

New Zealand Institute of Economic Research (Inc)
Media release

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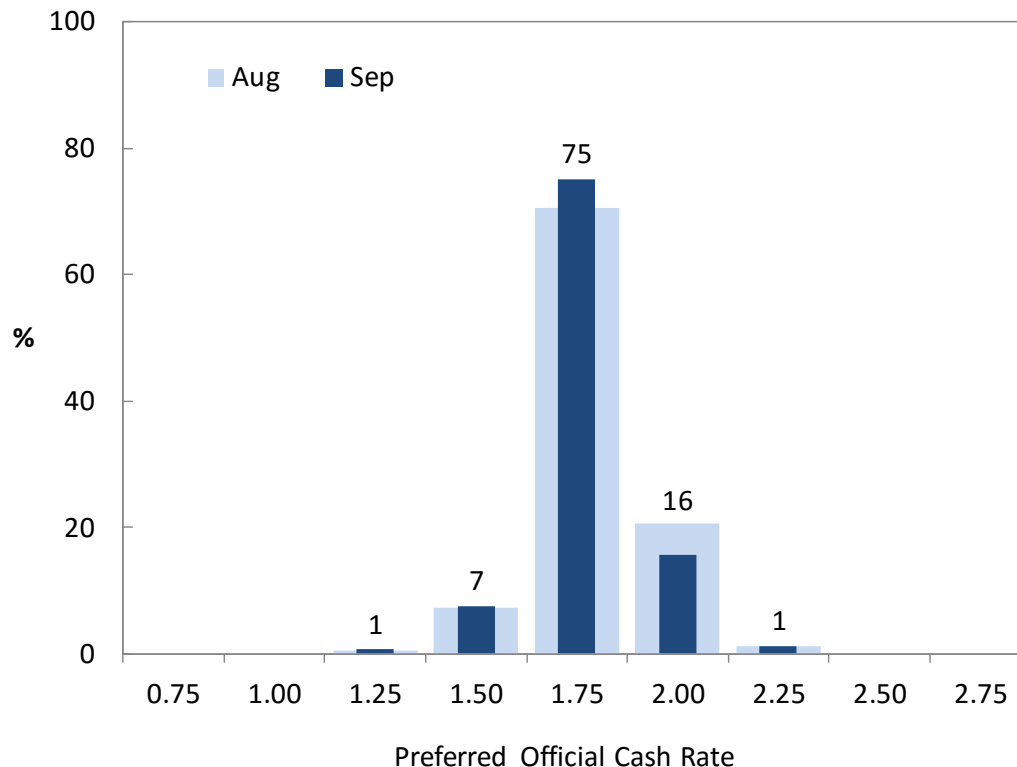
NZIER's *Shadow Board* sees little need for rate rise

NZIER's *Monetary Policy Shadow Board* continues to recommend the Reserve Bank leave the Official Cash Rate on hold this Thursday at 1.75 percent. The Shadow Board continues to see both upside and downside risks to the interest rate outlook, with a very slight bias towards tightening.

"Despite softer inflation and growth earlier this year, the domestic growth outlook remains positive. Rural profitability continues to improve, while consumer confidence is high. Meanwhile, strong migration-led population growth continues to boost demand in many sectors, particularly construction" said John Ballingall, Deputy Chief Executive at NZIER.

"Inflation has eased more recently, with inflationary pressures largely contained in capacity constrained sectors such as construction. With little risk of an acceleration in inflation, and short-term uncertainty going into the General Election, there remains little urgency to lift the OCR."

Figure 1 NZIER's *Shadow Board* recommends that the Reserve Bank remains on hold but leaning towards tightening interest rates



