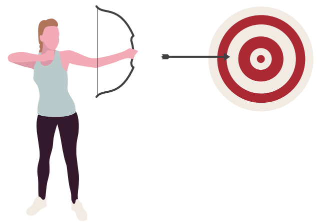
Monetary Policy Statement in pictures

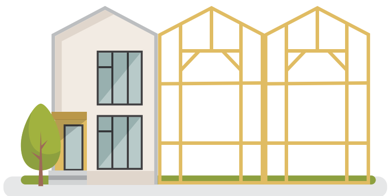
November 2018

Official Cash Rate unchanged at 1.75 percent

The official interest rate remains at 1.75 percent. We expect to keep the OCR at this level through 2019 and into 2020.



Low interest rates will support economic growth and inflation



An expanding economy will support higher employment

Prices have been increasing faster, but this may not be sustained

Risks and uncertainty: Inflation could rise faster, growth could slow further

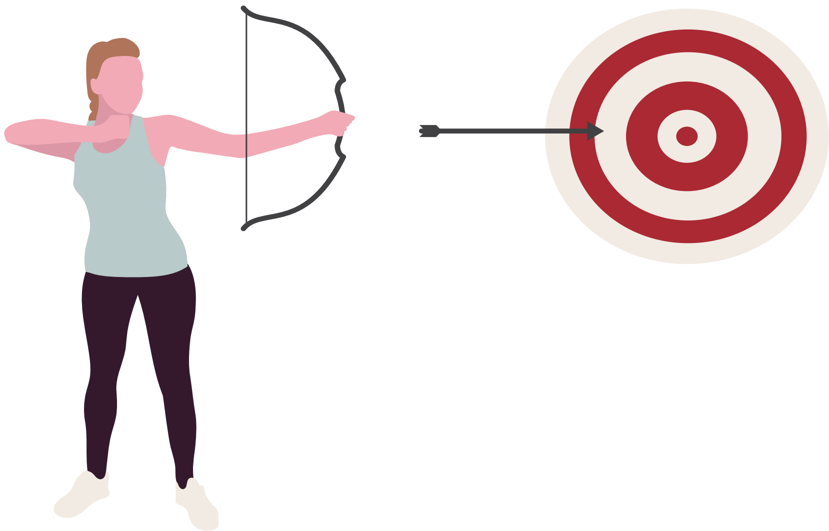
We are monitoring a number of risks, and overall these appear evenly balanced for the Official Cash Rate. If any of these risks materialise we may need to change the Official Cash Rate, to ensure inflation hits our target and to support maximum sustainable employment.

LATEST ANNUAL STATISTICS: Economic growth: 2.8 percent • Inflation: 1.9 percent • Employment growth: 2.8 percent (73,000 more people in work over past year).

Low interest rates will support economic growth and inflation

The Reserve Bank has kept the Official Cash Rate at historically low levels. Signs of price pressure are emerging, but slower economic growth over the past year means that monetary policy still needs to support the economy.

Low interest rates continue to support economic growth and employment. Low lending and mortgage rates will encourage people to spend and businesses to expand and invest. An increase in spending should ensure that inflation rises sustainably towards our 2 percent target.

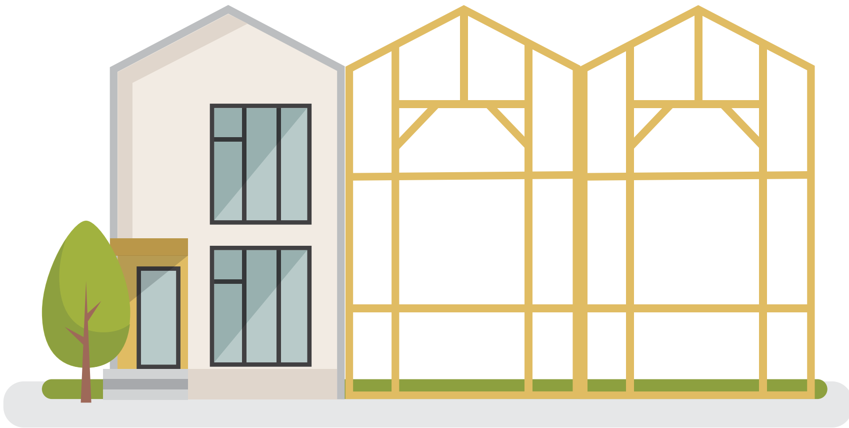


An expanding economy is supporting higher employment

Employment in New Zealand is at the highest level on record. The population continues to grow, and the expanding economy is drawing more people into work.

High employment is being supported by government spending on schools, hospitals, and transport infrastructure. The Government's house-building programme, KiwiBuild, will help build more houses and add to construction sector activity over time.

The global economy continues to support New Zealand growth and inflation. A stronger global economy has contributed to a lower New Zealand dollar. Strength in the global economy is boosting the value of our exports.



Prices have been increasing faster, but this may not be sustained

Higher petrol prices have pushed inflation close to our 2 percent target, but growth in other prices is still low. We think that economic growth needs to increase to sustain inflation at 2 percent.

Stronger economic activity in New Zealand will increase price pressure. Wages should rise as businesses struggle to find workers who are not already employed.

Risks and uncertainty: Inflation could rise faster, growth could slow further

Higher costs and tighter profit margins may cause businesses to raise their prices by more than we expect. Faster increases in inflation could cause us to raise interest rates sooner.

Alternatively, economic growth could stay low over the next year because investment growth slows, or global trade wars reduce demand for our products. Slower growth could result in weaker price pressure and employment growth. In response, we could lower interest rates to support employment and ensure inflation remains around 2 percent.