INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/230

NEW ZEALAND

2026 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

August 2026

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2026 Article IV consultation with New Zealand, the following documents have been released and are included in this package:

- A **Press Release**.
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on a lapse-of-time basis, following discussions that ended on July 1, 2026, with the officials of New Zealand on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on July 23, 2026.
- An **Informational Annex** prepared by the IMF staff.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
Washington, D.C.

IMF Executive Board Concludes 2026 Article IV Consultation with New Zealand

FOR IMMEDIATE RELEASE

Washington, DC – August 27, 2026: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for New Zealand on August 24, 2026, and endorsed the staff appraisal without a meeting on a lapse-of-time basis [1] The authorities have consented to the publication of the Staff Report prepared for this consultation.[2]

Following a period of stagnation and low growth, the New Zealand economy was finding its footing in early 2026, before the onset of the Middle East war. Real GDP is estimated to have expanded by 0.2 percent in 2025, supported by household consumption amid easing debt service costs and favorable export prices. Inflation gradually increased in 2025, breaching the upper bound of the RBNZ's target range in Q4, and price pressures have been rising following the oil price shock. After the closure of the Strait of Hormuz in late February, domestic fuel prices rose by 37 percent and diesel prices doubled by mid-April, but these increases had eased significantly by early July.

The Middle East war's temporary disruption of global energy markets and supply chains increased uncertainty, raised prices, and delayed New Zealand's economic recovery. Growth is estimated to have contracted in 2026Q2, as elevated oil prices weigh on household purchasing power and business profitability, but is projected to recover in subsequent quarters to average 2 percent in 2026. Growth is expected to accelerate to 2.7 percent in 2027 as pent-up demand and business confidence recover, supported by continued strong exports of agricultural products and tourism. Inflation is projected to temporarily rise to around 4 percent y/y in mid-2026 and remain above the RBNZ's 1–3 percent target band until end-2026. Inflation is expected to return to the midpoint in the second half of 2027, as the oil price shock dissipates and the negative output gap helps contain domestic price pressures.

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[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/newzealand page.

Executive Board Assessment[3]

New Zealand's strong institutions and policy frameworks continue to support resilience, but the nascent recovery is being delayed by the oil price shock and elevated uncertainty. Growth is projected to strengthen as energy prices normalize and confidence recovers. Inflation is expected to remain temporarily above the RBNZ's target band before returning to target as the shock dissipates, with spare capacity containing broader domestic price pressures. Risks to the outlook are tilted to the downside, particularly in the short term, while risks to inflation are tilted to the upside. The external position in 2025 is assessed as having been weaker than medium-term fundamentals and desirable policy settings.

Fiscal policy should continue to balance near-term support for the recovery with credible medium-term consolidation. The authorities' targeted and temporary response to the oil price shock has been appropriate, protecting vulnerable households while preserving price signals and fiscal space. The government's medium-term fiscal strategy is appropriately ambitious, aiming to achieve operating surplus by FY2028/29 and place debt on a declining path, and should remain the anchor for fiscal policy. Rebuilding fiscal buffers will strengthen resilience to future shocks. Expenditure restraint and public-sector efficiency gains should remain central to the adjustment effort, while safeguarding priority and growth-enhancing public investment, and should be complemented by well-designed revenue reforms. Looking further ahead, addressing aging-related spending pressures will require gradual reform to public pension settings and further strengthening the KiwiSaver scheme.

Monetary policy faces a difficult trade-off between returning inflation to target and supporting the recovery. The uncertain environment calls for nimble and data-dependent monetary policy supported by clear communication to deliver medium-term price stability. In the baseline, monetary accommodation should continue to be gradually withdrawn, with the policy rate converging towards a broadly neutral stance by end-2026. If inflation pressures prove more persistent, core inflation accelerates, or expectations begin to de-anchor, monetary policy should tighten more decisively. Consistent implementation of the new MPC Charter and stability in the Remit between scheduled reviews would support predictability and credibility.

Financial stability risks remain contained. Banks are well capitalized, liquid, profitable, and supported by stable funding. Current macroprudential settings are appropriate, with debt-to-income and loan-to-value restrictions continuing to provide safeguards against systemic risks. Implementation of the Deposit Takers Act and crisis-management reforms should proceed in a proportionate way across deposit takers. The recalibration of capital settings appropriately preserves resilience while supporting efficiency and competition. Housing reforms should continue to focus on easing land-use, planning, and infrastructure constraints to make supply more responsive and durably improve affordability.

Continued structural reform efforts are needed to revive productivity growth and translate New Zealand's strong AI preparedness into economic gains while managing its impact on worker displacement. Deepening domestic capital markets will be critical to support sustained capital

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[3] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm.

accumulation, reduce reliance on bank-based financing, and improve firms' access to long-term and risk capital. The increase in KiwiSaver contribution rates in Budget 2025 is a welcome step toward expanding the pool of long-term private savings, and further reforms should be considered to strengthen capital market depth and business investment. AI adoption has the potential to boost productivity and growth, but its employment and distributional effects remain uncertain, underscoring the need to support workers at risk of displacement, particularly women and younger cohorts. Realizing these gains will also require addressing structural impediments that may slow adoption across firms.

Selected Economic Indicators, 2023-2031
(Annual percent change, unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
			Est.			Projections			
NATIONAL ACCOUNTS									
Real GDP (production)	2.2	-0.3	0.2	2.0	2.7	2.7	2.5	2.4	2.4
Domestic demand	-0.7	-1.1	0.9	2.2	2.5	2.4	2.3	2.3	2.4
Private consumption	1.1	-0.2	1.4	1.0	2.5	2.7	2.5	2.3	2.4
Public consumption	0.1	-0.9	2.5	1.5	2.2	2.1	1.7	1.7	1.9
Investment	-4.8	-3.4	-1.7	3.3	2.1	2.2	2.5	2.8	2.9
Public	11.8	-3.8	-3.0	0.9	1.9	1.9	1.9	2.0	2.0
Private	-4.5	-5.3	-0.5	0.9	3.0	2.8	3.1	3.2	3.3
Private business	-4.4	-2.7	1.5	1.1	3.0	3.3	3.4	3.6	3.6
Dwelling	-4.7	-11.3	-5.5	0.5	3.0	1.6	2.3	2.0	2.3
Inventories (contribution to growth, percent)	-1.2	0.4	-0.1	0.5	-0.1	-0.1	-0.1	0.0	0.0
Net exports (contribution to growth, percent)	2.7	0.6	-0.3	0.0	0.1	0.1	-0.1	-0.1	-0.2
Real gross domestic income	1.3	0.5	2.3	2.1	3.1	2.8	2.5	2.3	2.3
Investment (percent of GDP)	24.5	23.6	22.5	22.7	22.5	22.3	22.3	22.4	22.5
Public	7.4	7.0	6.7	6.4	6.3	6.2	6.2	6.2	6.2
Private	17.1	16.5	15.8	16.2	16.2	16.1	16.1	16.2	16.4
Savings (gross, percent of GDP)	18.7	14.5	16.2	18.0	18.9	18.7	18.9	19.4	19.5
Public	-3.2	-3.2	-4.0	-4.1	-3.3	-2.1	-1.3	-0.8	-0.5
Private	21.9	17.8	20.2	22.1	22.1	20.9	20.2	20.2	20.0
Potential output	2.6	1.4	1.5	1.8	1.8	2.4	2.4	2.4	2.4
Output gap (percent of potential)	1.6	-0.1	-1.4	-1.2	-0.3	0.0	0.0	0.0	0.0
LABOR MARKET									
Employment	3.2	-0.2	-0.7	1.0	1.8	2.1	1.6	1.3	1.5
Unemployment (percent of labor force, ann. average)	3.8	4.8	5.3	5.4	5.1	4.5	4.3	4.5	4.4
Wages (nominal percent change)	7.0	4.6	4.0	4.0	3.6	3.1	3.0	3.0	3.0
PRICES									
Terms of trade index (goods and services, % change)	-3.2	3.1	5.2	-0.9	0.6	0.1	0.0	-0.1	-0.3
Consumer prices (avg, % change)	5.7	2.9	2.8	3.9	2.4	2.0	2.0	2.0	2.0
GDP deflator (avg, % change)	4.9	3.9	3.5	3.1	2.6	2.2	2.1	2.0	2.0
MACRO-FINANCIAL									
Official cash rate (policy rate, percent, EOP)	5.5	4.3	2.3	3.0	3.3	3.3	3.3	3.3	3.3
Credit to the private sector (percent change)	0.1	3.2	5.2	3.9	3.6	3.8	4.3	4.4	4.4
Interest payments (percent of disposable income)	8.5	9.9	8.9	10.7	10.9	10.6	10.4	10.3	10.1
Household savings (percent of disposable income)	2.7	2.5	2.4	2.3	2.8	3.5	4.2	5.0	5.7
Household debt (percent of disposable income)	167	164	165	162	159	156	153	151	148
GENERAL GOVERNMENT (percent of GDP) 1/									
Revenue	37.0	38.8	38.1	37.1	37.0	36.9	37.1	37.2	37.3
Expenditure	40.7	41.6	41.7	41.4	41.0	39.5	38.8	38.2	37.9
Net lending/borrowing	-3.7	-2.8	-3.6	-4.3	-4.0	-2.6	-1.7	-0.9	-0.6
Operating balance	-1.5	-0.5	-1.2	-1.7	-1.3	0.0	0.8	1.4	1.8
Cyclically adjusted primary balance 2/	-3.0	-2.9	-2.2	-2.7	-2.6	-1.5	-0.7	0.1	0.4
Gross debt	45.7	49.1	53.6	55.9	57.9	58.1	57.6	56.7	55.8
Net debt	19.0	20.2	24.6	27.0	29.1	29.4	29.1	28.0	27.5
Net worth	95.8	95.4	90.4	86.9	84.1	82.7	82.4	82.6	82.9
BALANCE OF PAYMENTS									
Current account (percent of GDP)	-6.3	-4.7	-3.6	-3.6	-3.4	-3.0	-3.0	-2.9	-3.0
Export volume	11.1	4.7	2.9	4.0	4.2	3.8	3.9	3.7	3.4
Import volume	-0.6	1.6	3.2	3.2	2.9	2.9	3.4	3.4	3.5
Net international investment position (percent of GDP)	-51.0	-49.5	-43.8	-44.5	-45.7	-46.6	-47.6	-48.5	-49.4
Gross official reserves (bn US$)	14.8	23.2	27.9	...	...	...	...	...	...
MEMORANDUM ITEMS									
Nominal GDP (bn NZ$)	413	427	445	469	493	518	541	565	590
Percent change	7.1	3.6	4.2	5.3	5.2	5.0	4.6	4.4	4.4
Nominal GDP per capita (US$)	56,154	51,380	51,400	52,978	53,183	56,051	57,813	59,501	61,495
Real gross national disposable income per capita (NZ$)	55,887	54,721	55,767	56,657	58,027	59,074	60,073	61,075	62,079
Percent change	-1.4	-2.1	1.9	1.6	2.4	1.8	1.7	1.7	1.6
Population (million)	5.2	5.3	5.3	5.4	5.4	5.4	5.5	5.5	5.5
US$/NZ$ (average level)	0.614	0.605	0.582	...	...	...	...	...	...
Nominal effective exchange rate	105.0	105.0	99.8	...	...	...	...	...	...
Real effective exchange rate	104.6	105.4	100.5	...	...	...	...	...	...

Sources: Authorities' data and IMF staff estimates and projections.
1/ Fiscal year.
2/ In percent of potential GDP.

INTERNATIONAL MONETARY FUND

NEW ZEALAND

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

July 23, 2026

KEY ISSUES

Context. New Zealand's economy was finding its footing in early 2026 after a period of prolonged slow growth, before the onset of the war in the Middle East. The New Zealand economy is being subjected to frequent shocks, underscoring the importance of the strong policy framework that underpins macroeconomic stability: a flexible exchange rate regime, strong fiscal buffers, and a credible central bank.

Outlook and Risks. The recovery is being delayed by the oil price shock and elevated uncertainty but is expected to resume in the second half of 2026 and to strengthen further in 2027. Inflation is expected to remain temporarily above the RBNZ's target range in 2026 and to converge toward the midpoint by mid-2027, with significant slack in the economy limiting pressure on domestic prices.

Policy recommendations: Macroeconomic policies face difficult trade-offs, with inflation running high, a significant output gap, and rising debt levels having eroded fiscal space.

- *Monetary policy* should remain nimble and data dependent. In the baseline, the RBNZ should continue to gradually withdraw policy accommodation to ensure medium-term price stability, and stand ready to tighten if incoming data indicate price pressures are broadening.

- *Fiscal policy* should continue to strike a balance between supporting vulnerable New Zealanders in the face of adverse shocks and safeguarding medium-term debt sustainability. The latter may require revenue measures to complement expenditure restraint. The authorities' targeted and temporary response to the oil price shock has been designed in line with international best practice.

- *Financial stability* risks are contained, the banking system is well capitalized and profitable, and financial conditions are supportive of credit growth. Housing affordability has improved as house prices stabilized and interest payments have fallen, but housing remains expensive.

- *Structural policies* that promote capital market deepening, competition, and innovation remain critical to lift productivity and living standards, and to strengthen resilience. Adoption of artificial intelligence can boost productivity and growth, but uncertainty around its effects makes support for displaced workers important.

Approved By
Nada Choueiri (APD) and Niamh Sheridan (SPR)

Discussions were held in Auckland and Wellington during June 18 to July 1, 2026. The mission team comprised Yan Carrière-Swallow (head), Matteo Ghilardi, Yaroslav Hul (all APD), and Marina Mendes Tavares (RES). The mission met with Minister of Finance Hon. Nicola Willis, Governor of the Reserve Bank Anna Breman, Secretary to the Treasury Iain Rennie, other senior officials, Members of Parliament, analysts and think tanks, trade union representatives, and business groups. Mark Blackmore (OED) participated in the discussions. Samikshya Siwakoti, Ricardo Davico, and Judee Yanzon (all APD) assisted in the preparation of this report.

CONTENTS

CONTEXT

1. New Zealand's very strong institutions and policy framework support the economy's resilient adjustment to shocks and help safeguard macroeconomic stability. The economy is exposed to external developments through trade, commodity price, and financial channels, as well as to natural disasters, and these shocks are materializing with increased frequency. Longstanding structural challenges weigh on New Zealand's medium-term growth prospects and living standards, with weak productivity contributing to falling per-capita income over 2023-25. Geopolitical shifts and strained supply chains have increased the importance of economic resilience. Population aging is expected to add pressure on fiscal sustainability over the medium term.

RECENT DEVELOPMENTS

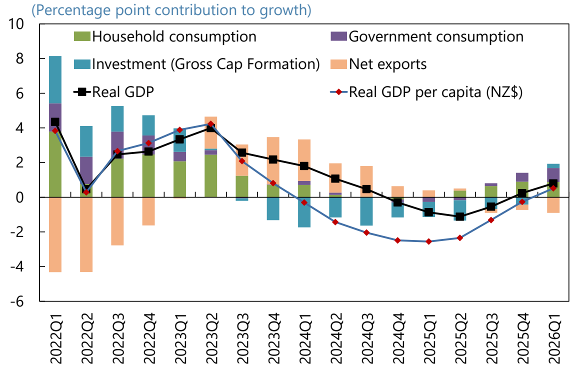
2. Following a prolonged period of low growth, the New Zealand economy was finding its footing in early 2026, before the onset of the Middle East war. Real GDP is estimated to have expanded by 0.2 percent in 2025, supported by household consumption amid easing debt service costs and strong export prices. The recovery has been uneven across sectors, with services expanding steadily while construction and manufacturing remained subdued, and uneven across regions, with the agriculture- and tourism-based South Island outperforming. The labor market continued to loosen and wage growth slowed, indicating considerable slack in the economy (output gap -1.2 percent of GDP in 2026). Net immigration remained positive but below its 2023–24 peak, as departures of New Zealand citizens stayed elevated. Business confidence was strong before slumping significantly in March after the onset of the Middle East war, but had largely recovered by June.

3. Inflation gradually increased in 2025, breaching the RBNZ's upper bound in Q4, and price pressures are rising following the oil price shock. From 2.5 percent y/y in the first quarter, headline inflation rose gradually for the rest of 2025, and remained at 3.1 percent y/y in 2026Q1. Tradables inflation was subdued for most of 2025, reflecting weak global goods prices and the drag from soft domestic demand, before turning sharply higher in early 2026 as oil prices soared following the onset of the conflict in the Middle East. Certain components of non-tradables inflation remained elevated, including electricity costs, and local government tax contributions. Moderating core inflation, a widening output gap, and well-anchored inflation expectations had allowed the RBNZ to ease its policy stance through 2025, cutting the Official Cash Rate (OCR) by a cumulative 325 bps since August 2024 to reach 2.25 percent in November 2025. After the closure of the Strait of Hormuz in late February, domestic fuel prices initially rose by 37 percent and diesel prices doubled by mid-April before moderating by early July. The RBNZ initially held the OCR constant at 2.25 percent at the April and May meetings, while assessing the impact and persistence of the shock, and raised the OCR by 25 bps to 2.50 percent in July, citing continued above-target inflation in the short term and uncertainty about medium-term inflation pressures.

Recent Economic Indicators

Composition of Quarterly Real GDP Growth

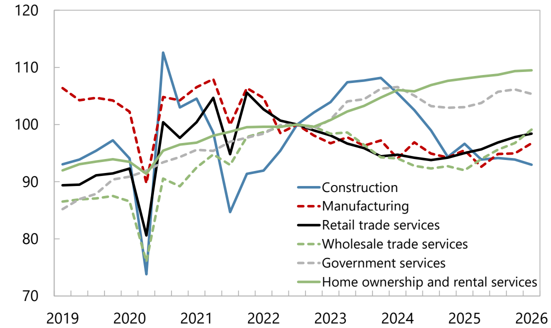
(Percentage point contribution to growth)



Sources: Stats NZ; and IMF staff calculations.

Economic Activity in Selected Sectors

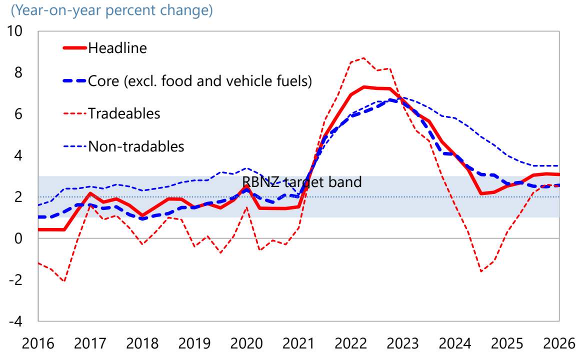
(Seasonally adjusted; 2022Q3 = 100)



Sources: Stats NZ; and Haver Analytics.

CPI Inflation

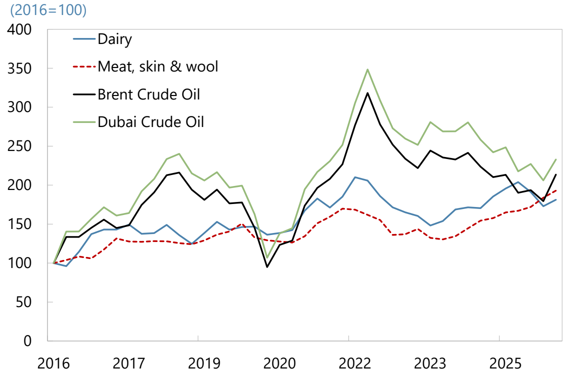
(Year-on-year percent change)



Sources: Stats NZ; RBNZ; and IMF staff calculations.

Commodity Prices

(2016=100)

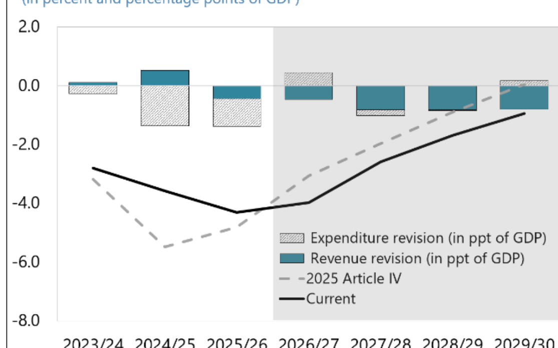


Sources: ANZ; Bloomberg; and IMF staff calculations.

4. **The fiscal position loosened less than expected in FY2024/25-FY2025/26, supported by expenditure restraint in Budget 2025, but the deficit remained above debt-stabilizing levels.** The general government (GG) deficit in FY2025/26 was smaller than expected in the 2025 Article IV staff report. Revenues were boosted by stronger GST and property taxes amid higher inflation, while corporate income tax underperformed following the introduction of the Investment Boost policy (¶12). Spending rose as automatic stabilizers responded to a prolonged slump in domestic demand, but remained below projections reflecting discretionary expenditure restraint in Budget 2025 (¶12). The primary GG deficit is estimated to have widened from 2.7 percent of GDP in FY2024/25 to 3.3 percent in FY2025/26, raising public debt-to-GDP ratios, and keeping the fiscal stance mildly expansionary (cyclically-adjusted impulse of +0.5 percent of GDP).

Net Lending/Borrowing

(in percent and percentage points of GDP)

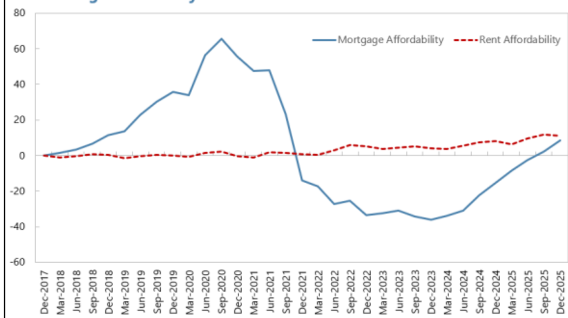


Sources: Stats NZ, New Zealand Treasury, and IMF staff calculations

Note: Expenditure revisions are shown with a positive sign for readability, however they enter net lending/borrowing with the negative sign (so that higher expenditure lowers the balance)

5. Financial and housing market conditions remained broadly stable. An accommodative monetary policy stance has transmitted to lower mortgage rates and supported credit growth (4.5 percent YoY in May), while non-performing loans remain low (0.7 percent). Housing market activity stabilized over the past year, with house prices remaining broadly flat and affordability metrics improving gradually as earlier declines in mortgage rates and continued nominal income growth eased debt-servicing pressures.

Housing Affordability



Note: Rental affordability compares changes in rents for new tenancies with median disposable household income.
Mortgage serviceability compares changes in mortgage interest payments for new home loans with median disposable household income.
Higher affordability index means becoming more affordable.
Source: NZ Ministry of Housing and Urban Development

6. In the face of geopolitical shifts and strained supply chains, the authorities are taking steps to boost resilience, particularly in critical fuel supplies. In May 2026, New Zealand and Singapore signed a bilateral agreement committing to maintain the flow of trade in critical goods during periods of stress. High-frequency data suggest that fuel supply conditions in New Zealand have remained stable, although inventory drawdowns in April and global volatility highlight the importance of adequate buffers. Budget 2026 allocated NZ$150 million to increase strategic fuel reserves.

