

## New Zealand Institute of Economic Research (Inc) Media Release, 10 am Monday, 6 October 2025

### For immediate release

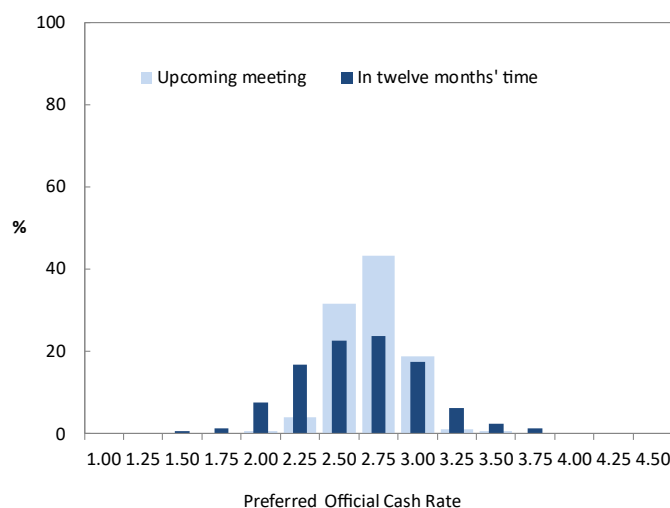
#### Majority of Shadow Board members recommend a 25 basis-point OCR cut in October

The NZIER *Monetary Policy Shadow Board* recommends that the Reserve Bank of New Zealand (RBNZ) continue to cut the OCR in the upcoming October *Monetary Policy Review*, with the majority of members recommending a 25 basis-point cut. This reflects the view that excess capacity in the New Zealand economy provides scope for a small cut to support a recovery in activity without affecting the inflation outlook. Several members considered that the much weaker-than-expected June quarter GDP warrants a 50 basis-point cut now to provide the stimulus required for recovery. One member suggested that the central bank should keep the OCR on hold, given the recent spike in inflation and that the impact of the OCR cuts to date is still working through the economy.

Regarding where the OCR should be in a year's time, members' picks of the OCR centred on a range between 2.50 percent and 2.75 percent. This reflects the Shadow Board's divided views on how much further easing in monetary policy should be required beyond October. One member highlighted that the RBNZ should take a cautious approach in its OCR decisions over the coming year to avoid over-stimulation that could cause inflation to rebound upwards. Members who favoured more easing viewed that further monetary easing is required to support a sustained economic recovery.

#### Figure 1 The Shadow Board's view of the OCR in a year's time centred between 2.50 percent and 2.75 percent

% strength of policy preference on the stance RBNZ should take



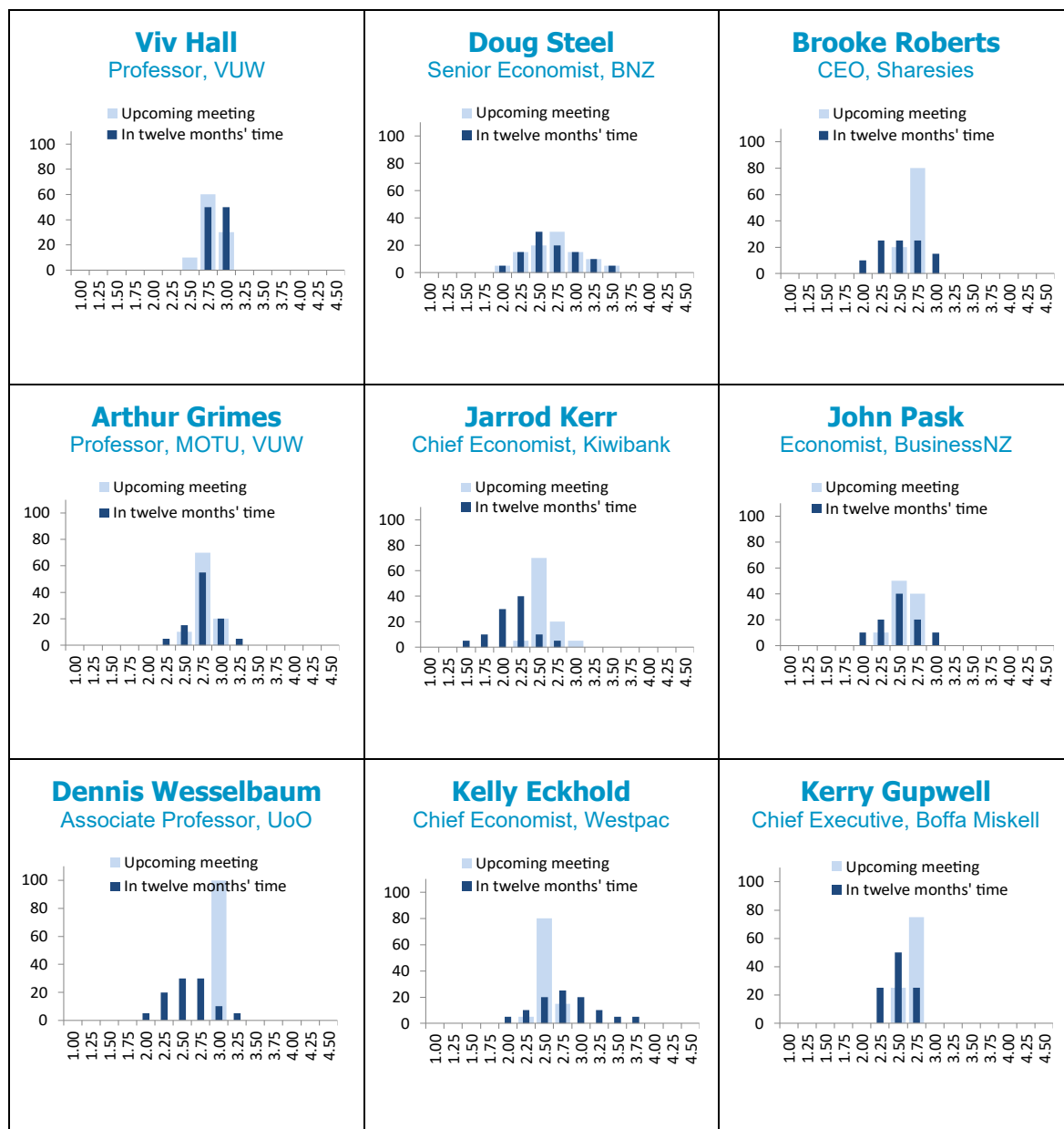
Source: NZIER *Monetary Policy Shadow Board*

