	1.1	1.4
United Kingdom	1.1	1.5	1.1	1.5
NZ trading partners	2.9	2.8	2.7	2.8
World	3.3	3.2	3.1	3.2

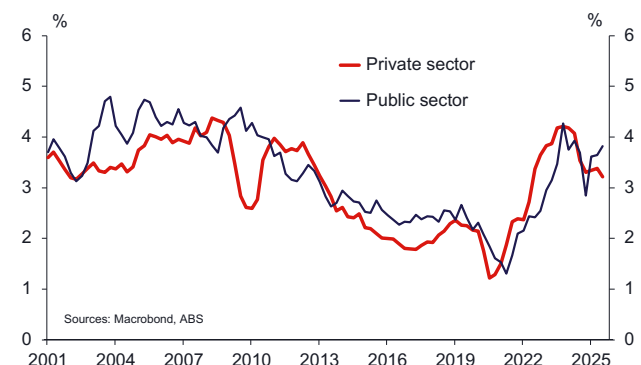
Australian & US interest rate outlook

	21 Nov	Dec-25	Dec-26	Dec-27
<b>Australia</b>				
Cash	3.60	3.60	3.10	3.10
90 Day BBSW	3.65	3.65	3.15	3.20
3 Year Swap	3.73	3.55	3.70	4.00
3 Year Bond	3.74	3.60	3.75	4.00
10 Year Bond	4.45	4.35	4.50	4.60
10 Year Spread to US (bps)	36	20	10	0
<b>US</b>				
Fed Funds	3.875	3.875	3.375	3.375
US 10 Year Bond	4.09	4.15	4.40	4.60

US nonfarm payrolls and unemployment rate



Australian wage price index



# Financial markets wrap

## Foreign exchange.

NZD/USD fell further last week to 0.5581 – its lowest level since April. This week, we expect it to initially consolidate around 0.5600, with potential to probe lower.

Last week's catalyst for the fall in NZD/USD was news that US payrolls data for October would not be released, causing markets to speculate the Fed would not cut rates in December in the absence of this important data. However, on Friday a key member of the FOMC – Williams – hinted at a December rate cut, leaving the US dollar to consolidate at its recent high.

There will be major NZ event risk this week from the RBNZ MPS on Wednesday. A 25bp OCR cut is widely expected, so any surprise will likely come from the guidance, be it written, spoken in the press conference, or revealed via the OCR forecast. For example, any hints that 2.25% is likely to be the cycle low would cause the NZD to rise.

NZD/AUD spent last week consolidating after its fall to 0.8594 – lowest since 2012. More of the same, around 0.8700, is likely absent surprises from the RBNZ or AU CPI data. Multi-month, we remain bearish, as the broad theme of AU economic outperformance is likely to remain intact.

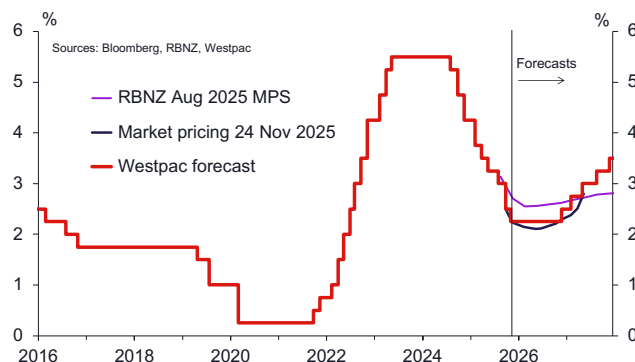
## Interest rates.

The NZ 2yr swap rate last week continued to consolidate above its mid-October (and possible cycle) low of 2.44%, mostly following minor movements in US and AU interest rates. This week, the RBNZ MPS on Wednesday will be the main driver.

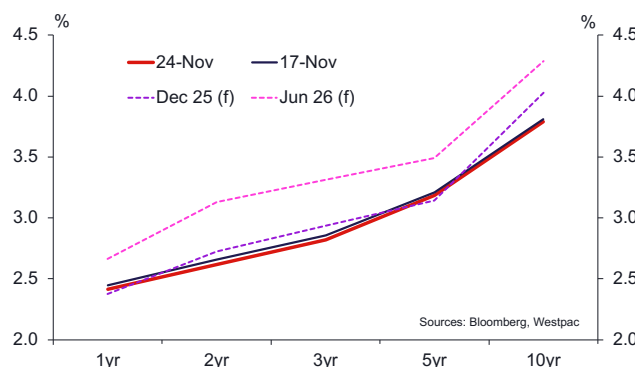
The OIS market continues to fully price a 25bp cut to 2.25% at the next RBNZ meeting on 26 November, and assigns only a 10% chance to a larger 50bp cut. For the remainder of this easing cycle, it assigns around a 60% chance to a final 25bp cut to 2.0% by May 2026.

