

Report on the scope of advice on the MPC's remit

To	Hon Grant Robertson Minister of Finance	Date	29/08/2022
Authorised by	Adrian Orr Governor	Report no	# 5963
Prepared by	Matthew Brunton	Security	Sensitive

Action Sought

Action sought	Deadline
<p>Note the contents of the paper.</p> <p>Note the meeting with RBNZ and Treasury officials on 5 September</p> <p>Respond to the memorandum through written communication.</p>	<p>5 September 2022 (meeting with officials)</p> <p>19 September 2022 (formal response)</p>

Reserve Bank Contact for Telephone Discussion (if required)

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Actions for the Minister's Office Staff

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Note any feedback on the quality of the report.

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Report on the scope of advice on the MPC's remit

Executive Summary

Under the Reserve Bank of New Zealand Act (2021) ('the Act'), the RBNZ is required to provide advice ('remit advice') to the Minister of Finance on the design of the Monetary Policy Committee (MPC) remit at least every five years. This report seeks your views on matters that you believe should be in the scope of the remit advice, which is a requirement under the Act.

The RBNZ began the process for reviewing the remit (the 'Remit Review') with initial analysis and research beginning in late 2021. This was followed by a public consultation on the scope of issues to consider in the review in June 2022 and proactive engagement with the public through surveys and deliberative workshops. The RBNZ will undertake a second public consultation, which will focus on a more narrow set of issues that will be discussed in the remit advice. The second consultation will be completed in early 2023, and you will receive the remit advice by April 2023.

Table 1 summarises the issues the RBNZ believes should be in the scope of the remit advice. The selection of issues represents matters that the RBNZ view as important to the design of the MPC remit and have been informed by the public consultation and engagement process which began in June 2022. As part of the Remit Review, the RBNZ will also be consulting on matters relating to the MPC charter in the second consultation.

The RBNZ is also undertaking a review and assessment of the formulation and implementation of monetary policy (RAFIMP). This is a separate legislative requirement, but it is being completed 16 months early to ensure any lessons can feed into the Remit Review. The RAFIMP report will be delivered to you in November 2022 and will be published by the RBNZ shortly afterwards.

Table 1: Summary of issues for the remit advice

Issue	Notes (RBNZ preliminary positions in <i>italics</i>)
Alternative monetary frameworks	<p><i>The current regime ('flexible inflation targeting') remains the best framework.</i></p> <p>Alternative frameworks have been explored in detail by other central banks. This includes Price-Level Targeting, Average Inflation Targeting and Nominal GDP Targeting. These alternative frameworks can mitigate some of the risks posed by the Effective Lower Bound of monetary policy.</p>
Target level for price stability	<p><i>There is not enough evidence to suggest changing from the 2 percent target (1 - 3 band).</i></p> <p>The main imperative for increasing the inflation target is to address concerns around the Effective Lower Bound of monetary policy. Literature that focuses on the broader welfare costs generally suggest a lower inflation target may be better.</p>
Definition of the prices measure	<p><i>CPI remains fit-for-purpose and the best price measure.</i></p> <p>There have been some concerns in the public around how housing costs are reflected in the CPI and this matter featured in many submissions from the general public. However, alternative measures have significant drawbacks.</p> <p>Any improvements to the CPI itself would need to be addressed by Stats NZ (through a CPI Advisory Committee).</p>
Weighting or preference between objectives	<p>Introducing a hierarchy of objectives (i.e. stating that the MPC should put greater focus on either price stability or maximum sustainable employment) could mitigate risks around competing price stability and MSE objectives.</p>
Guidance for price stability	<p>Guidance for achieving price stability could provide more (or less) flexibility for MPC strategy to manage the trade-off between objectives. We will consider matters such as the width of the target band, whether an explicit midpoint should be retained, the horizon of the price stability target, and the treatment of transitory events.</p>
House price sustainability	<p><i>The Remit Review should focus on whether the requirement to assess the impact of monetary policy on house price sustainability should be included or not (or reflected in an alternative channel, such as the letter of expectations).</i></p> <p>Remit clauses 2(2)(d) and 2(3) were introduced in March 2021. This requires the MPC to 'assess' the impact of its decisions on house price sustainability. It may be more appropriate to incorporate concerns around house price sustainability into an alternative document, such as the letter of expectations.</p>
MPC charter	<p>The RBNZ is to consult the public on matters that will inform the MPC and the Minister on whether the existing charter should be replaced.</p> <p>The RBNZ intends to explore the current consensus-building model alongside alternative models, as well as considering how well the current charter supports the consensus-building model.</p>

