



**SOUTH WAIRARAPA
DISTRICT COUNCIL**
Kia Reretahi Tātau

Monthly Financial Statements

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Appendix - Treasury report from Bancorp

Statement of Comprehensive Revenue and Expenditure	YTD Actuals (000's)	YTD Budget (000's)	YTD Variance (000's)	Full Year Budget (000's)
Revenue and Expense				
Revenue				
Rates and rates penalties	15,614	15,514	100	31,027
Waka Kotahi subsidy	2,741	2,468	273	7,405
Grants, subsidies and donations	225	232	(7)	695
Interest revenue	48	11	37	32
Fees, licences and user charges	1,074	1,024	50	2,641
Contributions	265	470	(205)	1,409
Other revenue	676	671	4	2,014
Total operating revenue	20,643	20,389	253	45,224
Expenses				
Personnel costs	2,764	2,859	95	8,579
Finance costs	321	696	374	2,087
Depreciation and amortisation	2,774	2,215	(559)	6,645
Other expenses	9,439	9,394	(45)	25,603
Total operating expenditure	15,299	15,164	(135)	42,914
Total Operating Surplus/(Deficit)	5,344	5,225	119	2,310

Debtors and other Receivables

Revenue - Overall 1% over budget

Rates revenue - Tracking in line with expectations, currently 1% above budget.

Second instalment was issued during the month and is due in November 2025.

Waka Kotahi subsidy - Currently favourable by 11% , mainly due to additional subsidy received for emergency works.

Grants, subsidies, & donations - Unfavourable variance of \$7k due timing.

Interest revenue - Earned through interest-bearing accounts and deposits with BNZ.

Fees, licences and user charges - 5% over budget driven mainly by Resource Consents (\$39k), BWO/Swimming Pools (\$21k), Rubbish bags sales (\$20k) and Refuse Fees (\$33k). Conversely, Building Consents revenue was under budget by \$55k.

Contributions* - 44% below budget due to reduced activity particularly at Greytown, which accounts for 69% of the shortfall.

**Note that contributions revenue is collected for funding capital projects related to growth, not operating costs.*

Expenditure - overall 1% over budget

Personnel Costs - Favourable by 3% primarily due to short-term staff shortages in Resource management, Water and Community development departments.

Finance costs - cost savings were made due to delayed water capital programmes and the resultant reduced borrowing.

Depreciation & amortisation - Unfavourable by 25% following a reduction to the useful life of roading infrastructure, which increased depreciation as asset values are now spread over a reduced timeframe.

Other operating costs - Tracking close to budget, exceeding it by less than 1%. The activity breakdown of variances in other operating costs is:

Land Transport	\$885k	Mainly due to subsidised emergency works.
Planning & Regulatory Services	\$34k	Ongoing costs for Combined District Plan and higher building consultancy costs, partially offset by lower resource management consultancy/legal fees.
Water Supply	\$126k	Network reactive maintenance (including traffic management) and higher insurance costs for additional above-ground assets.

Total unfavourable \$1,045k

Finance & Corporate Support	\$146k	Timing of software licences and IT projects; savings in server migration, automation, and delayed training; valuation costs expected later.
Community Facilities & Services	\$535k	Delayed parks/reserves works, savings in refuse/recycling consultancy, timing difference in insurance, and shared services savings.
Democracy & Engagement	\$45k	Timing of ceremonies, protocol, and grants.
Wastewater	\$273k	Lower works costs and no desludging spend; monitoring within budget.
Stormwater	\$1k	On track

Total favourable \$1,000k

Net variance for other operating costs **\$45k unfavourable (overspent)**

	Actuals YTD Oct	Grant expected	Grant received	Income in advance
Grants and Subsidies				
Waste Minimisation Levy	18,924	383,117	383,117	364,193
Youth Advisor Initiative	10,506	20,000	20,000	9,494
LWDW	194,378	194,378	194,378	-
Waka Kotahi	1,085,490	6,035,205	1,085,490	-
Total	1,309,298	6,632,700	1,682,985	373,687

Grant income is offset with expenditure.

