***Monetary Policy Statement* in pictures**

November 2019

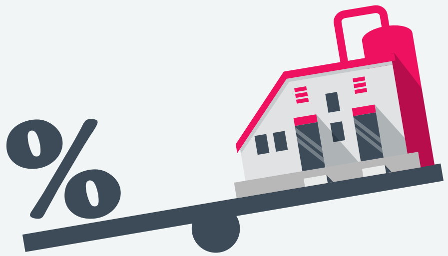
Official Cash Rate (OCR) remains at 1.00 percent

The Monetary Policy Committee decided to keep the OCR at its current level to support employment and inflation consistent with its policy objectives.

Inflation and employment are close to target

Economic growth has continued to slow

Global headwinds persist



A low OCR remains necessary

As we get new information about the state of the economy, we may need to change the OCR to ensure inflation returns to our target mid-point of 2 percent per year, and to support maximum sustainable employment.

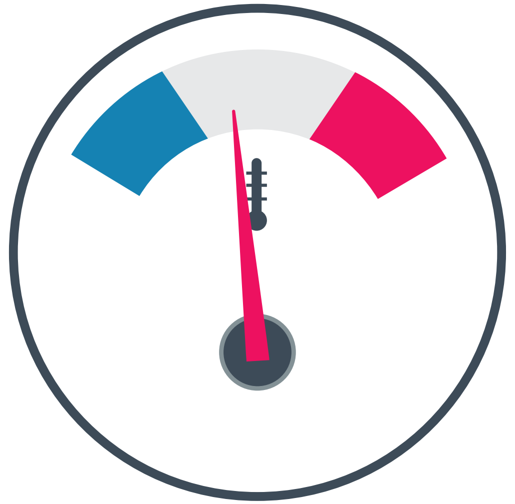
Latest key statistics

- Annual economic growth: 2.1 percent (Q2 2019)
- Annual consumer price inflation: 1.5 percent (Q3 2019)
- Unemployment rate: 4.2 percent (Q3 2019)

Inflation and employment are close to target

Consumer price inflation is 1.5 percent, close to but below our target mid-point of 2 percent, and within our target range of 1 to 3 percent. Long-term inflation expectations are well anchored at 2 percent, consistent with our inflation objective.

The labour market is tight, and we think employment is near its maximum sustainable level. The unemployment rate is low at 4.2 percent. Employment has grown more slowly, in line with lower GDP and population growth.



Economic growth has continued to slow

Economic growth has been slowing since 2016 and is expected to slow further over the rest of 2019. Business investment and household spending have been soft. Capacity pressure is expected to ease in the near term. For example, fewer firms are expected to have difficulty finding workers.

We have reduced the OCR over 2019 to help offset slowing economic momentum. Borrowing costs have declined, providing scope for higher household spending. Low interest rates may also encourage firms to invest more. The lower OCR has reduced the New Zealand dollar against other currencies, which makes our exports more competitive in global markets, increasing demand for them.

The Government's plan to spend and invest more over the next year should also help lift economic activity.

We expect a low OCR and higher government spending to accelerate economic growth and to increase capacity pressure over the medium term, supporting consumer price inflation and employment.

Global headwinds persist

Slowing domestic economic growth has been partly driven by slowing global activity. Over the past three months, global economic conditions weakened further. Geopolitical tensions and uncertainty around trade policies have contributed to slower global growth.

Globally, expectations for economic growth and inflation have declined. This is reflected in long-term interest rates, which are at historically low levels in developed economies.

Central banks worldwide have lowered interest rates to support their economies. We have reduced interest rates in New Zealand as well, contributing to a lower New Zealand dollar against other currencies.

A low OCR remains necessary

Low interest rates remain necessary to support the economy in order to meet our inflation and employment objectives. It will take some time for the impact of lower interest rates to fully transmit through the economy.

Higher economic activity and capacity pressure will gradually lift consumer price inflation back to our 2 percent target mid-point. Rising activity will also underpin firms' demand for labour, keeping employment near its maximum sustainable level.