New Zealand Institute of Economic Research (Inc)
Media Release, 10 am Monday, 7 April 2025

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For immediate release

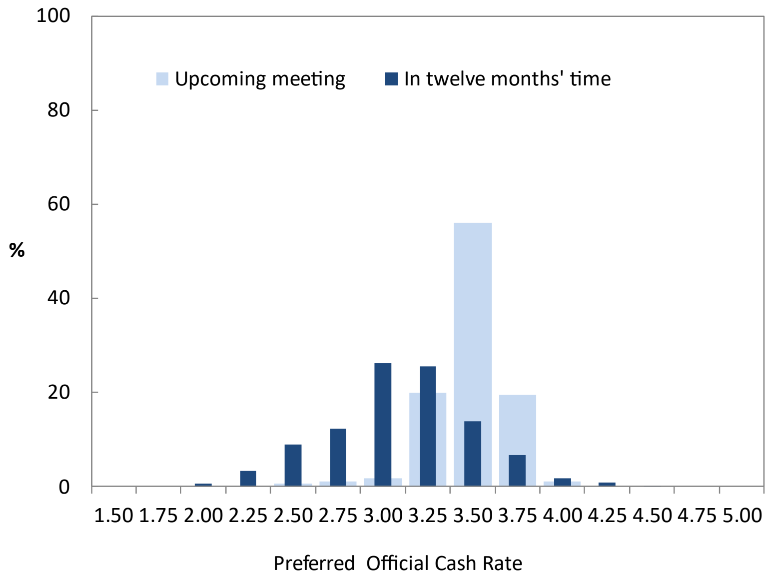
Shadow Board recommends an OCR cut of 25 basis points in April

The NZIER *Monetary Policy Shadow Board* recommends the Reserve Bank of New Zealand (RBNZ) cut the Official Cash Rate (OCR) by 25 basis points to 3.50 percent in the upcoming April *Monetary Policy Review*. Most Shadow Board members agreed that a 25 basis-point cut is justified in April as inflation is contained and activity in the New Zealand economy remains soft. Two members recommended no OCR cut in April as they viewed that it is now appropriate for the RBNZ to start assessing the impacts of the cuts it has done to date, especially given the global uncertainties.

Regarding where the OCR should be in a year's time, most Shadow Board members picked an OCR ranging between 2.75 percent and 3.50 percent. This reflects the Shadow Board's broad view that the RBNZ should take a more cautious approach to monetary policy beyond April. Several members viewed that further OCR moves should be data-dependent given the uncertainty over how the global conditions may play out for the New Zealand economy. One member also pointed out that there is no urgency to continue cutting the OCR, given that headline CPI inflation is expected to stay in the top half of the 1 to 3 percent inflation target band alongside a recovery in activity.

Figure 1 Majority view of the OCR in a year's time ranges between 2.75 percent and 3.50 percent

% strength of policy preference on stance RBNZ should take



Source: NZIER *Monetary Policy Shadow Board*

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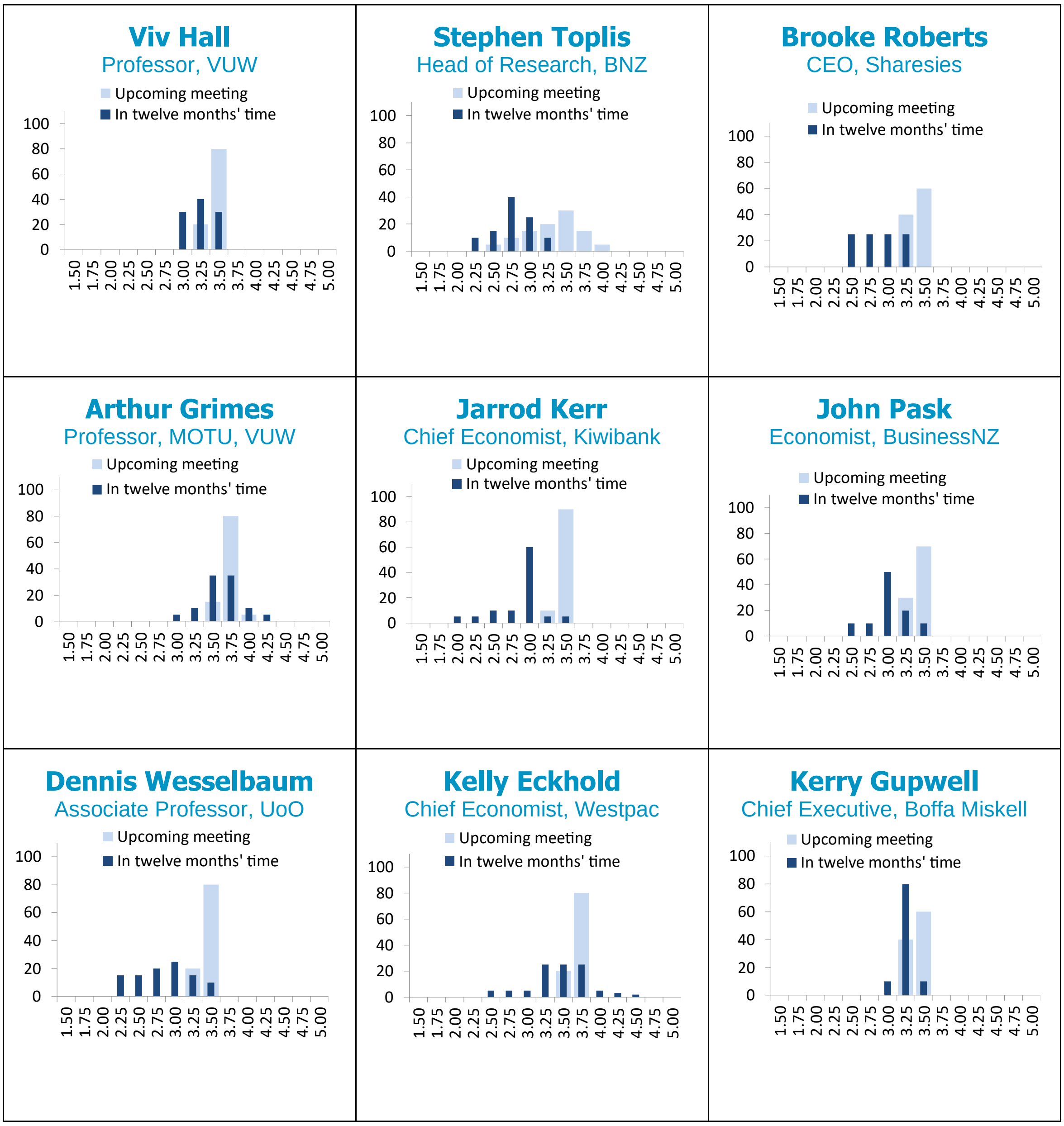
Figure 2 Individual participants' recommended rate settings – 2 April 2025