Recommendations

We recommend you:

- a. **note** the contents of this report
- b. **note** that you will be meeting with officials from the RBNZ and The Treasury on 5 September to discuss your initial views on the scope of the remit advice
- c. **advise** the RBNZ of any matters not summarised in Table 1 that you believe should be included in the scope of the remit advice
- d. **advise** the RBNZ on matters relating to the MPC charter that you believe will support a decision around whether the charter needs to be replaced
- e. **agree** to respond to this report through a formal written communication to the RBNZ following your meeting with RBNZ and Treasury officials on 5 September

agree / disagree

- f. **agree** that the final remit advice should be delivered in April 2023.

agree / disagree

- g. **note** the next steps for the RBNZ:

- i. Publishing a summary of submissions and findings from public engagement around late September. Subject to the forthcoming engagement on the remit advice scope, this public release could also include this report and your response.
- ii. Provide you a report on the RAFIMP, for your information, in November. This report will be published shortly afterwards.
- iii. Undertake a second public consultation on the issues included in the scope of the remit advice, which will be completed in early 2023.
- iv. Provide the remit advice to you for your consideration in April 2023



Hon Grant Robertson
Minister of Finance

RBNZ Governor Adrian Orr
Governor
Reserve Bank of New Zealand

29/08/2022

Report

Purpose

1. The Reserve Bank (RBNZ) will provide advice to you early next year on possible changes to the Monetary Policy Committee's (MPC) remit, as required every five years under the Reserve Bank of New Zealand Act 2021. The purpose of this memorandum is to consult you on the proposed scope of the review informing such advice.

Background

2. The Reserve Bank of New Zealand Act 2021 ('the Act') requires the Bank to advise the Minister of Finance at least every five years on possible revisions to the Monetary Policy Committee remit ('MPC remit advice'). In preparing the MPC remit advice, the RBNZ must seek and have regard to the views of members of the public on the MPC remit and the MPC charter, and consult with the Minister on the scope of the MPC remit advice.
3. Initial analysis and research for the Remit Review began in 2021. The RBNZ engaged with you in May 2022 on the timeline for the Remit Review and the key issues to be considered in the initial public consultation (report # 5934).
4. Following this, an initial public consultation in June was undertaken to understand what issues matter for New Zealanders. This consultation discussed which issues should be considered in the scope of the remit advice to the Minister. Alongside this, the RBNZ commissioned a survey of over 1,000 New Zealanders on their understanding and attitudes towards inflation and unemployment. RBNZ staff also ran several briefing sessions for different interest groups (academics, unions, banking sector professionals) as well as a public Q&A session, and the RBNZ commissioned deliberative workshops with a representative mix of New Zealanders.
5. Following the public consultation and engagement, the RBNZ have developed a list of the key issues that we believe should be addressed in the remit advice. The recommended list of topics (in Table 1) is based on issues that the RBNZ believes are important to the design of the MPC remit and / or have received substantial interest in the public submission process. The RBNZ's final position on these matters remain subject to the second consultation feedback and insights from the review of our recent monetary policy actions (RAFIMP). Given this is the inaugural review of the MPC remit, the RBNZ is intending to undertake a fairly comprehensive coverage of key aspects of the monetary policy framework in the remit advice.

The monetary policy framework

6. The Act outlines the roles and responsibilities for monetary policy. The formulation of monetary policy – setting the appropriate monetary policy responses needed to

achieve the stated objectives – is the responsibility of the MPC.¹ The Act also empowers supporting documents for monetary policy, which help define objectives and clarify expectations for the MPC. These include the MPC remit and the MPC charter.

