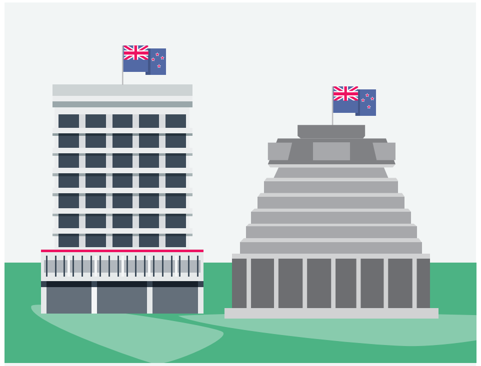
Monetary Policy ***Snapshots***

May 2021

The Reserve Bank will continue to keep interest rates low.

*The Official Cash Rate remains at **0.25 percent**, and we will continue to keep interest rates low through our Large Scale Asset Purchase and Funding for Lending programmes.*



Fiscal and monetary support remain key to our economic recovery

Housing construction continues to support the wider economy

International travel is taking off again

Stretched supply chains may temporarily lift prices

The Monetary Policy Committee uses a range of tools to support full employment and keep inflation low and stable. These tools affect the interest rates faced by New Zealand households and businesses.

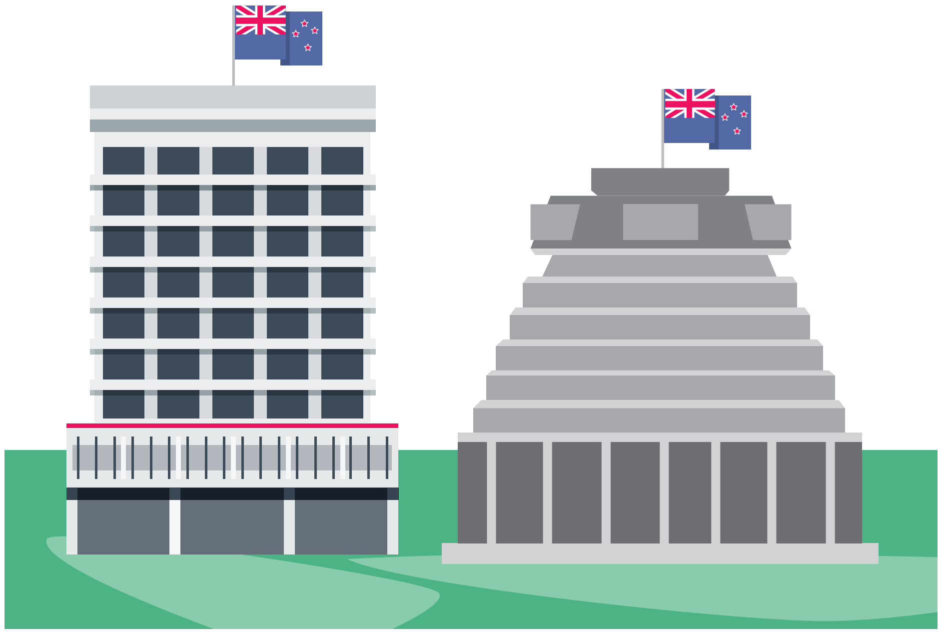
The seven members of the Monetary Policy Committee have agreed to maintain the current stimulatory level of monetary conditions.

Latest key statistics

- Annual economic growth: -0.9 percent (Q4 2020)
- Annual inflation: 1.5 percent (Q1 2021)
- Unemployment rate: 4.7 percent (Q1 2021)

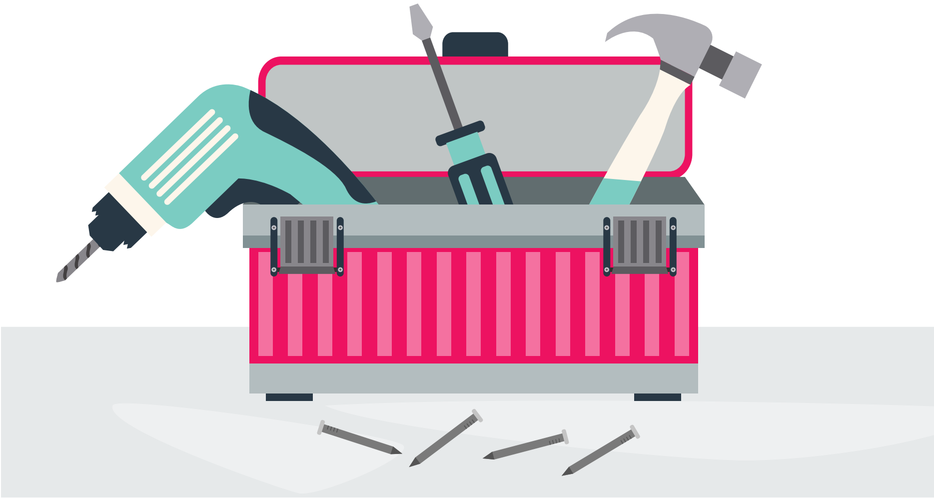
Fiscal and monetary support remain key to our economic recovery

- Significant fiscal and monetary measures have supported the economy during the COVID-19 pandemic.
- The Government's Wage Subsidy helped businesses pay their staff and preserve jobs, while low interest rates have encouraged spending and investment.
- *Budget 2021* will provide a future cash boost to those on lower incomes and bolster spending. Continued monetary support remains necessary to confidently and sustainably meet our inflation and employment objectives.



Housing construction continues to support the wider economy

- Demand for housing remains strong, encouraging residential construction.
- In aggregate, strength in construction-related industries has helped to offset some of the impacts of the loss of international tourism over our summer period.
- Higher asset prices have encouraged some households to spend more, particularly on goods such as furniture and appliances. This trend will persist.
- The Government recently announced changes to housing and tax policies to support more sustainable house prices. The Reserve Bank also reintroduced restrictions on mortgage lending with high loan-to-value ratios (LVRs).
- Combined with low levels of immigration, the waning impact of past interest rate declines, and rising housing supply, these factors will dampen house price inflation over 2021.



International travel is taking off again

- The recent reopening of travel with Australia and the Cook Islands is making travel and tourism around the Pacific accessible. The number of visitors from Australia will increase, but so will New Zealand visitors to Australia.
- On net, we expect New Zealand to experience a positive effect from trans-Tasman travel. Increased spending from Australian travellers is expected to offset the impact of New Zealand travellers spending some of their income in Australia.
- The magnitude of the economic benefits from the current travel changes is small relative to historic tourism earnings. The risk of further outbreaks and regional lockdowns will persist for some time.

Stretched supply chains may temporarily lift prices

- Global suppliers have struggled to meet the recent increase in global demand for raw materials and finished products. Much of the rise reflects pent-up demand by consumers who have been unable to spend during lockdowns.
- Global transport costs have increased. Transport networks have been disrupted as normal global shipping flows have changed. The Suez Canal blockage has further contributed to shipping delays.
- These supply-chain disruptions will result in a temporary increase in consumer price inflation in the near term. We expect these disruptions to resolve from the end of this year.