



**SOUTH WAIRARAPA  
DISTRICT COUNCIL**  
*Kia Reretahi Tātau*

# Treasury Update

**12 March 2026**

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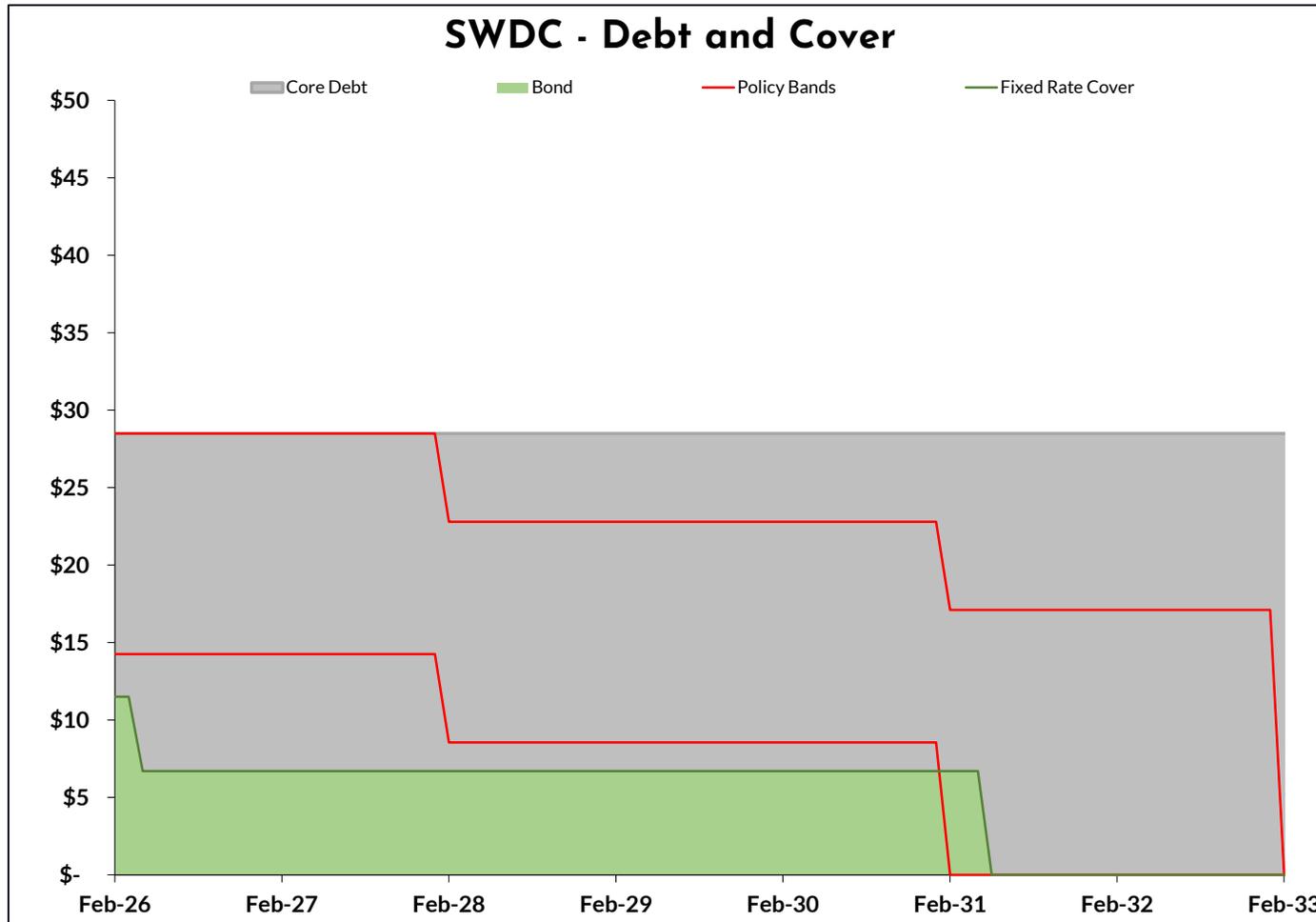


**BANCORP**

BANCORP TREASURY SERVICES LIMITED



# Debt position 28 February



- Hedging is within the CEO discretion - until net debt exceeds \$30.0M (treasury policy section 39) any hedging is at the CEO's discretion.
- This was noted by committee at last meeting, but no approval is required



# Debt position 28 February

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	0.75	2.97%	13-Feb-26	13-Nov-26
	<b><u>28,500,000</u></b>		Weighted Ave Debt Cost		<b>3.11%</b>

- Outstanding net debt on 28 Feb was \$28.5M.
- Working capital cash balances \$4.2M.
- Weighted average cost 3.11% (down from 3.42% last meeting)