Statement of Financial Position as at 31 October 2025	Opening Balance (\$000's)	Current Balance (\$000's)	YTD Movement (\$000's)
Assets			
Current assets			
Cash & cash equivalents	7,556	5,490	(2,067)
Debtors & other receivables	3,080	11,375	8,295
Investments - current	419	495	76
Inventories	62	49	(13)
Total Current Assets	11,117	17,409	6,292
Non-current assets			
Investments - non-current	297	297	-
Other financial assets	303	303	-
Intangible assets	304	352	48
Property, Plant and Equipment	635,360	637,367	2,007
Council controlled organisation	-	-	-
Total Non-current assets	636,265	638,320	2,055
Total Assets	647,382	655,729	8,348

Working Capital

Working Capital (calculated as current assets divided by current liabilities) reflects the council's ability to meet its short-term obligations. The current ratio is 0.4, which is below the generally acceptable benchmark of 2:1. The ratio is lower than usual, primarily due to 76% of the borrowings being short-term. The council plans to refinance these short-term borrowings into long-term loans upon their maturity in February and April 2026.

Debtors and other Receivables

\$11.4m

Mainly made up of:

- Rates receivables \$8.5m
- Waka Kotahi NZTA & Fuel Tax Receivable \$1.0m
- General Debtors \$0.3m

Statement of Financial Position as at 31 October 2025	Opening Balance (\$000's)	Current Balance (\$000's)	YTD Movement (\$000's)
Liabilities			
Current liabilities			
Creditors & other payables	5,116	8,046	2,930
Employee benefit liabilities	687	743	57
Borrowings	21,800	21,800	-
Other current liabilities	33	33	-
Total Current Liabilities	27,637	30,623	2,987
Non-current liabilities			
Provisions	302	302	-
Borrowings	6,700	6,700	-
Total Non-Current Liabilities	7,001	7,001	-
Total Liabilities	34,638	37,625	2,987
Equity			
Reserves			
Public equity	173,433	178,794	5,361
Restricted reserves and trust funds	30,384	30,384	-
Asset revaluation reserves	408,926	408,926	-
Reserves	612,744	618,104	5,361
Total Equity	612,744	618,104	5,361
Total Liabilities and Equity	647,382	655,729	8,348

Liabilities

Creditors and other payables \$8.0m

Mainly made up of:

- GWRC rates collected not yet remitted \$2.2m
- Sundry creditors \$1.4m
- SWDC rates in advance \$.9m
- Levies, bonds currently outstanding \$0.8m. \$.8m
- Income in advance* \$.4m
- Accrued expenses not yet invoiced \$.3m

* relates to grants received for Water Transition, Waste Minimisation, and Youth Co-ordination for activity that has not yet taken place. Will be drawn down as it's used.

Summary of Investments and Borrowings

Summary of Investments as at 31 October 2025

Account	Total Invested (\$)	Rate	Maturity date
Call accounts (and term deposits of less than 90 days)			
Westpac	371		
ASB	73,595		
ANZ	143		
BNZ	4,505,427		
Total call accounts	4,579,535		
Term deposits			
Wairarapa Building Society	494,692	3.90%	25/08/2026
Total term deposits	494,692		
Total call accounts & term deposits	5,074,227		
Bonds			
LGFA Borrower Bonds	287,500		
Forestry			
Plantation - Hurupi Stock	9,305		
Shares			
Farmlands	1,159		
NZ Local Government Insurance Company	81,434		
Wellington Water Limited	50,000		
TOTAL INVESTMENTS	5,503,626		

Note: Call Accounts and term deposits of less than 90 days at investment are considered cash equivalent.

