

New Zealand Institute of Economic Research (Inc)  
Media release

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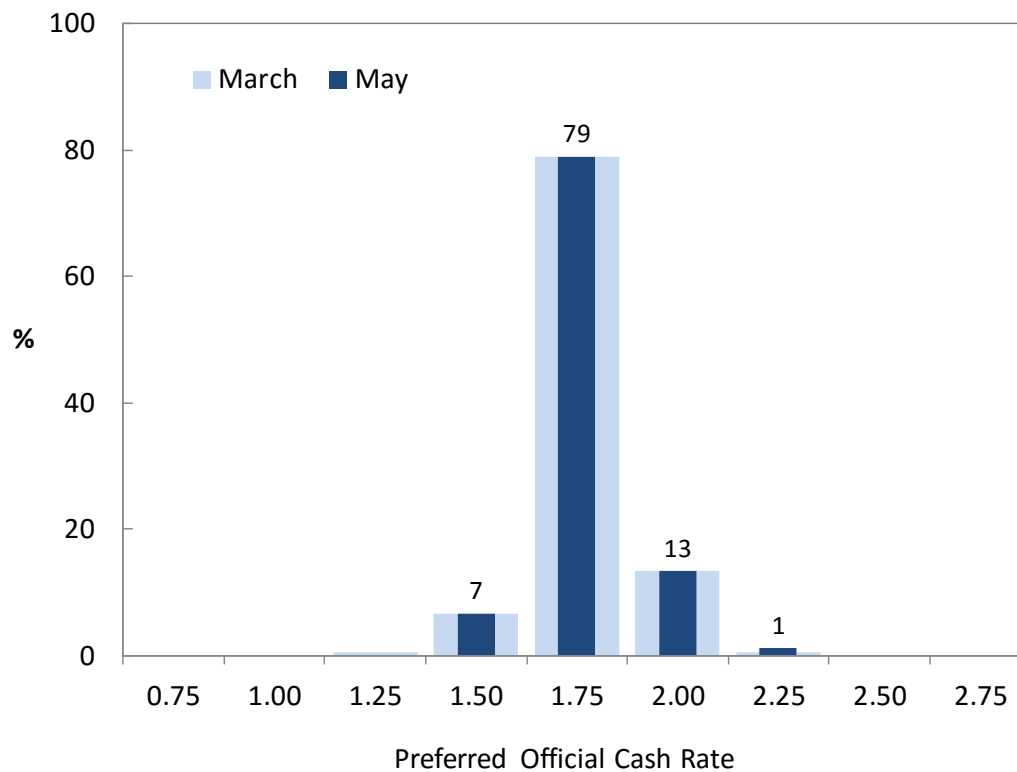
## NZIER's *Shadow Board* continues to see little need to change OCR

NZIER's *Monetary Policy Shadow Board's* overwhelming view remains one of no change to the Official Cash Rate ahead of the Reserve Bank's release of the May *Monetary Policy Statement* on Thursday.

"Businesses remain pessimistic about the New Zealand economy, reflecting lingering uncertainty over the effects of Government policy changes. While employment demand remains strong for now, businesses may start to become more cautious about hiring later in the year." said Christina Leung, Principal Economist at NZIER.

"Inflation remains low, and although rising global interest rates will support the tightening bias here in New Zealand, there is little urgency to raise interest rates. *Shadow Board* members continue to recommend the OCR remain unchanged, although the tightening bias has increased marginally."