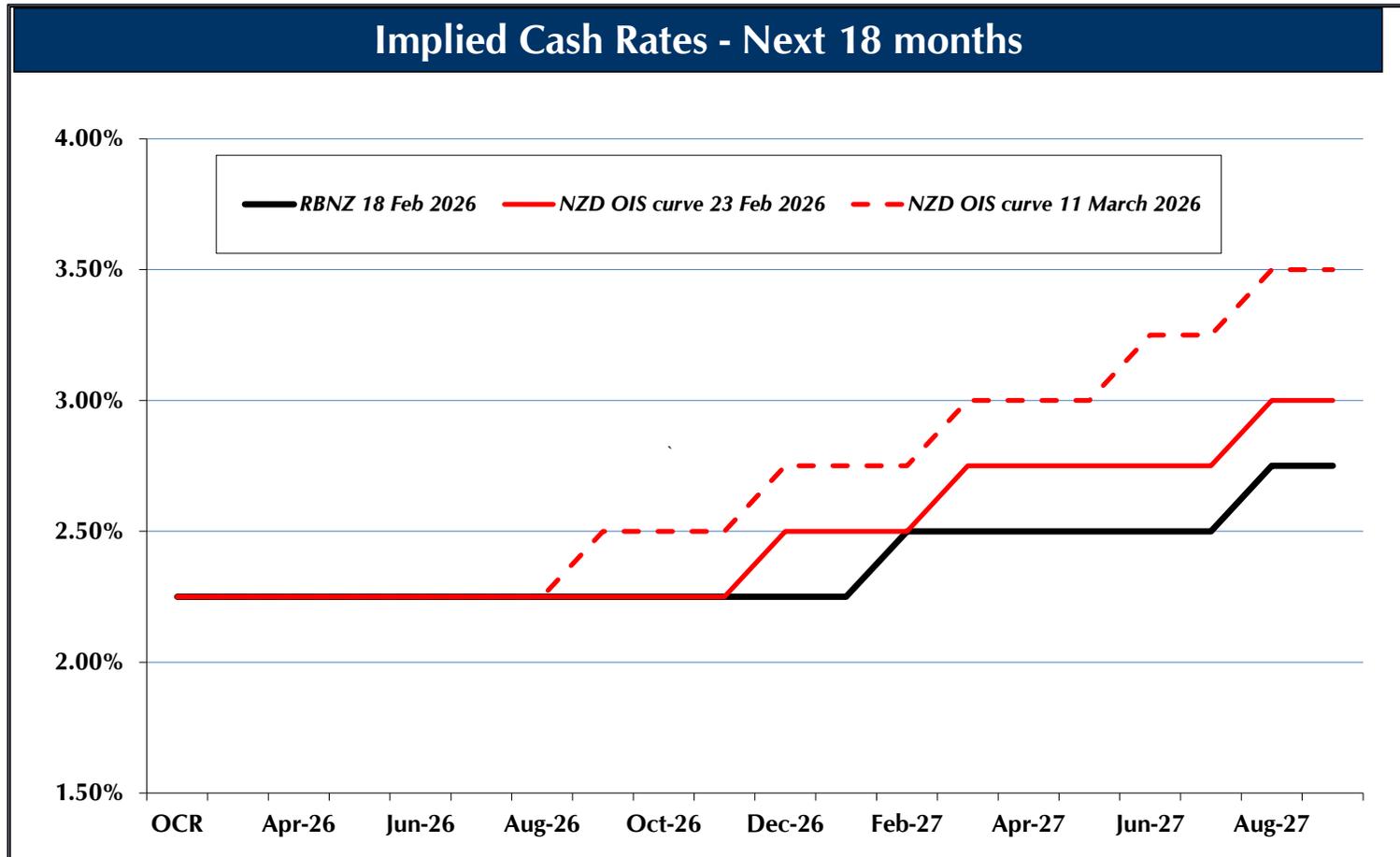


## Key developments/Outlook

- In its OCR Review on 18 Feb the RBNZ left the cash rate unchanged (as expected) and stated that *“If the economy evolves as expected, monetary policy is likely to remain accommodative for some time”*. The OCR track in the accompanying Monetary Policy Statement had a 2.75% cash rate by the end of 2027 with a 3.00% peak out to Q1 2029.
- The Iran conflict however is centre-stage currently with the inflation/growth conundrum re higher oil prices the main impact on markets.
- We have seen interest rates move higher in line with worries about the impact on inflation of surging oil prices. However, over the medium term the extra expense for consumers tends to be an immediate drag on growth and Central Banks typically look through short-term moves in energy prices.
- Local markets seem to be getting ahead of themselves and are now pricing in 1.00% of OCR hikes by this time next year and seemingly ignoring domestic (and international) growth risks.
- At this stage we value the flexibility of having a significant portion of debt on a floating rate basis and see no point in chasing the yield curve other than to meet policy compliance.



# Market pricing re monetary policy expectations



- Market pricing is back implying 'aggressive' hikes from RBNZ.



# US 10-year bond yield higher but within range



- 3.90% peak on Monday implied LGFA 2031 bond at 4.70% compared to 90-day funding at 2.65%



# ...our 5-year swap rate looks overdone



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# Oil prices over last month



- Well, that range was blown out of the water... literally!



# Oil prices - big deal over a ten-year timeframe



- On Monday oil prices saw the biggest intraday move since Covid madness in 2020



# NZD/USD - bouncing around current range



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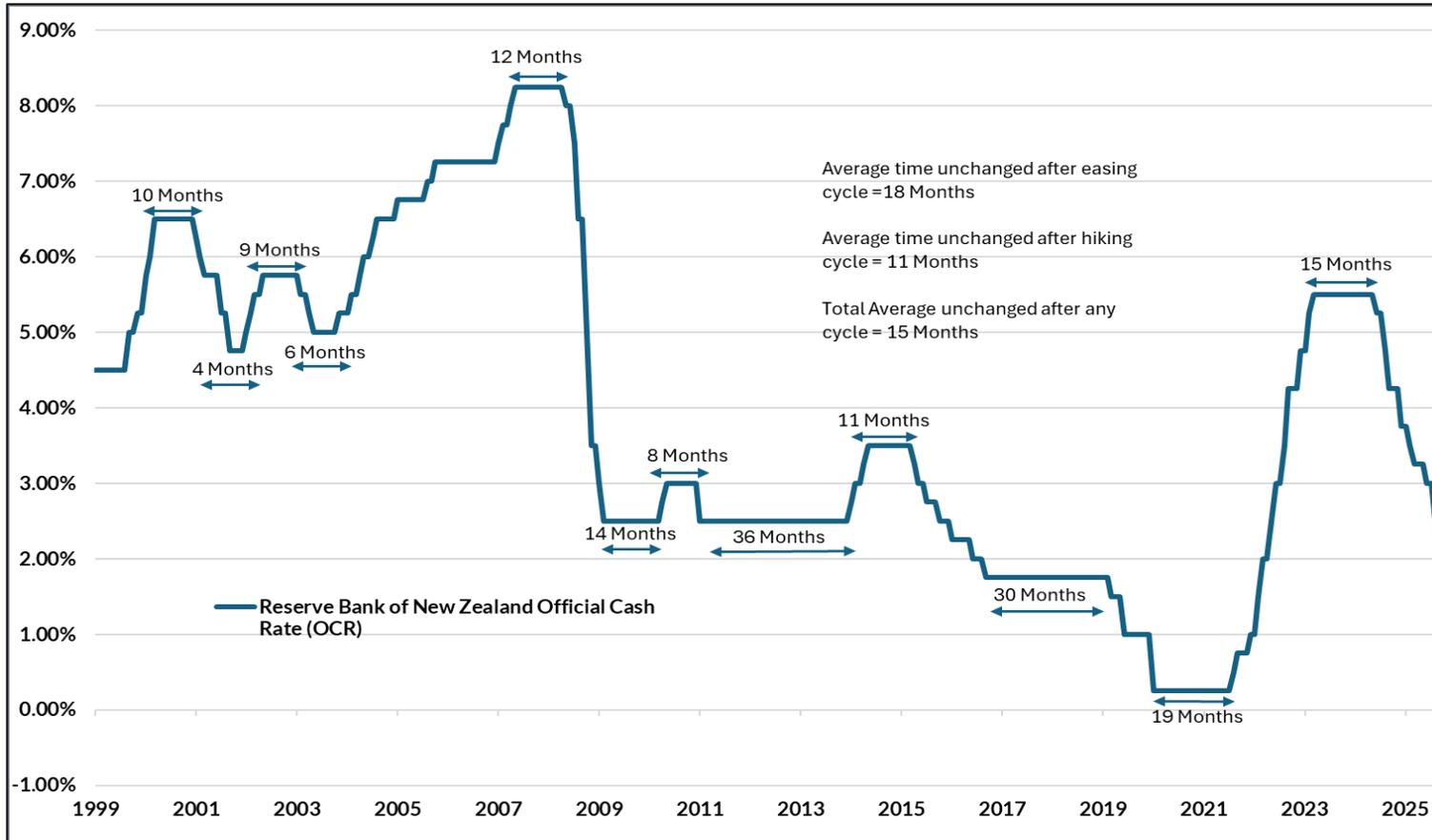
# NZD/AUD - making new cycle lows



- Lows in 2010/2011 were during last commodity super cycle with iron ore at USD190m/t and copper at USD10,500m/t (USD102m/t and USD12,700 currently )
- Fonterra payout 2010/2011 \$7.90 falling to \$6.08 in 2011/2012