A market-neutral outcome on Wednesday would be a shift in the RBNZ's OCR forecast low point from 2.55% to around 2.15% - not too different to market pricing. A hawkish outcome would be a low point around 2.25%, which would indicate little chance of further easing.

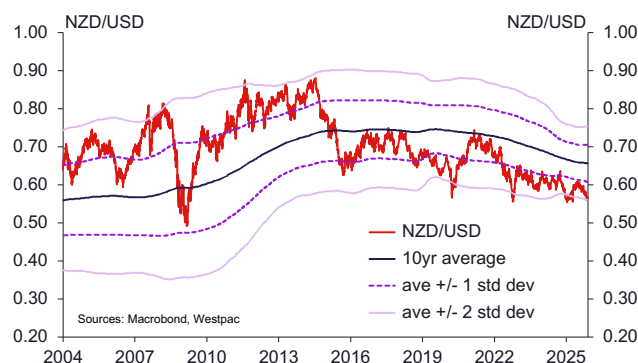
### Official Cash Rate forecasts



### Swap rates



### NZD/USD vs rolling 10yr average



### FX recent developments

	Historical data				F'cast
	Spot	3mth range	5yr range	5yr avg	Mar-26
USD	0.562	0.559-0.597	0.553-0.743	0.632	0.57
AUD	0.869	0.862-0.905	0.862-0.971	0.921	0.86
EUR	0.488	0.484-0.509	0.484-0.637	0.571	0.49
GBP	0.429	0.426-0.440	0.426-0.535	0.490	0.43
JPY	87.9	85.6-88.4	72.1-98.6	84.8	87.2



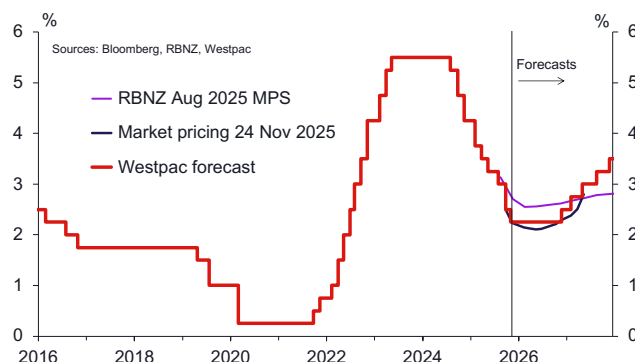
# The week ahead

## Nov RBNZ Monetary Policy Statement

**Nov 26, last: 2.50%, Westpac f/c: 2.25%, Market: 2.25%**

We expect the RBNZ will deliver a 25bp cut in the OCR to 2.25%. That will be accompanied by a downward revision in the projected OCR track of around 30-35bp, with a low point in the projection of around 2.20% in the first half of 2026. The implication is a mild and data-dependent easing bias for next year. The key judgements are likely around the extent of excess capacity, the short-term growth profile, the short-term inflation profile and the extent of anchoring of inflation expectations. A vote at this meeting is possible should members have very different ideas of the current policy strategy. The choice would be between a 25 and 50bp cut.

## Official Cash Rate forecasts

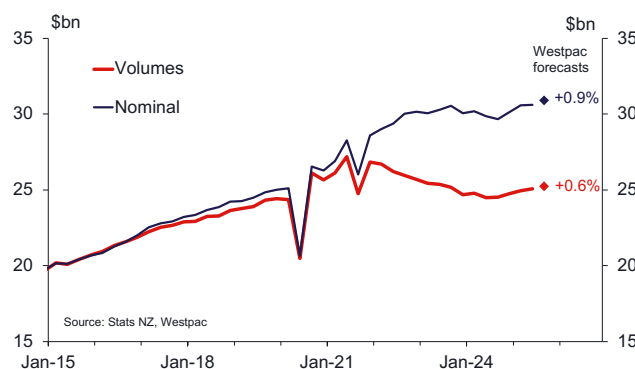


## Q3 Retail Spending

**Nov 27, volumes – last: +0.5%, Westpac f/c: +0.6%**

Retail spending rose 0.5% over the June quarter, its third increase in a row. We expect that trend to continue through the September quarter. We're forecasting a 0.6% rise in the volume of goods sold, including a 0.4% lift in the 'core' categories (which exclude fuel and motor vehicle purchases). That sort of lift would be in line with monthly spending updates. But while spending did show signs of firming through mid-2025, recent updates indicate that the momentum in spending has eased as we've moved into the final part of the year.

