

Hon Grant Robertson

MP for Wellington Central

Deputy Prime Minister

Minister of Finance

Minister for Infrastructure

Minister for Sport and Recreation

Minister for Racing



25 February 2021

Adrian Orr
Governor
Reserve Bank of New Zealand

Dear Adrian

Thank you for your letter of 9 December 2020 providing your views on how we can work together to address the issue of rising house prices. I am writing to respond to your recommendation that the Government's specific housing objective be issued as a factor for the Reserve Bank to take into account when setting financial policy under section 68B of the Reserve Bank of New Zealand Act (1989) and articulated in the Reserve Bank's forthcoming Financial Policy Remit.

I have considered your recommendation and believe that it would be useful to issue a section 68B direction given the linkages between the Reserve Bank's financial policies and the Government's broader housing policy objectives. I also consider that a change to the monetary policy remit is needed. In order to make this change at this time, the Act requires me to recommend that the Governor-General replace the remit for the Monetary Policy Committee (MPC). The replacement remit does not change the objectives of the MPC. It does ask that the MPC shall assess the impacts of their decisions on the Government's housing objective. This will help ensure alignment between monetary and financial policy.

I have sought advice from the Treasury on how a section 68B direction could be expressed and I note that the Reserve Bank has been consulted on this direction.

I expect the Reserve Bank to report back to me on how it has given regard to this Government policy objective in its next Statement of Intent which is to be published on 1 July 2021. I intend to review this direction in the first half of 2022, as part of developing the financial policy remit under the Reserve Bank of New Zealand Bill, which is expected to be enacted by 1 July 2022.

I look forward to continuing to work with you to address these housing issues as part of the Government's wider suite of work on housing policy as you pursue your financial stability mandate.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Grant Robertson'.

Hon Grant Robertson
Minister of Finance