



Office of Hon Bill English

Deputy Prime Minister
Minister of Finance
Minister Responsible for HNZC

- 9 JUN 2016

Daniel

fyi-request-4065-1036a551@requests.fyi.org.nz

Dear Daniel

Thank you for your Official Information Act requests, received on 26 May 2016. You requested the following:

“Access to all communications held between the Minister of Finance and the Reserve Bank of New Zealand in regards to changing the Official Cash Rate in any capacity whether it be by command, suggestion, ejusdem generis.”

The Reserve Bank of New Zealand has sole responsibility for setting the Official Cash Rate (OCR) and does not consult with, or take direction from myself as Minister of Finance on what level the OCR should be set at.

The Reserve Bank of New Zealand Act requires that price stability (the aim of monetary policy, which the OCR is used to implement) be defined in a specific and public contract, negotiated between the government and the Reserve Bank.

<http://www.rbnz.govt.nz/monetary-policy>

This agreement is called the Policy Targets Agreement (PTA). The current PTA, signed in September 2012, defines price stability as annual increases in the Consumers Price Index (CPI) of between 1 and 3 percent on average over the medium term, with a focus on keeping future average inflation near the 2 percent target midpoint. You can find the PTAs here <http://rbnz.govt.nz/monetary-policy/policy-targets-agreements>. This is the only communication carried out between the Bank and the government regarding how monetary policy and subsequently the OCR should be implemented.

The video *How the RBNZ makes monetary policy decisions* features Reserve Bank Governor Graeme Wheeler explaining how the Reserve Bank goes about setting the OCR. You can see the video here <http://rbnz.govt.nz/research-and-publications/videos/how-the-rbnz-makes-monetary-policy-decisions>.

There has been a long established protocol that the Minister of Finance is informed of the OCR decision by the Governor of the Reserve Bank on the morning of the release. The Bank releases the OCR decision at 9am on the release day.

The Reserve Bank is fully accountable for its judgements and actions in implementing monetary policy. You can read more about monetary policy accountability and monitoring here <http://rbnz.govt.nz/-/media/ReserveBank/Files/Monetary%20policy/About%20monetary%20policy/monetary%20policy%20accountability%20and%20monitoring.pdf>.

Under section 28(3) of the Official Information Act you have the right to seek a review of my response to your information request.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Bill English', with a stylized flourish at the end.

Hon Bill English
Minister of Finance