## NZ retail spending volumes

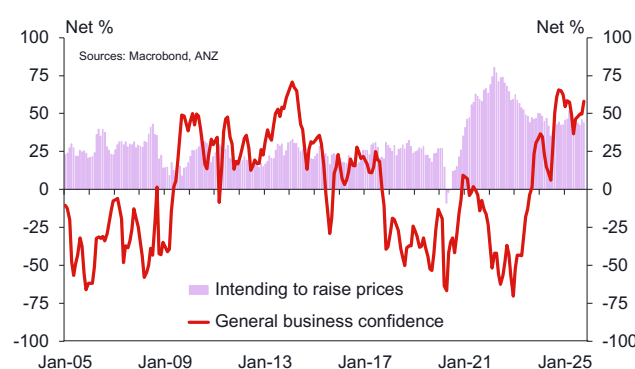


## Nov ANZ Business Confidence

**Nov 27, Last: 58.1**

The October survey showed a solid rise in general business sentiment following the RBNZ's larger 50bp OCR cut that month, but only modest gains among the more detailed questions. While the movement for the month may not seem like a ringing endorsement of the RBNZ's efforts to provide a "circuit breaker", this survey has always reported high levels of confidence throughout 2025, and was only slightly dented by the US tariff announcement in April. Despite their confidence in the outlook, firms continue to report that current conditions are tough – and year-ago comparisons are getting harder now, as there was a pickup in activity in late 2024. The cost and pricing measures of the survey have been rangebound over the last year or so, but are worth keeping an eye on as the depreciation of the NZ dollar becomes significant.

## Business confidence and pricing intentions



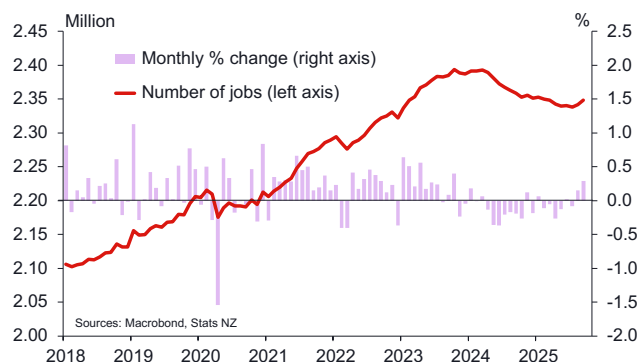
# The week ahead

## Oct Monthly Employment Indicator

Nov 28, Last: +0.3%, Westpac f/c: 0%

The Monthly Employment Indicator showed a 0.3% rise in filled jobs in September, the most positive result since October 2023 (which itself was boosted by temporary hires for the general election). However, the MEI is typically overstated on the first release, due to incomplete information at month-end. We expect the September result will ultimately be revised down to around flat, putting it in line with the previous few months. The weekly snapshots provided by Stats NZ have remained subdued in recent weeks, at a time when we normally see a seasonal lift in hiring. We expect the October MEI to print close to flat initially, possibly revised to a minus in future releases.