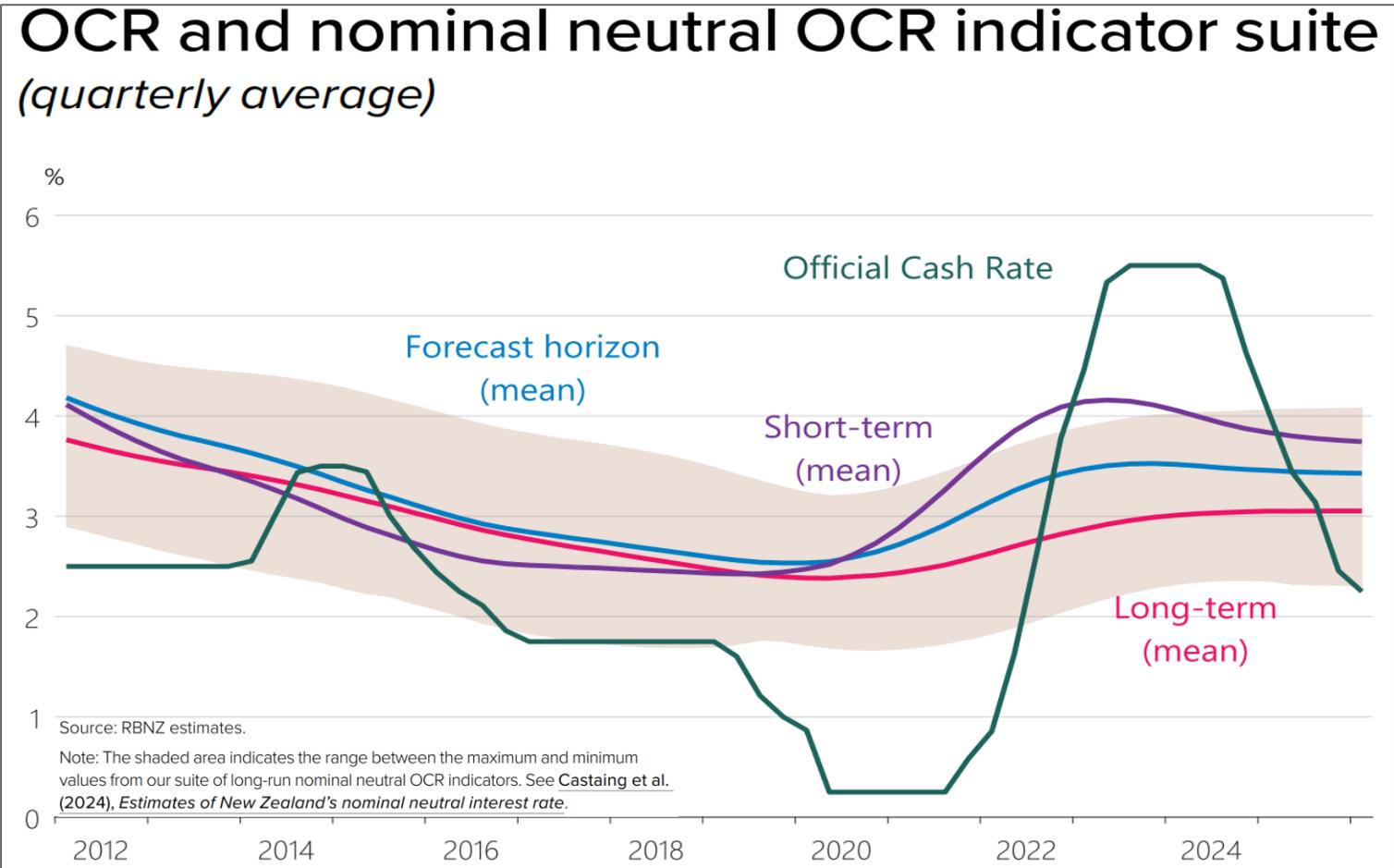
# The next OCR move is when?



- Market pricing is now implying a hike in September, 10-months after last cut.