7. The current account deficit narrowed to 3.6 percent of GDP in 2025 from 4.7 percent in 2024. The narrowing trade deficit in 2025 was driven primarily by a broad-based improvement in the terms of trade (+5.2 percent) due to high prices for key export commodities including dairy, meat, and fruit. Export volumes increased as external demand remained strong and the impact of US tariffs on New Zealand's exports was limited,[1] while imports remained subdued reflecting still-weak domestic demand. The depreciation of the New Zealand dollar over the course of the year supported exporter margins and the continued recovery in tourist arrivals. New Zealand's external position in 2025 was weaker than the level implied by medium-term fundamentals and desirable policy settings (Annex IV), while the NIIP improved due largely to favorable valuation effects.

OUTLOOK AND RISKS

8. The Middle East war's disruption of global energy markets and supply chains increased uncertainty, raised prices, and delayed New Zealand's economic recovery. Staff's baseline assumes that conditions in global energy markets will normalize, but that uncertainty will remain elevated. Guided by commodity futures markets, oil prices are assumed to have peaked in 2026Q2, with their impact on New Zealand's terms of trade partially offset by high prices of agricultural commodities, including dairy. Fossil fuel imports are low in New Zealand (around 2 percent of GDP in 2025) and mainly used for transport, with 96 percent of electricity generated by renewables in 2025Q4. Under staff's baseline scenario:

[1] In 2024, about 12 percent of New Zealand's goods exports were to the United States.

- *Output* is estimated to have contracted in 2026Q2—as elevated oil prices weigh on household purchasing power and business profitability—but growth is projected to recover in subsequent quarters to average 2 percent in 2026. Growth is expected to accelerate to 2.7 percent in 2027 as pent-up demand and business confidence recover, supported by continued strong exports of agricultural products and tourism. The negative output gap is projected to close by end-2028, with strong private demand offsetting an expected drag from fiscal consolidation. Over the medium term, the economy is expected to grow at its potential (around 2.4 percent), supported by net immigration and productivity growth slightly above historical average, reflecting a modest boost from AI adoption.

- *Inflation* is projected to temporarily rise to around 4 percent y/y in mid-2026 and remain above the RBNZ's 1–3 percent target band until end-2026. Inflation is expected to return to the midpoint in the second half of 2027, as the oil shock dissipates and the negative output gap helps contain domestic price pressures. Under the baseline assumption of a transitory oil shock and gradual withdrawal of monetary policy accommodation, second-round effects are expected to be contained.

- The *current account balance* is projected to remain largely unchanged at -3.6 percent of GDP in 2026 before narrowing to -3.0 percent of GDP over the medium term as the terms of trade strengthen and fiscal consolidation boosts domestic savings.

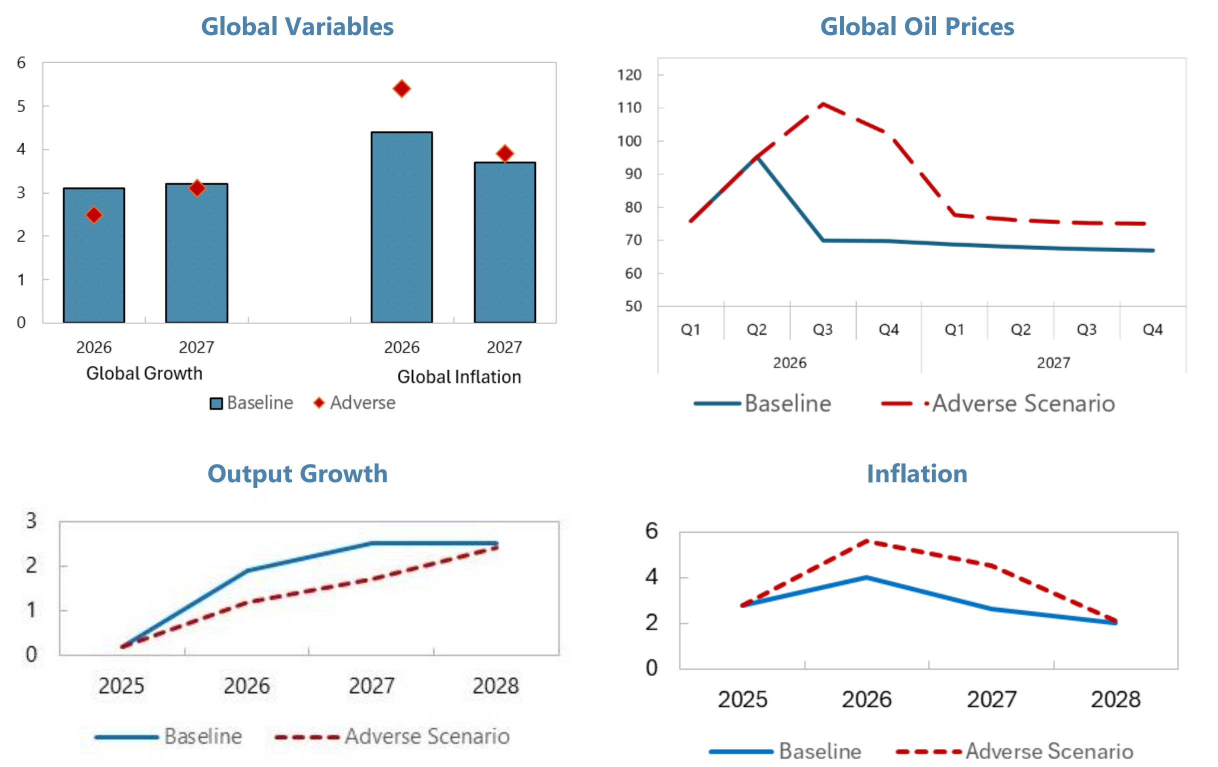
9. Risks to growth are tilted to the downside, particularly in the short term, while risks to inflation are to the upside (Annex V)**.** Inflationary pressures could prove to be more persistent and broaden, particularly if a renewed escalation of geopolitical tensions pushes oil prices higher than assumed in the baseline, raising the likelihood of second-round effects on domestic prices and wages. The more frequent materialization of external shocks, including geoeconomic fragmentation, trade disruption, and natural disasters, poses continuous risks. On the upside, a faster-than-expected normalization of global energy market conditions, stronger transmission of monetary policy accommodation, or productivity gains from structural reforms could support a quicker rebound.

10. Given high uncertainty, staff consider an adverse scenario in which a more severe and persistent oil price increase has a larger impact on the outlook. Drawing on the adverse scenario presented in the April 2026 *World Economic Outlook*, oil prices are assumed to rise to about 110 USD/barrel in 2026Q3 and remain elevated for several quarters in 2027, before converging to their baseline level in 2028. The shock reduces global growth by 0.7 percentage points and is amplified by a spike in inflation expectations across advanced economies and a tightening of external financial conditions. Under these assumptions, headline CPI inflation in New Zealand is projected to peak at around 5.6 percent in the second half of 2026 and remain elevated at close to 4.5 percent in 2027. The more persistent inflation spike gives rise to broader price pressures across goods and services, prompting the RBNZ to tighten the monetary policy stance. In this scenario, growth would slow to 1.2 percent in 2026 and 1.7 percent in 2027, giving rise to more persistent economic slack including higher unemployment.

Authorities' Views

11. The authorities viewed the war in the Middle East as a significant external shock that would delay but not derail the economic recovery. While noting the recent moderation in domestic fuel prices, they emphasized that uncertainty remains elevated surrounding global markets conditions, the extent of pass-through to broader prices and inflation expectations, and the evolution of global demand. They expect growth to accelerate in the medium-term until the output gap closes, supported by falling import prices. The authorities broadly agreed with staff's external sector assessment and noted that risks associated with imbalances had abated somewhat with the recent improvement in the NIIP.

Staff's Adverse Scenario



Source: IMF staff calculations.

POLICY DISCUSSION

Macroeconomic policies face difficult trade-offs across supporting a fragile recovery with considerable slack, containing above-target inflation, and rebuilding fiscal buffers.

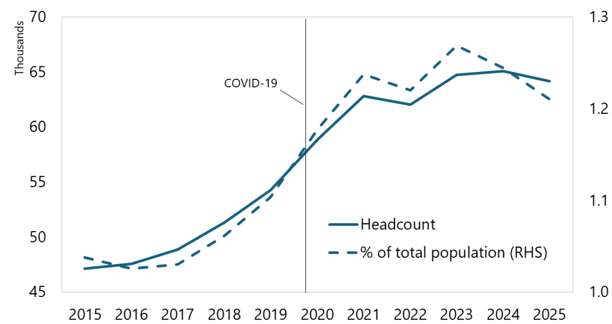
A. Fiscal Policy: Balancing Near-Term Support and Medium-Term Debt Stabilization

12. Fiscal consolidation has been appropriately delayed to support a weak domestic economy, but recent budgets have set the stage for growth-friendly medium-term consolidation.

- *Budget 2025* allowed automatic stabilizers to deliver a mildly expansionary fiscal stance in FY2025/26 (+0.5 ppt of GDP) to support an incipient domestic recovery that has been slower to materialize than expected at the time of the 2025 Article IV consultation. The budget reflected efforts to contain and reprioritize current expenditure, with savings redirected to growth-enhancing areas such as public investment and priority services. The growth-oriented policy mix included an Investment Boost incentive to encourage businesses to engage in productivity-enhancing investment.[2] The near-term stimulatory impact of the scheme could be improved by making it time-bound to spur businesses to act promptly. Transparent tax expenditure reporting and periodic evaluation should be undertaken to ensure that the incentive generates genuine additional investment.

- *Budget 2026* avoided procyclical tightening and is expected to deliver a neutral fiscal stance in FY2026/27. Continued expenditure restraint (expenditure-to-GDP is projected to fall by 0.4 ppt in FY2026/27) is supported by a multi-year public-service reform program aimed at improving efficiency, expanding digitalization, and containing administrative costs. This includes a gradual reduction in public service employment toward its historical norm of close to 1 percent of the population. The authorities expect these measures to generate about NZ$2.4 billion (0.5 percent of GDP) in savings for redeployment to priority services, notably health, education, and law and order.While the efforts to contain operating expenditure and improve public-sector efficiency are welcome and should continue, workforce reductions should be carefully prioritized and sequenced to protect the highest value uses, preserve implementation capacity, and ensure durability of generated savings. The budget also increases the capital spending allowance—to about NZ$5.7 billion for the current year, up from NZ$3.5 billion set in Budget 2025—supporting infrastructure and resilience investment in transport, health, education, energy security, and defense.

Public Service Workforce



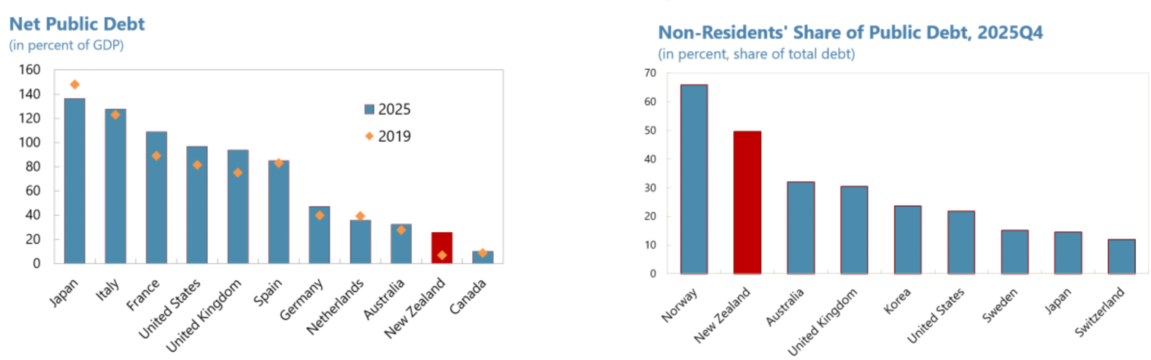
Source: New Zealand Public Service Commission; Staff calculations

[2] The scheme is estimated to cost about NZ$1.7 billion (0.4 percent of GDP) annually in forgone revenues but should boost private investment over the medium term.

13. The policy response to the oil-price shock has appropriately avoided broad-based stimulus and its design aligns with international best practice. New Zealand is among a small group of countries that responded with targeted, temporary cash transfers financed within existing budget envelopes, while avoiding generalized price subsidies.[3] The measure provides NZ$50 per week to low- and middle-income working families with children for up to one year, with earlier expiry if fuel prices normalize. The measure effectively supports vulnerable households while prices are elevated, preserving price signals that incentivize energy demand adjustment—which helps prevent shortages from occurring—and its modest fiscal cost (about 0.1 percent of GDP) avoids creating inflationary pressures.

14. While partly reflecting warranted responses to shocks, persistent deficits since the pandemic have reduced fiscal space, and a turbulent external environment underscores the importance of rebuilding buffers. Successive deficits have led net public debt to rise from about 4 percent of GDP in FY2018/19 to 27 percent of GDP in FY2025/26, which has started to erode New Zealand's fiscal space. Despite a comparatively low debt-to-GDP ratio and favorable debt dynamics, which contribute to an assessment of low overall risk of sovereign stress (Annex VI), New Zealand is subject to an environment of more frequent shocks and rising global fiscal pressures. About half of the public debt is held by non-residents—well above the non-EU advanced economy average of 30 percent—which supports market liquidity in the context of a shallow pool of domestic savings, but amplifies the sensitivity of New Zealand's sovereign yields to shifts in global financial conditions. Sovereign yields have increased across advanced economies (April 2026 *Fiscal Monitor*), and staff estimate that the term premium on 10-year New Zealand government bonds (NZGB) has risen by about 200 bps since mid-2024, which has largely offset the decline in risk-neutral rates delivered by the RBNZ's easing cycle. Maintaining adequate fiscal space is critical to contain the interest bill and to enable timely and sufficient policy responses to future shocks—including from natural disasters—without jeopardizing fiscal sustainability.

Public Debt and Financing Conditions

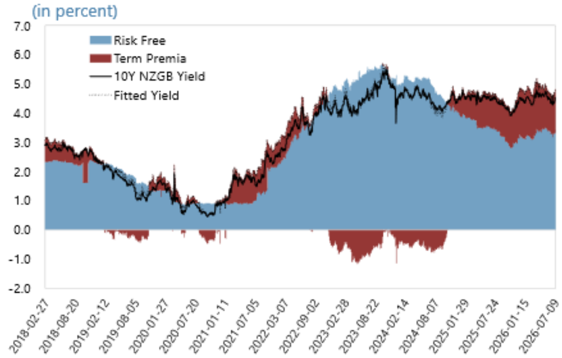


Source: IMF April 2026 World Economic Outlook

Source: Arslanalp and Tsuda (2012), IMF Working Paper WP/12/284. Data updated May 2026

[3] By contrast, most countries relied on broader measures—such as fuel subsidies, tax cuts, or price controls—which tend to be more costly and distort price signals. See IMF Blog and IMF Global Policy Tracker.

10Y NZ Government Bond Yield Decomposition
(in percent)



Sources: RBNZ; IMF staff estimations

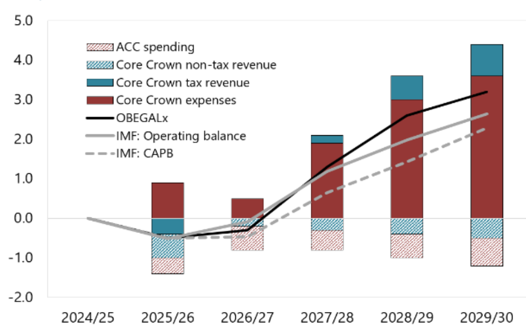
Term Premia Across Selected Advanced Economies
(in percent)

Sources: RBNZ; IMF staff estimations
Note: The term premia band and average are based on estimates for AUS, Euro area (DEU, FRA, ITA and ESP), JPN, GBR and USA

15. **With the recovery expected to strengthen and the output gap to close, the government's fiscal strategy is appropriately ambitious, aiming to achieve operating surplus by FY2028/29 and place debt on a declining path.**[4] Staff's forecast assumes that the strategy will be implemented, with future budgets respecting the operating and capital allowances announced in Budget 2026. However, staff's projection of a softer growth path implies a somewhat more gradual improvement in revenue than Treasury's. Nonetheless, the expenditure-driven consolidation is expected to deliver an operating surplus by FY2028/29 and a primary balance surplus by FY2029/30—well above its debt-stabilizing level of -1.4 percent of GDP—such that net debt-to-GDP peaks in FY2027/28 at 29.4 percent and declines thereafter. While the consolidation will place a modest drag on medium-term growth, staff support these fiscal policy objectives, which strike an appropriate balance between achieving debt stabilization without undermining the recovery, and will contribute to reduced external imbalances.

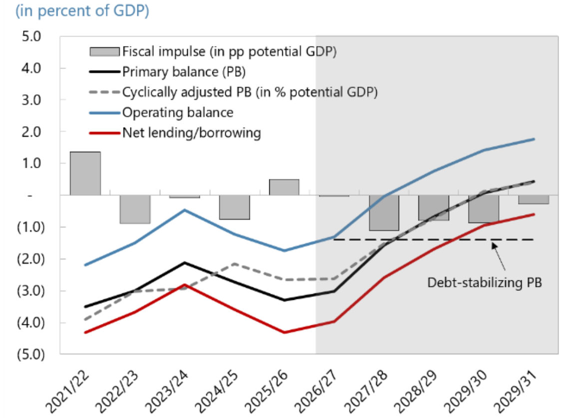
Government Fiscal Strategy and IMF Staff Projections

Decomposition of Cumulative Changes in OBEGALx
(in percent of GDP)



Sources: NZ Treasury's 2026 Budget Economic and Fiscal Update (BEFU); IMF staff calculations
Notes: Grey lines represent IMF staff's projected cumulative changes in operating balance (solid line) and cyclically-adjusted primary balance (dashed line); OBEGALx refers to the operating balance before gains and losses, excluding net Accident Compensation Corporation (ACC) results.

Staff-projected Fiscal Balances and Fiscal Impulse
(in percent of GDP)

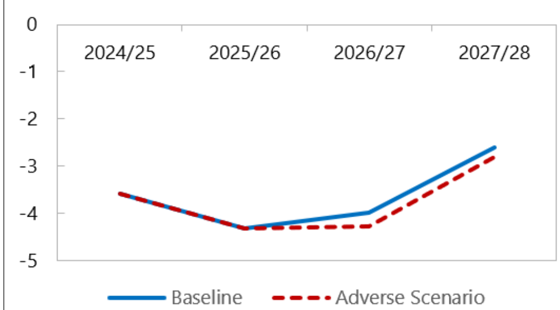


[4] The NZ Government's fiscal strategy (as set out in the 2026 Fiscal Strategy Report) includes (i) returning OBEGALx to surplus by 2028/29; (ii) putting net core Crown debt as a percentage of GDP on a downward path toward 40 percent; and (iii) reducing core Crown expenses towards 30 percent of GDP.

16. In alternative scenarios, fiscal policy should maintain the credibility of the medium-term fiscal framework. If upside risks to growth materialize, any revenue over-performance should be saved to accelerate fiscal buffer rebuilding. If economic conditions worsen, as in staff's adverse scenario, the authorities should maintain the medium-term consolidation path, allow automatic stabilizers to operate, and extend the targeted fuel support scheme within existing spending envelopes.

17. Delivering the authorities' medium-term consolidation will require a sizeable and sustained effort in Budgets 2027-29, and expenditure restraint should be complemented by revenue reforms. Achieving the objectives of the fiscal strategy requires a structural adjustment of about 2 percent of GDP over the next three years, and may face headwinds from risks such as more frequent shocks and tighter financing conditions. Achieving it through expenditure restraint alone could increasingly weigh on the quality and delivery of public services, especially in the face of rising aging-related pressures. An adjustment strategy that includes a broader set of expenditure and revenue measures would help distribute the effort across fiscal instruments, strengthen the credibility of the fiscal anchor, and help reduce distortions in the tax system. On the expenditure side, further efficiency gains and reprioritization could be achieved through systematic cost-benefit reviews of government programs while safeguarding growth-enhancing public investment, expenditure on essential services, and protection of the most vulnerable. While revenue reforms also present efficiency and equity trade-offs that would need to be carefully assessed, potential measures could include reforms to capital gains taxation (CGT) and land value taxation. A comprehensive CGT would reduce the tax system's bias toward untaxed capital gains, including on housing assets, align New Zealand more closely with OECD peers—most of which tax capital gains on a comprehensive basis—and could raise about 1.2 percent of GDP in revenue.[5,6]

Recommended Fiscal Balance
(net lending/borrowing; in percent of GDP)



18. With aging-related spending pressures expected to intensify, reforming the pension system is central to long-term fiscal sustainability. Staff's long-term baseline forecast assumes that aging-related spending pressures are fully offset through pension reform and/or other fiscal measures, keeping expenditure-to-GDP below the ceiling set in the government's fiscal strategy and placing public debt on a downward path beyond 2030. Under current policy settings, however, staff analysis points to a marked increase in NZ Superannuation (NZS) obligations—from about 5 percent of GDP in 2025 to about 8 percent by 2050—with additional pressures stemming from higher health and elderly care costs, which together would lead to a large increase in public debt. Pension reforms

[5] New Zealand is unusual among OECD countries in not having a general capital gains tax. Capital gains are taxed only in limited circumstances, including under the two-year bright-line threshold for residential property. See Hourani and Perret (2025) and OECD (2026).

[6] See TWG (2019).

should involve gradual adjustments to NZS policy settings, where options include means-testing, raising the eligibility age in line with life expectancy, and refining indexation, as discussed in Baksa, Li, and Munkacsi (2026) and Treasury's 2025 Long-Term Fiscal Statement. These efforts should be complemented by continued strengthening of the KiwiSaver framework, including further increases in contribution rates and measures to boost participation. Such reforms need to be signaled early and carefully designed to distribute the adjustment across generations, preserve retirement-income adequacy, and support capital market deepening by mobilizing long-term private savings (Annex II).

Authorities' Views

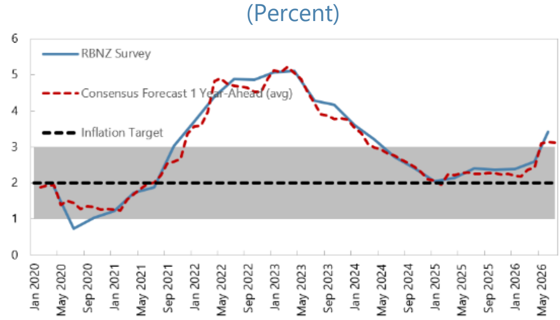
19. The authorities agreed that fiscal space has narrowed, underscoring the need to rebuild buffers. They project a somewhat faster rise in revenues over the forecast period, reflecting more favorable assumptions for nominal GDP and terms-of-trade growth. On medium-term fiscal pressures, the authorities recognized the scale of aging-related challenges and signaled the need to continue national dialogue on the policy adjustments that could be part of pension system reforms. The Government reaffirmed its commitment to growth-friendly fiscal consolidation, delivered through expenditure restraint and efficiency gains, while maintaining support for the most vulnerable. They view this approach as supporting consolidation over time, and consider higher taxes a risk to growth.

