



Preston Rowe Paterson

International Property Consultants and Valuers

OCR reduced to 2.5%

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Annual consumers price index inflation is currently around the top of the Monetary Policy Committee's 1 to 3 percent target band. However, with spare capacity in the economy, inflation is expected to return to around the 2 percent target mid-point over the first half of 2026.

Economic activity through the middle of 2025 was weak. In part, this reflects domestic constraints on the supply of goods and services in some industries, and the impact of global economic policy uncertainty. Household consumption is recovering, partly because of lower interest rates, and elevated commodity prices continue to support the primary sector. House prices are flat, and residential and business investment remain weak.

Economic growth in New Zealand's trading partners is proving resilient, partly because of strong investment in AI-related activity, but is expected to slow in 2026.

There are upside and downside risks to the inflation outlook in New Zealand. Cautious behaviour by households and businesses could slow the economic recovery, reducing medium-term inflation pressure. Alternatively, higher near-term inflation could prove to be more persistent.

On balance, the Committee reached consensus to reduce the OCR by 50 basis points to 2.5 percent. The Committee remains open to further reductions in the OCR as required for inflation to settle sustainably near the 2 percent target mid-point in the medium term.

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

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