Monthly Employment Indicator filled jobs



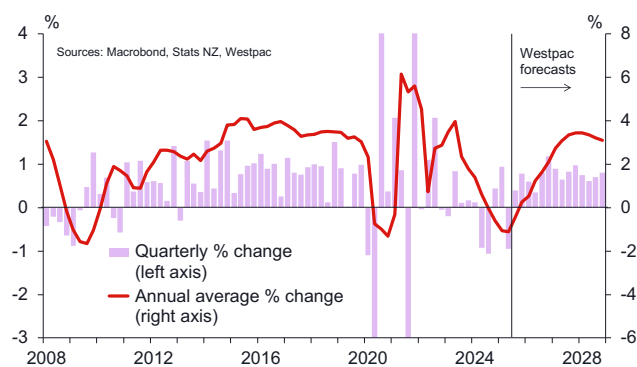


# Economic and financial forecasts

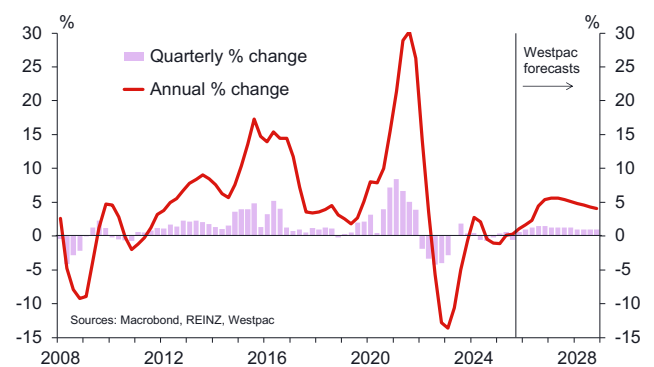
Economic indicators	Quarterly % change				Annual % change			
	Jun-25	Sep-25	Dec-25	Mar-26	2024	2025	2026	2027
GDP (production)	-0.9	0.4	0.8	0.6	-1.4	1.2	3.0	3.4
Consumer price index	0.5	1.0	0.3	0.4	2.2	2.8	2.2	2.1
Employment change	-0.2	0.0	0.2	0.4	-1.2	-0.1	2.3	2.2
Unemployment rate	5.2	5.3	5.4	5.4	5.1	5.4	4.9	4.3
Labour cost index (all sectors)	0.6	0.4	0.5	0.5	3.3	2.1	2.3	2.2
Current account balance (% of GDP)	-3.7	-3.5	-3.5	-3.6	-4.7	-3.5	-4.2	-4.0
Terms of trade	4.1	1.0	-0.9	0.4	13.7	6.2	3.2	2.3
House price index	0.6	-0.5	0.6	1.0	-1.0	1.1	5.4	5.1

Financial forecasts	End of quarter				End of year			
	Jun-25	Sep-25	Dec-25	Mar-26	2024	2025	2026	2027
OCR	3.25	3.00	2.25	2.25	4.25	2.25	2.50	3.50
90 day bank bill	3.38	3.10	2.35	2.35	4.45	2.35	2.70	3.70
2 year swap	3.18	2.99	2.65	2.90	3.64	2.65	3.55	4.00
5 year swap	3.56	3.40	3.15	3.30	3.73	3.15	3.90	4.25
10 year bond	4.57	4.42	4.15	4.30	4.50	4.15	4.70	4.95
TWI	69.1	68.4	66.3	66.1	69.5	66.3	68.4	70.6
NZD/USD	0.59	0.59	0.57	0.57	0.59	0.57	0.61	0.65
NZD/AUD	0.93	0.91	0.87	0.86	0.91	0.87	0.87	0.89
NZD/EUR	0.52	0.51	0.49	0.49	0.55	0.49	0.51	0.54
NZD/GBP	0.44	0.44	0.43	0.43	0.46	0.43	0.45	0.47

