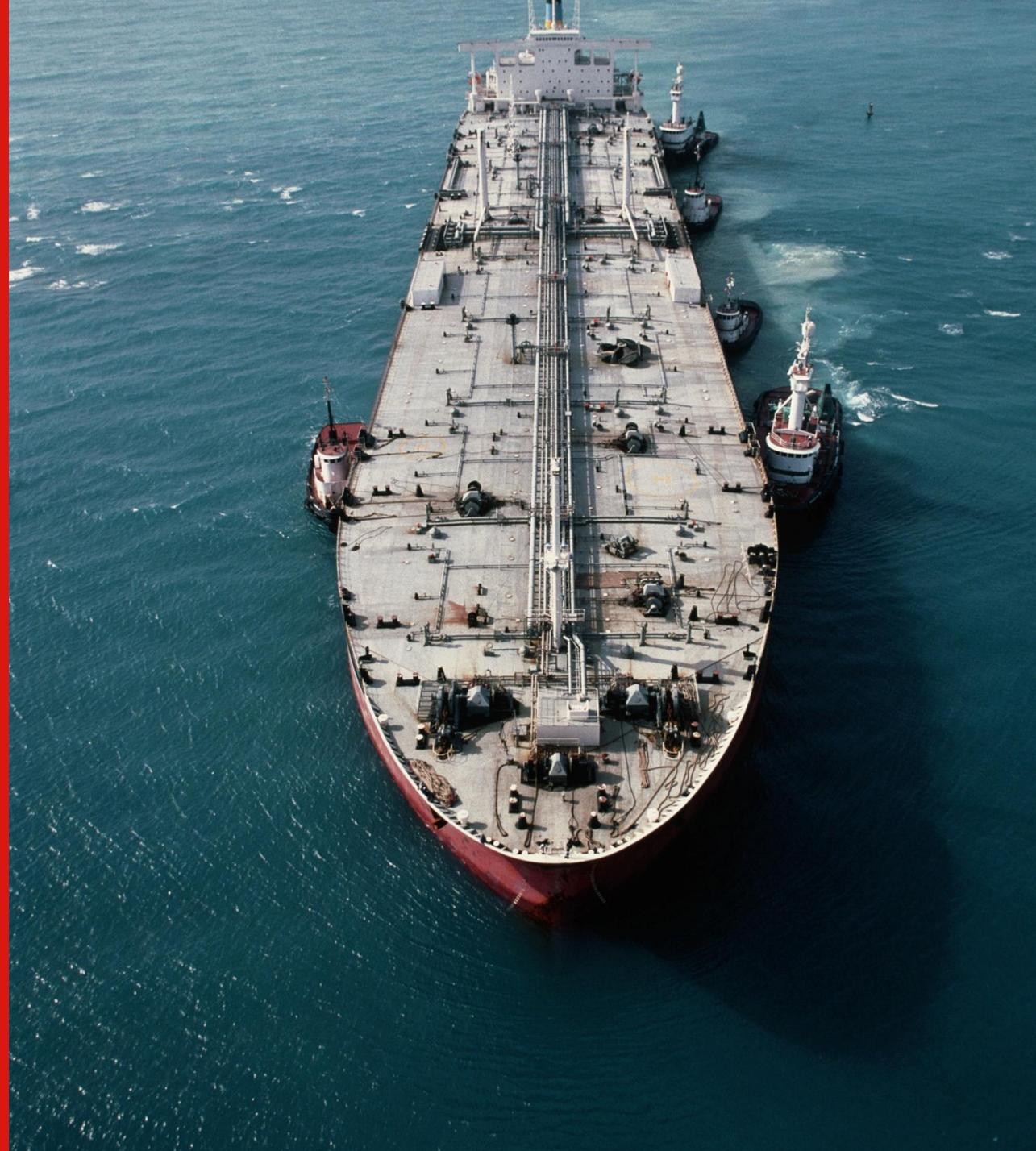


Navigating troubled waters

Iran war impacts on New Zealand

March 2026



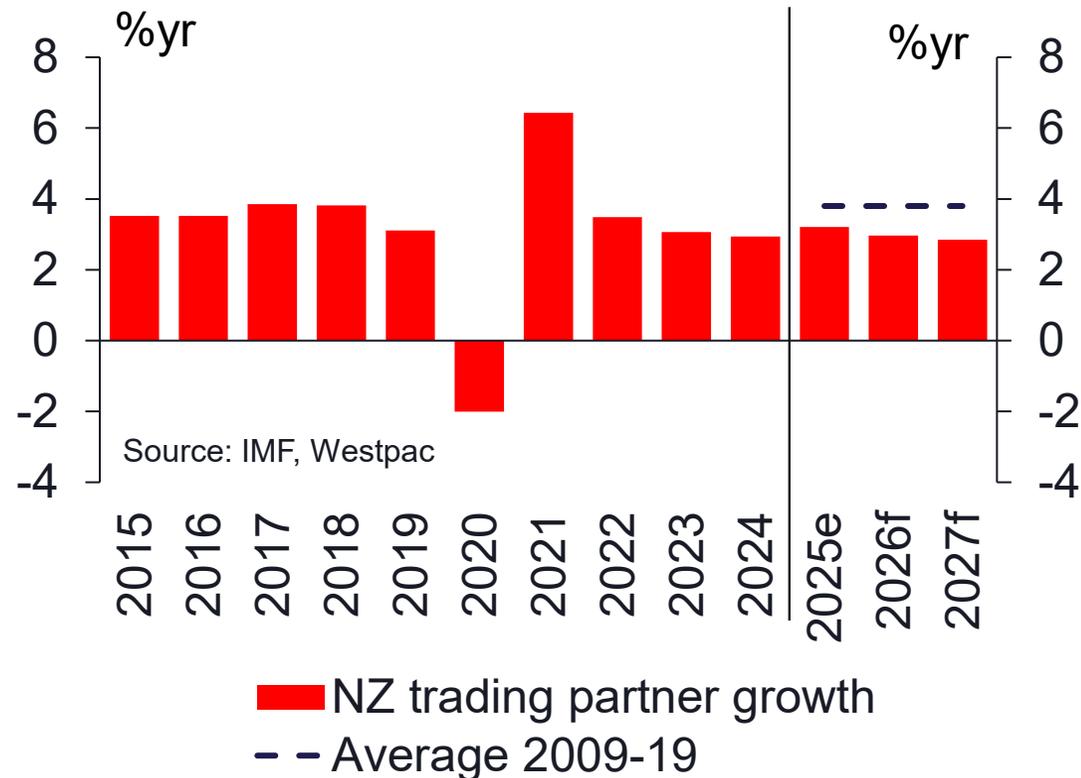
Outline

1. The baseline economic outlook
 - Global backdrop
 - Domestic growth
 - Inflation and interest rates
2. War impacts and risks
 - Global growth
 - Oil and refined fuels prices
 - Inflation risks
 - Direct export impacts
 - Consumer and business impacts
 - Fuel security and implications
 - Growth and inflation scenarios