**Figure 1 Slightly more tightening bias creeping into the Shadow Board's views**



Source: NZIER *Monetary Policy Shadow Board*

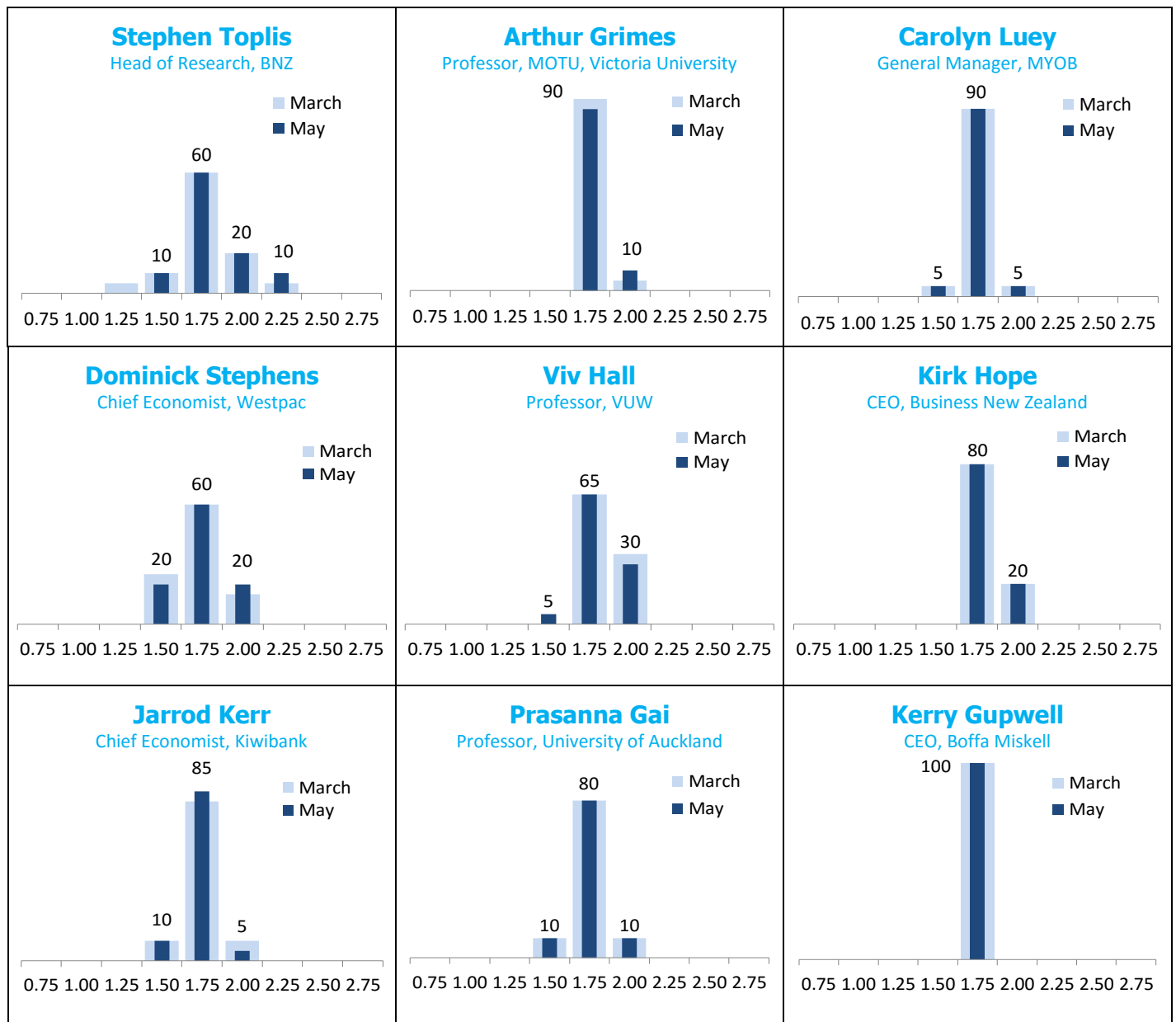
\* distribution may not add up to 100% due to rounding

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**Figure 2 Individual participants' recommended rate settings – 3 May 2018**



Source: NZIER Monetary Policy Shadow Board

## Table 1 Participant comments

Participant comments are always optional and can be limited to 60 words.

<b>Carolyn Luey</b>	We think the Reserve Bank ought to hold the OCR steady given there have been a few negative economic indicators out recently. MYOB's Business Monitor survey of SME operators saw confidence in the economy fall to the lowest level in three years with 41 percent predicting the wider economy will decline in the coming year. Now's not the time to pump the economic brakes.
<b>Arthur Grimes</b>	There is no need for an OCR change at this stage. Some other central banks have been raising rates and the RBNZ will need to consider when they will start to normalise rates in future.
<b>Dominick Stephens</b>	The outlook for inflation is weak, while employment is roughly at its maximum sustainable level. We have slightly upgraded the balance of our recommendation because the exchange rate has fallen, removing some of the downside risks.
<b>Kirk Hope</b>	No comment.
<b>Viv Hall</b>	Domestic inflationary pressures remain subdued, though in key countries modest inflationary pressures are becoming evident. Domestic economic activity remains somewhat conditioned by uncertainty, but trading partner economic activity continues to consolidate soundly. On balance, insufficient reason to change the OCR for the immediate future.
<b>Stephen Toplis</b>	No real change in our view albeit that the new PTA almost rules out a rate cut in the current environment, and inflationary pressures continue to build.
<b>Prasanna Gai</b>	No comment.
<b>Jarrold Kerr</b>	The rise of US interest rates up and above ours has yet to generate a material impact on the currency. And inflation is at the bottom of the doggedly determined band. So there's nothing to see, or do, here. Come back in a year.
<b>Kerry Gupwell</b>	I see no reason for a change in the OCR, yet. There appears to be increasing pressure on inflation (government policies, skill shortages and wage pressures, lift in oil prices and the petrol tax) but inflation is still at the low end of the target range. Business and rural sector confidence remains fragile as new government's priorities and policies unfold.

### About the NZIER *Monetary Policy Shadow Board*

NZIER's *Monetary Policy Shadow Board* is independent of the Reserve Bank of New Zealand. Individuals' views are their own, not those of their respective organisations. The next *Shadow Board* release will be Tuesday 26 June 2018, ahead of the RBNZ's Monetary Policy Statement. Past releases are available from the NZIER website: [www.nzier.org.nz](http://www.nzier.org.nz)

*Shadow Board* participants share out 100 points across possible interest rates to indicate what they believe is the most appropriate Official Cash Rate setting for the economy. Combined, these scores form a *Shadow Board* view ahead of each monetary policy decision.

Participants show where they think interest rates should be, not what they believe will happen.

The NZIER *Monetary Policy Shadow Board* aims to:

- encourage informed debate on each interest rate decision
- help inform how a Board structure might operate
- explore how Board members could use probabilities to express uncertainty.