7. The MPC remit governs how the MPC should formulate monetary policy to achieve its stated objectives. The Act defines the high-level ‘economic objectives’ that monetary policy should endeavour to achieve (maintaining price stability and supporting Maximum Sustainable Employment). For monetary policy to achieve these general objectives, the MPC remit provides more narrow ‘operational objectives’ (such as keeping inflation within the one to three percent band) for the MPC to focus on in the formulation of monetary policy.
8. The MPC charter is a separate document which outlines the decision-making process for MPC, what the MPC should be reporting publicly when they make monetary policy decisions, and the expectations around external communications for MPC members.
9. It is important that the monetary policy framework remains fit-for-purpose as the economy evolves over time and as our understanding of monetary policy advances. The Act outlines this process for reviewing the conduct and framework of monetary policy through several legislative requirements. These include:
 - i. The RBNZ must provide advice to the Minister about the MPC remit (the ‘remit advice’) at least every five years,²
 - ii. The RBNZ must consult the Minister on the scope of the remit advice,³
 - iii. Before the RBNZ provides the remit advice to the Minister, the RBNZ must seek the views of the public on matters that the RBNZ believes will assist the Minister and the MPC when considering issuing a replacement charter,⁴
 - iv. The RBNZ must review and assess the formulation and implementation of monetary policy (RAFIMP) at least every five years.⁵
10. The RBNZ have chosen to undertake the RAFIMP before the five-year deadline to align with the timeline for providing remit advice (16 months ahead of the latest date in the legislative requirement). The RAFIMP will focus on the past five years, with a discussion around the business-cycle, an assessment of monetary policy, and will be accompanied by a review on the use of Additional Monetary Policy (AMP) tools.

¹ As the governing body of the RBNZ, the RBNZ Board is responsible for the *implementation* of monetary policy, the actions that put into effect a monetary policy decision.

² See [Clause 2 of Part 1 of Schedule 3 of the Act](#)

³ See [Clause 5 of Part 1 of Schedule 3 of the Act](#)

⁴ See [s104 of the Act](#)

⁵ See [s131 of the Act](#)

Relevant monetary policy documents for the MPC

The Act	<ul style="list-style-type: none">• Defines the economic objectives to be pursued by monetary policy• Defines the process for changes to the remit and charter, and the obligations of the RBNZ.
MPC remit	<ul style="list-style-type: none">• Provides more narrow objectives and guidance for the formulation of monetary policy.• The RBNZ is responsible for reviewing the MPC remit every five years and providing advice to the Minister based on this review.• The Minister decides the content of the MPC remit.
MPC charter	<ul style="list-style-type: none">• Outlines the decision-making process, publication requirements and expectations around external communications for MPC members.• The RBNZ is responsible for consulting on whether a replacement charter is required alongside the review of the MPC remit.• The charter is agreed between the Minister and MPC.
RAFIMP	<ul style="list-style-type: none">• The RBNZ is responsible for undertaking a review and assessment of the formulation and implementation of monetary policy (RAFIMP) every five years.

