

New Zealand Institute of Economic Research (Inc)
Media release

For release 10am Monday 25 March 2019

NZIER's *Shadow Board* continues to recommend unchanged OCR

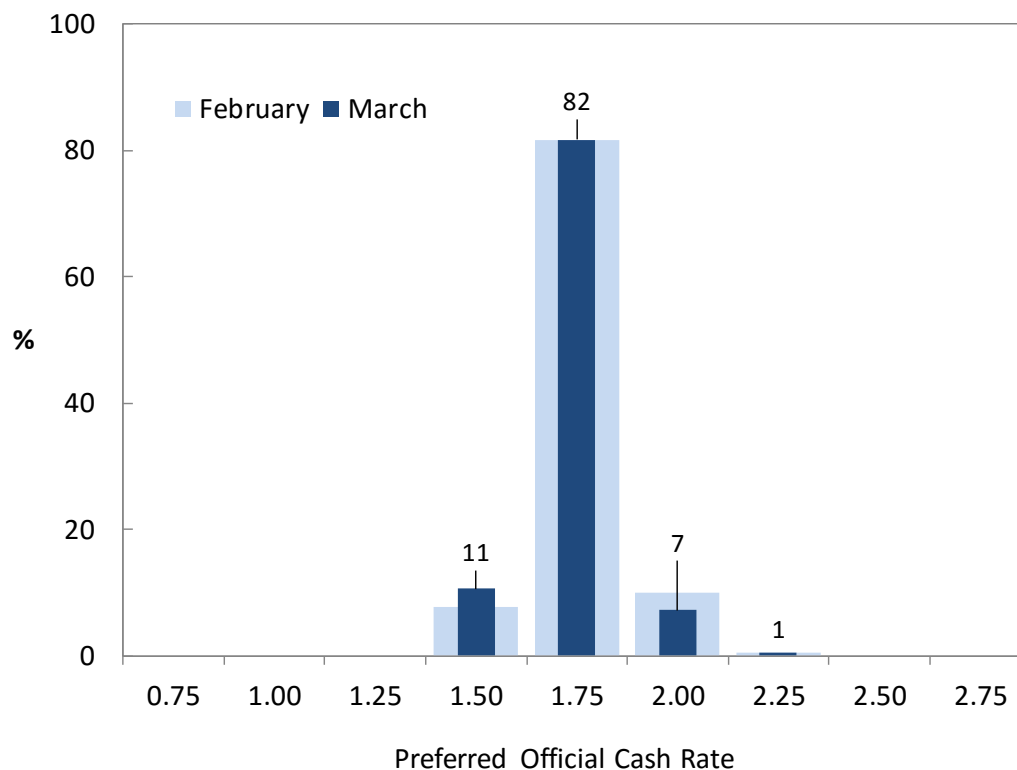
NZIER's *Monetary Policy Shadow Board* continues to remain firmly of the view that the OCR should not be changed ahead of the Reserve Bank's *OCR Review* on Wednesday.

"The situation is similar to that going into the February OCR, with continued trade tensions between the US and China, slowing growth in China, and little sign that a Brexit agreement is close. Shadow Board members were mixed in assessing the balance of risks, with some seeing increased downside risks while others saw reduced downside risks. Nonetheless, the consensus was that an unchanged OCR was appropriate for now.

Given uncertainty over the growth outlook, there remains some potential for a rate cut over the coming year. This has seen a slight easing bias creep in going into this OCR decision." said Christina Leung, Principal Economist at NZIER.

"The balance of risks and lack of urgency to normalise monetary policy by lifting interest rates means the Reserve Bank will likely keep the OCR on hold until at least 2020 to allow itself time to assess the situation."