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Figure 2 Individual participants' recommended rate settings – 1 October 2025



Source: NZIER Monetary Policy Shadow Board



**Table 1 Participant comments**

Participants' comments are optional

<b>Doug Steel</b>	While there are signs that activity has started to increase over recent months, GDP contracted in Q2, the labour market continues to weaken, and medium-term inflationary pressures are limited. This demands further easing from the central bank.
<b>Viv Hall</b>	The now historical June quarter real GDP data turned out unexpectedly weak, but current and forward-looking indicators for the September quarter are more encouraging. CPI inflation remains somewhat elevated, partly associated with temporary factors and other components not particularly responsive to further OCR reductions. On balance, a precautionary 25bp OCR cut can be justified for this round.
<b>Arthur Grimes</b>	The CPI inflation rate is predicted by the RBNZ and other forecasters to be around 2% in a year's time after incorporating a small projected near-term cut in the OCR. This outlook suggests that the projected monetary policy stance is broadly appropriate given the target. A small cut in the OCR now is consistent with this outlook, bringing the real OCR to slightly below 1%, which is a slightly stimulatory position. A key consideration for the Bank needs to be that its actions do not cause the inflation rate to rebound upwards and that monetary stimulation does not cause another house price surge, which would be a damaging outcome if the OCR were cut too strongly.
<b>John Pask</b>	Economic activity remains fragile as evidenced by a number of forward looking indicators. There is justification for reducing the OCR by 50 basis points despite some short-term inflationary risks.
<b>Jarrold Kerr</b>	The output gap is much more negative than forecast. We are working off a lower base. There are disinflationary forces in the pipeline. It will take a stimulatory cash rate to generate a sustained recovery. A move to below 3 and towards 2 percent is now most likely.
<b>Kelly Eckhold</b>	Economic progress has been disappointing in the last 3-4 months, which raises questions on how long recovery will take. Excess capacity means a move down in inflation in a year seems assured. A risk is firms further retrench and push up unemployment which would further delay recovery. We need to get the OCR to a stimulatory level before Christmas. That will make 2026 easier to manage.
<b>Dennis Wesselbaum</b>	Inflation remains close to 3% and inflation expectations remain elevated. International/trade uncertainty remains high and volatile. Data from GDPlive suggests that we are at the low point of the cycle. Hence, given the available data, the lagged effects of earlier cuts are still working through the economy (with many mortgages resetting in the last quarter), and with the single mandate, there seems to be little case for stimulation.

<b>Kerry Gupwell</b>	The Q2 GDP result suggests we hit an economic pothole. It felt like that at the time. While Q3 feels better, it's marginal. The rural sector continues to do well, but other sectors continue to struggle. The geopolitical situation creates uncertainty, which is something we can't control as a nation, but what we can do is focus more on domestic policy to create more certainty and confidence in a recovery. Namely things like RMA, national policy statements, regional deals, intensification, etc. A further cut is needed, perhaps even by 50 basis points.
<b>Brooke Roberts</b>	We expect the OCR to reduce by 25 basis points to 2.75%. Although inflation is within target range, growth remains weak, and spare capacity is becoming more evident in the labour market.

### 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 24 November 2025, ahead of the RBNZ's *Monetary Policy Statement*. Past releases are available from the NZIER website: [www.nzier.org.nz](http://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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