Summary of Borrowings as at 31 October 2025

Drawn Down	Rate	Matures	Principal (\$)
17/05/2021	1.78%	15/04/2026	1,500,000
Debtors and other Receivables	2.72%	15/05/2031	6,700,000
17/04/2023	5.23%	15/04/2026	3,300,000
15/04/2025	2.74%	13/02/2026	17,000,000
Total Lending			28,500,000
Weighted Average Interest Rate			2.98%
Lending By Activity	(\$)	% of total	
Community Facilities & Services	2,846,983	10%	
Finance & Corporate Support	1,730,553	6%	
Land Transport	1,336,066	5%	
Planning & Regulatory Services	451,849	2%	
Wastewater	20,385,361	72%	
Water Supply	1,749,188	6%	
Total	28,500,000	100%	

SOUTH WAIRARAPA DISTRICT COUNCIL

Capital Schedule as at 31st of Oct 2025

	YTD Actual Spent (\$)	2025/26 LTP Budget (\$)	Budget carried over (\$)	% of full budget spent	Remaining budget (\$)
Community Facilities & Services					
Playground refurbishments	486,405	328,000	162,193	99%	3,788
Refuse / Recycling Upgrades	-	102,500	-	0%	102,500
Riparian planting	-	20,500	-	0%	20,500
Recreation trail related infrastructure - repair stations, hydration, shelter, bike stands / locks etc	150	51,250	95,476	0%	146,576
Bin sensors	-	2,050	-	0%	2,050
Featherston war memorial lighting - dome	-	10,250	-	0%	10,250
Smart bins for rural areas	-	154	-	0%	154
Campgrounds - Martinborough campground drainage solution/reforming	-	-	42,390	0%	42,390
Campgrounds - Lake ferry compliance upgrades	-	-	50,790	0%	50,790
Community buildings - Waihinga centre acoustic dampening	-	-	39,813	0%	39,813
Community buildings - Climbing wall Featherston stadium	-	-	19,906	0%	19,906
Community buildings - Heights access for buildings	-	-	70,173	0%	70,173
Gateway to the Wairarapa	-	-	116,302	0%	116,302
Parks & reserves - Lake ferry paddock subdivision	-	-	117,888	0%	117,888
Parks & reserves - Carkeek Observatory	6,416	-	77,247	8%	70,831
Parks & reserves - Farley Ave, Greytown lineal reserve planting and seating	-	-	48,789	0%	48,789
Parks & reserves - Martinborough square lighting	4,900	-	45,423	11%	40,523
Debtors and other Receivables	-	-	110,022	0%	110,022
Solid Waste - Organics kerbside collection bins	-	-	50,600	0%	50,600
					-
Total capital expenditure for community facilities & services for level of service	497,872	514,704	1,047,012	32%	1,063,844

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	YTD Actual Spent (\$)	2025/26 LTP Budget (\$)	Budget carried over (\$)	% of full budget spent	Remaining budget (\$)
Renewals					
Cemeteries Upgrades	18,860	51,250	-	37%	32,390
Greytown Rugby grounds	-	102,500	-	0%	102,500
Car Park Resurfacing (\$10/sqm reseal, \$100/sqm redo)	-	36,190	-	0%	36,190
Housing Renewals	41,529	51,250	-	81%	9,721
Housing - Westhaven	1,563	-	18,156	9%	16,593
Featherston toilets upgrade	-	307,500	-	0%	307,500
Parks / Reserves Upgrades	11,357	51,250	-	22%	39,893
Community Building exterior paint-Greytown Old Library-Greytown Town Centre-Featherston Library and Old Courthouse	-	205,000	-	0%	205,000
Greytown Town Centre upgrades - heating / air cond - electrical capacity - window and roof leaks	-	205,000	-	0%	205,000
Swimming Pools-Pool surface upgrades-Plant upgrades-Changing room upgrades	-	102,500	-	0%	102,500
Toilet Upgrades	-	51,250	-	0%	51,250
Swimming Pool annual renewals	-	51,250	-	0%	51,250
Rental Property Upgrades	5,830	51,250	-	11%	45,420
Library Book Collection	8,910	122,992	-	7%	114,083
Greytown campground, reserve, tennis court driveway redo	-	77,550	-	0%	77,550
Community Building Upgrades	-	51,250	-	0%	51,250
Community buildings - Greytown Town Centre repiling & asbestos	-	-	151,121	0%	151,121
Parks & reserves - Otairua Reserve - roading resurface	-	-	262,525	0%	262,525
Total capital expenditure for community facilities & services for renewals	88,048	1,517,982	431,802	5%	1,861,736
Total Community Facilities & Services	585,920	2,032,686	2,525,827	13%	2,925,581
Finance & Corporate Support					
Level of Service					
Building security alarm system upgrade	-	102,500	-	0%	102,500
Intangibles- district wide signage	-	-	20,000	0%	20,000
Total capital expenditure for Finance & Corporate Support for level of service	-	102,500	20,000	0%	122,500