The baseline growth outlook



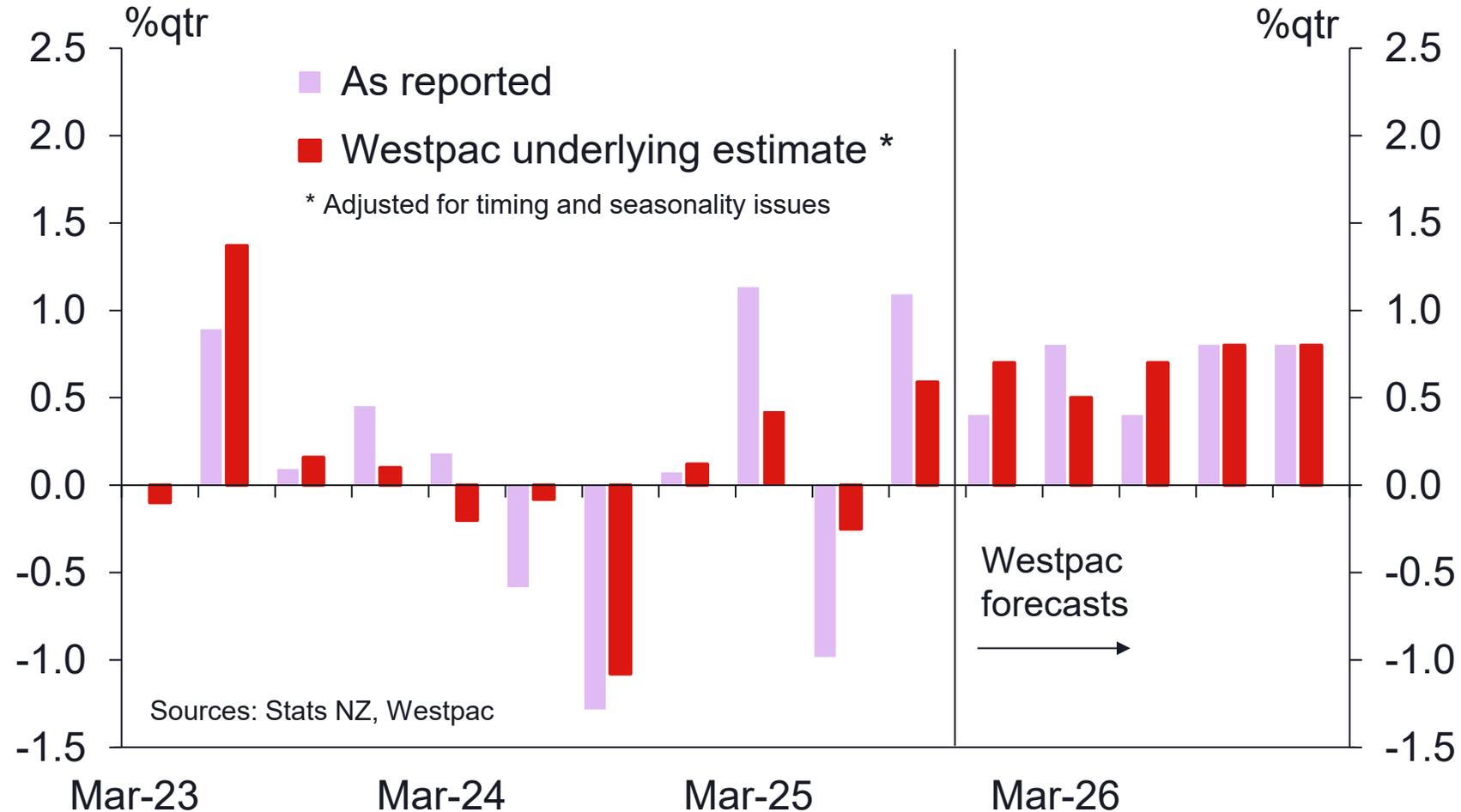
Global growth has shaken off the tariff shock



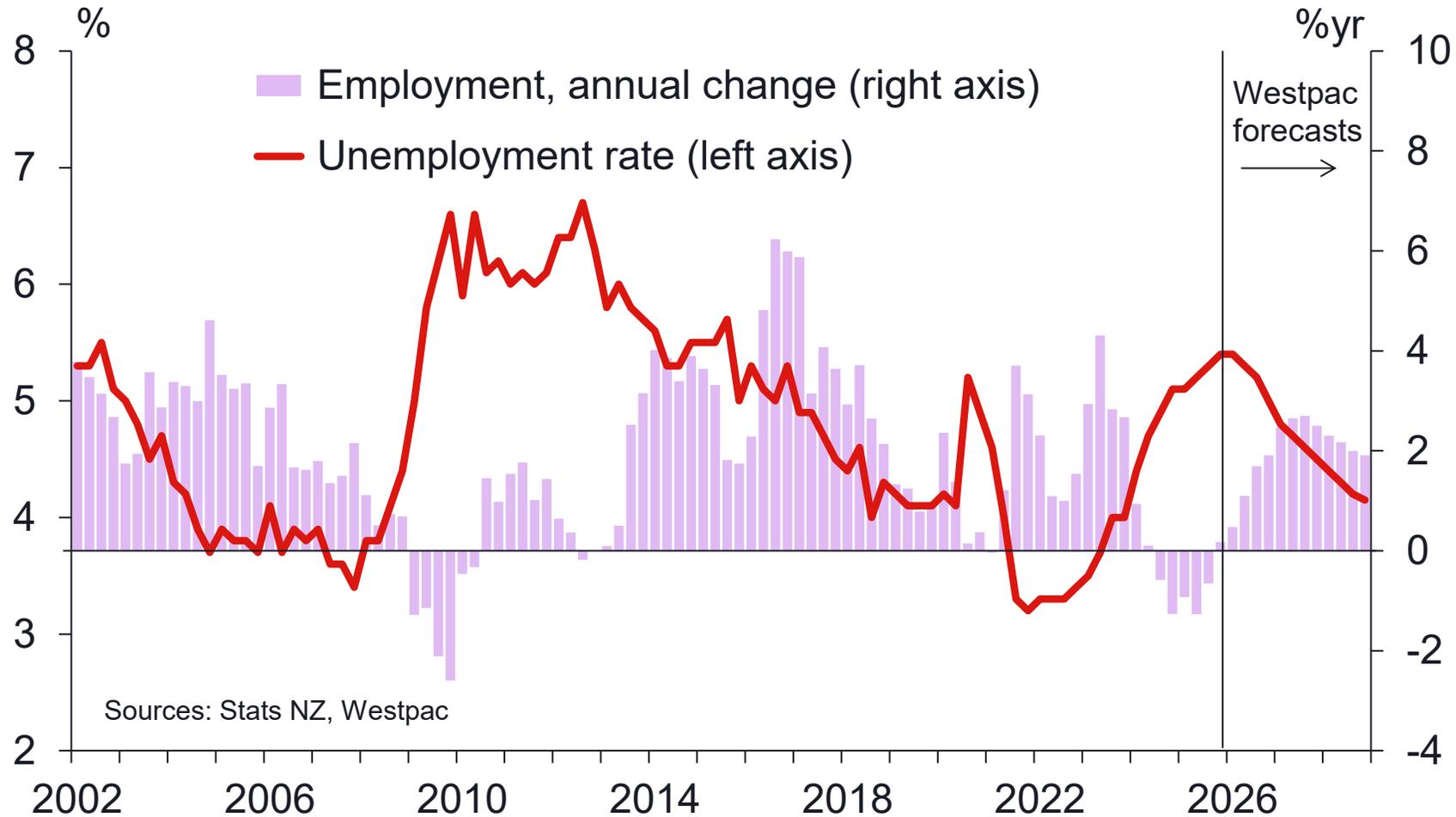
	2025	2026	2027
US	2.2 ↑	2.5 ↑	1.8 ↑
Australia	2.0 ↑	2.2 ↑	2.3 ↓
China	5.0	4.6	4.5
Trading partners	3.2 ↑	3.0 ↑	2.8 ↑
Change from:			
- November	+0.3	+0.3	0.0
- May 2025	+0.6	+0.4	n/a

