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For immediate release

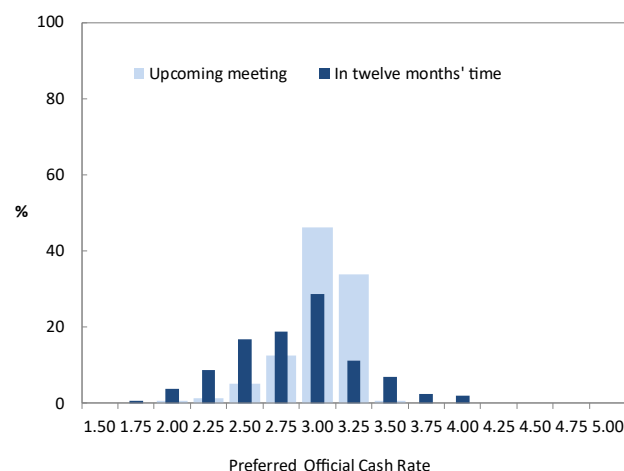
Majority of Shadow Board members recommend a 25 basis-point OCR cut in August

Regarding what the Reserve Bank of New Zealand (RBNZ) should do at the upcoming August *Monetary Policy Statement*, the NZIER *Monetary Policy Shadow Board's* view ranged from a 50 basis-point OCR cut to no change. However, the majority recommended a 25 basis-point cut to bring the OCR to 3 percent. This reflects the view that the softness in activity and continued slack in the labour market should provide scope for a modest cut in the OCR now. One member viewed that a 50 basis-point OCR cut now could be necessary to support recovery in the New Zealand economy. However, two members considered that the upward trending in near-term inflation warrants caution by the RBNZ in its OCR setting in August.

Regarding where the OCR should be in a year's time, members' picks of the OCR reflected a wide range of views from no further easing to some further easing in monetary policy required beyond August. One member highlighted signs of strong commodity prices and lower interest rates supporting activity and inflation approaching the top of the RBNZ's 1 to 3 percent inflation target band in the near term. These factors warrant a wait-and-see approach by the RBNZ to assess how the effects of strong export returns and lower interest rates on activity and inflation in the New Zealand economy will unfold. Two members considered that further stimulus is needed beyond August to support the economy.

Figure 1 The Shadow Board's picks of the OCR in a year's time ranged between 2.50 percent and 3.00 percent