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	YTD Actual Spent (\$)	2025/26 LTP Budget (\$)	Budget carried over (\$)	% of full budget spent	Remaining budget (\$)
Renewals	-	123,000	-	0%	123,000
Laptop Replacement	2,903	102,500	-	3%	99,597
Building H & S	-	15,375	-	0%	15,375
Corporate Offices	5,474	1,793,750	233,558	0%	2,021,834
Martinborough Corporate Office Upgrades	397,090	51,250	-	775%	345,840
Network Infrastructure	11,204	51,250	-	22%	40,046
Total capital expenditure for Finance & Corporate Support & services for renewals	416,671	2,137,125	233,558	18%	1,954,013
Total Finance & Corporate Support	416,671	2,239,625	253,558	17%	2,076,513
Land Transport					
Growth					
Walk way/Cycle way improvements LR	-	112,500	-	0%	112,500
stock underpass contribution LR	-	55,000	-	0%	55,000
Kerb and channel/ footpath additions LR	-	450,000	-	0%	450,000
Total capital expenditure for Land Transport for growth	-	617,500	-	0%	617,500
Level of Service					
RtZ-Birdwood/Fox Streets Intersection improvements	11,132	400,000	-	3%	388,868
Collector Road widening LR	-	120,000	-	0%	120,000
East Coast stability planting LR	-	75,000	-	0%	75,000
Speed review (SPR)	-	25,000	-	0%	25,000
RtZ-Ponatahi Road Huangarua River - kokotay Rd SNP	-	100,000	-	0%	100,000
Speed management plan speed signs LR	3,700	75,000	-	5%	71,300
Bridge strengthening LR	-	225,000	-	0%	225,000
East Coast resilience study LR	-	85,000	-	0%	85,000

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	YTD Actual Spent (\$)	2025/26 LTP Budget (\$)	Budget carried over (\$)	% of full budget spent	Remaining budget (\$)
Speed review (LR)	-	437,000	-	0%	437,000
Glue Pot Stability LR	-	500,000	-	0%	500,000
Guard rail installation SPR	-	75,000	-	0%	75,000
Rural Road delineation improvements LR	-	35,000	-	0%	35,000
Guard rail installation Lake Ferry	-	90,000	-	0%	90,000
ECOREEF extension SPR	212,000	990,000	-	21%	778,000
Rock supply to Cape Palliser Rd SPR	391	300,000	-	0%	299,609
Hinekura Road - Remediation	11,112	-	-	100%	11,112
Total capital expenditure for Land Transport for level of service	238,335	3,532,000	-	7%	3,304,777
Renewals					
Footpath renewal LR unsubsidised	-	100,000	-	0%	100,000
Drainage Renewals LR	31,155	460,620	-	7%	429,465
Sealed Road pavement rehabilitation LR	48,706	1,035,999	-	5%	987,293
Structure compoment replacements LR	1,473	161,178	-	1%	159,705
Sealed Road Resurfacing LR	123,279	1,252,136	-	10%	1,128,857
Traffic Service renewals LR	5,341	56,075	-	10%	50,734
Structure compoment replacements SPR	-	30,000	-	0%	30,000
Unsealed road metalling LR	203,222	501,515	-	41%	298,293
Drainage Renewals SPR	19,475	22,000	-	89%	2,525
Unsealed road metalling SPR	1,473	7,768	-	19%	6,295
Riddiford Bridge replacement LR	36,113	795,000	-	5%	758,888
Footpath renewal LR	8,091	60,047	-	13%	51,956
Traffic Service renewals SPR	3,654	6,000	-	61%	2,346
Sealed Road Resurfacing SPR	-	124,000	-	0%	124,000
Total capital expenditure for Land Transport for renewals	481,980	4,612,338	-	10%	4,130,358
Total Land Transport	720,315	8,761,838	-	8%	8,041,523