Note: Arrows indicate change since November

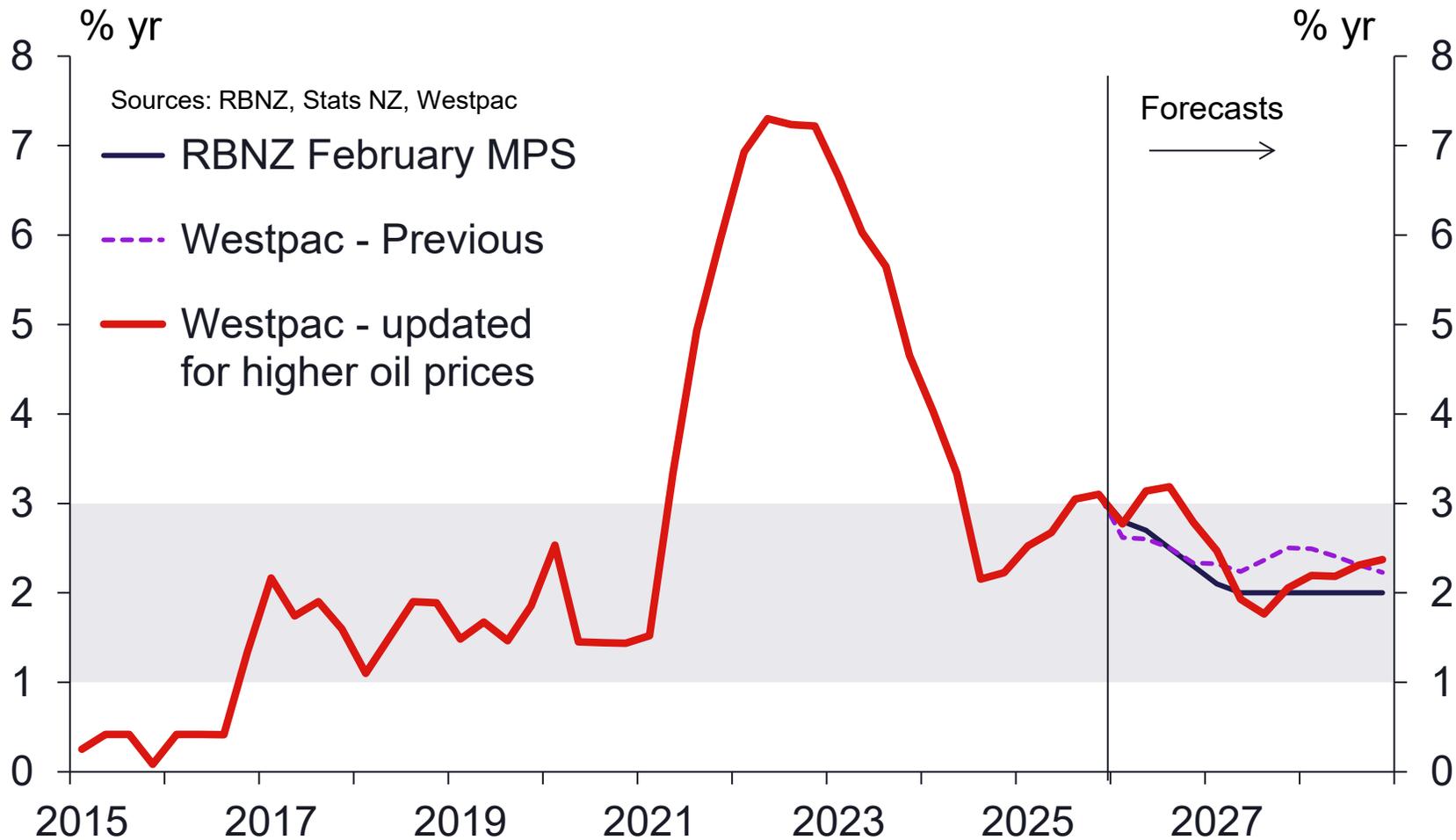
Quarterly GDP – building momentum at above trend growth