Challenges and considerations for the monetary policy framework

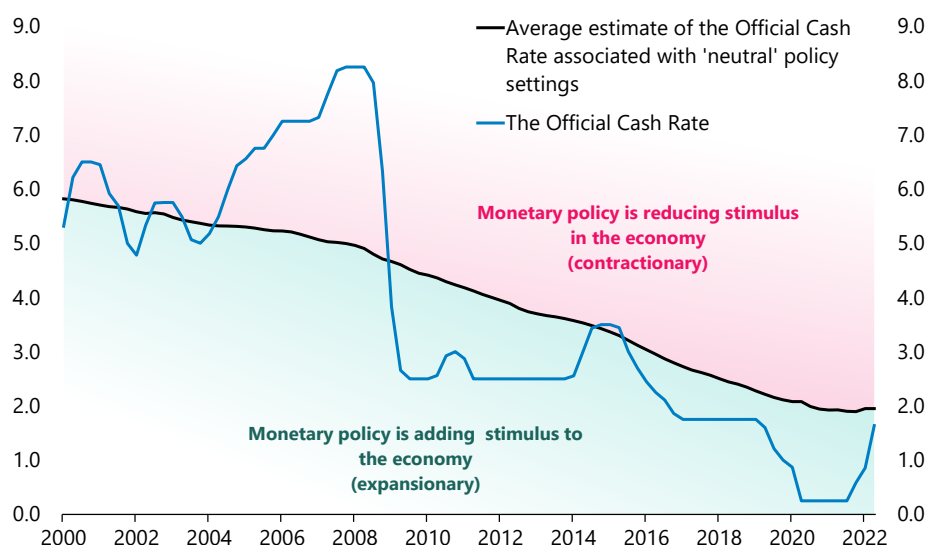
11. Monetary policy mandates and frameworks have evolved over time in response to changes in the economy and developments in macro-economic research. For example, many central banks adopted 'strict inflation targeting' in the early 1990s to control rising inflation. In the late 1990s and early 2000s, central banks adapted these monetary frameworks to also consider the short-term impacts of monetary policy changes on economic output, mostly with a view to avoid unnecessary volatility. These changes represented a shift towards 'flexible inflation targeting', and this was in part enabled by the structural change in inflation processes once inflation was brought down to low and steady levels. Following the Global Financial Crisis, central banks also adopted clauses in their monetary frameworks to 'have regard to' the impact of monetary policy on financial stability.
12. In New Zealand, this has been observed through the iterative changes to Policy Target Agreements (PTAs), the predecessor to the MPC remit. The 1990 PTA directed the Governor to bring inflation to between zero and two percent by the end of 1992. Subsequent PTAs introduced more flexibility, allowing monetary policy to consider output stabilisation by focusing on inflation 'over the medium term'. More recently, the 2018 PTA introduced the objective to support Maximum Sustainable Employment (MSE), effectively implementing a dual mandate for monetary policy.

13. These iterative changes to monetary frameworks (both in New Zealand and overseas) reflect structural changes in the economy over time, as well as improvements in our understanding of how monetary policy influences the economy. It is therefore important to consider the emerging economic issues that may require changes to the monetary policy framework to ensure it remains fit-for-purpose and best contributes to the well-being of New Zealanders as part of the current review.
14. Two key challenges facing the current monetary policy framework are: (i) the risk of the 'Effective Lower Bound' of monetary policy in a low interest rate environment, and (ii) how the remit supports monetary policy strategies in managing trade-offs between multiple objectives. The RBNZ intends to explore aspects of the remit that could be adapted to make the monetary policy framework more robust to the challenges posed by these issues. Alongside these matters, it is also important to consider broader welfare implications from changes to the remit.

The low interest rate environment and the Effective Lower Bound

15. Over the past 20 years, long-term interest rates have progressively declined to very low levels. This has been driven by structural factors in the economy such as global savings and investment patterns, declining productivity growth, and aging populations. Monetary policy is unable to influence these factors. This means that in order to achieve monetary policy objectives, interest rates must be lower than they were 20 years ago. That is, the level of interest rates that could be considered 'expansionary' (or 'contractionary') is lower today because of these structural changes in the economy (Figure 1). This has increased the risk that monetary policy hits the Effective Lower Bound (ELB) – the level at which interest rates cannot be lowered any further – compromising the ability of monetary policy to achieve its objectives in a downturn.

Figure 1: Decline in interest rates since 2000 (quarterly data)⁶



⁶ Data presented is from the [August 2022 Monetary Policy Statement](#) (Figure 6.4). The last quarter for the average estimate of the neutral OCR is extrapolated from Q1 2022.

The inflation target

16. There are arguments for and against either increasing or decreasing the inflation target. The risk posed by the ELB is the main imperative for exploring a higher inflation target. A higher inflation target would ensure that nominal interest rates are higher on average and thus reduce the likelihood of reaching the ELB. However, there are also broader welfare implications from changing the target. For example, a higher inflation rate may exacerbate distortions from a nominal-based tax system. Literature on this issue generally suggests lower levels of inflation are better. There are also costs associated with transitioning to a new inflation target.
17. Most respondents from the public engagement process generally favoured the existing inflation target. Some submissions noted that the current inflation target has become well-entrenched in the public's expectations. A few submissions argued for a lower target (i.e. 0-2 percent annual CPI inflation rather than the existing 1-3 percent). There were also some submissions that favoured a higher inflation target, which were largely focused on the risk posed by the ELB
18. The RBNZ's preliminary position is that there is not a strong enough case for changing the inflation target from 1-3 percent. However, given the interaction of the inflation target with the ELB, and the importance of this issue for the overall monetary policy regime, we believe this issue should be explored in the remit advice.

