

New Zealand Institute of Economic Research (Inc)  
Media release

For release 10am Tuesday 6 November 2018

## NZIER's *Shadow Board* continues to recommend no change in the OCR

NZIER's *Monetary Policy Shadow Board's* view remains firmly centred on no change to the Official Cash Rate (OCR) ahead of the Reserve Bank's *Monetary Policy Statement* on Thursday.

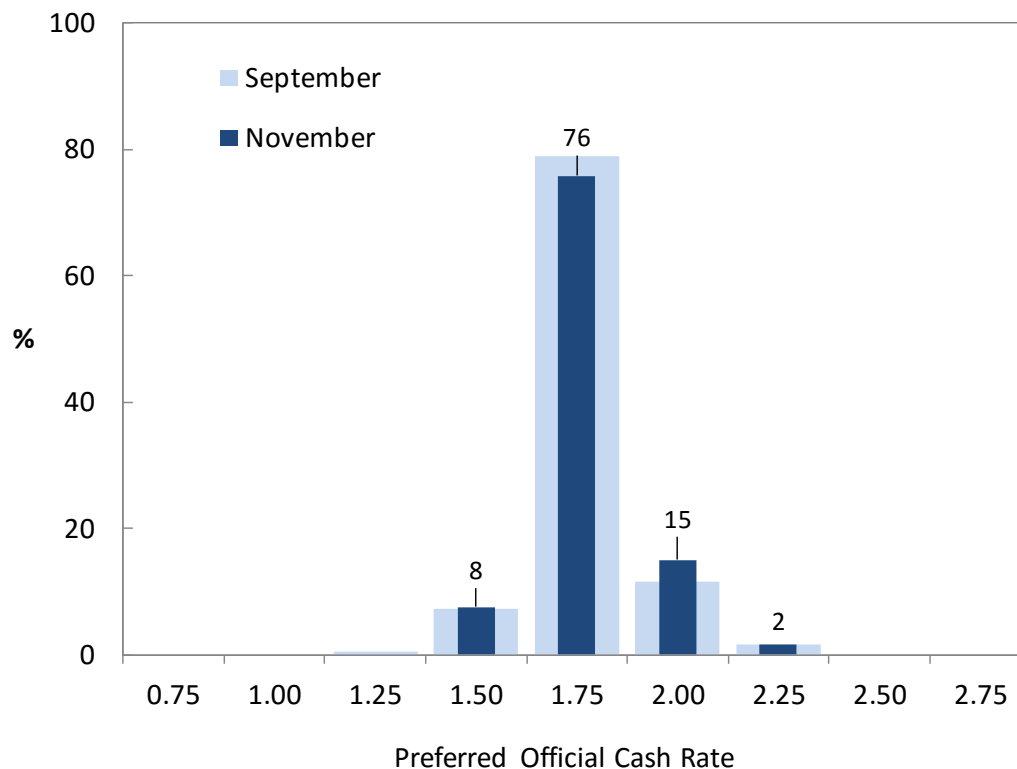
"Rising inflation pressures, some recent strong data including GDP growth, and tightening monetary conditions globally all support the case for higher interest rates.

However, continued low business confidence and heightened uncertainty over both the domestic and global economic environments point towards caution about lifting interest rates." said Christina Leung, Principal Economist at NZIER.

"Downside risks to the growth outlook mean there is still the potential for an OCR cut should GDP growth not pick up as much as the Reserve Bank forecasts.

Given the balance of risks, interest rates are likely to remain on hold for the coming year."