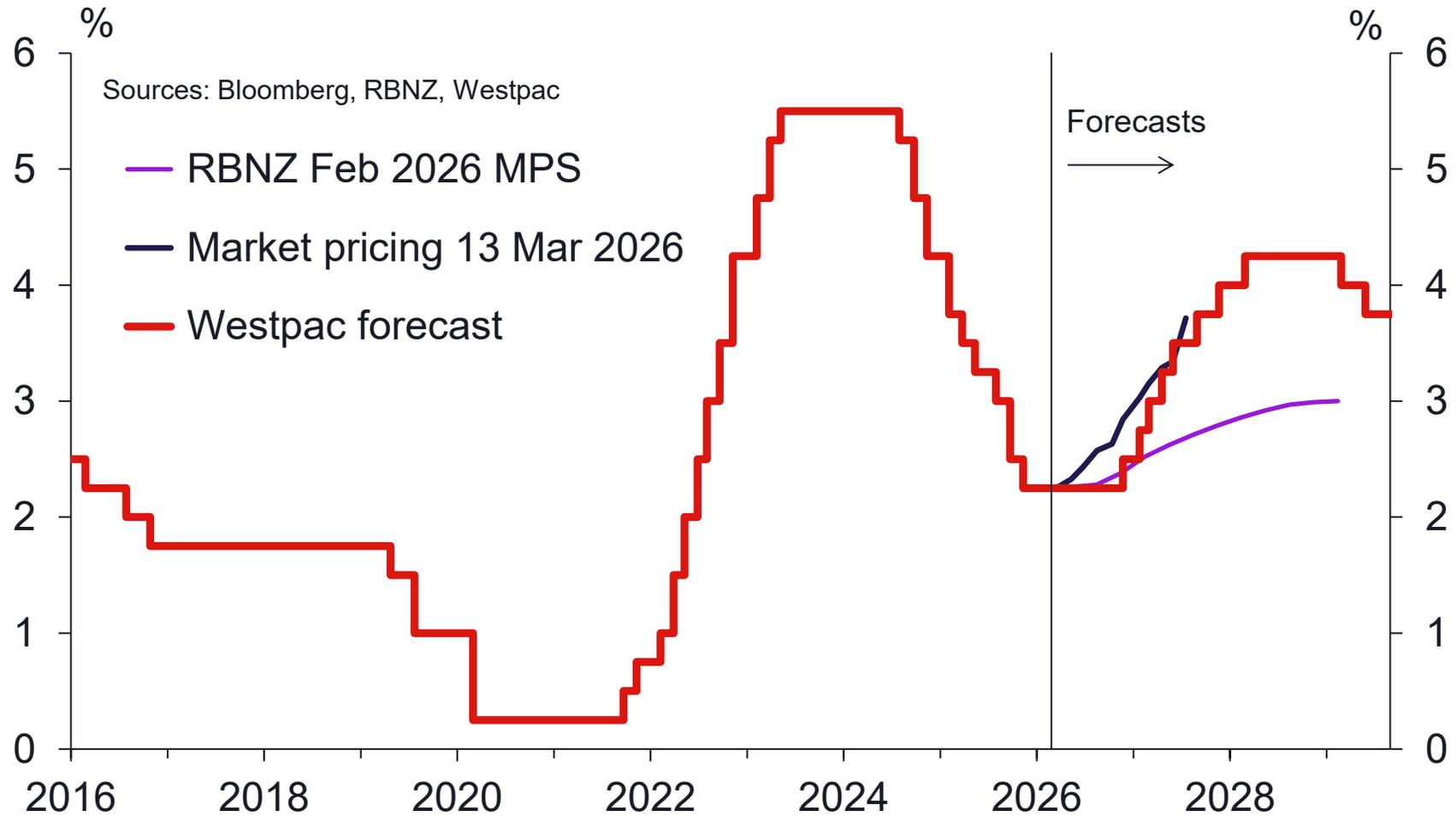
Employment growth and unemployment rate



Consumer price inflation forecasts are moving around



Official Cash Rate forecasts

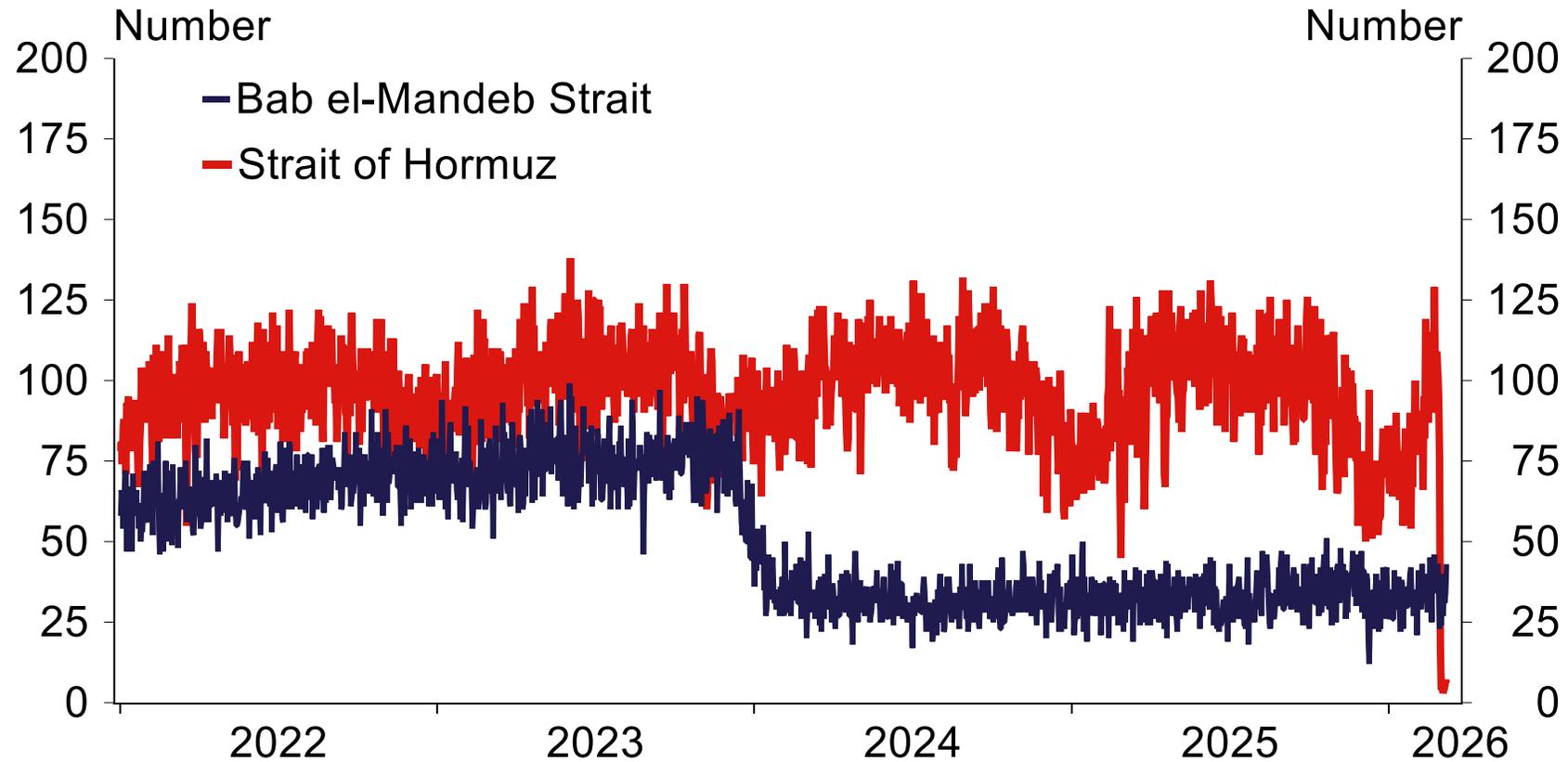


War impacts



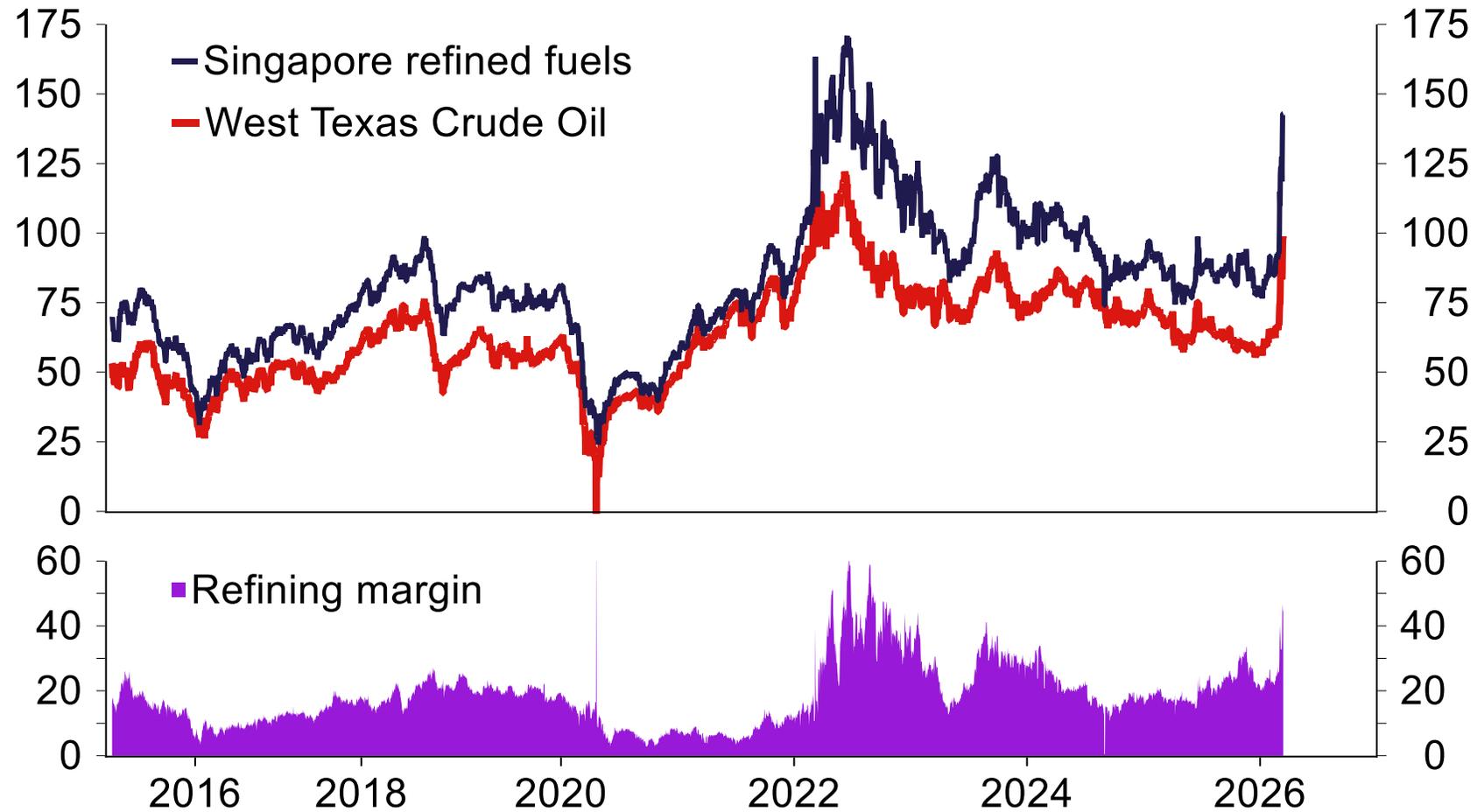
The Strait of Hormuz is closed to traffic