B. Monetary Policy: Navigating Trade-offs with Elevated Uncertainty

20. Monetary policy faces difficult trade-offs as the oil price shock has raised already-elevated inflation while the output gap remains negative. Before the war in the Middle East, monetary policy was appropriately accommodative despite headline inflation having risen above the target band—partly owing to increases in administered prices—as a substantial output gap has been contributing to a moderation of core inflation and inflation expectations have been well anchored. While the additional inflation pressures after the onset of the Middle East war had eased significantly by early July, global uncertainty remains elevated. This environment calls for nimble and data-dependent monetary policy that monitors price developments closely, which will be facilitated by Stats NZ's introduction of a monthly CPI in 2027. In this context:

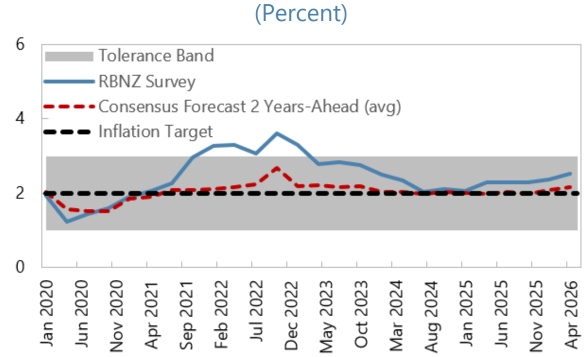
Survey-Based Measures of Inflation Expectations

Inflation Expectations: 1 Year Ahead
(Percent)



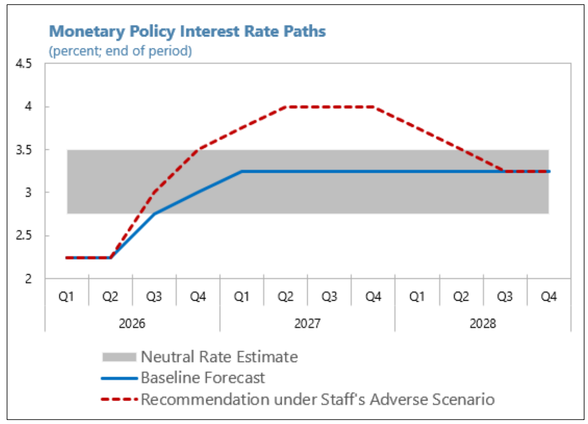
Source: RNBNZ and Consensus Forecasts

Inflation Expectations: 2 Years Ahead
(Percent)



Source: RBNZ and Consensus Forecasts

- *In the baseline*, the increase in inflation is expected to be temporary. Unlike the 2021–22 episode, when a positive output gap amplified price pressures, the current slack is expected to help ease inflation to target by 2027. While one-year-ahead inflation expectations have risen above the upper end of the target band, medium-term expectations remain close to 2 percent. However, risks to inflation are tilted to the upside, warranting a cautious approach. Staff recommend that monetary accommodation should continue to be gradually withdrawn, with the policy rate returning towards a broadly neutral stance by end-2026, while noting that there is considerable uncertainty about the neutral interest rate (staff estimate it between 2.75 and 3.5 percent). This would position monetary policy to respond less abruptly in a risk scenario where inflationary pressures prove more persistent than expected, core inflation begins to accelerate, or medium-term expectations start to de-anchor.



- *In staff's adverse scenario*, renewed geopolitical disruptions in global energy markets cause more persistent inflationary pressures, triggering second-round effects on wages and domestic prices. In this scenario, inflation expectations would risk becoming de-anchored, requiring monetary policy to move into restrictive territory by end-2026. This would require a policy rate path that rises faster and to a higher level than in the baseline, weighing somewhat on domestic demand in the short term and slowing the pace of recovery.

21. The RBNZ has taken important steps to further strengthen the transparency and accountability of monetary policy. Staff analysis shows that the RBNZ's monetary policy decisions during 2022-25 had become harder for markets to anticipate, particularly regarding the future policy path (Annex I). As of April 2026, a new Monetary Policy Committee (MPC) Charter provides a more detailed disclosure framework and operational guidance around policy decisions and communications, including through more detailed disclosure of voting records and the views of individual MPC members. Clear communication and consistent implementation of the Charter should help improve the predictability of RBNZ decisions, which will help keep inflation expectations well anchored.

22. In an environment of elevated uncertainty and more frequent shocks, safeguarding the credibility of the monetary policy framework is essential. Credibility of the monetary policy framework should continue to rest on the RBNZ's operational independence in the pursuit of price stability. Since 2018, the monetary policy framework has undergone several modifications (Text Table 1). Frequent changes to the Remit—a legally binding directive issued by the Minister of Finance that establishes the operational objectives and targets for the Monetary Policy Committee—may complicate the interpretation of monetary policy decisions, particularly in periods of elevated uncertainty and supply-side shocks. Maintaining stability in the RBNZ's objectives and Remit between regular quintennial reviews would help markets and the public better understand the monetary policy reaction function.

Text Table 1. Selected Changes to the RBNZ Monetary Policy Framework Since 2018

Year	Change
2018	Dual mandate introduced, adding maximum sustainable employment
2019	Monetary Policy Committee established and new Remit framework introduced
2021	Housing considerations added to the Remit
2023 (June)	Housing considerations moved from the Remit to the Charter
2023 (December)	Return to price stability as the primary objective

Sources: New Zealand authorities; and IMF staff estimates.

Authorities' Views

23. **The RBNZ reiterated its commitment to delivering medium-term price stability.** They noted that policy decisions would be guided by whether external cost increases lead to broader and more persistent domestic inflationary pressures, while noting that medium-term inflation expectations remain anchored and there is no evidence so far of second-round effects. They indicated that monetary policy accommodation would be withdrawn, while stressing that there is uncertainty around the neutral rate and that the pace of policy rate adjustments will depend on incoming data. The RBNZ emphasized the importance of transparency and clear communication to achieving their policy objectives, and the authorities agreed that maintaining stability in the monetary policy objectives would support policy predictability and credibility.

C. Financial Sector Policies and Housing: Safeguarding Stability while Improving Affordability

24. **Financial stability risks remain contained, and macroprudential settings are appropriate.** Despite heightened global uncertainty following the Middle East conflict, the banking system remains resilient, supported by strong capital and liquidity buffers, stable core funding, and continued profitability. RBNZ stress tests suggest that banks would remain above minimum capital requirements even under severe downside scenarios involving a sharp deterioration in domestic activity and housing prices.[7] Macroprudential settings remain appropriately calibrated given still moderate credit growth and broadly stable housing market conditions. The easing of loan-to-value ratio restrictions in December 2025 appropriately provided banks with additional flexibility to lend to higher-risk borrowers while maintaining safeguards against excessive risk taking.[8] Debt-to-

[7] RBNZ *Financial Stability Report*, May 2026.

[8] Effective December 1, 2025, the share of new owner-occupier lending permitted above 80 percent LVR was increased from 20 to 25 percent, while the share of investor lending permitted above 70 percent LVR was increased from 5 to 10 percent.

income restrictions introduced in 2024 encourage prudent lending practices and complement existing macroprudential tools aimed at containing housing-related financial vulnerabilities.

25. Progress in strengthening the regulatory framework is supporting financial stability and market development. The launch of the Depositor Compensation Scheme in July 2025 fills a key gap identified in the 2017 FSAP, strengthening depositor protection and supporting confidence in the financial system. Implementation of the Deposit Takers Act is advancing, with the new prudential framework for banks and non-bank deposit takers being phased in over coming years. In addition, the RBNZ has increased the integration of competition considerations into prudential policymaking, consistent with the broader objectives of the 2024 Financial Policy Remit. Ongoing efforts to strengthen crisis-management and resolution arrangements should further enhance systemic resilience.

26. Following a technical review of capital settings, the RBNZ recalibrated prudential requirements to place greater weight on efficiency and competition. The reforms reduce CET1 requirements, introduce Loss Absorbing Capacity requirements for the largest banks, remove Additional Tier 1 instruments, and lower selected risk weights, particularly for lower-risk mortgage and SME exposures. Requirements are differentiated across bank groups, with proportionately larger reductions for mid-sized institutions intended to support competition in credit markets. The recalibration of the framework appropriately safeguards financial stability while supporting greater competition, lower funding costs, and expanded credit provision over time.

27. Housing reforms are beginning to improve affordability, but further progress is needed to durably ease supply constraints. Housing affordability has improved (¶5), but housing remains expensive relative to incomes and supply constraints continue to weigh on affordability. Residential construction activity remains subdued, reflecting persistent land use, infrastructure, and planning constraints, although earlier land-use reforms in Auckland have helped ease housing supply constraints. The authorities are advancing the Going for Housing Growth agenda, including reforms to the Resource Management Act, targeted densification measures, and new infrastructure funding tools for local councils. Staff welcome these reforms, which could improve housing supply responsiveness over time and modify the transmission of monetary policy through housing demand and supply channels, as has been documented in the United States (Aastveit, Albuquerque, and Anundsen 2023).

Authorities' Views

28. The RBNZ shared staff's assessment that financial stability risks are contained. They noted that the banking system remains resilient, funding conditions are stable, offshore funding risks are limited, and credit conditions remain supportive. They viewed macroprudential settings as appropriate, with debt-to-income and loan-to-value restrictions serving primarily as safeguards against build-ups of systemic risk rather than tools to manage the credit cycle. They emphasized that implementation of the Deposit Takers Act is progressing, while remaining attentive to proportionality for non-bank deposit takers, and viewed the recalibration of prudential settings following the Capital Review as supporting efficiency and competition at the margin while preserving resilience. The authorities noted that housing supply conditions have improved and affordability is improving, while continued reforms to land use, planning, and infrastructure funding remain important to make supply more responsive.

D. Structural Policies

29. Boosting medium-term growth requires a broad structural reform agenda. Recent reforms have helped to ease foreign investment screening, support business investment, strengthen capital markets, and modernize competition settings.[9] However, weak labor productivity growth, low capital intensity, limited innovation, and constraints on firm scale-up continue to weigh on medium-term prospects (Petrescu 2025). Broad-based reform efforts should focus on deepening domestic capital markets, strengthening product market competition, easing barriers to foreign direct investment and technology diffusion, and improving regulatory settings and public investment management.

30. Reviving productivity growth will require deeper and more efficient domestic capital markets to support sustained capital accumulation. New Zealand's reliance on bank-based financing and limited access to risk capital constrain firms' ability to invest, innovate, and scale up, and lead to dependency on foreign savings that exacerbates external imbalances.[10] In this context, policies that strengthen the incentives and conditions for investment are critical, including improving access to long-term finance, reducing regulatory barriers to business expansion, and fostering competitive product and labor markets. The increase to KiwiSaver contribution rates in Budget 2025 is a welcome step toward expanding the pool of long-term private pension savings, which remains much smaller than in peers, and further reforms should be considered to continue deepening domestic capital markets.

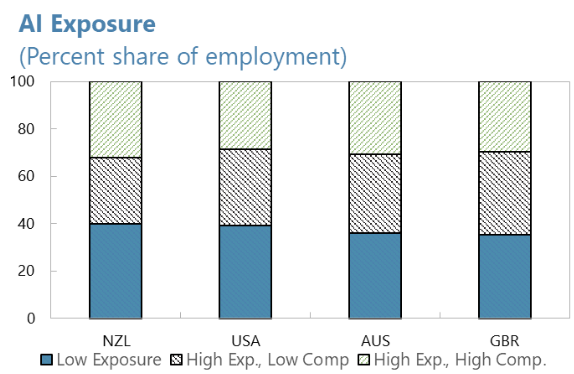
31. Adoption of artificial intelligence (AI) can boost productivity and growth, but uncertainty around its productivity and distributional effects makes support for displaced workers important. New Zealand's labor market structure suggests substantial potential gains from AI adoption, with staff analysis suggesting that it could raise productivity growth by between 0.1 and 0.4 percentage points over the next decade (Tavares 2026). Staff estimates that close to 60 percent of New Zealand workers are in AI-exposed occupations—broadly in line with other advanced economies—while just over half of these workers are in high-complementarity roles where AI is more likely to augment tasks than displace them (Cazzaniga and others 2024). The remaining workers face greater displacement risks. The overall employment effects will depend on whether AI-

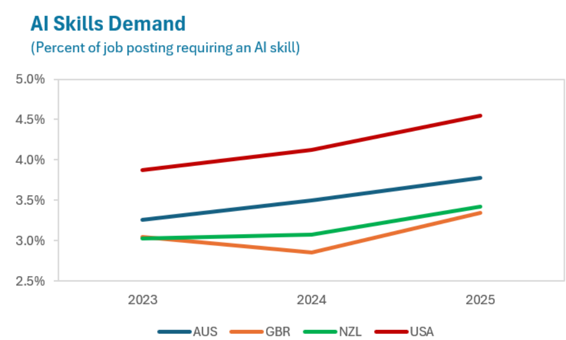
[9] Changes to the *Overseas Investment Amendment Act* that came to effect in March 2026 allow for non-resident holders of certain investment visas to purchase high-value real estate assets subject to prior approval. This change modifies an existing ban on non-resident ownership of residential property that has been in effect since October 2018, which is classified as a CFM under the IMF's Institutional View (IV) on capital flows and assessed as inappropriate under the IV (see 2019 Article IV). IMF staff is currently assessing the recent amendments to the Overseas Investment Amendment Act in the context of the IV.

[10] See Petrescu (2025).

related productivity gains generate sufficient demand and new job opportunities for these workers, and on how easily they can transition to other occupations.

32. Realizing these gains will depend on AI preparedness and structural reforms to support widespread adoption. New Zealand ranks in the top ten globally on the IMF AI Preparedness Index, which assesses readiness along four pillars: digital infrastructure; innovation and economic integration; human capital and labor market policies; and regulation and ethics. Performance is particularly strong on regulatory quality and human capital, while there is more scope to deepen digital infrastructure and innovation outcomes. At the same time, longstanding structural impediments—high costs and administrative burdens of starting and scaling a business, low R&D intensity relative to peers, high and volatile electricity prices, and shallow capital markets that constrain access to risk finance—are likely to also weigh on the speed of AI adoption across firms, particularly among SMEs. Staff analysis based on job postings through March 2026 reveals that AI adoption in New Zealand is happening at a similar pace to other advanced economies (Tavares 2026). Continued progress on the structural reform agenda—including the Commerce Act review, Capital Markets Reforms, and review of R&D tax incentives—would help New Zealand convert its strong AI preparedness into economic gains.





Sources: Stats NZ, Lightcast, and IMF staff calculations.

Notes: Panel 1 shows employment shares by AI exposure and complementarity, following Cazzaniga and others (2024). Panel 2 shows the share of job postings requiring at least one AI skill, by year, following Jaumotte and others (2026). Staff acknowledge that the results depend on the accuracy and comprehensiveness of the Lightcast data, which relies on online vacancies and should ideally be complemented with other data sources to draw robust conclusions about AI adoption.

Authorities' Views

33. The authorities have long considered that a multi-pronged agenda is needed to boost productivity. The authorities emphasized that the current global environment, including rising fragmentation, trade uncertainty, and rapid technological change, has amplified these longstanding challenges and increased the need for resilience, flexibility, and diversification. They saw AI as offering meaningful productivity gains, but noted that gains require complementary investments in digital systems, skills, data, management capability, and firm-level reorganization. The authorities highlighted recent reforms to the Overseas Investment Act as helping reduce barriers to foreign investment, while the Investment Boost and R&D tax incentive should support capital deepening and innovation. They also noted that infrastructure reforms, including the National Infrastructure Plan, faster consenting, and revised funding and PPP frameworks, should help build a more predictable investment pipeline.

STAFF APPRAISAL

34. New Zealand's strong institutions and policy frameworks continue to support resilience, but the nascent recovery is being delayed by the oil price shock and elevated uncertainty. Growth is projected to strengthen as energy prices normalize and confidence recovers. Inflation is expected to remain temporarily above the RBNZ's target band before returning to target as the shock dissipates, with spare capacity containing broader domestic price pressures. Risks to the outlook are tilted to the downside, particularly in the short term, while risks to inflation are tilted to the upside. The external position in 2025 is assessed as having been weaker than medium-term fundamentals and desirable policy settings.

35. Fiscal policy should continue to balance near-term support for the recovery with credible medium-term consolidation. The authorities' targeted and temporary response to the oil price shock has been appropriate, protecting vulnerable households while preserving price signals and fiscal space. The government's medium-term fiscal strategy is appropriately ambitious, aiming to achieve operating surplus by FY2028/29 and place debt on a declining path, and should remain the anchor for fiscal policy. Rebuilding fiscal buffers will strengthen resilience to future shocks. Expenditure restraint and public-sector efficiency gains should remain central to the adjustment effort, while safeguarding priority services and growth-enhancing investment, and should be complemented by well-designed revenue reforms. Looking further ahead, addressing aging-related spending pressures will require gradual reform to public pension settings and further strengthening of the KiwiSaver scheme.

36. Monetary policy faces a difficult trade-off between returning inflation to target and supporting the recovery. The uncertain environment calls for nimble and data-dependent monetary policy supported by clear communication to deliver medium-term price stability. In the baseline, monetary accommodation should continue to be gradually withdrawn, with the policy rate converging towards a broadly neutral stance by end-2026. If inflation pressures prove more persistent, core inflation accelerates, or expectations begin to de-anchor, monetary policy should tighten more decisively. Consistent implementation of the new MPC Charter and stability in the Remit between scheduled reviews would support predictability and credibility.

37. Financial stability risks remain contained. Banks are well capitalized, liquid, profitable, and supported by stable funding. Current macroprudential settings are appropriate, with debt-to-income and loan-to-value restrictions continuing to provide safeguards against systemic risks. Implementation of the Deposit Takers Act and crisis-management reforms should proceed in a proportionate way across deposit takers. The recalibration of capital settings appropriately preserves resilience while supporting efficiency and competition. Housing reforms should continue to focus on easing land-use, planning, and infrastructure constraints to make supply more responsive and durably improve affordability.

38. Continued structural reform efforts are needed to revive productivity growth and translate New Zealand's strong AI preparedness into economic gains while managing its impact on worker displacement. Deepening domestic capital markets will be critical to support sustained capital accumulation, reduce reliance on bank-based financing, and improve firms' access to long-term and risk capital. The increase in KiwiSaver contribution rates in Budget 2025 is a welcome step toward expanding the pool of long-term private savings, and further reforms should be considered to strengthen capital market depth and business investment. AI adoption has the potential to boost productivity and growth, but its employment and distributional effects remain uncertain, underscoring the need to support workers at risk of displacement, particularly women and younger cohorts. Realizing these gains will also require addressing structural impediments that may slow adoption across firms.

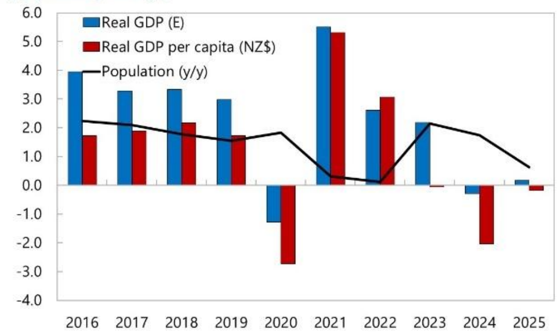
39. It is recommended that the next Article IV consultation take place on the standard 12-month cycle.

Figure 1. New Zealand: A Recovery Taking Hold amid Lingering Headwinds

Economic activity has been subdued since 2023, but began to recover in late 2025 …

GDP and Population Growth

(y/y percentage change)

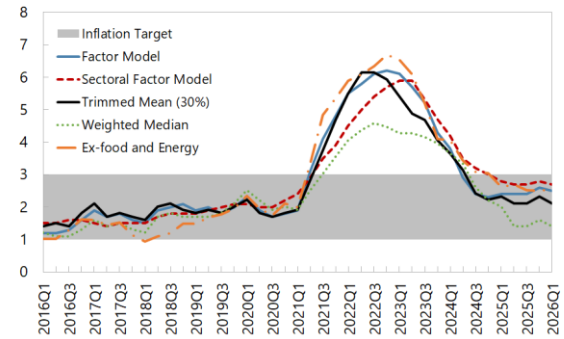


Sources: Statistics New Zealand and IMF Staff Calculations.

…as measures of core inflation moderated.

Measure of Core Inflation

(Annual percent change)

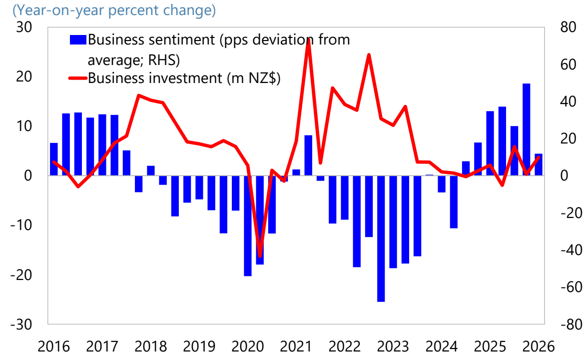


Source: Haver Analytics and IMF staff calculations

Until the onset of the war, business sentiment had improved…

Business Sentiment and Investment

(Year-on-year percent change)

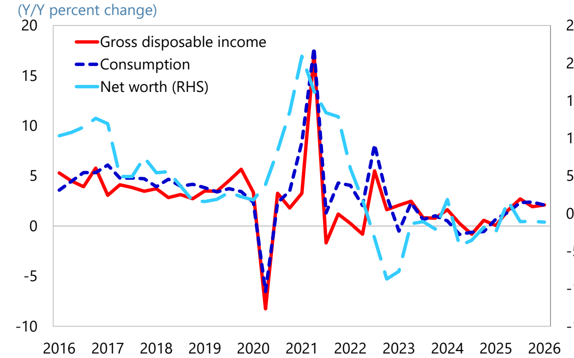


Sources: Haver Analytics; and IMF staff calculations.

…supported by a recovery in real disposable income.

Real Household Consumption, Income, and Wealth

(Y/Y percent change)

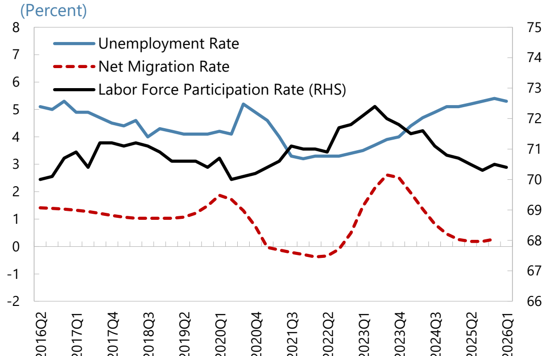


Sources: Haver Analytics; and IMF staff calculations.

The labor market stabilized, with participation easing and…

Labor Market Indicators

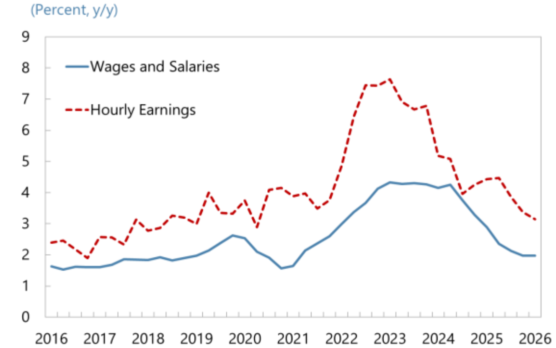
(Percent)



… wage growth had moderated in line with easing activity.