Alternative monetary policy frameworks

19. The RBNZ currently employs a flexible inflation targeting approach, which seeks to bring inflation to target over the medium term. Alternative approaches that embed some form of 'history dependence' into monetary policy frameworks may reduce the risk of monetary policy being constrained by the ELB. These alternative approaches allow central banks to provide more stimulus during a downturn, as it allows inflation to be slightly higher for longer than otherwise following a contractionary shock. This results in lower real interest rates and more economic stimulus being provided in the face of a downturn.
20. Several advanced economy central banks have explored these alternative monetary policy framework in their reviews of monetary policy frameworks. The US Federal Reserve formally adopted average-inflation targeting in August 2020. The Bank of Canada viewed price-level targeting as providing benefits over a flexible-inflation targeting regime in the face of the ELB, although noted some drawbacks to price-level targeting and chose to retain a flexible-inflation targeting regime. Other alternative frameworks include nominal GDP level targeting and nominal GDP growth targeting.
21. There was not much direct engagement from the public on alternative monetary policy frameworks. One written submission argued for a focus on 'rolling averages', while another noted that concerns around managing future downturns can be better addressed through monetary policy strategy rather than changes to the remit itself.

22. Nonetheless this is an important and contemporary issue that many central banks have explored. The RBNZ believes alternative policy frameworks should be included in the scope of the remit advice, although the RBNZ's preliminary position is that the current regime of 'Flexible Inflation Targeting' remains the best policy framework.

Managing trade-offs between objectives

23. Currently the remit does not provide any guidance to the MPC on how to balance its inflation and MSE objectives, and in most circumstances there is no conflict between these objectives. However, the onset of COVID-19 and the war in Ukraine has seen more frequent shocks to the cost of supplying goods for businesses (e.g. higher importing costs), which have increased prices without increasing economic activity.
24. There is a risk that these conditions persist or occur more frequently. In such instances, the MPC may face greater trade-offs between maintaining price stability and supporting MSE, as well as other considerations such as seeking to avoid instability in interest rates and output. If monetary policy strategies become unclear to the public in the face of such shocks, this may pose challenges to the credibility of MPC commitments to bring inflation to target in the medium-term.

Preferences and weightings around objectives

25. The remit does not currently specify any weighting or preference around the price stability and MSE objectives. This means that the MPC can adapt their approach to weighing objectives in response to given economic conditions. However, it is also generally accepted that maintaining price stability is the best way monetary policy can contribute over the long-term, and implicitly the MPC will focus on the inflation objective in instances where price stability (as defined in the remit) may be compromised.
26. The remit could include an explicit hierarchy of objectives to provide more guidance on how the MPC should manage policy trade-offs. For example, the MPC remit of the Bank of England defines the monetary policy objectives to be: (a) to maintain price stability; and (b) subject to that, to support the economic policy of Her Majesty's Government, including its objectives for growth and employment.⁷ While hierarchical preferences are more prescriptive in achieving price stability during periods of higher inflation, they also permit flexibility for the MPC to pursue other objectives in an environment when inflation is stable and within target.
27. Most written submitters in the first consultation favoured a stronger emphasis on the inflation objective for monetary policy, with a number explicitly stating support the primacy of price stability in the remit. A few preferred a more balanced weighting between inflation targeting and supporting Maximum Sustainable Employment.
28. Given the importance of framing objectives for monetary policy strategy and the public feedback received on this matter, the RBNZ believes the issue should be included in the scope of the remit advice. The public consultation will likely include

⁷ <https://www.bankofengland.co.uk/-/media/boe/files/letter/2021/october/mpc-remit-october-2021.pdf?la=en&hash=999E337FDD28B1019213FB3EFF3AA5FEBF10D0F9>

two distinct options for submitters to comment on: maintaining the status quo, and framing the MSE objective as 'subject to achieving and maintaining price stability'.

