

Monetary Policy Committee Remit

Context

The Reserve Bank of New Zealand Act 2021 (the Act) has the purpose of promoting the prosperity and well-being of New Zealanders, and contributing to a sustainable and productive economy.

The Remit defines the operational objectives for the formulation of monetary policy. The Monetary Policy Committee (MPC) has operational independence to pursue these objectives.

In pursuing these operational objectives, the MPC should be aware of the broader context in which monetary policy is conducted. Where appropriate, the MPC should seek to understand and communicate material interactions between monetary policy and the government's economic objectives. This includes assessing the effects of monetary policy on the Government's objective of supporting sustainable house prices, explaining how financial risks were considered in choosing the mix of monetary policy tools when announcing changes to monetary policy that would materially increase the Reserve Bank's exposure to financial risk, seeking to understand material interactions between fiscal and monetary policy and supporting information-sharing between monetary and fiscal authorities.

Remit for Monetary Policy Committee

This Remit is issued by the Minister of Finance to the MPC under section 122 of the Act.

Under section 117 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.

Operational Objectives

(1) *For the purpose of this Remit the MPC's operational objectives shall be to:*

- i. Achieve and maintain future annual inflation between 1 and 3 percent over the medium term, with a focus on keeping future inflation near the 2 percent mid-point. This target will be defined in terms of the All Groups Consumers Price Index, as published by Statistics New Zealand. For the purposes of this target, the MPC should discount disturbances to inflation that are expected to be temporary in a manner consistent with meeting the medium-term target.
- ii. 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:*

- i. have regard to the importance of protecting and promoting the stability of New Zealand's financial system; and
- ii. seek to avoid unnecessary instability in output, interest rates, and the exchange rate.

The previous Remit is revoked on the close of 27 June 2023. The new Remit comes into effect at the start of 28 June 2023.

A handwritten signature in black ink, appearing to read 'Grant Robertson', with a stylized flourish at the end.

Hon Grant Robertson
Minister of Finance

Date: 26 June 2023