Ship transits, Red Sea and Strait of Hormuz



Sources: Macrobond, IMF, Westpac

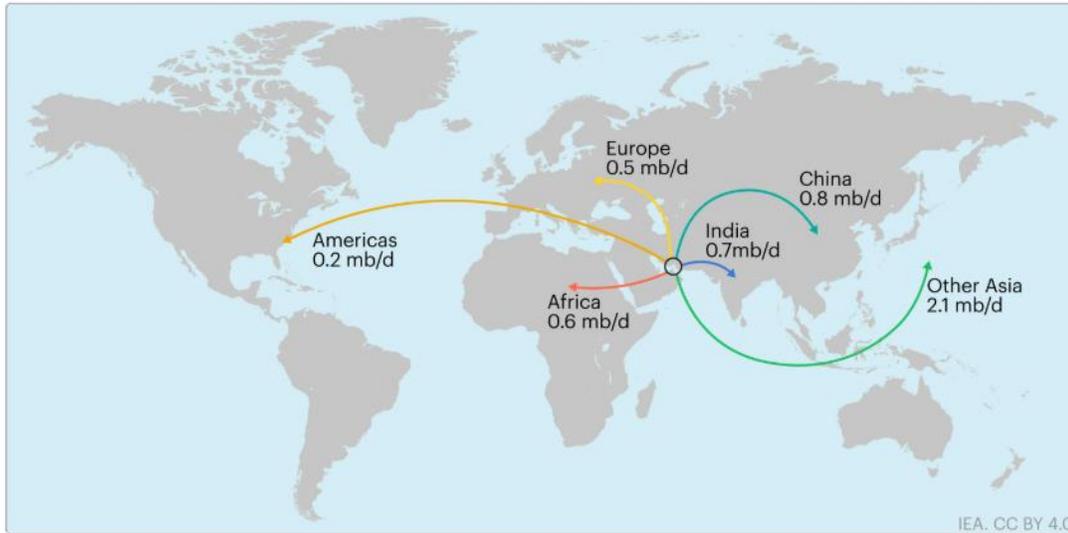
Oil prices and refining margins have increased sharply



Sources: Macrobond, IMF, Westpac

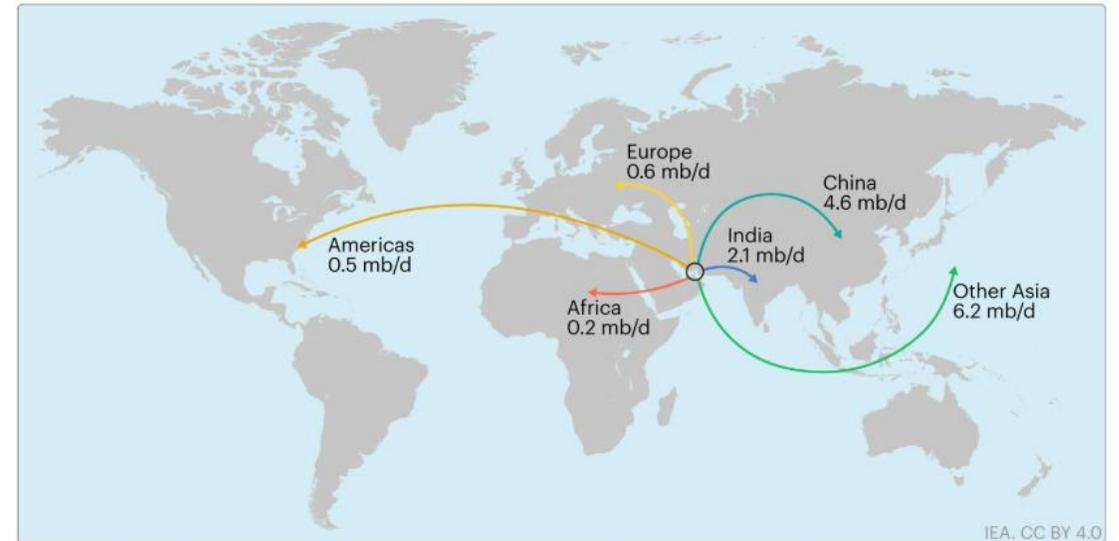
With potentially profound impacts on global growth

Oil product exports transiting the Strait of Hormuz by destination (2025)



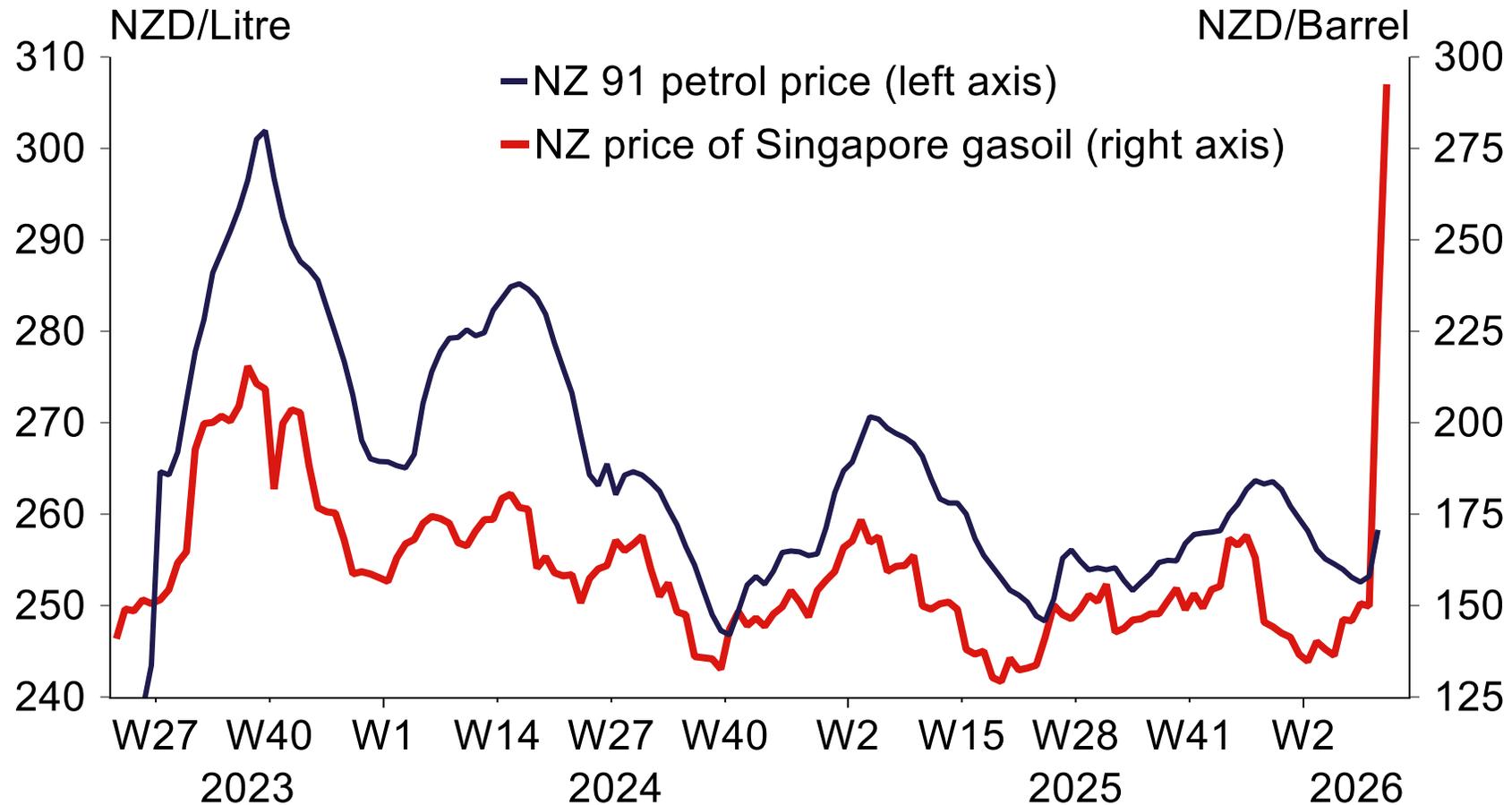
Total does not match sum of adding individual numbers due to destinations not indicated. Source: IEA analysis based on Kpler.

Crude oil exports transiting the Strait of Hormuz by destination (2025)



Total does not match sum of adding individual numbers due to destinations not indicated. Source: IEA analysis based on Kpler.