Wage Growth

(Percent, y/y)



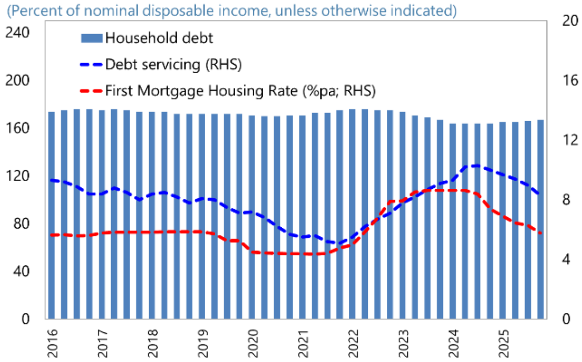
Source: Stats NZ

Figure 2. New Zealand: Financial Sector

Household debt has stabilized and debt service costs have declined.

Household Debt and Debt Service

(Percent of nominal disposable income, unless otherwise indicated)

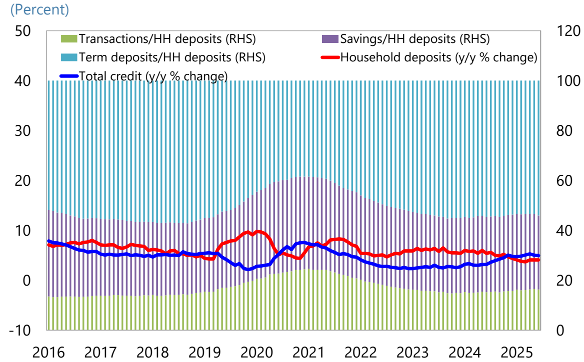


Source: RBNZ, Haver Analytics and IMF staff calculations

Credit has increased, while household deposits remained stable.

Credit and Household Deposits

(Percent)

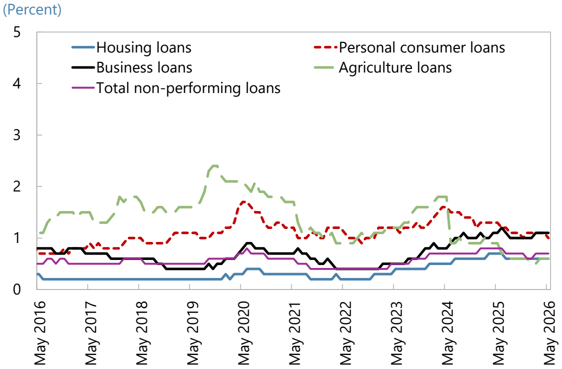


Note: Data on household deposits available only from Dec 2016.

Non-performing loans have been low, with notable improvement in the agricultural sector.

Non-Performing Loans Ratio

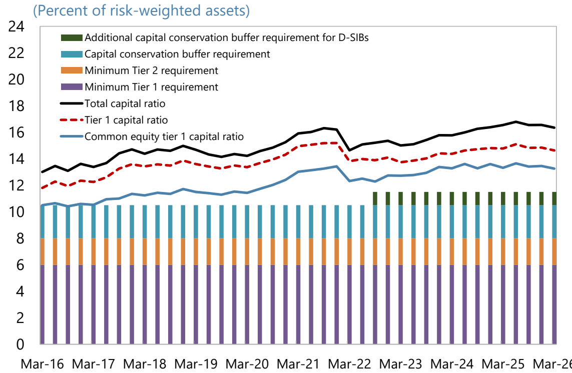
(Percent)



Capital ratios have risen steadily for the past decade following regulatory reforms.

Capital Ratios of Registered Banks

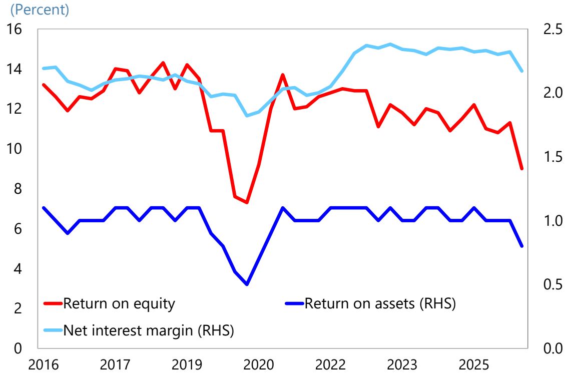
(Percent of risk-weighted assets)



Profitability has remained strong but dipped in 2026Q1, reflecting ....

Bank Profitability

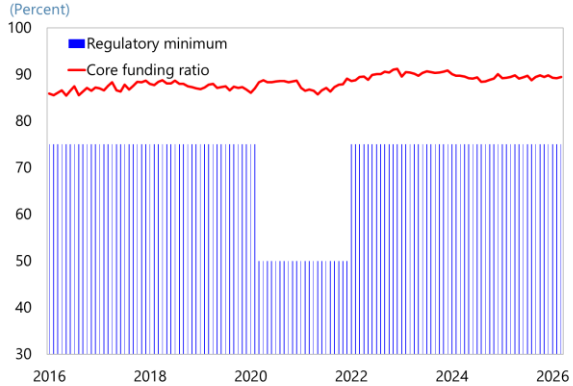
(Percent)



The core funding ratio has been stable and well above the regulatory requirement.

Core Funding Ratio

(Percent)



Source: RBNZ and IMF staff calculations.

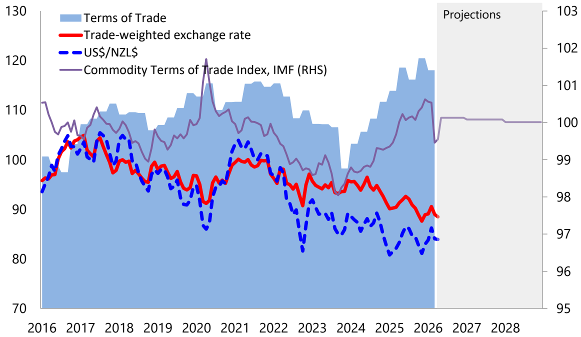
Figure 3. New Zealand: External Sector Developments

Terms of trade improved in 2025, supported by stronger export prices and a weaker exchange rate…

…helping narrow the current account deficit, even as the trade balance remained in deficit.

Terms of Trade and Exchange Rates

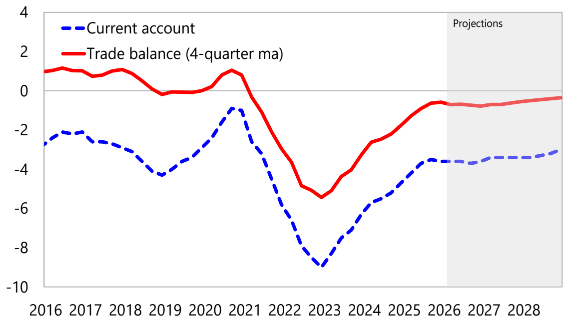
(2016=100)



Sources: Haver Analytics; RBNZ; and IMF staff calculations.

Current Account

(Percent of GDP)



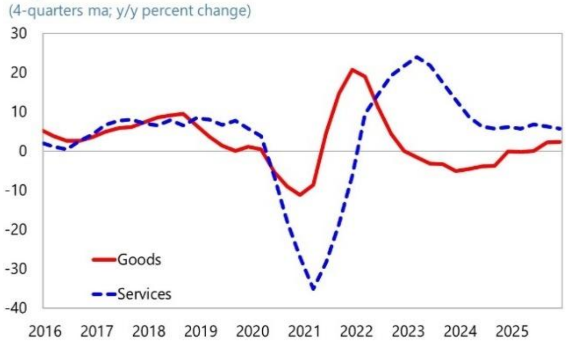
Sources: Haver Analytics; and IMF staff calculations.

Import volumes have been broadly stable, reflecting subdued domestic demand…

…while oil prices have risen sharply since the onset of the Middle East conflict.

Import Volume

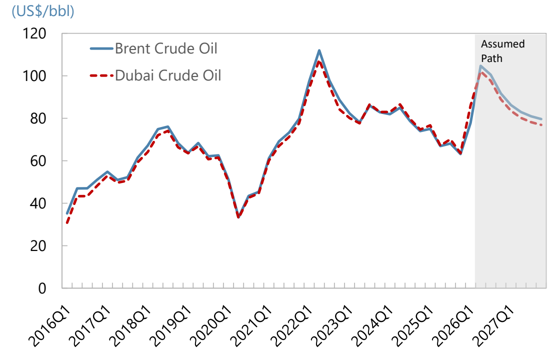
(4-quarters ma; y/y percent change)



Source: Haver Analytics and IMF staff calculations

Oil Price Assumptions

(US$/bbl)



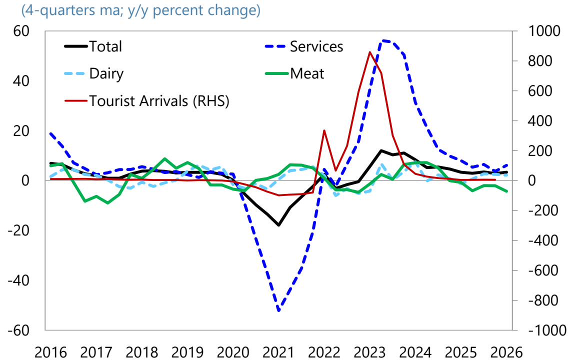
Source: IMF Primary Commodity Price System.

Export volumes declined in 2025 amid the drought but are projected to recover…

…while prices of New Zealand's key export commodities have remained supportive.

Export Volume

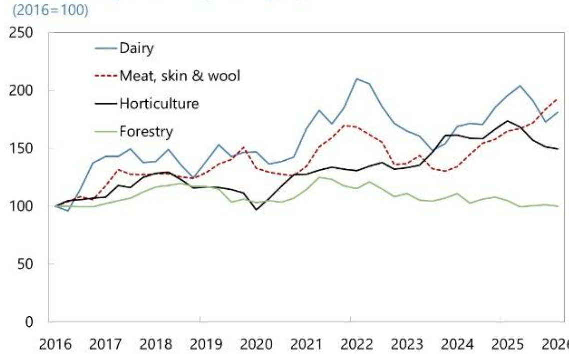
(4-quarters ma; y/y percent change)



Source: Haver Analytics; Stats NZ; and IMF staff calculations.

Commodity Prices by Category

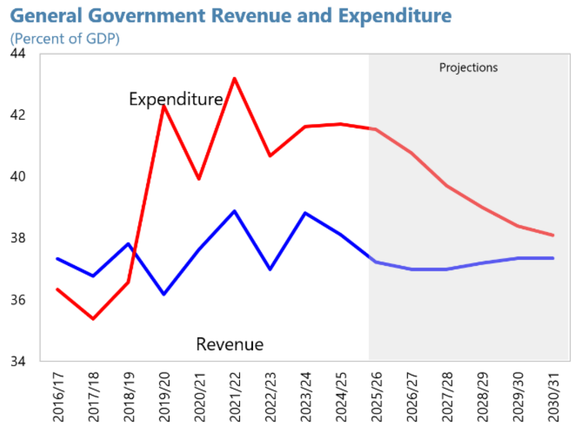
(2016=100)



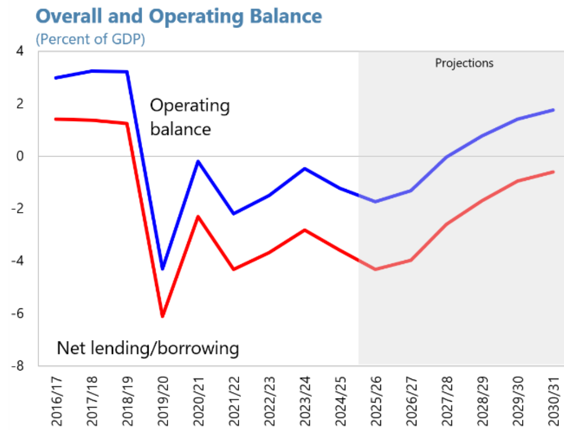
Source: ANZ

Figure 4. New Zealand: Fiscal

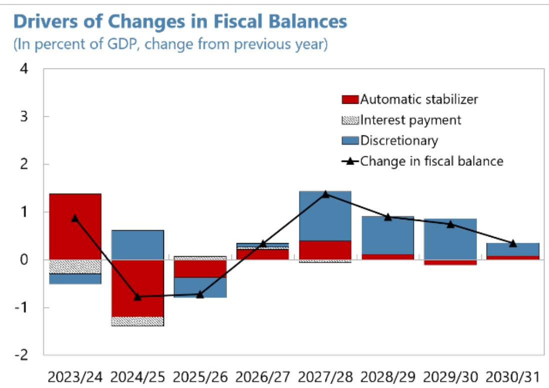
Persistent spending pressures amid repeated shocks have limited the pace of fiscal consolidation…



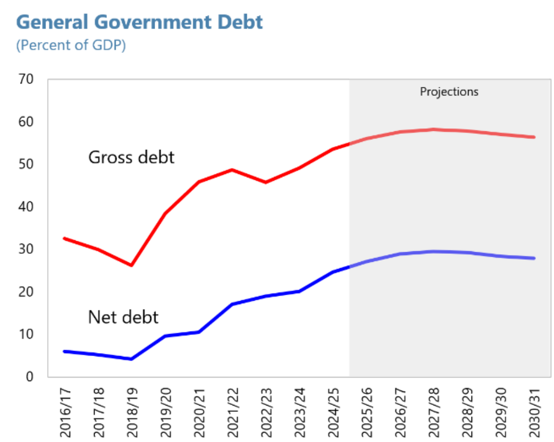
… and delayed the restoration of fiscal surpluses.



Recently, fiscal policy has broadly allowed automatic stabilizers to operate, limiting discretionary measures.



Debt is projected to remain elevated until structural fiscal consolidation gathers momentum.



Sources: New Zealand Treasury (2024/25 Financial Statements and 2025 Half-Year Economic and Fiscal Update); and IMF staff calculations.

Table 1. New Zealand: Main Economic Indicators, 2023-2031
(Annual percent change, unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
			Est.			Projections			
NATIONAL ACCOUNTS									
Real GDP (production)	2.2	-0.3	0.2	2.0	2.7	2.7	2.5	2.4	2.4
Domestic demand	-0.7	-1.1	0.9	2.2	2.5	2.4	2.3	2.3	2.4
Private consumption	1.1	-0.2	1.4	1.0	2.5	2.7	2.5	2.3	2.4
Public consumption	0.1	-0.9	2.5	1.5	2.2	2.1	1.7	1.7	1.9
Investment	-4.8	-3.4	-1.7	3.3	2.1	2.2	2.5	2.8	2.9
Public	11.8	-3.8	-3.0	0.9	1.9	1.9	1.9	2.0	2.0
Private	-4.5	-5.3	-0.5	0.9	3.0	2.8	3.1	3.2	3.3
Private business	-4.4	-2.7	1.5	1.1	3.0	3.3	3.4	3.6	3.6
Dwelling	-4.7	-11.3	-5.5	0.5	3.0	1.6	2.3	2.0	2.3
Inventories (contribution to growth, percent)	-1.2	0.4	-0.1	0.5	-0.1	-0.1	-0.1	0.0	0.0
Net exports (contribution to growth, percent)	2.7	0.6	-0.3	0.0	0.1	0.1	-0.1	-0.1	-0.2
Real gross domestic income	1.3	0.5	2.3	2.1	3.1	2.8	2.5	2.3	2.3
Investment (percent of GDP)	24.5	23.6	22.5	22.7	22.5	22.3	22.3	22.4	22.5
Public	7.4	7.0	6.7	6.4	6.3	6.2	6.2	6.2	6.2
Private	17.1	16.5	15.8	16.2	16.2	16.1	16.1	16.2	16.4
Savings (gross, percent of GDP)	18.7	14.5	16.2	18.0	18.9	18.7	18.9	19.4	19.5
Public	-3.2	-3.2	-4.0	-4.1	-3.3	-2.1	-1.3	-0.8	-0.5
Private	21.9	17.8	20.2	22.1	22.1	20.9	20.2	20.2	20.0
Potential output	2.6	1.4	1.5	1.8	1.8	2.4	2.4	2.4	2.4
Output gap (percent of potential)	1.6	-0.1	-1.4	-1.2	-0.3	0.0	0.0	0.0	0.0
LABOR MARKET									
Employment	3.2	-0.2	-0.7	1.0	1.8	2.1	1.6	1.3	1.5
Unemployment (percent of labor force, ann. average)	3.8	4.8	5.3	5.4	5.1	4.5	4.3	4.5	4.4
Wages (nominal percent change)	7.0	4.6	4.0	4.0	3.6	3.1	3.0	3.0	3.0
PRICES									
Terms of trade index (goods and services, % change)	-3.2	3.1	5.2	-0.9	0.6	0.1	0.0	-0.1	-0.3
Consumer prices (avg, % change)	5.7	2.9	2.8	3.9	2.4	2.0	2.0	2.0	2.0
GDP deflator (avg, % change)	4.9	3.9	3.5	3.1	2.6	2.2	2.1	2.0	2.0
MACRO-FINANCIAL									
Official cash rate (policy rate, percent, EOP	5.5	4.3	2.3	3.0	3.3	3.3	3.3	3.3	3.3
Credit to the private sector (percent change)	0.1	3.2	5.2	3.9	3.6	3.8	4.3	4.4	4.4
Interest payments (percent of disposable income)	8.5	9.9	8.9	10.7	10.9	10.6	10.4	10.3	10.1
Household savings (percent of disposable income)	2.7	2.5	2.4	2.3	2.8	3.5	4.2	5.0	5.7
Household debt (percent of disposable income)	167	164	165	162	159	156	153	151	148
GENERAL GOVERNMENT (percent of GDP) 1/									
Revenue	37.0	38.8	38.1	37.1	37.0	36.9	37.1	37.2	37.3
Expenditure	40.7	41.6	41.7	41.4	41.0	39.5	38.8	38.2	37.9
Net lending/borrowing	-3.7	-2.8	-3.6	-4.3	-4.0	-2.6	-1.7	-0.9	-0.6
Operating balance	-1.5	-0.5	-1.2	-1.7	-1.3	0.0	0.8	1.4	1.8
Cyclically adjusted primary balance 2/	-3.0	-2.9	-2.2	-2.7	-2.6	-1.5	-0.7	0.1	0.4
Gross debt	45.7	49.1	53.6	55.9	57.9	58.1	57.6	56.7	55.8
Net debt	19.0	20.2	24.6	27.0	29.1	29.4	29.1	28.0	27.5
Net worth	95.8	95.4	90.4	86.9	84.1	82.7	82.4	82.6	82.9
BALANCE OF PAYMENTS									
Current account (percent of GDP)	-6.3	-4.7	-3.6	-3.6	-3.4	-3.0	-3.0	-2.9	-3.0
Export volume	11.1	4.7	2.9	4.0	4.2	3.8	3.9	3.7	3.4
Import volume	-0.6	1.6	3.2	3.2	2.9	2.9	3.4	3.4	3.5
Net international investment position (percent of GDP)	-51.0	-49.5	-43.8	-44.5	-45.7	-46.6	-47.6	-48.5	-49.4
Gross official reserves (bn US$)	14.8	23.2	27.9	...	...	...	...	...	...
MEMORANDUM ITEMS									
Nominal GDP (bn NZ$)	413	427	445	469	493	518	541	565	590
Percent change	7.1	3.6	4.2	5.3	5.2	5.0	4.6	4.4	4.4
Nominal GDP per capita (US$)	56,154	51,380	51,400	52,978	53,183	56,051	57,813	59,501	61,495
Real gross national disposable income per capita (NZ$)	55,887	54,721	55,767	56,657	58,027	59,074	60,073	61,075	62,079
Percent change	-1.4	-2.1	1.9	1.6	2.4	1.8	1.7	1.7	1.6
Population (million)	5.2	5.3	5.3	5.4	5.4	5.4	5.5	5.5	5.5
US$/NZ$ (average level)	0.614	0.605	0.582	...	...	...	...	...	...
Nominal effective exchange rate	105.0	105.0	99.8	...	...	...	...	...	...
Real effective exchange rate	104.6	105.4	100.5	...	...	...	...	...	...

Sources: Authorities' data and IMF staff estimates and projections.

1/ Fiscal year.

2/ In percent of potential GDP.

