

New Zealand Institute of Economic Research (Inc) Media Release, 10 am Tuesday, 7 April 2026

For immediate release

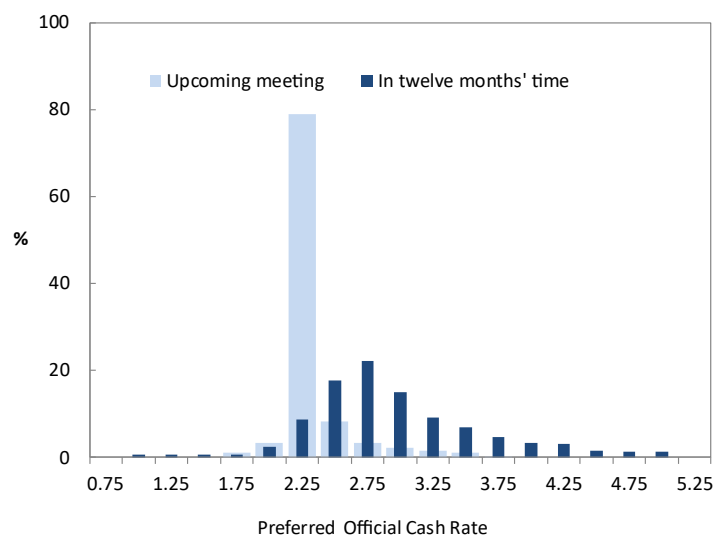
The Shadow Board is overwhelmingly in favour of keeping the OCR at 2.25 percent in April

The NZIER *Monetary Policy Shadow Board* recommends the Reserve Bank of New Zealand (RBNZ) keep the Official Cash Rate (OCR) at 2.25 percent in the upcoming *Monetary Policy Review* on 8 April 2026. *Shadow Board* members agreed that keeping the OCR on hold is appropriate for now, given the high degree of uncertainty over the oil price shock in the wake of the US-Israel war against Iran, when the New Zealand economy is still recovering. The members stressed that the central bank should sit tight and look through the impact of the oil price shock on inflation.

Regarding where the OCR should be in a year, the majority of *Shadow Board* members picked an OCR ranging from 2.50 percent to 3.00 percent. This reflects the *Shadow Board's* broad consensus that the RBNZ should raise the OCR over the coming year. Members expressed concerns about the potential second-round effects of the oil price shock, which could keep inflation persistently high and lead to unanchored inflation expectations. The Shadow Board viewed that RBNZ should take a data-dependent approach over the coming year, to gauge the impacts of the oil price shock on inflation and demand in the New Zealand economy. Two members highlighted that the RBNZ now faces an even tougher balancing act in supporting activity while containing inflation.

Figure 1 Majority view of the OCR in a year's time ranges between 2.50 percent and 3.00 percent

% strength of policy preference on the stance RBNZ should take



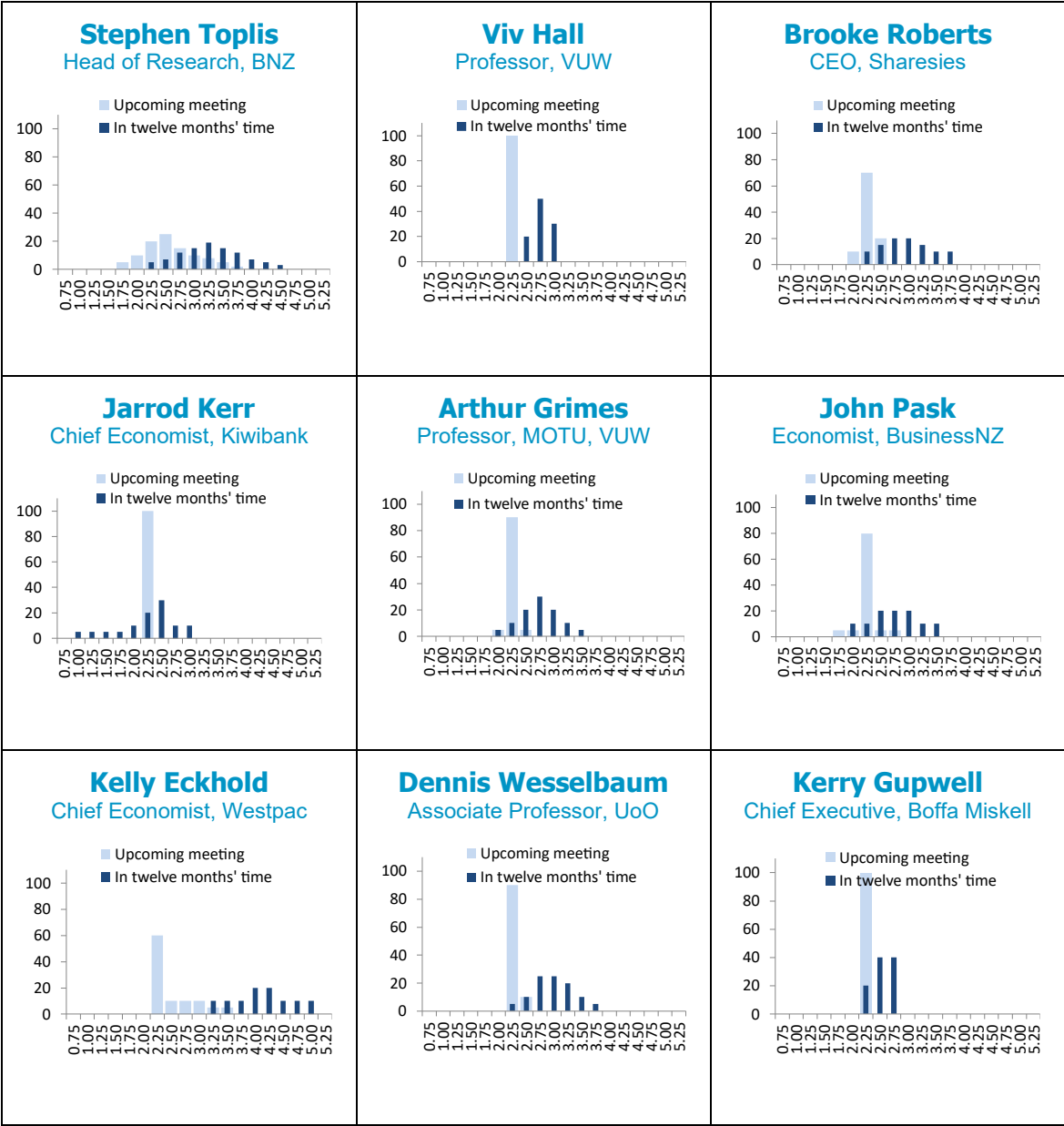
Source: NZIER *Monetary Policy Shadow Board*

