

## How much juice is left in the mortgage refixing trend?

- Forecast OCR hikes pulled forward into this year
- Mortgage rates start to rise, but the average rate being paid has further to fall as refixing continues
- Our estimates of this average mortgage yield have it declining from above 5% to around 4.85% by mid-year
- That implies we're about 80% of the way through the 'great mortgage repricing' onto lower fixed rates
- This cash flow channel is only one aspect of RBNZ interest rate policy, which will remain stimulatory through 2026

The ongoing repricing of maturing fixed-rate mortgage borrowings onto lower rates is an important plank of the economic recovery. Given this, we've had a quick look into how much juice might be left in the refixing trend. It's timely to do so given recent changes in the interest rate outlook.

### Mortgage rate outlook pivots upwards

The Reserve Bank's November meeting heralded the end of the interest rate downtrend, and data released since have validated that shift.

Alongside brighter activity numbers, there's now a little less breathing room on inflation, as confirmed by the Q4 Consumers Price Index. We've consequently pulled forward our forecast start to the Reserve Bank's tightening cycle. We now see the first hike coming in September.

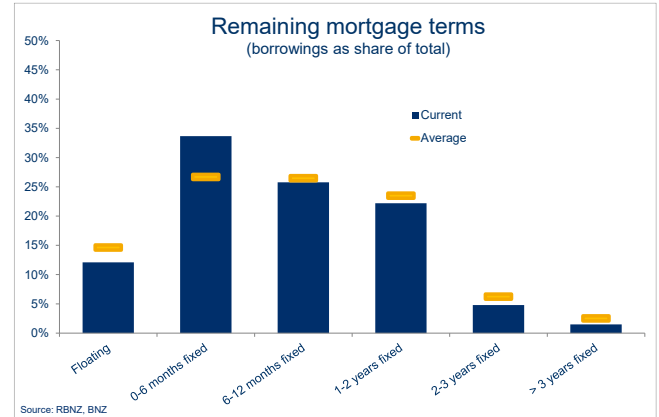
Mortgage rates have nudged up a little further so far this year, following the 20-30bps bump in longer term rates in December. We think the bias remains upward given the shifting risks around the Reserve Bank's OCR cycle have returned wholesale interest rates to December's highs.

### A busy six months for repricing

We termed 2025 the 'year of the refix' with 81% of fixed rate mortgage borrowings repricing – a 13 year high. For the coming 12 months, the run rate slows but is still above average with 68% of fixed rate loans due to reprice. For all borrowings, i.e. including floating, it's 72%.

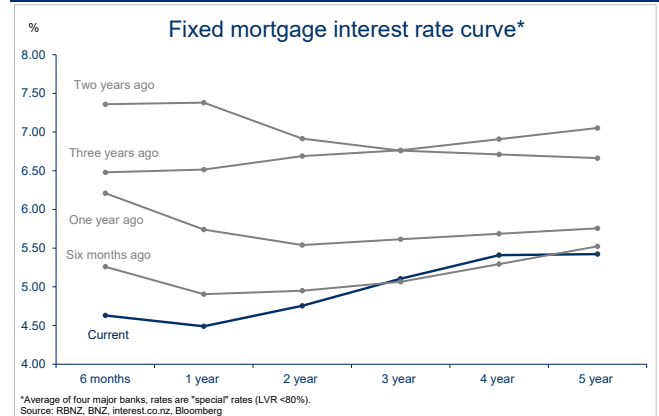
Of this, the chart shows that it's the coming six months in which mortgage term expiries are most pronounced relative to average. There's approximately \$132b worth, or 34% of total borrowings. The long-run average is 27%.

### Another busy six months for repricing



Most borrowers soon to experience a mortgage rate reset will face a menu of rates more favourable than previously. Advertised rates can obviously move, but the current mortgage curve is around the lowest in recent history (chart below).