Table 2. New Zealand: Fiscal Accounts, 2022/23-2030/31 1/

(In percent of GDP, unless otherwise indicated)

	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31
				Est.			Projections		
GENERAL GOVERNMENT 2/									
Revenue	**37.0**	**38.8**	**38.1**	**37.1**	**37.0**	**36.9**	**37.1**	**37.2**	**37.3**
Tax revenue	31.4	32.6	32.1	31.5	31.4	31.4	31.6	31.7	31.8
Direct taxes	21.2	22.1	21.7	21.1	21.0	21.0	21.2	21.4	21.5
Individual and withholding	13.9	14.6	14.5	14.3	14.2	14.3	14.4	14.5	14.6
Corporate	5.3	5.4	5.0	4.6	4.6	4.5	4.6	4.7	4.7
Property	2.0	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Indirect taxes	10.2	10.5	10.4	10.4	10.4	10.4	10.4	10.4	10.4
Of which: GST	7.4	7.3	7.2	7.3	7.3	7.2	7.2	7.2	7.2
Non-tax revenue	5.6	6.3	6.0	5.6	5.6	5.5	5.5	5.5	5.5
Expenditure	**40.7**	**41.6**	**41.7**	**41.4**	**41.0**	**39.5**	**38.8**	**38.2**	**37.9**
Expense	38.5	39.3	39.3	38.8	38.3	36.9	36.3	35.8	35.6
Employee expenses	8.9	9.4	9.2	9.0	9.0	8.8	8.7	8.6	8.6
Other operating expenses (excl. depreciation)	7.1	6.9	6.4	6.3	6.3	6.0	5.7	5.5	5.3
Social benefits	15.2	15.5	16.2	16.4	15.9	15.1	14.9	14.7	14.6
Other transfers	3.3	3.0	2.8	2.4	2.4	2.4	2.4	2.4	2.4
Interest	1.7	2.0	2.2	2.1	2.0	2.1	2.1	2.1	2.1
Other	2.4	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6
Net acquisition of nonfinancial assets	2.2	2.3	2.4	2.6	2.7	2.6	2.5	2.4	2.4
Of which: Gross fixed capital formation	4.3	4.7	4.6	4.8	5.1	5.0	4.9	4.8	4.8
Operating balance	-1.5	-0.5	-1.2	-1.7	-1.3	0.0	0.8	1.4	1.8
Primary balance	-3.0	-2.1	-2.7	-3.3	-3.0	-1.6	-0.7	0.1	0.4
Net lending (+)/borrowing (-)	**-3.7**	**-2.8**	**-3.6**	**-4.3**	**-4.0**	**-2.6**	**-1.7**	**-0.9**	**-0.6**
GENERAL GOVERNMENT BALANCE SHEET 2/									
Liabilities	**71.0**	**75.5**	**80.3**	**81.3**	**82.1**	**81.0**	**79.6**	**77.7**	**76.0**
Gross debt	45.7	49.1	53.6	55.9	57.9	58.1	57.6	56.7	55.8
Other liabilities 3/	25.3	26.4	26.7	25.4	24.2	23.0	22.0	21.0	20.1
Assets	**166.8**	**170.9**	**170.7**	**168.2**	**166.2**	**163.8**	**162.0**	**160.4**	**158.8**
Financial assets	71.8	75.0	74.8	74.5	74.2	73.9	73.7	73.5	73.2
Debt relevant	26.7	28.9	29.0	28.8	28.7	28.6	28.5	28.4	28.4
Other	45.0	46.1	45.8	45.6	45.5	45.3	45.1	45.0	44.9
Nonfinancial assets	95.0	95.9	95.9	93.7	92.0	89.8	88.3	86.9	85.6
Net financial worth	**0.8**	**-0.5**	**-5.5**	**-6.8**	**-7.9**	**-7.1**	**-5.9**	**-4.2**	**-2.7**
Net debt 4/	**19.0**	**20.2**	**24.6**	**27.0**	**29.1**	**29.4**	**29.1**	**28.0**	**27.5**
Central government	14.6	15.3	19.4	21.6	23.5	23.6	23.0	22.0	21.1
Local government	4.4	4.9	5.2	5.5	5.7	5.8	6.0	6.2	6.4
Net worth	**95.8**	**95.4**	**90.4**	**86.9**	**84.1**	**82.7**	**82.4**	**82.6**	**82.9**
Central government	50.4	50.1	45.5	43.5	41.9	41.8	42.5	43.6	44.6
Local government	45.4	45.3	44.9	43.4	42.2	40.9	39.9	39.1	38.3
MEMORANDUM ITEMS									
Cyclically adjusted primary balance (percent of potenti	-3.0	-2.9	-2.2	-2.7	-2.6	-1.5	-0.7	0.1	0.4
Fiscal impulse (change in CAPB; in percent of potentia	-0.9	-0.1	-0.8	0.5	0.0	-1.1	-0.8	-0.9	-0.3
Change in real revenue (percent)	-2.0	5.3	-0.9	-1.0	1.0	3.1	3.1	2.8	2.6
Change in real primary expenditure (percent)	-4.0	2.0	0.6	1.2	0.3	-0.6	0.6	0.7	1.6
New Zealand Superannuation Fund									
Budget transfers (+ = receipts)	0.6	0.4	0.2	0.0	0.0	0.0	0.0	0.1	0.1
Net assets	16.1	17.8	19.0	20.0	20.3	20.4	20.7	21.0	21.3
Contributed capital	6.2	6.3	6.3	6.0	5.7	5.5	5.3	5.1	5.0
Central government									
Revenue	33.5	35.3	34.4	33.8	33.7	33.6	33.8	33.9	34.0
Expenditure	36.8	37.6	37.4	37.5	37.2	35.7	35.0	34.4	34.2
Net lending (+)/borrowing (-)	-3.2	-2.4	-3.0	-3.8	-3.5	-2.1	-1.2	-0.5	-0.1
Local government									
Revenue	4.4	4.5	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Expenditure	4.9	5.1	5.4	5.3	5.2	5.2	5.2	5.2	5.2
Net lending (+)/borrowing (-)	-0.6	-0.6	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5	-0.5
GDP (in billion NZ$)	402	421	435	458	480	506	529	553	578

Sources: Authorities' data and IMF staff estimates and projections.

1/ The fiscal year runs from July to June.

2/ Accrual basis; GFS. Comprises Core Crown (excludes RBNZ), Crown entities, and local governments. Includes New Zealand Superannuation Fund.

3/ "Other liabilities" include government pension liabilities, and the Accident Compensation Corporation (ACC) liabilities.

4/ "Net debt" is gross debt less debt-relevant financial assets - cash and equivalents, marketable securities, etc. (often held to cover pension liabilities).

Table 3. New Zealand: Balance of Payments, 2023-2031
(In percent of GDP, unless otherwise indicated)

	2023	2024	2025	2026	2027	2028	2029	2030	2031
			Est.			Projections			
Current account	-6.3	-4.7	-3.6	-3.6	-3.4	-3.0	-3.0	-2.9	-3.0
Balance on goods and services	-3.3	-1.8	-0.6	-0.5	-0.2	0.1	0.1	0.2	0.0
Exports of goods and services	23.5	24.1	25.8	26.0	26.0	25.9	26.0	26.1	26.0
Exports of goods	16.8	16.7	18.3	17.8	17.9	17.9	17.9	17.9	17.8
Exports of services	6.7	7.3	7.5	8.1	8.1	8.1	8.1	8.2	8.2
Imports of goods and services	26.7	25.8	26.4	26.4	26.2	25.8	25.9	25.9	26.0
Imports of goods	19.4	18.3	18.6	18.6	18.4	18.1	18.1	18.1	18.2
Imports of services	7.4	7.5	7.8	7.8	7.8	7.6	7.7	7.8	7.8
Primary income, net	-2.9	-2.4	-2.6	-2.9	-2.9	-2.9	-2.9	-2.8	-2.7
Inflows	3.5	4.0	4.2	4.3	4.5	5.4	5.4	5.4	5.5
Outflows	6.3	6.5	6.8	7.1	7.4	8.4	8.3	8.3	8.2
Secondary income, net	0.0	-0.3	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Inflows	1.1	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.8
Outflows	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Capital and financial account									
Capital account, net	0.8	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Financial account, net	-3.7	-0.1	-3.6	-2.1	-3.4	-3.0	-3.0	-2.9	-3.0
Direct investment	-1.9	-0.4	-1.3	-2.4	-1.8	-1.7	-1.6	-1.6	-1.6
Equity	-0.6	0.1	-1.5	-1.9	-1.4	-1.3	-1.2	-1.2	-1.2
Debt	-1.3	-0.5	0.2	-0.5	-0.5	-0.4	-0.4	-0.4	-0.4
Portfolio investment	-3.3	-5.0	-3.8	-4.3	-1.5	-1.3	-1.3	-1.3	-1.3
Equity	-0.3	1.6	0.0	-0.1	1.3	1.3	1.2	1.1	1.1
Debt	-3.1	-6.6	-3.9	-4.2	-2.8	-2.6	-2.5	-2.4	-2.4
Financial derivatives	-0.6	0.1	-1.6	0.0	-0.1	-0.1	-0.1	-0.1	-0.1
Other investment	1.6	1.8	1.1	1.5	-0.6	-0.6	-0.6	-0.6	-0.6
Reserve assets	0.5	3.4	2.0	3.2	...	...	...	...	...
Net errors and omissions	1.7	4.7	0.1	1.5	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET									
Net international investment position	-51.0	-49.5	-43.8	-44.5	-45.7	-46.6	-47.6	-48.5	-49.4
Equity, net	-1.4	4.0	9.5	6.7	6.3	6.0	5.7	5.4	5.1
Assets	45.2	53.7	57.7	55.1	55.1	55.1	55.1	55.1	55.1
Liabilities	46.5	49.7	48.2	48.5	48.9	49.1	49.4	49.7	50.0
Debt, net	-55.6	-62.6	-64.2	-64.7	-65.5	-66.1	-66.7	-67.4	-68.0
Assets	36.6	40.2	39.6	43.4	43.4	43.4	43.4	43.4	43.4
Liabilities	92.2	102.8	103.8	108.0	108.8	109.4	110.1	110.7	111.4
External assets (gross)	87.7	103.0	108.2	112.0	112.0	112.0	112.0	112.0	112.0
Equity	45.2	53.7	57.7	55.1	55.1	55.1	55.1	55.1	55.1
Debt	36.6	40.2	39.6	43.4	43.4	43.4	43.4	43.4	43.4
External liabilities (gross)	138.7	152.5	152.0	156.5	157.7	158.6	159.5	160.4	161.4
Equity	46.5	49.7	48.2	48.5	48.9	49.1	49.4	49.7	50.0
Debt	92.2	102.8	103.8	108.0	108.8	109.4	110.1	110.7	111.4
Of which: NZ$ denominated	54.4	60.9	62.1	61.2	61.6	62.0	62.3	62.7	63.1
FX denominated	37.8	41.9	41.7	46.8	47.2	47.5	47.8	48.0	48.3
Short-term	29.3	33.5	32.0	33.0	33.2	33.4	33.6	33.8	34.0
MEMORANDUM ITEMS									
Gross official reserves (bn US$)	14.8	23.2	27.9	...	...	...	...	...	...
In months of prospective imports	2.7	4.0	4.7	...	...	...	...	...	...
In percent of short-term external debt	20.2	27.4	34.1	...	...	...	...	...	...

Sources: Authorities' data and IMF staff estimates and projections.

Table 4. New Zealand: Monetary and Financial Sector, 2022-2031
(In billion NZ$, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
					Projections					
CENTRAL BANK										
Net foreign assets	17	17	31	44	47	49	52	54	56	59
Net domestic assets	49	43	16	2	0	-1	-1	-1	-2	-3
Net domestic claims	58	50	24	9	8	7	8	8	7	6
Claims on Central government (net)	37	29	9	3	2	1	1	1	1	1
Claims on Other Depository Corporations	21	21	15	6	6	7	6	5	5	4
Other items net	-9	-7	-8	-7	-8	-8	-8	-9	-9	-10
Monetary base	66	60	48	46	47	49	51	53	54	56
DEPOSITORY CORPORATIONS										
Net foreign assets	-104	-90	-81	-82	-86	-90	-95	-99	-103	-108
Net domestic assets	503	503	511	525	545	572	599	625	652	679
Net domestic claims	594	602	614	633	659	691	724	756	788	822
Claims on Central government (net)	45	40	32	34	22	21	21	21	21	21
Claims on State and Local Government	7	8	9	9	10	10	11	11	12	12
Claims on Public Nonfinancial Corporations	1	1	1	1	1	1	1	1	1	1
Claims on Private Sector	528	539	558	581	610	642	673	704	735	767
of which: Private Sector Credit	527	538	556	579	610	642	673	704	735	767
Claims on Other Financial Corporations	12	13	14	16	16	17	18	19	20	21
Other items net	-91	-98	-104	-108	-113	-119	-125	-131	-137	-143
Broad money	399	413	430	444	460	481	504	526	548	571
MEMORANDUM ITEMS										
Private sector credit 2/	549	562	583	609	632	655	680	710	738	768
Housing loans 1/	340	350	364	386	402	416	432	451	471	493
Business loans 1/	124	124	128	133	138	145	153	161	167	173
Household deposits	228	242	259	270	284	299	313	328	342	357
				In percent of GDP						
Private sector credit 2/	142	136	136	137	135	133	131	131	131	130
Housing loans 1/	88	85	85	87	86	84	83	83	83	84
Business loans 1/	32	30	30	30	29	29	29	30	30	29
Household deposits	59	59	61	61	61	61	61	61	61	61
				Percentage change						
Private sector credit 2/	4.3	2.4	3.7	4.5	3.9	3.6	3.8	4.3	4.0	4.0
Housing loans 1/	4.2	3.0	4.1	5.9	4.2	3.5	3.8	4.5	4.5	4.5
Business loans 1/	7.4	0.2	2.9	3.7	4.0	5.0	5.3	5.4	3.7	3.7
Household deposits	5.3	5.9	7.2	4.1	5.3	5.2	5.0	4.6	4.4	4.4

Sources: RBNZ and IMF staff calculations.
1/ Registered banks.
2/ Depository corporations.

Table 5. New Zealand: Financial Sector Indicators, 2021-25

	2021	2022	2023	2024	2025
	As at end-year, unless otherwise indicated				
Interest rates (percent)					
90-day bank bill rate	0.5	4.5	5.7	4.3	2.5
90-day bank bill rate, real	-3.3	-2.5	-0.1	1.3	0.5
Stock market index (percent change)	-0.4	-12.0	2.6	11.4	3.3
Liquidity and funding (in percent)					
Liquid assets to total assets	16.8	18.0	17.1	16.7	16.7
Liquid assets to short-term liabilities	24.2	27.1	25.7	24.4	20.0
1-month maturity mismatch	7.4	8.9	9.5	8.6	7.6
Core funding ratio	89.1	91.2	90.9	90.1	89.8
Asset composition (percentage share of total)					
Agricultural	11.7	11.2	11.0	10.7	10.4
Business	23.2	24.0	23.6	23.5	23.3
Households	65.1	64.9	65.4	65.7	66.3
Of which: Housing	62.4	62.3	62.8	63.2	63.9
Asset quality (in percent)					
Non-performing loans to total loans	0.4	0.4	0.6	0.7	0.6
Non-performing loans net of provisions to capital	2.3	2.8	4.6	5.4	4.1
Non-performing loans (in millions of NZ$)	2,080	2,143	3,552	4,137	3,874
Capital adequacy (in percent)					
Regulatory capital to risk-weighted assets	16.2	15.4	15.8	16.4	16.6
Tier I capital to risk-weighted assets	15.2	14.1	14.4	14.8	14.8
Common equity tier 1 to risk-weighted assets	13.4	12.7	13.4	13.3	13.4
Capital to assets	7.8	8.3	8.6	8.7	8.9
Profit Ratios (in percent)					
Return on assets	1.0	1.1	1.0	1.0	1.0
Return on equity	12.6	12.9	11.2	11.5	11.3
Net interest margin	2.0	2.4	2.3	2.3	2.3

Sources: Reserve Bank of New Zealand; and IMF staff estimates.

Note: Capital adequacy measures, NPLs net of provisions to capital, liquid assets, 1-month mismatch ratio, core funding ratio, and return on equity are calculated for locally incorporated banks only.

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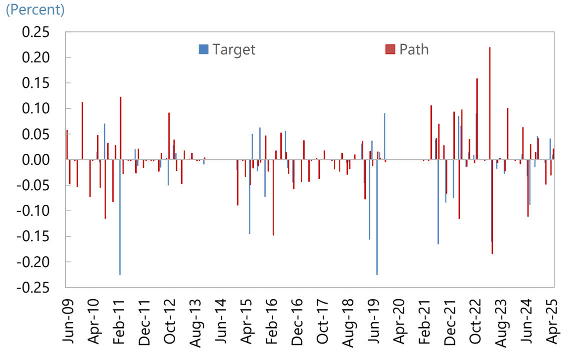
Annex I. Monetary Policy Surprises in New Zealand[1]

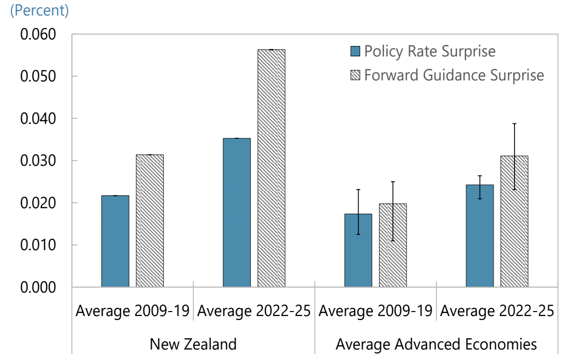
1. This annex examines how financial markets in New Zealand respond to monetary policy announcements and how the predictability of these announcements has evolved in recent years. To measure surprises, we consider movements in financial asset prices in 30-minute windows surrounding 103 RBNZ policy announcements over 2009 to 2025. Following Braun, Miranda-Agrippino and Saha (2025) and Emeksiz and others (2026), these monetary policy surprises are separated into two components: those reflecting the current policy rate decision priced in the 3-month OIS (the 'target' component) and those reflecting expectations of the future path of policy priced in the 2-year NZGB yield (the 'path' component).

2. Monetary policy announcements have grown more difficult to predict in the post-pandemic period. During the period between 2022 and 2025, RBNZ policy announcements were more difficult for markets to anticipate than in the period between 2009 and 2019, with the average value of the absolute surprise rising by 63 percent. While both surprise components have increased, surprises about the future policy path have risen more markedly, from an average of about 3 bps over 2010-19 to almost 6 bps since 2022.[2,3] This indicates that markets have found it more difficult to anticipate the policy trajectory communicated by the RBNZ.

Monetary Policy Surprises in New Zealand
(Percent)



Monetary Policy Surprises: New Zealand and Cross-Country Comparison
(Percent)



Sources: Braun, Miranda-Agrippino and Saha (2025); Emeksiz and others (2026); and IMF staff calulations.
Note: Advanced economies include Australia, Canada, the Czech Republic, Euro Area, Japan, New Zealand, Norway, Poland, Sweden, Switzerland, the United Kingdom, and the United States.

[1] This annex was prepared by Matteo Ghilardi.

[2] Since 2009, the RBNZ has changed the OCR in increments of 25 basis points in 23 announcements and of 50 basis points in 15 announcements.

[3] Like in earlier studies of high-frequency monetary policy surprises for the US and Euro Area, our sample for New Zealand contains outliers that affect the period averages. Excluding the two largest post-2022 observations lowers the average path surprise in the recent period from 5.6 bps to 4.3 bps, which remains above the advanced-economy average. The finding that target and path surprises have increased in New Zealand holds when comparing period-median values instead of period-average values.

3. Monetary policy surprises have risen across advanced economies, but have risen to a larger extent in New Zealand, particularly with respect to the future policy path. In cross-country comparison, New Zealand's monetary policy surprises are larger than the advanced economy average—where forward guidance surprises rose from about 2 to 4 bps since 2020. Surprises in New Zealand exceed the average of other advanced economies across both components and both periods and are generally in the upper quartile of the cross-country distribution, with the largest deviation observed for path surprises in the post-2020 period.

4. The increase in surprises about the future policy path is consistent with the more uncertain environment in which monetary policy has operated since 2020. Central banks have faced more frequent and larger shocks, requiring repeated reassessments of the economic outlook and the expected policy path. As a small open economy, New Zealand is particularly exposed to external shocks and changes in global financial conditions, which can make the path of monetary policy more difficult for markets to anticipate. This is consistent with the finding that surprises have increased more for the future policy path than for the current policy rate decision. The results are also consistent with evidence from other advanced economies, where heightened uncertainty has also reduced the predictability of future monetary policy decisions.

5. In an environment of elevated uncertainty and more frequent shocks, clear monetary policy communication is key to making policy predictable and to keeping inflation expectations well anchored. Continuing to strengthen the RBNZ's already transparent communications can help markets better understand the MPC's assessment of the outlook, the balance of risks, and the implications for the future policy path.

Annex II. Pension Reform—Supporting Fiscal Sustainability and Capital Market Deepening[1]

This annex builds on the 2025 Article IV staff report's Annex V, which quantified the scale of aging-related fiscal pressures in New Zealand and underscored the importance of comprehensive pension reform. It revisits these issues in light of recent policy developments—including reforms to KiwiSaver contribution settings in Budget 2025—and the analysis in the NZ Treasury's 2025 Long-Term Fiscal Statement. The annex places a greater emphasis on the role of funded private saving and its broader macroeconomic implications, including for capital market development.

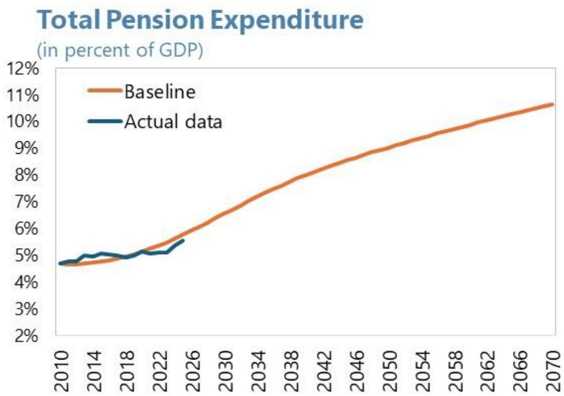
1. **New Zealand's pension system rests on a multi-pillar architecture that delivers broad old-age income protection while supporting labor force participation.** First, NZ Superannuation (NZS) provides a universal, flat-rate pension funded from general taxation; with simple eligibility rules and no retirement or labor-market-exit requirements, it also encourages continued labor force participation among older workers. The NZ Superannuation Fund (NZSF) is a government-owned partial pre-funding vehicle governed under a statutory contribution formula and a long investment horizon, helping to smooth the intergenerational fiscal burden associated with future NZS costs. Second, KiwiSaver is a semi-voluntary defined-contribution scheme that, through auto-enrollment and employer contributions, broadens private savings coverage and diversifies retirement income away from tax-financed transfers.

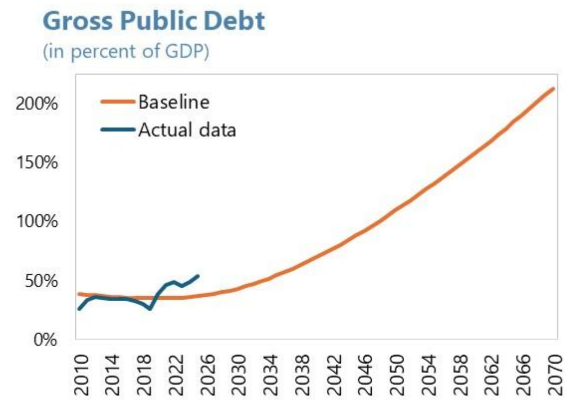
2. **Population aging is set to generate sizeable long-term fiscal pressures under unchanged policy settings, underscoring the need for pension reform.** Staff's model-based analysis in the 2025 Article IV shows that aging would generate sizable long-term fiscal pressures under unchanged policy settings. The Treasury's 2025 Long-Term Fiscal Statement (LTFS) provides a consistent assessment, projecting NZS spending to rise toward around 8 percent of GDP by 2065 under unchanged settings—up from around 5 percent of GDP today—and a continued increase in the public debt-to-GDP ratio over the long run. Net migration helps moderate the pace of aging but is only able to alleviate a fraction of the fiscal impact, and only temporarily: permanent migrants eventually become NZS-eligible, effectively deferring rather than eliminating the need for adjustment, while sustaining the demographic relief would require continuously rising migrant inflows unlikely to materialize at the necessary scale. Additionally, while stronger productivity and output growth would help support the fiscal outlook, it would not by itself resolve these pressures, as NZS payment rates are linked to wages and therefore rise with economy-wide productivity gains. Together, staff's model-based analysis and the Treasury's LTFS point to the need for determined, credible pension reforms that preserve retirement-income adequacy while containing aging-related fiscal pressures.

[1] Prepared by Yaroslav Hul, drawing from Baksa, Li, and Munkacsi (2026).

Projected Costs of Aging

Aging would generate sizable long-term fiscal pressures under unchanged policy settings





Note: The model simulations are based on United Nations' medium migration population scenario. For 2010-2026 the model simulations are compared to actual data outcomes.
Sources: Baksa, Li, and Munkacsi (2026), and staff calculations

3. The NZSF is an important fiscal buffer that has delivered strong financial performance, but it cannot substitute for reform of NZS parameters. Established in 2001, the NZSF operates as a professionally managed sovereign wealth fund under a commercial return mandate. Government contributions to NZSF are guided by a statutory formula, calculated by the Treasury in accordance with fiscal forecasts.[2] The formula expresses the required contribution as a share of nominal GDP and is designed to partially pre-fund future NZS costs over the long term. As of March 2026, NZSF's net worth stood at close to NZ$87 billion (around 19.5 percent of 2025 GDP), having delivered an annualized return of about 10 percent since inception. The mechanism behind the NZSF is valuable: it strengthens the central government's balance sheet, creates a pool of long-term public savings, and reduces the burden on future taxpayers. However, under current NZS eligibility and indexation settings, the NZSF will be able to offset only a small fraction of the future NZS costs—up to 17 percent of net NZS costs in 2065, per the Treasury's analysis, if the tax NZSF pays is added to the withdrawals—underscoring the need to address the underlying pension spending drivers. Moreover, even preserving the NZSF's envisaged pre-funding contribution requires disciplined adherence to its statutory formula.[3]

[2] The statutory formula is legislated under the New Zealand Superannuation and Retirement Income Act 2001 (sections 42 to 44) and is updated with each Budget and Half-Year Fiscal Update, taking into account projected NZS costs, nominal GDP, and NZSF assets, expected returns, and tax paid. If the government contributes less than the formula-prescribed amount in a given year, this must be disclosed; the formula also reflects the resulting lower fund balance in subsequent calculations, which can raise required contributions in later years.