**Figure 1 View remains firmly centred on unchanged OCR**



Source: NZIER *Monetary Policy Shadow Board*

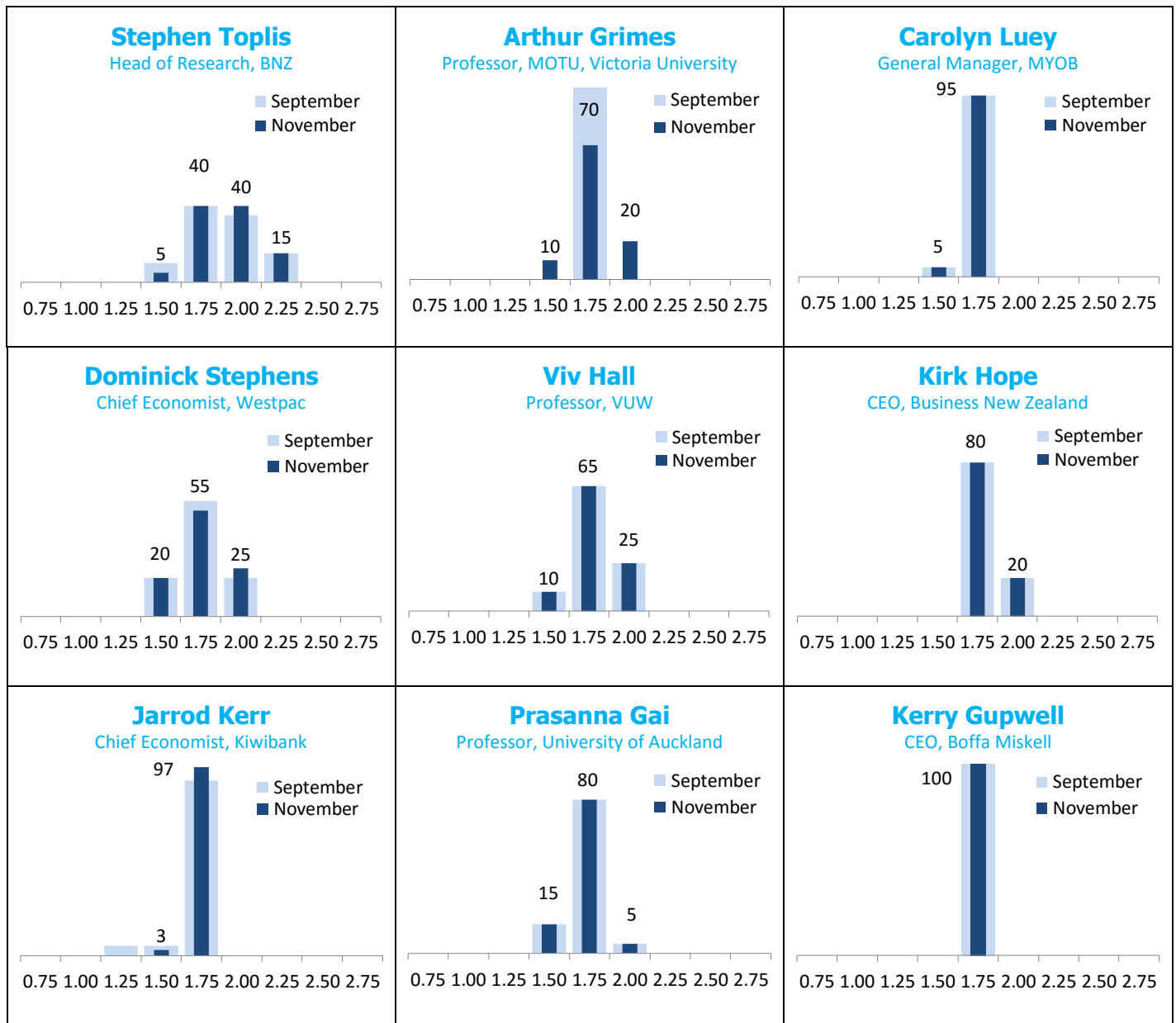
\* distribution may not add up to 100% due to rounding

**For further information, please contact:**

Christina Leung, Principal Economist & Head of Membership Services

[christina.leung@nzier.org.nz](mailto:christina.leung@nzier.org.nz), 021 992 985

**Figure 2 Individual participants' recommended rate settings – 31 October 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 should keep rates on hold given negative sentiment in the business community. The latest MYOB Business Monitor of small-to-medium sized enterprises found 53 percent believe New Zealand’s economy will decline over the next 12 months, while 27 percent believe their own revenues will drop in the coming year.
<b>Arthur Grimes</b>	Inflation is rising gradually in a number of countries, including NZ, while there are also some negative economic clouds on the horizon. At this stage, the OCR should remain unchanged but the balance of risks is now narrowly towards a tightening as the next move.
<b>Dominick Stephens</b>	A steady OCR still seems the best course. However, a rash of strong data recently has shifted the balance of risks slightly in the direction of OCR hikes.
<b>Kirk Hope</b>	No comment.
<b>Viv Hall</b>	Domestic demand pressures remain moderate, non-tradables inflation continues to trend slowly upwards, and the first-round effects of a lower exchange rate and higher fuel prices can be discounted for OCR purposes. Second-round effects from the latter are not yet sufficiently material. On balance, therefore, no change recommended for the OCR, and no change to my probabilities.
<b>Stephen Toplis</b>	There’s a lot of focus on the possibility that growth may come in on the weaker side of expectations. This may well be the case but this should not obscure the fact that inflation, importantly non-tradables inflation, is already surprising to the upside.
<b>Prasanna Gai</b>	No comment.
<b>Kerry Gupwell</b>	I see no reason to change the rate just yet, for me its very much “same same” in terms of economic outlook and business confidence. The issue of uncertainty about government policy decisions is still of concern, will this continue to drive a more pessimistic outlook and conservative thinking about business decisions or will we “just get on with it” and accept this as the new norm.
<b>Jarrold Kerr</b>	The RBNZ have signalled they’re on hold until late 2020. It would take a lot for the bank to move.

## 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 Monday 11 February 2019, ahead of the RBNZ’s MPS. 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.