### Current mortgage curve lowest in recent history



A quick example illustrates the potential cash flow relief. A hypothetical one-year \$300k loan locked in a year ago at 5.74% could currently be refixed for another 12 months at a rate of around 4.50%. That would result in an interest saving of a little over \$300/month.

There are a range of areas in which mortgaged households might apply the windfall. There does appear to be a trend toward additional principal repayment as mortgage rates have come down. Some of the extra cash flow will also inevitably be soaked up by the additional costs facing households.

But at least some of the rate relief will be spent. We've seen evidence of such in the slow reflation of retail spending appetites over the second half of 2025. This trend should continue.

**Rate relief writ large**

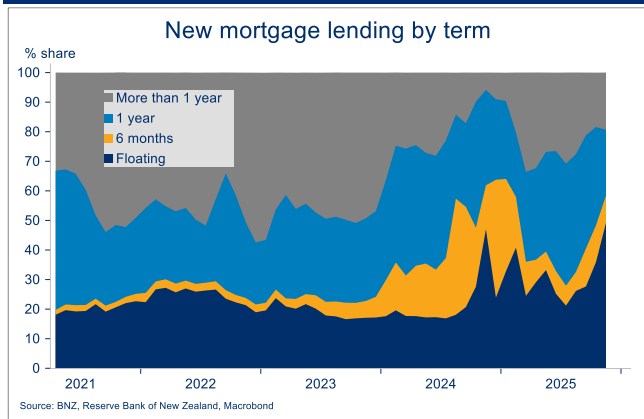
For an economy-wide guide on the pace and impact of mortgage repricing, the Reserve Bank (RBNZ) produces data on the yield on residential mortgage loans. Think of it as a proxy for the average mortgage rate being paid.

As of November, this average paid rate was 5.17%. It's been a slow, 14-month descent from the 6.39% peak in October 2024. That it's been a grind reflects the usual gradual resetting of the fixed rate mortgages that dominate NZ mortgage borrowing (85% of the total). But also, and more so this cycle, occasional bouts of demand for floating exposure, at the higher rates involved, as borrowers have sought to position for continued declines in interest rates.

We saw one such bout in the latest month we have data for – November 2025. A full 49% of new mortgage lending during the month was on floating terms, a record high for the admittedly short time series.

But rather than signalling a change of intent, we think this was temporary, related to positioning ahead of the November RBNZ OCR cut. Moving into December, and the sudden spike up in wholesale rates, all of the anecdote was about strong interest to term out mortgage borrowings. We'll find out for sure when the December data are released next week.

**Nearly half November's new lending on floating terms**



**Mike Jones**  
Chief Economist

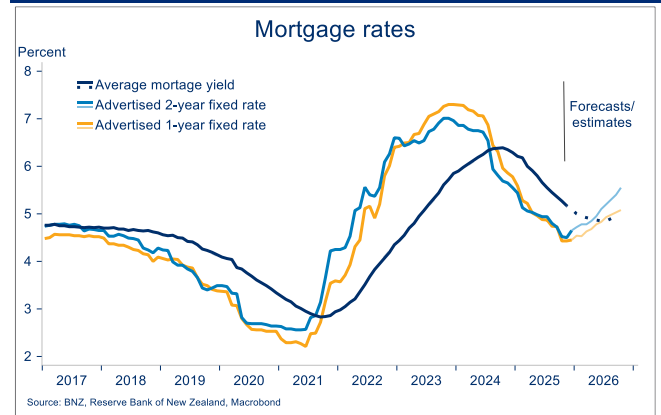
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Producing a reliable estimate for how much further the average paid mortgage rate will fall can be fiddly. The results are sensitive, most obviously, to where mortgage rates go from here and changes in borrowers' preferences for mortgage terms.

Based on our interest rate projections, we estimate the average mortgage yield will keep falling until around the middle of the year, bottoming out about 4.85% (chart below). That's a slightly smaller fall compared to what we had prior to the shift in the interest rate outlook.