[3] NZSF contributions had been reduced, suspended, or redirected in the past, illustrating the tension between NZSF's long-term (partial) pre-funding role and competing fiscal or policy priorities. Contributions were fully suspended during 2009-17; in 2019-22, NZ$240 million (NZ$60 million per year) was diverted to the NZ Venture Investment Fund (later relaunched as Elevate NZ); and most recently, Budget 2025 redirected the formula-prescribed FY2025/26 contribution of NZ$61 million, together with NZ$39 million from the capital allowance, into Elevate NZ. While the statutory formula subsequently takes account of a lower fund balance, deviations from formula-prescribed

(continued)

4. Recent policy measures to bolster KiwiSaver are a welcome step toward increasing funded private savings, with the added benefit of supporting the government's medium-term consolidation objective. Budget 2025 increased default KiwiSaver contribution rates for both employees and employers from 3 to 3.5 percent from April 2026 and to 4 percent from April 2028, while allowing workers to opt down temporarily to 3 percent on an annual basis. It also extended government contributions to 16- and 17-year-olds from the FY2025/26 eligibility year and extended mandatory employer contributions to this group from April 2026. Simultaneously, the annual government contribution was halved—to NZ$0.25 per dollar contributed up to NZ$260.72 per year—and removed entirely for members earning above NZ$180,000. Taken together, the NZ Treasury estimates these measures to yield net fiscal savings of about NZ$3.0 billion over the Budget 2025 forecast period, reinforcing the government's consolidation path while boosting funded private savings.

5. While these policy steps are welcome and are set to gradually raise funded private saving, scope remains to address deeper structural weaknesses in KiwiSaver. Enrollment is broad—reaching 3.45 million members (nearly two-thirds of the total population) as of May 2026—but active contribution rates have been declining, reducing the scheme's effectiveness in building adequate retirement savings.[4] KiwiSaver's taxed-taxed-exempt (TTE) structure—under which contributions and investment returns are taxed, while withdrawals are exempt—is unusual among advanced economies and reduces the benefits of long-term compounding.[5] Combined with the relatively light effective taxation of housing—particularly owner-occupied housing—this reinforces households' allocation of savings toward residential property.[6] The taxing distortion is not uniform

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contributions reduce the period over which resources compound and thus reduce the magnitude of expected offset to future NZS costs.

[4] KiwiSaver members: (i) are allowed to apply for temporary contribution suspensions—typically for renewable periods of up to 12 months—without giving a reason; (ii) may stop contributing due to severe financial distress; and (iii) are not required to contribute if they are outside the 18-65 age bracket, have lost employment, are self-employed, or are leaving New Zealand. In FY2024/25, the number of contributing members fell for the first time, with 30 percent of members aged 18–65 making no contributions during the year, up from 20 percent in 2010. Even among active contributors, nearly two-thirds contribute at the minimum default rate, suggesting under-saving relative to retirement-income needs (see KiwiSaver Annual Report 2025; FMA Media Release No. 2025–36).

[5] Under KiwiSaver's taxed-taxed-exempt (TTE) treatment: (i) employee contributions are made from after-tax income and employer contributions are generally subject to Employer Superannuation Contribution Tax (ESCT); (ii) investment income within the fund is taxed under the Portfolio Investment Entity (PIE) regime at prescribed investor rates of 10.5, 17.5, or 28 percent; and (iii) withdrawals are generally tax-free. The OECD identifies New Zealand, Australia, and Türkiye as the only OECD countries operating TTE regime for retirement saving, although Australia applies concessional tax rates and therefore differs materially, Most OECD countries provide tax relief either for contributions or for investment income, with exempt-exempt-taxed (EET) arrangements the most common (used in 17 out of 38 OECD members). For details, see OECD (2026)

[6] The tax advantage of housing is clearest for owner-occupied property: imputed rental income is untaxed, and capital gains are generally not levied. The comparison with rental property is more nuanced. Rental income is taxable, residential rental losses are ring-fenced, and homeownership entails various costs. However, capital gains on properties held beyond the two-year bright-line period may remain untaxed, provided that other land-sale rules—including those relating to an intention of resale—do not apply. Interest incurred in earning residential rental income has been fully deductible since April 1, 2025 (see Inland Revenue: *Understand the property rules*). This can make leveraged rental investment relatively attractive where a substantial share of the return takes the form of capital

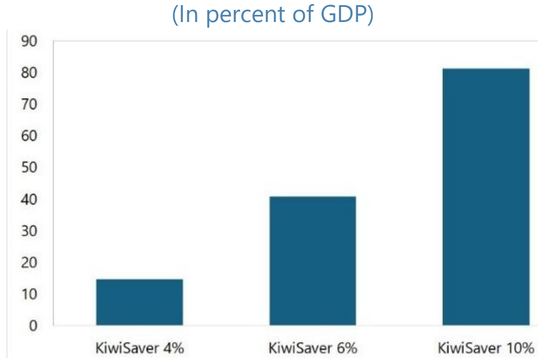
(continued)

across financial assets, however, as the Portfolio Investment Entity (PIE) regime can leave KiwiSaver more favorably taxed than some direct investments, including bonds and offshore equities. Overall, the tax system is likely one of several factors contributing to housing-dominated household portfolios and comparatively low private financial wealth for retirement, with possible implications for retirement-income adequacy and domestic capital-market development. The ability to withdraw most KiwiSaver savings for a first-home purchase involves a further trade-off between supporting home ownership and preserving savings for retirement.[7]

6. A balanced reform package should combine gradual, but determined, changes to NZS policy settings—the main lever for containing long-term fiscal costs—with a stronger KiwiSaver framework to improve retirement-income adequacy. The analysis in Annex V of the 2025 Article IV staff report illustrates the case for such a mixed approach: spreading the adjustment across the eligibility age, replacement rate, and contribution rate materially reduces the size of each individual change, whereas reliance on any single instrument would require large adjustments and risk placing the fiscal burden unevenly across generations. On the NZS side, options include gradually raising the eligibility age—potentially linked to gains in life expectancy—modifying indexation rules in a way that preserves adequacy for low-income retirees while slowing aggregate spending growth, and exploring carefully designed means-testing that limits work disincentives and administrative complexity. On the KiwiSaver side, priorities include gradually raising default contribution rates and/or making participation mandatory, and broadening coverage through better-targeted public incentives. For example, simulations using the Baksa, Li, and Munkaczi (2026) model suggest that raising employer and employee KiwiSaver contribution rates to 6 percent each could generate cumulative additional retirement savings of about 40 percent of GDP by 2070, materially strengthening the scheme's capacity to complement NZS in cushioning aging-related pressures. This scenario is not a specific policy recommendation; rather, it illustrates the scale of additional funded saving that could be generated by materially stronger contributions. Any such increase would need to be phased in gradually and designed carefully to account for affordability constraints, labor cost, and distributional effects, particularly for lower-income and liquidity-constrained households. While a stronger KiwiSaver would not alleviate

Increase in Accrued Kiwisaver Assets by 2070

(In percent of GDP)



Source: IMF staff simulations based on Baksa, Li, and Munkacsi (2026) model

appreciation. At the same time, the overall tax advantage depends on rental yields, financing costs, capital gains, holding periods, and the applicability of land-sale rules. Leverage also increases investment risk and does not, by itself, guarantee a lower effective tax burden. Nevertheless, housing investment represents about 2/3 of gross household wealth (NZ Stats).

[7] A member who has belonged to KiwiSaver for at least three years may generally withdraw most of their balance to purchase a first home in New Zealand that they intend to occupy, but must leave at least NZ$1,000 in the account. The withdrawal supports deposit accumulation and access to home ownership but reduces the assets subsequently available to compound for retirement (see Inland Revenue: *Getting my KiwiSaver savings for my first home*).

fiscal pressures under unchanged NZS settings, it can boost pension adequacy while reducing reliance on NZS, thus setting the stage for public discussion of gradual NZS parameter reforms.

7. Protecting the NZSF's rules-based pre-funding role would further reinforce this reform package. Disciplined NZSF contributions under the statutory formula would help preserve long-term compounding and expand the resources available for future withdrawals, thereby enhancing the fund's role in smoothing the fiscal cost of population aging across generations. Periodic review of the formula parameters against the projected NZS burden would help ensure that pre-funding remains adequate as demographic and fiscal conditions evolve.

8. Comprehensive pension reform would also support capital market deepening, with positive spillovers to investment and productivity. New Zealand's relatively shallow capital markets remain a structural constraint on business scaling and growth. A stronger funded retirement-saving system would help ease this constraint. First, a more broadly based KiwiSaver—with higher contributions and wider participation—would expand the domestic pool of long-horizon household savings and help diversify portfolios away from housing toward productive financial assets. Cross-country evidence presented in Khan, Li, and Zhao (2026) supports this channel: fully-funded, individually-owned, and collectively-managed pension schemes with mandatory or incentivized participation support long-term equity investment, domestic stock market development, and financial inclusion.[8] Second, the NZSF—as a large-scale institutional investor managed under a commercial return mandate—can support market depth through participation in domestic opportunities, to the extent that such investment offers competitive risk-adjusted returns relative to global alternatives. However, capital market deepening cannot rely on pension funds alone, nor should investment mandates be distorted toward domestic-allocation targets: KiwiSaver and NZSF should remain commercially managed, with safeguards against politically directed investment and with robust fiduciary, disclosure, and liquidity-risk management standards. Capital market development requires a broader policy framework that expands the supply of investable domestic opportunities, strengthens market infrastructure and transparency, supports firm scaling and listing incentives, and preserves strong governance.

[8] For earlier evidence on contractual savings and securities-market development, see Impavido, Musalem, and Tressel (2003).

Annex III. Past Policy Recommendations

	Fund Recommendations	Policy Actions
Monetary Policy	• Monetary policy should continue easing toward a neutral stance if macroeconomic conditions evolve as expected, while remaining flexible and responsive to inflation, growth, and housing-market developments.	• The RBNZ continued easing as inflation pressures moderated and the economic recovery was delayed, lowering the OCR to 2.25 percent by late 2025, before pausing in April and May 2026 as oil-related price pressures increased.
Fiscal Policy	• Fiscal policy should prioritize medium-term consolidation and rebuild buffers, while balancing growth considerations and protecting the most vulnerable. • Revenue and expenditure reforms should support growth-friendly consolidation, including through tax reforms, spending reviews, and measures to address long-term aging-related pressures, including New Zealand Superannuation and KiwiSaver.	• The 2025 Budget combined expenditure restraint with growth-oriented measures, including the Investment Boost scheme, a reduced operating allowance, and reforms to gradually raise KiwiSaver contribution rates. • The 2026 Budget reaffirmed the authorities' commitment to restore an operating surplus by FY2028/29 and put debt on a declining path, supported by expenditure reprioritization, public-service efficiency reforms, and targeted fuel-related support rather than broad-based subsidies.
Housing and Financial	• Housing supply should be expanded by easing planning and land-use constraints, improving local infrastructure funding, and supporting more efficient land use. • Prudential regulation should continue to safeguard financial stability, while the Deposit Takers Act and Depositor Compensation Scheme are implemented in a proportionate way across deposit takers.	• The authorities advanced the Going for Housing Growth agenda, including Resource Management Act reforms, targeted densification measures, and new infrastructure funding tools for local councils. • The Depositor Compensation Scheme was launched in July 2025, implementation of the Deposit Takers Act advanced, and the RBNZ recalibrated capital settings following a technical review.
Structural	• Productivity reforms should strengthen competition, broaden access to finance, attract foreign investment, deepen capital markets, and support innovation, including through well-calibrated R&D incentives. • Infrastructure reforms should close infrastructure gaps, improve planning and project delivery, and strengthen resilience to natural disasters and climate risks.	• The authorities advanced reforms to ease foreign investment screening, support business investment, strengthen capital markets, and modernize competition settings. • The authorities advanced infrastructure and resilience efforts, including by expanding the infrastructure pipeline, supporting investment in key sectors, and increasing strategic fuel reserves.

Annex IV. External Sector Assessment

Overall Assessment: *New Zealand's external position in 2025 was weaker than the level implied by medium-term fundamentals and desirable policies. The current account deficit narrowed markedly to an estimated 3.6 percent of GDP in 2025, from 4.7 percent in 2024, supported by a sharp improvement in the terms of trade. The sustained depreciation of the New Zealand dollar over 2024–25 contributed to the adjustment. The current account deficit is projected to widen temporarily in 2026 owing to the oil price shock associated with the war in the Middle East, before narrowing over the medium term.*

Potential Policy Responses: *Pursuing medium-term fiscal consolidation and maintaining exchange rate flexibility will support a gradual narrowing of the current account deficit and help cushion the economy from the terms-of-trade shock. Structural reforms to lift productivity and deepen capital markets would further help close the external imbalance and reduce reliance on external savings over the medium term.*

Foreign Assets and Liabilities: Position and Trajectory

Background. New Zealand's net international investment position (NIIP) improved to around -44.3 percent of GDP at end-2025, from -49 percent at end-2024, supported by favorable valuation effects and the narrower current account deficit. This improvement continues the strengthening trend observed over the past five years. About two-thirds of New Zealand's gross liabilities are debt liabilities, more than 60 percent of which are denominated in New Zealand dollars, with the remainder primarily in the form of foreign direct equity investment. Going forward, as valuation gains taper off and the current account deficit widens temporarily in 2026 owing to the oil price shock, the NIIP/GDP ratio is expected to deteriorate slightly, before the planned medium-term fiscal consolidation and continued narrowing of the current account help stabilize it over the medium term.

Assessment. The relative resilience of balance sheets across sectors and the structure of New Zealand's external debt — with the majority denominated in NZD and a positive net FX open position — help mitigate the vulnerabilities associated with the negative NIIP. The authorities' ongoing fiscal consolidation, together with their commitment to exchange rate flexibility, would further support a gradual improvement in the NIIP over the medium term.

2025 (% GDP)	NIIP: -44	Gross Assets: 108	Debt Assets: 40	Gross Liab.: 152	Debt Liab.: 104

Current Account

Background. The current account deficit narrowed markedly to an estimated 3.6 percent of GDP in 2025, from 4.7 percent in 2024, continuing its improvement from the record-high deficit reached in 2022, reflecting both cyclical and structural improvements. The narrowing was supported by a sharp improvement in the terms of trade—driven by record-high prices for key export commodities, particularly dairy and meat—together with still-subdued import demand reflecting the nascent stage of the domestic recovery and the depreciated exchange rate. The improvement occurred despite a decline in goods export volumes, as severe drought conditions across key dairying regions of the North Island in early 2025 constrained milk and meat output. The output gap is estimated to have remained negative through 2025, such that the cyclically adjusted current account balance is estimated at around -4.1 percent of GDP. The current account deficit is projected to stay constant y in 2026..

Assessment. The cyclical adjustment of 0.5 percent of GDP yields a cyclically adjusted current account balance of -4.1 percent of GDP in 2025. Compared with the model-estimated CA norm of -1.9 percent of GDP, this implies a CA gap of -2.3 percent of GDP, of which only -0.5 percentage points is attributable to identified policy gaps concentrated at the health sector, with the remainder reflecting an unexplained residual. The EBA External Stability (ES) approach suggests a broadly similar CA gap of -1.9 percent of GDP. Net errors and omissions (NEOs) in the official balance of payments statistics have been volatile, historically complicating the assessment of New Zealand's external position, as discussed in the Data Adequacy Assessment (Annex IX). However, NEOs declined substantially from 4.7 percent of GDP in 2024 to 0.1 percent in 2025.

New Zealand: Model Estimates for 2025 (in percent of GDP)

Decomposition of New Zealand's Current Account (CA) Valuation

2025 CA balance (percent of GDP)	-3.6
Cyclical adjustment in the model (percentage point of GDP)	0.5
Model-based cyclically adjusted CA balance (percent of GDP)	-4.1
Final cyclically adjusted CA balance (percent of GDP)	**-4.1**
Norm (for CA model, percent of GDP)	**-1.9**
CA gap (percent of GDP), of which:	**-2.3**
Contribution of identified policy gaps	-0.5
Unexplained residuals	-1.4
IIP-stabilizing CA/GDP ratio (for ES model, percent of GDP)	**-1.9**
Assumed current account elasticity	-0.21

Sources: National authorities and IMF staff estimates.

Real Exchange Rate

Background. The trade-weighted real effective exchange rate (REER) of the New Zealand dollar depreciated by an estimated 4.6 percent over 2025, broadly mirroring movements in the nominal effective exchange rate (NEER). The depreciation primarily reflects the narrowing interest rate differential with respect to major trading partners as the RBNZ proceeded with its monetary easing cycle, partially offset by the supportive effects of improved terms of trade for key export commodities. Following the onset of the oil price shock in February 2026, the New Zealand dollar and REER weakened further, consistent with the role of exchange rate flexibility as a primary shock absorber.

Assessment. Applying the EBA-estimated elasticity of the current account-to-GDP ratio to the REER of 0.21, the CA gaps from the macro-balance and external sustainability models imply REER gaps of 11 percent, respectively. Separately, the EBA REER index model implies that, in real effective terms, the New Zealand dollar was overvalued by 3.9 percent, respectively, as of end-2025—reflecting the cumulative depreciation, a similar assessment is found with REER level model.

New Zealand: Model Estimates for 2025 (in percent of GDP)	
CA Model	
CA gap (Adjusted CA less norm, percent of GDP)	**-2.3**
REER gap (positive implies real overvaluation, percent)	**11.0**
ES Model	
CA gap (Adjusted CA less IIP-stabilizing CA percent of GDP)	-1.9
REER gap (positive implies real overvaluation, percent)	9.1
Reduced form REER equations (REER gap only, positive implies real overvaluation)	
REER index equation (percent)	3.9
REER level equation (percent)	4.4

Source: IMF staff estimates.

Capital and Financial Accounts: Flows and Policy Measures

Background. The current account deficit in 2025 was financed by continued external inflows, with their composition shifting relative to 2024. Portfolio inflows moderated but remained sizable—mostly with maturities longer than two years, including into government securities, while foreign direct investment inflows became a more important source of financing. New Zealand banks continued to access offshore wholesale funding markets without disruption, with funding costs broadly tracking global benchmarks. Nonresident holdings of New Zealand government securities remained broadly stable in 2025, hovering around 59 percent of outstanding securities, before declining by about 2 percentage points in the first months of 2026.

Assessment. Vulnerabilities associated with the financial account remain manageable, bolstered by a commitment to a floating exchange rate, well-capitalized banks with ample liquidity buffers, and a deep and predominantly local-currency-denominated debt structure.

FX Intervention and Reserves Level

Background. The RBNZ has maintained its FX intervention capacity at about 5.5 percent of GDP—as measured by reserve assets minus short-term FX liabilities—under its FX Management and Coordination Framework. Gross official reserves continued to build up in 2025, consistent with the Reserve Bank of New Zealand’s strategy to strengthen foreign reserve buffers.

Assessment. The authorities' commitment to exchange rate flexibility and a mainly domestic or hedged external debt reduce the need for reserve holdings and support staff's assessment of adequate reserves.

Annex V. Risk Assessment Matrix[1]

Source of Risk	Likelihood	Expected Impact	Policy Recommendations
Global Conjunctural Risks			
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	High	**High.** New Zealand's relatively small economy and geographic location make it highly reliant on global trade and financial flows. Any disruptions could reduce economic activity and increase vulnerabilities.	Exchange rate flexibility as a shock absorber, with potential inflationary direct and indirect impact closely watched. Strengthen the rules-based multilateral trading system, and. continues structural reforms to attract foreign investment
Trade-related Risks • **Protectionism and Trade Disruptions.** Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism. • **New Trade Agreements.** Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.	High Low	**Medium**. As a small open economy, NZ is highly reliant on global trade and financial flows. Direct effects from US tariffs are modest, but indirect effects via slower demand from China and Asia would weigh on dairy, meat, and services exports, while USD strength and NZD depreciation would raise imported inflation.	Use exchange rate flexibility as the primary shock absorber while monitoring second-round inflation effects. Allow automatic stabilizers to operate; calibrate the pace of fiscal consolidation to cyclical conditions without abandoning the medium-term anchor. Diversify export markets via trade agreements. Advance OIA reform to keep FDI inflows resilient.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	High	**Medium**. A sustained oil/energy price spike — e.g., a Brent/Dubai shock from Middle East tensions — would raise CPI headline through the tradables channel, lift transport and input costs, and could take inflation expectations above target, complicating the OCR's path to neutral.	Allow the NZD to absorb commodity shocks. Look through first-round effects while monitoring core inflation and inflation expectations for second-round effects. Use targeted transfers rather than broad fuel subsidies to cushion vulnerable households.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions	High	**Medium.** While NZ's sovereign debt is sustainable with low DSF risk signals across horizons, the fiscal position has weakened relative to pre-pandemic. Given the relatively high share of government debt held by	Allow automatic stabilizers to operate, while keeping any discretionary support targeted, temporary, and timely, focused on vulnerable households, and financed within operating allowances through reprioritization. Avoid broad-based

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline. Structural risks are those that are likely to remain salient over a longer horizon.

Source of Risk	Likelihood	Expected Impact	Policy Recommendations
are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.		non-residents, tighter global financial conditions could amplify NZ term premia and borrowing costs. This would weigh on consumption and investment, slow the recovery, and complicate fiscal consolidation through higher debt-service costs.	demand support that would add to inflation or borrowing pressures. Over the medium term, adhere to the planned fiscal consolidation path—to rebuild buffers, anchor market confidence, and contain debt-service costs while broadening the fiscal adjustment toolkit and maintaining prudent debt management to limit rollover and liquidity risks.
Global Structural Risks			
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	**High**	**Medium**. An escalation of attacks could destabilize banks and affect critical facilities, slowing the recovery and disrupting financial markets.	Preventative investment in strengthening critical infrastructure; fast liquidity provision in case of financial market disruptions.
Climate Change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	**Medium**	**High.** Stronger and more frequent economic disruptions. Larger fiscal costs related to disaster recovery and adaptation. Higher insurance premiums and associated risks.	Preserve fiscal space for climate contingencies; ensure adequate Natural Hazards Commission capitalization. Continue RBNZ climate disclosure and stress-testing regimes. Maintain a credible ETS price path and use auction revenue for adaptation. Embed climate risk in land-use planning.
AI Acceleration. Rapid AI adoption significantly improves productivity, boosts growth, and revives business dynamism. Realizing these gains requires complementary policies to manage energy constraints, scale critical inputs, and support labor market transitions.	**Medium**	Medium, upside. Faster diffusion of AI across services and knowledge-intensive sectors could lift NZ's persistently weak labor productivity, narrow the income gap with peers, and support fiscal sustainability through stronger trend growth and tax revenues.	Accelerate digital infrastructure investment and ensure broad access to high-quality connectivity. Invest in workforce reskilling and STEM/AI capabilities; modernize education and immigration settings to attract AI talent. Strengthen competition policy to ensure productivity gains diffuse beyond frontier firms. Update regulatory and data-governance frameworks to enable safe AI adoption.
Domestic Risks			
Unexpectedly large or disorderly housing market disruptions. Correction of pockets of overvaluation could propagate a broader correction, especially if the recovery is softer than expected and demand remains low. Alternatively, monetary loosening could induce a housing market bubble.	**Low**	**Medium.** A significant correction in prices would adversely affect household wealth and consumption. It would also cause significant financial market instability, although LVR restrictions should reduce associated costs, and DTI ratios activated July 2024	Closely monitor the buildup of risks in the housing sector. Adjust interest rates if the correction puts inflation on a path away from the RBNZ's target and continue to rely on adjusting macroprudential settings.