% strength of policy preference on the stance RBNZ should take



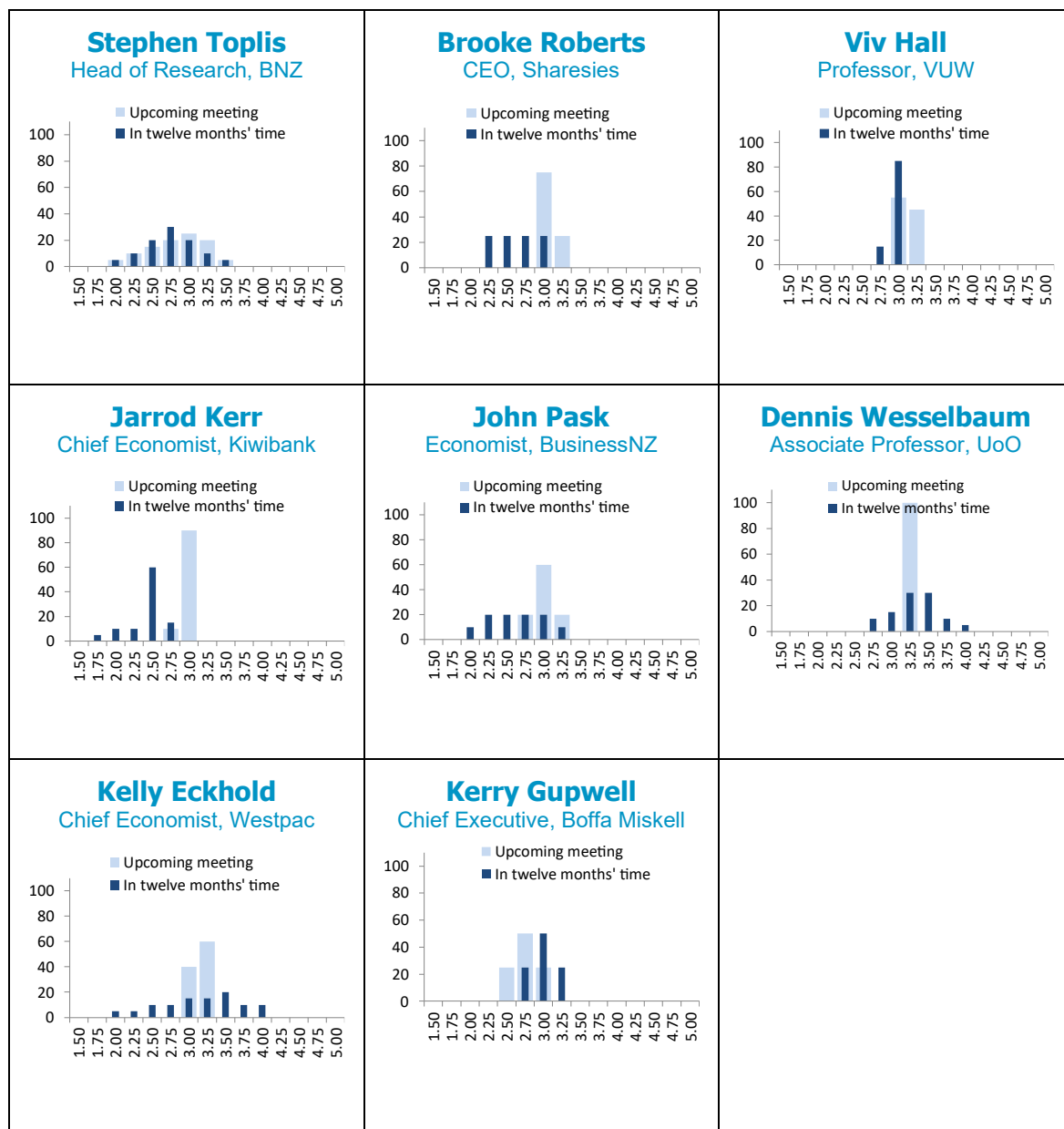
Source: NZIER *Monetary Policy Shadow Board*

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Figure 2 Individual participants' recommended rate settings – 12 August 2025



Source: NZIER Monetary Policy Shadow Board

Table 1 Participant comments

Participants' comments are optional

Stephen Toplis	GDP is contracting, the labour market continues to weaken, medium term inflationary pressures are limited. This demands further easing from the central bank.
Viv Hall	No comment.
John Pask	While inflationary expectations by both businesses and consumers remain elevated, core inflation continues to decline with lower growth prospects and spare capacity in the economy, justifying a further drop in the OCR.
Jarrold Kerr	The RBNZ should not have paused in the last meeting. But here we are, awaiting a rate cut at their next meeting. Further rate cuts (plural) are inevitable. We should get a cut to 3%, followed by another, and then another, to 2.5%. The case for rate cuts has strengthened as the data weakens. The need for a stimulatory rate is clear, as neutral is not enough.
Kelly Eckhold	There are signs that stronger commodity prices and low interest rates are supporting activity. The worst fears of a marked deterioration in the trade environment seem unfounded, so their role in making the case for further significant easing seems thin. Inflation seems likely to hug the top of the target range this year, limiting the need for further stimulus. It is time to wait and see how the economy responds to low interest rates and strong export returns.
Dennis Wesselbaum	Uncertainty around tariffs and trade add to a situation where inflation is upward trending, inflation expectations remain elevated, and unemployment (as my proxy for economic activity) is upward trending. On balance, I don't see a strong case for changing.
Kerry Gupwell	Overall, it feels like the economy has spluttered to a stall in Q2/mid-year, but the rural sector appears to be the exception. A further cut is justified, perhaps even by 50 basis points, rather than prolonging things.
Brooke Roberts	Inflation is within the target range. Unemployment rate has risen, signalling a loosening labour market. A modest cut now would support demand, ease currency pressures without jeopardising the inflation outlook.

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 6 October 2025, ahead of the RBNZ's *Monetary Policy Review*. 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.

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