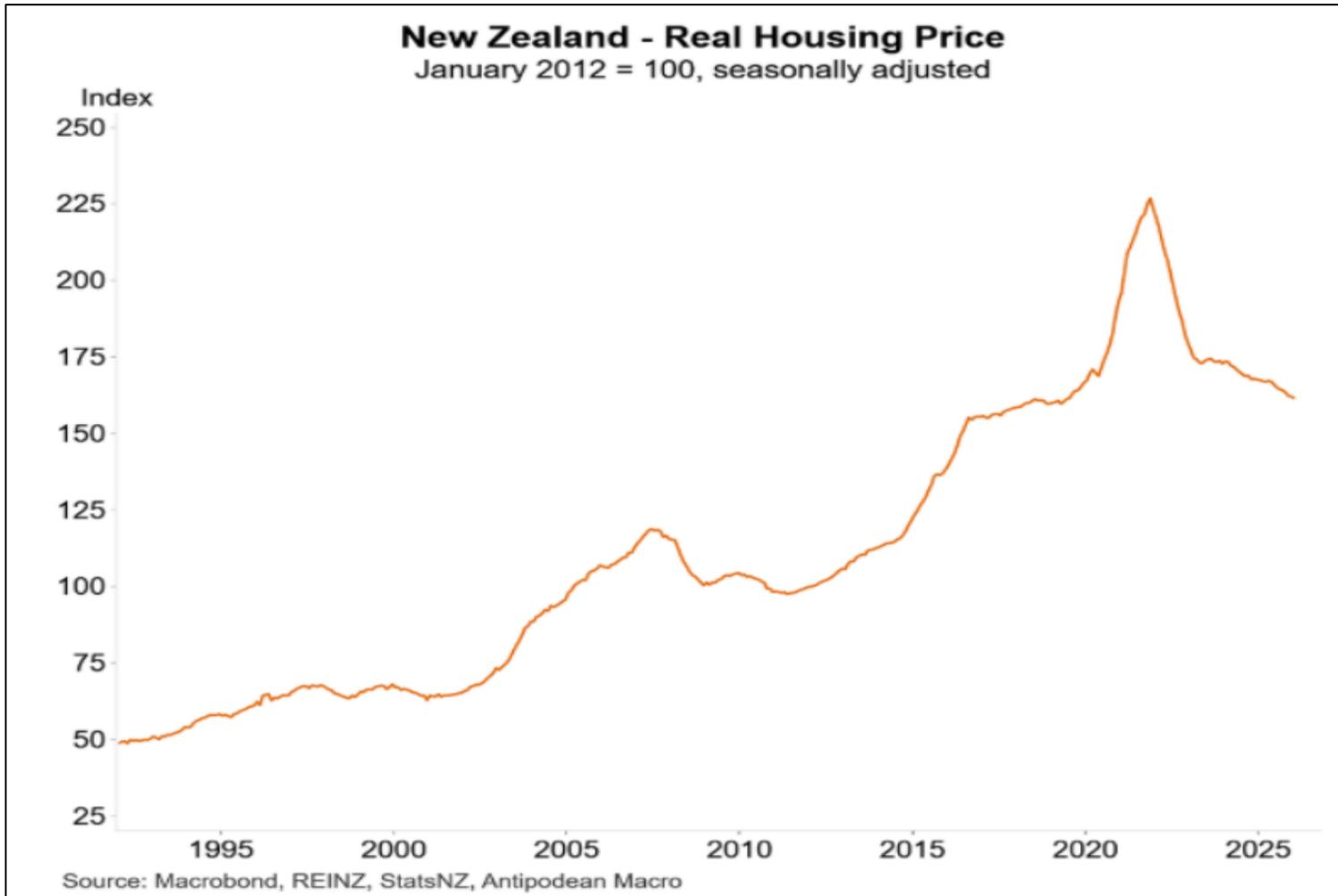
# RBNZ neutral cash rate estimates



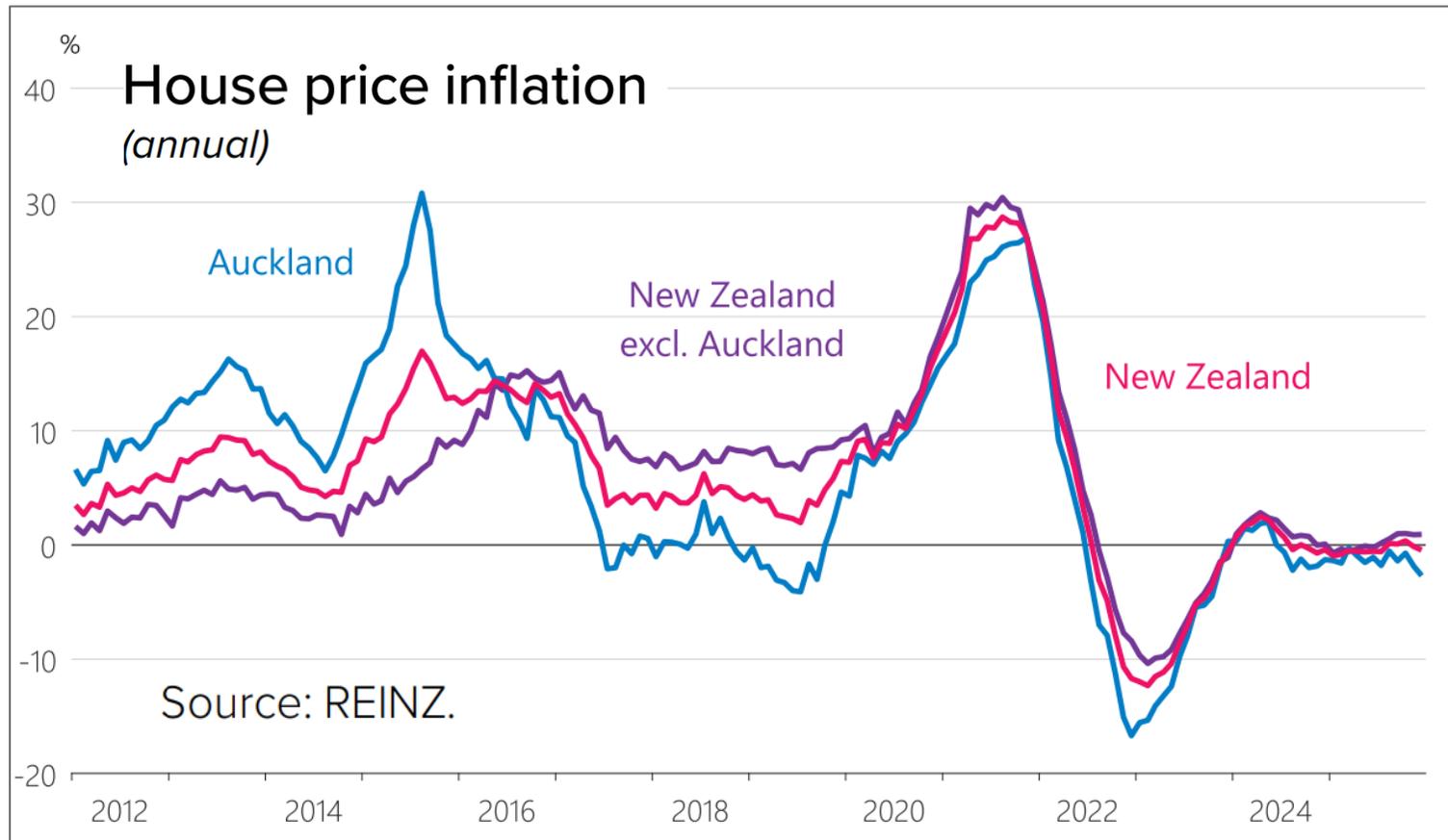
- RBNZ sees neutral OCR (not too hot but not too cold) around 3.00%



# Covid madness all gone.... more to come?



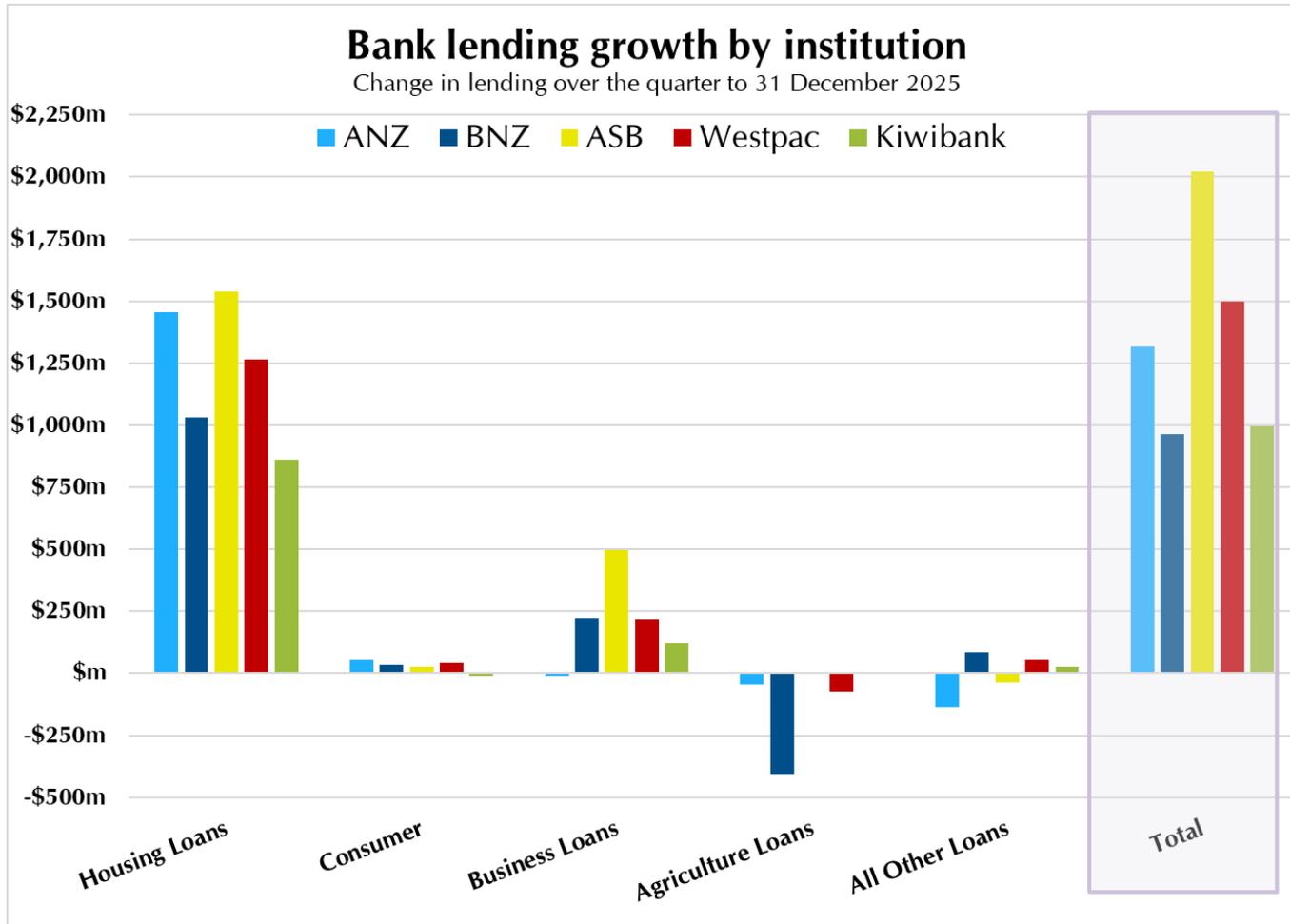
# House prices weak



- No 'wealth effect' here!



