



Preview: RBNZ rate decision scheduled for Wednesday 13th April at 03:00BST/22:00EDT

- RBNZ is expected to hike the Official Cash Rate for a fourth consecutive time by 25bps to 1.25%
- Rhetoric remains hawkish and MPC members were finely balanced between a 25bps and 50bps hike at the last meeting
- Some expect more aggressive policy action after inflation rose to a 31-year high in Q4, although policymakers may stick to a 25bp move as they await CPI data for Q1 due next week

OVERVIEW RBNZ is expected to deliver a fourth consecutive rate hike at its meeting on Wednesday with OIS fully pricing in the central bank to increase the Official Cash Rate by 25bps to 1.25%, although some anticipate a greater move of 50bps to address the nation's high inflation.

RBNZ REMAINS HAWKISH: RBNZ has remained hawkish as it noted at the last meeting where it unsurprisingly hiked by 25bps and noted the OCR is expected to peak at a higher level than assumed in its November statement, while the committee affirmed it was willing to move the OCR in larger increments if required over the coming quarter and many members saw the decision on rates as finely balanced whether to move the OCR up by 25bps or 50bps. RBNZ also stated that more tightening is needed and it agreed to commence a gradual reduction of holdings under the LSAP programme with an intention to commence bond sales in July. Shortly after the last meeting, RBNZ Governor Orr commented that they cannot rule out 50bps hikes in the future and that rates need to rise significantly, but added that they will take their time step-by-step. Furthermore, Governor Orr said events in Ukraine add to the upside inflation risks and that they are particularly concerned about inflation, as well as stating that by getting on top of inflation pressures quickly through raising rates sooner, they aim to prevent the need for even higher rates in the future.

CALLS FOR MORE AGGRESSIVE ACTION: The hawkish rhetoric from the RBNZ has stoked calls for more aggressive policy action in which ANZ Bank recently adjusted its forecasts for the RBNZ to hike the OCR to 3.50% by April 2023 vs prev. view for the OCR to reach 3.00% by April 2023 and now sees 50bps rate increases in April and May. BNZ also now expects the RBNZ to hike the OCR by 50bps in May vs prev. forecasts for a 25bps increase "but, hesitantly, keep April at 25", while Westpac suggested that financial markets seem to be overpricing the extent of RBNZ rate hikes during the next couple of years and the NZIER shadow board is also divided regarding the need for a 50bps hike by the RBNZ this week.

DATA RELEASES Data releases have been mixed as New Zealand GDP for Q4 missed expectations with Q/Q growth at 3.0% vs. Exp. 3.2% (Prev. -3.7%) and Y/Y at 3.1% vs. Exp. 3.3% (Prev. -0.3%), although this was still a strong rebound from the contraction in Q3. In addition, CPI data for Q4 was at a 31-year high of 5.9% vs Exp. 5.7%, while the central bank will get to digest the latest CPI figures for Q1 next week which could influence policy makers to stick with a 25bp increase at the upcoming meeting as they await the inflation data.

ANNOUNCEMENT: The announcement is scheduled for 03:00BST/22:00EDT with the focus to be on the rate decision in which a 25bps increase may not provide much of a reaction given the wide expectations for a rate hike and outside calls for more aggressive action, while a move of 50bps will likely boost the currency. Focus will also be on the statement for clues of the central bank's intentions in which a continued hawkish tone could also underpin the currency.

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