



## **OCR 5.50% - Official Cash Rate to remain restrictive**

Release Date: 22 May 2024

The Monetary Policy Committee today agreed to keep the Official Cash Rate at 5.50 percent.

Restrictive monetary policy has reduced capacity pressures in the New Zealand economy and lowered consumer price inflation. Annual consumer price inflation is expected to return to within the Committee's 1 to 3 percent target range by the end of 2024.

The welcome decline in inflation in part reflects lower inflation for goods and services imported into New Zealand. Globally, consumer price inflation has declined from 30-year highs in many advanced economies. However, services inflation is receding slowly, and expected policy interest rate cuts continue to be delayed.

In New Zealand, pressures in the labour market have eased. Businesses are employing more cautiously in line with weak economic activity, while the number of people available to work has increased due to recent high net inward migration. Wage growth and domestic spending are easing to levels more consistent with the Committee's inflation target.

While weaker capacity pressures and an easing labour market are reducing domestic inflation, this decline is tempered by sectors of the economy that are less sensitive to interest rates. These near-term factors include, for example, higher dwelling rents, insurance costs, council rates, and other domestic services price inflation. A slow decline in domestic inflation poses a risk to inflation expectations.

Our economic projections include only officially available information on the Government's fiscal intentions to date, which includes the most recent fiscal update and 'mini budget'. The signalled lower government spending is currently and expected to continue contributing to weaker aggregate demand. Any impact of potential changes in the forthcoming Budget to government spending, or private spending due to tax cuts, remain to be assessed.



**Preston Rowe Paterson**

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Annual consumer price inflation remains above the Committee's 1 to 3 percent target band, and components of domestic services inflation persist. The Committee agreed that monetary policy needs to remain restrictive to ensure inflation returns to target within a reasonable timeframe.

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

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