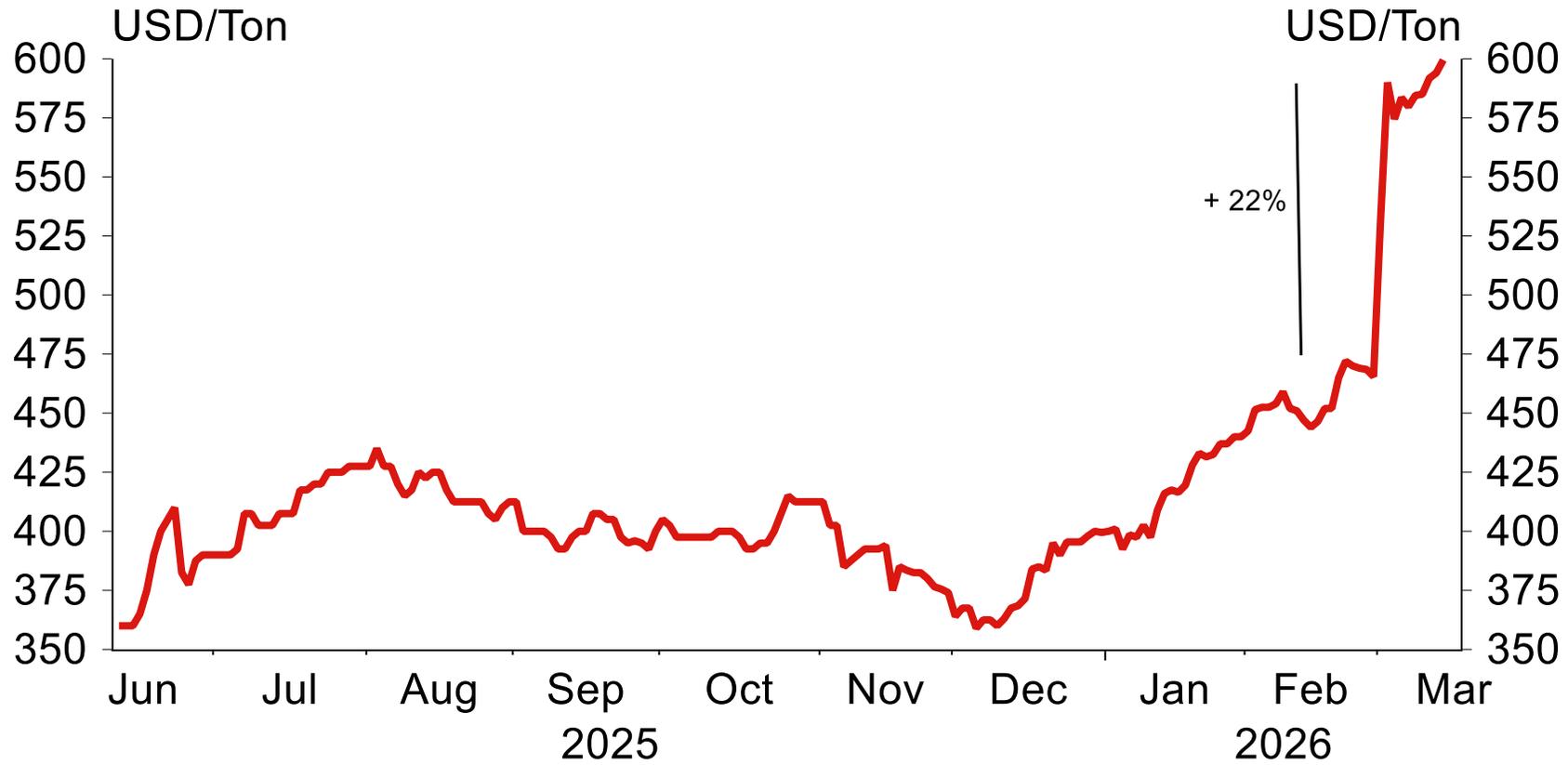
Significant upward pressure on fuel prices in the pipeline



Sources: Macrobond, SGX, Macrobond, MBIE, Westpac

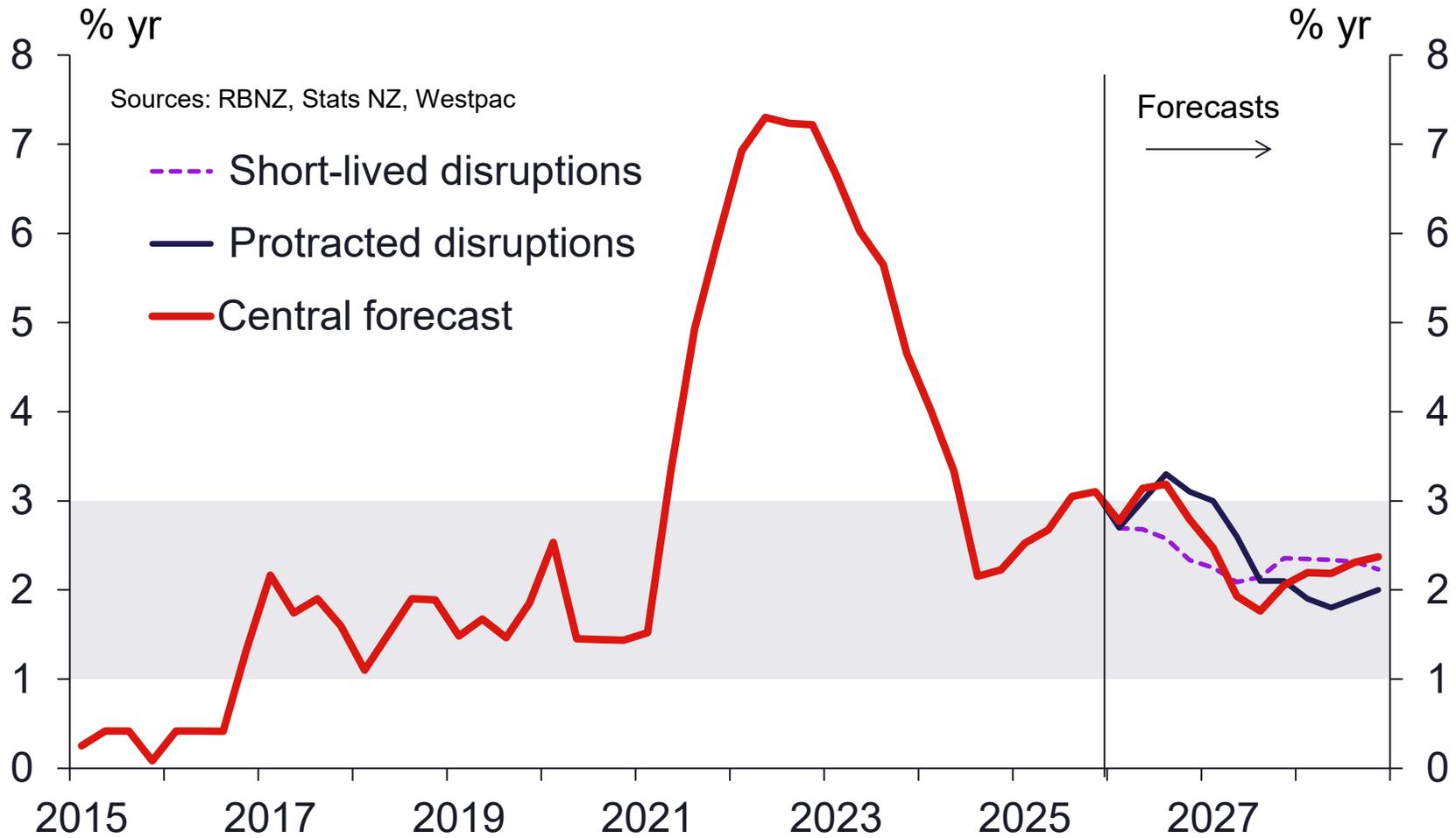
Significant increase in Agriculture costs

