



## **Reserve Bank of New Zealand (Replacement of Remit for Monetary Policy Committee) Order 2021**

Patsy Reddy, Governor-General

### **Order in Council**

At Wellington this 22nd day of February 2021

Present:

The Right Hon Jacinda Ardern presiding in Council

This order is made under clause 6 of Schedule 2 of the Reserve Bank of New Zealand Act 1989—

- (a) on the advice and with the consent of the Executive Council; and
- (b) on the recommendation of the Minister of Finance made in accordance with clause 6(2) of Schedule 2 of that Act.

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## Order

### 1 Title

This order is the Reserve Bank of New Zealand (Replacement of Remit for Monetary Policy Committee) Order 2021.

### 2 Commencement

This order comes into force on 1 March 2021.

### 3 Revocation

This order is revoked on the close of 13 February 2024.

### 4 Remit for monetary policy committee

- (1) The remit is as set out in the Schedule.
- (2) The remit replaces the remit issued under Schedule 1 of the Reserve Bank of New Zealand Act 1989.
- (3) The following are not part of the remit, but are intended to provide further information and context in connection with the remit:
  - (a) the information under the heading “The Government’s economic objective”:
  - (b) the information under the heading “Context”:
  - (c) the information under the heading “Monetary policy objectives”.

## Schedule

### Remit for monetary policy committee

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#### The Government’s economic objective

The Government’s economic objective is to improve the well-being and living standards of New Zealanders through a sustainable, productive, and inclusive economy. The Government’s priority is to move towards a low carbon economy, with a strong diversified export base, that delivers decent jobs with higher wages and reduces inequality and poverty. An effective functioning housing market is a critical component of a sustainable and inclusive economy and promotes the maintenance of a sound and efficient financial system.

#### Context

Monetary policy plays an important role in supporting the Government’s economic objective. The Reserve Bank of New Zealand Act 1989 (the **Act**) requires that monetary policy promote the prosperity and well-being of New Zealanders, and contribute to a sustainable and productive economy. Monetary policy contributes to public wel-

fare by reducing cyclical variations in employment and economic activity whilst maintaining price stability over the medium term.

## **1 Monetary policy objectives**

Under section 8 of the Act the Reserve Bank, acting through the MPC, is required to formulate monetary policy with the goals of maintaining a stable general level of prices over the medium term and supporting maximum sustainable employment.

## **2 Operational objectives**

- (1) For the purpose of this remit, the MPC's operational objectives shall be to:
  - (a) keep future annual inflation between 1 and 3 percent over the medium term, with a focus on keeping future inflation near the 2 percent midpoint. This target will be defined in terms of the All Groups Consumers Price Index, as published by Statistics New Zealand; and
  - (b) support maximum sustainable employment. The MPC should consider a broad range of labour market indicators to form a view of where employment is relative to its maximum sustainable level, taking into account that the level of maximum sustainable employment is largely determined by non-monetary factors that affect the structure and dynamics of the labour market and is not directly measurable.
- (2) In pursuing the operational objectives, the MPC shall:
  - (a) have regard to the efficiency and soundness of the financial system; and
  - (b) seek to avoid unnecessary instability in output, interest rates, and the exchange rate; and
  - (c) discount events that have only transitory effects on inflation, setting policy with a medium-term orientation; and
  - (d) assess the effect of its monetary policy decisions on the Government's policy set out in subclause (3).
- (3) The Government's policy is to support more sustainable house prices, including by dampening investor demand for existing housing stock, which would improve affordability for first-home buyers.

Michael Webster,  
Clerk of the Executive Council.

## Explanatory note

*This note is not part of the order, but is intended to indicate its general effect.*

This order, which comes into force on 1 March 2021, replaces the remit for the monetary policy committee (the **MPC**). The existing remit was issued by the Minister of Finance under Schedule 1 of the Reserve Bank of New Zealand Act 1989 (the **Act**).

The MPC has the function of formulating monetary policy in accordance with the Act. The MPC must formulate monetary policy in a manner consistent with—

- the economic objectives of achieving and maintaining stability in the general level of prices over the medium term and supporting maximum sustainable employment; and
- the remit.

The remit in this order carries over the wording of the existing remit, including the operational objectives for carrying out the function of formulating monetary policy. However, the new remit now requires the MPC to assess the effect of its monetary policy decisions on the Government's policy to support more sustainable house prices.

This order is revoked on the close of 13 February 2024.

Issued under the authority of the Legislation Act 2012.

Date of notification in *Gazette*: 25 February 2021.

This order is administered by the Treasury.