



Official Cash Rate remains on hold

Release Date: 12 July 2023

The Monetary Policy Committee today agreed to leave the Official Cash Rate (OCR) at 5.50%.

The level of interest rates are constraining spending and inflation pressure as anticipated and required. The Committee agreed that the OCR will need to remain at a restrictive level for the foreseeable future, to ensure that consumer price inflation returns to the 1 to 3% annual target range, while supporting maximum sustainable employment.

Global economic growth remains weak and inflation pressures are easing. This follows a period of significant monetary policy tightening by central banks internationally. Global inflation rates continue to decline, assisted by the normalisation of international supply chains, and the decline in shipping costs and energy prices. The weaker global growth has led to lower export prices for New Zealand's goods.

In New Zealand, inflation is expected to continue to decline from its peak, and with it measures of inflation expectations. Core inflation is expected to decline as capacity constraints ease. While employment is above its maximum sustainable level, there are signs of labour market pressures dissipating and vacancies declining.

Consumer spending growth has eased and residential construction activity has declined, while house prices have returned to more sustainable levels. More generally, businesses are reporting slower demand for their goods and services, and weak investment intentions.

The return of net inward migration continues broadly as anticipated, and is assisting to ease labour shortages. The net impact of immigration on overall capacity pressures remains uncertain. The ongoing recovery in tourism spending is supporting demand.

The repair and rebuild underway in regions of the North Island due to severe weather events will support economic activity in the near term. Broader government spending is anticipated to decline in inflation-adjusted terms and in proportion to GDP.

The Committee is confident that with interest rates remaining at a restrictive level for some time, consumer price inflation will return to within its target range of 1 to 3% per annum, while supporting maximum sustainable employment.



Preston Rowe Paterson

International Property Consultants and Valuers

More information

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

Media contact:

James Weir

Senior Advisor, External Stakeholders

Phone: 021 103 1622

Email: James.weir@rbnz.govt.nz