Urea futures prices - March 2026 Contract



Sources: Macrobond, Bloomberg, Westpac

Inflation scenarios

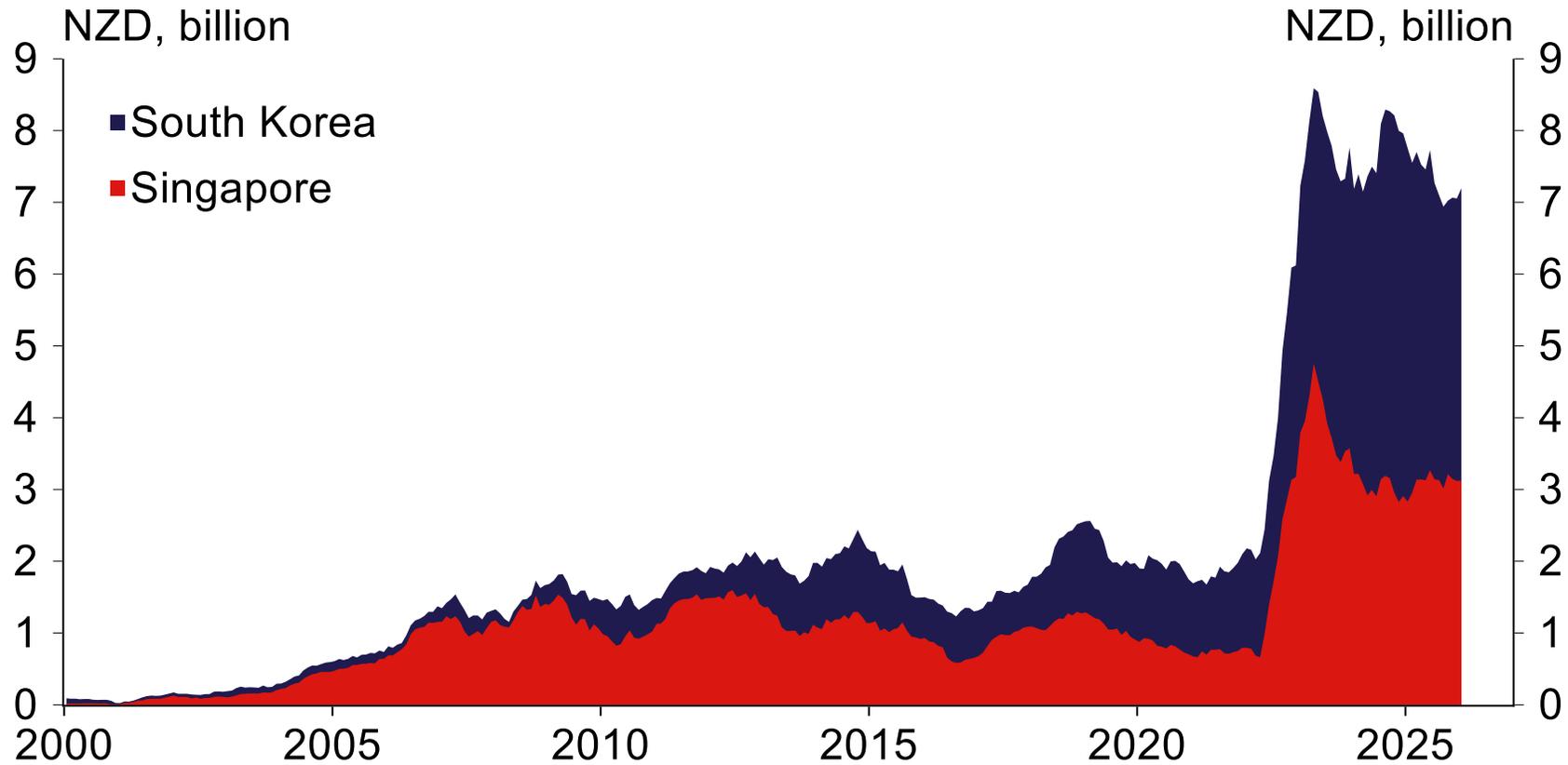


War risks are significant to GDP growth and inflation

Alternative oil scenarios	Oil price	ppt diff. to Q4 %yr growth			
		Australia		New Zealand	
	US\$ p/b	GDP	CPI	GDP	CPI
Iranian oil production disruption	100	<0.1	0.7	-0.3	1
1 month closure of Strait Hormuz	113	-0.2	1.0	-0.5	1.6
3 month closure of Strait Hormuz	185	-0.5	2	-0.7	3.2

New Zealand is heavily dependent on fuel imports from Asia

Imports of Mineral Fuels



Sources: Macrobond, Stats NZ, Westpac

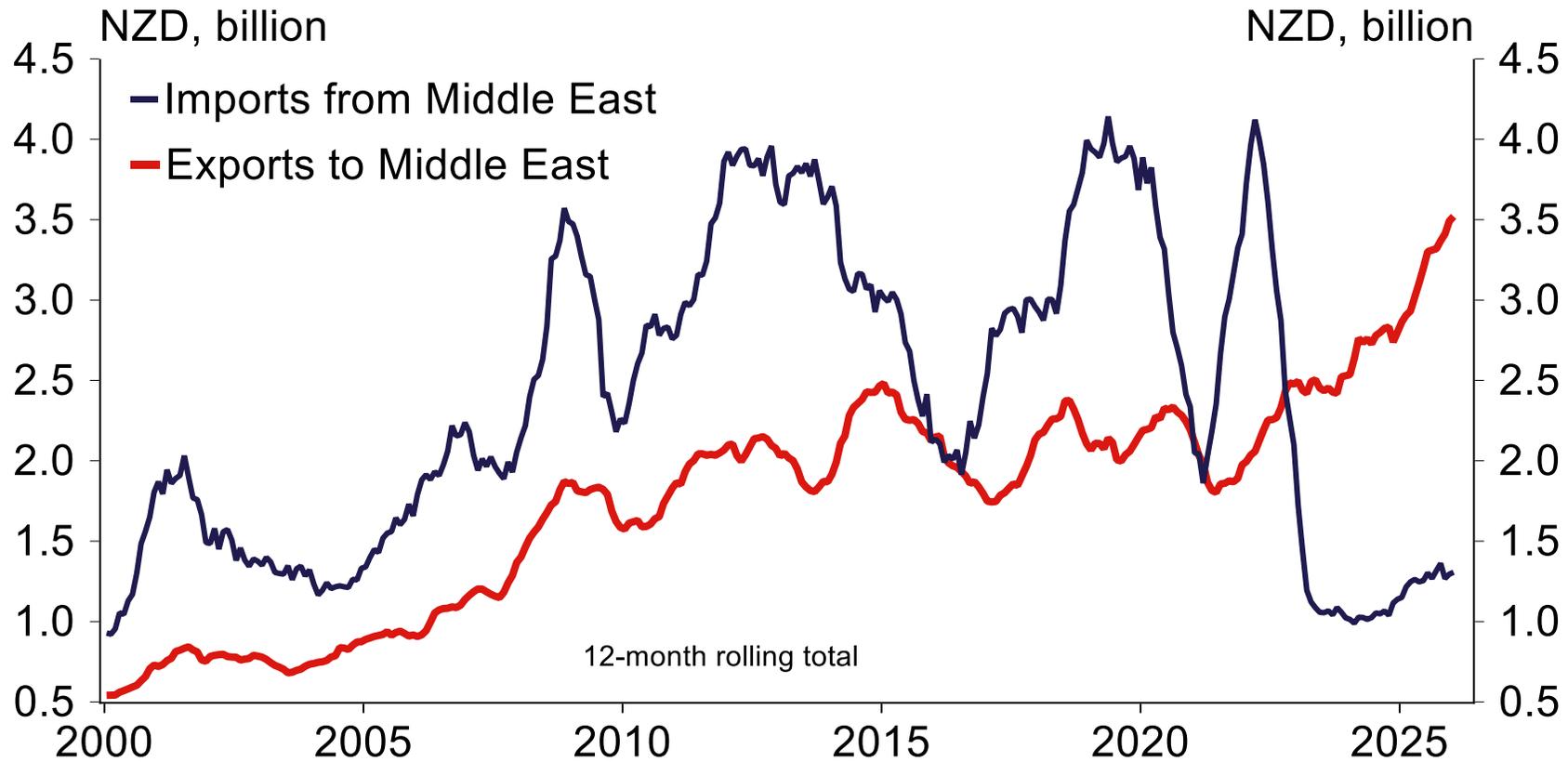
Fuel inventories at risk due to Hormuz closure