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Capital Schedule as at 31st of Oct 2025

	YTD Actual Spent (\$)	2025/26 LTP Budget (\$)	Budget carried over (\$)	% of full budget spent	Remaining budget (\$)
Water Supply					
Level of Service					
Resource Consent for Pirinoa water take - reconsenting	-	81,400	-	0%	81,400
WTP Wellfield Security	-	104,827	-	0%	104,827
Waiohine WTP Stage 3 Upgrades - ph dosing system upgrade	15,459	1,723,485	-	1%	1,708,026
Greytown WTP Upgrades Stage 3	1,048	2,131,140	-	0%	2,130,092
Total capital expenditure for Water Supply for level of service	16,507	4,040,852	-	0%	4,024,346
Renewals					
SWDC VHCA Reservoir Water Quality Renewals	-	209,655	-	0%	209,655
Consenting of Water Races (Moroa)	-	254,375	-	0%	254,375
Water Supply - Annually Recurring Projects	28,709	184,981	-	16%	156,271
Water Supply - Annually Recurring Projects-Reactive renewals WWL	84,988	506,880	-	17%	421,892
FSTN Water Main Renewals	15,000	1,926,426	-	1%	1,911,426
Tauwhareniikau Pipeline Crossing	50,554	2,147,323	-	2%	2,096,768
Boar Bush PW Trunk Main and reservoir outlet - Stage 1	8,700	154,114	-	6%	145,414
Total capital expenditure for Water Supply for renewals	187,951	5,383,753	-	3%	5,195,802
Total Water Supply	204,458	9,424,605	-	2%	9,220,148
Wastewater					
Growth					
MTB WWTP Growth Capacity Upgrade (Placeholder)	139,422	524,137	-	27%	384,715
GTN WWTP Growth Capacity Upgrade (Placeholder)	-	524,137	-	0%	524,137
Total capital expenditure for Wastewater for growth	139,422	1,048,274	-	13%	908,853
Level of Service					
GTN WWTP Compliance Upgrades - Stage 2a Land Irrigation	-	1,131,751	-	0%	1,131,751
MTB WWTP Compliance Upgrades - Stage 2a Land Irrigation	56,355	628,964	-	9%	572,609
FSTN WWTP Consent renewal and upgrades	341,465	880,704	-	39%	539,239
Total capital expenditure for Wastewater for level of service	397,820	2,641,419	-	15%	2,243,599

SOUTH WAIRARAPA DISTRICT COUNCIL

Capital Schedule as at 31st of Oct 2025

	YTD Actual Spent (\$)	2025/26 LTP Budget (\$)	Budget carried over (\$)	% of full budget spent	Remaining budget (\$)
Renewals					
Reconsenting Lake Ferry Treatment Plant	10,359	50,875	-	20%	40,516
Wastewater - Annually Recurring Projects	-	58,237	-	0%	58,237
Wastewater - Annually Recurring Projects-Reactive renewals WWL	49,231	465,750	-	11%	416,519
SWDC WW Pump Station Renewals	-	136,989	-	0%	136,989
Total capital expenditure for Wastewater for renewals	59,590	711,851	-	8%	652,261
Total Wastewater	596,832	4,401,544	-	14%	3,804,712
Stormwater					
Renewals					
Stormwater - Annually Recurring Projects					
Stormwater - Annually Recurring Projects-Reactive renewals WWL	6,787	303,091	-	2%	296,304
Total capital expenditure for Stormwater for renewals	6,787	303,091	-	0	296,304
Total Stormwater	6,787	303,091	-	0	296,304
Total Projects	2,530,983	27,163,390	2,779,385	8%	26,364,780