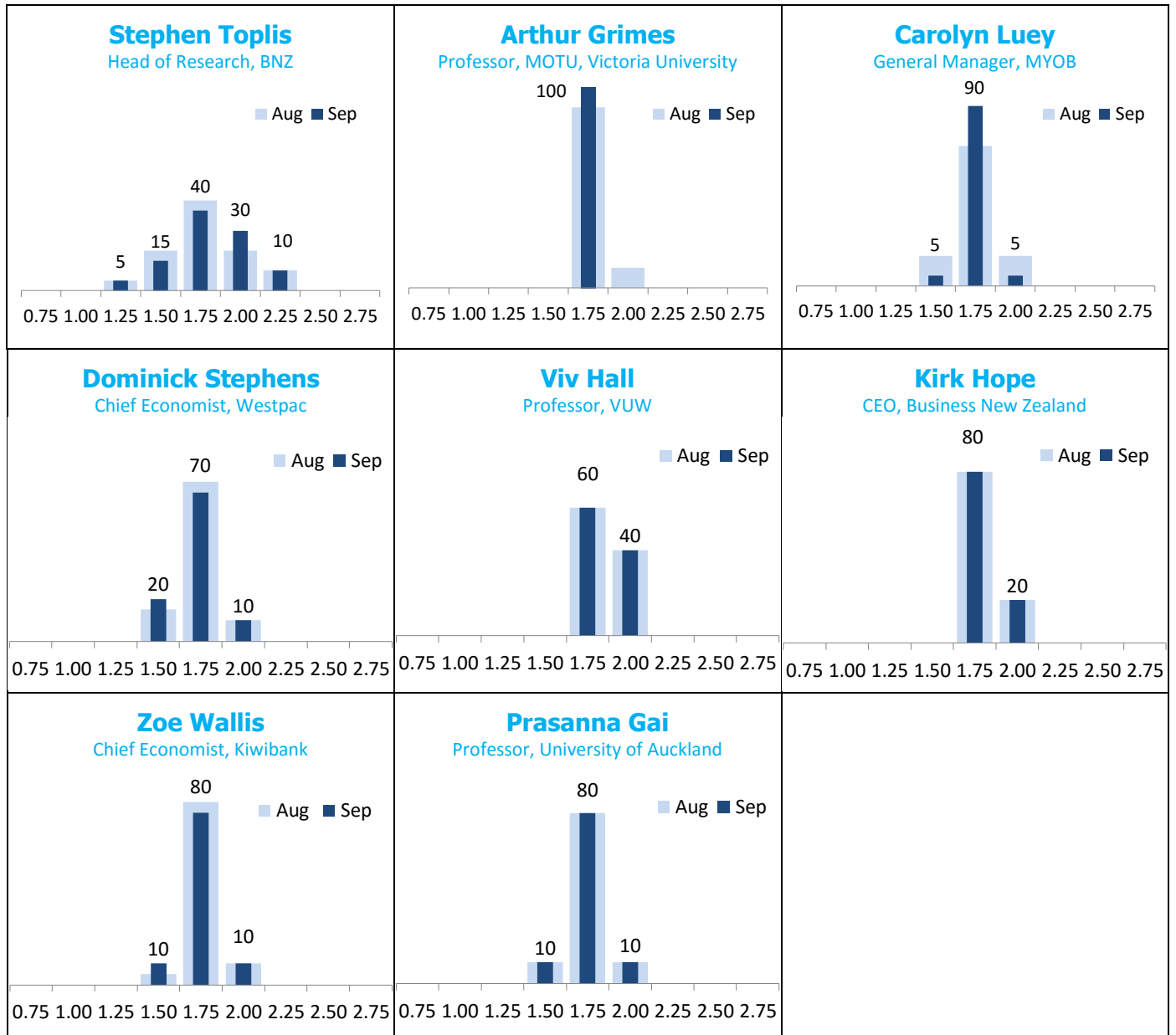
Source: NZIER *Monetary Policy Shadow Board*

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Figure 2 Individual participants' recommended rate settings – 15 September 2017



Source: NZIER Monetary Policy Shadow Board

Table 1 Participant comments

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

Carolyn Luey	The Reserve Bank should leave the OCR at 1.75 percent. The closeness of the General Election has resulted in a level of uncertainty in the small business community. Our Business Monitor research reveals 39 percent of business owners say the election has had a negative impact on business. It would be prudent to keep things steady.
Arthur Grimes	No comment.
Dominick Stephens	No comment.
Kirk Hope	No comment.
Viv Hall	Still insufficient evidence of sustained inflationary pressure, so no change recommended for the OCR this round.
Stephen Toplis	A lower currency, higher oil prices, higher food prices, more pressure on wages and the prospect of easier fiscal policy all portend tighter policy. But does anyone think the central bank three days after the election, with a new acting Governor and an OCR review (not an MPS) would move rates. Not on your nelly!
Prasanna Gai	No comment.
Zoe Wallis	There is no need to shift monetary policy settings at present. The upcoming election is creating some uncertainty around investment decisions and the housing market has continued to cool, justifying a 'wait-and-see' approach with the risks evenly balanced.

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 6 November, ahead of the RBNZ's OCR Review. Past releases are available from the NZIER website: 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.