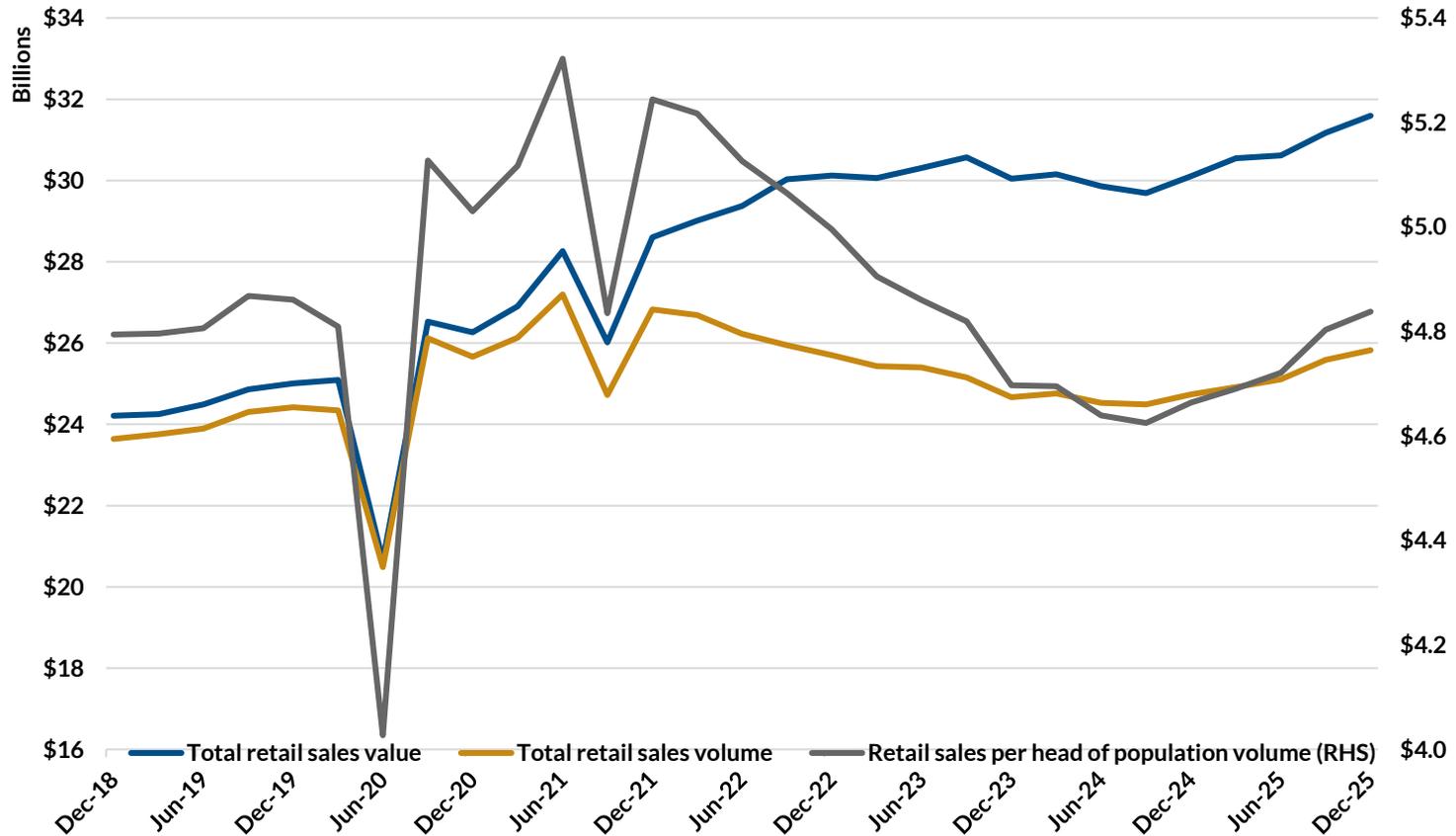
# But NZ bank lending still the same old mix



- Bank lending grew by a \$26b in 2025 (\$15b in 2024), 80% of which was housing loans
- The Agri sector is repaying debt.



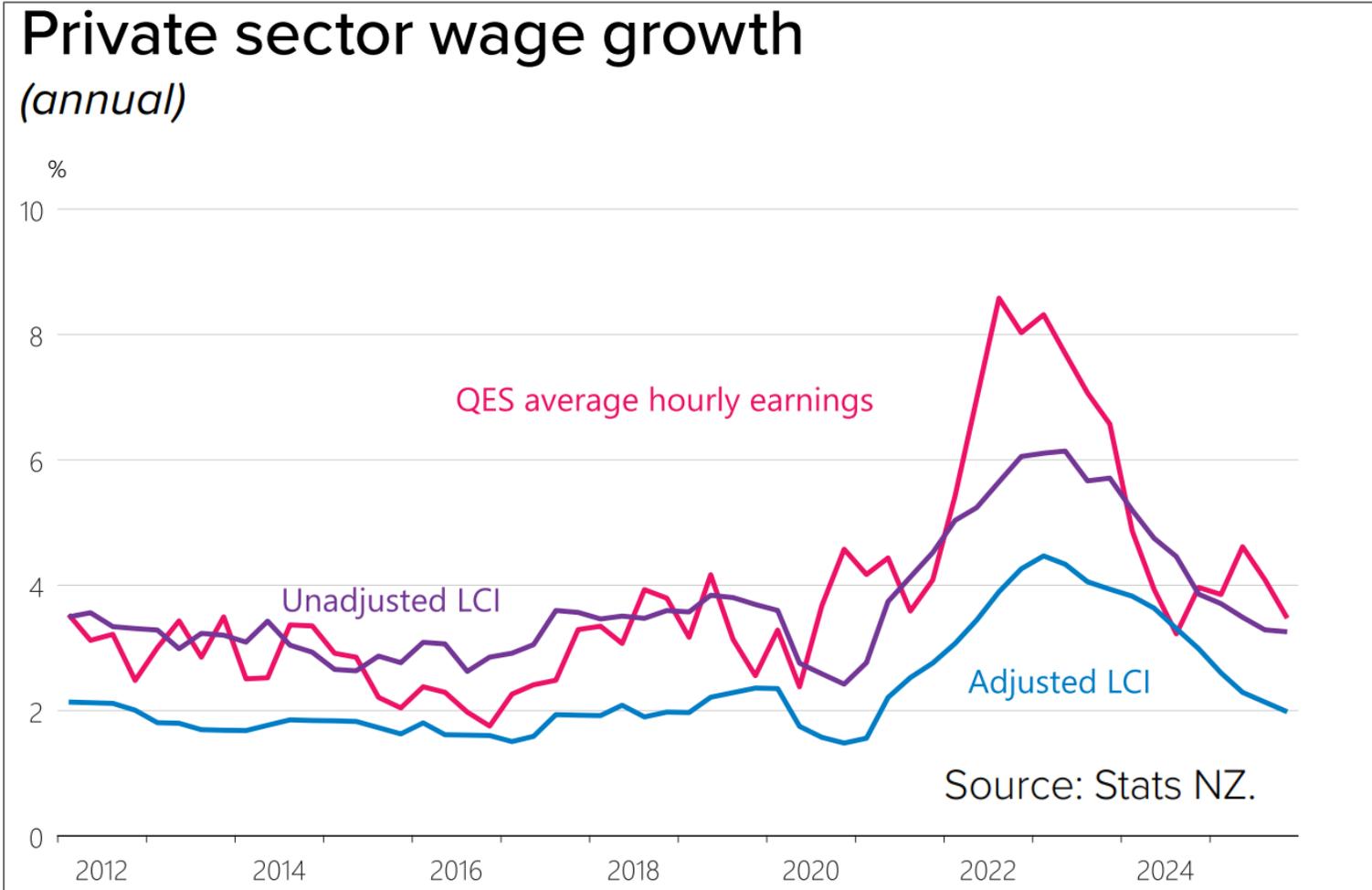
## Retail Sales (Seasonally Adjusted)



- The recovery of the tourism sector, both domestic and overseas, remains evident.
- Per-capita sales volumes are 3.7% higher than last year, but still down around 10% on mid-2021 highs.



