



## **OCR 3.75% - OCR reduced further as inflation abates**

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Annual consumer price inflation remains near the midpoint of the Monetary Policy Committee's 1 to 3 percent target band. Firms' inflation expectations are at target and core inflation continues to fall towards the target midpoint. The economic outlook remains consistent with inflation remaining in the band over the medium term, giving the Committee confidence to continue lowering the OCR.

Economic activity in New Zealand remains subdued. With spare productive capacity, domestic inflation pressures continue to ease. Price and wage setting behaviours are adapting to a low-inflation environment. The price of imports has fallen, also contributing to lower headline inflation.

Economic growth is expected to recover during 2025. Lower interest rates will encourage spending, although elevated global economic uncertainty is expected to weigh on business investment decisions. Higher prices for some of our key commodities and a lower exchange rate will increase export revenues. Employment growth is expected to pick up in the second half of the year as the domestic economy recovers.

Global economic growth is expected to remain subdued in the near term. Geopolitics, including uncertainty about trade barriers, is likely to weaken global growth. Global economic activity is also likely to remain fragile over the medium term given increasing geoeconomic fragmentation.

Consumer price inflation in New Zealand is expected to be volatile in the near term, due to a lower exchange rate and higher petrol prices. The net effect of future changes in trade policy on inflation in New Zealand is currently unclear. Nevertheless, the Committee is well placed to maintain price stability over the medium term. Having consumer price inflation close to the middle of its target band puts the Committee in the best position to respond to future inflationary shocks.



**Preston Rowe Paterson**

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The Monetary Policy Committee today agreed to lower the Official Cash Rate by 50 basis points to 3.75 percent. If economic conditions continue to evolve as projected, the Committee has scope to lower the OCR further through 2025.

**[Read the full statement and Record of meeting](#)**

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