

10 February 2025

Adam Irish  
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Dear Adam

**Official Information Act (OIA) request for information regarding impact removal of dual mandate has had on unemployment**

We refer to your request to the Reserve Bank of New Zealand – Te Pūtea Matua (RBNZ) of 16 January 2025 for the following:

*I am writing to request information under the Official Information Act regarding the impact of recent changes to the Reserve Bank of New Zealand (RBNZ) legislation, specifically the removal of employment considerations.*

*Could you please provide details on how much additional unemployment has resulted from these changes, or how unemployment levels have been affected compared to what would have occurred had the previous rules remained in place?*

*Additionally, I would like to know what specific pieces of information relating to employment levels were considered when setting the Official Cash Rate (OCR) under the previous government's set of rules, which are no longer considered under the current framework.*

**Response**

As you have noted, in 2023 the Minister of Finance issued a new Remit for the Monetary Policy Committee (MPC). More information on this can be found at the following link: <https://www.rbnz.govt.nz/hub/news/2023/12/monetary-policy-remit-amended>.

The new Remit removed an objective to “support maximum sustainable employment” (the ‘MSE’ objective), which had sat alongside the inflation objective.

It is important to note that, despite changes to the Remit, the MPC continues to have regard to outcomes in New Zealand’s labour market, such as employment, when formulating monetary policy. The MPC Remit, whilst targeting 1 to 3 percent inflation, also says to operate without unnecessary volatility in output, employment, interest rates, and the exchange rate. So, employment and output are still explicit considerations for the MPC.

Understanding developments in the labour market is important for monetary policy for a few reasons. Developments in the labour market (e.g. employment) provide useful insights into domestic inflationary pressure, volatility in the economy, and the transmission of monetary policy. We refer you to page 41 of the *Monetary Policy Handbook*, at the following link: <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/monetary-policy-handbook/monetary-policy-handbook-july-2024.pdf>.

In addition, the RBNZ has long operated under a ‘flexible inflation targeting’ framework (see chapter 2 of the *Monetary Policy Handbook* linked above). This means there is some flexibility within the inflation target in order to support the RBNZ’s ability to maintain broader stability in the economy. For example, the current MPC Remit requires the RBNZ to “seek to avoid unnecessary instability in output, employment, interest rates, and the exchange rate” while pursuing the inflation objective. “Employment” was added to this requirement at the same time the MSE objective was removed. The current MPC Remit is available online at the following link: <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/monetary-policy/about-monetary-policy/december-2023-monetary-policy-committee-remit.pdf>.

The MPC therefore continues to monitor developments in New Zealand’s labour market. The MPC is presented with a broad range of metrics on the labour market. The selection of indicators we monitor has not changed as a result of the removal of the MSE objective, and we have continued to invest in our monitoring of the labour market. This is discussed in the RBNZ Analytical Note *Assessing and communicating labour market indicators of inflationary pressure*, available at the following link: <https://www.rbnz.govt.nz/-/media/project/sites/rbnz/files/research/assessing-and-communicating-labour-market-indicators-of-inflationary-pressure.pdf>.

The ‘Labour market indicator suite’ from RBNZ’s November 2024 Monetary Policy Statement provides an example of the types of indicators the RBNZ monitors (see attached as Appendix 1 for ease of reference).

It is not possible to know with certainty how the decisions of the MPC would have played out under an alternative Remit. However, we consider that the removal of the MSE objective is unlikely to have had a material influence on the stance of monetary policy or on employment outcomes for the reasons set out above.

You have the right to seek an investigation and review by the Ombudsman of this Official Information Act response. Information about how to make a complaint is available at [www.ombudsman.parliament.nz](http://www.ombudsman.parliament.nz) or freephone 0800 802 602.

We intend to publish this response on the Reserve Bank’s website at: [www.rbnz.govt.nz/research-and-publications/official-information-requests](http://www.rbnz.govt.nz/research-and-publications/official-information-requests). We do this in order to improve transparency and provide an additional resource for anyone seeking information.

Yours sincerely

Government Relations  
Reserve Bank of New Zealand – Te Pūtea Matua