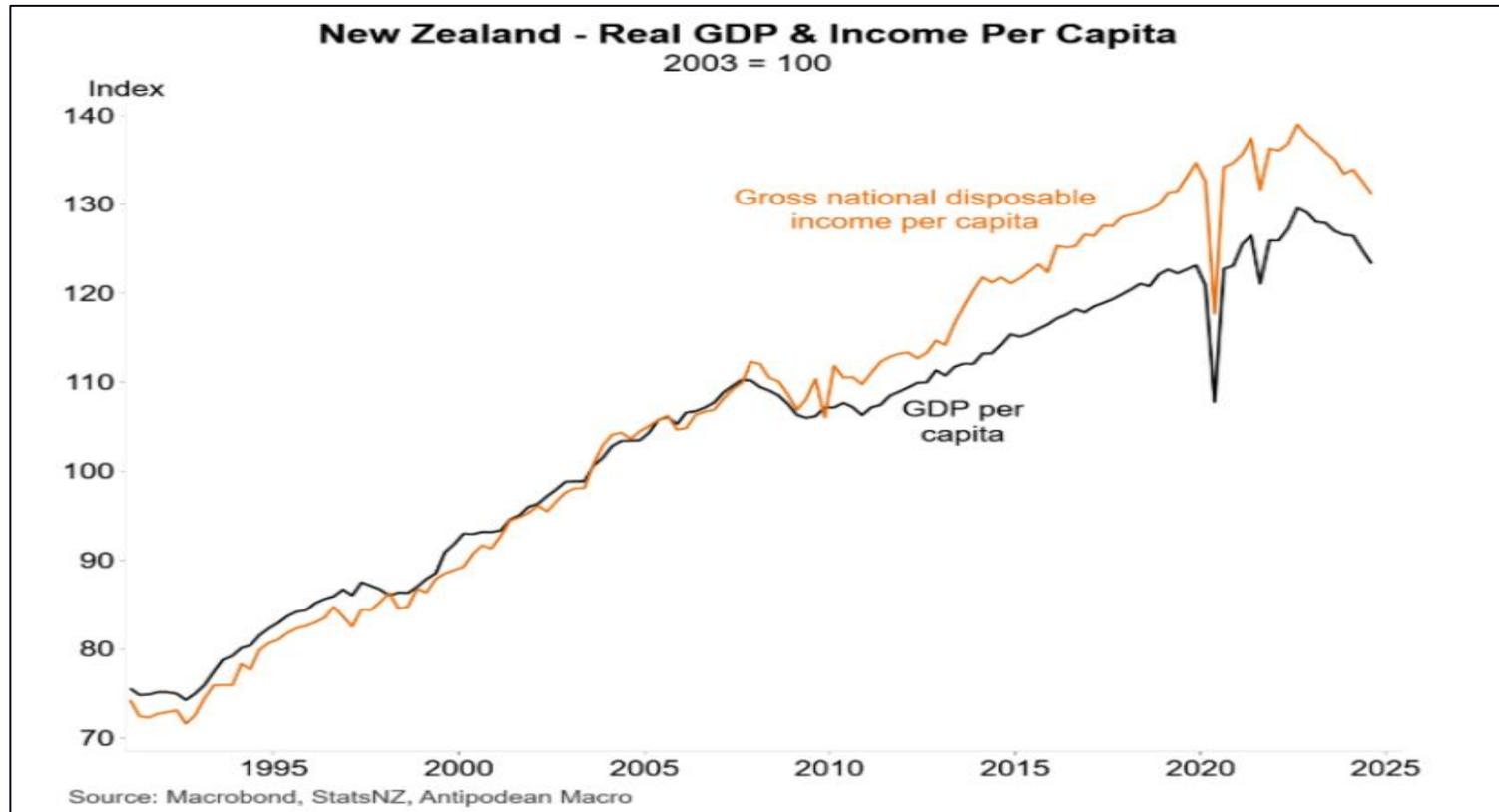
# Wage growth stalled



- Despite signs of stress in household budgets? low immigration spare capacity remains with people looking to re-enter the workforce and may be reflection of ongoing stress in household budgets?



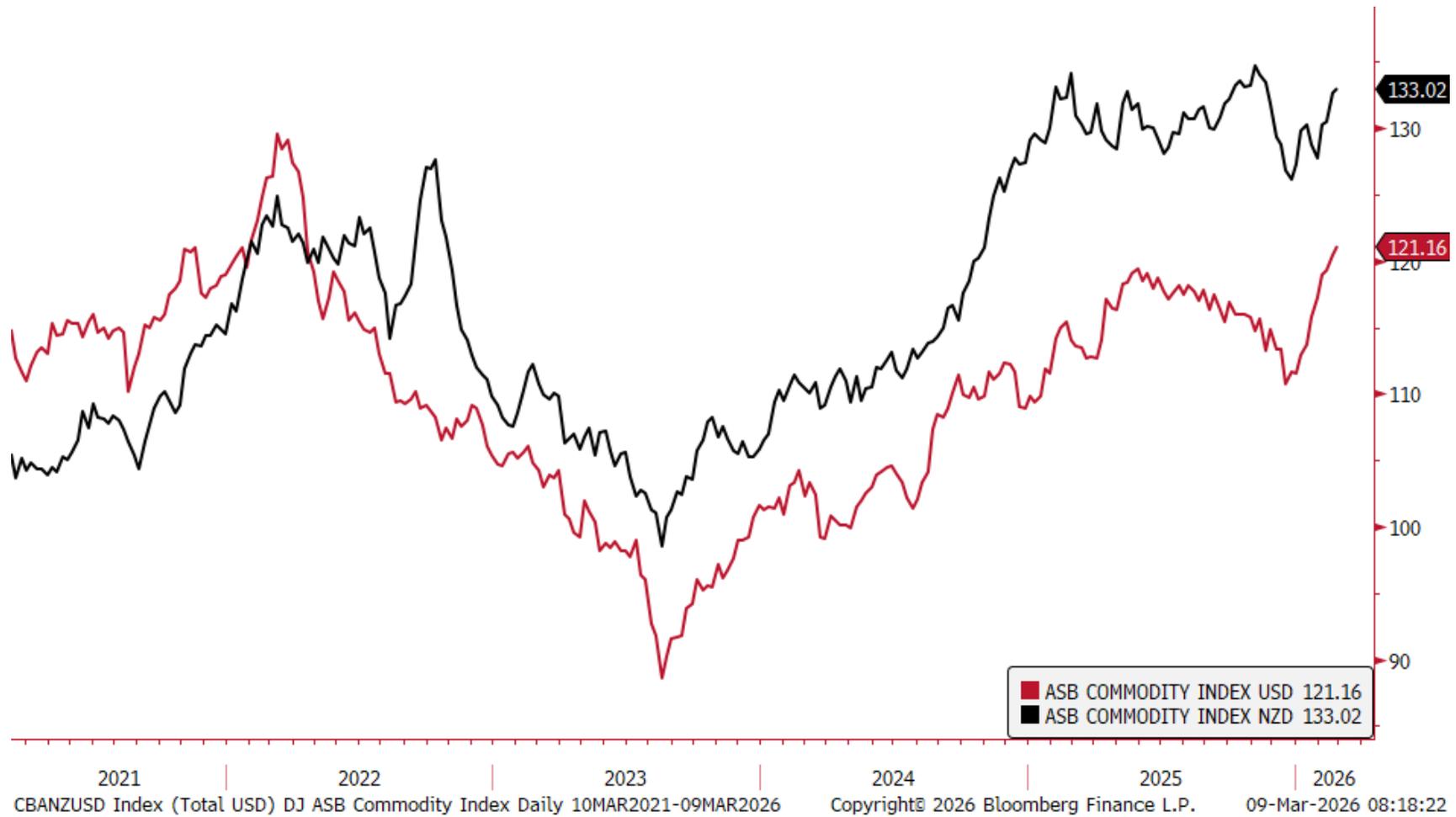
# GDP per capita back at pre-Covid levels



- Productivity growth poor so immigration meant more people but all a little poorer

