



Preview: RBNZ Rate Decision Scheduled for Wednesday 13th July 2022 at 03:00BST/22:00EDT

- RBNZ is expected to hike the OCR by 50bps to 2.50% at its Monetary Policy Review
- RBNZ raised rates by 50bps at each of the last two meetings and stuck to hawkish rhetoric
- Disappointing GDP data for Q1 and lack of press conference after the meeting suggests it is unlikely the central bank will switch gears to a more aggressive move

OVERVIEW: RBNZ are expected to increase rates for a 6th consecutive occasion at its MPR with the median forecasts for the central bank to hike the Official Cash Rate by another 50bps to 2.50%.

PRIOR ACTIONS AND RHETORIC: The central bank has conducted back-to-back 50bps rate increases at the past two meetings and was even more hawkish during the last one as it lifted its OCR forecasts, which it sees peaking at nearly 4% in Q2 next year, and increased its view on CPI. Additionally, the central bank suggested rates are to surpass neutral as monetary conditions will need to act as a constraint on demand and that the risk of too little too late is worse than too much too soon. Furthermore, Governor Orr said the RBNZ is resolute in its commitment to price stability and very focused on restraining aggregate demand, as well as stating that he range of estimates for the neutral rate is around 2% -3% and that they need rates above 3%. Other officials have also stuck to the hawkish script, Deputy Governor Hawkesby suggested a need to keep inflation expectations anchored and for demand to moderate, while Chief Economist Conway said inflation expectations had increased so much, as well as noting that the RBNZ signalled 50bps rate increases to come and did not seriously consider a 75bps move.

LATEST GDP DATA DISAPPOINTED: Since the last gathering, Q1 GDP was weaker than expected as it showed a surprise QQ contraction at -0.2% vs. exp. 0.6% (prev. 3.0%) and GDP YY also disappointed at 1.2% vs exp. 2.4% (prev. 3.1%) which was impacted by a 14.3% quarterly decline in exports. However, this is not expected to derail the central bank from its hiking path, but suggests a more aggressive pace of rate increases is unwarranted with both ASB Bank and the Bank of New Zealand expecting the RBNZ to maintain the current pace of 50bps hikes for July and August; similarly, the NZIER Shadow Board reiterated its view for a 50bps increase at this meeting.

ANNOUNCEMENT: The announcement is scheduled for Wednesday at 03:00BST/22:00EDT with the initial focus to be on the magnitude of the move. Participants will also digest the statement from the central bank for clues around the rate path. Note, the meeting will not be followed by a press conference which arguably supports the case for refraining from deviating from the current hiking pace.

Disclaimer

The information contained within this document has been prepared and issued by Newsquawk Voice Limited ("Newsquawk") on the basis of publicly available information and other sources believed to be reliable. Whilst all reasonable care is taken to ensure that the facts stated are accurate, neither Newsquawk nor any of its directors, officers or employees shall be in any way held responsible for its content or your use of it. Neither the provision of any content herein nor anything on our website or any other media we use is intended to, and should not be construed as, providing advice and/or enticing an offer or solicitation to invest in, buy or sell securities or other financial instruments.