Figure 1 Slight easing bias to the OCR outlook



Source: NZIER *Monetary Policy Shadow Board*

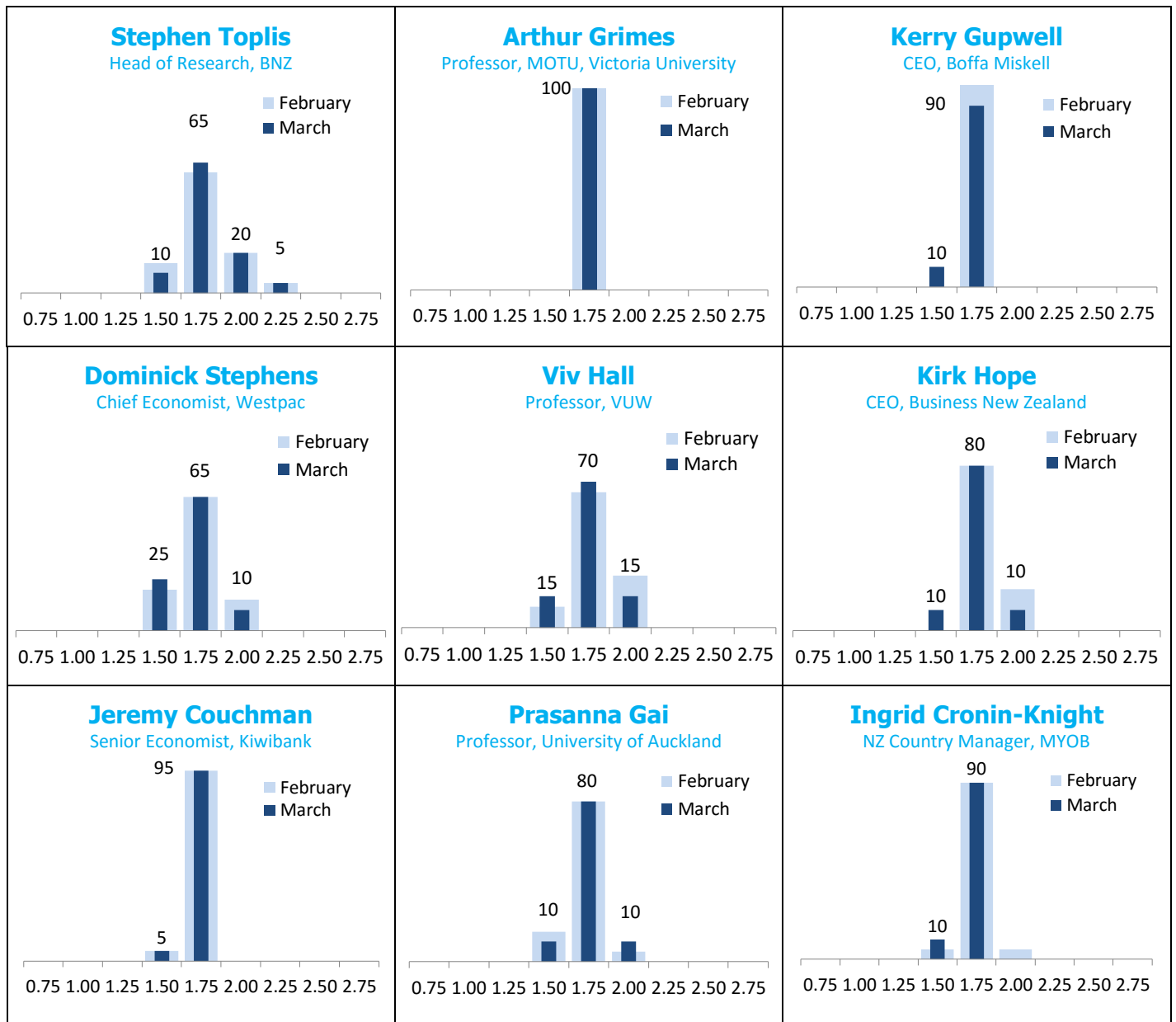
* distribution may not add up to 100% due to rounding

For further information, please contact:

Christina Leung, Principal Economist & Head of Membership Services

christina.leung@nzier.org.nz, 021 992 985

Figure 2 Individual participants' recommended rate settings – 20 March 2019



Source: NZIER Monetary Policy Shadow Board

Table 1 Participant comments

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

Arthur Grimes	No comment.
Dominick Stephens	A steady OCR is most likely to be the best course. But the economy has clearly lost momentum, and that is increasing the odds that an OCR reduction will be required.
Kirk Hope	No comment.
Viv Hall	Any change to the OCR should still be some way off, but on the risks front I now rank adverse global factors on equal footing with modestly increasing non-tradables inflation. So, my smallish upwards and downwards probabilities now have equal weighting.
Stephen Toplis	Global tail risks have diminished since February and inflationary pressures have risen. Accordingly, we have reduced modestly the appropriateness of a rate cut while maintaining our tightening bias.
Prasanna Gai	No comment.
Kerry Gupwell	While I see no need to change the OCR at this time I continue to be concerned about downside risks and therefore have factored in a bias that the next move in OCR may well be a cut.
Jeremy Couchman	There is little since the February MPS to justify a change to the OCR. Inflation is close to the RBNZ's 2% target mid-point and is expected to remain that way for some time. Nevertheless, risks are skewed to the downside. Firms lack confidence, and risks to the global economic outlook are aplenty.
Ingrid Cronin-Knight	There is little reason for a rate rise at this time with softening global growth a real concern. Business will be watching for any indication of rate cuts in the future to match the more gloomy outlook.

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 6 May, 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.