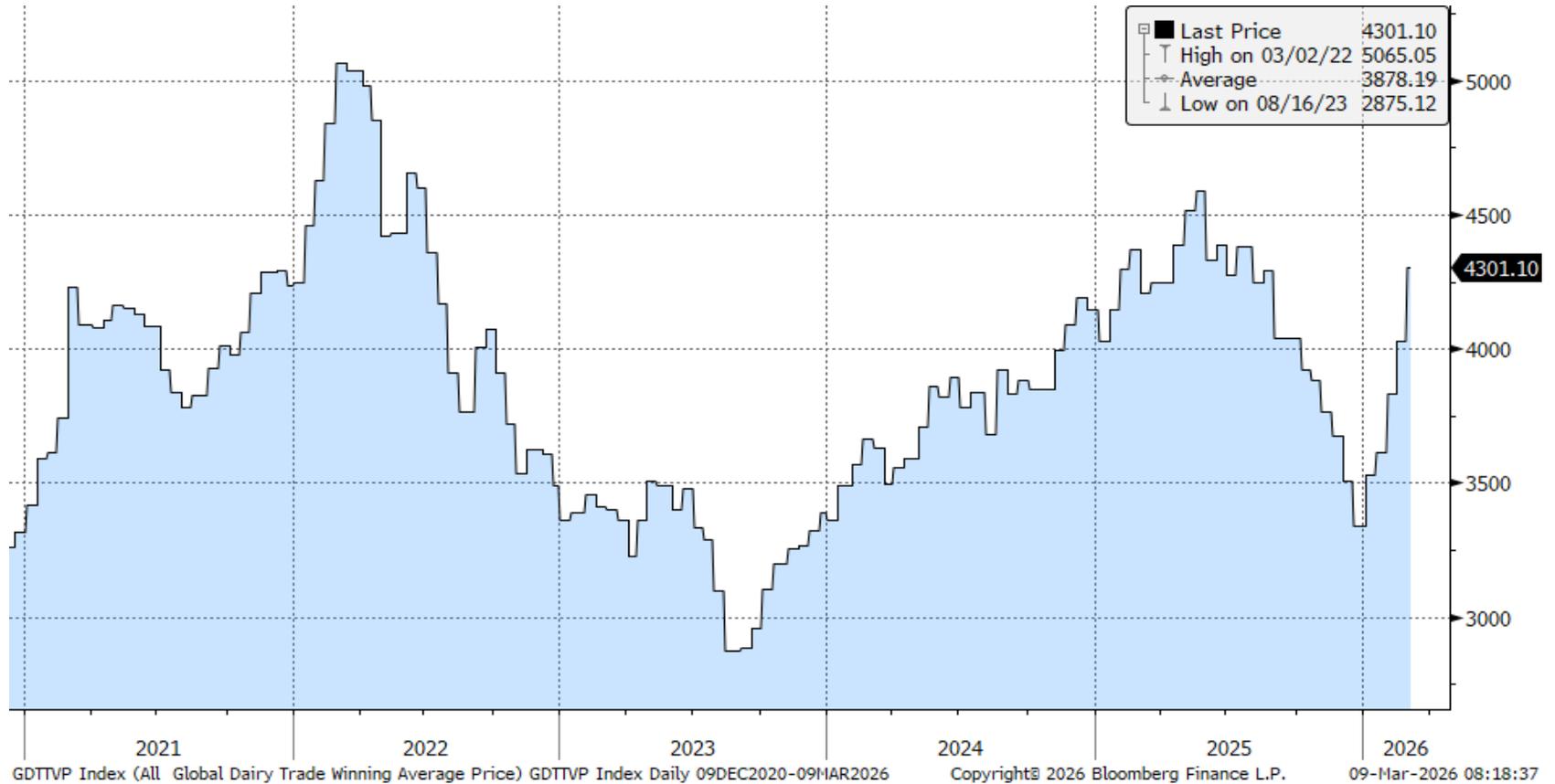


# Exports a bright spot



# Dairy prices

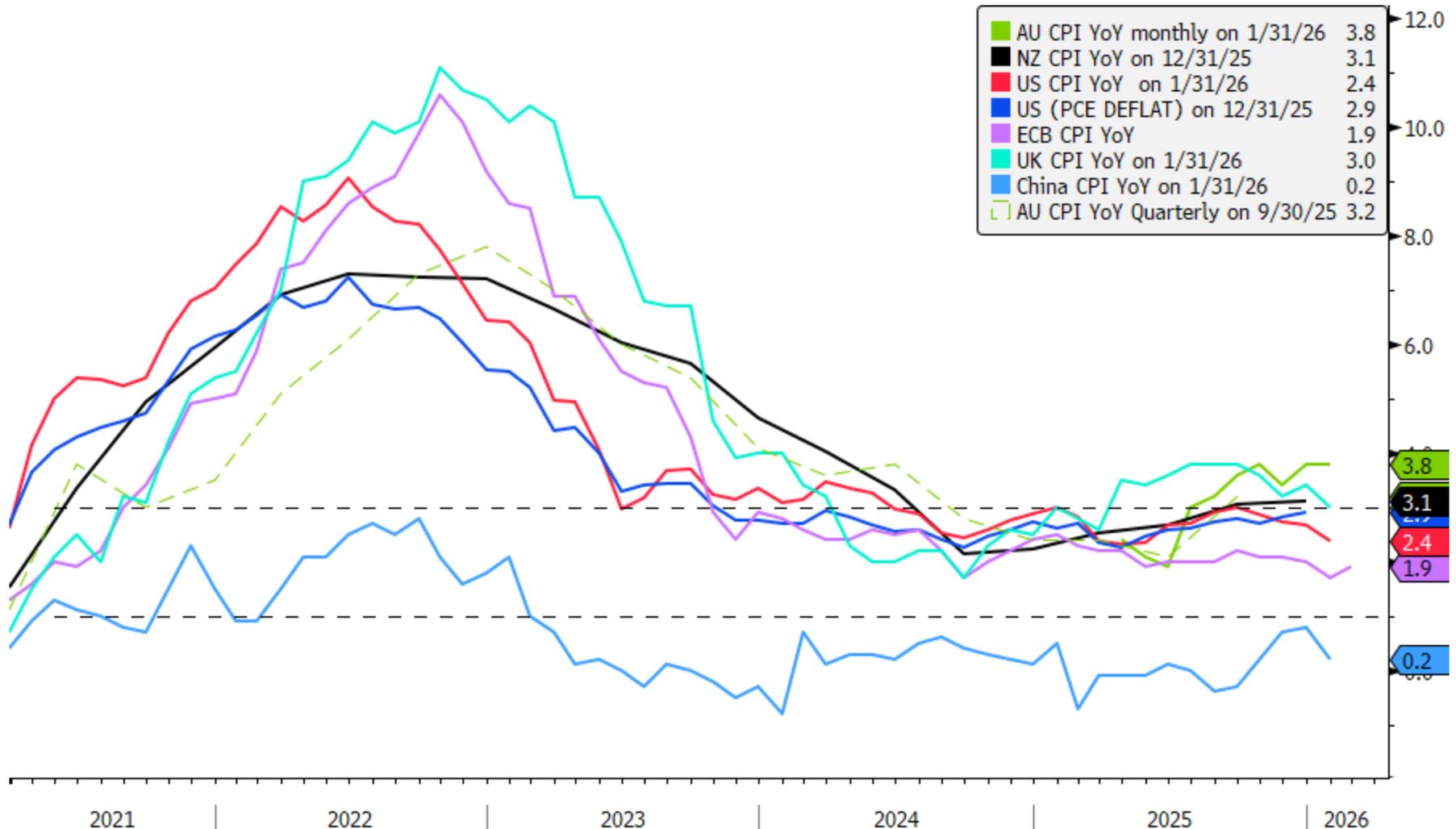
Average price (USD/MT)



- Fonterra has narrowed its 25/26 Farmgate milk price forecast to a \$9.20 - \$9.80 range (midpoint of \$9.50) with futures recently trading above the top.