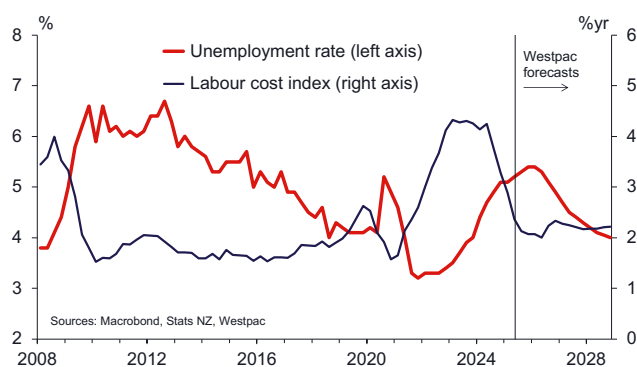
GDP growth



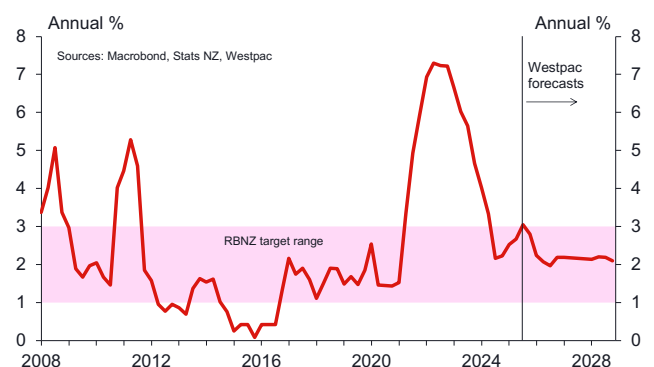
House prices



Unemployment and wage growth



Consumer price inflation



# Data calendar

		Last	Market median	Westpac forecast	Risk/Comment
<b>Mon 24</b>					
<b>Ger</b>	Nov IFO Business Climate Survey, index	88.4	–	–	Despite weak conditions, businesses are bullish on outlook.
<b>US</b>	Oct Chicago Fed Activity Index, index	–0.12	–	–	Data previously delayed by government shutdown.
	Nov Dallas Fed Manufacturing Survey, index	–5	–	–	Regional manufacturing surveys remain very volatile.
<b>Tue 25</b>					
<b>US</b>	Sep Retail Sales, %mth	0.6	–	–	Data previously delayed by government shutdown.
	Sep PPI, %mth	–0.1	–	–	Data previously delayed by government shutdown.
	Aug Business Inventories, %mth	0.2	–	–	Data previously delayed by government shutdown.
	Sep S&P Cotality CS Home Price Index, %mth	0.19	–	–	Affordability remains a looming constraint on price growth.
	Nov Richmond Fed Manufacturing Index, index	–4	–	–	Regional manufacturing surveys remain very volatile.
	Nov Conf. Board Consumer Confidence, index	94.6	93.3	–	Present situation souring, expectations looking shaky.
	Oct Pending Home Sales, %mth	0	–	–	Contract signings slowly trending higher.
<b>Wed 26</b>					
<b>NZ</b>	RBNZ Policy Decision	2.5	2.25	2.25	RBNZ to maintain modest data-dependent easing bias.
<b>Aus</b>	Oct Monthly CPI, %ann	3.5	3.5	3.9	Falling electricity and rents limiting the monthly increase.
	Q3 Construction Work Done, %qtr	3	0.3	–1.1	Mining-related infrastructure spike set to unwind.
	RBA Head of International Dept	–	–	–	Smith speaking at securitisation conference.
<b>US</b>	Wkly Initial Jobless Claims, 000s	220	–	–	No signs of material job shedding.
	Sep Durable Goods Orders, %mth	2.9	–	–	Core orders tracking gradual uptrend.
	Nov Chicago PMI, index	43.8	–	–	Points to downside risk around activity.
	Nov Federal Reserve's Beige Book	–	–	–	Qualitative update on conditions across the regions.
<b>Thu 27</b>					
<b>NZ</b>	Q3 Real Retail Sales, %qtr	0.5	0.6	0.6	Spending firmed through the middle part of the year.
	Nov ANZ Business Confidence, index	58.1	–	–	Headline measure rose strongly after the 50bp OCR cut.
<b>Aus</b>	Q3 Private New Capital Expenditure, %qtr	0.2	0.5	0.5	Growth led by structural industries, like IT and energy.
<b>Chn</b>	Oct Industrial Profits, %ann	21.6	–	–	Base effects to see growth remain elevated for time being.
<b>Eur</b>	Nov EC Economic Confidence Survey, index	96.8	–	–	Uptick in business confidence a promising sign.
<b>US</b>	Thanksgiving	–	–	–	Markets closed.
<b>Fri 28</b>					
<b>NZ</b>	Nov ANZ Consumer Confidence, index	92.4	–	–	Confidence still low, despite falls in interest rates.
	Oct Employment Indicator, %mth	0.3	–	0	Weekly snapshots soft; Sep rise likely to be revised down.
<b>Aus</b>	Oct Private Sector Credit, %mth	0.6	0.6	0.6	Government's FHB 5% deposit scheme poses upside risks.
<b>Jpn</b>	Oct Jobless Rate, %	2.6	2.5	–	Structural forces keep conditions tight.
	Nov Tokyo CPI, %ann	2.7	2.7	–	Inflation looking sustainable on a core basis.
	Oct Industrial Production, %mth	2.6	–0.6	–	Still growing year-on-year, but outlook remains cloudy.
<b>US</b>	Black Friday	–	–	–	Markets close early.
<b>Sun 30</b>					
<b>Chn</b>	Nov NBS Manufacturing PMI, index	49	–	–	Although abnormal seasonality muddled October's read...
	Nov NBS Non-Manufacturing PMI, index	50.1	–	–	... the domestic economy is in need of more support.
* The US data release schedule is being updated following the shutdown's end. Releases may be incomplete and the schedule updated at short notice for a number of weeks.					

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