

CHAPTER 1

Policy assessment

Tēnā koutou katoa, welcome all.

The Monetary Policy Committee today increased the Official Cash Rate (OCR) to 3 percent from 2.5 percent. The Committee agreed it remains appropriate to continue to tighten monetary conditions at pace to maintain price stability and contribute to maximum sustainable employment. Core consumer price inflation remains too high and labour resources remain scarce.

Global consumer price inflation has continued to rise, albeit with some recent reprieve from lower global oil prices. The war in Ukraine continues to underpin high commodity prices, with global production costs and constraints further exacerbated by supply-chain bottlenecks due to the ongoing COVID-19 health challenge. The outlook for global growth continues to weaken, reflecting the ongoing tightening in global monetary conditions.

In New Zealand, domestic spending has remained resilient to global and local headwinds to date. Spending levels are supported by a robust employment level, continued fiscal support, an elevated terms of trade, and sound household balance sheets in aggregate.

However, production is being constrained by acute labour shortages, heightened by seasonal and COVID-19 related illnesses. In these circumstances, spending and investment continues to outstrip supply capacity, and wage pressures are heightened. A range of indicators highlight broad-based domestic pricing pressures.

Committee members agreed that monetary conditions needed to continue to tighten until they are confident there is sufficient restraint on spending to bring inflation back within its 1-3 percent per annum target range. The Committee remains resolute in achieving the *Monetary Policy Remit*.

Meitaki, thanks.



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Governor