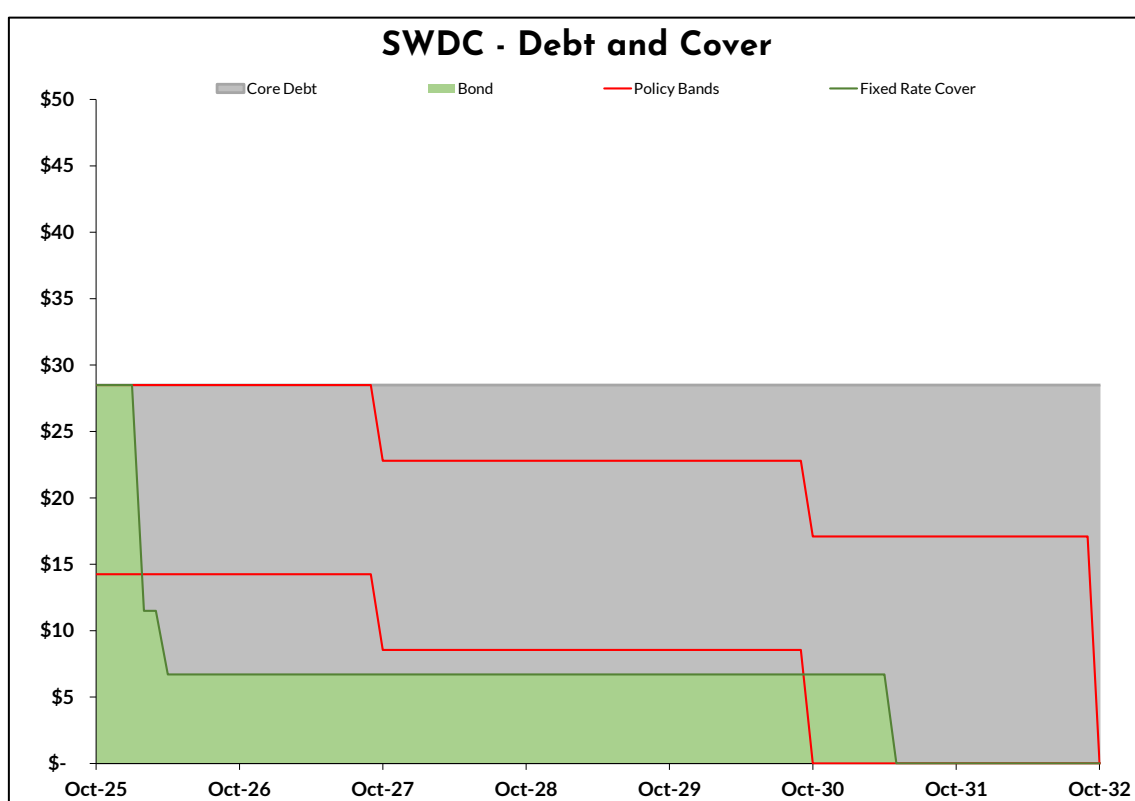
MONTHLY TREASURY REPORT – SOUTH WAIRARAPA DISTRICT COUNCIL

For October 2025 (Finalised 11 November)

EXECUTIVE SUMMARY AND POLICY COMPLIANCE

On 31 October, South Wairarapa District Council (“SWDC”) had \$28.5 million of external debt (LGFA) loans in place. The chart below shows the hedging profile for SWDC at that date. This assumes core debt of \$28.5 million. We have used the current external debt figure to measure policy compliance. We note that current debt levels are within the CEO’s hedging discretion as detailed in SWDC’s Treasury Policy, which states that until net debt exceeds \$30.0M (*treasury policy section 39*) any hedging is at the CEO’s discretion.