Available fuel inventories as at 6 March 2026

	Petrol	Diesel	Jet fuel
On hand	27	25	28
En route	22	29	22
Total	49	54	50

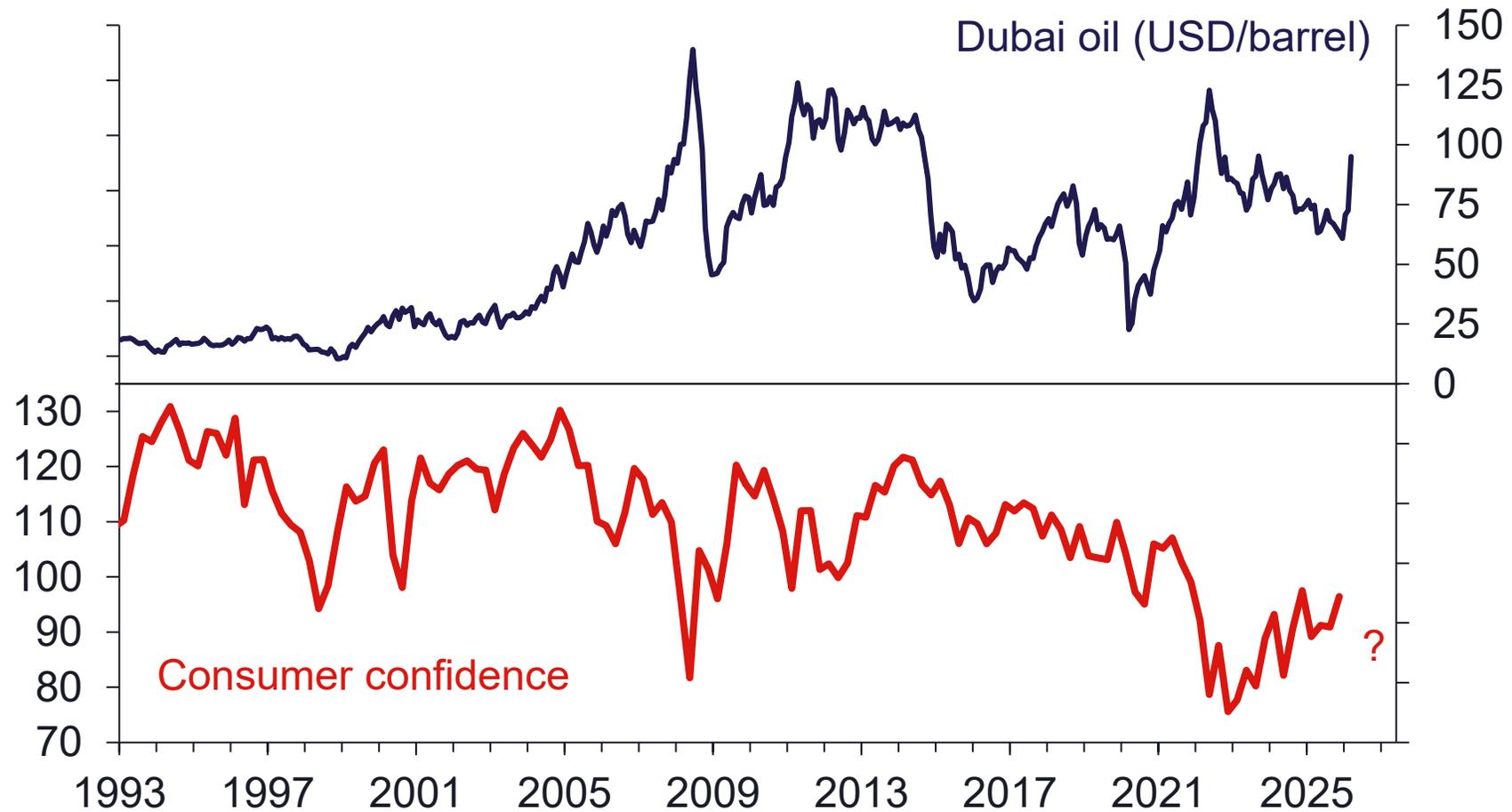
A moderate level of trade with the GCC countries is at risk

NZ trade with the Middle East



Sources: Macrobond, Stats NZ, Westpac

Oil prices to knock consumer confidence?



Source: Bloomberg, Westpac

Businesses could take a step back

Episode	Q0 impact (pp vs pre-shock avg)	Avg impact Q+1–Q+3 (pp vs pre-shock avg)
1973 Oil Crisis	-2	-20
1979 Iranian Revolution	28.6	22.8
1980 Iran–Iraq War	-13.8	-3
1990 Gulf War	-27.5	-34.8
2003 Iraq War	-7.4	-2.8
2011 Arab Spring	0	6.9
2014 ISIS escalation	-7.2	1.4
2023 Israel–Gaza conflict	25.5	-15.3

Questions?



Key forecasts

Economic indicators	Quarterly % change				Annual % change			
	Dec-25	Mar-26	Jun-26	Sep-26	2024	2025	2026	2027
GDP	0.4	0.8	0.4	0.8	-1.6	1.6	2.8	3.0
GDP (annual average)	-	-	-	-	-0.3	0.3	2.3	3.1
Consumer price index	0.6	0.6	0.9	1.0	2.2	3.1	2.8	2.1
Employment change	0.5	0.2	0.4	0.6	-1.3	0.2	1.9	2.5
Unemployment rate	5.4	5.4	5.3	5.2	5.1	5.4	5.0	4.5
Labour cost index (all sectors)	0.4	0.5	0.6	0.7	3.3	2.0	2.4	2.2
Current account balance (% of GDP)	-3.4	-3.4	-3.5	-3.7	-4.7	-3.4	-3.8	-3.4
Terms of trade	0.9	-0.2	1.5	1.4	8.9	4.2	3.8	3.6
House price index	-0.4	0.4	1.0	1.0	-1.0	-0.1	4.0	5.0

Financial forecasts	End of quarter				End of year			
	Dec-25	Mar-26	Jun-26	Sep-26	2024	2025	2026	2027
90 day bank bill	2.52	2.45	2.45	2.50	4.45	2.52	2.90	4.25
2 year swap	2.71	3.30	3.60	3.85	3.64	2.71	4.10	4.40
5 year swap	3.27	3.90	4.10	4.20	3.73	3.27	4.30	4.45
10 year bond	4.27	4.75	4.80	4.95	4.50	4.27	4.95	5.10
TWI	66.4	66.9	66.5	67.8	69.5	66.4	68.9	72.5
NZD/USD	0.57	0.59	0.59	0.61	0.59	0.57	0.62	0.67
NZD/AUD	0.87	0.82	0.82	0.84	0.91	0.87	0.85	0.91
NZD/EUR	0.49	0.51	0.50	0.51	0.55	0.49	0.52	0.55
NZD/GBP	0.43	0.44	0.44	0.44	0.46	0.43	0.45	0.48

Forecasts as at 13 March 2026

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