Flexibility around achieving price stability

29. A number of aspects of the remit determine the degree of flexibility for the MPC to achieve their price stability objective. This includes the mid-point focus of the inflation target, the width of the target bands, and whether the 'medium term' focus is a narrow or broad concept. Internationally, there is variation in how flexible price stability targets are, and how this flexibility is specified.
30. More prescriptiveness could enhance the credibility of the price stability objective, and by extension its effectiveness to anchor inflation expectations. However this may also require the MPC to place a larger weight on price stability than would otherwise be optimal at times. Conversely, more flexibility generally allows the MPC to focus on supporting MSE and output stabilisation when economic conditions permit. The extent to which more flexibility (or prescriptiveness) is more desirable may also vary across the different specific aspects of the remit (such as the mid-point or target bands).
31. Some public submissions supported the inclusion of the mid-point as a way to anchor inflation expectations, while one argued that the MPC has focused too narrowly on the mid-point and should be more clearly directed to make use of the full target band. Other submissions highlighted the importance of having flexibility in the remit.
32. Given the importance of these issues for framing how monetary policy strategy responds to economic shocks, the RBNZ believes they should be included in the remit advice.

Other matters

33. Monetary policy frameworks also affect and interact with a wide-range of other issues that influence welfare outcomes for New Zealanders. While we have outlined the two most relevant issues above, the first consultation also provided the public with an opportunity to raise additional concerns they may hold. This included a discussion on the housing market, distributional outcomes and the implications of climate change for monetary policy. While most feedback and public engagement corroborated the general scope of issues the RBNZ intended to explore further, there were some additional concerns raised by submissions.

The measure of prices and housing costs

34. One area of concern raised in public submissions was the role of housing costs and house prices in the measurement of inflation. One submission also raised concerns around the inflationary outcomes over time for working class communities. However, most public submissions generally supported retaining the Consumer Price Index (CPI) as the price measure targeted by the MPC.
35. While the current position of the RBNZ is that the CPI remains fit-for-purpose, given the public interest in this issue we believe there is value in including the definition, or

measurement, of prices in the second consultation.⁸ This will include a discussion of alternative price measures and how housing costs are incorporated into the CPI in New Zealand.

House price sustainability

36. The remit was amended in early 2021 to include a requirement for MPC to assess the impact of its decisions on the Government's policy to support more sustainable house prices (clauses 2(2)(d) and 2(3)). In the first public consultation, the RBNZ discussed the role of the housing market for monetary policy, whether house price sustainability should be explicitly considered by the MPC, and whether clauses 2(2)(d) and 2(3) could be addressed through other channels.
37. Of the submitters that engaged with this part of the consultation, there was broad (but not complete) support from submitters for not including house price sustainability in the remit. However, there was a wide range of views around how the RBNZ should consider house prices in its decisions more broadly. For example, one submission noted that house price sustainability should be considered through the letter of expectations instead of the remit. Another submitter argued to instead require the MPC to avoid instability in asset prices more broadly through clause 2(2)(b) in lieu of having clause 2(2)(d).
38. The RBNZ believes that the remit advice should include a consideration for whether clauses 2(2)(d) and 2(3) should be removed and reflected elsewhere, such as the letter of expectations. However, the remit advice should not include a discussion on any expansion of this clause (i.e. making clause 2(2)(d) a stronger consideration for MPC).

Definition of MSE objective

39. The RBNZ also consulted on the definition of MSE in the first public consultation. Currently, the remit notes that the MPC should 'consider a broad range of labour indicators to form a view of where employment is relative to its maximum sustainable employment'. A number of public submissions were critical of MSE as a concept, noting that it is difficult to measure and not widely-understood. However, submissions also generally supported the focus on a range of indicators rather than relying on a single measure.
40. The RBNZ does not believe further defining the MSE objective through the remit is a high priority for the remit advice. The remit as currently drafted provides flexibility to adapt the indicators and strategies for supporting MSE outside of the remit as required.