At this stage, the decision has been made to maintain hedging at levels below those implied by the policy, using this discretion. The Reserve Bank of New Zealand (“RBNZ”) remains in easing mode with a 0.50% cut (to 2.50%) delivered at its early October meeting. Its dovish tone implies at least one more 25bps cuts this cycle to take the OCR to 2.25% and this is reflected in current market pricing. Taking this into account we remain comfortable with, and fully support, the current profile as it will enable SWDC to participate in further declines in the OCR.



The overall strategy framework in place is to minimise external debt by pro-active cash flow management and to take advantage of further cash rate declines expected. As debt increases we will put in place an appropriate mix of fixed and floating rate debt to meet policy requirements.

EXTERNAL DEBT

The table below shows gross external debt as at 31 October.

Funder	Principal	Orig Term (yrs)	Rate	Start Date	Maturity
LGFA	1,500,000	4.92	1.78%	17-May-21	15-Apr-26
LGFA	3,300,000	3.00	5.23%	17-Apr-23	15-Apr-26
LGFA	6,700,000	10.00	2.72%	17-May-21	15-May-31
LGFA	17,000,000	0.34	2.74%	13-Oct-25	13-Feb-26
	28,500,000		Weighted Ave Debt Cost		2.975%

EXTERNAL INVESTMENTS

The table below shows working capital and 'reserve funds.

Counterparty	Rating	Face Value	Int Rate	Mat Date	Term Left Days
Working Capital and Trust Funds					
BNZ-Call	AA-	4,505,427	2.25%	1-Nov-25	1
ASB/ANZ/WBC- Call	AA-	74,109	2.40%	1-Nov-25	1
Wairarapa BS	N/A	494,692	3.90%	25-Aug-26	298
		<u>5,074,228</u>			

COUNTERPARTY CREDIT RISK – POLICY COMPLIANCE 31 OCTOBER 2025

The Council's policy states that it can only invest with New Zealand registered banks that have a long-term S&P Global Ratings (or equivalent Fitch or Moody's rating) credit rating of A+ or with other counterparties specifically approved by Council.

Council has approved the WBS exposure, and this means that **all current investments are within policy.**

MARKET COMMENTARY AND OUTLOOK

(mid rates)	Market moves last 12 months					
	30-Sept-25	31-Oct-25	Change	31-Oct-24	31-Oct-25	Change
NZD/USD	0.5795	0.5720	-1.29%	0.5975	0.5720	-4.27%
NZD/AUD	0.8765	0.8750	-0.17%	0.9080	0.8750	-3.63%
NZD/CNH	4.1310	4.0690	-1.50%	4.2565	4.0690	-4.41%
3 month Rate	2.80%	2.52%	-0.28%	4.52%	2.52%	-2.00%
3 year swap	2.79%	2.74%	-0.05%	3.64%	2.74%	-0.90%
5 year swap	3.11%	3.07%	-0.04%	3.77%	3.07%	-0.70%
S&P500 Equity Index	6,688	6,840	2.27%	5,705	6840	19.89%
US 10 year bond	4.15%	4.08%	-0.07%	4.28%	4.08%	-0.20%
Brent Crude	67.06	65.07	-2.97%	73.17	65.07	-11.07%

FINANCIAL MARKETS BACKGROUND

With ongoing delays in US data releases due to the government shutdown, the focus of financial markets was on the October Federal Reserve ("Fed") meeting. As expected, the Fed delivered a 25bps cut, moving the Fed Funds Rate to a 3.75%-4.00% range. The central bank also confirmed the end of its Quantitative Tightening ("QT") program (a reversal of the money printing Quantitative Easing ("QE") exercise seen during COVID). This is effective from 1- December with the Fed now comfortable with the size of its balance sheet. However, the real impact came in the Q&A session, when Fed Chair Jerome Powell stated, *"September and today was a risk management cut, but that's not the case going forward. There are strongly differing views about how to proceed in December. A further cut in December is not a foregone conclusion, it's far from it."* Financial markets are now pricing in 3 more 25bps cuts this cycle (to a 3.00% to 3.25% range) with a circa 60% chance of a cut in December.

