



Official Cash Rate Increased to 5.25 Percent

Release Date: 5 April 2023

The Monetary Policy Committee today increased the Official Cash Rate (OCR) by 50 basis points, from 4.75 percent to 5.25 percent.

The Committee agreed the OCR needs to increase, as previously indicated, to return inflation to the 1-3 percent target range over the medium term. Inflation is still too high and persistent, and employment is beyond its maximum sustainable level.

The level of economic activity over the December quarter was lower than anticipated in our February *Monetary Policy Statement* and there are emerging signs of capacity pressures in the economy easing. However, demand continues to significantly outpace the economy's supply capacity, thereby maintaining pressure on annual inflation.

The recent severe weather events in the North Island have led to higher prices for some goods and services. This higher near-term CPI inflation increases the risk that inflation expectations persist above our target range.

Over the medium term, the Committee anticipates economic activity to be supported by rebuilding efforts in the aftermath of the weather events. The demand on resources is expected to add to inflation pressure by more than assumed in the February *Monetary Policy Statement*.

Global growth is expected to be below average, contributing to lower demand for New Zealand's key commodity exports. Continued growth in New Zealand's service exports, in particular tourism, is assumed to provide some offset to this



Preston Rowe Paterson

International Property Consultants and Valuers

drop in export revenue.

New Zealand's economic growth is expected to slow through 2023, given the slowing global economy, reduced residential building activity, and the ongoing effects of the monetary policy tightening to date. This slowdown in spending growth is necessary to return inflation to target over the medium-term.

The Committee agreed that the OCR needs to be at a level that will reduce inflation and inflation expectations to within the target range over the medium term. The Committee agreed that maintaining the current level of lending rates for households and businesses is necessary to achieve this, along with a rise in deposit rates. New Zealand's financial system is well positioned to manage through a period of slower economic activity.

[Read the full statement and Record of meeting](#)

Media contact:

Oliver Bates

Manager External Stakeholders

MOB: +64 27 705 4995

Email: Oliver.Bates@rbnz.govt.nz