For further information, please contact:

Ting Huang, Senior Economist

ting.huang@nzier.org.nz, 027 266 0969

Figure 2 Individual participants' recommended rate settings – 31 March 2026



Source: NZIER Monetary Policy Shadow Board

Table 1 Participant comments

Participants' comments are optional

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| Stephen Toplis | It's impossible to say anything sensible at this stage other than that the spread of potential outcomes is one of the greatest that we have ever seen. In reality, we should be extending our responses further across the range provided. |
| Viv Hall | Our already substantially higher fuel prices should be looked through, so OCR should remain at 2.25% for this round. But with recent headline inflation already at 3.1%, non-tradable inflation at 3.5%, and 2-year inflation expectations in the upper half of the 1-3% band, second-round inflation and inflation expectations effects will soon emerge. Timing and extent of forthcoming OCR increases will be data-dependent. |
| Arthur Grimes | Short-term uncertainty is so high that it is best to keep rates constant for now. Over a 12-month time horizon, it will be important to return the OCR to a small positive real rate, implying some increase from its current level. |
| John Pask | The Reserve Bank is in a bind. Do they raise the OCR to try and burn off rising inflationary expectations but risk knee-capping the NZ economy which has improved of late? My view is given massive global uncertainty at present, they should sit tight for now but be ready to move as the potential fall-out associated with the current Iran conflict evolves. |
| Jarrold Kerr | Talks of rate hikes are overdone and premature. A supply shock should be "looked through", and it's the demand shock where we get worried. We are already seeing demand destruction, and we're only dealing with a price hike. Supply restrictions are when we are truly tested. This is not Covid... because the "lockup" (fuel rationing) scenario is far worse. The central bank will need time, a lot of time, to gauge the impacts. Wholesale rates are too high, in our view, and incorrectly price the risks of inflation versus demand. |
| Kelly Eckhold | Real interest rates are likely to be too low soon. Left too long, risks of entrenched inflation would rise once the war concerns recede. Right now, we need information to assess how quickly we need to move and whether financial stability and exchange rate concerns will become prominent. We have time to assess. |
| Dennis Wesselbaum | Inflation expectations continue trending up and, obviously, CPI inflation in Q1 will be higher given the current oil price shock. The key question is the persistence of the shock. Given the dovish policy throughout 2025, increases might have to come sooner rather than later – but keeping the rate stable and learning more about the shock seems to be the best course of action right now. |

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| Kerry Gupwell | I believe the RBNZ should hold at 2.25% in April. The oil shock will lift headline CPI, but higher interest rates (a higher OCR) won't create more oil. With activity still fragile and spare capacity, I'd look through a temporary (I hope) spike and watch for second-round effects (wages, margins, expectations). If inflation proves sticky, begin gradual normalisation later otherwise stay patient. |
| Brooke Roberts | Keeping the OCR at 2.25% at the next meeting would provide continuity in monetary conditions as the economy continues to rebalance. With inflation pressures modest and growth indicators mixed, a pause allows further data to inform future decisions and reduces the risk of unnecessary policy volatility. |

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 on Monday, 25 May 2026, 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.

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