The European Central Bank ("ECB") maintained its interest rate settings for the third consecutive meeting, reflecting confidence in the Eurozone's economic resilience and inflation outlook after its annual CPI reading eased to 2.1% in October. President Christine Lagarde emphasised that the Eurozone is *"in a good place,"* adding, *"Labour demand has cooled, household savings are unusually large, and government expenditure should underpin investment."*

The Chinese economy grew by 4.8% year-over-year in Q3, aligning with expectations but slowing from the 5.2% growth seen in Q2. While an optimistic view suggests China will hit its 5.0% annual growth target, weakness in consumption, soft investment, and persistent issues in the property market mean the target is not guaranteed. Consumers continue to save rather than spend and both the consumer and producer price indices remain negative, supporting deflationary concerns.

Japan saw political history made last month with LDP leader Sanae Takaichi becoming Japan's first female Prime Minister after winning a parliamentary vote to form a new coalition government. This saw the yen weaken after Ms. Takaichi signalled a need for the Bank of Japan ("BoJ") and the Government to *"communicate closely and coordinate policy."* The BoJ then exacerbated the yen's weakness by holding its short-term rate at 0.50% in a 7–2 vote. Governor Ueda signalled patience, stating that the economy is *"recovering moderately, albeit with some weakness,"* with modest growth and steady inflation expected amid global uncertainty.

The likelihood of an Australian rate cut before year end was shattered following the Q3 CPI update, which saw inflation print at 1.3% for the quarter and 3.5% for the year, against forecasts at 1.1% and 3.1%. The policy-relevant trimmed mean inflation gauge spiked by 1.0% in Q3, well above forecasts at 0.8%. The RBA left the cash rate at 3.60% on Melbourne Cup Day (as was expected) with its outlook implying one more 25bps rate cut in the second half of 2026. Financial markets are pricing in a circa 80% probability of one more cut this cycle.

The Reserve Bank of New Zealand's ("RBNZ") delivered a 50bps rate cut in October and signaled it is *"open to further reductions."* The meeting marked a symbolic shift in focus towards the downside risks to domestic activity, strengthening the case for continued easing. However, within this dovish stance it acknowledged near-term inflation risks although the central bank expects that levels above its 1.0%-3.0% target range will be temporary. Financial markets are fully pricing in a 25bps cut in November and a 50% probability of the OCR falling to 2.00% in 2026. Recent consumer and business confidence measures have weakened once more with unemployment increasing to 5.30% in the September quarter. This reinforces the RBNZ's current view re further stimulus.

While the red meat market remains strong, dairy prices continue to fall with the first GDT auction for November seeing the GDT index down by 2.4%, the fifth auction in a row that the index has declined. A strong start to the season for local production levels and caution from Chinese buyers have combined to push the index back to where it was this time last year, and it is down by 15.5% from the May highs. These lower prices have kept MKPU26 pricing below \$10.00 (Fonterra's current mid-point for the 20205/2026 season) with latest trades at \$9.73.

INTEREST RATE OUTLOOK

New Zealand economic data continues to imply ongoing weakness into 2026 with a 0.25% cut to the OCR in November fully priced in. The chance of a 0.25% cut (to 2.00%) in Q1 2026 is priced as a 50/50 probability and given the first RBNZ meeting is in February, such a move will be very much determined by data released before then.

The US 10-year bond yield fell through the bottom of the 4.20% to 4.50% range that had dominated since Trump's initial tariff announcement in April last month, with a 3.90% to 4.20% range developing. This has helped local swap rates fall with the 5-year swap rate trading below 3.00% when the US 10-year bond yield traded below 4.00%.

These moves have helped LGFA funding costs fall further with funding for 3-years below 3.50% and 5-year funding below 4.20%. Floating rates are around 2.55% and will fall further when the OCR is cut at the end of November to 2.25%. We will continue to proactively manage the debt profile to drive debt costs lower, looking to have a significant (but prudent) exposure to floating rate debt but maintain ongoing policy compliance, once core debt is above \$30.0 million.