In short, the process of mortgage borrowers refixing onto lower rates is roughly 80% complete. There's another 25bps or so of easing coming down the refixing pipeline, spread over the first half.

**Refixing ship takes a while to turn**



The implication is that the cash flow release from mortgage repricing will remain a support for the economic recovery, albeit a dissipating one. It's nonetheless important to remember that a slowing pace of cash flow *changes* doesn't disavow the assistance from a sustained lower level of mortgage rates.

We've also concentrated on just one angle here. The so-called "cash flow channel" is one of several ways the Reserve Bank's interest rate policy impacts the economy. The Bank put this up in [lights](#) last year, highlighting that some of the other channels – the exchange rate, wealth effects, and incentives on savings/investment behaviour – may in fact play more important roles.

All told, and even with our earlier forecast OCR hikes, monetary policy looks set to remain stimulatory for all of 2026.

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# Quarterly Forecasts

Forecasts as at 2 February 2026

## Key Economic Forecasts

Quarterly % change unless otherwise specified

	Forecasts									
	Jun-25	Sept-25	Dec-25	Mar-26	Jun-26	Sept-26	Dec-26	Mar-27	Jun-27	Sept-27
GDP (production s.a.)	-1.0	1.1	0.5	0.7	0.9	0.6	0.6	0.5	0.5	0.5
Retail trade (real s.a.)	0.7	1.9	0.4	1.0	0.9	0.8	0.7	0.7	0.7	0.7
Current account (ann, % GDP)	-3.7	-3.5	-3.5	-3.5	-3.6	-3.7	-3.8	-3.7	-3.6	-3.6
CPI (q/q)	0.5	1.0	0.6	0.5	0.5	0.7	0.5	0.4	0.5	0.6
Employment	-0.2	0.0	0.3	0.5	0.7	0.8	0.7	0.6	0.5	0.5
Unemployment rate %	5.2	5.3	5.3	5.3	5.1	4.9	4.8	4.7	4.7	4.7
Pr. avg hourly earnings (ann %)	4.6	4.1	3.6	4.3	3.4	3.4	3.4	3.3	3.2	3.2
Trading partner GDP (ann %)	3.3	3.2	2.5	2.7	2.7	2.8	3.0	2.9	2.8	2.8
CPI (y/y)	2.7	3.0	3.1	2.7	2.7	2.4	2.3	2.2	2.1	2.1
GDP (production s.a., y/y)	-1.1	1.3	1.7	1.3	3.2	2.8	2.8	2.7	2.3	2.2

## Interest Rates

Historical data - qtr average

Forecast data - end quarter

	Cash	Government Stock			Swaps			US Rates		Spread
		90 Day	5 Year	10 Year	2 Year	5 Year	10 Year	SOFR	US 10 yr	NZ-US
		Bank Bills						3 month		Ten year
<b>2025 Mar</b>	3.92	3.84	3.99	4.58	3.47	3.71	4.15	4.30	4.45	0.13
<b>Jun</b>	3.33	3.38	3.85	4.55	3.19	3.57	4.10	4.30	4.35	0.19
<b>Sep</b>	3.08	3.09	3.67	4.42	2.99	3.40	3.95	4.20	4.25	0.17
<b>Dec</b>	2.33	2.51	3.54	4.27	2.71	3.26	3.85	3.80	4.10	0.18
<b>Forecasts</b>										
<b>2026 Mar</b>	2.25	2.40	3.85	4.60	2.90	3.60	4.20	3.65	4.25	0.35
<b>Jun</b>	2.25	2.50	3.90	4.75	3.30	3.65	4.35	3.40	4.35	0.40
<b>Sep</b>	2.50	2.75	4.15	4.90	3.60	3.90	4.50	3.15	4.50	0.40
<b>Dec</b>	2.75	3.05	4.35	4.90	3.90	4.15	4.55	3.15	4.50	0.40
<b>2027 Mar</b>	3.00	3.55	4.40	4.90	4.05	4.25	4.60	3.15	4.50	0.40
<b>Jun</b>	3.50	4.00	4.40	4.90	4.10	4.30	4.65	3.15	4.50	0.40
<b>Sep</b>	4.00	4.15	4.35	4.90	4.10	4.30	4.70	3.15	4.50	0.40
<b>Dec</b>	4.00	4.15	4.35	4.90	4.10	4.35	4.75	3.15	4.50	0.40