Source of Risk	Likelihood	Expected Impact	Policy Recommendations
		should be containing high-risk lending.	

Annex VI. Sovereign Risk and Debt Sustainability Framework

Figure 1. New Zealand: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is low, reflecting relatively low levels of vulnerability across the near-, medium-, and long-term horizons.
Near term 1/			
Medium term	Low	Low	The medium-term risk of sovereign stress is low, reflecting New Zealand's strong institutions, the depth of its investor pool, and the credibility of its macroeconomic policies, all of which contribute to overall stability.
Fanchart	Low	...	
GFN	Low	...	
Stress test	Nat. Disast.	...	
Long term	...	Low	The long-term risk of sovereign stress also remains relatively low. However, fiscal challenges stemming from age-related expenditure on pension and health have started to materialized and will contribute to adverse debt dynamics in the long run.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			Yes

DSA Summary Assessment

Commentary: New Zealand is assessed to be at low overall risk of sovereign stress, underpinned by strong institutions, a credible policy framework, and sustained market access at favorable terms. Nonetheless, near-term risks have increased as a fragile recovery has been disrupted by an external oil-price shock and inflation pressures have risen, adding to macroeconomic uncertainty. Fiscal outcomes in recent years have exceeded earlier expectations but largely reflect temporary factors. Underlying fiscal balances remain weaker than previously envisaged, and the medium-term consolidation path has been repeatedly deferred. While recent policy measures have been targeted and time-bound, expenditure pressures persist and available fiscal space has narrowed, increasing reliance on future adjustment. These developments have been reflected in a deterioration in sovereign outlooks, though credit ratings remain strong (Aaa from Moody's and AA+ from S&P and Fitch). Looking ahead, gradual consolidation is expected to stabilize and then reduce public debt, keeping gross financing needs manageable. However, risks to the fiscal trajectory are tilted to the downside, particularly if growth underperforms or additional shocks materialize. Over the longer term, rising age-related spending, alongside climate and infrastructure needs, will place increasing pressure on public finances, underscoring the importance of durable adjustment to preserve fiscal sustainability.

Source: Fund staff.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Figure 2. New Zealand: Debt Coverage and Disclosures

	CG	GG	NFPS	CPS	Other	Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	

2. Subsectors included in the chosen coverage in (1) above:

		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	
	2	Extra budgetary funds (EBFs)	No	Not applicable
	3	Social security funds (SSFs)	Yes	
	4	State governments	Yes	
	5	Local governments	Yes	
	6	Public nonfinancial corporations	No	
	7	Central bank	No	
	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/

4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/

5. Debt consolidation across sectors:	Consolidated	Non-consolidated

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

	Issuer \ Holder	Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

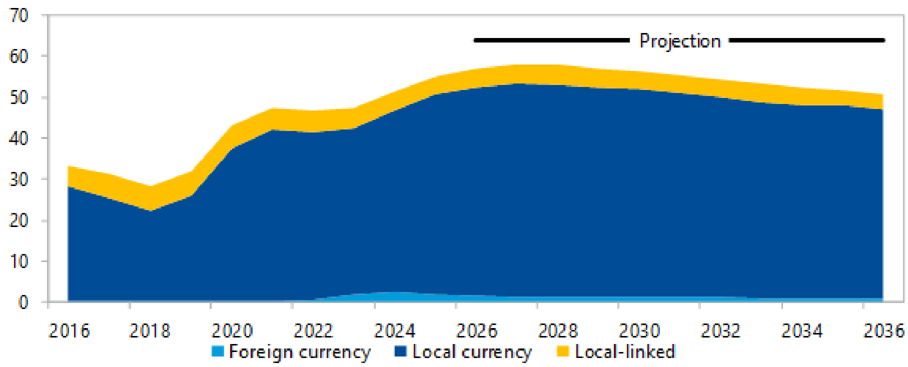
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: In New Zealand, the general government consists of the central government, state and local governments, and social security funds.

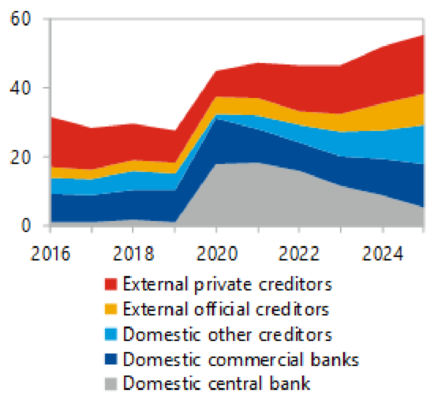
Figure 3. New Zealand: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



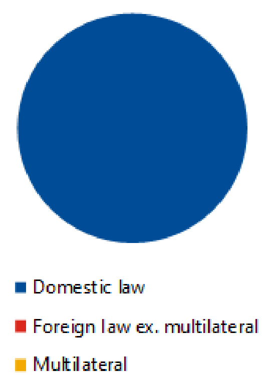
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



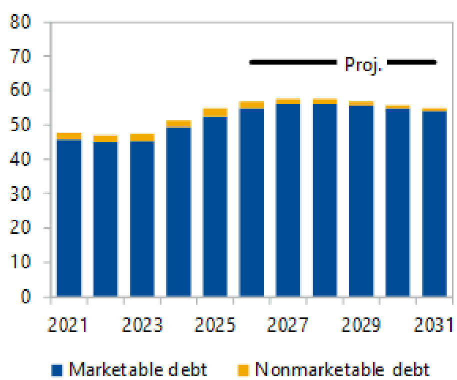
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2025 (percent)



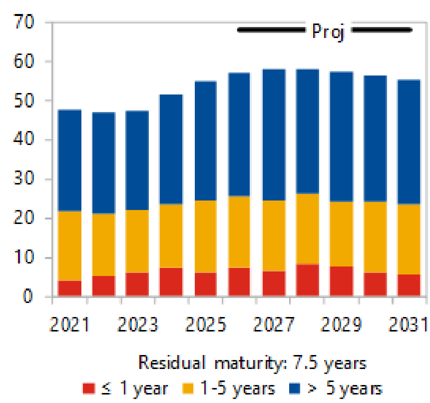
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: Public debt in New Zealand increased during the pandemic, but is expected to gradually decline over the medium term following the planned consolidation. The share of FX debt is very low and index-linked bonds also make a relatively small share (less than 10 percent) of total outstanding debt.

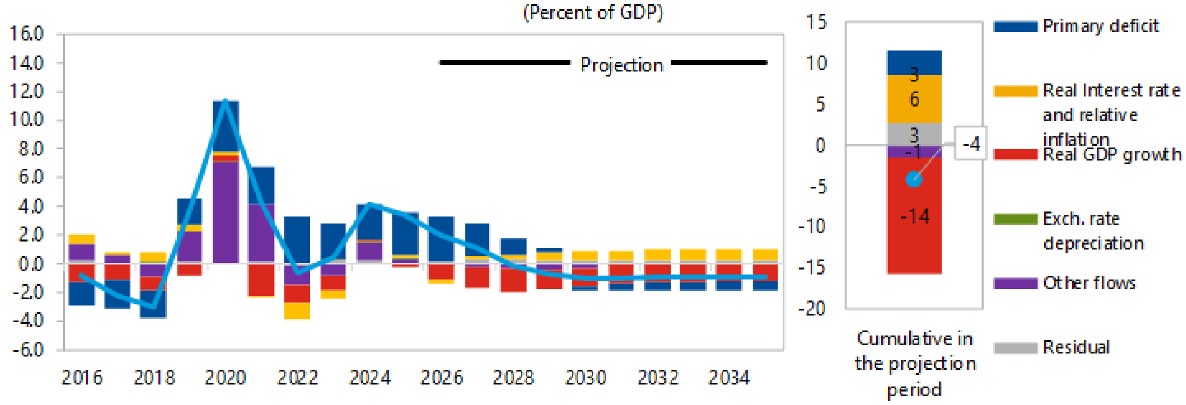
Figure 4. New Zealand: Baseline Scenario

(Percent of GDP, unless otherwise indicated)

	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	54.8	56.8	57.9	57.8	57.1	56.2	55.2	54.2	53.3	52.4	51.6
Change in public debt	3.4	2.0	1.1	-0.1	-0.7	-1.0	-1.0	-0.9	-0.9	-0.9	-0.9
Contribution of identified flows	3.5	1.8	0.8	-0.4	-1.0	-1.2	-1.2	-1.2	-1.2	-1.1	-1.1
Primary deficit	3.0	3.2	2.3	1.1	0.3	-0.3	-0.5	-0.6	-0.6	-0.6	-0.6
Noninterest revenues	36.5	35.9	35.8	35.9	36.1	36.2	36.3	36.4	36.4	36.4	36.4
Noninterest expenditures	39.5	39.1	38.1	37.0	36.4	36.0	35.8	35.8	35.8	35.8	35.8
Automatic debt dynamics	0.1	-1.3	-1.3	-1.2	-0.9	-0.7	-0.6	-0.5	-0.5	-0.5	-0.5
Real interest rate and relative inflation	0.2	-0.2	0.2	0.4	0.5	0.6	0.7	0.7	0.7	0.7	0.7
Real interest rate	0.2	-0.2	0.2	0.4	0.5	0.6	0.7	0.7	0.7	0.7	0.7
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	-0.1	-1.1	-1.5	-1.5	-1.4	-1.3	-1.3	-1.3	-1.3	-1.2	-1.2
Real exchange rate	0.1	...	...	...	...	...	...	...	...	...	...
Other identified flows	0.4	-0.1	-0.2	-0.4	-0.4	-0.3	-0.1	0.0	0.0	0.0	0.0
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	1.5	1.0	0.9	0.7	0.7	0.8	1.0	1.1	1.1	1.1	1.1
Contribution of residual	-0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.2	0.2	0.2
Gross financing needs	9.8	7.6	10.0	8.0	9.0	7.9	6.3	5.6	7.3	6.2	7.2
of which: debt service	8.0	5.5	8.8	7.9	9.8	9.3	7.9	7.3	9.0	7.9	8.9
Local currency	5.7	4.0	7.5	6.8	8.8	7.4	6.9	6.4	8.1	7.0	7.1
Foreign currency	1.7	1.3	1.1	1.0	1.0	0.9	0.9	0.8	0.8	0.8	0.7
Memo:											
Real GDP growth (percent)	0.2	2.0	2.7	2.7	2.5	2.4	2.4	2.4	2.4	2.4	2.4
Inflation (GDP deflator; percent)	3.5	3.1	2.6	2.2	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	4.2	5.3	5.2	5.0	4.6	4.4	4.4	4.4	4.4	4.4	4.4
Effective interest rate (percent)	4.3	3.0	3.2	3.2	3.4	3.5	3.5	3.6	3.7	3.7	3.7

Contribution to Change in Public Debt

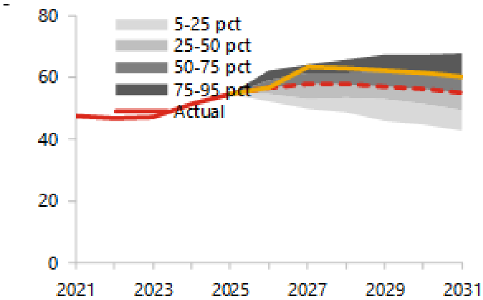
(Percent of GDP)



Commentary: Public debt is projected to peak at around 58 percent of GDP in 2027/28 before gradually declining, supported by the envisaged fiscal consolidation and a return to operating surpluses under the authorities' strategy, alongside a normalization of macroeconomic conditions.

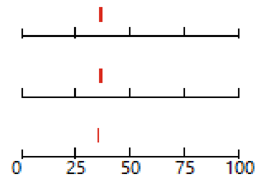
Figure 5. New Zealand: Medium-Term Risk Assessment

Final Fanchart (Percent of GDP)

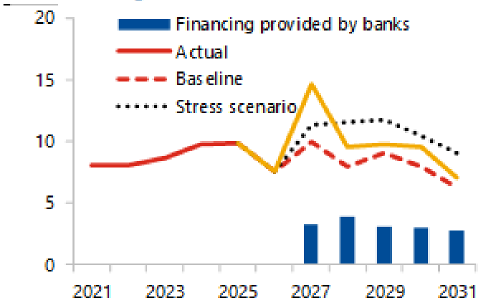


Debt fanchart module

	Value	Contrib 1/	Percentile in peer group 2/
Fanchart width *(percent of GDP)*	25.2	0.4	
Probability of debt non-stabilizaiton *(percent)*	0.8	0.0	
Terminal debt-to-GDP x institutions index	7.7	0.2	
Debt fanchart index (DFI)		0.5	
Risk signal: 3/		Low	

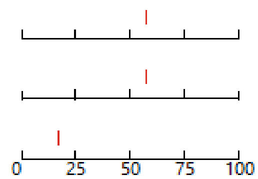


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

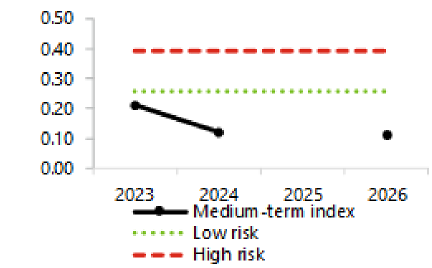
	Value	Contrib 1/	Percentile in peer group 2/
Average baseline GFN *(percent of GDP)*	8.1	2.8	
Initial Banks' claims on the gen. govt *(pct bank assets)*	6.8	2.2	
Chg. In banks' claims in stress *(pct banks' assets)*	1.0	0.3	
GFN financeability index (GFI)		5.3	
Risk signal: 4/		Low	



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	0.5	0.1	0.5	0.1
GFN finaceability index	5.3	0.1	0.5	0.1
Medium-term index		0.1		
Risk signal: 5/		Low		
Final assessment:		Low		

Prob. of missed crisis, 2026-2031, if stress not predicted: 0.0 pct.

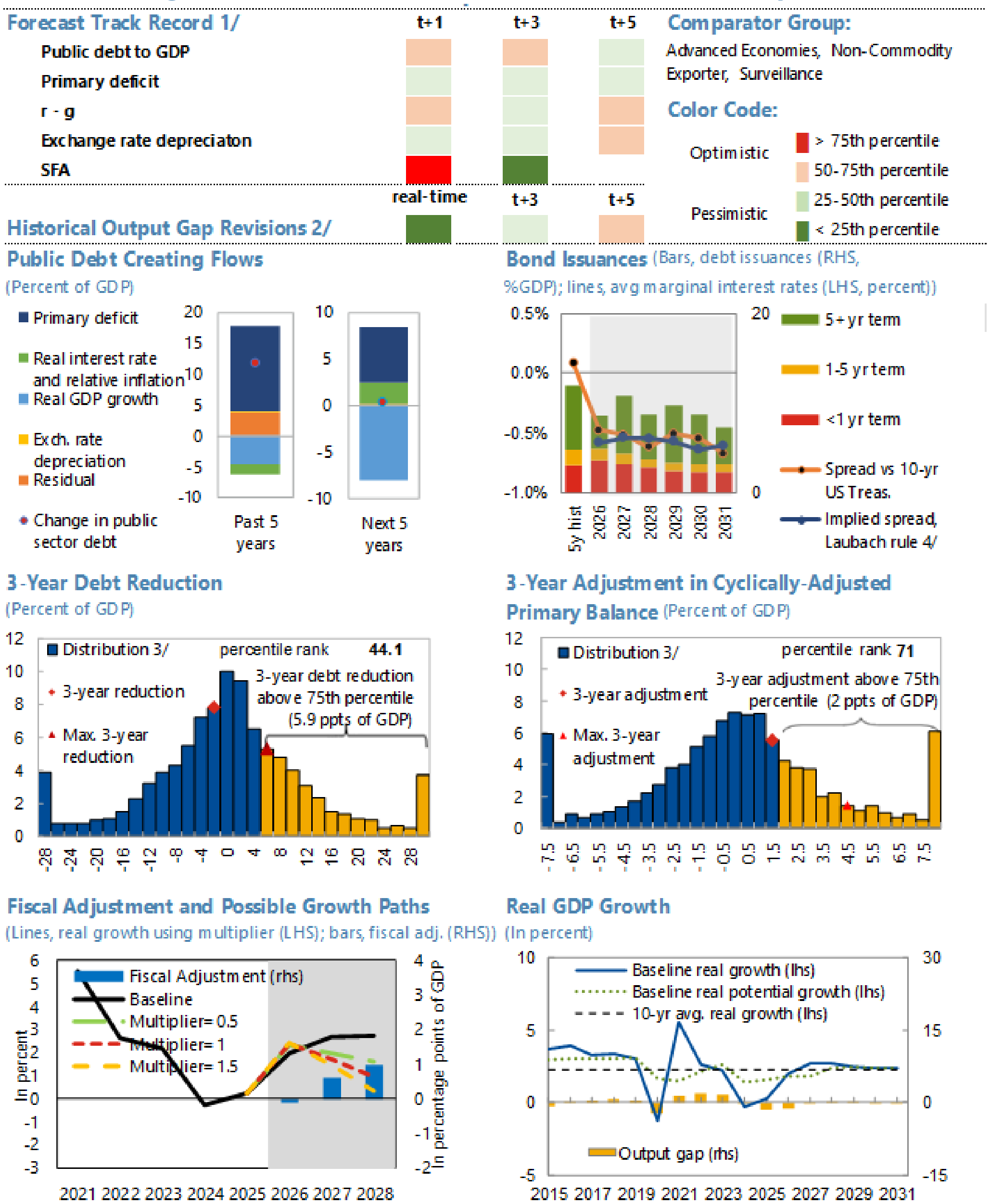
Prob. of false alarms, 2026-2031, if stress predicted: 87.5 pct.

Commentary: Medium-term modules indicate low levels of solvency and liquidity risk, based on a stabilizing and declining debt path and manageable gross financing needs. This further reflects New Zealand's mitigating fundamentals, such as low historical volatility, strong institutions, a low terminal level of debt, and its stable banking sector and a robust domestic financing pool.

Source: IMF staff estimates and projections.

1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is advanced economies, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Figure 6. New Zealand: Realism of Baseline Assumptions



Commentary: Staff projections in recent years have reasonably aligned with the outturns, notwithstanding unforeseen shocks like the North Island weather events. Primary balance is projected to improve over the medium term and sustain a small surplus, in line with the authorities' fiscal strategy, helping debt stabilize and eventually decline while the macroeconomic conditions normalize. Historical and cross-country comparisons confirm broadly realistic assumptions about growth, fiscal adjustment, and debt dynamics.

Source: IMF Staff.

1/ Projections made in the October and April WEO vintage.

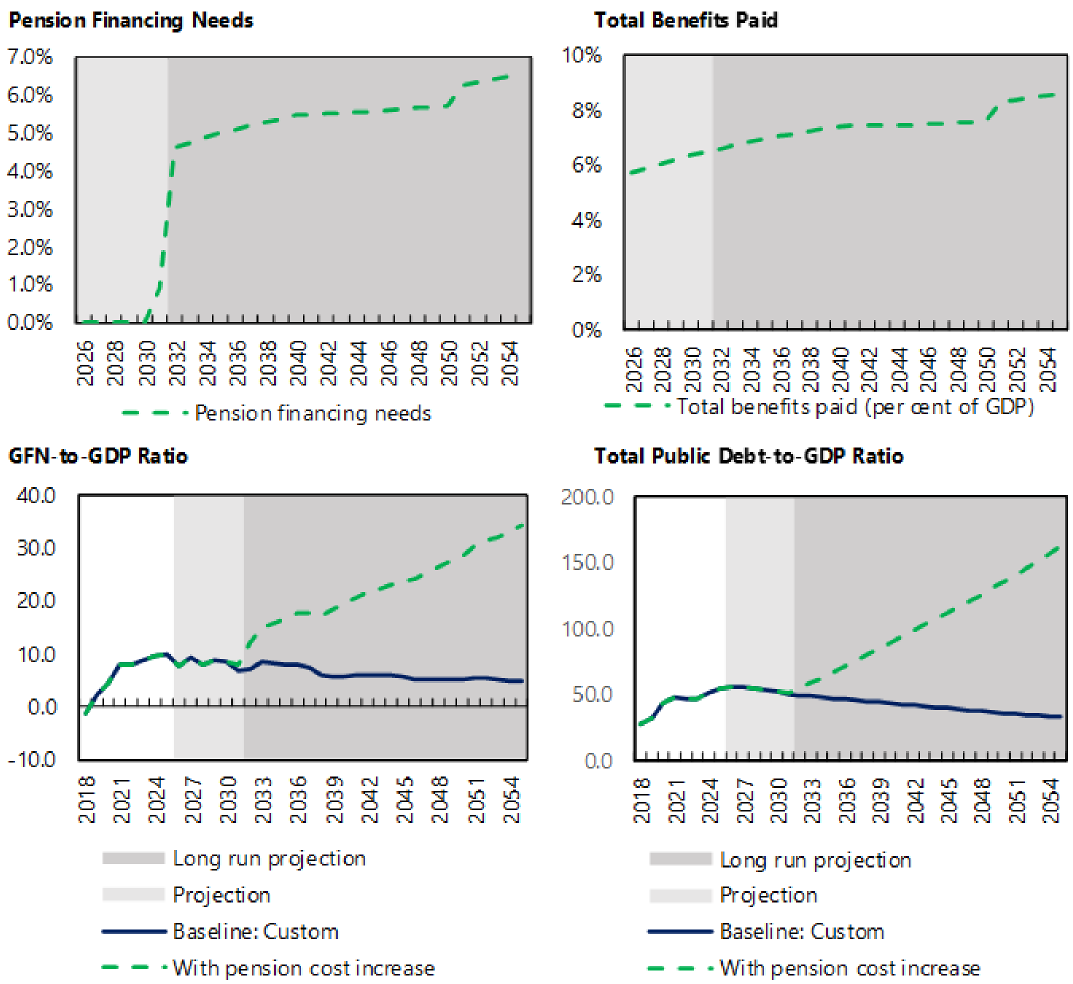
2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

3/ Data cover annual obervations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Figure 7. New Zealand: Demographics: Pensions

Permanent adjustment needed in the pension system to keep pension assets positive for:	30 years	50 years	Until 2100
(pp of GDP per year)	4.4%	5.6%	6.4%



Commentary: Population aging is expected to increase pension benefit payments and add to government spending and financing pressures, which, if not mitigated by offsetting policies and reforms, could lead to an explosive public debt trajectory over the long term.