Distributional concerns and climate change

41. The RBNZ consulted on whether a consideration of distributional issues or climate change should be included in the remit. Most respondents felt that these issues

⁸ Any potential changes to the approach used in the CPI itself is not within the scope of the Remit Review and would have to be addressed by Statistics NZ.

should not be explicitly considered through the remit, with some citing the role of fiscal policy in these spaces. A minority supported the inclusion of climate change considerations, in particular union representatives and some members of the general public. Participants in the deliberative workshops also viewed inflation as having a more pronounced impact on certain demographic groups, such as those on fixed incomes, and contributing towards poverty in New Zealand.

42. Given the limitations of monetary policy in addressing the structural drivers of distributional outcomes and climate change, and the feedback from public submissions, the RBNZ does not believe they should not be in the scope of the remit advice.

Redrafting

43. Alongside these, the RBNZ intends to provide advice on redrafting the remit to better align with the new Act. For example, replacing clause 2(2)(a) with a requirement for the MPC to “have regard to the importance of protecting and promoting the stability of New Zealand’s financial system to align with section s119(1)(a) of the Act.”⁹ These redrafting changes are not intended to change the substance of the remit.

The MPC charter

44. The charter seeks to facilitate effective decision-making processes for the MPC and support transparency and accountability of monetary policy. This supports the overall effectiveness of monetary policy. There are three general parts to the charter:
- i. The decision-making process for MPC,
 - ii. Expectations and requirements around what the MPC should publish alongside decisions (‘Transparency and accountability’), and
 - iii. Expectations around how MPC members should communicate externally on MPC issues.
45. As part of the Remit Review process, the RBNZ will consult the public on the charter.¹⁰ Unlike the remit, the charter is agreed to by the Minister and the MPC. The focus of the public consultation is therefore on matters that will assist the decision between you and the MPC around whether a replacement charter is required (and the contents of such a replacement charter).
46. As part of the RAFIMP, the RBNZ has undertaken an assessment of the monetary policy communications of the MPC. The RBNZ has also commissioned an external party to assess whether MPC members have complied with the charter requirements. This has included surveying MPC members, as well as some RBNZ staff, around whether the charter has functioned as intended. The findings from this report will inform advice on the charter.
47. Only a few submitters engaged in charter-related issues, however the RBNZ indicated that the charter would be included in the second consultation. There has

⁹ Currently the MPC remit clause 2(2)(a) refers to the MPC having regard to “the efficiency and soundness of the financial system”.

¹⁰ See [s104 of the Act](#).

been some public commentary around the frequency of communications from MPC members on monetary policy matters. The charter does require MPC members to express views that are consistent with prior MPC communications and consult with other MPC members prior to communicating. However, it is not clear that this is currently an impediment for a more active communications strategy.

48. It is important to note that the charter requirements around communications and accountability are designed for a consensus-building model. There may be limited scope to significantly adapt these parts of the charter while being consistent with the current decision-making model, particularly with regard to external communications of MPC members.
49. We intend to explore charter-related matters at a relatively broad level focusing on the three dimensions of the charter listed above. As part of this, we will also distinguish between issues that relate to the functioning of the charter as intended (for a consensus-building model) and more fundamental issues that relate to changes to the decision-making framework. We believe this should provide sufficient information about the public's views on matters that are most relevant for the decision between you and the MPC on the charter.

Next Steps

50. You will meet with officials from the RBNZ and The Treasury on 5 September to discuss the respective memorandums of each agency and your initial views on the scope of the remit advice.
51. You will need to respond to this memorandum following the 5 September meeting. Our preference is that this is through a formal written response.
52. The RBNZ intends to publish a summary of submissions to the first consultation and findings from the public engagement around September or October. Subject to the forthcoming engagement process with you, this public release could also include this report and related communications on the scope of the remit advice.
53. The RBNZ will also provide the RAFIMP report for your information in November 2022. This report will be published shortly afterwards.
54. The RBNZ will undertake the second public consultation after the RAFIMP report has been published. This will be completed in early 2023. This will include matters relating to the remit advice as well as whether the current charter should be replaced or not. We previously agreed a timeline for the provision of final advice on the remit in March 2023. The RBNZ would now prefer to provide the remit advice in April 2023 to allow the RAFIMP report to be released prior to the second consultation paper.