## Exchange Rates (End Period)

### USD Forecasts

	NZD/USD	AUD/USD	EUR/USD	GBP/USD	USD/JPY
Current	0.60	0.70	1.19	1.37	155
<b>Forecasts</b>					
<b>Mar-26</b>	0.60	0.70	1.20	1.37	154
<b>Jun-26</b>	0.62	0.72	1.22	1.38	152
<b>Sept-26</b>	0.63	0.73	1.22	1.38	150
<b>Dec-26</b>	0.63	0.73	1.23	1.38	148
<b>Mar-27</b>	0.63	0.72	1.22	1.36	146
<b>Jun-27</b>	0.63	0.71	1.22	1.35	145
<b>Sept-27</b>	0.63	0.71	1.21	1.34	143
<b>Dec-27</b>	0.62	0.70	1.19	1.34	142

### NZD Forecasts

	NZD/USD	NZD/AUD	NZD/EUR	NZD/GBP	NZD/JPY	TWI-17
Current	0.60	0.87	0.51	0.44	93.2	68.5
<b>Forecasts</b>						
<b>Mar-26</b>	0.60	0.86	0.50	0.44	92.4	67.8
<b>Jun-26</b>	0.62	0.86	0.51	0.45	94.2	69.4
<b>Sept-26</b>	0.63	0.86	0.52	0.46	94.5	70.0
<b>Dec-26</b>	0.63	0.87	0.52	0.46	93.8	70.1
<b>Mar-27</b>	0.63	0.88	0.52	0.46	92.0	69.9
<b>Jun-27</b>	0.63	0.89	0.52	0.47	91.4	70.4
<b>Sept-27</b>	0.63	0.89	0.52	0.47	90.1	70.5
<b>Dec-27</b>	0.62	0.89	0.52	0.46	88.0	69.8