Annex VII. Follow-Up on Key Recommendations of the 2017 FSAP

Recommendation	Time Frame	Update and Implementation
Financial Stability and Financial Sector Resilience		
Increase RBNZ resources for the supervision and regulation of banks, insurance companies, and FMIs.	ST	**Partially complete.** Funding agreements since 2020 have provided the RBNZ with increased funding versus the 2017 level, in part to support a more intensive supervisory model. Staff numbers have increased significantly in the supervisory area (covering deposit takers, insurers and Financial Markets Infrastructures) over the past several years, with a presence now established in Auckland, where many of the NZ operations of RBNZ-regulated entities are headquartered. Frontline supervision is supported and complemented by the establishment of dedicated Risk Specialists, Licensing & Authorizations and Resolution & Recovery functions. This process is ongoing and the RBNZ is continuing to assess capacity and capability requirements for operating post 2028.
Strengthen cooperation and collaboration arrangements with Australian authorities.	ST	**Partially complete**. Trans-Tasman cooperation is explicitly managed through the work under the Trans-Tasman Council on Banking Supervision (TTBC), which is chaired by the respective Treasuries. The TTBC remit covers insurers and other entities in addition to banks. There is also a standing mechanism for coordination between New Zealand and Australian communications through a dedicated working group under the TTBC umbrella. In recent years, regulators on both sides participated in hypothetical bank crisis simulation exercises (2017, 2019 and 2024), with key actions being incorporated into forward workstreams. Additional work-streams have also been established to coordinate arrangements with respect to managing cyber incidents, and entity specific Crisis Management Groups which plan preferred recovery or resolution options for Trans-Tasman groups. The RBNZ Act contains a cooperation function for the RBNZ that includes 'overseas central banks and relevant international institutions'. The trans-Tasman cooperation provision in the current Banking (Prudential Supervision) Act (s.68A) is carried across to the deposit takers sectoral legislation under the Deposit Takers Act (DTA). Semi-annual supervisory colleges are in place between RBNZ Prudential Supervision and Specialist Supervision functions and counterparts at the Australian Prudential Regulation Authority (APRA) for exchange of information and coordination of Trans-Tasman supervision and enabling staff secondment/exchange. RBNZ and APRA prudential supervisors regularly meet with NZ subsidiaries of Australian banking and insurance groups to coordinate and complement resources. Training and

Recommendation	Time Frame	Update and Implementation
		development of RBNZ supervisors is benefiting from the training programs and capability of APRA. The RBNZ and APRA also operate joint Crisis Management Groups for a range of entities including all four D-SIB deposit takers.
Clarify responsibilities of the Treasury and RBNZ on financial sector issues to reinforce the role of RBNZ as prudential regulator and supervisor.	ST	**Completed.** Governance and prudential regulation options have been examined in Phase 2 Review of the RBNZ Act. A new financial stability objective for the RBNZ was introduced in the RBNZ Act 2021. The Act also requires the Minister of Finance to issue a Financial Policy Remit outlining matters that the RBNZ will have to have regard to in pursuing its financial stability objectives, prudential standards and its implementation. The RBNZ Act designates a government department as the formal monitor of the RBNZ on behalf of the Minister of Finance (replacing the role played by the current board). The Minister has appointed the Treasury in the monitor role. The DTA further clarifies the role of the Minister in the prudential framework (for example, role in the crisis management and deposit taker resolution frameworks).
Issue enforceable standards on key risks, governance, risk management, and controls to make RBNZ's supervisory expectations more transparent and support supervisory preventive action.	ST	**Partially complete** Prudential requirements for deposit takers will be set through 'standards' as a secondary legislative instrument. The DTA clearly sets out the areas where the RBNZ can set standards. The scope of standard-setting broadly aligns with those areas expected by the Basel Core Principles (BCPs). Within the scope permitted by legislation, the RBNZ will still choose in what areas to set standards, supported by guidance where appropriate. Consultation on the policy for DTA standards was undertaken in 2024. Exposure drafts of the standards have been (or are currently being) consulted on. Standards are expected to be issued during 2027 with entry into force expected mid-2028. IPSA already uses standards as the means to set prudential requirements for licensed insurers. The legislation is being reviewed to take account of experience and to follow up on the recommendations of independent reports in recent years. The RBNZ will continue to use standards to regulate the sector. As part of the review, the RBNZ is expecting to introduce new standards, including for governance and risk management. Consultation on an exposure draft of the amendment Bill will be completed in 2026, with a Bill expected to be introduced into Parliament in 2027.
Review and extend the enforcement regime to promote preventive action and enhance sanctions powers, including by eliminating ministerial consent for directions, and making	MT	**In process.** The DTA will expand the current enforcement toolkit (e.g., with the inclusion of enforceable undertakings and remedial notices) and removes the requirement for Ministerial consent to issue directions, thereby removing the

Recommendation	Time Frame	Update and Implementation
compliance with RBNZ policy documents evidence of prudent practice.		current high threshold for using this tool to take corrective action. An Enforcement Framework has been developed and published. Dedicated resources for the Enforcement team have been increased.
Initiate on-site programs to test the foundation of the three-pillar approach and directors' attestations and increase supervisory engagement with institutions in order to require appropriate action.	ST	**In process**. In 2018 a team was formed for the purpose of performing deep dive on-site thematic reviews. These are performed across both the deposit taking and insurance sectors and focus on a range of risk, governance and compliance matters. Thematic reviews undertaken include; conduct and culture of banks and life insurers, role of the appointed actuary, bank liquidity, governance, and risk management practices. The DTA empowers the RBNZ to undertake on-site inspections of deposit takers. Workstreams have been established to implement the DTA including one that will operationalize onsite supervision by 2028 (for example, frequency and scope of inspections across large and small deposit takers). The legislative amendments currently being progressed on IPSA include a similar on-site inspection power for the insurance sector.
Refine Financial Markets Authority (FMA) supervision by a) direct monitoring of aspects of asset management relevant to financial stability; b) ensuring quality of Financial Markets Supervisors; and c) enhancing insurance intermediary and conduct regulation and supervision.	I	a) **Partially complete.** The FMA has strengthened its monitoring and oversight of asset management risks and key outcomes through increased monitoring, enhanced liquidity risk management guidance, increased engagement with supervisors and industry participants, targeted reviews of custody arrangements, and regulatory work on related-party transactions and private asset investments to address emerging risks and improve market resilience. b) **Completed.** Following the supervisor re-licensing process, the FMA strengthened its approach to supervisor oversight through enhanced risk identification, increased monitoring reviews, thematic reviews, and regular engagement carried out by a dedicated Frontline Regulators team established in 2023. c) **Completed.** The new financial advice regime, which came into effect on March 15, 2021, continues to be successfully embedded and operationalized. Full licensing of financial advice providers was completed in March 2023, and monitoring and supervision of the sector continues. The Conduct of Financial Institutions regime has been enacted and came into force on March 31, 2025, introducing a new conduct licensing framework for financial institutions (including insurers) and conduct requirements for fair

Recommendation	Time Frame	Update and Implementation
		treatment of consumers. The FMA is now monitoring compliance with the regime. The Contracts of Insurance Act 2024 has also been enacted and will come into force on November 15, 2027.
Expand the FMA's regulatory perimeter to include licensing and supervision of custodians and appropriate oversight of wholesale asset managers.	ST	**In process.** The FMA carried out a review in 2026 of law and practices relating to custody of client assets to establish whether there is a case for recommending strengthening the regulatory regime. It also refreshed guidance for custodians on their current obligations under the FMC regime. The FMA has conducted a thematic review of the use of wholesale investor exclusions under the FMC legislation, and has taken (and published) regulatory action, in the form of public warnings, where it has seen non-compliance in the use of these exclusions, and continues to investigate cases where further action may be required.
Adopt and implement proposed Financial Market Infrastructures (FMI) legislation on regulation, oversight, and enforcement powers.	I	**Completed**. The Financial Market Infrastructures Act (FMI Act) was enacted in May 2021. The Financial Market Infrastructure Regulations 2023 were made on May, 22, 2023 to support implementation of the FMI Act. The FMI Standards for designated FMIs were issued on July 27, 2023. The FMI Act and FMI Standards came into force with effect from March 1, 2024. Since the FMI Standards were issued, all five of the previously designated FMIs were re-designated under the FMI Act. FMI supervision continues, with proactive and reactive monitoring and oversight. The joint regulator continues to test and adapt its approach to ensure it remains outcomes focused and is proportionate to risk.
Adopt the CPSS-IOSCO Principles for Financial Market Infrastructures (PFMI) through detailed requirements in secondary legislation; change the frequency of FMI self-assessments in the proposed regime from three to two years; and enhance compliance of the designated FMIs with PFMI requirements.	ST	**Completed**. The Joint regulator issued FMI Standards along with guidance in July 2023 that came into force with effect from March 1, 2024. The standards and guidance set out obligations that designated FMI must comply with and are based on the Principles for Financial Market Infrastructures (PFMI), adapted to align with New Zealand legal norms and the New Zealand operating environment for designated FMIs. The frequency of FMI self-assessments has been changed from three to two years. FMI supervisory target assessment of risk framework has been rolled out for FMI in 2026 to ensure risk-based supervision of FMI with respect to the FMI standards. This is in line with the RBNZ and FMA supervision approaches.
Ensure that designated nonfinancial businesses and professions are subject to AML/CFT requirements, particularly company service providers, lawyers, and accountants.	MT	**Completed**. The *AML/CFT Amendment Act 2017,* which extends the coverage of the AML/CFT laws, has come fully into effect. The legislation now covers lawyers, conveyancers and businesses that provide trust and company services (from July 1, 2018); accountants (from October 1, 2018); and real estate agents (from January 1, 2019).

Recommendation	Time Frame	Update and Implementation
Expand data collection and modeling efforts to develop structural models for credit risk in commercial real estate (CRE) and corporate portfolios.	MT	**In process**. An annual stress testing program has been implemented since 2020. This includes regular solvency and liquidity stress tests, collecting data from lenders on potential consequences of severe but plausible scenarios for both banks and insurers, including portfolio-level credit risk results for banks' CRE and corporate exposures. The program also considers emerging risks, with a focus recently on geopolitical risk. This work has also included developing models to enable ongoing assessment of risks to dairy lending. Data collection has expanded as well, with a 'New credit flows' survey now in place to collect monthly new lending data on all business lending and the interest rates associated with that lending. Breakdowns for business lending include commercial property, which is further disaggregated into investment property; and residential and commercial property. Definitions align with the Bank Balance Sheet survey, in which we collect data on the stock of lending. Looking ahead, work is progressing towards collecting loan level data from banks. Once this data becomes available, this will enable much more in-depth analysis and modelling of risks across sectors, including commercial real estate and corporate portfolios.
Macroprudential Framework		
Strengthen arrangements for macroprudential policy by increasing communication efforts; by increasing the transparency of the process to adjust the framework; and by maintaining an accountability framework that does not jeopardize the integrity and independence of the macroprudential decision-making process.	C	**Completed.** The Reserve Bank has published (and updated in 2026) a framework document providing more clarity on the purpose and strategy for using macroprudential tools. The Financial Policy Remit enables the Minister to articulate government's policy priorities that are relevant to how the RBNZ goes about addressing systemic risk (including macro-prudential policy). The DTA will subject macro-prudential powers to the same general framework as other standard-setting powers, with the exception that the scope of lending-standard tools in relation to types of property lending (e.g. applying LVRs and DTIs to residential mortgage lending) needs to be empowered through regulation. The current Macro-Prudential Policy MoU will be superseded in the new prudential framework for deposit takers by the role played by the Financial Policy Remit and the process around the setting of standards (including lending standards). The early set CCYB (1%) is incorporated into the new planned end points for capital requirements.
Introduce DTI measures in the macroprudential toolkit.	I	**Completed.** Following advice from the RBNZ in 2021 on measures to address unsustainable house prices, the Minister of Finance agreed to add DTI restrictions to the

Recommendation	Time Frame	Update and Implementation
		macroprudential toolkit. The DTI restrictions were formally added to the toolkit in April 2023.
Implement DTI measures if the changes to the LVR do not reduce the risks in the housing sector.	I	**Completed.** The RBNZ consulted with stakeholders on the possible introduction of DTI limits in late 2022. The framework for DTI restrictions was published in April 2023. Banks were provided 12 months to update their systems for the new framework. Starting on July 1, 2024 DTI limits have been in place, set at a 20 percent speed limit for owner-occupier lending above a DTI of 6x, and 20 percent speed limit for investor lending above a DTI of 7x. Reflecting the introduction of DTI limits and market conditions, LVR speed limits have been eased.
Increase capital buffer requirements to reflect the concentration of the financial sector in four banks.	I	**Completed.** The 2019 Capital Review required banks to gradually raise their minimum capitalization from 10.5 percent of risk-weighted assets to 18 percent for the four large banks and 16 percent for the remaining smaller banks. These new requirements have been partly phased in. In 2025, a policy review adjusted the planned end points for total capital down (to 15 percent for the largest banks) and introduced LAC instruments for the largest banks (so TLAC will settle at 21 percent).
Crisis Readiness, Management, and Resolution		
Strengthen domestic crisis management arrangements by reaching ex-ante agreement on roles, responsibilities, and processes; prepositioning, mobilization, logistics, and communications plans; and testing through simulation exercises.	MT	**In process.** Phase 2 Review of the RBNZ Act examined options to enhance the crisis management regime, most of which have been developed with reference to the 2017 FSAP recommendations. The DTA designates the RBNZ as the Resolution Authority, with a broader range of powers. A Depositor Compensation Scheme (DCS) is now in place. The DTA also establishes an obligation on the Reserve Bank to issue a Statement of Approach to Resolution, which must include a description of the Reserve Bank's intended approach to co-operating with other departments and agencies, to engaging with the Minister. The Reserve Bank published a crisis preparedness consultation in June 2026, which covers how the RBNZ intends to operationalize its crisis management approach under the DTA, and is building related internal capabilities. The DTA also clarifies the role of the Minister in the crisis management and deposit taker resolution frameworks. An amendment to the Public Finance Act 1989 is also included in the DTA, and will address a gap in the current arrangements, enabling the Government to act quickly and use public funds in a financial crisis.
Reconsider the merits of deposit insurance, or in the absence of policy support, introduce a limited depositor preference to provide legal certainty for the *de minimis* exemption in OBR.	MT	**Completed.** The DTA introduced a depositor compensation scheme with a NZ$100,000 limit per person per institution, funded by a levy on deposit takers, with a government backstop. This has been in place from July 1, 2025.
Revise the RBNZ Act to provide greater clarity and certainty in	MT	**Partially complete.** The DTA states that the RBNZ is the resolution authority, and includes clear objectives and

Recommendation	Time Frame	Update and Implementation
resolution, by inserting objectives in resolution including protection of depositors and the public interest and requiring accountability reporting against these objectives; by clarifying that the RBNZ is the sole resolution authority and inserting an express requirement for ministerial consent for resolutions with fiscal or systemic implications only.		functions, while widening resolution powers. The Act also includes "no creditor worse off" provisions and provides obligations to regularly report on the conduct of a resolution. Ministerial consent for triggering all resolutions has been retained to align with existing New Zealand statutory management regimes. However, the requirement for Ministerial consent before directions may be issued has been removed.
C = continuous; I (immediate) = within one year; ST (short-term) = 1–3 years; MT (medium-term) = 3–5 years.		
Sources: IMF (2017), *New Zealand, Financial Sector Assessment Program—Financial System Stability Assessment*; and New Zealand authorities.		

Annex VIII. Data Issues

Table 1. New Zealand: Data Adequacy Assessment for Surveillance

Data Adequacy Assessment Rating[1]

A

Questionnaire Results[2]

Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral Consistency	Median Rating
	A	B	A	A	A	A	A

Detailed Questionnaire Results

Data Quality Characteristics	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Intersectoral Consistency
Coverage	A	A	A	A	A	
Granularity[3]	A		A	A	A	
			A		A	
Consistency			A	B		A
Frequency and Timeliness	A	B	B	A	A	

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.

[1] The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.

[2] The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance*, January 2024, Appendix I).

[3] The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund are adequate for surveillance.
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provision is adequate for surveillance. The authorities are continuing to enhance data quality and expand the range of data available and are making progress towards subscribing to the IMF's Special Data Dissemination Standard (SDDS). Fiscal. While GFS format fiscal data for General Government are only provided on a yearly basis, New Zealand Treasury publishes GAAP format fiscal data for Central Government at monthly frequency, enabling broadly adequate assessment of fiscal policy. External. The assessment on the consistency of external sector statistics reflects the large and positive net errors and omissions (NEOs) in Stats NZ's Balance of Payments statistics in recent quarters. National Accounts. Despite occasional sizeable revisions to historical quarterly national accounts, the data remains adequate for surveillance. The rationale for the revisions has been explained clearly by Stats NZ. Prices. The authorities still do not produce a monthly CPI index which hampers the formulation of monetary policy.

Changes since the last Article IV consultation The net errors and omissions (NEO) in Stats NZ's Balance of Payments statistics were large and positive for three consecutive quarters as of March 2026. Stats NZ has been working towards identifying the possible causes of NEO and resolving data issues. Stats NZ announced that it will start publishing monthly CPI in 2027.

Corrective actions and capacity development priorities Stats NZ produces a monthly Selected Price Index (SPI) which covers 44 percent (by weight) of the CPI basket, including the entire food group, the entire alcoholic beverages and tobacco group, rental price indexes, and selected transport/accommodation classes. It was introduced in November 2023 as an interim step toward monthly inflation data.

Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff. Staff does not use any data and/or estimates in the staff report in lieu of official statistics.

Other data gaps. Not applicable.

Table 2. New Zealand: Data Standards Initiatives

New Zealand does not participate in the IMF Data Standards Initiatives.

Table 3. New Zealand: Table of Common Indicators Required for Surveillance

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[7]	Frequency of Reporting[7]	Expected Frequency[7,8]	Announced Frequency[9]	Expected Timeliness[7,8]	Announced Timeliness[9]
Exchange Rates	2026-07-06	2026-07-07	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	2026-06	2026-07	M	M	M	M	1M (1W encouraged)	...
Reserve/Base Money	2026-05	2026-06	M	M	M (W encouraged)	M	2W (1W encouraged)	Unknown
Broad Money	2026-05	2026-06	M	M	M	M	1M	Unknown
Central Bank Balance Sheet	2026-05	2026-06	M	M	M (W encouraged)	M	2W (1W encouraged)	Unknown
Consolidated Balance Sheet of the Banking System	2026-05	2026-06	M	M	M	M	1M	Unknown
Total assets of other depository corporations[2]	2026-05	2026-06	M	M	...	M	...	Unknown
Total credit from other depository corporations[2]	2026-05	2026-06	M	M	...	M	...	Unknown
Interest Rates[3]	2026-07-06	2026-07-07	D	D	D	Unknown	...	...
Consumer Price Index	2026-03	2026-04	Q	Q	M	Q	1M	11W
Revenue, Expenditure, Balance and Composition of Financing[4]-General Government[5]	2025-06	2025-11	A	A	A	A	2Q	Unknown
Revenue, Expenditure, Balance and Composition of Financing[4]-Central Government	2026-05	2026-07	M	M	M	M	1M	5W
Stocks of Central Government and Central Government-Guaranteed Debt[6]	2026-05	2026-07	M	M	Q	M	1Q	6W
Total stock of General Government Debt[5]	2025-06	2025-11	A	A	...	...	...	...
External Current Account Balance	2026-03	2026-06	Q	Q	Q	Q	1Q	12-13W
Exports and Imports of Goods and Services	2026-03	2026-06	Q	Q	M	M	8W (4-6W encouraged)	19D(Imports), 29D(Exports)
GDP/GNP	2026-03	2026-06	Q	Q	Q	Q	1Q	1Q
Gross External Debt	2026-03	2026-06	Q	Q	Q	Unknown	1Q	Unknown
International Investment Position	2026-03	2026-06	Q	Q	Q	Q	1Q	12-13W

[1] Any reserve assets that are pledged or otherwise encumbered should be specified separately. Also, data should comprise short-term liabilities linked to a foreign currency but settled by other means as well as the notional values of financial derivatives to pay and to receive foreign currency, including those linked to a foreign currency but settled by other means.

[2] Other depository corporations include all deposit-taking corporations (except for the central bank) and money market funds.

[3] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[4] Foreign, domestic bank, and domestic nonbank financing.

[5] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[6] Including currency and maturity composition.

[7] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[8] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[9] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."

INTERNATIONAL MONETARY FUND

NEW ZEALAND

STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—INFORMATIONAL ANNEX

July 23, 2026

Prepared By	Asia and Pacific Department (In consultation with other departments)

CONTENTS

FUND RELATIONS

(As of June 30, 2026)

Membership Status: Joined: August 31, 1961; Article VIII

General Resources Account:	**SDR Million**	**Percent Quota**
Quota	1,252.10	100.00
Fund Holdings of Currency	926.22	73.97
Reserve position in Fund	325.89	26.03
Lending to the Fund		
New Arrangements to Borrow		

SDR Department:	**SDR Million**	**Percent Allocation**
Net cumulative allocation	2,053.84	100.00
Holdings	2,137.35	104.07

Outstanding Purchases and Loans: None

Financial Arrangements: None

Projected Payments to Fund (SDR Million; based on existing use of resources and present holdings of SDRs) [1/]

	Forthcoming				
	2026	2027	2028	2029	2030
Principal					
Charges/Interest		0.01	0.01	0.01	0.01
Total		**0.01**	**0.01**	**0.01**	**0.01**

[1/] When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

Exchange Rate Arrangements:

The New Zealand dollar has floated independently since March 1985. The de facto exchange rate arrangement is floating, and the de jure exchange rate arrangement is free floating. New Zealand accepted the obligations under Article VIII, Sections 2, 3, and 4 of the IMF's Articles of Agreement on August 5, 1982 and maintains an exchange system that is free of multiple currency practices and restrictions on the making of payments and transfers for current international transactions, other than restrictions notified to the Fund in accordance with Decision No. 144-(52/51).

Article IV Consultation:

New Zealand is on the 12-month consultation cycle. The 2025 Article IV consultation was concluded by the Executive Board on May 19, 2025.

FSAP Participation and ROSCs:

New Zealand has participated in two FSAPs to date.

- The FSSA from the 2003 FSAP mission and the Detailed Assessments of Observance of IOSCO Objectives and Principles of Securities Regulation and FATF Recommendations for Anti-Money Laundering and Combating the Financing of Terrorism were published under Country Reports No. 04/126, No. 04/417, and No. 05/284, respectively.

- New Zealand participated again in 2016, with one FSAP mission in August 2016 and another FSAP mission in November 2017. The FSSA was discussed by the Executive Board at the time of the discussion of the Staff Report for the 2017 Article IV Consultation with New Zealand.

Technical Assistance:

- A monetary and financial statistics (MFS) technical assistance (TA) mission visited New Zealand during October 1-12, 2018. The *TA report* was published on June 14, 2019.