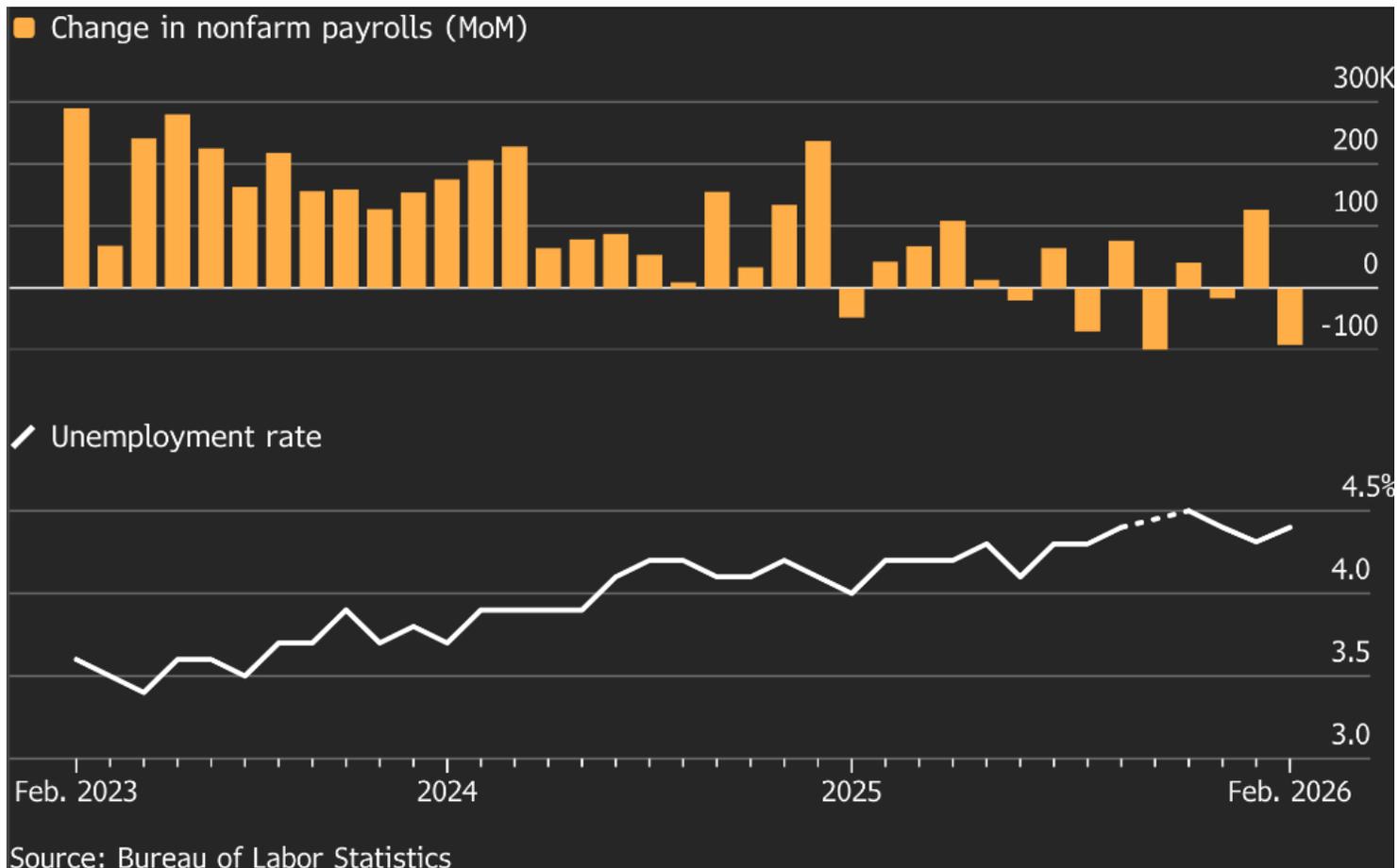


# Global inflation measures



ACPHYOY Index (Australia Monthly CPI All Groups YoY) DJ CPI prints Daily 10MAR2021-09MAR2026 Copyright© 2026 Bloomberg Finance L.P. 09-Mar-2026 08:15:56

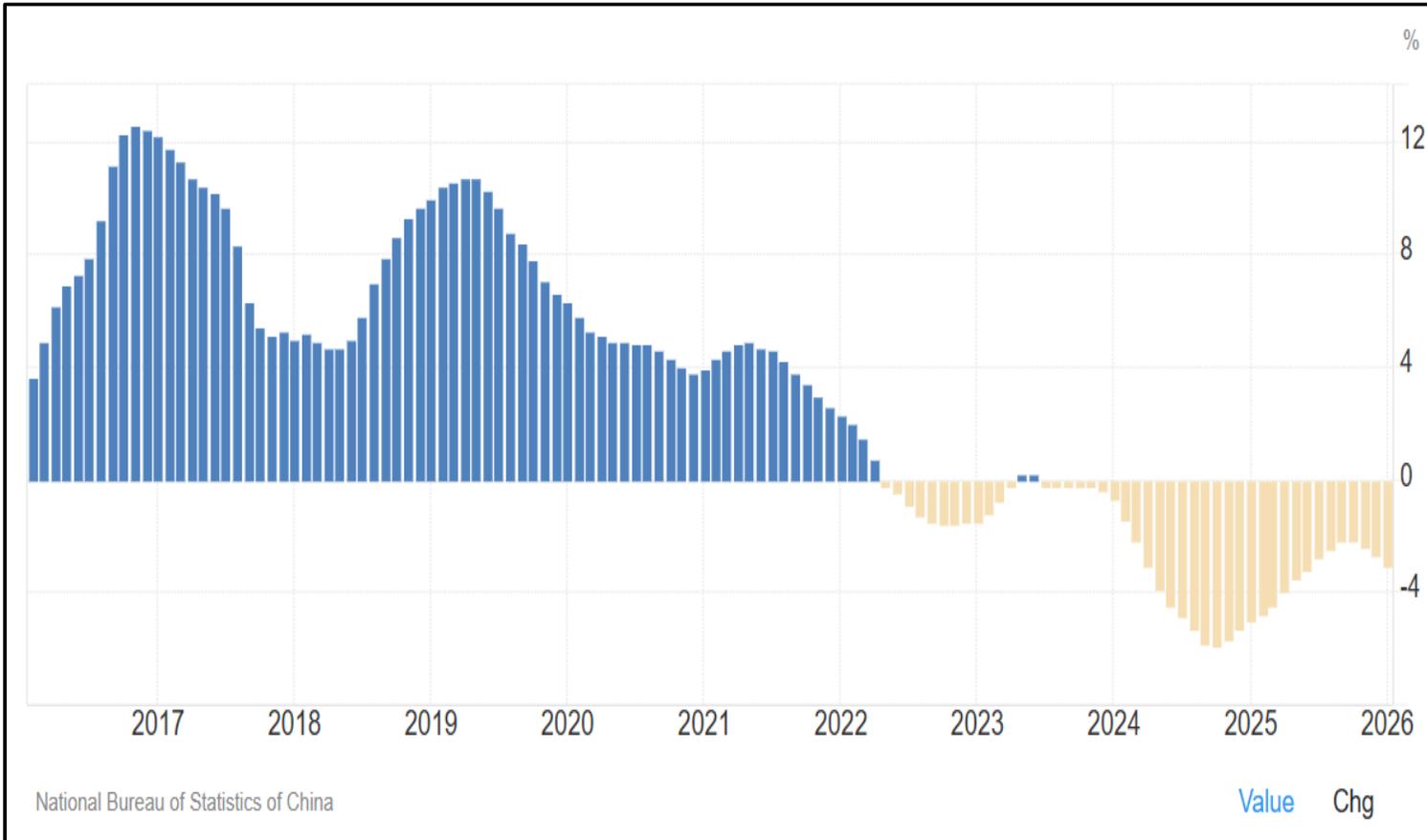
# US labour market weakens



- The US unexpectedly shed 92,000 jobs last month and the unemployment rate climbed to 4.4%
- The report points to lingering fragility in the labour market that policymakers thought was stabilising.



# Chinese housing market explains a lot



- China's housing slump has dragged on for more than four year with many predicting that the slump could extend to 2027 or beyond.
- A shrinking population means demand for new housing is 75% below its 2017 peak.



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