### TWI Weights

16.2% 17.8% 9.2% 4.0% 4.7%

Source for all tables: Stats NZ, Bloomberg, Reuters, RBNZ, BNZ

# Annual Forecasts

Forecasts as at 2 February 2026	March Years				December Years				
	Actuals		Forecasts		Actuals		Forecasts		
	2024	2025	2026	2027	2023	2024	2025	2026	2027
<b>GDP - annual average % change</b>									
Private Consumption	1.1	0.0	1.7	2.3	1.1	-0.2	1.6	2.0	2.3
Government Consumption	1.1	-1.3	2.3	0.2	0.1	-0.9	1.9	0.7	-0.4
Total Investment	-1.1	-5.0	2.4	6.4	-0.3	-4.9	0.3	6.4	4.3
Stocks - ppts cont'n to growth	-1.4	0.4	0.2	0.4	-1.2	0.4	-0.2	0.6	0.0
GNE	-0.9	-1.1	2.2	3.3	-0.7	-1.1	1.2	3.5	2.3
Exports	8.6	3.4	3.2	5.1	11.5	4.7	2.9	5.3	3.8
Imports	-1.4	1.5	5.3	5.4	-0.7	1.7	3.6	6.1	3.4
Real Expenditure GDP	1.5	-0.7	1.3	3.0	2.1	-0.3	0.8	2.8	2.3
<b>GDP (production)</b>	<b>1.8</b>	<b>-0.9</b>	<b>0.8</b>	<b>2.9</b>	<b>2.2</b>	<b>-0.3</b>	<b>0.3</b>	<b>2.5</b>	<b>2.3</b>
<i>GDP - annual % change (q/q)</i>	1.6	-0.7	1.3	2.7	1.4	-1.6	1.7	2.8	2.2
Output Gap (ann avg, % dev)	1.2	-0.7	-1.3	-0.2	1.3	-0.2	-1.2	-0.4	0.1
Nominal Expenditure GDP - \$bn	417	431	449	472	413	427	445	466	489
<b>Prices and Employment -annual % change</b>									
CPI	4.0	2.5	2.7	2.2	4.7	2.2	3.1	2.3	2.0
Employment	0.9	-0.9	0.6	2.8	2.7	-1.2	-0.1	2.7	2.0
Unemployment Rate %	4.4	5.1	5.3	4.7	4.0	5.1	5.3	4.8	4.7
Wages - ave. hr. ord. time earnings (private sector)	4.8	3.8	4.3	3.3	6.6	4.0	3.6	3.4	3.2
Productivity (ann av %)	-0.6	0.1	1.2	0.5	-0.8	0.1	1.2	0.7	-0.1
Unit Labour Costs (ann av %)	6.6	4.4	2.2	2.7	7.1	4.7	2.6	2.4	3.3
House Prices (stratified, mth)	2.8	-0.6	-0.7	2.9	0.7	-0.8	-0.3	2.1	3.9
<b>External Balance</b>									
Current Account - \$bn	-23.8	-18.3	-15.9	-17.4	-25.8	-20.0	-15.5	-17.5	-17.0
Current Account - % of GDP	-5.7	-4.2	-3.5	-3.7	-6.3	-4.7	-3.5	-3.8	-3.5
<b>Government Accounts - June Yr, % of GDP</b>									
OBEGAL ex ACC (core op. balance) (Treasury forecasts)	-2.1	-2.1	-3.0	-2.2					
Net Core Crown Debt (ex NZS) (Treasury forecasts)	41.8	41.8	43.3	46.0					
Bond Programme - \$bn (Treasury forecasts)	39.3	42.6	35.0	34.0					
Bond Programme - % of GDP	9.4	9.9	7.8	7.2					
<b>Financial Variables <sup>(1)</sup></b>									
NZD/USD	0.61	0.57	0.60	0.63	0.62	0.57	0.58	0.63	0.62
USD/JPY	150	149	154	146	144	154	156	148	142
EUR/USD	1.09	1.08	1.20	1.22	1.09	1.05	1.17	1.23	1.19
NZD/AUD	0.93	0.91	0.86	0.88	0.93	0.91	0.87	0.87	0.89
NZD/GBP	0.48	0.44	0.44	0.46	0.49	0.45	0.43	0.46	0.46
NZD/EUR	0.56	0.53	0.50	0.52	0.57	0.55	0.49	0.52	0.52
NZD/YEN	91.1	85.4	92.4	92.0	89.5	88.4	90.3	93.8	88.0
TWI	71.2	67.9	67.8	69.9	72.0	68.5	66.8	70.1	69.8
Overnight Cash Rate (end qtr)	5.50	3.75	2.25	3.00	5.50	4.25	2.25	2.75	4.00
90-day Bank Bill Rate	5.64	3.60	2.40	3.55	5.63	4.26	2.49	3.05	4.15
5-year Govt Bond	4.60	4.00	3.85	4.40	4.50	3.90	3.90	4.35	4.35
10-year Govt Bond	4.60	4.50	4.60	4.90	4.65	4.45	4.50	4.90	4.90
2-year Swap	4.91	3.35	2.90	4.05	4.93	3.53	2.98	3.90	4.10
5-year Swap	4.40	3.65	3.60	4.25	4.43	3.63	3.61	4.15	4.35
US 10-year Bonds	4.20	4.25	4.25	4.50	4.00	4.40	4.15	4.50	4.50
NZ-US 10-year Spread	0.40	0.25	0.35	0.40	0.65	0.05	0.35	0.40	0.40

<sup>(1)</sup> Average for the last month in the quarter

Source: Statistics NZ, BNZ, RBNZ, NZ Treasury