



Monetary Policy to remain restrictive

29 November 2023

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

Interest rates are restricting spending in the economy and consumer price inflation is declining, as is necessary to meet the Committee's *Remit*. However, inflation remains too high, and the Committee remains wary of ongoing inflationary pressures.

Internationally, economic growth has been stronger than was expected at the start of this year but remains below trend and is likely to slow further. This subdued growth outlook will continue to restrain New Zealand's export revenues.

In New Zealand, demand growth has eased, but by less than anticipated over the first half of 2023 in part due to strong population growth. The OCR will need to stay restrictive, so demand growth remains subdued, and inflation returns to the 1 to 3 percent target range.

Wage growth has eased from recent peaks. Demand for labour is softening, with job advertisements now below pre-COVID-19 levels. At the same time, strong inward migration is increasing the population and adding to labour supply.

While population growth has eased supply constraints, the effects on aggregate demand are becoming apparent. This is increasing the risk of inflation remaining above target.

The Committee is confident that the current level of the OCR is restricting demand. However, ongoing excess demand and inflationary pressures are of concern, given the elevated level of core inflation. If inflationary pressures were to be stronger than anticipated, the OCR would likely need to increase further.

The Monetary Policy Committee agreed that interest rates will need to remain at a restrictive level for a sustained period of time, so that consumer price inflation returns to target and to support maximum sustainable employment.

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

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