Source: NZIER *Monetary Policy Shadow Board*

Table 1 Participant comments

Participants’ comments are optional

Stephen Toplis	Uncertainty is high. The RBNZ is in a state of transition. It looks like Bank capital requirements will be lowered. All this argues for a cautious approach by the RBNZ, but not so cautious as to prevent further continued lowering of the cash rate until such time as it is clearly below neutral.
Viv Hall	A 25bp cut can be justified for this round, taking the OCR to around the top of an estimated neutral OCR range. Any further cuts will be data dependent, particularly on challenging global conditions, the degree of business investment uncertainty, and the extent to which NZ exchange rate depreciation is “looked through”. Overall pressures on firms’ costs remain of concern.
John Pask	Short-term risks to inflation are finely balanced which justifies some further reduction in the OCR towards a more neutral level. Ongoing geopolitical risks make predictions further out fraught.
Jarrod Kerr	A 25bp rate cut at the April meeting is “baked into the cake”, so to speak. The cake is still sour, not yet sweet. Monetary policy is still restrictive and far from stimulatory. We have recorded a deep, prolonged, and painful recession. Interest rates should be at a neutral setting, around 3%, at least. And a good argument is being made for a slightly stimulatory position, around 2.5%. We are crawling out of this recession, and policy should be set to get the economy back on its feet and running in the right direction.
Arthur Grimes	It’s now time for a ‘wait and see’ approach to monetary policy, especially given the conflicting global forces at play.
Kelly Eckhold	It’s time to pause and assess the impact of past large cuts. The inflation outlook suggests headline inflation remaining in the top half of the band with a recovering economy. This suggests no urgency to continue cuts. Further cuts may be required but would be contingent on downside risks to the economy derailing the domestic recovery – this is a risk but not at all certain. The exchange rate should primarily be left to buffer the economy from these foreign downside risk scenarios. The easing cycle may be done.
Dennis Wesselbaum	Uncertainty and ambiguity around international factors, bottoming out of inflation (according to GDPLive), and almost 0-growth make for an interesting mix. I note that inflation expectations (1y and 2y ahead) seem to have bottomed out and appear to be increasing again, which is worrying if this trend should persist. On balance, easing should continue albeit at a slower pace.

Kerry Gupwell	A further OCR cut (50 or 75 basis points) is warranted, given the recent GDP and unemployment figures for the last quarter of 2024, which reveals just how tough that year was. There is still a lot of uncertainty/hesitancy in the market and the government needs to pick up the pace with its policy development and decisions. It feels like the first half of 2025 will still be somewhat subdued, which is not good news for those trying to maintain workforce capacity.
Brooke Roberts	No comment.

About the NZIER *Monetary Policy Shadow Board*

NZIER's *Monetary Policy Shadow Board* is independent of the Reserve Bank of New Zealand. Individuals' views are their own, not those of their respective organisations. The next Shadow Board release will be Monday, 26 May 2025, ahead of the RBNZ's *Monetary Policy Statement*. Past releases are available from the NZIER website: www.nzier.org.nz.

Shadow Board participants put a percentage preference on each policy action. Combined, the average of these preferences forms a Shadow Board view ahead of each monetary policy decision.

The NZIER *Monetary Policy Shadow Board* aims to:

- encourage informed debate on each interest rate decision
- help inform how a Board structure might operate
- explore how Board members could use probabilities to express uncertainty.